# Errata for *The Sharpe Ratio: Statistics and Applications*

Steven E. Pav *

May 6, 2022

> But every error is due to extraneous factors (such as emotion and education); reason itself does not err.
>
> KURT GÖDEL

## 1 Errata

- Exercises 2.42 and 2.43 refer to material that was removed from the book, and should be ignored.
- In Example 5.0.2, the variance is not given with sufficient digits. The moments of $x_t$ should read as:

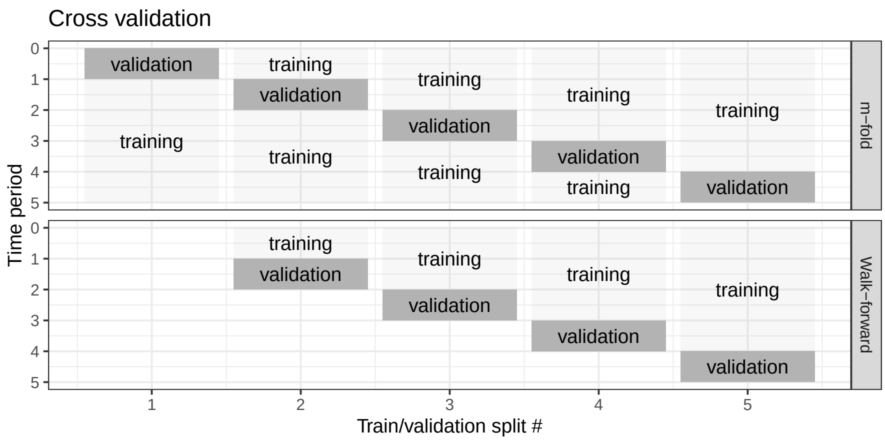
$$\mathrm{E}\left[x_t\right] = \begin{cases} 0.01\,\mathrm{mo.}^{-1} & \text{if } f_{t-1} = -1, \\ 0.03\,\mathrm{mo.}^{-1} & \text{otherwise.} \end{cases}$$
$$\mathrm{Var}\left(x_t\right) = \begin{cases} 0.001\,\mathrm{mo.}^{-1} & \text{if } f_{t-1} = -1, \\ 0.0081\,\mathrm{mo.}^{-1} & \text{otherwise.} \end{cases}$$

- Equation (4.17) was excerpted directly from [1], which considered a different transform on the vector of Sharpe ratios. It should instead read:

$$\hat{\boldsymbol{\xi}} = \Omega^{-1/2}\hat{\boldsymbol{\zeta}} = c\bar{\zeta}\mathbf{1} + b_2\left(\hat{\boldsymbol{\zeta}} - \bar{\zeta}\mathbf{1}\right). \quad (4.17)$$

- The different shades of grey in Figure 8.12 are not distinguishable in the printed version of the book. They look as follows:

*steven@sharperat.io




# References

[1] Steven E. Pav. Conditional inference on the asset with maximum Sharpe ratio. Privately Published, 2019.