

**VALUE PREMIUM AND INDUSTRY TYPE: EVIDENCE FROM THE NAIROBI
STOCK EXCHANGE**

**BY
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DECLARATION

This Project is My Original Work and has not been presented for a Degree in this or any other University.

Signed.....

Date

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This project has been submitted for examination with my approval as the supervisor.

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DEDICATION

To my mother Teresa A.Ooko and my brother Ken Ooko.

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I would wish to register my appreciation for the great support I received from my supervisor Mr. Josephat Lishenga, advice , comments and corrections were invaluable to me.

To my parents and siblings, thank you for the moral support.

TABLE OF CONTENTS

Declaration.....	ii
Dedication.....	iii
Acknowledgements.....	iv
Table of Contents.....	v
List of Tables and Figures.....	vii
List of Abbreviations.....	viii
Abstract.....	ix
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of study.....	1
1.2 Statement of the problem.....	4
1.3 Objectives of the Study.....	7
1.4 Importance of the Study.....	7
CHAPTER TWO: LITERATURE REVIEW.....	8
2.1 Introduction.....	8
2.2 Theoretical framework.....	8
2.3 Empirical studies.....	11
2.3.1 Global context.....	11
2.3.2 Empirical studies done in Kenya.....	13
2.4 Theories and issues on methodology.....	14
2.4.1 Ratios often used to sort stocks into value and growth.....	15
2.5 Summary of literature review.....	18
CHAPTER THREE: RESEARCH METHODOLOGY.....	19
3.1 Introduction.....	19
3.2 Research design and scope.....	19
3.2 Population of the study.....	19
3.3 Data collection methods and instruments.....	20

3.4 Data analysis and presentation.....	20
CHAPTER FOUR: DATA ANALYSIS AND FINDINGS.....	22
4.1 Introduction.....	22
4.2 Portfolio formation and analysis.....	22
4.3 A comparison of Value vs growth for all listed stocks.....	24
4.4 Value premium in industries/sectors based on B/M	25
CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS	31
5.1 Introduction.....	31
5.2 Summary	31
5.3 Conclusion	31
5.4 Recommendations.....	31
5.5 Limitations of the study	32
5.6 Suggestions for further research	33
References.....	34
Appendix I: List of NSE Stocks.....	39
Appendix II : Industry/sector P/B, B/M and AMR.....	41
Appendix III: Value vs Growth Stocks Across the Years for all NSE Stocks	51

LIST OF TABLES AND FIGURES

Table 4.3 (a) All listed companies for 5 years	24
Table 4.4 (a)Agricultural sector	25
Table 4.4(b) Commercial and services	27
Table 4.4(c) Finance and investment	28
Table 4.4(d) Industrial and allied.....	29
Table 4.4 (e): Comparison of value premium for all industries.....	30
Table 4.5 ANOVA table analyzing premium variances	30

LIST OF ABBREVIATIONS

AMR	-	Average monthly return
AWR	-	Average weighted return
BE	-	Book value per share times shares outstanding'
B/M	-	Book value to market value
CAPM	-	Capital asset pricing model
C/P	-	Cash flow to price ratio
D/P	-	Dividend to price ratio dividend yield)
E/P	-	Earnings to price ratio (earnings yield)
FM	-	Fama Macbeth Regression
GARP	-	Growth at reasonable price
ME	-	Stock price times shares outstanding
NSE	-	Nairobi stock exchange
P/B	-	Price to book value
P/E	-	Price to earnings ratio
P/S	-	Price to sales ratio

ABSTRACT

Investors will always want to invest in projects than can guarantee higher returns than others, holding risk constant. They therefore tend to employ strategies that will contribute to the realization of higher returns. One of the most frequently used strategies is value investing where investors purchase value stocks rather than growth stocks in order to be benefit from potential long term performance of value stocks in the form of superior average returns. In finance, the word value premium refers to the excess return expected as a result of investing in value stocks as opposed to growth stocks.

This study sought to find out whether there exists a value premium at the NSE when stocks are sorted on the basis of book to market value, and whether industry type plays a role in value premium. It's indicative from the study that value stocks outperformed growth stocks for the period under study. This is consistent with other studies done in Kenya. Muhoro (2004) tested a value premium of 0.64 for the period 1999-2002 at the NSE and Ngigi (2006) also tested the existence of value premium at the NSE.

The result of the test in this study, conducted at 0.05 confidence level is that there exist value premium at the NSE. When stocks are grouped according to industries, there still exists value premium. Industrial and allied sector have the highest value premium of 4.125 while agricultural sector have the lowest value premium of -1.162. Therefore for a value strategist at the NSE, industrial and allied sector stocks are the best to invest in while agricultural sector stocks are the worst to invest in. The findings are also consistent with findings from similar studies in other markets in the world. Previous studies show that for 60 plus years value has outperformed growth. The conclusion of this study is that there exists a value premium at the N.S.E when stocks are sorted on the basis of B/M ratio . However there exists no significant difference in value premium across industries. This implies industry type is not a significant determinant of value premium.

CHAPTER ONE: INTRODUCTION

1.1 Background of study

In making investment decisions, investors will always wish to employ strategies that will realize superior performance. For investors to make superior returns from the market, it is imperative for them to be able to choose investment strategies that can help them achieve this. Creating sustained abnormal returns is however inconsistent with the well known efficient market hypothesis which states that in a truly efficient market, at any point in time, the stock price is fully reflected by all available information. This means that it should be impossible to find undervalued companies unless the market is inefficient (Sharpe et al. 1999).

One of the most important developments in equity management in the last several years is the creation of portfolio strategies based on value and growth oriented styles of picking stocks. Value investing is one of the most frequently used styles, where investors purchase value stocks rather than growth stocks in order to benefit from potential long term performance of value stocks in the form of higher average returns. In finance, the word value premium refers to the excess return expected as a result of investing in value stocks as opposed to growth stocks. It is the superior performance of value stocks over growth stocks (Fama and French, 1992).

Value stocks are defined in various studies, as those in which the market price is relatively low in relation to earnings per share, according to Basu (1997), cash flow per share, according to Lakonishok et al (1994), book value per share, according to Fama and French (1992), and dividends per share, according to Blume (1980) and Rozeff (1984). In comparison growth stocks have been defined as having relatively high prices in relation to those same fundamental factors, as well as high past rates of growth in earnings per share (EPS). Stocks with low Price/Earnings ratio (P/E) provide superior returns (Nicholson 1960) Sharpe et al (2003) state that there is no hard and fast rule on

how stocks are divided into growth stocks (sometimes called glamour stock) and value stocks(sometimes called income stocks).

Loft house (2001) explains that value managers are essentially managers who buy cheap stock with cheap being defined as a lot of current year earnings or assets or immediate income (dividends) per shilling paid; and growth investors are those looking for rapid or sustained growth in future of earnings, assets, dividends e.t.c .He defines a value investor as one who invests in shares with one or more of the following attributes: low price earnings ratio (P/E) (high earnings yield),high cash flow to price ratio (C/P), high dividend yield (D/P), High asset value per share and low growth at reasonable price ratio(GARP).

Reily and Brown (2000) give the following distinction between value and growth investors; a growth oriented investor focus on the EPS component of the P/E ratio and its economic determinant, look for companies that he or she expects to exhibit rapid EPS in the future; and often implicitly assume that the P/E ratio will remain constant over the near term, meaning that the stock price will rise as forecasted earnings growth is realized. He defines value stocks as stocks that appear to be undervalued for reasons besides earnings growth potential. These stocks are usually identified based on high dividend yields, low P/E ratios and / or low price to book ratios. Growth stocks are known for their lack of dividend and rapidly increasing market prices. Defined by their tendency to grow faster than markets, these companies generally, re-invest all earnings into infrastructure in order to maintain rapid growth, rather than directly pay out their earnings to investors (Reily and Brown 2000).

On the other hand, a value oriented investor will focus on the price component of the P/E ratio, he or she must be convinced that the price of the stock is .low by some means of comparison; not care a great deal about current earnings of the fundamental driver of growth earnings and often implicitly assume that P/E ratio is below its natural level and that the market will soon correct the situation by increasing the stock price, with little or no change in earnings.

Growth stocks are usually associated with high quality, successful companies whose earnings are expected to continue growing at an above average rate relative to the market. Growth stocks generally have high price to earnings (P/E) ratios and high price to book ratios.. The open market often places a high value on growth stocks. Therefore, growth stock investors also may see these stocks as having great worth and may be willing to pay more to own these shares. As compared with value stocks, growth stocks are characterized as having high recent growth rates in earnings per share (EPS) and market price appreciation. Because the worth of stocks is estimated on the basis of expectations, Kahneman and Tversky (1982) suggest that forecasters overweight more recent information relative to older data. Lakonishok et al (1994)) conclude that investors tend to extrapolate recent past performance.

Apart from the value and growth strategies there is momentum strategy-where investor seeks out to purchase those stocks that have recently risen significantly in price on the belief that they will continue to rise owing to an upward shift in their demand curves. Conversely, those stocks that have recently fallen significantly in price are sold on the belief that their demand curves have shifted downwards (Berger et al 2009). Contrarian investors on the other hand buy stock that others have ignored and think of as losers, and they sell stocks that others have feverishly purchased and think of as winners. They do so in the belief that investors tend to over react to news -that bad news leads stocks falling too far in price and good news leads to stocks rising too far in the price (Hamberg et al 2005).

Different industries may be affected differently from a “value” perspective. This is because there are many factors that influence investment performance of securities and industries. Some factors are related to the general economy, some unrelated. Demographics, lifestyles, technology, politics and regulations are some of the factors influencing industry performance. Fisher and Jordan (2002) explain that at various times in the economic cycle, certain stock groups-that is stocks whose businesses are in certain industries or sectors of the economy tend to be out of favour. This means that investors tend to shy away from owning these stocks because they feel that the economic

environment is not conducive to solid business in these industries. When this occurs, there are a few buyers around and lots of sellers; the prices of these securities tend to drop; sometimes they drop way out of line with the earnings of these companies.

Athanassakos (2009) documents a consistently strong value premium over the sample period, which persists in both bull and bear markets, as well as in recessions and recoveries. He shows that value premium is not driven by a particular industry as the value premium is positive for most industries and concludes that value premium seems to be pervasive and not concentrated only in a few sectors/industries of the economy.

Thuku (2009) finds out that there is a relationship between value premium and firm size. It is therefore possible that there might exist a relationship between value premium and industry type since some industries are mainly composed of big firms while others mainly composed of small firms. I therefore in this proposed study, seek to establish the existence of a value premium at the NSE and also establish whether the value premium has a relationship to industry type.

1.2 Statement of the problem

Investors will always want to invest in projects that can guarantee higher returns than others, risk remaining constant. They therefore tend to employ strategies that will contribute to the realization of higher returns. One of the most frequently used strategies is value investing where investors purchase value stocks rather than growth stocks in order to benefit from potential long term performance of value stocks in the form of superior average returns.

Asienwa (1992) sought to find out whether there is a relationship between share performance and investment ratios of companies quoted at the NSE .The conclusion was that there is a strong relationship between investment ratios and share prices of companies listed at the NSE. However the study focuses on performance as indicated by the share price and not returns. Returns encompass both changes in price and dividends paid. Also the above study looked at investment ratios in general while this proposed

study is restricted to those ratios that are used to sort stocks into value and growth, specifically book to market value ratio .Asienwa's study also does not focus on performances per industry. The problem therefore is to determine whether the superior performance of value stocks is influenced by industry type.

Most finance researchers agree that simple value strategies based on such ratios as book-to-market, earnings to price and cash flow to price have produced superior returns over a long period of time. Interpreting these superior returns, however has been more controversial. On one side, Fama and French (1992) argue that these superior returns represent compensation for risk. On the other side, Lakonishok et al (1994) contend that there is little evidence that high book to market and high cash –flow-to-price stocks are riskier based on conventional notions of systematic risk. Lakonishok et al (1994) argue instead that value stocks have been under priced relative to their risk and return characteristics for various behavioural and institutional reasons. Fama and French(1998) suggests that the value premium is evident in emerging market returns but admit that there is still a knowledge gap due to the fact that the sample period used in the study is short (1975 to 1995) and the returns are highly volatile.

Similar studies have been done in Kenya though none has investigated the value premium and industry type. Muhoro (2004) and Ngigi (2006) sought to find out if there's a significant difference in performance between value and growth stocks at the NSE. Thuku (2009) sought to find out if there is a relationship between value premium and firm size. Muhoro (2004), Ngigi (2006) and Thuku (2009) simply grouped the stocks into value versus growth, based on certain ratios, without first separating the firms into industries. Industry type of a firm is an important factor to many investors. Some prefer investing in agricultural industries, some commercial and services, some finance and investment and some industrial and allied. The ratio to be used in this study to sort out stocks into value and growth will be book –to-market value ratio.

Muhoro (2004) in his study analyzed stocks for the periods 1997 to 2001. He found out that the weighted average monthly return for the value stocks was 1.99 against 1.32 for growth stocks. He concluded that there exists a value premium at the NSE. Ngigi (2006) used the same methodology used by Muhoro (2004) in portfolio formation. Using the data for years 2000 - 2004, he had different findings. The 5 year average monthly return for value stocks was found to be 0.50 against 0.64 for growth stock. In this analysis the value stocks had higher average monthly returns than growth stocks only in two years and in the other three years growth stocks had higher returns. The critical z value indicates that the difference is not statistically significant. Thuku (2009) in his study to establish the existence of value premium and the effect of size at the NSE based on both B/M and E/P ratio, found the existence of value premium at NSE.

