DETERMINANTS OF THE ADOPTION OF THE VALUE INVESTING STRATEGY AMONGST MUTUAL FUNDS IN KENYA

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Submitted in partial fulfilment of the degree of Bachelor of Commerce (Finance and Accounting) at Strathmore University

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other university. To the best of my knowledge, this research project contains no material previously published or written by another person except where due reference has been made in the research proposal itself.

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LIST OF ABBREVIATIONS

NSE – Nairobi Securities Exchange

COVID-19 – Coronavirus Pandemic

GAAP – Generally Accepted Accounting Principles

NYSE – New York Stock Exchange

NASDAQ – National Association of Securities Dealers Automated Quotations

CAPM – Capital Asset Pricing Model

EMH – Efficient Market Hypothesis

SPSS – Statistical Package for the Social Sciences

CHAPTER ONE
INTRODUCTION

1.1 Background

Value Investing is a type of investing that involves identification and purchase of securities for less than their intrinsic worth, which means buying them for what their business value is worth as opposed to what the market quotes as their value (Browne, 2006). This not only involves performing an analysis on the company's financial information, but also; understanding the goods and/or services that a company provides, the competitive landscape/ environment the company operates in, the management of the company and the long-term strategy of the business. Yet, it is still important to note that not all relevant information can be captured by the investor, but the above stated ones form the key information that should be considered.

The main aim of investing is to derive future benefits, for current commitment of funds, that will compensate the investor for; time, inflation and uncertainty of future payments (Reilly and Brown, 2012). Value investing is a mode of investing that capitalises on an aspect known as margin of safety. Margin of safety is the difference between the intrinsic value of a business and its market value. Value investors believe that the misquoted stock prices will, with time, reflect their true value. From the margin of safety an investor benefits in the following ways; (i) Through the stock price reverting back to its intrinsic value, (ii) the intrinsic value of the business rising or (iii) Both (Browne, 2006). Value Investing differs from the most common type of investing (growth investing), which involves investing in companies that have a high growth potential and often considered overvalued because they are expected to continue to grow quickly, in that it involves investing in undervalued securities that are less than their quoted market value. These undervalued securities are considered to be value stocks by virtue of them containing low price-to-earnings ratios, typically below 15, accompanied by low price-to-book ratios of 1.0 (Graham, 1949).

Value investing has proven effective especially during economic recessions that have become an inevitable trait of free market capitalism of the 20th and 21st centuries. In Kenya, during the COVID-19 pandemic, a record 1 billion dollars (114.5 billion Kenya shillings) was lost by investors. That amount was lost by investors of the top 10 companies in the NSE by market capitalization. None of these companies are value stocks. A company like Bamburi cement, a value stock (by virtue of it having a P/E ratio of 12.5, and a P/B ratio of 0.5) for example, recorded a profit of 1.129 billion, up from 359 million Kenya shillings, paying a final dividend

of 3 shillings per share at a time where most of the listed companies had frozen dividend payments, in order to navigate the effects of the pandemic. Value investing in retrospect has proven worthwhile during economic downturns as not many investors own stock in such companies, therefore they are not affected by the panic buying and selling that occurs amongst most stock investors during such times.

The section is organised as follows; Section 1.2 discusses the statement of the problem, section 1.3 lists the research objectives, section 1.4 briefly outlines the research questions and section 1.5 shows the significance of the study.

1.2 Statement of the problem

The research on value investing in the NSE has been conducted by various people, and the findings show that there is a presence of value premium in the NSE. As a matter of fact, Wahome (2009), found that value stocks outperformed growth stocks in the period of 1999 to 2007. Ooko (2011), went further to classify value and growth stocks based on their respective industries using the book to market value ratio. He found that value premium mainly exists in the Industry and allied sector (now classified into commercial & services, construction & allied, energy & petroleum and manufacturing & allied sectors in the NSE).

Amunga (2015), in passing, found out the extent to which mutual funds use the value investment strategy. However, her main study was on the factors affecting mutual funds' performance in Kenya. Given the nature and the time which the study was conducted, it is safe to say the findings are not currently reliable as at the time of this research. Major events like the COVID-19 pandemic have occurred, which have affected investment strategies employed by mutual funds to mitigate the risk of loss. Therefore, this study aims to solely focus on providing a realistic picture of the extent to which mutual funds apply the value investing strategy currently by investing in value stocks.

Many Kenyans use mutual funds as an investment vehicle. Mutual funds are, in simple terms, companies/entities that draw a pool of money from investors to invest in securities like stocks, bonds, money market instruments and other assets, on behalf of those investors (Hayes, 2020).

Mutual Funds in Kenya typically consist of; money market fund, equity fund, balanced fund and bond fund (Amunga, 2015). Our focus in this case will be on the equity fund. Equity fund, as the name suggests consists of a pool of funds that are invested by the fund manager (on behalf of the client), solely in the equity market. The fund manager seeks to identify a wide set

of stocks in the market that will bring in consistent or increasing returns, ensuring that the client gets regular income (inform of dividends and capital-gains) added to their portfolio.

Investing in equities is considered a long-term investment. Value investing aims to bring out the long-term aspect of investing and is aimed to solve the common traps many investors fall into. They are, investing in companies by mere speculation without thoroughly understanding them as well as investing based on emotions. These traps make investors lose out on a lot of money especially during economic downturns heavily characterised by investors buying and selling their stock based on anxiety.

1.3 Research Objectives

1.3.1 General Research Objective

To find out the extent to which mutual funds in Kenya apply the value investing concept while investing in the stock market on behalf of their clients.

1.3.2 Specific research objectives

(i) To determine the level in which investment objectives, affect the extent to which the value investing concept is adopted by mutual funds in Kenya.

(ii) To determine the level in which prevailing and economic market conditions affect the extent to which the value investing concept is adopted by mutual funds in Kenya.

(iii) To determine the level in which fees and trading costs affect the extent to which the value investing concept is adopted by mutual funds in Kenya.

1.4 Research Questions

(i) What is the level in which investment objectives affect the extent to which the value investing concept is adopted by mutual funds in Kenya?

(ii) What is the level in which prevailing and economic market conditions affecting the extent to which the value investing concept is adopted by mutual funds in Kenya?

(iii) What is the level in which fees and trading costs affect the extent to which the value investing concept is adopted by mutual funds in Kenya?

1.5 Significance of the study

This study aims to help key stakeholders, among them being:

(i) Kenyan citizens

The study will be helpful in deepening an understanding of value investing especially with respect to the NSE. A lot of study on value investing has mainly been equated to the developed stock markets, key of all being the NYSE of The United States of America. Therefore, this will build on the growing knowledge of value investing within the Kenyan market, that will then probe further research by researchers.

(ii) Mutual Fund managers

This study will help mutual fund managers in considering value investing to a greater extent when it comes to investing on behalf of their clients.

(iii) Investors

This study also aims to help investors alike when it comes to considering the value investing strategy and challenge them to consider investing some of their funds directly in the NSE using this strategy.

(iv) Economists and Policy makers

This study will also be helpful to policy analysts when making policies. The Stock market is a key component in the growth of the Kenyan Economy. Therefore, in making policies, analysts will be able to factor in the stock market given the information that will be relayed by this research. Monetary policy specifically should have the NSE in mind as the former directly and indirectly affects the latter.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

In this chapter, we see the theories behind the value investing strategy and how they have played out in the real market, based on the study objectives. The chapter is organised as follows: section 2.2 discusses the theoretical review based on the study, section 2.3 is on the empirical review that is consistent with the study objectives, section 2.4 discusses the summary and research gap of the literature, section 2.5 shows the conceptual framework in a diagrammatic way.

2.2 Theoretical Review

2.2.1 Efficient Market Hypothesis

This hypothesis came from Eugene Fama's popular survey article titled 'Efficient Capital Markets'. In his article, he proposed that markets are 'efficient' given that stocks fully reflect all available information. The accepted view was that when information arises, the news spreads very quickly and is incorporated into the prices of securities without delay (Malkiel, 2003). Malkiel (2003), further notes that neither technical analysis, which typically consists of the study of the past trend of a stock in an effort to predict its future price, nor fundamental analysis, which entails analysis of company financial statements through accounting ratios, help investors to establish undervalued stocks in an attempt to outperform the market. The Efficient Market Hypothesis (EMH) is closely associated with the Random Walk Hypothesis. In Malkiel's book (1973), he argues that stock price movements are unpredictable, and they can be compared to a drunk person who (because of his mental state) makes random steps aimlessly. Stocks likewise react to a new set of information today different from the way it reacted to the previous day's information. The stock will react accordingly without any consideration of the previous day's information.

Malkiel (1973) goes ahead further to classify the efficient market hypothesis into three forms: (1) Strong form of efficiency (2) Semi-strong form of efficiency and (3) Weak form of efficiency. The strong form of efficiency argues that stock prices reflect all the company's information ranging from private (insider information) to public information. The semi-strong version alludes to the fact that stock prices only reflect all the available public information,

leaving out any private information. The weak form of efficiency is the most lenient, where Malkiel states that in this form, stock prices are only a reflection of the past stock prices.

