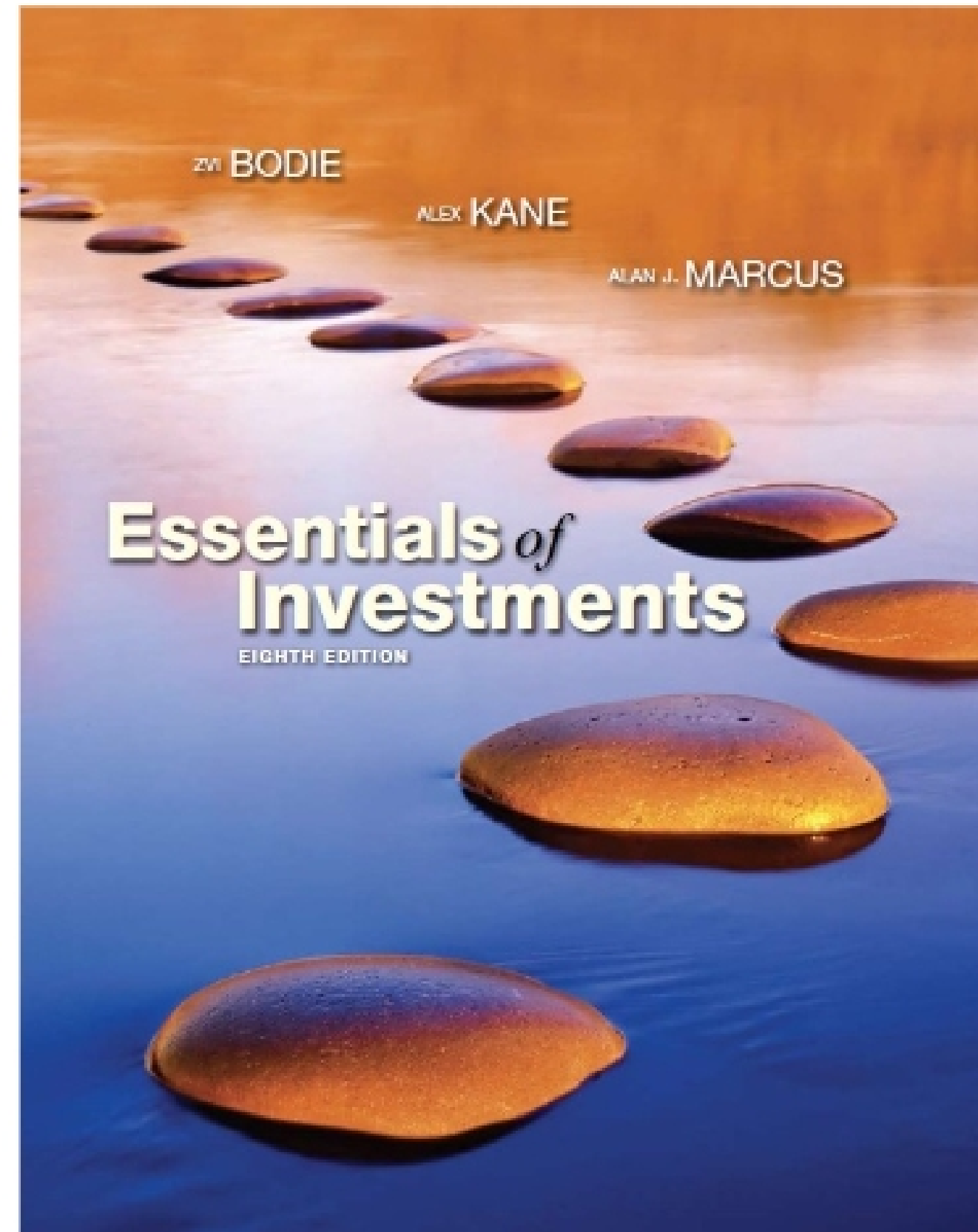


# Chapter 18

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## Portfolio Performance Evaluation



# 18.1 Risk-Adjusted Returns



# Types of management revisited

- Passive management
  1. Capital allocation between cash and the risky portfolio
  2. Asset allocation within the risky portfolio.
    - How passive the management actually is varies
      - “Set it and forget it”
      - Change allocations in 1 or 2 according to perceptions of risk to keep current with portfolio goals.
- Active management
  - Forecasting future rates of return on either/both asset classes and individual securities