Athanassakos (2009) in his study of the Canadian market, documents a consistently strong value premium over the sample period, which persists in both bull and bear markets, as well as in recessions and recoveries. He shows that value premium is not driven by a particular industry as the value premium is positive for most industries. He also observes that it is only in the cases of positive value premiums that the difference between the value and growth stocks annual returns is statistically significant and not when the value premium is negative. Hence he concludes that value premium seems to be pervasive and not concentrated only in a few sectors/industries of the economy. Athanassakos (2009) however used P/E and P/BV to sort out stocks into value and growth. This study will use B/M ratio to sort out stocks into value versus growth.

There is a lot of literature analyzing the cross section of stock returns in developed markets. Few studies have investigated whether such findings are corroborated in emerging markets. The purpose of this study therefore, is to establish the presence of value premium by carrying out an investigation into the value premium at the NSE when stocks are grouped according to industry type. This proposed study is different from recent studies by Muhoro(2004), Ngigi (2006) and Thuku (2009) in that it seeks to first group the firms into four industry types-agriculture, commercial and services, finance and investment and industrial and allied.

1.3 Objectives of the Study

The objectives of this study are:

- 1).To establish the existence of value premium among stocks in various industries
- 2) To establish any differences in value premiums across industries.

1.4 Importance of the Study

The study will be of significance to several people:

(i) Academics and Researchers

The result of this study will add value to the body of knowledge in the field of finance in general and to the area of value premium in particular. This will help students and researchers in finance in gaining more knowledge.

(ii)Investment practitioners

The result of this study will be useful to investors, investment advisors and security analysts in selecting the best investment strategy. It will offer a fruitful exchange of ideas between academic research and investment practice. The results from academic studies have formed the basis for investment strategies that are widely applied in equity markets. Investors using the value premium investment strategy can use the study to decide whether to invest in agricultural, commercial and services, finance and investment or industrial and allied industries/sectors.

(iii)The government

The government will be able to know which industries are not performing well so that they can be accorded more attention and allocated more funds during budget allocation.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Value premium is one of the most currently discussed topics in finance. Going through the literature, it is evident that different theories have different explanations for the superior performance of value stocks over growth stocks. There are still conflicting findings of the existence of value premium especially in the emerging markets. However most studies done in developed markets acknowledge the presence of values premiums.

The researcher has endeavoured to get in-depth knowledge on the issues above and in particular the relationship between value premium and industry type. In addition, the research has concentrated in reviewing of theories and going through empirical studies in the topic beginning with the global context then narrowing down to the empirical studies done in Kenya. Theories and issues on methodology, an analysis of the ratios often used to sort out stocks into value and growth are discussed then finally a summary of the literature review.

2.2 Theoretical framework

De Bondt and Thaler (1985, 1987) argue that extreme losers outperform the market over the subsequent several years. Value strategies might produce higher returns because they use contrarian to 'naïve' strategies followed by other investors. These naïve strategies might range from extrapolating past earnings growth too far into the future, to assuming a trend in stock prices, to overreacting to good or bad news, or to simply equating a good investment with a well run company irrespective of price. Regardless of the reasons, some investors tend to get overly excited about stocks that have done very well in the past and buy them up, so that these 'glamour' stocks (growth stocks) become overpriced. Similarly, they overreact to stocks that have done very badly, oversell them, and these out of favour "value" stocks become under priced. Contrarian investors bet against such "naïve" investors. Because contrarian strategies invest disproportionately in stocks that are underpriced, they outperform the market.

Fama and French (1992) in his study of USA stocks of July 1963 to December 1990 found a clear inverse relationship between size and average returns. He also found a strong positive relationship between average return and book –to-market equity. He observed that the cross section of average equity returns in the USA bears little or no relation to the betas of the traditional capital asset pricing model (CAPM). They identified three risk factors – overall market factors, firm size and book-to market equity to explain the cross section of returns on USA stocks. They argue that superior returns present compensation for risk. They argue that markets are efficient and that better performance of value investing could be explained by value stocks being more risky, i.e. being more prone to financial distress. At the other extreme, Lakonishok et al (1994) had the view that investors’ cognitive biases and agency costs of professional investment, which lead both individuals and institutional investors to prefer growth stocks and dislike value stocks could explain the value premium anomaly. However the question of whether institutions or individual investors buy growth stocks has not been directly answered in the literature.

Fama and French (1996) provide a multifactor model explanation to the patterns in stock returns not explained by the traditional capital asset pricing model (CAPM) and claim that anomalies disappear in their multifactor model. Their model states that the excess expected return on a portfolio is explained by (i) the excess return on a broad market portfolio, (ii) the difference between the return on a portfolio of small stocks and return on large stocks and (iii) the difference between the return of high book-to -market stocks and return on low book –to- market stocks.

Fama and French (1996) argue that value premium is compensation for risk missed by the CAPM. This conclusion is based on the evidence that there is a common variation in the earnings of distressed firms that is not explained by market earnings and there are common variations in the returns on distressed stocks that is not explained by the market return. They argue that stocks with high book value-to-market value ratios are more prone to financial distress and hence riskier than growth stocks.

In their study, Chen and Zhang (1998) compare the return experience of value stocks across six countries-USA, Hongkong, Japan, Malaysia, Taiwan and Thailand. They found out that value premium arises because of firms that are in distress with high financial leverage and facing substantial earnings uncertainty.

Chan et al (2000) draws on behavioural considerations to explain value premium. He asserts that studies in Psychology have suggested that individuals tend to use heuristics (past experiences) for decision making which opens up the possibility of judgmental biases in investment behaviour. In particular investors may extrapolate past performance too far into the future. Value stocks tend to have a history of poor performance relative to growth stocks with respect to earnings, cash flow and sales. Therefore in so far as investors and brokerage analysts overlook the lack of persistence in growth rates, and project past growth into the future, favourable sentiments is created for growth stocks.

Gonene and Karan (2003) did a study in Istanbul stock exchange which is one of the emerging markets. In their two factor regression to explain monthly excess return on value and growth portfolios, they found out that market movement does not explain the average return difference between value and growth stocks. Gonene and Karan (2003) asserts that even though the Fama and French three factors model is able to explain 73% of variation in average growth portfolio returns, there is still unexplained portion of average returns on each portfolio. The significant negative intercept in all regressions shows that excess returns ($R_i - R_f$) for portfolios once negative indicating underperformance of value and growth stock when the other factors (market premium in one factor model and size and B/M in two and three factor models).

Chan et al (2004) argue that agency factors may play a role in the higher prices of growth stocks. They argue that analysts have self-interests in recommending successful stocks to generate trading commissions, as well as investment banking business. Growth stocks are typically in exciting industries and are thus easier to tout in terms of analysts' reports and media coverage. Professional money managers and pension plan executives may feel vulnerable holding a portfolio of companies that are tainted by lackluster past

performance so they gravitate towards successful growth oriented stocks. In effects value stocks become under priced and growth stock becomes over priced relative to their fundamentals.

Athanassakos (2009) seeks to find out if value premium is industry specific .His research is done in Canada and covers the period 1985-2002. He documents a consistently strong value premium over the sample period, which persists in both bull and bear markets, as well as in recessions and recoveries. He shows that value premium is not driven by a particular industry as the value premium is positive for most industries. He also observes that it is only in the cases of positive value premiums that the difference between the value and growth stocks annual returns is statistically significant and not when the value premium is negative. Hence he concludes that value premium seems to be pervasive and not concentrated only in a few sectors/industries of the economy.

2.3 Empirical studies

2.3.1 Global context

There are distinct differences between the emerging markets and the developed markets. Emerging markets are small in size, have high return volatility, low market concentration, high risk and low technology. Chan et al (1991), after extensive examination of Japanese data 1971 – 1988 period, concluded that there is significant relation between returns in the Japanese market and four fundamental variables – earnings yield, size, book-to-market ratio and cash flow yield.

Fama and French (1992) uses the month by month Fama – Macbeth (FM) regression of the cross-section of stocks returns on size, B and the other variables (Leverage, EP and book-to-market equity) used to explain average return. The average slopes provide standard FM test for determining which explanatory variable on average have non-zero expected premiums during the July 1963 to Dec 1990 period.

Capaul et al (1993) found evidence of a B/M effect on each of the six major equity markets (United States, Japan, Germany, the United Kingdom, France and Switzerland).

They concluded that during the study period, (January 1981 through June 1990) portfolios of high B/M stocks (value stocks) provided risk-equities returns superior to those from low B/M equities (growth stocks).

La Porta et al (1997) findings indicate that in the first year after portfolio formation, investors tended to be disappointed as news emerged about the earnings of growth stocks. The cumulative event return was – 0.5 percent for the growth portfolio. Investors were pleasantly surprised around announcement of value stocks earnings, the cumulative event return for these stocks was 3.5 percent in the first year. In the second and third years, the contrast between the markets responses to the subsequent earnings performance of the two portfolios continued to be large and satisfactorily significant. This evidence supports the argument that expectations errors are at least part of the reason for the superior returns on value stocks. Specifically, investors have exaggerated hope about growth stocks and end up being disappointed when future performance falls short of their expectations. By the same token, they are unduly pessimistic about value stocks and wind up being pleasantly surprised.

Fama and French (1998) study 16 emerging markets which include Argentina, Brazil, Chile, Colombia, Greece, India, Jordan, Malaysia, Mexico, Nigeria, Pakistan, Philippines, Taiwan, Venezuela, Korea and Zimbabwe. Examining the returns for portfolios formed on book to market value ratio Fama and French shows that there is a value premium in emerging market returns. Thus, values versus growth portfolio returns in emerging markets confirm the superior performance of value stocks in developed markets. The value growth spread for the 12 out of 16 countries is positive.

Chen and Shang (1998) compare the return experience of value stocks across six countries, the United States of America, Hongkong, Japan, Malaysia, Taiwan and Thailand. They show that the value weighted market returns are lowest for the United States and Japan and highest for Taiwan and Thailand, indicating a negative correlation between markets. By using the same structure as Fama and French (1992, 1996) to measure the return of a portfolio, they find that the high average return for the value stock

tends to persist in the United States; is less persistent for the growth markets of Japan , Hong Kong and Malaysia, and is almost non- existent for the high growth markets of Taiwan and Thailand. They demonstrate that the value premium arises because of firms that are in distress with high financial leverage and facing substantial earnings uncertainty.

2.3.2 Empirical studies done in Kenya

Muhoro (2004) in his study where portfolios were created on the basis of the break point for the bottom 30% and top 30% of the ranked value of the B/M, the mid 40% was assumed to consist of the grey area and hence stock falling under that range was ignored. The top 30% (high B/M) companies were classified as value stocks and the bottom 30% (Low B/M) were classified as growth stocks such that at the formation date, there were two growth portfolios each in respect of the single growth portfolios each in respect of the single variable which was the B/M. He analyzed stocks for the periods 1997 to 2001 .He established the existence of a value premium at the NSE.

Ngigi (2006) used the same methodology used by Muhoro (2004) in portfolio formation. Using the data for years 2000 - 2004, he had different findings. The 5 year average monthly return for value stocks was found to be 0.50 against 0.64 for growth stock and a standard deviation of 28.69 for value stocks against 26.96 for growth stocks. The critical Z value was 0.10 against the 1.64 (for one tail test) which implies that there was no significant difference between the performance of growth and value stocks. In this analysis the stocks had higher average monthly returns than growth stocks only in two years and in the other three years growth stocks had higher returns. The critical Z value indicates that the difference is not statistically significant.

Thuku (2009) in his study to establish the existence of value premium and the effect of size at the NSE based on both B/M and E/P ratio, found the existence of value premium at NSE. The test was conducted at 0.05 confidence level.He used both B/M ration and E/P in differentiating growth from value stock. He first created portfolios which were based on size (market capitalization) in order to differentiate between small capitalized

firms and large capitalized firms. Secondly, portfolios were created based on B/M and E/P ratios to categorize stock as either growth or value stock. He found out that small value stocks perform better than the large value stock when portfolios are ranked according to P/E ratio as compared to when they are sorted out based on B/M ratio. The difference is however very small to be significant to fail the 0.5 confidence level.

2.4 Theories and issues on methodology.

This study will be conducted through a quantitative research design. According to Creswell (2009), quantitative research is a means of testing objective theories by examining the relationship among variables. . Since the total population is small- 55 listed companies, it is easy to deal with all of them.

BE/ME ratio will be used in this study to sort out stocks into growth stocks and value stocks. This ratio has been widely accepted and has been used in several studies focussing on value premium .Favourable growth prospects raise a firm's stock price and hence reduce its BE/ME ratio. In contrast, high BE/ME stocks are more likely than others to have a high asset value and less growth potential.

Fama and French (1992) FM regression confirm the importance of book-to-market equity in explaining the cross-section of average stock return. The average slope from the monthly regression of returns on $\ln\left(\frac{BE}{ME}\right)$ alone is 0.505. With a statistics of 5.71, this book to market relations is stronger than the size effect which produces a t-statistics of -2.58 in the regression of return on in (ME) alone.

