

SCIENTIFIC ADVISOR'S REFERENCE

Program:	Master in Corporate Finance
Student:	Viacheslav A. Krivdin
Title of thesis:	Application of downside risk measures for managerial decisions: improvement of organization's financial effectiveness

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.

Estimation of risk that a company takes is one of the present problems in corporate finance. Adequate estimation of risk is actual both for the problem of portfolio management and for the problem of organizational risk estimation. Incorrect choice of risk measures is able to lead to managerial decisions that will negatively affect organization's performance. The main goal of the paper by Viacheslav Krivdin - substantiated implementation of different risk measures that can be used to adequately estimate cost of equity for a company. In the theoretical part the author made a good review of risk measures application dynamics shifting the emphasis from traditional risk measures to measures that estimate risk of only negative events that affect company taking into account both a country and industry specifics of the company. V. Krivdin thoroughly investigated the issue of risk estimation by companies and conducted an analysis of probabilistic and statistic approaches to downside risk estimation. The author sufficiently investigated the question of analysis of cost of equity estimates on the basis of modeling this parameter as a function of different risk measures. Empirical part of the thesis is devoted to statistic and econometric analysis of risk measures for various industry sectors and markets as well as to issues of result expectations under conditions of risk and uncertainty. As a result of the study the author provides conclusions regarding justified application of downside risk measures within the problem of cost of equity estimation.

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.

The structure of the thesis is logical and all of the stated objectives are completed. The introduction of V. Krivdin's thesis describes the essence of the problem, justifies the importance of the chosen topic and formulates the goal of the research and the set of objectives to be solved. The first chapter is theoretical. In this chapter the author focuses on the definition of risk, explains different approaches to its understanding, classifies and analyzes various risk measures presented in the contemporary papers in the field of risk management. The second chapter of the thesis is devoted to the applied part of the conducted research. In this chapter V. Krivdin presents the results of empirical research. The structure and content of this chapter logically continues the theoretical part. In the conclusion of the paper author formulates managerial decisions for risk measures and cost of equity estimates application.

One of the advantages of this study is the investigation of applicability of downside risk as an alternative approach to risk estimation. This approach can serve as an instrument for both company's management and investors with regard to the problem of risk estimation for a company. This approach accounts for both country specifics of capital market and industry specifics of a company. Justified application of downside risk measures enabled the author to conduct an analysis of the adequacy of results of cost of equity estimation and provide an industry analysis, that marks out this thesis our of other studies.

The disadvantage of the paper is that, from my point of view, the insufficient description of risk measures characterizing the operational activity of a company. V. Krivdin put the main focus of his paper on the specifics of market risks. However, this fact does not decrease the practical importance of the research.

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.

All of the objectives are solved. The chosen methodology corresponds with the approaches considered in the contemporary academic literature. The literature review is logically related to the topic of the thesis. The conducted research and its results demonstrate a good level of analytical skills of the author. In general, the quality of analytical approach can be evaluated as good.

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.

The data used in the study is relevant. The presented methodology and methods of quantitative analysis (statistical and regression analysis) are adequate for the conducted research. The list of references is relevant and contains recent papers as well as classical ones devoted to the issue under investigation.

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.

The thesis is conducted independently. The author applied existing methodology used in previous studies to provide analysis of relevance of cost of equity estimates to conditions of company's activity considering adequate application of risk measures. Empirical findings are analysed and compared with the results of existing papers. Taking into account that there is relatively little amount of studies for Russia devoted to investigated problem, the paper has originality and practical value.

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.

Empirical work was conducted for samples of Russian and US companies. The results of the study enable to formulate a number of practical managerial implications.

The advantage of the study is both the theoretical analysis and empirical research on downside risk measures considering country and industry specifics. There was no such a comparison provided before.

Thus, the applied value of the research can be regarded as high.

Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defence, correct layout of tables, figures, and references.

The layout of the thesis meets the requirements for master thesis preparation.

Note:

The Master thesis of Viacheslav A. Krivdin meets the requirements for master thesis of MCF program thus the author of the thesis can be awarded the required degree.

Date

16.06.2013

Scientific Advisor:

Asc. Prof. Irina Berezinets

