

Buba Inc., an American company, operates in the technology sector, which is known for its growth potential but also its volatility. You have some money set aside and want to determine the expected return on investing in Buba but must also assess the risk of investing in Buba Inc. compared to the overall market (represented by the T&R 500 index). You do your research and find that the return on the 10-year US bond is one percent and that the return of the T&R index is 7%. You also collected data on the returns of investing in Buba Inc.’s and the T&R index over the last year and calculated that the variance of returns for the T&R index is sixteen percent and that the covariance of Buba Inc.’s returns and the T&R index’s returns is eight percent. What is the expected return (%) on investing in Buba Inc.?

**Answer**

**Solution**

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