

Public Abstract

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Title:Two Essays in Analyzing Delegated Portfolio Management Relationships through Relative Portfolio Measures

Delegated Portfolio Management is the process of hiring an agent to manage investment assets for another person's benefit. Separating the investment decision-making from the beneficiary's interest creates a classical principal/agent problem. This relationship is an inefficient but necessary element of modern portfolio management. Both amateurs and professionals alike employ empirical measures to analyze and mitigate the costs of this relationship. In these essays, I study two such measures: Tracking Error Volatility and Active Share. In particular, I demonstrate the analytical relationship between these two Relative Portfolio Measures. I also show that a careful understanding of each of these metrics can allow a principal to monitor and thus constrain an agent in such a way as to reduce the inefficiency of the delegated relationship.