

Report on Bachelor Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Radek Spousta
Advisor:	Mgr. Lucie Kraicová
Title of the thesis:	Fama–French Model: Multiscale Portfolio Analysis

OVERALL ASSESSMENT

The recent low interest-rate environment has resulted in “search for yield” strategies for many investors. As a result, the empirical testing asset returns and underlying risk factors is very topical. Radek Spousta investigates the topic through the Fama–French three-factor (FF3F) model and wavelet-based methods, what makes his thesis up-to-date.

Contribution

Radek’s contribution is two-fold. First, he presents original results of multiscale estimation of the FF3F model. Second, he indentifies scale-specific features of the relationship between the FF risk factors and excess returns on six portfolios formed on a size and a book-to-market ratio. The author is also aware of the limitations of his research and presents further research opportunities. I believe that after some adjustments, a part of the thesis might be published in a respected journal.

Methods

The author applies standard methods used for this kind of research: the FF3F model, wavelets, and the Multiscale FF3F Model. Description of all methods in Chapter 2 is adequate and all key references are listed.

Literature

The 5-page literature on asset pricing theory and Wavelets in asset pricing theory seems reasonable. He builds his models on Fama and French (1995), In and Kim (2012), Trimech et al. (2009), and McNevin and Nix (2018). Radek compares his results with In and Kim (2012), what makes his research valuable.

Manuscript form

The manuscript form fulfils the standard requirements on a bachelor thesis, which meets standard format requirements on bibliography and notes. Tables and figures well illustrates the investigated topic.

Summary and suggested questions for the discussion during the defense

The author has developed a solid academic approach, reviewed the existing literature, identified and investigated open questions and drew relevant conclusions from that. To conclude, the thesis by Radek Spousta is written on the highly attractive subject. I consider it as a solid piece of academic work and therefore **I propose Grade A from this thesis.**

Questions to the defense:

- 1) The author concludes that “*Contrary to existing literature, we do not conclude that the FF3F model performs better at any particular scale*”.What do you mean by “existing literature”? Was the comparable research done on similar data or a different data set?
- 2) What are implications of Radek’s research for trading strategies of financial investors?

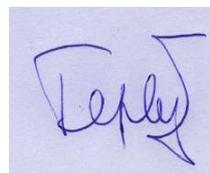
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SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Contribution (max. 30 points)	28
Methods (max. 30 points)	28
Literature (max. 20 points)	18
Manuscript Form (max. 20 points)	17
TOTAL POINTS (max. 100 points)	91
GRADE (A – B – C – D – E – F)	A



NAME OF THE REFEREE: Doc. PhDr. Petr Teplý, Ph.D.

DATE OF EVALUATION: August 21, 2018

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F