

BACHELOR THESIS PROJECT PROPOSAL

Title: Long-term Benefits of Value Investing for Risk Management
Start: Spring Semester 2024 or by agreement
Deliverable(s): Bachelor Thesis
Contact(s): Alfredo Oneto, aalfredo@ethz.ch

BACKGROUND

The field of finance has seen various investment strategies, each with its unique approach to managing risk and achieving long-term financial success. One such strategy is value investing, emphasizing the concept of a "safety margin," as proposed by Benjamin Graham [1]. This approach has been embraced by successful investors like Warren Buffett, Charlie Munger, Guy Spier, and renowned investment funds such as the Sequoia Funds. In this Bachelor thesis proposal, we aim to assess the long-term benefits of value investing as a robust risk management strategy.

Value investing is a well-established investment philosophy that identifies undervalued assets in the financial markets. The fundamental principle underlying value investing is to buy assets at a significant discount to their intrinsic value, thus providing a safety margin for investors. This safety margin protects against market volatility and economic downturns, making value investing an attractive approach for risk-averse investors.

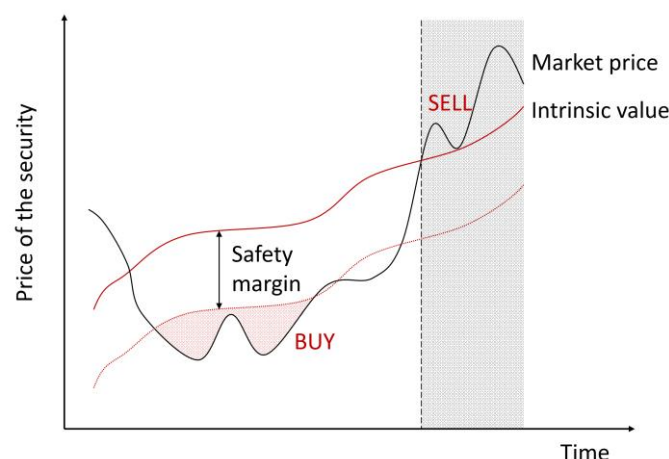


Fig. 1. Principle of safety margin.

PROJECT DESCRIPTION

The primary objectives of this thesis are as follows:

- To analyze the core principles of value investing, specifically focusing on the safety margin concept proposed by Benjamin Graham.
- To assess the benefits of value investing as a risk management approach by examining its performance during periods of economic turbulence and market volatility using computational experiments.
- To provide insights into how value investing can be effectively utilized by individual investors, financial professionals, and investment funds for long-term wealth preservation and growth.

Data sources will include financial market data, historical stock prices, and relevant academic literature.

REFERENCES

- [1] B. Graham and B. McGowan, *The intelligent investor*. HarperBusiness Essentials New York, 2003.