BUSI 525 HW01

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1 Part1 - No Skilled Funds

1.1 Number of funds are skilled at the 5% sig. level

48

1.2 Plots of t-statistic and p-values

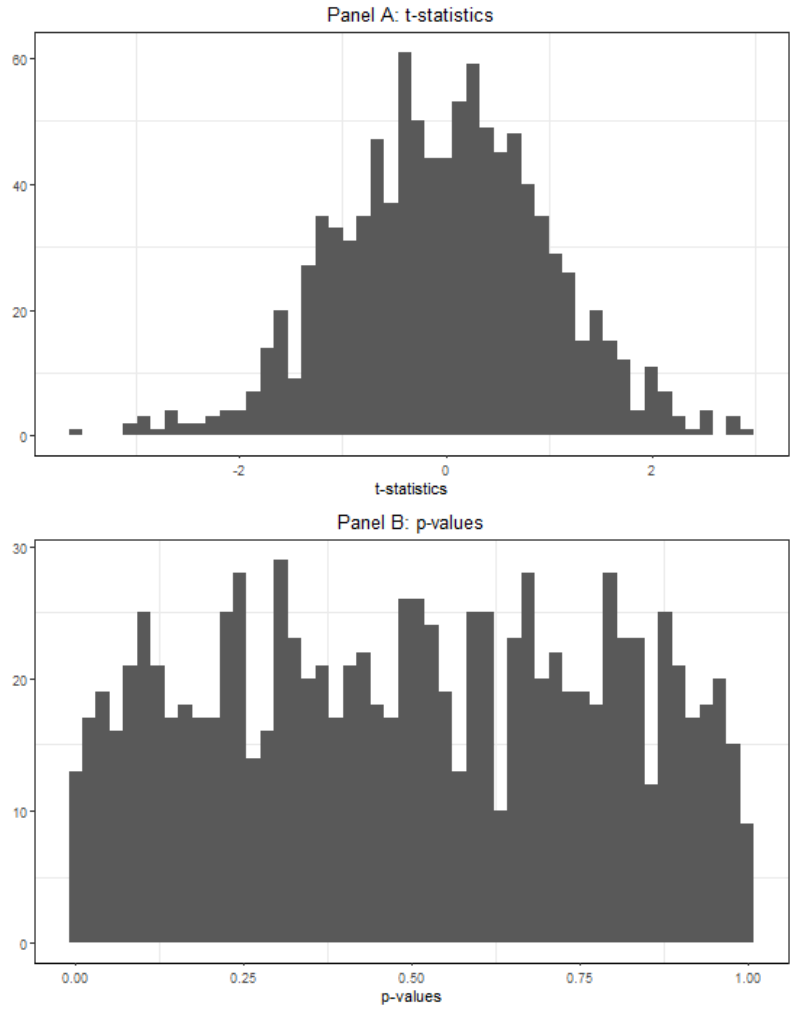

Figure 1: **The distribution of t-statistic and p-values.** This figure plots the distribution of t-statistic and p-values.

1.3 Distribution of p-value

Uniform[0,1]

