Roll No. ....

MMS/MX   6803

Portfolio Management
Paper: FM-407

Time: Three Hours]   [Maximum Marks: 70

Note:- Attempt **FIVE** questions in all. Question No.1 is compulsory.

All questions carry equal marks.

1.
   (i) What is an asset beta?
   (ii) Diversifiable risk
   (iii) What is bench marking?
   (iv) Performance Index.
   (v) Value Investing.
   (vi) Why investors invest in mutual funds?
   (vii) How return per unit of risk is ca1culated?   2x7=14

2. Explain how can diversification reduce risk of a portfolio of assets to below the weighted average of the risks of individual assets.   14

3. The data for three stocks are given. The data are obtained from the correlating returns on these stocks with the returns on the market index:

Stock	α_i	β_i	Residual variance (%) σ_{ei}^2
1	- 2.1	1.6	14
2	1.8	0.4	8
3	1.2	1.3	18

Which single stock would an investor prefer to own from a risk-return view point if the market index were expected to have a return of 15 per cent and a variance of return of 20 per cent?   14

4. What are the advantages of APT over CAPM? Explain in detail.   14

5. Define efficient frontier. Distinguish between efficient portfolio and feasible portfolio.   14

6. What is link between SML, CML, and characteristic line?   14

7. Contrast the various formula plans available to an investor for portfolio revision.   14

8. Describe the different situations where evaluation of performance of portfolios becomes necessary. Also discuss the methods to evaluate the performance of portfolios.   14