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Name…………………………..

Reg. No……………………..

**THIRD SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2020**

(CBCSS-PG)

**CC19P MCM3 E01 - INVESTMENT MANAGEMENT**

(Commerce)

(2019 Admission Regular)

Time : Three Hours                                                                     Maximum : 30 Weightage

**SECTION A**

Answer any *four* questions. Each question carries 2 weightage.

1. What do you mean by hedging? Is it connected to speculation?

2. Distinguish between callable bond and puttable bond.

3. What do you mean by behaviour finance?

4. Explain the double top formation.

5. Briefly explain the concept of efficient portfolio.

6. Write about individual and interactive risk of a portfolio.

7. Explain Treynor model of a portfolio.

**(4 x 2 = 8 Weightage)**

**SECTION – B**

Answer any *four* questions. Each question carries 3 weightage.

8. Elaborate about ethical investment. How does it affect the value of a firm?

9. What do you mean by bond immunization? What are its strategies?

10. What is head and shoulder analysis? What are the possible interpretations derived from it?

11. The share of Cube International Ltd is currently selling for Rs. 65. The company is expected to pay a dividend of Rs. 2.50 on the share at the end of the year. It is reliably estimated that the share will be sold for Rs. 578 at the end of the year.

    a. Assuming that the dividends and price forecasts are accurate, would you buy the share to hold it for one year, if the required rate of return is 12%.

    b. Given the current price of Rs. 65 and the expected dividend of Rs. 2.50, what would be the price have to be at the end of the year to justify the purchase of share today, if the required rate is 15%.

12. Distinguish between Capital Market Line and Security Market Line.

13. What do you mean by active and passive investment strategies in relation to portfolio management?

14. The market of a security is Rs. 40 and its expected rate of return is 13%. The risk free rate is 7% and the market risk premium is 8%. What will be the market price of the security if its covariance with the market portfolio doubles (and all other variables remain unchanged)? Assume that the stock is expected to pay a constant dividend in perpetuity.

**(4 x 3 = 12 Weightage)**

## SECTION – C

Answer any *two* questions. Each question carries 5 weightage.

15. Which are the major trends and patterns formed in technical security analysis? How do you interpret each of these?

16. The rate of return of Georgia Ltd for the last five years is 25%. It is assumed that this will continue for the next five years and after that the rate of return will have a growth rate of 10% indefinitely. The dividend paid for the current year is Rs. 25. The required rate of return is 20%. The price of the stock is Rs. 423 now. Estimate the stock price under multiple growth model.

17. Stock - Premier and Stock – Penta have the following returns for the past two years.

| Years | Return (%) | |
|---|---|---|
| | **Stock - Premier** | **Stock - Penta** |
| 2014 | 12 | 14 |
| 2015 | 18 | 12 |

(a) What is the expected return on portfolio made up of 60% of Premier and 40% of Penta?

(b) Find out the standard deviation of each stock.

(c) What is the covariance and coefficient of correlation between Premier and Penta?

(d) What is the portfolio risk of a portfolio which is made up of 60% Premier and 40% of Penta?

18. Write a note on portfolio evaluation. Which are the popular mathematical measures used for it? Explain with help of equations and examples.

**(2 x 5 = 10 Weightage)**

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