Loghran (1997) finds that in the 358 non January months, the BE/ME effect is strong for the overall sample of firms. The average coefficient on BE/ME during February through December is 0.31 (t-statistics of 4.42) and this implies that a firm with a BE/ME ratio of They concluded that during the study period, (January 1981 through June 1990) portfolios of high B/M stocks (value stocks) provided risk-equities returns superior to those from low B/M equities (growth stocks).

2.4.1 Ratios often used to sort stocks into value and growth.

(a) Price earnings ratio (P/E)

It relates the earning per share to the price the shares sell at the market. A high P/E ratio indicates strong shareholders' confidence in the company and its future. It indicates investors' judgement or expectations about the firm's performance, Pandey(1999).It indicates how the stock market is judging the company's earnings performance and prospects, Asienwa (1992). One weakness with the P/E ratio is that companies can manipulate their earnings to make them look better than they really are. A crafty chief finance officer can fool with a firm's tax assumption and in a given quarter and add several percentage points of earnings growth, Macharia (2002). Because of this weakness the P/E ratio was not used to sort out stocks in this study.

(b) Earnings yield (E/P)

$$\text{Earnings Yield} = \frac{\text{Earnings per share}}{\text{Market price Per share}}$$

Earnings yield is the reciprocal of P/E. It's preferred to P/E ratio because:-

- i) Companies with negative earnings are automatically ranked as the lowest E/P Ratios, whereas they are not automatically ranked as having the highest P/E ratios.
- ii) P/E ratios tend to infinity or blow up when earnings approach zero. This can cause statistical problems.

(c)Dividend yield.

$$\text{Dividend yield (D/P)} = \frac{\text{Dividend per share}}{\text{Market price Per share}}$$

It is the measure of return on the owner's investment from cash dividends. It evaluates an investor's return in relation to the market value of the share. High dividend yield might produce abnormal returns. Loft house (2001) argues that based on a simple dividend model $K = D/P + g$, if we expect all stocks with the same risks to offer the same return, then the growth stocks will have to offer higher initial dividend yields (D/P). However if investors are poor at assessing growth prospects, it is possible that the growth rate assumed for high growth rate stocks will be too high and that for low growth stocks will be too low. Accordingly, high yield stocks might be expected to offer a higher total yield.

Another reason why high dividend yields might produce abnormal returns is because of taxation. In many countries income is taxed at a higher rate than capital gains (though in Kenyan capital gains tax was abolished). Even where income tax and capital gains are taxed the same, capital gain is typically not paid until the gain is realized and thus the capital gains tax can be postponed in a way that income taxes can not. If investors are interested in after tax income, they will presumably only purchase high yielding stocks. In this study dividend yield was not used since not all firms pay dividends and in any case some might pay one year and not pay another year.

(d) Book to market value ratio (B/M)

Fama and French (1992, 1996) used book -to-market value ratio to sort out stocks into value versus growth.

$$\text{Book to market value ratio} = \frac{\text{Book value per share}}{\text{Market price per share}}$$

Capaul et al (1993) discussed the merits of book to market value as a single variable to distinguish between value and growth stocks. The logic is that favourable growth prospects raise a firm's stock price and hence reduce its B/M ratio.

In contrast, high B/M stocks are more likely than others to have high asset values and less growth potential.. This ratio was used to sort out stocks in this study because it has more merits and it has widely been accepted and used in several studies than other ratios thus making comparisons easier.

(e) Cash flow to price ratio (C/P)

$$\text{Cash flow to price} = \frac{\text{Cash flow per share}}{\text{Market price per share}}$$

Where cash flow per share =

$$\frac{\text{Profit after taxes} + \text{Depreciation} + \text{amortisation}}{\text{Weighted average number of ordinary shares}}$$

Earnings per share and earnings yield are not good measures for measuring performance of firms because of the differences between firms in how they calculate depreciation and amortization. Investors will therefore tend not to use the two ratios EPS and dividend yield and choose to use some measure of cash instead of earnings and calculate a cash flow ratio. Cash flows are a result of adjusted earnings and therefore cash flow to price ratio may not give results that are significantly different from the earnings yield ratio. This ratio was therefore not be used to sort out stocks in this study.

(f) Price to sales ratio (P/S)

Some investors do not trust the net earnings since they are subject to a accounting manipulations. Sales are harder to manipulate. Proponents of price to sales ratio approach argue that the sales are more stable and less subject to accounting manipulation than are earnings. Fisher (1984a) claims that the reason for purchasing low price to sales ratio stock is essentially contrarian. He argues that profit growth often comes from margin expansion and investors then form excessive expectations. He notes that the technique (using price to sales ratio to sort stocks) is not applicable in every sector. For example the ratio is not appropriate for service companies such as banks and insurance companies that do not have traditional sales. Also, the definition of a low ratio varies with the type of sector and this makes the techniques very subjective (Fisher 1984a). Because of these shortcomings this ratio was not used to sort out stocks in this study.

(g) Growth at reasonable price (GARP)

$$\text{GARP} = \frac{\text{Price Earning Ratio}}{\text{Growth rate}}$$

GARP typically relate P/E ratios to growth rates. Suppose there are four stocks with P/E ratio of 50, 60,70 and 80 and growth rates of 40%, 60% 60% and 70% respectively. The GARP Ratios would be 1.25,1, 1.17, and 1.14 respectively. The stock with P/E of 60% would be deemed the cheapest, although it has neither the lowest P/E ratio nor the highest growth rate. GARP is neither a pure value nor a pure growth tool but it lies somewhere in between. The basic assumption however is that growth prospects can be over-rated which has value overtones because of this overlap, this ratio was not used to sort out stocks in this study.

2.5 Summary of literature review

From the literature review, It is evident that there is a near consensus that the value stocks have a superior performance. Most of the studies were conducted in developed capital markets. However, there are still conflicting findings of the existence of value premium especially in the emerging markets. Studies done in the developed markets are however near unanimous that value stock outperforms growth stock.

Similar studies have been done in Kenya though none has investigated the value premium across industries. Muhoro (2004) and Ngigi (2006) sought to find out if there's a significant difference in performance between value and growth stocks at the NSE. Thuku (2009) sought to find out if there is a relationship between value premium and firm size. The studies done in Kenya so far on value premium have not been conclusive hence this study.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a discussion of the research methodology that was used in this study. It discusses the research design especially with respect to the choice of the design. It also discusses the population of study, data collection methods as well as data analysis and data presentation methods that were employed in the study.

3.2 Research design and scope

This study covered all common stocks listed at the NSE between the years 2005 to 2009. They are 55 in number. It was conducted through a quantitative research design. According to Creswell (2009), quantitative research is a means of testing objective theories by examining the relationship among variables. Quantitative research design was chosen for this study because it will best explain the value versus growth strategies, value premium and industry type for stocks listed at the Nairobi stock exchange.

3.2 Population of the study

The study was a census study and focused on all the common stocks and the Nairobi stock exchange. Since the total population is small- 55 (47 listed in the main market segment and 8 listed in the alternative market segment) listed companies, it is easy to deal with all of them. The study consisted of all the 55 common stocks quoted at the Nairobi stock exchange for the period 2005-2009. Only stocks quoted at the NSE for two consecutive years will be included in the study. This is because classification done in one year will be used to analyze performance during the following year. This means some stocks will have to be excluded in the process because of delisting or enlisting. The stocks in the alternative investment segments were absorbed into their various industries .

3.3 Data collection methods and instruments

This study was facilitated by the use of secondary data from NSE. Data will be extracted from published financial reports of quoted companies. Annual data available by the Nairobi stock exchange includes the P/B ratio, dividend yield, price to book value ratio as well as dividend per share. However the variables of concern in this study are return and book to market ratios which was calculated using the above available ratios. P/B and B/M ratios can be used as proxy to value premium.

In this study growth and value portfolios were created using book to market ratios (B/M). Daily stock prices were available in excel spreadsheets. First the stocks are grouped into four industries as done by the Nairobi Stock Exchange. The four industries are agricultural, commercial and services, finance and investment, and industrial and allied. The book value of the firms common stock was determined by using the most recent balance sheet data and calculating the total value of stockholders equity. Second, the value of the firms' common stocks was determined by taking the most recent market price for the firms' common stock and multiplying it by the number of outstanding shares. Lastly the book value of stockholders equity was divided by the market capitalization to arrive at the book to market value ratio. Stock holders' equity= Total assets –Total liabilities.

3.4 Data analysis and presentation

Data analysis was performed by use of Microsoft excel package and SPSS. First, all the stocks will be sorted out on the basis of industry type as grouped by the NSE. These four groups are agricultural, commercial and services, finance and investment and industrial and allied. Four portfolios will therefore be created. The reciprocal price to book value ratios was used to calculate book to market value ratios.

Secondly value and growth stocks were identified in each of the four industry portfolios using book-to-market ratios (B/M). To form value and growth portfolios, stocks were ranked by their B/M ratio at the end of each calendar year. Firms in each portfolio were grouped based on the break points from the bottom 50% (low B/M), and top 50% (High

B/M) of the ranked value of the B/M ratios. The end of each of the years 2004 to 2008 constitutes the portfolio formation dates. At these dates, all the companies were ranked according to B/M ratio. The top 50% represents value stocks while bottom 50% represents growth stocks.

The rankings formed the criteria for classifying stocks into value and growth during each of the following year. The year following each portfolio formation date was the test period. For example, the returns for the year 2004 was analyzed using the end of 2003 classifications, the 2005 returns was analyzed using 2004 classifications and so on. This is consistent with Fama and French (1998).

Since the value and growth portfolios were formed annually, the composition of each portfolio kept on changing and took into account any de-listing and or enlisting. The end month price for stocks classified as value or growth was calculated by getting the weighted average of the prices at which a stock traded during the last day of trading in that month. The monthly returns for each stock classified as value or growth for the period 2005 to 2009 was then determined.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter deals with data analyses and interpretation of the research findings. The data in this study was summarized in the form of weighted average returns, rank ordering and standard deviation and presentation was made through tables and graphs. The data was analysed through creation of portfolios based on industry type.

4.2 Portfolio formation and analysis

Portfolios were formed based on industries. The four industry categorizations were – agricultural, commercial and services, finance and investment, industrial and allied. The stocks in the alternative investment sectors are included in their various industry portfolios. The reciprocals of price to book value ratios were used to derive the book to market value ratios (B/M).

To calculate monthly returns the following formula was used:

$$\text{Monthly Returns (Ri)} = \frac{\text{Dividends} + (\text{Ending Price} - \text{Beginning Price})}{\text{Beginning Price}} \times 100$$

This formula was used by Ngigi (2006), Muhoro (2004) and Thuku (2009) in their study of value premium at the NSE. It is also widely accepted and used in several finance literature thus making comparison easier.

Since dividends are paid annually, the annual dividends were spread across all months of the year.

The next step was to calculate average monthly return for each stock for each of the five years as follows:

Average monthly returns for stock i at year t :

$$R_{it} = \frac{1}{12} \sum_{i=1}^{12} R_{it}$$

where i=stock, Ri= monthly return for stock i, t =number of years

The next step was to calculate the average monthly return for each portfolio as follows.:

$$\text{Average monthly return for an equally weighted portfolio at year } t = (R_{pt}) = \frac{1}{n} \sum_{i=1}^n R_{it}$$

Where n= number of stocks in a portfolio at year t.

After calculating the average monthly return for each of the five years, the five years monthly return was calculated as follows: Five year average monthly return =

$$\frac{1}{5} \sum_{t=1}^5 R_{pt}$$

A comparison of the five year average monthly returns in each portfolio was done by performing tests of significance to determine whether there is a significant difference between the average returns of value stocks and growth stock. This was done by use of z-statistics.

$$\text{Standard deviation for each portfolio } S = \sqrt{\frac{\sum (x - \bar{x})^2}{n}}$$

$$\text{Then the z statistic will be calculated as follows: } z = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{S_1^2/n_1 + S_2^2/n_2}}$$

Where \bar{X}_1 = the five year average monthly returns for value stocks

\bar{X}_2 = The five year average monthly return for growth stocks.

S_1 = the standard deviation of the value stocks in the portfolio.

S_2 = the standard deviation of the growth stocks in the portfolio.

n is the number of observations = number of stocks × 12 months × 5 years

Finally, a comparison of the five year average monthly returns for the four portfolios was done by performing Analysis of variance (ANOVA) tests to determine whether there is a significant difference between the average returns and industry type. For the 4 portfolios, each one contains n observations,

$$n_1 + n_2 + n_3 + n_4 = N,$$

where n_1 = number of observations for portfolio 1,

n_2 = number of observations for portfolio 2,

n3=number of observations for portfolio 3 ,
n4=number of observations for portfolio 4 and
N=total number of all observations for the four portfolios.

$F(K-1),(N-K)=$ between group means

Within group means

Where k is the degree of freedom.

