

PORTFOLIO DIVERSIFICATION ENHANCEMENT

By Reducing Uncompensated Risk

(WELL-KNOWN AS THE "FREE LUNCH")

"One of the central findings of Modern Portfolio Theory is huge and essentially costless gains can be obtained from diversifying a portfolio thoroughly by minimizing Uncompensated Risk."

- John H. Langbein, Reporter Uniform Prudent Investor Act

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WHAT YOU NEED TO KNOW TO GET STARTED

RESTATEMENT OF TRUSTS, 3rd CONCLUSIVELY SAYS: "Failure to diversify on a reasonable basis to reduce uncompensated risk is ordinarily a violation of the duties of caution, care and skill."

"Passing on A 'Free Lunch' Is Not Acting with Care-Skill-Prudence & Diligence"

<https://lnkd.in/geB-aTfk/>

THE 3rd RESTATEMENT OF TRUSTS RAISES 2 ESSENTIAL QUESTIONS:

- 1- What constitutes "Failure to diversify on a reasonable basis"? and
- 2- How is Uncompensated Risk determined?

For the answer go to <https://lnkd.in/eNBKaVPJ/>

OPTIMIZED PORTFOLIOS REDUCING UNCOMPENSATED RISK (UCR) ARE FOR RISK ASSETS (EQUITIES).

Fixed income is added after finalizing equities.

This is centered on 'Brealy's' estimate that UCR is 70% of portfolio risk and 90% of UCR is within the "risk assets." *UNIFORM PRUDENT INVESTOR ACT & THE FUTURE OF TRUST INVESTING*, 1-1-1996, page 646-7.

"THE ONLY FREE LUNCH IN INVESTING!!" Nobel Prize Markowitz, Fama, Sharpe

"The Proof is in the Pudding!"

Enhanced Diversification During the Pandemic showed 500-800 b.p. Improvement

<https://lnkd.in/ge7MNkYU/>

WOULD YOU HAVE LIKED A 14.2% ANNUAL RETURN THE LAST 3 YEARS ending 10/22?

See how the Portfolio Diversification Toolbox© gets there using a Diversification Procedural Process to restructure For a WIDELY USED (11- security) MODEL PORTFOLIO.

[See The Procedural Process and REPORT](#)

COMPREHENSIVE DIVERSIFICATION GLOSSARY WITH TECHNICAL AND LAY DEFINITIONS

[Click to download](#)

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<https://portfolio-diversification-institute.com/About-Us/>

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