**INTRODUCTION**

In March 1952, Harry Markowitz, a 25 year old graduate student from the University of Chicago, published ”Portfolio Selection”[[1]](#footnote-1) in *The Journal of Finance*. The paper starts by stating:

“*The process of selecting a portfolio may be divided into two stages. The first stage starts with observation and experience and ends with beliefs about the future performances of available securities. The second stage starts with the relevant beliefs about future performances and ends with the choice of portfolio*”.

Thirty eight years later, this paper would earn him a Nobel Prize in economic sciences.

1. Every student must obtain and read “Portfolio Selection” to be well grounded in this topic. Try downloading from the web. I would suggest [www.ssrn.org](http://www.ssrn.org) or the website for *The Journal of Finance*. The paper forms part of your revision material. [↑](#footnote-ref-1)