

Answer on Question #76183 – Math – Statistics and Probability

Question

A financial analyst has determined that there is a 22% probability that a mutual fund will outperform the market over a 1 year period provided that it outperformed the market the previous year. If only 15% of mutual funds outperform the market during any year, what is the probability that a mutual fund will outperform the market 2 years in a row?

Solution

$$P = 0.22 \cdot 0.15 = 0.033.$$

Answer: 0.033.