

# Report on Bachelor / Master Thesis

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

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<b>Title of the thesis:</b>	Quality Investing: Combining the Gross Profitability with the Free Cash Flow Yield

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

This thesis consists of 6 sections and 75 pages. The introduction section states the main objective of the study and briefly presents the existing literature on the topic, showing the gap in the literature the study is aimed to fill in. The study suggests different profitable investing strategies based on the free cash flow, which plays a crucial role in modern theory and practice of asset pricing.

In the next, second chapter the existing literature is discussed in more detail. In particular, this section talks about the different value and quality investing strategies proposed by the previous research. This section also provides the evidence that these investing strategies are not only profitable, but also used by professional investors. Based on the discussion provided in this section, the author elaborates the motivation of the research question.

The third section is devoted to the methodology and the data description. While the data subsection does not require much of the discussion, it should be noted that the methodology subsection is well presented and structured. The chosen methodology is appropriate for answering the research question.

The main empirical results are discussed in sections four and five. In section four, the author presents the results of investment strategies based on the individual indicators such as book-to-price ratio, book profitability and free cash flow yield, while the fifth section provides the analysis on the profitability of different investment strategies based on the combination of these indicators. The analysis is comprehensive and provides the results for the whole time period of the data sample as well as for the different time sub-periods and different market moods (i.e. bear markets versus bull markets), which can serve as the robustness check of the obtained results. The empirical results of this study might be of interest for both practitioners, since the study elaborates the profitable investment strategies, as well as for researchers, since the profitability of free cash flow strategies suggests the informativeness of the free cash flow measure, the implication of which might be further studied in the future.

In case of the successful defence I would recommend "excellent" ("výborně").

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

<b>CATEGORY</b>	<b>POINTS</b>
Literature (max. 20 points)	15
Methods (max. 30 points)	30
Contribution (max. 30 points)	30
Manuscript Form (max. 20 points)	15
<b>TOTAL POINTS</b> (max. 100 points)	<b>90</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** Iuliia Brushko

**DATE OF EVALUATION:** 14.06.2016



Referee Signature