THE EFFICIENT FRONTIER

Mean-Variance Optimization

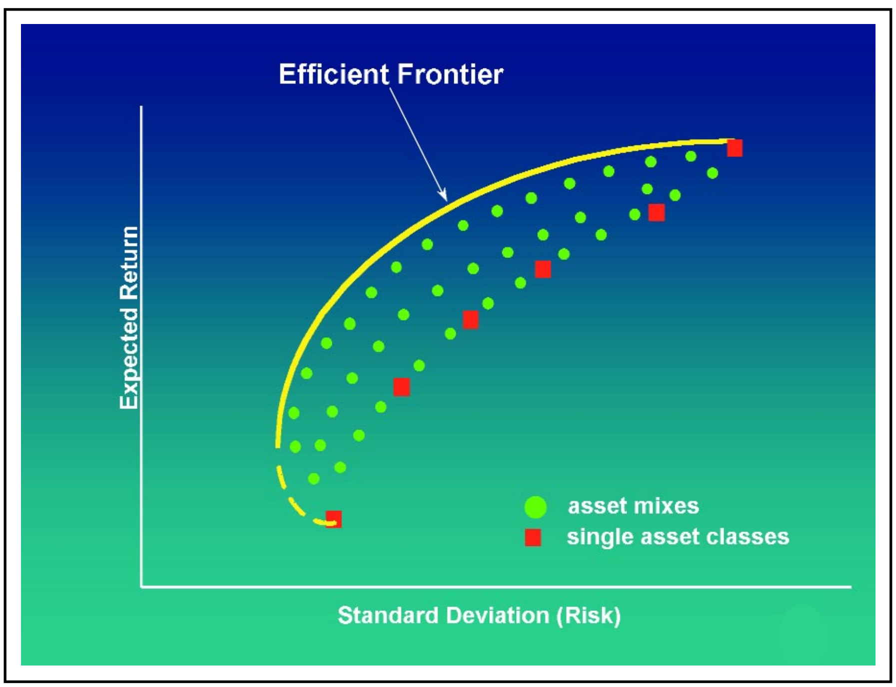
- The basic tool of asset allocation
- Developed by Nobel Laureate, Harry Markowitz, in the 1950s as part of "Modern Portfolio Theory"
- The mathematical framework for creating an efficient frontier

The Efficient Frontier

- Given various asset classes, identifies all of the possible portfolios that will offer the highest possible return for a given level of risk

- OR -

- The lowest possible risk for a given level of return
- The portfolios described above, and illustrated by the yellow line below, are considered efficient
- Portfolios not on the efficient frontier either offer less return for the same level of risk or more risk for the same level of return
- Portfolios that maximize expected return for each level of risk comprise the efficient frontier



The set of "optimal" portfolios is the efficient frontier

Vantage Advisor Group
470 Atlantic Ave., 4th Floor Boston MA 02210
617-273-8401 www.thevantage.com