

Report on Bachelor Thesis

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

Student:	David Pergl
Advisor:	Petr Gapko
Title of the thesis:	Using CAPM for assessment of efficiency of managed portfolios-mutual funds

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

The main focus of considered thesis is to revisit an old question if managed funds can outperform market returns. To test this research question, author aims to test if randomly selected equity funds outperformed market systematically. Author divided funds into two groups and tested the performance in the period of bull and bear markets using classical CAPM framework. With market representing proxy for risk, or risky factor, one would expect the managed fund to outperform market's return and carry higher returns. This is documented by author since funds taking higher risks show higher returns.

Methods

Methods are more than adequate for a bachelor thesis. Author used panel data estimation to test the main hypotheses with simple dummy variable framework. Estimation is done correctly, although interpretation of the models, tests and some estimation techniques is sometimes not precise and confusing. For example author just states that he will estimate Fixed and Random Effect model, but never discusses why these types of models should be suitable for the hypothesis (that actually is interesting discussion since alpha coefficient is important in the model, but alpha coefficient play distinct role in these types of models). In addition, discussion about fulfilling assumptions is somewhat confused. Author mentions for example that data should be random. In the consecutive text, he claims that returns are random variables, and this assumption is fulfilled. This, in my view is not correct since we do not know if returns are random variables. We actually have to assume it, so correct statement would be that we assume randomly sampled variables from a population. Yet, this is just an example and whole discussion is bit confusing in many different points.

Literature

Author demonstrates a good understanding of the current literature. Relevant literature is discussed in the text.

Manuscript form

The text is logical, connects findings well, and thesis is well structured. The logics of the exposition is disturbed at many places by incorrect or imprecise use of language, it seems author did not pay attention to polishing the text and text is sometimes hard to follow.

Summary and suggested questions for the discussion during the defense

In general, I find the thesis solid piece of work with interesting research question. I miss a motivation why should we benefit from panel data analysis, author states on page 17 (Section 4) that „...we did not want to lose information using just the shortest period and estimation of α and β by simple OLS. So, we organized our data set in the form of panel data.“ But Panel estimates are equivalent to average OLS estimates on cross-sections in case we have no unobserved heterogeneity in data, so I believe the correct motivation is to capture the unobserved heterogeneity in the relation. Based on the

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type of heterogeneity, Fixed, or Random model is then typically used. I would like the author to elaborate on this during the defense, and mainly discuss what type of unobserved heterogeneity we should expect in these data so panel regression is helpful. Second question is about motivation: What is motivation to use panel data? Finally, I believe author should discuss confusing statements about assumptions of models including random sampling etc. In case author is confident in discussion, I would advise committee to award the thesis with few more points than I suggest. Otherwise I suggest final grade C.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	24
<i>Methods</i> (max. 30 points)	22
<i>Literature</i> (max. 20 points)	18
<i>Manuscript Form</i> (max. 20 points)	15
TOTAL POINTS (max. 100 points)	79
GRADE (A – B – C – D – E – F)	C

NAME OF THE REFEREE: Jozef Barunik

DATE OF EVALUATION: 29.5.2019

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