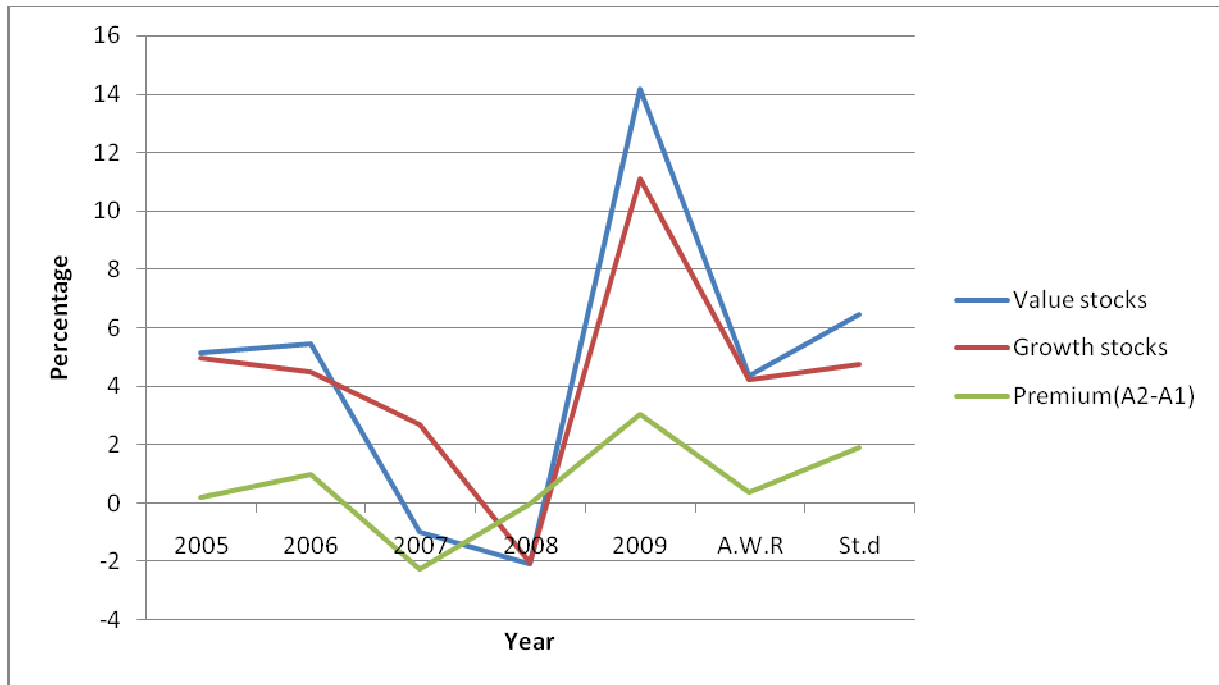
To test whether the variation in returns found among the means of the different industry portfolios is large relative to the variation within the portfolios, the analysis of variance (ANOVA) tests were performed by use of F-tests. If the value is large, we conclude that there are significant differences among the means, implying returns vary according to industry type. ANOVA tests were performed by use of SPSS. To calculate the value premium, we deduct the average returns from growth stock from the average returns of value stock in each industry portfolio. That is: value premium per industry=A2-A1. Where A2 is the 5 year average monthly returns from value stocks in a given industry, And A1 is the 5 year average monthly returns from growth stocks in a given industry. This method was also used by Fama and French (1993, 1996). We then compared them across industries to find out the highest.

4.3 A comparison of Value vs growth for all listed stocks

Table 4.3 (a) All listed companies for 5 years

Year	2005	2006	2007	2008	2009	A.W.R	St.d
Value stocks	5.155	5.432	-0.957	-2.063	14.150	4.3443	6.464
Growth stocks	4.952	4.465	2.689	-2.053	11.110	4.232	4.737
Premium(A2-A1)	0.202	0.966	-2.268	-0.01	3.039	0.349	1.910

Z score is 0.597



From table 4.3(a) and accompanying graph, it can be seen that value stocks have a higher average weighted return than growth stocks. The average weighted returns for the 5 year period is 4.3443 for value stocks and 4.232 for growth stocks. There exists value premium of 0.349. Using ANOVA, $p=0.12$ meaning there is no significant difference in returns of growth and value stocks. The Z-score is 0.597. At critical z of 1.64 for a one tail test, the Z- value (0.597) is lower than 1.64 and we conclude that there is no significant difference in performance of value stocks and growth stocks. This implies that the value premium exists though not significant.

4.4 Value premium in industries/sectors based on B/M

Table 4.4 (a)Agricultural sector

Agricultural

Year	2005	2006	2007	2008	2009	A.W.R	St.d
Value stocks	1.854	0.485	-0.972	-2.762	6.638	1.048	3.564
Growth stocks	2.433	0.603	4.42	-3.156	9.400	2.740	4.653
Premium(A2-A1)	-0.579	-0.118	-5.392	0.394	-0.118	-1.162	2.389

Z=-10.916

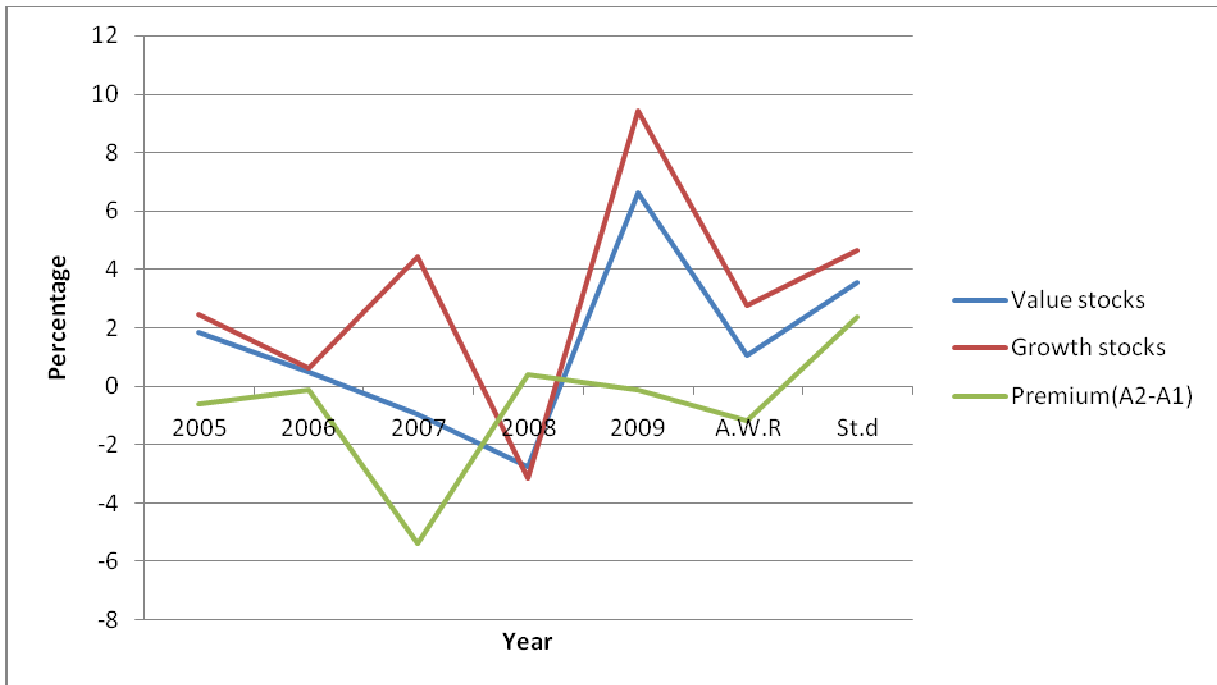


Table 4.4(a) and accompanying graph shows the summary of performance of value and growth stocks in the agricultural sector for stocks listed at the NSE for the period 2005-2009 based on the B/M ratios. The weighted average annual return for value stocks is 1.048% against 2.740 for growth stocks. It is worth noting that it is only in 2008 that value stocks outperformed growth stocks. There was a 5 year average premium of -1.162. At critical z of 1.64 for a one tail test, the Z- value (-10.916) is lower than 1.64 and we conclude that there is no significant difference in performance of value stocks and growth stocks. This implies that the value premium exists though not significant.

Table 4.4(b) Commercial and services

Year	2005	2006	2007	2008	2009	A.W.R	St.d
Value stocks	10.537	6.248	-0.594	-2.363	9.081	4.581	5.777
Growth stocks	3.195	5.832	1.034	-2.573	12.085	3.914	5.507
Premium(A2-A1)	7.342	-0.416	-1.560	0.243	-3.004	0.521	3.547

Z=3.923

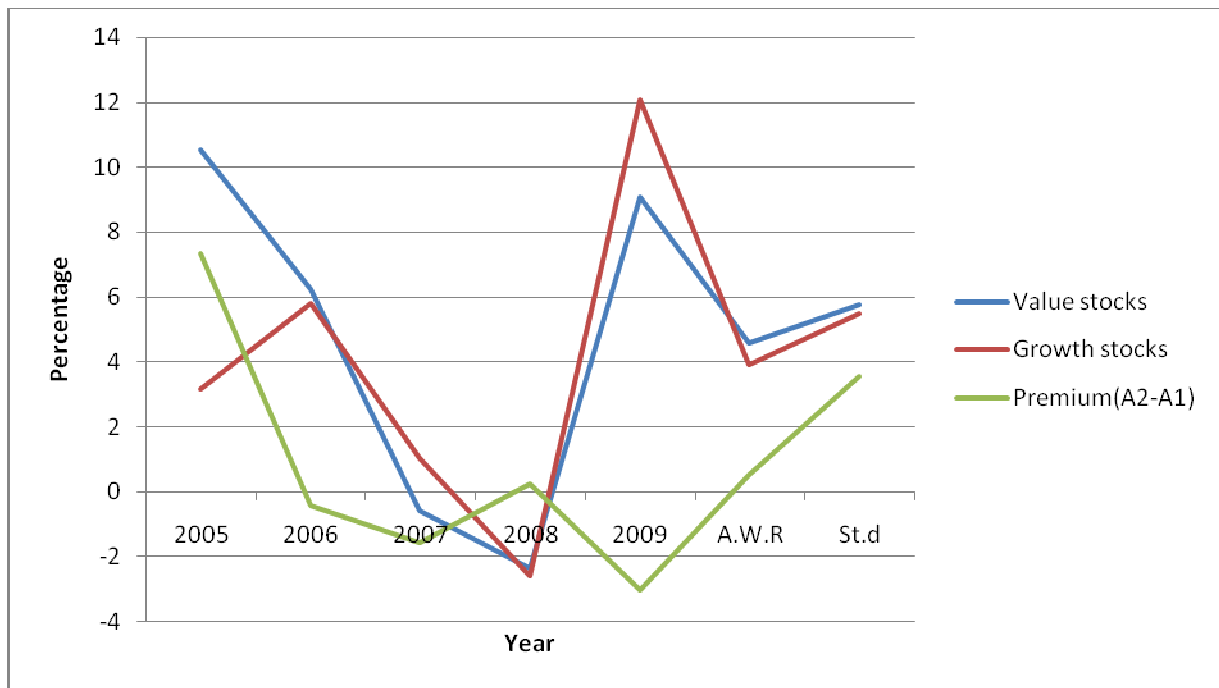


Table 4.4(b) and accompanying graph shows the summary statistic for the performance of value and growth stocks in the commercial and services sector. The average weighted return for the 5 year period for value stocks is 4.581 with a standard deviation of 5.777 while growth stock has an average return of 3.914 with a standard deviation of 5.507. The value premium is positive(0.521) meaning value stocks outperformed growth stocks. At critical z of 1.64 for a one tail test, the Z- value (3.923) is higher than 1.64 and we conclude that there is a significant difference in performance of value stocks and growth stocks . This implies that the value premium exist and is significant.

Table 4.4(c) Finance and investment

	2005	2006	2007	2008	2009	A.W.R	St.d
Value stocks	3.191	6.931	-0.841	-2.111	9.039	3.241	4.809
Growth stocks	3.915	8.132	0.673	-2.477	16.805	5.409	7.485
Premium(A2-A1	-0.724	-1.201	-1.514	0.336	-7.766	-1.693	3.547

Z=-9.225

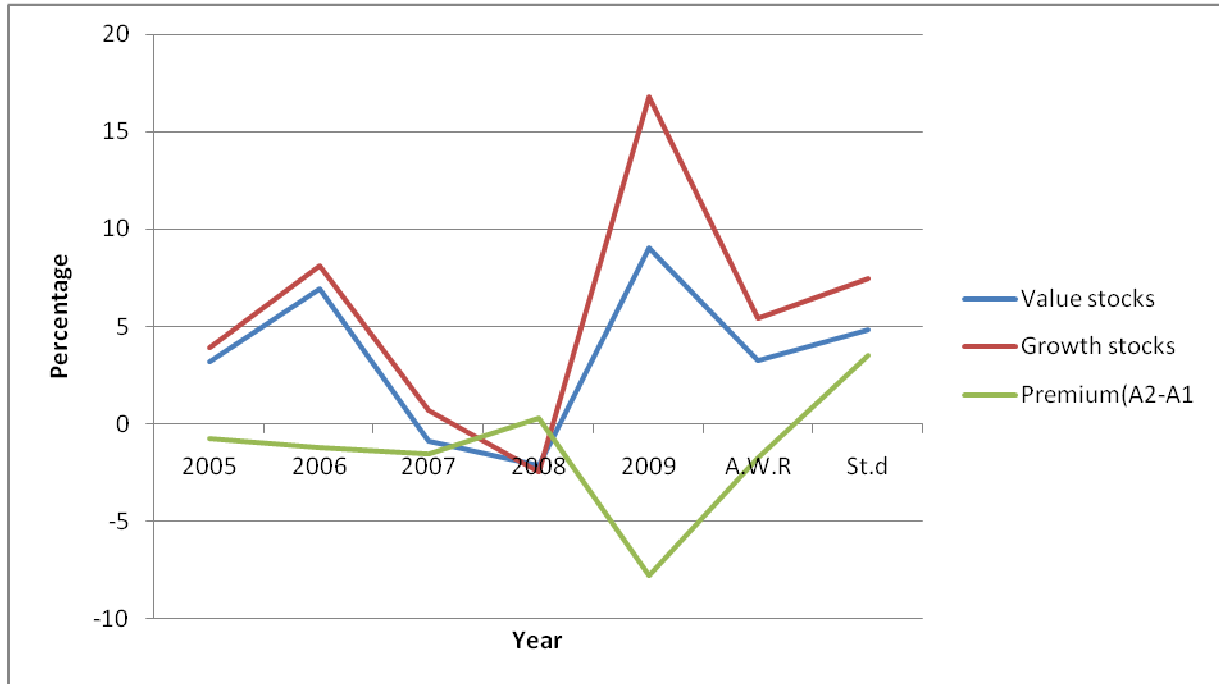


Table 4.4(c) and accompanying graph shows summary results of performance of stocks in the finance and investment sector. Growth stocks performed better than value stocks. The average weighted returns for value stocks was 3.241 while growth stocks was 5.409. There was a premium of -1.693. At critical z of 1.64 for a one tail test, the Z- value (-9.225) is lower than 1.64 and we conclude that there is no significant difference in performance of value stocks and growth stocks. This implies that the value premium exists though not significant.

