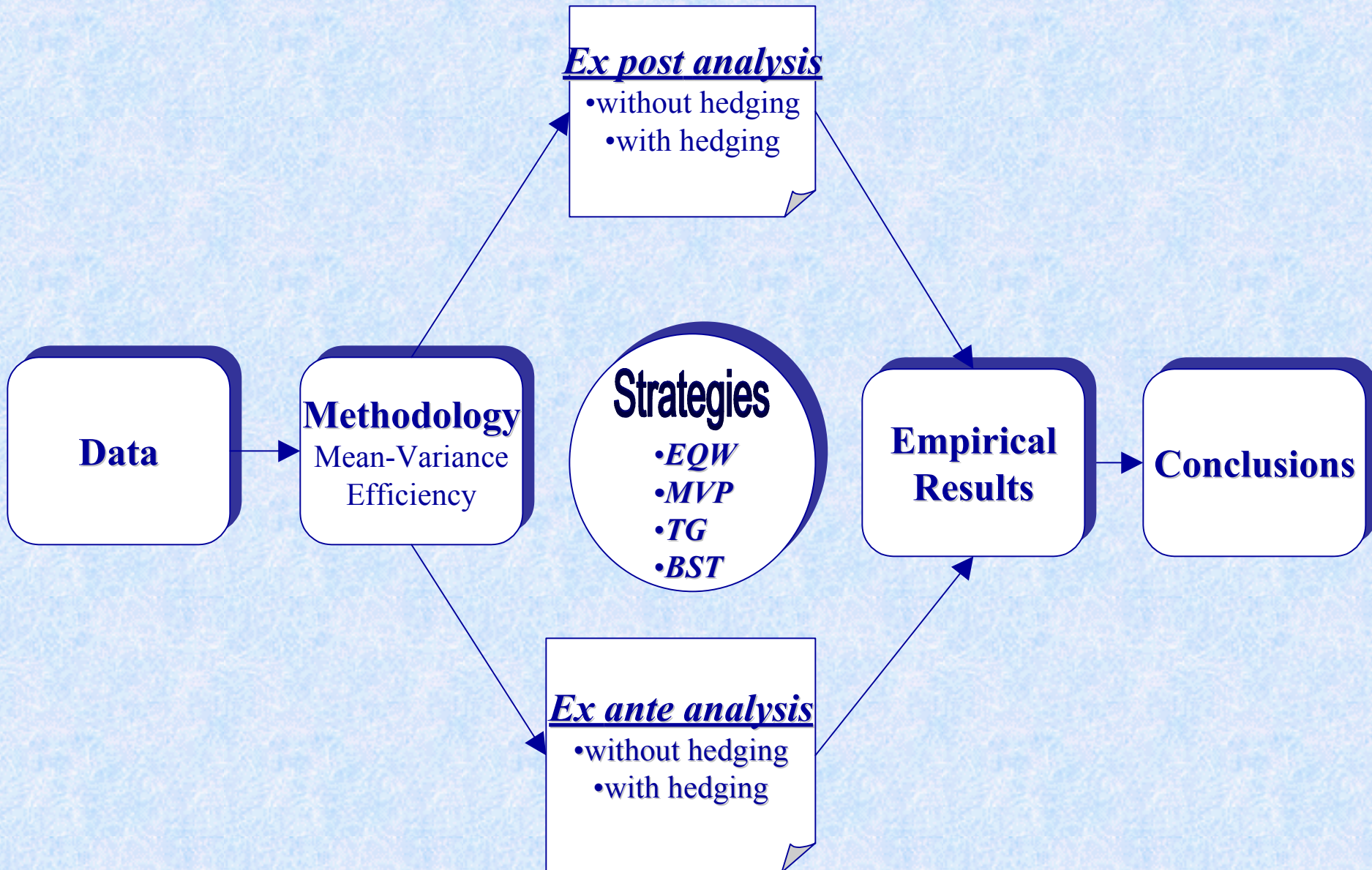

International Equity Portfolios and Currency Hedging: the Perspective of German and Hungarian Investors

