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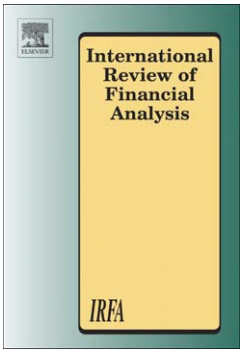

Does the choice of performance measure influence the evaluation of commodity investments?

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PII: S1057-5219(14)00133-1
DOI: doi: 10.1016/j.irfa.2014.10.003
Reference: FINANA 755

To appear in: *International Review of Financial Analysis*

Received date: 6 May 2014
Revised date: 29 September 2014
Accepted date: 3 October 2014

Please cite this article as: Auer, B.R., Does the choice of performance measure influence the evaluation of commodity investments?, *International Review of Financial Analysis* (2014), doi: 10.1016/j.irfa.2014.10.003

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Does the choice of performance measure influence the evaluation of commodity investments?

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In practice, a wide variety of performance measures is available to evaluate commodity investments. In this article, we show that the most popular of these metrics, i.e., the Sharpe ratio and 12 alternative reward-to-risk ratios based on drawdowns, partial moments and the Value at Risk, yield almost identical rank orderings across futures-based commodity investments in energy, precious metals, industrial metals, agriculture, and livestock. Especially for identifying the best and worst investment opportunities from a set of given alternatives, the choice of performance measure does not crucially influence investment decisions. Interestingly, our results are robust in several dimensions, namely, the data set, the time period, the return calculation method and the performance measure parametrisation.

Keywords: Commodity investments, Performance measurement, Rank correlation
JEL: C10, G11

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