Errata for *The Sharpe Ratio: Statistics and Applications*

Steven E. Pav *

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

1 Errata

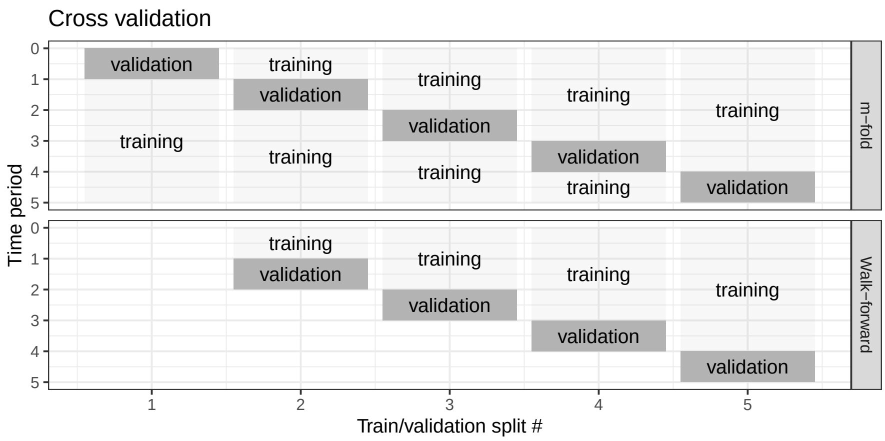
- Exercises 2.42 and 2.43 refer to material that was removed from the book, and should be ignored.
- In Example 5.0.2, the variance is not given with sufficient digits. The moments of x_t should read as:

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

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

- 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



Cross validation
validation
training
validation
training
training
validation
training
training
validation
training
training
validation
m–fold
training
validation
training
validation
training
validation
training
validation
Walk–forward
Time period
0
1
2
3
4
5
Train/validation split #
1
2
3
4
5