

Report on Bachelor Thesis

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

Student:	Marek Janča
Advisor:	PhDr. Ladislav Krištofuk
Title of the thesis:	A growth maximizing contrarian trading strategy

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

If this bachelor's thesis should be described by only a single word, this word would be „extraordinary“. On 38 pages of the text (plus a bibliography and appendices), the author derives a contrarian strategy based on a growth maximizing principle. Such path is chosen to avoid a problematic notion of utility. Using several approximations (e.g. infinite sequence of bets, Taylor's expansion) and basic notions of portfolio diversification, he arrives at relatively simple trading rule (more specifically, the portfolio weights). However, the author does not stop there but discusses the main drawbacks of his strategy and tries to solve them. In doing so, he uses advanced techniques of CCC-GARCH and Monte Carlo simulations. Particularly the Monte Carlo simulations bring some interesting insights into the general problem of portfolio optimization, which is overbetting. With a use of the simulations, the author is able to adjust the optimal weights in the portfolio.

Nevertheless, there are several minor problems. First of all, the author was not able to omit several typos. Second, the decades should be written as e.g. 2000s and not 2000's. Third and probably the most important problem is the application of the strategy on only three stocks. Even though this suffices for the bachelor's thesis, the range should be enlarged if meant to be published in a journal.

Altogether, the thesis uses very advanced techniques for the bachelor's thesis, it is nicely typeset, with illustrative and original figures (p. 24 and 26), admits the possible problems and comments on them. It is also needed to say that the student worked on the thesis continuously and discussed frequently with the advisor, which is always appreciated. The thesis would be easily defended as a master's thesis at our Institute. **I gladly recommend grade A with distinction for an excellent bachelor's thesis.** Some parts of the thesis should be submitted to the IES WP Series and a refereed journal.

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

CATEGORY	POINTS
Literature (max. 20 points)	20
Methods (max. 30 points)	30
Contribution (max. 30 points)	29
Manuscript Form (max. 20 points)	19
TOTAL POINTS (max. 100 points)	98
GRADE (1 - 2 - 3 - 4)	A

NAME OF THE REFEREE: PhDr. Ladislav Krištofuk

DATE OF EVALUATION: 31.8.2011

Referee Signature