2 Part2 - No Skilled Funds

2.1 Plots of estimated alpha, t-statistic and p-values

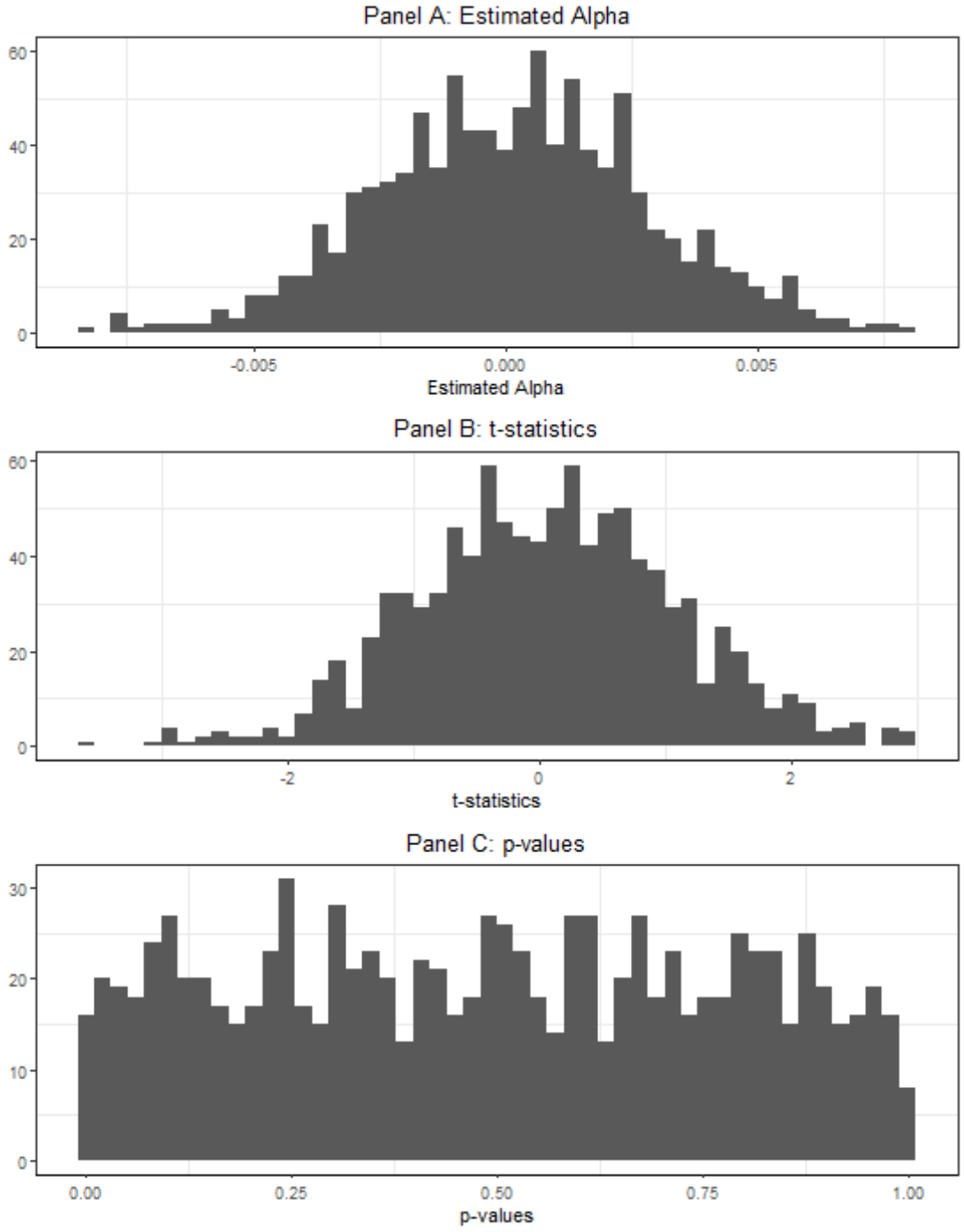

Figure 2: $\lambda = 0.10$**.** This figure plots the distribution of estimated alpha, t-statistic and p-values with $\lambda = 0.10$.

