

Seminar 05

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 be the expected return of every of these 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...