Table 4.4(d) Industrial and allied

Year	2005	2006	2007	2008	2009	A.W.R	St.d
Value stocks	8.672	5.269	-1.264	-1.077	24.024	7.124	10.356
Growth stocks	5.414	2.837	0.209	-1.496	8.032	2.999	3.846
Premium(A2-A1)	3.258	2.432	-1.473	0.419	15.992	4.125	6.883

Z=13.667

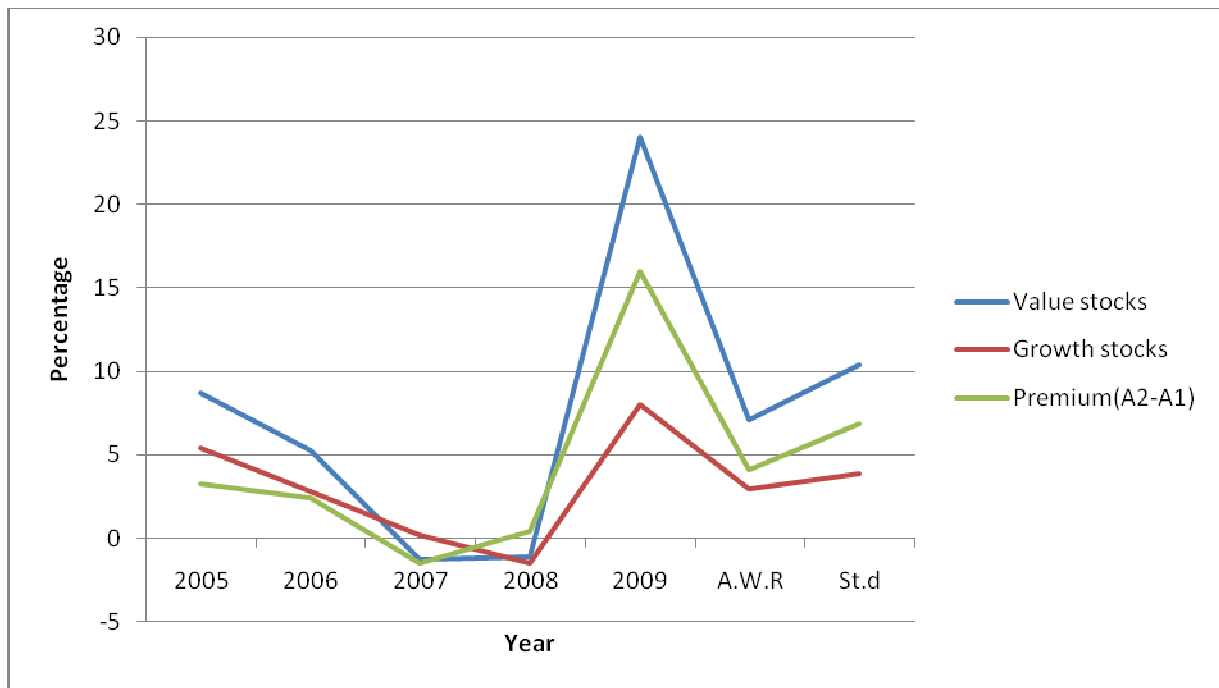
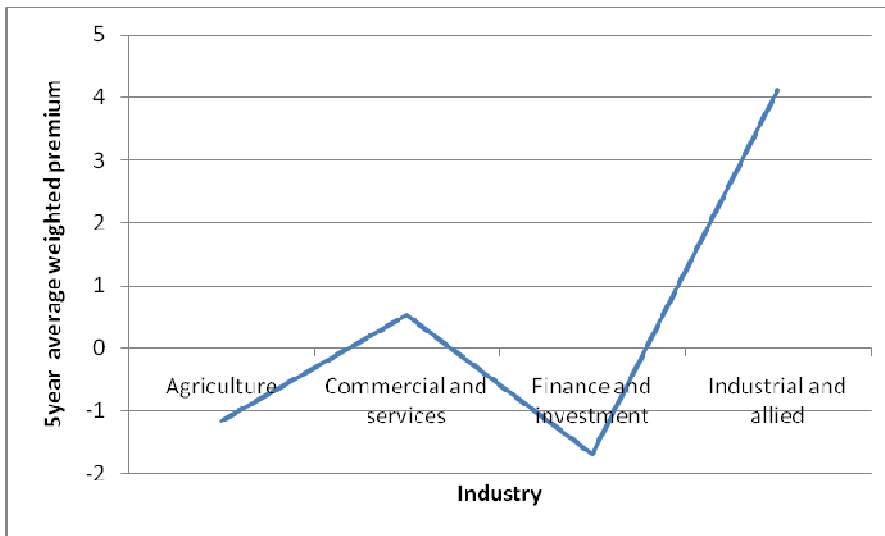


Table 4.4(d) and accompanying graph shows the performance of growth stocks and value stocks in the industrial and allied sector. Value stocks outweighed growth stocks for the 5-year period. The average weighted returns for value stocks is 7.124 with a standard deviation of 10.353, while for growth stocks is 2.999 with a standard deviation of 3.846. There was a positive value premium of 4.125. At critical z of 1.64 for a one tail test, the Z- value (13.667) is higher than 1.64 and we conclude that there is a significant difference in performance of value stocks and growth stocks. This implies that the value premium exists and is significant.

Table 4.4 (e): Comparison of value premium for all industries

Industry	5-year average weighted premium
Agriculture	-1.162
Commercial and services	0.521
Finance and investment	-1.693
Industrial and allied	4.125



From table 4.4 (e) and the subsequent graph, Industrial and allied sector have the highest value premium while finance and investment sector have the lowest value premium across the 5 year period.

Table 4.5 ANOVA table analyzing premium variances

	Sum of Squares	Degree of freedom	Mean Square	F	Sig.
Between Groups	103.548	3	34.516	1.689	0.209
Within Groups	326.931	16	20.433		

There is no significant difference in premiums of the different industry portfolios considered. $p=0.209$, $F=1.689$. This implies that value premium is not influenced by industry type. This is consistent with the findings of Athanassakos (2009) in his study of the Canadian market. However industrial and allied sector have the highest value premium and finance and investment sector have the lowest value premium.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary discussions and conclusions from the research study as per the objective of the study. Recommendation has been given based on the findings of this study. Limitation of the study as well as suggestion for further research have also been discussed.

5.2 Summary

The objective of the study was to establish the existence of value premium at the NSE and whether industry type has an influence /effect on value premium. The result of the test conducted at 0.05 confidence level in that there exist value premium at the NSE. However the difference in performance of growth and value stocks is not significant . When stocks are grouped accordingly to industries, there still exists value premium, industrial and allied sector have the highest value premium of 4.125 while agricultural sector have the lowest value premium. This is consistent with other study done in Kenya. Therefore for a value strategist at the NSE, industrial and allied sector stocks are the best to invest in while agricultural sector stocks are the worst to invest in. Muhoro (2004) tested a value premium of 0.64 for the period 1999-2002. Ngigi (2006) also tested the existence of value premium at the NSE. The findings are also consistent with findings from similar studies in other markets in the world. Previous studies show that for 60 plus years value has out performed growth.

5.3 Conclusion

The conclusion of this study is that there exists a value premium at the N.S.E when stocks are sorted on the basis of B/M ratio though not significant. Still there exists no significant difference in value premium across industries. This implies industry type is not a significant determinant of value premium.

5.4 Recommendations

The researcher recommends that investors using value investment strategic need to be aware that industry type is not a major factor in determining the expected returns from

either value or growing stocks. Over the period of study industrial and allied sector firms earned higher value premium than other sectors. During the period covered by the study value stocks out performed growth stocks though not significantly. However for those investors whose objective in higher earning in the long run period, value stocks may be the ideal investment.

5.5 Limitations of the study

The findings of the study should be viewed in light of the following limitations

- (i) The period covered by the study, that is, five years in short as compared to periods covered by other studies such as that by Fama and French (25 years). In any study, the higher the sample size (in this case the period of study) the more reliable the findings will be. Because of time limitation within which the study had to be done, the researcher confined himself to five years.
- (ii) Lack of compiled data especially for the year 2009. This forced the researcher to look for individual firms' reports to get the details. This ended up consuming a lot of time.
- (iii) Only stocks quoted at the NSE for two consecutive years were included in the study. This is because classification done in one year was used to analyze performance during the following year. Exclusion of some of the stocks may have distorted the results.
- (iii) The classification ratio (P/B and B/M) were available only for the dates that mark the financial year-end of each firm. When the financial year-end was not 31st December, the ratios were assumed to apply at 31st December. This is a limitation in that the ratio at 31st December may have been quite different from the ratio at the financial year –end.
- (iv) The stock prices used to calculate returns are those on the last day of trading on a particular stock during that month. This was not necessarily the month end date and in some cases, the last day of trading was very far from the month-end date. The returns in such a case would only be an approximation.

5.6 Suggestions for further research

A similar study can be undertaken for a longer period of time, say 10, 20 or 25 years. This may give more reliable and authoritative results.

A similar study could be undertaken while stocks are sorted into growth or value stocks using different ratios such as E/P, D/P or C/P.

A similar study could be undertaken to establish whether Kenyan firms actually apply value investment strategies in portfolio management.

Future research could also be done to test the models behind value premium and their applicability in the Kenyan market. For example Fama and French (1996) multifactor model and CAPM can be tested.

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APPENDIX I: LIST OF NSE STOCKS

Main investment market segment:

Agricultural

Kakuzi

Rea Vipingo Plantation

Sasini Ltd

Commercial and Service

Access Kenya Group

Car & General (K)

CMC Holdings

Hutchings Biemer

Kenya Airways

Marshalls (E.A)

Nation Media Group

Safaricom Ltd

ScanGroup

Standard Group

TPS EA (Serena)

Uchumi Supermarket

Finance and Investment

Barclays Bank

Centum Investment Co.

CFC Stanbic Holdings

Diamond Trust Bank

Equity Bank

Housing Finance Co.

Jubilee Holdings

KCB

Kenya Re Corporation

NBK

NIC Bank

Olympia Capital Holdings

Pan Africa Insurance

Standard Chartered

Co-op Bank of Kenya

Industrial and Allied

Athi River Mining

B.O.C Kenya

Bamburi Cement

BAT Kenya Ltd

Carbacid Investments

Crown Berger

E.A Cables

E.A Portland Cement

East African Breweries

Eveready EA

KenGen

KenolKobil Ltd

KP&LC

Mumias Sugar Co.

Sameer Africa

Total Kenya

Unga Group

Alternative investment segment

A.Baumann & Co.

City Trust

Eaagads Ord

Express

Williamson Tea Kenya

Kapchorua Tea Co.

Kenya Orchards

Limuru Tea Co.

