Report on Master Thesis

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

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Advisor:	**PhDr. Petr Gapko**
Title of the thesis:	**Alternative Measures of Risk – Application on the Central European Region**

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

The presented diploma thesis focuses on the problematic of use of risk measures other than CAPM based ones, namely downside risk measures and their application in the CEE Region. Author states out a hypothesis that the traditionally used risk measure, CAPM beta, has a low explanatory power in the inspected region. Investors are more concerned about downside changes of their portfolio value and so the downside risk measures, such as semivariance with respect to zero, have higher explanatory power. This hypothesis is then thoroughly tested using several econometric approaches (time series data analysis for both individual parameters and joint regression, panel data analysis). Author finds out that the semivariance with respect to zero is significant in cases of all three observed CEE countries (Germany, Poland, Czech Republic) while the commonly used CAPM beta is not.

Author employes the very relevant literature and uses sophisticated methodology including the advanced econometric approaches. Moreover author tries to differentiate from the existing literature in the way that he examines data not on the country level, but on the level of individual companies that are traded on respectives markets.

My objections to the diploma thesis are:

1. More comments would be appreciated on the methods of observation filtering. I.e. on p. 52 author states that for the case of Czech Republic, „the starting number of daily observations was 1816 and the final number was 59“. This means that only 3% of observations were employed/transformed. Such a low number of observations might then impose considerable statistical bias.
2. Same pages are left partially blank (p. 79-80) or there are blank lines inside paragraph (p. 78). Those inadequacies in format should be corrected.

Overally, the presented diploma thesis satisfies all the IES qualitative requirements to a higher extend. Moreover, the thesis provides new insights into interesting problematic of alternative risk measures and can be considered as above-average from contribution point of view. If above mentined methodological and manuscript inadequacies are corrected, the thesis can be potentially used as a basis for scientific paper. I recommend the diploma thesis for the defense and I propose to grade it as **„excellent (1)“.**

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

CATEGORY		**POINTS**
Literature	*(max. 20 points)*	20
Methods	*(max. 30 points)*	25
Contribution	*(max. 30 points)*	29
Manuscript Form	*(max. 20 points)*	15
TOTAL POINTS	*(max. 100 points)*	**89**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: *PhDr. Milan Rippel*
DATE OF EVALUATION: ***16/06/2010***

Referee Signature