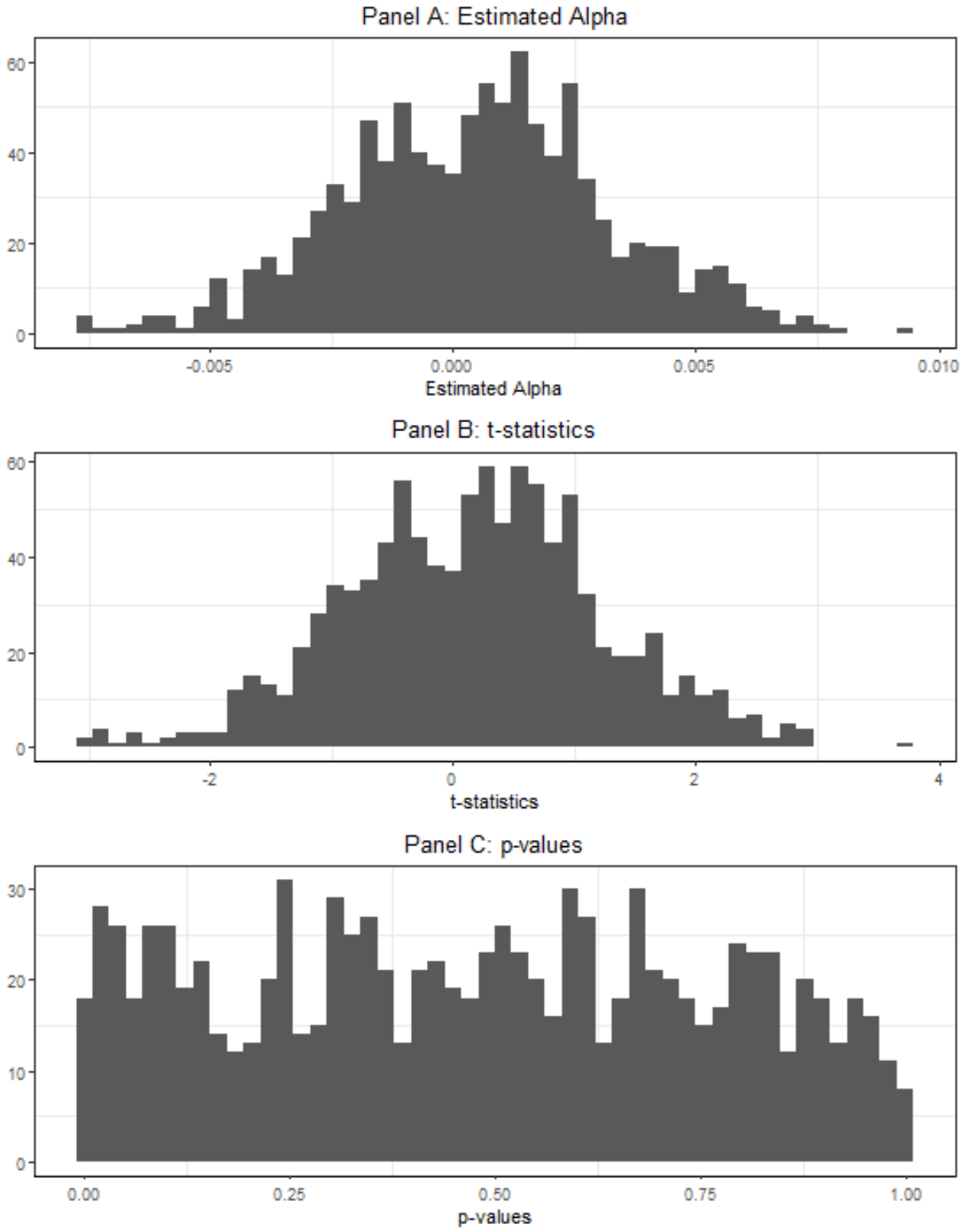

Figure 3: $\lambda = 0.25$**.** This figure plots the distribution of estimated alpha, t-statistic and p-values with $\lambda = 0.25$.

