MASTER'S THESIS REPORT
International Economic and Political Studies (IEPS)
Faculty of Social Sciences, Charles University

Thesis title:	Effects of Investor Confidence on the Returns of Actively Managed ETFs
Student's name:	Michał Maciej Abresz
Reviewer's name:	PhDr. František Čech, Ph.D.

Criteria	Maximum	Points
Contribution and argument (originality, justifiable research question and hypotheses, argumentation)	25	10
Theoretical framework (situating research into the existing knowledge)	25	14
Methodology (methods and data relevant to the research question and appropriately used)	20	10
Referencing to sources	15	13
Formal aspects (structure, logical coherence, layout, tables, figures)	10	4
Presentation (language, style, cohesion)	5	2
Total	**100**	**53**

Plagiarism-check (URKUND) match score (if the plagiarism-check (URKUND) match score is above 15%, the reviewer has to include his/her assessment of the originality of the reviewed thesis in his/her review): The results of the Urkund analysis do not indicate significant text similarity with other available sources.

Reviewer's commentary according to the above criteria (min. 1,800 characters including spaces when recommending a passing grade, min. 2,500 characters including spaces when recommending a failing grade):

The presented thesis aims to combine classical and behavioral finance by examining the dependence of the returns of selected actively managed ETFs on indicators of investor confidence, such as the VIX index. While the topic seems interesting, the methods used in the analysis are, in my opinion, not able to answer the hypothesis presented in the thesis. The ARMA-GARCH methodology can identify factors that contribute to the mean and variance of the returns of the ETFs studied. However, since we do not know the exact strategy used by the fund managers of actively managed ETFs, we cannot evaluate whether the managers are influenced by market sentiment, or whether it is part of the strategy, or whether the returns actually have some relationship with the VIX just because a large portion of the individual ETFs' constituents are stocks belonging to the S&P 500 index. Further, the author claims that there is significant evidence pointing to Hypothesis 2. Unfortunately, I am unable to find support for such a claim - Hypothesis 2 is about ETF prices (p.44); however, the entire analysis focuses on returns; thus, by construction, it was not able to test Hypothesis 2.

The time span for the analysis is rather short and not standard in the literature. I understand that periods including COVID-19 and periods of war in Ukraine pose certain challenges to modeling, but simply ignoring these periods is not an appropriate solution. One can examine

the entire available dataset and restrict to subsamples in later analysis. Such an analysis may reveal interesting patterns regarding the dynamics of the underlying processes.

The review of the literature displays that the author is familiar with the literature and mostly presents relevant papers. The author should do a better job connecting the individual papers and their main outcomes.

The manuscript deserves polishing as some parts are not well connected to others, the author mixes prices and returns (in figures S&P500 shows prices, ETFs returns), the SPX is included in equation 7, but I did not find results discussing the effect of SPX on ETF returns. The text would also benefit from restructuring, as some parts are not in logical order.

Proposed grade: E

Suggested questions for the defence:
The author should explain the drawbacks of using a short sample for analysis, comment on the stationarity of VIX and spread indicators (the fact that a longer sample is not stationary in both variables might be a problem, and it might just be a bit of luck that for a given sample data is stationary), and justify equation 4 (the main equation used in the paper), where ETF fund returns are measured on the same day as VIX - what do we learn from such a relationship (if it is possible to learn anything from it)? Shouldn't there be a lag in market confidence indicators?

I recommend the thesis for the final defence.

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Signature

Overall grading scheme at the Faculty of Social Sciences, Charles University:

Total Points	Grade	Quality standard
91–100	A	= outstanding (high honour)
81–90	B	= superior (honour)
71–80	C	= good
61–70	D	= satisfactory
51–60	E	= low pass at a margin of failure
0–50	F	= failing, the thesis is not recommended for defence