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Value Inv	vesting and Th	e Magic Formula - a met	hod for successful stock investments						

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(2010) NEKK01 20101	
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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 Treynorratio as measurements. When we tested the "The Magic Formula" portfolio with Fama's and French's "Three... (More)

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Details	BibTeX		Kandidingeurs. Kundedere: Kosale Aglarian Apri 2010			
	author	Goumas, Andreas LU and Källström, Peter				
	supervisor	Hossein Asgharian Lu	Open Access PDF			
	organization	Department of Economics				
	course	NEKK01 20101				
	year 2010		Links			
	type	M2 - Bachelor Degree				
	subject Business and Economics keywords Stock Market, Magic Formula, Joel Greenblatt, Value Investing		Document download statistics			
	language	Swedish				
	id	1604111				
date	added to LUP	2010-05-17 11:42:26				
dat	e last changed	2010-05-17 11:42:26				



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by Andreas Goumas and Peter Källström

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