Part 1 - No Skilled Funds

Figure 1 : The figure below depicts the distribution of simulated T-statistics associated with alpha. Alpha is estimated with simulated returns which are generated such that true alpha is equal to zero for each of 1000 funds/returns.

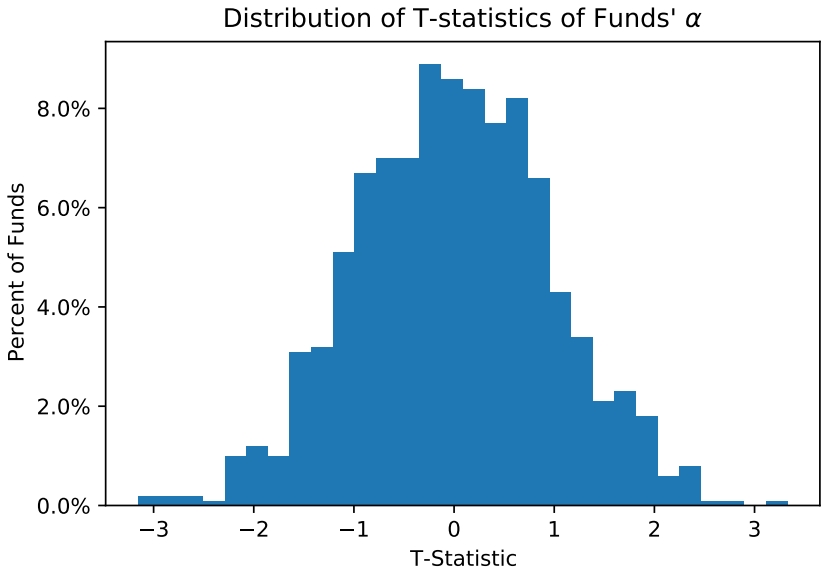
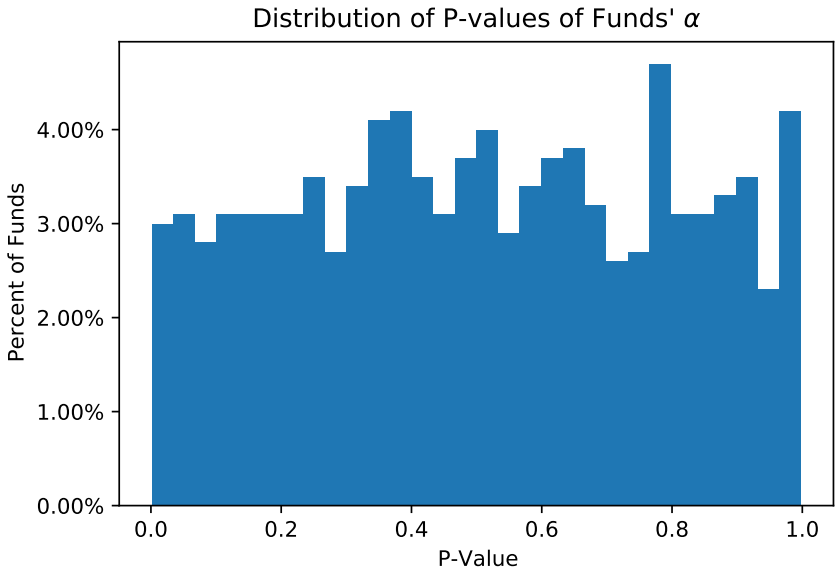


Figure 2 : The figure below depicts the distribution of simulated p-values associated with alpha. Alpha is estimated with simulated returns which are generated such that true alpha is equal to zero for each of 1000 funds/returns.



Part 2 - Some Skilled Funds

Figure 3 : The figure below depicts the distribution of simulated alpha estimates. Returns are simulated such that a fraction λ of the funds/returns are truly skilled ($\alpha = 5\%$ per annum).

