

**A PROJECT REPORT**  
**A STUDY ON EFFICIENCY OF SHARPE'S SINGLE INDEX**  
**MODEL BY CONSTRUCTION OF OPTIMAL PORTFOLIO OF**  
**SELECTED STOCKS**

**Submitted By**

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**Submitted To**



**Visvesvaraya Technological University, Belagavi**

**In partial fulfilment of the requirements for the award of the degree**  
**of**

**MASTER OF BUSINESS ADMINISTRATION**

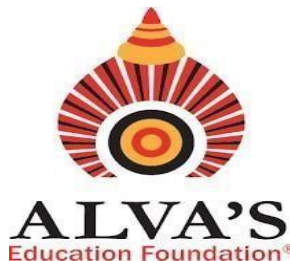
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**MAY-2023**



# ALVA'S INSTITUTE OF ENGINEERING & TECHNOLOGY

(A Unit of Alva's Education Foundation @ Moodbidri)

Affiliated to Visvesvaraya Technological University, Belagavi

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Date: 01-09-2023

## CERTIFICATE

This is to certify that **ASHRITHA SHETTY** bearing USN **4AL21BA010** is a bonafide student of Master of Business Administration course of the Institute in 2021-23, affiliated to Visvesvaraya Technological University, Belgaum. Project report titled "**A STUDY ON EFFICIENCY OF SHARPE'S SINGLE INDEX MODEL BY CONSTRUCTION OF OPTIMAL PORTFOLIO OF SELECTED STOCKS**" is prepared by her under the guidance of **Dr. Vishnu Prasanna K N, Professor**, PG Department of Business Administration in partial fulfillment of the requirements for the award of the degree of Master of Business Administration of Visvesvaraya Technological University, Belgaum Karnataka.

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## **DECLARATION**

I ASHRITHA SHETTY., hereby declare that the project report entitled “**A study on Efficiency of Sharpe’s Single Index Model by construction of optimal portfolio of selected stocks**” prepared by me under the guidance of Dr. Vishnu Prasanna K. N, Professor MBA Department, Alva’s Institute of Engineering and Technology.

I also declare that this project work is towards the partial fulfilment of the university regulations for the award of the degree of Master of Business Administration by Visvesvaraya Technological University, Belgaum.

I have undergone a summer project for a period of six weeks. I further declare that this project is based on the original study undertaken by me and has not been submitted for the award of any degree/ diploma from any other University/ Institution.

**Place:** MIJAR

**Date:** 05-09-2023

  
**Signature of the student**

## **ACKNOWLEDGEMENT**

I would like to take this opportunity to express my sincere gratitude to all those who have helped me throughout this project. It gives me immense pleasure to acknowledge all those who have rendered encouragement and support for the successful completion of this work.

I express my deep sense of gratitude to my internal guide **Dr Vishnu Prasanna K. N** Senior Professor PG Department of Business Administration, for his constant support and encouragement to carry out my project successfully without much difficulty.

I would like to express my sincere thanks to **Dr. Peter Fernandes**, Principal, Alva's Institute of Engineering and Technology, Mijar, Moodabidiri.

I am grateful to **Mrs Priya Sequeira**, HOD, the MBA department, Alva's Institute of Engineering and Technology, Mijar, Moodabidire. whose timely suggestions and encouragement support me to complete this project.

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## **EXECUTIVE SUMMARY**

This study was made with the intension to know the efficiency of Sharpe's Single Index model by constructing an efficient optimal equity portfolio. As an Investor and the fund managers know Indian Securities market is high volatile, risky and highly sensitive. The portfolio construction with the help of Single Index model became necessity to minimize the risk and to maximize the return on investment.

This study is targeted to create awareness in the minds of investors. Here the study is for 30 companies listed in NSE where risk and return is determined and based on the cut-off point the selected companies portfolio construction is determined. The selection of securities is made based on the return and excess return to beta ratio. Excess return to beta ratio is identified by comparing the excess return in to the particular stock's beta. Standard deviation is the process where it is used to measure the variability of the securities and the relationship of the mean variable of the securities for the selected stock.

Cut-off rate helps the author to select securities in a scientific way. Here all the securities selected whose excess return to beta ratio is more than the cut-off rate. Cut-off rate helped to identify the securities and the investment proportion to be made on those securities.

Findings and suggestions will give more clarity of this study and it will help the fund managers and the professional investors to make wise decision on their investment. Hope this study and constructed portfolio will help the investors, fund managers and other institutional investors to make appropriate investment