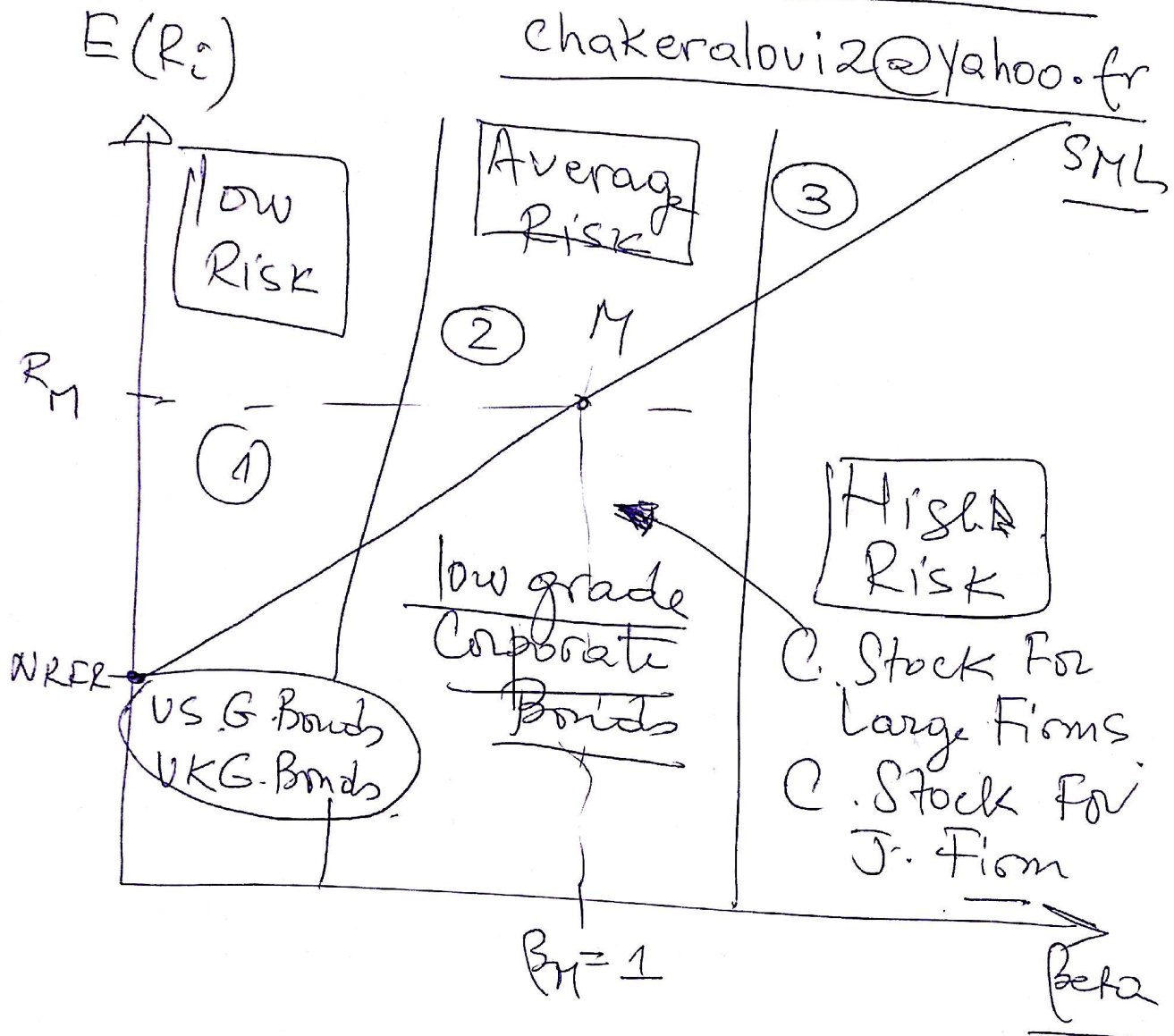


# Question 11:

lmaloui@ksu.edu.sa

chakeraloui2@yahoo.fr



For US and UK gov. Bonds, they are considered as Risk Free assets

