Use goal seek tool for risk goes down, but mean return goes down.

New tool – risk optimizer.

[Portfolio Analysis with RISKOptimizer.xlsx](file:///C%3A%5CProgram%20Files%20%28x86%29%5CPalisade%5CRISK7%5CExamples%5CEnglish%5CPortfolio%20Analysis%20with%20RISKOptimizer.xlsx)

Click Model Definition



Risk Optimizer

* Goal: Maximum
* Which cell: C23 (portfolio return with puts)
* When run a simulation, have various statistics. Need to specify in Analysis type what we want to optimize. In default case, optimize VAR at 5th percentile
* If choose Efficient Frontier, will plot what return you get for different variables of risk.
* Adjustable cells (highlighted in yellow) => want to alter strike price and number of puts: select range of cells, max and min, then select the types of values (since discrete # of options, select integer. If selected discrete, need to specify step size)

Risk Optimizer: Settings:

* Chose # of trials or time

Then click on Risk Optimizer/Start:

* Window bottom left shows progress



When done, will adjust yellow cells to show you output.

[Portfolio Analysis with Efficient Frontier (RISKOptimizer).xlsx](file:///C%3A%5CProgram%20Files%20%28x86%29%5CPalisade%5CRISK7%5CExamples%5CEnglish%5CPortfolio%20Analysis%20with%20Efficient%20Frontier%20%28RISKOptimizer%29.xlsx)

Looking for # puts to buy in each kind in given range (1-20) and determine strike price of puts (10-150). Wider the range, the longet it will take to build model.

In constraints, try to different values of mean, and for every one of these values, want to optimize for various values of risk mean (C23), and see what is the best we can do for each of these values.

Example of constraint:

