1. Expected return and standard deviation

Wilson holds a two-stock portfolio that invests equally in Kelevra Industries and Old Glory Insurance Company (50% of his portfolio is in each stock). Each stock's expected return for the next year will depend on market conditions. The stocks' expected returns if there are poor, average, or great market conditions are shown below:

Market Condition	Probability	Kelevra Industries	Old Glory Insurance Co.
Poor	0.25	−12%	−2%
Average	0.50	14%	6%
Great	0.25	44%	14%

What is the portfolio's expected return over the next year?

- ○ 9.75%
- ○ 10.00%
- ● 9.00%
- ○ 10.50%
- ○ 9.25%

What is the expected standard deviation of portfolio return?

- ○ 13.10%
- ● 13.47%
- ○ 12.38%
- ○ 12.74%
- ○ 11.67%

What is the coefficient of variation (CV) for the portfolio's expected return?

- ○ 1.139
- ○ 1.213
- ● 1.195
- ○ 1.409
- ○ 1.165

❖ Graded

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