

## 12. INVESTMENT OBJECTIVES, STRATEGIES AND ISSUES

1. You are provided with a database containing monthly values for three funds A, B and C over a two-year period, as well as equivalent values for the FTSE-100 index. Assume the risk-free rate has remained static at 6.0% for the whole period. Note that trustee's suggested betas for each fund are 0.75 for fund A and 1.00 for fund B and C..
  - (a) Analyse the performance of each fund over the two-year period and sub-periods of one year and explain why you believe one fund is better or worse than the others. Comment upon the apparent style of management of each fund. [You should calculate the (compound) average return and standard deviation of returns for the index and each fund for each period, together with the Sharpe and Treynor risk adjusted performance measures. In addition, calculate the incremental return of each fund over its passive equivalent portfolio with the same beta].
  - (b) Further analyse the performance of each fund into its respective components and provide an explanation of this as to a would-be investor. Comment upon the differential skills of the three managers.

PERIOD	INDEX	A	B	C
0	6000	100	100	100
1	6056	100.95	100.8	101.45
2	6020	100.47	100.09	100.36
3	6186	104.08	101.3	104.6
4	6485	106.32	108.99	109.87
5	6300	104.24	110.52	107.89
6	6672	107.63	113.39	116.38
7	6510	107.03	109.54	111.92
8	6425	106.81	108.99	109.9
9	6723	110.67	111.78	114.51
10	6720	111.36	112.54	113.06
11	6810	112.61	114.93	115.78
12	6990	116.77	121.48	122.39
13	7164	120.11	122.94	126.97
14	7385	123.43	125.89	131.54
15	7354	123	124.3	130.36
16	7685	128.62	128.28	137.02
17	7890	132.83	130.2	140.66
18	7756	129.32	128.77	140.32
19	7798	130.02	130.01	141.81
20	7210	123	123.25	131.64
21	7120	122.5	124.11	131.33
22	7255	124.82	128.07	136.84
23	7300	126.2	130.38	140.78
24	7400	127.5	131.63	142.88