

**REPORT ON MASTER THESIS
CENTER FOR ECONOMIC RESEARCH AND GRADUATE STUDIES**

STUDENT:	Giorgi Chavchanidze
ADVISOR:	Filip Matejka
TITLE OF THE THESIS:	Cognitive Limitations and Behavioral Biases In The Asset Pricing Context

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

CONTRIBUTION: The thesis merges two strands of theoretical literature and applies it to a classic asset-pricing question. The two frictions are found to interact in an interesting way. After some polishing the paper can be published in a peer-reviewed journal.

METHODS: Adequate to the question in place, up-to-date and well executed.

LITERATURE: Thoughtful and exhaustive. The contribution to the literature is sufficiently well outlined.

MANUSCRIPT FORM: Sufficient. There is some room for improvement for the paper to be published.

Overall, the writing could be a bit more concise, clear, and structured. In the current form, the manuscript is extremely taxing to read, especially for finance people.

The abstract needs to be shortened. Given that the contribution of the paper, as I see it, lies in the analysis of potentially non-trivial interactions of the two frictions, the abstract and introduction must provide more information on that.

The flow of the paper could be improved by presenting a simple motivating example first with minimal derivations, if any.

SUMMARY AND SUGGESTED QUESTIONS FOR THE DISCUSSION DURING THE DEFENSE:

The thesis provides helpful analysis of the interplay of RI and overconfidence. The author builds a simple framework that combines two important strands of the literature in a tractable way and attacks one of the most important questions of Asset Pricing.

I am not sure if the choice of the two frictions to marry is sufficiently well motivated. Similarly, the interaction of the overconfidence bias and the cost of information that is shown in the results (p 51, for example) is somewhat not surprising. My view of RI literature is that it serves as a disciplined behavioral model. As such, adding a behavioral bias as strong as overconfidence back in the picture seems to be a step backwards.

The introduction mentions the risk premium puzzle and the low risk free rate puzzle. However, neither of the puzzles is mentioned in the remaining parts of the thesis. I would like to see more discussion on how the analysis in the paper and the developed framework can be applied to studying these or other asset pricing questions.

I recommend the thesis for defense.

TEXT ORIGINALITY CONTROL

I confirm that I acquainted myself with the report on the originality of the text of the thesis from

Theses Turnitin Ouriginal (Urkund)

Comments on the reported results:

SUMMARY OF POINTS AWARDED (for details, please see the page 3)

CATEGORY	POINTS
Contribution (max. 30 points)	23
Methods (max. 30 points)	30
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	18
TOTAL POINTS (max. 100 points)	91
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE:

Veronika Selezneva

DATE OF EVALUATION:

Veronika Selezneva

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.

Strong	Average	Weak
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.

Strong	Average	Weak
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.

Strong	Average	Weak
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.

Strong	Average	Weak
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