THE HONG KONG POLYTECHNIC UNIVERSITY

HONG KONG COMMUNITY COLLEGE

Subject Title : Introduction to Portfolio Management **Subject Code** : CCN3102

Session : Semester Two, 2016/17

Numerical Answers

Question B1
(a) $E(R_{ET}) = 12\%$ $E(R_{PY}) = 8\%$ (b) $\sigma_{ET} = 6.9282\%$ (c) $E(R_p) = 9.2\%$ $\sigma_P = 9.07\%$ (d) $\beta_p = 1.01$ (e) Sharpe ratio = 0.57 Treynor ratio = 0.051 (f) Jensen alpha = -0.86%
Question C1
(e) Total return = 1.73%
Question C2
(a) Price = \$1.54 (b) $P_0 = \$53.21$
Question C3
(a) Modified duration = 4.314 / (1.0320) = 4.180 years (b)(ii) 2.857 cents per gallon.