Report on **Bachelor Thesis**

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

Student:	Jakub Bachorík
Advisor:	Mgr. Petr Polák, MSc., Ph.D.
Title of the thesis:	The stock market from the perspective of a Czech investor and equity home bias

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

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary
In his thesis, Jakub Bachorik aims to construct and evaluate a portfolio optimization model that dynamically adjusts to an average Czech investor's wealth over time. This is done by employing Markowitz's portfolio theory, focusing on maximizing the Sharpe ratio and using a rolling window approach to optimize the portfolio's asset weights. The thesis presents a structured analysis and provides insights into the practical application of theoretical financial models in the context of an individual investor's decision-making process. The theoretical/modelling part is acompanied by questionnaire distributed among Czech retail investors to compare the theoretical outputs to real portfolios.

Contribution
The thesis clearly shows, that optimal portolio compositon varies over time and with different time windows. It the area of equity home bias it provides strong grounds that Czech domestic investors should have large part of their portfolios invested abroad and even after accounting for the exchange rate appreciation. Collected answers also show that informed investors hold the majority of their portfolios abroad. Compared to the previous works, the thesis also uses total wealth of an investor, so the real value of the portolio is calculated and shown.

Methods
The methodology employed in the thesis is grounded in well-established financial theories. The use of Markowitz's portfolio theory is appropriate for the analysis of portfolio optimization, especially concerning the maximization of the Sharpe ratio. The rolling window approach is a solid method for capturing changes in asset weights over time, which reflects the dynamic nature of financial markets but also allows for the comparison of results if different data are used for the portolio optimization process. The thesis successfully integrates these methodologies to simulate and optimize portfolio strategies based on historical data.

Literature
The work with the literature is proper and follows academic standards, when working with primary sources. The studies used belong to the core of the studied topic also from the methodology perspective. The literature review in the thesis demonstrates understanding of the foundational theories in portfolio optimization, but especially in that area the review could be more extensive given the number of works available in that area. However, the author effectively synthesizes key concepts from the literature and uses them to build the theoretical framework of the study.

Manuscript form
The thesis is nicely written and easy to follow. The structure is also clear and a standardized LaTeX template is used. The thesis could benefit from a more depth and visual presentation of the data especially from the questionnaire even if the sample is not very huge. Tables summarizing the mean returns could also show the standard deviation of presented strategies.

Overall evaluation and suggested questions for the discussion during the defense
I really like the topic and the way the Jakub approched it. Aside from a purely academic debate, the thesis is usefull for current trend of retail investors interest in stock markets investments. The thesis

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shows that after accounting for the exchange rate appreciation, optimal porfolio selection for a Czech investor would be mainly domestic at the beginning of the century. If we do use rolling window approach for the portolio optimization process it also shows, that the Czech investor should also invest in PX index, but european STOXX is left behing.

Suggested Questions for Defense:
What are the potential risks of relying on historical data for future portfolio optimization?
Based on your analysis, what do you think about home equity bias?

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

In my view, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend i:t for the defense and suggest a grade A.

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	30
Methods	*(max. 30 points)*	27
Literature	*(max. 20 points)*	17
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**92**
GRADE	**(A – B – C – D – E – F)**	**A**

NAME OF THE REFEREE: Petr Polák

DATE OF EVALUATION: 26. 8. 2024

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Digitally signed (26. 8. 2024)
Petr Polák

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Referee Signature

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EXPLANATION OF CATEGORIES AND SCALE:

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.*

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.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

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.*

Overall grading:

TOTAL	GRADE
91 – 100	**A**
81 - 90	**B**
71 - 80	**C**
61 – 70	**D**
51 – 60	**E**
0 – 50	**F**