

Q.1 Explain the role of Mutual Funds in the development of capital markets in Pakistan.

Q.2 The following table gives an analyst's expected return on two stocks for particular market returns:

| Market Returns | Aggressive Stock | Defensive Stock |
|----------------|------------------|-----------------|
| 6 % | 2 % | 8 % |
| 20 % | 30 % | 16 % |

- A. What are the betas for the two stocks?
- B. What is the expected return on each stock if the market return is equally likely to be 6 % or 20 %?
- C. If the risk-free rate is 7 % and the market return is likely to be 6 % or 20 %, what is the SML?
- D. What are the alphas of the two stocks?

- Q.3
- A. What is an efficient market?
 - B. Distinguish between the three levels of market efficiency.

- Q.4
- A. What is listing?
 - B. Explain any 5 advantages of listing?
 - C. Explain any 3 demerits of listing?

Q.4 Define and explain the following with examples:

- A. Total return over a period
- B. Return relative
- C. Cumulative Wealth Index
- D. Arithmetic mean return
- E. Geometric mean return

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