

Problem Setup: Portfolio \mathcal{P} of risky assets with prices p_i and availability $a_i \in \{0, 1\}$. Allocate budget B to maximize portfolio utility.

Utility Function: Cobb-Douglas utility measures investor satisfaction:

$$U(n_1, \dots, n_P) = \kappa(\gamma) \prod_{i \in \mathcal{P}} n_i^{\gamma_i}$$

where γ_i is the preference for asset i (output of a preference model), $\kappa(\gamma)$ scales the function, and n_i is the number of shares (what we compute).

Investor preference model: The γ_i preference coefficients can reflect market conditions, sentiment, and other asset-specific information through a feature vector $\mathbf{x}_i \in \mathbb{R}^m$:

$$\gamma_i = \sigma \left(\mathbf{x}_i^\top \theta_i \right) \quad \forall i \in \mathcal{P}$$

where $\sigma : \mathbb{R} \rightarrow \mathbb{R}$ is an activation function $\sigma_\theta(x) \in [-1, 1]$, and $\theta_i \in \mathbb{R}^p$ ($p = m + 1$) denotes the feature weights (and bias), learned from data or set based on subjective beliefs.

Allocate investment budget B across portfolio assets, where p_i is the price of asset i . The optimal portfolio is the solution of the utility maximization problem:

$$\begin{aligned} & \underset{n_1, \dots, n_P}{\text{maximize}} && \kappa(\gamma) \prod_{i \in \mathcal{P}} n_i^{\gamma_i} \\ & \text{subject to} && B = \sum_{i \in \mathcal{P}} n_i p_i \\ & && \epsilon a_i \leq n_i \leq a_i \left(\frac{B}{p_i} \right) \quad \forall i \in \mathcal{P} \\ & && a_i \in \{0, 1\} \quad \forall i \in \mathcal{P} \\ & && \epsilon \in \mathbb{R}_+ \quad (\text{hyperparameter}) \end{aligned}$$

The share optimization problem has an **analytical solution**. Let $S = \{i \mid a_i = 1\}$ be the available assets; $S_+ = \{i \mid \gamma_i > 0\}$ the preferred ones, $S_- = \{i \mid \gamma_i < 0\}$ the non-preferred. The optimal shares n_i^* are:

$$n_i^* = \begin{cases} \left(\frac{\gamma_i}{\sum_{j \in S_+} \gamma_j} \right) \frac{B - \epsilon \sum_{k \in S_-} p_k}{p_i} & \forall i \in S_+ \\ \epsilon & \forall i \in S_- \end{cases} \quad \blacksquare$$

Here, n_i^* is the optimal number of shares for asset i , balancing preferences and budget constraints.