Introduction: Risk is an important concept in financial analysis, especially in terms of how it affects security prices and rates of return. The risk and return tradeoff is defined as the principle that potential return rises with an increase in risk. Low levels of uncertainty (low-risk) are associated with low potential returns, whereas high levels of uncertainty (high-risk) are associated with high potential returns. In today's information technology world, real time financial data are readily available via the Internet. Students and investors now have easy access to on-line databases. Student will be able to demonstrate how to measure a risk and return for a stock and for a portfolio over time. Risk and returns are key ingredients in portfolio theory. THE RISK AND RETURN CALCULATION In this assignment, students are asked to calculate, analyze and interpret risk and return of randomly selected stocks to decide on appropriate investment allocation. Students will collect monthly stock prices for two companies over 60 months to perform risk and return calculations and interpretations. The purpose of this assignment is to provide students with the opportunity to: 1. Retrieve real time financial data; 2. Calculate the risk and return of selected stocks; 3. Construct a portfolio; 4. Calculate the portfolio’s expected risk and return; 5. Analyze and interpret financial results 6. Use results and available financial theory to review and make investment decisions Students are instructed to follow the path shown below to retrieve the risk and return for the selected companies via Qatar Stock Exchange. · Go to Qatar stock exchange website: www.qe.com.qa · From the menu, click on Publications then Archived Trading reports · Choose the 2019 and 2018 monthly trading reports and hit submit, and then download the closing prices. (you need the data for 2 years: 2019-2018) Students are also encouraged to use available databases available at e-resources in the library website. Requirements: Each student will choose which stock is better to combine with the risk-free asset in a portfolio to achieve better performance. To do so, the student is required to answer the following questions: Using portfolio theory, explain how investors can choose their optimal portfolios in the presence of one risky and one risk free asset and how preferences affect their decisions. 1) Explain intuitively the assumptions underlying the choice of optimal portfolios in the presence of one risky and one risk free asset. Take the example of one risk averse and one risk-tolerant investor and show graphically the impact of risk aversion on their portfolio selection.