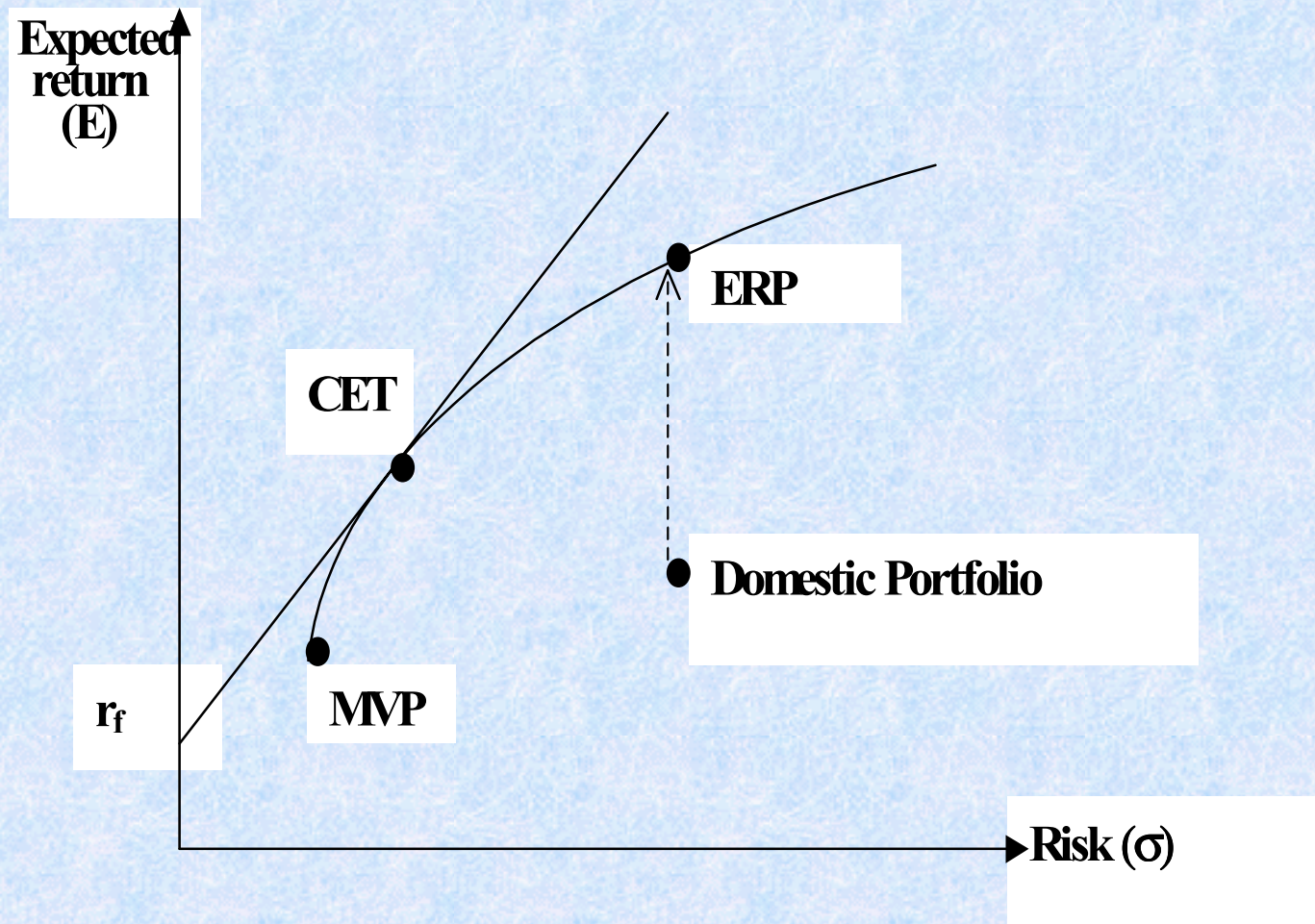
by

Gyöngyi Bugár and Raimond Maurer

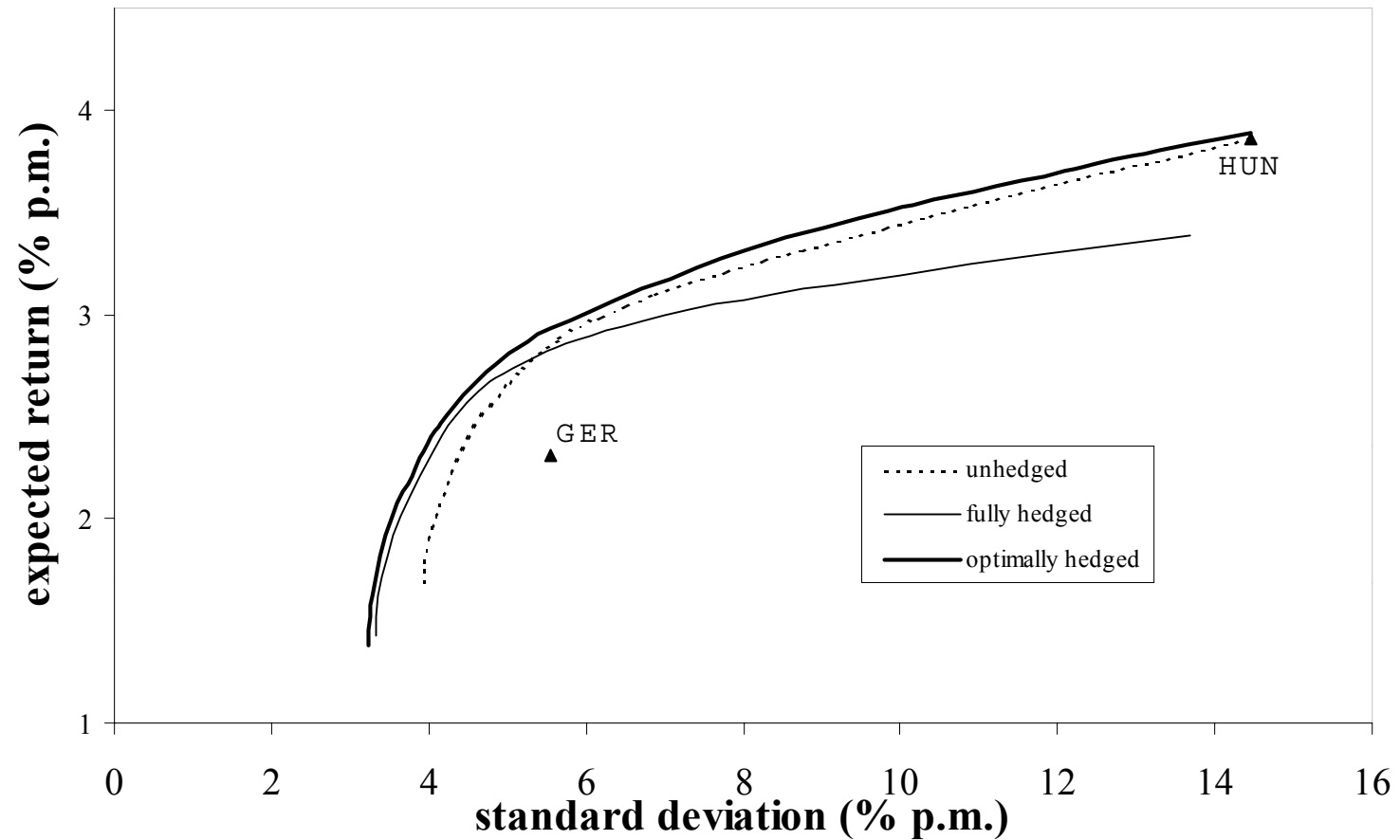
- * University of Pécs,
Faculty of Business and Economics, Hungary
- ** J. W. Goethe University of Frankfurt a. M.,
Faculty of Business Administration, Germany



