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Professor, University of Chester, UK

Optimal portfolio and Consumption allocation under a Disappointment Aversion Type Utility Function

ΤΕΤΑΡΤΗ 13/9/2017
13:00 – 15:00

**ΑΙΘΟΥΣΑ 607, 6^{ΟΣ} ΟΡΟΦΟΣ,
ΚΤΙΡΙΟ ΜΕΤΑΠΤΥΧΙΑΚΩΝ ΣΠΟΥΔΩΝ
(ΕΥΕΛΠΙΔΩΝ & ΛΕΥΚΑΔΟΣ)**

ΠΕΡΙΛΗΨΗ

In this talk, the optimal portfolio selection problem is considered in a complete market environment under a particular disappointment aversion (Gul's type) utility function using classical results in a continuous time economy, obtained by martingale and duality methods. Unlike the conventional expected utility maximization models, such a behavioral model can be easily miss-formulated if its different parameters do not coordinate well with each other. Thus, in the present version of the paper, a well and ill- posed problem is presented and discussed. To the best of our knowledge, for the first time, an analytic method to derive the formulas for the optimal wealth, the consumption and portfolio weight processes is presented. Finally, the standard CRRA utility is used to illustrate further the theoretical results obtained.

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**ROOM 607, 6th FLOOR,
POSTGRADUATE STUDIES BUILDING
(EVELPIDON & LEFKADOS)**

ABSTRACT

In this talk, the optimal portfolio selection problem is considered in a complete market environment under a particular disappointment aversion (Gul's type) utility function using classical results in a continuous time economy, obtained by martingale and duality methods. Unlike the conventional expected utility maximization models, such a behavioral model can be easily miss-formulated if its different parameters do not coordinate well with each other. Thus, in the present version of the paper, a well and ill- posed problem is presented and discussed. To the best of our knowledge, for the first time, an analytic method to derive the formulas for the optimal wealth, the consumption and portfolio weight processes is presented. Finally, the standard CRRA utility is used to illustrate further the theoretical results obtained.