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**MARKET SELECTION AND SURVIVAL
OF INVESTMENT STRATEGIES**

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Abstract

The paper analyzes the process of market selection of investment strategies in an incomplete market of short-lived assets. In the model under study, asset payoffs depend on exogenous random factors. Market participants use dynamic investment strategies taking account of the available information about current and previous events. It is shown that an investor allocating wealth across the assets according to their conditional expected payoffs eventually accumulates total market wealth, provided the investor's strategy is asymptotically distinct from the portfolio rule suggested by the Capital Asset Pricing Model. This assumption turns out to be essentially necessary for the result.

Keywords: evolutionary finance, portfolio theory, CAPM, investment strategies, market selection, incomplete markets.

JEL Classification: D52, D81, D83, G11.

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