INSTITUTE OF ACTUARIAL & QUANTITATIVE STUDIES

Subject: PTSA

Chapter: Unit 2 & 4

Category: Assignment 2

1. Write a brief on the different types of institutional investors.

2. Explain the distinguishing characteristics of different types of investors and how does it vary in each type of investor.

3. List down the factors that need to be taken into account when constructing a portfolio for the client that meets the objectives.

4. Company A is a mining company with operations in several countries. Company B is a technology company providing video conferencing services. Company C is a consumer company, an apparel producer, with facilities in a number of Latin American and Asian countries. Which of the companies belongs to an industry most likely to be affected by environmental factors that analysts should evaluate?

A. Company A
B. Company B
C. Company C

5. Write a short note on the two chief competitive strategies identified by Porter.

6. Explain in brief the three major categories of equity valuation models.

7. In this dividend discount model example, assume that you are considering the purchase of a stock which will pay dividends of $20 (Dividend 1) next year and $21.6 (Dividend 2) the following year. After receiving the second dividend, you plan on selling the stock for $333.3. What is the intrinsic value of this stock if your required return is 15%?

8. i) State the formula and assumptions of the Gordon Growth Model.

ii) Hi-Fi Company has the following information –

- Estimated dividends for the next period – $40,000
- The required rate of return – 8%
- Growth rate – 4%

Find out the stock price of Hi-Fi Company using the Gordon Growth Model.

9. An experienced businessperson, Tanvi, has a successful fashion store chain with five locations in two major cities. She believes that the economy is about to come out of a deep recession post COVID-19 and has therefore decided to pursue an aggressive expansion plan with five new fashion stores planned over the next 12 months.

Tanvi is considering how to finance the expansion. She has approached you to help her understand her options.

I. Elaborate on the features of common shares and mention in detail about the voting rights that common shareholders have.
II. What is the difference between statutory voting and cumulative voting?
III. What is the key benefit of cumulative voting?

Tanvi is concerned with the huge number of formaliuyties she will have to complete to issue common shares. She is now considering raising finance privately.

IV. What are private equity securities? Elaborate in detail about the various kinds of private equity investments. Also comment on the type of private equity most appropriate for Tanvi's business

10. An unlisted, ride sharing company, Ola, is looking to raise capital through a private investor. The investor has hired a private equity firm called Telescope to determine the appropriate value of the equity investment. Ola has provided Telescope with their historical cashflows and dividends declared.

I. Describe the different types of dividends and alternatives to dividends in which a company gives back to its investors.

An analyst at Telescope is estimating the intrinsic value of Ola.

II. Discuss the different types of models one can use to estimate the intrinsic value of a company.

III. Determine the most appropriate model which would be used by the analyst in question and why.