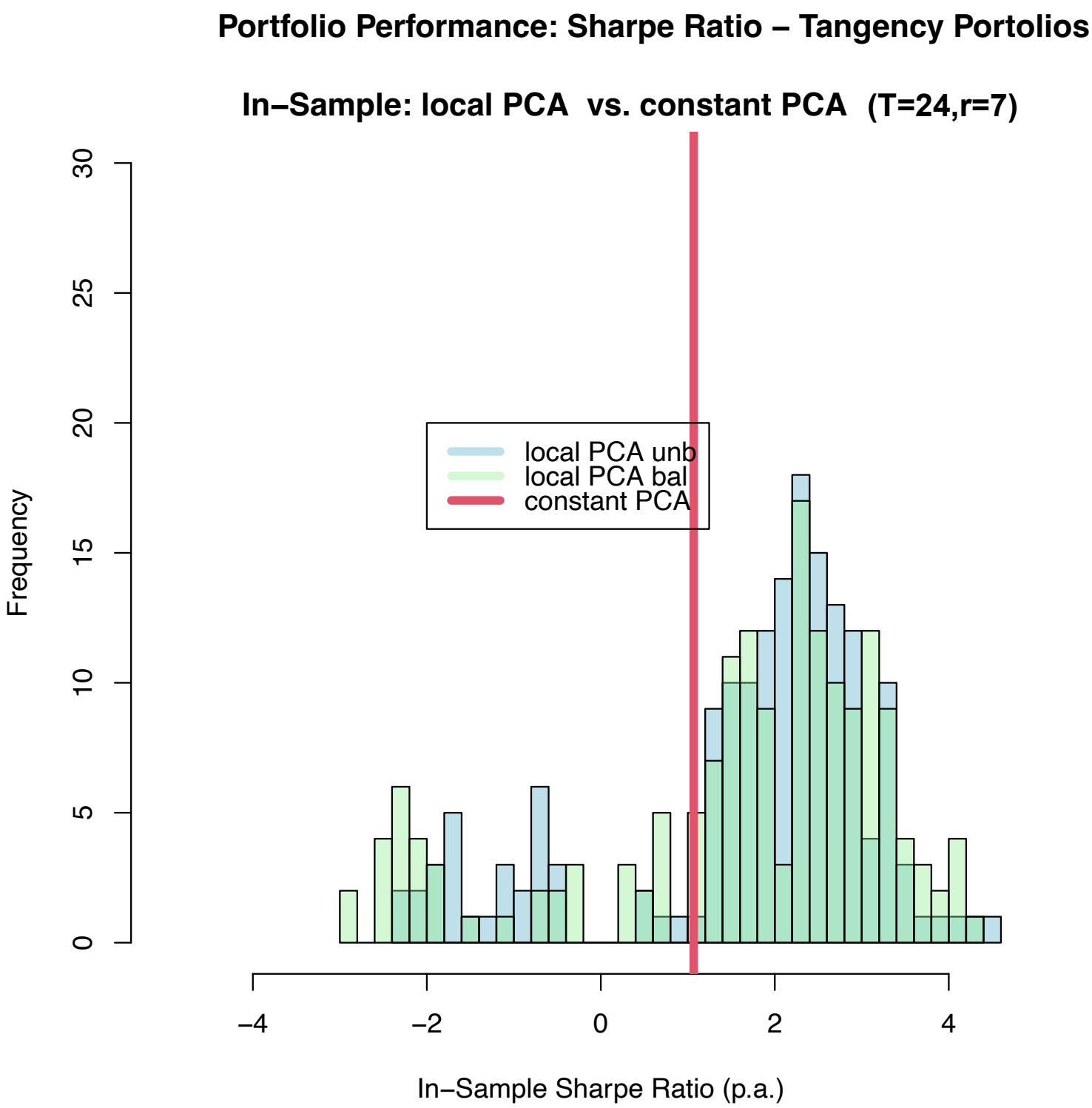
Portfolio Performance: Sharpe Ratio – Tangency Portolios
In–Sample: local PCA vs. constant PCA (T=24,r=7)
Frequency
0
5
10
15
20
25
30
local PCA unb
local PCA bal
constant PCA
–4
–2
0
2
4
In–Sample Sharpe Ratio (p.a.)