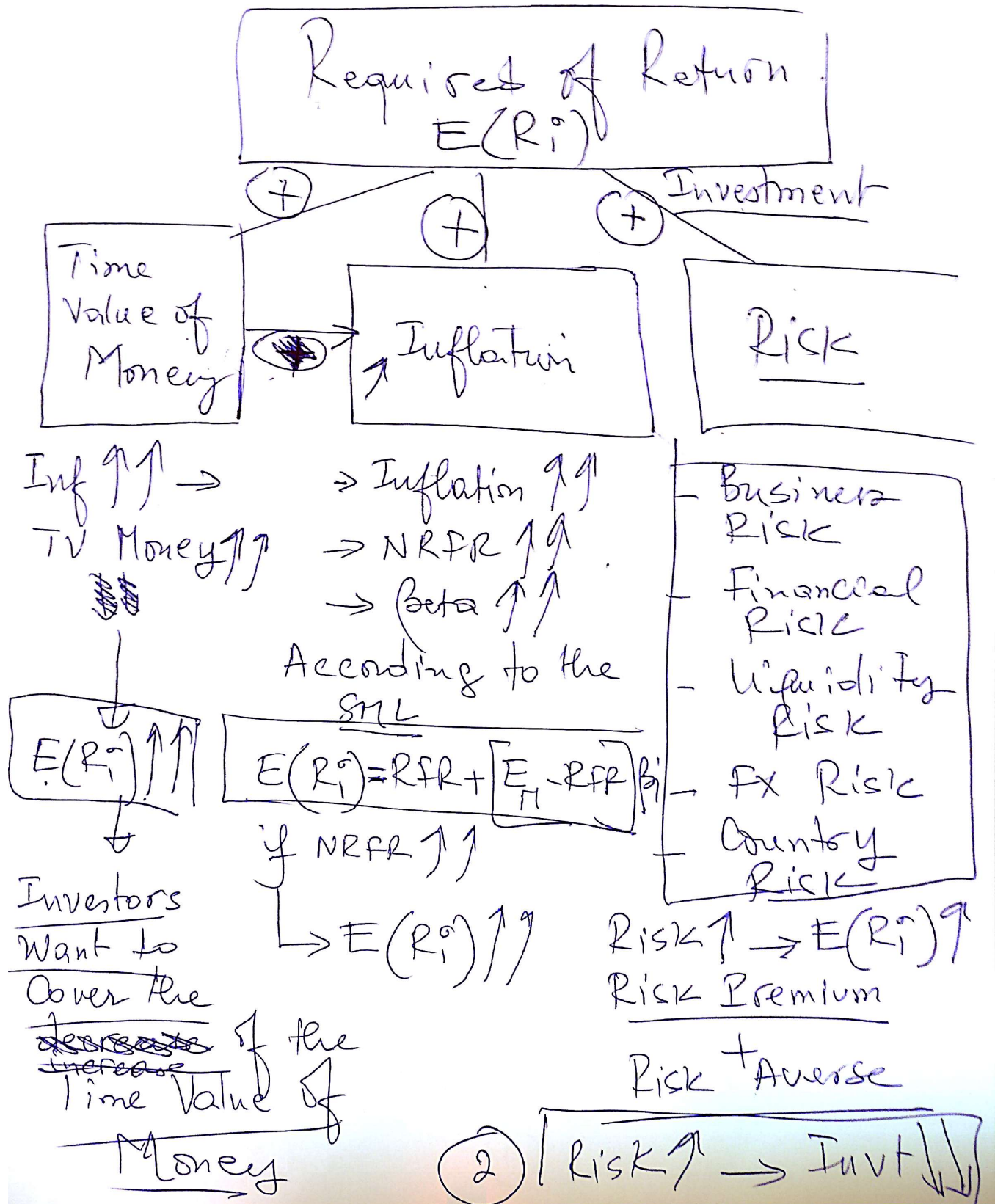
For Low Grade Corporate Bonds

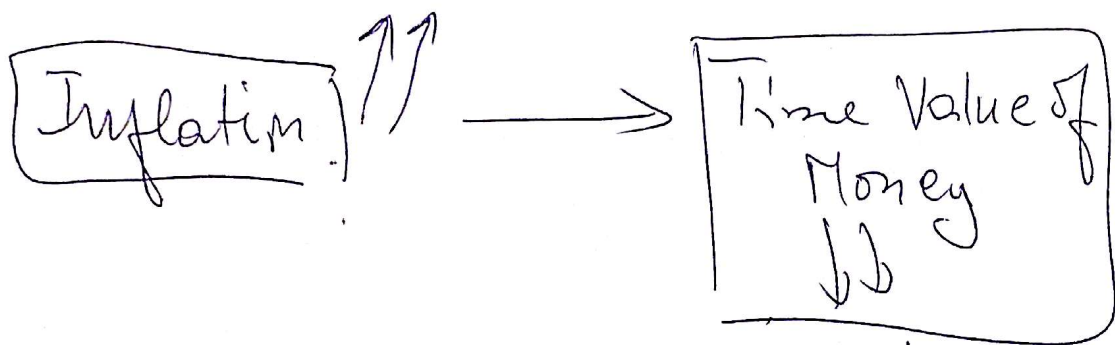
Bonds issued by Firms ~~have~~ are risky. Also, they are low graded  
→ Average Risk

