

Executive Summary

Despite its early documented investment success in the United States, value investing has been a controversially discussed topic within the academic as well as the institutional investment world. Researchers argue not only about the source of the superior profitability of value investing but also what risk factors play a decisive role.

So far value investing has mostly been applied to equity investments only. However, the over long time well-documented and proven superior returns of value investing for stocks give reason to apply its simple investment principles to other asset classes as well. One of the most fascinating asset classes in the last couple of years have been commodities. Since the beginning of the new millennium investments in commodities have got into the focal point. Especially the increasing popularity of Exchange Traded Funds resolved many of the difficulties for private investors to get exposure to commodity markets and caused much cash inflow into this investment segment. Yet, surprisingly, no attempt has been made so far to apply and transform the principles of value investing to commodities.

Thus, the aim of this thesis is to elaborate value investing strategies for commodities and to finally test them for their past performance. By applying methods from traditional value investing for equities, adding some modifications and considering commodity-specific aspects, five different value investing strategies, which all focus on special commodity or value-oriented features, were developed and tested.

However, the results of the strategies seem to vary greatly. The majority of the strategies cannot keep track with the benchmark performance and thus seem to be inferior to the benchmark. The Sharpe Ratio also confirms this view. But evaluating the strategies based on alternative risk-adjusted performance measures which are more suited because the strategies are not normally-distributed, changes this view. In fact, the majority of the strategies achieves a risk-adjusted outperformance. This is due to the lower risk the strategies take. Also, the return distributions support the favorable characteristics of the elaborated value investing strategies.

While not all of the strategies prove to be superior, the profitability of value investing was observable. Especially, incorporating aspects like mean reversion and reproduction costs are essential when aiming for an outperformance with value investing strategies in commodities.