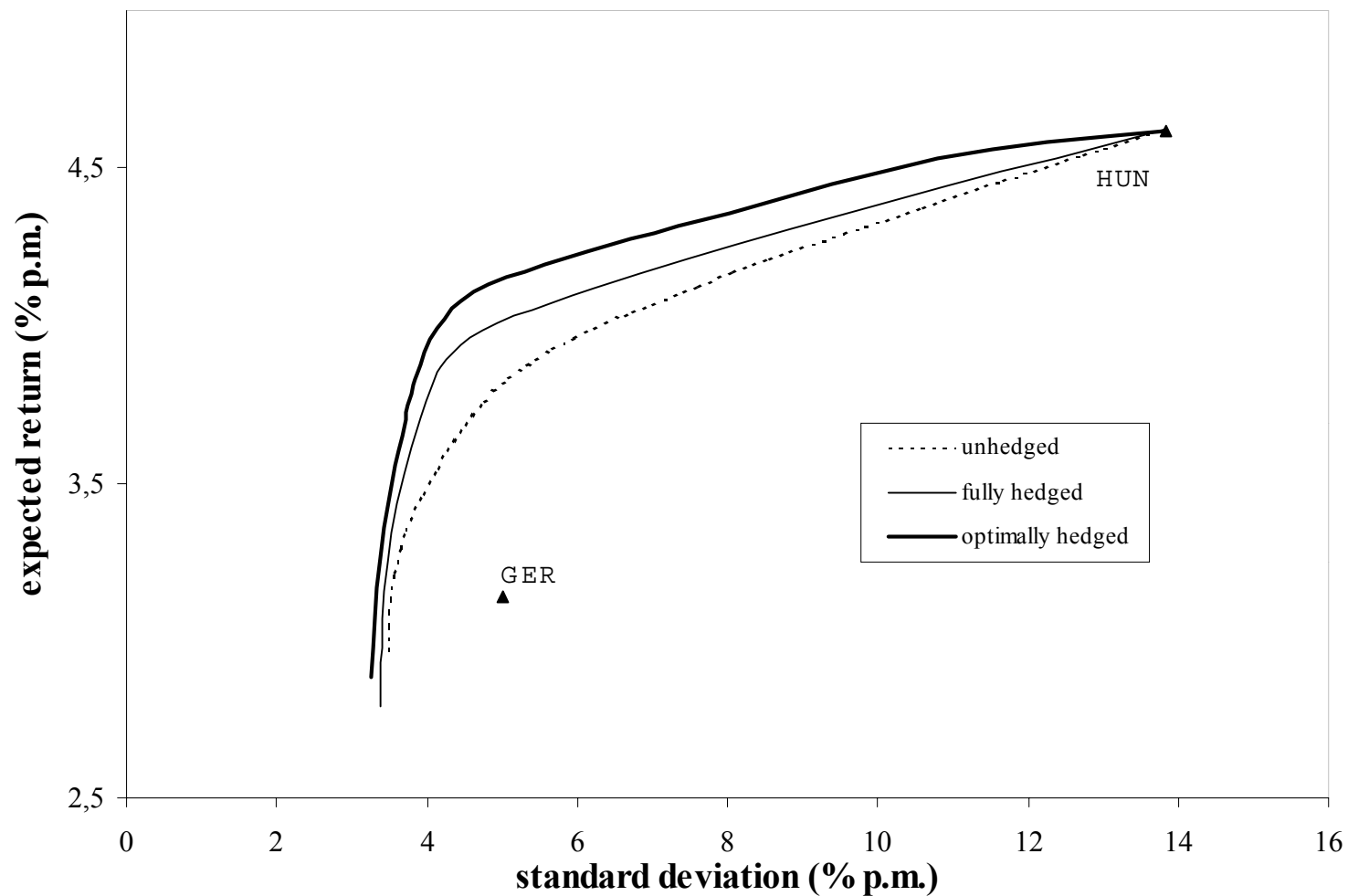
Portfolio Selection Strategies



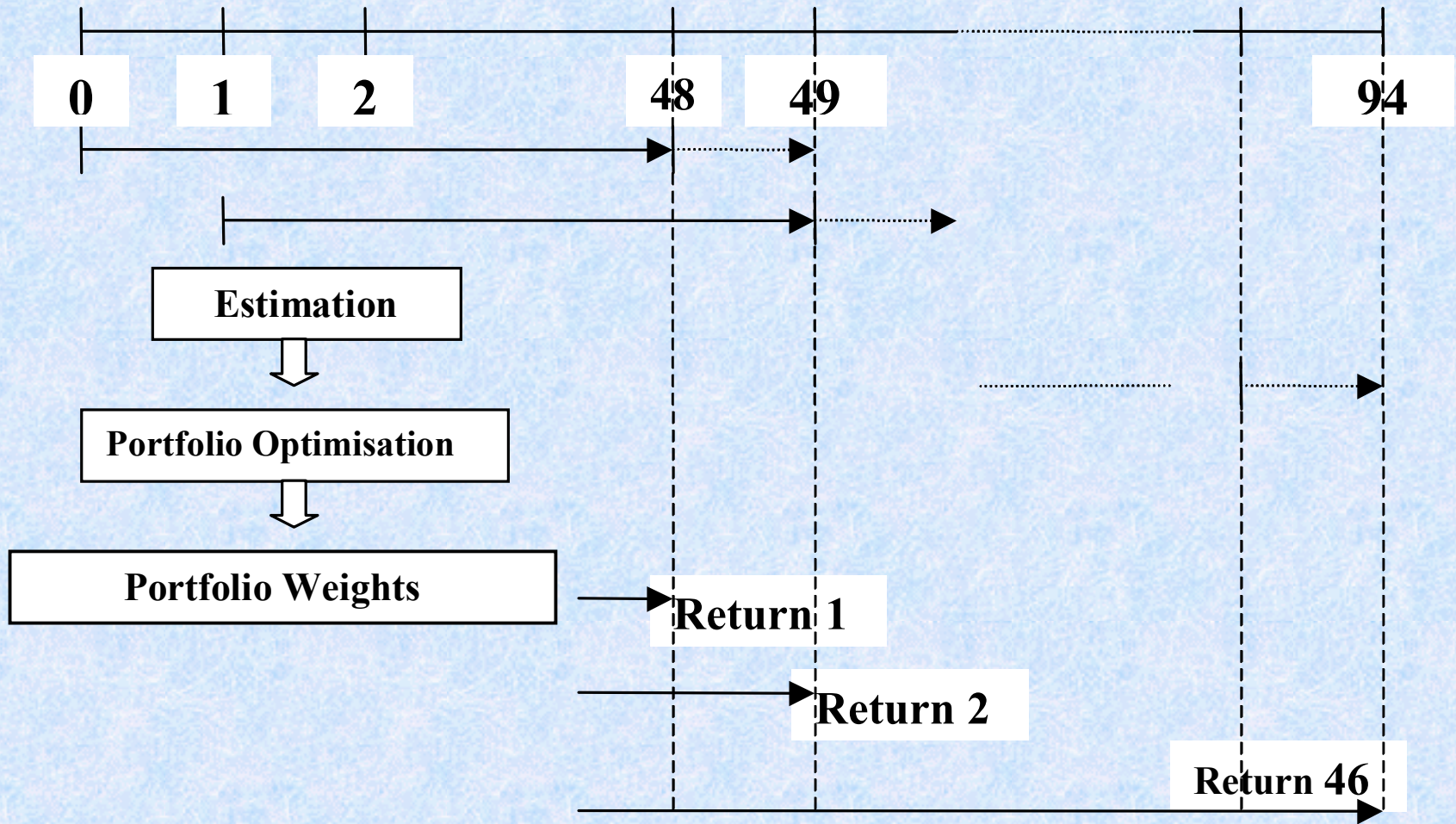
Efficient frontiers for different hedging strategies from the perspective of a German investor



