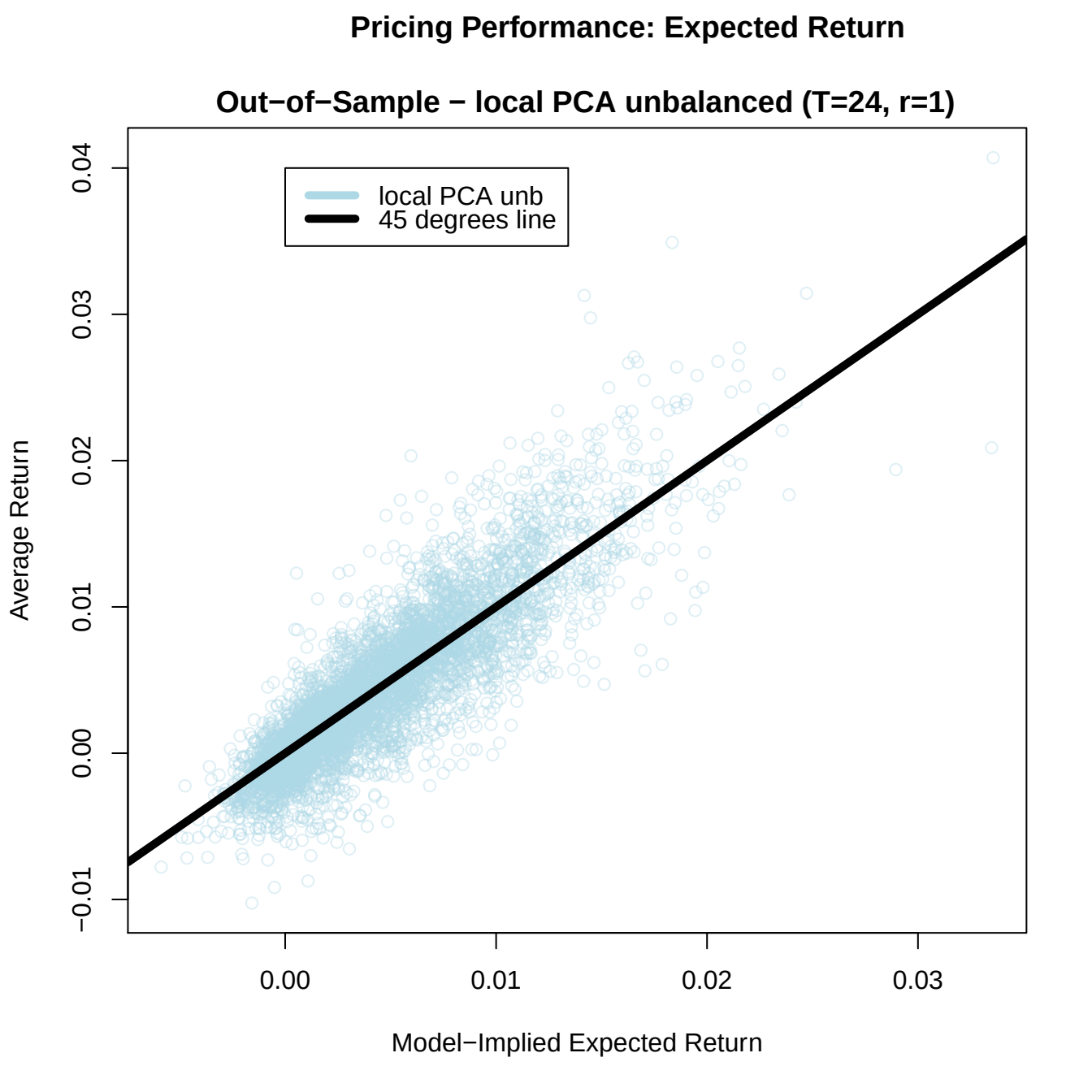
Pricing Performance: Expected Return
Out−of−Sample − local PCA unbalanced (T=24, r=1)
local PCA unb
45 degrees line
Average Return
0.04
0.03
0.02
0.01
0.00
−0.01
0.00
0.01
0.02
0.03
Model−Implied Expected Return