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Safety First Portfolio Selection, Extreme Value Theory and Long Run Asset Risks

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Chapter

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Abstract

The paper motivates the use of the statistical extreme value theory for the problem of portfolio selection in economics, both theoretically and empirically. It is shown that the conventional safety first criterion developed by Roy can be

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cover at least a half-century of returns and allow for evaluation of investment risks in the long run.

Keywords

Mutual Fund

Portfolio Selection

Investment Opportunity

Asset Return

Stock Index

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