MODELING DISTRIBUTION UNCERTAINTY IN ACTIVE PORTFOLIO MANAGEMENT

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Resumen

In the framework of active portfolio management, we propose a novel methodology to incorporate the relative confidence given to the distribution of consensus excess returns with respect to the forecasted one. This methodology uses a particular case of the generalized hyperbolic distribution, and provides an intuitive and simple form to incorporate distribution uncertainty since closed-form expressions for the optimal portfolio weights are available for the unconstrained optimization problem.