— **SEMINAR** —

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Theory of Social Returns in Portfolio Choice with Application to Microfinance

(Paper by Dorfleitner G., M. Leidl and J. Reeder)

Tuesday February 23rd, 2010

At 12.00

(Sandwiches will be offered to those who confirmed their presence)

At the Seminar Room

Centre Emile Bernheim, Université libre de Bruxelles

Abstract:

We complement standard portfolio theory à la Markowitz by adding a social dimension. We distinguish between two main setups, taking social returns as stochastic in the first, but as deterministic in the second. Two main features need to be introduced: Every asset must be assigned a (distribution of) social return(s), and the investor has to cherish social returns. The former comes with measurement problems, whereas the latter is mainly a problem of choice of a suitable utility representation. The focus of this paper is on the theoretical fundamentals and the practical implications of social returns. We apply each version of the theoretical model to a different realm. In the deterministic setup, we look at an investor that faces a small number of assets: the Dow Jones Euro Stoxx Index, the EuroMTS Global Index, and the responsAbility Global Microfinance Fund, where we assign a social return only to the microfinance investment fund. In the second application with stochastic social returns, we estimate statistical moments of social returns of various microfinance institutions and address the question how microfinance investment funds should allocate funds to microfinance institutions.

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Please confirm your presence by February 19th, 2010.