

Another Interpretation of Negative Sharpe Ratio

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This is a supplementary page to be used with the Spring 2003 *Journal*. A printer error caused problems with the publishing of the equations listed below. This page can be used with the article so you may reap the full benefit of the authors efforts. We regret any inconvenience this error may have caused the author and our subscribers. A full reprint of the article will be supplied with the next *Journal* mailing.

On Page 19 the following equation was missing the denominator and =, + and - signs.

$$SR = \frac{(r - r_f)}{\sigma}$$

On Page 22 the following equations were missing the =, + and - signs.

$$Z_A - Z_B = \frac{(r_A - r_f)}{\sigma_A} - \frac{(r_B - r_f)}{\sigma_B} = SR_A - SR_B$$

$$\text{Realized alpha} = (r - r_f) - k \times \sigma$$

$$adj - \alpha_A = \frac{\{(r_A - r_f) - k \times \sigma_A\}}{\sigma_A}$$

$$adj - \alpha_B = \frac{\{(r_B - r_f) - k \times \sigma_B\}}{\sigma_B}$$

$$(adj - \alpha_A) - (adj - \alpha_B) = \frac{(r_A - r_f)}{\sigma_A} - \frac{(r_B - r_f)}{\sigma_B} = SR_A - SR_B$$