Financial Decision-Making Using the Implied Cost of Capital

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Declaration

I confirm that this is my own work and the use of all material from other sources has been properly and fully acknowledged.

Signed: Saif Musabah Saif Al Mutairi

Date: 19 July 2019

To my family for their support and inspiration.

Abstract

In this thesis, I aim to shed light on the value of the market-implied cost of capital (ICC) in financial-decision making in three distinctive contexts. ICC is a forward-looking proxy for the expected return of a firm's stock which is implied from the current stock price and a choice of analyst forecasts or accounting forecasting models. As there has been a large variety of ICC models proposed in the literature, I first aim to identify the models with superior forecasting performance. To this end, I show through a comprehensive comparison that simple ICC models work better than more complicated widely used formulations in terms of forecasting future realised returns, and as a statistical quantity in terms of out-of-sample bias and measurement error variance. Specifically, a dividend discount model with a terminal value based on analysts' price target, or a price-over-earning ratio based estimate outperform more complicated ICC and risk factor models. These simple models coincide with market beliefs about expected returns more than more complex models. I find that ICC derived from models based on the residual income framework have better forecasting power than models that assume abnormal growth in earnings, in contrast to theory. Using mechanical earnings forecasts to replace analysts forecasts in ICC models does not consistently improve the forecasting ability of the models except for dividend discount models. Furthermore, adjusting the ICC estimates for firm characteristics and popular risk factors lead to better forecasts, and result in lower out-of-sample mean error and error variances, especially with models based on analysts earnings predictions and dividend discount models. I also develop a new estimator based on free cash flow to equity, and show that it predicts future returns and exhibit errors comparable to the best performing models, and I argue that it is a more economically sound construct than dividends.

Second, I capitalise on the ICC literature to derive forward-looking estimates of expected returns to improve the out-of-sample performance of portfolio selection strategies. I find that using ex-ante ICC estimates instead of the ex-post first moment as a proxy of expected returns in a tangency portfolio yields a higher out-of-sample risk adjusted returns and lower turnover. Moreover, I demonstrate that ICC-based market timing portfolios beat the conventional market-timing portfolio and naive 1/N strategy in terms of out-of-sample Sharpe

ratio and turnover. The evidence presented contributes to the research on how accounting information and models can be used to enhance investment decision making.

Third, I study the effect of risk similarity between acquirers and targets as captured by market implied cost of capital on mergers decisions and outcomes. I propose a new measure of risk similarity between two firms. This employs forward-looking market-implied cost of capital estimates to proxy for systematic risk. I use the new measure to study how risk similarity affects merger formation and outcomes. The empirical analysis provides evidence that firms with similar risk profiles are more likely to merge. The level of risk similarity is positively associated with the probability that an announced acquisition deal will be completed and negatively associated with the length of the period between deal announcement and completion. Mergers resulting from firms with high pre-merger risk similarity tend to lead to higher combined abnormal returns in the short-term and higher operating performance and lower risk in the long-term. The results indicate that risk similarity in mergers is in line with shareholder preferences, leads to less suboptimal investment in the target and facilitates improved management of the acquired assets. The evidence presented contributes to the research on determinants of M&A success, provide a new perspective on the impact of how the risk-profile of a company as understood by the market affect investment decisions, and offers a new methodology for defining risk similarity between firms.

JEL classification: G11, G12, M41.

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1 Introduction

Implied cost of capital (ICC) estimates are forward-looking discount rates derived from accounting information, market data, and forecasts of future cash flows of the firms'. These discount rates of future cash flows, work as a proxy for the expected return from firms' stocks. ICCs are essentially derived by inverting accounting valuation models to solve for the discount rates. The literature used several accounting models to derive these ex-ante estimates such as dividend discount models, residual income models, and models of abnormal growth in earnings. This thesis examines ICC as a proxy for expected return and as a measure of risk in three distinctive contexts.

Firstly, I conduct horse-race between the various ICC models. It is different from any previous comparison of models performance in the ICC literature in that it is exhaustive in terms of models analysed, and two-dimensional in terms of the methodology used. The list of models includes versions based on analysts and mechanical earnings forecasts, calibrated versions using risk factors, portfolio-level estimates transformed to firm-level estimates, as well as simplified and naive estimates. Some of these versions are examined for the first time in the literature. I also develop a new ICC estimator derived from a Free Cash Flow model with desired properties. Moreover, the horse race is two dimensional in terms of methodology. The first methodology views the ICC estimates as an economic quantity, and is based on the tautology of Vuolteenaho (2002) and Campbell (1991) in decomposing returns. In implementing this methodology, I address literature criticisms of previous implementations in choosing proxies for firm cash flow news and economy wide news. The second methodology is the first application of Hansen, Lunde, and Nason (2011) Models Confidence Set in the ICC literature. Using out-of-sample loss functions to measure the mean error and the error variance, I investigate the validity and the relative performance of the ICC models in a statistical framework using the models' confidence set .

I then study the value of the ICC models by deploying the estimates into two novel empirical applications related to financial-decision making. The first is a portfolio selection application where the ICC estimates proxy for expected returns. The second is a corporate finance application where the ICC estimates work as proxies for how market participants judge the riskiness of the underlying firm. The importance of the portfolio application stems from the fact that it is - to my knowledge - the first study to use the ex-ante ICC estimates to improve out-of-sample portfolio selection performance using two portfolio management styles: optimal strategies and market timing strategies. The second application also devises a new measure for comparing the riskiness of firms based on ICC estimates. I use this measure to test whether the similarity in the risk-profiles of firms impacts the probabilities and the outcomes of mergers and acquisitions.

The notions of cost of capital and expected returns are very central to finance and economics, which lead to a proliferation of estimating methods. Among these are proxies based on past realised returns, risk factor models, and models of ICC. Realised returns are known to be noisy proxies and therefore provide very poor estimates of expected returns (Elton (1999)). Botosan, Plumlee, and Wen (2011) find that some ICC models provide a valid construct of future expected returns, but not the factor models tested therein. Lee, So, and Wang (2017) evaluated several factor and ICC models, and concluded that "ICCs are particularly useful in tracking time-series variation in expected returns".

ICC estimates are derived by solving a valuation model for the discount rate. I analytically show the derivation and theoretical underpinnings of the most widely used models at the beginning of the first chapter, and Echterling, Eierle, and Ketterer (2015) provide an updated literature review of this research. The popularity of the ICC models stems from the fact that they are an ex-ante measure of expected return. These models have been used in a variety of finance applications. Due to the numerous models available to impute market implied cost of capital, it remains an open question which model or family of models performs best and in which setting. As shall be detailed in the first chapter, previous research attempted to address this question by comparing the ICC estimates against future realised returns or by contrasting them to risk factor models estimates. However, several problems should be noted regarding the previous research. Firstly, the conclusions are contradictory and inconclusive. For instance, studies like Easton and Monahan (2005) and Guay, Kothari, and Shu (2011) conclude that none of the ICC models is a valid proxy for subsequent returns, while Botosan, Plumlee, and Wen (2011) documented that some of these models are in fact able to predict subsequent realised return. Second, the methods they utilise have been criticised in later research. For instance, setting the benchmark to factor models estimates have been criticised for setting the benchmark upon which the validity of ICC estimates is judged to unreliable estimates themselves (Easton and Monahan (2016)). Some other comparisons used Fama-Macbeth regression method to compare ICC estimates to future realised returns. These studies have been critiqued later for not controlling for cash flow news and shocks such as Guay et al. (2011), or using proxies that do not necessarily capture the intended control like in Botosan et al. (2011). Third, relevant studies use different sets of ICC models in the horse-race, which make it challenging to compare them.

To address these problems, the first chapter offers several contributions. Firstly, I unify the parameters of the horse-race between the ICC models. I apply the literature classical Fama-Macbeth regression methodology, based on the tautology of Vuolteenaho (2002) and Campbell (1991) in decomposing returns, to test which of these estimates reasonably capture subsequent future realised return after controlling for firm specific cash flow news and economy wide news. In applying this method, I address the concerns raised by Easton and Monahan (2016) and Wang (2018) about the choice of empirical variables in prior studies. This method test the ICC estimates as an economic quantity for its information content. Furthermore, I extend the investigation to test ICC estimates as a statistical quantity. I introduce the Model Confidence Set (MCS) non-parametric statistical methodology of Hansen, Lunde, and Nason (2011) to the ICC literature. Using MCS, I confirm the robustness of the results of the previous tests in a non-parametric statistic manner. To do so, I use a number of out-of-sample loss functions, including Root-Mean-Squared-Error (RMSE), Mean-Absolute-Error (MAE), and Measurement-Error-Variance (MEV). The use of the latter loss function in the MCS setting is to the best of my knowledge novel to this work. MEV importance in the context of expected returns validity testing stem from the fact that in most empirical applications the bias in expected returns (as captured by RMSE and MAE) is irrelevant as much as the measurement error variance (Lee, So, and Wang (2017)). In other words, minimising measurement error variance rationale is that for the majority of expected return applications, what matters is the deviation of the expected return rather than the absolute bias generated by the proxy.

Using the regression method, I conclude that the simplest models such as the dividend discount model of Botosan and Plumlee (2002) (hereafter denoted by BP) and model based on the price-to-earnings ratio (PE) capture more variation in subsequent returns than any more sophisticated ICC or risk factor model. In fact, simplifying the BP model by limiting the forecasting horizon to one year only (hereafter denoted by TPDPS model), or to discounting the terminal value of the same model without dividend forecasts (hereafter denoted as Naive) works at least as good as the original BP model in terms of the variation they explain in subsequent returns. Moreover, contrary to the theoretical arguments that led to the development of ICC models based on abnormal growth in earnings framework (See Ohlson (2005) and Ohlson and Juettner-Nauroth (2005)), I find that ICC models based on residual income framework captures variation in subsequent returns better than the abnormal growth in earnings models.

The pair-wise comparison of the bias (i.e. out-of-sample RMSE and MAE) confirm that BP and PE models have relatively lower bias than more complex models. In the MCS testing, both of them were included in the models' confidence sets for more firms than any other model. Similarly, when the loss function in the MCS is set to be MEV, BP and PE win the race. Specifically, they get included in the confidence set of 55.19% and 54.98% of the firms in the sample respectively when compared to the other models simultaneously, while the nearest model to them record 50.87% only. The most widely used model in the literature GLS (Gebhardt, Lee, and Swaminathan (2001)), leads to low mean bias. However, in terms relative performance against other models using the error variance as a loss function, and in terms of capturing the variation in subsequent returns, its forecasting performance is inferior to the BP and PE.

Moreover, I extend the horse race to involve ICC models based on mechanical earnings forecasts instead of analysts earnings forecasts. Each ICC model has been implemented using four mechanical earnings forecasts to test whether these could improve the prediction of realised returns (See for instance, Hou, van Dijk, and Zhang (2012)). Generally, I find evidence to the contrary, most ICC models have a higher power of explaining the variation in subsequent returns using analysts estimates, and no mechanical-based estimate could do better than the Naive model. However, among all types of ICC models, those based on dividend discount models benefit the most from mechanical forecasts. This is attributed to the fact that mechanical estimates of dividends tend to be more stable and in line with firms' fundamentals, while some firms in reality pay dividends that are not in-line with their capacity to pay due to reasons that include taxes or ownership structures. Among the four mechanical models used in the testing, I find that ICC models benefit the most from Hou, van Dijk, and Zhang (2012) (HDZ) forecasts and the least from a random walk (RW) forecasting process as presented by Gerakos and Gramacy (2013). In the pair-wise comparison of out-of-sample bias and measurement error variances, this conclusion is further demonstrated. For instance, except for the HDZ, the other three mechanical forecasting models resulted in almost no improvement to any of ICC models in terms of measurement error variance as compared to analysts forecasts. Among the models that benefited from HDZ forecasts, none are based on abnormal growth in earnings framework. Moreover, the MCS results demonstrate that dividend discount models work better with mechanical estimates, while most of the other models work best with analysts forecasts.

Third, I use Fitzgerald, Gray, Hall, and Jeyaraj (2013) methodology of calibrating their model estimates using common risk factors to reduce firm-level estimation errors. I calibrate the full range of ICC models. This is the first study to apply such calibration process to the full list of ICC models, and to involve such estimates in the horse-race. The estimation error targeted by calibration could be due to data noise, earnings forecast bias, or incompatibility of certain models with specific firms. The application of such calibration to a wide range of models, and testing the improvement it provides in capturing future returns in this setting is novel, and ensure that an exhaustive list of ICC models are tested. Analysts forecasts based ICC models benefited from the calibration more than the versions based on mechanical forecasts. Also, the dividend discount models, especially BP, benefited more than any other ICC model from the process of calibration, which further demonstrates the desirability of dividends estimates that are in line with the fundamentals of the firm. Again, using MCS methodology confirms that calibrated analysts estimates perform better than all other versions of the respective ICC models except for dividend discount models. Dividend discount models work best using mechanical estimates.

Fourth, previous horse races excluded ICC models that yield portfolio-level estimates. I utilise Nekrasov and Ogneva (2011) methodology in which they extend the Easton, Taylor, Shroff, and Sougiannis (2002) portfolio-level model to generate firm-level estimates using common risk and growth factors. I use the same principle to obtain firm-level estimates from portfolio-level models of Easton (2004) and O'Hanlon and Steele (2000) as operationalised by Easton (2006). Previous research comparing the performance of ICC models restricted the horse-race to pure firm-level models. Thanks to this transformation, I extend the list of participating 'horses' to include transformed portfolio-level estimates. These models, however, consistently under-perform pure firm-level estimates in predicting subsequent returns and exhibit larger biases.

Fifth, I present a new approach to estimate the cost of equity capital. I use a discounted Free Cash-Flow to Common Equity holders (FCFE) model in conjunction with analysts estimates and market prices to estimate implied cost capital for the historical constituents of the S&P 1500. This approach is distinct from prior models in that it is not based on a dividend discount model, residual income, or abnormal growth models. Therefore, it deals with many of the issues attributed to these models. For instance, it holds on a total basis, unlike the residual income model that require value neutrality for future shareholders in order to hold. Also, it is not subject to the dividend models issues such as the non-alignment of dividend paid with firm's capacity, or influence of major shareholders on dividend policy. Most importantly, free cash flow is a more robust concept in representing the economic reality of a firm than earnings since it is subject to less accounting assumptions and less prone to earnings management. I show that this model works as good as the best performing models in the horse race.

Sixth, I investigate models performance for several sub samples of the market based on firms characteristics such as size, value, price momentum, leverage, market beta, beta standard error, number of analysts covering the firm, earnings forecasts dispersion, earnings long-term forecasted growth, target price relative to market price, and past earnings variability. The purpose of this testing is to assess whether some models work better with a particular set of firms. I find little evidence that any of the models are affected as a statistical quantity by these characteristics. However, as an economic construct, some characteristics affected the ICC estimates ability to predict future realised returns. In most of the cases, the riskier is the firm, the less effective are the models in predicting subsequent returns. For instance, small firms, firms with low earnings growth, highly leveraged, over-priced (low target-to-market price ratio) render most of the ICC models insignificant. The exceptions are the Naive target-to-market price ratio model in the case of small or highly leveraged firms, and the simple price-over-earnings ratio model in the case of overpriced firms. Moreover, firms with large number of analysts, or low standard deviation (but not using coefficient of variation) between analysts forecasts of earnings also pose issues to models ability to predict future returns with the exception of the Naive target-to-market price ratio, the price-over-earnings ratio model, and dividend discount models with terminal values based on target prices. Finally, low market beta and beta standard error firms' are anomalies for the ICC models.

In summary, the first chapter bridge the gap in current research about ICC models performance and validity by testing an exhaustive list of models (including analysts based, mechanical-based, calibrated versions, and transformed portfolio level estimates) extensively using Fama-Macbeth regression and Models Confidence Set. Dividend discount model with a terminal value based on target price, especially if combined with mechanical forecasts, and price-over-earnings ratio based ICC estimates out-perform other ICC models. Finally, calibrating the ICC models improves the performance of the estimates, especially those based on analysts forecasts, which in most cases beat all other versions of models.

In the second chapter, I steer the analysis toward an empirical utilisation of ICC estimates in portfolio selection. The conventional approach in portfolio management is to estimate expected returns using historical data. This approach leads to portfolios with poor performance for two reasons. First, the risk-return profile of the assets and the risk attitude of the investors tend to change over time. Second, history-based estimates of expected returns are subject to significant errors that translate into unstable and inefficient portfolios. DeMiguel, Garlappi, and Uppal (2009) concluded that "*although there has been considerable progress in the design of optimal portfolios, more effort needs to be devoted to improving the estimation of the moments, and especially expected returns*".

To deal with such issues in historical realised returns, the majority of the literature resorted to improved econometric specifications such as Merton (1980), Harvey (1991), Chan, Karolyi, and Stulz (1992), Fama and French (1998), Griffin (2002), and Karolyi and Stulz (2003) to name few. In fact, this vast literature tries to improve the performance of optimal portfolios by dealing with estimation errors using different approaches. The Bayesian approach, for instance, involve endeavours like using diffuse-priors (see for instance, Barry (1974), Bawa, Brown, and Klein (1979), Kandel and Stambaugh (1996), and Barberis (2000)), using shrinkage estimators (see for example, Jobson and Korkie (1980), Jorion (1985), and Jorion (1986)), or determining a prior based on asset pricing models (like Black and Litterman (1992), Pastor and Stambaugh (2000), and Pastor (2000)). Other strands of literature resorted to techniques like 'robust' diversifications, optimal diversification across estimation risk, and exploiting moment restrictions (see for instance, MacKinlay and Pastor (2000), Goldfarb and Iyengar (2003), Kan and Zhou (2007), and Garlappi, Uppal, and Wang (2007)). Moreover, other work focused on the covariance matrix estimation error (for instance, Best and Grauer (1992), Ledoit and Wolf (2004), and Kourtis, Dotsis, and Markellos (2012)), or imposing restricting constraints on the portfolio weights (for example, Frost and Savarino (1988), Chopra (1993), and Jagannathan and Ma (2003)). Unlike the previous work that improves portfolio selection by working on the estimation error of realised moments, this chapter reverts back to the basics that portfolio selection is a forward looking task, and hence, its inputs are supposed to be forward looking. Therefore, the main contribution of this chapter is to introduce market implied expected returns in a simple portfolio selection setting to demonstrate its potential benefits over ex-post returns in terms of risk-adjusted portfolio return.

To the best of my knowledge, attempting to demonstrate the improvement in the out-of-sample portfolio performance using the ex-ante cost of capital estimates as compared to the performance of strategies based on ex-post realised return is not established in the portfolio literature. This work is different from the work of DeMiguel, Plyakha, Uppal, and Vilkov (2013), Kostakis, Panigirtzoglou, and Skiadopoulos (2011), and Câmara, Chung, and Wang (2009), as they attempt to infer implied expected return from options and other derivatives information. The focus here is the fundamentals of the individual firms instead of technical analysis of option implied information. In addition to the novelty of this ICC application, the same exhaustive list of ICC models is used in this testing including pure firm level estimates from analysts based forecasts and cross-sectional forecasts of earnings, as well as calibrated and transformed portfolio-level estimates.

I deploy these ex-ante measures in two portfolio management styles: (1) an optimal tangency portfolio setting, and (2) in market timing portfolio selection setting as recommended by Kirby and Ostdiek (2012). In both settings, I find good evidence that ICC expected return estimates have better out-of-sample performance against portfolios using realised returns.

More specifically, the results demonstrate that using ICC estimates rather than an ex-post first moment in an optimal portfolio result in more stable weights, higher out-of-sample Sharpe ratio, and lower turnover. For instance, Gebhardt, Lee, and Swaminathan (2001) ICC model which is one of the most widely used in the literature generate an out-of-sample Sharpe of 0.433 and turnover of 2.684 as compared to mean-variance portfolio Sharpe of -0.370 and turnover of 28.089. Similarly, I document at least 94 ICC versions with statistically better Sharpe ratios and lower turnover than the mean-variance portfolio.

Moreover, I find those market timing strategies that use ICC estimates generate a higher out-of-sample average risk-adjusted return, and on many occasions, lower turnovers than both conventional market timing portfolios and naive allocations like 1/N. Specifically, 21 ICC versions reported statistically better Sharpe ratios and lower turnover than the conventional market timing portfolio of Kirby and Ostdiek (2012), and many more with statistically better Sharpe ratios but practically similar turnover. Similarly, 91 of ICC market timing allocations reported statistically higher out-of-sample risk-adjusted return than 1/N.

Due to the fact that the formulations used to operationalise the ICC strategies are known to be disadvantaged in terms of estimation risk and turnover, I introduce turnover-constrained versions of the portfolios as described by Kourtis (2015). Using these portfolios, I provide evidence that ICC expected return estimates generate better out-of-sample risk-adjusted-return than strategies that use historical moments, even after constraining the turnover to the turnover generated from an equally weighted portfolio. I find that the ICC strategies retain their edge in terms of risk-adjusted returns but with considerably lower turnover.

The evidence presented in this chapter contributes to the portfolio selection research by introducing a new perspective to the estimation of expected return. To the best of my knowledge, it is the first attempt to use the findings in the implied cost of capital literature to improve portfolio performance. This work demonstrates how accounting information can be used to enhance investment decision making.

Finally, the third chapter deploys ICC ex-ante estimates in a mergers and acquisitions study, where these discount rates are taken to represent how risky is the firm from the market point of view. In other words, ICC captures how market participants perceive the level of risk of the respective firms because it is the average discount rate applied by investors to future expected cash flows to determine the worth of the company. In fact, Pastor, Sinha, and Swaminathan (2008) and others show ICC to be perfectly correlated with the conditional expected stock return and helps detect the inter-temporal risk return relation. Taking this into consideration, I devise a new measure of similarity in terms of risk profile between firms' to address the following gap in the literature.

The literature offers ample evidence that post-merger integration between target and acquirer is the corner-stone to M&A deals success. In fact, Larsson and Finkelstein (1999) claim that it is the most important factor of success. The ease of integration is induced by factors like the similarity of governance and CSR practises between the two firms (Bereskin, Byun, Officer, and Oh (2018)), national and firm cultural similarities (Weber, Shenkar, and Raveh (1996)), management style and organizational similarities (Datta (1991)), technology and knowledge similarities (Makri, Hitt, and Lane (2009)), marketing ideology (Homburg and Bucerius (2005)), strategic characteristics similarity (Ramaswamy (1997)), resources similarity and complementarity (Harrison, Hitt, Hoskisson, and Ireland (1991), and Chen and Wang (2014)), and ownership similarity (Bettinazzi, Miller, Amore, and Corbetta (2018)). However, there has been little empirical evidence about whether the risk-profile fit between the target and the acquirer induce corporate integration, and hence, whether it is an important determinant of M&A transactions success. I address this gap by investigating the effects of similarities in firms' implied cost of capital - to proxy for the degree of risk attached by market participants' to the entities - on merger likelihoods and outcomes. Specifically, I assess whether entities with similar risk - implied cost of capital - are more likely to form M&A pairs, and if so, whether such transactions enjoy better outcomes.

The cost of capital represents the opportunity cost faced by the firm in spending its limited resources. Due to the differences in the cost of capital between firms, firms tend to attach different present values to mergers. Such differences in discount rates lead to varying incentives and objectives for merger formations and subsequently lead to different outcomes (See for instance, De Roos (2004) and Tombak (2002)). The differences in the discount rates applied by the market to various firms exist due to the different risk associated with different firms. For instance, Merton (1974), Andersson (2008), and Chava and Purnanandam (2010) show that this is due to different probabilities of bankruptcy. Others have shown that it is due to the risk of misusing agency and imperfect information received by the market (Harrington (1989)).

The theoretical motive underpinning this chapter boils down to the fact that firms have no incentive to change their risk profile dramatically by acquiring a business that is extremely different in terms of risk, especially if it is extremely riskier. Levi, Li, and Zhang (2012) argue that firms actively adjust behaviour to maintain the desired level of risk (i.e. the exhibit risk homeostasis behaviour). They show for instance, that firms witnessing risk level decline relative to peers will experience an increase in the level of risk to the original level post M&A transactions. Similar patterns are also documented by Hackbarth and Morellec (2008) and Carlson, Fisher, and Giammarino (2010). Firms and managers have various reasons for maintaining the desired level of risk. Firstly, market participants do not appreciate firms changing their risk profiles dramatically, for instance, by acquiring significantly more or less riskier firm. By changing the risk profile significantly, firms face the threat of losing some of its investor base, which is costly in terms cost of funds (Grinblatt, Masulis, and Titman (1984), Lamoureux and Poon (1987), Kadlec and Mcconnell (1994), Miller (1999), Foerster and Karolyi (1999), and Grullon, Kanatas, and Weston (2004)). Investors pick stocks taking into consideration the riskiness of the underlying firms. Dramatically changing the risk-profile not only create mis-balances in investors portfolios of assets, but also put off investors due to the uncertainty and required research effort and resources needed in predicting firms' cash flows. This phenomenon is portrayed in the literature on information acquisition in competitive markets (e.g. Grossman, Stiglitz, Grossman, and Stiglitz (1980) and Verrecchia (1982)). Secondly, it is safer for the management to undertake corporate strategies that are in line in terms of risk to those taken by firms that are held to be widely comparable by the market and the board, as compared to taking idiosyncratic strategies (Levi et al. (2012)). This is due to the significant cost attached to undertaking a failing strategy alone as compared to failing with others. Such risk aversion and pressure to revert to 'norms' is well documented in financial decisions literature (e.g. Wermers (1999), Hong, Kubik, and Solomon (2000), and Hong and Kubik (2003)).

The first hypothesis is that the higher the similarity in the systematic risk between two firms is, the higher the probability that the firms will merge together is. This hypothesis is motivated by two rationales. First, all else equal, the shareholders of the acquirer would prefer transactions that do not alter the systematic risk of the firm. An acquisition that involves targets which can impact the risk profile of the firm can lead to costly rebalancing in the shareholders portfolio. This is because shareholders may desire to maintain a desired level of risk or the merged firm may be incompatible with their investment style. Second, dissimilarities in the risk profile between the firms are likely to reflect dissimilarities in the risk propensity between their top management. Such differences in the management style can manifest in merger negotiations between the two parties and prevent the merger from forming (Datta (1991), Ramaswamy (1997), and Lin, Wei, and Xie (2018)).

If the acquiring firm's shareholders favour targets of similar risk, one should expect to observe a positive relation between pre-merger risk similarity and the return on the acquirer's stock around deal announcements. I further hypothesize a positive relation between pre-merger risk similarity and post-merger profitability and risk. Again, differences in the pre-merger risk of the two firms can represent differences in the risk-attitudes of the management which are known to negatively affect post-merger performance (Datta (1991), and Ramaswamy (1997)). For example, the aggressive management of a relatively high-risk firm is likely not to be suitable to manage the assets and resources of a conservative firm (Thomas, Litschert, and Ramaswamy (1991)). The hypotheses can be further supported by the finding of Kruger, Landier, and Thesmar (2015) that firms tend to suboptimally invest in targets with different risk. As managers tend to use a single discount rate corresponding to the cost of capital of their firm when making merger decisions, they tend to ignore target risk and end up with worse merger outcomes in both the short- and the long-term.

This work introduces a new measure of similarity in risk profiles between firms that is in line with measures used in Bereskin, Byun, Officer, and Oh (2018), Bena and Li (2014), Bloom, Schankerman, and Reenen (2013), and Jaffe (1986). The ICC similarity measure estimates the pairwise closeness of any two firms using 30 estimates of implied cost of capital. Using this ICC measure of similarity, I document that mergers are more likely between pairs of firms with higher ICC similarity. The testing shows that a one standard deviation increase in the ICC similarity increases the odds of a pair of firms merging by 24.45% relative to a matched control sample of possible deals which did not happen. I then report evidence that a one standard deviation increase in ICC similarity index is associated with a 35% increase in the odds of completing an announced deal, and at a 34% shorter duration between announcement and effective date. Moreover, the acquirers in the top 25% of the ICC similarity spectrum enjoy more than 4% greater increase in long-term abnormal operating performance than deals with lower risk similarity between the participating firms as well as significantly less post-acquisition goodwill write-offs. Moreover, I find that ICC similarity is positively associated with combined cumulative abnormal returns (CAR), which suggest that the markets appreciate deals with better risk-fit between the merger pair. In the additional analysis section, I show that the risk similarity between the target and the acquirer result in a lower average cost of capital of the combined firm in the two years subsequent to the completion of the deal.

For robustness, I address possible issues like the possibility that risk similarity index is capturing no more than the similarity in culture. I find no evidence of such a claim. The correlation between cultural similarity and risk similarity is indistinguishable from zero. Moreover, I argue in the methodology section that the ex-ante implied cost of capital is a far better proxy of capturing the riskiness of a firm to make investment decisions than ex-post risk factors like the market beta. I find a very low correlation between a similarity score based on beta and a similarity score based on ICC. This is expected due to the nosiness of ex-post estimates, which make them less useful for inference (Lee, Ng, and Swaminathan (2009)). Rerunning the tests using the beta similarity result in no major change in the results, except them being weaker.

Furthermore, I limit the ICC estimates to those based on analysts forecasts only. I find that the results are robust to choice of earnings forecasts source. I investigate the cross-sectional variation in the effects of the risk similarity on the deal likelihoods and outcomes. I find that the effect is stronger in labour intensive industries as compared to capital intensive industries. The effect is more prevalent in horizontal deals, followed by diversifying deals. The effect of the similarity in risk is less evident in vertical deals, perhaps due to the different motivation behind such deals (i.e. securing a customer or a supplier). Also, the effect is more observable in deals that involve larger targets and deals with acquirers that are considerably riskier than the target.

This chapter contributes to different strands in the literature. First, I identify risk relatedness between two firms as a driver of M&A activity. In this manner, I add to the literature that examines the effects of various types of similarity between firms in merger formation and success (e.g., see Bereskin, Byun, Officer, and Oh (2018) and Bettinazzi, Miller, Amore, and Corbetta (2018) and the references therein). Second, I support previous research that examines the role of the systematic risk of the target in M&A outcomes. For example, Hackbarth and Morellec (2008) model the dynamics of the beta of the bidding firm around a merger. Their model predicts that the beta of the acquirer should increase (decrease) before the acquisition, if it is higher (lower) than the target beta while a reversal of this change is predicted after the merger. Kruger, Landier, and Thesmar (2015) provide evidence that managers tend to ignore the risk of the target as reflected in the traditional weighted average cost of capital (WACC) measure. As a result, they tend to engage in value-destroying transactions when the risk of the target is higher than that of the acquirer. A fundamental difference between these studies and this chapter is that I use the implied cost of capital instead of the beta as a proxy of systematic risk. Third, I contribute to the literature that examines how the cost of capital of the firm changes post-merger. For instance, Hann, Ogneva, and Ozbas (2013) use the ICC to show that a firm's systematic risk decreases when it engages in diversification mergers. By also using ICC to proxy the cost of equity capital, I show that the cost of capital of the merged entity is inversely related to pre-merger risk similarity. I attribute this finding to more effective management of the resources and the internal capital of the merged firm for firms with similar management in terms of risk attitudes, as discussed in Datta (1991).

2 A Comparison of Implied Cost of Capital Models

2.1 Introduction

The centrality of the notion of the cost of capital and expected returns cannot be overemphasised in the finance realm. Several proxies have been used by academics and practitioners to estimate expected returns. Most notable of those are proxies based on past realised returns, risk factor models, and models of Implied Cost of Capital (ICC). It is well documented that realised returns are noisy proxies and therefore provide very poor estimates of expected returns (see for instance, Campbell (1991), Elton (1999), Gebhardt, Lee, and Swaminathan (2001), Pastor, Sinha, and Swaminathan (2008), DeMiguel, Plyakha, Uppal, and Vilkov (2013), Ardia and Boudt (2015), and the references therein). Therefore, factor models and ICC models gained traction in the literature, and many models were proposed and tested for their goodness of predicting future expected returns. For instance, Botosan, Plumlee, and Wen (2011) find that some ICC models provide a valid construct of future expected returns, but not the factor models tested therein. Lee, So, and Wang (2017) evaluated several factor and ICC models, and concluded that "ICCs are particularly useful in tracking time-series variation in expected returns".

The ICC estimates, which are derived by inverting fundamental valuation models such as the Residual Income and the Abnormal Earnings Growth model to solve for the discount rate, has been subject to vast theoretical and empirical research. I analytically show the derivation and theoretical underpinnings of the most widely used models in the next section. Echterling, Eierle, and Ketterer (2015) provide an updated literature review of this research.

The popularity of the ICC models stems from the fact that they are an ex-ante measure of expected return. These models have been used in a variety of finance applications such as shareholders control rights and agency cost (Guedhami and Mishra (2009), and Chen, Chen, and Wei (2011b)), environmental sustainability Gupta (2018), audit quality (Hope, Kang, Thomas, and Yoo (2009)), labour unions, politics and religion (Chen, Kacperczyk, and Ortiz-Molina (2011a), Boubakri, Guedhami, Mishra, and Saffar (2012), El Ghoul, Guedhami, Ni, Pittman, and Saadi (2012)), corporate governance (Chen, Chen, and Wei

(2009)), family business control (Boubakri, Guedhami, and Mishra (2010)), social responsibility (El Ghoul, Guedhami, Kwok, and Mishra (2011)), and financial reporting (Daske (2006)) to name a few. Due to the numerous models available to impute market implied cost of capital, it is an open research question to find which of these models work better if at all, and in which applications does it perform better. Previous research attempted to address this question by comparing the ICC estimates against future realised returns. Easton and Monahan (2005) and subsequently Guay, Kothari, and Shu (2011), concluded that none of the ICC models they examined provide a valid proxy of future realised return. On the contrary, after controlling for firm-level and economy news, Botosan, Plumlee, and Wen (2011) documented a positive association between future realised returns and several ICC proxies. Moreover, Pastor, Sinha, and Swaminathan (2008) find that market return volatility is positively associated with market level ICC estimates. Other studies like Botosan and Plumlee (2005) attempted to evaluate the validity of ICC estimates by contrasting them to risk factor models estimates. This method has been criticised by later research for setting the benchmark to models that are known to yield unreliable estimates themselves (Easton and Monahan (2016)). Botosan and Plumlee (2005) results were that the dividend-based ICC model and the model based of PEG (Price to Earnings Growth) ratio are associated with firm specific risk characteristics and hence are valid, while models based on the residual income and abnormal growth are not. Overall, the literature document dissimilar conclusions about the validity of the ICC estimates, and relevant studies use different sets of ICC models, which make it challenging to compare them.

This chapter offers several contributions. Firstly, I unify the parameters of the horse-race between the ICC models. I apply the literature classical Fama-Macbeth regression methodology to test which of these estimates reasonably capture subsequent future realised return after controlling for firm specific cash flow news and economy wide news. Furthermore, I introduce the Model Confidence Set (MCS) statistical methodology of Hansen, Lunde, and Nason (2011) to the ICC literature. Using MCS, I confirm the robustness of the results of the previous tests statistically. To do so, I use a number of out-of-sample loss functions including Root-Mean-Squared-Error (RMSE), Mean-Absolute-Error (MAE), and

Measurement-Error-Variance (MEV). The use of the latter loss function in the MCS setting is to the best of my knowledge novel to this work. MEV importance in the context of expected returns validity testing stem from the fact that in most empirical applications, the bias in expected returns (as captured by RMSE and MAE), is not as important as the measurement error variance (Lee, So, and Wang (2017)). In other words, minimising measurement error variance method rationale is that for the majority of expected return applications, what matters is the deviation of the expected return rather than the absolute bias generated by the proxy. Nevertheless, I also set the loss function for the horse race to the root mean squared error (RMSE) and mean absolute error (MAE), which are the classical tools for analysing the validity of forecasts. It represents the bias magnitude, which is still important for some empirical applications (see for instance, applications in Claus and Thomas (2001), Fama and French (2002), Ashton and Wang (2013), and Fitzgerald, Gray, Hall, and Jeyaraj (2013)). Therefore, this horse-race tests the various ICC proxies as an economic construct as well as a statistical construct.

Using the regression method, I find that the simplest models such as the dividend discount model of Botosan and Plumlee (2002) (hereafter denoted by BP) and a model based on the price-to-earnings ratio (PE) capture more variation in subsequent returns than any more sophisticated ICC or risk factor models. In fact, simplifying the BP model by limiting the forecasting horizon to one year only (hereafter denoted by TPDPS model), or to discounting the terminal value of the same model without dividend forecasts (hereafter denoted as Naive) works at least as well as the original BP model in terms of the variation they explain in subsequent returns. Moreover, contrary to the theoretical arguments that led to the development of ICC models based on abnormal growth in earnings framework (see Ohlson (2005) and Ohlson and Juettner-Nauroth (2005)), I find that ICC models based on the residual income framework captures variation in subsequent returns better than the abnormal growth in earnings models.

The pair-wise comparison of the bias (i.e out-of-sample RMSE and MAE) confirm that BP and PE models have relatively lower bias than more complex models. In MCS testing, both of them were included in the model confidence sets for more firms than any other model. Similarly, when the loss function in the MCS is set to be MEV, BP and PE win the race. Specifically, they get included in the confidence set of 55.19 and 54.98 percent of the firms in the sample respectively when compared to the other models simultaneously, while the nearest model to them record 50.87% only. The most widely used model in the literature GLS (Gebhardt, Lee, and Swaminathan (2001)), report low mean bias. However, in terms of relative performance against other models using the error variance as a loss function, and in terms of capturing the variation in subsequent returns, its forecasting performance is subordinate to the BP and PE.

Secondly, I extend the horse race to involve ICC models based on mechanical earnings forecasts instead of analysts earnings forecasts. Each ICC model has been implemented using four mechanical earnings forecasts to test whether doing away with analysts-'biased' forecasts could improve the prediction of realised returns. Generally, I find evidence to the contrary, most ICC models have a higher power of explaining the variation in subsequent returns using analysts estimates, and no mechanical-based estimate could do better than the naive approach. However, among all types of ICC models, those based on dividend discount models benefit the most from mechanical forecasts. This is attributed to the fact that mechanical estimates of dividends tend to be more stable and in line with firms' fundamentals, while some firms in reality pay dividends that are not in-line with its capacity to pay due to reasons that include taxes or ownership structures. Among the four mechanical models used in the testing, I find that ICC models benefit the most from Hou, van Dijk, and Zhang (2012) (HDZ) forecasts and the least from a random walk forecasting process as presented by Gerakos and Gramacy (2013). In the pair-wise comparison of out-of-sample bias and measurement error variances, this conclusion is further demonstrated. For instance, except for the HDZ, the other three mechanical forecasting models resulted in almost no improvement to any of ICC models in terms of measurement error variance as compared to analysts forecasts. Among the models that benefited from HDZ forecasts, none are based on abnormal growth in earnings framework. Moreover, the MCS results demonstrate that dividend discount models work better with mechanical estimates, while most of the other models work best with analysts forecasts.

Thirdly, I use Fitzgerald, Gray, Hall, and Jeyaraj (2013) methodology of calibrating their model estimates using common risk factors to reduce firm-level estimation errors to calibrate the full range of ICC models. The estimation error could be due to data noise, earnings forecast bias, or incompatibility of certain models with specific firms. The application of such calibration to a wide range of models, and testing the improvement it provides in capturing future returns in this setting is novel also. Analysts forecasts based ICC models benefited from the calibration more than the versions based on mechanical forecasts. This is due to the fact that many of the calibration factors are already used in the mechanical earnings forecast process. Also, the dividend discount models, especially BP, benefited more than any other ICC model from the process of calibration, which further demonstrates the desirability of dividends estimates that are in line with the fundamentals of the firm. Again, using MCS methodology confirms that calibrated analysts estimates perform better than all other versions of the respective ICC models except for dividend discount models. Dividend Discount models work best using mechanical estimates.

Fourth, I utilise Nekrasov and Ogneva (2011) methodology in which they extend the Easton, Taylor, Shroff, and Sougiannis (2002) portfolio-level model to generate firm-level estimates using common risk and growth factors. I use the same principle to obtain firm-level estimates from portfolio-level models of Easton (2004) and O'Hanlon and Steele (2000) as operationalised by Easton (2006). Previous research comparing the performance of ICC models restricted the horse-race to pure firm-level models. Thanks to this transformation, I extend the list of participating 'horses' to include transformed portfolio-level estimates. These models, however, consistently under-perform pure firm-level estimates in predicting subsequent returns and exhibit larger biases.

Fifth, I present a new approach to estimate the cost of equity capital. I use a discounted Free Cash-Flow to Common Equity holders (FCFE) model in conjunction with analysts estimates and market prices to estimate implied cost capital for the historical constituents of the S&P1500. This approach is distinct from prior models in that it is not based on the dividend discount model, residual income, or abnormal growth models. Therefore, it deals with many of the issues attributed to these models. For instance, it holds on a total basis, unlike the residual income model that require value neutrality for future shareholders in order to hold. Also, it is not subject to the DDM issues such as the non-alignment of dividend paid with firm's capacity, or influence of major shareholders on dividend policy. Most importantly, free cash flow is a more robust concept in representing the economic reality of a firm than earnings since it is subject to less accounting assumptions and less prone to earnings management. I show that this model works as good as the best performing models in the horse race.

Sixth, I investigate models performance for several sub-samples of the market based on firms characteristics such as size, value, price momentum, leverage, market beta, beta standard error, number of analysts covering the firm, earnings forecasts dispersion, earnings long-term forecasted growth, target price relative to market price, and past earnings variability. The purpose of this testing is to assess whether some models work better with a particular set of firms. I find little evidence that any of the models are affected as a statistical construct by these characteristics. However, as an economic construct, some characteristics affected the ICC estimates ability to predict future realised returns.

In most of the cases, the riskier is the firm, the less effective are the models in predicting subsequent returns. For instance, small firms, firms with low earnings growth, highly leveraged, over-priced (low target-to-market price ratio) render most of the ICC models insignificant. The exceptions are the Naive target-to-market price ratio model in the case of small or highly leveraged firms, and the simple price-over-earnings ratio model in the case of overpriced firms. Moreover, firms with large number of analysts, or low standard deviation (but not using coefficient of variation) between analysts forecasts of earnings also pose issues to models ability to predict future returns with the exception of the Naive target-to-market price ratio, the price-over-earnings ratio model, and dividend discount models with terminal values based on target prices. Finally, low market beta and beta standard error firms' are anomalies for the ICC models.

The remainder of this chapter is divided as follows. Firstly, I analytically show how the implied cost of capital models were developed in the literature and discuss the families of the models, the underlying assumptions and provide a background for the subsequent testing.

Subsequently, a description of the data and testing methodologies is presented, followed by two sections of testing. In the first section, I test the ICC models as an economic construct for their ability to capture subsequent returns. In the second section, the ICC models are tested as a statistical construct in terms of out-of-sample mean error and error variance using MCS. In the final section, I provide extensive testing for sub-samples to investigate the effect of certain characteristics on the forecasting performance of the models.

2.2 Implied Cost of Capital Literature Review

I begin the project by reviewing the various models from the Implied Cost of Capital (ICC) literature that will be used in deriving estimates of expected returns. In this section, I analytically show the foundations and the assumptions from which these models are derived.

ICC refers to the discount rates - sometimes called the internal rate of return - that equates the present value of forecasted future cash flows to the current market price of the firm. This idea is different from the work that attempts to infer implied expected return from options and other derivatives (see, for example, DeMiguel, Plyakha, Uppal, and Vilkov (2013), Kostakis, Panigirtzoglou, and Skiadopoulos (2011), and Câmara, Chung, and Wang (2009)). The implied expected return considered here is derived from theory-grounded fundamental valuation models, accounting data, market prices, and forecasts of earnings, dividends and cash-flows rather than from technical analysis of derivatives. The idea is to reverse engineer valuation models and to solve for the discount rate that equates forecasted cash flows to the current market price of the firm. Consequently, the estimates of expected returns from such approach are based on forward-looking forecasts instead of historical information extrapolation. It is worth noting the the derivatives method has the limitation that it can only be applied to firms having derivatives. Many firms do not have traded derivatives, and in many occasions, even if they do, it is not with the most appropriate maturity or liquidity. On the other hand, all public firms have a market price, and hence the ICC approach can be applied to a wider base of firms.

To set the context and the notations, consider the classical discounted cash flow valuation model which defines the intrinsic value of a security as the present value of its expected future cash flows[1]:

$$V_0 = \sum_{t=1}^{\infty} \left(\frac{FCF_t}{(1 + r_0)^t} \right) \tag{1}$$

where V_0 is the intrinsic value of the firm, FCF_t is the firm after-tax cash flow in period t, and r_0 is the expected rate of return. This is the most generic version of discounted cash flow valuation models and it is derived from the no arbitrage principle.

To impute market implied expected return form this model, the intrinsic value of the firm is set to be the current market price, and expected future cash flows are approximated, usually using analysts estimates. Since it is practically impossible to forecast cash flows infinitely, an estimate of the cash flows expected growth rate g_{fcf} beyond forecast horizon T is used:

$$V_0 = \sum_{t=1}^{T} \left(\frac{FCF_t}{(1 + r_0)^t} \right) + \left(\frac{FCF_T \left(1 + g_{fcf}\right)}{\left(r_0 - g_{fcf}\right) * (1 + r_0)^T} \right) \tag{2}$$

Such formulation would require some judgement as to what would be the growth rate of the cash flows after the forecasting horizon. The literature used methods like identifying growth rates associated with macro-economic data like inflation, or industry averages (see, for instance, Claus and Thomas (2001)) . In some other cases, models were tweaked to impute simultaneously the growth rate implied by the data as well as the implied expected return (like, Easton, Taylor, Shroff, and Sougiannis (2002)). A third possible method is to avoid the use of any growth rate by identifying a forecasted terminal value at the end of the forecasting horizon by using fundamentals, or market multiples.

In operationalising this model, the literature explored with several definitions of cash flows including dividends such as Gordon and Gordon (1997), residual income like in Gebhardt, Lee, and Swaminathan (2001), and abnormal earnings like in Gode and Mohanram (2003). However, one should note that the debate of which of them is a better model is not about the theoretical foundations, since they are conceptually equivalent and are derived

[1]The notation used in this model and in all subsequent models is simplified, in that FCF_t, for instance, does not refer to a random variable. A more precise notation would be $E_t[FCF_{t+1}]$. Therefore, phrases such as "expected cash flow" are redundant, and whenever the word "expected" is used it is only to highlight and remind the reader that I am in fact using expectations. This would be true later for future dividends, residual income, earnings, ...etc.

from the same principles (see, for instance, Shrieves and Wachowicz (2001)). Instead, it is rather about the availability of forecasts and data, as well as the necessary adjustments to the accounting information used.

One of the most common methods to define cash flows is to use dividends. The Dividend Discount Model (DDM), attributed to Williams (1938) is used to infer the intrinsic value of Equity V_0^E by suggesting that the investor will ultimately be paid for his investments in the form of dividends. Even in the case of selling the stock, the investor receives the present value of the remaining dividends. Early studies have used the DDM to generate estimates of implied expected returns (see, for instance, Malkiel (1979), Campbell and Shiller (1988), Botosan (1997), Gordon and Gordon (1997), and Botosan and Plumlee (2002)) due to the convenience of using dividends as a measure of cash flows and the low volatility of dividends when compared to earnings. However, unless all the firms in the sample have a history of paying dividends with dividend policies that are clear and are related to the firm's earnings, and they have no major shareholders who can influence the dividend policy suddenly making the fundamentals uncertain and volatile, the DDM would have clear issues. Moreover, the DDM by construction places a very high weight on the terminal value and the assumed growth rate beyond the forecasting horizon, which is problematic. Therefore, more recent literature shied away from using dividends as a proxy for cash flows. Instead, more recent work resorted to the Residual Income and Abnormal Growth definitions of cash flow in estimating implied cost of capital. Hence, I shall limit myself in this paper to two ICC models based on DDM - that is Gordon and Gordon (1997) and Botosan and Plumlee (2002) models as presented in the next subsections. This choice is stimulated by the aforementioned reasons, but also because of the declining dividend yields over time. In fact, there is evidence that the predicted equity premiums have been going negative due to such trend in yields (Welch (2000)).

But before skipping this point and eluding into the more accepted models in estimating implied expected returns, it is worth noting that recent valuation studies resorted to models of free cash flow that define cash flows as the available for distribution to capital providers rather than actually paid dividends. This is a more economically sound method for several reasons, including that it avoids removing companies with no dividends from the sample, it is more suitable when companies pay dividends that are not in line with the company capacity to pay dividends, and the company ownership structure becomes irrelevant. Despite its popularity in valuation literature, there has been no attempt to estimate implied expected returns using Free Cash Flow models. Hence, one of the contributions of this paper would be to introduce a novel method of estimating implied expected returns by reverse-engineering the Free Cash Flow model, and to test it against the mostly-used methods.

As indicated earlier, the literature most evidently appreciates Residual Income and Abnormal Earnings Growth based methods in estimating implied expected return, mainly because analysts forecasts of earnings per share are more readily available than other variables, as well as the fact that these models place less weight on terminal values and more weight on current book values.

To start with, the Residual Income valuation model is derived from the same no arbitrage assumption used to derive the classic Discounted Cash Flow model as shown by Rubinstein (1976). Using the clean-surplus accounting identity [2] which stipulates that the change in shareholders equity per share Δbps_t is the sum of the net income/loss during the period eps_t minus any dividends distributed dps_t. The DDM could be written as follows after substituting for dps_t:

$$V_0^E = bps_t + \sum_{t=1}^{\infty} \left(\frac{eps_t - r_E.bps_{t-1}}{(1 + r_E)^t} \right) \tag{3}$$

This is formally called the Residual Income (or Economic Profits) Valuation Model, it is also referred to as Edwards-Bell-Ohlson (EBO) Model. Conceptually, residual income is defined as the net income of the firm less a deduction for common shareholders' opportunity cost in generating net income. It reflects the economic profit in the sense that it takes into account the costs of all forms of capital, not only debt capital as accounting profit does. In other words, a company earns a positive residual income/ economic profit only if it generates a net income higher than the cost of equity.

Note that Equation (3) is written in a per-share notation. It is worth noting that Ohlson

[2]The Clean Surplus Accounting formula is $bps_t = bps_{t-1} + eps_t - dps_t$; solving for dps_t and substituting in the Dividend Discount Model $V_0^E = \sum_{t=1}^{\infty} \left(\frac{dps_t}{(1+r_E)^t} \right)$, would yield equation (3).

(2000) and Ohlson (2005) pointed that the clean surplus assumption would not hold on a per share basis if future transactions are expected to alter the outstanding number of shares by the mean of repurchases or stock issuances for example [3]. The literature predominantly ignores this issue, and it is silent about the possible implications on the validity of the implied expected returns if the clean surplus assumption does not hold. However, the residual income model can be re-formulated to reflect the total value of the firm as follows:

$$V_0^E = BV_t + \sum_{t=1}^{\infty}\left(\frac{NI_t - r_E.BV_{t-1}}{(1+r_E)^t}\right) \tag{4}$$

Where BV_t is the firm book value at time t, NI_t is the net income or loss for the period. Note that $NI_t - r_E.BV_{t-1}$ is the residual income. Another representation of residual income that stems directly from its definition is that $RI_t = (ROE_t - r_E).BV_{t-1}$ [4], hence the formula becomes:

$$V_0^E = BV_t + \sum_{t=1}^{\infty}\left(\frac{(ROE_t - r_E)\,.BV_{t-1}}{(1+r_E)^t}\right) \tag{5}$$

where ROE_t is the return of equity after tax for the period. Even though both equations (4) and (5) are on the firm level, that does not negate fully the issue highlighted previously about the clean surplus accounting assumption (Ohlson (2005)). For the Residual Income Valuation Model to hold on a total basis, the equity transactions are ought to be value neutral for future shareholders. This is one of the reasons I argue that the Free Cash Flow models mentioned previously are more robust despite the data requirement and the cash flows volatility. The literature therefore developed a version of the residual income model that does not depend on the Clean-Surplus relation. It is called the Abnormal Earning Growth Valuation Models which shall be presented later.

To operationalise the model, the forecasting period need to be identified, and hence, equation (3) can be re-written in a finite horizon setting as follows:

$$V_0^E = bps_t + \sum_{t=1}^{T}\left(\frac{eps_t - r_E.bps_{t-1}}{(1+r_E)^t}\right) + \left(\frac{(eps_T - r_E bps_{T-1})(1+g_{ri})}{(r_E - g_{ri}) * (1+r_E)^T}\right) \tag{6}$$

[3] A highly unorthodox method of computing earnings per share could make the clean surplus accounting hold always by making it capturing all the transactions that go through other comprehensive income and equity without passing through the income statement conventionally. Further discussion is in Ohlson (2005)

[4] ROE in this context uses beginning book value of equity in the denominator not average book value of equity.

Re-writing (5) in a finite horizon setting will result in an equivalent formulation. Both these formulations are the basis for the models of Gebhardt, Lee, and Swaminathan (2001), Claus and Thomas (2001), Easton (2004), and Easton (2006) that will be discussed in details in the subsections to follow being the most prominent formulations to estimate implied expected returns based on the Residual Income Valuation Model.

The second representation the literature appreciates for estimating implied expected returns is the Abnormal Growth Model. The importance of this model steam from the discussion earlier about how critical is the Clean-Surplus Accounting assumption for the Residual Income model to hold. Ohlson and Juettner-Nauroth (2005) used the dividend discount model to derive the Abnormal Growth in Earnings Valuation model in the same way Residual Income Model was derived but by replacing the book value at time t in the residual income model with capitalised forward earning per share eps_{t+1}. Essentially, the model suggests that the valuation starting point is next period expected capitalized earnings. The derivation of this model could simply be done by adding the dividend discount model $V_0^E = \sum_{t=1}^{\infty}\left(\frac{dps_t}{(1+r_E)^t}\right)$ to the following zero sum equality, where $\frac{eps_{t+1}}{r_E}$ is the capitalized next period earnings [5]:

$$0 = \frac{eps_1}{r_E} + \frac{\frac{eps_2}{r_E} - (1+r)\frac{eps_1}{r_E}}{(1+r)} + \frac{\frac{eps_3}{r_E} - (1+r)\frac{eps_2}{r_E}}{(1+r)^2} + \ldots\ldots\ldots \tag{7}$$

The outcome of this summation is [6]:

$$V_0^E = \frac{eps_1}{r_E} + \sum_{t=2}^{\infty}\left(\frac{eps_t + r_E.dps_{t-1} - (1+r_E) * eps_{t-1}}{r_E * (1+r_E)^{t-1}}\right) \tag{8}$$

Equivalently, if $AGiE_t$ is defined as the abnormal growth in earnings for year t, or the difference between expected year-t cum-dividend accounting earnings $(eps_t + r_E.dps_{t-1})$ and the normal accounting earnings that would be expected given earnings of last period $((1 + r_E) * eps_{t-1})$, then the model can be re-written as :

$$V_0^E = \frac{eps_1}{r_E} + \sum_{t=2}^{\infty}\left(\frac{AGiE_t}{r_E * (1+r_E)^{t-1}}\right) \tag{9}$$

[5] Equation (7) could be rearranged as follows: $0 = \frac{eps_1}{r_E} - \frac{eps_1}{r_E} + \frac{\frac{eps_2}{r_E}}{(1+r)} - \frac{\frac{eps_2}{r_E}}{(1+r)} + \frac{\frac{eps_3}{r_E}}{(1+r)^2} - \frac{\frac{eps_3}{r_E}}{(1+r)^2} + \ldots.$

[6] To arrive to this representation, after summing up the DDM with the zero-sum equality of the capitalized earnings per share, multiply and divide the summation by r_E, and then subtract a period from all t subscripts to make the summation start at t=2 for a more intuitive representation.

Essentially this says that the present value of the abnormal growth earnings sequence accounts for the difference between the capitalized expected earnings and the current market price. Such formulation does not require the clean surplus accounting assumption, and sustain the dividend policy irrelevance property in Residual Income Model since it correct for earnings foregone due to the company dividend policy. Ohlson (2005) argue that the Abnormal Growth in Earning Model is theoretically more robust since it does not require the clean surplus accounting assumption to hold, and he shows that the residual income model implies the Abnormal Growth in Earnings model, but not the vice versa. Having highlighted the theoretical superiority of this model, it is worth noting that there is some evidence that the empirical estimates of the implied expected returns from the Residual Income Models are more robust than those inferred by reverse engineering the Abnormal Earnings Growth Model (see, for instance, Botosan and Plumlee (2005), Easton and Monahan (2005), Botosan, Plumlee, and Wen (2011), and Easton and Monahan (2016)), but I will investigate this further due to its inconclusivity.

The model in equation (8) has been shown by Ohlson and Juettner-Nauroth (2005) to be a generalization of the Gordon growth model which essentially assumes a fixed dividend payout ratio in the DDM formulation $V_0^E = \frac{dps_1}{r_E - g_{perp}}$. By defining the perpetual growth rate to be $g_{perp} = \gamma - 1$, adding and subtracting the leading capitalized earnings per share, the resulting equation is:

$$V_0^E = \frac{eps_1}{r_E} + \frac{eps_2 - eps_1}{r_E\left(r_E - g_{perp}\right)} \tag{10}$$

Ohlson and Juettner-Nauroth (2005) (OJN) generalize this equation by correcting for the earnings forfeited due to the payment of dividends. Hence $eps_2 - eps_1$ is replaced by $eps_2 - eps_1 - r_E\left(eps_1 - dps_1\right)$ which effectively means that abnormal changes in earnings are the changes in excess of the return on net re-investment. This collapse back to $eps_2 - eps_1$ in the case the payout ratio is 100%. In addition, the model does not require the short-run growth rate $\frac{eps_2 - eps_1 - r_E(eps_1 - dps_1)}{eps_1}$ to equal the perpetual growth rate $g_{perp} = \gamma - 1$. Instead, the model allows the growth in the short-run to be different and decaying asymptotically to the perpetual earnings growth rate. Therefore the model yield the following representation which is equivalent to equation (8):

$$V_0^E = \frac{eps_1}{r_E} + \frac{(eps_2 - eps_1 - r_E\,(eps_1 - dps_1))}{r_E * \left(r_E - g_{prep}\right)} \tag{11}$$

Substituting $g_{perp} = \gamma - 1$ into the above equation, and replacing the intrinsic value with current market price P, then solving for the expected return yields the following:

$$r_E = A + \sqrt{A^2 + \frac{eps_1}{P_0}\,(g_2 - (\gamma - 1))} \tag{12}$$

where $A = \frac{1}{2}\left((\gamma - 1) + \frac{dps_1}{P_0}\right)$ and $g_2 = \frac{eps_2 - eps_1}{eps_1}$.

This yield back Gordon growth model if $g_2 = \gamma - 1$ (i.e equals the perpetual growth rate) and the payout ratio is constant $dps_t = k^* eps_t$. Subsequent studies used Ohlson and Juettner-Nauroth (2005) with different sorts of assumptions [7]. These formulations are the basis for the models of Gode and Mohanram (2003); and Easton (2004); that will be discussed in details in the subsections to follow being the most prominent formulations to estimate implied expected returns based on the Abnormal Growth Valuation Model.

2.2.1 Gebhardt, Lee, and Swaminathan (2001) Model

Gebhardt et al. (2001) used a residual income model and market prices to estimate the implied expected return of a large sample of US stocks. They documented some cross-sectional relations between these expected returns and some industry and firm characteristics. They did so by invoking a finite two stage formulation on equation (5). In the first stage, earnings are forecasted explicitly using analysts estimates for 3 years. Beyond this forecasting horizon, earnings are forecasted implicitly by mean reverting ROE in period $t + 3$ to the industry median linearly by the period $t + T$. Gebhardt et al. (2001) argument for fading the ROE to the industry [8] median is that residual income captures economic rent, hence, the mean reversion of ROE is designed to capture the idea that firms tend to become more like

[7] Some of these studies precede Ohlson and Juettner-Nauroth (2005) publication date by few years as they were using prior working papers that go as early as the year 2000.

[8] Fama and French (1997) 48 industry classifications is used. In the median calculation, from 5 to 10 years of past data were used, and they excluded observations with negative net income. Using the mean instead of the median resulted in no changes to the results. Gode and Mohanram (2003) used a variant where the industry median is the moving median of ROE of all firms in the industry (not only those with positive ROE), but they winsorized the industry medians at the risk free rate and at 20%.

peers in the long-term, but also to capture the erosion in abnormal ROE over the long-run. However, they do not examine the empirical validity of this assumption.

The terminal value beyond T is computed by perpetual-discounting of the Residual Income at period T, which suggest that incremental economic profits after period beyond T is zero [9]. They used T=12 primarily, but T= 6, 9, 15, 18 or 21 resulted in no major differences.

The formulation used boils down to the following:

$$V_0^E = bps_0 + \sum_{t=1}^{11} \left(\frac{(ROE_t - r_E) * bps_{t-1}}{(1 + r_E)^t} \right) + \left(\frac{(ROE_{12} - r_E) * bps_{11}}{r_E * (1 + r_E)^{11}} \right) \tag{13}$$

The book value bps_0 is the most recent book value of equity divided by the outstanding number of shares in the month. ROE for the first 3 years, is the forecasted average earnings per share divided by the book value per share at the beginning of the period. Linear interpolation is used beyond the third year to phase the forecast of ROE to industry median. The book value at any time period subsequent to the current time was determined by the clean surplus accounting formula $bps_t = bps_{t-1} + eps_t - dps_t$ where the dividend per share is forecasted using the current payout ratio and where $ROE_t = \frac{eps_t}{bps_{t-1}}$.

The Gebhardt et al. (2001) model is the most widely used formulation in the literature to impute implied expected returns (Wang (2015)). Easton (2001) however, showed that the abnormal ROE does not only capture the economic rent (i.e. economic value added) but also the difference between market expected return and the accounting measure of ROE (i.e. the accounting value added). Hence, due to the difference between economic earnings and accounting earnings, the residual income most probably will not capture economic rents per se, but rather it will depend on the accounting method used in determining the forecasted earnings and book value. To investigate the materiality and the consequence of such issue, Easton (2006) run the following regression between the implied expected return from Gebhardt et al. (2001) methodology applied on stocks on the Dow Jones Industrial Average at the end of December 2004 against the three variables that derive the cross sectional variation of such estimate by construction: (1)the current price to book ratio, (2) the forecasts of earnings, and (3) the industry median ROE which will determine the terminal growth rate

[9] This is not equivalent to growth of the earnings or cash flows to be zero, instead, it only suggest value neutrality of such growth.

beyond forecasting horizon. When j stocks are in the portfolio, the regression is:

$$r_E = \alpha_0 + \alpha_1 \left(\frac{P_t^j}{bps_t^j} \right) + \alpha_2 \left[\sum_{t=1}^{3} \frac{eps_t^j}{bps_t^j} \right] + \alpha_3 IndROE_t^j + \mu_t^j \tag{14}$$

The regression demonstrated that the industry median ROE has the highest incremental explanatory power for this estimate of expected returns. Hence, the differences in median industry ROE have so much effect on the differences of expected returns which is a concern because industry ROE is calculated differently under various accounting regimes. Furthermore, the current price to book ratio variable is also influenced by the accounting regime. Hence the differences in estimates of the expected returns might reflect no more than the consequences of accounting practises. It follows then that the growth of residual income will reflect not only the real growth but also the correction of accounting differences between forecasts of earnings and economic earnings. This at least could partially explain why the expected returns derived using growth rates implied by the data (as we shall see in some subsequent models) are consistently lower than those obtained using growth rates derived from median industry ROE. It seems that Gebhardt et al. (2001) growth rate assumption is too low.

Finally, the model of Gebhardt et al. (2001) does allow the estimation of firm-specific expected returns implied by the accounting data and market price. However, the issue about the industry-specific accounting practises described above does suggest that using the model for industry-level estimates of expected returns is more justified.

2.2.2 Claus and Thomas (2001) Model

Claus and Thomas (2001) used the residual income model to estimate the implied expected return. They assume that all firms residual income growth rate beyond the forecasting period of 5 years is the same; and this growth rate is an estimate of expected inflation, which is derived from the risk free rate based on an "educated guess" that real risk free rate equals 3%. Claus and Thomas (2001) used the following formulation, where g_{infl} is the residual income growth rate after year 5:

$$V_0^E = bps_0 + \sum_{t=1}^{5}\left(\frac{RI_t}{(1+r_E)^t}\right) + \left(\frac{RI_5\left(1+g_{infl}\right)}{\left(r_E - g_{infl}\right)(1+r_E)^5}\right) \tag{15}$$

The rationale of the growth assumption -which represent the main difference to Gebhardt et al. (2001) model along with the forecasting horizon- is that if book value reflects market value, the expected residual income is supposed to be zero. Residual Income, unlike book values that measure the cost of inputs only, reflects also the unearned expected economic rent. However, the RI tends to be positive even in the absence of such rents due to the fact that accounting figures are based on the principle of conservatism, and rent dissipation over time. As Zhang (2000) puts it, the growth in residual income is determined by the difference between the market expected return on equity and the firm accounting ROE. This difference has two determinants: the principle of prudence and conservatism in accounting, and investments long-term growth. Under most GAAPs, the prudence principle leads to a relative understatement of assets and revenues on average and overstatement of liabilities and input costs on average, hence, ROE is supposed to converge to expected return over time but remains above it. The residual income decline as the spread between ROE and market expected return on the firm equity shrinks. Nevertheless, the growth of investments enlarges the residual income generation base. Claus and Thomas (2001) essentially assume that growth attributed to expanding investment base dominate the growth from accounting prudence and conservatism; hence they set the growth in investment to be the inflation rate calculated as nominal risk-free rate minus 3 % as an estimate of real risk free rate. Such setting implies that the growth in earnings from prudence accounting practise beyond the forest horizon is zero. While this may be reasonable in the long-run, practically, reliable forecasts are generally only available for the short-horizon, and they are available for accounting earnings, not economic earnings. This will have implications on the inferred implied expected rate of return. The paper does not test for the empirical validity of such growth assumption.

The second complication with Claus and Thomas (2001) method is that after the fifth year, all firms would have the same growth rate which is arguably problematic in generating a firm-specific implied expected return. This method has been used by others, and Daske (2006) argue that such a procedure is "economically plausible" and "can be applied to a single firm". The essence of the argument to advocate this method is as follows: since the expected growth rate is a function of both expected economic rents and the prudence principle of accounting, and since the short-term horizon forecast of earnings and book values (in this context it is three years) does take into consideration the firm-specific differences, in this way these differences are perpetuated beyond the forecasting horizon through the base upon which the earnings are assumed to grow using a unified growth rate. All in all, just like in Gebhardt et al. (2001), technically the methodology allows for the estimation of firm-specific implied expected returns, however, it is less challenging to justify the use of the same growth rate for portfolio-level estimates.

Equation (15) is solved using an iterative process for expected return, which appears in the discounting factor as well as in the calculation of RI. The iterative process could yield many possible roots, but only one is real and positive. The first iteration is set to be somewhere near the risk-free rate.

It is worth noting that the authors of the paper opted to call the model an abnormal Earnings model rather than a residual income model. I have shied away from calling it an abnormal earning model since it has been derived from a Residual Income Valuation Model. Following other authors, I reserve the name 'Abnormal Earnings Model' to those formulations derived from the Residual Income Models but without resorting to the Clean-Surplus relation as discussed earlier.

2.2.3 Easton, Taylor, Shroff, and Sougiannis (2002) Model

Thus far, the models presented rely on some sort of assumption regarding the growth rate beyond the forecasting horizon. Hence, any estimate of implied expected return derived from inverting these models to solve for the required return would depend on the validity of the assumptions on growth rate. Easton et al. (2002) provide a formulation that estimates rather than assume a rate of growth. By inverting the residual income model in the form of linear regression, and using analysts forecasts, recorded book values, and observed market prices, their formulation simultaneously estimates implied residual income growth rate and implied expected rate of return as coefficients of the regression model. They argue that using the data-implied growth rate adjust for the fact that the imputed implied-expected return is derived from the equity book value and *short − term* forecasts of earnings. Easton et al. (2002) inversion of the residual income model exploit the property of earnings being additive over time as demonstrated by Easton et al. (1992) to express the ratio of the sum of earnings forecasts over the forecasting horizon, which is four years, to current book value (the dependent variable) as a function of the current price to book multiple (the independent variable). This is achieved by recognizing that equation (3) can be split into the summation of two periods, before and after T=4:

$$V_0^E = bps_0 + \sum_{t=1}^{4}\left(\frac{eps_t - r_E.bps_{t-1}}{(1+r_E)^t}\right) + \sum_{t=5}^{\infty}\left(\frac{eps_t - r_E.bps_{t-1}}{(1+r_E)^t}\right) \tag{16}$$

Using the accounting clean surplus relation, and substituting for bps_3, bps_2, and bps_1 by the relevant earning eps_t, dividend dps_t, as well as the current book value bps_0 in the first summation of equation (16), then collecting the terms would result in the following:

$$\sum_{t=1}^{4}\left(\frac{eps_t - r_E.bps_{t-1}}{(1+r_E)^t}\right) = \frac{eps_{Tcum} - (R-1)bps_0}{R} \tag{17}$$

Where $R = (1 + r_E)^4$ as $T = 4$, and eps_{Tcum} is the aggregate cum dividend earnings for the 4 periods. Equation (18) essentially captures the present value of the expected residual income over the forecasting horizon. Since equation (16) is an infinite-horizon model, one could derive a finite version by using the residual earnings derived in formulation (17) as perpetuity where the expected average annual growth rate of residual income is g and $G = (1 + g)^4$:

$$V_0^E = bps_0 + \frac{eps_{Tcum} - (R-1)bps_0}{R-G} \tag{18}$$

Rearranging this equation gives:

$$\frac{eps_{Tcum}}{bps_0} = (G-1) + (R-G).\frac{V_0^E}{bps_0} \tag{19}$$

In this formulation, if $(G - 1)$ is considered to be an intercept coefficient, say γ_0, and $(R - G)$ a slope coefficient, say γ_1, then for a portfolio of j stocks, if the current prices are considered to equal the intrinsic values, the following linear regression model can be used to simultaneously infer the R and the G, and hence, the implied growth rate of residual income as well as the implied expected return:

$$\frac{eps^j_{Tcum}}{bps^j_0} = \gamma_0 + \gamma_1 \frac{P^j_0}{bps^j_0} + \mu^j_0 \tag{20}$$

The intercept and slope coefficients are the averages of the firm level coefficients, and the error term μ^j_0 represent the cross-sectional variation in those firm-level coefficients. This error term is heteroskedastic by construction, and hence White standard errors need to be used. The estimation has a circularity issue since the estimation of eps^j_{Tcum} requires a rate of a required return, which is to be estimated itself. The authors used an iterative procedure, whereby initially the displacement of expected earnings due to dividend payment is set to be 12% of the paid amount since dividends could have been reinvested to boost future earnings of the firm. The underlying assumption is that if those dividends were not paid, they would have generated from the firm's operations the historical market return, which is 12%. This estimate of the required rate of return gets revised while calculating eps^j_{Tcum} until no change in the estimate of r and g occurs by the iterative process. The obtained required rate of return from the regression is used to replace the rate of re-investment in every iteration. This process is iterated until it results in no further revision to the estimates of both implied income growth rate and implied expected return. Expected dividends are assumed to equal the current paid dividends for the forecasting horizon.

When G and R are estimated from the regression, r and g are calculated using the fourth positive root. The imaginary and negative roots are meaningless. It is worth noting that among the two variables used in the regression $\frac{eps^j_{Tcum}}{bps^j_0}$ and $\frac{P^j_0}{bps^j_0}$, only the first is estimated with error generated from either the use of analysts forecasts as an estimate of future earnings or from the assumption of constant dividends. Therefore, the variable measured with error is set as the dependent variable to avoid biased coefficient estimates. Interestingly, this study resulted in a higher estimate of average expected returns than Gebhardt et al. (2001) and Claus and Thomas (2001).

2.2.4 Fitzgerald, Gray, Hall, and Jeyaraj (2013) Model

Fitzgerald et al. (2013) use the same starting point as Gebhardt et al. (2001). To operationalise equation (3), for 2 years, explicit forecasts of earnings are used. Beyond the second year, earning is implicitly determined by fading ROE through linear interpolation to the industry average. The terminal value is computed using a growing perpetuity formulation as follows:

$$V_0^E = bps_0 + \sum_{t=1}^{11} \left(\frac{(ROE_t - r_E) * bps_{t-1}}{(1 + r_E)^t} \right) + \left(\frac{(ROE_{11} - r_E) * bps_{10} * (1 + g)}{(r_E - g) * (1 + r_E)^{11}} \right) \tag{21}$$

Fitzgerald et al. (2013) used the price target instead of the price as a proxy for V_0^E.

2.2.5 O'Hanlon and Steele (2000) and Easton (2006) Model

One can realize that the previous formulations are dependent on analysts' forecasts. Among many possible issues, three are important in this context: contradictory analysts forecasts, stocks not followed by analysts would render these methods unusable, and most prominently analysts optimism/pessimism relative to the market. Rather than using market prices, reported book values, and *analysts forecasts* to derive the implied expected returns, Easton (2006) and Easton and Sommers (2007) adapted O'Hanlon and Steele (2000) idea to derive a method that use market prices, reported book values, and *realised earnings* (instead of analysts' forecasts) to simultaneously estimate implied expected return and implied residual income growth. The idea is that residual income model like in equation (5) can be reformulated like perpetuity growing at g_{perp}:

$$P_t^j = bps_t^j + \frac{\left[\left(ROE_t^j - r_E^j \right) bps_{t-1}^j \right] \left(1 + g_{perp}^j \right)}{r_E^j - g_{perp}^j} \tag{22}$$

Then, by defining $\delta_0 = r_E$, and $\delta_1 = \frac{r_E - g_{prep}}{1 + g_{prep}}$, the above model can be written in a linear regression format as follows:

$$\frac{eps_t^j}{bps_{t-1}^j} = \delta_0 + \delta_1 \frac{P_t^j - bps_t^j}{bps_{t-1}^j} + \mu_t^j \tag{23}$$

This regression can yield an estimation of the expected rate of return r_E and expected growth rate g_{perp} of a portfolio of j stocks. Note that this formulation differs when compared to Easton et al. (2002) as in equation (20) in that only this period earnings is required in (23) as compared to the sum of this period as well as the next three periods in (20). One more difference between these two methods is that the implied expected return imputed in Easton et al. (2002) method, or in fact all the methods that use analysts forecasts, may not reflect the economic cost of capital due to analysts bias, while O'Hanlon and Steele (2000) method mitigate such issue.

2.2.6 Gode and Mohanram (2003) Model

Gode and Mohanram (2003) is one of the early studies that used Ohlson and Juettner-Nauroth (2005) (see previous discussion and equation (12)) results to infer implied expected returns from the Abnormal Growth in Earnings model with two assumptions to operationalise it. Firstly, just like Claus and Thomas (2001), they assumed that all firms perpetual growth rate $(\gamma - 1)$ is the same, and it is equal to risk free rate minus 3%. Secondly, to reduce the impact of outliers, they used the average of short-run growth (2 years) and the long-run growth (5 years) rate as given by analysts as a proxy for g_2 in equation (12).

The model requires an explicit one-period dividend forecast which is the forthcoming dividend payment dps_1. Also, the model requires two rates of growth as inputs: (1) a short-term growth rate which decays asymptotically to (2) γ which is the perpetual growth rate. The average of g_2 and the five-year estimate of growth by analysts is used as a proxy of short-term growth. Whereas $(1-\gamma)$ is set to be $(r_f - 3\%)$, where 3% is a proxy for long-term economic growth, and r_f is the 10-year treasury notes yield.

2.2.7 PE, PEG, and Modified PEG Ratio Models

An extensively used simplified case of the Abnormal Earnings Growth Model is the PEG Valuation Model (Bradshaw (2004)) which is defined as the price-earnings ratio divided by a rate of growth in earnings. PEG is designed on the basis that, all things being equal, a high PEG would imply a high P/E relative to the expected growth in earnings, which indicate that expected rate of return is low due to bad outlook on future prospects of the firm. There are several versions of the PEG model depending on the definition of the P/E ratio (trailing or forward), and the definition of the growth rate of earnings. Advocates of the PEG ratio argue that it accounts for the differences in short-run growth of earnings and, hence, it gives a better ranking than the PE ratio.

To see how the PEG ratio is linked to the Abnormal Growth in Earnings model, start from equation (11), and define the variables in the following manner:

$$P_0 = \frac{eps_1}{r_E} + \frac{AGiE_1}{r_E * (r_E - \Delta AGiE)} \tag{24}$$

$\Delta AGiE = \left(\frac{AGiE_{t+1}}{AGiE_t}\right) - 1$ represents a unique growth rate in perpetuity, which if known, would allow estimating the implied expected returns given the market price and earnings forecasts for the next two periods. $AGiE_t = eps_2 + r_E.dps_1 - (1 + r_E) * eps_1$ as previously defined. The argument is that if the expected accounting earnings eps_1 and eps_2 are equivalent to the economic profits (i.e. the price at the beginning of the period multiplied by the expected return), then $AGiE_1$ would be zero. Consequently, substituting in equation (24) the expected return would equal to the inverse of forward P/E ratio (i.e. the eps_1 would be sufficient for valuation). Hence the expected return r would equal the earnings next period divided by the market price.

However, if either or both the earnings does not reflect the economic substance, then $AGiE_1$ would not be zero and $\Delta AGiE$ would reflect the long-term change in accounting earnings abnormal growth to adjust for the gap between economic and accounting figures. Where $AGiE_1$ is not zero, but the growth rate $\Delta AGiE$ is zero (i.e. $AGiE_t = AGiE_{t+1} = ...$), the equation reduces to the following

$$P_0 = \frac{eps_2 + r_E.dps_1 - eps_1}{r_E^2} \tag{25}$$

Hence,

$$r_E = \sqrt{\frac{eps_2 + r_E.dps_1 - eps_1}{P_0}} \tag{26}$$

Or,

$$r_E^2 - r_E * \frac{dps_1}{P_0} - \frac{eps_2 - eps_1}{P_0} = 0 \tag{27}$$

Observed more carefully, the expected return estimate from (26) is based on a modified PEG ratio. The modification being the inclusion of expected dividends in the estimate of short-term growth. To see that, if one could afford to assume further that $dps_1 = 0$, the model would converge to the following representation:

$$r_E = \sqrt{\frac{eps_2 - eps_1}{P_0}} \tag{28}$$

Which imply the inverse of the PEG ratio itself, and hence let's call the required rate of return from such representation r_{PEG}:

$$r_{PEG} = \sqrt{\frac{eps_2 - eps_1}{P_0}} = \sqrt{\frac{\frac{eps_2 - eps_1}{eps_1}}{\frac{P_0}{eps_1}}} = \sqrt{\frac{1}{PEG * 100}} \tag{29}$$

Therefore, it is clear that the PEG ratio implicitly assume $\Delta AGiE$ is zero. In spite of the pervasive usage of the PEG, it is not based on fundamental valuation theory. Moreover, the PEG ignores growth beyond the forecast horizon. Easton (2004) idea is to relax such assumption and avoid invoking any assumptions that would be inevitably erroneous about the growth of earnings, and hence equation (27) is a Modified PEG model. It can be re-arranged by setting $A = \frac{dps_1}{2P_0}$ to:

$$r_{MPEG} = A + \sqrt[2]{A^2 + \frac{eps_2 - eps_1}{P_0}} \tag{30}$$

2.2.8 Easton (2004) Model

Easton (2004) suggested a formulation that isolates the roles of the expected accounting earnings beyond the forecast horizon from the forecasts of earnings in the forecasting horizon and from next period accounting earnings. His method allows the estimation of long-term growth in earnings and the expected returns simultaneously as implied by prices and analysts forecasts. The model is derived using Equation (24) and its associated definitions. It can be re-arranged to yield:

$$\frac{eps_2 + r_E * dps_1}{P_0} = r * (r - g_{AGiE}) + (1 + g_{AGiE}) \frac{eps_1}{P_0} \tag{31}$$

Or:

$$\frac{ceps_2}{P_0} = \gamma_0 + \gamma_1 \frac{eps_1}{P_0} \tag{32}$$

Where $ceps_2$ is defined as $eps_2 + r_E * dps_1$ which is a forecast of two-period cum-dividend earnings, $\gamma_0 = r*(r - g_{AGiE})$, and $\gamma_1 = (1 + g_{AGiE})$. Equation (32) is a one firm representation that can be aggregated in a linear regression model for a portfolio of j companies:

$$\frac{ceps_2^j}{P_0^j} = \gamma_0 + \gamma_1 \frac{eps_1^j}{P_0^j} + \mu_0^j \tag{33}$$

The intercept and slope coefficients, in this case, would give an estimation of the average portfolio expected return r and the average change in abnormal earnings growth g_{AGiE} simultaneously. The source of the error term μ_0^j is the firm level estimates, which is probably heteroskedastic and need correction for standard errors.

