

OPINION

By Prof. Dr. Mariya Petrova Vidolova,

member of the scientific jury for the Competition for “Associate Professor” in SU “St. Kliment Ohridski” in the Professional Field 3.8. Economics, Scientific Area 3 – “Social, Economic and Legal Sciences”, Professional Field - 3.8. „Economics“ /Corporate finance, Behavioral finance in Bulgarian, German and English/

Mr President, distinguished members of the scientific jury,

The submitted opinion is in compliance with the Rector's Order of SU “St. Kliment Ohridski”, № RD - 38-94 of 07.02.2022, by which I was elected as a member of the scientific jury in the competition for the academic position of Associate Professor in scientific area 3 – “Social, Economic and Legal Sciences”, Professional Field - 3.8. “Economics” /Corporate finance, Behavioral finance in Bulgarian, German and English/, announced in State Gazette, issue 103 of 10.12.2021.

Documents from a single candidate have been submitted for participation in the competition, namely – Chief. Ass. Prof. Dr. (in Economics) Bozhidar Lyudmilov Nedev, lecturer in the Faculty of Economics and Business Administration of SU “St. Kliment Ohridski”, Department “Finance and Accounting”.

The opinion complies with the requirements of the Law for the Development of the Academic Staff in the Republic of Bulgaria (LDASRB) and the Regulations on the Conditions and Procedure for Acquiring Science Degrees and Holding Academic Positions in Sofia University “St. Kl. Ohridski”. No violations have been detected in the implementation of the procedure. A report on the fulfilment of the minimum national requirements under Article 2b of the LDASRB was submitted.

1. Information on the Applicant

Chief Ass. Prof. Dr. Bozhidar Nedev has a Master's degree in Economics - Finance and Banking. He has defended a dissertation on “Analysis of the momentum effect on the Bulgarian Stock Exchange AD in the period 2004 - 2017 from the perspective of behavioral finance”. Since 2014, he has been successively a part-time Lecturer at the Department of Economics, Assistant Professor and Chief Assistant Professor at the Department of “Finance and Accounting”. He is the head of the MSc programmes in “Finance and Banking” and “Finance, Investments and Fintech”. He is a member of the Faculty Council of the Faculty of Economics and Business Administration at Sofia University “St. Kl. Ohridski”, Vice-Chairman of the Alumni Association of the Faculty of Economics and Business Administration of Sofia University “St. Kliment Ohridski”. In 2020, he was nominated as a recognized researcher in connection with a scientific study on the topic of “Mental health and aging population in Europe – guidelines for public policy development”.

The lecture courses and seminars that Dr. Nedev teaches are: ▪ “Introduction to Finance” (in English) - lectures and seminar classes ▪ “Introduction to Behavioral Finance” (in English) - lectures and seminar classes ▪ “Financial Institutions and Markets” - lectures and seminar classes ▪ “Finance” (in English) - lectures ▪ “Finance” - lectures ▪ “Behavioral Economics and Finance” - lectures ▪ “Financial Market Analysis” - lectures, “Corporate Finance” - seminar classes. A year-by-year summary of the candidate's classroom and extracurricular employment is provided.

2. General characteristics of the candidate's research and applied scientific activity

In the competition for the academic position “Associate Professor” Chief Ass. Prof. Dr. Bozhidar Nedev submitted publications that are sufficient in

volume, content, thematic focus and diversity and fully meet the scope and scientific classification of the announced competition. The candidate is the author or co-author of 30 publications, including two monographs – “Behavioral Research in International Capital Markets” and “The Momentum Effect on the Bulgarian Stock Exchange AD - An Analysis from a Behavioral Finance Perspective”, 5 studies – “Companies with best and poorest performance on the BSE AD in the period 2004 – 2007 as of momentum effect”, “Winners-only momentum trading strategy on the Bulgarian stock exchange AD”, “Spread of algorithmic and high-frequency trading on foreign stock markets - do they have application in Bulgaria?”, “Historical Roots of Behavioral Financial Thought” and “Investment Intermediation in Bulgaria and Trading on the BSE - Sofia AD”, as well as 23 articles on issues related to behavioral research on the Bulgarian Stock Exchange, theory and applications of spline-functions, the spread of algorithmic and high-frequency trading on foreign stock markets, etc., described in detail in the list of the candidate's publications. A total of 14 scientific publications, including 2 monographs, 2 studies and 10 articles, were selected for the competition. The candidate has participated in a number of scientific conferences. Dr. Nedev has participated in 7 research projects and has been a supervisor of two graduate students at the Faculty of Economics.

2.1. Monograph

The candidate is the author of a scientific research on the topic “Behavioural Research in International Capital Markets”, published by “Es Print” OOD, S., 2021. ISBN: 978-619-7121-43-8, with total volume of 195 pages.

