

**FIN 533 Homework**  
**Due Thursday September 24**

Given the following information:

State	Probability	Best Candy's Returns	Sugar Cane's Returns
Sugar crisis	0.20	-25%	35%
Bearish	0.40	10%	-5%
Bullish	0.40	25%	1%

$E(r_S) = 5.4\%$   
 $\sigma_S = 15.04\%$

1. Calculate the expected return and standard deviation of Best Candy.
2. Compute the standard deviation of returns of a portfolio consisting of 70% in Best Candy and 30% in Sugar Cane.