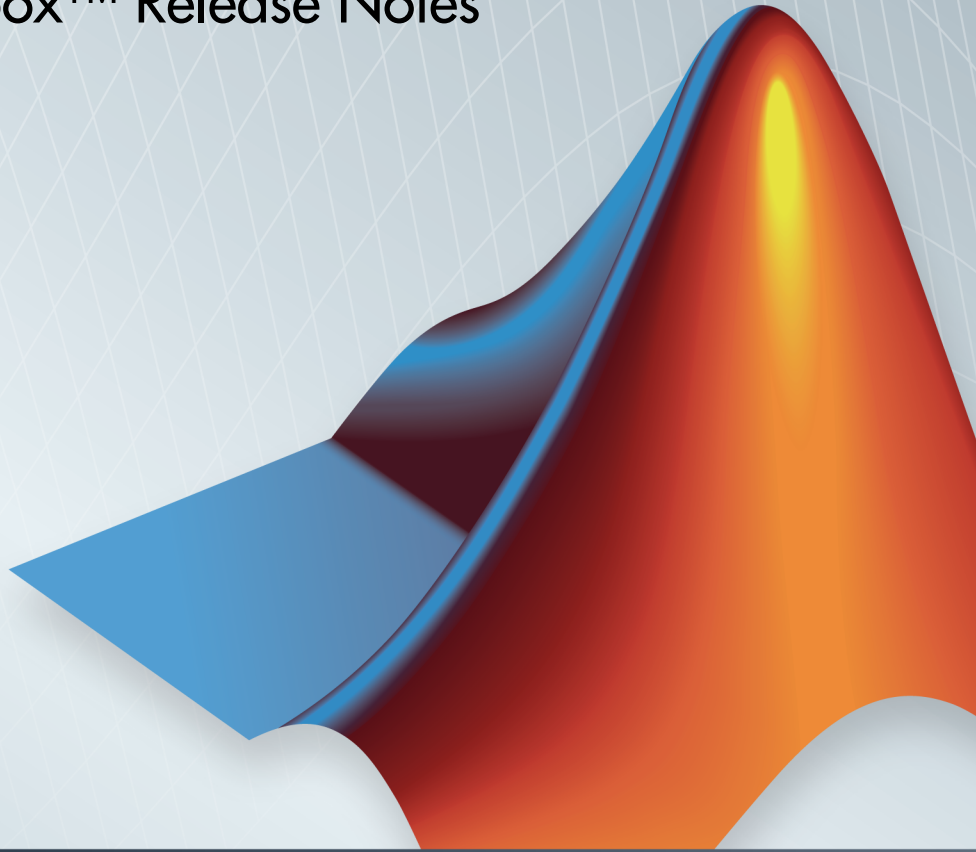
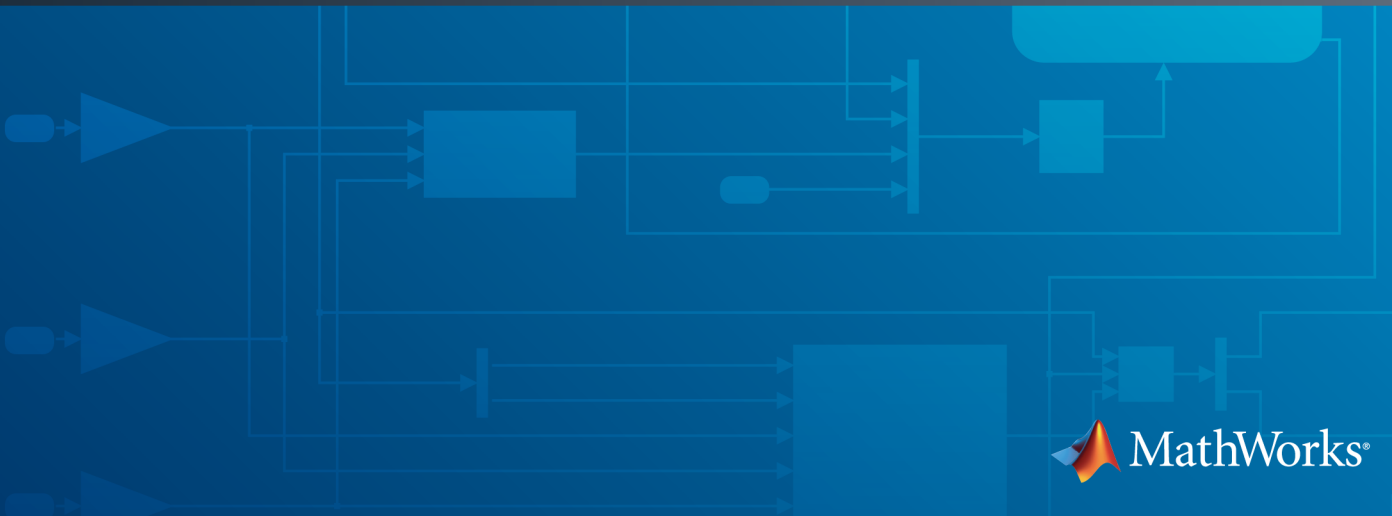


