

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE
DEPARTMENT OF FINANCE
BACHELOR OF COMMERCE HONOURS DEGREE IN FINANCE
PART IV 2ND SEMESTER SUPPLEMENTARY EXAMINATION – OCTOBER 2009
INSTITUTIONAL INVESTMENT MANAGEMENT [CFI 4203]
TIME ALLOWED: 3 HOURS

INSTRUCTIONS

1. Answer ANY FOUR Questions

Question One

- a) Discuss the following steps in portfolio management:
- (i) Articulation of investment policy (5)
 - (ii) Portfolio construction (5)
 - (iii) Portfolio revision (5)
 - (iii) Evaluation and Reporting (5)
- (b) What is multi –managing in portfolio management? Why would owners of funds employ the multi –managing approach (5)

Question Two

- (a) Define Indexing and explain the conditions under which it is used (5)
- (b) A portfolio manager is worried that his portfolio worth \$70,000 might lose value. The S& P Index is at 2850 and S&P index futures are available 2920. Each index point is worth \$25 and available contracts are for 6 months.
- (i) If the market declines by 9% in 6 months time , clearly show the net gain or loss to the portfolio if the portfolio manager employs a futures hedge. (6)
 - (ii) If the portfolio manager expects an additional inflow of \$10,000 in the near future, what action is he likely to take assuming that the deposit should be invested in 3 equity counters. (4)
- (c) Differentiate the Top Down approach from the Bottom Up approach (10)

Question Three

- (a) What 5 constraints does a portfolio manager face in the process of managing clients funds? (10)
- (b) Explain Horizon Analysis . How useful is it to the portfolio manager? (5)

- (c) You are given the following information about Portfolio A.
Average portfolio return = 10.16%, Standard deviation is 8.59%, Beta is 1.1, risk free rate is 9%. The Industrial Index return is 14.6% while the market risk is 6%. The bench mark return of this portfolio is 9.8%.
- (i) Calculate the reward to Volatility ratio and Sharpe ratio . What do they signify? (6)
- (ii) Explain the Core Satelite portfolio management strategy. (4)

Question Four

- (a) Define the following terms :
- (i) Portfolio Trading (5)
- (ii) Portfolio immunization (5)
- (iii) Strategic Asset Allocation (5)
- (iv) Anomaly Switch (5)
- (v) Stratified Indexing (5)

Question Five

- (a) 'The Reserve Bank was justified when it closed most Asset Management companies during he period 2003 -2004' Discuss (10)
- (b) What are the implications to Asset managers of the current multi currency system being used in Zimbabwe? (5)
- (c) Critically assess the Zimbabwe Stock Exchange in terms of :
- (i) Operational Efficiency (5)
- (ii) Allocative Efficiency (5)