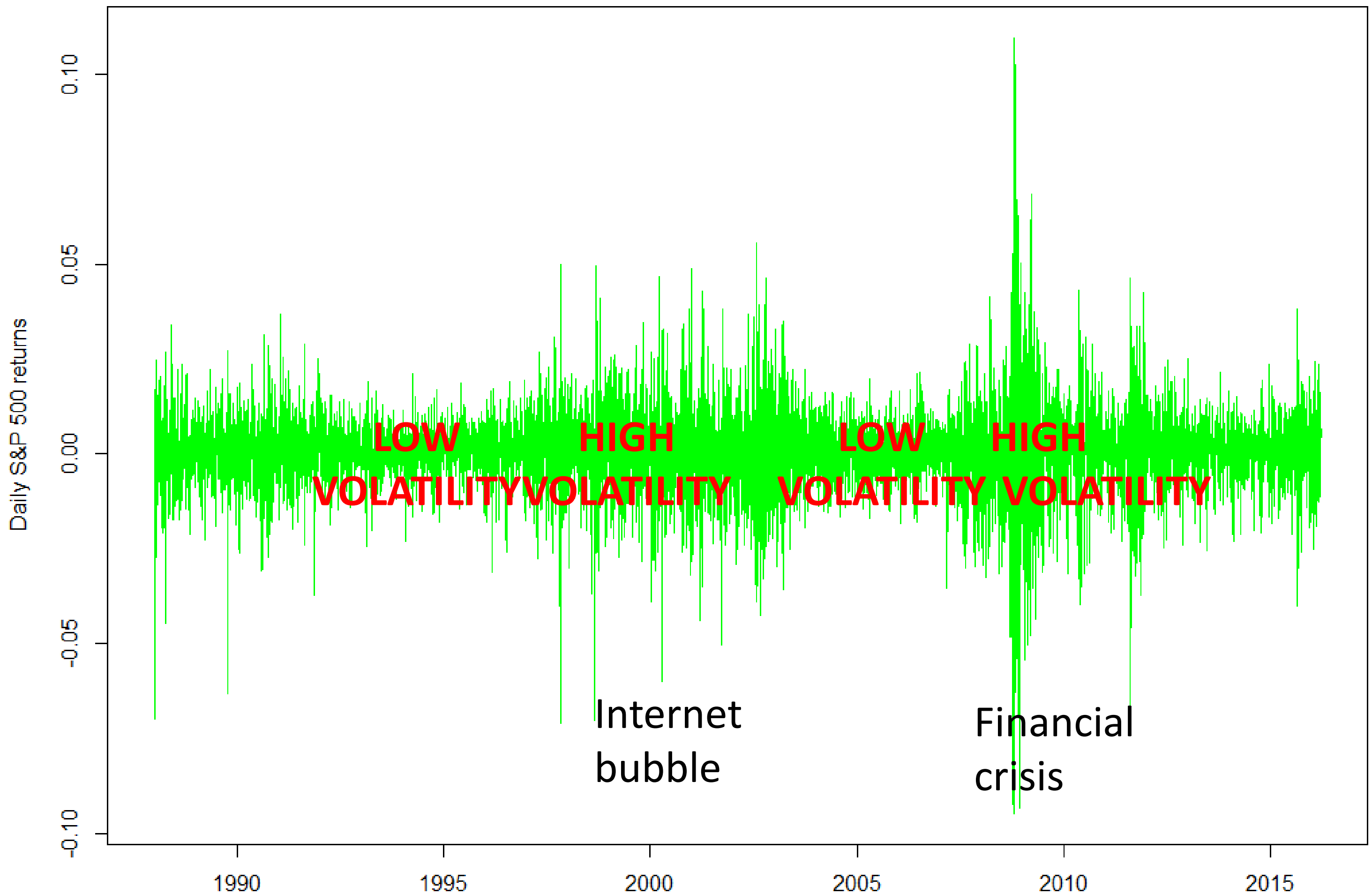
Video 3: Time-variation in portfolio performance

Bulls and bears

- Business cycle, news and swings in the market psychology

Source: http://www.123rf.com/photo_34397743_stock-vector-vector-illustration-of-bull-and-bear-heads-with-buy-and-sell-text.html

