REFEREE'S REVIEW

Program:	MIB
Student:	Irina A. Portnova
Title of thesis:	Fama & French Model for Value Premium in the Modern Emerging Markets

Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.	5			
Structure and logic of the text flow. Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.		4		
Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.		4		
Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.	5			
Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.	5			
Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.	5			
Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references.		4		

Each item above is evaluated on the following scale, as applicable: 5 = excellent, 4 = good, 3 = satisfactory, 2 = poor.

Additional comments:

The thesis deals with the value premium in emerging markets. Although there are numerous studies of this phenomenon in developed markets, the evidence from emerging markets is much scarcer. The thesis therefore addresses and interesting and important (not only from the research perspective, but also from the viewpoint of investor community) issue.

The thesis is, in general, well structured. It consists of introduction and two chapters. The introduction discusses the importance of the topic, states the purpose of the study, and outlines the structure of the work. Chapter 1 deals with the theoretical underpinnings of the value premium, with the discussion centred on the traditional and behavioural theories of finance. Chapter 2 describes the empirical work undertaken by the author. Based on data from 12 emerging markets over 2001-2011, the author finds some evidence that the traditional theory cannot fully explain the existence of the value premium and concludes that the behavioural theory may do a better job in explaining the phenomenon. This is summarized in the conclusion.

Overall, the thesis represents a well written empirical paper, with carefully documented empirical analysis. I have relatively few comments on this work, the most important of which are outlined below.

1. I think the author could have spelt the objectives of the study (p.3) in a more careful way. What does it mean "to define emerging markets"? In my view, the list of objectives on p.3 mixes up some goals (e.g., testing different theories) and more narrow tasks (e.g., choosing an operational definition of an emerging market to be used in the study).
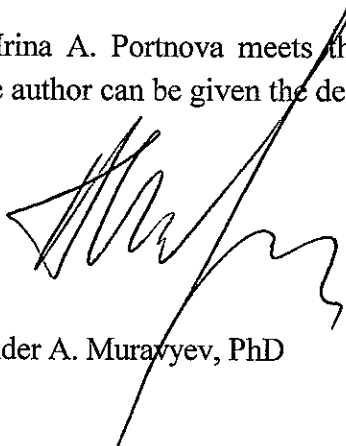
2. The above point has some implications for the structure of the thesis. In particular, I do not think the study needs so much discussion of the notion of emerging markets in section 1.2. I would have placed some of this material in the appendix.

3. The theory section 1.3 could have instead been expanded. In particular, this section would be an excellent place to discuss in more detail how different theories view and explain the value premium. For example, how does the Prospect Theory explain the premium?

4. Some of the material that summarizes previous empirical evidence on pp. 50-55 could have been moved to chapter 1.

5. The empirical findings could have been spelt and discussed in a greater detail in the conclusion.

6. Why isn't Russia in the sample?

The layout is in general very good. Some of the issues are: the lack of spaces between the table names and the text which makes it difficult to read the names (see Table 1, for example), the column "min return" in Table 1 contains no numbers, and the country names cut to 6-7 symbols (why?).

Other mistakes and misprints: Schleifer on p.57; sigma hat on p.24 is improperly called twice "the sample variance" (it's a standard deviation), some spelling and grammar mistakes, especially in the introduction ("...in the developed [WORLD - missing], at the same time...", p.2).

Overall, as mentioned above, this is a well done and well written empirical study that is pleasant to read.

Master thesis of Irina A. Portnova meets the requirements of MIB program, and deserves an "excellent" grade, thus the author can be given the desired degree.

Date: June 15, 2012

Referee: Asc. Prof. Alexander A. Muravyev, PhD