Report on Bachelor Thesis

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

Student:	Tomáš Rusý
Advisor:	Dr. Jozef Baruník
Title of the thesis:	Understanding systematic risk of assets at various quantiles of return distribution

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

Large empirical literature fails to validate one of the building blocks in finance – Capital Asset Pricing Model (CAPM) – on data. When estimating CAPM, one assumes the relationship holds for expected values (in means). The thesis under evaluation looks at CAPM abandoning this assumption. Author's main hypothesis is that risk factors may possibly impact portfolio returns differently at different quantiles of its distribution. To test this interesting hypothesis, author estimates the CAPM using quantile regression on large data sets. Despite ambiguous results obtained by author, the thesis contributes to the literature with important direction of evaluating the risk factors directly at the quantile of the return distribution.

The topic of the thesis is quite ambitious for a Bachelor student. To state and test the hypotheses one needs sound knowledge of an asset pricing theories, as well as modern econometric techniques covered mostly on Master level. Tomas was eager to pursue the analysis, worked very independently, and the project finally turned to a successful, well executed work. We have discussed the results at various stages, and my only recommendation is to the motivation and style of writing.

While form of the manuscript (mainly style, smoothness and logics of the text) suffered a bit from lack of time Tomas devoted to writing, what more important, and what I miss through the text is more general discussion on why we are interested in this kind of analysis economically. This also is my question to the defense. Tomas should be able to spell and explain the committee why the analysis is important economically.

In conclusion, Tomas delivers nicely and competitively executed project with innovative and contributive results, and the work deserves to be successfully defended without doubts. In case Tomas would be confident in discussing economic motivation of the work, he deserves evaluation with grade 1.

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

CATEGORY		POINTS
Literature	*(max. 20 points)*	16
Methods	*(max. 30 points)*	30
Contribution	*(max. 30 points)*	30
Manuscript Form	*(max. 20 points)*	13
TOTAL POINTS	*(max. 100 points)*	**89**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: Jozef Barunik

DATE OF EVALUATION: January 18, 2016

Digitally signed by Jozef Baruník
DN: c=CZ, o=Univerzita Karlova v Praze, cn=Jozef Baruník, 1.2.840.113549.1.9.2=1000000 83222
Date: 2016.01.18 13:17:35 +01'00'

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