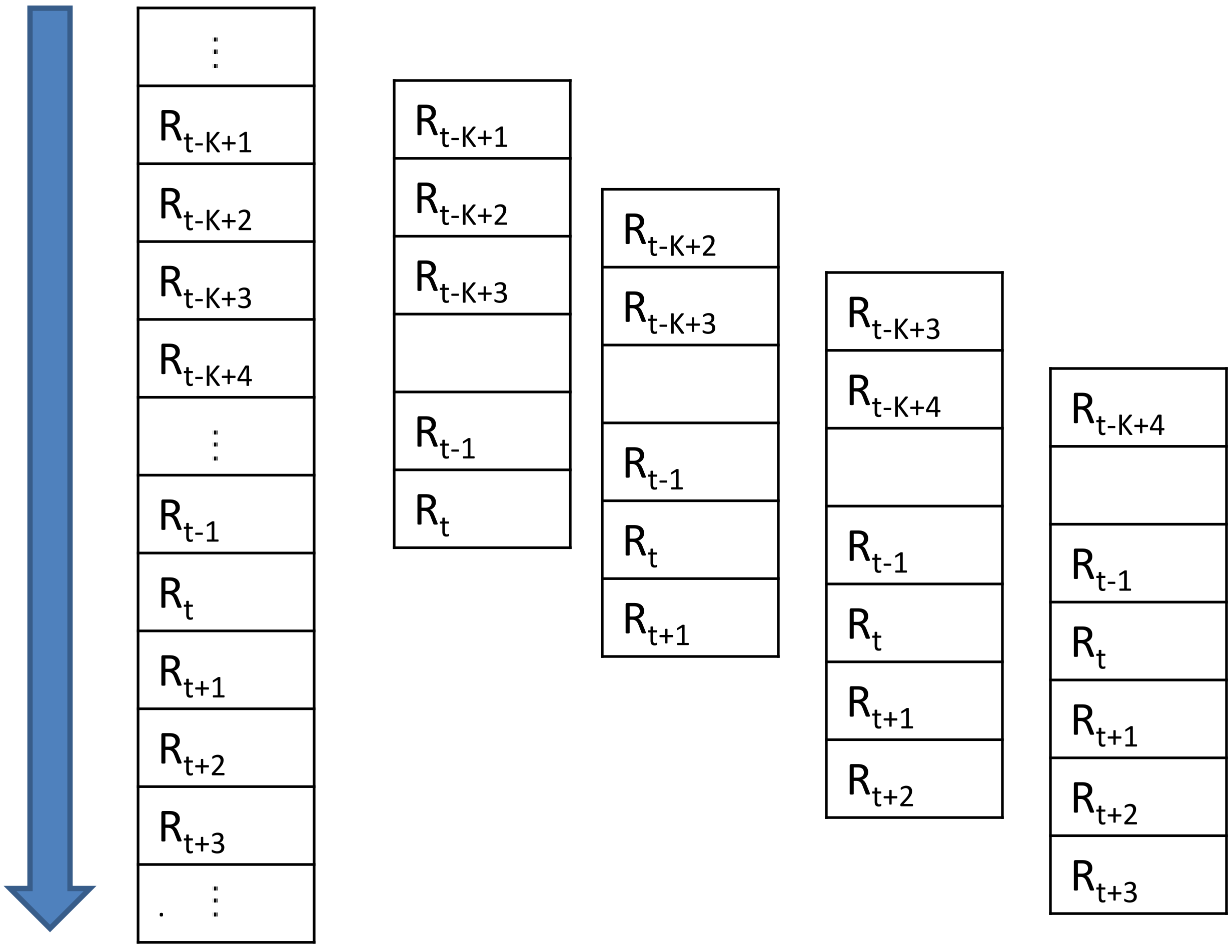
Clusters of high and low volatility



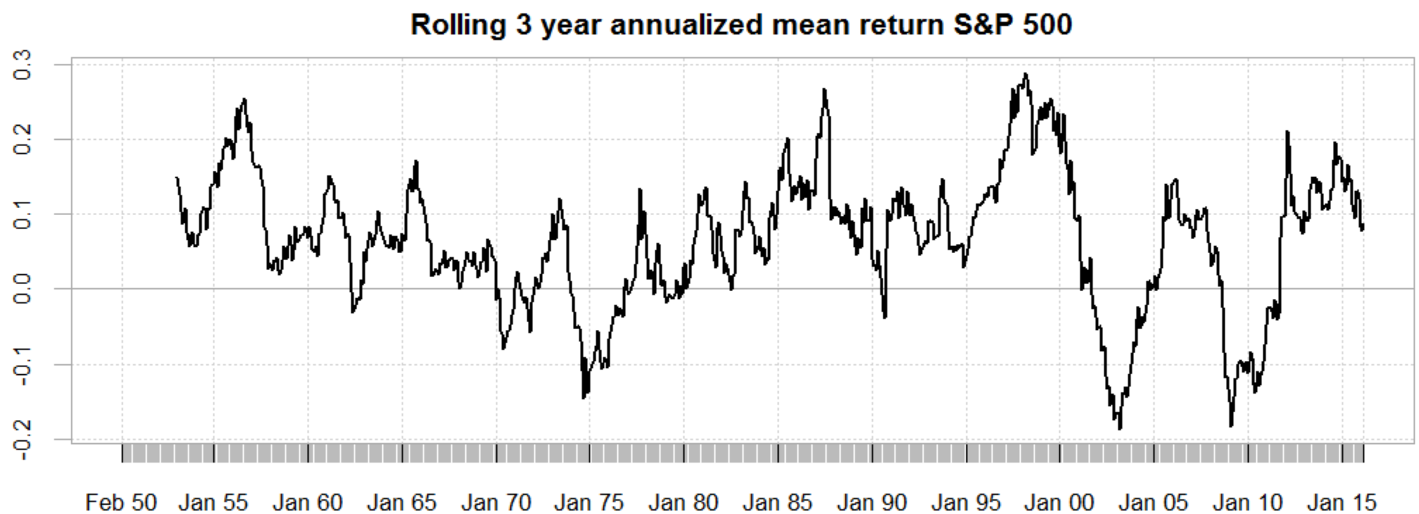
Rolling estimation samples

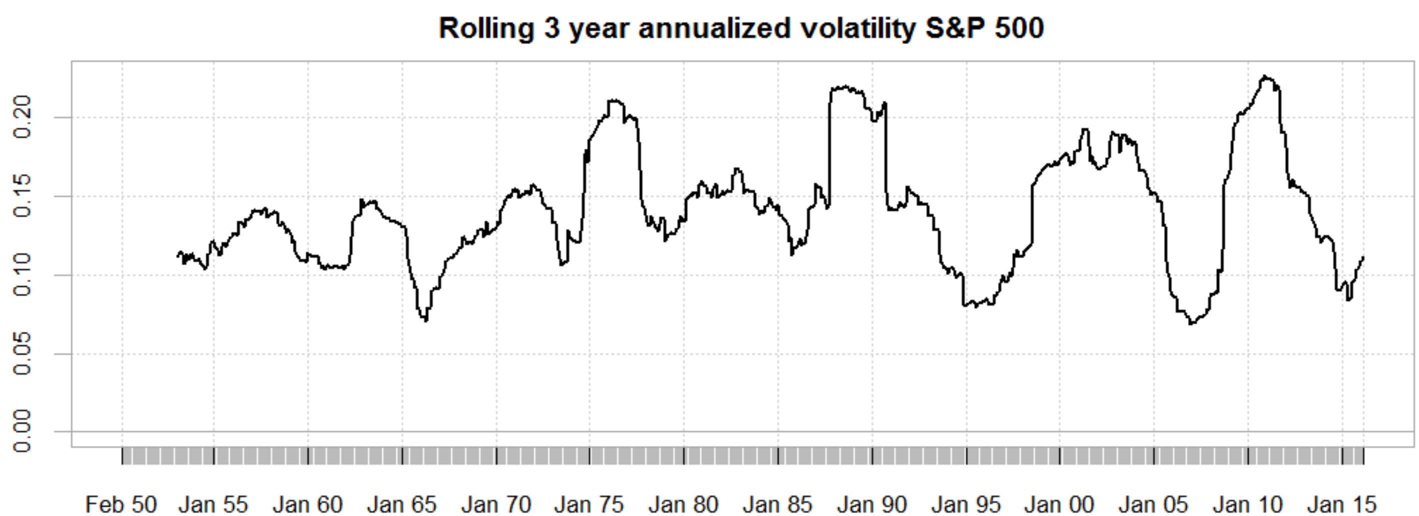
Complete time series

Rolling samples of K observations: discard the most distant and include the most recent observation



