

Roots and Effects of Investments' Misperception

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Abstract

This work deals with the problem of investors' irrational behavior and financial products' misperception. The theoretical analysis of the mechanisms driving wrong evaluations of investment performances is explored. The study is supported by the application of Monte Carlo simulations to the remarkable case of structured financial products. Some motivations explaining the popularity among retail investors of these complex financial instruments are also provided. Investors are assumed to compare the performances of different projects through stochastic dominance rules and, to pursue our scopes, a new definition of this decision criteria is introduced.

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