

**CQF January 2009**  
**Module 2.1**  
**Live Class: February 3**  
**Lecturers: Sebastien Lleo and Mike Staunton**

**An Introduction to Modern Portfolio Theory**

In this lecture:

- Core concepts of Portfolio Management and Modern Portfolio Theory (MPT)
  - Risky and risk-free assets
  - Mean-variance analysis
  - Optimal portfolio
  - Diversification
  - Opportunity set and efficient frontier
  - Tangency and market portfolio
  - Sharpe ratio and market price of risk
  - The linear model and the CAPM
- The mathematics of optimization, required to solve portfolio selection problems are treated in the companion lecture: “Fundamentals of Optimization and Application to Portfolio Selection.”

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