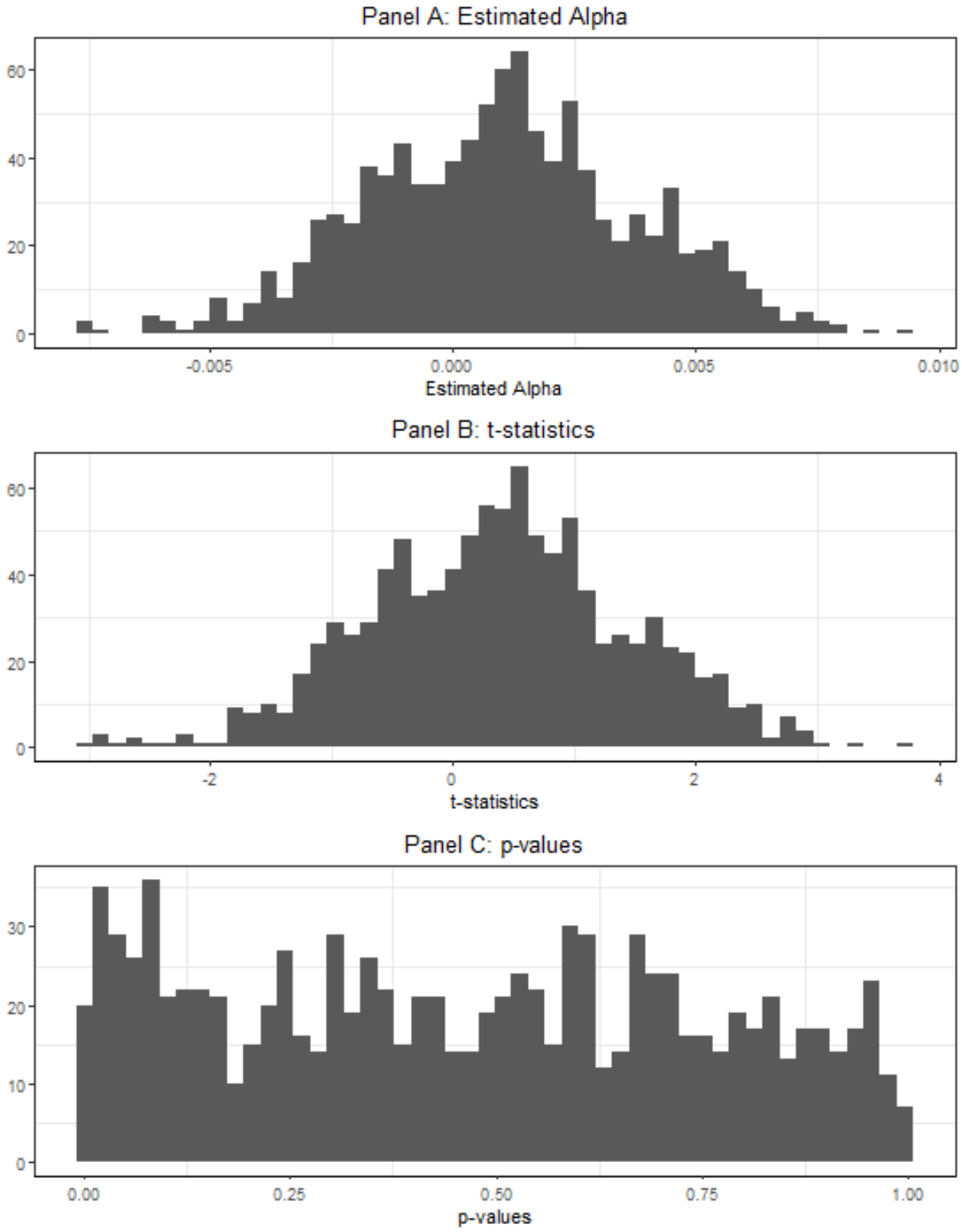

Figure 4: $\lambda = 0.50$**.** This figure plots the distribution of estimated alpha, t-statistic and p-values with $\lambda = 0.50$.

