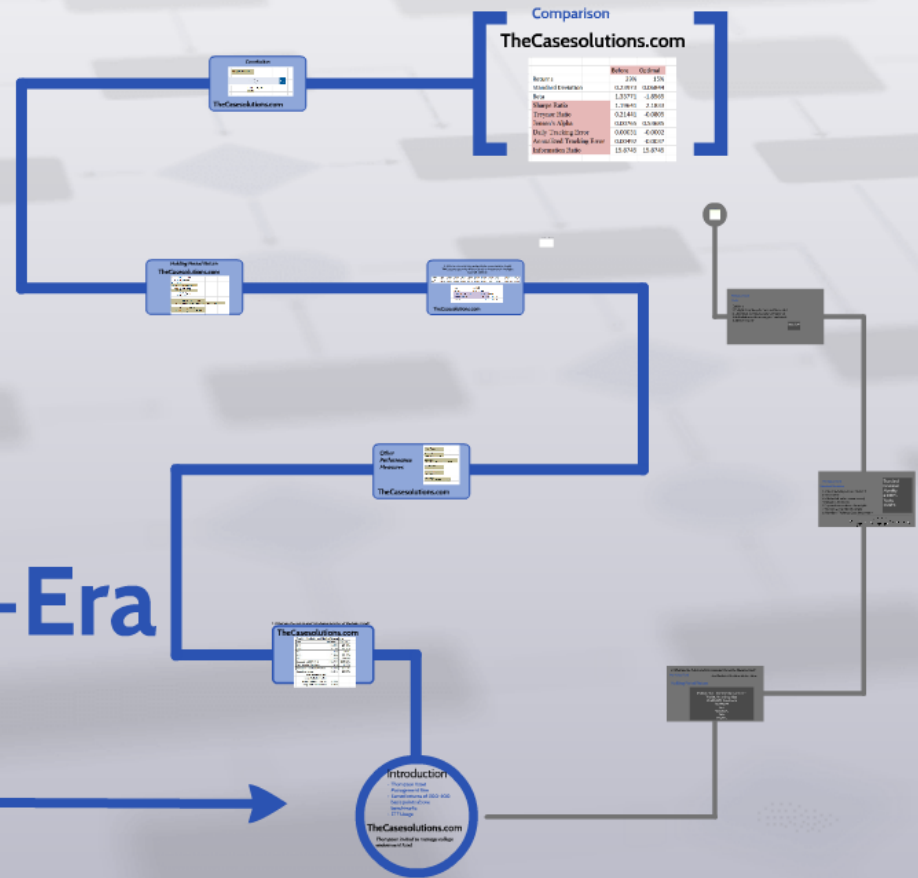
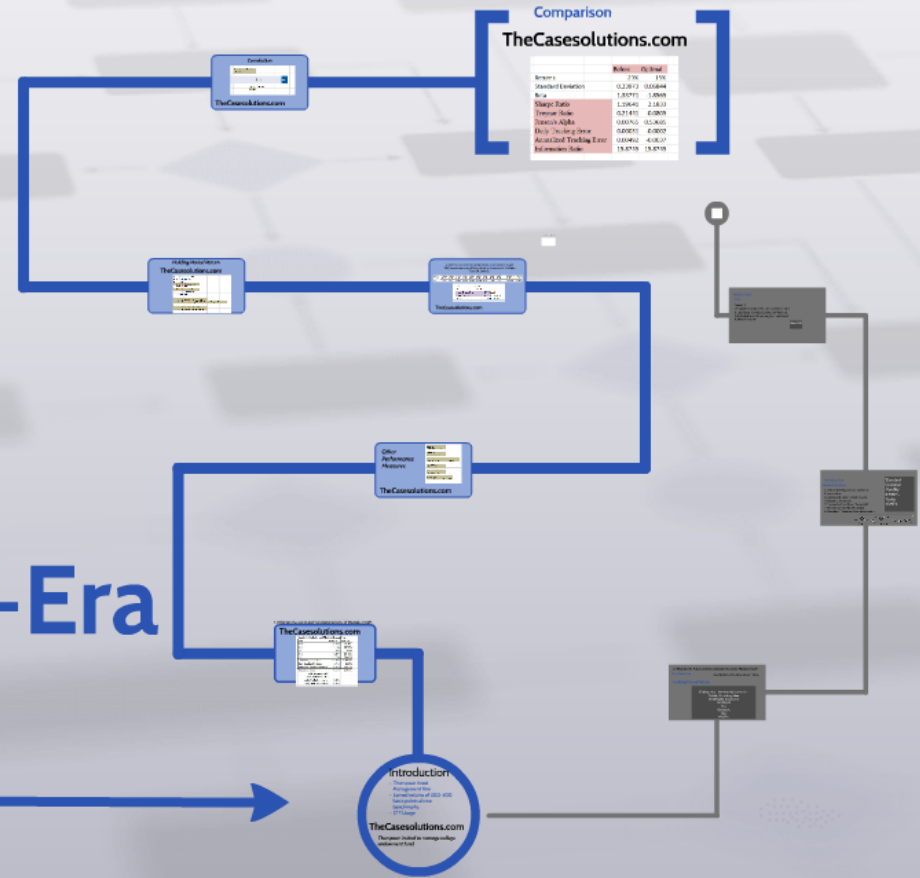


