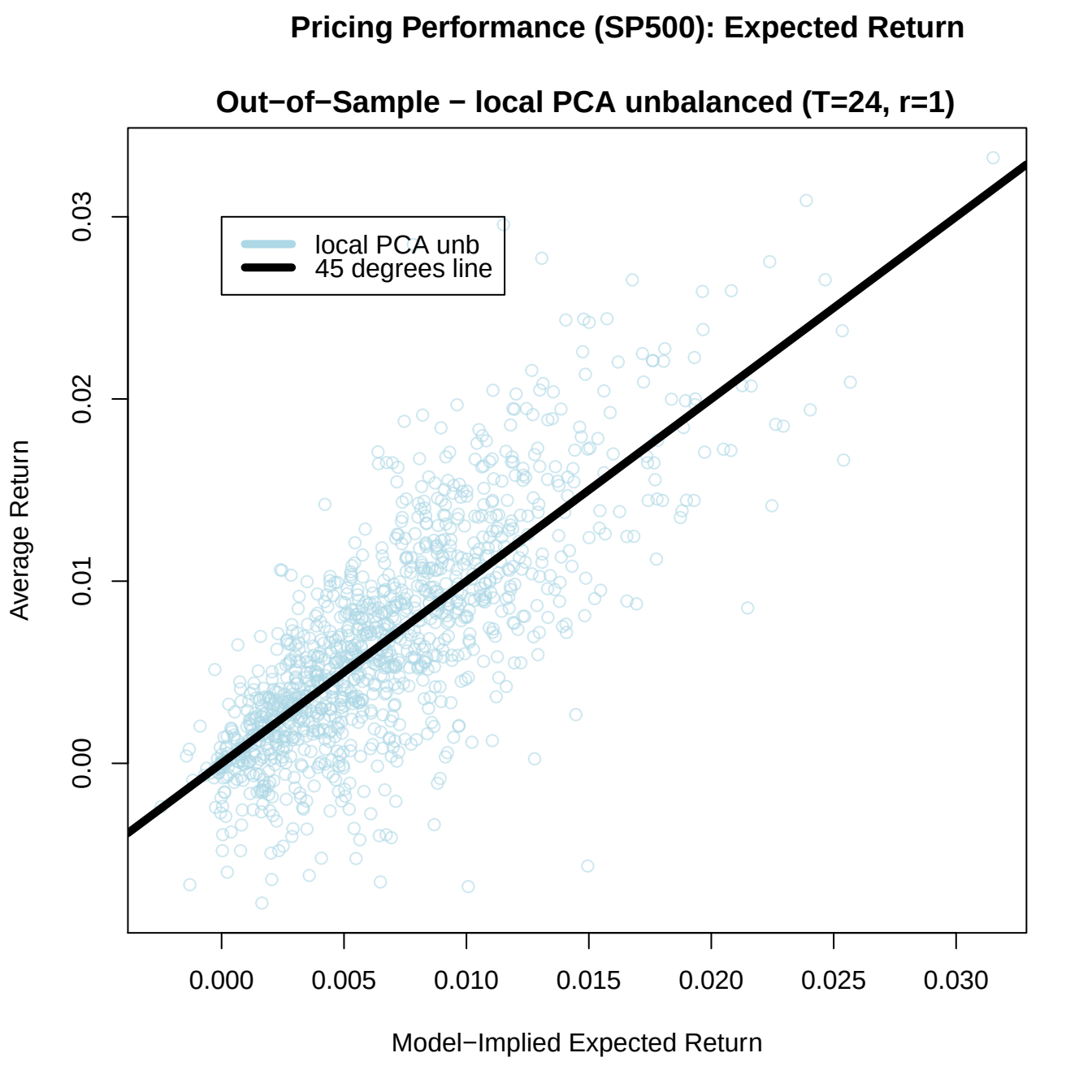
Pricing Performance (SP500): Expected Return
Out−of−Sample − local PCA unbalanced (T=24, r=1)
local PCA unb
45 degrees line
Average Return
0.00
0.01
0.02
0.03
0.000
0.005
0.010
0.015
0.020
0.025
0.030
Model−Implied Expected Return