APPENDIX II : Industry/sector P/B, B/M and AMR

Agricultural sector/industry returns : 2005

		P/B	B/M	A.M.R	Value/Growth
1	Kakuzi	0.6500	1.54	1.7200	Value
2	Kapchorua Tea Co	0.4200	2.38	4.8100	Value
3	Rea Vipingo Plantation	1.5300	0.65	9.6250	Growth
4	Eaagads	0.7500	1.33	0.0000	Value
5	Limuru Tea	4.5100	0.22	-0.0700	Growth
6	Unilever Tea	1.0800	0.93	0.1800	Growth
7	Williamson Tea	0.2300	4.35	0.7290	Value

Agricultural sector/industry returns : 2006

		P/B	B/M	A.M.R	Value/Growth
1	Kakuzi	0.4900	2.04	-1.0700	Value
2	Kapchorua Tea Co	0.4200	2.38	-3.7300	Value
3	Rea Vipingo Plantation	1.8600	0.54	2.2200	Growth
4	Eaagads	1.8700	0.53	0.6120	Growth
5	Limuru Tea	3.3100	0.30	0.3100	Growth
6	Unilever Tea	0.8900	1.12	-0.7300	Growth
7	Williamson Tea	0.3400	2.94	-1.5870	Value

Agricultural sector/industry returns : 2007

		P/B	B/M	A.M.R	Value/Growth
1	Kakuzi	5.8100	0.17	0.6200	Growth
2	Kapchorua Tea Co	0.3700	2.70	-1.1800	Value
3	Rea Vipingo Plantation	0.6600	1.52	-0.6300	Value
4	Eaagads	1.3500	0.74	19.0000	Growth
5	Limuru Tea	1.7500	0.57	-1.1200	Growth
6	Unilever Tea	4.5500	0.22	0.7140	Growth
7	Williamson Tea	0.8400	1.19	-1.5600	Value

Agricultural sector/industry returns: 2008

		P/B	B/M	A.M.R	Value/Growth
1	Kapchorua Tea Co	5.7400	0.17	-4.5100	Growth
2	Rea Vipingo Plantation	0.3800	2.63	-2.8160	Value
3	Eaagads	0.6700	1.49	-1.8000	Value
4	Limuru Tea	1.4600	0.68	-3.0300	Growth
5	Williamson Tea	4.5500	0.22	-1.4400	Growth

Agricultural sector/industry returns : 2009

		P/B	B/M	A.M.R	Value/Growth
1	Kakuzi	5.6500	0.18	25.0833	Growth
2	Kapchorua Tea Co	0.3700	2.70	8.9431	Value
3	Rea Vipingo Plantation	0.6900	1.45	4.6875	Value
4	Eaagads	1.4500	0.69	6.8182	Growth
5	Limuru Tea	0.5000	2.00	6.2861	Value
6	Unilever Tea	4.0000	0.25	0.2465	Growth

7	Williamson Tea	1.9200	0.52	4.8148	Growth
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Commerce and Services returns : 2005

		P/B	B/M	A.M.R	Value/Growth
1	Car and General	0.8900	1.12	4.8160	Value
2	CMC holding	0.6700	1.49	-0.6250	Value
3	Standard Group	5.8400	0.17	-0.9200	Growth
4	TPS E.A	1.47	0.68	6.0220	Growth
5	Express	1.52	0.66	6.4100	Growth
6	Kenya Airways	0.3600	2.78	32.6900	Value
7	Marshall E.A	0.4600	2.17	5.2700	Value
8	Nation media Group	4.1500	0.24	1.2700	Growth

Commerce and Services returns 2006

		P/B	B/M	A.M.R	Value/Growth
1	Car and General	1.1300	0.88	8.5900	Value
2	CMC holding	1.4600	0.68	10.3300	Growth
3	Standard Group	5.8400	0.17	2.7080	Growth
4	TPS E.A	1.4200	0.70	0.5400	Value
5	Express	1.5300	0.65	5.7900	Growth
6	Kenya Airways	0.9100	1.10	5.1500	Value
7	Marshall E.A	0.4500	2.22	6.6300	Value
8	Diamond trust bank	3.5300	0.28	12.3300	Growth
	Nation media Group	5.7900	0.17	2.5000	Growth

Commerce and Services returns 2007

		P/B	B/M	A.M.R	Value/Growth
1	Car and General	1.1800	0.85	1.2700	Value
2	CMC holding	1.7300	0.58	0.9500	Growth
3	Standard Group	2.7800	0.36	-1.0600	Growth
4	TPS E.A	1.1100	0.90	-0.6500	Value
5	Express	1.3900	0.72	-0.2570	Value
6	Kenya Airways	0.7000	1.43	-3.7640	Value
7	Marshalls E.A	0.5300	1.89	0.4300	Value
8	Diamond trust bank	2.8100	0.36	2.6800	Growth
9	Scan Group	7.7900	0.13	1.9800	Growth
10	Nation media Group	5.8100	0.17	0.6200	Growth

Commerce and Services sector returns : 2008

		P/B	B/M	A.M.R	Value/Growth
1	Car and General	1.1800	0.85	-1.8000	Value
2	CMC holding	1.7500	0.57	-0.9200	Value
3	Standard Group	2.8500	0.35	-0.8600	Growth
4	TPS E.A	1.2000	0.83	-2.6270	Value
5	Express	1.5600	0.64	-3.9110	Growth
6	Kenya Airways	3.9000	0.26	-4.4600	Growth
7	Marshall E.A	0.5400	1.85	-2.5600	Value
8	Diamond trust bank	2.8100	0.36	-2.1690	Growth
9	Scan Group	7.5400	0.13	-0.8700	Growth
10	Nation media Group	5.7400	0.17	-4.5100	Growth

Commerce and Services returns 2009

		P/B	B/M	A.M.R	Value/Growth
1	Car and General	1.1800	0.85	4.3750	Value
2	CMC holding	1.8200	0.55	9.8148	Value
3	Standard Group	2.5000	0.40	4.0448	Growth
4	TPS E.A	1.2500	0.80	6.7274	Value
5	Express	3.0200	0.33	6.2500	Growth
6	Kenya Airways	3.5000	0.29	22.3485	Growth
7	Marshall E.A	0.3800	2.63	4.7222	Value
8	Diamond trust bank	2.7500	0.36	10.2583	Growth
9	Scan Group	7.5200	0.13	4.5290	Growth
10	Access Kenya	1.5000	0.67	13.7097	Value
11	Safaricom	0.8000	1.25	15.1389	Value
12	Nation media Group	5.6500	0.18	25.0833	Growth

Finance and Investment returns : 2005

		P/B	B/M	A.M.R	Value/Growth
1	Housing Finance	1.2600	0.79	5.3400	Value
2	Jubilee Insurance	1.1400	0.88	4.1667	Value
3	Baumann Co.ltd	0.1100	9.09	5.3687	Value
4	Kenya Commercial	2.2400	0.45	6.7800	Growth
5	National Bank	1.7800	0.56	4.6452	Growth
6	NIC Bank	1.5100	0.66	0.8794	Growth
7	Olympia Capital Holdings	0.7200	1.39	0.0788	Value
8	Pan Africa Insurance	2.0600	0.49	8.2600	Growth
9	Centum	0.9300	1.08	2.1527	Value
10	CFC Stanbic Holdings	2.9400	0.34	1.9700	Growth
11	City Trust	0.6100	1.64	2.0400	Value
12	Standard chartered ban	3.9400	0.25	1.6840	Growth

13	Barclays Bank	30.9200	0.03	3.1700	Growth
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Finance and Investment 2006

		P/B	B/M	A.M.R	Value/Growth
1	Housing Finance	4.0200	0.25	24.8200	Growth
2	Jubilee Insurance	3.2200	0.31	10.1650	Growth
3	Baumann Co.ltd	0.2000	5.00	-0.7200	Value
4	Kenya Commercial	4.1400	0.24	6.3400	Growth
5	National Bank	3.0100	0.33	11.7300	Growth
6	NIC Bank	2.7700	0.36	7.8100	Value
7	Olympia Capital Holdings	0.8200	1.22	-0.7000	Value
8	Pan Africa Insurance	5.3100	0.19	10.7300	Growth
9	Centum	0.8800	1.14	26.0300	Value
10	CFC Stanbic Holdings	2.4700	0.40	2.3300	Value
11	City Trust	1.2500	0.80	2.0400	Value
13	Equity Bank	3.6400	0.27	0.7790	Growth
14	Standard chartered bank	5.84	0.17	1.6700	Growth
15	Barclays Bank	7.0400	0.14	2.4200	Growth

Finance and Investment 2007

		P/B	B/M	A.M.R	Value/Growth
1	Housing Finance	3.6400	0.27	-0.3400	Growth
2	Jubilee Insurance	2.4800	0.40	-2.7200	Growth
3	Baumann co.ltd	0.4100	2.44	-3.3000	Value
4	Kenya Commercial	4.3100	0.23	1.7600	Growth
5	National Bank	1.8800	0.53	-1.6160	Value
6	NIC Bank	1.3	0.77	-3.1610	Value
7	Olympia Capital Holding	1.0100	0.99	-4.4200	Value
8	Pan Africa Insurance	3.3200	0.30	0.8700	Growth
9	Centum	1.76	0.57	0.9500	Value
10	CFC Stanbic Holdings	3.3500	0.30	3.9230	Growth
11	City Trust	1.25	0.80	6.5000	Value
12	Equity Bank	3.64	0.27	0.7790	Growth
13	Standard chartered bank	5.1300	0.19	0.4400	Growth
15	Barclays bank	6.11	0.16	0.39	Growth

Finance and Investment 2008

		P/B	B/M	A.M.R	Value/Growth
1	Housing Finance	3.6700	0.27	-4.7440	Growth
2	Jubilee Insurance	3.0000	0.33	-3.3500	Value
3	Baumann co.ltd	0.4900	2.04	-3.6800	Value
4	National Bank	1.8500	0.54	-0.6680	Value
5	NIC Bank	1.5	0.67	-2.4600	Value
6	Olympia Capital Holding	1.0500	0.95	-2.5400	Value
7	Pan Africa Insurance	3.2900	0.30	-3.0060	Growth
8	CFC Stanbic Holdings	3.5900	0.28	-4.3300	Growth
9	City Trust	1.26	0.79	0.0270	Value
10	Equity Bank	3.64	0.27	1.4600	Growth
11	Standard chartered ban	5.1600	0.19	-1.4500	Growth
12	Barclays Bank	6.3400	0.16	-2.7950	Growth

Finance and Investment 2009

		P/B	B/M	A.M.R	Value/Growth
1	Housing Finance	4.6500	0.22	32.2368	Growth
2	Jubilee Insurance	3.0000	0.33	13.3838	Growth
3	Baumann co.ltd	0.4800	2.08	9.4697	Value
4	Kenya Commercial	4.3100	0.23	10.2865	Growth
5	National Bank	2.2000	0.45	9.2239	Value
6	NIC Bank	3.2400	0.31	36.7325	Growth
7	Olympia Capital Holding	1.2500	0.80	10.7542	Value
8	Pan Africa Insurance	3.1500	0.32	5.5599	Growth
9	Centum	2.0000	0.50	16.1111	Value
10	City	1.2700	0.79	3.9295	Value
11	Coop bank	0.5000	2.00	4.9451	Value
12	Equity Bank	6.5200	0.15	21.6140	Growth
13	Standard chartered ban	5.2300	0.19	5.0773	Growth
14	KenyaRe	0.2700	3.70	8.8439	Value
15	Barclays Bank	6.3700	0.16	9.5528	Growth

Industrial and allied returns : 2005

		P/B	B/M	A.M.R	Value/Growth
1	Athi river mining	1.3500	0.74	14.0200	Value
2	B.O.C Kenya	2.1400	0.47	3.6500	Growth
3	Crown Berger	1.1600	0.86	2.6720	Value
4	Diamond Trust	2.4200	0.41	1.4732	Growth
5	Total	1.5400	0.65	1.3230	Value
6	E.A Cables	4.3800	0.23	14.8600	Growth
7	E.A breweries	5.2500	0.19	3.2200	Growth
8	Kenol Kobil	2.9600	0.34	9.6784	Growth
9	KPLC	0.3500	2.86	4.0415	Value
10	Unga Group	0.5500	1.82	6.6000	Value
11	Bamburi cement	3.7600	0.27	4.3300	Growth
12	Mumias	1.5800	0.63	20.0139	Value

Industrial and allied 2006

		P/B	B/M	A.M.R	Value/Growth
1	Athi river mining	2.4300	0.41	11.2800	Growth
2	B.O.C Kenya	2.3300	0.43	0.5800	Growth
3	Crown Berger	1.1700	0.85	0.5800	Value
4	Total	1.4200	0.70	-0.3040	Value
5	E.A Cables	1.4100	0.71	37.8900	Value
6	E.A breweries	4.4300	0.23	1.1212	Growth
7	Kenol Kobil	2.0700	0.48	-1.8360	Growth
8	KPLC	0.5000	2.00	5.1630	Value
9	Unga Group	0.5000	2.00	-0.8500	Value
10	KenGen	0.6	1.67	-0.1990	Value
11	Kenya Orchards	5.8400	0.17	2.7000	Growth
12	Sameer Africa	3.2900	0.30	-1.3700	Growth
13	Bamburi cement	4.8600	0.21	2.9400	Growth
14	Mumias	3.2100	0.31	5.1700	Growth

Industrial and allied 2007

		P/B	B/M	A.M.R	Value/Growth
1	Athi river mining	2.6800	0.37	1.1290	Growth
2	B.O.C Kenya	2.1400	0.47	0.4800	Growth
3	Crown Berger	1.3100	0.76	1.4760	Value
4	Total	1.2400	0.81	0.3590	Value
5	E.A Cables	4.7900	0.21	0.8800	Growth
6	E.A breweries	4.4300	0.23	2.2000	Growth
7	Kenol Kobil	1.7800	0.56	0.5400	Growth
8	KPLC	0.5600	1.79	-1.5430	Value
9	Unga Group	0.3900	2.56	-1.1800	Value
10	KenGen	0.6000	1.67	-0.1990	Value
11	Sameer Africa	1.5900	0.63	-4.1700	Value
12	Bamburi cement	4.0700	0.25	-0.5300	Growth
13	Mumias	1.3200	0.76	-5.8100	Value

Industrial and allied 2008

		P/B	B/M	A.M.R	Value/Growth
1	Athi river mining	2.5600	0.39	-0.1100	Growth
2	B.O.C Kenya	2.1400	0.47	0.3540	Growth
3	Crown Berger	1.3800	0.72	-4.0840	Value
4	Total	1.2400	0.81	0.1800	Value
5	E.A Cables	4.8300	0.21	-2.9260	Growth
6	E.A breweries	4.5000	0.22	-1.1700	Growth
7	Kenol Kobil	1.9100	0.52	-2.9300	Growth
8	KPLC	0.5800	1.72	2.9569	Value
9	Unga Group	0.3800	2.63	-0.9970	Value
10	KenGen	0.5900	1.69	-3.3033	Value
11	Sameer Africa	1.6000	0.63	-4.2000	Value
12	Bamburi cement	4.0700	0.25	-1.0620	Growth
13	Mumias	1.3800	0.72	4.3070	Value

