**LECTURE 6**

**Portfolio Performance Evaluation**

**CHAPTER 24**

**Considering Factors Before Investing:**

1. Expected Risk – set-up expectation
2. Measure Risk – quantify risk
3. Time – set time for expectation
4. Allocation (between Risk and Non-Risk)- achieve efficiency and then optimization - CAL

**Measurement:**

* Compare vs historical performance
* Compare vs Market performance / Vs other portfolios
* Compare to Expectation (Realized Returns vs Expected Returns) -
1. **Concepts of Return:**
* HPR concepts Vs IRR - basic CF / Initial Investment

 

* Arithmetic Rate of Return



* Geometric Rate of Return



1. **Measurement of Risk/Return and Analyzing the Relationship**
* CAPM (Achieving risk adjusted market returns)



* Sharpe Ratio (achieving return optimization)



* Treynor Ratio



* Jansen’s Alpha – Seeking Alpha (Alpha = Actual Return - CAPM )



* Modiagliari Squared (M^2) (adjusting for Standard Deviation Return)



FINAL EXCEL PROJECT SPREADSHEET -