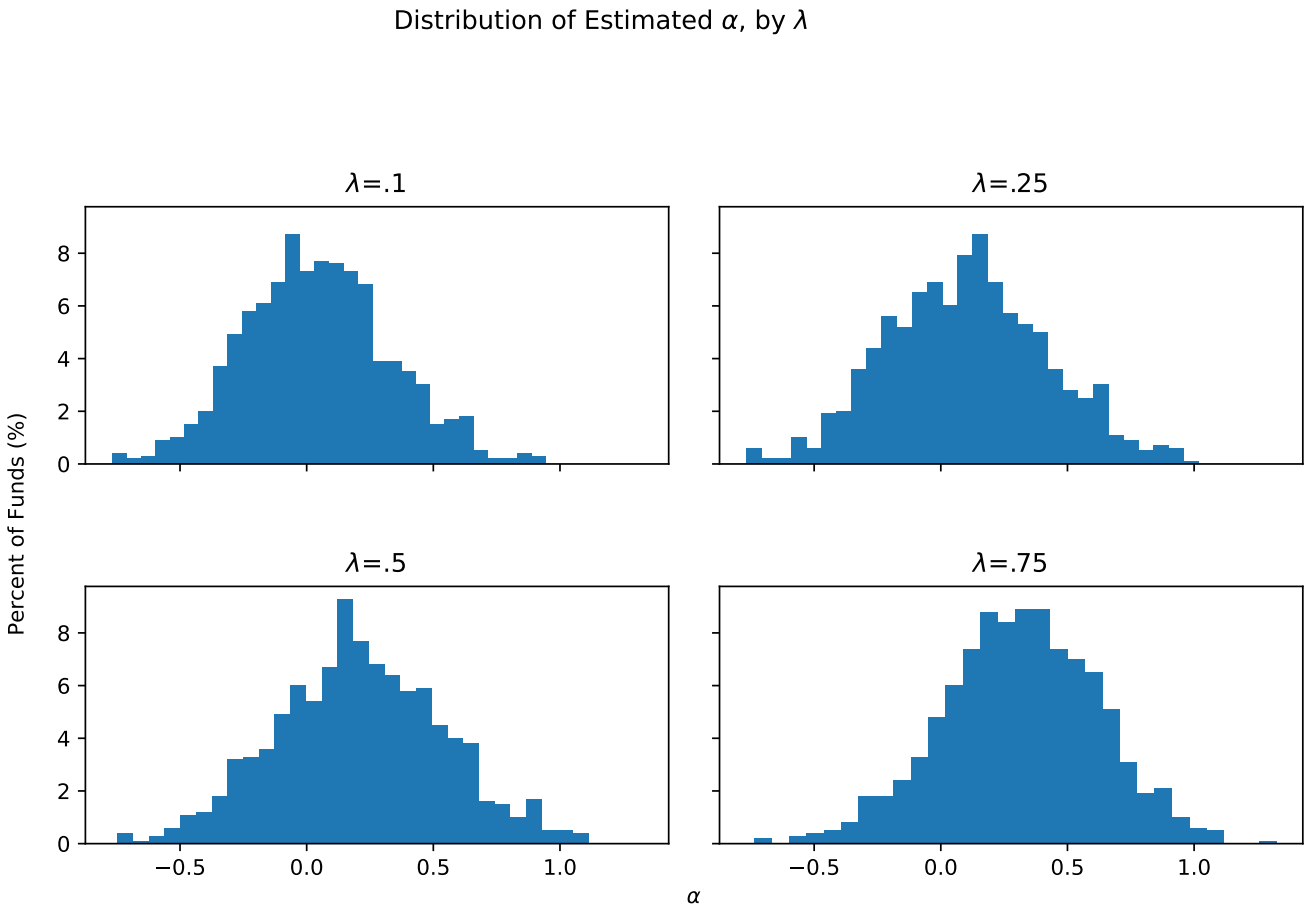


Figure 4 : The figure below depicts the distribution of simulated T-statistics associated with alpha. Returns are simulated such that a fraction λ of the funds/returns are truly skilled ($\alpha = 5\%$ per annum).

