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OMBA/M-20: 16267**MBA FM-402: Portfolio Management (upto 2017-18)**

Time: 3 hrs]

[Max. Marks: 60

Note: Attempt Five questions in all. Question no. 1 is compulsory and each part of this carries 4 marks. Remaining questions are of 10 marks each.

- Q. 1 (a) Why should not we put all the eggs in a single basket?
 (b) How important is asset allocation decision?
 (c) Why are investor's utility curves important in portfolio theory?
 (d) What is the difference between leveraged and unlevered portfolio?
 (e) Briefly explain the functions of asset management companies.
- Q. 2 How will you measure the risk of an asset, if it is held as a single security and how this measure will change if the same asset is held as a part of bigger portfolio? Explain the concept of diversification with a suitable example.
- Q. 3 Discuss the process and principles employed in setting up the income portfolio.
- Q. 4 Consider a portfolio of four securities with the following characteristics:

Security	Weighting	α_i	β_i	Residual variance(σ_{ei}^2)
1	0.2	2.0	1.2	320
2	0.3	1.7	0.8	450
3	0.1	-0.8	1.6	270
4	0.4	1.2	1.3	180

Calculate the return and risk of the portfolio under single index model, if the return on market index is 16.4 per cent and the standard deviation of return on market index is 14 per cent.

- Q. 5 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.
- Q. 6 What are different perspectives that can be adopted for the evaluation of risk adjusted performance of the investment activity? Discuss in detail Treynor and Jensen ratio.
- Q. 7 What factors necessitate portfolio revision? Discuss formula plans with examples.
- Q. 8 Mutual funds are the common and dominant name for open-end investment companies. Discuss.