

Analysis questions considered

Which stock do you believe provides the most attractive investment opportunity for the Cavalier Fund? Why?

1. How would you characterise the riskiness of the different stocks being considered by the Cavalier Fund? Which stock do you believe is the riskiest, and which is the least risky?
2. How does portfolio diversification affect your characterisation of risk for the stocks?
3. Kramer argues that the returns associated with a 50-50 weighted portfolio of Groupon and Kinross Gold have a lower standard deviation than those associated with either Groupon or Kinross Gold stock alone. Is that true?
4. What is the argument for Kinross Gold?
5. How should investors price risk? How should they trade off the relation between risk and return?
6. What is the risk-adjusted benchmark return on the SCP 500 portfolio? On the proposed stocks?
7. How should Nickerson think about picking stocks for the Cavalier Fund?