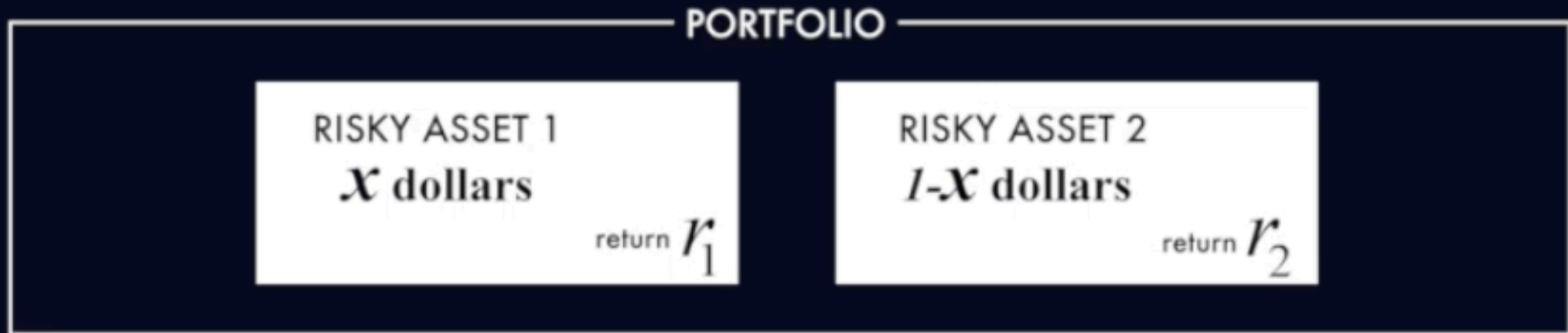


A Portfolio of 2 Risky Assets



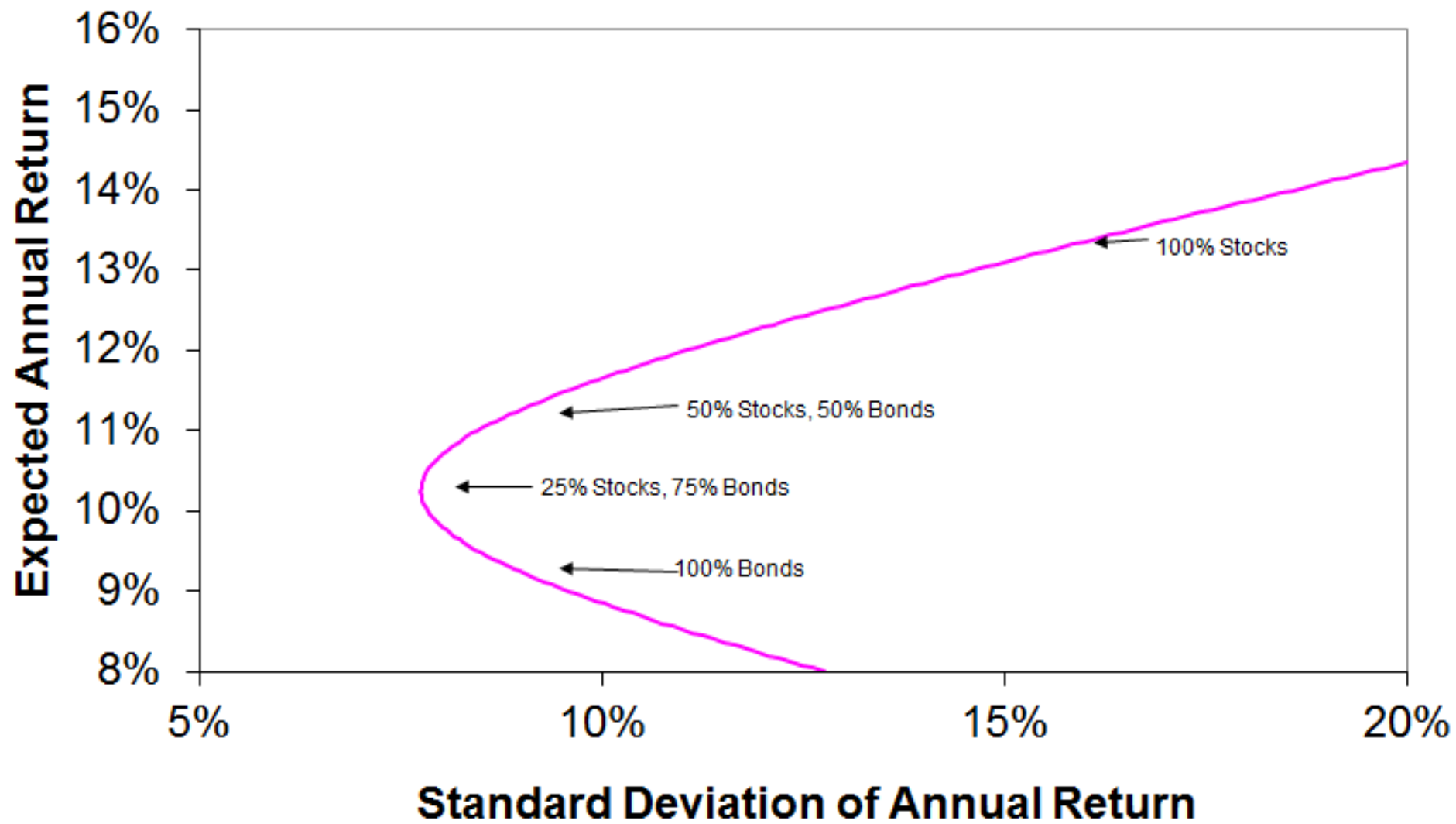
PORTFOLIO EXPECTED VALUE

$$r = x_1 r_1 + (1-x_1) r_2$$

PORTFOLIO VARIANCE

$$x_1^2 \text{var}(\text{return}_1) + (1-x_1)^2 \text{var}(\text{return}_2) + 2x_1(1-x_1) \text{cov}(\text{return}_1, \text{return}_2)$$

Efficient Portfolio Frontier Stocks and Bonds



Efficient Portfolio Frontier With and Without Oil

