

Analysis of Growth Stock, Value Stock, and Value Premium Existence in Indonesia Stock Exchange on 2004-2009 Period

Oleh : Febri Kuntarto
Program Studi : Master of Management
Pembimbing : Prof. Dr. Sukmawati Sukamulja
Tanggal : Desember 2009

ABSTRACT

There are two common investing behavior, active portfolio management and passive portfolio management. One of the most popular active strategies is investing strategy based on growth or value. Earlier research found that, in average, value strategy result in higher return than growth strategy. This study seeks to measure value stock and growth stock performance, and to prove value premium existence in Indonesia Stock Exchange, from January 2004 until June 2009.

This research conducted by classifying stock based on Price to Book Value (PBV). Ten largest PBV stock grouped as growth stock portfolio while ten lowest PBV stock grouped as value stock portfolio. To measure the performance, researcher compared each portfolio return, compared those return with IHSG and SBI, and by using Sharpe's portfolio measurement method.

There are four main conclusion based on this study. First, in average, value stock portfolio does have a better performance than growth stock portfolio. Second, there was no value premium existence in IDX. Third, IHSG and SBI are not reliable enough to explain growth and value stock return. Finally, Sharpe's method also indicates that value stock does not have an absolute performance superiority compared to growth stock.

Key word: growth stock, value stock, value premium