# Financial Toolbox™ Release Notes



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# R2014b

**Version: 5.4**

**New Features**

**Bug Fixes**

## Credit scorecard functionality

Modeling support for credit scorecard development that includes the following new functions:

- `creditscorecard` creates the `creditscorecard` object.
- `autobinning` applies automatic binning for single or multiple predictors.
- `bininfo` returns bin information for a given predictor.
- `modifybins` lets you modify bins for a given predictor.
- `bindata` bins a dataset using the existing binning rules and performs Weight of Evidence (WOE) transformation.
- `plotbins` plots histogram counts for predictor variables.
- `fitmodel` fits a logistic regression model using Weight of Evidence (WOE) data.
- `setmodel` sets the predictors and coefficients of a linear logistic regression model fitted outside the `creditscorecard` object and returns an updated `creditscorecard` object.
- `displaypoints` returns scorecard points information, such as points per bin or points per predictor.
- `formatpoints` lets you modify point information, such as scaling or rounding.
- `score` determines the score for each row of a dataset.

For more information, see Using `creditscorecard` Objects, “Credit Scorecard Modeling Workflow”, and “Case Study for a Credit Scorecard Analysis”.

## Performance improvements to CVaR portfolio optimization when using the `fmincon` function

Support for `fmincon` gradients when using `setSolver` for CVaR portfolio optimization provides increased performance for CVaR optimizations.

## Performance improvements to SDE Monte Carlo simulation for models with constant parameter or deterministic function of time

Certain SDE models that use a constant parameter or a deterministic function of time have a performance improvement.

---

## Fan chart visualization function

Support for financial fan charts using `fanplot`. Use `fanplot` to plot the combination of historical and forecast data to visualize possible outcomes.

## SDE functions accept parameters that can be specified as a single input argument

The following SDE functions accept parameters you can specify as a single input argument that is identified as a deterministic function of time if the function accepts a scalar time `t` as its only input argument.

- `bm`
- `cev`
- `cir`
- `diffusion`
- `drift`
- `gbm`
- `heston`
- `hwv`
- `sdeld`
- `sdemrd`

In addition, `ts2func` accepts a new parameter value argument for `Deterministic` to support deterministic functions of time.

## Default option for the cuttingplane solver for PortfolioCVaR optimization changed

The default option for the `cuttingplane` solver for a `PortfolioCVaR` object has changed. The `cuttingplane` default option for `MasterSolverOptions` has changed from

```
optimoptions('linprog','Algorithm','Simplex','Display','off')
```

to

```
optimoptions('linprog','Algorithm','Dual-Simplex','Display','off')
```

For more information, see “Dual-simplex algorithm in linprog linear programming solver” in the Release Notes for Optimization Toolbox™.

# R2014a

**Version: 5.3**

**New Features**

**Bug Fixes**

## **SDE functions moved to Financial Toolbox from Econometrics Toolbox**

The following Stochastic Differential Equation (SDE) functions have moved from Econometrics Toolbox™ to Financial Toolbox™:

- `bm`
- `cev`
- `cir`
- `diffusion`
- `drift`
- `gbm`
- `heston`
- `hwv`
- `interpolate`
- `sde`
- `sdeddo`
- `sdemrd`
- `simByEuler`
- `simBySolution`
- `simulate`
- `ts2func`

The following sample data sets and examples from the `matlab/toolbox/econ/econdemos` directory have moved to `matlab/toolbox/finance/findemos`:

- `Demo_AmericanBasket`
- `Example_BarrierOption`
- `Example_BlackScholes`
- `Example_CEVModel`
- `Example_CIRModel`
- `Example_CopulaRNG`
- `Example_LongstaffSchwartz`
- `Example_StratifiedRNG`



- 
- `Data_GlobalIdx2.mat`

## **Performance enhancements to SDE Monte Carlo simulation functions**

Monte Carlo simulation performance enhancements to the approximate solution function (`simBySolution`) of GBM and HWV models with constant parameters.



