

<b>Simulation</b>	<b>Advantage</b>
<b>Monte Carlo</b>	<p>Accurate for all instruments</p> <p>Provide a full distribution of potential portfolio values</p> <p>Permit use of various distributional assumption and therefore has potential to address the issue of fat tails</p> <p>No need for extensive historical data</p>
<b>Historical</b>	<p>Accurate for all instruments</p> <p>Provide a full distribution of potential portfolio values</p> <p>No need to make distributional assumption</p> <p>Faster than Monte Carlo simulation because less scenarios are used</p>