

FIN 352 – Professor Dow

Worksheet: Calculating Portfolio Returns

1. 25% of your portfolio was Apple stock which earned 4%. 75% was Boeing stock which earned 20%. What was the return for your portfolio?
2. 25% of your portfolio was Apple stock which earned 4%. 75% was Boeing stock which earned -4%. What was the return for your portfolio?
3. Your portfolio consists of Apple and Boeing stock. 30% of your portfolio was Apple stock which earned 10%. Boeing stock earned 2%. What was the return for your portfolio?
4. Your portfolio consists of Apple, Boeing and Citigroup stocks. 10% of your portfolio was Apple stock which earned 14%, 65% of your portfolio was Boeing stock which earned 2% and Citigroup stock earned -25%. What was the return for your portfolio?
5. Your portfolio consists of Apple and Boeing stock. 35% of your portfolio is in Apple stock which has an *expected* return of 10%. Boeing has an *expected* return of 14%. What is the *expected* return for your portfolio?
6. Your portfolio consists of Apple and Boeing stock. Apple has an expected return of 10% and Boeing has an expected return of 14%. How much Apple stock should you hold if you are targeting an expected return of 13%?
7. Your portfolio consists of Apple and Boeing stock. You are investing \$10,000 with 60% of it in Apple stock. Apple has an expected return of 10% and Boeing has an expected return of 14%. How much do you expect to have after two years? Note: assume that your portfolio is rebalanced at the end of the first year so that the percentages invested in each stock remain the same in the second year.
8. Your portfolio consisted of Apple and Boeing stock. You are invested \$10,000 with 60% of it in Apple stock. In the first year, Apple had a return of 8% and Boeing has a return of 10%. In the second year, Apple had a return of 2% and Boeing has a return of -20%. How much did you have after two years (assuming rebalancing after each year)? What was your annual rate of return?

Answers:

1. 16%

2. -2%

3. 4.4%

4. -3.55%

5. 12.6%

6. 25%

7. \$12,455

8. \$10,140, 0.7%