Industrial and allied 2009

		P/B	B/M	A.M.R	Value/Growth
1	Athi river mining	2.6500	0.38	4.3229	Growth
2	B.O.C Kenya	2.0700	0.48	1.3103	Growth
3	Crown Berger	1.3200	0.76	52.0833	Value
4	Total	1.1500	0.87	4.3403	Value
5	E.A Cables	4.8100	0.21	11.2319	Growth
6	E.A breweries	4.3000	0.23	1.7542	Growth
7	Kenol Kobil	1.9100	0.52	10.1032	Growth
8	KPLC	0.6100	1.64	12.3967	Value
9	Unga Group	0.3500	2.86	6.2389	Value
10	KenGen	0.71	1.39	17.4236	Value
11	Sameer Africa	1.7000	0.59	16.5833	Value
12	Eveready E.A		0.26	15.1515	Growth
13	Carbarcid Investment	2.5000	0.40	22.1569	Growth
14	Bamburi cement	4.0000	0.25	2.2073	Growth
15	Mumias	1.4200	0.70	61.6071	Value

APPENDIX III: VALUE VS GROWTH STOCKS ACROSS THE YEARS FOR ALL NSE STOCKS

2005

	Stock	Start Price	Return	% Return	End Price	Dividend	A.M.R	P/B	B/M	Value/Growth
1	Athi River Mining	15	24.5	163.33%	39.5	0.75	14.02	1.35	0.74	Value
2	B.O.C Kenya	115	45	39.13%	160	5.5	3.65	2.14	0.47	Growth
3	Bamburi cement	95.57	44.43	46.49%	140	5.3	4.33	3.76	0.27	Growth
4	Barclays Bank	200.6	62.4	31.11%	263	14	3.17	30.92	0.03	Growth
5	BAT	200	4	2.00%	204	12.5	0.6875	4.48	0.22	Growth
6	Baumann Co.Ltd	8	5.15	64.38%	13.15	0	5.364	0.11	9.09	Value
7	Car & General	15	8	53.33%	23	0.67	4.816	0.89	1.12	Value
8	Centum	60	12.5	20.83%	72.5	3	2.1527	0.93	1.08	Value
9	CFC Stanbic holdings	57.75	12.88	22.29%	70.63	0.84	1.97	2.94	0.34	Growth
10	City	50	6	12.00%	56	6.25	2.041	0.61	1.64	Value
11	CMC Holdings	60	-6	-10.00%	54	1.5	-0.625	0.67	1.49	Value
12	Crown Berger	28	7.98	28.49%	35.98	1	2.672	1.16	0.86	Value
13	Diamond trust K.	28	4.25	15.18%	32.25	0.7	1.4732	2.42	0.41	Growth
14	E.A Cables	51	86	168.63%	137	5	14.86	4.38	0.23	Growth
15	EA.Porland	46	64	139.13%	110	2.5	12.04	1.28	0.78	Value
16	Eaagads	17	0	0.00%	17	0	0	0.75	1.33	Value

17	E. A. breweries	100.56	34.44	34.24%	135	4.5	3.22	5.25	0.19	Growth
18	Express	7.8	6	76.92%	13.8	0	6.41	1.51	0.66	Growth
19	Housing Finance	8.5	5.45	64.12%	13.95	0	5.34	1.26	0.79	Value
20	Jubilee Insurance	58	25	43.10%	83	4	4.1666	1.14	0.88	Value
21	Kakuzi	40	8.25	20.63%	48.25	0	1.72	0.65	1.54	Value
22	Kapchorua Tea Co.	100	54	54.00%	154	3.75	4.81	0.42	2.38	Value
23	Kenol Kobil	63.5	71.5	112.60%	135	2.25	9.6784	2.96	0.34	Growth
24	Kenya Airways	16.91	65.09	384.82%	82	1.25	32.692	0.36	2.78	Value
25	Kenya Commercial	64.47	48.53	75.27%	113	4	6.78	2.24	0.45	Growth
26	KPLC	93.94	44.06	46.91%	138	1.5	4.0415	0.35	2.86	Value
27	Limuru Tea	355	-8	-2.25%	347	5	-0.07	4.51	0.22	Growth
28	Marshalls (E.A)	15	9.5	63.33%	24.5	0	5.27	0.46	2.17	Value
29	Mumias	10.73	24.27	226.27%	35	1.5	20.014	1.58	0.63	Growth
30	Nation media Group	170	20	11.76%	190	6	1.27	4.15	0.24	Growth
31	National Bank, Kenya	18.46	10.29	55.77%	28.75	0	4.6451	1.78	0.56	Growth
32	NIC bank	49.75	2.75	5.53%	52.5	2.5	0.8794	1.51	0.66	Growth
33	Olympia Capital Holdings Ltd	15.85	0.15	0.95%	16	0	0.0788	0.72	1.39	Value
34	Pan Africa Insurance	21	19.63	93.45%	40.63	1.2	8.26	2.06	0.49	Growth
35	Rea vipingo Plantation	10	10.75	107.50%	20.75	0.8	9.625	1.53	0.65	Growth

36	Sasini Tea Coffee	26.25	0.5	1.90%	26.75	0	0.158	0.38	2.63	Value
37	Standard Bank	121.88	17.13	14.05%	139	7.5	1.6840	3.94	0.25	Growth
38	Standard group	45	-5	-11.11%	40	0	-0.92	5.84	0.17	Growth
39	Total	37.54	3.46	9.23%	41	2.5	1.3230	1.54	0.65	Growth
40	TPS eastern Africa	47.25	33.75	71.43%	81	0.4	6.022	1.47	0.68	Growth
41	Unga Group	10.6	8.4	79.25%	19	0	6.6	0.55	1.82	Value
42	Uniliver Tea Kenya	90.5	0	0.00%	90.5	2	0.18	1.08	0.93	Value
43	Williamson Tea Kenya	100	5	5.00%	105	3.75	0.729	0.23	4.35	Value

2006

	Stock	Start Price	Return	% Return	End Price	Dividend	A.M.R	P/B	B/M	Value/ Growth
1	Athi River Mining	39.5	52.5	132.91%	92	1	11.28	2.43	0.41	Growth
2	B.O.C Kenya	160	0	0.00%	160	11.3	0.58	2.33	0.43	Growth
3	Bamburi Cement	140	44	31.43%	184	5.5	2.94	4.86	0.21	Growth
4	Barclays Bank	263	75	28.52%	338	1.65	2.42	7.04	0.14	Growth
5	Baumann	13.15	-1.15	-8.75%	12	0	-0.72	0.2	5.00	Value
6	B.A. T Kenya	204	-5	-2.45%	199	12.01	0.28	3.98	0.25	Growth
7	Car & General	23	22.25	96.74%	45.25	1.48	8.59	1.13	0.88	Value
8	Centum Investment	72.5	222.5	306.90%	295	4	26.03	0.88	1.14	Value
9	CFC Stanbic holding	70.63	17.88	25.31%	88.5	1.9	2.33	2.47	0.40	Growth
10	City Trust	56	11	19.64%	67	2.75	2.046	1.25	0.80	Value
11	CMC Holdings	54	65	120.37%	119	2.3	10.38	1.46	0.68	Value
12	Crown Berger	35.98	1.02	2.84%	37	1.5	0.58	1.17	0.85	Value
13	Diamond Trust Bank	32.25	46.75	144.96%	79	1	12.33	3.53	0.28	Growth
14	E.A Cables	13.7	62.3	454.74%	76	0.7	37.89	1.41	0.71	Value
15	E.A Portland cement	110	20	18.18%	130	2.6	1.71	1.55	0.65	Value
16	Eaagads	17	0	0.00%	17	1.25	0.612	1.87	0.53	Growth
17	E.A Breweries	135	12	8.89%	147	7.7	1.1216	4.43	0.23	Growth

18	Equity Bank	139	11	7.91%	150	2	0.779	3.64	0.27	Growth
19	Express	13.8	9.2	66.67%	23	0.4	5.79	1.53	0.65	Value
20	Housing Finance Co.	13.95	41.55	297.85%	55.5	0	24.82	4.02	0.25	Growth
21	Jubilee insurance	83	97	116.87%	180	4.25	10.165	3.22	0.31	Growth
22	Kakuzi	48.25	-6.25	-12.95%	42	0	-1.07	0.49	2.04	Value
23	Kapchurua	154	-74	48.05%	80	5	-3.73	0.42	2.38	Value
24	KenGen.	29.25	-1.5	5.13%	27.75	0.8	-0.199	0.6	1.67	Value
25	Kenya Airways	82	49	59.76%	131	1.75	5.15	0.91	1.10	Value
26	K. C. B	113	80	70.80%	193	6	6.34	4.14	0.24	Growth
27	Kenya Oil Co	135	-32	-23.70%	103	2.25	-1.836	2.07	0.48	Growth
28	Kenya Orchards	40	13	32.50%	53	0	2.7	5.84	0.17	Growth
29	K.P.L C	138	84	60.87%	222	1.5	5.163	0.5	2.00	Value
30	limuru tea co.	347	3	0.86%	350	10	0.31	3.31	0.30	Growth
31	Marshalls E.A	24.5	18.5	75.51%	43	1	6.63	0.45	2.22	Value
32	Mumias Sugar Co.	35	20	57.14%	55	1.75	5.17	3.21	0.31	Growth
33	Nation Media group	190	45	23.68%	235	12	2.5	5.79	0.17	Growth
34	National Bank	28.75	38.75	134.78%	67.5	0	11.23	3.01	0.33	Growth
35	NIC Bank	52.5	46.5	88.57%	99	2.7	7.81	2.77	0.36	Growth
36	Olympia Holdings	16	-1.35	-8.44%	14.65	0	-0.7	0.82	1.22	Value
37	Pan African Insurance	40.63	50.88	125.23%	91.5	1.44	10.73	5.31	0.19	Growth

38	Rea Vipingo Plantation	20.75	4.75	22.89%	25.5	0.8	2.22	1.86	0.54	Growth
39	Sameer Africa	21.5	-3.55	-16.51%	17.95	0	-1.37	3.29	0.30	Growth
40	Sasini Tea	26.75	25.75	96.26%	52.5	1	8.33	0.59	1.69	Value
41	Standard Chartered Bank	139	28	20.14%	167	0	1.67	5.84	0.17	Growth
42	Standard Group	40	13	32.50%	53	0	2.708	5.84	0.17	Growth
43	Total Kenya	41	-4	-9.76%	37	2.5	-0.304	1.29	0.70	Value
44	TPS Eastern Africa	81	4	4.94%	85	1.25	0.54	1.42	0.70	Value
45	Unga Group	19	-1.95	10.26%	17.05	0	-0.85	0.5	2.00	Value
46	Uniliver Tea Kenya	90.5	-10	11.05%	80.5	2	-0.73	0.89	1.12	Value
47	Williamson Tea	105	-25	23.81%	80	5	-1.587	0.34	2.94	Value

2007

	Stock	Start Price	Return	% Return	End Price	Dividend	A.M.R	P/B	B/M	Value/Growth
1	A. Baumann	33	-13.1	-39.70	19.9	0	-3.3	0.41	2.44	Value
2	Athi River mining	83	10	12.05	93	1.25	1.129	2.68	0.37	Growth
3	B.O.C Kenya	160	0	0.00	160	9.25	0.48	2.14	0.47	Growth
4	Barclays	263	75	28.52%	338	1.65	2.42	7.04	0.14	Growth
4	Bamburi Cement	215	-19	8.84	196	6	-0.503	4.07	0.25	Growth
5	B. A. T	197	-58	-29.44	139	17	-1.734	2.43	0.41	Growth
6	Car & General (K)	50	7	14.00	57	0.67	1.27	1.18	0.85	Value
7	Centum investment	32.5	-2.75	-8.46	29.75	0.45	0.95	1.76	0.57	Growth
8	CFC Stanbic holdings	89	40	44.94	129	1.9	3.923	3.35	0.30	Growth
9	City Trust	86	64	74.42	150	3.1	6.5	1.25	0.80	Value
10	CMC Holdings	17.6	0.8	4.55	18.4	0.35	0.95	1.73	0.58	Growth
11	Crown Berger	43.75	6.75	15.43	50.5	1	1.476	1.31	0.76	Value
12	Diamond Trust Bank	72.5	22	30.34	94.5	1.4	2.68	2.81	0.36	Growth
13	E.A. Cables	48	-6	-12.5	42	0.9	0.88	4.79	0.21	Growth
14	E.A.portland cement	128	12	9.38	140	2.6	0.95	1.32	0.76	Value
15	Eaagads	52	-7	-13.46	45	0	-1.12	1.75	0.57	Growth

