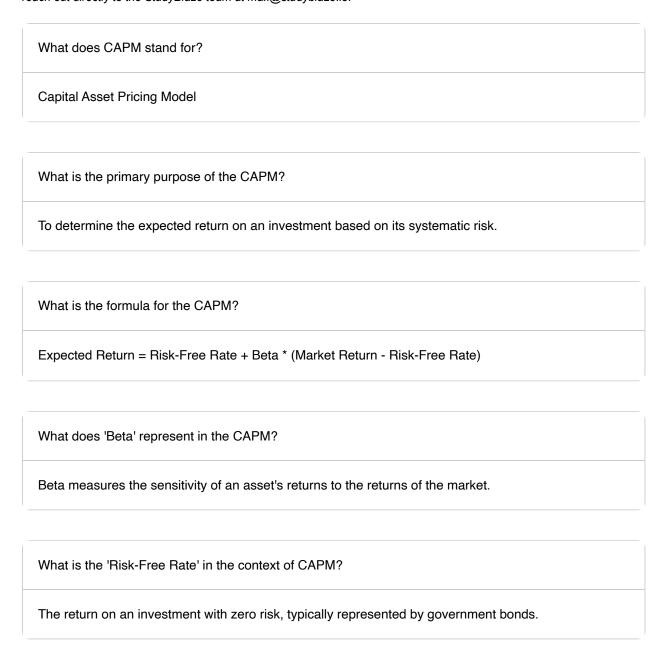


CAPM Flashcards PDF

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How does CAPM relate to portfolio management?
CAPM helps investors understand the trade-off between risk and return when constructing a portfolio.
What is the 'Market Return' in the CAPM formula?
The expected return of the market portfolio, which includes all available risky assets.
What assumptions does the CAPM make about investors?
Investors are rational, risk-averse, and have access to the same information.
What is the significance of the Security Market Line (SML) in CAPM?
The SML represents the relationship between expected return and beta for all assets.
What is a limitation of the CAPM?
It assumes that markets are efficient and that all investors have the same expectations.