

Quiz 17 for Oct 26

Started: Oct 21 at 4:32am

Quiz Instructions

Complete this quiz by 11:00 a.m. on Wednesday October 26.



Question 1

1 pts

The riskfree return is 1.02 and the expected return and standard deviation of return of the market portfolio is 1.06 and 0.20, respectively. If a particular risky asset's standard deviation of return is 0.40 and its return's correlation with the market portfolio return is 0.5, what is this risky asset's expected return according to the CAPM?

State your answer to 4 decimal places, e.g., 1.0545 .



Question 2

1 pts

Over many years a portfolio manager's investment fund has earned a return of 1.09 while maintaining a beta of 0.70. During this time the market return was 1.07 and the risk-free return was 1.02. What is the Jensen's alpha of the portfolio manager's investment fund?

State your answer to 4 decimal places, e.g. 0.0125 .

0.035



Question 3

1 pts

The CAPM will not hold if

- ☐ wish to minimize the variance of their portfolio's return.
- ☒ individuals account for random wage income in their portfolio decisions
- ☐ individuals have different levels of risk aversion.
- ☐ individuals choose different allocations between the riskfree asset and the market portfolio.



Question 4

1 pts

Empirical tests reject the CAPM because

- ☐ stock returns display excess variance relative to that predicted by the CAPM.
- ☐ stock returns often indicate negative betas.
- ☒ additional stock return characteristics beside beta explain assets' expected excess returns.

☒ assets' excess expected returns do not increase with their betas as strongly as the CAPM would predict.



Question 5

1 pts

Ask one or more questions or make one or more comments regarding the material covered in this class.

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If CAPM is so easy to be rejected, than is there other model that better predict the return?

p



18 words



Quiz saved at 5:01am

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