



**University of
Zurich^{UZH}**

University of Zurich

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Bachelor Thesis

The Performance of Value Investing Strategies on the Swiss Stock Market.

An Empirical Study.

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Submitted on: August 26, 2011

Abstract

Based on multiple empirical evidence, the academic collective proved already repeatedly that, on average, value investment strategies outperform growth investment strategies as well as the total market. Moreover, the outperformances emerge to be statistically significant and present for different periods. However, this value premium has, first and foremost, been measured for American stocks and it has not been tested with the same vigor in Europe and particularly not in Switzerland, which raises the question whether the value premium is an American phenomenon only and, if not, what impact such a strategy effectively has in other countries. This paper is aimed at analyzing the value premium on the Swiss stock market using some of the most diffused value screens, namely Price-to-Book, Price-to-Earnings, Price-to-Cash-Flow and Price-to-Dividend. The data used for the empirical study arises from the data provider Datastream and the period under consideration is from 1986 to 2011, covering twenty-five market years. The results provide clear evidence of a statistically significant out-performance of the value portfolios constructed according to the Price-to-Book-, Price-to-Earning- and Price-to-Cash Flow-ratio while the portfolios constructed according to the Price-to-Dividend-ratio do not allow such conclusions. The results show yearly returns of 10.21% to 17.57% for the value portfolios, exceeding not only those of their peer growths but also those of the market index. Moreover, this paper demonstrates that these superior returns cannot be explained by a higher risk measured in volatility, Beta and loss potential in down markets.