# Portfolio Analysis 1 - Basic @RISK Model.xlsx

Problem: Haven’t correlated stocks.

If want to correlate:

Highlight and press: Define correlation matrix

Have to fill in numbers



Stock return is sold/bought

Portfolio return: individual returns times return of shares

Select C14, click “Add Output”

Risk target: % values less than number. Set at 0, give probability of positive return

Var of portfolio return (by default, 5%)

IN new window, Tornado graph: tell you which stock is mostly affecting output

# Portfolio Analysis 3 - Sensitivity Analysis for Model with Puts.xlsx

Basically same as PA2, but press Tornado graph to see which input is influencing the output the most.

# Portfolio Analysis 4 - Using Goal Seek on Model with Puts.xlsx

Want to choose strike price of put option of stock 3 to ensure portfolio return is positive.

If want to increase average return of portfolio, reduce stricke price of price (lower strike price, its like having lower protection). Greater the return, but protected less; risk should be higher.

Click tools/advance analysis and click goal seek.

Enter which cell, which statiscis, and target value, then what parameter to adjust to achieve target.

Example: C20, want mean return of 8.6% (0.068), which is higher than return.

Compite => solves and adjusts strike price to make mean (adjusted to $78.07).

Expected return:

# Portfolio Analysis 5 - Model with Correlated Stock Prices.xlsx

Define correlation.

Run simulation.

When have correlated prices, mean return does not change, but if positively correlated prices, risk increases as compared to 0 correlation.

To see correlation graphs, put cursor on any correlation cell and click Browse result:

