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## Value Investing and The Magic Formula - a method for successful stock investments

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### Abstract

With this thesis we want to prove that by using a single formula for picking stocks, Joel Greenblatt's "Magic Formula", it is possible to achieve returns higher than those achieved by a related index. To prove this, we will construct a portfolio, according to "The Magic Formula", and backtest the portfolio in the Swedish stock market. The test period will be March 1999 to January 2010 and we will compare the results with indexes such as OMX SPI and OMX S30. In order to measure our portfolios performance in relation to the overall market and the risk taken, we will use Fama's and French's "Three Factor Model", Sharpe-ratio and Treynor-ratio as measurements. When we tested the "The Magic Formula" portfolio with Fama's and French's "Three... [\(More\)](#)

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