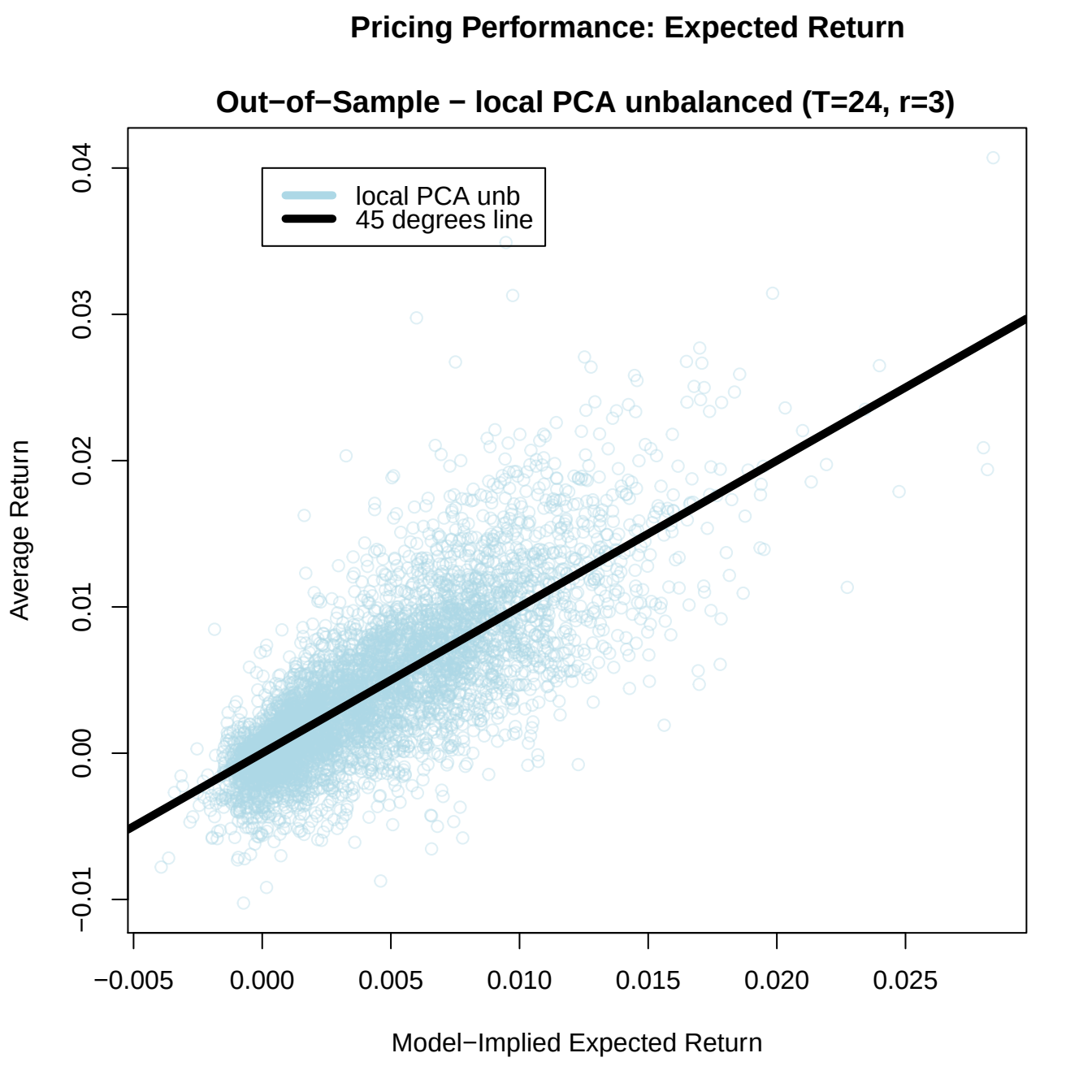
Pricing Performance: Expected Return
Out−of−Sample − local PCA unbalanced (T=24, r=3)
local PCA unb
45 degrees line
Average Return
0.04
0.03
0.02
0.01
0.00
−0.01
−0.005
0.000
0.005
0.010
0.015
0.020
0.025
Model−Implied Expected Return