The monographic work is devoted to the study of the problems related to the significant fundamental, technical and calendar market contradictions /anomalies/ that have been documented in the world financial markets with an

emphasis on the momentum effect and the short-term return reversal effect in conditions of excess volatility in financial markets. The author seeks answers to the question of whether momentum effect exists in a developed equity market such as the U.S. and an emerging market such as China over the study period from 1997 to 2018. Momentum effect (winners-only strategy) is more pronounced in the New York Stock Exchange than in the Shanghai Stock Exchange. Empirically, it is shown that the winners-only cross-sectional momentum effect is more pronounced in the U.S. equity market than in the Chinese equity market, and the anomaly structures are different in the two exchanges. Moreover, taking into account the changing economic environment during the boom period and the recovery period from the 2008-2009 crisis, the author investigates whether the return reversal effect exists on the BSE during the period from 2004 to 2017. Based on the empirical investigation of 64 momentum investment strategies, the author proves that the contrarian effect at BSE AD is not present throughout the entire period under study.

The analysis traces the emergence of the science of behavioral finance, discusses the behavioral portfolio theory as an alternative to Markowitz's portfolio theory, and highlights the differences in interpreting the role of individual factors in asset pricing models according to traditional and behavioral theory. The author discusses the adaptive markets hypothesis, contrasting it with the efficient markets hypothesis, which contributes to the derivation of the main types of market anomalies. Logically, he proves that behavioral finance does not reject traditional capital asset pricing models, but only the related interpretations of the inferred factors explaining returns.

Particular attention is paid to investor behavior and the propensities leading to irrational decision making and higher risk appetite, as well as to concepts exploring the varieties of market anomalies.

The chosen research methodology and the empirical results obtained support the author's idea, aim and the research objectives set by the author.

2.2. Evaluation of the other scientific production of Chief Ass. Prof. Dr. Bozhidar Nedev

The other monographic work “The Momentum Effect on the Bulgarian Stock Exchange /Analysis from the Behavioral Finance Perspective/”, University Press "St. Kliment Ohridski", Sofia, 2021, with a volume of 173 pages, is devoted to the study of one of the most significant market anomalies on equity markets - the momentum effect with a focus on behavioural finance. The monograph is based on the author's defended dissertation. It traces the evolution and historical foundations of behavioural finance thought, the cognitive and emotional behavioural biases of investors, and the impact of a range of factors shaping the momentum effect on global equity markets. The empirical research conducted and the conclusions drawn shed new light on the functioning of the Bulgarian stock market as well as its vulnerability to financial shocks.

The other publications submitted in connection with the competition - studies, articles, etc. are indexed in recognized scientific databases, including world-renowned ones such as SCOPUS, and represent significant results of Dr. Nedev's work to date. The attached reference of scientific contributions, generated by the Authors system, proves that his research interest extends beyond these publications and he undoubtedly possesses the skills for independent research work.

3. Main scientific and applied contributions

The publications submitted for review attest to the breadth of the candidate's research interests and his ability to conduct acceptable quantitative and qualitative research in frontier areas. The latter is undeniable evidence of his academic qualities and willingness to apply methodologies from other scientific

fields in his research. All the publications submitted in connection with the competition demonstrate a knowledge of research methodology in the field applied for and are an excellent illustration of the candidate's evolution in academic growth. Dr. Nedev's scientific publications contain in places original authorial views and reflections, which is particularly valuable in the chosen professional field.

The scientific and applied contributions of the candidate can be highlighted in the following areas:

- Dr. B. Nedev has systematized the theses and ideas about the main differences between traditional financial science and the science of behavioral finance, and for this purpose a thorough theoretical review of the available scientific literature on the problem has been made.

- The candidate successfully managed to outline the specifics of the main theoretical concepts in the science of behavioral finance from the perspective of behavioral portfolio theory and the behavioral model of asset pricing and the main varieties of market anomalies.

- The author has presented an in-depth critical analysis of the concepts related to the nature and propagation of market anomalies and the so-called momentum effect.

- The paper justifies the application of cubic spline functions as a suitable method for interpolation of missing historical data on the stock prices of the securities traded on the BSE in order to apply them in solving the problem of low market liquidity in the study of the momentum effect and the contrarian effect in such frontier capital markets as the Bulgarian one.

- It can definitely be stated that Dr. Bozhidar Nedev has established himself as a professional in the field of behavioral finance, as his expertise is extremely valuable in relation to investment management, capital markets and the study of investor behavior.

Conclusion

Dr. Bozhidar Nedev participates in the competition for the academic position “Associate Professor” with sufficient volume and quality of scientific production. The candidate's professional and teaching experience and the scientific and applied contributions meet the requirements for the academic position of Associate Professor at Sofia University "St. Kl. Ohridski". This gives me grounds to confidently support the award of the academic position of Associate Professor in scientific field 3 - "Social, economic and legal sciences", Professional field - 3.8. "Economics" /Corporate finance and behavioural finance/.

Sofia, 21.03.2022

Prof. Dr. Mariya Vidolova