



## Portfolio Statistics – Quick Reference Guide

Metric	Description	Why It Matters	Rule of Thumb
Compound Annual Return	The rate of return that represents the cumulative effect of variable returns over time.	The higher the compound annual return, the faster your investments grow.	Higher Compound Annual Return = Better Performance
Alpha	Excess return of a portfolio above the expected return based on comparison to a Beta-adjusted benchmark.	Alpha measures a model's or portfolio manager's ability to beat the market. If you don't have positive alpha, you're underperforming the market.	Higher Alpha = Better Performance
Beta	Measure of the volatility, or risk, of a portfolio, compared to a benchmark.	Allows you to see if you are taking on more or less risk than the market.	Lower Beta = Less Risk
Standard Deviation	Measure of the volatility, or risk, of a portfolio.	Allows you to understand the likelihood of a model or portfolio to experience big swings in price.	Lower Standard Deviation = Less Risk
Maximum Drawdown	Maximum peak-to-trough decline that a portfolio has experienced.	This is a simple and intuitive way to visualize risk. It shows you the greatest loss that a portfolio has experienced.	Lower Maximum Drawdown = Less Risk
Sharpe Ratio	Industry standard measure of risk-adjusted returns.	Tells you whether excess returns are a result of smart investing or taking on additional risk.	Higher Sharpe Ratio = Better Risk-Adjusted Return
Sorentino Ratio	Alternate measure of risk-adjusted return. Excludes the effect of upward volatility.	Tells you whether excess returns are a result of smart investing or taking on additional risk.	Higher Sorentino Ratio = Better Risk-Adjusted Return
Treynor Ratio	Alternate measure of risk-adjusted return. Utilizes Beta as the measure of risk	Tells you whether excess returns are a result of smart investing or taking on additional risk.	Higher Treynor Ratio = Better Risk-Adjusted Return