

**DISCRETE TIME PORTFOLIO SELECTION WITH PROPORTIONAL
TRANSACTION COSTS**

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Abstract: In the paper discrete time portfolio selection with maximization of a discounted satisfaction functional is studied. In Section 2 the case without transaction costs is considered and explicit solutions for special satisfaction functions are given. In Section 3 the problem with proportional transaction costs is investigated and optimal strategies are characterized.

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Key words and phrases: Portfolio selection, Transaction costs, Bellman equation.

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