Subunit 2.2 Assessment

1. Define Value at Risk (VaR) with Maximum Probable Annual Loss (MPAL).
2. What does it mean when a portfolio has a daily VaR equal to $10 million at 1%?
3. Estimate the year VaR at 2.5% chance of a portfolio valued at $200 million today. The annual return of the asset is normally distributed with a mean of 10% and standard deviation of 30%.
4. According to the Capital Asset Pricing Model (CAPM), what is the expected return of any security?