Your investment research department is currently recommending any of the following securities for purchase by firm clients, assuming each is suitable for client objectives:

Investment Current FMV Current Yield Correlation Coefficient

Fund A $32.875 1.25% 0.95

Fund B $25.500 3.22% 0.89

Fund C $12.625 5.63% 0.78

Fund D $18.375 2.10% -0.26

From the perspective of risk reduction, which fund would you be inclined to recommend?

Fund A, because it has the highest price per share and its correlation coefficient would raise the correlation coefficient of portfolio.

Fund B, because it pays a reasonable current return and is closest to the correlation coefficient of portfolio.

Fund C, because it is the least costly and the highest yielding, which reduces risk

Fund D, because it would be expected to reduce the portfolio's overall correlation coefficient with the market