In each of these three forms, the investor cannot be able to gain an edge over the market given the access to the respective types of information based on the degree of efficiency. Damodaran (2002), argues that contrary to popular belief, the EMH does not require that stock prices be equal to the true value of the company at any given time. However, it requires that errors in the market price be unbiased, that is, prices can be greater than or less than true value, as long as these deviations are random. The fact that the deviations from true value are random implies, in a rough sense, that there is an equal chance that any stock is under- or overvalued at any point in time, and that these deviations are uncorrelated with any observable variable. For instance, in an efficient market, stocks with lower P/E ratios should be no more or no less likely to be undervalued than stocks with high P/E ratios. If the deviations of market price from true value are random, it follows that no group of investors should be able to consistently find under- or overvalued stocks using any investment strategy (Damodaran, 2002).

The Efficient Market Hypothesis is a common theory that has often been used in finance. It has heavily influenced the passive investing strategy commonly used by investors and mutual funds. However, it is contrary to the tenets of the value investment philosophy. In discussing the Efficient Market Hypothesis, the researcher aims to brings out the shortcomings of this belief, believing that the hypothesis is impractical as investor behaviour often brings about stock mispricing, making the markets to be inefficient. As discussed, the value investor is always looking to take advantage of the stock mispricing in order to reap a profit.

2.2.2 Fama and French Three factor model.

The Fama and French three factor model seeks to further expound on the Capital Asset Pricing Model (CAPM) by adding size risk and value risk factors to the market risk factor in the CAPM (Hayes, 2021). According to this model, there exists a value premium in the market. A value premium can be described as the excess return that can be obtained from applying the value investing strategy, investing in value stocks rather than growth stocks (Ooko, 2011). Growth stocks are stocks of companies which generate consistent and substantial positive cash flows, and whose revenues as well as profits are expected to increase faster than that of the average company (O'Neil, 2002).

Due to existence of a value premium, Fama and French (1992), conclude that ultimately value stocks outperform growth stocks. This was after performing studies on the world's largest stock

markets. The large returns observed on value stocks would be compensation for bearing risk thus would be consistent with market efficiency (Fama and French 1992, 1993). As part of their findings, they also found that small capitalization stocks tended to outperform large capitalization stocks. Market capitalization refers to a company's total value of its outstanding shares (Fama and French, 1992).

The Fama and French has three factors which are; (i) Size of firms, (ii) Book-to-market value and (iii) Excess return on the market. In other words, they may be termed as; Small minus Big (SMB), High minus Low (HML) and portfolio's return less free rate of return respectively. SMB accounts for publicly traded companies with small market caps that generate higher returns, while HML accounts for value stocks with high book-to-market ratios that generate higher returns in comparison to the market (Hayes, 2021).

Fama and French conducted studies and found that when size and value factors are combined with the beta factor, they explain up to 95% of the return in a diversified stock portfolio (Hayes, 2021). Using this model, Investors are able to override the underperformance and extra volatility of stocks in the short term. Investors with a longer-term horizon of up to 15 years will be compensated for the risks that they will have suffered in the short term (Hayes, 2021).

The model is reliable given it can explain up to 95% of the return in a diversified stock portfolio. Therefore, Investors are able to modify their portfolios based on the levels of risk they choose to assume. In this case, the main factors driving the expected returns according to this model are ; sensitivity to the market, sensitivity to size and sensitivity to value stocks as measured by the book to market ratio (Hayes, 2021).

This theory helps in explaining the value investment strategy from a purely academic point of view. The model expounds on the Capital Asset Pricing Model and shows how (CAPM) also supports the fact that high value and small capitalization companies **outperform** the overall market.

2.2.3 Behavioural Finance Theory

It was developed in the early 1990s as a theory opposing the Efficient Market Hypothesis (EMH). This theory seeks to understand financial markets from the viewpoint of investor rationality or in this case irrationality. Rationality in this case denotes; (i) How investors react to new information. Rationality dictates that investors ought to adjust their beliefs as new information arises, and (ii) How their beliefs influence their decisions and choices. Rationality

here dictates that investors make choices that are normatively acceptable, that is, choices that will result in positive returns from investment. (Thaler and Barberis, 1993).

Behavioural finance is a new approach to financial markets that has emerged, at least in part, in response to the difficulties faced by the traditional paradigm. In broad terms, it argues that some financial phenomena can be better understood using models in which some agents are not fully rational (Thaler and Barberis, 1993). In other words, it affirms that investors are not fully rational and that they often make financial choices and decisions based on emotions and cognitive biases (McClure, 2021). It seeks to explain the 'what', 'why' and 'how' of finance from a human point of view. There are following are concepts related to behavioural finance;

(a) Mental accounting – This refers to the methods people use to categorise and evaluate financial outcomes (Kahneman and Tversky 1974, Thaler 1985).
(b) Herd Behaviour – This states that people tend to mimic the financial behaviour of the majority of the herd (Hayes, 2021).
(c) Anchoring – This is when people estimate some possible value then slowly adjust away from it. (Kahneman and Tversky 1974).
(d) Self-attribution – This is based on human bias, that investors are often overconfident in their own knowledge or skill. This confidence often increases when public information aligns with what they know, but it does not drop when public information contradicts their knowledge.

While the Efficient Market Hypothesis (EMH) subscribes to the notion that security prices fully reflect all available information, the behavioural finance theory seeks to explain the anomalies that exist in the market, leading to the conclusion that markets are inefficient. EMH states that, as a result investors view prices rationally based on all available intrinsic and external factors. Behavioural finance theory on the other hand contradicts this by stating that emotional and cognitive biases often lead investors to making irrational investment decisions.

This theory helps in understanding how and when people often deviate from rational expectations and provides a proper blueprint in making more rational investment decisions. At the core of Value Investing is the virtue of patience after conducting thorough fundamental analysis of the stocks. Despite the turbulence of the markets based on investors' irrationality, value investing provides a proper blueprint on how investors can invest in a more rational manner.

2.3 Empirical Review

This section aims to explain the factors that influence the investment strategies of mutual funds. This information will then help in explaining the extent to which they apply value investment as an equity investment strategy. These factors include; Investment objectives of mutual funds, Prevailing market & economic conditions and fees & trading costs.

2.3.1 Investment objective of mutual funds

Mutual funds normally employ either of two equity investment strategies, namely; Active investment strategy or a passive investment strategy. For the active manager, the main aim is to outperform an equity benchmark (index) on a risk-adjusted basis (Reilly & Brown, 2011). The active strategy is often employed through; fundamental analysis, technical analysis and/or a study of the market anomalies. Value investing falls under the fundamental analysis hence it is an active strategy. On the other hand, a passive investment strategy includes tracking the performance of an index over time. Therefore, for the passive manager, success is based on how well one is able to track an index (in this case a stock index) over a period of time.

Active investing has been the norm for most mutual funds, with the aim being to make as much money as possible for clients, by scouting for opportunities to beat the market. However, over the past 20 years, there has been a slow shift towards passive investment since they began operating in 1970 (Cremers, Fulkerson & Riley, 2019). This is due to the conventional wisdom that states that active management of mutual funds in The United States, on average, provides very little value to investors. To undertake an active investment strategy, the fund managers ought to possess skill more than cost. In this case cost refers to the amount foregone to access a skill. (Barras, Scaillet and Wermers, 2010) found that only 0.6% have skill in excess of cost whereas 75.4% have some skill though they "extract all of the rents generated by these abilities through fees" (p.2). They also observed that proportion of skilled funds decreased from 14.4% in the beginning of 1990 to 0.6% in late 2006.

Furthermore, there has been a downward trend in the active management strategy. Bernstein (1998) attributed the downward trend to the increasing efficiency of markets over the years. As the market efficiency increases, active managers will find fewer profitable investment opportunities. Conrad, Wahal and Xiang (2015) were able to provide evidence on the increasing trend of market efficiency over the recent years. Ironically, market efficiency has increased as investors have usually scouted for opportunities to outperform the market. Market

efficiency is characterised by; a large and liquid market, accessibility and cost information which has to be widely available and released to investors at more or less the same time, less transaction costs as compared to investment profits and availability of funds to take advantage of market inefficiency (Hall, 2019).

With the improvement of Information Technology (I.T) over the years, markets worldwide have gained more efficiency. This is because it has allowed for a quicker dissemination of information, and with increased electronic trading, prices are able to reflect more quickly new information as it comes in. This in turn has increased accessibility and decreased transaction costs. On the flip side however, it has become increasingly difficult to verify the information. This means that as IT has improved over the years circulation of inaccurate information has also increased which has slowed down market efficiency. From this, the fundamental analysis involved with value investing proves valuable as there is an increased likelihood of profiting from margin of safety.

2.3.2 Prevailing market and economic conditions

Based on the Morningstar large blend, which constitutes 19% of the U.S mutual fund market and has a net asset value of $3.54 trillion, the passive vs active investment strategies have seen a cyclical shift whereby none has been dominant over the other throughout. In the past 10 years (2011-2020), the active large blend category (that represents active funds) has been outperformed by the S&P 500 index funds 9 times out of 10. In the other decade (2001-2010) the active large blend category outperformed the S&P 500 index fund 8 times out of 10. According to the Blend, the active strategy has been seen to be a profitable strategy in both bearish and bullish markets.

In the Kenyan context, Ngacha (2009), noted that in good and prosperous economic times, there is usually little to no incentive to manipulate financial statement figures. However, in economic downturns, like recessions, most growth (large capitalisation) companies/ stocks are motivated to subtly manipulate their financials in order to retain investors. This automatically makes the value stocks (small capitalisation companies) to be the safer bet. Kihara (2012), on building upon Ooko's (2011) study, goes further to show how the various industries in the NSE are affected by downward economic cycles (recessions). From her findings, the industries that contain growth stocks (Telecommunications, banking) were more adversely affected as compared to those that contained value stocks (agricultural, construction and allied).

