

## **Abstract**

This bachelor thesis tested hypothesis if 30 randomly selected equity funds outperformed the market systematically in the time period 2003-2018. Funds were divided into two groups with respect to their investment strategies (Small caps and Large caps) and were tested in periods of Bull and Bear markets. As a theoretical concept the Capital Asset Pricing model (CAPM) was used. Two parameters of its equation were tested, alpha coefficient as an indicator of managers' skills and fund expenses and beta coefficient as an indicator of level of risk. The CAPM equation was expanded by dummy variables to measure the effects of different investment strategies and market conditions. The thesis used panel data analysis as an approach of estimation of the parameters with Fixed and Random Effects models. Funds invested mainly on the U.S. market. Their prices were transformed to fund returns as required by the CAPM model and compared with returns of S&P500. Statistically significant results confirmed that the CAPM fitted the expected relationship of market and fund returns. It showed that the funds taking higher risk were rewarded by higher expected returns expressed by beta greater than 1. It also showed that the managers invested more carefully in the periods of Bear market. Values of alphas revealed that Large cap fund managers invested more efficiently and cheaper than Small cap managers. It was recommended to focus on the selection of funds and fulfilment of all statistical assumptions in further analysis.

**Keywords** performance of mutual funds, Capital Asset Pricing model, Large cap funds, Small cap funds, Bull market, Bear market, Fixed and Random Effects model