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Acknowledgement: Kinks on the Mean-Variance Frontier

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IN DYBVIG [1], I showed that the mean-variance frontier can have a kink but only if the included securities all have the same expected return. In fact, these results were obtained 25 years previously in the classical work of Markowitz [2]. His proof used the derived properties of the critical lines algorithm for computing the frontier.¹ While my simple numerical example is more direct and will be easier to follow for most readers, this does not excuse my failure to reference Markowitz' seminal piece.

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¹ In Markowitz [2], see the discussion on p. 153. The proof is implicit in Figures 12 and 17 in Chapter 7, the description of the critical lines algorithm in Chapter 8, and the derivation of the properties of the algorithm in Appendix A.

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1. P. H. Dybvig. "Short Sales Restrictions and Kinks on the Mean Variance Frontier." *Journal of Finance* 39 (March 1984), 239-44.
2. H. M. Markowitz. *Portfolio Selection: Efficient Diversification of Investment*. New York: John Wiley & Sons, 1959.