

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

IV TRIMESTER (Batch 2016-18)

MID TERM EXAMINATIONS

Course Name	Investment Management	Course Code	FIN404
Max. Time	1 hour	Max. Marks	20 MM

INSTRUCTIONS: Attempt all Questions

Q1. Which of the following portfolio constitute the efficient set, with risk aversion 2 and why? (5 marks)

Portfolio	Proportion of fund	Expected Return	Variability	Utility score
1	0.3	.070	0	-
2	0.4	.078	.022	-
3	0.5	.086	.044	-
4	0.6	.094	.066	-
5	0.7	.102	.088	-
6	0.8	.110	.110	-
7	0.9	.118	.132	-

Q2. Using a different set of assumptions, Varma and Barua (2006) estimated the equity risk premium to be 13.45% and standard deviation of about 25% for the post reform period. Based on the Sharpe ratio of the equity market, suggest investment opportunity for such portfolios. (5 marks)

Q3. You estimate that a passive portfolio, that is, one invested in a risky portfolio that mimics the Sensex Index, yield an expected return of 12% and with standard deviation of 22%. You manage an active portfolio with expected return of 18% and standard deviation of 26%. The risk free is 8%. Draw the CML and CAL of the respective funds and identify which fund to invest? (7 marks)

Q4. Suppose that you have a chance of 0.7 of doubling your investment and 0.3 chance of halving your investment in a year. What is the standard deviation of the rate of return on this investment? (3 marks)