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## Recommended Asset Allocation

**John Doe — 2023-05-30**

FRONTIER CURVE OPTIMAL PORTFOLIO ANALYSIS

MONTE CARLO SIMULATION OF RETURNS

CORRELATION MATRIX

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# 1 Statistical Terminology & Asset Class Descriptions

**Expected Return** - Of an investing strategy is the amount of money you are expected to get back from your investment. For example, if 90 dollars is invested for 1 year with an expected return of 100 dollars, then in the average case the investment will yield back 100 dollars.

**Risk** - Or standard deviation of an investing strategy is a measure of how much the return of an investment strategy will vary from it's expected return. For example, an investment strategy with an expected return of 20% and a risk of 8% will yield 112% to 128% return with a probability of 68.2% , and 104% to 136% return with a probability of 94.4%

## The 18 Asset Classes :

Asset Class	Index	Description
Cash	BIL	Currencies, Foreign Currencies.
Foreign Bonds	BNDX	Bonds issued in other countries.
Commodities	GSG	Basic goods used in commerce.
Intermediate Gov Bonds	GVI	Govt. bonds that mature in 5-10 years.
High Yield Bonds	HYG	Lower credit rating higher return bonds.
Real Estate	IYR	Land and buildings.
Emerging Mkt Debt	JEDAX	Bonds issued by emerging countries.
Large Cap Value	JKD	Undervalued stocks from big companies.
Corporate Bonds	LQD	Bonds issued by a corporation.
Mid Cap	MDY	Stocks from mid sized companies.
Municipal Bonds	MUB	Bonds Issued by local government.
Emerging Mkt Stock	VEMAX	Stocks from emerging Mkt. countries.
V.C.	VFINX	New and innovative companies.
International Stock	VGTSX	Stocks not traded in U.S.A. exchanges.
Large Cap Growth	VIGRX	Fastly growing stocks from big companies.
Small Cap Value	VISVX	Undervalued stocks from small companies.
Long Gov Bonds	VUSTX	Govt. bonds mature in more than 10 years.
Small Cap Growth	^RUT	Fastly growing stocks from small companies.

## 2 Investment Profile

### General Information

Name : John Doe

Birthday : 12/28/1960

Time Frame : 7

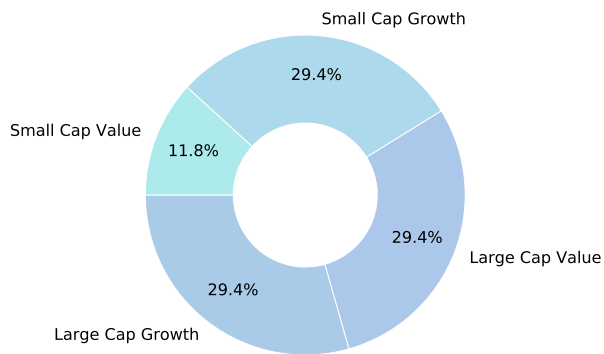
Available Funds : \$3,400

Preferred Risk :  $\pm$  11.79% Yearly

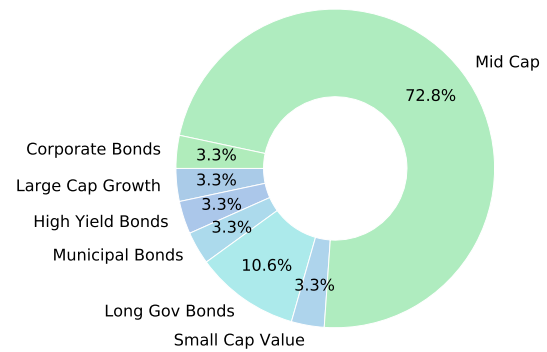
### Recommended Asset Classes:

Asset Class	Index	Description
High Yield Bonds	HYG	Lower credit rating higher return bonds.
Corporate Bonds	LQD	Bonds issued by a corporation.
Mid Cap	MDY	Stocks from mid sized companies.
Municipal Bonds	MUB	Bonds Issued by local government.
Large Cap Growth	VIGRX	Fastly growing stocks from big companies.
Small Cap Value	VISVX	Undervalued stocks from small companies.
Long Gov Bonds	VUSTX	Govt. bonds mature in more than 10 years.