The portfolios chosen for estimation using this regression need to be formed on the basis that ensures a high R^2 to mitigate the error-in-variable problem. Unlike Easton et al. (2002), both the dependent and the independent variables in this regression potentially are measured with errors. The author has chosen to form portfolios using PEG ratio since the regression model could be re-written as $\frac{ceps_2}{P_0} = \frac{1}{PEG} + \frac{r_E deps_1}{P_0} + \frac{eps_1}{P_0}$, hence the variance of the $\frac{1}{PEG}$ will be relatively small in any portfolio. Since the range that has bounds is a decreasing function of R^2 , the R^2 has to be as high as possible to guarantee unbiased estimators.

Just like Easton et al. (2002), there is a circularity issue in the model, since the goal is to draw an estimate of implied expected return, but at the same time, the input $ceps_2$ require an estimate of r_E. The author starts by assuming a displacement of earnings due to dividends of 12% that resemble the historical market return that could have been earned if the dividends were retained. Since the spirit of the model is to impute r_E based on g_{AGiE} rather than an assumed rate, an iterative process is used whereby the $\Delta AGiE$ is recalculated based on the rate of return estimated from the first iteration. This procedure is repeated until convergence is achieved where no change in estimated return and $\Delta AGiE$ is observed by the revision.

2.2.9 Ashton and Wang (2013) Model

Ashton and Wang (2013) model of estimating the implied cost of capital is primarily based on the notion of price-led earnings and the persistence of earnings. Though the idea of estimating simultaneously the implied growth rate and the implied cost of capital as in Easton et al. (2002) and Easton (2004) seem appealing, it is restrictive and not without assumptions. Ashton and Wang (2013) propose a less restrictive model in which price is expressed as a function of some specified accounting fundamentals and an unspecified error term to capture the rest of the factors. Unlike Easton et al. (2002), Ashton and Wang (2013) formulation does not necessitate equality between the implied growth rate and growth rate of residual income. In fact, the definition of growth in Ashton and Wang (2013) is not linked to residual income like in Easton et al. (2002) or abnormal growth in earnings like in Easton (2004), but to firm's stock value. Moreover, they only require one period earnings forecast, hence, avoid perpetuating the residual income beyond the forecasting horizon. The relaxation of these restrictions allows the avoidance of making assumptions about the structure of the terminal value. The second difference between previous simultaneous models and Ashton and Wang (2013) model is the dividend policy irrelevance in this model.

Ashton and Wang (2013) start the model development by expressing the price P_t in terms of book value b_t, earnings e_t, dividends d_t, and an error term to capture other market related factors.

$$P_t = \alpha_1 b_t + \alpha_2 e_t + \alpha_3 d_t + \vartheta_t \tag{34}$$

Since the book value, the earnings, and the dividends are historical accounting numbers, while the price is ought to incorporate the future prospect of the firm, the future growth component has to manifest in ϑ_t. A Simple model to represent such manifestation where g is the growth rate and ϵ_{vt+1} is an error term with a mean of zero:

$$\vartheta_{t+1} = (1 + g)\,\vartheta_t + \epsilon_{vt+1} \tag{35}$$

Assuming an arbitrage-free capital market where prices and dividends are related by $E_t\left[P_{t+1} + d_{t+1}\right] = RP_t$, where R is one plus the cost of equity; and that clean surplus accounting relation holds. Moreover, the set $\frac{\partial P_t}{\partial d_t} = -1$ to force equity price dollar-for-dollar to be displaced by net dividend flows. They also specify $\frac{\partial b_t}{\partial d_t} = -1$ and $\frac{\partial e_t}{\partial d_t} = 0$ to model the notion that although dividends reduce equity, they do not affect current income (i.e. dividend policy is irrelevance). Finally, the non-fundamental variables are not affected by dividends $\frac{\partial \vartheta_t}{\partial d_t} = 0$. Given these relations, the authors link the pricing equation (34) in periods t and $t+1$:

$$E_t [e_{t+1}] = \frac{R}{\alpha_1 + \alpha_2} P_t - \frac{\alpha_1}{\alpha_1 + \alpha_2} b_t - \frac{1+g}{\alpha_1 + \alpha_2} \vartheta_t \tag{36}$$

Note that the assumptions necessitate that $\alpha_3 = \alpha_1 - 1$ and that $1 + g < R$. Also, the equation suggest that prices are a predictor of future earnings given the fundamental variables. The equation still contains an unspecified variable ϑ. By substituting equation (34) in (36) given the clean surplus accounting relation, one could arrive at the following regression relation which Ashton and Wang (2013) call the Simple model. Note that although ϑ is not estimable, the growth in ϑ is. This growth is interpreted as the growth rate in investment or growth rate of the firm.

$$E_t [e_{t+1}] = \delta_1 P_t + \delta_2 e_t + \delta_3 b_t + \delta_4 b_{t-1} \tag{37}$$

where

$$g = \frac{(1 + \delta_2 + \delta_3) + \sqrt{(1 + \delta_2 + \delta_3)^2 - 4 (\delta_2 - \delta_4)}}{2} - 1 \tag{38}$$

$$r_E = (1 + g)\left(1 + \frac{\delta_1}{1 + g - \delta_2}\right) - 1 \tag{39}$$

The authors go further to partition the growth rate from their model to the two components: growth from economic earnings which is the capital gain from the price and dividends, and the accounting gain discussed previously which steam from conservatism in reporting. Equation (35) becomes:

$$\vartheta_{t+1} = (1 + g) \vartheta_t + \alpha_4 (P_t - P_{t-1} + d_t - e_t) + \epsilon_{vt+1} \tag{40}$$

Hence, the model gets extended to the following:

$$E_t [e_{t+1}] = \delta_1 P_t + \delta_2 e_t + \delta_3 b_t + \delta_4 b_{t-1} + \delta_5 P_{t-1} \tag{41}$$

where

$$g = \frac{(1+\delta_2+\delta_3-\delta_5)+\sqrt{(1+\delta_2+\delta_3-\delta_5)^2-4(\delta_2-\delta_4-\delta_5)}}{2}-1 \tag{42}$$

$$r_E = (1+g)\left(1+\frac{\delta_1+\delta_5}{1+g-\delta_2}\right)-1 \tag{43}$$

In the empirical implementation of the models, Ashton and Wang (2013) divided all variables by the adjusted number of shares in issue. The purpose is to increase comparability over time and reduce heteroskedasticity. They have also deflated the variables by the price.

2.2.10 Wang (2018) Model

Wang (2018) extend Ashton and Wang (2013) extended version portfolio-level model in equation (41) to obtain firm-level estimates. After obtaining the results of the cross-sectional regression for all firms within the portfolio in each year, Wang (2018) use the sample average growth rate g_{it}, cost of capital R_{it}, and valuation multiples as common parameters for all firms in each industry year portfolio to obtain the firm-specific one-period ahead return from the following formulation:

$$\begin{aligned} r_E = (1+g_{it})\Bigg[1-\frac{bps_t}{P_t}-(\beta_{1,it}-(R_{it}-1)\beta_{2,it})\frac{bps_{t-1}}{P_t}-(\beta_{1,it}+\beta_{2,it})\frac{eps_t}{P_t}\Bigg] \\ +(1+\beta_{1,it}+\beta_{2,it})\frac{eps_{t+1}}{P_t}+(1-\beta_{1,it}-(R_{it}-1)\beta_{2,it})\frac{bps_t}{P_t}+ \\ \lambda_{it}\left[\frac{P_t-bps_t-(P_{t-1}-bps_{t-1})}{P_t}\right]-1 \end{aligned} \tag{44}$$

2.2.11 Gordon and Gordon (1997) Model

Gordon and Gordon (1997) derive their ICC model based on the well-known dividend model:

$$V_0^E = \sum_{t=1}^{\infty}\left(\frac{dps_t}{(1+r_E)^t}\right) = \sum_{t=1}^{\infty}\left(\frac{dps_1 * (1+g)^{t-1}}{(1+r_E)^t}\right) = \frac{dps_1}{r_E-g} \tag{45}$$

Assuming that retained earnings are the sole source of new equity injections to the firm and that dividends are the sole method of funds distribution from the firm to equity holders, Gordon (1962) showed that r_E has to equal the summation of expected dividend yield and growth rate:

$$r_E = \frac{dps_1}{V_E} + g = \frac{eps_1 * (1 - b)}{V_E} + ROE * b \tag{46}$$

where b is the retention rate. And since the expected return form a share is the rate of discounting that make expected dividends equivalent to the current price of the firm, Gordon and Gordon (1997) suggested the following formulation for empirical estimation of the implied cost of capital:

$$V_0^E = \sum_{t=1}^{T} \left(\frac{dps_t}{(1 + r_E)^t} \right) + \frac{eps_{T+1}}{r_E (1 + r_E)^T} \tag{47}$$

2.2.12 Botosan and Plumlee (2002) Model

Using the same line of argument above, Botosan and Plumlee (2002) estimate the implied cost of capital using the following equation, where the target price (TP) is used to determine the terminal value.

$$V_0^E = \sum_{t=1}^{T} \left(\frac{dps_t}{(1 + r_E)^t} \right) + \frac{TP_T}{(1 + r_E)^T} \tag{48}$$

2.3 Data and Methodology

2.3.1 Data

The data for the analysis consists of the historical constituents of the S&P1500 index which covers almost 91% of the market capitalisation of the US market according to S&P Global (2017) fact sheet. The choice is driven by the fact that any broader indexes such as Wilshire 5000, Dow Jones US Total Stock Market, CRSP US Total Market, Russell 3000, or MSCI US broad market Index will have a substantial number of firms with no or little analysts coverage, which is necessary for this study. Due to this selection, the mean (median) analyst coverage is 10 (8) analyst per firm as presented in the Descriptives section. The analysts' forecasts data are obtained from I/B/E/S through Thomson Reuters DataStream database. The accounting data are gathered from WorldScope through DataStream, and the return data from DataStream.

The S&P1500 is a combination of three indexes: S&P500 large-cap U.S. equities, S&P400

mid-cap U.S. equities, and the S&P600 small-cap U.S. equities. The number of historical constituents at the time the data were collected were 1,630 securities in S&P500, 1,505 securities in S&P400, and 2,155 securities in S&P600. Out of these 5,290 securities 4,958 were matched to Datastream database. Due to the fact that some firms historically were removed from and then brought back to the index later, the unique historical constituents were identified to be 3,762 firms. Due to the data required to estimate various ICC models based on analysts estimates and mechanical models, the sample was limited to 2,808 firms for which ICC models could be estimated. Therefore, the average number of firms in the sample for the purpose of estimating the cost of capital each month was 1,232 firms (minimum per month of 897 and maximum of 1,344 firms), yielding 339,995 firm-month observation. I then restrict the analysis each month to the firms that have estimates using all ICC models. Therefore, any firm that does not have an estimate using any of the models in the respective tests get dropped to make sure that models are compared using the same set of firms each month. If a particular ICC estimate is missing, I use the last available ICC estimate up to a maximum of 12 months. To make sure that such strategy does not impact the quality of the results, I run the analysis with strictly the firms that have estimates from all models in a particular month without forward filling in section (2.5.3). Finally, due to the availability of the data required to perform the regression testing that will be described shortly, the period of the testing has been limited to 224 months from the January 1999 to November 2017. Specifically, as shall be detailed shortly, some firm cash flow news control variables (as well as some of the ICC models) require analysts price-targets, which are only available post 1999 in the dataset used.

All data were collected on a monthly basis. Thomson Reuters guidance for using I/B/E/S through Datastream specifically mention that for the data to be identical with that shown by other I/B/E/S historical products, monthly data requests should specify the 20th of each month as the date of the download (Thomson Reuters (2010)). This also ensures that monthly data is always displayed in line with the I/B/E/S production cycle.

As shall be discussed in sections (2.5.4) and (2.6.3), the new model based on Free Cash Flow to Equity that I introduce in this work requires analysts estimates for variables beyond the earnings per share. Analysts started tracking these variables in varying points in time, but certainly not as back in history as the earnings per share. Therefore, for that part of the analysis, the sample period is limited from January 2006 till November 2017 to ensure FCF estimation is possible. Prior data has been used for other estimations where required.

2.3.2 Implied Cost of Capital Models

Table 1 summarizes the models that will be used in the horse-race. The table set the short notation that would be used to refer to each model. These models are analytically expounded in the previous section. To level the playing field, the horse-race is carried on firm-level estimates. The models that yield portfolio level estimates are subjected to transformation as described in Nekrasov and Ogneva (2011). Nekrasov and Ogneva (2011) developed a methodology in which they extend the ETSS model to generate firm-level estimates from portfolio-level estimates by using common risk and growth factors. In other words, they generate firm-level expected return estimates from ETSS average portfolio level estimates conditional on observable firm characteristics. I use the same principle to obtain firm-level estimates from ETSS, OHE, and ES to test their validity in generating firm-level estimates. In fact, this application is novel to the literature.

The analysis also involves calibrated versions of the firm-level models following Fitzgerald, Gray, Hall, and Jeyaraj (2013) methodology. One of the most recurring criticisms of ICC expected return estimates in the literature is to do with the estimation error due to the noise in the data or due to the model being incompatible with some individual stocks. Fitzgerald et al. (2013) suggest that estimation error could be minimized by using the fitted values from regressing the expected return estimates from a particular ICC model on common risk factors. A similar methodology is applied by Lee, So, and Wang (2017). The idea is to capture the firm-specific characteristics that affect the expected return but not reflected in the variables of the ICC models. This calibration also helps to deal with the issue of estimation error due to analysts earnings forecast bias.

I perform such calibration in the cross-section every month to ensure that the fitted values are independent of the relationship between the expected return and the risk factors, and between realised returns and the risk factors in every other period. I use the same risk factor used by Fitzgerald et al. (2013): leverage, size, book-to-market ratio, earning variability as predicted by the standard deviation in analysts EPS forecasts, market beta, the beta standard error, target-to-market price ratio, 12 months momentum factor, book value per share, and the firm long-term growth rate. I restrict the calibration to the models that yield firm-level estimates without transformations, since the transformations themselves use firm-level risk characteristics factors. Applying calibration to the estimates of this list of models is also novel to the literature.

The last five models in table (1) are average estimates of other models. These are used to test whether combining estimates from various models improve the prediction ability of the estimates.

Table 1: **Implied Cost of Capital Models**

Model	Code	Basis	Growth beyond horizon	Horizon	Formulation	Type of estimate
Gebhardt, Lee, and Swaminathan (2001)	GLS	Residual Income	Analysts	(2+10) years	$V_0^E = bps_0 + \sum_{t=1}^{11}\left(\frac{(ROE_t - r_E)*bps_{t-1}}{(1+r_E)^t}\right) + \left(\frac{(ROE_{12}-r_E)*bps_{11}}{r_E*(1+r_E)^{11}}\right)$	firm level
Claus and Thomas (2001)	CT	Residual Income	Inflation	5 years	$V_0^E = bps_0 + \sum_{t=1}^{5}\left(\frac{RI_t}{(1+r_E)^t}\right) + \left(\frac{RI_5\left(1+g_{infl}\right)}{\left(r_E - g_{infl}\right)(1+r_E)^5}\right)$	firm level
Fitzgerald, Gray, Hall, and Jeyaraj (2013)	FGHJ	Residual Income	Analysts	(2+10) years	$TargetPrice_t = bps_0 + \sum_{t=1}^{11}\left(\frac{(ROE_t - r_E)*bps_{t-1}}{(1+r_E)^t}\right) + \left(\frac{(ROE_{11}-r_E)*bps_{10}*(1+g)}{(r_E-g)*(1+r_E)^{11}}\right)$	firm level
Gode and Mohanram (2003)	GM	Abnormal Earnings Growth	Inflation	2 years	$r_E = A + \sqrt{A^2 + \frac{eps_1}{P_0}\left(g_2 - (\gamma - 1)\right)}$ where $A = \frac{1}{2}\left((\gamma - 1) + \frac{dps_1}{P_0}\right)$ and $g_2 = \frac{eps_2 - eps_1}{eps_1}$	firm level
PE Ratio	PE	Abnormal Earnings Growth	Zero	1 year	$r_{PE} = \left(\frac{P_0}{eps_1}\right)^{-1}$	firm level
PEG Ratio	PEG	Abnormal Earnings Growth	Zero	2 years	$r_{PEG} = \sqrt{\frac{eps_2 - eps_1}{P_0}} = \sqrt{\frac{\frac{eps_2 - eps_1}{eps_1}}{\frac{P_0}{eps_1}}} = \sqrt{\frac{1}{PEG*100}}$	firm level
Modified PEG Ratio	MPEG	Abnormal Earnings Growth	Zero	2 years	$r_{MPEG} = \sqrt{\frac{eps_2 + r_E.dps_1 - eps_1}{P_0}}$	firm level
Gordon and Gordon (1997)	GG	Dividends Discount	Analysts	5 years	$V_0^E = \sum_{t=1}^{N}\left(\frac{dps_t}{(1+r_E)^t}\right) + \frac{eps_{N+1}}{r_E(1+r_E)^N}$	firm level
Botosan and Plumlee (2002)	BP	Dividends Discount	Analysts	5 years	$V_0^E = \sum_{t=1}^{N}\left(\frac{dps_t}{(1+r_E)^t}\right) + \frac{TargetPrice_N}{(1+r_E)^N}$	firm level
Easton, Taylor, Shroff, and Sougiannis (2002)	ETSS	Residual Income	data implied	4 years	$\frac{eps^j_{Tcum}}{bps^j_0} = \gamma_0 + \gamma_1 \frac{P^j_0}{bps^j_0} + \mu^j_0$ where $\gamma_0 = (G-1)$, $\gamma_1 = (R-G)$, $R = (1+r_E)^4$, and $G = (1+g)^4$	portfolio level
Nekrasov and Ogneva (2011)	TrETSS	ETSS	Transformation to the ETSS to yield firm-level estimates	4 years	$\frac{eps^j_{Tcum}}{bps^j_0} = \gamma_0 + \gamma_1 \frac{P^j_0}{bps^j_0} + \left(\lambda_1 Beta^j + \lambda_2 LogSize^j + \lambda_3 \frac{P^j_0}{bps^j_0} + \lambda_4 MoM^j\right)\frac{P^j_0}{bps^j_0} + \left(\lambda_5 Ltg^j + \lambda_6 dIndROE^j + \lambda_7 RDSales^j\right)\left(1 - \frac{P^j_0}{bps^j_0}\right) + \mu^j_0$	firm level

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Table 1: **Implied Cost of Capital Models, Continued**

Model	Code	Basis	Growth beyond horizon	Horizon	Formulation	Type of estimate
Easton (2004)	ES	Abnormal Earnings Growth	data implied	2 years	$\frac{ceps_2^j}{P_0^j} = \gamma_0 + \gamma_1 \frac{eps_1^j}{P_0^j} + \mu_0^j$ where $ceps_2 = eps_2 + r_E * dps_1$, $\gamma_0 = r * (r - g_{AGiE})$, and $\gamma_1 = (1 + g_{AGiE})$	portfolio level
Transformed ES	TrES	ES	Transformation to the ES to yield firm-level estimates	2 years	$\frac{ceps_2^j}{P_0^j} = \gamma_0 + \gamma_1 \frac{eps_1^j}{P_0^j} + \left(\lambda_1 Beta^j + \lambda_2 LogSize^j + \lambda_3 \frac{P_0^j}{bps_0^j} + \lambda_4 MoM^j\right) \frac{P_0^j}{bps_0^j} \cdot \left(\lambda_5 Ltg^j + \lambda_6 dIndROE^j + \lambda_7 RDSales^j\right)\left(1 - \frac{P_0^j}{bps_0^j}\right) \mu_0^j$	firm level
O'Hanlon and Steele (2000) and Easton (2006)	OHE	Residual Income	data implied	NA	$\frac{eps_t^j}{bps_{t-1}^j} = \delta_0 + \delta_1 \frac{P_t^j - bps_t^j}{bps_{t-1}^j} + \mu_t^j$ where $\delta_0 = r_E$, and $\delta_1 = \frac{r_E - g_{prep}}{1 + g_{prep}}$	portfolio level
Transformed OHE	TrOHE	OHE	Transformation to the OHE to yield firm-level estimates	NA	$\frac{eps_t^j}{bps_{t-1}^j} = \delta_0 + \delta_1 \frac{P_t^j - bps_t^j}{bps_{t-1}^j} + \left(\lambda_1 Beta^j + \lambda_2 LogSize^j + \lambda_3 \frac{P_0^j}{bps_0^j} + \lambda_4 MoM^j\right) \frac{P_0^j}{bps_0^j} \cdot \left(\lambda_5 Ltg^j + \lambda_6 dIndROE^j + \lambda_7 RDSales^j\right)\left(1 - \frac{P_0^j}{bps_0^j}\right) \mu_t^j$	firm level
Simple Ashton and Wang (2013)	SAW	price-led earnings	data implied	1 year	$E_t\left[e_{t+1}\right] = \delta_1 Pt + \delta_2 e_t + \delta_3 b_t + \delta_4 b_{t-1}$	portfolio level
Extended Ashton and Wang (2013)	EAW	price-led earnings	data implied	1 year	$E_t\left[e_{t+1}\right] = \delta_1 Pt + \delta_2 e_t + \delta_3 b_t + \delta_4 b_{t-1} + \delta_5 P_{t-1}$	portfolio level
Wang (2018)	WNG	EAW	data implied	1 year	$r_E = (1 + g_{it})\left[1 - \frac{bps_t}{P_t} - (\beta_{1,it} - (R_{it} - 1)\beta_{2,it}) \frac{bps_{t-1}}{P_t} - (\beta_{1,it} + \beta_{2,it}) \frac{eps_t}{P_t}\right] + (1 + \beta_{1,it} + \beta_{2,it}) \frac{eps_{t+1}}{P_t} + (1 - \beta_{1,it} - (R_{it} - 1)\beta_{2,it}) \frac{bps_t}{P_t} + \lambda_{it}\left[\frac{P_t - bps_t - (P_{t-1} - bps_{t-1})}{P_t}\right] - 1$	firm level

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Table 1: **Implied Cost of Capital Models, Continued**

Model	Code	Basis	Growth beyond horizon	Horizon	Formulation	Type of estimate
Dhaliwal, Krull, and Li (2007)	DKL	Mean of GLS, CT, and GM				firm level
Hail and Leuz (2006)	HL	Mean of GLS, CT, GM, and MPEG				firm level
Hou, van Dijk, and Zhang (2012) Composite	KMY	Mean of GLS, CT, GM, MPEG, and GG				firm level
Mean of Portfolio-Level Models	PLM	Mean of ETSS, ES, OHE, and EAW				portfolio level
Firm-level estimates adjusted toward Portfolio-level mean	FPM	Mean of HL and PLM				firm level

This table reports a summary of the ICC models to be used in the subsequent analysis. These are the most widely recognized models in the literature. Some authors used a variant of the models that are presented here in terms of forecasting horizon or source of data, these have been ignored. The models highlighted are introduced in this work. The models have been defined and analytically derived in the previous section.

In addition to the models presented in the table, I add two models that are simplified versions of the BP model. There are two reasons for adding the two versions to the analysis. The first is related to the fact that, as the analysis will show, BP will fare pretty well against other models, and hence, it would be interesting to see what parts of this model is driving the performance: the dividends or the terminal value based on target prices. The second reason is related to data available in I/B/E/S through DataStream. BP and subsequent research using this model used a database called Value Line to obtain price target data. The BP model has a forecasting horizon of 5 years, and hence, it requires a price target for the fifth year to calculate the terminal value. On the other hand, Thomson Reuters documentation (Thomson Reuters (2010)) is ambiguous to the horizon for which the target price is estimated, and so does the Datastream MS terminal. Therefore, I add the following two formulations to the models tested:

- One year forecasting horizon dividend discount model with a terminal value similar to BP: $V_0 = \frac{DPS_1 + TargetPrice}{(1+r)}$. The short hand notation that would be used for this model is TPDPS.
- Price target-only discounted model: $V_0 = \frac{TargetPrice}{(1+r)}$. The short hand notation that would be used for this model is Naive.

2.3.3 Earnings and Other Forecasts

To implement the ICC models in Table (1), earning forecasts are obtained either from analysts using I/B/E/S database, or cross-sectional mechanical models of estimates. Four mechanical models has been used: (1) Hou, van Dijk, and Zhang (2012) model (HDZ), (2) the naive Random Walk (RW) model as expressed by Gerakos and Gramacy (2013), (3) Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI).

HDZ model is specified as:

$$E_{t+\tau} = \alpha_0 + \alpha_1 A_t + \alpha_2 D_t + \alpha_3 DD_t + \alpha_4 E_t + \alpha_5 NegE_t + \alpha_6 AC_t + \varepsilon \tag{49}$$

where $E_{t+\tau}$ is the firm earnings in year $t + \tau$, where τ is 1 to 5 years. A_t is the total assets of the firm, D_t is the dividends paid by the firm, and DD_t is a dummy to indicate whether a firm is paying dividends. E_t is earnings, and $NegE_t$ is a dummy for loss making firms. AC_t is the firm working capital accruals. To be consistent with the original paper, the regression is estimated using dollar level unscaled data. The regression coefficients are multiplied by firm level observations at time t to obtain firm-level earnings forecasts.

The RW is used as a naive benchmark to evaluate the performance of other earnings forecast models. It simply uses past earnings with no other parameters as follows:

$$E_{t+\tau} = E_t + \varepsilon \tag{50}$$

The EP model uses earnings E_t, a dummy for loss making firms $NegE_t$, as well as an interaction term between them as regression parameters. It is expressed as follows:

$$E_{t+\tau} = \alpha_0 + \alpha_1 E_t + \alpha_2 NegE_t + \alpha_3 NegE_t * E_t + \varepsilon \tag{51}$$

Unlike the HDZ model, Li and Mohanram (2014) used per-share level data in the regression for both EP and RI. Li and Mohanram (2014) motive for developing the cross sectional Residual Income model for earning forecast is the proposition that dividends, which are used as a parameter in HDZ, are irrelevant for asset pricing. The RI model is specified as follows:

$$E_{t+\tau} = \alpha_0 + \alpha_1 E_t + \alpha_2 NegE_t + \alpha_3 NegE_t * E_t + \alpha_4 B_t + \alpha_5 TACC_t + \varepsilon \tag{52}$$

where B_t is the book value of the firm, and $TACC_t$ is total accruals according to Richardson, Sloan, Soliman, and Tuna (2005) definition. TACC is calculated as a sum of the change in net working capital, the change in net non-current operating assets, and the change in net financial assets. Working capital is the difference between the current assets excluding cash and short-term investments, and current liabilities excluding the debt portion in current liabilities. Non-current operating assets is defined as the difference between total assets excluding current assets and investments and advances, and the total liabilities excluding long-term debt and current liabilities. Net financial assets is the difference between investments and total debts including preference shares. Using the balance sheet identity, one could calculate TACC as the change in common equity minus the change in cash. In the sample, both calculation methods resulted in almost the same figures.

2.3.4 Testing Methods

2.3.4.1 Capturing Subsequent Future Returns

In conducting a horse race between the various ICC models described, I first test the proxies as an economic construct. Specifically, the test is to what extent are these models able to capture the variation in subsequent realised return. Based on the Vuolteenaho (2002) and Campbell (1991) decomposition of return, realised return at time t can be modelled as the summation of the expected return at time t conditional on the information available at $t-1$ and the abnormal/unexpected return due to unforeseen information. The latter could be further decomposed to unexpected return due to cash flow news and the unexpected return due to expected return news or future discount rates.

$$r_{realised,t} = E_{t-1}\left(r_t\right) + \left(N_{cf,t} - N_{r,t}\right) \tag{53}$$

where $r_{realised,t}$ is the realised return from $t-1$ to t; $E_{t-1}\left(r_t\right)$ is the expected return at t based on the information available at $t-1$; $N_{cf,t}$ is the return due to cash flow news from $t-1$ to t; and $N_{r,t}$ is the return due to unexpected return news from $t-1$ to t. The last term has a negative sign to reflect the expectation that an increase in discount rates would make realised returns lower than expected due to contemporaneous price decrease, all other things assumed unchanged. This formulation is derived from a tautology (i.e. a fully specified model), and hence, it allows for analysing the issue of realised returns as being a noisy measure of expected returns. That is because it model realised returns using the changes in expectations about future discount rates and future firm-specific cash flows. The variables are measured with error, which is unknown in terms of sign and magnitude. The error is originated by the fact that these variables are unobservable. However, the resulting bias in the regression coefficients is well defined because if the variables were measured without error, by the construction of the decomposition, the coefficients should equal to 1.

Prior research assumes that the mean of $\left(N_{cf,t} - N_{r,t}\right)$ is zero in order to justify the use of realised returns to proxy for expected returns. However, Vuolteenaho (2002) showed that the term $N_{cf,t}$ is firm-specific, and that $\left(N_{cf,t} - N_{r,t}\right)$ play a major part in driving firm level return estimates. Hence, firm-level realised returns are poor proxies for expected returns. At portfolio level, even though averaging might mitigate the firms cash flow news issue, it is still unlikely to help with the overall unexpected return due to systematic macroeconomic expected return news. Chan and Lakonishok (1993) showed that attempting to average over increasingly larger samples and longer periods to purge the unexpected return distortion would invoke unpalatable stationarity assumptions. Finally, ignoring the unexpected return from the study of the association between realised returns and expected returns would render the analysis vulnerable to omitted variables bias. Fama and French (2002) and Elton (1999) demonstrated that information surprises do not cancel across companies and over time. The analysis to follow will further show that these information surprises are correlated with expected returns. Hence, regressing realised returns on expected return would yield spurious results due to omitted correlated variables.

Therefore, in operationalising the model in equation (53), I will use the empirical variables used by Botosan, Plumlee, and Wen (2011) to proxy for $N_{cf,t}$ and $N_{r,t}$ with one exception. Namely, $N_{cf,t}$ will be captured using two proxies: (1) earnings surprise during realised return period to represent the cash flow news in the short term, and (2) the revision in analysts forecasts of target price during the same period to represent the cash flow related news in the long run. $N_{r,t}$ will also be proxied with two empirical variables: (1) the change in firm specific beta to measure the the amount of risk associated with the firm that affect expected return, and (2) change in implied expected return from *t-1* to *t* to capture the news affecting expected returns from macroeconomic factors, which is a departure from Botosan et al. (2011). Botosan et al. (2011) use the change in risk free rate between *t-1* and *t*. This variable has been criticised by later work such as Easton and Monahan (2016) and Wang (2018) for being constant in the cross-section, for not capturing risk, and for not allowing different effect on different firms. They argue further that using the change of implied expected return is more consistent with Vuolteenaho (2002) decomposition analysis. To incorporate this criticism, the empirical model applied here is specified as follows:

$$r_{realised,it} = \alpha_0 + \beta_1 ER_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it} \quad (54)$$

where $r_{realised,it}$ is the future realised return (i.e. for the period after the estimation of ICC); ER_{it-1} is the expected return proxy from the ICC models at the realised return period conditional on the information available at the previous period ; $CFNST_{it}$ is the news about cash flows received during the period of realised return; $CFNLT_{it}$ is the news captured by the target price (which is a present value of an infinite horizon cash flows beyond the forecasting point) during the realised return period; $EWERN_{it}$ is the economy wide expected return news represented by the change in expected return, and the $FSERN_{it}$ is the firm-level expected return news at the realised return period.

Note that the above validity test is designed to evaluate firm-level expected return proxies. As presented in table (1), there are 19 firm-level models, among which four are transformations of an underlying portfolio-level model. These are TrETSS, TrES, TrOHE and WNG. For the purpose of this analysis, these transformed models are estimated using two types of portfolios (except WNG): 10 Industries portfolios according to Fama and French 1997 classifications, and 25 size-Book to market portfolios. Therefore the total models tested against subsequent realised returns are 22 firm-level formulations as follows:

- 11 Firm-level models: GLS, CT, FGHJ, GM, PE, PEG, MPEG, GG, BP, TPDPS and Naive.
- 4 Amalgamated firm-level models: DKL, HL, KMY and FPM.
- 7 Portfolio-level models transformed to yield firm-level estimates: WNG, TrETSS_10Ind, TrETSS_25SBM, TrES_10Ind, TrES_25SBM, TrOHE_10Ind and TrOHE_25SBM.

2.3.4.2 Statistical Horse-Race using Models Confidence Set Method

The second approach through which I evaluate the performance of the various ICC modules is an out-of-sample analysis using the non-parametric approach as described by Hansen, Lunde, and Nason (2011), known as Model Confidence Set (MCS). In this testing, the ICC estimates are viewed as statistical constructs. MCS is used to identify a collection of models that outperform the rest of the models under a given loss function at a specific level of confidence. Firstly, I set the loss function to a classical accuracy measure of predictability and quality of an estimator, that is the Root Mean Squared Error (RMSE) and Mean Absolute Error (MAE). These are defined as follows:

$$RMSE = \sqrt{\frac{1}{T}\sum_{t=1}^{T}\left(r_{realisedi,t} - E_{t-1}\left(r_{i,t}\right)\right)^2} \tag{55}$$

$$MAE = \frac{1}{T}\sum_{t=1}^{T}\left|r_{realisedi,t} - E_{t-1}\left(r_{i,t}\right)\right| \tag{56}$$

Next, I set the loss function in the MCS to the Measurement Error Variance (MEV). Lee, So, and Wang (2017) argue that biases in expected return proxies are irrelevant in many applications. Rather, the proxy with the relatively lowest measurement-error variance should be declared the winner in the horse race. They propose a two dimensional framework for the assessment of the relative quality of alternative expected return proxies based on the deviation of expected return estimates from a normative benchmark. The benchmark is the firm-level true -unobservable- expected return. These deviations, or measurement errors are obviously unobservable. However, one could derive the characteristics of the errors distribution such as the mean and the variance. The mean measurement error (the bias) and the measurement error variance (MEV) could be obtained for the cross-section or over time for all observations. Lee, So, and Wang (2017) argue and subsequently show using simulation analysis that the magnitude of the bias is unimportant or completely irrelevant in many expected return applications. They document that in 83% of the studies they surveyed in top Finance and Accounting journals since 1997, the precise measurement of the effect of interest is not affected by the absolute bias of the estimates, but depending on the relative magnitude of expected returns estimates and how closely they match the relative magnitude of true expected returns. Hence, whether the application is cross-sectional or time-series oriented, the relevant MEV play a major role in estimating the effects of interest. For this reason, the authors conclude the MEV is a more desirable model selection test than Mean Squared Error (MSE) for instance. MSE is the sum of the error variance and its squared bias, and hence it penalises models for both the absolute bias and the MEV, while for most application, the latter only matters. As compared to the validity test of regressing future realised returns on expected returns, Lee, So, and Wang (2017) argued that even if the coefficient is 1, it is not necessary that the model is ideal. As a matter of fact, one could generate noisy expected return processes that have a slope of 1.

To arrive at MEV, the realised return $r_{realisedi,t}$ is decomposed to $r_{Truei,t-1}$ which is the firm true but unobservable expected return conditional on available information at time $t-1$, and $\delta_{i,t}$ which is the firm unanticipated news of forecast error. The latter term is equivalent to the $\left(N_{cf,t} - N_{r,t}\right)$ in equation (53). However, such segregation is not necessary here since the benchmark is the normative true expected return. Such decomposition is in line with Decomposition Property of conditional expectations and the Prediction Property of conditional expectation as described in Angrist and Pischke (2008).

$$r_{realisedi,t} = r_{Truei,t-1} + \delta_{i,t} \tag{57}$$

Further, the expected return estimate from alternative models could be decomposed in the same way as follows:

$$E_{t-1}\left(r_{i,t}\right) = r_{Truei,t} + \omega_{i,t} \tag{58}$$

where $E_{t-1}\left(r_{i,t}\right)$ is the expected return at t based on the information available at $t-1$ according to a certain model; $r_{Truei,t-1}$ is the firm true but unobservable expected return conditional on available information at time $t-1$; and $\omega_{i,t}$ is measurement error. Obviously the true expected return is unobservable, but the objective is to evaluate whether a certain model of expected return forecasting captures the variation in $r_{Truei,t}$ in the cross-section and over-time. Hence, the task of comparing alternative expected return models boils down to comparing the distributional properties of the errors $\omega_{i,t}$ across firms and over time. Since for many expected return applications, the precision of the empirical test depends on the variance of the model estimates from the true expected return being small, the appropriate loss function should be set to be MEV.

Appreciating that the errors are unobservable, Lee, So, and Wang (2017) derive the following firm-level empirically estimable formulation of time series MEV:

$$Var_i(\omega_{i,t}) = Var_i(E_{t-1}(r_{i,t})) - 2Cov_i(r_{realisedi,t+1}, E_{t-1}(r_{i,t})) + Var_i(r_{Truei,t}) \quad (59)$$

The term $Var_i(r_{Truei,t})$ is still unobservable, but it is constant across alternative expected return models. Hence, it does not have an effect on the relative performance of competing models, and therefore can be dropped for the task of determining which model have a minimum time-series variance in measurement error. This shall be called the Scaled Error Variance ($SVar_i(\omega_{i,t})$). In the following testing of ICC models, I will compute ($SVar_i(\omega_{i,t})$) for each model and each firm, and assess time series performance based on the average across firms $AvgSVar^{TS} = \frac{1}{N}\sum_i SVar_i(\omega_{i,t})$.

The null hypothesis tested using MCS approach is that two models lead to the same loss at a specific time. To compute the MCS, I use a block bootstrap process with a block of 2 observation and 10,000 replications. The significance level is set to 5%.

2.4 Descriptives

Table (2) provides descriptive statistics of the firms' characteristics in the sample. Table (3) reports analysts estimates statistics of the various variables for 5 forecasting periods ahead. The average (median) number of analysts following each firm is almost 10 (8) analysts. The long-term growth in earnings forecast has an inter-percentile [5,95] range between 4 and 30 percent. The average of earnings per share (EPS), dividend per share (DPS), and the cash flow from operations per share (CPS) increases as the further into the future the forecast goes. The EPS and DPS forecasts statistical attributes are comparable to the actual figures in table (2). Net debt (NDT) also exhibit a similar pattern when the forecasts are contrasted with the actual figure.

Table (4) reports the results of estimating the various firm-level models as described in table (1) using analysts estimates, as well as the subsequent realised return over the next 12

Table 2: **Summary Statistics of Firms' Characteristics**

	Mean	StD	Prcrt5	Prcrt25	Median	Prcrt75	Prcrt95	Skewness	Kurtosis
Earnings per share	1.412	1.659	0.000	0.290	0.980	1.920	4.350	2.557	11.942
Dividend per share	0.383	0.588	0.000	0.000	0.080	0.560	1.680	2.024	7.103
Market-to-Book	2.986	3.377	0.560	1.410	2.180	3.440	8.390	3.044	16.963
Book value per share	12.376	15.157	0.539	4.050	8.494	15.394	36.101	3.553	19.932
ROE	10.038	25.635	-28.150	5.200	11.920	18.730	39.020	-1.549	12.664
Dividend Payout	16.949	23.266	0.000	0.000	0.920	29.270	68.380	1.384	4.096
Price	29.316	26.836	2.986	12.060	22.625	38.000	75.090	2.476	11.782
Momentum (12 months)	0.187	0.524	-0.513	-0.110	0.122	0.376	1.091	1.697	8.384
Target Price/ Price	1.290	0.492	0.918	1.054	1.159	1.334	2.104	3.761	20.666
Beta	0.145	0.150	0.000	0.000	0.109	0.228	0.448	1.119	3.838
Beta Standard Error	0.044	0.037	0.000	0.018	0.041	0.062	0.111	1.097	4.980
Earnings Varaibility [std(forecasted EPS)/price]	0.005	0.011	0.000	0.001	0.002	0.005	0.021	4.784	29.186
Leverage	2.468	4.784	0.071	0.335	0.826	2.165	10.879	3.990	21.261
Total Assets ($mill)	7778.170	23086.611	62.181	353.002	1178.238	4420.000	34163.000	5.535	36.729
Equity ($mill)	1835.771	4041.514	17.878	177.716	484.379	1433.300	8772.000	4.170	22.393
Net Income ($mill)	264.806	783.203	-91.029	9.144	48.145	181.675	1374.000	4.533	26.739
EBITDA ($mill)	642.331	1571.567	-17.059	41.769	140.147	462.000	3195.120	4.479	25.568
Cash ($mill)	533.927	1527.257	2.511	23.691	88.894	317.624	2463.199	5.339	34.581
Net Debt ($mill)	1920.436	4558.786	-903.037	-33.444	415.386	1920.900	10168.000	3.496	17.663
Market Cap. ($mill)	5219.983	12314.553	74.330	446.405	1226.600	3839.485	23875.720	4.561	26.244
Number of Outstanding Shares (mill)	139.234	283.786	8.763	22.812	47.132	118.540	569.059	4.406	24.824

This table reports the summary statistics of firms' characteristics in the sample. The variables that are not per-share has been reported in millions of dollars.

months. The mean implied expected return range between 4.3 percent in the transformed OHE model using 25 size-B/M portfolios to as high as 38.8 percent using the transformed ES model. The dividend discount model GG also reported high estimates. The 5% inter percentile range of the subsequent realised return ranged between -26 to 55 percent. This is in accordance with the previous literature observation of noisy historical return. Most of the ICC models give more stable estimates of expected return. For instance, GLS, one of the most widely ICC models have a range between 6 and 16.4%. The P/E ratio model range is between zero and 13%. Table (5) present the Spearman correlation matrix between the estimates of the various ICC models. All models -except TrOHE_10Ind- have a positive and significant correlation with the subsequent realised return.

Tables (6) and (7) report the statistics of the variables used in forecasting earnings using mechanical models described in section (2.3.3), and the statistics of the resulting forecasts. Finally, the statistics of the control variables used in the regression testing are presented in table (8).

Table 3: **Summary Statistics of Analysts Forecasts**

	Mean	StD	Prcrt5	Prcrt25	Median	Prcrt75	Prcrt95	Skewness	Kurtosis
Analysts Per Firm	9.778	7.354	1.000	4.000	8.000	14.000	25.000	1.058	3.581
PT	36.767	34.292	7.000	17.000	28.000	45.000	91.000	3.235	17.262
Ltg (%)	14.646	9.171	4.000	10.000	13.000	18.000	30.000	1.196	7.205
EPS 1	1.596	1.887	-0.230	0.530	1.190	2.130	4.850	2.354	11.881
EPS 2	1.924	2.023	0.110	0.730	1.430	2.450	5.470	2.727	13.419
EPS 3	2.460	2.208	0.260	1.050	1.900	3.170	6.610	2.168	9.505
EPS 4	3.149	2.654	0.360	1.400	2.470	4.120	8.170	1.903	7.958
EPS 5	3.688	3.061	0.500	1.670	2.880	4.820	9.310	2.030	8.732
DPS 1	0.609	0.782	0.000	0.000	0.350	0.900	2.150	2.026	8.006
DPS 2	0.639	0.800	0.000	0.000	0.380	0.960	2.220	1.905	7.303
DPS 3	0.708	0.850	0.000	0.000	0.420	1.090	2.440	1.606	5.696
DPS 4	1.065	1.080	0.000	0.200	0.810	1.600	3.110	1.584	6.274
DPS 5	1.146	1.179	0.000	0.220	0.870	1.700	3.410	1.644	6.418
CPS 1	3.329	3.171	0.290	1.360	2.490	4.290	9.150	2.355	10.660
CPS 2	3.780	3.450	0.520	1.630	2.820	4.770	10.070	2.458	11.129
CPS 3	4.728	4.122	0.710	2.090	3.590	6.010	12.440	2.280	9.984
CPS 4	5.818	5.367	0.980	2.410	4.300	7.300	15.865	2.517	11.352
CPS 5	6.456	5.974	1.150	2.660	4.735	8.020	17.660	2.493	11.179
CAP 1	398.447	935.447	4.230	23.500	75.000	271.410	2083.900	4.088	21.396
CAP 2	404.733	950.431	4.800	24.500	78.000	275.000	2076.000	4.114	21.629
CAP 3	561.161	1236.454	7.000	38.000	123.370	430.000	2790.000	4.048	21.497
CAP 4	838.655	1984.491	9.737	55.000	189.000	671.000	3687.000	4.974	31.981
CAP 5	923.526	2263.440	9.793	59.000	200.000	732.375	3892.298	5.101	32.714
EBT 1	948.464	2162.369	4.097	82.550	246.000	775.000	4239.093	4.634	27.598
EBT 2	1070.666	2384.894	19.965	104.900	293.130	892.370	4695.299	4.610	27.341
EBT 3	1510.213	3160.066	40.500	165.000	452.525	1331.800	6488.238	4.373	24.795
EBT 4	2177.182	4103.127	57.278	263.393	742.000	2115.615	9030.868	3.907	20.451
EBT 5	2433.561	4461.306	66.000	290.000	821.150	2397.500	10405.100	3.704	18.670
NDT 1	1605.962	4141.025	-1245.861	-78.870	325.500	1677.010	9179.168	3.193	16.012
NDT 2	1445.472	4273.382	-1779.380	-155.720	250.400	1578.390	9142.141	2.930	15.130
NDT 3	1432.469	4993.540	-3023.250	-299.460	236.700	1785.430	10209.000	2.343	13.079
NDT 4	1932.309	7287.460	-5563.445	-371.370	456.545	2891.720	15747.125	1.146	9.861
NDT 5	1388.745	7898.371	-7589.913	-627.298	258.600	2606.000	15236.254	0.353	10.310

This table reports the summary statistics of analysts forecasts that will be used for ICC estimations. The first row reports the statistics of the number of analysts following each firm in the sample. PT is the price target, and Ltg is the forecasted Long-term growth rate of earnings. EPS is the forecasted earnings per share. DPS is the forecasted dividend per share, and CPS is cash flow per share forecast. CAP is the forecasted capital expenditure, EBT is earnings before interest and taxes forecast, and NDT is the Net Debt forecast. The variables that are non per share are reported in millions of dollars. The number after the variables indicate the number of years ahead for which the forecast is attributed.

Table 4: **Summary Statistics of the Firm-Level ICC Estimates**

	Mean	StD	Prcrt5	Prcrt25	Median	Prcrt75	Prcrt95	Skewness	Kurtosis
CT	0.093	0.023	0.056	0.077	0.090	0.105	0.145	0.562	2.878
GLS	0.110	0.025	0.068	0.093	0.108	0.126	0.164	0.355	2.574
GM	0.114	0.029	0.074	0.094	0.107	0.126	0.187	1.025	3.575
MPGE	0.115	0.040	0.065	0.088	0.104	0.130	0.222	1.255	4.024
GG	0.319	0.078	0.170	0.269	0.318	0.368	0.473	0.034	2.540
FGHJ	0.117	0.022	0.080	0.102	0.115	0.130	0.165	0.433	2.645
PEG	0.100	0.049	0.000	0.076	0.095	0.121	0.216	0.365	3.613
PE	0.061	0.030	0.003	0.042	0.059	0.077	0.127	0.269	2.889
HL	0.107	0.025	0.071	0.089	0.102	0.119	0.170	0.907	3.325
DKL	0.105	0.023	0.071	0.089	0.101	0.117	0.160	0.762	3.085
BP	0.038	0.035	- 0.009	0.014	0.030	0.053	0.132	1.136	3.829
KMY	0.177	0.066	0.078	0.112	0.184	0.226	0.298	0.078	1.884
FPM	0.096	0.022	0.060	0.080	0.095	0.112	0.139	0.196	2.231
TrETSS_25SBM	0.101	0.151	- 0.094	0.000	0.045	0.174	0.484	1.123	3.439
TrES_25SBM	0.388	0.814	- 0.569	0.000	0.055	0.450	2.895	1.905	6.007
TrOHE_25SBM	0.043	0.139	- 0.243	- 0.011	0.024	0.102	0.365	0.330	3.490
TrETSS_Ind10	0.045	0.114	- 0.184	- 0.015	0.049	0.098	0.314	0.212	3.440
TrES_Ind10	0.231	0.335	- 0.118	0.034	0.089	0.300	1.249	1.832	5.684
TrOHE_Ind10	0.054	0.048	- 0.048	0.027	0.054	0.083	0.152	- 0.050	2.963
realised	0.063	0.188	-0.258	0.000	0.000	0.116	0.547	1.047	3.949

This table reports the summary statistics of the various firm-level ICC estimates based on analysts earnings forecasts, as well as the realised return.

Table 5: **Spearman Correlation of the Firm-Level ICC Estimates**

	CT	**GLS**	**GM**	**MPEG**	**GG**	**FGHJ**	**PEG**	**PE**	**HL**	**DKL**	**BP**	**KMY**	**FPM**	**TrOHE _10Ind**	**TrES _25SBM**	**TrETSS _25SBM**	**TrOHE _25SBM**	**TrETSS _Ind10**	**TrETSS _10Ind**	**realised**
CT		0.585***	0.607***	0.488***	0.678***	0.662***	0.357***	0.645***	0.776***	0.840***	0.493***	0.573***	0.607***	0.184***	0.061***	0.030***	0.056***	0.150***	0.070	0.073***
GLS			0.462***	0.456***	0.502***	0.977***	0.370***	0.598***	0.743***	0.814***	0.384***	0.345***	0.465***	0.156***	0.130***	-0.103***	0.084***	0.081***	0.094***	0.126***
GM				0.927***	0.564***	0.502***	0.844***	0.186***	0.912***	0.831***	0.446***	0.600***	0.639***	0.099***	0.081***	-0.02***	0.049***	0.072***	0.016***	0.035***
MPEG					0.413***	0.47***	0.930**	0.116***	0.889***	0.751***	0.380***	0.467***	0.57***	0.076***	0.086***	-0.054***	0.045***	0.059***	0.018***	0.035***
GG						0.554***	0.483***	0.345***	0.598***	0.655***	0.436***	0.968***	0.428***	0.057***	0.043***	0.001	0.048***	0.053***	0.024***	0.051***
FGHJ							0.386***	0.610***	0.768***	0.844***	0.417***	0.374***	0.522***	0.174***	0.124***	-0.072***	0.087***	0.099***	0.090***	0.119***
PEG								-0.082***	0.653***	0.559***	0.304***	0.237***	0.405***	-0.002	0.051***	-0.055***	0.030***	0.025***	-0.008***	0.005**
PE									0.445***	0.54***	0.342***	0.403***	0.319***	0.215***	0.070***	0.005**	0.057***	0.149***	0.132***	0.104***
HL										0.973***	0.478***	0.570***	0.671***	0.147***	0.096***	-0.050***	0.067***	0.106***	0.056***	0.084***
DKL											0.498***	0.583***	0.671***	0.166***	0.101***	-0.046***	0.072***	0.114***	0.067***	0.095***
BP												0.473***	0.422***	0.125***	0.040***	0.043***	0.048***	0.110***	0.012***	0.064***
KMY													0.432***	0.109***	0.035***	0.032***	0.040***	0.117***	0.045***	0.067***
FPM														0.247***	0.051***	0.036***	0.064***	0.193***	0.036***	0.062***
TrOHE_10Ind															-0.011***	0.004***	0.038***	0.170***	0.000	-0.010***
TrES_25SBM																0.097***	0.048***	0.065***	0.077***	0.084***
TrETSS_25SBM																	0.094***	0.078***	0.045***	0.048***
TrOHE_25SBM																		0.022***	0.002	0.023***
TrETSS_Ind10																			0.129***	0.097***
TrETSS_10Ind																				0.103***
realised																				

This table reports the correlation matrix that corresponds to Spearman rank order correlations of the various firm-level ICC estimates based on analysts earnings forecasts and the realised return.

Table 6: **Summary Statistics of the Variables used in the Mechanical Models**

	Mean	StD	Prcrt5	Prcrt25	Median	Prcrt75	Prcrt95	Skewness	Kurtosis
A_t($mill)	7,778.170	23,086.611	62.181	353.002	1,178.238	4,420.000	34,163.000	5.535	36.729
D_t($mill)	78.901	245.440	0.000	0.000	0.128	36.296	413.000	5.098	31.663
E_t($mill)	239.876	739.510	- 92.400	6.051	39.795	156.932	1,257.000	4.639	27.711
AC_t($mill)	- 248.910	731.649	- 1,302.100	- 167.334	- 40.286	- 5.547	57.010	- 4.733	28.612
$NegE\_E_t$($mill)	- 22.178	103.180	- 92.400	0.000	0.000	0.000	0.000	- 6.436	46.718
DD_t	0.501	0.500	0.000	0.000	1.000	1.000	1.000	- 0.006	1.000
$NegE_t$	0.186	0.389	0.000	0.000	0.000	0.000	1.000	1.616	3.612
$TACC_t$	0.589	4.060	- 4.399	- 0.299	0.422	1.545	5.941	- 0.277	12.741
B_t	12.376	15.157	0.539	4.050	8.494	15.394	36.101	3.553	19.932

This table reports the summary statistics of the regression variables used to generate mechanical forecasts of earnings. The units of the variables correspond to the units used in testing as described in section 2.3.3. A_t is the total assets of the firm in millions of dollars, D_t is the dividends paid by the firm, and DD_t is a dummy to indicate whether a firm is paying dividends. E_t is earnings in millions of dollars, and $NegE_t$ is a dummy for loss making firms. AC_t is the firm working capital accruals in millions of dollars, $TACC_t$ is per-share total accruals according to Richardson, Sloan, Soliman, and Tuna (2005) definition, and B_t is the per share book value of the firm.

Table 7: **Summary Statistics of the Earnings Forecasts from Mechanical Models**

	Mean	StD	Prcrt5	Prcrt25	Median	Prcrt75	Prcrt95	Skewness	Kurtosis
HDZ1	1.954	2.488	-1.351	0.584	1.435	2.645	6.053	2.689	13.911
HDZ2	2.313	3.011	-0.652	0.656	1.519	2.939	7.228	3.321	17.750
HDZ3	2.745	3.754	-0.583	0.722	1.709	3.381	8.880	3.481	18.586
HDZ4	3.106	4.476	-0.450	0.761	1.829	3.682	10.490	3.636	19.481
HDZ5	3.348	4.783	-0.290	0.831	1.988	3.955	11.123	3.724	20.324
EP1	2.795	8.774	-19.623	0.291	2.008	6.508	13.264	1.051	12.450
EP2	5.066	7.866	-12.639	1.224	4.595	9.740	18.169	-0.223	3.037
EP3	7.459	8.725	-10.395	1.929	7.372	13.225	23.237	0.096	2.705
EP4	5.746	7.423	-11.067	0.309	6.533	11.343	16.517	-0.344	3.038
EP5	1.940	6.852	-13.496	-0.615	1.683	7.432	10.777	-0.331	3.184
RI1	2.582	5.467	-7.327	-0.733	1.048	6.597	12.781	0.490	2.833
RI2	4.444	8.275	-7.703	-1.359	1.529	11.032	19.795	0.704	2.418
RI3	3.968	9.005	-9.798	-1.841	0.554	10.620	22.663	0.841	2.759
RI4	1.592	6.260	-9.211	-1.957	0.971	4.155	14.205	0.552	3.105
RI5	-0.958	6.240	-12.952	-4.217	-0.890	1.899	9.317	0.933	6.758

This table reports the summary statistics of the earnings forecasts from the mechanical forecasting models for up to 5 years. The models are: Hou, van Dijk, and Zhang (2012) model (HDZ), (2) Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI).

Table 8: **Summary Statistics of the Control Variables used in Testing ICC Estimates**

	Mean	**StD**	**Prcrt5**	**Prcrt25**	**Median**	**Prcrt75**	**Prcrt95**	**Skewness**	**Kurtosis**
CFNST	0.000	0.061	-0.078	-0.017	0.000	0.010	0.075	2.429	16.988
CFNLT	0.105	0.537	-0.734	-0.147	0.089	0.326	0.987	0.587	6.064
EWERN	0.000	0.010	-0.014	-0.004	0.000	0.003	0.015	-0.037	7.840
FSERN	0.005	0.070	-0.104	-0.012	0.000	0.024	0.118	0.177	7.983

This table reports the summary statistics of the control variables used in testing how much of the variation in subsequent realised return is captured by the ICC models as described in section (2.3.4.1).$CFNST_{it}$ is the news about cash flows received during the period of realised return; $CFNLT_{it}$ is the news captured by the target price (which is a present value of an infinite horizon cash flows beyond the forecasting point) during the realised return period; $EWERN_{it}$ is the economy wide expected return news represented by the change in expected return, and the $FSERN_{it}$ is the firm-level expected return news at the realised return period.

2.5 Testing ICC Estimates as an Economic Quantity: Capturing the Variation in Subsequent Return

I start the analysis by investigating the ability of ICC models to capture the variation in the subsequent one year realised return. Table (9) report the results of regressing 27 expected returns proxies derived from ICC models using analysts forecasts as well as expected returns from some factor models on the subsequent 12 months realised returns. The regressions control for cash flow news and expected return news. The reported coefficients are the time-series averages from monthly cross-sectional regressions. The t-statistics -below each coefficient- are computed based on the temporal standard error of the coefficients as described by Fama and MacBeth (1973).

In theory, one should expect a positive coefficient for the ICC variable in various models. For the majority of expected return applications, the ability of the forecasting model to capture the cross-sectional variation in subsequent realised return is far more important than capturing the magnitude. Hence, testing whether the ICC coefficient is equal to one is unnecessarily stringent proof of validity, but the results are reported regardless. Column $\beta_{ICC}^{TS} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one.

More practically, an ICC proxy is valid for empirical applications if the coefficient is positive and statistically significant. In all but 10 models, I document a positive and statistically significant ICC coefficient with average magnitudes ranging from slightly above 0.121 (Naive) to 1.039 (PE_Anlst). All the factor models (CAPM, 3 Factors, 4 Factors, and 5 Factors models) reported statistically insignificant coefficients. The ICC models that yield statistically insignificant coefficient are all transformations of portfolio-level models using risk and firm characteristics. The original portfolio level models were developed in the literature to deal with issues like earnings growth estimation (See for instance, Easton et al. (2002)). Transforming ES, ETSS, and OHE models estimations by the method of Nekrasov and Ogneva (2011), or Wang (2018) (WNG) method for Ashton and Wang (2013) model to firm level estimates report no improved ability of these estimations in forecasting subsequent returns.

The cash flow news variables (CFNST and CFNLT) have positive coefficients in all the specifications as expected. The long-term cash flow news is especially consistently statistically significant. These observations are in line with previous research. The expected return news variables (EWERN and FSERN) are less consistently significant across the specifications.

In terms of relative performance, the table has been sorted using the adjusted R^2 improvement column. This column reports the difference between the adjusted R^2 of the model and the adjusted R^2 of the same model without the ICC variable. It proxies for the improvement achieved by the model in capturing the percentage of variation in realised returns when the ICC estimate is added. Although this sorting corresponds to the sorting by the R^2 of the model, the R^2 improvement is a better benchmark for the comparison since it indicates how much more variation in the subsequent returns can the formulation capture by adding the ICC estimate. A very interesting observation is the superiority of the simple models introduced in this work (TPDPS and Naive). The superiority is in terms of the percentage of variation in realised returns captured by the model ($R^2 = 60.2\%$ and $R^2 = 60\%$), which are 6.5% and 6.3% higher than a benchmark specification without the ICC estimate respectively. Next comes the BP models which reports 5% improvement, and the PE which reports 3.6%. It is important to note that these models are much simpler in form than the rest in the list, which confirms to a general forecasting proposition that simpler models do a better job in forecasting.

A second observation is that models based on residual income (CT, GLS, FGHJ) reported better percentages than models based on abnormal growth in earnings (MPEG, GM, PEG). The average ICC models (HL, DKL, and KMY) reported figures reflecting their constituents. For instance, KMY contains GG estimates, which made it perform worse than the other two average models. The GG warrants a note in its own right. GG is a dividend discount model just like BP, but with a terminal value based on earnings perpetuity. This could indicate that BP performance (as well as TPDPS) are mainly driven by the terminal value based on the target price. This is especially evident when looking at the performance of Naive, which resembles the terminal values of BP and TPDPS. Lastly, including factor models or transformed portfolio level estimates (WNG, OHE, ETSS, ES) achieved very low improvement in the percentage of variation in realised returns captured by the model.

Column **%N +sig** report the percentage of months in which the ICC coefficient is positive and statistically significant in the cross section. Again, TPDPS, Naive, and BP estimates score the highest percentages of months with a positive and significant coefficient (71.7%, 72.7%, and 74.1%). The PE_Anlst come second by this benchmark also, reporting 61%. The residual income models (CT, GLS, FGHJ) also have higher percentages than abnormal growth in earnings models.

This observation is very interesting. It demonstrates that simple models like TPDPS, Naive, BP, and PE work better in forecasting subsequent returns than more complicated models. TPDPS and BP are dividend discount models with a terminal value based on the analysts target price. Again, as compared to GG, which is also a dividend discount model but with a terminal value based on earnings perpetuity, one could conclude that the terminal value is the driver of performance. This is further demonstrated by the performance of Naive which is formulated in a similar spirit as BP terminal value. Therefore, the primary driver of the good performance of these representations is that the analysts' target price of a firm concurs with market participants beliefs embedded in the firm stock price. A similar observation is noted by Barron, Harris, and Stanford (2005). The PE model is also a simple market multiple formulation that assumes zero growth in abnormal earnings beyond the forecasting horizon. Since this is a widely used ratio in the industry, it is reasonable to expect that such formulation will also coincide with market beliefs about expected returns.

$\beta^{TS}_{ICC} = 1$ column report the p-value of testing whether the average ICC coefficient is statistically indistinguishable from one (the theoretical value). The null hypothesis for which the p value is reported in the column is that the beta does not equal one. Note that this is a more rigid form of testing as compared to testing whether the coefficient is positive and statistically significant as in column **%N +sig**. The results show that TPDPS and Naive have a coefficient that is indistinguishable from 1 statistically. However, neither the BP or PE report a p-value below a reasonable threshold. The CAPM report a coefficient which is not equivalent to one statistically also. In this respect, column $\beta^{CS}_{ICC} = 1$ reports the percentage of months in which the ICC cross-sectional coefficient is statistically indistinguishable from one. TPDPS and Naive are especially doing well by this rather stringent measure scoring 95.6%. Some of the transformed portfolio-level models also reported very high percentages of months in which the ICC cross-sectional coefficient is statistically indistinguishable from one. However, the best performing models in capturing subsequent realised returns reported the following $\beta_{ICC}^{CS} = 1$ percentages: BP (51.2%), PE (43.9%), CT (55.1%), GLS (59.5%), FGHJ (59.5%).

The intercept is expected to be zero in models that are well specified. This is the case in BP, PE, CT, GLS, FGHJ, DKL, HL, FPM, KMY, and GG. Although low in magnitude, TPDPS and Naive have positive and significant intercepts.

Table 9: **Capturing Subsequent Return using Analysts forecasts based ICC**

Model	**Intercept**	**ICC**	**CFNST**	**CFNLT**	**EWERN**	**FSERN**	**Adj R^2**	**R^2 Imp.**	**N**	$\beta^{TS}_{ICC} = 1$	**%N +sig**	$\%\beta^{CS}_{ICC} = 1$
TPDPS_Anlst	0.023**	0.115***	0.194	0.466***	0.067*	-0.155	60.2%	6.5%	205	0.000	71.7%	95.6%
	(3.062)	(5.887)	(1.515)	(21.160)	(2.300)	(-1.265)						
Naive	0.026***	0.121***	0.275***	0.462***	0.086*	-0.165	60%	6.3%	205	0.000	72.7%	95.6%
	(3.760)	(7.186)	(3.355)	(22.011)	(2.440)	(-1.437)						
BP_Anlst	0.015	0.711***	-0.015	0.456***	0.504*	-0.258	58%	5.0%	205	0.145	74.1%	51.2%
	(1.355)	(3.599)	(-0.047)	(19.551)	(2.207)	(-1.134)						
PE_Anlst	-0.016	1.039***	0.467***	0.411***	0.760	-0.299	56.2%	3.6%	205	0.723	61.0%	43.9%
	(-1.813)	(9.342)	(3.228)	(18.178)	(1.300)	(-1.932)						
CT_Anlst	-0.015	0.558***	0.093	0.431***	1.217	-0.053	54.8%	2.2%	205	0.000	43.9%	55.1%
	(-1.439)	(5.266)	(1.276)	(19.808)	(1.843)	(-0.993)						
HL_Anlst	-0.024	0.626***	0.089	0.424***	0.601	0.000	54.6%	1.9%	205	0.000	36.1%	50.7%
	(-2.426)	(7.041)	(1.583)	(20.450)	(1.946)	(-0.004)						
DKL_Anlst	-0.037	0.753***	0.103	0.426***	0.472	-0.034	54.9%	1.9%	205	0.032	41.0%	45.4%
	(-3.228)	(6.586)	(1.699)	(20.292)	(1.033)	(-0.665)						
GLS_Anlst	-0.046	0.843***	0.135	0.405***	0.994	-0.237	55%	1.7%	205	0.308	37.1%	59.5%
	(-3.036)	(5.496)	(1.057)	(17.924)	(1.499)	(-1.618)						
FGHJ_Anlst	-0.048	0.768***	0.047	0.424***	1.602***	-0.104	55%	1.7%	205	0.068	40.0%	59.5%
	(-3.317)	(6.091)	(0.592)	(19.521)	(3.402)	(-1.790)						
MPEG_Anlst	0.003	0.348***	0.002	0.42***	0.095	0.069	53.9%	1.7%	205	0.000	33.2%	57.1%
	(0.302)	(6.055)	(0.038)	(19.670)	(0.364)	(1.116)						
FPM_Anlst	-0.023	0.574***	-0.063	0.435***	-0.348	0.043	53.7%	1.6%	205	0.010	34.1%	42.4%
	(-1.593)	(3.494)	(-0.829)	(18.742)	(-0.608)	(0.672)						
GM_Anlst	-0.025	0.595***	0.038	0.425***	0.309	0.043	54%	1.6%	205	0.000	35.1%	54.1%
	(-2.741)	(8.197)	(0.705)	(20.558)	(1.136)	(0.771)						
KMY_Anlst	-0.016	0.248***	-0.049	0.433***	0.404	-0.025	53.7%	1.2%	205	0.000	29.8%	69.8%
	(-1.350)	(4.912)	(-0.824)	(19.071)	(1.268)	(-0.455)						
PEG_Anlst	0.02*	0.199***	-0.027	0.412***	0.262	0.110	53.2%	1.1%	205	0.000	19.5%	71.2%
	(2.253)	(3.513)	(-0.396)	(19.737)	(1.307)	(1.528)						
GG_Anlst	-0.015	0.161***	-0.101	0.438***	0.371	0.005	53.2%	0.9%	205	0.000	28.8%	77.1%
	(-0.863)	(3.801)	(-1.473)	(17.315)	(1.169)	(0.094)						
3FF_Factor	0.041***	-0.228	-0.077	0.435***	3.833	-0.068	52.9%	0.7%	205	0.000	8.8%	44.9%
	(4.064)	(-1.258)	(-0.696)	(14.352)	(1.630)	(-0.304)						
5FF_Factor	0.035***	0.141	-0.021	0.427***	0.062	0.102	52.4%	0.6%	205	0.000	10.2%	51.2%
	(4.285)	(0.901)	(-0.246)	(18.407)	(0.049)	(1.224)						
CAPM_Factor	0.095	-6.010	-0.208	0.449***	-7.723	-0.383	52.8%	0.6%	205	0.425	20.5%	24.9%
	(0.870)	(-0.686)	(-1.964)	(15.327)	(-0.714)	(-0.679)						

Continued in next page...

Table 9: **Capturing Subsequent Return using Analysts forecasts based ICC**

Model	**Intercept**	**ICC**	**CFNST**	**CFNLT**	**EWERN**	**FSERN**	**Adj R^2**	**R^2 Imp.**	**N**	$\beta^{TS}_{ICC} = 1$	**%N +sig**	$\%\beta^{CS}_{ICC} = 1$
TrOHE_10Ind	0.039***	-0.001	-0.016	0.409***	0.211	-0.485	52.1%	0.6%	205	0.000	20.0%	79.0%
	(3.802)	(-0.006)	(-0.078)	(9.905)	(1.040)	(-0.938)						
TrES_Anlst _10Ind	0.042***	0.025*	-0.065	0.404***	0.000	-0.209	53%	0.5%	205	0.000	22.0%	98.0%
	(4.576)	(2.024)	(-0.458)	(13.276)	(-0.030)	(-1.609)						
TrETSS_Anlst _10Ind	0.039***	0.035	-0.096	0.416***	0.109	-0.173	51.8%	0.1%	205	0.000	13.7%	83.4%
	(5.078)	(0.836)	(-1.020)	(15.664)	(1.742)	(-1.057)						
Carhart_Factor	0.041***	-0.159	-0.104	0.432***	1.736	-0.075	52.1%	0.0%	205	0.000	9.8%	61.0%
	(4.238)	(-0.975)	(-1.590)	(16.078)	(1.396)	(-0.416)						
TrES_Anlst _25SBM	0.057***	-0.004	-0.127	0.399***	0.003	-0.142	52.5%	0.0%	205	0.000	7.8%	99.0%
	(5.017)	(-0.578)	(-1.605)	(18.408)	(0.562)	(-1.674)						
WNG_Anlst	0.042***	0.005	-0.069	0.423***	-0.269	-0.088	52%	-0.1%	205	0.000	9.3%	99.0%
	(5.683)	(1.632)	(-1.200)	(19.582)	(-2.093)	(-0.925)						
TrOHE_25SBM	0.042***	0.005	-0.100	0.423***	-0.011	-0.169	51.5%	-0.2%	205	0.000	14.1%	94.6%
	(5.590)	(0.098)	(-1.514)	(18.777)	(-0.781)	(-0.920)						
TrETSS_Anlst _25SBM	0.049***	-0.047	-0.120	0.42***	0.047	-0.091	51.5%	-0.4%	205	0.000	8.3%	94.1%
	(6.526)	(-2.279)	(-2.168)	(20.005)	(1.531)	(-1.103)						

The average monthly regression coefficients of one year ahead realised Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Expected return estimates are generated using firm-level ICC models as described in Table 1 and four factor models: (1) **CAPM** (2) the Three Factor Model of Fama and French (1993), the Carhart (1997) Four Factor Model, and the Fama and French (2015) Five Factor Model.

2.5.1 Mechanical Earnings Forecasts for ICC Estimation

Considerable literature evolved around the idea of estimating ICC models using mechanical forecasts of earnings instead of analysts forecasts. These mechanical models arguably help to deal with analysts forecasts biases. Mechanical models impute earnings forecasts from historical fundamentals. As discussed in section (2.3.3), there are four notable mechanical earnings forecasts methods presented in the literature. In the following analysis, I replace the earnings forecasts in the various ICC models with those generated from the mechanical models. However, I should note that three ICC models use analysts Target Prices, which are not estimated by the mechanical models. These three ICC models are TPDPS, BP and FGHJ. Therefore, the results of these ICC models should be interpreted with caution, especially that I have demonstrated in the previous section that much of the performance in TPDPS and BP is driven by the terminal value that uses target price. Also, note that both of the implementations of OHE model would not be featured since the OHE does not use earnings forecasts as an input.

Table (10) report the results using Hou, van Dijk, and Zhang (2012) (HDZ) earnings forecasts. Table (11) report the results using random walk (RW) earnings forecasts as described by Gerakos and Gramacy (2013). Tables (12) and (13) present the results using Li and Mohanram (2014) two mechanical models: Earnings Persistence (EP) and Residual Income (RI) respectively. In all four tables, the TPDPS followed by BP model recorded the best improvement in capturing the percentage of variation in realised returns when the ICC estimate is added (see column R^2 Imp.). This observation is further evidenced in the percentage of months the models have positive and significant coefficients (see Column %N +sig). Using these two criteria, TPDPS and BP work better using HDZ forecasts than any other forecasts mechanical forecasts. In fact, for the BP where dividends have a higher weight, the HDZ forecast provides better results than analysts forecasts also. Naive still remained better than all of these versions except the TPDPS_Anlst, which show the influence of the target price in the formulation.

Most of the other models struggled to record a positive and statistically distinguishable coefficient from zero consistently using mechanical earnings forecasts especially forecasts based on RW, EP and RI. In fact, using mechanical forecasts resulted in making the intercept statistically different from zero for many specifications, indicating that the models are not well specified. In general, turning away from analysts earnings forecast to forecasts based on historical fundamentals did undermine the ICC models ability to capture the variation in future realised returns. Although adding the ICC estimates in this context have resulted in some increases in the goodness of fit as compared to the benchmark, many of the ICC coefficients were having the wrong sign or not statistically significant. The BP and TPDPS performance has been maintained due to target price terminal value. The other dividend discount model GG maintained its positive coefficient and improvement in capturing returns above a benchmark model using HDZ and RW forecasts. Taking this observation with the fact that BP and TPDPS worked better with HDZ, there is some evidence that dividends mechanical forecasts are more suitable for ICC estimations. Dividend discount models are very sensitive to inputs especially the terminal values. The BP for instance, works extremely well due to its terminal value that is based on analysts target price forecast. The GG, on the other hand, report significant improvement in performance using some mechanical models as compared to analysts estimates. This goes back to the issue with DDM models in general. The fact that some companies pay dividends that are not in line with the company capacity to pay dividends, or that companies ownership structure affect the paid dividend makes the fundamentals less certain. Therefore, using mechanical forecasts for the dividend make it more stable and in line with the fundamentals.

The theoretical underpinnings suggest the superiority of models based on abnormal growth in earnings as compared to models based on residual income. Nevertheless, just like analysts based testing, using mechanical forecasts (HDZ, EP, and RI) show that models based on residual income (GLS, FGHJ, and CT) perform better than abnormal growth in earnings models (GM, MPEG, and PEG). Average ICC models such as HL, DKL, KMY do not improve the prediction ability of the estimates by combining estimates from various models. Lastly, the performance of models that start with portfolio level estimates of expected return, and then transform them to firm level estimates using risk factors to account for firm differences, are consistently subordinate to pure firm-level models.

Table 10: **Capturing Subsequent Return using HDZ forecasts based ICC**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	$\%\beta^{CS}_{ICC} = 1$
TPDPS_HDZ	0.023**	0.109***	0.171	0.462***	0.061*	-0.165	59.8%	6.1%	205	0.000	73.2%	95.6%
	(2.889)	(4.820)	(1.036)	(21.185)	(2.168)	(-1.298)						
BP_HDZ	0.009	0.766***	0.006	0.452***	0.356	-0.161	58.3%	5.2%	205	0.147	76.6%	49.3%
	(0.955)	(4.764)	(0.023)	(19.787)	(1.909)	(-1.231)						
FGHJ_HDZ	-0.087	1.302	0.404	0.379***	2.891**	-1.206	54.4%	1.8%	205	0.768	30.2%	69.8%
	(-0.901)	(1.270)	(0.673)	(6.177)	(2.628)	(-0.912)						
GG_HDZ	0.011	0.384***	-0.058	0.433***	2.066***	-0.184	54.2%	1.6%	205	0.000	32.7%	64.9%
	(1.123)	(3.450)	(-0.480)	(18.071)	(3.835)	(-1.051)						
PE_HDZ	0.023**	0.297***	-0.196	0.431***	1.807***	-0.137	54.2%	1.4%	205	0.000	44.4%	67.3%
	(3.026)	(4.237)	(-2.036)	(18.731)	(3.755)	(-1.655)						
CT_HDZ	0.015	0.265***	-0.110	0.437***	0.941*	-0.141	53.6%	1.4%	205	0.000	37.6%	70.7%
	(1.761)	(3.352)	(-1.104)	(17.859)	(2.487)	(-1.290)						
GLS_HDZ	-0.039	0.897	0.314	0.387***	2.81**	-0.942	54.2%	1.4%	205	0.876	31.7%	67.8%
	(-0.725)	(1.366)	(0.582)	(6.941)	(2.810)	(-0.901)						
KMY_HDZ	0.005	0.383**	-0.180	0.442***	1.018**	-0.160	53.7%	1.3%	205	0.000	31.7%	69.8%
	(0.380)	(2.654)	(-1.777)	(17.554)	(2.666)	(-1.134)						
DKL_HDZ	0.002	0.401***	-0.106	0.434***	0.965***	-0.174	53.6%	1.3%	205	0.000	32.7%	70.2%
	(0.134)	(3.163)	(-1.197)	(18.629)	(3.654)	(-1.286)						
HL_HDZ	-0.002	0.409**	-0.102	0.441***	0.806**	-0.124	53.6%	1.0%	205	0.000	29.8%	72.7%
	(-0.135)	(2.600)	(-1.404)	(17.937)	(2.875)	(-1.472)						
GM_HDZ	0.043	0.081	0.073	0.391***	1.522	-0.345	53.4%	0.7%	205	0.000	28.3%	72.7%
	(1.705)	(0.447)	(0.332)	(7.158)	(1.336)	(-0.814)						
MPEG_HDZ	0.003	0.314*	-0.193	0.462***	0.289	0.160	53.3%	0.7%	205	0.000	29.8%	74.6%
	(0.108)	(2.141)	(-1.442)	(10.600)	(0.772)	(0.943)						
TrES_HDZ_10Ind	0.04***	0.003	-0.033	0.416***	-0.016	-0.131	52.2%	0.6%	205	0.000	20.5%	98.0%
	(4.440)	(0.471)	(-0.345)	(17.136)	(-1.202)	(-0.935)						
PEG_HDZ	0.004	0.330	-0.257	0.477***	0.352	0.131	53.2%	0.4%	205	0.000	23.4%	73.2%
	(0.134)	(1.828)	(-1.471)	(8.373)	(0.975)	(0.980)						
TrETSS_HDZ_10Ind	0.041***	-0.041	-0.087	0.419***	0.038	-0.103	51.6%	0.3%	205	0.000	9.8%	92.2%
	(5.226)	(-1.135)	(-1.252)	(19.072)	(0.787)	(-1.333)						
FPM_HDZ	0.020	0.218*	-0.050	0.414***	0.666*	-0.172	53%	0.2%	205	0.000	28.3%	68.3%
	(1.561)	(2.094)	(-0.478)	(16.429)	(2.421)	(-0.960)						
TrES_HDZ_25SBM	0.044***	-0.001	-0.199	0.425***	0.002	-0.146	52.5%	0.1%	205	0.000	6.3%	98.5%
	(5.407)	(-0.208)	(-0.947)	(16.859)	(0.555)	(-1.763)						
TrETSS_HDZ_25SBM	0.041***	0.019	-0.094	0.416***	0.010	-0.027	51.7%	-0.2%	205	0.000	13.2%	95.6%
	(5.668)	(1.349)	(-1.638)	(19.371)	(0.466)	(-0.467)						
WNG_HDZ	0.043***	0.000	-0.126	0.441***	0.179	-0.073	52.1%	-0.5%	205	0.000	0.5%	99.0%
	(5.051)	(-0.720)	(-1.454)	(17.670)	(1.148)	(-1.256)						

The average monthly regression coefficients of one year ahead realised Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The ICC figures are estimated based on Hou et al. (2012) mechanical earnings forecasts. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Expected return estimates are generated using firm-level ICC models described in Table 1.

