HW3: PORTFOLIO CONSTRUCTION

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Instructions

ASSET ALLOCATION

FRE 6991

Spring 2025

Homework 3

Due by April 13th

Portfolio Construction

Consider the daily returns of the following stocks from January1st 2024 until January 1st 2025

Consolidated Edison (ED), Pfizer (PFE), IBM

a. Based on this data, construct the portfolio with the highest Sharpe Ratio (long only). Ignore the risk-free rate.
b. Calculate and plot the daily returns of this portfolio from Jan 1st 2025 until April 1st 2025.
c. Compare the average realized daily return with the expected one.
d. Calculate the volatility of this portfolio based on data from January 1st 2025 until April 1st 2024.
e. Compare the realized daily volatility with the expected one.

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Due on Apr 13, 2025 11:59 PM

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