### 3 Prescribed Allocation Changes



(a) Current Portfolio



(b) New Portfolio

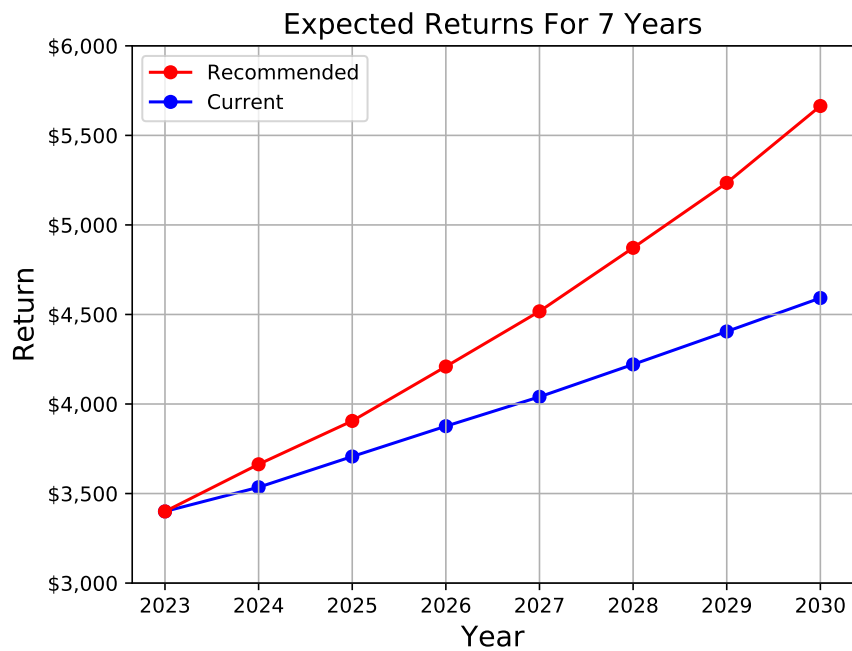
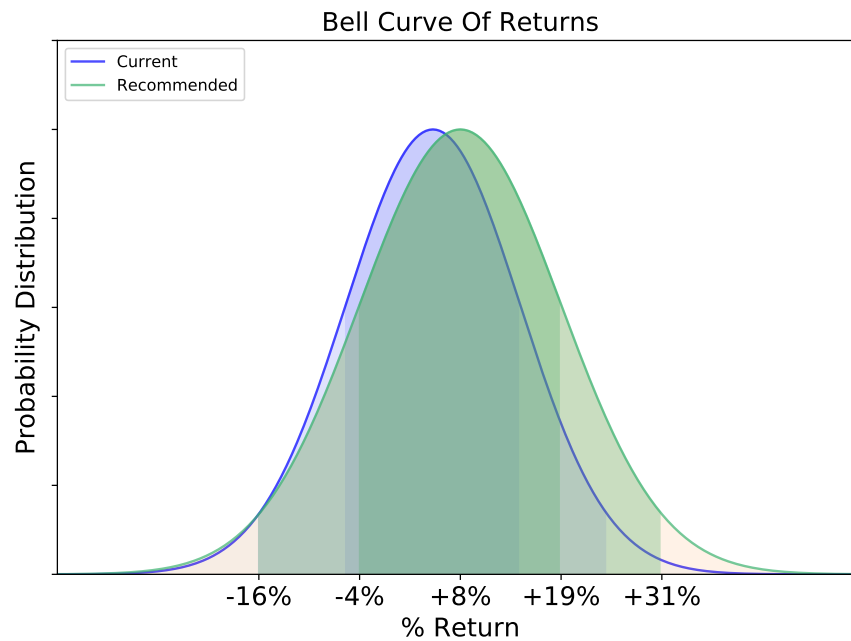
Asset Class	Current	Suggested	Change
Cash	\$0	\$0	\$0
Foreign Bonds	\$0	\$0	\$0
Commodities	\$0	\$0	\$0
Intermediate Gov Bonds	\$0	\$0	\$0
High Yield Bonds	\$0	\$113	\$113
Real Estate	\$0	\$0	\$0
Emerging Mkt Debt	\$0	\$0	\$0
Large Cap Value	\$1,000	\$0	(\$1,000)
Corporate Bonds	\$0	\$113	\$113
Mid Cap	\$0	\$2,474	\$2,474
Municipal Bonds	\$0	\$113	\$113
Emerging Mkt Stock	\$0	\$0	\$0
International Stock	\$0	\$0	\$0
Large Cap Growth	\$1,000	\$113	(\$887)
Small Cap Value	\$400	\$113	(\$287)
Long Gov Bonds	\$0	\$359	\$359
Small Cap Growth	\$1,000	\$0	(\$1,000)