Table 11: **Capturing Subsequent Return using RW forecasts based ICC**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	$\%\beta^{CS}_{ICC} = 1$
TPDPS_RW	0.03***	0.08***	0.106	0.448***	0.07*	-0.121	57.2%	3.9%	205	0.000	54.6%	95.6%
	(4.363)	(4.378)	(1.757)	(20.996)	(2.311)	(-1.146)						
BP_RW	0.022**	0.531***	0.014	0.443***	0.377*	-0.168	56.4%	3.5%	205	0.000	59.0%	52.7%
	(2.788)	(6.149)	(0.153)	(19.906)	(2.475)	(-1.441)						
GG_RW	0.008	0.314**	-0.081	0.431***	2.345**	-0.174	53.6%	1.2%	205	0.000	33.7%	72.5%
	(0.786)	(2.854)	(-0.644)	(17.505)	(2.784)	(-0.962)						
TrES_RW_10Ind	0.041***	0.714	-0.270	0.446***	10.738	-0.041	53%	0.9%	205	0.948	21.5%	82.0%
	(5.123)	(0.162)	(-2.791)	(16.833)	(1.035)	(-0.649)						
MPEG_RW	0.066	0.038	-0.094	0.403***	0.755*	0.466	53.2%	0.8%	205	0.000	26.8%	96.1%
	(1.329)	(0.495)	(-1.138)	(11.331)	(2.001)	(0.740)						
GM_RW	0.045	0.003	-0.193	0.418***	0.722*	0.356	53.3%	0.8%	205	0.000	26.0%	98.0%
	(1.207)	(0.038)	(-2.155)	(13.678)	(1.975)	(0.772)						
CT_RW	0.014	0.103	-0.169	0.438***	2.646*	-0.048	53.3%	0.6%	205	0.000	30.0%	74.5%
	(1.497)	(0.800)	(-1.990)	(16.838)	(1.984)	(-0.766)						
TrETSS_RW_25SBM	0.037***	0.008	-0.090	0.418***	0.003	-0.046	52.3%	0.6%	205	0.000	14.6%	99.0%
	(4.668)	(1.348)	(-1.764)	(19.448)	(0.571)	(-0.861)						
TrES_RW_25SBM	0.039***	-1.280	-0.099	0.421***	0.824	-0.003	52.9%	0.6%	205	0.188	7.3%	82.9%
	(5.172)	(-0.741)	(-1.765)	(20.156)	(0.841)	(-0.048)						
PE_RW	0.05*	0.165	-0.063	0.416***	-0.103	0.341	53.1%	0.6%	205	0.000	17.1%	91.7%
	(2.507)	(1.819)	(-0.662)	(15.400)	(-0.221)	(0.945)						
FGHJ_RW	0.029***	0.032	-0.106	0.428***	0.389	-0.057	51.9%	0.5%	205	0.000	21.4%	90.8%
	(3.206)	(0.324)	(-1.588)	(18.873)	(1.291)	(-1.028)						
FPM_RW	0.039***	0.051***	-0.068	0.418***	0.006	-0.078	53.2%	0.4%	205	0.000	20.0%	97.6%
	(4.494)	(4.223)	(-1.258)	(19.300)	(0.177)	(-1.079)						
PEG_RW	-4.371	5.699	-2.093	3.222	-32.796	-54.734	52.5%	0.2%	205	0.555	24.1%	100%
	(-0.716)	(0.717)	(-0.781)	(0.831)	(-0.714)	(-0.721)						
DKL_RW	0.018	0.011	-0.210	0.433***	-0.135	0.000	51.9%	0.0%	205	0.000	20.5%	86.3%
	(0.962)	(0.246)	(-1.928)	(15.971)	(-0.410)	(0.000)						
KMY_RW	0.007	0.071	-0.363	0.454***	-0.176	0.152	51.9%	0.0%	205	0.000	17.1%	89.3%
	(0.249)	(1.028)	(-1.718)	(13.114)	(-0.539)	(0.978)						
HL_RW	0.008	0.063	-0.364	0.454***	-0.215	0.151	51.9%	0.0%	205	0.000	18.0%	89.3%
	(0.313)	(0.905)	(-1.722)	(13.115)	(-0.663)	(0.977)						
WNG_RW	0.046***	0.000	-0.170	0.42***	-0.004	-0.177	52%	0.0%	205	0.000	3.9%	100.0%
	(6.182)	(-1.422)	(-2.221)	(19.660)	(-0.837)	(-1.896)						
GLS_RW	0.049	-0.014	-0.149	0.435***	-0.260	-0.053	51.5%	-0.2%	205	0.000	12.7%	91.7%
	(1.481)	(-0.320)	(-1.269)	(15.745)	(-0.689)	(-1.047)						
TrETSS_RW_10Ind	0.042***	-0.016	-0.092	0.417***	0.048	-0.014	51.8%	-0.4%	205	0.000	12.7%	99.0%
	(5.680)	(-1.450)	(-1.612)	(19.953)	(0.786)	(-0.312)						

The average monthly regression coefficients of one year ahead realised Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The ICC figures are estimated based on Random Walk **(RW)** mechanical forecasts (Gerakos and Gramacy (2013)). The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Expected return estimates are generated using firm-level ICC models described in Table 1.

Table 12: **Capturing Subsequent Return using EP forecasts based ICC**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	$\%\beta^{CS}_{ICC} = 1$
TPDPS_EP	0.027***	0.067***	0.130	0.446***	0.078*	-0.180	58.1%	4.6%	205	0.000	64.9%	95.6%
	(3.658)	(4.197)	(1.300)	(21.153)	(2.251)	(-1.538)						
BP_EP	0.013	0.516***	0.011	0.442***	0.362*	-0.177	57%	4.0%	205	0.000	67.8%	59.5%
	(1.649)	(5.553)	(0.099)	(19.840)	(2.361)	(-1.487)						
PE_EP	-0.003	3.855	0.927	0.129	8.874	-2.444	53.7%	1.2%	205	0.508	40.5%	78.5%
	(-0.081)	(0.896)	(0.709)	(0.367)	(1.063)	(-0.829)						
GG_EP	0.013	-1.230	-0.240	0.459***	-1.559	0.029	53.4%	1.0%	205	0.035	33.0%	77.3%
	(1.632)	(-1.173)	(-2.356)	(14.152)	(-0.316)	(0.305)						
GLS_EP	0.008	0.31*	-0.156	0.425***	1.691**	-0.127	53.4%	0.9%	205	0.000	33.2%	72.7%
	(0.791)	(2.131)	(-0.976)	(15.142)	(2.951)	(-0.676)						
PEG_EP	0.02*	0.037	-0.224	0.432***	0.755***	-0.082	53.1%	0.8%	205	0.000	32.2%	100%
	(2.367)	(1.276)	(-2.535)	(16.895)	(4.612)	(-1.176)						
FGHJ_EP	0.009	0.272	-0.146	0.422***	2.318**	-0.104	53.1%	0.8%	205	0.000	34.1%	77.6%
	(0.714)	(1.587)	(-0.996)	(15.478)	(2.967)	(-0.624)						
WNG_EP	0.048***	0.000	-0.058	0.415***	-0.003	-0.090	52.7%	0.8%	205	0.000	7.3%	99.0%
	(3.712)	(0.227)	(-1.130)	(19.889)	(-1.110)	(-1.659)						
CT_EP	0.122	-0.071	-0.646	0.515***	0.013	1.069	52.8%	0.7%	205	0.000	31.2%	90.2%
	(1.322)	(-0.457)	(-1.009)	(3.622)	(0.041)	(0.867)						
MPEG_EP	0.011	0.086	-0.031	0.422***	0.717**	-0.107	53%	0.7%	205	0.000	35.6%	89.3%
	(1.165)	(1.586)	(-0.298)	(18.008)	(3.006)	(-1.116)						
KMY_EP	0.006	0.040	-0.132	0.475***	1.174	0.185	52.8%	0.6%	205	0.000	37.1%	77.6%
	(0.518)	(0.234)	(-1.724)	(6.491)	(1.030)	(0.435)						
FPM_EP	0.026**	0.072***	-0.079	0.417***	0.002	-0.095	52.5%	0.6%	205	0.000	23.9%	97.1%
	(2.906)	(4.861)	(-1.113)	(18.398)	(0.112)	(-1.175)						
DKL_EP	0.008	0.107	-0.189	0.471***	0.654	0.207	52.6%	0.5%	205	0.000	38.0%	83.4%
	(0.823)	(1.684)	(-2.239)	(8.627)	(1.434)	(0.766)						
GM_EP	0.015	0.070	-0.028	0.414***	1.022**	-0.187	52.7%	0.4%	205	0.000	34.6%	86.3%
	(1.438)	(1.135)	(-0.280)	(16.546)	(2.678)	(-1.214)						
HL_EP	0.010	0.085	-0.176	0.471***	0.656	0.196	52.5%	0.4%	205	0.000	34.6%	83.9%
	(1.004)	(1.359)	(-2.107)	(8.625)	(1.436)	(0.726)						
TrES_EP_10Ind	0.042***	-0.002	-0.002	0.413***	0.005	-0.153	52%	0.4%	205	0.000	16.6%	97.1%
	(4.694)	(-0.071)	(-0.011)	(15.210)	(0.330)	(-0.912)						
TrES_EP_25SBM	0.032**	0.028	-0.105	0.433***	-0.021	0.120	52.7%	0.2%	205	0.000	9.3%	99.0%
	(2.587)	(0.939)	(-1.827)	(13.852)	(-0.942)	(1.111)						
TrETSS_EP_10Ind	0.028*	0.021	-0.202	0.439***	-0.133	-0.095	51.6%	0.0%	205	0.000	13.2%	99.0%
	(2.337)	(1.813)	(-2.037)	(15.955)	(-1.073)	(-0.691)						
TrETSS_EP_25SBM	0.043***	-0.001	-0.066	0.419***	0.003	-0.081	51.7%	-0.4%	205	0.000	9.8%	99.0%
	(5.938)	(-0.181)	(-1.171)	(19.699)	(0.740)	(-1.361)						

Average monthly regression coefficients of 1 year ahead Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The ICCs are estimated based on Li and Mohanram (2014) Earnings Persistence **(EP)** mechanical earnings forecasts. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Expected return estimates are generated using firm-level ICC models described in Table 1.

Table 13: **Capturing Subsequent Return using RI forecasts based ICC**

Model	**Intercept**	**ICC**	**CFNST**	**CFNLT**	**EWERN**	**FSERN**	**Adj R^2**	**R^2 Imp.**	**N**	$\beta^{TS}_{ICC} = 1$	**%N +sig**	$\%\beta^{CS}_{ICC} = 1$
TPDPS_RI	0.026***	0.075***	0.180	0.448***	0.081*	-0.193	58.6%	4.9%	205	0.000	64.9%	95.6%
	(3.617)	(4.325)	(1.666)	(22.000)	(2.254)	(-1.666)						
BP_RI	0.014	0.562***	0.079	0.439***	0.354*	-0.178	56.9%	3.9%	205	0.000	65.4%	53.7%
	(1.846)	(5.959)	(0.808)	(20.251)	(2.327)	(-1.504)						
PE_RI	0.03***	-0.187	-0.233	0.462***	0.637	0.173	53.5%	1.1%	205	0.001	38.5%	76.1%
	(3.960)	(-0.539)	(-1.939)	(11.217)	(0.614)	(0.804)						
TrES_RI_10Ind	0.034***	-0.009	-0.132	0.408***	0.050	0.004	52.7%	1.0%	205	0.000	20.0%	97.6%
	(3.991)	(-0.598)	(-2.315)	(19.719)	(1.441)	(0.058)						
FGHJ_RI	0.014	0.267	-0.073	0.42***	1.205	-0.130	52.7%	0.6%	205	0.000	28.8%	74.6%
	(1.117)	(1.523)	(-0.552)	(16.192)	(1.664)	(-0.913)						
MPEG_RI	-0.012	0.276	-0.218	0.46***	-3.120	0.169	52.9%	0.5%	205	0.000	37.3%	83.3%
	(-0.527)	(1.941)	(-1.642)	(10.550)	(-0.810)	(0.993)						
GM_RI	0.032	0.035	0.072	0.385***	0.622	-0.354	52.9%	0.4%	205	0.000	38.2%	76.5%
	(1.287)	(0.200)	(0.329)	(7.052)	(0.468)	(-0.833)						
PEG_RI	0.025**	-0.039	-0.206	0.435***	0.316**	-0.053	52.5%	0.4%	205	0.000	28.9%	100%
	(2.720)	(-0.757)	(-2.254)	(16.129)	(2.624)	(-0.724)						
GLS_RI	0.017	0.255	-0.038	0.417***	7.293	-0.142	52.5%	0.4%	205	0.000	30.7%	75.6%
	(1.812)	(1.729)	(-0.251)	(15.658)	(0.647)	(-0.843)						
TrES_RI_25SBM	0.044***	0.001	-0.057	0.414***	0.000	-0.096	51.8%	0.4%	205	0.000	9.8%	99.0%
	(5.614)	(0.253)	(-0.524)	(19.627)	(-0.070)	(-0.910)						
HL_RI	0.017	0.068*	-0.159	0.426***	0.200	-0.024	52.5%	0.3%	205	0.000	32.2%	85.4%
	(1.913)	(2.198)	(-1.747)	(17.403)	(1.115)	(-0.498)						
DKL_RI	0.019*	0.061*	-0.159	0.427***	0.205	-0.023	52.5%	0.3%	205	0.000	32.7%	85.4%
	(2.139)	(1.996)	(-1.742)	(17.424)	(1.144)	(-0.480)						
KMY_RI	0.016	0.114*	-0.141	0.424***	0.228	-0.079	52.5%	0.2%	205	0.000	30.2%	80.0%
	(1.817)	(2.247)	(-1.847)	(19.485)	(0.939)	(-0.941)						
WNG_RI	0.039***	-0.043	-0.210	0.44***	0.114	-0.058	52.4%	0.0%	205	0.000	3.9%	99.5%
	(4.944)	(-0.472)	(-2.004)	(16.010)	(0.876)	(-0.778)						
GG_RI	0.023***	0.508	-0.143	0.427***	2.963	-0.154	52.3%	0.0%	205	0.145	27.8%	80.9%
	(3.168)	(1.508)	(-1.353)	(15.657)	(1.668)	(-1.432)						
FPM_RI	0.031***	0.025	-0.076	0.426***	-0.013	-0.127	52.5%	-0.1%	205	0.000	21.5%	91.2%
	(3.300)	(1.196)	(-1.393)	(19.576)	(-0.272)	(-1.738)						
CT_RI	0.033***	0.017	-0.150	0.378***	0.507	-0.176	52.1%	-0.1%	205	0.000	13.7%	84.9%
	(3.705)	(0.555)	(-2.053)	(6.352)	(1.179)	(-0.798)						
TrETSS_RI_10Ind	0.049***	0.023	-0.098	0.415***	0.115	-0.292	51.8%	-0.3%	205	0.000	17.6%	98.5%
	(4.043)	(0.804)	(-1.784)	(19.666)	(1.110)	(-1.318)						
TrETSS_RI_25SBM	0.048***	-0.021	-0.069	0.414***	0.004	-0.150	51.6%	-0.5%	205	0.000	12.7%	99.0%
	(6.180)	(-1.839)	(-0.719)	(18.947)	(0.296)	(-1.933)						

Average monthly regression coefficients of 1 year ahead realised Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The ICCs are estimated based on Li and Mohanram (2014) Residual Income **(RI)** mechanical earnings forecasts. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Expected return estimates are generated using firm-level ICC models described in Table 1.

2.5.2 Calibrating ICC Estimates Using Risk Factors

In this sub-section, I address one of the most recurring criticisms of ICC expected return estimates in the literature, which has to do with the estimation error due to the noise in the data or due to the model being incompatible with some individual stocks, or due to analysts forecasts biasses. Fitzgerald et al. (2013) suggest that estimation error could be minimized by using the fitted values from regressing the expected return estimates from a particular ICC model on common risk factors. A similar methodology is applied by Lee et al. (2017). The idea is to capture the firm-specific characteristics that affect the expected return but not reflected in the variables of the ICC models.

I perform such calibration in the cross-section every month to ensure that the fitted values are independent of the relationship between the expected return and the risk factors, and between realised returns and the risk factors in every other period. I use the same risk factor used by Fitzgerald et al. (2013): Leverage, Size, book-to-market ratio, earning variability as predicted by the standard deviation in analysts EPS forecasts, market beta, the beta standard error, target-to-market price ratio, 12 months momentum factor, book value per share, and the firm long-term growth rate. I restrict the analysis here to the models that yield firm-level estimates without transformations, since the transformations themselves use firm-level risk characteristics factors. The application of calibration to this set of models, and testing the goodness of the estimates is novel to this work.

Table (14) report the results of regressing 1 year ahead returns of the calibrated ICC estimates and the control variables. All analysts and mechanical based versions have been calibrated to test the benefit of calibrating the estimates. The table shows that all the models except one result in an R^2 improvement when adding a fitted ICC variable to a baseline regression. In all but 11 models, the calibration increased the magnitude of the improvement in capturing the variation in realised return noticeably. All versions of the BP benefited from the calibration more than any other models. For instance, the improvement in capturing the variation in realised returns increased by 1.21% in the calibrated analysts based BP (BP_Anlst_Clbrtd) as compared to the same model without calibration (BP_Anlst). The (BP_EP_Clbrtd) gained additional 2.16% ability to capture the variation in subsequent returns scoring 6.1% adjusted R^2 improvement as compared to 3.96% scored by (BP_EP).

Among the 11 models that recorded a deterioration in the goodness of fit improvement over a benchmark model with no ICC variable are the TPDPS five versions and the Naive which lost 1.64%. However, not only did they managed to remain at the top of the list (though below the BP), but they also remained to be the only model with 100% cross-sectional monthly ICC coefficients that are indistinguishable from the theoretical value of one in the top of the list (see column $\%\beta_{ICC}^{CS} = 1$). In fact, all the BP versions reported a Fama-MacBeth coefficient that is distinguishable from one (see column $\beta_{ICC}^{TS} = 1$), while the TPDPS versions and the naive had statistically significant p-values.

PE_Anlst_Clbrtd reported a slight reduction in the improvement by calibration (0.19%), but still managed to remain fairly in the top of the list. A more general observation is that analysts based ICC models benefited more than other models from calibration especially CT_Anlst_Clbrtd, DKL_Anlst_Clbrtd, HL_Anlst_Clbrtd, GLS_Anlst_Clbrtd, FGHJ_Anlst _Clbrtd, GM_Anlst_Clbrtd, and MPEG_Anlst_Clbrtd. Perhaps this is due to the fact that many of the calibration factors are already used in the mechanical earnings forecasts. The models based on random walk earnings forecasts went to the bottom of the list sorted by the improvement achieved by adding calibrated ICC estimates to a benchmark model without the ICC variable.

Table 14: **Capturing Subsequent Return using Calibrated ICC**

Model	**Intercept**	**ICC**	**CFNST**	**CFNLT**	**EWERN**	**FSERN**	**Adj R^2**	**R^2 Imp.**	**N**	$\beta^{TS}_{ICC} = 1$	**%N +sig**	$\%\beta^{CS}_{ICC} = 1$	**R^2 Imp. not Clbrtd**
BP_HDZ_Clbrtd	0.001	0.892*	0.050	0.474***	0.505	-0.258	60%	6.7%	205	0.775	74.2%	71.5%	5.18%
	(0.095)	(2.375)	(0.200)	(19.059)	(1.574)	(-1.490)							
BP_Anlst _Clbrtd	0.011	0.865*	-0.001	0.476***	0.581*	-0.166	59.9%	6.2%	205	0.752	70.2%	59.5%	5.03%
	(0.603)	(2.025)	(-0.004)	(19.275)	(2.464)	(-1.246)							
BP_EP_Clbrtd	-0.011	0.923***	0.078	0.47***	0.668*	-0.267	59.6%	6.1%	205	0.766	72.0%	66.1%	3.96%
	(-0.984)	(3.555)	(0.451)	(18.945)	(2.080)	(-1.493)							
BP_RI_Clbrtd	-0.017	1.246***	0.312	0.465***	0.754*	-0.195	59.3%	6.0%	205	0.415	72.6%	64.0%	3.86%
	(-1.401)	(4.143)	(1.590)	(18.947)	(2.364)	(-1.196)							
BP_RW_Clbrtd	-0.005	1.083***	0.24*	0.466***	0.701*	-0.215	59.2%	5.9%	205	0.736	68.3%	71.0%	3.47%
	(-0.580)	(4.422)	(2.131)	(18.953)	(2.195)	(-1.062)							
TPDPS_HDZ_Clbrtd	0.025***	0.101***	0.243***	0.395***	0.036***	-0.013	58.7%	4.8%	205	0.000	82.3%	100.0%	6.13%
	(3.390)	(10.892)	(6.807)	(20.393)	(4.492)	(-0.708)							
Naive_Clbrtd	0.031***	0.113***	0.254***	0.424***	0.061***	-0.011	59.3%	4.7%	205	0.000	83.3%	100.0%	6.30%
	(4.341)	(12.393)	(7.278)	(23.253)	(6.604)	(-0.602)							
TPDPS_Anlst_Clbrtd	0.03***	0.102***	0.241***	0.422***	0.045***	-0.011	58.9%	4.4%	205	0.000	83.8%	100.0%	6.47%
	(4.253)	(12.306)	(6.927)	(23.187)	(5.229)	(-0.618)							
HL_Anlst _Clbrtd	-0.238	2.669***	0.045	0.449***	0.498	-0.073	57.4%	4.2%	205	0.000	62.0%	57.6%	1.93%
	(-7.000)	(8.406)	(0.485)	(18.239)	(1.042)	(-1.062)							
DKL_Anlst _Clbrtd	-0.244	2.776***	0.068	0.449***	0.573	-0.085	57.4%	4.2%	205	0.000	64.4%	59.0%	1.91%
	(-7.090)	(8.546)	(0.739)	(18.295)	(1.152)	(-1.222)							
CT_Anlst _Clbrtd	-0.188	2.518***	0.106	0.451***	0.475	-0.066	57.3%	3.9%	205	0.000	63.9%	59.5%	2.21%
	(-7.946)	(10.601)	(1.185)	(18.282)	(0.895)	(-1.011)							
GM_Anlst _Clbrtd	-0.075	1.06*	0.177	0.437***	0.758	-0.378	56.8%	3.5%	205	0.890	61.5%	45.4%	1.59%
	(-1.476)	(2.428)	(1.160)	(16.647)	(1.725)	(-1.291)							
FGHJ_Anlst _Clbrtd	-0.136	1.552*	-0.017	0.445***	1.39*	-0.031	56.7%	3.4%	205	0.425	58.5%	48.3%	1.72%
	(-1.715)	(2.246)	(-0.169)	(17.556)	(2.311)	(-0.309)							
PE_Anlst _Clbrtd	0.002	0.609	0.000	0.447***	0.647	-0.038	55.9%	3.4%	205	0.232	51.7%	49.8%	3.56%
	(0.099)	(1.872)	(0.003)	(16.169)	(0.998)	(-0.577)							
TPDPS_RI_Clbrtd	0.032***	0.07***	0.221***	0.41***	0.029***	-0.013	57.5%	3.2%	205	0.000	78.1%	100.0%	4.91%
	(4.285)	(10.473)	(6.061)	(22.969)	(3.444)	(-0.729)							
GLS_Anlst _Clbrtd	-0.300	3.149*	0.056	0.458***	1.612***	-0.451	56.3%	3.1%	205	0.148	56.1%	47.3%	1.73%
	(-1.890)	(2.126)	(0.317)	(16.908)	(3.354)	(-1.095)							
TPDPS_EP_Clbrtd	0.033***	0.061***	0.164***	0.406***	0.022**	-0.004	56.8%	2.6%	205	0.000	75.2%	100.0%	4.56%
	(4.337)	(9.953)	(4.823)	(22.617)	(2.940)	(-0.233)							
GG_HDZ_Clbrtd	-0.003	0.536**	-0.119	0.445***	2.457**	-0.030	55.6%	2.6%	205	0.008	46.8%	66.3%	1.62%
	(-0.192)	(3.080)	(-1.219)	(18.243)	(2.763)	(-0.387)							
KMY_Anlst _Clbrtd	-0.138	1.016***	-0.047	0.444***	0.910	-0.126	55.8%	2.6%	205	0.902	56.1%	46.8%	1.24%
	(-5.761)	(7.960)	(-0.521)	(17.764)	(1.911)	(-1.681)							
TPDPS_RW_Clbrtd	0.044***	0.061***	0.138***	0.408***	0.023**	-0.017	56.6%	2.5%	205	0.000	73.3%	100.0%	3.88%
	(5.849)	(8.853)	(3.901)	(22.719)	(2.769)	(-0.875)							
MPEG_Anlst _Clbrtd	-0.095	1.236***	0.169	0.419***	0.528	-0.167	55.8%	2.4%	205	0.187	51.2%	45.4%	1.69%
	(-4.703)	(6.927)	(1.025)	(16.748)	(1.285)	(-0.795)							

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Table 14: **Capturing Subsequent Return using Calibrated ICC**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	$\%\beta^{CS}_{ICC} = 1$	R^2 Imp. not Clbrtd
FPM_Anlst _Clbrtd	-0.254	2.995***	-0.058	0.447***	1.045	-0.024	55.3%	2.4%	205	0.014	57.3%	76.0%	1.64%
	(-3.344)	(3.737)	(-0.471)	(15.385)	(0.681)	(-0.371)							
PE_HDZ_Clbrtd	0.003	-0.535	-1.539	0.652**	1.964	1.210	55.5%	2.1%	205	0.102	39.5%	67.3%	1.43%
	(0.176)	(-0.572)	(-0.903)	(2.657)	(1.152)	(0.923)							
CT_HDZ_Clbrtd	-0.035	0.885***	-0.073	0.423***	0.000	-0.149	54.9%	2.1%	205	0.626	46.3%	66.8%	1.42%
	(-1.878)	(3.753)	(-0.770)	(16.497)	(0.000)	(-1.067)							
GM_HDZ_Clbrtd	-0.005	0.459***	-0.119	0.439***	0.862***	-0.074	54.1%	2.0%	205	0.000	38.2%	73.9%	0.72%
	(-0.573)	(6.077)	(-1.454)	(17.509)	(3.404)	(-0.926)							
PE_EP_Clbrtd	0.001	0.561	-0.094	0.43***	0.533	-0.228	54.7%	1.9%	205	0.232	44.9%	72.7%	1.21%
	(0.073)	(1.533)	(-0.999)	(18.064)	(0.585)	(-1.126)							
FGHJ_HDZ_Clbrtd	-0.025	0.571	-0.215	0.446***	1.584*	0.005	54.8%	1.8%	205	0.376	44.8%	68.9%	1.82%
	(-0.523)	(1.181)	(-1.872)	(15.645)	(2.373)	(0.030)							
PEG_HDZ_Clbrtd	0.000	0.6***	-0.124	0.437***	0.628**	-0.068	54.1%	1.8%	205	0.007	44.8%	79.9%	0.36%
	(0.022)	(4.086)	(-1.546)	(17.032)	(2.961)	(-0.847)							
GLS_HDZ_Clbrtd	-0.012	0.517	-0.201	0.443***	2.006***	0.062	54.7%	1.8%	205	0.258	41.5%	71.0%	1.38%
	(-0.293)	(1.216)	(-1.835)	(16.527)	(3.536)	(0.406)							
DKL_HDZ_Clbrtd	0.001	0.458	0.083	0.411***	1.586*	-0.313	54.5%	1.8%	205	0.140	45.6%	72.2%	1.33%
	(0.028)	(1.253)	(0.356)	(11.583)	(1.973)	(-0.935)							
KMY_HDZ_Clbrtd	-0.007	0.605***	0.013	0.421***	1.271*	-0.170	54.6%	1.7%	205	0.013	48.3%	70.6%	1.34%
	(-0.446)	(3.827)	(0.078)	(14.307)	(2.553)	(-0.937)							
PEG_Anlst _Clbrtd	-0.029	0.741***	-0.037	0.437***	0.801*	-0.068	55%	1.7%	205	0.161	36.1%	50.2%	1.13%
	(-1.460)	(4.027)	(-0.306)	(15.621)	(2.127)	(-0.554)							
GM_RI_Clbrtd	0.005	0.301	0.388	0.41***	-0.417	-0.546	54.5%	1.7%	205	0.000	38.0%	79.0%	0.43%
	(0.203)	(1.542)	(1.039)	(15.084)	(-0.532)	(-1.256)							
CT_EP_Clbrtd	0.075*	0.037	-0.245	0.459***	0.957	-0.244	54%	1.7%	205	0.000	27.7%	67.8%	0.72%
	(2.304)	(0.498)	(-1.048)	(8.564)	(1.066)	(-0.754)							
FPM_RI_Clbrtd	0.041	-0.281	-0.052	0.41***	0.075	-0.184	54.2%	1.7%	205	0.004	28.7%	80.1%	-0.10%
	(0.663)	(-0.643)	(-0.543)	(16.236)	(0.333)	(-1.206)							
FPM_RW_Clbrtd	-0.017	-0.017	-0.155	0.456***	0.229	-0.126	54.5%	1.7%	205	0.000	24.6%	100%	0.41%
	(-0.439)	(-0.221)	(-1.056)	(10.577)	(1.221)	(-1.174)							
HL_HDZ_Clbrtd	0.010	0.359	0.119	0.406***	1.572	-0.366	54.4%	1.6%	205	0.077	45.0%	72.8%	1.02%
	(0.255)	(0.994)	(0.415)	(9.873)	(1.863)	(-0.908)							
FPM_EP_Clbrtd	0.135*	-0.028	0.069	0.407***	0.082	0.003	53.7%	1.6%	205	0.000	23.4%	100%	0.57%
	(2.555)	(-0.293)	(0.635)	(14.603)	(0.693)	(0.044)							
GG_EP_Clbrtd	0.007	0.519	-0.152	0.432***	1.551	-0.061	53.8%	1.6%	205	0.497	41.6%	70.2%	0.98%
	(0.854)	(0.736)	(-1.213)	(13.532)	(1.831)	(-0.907)							
GG_RI_Clbrtd	0.044	-0.872	-0.357	0.466***	0.274	-0.292	54.1%	1.6%	205	0.191	37.4%	70.1%	-0.02%
	(1.462)	(-0.611)	(-1.400)	(10.352)	(0.209)	(-0.999)							
PEG_RI_Clbrtd	0.041**	-0.627	-0.129	0.426***	-3.182	-0.031	53.8%	1.6%	205	0.662	20.0%	70.7%	0.40%

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Table 14: **Capturing Subsequent Return using Calibrated ICC**

Model	**Intercept**	**ICC**	**CFNST**	**CFNLT**	**EWERN**	**FSERN**	**Adj R^2**	**R^2 Imp.**	**N**	$\beta^{TS}_{ICC} = 1$	**%N +sig**	$\%\beta^{CS}_{ICC} = 1$	**R^2 Imp. not Clbrtd**
	(3.013)	(-0.169)	(-1.519)	(17.281)	(-0.520)	(-0.455)							
MPEG_HDZ_Clbrtd	0.002	0.343***	-0.066	0.427***	0.731***	-0.073	54.1%	1.5%	205	0.000	39.3%	75.6%	0.67%
	(0.229)	(5.715)	(-1.111)	(19.465)	(4.454)	(-1.032)							
FGHJ_RI_Clbrtd	-0.007	0.466**	-0.099	0.428***	0.636	-0.158	54.6%	1.5%	205	0.001	34.4%	80.4%	0.62%
	(-0.394)	(2.875)	(-1.392)	(18.397)	(1.416)	(-1.408)							
GM_EP_Clbrtd	0.002	0.158**	-0.087	0.431***	0.413***	-0.059	54.3%	1.4%	205	0.000	37.6%	82.0%	0.44%
	(0.161)	(2.732)	(-1.171)	(18.005)	(3.249)	(-0.953)							
GM_RW_Clbrtd	-0.013	0.042	-0.046	0.426***	0.193	-0.184	54.1%	1.4%	205	0.000	31.7%	89.3%	0.75%
	(-0.505)	(0.951)	(-0.586)	(16.559)	(1.052)	(-1.043)							
CT_RI_Clbrtd	0.04***	0.123	-0.089	0.426***	-0.026	-0.087	53.9%	1.4%	205	0.000	29.3%	69.8%	-0.13%
	(3.299)	(1.925)	(-1.724)	(19.463)	(-0.135)	(-1.132)							
FGHJ_RW_Clbrtd	0.091	0.111	0.201	0.343***	1.694	-0.123	53.6%	1.3%	205	0.000	28.0%	91.8%	0.52%
	(1.122)	(0.970)	(0.583)	(3.192)	(1.047)	(-1.011)							
KMY_RI_Clbrtd	-0.027	0.447*	-0.242	0.445***	0.023	0.117	54.7%	1.2%	205	0.002	39.7%	80.4%	0.22%
	(-0.930)	(2.484)	(-1.218)	(12.414)	(0.078)	(0.547)							
KMY_EP_Clbrtd	-0.024	0.342**	-0.270	0.45***	0.463	-0.122	54.1%	1.2%	205	0.000	33.3%	78.5%	0.65%
	(-1.394)	(2.661)	(-1.352)	(12.724)	(1.388)	(-0.580)							
GG_Anlst _Clbrtd	-0.021	0.184***	-0.121	0.43***	0.542**	-0.129	54%	1.1%	205	0.000	34.1%	75.6%	0.92%
	(-1.055)	(3.305)	(-1.148)	(17.414)	(2.774)	(-1.595)							
MPEG_RI_Clbrtd	-0.020	0.185**	0.213	0.417***	0.245*	-0.138	54.3%	1.1%	205	0.000	36.1%	81.0%	0.48%
	(-1.195)	(3.003)	(1.681)	(19.551)	(2.026)	(-1.102)							
FPM_HDZ_Clbrtd	-0.029	0.682*	-0.143	0.434***	1.787**	-0.053	54%	1.1%	205	0.259	40.4%	74.3%	0.18%
	(-1.302)	(2.432)	(-0.905)	(12.658)	(2.651)	(-0.599)							
HL_RI_Clbrtd	-0.020	0.360	-0.215	0.444***	-0.020	0.088	54.6%	1.0%	205	0.001	41.3%	75.4%	0.26%
	(-0.673)	(1.951)	(-1.183)	(13.020)	(-0.072)	(0.481)							
DKL_EP_Clbrtd	0.023	0.133*	-0.115	0.43***	0.602**	-0.095	53.6%	0.9%	205	0.000	27.5%	75.8%	0.54%
	(1.193)	(2.033)	(-1.184)	(17.209)	(2.719)	(-1.355)							
PE_RW_Clbrtd	0.046*	-0.086	-0.010	0.406***	-0.032	0.064	53.7%	0.9%	205	0.000	16.7%	93.6%	0.56%
	(2.469)	(-0.655)	(-0.144)	(15.456)	(-0.264)	(0.582)							
GLS_EP_Clbrtd	-0.017	0.434	-0.315	0.446***	1.683**	-0.227	53.9%	0.9%	205	0.025	30.3%	74.1%	0.91%
	(-0.906)	(1.735)	(-1.168)	(13.763)	(2.892)	(-1.331)							
HL_EP_Clbrtd	0.030	0.092	-0.069	0.426***	0.485	-0.136	53.7%	0.9%	205	0.000	25.8%	80.2%	0.42%
	(1.464)	(1.491)	(-0.529)	(16.655)	(1.827)	(-1.425)							
PEG_EP_Clbrtd	0.043***	-0.089	-0.098	0.419***	0.971	-0.098	53.8%	0.9%	205	0.019	22.0%	100.0%	0.82%
	(3.200)	(-0.193)	(-1.240)	(16.508)	(1.438)	(-0.860)							
FGHJ_EP_Clbrtd	-0.023	0.645	-0.292	0.442***	1.292*	-0.266	54%	0.9%	205	0.357	28.6%	72.4%	0.81%
	(-0.713)	(1.677)	(-1.070)	(13.181)	(2.447)	(-1.521)							
DKL_RI_Clbrtd	-0.018	0.375*	-0.209	0.442***	-0.127	0.083	54.5%	0.9%	205	0.001	39.7%	77.7%	0.26%
	(-0.618)	(1.967)	(-1.169)	(13.148)	(-0.407)	(0.460)							
MPEG_RW_Clbrtd	-0.008	-0.021	-0.079	0.432***	0.185	-0.066	53.3%	0.8%	205	0.000	24.9%	92.2%	0.76%
	(-0.604)	(-0.662)	(-1.190)	(18.778)	(1.815)	(-1.068)							

Continued in next page...

Table 14: **Capturing Subsequent Return using Calibrated ICC**

Model	**Intercept**	**ICC**	**CFNST**	**CFNLT**	**EWERN**	**FSERN**	**Adj R^2**	**R^2 Imp.**	**N**	$\beta^{TS}_{ICC} = 1$	**%N +sig**	$\%\beta^{CS}_{ICC} = 1$	**R^2 Imp. not Clbrtd**
MPEG_EP_Clbrtd	0.004	0.107**	-0.103	0.426***	0.428***	-0.074	53.2%	0.8%	205	0.000	30.7%	90.7%	0.67%
	(0.448)	(2.741)	(-1.601)	(18.914)	(3.721)	(-0.957)							
GLS_RI_Clbrtd	0.037	0.069	-0.188	0.438***	0.369	0.016	53.6%	0.7%	205	0.000	26.8%	86.6%	0.39%
	(1.487)	(0.414)	(-1.101)	(13.414)	(1.288)	(0.087)							
GLS_RW_Clbrtd	-0.028	0.178*	-0.265	0.496***	-0.998	0.051	53.4%	0.7%	205	0.000	19.6%	74.4%	-0.17%
	(-0.592)	(1.990)	(-1.170)	(5.891)	(-0.622)	(0.267)							
PE_RI_Clbrtd	0.024**	0.086	-0.016	0.414***	-0.140	0.022	53.8%	0.6%	205	0.000	30.2%	79.5%	1.10%
	(2.655)	(1.043)	(-0.259)	(18.871)	(-0.505)	(0.457)							
CT_RW_Clbrtd	0.034***	0.894	-0.210	0.457***	-1.748	-0.134	53.2%	0.6%	205	0.902	21.3%	95.3%	0.61%
	(3.447)	(1.037)	(-1.105)	(10.314)	(-1.090)	(-1.237)							
HL_RW_Clbrtd	-0.082	0.376	-0.011	0.399***	0.713	-0.165	53.6%	0.4%	205	0.005	24.6%	68.8%	-0.01%
	(-0.978)	(1.730)	(-0.079)	(9.850)	(0.732)	(-1.708)							
KMY_RW_Clbrtd	-0.076	0.325	-0.012	0.399***	0.801	-0.164	53.5%	0.4%	205	0.002	25.1%	69.8%	0.01%
	(-0.910)	(1.520)	(-0.087)	(9.823)	(0.820)	(-1.699)							
DKL_RW_Clbrtd	-0.034	0.269	-0.075	0.417***	0.324	-0.095	53.6%	0.3%	205	0.000	26.1%	67.3%	0.01%
	(-0.709)	(1.909)	(-0.915)	(17.111)	(0.805)	(-0.845)							
GG_RW_Clbrtd	0.037***	-23.246	-0.141	0.434***	-37.742	-0.092	52.7%	0.2%	205	0.497	26.6%	76.8%	1.19%
	(3.680)	(-0.680)	(-1.580)	(17.111)	(-0.319)	(-1.029)							
PEG_RW_Clbrtd	0.022	-10.438	-0.117	0.442***	40.465	-0.009	53.1%	-0.1%	205	0.448	21.7%	100%	0.18%
	(0.883)	(-0.695)	(-1.027)	(12.994)	(0.750)	(-0.175)							

The average monthly regression coefficients of one year ahead realised Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. All ICC estimates has been calibrated, the fitting of the models has been done using Fitzgerald, Gray, Hall, and Jeyaraj (2013) specifications. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. When compared with the R^2 **Imp.** column, R^2 **Imp. not Clbrtd** column report the improvement in capturing subsequent return variation using non-calibrated estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Calibrated expected return estimates are generated using firm-level ICC models as described in Table 1.

2.5.3 Analysing the effect of using prior ICC estimates

In the previous analysis, for each month, if a particular ICC estimate is missing, I use the last available ICC estimate up to a maximum of 12 months. This is desirable due to the fact that if one of the ICC models had a missing value at a particular month, I drop that firm from the sample. I do so to ensure that the results are comparable between the models as they are driven from the same list of firms every month. This strategy allows to maintain a larger sample in terms of firms and time. To make sure that such a strategy does not impact the quality of the results, I run the analysis with strictly the firms that have estimates from all models in a particular month without forward filling.

Comparing table (15) to table (9) reveal not much difference in results attributed to the use of the last non missing observation up to 12 months. Note that the number of months in which all models have common firms fell from 205 to 158. The BP, TPDPS, and the Naive remained at the top of the list in terms of the improvement provided by adding these estimates into the model in capturing the variation in subsequent realised returns, as well as the percentage of months in which the cross sectional coefficient is positive and statistically significant. Moreover, the factor models remained with insignificant coefficients. The PE model retained its relatively large coefficient in magnitude, though in terms of improvement in the goodness of fit it fell short relatively.

Furthermore, tables (16, 17, 18, and 19) are comparable to the mechanical models results in tables (10, 11, 12, and 13) respectively. Just like prior results, the TPDPS and BP model almost always recorded the best improvements in capturing the percentage of variation in realised returns when the ICC estimate is added. Similarly, these two models reported the highest percentages of positive and significant ICC coefficients. They also worked better in forecasting returns with HDZ forecasts as compared to other earnings forecasts. Other models, just like in the previous section, struggled to record consistently positive and statically significant coefficient using mechanical forecasts.

Table 15: **Capturing Subsequent Return using Analysts forecasts based ICC - Effect of Last Observation Carried Forward for up to 12 Months**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	$\%\beta^{CS}_{ICC} = 1$
BP_Anlst	0.027	0.845***	0.7*	0.356***	0.048	0.090	62.5%	5.1%	158	0.284	58.9%	46.2%
	(1.683)	(5.870)	(1.979)	(11.830)	(0.171)	(1.070)						
Naive	0.043***	0.107***	0.300	0.369***	0.038	0.067	62.1%	4.9%	158	0.000	51.9%	89.2%
	(3.350)	(5.849)	(0.995)	(11.867)	(0.714)	(0.770)						
TPDPS_Anlst	0.039**	0.11***	0.334	0.372***	0.043	0.069	62.1%	4.8%	158	0.000	51.9%	88.6%
	(2.991)	(5.970)	(1.007)	(12.218)	(0.839)	(0.799)						
GM_Anlst	-0.057	1.155*	0.752	0.355***	5.257	0.391	60.4%	3.3%	158	0.784	37.3%	39.9%
	(-1.154)	(2.054)	(1.194)	(10.816)	(0.855)	(1.656)						
MPEG_Anlst	0.017	0.55***	0.272	0.36***	1.067	0.056	59.1%	3.1%	158	0.009	27.2%	46.2%
	(0.539)	(3.224)	(1.349)	(10.141)	(0.764)	(0.213)						
HL_Anlst	-0.167	2.907	2.352	0.377***	27.767	1.061	60.2%	2.9%	158	0.490	37.3%	35.4%
	(-0.878)	(1.055)	(0.873)	(7.523)	(0.790)	(0.940)						
DKL_Anlst	-0.025	0.788**	0.243	0.344***	-0.908	0.142	60.7%	2.8%	158	0.440	43.0%	33.5%
	(-0.847)	(2.885)	(1.072)	(11.683)	(-0.385)	(0.855)						
FPM_Anlst	-0.035	0.839*	0.127	0.333***	1.425	0.186	60%	2.7%	158	0.657	31.0%	24.1%
	(-0.999)	(2.319)	(0.684)	(10.188)	(0.823)	(1.802)						
CT_Anlst	-0.037	1.024***	0.324	0.347***	-1.116	0.070	59.2%	1.8%	158	0.915	43.7%	37.3%
	(-1.436)	(4.598)	(1.426)	(10.678)	(-0.648)	(0.577)						
PEG_Anlst	-0.030	1.143	0.351	0.364***	-0.272	0.080	58.1%	1.8%	158	0.868	19.0%	54.4%
	(-0.351)	(1.327)	(0.933)	(10.622)	(-0.264)	(0.318)						
TrETSS_Anlst _10Ind	0.055***	0.062*	0.003	0.375***	0.057	0.088	59.5%	1.6%	158	0.000	11.4%	75.9%
	(3.831)	(1.963)	(0.022)	(13.100)	(0.452)	(1.376)						
GLS_Anlst	0.008	0.499*	0.084	0.34***	-1.168	0.080	59.2%	1.5%	158	0.041	32.9%	46.2%
	(0.269)	(2.053)	(0.432)	(11.002)	(-0.405)	(0.654)						
KMY_Anlst	-0.008	0.275	-0.185	0.324***	-1.508	0.018	59%	1.4%	158	0.000	27.2%	57.0%
	(-0.234)	(1.662)	(-0.432)	(7.270)	(-0.655)	(0.087)						
CAPM_Factor	0.130	-2.821	-0.724	0.233	-19.885	-0.538	56.8%	1.4%	158	0.505	17.1%	19.6%
	(1.150)	(-0.494)	(-0.694)	(1.565)	(-0.423)	(-0.430)						
PE_Anlst	0.001	0.954***	0.555***	0.34***	1.042	0.108	60%	1.4%	158	0.751	53.2%	39.9%
	(0.030)	(6.659)	(3.828)	(11.731)	(0.810)	(1.029)						
3FF_Factor	0.068***	-0.335	-0.079	0.356***	-2.783	0.113	57.8%	1.3%	158	0.000	6.3%	42.4%
	(4.716)	(-1.428)	(-0.622)	(12.274)	(-1.026)	(1.301)						
FGHJ_Anlst	-0.006	0.583	0.247	0.344***	-0.361	0.101	58.7%	1.1%	158	0.170	33.5%	48.1%
	(-0.171)	(1.925)	(1.557)	(11.975)	(-0.132)	(1.014)						
GG_Anlst	0.035	0.063	-0.301	0.336***	-0.728	-0.001	57.9%	0.9%	158	0.000	24.7%	72.2%
	(1.046)	(0.609)	(-0.859)	(7.834)	(-0.634)	(-0.004)						

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Table 15: **Capturing Subsequent Return using Analysts forecasts based ICC - Effect of Last Observation Carried Forward for up to 12 Months**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	$\%\beta^{CS}_{ICC} = 1$
TrOHE_10Ind	0.059***	-0.018	-0.188	0.347***	0.129	0.101	56.5%	0.6%	158	0.000	10.8%	60.8%
	(4.439)	(-0.283)	(-1.244)	(10.390)	(0.485)	(0.922)						
TrETSS_Anlst _25SBM	0.066***	-0.026	-0.042	0.353***	0.003	0.141	54.5%	0.6%	158	0.000	1.3%	84.2%
	(4.673)	(-0.913)	(-0.348)	(10.967)	(0.059)	(1.772)						
TrOHE_25SBM	0.062***	-0.006	-0.242	0.365***	0.007	0.080	54.9%	0.2%	158	0.000	7.6%	85.4%
	(4.610)	(-0.076)	(-1.070)	(13.611)	(0.162)	(0.678)						
Carhart_Factor	0.078***	-0.382	-0.108	0.36***	-0.058	-0.119	55.6%	0.0%	158	0.000	7.0%	49.4%
	(3.869)	(-1.785)	(-0.642)	(9.333)	(-0.023)	(-0.352)						
TrES_Anlst _25SBM	0.042***	0.013	-0.132	0.362***	-0.016	0.116	59%	0.0%	158	0.000	7.0%	92.4%
	(3.301)	(1.511)	(-0.991)	(13.704)	(-1.307)	(1.529)						
TrES_Anlst _10Ind	0.053***	0.025	0.103	0.357***	-0.002	0.139	58.8%	-0.3%	158	0.000	16.5%	91.8%
	(3.427)	(1.699)	(0.763)	(13.500)	(-0.110)	(1.462)						
WNG_Anlst	0.054***	-0.011	-0.045	0.352***	0.325	0.038	54.6%	-0.4%	158	0.000	7.6%	96.8%
	(4.110)	(-0.672)	(-0.205)	(11.182)	(1.135)	(0.499)						
5FF_Factor	0.08*	-0.925	-0.130	0.349***	-4.387	0.160	56.3%	-0.5%	158	0.035	8.2%	38.0%
	(2.146)	(-1.019)	(-0.709)	(10.578)	(-0.263)	(0.724)						

The average monthly regression coefficients of one year ahead realised Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Expected return estimates are generated using firm-level ICC models as described in Table 1 and four factor models: (1) **CAPM** (2) the Three Factor Model of Fama and French (1993), the Carhart (1997) Four Factor Model, and the Fama and French (2015) Five Factor Model.

Table 16: **Capturing Subsequent Return using HDZ forecasts based ICC - Effect of Last Observation Carried Forward for up to 12 Months**

Model	**Intercept**	**ICC**	**CFNST**	**CFNLT**	**EWERN**	**FSERN**	**Adj R^2**	**R^2 Imp.**	**N**	$\beta^{TS}_{ICC} = 1$	**%N +sig**	$\%\beta^{CS}_{ICC} = 1$
TPDPS_HDZ	0.038**	0.102***	0.233	0.38***	0.062	0.069	61%	3.9%	158	0.000	50.6%	89.9%
	(2.878)	(5.861)	(0.719)	(12.604)	(1.089)	(0.787)						
BP_HDZ	0.023	0.753***	0.687	0.361***	0.094	0.122	60.9%	3.6%	158	0.090	60.1%	42.4%
	(1.359)	(5.195)	(1.798)	(12.131)	(0.334)	(1.463)						
PE_HDZ	-0.067	1.404	0.698	0.413***	0.797	0.206	60.6%	3.5%	158	0.778	41.1%	50.6%
	(-0.496)	(0.980)	(0.793)	(4.596)	(0.391)	(0.834)						
GG_HDZ	0.020	0.408**	0.002	0.361***	2.654*	0.058	60.7%	3.0%	158	0.000	31.6%	58.2%
	(1.086)	(2.689)	(0.011)	(10.826)	(1.979)	(0.674)						
CT_HDZ	0.070	0.166	0.643	0.651	0.046	0.644	59.3%	2.6%	158	0.021	32.9%	74.1%
	(1.212)	(0.462)	(0.711)	(1.906)	(0.016)	(0.635)						
FPM_HDZ	0.002	0.687**	0.067	0.363***	0.352	0.087	58.9%	2.3%	158	0.189	26.6%	51.9%
	(0.093)	(2.892)	(0.586)	(12.504)	(0.358)	(1.244)						
TrES_HDZ_25SBM	0.034*	0.051	-0.239	0.367***	-0.040	0.090	60.2%	1.9%	158	0.000	7.6%	89.9%
	(2.217)	(1.371)	(-1.354)	(13.485)	(-1.047)	(1.123)						
GLS_HDZ	0.016	0.359*	0.029	0.346***	1.728	0.120	59.6%	1.5%	158	0.000	24.7%	65.8%
	(0.766)	(2.289)	(0.156)	(11.522)	(1.183)	(1.175)						
KMY_HDZ	0.008	0.574***	0.068	0.345***	2.046	0.076	58.9%	1.3%	158	0.022	31.0%	62.0%
	(0.422)	(3.118)	(0.508)	(10.782)	(1.393)	(0.697)						
FGHJ_HDZ	-0.017	0.765*	0.239	0.347***	0.173	0.014	59.1%	1.0%	158	0.539	25.3%	69.0%
	(-0.502)	(2.011)	(0.972)	(11.251)	(0.095)	(0.115)						
DKL_HDZ	-0.002	0.731**	0.109	0.356***	0.951	-0.002	58%	0.6%	158	0.328	28.5%	68.4%
	(-0.097)	(2.667)	(0.691)	(11.400)	(0.510)	(-0.011)						
TrES_HDZ_10Ind	0.092***	-0.010	0.045	0.363***	-0.013	0.106	57.4%	0.4%	158	0.000	13.9%	88.6%
	(3.706)	(-0.343)	(0.394)	(12.023)	(-0.242)	(1.454)						
HL_HDZ	0.011	0.614*	0.041	0.352***	0.597	0.000	57.4%	0.0%	158	0.151	28.5%	69.6%
	(0.534)	(2.298)	(0.261)	(11.121)	(0.309)	(-0.002)						
PEG_HDZ	0.021	0.718*	-0.136	0.369***	1.449	-0.152	57.1%	-0.3%	158	0.418	20.9%	65.2%
	(0.945)	(2.066)	(-0.438)	(10.085)	(0.365)	(-0.542)						
MPEG_HDZ	0.025	0.497*	0.075	0.367***	0.523	0.046	57.1%	-0.4%	158	0.028	22.8%	71.5%
	(1.361)	(2.188)	(0.353)	(9.924)	(0.235)	(0.219)						
TrETSS_HDZ_10Ind	0.062***	-0.002	-0.103	0.358***	0.040	0.068	57.2%	-0.9%	158	0.000	10.8%	86.1%
	(4.735)	(-0.080)	(-0.859)	(12.417)	(0.645)	(0.992)						
TrETSS_HDZ_25SBM	0.065***	0.052	0.025	0.363***	-0.050	0.139*	55.3%	-1.0%	158	0.000	4.4%	88.0%
	(4.924)	(0.839)	(0.201)	(11.985)	(-1.407)	(2.082)						
GM_HDZ	0.027	0.407*	-0.029	0.38***	-0.078	0.093	56%	-1.2%	158	0.001	23.4%	71.5%
	(1.362)	(2.371)	(-0.173)	(11.981)	(-0.103)	(0.923)						
WNG_HDZ	0.032***	-0.005	0.027	0.376***	-0.742	0.086	55.2%	-1.7%	158	0.000	0.6%	97.5%
	(3.688)	(-2.442)	(0.195)	(13.557)	(-1.193)	(1.413)						

Average monthly regression coefficients of one year ahead realised Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The ICC figures are estimated based on Hou et al. (2012) mechanical earnings forecasts. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Expected return estimates are generated using firm-level ICC models as described in Table 1.

Table 17: **Capturing Subsequent Return using RW forecasts based ICC - Effect of Last Observation Carried Forward for up to 12 Months**

Model	**Intercept**	**ICC**	**CFNST**	**CFNLT**	**EWERN**	**FSERN**	**Adj R^2**	**R^2 Imp.**	**N**	$\beta^{TS}_{ICC} = 1$	**%N +sig**	$\%\beta^{CS}_{ICC} = 1$
BP_RW	0.039*	0.597***	0.490	0.352***	0.196	0.119	61.1%	4.0%	158	0.003	53.2%	49.4%
	(2.561)	(4.448)	(1.478)	(11.683)	(0.732)	(1.384)						
TPDPS_RW	0.037*	0.054	-0.138	0.357***	-0.263	0.026	60.5%	3.8%	158	0.000	49.4%	93.0%
	(1.972)	(1.837)	(-0.304)	(10.932)	(-0.703)	(0.152)						
GM_RW	0.043	0.085*	-0.176	0.361***	0.311	0.020	59.3%	2.7%	158	0.000	19.6%	79.1%
	(1.778)	(2.395)	(-0.746)	(9.930)	(0.315)	(0.122)						
TrETSS_RW_10Ind	0.063***	0.015	-0.019	0.387***	0.112	-0.018	59.4%	2.6%	158	0.000	12.7%	93.7%
	(4.153)	(0.474)	(-0.140)	(11.418)	(0.712)	(-0.204)						
GG_RW	0.016	0.543**	0.029	0.359***	2.797	0.064	60.5%	2.4%	158	0.023	30.4%	63.3%
	(0.892)	(2.733)	(0.206)	(10.938)	(1.893)	(0.738)						
MPEG_RW	0.026	0.086***	0.030	0.357***	0.287	0.143	59.8%	2.3%	158	0.000	22.8%	83.5%
	(1.444)	(3.144)	(0.135)	(11.590)	(0.404)	(1.284)						
PEG_RW	0.055*	0.032	-0.102	0.349***	0.191	0.062	58.6%	2.2%	158	0.000	33.0%	147.3%
	(2.045)	(0.945)	(-0.397)	(8.788)	(0.251)	(0.407)						
PE_RW	0.044*	0.284	0.034	0.347***	0.508	0.168	58.6%	1.7%	158	0.001	20.9%	79.1%
	(2.339)	(1.387)	(0.154)	(9.334)	(0.510)	(1.185)						
TrES_RW_25SBM	0.034	-5.013	-0.233	0.356***	-3.194	0.466	59.9%	1.3%	158	0.640	4.4%	82.9%
	(1.297)	(-0.390)	(-1.051)	(10.775)	(-0.591)	(1.736)						
FPM_RW	-0.012	-0.002	0.020	0.378***	0.510	0.066	57.9%	1.0%	158	0.000	17.1%	82.3%
	(-0.083)	(-0.026)	(0.169)	(11.340)	(0.962)	(0.727)						
DKL_RW	0.034	0.057	-0.047	0.312***	-1.793	0.248	57.5%	0.8%	158	0.000	15.2%	73.4%
	(1.058)	(0.496)	(-0.159)	(5.638)	(-0.290)	(1.199)						
TrETSS_RW_25SBM	0.037***	0.020	-0.143	0.367***	0.097	0.054	56.2%	0.8%	158	0.000	5.1%	93.0%
	(3.413)	(1.866)	(-0.976)	(13.304)	(0.432)	(0.729)						
KMY_RW	0.064*	0.005	0.298	0.418***	2.794	-0.149	56.8%	0.8%	158	0.000	15.8%	77.8%
	(1.985)	(0.048)	(0.830)	(6.557)	(0.547)	(-0.709)						
TrES_RW_10Ind	0.061*	-33.482	-0.199	0.343***	-13.030	-0.020	59.2%	0.7%	158	0.438	17.7%	84.8%
	(1.981)	(-0.754)	(-1.024)	(11.109)	(-0.699)	(-0.093)						
CT_RW	0.058	0.023	-0.162	0.35***	27.743	0.981	57.9%	0.5%	158	0.000	27.8%	72.8%
	(1.619)	(0.088)	(-0.376)	(8.473)	(0.737)	(0.874)						
HL_RW	0.031	0.078	-0.045	0.343***	-2.478	0.069	56.5%	0.0%	158	0.000	17.1%	77.2%
	(1.256)	(1.818)	(-0.164)	(6.144)	(-1.018)	(0.420)						
WNG_RW	0.059***	0.000	-0.054	0.353***	0.019	0.066	57.5%	-0.1%	158	0.000	2.5%	98.1%
	(4.690)	(0.756)	(-0.466)	(12.870)	(1.640)	(1.024)						
FGHJ_RW	0.043*	0.018	0.200	0.358***	5.089	0.480	54.1%	-0.8%	158	0.000	20.9%	74.7%
	(2.261)	(0.226)	(0.854)	(11.580)	(0.926)	(1.363)						
GLS_RW	0.054**	0.072	0.123	0.37***	9.665	0.334	54.1%	-0.9%	158	0.000	14.6%	71.5%
	(2.611)	(1.468)	(0.545)	(10.151)	(0.814)	(1.277)						

Average monthly regression coefficients of one year ahead realised Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The ICC figures are estimated based on Random Walk **(RW)** mechanical forecasts by Gerakos and Gramacy (2013). The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Expected return estimates are generated using firm-level ICC models as described in Table 1.

Table 18: **Capturing Subsequent Return using EP forecasts based ICC - Effect of Last Observation Carried Forward for up to 12 Months**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	$\%\beta^{CS}_{ICC} = 1$
TPDPS_EP	0.039**	0.084***	0.272	0.364***	0.044	0.052	61.1%	3.7%	158	0.000	46.8%	89.9%
	(3.000)	(4.931)	(0.881)	(11.944)	(0.836)	(0.597)						
BP_EP	0.027	0.565***	0.606	0.348***	0.118	0.087	60.6%	3.1%	158	0.001	47.5%	46.8%
	(1.726)	(4.425)	(1.741)	(11.499)	(0.441)	(0.997)						
MPEG_EP	0.008	0.415**	0.016	0.343***	0.926	0.115	59%	2.6%	158	0.000	24.1%	73.4%
	(0.403)	(2.848)	(0.109)	(11.482)	(1.279)	(1.517)						
GG_EP	0.041*	0.889	0.148	0.423***	6.774	0.306	58.9%	1.9%	158	0.887	23.4%	55.1%
	(2.188)	(1.145)	(0.512)	(4.271)	(1.584)	(1.093)						
TrETSS_EP_25SBM	0.057***	0.006	0.049	0.363***	-0.002	0.092	56.9%	1.9%	158	0.000	6.3%	94.3%
	(4.463)	(1.039)	(0.392)	(12.013)	(-0.213)	(1.452)						
TrES_EP_25SBM	0.033***	0.010	0.071	0.356***	-0.005	0.151	58.2%	1.7%	158	0.000	8.2%	94.3%
	(3.113)	(0.370)	(0.344)	(12.595)	(-0.344)	(1.412)						
GM_EP	0.002	0.585***	-0.069	0.352***	1.294*	0.003	60.2%	1.7%	158	0.017	23.4%	70.3%
	(0.085)	(3.386)	(-0.421)	(11.702)	(2.086)	(0.022)						
FGHJ_EP	0.031	0.215	0.049	0.35***	2.715*	0.099	59.1%	1.6%	158	0.000	25.9%	73.4%
	(1.671)	(1.371)	(0.424)	(11.215)	(2.240)	(1.140)						
TrES_EP_10Ind	0.059	-0.008	0.103	0.357***	0.086	0.138	59.9%	1.6%	158	0.000	9.5%	91.8%
	(1.917)	(-0.061)	(0.943)	(12.749)	(1.117)	(1.440)						
PE_EP	0.159	-1.487	0.349	-0.457	8.963	-0.490	59.1%	1.3%	158	0.173	32.9%	74.7%
	(1.065)	(-0.819)	(0.748)	(-0.431)	(0.805)	(-0.686)						
FPM_EP	-1.773	0.110	-0.055	0.331***	0.537	0.157	58.7%	1.0%	158	0.000	20.9%	81.6%
	(-0.718)	(0.462)	(-0.497)	(7.285)	(1.447)	(1.191)						
PEG_EP	0.055**	0.156	0.625	0.373***	-2.981	-0.074	59.4%	0.9%	158	0.036	25.2%	79.6%
	(3.055)	(0.393)	(0.600)	(6.800)	(-0.401)	(-0.271)						
GLS_EP	0.032*	0.209*	0.061	0.35***	1.752	0.096	58.9%	0.8%	158	0.000	27.2%	67.7%
	(1.999)	(2.082)	(0.511)	(11.260)	(1.662)	(1.057)						
HL_EP	0.014	0.315*	0.115	0.308***	1.093	0.090	58.5%	0.7%	158	0.000	26.6%	71.5%
	(0.762)	(2.339)	(0.764)	(6.804)	(1.510)	(0.891)						
TrETSS_EP_10Ind	0.052***	0.035	0.013	0.359***	-0.013	0.055	58.3%	0.7%	158	0.000	13.9%	94.3%
	(4.035)	(0.890)	(0.117)	(13.683)	(-0.168)	(0.833)						
KMY_EP	0.020	0.343**	0.140	0.336***	1.210	0.145	58.3%	0.6%	158	0.000	28.5%	67.7%
	(1.354)	(3.059)	(0.913)	(10.819)	(1.446)	(1.811)						
DKL_EP	0.012	0.324***	0.116	0.339***	1.170	0.168	59.4%	0.6%	158	0.000	33.5%	68.4%
	(0.756)	(3.101)	(0.758)	(11.531)	(1.326)	(1.733)						
CT_EP	0.030	0.238	0.079	0.333***	0.787	0.143	57%	-0.8%	158	0.000	25.9%	77.2%
	(1.840)	(1.819)	(0.551)	(11.858)	(0.809)	(1.388)						
WNG_EP	0.023*	0.044	-0.322	0.374***	-0.007	0.051	55%	-1.5%	158	0.000	5.1%	97.4%
	(2.375)	(1.405)	(-1.269)	(10.648)	(-0.173)	(0.988)						

Average monthly regression coefficients of one year ahead realised Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The ICC figures are estimated based on Li and Mohanram (2014) Earnings Persistence **(EP)** mechanical earnings forecasts. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions and it represent how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adj-R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Expected return estimates are generated using firm-level ICC models as described in Table 1.

Table 19: **Capturing Subsequent Return using RI forecasts based ICC - Effect of Last Observation Carried Forward for up to 12 Months**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	$\%\beta^{CS}_{ICC} = 1$
TPDPS_RI	0.038**	0.087***	0.312	0.363***	0.045	0.056	61.4%	4.0%	158	0.000	47.5%	89.9%
	(2.888)	(5.055)	(0.944)	(11.895)	(0.888)	(0.648)						
GLS_RI	0.015	0.551	-0.110	0.307***	0.017	-0.013	59%	3.5%	158	0.183	26.6%	70.9%
	(0.572)	(1.644)	(-0.403)	(4.887)	(0.009)	(-0.069)						
PE_RI	0.028	0.546*	0.205	0.346***	4.951	0.211	61.1%	3.4%	158	0.074	36.1%	71.5%
	(1.702)	(2.163)	(1.168)	(11.241)	(0.975)	(1.535)						
BP_RI	0.029	0.586***	0.580	0.349***	0.169	0.072	60.8%	3.4%	158	0.002	48.1%	49.4%
	(1.831)	(4.375)	(1.669)	(11.532)	(0.627)	(0.831)						
FGHJ_RI	-0.074	1.646	-0.595	0.185	-7.005	-0.369	58.8%	2.3%	158	0.678	24.7%	75.9%
	(-0.606)	(1.059)	(-0.634)	(0.848)	(-0.645)	(-0.567)						
GG_RI	0.042**	0.320	-0.012	0.355***	2.372*	0.028	60.2%	2.1%	158	0.011	22.2%	60.1%
	(2.843)	(1.209)	(-0.115)	(12.237)	(2.231)	(0.361)						
TrES_RI_25SBM	0.043*	0.015	-0.025	0.372***	-0.012	0.416	56.9%	1.5%	158	0.000	7.0%	96.8%
	(2.359)	(1.201)	(-0.070)	(13.753)	(-0.889)	(1.170)						
CT_RI	0.099	-0.686	-0.401	0.368***	-2.696	-0.541	57.9%	1.2%	158	0.094	16.5%	83.5%
	(1.434)	(-0.686)	(-0.950)	(8.443)	(-0.905)	(-0.654)						
TrES_RI_10Ind	0.087	-0.123	0.440	0.361***	0.040	0.364	59%	1.1%	158	0.000	15.2%	95.6%
	(1.162)	(-0.652)	(0.834)	(4.751)	(0.433)	(1.172)						
TrETSS_RI_10Ind	0.05***	0.006	-0.117	0.371***	-0.069	0.158	57.8%	0.3%	158	0.000	15.8%	91.8%
	(3.588)	(0.492)	(-0.448)	(11.911)	(-0.927)	(1.144)						
KMY_RI	0.048**	-0.114	-0.284	0.358***	-0.350	0.061	57.5%	0.2%	158	0.000	22.8%	72.8%
	(2.853)	(-0.423)	(-1.459)	(12.978)	(-0.507)	(0.610)						
DKL_RI	0.040	0.120	-0.183	0.353***	-0.057	0.075	56%	0.1%	158	0.000	22.2%	77.8%
	(1.945)	(0.578)	(-0.992)	(12.482)	(-0.115)	(0.597)						
PEG_RI	0.031	0.096	-0.059	0.364***	1.073*	0.038	57.3%	-0.1%	158	0.000	29.3%	101.5%
	(1.628)	(1.567)	(-0.417)	(11.756)	(2.431)	(0.390)						
GM_RI	0.014	0.436**	-0.022	0.357***	-0.023	-0.024	56.6%	-0.1%	158	0.000	29.1%	70.3%
	(0.725)	(2.814)	(-0.129)	(12.056)	(-0.031)	(-0.270)						
WNG_RI	0.062***	-0.117	0.010	0.364***	0.328	0.048	56.6%	-0.3%	158	0.000	1.9%	96.8%
	(4.705)	(-1.228)	(0.106)	(11.863)	(1.132)	(0.728)						
HL_RI	0.037	0.131	-0.186	0.353***	-0.055	0.076	55.9%	-0.4%	158	0.000	21.5%	78.5%
	(1.819)	(0.629)	(-1.028)	(12.457)	(-0.111)	(0.608)						
FPM_RI	0.026	0.154	-0.187	0.368***	0.535	0.125	54.8%	-0.5%	158	0.020	20.3%	76.6%
	(1.397)	(0.428)	(-1.110)	(10.556)	(0.804)	(1.097)						
MPEG_RI	0.017	0.424*	0.118	0.36***	-0.400	-0.078	56.5%	-1.0%	158	0.005	31.0%	69.6%
	(0.917)	(2.077)	(0.634)	(12.270)	(-0.204)	(-0.389)						
TrETSS_RI_25SBM	0.045**	0.005	-0.287	0.367***	-0.001	0.218	55.2%	-1.5%	158	0.000	8.2%	91.8%
	(2.700)	(0.343)	(-1.140)	(12.769)	(-0.026)	(1.697)						

Average monthly regression coefficients of one year ahead realised Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The ICC figures are estimated based on Li and Mohanram (2014) Residual Income **(RI)** mechanical earnings forecasts. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions and it represent how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adj-R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Expected return estimates are generated using firm-level ICC models as described in Table 1.

2.5.4 Introducing a new Model: FCF

This section is mainly motivated by two observations from the prior discussion. Firstly, dividend discount models with a terminal value based on target price (such as BP or TPDPS) outperform other ICC models in predicting the variation in expected returns. However, much of this performance is driven by the terminal value, since the naive model could work as well as and sometimes better than these dividend discount models. Secondly, when using mechanical models to estimate the dividends rather than analysts forecasts, the dividend discount models - both those with terminal value based on target prices like TPDPS and BP, and models that have terminal value based on an earnings perpetuity like GG - enjoy a boost in performance. These two observations taken together suggest that when dividends forecasts based on fundamentals are used in the model, the model ability to forecast returns is better. Because some firms pay dividends that are not in line with the company fundamentals and capacity to pay dividends, or that large owners interfere in setting the dividend policy of the firm, the dividends estimates from analysts are not necessarily in line with the firm fundamentals. Therefore, using mechanical forecasts for the dividend make it more stable and in line with the fundamentals. Given this understanding, and using a widely known measure from the valuation literature, I purpose using Free Cash Flow to the Equity (FCFE) instead of dividends. The objective is to make the cash flows underpinning the expected returns estimations more in line with firm fundamentals.

Free cash flow is the cash available for distribution to the firms' suppliers of capital after covering operating expenses, working capital requirements, and capital expenditure. If the calculation was intended to yield the cash available for equity and debt holders, then it is formally called Free Cash Flow to the Firm (FCFF). While if the intention was to calculate the cash available to equity holders only, then the cost of servicing the debt is deducted as part of the operating expenses, and after accounting for the net debt, it is called Free Cash Flow to Equity (FCFE). This should not be confused with the reported Cash Flow from Operations (CFO) on the cash flow statement, neither with measures such as EBITDA (earnings before interest, tax, depreciation, and amortization). Measures such as net income, EBIT, EBITDA, and CFO are not compatible to be applied directly to the Discounted cash flow framework [10]. By construction, these measures either double count or omit some cash flows to arrive at a disposable figure that could be attributed to capital suppliers.

The FCFE is more challenging to use when compared to dividends or earnings due to the fact that this figure is not readily available or reported. However, as compared to dividends, this is a more economically sound method for several reasons. First, it avoids removing companies with no dividends from the sample. Second, it is more suitable when companies pay dividends that are not in line with the company capacity to pay dividends, and the company ownership structure becomes irrelevant. Despite its popularity in valuation literature, there has been no attempt to estimate implied expected returns using Free Cash Flow models. Hence, one of the contributions of this chapter would be to introduce a simple method of estimating implied expected returns by reverse-engineering the Free Cash Flow model, and to test it against the other ICC models.

Moreover, in a reasonable forecasting period, FCFE has been shown to be better aligned with the profitability of the company. Hence, it is a more stable indicator than earnings or dividends[11]. FCFE is a more robust concept in representing the economic reality of a firm than earnings since it is subject to less accounting assumptions and less prone to earnings management.

To concretely define how the FCFE is calculated, one could start from several accounting measure such as NI (net income), CFO (cash flow from operations), EBIT (Earning before interest and tax), or EBITDA (earnings before interest, tax, and non cash expenses such as depreciation and amortization):

$$\begin{aligned} FCFE =& NI + NCC - CE - WC + NB \\ =& CFO + NB - CE \\ =& EBIT(1 - Tax) + NCE - CE - WC - Interest(1 - Tax) + NB \\ =& EBITDA(1 - Tax) + NCE(Tax) - CE - WC - Interest(1 - Tax) + NB \end{aligned} \tag{60}$$

where (NB) is net borrowing calculated as debt issued minus debt repaid during the

[10] See equations (1) and (2)

[11] More discussion on these topics is present in standard investments and corporate finance text books such as Damodaran (2012).

period, NCE is non cash expenses such as depreciation and amortization, WC is working capital, and CE is capital expenditure.

A disadvantage of DDM - as discussed earlier - that is anticipated to also affect FCFE discount model is that the intrinsic value at time t would heavily depend on the terminal value, or the growth rate after the forecasting horizon. Since the accuracy of the estimates would be less reliable the more it goes into the future, I will not resort to a perpetual growth rate neither to fading the specific firm's earnings or cash flows to industry norms like some of the conventional ICC models. Rather I propose using a terminal value based on a leading market multiple that is widely used in the market in order to make the implied expected returns from the model coincide with market participants believes about expected returns. The market multiple I are advocating is a leading P/E ratio based on the analysts Target Price, and analysts forecasts of earnings. Liu, Nissim, and Thomas (2002) show that multiples based on forward earnings explain stock prices reasonably well across industries and time. I use the target price rather than the price in the numerator of the multiple like in Botosan and Plumlee (2002) to generate less noisy terminal values. In practice, multiples are used often as a substitute for comprehensive valuations since they communicate efficiently the essence of those valuations. In addition, in many applications, multiples are used to calibrate those valuations and to obtain terminal values (Liu et al. (2002)). Moreover, two more FCF versions are introduced to match the formulation of BP and TPDPS models but with FCFE as cash flows instead of dividends. This will facilitate comparisons further. Therefore the three formulations introduced would be:

$$V_{0,FCF\_eps5} = \sum_{t=1}^{5}\left(\frac{FCFE_t}{(1+r)^t}\right) + \frac{\left(eps_6 * \frac{TargetPrice}{eps_5}\right)}{(1+r_E)^5} \tag{61}$$

$$V_{0,FCF\_TP} = \sum_{t=1}^{5}\left(\frac{FCFE_t}{(1+r)^t}\right) + \frac{TargetPrice}{(1+r_E)^5} \tag{62}$$

$$V_{0,FCF1y} = \frac{FCFE_1 + TargetPrice}{(1+r)} \tag{63}$$

Free Cash Flow to Equity is not a reported figure on the accounting statement of firms. Neither do analysts provide future estimates for FCFE. However, relatively recently, analysts have started issuing forecasts for the components needed to calculate forecasted FCFE. For instance, for the US market, I/B/E/S [12] started gathering per share cash flow from operations forecasts from February 1990, capital expenditure forecasts from October 2006, EBIT from May 1999, EBITDA from December 1998, and Net debt forecasts from July 2000 among other variables. Due to this data availability, the analysis forward will be for a shorter period than the previous analysis. This section results can be viewed as a robustness check for the other models results also for a shorter but newer period.

Table (20) report the results of testing the new models along with the other ICC models tested previously. The results show that the performance of the three FCF versions is close to the BP, TPDPS, and the Naive estimate empirically. I then estimate the FCF versions inputs using a random walk process similar to the method described in section (2.3.3) to forecast earnings. I use these estimates to compare them against the performance of mechanical forecasts based ICC models. Table (21) report the results based on mechanical forecasts. Although the FCF inputs are forecasted using a random walk process - which has been shown in the previous testing to not be as good as proper mechanical estimates- still its performance is comparable to the TPDPS and BP performance. Future research could work on developing a better mechanical process for forecasting free cash flows.

[12]In a document titled Estimates History Start Dates by Region and Measures Ref 09/16 published in 2016 by Thomson Reuters

Table 20: **Capturing Subsequent Return using Analysts forecasts based ICC - New Model Testing**

Model	**Intercept**	**ICC**	**CFNST**	**CFNLT**	**EWERN**	**FSERN**	**Adj R^2**	**R^2 Imp.**	**N**	$\beta^{TS}_{ICC} = 1$	**%N +sig**	$\%\beta^{CS}_{ICC} = 1$
Naive	0.016*	0.078***	0.18***	0.282***	0.037*	-0.015	68.1%	5.5%	119	0.000	68.1%	100.0%
	(2.273)	(5.321)	(4.029)	(9.316)	(2.350)	(-0.861)						
TPDPS_Anlst	0.014*	0.076***	0.183***	0.283***	0.035*	-0.013	68%	5.3%	119	0.000	67.2%	100.0%
	(2.006)	(5.288)	(4.070)	(9.308)	(2.318)	(-0.719)						
BP_Anlst	0.008	0.559***	0.162***	0.276***	0.130	-0.001	67.3%	4.9%	119	0.000	71.4%	60.5%
	(1.252)	(6.469)	(3.450)	(9.351)	(1.519)	(-0.048)						
FCF1y	0.017*	0.047***	0.122**	0.275***	0.017	0.000	65.8%	3.7%	119	0.000	63.9%	100.0%
	(2.381)	(5.658)	(2.602)	(9.307)	(1.521)	(-0.021)						
FCF_Anlst _TP	0.012	0.436***	0.12*	0.269***	0.144	0.003	65%	3.0%	119	0.000	73.1%	52.9%
	(1.828)	(6.317)	(2.441)	(9.297)	(1.743)	(0.169)						
FCF_Anlst _eps5	0.010	0.318***	0.065	0.266***	0.159*	0.001	64.3%	2.3%	119	0.000	64.7%	50.4%
	(1.448)	(6.561)	(1.276)	(9.298)	(2.027)	(0.053)						
PE_Anlst	0.007	0.422***	0.191***	0.26***	0.482	-0.022	64.1%	1.8%	119	0.000	51.3%	43.7%
	(0.804)	(5.220)	(3.948)	(9.234)	(1.662)	(-0.948)						
DKL_Anlst	-0.003	0.296***	0.043	0.265***	0.097	0.008	63.8%	1.8%	119	0.000	47.9%	52.1%
	(-0.356)	(4.519)	(0.854)	(9.254)	(0.600)	(0.384)						
CT_Anlst	0.003	0.293***	0.081	0.263***	0.123	0.000	63.6%	1.7%	119	0.000	45.4%	65.5%
	(0.336)	(5.315)	(1.662)	(9.266)	(0.756)	(-0.018)						
HL_Anlst	0.000	0.258***	0.024	0.264***	0.105	0.012	63.6%	1.6%	119	0.000	44.5%	52.9%
	(0.049)	(4.231)	(0.478)	(9.257)	(0.677)	(0.544)						
FPM_Anlst	-0.014	0.449***	0.010	0.264***	0.031	0.001	63.3%	1.4%	119	0.000	46.2%	47.1%
	(-1.642)	(4.471)	(0.221)	(9.263)	(0.157)	(0.047)						
GM_Anlst	0.001	0.243***	-0.024	0.263***	0.153	0.016	63%	1.3%	119	0.000	41.2%	58.0%
	(0.161)	(4.484)	(-0.479)	(9.255)	(1.191)	(0.777)						
KMY_Anlst	0.008	0.101***	-0.027	0.259***	0.066	0.006	62.8%	1.1%	119	0.000	33.6%	82.4%
	(1.113)	(3.339)	(-0.546)	(9.242)	(1.039)	(0.275)						
MPEG_Anlst	0.013	0.127***	-0.042	0.262***	0.103	0.013	62.7%	1.0%	119	0.000	30.3%	68.9%
	(1.853)	(3.376)	(-0.835)	(9.258)	(0.854)	(0.644)						
FGHJ_Anlst	0.010	0.142***	0.000	0.266***	0.161	-0.008	63.3%	1.0%	119	0.000	31.1%	75.6%
	(1.321)	(3.619)	(-0.004)	(9.238)	(0.766)	(-0.408)						
GG_Anlst	0.015*	0.04*	-0.056	0.258***	0.030	0.003	62.5%	0.9%	119	0.000	28.6%	97.5%
	(2.237)	(2.514)	(-1.132)	(9.234)	(0.767)	(0.162)						
PEG_Anlst	0.022**	0.056	-0.070	0.258***	0.077	0.002	62.3%	0.8%	119	0.000	23.5%	79.8%
	(2.956)	(1.602)	(-1.361)	(9.255)	(0.687)	(0.076)						

Continued in next page...

