MMS/M-16
PORTFOLIO MANAGEMENT
PAPER-FM-406

Time Allowed: 3 Hours   Maximum Marks: 70

Note: Attempt any eight questions from part-A. And any three Questions from part-B.

Part-A

1. Explain efficient frontier with possibilities of risk-free lending and borrowing.
2. What is the difference between systematic risk and unsystematic risk?
3. What are the benchmark portfolios?
4. How do the utility curves for risk loving, risk neutral and risk averse investors?
5. How do exchange traded-funds (ETFs) differ from mutual funds?
6. What is the kink between SML and CML?
7. How do you manage portfolios during recession?
8. How is realized returns adjusted for risk so that investment performance may be judged on a risk-adjusted basis?
9. How the objective of market timings is achieved in portfolio management.
10. What is NAV? How is it computed?

Part-B

11. What do you understand by portfolio management? Explain how the expected return and risk of risk securities are usually calculated.
12. Discuss the Markowitz Theory of portfolio selection. How does Markowitz Theory help in planning an investor's portfolio?
13. The data for three stocks are given. The data are obtained from correlating returns on these stocks with the returns on the market index.

Stock		B	Residual variance
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 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. "Formula plans aid the investor in overcoming his emotional involvement with timing of purchase and sales of stock." Comment.

15. How does the Arbitrage Pricing Theory (APT) differ from the CAPM? Which theory, in your view, holds better position to explain the expected returns on stocks? Discuss in detail.