Abstract
The analysis is similar in framework to the model developed by Markowitz in 1952, known as Modern Portfolio Theory (MPT). This model basically shows how to extract the maximum possible yield from a portfolio, given a certain level of risk, and also highlights the advantages of a properly diversified portfolio. The time frame of the analysis corresponds to the final decade of the 20th century, a period that in Colombia was marked by large fluctuations in the country’s economic performance, as well as by important changes in the structure of its stock markets. Despite this restructuring, however, the present state of Colombia’s stock markets continues to be precarious. Their total capitalization barely 13% of the country’s Gross Domestic Product is far below the level of other countries in Latin America. The US economy, meanwhile, enjoyed a period of unprecedented growth during the same period, while technological change in the fields of communication and information technology enabled the country’s financial markets to achieve even further growth both at home and abroad. The application of Markowitz’s model provides handy tools for risk analysis and decision-making in accordance with the individual investor’s risk tolerance. The article concludes with a performance comparison of domestic and international portfolios.

Keywords
Efficient frontier, modern portfolio theory, systematic risk.