

SCIENTIFIC ADVISOR'S REFERENCE

Program:	Master of Corporate Finance
Student:	Reznichenko Grigory
Title of thesis:	Discrete time portfolio optimization with regular periodic investments

Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.
Structure and logic of the text flow. Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.
Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.
Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.
Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.
Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.
Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references.

The goal of the present research is to compare the standard strategy used by pension funds: dollar cost averaging strategy with a class of strategies that best could be described as a modification of value averaging strategy. The logic of the research is as follows. First, it is shown that value averaging strategy gives, on average, higher return. Second, the strategy is modified to be applied by pension and mutual funds. Finally, the comparison of the modified strategies and initial dollar cost averaging strategy is provided on a number of time horizons.

The value averaging strategy is a strategy that requires an investor to invest a constantly changing amount into the stocks. The strategy is modified, so that the investor invests fixed amount each time period, and the bank on behalf of the investor invests in the stock the amount required by the strategy and invests the rest (whether positive or negative number) into risk-free instrument. It is justified that the investor is able to receive a loan under the risk-free rate because this loan is riskless for the bank as the investment plays the role of collateral (some simulations were made by the author, although they were not presented in the work).

In addition to that, the value averaging strategy requires a predefined number, which is usually taken as expected return on the index investment. The author allows this parameter to vary, showing that the optimal choice corresponds to the market return only for longer time horizon.

One drawback of the paper is that the author did not apply the methodology for the real data. However, the analysis on the simulated data allows the student to understand some peculiar features of the strategies (e.g., the long-term benefits of VA strategy, the connection between "required return on equity" as a parameter for VA strategy and expected market return).

Another drawback is the analytical review, which is very brief. Author does not mention many ways to manage portfolios, discussed in professional literature.

The Master thesis of Reznichenko Grigory meets the requirements for master thesis of MCF program thus the author of the thesis can be awarded the required degree.

Date

6/18/2015

Scientific Advisor: (*academic title, name*)



Victor Archavki, PhD