Quiz B for 1:00 Class: 2/11/13 Name Key

Assume you believe that the past five years have been representative for both Activision Blizzard (ATVI) and Yum! Brands (YUM). Set up the calculations (equations and all relevant numbers) you would need to compare the (a) return and (b) volatility you can expect from investing in these two stocks.

	Return on:	
Year	ATVI	YUM
2012	-6%	5%
2011	11%	38%
2010	13%	40%
2009	16%	22%
2008	-32%	-14%

Wall Street Journal Questions are on the back of this page.

a. +3 $\bar{r}_{ATVI} = \overset{+2}{\frac{1}{5}}\left(\overset{+3}{-6} \overset{+3}{+11} \overset{+3}{+13} \overset{+3}{+16} \overset{+3}{-32}\right) = A$ 20

+3 $\bar{r}_{YUM} = \overset{+2}{\frac{1}{5}}\left(\overset{+3}{5} \overset{+3}{+38} \overset{+3}{+40} \overset{+3}{+22} \overset{+3}{-14}\right) = B$ 20

b. +3 $SD(r_{ATVI}) = \sqrt{\overset{+2}{\frac{1}{4}}\left((-6-A)^2 + (11-A)^2 + (13-A)^2 + (16-A)^2 + (-32-A)^2\right)}$ 5

+3 $SD(r_{YUM}) = \sqrt{\overset{+2}{\frac{1}{4}}\left((5-B)^2 + (38-B)^2 + (40-B)^2 + (22-B)^2 + (-14-B)^2\right)}$ 5