Roger has just been hired as chief portfolio officer of Bear United Capital. As part of this new position, he has been asked to assemble a model portfolio from a set of assets. The assets in the model portfolio include the following:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Weight** | **Expected Return** | **Actual Return** |
| Stock A | 0.2 | 0.05 | 0.09 |
| Stock B | 0.1 | 0.07 | 0.04 |
| Stock C | 0.25 | 0.12 | 0.14 |
| Stock D | 0.05 | 0.02 | 0.04 |
| Stock E | 0.1 | 0.04 | 0.01 |
| Stock F | 0.3 | 0.35 | -0.02 |

Using the above assets from the model portfolio and their associated values, calculate the following:

* The rate of return of the portfolio
* The expected rate of return on the portfolio
* Discuss your perception of the two returns and what is driving each in detail
* Which return is a better measure of return on a portfolio, and when should you use each?