**Capital Market and Portfolio Management**

**April 2022 Examination**

**Q1. In order to maximize the returns from any investment decision, it’s essential that such decision is taken after adequate analysis. This analysis can be further classified as fundamental analysis or technical analysis.**

**Discuss the basic difference between these two techniques. Also, showcase other essential points which can convey in an impactful manner that both the types of analysis i.e. fundamental analysis and technical analysis should be taken care of while taking investment decision. (10 Marks)**

**SOLUTION:**

**Introduction:**

A capital market is a market for buying and selling securities such as stocks, bonds, etc., between a client and a seller. The individuals in a capital market are each people and institution. The capital market comprises number one markets and secondary markets. While the primary markets are the markets for new troubles or the preliminary public offers (IPOs) of shares and securities, secondary markets previously traded securities. Capital markets may also be classified into the bond and inventory markets based totally on securities traded Its Half solved only

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**Q2. Mr. Alok is interested to invest Rs 1 lacs in the securities market. He selected two securities A and B for this purpose**

**The risk return profile of these securities are as follows-**

|  |  |  |
| --- | --- | --- |
| **Security**  | **Risk**  | **Expected return**  |
| **A**  | **10%**  | **12 %**  |
| **B**  | **18 %**  | **20 %**  |

**Coefficient of correlation between A and B is 0.15**

**If he decides to invest 50 % of his fund in A and rest 50% in B. What if, he decides to invest 75 % of his fund in A and rest 25% in B, will the risk and return associated to the portfolio will change? You are required to calculate the portfolio return and risk to be calculated by Mr Alok for his investment. (10 Marks)**

**SOLUTION:**

**Introduction:**

A Portfolio return implies the benefit or loss realized through a funding portfolio containing several varieties of investments. Return of portfolio or portfolio return is defined as the benefit or loss that would stand up by investing in a funding portfolio, a mixture of a couple of or unique forms of investments. Widespread deviation measures the variation in the return of an investment from the portfolio's anticipated return. It accordingly suggests the riskiness of the security. A preferred deviation is a statistical tool used to degree the dispersion of a provided dataset to the

**Q3. Suppose you are fortunate enough to receive an inheritance of $1 million from your relative but with a specific condition that you should invest the amount intelligently in Capital market securities.**

**a. Discuss any five Capital market security Instruments, you would prefer to invest in (5 Marks)**

**SOLUTION:**

**Introduction:**

Capital market is a market for numerous financial instruments. These instruments are in contracts that give rise to a financial asset for an entity and a financial liability for some other entity.

**Qb. Mention your understanding in relation to the various factors affecting investment decision process in the above context (5 Marks)**

**Introduction:**

Indian stock market is the oldest inventory marketplace in Asia. Bombay stock trade (BSE) became set up in 1875. Then the Indian inventory market has grown extraordinarily. The stock market's growth depends on its individuals, and the traders ought to be financially literate approximately the stock marketplace and factors that affect its boom. Before investing in the

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