

UNIVERSITY OF ROCHESTER

William E. Simon Graduate School of Business Administration

Finance 411
Investments

Professor G. William Schwert
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Quiz # 6: May 21, 1997

1. (10 points)

Suppose you were offered the choice of purchasing into a mutual fund, of 20 randomly selected stocks, where the expected return on that portfolio was 10% and the standard deviation was 20%, or purchasing an equivalent dollar amount of ACME Chemical stock that has the same expected return and standard deviation. Which purchase would you make and *why*?