Empirical Finance: Methods & Applications
Problem Set 4

Exercise 1

Collect monthly total return indices and dividend yields for three stocks and run an out-of-sample economic evaluation using an expanding window.

- Compute the portfolio weights using a target volatility of 10% per annum

- Compute the portfolio summary statistics

- Compute the Sharpe Ratios

- Compute the performance fee using a degree of relative risk aversion of 5

Exercise 2

Repeat Exercise 1 using an expanding window of about 120 months