

I. Stock returns, portfolios, and indexes

For the questions in this section, use the table below, which describes the share prices, share counts, and dividend payments of three stocks during a year.

Symbol	Starting share count	Ending share count	Starting share price	Dividend per share, paid during the year	Ending share price
ABC	10m	10m	\$10	\$3	\$14
QRS	5m	10m	\$20	\$0	\$25
XYZ	16m	16m	\$25	\$0	\$35

Question 1: What was the dividend yield of stock ABC (as a percentage)?

Question 2: What was the capital gain of stock QRS (as a percentage)?

Question 3: What was the return on a **value-weighted index** of just ABC and XYZ? Assume that the index is calculated like our examples from class and homework.

Question 4: What was the total return on a **value-weighted portfolio** of QRS and XYZ?

Question 5: At the end of the year, what type of activity will be necessary to rebalance the value-weighted portfolio of QRS and XYZ from the previous question?

- ☐ A) Shifting the portfolio allocation away from QRS, towards XYZ.
- ☐ B) Shifting the portfolio allocation away from XYZ, towards QRS.
- ☐ C) Reinvesting dividends into both stocks.
- ☐ D) No rebalancing will be required.

Question 6: What is the total return on an **equal-weighted portfolio** of all three stocks?
