OPTIMIZING PORTFOLIOS WITH USER EXPECTED RETURNS IN PORT <GO>

There are two ways to make custom data available in the optimizer: using custom data from CDE <GO> or simply dragging and dropping data directly into the optimizer.

USING CUSTOM DATA FROM CDE <GO>

The advantages of using custom data in CDE <GO> include the ability to automatically upload custom data through BBU <GO> and share this data with other members of your firm. You can also reference it in other applications including EQS <GO> and PORT <GO>. To see an example of using custom data in PORT <GO>, type BPS L#2138614-ENG <GO> into the top command line on your Bloomberg terminal, or download the "Custom Data in PORT" case study available in PORT's help page in the Documents\ Case Studies section.

USING DRAG & DROP

If you prefer to drag and drop custom data directly into the optimizer, follow these simple steps: launch PORT <GO>, select portfolio and benchmark then click on 14) Trade Simulation and select Launch Optimizer on the red toolbar. Let's add a Goal to Maximize Expected Return. This Goal is available under the Security Level Data section of the Add Goal Term dialog, as in Figure 1 below.
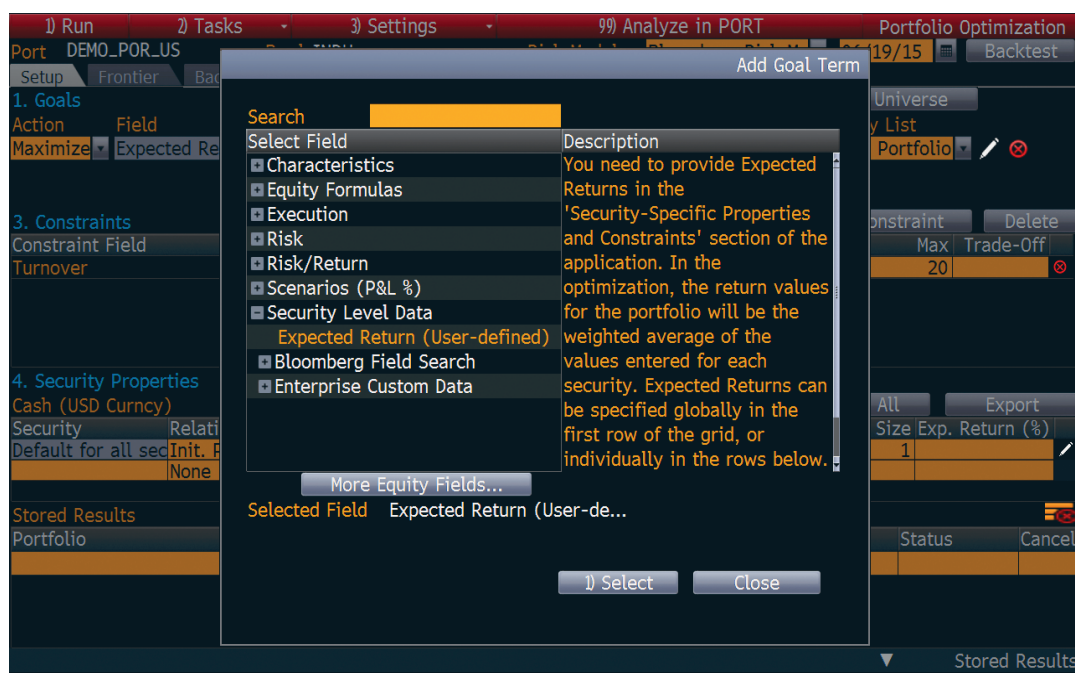
» Click on the Pencil icon under Goal Definitions in the optimizer setup screen

» Select Expected Return (User-defined) under the Security Level Data section of Add Goal Term dialog

Figure 1 – Incorporating user-defined Expected Returns into the optimizer

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After the goal is selected, the Expected Return column is added to the Security-level Properties section at the bottom of the Optimization Setup screen.

