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Luis J. Roman* (roman@wpi.edu), 100 Institute Rd, Worcester, MA 01609, and **Shankar Subramaniam**. *Effects of Stochastic Volatility in Drawdowns and Maximum Drawdowns*. Preliminary report.

Drawdowns and maximum drawdowns are key measures of track record quality and strategy riskiness in the managed futures industry, which many investors consider a better measure of risk than simply the volatility of returns or a return/risk measure such as the Sharpe ratio. Most previous studies on drawdowns and maximum drawdowns assume that the volatility is constant or that it follows a GARCH process. In this talk we will present some numerical results on the distribution of maximum drawdowns when the volatility is assumed to follow a Ornstein-Uhlenbeck process. We show how the rate of mean-reversion, which can be associated also to the length of track record, affects the distribution of drawdowns and maximum drawdowns. (Received February 03, 2006)