Performance of Portfolios Based on E/P, B/M and Size: Evidences on Indian Stock Market

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Abstract

The main objective of the present study is to examine the consistency in the performance of various portfolios constructed on the basis of three fundamental factors (E/P, B/M and Size). It has examined whether the investment strategies based on three major fundamentals, i.e., Earnings-to-Price Ratio, Book-to-Market Price Ratio and Size of the firms result into extraordinary returns to the investors in the short run or not. The short-term analysis based on yearly performance of various portfolios has not given any sound base to believe on these parameters as short-term stock selection criteria. But out of three fundamental factors considered in the present study, the highest inconsistency was found in the performance of portfolios based on market cap of the firm rather than portfolios based on E/P ratio or Book to market price ratio.

Key Words


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