Table 20: **Capturing Subsequent Return using Analysts forecasts based ICC - New Model Testing**

Model	**Intercept**	**ICC**	**CFNST**	**CFNLT**	**EWERN**	**FSERN**	**Adj R^2**	**R^2 Imp.**	**N**	$\beta^{TS}_{ICC} = 1$	**%N +sig**	$\%\beta^{CS}_{ICC} = 1$
GLS_Anlst	0.013	0.118***	-0.018	0.265***	0.289	-0.008	63%	0.7%	119	0.000	26.9%	73.9%
	(1.739)	(3.176)	(-0.401)	(9.229)	(1.660)	(-0.391)						
TrETSS_Anlst _10Ind	0.025**	0.032	-0.060	0.258***	0.015	-0.001	62.1%	0.5%	119	0.000	12.6%	89.9%
	(2.995)	(1.083)	(-1.124)	(9.246)	(0.367)	(-0.055)						
TrOHE_10Ind	0.025***	0.032	-0.073	0.257***	0.053	0.000	61.9%	0.2%	119	0.000	20.2%	83.2%
	(3.309)	(1.153)	(-1.491)	(9.260)	(0.858)	(-0.022)						
TrES_Anlst _10Ind	0.028***	-0.003	-0.066	0.258***	0.000	0.000	61.9%	0.2%	119	0.000	8.4%	100.0%
	(3.457)	(-0.719)	(-1.361)	(9.247)	(-0.014)	(-0.024)						
TrES_Anlst _25SBM	0.026***	-0.001	-0.081	0.257***	0.001	-0.013	61.7%	0.1%	119	0.000	3.4%	100.0%
	(3.279)	(-0.572)	(-1.678)	(9.257)	(0.606)	(-0.682)						
TrETSS_Anlst _25SBM	0.026***	0.004	-0.080	0.258***	0.002	-0.001	61.5%	0.1%	119	0.000	5.0%	98.3%
	(3.229)	(0.403)	(-1.592)	(9.252)	(0.220)	(-0.041)						
TrOHE_25SBM	0.026***	0.024**	-0.074	0.258***	-0.012	-0.001	61.5%	0.1%	119	0.000	9.2%	98.3%
	(3.275)	(2.605)	(-1.508)	(9.253)	(-1.661)	(-0.031)						
WNG_Anlst	0.026***	0.001	-0.082	0.261***	-0.037	-0.005	61.7%	0.0%	119	0.000	7.6%	100.0%
	(3.326)	(1.442)	(-1.621)	(9.258)	(-0.639)	(-0.223)						

The average monthly regression coefficients of one year ahead realised Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Expected return estimates are generated using firm-level ICC models as described in Table 1.

Table 21: **Capturing Subsequent Return using Analysts forecasts based ICC - New Model Testing Mechanically**

Model	**Intercept**	**ICC**	**CFNST**	**CFNLT**	**EWERN**	**FSERN**	**Adj R^2**	**R^2 Imp.**	**N**	$\beta^{TS}_{ICC} = 1$	**%N +sig**	$\%\beta^{CS}_{ICC} = 1$
FCF1y_Mech	0.016*	0.076***	0.175***	0.282***	0.035*	-0.014	67.9%	5.3%	119	0.000	69.7%	100.0%
	(2.300)	(5.298)	(3.921)	(9.324)	(2.252)	(-0.752)						
TPDPS_HDZ	0.016*	0.065***	0.155***	0.278***	0.036*	-0.002	67.5%	4.9%	119	0.000	68.9%	100.0%
	(2.161)	(5.352)	(3.296)	(9.331)	(2.256)	(-0.075)						
BP_HDZ	0.008	0.475***	0.125**	0.274***	0.186*	0.008	66.7%	4.2%	119	0.000	73.9%	56.3%
	(1.280)	(6.657)	(2.670)	(9.348)	(2.238)	(0.418)						
TPDPS_RI	0.018*	0.029***	0.045	0.268***	0.031**	-0.007	65.2%	2.8%	119	0.000	52.9%	100.0%
	(2.454)	(4.618)	(0.812)	(9.325)	(2.604)	(-0.347)						
TPDPS_EP	0.019*	0.023***	0.036	0.266***	0.037**	0.000	64.7%	2.3%	119	0.000	50.4%	100.0%
	(2.514)	(4.828)	(0.663)	(9.323)	(2.978)	(-0.021)						
BP_RI	0.015*	0.209***	0.008	0.264***	0.139*	-0.006	64.4%	2.2%	119	0.000	56.3%	67.2%
	(2.141)	(5.869)	(0.155)	(9.315)	(2.018)	(-0.288)						
TPDPS_RW	0.023**	0.027***	0.009	0.269***	0.025	-0.003	64.3%	2.1%	119	0.000	46.2%	100.0%
	(2.963)	(4.244)	(0.184)	(9.338)	(1.690)	(-0.159)						
BP_EP	0.016*	0.191***	0.001	0.264***	0.159*	-0.007	64.4%	2.1%	119	0.000	55.5%	69.7%
	(2.235)	(5.632)	(0.027)	(9.313)	(2.195)	(-0.336)						
BP_RW	0.022**	0.195***	-0.006	0.266***	0.127	-0.002	64.2%	2.1%	119	0.000	43.7%	73.9%
	(2.813)	(4.623)	(-0.119)	(9.359)	(1.741)	(-0.105)						
FCF_Mech_TP	0.021**	0.179*	-0.030	0.264***	0.098	-0.010	63.2%	1.1%	119	0.000	24.4%	40.3%
	(2.725)	(2.423)	(-0.699)	(9.296)	(0.454)	(-0.437)						
FCF_Mech_eps5	0.023**	0.090**	-0.030	0.264***	-0.119	-0.011	62.9%	1.1%	119	0.000	19.3%	45.4%
	(2.920)	(2.196)	(-0.672)	(9.278)	(-0.528)	(-0.528)						
PE_HDZ	0.019*	0.107***	-0.059	0.264***	0.565**	-0.001	63.2%	1.1%	119	0.000	37.0%	81.5%
	(2.487)	(3.923)	(-1.166)	(9.242)	(2.699)	(-0.057)						
PE_EP	0.015*	0.033***	-0.073	0.259***	0.157**	0.002	62.7%	0.7%	119	0.000	42.9%	99.2%
	(2.338)	(3.793)	(-1.530)	(9.247)	(2.870)	(0.072)						
CT_HDZ	0.018*	0.074*	-0.063	0.263***	0.396	0.009	62.6%	0.7%	119	0.000	30.3%	89.9%
	(2.418)	(2.542)	(-1.333)	(9.243)	(1.744)	(0.423)						
PE_RW	0.022**	0.016	-0.062	0.259***	0.047	0.001	62.7%	0.6%	119	0.000	11.8%	91.6%
	(2.806)	(0.788)	(-1.281)	(9.226)	(0.605)	(0.058)						
GG_HDZ	0.018*	0.087**	-0.056	0.263***	1.044***	0.010	63.1%	0.6%	119	0.000	31.1%	85.7%
	(2.404)	(2.680)	(-1.175)	(9.240)	(3.205)	(0.482)						
TrETSS_RW_10Ind	0.024**	-0.010	-0.072	0.259***	0.015	-0.010	62.1%	0.6%	119	0.000	15.1%	100.0%
	(3.044)	(-0.914)	(-1.492)	(9.225)	(0.871)	(-0.459)						

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Table 21: **Capturing Subsequent Return using Analysts forecasts based ICC - New Model Testing Mechanically**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	$\%\beta^{CS}_{ICC}=1$
PE_RI	0.019**	0.020	-0.066	0.261***	0.152*	-0.008	62.7%	0.5%	119	0.000	29.4%	100.0%
	(2.609)	(1.677)	(-1.281)	(9.253)	(1.986)	(-0.393)						
GM_RI	0.008	0.043***	-0.073	0.259***	0.158*	0.005	62.5%	0.5%	119	0.000	42.0%	99.2%
	(1.255)	(5.913)	(-1.446)	(9.247)	(2.014)	(0.239)						
GG_RW	0.019*	0.084***	-0.060	0.262***	1.021**	0.005	62.6%	0.5%	119	0.000	28.2%	92.7%
	(2.437)	(3.382)	(-1.179)	(8.888)	(2.713)	(0.224)						
MPEG_RW	0.02**	0.001	-0.073	0.26***	0.166*	0.004	62.3%	0.5%	119	0.000	12.6%	100.0%
	(3.005)	(0.050)	(-1.502)	(9.245)	(2.358)	(0.202)						
CT_RW	0.019*	0.055***	-0.061	0.262***	0.535	0.006	62.2%	0.5%	119	0.000	20.7%	96.6%
	(2.447)	(3.422)	(-1.218)	(9.128)	(0.658)	(0.285)						
MPEG_RI	0.009	0.034***	-0.077	0.259***	0.065	0.001	62.3%	0.5%	119	0.000	32.8%	99.2%
	(1.317)	(5.599)	(-1.517)	(9.245)	(0.849)	(0.053)						
TrES_RI_10Ind	0.023**	0.005*	-0.072	0.257***	0.003	0.010	62.2%	0.4%	119	0.000	20.2%	100.0%
	(2.780)	(2.031)	(-1.481)	(9.257)	(0.513)	(0.462)						
FGHJ_EP	0.016*	0.051***	-0.072	0.258***	1.181	-0.002	62.1%	0.4%	119	0.000	26.9%	94.1%
	(2.115)	(3.098)	(-1.427)	(9.256)	(1.292)	(-0.067)						
PEG_EP	0.018*	0.011	-0.086	0.259***	0.474*	-0.003	62.5%	0.4%	119	0.000	22.9%	100.0%
	(2.154)	(0.823)	(-1.603)	(8.843)	(2.382)	(-0.134)						
GG_EP	0.019*	0.071***	-0.051	0.26***	0.214	0.002	62.2%	0.4%	119	0.000	25.0%	100.0%
	(2.563)	(3.507)	(-1.012)	(8.796)	(1.685)	(0.091)						
KMY_EP	0.014*	0.054***	-0.072	0.258***	0.049	0.000	62.1%	0.4%	119	0.000	22.7%	98.3%
	(2.127)	(4.522)	(-1.414)	(9.251)	(0.661)	(0.022)						
FPM_HDZ	0.018**	0.055*	-0.065	0.261***	0.215	0.005	62.2%	0.4%	119	0.000	16.0%	78.2%
	(2.604)	(1.971)	(-1.361)	(9.222)	(1.525)	(0.251)						
GM_HDZ	0.023***	0.009	-0.073	0.26***	0.298**	0.011	62.2%	0.4%	119	0.000	13.4%	95.0%
	(3.304)	(0.602)	(-1.509)	(9.227)	(2.815)	(0.528)						
GM_EP	0.014*	0.028***	-0.080	0.26***	0.225*	0.003	62.5%	0.4%	119	0.000	27.7%	99.2%
	(2.147)	(3.981)	(-1.521)	(9.255)	(2.434)	(0.158)						
MPEG_EP	0.015*	0.021***	-0.068	0.259***	0.115	0.000	62.3%	0.4%	119	0.000	18.5%	99.2%
	(2.260)	(3.523)	(-1.369)	(9.250)	(1.384)	(0.016)						
MPEG_HDZ	0.024***	0.005	-0.073	0.26***	0.251**	0.014	62.2%	0.4%	119	0.000	12.6%	97.5%
	(3.373)	(0.411)	(-1.555)	(9.229)	(2.701)	(0.638)						
HL_RI	0.014	0.025	-0.080	0.258***	0.030	0.000	61.9%	0.3%	119	0.000	23.5%	100.0%
	(1.861)	(1.084)	(-1.576)	(9.253)	(1.423)	(0.001)						
PEG_HDZ	0.026***	-0.021	-0.082	0.259***	0.257*	0.003	62.1%	0.3%	119	0.000	7.6%	94.1%
	(3.713)	(-1.271)	(-1.669)	(9.232)	(2.335)	(0.150)						

Continued in next page...

Table 21: **Capturing Subsequent Return using Analysts forecasts based ICC - New Model Testing Mechanically**

Model	**Intercept**	**ICC**	**CFNST**	**CFNLT**	**EWERN**	**FSERN**	**Adj R^2**	**R^2 Imp.**	**N**	$\beta^{TS}_{ICC} = 1$	**%N +sig**	$\%\beta^{CS}_{ICC} = 1$
DKL_RI	0.015	0.025	-0.076	0.258***	0.039	-0.002	61.9%	0.3%	119	0.000	26.1%	99.2%
	(1.949)	(1.068)	(-1.507)	(9.252)	(1.580)	(-0.077)						
TrETSS_RI_10Ind	0.02**	0.020	-0.072	0.259***	-0.015	-0.001	61.9%	0.3%	119	0.000	19.3%	99.2%
	(2.793)	(1.299)	(-1.428)	(9.244)	(-1.293)	(-0.068)						
KMY_HDZ	0.02**	0.038	-0.070	0.261***	0.366*	0.009	62.4%	0.3%	119	0.000	19.3%	91.6%
	(2.862)	(1.402)	(-1.462)	(9.240)	(2.493)	(0.442)						
KMY_RI	0.014	0.042*	-0.070	0.259***	0.055	0.002	61.9%	0.3%	119	0.000	23.5%	100.0%
	(1.900)	(2.572)	(-1.418)	(9.246)	(1.803)	(0.093)						
TrES_RW_10Ind	0.028***	0.003	-0.065	0.257***	0.000	0.001	62.1%	0.3%	119	0.000	16.8%	99.2%
	(3.307)	(0.689)	(-1.347)	(9.251)	(-0.056)	(0.039)						
HL_HDZ	0.021**	0.029	-0.072	0.261***	0.241*	0.007	62.3%	0.3%	119	0.000	17.6%	93.3%
	(2.976)	(1.894)	(-1.471)	(9.234)	(2.192)	(0.311)						
GG_RI	0.018*	0.061**	-0.061	0.26***	0.244	0.000	62.3%	0.3%	119	0.000	21.3%	100.0%
	(2.338)	(2.807)	(-1.178)	(8.804)	(1.611)	(-0.017)						
TrES_HDZ_25SBM	0.027***	-0.002	-0.076	0.259***	0.000	-0.003	61.8%	0.3%	119	0.000	8.4%	100.0%
	(3.383)	(-0.415)	(-1.540)	(9.243)	(-0.516)	(-0.133)						
GLS_EP	0.017*	0.045**	-0.076	0.258***	0.180	-0.001	62%	0.3%	119	0.000	27.7%	93.3%
	(2.265)	(2.799)	(-1.495)	(9.255)	(1.373)	(-0.066)						
GLS_RI	0.017*	0.051*	-0.084	0.258***	-3.292	0.000	61.9%	0.3%	119	0.000	23.5%	93.3%
	(2.231)	(2.440)	(-1.682)	(9.249)	(-0.296)	(0.011)						
DKL_HDZ	0.02**	0.042	-0.073	0.261***	0.298	0.004	62.3%	0.3%	119	0.000	16.8%	90.8%
	(2.757)	(1.559)	(-1.499)	(9.238)	(1.552)	(0.198)						
PEG_RW	0.019*	-0.034	-0.091	0.259***	0.180	-0.001	62%	0.3%	119	0.000	29.5%	100.0%
	(2.042)	(-0.717)	(-1.283)	(6.621)	(1.605)	(-0.043)						
PEG_RI	0.015*	0.028***	-0.080	0.259***	0.269	0.002	62.1%	0.2%	119	0.000	29.4%	96.6%
	(1.985)	(4.038)	(-1.558)	(9.243)	(1.208)	(0.082)						
GM_RW	0.023***	-0.014	-0.061	0.26***	0.159*	0.007	62.3%	0.2%	119	0.000	8.4%	100.0%
	(3.378)	(-1.308)	(-1.227)	(9.246)	(2.111)	(0.308)						
TrETSS_RI_25SBM	0.027***	-0.008	-0.074	0.259***	-0.001	0.002	61.8%	0.2%	119	0.000	11.8%	99.2%
	(3.379)	(-0.693)	(-1.452)	(9.249)	(-0.215)	(0.098)						
FPM_RW	0.027***	0.006	-0.074	0.259***	0.024	0.003	62%	0.2%	119	0.000	7.6%	97.5%
	(3.301)	(0.576)	(-1.456)	(9.252)	(0.575)	(0.131)						
FGHJ_HDZ	0.02*	0.047	-0.066	0.261***	0.364	0.001	62.2%	0.2%	119	0.000	13.4%	90.8%
	(2.561)	(1.483)	(-1.311)	(9.249)	(1.643)	(0.031)						
TrETSS_EP_25SBM	0.026***	0.003	-0.079	0.258***	0.002	0.001	61.8%	0.2%	119	0.000	10.1%	100.0%
	(3.383)	(1.463)	(-1.590)	(9.255)	(0.955)	(0.055)						
CT_RI	0.024**	0.009	-0.079	0.258***	0.098	0.001	61.8%	0.2%	119	0.000	19.3%	99.2%
	(3.034)	(1.500)	(-1.592)	(9.256)	(1.435)	(0.052)						

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Table 21: **Capturing Subsequent Return using Analysts forecasts based ICC - New Model Testing Mechanically**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	$\%\beta^{CS}_{ICC} = 1$
DKL_RW	0.024***	0.008	-0.073	0.258***	0.025	0.003	61.9%	0.2%	119	0.000	10.9%	99.2%
	(3.223)	(0.975)	(-1.423)	(9.252)	(0.641)	(0.135)						
TrES_HDZ_10Ind	0.027***	0.001	-0.069	0.257***	0.001	0.007	61.8%	0.2%	119	0.000	12.6%	100.0%
	(3.359)	(0.521)	(-1.409)	(9.265)	(0.275)	(0.319)						
FPM_RI	0.018	0.018	-0.064	0.258***	0.011	-0.003	61.8%	0.2%	119	0.000	21.0%	99.2%
	(1.953)	(1.068)	(-1.276)	(9.250)	(0.691)	(-0.136)						
DKL_EP	0.019*	0.026***	-0.077	0.259***	0.060	-0.003	61.9%	0.2%	119	0.000	18.5%	99.2%
	(2.448)	(4.134)	(-1.484)	(9.255)	(0.823)	(-0.128)						
TrETSS_EP_10Ind	0.023**	0.008**	-0.079	0.257***	-0.014	0.001	61.8%	0.1%	119	0.000	21.8%	100.0%
	(3.017)	(2.578)	(-1.616)	(9.252)	(-1.063)	(0.062)						
FGHJ_RI	0.018*	0.034**	-0.079	0.259***	10.511	-0.001	61.8%	0.1%	119	0.000	19.3%	95.8%
	(2.402)	(2.975)	(-1.566)	(9.249)	(1.027)	(-0.043)						
TrES_RI_25SBM	0.026***	0.001	-0.072	0.259***	0.000	-0.001	61.8%	0.1%	119	0.000	6.7%	100.0%
	(3.214)	(0.803)	(-1.474)	(9.253)	(-0.122)	(-0.024)						
CT_EP	0.024**	0.018**	-0.072	0.258***	0.118	-0.003	61.8%	0.1%	119	0.000	13.4%	99.2%
	(3.039)	(2.772)	(-1.410)	(9.252)	(1.202)	(-0.156)						
HL_RW	0.024***	0.007	-0.074	0.258***	0.022	0.003	61.8%	0.1%	119	0.000	11.8%	99.2%
	(3.222)	(0.901)	(-1.449)	(9.255)	(0.662)	(0.118)						
FGHJ_RW	0.021*	0.036**	-0.068	0.258***	0.024	-0.001	61.7%	0.1%	119	0.000	12.7%	100.0%
	(2.540)	(2.666)	(-1.294)	(8.899)	(0.377)	(-0.045)						
KMY_RW	0.024***	0.006	-0.075	0.258***	0.064	0.002	61.8%	0.1%	119	0.000	14.3%	98.3%
	(3.307)	(0.621)	(-1.472)	(9.260)	(1.388)	(0.082)						
WNG_RW	0.026***	0.000	-0.084	0.26***	0.004	-0.004	61.7%	0.1%	119	0.000	5.9%	100.0%
	(3.319)	(-0.602)	(-1.683)	(9.263)	(0.770)	(-0.182)						
TrES_EP_10Ind	0.026***	-0.001	-0.072	0.257***	-0.001	0.002	61.9%	0.1%	119	0.000	10.9%	100.0%
	(3.264)	(-0.374)	(-1.489)	(9.258)	(-0.258)	(0.106)						
GLS_RW	0.027***	0.011	-0.071	0.259***	0.033	0.000	61.7%	0.1%	119	0.000	7.6%	98.3%
	(3.161)	(1.143)	(-1.398)	(9.259)	(0.593)	(-0.017)						
FPM_EP	0.023*	0.013	-0.067	0.259***	0.023	-0.006	61.6%	0.1%	119	0.000	12.6%	100.0%
	(2.533)	(1.742)	(-1.362)	(9.249)	(1.683)	(-0.277)						
TrETSS_HDZ_10Ind	0.025***	0.017*	-0.074	0.258***	-0.011	0.002	61.7%	0.1%	119	0.000	13.4%	97.5%
	(3.178)	(2.014)	(-1.510)	(9.253)	(-0.458)	(0.099)						
TrES_EP_25SBM	0.027***	-0.001	-0.077	0.259***	0.000	-0.001	61.7%	0.1%	119	0.000	6.7%	100.0%
	(3.407)	(-1.060)	(-1.527)	(9.251)	(-0.012)	(-0.060)						
GLS_HDZ	0.019**	0.054*	-0.072	0.26***	0.437*	0.001	62%	0.1%	119	0.000	12.6%	90.8%
	(2.617)	(1.989)	(-1.433)	(9.251)	(2.061)	(0.033)						
TrETSS_HDZ_25SBM	0.026***	0.004	-0.077	0.259***	0.003	0.000	61.6%	0.1%	119	0.000	9.2%	99.2%
	(3.355)	(0.735)	(-1.539)	(9.251)	(0.562)	(-0.021)						

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Table 21: **Capturing Subsequent Return using Analysts forecasts based ICC - New Model Testing Mechanically**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	$\%\beta^{CS}_{ICC} = 1$
HL_EP	0.019*	0.022***	-0.078	0.259***	0.058	-0.002	61.8%	0.1%	119	0.000	15.1%	99.2%
	(2.467)	(3.981)	(-1.522)	(9.255)	(0.879)	(-0.086)						
TrETSS_RW_25SBM	0.027***	-0.002	-0.083	0.259***	0.000	0.004	61.6%	0.1%	119	0.000	9.2%	100.0%
	(3.490)	(-0.617)	(-1.693)	(9.254)	(-0.099)	(0.162)						
TrES_RW_25SBM	0.026***	0.000	-0.078	0.258***	0.000	-0.003	61.5%	0.0%	119	0.000	0.8%	100.0%
	(3.314)	(-0.163)	(-1.556)	(9.256)	(0.160)	(-0.146)						
WNG_RI	0.027***	0.000	-0.076	0.259***	0.002	-0.001	61.5%	-0.1%	119	0.000	3.4%	100.0%
	(3.332)	(0.969)	(-1.554)	(9.251)	(0.644)	(-0.053)						
WNG_EP	0.027***	0.000	-0.078	0.26***	0.000	-0.001	61.5%	-0.1%	119	0.000	0.0%	100.0%
	(3.319)	(-0.883)	(-1.498)	(9.251)	(-0.018)	(-0.061)						
WNG_HDZ	0.026***	0.000	-0.059	0.263***	0.007	-0.001	61.9%	-0.1%	119	0.000	0.0%	100.0%
	(3.260)	(-1.137)	(-1.198)	(9.233)	(0.130)	(-0.063)						

The average monthly regression coefficients of one year ahead realised Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The ICC figures are estimated based on Hou et al. (2012) mechanical earnings forecasts. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one. Expected return estimates are generated using firm-level ICC models as described in Table 1.

2.6 Testing ICC Estimates as a Statistical Quantity: Out-of-Sample Model Confidence Set

I start this statistical analysis by comparing the three loss functions - MEV, RMSE and MAE - described in section (2.3.4.2) between the ICC models using Diebold and Mariano (1995) test statistic with Harvey, Leybourne, and Newbold (1997) adjustment. The summary results of the MEV loss function is presented in table (22). The model with the lowest average time series MEV is the residual income formulation of Gebhardt et al. (2001) (GLS). Note that a negative mean MEV indicates that the ICC model has a lower measurement error variance than a trivial estimator (i.e. fixed constant). In the second place comes FGHJ which is also a residual income formulation. In fact, GLS, FGHJ, HL, BP, DKL, PE, MPEG, PEG, GM and FPM models all have a negative and significant mean MEV, which indicate that all of them outperform a trivial fixed constant estimate in the time series.

The Diebold-Mariano pair-wise p-values suggest that such superiority of the two residual income formulations (GLS and FGHJ) is statistically significant when compared to the rest of the models except the average ICC model DKL. It is also worth noting that three average ICC models (DKL, HL, and FPM) made it to the top of the list by virtue of small MEV. Therefore, the prediction ability of the estimates has improved in terms of measurement error variance by combining estimates from various models. In line with the previous section results, the BP also has a lower measurement error variance than a trivial estimator, and so does the PE model and its modified versions MPEG and PEG. These two latter models along with the GM estimate, work better than a fixed constant estimator. These three formulations are based on abnormal growth in earnings, which theoretically, should be better than residual income based models. The empirical results in terms of measurement error variance do not support this assertion since the GLS and FGHJ have less mean measurement error variance. The Naive reported a relatively high measurement error variance as compared to the BP which use the same formulation for the terminal value. It suggests that the dividends in BP reduce the time series measurement error variance. A similar observation is noted when comparing the BP to the TPDPS performance.

Secondly, I use the RMSE and MAE as a loss functions in comparing the ICC models.

As compared to MEV, both RMSE and MAE capture the bias as well as the measurement error variance. Table (23), and (24) present the RMSE and MEV results respectively. Interestingly, GLS and FGHJ did not remain at the top of the list by lowest mean RMSE and MAE which suggest that although they exhibit low measurement error variance, their mean total bias is relatively similar or higher than some models such as the PE and PEG. However, looking at the PEG Diebold and Mariano p-values in the RMSE table indicate that the PEG superiority is not significant. Average ICC models (DKL, FPM, and HL) remained as good performers. The BP, although fell down the list by the mean error, the p-values report that only the PE model (and to a lesser extent the GLS and FPM) are superior to it.

More formally, I use Hansen, Lunde, and Nason (2011) MCS methodology in order to compare all the models simultaneously rather than pair-wise comparisons. MCS can be understood as a confidence interval. In other words, using a 5% significance level, an MCS would contain the best models with 95% confidence. The lower is the significance level the more are the models that are included in the confidence set just like the size of a confidence interval. Due to the fact that the analysis is carried out on firm-level, the tabulation of the results is huge, therefore, I report a summary in table (25) containing the percentages of firms for which a particular model is included in the confidence set for each of the loss functions.

The out-of-sample analysis using the non-parametric approach of Hansen, Lunde, and Nason (2011) identify a collection of models that outperform the rest of the models under a given loss function at a specific level of confidence. Firstly, using MEV as a loss function, the dividend discount model with a terminal value based on target price (BP) scored the highest percentage of inclusion among all other models, which is expected given the results in the section (2.5). Specifically, the BP is included for almost 55.9% of the firms in the sample in the model confidence set with a 95% confidence level. The low measurement error variance translates into better capturing of variation in future realised return as was documented in section (2.5). As compared to the BP, it is worth noting that the other dividend discount model with a terminal value based on an earnings perpetuity (GG) is included in the MCS for 50.87% of the firms. The Naive model that resembles the terminal value of BP

Table 22: **Out-of-Sample MEV Statistics and Pair-wise Comparison**

						Diebold-Mariano P-values																				
	Mean	**StD**	**Prec25**	**Median**	**Prec75**	**GLS**	**FGHJ**	**HL**	**BP**	**DKL**	**PE**	**MPEG**	**PEG**	**GM**	**FPM**	**KMY**	**CT**	**GG**	**OHE 10Ind**	**ETSS 10Ind**	**OHE 25SBM**	**ETSS 25SBM**	**Naive**	**TPDPS**	**ES 10Ind**	**WNG**
GLS_Anlst	-0.003***	0.006	-0.005	-0.002	-0.001																					
FGHJ_Anlst	-0.002***	0.007	-0.004	-0.002	-0.000	0.941																				
HL_Anlst	-0.002***	0.008	-0.004	-0.002	-0.000	0.001	0.006																			
BP_Anlst	-0.002***	0.009	-0.004	-0.002	0.001	0.000	0.000	0.020																		
DKL_Anlst	-0.002***	0.007	-0.004	-0.002	-0.000	0.904	0.903	0.000	0.000																	
PE_Anlst	-0.002***	0.009	-0.004	-0.001	0.000	0.000	0.000	0.024	0.813	0.000																
MPEG_Anlst	-0.002***	0.012	-0.005	-0.001	0.001	0.000	0.000	0.000	0.000	0.000	0.000															
PEG_Anlst	-0.002***	0.011	-0.004	-0.001	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.039														
GM_Anlst	-0.002***	0.009	-0.004	-0.001	0.001	0.000	0.000	0.000	0.720	0.000	0.535	0.000	0.000													
FPM_Anlst	-0.001***	0.005	-0.003	-0.001	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000												
KMY_Anlst	-0.001	0.011	-0.005	-0.001	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.082	0.455	0.000	0.000											
CT_Anlst	0.000	0.009	-0.003	-0.001	0.001	0.001	0.002	0.114	0.919	0.001	0.810	0.000	0.001	0.892	0.000	0.001										
GG_Anlst	0.002***	0.021	-0.006	-0.001	0.006	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000									
TrOHE_10Ind	0.002***	0.013	-0.003	-0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.160	0.047	0.000	0.000	0.017	0.000	0.000								
TrETSS_Anlst _10Ind	0.01***	0.027	-0.002	0.002	0.010	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000							
TrOHE_25SBM	0.025***	0.047	0.001	0.013	0.032	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000						
TrETSS_Anlst _25SBM	0.026***	0.035	0.006	0.017	0.035	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.014					
Naive _PT/P-1	0.055***	0.174	-0.003	0.010	0.041	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				
TPDPS_Anlst	0.062***	0.219	-0.003	0.010	0.044	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000			
TrES_Anlst _10Ind	0.514***	1.604	0.034	0.070	0.152	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
WNG_Anlst	1.378***	8.014	-0.000	0.003	0.038	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
TrES_Anlst _25SBM	4.93***	17.075	0.204	0.831	2.775	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

This table reports the ICC time-series MEV (Measurement Error Variance) statistics. The statistics are calculated on firm-level for several ICC models based on analyst forecast of earnings. The summary statistics for each model are estimated using the S&P 1500 historical constituents. A full description of the ICC models used is presented in table 1. The table also reports the p-values based on Newey-West adjusted standard errors corresponding to the pair-wise comparisons of time series MEV based on Diebold and Mariano (1995) test statistic with Harvey, Leybourne, and Newbold (1997) adjustment.

Table 23: **Out-of-Sample RMSE Statistics and Pair-wise Comparison**

						Diebold-Mariano P-values																				
	Mean	**StD**	**Prec25**	**Median**	**Prec75**	**PEG**	**GLS**	**PE**	**FPM**	**FGHJ**	**DKL**	**HL**	**CT**	**GM**	**MPEG**	**BP**	**OHE 10Ind**	**ETSS 10Ind**	**KMY**	**OHE 25SBM**	**ETSS 25SBM**	**GG**	**Naive**	**TPDPS**	**ES 10Ind**	**WNG**
PEG_Anlst	0.307***	0.149	0.206	0.276	0.367																					
GLS_Anlst	0.308***	0.144	0.209	0.278	0.370	0.290																				
PE_Anlst	0.308***	0.139	0.211	0.278	0.371	0.100	0.077																			
FPM_Anlst	0.309***	0.142	0.211	0.279	0.373	0.361	0.640	0.046																		
FGHJ_Anlst	0.309***	0.144	0.210	0.277	0.372	0.817	0.000	0.007	0.136																	
DKL_Anlst	0.309***	0.146	0.210	0.279	0.374	0.790	0.000	0.002	0.002	0.158																
HL_Anlst	0.31***	0.147	0.209	0.279	0.374	0.291	0.000	0.001	0.000	0.007	0.000															
CT_Anlst	0.311***	0.144	0.211	0.280	0.376	0.429	0.004	0.000	0.006	0.083	0.236	0.862														
GM_Anlst	0.312***	0.148	0.209	0.281	0.378	0.004	0.000	0.000	0.000	0.000	0.000	0.000	0.131													
MPEG_Anlst	0.313***	0.151	0.210	0.282	0.378	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.010	0.000												
BP_Anlst	0.314***	0.137	0.219	0.282	0.373	0.644	0.045	0.000	0.048	0.311	0.637	0.810	0.691	0.100	0.011											
TrOHE_10Ind	0.318***	0.141	0.220	0.287	0.382	0.010	0.000	0.000	0.000	0.001	0.002	0.014	0.018	0.224	0.860	0.004										
TrETSS_Anlst _10Ind	0.325***	0.143	0.222	0.294	0.394	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.002	0.000	0.000									
KMY_Anlst	0.332***	0.158	0.223	0.298	0.396	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000								
TrOHE_25SBM	0.353***	0.153	0.252	0.319	0.412	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000							
TrETSS_Anlst _25SBM	0.356***	0.153	0.258	0.322	0.414	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.433						
GG_Anlst	0.387***	0.170	0.265	0.353	0.472	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000					
Naive _PT/P-1	0.415***	0.316	0.233	0.326	0.478	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				
TPDPS_Anlst	0.422***	0.320	0.232	0.331	0.492	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.003			
TrES_Anlst _10Ind	0.648***	0.592	0.360	0.458	0.644	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
WNG_Anlst	1.208***	3.522	0.229	0.332	0.595	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
TrES_Anlst _25SBM	1.609***	1.868	0.593	1.082	1.835	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.002

This table reports the ICC time-series RMSE (Root Mean Squared Error) statistics. The statistics are calculated on firm-level for several ICC models based on analyst forecast of earnings. The summary statistics for each model are estimated using the S&P 1500 historical constituents. A full description of the ICC models used is presented in table 1. The table also reports the p-values based on Newey-West adjusted standard errors corresponding to the pair-wise comparisons of RMSE based on Diebold and Mariano (1995) test statistic with Harvey, Leybourne, and Newbold (1997) adjustment.

Table 24: **Out-of-Sample MAE Statistics and Pair-wise Comparison**

						Diebold-Mariano P-values																				
	Mean	**StD**	**Prec25**	**Median**	**Prec75**	**PE**	**GLS**	**PEG**	**FPM**	**DKL**	**FGHJ**	**HL**	**CT**	**GM**	**BP**	**MPEG**	**OHE 10Ind**	**ETSS 10Ind**	**KMY**	**OHE 25SBM**	**ETSS 25SBM**	**GG**	**Naive**	**TPDPS**	**ES 10Ind**	**WNG**
PE_Anlst	0.255***	0.123	0.173	0.227	0.307																					
GLS_Anlst	0.257***	0.129	0.171	0.227	0.310	0.000																				
PEG_Anlst	0.257***	0.134	0.169	0.225	0.305	0.002	0.141																			
FPM_Anlst	0.258***	0.127	0.171	0.229	0.310	0.001	0.280	0.036																		
DKL_Anlst	0.258***	0.131	0.172	0.228	0.312	0.000	0.000	0.704	0.000																	
FGHJ_Anlst	0.259***	0.130	0.171	0.229	0.311	0.000	0.000	0.611	0.001	0.602																
HL_Anlst	0.259***	0.132	0.171	0.229	0.311	0.000	0.000	0.782	0.000	0.000	0.052															
CT_Anlst	0.259***	0.129	0.173	0.228	0.314	0.000	0.061	0.753	0.007	0.966	0.812	0.304														
GM_Anlst	0.26***	0.134	0.171	0.229	0.314	0.000	0.000	0.040	0.000	0.000	0.000	0.000	0.009													
BP_Anlst	0.261***	0.122	0.178	0.231	0.310	0.000	0.847	0.249	0.749	0.177	0.235	0.065	0.148	0.003												
MPEG_Anlst	0.261***	0.135	0.170	0.230	0.313	0.000	0.000	0.001	0.000	0.000	0.000	0.000	0.001	0.000	0.001											
TrOHE_10Ind	0.264***	0.124	0.179	0.234	0.316	0.000	0.031	0.417	0.005	0.213	0.160	0.438	0.195	0.703	0.016	0.340										
TrETSS_Anlst _10Ind	0.269***	0.126	0.180	0.239	0.330	0.000	0.000	0.002	0.000	0.000	0.000	0.000	0.000	0.027	0.000	0.145	0.003									
KMY_Anlst	0.281***	0.142	0.185	0.245	0.342	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000								
TrOHE_25SBM	0.289***	0.131	0.202	0.259	0.335	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.393							
TrETSS_Anlst _25SBM	0.294***	0.136	0.207	0.262	0.343	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.005						
GG_Anlst	0.331***	0.158	0.221	0.294	0.407	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000					
Naive _PT/P-1	0.34***	0.271	0.190	0.262	0.386	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				
TPDPS_Anlst	0.345***	0.276	0.187	0.264	0.394	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000			
TrES_Anlst _10Ind	0.514***	0.430	0.290	0.376	0.536	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
WNG_Anlst	0.878***	2.444	0.192	0.271	0.448	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
TrES_Anlst _25SBM	1.059***	0.972	0.452	0.807	1.269	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

This table reports the ICC time-series MAE (Mean Absolute Error) statistics. The statistics are calculated on firm-level for several ICC models based on analyst forecast of earnings. The summary statistics for each model are estimated using the S&P 1500 historical constituents. A full description of the ICC models used is presented in table 1. The table also reports the p-values based on Newey-West adjusted standard errors corresponding to the pair-wise comparisons of MAE based on Diebold and Mariano (1995) test statistic with Harvey, Leybourne, and Newbold (1997) adjustment.

is in the MCS of only 19.7% of the firms. This confirms the note that the dividends in these models provide better time series measurement error variances for the estimates. In section (2.5), the Naive model worked better in capturing the variation in subsequent realised return. The two observations could be reconciled by appreciating that the MCS results presented here are based on time series measurement error variance, but capturing subsequent realised return using Fama and MacBeth (1973) setting is a function of both the time series and the cross section. Moreover, as demonstrated by Lee et al. (2017), it is possible that a noisy expected return estimate would exhibit a regression statistical slope equivalent to one because the estimated coefficient does not, in fact, speak to the magnitude of the measurement error variance. Therefore, it is safe to conclude that the dividends stream reduces the measurement error variances of the estimates. In terms of ranking, the BP is followed by PE, GG, PEG, CT, KMY, FPM, GLS, GM, MPEG and FGHJ. Just like in the univariate analysis, models based on residual income (GLS) and average ICC models (FPM, KMY) have done well.

Secondly, using the RMSE and MAE as loss functions in the MCS, just like in the univariate Diebold-Mariano analysis, the PE, GLS, and BP scored the best percentages of inclusions in the confidence set. The PE modified version MPEG also reported relatively high percentages followed by the OHE portfolio-level model transformation, which does not require earnings forecasts.

Table 25: **Model Confidence Set Summary Results - Analysts Earnings Forecasts**

MEV		**RMSE**		**MAE**	
BP_Anlst	55.19%	GLS_Anlst	57.43%	PE_Anlst	59.62%
PE_Anlst	54.98%	PE_Anlst	53.89%	GLS_Anlst	58.77%
GG_Anlst	50.87%	BP_Anlst	50.92%	BP_Anlst	55.59%
PEG_Anlst	50.87%	MPEG_Anlst	49.22%	MPEG_Anlst	50.71%
CT_Anlst	50.22%	TrOHE_10Ind	46.96%	TrOHE_10Ind	50.42%
KMY_Anlst	48.38%	FGHJ_Anlst	46.46%	FGHJ_Anlst	47.67%
FPM_Anlst	47.84%	HL_Anlst	45.83%	TrETSS_Anlst _10Ind	47.24%
GLS_Anlst	47.19%	DKL_Anlst	44.20%	HL_Anlst	46.96%
GM_Anlst	46.32%	GM_Anlst	43.92%	PEG_Anlst	46.53%
MPEG_Anlst	46.32%	TrETSS_Anlst _10Ind	43.07%	DKL_Anlst	46.32%
FGHJ_Anlst	45.24%	PEG_Anlst	42.72%	CT_Anlst	45.76%
TrOHE_10Ind	43.72%	CT_Anlst	42.64%	GM_Anlst	45.69%
DKL_Anlst	43.29%	KMY_Anlst	41.51%	KMY_Anlst	43.35%
HL_Anlst	42.53%	FPM_Anlst	38.83%	FPM_Anlst	42.57%
TrETSS_Anlst _10Ind	40.04%	WNG_Anlst	35.86%	TrOHE_25SBM	38.40%
WNG_Anlst	36.90%	Naive _PT/P-1	33.59%	Naive _PT/P-1	38.33%
Naive _PT/P-1	19.70%	TPDPS_Anlst	33.10%	TPDPS_Anlst	37.55%
TrOHE_25SBM	18.83%	TrOHE_25SBM	32.67%	WNG_Anlst	34.37%
TPDPS_Anlst	17.42%	GG_Anlst	25.39%	TrETSS_Anlst _25SBM	29.07%
TrETSS_Anlst _25SBM	15.26%	TrETSS_Anlst _25SBM	25.18%	GG_Anlst	27.30%
TrES_Anlst _10Ind	9.20%	TrES_Anlst _10Ind	10.47%	TrES_Anlst _10Ind	11.67%
TrES_Anlst _25SBM	2.71%	TrES_Anlst _25SBM	4.81%	TrES_Anlst _25SBM	5.45%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE). The table reports the percentage of firms for which a specific model is included in the confidence set.

2.6.1 Mechanical Earnings Forecasts for ICC Estimation

As noted earlier, considerable literature evolved around the idea of estimating ICC models using cross-sectional mechanical forecasts of earnings instead of analysts forecasts. These mechanical models arguably help to deal with analysts forecasts biases. Mechanical models impute earnings forecasts from historical fundamentals. Therefore, I test the performance of the various ICC models estimated using mechanical earnings forecasts as described in section (2.3.3) using the Model Confidence Set with MEV, RMSE, and MAE as the loss functions.

Table (26) report the MEV pair-wise comparison between each analysts-based ICC model and its versions using the various mechanical forecasts. The table reports the difference between the mean time-series MEV, and the Diebold and Mariano (1995) p-values. Almost no model reported an improvement (i.e. lower) MEV using RW, EP or RI earnings forecasts (two exceptions are TrES_25SBM using RW forecasts and KMY using EP forecasts, however, the MEV is still very large). Using HDZ forecasts, 8 models recoded better MEVs as compared to analysts versions: GLS, FGHJ, CT, BP, TPDPS, GG, DKL, and KMY). However, the TPDPS and BP differences are not statistically significant, which could be explained by the fact that the terminal value has not changed between the versions. The models that recorded lower MEV are either residual income models (GLS, FGHJ, CT), dividend discount models (BP, TPDPS, GG), and average models (DKL, KMY). No abnormal growth in earnings benefited from using mechanical forecasts of earnings in terms of MEV.

In terms the RMSE and MAE as depicted in tables (27 and 28), three models had lower bias using HDZ forecasts (two dividends models BP and GG, and an average model KMY that contain GG estimate). The BP difference is insignificant again. RW forecasts helped two models reduce the bias (GG and TrES_25SBM). The EP and RI earnings forecasts improved the bias of GG only to report significantly lower RMSE and MAE. The only common model witnessing lower bias using mechanical estimates is the dividend discount model GG. These results are in line with the discussion in section(2.5.1). Using mechanical forecasts for dividends make the fundamentals more certain since it deals with the observations where firms pay dividends that are not in line with the firm capacity or that the ownership structure affects the dividends. The BP does not benefit as much because most of its performance is driven by the terminal value that does not change between versions.

To address the big question of whether analysts based ICC estimates are preferable to mechanical estimates more robustly, I perform the MCS out-of-sample test on each ICC model separately using analysts forecasts as well as the four mechanical models. Table (29) reports the percentage of firms for which the particular ICC model is included in the Model Confidence Set against versions of the same model using different earnings forecasts. To start, I note that in line with the previous discussion, the dividend discount models work better with mechanical estimates. The GG, for instance, scored the lowest inclusion percentages using analysts forecasts using RMSE and MAE loss functions, and lower than the HDZ version in terms of MEV loss function. The BP also reported similar results although to a lesser extent since its terminal value does not change between the versions as discussed earlier. As for the other models, the analysts' forecasts versions almost always scored better percentage of inclusions in the MCS. The exception is the PE, PEG and KMY models. For the PE, for instance, the HDZ version had better prediction ability using the full bias (RMSE, MAE) as loss functions (But not using the measurement error variance where the analysts' version remained better). PEG_HDZ scored the highest percentage of inclusion in MCS using MEV as a loss function. KMY, which is affected by the GG being one of its constituents, worked better with HDZ and EP earnings forecasts.

Table 26: **Out-of-Sample Pair-wise Comparison of MEV between ICC based on Analysts Forecasts and Mechanical Forecasts**

	HDZ	**RW**	**EP**	**RI**
GLS_Anlst	0.001	-0.061	-0.011	-0.013
	(0.000)	(0.000)	(0.000)	(0.000)
FGHJ_Anlst	0.001	-0.024	-0.013	-0.015
	(0.000)	(0.000)	(0.000)	(0.000)
CT_Anlst	0.002	-0.016	-0.017	-0.071
	(0.000)	(0.000)	(0.000)	(0.000)
BP_Anlst	0.000	-0.018	-0.007	-0.007
	(0.656)	(0.000)	(0.000)	(0.000)
TPDPS_Anlst	0.004	-0.579	-1.320	-1.295
	(0.405)	(0.000)	(0.000)	(0.000)
GG_Anlst	0.006	-0.006	-0.001	-0.003
	(0.000)	(0.000)	(0.000)	(0.079)
PE_Anlst	-0.002	-0.200	-0.029	-0.032
	(0.000)	(0.000)	(0.000)	(0.000)
MPEG_Anlst	-0.007	-0.062	-0.023	-0.031
	(0.000)	(0.000)	(0.000)	(0.000)
PEG_Anlst	-0.005	-0.028	-0.005	-0.013
	(0.000)	(0.000)	(0.000)	(0.000)
GM_Anlst	-0.004	-0.037	-0.009	-0.013
	(0.000)	(0.000)	(0.000)	(0.000)
HL_Anlst	-0.001	-0.029	-0.009	-0.018
	(0.000)	(0.000)	(0.000)	(0.000)
DKL_Anlst	0.000	-0.026	-0.006	-0.016
	(0.000)	(0.000)	(0.000)	(0.000)
KMY_Anlst	0.002	-0.022	0.004	-0.005
	(0.000)	(0.000)	(0.000)	(0.000)
FPM_Anlst	-0.004	-6.778	-2.662	-5.083
	(0.000)	(0.000)	(0.000)	(0.000)
WNG_Anlst	-1.286	-3.479	-9.886	-6.118
	(0.000)	(0.000)	(0.000)	(0.000)
TrETSS_Anlst _10Ind	-0.009	-11.321	-11.328	-11.063
	(0.000)	(0.000)	(0.000)	(0.000)
TrETSS_Anlst _25SBM	-0.048	-21.260	-31.212	-26.571
	(0.000)	(0.000)	(0.000)	(0.000)
TrES_Anlst _10Ind	-1.952	-0.659	-7.212	-6.129
	(0.000)	(0.000)	(0.000)	(0.000)
TrES_Anlst _25SBM	-94.140	2.095	-25.282	-21.304
	(0.000)	(0.000)	(0.000)	(0.000)

This table report for each ICC model the difference between the mean MEV based on analyst forecasts and mechanical forecasts (HDZ, RW, EP, RI). MEV is the measurement error variance. A full description of the ICC models used is presented in table 1. The mechanical forecasts models are detailed in section 2.3.3. The table also reports in parenthesis below each difference, the p-values based on Newey-West adjusted standard errors corresponding to the pair-wise comparisons of MEV based on Diebold and Mariano (1995) test statistic with Harvey, Leybourne, and Newbold (1997) adjustment.

Table 27: **Out-of-Sample Pair-wise Comparison of RMSE between ICC based on Analysts Forecasts and Mechanical Forecasts**

	HDZ	**RW**	**EP**	**RI**
GLS_Anlst	-0.005	-0.108	-0.073	-0.063
	(0.000)	(0.000)	(0.000)	(0.000)
FGHJ_Anlst	-0.007	-0.055	-0.076	-0.066
	(0.000)	(0.000)	(0.000)	(0.000)
CT_Anlst	-0.007	-0.045	-0.056	-0.133
	(0.000)	(0.000)	(0.000)	(0.000)
BP_Anlst	0.001	-0.028	-0.008	-0.008
	(0.332)	(0.000)	(0.000)	(0.000)
TPDPS_Anlst	-0.005	-0.325	-0.357	-0.302
	(0.025)	(0.000)	(0.000)	(0.000)
GG_Anlst	0.075	0.053	0.059	0.058
	(0.000)	(0.000)	(0.000)	(0.000)
PE_Anlst	-0.003	-0.310	-0.091	-0.077
	(0.002)	(0.000)	(0.000)	(0.000)
MPEG_Anlst	-0.029	-0.176	-0.168	-0.171
	(0.000)	(0.000)	(0.000)	(0.000)
PEG_Anlst	-0.039	-0.238	-0.184	-0.180
	(0.000)	(0.000)	(0.000)	(0.000)
GM_Anlst	-0.017	-0.119	-0.104	-0.104
	(0.000)	(0.000)	(0.000)	(0.000)
HL_Anlst	-0.013	-0.085	-0.079	-0.091
	(0.000)	(0.000)	(0.000)	(0.000)
DKL_Anlst	-0.009	-0.075	-0.060	-0.076
	(0.000)	(0.000)	(0.000)	(0.000)
KMY_Anlst	0.015	-0.048	-0.002	-0.015
	(0.000)	(0.000)	(0.874)	(0.000)
FPM_Anlst	-0.013	-4.219	-64.713	-82.823
	(0.000)	(0.000)	(0.000)	(0.000)
WNG_Anlst	-27.382	-7.355	-1.101	-18.239
	(0.000)	(0.000)	(0.000)	(0.000)
TrETSS_Anlst _10Ind	-0.022	-2.553	-2.572	-2.470
	(0.000)	(0.000)	(0.000)	(0.000)
TrETSS_Anlst _25SBM	-0.089	-3.357	-4.009	-3.422
	(0.000)	(0.000)	(0.000)	(0.000)
TrES_Anlst _10Ind	-0.744	-0.284	-1.237	-1.256
	(0.000)	(0.000)	(0.000)	(0.000)
TrES_Anlst _25SBM	-3.756	0.114	-3.343	-3.104
	(0.000)	(0.000)	(0.000)	(0.000)

This table report for each ICC model the difference between the mean RMSE based on analyst forecasts and mechanical forecasts (HDZ, RW, EP, RI). RMSE is the root mean squared error. A full description of the ICC models used is presented in table 1. The mechanical forecasts models are detailed in section 2.3.3. The table also reports in parenthesis below each difference, the p-values based on Newey-West adjusted standard errors corresponding to the pair-wise comparisons of MEV based on Diebold and Mariano (1995) test statistic with Harvey, Leybourne, and Newbold (1997) adjustment.

Table 28: **Out-of-Sample Pair-wise Comparison of MAE between ICC based on Analysts Forecasts and Mechanical Forecasts**

	HDZ	**RW**	**EP**	**RI**
GLS_Anlst	-0.005	-0.079	-0.065	-0.055
	(0.000)	(0.000)	(0.000)	(0.000)
FGHJ_Anlst	-0.007	-0.046	-0.067	-0.057
	(0.000)	(0.000)	(0.000)	(0.000)
CT_Anlst	-0.007	-0.037	-0.047	-0.105
	(0.000)	(0.000)	(0.000)	(0.000)
BP_Anlst	0.001	-0.022	-0.005	-0.006
	(0.38)	(0.000)	(0.000)	(0.000)
TPDPS_Anlst	-0.004	-0.189	-0.175	-0.142
	(0.041)	(0.000)	(0.000)	(0.000)
GG_Anlst	0.071	0.056	0.059	0.058
	(0.000)	(0.000)	(0.000)	(0.000)
PE_Anlst	-0.002	-0.247	-0.082	-0.069
	(0.034)	(0.000)	(0.000)	(0.000)
MPEG_Anlst	-0.025	-0.149	-0.150	-0.153
	(0.000)	(0.000)	(0.000)	(0.000)
PEG_Anlst	-0.037	-0.222	-0.177	-0.172
	(0.000)	(0.000)	(0.000)	(0.000)
GM_Anlst	-0.014	-0.102	-0.093	-0.094
	(0.000)	(0.000)	(0.000)	(0.000)
HL_Anlst	-0.012	-0.074	-0.071	-0.080
	(0.000)	(0.000)	(0.000)	(0.000)
DKL_Anlst	-0.008	-0.065	-0.055	-0.066
	(0.000)	(0.000)	(0.000)	(0.000)
KMY_Anlst	0.015	-0.038	-0.002	-0.013
	(0.000)	(0.000)	(0.703)	(0.000)
FPM_Anlst	-0.010	-1.295	-13.861	-15.001
	(0.000)	(0.000)	(0.000)	(0.000)
WNG_Anlst	-2.832	-6.002	-6.031	-5.286
	(0.000)	(0.000)	(0.000)	(0.000)
TrETSS_Anlst _10Ind	-0.018	-1.256	-1.260	-1.192
	(0.000)	(0.000)	(0.000)	(0.000)
TrETSS_Anlst _25SBM	-0.067	-1.723	-2.087	-1.776
	(0.000)	(0.000)	(0.000)	(0.000)
TrES_Anlst _10Ind	-0.493	-0.092	-0.800	-0.871
	(0.000)	(0.002)	(0.000)	(0.000)
TrES_Anlst _25SBM	-1.727	0.070	-2.177	-1.969
	(0.000)	(0.000)	(0.000)	(0.000)

This table report for each ICC model the difference between the mean MAE based on analyst forecasts and mechanical forecasts (HDZ, RW, EP, RI). MAE is the mean absolute error. A full description of the ICC models used is presented in table 1. The mechanical forecasts models are detailed in section 2.3.3. The table also reports in parenthesis below each difference, the p-values based on Newey-West adjusted standard errors corresponding to the pair-wise comparisons of MEV based on Diebold and Mariano (1995) test statistic with Harvey, Leybourne, and Newbold (1997) adjustment.

Table 29: **Model Confidence Set Summary Results - Mechanical vs Analysts forecasts**

MEV		**RMSE**		**MAE**	
CT_Anlst	87.61%	CT_Anlst	73.90%	CT_Anlst	75.95%
CT_HDZ	80.74%	CT_HDZ	71.78%	CT_HDZ	75.18%
CT_RW	58.90%	CT_EP	50.50%	CT_EP	52.26%
CT_EP	58.00%	CT_RW	50.35%	CT_RW	50.78%
CT_RI	38.96%	CT_RI	30.62%	CT_RI	33.73%

MEV		**RMSE**		**MAE**	
GLS_Anlst	84.59%	GLS_Anlst	72.07%	GLS_Anlst	73.97%
GLS_HDZ	80.76%	GLS_HDZ	70.58%	GLS_HDZ	73.06%
GLS_EP	67.72%	GLS_RI	42.57%	GLS_RI	46.53%
GLS_RI	67.38%	GLS_EP	40.38%	GLS_EP	43.49%
GLS_RW	43.53%	GLS_RW	31.33%	GLS_RW	33.17%

MEV		**RMSE**		**MAE**	
GM_Anlst	83.83%	GM_Anlst	80.69%	GM_Anlst	82.11%
GM_HDZ	82.73%	GM_HDZ	66.05%	GM_HDZ	68.32%
GM_EP	68.63%	GM_EP	36.00%	GM_EP	39.11%
GM_RW	56.72%	GM_RI	34.94%	GM_RI	37.69%
GM_RI	49.18%	GM_RW	29.14%	GM_RW	29.63%

MEV		**RMSE**		**MAE**	
MPEG_Anlst	85.02%	MPEG_Anlst	84.51%	MPEG_Anlst	85.50%
MPEG_HDZ	84.24%	MPEG_HDZ	61.17%	MPEG_HDZ	64.50%
MPEG_EP	63.37%	MPEG_EP	27.79%	MPEG_EP	30.27%
MPEG_RW	50.61%	MPEG_RI	26.45%	MPEG_RI	29.42%
MPEG_RI	44.84%	MPEG_RW	25.11%	MPEG_RW	27.30%

MEV		**RMSE**		**MAE**	
GG_HDZ	82.94%	GG_HDZ	79.49%	GG_HDZ	81.68%
GG_Anlst	76.45%	GG_EP	66.76%	GG_EP	68.10%
GG_RW	65.76%	GG_RI	63.79%	GG_RI	65.98%
GG_RI	60.30%	GG_RW	63.15%	GG_RW	64.78%
GG_EP	53.24%	GG_Anlst	37.13%	GG_Anlst	38.40%

MEV		**RMSE**		**MAE**	
FGHJ_Anlst	84.75%	FGHJ_Anlst	72.14%	FGHJ_Anlst	74.19%
FGHJ_HDZ	78.90%	FGHJ_HDZ	70.37%	FGHJ_HDZ	72.77%
FGHJ_EP	66.86%	FGHJ_RW	42.01%	FGHJ_RI	46.04%
FGHJ_RI	65.71%	FGHJ_RI	41.44%	FGHJ_RW	44.06%
FGHJ_RW	46.56%	FGHJ_EP	40.66%	FGHJ_EP	43.21%

MEV		**RMSE**		**MAE**	
PEG_HDZ	81.72%	PEG_Anlst	81.90%	PEG_Anlst	82.67%
PEG_Anlst	76.98%	PEG_HDZ	64.29%	PEG_HDZ	65.98%
PEG_EP	54.31%	PEG_EP	35.86%	PEG_EP	40.03%
PEG_RI	23.73%	PEG_RI	34.30%	PEG_RI	36.85%
PEG_RW	19.68%	PEG_RW	24.26%	PEG_RW	27.44%

MEV		**RMSE**		**MAE**	
TPDPS_Anlst	84.70%	TPDPS_Anlst	65.84%	TPDPS_Anlst	66.48%
TPDPS_HDZ	83.90%	TPDPS_HDZ	59.41%	TPDPS_HDZ	59.55%
TPDPS_RI	74.30%	TPDPS_RI	44.06%	TPDPS_RI	44.91%
TPDPS_EP	67.40%	TPDPS_RW	40.74%	TPDPS_EP	40.17%
TPDPS_RW	63.80%	TPDPS_EP	40.24%	TPDPS_RW	39.25%

MEV		**RMSE**		**MAE**	
PE_Anlst	88.27%	PE_HDZ	73.62%	PE_HDZ	75.46%
PE_HDZ	81.83%	PE_Anlst	70.30%	PE_Anlst	72.42%
PE_RI	71.03%	PE_RI	43.07%	PE_RI	46.96%
PE_EP	69.16%	PE_EP	36.78%	PE_EP	40.74%
PE_RW	50.57%	PE_RW	12.09%	PE_RW	14.00%

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On a different question, how does the ICC models do against each other given a particular mechanical forecasts of earnings. Tables (30),(31),(32) and (33) report the out-of-sample MCS results using HDZ, RW, EP, and RI forecasts respectively. These tables should be viewed in conjunction with table (25) to compare the relative ranking of the ICC models. Several observations could be noted. First, dividend discount models BP and GG performed very well using mechanical forecasts (especially RI and RW) regardless of the loss function deployed. The relatively high MEV of the GG made its percentage of inclusion lower in some cases, especially using EP forecasts. Secondly, except when using RW forecasts, the PE and GLS also reported a relatively high percentage of inclusions.

As compared to the results based on analysts forecasts, the mechanical forecasts did not consistently improve the percentage of inclusions in the MCS in terms of bias or measurement error variance for any particular model except the BP. Specifically, RI forecasts increased the percentages of inclusions across all loss functions for BP, GG, and TPDPS. GLS, FGHJ, and PE only improved the percentages related to measurement error variance. The EP forecasts only benefited BP across all loss functions. GG and KMY reported higher percentages of inclusions only in terms of biases (RMSE and MAE). GLS, FGHJ and TPDPS measurement error variance percentages were better than reported using analysts forecasts but not using RMSE and MAE as loss functions. The RW forecasts are different since it deals mostly with the bias but not with the measurement error variance. Except for the BP, no model had better percentages of inclusion in MCS using RW as compared to analysts forecasts. In fact, the drop in the percentages is extremely noticeable. For instance, the GLS lost 26% of the firms for which it was included in the MCS using analysts forecasts, despite the fact that it benefited from other mechanical models using MEV as a loss function. Finally, HDZ forecasts benefited more models than any of the other mechanical forecasts. In terms of measurement error variance related percentages of inclusion in MCS, the BP, FGHJ, FPM, GG, GLS, GM, HL, MPEG, PEG, TPDPS, and the transformed ES using 25 Size-B/M portfolios reported higher percentages than those reported using analysts forecasts. The BP, CT, FGHJ, GG, KMY, PE, TPDPS, and TrES_HDZ_25SBM reported higher percentages using RMSE and MAE as loss functions.

Table 29: **Model Confidence Set Summary Results - Mechanical vs Analysts forecasts**

MEV		RMSE		MAE	
HL_Anlst	85.42%	HL_Anlst	79.70%	HL_Anlst	80.91%
HL_HDZ	82.51%	HL_HDZ	69.09%	HL_HDZ	71.43%
HL_EP	69.76%	HL_EP	42.29%	HL_EP	45.47%
HL_RI	48.06%	HL_RI	36.42%	HL_RI	39.32%
HL_RW	47.41%	HL_RW	29.63%	HL_RW	33.03%
MEV		**RMSE**		**MAE**	
DKL_Anlst	87.18%	DKL_Anlst	76.38%	DKL_Anlst	78.78%
DKL_HDZ	82.44%	DKL_HDZ	71.57%	DKL_HDZ	73.83%
DKL_EP	69.61%	DKL_EP	45.19%	DKL_EP	49.29%
DKL_RI	52.26%	DKL_RI	38.40%	DKL_RI	42.79%
DKL_RW	48.92%	DKL_RW	31.97%	DKL_RW	35.22%
MEV		**RMSE**		**MAE**	
BP_Anlst	79.45%	BP_EP	71.00%	BP_EP	71.85%
BP_RW	77.16%	BP_HDZ	56.72%	BP_HDZ	59.83%
BP_HDZ	76.61%	BP_RI	52.62%	BP_RI	57.21%
BP_RI	71.69%	BP_Anlst	51.13%	BP_Anlst	56.36%
BP_EP	69.95%	BP_RW	38.40%	BP_RW	40.66%
MEV		**RMSE**		**MAE**	
KMY_HDZ	80.69%	KMY_HDZ	80.48%	KMY_HDZ	82.53%
KMY_Anlst	79.50%	KMY_EP	61.81%	KMY_EP	63.30%
KMY_EP	67.75%	KMY_Anlst	56.51%	KMY_Anlst	59.34%
KMY_RI	54.80%	KMY_RI	50.07%	KMY_RI	53.96%
KMY_RW	53.40%	KMY_RW	34.09%	KMY_RW	39.11%
MEV		**RMSE**		**MAE**	
FPM_Anlst	92.09%	FPM_Anlst	88.12%	FPM_Anlst	88.40%
FPM_HDZ	85.86%	FPM_HDZ	77.44%	FPM_HDZ	77.65%
FPM_RI	62.91%	FPM_RI	54.03%	FPM_RI	41.02%
FPM_EP	61.52%	FPM_EP	52.90%	FPM_RW	39.32%
FPM_RW	60.04%	FPM_RW	52.12%	FPM_EP	37.13%
MEV		**RMSE**		**MAE**	
TrES_Anlst _25SBM	75.45%	TrES_Anlst _25SBM	81.47%	TrES_Anlst _25SBM	79.84%
TrES_RW_25SBM	65.45%	TrES_RW_25SBM	71.57%	TrES_RW_25SBM	71.92%
TrES_HDZ_25SBM	57.27%	TrES_HDZ_25SBM	64.78%	TrES_HDZ_25SBM	63.86%
TrES_RI_25SBM	12.83%	TrES_RI_25SBM	24.33%	TrES_RI_25SBM	14.50%
TrES_EP_25SBM	10.30%	TrES_EP_25SBM	21.57%	TrES_EP_25SBM	14.29%
MEV		**RMSE**		**MAE**	
TrETSS_Anlst _25SBM	94.40%	TrETSS_Anlst _25SBM	93.07%	TrETSS_Anlst _25SBM	92.79%
TrETSS_HDZ_25SBM	69.86%	TrETSS_HDZ_25SBM	73.20%	TrETSS_HDZ_25SBM	71.43%
TrETSS_RI_25SBM	47.15%	TrETSS_RW_25SBM	33.95%	TrETSS_RI_25SBM	21.57%
TrETSS_RW_25SBM	44.70%	TrETSS_RI_25SBM	32.67%	TrETSS_RW_25SBM	20.01%
TrETSS_EP_25SBM	43.99%	TrETSS_EP_25SBM	27.58%	TrETSS_EP_25SBM	14.14%
MEV		**RMSE**		**MAE**	
TrES_Anlst _10Ind	93.46%	TrES_Anlst _10Ind	89.60%	TrES_Anlst _10Ind	87.20%
TrES_RW_10Ind	52.62%	TrES_RW_10Ind	63.44%	TrES_RW_10Ind	66.83%
TrES_HDZ_10Ind	28.07%	TrES_HDZ_10Ind	29.84%	TrES_HDZ_10Ind	29.21%
TrES_EP_10Ind	20.82%	TrES_EP_10Ind	26.38%	TrES_EP_10Ind	23.90%
TrES_RI_10Ind	19.32%	TrES_RI_10Ind	17.47%	TrES_RI_10Ind	11.03%
MEV		**RMSE**		**MAE**	
TrETSS_Anlst _10Ind	94.12%	TrETSS_Anlst _10Ind	86.21%	TrETSS_Anlst _10Ind	86.56%
TrETSS_HDZ_10Ind	81.11%	TrETSS_HDZ_10Ind	70.16%	TrETSS_HDZ_10Ind	70.65%
TrETSS_RW_10Ind	61.61%	TrETSS_EP_10Ind	27.37%	TrETSS_RI_10Ind	20.08%
TrETSS_EP_10Ind	60.06%	TrETSS_RI_10Ind	26.94%	TrETSS_EP_10Ind	18.32%
TrETSS_RI_10Ind	56.55%	TrETSS_RW_10Ind	25.74%	TrETSS_RW_10Ind	17.61%
MEV		**RMSE**		**MAE**	
WNG_Anlst	86.13%	WNG_Anlst	84.09%	WNG_Anlst	84.51%
WNG_HDZ	83.22%	WNG_HDZ	60.18%	WNG_HDZ	61.24%
WNG_EP	55.34%	WNG_EP	33.88%	WNG_EP	27.23%
WNG_RI	54.23%	WNG_RI	31.12%	WNG_RW	21.92%
WNG_RW	49.24%	WNG_RW	28.93%	WNG_RI	21.57%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE). The table reports the percentage of firms for which a specific model is included in the confidence set.

Table 30: **Model Confidence Set Summary Results - HDZ Earnings Forecasts**

MEV		RMSE		MAE	
PEG_HDZ	57.14%	PE_HDZ	57.92%	PE_HDZ	62.94%
GM_HDZ	56.66%	BP_HDZ	54.88%	BP_HDZ	59.76%
BP_HDZ	56.66%	GLS_HDZ	54.67%	GLS_HDZ	55.87%
MPEG_HDZ	54.50%	GG_HDZ	51.41%	GG_HDZ	54.81%
PE_HDZ	54.38%	FGHJ_HDZ	47.81%	FGHJ_HDZ	49.29%
GG_HDZ	51.14%	CT_HDZ	45.97%	CT_HDZ	48.09%
FPM_HDZ	49.10%	DKL_HDZ	42.50%	KMY_HDZ	44.34%
GLS_HDZ	48.02%	KMY_HDZ	41.80%	DKL_HDZ	43.85%
FGHJ_HDZ	46.82%	HL_HDZ	39.75%	TrETSS_HDZ_10Ind	42.15%
HL_HDZ	45.14%	TrETSS_HDZ_10Ind	38.19%	HL_HDZ	41.94%
KMY_HDZ	45.14%	MPEG_HDZ	38.12%	MPEG_HDZ	41.02%
CT_HDZ	43.70%	TPDPS_HDZ	36.28%	TPDPS_HDZ	40.66%
DKL_HDZ	41.54%	GM_HDZ	35.71%	GM_HDZ	38.83%
WNG_HDZ	32.53%	FPM_HDZ	35.29%	FPM_HDZ	37.69%
TrETSS_HDZ_10Ind	31.33%	PEG_HDZ	32.81%	PEG_HDZ	35.86%
TPDPS_HDZ	19.45%	WNG_HDZ	23.13%	TrETSS_HDZ_25SBM	25.32%
TrETSS_HDZ_25SBM	14.41%	TrETSS_HDZ_25SBM	21.29%	WNG_HDZ	25.25%
TrES_HDZ_25SBM	2.76%	TrES_HDZ_25SBM	7.85%	TrES_HDZ_25SBM	7.36%
TrES_HDZ_10Ind	2.04%	TrES_HDZ_10Ind	5.16%	TrES_HDZ_10Ind	4.95%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE). The table reports the percentage of firms for which a specific model is included in the confidence set.

Table 31: **Model Confidence Set Summary Results - RW Earnings Forecasts**

MEV		RMSE		MAE	
BP_RW	75.38%	BP_RW	69.38%	GG_RW	72.14%
GG_RW	48.40%	GG_RW	69.02%	BP_RW	70.72%
KMY_RW	48.06%	CT_RW	54.88%	CT_RW	55.80%
GM_RW	32.88%	FGHJ_RW	46.75%	FGHJ_RW	49.08%
CT_RW	29.01%	KMY_RW	43.42%	KMY_RW	44.55%
FGHJ_RW	28.33%	DKL_RW	37.91%	GLS_RW	38.76%
HL_RW	27.66%	GLS_RW	36.56%	DKL_RW	37.69%
DKL_RW	26.14%	HL_RW	31.05%	GM_RW	32.25%
GLS_RW	20.57%	GM_RW	30.98%	HL_RW	30.98%
MPEG_RW	20.07%	TPDPS_RW	24.26%	TPDPS_RW	26.73%
PE_RW	13.49%	MPEG_RW	21.71%	PEG_RW	23.06%
TPDPS_RW	13.49%	PEG_RW	21.07%	MPEG_RW	22.98%
PEG_RW	12.65%	TrES_RW_10Ind	16.55%	TrES_RW_10Ind	18.53%
WNG_RW	3.88%	PE_RW	14.29%	PE_RW	14.29%
TrETSS_RW_10Ind	3.71%	TrETSS_RW_10Ind	12.52%	TrETSS_RW_10Ind	12.52%
TrES_RW_10Ind	3.20%	TrETSS_RW_25SBM	8.70%	TrETSS_RW_25SBM	7.64%
TrETSS_RW_25SBM	2.87%	TrES_RW_25SBM	6.58%	TrES_RW_25SBM	7.00%
FPM_RW	1.52%	WNG_RW	5.73%	FPM_RW	5.37%
TrES_RW_25SBM	0.67%	FPM_RW	5.45%	WNG_RW	3.54%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE). The table reports the percentage of firms for which a specific model is included in the confidence set.

Table 32: **Model Confidence Set Summary Results - EP Earnings Forecasts**

MEV		RMSE		MAE	
BP_EP	72.45%	BP_EP	66.05%	BP_EP	69.24%
PE_EP	54.57%	GG_EP	57.00%	GG_EP	58.91%
FGHJ_EP	49.14%	KMY_EP	51.27%	KMY_EP	53.47%
GLS_EP	48.48%	CT_EP	42.57%	CT_EP	45.05%
GM_EP	46.89%	PE_EP	38.68%	PE_EP	42.29%
DKL_EP	42.12%	GLS_EP	35.43%	GLS_EP	37.62%
HL_EP	41.32%	DKL_EP	33.52%	DKL_EP	36.49%
KMY_EP	41.06%	FGHJ_EP	29.77%	TPDPS_EP	33.10%
MPEG_EP	39.07%	TPDPS_EP	29.00%	FGHJ_EP	32.89%
PEG_EP	33.51%	HL_EP	23.41%	GM_EP	28.15%
GG_EP	31.13%	GM_EP	23.27%	HL_EP	26.80%
CT_EP	28.21%	PEG_EP	20.30%	PEG_EP	24.89%
TPDPS_EP	20.40%	MPEG_EP	15.42%	MPEG_EP	17.40%
TrETSS_EP_10Ind	11.13%	TrETSS_EP_10Ind	8.49%	TrETSS_EP_10Ind	9.12%
FPM_EP	7.42%	TrES_EP_10Ind	4.38%	TrES_EP_10Ind	5.23%
TrETSS_EP_25SBM	6.49%	FPM_EP	3.96%	FPM_EP	4.31%
WNG_EP	1.99%	TrETSS_EP_25SBM	3.54%	TrETSS_EP_25SBM	3.96%
TrES_EP_10Ind	1.85%	WNG_EP	2.26%	WNG_EP	2.26%
TrES_EP_25SBM	0.66%	TrES_EP_25SBM	1.27%	TrES_EP_25SBM	0.92%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE). The table reports the percentage of firms for which a specific model is included in the confidence set.

Table 33: **Model Confidence Set Summary Results - RI Earnings Forecasts**

MEV		RMSE		MAE	
BP_RI	76.70%	BP_RI	69.73%	BP_RI	71.43%
PE_RI	57.12%	GG_RI	57.92%	GG_RI	60.11%
GG_RI	53.53%	PE_RI	44.77%	KMY_RI	47.10%
FGHJ_RI	49.00%	KMY_RI	44.70%	PE_RI	45.69%
GLS_RI	48.87%	GLS_RI	40.31%	GLS_RI	44.20%
KMY_RI	38.88%	TPDPS_RI	36.49%	TPDPS_RI	39.18%
GM_RI	29.16%	FGHJ_RI	35.57%	FGHJ_RI	38.83%
DKL_RI	24.10%	DKL_RI	28.71%	DKL_RI	30.69%
TPDPS_RI	21.97%	GM_RI	24.96%	GM_RI	27.51%
MPEG_RI	19.84%	CT_RI	24.33%	CT_RI	26.80%
HL_RI	19.84%	HL_RI	22.98%	HL_RI	25.67%
PEG_RI	14.65%	PEG_RI	22.07%	PEG_RI	25.11%
CT_RI	11.19%	MPEG_RI	16.27%	MPEG_RI	18.10%
TrETSS_RI_10Ind	6.52%	TrETSS_RI_10Ind	10.04%	TrETSS_RI_10Ind	12.09%
FPM_RI	3.60%	FPM_RI	7.64%	FPM_RI	8.42%
TrETSS_RI_25SBM	2.66%	TrETSS_RI_25SBM	6.36%	TrETSS_RI_25SBM	7.28%
WNG_RI	1.73%	WNG_RI	2.90%	WNG_RI	2.76%
TrES_RI_10Ind	1.07%	TrES_RI_10Ind	2.62%	TrES_RI_10Ind	2.33%
TrES_RI_25SBM	0.40%	TrES_RI_25SBM	1.49%	TrES_RI_25SBM	0.64%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE). The table reports the percentage of firms for which a specific model is included in the confidence set.

2.6.2 Calibrating ICC Estimates Using Risk Factors

I test ICC estimates using MCS after subjecting the ICC estimates to Fitzgerald et al. (2013) estimation error correction by using the fitted values from regressing the expected return estimates from a particular ICC model on common risk factors. I perform the calibration in the cross-section every month to ensure that the fitted values are independent of the relationship between the expected return and the risk factors, and between realised returns and the risk factors in every other period. I use the same risk factor used by Fitzgerald et al. (2013): Leverage, Size, book-to-market ratio, earning variability as predicted by the standard deviation in analysts EPS forecasts, market beta, the beta standard error, target-to-market price ratio, 12 months momentum factor, book value per share, and the firm long-term growth rate. I restrict the analysis here to the models that yield firm-level estimates without transformations, since the transformations themselves use firm-level risk characteristics factors.

To address the question of whether ICC estimates should be calibrated, I perform the MCS out-of-sample test on each ICC model separately using analysts and mechanical forecasts as well as calibrated versions of these estimates. Table (34) reports the percentage of firms for which the particular ICC model is included in the Model Confidence Set against versions of the same model using different earnings forecasts and calibrated versions. A general observation is that in most of the models, versions using analysts forecasts (calibrated or not calibrated) have better percentages of inclusions in the respective model's confidence sets than versions using mechanical forecasts in all three loss functions settings. Among the exceptions is the better performance of dividend discount models using mechanical models, which is in line with previous testing results. The GG for instance (as well as the KMY which have the GG as one of its constituents) work best in both calibrated and no-calibrated settings using HDZ forecasts, and the BP exhibit better biases with the EP forecasts. The TPDPS does not benefit as much as the GG and BP from the mechanical estimates due to the fact that only 1 period dividend forecast is used. Some models like the CT and PEG benefit from the mechanical versions either in terms of bias or measurement error variance.

Specifically addressing the calibration benefit, the evidence suggests that most of the model's versions work better with calibration. Considering the analysts' based models for instance, all calibrated versions ranked better than non-calibrated versions either based on measurement error variance or bias except the Naive and TPDPS. The latter two models share are almost entirely dependent on target price.

