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Understanding Dynamic Mean Variance Asset Allocation

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Highlights

- A new portfolio decomposition formula sheds light on the economics of portfolio choice for mean-variance investors;
- One component hedges time changes in risk aversion;
- An analytical solution is derived in the incomplete market case;
- Intertemporal hedging is potentially and in the empirical investigation substantial;
- Efficient Frontiers per investment horizon are reasonable for medium and long investment horizon.

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