

Standard Deviant School The Wild & Wacky World of Finance

Tape Four: *Investing*

Length: 26 minutes, © 2002 Cerebellum Corporation

Audience: 7-12 grades

Investing introduces the concepts of probability, rate of return, risk, and standard deviation. Also, basic information about working with stock portfolios is provided.

Standard Deviant School The Wild & Wacky World of Finance: Investing

- I. Probability and Rate of Return
 - A. Probability distributions
 - B. Expected rate of return

- II. Risk and Standard Deviation
 - A. Definition of standard deviation
 - B. Variance
 - C. Coefficient of variation

- III. Portfolios
 - A. Diversification
 - 1. Expected return on portfolio
 - 2. Weighted average of expected return
 - B. Portfolio risk
 - C. Portfolio effect
 - D. Correlation coefficient

- IV. Capital Asset Pricing Model (CAPM)
 - A. Definition of CAPM
 - B. How CAPM is used
 - C. Market or Systematic Risk