Lecture 6

Example 1
Calculate the optimal weights for the example 1 from seminar 4 if you want to have an expected return of the portfolio 30 %.

Example 2
The betas of the following four stocks are:
$\beta_1 = 1{,}235$; $\beta_2 = 0{,}268$; $\beta_3 = 1{,}997$; $\beta_4 = 2{,}45$.
Assume that the market is in equilibrium with available risk-free asset of 6 %. $r_m = 14\%$. What will bet he expected return of every of this stocks?

Example 3
Assume following rates of returns:

Year	r_M	r_i	r_j	β_i	β_j
1	10	9	22		
2	32	24	48		
3	20	14	30		
4	18	-2	-20		
5	17	16	29		
6	3	4	-3		
7	12	8	21		
8	-5	0	-15		
9	18	12	28		
10	21	15	36		

$r_f = 7\%$

Calculate the betas, then decide if the stock in every year is „aggressive" or „defensive". Thus calculate the beta of every stock for 10 years. Draw a chart…