Chapter 11

1. What are the portfolio weights for a portfolio that has 185 shares of stock A that sells for $64 per share, 115 shares of stock B that sells for $49.00 per share?
2. You own a portfolio that is 25% invested in stock X, 35% in stock Y, and 40% in stock Z. The expected return on these three stocks are 10%, 13%, an 15%, respectively. What is expected return on the portfolio?
3. You own a stock portfolio, invested 15% in stock Q. 25% in stock R, 40% in stock S, and 20% in stock T. Betas for these four stocks are .78, .87, 1.13, and 1.45, respectively. What is the portfolio beta?
4. A stock has a beta of 1.14, the expected return on the market is 10.9%, and the risk free rate is 3.6%. What must the expected return of this stock be?
5. Asset W has expected return of 11.6% and a beta of 1.23. If the risk free rate is 3.15%, complete the following table for portfolios of asset W, and a risk free asset. Illustrate the relationship between portfolio, expected return and portfolio beta by plotting the expected returns against the betas in a graph. What is the slope of the line that results?

Percentage of portfolio in asset W.	Portfolio expected return.	Portfolio beta.
0%		
25%.		
50%.		
75%.		
100%.		
125%.		
150%.		

6. Stock Y has a beta of 1.2. An expected return of 11.4%. Stock Z has a beta of .8 and an expected return of 8%. If the risk free rate is 2.5% and the market risk premium is 7%, are these stocks priced correctly? If not, what should the correct prices be?