THEORETICAL ASPECTS OF THREE-ASSET PORTFOLIO MANAGEMENT

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ABSTRACT: *The paper deals with three-asset portfolio. It focuses on ordinary investor, for whom the Markowitz's theory of selection of optimal portfolio is often too difficult to use in practise. In the paper, new formulas for calculation of the weights of the assets in three-asset portfolio optimised according to the risk measured by standard deviation are being derived. The paper also deals with comparison of optimisation of two- and three-asset portfolio. Also the formulas for calculation of weights of assets in three-asset portfolio, which is optimised under the pre-defined rate of return, are derived in the paper.*

KEY WORDS: *portfolio, portfolio management, optimisation, portfolio's analysis, standard deviation.*
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