## 4 Performance Improvements Of Prescribed Portfolio

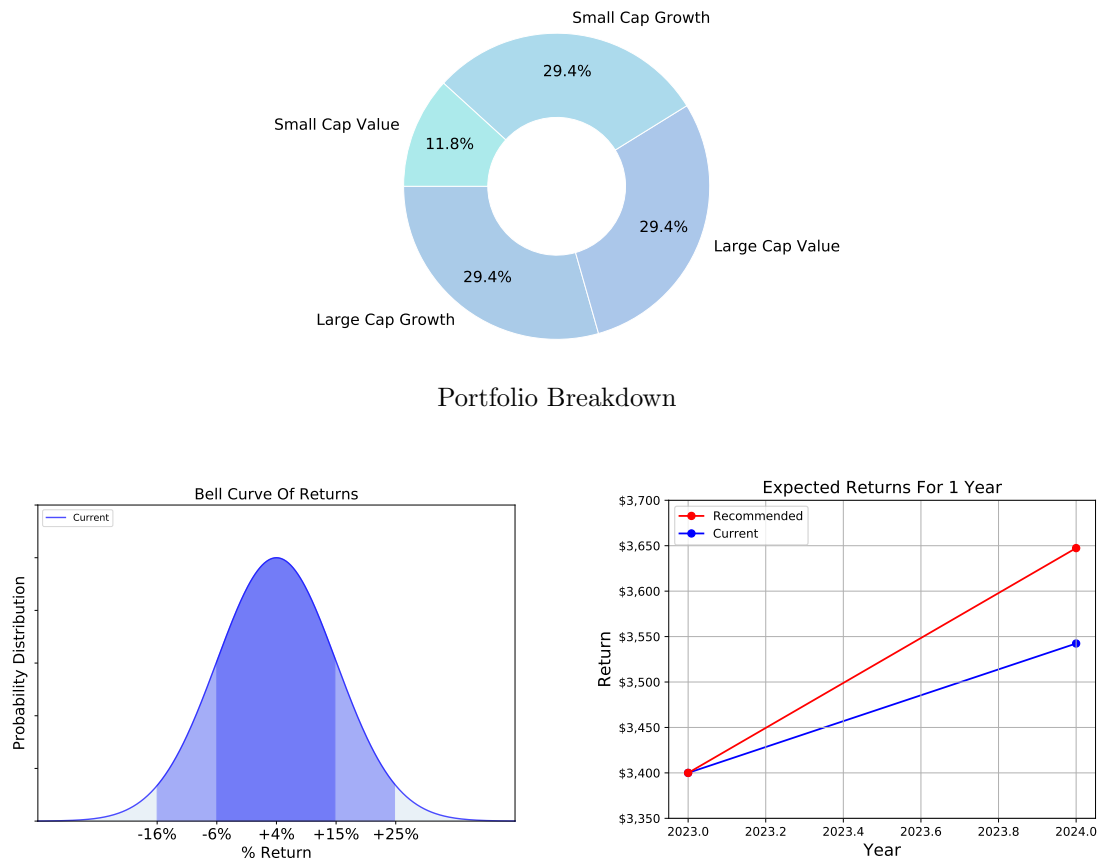
Below are 7 year simulation results of your current investing strategy versus the investment strategy prescribed in this report.

