

Model uncertainty : the effect on robustness, estimation and stochastic optimisation

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ASSERTIONS (STELLINGEN)

ACCOMPANYING THE THESIS

MODEL UNCERTAINTY

THE EFFECT ON ROBUSTNESS, ESTIMATION AND STOCHASTIC OPTIMISATION

BY

ANNE BALTER

1. The persistence of the convexity effect leads to concavity of the term structure of interest rates.
(Chapter 2)
2. The more uncertain the agent is, the harsher mother nature will attack.
(Chapter 3)
3. Sometimes it is better not to test than to test. The set of indistinguishable models is based on the likelihood ratio test statistic without ever being performed.
(Chapter 4)
4. Unnecessarily the literature limits itself to a small class of alternative models. Stochastic deviations of the drift allow for alternative distributions with possibly similar means and dissimilar variances.
(Chapter 4)
5. Prudent pricing results in pretending that participants are younger than they are. Hence, the remedy against ageing is to join a pension fund.
6. Too often one forgets: a *model* is only a *model*.
7. The quantification of uncertainty increases certainty.
8. "*An investment in knowledge pays the best interest.*"
- Benjamin Franklin (1706 - 1790)
9. While dotting the i's and crossing the t's of a paper, deleting equations hurts.
10. Glossy magazines can cause "model" uncertainty. Sports is my hedging strategy.
11. The policies with respect to the melting of the icebergs face the same problem of extrapolation on the extreme long end as those of pension funds.