In this paper we examine the problem of optimizing interest rate portfolios with rather asymmetric return distributions. The portfolios risk exposure is measured assuming that the portfolio manager is averse to portfolio returns falling below one or more given benchmarks. We apply a downside risk approach using the lower partial moments of order 0, 1 and 2, a framework that is quite well justified in the literature. We approximate the portfolios complex distribution function and derive a mixed-integer optimization problem to find an optimal asset allocation that maximizes the expected final value of the portfolio under limited downside risk. A case study shows the practical usefulness of the procedure developed by applying it to find an optimal portfolio protection.
International: Nein
Book review: Nein
commissioned: not commissioned
Professional Journal: Nein

Occurences:
- Einrichtungen > Fakultäten > Fakultät für Mathematik > Zentrum Mathematik > M13 Lehrstuhl für Finanzmathematik (Prof. Zagst) > Journal Papers > Zagst, R.
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entries: