NINE CAPM ASSUMPTIONS

ALL INVESTORS:

1. Aim to maximize economic utilities (Asset quantities are given and fixed).
2. Are rational and risk-averse.
3. Are broadly diversified across a range of investments.
4. Are price takers, i.e., they cannot influence prices.
5. Can lend and borrow unlimited amounts under the risk free rate of interest.
6. Trade without transaction or taxation costs.
7. Deal with securities that are all highly divisible into small parcels (All assets are perfectly divisible and liquid).
8. Have homogeneous expectations.
9. Assume all information is available at the same time to all investors.

Source: Arnold, Glen (2005). *Corporate financial management* (3. ed.). Harlow [u.a.]: Financial Times/Prentice Hall. p. 354.