JAIPURIA
INSTITUTE OF MANAGEMENT
LUCKNOW NOIDA JAIPUR INDORE

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

POST GRADUATE DIPLOMA IN MANAGEMENT

V Trimester (Batch 2018-20)

END TERM EXAMINATIONS

Course Name	**Investment Management**	Course Code	FIN201
Max. Time	2 hours	Max. Marks	40

Instructions: ATTEMPT ALL QUESTIONS. Be precise and specific in your answers.

Q1. . Demonstrate the process to select bonds or bond funds in both Rising/ declining interest rates scenarios. Below are the characteristics of one Long term and One short term bond fund, you are required to evaluate their risk parameters such as Average Maturity, Modified duration etc. and calculate expected change in prices in both funds in case interest rates increased by 50 bps (0.5%). (10 marks)

HDFC Ultra Short Term Fund

Portfolio Aggregates

	Fund	**1Y High**	**1Y Low**	**Category**
Number of Securities	34	34	20	39
Modified Duration (yrs)	0.32	0.32	0.24	0.33
Average Maturity (yrs)	0.36	0.36	0.28	0.39
Yield to Maturity (%)	7.98	8.14	7.47	8.49

ICICI Prudential Long Term Bond Fund

Portfolio Aggregates

	Fund	**1Y High**	**1Y Low**	**Category**
Number of Securities	10	29	9	7
Modified Duration (yrs)	6.85	7.16	4.88	8.57
Average Maturity (yrs)	10.57	11.20	7.24	18.05
Yield to Maturity (%)	8.13	8.35	7.66	7.92

Q2. From the above Mutual Funds data, 5. Determine the duration matching to immune the interest rate risk, in case an investor has the investment horizon of 5 years. Suggest exact weightages to be given to each of the above funds. Also, outline the relevant points defending your opinion. (5 marks)

Q3. Ridhima, is an analyst at Prime Securities. Her supervisor has asked her to develop a capital market expectations outlook, including expected return on Indian equities, In order to develop this outlook, her firm's research department has provided her with the following information:

Indicator

Expected dividend yield: 1.75%

Expected inflation rate: 1.5%

Real growth rate: 4%

Percentage change in number of shares outstanding: 0.5%

Percentage change in P/E: -0.75%

Using the above information estimate the expected return in Indian equities and analyze the results. (5 marks)

Q4. Demonstrate with an example how to create the following strategies using Options:

(i) A Bull spread using Calls.

(ii) A Strangle.

(b) For each of the above trading strategies, estimate the maximum potential profits and losses associated with each of these strategies.

(c) Determine, assess and justify the formula for the put–call parity. (10 marks)

Q5. Assess and Outline the important practical considerations related to management of currency exposure through overlay Programme and Active currency management. Also, analyze it with one reason how a carry trade like borrowing in "JPY" and investing in "INR" can lead to high risk and returns scenario for a US based investor. (10 marks)