**Activity 10.3**

Whitesand Inc. is planning to create two portfolios for investing: one is led by fund manager Hattie K. which has ownership of bonds with a beta of 1.07 and an expected return of 6.2%, and another led by fund manager Grace F. is an equity portfolio with a beta of 1.7 and an expected return of 17%. If these portfolios are the only currently available assets for investing, what combination of these two assets will give retail investors such as Joshua R., Yazid A. and Jonathan H. their desired level of expected return? Also determine the betas for investor’s mix of bonds and stocks.

a. Joshua R: desired expected return 10.7%

b. Yazid A.: desired expected return 12.5%

c. Jonathan H.: desired expected return 16.1%