Change In Expected Return : 3.21%

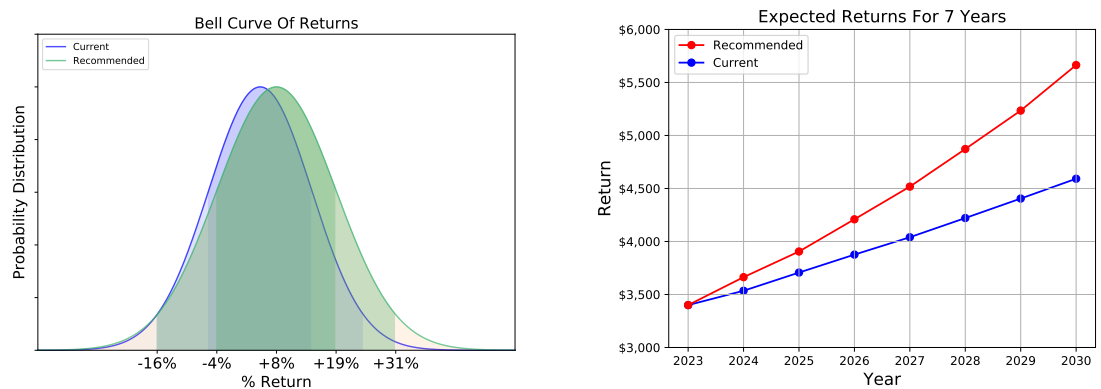
Change in Risk : 1.59%



## 5 Current Portfolio Overview - Statistical Analysis



(a) Current Portfolio 1 Year Projections



(b) Current Portfolio 7 Year Projections

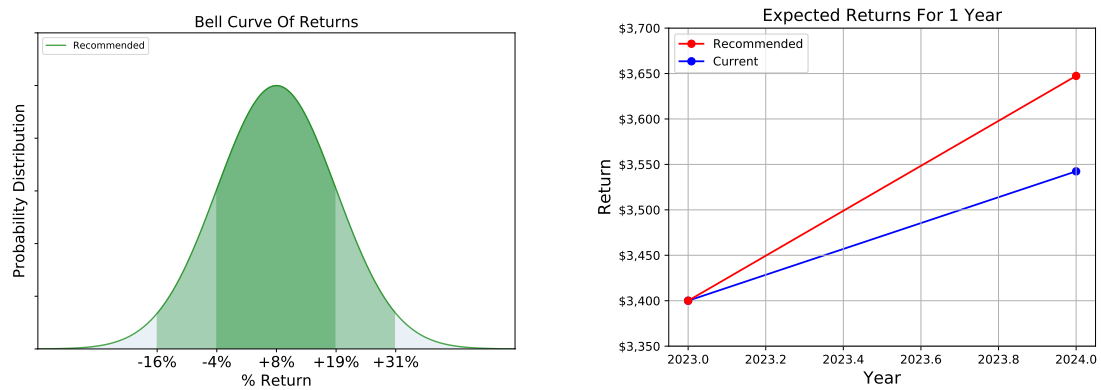
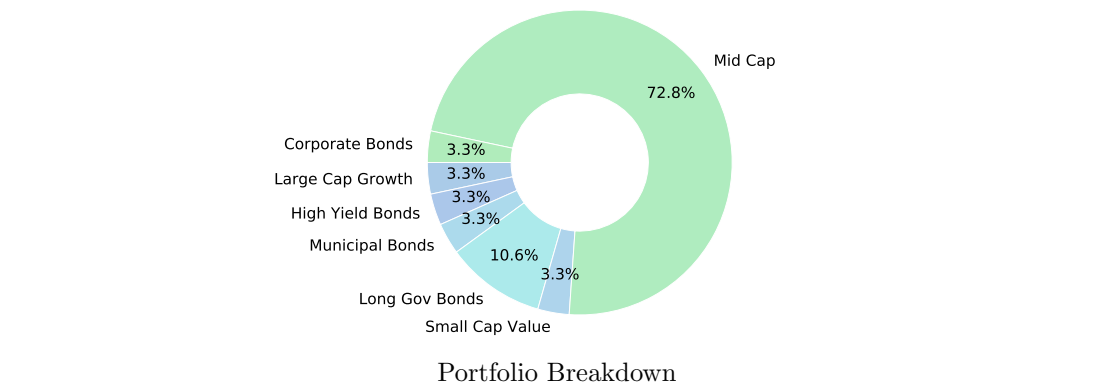
1 Year Expected Return (\$): \$135    3.97%

