

## A Hedged Monte Carlo Approach to Real Option Pricing

Max Oliveira de Souza (UFF)

Abstract: In this talk we are concerned with valuing the option to **invest in a project when the available information provided to the manager comes from simulated data of cash flows under historical or subjective measures** in a possibly incomplete market. Our approach is suitable also to incorporating subjective views from management or market experts and to stochastic investment costs. It is based on the Hedged Monte Carlo strategy proposed by Potters et al. (2001) where options are priced simultaneously with the determination of the corresponding hedging. It is joint work with E. Brigatti, F. Macias, and J.P.Zubelli.