



Internal governance does matter to equity returns but much more so during “Flights to Quality”

This paper uses hand-collected data that measures the quality of corporate governance for companies in the ASX300 over a period of twelve years. This long sample is important as it enables a meaningful examination of the time-varying nature of the relationship between corporate governance and stocks returns. The authors find evidence that stocks with good corporate governance have higher returns than stocks with poor corporate governance on average. However, the relationship between corporate governance and stock returns is time-varying. Consistent with the idea of flights to quality, stocks with good corporate governance have higher returns than stocks with poor corporate governance during periods of market stress. Interestingly, there is some evidence that corporate governance and the traditional measure of quality are distinct, which implies that corporate governance can be thought of as an additional dimension of firm quality.

Click on the below link to read more about this research:

Academic Research (<https://onlinelibrary.wiley.com/doi/abs/10.1111/jacf.12276>)

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Brooke, P. G., Docherty, P., Psaros, J., & Seamer, M. (2018). Internal governance does matter to equity returns but much more so during “Flights to Quality”. *Journal of Applied Corporate Finance*, 30 (1), 39-52.