1 Year Risk (Std Deviation %) :  $\pm 10.2\%$

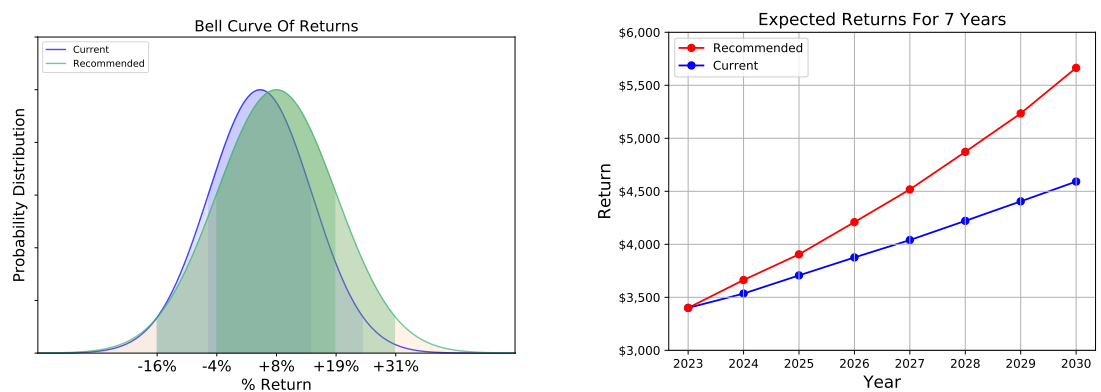
7 Year Expected Return (\$): \$1,191    35.05%