# R2013b

**Version: 5.2**

**New Features**

**Compatibility Considerations**

## Mean-absolute deviation (MAD) portfolio optimization

New portfolio object PortfolioMAD for mean-absolute deviation (MAD) portfolio optimization.

## optimoptions support

optimoptions support when using solver options for Portfolio, PortfolioCVaR, and PortfolioMAD objects for portfolio optimization.

## Compatibility Considerations

There are two possible incompatibility impacts:

- When using Portfolio or PortfolioCVaR objects and the associated Portfolio.setSolver or PortfolioCVaR.setSolver methods, the default solver options now reference an optimoptions object, instead of an optimset structure. If you now use default solver options and operating on them assuming this is an optimset structure, some of those operations may no longer work.
- The Portfolio or PortfolioCVaR objects and the associated Portfolio.setSolver or PortfolioCVaR.setSolver methods let you pass name-value pair arguments of solver options. In the past, setting solver options that were unused by the solver of choice would simply have no effect, because optimset would accept the options, and the solver would simply ignore them. In contrast, optimoptions objects generate an error if you attempt to set an invalid option.

optimoptions is the default and recommended method to set solver options, however, optimset is also supported.

## Functions moved from Financial Instruments Toolbox to Financial Toolbox

The following functions are moved from Financial Instruments Toolbox™ to Financial Toolbox:

- cdai
- cdprice
- cdyield
- tbilldisc2yield

- 
- tbillprice
  - tbillrepo
  - tbillval01
  - tbillyield
  - tbillyield2disc



# R2013a

**Version: 5.1**

**New Features**

**Compatibility Considerations**

## Cash flow plot function

Graphical representation for cash flows using `cfplot`.

## Financial Time Series Tool (`ftstool`) import of Excel XLSX files on Linux and Mac OS X

Support for `ftstool` import of Excel<sup>®</sup> XLSX files on Linux<sup>®</sup> and Mac OS X.

## Cutting-plane solver added to PortfolioCVaR object

New solver option (`'cuttingplane'`) for PortfolioCVaR object for conditional value-at-risk (CVaR) portfolio optimization. For more information, see `setSolver`.

## `transprobytotals` errors when using the `algorithm` input argument

The `'totals'` input argument to `transprobytotals` is typically generated by `transprob`. Because `transprob` includes an `'algorithm'` field in this structure since R2011b, you no longer need to specify the `'algorithm'` argument using a name-value pair when calling `transprobytotals`. If you specify an `'algorithm'` argument as a name-value pair when calling `transprobytotals`, you now receive an error.

## Compatibility Considerations

Specifying the `'algorithm'` as a name-value pair argument to `transprobytotals` now causes an error. If you started using this functionality in R2011b or later, most likely you don't have to take any action. If you have used this functionality before R2011b, make sure you remove the `'algorithm'` name-value pair from calls to `transprobytotals`, and that the `'totals'` input argument to `transprobytotals` contains an `'algorithm'` field indicating the desired algorithm. In most cases, the latter can be achieved by recreating the `'totals'` structure with a call to `transprob` which automatically adds the `'algorithm'` field since R2011b.

## Using `datenum`, `datestr`, `datevec` with dates in Financial products might produce inconsistent results

Any time you enter a cell array of date strings that are in different date formats using the MATLAB<sup>®</sup> functions `datenum`, `datestr`, and `datevec`, these functions previously



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returned an error. In R2013a, this behavior has changed. In Financial products this change can cause an unexpected date format to generate an incorrect value. For example, the following use of `datevec` returned an error before R2013a because of the inconsistent date formats, but in R2013a this code does not return an error.

```
datevec({'10-Oct-2012', '10-1-2012'}),
```

## **Compatibility Considerations**

As a best practice, you should convert date strings to date numbers before using any functions in Financial Toolbox that use dates as inputs. For more information, see [No strict-match requirements for month formats when converting date strings in the MATLAB release notes](#).



