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| **SESSION** | **MARCH 2024** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **III** |
| **COURSE CODE & NAME** | **DFIN301 – SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT** |
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**Assignment Set – 1**

**1. Explain the characteristics of investment. What are the common mistakes made by investors in investment management?**

**Ans 1.**

**Characteristics of investment**

The term "investment" refers to the act of allocating resources, typically money, in the hope of earning a profits. The main features of an investment are:

**Return and Risk:** The investment process is inherently risky and carries certain risks that is the risk of losing a portion or all of the initial investment. Return is the profit or loss that is incurred on the investment over time. Investors seek an equilibrium where the potential return is greater

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**2. Discuss the following:**

**a. Primary market and Secondary market**

**b. Money market and Capital market**

**Ans 2.**

**a. Primary market and Secondary market**

The main market is where new securities are purchased and sold in the very first instance. This is the place where businesses government, corporations, or other organizations raise capital by offering new bonds or stocks to investors. In the main marketplace, the securities will be offered direct by issuers directly to investors, typically through processes like the initial public offering (IPOs) or bonds issued. This market has become essential for governments and businesses to

**3. The distribution of returns for share P and the market portfolio M is given below:**

|  |  |  |
| --- | --- | --- |
| **Probability** | **Return(%)** | |
| **P** | **M** |
| **0.3** | **10%** | **15%** |
| **0.2** | **20%** | **25%** |
| **0.2** | **-10%** | **-5%** |
| **0.3** | **30%** | **20%** |

**Ans 3.**

Finance is concerned with the return distribution for a particular share (Share P) and markets portfolio (M). The table gives us the likelihood of each return, as well as the percentage of return that corresponds to it.

**Step 1: Understand the table**

The table lists the probabilities of each return that occurs for Share P as well as Portfolio M. Portfolio M. The probabilities are 1 which is the minimum requirement for the probability

**Assignment Set – 2**

**4. Compare the fundamental and technical analysis techniques of security analysis.**

**Ans 4.**

Technical and fundamental analysis comprise the two principal methods employed in security analysis to assess and predict the value of financial assets, however they differ in methods and the underlying principles.

Fundamental analysis is a method of evaluating the intrinsic value of a security by looking at related financial, economic as well as other qualitative and quantitative aspects. This method

**5. Emma invested 50% of her portfolio in a Real Estate Investment Trust (REIT) with a return of 12% and the remaining 50% in a government bond with a return of 4%. Calculate the expected return for Emma's portfolio. 10**

**Ans 5.**

To determine the expected return of Emma's portfolio, we calculate an average weighted of the returns of each investment within the portfolio. In the case that Emma has put 50% of the portfolio into an Real Estate Investment Trust (REIT) which has an annual return of 12% and the other 50 percent in a bond issued by the government that yields 4.4%, we could apply the

**6. Discuss the implications of Efficient Market Hypothesis (EMH) for Security Analysis and Portfolio Management.**

**Ans 6.**

The Efficient Market Hypothesis (EMH) is a key theory in finance, which asserts that the financial market is "informationally effective," which means that the asset prices reflect all information available at any time. This theory has important implications for the analysis of security risks and portfolio management, which affects how investors view the market and build