Table 34: **Model Confidence Set Summary Results - Calibrated Estimates**

MEV		**RMSE**		**MAE**	
CT_Anlst _Clbrtd	73.60%	CT_HDZ	63.79%	CT_HDZ	65.35%
CT_HDZ_Clbrtd	71.86%	CT_HDZ_Clbrtd	63.30%	CT_Anlst _Clbrtd	64.78%
CT_Anlst	71.40%	CT_Anlst _Clbrtd	62.94%	CT_HDZ_Clbrtd	64.29%
CT_HDZ	63.26%	CT_Anlst	62.59%	CT_Anlst	62.87%
CT_EP_Clbrtd	54.42%	CT_EP	43.78%	CT_EP	44.20%
CT_RI_Clbrtd	48.37%	CT_RW	42.43%	CT_RW	43.49%
CT_RW	41.98%	CT_EP_Clbrtd	41.02%	CT_EP_Clbrtd	40.66%
CT_EP	41.51%	CT_RI_Clbrtd	30.91%	CT_RI_Clbrtd	29.77%
CT_RI	28.72%	CT_RI	26.80%	CT_RI	28.08%
CT_RW_Clbrtd	24.77%	CT_RW_Clbrtd	24.05%	CT_RW_Clbrtd	21.71%
MEV		**RMSE**		**MAE**	
GLS_Anlst _Clbrtd	73.58%	GLS_HDZ	65.06%	GLS_Anlst	68.39%
GLS_Anlst	69.48%	GLS_Anlst	64.07%	GLS_HDZ	68.18%
GLS_HDZ	66.40%	GLS_Anlst _Clbrtd	62.59%	GLS_Anlst _Clbrtd	64.64%
GLS_HDZ_Clbrtd	64.58%	GLS_HDZ_Clbrtd	53.47%	GLS_HDZ_Clbrtd	54.81%
GLS_EP	52.96%	GLS_RI	38.90%	GLS_RI	42.64%
GLS_RI	50.91%	GLS_EP	36.85%	GLS_EP	39.46%
GLS_EP_Clbrtd	49.54%	GLS_RI_Clbrtd	30.34%	GLS_RI_Clbrtd	32.04%
GLS_RI_Clbrtd	48.41%	GLS_RW	28.15%	GLS_EP_Clbrtd	31.54%
GLS_RW_Clbrtd	43.74%	GLS_EP_Clbrtd	28.08%	GLS_RW	29.77%
GLS_RW	26.88%	GLS_RW_Clbrtd	23.62%	GLS_RW_Clbrtd	23.06%
MEV		**RMSE**		**MAE**	
GM_Anlst _Clbrtd	70.68%	GM_Anlst _Clbrtd	71.07%	GM_Anlst _Clbrtd	73.20%
GM_Anlst	70.57%	GM_Anlst	68.39%	GM_Anlst	70.30%
GM_HDZ	69.58%	GM_HDZ_Clbrtd	59.12%	GM_HDZ_Clbrtd	62.66%
GM_HDZ_Clbrtd	61.38%	GM_HDZ	56.58%	GM_HDZ	61.03%
GM_EP_Clbrtd	57.11%	GM_EP	30.34%	GM_EP	34.65%
GM_EP	50.11%	GM_RI	29.21%	GM_RI	32.81%
GM_RW	41.25%	GM_RW	23.41%	GM_RW	25.67%
GM_RI_Clbrtd	38.07%	GM_EP_Clbrtd	20.93%	GM_RI_Clbrtd	25.04%
GM_RI	34.35%	GM_RI_Clbrtd	17.82%	GM_EP_Clbrtd	23.69%
GM_RW_Clbrtd	22.32%	GM_RW_Clbrtd	12.52%	GM_RW_Clbrtd	13.51%
MEV		**RMSE**		**MAE**	
MPEG_Anlst _Clbrtd	71.03%	MPEG_Anlst _Clbrtd	74.19%	MPEG_Anlst _Clbrtd	76.10%
MPEG_HDZ	69.37%	MPEG_Anlst	69.52%	MPEG_Anlst	71.92%
MPEG_Anlst	68.37%	MPEG_HDZ_Clbrtd	54.95%	MPEG_HDZ_Clbrtd	59.05%
MPEG_HDZ_Clbrtd	64.93%	MPEG_HDZ	52.40%	MPEG_HDZ	54.88%
MPEG_EP_Clbrtd	56.60%	MPEG_RI	22.35%	MPEG_EP	24.33%
MPEG_EP	47.17%	MPEG_EP	20.79%	MPEG_RI	24.05%
MPEG_RW	37.29%	MPEG_RW	18.81%	MPEG_RW	21.57%
MPEG_RI_Clbrtd	32.63%	MPEG_RI_Clbrtd	14.21%	MPEG_RI_Clbrtd	17.68%
MPEG_RI	30.08%	MPEG_EP_Clbrtd	13.51%	MPEG_EP_Clbrtd	15.56%
MPEG_RW_Clbrtd	14.43%	MPEG_RW_Clbrtd	9.62%	MPEG_RW_Clbrtd	11.32%
MEV		**RMSE**		**MAE**	
GG_HDZ_Clbrtd	74.02%	GG_HDZ	69.52%	GG_HDZ	73.06%
GG_HDZ	69.49%	GG_HDZ_Clbrtd	67.11%	GG_HDZ_Clbrtd	70.51%
GG_Anlst _Clbrtd	68.77%	GG_EP_Clbrtd	60.11%	GG_EP_Clbrtd	64.29%
GG_Anlst	64.12%	GG_EP	59.83%	GG_EP	63.22%
GG_RW	51.01%	GG_RI	57.71%	GG_RI	59.90%
GG_RI	47.08%	GG_RW	56.93%	GG_RW	59.05%
GG_RI_Clbrtd	43.27%	GG_RI_Clbrtd	51.34%	GG_RI_Clbrtd	56.08%
GG_EP	37.78%	GG_RW_Clbrtd	41.23%	GG_RW_Clbrtd	45.19%
GG_EP_Clbrtd	34.33%	GG_Anlst	32.18%	GG_Anlst	32.53%
GG_RW_Clbrtd	22.41%	GG_Anlst _Clbrtd	29.99%	GG_Anlst _Clbrtd	30.76%

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Table 34: **Model Confidence Set Summary Results - Calibrated Estimates**

MEV		**RMSE**		**MAE**	
FGHJ_Anlst _Clbrtd	69.99%	FGHJ_HDZ	64.78%	FGHJ_Anlst	67.40%
FGHJ_Anlst	66.71%	FGHJ_Anlst	63.58%	FGHJ_HDZ	66.83%
FGHJ_HDZ_Clbrtd	65.61%	FGHJ_Anlst _Clbrtd	61.53%	FGHJ_Anlst _Clbrtd	63.72%
FGHJ_HDZ	63.55%	FGHJ_HDZ_Clbrtd	51.91%	FGHJ_HDZ_Clbrtd	54.10%
FGHJ_EP_Clbrtd	58.08%	FGHJ_RW_Clbrtd	43.78%	FGHJ_RW_Clbrtd	47.31%
FGHJ_RI_Clbrtd	54.07%	FGHJ_RI	36.85%	FGHJ_RI	41.65%
FGHJ_EP	50.43%	FGHJ_EP	36.42%	FGHJ_RW	39.60%
FGHJ_RI	48.60%	FGHJ_RW	35.79%	FGHJ_EP	39.18%
FGHJ_RW_Clbrtd	34.02%	FGHJ_EP_Clbrtd	28.15%	FGHJ_EP_Clbrtd	32.11%
FGHJ_RW	31.23%	FGHJ_RI_Clbrtd	25.81%	FGHJ_RI_Clbrtd	30.13%

MEV		**RMSE**		**MAE**	
PEG_HDZ_Clbrtd	67.20%	PEG_Anlst _Clbrtd	73.27%	PEG_Anlst _Clbrtd	75.46%
PEG_HDZ	59.08%	PEG_Anlst	67.75%	PEG_Anlst	69.80%
PEG_Anlst _Clbrtd	54.32%	PEG_HDZ_Clbrtd	56.08%	PEG_HDZ_Clbrtd	59.34%
PEG_Anlst	51.85%	PEG_HDZ	53.68%	PEG_HDZ	56.86%
PEG_EP_Clbrtd	39.33%	PEG_EP	30.20%	PEG_EP	34.37%
PEG_EP	32.80%	PEG_RI	28.29%	PEG_EP_Clbrtd	32.11%
PEG_RI	13.05%	PEG_EP_Clbrtd	27.44%	PEG_RI	31.54%
PEG_RI_Clbrtd	12.52%	PEG_RI_Clbrtd	25.81%	PEG_RI_Clbrtd	30.76%
PEG_RW_Clbrtd	11.82%	PEG_RW	18.53%	PEG_RW	22.42%
PEG_RW	9.17%	PEG_RW_Clbrtd	17.04%	PEG_RW_Clbrtd	19.66%

MEV		**RMSE**		**MAE**	
PE_Anlst	70.17%	PE_HDZ	63.08%	PE_HDZ	67.11%
PE_Anlst _Clbrtd	70.17%	PE_Anlst _Clbrtd	61.24%	PE_Anlst _Clbrtd	64.78%
PE_HDZ_Clbrtd	66.74%	PE_HDZ_Clbrtd	61.24%	PE_Anlst	63.30%
PE_HDZ	63.93%	PE_Anlst	58.63%	PE_HDZ_Clbrtd	61.53%
PE_EP_Clbrtd	63.51%	PE_RI	38.47%	PE_RI	42.36%
PE_RI_Clbrtd	63.20%	PE_EP	31.47%	PE_EP	34.65%
PE_RI	55.51%	PE_RI_Clbrtd	31.05%	PE_RI_Clbrtd	33.59%
PE_EP	53.85%	PE_EP_Clbrtd	28.43%	PE_EP_Clbrtd	31.19%
PE_RW_Clbrtd	33.37%	PE_RW	8.91%	PE_RW	10.96%
PE_RW	31.39%	PE_RW_Clbrtd	7.00%	PE_RW_Clbrtd	8.49%

MEV		**RMSE**		**MAE**	
Naive	94.04%	Naive	95.12%	Naive	95.05%
r_Clbrtd	76.07%	r_Clbrtd	92.07%	r_Clbrtd	92.21%

MEV		**RMSE**		**MAE**	
TPDPS_Anlst	79.66%	TPDPS_Anlst	62.09%	TPDPS_Anlst	63.04%
TPDPS_HDZ	79.16%	TPDPS_HDZ	59.31%	TPDPS_HDZ	60.41%
TPDPS_RI	66.93%	TPDPS_Anlst_Clbrtd	58.88%	TPDPS_Anlst_Clbrtd	59.24%
TPDPS_Anlst_Clbrtd	58.72%	TPDPS_HDZ_Clbrtd	53.25%	TPDPS_HDZ_Clbrtd	53.83%
TPDPS_HDZ_Clbrtd	58.62%	TPDPS_RI	42.07%	TPDPS_RI	42.29%
TPDPS_EP	58.42%	TPDPS_EP	39.15%	TPDPS_EP	38.57%
TPDPS_RW	53.01%	TPDPS_RW	37.03%	TPDPS_RW	34.26%
TPDPS_RI_Clbrtd	42.89%	TPDPS_RW_Clbrtd	31.12%	TPDPS_RI_Clbrtd	29.36%
TPDPS_RW_Clbrtd	35.77%	TPDPS_RI_Clbrtd	29.95%	TPDPS_RW_Clbrtd	27.39%
TPDPS_EP_Clbrtd	35.17%	TPDPS_EP_Clbrtd	25.35%	TPDPS_EP_Clbrtd	22.79%

MEV		**RMSE**		**MAE**	
HL_Anlst _Clbrtd	72.19%	HL_Anlst _Clbrtd	70.16%	HL_Anlst _Clbrtd	73.55%
HL_Anlst	69.25%	HL_Anlst	67.04%	HL_Anlst	70.44%
HL_HDZ	66.41%	HL_HDZ	61.67%	HL_HDZ	64.07%
HL_HDZ_Clbrtd	62.92%	HL_HDZ_Clbrtd	56.15%	HL_HDZ_Clbrtd	59.34%
HL_EP_Clbrtd	59.43%	HL_EP	36.85%	HL_EP	39.25%
HL_EP	54.31%	HL_RI	30.91%	HL_RI	34.30%
HL_RW_Clbrtd	45.26%	HL_RI_Clbrtd	27.44%	HL_RI_Clbrtd	29.99%
HL_RI_Clbrtd	35.66%	HL_EP_Clbrtd	26.73%	HL_EP_Clbrtd	29.14%
HL_RI	33.91%	HL_RW_Clbrtd	25.32%	HL_RW	28.22%
HL_RW	32.72%	HL_RW	24.68%	HL_RW_Clbrtd	27.16%

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Table 34: **Model Confidence Set Summary Results - Calibrated Estimates**

MEV		**RMSE**		**MAE**	
DKL_Anlst _Clbrtd	74.16%	DKL_Anlst _Clbrtd	66.62%	DKL_Anlst _Clbrtd	70.30%
DKL_Anlst	71.55%	DKL_Anlst	65.35%	DKL_Anlst	68.74%
DKL_HDZ	66.78%	DKL_HDZ	64.29%	DKL_HDZ	67.40%
DKL_HDZ_Clbrtd	65.15%	DKL_HDZ_Clbrtd	56.79%	DKL_HDZ_Clbrtd	60.54%
DKL_EP_Clbrtd	60.15%	DKL_EP	40.03%	DKL_EP	43.71%
DKL_EP	53.85%	DKL_RI	34.02%	DKL_RI	37.69%
DKL_RW_Clbrtd	45.82%	DKL_EP_Clbrtd	32.11%	DKL_EP_Clbrtd	34.30%
DKL_RI_Clbrtd	44.30%	DKL_RI_Clbrtd	31.05%	DKL_RI_Clbrtd	33.52%
DKL_RI	37.46%	DKL_RW	28.01%	DKL_RW	29.49%
DKL_RW	33.12%	DKL_RW_Clbrtd	26.24%	DKL_RW_Clbrtd	27.51%
MEV		**RMSE**		**MAE**	
BP_Anlst _Clbrtd	63.96%	BP_EP	65.35%	BP_EP	67.19%
BP_RW_Clbrtd	61.87%	BP_EP_Clbrtd	58.20%	BP_EP_Clbrtd	60.33%
BP_RI_Clbrtd	60.33%	BP_HDZ	52.83%	BP_Anlst _Clbrtd	55.94%
BP_HDZ_Clbrtd	59.89%	BP_Anlst _Clbrtd	51.34%	BP_HDZ	55.45%
BP_EP_Clbrtd	59.45%	BP_RI_Clbrtd	51.20%	BP_RI	54.95%
BP_RW	55.16%	BP_RI	50.99%	BP_RI_Clbrtd	52.40%
BP_Anlst	53.41%	BP_Anlst	48.30%	BP_Anlst	51.91%
BP_RI	51.87%	BP_HDZ_Clbrtd	46.68%	BP_HDZ_Clbrtd	51.20%
BP_HDZ	51.65%	BP_RW_Clbrtd	38.61%	BP_RW_Clbrtd	40.24%
BP_EP	51.32%	BP_RW	33.73%	BP_RW	35.43%
MEV		**RMSE**		**MAE**	
KMY_Anlst _Clbrtd	67.51%	KMY_HDZ	70.08%	KMY_HDZ	72.77%
KMY_HDZ	66.41%	KMY_HDZ_Clbrtd	66.12%	KMY_HDZ_Clbrtd	70.37%
KMY_Anlst	66.08%	KMY_EP	54.46%	KMY_EP	57.00%
KMY_HDZ_Clbrtd	61.49%	KMY_Anlst _Clbrtd	52.62%	KMY_Anlst _Clbrtd	56.44%
KMY_EP_Clbrtd	57.99%	KMY_Anlst	46.04%	KMY_Anlst	48.87%
KMY_EP	49.12%	KMY_RI	43.71%	KMY_RI	46.96%
KMY_RW_Clbrtd	48.58%	KMY_EP_Clbrtd	41.87%	KMY_EP_Clbrtd	42.93%
KMY_RI_Clbrtd	40.48%	KMY_RI_Clbrtd	37.91%	KMY_RI_Clbrtd	40.45%
KMY_RI	40.37%	KMY_RW	29.21%	KMY_RW	32.53%
KMY_RW	37.75%	KMY_RW_Clbrtd	28.93%	KMY_RW_Clbrtd	31.26%
MEV		**RMSE**		**MAE**	
FPM_Anlst _Clbrtd	81.80%	FPM_Anlst	79.00%	FPM_Anlst	78.57%
FPM_Anlst	79.10%	FPM_Anlst _Clbrtd	75.39%	FPM_Anlst _Clbrtd	75.11%
FPM_HDZ_Clbrtd	76.40%	FPM_HDZ	71.00%	FPM_HDZ	70.51%
FPM_HDZ	73.90%	FPM_HDZ_Clbrtd	64.92%	FPM_HDZ_Clbrtd	63.51%
FPM_RI	45.10%	FPM_RI_Clbrtd	48.51%	FPM_RW	34.16%
FPM_RI_Clbrtd	44.10%	FPM_RI	46.96%	FPM_RI	34.02%
FPM_RW_Clbrtd	43.80%	FPM_EP	46.25%	FPM_RI_Clbrtd	34.02%
FPM_EP	43.60%	FPM_EP_Clbrtd	45.90%	FPM_EP	31.26%
FPM_RW	43.40%	FPM_RW_Clbrtd	44.77%	FPM_EP_Clbrtd	30.69%
FPM_EP_Clbrtd	43.30%	FPM_RW	44.70%	FPM_RW_Clbrtd	29.77%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE). The table reports the percentage of firms for which a specific model is included in the confidence set.

2.6.3 The New Model:FCF

In this subsection, I test the new model that is based on free cash flow to the firm against the other models in terms of its percentage of firms for which it gets included in the model confidence set that is penalizing the models for bias (MAE and RMSE) and measurement error variance. As discussed in section (2.5.4) the rationale for formulating this model is to replace the dividends which are prone to more uncertainties with a more stable and economically justifiable construct. Therefore, the focus here is the relative performance between the dividend based models and the FCF versions. Note that the period of the sample is shorter here as compared to previous MCS testing due to FCF data requirement as described in section (2.5.4).

First, when setting the loss function to MEV as in table (35), the BP and its most similar new formulation FCF_Anlst_TP have almost similar percentages of inclusions 35.08% and 34.62% respectively against other models. However, FCF_Anlst_eps5 percentage of inclusion is superior equalling 37.59%. Similarly, TPDPS and its most similar free cash flow version FCFF1y have similar percentages of inclusions 9.57% and 10.48% respectively. Similarly, the pair-wise Diebold Mariano comparison in table (36) panel A suggests that there is no statical difference between the MEV of BP and both FCF_Anlst_TP and FCF_Anlst_eps5.

Secondly, in terms of bias measured by out-of-sample RMSE and MAE in panels B and C of table (36), the BP bias is indistinguishable from FCF_Anlst_TP. In addition, FCF_Anlst_eps5 bias is indistinguishable from BP, but lower (i.e. better) than FCF_Anlst_TP. The MCS results with RMSE or MAE as loss functions in table (35) report a higher percentage of inclusions in the set for the BP.

Table 35: **Model Confidence Set Summary Results - New Model Testing**

MEV		**RMSE**		**MAE**	
PEG_Anlst	42.60%	GLS_Anlst	54.02%	GLS_Anlst	53.66%
GG_Anlst	40.32%	PE_Anlst	50.12%	PE_Anlst	50.12%
PE_Anlst	40.32%	BP_Anlst	47.20%	BP_Anlst	49.27%
FCF_Anlst _eps5	37.59%	FGHJ_Anlst	46.71%	FGHJ_Anlst	47.20%
FPM_Anlst	35.54%	MPEG_Anlst	45.85%	MPEG_Anlst	46.71%
BP_Anlst	35.08%	FCF_Anlst _TP	44.88%	FCF_Anlst _TP	46.10%
TrETSS_Anlst _10Ind	35.08%	HL_Anlst	44.51%	KMY_Anlst	45.98%
TrOHE_10Ind	34.62%	KMY_Anlst	44.39%	DKL_Anlst	43.78%
FCF_Anlst _TP	34.62%	DKL_Anlst	43.17%	HL_Anlst	43.54%
CT_Anlst	34.40%	CT_Anlst	41.34%	CT_Anlst	43.29%
MPEG_Anlst	32.35%	GM_Anlst	41.10%	FCF_Anlst _eps5	42.44%
GM_Anlst	32.12%	FCF_Anlst _eps5	40.12%	TrOHE_10Ind	42.20%
GLS_Anlst	30.98%	TrOHE_10Ind	39.63%	GM_Anlst	41.71%
KMY_Anlst	30.98%	PEG_Anlst	39.27%	PEG_Anlst	41.34%
FGHJ_Anlst	29.38%	FPM_Anlst	38.90%	TPDPS_Anlst	40.00%
WNG_Anlst	29.38%	TrETSS_Anlst _10Ind	36.46%	FPM_Anlst	39.76%
DKL_Anlst	28.25%	TPDPS_Anlst	35.37%	TrETSS_Anlst _10Ind	38.41%
HL_Anlst	25.28%	WNG_Anlst	35.00%	TrOHE_25SBM	37.68%
TrOHE_25SBM	16.63%	TrOHE_25SBM	34.15%	Naive	36.95%
TrETSS_Anlst _25SBM	12.53%	Naive	33.66%	WNG_Anlst	33.41%
Naive	10.48%	GG_Anlst	33.29%	GG_Anlst	31.95%
FCFF1y	10.48%	FCFF1y	30.61%	TrETSS_Anlst _25SBM	31.22%
TPDPS_Anlst	9.57%	TrETSS_Anlst _25SBM	24.02%	FCFF1y	30.12%
TrES_Anlst _10Ind	7.52%	TrES_Anlst _10Ind	10.61%	TrES_Anlst _10Ind	11.83%
TrES_Anlst _25SBM	1.59%	TrES_Anlst _25SBM	8.66%	TrES_Anlst _25SBM	9.76%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE). The table reports the percentage of firms for which a specific model is included in the confidence set.

Table 36: **Out-of-Sample MEV, RMSE, and MAE Statistics and Pair-wise Comparison**

Panel A: MEV						**Diebold-Mariano P-values**			
	Mean	**StD**	**Prec25**	**Median**	**Prec75**	**BP_Anlst**	**FCF_Anlst _TP**	**FCF_Anlst _eps5**	**TPDPS_Anlst**
BP_Anlst	-0.002	0.008	-0.004	-0.001	0.000				
FCF_Anlst _TP	-0.002	0.008	-0.004	-0.001	0.000	0.099			
FCF_Anlst _eps5	-0.002	0.008	-0.004	-0.001	0.001	0.929	0.000		
TPDPS_Anlst	0.025	0.103	-0.007	0.001	0.020	0.000	0.000	0.000	
FCFF1y	0.069	0.242	-0.003	0.006	0.038	0.000	0.000	0.000	0.000

Panel B: RMSE						**Diebold-Mariano P-values**			
	Mean	**StD**	**Prec25**	**Median**	**Prec75**	**FCF_Anlst _eps5**	**BP_Anlst**	**FCF_Anlst _TP**	**TPDPS_Anlst**
FCF_Anlst _eps5	0.101	0.167	0.000	0.000	0.200				
BP_Anlst	0.101	0.167	0.000	0.000	0.200	0.462			
FCF_Anlst _TP	0.102	0.168	0.000	0.000	0.203	0.000	0.178		
TPDPS_Anlst	0.123	0.229	0.000	0.000	0.204	0.000	0.000	0.000	
FCFF1y	0.143	0.273	0.000	0.000	0.220	0.000	0.000	0.000	0.000

Panel C: MAE						**Diebold-Mariano P-values**			
	Mean	**StD**	**Prec25**	**Median**	**Prec75**	**FCF_Anlst _eps5**	**BP_Anlst**	**FCF_Anlst _TP**	**TPDPS_Anlst**
FCF_Anlst _eps5	0.086	0.145	0.000	0.000	0.164				
BP_Anlst	0.086	0.145	0.000	0.000	0.163	0.328			
FCF_Anlst _TP	0.087	0.146	0.000	0.000	0.166	0.000	0.085		
TPDPS_Anlst	0.104	0.198	0.000	0.000	0.166	0.000	0.000	0.000	
FCFF1y	0.120	0.233	0.000	0.000	0.179	0.000	0.000	0.000	0.000

This table reports the ICC time-series MEV (Measurement Error Variance) statistics. The statistics are calculated on firm-level for several ICC models based on analyst forecast of earnings. The summary statistics for each model are estimated using the S&P 1500 historical constituents. A full description of the ICC models used is presented in table 1. The table also reports the p-values based on Newey-West adjusted standard errors corresponding to the pair-wise comparisons of time series MEV based on Diebold and Mariano (1995) test statistic with Harvey, Leybourne, and Newbold (1997) adjustment.

2.7 Additional Analysis

In the previous sections, I subjected the ICC models to the realised Return Regression test, and the MCS test in general. In this section, I test the models' performance for sub-samples by characteristics to investigate whether some models work better with particular firms. Specifically, I test for the effect of size, value, price momentum, leverage, market beta, beta standard error (as proxy for company specific risk), number of analysts covering the firm, earnings forecasts dispersion between analysts using earnings forecasts standard deviation and coefficient of variation, forecasted growth in earnings, analysts target price relative to current price, and past earnings variability. To do so, I split the sample each period based on these factors and test the highest and lowest quartiles separately for the ability to predict subsequent returns.

2.7.1 Size Effect

Firstly, tables (70) and (71) report the results of regressing one year ahead returns on the ICC estimates and other control variables for the small (lowest quartile firms in terms of size each month) and large firms (highest quartile firms in terms of size each month) respectively.

Large firms results are comparable to the results presented in the main discussion, in that the Naive, TPDPS, BP and PE model are the best performers in terms of improvement provided to the forecasts of returns by adding the ICC estimate to the formulation. However, for small firms, the only model that had a statistically significant Fama-Macbeth coefficient from the list of all analysts and mechanical based models is the Naive model. In fact, it had the highest goodness of fit among all models (61.8%) indicating how much of the variation in realised returns is captured by the model. It should be noted though that the tables (70) and (71) are sorted by the improvement in the goodness of fit over a benchmark model without the ICC variable, however, the models at the top of the small firms list have Fama-Macbeth coefficient indistinguishable from zero, and sometimes the wrong sign, except for the naive model.

Table (94) present the MCS results for the first and fourth quartiles of firms in terms of size. Panel A is comparable to table (25). The BP remained the best model in terms of the percentage of firms for which the model is included in the confidence set when the MEV is used as a loss function for both small and large firms. Similarly, GLS and PE results were not affected by the size of the firms in the sample when the RMSE and MAE are used as loss functions in the MCS. More generally, the rankings by the percentages of inclusions were not affected by the size and remained similar to the main testing.

2.7.2 Value Effect

Tables (72) and (73) report the results of regressing one year ahead returns on the ICC estimates and other control variables for the growth firms (lowest quartile firms in terms of the value calculated as book-to-market ratio each month) and value firms (highest quartile firms in terms of value each month) respectively. The results show that the value of the firm does not impact models performance to capture subsequent realised returns. TPDPS, Naive, BP, and PE remained the best models in mirroring the variation of subsequent returns.

Table (95) present the MCS results for the first and fourth quartiles of firms in terms of value. Again, the results are in line with testing the full sample, which indicates that the models' rankings are robust to the value effect. There is one very interesting change though, the only model that does not resort to earnings forecasts OHE showed relatively good percentages of inclusions in the model confidence set for growth firms especially when the loss function is set to capture the full bias (RMSE and MAE).

2.7.3 Momentum Effect

Tables (74) and (75) report the results of regressing one year ahead returns on the ICC estimates and other control variables for the low momentum (lowest quartile firms in terms of momentum each month) and high momentum firms (highest quartile firms in terms of momentum each month), respectively. Table (96) present the MCS results for the first and fourth quartiles of firms in terms of momentum. Just like the value factor, the price momentum effect does not change the general rankings of the models in both tests.

2.7.4 Analysts Coverage Effect

Tables (78) and (79) report the results of regressing one year ahead returns on the ICC estimates and other control variables for the firms with low number of analysts covering them (lowest quartile firms in terms of number of analysts each month) and firms with large number of analysts (highest quartile firms in terms of number of analysts each month), respectively. Contrary to expectations, more models lost their performance when firms have a larger number of analysts. For instance, BP, GG, FPM, GLS and PE had an ICC coefficient indistinguishable from zero when the sample is limited to the highest quartile firms in terms of the number of analysts. Other models like TPDPS and CT coefficients are only significant at 5%. The Naive estimate still worked as in the main results. For firms with the lowest number of analysts, the ranking of the models is in line with the original results.

Table (98) present the MCS results for the first and fourth quartiles of firms in terms of the number of analysts covering the firm. The results are in line with testing the full sample. There is one very interesting change, in the case of low analysts coverage, ETSS_Anlst_Ind10 showed relatively good percentages of inclusions in the model confidence set for growth firms especially when the loss function is set to capture the full bias (RMSE and MAE).

2.7.5 Long-term Growth in Earnings Effect

Tables (76) and (77) report the results of regressing one year ahead returns on the ICC estimates and other control variables for the firms with the lowest forecasted long term growth (lowest quartile each month) and highest forecasted long-term growth in earnings (highest quartile firms in terms of long-term growth in earnings each month), respectively. Generally, the performance of the models for firms with high forecasts of growth remained similar to the main results. The PE model performance deteriorated a bit when the sample was limited to high foretasted long-term growth firms relative to GG, CT and GLS, for instance. On the other hand, no ICC coefficient was distinguishable from zero statically when the sample is limited to the lowest quartile. Moreover, the percentage of months with statically significant ICC coefficients dropped noticeably for all models.

Table (97) present the MCS results for the first and fourth quartiles of firms in terms of the forecasted rate of long-term growth in earnings. The results are in line with testing the full sample, but with lower percentages of inclusion.

2.7.6 Forecasts Dispersion Effect

Tables (80) and (81) report the results of regressing one year ahead returns on the ICC estimates and other control variables for the firms with low dispersion between analysts forecasts (lowest quartile each month in terms of standard deviation) and firms with high dispersion between analysts forecasts (highest quartile firms in terms standard deviation in forecasts), respectively. The results for the firms with high earnings forecasts standard deviation are in line with the full sample results. The TPDPS, Naive, BP and PE are the best models in capturing subsequent returns. However, the sample with low standard deviation in forecasts rendered many of the models with an ICC coefficient that is indistinguishable from zero statistically. The BP has done well for this latter sub-sample but it is the exception. Many of the mechanical models also recorded insignificant coefficients.

Table (99) present the MCS results for the first and fourth quartiles of firms in terms of standard deviation in the earnings forecast. The results are in line with testing the full sample.

As a different measure of dispersion in forecasts to take into account relative variability, tables (82) and (83) report the results of regressing one year ahead returns on the ICC estimates and other control variables for the firms with low dispersion between analysts forecasts (lowest quartile each month in terms of coefficient of variation) and firms with high dispersion between analysts forecasts (highest quartile firms in terms coefficient of variation in forecasts) respectively. The results using this measure of forecasts dispersion suggest that the dispersion does not affect the models' relative performance in capturing subsequent returns variation. Both high and low dispersion firms results are in line with the general conclusions of the full sample.

Table (100) present the MCS results for the first and fourth quartiles of firms in terms of the coefficient of variation in earnings forecasts. Except that OHE_Ind10 and WNG have recorded relatively high percentages of inclusions in MCS for both sub-samples using MEV as a loss function, all other results are generally similar to the original results.

2.7.7 Leverage Effect

Tables (84) and (85) report the results of regressing one year ahead returns on the ICC estimates and other control variables for the low leverage firms (lowest quartile firms in terms of leverage each month) and high leverage firms (highest quartile firms in terms of leverage each month), respectively. High leveraged firms render most of the models with insignificant ICC coefficients. The Naive estimate coefficient is only significant at 5%. The percentage of months in which the coefficients of the models are positive and statistically significant almost halved as compared to the full-sample results. On the other hand, low leveraged firms results are in line with the full-sample results. The TPDPS, Naive, BP, and PE are the best performers.

Table (101)present the MCS results for the first and fourth quartiles of firms in terms of leverage. No major departure from the full-sample results or between the two extreme quartiles is recorded.

2.7.8 Over/Under-pricing effect Effect

Tables (86) and (87) report the results of regressing one year ahead returns on the ICC estimates and other control variables for the over-priced firms (lowest quartile firms in terms of target price over market price ratio each month) and under-priced firms (highest quartile firms in terms of target price over market price ratio each month), respectively. Except for the PE_Anlst and BP_HDZ, no model generated a positive and significant ICC coefficient for the sub-sample constituting of the target to market price ratio. On the other hand, a high target to market ratio firms results are in line with the full-sample results. The TPDPS, Naive, BP, and the PE are the best performers as before. The FGHJ which use the target price instead of the price also performed exceptionally well in capturing the future returns.

Table (102) present the MCS results for the first and fourth quartiles of firms in terms of ratio of target price to market price. No major departure from the full-sample results or between the two extreme quartiles is recorded.

2.7.9 Market Beta Effect

Tables (88) and (89) report the results of regressing one year ahead returns on the ICC estimates and other control variables for the low beta firms (lowest quartile firms in terms of market beta each month) and high beta firms (highest quartile firms in terms of market beta each month) respectively. Low beta firms render the ICC coefficients of all models insignificant. While high beta firms results are similar to the original results. The PEG model relative ranking is better for the high beta firms as compared to the full sample, even better than the PE.

Table (103) resent the MCS results for the first and fourth quartiles of firms in terms of market beta. No major departure from the full-sample results or between the two extreme quartiles is recorded.

2.7.10 Firm Specific Risk Effect

Tables (90) and (91) report the results of regressing one year ahead returns on the ICC estimates and other control variables for the firms with low standard error in the beta estimate to indicate company specific risk or imprecision beta estimate (lowest quartile firms each month) and high beta standard error firms (highest quartile firms each month), respectively. Low beta standard error firms render the ICC coefficients of all models insignificant. While high standard error firms results are similar to the original results.

Table (104) present the MCS results for the first and fourth quartiles of firms in terms of the standard error in market beta. No major departure from the full-sample results or between the two extreme quartiles is recorded.

2.7.11 Variation in Earnings Effect

Tables (92) and (93) report the results of regressing one year ahead returns on the ICC estimates and other control variables for the firms with low variation in earnings (lowest quartile firms each month) and firms with high variation in earnings (highest quartile firms each month) respectively. No major departure from the full-sample results or between the two extreme quartiles is recorded.

Table (105) present the MCS results for the first and fourth quartiles of firms in terms of variation in a firm earnings.No major departure from the full-sample results or between the two extreme quartiles is recorded.

2.8 Conclusion

The expected return is a corner-stone concept in finance. Previous literature showed that expected return proxies based on ex-post data are noisy and unreliable (Elton (1999), and Fama and French (2002)). Much effort in the literature is devoted to developing ex-ante measures by reverse engineering valuation models. The ICC models have been used extensively in prior research in variety on contexts, but with less evidence to show which of these models work better and in what context. The nearest prior literature came to that was the work of Easton and Monahan (2005), Botosan and Plumlee (2005), Guay et al. (2011), and Botosan et al. (2011). However, this research is limited in that it only takes into account limited number of models without recourse to all possible versions in terms of the source of earnings forecasts, or it depends on a methodology that is later criticised for inappropriateness, not to mention the dissimilar conclusions they arrive at.

This chapter address the question of the validity of the estimates extensively in terms of testing and exhaustively in terms of possible models. Firstly, it uses two methodologies to conduct the horse race. The first is the classical method used in prior research which treats the ICC estimates as an economic construct. However, in the application of this method I deal with the issues raised by the literature in picking the empirical variables (Easton and Monahan (2016), and Wang (2018)). I introduce a second method to the ICC literature from the forecasting research, namely Model Confidence Set, to test the ICC estimates validity and performance as statistical constructs. To do so, I use three loss functions to capture the estimate bias, and measurement error variance. The latter arguably is more important for the forecasting performance of the ICC construct (Lee et al. (2017)). Using the regression method, I find that the simplest models such as the dividend discount model of Botosan and Plumlee (2002) and model based on price-to-earnings ratio (PE) captures more variation in subsequent returns than any more sophisticated ICC or risk factor models. In fact, simplifying the dividend model by limiting the forecasting horizon to one year only, or to discounting the terminal value of the same model without dividend forecasts, works at least as well as the original dividend model in terms of the variation they explain in subsequent returns. Moreover, contrary to the theoretical arguments that led to the development of ICC models based on abnormal growth in earnings framework (See Ohlson (2005) and Ohlson and Juettner-Nauroth (2005)), I find that ICC models based on residual income framework captures variation in subsequent returns better than the abnormal growth in earnings models. The pair-wise comparison of the bias (i.e. out-of-sample RMSE and MAE) confirm these results. In MCS testing, both of these models were included in the confidence sets for more firms than any other model. A similar result is obtained when the loss function in the MCS is set to be MEV.

Secondly, I extend the horse race to involve ICC models based on mechanical earnings forecasts instead of analysts earnings forecasts. Although some prior work attempted to test which of the mechanical models work better, no work has tested systemically each of the ICC models against itself using different sources of earnings forecasts. Each ICC model has been implemented using four mechanical earnings forecasts to test whether doing away with analysts 'biased' forecasts could improve the prediction of realised returns. Generally, I find evidence to the contrary, most ICC models have a higher power of explaining the variation in subsequent returns using analysts estimates. Moreover, no mechanical-based estimate could do better than Naive. However, among all types of ICC models, those based on dividend discount models benefit the most from mechanical forecasts. This is attributed to the fact that mechanical estimates of dividends tend to be more stable and in line with firms' fundamentals, while some firms in reality pay dividends that are not in-line with its capacity to pay due to reasons that include taxes or ownership structures. Among the four mechanical models used in the testing, I find that ICC models benefit the most from Hou, van Dijk, and Zhang (2012) (HDZ) forecasts and the least from a random walk forecasting process as presented by Gerakos and Gramacy (2013). In the pair-wise comparison of out-of-sample bias and measurement error variances, this conclusion is further demonstrated. For instance, except for the HDZ, the other three mechanical forecasting models resulted in almost no improvement to any of ICC models in terms of measurement error variance as compared to analysts forecasts. Among the models that benefited from HDZ forecasts, none are based on abnormal growth in earnings framework. Moreover, the MCS results demonstrate that dividend discount models work better with mechanical estimates, while most of the other models work best with analysts forecasts.

I use Fitzgerald, Gray, Hall, and Jeyaraj (2013) methodology of calibrating their model estimates using common risk factors to reduce firm-level estimation errors to calibrate the full range of ICC models. The estimation error could be due to data noise, earnings forecast bias, or incompatibility of certain models with specific firms. The application of such calibration to a wide range of models, and testing the improvement it provides in capturing future returns in this setting is novel also. Analysts forecasts based ICC models benefited from the calibration more than the versions based on mechanical forecasts. This is due to the fact that many of the calibration factors are already used in the mechanical earnings forecast process. Also, the dividend discount models, especially BP, benefited more than any other ICC model from the process of calibration, which further demonstrates the desirability of dividends estimates that are in line with the fundamentals of the firm. Again, using MCS methodology confirms that calibrated analysts estimates perform better than all other versions of the respective ICC models except for dividend discount models. Dividend Discount models work best using mechanical estimates.

Moreover, I utilise Nekrasov and Ogneva (2011) methodology in which they extend the Easton, Taylor, Shroff, and Sougiannis (2002) portfolio-level model to generate firm-level estimates using common risk and growth factors. I use the same principle to obtain firm-level estimates from portfolio-level models of Easton (2004) and O'Hanlon and Steele (2000) as operationalised by Easton (2006). Previous research comparing the performance of ICC models restricted the horse-race to pure firm-level models. Thanks to this transformation, I extend the list of ICC models to include transformed portfolio-level estimates. These models, however, consistently under-perform pure firm-level estimates in predicting subsequent returns and exhibit larger biases.

Furthermore, I present a new approach to estimate the cost of equity capital. I use a discounted Free Cash-Flow to Common Equity holders (FCFE) model in conjunction with analysts estimates and market prices to estimate implied cost capital for the historical constituents of the S&P1500. Our approach is distinct from prior models in that it is not based on the dividend discount model, residual income, or abnormal growth models. Therefore, it deals with many of the issues attributed to these models. For instance, it holds on a total basis, unlike the residual income model that require value neutrality for future shareholders in order to hold. Also, it is not subject to the DDM issues such as the non-alignment of dividend paid with firm's capacity, or influence of major shareholders on dividend policy. Most importantly, free cash flow is a more robust concept in representing the economic reality of a firm than earnings since it is subject to less accounting assumptions and less prone to earnings management. I show that this model works as well as the best performing models in the horse race.

I also investigate models performance for several sub samples of the market based on firms characteristics such as size, value, price momentum, leverage, market beta, beta standard error, number of analysts covering the firm, earnings forecasts dispersion, earnings long-term forecasted growth, target price relative to market price, and past earnings variability. The purpose of this testing is to assess whether some models work better with a particular set of firms. I find little evidence that any of the models are affected as statistical construct by these characteristics. However, as an economic construct, some characteristics affected the ICC estimates the ability to predict future realised returns. In most of the cases, the riskier is the firm, the less effective are the models in predicting subsequent returns. For instance, small firms, firms with low earnings growth, highly leveraged, over-priced (low target-to-market price ratio) render most of the ICC models insignificant. The exceptions are the Naive target-to-market price ratio model in the case of small or highly leveraged firms, and the simple price-over-earnings ratio model in the case of overpriced firms. Moreover, firms with large number of analysts, or low standard deviation (but not using coefficient of variation) between analysts forecasts of earnings also pose issues to models ability to predict future returns with the exception of the Naive target-to-market price ratio, the price-over-earnings ratio model, and dividend discount models with terminal values based on target prices. Finally, low market beta and beta standard error firms' are anomalies for the ICC models.

3 Improving Portfolio Selection Using Implied Cost of Capital

3.1 Introduction

The mean-variance framework is the most popular portfolio selection model in academia and investment practice. The implementation of mean-variance efficient portfolios requires the knowledge of the expected asset returns. However, expected returns are unknown in practice and investors have to estimate them. The conventional approach is to estimate expected returns using historical data. This approach is problematic leading to portfolios with poor performance for two reasons. First, the risk-return profile of the assets and the risk attitude of the investors tend to change over time. Second, history-based estimates of expected returns are subject to significant errors that translate into unstable and inefficient portfolios. DeMiguel, Garlappi, and Uppal (2009) concluded that "*although there has been considerable progress in the design of optimal portfolios, more effort needs to be devoted to improving the estimation of the moments, and especially expected returns*".

Green, Hand, and Zhang (2013) listed over 300 papers on the estimation of the first moment. Despite such amount of work, researchers and practitioners overwhelmingly still resort to the extremely noisy historical realised returns to proxy for the most sensitive input in mean-variance portfolio analysis (see, e.g., Campbell (1991), Elton (1999), Gebhardt, Lee, and Swaminathan (2001), Pastor, Sinha, and Swaminathan (2008), DeMiguel, Plyakha, Uppal, and Vilkov (2013), and Ardia and Boudt (2015)). Using sample moments in the process of effectuating optimal portfolios have been shown to result in extreme weights that fluctuate considerably over time, making it impractical due to the turnover cost, not to mention the poor out-of-sample performance.

Realised return moments are used under the belief that information shocks would cancel out over time, and hence, such estimates would be unbiased. Such belief presupposes that enough historical data would be available to render unexpected return mean to zero. There are several issues with such assumptions as documented in the literature. Firstly, the data availability is limited especially for non-US markets, and hence the observation interval is not large enough for unexpected return to converge to zero. Lakonishok (1993) for instance concluded that at least 70 years of data would be needed to establish a statistically significant risk factor in an asset pricing model when historical realised returns are used (See also Lundblad (2007) who suggest 100 years, and DeMiguel, Garlappi, and Uppal (2009) who show that 3000 months estimation window is needed for 25 assets optimal portfolio to outperform naive 1/N strategy). Secondly, evidence suggests that either information shocks are very large or they are correlated and cumulatively very large as to have a permanent consequence on realised returns.

Vuolteenaho (2002) argued that information surprises of this sort are in fact equivalent to the change in expectations about cash flows in the future. To deal with such noise in historical realised returns, the majority of the literature resorted to improved econometric specifications (such as, Merton (1980), Harvey (1991), Chan, Karolyi, and Stulz (1992), Fama and French (1998), Griffin (2002), and Karolyi and Stulz (2003) to name few). In fact, this vast literature try to improve the performance of optimal portfolios by dealing with estimation errors using different approaches. The Bayesian approach, for instance, involve endeavours like using diffuse-priors (see, for instance, Barry (1974), Bawa, Brown, and Klein (1979), Kandel and Stambaugh (1996), and Barberis (2000)), using shrinkage estimators (see for example Jobson and Korkie (1980), Jorion (1985), and Jorion (1986)), or determining a prior based on asset pricing models (like, Black and Litterman (1992), Pastor and Stambaugh (2000), and Pastor (2000)). Other strands of literature resorted to techniques like 'robust' diversifications, optimal diversification across estimation risk, and exploiting moment restrictions (see for instance, MacKinlay and Pastor (2000), Goldfarb and Iyengar (2003), Kan and Zhou (2007), and Garlappi, Uppal, and Wang (2007)). Moreover, other work focused on the covariance matrix estimation error (for instance, Best and Grauer (1992), Ledoit and Wolf (2004),and Kourtis, Dotsis, and Markellos (2012)), or imposing restricting constraints on the portfolio weights (for example, Frost and Savarino (1988), Chopra (1993), and Jagannathan and Ma (2003)). Still, in empirical research and practise, the usefulness of such econometrically-improved estimates is limited and "unavoidably imprecise" which "probably invalidate their use [i.e. historical return data] in applications" (Fama and French (1997), and Fama and French (2002)).

Unlike the previous work that improves portfolio selection by working on the estimation error of realised moments, this project reverts back to the basics that portfolio selection is a forward looking task, and hence, its inputs are supposed to be forward looking. Therefore, the main contribution of this work is to introduce market implied expected returns calculated from reverse engineering fundamental valuation models to proxy for expected returns in a simple portfolio selection setting. To the best of my knowledge, attempting to demonstrate the improvement in the out-of-sample portfolio performance using the ex-ante cost of capital estimates as compared to the performance of strategies based on ex-post realised return is novel to portfolio literature.

The Implied Cost of Capital (ICC) as derived by inverting fundamental valuation models such as the Residual Income and the Abnormal Earnings Growth model has been subject to vast theoretical and empirical research [13]. I offer an extended discussion of these models in the previous chapter. I capitalize on the findings of the literature to obtain ex-ante measures of expected returns based on expected future cash flows and market information. The majority of the literature obtain future expected cash flows from sell-side analysts forecasts, but more recently some cross sectional mechanical forecasting models have been introduced such as Hou, van Dijk, and Zhang (2012); Li and Mohanram (2014) and Li, Ng, and Swaminathan (2013). I use ICC estimates based on analysts forecasts of earnings as well as estimates based on earnings forecasts from cross-sectional mechanical models. The latter type of estimates have been offered in the literature to deal with firms that are not followed by analysts but also to deal with the bias in analysts forecasts. Moreover, I also use Fitzgerald, Gray, Hall, and Jeyaraj (2013) methodology of calibrating model estimates using common risk factors to reduce firm-level estimation errors to calibrate the full range of ICC models. The estimation error could be due to data noise, earnings forecast bias, or incompatibility of certain models with specific firms. The application of such calibration to a wide range of models, and testing the improvement it provides in capturing future returns in this setting is novel also. I use these ex-ante measures in an optimal tangency portfolio setting, and in mar-

[13] Echterling, Eierle, and Ketterer (2015) provide an updated review of this research.

ket timing portfolio selection setting as recommended by Kirby and Ostdiek (2012). In both settings, I find good evidence that ICC expected return estimates have better out-of-sample performance against portfolios using realised returns.

More specifically, the results demonstrate that using ICC estimates rather than ex-post first moment in an optimal portfolio result in more stable weights, higher out-of-sample Sharpe ratio, and lower turnover. For instance, Gebhardt, Lee, and Swaminathan (2001) ICC model, which is one of the most widely used in the literature, generate an out-of-sample Sharpe of (0.433) and turnover of (2.684) as compared to mean-variance portfolio Sharpe of (-0.370) and turnover of (28.089). Similarly, I document at least 94 ICC versions with statistically better Sharpe ratios, and lower turnover than the mean-variance portfolio.

Moreover, I find that market timing strategies that use ICC estimates generate a higher out-of-sample average risk-adjusted return, and in many occasions, lower turnovers than both conventional market timing portfolios and naive allocations like 1/N. Specifically, 21 ICC versions reported statistically better Sharpe ratios and lower turnover than the conventional market timing portfolio of Kirby and Ostdiek (2012), and many more with statistically better Sharpe ratios but practically similar turnover. Similarly, 91 of ICC market timing allocations reported statistically higher out-of-sample risk-adjusted return than 1/N.

Due to the fact that the formulations used to operationalise the ICC strategies are known to be disadvantaged in terms of estimation risk and turnover, I use turnover-constrained versions of the portfolios as described by Kourtis (2015). Using these portfolios, I provide evidence that ICC expected return estimates generate better out-of-sample risk-adjusted-return than strategies that use historical moments, even after constraining the turnover to the turnover generated from an equally weighted portfolio. I find that the ICC strategies retain their edge in terms of risk-adjusted returns but with considerably lower turnover.

I further consider portfolio strategies that do not resort to expected return estimation as additional benchmarks of comparison. Given that it is well documented that these portfolios are difficult to beat, and that optimal portfolios are inherently disadvantaged due to estimation error, I still find that many of the ICC portfolios provide relatively better performance than 1/N and minimum variance portfolios. Furthermore, robustness checks in terms of historical moments estimation window, timing strategies tuning factors result in no change in the overall conclusions of the previous testing.

The evidence presented in this work contributes to the portfolio selection research by introducing a new perspective to the estimation of expected return. To the best of my knowledge, it is the first attempt to use the findings in the implied cost of capital literature to improve portfolio performance. This work demonstrates how accounting information can be used to enhance investment decision making.

3.2 Data and Methodology

3.2.1 Implied Cost of Capital Models

Table (37) summarizes the models that will be used in the ICC based portfolios. These models were analytically expounded in section (2.2) in the previous chapter. Most of the models yield firm-level estimates. The models that yield portfolio level estimates are subjected to transformation as described in Nekrasov and Ogneva (2011). Nekrasov and Ogneva (2011) developed a methodology in which they extend the ETSS model to generate firm level estimates from portfolio level estimates by using common risk and growth factors. In other words, they generate firm level expected return estimates from ETSS average portfolio level estimates conditional on observable firm characteristics. I use the same principle to obtain firm level estimates from ETSS, OHE, and ES to test their validity in generating firm-level estimates. These estimates have been used in addition to the original portfolio level estimates separately in the analysis.

The analysis also involves calibrated versions of the firm-level models following Fitzgerald, Gray, Hall, and Jeyaraj (2013) methodology. One of the most recurring criticisms of ICC expected return estimates in the literature is to do with the estimation error due to the noise in the data or due to the model being incompatible with some individual stocks. Fitzgerald et al. (2013) suggest that estimation error could be minimized by using the fitted values from regressing the expected return estimates from a particular ICC model on common risk factors. A similar methodology is applied by Lee, So, and Wang (2017). The idea is to capture the firm-specific characteristics that affect the expected return but not reflected in the variables of the ICC models. This calibration also helps to deal with the issue of estimation error due to analysts earnings forecast bias.

I perform such calibration in the cross-section every month to ensure that the fitted values are independent of the relationship between the expected return and the risk factors, and between realised returns and the risk factors in every other period. I use the same risk factor used by Fitzgerald et al. (2013): Leverage, Size, book-to-market ratio, earning variability as predicted by the standard deviation in analysts EPS forecasts, market beta, the beta standard error, target-to-market price ratio, 12 months momentum factor, book value per share, and the firm long-term growth rate. I restrict the calibration to the models that yield firm-level estimates without transformations, since the transformations themselves use firm-level risk characteristics factors. Applying calibration to the estimates of this list of models is also novel to the literature.

The last five models in table (37) are average estimates of other models. These are used to test whether combining estimates from various models improve the prediction ability of the estimates.

Table 37: **Implied Cost of Capital Models**

Model	Code	Basis	Growth beyond horizon	Horizon	Formulation	Type of estimate
Gebhardt, Lee, and Swaminathan (2001)	GLS	Residual Income	Analysts	(2+10) years	$V_0^E = bps_0 + \sum_{t=1}^{11}\left(\frac{(ROE_t - r_E)*bps_{t-1}}{(1+r_E)^t}\right) + \left(\frac{(ROE_{12} - r_E)*bps_{11}}{r_E*(1+r_E)^{11}}\right)$	firm level
Claus and Thomas (2001)	CT	Residual Income	Inflation	5 years	$V_0^E = bps_0 + \sum_{t=1}^{5}\left(\frac{RI_t}{(1+r_E)^t}\right) + \left(\frac{RI_5(1+g_{infl})}{(r_E - g_{infl})(1+r_E)^5}\right)$	firm level
Fitzgerald, Gray, Hall, and Jeyaraj (2013)	FGHJ	Residual Income	Analysts	(2+10) years	$TargetPrice_t = bps_0 + \sum_{t=1}^{11}\left(\frac{(ROE_t - r_E)*bps_{t-1}}{(1+r_E)^t}\right) + \left(\frac{(ROE_{11} - r_E)*bps_{10}*(1+g)}{(r_E - g)*(1+r_E)^{11}}\right)$	firm level
Gode and Mohanram (2003)	GM	Abnormal Earnings Growth	Inflation	2 years	$r_E = A + \sqrt{A^2 + \frac{eps_1}{P_0}(g_2 - (\gamma - 1))}$ where $A = \frac{1}{2}\left((\gamma - 1) + \frac{dps_1}{P_0}\right)$ and $g_2 = \frac{eps_2 - eps_1}{eps_1}$	firm level
PE Ratio	PE	Abnormal Earnings Growth	Zero	1 year	$r_{PE} = \left(\frac{P_0}{eps_1}\right)^{-1}$	firm level
PEG Ratio	PEG	Abnormal Earnings Growth	Zero	2 years	$r_{PEG} = \sqrt{\frac{eps_2 - eps_1}{P_0}} = \sqrt{\frac{\frac{eps_2 - eps_1}{eps_1}}{\frac{P_0}{eps_1}}} = \sqrt{\frac{1}{PEG*100}}$	firm level
Modified PEG Ratio	MPEG	Abnormal Earnings Growth	Zero	2 years	$r_{MPEG} = \sqrt{\frac{eps_2 + r_E.dps_1 - eps_1}{P_0}}$	firm level
Gordon and Gordon (1997)	GG	Dividends Discount	Analysts	5 years	$V_0^E = \sum_{t=1}^{N}\left(\frac{dps_t}{(1+r_E)^t}\right) + \frac{eps_{N+1}}{r_E(1+r_E)^N}$	firm level
Botosan and Plumlee (2002)	BP	Dividends Discount	Analysts	5 years	$V_0^E = \sum_{t=1}^{N}\left(\frac{dps_t}{(1+r_E)^t}\right) + \frac{TargetPrice_N}{(1+r_E)^N}$	firm level
Easton, Taylor, Shroff, and Sougiannis (2002)	ETSS	Residual Income	data implied	4 years	$\frac{eps^j_{Tcum}}{bps^j_0} = \gamma_0 + \gamma_1\frac{P^j_0}{bps^j_0} + \mu^j_0$ where $\gamma_0 = (G-1)$, $\gamma_1 = (R-G)$, $R = (1+r_E)^4$, and $G = (1+g)^4$	portfolio level
Nekrasov and Ogneva (2011)	TrETSS	ETSS	Transformation to the ETSS to yield firm-level estimates	4 years	$\frac{eps^j_{Tcum}}{bps^j_0} = \gamma_0 + \gamma_1\frac{P^j_0}{bps^j_0} + \left(\lambda_1 Beta^j + \lambda_2 LogSize^j + \lambda_3\frac{P^j_0}{bps^j_0} + \lambda_4 MoM^j\right)\frac{P^j_0}{bps^j_0} + \left(\lambda_5 Ltg^j + \lambda_6 dIndROE^j + \lambda_7 RDSales^j\right)\left(1 - \frac{P^j_0}{bps^j_0}\right) + \mu^j_0$	firm level

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Table 37: **Implied Cost of Capital Models, Continued**

Model	Code	Basis	Growth beyond horizon	Horizon	Formulation	Type of estimate
Easton (2004)	ES	Abnormal Earnings Growth	data implied	2 years	$\frac{ceps_2^j}{P_0^j} = \gamma_0+\gamma_1\frac{eps_1^j}{P_0^j}+\mu_0^j$ where $ceps_2 = eps_2+r_E * dps_1$, $\gamma_0 = r*(r-g_{AGiE})$, and $\gamma_1 = (1+g_{AGiE})$	portfolio level
Transformed ES	TrES	ES	Transformation to the ES to yield firm-level estimates	2 years	$\frac{ceps_2^j}{P_0^j} = \gamma_0 + \gamma_1\frac{eps_1^j}{P_0^j} + \left(\lambda_1 Beta^j + \lambda_2 LogSize^j + \lambda_3\frac{P_0^j}{bps_0^j} + \lambda_4 MoM^j\right)\frac{P_0^j}{bps_0^j}\cdot \left(\lambda_5 Ltg^j + \lambda_6 dIndROE^j + \lambda_7 RDSales^j\right)\left(1-\frac{P_0^j}{bps_0^j}\right) \mu_0^j$	firm level
O'Hanlon and Steele (2000) and Easton (2006)	OHE	Residual Income	data implied	NA	$\frac{eps_t^j}{bps_{t-1}^j} = \delta_0+\delta_1\frac{P_t^j-bps_t^j}{bps_{t-1}^j}+\mu_t^j$ where $\delta_0 = r_E$, and $\delta_1 = \frac{r_E-g_{prep}}{1+g_{prep}}$	portfolio level
Transformed OHE	TrOHE	OHE	Transformation to the OHE to yield firm-level estimates	NA	$\frac{eps_t^j}{bps_{t-1}^j} = \delta_0 + \delta_1\frac{P_t^j-bps_t^j}{bps_{t-1}^j} + \left(\lambda_1 Beta^j + \lambda_2 LogSize^j + \lambda_3\frac{P_0^j}{bps_0^j} + \lambda_4 MoM^j\right)\frac{P_0^j}{bps_0^j}\cdot \left(\lambda_5 Ltg^j + \lambda_6 dIndROE^j + \lambda_7 RDSales^j\right)\left(1-\frac{P_0^j}{bps_0^j}\right) \mu_t^j$	firm level
Simple Ashton and Wang (2013)	SAW	price-led earnings	data implied	1 year	$E_t\left[e_{t+1}\right] = \delta_1 Pt + \delta_2 e_t + \delta_3 b_t + \delta_4 b_{t-1}$	portfolio level
Extended Ashton and Wang (2013)	EAW	price-led earnings	data implied	1 year	$E_t\left[e_{t+1}\right] = \delta_1 Pt + \delta_2 e_t + \delta_3 b_t + \delta_4 b_{t-1} + \delta_5 P_{t-1}$	portfolio level
Wang (2018)	WNG	EAW	data implied	1 year	$r_E = (1+g_{it})\left[1-\frac{bps_t}{P_t} - (\beta_{1,it}-(R_{it}-1)\beta_{2,it})\frac{bps_{t-1}}{P_t} - (\beta_{1,it}+\beta_{2,it})\frac{eps_t}{P_t}\right] + (1+\beta_{1,it}+\beta_{2,it})\frac{eps_{t+1}}{P_t} + (1-\beta_{1,it}-(R_{it}-1)\beta_{2,it})\frac{bps_t}{P_t} + \lambda_{it}\left[\frac{P_t-bps_t-(P_{t-1}-bps_{t-1})}{P_t}\right]-1$	firm level

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Table 37: **Implied Cost of Capital Models, Continued**

Model	Code	Basis	Growth beyond horizon	Horizon	Formulation	Type of estimate
One Year Horizon BP	TPDPS	Dividends Discount	NA	1 year	$V_0 = \frac{DPS_1 + TargetPrice}{(1+r)}$	firm level
BP Terminal Value	Naive	Price Target	NA	1 year	$V_0 = \frac{TargetPrice}{(1+r)}$	firm level
Dhaliwal, Krull, and Li (2007)	DKL	Mean of GLS, CT, and GM				firm level
Hail and Leuz (2006)	HL	Mean of GLS, CT, GM, and MPEG				firm level
Hou, van Dijk, and Zhang (2012) Composite	KMY	Mean of GLS, CT, GM, MPEG, and GG				firm level
Mean of Portfolio-Level Models	PLM	Mean of ETSS, ES, OHE, and EAW				portfolio level
Firm-level estimates adjusted toward Portfolio-level mean	FPM	Mean of HL and PLM				firm level

This table reports a summary of the ICC models to be used in the subsequent analysis. These are the most widely recognized models in the literature. Some authors used a variant of the models that are presented here in terms of forecasting horizon or source of data, these have been ignored. The models highlighted are introduced in this work. The models have been defined and analytically derived in the previous chapter.

3.2.2 Earnings Forecasts

To implement the ICC models in Table (37), earning forecasts are obtained either from analysts using I/B/E/S database, or cross-sectional mechanical models of estimates. Four mechanical models have been used: (1) Hou, van Dijk, and Zhang (2012) model (HDZ), (2) Li and Mohanram (2014) Earnings Persistence model (EP), (3) Li and Mohanram (2014) Residual Income model (RI), and (4) the naive Random Walk (RW) model as expressed by Gerakos and Gramacy (2013).

HDZ model is specified as:

$$E_{t+\tau} = \alpha_0 + \alpha_1 A_t + \alpha_2 D_t + \alpha_3 DD_t + \alpha_4 E_t + \alpha_5 NegE_t + \alpha_6 AC_t + \varepsilon \tag{64}$$

where $E_{t+\tau}$ is the firm earnings in year $t + \tau$, where τ is 1 to 5 years. D_t is the dividends paid by the firm, and DD_t is a dummy to indicate whether a firm is paying dividends. E_t is earnings, and $NegE_t$ is a dummy for loss making firms. AC_t is the firm working capital accruals. To be consistent with the original paper, the regression is estimated using dollar level unscaled data. The regression coefficients are multiplied by firm level observations at time t to obtain firm-level earnings forecasts.

The RW is used as a naive benchmark to evaluate the performance of other earnings forecast models. It simply uses past earnings with no other parameters as follows:

$$E_{t+\tau} = E_t + \varepsilon \tag{65}$$

The EP model uses earnings E_t, a dummy for loss making firms $NegE_t$, as well as an interaction term between them as regression parameters. It is expressed as follows:

$$E_{t+\tau} = \alpha_0 + \alpha_1 E_t + \alpha_2 NegE_t + \alpha_3 NegE_t * E_t + \varepsilon \tag{66}$$

Unlike the HDZ model, Li and Mohanram (2014) used per-share level data in the regression for both EP and RI. Li and Mohanram (2014) motive for developing the cross sectional Residual Income model for earning forecast is the proposition that dividends, which are used as a parameter in HDZ, are irrelevant for asset pricing. The RI model is specified as follows:

$$E_{t+\tau} = \alpha_0 + \alpha_1 E_t + \alpha_2 NegE_t + \alpha_3 NegE_t * E_t + \alpha_4 B_t + \alpha_5 TACC_t + \varepsilon \tag{67}$$

where B_t is the book value of the firm, and $TACC_t$ is total accruals according to Richardson, Sloan, Soliman, and Tuna (2005) definition. TACC is calculated as a sum of the change in net working capital, the change in net non current operating assets, and the change in net financial assets. Working capital is the difference between the current assets excluding cash and short-term investments, and current liabilities excluding the debt portion in current liabilities. Non-current operating assets is defined as the difference between total assets excluding current assets and investments and advances, and the total liabilities excluding long-term debt and current liabilities. Net financial assets is the difference between investments and total debts including preference shares. Using the balance sheet identity, one could calculate TACC as the change in common equity minus the change cash. In our sample, both calculation methods resulted in almost the same figures.

3.2.3 Portfolio Strategies

I test ICC estimates in two types of portfolio management styles: (1) conditional optimal strategies under quadratic loss, and (2) non-optimization strategies that exploit sample moments information in order to mitigate estimation risk, namely market timing strategies. In the first type investment managers adopt an optimal asset allocation given the risk and return of the assets. In the second type, investment mangers make decisions depending on predictions about future price movements.

To set the notation, let x_t be an N-dimensional vector the represents the weights of N risky assets in a portfolio at date t. f_t is an N-dimensional vector that represents the risky assets expected excess returns above the risk free rate, and Σ_t is an NxN variance-covariance matrix of returns between the risky assets.

Firstly, I start with an optimal decision for wealth allocation across assets carried out using a quadratic utility function in a static framework. The classical example of such strategies is mean-variance portfolio optimization using sample moments. The investors choose the weights every period in order to maximize their expected utility given their risk aversion factor γ:

$$\max x_t.f_t - \frac{\gamma}{2}.x_t^{'}.\Sigma_t.x_t \tag{68}$$

The optimal portfolio is obtained by setting the first order differentiation with respect to x_t to zero, to obtain a well known solution:

$$x_t = \frac{1}{\gamma}.\Sigma_t^{-1}.f_t \tag{69}$$

If $\mathbf{1}_N$ is an N-dimensional vector of ones, the amount of wealth invested in risk-free assets would be $1 - \mathbf{1}_N^T.x_t$, and the vector of relative weights constituting the portfolio with only risky assets would be as follows [14]:

$$w_t = \frac{x_t}{|\mathbf{1}_N^T.x_t|} = \frac{\Sigma_t^{-1}.f_t}{|\mathbf{1}_N\Sigma_t^{-1}.f_t|} \tag{70}$$

This formulation is the tangency portfolio (TP). Since the mean-variance portfolio allocates some weight to the risk-free asset, I will use the TP strategy as in equation (71) to test the performance of ICC estimates. This ensures that the performance differences across portfolios are not driven by different allocations to the risky assets and risk free assets. DeMiguel, Garlappi, and Uppal (2009) impose a similar constraint on the mean-variance portfolio by rescaling the weights of the optimal portfolio to obtain a portfolio that invest 100% in the TP given that the denominator in equation (71) is larger than zero (otherwise, if the TP is conditionally inefficient, the optimal strategy invests -100% in TP and 200% in risk-free asset). TP and optimal portfolio differ in 2 important issues: estimation risk and turnover.

$$x_t^{TP} = \frac{\Sigma_t^{-1}.f_t}{\mathbf{1}^{'}.\Sigma_t^{-1}.f_t} \tag{71}$$

Note that if $\Sigma_t = \Sigma$ and $f_t = f$ for all t, the two portfolios will have the same unconditional Sharpe ratios. However, in reality, this is not the case. The sampling variation increases the variance in returns and lowers the unconditional Sharpe ratio. The important thing is to

[14]This equivalent to the usual constraint used in portfolio optimization problems $\sum_{i=1}^{N} w_{it} = 1$.

note is that TP is more likely to be severely impacted than the optimal portfolio (Kirby and Ostdiek (2012)). Moreover, turnover is also affected by estimation risk, but it is a greater concern for TP strategy than optimal strategy. Therefore, by focusing on TP strategy like DeMiguel et al. (2009) to test ICC models, I am disadvantaging the ICC models with respect to estimation risk and turnover when compared to benchmarks strategies that do not resort to estimates of expected return like 1/N and minimum variance portfolios. This note will be of importance when discussing the empirical results later, especially when comparing the ICC strategies based on TP to naive strategies like 1/N. Kirby and Ostdiek (2012) suggest that the weight of the risk-free asset in the classical optimal portfolio should be transferred to the minimum-variance portfolio because it only depends on the covariance matrix, which arguably generates less estimation error than rescaling using the tangent portfolio weights like in DeMiguel et al. (2009). Although this could be appealing in some other settings, the purpose of this work is to test for the benefit of using ICC models to estimate ex-ante expected returns. Rescaling the optimal portfolio using minimum-variance weights would make the optimal weights more dependent on the covariance matrix which is undesirable for the purpose of this work. Hence, I will use the highest Sharpe ratio portfolio to operationalise the ICC estimates of expected returns just like the majority of similar research. But to stress the point, the main benchmark to compare these ICC tangency portfolios is the tangency portfolio based on historical realised returns. The tangency portfolio - by construction - is not designed to be compared to benchmarks like 1/N and minimum-variance portfolios. Moreover, the task at hand is to assess the benefit of using expected returns from ICC models instead of realised returns in an optimal portfolio setting. The tangency portfolio is appropriate for this task since the results are not affected by the allocation to risk free assets, neither that such allocation is transferred to a portfolio that could undermine the importance of expected returns in determining the weights. However, TP is not appropriate if the task was to outperform naive strategies such as 1/N. Nevertheless, I will present the results of comparing 1/N to the ICC tangency strategies in the additional analysis section for illustrating that despite the TP inherited disadvantage, some ICC models still outperform it. Having clarified that, the timing strategies that are described below can and would be compared to 1/N in the main analysis.

In a nutshell, equation (71) shall be used to generate "ICC Strategies" by setting to $f_t = ICC_t$ net of risk free rate, where ICC_t are ex-ante estimates of expected returns generated from the models presented in table (37). These portfolios shall be compared primarily to a "mean-variance" version where the weights for the mean-variance portfolio are computed using the same equation but with $f_t = \hat{\mu}_t$.

Secondly, I test the improvement in market timing strategies out-of-sample performance from using ICC as proxies for expected returns. Following Kirby and Ostdiek (2012), if an aggressive form of shrinkage is applied to the covariance matrix whereby all off-diagonal elements of the matrix is set to zero in tangent portfolio, the resulting formulation is a Reward-to-Risk Timing (RRT) portfolio strategy of the form $\hat{w}_{it} = \frac{(\hat{f}_{it}^{+}/\hat{\sigma}_{it}^{2})}{\sum_{i=1}^{N}(\hat{f}_{it}^{+}/\hat{\sigma}_{it}^{2})}$. Kirby and Ostdiek (2012) generalize this formulation to be as follows

$$\hat{w}_{it} = \frac{\left(\hat{f}_{it}^{+}/\hat{\sigma}_{it}^{2}\right)^{\eta}}{\sum_{i=1}^{N}\left(\hat{f}_{it}^{+}/\hat{\sigma}_{it}^{2}\right)^{\eta}} \tag{72}$$

where η is a tuning parameter to adjust for the volatility changes effect on weights (timing aggressiveness), which allow control over transaction cost and portfolio turnover. σ is the conditional volatility of excess return. The covariance matrix is assumed to be diagonal for all t. Kirby and Ostdiek (2012) argue that mean-variance portfolios with such diagonal matrix perform better than portfolios constructed using conventional covariance matrix. They consider such restriction on the matrix as a form of shrinkage, that reduces the number parameters to estimate and hence reduce the estimation risk in a way that outweighs the information loss. In the empirical implementation, I set η =1. Later in the robustness testing, η equals to 2 is also checked.

This generalized form of the RRT adds the *positive* estimated conditional mean for each asset $\hat{f}_{it}^{+}$. The mean is restricted to be positive (i.e max($\hat{f}_{it}$,0)) because it is estimated with less precision as compared to the restricted diagonal covariance matrix which reduces the tendency of the portfolio to yield extreme weights (Jagannathan and Ma (2003)). However, if the mean is allowed to be negative for some assets, this could result in the denominator in equation (72) to approach zero. Hence, the investor is assumed to eliminate any negative-mean asset at period t. In the ICC setting, this assumption is trivial since almost all ICC estimates are positive by nature.

Equation (72) shall be used to generate "ICC Timing Strategies" by setting to $f_t = ICC_t$, where ICC_t are ex-ante estimates of expected returns generated from the models presented in table (37). These portfolios shall be compared primarily to a "conventional RRT" version where the weights are computed using the same equation but with $f_t = \hat{\mu}_t$. Also, these portfolios lend themselves to be compared to 1/N due to how they deal with estimation risk. Therefore, in the main analysis, the ICC timing strategies shall be compared to both the conventional RRT and 1/N.

As an additional benchmark, the same diagonal covariance is applied to the minimum-variance portfolio to yield a Volatility Timing (VT) portfolio that does not resort to expected returns estimates $\hat{w}_{it}^{VT} = \frac{(1/\hat{\sigma}_{it}^2)}{\sum_{i=1}^N (1/\hat{\sigma}_{it}^2)}$. The VT strategy is designed to avoid short sales and to keep turnover as low as possible by capitalizing on the advantages of the naive equally-weighted diversification. The weights are determined without optimization and without the inversion of the covariance matrix. Kirby and Ostdiek (2012) generalize this strategy as follows:

$$\hat{w}_{it}^{VT} = \frac{\left(1/\hat{\sigma}_{it}^2\right)^{\eta}}{\sum_{i=1}^N \left(1/\hat{\sigma}_{it}^2\right)^{\eta}} \tag{73}$$

Note that if $\eta = 0$, the portfolio becomes the naive 1/N diversification strategy.

3.2.4 Data, Estimation and Inference Procedure

The data used in the testing is the firm level data of S&P 1500 historical constituents. All data were collected on monthly basis. Thomson Reuters guidance for using I/B/E/S through Datastream specifically mention that for the data to be identical with that shown by other I/B/E/S historical products, a monthly data requests should specify the 20th of each month as the date of the download (Thomson Reuters (2010)). This also ensures that monthly data is always displayed in line with the I/B/E/S production cycle.

The portfolio testing methodology goes as follows, portfolios are constructed using the strategies described in the previous subsection based on the S&P 1500 historical constituents. For each month, all ICC models are estimated using accounting data available lagged by 6 months to ensure availability to market participants. I use a rolling data window T as in DeMiguel, Garlappi, and Uppal (2009) to estimate the mean return and covariance matrix. In the base case, T is set to be 60 months, but windows of 90 months are tested for robustness. To implement this approach, I define the estimators to be $\hat{\mu}_t = \frac{1}{T}\sum_{n=0}^{T-1} r_{t-1}$ and $\hat{\Sigma}_t$ to be the covariance estimator of Ledoit and Wolf (2004). These sample estimates are used to operationalise the same strategies for each period by dropping the earliest period in each iteration and including one more month forward. This will result in L-T portfolio weight vectors for each strategy where L is the total number of observations. In the base case L is set to be 224 months (from the year 1999 till November 2017). Any firm that does not have an estimate using any of the ICC models in the receptive tests get dropped to make sure that models are compared using the same set of firms each month.

Using the *implied expected returns* calculated by the methods in table (37), I construct portfolios based on forward looking expected returns using Tangency Portfolio and Reward-to-Risk Strategies to test its performance against the same portfolios using realised return moments, and other benchmark portfolios.

Following DeMiguel, Garlappi, and Uppal (2009) and other relevant work, the performance of the portfolios would be compared using two methods. Firstly, out-of-sample Sharpe ratio which is defined as the average of excess return generated by the portfolio divided by the standard deviation over $L - T$:

$$\hat{SR} = \frac{\hat{\mu}}{\hat{\sigma}} \tag{74}$$

where $\hat{\mu} = \frac{1}{L-T}\sum_{t=T}^{L-1} w_t'.r_{t+1}$ and $\hat{\sigma^2} = \frac{1}{L-T-1}\sum_{t=T}^{L-1}\left(w_t'.r_{t+1} - \hat{\mu}\right)^2$.

The difference in out-of-sample Sharpe ratio between strategies would be tested for significance using the non-parametric bootstrapping methodology of Ledoit and Wolf (2008) which is formulated to deal with returns of time-series nature and fat tails. The hypothesis is set that the difference between the Sharpe ratios is zero, and a two sided p-value is calculated using a studentized circular block bootstrapping with a block size of 10 and 5,000 bootstrap re-samples.

Secondly, the Portfolio Turnover is compared, which can be defined as the amount of trading necessary to implement the allocation. Technically, it is the mean sum of the absolute value of the trades across the assets:

$$\hat{TO} = \frac{1}{L - T - 1} . \sum_{t=T}^{L-1} \sum_{j=1}^{N} \left(|w_{\hat{j,t+1}} - \hat{w_{k,t}}| \right) \tag{75}$$

where $w_{\hat{j,t+1}}$ is the desired weights under the asset allocation at time $t + 1$ after rebalancing, and $\hat{w_{k,t}}$ is the weight of asset j at time $t + 1$ before rebalancing. Hence the difference is the trades on each asset j in each period.

3.3 Descriptive Statistics

Table (38) provides descriptive statistics of the firms' characteristics in the sample. Table (39) reports analysts estimates statistics of the various variables for 5 forecasting periods ahead. The average (median) number of analysts following each firm is almost 10 (8) analysts. The long-term growth in earnings forecast has an inter-percentile [5,95] range between 4 and 30 percent. The average of earnings per share (EPS), dividend per share (DPS), and the cash flow from operations per share (CPS) increases as the further into the future the forecast goes. The EPS and DPS forecast statistical attributes are comparable to the actual figures in table (38). Net debt (NDT) also exhibit a similar pattern when the forecasts are contrasted with the actual figure.

Table 38: **Summary Statistics of Firms' Characteristics**

	Mean	StD	Prcrt5	Prcrt25	Median	Prcrt75	Prcrt95	Skewness	Kurtosis
Earnings per share	1.412	1.659	0.000	0.290	0.980	1.920	4.350	2.557	11.942
Dividend per share	0.383	0.588	0.000	0.000	0.080	0.560	1.680	2.024	7.103
Market-to-Book	2.986	3.377	0.560	1.410	2.180	3.440	8.390	3.044	16.963
Book value per share	12.376	15.157	0.539	4.050	8.494	15.394	36.101	3.553	19.932
ROE	10.038	25.635	-28.150	5.200	11.920	18.730	39.020	-1.549	12.664
Dividend Payout	16.949	23.266	0.000	0.000	0.920	29.270	68.380	1.384	4.096
Price	29.316	26.836	2.986	12.060	22.625	38.000	75.090	2.476	11.782
Momentum (12 months)	0.187	0.524	-0.513	-0.110	0.122	0.376	1.091	1.697	8.384
Target Price/ Price	1.290	0.492	0.918	1.054	1.159	1.334	2.104	3.761	20.666
Beta	0.145	0.150	0.000	0.000	0.109	0.228	0.448	1.119	3.838
Beta Standard Error	0.044	0.037	0.000	0.018	0.041	0.062	0.111	1.097	4.980
Earnings Varaibility [std(forecasted EPS)/price]	0.005	0.011	0.000	0.001	0.002	0.005	0.021	4.784	29.186
Leverage	2.468	4.784	0.071	0.335	0.826	2.165	10.879	3.990	21.261
Total Assets ($mill)	7778.170	23086.611	62.181	353.002	1178.238	4420.000	34163.000	5.535	36.729
Equity ($mill)	1835.771	4041.514	17.878	177.716	484.379	1433.300	8772.000	4.170	22.393
Net Income ($mill)	264.806	783.203	-91.029	9.144	48.145	181.675	1374.000	4.533	26.739
EBITDA ($mill)	642.331	1571.567	-17.059	41.769	140.147	462.000	3195.120	4.479	25.568
Cash ($mill)	533.927	1527.257	2.511	23.691	88.894	317.624	2463.199	5.339	34.581
Net Debt ($mill)	1920.436	4558.786	-903.037	-33.444	415.386	1920.900	10168.000	3.496	17.663
Market Cap. ($mill)	5219.983	12314.553	74.330	446.405	1226.600	3839.485	23875.720	4.561	26.244
Number of Outstanding Shares (mill)	139.234	283.786	8.763	22.812	47.132	118.540	569.059	4.406	24.824

This table reports the summary statistics of firms' characteristics in the sample. The variables that are not per-share has been reported in millions of dollars.

Table (40) reports the results of estimating the various firm-level models as described in table (37) using analysts estimates, as well as the subsequent realised return over the next 12 months. The mean implied expected return range between 4.3 percent in the transformed OHE model using 25 size-B/M portfolios to as high as 38.8 percent using the transformed ES model. The dividend discount model GG also reported high estimates. The 5% inter percentile range of the subsequent realised return ranged between -26 to 55 percent. This is in accordance with the previous literature observation of noisy historical return. Most of the ICC models give more stable estimates of expected return. For instance, GLS, one of

Table 39: **Summary Statistics of Analysts Forecasts**

	Mean	**StD**	**Prcrt5**	**Prcrt25**	**Median**	**Prcrt75**	**Prcrt95**	**Skewness**	**Kurtosis**
Analysts Per Firm	9.778	7.354	1.000	4.000	8.000	14.000	25.000	1.058	3.581
PT	36.767	34.292	7.000	17.000	28.000	45.000	91.000	3.235	17.262
Ltg (%)	14.646	9.171	4.000	10.000	13.000	18.000	30.000	1.196	7.205
EPS 1	1.596	1.887	-0.230	0.530	1.190	2.130	4.850	2.354	11.881
EPS 2	1.924	2.023	0.110	0.730	1.430	2.450	5.470	2.727	13.419
EPS 3	2.460	2.208	0.260	1.050	1.900	3.170	6.610	2.168	9.505
EPS 4	3.149	2.654	0.360	1.400	2.470	4.120	8.170	1.903	7.958
EPS 5	3.688	3.061	0.500	1.670	2.880	4.820	9.310	2.030	8.732
DPS 1	0.609	0.782	0.000	0.000	0.350	0.900	2.150	2.026	8.006
DPS 2	0.639	0.800	0.000	0.000	0.380	0.960	2.220	1.905	7.303
DPS 3	0.708	0.850	0.000	0.000	0.420	1.090	2.440	1.606	5.696
DPS 4	1.065	1.080	0.000	0.200	0.810	1.600	3.110	1.584	6.274
DPS 5	1.146	1.179	0.000	0.220	0.870	1.700	3.410	1.644	6.418
CPS 1	3.329	3.171	0.290	1.360	2.490	4.290	9.150	2.355	10.660
CPS 2	3.780	3.450	0.520	1.630	2.820	4.770	10.070	2.458	11.129
CPS 3	4.728	4.122	0.710	2.090	3.590	6.010	12.440	2.280	9.984
CPS 4	5.818	5.367	0.980	2.410	4.300	7.300	15.865	2.517	11.352
CPS 5	6.456	5.974	1.150	2.660	4.735	8.020	17.660	2.493	11.179
CAP 1	398.447	935.447	4.230	23.500	75.000	271.410	2083.900	4.088	21.396
CAP 2	404.733	950.431	4.800	24.500	78.000	275.000	2076.000	4.114	21.629
CAP 3	561.161	1236.454	7.000	38.000	123.370	430.000	2790.000	4.048	21.497
CAP 4	838.655	1984.491	9.737	55.000	189.000	671.000	3687.000	4.974	31.981
CAP 5	923.526	2263.440	9.793	59.000	200.000	732.375	3892.298	5.101	32.714
EBT 1	948.464	2162.369	4.097	82.550	246.000	775.000	4239.093	4.634	27.598
EBT 2	1070.666	2384.894	19.965	104.900	293.130	892.370	4695.299	4.610	27.341
EBT 3	1510.213	3160.066	40.500	165.000	452.525	1331.800	6488.238	4.373	24.795
EBT 4	2177.182	4103.127	57.278	263.393	742.000	2115.615	9030.868	3.907	20.451
EBT 5	2433.561	4461.306	66.000	290.000	821.150	2397.500	10405.100	3.704	18.670
NDT 1	1605.962	4141.025	-1245.861	-78.870	325.500	1677.010	9179.168	3.193	16.012
NDT 2	1445.472	4273.382	-1779.380	-155.720	250.400	1578.390	9142.141	2.930	15.130
NDT 3	1432.469	4993.540	-3023.250	-299.460	236.700	1785.430	10209.000	2.343	13.079
NDT 4	1932.309	7287.460	-5563.445	-371.370	456.545	2891.720	15747.125	1.146	9.861
NDT 5	1388.745	7898.371	-7589.913	-627.298	258.600	2606.000	15236.254	0.353	10.310

This table reports the summary statistics of analysts forecasts that will be used for ICC estimations. The first row reports the statistics of the number of analysts following each firm in the sample. PT is the price target, and Ltg is the forecasted Long-term growth rate of earnings. EPS is the forecasted earnings per share. DPS is the forecasted dividend per share, and CPS is cash flow per share forecast. CAP is the forecasted capital expenditure, EBT is earnings before interest and taxes forecast, and NDT is the Net Debt forecast. The variables that are non per share are reported in millions of dollars. The number after the variables indicate the number of years ahead for which the forecast is attributed.

the most widely ICC models have a range between 6 and 16.4%. The P/E ratio model range is between zero and 13%. Table (41) present the Spearman correlation matrix between the estimates of the various ICC models. All models -except TrOHE_10Ind- have a positive and significant correlation with the subsequent realised return.

