

# Mathematical Tools For Asset Management

## MTH6113

Week 2 Feedback - Tuesday

Spring Term 2024

1. Just wanted to ask from practice session 2 question 1a, why is independence and certainty equivalence not included in the answer as it is in the lecture slides under assumptions. Also for any question to do with utility theorem with assumptions similar to 1a, will this always be the answer: Completeness, transitivity, local non-satiation?

Answer:

- ▶ Question 1 - there is no uncertainty - use assumptions for utility theory not expected utility theory
- ▶ If there is uncertainty - independence and certainty equivalence - yes!