# R2012b

Version: 5.0

New Features

## **Conditional value at risk (CVaR) portfolio optimization**

New portfolio object PortfolioCVaR for conditional value at risk (CVaR) portfolio optimization.

## **Margin and spread calculations for floating-rate bonds**

Support for calculating spread measures for floating-rate bonds using floatdiscmargin and floatmargin.

## **Total (horizon) return calculation for fixed-coupon bonds**

Support for calculating bond horizon return using bndtotalreturn.

## **Performance improvements for cfamounts**

Performance improvement for calculating cash flows using cfamounts.

# R2012a

Version: 4.2

New Features

## XIRR Update

Support is added to `xirr` for a global search heuristic to enhance the robustness of `xirr`.

## Additional Support for Cash Flow Functions

Function	Purpose
<code>cfsread</code>	Calculate the spread over a zero curve for a given cash flow.
<code>cfprice</code>	Calculate the price for a given cash flow given yield to maturity.
<code>cfyield</code>	Calculate the yield to maturity for a given cash flow and price.

## New Demo for Portfolio Optimization Tools

A new demo shows how to set up mean-variance optimization problems using the portfolio object. Run the demo at the MATLAB command line by entering:

```
showdemo portfolioexamples
```

# R2011b

**Version: 4.1**

**New Features**

**Compatibility Considerations**

## **One-Way Turnover Constraints Added to the Portfolio Object**

The portfolio object supports one-way turnover constraints using the new methods `setOneWayTurnover` and `getOneWayTurnover`.

## **Portfolio Optimization with Sharpe Ratio Maximization Using a Portfolio Object**

The portfolio object supports estimating an efficient portfolio that maximizes the Sharpe ratio using the new method `estimateMaxSharpeRatio`.

## **Cash Flow and Time Mapping for Bond Portfolios with Variable Coupon Rates and Variable Face Values**

Updated `cfamounts` now supports time-varying `CouponRate` and `Face` scheduling, including support for sinking fund bonds.

## **Transition Probability Functions for Credit Quality Thresholds, Nonsquare Matrices, and User-Defined Ratings**

Support is added for credit quality thresholds with `transprobtothresholds` and `transprobfromthresholds`. Support is added for data preprocessing for `transprob` using `transprobprep`. Support is added for user-defined ratings and nonsquare transition matrices with `transprobrouptotals` and `transprobbytotals`. For more information, see [Credit Risk Analysis](#).

## **New Demo for Forecasting Corporate Default Rates**

A new demo shows how to forecast corporate default rates. This includes backtesting and stress testing examples. Run the demo at the MATLAB command line by entering:

```
showdemo Demo_DefaultRatesForecasts
```



---

## Functionality Being Removed

Function Name	What Happens When You Use This Function	Use This Function Instead	Compatibility Considerations
proddf	Warns	bndprice	Replace all instances of <code>proddf</code> with <code>bndprice</code> .
proddf1	Warns	bndprice	Replace all instances of <code>proddf1</code> with <code>bndprice</code> .
proddl	Warns	bndprice	Replace all instances of <code>proddl</code> with <code>bndprice</code> .
yldodd1	Warns	bndyield	Replace all instances of <code>yldodd1</code> with <code>bndyield</code> .
yldoddf	Warns	bndyield	Replace all instances of <code>yldoddf</code> with <code>bndyield</code> .
yldoddf1	Warns	bndyield	Replace all instances of <code>yldoddf1</code> with <code>bndyield</code> .
prbond	Warns	bndprice	Replace all instances of <code>prbond</code> with <code>bndprice</code> .
yldbond	Warns	bndyield	Replace all instances of <code>yldbond</code> with <code>bndyield</code> .
checksiz	Warns	N/A	Remove all instances from your code.
checktyp	Warns	N/A	Remove all instances from your code.
checkrng	Warns	N/A	Remove all instances from your code.

## Warning and Error ID Changes

Many warning and error IDs have changed from their previous versions. These warnings or errors typically appear during a function call.

## Compatibility Considerations

If you use warning or error IDs, you might need to change the strings you use. For example, if you turned off a warning for a certain ID, the warning might now appear under a different ID. If you use a `try/catch` statement in your code, replace the old identifier with the new identifier. There is no definitive list of the differences, or of the IDs that changed.

## **transprobytotals Warns When Using the `algorithm` Input Argument**

The `totals` input to `transprobytotals` is typically generated by `transprob`. Because `transprob` now includes an `algorithm` field in this structure, you no longer need to specify the `algorithm` argument when calling `transprobytotals`.

