Rough Justice: Stuart Eizenstat and Holocaust-era Asset Restitution (A)

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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.

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

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Correlation coefficient
65.11%

$$b_i = \left(\frac{\sigma_i}{\sigma_M} \right) \rho_{iM} \qquad (6\text{-}8)$$

bi=(.3031/.1952).6511
bi= 1.011

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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)-1.011X(.2093-.0057)=.39456	
Daily tracking error .24 - .08 = .16%	
Annualized tracking error .16 x 15.874 = 2.53	
Information ratio .6061-.2093/2.53 = . 0.157	

2. What are the Return and risk characteristics of the Provalue Fund?

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Pro-Value Fund

Holding Period Return

Used Exhibit 6: ProValue Market Value

(Ending value - Investment)/Investment
$7,828,719 Ending Value
$5,509,070 Investment
$2,319,649
Year
42.1060%
Daily
0.1671%

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Pro Value Fund

Standard Deviation

1. Calculated daily returns Exhibit 12
2. mean return
3. Subtracted (return-mean return)
4. Squared the returns
6. Squared returns times the weights
7. Number 6/ number of sample
8. Number 7* Variance Covariance matrix

Standard Deviation
Monthly
6.920%
Yearly
23.97%

$$\sigma = \sqrt{\sum_{i=1}^{N} w_i^2 \sigma_i^2 + \sum_{i=1}^{N-1} \left(\sum_{j=i+1}^{N} 2\, w_i w_j COV_{ij} \right)}$$

ProValue Fund

Beta

Exhibit 12
1. Daily Returns for each stock and the market
2. Used Excel formula Covariance/Variance
3. Multiplied result times weight of each stock
4. Added amounts

Beta 1.34

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