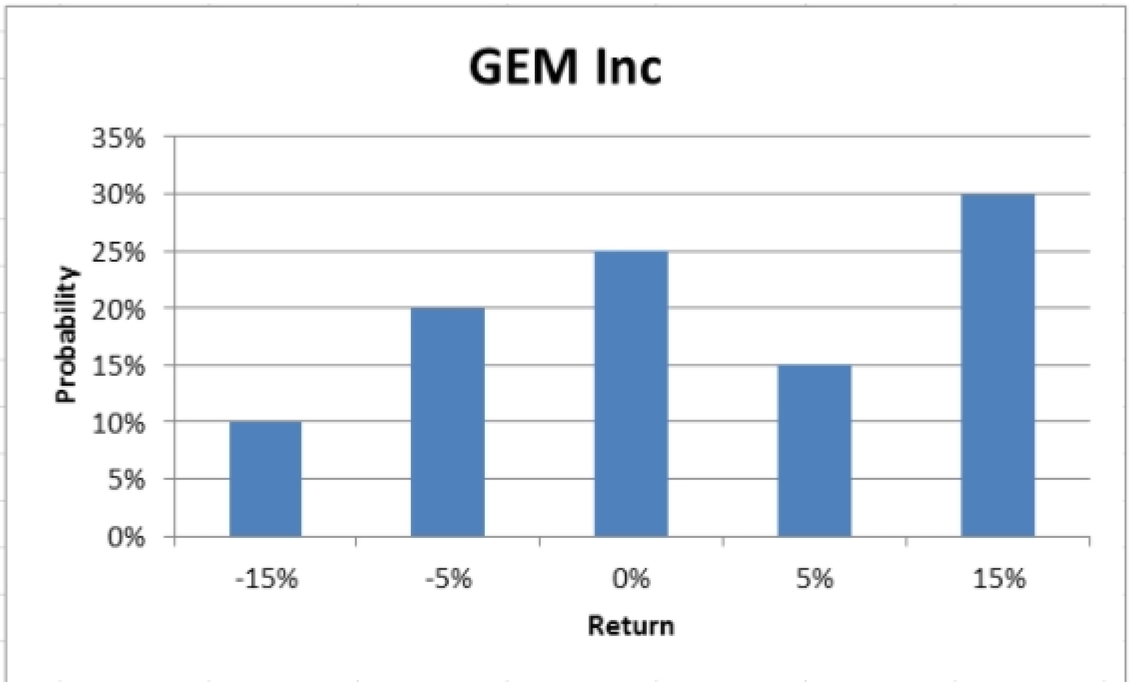
Quiz 3

TOTAL POINTS 7

1. The one year return distribution of GEM Inc stock is given below. Calculate the Expected Return.

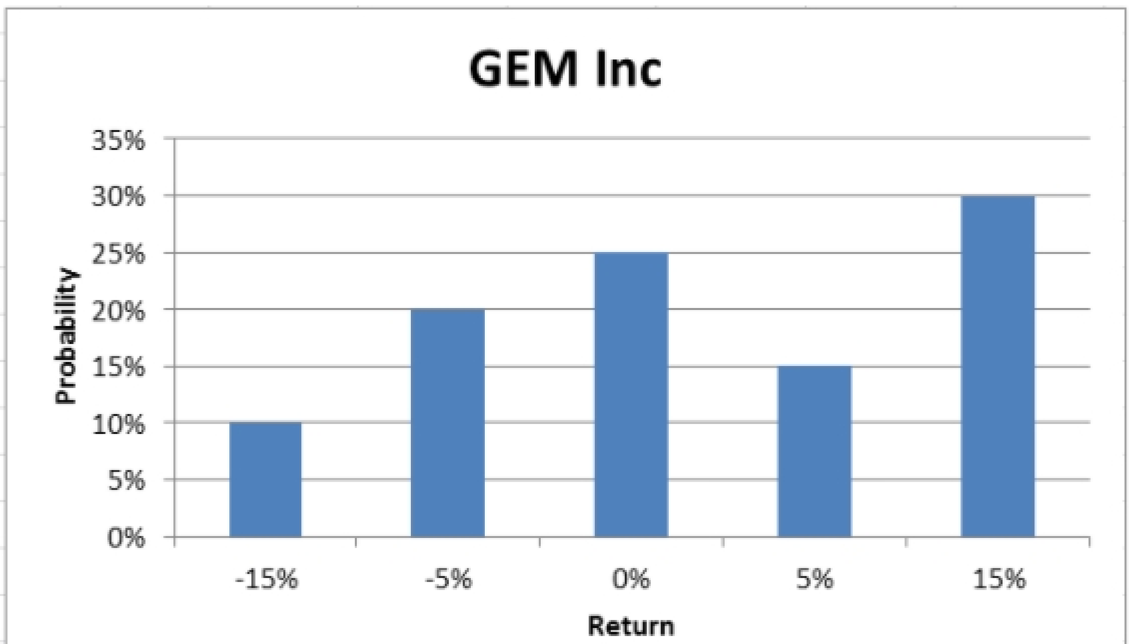
1 point



- 7.5%
- 10%
- 0%
- (selected) 2.75%

2. The one year return distribution of GEM Inc stock is given below. Calculate the volatility or standard deviation.

1 point



- [x] 9.549 %
- [ ] 11.245%
- [ ] 10.256%
- [ ] 12.453 %

3.

1 point

	Stock 1	Stock 2
Beta	1.2	0.4
Idiosyncratic Risk	0.05	0.07

Expected Returns of Market Portfolio = 0.13

Variance of the returns of market portfolio = 0.09

Risk-free rate = 0.04

What is the systematic risk of stock 1, under the single factor model?

- [x] Systematic Risk = 0.1296
- [ ] Systematic Risk = 0.1926
- [ ] Systematic Risk = 0.1392

- [ ] Systematic Risk = 0.1475

4. The following are the details of three stocks

1 point

	X	Y	Z
Mean Return	15%	?	25%
Beta	1	3	2

What should be the mean return of stock Y so that there are no arbitrage opportunities in the market?

- [x] 35%
- [ ] 40%
- [ ] 30%
- [ ] 45%

5. The arbitrage price portfolio is assumed to have

1 point

- [x] no risk
- [ ] only market risk
- [ ] an expected return of 0

only unique risk

6. Pure factor portfolios have _____ sensitivity to the factor

1 point

- increasing
- zero
- pure
- (selected) unit

7. Consider the multi-factor APT model with two-factors. The risk premium on factor 1 and 2 portfolios are 8% and 3% respectively. Stock A has a beta of 1.3 on factor 1 and a beta of 0.7 on factor 2. The expected return on Stock A is 14%. If no arbitrage opportunities exist, the risk free rate is

1 point

- 14%
- 3.5%
- 2.5%
- (selected) 1.5%

- [x] I, **PHAM NGOC KHANH**, understand that submitting work that isn't my own may result in permanent failure of this course or deactivation of my Coursera account.

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