## Compatibility Considerations

In a future release, specifying the `algorithm` argument to `transprobytotals` will error. Currently, it is still permissible to specify the `algorithm` argument, although it usually has no effect.

# R2011a

Version: 4.0

New Features

## **Portfolio Turnover and Transaction Costs**

New portfolio object and methods support mean-variance portfolio optimization with general linear constraints, transaction costs, and turnover constraints. For more information, see [Portfolio Optimization Tools](#) and [Portfolio Optimization Objects](#).

## **Updated showdemo Command for Credit Rating Demo**

The command to run the demo showing how to use Statistics Toolbox™ functions to support credit ratings is updated. Run the demo at the MATLAB command line by entering:

```
showdemo creditratingdemo
```

# R2010b

**Version: 3.8**

**New Features**

## **Estimation of Transition Probabilities for Credit Risk**

Support for estimation of transition matrices based on credit-migration history using both cohort and duration methods. For more information, see `transprob`, `transprobbytots`, and `Estimation of Transition Probabilities`.

## **Improved Performance in Portfolio Optimization Functions**

`portopt` is enhanced for improved speed. Specifically, a broader class of problems now uses the faster linear complementarity programming (LCP) algorithm to obtain portfolios on the efficient frontier.

## **New Demo for Credit Rating**

A new demo shows how to use Statistics Toolbox functions to support credit ratings. Run the demo at the MATLAB command line by entering:

```
echodemo demo_creditrating
```

## **New Input and Output Options for Swap Functionality**

`cfamounts` is enhanced to support new parameter/value pairs for swap functionality.

# R2010a

Version: 3.7.1

No New Features or Changes





# R2009b

Version: 3.7

New Features

## Support for the BUS/252 Day-Count Convention

Support for the **Basis** day-count convention for BUS/252. BUS/252 is the number of business days between the previous coupon payment and the settlement data divided by 252. BUS/252 business days are non-weekend, non-holiday days. The `holidays.m` file defines holidays.

## Extended Support for New York Stock Exchange Closures

The current `holidays` function covers holidays and non-trading days from 1950 to 2050. Using `nyseclosures`, you can determine all known and anticipated closures from January 1, 1885 to December 31, 2050.

## Enhancements for Bond Pricing

Support for the following enhancements to bond pricing functions:

- Provide the ability to specify the compounding frequency separately from the coupon frequency.
- Enable specification of a discounting basis. A discounting basis has two purposes in Price/YTM calculations:
  - Computing the accrued interest
  - Computing the discount factors
- Support the specification of a formula for computing the interest in the last coupon period.

The enhanced bond pricing functions are:

Function	Purpose
<code>accfrac</code>	Calculate fraction of coupon period before settlement.
<code>bndprice</code>	Price fixed-income security from yield to maturity.
<code>bndyield</code>	Calculate yield to maturity for fixed-income security.
<code>bndspread</code>	Calculate static spread over spot curve.
<code>bnddurp</code>	Calculate bond duration given price.
<code>bnddury</code>	Calculate bond duration given yield to maturity.

---

<b>Function</b>	<b>Purpose</b>
bndconvp	Calculate bond convexity given price.
bndconvy	Calculate bond convexity given yield.
cfamounts	Calculate cash flow and time mapping for a bond portfolio.
cftimes	Calculate time factors corresponding to bond cash flow dates.



# R2009a

Version: 3.6

New Features

## **Support for Key Rate Duration**

Added support for `bndkrdur` to calculate key rate duration for bonds to determine the sensitivities of a bond to nonparallel changes in the yield curve. For more information, see [Calculating Key Rate Durations for Bonds](#).

# R2008b

Version: 3.5

No New Features or Changes





# R2008a

Version: 3.4

New Features

## Enhanced Mean-Variance Portfolio Optimization Based on Linear Complementarity Programming for Portfolio Optimization

Added support for `varargin` argument for `portopt` and `frontcon`.