7 Year Risk (Std Deviation %):  $\pm 12.26\%$

## 6 Prescribed Portfolio Overview - Statistical Analysis



(a) Prescribed Portfolio 1 Year Projections



(b) Prescribed Portfolio 7 Year Projections

1 Year Expected Return (\$): \$263 7.75%

1 Year Risk (Std Deviation %):  $\pm 11.79\%$

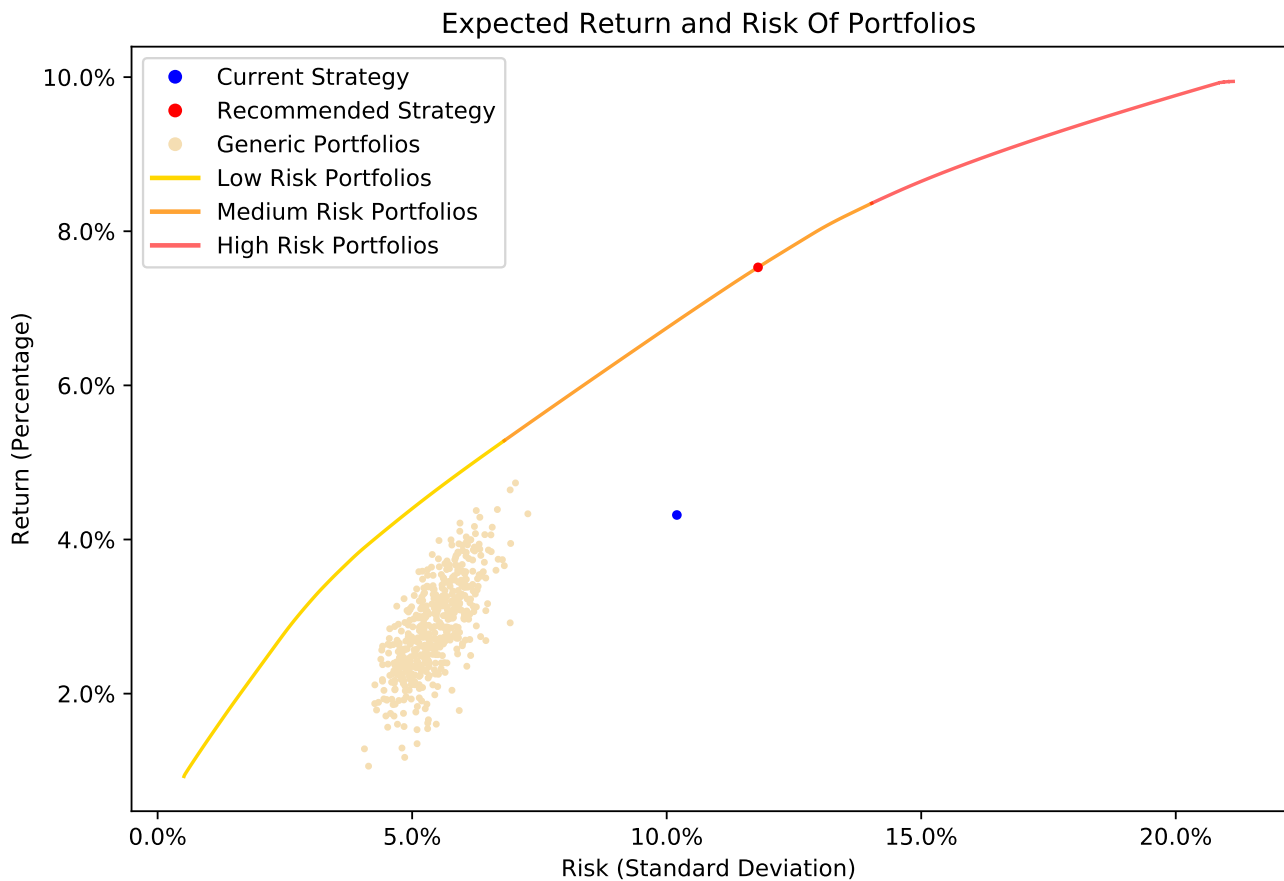
7 Year Expected Return (\$): \$2,264 66.59%

7 Year Risk (Std Deviation %):  $\pm 16.94\%$



## 7 Frontier Curve

In 1990, Harry Markowitz won a nobel prize for his contributions to portfolio balancing theory. Markowitz discovered that given assets to buy from and funds to buy with, all of the optimal portfolios formed on a curved line called the "Frontier Curve."



