

This thesis studies if the web search data provided by Google Trends and Wikipedia can be utilized for portfolio diversification. We build up on the empirical results indicating that the surge in online attention paid towards a specific stock is associated with an increase in the stock price volatility. Therefore, we employ a diversification strategy that discriminates for the popularity of a stock by assigning it a lower portfolio weight. Conversely, the least searched stocks are preferred in the portfolio. To measure the popularity of a stock, we focus on Google search volume for stock-related terms as well as on Wikipedia pageviews of the corresponding company's page. Our results show that the search-based strategies outperform the benchmark index and the uniformly distributed portfolio, reaching lower risk level and higher standardized average returns. Moreover, these strategies are successful even in the out-of-sample.