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A Weighted Mean-Variance Portfolio Under a No-Bankruptcy Constraint

In the context of a continuous-time Black-Scholes market model, we consider a stochastic portfolio management problem where the investor wishes to reach an expected terminal wealth while minimizing a skewed mean-variance risk measure, that is more weight (or penalty) is given on downside returns. Under a positive wealth constraint, we show that there exists an explicit optimal strategy given in feedback form.

Joint work with Rene Ferland