Risk (Std. Deviation):  $\pm 11.79\%$

Expected Return (%): 7.53%

Adjustment of Risk (%): 1.59%

Change in Return (%): 3.21%

## 8 Correlation Matrix

Corr.	BIL	BNDX	GSG	GVI	HYG	IYR	JEDAX	JKD	LQD	MDY	MUB	VEMAX	VGTSX	VIGRX	VISVX	VUSTX	^RUT
BIL	1.0	0.77	-0.21	0.82	0.87	0.82	0.48	-0.57	0.8	0.84	0.87	0.7	0.76	0.89	0.78	0.6	0.76
BNDX	0.77	1.0	-0.62	0.96	0.88	0.8	0.86	-0.29	0.96	0.71	0.95	0.73	0.71	0.8	0.63	0.91	0.73
GSG	-0.21	-0.62	1.0	-0.52	-0.3	-0.25	-0.52	-0.1	-0.5	-0.16	-0.51	-0.13	-0.1	-0.22	-0.1	-0.65	-0.18
GVI	0.82	0.96	-0.52	1.0	0.89	0.8	0.79	-0.5	0.99	0.74	0.97	0.76	0.75	0.86	0.65	0.93	0.75
HYG	0.87	0.88	-0.3	0.89	1.0	0.92	0.78	-0.43	0.92	0.92	0.94	0.91	0.93	0.94	0.88	0.69	0.92
IYR	0.82	0.8	-0.25	0.8	0.92	1.0	0.63	-0.45	0.82	0.94	0.89	0.81	0.87	0.93	0.92	0.6	0.9
JEDAX	0.48	0.86	-0.52	0.79	0.78	0.63	1.0	-0.06	0.84	0.56	0.77	0.76	0.7	0.61	0.51	0.77	0.67
JKD	-0.57	-0.29	-0.1	-0.5	-0.43	-0.45	-0.06	1.0	-0.46	-0.55	-0.47	-0.45	-0.49	-0.65	-0.49	-0.33	-0.49
LQD	0.8	0.96	-0.5	0.99	0.92	0.82	0.84	-0.46	1.0	0.77	0.97	0.81	0.8	0.87	0.68	0.91	0.78
MDY	0.84	0.71	-0.16	0.74	0.92	0.94	0.56	-0.55	0.77	1.0	0.85	0.87	0.94	0.96	0.99	0.48	0.97
MUB	0.87	0.95	-0.51	0.97	0.94	0.89	0.77	-0.47	0.97	0.85	1.0	0.8	0.82	0.91	0.78	0.84	0.83
VEMAX	0.7	0.73	-0.13	0.76	0.91	0.81	0.76	-0.45	0.81	0.87	0.8	1.0	0.97	0.87	0.84	0.57	0.93
VGTSX	0.76	0.71	-0.1	0.75	0.93	0.87	0.7	-0.49	0.8	0.94	0.82	0.97	1.0	0.92	0.92	0.51	0.96
VIGRX	0.89	0.8	-0.22	0.86	0.94	0.93	0.61	-0.65	0.87	0.96	0.91	0.87	0.92	1.0	0.91	0.65	0.93
VISVX	0.78	0.63	-0.1	0.65	0.88	0.92	0.51	-0.49	0.68	0.99	0.78	0.84	0.92	0.91	1.0	0.37	0.96
VUSTX	0.6	0.91	-0.65	0.93	0.69	0.6	0.77	-0.33	0.91	0.48	0.84	0.57	0.51	0.65	0.37	1.0	0.51
^RUT	0.76	0.73	-0.18	0.75	0.92	0.9	0.67	-0.49	0.78	0.97	0.83	0.93	0.96	0.93	0.96	0.51	1.0

Above is the Semantic Correlation Matrix of the selected Asset Classes. It shows how each asset class is correlated to one another

9 Risk & Return Rankings

BIL	MUB	GVI	BNDX	HYG	JEDAX	LQD	GSG	VGTSX	VUSTX	VEMAX	^RUT	MDY	VISVX	IYR	VIGRX	JKD
0%	2%	2%	3%	4%	5%	5%	5%	7%	8%	9%	9%	10%	10%	12%	19%	20%

Above is the ranking of the selected asset classes by risk

JKD	GSG	BIL	GVI	JEDAX	VUSTX	LQD	BNDX	HYG	MUB	VEMAX	VGTSX	^RUT	IYR	VISVX	MDY	VIGRX
(6%)	(5%)	1%	1%	1%	2%	2%	2%	3%	3%	3%	4%	5%	6%	7%	8%	12%

Above is the ranking of the selected asset classes by return

*This asset allocation analysis is provided to you for informational purposes only. Actual investment results may be materially different from the projected performance results portrayed. This report uses information that is considered reliable, but it does not represent that the information is accurate or complete, and the report may not be relied upon as such. The report is not intended to be either an expressed or implied guaranty of actual performance. It is not intended to supply tax or legal advice. There is no solicitation to buy or sell securities. The deduction of advisory fees, brokerage, or other commissions, and any other expenses that would have been paid may not be reflected in the analysis. The results portrayed reflect the reinvestment of dividends and other earnings.*