Table 40: **Summary Statistics of the Firm-Level ICC Estimates**

	Mean	**StD**	**Prcrt5**	**Prcrt25**	**Median**	**Prcrt75**	**Prcrt95**	**Skewness**	**Kurtosis**
CT	0.093	0.023	0.056	0.077	0.090	0.105	0.145	0.562	2.878
GLS	0.110	0.025	0.068	0.093	0.108	0.126	0.164	0.355	2.574
GM	0.114	0.029	0.074	0.094	0.107	0.126	0.187	1.025	3.575
MPGE	0.115	0.040	0.065	0.088	0.104	0.130	0.222	1.255	4.024
GG	0.319	0.078	0.170	0.269	0.318	0.368	0.473	0.034	2.540
FGHJ	0.117	0.022	0.080	0.102	0.115	0.130	0.165	0.433	2.645
PEG	0.100	0.049	0.000	0.076	0.095	0.121	0.216	0.365	3.613
PE	0.061	0.030	0.003	0.042	0.059	0.077	0.127	0.269	2.889
HL	0.107	0.025	0.071	0.089	0.102	0.119	0.170	0.907	3.325
DKL	0.105	0.023	0.071	0.089	0.101	0.117	0.160	0.762	3.085
BP	0.038	0.035	- 0.009	0.014	0.030	0.053	0.132	1.136	3.829
KMY	0.177	0.066	0.078	0.112	0.184	0.226	0.298	0.078	1.884
FPM	0.096	0.022	0.060	0.080	0.095	0.112	0.139	0.196	2.231
TrETSS_25SBM	0.101	0.151	- 0.094	0.000	0.045	0.174	0.484	1.123	3.439
TrES_25SBM	0.388	0.814	- 0.569	0.000	0.055	0.450	2.895	1.905	6.007
TrOHE_25SBM	0.043	0.139	- 0.243	- 0.011	0.024	0.102	0.365	0.330	3.490
TrETSS_Ind10	0.045	0.114	- 0.184	- 0.015	0.049	0.098	0.314	0.212	3.440
TrES_Ind10	0.231	0.335	- 0.118	0.034	0.089	0.300	1.249	1.832	5.684
TrOHE_Ind10	0.054	0.048	- 0.048	0.027	0.054	0.083	0.152	- 0.050	2.963
realised	0.063	0.188	-0.258	0.000	0.000	0.116	0.547	1.047	3.949

This table reports the summary statistics of the various firm-level ICC estimates based on analysts earnings forecasts, as well as the realised return.

Tables (6) and (7) report the statistics of the variables used in forecasting earnings using mechanical models described in section (3.2.2), and the statistics of the resulting forecasts.

Table 41: **Spearman Correlation of the Firm-Level ICC Estimates**

	CT	**GLS**	**GM**	**MPEG**	**GG**	**FGHJ**	**PEG**	**PE**	**HL**	**DKL**	**BP**	**KMY**	**FPM**	**TrOHE _10Ind**	**TrES _25SBM**	**TrETSS _25SBM**	**TrOHE _25SBM**	**TrETSS _Ind10**	**TrETSS _10Ind**	**realised**
CT		0.585***	0.607***	0.488***	0.678***	0.662***	0.357***	0.645***	0.776***	0.840***	0.493***	0.573***	0.607***	0.184***	0.061***	0.030***	0.056***	0.150***	0.070	0.073***
GLS			0.462***	0.456***	0.502***	0.977***	0.370***	0.598***	0.743***	0.814***	0.384***	0.345***	0.465***	0.156***	0.130***	-0.103***	0.084***	0.081***	0.094***	0.126***
GM				0.927***	0.564***	0.502***	0.844***	0.186***	0.912***	0.831***	0.446***	0.600***	0.639***	0.099***	0.081***	-0.02***	0.049***	0.072***	0.016***	0.035***
MPEG					0.413***	0.47***	0.930**	0.116***	0.889***	0.751***	0.380***	0.467***	0.57***	0.076***	0.086***	-0.054***	0.045***	0.059***	0.018***	0.035***
GG						0.554***	0.483***	0.345***	0.598***	0.655***	0.436***	0.968***	0.428***	0.057***	0.043***	0.001	0.048***	0.053***	0.024***	0.051***
FGHJ							0.386***	0.610***	0.768***	0.844***	0.417***	0.374***	0.522***	0.174***	0.124***	-0.072***	0.087***	0.099***	0.090***	0.119***
PEG								-0.082***	0.653***	0.559***	0.304***	0.237***	0.405***	-0.002	0.051***	-0.055***	0.030***	0.025***	-0.008***	0.005**
PE									0.445***	0.54***	0.342***	0.403***	0.319***	0.215***	0.070***	0.005**	0.057***	0.149***	0.132***	0.104***
HL										0.973***	0.478***	0.570***	0.671***	0.147***	0.096***	-0.050***	0.067***	0.106***	0.056***	0.084***
DKL											0.498***	0.583***	0.671***	0.166***	0.101***	-0.046***	0.072***	0.114***	0.067***	0.095***
BP												0.473***	0.422***	0.125***	0.040***	0.043***	0.048***	0.110***	0.012***	0.064***
KMY													0.432***	0.109***	0.035***	0.032***	0.040***	0.117***	0.045***	0.067***
FPM														0.247***	0.051***	0.036***	0.064***	0.193***	0.036***	0.062***
TrOHE_10Ind															-0.011***	0.004***	0.038***	0.170***	0.000	-0.010***
TrES_25SBM																0.097***	0.048***	0.065***	0.077***	0.084***
TrETSS_25SBM																	0.094***	0.078***	0.045***	0.048***
TrOHE_25SBM																		0.022***	0.002	0.023***
TrETSS_Ind10																			0.129***	0.097***
TrETSS_10Ind																				0.103***
realised																				

This table reports the correlation matrix that corresponds to Spearman rank order correlations of the various firm-level ICC estimates based on analysts earnings forecasts and the realised return.

Table 42: **Summary Statistics of the Variables used in the Mechanical Models**

	Mean	StD	Prcrt5	Prcrt25	Median	Prcrt75	Prcrt95	Skewness	Kurtosis
A_t($mill)	7,778.170	23,086.611	62.181	353.002	1,178.238	4,420.000	34,163.000	5.535	36.729
D_t($mill)	78.901	245.440	0.000	0.000	0.128	36.296	413.000	5.098	31.663
E_t($mill)	239.876	739.510	- 92.400	6.051	39.795	156.932	1,257.000	4.639	27.711
AC_t($mill)	- 248.910	731.649	- 1,302.100	- 167.334	- 40.286	- 5.547	57.010	- 4.733	28.612
$NegE\_E_t$($mill)	- 22.178	103.180	- 92.400	0.000	0.000	0.000	0.000	- 6.436	46.718
DD_t	0.501	0.500	0.000	0.000	1.000	1.000	1.000	- 0.006	1.000
$NegE_t$	0.186	0.389	0.000	0.000	0.000	0.000	1.000	1.616	3.612
$TACC_t$	0.589	4.060	- 4.399	- 0.299	0.422	1.545	5.941	- 0.277	12.741
B_t	12.376	15.157	0.539	4.050	8.494	15.394	36.101	3.553	19.932

This table reports the summary statistics of the regression variables used to generate mechanical forecasts of earnings. The units of the variables correspond to the units used in testing as described in section 2.3.3. A_t is the total assets of the firm in millions of dollars, D_t is the dividends paid by the firm, and DD_t is a dummy to indicate whether a firm is paying dividends. E_t is earnings in millions of dollars, and $NegE_t$ is a dummy for loss making firms. AC_t is the firm working capital accruals in millions of dollars, $TACC_t$ is per-share total accruals according to Richardson, Sloan, Soliman, and Tuna (2005) definition, and B_t is the per share book value of the firm.

Table 43: **Summary Statistics of the Earnings Forecasts from Mechanical Models**

	Mean	StD	Prcrt5	Prcrt25	Median	Prcrt75	Prcrt95	Skewness	Kurtosis
HDZ1	1.954	2.488	-1.351	0.584	1.435	2.645	6.053	2.689	13.911
HDZ2	2.313	3.011	-0.652	0.656	1.519	2.939	7.228	3.321	17.750
HDZ3	2.745	3.754	-0.583	0.722	1.709	3.381	8.880	3.481	18.586
HDZ4	3.106	4.476	-0.450	0.761	1.829	3.682	10.490	3.636	19.481
HDZ5	3.348	4.783	-0.290	0.831	1.988	3.955	11.123	3.724	20.324
EP1	2.795	8.774	-19.623	0.291	2.008	6.508	13.264	1.051	12.450
EP2	5.066	7.866	-12.639	1.224	4.595	9.740	18.169	-0.223	3.037
EP3	7.459	8.725	-10.395	1.929	7.372	13.225	23.237	0.096	2.705
EP4	5.746	7.423	-11.067	0.309	6.533	11.343	16.517	-0.344	3.038
EP5	1.940	6.852	-13.496	-0.615	1.683	7.432	10.777	-0.331	3.184
RI1	2.582	5.467	-7.327	-0.733	1.048	6.597	12.781	0.490	2.833
RI2	4.444	8.275	-7.703	-1.359	1.529	11.032	19.795	0.704	2.418
RI3	3.968	9.005	-9.798	-1.841	0.554	10.620	22.663	0.841	2.759
RI4	1.592	6.260	-9.211	-1.957	0.971	4.155	14.205	0.552	3.105
RI5	-0.958	6.240	-12.952	-4.217	-0.890	1.899	9.317	0.933	6.758

This table reports the summary statistics of the earnings forecasts from the mechanical forecasting models for up to 5 years. The models are: Hou, van Dijk, and Zhang (2012) model (HDZ), (2) Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI).

3.4 Portfolio Selection Empirical Results

3.4.1 Discussion of ICC Optimal Portfolios

In this section, I empirically compare the performance of the ICC strategies based on the tangency portfolio described in section 3.2, against the mean-variance portfolio. For each of the strategies, I compute the out-of-sample Sharpe ratios, the non-parametric bootstrapped p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding ICC portfolio and the mean variance portfolio is zero, and the turnover. Table (106) report the detailed results of this testing. In tables (45 and 44) I summarize the comparison between the ICC strategies and the optimal mean-variance portfolio. The latter table tabulates the ICC strategies Sharpe ratios by ICC models in the rows, and the source of earnings forecast used in the models in the columns. Five sources of earnings forecasts as well as 5 calibrated versions of these forecasts are used to estimate each of the ICC models (i.e. totalling to 10 versions of each of the ICC models). The portfolio-level models that have been transformed to yield firm-level estimates of expected returns (i.e. ETSS, ES, OHE, and WNG) have not been calibrated since the transformation involve the use of similar factors to the calibration. Models that do not use earnings forecasts (Naive, and the two transformations of OHE) have no versions based on mechanical earnings forecasts. The table reports the Sharpe ratios of each ICC strategy along with asterisks that denote the statistical significance of the difference between the respective Sharpe and the Sharpe of the mean variance portfolio if the ICC strategy has a larger ratio. Generally, most of the ICC tangent portfolios have higher out-of-sample risk-adjusted returns than a tangent portfolio based on average historical returns, and the difference is statistically significant in most cases.

To better understand the results, each model in table (45) have been assigned two symbols to indicate how the model fare against the mean-variance portfolio in terms of out-of-sample Sharpe ratio (the first symbol to the left), and turnover (the second symbol). If the Sharpe of the ICC strategy is higher than the mean-variance portfolio, and the non-parametric bootstrapped p-value is statistically significant, it would be assigned a (✓). If the Sharpe of the ICC is higher but the difference is not substantiated by the p-value, it would be assigned (?), or (x) if the mean-variance portfolio has a higher Sharpe. Similarly, the ICC strategy would be assigned a (✓) if it has lower turnover, and (x) otherwise.

Using analysts estimates firstly, all ICC strategies based residual income framework (i.e. GLS, CT, FGHJ) as well as those based on the abnormal growth in earnings (i.e. PE, PEG, MPEG, and GM) have better Sharpe and turnover than the mean variance. Similarly, the strategies based on average ICC models (HL, DKL, KMY, and FPM) have better out-of-sample Sharpe and turnover than the benchmark. The dividend discount models report mixed results. The GG for instance, which has a terminal value based on earnings perpetuity, report significantly higher Sharpe and lower turnover than the benchmark. However, the dividend models that use price target in the terminal value (BP, and TPDPS) as well as the Naive model which resemble the terminal value of these dividend models, record higher turnovers than the mean-variance portfolio. Lastly, the transformed models (ES, ETSS, OHE, and WNG) had higher turnovers and an inconclusive difference in Sharpe ratios. With minor exceptions, the results did not qualitatively change much from replacing the analysts' earnings forecasts by forecasts based on mechanical models or calibrated versions of the forecasts. Among the exceptions, the PE and PEG models reported some inconclusive results, and the GG struggled with forecasts from RI mechanical model.

More specifically, the GLS (using analysts estimates), which is one of the most widely used ICC models, achieve a Sharpe ratio of 0.433 as compared to a mean-variance Sharpe ratio of negative 0.370. The p-value of the difference between the GLS and the mean-variance Sharpe is 0.002. The high recorded return variance 33.571 and turnover 28.089 of the mean-variance portfolio is the result of the known noisiness of realised returns which translates into extreme unstable weights in the mean-variance portfolio. Such return variance in the mean variance portfolio resulted in the fact that most ICC models have a higher risk-adjusted return figures, which range from a maximum of 0.853 (GG_RW) to a minimum equivalent to the mean variance Sharpe (GG_RI_Clbrtd). Similarly, the lowest ICC turnover has been recorded to be 1.148 (FPM_Anlst_Clbrtd). Almost 129 ICC strategies recorded turnover below the turnover of the mean-variance portfolio.

In summary, in an optimal portfolio setting, expected returns derived from ICC models prove to have better out-of-sample performance than expected returns based on ex-post re-

Table 44: **Summary: ICC Optimal Strategies Sharpe Ratio Comparison with Mean-Variance Strategy**

	Analysts	HDZ	RW	EP	RI	CAnalysts	CHDZ	CRW	CEP	CRI
BP	0.262*	-0.079	0.084	0.433***	0.127	0.231*	0.512***	0.174*	0.211**	-0.171
CT	0.209*	0.612***	0.447***	-0.104	0.481**	0.54***	0.772***	-0.23	-0.296	-0.075
DKL	0.366**	0.531***	0.307*	0.556***	0.369***	0.547***	0.712***	0.412**	0.335***	-0.014
FGHJ	0.38**	0.525***	0.192**	0.666***	0.291**	0.547***	0.695***	-0.051	0.672***	0.186*
FPM	0.397**	0.379**	0.696***	0.278*	0.263*	0.423**	0.514***	0.426***	0.186*	0.002
GG	0.378**	0.597***	0.853***	0.21**	-0.046	0.469**	0.201	0.209*	-0.207	-0.37
GLS	0.433**	0.6***	0.337***	0.593***	-0.206	0.548***	0.689***	0.2*	0.541***	0.123*
GM	0.342**	0.161*	0.374**	0.364**	0.615***	0.557***	-0.067	-0.176	0.22**	0.32**
HL	0.346**	0.477***	0.285*	0.626***	0.431***	0.547***	0.7***	0.272*	0.177*	-0.097
KMY	0.381**	0.587***	0.384**	0.641***	0.037	0.571***	0.511**	0.289*	-0.24	-0.348
MPEG	0.282*	0.338**	0.432**	0.479**	0.618***	0.491**	-0.133	0.058	0.396***	0.22**
PE	0.148*	-0.08	0.743***	0.017	0.026	0.466**	0.81***	-0.222	0.347**	0.088
PEG	0.286*	0.244*	-0.164	0.368**	-0.221	-0.289	-0.066	0.525***	-0.13	0.637***
TPDPS	0.063*	-0.082	0.014	0.165	0.178	0.092*	0.112	0.079	0.163*	0.121
ES_10Ind	0.336***	0.467***	-0.311	0.277***	0.033					
ES_25SMB	0.085	-0.081	0.193**	-0.297	-0.213				-0.078	
ETSS_10Ind	-0.311	-0.239	-0.239	0.096	0.257***				-0.006	
ETSS_25SBM	0.252***	-0.125	-0.004	0.091*	0.244***				0.284**	
WNG	-0.1	0.128*	0.115*	0.21***	0.111				0.303***	
OHE_10Ind	-0.31									
OHE_25SBM	0.242***									
Naive	-0.199					-0.199				

This table is a summary of table (106) where ICC strategies using various sources of earnings forecasts (the columns) are compared to mean-variance (MV) strategy in terms of Sharpe ratio. The Sharpe ratio of each strategy is reported. If the ICC Sharpe is higher than the MV, asterisk indicates if the difference is significant using non-parametric bootstrapped p-values. 5%, 1%, and 0.1% level of significance are indicated by one, two, and three asterisks respectively.

turn data. This is especially evident when the estimates are produced by residual income models, models based on abnormal growth in earnings, and average ICC models. However, these conclusions are not as evident in models that are based on dividend discount models, and those estimates obtained by transforming portfolio-level estimates to firm-level estimates [15].

3.4.2 Discussion of ICC Market Timing Strategies

I turn now to empirically compare the performance of the ICC market timing strategies described in the Data and Methodology section against conventional Reward-to-Risk Timing (RRT) portfolios and 1/N. Similar to the previous testing, for each of the strategies, I compute the out-of-sample Sharpe ratios, the non-parametric bootstrapped p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding ICC portfolio and the RRT portfolio is zero, and the turnover. Table (107) report the detailed results of

[15]The Sharpe is negative to few of the portfolios since the excess expected return estimate is negative. Although a negative Sharpe is difficult to evaluate, the comparison between strategies is still valid. In the analysis provided, it does not affect the conclusions.

Table 45: **Summary: ICC Optimal Strategies Sharpe Ratio and Turnover Comparison with Mean-Variance Strategy**

	Analysts	**HDZ**	**RW**	**EP**	**RI**	**CAnalysts**	**CHDZ**	**CRW**	**CEP**	**CRI**
BP	✓x	? ✓	? x	✓✓	? ✓	✓✓	✓✓	✓x	✓✓	? ✓
CT	✓✓	✓✓	✓✓	? ✓	✓✓	✓✓	✓✓	? ✓	? ✓	? ✓
DKL	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	? ✓
FGHJ	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	? ✓	✓✓	✓✓
FPM	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	? ✓
GG	✓✓	✓✓	✓✓	✓✓	? ✓	✓✓	? ✓	✓✓	? ✓	x x
GLS	✓✓	✓✓	✓✓	✓✓	? ✓	✓✓	✓✓	✓✓	✓✓	✓✓
GM	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	? ✓	? ✓	✓✓	✓✓
HL	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	? ✓
KMY	✓✓	✓✓	✓✓	✓✓	? ✓	✓✓	✓✓	✓✓	? ✓	? ✓
MPEG	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	? ✓	? ✓	✓✓	✓✓
PE	✓✓	? ✓	✓✓	? x	? ✓	✓✓	✓✓	? ✓	✓x	? x
PEG	✓✓	✓✓	? ✓	✓✓	? ✓	? x	? x	✓✓	? ✓	✓✓
TPDPS	✓x	? ✓	? x	? ✓	? ✓	✓x	? ✓	? x	✓✓	? ✓
ES_10Ind	✓x	✓x	? x	✓x	? x					
ES_25SMB	? x	? x	✓x	? x	? x					
ETSS_10Ind	? x	? x	? x	? ✓	✓x					
ETSS_25SBM	✓x	? x	? x	✓✓	✓x					
WNG	? x	✓x	✓x	✓x	? x					
OHE_10Ind	? x									
OHE_25SBM	✓x									
Naive	? x					? x				

This table is a summary of table (106) where ICC strategies using various sources of earnings forecasts (the columns) are compared to mean-variance (MV) strategy in terms of Sharpe ratio and turnover. Two symbols are assigned to each of the ICC strategies. The first symbol contrast the Sharpe against MV Sharpe ratio, and the second compare the turnover as follows:

- ✓✓Significantly higher Sharpe, and lower turnover.
- ✓x Significantly higher Sharpe, and higher turnover.
- ? ✓Higher Sharpe, and lower turnover.
- ? x Higher Sharpe, and higher turnover.
- x ✓Lower Sharpe, and lower turnover.
- x x Lower Sharpe, and higher turnover.

this testing. A summary of the out-of-sample risk-adjusted returns of the ICC timing portfolios and the statistical difference between it and the RRT and 1/N is presented in tables (46) and (47) respectively. Both tables report that the majority of the ICC strategies have Sharpe ratios that are higher than the RRT and 1/N, and the difference is statistically attested.

In table (48) I summarize the comparison between the ICC strategies and the RRT portfolio in terms of Sharpe and turnover. This latter table tabulates the results by ICC models in the rows, and the source of earnings forecast used in the models in the columns.

Using analysts estimates firstly, all ICC based timing strategies -except for the transformed models- have higher Sharpe Ratios than RRT with a statistically significant difference. In fact, no ICC timing strategy - including those based on mechanical forecasts of earnings and calibrated versions - have Sharpe that is lower than RRT. In terms of the turnover of the strategies the results are mixed. Using analysts forecasts, all average ICC models (HL, KML, DKL, and FPM) have lower turnovers as compared to the benchmark. Similarly, the following models have reported turnovers lower than RRT: CT, GG, and GM. Among the mechanical models of earnings forecasts, the ICC portfolios worked best with HDZ and worst with the random walk (RW).

More specifically, the RRT portfolio reported a Sharpe ratio of 0.087. Almost 160 ICC timing strategy reported a Sharpe higher than RRT. The maximum Sharpe is reported by PE_RI 0.627. In terms of turnover the RRT reported 0.477. Although only about 30 ICC timing strategies have a lower turnover than RRT, at least 60 more ICC strategies have turnovers that are within 10% of the RRT turnover.

Comparing the ICC timing strategies to 1/N, except for a few strategies, the ICC timing portfolios show higher out-of-sample Sharpe ratios, and in most of these cases, the difference is statistically significant. Similarly, many of the ICC portfolios reported smaller or practically similar trading volumes.

Overall, the evidence for the superiority of ICC timing strategies over conventional RRT and 1/N is overwhelming in terms of risk-adjusted returns. Some of the ICC strategies report lower turnover than RRT and 1/N, many others reported practically similar turnovers, but some reported higher potential trading. One possible explanation to this observation is that

Table 46: **Summary: ICC Timing Strategies Sharpe Ratio Comparison with RRT Strategy**

	Analysts	HDZ	RW	EP	RI	CAnalysts	CHDZ	CRW	CEP	CRI
BP	0.399**	0.398**	0.424*	0.46**	0.453**	0.369*	0.365*	0.267	0.378*	0.335*
CT	0.3**	0.365**	0.38**	0.385**	0.451**	0.341**	0.404***	0.207	0.281*	0.34**
DKL	0.314**	0.355**	0.375***	0.415***	0.436**	0.342***	0.392**	0.318**	0.315**	0.302**
FGHJ	0.334**	0.365***	0.258	0.368**	0.405***	0.34***	0.366**	0.198	0.395***	0.277**
FPM	0.301**	0.291**	0.129	0.266*	0.411***	0.32**	0.308*	0.311	0.238*	0.303
GG	0.307**	0.379**	0.414***	0.234	0.366	0.313**	0.396**	0.169	0.391*	0.312
GLS	0.353**	0.383***	0.268	0.385**	0.431**	0.343**	0.383**	0.293**	0.371***	0.367**
GM	0.285**	0.268*	0.347**	0.257*	0.31**	0.343***	0.445***	0.251	0.267*	0.343*
HL	0.304**	0.346**	0.366**	0.41***	0.426**	0.343***	0.397**	0.318**	0.32**	0.272*
KMY	0.306**	0.363**	0.37**	0.393**	0.417**	0.349***	0.395**	0.321**	0.303**	0.306*
MPEG	0.274**	0.32**	0.349**	0.313**	0.337**	0.351***	0.367**	0.296*	0.174	0.258
PE	0.326*	0.474***	0.602*	0.459*	0.627***	0.385**	0.469**	0.016	0.312	0.019
PEG	0.274**	0.313**	0.339**	0.259	0.225	0.319**	0.427**	0.289*	0.207	0.042
TPDPS	0.401**	0.399**	0.373*	0.461**	0.464**	0.403**	0.396**	0.397*	0.453**	0.457**
ES_10Ind	0.312	0.301	0.29	0.448*	0.088					
ES_25SMB	0.224	0.127	0.213	0.2	0.39					
ETSS_10Ind	0.22	0.158	0.101	0.201	0.116					
ETSS_25SBM	0.316*	0.126	-0.042	0.144	0.127					
WNG	0.077	0.164	0.033	0.276	0.31					
OHE_10Ind	0.26									
OHE_25SBM	0.312									
Naive	0.402**					0.402**				

This table is a summary of table (106) where ICC market timing strategies using various sources of earnings forecasts (the columns) are compared to conventional Reward-to-Risk (RRT) strategy in terms of Sharpe ratio. The Sharpe ratio of each strategy is reported. If the ICC Sharpe is higher than the RRT, asterisk indicates if the difference is significant using non-parametric bootstrapped p-values. 5%, 1%, and 0.1% level of significance are indicated by one, two, and three asterisks respectively.

the research design of limiting the sample every month to firms that have ICC estimates using all the models used, result in high turnover. To minimize the possibility that firms go out of the sample suddenly in some months because they have a missing ICC estimate - and hence increasing the turnover- in the next section, I replace the missing ICC estimates by the last available estimate from the same model up to 12 months ahead.

3.5 Additional Analysis

3.5.1 Portfolio Turnover

In the previous sections, I have demonstrated that in optimal and timing strategies, investors are better off using ICC models to generate expected return estimates instead of the ex-post first moment. Many of the ICC models made the respective strategies generate lower turnover, but on some occasions - especially timing strategies - this was not the case. In this section, I analyse whether the research design implemented is the reason for the relatively higher turnover in some ICC strategies. Specifically, in the previous analysis,

Table 47: **Summary: ICC Timing Strategies Sharpe Ratio Comparison with 1/N Strategy**

	Analysts	HDZ	RW	EP	RI	CAnalysts	CHDZ	CRW	CEP	CRI
BP	0.399*	0.398*	0.424	0.46*	0.453*	0.369	0.365	0.267	0.378	0.335
CT	0.3*	0.365*	0.38**	0.385*	0.451*	0.341**	0.404**	0.207	0.281	0.34
DKL	0.314*	0.355*	0.375**	0.415**	0.436**	0.342**	0.392**	0.318**	0.315*	0.302
FGHJ	0.334**	0.365**	0.258	0.368**	0.405***	0.34**	0.366**	0.198	0.395**	0.277
FPM	0.301*	0.291	0.129	0.266	0.411*	0.32**	0.308	0.311	0.238	0.303
GG	0.307**	0.379**	0.414**	0.234	0.366	0.313**	0.396**	0.169	0.391	0.312
GLS	0.353**	0.383**	0.268	0.385**	0.431**	0.343**	0.383**	0.293*	0.371**	0.367*
GM	0.285*	0.268	0.347**	0.257	0.31	0.343**	0.445**	0.251	0.267	0.343
HL	0.304*	0.346*	0.366**	0.41**	0.426*	0.343**	0.397**	0.318**	0.32*	0.272
KMY	0.306**	0.363*	0.37**	0.393*	0.417*	0.349**	0.395**	0.321**	0.303*	0.306
MPEG	0.274	0.32*	0.349**	0.313*	0.337*	0.351**	0.367*	0.296	0.174	0.258
PE	0.326*	0.474***	0.602	0.459*	0.627***	0.385**	0.469*	0.016	0.312	0.019
PEG	0.274	0.313*	0.339**	0.259	0.225	0.319**	0.427*	0.289	0.207	0.042
TPDPS	0.401*	0.399*	0.373	0.461*	0.464**	0.403*	0.396*	0.397	0.453*	0.457*
ES_10Ind	0.312	0.301	0.29	0.448*	0.088					
ES_25SMB	0.224	0.127	0.213	0.2	0.39					
ETSS_10Ind	0.22	0.158	0.101	0.201	0.116					
ETSS_25SBM	0.316	0.126	-0.042	0.144	0.127					
WNG	0.077	0.164	0.033	0.276	0.31					
OHE_10Ind	0.26									
OHE_25SBM	0.312									
Naive	0.402*					0.402*				

This table is a summary of table (106) where ICC market timing strategies using various sources of earnings forecasts (the columns) are compared to 1/N strategy in terms of Sharpe ratio. The Sharpe ratio of each strategy is reported. If the ICC Sharpe is higher than the RRT, asterisk indicates if the difference is significant using non-parametric bootstrapped p-values. 5%, 1%, and 0.1% level of significance are indicated by one, two, and three asterisks respectively.

I limit the sample every month to the list of firms that have ICC estimates from all of the models used. This means that if one of the models have a missing value in a certain month for a particular firm, that firm gets dropped from the sample to ensure that all strategies are using the same list of underlying firms each month. However, this could affect the turnover adversely if some firms get dropped suddenly from a particular strategy universe. In the following analysis, I address this potential issue by using the last available ICC estimate in case of a missing value for a particular model up to 12 months. This would potentially reduce the possibility of firms getting out of the sample suddenly because of missing values, which sometimes happens due to issues with the database of the underlying variables having occasionally missing values.

Table (108) report the optimal ICC portfolios results, and table (109) report the timing ICC portfolios results using this modified sample to minimize missing values. The results are intriguing. Firstly, no notable departure in the conclusions has been observed between this set of results and the previous analysis in terms of the out-of-sample Sharpe ratio

Table 48: **Summary: ICC Timing Strategies Sharpe Ratio and Turnover Comparison with RRT Strategy**

	Analysts	HDZ	RW	EP	RI	CAnalysts	CHDZ	CRW	CEP	CRI
BP	✓x	✓x	✓x	✓x	✓x	✓x	✓x	? x	✓x	✓x
CT	✓✓	✓x	✓x	✓x	✓x	✓x	✓x	? x	✓x	✓x
DKL	✓✓	✓✓	✓x	✓x	✓x	✓✓	✓x	✓x	✓x	✓x
FGHJ	✓x	✓x	? x	✓x	✓x	✓✓	✓x	? x	✓x	✓x
FPM	✓✓	✓✓	? x	✓x	✓x	✓✓	✓x	? x	✓x	? x
GG	✓✓	✓x	✓x	? x	? x	✓✓	✓x	? ✓	✓x	? x
GLS	✓x	✓x	? x	✓x	✓x	✓x	✓x	✓x	✓x	✓x
GM	✓✓	✓✓	✓x	✓x	✓x	✓✓	✓x	? x	✓x	✓x
HL	✓✓	✓✓	✓x	✓x	✓x	✓x	✓x	✓x	✓x	✓x
KMY	✓✓	✓✓	✓x	✓x	✓x	✓✓	✓x	✓x	✓x	✓x
MPEG	✓x	✓✓	✓x	✓x	✓x	✓x	✓x	✓x	? x	? x
PE	✓x	✓x	✓✓	✓✓	✓x	✓x	✓✓	x ✓	? ✓	x ✓
PEG	✓x	✓✓	✓x	? x	? x	✓x	✓x	✓x	? ✓	x ✓
TPDPS	✓x	✓x	✓x	✓x	✓x	✓x	✓x	✓x	✓x	✓x
ES_10Ind	? x	? x	? x	✓x	? x					
ES_25SMB	? x	? x	? x	? x	? x					
ETSS_10Ind	? x	? x	? x	? x	? x					
ETSS_25SBM	✓x	? x	x x	? x	? x					
WNG	x x	? x	x x	? x	? x					
OHE_10Ind	? x									
OHE_25SBM	? x									
Naive	✓x					✓x				

This table is a summary of table (106) where ICC market timing strategies using various sources of earnings forecasts (the columns) are compared to conventional Reward-to-Risk (RRT) strategy in terms of Sharpe ratio and turnover. Two symbols are assigned to each of the ICC timing strategies. The first symbol contrast the Sharpe against RRT Sharpe ratio, and the second compare the turnover as follows:

- ✓✓Significantly higher Sharpe, and lower turnover.
- ✓x Significantly higher Sharpe, and higher turnover.
- ? ✓Higher Sharpe, and lower turnover.
- ? x Higher Sharpe, and higher turnover.
- x ✓Lower Sharpe, and lower turnover.
- x x Lower Sharpe, and higher turnover.

performance of the ICC strategies when compared to the respective benchmarks. Specifically, most of the optimal ICC strategies based on analysts forecasts had statistically larger Sharpe ratios than the mean-variance portfolio. The exceptions as in the previous analysis are recorded mostly with the transformed models where the differences in risk adjusted return is not substantiated by the non-parametric p-values. In fact, no ICC strategy (including those based on mechanical forecasts and calibrated estimates) reported a Sharpe that is lower than the mean variance portfolio, and in the majority of them, the superiority is statistically attested. Similarly, except for WNG and versions of PEG and FPM that are based on a random walk (RW) estimates, all ICC timing strategics reported higher Sharpe ratios than RRT. In most of the cases, the difference is statistically significant. For instance, looking at the strategies based on analysts forecasts, BP, CT, DKL, FGHJ, FPM, GLS, GM, HL, KMY, MPEG, PEG, and four of the transformed models all reported bootstrapped p-values that are significant.

Having noted the consistency of the conclusion regarding the risk-adjusted return of ICC strategies between the previous and this sample, I turn now to the turnover. As expected, some of the strategies that reported higher turnover than the benchmark in the previous analysis now reported lower turnover. For instance, in the previous analysis, analysts-based ICC optimal strategies all reported lower turnover except transformed models and dividend models based on target price terminal value. Table (108) now shows that BP_Anlst has lower turnover than the mean-variance portfolio. However, some other strategies, especially those based on Random Walk(RW), had issues with turnover. A similar observation is noted from the timing strategies. Unlike in the previous section, analysts-based strategies such as FGHJ and GLS reported less turnover than the RRT. However, other strategies have not responded to a more continues sample as expected in terms of turnover.

To further investigate this issue of turnover more specifically, I introduce a turnover constraint to the portfolios using the method of Kourtis (2015). In particular, in the mean-variance context, the investor is assumed to be minimising both the portfolio variance and the deviation in portfolio weighs in consecutive periods:

$$\min x_t^{'}.\Sigma_t.x_t + c_t\,(x_t - \hat{x}_t)^{'}.\Sigma_t.\,(x_t - \hat{x}_t) \tag{76}$$

where c_t is a stability parameter and $\hat{x}_t$ is the weight before rebalancing. Since this formulation does not impose any limitation on how to estimate the efficient portfolio, this stabilization procedure may be applied to any sample based asset selection strategy. Kourtis (2015) show analytically that the composition of the stable portfolio may be expressed as a linear combination of a portfolio lying on the efficient frontier (say x_t) and the one that is already held by the investor before rebalancing:

$$x_t = \frac{1}{1 + c_t} x_t^{efficient} + \frac{c_t}{1 + c_t} \hat{x}_t \tag{77}$$

Setting for instance c_t in such a way to obtain a portfolio turnover equal to the one produced by the 1/N strategy, produce results as in table (110) for ICC optimal portfolios, and table (111) for ICC timing portfolios. To summarize the results in those two tables, table (49) show how the ICC optimal portfolios work as compared to the mean-variance portfolio, and table (50) summarize the performance of ICC timing strategies against RRT.

The results are as expected. The optimal ICC portfolios - with almost no exceptions - had higher Sharpe ratios and lower turnover than the mean-variance portfolio. Similarly, with few exceptions, the ICC timing strategies had higher Sharpe ratios and lower turnover than RRT. Nevertheless, in the timing portfolios, the higher Sharpe ratios were not accompanied with statistical significance in many cases. This empirical observation highlights the difference between market timing strategies and optimal strategies. By constraining the turnover, the optimal strategies still offer better risk-adjusted returns than the mean-variance, However, the market timing strategies although report higher Sharpe than conventional RRT, the difference is not attested by bootstrapped p-values. The difference between optimal strategies and market timing strategies is mainly in the structure of the covariance matrix. Therefore, it seems that the extremely shrunk covariance matrix in the timing strategies does not allow much room for better risk-adjusted returns after constraining the turnover of the strategy to the equally-weighted portfolio turnover.

Table 49: **Summary: ICC Constrained Turnover Optimal Strategies Sharpe Ratio and Turnover Comparison with Constrained Turnover Mean-Variance Strategy**

	Analysts	HDZ	RW	EP	RI	CAnalysts	CHDZ	CRW	CEP	CRI
BP	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
CT	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
DKL	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
FGHJ	✓✓	✓✓	? ✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
FPM	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	? ✓	✓✓
GG	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	? ✓	✓✓	✓✓
GLS	✓✓	✓✓	? ✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
GM	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
HL	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
KMY	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
MPEG	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	? ✓	? ✓
PE	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	? ✓	✓✓	? ✓
PEG	✓✓	✓✓	✓✓	✓✓	? ✓	✓✓	✓✓	✓✓	✓✓	? ✓
TPDPS	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓	✓✓
ES_10Ind	? ✓	✓✓	? ✓	✓✓	? ✓					
ES_25SMB	✓✓	✓✓	? ✓	✓✓	✓✓					
ETSS_10Ind	? ✓	? ✓	? ✓	✓✓	? ✓					
ETSS_25SBM	✓✓	? ✓	✓✓	? ✓	✓✓					
WNG	? ✓	✓✓	✓✓	✓✓	✓✓					
OHE_10Ind	✓✓									
OHE_25SBM	✓✓									
Naive	✓✓					✓✓				

This table is a summary of table (110) where ICC constrained turnover optimal strategies using various sources of earnings forecasts (the columns) are compared to turnover constrained mean-variance (MV) strategy in terms of Sharpe ratio and turnover. Two symbols are assigned to each of the ICC strategies. The first symbol contrast the Sharpe against MV Sharpe ratio, and the second compare the turnover as follows:

- ✓✓Significantly higher Sharpe, and lower turnover.
- ✓x Significantly higher Sharpe, and higher turnover.
- ? ✓Higher Sharpe, and lower turnover.
- ? x Higher Sharpe, and higher turnover.
- x ✓Lower Sharpe, and lower turnover.
- x x Lower Sharpe, and higher turnover.

Table 50: **Summary: ICC Turnover Constrained Timing Strategies Sharpe Ratio and Turnover Comparison with RRT Strategy**

	Analysts	HDZ	RW	EP	RI	CAnalysts	CHDZ	CRW	CEP	CRI
BP	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓
CT	? ✓	? ✓	? ✓	✓✓	? ✓	? ✓	✓✓	? ✓	? ✓	✓✓
DKL	? ✓	? ✓	? ✓	✓✓	✓✓	? ✓	✓✓	? ✓	✓✓	? ✓
FGHJ	? ✓	? ✓	? ✓	✓✓	✓✓	? ✓	✓✓	? ✓	✓✓	? ✓
FPM	? ✓	? ✓	x ✓	✓✓	? ✓	✓✓	✓✓	? ✓	? ✓	? ✓
GG	? ✓	? ✓	? ✓	✓✓	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓
GLS	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓	✓✓	? ✓	✓✓	? ✓
GM	? ✓	? ✓	? ✓	✓✓	✓✓	? ✓	✓✓	? ✓	? ✓	? ✓
HL	? ✓	? ✓	? ✓	✓✓	✓✓	? ✓	✓✓	? ✓	✓✓	✓✓
KMY	? ✓	? ✓	? ✓	✓✓	✓✓	? ✓	✓✓	? ✓	✓✓	✓✓
MPEG	? ✓	? ✓	? ✓	✓✓	✓✓	? ✓	✓✓	✓✓	? ✓	? ✓
PE	? ✓	✓✓	✓✓	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓	x ✓
PEG	? ✓	? ✓	? ✓	? ✓	x ✓	? ✓	✓✓	✓✓	? ✓	? ✓
TPDPS	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓	? ✓
ES_10Ind	? ✓	? ✓	✓✓	? ✓	? ✓					
ES_25SMB	? ✓	? ✓	✓✓	? ✓	? ✓					
ETSS_10Ind	? ✓	? ✓	x ✓	? ✓	? ✓					
ETSS_25SBM	? ✓	? ✓	? ✓	? ✓	? ✓					
WNG	? ✓	x ✓	x ✓	✓✓	? ✓					
OHE_10Ind	? ✓									
OHE_25SBM	? ✓									
Naive	? ✓					? ✓				

This table is a summary of table (106) where ICC turnover constrained market timing strategies using various sources of earnings forecasts (the columns) are compared to turnover constrained Reward-to-Risk (RRT) strategy in terms of Sharpe ratio and turnover. Two symbols are assigned to each of the ICC timing strategies. The first symbol contrast the Sharpe against RRT Sharpe ratio, and the second compare the turnover as follows:

- ✓✓Significantly higher Sharpe, and lower turnover.
- ✓x Significantly higher Sharpe, and higher turnover.
- ? ✓Higher Sharpe, and lower turnover.
- ? x Higher Sharpe, and higher turnover.
- x ✓Lower Sharpe, and lower turnover.
- x x Lower Sharpe, and higher turnover.

3.5.2 Other Benchmark Portfolios

The general thesis of this chapter is that ICC estimates work better as expected return proxies in a portfolio selection context than ex-post realised returns first moment. Therefore, the benchmarks used so far to compare the performance of ICC strategies are the same strategies (i.e. TP and RRT) but using the first moment of realised returns. In this subsection, I steer the analysis toward benchmarks that do not resort to expected return measures.

Firstly I compare the ICC portfolios to naive 1/N strategy as portrayed by DeMiguel, Garlappi, and Uppal (2009). This strategy assigns equal weight to each asset in the portfolio and completely ignores the asset moments. The 1/N strategy is used as a benchmark strategy due to its simplicity, its property of not being affected by estimation error, and its usage by investors. 1/N does not yield short positions, and hence, it is a good indicator of whether active management can deliver better performance or whether the estimation errors eliminate the optimization benefits. Secondly, I use the minimum variance portfolio. Minimum variance strategy does not rely on expected return estimates, and hence, it gives an impression of how imprecise is the sample mean, and whether the estimation error in the mean is so large that not much is lost by ignoring it. The minimum variance portfolio still needs the estimation of the second moment in the covariance matrix. As discussed in section 3.2, the optimal ICC strategies are compared to the minimum variance portfolio where the weights are calculated by replacing the vector of expected returns by an all-ones vector in the TP formula. On the other hand, to make it comparable to the timing strategies the covariance matrix is limited to the diagonal of variances. This latter minimum variance strategy is referred to as volatility timing (VT). I have shown in section 3.2 how inherently the TP is at a disadvantage in terms of estimation risk as compared to such naive benchmarks that do not resort to expected return estimation. Keeping this caveat in mind, I proceed with the discussion of the results.

The last two columns from tables (106), (107), (110), and (111) report the p-values for the hypothesis test that the difference of the Sharpe ratio between the corresponding ICC portfolio and the benchmark (minimum variance/VT, and 1/N respectively) is zero.

Firstly, considering optimal ICC strategies in table (106), although at least 100 ICC models reported Sharpe ratios higher than 1/N, only a quarter of them are significant by the bootstrapped non-parametric p-value. The majority of these are strategies based on calibrated analysts estimates of ICC (CT, DKL, FGHJ, FPM, GG, GLS, HL, KMY, and MPEG), and calibrated HDZ forecasts (CT, DKL, FGHJ, GLS, HL, and PE). The FGHJ, GLS, HL, and KMY also reported significant differences with some other types of forecasts. Moreover, only 44 of the ICC optimal portfolios reported average Sharpe higher than the minimum variance strategy, but in most cases the difference is not significant.

Secondly, the ICC timing strategies as reported in table (107) depict stronger performance of market timing ICC strategies than seen in optimal portfolios setting against the VT and 1/N. For instance, almost all models using analysts or calibrated analysts estimates generate higher Sharpe ratios than 1/N. In fact, most of these differences are statistically significant. Using the mechanical estimates, the ICC timing strategies also recorded significantly higher Sharpe in more models than it did not, especially using HDZ and calibrated HDZ forecasts. The performance of the timing strategies is not as good when compared to VT, despite the fact that some models reported higher Sharpe than VT.

Table (110) present the results of the turnover-constrained optimal portfolio as described in section (3.5.1). Almost all ICC strategies in this setting had a lower turnover than 1/N and minimum-variance portfolio, accompanied with a higher Sharpe ratio, with statistically significant difference sometimes. The exceptions regarding the Sharpe ratio were clustered mainly in the strategies using random walk earnings forecasts and transformed portfolio-level models.

Table (111) present the results of turnover-constrained timing portfolio as described in section (3.5.1). Almost all ICC strategies in this setting had a lower turnover than 1/N and minimum-variance portfolio, accompanied with a higher Sharpe ratio. The difference in the Sharpe between the strategies and the benchmark in most of the occasions is not statistically conclusive.

3.5.3 Risk Factors Models

It is worth presenting how the strategies tested so far work with expected returns generated from common risk factors models such CAPM, Fama and French (1993), Carhart (1997), and Fama and French (2015). This will shed some light on the difference between the ex-ante ICC estimates of expected returns and the risk factor estimates that are based on ex-post data. Among other results, table (106) report the results of using these factor models in a tangency portfolio. CAPM and Carhart (1997) report Sharpe ratios that are not statistically superior to the mean-variance portfolio, but Fama and French (1993) and Fama and French (2015) have better risk-adjusted returns than the mean variance strategy. All except CAPM report lower turnover than the mean-variance. In addition, none of the four modules beat the 1/N or the minimum variance portfolio in terms of risk-adjusted return or turnover.

On the other hand, table (107) which has these models operationalised in market timing strategy, disqualify all of these models in terms of risk-adjusted return and turnover to be contenders to the RRT, VT, or 1/N.

In fact, even in table (110) and (111) which add a turnover constraint to the strategies, these models work well in terms of the turnover. However, the risk adjusted return of the three factor model in the optimal strategy, and all the four models in timing strategy are not higher than the respective main benchmark (mean-variance and RRT). Similarly, none of these models has Sharpe higher than 1/N or the minimum variance/VT portfolio.

3.6 Robustness Checks

3.6.1 Timing Portfolios Tuning Parameter

Following the discussion from the data and methodology section, Kirby and Ostdiek (2012) generalized the timing portfolios using a tuning parameter. In the previous analysis, I set the tuning parameter to 1, as this follows directly from the tangency portfolio analysis by setting the covariance matrix to diagonal variances only matrix. Table (112) present the same set of results as in table (107) but after setting the tuning parameter of the timing strategies to 2 to check the robustness of the previous results. The two tables are qualitatively the same.

3.6.2 Moments Estimation Window

In all the previous analysis, the estimation window is set to 60 months. To check that the results are robust to change in the estimation window, tables (113) and (114) are re-estimations of tables (106) and (107) with an alternative window of 90 months. Except for some improvements in the performance of the timing strategies against 1/N and VT, the results are qualitatively identical.

3.7 A re-joinder: The ICC Models Horse Race and the Performance in Portfolio Setting

In the previous chapter, a detailed horse-race between the various ICC models has been conducted to assess their validity and relative performance in forecasting future expected returns. This chapter objective is not to assess the relative performance of the ICC estimates, but to investigate whether these models are able to provide better out-of-sample performance in portfolio selection than estimates based on ex-post data. Despite the fact that no systematic testing has been carried out to test the relative performance of these models in a portfolio setting, three general observations are worth noting in this context.

Firstly, in the previous chapter, analysts forecasts based models work better than estimates based on cross-sectional mechanical models. Similarly, analyst estimates have produced Sharpe ratios that are higher - with a statistically significant difference - than the benchmarks in more ICC models than any of the mechanical models (See tables 45 and 48).

Secondly, the results in the previous chapter illustrated that ICC estimates based on HDZ mechanical earnings forecasts are better than other mechanical estimates in predicting future realised returns. The out-of-sample risk-adjusted returns of HDZ timing and tangency portfolios, as in tables (45) and (48), also beat the respective benchmarks in more ICC models than any of the other mechanical models.

Thirdly, calibrating ICC estimates increases their prediction power, especially those based on analysts estimates. These results are attested by the out-of-sample performance of the calibrated ICC strategies based on analysts forecasts. These observations are documented in the summary tables (45) and (48).

It is more challenging to issue a verdict about the specific ICC models performance against other ICC models in the portfolio context. This is due to the testing design in this chapter. This should be considered as a future research question, where the testing need to yield statistical measures (like the non-parametric bootstrapped p-values applied in this work) to test the difference between the models' risk-adjusted returns.

3.8 Conclusion

This chapter addresses the question of whether expected return estimates implied by accounting, analysts, and market data instead of average historical returns can improve portfolio selection out-of-sample performance. The literature previously dealt with the issue of estimation risk in portfolio context as a statistical issue. This chapter rather offers a new perspective by reverting back to the basics. Instead of dealing with the nosiness of exp-post estimates statistically, ex-ante expected return estimators are used, namely ICC models. Using two portfolio management styles, I demonstrate that such ex-ante estimates of expected returns yield better out-of-sample performance than portfolios based on realised returns.

Firstly, the results show that using ICC estimates instead of ex-post average retune in an optimal tangency portfolio result in more stable weights, higher out-of-sample Sharpe ratio, and lower turnover. The evidence presented shows that at least 94 ICC versions report statistically higher Sharpe ratios and lower turnover than the mean-variance portfolio.

Secondly, in market timing portfolios, the ICC estimates generate a higher out-of-sample average risk-adjusted return, and in many occasions lower turnovers than both conventional market timing portfolios and naive allocations like 1/N. Specifically, 21 ICC versions reported statistically better Sharpe ratios and lower turnover than the conventional market timing portfolio of Kirby and Ostdiek (2012), and many more with statistically better Sharpe ratios but practically similar turnover. Similarly, 91 of ICC market timing allocations reported statistically higher out-of-sample risk-adjusted return than 1/N.

In turnover-constrained versions of the strategies, I provide evidence that ICC expected return estimates generate better out-of-sample risk-adjusted-return than strategies that use historical moments, even after constraining the turnover to the turnover generated from an equally weighted portfolio. I find that the ICC strategies retain their edge in terms of risk-adjusted returns but with considerably lower turnover.

This work contributes to portfolio management research by introducing a new perspective on how market and accounting information can be used to drive expected return estimates that improve out-of-sample performance.

4 The Effects of Risk Similarity on Mergers and Acquisitions: Evidence Using Market Implied Cost of Capital

4.1 Introduction

The literature offers ample evidence that post-merger integration between target and acquirer is corner-stone to M&A deals success. In fact, Larsson and Finkelstein (1999) claim that it is the most important factor of success. The ease of integration is induced by factors like the similarity of governance and CSR practises between the two firms (Bereskin, Byun, Officer, and Oh (2018)), national and firm cultural similarities (Weber, Shenkar, and Raveh (1996)), management style and organizational similarities (Datta (1991)), technology and knowledge similarities (Makri, Hitt, and Lane (2009)), marketing ideology (Homburg and Bucerius (2005)), strategic characteristics similarity (Ramaswamy (1997)), resources similarity and complementarity (Harrison, Hitt, Hoskisson, and Ireland (1991), and Chen and Wang (2014)), and ownership similarity (Bettinazzi, Miller, Amore, and Corbetta (2018)). However, there has been little empirical evidence about whether risk-profile fit between the target and the acquirer induce corporate integration, and hence, whether it is an important determinant of M&A transactions success. I address this gap by investigating the effects of similarities in firms' implied cost of capital - to proxy for the degree of risk attached by market participants' to the entities - on merger likelihoods and outcomes. Specifically, I assess whether entities with similar risk - implied cost of capital - are more likely to form M&A pairs, and if so, whether such transactions enjoy better outcomes. To the best of my knowledge, this is the first study that explicitly investigates the role of risk similarity in M&A.

Market implied cost of capital (hereafter ICC) is an ideal proxy for company risk profile for several reasons. Firstly, it captures how market participants perceive the level of risk of the respective firms because it is the average discount rate applied by investors to future expected cash flows to determine the worth of the company. Secondly, ICC is arguably affected by all sorts of risk faced by a firm such as strategic, compliance, operational, market, and financing risks. Thirdly, it is established in the literature that ICC is perfectly correlated with the conditional expected stock return and is helpful in detecting an inter-temporal risk return relation (Pastor, Sinha, and Swaminathan (2008)). Butler and Joaquin (1998) attest that cost of equity is the channel through which capital markets price the risk of the firm. It is a key input in the long-term investment decision of the firm, and hence, when implied from the market prices and fundamentals, it reflects the required return given the market perception of firm risk (Boubaker, Boubakri, Grira, and Guizani (2018)).

The cost of capital represents the opportunity cost faced by the firm in spending its limited resources. Due to the differences in cost of capital between firms, firms tend to attach different present values to mergers. Such differences in discount rates lead to varying incentives and objectives for merger formations and subsequently lead to different outcomes (See for instance, De Roos (2004) and Tombak (2002)). The differences in the discount rates applied by the market to various firms exist due to the different risk associated with different firms. For instance, Merton (1974), Andersson (2008), and Chava and Purnanandam (2010) show that this is due to different probabilities of bankruptcy. Others have shown that it is due to the risk of misusing agency and imperfect information received by the market (Harrington (1989)).

The hypothesis underlying this work is that similarity in the ICC reflects risk similarity between two companies. And that such similarity is positively related to the likeliness of companies forming M&A pairs and to post-transaction performance. Consequently, the underlying story is that firms with similar ICC have similar risk profiles as judged by the market participants, and will experience smoother post-transaction integration. A deal that involves similar risk-profile entities is hypothesised to exhibit superior synergies, or will face lesser difficulties in realising the available opportunities of synergy. Differences in the risk-profiles of the firms' reflect differences in the plausible thresholds for operating, financing and investments activities, which if not congruent between merged firms, will levy higher costs of integration.

The first contention tested is that the higher the similarity in the systematic risk between two firms is, the higher the probability that the firms will merge together. This hypothesis is motivated by two rationales. First, all else equal, the shareholders of the acquirer would prefer transactions that do not alter the systematic risk of the firm. An acquisition that involves targets which can impact the risk profile of the firm can lead to costly rebalancing in the shareholders portfolio. This is because shareholders may desire to maintain a desired level of risk or the merged firm may be incompatible with their investment style.[16] Second, dissimilarities in the risk profile between the firms are likely to reflect dissimilarities in the risk propensity between their top management. Such differences in the management style can manifest in merger negotiations between the two parties and prevent the merger from forming (Datta (1991), Ramaswamy (1997), and Lin, Wei, and Xie (2018)).

The above hypothesis is plausible since an alternative will entail asserting that dissimilarity between the risk profiles of the firms' increase the likelihood of deal occurrence or merger success. This assertion could be based on the notion that differences between deal pairs is a source of value creation by complementarity or imposing a superior culture (Wang and Xie (2009)). Such an argument does not fit the risk-profile similarity as much as it could possibly fit the governance, culture, technology management style or marketing similarities. It does not fit since the risk of a business cannot be moulded without huge costs due to financial, operational, and regulatory constraints. The costs of moulding the business risk arguably erode any potential synergies. Moreover, the business risk is highly dependent on the nature of the business itself. Therefore, it is more sensible for an acquirer to target firms with similar risk-profiles from the outset instead of attempting to change the business model or the business risk.

Levi, Li, and Zhang (2012) argue that firms actively adjust behaviour to maintain the desired level of risk (i.e. risk homeostasis behaviour). They show for instance, that firms witnessing risk level decline relative to peers, will experience an increase in the level of risk to the original level post M&A transactions. Similar patterns are also documented by Hackbarth and Morellec (2008) and Carlson, Fisher, and Giammarino (2010). Firms and managers have various reasons for maintaining the desired level of risk. Firstly, market participants do not appreciate firms changing their risk profiles dramatically, for instance

[16] In a similar fashion, Mitchell, Pulvino, and Stafford (2004) provide evidence of significant shareholder portfolio rebalancing triggered from stock-financed mergers which can result in portfolios inconsistent with the shareholders investment strategies.

by acquiring significantly more or less riskier firm. By changing the risk profile significantly, firms face the threat of losing some of its investor base, which is costly in terms cost of funds (Grinblatt, Masulis, and Titman (1984), Lamoureux and Poon (1987), Kadlec and Mcconnell (1994), Miller (1999), Foerster and Karolyi (1999), and Grullon, Kanatas, and Weston (2004)). Investors pick stocks taking into consideration the riskiness of the underlying firms. Dramatically changing the risk-profile does not only create mis-balances in investors portfolios of assets, but also discourage investors due to the uncertainty and required research effort and resources needed in predicting firms' cash flows. This phenomenon is portrayed in the literature on information acquisition in competitive markets (e.g. Grossman, Stiglitz, Grossman, and Stiglitz (1980) and Verrecchia (1982)). Secondly, it is safer for the management to undertake corporate strategies that are in line in terms of risk to those taken by firms that are held to be widely comparable by the market and the board, as compared to taking idiosyncratic strategies (Levi et al. (2012)). This is due to the significant cost attached to undertaking a failing strategy alone as compared to failing with others. Such risk aversion and pressure to revert to 'norms' is well documented in financial decisions literature (e.g. Wermers (1999), Hong, Kubik, and Solomon (2000), and Hong and Kubik (2003)).

If the acquiring firm's shareholders favour targets of similar risk, one should expect to observe a positive relation between pre-merger risk similarity and the return on the acquirer's stock around deal announcements. I further hypothesize a positive relation between pre-merger risk similarity and post-merger profitability and risk. Again, differences in the pre-merger risk of the two firms can represent differences in the risk-attitudes of the management which are known to negatively affect post-merger performance (Datta (1991), and Ramaswamy (1997)). For example, the aggressive management of a relatively high-risk firm is likely not to be suitable to manage the assets and resources of a conservative firm (Thomas, Litschert, and Ramaswamy (1991)). The hypotheses can be further supported by the finding of Kruger, Landier, and Thesmar (2015) that firms tend to suboptimally invest in targets with different risk. As managers tend to use a single discount rate corresponding to the cost of capital of their firm when making merger decisions, they tend to ignore target risk and end up with worse merger outcomes in both the short- and the long-term.

To test theses hypotheses, I devise a measure of similarity that is in line with measures used in Bereskin, Byun, Officer, and Oh (2018), Bena and Li (2014), Bloom, Schankerman, and Reenen (2013), and Jaffe (1986). The ICC similarity measure estimates the pairwise closeness of any two firms using 30 estimates of implied cost of capital. Using this ICC measure of similarity, I document that mergers are more likely between pairs of firms with higher ICC similarity. The testing shows that a one standard deviation increase in the ICC similarity increases the odds of a pair of firms merging by 24.45% [17] relative to a matched control sample of possible deals which did not happen. The magnitude reported is estimated after controlling for deal and firms' characteristics. I then report evidence that a one standard deviation increase in ICC similarity index is a associated with a 35% [18] increase in the odds of completing an announced deal, and at a 34% [19] shorter duration between announcement and effective date. Moreover, the acquirers in the top 25% of the ICC similarity spectrum enjoy more than 4% greater increase in long-term abnormal operating performance than deals with lower risk similarity between the participating firms as well as significantly less post-acquisition goodwill write-offs. Moreover, I find that ICC similarity is positively associated with combined cumulative abnormal returns (CAR), which suggest that the markets appreciate deals with better risk-fit between the merger pair. In the additional analysis section, I show that the risk similarity between the target and the acquirer result in a lower average cost of capital of the combined firm in the three years subsequent to the completion of the deal.

For robustness, I investigate the results without truncating the implied cost of capital estimates at zero and 100. No change in the conclusions described above is recoded. I also address possible issues like the possibility that risk similarity index is capturing no more than the similarity in culture. I find no evidence of such claim. The correlation between cultural similarity and risk similarity is indistinguishable from zero. Moreover, I argue in the methodology section that the ex-ante implied cost of capital is far better proxy of capturing

[17] One standard deviation increase in the ICC similarity increases the odds of a pair of firms merging by 64.4% if the ICC estimates are not capped at 100% and floored at 0% (See the Appendix C.1).

[18] 31.33% when the ICC estimates are capped at 100% and floored at 0% (See the Appendix C.1).

[19] 38% without ICC truncating (See the Appendix C.1)

the riskiness of a firm for the purpose of making investment decisions than ex-post risk factors like beta. I find very low correlation between a similarity score based on beta and a similarity score based on ICC as expected due to the nosiness of ex-post estimates, which make them less useful for inference (Lee, Ng, and Swaminathan (2009)). Empirically, Lee, So, and Wang (2017) show that two popular models of ICC outperform the CAPM and the Fama-French three-factor model (Fama and French (1993)) in terms of capturing the variation in realized returns.[20]. Running the tests using the beta similarity result in no major change in the results, except them being weaker.

Furthermore, I limit the ICC estimates to those based on analysts estimates only (as opposed to using mechanical estimates also), I find that the results are robust. I investigate the cross-sectional variation in the effects of the risk similarity on the deal likelihoods and outcomes. I find that the effect is stronger in labour intensive industries as compared to capital intensive industries. The effect is more prevalent in horizontal deals, followed by diversifying deals. The effect of the similarity in risk is less evident in vertical deal, perhaps due to the different motivation behind such deals (i.e. securing a customer or a supplier). Also, the effect is more observable in deals that involve larger targets and deals with acquirers that are considerably riskier than the target.

This chapter contributes to different strands in the literature. First, I identify risk relatedness between two firms as a driver of M&A activity. In this manner, I add to the literature that examines the effects of various types of similarity between firms in merger formation and success (e.g., see Bereskin, Byun, Officer, and Oh (2018) and Bettinazzi, Miller, Amore, and Corbetta (2018) and the references therein). Second, I support previous research that examines the role of the systematic risk of the target in M&A outcomes. For example, Hackbarth and Morellec (2008) model the dynamics of the beta of the bidding firm around a merger. Their model predicts that the beta of the acquirer should increase (decrease) before the acquisition, if it is higher (lower) than the target beta while a reversal of this change is predicted after the merger. Kruger, Landier, and Thesmar (2015) provide evidence that managers tend to ignore the risk of the target as reflected in the traditional weighted aver-

[20]Examples of other recent finance studies that employ the ICC are Hann, Ogneva, and Ozbas (2013), Ortiz-Molina and Phillips (2014), and Frank and Shen (2016).

age cost of capital (WACC) measure. As a result, they tend to engage in value-destroying transactions when the risk of the target is higher than that of the acquirer. A fundamental difference between these studies and this chapter is that I use the implied cost of capital instead of the beta as a proxy of systematic risk. Third, I contribute to the literature that examines how the cost of capital of the firm changes post-merger. For instance, Hann, Ogneva, and Ozbas (2013) use the ICC to show that a firm's systematic risk decreases when it engages in diversification mergers. By also using ICC to proxy the cost of equity capital, I show that the cost of capital of the merged entity is inversely related to pre-merger risk similarity. I attribute this finding to more effective management of the resources and the internal capital of the merged firm for firms with similar management in terms of risk attitudes, as discussed in Datta (1991).

To the best of my knowledge this is the first study addressing the issue of how risk similarity between two firms affect the likelihood of M&A deals and the outcomes. In fact, it is the first study to put forth a measure of risk similarity between two firms, that can be used generally in financial decision making not only in M&A. My focus in this work is not the the level of riskiness of the target (or the acquirer), since these issues has been explored previously. Rather, I examine the role of similarities in the risk profile of the firms', and how such similarity induce deal outcomes and post-merger integration.

4.2 Data and Methodology

4.2.1 ICC Similarity Measure

To assess the similarity of market implied cost of capital between a pair of firms, I utilise the Jaffe (1986) distance measure. For two companies i and j, the similarity index is calculated as follows:

$$ICC\_Similarity_{ij,t} = \frac{X_{i,t}X'_{j,t}}{\left(X_{i,t}X'_{i,t}\right)^{0.5}\left(X_{j,t}X'_{j,t}\right)^{0.5}} \tag{78}$$

where vector $X_{i,t}$ ($X_{j,t}$) correspond to firm i's (j's) implied cost of capital using 30 different models implementations. The models and the implementations are described in section

(4.2.2). This measure has been used extensively in economics and finance for its advantages (see, for instance, Bereskin et al. (2018), Bena and Li (2014), and Bloom, Schankerman, and Reenen (2013)). This propinquity measure has the advantage that it is unity for a pair of companies whose ICC vectors are identical, and it is zero for companies with orthogonal ICC vectors. The index is bounded between zero and one for all other pairs of vectors. The closer to unity is the index, the greater the degree of overlap of the two firms' ICC estimations. Furthermore, unlike Euclidean measure, this measure is not directly affected by the length of the pair of vectors.

Our risk similarity measure offers a number of advantages for our analysis. First, as it employs a large number of models, it is less sensitive to model and parameter uncertainty. Second, it is standardized allowing readily comparisons between firm-pairs. Third, it can be readily computed using publicly available data. Cosine similarity has also been used for other firm characteristics by Jaffe (1986), Bereskin et al. (2018), Bena and Li (2014), and Bloom, Schankerman, and Reenen (2013). We estimate risk similarity between two firms announcing a deal, 30 days before the announcement to make sure that the price is not affected by any news or rumours about the deal.

4.2.2 ICC Models

The Implied Cost of Capital (ICC) are derived by inverting fundamental valuation models such as the Residual Income and the Abnormal Earnings Growth model. These models have been subject to vast theoretical and empirical research [21]. The popularity of these models stem from the fact that they are ex-ante measures of cost of capital that overcome many of the issues of noise attributed to measures based on historical data such as factor models (see, for instance, Elton (1999), and Fama and French (1997)). ICC has been used in variety of finance applications such as shareholders control rights and agency cost (Guedhami and Mishra (2009), and Chen, Chen, and Wei (2011b)), environmental sustainability (Gupta (2018)), audit quality (Hope, Kang, Thomas, and Yoo (2009)), labour unions, politics and religion (Chen, Kacperczyk, and Ortiz-Molina (2011a), Boubakri, Guedhami, Mishra, and

[21]Echterling, Eierle, and Ketterer (2015) provide an updated review of this research.

Table 51: **Expected Return Models**

Model	Code	Basis	Growth beyond horizon	Horizon	Formulation
Gebhardt, Lee, and Swaminathan (2001)	GLS	Residual Income	Analysts	(2+10) years	$P_0^E = bps_0 + \sum_{t=1}^{11}\left(\frac{(ROE_t - r_E)*bps_{t-1}}{(1+r_E)^t}\right) + \left(\frac{(ROE_{12}-r_E)*bps_{11}}{r_E*(1+r_E)^{11}}\right)$
Claus and Thomas (2001)	CT	Residual Income	Inflation	5 years	$P_0^E = bps_0 + \sum_{t=1}^{5}\left(\frac{RI_t}{(1+r_E)^t}\right) + \left(\frac{RI_5(1+g_{infl})}{(r_E - g_{infl})(1+r_E)^5}\right)$
Gode and Mohanram (2003)	GM	Abnormal Earnings Growth	Inflation	2 years	$r_E = A + \sqrt{A^2 + \frac{eps_1}{P_0}(g_2 - (\gamma - 1))}$ where $A = \frac{1}{2}\left((\gamma - 1) + \frac{dps_1}{P_0}\right)$ and $g_2 = \frac{eps_2 - eps_1}{eps_1}$
PE Ratio	PE	Abnormal Earnings Growth	Zero	1 year	$r_{PE} = \left(\frac{P_0}{eps_1}\right)^{-1}$
PEG Ratio	PEG	Abnormal Earnings Growth	Zero	2 years	$r_{PEG} = \sqrt{\frac{eps_2 - eps_1}{P_0}} = \sqrt{\frac{\frac{eps_2 - eps_1}{eps_1}}{\frac{P_0}{eps_1}}} = \sqrt{\frac{1}{PEG*100}}$
Modified PEG Ratio of Easton (2004)	MPEG	Abnormal Earnings Growth	Zero	2 years	$r_{MPEG} = \sqrt{\frac{eps_2 + r_E.dps_1 - eps_1}{P_0}}$

This table report a summary of the ICC models to be used in the subsequent analysis. These are the most widely recognized models in the literature. Some authors used a variant of the models that are presented here in terms of forecasting horizon or source of data, these have been ignored. P is the price of the firm's stock. r is the expected rate of return. g is expected growth rate. ROE is the return of equity after tax for the period.

Saffar (2012), El Ghoul, Guedhami, Ni, Pittman, and Saadi (2012)), corporate governance (Chen, Chen, and Wei (2009)), family business control (Boubakri, Guedhami, and Mishra (2010)), Social responsibility (El Ghoul, Guedhami, Kwok, and Mishra (2011)), and financial reporting (Daske (2006)) to name a few.

ICC models are suitable for this research setting due to its use of forward looking data rather than historical, and is conditional on the data available to the market at a particular time (Claus and Thomas (2001)). Also, ICC is positively related to risk under reasonable assumptions (Pastor et al. (2008)), which make it a suitable proxy to capture the risk of the firms undergoing a merger transaction. At the extreme, ICC is significantly related to default risk (Chava and Purnanandam (2010)). Furthermore, ICC estimates are less noisy than models that use historical information, making it more suitable for inference (Lee et al. (2009)). The usefulness of ICC models in estimating cost of capital and analysing firms' characteristics is discussed further in Hann, Ogneva, and Ozbas (2013), Frank and Shen (2016), and Ortiz-Molina and Phillips (2014).

There are several proposed ICC models in the literature. To ensure that the results are not driven by a particular approach and to minimize potential measurement error, I use six widely used ICC formulations to estimate the cost of capital. The first two formulations are based on the residual income model as proposed by Claus and Thomas (2001) (**CT**) and Gebhardt, Lee, and Swaminathan (2001) (**GLS**). Two formulations are based on the abnormal growth model of Ohlson (2000) as deployed by Gode and Mohanram (2003) (**GM**) and Easton (2004) (**MPEG**). The last two formulations are rather naive estimates based on the Price-over-Earnings and Price-over-Earnings-to-Growth ratios as discussed in Easton (2004) (**PE** and **PEG**). The models details and formulas are presented in table 51. I ignore the models that yield portfolio level estimates such as O'Hanlon and Steele (2000), Easton, Taylor, Shroff, and Sougiannis (2002), Easton (2004), and Ashton and Wang (2013) due to the fact that the setting at hand require firm-level estimates of cost of capital. I also ignore models that are based on the dividend discount model such as Botosan (1997), Gordon and Gordon (1997), and Botosan and Plumlee (2002) for three reasons. First, these models necessitate removing deals with dividend non-paying acquirer or target from the sample. Second, unlike models based on Residual Income or Abnormal Earnings Growth, the estimation in dividend discount is highly dependent on the terminal value which is the most difficult element to forecast. Thirdly, in many firms dividend policies are not in line with the capacity to pay dividends or is unrelated to the firm's earnings, or they have a major shareholders who can influence the dividend policy suddenly making the fundamentals uncertain and volatile.

I implement each of these models using 5 different earnings forecasts to further ensure robustness of the estimates. Earning forecasts are obtained either from Analysts using I/B/E/S database, or cross-sectional mechanical models of estimates. Four mechanical models has been used: (1) Hou et al. (2012) model (**HDZ**), (2) Li and Mohanram (2014) Earnings Persistence model (**EP**), (3) Li and Mohanram (2014) Residual Income model (**RI**), and (4) the naive Random Walk (**RW**) model as expressed by Gerakos and Gramacy (2013).

4.2.3 Data

The M&A sample is gathered using Thomson Reuters Eikon Deal screener. Screening for completed M&A transactions with announcement dates between the beginning of 1980 till November 2018, where the acquirer is based in the United States, generated over 346 thousand transactions. After applying common literature screens on deal size and percentages of acquisitions, matching the firms to Thomson Reuters Datastream, Worldscope, and I/B/E/S for firm-level data, and removing firms with missing required data, 1,925 announced and completed deals and 509 announced but withdrawn deals were identified. Table 52 specify the various screens applied to generate this dataset.

More specifically, following Deng et al. (2013), Bena and Li (2014), and Bereskin et al. (2018), I restrict the main sample to mergers involving US targets and acquires with a minimum deal value of USD 1 million. Prior to the announcement, the sample is restricted to the acquirers who own less than 50% of the target, and is seeking to own more than 50%. I depart from the literature in that I set the minimum percentage of ownership after the completion of the transaction for completed transaction to 75 percent rather than 90 percent for number of reasons [22]. Firstly, accounting standards trigger consolidation of accounts in most cases at 75% ownership for it is deemed to be a control threshold. Secondly, previous literature using higher parentages were dealing with CSR, cultural and technology issues which need near-full integration in order for the effect to transmit between the merger pairs. Nevertheless, for robustness I re-run the tests for the sub-sample of 90% and 100% post-acquisition ownership, and no noticeable change of results is recorded. In fact, only 17 transactions of the 1,925 are dropped with the 90% threshold, and an additional 17 with full post-acquisition ownership. The 509 announced but withdrawn deals (i.e failed mergers) are used in the analysis of the effect of risk similarity on the likelihood of completion in section 4.4.2.

I should note that the sample size I arrive at is almost double what is reported in similar M&A studies (see, for instance, Bena and Li (2014), and Bereskin et al. (2018)). Most of prior research match the SDC deals to Compustat using CUSIPs. I match SDC in Eikon to Datastream through the Thomson Reuters permanent ID.

In addition to the actual-acquirer-actual-target pairs in the main sample described above, I also generate a control sample of pseudo-acquirer-actual-target pairs and actual-acquirer-pseudo-target pairs. The pseudo firms has been picked from a universe of almost 42 thousand possible firms contained in Thomson Reuters US Worldscope research list including

[22]Bereskin et al. (2018) test 80% threshold as robustness check.

Table 52: **Sample Screens**

		M&A Transactions
SDC M&A Announcements 1980 - 1/11/2018		1,155,064
Aquirer based in US		**346,941**
	Completed	277,149
	Not Completed	69,792
Both Aquirer and Target matched to Datastream		**47,040**
	Completed	21,296
	Not Completed	25,744
After Removing Transactions where Acquirer and Target have identical identifier		**19,884**
	Completed	14,275
	Not Completed	5,609
Both Target and Acquirer were Public. Target is US based		**10,880**
	Completed	7,662
	Not Completed	3,218
Percent of Shares Acquiror is Seeking to own >=50% **Acquiror own in Target before transaction <50%** **Acquired Share for completed transactions >=75%** **Deal Value >= USD 1 million**		**6,558**
	Completed	5,393
	Not Completed	1,165
No missing values in variables included in the main testing		
	Completed	1,925
	Not Completed	509

The table detail the sample screens applied to generate the dataset used in the subsequent testing. The M&A deal-level data is downloaded from Thomson Reuters Eikon Deal screener (called SDC in other Thomson Reuters products), the firm-level market data is downloaded from Thomson Reuters Datastream, the firm-level accounting data is downloaded from Thomson Reuters Worldscope, and I/B/E/S was used for analysts forecasts). "Completed" refer to the deals that were announced and eventually happened, while "Not Completed" are the deals that were announced but withdrawn for any reason.

dead firms. Following Bena and Li (2014), and Bereskin et al. (2018), for each actual deal pair, pseudo-pairs are produced by pairing the actual acquirer with up to five matched pseudo-targets based on actual-target characteristics (i.e., industry, firm size, book-to-market ratio, in the same year). In addition, for each actual deal pair, pseudo-pairs are produced by pairing the actual target with up to five matched pseudo-acquirer based on actual-acquirer characteristics. This process generate for each actual M&A deal, up to 11 firm pairs (The actual deal plus 10 control deals). Any deal with no pseudo matching is excluded from the relevant analysis due to the use of deal fixed effect. Out of 1,925 transactions in the main sample 1,750 transactions had pseudo matching. The control sample is used in the analysis of the effect of risk similarity on the merger pair formation in section (4.4.1). For this testing the sample size (actual and pseudo pairs) is 16,203 deals.

Due to the fact that some ICC models occasionally result in estimates that are negative or greater than 100%, for robustness purpose, I drop such observations. Such a practise has been applied in some previous work using ICC (see, for instance, Chen, Chen, and Wei (2009), El Ghoul, Guedhami, Kwok, and Mishra (2011) and Gupta (2018)). Nevertheless, since this work is about the similarity of the estimates rather than the estimates themselves, I report both the results with and without the celling and the floor. I find no evidence that removing these observations affect the results. The number of observations in the main sample is 1,752 deals after truncating the ICC estimates.

Furthermore, in the robustness checks, I run the test using only analysts forecasts based ICC estimates only. For those tests the size of the full sample with the control group is 12,952 after dropping firms with no analysts forecasts to derive ICC estimates.

4.3 Descriptives

Table 53 presents summary statistics for both actual and control-pseudo merger pairs. The mean (median) ICC similarity index for actual deals is 78.9% (88.8%) with fairly large standard deviation of 26%. The control deals exhibit a lower mean and median of ICC similarity score of 68.7%(77.6%), which is in line with the hypothesis that the deals that have occurred exhibit higher similarity of risk profiles between the merger pair when compared to the set of possible deals at the time. Firm characteristics of the sample are consistent with M&A literature (see, for instance, Harford et al. (2011), Bena and Li (2014), and Bereskin et al. (2018)). Specifically, acquirers are larger firms than targets, they have higher growth rates in sales, profitability ratios, and valuation multiples. On the other hand, acquirers are less R&D intense.

Table 54 present summary statistics of the ICC estimates using the various earnings forecasts inputs for the Acquirers and Targets in both the main and control sample. Table 55 further present the distribution of the ICC similarity scores. Consistent with equation (78), the scores are bounded between zero and unity. The actual deals have an interquartile range ICC similarity scores between 68.6% to 97.8%, while the range for the control deals has lower bounds spreading between 48.7% and 95.2%. The 10th and 90th percentiles convey

Table 53: **Summary Statistics for Actual and Pseudo-Control Deals**

	Actual Deals			**Pseudo Deals**		
	Mean	**Std. Dev.**	**Median**	**Mean**	**Std. Dev.**	**Median**
Same_State_Indicator	0.240	0.427	0.000	0.105	0.306	0.000
Horizontal_Indicator	0.343	0.475	0.000	0.177	0.382	0.000
Vertical_Indicator	0.258	0.438	0.000	0.340	0.474	0.000
Diversifying_Indicator	0.399	0.490	0.000	0.483	0.500	0.000
ICC_Similarity	0.789	0.260	0.888	0.687	0.306	0.776
Target_BM	0.592	4.716	0.461	0.837	6.929	0.474
Target_Cash	0.209	0.230	0.107	0.205	0.228	0.109
Target_HHI	0.014	0.046	0.000	0.136	0.198	0.067
Target_Leverage	0.260	0.283	0.217	0.245	0.268	0.199
Target_RD_to_Asset	0.068	0.134	0.004	0.058	0.118	0.000
Target_ROA	0.037	0.431	0.100	0.053	0.305	0.102
Tararget_Sales_Growth	0.108	0.442	0.077	0.120	0.488	0.083
Acquirer_BM	0.640	4.535	0.412	1.139	13.098	0.425
Acquirer_Cash	0.131	0.152	0.074	0.138	0.159	0.079
Acquirer_HHI	0.015	0.046	0.000	0.119	0.193	0.035
Acquirer_Leverage	0.281	0.194	0.263	0.273	0.198	0.253
Acquirer_RD_to_Asset	0.036	0.058	0.005	0.034	0.056	0.005
Acquirer_ROA	0.093	0.223	0.110	0.103	0.202	0.115
Acquirer_Sales_Growth	0.213	0.389	0.137	0.174	0.362	0.113

a similar message, as they spread between 44.7% to 99.6% in the actual deals, and from 24.2% to 99.2% in the pseudo deals.

