

# Do intellectual capital discounted by investors?

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## Abstract

A modified five factor model with human capital designed for capturing the size, value, profitability and investment in average portfolio returns performs better than both Fama-French (1993) three and Fama-French (2015) five factor model, and performance of the model is not sensitive to the technique its factor variables are defined. The main problem with the modified five factor model with human capital is the microcap with conservative investment stocks whose returns behave like that low value unprofitable firms. Study finds the investment factor (CMA) of Fama-French (2015) five factor model as the redundant factor for describing the portfolio average returns in the study sample.

**Key Words:** Intellectual capital, Factor models, Asset Pricing, Risk

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