

Capm theory

Finance



**ASSIGN
BUSTER**

Finance and Accounting October Finance and Accounting 5. If you had to choose an investment proportion in these two securities, what would you choose? Why? Explain your choice in terms of CAPM theory.

If I had to choose an investment proportion in these two securities, I would choose 0.6 Wcoke and 0.4 Wmerck which has a portfolio return of 0.010936 with a Standard deviation of 0.062737 if I wanted a minimum variance portfolio. The proportion which occurs in the efficient frontier ensures minimum risk that is measured by the variance of its returns and is my minimum variance portfolio. If I wanted a portfolio with maximum risk, I would choose proportion with 0 Wcoke and 1 Wmerck with portfolio return of 0.011146 and standard deviation of 0.078574. The proportions also occur on the efficient frontier and would be my maximum return portfolio with concomitant maximum risk.