

Report on Master Thesis

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

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| Student: | Adam Zaydlar |
| Advisor: | Petr Gapko |
| Title of the thesis: | Performance of alternative portfolios during Financial Crisis 2007 – 2009 |

Author in his diploma thesis compares two different portfolio strategies and their performance before and during the current financial crisis. Theme is well chosen and interesting for the reader.

In the second part of the thesis (after an introduction), author introduces basic literature and concepts used in the thesis as well as the development of the financial crisis. This part of the thesis is rather descriptive and well balanced. However, author uses expressions that are not defined before and their definition can be found in the following part. This brings a bit of confusion and a lack of continuity because some of used expressions (e.g. contrarian strategy) are not common. Reader should provide all necessary information and define correctly everything that is specific for the thesis. Moreover, formulas in this part are not described sufficiently. Especially variables in each formula should be explained.

The third part is dedicated to a description of methodology and datasets used. As written before, author should move part of this chapter to the previous one. Author cites relevantly all sources but should choose one method of citations. Some of the sources are cited in the text, some in a footnote. In subsection 3.2, author defines returns but doesn't explain why returns are used instead of prices. Returns are mainly used because prices are autocorrelated and this fact should be at least mentioned if not proved. Another inaccuracy is linked directly to the dataset. Author explains that he didn't include dividends within share prices. This assumption is a strange simplification, especially when we realize that the dividend income is an additional income for the trader, together with an increase in the share price. Therefore dividends should be included. Moreover, from time to time we observe a share split, a facility when one share splits to a certain number of shares with their nominal value divided by the number of newly created shares from the original share. This could bring another bias to the dataset and author doesn't discuss this issue at all. The last comment to this chapter is connected to the usage on risk-free asset. Author doesn't discover which asset is being used as a risk-free benchmark and thus it is not clear what the risk-free return is.

In the fourth part, author discusses his result. The comparison was based on a return during a certain period. The problem with this assessment is transaction costs. Author did not discuss this issue at all but it is obvious that different strategies have different transaction costs. Author should at least mention that he had simplified the approach by not including these costs. In the comparison part, it would be useful to show how often and how much shares were replaced for each strategy.

The overall assessment of the thesis is slightly positive and despite its mistakes, the thesis fulfills all requirements for a diploma thesis at Charles University. Author does not use exact academic English and the text is full of typos. This fact decreases the level of the thesis. To the future, I would recommend to hire a native speaker to review author's works. I recommend the thesis for the defense with grading 2 in case of a strong defense.

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SUMMARY OF POINTS AWARDED

| CATEGORY | POINTS |
|---------------------------------------|-----------|
| Literature (max. 20 points) | 13 |
| Methods (max. 30 points) | 18 |
| Contribution (max. 30 points) | 18 |
| Manuscript Form (max. 20 points) | 8 |
| TOTAL POINTS (max. 100 points) | 61 |
| GRADE (1 – 2 – 3 – 4) | 2 |

NAME OF THE REFEREE: Petr Gapko

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