(1)

## Question 7, p. 29:

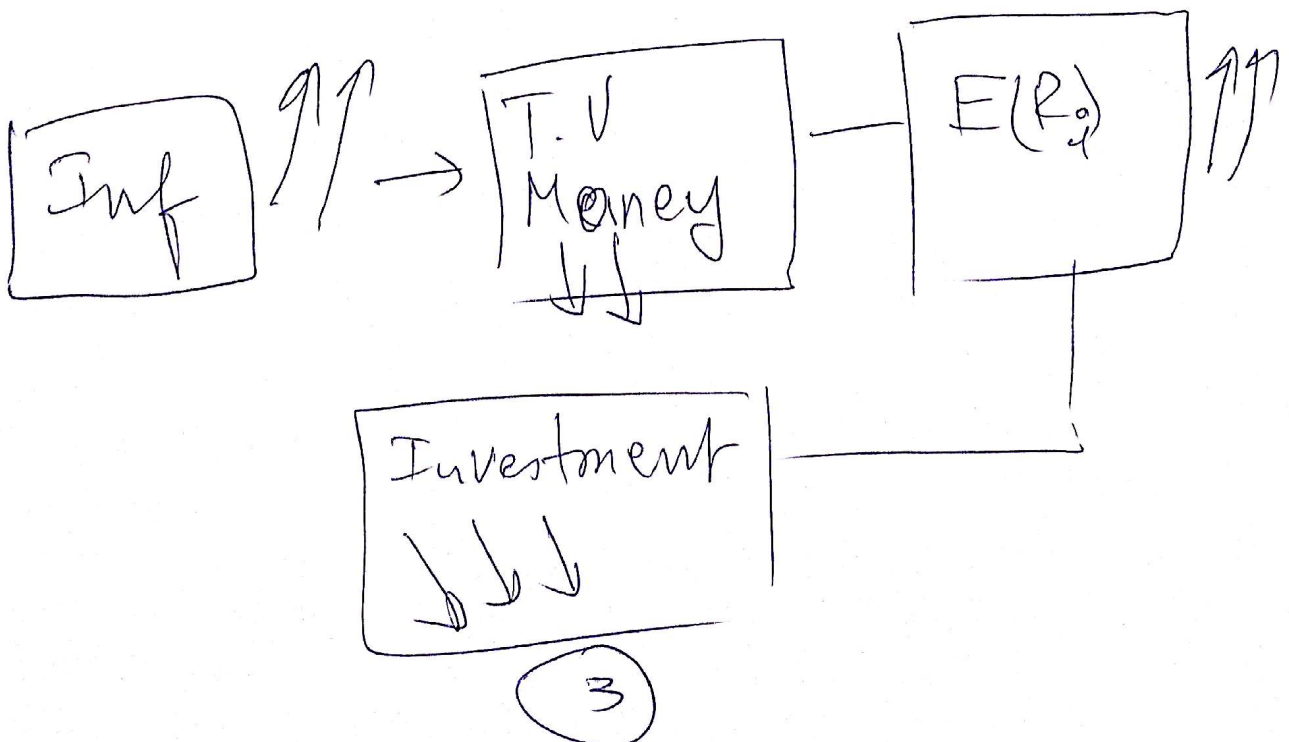
### The Three Components of the Required Rate of Return





$E(R_i) \nearrow$

Investors want to cover the decrease of the T.V of Money by higher levels of Expected Returns.





Question 9:  
Five fundamental factors affecting  
The Risk Premium.

$$RP = E(R_M) - NRFR$$


Pb 1 p. 29:

$$\tilde{P}_{t+1} = 39 \$$$

$$P_t = 34 \$$$

$$\tilde{D}_{t+1} = 1,5 \$$$

$$\begin{aligned} \text{HPR} &= \frac{EV}{BV} = \frac{(39 \$ + 1,5 \$) \times 100}{(34 \$) \times 100} \\ &= \frac{40,5 \$}{34 \$} = 1,1911 \end{aligned}$$

$$\boxed{\text{HPR} = 1,1911}$$

$$\text{HPY} = 1,1911 - 1 = 0,1911$$

$$\boxed{\text{HPY} = 19,11\%} = 19,11\%$$