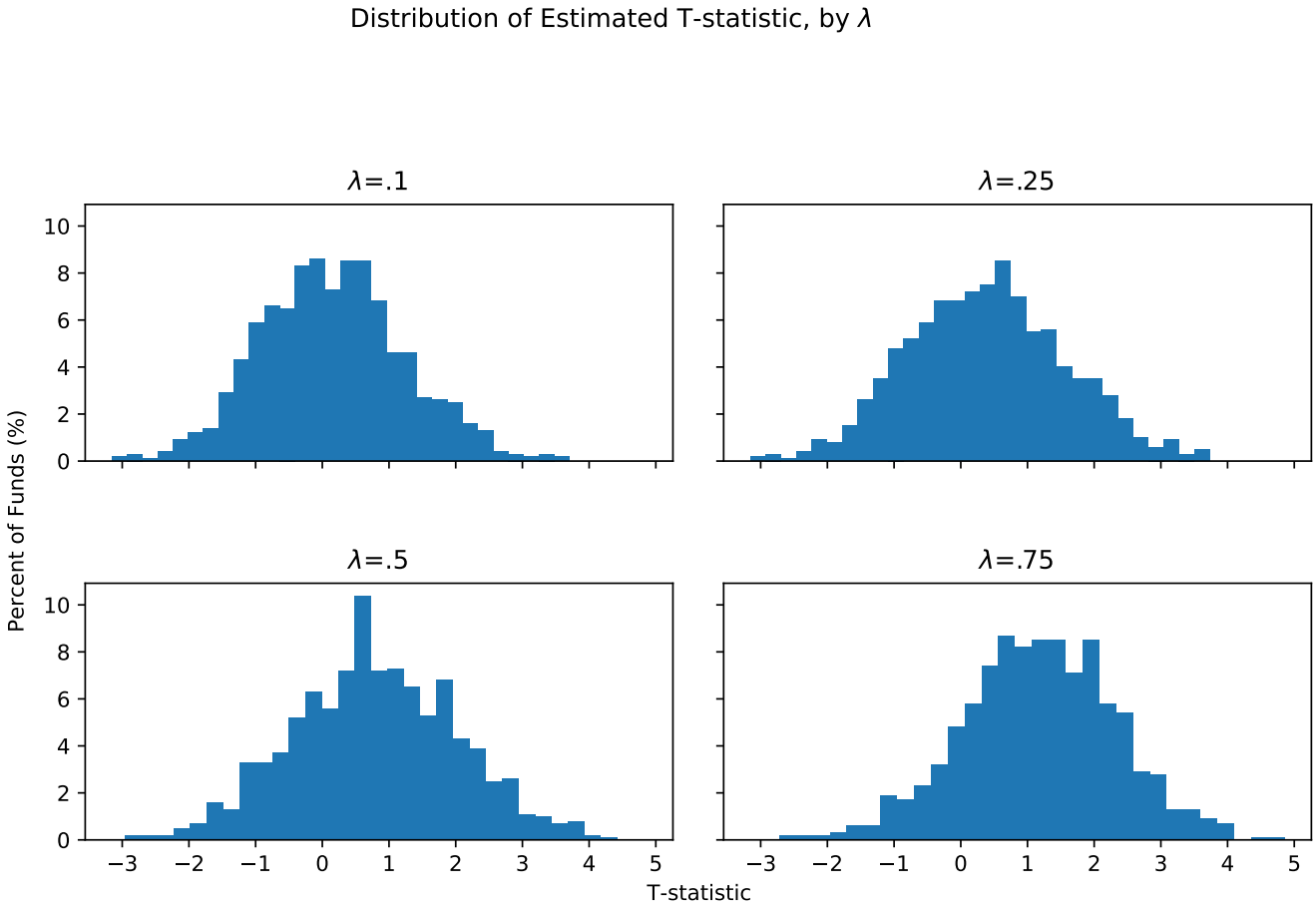
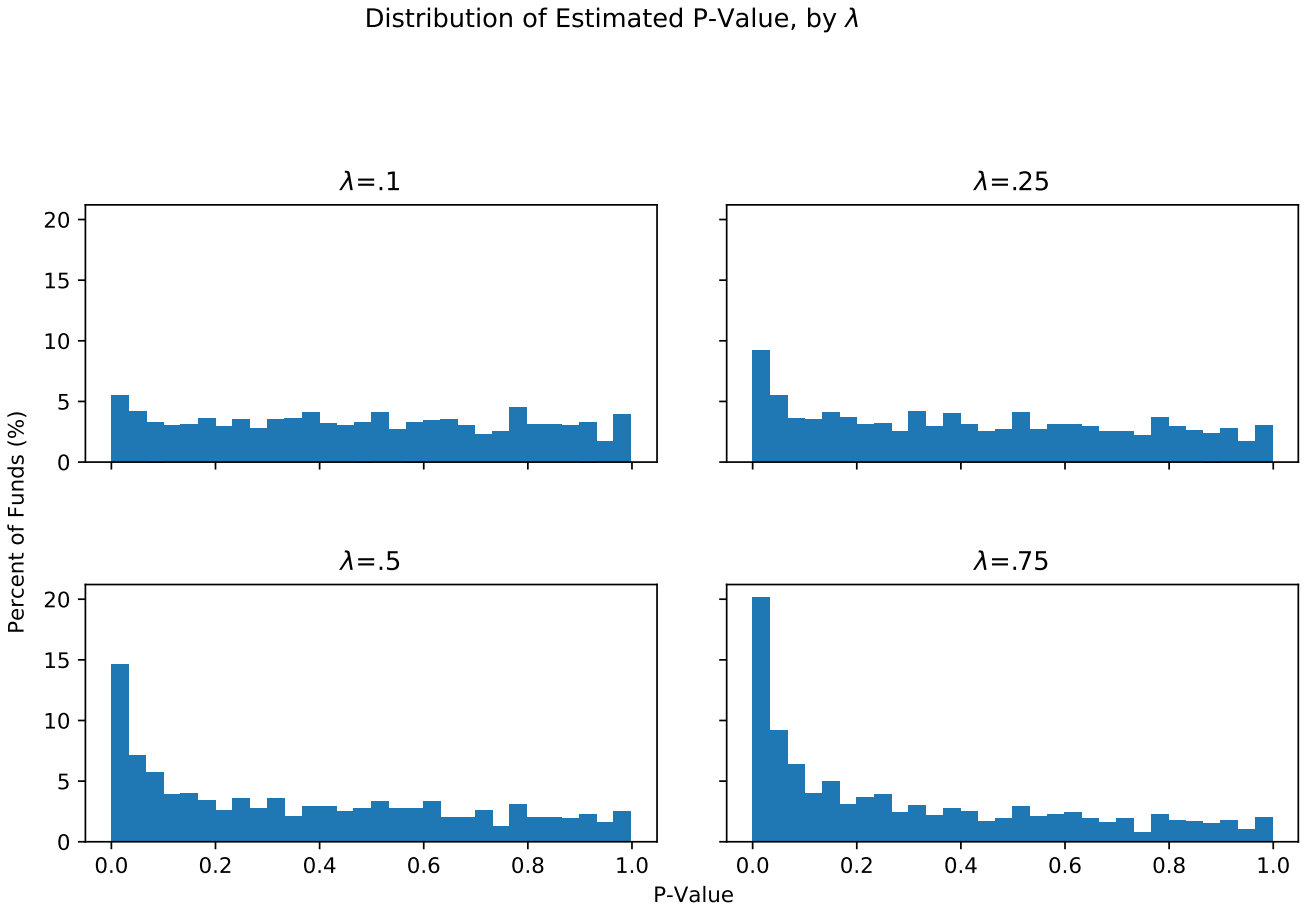


Figure 5 : The figure below depicts the distribution of simulated p-values associated with alpha. Returns are simulated such that a fraction λ of the funds/returns are truly skilled ($\alpha = 5\%$ per annum).



Tables 1-4 : The below tables display the perentage of funds falling into each true vs estimated skill category. Returns are simulated such that a fraction λ of the funds/returns are truly skilled ($\alpha = 5\%$ per annum). I am not sure why the tables are not appearing on the same page; I need to experiment with this more.

Table 1: Lambda=.1

		Estimated Skill	
		Y	N
True Skill	Y	0.9	9.1
	N	2.1	87.9

Table 2: Lambda=.25

		Estimated Skill	
		Y	N
True Skill	Y	2.2	22.8
	N	1.9	73.1

Table 3: Lambda=.5

		Estimated Skill	
		Y	N
True Skill	Y	5.6	44.4
	N	0.8	49.2

Table 4: Lambda=.75

		Estimated Skill	
		Y	N
True Skill	Y	8.0	67.0
	N	0.4	24.6