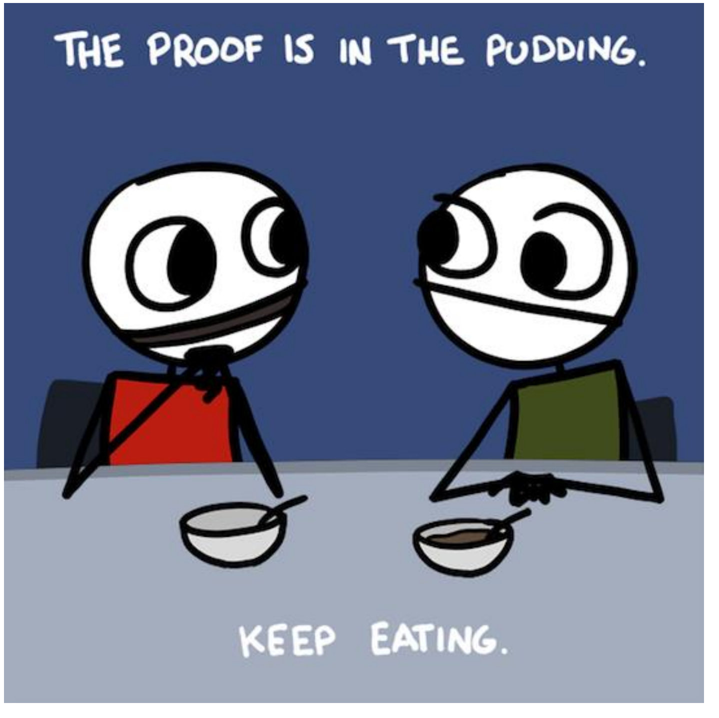
Rolling performance calculation





How to choose window length?

- Balance noise reduction (longer samples) with objective of timely estimates (shorter samples)



http://www.dailydot.com/comics/exploding-dog/proof-pudding/