



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

**BACHELOR OF COMMERCE HONOURS DEGREE IN BANKING &
FINANCE**

INVESTMENT ANALYSIS & PORTFLIO MANAGEMENT

HBAF 203

PART 2 SEMESTER 1

Total Marks [100]

DATE: APRIL 2024

Time: 3 Hours

INSTRUCTIONS

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other *three (3)*
3. Each question carries *25 marks*
4. Start each question on a new page

Question 1

Compare and contrast the assumption and principles underlying Fundamental security Analysis and Technical analysis. In your own view which is the approach more relevant to the current Zimbabwean context? Which approach could have reduced investor losses in the financial sector contagion currently unfolding; give practical examples? [25]

Question 2

- (a) Distinguish amongst investment, speculation and arbitrage. [8]
(b) Examine the implications of the Efficient Market Hypothesis (EMH)
(i) For technical analysis
(ii) For money management. [9]
(c) With reference to the Zimbabwe Stock Exchange, provide brief explanation of the significance of the following anomaly in market analysis:
(i) The Neglected Firm Effect. [8]

Question 3

- (a) Determine the convexity of a 3-year Bond, \$1 000 par value, carrying a 12 percent coupon and a 9 percent yield-to-maturity (YTM). [8 marks]
(b) A bond for Giga plc has the following characteristics:
Term-to-maturity 18 years
Coupon 12%
YTM 9%
Price \$126.50
Modified Duration 8.38 (D*)
Convexity 107.70
Estimate the direction of change in the bond's price if the yield to maturity fell to 6 percent. Briefly explain the significance of your results. [10]
(c) Is there any scope for establishing a bond market in Zimbabwe? Give reasons for your answer. [7]

Question 4

Discuss the significance of conducting industry life cycle analysis and business cycle analysis when analyzing an economy's industries. [25]

Question 5

1. Discuss any three strategies that active portfolio managers can use to add value to their Portfolios. [13]
2. Explain the 4 basic techniques that can be used to construct a passive index equity portfolio. [12]

Question 6

Discuss the objectives and constraints that the portfolio manager must consider when managing the portfolio an individual investor and institutional investors. [25]

END OF PAPER