The next step, as shown in Figure 2, is to populate the Expected Return column by dragging and dropping Expected Return values from Microsoft Excel®.

	A	B	C	D	E	F	G	H	I	J	K
1	Security	Relative	Min Weight	Max Weight	Max Trade	Lot Size	Expected Return				
2	Default for all securities	None	0	100	0.1 x 3M Avg Daily Volume	1					
3	WMT US Equity						11.75				
4	T US Equity						11.47				
5	VZ US Equity						7.04				
6	KO US Equity						6.56				
7	DIS US Equity						5.01				
8	TRV US Equity						4.68				
9	HD US Equity						4.48				
10	AXP US Equity										
11	PFE US Equity						1.45				
12	KFT US Equity						-1.21				
13	MRK US Equity						-1.4				
14	JNJ US Equity						-3.23				
15	GE US Equity						-3.24				
16	INTC US Equity						-3.48				
17	MMM US Equity						-4.57				
18	IBM US Equity						-5.31				
19	DD US Equity						-6.2				
20	PG US Equity						-7.87				
21	BA US Equity						-8.29				
22	MSFT US Equity						-9.77				
23	XOM US Equity						-10.2				
24	BAC US Equity						-10.79				
25	CVX US Equity						-10.94				
26	MCD US Equity						-12.19				
27	HPQ US Equity						-12.88				
28	AA US Equity						-14.1				
29	UTX US Equity						-14.35				
30	CSCO US Equity						-17.44				
31	JPM US Equity						-20.29				
32	CAT US Equity						-23.69				

Figure 2 – Example of Excel spreadsheet that can be used to drag and drop Expected Returns into the optimizer

» Click on the Export button in the Security section of the optimizer to download Excel template

» Populate Security IDs and Expected Return values

» Select the section in Excel containing Security IDs and Expected Returns and drag and drop it into the Security section at the bottom of the optimizer

Once the optimization task is defined, click on the 1) Run button to see optimization results.

1) Run	2) Tasks	3) Settings	99) Analyze in PORT	Portfolio Optimization
Port DEMO_POR_US	Bmrk DJIA	Risk Model Bloomberg Risk Mo	06/19/15	Backtest

Setup | Frontier | **Trades**

Optimization Summary	Status	Success	Goal Summary			
			Goal		Initial Value	Final Value
Turnover(%)	30	Trade Value 44,362,900	Active Total Risk		5.57	4.96
# of Buys	7	Value of Buys 27,181,400	Expected Return (User-defined)		-0.77	1.5
# of Sells	5	Value of Sells 17,181,500				

Proposed Trades | | | | | | Export Trades

Security	Name	Trade	Quantity	Init. Weight (%)	Opt. Weight (%)	Wgt Diff ↑
VZ US	VZ US	Buy	146,965	0	5	5
T US	T US	Buy	208,687	0	5	5
WMT US	WMT US	Buy	93,332	0	5	5
KO US	KO US	Buy	85,404	0	2.32	2.32
HD US	HD US	Buy	12,576	0	0.68	0.68

Portfolio and Group Constraint Results

Group	Field	Relative	Min	Max	Initial Value	Final Value	Warning
PORTFOLIO	Turnover	INIT_PORTFOLIO		30		30	

Stored Results

Portfolio	Benchmark	Reporting Currency	SubmitTime	Status	Cancel
DEMO_POR_US	DJIA		06/22/2015 16:34:08	Completed	Cancel
DEMO_POR_US	DJIA		06/22/2015 16:33:07	Completed	Cancel
DEMO_POR_US	DJIA		06/22/2015 16:12:49	Completed	Cancel
			▼		Stored Results

Figure 3 – Optimization Problem Results screen that contains user-defined Expected Returns

» On the red toolbar in PORT <GO> click on 14) Trade Simulation and select Launch Optimizer

» Drag and drop user-defined Expected Returns into theoptimizer from Microsoft Excel

» Run optimization

» For further analysis of the optimal portfolio, click "99) Analyze in PORT"

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