

## ▶ Extending Concepts



**Investment Portfolio** The table shows the rates of return of two stocks for different economic states. In Exercises 17 and 18, use the table.

Economic State	Probability	Rate of return	
		Stock V	Stock W
Boom	20%	28%	-5%
Normal	65%	12%	7%
Recession	15%	-16%	23%



- Compare the expected rates of return of the two stocks.
- You invest 50% of your money in stock V and 50% of your money in stock W. What is the expected rate of return?



**Investment Portfolio** The table shows the rates of return of three stocks for different economic states. In Exercises 19–22, find the expected rate of return for the portfolio.

Economic state	Probability	Rate of return		
		Stock X	Stock Y	Stock Z
Boom	20%	16%	27%	3%
Normal	65%	9%	13%	7%
Recession	15%	-5%	-23%	21%



19.

Portfolio mix:

50% invested in stock X  
20% invested in stock Y  
30% invested in stock Z

20.

Portfolio mix:

70% invested in stock X  
10% invested in stock Y  
20% invested in stock Z

21.

Portfolio mix:

50% invested in stock X  
25% invested in stock Y  
25% invested in stock Z

22.

Portfolio mix:

60% invested in stock X  
30% invested in stock Y  
10% invested in stock Z