



(*Knowledge for Development*)
KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER

SPECIAL/SUPPLEMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE : BCF 411./BCF412

COURSE TITLE : ASSET MANAGEMENT.

DATE: 15TH NOVEMBER,2022

TIME: 11.00AM – 1.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 HOURS

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over. ►

SECTION A
QUESTION ONE.

- (a) You are employed as an Investment Advisor for Apex Asset and Portfolio Managers based in Nairobi Kenya. A 59 year old client approaches you for professional advice. From talking to him you find out that he is planning on withdrawing all his money out of his company's retirement plan and investing it in Bond mutual funds and Money Market Funds. What advice should you give him? **(6 Marks).**

- (b) Consider the following information in respect of portfolios X, Y, Z and N.S.E.

Portfolio	Beta (β)	Mean Return (%)	Standard Deviation σ (%)
X	0.90	14	20
Y	1.10	18	22
Z	1.60	12	24
N.S.E	1.00	20	26

The Mean Risk Free rate was 12%.

Required.

Assess the portfolios' performance using:

- (i) Sharpe Measure. - **(4 Marks).**
(ii) Treynor Measure. - **(4 Marks).**
(iii) Jensen Measure. - **(4 Marks).**
(iv) MM (M^2). - **(4 Marks).**

- (c) Consider the following information about JK Fund Portfolio is as follows:

Stock	Shares	Price (Kshs)
A	1,800,000	36
B	2,780,000	44
C	3,900,000	28
D	5,800,000	34

In addition to the above, the fund has in its portfolio a long-term debt of Kshs 14 Million, Accrued Interest totaling Kshs 11 Million, Accrued Income of Kshs 7.5 Million and lastly it owes its fund managers Kshs 2.8 Million.

Required.

- Calculate the Fund's Net Asset value. - **(4 Marks).**
(d) Distinguish between Sovereign Wealth Funds and Hedge Funds. - **(4 Marks).**

QUESTION TWO

- (a) You wish to invest your savings in a mutual fund in a variety of securities. You decide to approach XY Ltd, a Mutual Fund to invest on your behalf. What functions and benefits would you expect of the Mutual Fund for you? (10 Marks).

- (b) An Investor's Portfolio currently is worth Kshs 120 Million. During the year, the investor sells 11,000 shares of ABC Ltd. at a price of Shs 100 per share and 50,000 shares of XYZ Ltd. at a price of Shs 60 per share. The proceeds are used to buy 9,000 shares of HP Ltd. At Kshs 250 per share.

Required.

- (i) What is the portfolio turnover rate? (5 Marks).
- (ii) If the shares of ABC Ltd originally were purchased for Shs.85 each and those in XYZ Ltd were purchased for Shs 28, and the investor's tax rate on capital gains income is 30%, how much extra will the investor owe on this year's taxes as a result of these transactions. (5 Marks).

QUESTION THREE.

- (a) Distinguish between Mutual Funds, Hedge Funds, Sovereign Funds and Private Equity Funds in terms of risk and expected return. (10 Marks).
- (b) Mr Njoroge Charles has just secured a Mortgage loan for Kshs 2 Million whose terms of payment are as under:
- Payment period - 30 years.
 - Annual Interest rate - 12%.

Required.

- (i) Compute the Monthly payment Mr Njoroge will be making for this loan. (4 Marks).
- (ii) Amortize the mortgage for the first one year. (6 Marks).

QUESTION FOUR.

Write Short notes on the following:

- (a) Portfolio Evaluation. (5 Marks).
- (b) Scope of Asset Management Industry. (5 Marks).
- (c) REITs. (5 Marks).
- (d) Technical Analysis. (5 Marks).

QUESTION FIVE.

- (a). State and explain the factors to consider in the investment choice and selection of fixed income securities. (10 Marks).
- (b) Identify and explain the major challenges faced by asset managers worldwide as they seek to maximize investor returns. (10 Marks).