While the growth investment strategy can look attractive in bull markets, when corrections take place, the growth investor will remain with stocks and sectors that have poor fundamentals and inflated valuations. Value Investors on the other hand are able to better handle risk by reducing exposure in areas that are hit hardest and increase exposure in stocks and sectors that are recovering in order to capture the upside of the new market cycle.

2.3.3 Fees and trading costs

According to the Morningstar large blend, which represents the overall U.S stock market, passively managed mutual funds have outperformed actively managed funds in the past decade (2011-2020) 9 times (representing 9 years) out of 10 (10 years). This can be largely attributed to the high fees, expenses and trading costs associated with actively managed funds. This has resulted in the lower returns experienced by the actively managed funds. French (2008), did a comparison for the fees and trading costs associated with either of the investment strategies averaging 26 years. He found that for actively managed funds, the annual fees estimate was 38.6 basis points (0.386%) as compared to passive funds' 4.8 basis points (0.048%).

(Cremers, et al, 2019), makes a similar observation as per the above, claiming that in the long run, passively managed funds will outperform actively managed funds (including those which vigorously carry out value investing), with regards to investment returns net of costs. However, Davis (2001), states that holistically, actively managed funds do bring value to investors in the long-term, bringing about a sense of stability. He goes on to further state that actively managed funds in recessions, do not generate a lot of fees as compared to passively managed funds.

Both the passive and active costs decline over time as per French (2008). However Sharpe (1991), suggested that actively managed funds cannot outperform passively managed funds net of costs in the long term. French (2008), also noted that active investors pay 0.67% of the total market capitalization of the NYSE, NASDAQ and Amex stocks in what he terms as a futile search for superior market returns. This he undertook for the period 1980-2006. This means that those investors who considered the passive investment strategy during that period realised a higher return on average of 0.67% as compared to those who opted for the active strategy.

2.4 Summary and research gap of the literature

Previous studies have been undertaken in Kenya to prove the existence of a value premium in the Kenyan stock market. Muhoro (2004) and Ngigi (2006) sought to find out whether there is a difference between growth and value stocks in NSE thus proving the existence of value premium in the market. Ooko (2011) went further to sought the value premium based on industry type and found that industrial & allied as well as the financial services sectors rank the highest in containing value stocks.

Research has also been undertaken by Okumu (2015) to test the applicability of the CAPM in the NSE. This research aimed to find out the extent to which value investing is undertaken by mutual funds in Kenya since no research has been undertaken to find that out.

Table 2.1:Summary of the literature reviewed

Author and Year	**Country**	**Theory**	**Independent Variables of the study**	**Findings**
Srivastava,V., Kulshrestha,N. 2020	India	-Value Investing theory -Buy and Hold passive strategy	-Buy and hold strategy (Passive strategy) -Value investing strategy	The mean returns value investing outperforms the Buy&Hold strategy in Indian stock market the mean returns value investing outperforms the Buy & Hold strategy in International stock market statistically & practically
Cremers, Fulkerson & Riley, 2019	United States of America	Active management theory	- Fund manager's skill Fees and trading costs	Fund managers due to cost and skill constraints, have a more limited ability to create value for their investors than hedge fund managers do.
Amunga Priscah, 2015	Kenya	Modern Portfolio theory and Arbitrage pricing theory	- Risk and return - Size - Market timing - Investment styles - Fund characteristics	Performance in the fund market has been consistently increasing. Fund characteristics and economic factors have a very strong correlation with fund performance

			- Investor behavioural patterns -	
Conrad, Wahal and Xiang (2015)	United States of America	Random walk hypothesis	-High frequency quotation -Behaviour of stock prices in the NYSE	Presence of high frequency has resulted in a slight but increasing improvement in the price discovery process and reduction in cost of trading.
Cheng,M.Y., Wang, M.C. (2014)	Taiwan	Fama and French three factor model	Profit Dividend - Free Cash Flow	Companies selected using the Profit, Dividend and Free Cash Flow method possessed superior profitability, operational capacity, financial structure, and solvency, compared with companies selected using the F-score method.
Ooko, J. , (2011)	Kenya	Fama and French 3 factor model and Capital Asset Pricing Model (CAPM)	- Stocks in various industries in the NSE - Various industries in the NSE	There exists a value premium at the NSE when stocks are sorted based on B/M ratio.

2.5 Conceptual framework

A conceptual framework is used to show the relationship between the independent and dependent variables. In this case the dependent variables included the factors that influence the extent to which value investing, which is an active strategy, is employed by mutual funds in Kenya. The dependent variables in this study included; investment objectives of mutual funds, the prevailing market and economic conditions and fees and trading costs. The dependent variable in this case was; The extent to which value investing is applied by mutual funds in Kenya.

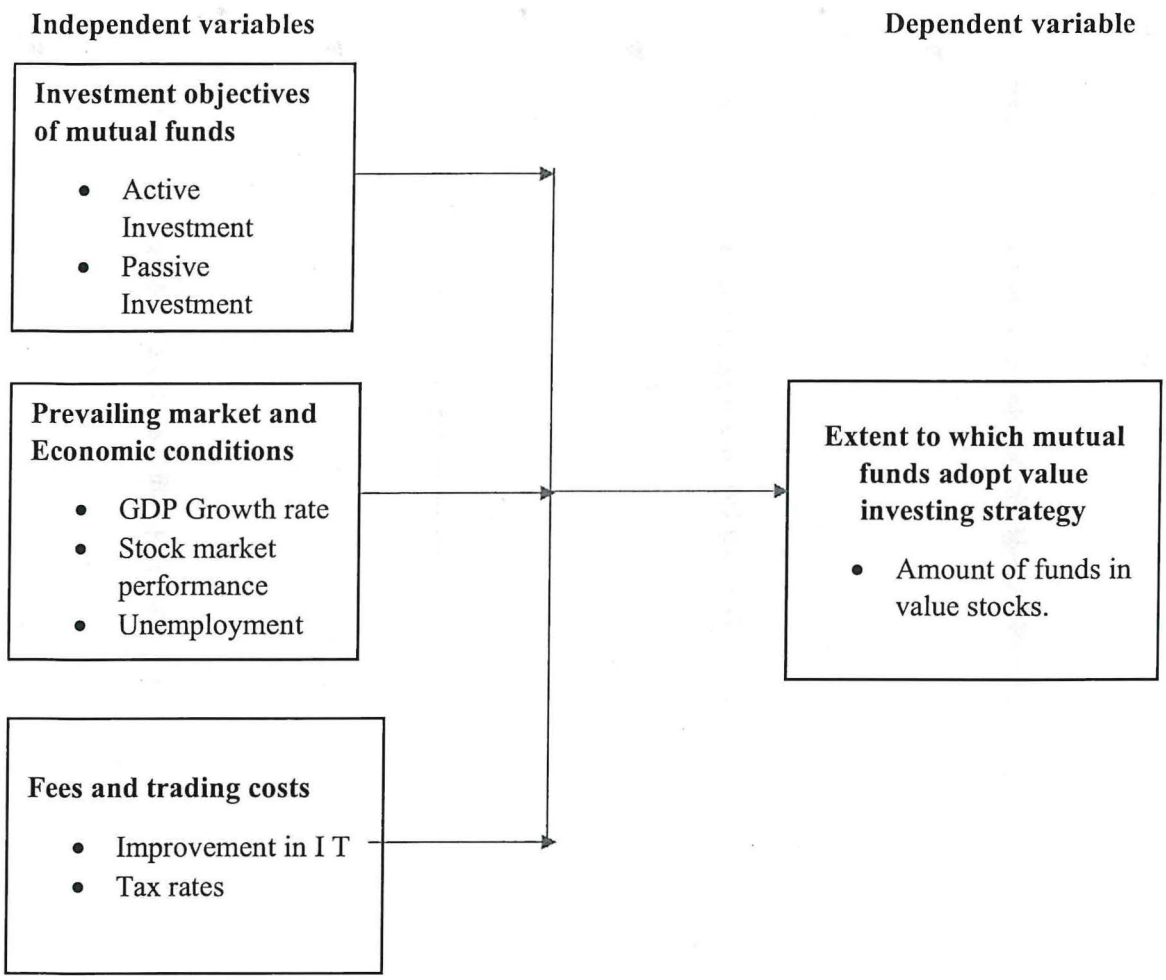

Figure 2.1:Conceptual Framework

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the methodology that was adopted in the approach for undertaking the research, data collection and procedures adopted in carrying out data collection and analysis. It is comprised of the following sections: section 3.2 discusses the research design, section 3.3 describes the population and sampling technique adopted, section 3.4 briefly illustrates the data collection methods, section 3.5 discusses the data collection procedures, section 3.6 discusses data analysis, section 3.7 shows in tabular format the operationalisation of the variables. Section 3.8 discusses the research quality with section 3.9 finalising chapter three with a discussion on research ethics.

3.2 Research design

This study used both descriptive and inferential research design. The descriptive design was considered fit since it aimed at answering the question 'what'. Cooper and Schindler (2013), describe a descriptive study as a study that tries to answer 'who', 'what', 'when', 'where' and sometimes 'how'. Descriptive studies are useful especially on organisations that maintain a steady database of business information like finances, employers, suppliers and customers. A descriptive study, however, does not explain why an event happens or why variables interact with each other the way they do (Cooper and Schindler, 2013). The survey method was used. A survey involves including participants who give out responses to a particular subject. This method allows the researcher to use tools like questionnaires and interview guides in data collection.

A correlation and regression approach were taken to look into the reasons for the more/balanced/less amount of funds put into value stocks. Cooper and Schindler (2013), explain a correlational study as a study that goes beyond description and attempts to explain the reasons for the phenomenon that the descriptive study only observed. Through the use of correlation and regression analysis, the researcher sought to explain the rationale behind certain amount of funds invested in value stocks through the research variables.

3.3 Population and sampling

3.3.1 Population

The population used in this study comprised of 15 mutual funds regulated by the capital markets authority. The units of analysis were the mutual funds and the respondents. 3 of them, comprised the fund managers and employees of the mutual fund organisations.

3.3.2 Sampling

The sampling technique adopted was the simple random sampling technique where each firm involves 3 respondents. The respondents issued simple questionnaires accompanied by interview guides that then provided the necessary information, further explaining the objective of the study. The respondents were given 1 week to answer the questions in the questionnaire.

3.4 Data collection methods

The primary method was used. The primary method was used through questionnaires. This was done to find out the percentage of investor funds that have been put in value stocks. The questionnaires were grouped into two sections; Section A and Section B. Section A was for finding out general details regarding the fund manager and the fund's characteristics and Section B was to find out the amount invested in value and/or growth stocks as well as to find out the rationale behind the selection. Section B was also in line with the independent variables, as a rating scale was used to determine the degree to which each variable affects the dependent variable.

3.5 Data collection procedures

The primary data was collected by distributing the questionnaires to the fund managers in their offices in the respective mutual fund locations. A week was given for the fund managers to answer the questions in the questionnaire and thereafter collected by handpicking. Follow-ups were made to ensure the questionnaires were filled. This was done through phone calls and emails.

3.6 Data analysis

This study will adopt the use of both descriptive and inferential statistics. The descriptive statistics that will be employed are; the use of frequency, mean, mode, median and skewness in the analysis of the amount of funds (in terms of percentage) that are distributed in both value and growth stocks. These set of statistics will help in gaining an understanding of the sample size of the population. Inferential statistics, particularly correlation and regression will help show the relationship between the independent variables and the dependent variable.

3.7 Operationalisation of study variables

Objective	Type of variable	Indicators	Supporting Theories	Scale	Supporting literature
To determine the level in which Investment objectives affect the extent to which value investing strategy is employed	Independent Variable	-Active Investment style -Passive Investment style	-Fama and French three factor model -Efficient market hypothesis	Ordinal	Gonzalez et al (2021) Garcia et al (2021) Cremers, Fulkerson , Riley (2019)
To determine the level prevailing and economic market conditions affect the extent to which value investing strategy is employed	Independent Variable	-GDP -Stock Market performance - Business cycles	- Fama and French three factor model - Efficient market hypothesis	Ordinal	Amunga (2015) Nyabundi (2013) Lee (2014)
To determine the level in which fees and trading costs affect the extent to which value	Independent Variable	-Improvement in Information Technology - Tax rates	-Efficient Market Hypothesis	Ordinal	Cremers et al (2019)

investing strategy is employed					
To find out the extent to which mutual funds in Kenya apply the value investing concept while investing in the stock market on behalf of their clients.	Dependent variable	Amount of funds in value stocks	-Fama and French three factor model - Efficient Market Hypothesis	Ratio	Kihara (2012) Ooko (2011)

Table 3.1: Operationalisation of study variables

3.8 Research Validity, Quality and reliability.

3.8.1 Research Validity

Validity is when the research is used to measure that which the research intended to truly measure or better yet, proves the truthfulness of the research results (Joppe, 2000). Researchers will also seek for information in similar research works undertaken by others. Validity also includes the ability of the respondents to willingly relay the information that the research seeks. The research instrument to be used in this case is a questionnaire which will be gone over by the research supervisor to cross check the format, relevance, reliability and content to ensure that it collects the appropriate data.

3.8.2 Construction of questionnaires

A questionnaire is a tool used to gather information from respondents through asking the relevant questions pertinent to the subject of study. This study has employed the use of a questionnaire. The questionnaire consists of both open and closed ended questions. The questions aim to bring out basic information about the respondents as well as that of the objectives of the study. The questionnaire is grouped into two sections, sections A and B. Section A will seek to find out the general details regarding the fund manager as well as the firm they work in. Section B will aim to find out the correlation between the independent and the dependent variables. The questionnaire is structured as follows;

1. **SECTION A (General characteristics of the fund and fund manager)**

Questions one to three in this section aimed to bring out the general characteristics of the fund and fund manager for background purposes.

2. **SECTION B (Research objectives)**

Questions four to six sought to find out answer the general research objective, by finding out the amount of funds put in value stocks, as well as the potential industries containing value stocks. The answer to question six heavily depended on the answer to question five.

Questions seven and eight sought to find out the extent in which investment objectives affect the extent to which the value investing concept is adopted by mutual funds in Kenya.

Question nine sought to establish the extent in which economic and market conditions affect the extent to which the value investing concept is adopted by mutual funds in Kenya.

Question ten aimed to find out the extent in which fees and trading costs affect the extent to which the value investing concept is adopted by mutual funds in Kenya.

3.8.3 Research quality

The researcher sent a letter of consent seeking for permission to obtain the necessary information. The researcher also arranged for follow-up interviews to obtain more information regarding the research. All the responses pertinent to the interviews were recorded.

3.8.4 Research reliability

Reliability refers to the degree to which a measure supplies consistent results. In other words, it has to do with the accuracy and precision of a measurement procedure (Schindler and Cooper, 2013). To assess the reliability of the study, a pilot study of 3 respondents will be done in each of 3 mutual funds. This study, however, will not be included in the actual study.

3.9 Research Ethics

The ethical matters taken into consideration when conducting the research are; confidentiality, informed consent and anonymity. The researcher will explain to the respondents in detail of the purpose of the study and its entailments. The researcher also will assure the respondents that their responses are purely for academic purposes and will not be shared with a third party.

CHAPTER FOUR
PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

The findings of the study have been presented in this chapter, analysed and interpreted. This section shows the analysis of the findings in relation to the study objectives. The chapter is organised as follows: 4.2 captures the sample representation, 4.3 analyses the responses of Section A of the questionnaire with the use of descriptive analysis, 4.4 analyses section B of the questionnaire with the use of inferential statistical methods (correlation and regression analysis) using SPSS software. 4.5 presents the summary of the findings.

4.2 Sample Representation

The research aimed at having responses from 45 fund managers spread across 15 mutual funds/asset management firms. However, only 38 were able to respond from the 15 mutual funds. The 38 responses accounted for 84.4% of the responses, with 15.6% not being able to participate in the survey. The adequacy of the response rate is excellent, given that according to Schindler, et al. (2013), a 50% response rate is adequate when undertaking a quantitative survey. The study was able to obtain an adequate response rate as presented in table 3 below;

Table 4.1: Response rate

Questionnaires	Frequency	Percent (%)
Returned	38	84.4
Unreturned	7	15.6
Distributed	45	100.0

4.3 Descriptive Analysis

This section captures the frequency, mean, mode and median of the data obtained. The data analysed in this section has to do with; The major asset dealt with by the firm, whether the firm applies the value investing technique.

4.3.1 Major asset

The study sought to establish the major asset that the firms deal in to ascertain the validity of the data collected. Table 4 and figure 2 below present the findings.

Table 2.2: Major asset

	Frequency	Percent	Valid Percent	Cumulative Percent
Equities	6	15.8	15.8	15.8
Fixed Income Securities	6	15.8	15.8	31.6
Money Market Instruments	26	68.4	68.4	100.0
Total	38	100.0	100.0	

Source: Author (2022)

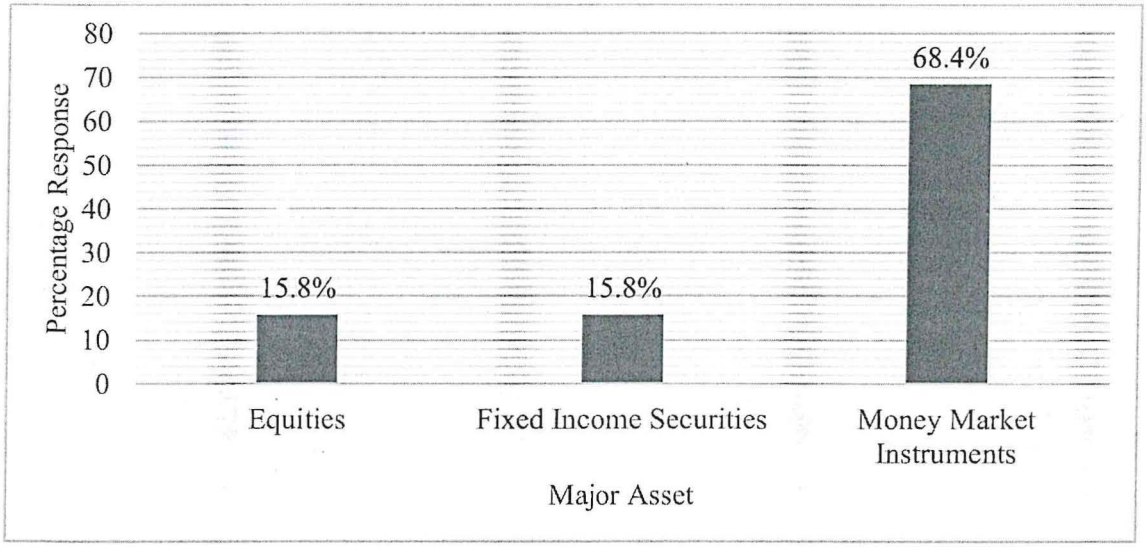

Figure 4.1: Major asset

Based on the results presented above, 68.4% of the firms in the study majorly deal in money market instruments followed by a tie of 15.8% that deal in equities and fixed income securities. It can therefore be concluded that a majority of mutual funds deal in money market instruments.

4.3.2 Value Investing Technique

The study sought to find out whether firms applied the value investing technique. In doing so, this helped in ascertaining the validity of the responses to the subsequent questions in the questionnaire.

Table 4.3: Value Investing Technique

Frequency	Percent	Valid Percent	Cumulative Percent
38	100.0	100.0	100.0

According to table 3, it is evident that all the firms in the study apply the value investing technique, registering a percentage of 100.

4.3.3 Percentage of funds in value stocks.

This measure sought to establish the percentage of funds that are in value stocks amongst the mutual funds. This was the dependent variable in the study.

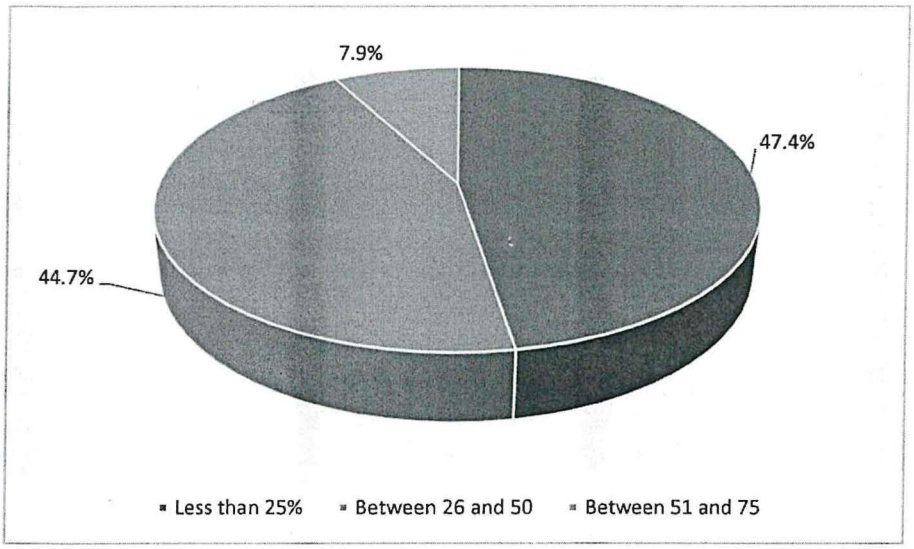

Figure 4.2: Value Stocks Percentage

Based on figure 3, above, 47.4% of the 38 funds have less than 25% of investor funds in value stocks. Closely following is 44.7% of the mutual funds that have between 26 and 50% of investor funds in value stocks. Lastly, 7.9% of respondents stated that their funds contain between 51 and 75% of investor funds in value stocks. The conclusion from this is that although mutual funds apply the value investing technique, a slight majority prefer not to use this technique when investing in stocks.

4.3.4 Industries invested in, in the NSE.

The industries invested in gives additional and relevant information as to where a majority of value stocks lie. Although not being a crucial part of the study, this information will give a clue to its users as to where value stocks lie. The research has already established that a majority of stock investments in mutual funds are not in value stocks. This means that the industries that have the highest percentage of investor funds are not value stock-based industries but growth-based industries. On the other hand, those with the lowest percentage of investor funds give a clue as to the industries that highly likely contain value stocks.

The researcher asked investors on the top three industries that contain investor funds. The responses presented in this graph are in a yes/no format with regards to whether the industry in question is among their top 3.

4.3.4.1 Agricultural

The figure below shows the responses that pertain to the agricultural industry.

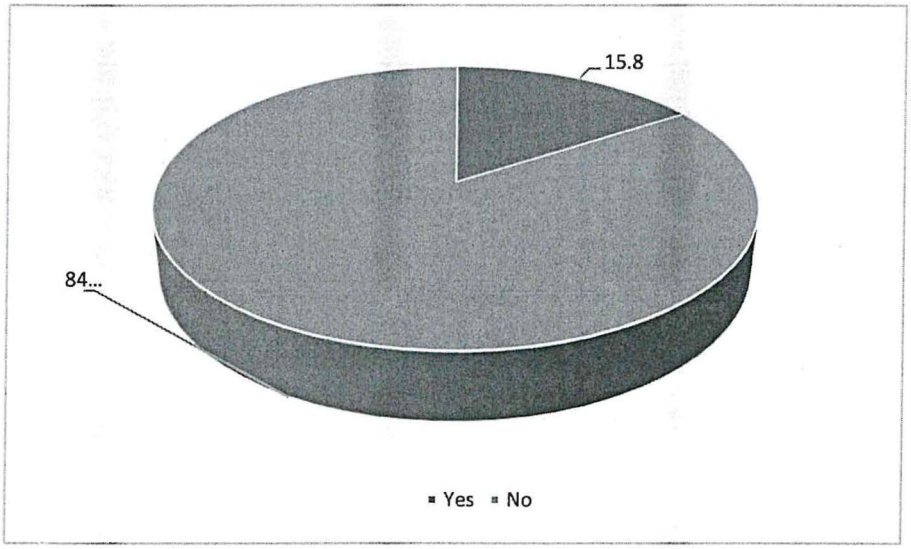

Figure 2.3: Response in the Agricultural Sector

According to figure 4, 84.2% of the respondents do not have stocks in the agricultural sector as one of their top 3, while 15.8% of the respondents have stocks in the agricultural industry as one of their top 3. The conclusion that can be deduced from this is that it is highly likely that value stocks make up a majority of the stocks in this industry.

4.3.4.2 Automobile and accessories

The below table shows the distribution of the responses pertaining to the automobile and accessories industry.

Table 4.4: Automobile and accessories industry.

Response	Frequency	Percent	Valid Percent	Cumulative Percent
No	38	100.0	100.0	100.0

Based on table 6, it is very clear that no mutual fund from the respondent has Investor Funds in the Automobile and Accessories industry as one of their top 3 industries. In this case, from the response we cannot deduce with certainty of the whether a majority of stocks contained here makeup for value stocks.

4.3.4.3 Banking

The figure below shows the responses that pertain to the banking industry.

Figure 4.4 Banking Industry

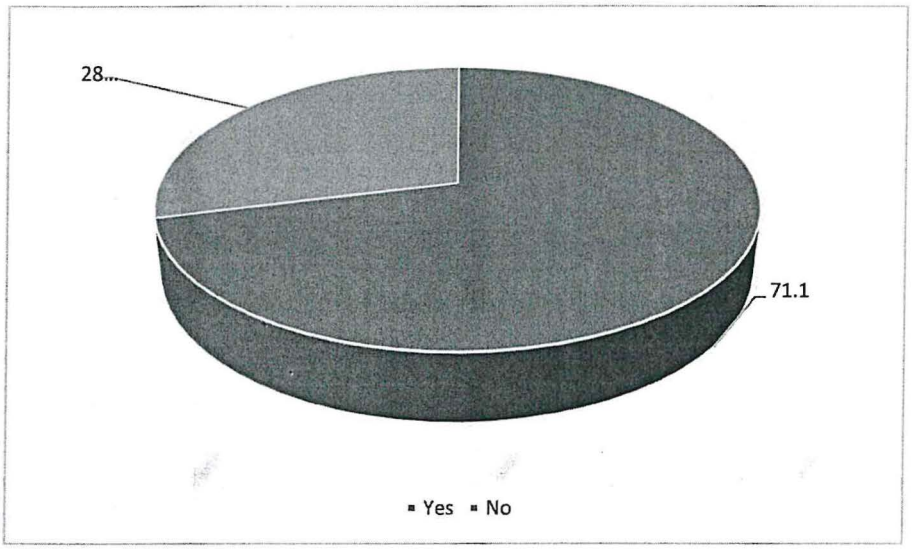

Figure 4.4: Banking Industry

According to figure 5, 28.9 % of the respondents do not have stocks in the banking sector as one of their top 3, while 71.1% of the respondents have stocks in the bankingl industry as one of their top 3. The conclusion that can be deduced from this is that it is highly likely that value stocks do not make up a majority of the stocks in this industry.

4.3.4.4 Commercial and service

The figure below shows the responses that pertain to the commercial and service industry.

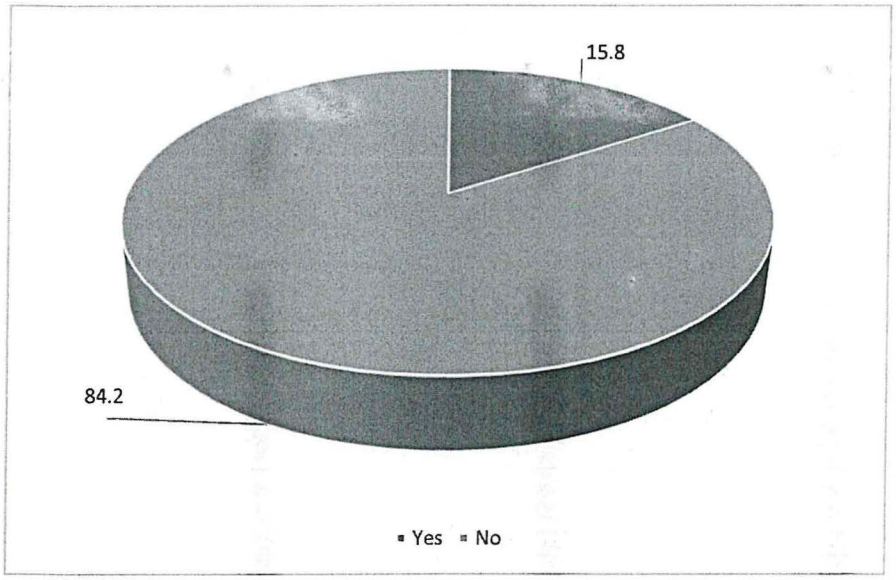

Figure 4.5: Commercial and Service Industry

According to figure 6, 84.2% of the respondents do not have stocks in the commercial and service sector as one of their top 3, while 15.8% of the respondents have stocks in the commercial and service industry as one of their top 3. The conclusion that can be deduced from this is that it is highly likely that value stocks make up a majority of the stocks in this industry.

4.3.4.5 Construction and allied

Table 4.5: Construction and Allied

Response	Frequency	Percent	Valid Percent	Cumulative Percent
No	38	100.0	100.0	100.0

Based on table 7, it is very clear that no mutual fund from the respondents has Investor Funds in the construction and allied industry as one of their top 3 industries. In this case, from the response we cannot deduce with certainty of the whether a majority of stocks contained here makeup for value stocks.

4.3.4.6 Energy and petroleum

The figure below shows the responses that pertain to the energy and petroleum sector

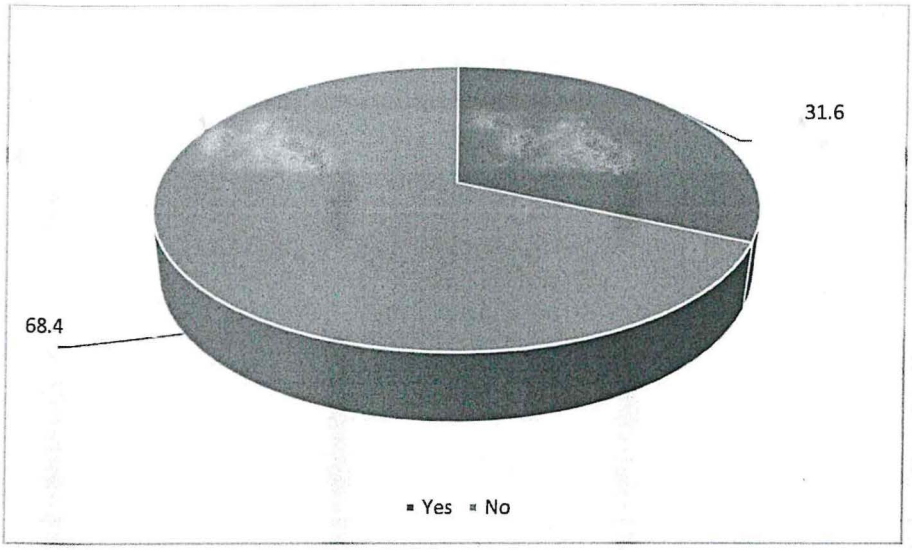

Figure 4.6: Energy and Petroleum

According to figure 7, 68.4% of the respondents do not have stocks in the energy and petroleum sector as one of their top 3, while 31.6% of the respondents have stocks in the energy and petroleum industry as one of their top 3. The conclusion that can be deduced from this is that it is highly likely that value stocks make up a majority of the stocks in this industry.

4.3.4.7 Insurance

The figure below shows the Response distribution pertinent to the insurance sector

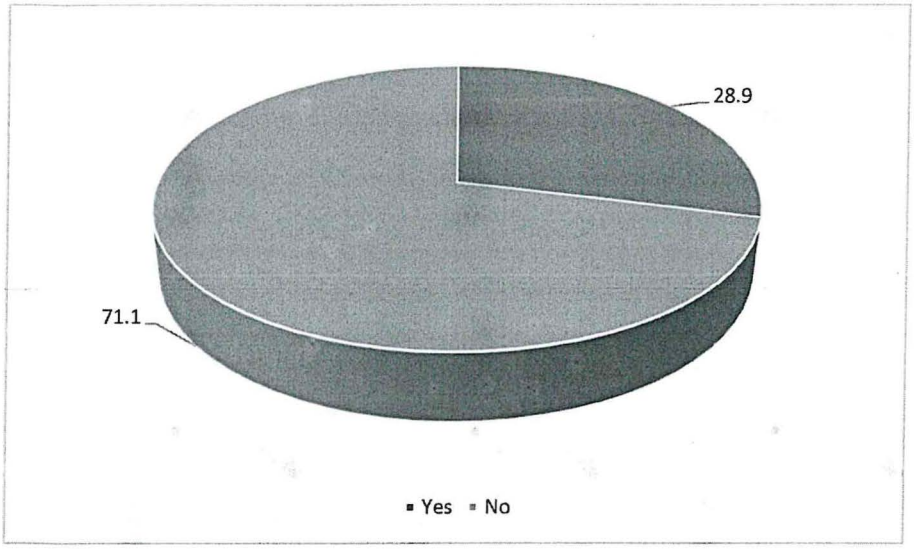

Figure 4.7: Response distribution pertinent to the insurance sector

According to figure 8, 71.1% of the respondents do not have stocks in the insurance sector as one of their top 3, while 28.9% of the respondents have stocks in the insurance industry as one of their top 3. The conclusion that can be deduced from this is that it is highly likely that value stocks make up a majority of the stocks in this industry.

4.3.4.8 Investment and allied

The table below shows the response distribution pertinent to the Investment and allied sector

Table 4.6: Investment and allied

Response	Frequency	Percent	Valid Percent	Cumulative Percent
No	38	100.0	100.0	100.0

Based on table 8, it is very clear that no mutual fund from the respondent has Investor Funds in the Investment and allied industry as one of their top 3 industries. In this case, from the response we cannot deduce with certainty of the whether a majority of stocks contained here makeup for value stocks.

4.3.4.9 Manufacturing and allied

The figure below shows the responses that pertain to the manufacturing and allied sector

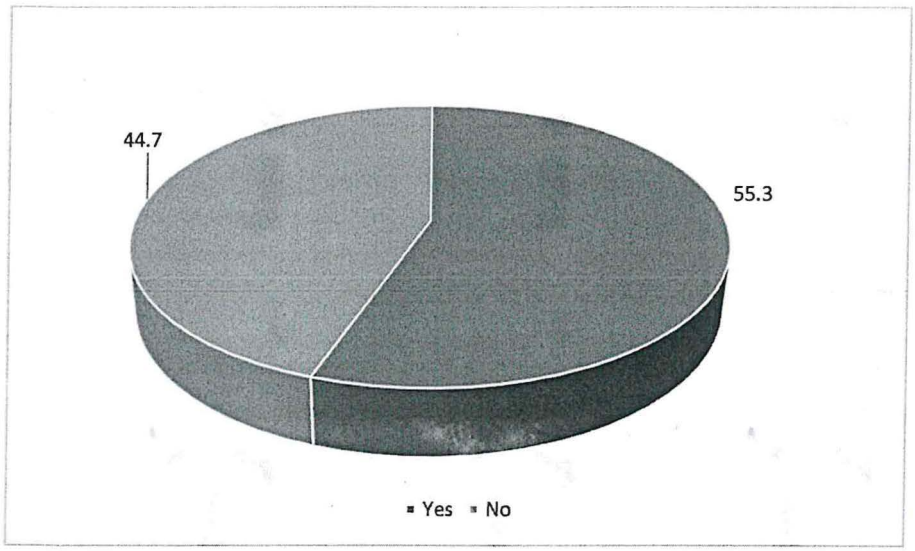

Figure 4.8: Responses that pertain to the manufacturing and allied sector

According to figure 9, 44.7 % of the respondents do not have stocks in the manufacturing and allied sector as one of their top 3, while 55.3% of the respondents have stocks in the manufacturing and allied industry as one of their top 3. The conclusion that can be deduced from this is that it is highly likely that value stocks do not make up a majority of the stocks in this industry.

4.3.4.10 Telecommunication

The figure below shows responses that pertain to the telecommunication sector

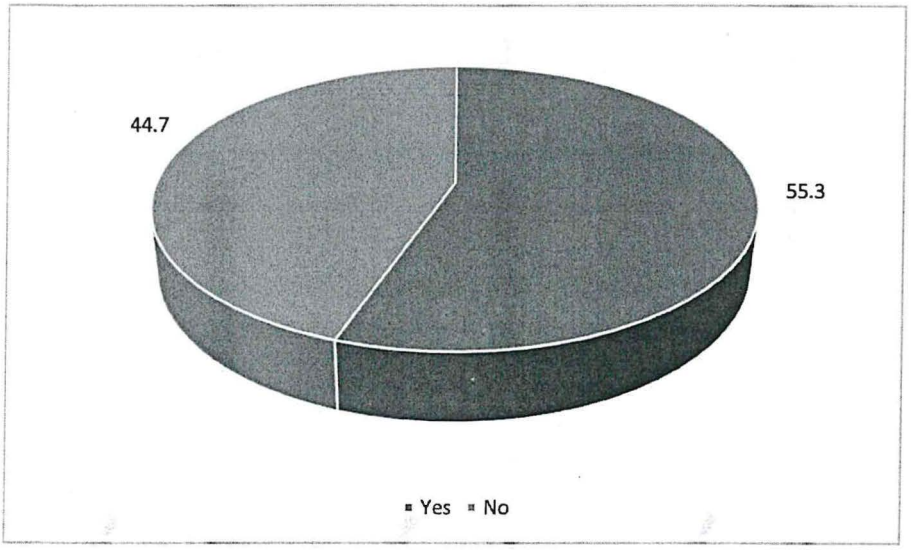

Figure 4.9: Responses that pertain to the telecommunication sector

According to figure 10, 44.7 % of the respondents do not have stocks in the telecommunication sector as one of their top 3, while 55.3% of the respondents have stocks in the manufacturing and allied industry as one of their top 3. The conclusion that can be deduced from this is that there is no value stock in this industry in the NSE as there is only one company in this sector.

4.4 Inferential Statistics

The study conducted inferential statistics entailing both Pearson and regression analysis in determining both the nature and the associated strengths between the extent to which value investing is adopted in mutual funds in Kenya (Dependent variable) and determining factors affecting its adoption (independent variables).

4.4.1 Pearson Correlation

Table 9 below shows the Pearson correlations for the relationships between the determining factors of value investing and the extent to which it is adopted.

Table 4.7: Pearson correlation matrix

		Value Investing	Investment Objective	Economic and Market Conditions	Fees and Trading Costs
Value Investing	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	38			
Investment Objective	Pearson Correlation	-.151	1		
	Sig. (2-tailed)	.365			
	N	38	38		
Economic and Market Conditions	Pearson Correlation	.211	-.118	1	
	Sig. (2-tailed)	.204	.481		
	N	38	38	38	
Fees and Trading Costs	Pearson Correlation	.174	-.204	.829**	1

	Sig. (2-tailed)	.298	.220	.000	
	N	38	38	38	38

**. Correlation is significant at the 0.01 level (2-tailed).

From the results, a negative correlation is seen between Investment objective and the extent to which value investing is adopted amongst mutual funds in Kenya (-.151). For the rest of the independent variables (Fees & Trading costs as well as Economic & Market conditions), there is a positive correlation between them and the extent to which value investing is adopted amongst mutual funds in Kenya. The strongest correlation was established between Economic & Market conditions and extent to which value investing is adopted amongst mutual funds in Kenya (r = .211) and the weaker positive relationship between Fees & Trading costs and extent to which value investing is adopted by Mutual Funds in Kenya (r = .174). However, in statistical terms all the independent variables had a weak correlation with the dependent variables given they all registered a correlation of .3 downwards, with the range of .3 downwards being weak, .4 to .6 being moderate and .7 upwards being strong.

4.4.2 Regression Analysis

A regression analysis was further conducted to determine the degree of influence of the determining factors of value investing adoption on the extent to which value investing is adopted by mutual funds in Kenya. The assumption made is that there is a linear relationship between the independent and dependent variable for accuracy of estimation, which was achieved as the standardized coefficients were used in interpretation.

Regression analysis produced the coefficient of determination and analysis of variance (ANOVA). Analysis of variance was undertaken to establish whether there is a significant mean difference between dependent and independent variables.

Table 4.8: Regression Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.248[a]	**.061**	-.022	.64522

a. Predictors: (Constant), Fees and Trading Costs, Investment Objective, Economic and Market Conditions

Tables 4.9: a & b. Dependent Variable: Value Investing

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.924	3	.308	.740	**.536[b]**
	Residual	14.155	34	.416		
	Total	15.079	37			

a. Dependent Variable: Value Investing

b. Predictors: (Constant), Fees and Trading Costs, Investment Objective, Economic and Market Conditions

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.029	.772		1.333	.191
	Investment Objective	-.062	.079	**-.134**	-.783	**.439**
	Economic and Market Conditions	.211	.267	**.236**	.789	**.436**
	Fees and Trading Costs	-.036	.218	**-.049**	-.163	**.872**

\

a. Dependent Variable: Value Investing

The result showed a co-efficient of determination value (R) of .248[a] which shows that there is a weak linear dependence between all the determinants of value investing adoption and the extent to which mutual funds the value investing strategy. With an R square of .061, the model shows clearly that only 6.1% of variation in value investing is explained by the 3 variables. The remaining 93.9% is explained by other variables which were not included in the model.

The P-Value of 0.536 shows that the extent to which the value investing concept is adopted has no significant relationship with the 3 variables given it is way above the significance limit of

0.05. The below give a summary of the relationship between the three independent variables (independent study objectives) and the dependent variable:

(1) Investment Objectives

As the first independent objective, Investment objectives do not have a significant effect on the extent of value investing adoption amongst mutual funds. A unit change in investment objectives would lead to a 13.4% decrease in value investing adoption amongst mutual funds keeping other factors constant.

(2) Economic and Market conditions

For the second independent study objective, economic and market conditions do not have a significant effect on the extent of value investing adoption amongst mutual funds in Kenya. A unit change in Economic and Market conditions would lead to a 23.6% increase in value investing adoption amongst mutual funds keeping other factors constant.

(3) Fees and Trading costs

For the third independent study objective, fees and trading costs do not have a significant effect on the extent to which value investing is adopted amongst mutual funds in Kenya. A unit change in Fees and Trading costs would lead to a 4.9% decrease in value investing adoption amongst mutual funds in Kenya keeping other factors constant.

4.5 Summary of the findings

Value Investing according to the study is adopted by all mutual funds, however a majority of the funds (47.4%) based on the findings have adopted other investment strategies as their major strategies.

The study sought to establish the determinants of the adoption of value investing amongst mutual funds in Kenya. It can be concluded rightly that there exists a negative relationship between Investment objectives and the extent to which mutual funds apply the value investing technique (-.151) Also based on regression analysis, A unit change in investment objectives would lead to a 13.4% decrease in value investing adoption amongst mutual funds keeping other factors constant.

It can be concluded that there exists a weak positive relationship between economic & market conditions and the extent to which mutual funds apply the value investing technique (.211). Regression analysis further explains that a unit change in Economic and Market conditions

would lead to a 23.6% increase in value investing adoption amongst mutual funds keeping other factors constant.

The study also sought to find out to what extent fees and trading costs affect the extent to which value investing is adopted by mutual funds in Kenya. There exists a very weak positive relationship between fees & trading costs and the extent to which mutual funds adopt value investing technique (.174). However, on further analysis through regression, a unit change in Fees and Trading costs would lead to a 4.9% decrease in value investing adoption amongst mutual funds in Kenya keeping other factors constant.

CHAPTER FIVE
DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter outlines the summary of the findings in relation to the objectives, giving a conclusion as well as the limitations of the study and suggests areas of further research. The chapter is organised as follows: 5.2 gives the summary of the research findings, 5.3 shows the conclusions of the study, 5.4 recommends further actions to be taken in light of this research, 5.5 suggests areas of further study and 5.6 gives the limitations of the research.

5.2 Summary of the research findings

5.2.1 Summary of Investment Objectives of Mutual funds

The study sought to establish the determinants of the adoption of value investing amongst mutual funds in Kenya. It can be concluded rightly that there exists a negative relationship between Investment objectives and the extent to which mutual funds apply the value investing technique (-.151) Also based on regression analysis, A unit change in investment objectives would lead to a 13.4% decrease in value investing adoption amongst mutual funds keeping other factors constant.

Gonzalez, et al (2021) found that Investment objectives of mutual funds have a positive impact on the investment strategies of mutual funds. This, however, they pointed out depends on the risk policy of the organisation which is dependent on the investors' risk appetite.

However, according to this study, the more investment objectives are a main factor in considering whether to adopt the value investing strategy, the less the value investing technique will be adopted amongst mutual funds.

The findings are inconsistent with the theory in chapter two. This is because as for most mutual funds, it was noted, their investment objectives are not defined as per either 'active' or 'passive' as per how they have been used in this study. When deciding on an Investment strategy, their investment objectives' will be to maximise wealth for their investors as well ass increasing the value of their firms.

5.2.2 Summary of Economic and market conditions

Lee (2014), found out that business cycles often influence investing strategies of investors and asset managers to a large extent. However, based on this study,there exists a weak positive relationship between economic & market conditions and the extent to which mutual funds

apply the value investing technique (.211). Regression analysis further explains that a unit change in Economic and Market conditions would lead to a 23.6% increase in value investing adoption amongst mutual funds keeping other factors constant.

The findings are consistent with the theory outlined in chapter 2. This is because there exists a positive relationship between economic & market conditions as well as the extent to which mutual funds apply the value investing strategy. 38% of the respondents, it was noted, were moderate in their response preferring to give a moderate response to this particular question. The fact that estimations were given becomes a concern on the objectivity of the responses given.

5.2.3 Summary of fees and trading costs

Cremers et. Al. (2019) found out that fees and trading costs will affect the strategies used by mutual funds. They categorised the strategies as either active or passive. With value investing being an active strategy. They concluded however, that fees and trading costs do not greatly influence the strategies adopted as opposed to the economic conditions within a particular jurisdiction.