16	East Africa Breweries	139	29	20.86	168	7.7	2.2	4.43	0.23	Growth
17	Equity bank	139	11	7.91	150	2	0.779	3.64	0.27	Growth
18	Eveready East Africa	17.95	-10	-55.71	7.95	0	-4.64	3.06	0.33	Growth
19	Express	24.25	0.25	1.03	24.5	0.5	-0.257	1.39	0.72	Value
20	Housing finance	48	-2.25	-4.69	45.75	0.25	-0.34	3.64	0.27	Growth
21	Jubilee insurance Co.	323	-110	-34.06	213	4.25	-2.72	2.48	0.40	Growth
22	Kakuzi	42.25	-6	-14.20	36.25	0	-1.18	0.37	2.70	Value
23	Kapchorua tea co.	98	-8	-8.16	90	0.5	-0.63	0.66	1.52	Value
24	KenGen	29.25	-1.5	-5.13	27.75	0.8	-0.199	0.6	1.67	Value
25	Kenya Airways	119	-55.5	-46.64	63.5	1.75	-3.764	0.7	1.43	Value
26	K.C. B	24.1	4.4	18.26	28.5	0.7	1.76	4.31	0.23	Growth
27	Kenya Oil Co.	108	7	6.48%	115	0	0.54	1.78	0.56	Growth
28	K.P.L.C	270	-53	-19.63	217	3	-1.543	0.56	1.79	Value
29	Limuru Tea Co.	350	25	7.14	375	5	0.714	4.55	0.22	Growth
30	Marshalls(E.A)	38	1	2.63	39	1	0.43	0.53	1.89	Value
31	Mumias Sugar co.	54	-39.2	72.59	14.8	1.5	-5.81	1.32	0.76	Value
32	Nation media Group	313	13.00%	4.15	326	10.5	0.62	5.81	0.17	Growth
33	National Bank	58	-11.25	-19.40	46.75	0	-1.616	1.88	0.53	Growth
34	Nic Bank	102	-39.5	-38.73	62.5	0.8	-3.161	1.3	0.77	Value

35	Olympia Capital Holdings	31	16.45	-53.06	14.55	0	-4.42	1.01	0.99	Value
36	Pan Africa Insurance	91.5	8	8.74	99.5	1.6	0.87	3.32	0.30	Growth
37	Rea Vipingo	25.75	-3.5	-13.59	22.25	0.8	19	1.35	0.74	Value
38	Sameer Africa	24.25	12.15	-50.10	12.1	0	-4.17	1.59	0.63	Value
39	Sasini tea	28.2	-10.7	-37.94	17.5	0	-0.89	0.93	1.08	Value
40	Scan Group	24.75	5	20.20%	29.75	0.9	1.98	7.79	0.13	Growth
41	Standard chartered bank	205	1.00%	49.00	206	10	0.44	5.13	0.19	Growth
42	Standard Group	66.5	-9.5	-14.29	57	1	-1.06	2.78	0.36	Growth
43	Total Kenya	34.75	-1	-2.88	33.75	2.5	0.359	1.24	0.81	Value
44	TPS eastern Africa	86.5	-8	-9.25	78.5	1.25	-0.65	1.11	0.90	Value
45	Unga Group	18	-2.55	-14.17	15.45	0	-1.18	0.39	2.56	Value
46	Unilever Tea Kenya	80	-15	-18.75	65	0	-1.56	0.84	1.19	Value
47	Williamson Tea Kenya	118	-8	-6.78	110	0.5	-0.52	0.28	3.57	Value

2008

	STOCK	START PRICE	RETURN	% RETURN	END PRICE	DIVIDEND	A.M.R	P/B	B/M	Value/Growth
1	A. Baumann	19.9	-8.8	-44.22%	11.1	0	-3.68	0.49	2.04	Value
2	Athi River Mining	93	-2.5	-2.69%	90.5	1.25	-0.11	2.56	0.39	Growth
3	B.O.C Kenya	160	0	0.00%	160	6.8	0.354	2.14	0.47	Growth
4	Bamburi Cement	196	-31	15.82%	165	6	-1.062	4.07	0.25	Growth
5	Barclays Bank	79	-28.5	-36.08%	50.5	2	-2.795	6.34	0.16	Growth
6	B. A.T	139	-8	-5.76%	131	17	0.53	2.43	0.41	Growth
7	Car & General (K)	57	-13	-22.81%	44	0.67	-1.8	1.18	0.85	Value
8	CFC Holdings 5.00	129	-69	-53.49%	60	1.9	-4.33	3.59	0.28	Growth

9	City Trust	150	0	0.00%	150	0.5	0.027	1.26	0.79	Value
10	CMC Holdings	18.4	-2.4	-13.04%	16	0.35	-0.92	1.75	0.57	Value
11	Crown Berger	50.5	25.75	-50.97%	24.75	1	-4.084	1.38	0.72	Value
12	Diamond Trust Bank	94.5	-26	-27.51%	68.5	1.4	-2.169	2.81	0.36	Growth
13	E.A. Portland	140	-60.5	-43.21%	79.5	0	-3.6	1.48	0.68	Value
14	E.A.Cables	42	15.75	-37.50%	26.25	1	-2.926	4.83	0.21	Growth
15	E.A. Breweries	168	-24	14.29%	144	0.35	-1.17	4.5	0.22	Growth
16	Equity Bank	150	26	17.33%	176	0.3	1.46	3.64	0.27	Growth
17	Eveready east Africa	7.95	-4.45	-55.97%	3.5	0	-4.66	3.75	0.27	Growth
18	Express	24.5	-11.5	-46.94%	13	0	-3.911	1.56	0.64	Value
19	Housing finance	45.75	-26.35	-57.60%	19.4	0.3	-4.744	3.67	0.27	Growth
20	Jubilee	213	-90	-42.25%	123	4.25	-3.35	3	0.33	Growth

	Insurance									
21	Kakuzi	36.25	13.25	-36.55%	23	1	-2.816	0.38	2.63	Value
22	Kapchorua Tea Co.	90	-22	-24.44%	68	2.5	-1.8	0.67	1.49	Value
23	KenGen	27.75			15.85	0.9	-3.3033	0.59	1.69	Value
24	Kenya Airways	63.5	-35	-55.12%	28.5	1	-4.46	3.9	0.26	Growth
25	Kenya Oil Company	115	-49	-42.61%	66	8.56	-2.93	1.91	0.52	Growth
26	K..P.L.C	217	-81	-37.33%	136	4	2.95699	0.58	1.72	Value
27	Limuru Tea Co.	375	-70	18.67%	305	5	-1.44	4.55	0.22	Growth
28	Marshalls (E.A)	39	-12	-30.77%	27	0	-2.56	0.54	1.85	Value
29	Mumias Sugar Co.	14.8	8.05	-54.39%	6.75	0.4	4.30743	1.38	0.72	Value
30	nation Media Group	326	-182	55.83%	144	5.5	-4.51	5.74	0.17	Growth
31	National	46.75	-3.75	-8.02%	43	0	-0.668	1.85	0.54	Growth

	Bank of Kenya									
32	NIC Bank	62.5	-19	-30.40%	43.5	0.5	-2.46	1.5	0.67	Value
33	Olympia Capital holding	14.55	-4.55	-31.27%	10	0.1	-2.54	1.05	0.95	Value
34	Pan Africa Insurance	99.5	-37.5	-37.69%	62	1.6	-3.006	3.29	0.30	Growth
35	Rea Vipingo Plantations	22.25	-8.3	-37.30%	13.95	0.2	-3.03	1.46	0.68	Value
36	Sameer Africa	12.1	-6.1	-50.41%	6	0	-4.2	1.6	0.63	Value
37	Sasini Tea	17.5	-10.5	-60.00%	7	0	-5	0.96	1.04	Value
38	Scan Group	29.75	-3.75	-12.61%	26	0.62	-0.87	7.54	0.13	Growth
39	Standard Chartered bank	206	-46	-22.33%	160	10	-1.45	5.16	0.19	Growth
40	Standard	57	-7	-12.28%	50	1.1	-0.86	2.85	0.35	Growth

	Group									
41	Total Kenya	33.75	-1.75	-5.19%	32	2.5	0.18	1.24	0.81	Value
42	TPS Eastern Africa	78.5	-26	-33.12%	52.5	1.25	-2.627	1.2	0.83	Value
43	Unga Group	15.45	-1.85	-11.97%	13.6	0	-0.997	0.38	2.63	Value
44	Williamson Tea Kenya	110	-52.5	-47.73%	57.5	4	-3.67	0.34	2.94	Value

2009

	Stock	Start Price	Return	% Return	End Price	Dividend	A.M.R	P/B	B/M	Value/ Growth
1	A. Baumann	11	12.5	113.636	23.5	0	9.4697	0.48	2.08	Value
2	Access Kenya	15.5	24.5	158.06	40	1	22.1569	1.5	0.40	Growth
3	Athi River mining	80	40	50	120	1.5	4.3229	2.65	0.38	Growth
4	B.O.C Kenya	145	16	11.034	161	6.8	1.3103	2.07	0.48	Growth
5	Bamburi cement	168	37	22.02	205	7.5	2.2073	4	0.25	Growth
6	Barclays	41	44	107.32	85	3	9.5528	6.37	0.16	Growth
7	B.A.T	128	52	40.625	180	10.25	4.0527	2.85	0.35	Growth
8	Car & general	40	20	50	60	1	4.3750	1.18	0.85	Value
9	Carbacid investment	85	226	265.88	311	0	22.1569	2.5	0.40	Growth
10	Centum	12	22.75	189.58	34.75	0.45	16.1111	2	0.50	Growth
11	City Trust	123	57	46.34	180	1	3.9295	1.27	0.79	Value
12	CMC	11.25	12.25	108.89	23.5	1	9.8148	1.82	0.55	Value
13	Co-op bank	9.1	4.4	48.35	13.5	1	4.9451	0.5	2.00	Value
14	crown Berger	8	48	600	56	2	52.0833	1.32	0.76	Value
15	Diamond trust Kenya	50	60	120	110	1.55	10.2583	2.75	0.36	Growth
16	E.A Cables	23	30	130.43	53	1	11.2319	4.81	0.21	Growth

17	E.A. breweries	100	20	20	120	1.05	1.7542	4.3	0.23	Growth
18	E.A. Portland cement	40	102	255	142	1.3	21.5208	1.45	0.69	Value
19	Eaagards	30	22	73.33	52	0.63	6.2861	0.5	2.00	Value
20	Equity	95	246	258.95	341	0.4	21.6140	6.52	0.15	Growth
21	Eveready East Africa	3.3	6	181.82	9.3	0	15.1515	3.82	0.26	Growth
22	Express	8	5.5	68.75	13.5	0.5	6.2500	3.02	0.33	Growth
23	Housing Finance	11.4	43.6	382.45	55	0.5	32.2368	4.65	0.22	Growth
24	Jubilee	99	154	155.55	253	5	13.3838	3	0.33	Growth
25	Kakuzi	20.5	19.5	95.12	40	2.5	8.9431	0.37	2.70	Value
26	Kapchorua Tea	68	32	47.06	100	6.25	4.6875	0.69	1.45	Value
27	Kengen	12	25	208.33	37	0.09	17.42	0.72	1.31	value
28	Kenol kobil	56.5	63.5	112.39	120	5	10.1032	1.91	0.52	Growth
29	Kenya Airways	22	58	26.36	80	1	22.3485	3.5	0.29	Growth
30	K. C.B	16	18.75	117.19	34.75	1	10.2865	4.31	0.23	Growth
31	KenyaRe	9.35	10	106.95	19.35	0.5	8.8439	0.27	3.70	Value
32	KPLC	121	174	143.80	295	6	12.3967	0.61	1.64	Value
33	Limuru Tea	338	0	0	338	10	0.2465	4	0.25	Growth
34	Marshalls E.A	30	17	56.67	47	0	4.7222	0.38	2.63	Value
35	Mumias	5.6	40.9	730.357	46.5	0.5	61.6071	1.42	0.70	Value

36	Nation Media group	100	295	295	395	6	25.0833	5.65	0.18	Growth
37	National Bank	32.75	36.25	110.69	69	0	9.2239	2.2	0.45	Growth
38	NIC bank	38	167	439.47	205	0.5	36.7325	3.24	0.31	Growth
39	Olympia	8.95	11.55	129.05	20.5	0	10.7542	1.25	0.80	Value
40	Pan Africa insurance	64	41	64.06	105	1.7	5.5599	3.15	0.32	Growth
41	Rea Vipingo	13.2	9.8	74.24	23	1	6.8182	1.45	0.69	Value
42	Safaricom	3	5.5	183.33	8.15	0.3	15.1389	0.8	1.25	Value
43	Sameer Africa	5	9.45	189	14.45	0.5	16.5833	1.7	0.59	Value
44	Sasini Tea	5.2	15.05	289.42	20.25	1	25.7212	0.95	1.05	Value
45	Scan Group	23	12	0.52	35	0.5	4.5290	7.52	0.13	Growth
46	Standard Chartered Bank	151	85	56.29	236	7	5.0773	5.23	0.19	Growth
47	Standard Group	42.75	20.25	47.37	63	0.5	4.0448	2.5	0.40	Growth
48	Total	24	11.5	47.92	35.5	1	4.3403	1.15	0.87	Value
49	TPS E.A(Serena)	48	37.5	78.125	85.5	1.25	6.7274	1.25	0.80	Value
50	Unga Group	9.35	7	74.87	16.35	0	6.2389	0.35	2.86	Value
51	Uniliver Tea	45	26	57.78	71	0	4.8148	1.92	0.52	Growth
52	Williamson Tea	52	96	184.62	148	6.25	16.3862	0.46	2.17	Value

