QUESTION 3 - PORTFOLIO CONSTRUCTION

Carel Olivier

22017542

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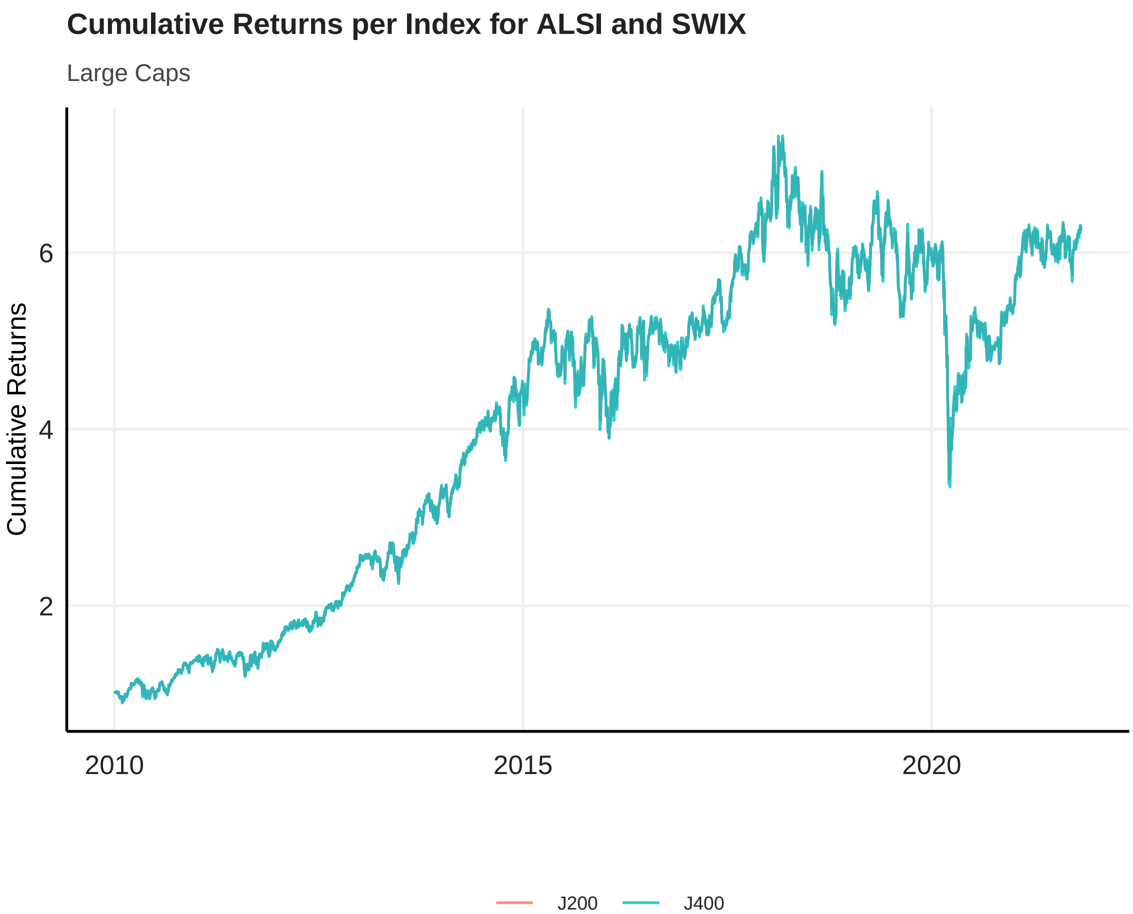
JEL classification L250, L100

1. Short Introduction

Firstly I will compare the SWIX and ALSI by looking at the performance of different size indexes (large and small caps). I did not include Mid Caps since the graphs did not make sense.



2. Small-Caps

Cumulative Returns per Index for ALSI and SWIX
Small Caps
Cumulative Returns
1.050
1.025
1.000
0.975
0.950
Sep 07
Sep 14
J200
J400

3. Capped Portfolio

To answer the JSE's question on applying capping to the indexes I will be looking at the impact different capping levels would have had on both the SWIX and ALSI (6% and 10%).