Correlation

INTERMEDIATE PRACTICE WORKSHEET

Look at your own portfolio, or a hypothetical one you're considering. There's no wrong answer, the goal is just practice.

Section 1 - List Your Holdings

List your (or a hypothetical) portfolio's holdings. For each, note the sector and asset class (stock, bond, cash, other).

Section 2 - Assess Sector Spread

Are your holdings concentrated in one or two sectors, or genuinely spread across different ones? What would happen to the portfolio if that dominant sector had a bad year?

Section 3 - Assess Asset Class Spread

Do you hold more than one asset class (stocks, bonds, cash, alternatives)? If not, what might adding a second asset class do to your portfolio's volatility?

Section 4 - Use the Diversification Calculator

Using the lesson's calculator (or the formula), estimate the blended volatility of two of your largest holdings. How much diversification benefit are they actually providing each other?

Section 5 - Reflection

If a major market crisis hit tomorrow, do you think your holdings' correlations would stay the same, or rise? What would that mean for your portfolio?