Table 56 present some additional deal-level characteristics about the sample mergers. 58% of the merger pairs are in the same industry, and 28.9% are high-tech firms. The median target in the sample is 22.3% the size of the acquirer. 38.9% of the deals in the dataset is all-cash deals, and 20.02% are tender offers. Again, these statistics are comparable to Bereskin et al. (2018).

Finally table 57 show the distribution of the deals in the dataset by announcement year.

Table 54: **ICC Estimates Summary Statistics**

		Actual Deals			Pesudo Deals		
	ICC Estimates	**Mean**	**Std. Dev.**	**Median**	**Mean**	**Std. Dev.**	**Median**
Acquirer	All	0.241	0.225	0.147	0.197	0.217	0.107
	All except RW	0.221	0.207	0.135	0.202	0.217	0.110
	Analysts	0.103	0.054	0.095	0.120	0.109	0.095
	HDZ	0.222	0.218	0.140	0.216	0.198	0.147
	RI	0.317	0.224	0.258	0.530	0.222	0.535
	EP	0.269	0.227	0.199	0.157	0.243	0.028
	RW	0.335	0.276	0.261	0.100	0.199	0.027
Target	All	0.228	0.224	0.129	0.233	0.246	0.123
	All except RW	0.198	0.196	0.119	0.240	0.246	0.130
	Analysts	0.105	0.066	0.095	0.121	0.103	0.097
	HDZ	0.274	0.244	0.186	0.335	0.254	0.263
	RI	0.308	0.225	0.245	0.567	0.237	0.589
	EP	0.250	0.220	0.176	0.134	0.232	0.025
	RW	0.330	0.278	0.262	0.104	0.210	0.026

Table 55: **Distribution of ICC Similarity (Percentiles)**

	10th	**25th**	**50th**	**75th**	**90th**
Actual_Deals	0.447	0.686	0.888	0.978	0.996
Pseudo_Deals	0.242	0.487	0.776	0.952	0.992

Table 56: **Summary Statistics for Sample Pairs Characteristics**

	Mean	**Std. Dev.**	**Median**
Same_Industry_Indicator	0.583	0.493	1.000
High_Tech_Indicator	0.289	0.453	0.000
Relative_Size	0.543	3.492	0.223
All_Cash_Indicator	0.389	0.488	0.000
Tender_Offer_Indicator	0.202	0.401	0.000

Table 57: **Deals by Merger Announcement Year**

Year	No. of Deals	% of Sample	Year	No. of Deals	% of Sample
1980	0	0.00%	2000	138	7.17%
1981	2	0.10%	2001	111	5.77%
1982	1	0.05%	2002	61	3.17%
1983	1	0.05%	2003	73	3.79%
1984	1	0.05%	2004	75	3.90%
1985	2	0.10%	2005	87	4.52%
1986	5	0.26%	2006	91	4.73%
1987	4	0.21%	2007	91	4.73%
1988	7	0.36%	2008	63	3.27%
1989	13	0.68%	2009	61	3.17%
1990	6	0.31%	2010	69	3.58%
1991	7	0.36%	2011	46	2.39%
1992	11	0.57%	2012	59	3.06%
1993	14	0.73%	2013	53	2.75%
1994	25	1.30%	2014	74	3.84%
1995	29	1.51%	2015	87	4.52%
1996	36	1.87%	2016	83	4.31%
1997	75	3.90%	2017	52	2.70%
1998	119	6.18%	2018	37	1.92%
1999	156	8.10%	**Total**	**1925**	**100%**

4.4 Empirical Results

4.4.1 Merger Pairs and ICC Similarity

I start the analysis by examining the effect of ICC similarity on the formation of merger pairs. Table 58 reports the results of running the following conditional logit model, using the setting deployed by Bena and Li (2014) and Bereskin et al. (2018), on the data of actual merger deals and the matched control sample of pseudo acquirers and targets:

$$\begin{aligned} Actual\_Deal_{ijm,t} &= \alpha + \beta_1 ICC\_Similarity_{ijm,t-1} + \beta_2 Same\_State\_Indicator_{ijm,t-1} \\ &+ \beta_3 Acquirer\_Controls_{im,t-1} + \beta_4 Target\_Controls_{jm,t-1} + Deal\_FE_m + \epsilon_{ijm,t} \end{aligned} \tag{79}$$

where the dependent variable $Actual\_Deal_{ijm,t}$ is equal to 1 if the pair i and j constitute a pair of an actual deal m, and equal zero if the one of the pair is a pseudo target or acquirer. $ICC\_Similarity_{ijm,t-1}$ is the independent variable of interest to proxy for the similarity of risk profile between a pair of companies as judged by market participants (i.e. the similarity between the discount rate applied by the market on future expected cash flow of the company). It is measured a month prior to the announcement of the deal. $Same\_State\_Indicator_{ijm,t-1}$ equals 1 if the firms i and j are incorporated in the same state. The firm-level controls follow Bena and Li (2014) and Bereskin et al. (2018) to include Book-to-Market ratio (**BM**) which get omitted when this variable is used for the pseudo matching, Cash and short-term investments scaled by total assets (**Cash**), industry competitiveness measured by Herfindahl-Hirschman Index (**HHI**), the total debt of the firm scaled by total assets (**Leverage**), the intensity of research and development scaled by total assets (**RD_to_Asset**), Earnings before interest, taxes, depreciation and amortizations -EBITDA- scaled by total assets (**ROA**), and the natural log of the current year's sales divided by prior year's sales (**Sales_Growth**).

Models 1 and 2 in table (58) presents the results where the control sample is generated using the year, size, and the industry of the actual firm to match it with a pseudo firm. In models 3 and 4 the control sample is generated using year, size, industry, and the Book-to-Market ratio for the purpose of testing the results for sensitivity to the control sample selection. All models include deal fixed effects.

The bivariate settings in models 1 and 3 show a positive and statistically significant

ICC_Similarity coefficients. Therefore, the greater risk similarity as captured by ICC between a pair of firms, the greater is the likelihood of that pair actually merging, relative to a control sample of hypothetical deals in which at least the target or the acquirer is an actual from the main sample. Including control variables to capture firm-level characteristics in models 2 and 4 show that the ICC_Similarity coefficient is robust to these controls as well as to control sample selection. Overall, the results suggest that firms are more likely to merge when they share similar risk profiles. An economic interpretation of the result -using model 4 coefficient- would suggest that a one standard deviation increase in the similarity between a pair of firms is associated with 24.45% increase in the odds of being an actual acquirer-target pair as opposed to a pair with a pseudo firm. Rerunning the test after dropping the ICC estimates above 100 and below 0 percent does not affect the results as shown in the appendix in table (115). In this latter testing, the percentage increase in the odds of forming a merger pair is 64.4% for one standard deviation increase in the risk similarity. This finding supports the first hypothesis that the higher the risk similarity of two firms is, the higher the probability of the firms announcing a merger.

4.4.2 Likelihood of Deal Completion

Not all announced deals are seen through to completion. Announced deals to acquire a publicly traded firm could fail for many reasons including regulations, which is an exogenous reason that has nothing to do with the target fit to the acquirer criteria. Nevertheless, many other merger negotiations fail due to non congruence of characteristics, among which is the risk profile similarity. As discussed by Wong and O'Sullivan (2001), managerial resistance is a common reason for a deal not to materialize. The rationale in this section is that managerial resistance would be less prominent for firms with similar risk profile. In this fashion, I hypothesize that if two firms exhibit a high degree of risk similarity before a merger, they are more likely to finalize the merger than firms with a lower degree of risk similarity. To examine the effects of premerger risk similarity on the probability of that an announced deal will materialize, I extend the main sample to include abandoned deals mergers as discussed in the previous section and adopt a common logit model. The same

Table 58: **Merger Pairs and ICC Similarity, ICC ∈ [0,100]**

	Industry, Size, Year Match				Industry, Size, B/M, Year Match			
	(1)		(2)		(3)		(4)	
ICC_Similarity	1.316	***	1.012	***	1.499	***	1.597	***
	(5.332)		(2.954)		(6.082)		(4.526)	
Same_State_Indicator			1.830	***			1.791	***
			(14.331)				(13.841)	
Target_BM			- 0.041	***				
			(-3.363)					
Target_Cash			- 0.312				- 0.360	
			(-1.354)				(-1.52)	
Target_HHI			- 0.534	***			- 0.546	***
			(-32.602)				(-33.615)	
Target_Leverage			0.353	**			0.766	***
			(2.091)				(3.179)	
Target_RD_to_Asset			2.333	***			1.807	***
			(5.455)				(3.888)	
Target_ROA			0.499	***			0.093	
			(4.638)				(0.647)	
Tararget_Sales_Growth			- 0.240	***			- 0.382	***
			(-3.323)				(-3.828)	
Acquirer_BM			- 0.247	***				
			(-6.125)					
Acquirer_Cash			- 1.393	***			- 0.734	**
			(-3.632)				(-1.986)	
Acquirer_HHI			- 0.505	***			- 0.529	***
			(-32.922)				(-33.868)	
Acquirer_Leverage			0.521	**			1.528	***
			(2.096)				(5.798)	
Acquirer_RD_to_Asset			3.069	**			1.528	***
			(2.519)				(2.663)	
Acquirer_ROA			- 1.543	***			1.528	***
			(-3.88)				(-3.76)	
Acquirer_Sales_Growth			0.984	***			1.528	***
			(5.965)				(6.445)	
Deal Fixed Effect	Yes		Yes		Yes		Yes	
SE Clustered at Actual Deal Level	Yes		Yes		Yes		Yes	
No. Of Obs.	15,781		15,781		15,781		15,781	
Pesudo R-squared	0.020		0.849		0.014		0.850	

The table reports results of conditional logit model of the likelihood of an observation being an actual (as opposed to hypothetical) merger on acquirer-target Implied Cost of Capital (ICC) similarity and other control variables. This table is identical to table (115) except that ICC estimates above 100 or below zero are dropped. The dependent variable is a binary that takes the value of 1 if the observation is an actual merger deal, and the value of zero if the observation is a pseudo-firm pair from the control group. Following Bena and Li (2014) and Bereskin et al. (2018), for each actual deal, control group deals are formed by pairing the actual acquirer with up to 5 pseudo targets (identified by industry, year, and closest total assets to the actual target for the models 1 and 2; and matched by industry, year, and closest total assets and Book-to-Market ratio in models 3 and 4), and by pairing each actual target with up to 5 pseudo-acquirers using the same criteria. Constants are estimated but not reported. All specifications include deal fixed effects. All specification report t-statistics below coefficients based on standard errors clustered at the actual deal level.

data screens used to construct the main dataset as described in section 4.2.3 is also used to extend the dataset.

In table (59), using a logit model, I document a positive association between ICC similarity and the probability of an announced deal to get completed. Even after controlling extensively for deal-level and firm-level characteristics, model 3 in the table suggest that a one standard deviation increase in the ICC_Similarity is related to a 35% increase in the odds of successfully completing the deal. Moreover, in model 4, I replace the ICC similarity index with two dummies. The High_ICC_Similarity_Indicator takes the value of 1 if the deal is in the top 25% of the ICC similarity spectrum, and zero otherwise. The Low_ICC_Similarity_Indicator indicate that the deal is in the bottom quartile in terms of risk similarity. The coefficients of these two dummies suggest that for an announced deal, the probability of completion increases (decreases) if the deal is characterized with high (low) risk similarity. In summary, high ICC similarity deals are more likely to complete successfully. Furthermore, table (116) show that untruncated ICC estimates at zero and 100% does not change the results.

4.4.3 Duration of Deal Completion

I also examine whether ICC similarity affect the speed of deal completion using the main sample of completed deals. The importance of quick deal completion for post-merger integration is discussed by Feldman and Spratt (2001). Table (60) report the results of Cox Proportional Hazard model, where the dependent variable is the number of days between the announcement and the effective date of the deal. The results suggest that deals with higher ICC similarity (in the top quartile in terms of ICC similarity) between the merger pairs are associated with 34% more rapid rate of deal completion. On average, using the unconditional mean of time in the sample, this translates to almost seven valuable weeks that the merger pair could spend on post-merger integration rather than on deal completion uncertainties. On the other hand, the dummy indicating bottom quartile deals in terms of ICC similarity is negative (i.e slower speed of completion). In a nutshell, high ICC similarity deals are more likely to complete quickly, which ease post-merger integration, and is likely

Table 59: **Likelihood of Deal Completion, ICC ∈ [0,100]**

	(1)		(2)		(3)		(4)	
ICC_Similarity	2.281	***	2.637	***	2.639	***		
	(87.364)		(31.847)		(26.597)			
High_ICC_Similarity_Indicator							0.947	***
							(55.458)	
Low_ICC_Similarity_Indicator							- 0.370	***
							(-12.168)	
Same_Industry_Indicator	0.077		0.182	***	0.207	***	0.205	***
	(1.844)		(6.693)		(7.562)		(7.689)	
Relative_Size	- 0.016	***	- 0.099	*	- 0.093	**	- 0.100	**
	(-4.993)		(-1.934)		(-2.004)		(-2.135)	
Tender_Offer_Indicator	0.474	***	0.394	***	0.503	***	0.495	***
	(10.8)		(15.021)		(23.758)		(24.168)	
All_Cash_Indicator	0.242	***	- 0.166	***	- 0.219	***	- 0.210	***
	(6.97)		(-6.472)		(-10.388)		(-9.718)	
Same_State_Indicator	- 0.043		- 0.111	***	- 0.072	***	- 0.062	***
	(-1.2)		(-4.153)		(-3.071)		(-2.739)	
High_Tech_Indicator	0.116	**	0.176	***	0.183	***	0.171	***
	(2.289)		(5.041)		(6.484)		(6.375)	
Acquirer and Target Controls	No		Yes		Yes		Yes	
Year Fixed Effect	No		No		Yes		Yes	
No. Of Obs.	2,237		2,237		2,237		2,237	
Pesudo R-squared	0.028		0.134		0.173		0.180	

The table reports the likelihood of the deal completion using Logit model. This table is identical to table (116) except that ICC estimates above 100 or below zero are dropped. The main sample of completed deals have been expanded to include announced but uncompleted transactions using the same filter criteria used to generate the main sample in terms of ownership percentages, deal value, and other characteristics. The dependent variable equals 1 if the deal is completed, and 0 if the deal is withdrawn. The acquirer and target controls (suppressed coefficients) are RD/Assets, Size, Cash and Short-term investments/Assets, and Book-to-Market ratio. Constant terms are estimated but not reported. t-statistics based on standard errors clustered by industry group are reported below coefficients.

to make the deal more valuable. Table (117) show that the results are robust to the use of untruncated ICC estimates.

4.4.4 Combined Announcement Returns

In this section I turn to examine the effect of ICC similarity on the deal combined - the acquirer and target- announcement return to test for potential market synergy (Bradley, Desai, and Kim (1988)). Abnormal returns are obtained using standard estimation methodology for event studies with daily returns. A market model with MSCI USA Index return as the becnhmark return is deployed, using days -300 through -46 relative to the merger announcement day like in Bereskin et al. (2018) as the estimation period. Over this estimation period, the

Table 60: **Duration of Deal Completion, ICC ∈ [0,100]**

	(1)		(2)		(3)	
High_ICC_Similarity_Indicator	0.346	**	0.307	***	0.292	***
	(2.051)		(6.904)		(4.471)	
Low_ICC_Similarity_Indicator	- 0.130	***	- 0.144	*	- 0.130	
	(-2.633)		(-1.78)		(-1.364)	
Same_State_Indicator	- 0.142	***	- 0.142	*	- 0.148	*
	(-3.761)		(-1.8)		(-1.874)	
Relative_Size	-		- 0.042		- 0.034	**
	(1.354)		(-1.153)		(-2.523)	
Tender_Offer_Indicator	0.689	***	0.674	***	0.754	***
	(6.349)		(17.46)		(8.457)	
All_Cash_Indicator	0.475	***	0.399	***	0.358	***
	(6.768)		(15.243)		(6.294)	
Same_Industry_Indicator	- 0.228	***	- 0.188	***	- 0.194	***
	(-3.186)		(-3.747)		(-2.627)	
High_Tech_Indicator	0.276	***	0.132		0.132	
	(3.987)		(1.424)		(0.938)	
Acquirer and Target Controls	No		Yes		Yes	
Year Fixed Effect	No		No		Yes	
No. of Observations	1752		1752		1752	

The table reports the hazard ratio of deal completion time estimated using Cox proportional hazard model. This table is identical to table (117) except that ICC estimates above 100 or below zero are dropped. The dependent variable is the number of days between the announcement date and the effective date of a deal and is measured for completed deals only. The acquirer and target controls (suppressed coefficients) are RD/Assets, Size, Cash and Short-term investments/Assets, and Book-to-Market ratio. Constant terms are estimated but not reported. Statistics based on standard errors clustered by industry group are reported below coefficients.

firm daily returns are regressed on the benchmark returns. The difference between the actual daily return and the market model predicted daily return using the estimated factor loadings from the regression results is the daily abnormal return. I then cumulate the daily abnormal returns over the event window of 7 days [-3 to +3] centred at the announcement day, and use the cumulative abnormal returns (CAR) as the measure of abnormal performance upon announcement of the acquisition.

Before delving into the results the multivariate results in table 61, I should note that mean CAR for the mergers in the dataset is 0.020 (t-stat = 7.188) and median CAR of 0.011 but falls outside the confidence interval. The highest 25% deals in terms of ICC similarity have a mean of 0.024 and median 0.009, and both are statistically significant. The lowest 25% deals in terms of ICC similarity have a significant mean of 0.015, but insignificant median of 0.007.

To formalize the testing, table (61) show the results of regressing CAR on ICC similarity scores and various other characteristics following Ishii and Xuan (2014), and Bereskin et al. (2018). Models 1 and 2 are the same except that I control for industry fixed effect in model 2. The result of these two models confirm the positive association between ICC similarity and the combined CAR. This observation suggest that the market appreciate deals with better risk-fit between the target and the acquirer.

In models 4 and 5, I address the potential sample selection biases due to the likelihood of the deal occurrence, and the bias due to likelihood of the deal completion using two stage Heckman model. In the first stage, a probit model is estimated using the same setting described in sections (4.4.1) and (4.4.2) respectively. In the second stage, an inverse Mill ratio from the first stage probit is included in the CAR regressions as an additional control. Accounting for those two biases yielded no change in the baseline results. This indicate that the market expects realization of better synergies when both the target and acquirer have more similar risk profiles.

Finally, in model 3, the ICC similarity index is replaced with two dummy variables to capture whether a particular pair fall in the top or bottom 25% of ICC similarity score distribution. Although the coefficient is positive for the high similarity group and negative for the low similarity group, both are statistically insignificant. This means that the ICC similarity effect on CAR is not stronger in the extreme quartiles, as the dummies represent the difference to the reference group between the 25th and 75th percentile.

For robustness purposes, the tests have been performed on alternative event windows. Table(121) present the results for the event window of 3 days [-1 to +1], and table (122) is the results for event window of 11 days [-5 to +5]. No change in conclusions were observed. Neither has the conclusion changed when the ICC estimates are not truncated between zero and 100% as shown in table (118).

Table 61: **Combined Announcement Returns, ICC ∈ [0,100]**

	(1)	(2)	(3)	(4)	(5)
ICC_Similarity	0.026***	0.022**		0.026***	0.029**
	(2.836)	(2.278)		(2.850)	(2.411)
High_ICC_Similarity_Indicator			0.001		
			(0.095)		
Low_ICC_Similarity_Indicator			- 0.003		
			(-0.651)		
Same_Industry_Indicator	0.004	0.004	0.004	0.004	0.003
	(0.785)	(0.772)	(0.842)	(0.769)	(0.743)
Same_State_Indicator	0.004	0.004	0.004	0.004	0.004
	(1.209)	(1.042)	(1.223)	(1.196)	(1.287)
High_Tech_Indicator	- 0.009**	- 0.012***	- 0.009**	- 0.009**	- 0.009*
	(-2.234)	(-2.686)	(-2.107)	(-2.267)	(-1.94)
Relative_Size	0.007	0.006	0.007	0.007	0.007
	(1.554)	(1.462)	(1.531)	(1.562)	(1.479)
All_Cash_Indicator	0.015***	0.016***	0.015***	0.015***	0.016***
	(2.988)	(3.141)	(2.957)	(2.989)	(3.030)
Tender_Offer_Indicator	0.007	0.007	0.007	0.007	0.008
	(1.308)	(1.289)	(1.348)	(1.321)	(1.272)
Total_Size	- 0.008***	- 0.008***	- 0.008***	- 0.008***	- 0.007***
	(-6.649)	(-6.735)	(-6.695)	(-7.057)	(-6.764)
Book_To_Market	0.000**	0.000***	0.000**	0.000**	0.000**
	(2.499)	(2.618)	(2.525)	(2.531)	(2.449)
Leverage	0.025	0.027	0.025	0.025	0.025
	(1.620)	(1.576)	(1.561)	(1.636)	(1.628)
Cash	0.030	0.014	0.030	0.030	0.000
	(0.577)	(0.338)	(0.579)	(0.587)	(0.553)
Merger_Pair_Liklihood_Inverse_Mills_ratio				0.004	
				(0.258)	
Completion_Liklihood_Inverse_Mills_ratio					0.029
					(0.379)
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	No	Yes	Yes	Yes	Yes
No. of Observations	1752	1752	1752	1752	1752
R-Square	0.320	0.317	0.319	0.319	0.319

The table reports [-3,+3] 7-day cumulative abnormal returns (CAR) around merger announcement of actual deals regression on ICC similarity between the merger pairs and other control variables. This table is identical to table (118) except that ICC estimates above 100 or below zero are dropped. The t-statistics reported below coefficients are based on industry clustered standard errors. Models 4 and 5 present the results using Heckman's two stage self-selection correction , where the inverse Mills ratio is based on merger-pair likelihood and merger-completion likelihood.

4.4.5 Abnormal Operating Performance

Next, I test whether deals with high ICC similarity exhibit better post-acquisition operating performance, as one might expect if such similarity induce the ease of integration, or reduces suboptimal investment in the target firm and facilitates more effective management of the merged entity. For this I follow the method presented in (Healy et al. (1992), Harford et al. (2012), and Bereskin et al. (2018)) in which they study the industry adjusted operating performance after a merger event. The test is run separately for highest and the lowest quartiles of merger pairs in terms of ICC similarity.

Operating profitability is defined as EBITDA scaled by the market value of the company assets. The abnormal operating performance is calculated as the company operating profitability minus the industry median performance. The post-merger abnormal operating performance over the 3 post-merger years is regressed against a synthetic pre-merger abnormal operating performance - that is computed as a value-weighted average of the target's and the acquirer's operating performance in the year before the merger- and a list of relevant pair-controls. The constant therefore represent the post-merger performance independent of pre-merger performance. Table (62) show that mergers with high ICC similarity are associated with significantly positive changes in operating performance over the 3 years period following the completion of the deal. The results are obtained by running the models separately for the top and bottom quartiles sub samples. In fact, the results show that high ICC similarity mergers are associated with 4.2% abnormal increase in post-merger industry adjusted ROA after controlling for various deal characteristics. On the other hand the low ICC similarity deals exhibit no such increase. The results are robust for truncating ICC estimates as shown in table (119).

Additionally, one can assess post-merger operating performance by tracing any post-merger goodwill write-offs. Goodwill represent the value paid by the acquirer in excess to the target fair value of identifiable assets. Such premium is paid in anticipation of some sort of synergy. Gu and Lev (2011) represent that a goodwill write-off is in fact a mis-valuation or a decline in expected synergies. Therefore, the hypothesis is that fewer goodwill write-offs will happen in deals characterized with high similarity in ICC between the target and

Table 62: **Abnormal Operating Performance, ICC ∈ [0,100]**

	(1)				(2)			
	High_Similarity		**Low_Similarity**		**High_Similarity**		**Low_Similarity**	
Constant	0.005	**	0.011		0.042	***	-0.014	
	(2.176)		(1.133)		(3.704)		(-0.798)	
Abnormal_PreMerger_ROA	0.516	***	0.594	***	0.360	***	0.422	***
	(7.717)		(11.279)		(7.172)		(3.144)	
Same_Industry_Indicator					-0.022	*	0.023	
					(-1.704)		(1.334)	
Same_State_Indicator					-0.003		-0.006	
					(-0.256)		(-0.442)	
Relative_Size					-0.024	***	-0.001	
					(-3.556)		(-0.702)	
High_Tech_Indicator					-0.011		-0.021	
					(-0.603)		(-0.908)	
Adjusted_R2	0.352		0.468		0.504		0.318	
No. of Observations	438		438		438		438	

The table reports the OLS regression results explaining industry-adjusted (abnormal) post-merger operating performance as defined in Healy, Palepu, and Ruback (1992). This table is identical to table (119) except that ICC estimates above 100 or below zero are dropped. Operating profitability is defined as EBITDA scaled by the market value of the company assets. The abnormal operating performance is calculated as the company operating profitability minus the industry median performance. The post-merger abnormal operating performance over the 3 post-merger years is regressed against a synthetic pre-merger abnormal operating performance - that is computed as a value-weighted average of the target's and the acquirer's operating performance in the year before the merger- and a list of relevant pair-controls. The intercept is therefore is the post-merger operating performance independent of pre-merger performance. The regression is estimated separately for the top quartile of ICC similarity, and the bottom quartile of ICC similarity. t-statistics using robust standard errors are reported below coefficients in parentheses.

acquirer.

The testing I deploy follow Gu and Lev (2011) and Bereskin et al. (2018) setting. Specifically, the dataset is limited to the deals where the acquirer does not conduct any other deal in 7 years window centred at the announcement date. This is required to ensure that any post-acquisition write-off in the next 3 years of the deal is mainly attributed to the deal under consideration. Furthermore, all deals between 1994 to 2001 were dropped from the dataset since pooling accounting was allowed at the time. Pooling accounting use would not result in creation of goodwill that could be possibly written off subsequently. Write-offs are measured for 3 years after the deal date scaled by lagged total assets. These write-offs are used as a dependent variable in a Tobit regression since the dependent variable have a lower bound of zero.

The results in table (63) reveal that the ICC similarity coefficient is negative, however statistically insignificant. The more interesting result is in model 2, where I replace the ICC similarity score variable with 2 dummy variables for the top and bottom quartiles mergers on the ICC similarity distribution. In this setting I conclude that the deals with highest ICC similarity between the merger pairs have significantly lower goodwill write-offs as compared to other deals. Therefore post-merger integration is considerably easier and more successful when the merger pair exhibit more similar risk profiles (i.e it increases the probability of attaining expected synergies). Again, the results are robust for not truncating ICC estimates as shown in table (120).

Table 63: **Post-Acquisition Goodwill Write-offs, ICC ∈ [0,100]**

	(1)		(2)	
ICC_Similarity	-0.548			
	(-0.998)			
High_ICC_Similarity_Indicator			-0.347	**
			(-2.29)	
Low_ICC_Similarity_Indicator			-0.057	
			(-0.411)	
Relative_PE_Ratio	0.000		0.000	
	(-0.324)		(0.204)	
Goodwill_Prct	-0.07	***	-0.044	**
	(-2.802)		(-2.531)	
Relative_Size	-0.089		0.01	
	(-0.663)		(0.091)	
Ln_Market_Value	-0.05		-0.063	
	(-0.984)		(-1.553)	
Stock_Prct	-0.269		-0.302	*
	(-1.448)		(-1.925)	
Year Fixed Effect	Yes		Yes	
Industry Fixed Effect	Yes		Yes	
Pesudo-R2	0.407		0.356	
No. of Observations	541		541	

The table reports a Tobit regression results of post-acquisitions goodwill write-offs by acquiring firms on ICC similarity index and control variables as in Gu and Lev (2011) and Bereskin, Byun, Officer, and Oh (2018). This table is identical to table (120) except that ICC estimates above 100 or below zero are dropped. The sample is restricted to acquirers with only one acquisition in 7 years window centred on the acquisition announcement date to ensure that any write-offs are attributable to the acquisitions under consideration. The dependent variable is measured as goodwill write-offs in the 3 years following the acquisition scaled by total assets from the year before the acquisition. Constant terms are estimated but not reported. The t-statistics under each coefficient is based on robust standard errors. Tobit models is used due to fact that the dependent variable have a lower bound of zero.

Table 64: **Risk Similarity Effect on Post-Acquisition Risk**

	Coefficient		t-stat
ICC_Similarity	-0.030	**	-2.500
Target_PreAcquestion_Average_ICC	-0.073	**	-2.421
Acquirer_PreAcquestion_Average_ICC	0.207	***	5.152
Riskier_Target_Indicator	0.002		0.289
Same_Industry_Indicator	-0.010	*	-1.718
Same_State_Indicator	0.015	**	2.316
High_Tech_Indicator	0.010		1.480
Relative_Size	0.001		0.395
All_Cash_Indicator	-0.003		-0.419
Tender_Offer_Indicator	-0.001		-0.160
Total_Size	-0.010	***	-5.849
Book_To_Market	0.001		0.307
Leverage	0.067	***	3.940
Cash	0.033		1.334
Adj-Rsquared	0.074		
No. of Observations	1752		

The table reports the OLS regression results where the dependent variable is average ICC estimate of the acquirer over three years after the effective date of the M&A deal on the ICC similarity index, the target and acquirer average ICC one month before the announcement of the deal, as well as other deal and firm level controls. The t-statistics reported are based on robust standard errors.

4.5 Additional Analysis and Robustness Checks

4.5.1 Risk Similarity Effect on Post-Acquisition Risk

In this section I continue the analysis by examining the post-merger riskiness as captured by ICC. The question is whether the risk similarity between the acquirer and the target affect the firm riskiness as implied by the market after the deal is completed. Specifically I run a regression where the dependent variable is the average ICC estimate of the acquirer in the two years after the deal effective date on the ICC similarity index and other controls. The controls include the ICC average estimates of both the target and the acquirer prior to the announcement of the deal by one month. The results are reported in table (64). The ICC similarity score coefficient is negative and statistically significant, which suggest that acquirers participating in deals with better risk fit would enjoy lower discount rate to their future cash flows by the market (i.e. the market would perceive them as less risky).

4.5.2 Cross Sectional Variations in Effects of Risk Similarity

In this section I implement various cross-sectional analysis and robustness checks to provide some further evidence on the effect of risk similarity on merger likelihood and outcomes. Firstly, I limit the ICC estimates to those based on analysts estimates only. The purpose is to check whether the results are driven by a particular type of earnings forecasts. I find that the conclusions are comparable to the ones presented in the main findings section. Specifically, table (65) show that a one standard deviation increase in the risk similarity will increase the odds of a merger pair formation by 15% using analysts estimates based ICC measure. Moreover, table (66) show that the there is positively significant relation between the the risk similarity based on analysts forecasts of earnings and the combined CAR enjoyed by shareholders. The high similarity deals also enjoy 3% additional long-term abnormal operating return on average as shown in table (67).

Secondly, I test whether certain industries in the sample exhibit greater sensitivity to risk similarity in terms of the deal likelihood and outcomes. Following Meier and Servaes (2016) I split the deals to those executed in Labour Intensive and Capital Intensive industries. Capital intensive industries are defined as those with SIC code less than 5000, and labour intensive industries are those with SIC greater than or equal 5000. I find that the risk similarity effect is strongest in labour intensive deals. For instance, the likelihood of merger pair formation increases by 32% for one standard deviation increase in risk similarity in labour intensive industries, and by 15% in capital intensive industries. Although the risk similarity effect on post-deal abnormal operating performance and CAR are positive for both types of industries, only labour-intensive coefficients are significant. Such observation is not alien to the literature, in fact Bereskin et al. (2018) record a negative CAR coefficient when it comes to CSR similarity effect. This suggests that although firms which are capital intensive have better probability of forming a merger pair if their risk profile is relatively similar, the risk differences have a lesser effect on short and long-term performance.

Splitting the sample to within or cross industry deals to capture operational overlap between the target and the acquirer, yield similar results. For both groups, the risk similarity have a strong effect on merger pair formation likelihood. However, the CAR respond stronger to the risk similarity when there is an operational overlap between the firms. To further investigate these relations, I also split the sample into horizontal, vertical, and diversifying deals. Following Fan and Goyal (2006), a merger is classified as vertical if the vertical relatedness between the the industries of the firms is greater than 1% as reported in input-output data from Bureau of Economic Analysis (BEA). A merger is classified as horizontal if the acquirer and target are from the same industry and have vertical relatedness of less than 1%. The deal is diversifying transaction if it is not vertical or horizontal transaction. CAR coefficient is positively related in to risk similarity in all sub-sample but only significant for horizontal deals. This is again comparable to results reported in Bereskin et al. (2018) for the cultural fit. As for the long-term operating profitability, all sub samples highest quartiles have significant additions in abnormal operating profitability just like in the main findings.

Next, I examine the effect of risk similarity conditional on the relative size of the target (deal value) compared with acquirer market value just before the deal by splitting the deals into terciles. All three sub-samples reported strong ICC similarity effect on merger pair formation likelihood, with the strongest in terms of magnitude in the High relative size group as expected. The low relative size group reported a higher coefficient when compared to the mid sub-sample. A similar observation is noted in the ICC similarity effect on the combined CAR. The highest relative size group reported double the magnitude of the low group. The highest quartile of each of the 3 relative size groups reported positive post-deal abnormal ROA, but only significant in the highest.

To analyse if the trend has changed by a way of learning, I split the sample almost evenly in time before and after 2005. No change in the overall conclusions of the main findings has been recoded. The magnitude of the CAR response to risk similarity has improved a bit post 2005, but the opposite is observed regarding the merger pair formation likelihood and Abnormal ROA.

Finally, I split the sample to two sub-samples using average ICC estimate. The first group is where the target is riskier than the acquirer (i.e. the target average ICC estimate is larger than the acquirer), and the second is where the acquirer is riskier. Due to the fact that some of these deals would have two firms with relatively similar average ICC, I also take the extreme quartile of each of the two sub samples, to test the deals where the target is considerably riskier than the acquirer, and where the acquirer is considerably riskier than the target. I find that when the acquirer is riskier (but especially when it is considerably riskier), the effect of the risk similarity is significantly strong in all tests, meaning that the similarity is more important. When the target is considerably riskier, the coefficients have signs comparable to the main findings, although some are indistinguishable from zero especially when it comes to post-deal abnormal ROA. This is could be explained by the evidence presented in the literature that buying very risky targets (perhaps distressed firms) is not a good idea.

4.5.3 Beta as an Alternative Measure of Risk

I have argued in the methodology section that an ex-ante measure of riskiness is preferred to an ex-post measure like beta. For robustness purpose, I re-run the test that involve only the main sample using a beta similarity index. I compute 10 beta estimates where possible to each firm using two test windows [-300 to -46] and [-200 to -20] days. For each of these windows I use daily return data against the following benchmarks to obtain beta estimates: Russell3000, WILSHIRE5000, MSCI US, SP500, and SP1500. Then I compute the similarity index using the same formulation used to compute the ICC similarity index. The Spearman correlation between the ICC similarity and Beta Similarity is 0.0480 (p-value 0.0447), while Pearson correlation is 0.0203 (p-value 0.3966), and Kendall correlations 0.0325 (p-value 0.0418). Such low correlation is most probably due to the nosiness of estimates based on historical data as detailed in the methodology section.

Table (68) report positive Beta similarity effect on CAR. Table (69) show that the deals with highest risk similarity enjoy 1.8% increase in post-deal abnormal ROA. Both results are in-line with the main-findings using ICC similarity score. The CAR testing is comparable to the main testing in terms of magnitude.

Table 65: **Cross-Sectional Variation in Effects of ICC similarity on Merger Pair Formation**

	Analysts ICC	**Labour Intensive**	**Capital Intensive**	**Within Industry**	**Cross Industry**	**Horizontal**	**Vertical**	**Diversifying**
ICC_Similarity	2.490***	2.136***	0.993**	1.546***	1.799***	1.584***	1.362	1.880***
	(3.602)	(13.76)	(2.505)	(3.528)	(3.343)	(3.370)	(1.197)	(3.434)
Acquirer and Target Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Deal Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo-Rsq	0.816	0.928	0.772	0.854	0.847	0.837	0.916	0.843
No. of Obs.	12,952	4,423	8,871	9,462	6,319	7,400	2,171	6,152

	Low Relative Size	**Mid Relative Size**	**High Relative Size**	**Riskier Target**	**Riskier Acquirer**	**Considerably Riskier Target**	**Considerably Riskier Acquirer**	**After 2005**	**Before 2005**
ICC_Similarity	2.677***	1.065***	3.763***	0.564	2.168***	2.207***	1.533**	1.146***	2.216***
	(3.048)	(4.333)	(4.043)	(1.237)	(4.428)	(3.216)	(2.321)	(2.794)	(4.267)
Acquirer and Target Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Deal Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo-Rsq	0.933	0.834	0.896	0.789	0.881	0.829	0.888	0.859	0.842
No. of Obs.	3,794	4,318	4,955	4,905	10,876	2,565	3,026	9,442	6,339

The table examines the cross-sectional variations in the effects of ICC similarity on merger pair formation. The setting of the test is identical to table 58 column 4. Column (**Analysts ICC**) perform the analysis using the ICC estimates based on analysts estimates only. Following Meier and Servaes (2016), I split the actual deals to those happening in (**Labour Intensive**) and (**Capital Intensive**) industries. Capital intensive industries are defined as those with SIC code less than 5000, and labour intensive industries are those with SIC greater than or equal 5000. Further, I split the deals to (**cross Industry**) and (**within industry**) deals. The results are also reported using the type of the merger: (**Horizontal**), (**Vertical**), or (**Diversifying**). Following Fan and Goyal (2006), a merger is classified as vertical if the vertical relatedness between the the industries of the firms is greater than 1% as reported in input-output data from BEA. A merger is classified as horizontal if the acquirer and target are from the same industry and have vertical relatedness of less than 1%. Furthermore the deals are divided according to the relative size of the deal to the acquirer market value to **Low, Mid and High** relative size deals. The sample is also split into deals where the actual acquirer have an average ICC estimate that is higher than the actual target (**Riskier Acquirer**), and (**Riskier Target**). (**Considerably Riskier Target**) and (**Considerably Riskier Acquirer**) are top quartile sub-samples in terms of the risk spread between the target and the acquirer. Finally, the main deals are split almost evenly overtime to analyse the learning effect.

Table 66: **Cross-Sectional Variation in Effects of ICC similarity on CAR**

	Analysts ICC	**Labour Intensive**	**Capital Intensive**	**Within Industry**	**Cross Industry**	**Horizontal**	**Vertical**	**Diversifying**
ICC_Similarity	0.061 ***	0.087 ***	0.003	0.042 ***	0.013	0.038 **	0.056 *	0.011
	2.978	3.323	0.182	3.784	0.521	2.309	1.781	0.449
Acquirer and Target Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Deal Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo-Rsq	0.319	0.112	0.389	0.066	0.420	0.061	0.088	0.423
No. of Obs.	1,752	707	1,045	953	799	744	221	787

	Low Relative Size	**Mid Relative Size**	**High Relative Size**	**Riskier Target**	**Riskier Acquirer**	**Considerably Riskier Target**	**Considerably Riskier Acquirer**	**After 2005**	**Before 2005**
ICC_Similarity	0.034 **	0.016	0.068 ***	0.009	0.040 ***	0.003	0.159 ***	0.053 ***	0.044 **
	1.982	1.075	3.085	0.411	2.582	0.055	5.010	3.526	2.425
Acquirer and Target Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Deal Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo-Rsq	0.058	0.435	0.118	0.438	0.081	0.036	0.090	0.156	0.388
No. of Obs.	445	758	549	696	1,056	175	264	926	826

The table examines the cross-sectional variations in the effects of ICC similarity on Cumulative Abnormal Returns (CAR). The setting of the test is identical to table 61. Column (**Analysts ICC**) perform the analysis using the ICC estimates based on analysts estimates only. Following Meier and Servaes (2016), I split the deals to those happening in (**Labour Intensive**) and (**Capital Intensive**) industries. Capital intensive industries are defined as those with SIC code less than 5000, and labour intensive industries are those with SIC greater than or equal 5000. Further, I split the deals to (**cross Industry**) and (**within industry**) deals. The results are also reported using the type of the merger: (**Horizontal**), (**Vertical**), or (**Diversifying**). Following Fan and Goyal (2006), a merger is classified as vertical if the vertical relatedness between the the industries of the firms is greater than 1% as reported in input-output data from BEA. A merger is classified as horizontal if the acquirer and target are from the same industry and have vertical relatedness of less than 1%. Furthermore the deals are divided according to the relative size of the deal to the acquirer market value to **Low, Mid and High** relative size deals. The sample is also split into deals where the actual acquirer have an average ICC estimate that is higher than the actual target (**Riskier Acquirer**), and (**Riskier Target**). (**Considerably Riskier Target**) and (**Considerably Riskier Acquirer**) are top quartile sub-samples in terms of the risk spread between the target and the acquirer. Finally, the main deals are split almost evenly overtime to analyse the learning effect.

Table 67: **Cross-Sectional Variation in Effects of ICC similarity on Post-Deal Abnormal Operating Performance**

	AnalystsICC		**Labour Intensive**		**Capital Intensive**		**Within Industry**		**Cross Industry**			
	High Similarity	**Low Similarity**	**High Similarity**	**Low Similarity**	**High Similarity**	**Low Similarity**	**High Similarity**	**Low Similarity**	**High Similarity**	**Low Similarity**		
Constant	0.029 **	0.011	0.025 **	0.049 **	0.018	0.022	0.012	0.019	0.015	0.025		
	(2.035)	(0.685)	(1.971)	(2.254)	(1.475)	(0.641)	(0.577)	(0.655)	(0.627)	(1.62)		
Abnormal_PreMerger_ROA	0.501 ***	0.606 ***	0.687 ***	0.361 ***	0.777 ***	0.238	0.396 ***	0.434 **	0.385 *	0.655 ***		
	(3.535)	(8.555)	(8.108)	(2.606)	(12.411)	(1.605)	(9.109)	(2.039)	(1.932)	(5.475)		
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
Adjusted_R2	0.313	0.391	0.621	0.365	0.776	0.208	0.690	0.336	0.142	0.516		
No. of Observations	438	438	177	177	261	261	238	238	200	200		
	Horizontal		**Vertical**		**Diversifying**		**Low Relative Size**		**Mid Relative Size**		**High Relative Size**	
	High Similarity	**Low Similarity**	**High Similarity**	**Low Similarity**	**High Similarity**	**Low Similarity**	**High Similarity**	**Low Similarity**	**High Similarity**	**Low Similarity**	**High Similarity**	**Low Similarity**
Constant	0.047 **	- 0.006	0.034 **	0.023	0.060 ***	0.018 *	0.014	- 0.002	0.002	- 0.003	0.074 ***	0.040 ***
	(2.07)	(-0.36)	(2.147)	(1.198)	(2.784)	(1.692)	(0.468)	(-0.104)	(0.134)	(-0.205)	(3.086)	(3.512)
Abnormal_PreMerger_ROA	0.220 **	0.427 ***	0.489 ***	0.837 ***	0.459 ***	0.778 ***	0.000 ***	0.853 ***	0.418 ***	0.898 ***	- 0.000	0.234 ***
	(2.253)	(11.695)	(5.662)	(2.786)	(5.241)	(31.194)	(5.742)	(47.415)	(7.748)	(4.131)	(-0.222)	(3.425)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted_R2	0.267	0.710	0.701	0.343	0.691	0.796	0.021	0.967	0.606	0.567	0.073	0.384
No. of Observations	186	186	55	55	197	197	111	111	190	190	137	137
	Riskier Target		**Riskier Acquirer**		**Considerably Riskier Target**		**Considerably Riskier Acquirer**		**After 2005**		**Before 2005**	
	High Similarity	**Low Similarity**	**High Similarity**	**Low Similarity**	**High Similarity**	**Low Similarity**	**High Similarity**	**Low Similarity**	**High Similarity**	**Low Similarity**	**High Similarity**	**Low Similarity**
Constant	0.017	- 0.016	- 0.015	0.011	0.020	- 0.023 *	0.029 ***	0.027 **	0.022 **	0.032 *	0.075 **	0.015
	(0.419)	(-1.012)	(-1.4)	(0.675)	(1.547)	(-1.692)	(2.907)	(2.323)	(2.237)	(1.942)	(1.968)	(1.079)
Abnormal_PreMerger_ROA	0.000 ***	0.850 ***	0.723 ***	0.210 **	0.503 ***	0.680 ***	0.359 ***	0.345 ***	0.382 ***	0.346	0.209 **	0.485 ***
	(5.755)	(52.897)	(10.813)	(2.208)	(7.287)	(10.16)	(3.66)	(6.048)	(13.452)	(1.764)	(2.104)	(3.234)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted_R2	- 0.006	0.964	0.737	0.136	0.603	0.672	0.315	0.311	0.626	0.356	0.240	0.264
No. of Observations	174	174	264	264	44	44	66	66	232	232	207	207

The table examines the cross-sectional variations in the effects of ICC similarity on post-deal abnormal operating performance. The setting of the test is identical to table 62. Column (**Analysts ICC**) perform the analysis using the ICC estimates based on analysts estimates only. Following Meier and Servaes (2016) I split the deals to those happening in (**Labour Intensive**) and (**Capital Intensive**) industries. Capital intensive industries are defined as those with SIC code less than 5000, and labour intensive industries are those with SIC greater than or equal 5000. Further, I split the deals to (**cross Industry**) and (**within industry**) deals. The results are also reported using the type of the merger: (**Horizontal**), (**Vertical**), or (**Diversifying**). Following Fan and Goyal (2006), a merger is classified as vertical if the vertical relatedness between the the industries of the firms is greater than 1% as reported in input-output data from BEA. A merger is classified as horizontal if the acquirer and target are from the same industry and have vertical relatedness of less than 1%. Furthermore the deals are divided according to the relative size of the deal to the acquirer market value to **Low, Mid and High** relative size deals. The sample is also split into deals where the actual acquirer have an average ICC estimate that is higher than the actual target (**Riskier Acquirer**), and (**Riskier Target**). (**Considerably Riskier Target**) and (**Considerably Riskier Acquirer**) are top quartile sub-samples in terms of the risk spread between the target and the acquirer. Finally, the main deals are split almost evenly overtime to analyse the learning effect.

Table 68: **Combined Announcement Returns using Beta Similarity**

	(1)		(2)	
Beta_Similarity	0.026	***	0.029	**
	(2.850)		(2.411)	
High_ICC_Similarity_Indicator				
Low_ICC_Similarity_Indicator				
Same_Industry_Indicator	0.004		0.003	
	(0.769)		(0.743)	
Same_State_Indicator	0.004		0.004	
	(1.196)		(1.287)	
High_Tech_Indicator	- 0.009	**	- 0.009	*
	(-2.267)		(-1.94)	
Relative_Size	0.007		0.007	
	(1.562)		(1.479)	
All_Cash_Indicator	0.015	***	0.016	***
	(2.989)		(3.030)	
Tender_Offer_Indicator	0.007		0.008	
	(1.321)		(1.272)	
Total_Size	- 0.008	***	- 0.007	***
	(-7.057)		(-6.764)	
Book_To_Market	0.000	**	0.000	**
	(2.531)		(2.449)	
Leverage	0.025		0.025	
	(1.636)		(1.628)	
Cash	0.030		0.000	
	(0.587)		(0.553)	
Merger_Pair_Liklihood_Inverse_Mills_ratio	0.004			
	(0.258)			
Completion_Liklihood_Inverse_Mills_ratio			0.029	
			(0.379)	
Year Fixed Effect	Yes		Yes	
Industry Fixed Effect	Yes		Yes	
No. of Observations	1752		1752	
R-Square	0.319		0.319	

The table reports [-3,+3] 7-day cumulative abnormal returns (CAR) around merger announcement of actual deals regression on Beta similarity between the merger pairs and other control variables. The t-statistics reported below coefficients are based on industry clustered standard errors. Models 4 and 5 present the results using Heckman's two stage self-selection correction , where the inverse Mills ratio is based on merger-pair likelihood and merger-completion likelihood.

Table 69: **Abnormal Operating Performance using Beta Similarity**

	(1)				(2)			
	High_Similarity		**Low_Similarity**		**High_Similarity**		**Low_Similarity**	
Constant	0.018	***	-0.015		0.026	**	-0.015	
	(2.593)		(-1.359)		(2.2610)		(-0.533)	
Abnormal_PreMerger_ROA	0.534	***	0.603	***	0.259	*	0.000	***
	(8.322)		(12.884)		(1.957)		(4.119)	
Same_Industry_Indicator					-0.001		0.008	
					(-0.1090)		(0.292)	
Same_State_Indicator					-0.001		0.000	
					(-0.12)		(0.000)	
Relative_Size					-0.003	**	-0.001	
					(-2.267)		(-0.253)	
High_Tech_Indicator					-0.014		-0.03	
					(-1.310)		(-0.9360)	
Adjusted_R2	0.177		0.000		0.189		-0.005	
No. of Observations	438		438		438		438	

The table reports the OLS regression results explaining industry-adjusted (abnormal) post-merger operating performance as defined in Healy, Palepu, and Ruback (1992). Operating profitability is defined as EBITDA scaled by the market value of the company assets. The abnormal operating performance is calculated as the company operating profitability minus the industry median performance. The post-merger abnormal operating performance over the 3 post-merger years is regressed against a synthetic pre-merger abnormal operating performance - that is computed as a value-weighted average of the target's and the acquirer's operating performance in the year before the merger- and a list of relevant pair-controls. The intercept is therefore is the post-merger operating performance independent of pre-merger performance. The regression is estimated separately for the top quartile of Beta similarity, and the bottom quartile of Beta similarity. t-statistics using robust standard errors are reported below coefficients in parentheses.

4.5.4 What is being Captured

To check that the risk-similarity is not capturing the same effect captured by cultural similarity as presented in Bereskin et al. (2018) for instance, I compute CSR similarity for the sub-sample for which Thomson Reuters provide ESG data. I have used a similar index to the one used in Bereskin et al. (2018), but with a vector of 11 indicators for each firm. The indicator are: Resource Use Score, Emissions Score, Environmental Innovation Score, Management Score, Shareholders Score, CSR Strategy Score, Workforce Score, Human Rights Score, Community Score, Product Responsibility Score, and ESG Controversies Score. Only 102 deals in the main sample survived the data requirement given that Thomson Reuters only cover about 7000 firms worldwide from the year 2002 [23] . The CSR similarity correlation with the ICC similarity are indistinguishable from zero. Specifically, the Spearman correlation is -0.1197 (p-value 0.2305), Pearson correlation is -12.28 (p-value 0.2187), and Kendall correlation is -0.0794 (p-value 0.2381). Therefore, I find no evidence that the risk similarity score is capturing the same effect of the cultural similarity.

4.6 Conclusion

In this chapter, I devise an ex-ante measure of risk similarity between two firms that calculate the pair-wise closeness based on implied cost of capital. Implied cost of capital captures how the market price the riskiness of a firm, and hence, it takes into consideration all information available at the time of estimation. Using this measure, I show that firms with better fit in term of risk profiles are more likely to decide to merge, complete deals they announce, and complete them more quickly. Such deals experience better market appreciation which translate into better combined cumulative returns for the shareholders, and better long-term abnormal operating performance. Moreover, the combined firm experience lower discount rate applied by the market subsequent to the deal completion. This is in-line with the hypothesis that better risk-fit makes integration easier and less costly.

[23]Thomson Reuters ESG Scores Guide, issued in May 2018.

5 Conclusion

5.1 Summary

In conclusion, this thesis study market implied cost of capital (ICC) as a proxy for expected return and as a measure of risk in three contexts. The first empirical chapter is an extensive and exhaustive horse-race between the various ICC models. It is exhaustive in terms of models analysed, and extensive in the methodology used. The list of models include versions based on analysts and mechanical earnings forecasts, calibrated versions using risk factors, portfolio-level estimates transformed to firm-level estimates, as well as simplified and naive estimates. In terms of methodology, it utilise the classical regression method based upon the tautology of Vuolteenaho (2002) and Campbell (1991) in decomposing returns taking into account variable choice criticisms, as well as introduce Hansen et al. (2011) Models Confidence Set to the ICC literature with loss functions pertaining to mean error and error variance.

The second and third empirical chapters are applications in which ICC estimates are used in portfolio selection context and capital budgeting decision making. In the first application, ICC estimates are utilised to improve out-of-sample portfolio performance in terms of risk-adjusted returns and turnover. In the second application, ICC estimates are taken to represent how market participants evaluate the riskiness of a firm, and to establish how similar in terms of risk-profiles two firms are. Understanding the risk similarity between firms is important to mergers and acquisitions decision making.

More specifically, the first chapter is designed to deal with issues in prior research about the comparison between ICC models. Prior research is limited in that it only takes into account a limited number of models without recourse to all possible versions in terms of the source of earnings forecasts, or it depends on a methodology that is later criticised for inappropriateness, not to mention the dissimilar conclusions they arrive at. I address the question of the validity of the estimates extensively in terms of testing and exhaustively in terms of possible models. Firstly, I use two methodologies to conduct the horse race. The first is the classical method used in prior similar research which treats the ICC estimates as an economic construct. However, in the application of this method, I deal with the issues raised by the literature in picking the empirical variables (Easton and Monahan (2016), Wang (2018)). I introduce a second method to the ICC literature from the forecasting research, namely Model Confidence Set, to test the ICC estimates validity and performance as statical constructs. To do so, I use three loss functions to capture the estimate bias, and measurement error variance. The latter arguably is more important for the forecasting performance of the ICC construct (Lee et al. (2017)). Using the regression method, I find that the simplest models such as the dividend discount model of Botosan and Plumlee (2002) and model based on price-to-earnings ratio (PE) captures more variation in subsequent returns than any more sophisticated ICC or risk factor models. In fact, simplifying the dividend model by limiting the forecasting horizon to one year only, or to discounting the terminal value of the same model without dividend forecasts, works at least as good as the original dividend model in terms of the variation they explain in subsequent returns. Moreover, contrary to the theoretical arguments that led to the development of ICC models based on abnormal growth in earnings framework, I find that ICC models based on residual income framework capture variation in subsequent returns better than the abnormal growth in earnings models. The pair-wise comparison of the bias (i.e out-of-sample RMSE and MAE) confirm these results. In MCS testing, both of these models were included in the confidence sets for more firms than any other model. A similar result is obtained when the loss function in the MCS is set to be MEV.

Moreover, in terms of the source of earnings forecasts, I concluded that most ICC models have a higher power of explaining the variation in subsequent returns using analysts estimates. Furthermore, no mechanical-based estimate could do better than Naive. Also, among all types of ICC models, those based on dividend discount models benefit the most from mechanical forecasts. I also find that ICC models benefit the most from Hou, van Dijk, and Zhang (2012) (HDZ) forecasts and the least from a random walk forecasting process as presented by Gerakos and Gramacy (2013). I then examine the benefits of calibrating the ICC estimates. I find that analysts forecasts based ICC models benefited from the calibration more than the versions based on mechanical forecasts. Dividend discount models, especially BP, benefited more than any other ICC model from the process of calibration. Also, I find that calibrated analysts estimates perform better than all other versions of the respective ICC models except for dividend discount models. Dividend Discount models work best using mechanical estimates. Furthermore, I present a new approach to estimate the cost of equity capital based on Free Cash-Flow to Common Equity holders (FCFE). I show that this model works as good as the best performing models in the horse race.

Finally, I investigate models performance for several sub-samples of the market based on firms characteristics to assess whether some models work better with a particular set of firms. I find little evidence that any of the models are affected as a statistical construct by these characteristics. However, as an economic construct, some characteristics affected the ICC estimates ability to predict future realised returns. In most of the cases, the riskier is the firm, the less effective are the models in predicting subsequent returns. For instance, small firms, firms with low earnings growth, highly leveraged, over-priced (low target-to-market price ratio) render most of the ICC models insignificant. Moreover, firms with a large number of analysts, or low standard deviation (but not using the coefficient of variation) between analysts forecasts of earnings also pose issues to models ability to predict future returns.

In the second empirical chapter, I address the question of whether expected return estimates implied by accounting and market data instead of average historical returns can improve portfolio selection out-of-sample performance. The literature previously dealt with the issue of estimation risk in portfolio context as a statistical issue. This chapter rather offers a new perspective by reverting back to the basics. Instead of dealing with the nosiness of exp-post estimates statistically, ex-ante expected return estimators are used, namely ICC models. Using two portfolio management styles, I demonstrate that such ex-ante estimates of expected returns yield better out-of-sample performance than portfolios based on realised returns. In an optimal tangency portfolio, ICC estimates result in more stable weights, higher out-of-sample Sharpe ratio, and lower turnover. The evidence presented shows at least 94 ICC versions report statistically higher Sharpe ratios and lower turnover than the mean-variance portfolio.

In market timing portfolios, the ICC estimates generate a higher out-of-sample average risk-adjusted return, and in many occasions lower turnovers than both conventional market timing portfolios and naive allocations like 1/N. Specifically, 21 ICC versions reported statistically better Sharpe ratios and lower turnover than the conventional market timing portfolio, and many more with statistically better Sharpe ratios but practically similar turnover. Similarly, 91 of ICC market timing allocations reported statistically higher out-of-sample risk-adjusted return than 1/N.

In turnover-constrained versions of the strategies, I provide evidence that ICC expected return estimates generate better out-of-sample risk-adjusted-return than strategies that use historical moments, even after constraining the turnover to the turnover generated from an equally weighted portfolio. I find that the ICC strategies retain their edge in terms of risk-adjusted returns but with considerably lower turnover.

This chapter contributes to the portfolio management research by introducing a new perspective on how market and accounting information can be used to drive expected return estimates that improve out-of-sample performance.

In the last chapter, I devise an ex-ante measure of risk similarity between two firms that calculate the pair-wise closeness based on implied cost of capital. Implied cost of capital captures how the market price the riskiness of a firm, and hence, it takes into consideration all information available at the time of estimation. Using this measure, I show that firms with a better fit in term of risk profiles are more likely to decide to merge, complete deals they announce, and complete them more quickly. Such deals experience better market appreciation, which translates into better combined cumulative returns for the shareholders, and better long-term abnormal operating performance. Moreover, the combined firm experience lower discount rate applied by the market subsequent to the deal completion. This is in-line with the hypothesis that better risk-fit makes integration easier and less costly.

5.2 Managerial Implications

The thesis offers significant managerial implications for a broad range of financial applications. Firstly, market beliefs about expected returns are better reflected by the discount rate applied by the market to the future cash flows (i.e. ICC) of the firms than by the firm characteristics as estimated from factor models, or by extrapolating historical return data. Practitioners still resort predominantly to historical returns or models like CAPM, which is problematic given the evidence presented in the first and second chapter.

Second, the work presented should allow investors, financial managers and policy-makers to use a forward-looking proxy of the implied cost of capital by identifying the best models and by showing that these models are simple to implement. Simple models do better than more complex models in forecasting returns, as demonstrated by the results in the first chapter. The estimation error in more complex models outweigh the benefit from additional parameters. Therefore, managers should at least benchmark the forecasting estimates of the complex models to naive benchmarks.

Third, from the conclusions of the first and second chapter, analysts forecasts of earnings are more dependable than forecasts based on cross-sectional mechanical forecasts based on some factors. However, calibrating analysts based ICC estimates using company risk factors make the forecasts even better in predicting future returns.

Fourth, practitioners can use the ICCs to more efficiently estimate expected returns for portfolio selection and market-timing to improve their investment decisions.

Fifth, financial managers have a new tool to use when deciding their investment in acquiring another firm. The risk similarity between firms is a crucial factor to consider in M&A decisions. The last chapter has demonstrated that the outcome of the deal in term of operating performance, market performance, and accounting performance (lower goodwill write-offs) is affected by how similar are the firms in the first place. Moreover, the evidence shows that on many occasions, managers are aware of risk-similarity importance, since the probabilities of forming merger pairs are affected by the similarity.

5.3 Limitations and Future Research

The work presented in the three empirical chapters is limited geographically to the US market. Future research could investigate the validity of the results in other markets, or internationally. Furthermore, the first two chapters design is limited to the historical constituents of the S&P1500, which represent almost 91% of market capitalisation, however, further investigation could be done using the full market-base. Also, the first two chapters conducted all the analysis on firm-level data, future research could go further by investigating the ICC prediction power in portfolio-level context.

Moreover, future research can consider other portfolio strategies to determine the benefit from the ex-ante expected return estimates generated by the ICC models. Finally, the analysis in the third chapter did not consider acquisitions with private targets. In most of the cases, ICC models require the firm market price as an input, which is challenging in the case of private firms. Future research could use comparable public firms data, perhaps with proper discounts or premiums, to overcome this issue.

Appendix A Horse Race Appendixes

A.1 Additional Regression Analysis

Table 70 : Capturing Subsequent Return: Small Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
FPM_Anlst	0.253	-1.859	-0.525	0.416***	5.361	0.480	60.7%	11.29%	205	0.366	9.6%	11.7%
	(0.883)	(-0.591)	(-0.582)	(3.792)	(0.766)	(0.902)						
TrETSS_EP_10Ind	0.062	0.065	-0.170	0.251***	-0.063	0.053	59.3%	9.15%	205	0.000	8.5%	62.8%
	(1.382)	(0.753)	(-0.824)	(4.040)	(-0.737)	(0.219)						
TrETSS_Anlst _10Ind	0.074	0.438	-0.309	0.251*	0.237	0.364	59.3%	8.18%	205	0.289	8.5%	24.5%
	(1.466)	(0.831)	(-0.410)	(2.553)	(0.272)	(0.810)						
GG_Anlst	-0.195	0.860	1.561	0.481	0.267	-0.789	59.2%	7.39%	205	0.852	20.2%	24.5%
	(-0.920)	(1.152)	(0.587)	(1.709)	(0.204)	(-0.257)						
3FF_Factor	0.030	-0.786	-0.227	0.346***	-23.592	-0.109	57.1%	7.17%	205	0.124	1.1%	22.3%
	(0.337)	(-0.683)	(-0.385)	(4.383)	(-0.547)	(-0.275)						
WNG_HDZ	0.074*	0.062	-0.091	0.227***	1.770	0.755	58.2%	6.98%	205	0.000	4.3%	81.9%
	(2.132)	(0.447)	(-0.292)	(4.185)	(1.193)	(1.152)						
TrETSS_RW_10Ind	0.104*	0.143	-0.180	0.307***	0.553	0.245	60.9%	6.83%	205	0.000	6.4%	46.8%
	(2.121)	(0.845)	(-0.847)	(4.207)	(0.469)	(0.796)						
TrES_HDZ_10Ind	0.077**	0.003	-0.289	0.268***	0.012	-0.010	59.1%	6.66%	205	0.000	4.3%	76.6%
	(2.862)	(0.070)	(-0.897)	(5.547)	(0.162)	(-0.037)						
DKL_Anlst	-0.024	1.078	0.201	0.337***	-1.462	0.606	58.3%	6.36%	205	0.953	10.6%	5.3%
	(-0.184)	(0.822)	(0.424)	(4.652)	(-0.382)	(0.513)						

Continued in next page...

Table 70 : Capturing Subsequent Return: Small Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
FGHJ_Anlst	-0.058	0.786	1.120	0.405***	7.432	0.416	59.2%	6.21%	205	0.751	8.5%	10.6%
	(-0.418)	(1.167)	(0.748)	(3.844)	(0.814)	(0.384)						
GLS_Anlst	-0.284	1.473	4.139	0.558	22.639	2.339	59.3%	6.00%	205	0.791	8.5%	6.4%
	(-0.549)	(0.828)	(0.634)	(1.579)	(0.643)	(0.548)						
CT_Anlst	0.056	0.289	0.307	0.381***	0.393	0.280	56.1%	5.81%	205	0.183	11.7%	12.8%
	(0.967)	(0.544)	(0.481)	(4.525)	(0.183)	(0.570)						
HL_Anlst	-0.126	2.038	0.227	0.308***	-1.450	-1.330	56.4%	5.52%	205	0.733	5.3%	10.6%
	(-0.397)	(0.673)	(0.552)	(3.301)	(-0.421)	(-0.545)						
DKL_HDZ	0.098*	-0.094	0.189	0.341***	0.973	-0.272	60%	5.37%	205	0.000	8.5%	21.3%
	(2.510)	(-0.637)	(0.615)	(5.536)	(0.996)	(-0.676)						
HL_HDZ	0.102**	-0.075	0.184	0.319***	0.986	-0.124	59.7%	5.22%	205	0.000	7.4%	28.7%
	(2.657)	(-0.575)	(0.538)	(5.759)	(0.985)	(-0.508)						
KMY_Anlst	0.089	-0.027	0.133	0.331***	0.322	-0.411	56.6%	5.17%	205	0.000	10.6%	13.8%
	(1.758)	(-0.147)	(0.506)	(4.946)	(0.652)	(-0.573)						
TrES_EP_10Ind	0.062*	0.013	0.008	0.241***	0.026	0.015	60.1%	5.14%	205	0.000	6.4%	83.0%
	(2.331)	(0.190)	(0.026)	(4.181)	(0.406)	(0.074)						
PEG_EP	0.095*	0.022	0.123	0.307***	0.335	-0.088	55.5%	5.02%	205	0.000	3.8%	91.1%
	(2.303)	(0.211)	(0.401)	(5.178)	(0.673)	(-0.234)						
Carhart_Factor	0.086*	-0.506	0.048	0.326***	3.183	0.038	60.6%	4.92%	205	0.027	2.1%	20.2%

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Table 70 : Capturing Subsequent Return: Small Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(2.345)	(-0.754)	(0.114)	(4.891)	(0.279)	(0.101)						
PEG_HDZ	0.098***	-0.139	-0.508	0.268***	0.982	0.031	55.7%	4.89%	205	0.000	3.2%	41.5%
	(3.138)	(-1.426)	(-0.905)	(5.841)	(1.115)	(0.104)						
FPM_HDZ	0.105	-0.240	-0.023	0.331***	1.742	0.232	58.8%	4.86%	205	0.000	5.3%	22.3%
	(1.821)	(-0.893)	(-0.116)	(5.093)	(0.884)	(0.295)						
HL_EP	0.095*	-0.033	-0.080	0.309***	0.603	0.139	52.9%	4.83%	205	0.000	1.1%	58.5%
	(2.573)	(-0.716)	(-0.146)	(4.408)	(0.733)	(0.368)						
TrES_RI_10Ind	0.082*	-0.005	0.051	0.25***	0.044	0.084	60.8%	4.68%	205	0.000	6.4%	74.5%
	(2.565)	(-0.131)	(0.231)	(3.873)	(0.342)	(0.423)						
PEG_RI	0.095**	0.091	0.081	0.297***	0.528	0.192	55.5%	4.67%	205	0.000	2.4%	69.5%
	(2.838)	(0.472)	(0.355)	(5.869)	(1.152)	(0.976)						
TrES_Anlst _10Ind	0.085*	-0.029	-0.120	0.332***	0.289	0.230	56.8%	4.26%	205	0.000	5.3%	69.1%
	(1.978)	(-0.217)	(-0.385)	(4.468)	(0.762)	(1.204)						
TrETSS_RI_10Ind	0.054	0.113	-0.019	0.261***	-0.034	0.029	58.7%	4.11%	205	0.000	7.4%	59.6%
	(1.167)	(1.121)	(-0.102)	(4.138)	(-0.299)	(0.113)						
WNG_Anlst	0.047	0.035	-0.198	0.351**	0.414	-0.270	58.3%	4.11%	205	0.000	3.2%	78.7%
	(0.954)	(0.540)	(-0.407)	(2.875)	(0.320)	(-0.391)						
BP_RW	0.059	0.243	0.391	0.384***	-0.186	0.253	60.2%	4.11%	205	0.000	10.0%	23.3%
	(1.674)	(1.620)	(0.592)	(4.408)	(-0.238)	(0.803)						

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Table 70 : Capturing Subsequent Return: Small Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
DKL_EP	0.095*	-0.084	-0.513	0.279*	-0.029	-0.243	52.8%	4.10%	205	0.000	2.1%	53.2%
	(2.558)	(-0.549)	(-0.443)	(2.398)	(-0.019)	(-0.345)						
TPDPS_RW	0.189	0.053	-1.820	0.079	-0.545	-0.846	60%	4.09%	205	0.000	6.4%	64.9%
	(0.857)	(0.533)	(-0.507)	(0.252)	(-0.704)	(-0.453)						
TrOHE_25SBM	0.094*	-0.052	-0.143	0.278***	0.126	-0.496	53.9%	4.03%	205	0.000	6.4%	28.7%
	(2.361)	(-0.294)	(-0.228)	(3.390)	(0.470)	(-0.760)						
TrES_RW_10Ind	0.156	-0.129	-0.510	0.212***	-0.076	0.377	57.4%	4.02%	205	0.000	5.3%	63.8%
	(0.959)	(-0.486)	(-0.679)	(3.603)	(-0.366)	(0.720)						
MPEG_HDZ	0.063	-0.002	0.454	0.306***	0.546	-0.513	56.7%	3.98%	205	0.000	2.1%	40.4%
	(1.622)	(-0.017)	(0.841)	(6.006)	(0.666)	(-0.957)						
GM_RI	0.056	-0.053	0.230	0.291***	0.153	0.048	55.2%	3.93%	205	0.000	4.3%	48.9%
	(1.499)	(-0.784)	(0.357)	(4.448)	(0.163)	(0.109)						
BP_RI	0.075	0.194	-0.142	0.338***	-0.008	-0.168	57.5%	3.84%	205	0.000	13.0%	19.6%
	(1.673)	(1.555)	(-0.219)	(3.950)	(-0.010)	(-0.397)						
GM_Anlst	0.105	-0.318	-0.152	0.439**	1.234	0.067	55.5%	3.84%	205	0.053	6.4%	9.6%
	(1.807)	(-0.472)	(-0.555)	(2.761)	(1.325)	(0.317)						
PE_HDZ	0.104**	-0.321	-0.218	0.378***	0.182	-0.130	58.5%	3.84%	205	0.000	10.6%	38.3%
	(2.632)	(-0.985)	(-0.492)	(4.976)	(0.212)	(-0.359)						
TrETSS_Anlst _25SBM	0.094	-0.010	-0.760	0.259	-0.020	-0.479	54%	3.69%	205	0.000	3.2%	33.0%

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Table 70 : Capturing Subsequent Return: Small Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% $\%\beta_{ICC}^{CS}$ = 1
	(1.691)	(-0.105)	(-0.908)	(1.642)	(-0.075)	(-0.747)						
TPDPS_EP	0.039	0.108	-0.456	0.206**	0.064	-0.176	59.5%	3.61%	205	0.000	9.6%	67.0%
	(0.982)	(1.739)	(-0.617)	(2.650)	(0.553)	(-0.522)						
TPDPS_RI	0.073*	0.018	-0.041	0.27***	0.018	0.143	60.1%	3.60%	205	0.000	11.7%	68.1%
	(2.356)	(0.332)	(-0.108)	(5.091)	(0.158)	(0.430)						
BP_HDZ	0.071	0.278	1.192	0.377***	0.442	0.358	59.2%	3.60%	205	0.141	16.0%	8.5%
	(1.407)	(0.571)	(1.011)	(4.779)	(0.543)	(0.239)						
KMY_HDZ	0.091*	-0.026	0.176	0.343***	0.984	-0.480	59.8%	3.60%	205	0.000	7.4%	27.7%
	(2.371)	(-0.178)	(0.559)	(5.296)	(1.225)	(-0.754)						
TrES_RI_25SBM	0.064***	0.008	-0.078	0.193***	-0.009	-0.294	58.3%	3.46%	205	0.000	6.4%	86.2%
	(3.154)	(0.507)	(-0.227)	(3.302)	(-0.702)	(-0.597)						
GM_HDZ	0.069*	-0.071	0.276	0.305***	0.408	-0.387	56.6%	3.35%	205	0.000	1.1%	34.0%
	(1.980)	(-0.574)	(0.851)	(5.993)	(0.385)	(-1.031)						
Naive	0.040	0.112*	0.249	0.327***	0.002	0.182	61.8%	3.33%	205	0.000	21.3%	62.8%
	(1.375)	(1.993)	(0.670)	(5.704)	(0.015)	(0.642)						
CT_RW	0.109*	-0.040	0.024	0.274***	1.119	0.267	59.2%	3.22%	205	0.000	6.0%	60.2%
	(2.215)	(-0.311)	(0.095)	(4.187)	(0.617)	(0.687)						
BP_EP	0.033	0.312	0.291	0.366***	-0.097	0.199	56.9%	3.13%	205	0.005	7.6%	19.6%
	(0.660)	(1.299)	(0.486)	(4.730)	(-0.101)	(0.456)						

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Table 70 : Capturing Subsequent Return: Small Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
TPDPS_Anlst	0.052	0.070	0.216	0.323***	0.036	0.216	61.3%	3.01%	205	0.000	20.2%	66.0%
	(1.890)	(1.794)	(0.543)	(5.673)	(0.283)	(0.724)						
CT_HDZ	0.086	-0.041	0.385	0.375***	0.600	-0.361	59%	2.93%	205	0.000	4.3%	44.7%
	(1.903)	(-0.304)	(0.965)	(5.145)	(0.720)	(-0.738)						
FPM_RI	0.041	0.031	-0.167	0.274***	-0.027	0.067	57.8%	2.57%	205	0.000	2.1%	45.7%
	(0.457)	(0.329)	(-0.431)	(4.475)	(-0.073)	(0.340)						
FPM_EP	0.144	-0.088	-0.185	0.3***	2.354	0.204	53%	2.43%	205	0.000	3.2%	47.9%
	(0.973)	(-0.485)	(-0.376)	(4.638)	(0.692)	(0.772)						
TPDPS_HDZ	0.057	0.051	0.213	0.303***	0.086	0.236	60.3%	2.42%	205	0.000	19.1%	63.8%
	(1.368)	(0.676)	(0.532)	(4.273)	(0.477)	(0.800)						
WNG_EP	0.083*	-0.057	0.256	0.2**	0.146	0.337	56.6%	2.33%	205	0.000	2.1%	74.5%
	(2.134)	(-0.440)	(0.447)	(2.607)	(0.466)	(0.366)						
GG_RI	0.020	0.242	1.476	0.246	1.293	1.903	55.8%	2.30%	205	0.004	3.6%	41.7%
	(0.227)	(0.944)	(0.590)	(1.289)	(0.421)	(0.816)						
GM_EP	0.069	0.048	-0.076	0.314***	0.587	0.325	56.2%	2.24%	205	0.000	4.4%	58.2%
	(1.216)	(0.517)	(-0.277)	(5.076)	(1.157)	(0.315)						
5FF_Factor	0.077*	0.550	0.167	0.295	26.643	1.490	55.7%	2.04%	205	0.868	3.2%	18.1%
	(1.990)	(0.203)	(0.325)	(1.540)	(0.719)	(0.724)						
CAPM_Factor	-3.260	251.110	4.904	0.644	1300.385	1.716	58.7%	1.86%	205	0.309	5.3%	18.1%

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Table 70 : Capturing Subsequent Return: Small Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(-0.970)	(1.028)	(0.556)	(1.345)	(0.483)	(0.547)						
TrETSS_HDZ_10Ind	0.083*	0.096	0.035	0.286***	-0.387	0.296	58.9%	1.77%	205	0.000	2.1%	29.8%
	(2.180)	(0.707)	(0.142)	(4.839)	(-1.116)	(0.902)						
KMY_EP	0.101*	-0.017	-0.066	0.335***	1.005	0.058	52.1%	1.73%	205	0.000	9.6%	36.2%
	(2.240)	(-0.136)	(-0.171)	(5.477)	(0.833)	(0.129)						
FGHJ_HDZ	0.110	-0.234	-0.009	0.38***	0.114	-0.704	58.2%	1.73%	205	0.000	6.4%	27.7%
	(1.724)	(-0.690)	(-0.014)	(5.289)	(0.033)	(-0.812)						
MPEG_RI	0.078*	-0.049	-0.345	0.273***	-0.024	-0.081	52.8%	1.73%	205	0.000	1.1%	56.4%
	(2.379)	(-0.882)	(-1.373)	(5.537)	(-0.052)	(-0.507)						
GG_HDZ	0.418	-2.387	-4.160	-0.184	2.779	13.912	61.1%	1.69%	205	0.372	5.3%	36.2%
	(0.815)	(-0.633)	(-0.563)	(-0.208)	(1.336)	(0.597)						
PEG_Anlst	0.137	-0.349	0.307	0.362***	0.141	0.202	57.2%	1.37%	205	0.000	3.2%	21.3%
	(1.894)	(-0.986)	(0.511)	(4.345)	(0.123)	(0.698)						
TrETSS_RW_25SBM	0.110	-0.131	-0.503	-0.150	0.064	-0.331	52.7%	1.34%	205	0.000	4.3%	77.7%
	(1.463)	(-0.629)	(-1.174)	(-0.213)	(0.472)	(-0.572)						
BP_Anlst	0.035	0.375	0.399	0.413***	0.062	0.292	57.2%	1.30%	205	0.004	21.3%	9.6%
	(0.918)	(1.763)	(0.754)	(4.962)	(0.071)	(0.713)						
PE_RW	0.1**	0.030	-0.168	0.259***	0.088	-0.084	58.1%	1.19%	205	0.000	7.2%	74.7%
	(3.069)	(0.207)	(-0.363)	(4.525)	(0.153)	(-0.267)						

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Table 70 : Capturing Subsequent Return: Small Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
TrETSS_EP_25SBM	0.109***	-0.019	-0.238	0.204***	0.004	0.203	55.9%	1.16%	205	0.000	4.3%	85.1%
	(3.831)	(-0.959)	(-0.751)	(4.661)	(0.163)	(0.461)						
KMY_RI	0.126	-0.080	-0.087	0.293***	-1.416	-0.341	55.1%	1.11%	205	0.000	2.1%	39.4%
	(1.552)	(-0.428)	(-0.198)	(4.029)	(-0.705)	(-0.742)						
WNG_RI	0.109**	0.001	-0.357	0.233***	0.015	0.069	56.5%	1.11%	205	0.000	4.3%	87.2%
	(2.967)	(0.033)	(-1.308)	(4.192)	(0.263)	(0.287)						
PEG_RW	0.066	0.064	-0.045	0.317***	-0.378	-0.036	55.9%	1.02%	205	0.000	2.0%	100.0%
	(1.292)	(0.655)	(-0.094)	(3.468)	(-0.780)	(-0.118)						
TrES_Anlst _25SBM	0.066**	0.019	-0.114	0.234***	-0.004	-0.257	55.9%	1.00%	205	0.000	3.2%	83.0%
	(3.070)	(1.259)	(-0.477)	(5.405)	(-0.349)	(-0.664)						
GG_RW	0.115**	-0.017	-0.060	0.309***	1.169	-0.039	57.8%	0.93%	205	0.000	3.1%	64.6%
	(2.629)	(-0.126)	(-0.162)	(4.123)	(1.132)	(-0.138)						
DKL_RW	0.09*	0.156	0.039	0.273***	-0.788	0.007	56.1%	0.93%	205	0.039	3.2%	48.4%
	(2.524)	(0.387)	(0.202)	(5.342)	(-1.169)	(0.039)						
TrETSS_HDZ_25SBM	0.074*	-0.057	0.873	0.373*	-0.071	0.505	53.5%	0.67%	205	0.000	5.3%	62.8%
	(2.311)	(-0.505)	(0.537)	(2.501)	(-0.983)	(0.650)						
HL_RW	0.075	0.198	0.016	0.279***	-1.021	-0.037	56.3%	0.57%	205	0.055	1.1%	47.3%
	(1.683)	(0.481)	(0.092)	(5.216)	(-1.275)	(-0.188)						
KMY_RW	0.081	0.066	-0.079	0.242***	-0.884	0.341	56.3%	0.52%	205	0.000	1.1%	44.7%