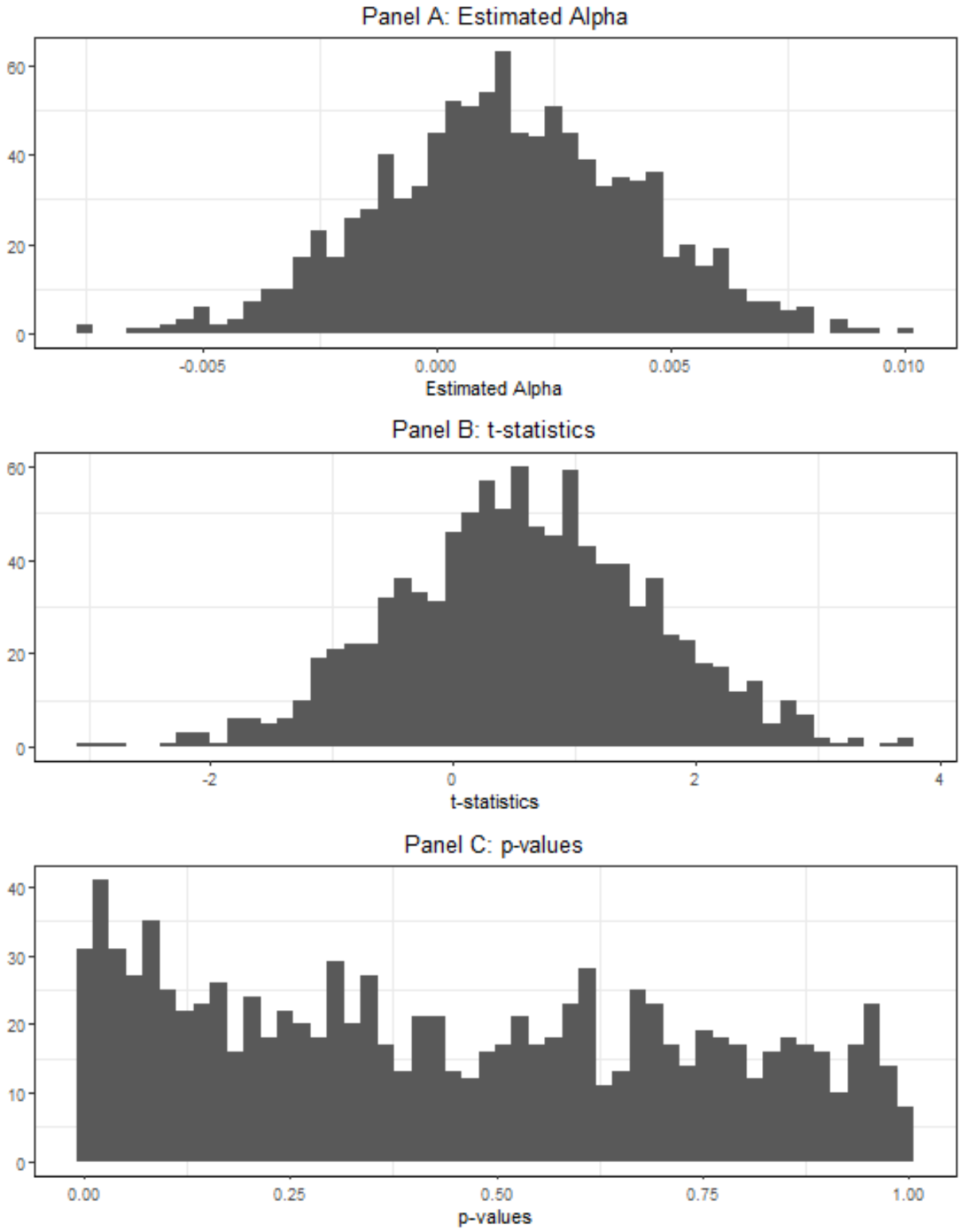

Figure 5: $\lambda = 0.75$**.** This figure plots the distribution of estimated alpha, t-statistic and p-values with $\lambda = 0.75$.

When the fraction of truly skilled funds are larger, the p-value is more concentrated towards 0, indicating more and more truly skilled funds are recognized.

2.2 Accuracy Matrix

Table 1: **Accuracy Matrix**. This table reports Accuracy Matrix.

Panel A: $\lambda = 0.10$		
	Estimated Skill: Y	Estimated Skill: N
True Skill: Y	11.00	89.00
True Skill: N	4.78	95.22
Panel B: $\lambda = 0.25$		
	Estimated Skill: Y	Estimated Skill: N
True Skill: Y	13.20	86.80
True Skill: N	5.07	94.93
Panel C: $\lambda = 0.50$		
	Estimated Skill: Y	Estimated Skill: N
True Skill: Y	11.40	88.60
True Skill: N	5.40	94.60
Panel D: $\lambda = 0.75$		
	Estimated Skill: Y	Estimated Skill: N
True Skill: Y	12.00	88.00
True Skill: N	4.80	95.20