### Support for Actual/365 (ISDA)

The following functions now support day count conventions for the `basis` argument based on ISDA (International Swap Dealers Association) `actual/365`:

- `accfrac`
- `acrubond`
- `acrudisc`
- `bndconvp`
- `bndconvy`
- `bnddurp`
- `bnddury`
- `bndprice`
- `bndspread`
- `bndyield`
- `cfamounts`
- `cfdates`
- `cftimes`
- `cpncount`
- `cpndaten`
- `cpndatenq`
- `cpndatep`
- `cpndatepq`
- `cpndaysn`
- `cpnpersz`
- `datemnth`
- `daysadd`

- 
- `daysdif`
  - `disc2zero`
  - `discrate`
  - `fvdisc`
  - `fwd2zero`
  - `prbyzero`
  - `prdisc`
  - `prmat`
  - `pyld2zero`
  - `time2date`
  - `yeardays`
  - `yearfrac`
  - `ylddisc`
  - `yldmat`
  - `zbtprice`
  - `zbtyield`
  - `zero2disc`
  - `zero2fwd`
  - `zero2pyld`

## **Support for `ret2tick` and `tick2ret` Functions for Time Series Objects**

`ret2tick` and `tick2ret` support financial time series objects.

## **Support for Additional Descriptive Statistics Functions Financial Times Series Objects**

The following covariance methods now support a financial time series object:

- `corrcoef`
- `cov`
- `isempty`

- nancov
- nanmax
- nanmedian
- nanmin
- nanstd
- nansum
- nanvar
- var

## **Added New Chart Types**

Added support for the following chart types for financial reporting:

- kagi
- renko
- linebreak
- priceandvol
- volarea

# R2007b

Version: 3.3

New Features

## **ISMA Support for 30/360 Basis as a Variant of 30/360E with Annual Compounding**

The following functions now support day count conventions for the `basis` argument to support 30/360 International Securities Market Association (ISMA) convention as a variant of 30/360E with annual compounding:

- `accfrac`
- `acubond`
- `acrudisc`
- `bndconvp`
- `bndconvy`
- `bnddurp`
- `bnddury`
- `bndprice`
- `bndspread`
- `bndyield`
- `cfamounts`
- `cfdates`
- `cftimes`
- `cpncount`
- `cpndaten`
- `cpndatenq`
- `cpndatep`
- `cpndatepq`
- `cpndaysn`
- `cpnpersz`
- `datemnth`
- `daysadd`
- `daysdif`
- `disc2zero`
- `discrate`

- 
- `fvdisc`
  - `fwd2zero`
  - `prbyzero`
  - `prdisc`
  - `prmat`
  - `pyld2zero`
  - `time2date`
  - `yeardays`
  - `yearfrac`
  - `ylddisc`
  - `yldmat`
  - `zbtprice`
  - `zbtyield`
  - `zero2disc`
  - `zero2fwd`
  - `zero2pyld`

## **createholidays Function Added for Different Trading Calendars**

The `createholidays` function now supports <http://www.FinancialCalendar.com> trading calendars. This function can be used from the command line or from the Trading Calendars graphical user interface. Using `createholidays`, you can create `holiday.m` files, in conjunction with `FinancialCalendar.com` data, that can be used instead of the standard `holidays.m` that ships with Financial Toolbox software.

## **Diagonal Covariance Matrix Support Added for Multivariate Normal Regression**

The new diagonal covariance matrix estimation feature makes it possible to estimate large-scale factor models by treating the residual errors as being jointly independent. The following functions support `CovarFormat`, a new input argument:

- `ecmlsrml`
- `ecmmvnrml`

- `ecmmvnrfish`
- `ecmmvnrobj`
- `ecmmvnrstd`
- `mvnrfish`
- `mvnrml`
- `mvnrobj`
- `mvnrstd`

## **arith2geom and geom2arith Functions Added for Portfolio Analysis**

Two new functions, `arith2geom` and `geom2arith`, support portfolio analysis.



# **R2007a**

**Version: 3.2**

**New Features**

**Bug Fixes**

## ISMA Support Added

The following functions now support the International Securities Market Association (ISMA) convention for the `basis` argument:

- `accfrac`
- `acrubond`
- `acrudisc`
- `bndconvp`
- `bndconvy`
- `bnddurp`
- `bnddury`
- `bndprice`
- `bndspread`
- `bndyield`
- `cfamounts`
- `cfdates`
- `cftimes`
- `cpncount`
- `cpndaten`
- `cpndatenq`
- `cpndatep`
- `cpndatepq`
- `cpndaysn`
- `cpnpersz`
- `datemnth`
- `daysadd`
- `daysdif`
- `disc2zero`
- `discrate`
- `fvdisc`
- `fwd2zero`

