**Homework 6**

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**Exercise 1**

1. , and total risk is .

차트이(가) 표시된 사진

자동 생성된 설명

Thus, , so that

The Return from Selectivity is 0.0425.

Net Selectivity ,

Diversification .

Risk from Manager .

Risk from Investor

1. Sharpe Measure: , and .

.

Let , then claim .

.

1. Treynor Measure: .

,

.

1. Jensen Differential Performance Index: .

차트이(가) 표시된 사진

자동 생성된 설명

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,

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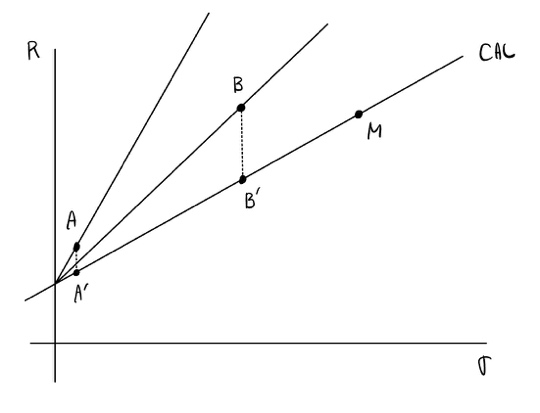
1. , where stock and in same industry .

And because ,

So that .

, where stock and in different industry and .

1. In below case, there is , but the differential excess return is .



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Let .

(\*) .

.

Thus,

Therefore,

.

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And,

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Also,

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Finally, we can conclude that ()

QED

1. 1. Short sales are not allowed, then .

2. ,

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Thus,

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3. .

4. , so that ,

.

Thus, .

This is between stock 10 and 11, so that we cannot include this stock. QED