

- 1 **Q. Coyne Evidence: Does Mr. Coyne accept that if two securities are combined in a**  
2 **portfolio that unless they are perfectly correlated the overall risk of the portfolio**  
3 **decreases?**  
4
- 5 A. Mr. Coyne does not see the context of the question in relation to his cost of capital  
6 evidence for Newfoundland Power. However, in general terms, Mr. Coyne accepts the  
7 premise that, by combining different assets whose returns are not perfectly positively  
8 correlated, the total variance and, therefore, risk of the portfolio return will decrease.