Report on Master Thesis

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

Student:	**Martin Hronec**
Advisor:	**Jozef Barunik**
Title of the thesis:	**Portfolio selection in factor investing**

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

Contribution

The main aim of the thesis is to find how useful are advanced portfolio selection methods in factor investing. The question is important economically for an investor wishing to allocate her portfolio among risk factors in order to achieve desirable return, or diversify the investments. These methods are useful as they provide more efficient exposure to underlying risk sources in factor portfolios. With this respect Martin builds several portfolios based on prominent factors used in literature, and tests their performance against naive, or value strategies typically used in the literature. From this perspective, the work contributes to the large debate in finance.

Methods

Advanced portfolio selection methods are not cover by curriculum offered by Master studies at our Institute, and require deeper knowledge of asset pricing methodologies. From this perspective, Martin showed he is able to work with advanced methodologies, and implement them to answer research questions.

Literature

Martin demonstrates his deep understanding of the literature, and gives credit to other studies and authors where appropriate. It is important to understand that asset pricing literature cumulated over decades to immense number of works. Hence knowledge, and understanding of this literature itself is an asset Martin gained during the work. Only after learning the literature Martin could be able to develop sound research as conducted in this thesis.

Manuscript form

The text is logical, well written, connects findings to the existing literature well. Martin worked consistently to obtain the results for long period of time, and we have discussed the results and text on a regular basis during the year.

In conclusion, I believe that during the work Martin proved himself to be an independent researcher, obtained interesting and contributive results, mastered advanced techniques, hence thesis deserves to be defended. In case Martin is confident in presenting the details of the work during the defense, and *mainly present economic motivation, why he believes the results are important for us economically, as well as where he views his work in comparison to the current literature in finance*, I suggest to award the work with grade "1".

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

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

NAME OF THE REFEREE: Jozef Barunik
DATE OF EVALUATION: August 30, 2017

Barunik

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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