Q.P. Code:00003587

INVESTMENT MANAGEMENT

[Time: 3.00 Hrs.] **[Marks: 80]**

N.B. : (1) Q. no. **1** is **compulsory**.
(2) Attempt any **3** questions from question no. **2 to 5**, each carrying **20** marks.
(3) Figures to the right indicate full marks.
(4) Working notes should form the part of your answer.
(5) Use of **simple calculator** is **allowed**.

1 a) Select appropriate answer from alternatives given below and rewrite the sentences: 10

1) Asset allocation is the process of dividing an investment portfolio among different asset classes such as stocks, bonds, and cash in order to achieve ________.
   i. Maximum return
   ii. Minimum risk
   iii. Diversification

2. A mutual fund that aims to replicate the performance of a specific market index, such as the S&P 500, is called a (n) ________ fund.
   iv. Active
   v. Index
   vi. Hedge

3. Investing in a combination of securities with low or negative correlations to reduce portfolio risk is known as ________.
   i. Market timing
   ii. Sector rotation
   iii. Diversification

4. The measure of how much an investment's return varies from its average return over a period of time is called ________.
   i. Standard deviation
   ii. Sharpe ratio
   iii. Beta

5. The process of periodically buying and selling assets within a portfolio to maintain desired asset allocation is known as ________.
   i. Market timing
   ii. Rebalancing
   iii. Tactical asset allocation

6. A strategy where an investor borrows money at a low interest rate to invest in an asset that is expected to provide a higher return is known as ________.

i. Arbitrage
ii. Leverage
iii. Hedging

7. The risk that an entire market or market segment will decline in value due to factors affecting the market as a whole is called ________.
i. Systematic risk
ii. Unsystematic risk
iii. Credit risk

8. The ratio of the expected return on an investment to the amount of risk undertaken to achieve that return is known as the ________.
i. Sharpe ratio
ii. Beta coefficient
iii. Alpha

9. A type of investment fund that pools money from multiple investors to invest in a diversified portfolio of stocks, bonds, or other securities is called a(n) ________ fund.
i. Exchange-Traded
ii. Mutual
iii. Hedge

10. An investment strategy that involves holding a portfolio of securities designed to perform well during both favorable and unfavorable market conditions is known as ________.
i. Defensive investing
ii. Value investing
iii. Balanced investing

1. (b) Select whether following statements are **True** or **False** :

a) Alpha measures the performance of an investment relative to a benchmark index.

b) Market timing involves buying and selling securities based on predictions of future market movements.

c) The Sharpe ratio measures the risk-adjusted return of an investment relative to its volatility.

d) A bear market is characterized by rising stock prices and investor optimism.

e) Dollar-cost averaging involves investing a fixed amount of money in a particular investment at regular intervals, regardless of the share price.

f) Active management typically involves trying to outperform the market through frequent buying and selling of securities.

g) An ETF (Exchange-Traded Fund) is a type of investment fund traded on stock exchanges, much like stocks.

h) Beta measures the sensitivity of an investment's returns to changes in the overall market.

i) The efficient market hypothesis suggests that it is impossible to consistently outperform the market due to the fact that all relevant information is already reflected in asset prices.

j) Diversification refers to the strategy of spreading investments across different assets to reduce risk.

Q2.A Describe the components of financial markets.
10

Q2B. Elaborate on the current state of the Indian financial system.
5

Q2C. Integration in the financial context.
5

Q3.A .What is the significance of financial markets in promoting economic stability, and how do they contribute to the efficient allocation of capital in the economy?
10

Q3B. Elaborate the differences amongst Money Markets and Capital Markets.
5

Q3C. Detail the classification of shares.
5

Q4.A Elucidate the functionality of all money market instruments.
10

Q4B. Elaborate on advantages and disadvantages of Call Money in detail.
5

Q4C. How does the Discount and Financial House of India contribute to and shape the dynamics of the Indian money market with its distinct role and significance?
5

Q5A .Elucidate the key components and intricacies inherent in foreign exchange transactions?
10

Q5B Distinguish between Devaluation and Depreciation.
5

Q5C Enumerate why Exchange rates play a significant role in balancing the economic system.
5