Magic formula optimisation in the South African Market

Permanent link to this Item

http://hdl.handle.net/11427/25365

MAGIC FORMULA OPTIMISATION IN THE SOUTH AFRICAN MARKET J.O. KER-FOX (KRFJA8101) earch discertation presented for the approval of the University of Cape Toxicourses and a renor disparation. The other part of the requirement for the Therety decision that I have mod and underdated the installations greatling the submitted of blooder of Decisions of detectations. Its using those relating to length and graphation, we contained in the inter-of-that likewayls, and that the decisions of the likewayls, and that the decision of the likewayls are that the decisions of the likewayls and the decision of the decis

Files

thesis_com_2017_ker_fox_jason_g.pdf (2.32 MB)

Authors

Ker-Fox, Jason G

Supervisors

West, Darron

Willows, Gizelle

Department

Department of Finance and Tax

Faculty

Faculty of Commerce

Abstract

The purpose of this study is to investigate the performance of the value investing strategy commonly referred to as the "Magic Formula", which was first introduced by Greenblatt (2006) and uses the return on capital and earning yield ratios as the basis for stock selection, in the South African market. The study will build on the work previously performed by Howard (2015) by challenging the "Magic Formula" portfolio composition assumptions. In doing so, optimal combinations of holding period and portfolio size which: maximise the geometric mean return, minimise the volatility of returns and maximise the risk adjusted return, shall be determined. The scope of this study includes all companies, excluding financial services entities, listed on the Johannesburg Stock Exchange, which exceed a market capitalisation of R 100 million, for the period 1 October 2005 to 30 September 2015. The results showed that by adjusting certain portfolio parameters the overall performance of the "Magic Formula" on both a geometric mean and risk adjusted basis can be increased. However, the "Magic Formula" still provides an insufficient amount of evidence to conclude, on a statistically significant basis, an outperformance of the investment strategy relative to the Johannesburg Stock Exchange All Share Index. Accordingly, the study makes several contributions to the literature. Firstly, it provides direct evidence of the relationship between value investing portfolio composition and the returns generated, indicating that excess returns can be achieved when the portfolio composition is adjusted. Secondly, albeit not on a

Keywords

Financial Management

Reference:

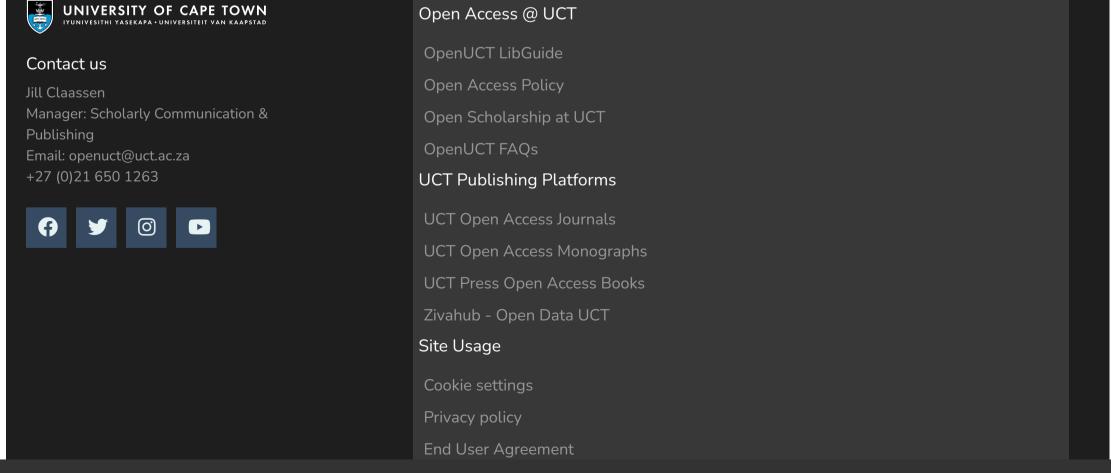
Citation **T**

Download RIS

Collections

Masters

Full item page



We collect and process your personal information for the following purposes: Authentication, Preferences, Acknowledgement and Statistics. To learn more, please read our privacy policy.

Dapace software copyright @ 2002 2023 EFF-ASIS	