

## APPENDIX

TABLE II  
TRAINING DATA DESCRIPTIVE STATISTICS

Variable	Description	Mean	Std. Dev.	Min	Max	Median
st_rev	Standardized annual revenue	-0.0057	0.3496	-21.5	2.99	-0.0015
oancfy	Net cash flow from operating activities (annual, \$m)	290.0	394.5	-164.0	3808	158.8
xoprq	Extraordinary items & discontinued operations (quarterly, \$m)	191.3	216.7	1.39	1391	120.4
FEDFUNDS	Effective federal funds rate	0.00983	0.00825	0.0005	0.0242	0.00725
PERMITS	New housing building permits (thousands)	660.9	84.7	523	900	641
UEMPLT5	Persons unemployed (longer than 5 weeks) (thousands)	2501	1432	1849	14263	2294
excess_return	Stock excess return over risk-free rate	-0.00784	0.0941	-0.725	2.973	-0.00956

Data Source: Given in class by Henry Schellhorn and Theeraphat Pothisawang

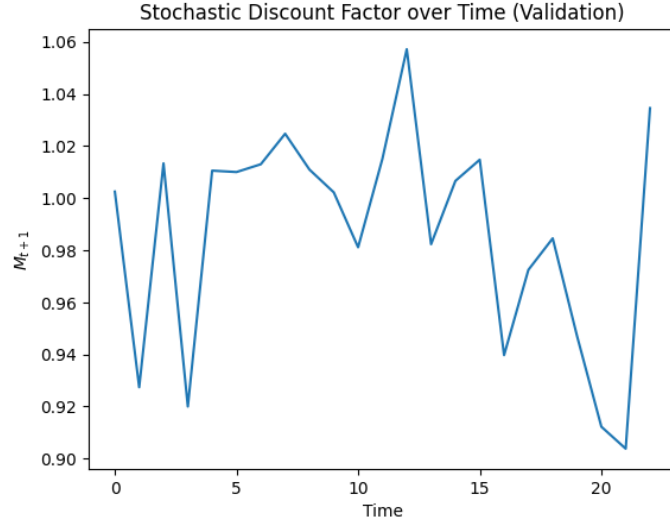


Fig. 7.  $M_{t+1}$  takes positive values and fluctuates significantly, indicating that our model is outputting a valid SDF that varies with our data.

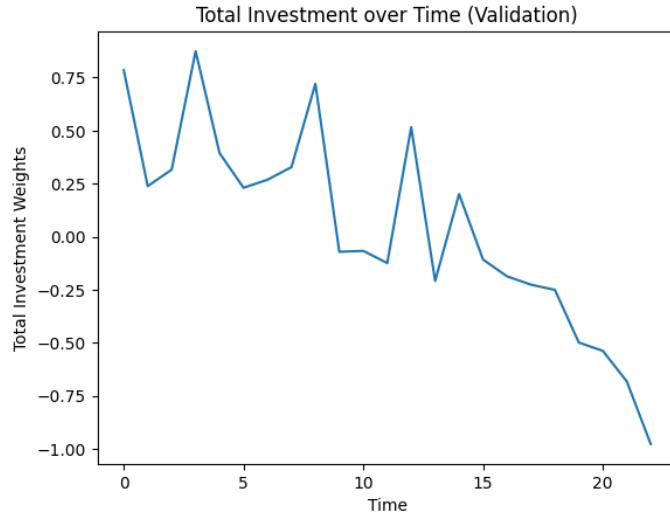


Fig. 8. Early in the test period, the portfolio invests significantly, though not fully. Later in the test period, the portfolio has nearly full short exposure.