- 
- prbyzero
  - prdisc
  - prmat
  - pyld2zero
  - time2date
  - yeardays
  - yearfrac
  - ylddisc
  - yldmat
  - zbtprice
  - zbtyield
  - zero2disc
  - zero2fwd
  - zero2pyld



# R2006b

Version: 3.1

New Features

## Investment Performance Metrics

The following new functions are added to compute common investment performance and risk-adjusted metrics:

- `sharpe`, computes the sharpe ratio.
- `inforatio`, computes information ratio and tracking error.
- `portalpha`, computes risk-adjusted alpha and return.
- `lpm`, computes sample lower partial moments.
- `elpm`, computes expected lower partial moments.
- `maxdrawdown`, computes the drop from maximum to minimum return over a period of time.
- `emaxdrawdown`, computes the returns that are transformed into a linear Brownian motion with drift.

## Financial Time Series Tool

Financial Time Series Tool (`ftstool`) is a new graphical user interface to support working with financial time series `FINTS` objects. `ftstool` interoperates with the Financial Time Series Graphical User Interface (`ftsgui`) and Interactive Charts (`chartfts`).

# R2006a

Version: 3.0

New Features

## Financial Time Series Toolbox Incorporated

As of this release the functionality previously available in Financial Time Series Toolbox has been incorporated into Financial Toolbox software. Financial Toolbox documentation has been modified to include the documentation previously available in the Financial Time Series User's Guide.

Because use of Financial Time Series Toolbox required the purchase and installation of Financial Toolbox software, all customers previously licensed for Financial Time Series Toolbox will continue to have access to it.

## Financial Time Series Frequency Conversion Functions Modified

The suite of time series frequency conversion functions (todayly, toweekly, tomonthly, tosemi, and toannual) has been extensively modified. Consult the function references in the Financial Toolbox User's Guide for specifics.

## Continuous Compounding Option Removed from pyld2zero

Continuous compounding is no longer available for pyld2zero. Compounding for this function is now consistent with compounding for the function zero2pyld. An error message is generated if you attempt to use continuous compounding with these functions.

## New Statistical Functions

The new functions in Version 3.0 of Financial Toolbox software fall into these four categories:

- “Multivariate Normal Regression Without Missing Data” on page 18-2
- “Multivariate Normal Regression With Missing Data (Expectation Conditional Maximization)” on page 18-3
- “Least Squares Regression With Missing Data (Expectation Conditional Maximization)” on page 18-3
- “Financial Model Transformation Function” on page 18-3

### Multivariate Normal Regression Without Missing Data

mvnrfish	Fisher information matrix for multivariate normal or least-squares regression
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mvnrml	Multivariate normal regression (ignore missing data)
mvnrobj	Log-likelihood function for multivariate normal regression without missing data
mvnrstd	Evaluate standard errors for multivariate normal regression model

### **Multivariate Normal Regression With Missing Data (Expectation Conditional Maximization)**

ecmmvnrfish	Fisher information matrix for multivariate normal regression model
ecmmvnrml	Multivariate normal regression with missing data
ecmmvnrobj	Log-likelihood function for multivariate normal regression with missing data
ecmmvrstd	Evaluate standard errors for multivariate normal regression model

### **Least Squares Regression With Missing Data (Expectation Conditional Maximization)**

ecmlsrml	Least-squares regression with missing data
ecmlsrobj	Log-likelihood function for least-squares regression with missing data

### **Financial Model Transformation Function**

convert2sur	Convert a multivariate normal regression model into a seemingly unrelated regression model
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# R14SP3

**Version: 2.5**

**New Features**

## New Statistical Functions

Version 2.5 introduces a set of financial statistical computation routines that compute values, such as mean and covariance, when there are missing data elements within a larger data set. These routines implement the Expectation Conditional Maximization (ECM) algorithm with various options that depend on the percentage of missing at random (MAR) data within the data set. The table below lists the functions that implement the ECM algorithm in Financial Toolbox software.

The following ECM functions have been added at this release.

### Expectation Conditional Maximization

ecmnfish	Fisher information matrix
ecmnhess	Hessian of negative log-likelihood function
ecmninit	Initial mean and covariance
ecmnml	Mean and covariance of incomplete multivariate normal data
ecmnobj	Negative log-likelihood function
ecmnstd	Standard errors for mean and covariance of incomplete data