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COMPUTATIONALLY CONVENIENT OPTIMAL INTERTEMPORAL PORTFOLIOS UNDER LINEAR CONSTRAINTS

MITCHELL DW

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Abstract:
This paper considers the normative question of how to obtain computationally convenient optimal intertemporal portfolios under assumptions that are as realistic as possible. In each period expected utility of final-period wealth is maximized, possibly subject to linear inequality constraints. Random net portfolio additions are permitted. Return distributions can evolve deterministically. Under certain assumptions the **portfolio problem** is shown to be computationally straightforward. Intertemporal properties of the portfolio sequence, including the time path of the portfolio fraction held in risky assets collectively, are discussed.

KeyWords Plus:
MEAN-VARIANCE, **UTILITY-FUNCTIONS**, CONSUMPTION, INVESTMENT, RISK

Addresses:
MITCHELL DW, W VIRGINIA UNIV,DEPT ECON,MORGANTOWN,WV 26506

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