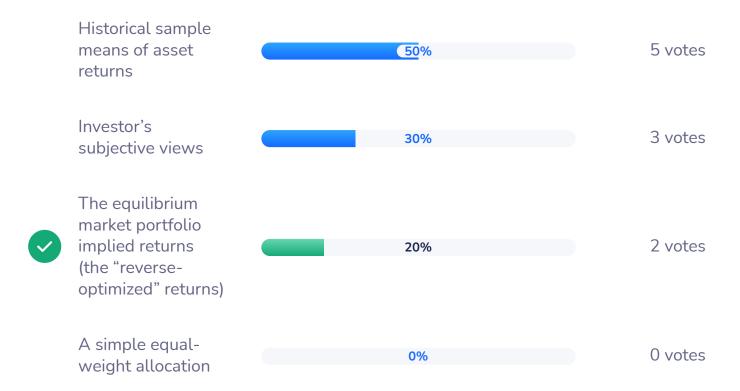
### QF624-2025-W10

Number of participants: 18



### In the Black-Litterman framework,1. the "prior" expected returns are derived from

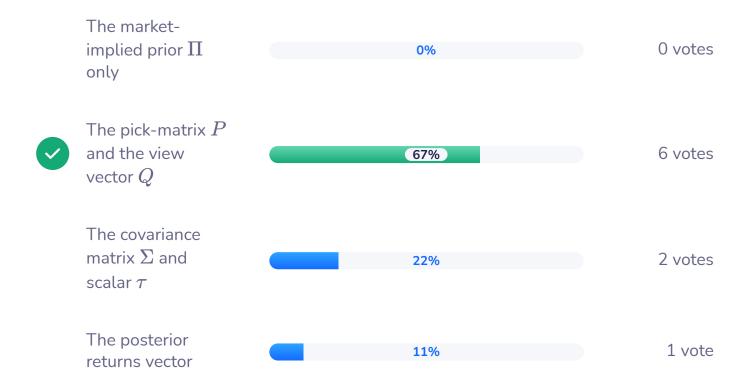
#### **2 correct answers** out of 10 respondents



#### ×

# Suppose an investor has a view that Asset 1 will outperform Asset 2 by 2%. Which structures in Black-Litterman encode this view?

#### **6 correct answers** out of 9 respondents





# The posterior expected returns in 3. Black-Litterman lie "in between" the prior and the views because

#### **6 correct answers** out of 6 respondents

	The model ignores extreme views entirely	0%	0 votes
<b>⊘</b>	It takes a weighted average of $\Pi$ and $Q$ where weights are determined by $ au\Sigma$ and $\Omega$	100%	6 votes
	It replaces $\Pi$ with $Q$ if the views are positive	0%	0 votes
	$\Omega$ is always set to zero	0%	0 votes

#### ×

# Increasing the entries of $\Omega$ (i.e., 4. lowering confidence in the views) will generally

#### **7 correct answers** out of 7 respondents

	Move the posterior returns closer to the investor's views	0%	0 votes
•	Move the posterior returns closer to the equilibrium prior $\Pi$	100%	7 votes
	Have no effect on the posterior returns	0%	0 votes
	Invert the ordering of assets by expected return	0%	0 votes



### One conceptual advantage of 5. Black-Litterman over a pure meanvariance optimization is that it

#### **7 correct answers** out of 7 respondents

