Unit 9 - Week 6: Non-Mean-Variance Portfolio Theory- II

Assignment 6

The due date for submitting this assignment has passed.
As per our records you have not submitted this assignment.

Due on 2020-10-28, 23:59 IST.

1) If $E[U(W)] \simeq \alpha f[E(W)] + \beta f''[E(W)]\sigma_W^2$. Then $3\alpha - 2\beta$ equals : *1 point*

- 1
- 1.5
- 2
- 2.5

No, the answer is incorrect.
Score: 0
Accepted Answers:
2

2) Let $U(W) = 2W - 3W^2$. If $U(W_T) = a + br_P - cr_P^2$, with $W_0 = 10$, then $a + b + 3c$ equals : *1 point*

- 35
- 40
- 45
- 50

No, the answer is incorrect.
Score: 0
Accepted Answers:
40

3) If $\ln(\ln(1 + r_t))$, is a normal distribution then which of the following is true : *1 point*

- $1 + r_t$ is normal
- $1 + r_t$ is log-normal
- $\ln(1 + r_t)$ is normal
- $\ln(1 + r_t)$ is log-normal

No, the answer is incorrect.
Score: 0
Accepted Answers:
$\ln(1 + r_t)$ is log-normal

4) Consider a risky asset with five historical returns, $8\%, 6\%, 7.5\%, 5.25\%$ and 6.3%. Then the GMR (in percentage) equals :

Hint

No, the answer is incorrect.
Score: 0
Accepted Answers:
(Type: Range) 6.4,6.8

1 point

5) *1 point*

If the returns are normally distributed with $r_L = r_f$, then the most preferred portfolio, using the Roy's Safety First Criterion is the one given by :

- Fixed S_p and largest r_f
- Fixed S_p and smallest r_f
- Fixed r_f and largest S_p
- Fixed r_f and smallest S_p

No, the answer is incorrect.
Score: 0
Accepted Answers:
Fixed r_f and largest S_p

6) *1 point*

Consider the following Table:

	Portfolio A	Portfolio B	Portfolio C
$E(r_P)$	10%	12%	14%
σ_P	9%	11%	13%

If $r_L = 4\%$ and the returns are normally distributed, then the most preferred portfolio(s) using the Roy's Safety First Criterion is:

- Portfolio B
- Portfolio C
- Portfolio A and C
- Portfolio A and B

No, the answer is incorrect.
Score: 0
Accepted Answers:
Portfolio C

7) *1 point*

If the returns are normally distributed, then the most preferred portfolio, using the Kataoka's Safety First Criterion is the one given by :

- Smallest r_L, with $r_L = E(r_P) + z_\alpha \sigma_P$
- Largest r_L, with $r_L = E(r_P) + z_\alpha \sigma_P$
- Smallest r_L, with $r_L = E(r_P) - z_\alpha \sigma_P$
- Largest r_L, with $r_L = E(r_P) - z_\alpha \sigma_P$

No, the answer is incorrect.
Score: 0
Accepted Answers:
Largest r_L, with $r_L = E(r_P) - z_\alpha \sigma_P$

8) *1 point*

If the returns are normally distributed, then the least value of the expected return of a portfolio, for the Telser's Safety First Criterion to be applicable is :

- $\sigma_P + z_\alpha r_L$
- $\sigma_P - z_\alpha r_L$
- $r_L + z_\alpha \sigma_P$
- $r_L - z_\alpha \sigma_P$

No, the answer is incorrect.
Score: 0
Accepted Answers:
$r_L + z_\alpha \sigma_P$