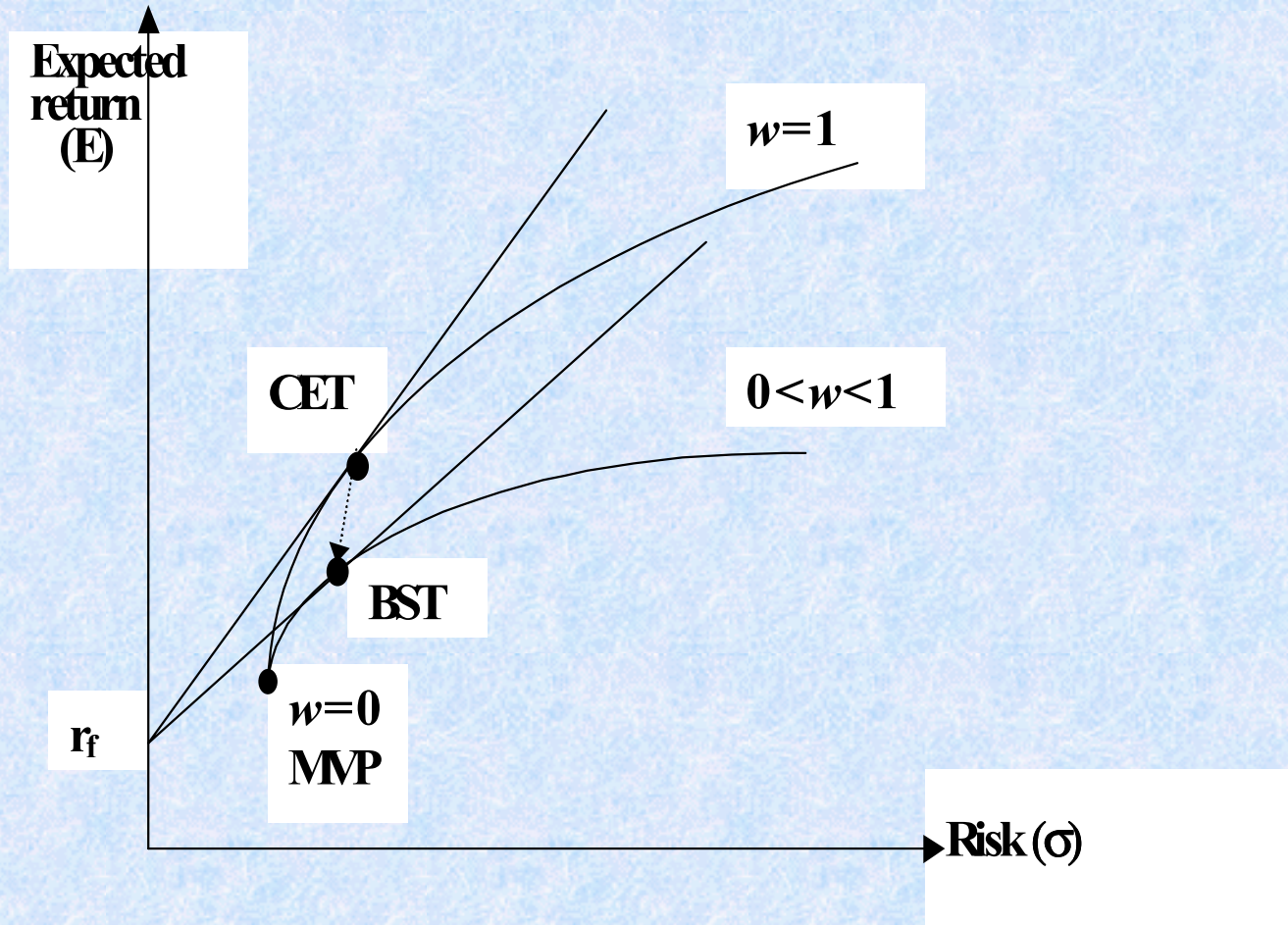
Efficient frontiers for different hedging strategies from the perspective of a Hungarian investor



Out-of-Sample Back-testing Procedure



The Bayes-Stein Estimation Process



Out-of-Sample Performance of Internationally Diversified Portfolios

German Perspective

Hungarian Perspective

<u>Strategies</u>	<u>Mean</u>	<u>STD</u>	<u>Sharpe-ratio</u>	<u>JK-stat.</u>	<u>Mean</u>	<u>STD</u>	<u>Sharpe-ratio</u>	<u>JK-stat.</u>
<i>No Hedging</i>								
EQW	2.23	5.32	0.37	-0.04	3.06	4.81	0.34	-1.07
MVP	1.93	4.49	0.37	-0.04	3.05	4.30	0.37	-1.01
TG	2.37	5.37	0.39	-0.12	3.21	4.59	0.39	-1.03
BST	2.29	5.03	0.40	-0.21	3.21	4.41	0.40	-1.18
<i>Fully Hedging</i>								
EQW	1.96	4.79	0.35	0.13	3.33	4.97	0.38	-1.57*
MVP	1.73	3.76	0.38	-0.10	3.26	3.96	0.46	-1.75**
TG	2.38	4.80	0.44	-1.12	3.81	4.37	0.54	-2.09**
BST	2.23	4.54	0.43	-1.05	3.68	4.29	0.52	-1.99**
<i>Optimal Hedging</i>								
MVP	1.72	3.77	0.38	-0.15	3.19	4.03	0.43	-1.55*
TG	2.35	4.82	0.42	-0.87	3.47	4.31	0.47	-1.80**
BST	2.35	4.76	0.43	-0.99	3.47	4.30	0.47	-1.80**
<i>Domestic</i>	2.31	5.55	0.36	-	4.62	13.84	0.23	-