YMC 2005

# Portfolio Optimization: MAD vs. Markowitz

**Beth E Bower** *College of William and Mary*
**Pamela S Wentz** *Millersville University*

Abstract of Poster: We look at investment portfolio optimization. We create portfolios consisting of five stocks and a six-month bond by randomly selecting the stocks from the S and P 500. We take the data from July 1, 2004 to December 31, 2004 and use the Markowitz minimum variance model as well as the Mean Absolute Deviation model to determine the allocation of funds to each asset in each of the portfolios. We then compare the returns of the portfolios from January 3, 2005 to June 30, 2005 using a series of parametric and non-parametric tests.