**LECTURE 6**

**Portfolio Performance Evaluation**

**CHAPTER 24**

**Considering Factors Before Investing:**

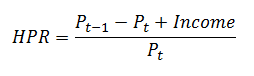
1. Expected Risk – set-up expectation
2. Measure Risk – quantify risk
3. Time – set time for expectation
4. Allocation (between Risk and Non-Risk)- achieve efficiency and then optimization - CAL

**Measurement:**

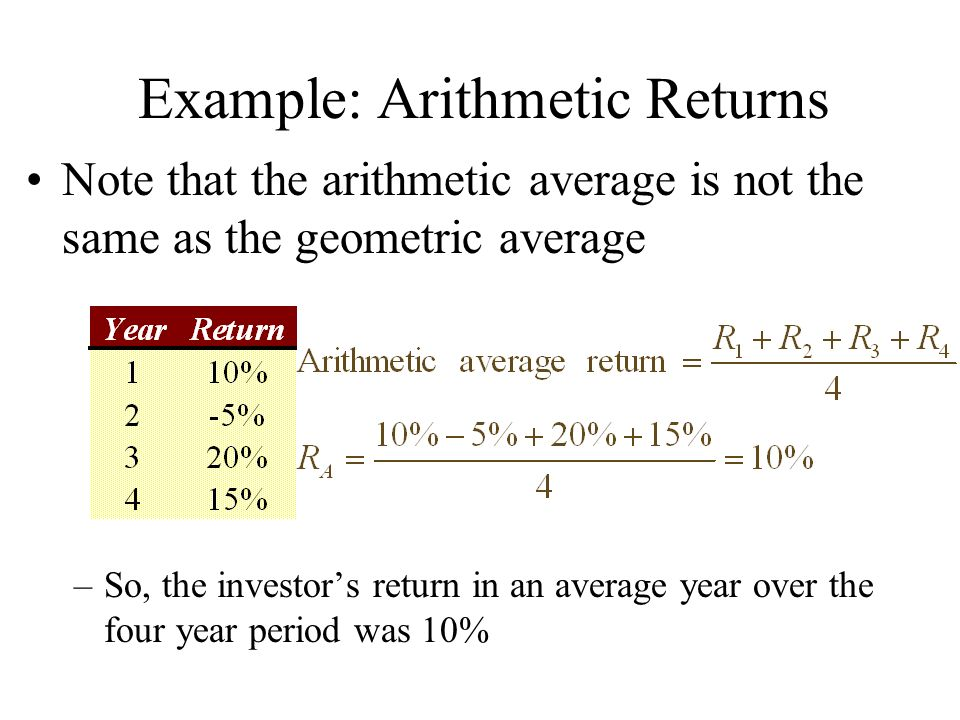
* Compare vs historical performance
* Compare vs Market performance / Vs other portfolios
* Compare to Expectation (Realized Returns vs Expected Returns) -

1. **Concepts of Return:**

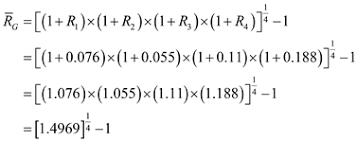
* HPR concepts Vs IRR - basic CF / Initial Investment



* Arithmetic Rate of Return

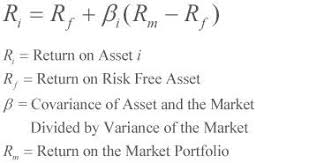


* Geometric Rate of Return

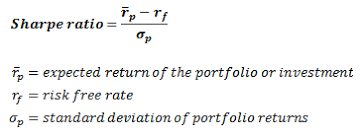


1. **Measurement of Risk/Return and Analyzing the Relationship**

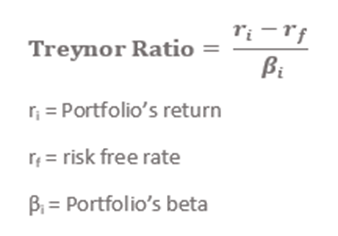
* CAPM (Achieving risk adjusted market returns)



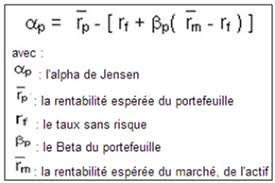
* Sharpe Ratio (achieving return optimization)



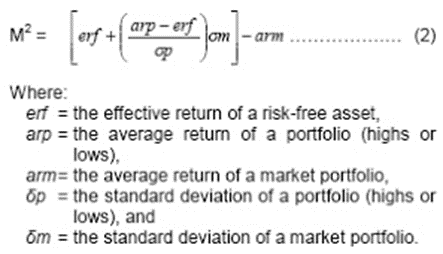
* Treynor Ratio



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



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



FINAL EXCEL PROJECT SPREADSHEET -