**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**FOURTH TRIMESTER (Batch 2021-23)**

**END TERM EXAMINATION, NOV-2022**

|  |  |  |  |
| --- | --- | --- | --- |
| Course Name | **Investment Management** | Course Code | **40222** |
| Max. Time | **2 hours** | Max. Marks | **40** |

**INSTRUCTIONS:**

*1. There are five questions in the question paper.*

*2. All questions are compulsory.*

*3. Students are supposed to save their answers in an excel workbook with their names and Roll nos.*

*4. Each workbook will comprise five worksheets named Ans 1, Ans 2, Ans 3, and Ans 4 & Ans 5*

*5. The exam will be a closed book examination. Students can use scientific calculators, financial calculators, and MS Excel. Internet & Intranet is NOT allowed for the students.*

*6. Please state your assumptions clearly (if any) for each question.*

**Questions.1 (8 Marks)**

Refer to the “Data set” in excel file. It consists of daily prices of 5 stocks, NIFTY 200 and a 10 Year GOI Bond yield.

Comment on the:

Risk, Return, Sharpe ratio of the equity assets

**Questions.2 (8 Marks)**

Refer to the “Data set” in excel file. It consists of daily prices of 5 stocks, NIFTY 200 and a 10 Year GOI Bond yield.

Comment on the: Market and Unique Risk of all Individual Stocks.

**Questions.3 (12 Marks)**

Refer to the “Data set” in excel file. It consists of daily prices of 5 stocks, NIFTY 200 and a 10 Year GOI Bond yield.

If you want to make a portfolio of any three stocks, which stocks will you choose?

If your Risk Aversion score is 3, how will you divide your investments among these three chosen stocks and GOI Bond

**Questions.4 (7 Marks)**

Feng Co. is expected to pay a $21.00 dividend next year. The dividend will decline by 10 percent annually for the following three years. In Year 5, Feng will sell off assets worth $100 per share. The Year 5 dividend, which includes a distribution of some of the proceeds of the asset sale, is expected to be $60. In year 6, we expect the dividend to decrease to $40. We expect that this dividend will be maintained at $40 for one additional year. It is then expected to grow by 5 percent annually thereafter. If the required rate of return is 12 percent, what is the intrinsic value of one share of Feng?

**Questions.5 (5 Marks )**

Following are two bonds A and B. They have the following characteristics:

|  |  |  |
| --- | --- | --- |
|  | Bond A | Bond B |
| Face Value | Rs. 100 | Rs. 100 |
| Coupon Rate | 14% | 14% |
| Current market price | Rs. 100 | Rs. 100 |
| Term to maturity | 4 years | 7 years |
| Coupon payments | Annually | Annually |

1. Compute the YTM of Bonds A and B (1 Mark)
2. If the interest rates in the economy falls by 1 percentage point, what would be the new market price of the bonds? (2 Marks)
3. What is the percentage change in the price of two bonds? What did you notice regarding the percentage price change in the case of bonds A and B identical in all respects except term to maturity? (2 Marks)