Rough Justice: Stuart Eizenstat and Holocaust-Era Asset Restitution (B)



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Introduction

- Thompson Asset Management firm
- Earned returns of 300-500 basis points above benchmarks
- ETF Usage

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Thompson invited to manage college endowment fund.

1. What are the return and risk characteristics of ProIndex Fund?

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Exhibit 2: ProIndex and Market Return Data		
Year	ProIndex	S&P 500
2009	56.48%	23.45%
2010	14.16%	12.78%
2011	11.43%	0.00%
2012	17.20%	13.41%
2013	72.78%	29.60%
Cumulative, 2009-2013	303.06%	104.63%
Daily Standard Deviation	1.91%	1.23%
Annualized Standard Deviation	30.32%	19.47%
<u>Annualized return</u>	<u>60.61%</u>	<u>20.93%</u>
risk free rate=.057		
beta ProIndex=1.011		
daily ProIndex return=	0.24%	
daily S&P 500 return=	0.08%	

Holding Period Return

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\$4.03060084	Ending Value				
\$1.00000000	Beg Value				
\$3.03060084					
303.0601%	Holding period return				
0.2407%	Daily return				
60.660%	Annualized return				
1259	Trading days				
4.996	years				
1.91%	Average STD	fund			
30.31%	Average yearly STD(1.91X sq rt of 252(15.87))				
1.23%	Average STD	S&P			
19.52%	Average yearly STD S&P				

Correlation

Correlation coefficient

65.11%

$$b_i = \left(\frac{\sigma_i}{\sigma_M} \right) \rho_{iM}$$

(6-8)

$$b_i = (.3031 / .1952) \cdot 6511$$

$$b_i = 1.011$$

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3. What are the statistics and portfolio characteristics should TAM present, assuming different levels of Investment in ProValue Fund 5M, 10M, 15?

cov/var	0.383305	0.025916	0.070758	0.141627	0.231916	0.11706	-0.04324	0.011244	0.124697	-0.096563775	0.489124
weight	6.2%	-25.6%	-35.3%	-22.5%	9.7%	-78.0%	49.8%	93.4%	49.7%	60.5%	-7.9%
Beta	0.023739	-0.00663	-0.02496	-0.03188	0.02258	-0.09134	-0.02153	0.010497	0.062029	-0.058429673	-0.03878

Beta	-1.8565		
Standard	0.06844	Year	
3 Month Risk Free		0.0578%	Daily
Market Return		20.93%	0.083%
Return		15%	0.060%

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Other Performance Measures

Sharpe ratio		
$.6061 - .0057 / .3032 = 1.98$		
Treynor Ratio		
$.6061 - .0057 / 1.011 = .5938$		
Jensen's Alpha		
$(.6061 - .0057) - 1.011 \times (.2093 - .0057) = .39456$		
Daily tracking error		
$.24 - .08 = .16\%$		
Annualized tracking error		
$.16 \times 15.874 = 2.53$		
Information ratio		
$.6061 - .2093 / 2.53 = .0157$		

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Comparison

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		Before	Optimal
Returns		29%	15%
Standard Deviation		0.23973	0.06844
Beta		1.33771	-1.8565
Sharpe Ratio		1.19641	2.1833
Treynor Ratio		0.21441	-0.0805
Jensen's Alpha		0.00765	0.53685
Daily Tracking Error		0.00031	-0.0002
Annualized Tracking Error		0.00492	-0.0037
Information Ratio		15.8745	15.8745