# Robust asset allocation in incomplete markets

# Propositions

accompanying the Doctoral Dissertation

## Robust Asset Allocation in Incomplete Markets

**Sally Muling Shen**

Monday, 22 June 2015 at 12:00

1. A robust investment strategy can protect the agent from a huge wealth collapse in times of financial crisis. (Chapter 2, 3, 4)

2. Robust portfolios are not always conservative. Sometimes, they can be aggressive. (Chapter 2, 3)

3. Long-term investors and underfunded institutions are strongly suggested to follow robust policies. (Chapter 2, 4)

4. Model uncertainty cannot explain the equity premium puzzle. The puzzle remains a puzzle. (Chapter 1, 4)

5. The idea of Rational Expectations is already known by an Ancient Chinese Proverb: "The government has strategies. The people have counter strategies."

6. The difference between a rational expectations model and a robust model resembles the difference between communism and liberalism.

7. Investing in a well diversified portfolio of low-beta stocks is not a robust strategy.

8. Only philosophers can decide whether Bayesian paradigm, Rational Expectations or Robust Control is more rational.

9. To succeed in the academic job market, you should stay humble.