Report on Bachelor / Master Thesis

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

Student:	**Jan Šmejkal**
Advisor:	**PhDr. Pavel Streblov MSc**
Title of the thesis:	**Collective investment in the CEE region:** **risk and return comparison**

OVERALL ASSESSMENT

The bachelor thesis of Jan Šmejkal aims at analysing performance of mutual funds in the Czech Republic and Poland and compares their performance with their respective benchmarks to assess the quality of local fund managers.

The thesis is structured as follows. The first part reviews fundamental concepts of collective investments and presents an overview over the development of collective investment in the CEE region, with a particular focus on the Czech Republic and Poland. The next section provides a literature overview.. The main part then presents a methodological background to the empirical analysis, the data set itself and its analysis.

I find the selection of the topic highly appealing as there is an on-going debate both in the academia as well as in the world of finance – does active management bring any value to investors? This applies especially in the post 2007 crisis world where several assumptions of portfolio diversification and active management were put into question. Jan has analysed the performance of various Czech and Polish funds across different country and asset allocations (bond and equity funds with different asset allocations ranging from local markets across Europe to global). I consider his goal to assess such a complex topic as very ambitious for a bachelor thesis and having supervised the thesis, I can highly appreciate the time spent reviewing existing research in the area and collection of information.

With respect to the findings of the thesis they are mainly in line with existing literature and analysis of US and Western European fund managers. Active management does not guarantee even an outperformance of the benchmark and when management fees are added into the equation, the contribution of actively managed funds can be put into question. On the other hand, the author has been able to identify some outliers to this pattern such as the Polish global equities funds. Given the whole sample and the rather abysmal result in the other categories, this rather shows the randomness of the fund performance. I find this to be quite a valuable contribution of the thesis based on an carefully collected set of data both for the fund performance as well as for the benchmarks.

I believe Jan could have presented his findings in a more structured way, especially chapter 9 would require a detailed description of each of the findings and its comparison to author's expectation and benchmarking to existing academic research papers. Jan has merely presented the outcomes of his analysis probably assuming they would be self-explanatory. This lack of explanation unnecessarily denigrates the findings of the thesis.

I would also recommend, should Jan choose this topic for his master thesis, to limit the first rather descriptive parts of the thesis and focus more on existing literature review. Additionally, in some instances in the first part of the thesis, Jan uses several sources that may use different methodology and provide different data. These are presented in the thesis

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without any additional elaboration – e.g. in chapter 5.2 the amount of capital of Polish mutual funds is presented in the amount of 81 billion PLN in the text whereas a table below presents segmentation of Polish mutual funds showing a total volume of 346 billion PLN.

I see the following potential areas for future improvements/further research:
  a) Inclusion of a larger data set, potentially benchmarking the Czech/Polish fund manager performance to their European peers (not just to market index, but to the performance of other fund managers) in order to see whether there are any significant performance differences
  b) Fine tuning the research in order to be able to take into account the different strategies applied by fund managers – e.g. comparison of performance between actively and passively managed funds etc.

I believe the thesis focuses on a highly topical issue and has the ambition to provide an analysis of laboriously collected primary data. The ambition of the thesis and its empirical parts go beyond standards of a bachelor thesis, unfortunately the rather schematic presentation of findings in the final section somewhat devalues this. In light of this, I would recommend for the thesis grade B.

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

CATEGORY		POINTS
Literature	*(max. 20 points)*	12
Methods	*(max. 30 points)*	25
Contribution	*(max. 30 points)*	25
Manuscript Form	*(max. 20 points)*	5
TOTAL POINTS	*(max. 100 points)*	**67**
GRADE	**(1 – 2 – 3 – 4)**	**A**

NAME OF THE REFEREE: Pavel Streblov

DATE OF EVALUATION: 9/9/2013

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                    Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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

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

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

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 POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě