Taylor & Francis
Online

Home ► All Journals ► Economics, Finance & Business ► Applied Economics Letters ► List of Issues
► Volume 15, Issue 15 ► An augmented Fama and French three-facto ....

Original Articles

An augmented Fama and French three-factor model: new evidence from an emerging stock market

Sunil Kumar Bundoo ✉

66 Cite this article   ↗ https://doi.org/10.1080/13504850601018049

📄 Full Article   🖼 Figures & data   📝 References   66 Citations   📊 Metrics

🖨 Reprints & Permissions   Read this article   ❤Share

Abstract

There were forty equity stocks listed on the stock exchange of Mauritius as at end of
December 2004. Fama and French (1993) posit that a possible explanation for the size
and book-to-market equity effects could be due to other risk factors not captured in a
standard capital asset pricing model. This paper therefore investigates whether on the
stock exchange of Mauritius, when taking into account the time variation in risk (as
measured by time-varying betas), the two additional factors are still priced. The paper
presents an augmented model, which takes into account the time variation in beta, in
addition to the size and book-to-market equity factors. It is found that the coefficients
for the size effect and the book-to-market equity effect are all significant at the one
percent level and with the expected signs. These effects do not disappear. This shows

that the Fama and French three factor model is robust to taking into account time-varying betas.

Related research ⓘ

Information for

Authors

R&D professionals

Editors

Librarians

Societies

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Help and information

Help and contact

Newsroom

All journals

Books

Keep up to date

Register to receive personalised research and resources by email

✉ Sign me up