the suggested relationship appear reasonable? Why or why not?

10. Draw the security market line for each of the following conditions:

a. (1) $RFR = 0.08$; $R_M(\text{proxy}) = 0.12$
(2) $R_z = 0.06$; $R_M(\text{true}) = 0.15$

b. Rader Tire has the following results for the last six periods. Calculate and compare the betas using each index.

	RATES OF RETURN		
Period	Rader Tire (%)	Proxy Specific Index (%)	True General Index (%)
1	29	12	15
2	12	10	13
3	−12	−9	−8
4	17	14	18
5	20	25	28
6	−5	−10	0

c. If the current period return for the market is 12 percent and for Rader Tire it is 11 percent, are superior results being obtained for either index beta?