Efficient Portfolio Selection and Its Applications to Decision Making

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***Abstract*—Dynamic nature of investment return requires the application of the appropriate methodology, especially regarding enhanced volatility induced by frequent extreme events occurrence. The subject of the research is to analyze the possibility of efficient portfolio selection on the transitional financial market of the Republic of Serbia. The main objective is to gather empirical evidence about the investment portfolio performance with special attention to the decision making process. The methodology in the research implies the usage of the appropriate portfolio optimization methods. The research results stress the significance of efficient portfolio selection in contemporary business conditions. It can be concluded that it is necessary to examine the volatility of the portfolio assets and thus enabling the efficient portfolio selection, which is especially challenging on transitional markets.**

***Index Terms*: Portfolio, Return, Decision making, Investments, Transitional market.**

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