This study, however, found out that there exists a very weak positive relationship between fees & trading costs and the extent to which mutual funds adopt value investing technique (.174). However, on further analysis through regression, a unit change in Fees and Trading costs would lead to a 4.9% decrease in value investing adoption amongst mutual funds in Kenya keeping other factors constant.

The findings are inconsistent with the theory in chapter two. This, however, can be attributed to the fact that there was minimal time to undertake an objective measurement of the correlation between this variable and the dependent variable, and it was difficult for the respondents to give an objective estimate of the same correlation.

5.3 Conclusions

It can therefore be concluded from the findings, that there exists a negative relationship between investment objectives and the extent to which value investing is adopted by mutual funds. An increase in the former will subsequently lead to a decrease in the latter. On the other hand, there exists a weak positive relationship between fees & trading costs as well as economic & market conditions and the extent to which value investing is adopted by mutual funds in Kenya. Overall, it can be concluded that the factors analysed in this study do not have a strong impact on the extent to which value investing is adopted by mutual funds in Kenya.

This can be attributed to another major finding that shows that value investing is not a major investment strategy employed by mutual funds in Kenya.

5.4 Recommendations

From the study, it is very clear that value investing is not popular amongst Kenyan mutual funds. Value Investing in and of itself is quite rigorous, meaning that thorough analysis should be undertaken to identify undervalued stocks that have high potential. Mutual funds on the other hand majorly invest in money market instruments such as treasury bills and fixed income securities such as bonds. It can be considered a 'hub' for safe investments. Value investing, being an equity investment strategy, is a risky affair.

With this information, for investors willing to include value stocks in their portfolio, the study has given clues as to the potential industries that contain value stocks.

Secondly, the study further sheds light on value investing in Kenya in light of current financial information as opposed to previous studies on the same topic (of value investment) that were done in before 2016. The study does not seek to advocate only for value investing but that value investing should be considered more as a reliable investment strategy.

5.5 Suggestions for further research

This study focused on mutual funds given it was easier to obtain information from these institutions. However, more research should be carried out on the extent to which value investing is adopted amongst private equity firms and listed investment companies. Study amongst those institutions will give more insight as to value investing in Kenya.

A study should also be carried out to determine the major investment strategy adopted amongst mutual funds and the factors determining that strategy.

5.6 Limitations of the research

The accuracy of obtaining the amount of investor funds in value stocks, was greatly compromised given that it was an estimation based on the fund managers' experience. Establishing an accurate measure would take time. Therefore, the figures obtained in the above research are an estimation.

It was difficult to ascertain the skill of the respondents, compromising, to some degree the accuracy of the information obtained.

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APPENDICES

Appendix 1: QUESTIONNAIRE

DETERMINANTS OF THE ADOPTION OFTHE VALUE INVESTING STRATEGY AMONGST MUTUAL FUNDS IN KENYA

My name is David Litali, a 4th year Bachelor of Commerce (Finance and Accounting) student at Strathmore University. I am undertaking research on Value Investing adoption amongst Mutual Funds in Kenya. I am kindly requesting for your time in helping undertake the research on the same. Your feedback will strictly be used within the confines of this research and will be treated as highly confidential. Your feedback will go a long way in this research and will be highly appreciated.

Required *

SECTION A

General Fund characteristics.

1. Name of Mutual Fund *

_____

2. Occupation/ role in mutual fund *

_____

3. Which major asset does your mutual fund deal in *

Mark only one oval.

- ◯ Equities
- ◯ Fixed Income Securities

- ⬭ Money Market Instruments (Treasury Bills and Treasury Bonds)Real Estate
- ⬭ Other: _____

SECTION B PART I
Factors affecting the extent to which value investing is adopted by Mutual Funds in Kenya

4. Does the fund apply the Value Investing technique *

Mark only one oval.

- ⬭ Yes
- ⬭ No

5. Roughly, what percentage of Investor funds are in Value stocks *

_____

6. Amongst the industries in the NSE, which are the top 3 that contain Investor Funds *

Check all that apply.

- ☐ Agricultural
- ☐ Automobile and Accessories
- ☐ Banking
- ☐ Commercial and Service
- ☐ Construction and Allied
- ☐ Energy and Petroleum
- ☐ Insurance

- [ ] Investment and Allied
- [ ] Manufacturing and Allied
- [ ] Telecommunication and Technology

7. What is the investment objective of the mutual fund based on Investor risk tolerance? *

Mark only one oval.

- ⬭ Passive Investment (To track the market)
- ⬭ Active Investment (To beat the market)

SECTION B PART II

Answer based on the extent to which each variable affects the amount of funds put in value stocks.

1. Very little 2. Little 3.Moderate 4. High 5. Very high

8. Based on the investment objective of the fund, in your professional opinion, to what extent does it affect the amount of funds put in value stocks *

Mark only one oval.

- ⬭ 1
- ⬭ 2
- ⬭ 3
- ⬭ 4
- ⬭ 5

9. In your professional opinion, to what extent does Economic and Market conditions affect the amount of funds put in value stocks *

Mark only one oval.

- ◯ 1
- ◯ 2
- ◯ 3
- ◯ 4
- ◯ 5

10. In your professional opinion, to what extent do fees and trading costs affect the amount of funds put in value stocks *

Mark only one oval.

- ◯ 1
- ◯ 2
- ◯ 3
- ◯ 4
- ◯ 5

Appendix 2: List of Mutual funds in Nairobi, Kenya

No.	Name of Mutual Fund/ Asset Manager
1	ABSA Asset Management Ltd
2	African Alliance Kenya Investment Bank Ltd.
3	Altree Capital Kenya Ltd.
4	Amana Capital Ltd.
5	Apollo Asset management company Ltd.
6	Britam Asset Managers Kenya Ltd.
7	CIC Asset Management Ltd.
8	Co-op Trust Investment Services Ltd.
9	Cytonn Asset Managers Ltd.
10	Dry Associates Ltd.
11	Fusion Investment Management Ltd.
12	GenAfrica Asset managers Ltd.
13	Genghis Capital Ltd.
14	ICEA Lion Asset Management Ltd.
15	Kenindia Asset Management Company Ltd.
16	Madison Investment Managers Ltd.
17	Nabo Capital Ltd.
18	Natbank Trustees
19	NCBA Investment Bank ltd.
20	Old Mutual Investment Group Ltd.
21	Orient Asset Managers Ltd.
22	Sanlam Investments East Africa Ltd.
23	Zimele Asset Management Company Ltd.

Appendix 3: Plagiarism Report

Ouriginal

Document Information

Analyzed document	VALUE INVESTING RESEARCH 103165 Litali David (Repaired)^ (AutoRecovered).docx (D130592304)
Submitted	2022-03-16T19:13:00.0000000
Submitted by	
Submitter email	David.Litali@strathmore.edu
Similarity	3%
Analysis address	library.strath@analysis.urkund.com

Sources included in the report

SA	**Sarita Rana project doc.doc** Document Sarita Rana project doc.doc (D39131369)	2
W	URL: https://scripbox.com/mf/value-investing/ Fetched: 2021-04-04T13:42:18.9370000	1
SA	**Bachelor_s_Thesis.pdf** Document Bachelor_s_Thesis.pdf (D10633640)	2
SA	**These 2016_AARTI ANAND_Stock Return Momentum.pdf** Document These 2016_AARTI ANAND_Stock Return Momentum.pdf (D34184058)	1
W	URL: https://eujournal.org/index.php/esj/article/download/10562/10029 Fetched: 2020-04-26T21:10:17.3070000	2
W	URL: https://www.researchgate.net/publication/325699637_Adoption_of_financial_technology_Fintech_in_mutual_fund_unit_trust_investment_among_Malaysians_Unified_Theory_of_Acceptance_and_Use_of_Technology_UTAUT Fetched: 2019-11-21T22:45:50.6530000	1
W	URL: https://www.cambridge.org/core/journals/journal-of-financial-and-quantitative-analys.../article/passive-versus-active-fund-performance-do-index-funds-have-skill/F025DBD6823F2948F6119050E95DA457 Fetched: 2019-11-19T23:59:01.5000000	1
W	URL: https://www.forbes.com/advisor/investing/value-vs-growth-stocks-performance/ Fetched: 2022-03-16T19:14:00.0000000	1
W	URL: https://dspace.lib.uom.gr/bitstream/2159/25457/4/YasmatzidisPanagiotisMsc2021.pdf Fetched: 2021-09-23T22:07:07.2870000	1
SA	**17120.pdf** Document 17120.pdf (D2227527)	1
SA	**Yoana.Yordanova.Nikolova_s0564850@htw-berlin.de.pdf** Document Yoana.Yordanova.Nikolova_s0564850@htw-berlin.de.pdf (D110960051)	2

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Appendix 4: Letter of consent

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Monday, January 17th 2022

To whom it may concern

Academic Reference for Litali, David Kasyamuni Student Number - 103165

Strathmore University offers the Bachelor in Commerce degree program. In their 4th year of study, each degree student is required to work on a Management Research Project. The project involves reading literature that relates to the research topic; data collection and analysis and finally preparing a written document of the research findings and recommendations.

David is requesting to gather information to be used in his research. He is accountable for all information extracted from you and ensure that it will be used for research purpose only and will be kept confidential.

The research is entitled **"DETERMINANTS OF THE ADOPTION OF THE VALUE INVESTING STRATEGY AMONG MUTUAL FUNDS IN KENYA"**

We are looking forward for your co operation and assistance to the above named student.

Any assistance accorded to him will be highly appreciated.

Yours faithfully,

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