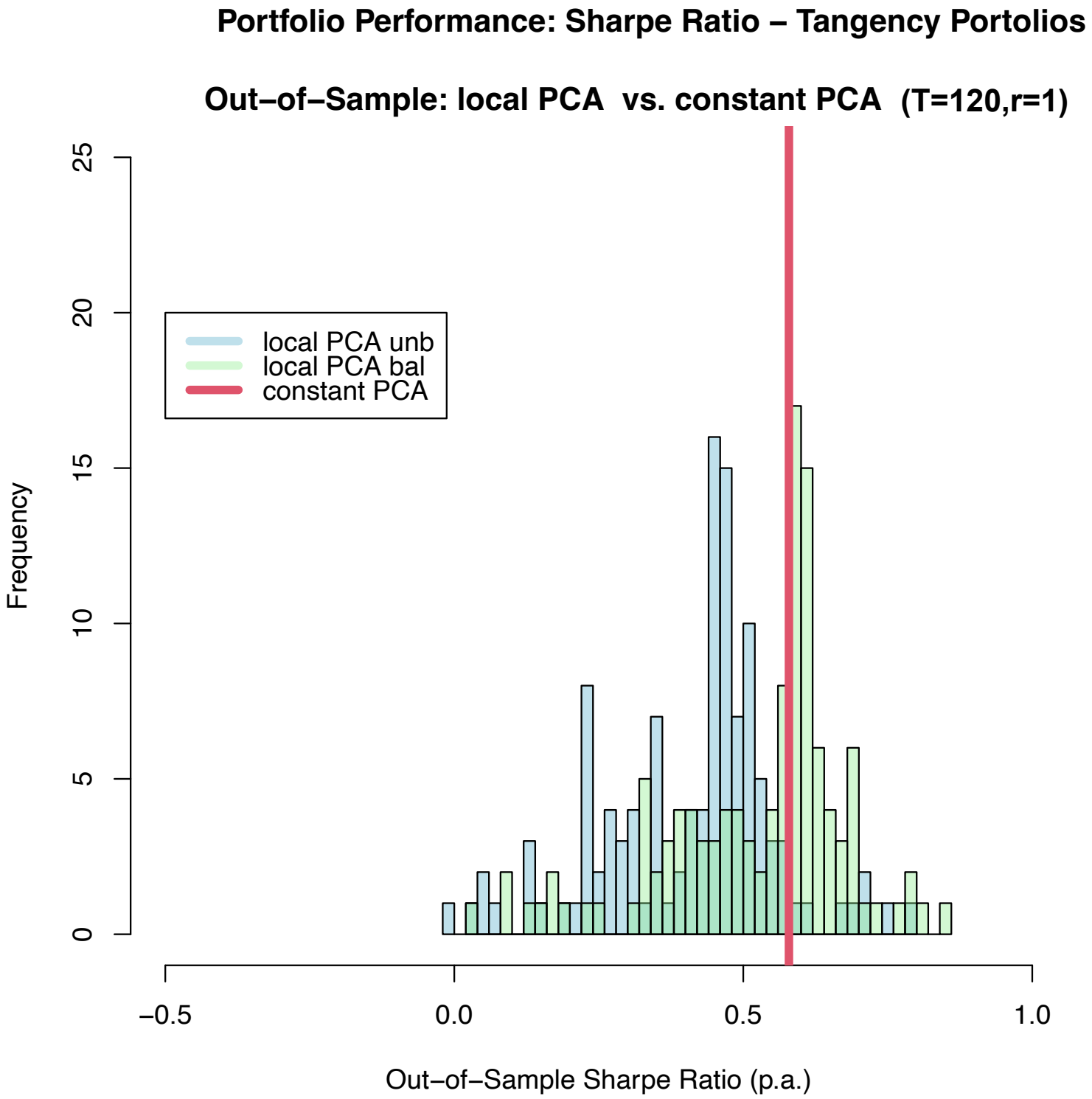
Portfolio Performance: Sharpe Ratio – Tangency Portolios
Out–of–Sample: local PCA vs. constant PCA (T=120,r=1)
local PCA unb
local PCA bal
constant PCA
Frequency
0
5
10
15
20
25
–0.5
0.0
0.5
1.0
Out–of–Sample Sharpe Ratio (p.a.)