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Table 70 : Capturing Subsequent Return: Small Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% %$\beta_{ICC}^{CS} = 1$
	(1.822)	(0.377)	(-0.189)	(3.953)	(-1.265)	(0.614)						
GLS_HDZ	0.067	0.029	-0.080	0.372***	0.410	-0.633	57.2%	0.38%	205	0.008	2.1%	23.4%
	(0.999)	(0.081)	(-0.197)	(5.310)	(0.158)	(-0.857)						
TrOHE_10Ind	0.047	0.837	-0.206	0.315***	-0.434	0.283	54.4%	0.28%	205	0.824	4.3%	9.6%
	(1.020)	(1.139)	(-0.267)	(3.641)	(-0.358)	(0.771)						
GG_EP	0.112*	-0.030	0.666	0.375***	-0.661	-0.544	56.4%	0.25%	205	0.000	0.0%	50.0%
	(1.971)	(-0.248)	(0.678)	(3.407)	(-0.489)	(-0.449)						
GLS_RW	0.074	0.347	0.525	0.299***	-2.816	0.204	55.9%	0.23%	205	0.131	3.2%	47.3%
	(1.856)	(0.811)	(0.556)	(4.092)	(-1.200)	(0.805)						
PE_EP	0.060	-0.020	0.323	0.288***	-0.217	0.772	55.9%	-0.36%	205	0.000	1.1%	57.4%
	(1.486)	(-0.284)	(0.546)	(5.410)	(-0.331)	(0.594)						
TrES_EP_25SBM	0.07*	-0.012	0.382	0.215	0.001	0.379	51.3%	-0.42%	205	0.000	1.1%	85.1%
	(2.515)	(-0.644)	(0.500)	(1.935)	(0.053)	(0.509)						
TrES_RW_25SBM	0.089	-0.034	-0.121	0.18*	-0.002	0.369	56%	-0.43%	205	0.000	1.1%	80.9%
	(1.812)	(-0.766)	(-0.345)	(2.111)	(-0.131)	(0.719)						
FPM_RW	0.149	-0.198	0.042	0.298***	-0.153	-0.059	52.7%	-0.63%	205	0.008	0.0%	58.5%
	(1.819)	(-0.446)	(0.168)	(4.638)	(-0.076)	(-0.256)						
MPEG_Anlst	0.126	-0.188	0.113	0.374***	0.948	-0.045	54.1%	-0.68%	205	0.000	5.3%	21.3%
	(1.759)	(-0.636)	(0.230)	(4.487)	(1.599)	(-0.176)						

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Table 70 : Capturing Subsequent Return: Small Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% %β_{ICC}^{CS} = 1
GM_RW	0.073	0.014	-0.317	0.283***	0.666	-0.172	56.5%	-0.89%	205	0.000	5.5%	50.5%
	(1.752)	(0.148)	(-0.514)	(3.547)	(0.701)	(-0.726)						
GLS_RI	0.051	0.073	0.512	0.337***	2.859	0.306	53.7%	-1.06%	205	0.000	2.2%	53.3%
	(1.295)	(0.480)	(0.632)	(3.804)	(0.294)	(0.737)						
MPEG_RW	0.113*	-0.057	-0.054	0.289***	0.613	-0.277	55.3%	-1.07%	205	0.000	5.6%	55.6%
	(2.351)	(-0.608)	(-0.125)	(4.694)	(0.719)	(-0.706)						
TrES_HDZ_25SBM	0.087***	0.001	-0.319	0.167*	-0.008	-0.206	54.8%	-1.11%	205	0.000	4.3%	83.0%
	(3.756)	(0.048)	(-0.525)	(2.505)	(-0.625)	(-0.394)						
CT_EP	0.350	0.079	-2.321	-0.062	-1.520	4.959	51.8%	-1.22%	205	0.120	3.2%	58.5%
	(0.706)	(0.135)	(-1.046)	(-0.173)	(-0.418)	(1.022)						
PE_Anlst	0.034	0.881	0.793	0.319***	-0.255	-0.328	55.3%	-1.34%	205	0.860	14.9%	9.6%
	(0.738)	(1.309)	(0.875)	(4.791)	(-0.157)	(-0.880)						
FGHJ_RI	0.107	-0.500	-3.815	-0.045	6.094	-1.498	53.1%	-1.38%	205	0.076	2.2%	51.1%
	(1.090)	(-0.599)	(-0.572)	(-0.079)	(0.762)	(-0.543)						
FGHJ_RW	0.075	-0.104	0.641	0.313***	-1.600	0.278	55.9%	-1.52%	205	0.151	3.6%	52.4%
	(1.555)	(-0.136)	(0.541)	(3.632)	(-0.586)	(0.920)						
TrETSS_RI_25SBM	0.08**	-0.001	-0.086	0.24***	-0.004	0.141	53.9%	-1.88%	205	0.000	3.2%	83.0%
	(3.049)	(-0.020)	(-0.399)	(5.854)	(-0.192)	(0.511)						
WNG_RW	0.064*	-0.008	-0.046	0.285***	-0.048	0.055	55.5%	-2.25%	205	0.000	2.3%	95.5%

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Table 70 : Capturing Subsequent Return: Small Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
	(2.079)	(-0.554)	(-0.324)	(5.013)	(-0.226)	(0.290)						
GLS_EP	0.067*	-0.013	-0.069	0.305***	1.343	-0.111	51.4%	-2.27%	205	0.000	1.1%	58.2%
	(2.141)	(-0.185)	(-0.206)	(4.887)	(0.195)	(-0.329)						
DKL_RI	0.096*	-0.020	-0.584	0.261**	-0.235	-0.153	53.6%	-2.37%	205	0.000	0.0%	54.3%
	(2.111)	(-0.304)	(-0.687)	(2.910)	(-0.289)	(-0.568)						
PE_RI	0.028	0.055	0.869	0.326**	0.685	0.538	54%	-2.42%	205	0.000	4.3%	60.6%
	(0.376)	(0.828)	(0.529)	(2.882)	(0.650)	(0.694)						
HL_RI	0.106*	-0.048	-0.423	0.284***	1.383	-0.141	54.5%	-2.55%	205	0.000	0.0%	52.1%
	(2.320)	(-0.854)	(-0.724)	(3.911)	(0.628)	(-0.565)						
FGHJ_EP	0.032	0.110	0.316	0.321***	8.536	0.027	51.2%	-2.71%	205	0.000	2.2%	62.6%
	(0.574)	(0.802)	(0.487)	(4.325)	(0.823)	(0.066)						
MPEG_EP	-0.093	0.627	0.895	0.653	143.231	0.164	53.1%	-3.11%	205	0.728	1.1%	64.9%
	(-0.320)	(0.588)	(0.774)	(1.133)	(0.598)	(0.312)						
CT_RI	0.092*	-0.026	-0.662	0.176	-0.732	0.405	50.3%	-5.48%	205	0.000	0.0%	63.8%
	(2.180)	(-0.264)	(-0.751)	(1.233)	(-0.230)	(0.635)						

For the lowest quartile of firms in terms of size, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta_{ICC}^{TS} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta_{ICC}^{CS} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 71 : Capturing Subsequent Return: Large Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
TPDPS_Anlst	-0.007	0.195***	0.355	0.528***	0.074	-0.119	59.5%		205	0.000	61.2%	94.9%
	(-0.834)	(3.485)	(1.241)	(5.939)	(1.836)	(-1.363)		6.89%				
TPDPS_HDZ	-0.001	0.178**	-0.040	0.592***	0.116	-0.115	59.2%		205	0.000	61.2%	94.9%
	(-0.071)	(2.710)	(-0.042)	(3.523)	(1.608)	(-1.098)		6.55%				
Naive	-0.003	0.169***	0.494***	0.481***	0.067	-0.061	59.3%		205	0.000	59.2%	94.9%
	(-0.367)	(5.134)	(3.759)	(12.195)	(1.774)	(-1.121)		6.55%				
BP_Anlst	-0.007	0.978***	0.787***	0.464***	0.222	-0.104	57.3%		205	0.916	63.8%	44.4%
	(-0.516)	(4.701)	(4.227)	(9.904)	(1.454)	(-1.477)		5.25%				
BP_HDZ	-0.011	0.984***	0.674*	0.47***	0.270	-0.114	56.9%		205	0.953	63.3%	39.8%
	(-0.787)	(3.664)	(2.184)	(8.854)	(1.690)	(-1.373)		4.79%				
TPDPS_RI	-0.011	0.131***	0.48*	0.454***	0.108	0.149	57.8%		205	0.000	54.6%	95.4%
	(-1.092)	(3.742)	(2.125)	(18.091)	(1.534)	(0.679)		4.79%				
TPDPS_EP	-0.010	0.056	2.483	0.164	-0.037	0.283	57.3%		205	0.000	51.0%	95.4%
	(-0.995)	(0.798)	(1.002)	(0.496)	(-0.180)	(1.068)		4.69%				
TPDPS_RW	0.012	0.101*	0.869	0.423***	0.016	-0.020	56.1%		205	0.000	44.9%	95.4%
	(0.835)	(2.391)	(1.854)	(15.212)	(0.328)	(-0.421)		3.66%				
PE_Anlst	-0.035	1.076***	1.071***	0.388***	0.494	0.008	56.4%		205	0.760	52.6%	44.4%
	(-2.733)	(4.326)	(3.305)	(15.696)	(0.751)	(0.077)		3.18%				

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Table 71 : Capturing Subsequent Return: Large Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
BP_EP	-0.019	0.768***	0.382*	0.439***	0.253	0.124	55.2%		205	0.182	53.6%	43.9%
	(-1.740)	(4.428)	(2.527)	(11.913)	(1.581)	(0.510)		3.16%				
BP_RW	-0.003	0.796***	0.459**	0.435***	0.196	-0.058	55%		205	0.252	51.5%	37.8%
	(-0.292)	(4.497)	(2.620)	(15.720)	(1.049)	(-0.847)		2.87%				
PEG_HDZ	0.002	0.222*	0.188	0.403***	0.450	0.017	53.6%		205	0.000	18.9%	67.3%
	(0.151)	(2.409)	(1.209)	(16.809)	(0.692)	(0.262)		2.64%				
BP_RI	-0.017	0.756***	-0.102	0.482***	0.539	0.115	55.1%		205	0.102	53.6%	41.8%
	(-1.550)	(5.091)	(-0.159)	(5.990)	(1.481)	(0.479)		2.62%				
GM_RI	0.001	0.813	0.495	0.514***	-6.139	-1.263	53.6%		205	0.793	29.9%	67.5%
	(0.024)	(1.147)	(1.741)	(3.703)	(-1.036)	(-1.107)		2.37%				
GG_HDZ	-0.032	0.522*	-0.236	0.423***	3.379*	-0.078	54.6%		205	0.050	34.2%	63.8%
	(-1.400)	(2.157)	(-0.327)	(10.534)	(2.167)	(-0.204)		2.27%				
TrES_HDZ_25SBM	0.007	0.017	-0.152	0.408***	-0.016	0.033	52.9%		205	0.000	8.2%	96.4%
	(0.864)	(1.707)	(-0.760)	(13.877)	(-1.175)	(0.299)		2.11%				
TrES_EP_25SBM	0.010	-0.006	0.143	0.386***	0.015	0.105	53.1%		205	0.000	4.6%	97.4%
	(1.318)	(-0.455)	(0.671)	(16.923)	(0.728)	(0.813)		2.09%				
DKL_HDZ	-0.036	0.633	0.152	0.41***	7.173	0.304	52.8%		205	0.396	20.4%	68.9%
	(-1.181)	(1.469)	(0.427)	(11.629)	(1.040)	(0.813)		2.01%				
MPEG_HDZ	0.001	0.176*	0.223	0.398***	1.017	0.194	52.7%		205	0.000	19.4%	73.5%

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Table 71 : Capturing Subsequent Return: Large Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(0.099)	(2.008)	(1.270)	(15.895)	(1.139)	(1.383)		1.99%				
GM_HDZ	0.023	0.552	0.789	0.517***	-9.878	-0.810	52.5%		205	0.556	18.4%	69.9%
	(0.912)	(0.728)	(1.909)	(3.739)	(-1.258)	(-0.876)		1.63%				
TrES_Anlst _10Ind	0.005	0.036*	0.117	0.397***	-0.010	-0.004	53.1%		205	0.000	17.9%	95.4%
	(0.582)	(2.319)	(0.887)	(16.225)	(-0.488)	(-0.049)		1.49%				
HL_HDZ	-0.093	1.333	-0.669	0.429***	19.731	0.540	52.3%		205	0.783	20.9%	69.9%
	(-0.991)	(1.104)	(-0.560)	(10.760)	(0.897)	(1.137)		1.48%				
PEG_Anlst	0.039	-0.141	0.066	0.46***	0.389	-0.065	53.3%		205	0.000	15.3%	64.8%
	(1.322)	(-0.544)	(0.176)	(8.179)	(0.490)	(-0.471)		1.48%				
FGHJ_HDZ	0.062	-0.672	2.620	0.238	-2.308	1.626	53.6%		205	0.091	21.9%	66.8%
	(0.712)	(-0.684)	(1.140)	(1.723)	(-0.398)	(0.794)		1.47%				
TrES_RW_25SBM	0.072	4.348	0.358	0.183	1.438	0.125*	53.1%		205	0.768	5.1%	81.6%
	(0.981)	(0.384)	(1.066)	(0.666)	(0.497)	(1.964)		1.44%				
FGHJ_Anlst	-0.078	0.843***	0.143	0.426***	1.044	-0.044	53.5%		205	0.301	26.5%	52.0%
	(-4.436)	(5.569)	(0.815)	(14.744)	(1.362)	(-0.520)		1.41%				
DKL_RW	-0.028	0.063	-0.129	0.439***	-0.162	0.046	51.9%		205	0.000	8.7%	83.2%
	(-0.961)	(0.952)	(-0.993)	(14.840)	(-0.710)	(0.529)		1.40%				
HL_RI	-0.010	0.040	0.031	0.405***	0.514	0.093	52.2%		205	0.000	30.1%	77.0%
	(-0.637)	(0.205)	(0.218)	(15.722)	(1.253)	(1.223)		1.40%				

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Table 71 : Capturing Subsequent Return: Large Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
MPEG_RI	-0.021	0.172**	0.114	0.414***	-4.824	-0.011	52.7%		205	0.000	29.7%	76.0%
	(-2.251)	(3.059)	(0.937)	(16.317)	(-1.109)	(-0.076)		1.36%				
CT_Anlst	-0.054	0.771***	0.379**	0.419***	0.683	-0.105	53.4%		205	0.114	34.7%	40.3%
	(-3.878)	(5.332)	(2.703)	(17.043)	(1.504)	(-1.200)		1.36%				
GLS_Anlst	-0.071	0.816***	0.043	0.43***	1.066	-0.042	53.5%		205	0.246	28.6%	48.5%
	(-4.026)	(5.158)	(0.229)	(14.877)	(1.519)	(-0.762)		1.36%				
PE_RI	-0.029	0.479*	-0.495	0.44***	0.697	0.558	54.2%		205	0.021	40.3%	69.4%
	(-1.497)	(2.138)	(-0.736)	(10.479)	(0.787)	(1.010)		1.34%				
PEG_RI	-0.009	0.058	0.130	0.41***	0.265	0.022	52.7%		205	0.000	35.3%	100.0%
	(-0.783)	(0.978)	(1.064)	(15.538)	(1.405)	(0.228)		1.29%				
PE_EP	0.034	0.206	0.343	0.241	1.573	0.677	52.9%		205	0.011	37.8%	71.9%
	(0.825)	(0.665)	(1.478)	(1.185)	(1.811)	(0.982)		1.24%				
GLS_HDZ	-0.021	0.246	0.310	0.381***	2.847*	0.717	53%		205	0.021	22.4%	62.8%
	(-1.197)	(0.759)	(1.061)	(8.499)	(1.997)	(0.834)		1.16%				
KMY_HDZ	-0.005	0.231*	0.286	0.403***	0.578	0.057	52.1%		205	0.000	21.9%	68.4%
	(-0.473)	(2.140)	(1.828)	(16.109)	(0.837)	(0.409)		1.15%				
DKL_RI	-0.005	-0.007	-0.177	0.425***	0.589	-0.032	51.9%		205	0.000	28.1%	79.6%
	(-0.339)	(-0.036)	(-0.604)	(12.127)	(1.420)	(-0.199)		1.12%				
WNG_RI	0.012	-0.003	0.100	0.4***	-0.006	0.153	51.6%		205	0.000	5.1%	97.4%

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Table 71 : Capturing Subsequent Return: Large Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(1.233)	(-0.892)	(0.938)	(16.055)	(-0.186)	(0.689)		1.09%				
PE_HDZ	-0.006	0.491***	0.241*	0.41***	0.816	-0.090	53.2%		205	0.000	36.7%	56.6%
	(-0.662)	(4.140)	(2.048)	(18.058)	(1.448)	(-0.722)		1.09%				
CT_RI	-0.034	0.522	-0.372	0.388***	5.452	-0.129	51%		205	0.277	15.3%	83.7%
	(-0.890)	(1.188)	(-0.569)	(12.934)	(0.884)	(-0.685)		1.08%				
GG_RW	-0.027	0.384	-0.312	0.424***	1.507	-0.072	53.3%		205	0.013	25.0%	66.3%
	(-1.124)	(1.564)	(-0.419)	(10.235)	(0.535)	(-0.181)		1.04%				
CT_HDZ	-0.045	0.592*	0.552	0.453***	1.458	-0.026	52.6%		205	0.081	25.5%	68.4%
	(-1.295)	(2.540)	(1.393)	(10.101)	(1.393)	(-0.079)		0.94%				
TrES_RI_25SBM	0.021*	-0.011	-0.163	0.403***	0.008	-0.028	52%		205	0.000	5.6%	98.0%
	(1.964)	(-1.035)	(-0.566)	(11.268)	(0.945)	(-0.228)		0.91%				
DKL_Anlst	-0.048	0.741***	0.758**	0.403***	-0.080	-0.177	53.4%		205	0.061	30.6%	34.2%
	(-2.730)	(5.385)	(2.994)	(17.320)	(-0.103)	(-1.151)		0.85%				
GM_RW	-0.011	-0.021	-0.248	0.488***	0.328	0.769	51.7%		205	0.000	8.2%	89.2%
	(-0.559)	(-0.229)	(-0.465)	(5.469)	(1.831)	(0.588)		0.76%				
WNG_Anlst	0.047	0.013*	0.801	0.425***	0.327	-0.602	52.4%		205	0.000	8.7%	98.0%
	(1.706)	(2.438)	(1.388)	(9.617)	(0.795)	(-1.004)		0.73%				
GG_RI	-0.002	0.513*	0.206	0.434***	-0.180	-0.205	52%		205	0.050	15.7%	75.1%
	(-0.224)	(2.082)	(0.913)	(11.138)	(-0.186)	(-0.605)		0.73%				

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Table 71 : Capturing Subsequent Return: Large Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TrETSS_HDZ_25SBM	0.008	-0.002	0.020	0.41***	-0.023	0.178	50.6%		205	0.000	6.6%	91.8%
	(0.946)	(-0.072)	(0.172)	(13.820)	(-0.998)	(1.873)		0.62%				
MPEG_RW	-0.002	0.015	0.115	0.424***	0.141	0.001	51.9%		205	0.000	12.2%	92.9%
	(-0.182)	(0.254)	(0.756)	(14.967)	(0.719)	(0.005)		0.59%				
TrES_RW_10Ind	0.017*	-0.605	0.159	0.41***	16.605	-0.101	52%		205	0.147	12.8%	81.6%
	(2.118)	(-0.548)	(1.501)	(18.101)	(1.499)	(-1.079)		0.53%				
WNG_EP	0.023*	0.000	0.097	0.405***	0.008	-0.043	51.3%		205	0.000	3.6%	98.5%
	(1.993)	(-1.306)	(0.896)	(15.081)	(1.074)	(-0.745)		0.52%				
PEG_RW	0.005	0.018	0.092	0.416***	0.297*	-0.071	51.7%		205	0.000	14.3%	100.0%
	(0.450)	(0.638)	(0.562)	(14.148)	(2.082)	(-0.717)		0.51%				
Carhart_Factor	0.012	-0.238	0.163	0.434***	-3.033	0.084	51.6%		205	0.000	13.3%	42.3%
	(0.969)	(-0.810)	(1.120)	(13.975)	(-1.753)	(0.306)		0.51%				
FPM_Anlst	-0.064	0.906***	0.236	0.415***	0.402	-0.026	52.2%		205	0.650	33.2%	27.0%
	(-3.074)	(4.396)	(0.648)	(12.858)	(0.647)	(-0.211)		0.50%				
KMY_EP	-0.013	0.129**	0.127	0.399***	0.212	-0.047	51%		205	0.000	18.4%	69.4%
	(-1.477)	(3.055)	(0.740)	(13.856)	(0.705)	(-0.919)		0.46%				
TrES_Anlst _25SBM	0.046	-0.003	-0.523	0.37***	-0.017	-0.364	52%		205	0.000	6.6%	96.9%
	(1.570)	(-0.292)	(-0.674)	(8.297)	(-1.081)	(-0.637)		0.46%				
FPM_HDZ	-0.017	0.407***	0.217	0.393***	-0.052	-0.122	51.8%		205	0.000	18.4%	64.8%

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Table 71 : Capturing Subsequent Return: Large Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(-1.484)	(3.428)	(0.980)	(12.242)	(-0.125)	(-1.658)		0.44%				
HL_Anlst	-0.029	0.557***	0.571**	0.41***	0.226	-0.196	52.8%		205	0.000	29.1%	35.2%
	(-1.639)	(4.502)	(3.003)	(17.820)	(0.430)	(-1.290)		0.44%				
GM_Anlst	-0.035	0.623***	0.602	0.418***	-0.583	-0.178	52.1%		205	0.002	26.0%	40.3%
	(-2.281)	(5.236)	(1.757)	(17.430)	(-0.536)	(-0.747)		0.43%				
GG_EP	-0.010	0.501	0.123	0.446***	-0.521	-0.267	51.7%		205	0.656	24.3%	57.8%
	(-0.886)	(0.447)	(0.737)	(11.308)	(-0.158)	(-0.804)		0.38%				
PEG_EP	0.000	0.075*	0.122	0.411***	0.992***	0.033	51.1%		205	0.000	24.4%	90.6%
	(0.025)	(2.001)	(1.069)	(17.245)	(4.475)	(0.364)		0.33%				
TrETSS_RW_25SBM	0.013	-0.001	0.171	0.354***	0.013	0.158	50.9%		205	0.000	6.1%	96.9%
	(0.996)	(-0.149)	(1.492)	(9.687)	(0.931)	(1.487)		0.32%				
TrOHE_25SBM	0.014	0.019	0.111	0.408***	0.013	-0.027	51%		205	0.000	6.6%	91.3%
	(1.731)	(0.724)	(1.199)	(14.032)	(0.579)	(-0.206)		0.30%				
PE_RW	0.016	0.169	-0.186	0.45***	-0.308	-0.032	51.5%		205	0.000	10.2%	86.7%
	(0.602)	(1.485)	(-0.617)	(11.652)	(-1.341)	(-0.497)		0.28%				
KMY_Anlst	-0.020	0.173**	0.4*	0.402***	-0.050	-0.071	52.4%		205	0.000	20.9%	63.8%
	(-1.489)	(3.021)	(2.376)	(15.628)	(-0.172)	(-0.752)		0.27%				
FPM_EP	-0.003	0.07***	0.140	0.403***	0.021	-0.026	51.6%		205	0.000	19.9%	92.9%
	(-0.279)	(4.149)	(1.558)	(16.495)	(0.435)	(-0.298)		0.24%				

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Table 71 : Capturing Subsequent Return: Large Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
DKL_EP	-0.013	0.189*	0.702	0.347***	0.048	0.136	50.7%		205	0.000	21.9%	74.0%
	(-1.401)	(2.427)	(1.194)	(6.174)	(0.126)	(0.703)		0.24%				
MPEG_Anlst	0.003	0.209*	0.383	0.429***	0.076	-0.060	51.8%		205	0.000	22.4%	51.5%
	(0.214)	(2.300)	(1.552)	(16.703)	(0.159)	(-0.438)		0.24%				
TrETSS_HDZ_10Ind	0.006	0.027	0.074	0.398***	-0.004	0.059	50.5%		205	0.000	12.2%	91.8%
	(0.890)	(0.447)	(0.568)	(16.880)	(-0.058)	(0.910)		0.16%				
TrETSS_EP_10Ind	0.011	0.000	0.137	0.4***	-0.032	0.044	50.1%		205	0.000	9.7%	98.5%
	(0.956)	(-0.040)	(0.849)	(15.766)	(-1.168)	(0.531)		0.13%				
TrES_EP_10Ind	0.000	0.024	-0.077	0.406***	0.014	-0.111	50.9%		205	0.000	10.7%	95.9%
	(-0.058)	(0.933)	(-0.541)	(15.609)	(0.179)	(-0.886)		0.11%				
TrES_RI_10Ind	-0.005	0.010	-0.033	0.411***	0.024	-0.031	51.7%		205	0.000	14.8%	95.9%
	(-0.543)	(0.776)	(-0.421)	(15.694)	(1.197)	(-0.579)		0.11%				
FPM_RW	-0.005	0.043*	0.120	0.383***	-0.020	0.034	51.6%		205	0.000	13.8%	88.8%
	(-0.319)	(2.413)	(1.548)	(10.058)	(-0.357)	(0.534)		0.10%				
WNG_RW	0.002	0.000	0.002	0.449***	-0.007	-0.329	49.5%		205	0.000	5.6%	98.5%
	(0.163)	(0.288)	(0.013)	(7.146)	(-0.988)	(-0.724)		0.03%				
CT_EP	-0.010	0.105***	0.250	0.391***	0.067	-0.148	51.5%		205	0.000	22.4%	77.6%
	(-0.941)	(3.543)	(1.791)	(16.633)	(0.389)	(-0.843)		-0.03%				
WNG_HDZ	0.025*	0.003	0.247	0.405***	-0.012	-0.122	51%		205	0.000	0.0%	98.0%

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Table 71 : Capturing Subsequent Return: Large Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(2.346)	(1.252)	(1.094)	(16.098)	(-0.044)	(-0.763)		-0.03%				
TrETSS_Anlst _25SBM	0.025**	-0.051	0.118	0.388***	0.029	-0.013	51.4%		205	0.000	7.7%	88.3%
	(2.678)	(-1.657)	(1.181)	(16.546)	(1.186)	(-0.143)		-0.06%				
HL_EP	-0.012	0.109***	0.175	0.391***	0.325	-0.024	50.5%		205	0.000	19.4%	76.5%
	(-1.375)	(3.801)	(0.892)	(12.944)	(1.206)	(-0.407)		-0.09%				
TrETSS_RI_25SBM	0.000	0.001	-0.137	0.43***	-0.016	0.034	50.7%		205	0.000	4.6%	97.4%
	(-0.006)	(0.098)	(-0.811)	(15.281)	(-0.767)	(0.481)		-0.25%				
FGHJ_RI	0.030	-0.535	0.612	0.333***	-1.194	1.740	51.3%		205	0.050	22.4%	74.5%
	(0.855)	(-0.688)	(1.140)	(3.648)	(-0.880)	(0.851)		-0.28%				
MPEG_EP	-0.012	0.399	0.027	0.427***	-1.625	-0.297	50.6%		205	0.161	13.8%	77.6%
	(-0.550)	(0.935)	(0.175)	(15.466)	(-0.531)	(-0.639)		-0.29%				
GG_Anlst	-0.015	0.087*	-0.779	0.496***	0.677	-0.093	51.9%		205	0.000	14.8%	77.6%
	(-1.266)	(2.493)	(-0.802)	(4.587)	(0.904)	(-1.166)		-0.30%				
CT_RW	-0.009	0.461	0.276	0.432***	0.184	-0.164	51.6%		205	0.270	11.4%	74.6%
	(-0.512)	(0.948)	(1.296)	(14.785)	(0.077)	(-0.684)		-0.33%				
GM_EP	-0.003	0.381	0.146	0.483***	-2.514	-0.557	50.7%		205	0.120	16.8%	78.6%
	(-0.284)	(0.960)	(0.755)	(6.005)	(-0.736)	(-1.044)		-0.49%				
KMY_RW	-0.028	0.048	-0.114	0.439***	-0.147	-0.005	50.6%		205	0.000	8.7%	86.2%
	(-0.997)	(1.170)	(-0.906)	(15.183)	(-0.793)	(-0.078)		-0.52%				

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Table 71 : Capturing Subsequent Return: Large Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
TrES_HDZ_10Ind	0.021	-0.017	0.047	0.401***	0.020	-0.005	50.7%		205	0.000	19.4%	95.4%
	(1.517)	(-0.988)	(0.445)	(15.753)	(1.329)	(-0.097)		-0.57%				
HL_RW	-0.027	0.046	-0.114	0.439***	-0.188	-0.004	50.6%		205	0.000	8.7%	86.2%
	(-0.966)	(1.122)	(-0.903)	(15.177)	(-1.034)	(-0.055)		-0.58%				
GLS_RI	0.014	-0.181	0.336	0.379***	-6.720	0.714	51.6%		205	0.000	19.9%	74.0%
	(0.896)	(-0.591)	(1.330)	(8.706)	(-1.383)	(0.829)		-0.62%				
TrETSS_EP_25SBM	0.001	0.002	0.135	0.418***	-0.020	0.107	49.9%		205	0.000	4.6%	96.9%
	(0.050)	(0.611)	(0.542)	(13.103)	(-1.422)	(1.388)		-0.63%				
TrOHE_10Ind	0.004	0.088	0.056	0.428***	-0.170	-0.036	49.9%		205	0.000	13.8%	71.4%
	(0.397)	(0.594)	(0.355)	(13.660)	(-0.373)	(-0.354)		-0.71%				
KMY_RI	-0.012	0.163	0.032	0.409***	0.568	0.076	50.4%		205	0.000	27.0%	71.9%
	(-1.274)	(1.875)	(0.231)	(16.265)	(1.412)	(1.049)		-0.75%				
FPM_RI	-0.002	0.062*	0.016	0.427***	-0.022	-0.051	49.5%		205	0.000	19.9%	82.7%
	(-0.161)	(2.159)	(0.173)	(15.749)	(-0.522)	(-0.664)		-0.82%				
CAPM_Factor	-0.020	2.594	0.198	0.401***	-0.321	-0.004	50.7%		205	0.722	26.0%	21.4%
	(-0.301)	(0.581)	(1.520)	(17.181)	(-0.046)	(-0.020)		-0.83%				
TrETSS_RI_10Ind	-0.004	0.003	0.043	0.421***	0.005	0.007	49.9%		205	0.000	15.4%	98.5%
	(-0.410)	(0.211)	(0.327)	(16.538)	(0.219)	(0.123)		-0.83%				
FGHJ_EP	0.017	-0.327	0.395	0.347***	-2.089	1.650	49.7%		205	0.097	23.5%	73.5%

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Table 71 : Capturing Subsequent Return: Large Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(0.450)	(-0.410)	(0.692)	(3.771)	(-0.817)	(0.807)		-1.00%				
FGHJ_RW	0.037	-0.651	0.611	0.345***	2.299	1.719	49.3%		205	0.040	13.4%	86.6%
	(1.021)	(-0.816)	(1.111)	(3.650)	(1.023)	(0.819)		-1.09%				
5FF_Factor	0.019	0.123	0.201	0.397***	4.787	-0.191	50%		205	0.000	14.3%	30.1%
	(0.890)	(0.561)	(1.258)	(10.836)	(1.208)	(-0.309)		-1.11%				
TrETSS_RW_10Ind	0.002	-0.026	-0.052	0.422***	-0.034	0.029	49.5%		205	0.000	9.7%	97.4%
	(0.256)	(-1.503)	(-0.407)	(16.789)	(-0.635)	(0.450)		-1.14%				
3FF_Factor	0.019	-0.128	0.235	0.399***	0.900	0.083	50.4%		205	0.000	13.8%	30.6%
	(1.749)	(-0.591)	(1.830)	(16.441)	(0.490)	(0.333)		-1.30%				
TrETSS_Anlst _10Ind	0.024*	-0.073	0.226	0.403***	-0.063	-0.092	49.5%		205	0.000	10.7%	82.7%
	(2.170)	(-0.519)	(1.019)	(16.918)	(-0.192)	(-0.855)		-1.50%				
GLS_EP	0.008	-0.028	0.271	0.384***	-1.692	0.669	49.4%		205	0.001	21.9%	74.0%
	(0.520)	(-0.091)	(1.094)	(8.774)	(-0.714)	(0.778)		-1.55%				
GLS_RW	-0.001	0.017	-0.012	0.431***	1.466	0.085	48.5%		205	0.000	8.7%	86.2%
	(-0.022)	(0.249)	(-0.103)	(16.515)	(0.838)	(1.226)		-1.80%				

For the highest quartile of firms in terms of size, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in

subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 72 : Capturing Subsequent Return: Low Value Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
TPDPS_Anlst	0.024**	0.135***	0.189	0.484***	0.082	-0.209	63.4%	6.91%	205	0.000	68.3%	89.8%
	(2.696)	(6.169)	(0.901)	(19.952)	(1.835)	(-1.476)						
Naive	0.027**	0.135***	0.109	0.488***	0.097*	-0.144	63.2%	6.77%	205	0.000	67.8%	90.2%
	(3.054)	(6.476)	(0.391)	(18.389)	(1.980)	(-0.992)						
TPDPS_HDZ	0.025**	0.117***	0.069	0.484***	0.095	-0.225	62.9%	6.46%	205	0.000	69.8%	91.2%
	(2.656)	(4.741)	(0.250)	(18.877)	(1.958)	(-1.409)						
BP_HDZ	0.013	0.827***	0.056	0.468***	0.448	-0.273	61.3%	5.58%	205	0.307	72.7%	47.3%
	(1.150)	(4.901)	(0.206)	(19.503)	(1.601)	(-1.775)						
BP_Anlst	0.017	0.848***	0.080	0.471***	0.495	-0.320	61%	5.48%	205	0.462	72.2%	51.2%
	(1.342)	(4.110)	(0.248)	(19.564)	(1.655)	(-1.365)						
TPDPS_RI	0.027**	0.097***	0.230	0.463***	0.075	-0.241	61.5%	5.07%	205	0.000	61.5%	90.2%
	(3.059)	(4.808)	(1.797)	(21.384)	(1.782)	(-1.905)						
TPDPS_EP	0.028***	0.078***	0.039	0.467***	0.088	-0.160	61%	4.82%	205	0.000	59.5%	92.2%
	(3.091)	(3.991)	(0.157)	(18.322)	(1.866)	(-1.127)						
BP_EP	0.016	0.59***	0.062	0.457***	0.429	-0.234	59.8%	4.27%	205	0.000	63.9%	55.6%
	(1.699)	(5.468)	(0.411)	(19.452)	(1.691)	(-1.770)						
BP_RI	0.019*	0.621***	0.174	0.451***	0.430	-0.244	59.7%	4.10%	205	0.001	61.0%	51.2%
	(2.002)	(5.572)	(1.390)	(20.419)	(1.709)	(-1.863)						

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Table 72 : Capturing Subsequent Return: Low Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
TPDPS_RW	0.035***	0.093***	0.123	0.466***	0.099*	-0.248	59.9%	4.04%	205	0.000	50.7%	92.2%
	(4.033)	(4.926)	(1.023)	(19.794)	(2.344)	(-1.637)						
BP_RW	0.027**	0.62***	0.116	0.458***	0.423	-0.220	59.3%	3.80%	205	0.000	55.6%	51.2%
	(2.812)	(5.958)	(0.995)	(19.839)	(1.667)	(-1.672)						
PE_Anlst	-0.013	0.958***	0.310	0.437***	1.129	-0.189	57.7%	2.88%	205	0.746	56.6%	41.0%
	(-1.135)	(7.377)	(1.655)	(17.564)	(1.615)	(-1.444)						
CT_RW	0.003	0.422	-0.361	0.47***	4.884	-0.198	57%	1.72%	205	0.193	30.0%	76.0%
	(0.169)	(0.955)	(-1.680)	(15.900)	(1.207)	(-1.601)						
CT_Anlst	-0.009	0.531***	0.115	0.445***	1.178	-0.065	56.4%	1.57%	205	0.000	39.5%	54.6%
	(-0.826)	(4.614)	(0.972)	(19.902)	(1.578)	(-1.077)						
FGHJ_HDZ	-0.095	1.369	0.325	0.41***	3.041*	-1.177	56.1%	1.51%	205	0.720	27.3%	69.8%
	(-0.975)	(1.331)	(0.511)	(6.266)	(2.381)	(-0.889)						
DKL_HDZ	0.013	0.33*	-0.027	0.451***	0.932*	-0.256	55.6%	1.42%	205	0.000	31.7%	68.8%
	(0.885)	(2.199)	(-0.234)	(17.669)	(2.202)	(-1.534)						
WNG_EP	0.049***	0.000	0.043	0.43***	-0.003	-0.254	55.1%	1.35%	205	0.000	6.3%	98.5%
	(3.877)	(0.314)	(0.299)	(19.939)	(-0.998)	(-1.657)						
GG_HDZ	0.012	0.428**	0.100	0.442***	2.37***	-0.428	56.1%	1.34%	205	0.000	35.1%	65.4%
	(1.101)	(2.687)	(0.606)	(17.415)	(3.144)	(-1.342)						
MPEG_Anlst	-0.006	0.434***	0.344	0.403***	-0.128	0.330	55.5%	1.34%	205	0.000	30.2%	53.7%

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Table 72 : Capturing Subsequent Return: Low Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% %$\beta_{ICC}^{CS} = 1$
	(-0.364)	(3.509)	(1.024)	(10.643)	(-0.414)	(1.084)						
GM_Anlst	-0.036	0.691***	0.131	0.425***	0.012	0.163	55.8%	1.29%	205	0.011	32.2%	52.2%
	(-2.420)	(5.733)	(0.782)	(17.259)	(0.031)	(0.535)						
GLS_HDZ	-0.038	0.892	0.338	0.414***	2.655**	-0.952	56.1%	1.23%	205	0.870	30.7%	63.9%
	(-0.699)	(1.345)	(0.614)	(6.943)	(2.617)	(-0.910)						
CT_HDZ	0.02*	0.272**	-0.009	0.452***	0.957	-0.310	55.5%	1.21%	205	0.000	35.1%	70.2%
	(2.002)	(2.842)	(-0.074)	(17.670)	(1.732)	(-1.836)						
TrES_RW_10Ind	0.041***	-3.418	-0.184	0.456***	14.974	-0.082	55.1%	1.21%	205	0.304	18.0%	79.5%
	(4.959)	(-0.797)	(-1.270)	(15.289)	(1.038)	(-0.453)						
GM_RW	0.052	-0.004	-0.226	0.444***	0.705	0.379	56.2%	1.20%	205	0.000	24.5%	92.3%
	(1.373)	(-0.046)	(-1.550)	(13.557)	(1.854)	(0.776)						
GLS_Anlst	-0.028	0.691***	0.151	0.429***	1.124	-0.262	56.9%	1.20%	205	0.048	35.6%	53.2%
	(-1.750)	(4.452)	(0.883)	(18.088)	(1.471)	(-1.690)						
DKL_Anlst	-0.033	0.74***	0.091	0.442***	0.655	-0.013	56.4%	1.19%	205	0.039	39.0%	43.9%
	(-2.602)	(5.904)	(0.832)	(20.438)	(1.145)	(-0.133)						
PE_EP	-0.003	4.021	0.985	0.146	9.087	-2.651	56.1%	1.16%	205	0.483	36.6%	72.2%
	(-0.103)	(0.935)	(0.752)	(0.414)	(1.086)	(-0.901)						
TrES_Anlst _10Ind	0.044***	0.016	-0.058	0.42***	0.001	-0.304	55.4%	1.16%	205	0.000	20.0%	95.1%
	(4.883)	(1.124)	(-0.357)	(14.015)	(0.066)	(-1.698)						

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Table 72 : Capturing Subsequent Return: Low Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
MPEG_EP	0.004	0.195	0.034	0.439***	0.097	-0.162	55.5%	1.15%	205	0.000	34.1%	87.8%
	(0.343)	(1.637)	(0.258)	(17.692)	(0.109)	(-1.413)						
TrES_RI_10Ind	0.034***	-0.034	-0.029	0.421***	0.039	-0.125	54.8%	1.13%	205	0.000	16.6%	96.6%
	(3.849)	(-1.522)	(-0.232)	(19.326)	(1.234)	(-1.647)						
HL_Anlst	-0.024	0.634***	0.144	0.435***	0.511	0.074	55.9%	1.09%	205	0.000	33.7%	46.8%
	(-1.995)	(6.324)	(1.405)	(20.938)	(1.274)	(0.524)						
MPEG_RW	0.076	0.037	-0.135	0.426***	0.726	0.420	56.1%	1.09%	205	0.000	24.9%	91.2%
	(1.502)	(0.471)	(-0.951)	(11.424)	(1.880)	(0.661)						
GM_EP	0.009	0.178*	-0.016	0.434***	1.462**	-0.209	55.1%	1.04%	205	0.000	34.6%	83.4%
	(0.857)	(2.279)	(-0.118)	(16.573)	(2.585)	(-1.297)						
HL_HDZ	0.013	0.285	-0.102	0.462***	0.780	-0.268	55.5%	1.02%	205	0.000	28.8%	68.3%
	(0.667)	(1.459)	(-0.740)	(17.658)	(1.499)	(-2.108)						
KMY_HDZ	0.009	0.382*	-0.074	0.455***	1.01*	-0.295	55.4%	1.01%	205	0.000	32.2%	65.9%
	(0.634)	(2.310)	(-0.615)	(17.395)	(2.204)	(-1.473)						
PE_RW	0.053**	0.163	-0.078	0.438***	-0.037	0.252	56.3%	0.95%	205	0.000	16.6%	88.8%
	(2.593)	(1.799)	(-0.421)	(15.181)	(-0.078)	(0.687)						
FGHJ_Anlst	-0.032	0.648***	0.022	0.445***	1.869***	-0.111	56.6%	0.95%	205	0.003	36.6%	55.6%
	(-2.272)	(5.529)	(0.183)	(19.689)	(3.254)	(-1.317)						
FPM_Anlst	-0.009	0.423*	-0.069	0.449***	-0.133	0.136	55%	0.92%	205	0.001	32.7%	33.2%

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Table 72 : Capturing Subsequent Return: Low Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% %β_{ICC}^{CS} = 1
	(-0.557)	(2.430)	(-0.590)	(18.923)	(-0.181)	(1.289)						
GG_RW	0.010	0.359*	0.069	0.441***	1.225	-0.421	55.4%	0.87%	205	0.000	32.3%	74.1%
	(0.820)	(2.202)	(0.401)	(16.706)	(0.544)	(-1.268)						
KMY_EP	0.008	0.037	-0.116	0.506***	1.075	0.337	55.1%	0.83%	205	0.000	36.6%	73.2%
	(0.666)	(0.215)	(-0.842)	(6.814)	(0.919)	(0.782)						
PE_HDZ	0.023**	0.328***	-0.175	0.451***	1.915***	-0.230	55.5%	0.79%	205	0.000	41.5%	62.4%
	(2.709)	(3.405)	(-1.366)	(18.176)	(3.617)	(-2.242)						
CT_EP	0.084	-0.040	-2.257	0.634***	0.016	1.154	54.8%	0.76%	205	0.000	28.8%	84.9%
	(0.910)	(-0.261)	(-1.206)	(3.909)	(0.040)	(0.923)						
DKL_RW	0.020	0.014	-0.247	0.459***	-0.337	-0.075	55%	0.75%	205	0.000	17.6%	81.0%
	(1.005)	(0.253)	(-1.333)	(15.526)	(-0.869)	(-0.775)						
3FF_Factor	0.022	0.458	0.698	0.34**	-18.506	0.617	54.6%	0.75%	205	0.483	8.8%	41.5%
	(0.739)	(0.594)	(0.836)	(2.646)	(-0.717)	(0.687)						
PEG_EP	0.022*	0.034	-0.200	0.455***	0.769***	-0.135	55%	0.74%	205	0.000	32.2%	100.0%
	(2.405)	(0.813)	(-1.306)	(14.189)	(3.978)	(-1.011)						
PEG_Anlst	0.017	0.241**	0.080	0.413***	0.010	0.192	54.8%	0.73%	205	0.000	16.6%	68.8%
	(1.442)	(2.718)	(0.389)	(14.996)	(0.038)	(1.225)						
TrES_RW_25SBM	0.04***	0.584	-0.075	0.446***	0.682	0.013	55.2%	0.70%	205	0.880	7.8%	83.4%
	(4.804)	(0.212)	(-0.578)	(15.873)	(0.614)	(0.122)						

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Table 72 : Capturing Subsequent Return: Low Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
GLS_EP	0.014	0.229	-0.287	0.452***	2.266*	-0.165	55.3%	0.66%	205	0.000	29.8%	72.2%
	(1.249)	(1.489)	(-0.908)	(12.889)	(2.267)	(-0.781)						
KMY_Anlst	-0.009	0.222***	-0.064	0.448***	0.476	-0.033	55.2%	0.66%	205	0.000	27.8%	64.9%
	(-0.690)	(4.254)	(-0.539)	(19.120)	(1.369)	(-0.330)						
PE_RI	0.045***	-0.519	-0.252	0.477***	1.426	0.135	54.7%	0.65%	205	0.000	36.6%	76.6%
	(4.715)	(-1.379)	(-1.147)	(11.529)	(1.208)	(0.603)						
GG_EP	0.014	-0.630	-0.247	0.48***	-0.981	-0.080	55.9%	0.64%	205	0.096	29.4%	75.3%
	(1.535)	(-0.646)	(-1.545)	(13.520)	(-0.194)	(-0.607)						
TrES_RI_25SBM	0.041***	0.001	0.004	0.428***	0.000	-0.089	54.3%	0.60%	205	0.000	9.3%	98.5%
	(5.412)	(0.267)	(0.024)	(19.634)	(0.151)	(-0.697)						
TrETSS_RW_25SBM	0.033***	0.010	-0.227	0.463***	0.007	-0.093	54.8%	0.58%	205	0.000	13.2%	98.5%
	(4.205)	(1.566)	(-0.902)	(12.243)	(0.984)	(-0.985)						
CT_RI	0.039***	-0.075	0.019	0.389***	0.637	-0.210	54.8%	0.55%	205	0.000	12.7%	83.4%
	(4.006)	(-1.234)	(0.092)	(6.468)	(1.359)	(-0.934)						
FGHJ_RI	0.031*	0.079	-0.039	0.428***	1.422	-0.180	54.5%	0.52%	205	0.000	26.8%	69.8%
	(2.101)	(0.401)	(-0.239)	(17.098)	(1.905)	(-1.194)						
PEG_RW	-4.366	5.715	-2.126	3.242	-32.860	-54.853	55.1%	0.49%	205	0.555	25.0%	100.0%
	(-0.712)	(0.717)	(-0.789)	(0.834)	(-0.713)	(-0.720)						
DKL_EP	0.013	0.101	-0.164	0.488***	0.446	0.176	54.5%	0.48%	205	0.000	34.6%	74.6%

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Table 72 : Capturing Subsequent Return: Low Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(1.136)	(1.537)	(-1.225)	(8.876)	(0.953)	(0.601)						
GG_Anlst	-0.007	0.146**	0.005	0.445***	0.246	-0.126	55.2%	0.48%	205	0.000	24.9%	75.6%
	(-0.352)	(2.993)	(0.042)	(18.066)	(0.715)	(-1.264)						
FGHJ_EP	-0.158	2.920	4.672	0.206	-17.351	-1.944	54.8%	0.47%	205	0.533	31.7%	75.6%
	(-0.802)	(0.950)	(0.876)	(0.777)	(-0.792)	(-0.970)						
KMY_RW	0.015	0.057	-0.396	0.476***	-0.214	0.177	54.4%	0.43%	205	0.000	15.1%	85.4%
	(0.554)	(0.768)	(-1.651)	(13.274)	(-0.642)	(0.749)						
TrES_EP_10Ind	0.037***	0.007	0.047	0.43***	0.011	-0.263	54.3%	0.42%	205	0.000	14.1%	93.7%
	(4.261)	(0.263)	(0.287)	(15.545)	(0.373)	(-1.350)						
TrOHE_10Ind	0.034**	0.104	0.006	0.423***	0.176	-0.450	54.1%	0.40%	205	0.000	16.6%	72.7%
	(2.714)	(0.479)	(0.025)	(10.110)	(0.680)	(-0.851)						
GM_HDZ	0.043	0.136	0.186	0.393***	1.720	-0.466	55.4%	0.40%	205	0.000	28.3%	67.8%
	(1.641)	(0.696)	(0.812)	(7.334)	(1.386)	(-1.095)						
HL_RW	0.017	0.049	-0.397	0.476***	-0.257	0.177	54.4%	0.40%	205	0.000	16.1%	84.9%
	(0.614)	(0.653)	(-1.652)	(13.275)	(-0.772)	(0.749)						
PEG_RI	0.03**	-0.041	-0.187	0.455***	0.182	-0.099	54.3%	0.32%	205	0.000	26.1%	100.0%
	(3.023)	(-0.636)	(-1.150)	(13.855)	(1.156)	(-0.748)						
TrETSS_Anlst _10Ind	0.033**	0.052	-0.312	0.434***	-0.261	-0.185	53.9%	0.31%	205	0.000	12.7%	80.0%
	(3.039)	(1.024)	(-1.045)	(15.492)	(-0.672)	(-0.979)						

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Table 72 : Capturing Subsequent Return: Low Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% %$\beta^{CS}_{ICC}=1$
MPEG_HDZ	-0.005	0.426*	-0.090	0.467***	-0.259	0.083	55.2%	0.29%	205	0.001	28.8%	71.7%
	(-0.198)	(2.434)	(-0.608)	(10.953)	(-0.353)	(0.468)						
TrES_HDZ_10Ind	0.055***	-0.028	0.084	0.437***	-0.073	-0.184	53.8%	0.26%	205	0.000	20.0%	93.7%
	(4.963)	(-1.595)	(0.494)	(17.742)	(-1.550)	(-1.077)						
5FF_Factor	0.038***	0.262	0.016	0.445***	0.701	-0.044	54.1%	0.26%	205	0.000	11.7%	43.9%
	(4.405)	(1.471)	(0.110)	(19.049)	(0.490)	(-0.381)						
HL_EP	0.014	0.078	-0.141	0.488***	0.446	0.180	54.2%	0.25%	205	0.000	32.2%	76.1%
	(1.285)	(1.226)	(-1.077)	(8.878)	(0.957)	(0.594)						
GLS_RI	0.033**	0.051	0.012	0.42***	7.152	-0.179	54.3%	0.23%	205	0.000	29.8%	73.2%
	(2.805)	(0.285)	(0.067)	(16.629)	(0.629)	(-1.008)						
MPEG_RI	-0.018	0.381*	-0.103	0.463***	-3.447	0.095	54.8%	0.22%	205	0.000	30.4%	79.9%
	(-0.722)	(2.224)	(-0.704)	(10.907)	(-0.980)	(0.527)						
FPM_EP	0.021	0.074***	0.026	0.427***	0.002	-0.100	54.1%	0.21%	205	0.000	22.4%	96.6%
	(1.954)	(4.728)	(0.268)	(19.329)	(0.096)	(-0.935)						
FPM_RW	0.049***	0.048***	0.033	0.425***	0.023	-0.164	55%	0.18%	205	0.000	17.6%	97.1%
	(4.836)	(4.039)	(0.370)	(19.484)	(0.628)	(-1.628)						
PEG_HDZ	0.005	0.334	-0.224	0.5***	0.431	0.156	55.6%	0.17%	205	0.000	20.5%	68.8%
	(0.176)	(1.809)	(-1.078)	(8.509)	(0.822)	(0.952)						
TrETSS_RW_10Ind	0.037***	-0.038	-0.158	0.442***	-0.764	-0.165	54%	0.06%	205	0.000	13.7%	94.6%

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Table 72 : Capturing Subsequent Return: Low Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% $\%\beta_{ICC}^{CS}$ = 1
	(4.363)	(-1.870)	(-1.297)	(19.672)	(-1.712)	(-1.782)						
FGHJ_RW	0.031***	0.062	-0.047	0.443***	0.341	-0.155	53.2%	0.01%	205	0.000	21.4%	82.7%
	(3.231)	(0.618)	(-0.417)	(18.971)	(0.904)	(-1.848)						
WNG_Anlst	0.041***	0.004	-0.315	0.449***	-0.209	-0.208	54.2%	-0.05%	205	0.000	7.3%	98.0%
	(4.518)	(1.007)	(-1.001)	(15.900)	(-1.309)	(-1.980)						
GG_RI	0.031**	-0.426	-0.960	0.455***	4.518*	0.084	54.8%	-0.08%	205	0.198	27.3%	78.4%
	(2.793)	(-0.386)	(-0.925)	(14.039)	(2.065)	(0.227)						
GM_RI	0.035	0.091	0.164	0.388***	1.232	-0.492	54.6%	-0.08%	205	0.000	34.8%	74.0%
	(1.332)	(0.487)	(0.702)	(7.243)	(0.991)	(-1.157)						
TrES_HDZ_25SBM	0.044***	0.002	-0.070	0.434***	0.002	-0.213	54.6%	-0.10%	205	0.000	3.4%	98.5%
	(5.284)	(0.675)	(-0.459)	(17.791)	(0.611)	(-1.533)						
CAPM_Factor	0.094	-5.648	-0.193	0.476***	-15.606	-0.491	54%	-0.11%	205	0.456	22.0%	23.9%
	(0.833)	(-0.634)	(-1.143)	(13.732)	(-0.950)	(-0.875)						
TrES_Anlst _25SBM	0.056***	-0.003	-0.165	0.426***	0.002	-0.131	54.4%	-0.13%	205	0.000	8.8%	97.6%
	(4.791)	(-0.449)	(-0.979)	(17.994)	(0.255)	(-1.142)						
HL_RI	0.028**	-0.076	-0.048	0.439***	0.371	-0.043	54%	-0.18%	205	0.000	28.8%	81.5%
	(2.745)	(-0.912)	(-0.348)	(17.797)	(1.618)	(-0.554)						
DKL_RI	0.029**	-0.074	-0.045	0.439***	0.373	-0.039	54%	-0.19%	205	0.000	27.3%	82.0%
	(2.871)	(-0.897)	(-0.328)	(17.819)	(1.624)	(-0.511)						

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Table 72 : Capturing Subsequent Return: Low Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% %β_{ICC}^{CS} = 1
KMY_RI	0.025*	-0.045	-0.102	0.444***	0.442	-0.026	53.9%	-0.21%	205	0.000	28.3%	79.0%
	(2.548)	(-0.360)	(-0.642)	(18.007)	(1.502)	(-0.337)						
TrETSS_Anlst _25SBM	0.053***	-0.052	-0.144	0.43***	0.042	-0.148	53.9%	-0.23%	205	0.000	7.3%	88.3%
	(6.069)	(-1.843)	(-0.981)	(18.942)	(1.308)	(-1.346)						
FPM_HDZ	0.024	0.23*	0.011	0.43***	0.891**	-0.182	54.6%	-0.30%	205	0.000	26.8%	65.4%
	(1.681)	(2.137)	(0.073)	(16.071)	(3.050)	(-0.761)						
FPM_RI	0.041***	-0.009	-0.013	0.448***	0.035	-0.226	54.4%	-0.40%	205	0.000	20.5%	86.8%
	(4.025)	(-0.340)	(-0.133)	(19.412)	(0.673)	(-2.235)						
Carhart_Factor	0.044***	-0.161	-0.086	0.449***	1.705	-0.152	53.6%	-0.42%	205	0.000	7.8%	59.0%
	(4.570)	(-1.030)	(-0.548)	(15.035)	(1.122)	(-0.727)						
TrES_EP_25SBM	0.03*	0.026	-0.012	0.447***	-0.024	0.018	54.4%	-0.48%	205	0.000	6.8%	98.0%
	(2.491)	(0.975)	(-0.128)	(15.362)	(-0.947)	(0.233)						
WNG_RW	0.049***	0.000	-0.109	0.431***	-0.005	-0.295	53.7%	-0.50%	205	0.000	2.9%	99.5%
	(5.713)	(-1.585)	(-0.994)	(19.265)	(-0.860)	(-2.183)						
TrETSS_HDZ_10Ind	0.046***	-0.051	0.206	0.423***	-0.046	-0.061	53.5%	-0.50%	205	0.000	10.7%	85.9%
	(5.063)	(-1.124)	(0.867)	(18.861)	(-0.436)	(-0.483)						
TrOHE_25SBM	0.044***	0.055	-0.082	0.432***	-0.047	-0.182	53.1%	-0.61%	205	0.000	12.2%	86.8%
	(5.435)	(0.844)	(-0.635)	(18.226)	(-1.235)	(-0.939)						
TrETSS_RI_10Ind	0.048***	0.000	-0.082	0.434***	0.130	-0.247	53.5%	-0.65%	205	0.000	16.1%	95.1%

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Table 72 : Capturing Subsequent Return: Low Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(3.942)	(0.010)	(-0.647)	(19.279)	(1.225)	(-1.159)						
TrETSS_EP_10Ind	0.027*	0.025	-0.202	0.454***	-0.177	-0.199	52.9%	-0.66%	205	0.000	11.7%	97.1%
	(2.059)	(1.874)	(-1.316)	(16.991)	(-1.326)	(-1.306)						
GLS_RW	0.055	0.006	-0.063	0.449***	0.509	-0.152	53.1%	-0.72%	205	0.000	11.7%	83.9%
	(1.577)	(0.126)	(-0.402)	(16.015)	(0.729)	(-2.077)						
WNG_RI	0.046***	-0.039	-0.079	0.45***	0.035	-0.160	54%	-0.78%	205	0.000	3.4%	98.5%
	(5.226)	(-0.428)	(-0.522)	(15.366)	(0.896)	(-1.114)						
WNG_HDZ	0.042***	-0.001	-0.096	0.464***	0.051	-0.126	53.8%	-0.81%	205	0.000	1.5%	98.5%
	(4.916)	(-0.716)	(-0.616)	(17.511)	(0.158)	(-1.179)						
TrETSS_HDZ_25SBM	0.046***	0.010	-0.007	0.424***	0.016	-0.094	53.1%	-0.95%	205	0.000	11.7%	91.7%
	(5.831)	(0.615)	(-0.049)	(18.655)	(0.672)	(-1.037)						
TrETSS_EP_25SBM	0.04***	-0.001	-0.153	0.445***	0.017	-0.552	53%	-0.97%	205	0.000	8.8%	98.5%
	(3.752)	(-0.429)	(-0.811)	(16.200)	(1.900)	(-1.154)						
TrETSS_RI_25SBM	0.053***	-0.012	-0.016	0.434***	-0.003	-0.176	53%	-1.00%	205	0.000	9.8%	96.1%
	(6.350)	(-1.068)	(-0.124)	(18.599)	(-0.164)	(-1.764)						

For the lowest quartile of firms in terms of value, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in

subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 73 : Capturing Subsequent Return: High Value Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
TPDPS_Anlst	0.021*	0.165***	0.382*	0.461***	0.060	-0.106	63.2%		205	0.000	65.5%	90.6%
	(2.571)	(7.886)	(1.984)	(15.531)	(1.584)	(-1.354)		6.13%				
Naive	0.024**	0.164***	0.280	0.462***	0.073	-0.059	63.1%		205	0.000	66.5%	89.7%
	(2.965)	(7.225)	(0.998)	(14.256)	(1.726)	(-0.605)		6.01%				
TPDPS_HDZ	0.019*	0.156***	0.306	0.46***	0.071	-0.077	62.9%		205	0.000	67.0%	90.1%
	(2.395)	(7.838)	(1.297)	(15.472)	(1.800)	(-0.791)		5.76%				
BP_HDZ	0.004	1.095***	0.375**	0.446***	0.333	-0.109	61.6%		205	0.386	71.4%	47.3%
	(0.447)	(9.991)	(2.758)	(17.131)	(1.658)	(-1.371)		5.17%				
BP_Anlst	0.007	1.122***	0.383***	0.457***	0.435*	-0.115	61.1%		205	0.221	68.5%	52.2%
	(0.784)	(11.302)	(3.282)	(18.643)	(2.246)	(-1.581)		4.86%				
TPDPS_RI	0.023**	0.127***	0.402***	0.44***	0.050	-0.148	61.5%		205	0.000	55.2%	89.7%
	(2.806)	(5.912)	(3.165)	(15.274)	(1.464)	(-2.285)		4.41%				
TPDPS_EP	0.025**	0.107***	0.232	0.442***	0.061	-0.074	61%		205	0.000	59.6%	90.1%
	(3.057)	(5.105)	(0.943)	(14.054)	(1.553)	(-0.814)		4.15%				
BP_EP	0.012	0.769***	0.255	0.435***	0.274	-0.150	60%		205	0.043	63.1%	58.6%
	(1.354)	(6.765)	(1.919)	(16.090)	(1.390)	(-2.040)		3.81%				
TPDPS_RW	0.035***	0.088***	0.272**	0.463***	0.081*	-0.155	60.3%		205	0.000	48.8%	93.6%
	(4.411)	(5.210)	(2.677)	(20.825)	(2.411)	(-1.215)		3.70%				

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Table 73 : Capturing Subsequent Return: High Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
BP_RI	0.014	0.806***	0.349***	0.432***	0.283	-0.135	59.9%		205	0.101	58.1%	54.7%
	(1.628)	(6.859)	(3.134)	(16.430)	(1.435)	(-1.696)		3.63%				
BP_RW	0.024**	0.792***	0.291*	0.436***	0.283	-0.148	59.6%		205	0.074	55.7%	54.7%
	(2.740)	(6.831)	(2.521)	(16.005)	(1.471)	(-2.001)		3.45%				
PE_Anlst	-0.009	0.913***	0.406*	0.442***	1.140	-0.132	58.6%		205	0.495	53.2%	38.9%
	(-0.783)	(7.171)	(2.235)	(17.811)	(1.535)	(-1.395)		2.45%				
DKL_HDZ	0.010	0.409**	0.117	0.452***	1.184*	-0.278	57.5%		205	0.000	32.5%	70.9%
	(0.644)	(2.584)	(0.945)	(17.618)	(2.444)	(-1.669)		1.73%				
MPEG_Anlst	-0.006	0.454***	0.449	0.407***	0.067	0.351	57%		205	0.000	31.0%	57.1%
	(-0.372)	(3.615)	(1.336)	(10.721)	(0.207)	(1.149)		1.69%				
CT_RW	-0.003	0.623	-0.192	0.475***	4.835	-0.332	57.6%		205	0.423	29.8%	73.7%
	(-0.163)	(1.324)	(-0.896)	(16.140)	(1.225)	(-1.592)		1.65%				
CT_Anlst	-0.009	0.543***	0.27*	0.445***	1.504*	-0.073	57.6%		205	0.000	39.9%	58.1%
	(-0.853)	(4.698)	(2.474)	(20.332)	(2.101)	(-1.432)		1.55%				
WNG_EP	0.055***	0.000	0.209	0.439***	-0.003	-0.213	56.2%		205	0.000	5.9%	99.5%
	(3.670)	(-0.120)	(1.502)	(19.282)	(-1.009)	(-1.390)		1.49%				
FGHJ_HDZ	-0.002	0.443***	-0.168	0.463***	2.936***	-0.085	57.3%		205	0.000	26.6%	69.5%
	(-0.111)	(3.970)	(-0.747)	(14.585)	(3.360)	(-1.160)		1.49%				
TrES_Anlst _10Ind	0.042***	0.012	0.170	0.446***	0.013	-0.116	56.7%		205	0.000	20.7%	97.0%

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Table 73 : Capturing Subsequent Return: High Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(4.479)	(1.017)	(1.522)	(16.264)	(0.643)	(-0.909)		1.48%				
CT_HDZ	0.025*	0.262*	0.164	0.453***	1.938***	-0.306	57.6%		205	0.000	34.0%	72.9%
	(2.394)	(2.570)	(1.295)	(17.820)	(3.385)	(-1.800)		1.44%				
KMY_HDZ	0.014	0.348**	0.069	0.457***	1.474**	-0.289	57.6%		205	0.000	32.5%	68.5%
	(1.261)	(2.675)	(0.516)	(17.254)	(2.991)	(-1.568)		1.41%				
GM_EP	0.009	0.231***	0.102	0.436***	0.760	-0.189	56%		205	0.000	34.5%	83.7%
	(0.918)	(3.578)	(0.862)	(18.400)	(1.496)	(-1.459)		1.38%				
DKL_Anlst	-0.027	0.691***	0.212*	0.443***	0.664	-0.014	57.5%		205	0.019	37.9%	45.3%
	(-2.181)	(5.302)	(2.178)	(20.753)	(1.128)	(-0.155)		1.30%				
FGHJ_Anlst	-0.033	0.659***	0.106	0.444***	1.882***	-0.068	57.6%		205	0.003	34.5%	56.7%
	(-2.331)	(5.710)	(0.987)	(19.787)	(3.422)	(-0.950)		1.29%				
PE_HDZ	0.020	0.425**	0.010	0.452***	1.895***	-0.224	57.2%		205	0.000	39.4%	62.1%
	(1.901)	(2.898)	(0.078)	(18.531)	(3.282)	(-2.613)		1.28%				
GLS_Anlst	-0.032	0.71***	0.122	0.436***	1.080	-0.124	57.6%		205	0.027	32.5%	53.7%
	(-2.276)	(5.440)	(1.133)	(19.488)	(1.519)	(-1.969)		1.28%				
TrES_RI_10Ind	0.039***	-0.035	0.124	0.416***	0.015	-0.145	56%		205	0.000	16.7%	98.5%
	(4.400)	(-1.663)	(1.245)	(19.822)	(0.770)	(-1.927)		1.26%				
GG_HDZ	0.014	0.464**	0.280	0.442***	3.024***	-0.435	57.6%		205	0.000	32.0%	65.0%
	(1.328)	(3.084)	(1.643)	(17.421)	(3.848)	(-1.429)		1.24%				

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Table 73 : Capturing Subsequent Return: High Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
HL_HDZ	0.012	0.339*	0.102	0.456***	1.25*	-0.224	57.4%		205	0.000	27.6%	71.4%
	(0.863)	(2.563)	(0.873)	(18.239)	(2.276)	(-2.001)		1.22%				
MPEG_EP	0.007	0.187	0.166	0.437***	0.028	-0.154	56.2%		205	0.000	34.0%	89.2%
	(0.530)	(1.499)	(1.266)	(17.995)	(0.034)	(-1.478)		1.12%				
KMY_EP	0.003	0.192***	0.087	0.425***	0.036	-0.170	55.9%		205	0.000	35.0%	73.4%
	(0.297)	(3.409)	(0.687)	(11.595)	(0.095)	(-0.660)		1.11%				
GM_Anlst	-0.031	0.674***	0.290	0.426***	0.217	0.262	56.7%		205	0.006	33.0%	52.7%
	(-2.181)	(5.721)	(1.952)	(17.587)	(0.605)	(0.979)		1.10%				
PE_RI	0.045***	-0.269	0.106	0.458***	2.349*	-0.105	56.2%		205	0.000	36.5%	75.9%
	(4.839)	(-1.528)	(0.521)	(19.472)	(2.509)	(-1.407)		1.02%				
CT_EP	0.013	0.069	-1.546	0.51***	0.409	0.085	55.8%		205	0.000	27.6%	86.2%
	(0.530)	(1.867)	(-0.873)	(5.970)	(1.024)	(0.403)		1.01%				
PE_RW	0.045***	0.009	0.079	0.447***	0.176	-0.080	56.9%		205	0.000	14.3%	90.1%
	(4.512)	(0.091)	(0.460)	(18.092)	(0.474)	(-1.021)		0.98%				
MPEG_RW	0.038***	0.093***	0.112	0.445***	0.561***	-0.133	56.9%		205	0.000	26.1%	93.6%
	(3.230)	(3.189)	(0.824)	(17.304)	(3.780)	(-1.118)		0.95%				
HL_Anlst	-0.022	0.623***	0.264**	0.436***	0.653	0.103	57%		205	0.000	35.0%	48.8%
	(-1.824)	(6.242)	(3.056)	(21.393)	(1.745)	(0.770)		0.92%				
GLS_HDZ	0.007	0.375***	0.009	0.46***	2.431***	-0.098	57.2%		205	0.000	26.6%	65.0%

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Table 73 : Capturing Subsequent Return: High Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% %β_{ICC}^{CS} = 1
	(0.552)	(3.816)	(0.059)	(14.730)	(4.276)	(-1.640)		0.89%				
TrETSS_RW_10Ind	0.033***	-0.058	0.023	0.443***	-1.124	-0.157	55.4%		205	0.000	13.8%	96.1%
	(3.181)	(-1.983)	(0.219)	(19.847)	(-1.567)	(-1.926)		0.86%				
FPM_RW	0.052***	0.051***	0.177	0.428***	0.037	-0.064	56.4%		205	0.000	18.7%	96.6%
	(4.888)	(4.322)	(1.802)	(19.707)	(0.926)	(-0.686)		0.85%				
PEG_EP	0.025**	0.032	-0.031	0.457***	0.906***	-0.117	55.2%		205	0.000	34.6%	100.0%
	(2.635)	(0.808)	(-0.201)	(14.559)	(4.483)	(-0.900)		0.84%				
DKL_EP	0.013	0.117***	0.013	0.452***	0.265	-0.050	55.5%		205	0.000	35.0%	77.3%
	(1.350)	(3.954)	(0.105)	(17.423)	(0.866)	(-0.415)		0.84%				
FPM_Anlst	-0.009	0.464**	0.137	0.443***	-0.020	0.054	56.1%		205	0.002	31.5%	35.5%
	(-0.576)	(2.765)	(1.410)	(19.886)	(-0.032)	(0.610)		0.84%				
GG_EP	0.018	-2.257	-0.156	0.476***	3.688*	-0.120	56.5%		205	0.216	29.7%	72.4%
	(1.953)	(-0.860)	(-0.942)	(14.113)	(2.172)	(-0.957)		0.83%				
PEG_Anlst	0.018	0.264**	0.238	0.417***	0.252	0.194	56.1%		205	0.000	15.8%	68.0%
	(1.526)	(2.932)	(1.196)	(15.060)	(0.928)	(1.248)		0.78%				
KMY_Anlst	-0.010	0.224***	0.124	0.447***	0.370	-0.023	56.5%		205	0.000	28.6%	64.0%
	(-0.786)	(3.978)	(1.086)	(19.283)	(0.818)	(-0.250)		0.76%				
GM_RW	0.026*	0.055*	0.031	0.452***	0.525***	-0.021	56.7%		205	0.000	26.8%	93.8%
	(1.995)	(2.107)	(0.225)	(16.756)	(3.268)	(-0.115)		0.75%				

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Table 73 : Capturing Subsequent Return: High Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% $\%\beta_{ICC}^{CS}$ = 1
GG_RW	0.011	0.407**	0.248	0.441***	12.774	-0.427	56.9%		205	0.000	32.3%	72.6%
	(0.964)	(2.655)	(1.378)	(16.641)	(1.424)	(-1.342)		0.74%				
HL_RW	0.040	-0.014	-0.031	0.462***	-0.156	0.065	55.5%		205	0.000	16.3%	87.7%
	(1.939)	(-0.352)	(-0.196)	(16.557)	(-0.470)	(0.344)		0.72%				
TrETSS_RW_25SBM	0.036***	0.012	-0.067	0.468***	0.007	-0.087	56.2%		205	0.000	12.3%	99.5%
	(4.436)	(1.578)	(-0.271)	(12.201)	(0.748)	(-1.065)		0.67%				
KMY_RW	0.038	-0.006	-0.032	0.462***	-0.118	0.065	55.4%		205	0.000	14.8%	88.2%
	(1.855)	(-0.144)	(-0.201)	(16.558)	(-0.352)	(0.345)		0.65%				
TrES_Anlst _25SBM	0.053***	0.001	-0.032	0.433***	0.001	-0.081	55.7%		205	0.000	8.9%	98.0%
	(4.363)	(0.136)	(-0.209)	(18.076)	(0.089)	(-0.868)		0.60%				
TrES_EP_10Ind	0.04***	0.057	0.101	0.441***	0.034	-0.160	55.3%		205	0.000	13.3%	95.6%
	(4.563)	(1.471)	(0.743)	(17.403)	(0.998)	(-0.888)		0.59%				
HL_EP	0.014	0.097***	0.026	0.452***	0.245	-0.050	55.2%		205	0.000	31.5%	79.8%
	(1.508)	(3.691)	(0.219)	(17.446)	(0.811)	(-0.356)		0.58%				
GG_Anlst	0.001	0.129***	0.217*	0.437***	0.301	-0.143	56.2%		205	0.000	26.6%	74.9%
	(0.089)	(3.099)	(2.071)	(20.290)	(0.890)	(-1.620)		0.58%				
GM_HDZ	0.022	0.316**	0.125	0.444***	0.814	-0.115	56.4%		205	0.000	23.6%	69.5%
	(1.669)	(2.741)	(1.131)	(17.728)	(1.370)	(-1.692)		0.57%				
TrES_RI_25SBM	0.04***	-0.009	0.029	0.433***	0.006	-0.038	54.8%		205	0.000	6.9%	99.5%

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Table 73 : Capturing Subsequent Return: High Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(4.660)	(-1.297)	(0.288)	(18.440)	(1.468)	(-0.472)		0.56%				
GLS_EP	0.027*	0.027	-0.277	0.47***	2.246*	0.036	56.6%		205	0.000	28.6%	73.4%
	(2.257)	(0.201)	(-0.944)	(14.373)	(2.268)	(0.295)		0.54%				
FGHJ_RI	0.047***	-0.128	-0.012	0.444***	1.457	-0.120	55.8%		205	0.000	24.1%	71.4%
	(3.828)	(-0.963)	(-0.086)	(19.996)	(1.937)	(-1.592)		0.53%				
DKL_RW	0.019	0.034	-0.054	0.462***	0.012	-0.036	55.6%		205	0.000	17.7%	80.8%
	(0.957)	(0.717)	(-0.301)	(15.858)	(0.034)	(-0.391)		0.49%				
PE_EP	0.032***	-0.159	-0.104	0.473***	2.109**	0.134	56.8%		205	0.011	35.0%	70.9%
	(3.177)	(-0.354)	(-0.673)	(12.619)	(2.661)	(0.560)		0.49%				
FPM_HDZ	0.019	0.268***	0.084	0.44***	1.034***	0.075	56.1%		205	0.000	24.6%	69.0%
	(1.934)	(3.380)	(0.798)	(19.090)	(3.380)	(0.535)		0.47%				
TrES_RW_10Ind	0.041***	-1.792	0.065	0.447***	15.126	-0.164	55.8%		205	0.274	21.7%	77.3%
	(4.881)	(-0.703)	(0.412)	(14.621)	(1.022)	(-0.718)		0.45%				
TrES_RW_25SBM	0.041***	-0.089	0.001	0.446***	0.738	0.034	55.9%		205	0.718	9.4%	82.3%
	(4.937)	(-0.030)	(0.010)	(15.737)	(0.661)	(0.332)		0.44%				
3FF_Factor	0.021	0.470	0.830	0.349**	-18.195	0.641	55.6%		205	0.492	8.9%	40.4%
	(0.708)	(0.610)	(0.992)	(2.703)	(-0.702)	(0.717)		0.44%				
MPEG_HDZ	0.013	0.338**	0.130	0.445***	0.175	-0.071	56.2%		205	0.000	27.1%	71.9%
	(0.888)	(2.768)	(1.398)	(17.981)	(0.241)	(-1.152)		0.43%				

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Table 73 : Capturing Subsequent Return: High Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
PEG_RW	0.044**	-0.017	0.034	0.444***	0.349	-0.200	55.9%		205	0.000	23.7%	100.0%
	(3.043)	(-0.477)	(0.192)	(13.922)	(1.880)	(-1.792)		0.42%				
PEG_HDZ	0.023	0.231*	-0.041	0.47***	0.835	0.026	56.5%		205	0.000	19.2%	67.0%
	(1.483)	(2.152)	(-0.272)	(12.673)	(1.510)	(0.240)		0.35%				
GG_RI	0.033**	-0.700	-0.907	0.468***	2.949*	0.101	55.3%		205	0.111	28.6%	80.2%
	(2.950)	(-0.659)	(-0.872)	(15.803)	(2.139)	(0.275)		0.35%				
DKL_RI	0.027**	0.005	0.098	0.446***	0.287	-0.049	55%		205	0.000	30.0%	82.3%
	(2.697)	(0.075)	(0.677)	(18.400)	(1.180)	(-0.723)		0.33%				
HL_RI	0.026**	0.003	0.097	0.446***	0.287	-0.051	55%		205	0.000	29.6%	82.3%
	(2.595)	(0.037)	(0.672)	(18.378)	(1.182)	(-0.769)		0.32%				
GLS_RI	0.042***	-0.079	0.005	0.443***	3.008	-0.110	55.6%		205	0.000	27.1%	74.4%
	(3.944)	(-0.727)	(0.037)	(20.410)	(0.411)	(-1.658)		0.31%				
PEG_RI	0.034***	0.050	-0.034	0.458***	0.313	-0.111	54.7%		205	0.000	27.4%	100.0%
	(3.336)	(0.607)	(-0.225)	(14.035)	(1.674)	(-0.840)		0.27%				
FGHJ_EP	-0.142	2.714	4.697	0.220	-17.257	-1.785	56%		205	0.580	30.0%	77.8%
	(-0.716)	(0.879)	(0.877)	(0.828)	(-0.784)	(-0.889)		0.26%				
GM_RI	0.013	0.267*	0.068	0.441***	0.385	-0.139	55.6%		205	0.000	34.2%	74.3%
	(0.949)	(2.545)	(0.621)	(17.854)	(0.697)	(-1.970)		0.26%				
KMY_RI	0.025*	0.015	0.053	0.449***	0.327	-0.041	54.8%		205	0.000	28.1%	76.4%

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Table 73 : Capturing Subsequent Return: High Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(2.494)	(0.125)	(0.330)	(18.318)	(1.100)	(-0.555)		0.21%				
FPM_RI	0.046***	-0.026	0.171	0.454***	0.093	-0.212	55.7%		205	0.000	21.7%	89.2%
	(3.986)	(-0.581)	(1.794)	(18.754)	(1.432)	(-2.166)		0.20%				
WNG_Anlst	0.045***	0.006	-0.214	0.454***	-0.043	-0.178	54.5%		205	0.000	6.4%	99.0%
	(4.883)	(1.328)	(-0.690)	(15.809)	(-0.187)	(-1.892)		0.15%				
TrES_HDZ_25SBM	0.046***	0.004	-0.065	0.438***	0.001	-0.176	55.7%		205	0.000	3.4%	99.5%
	(5.579)	(1.054)	(-0.436)	(17.815)	(0.164)	(-1.390)		0.12%				
CT_RI	0.034***	0.029	0.127	0.435***	-0.014	-0.101	54.8%		205	0.000	11.8%	82.3%
	(3.691)	(0.765)	(0.752)	(17.596)	(-0.052)	(-0.923)		0.12%				
FPM_EP	0.025*	0.079***	0.153	0.43***	0.009	-0.134	55%		205	0.000	23.6%	97.0%
	(2.207)	(4.742)	(1.668)	(20.120)	(0.433)	(-1.689)		0.11%				
TrES_HDZ_10Ind	0.063***	-0.051	0.179	0.446***	-0.089	0.016	55.2%		205	0.000	21.2%	95.1%
	(4.394)	(-1.434)	(1.170)	(17.898)	(-1.518)	(0.132)		0.10%				
TrOHE_10Ind	0.034***	0.296**	0.074	0.449***	0.491	0.048	54.7%		205	0.000	19.2%	70.0%
	(3.689)	(3.078)	(0.623)	(16.852)	(1.002)	(0.434)		0.08%				
MPEG_RI	0.001	0.285*	0.096	0.446***	-4.211	-0.052	55.6%		205	0.000	31.7%	80.7%
	(0.067)	(2.443)	(1.055)	(18.133)	(-0.859)	(-0.803)		0.06%				
TrETSS_Anlst _25SBM	0.057***	-0.075	0.081	0.435***	0.079	-0.101	54.7%		205	0.000	7.4%	89.7%
	(6.155)	(-1.685)	(0.757)	(18.258)	(1.889)	(-0.998)		0.05%				

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Table 73 : Capturing Subsequent Return: High Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% %$\beta_{ICC}^{CS}=1$
FGHJ_RW	0.034***	0.030	0.102	0.443***	0.559	-0.127	54.3%		205	0.000	22.2%	81.4%
	(3.331)	(0.288)	(0.849)	(18.997)	(1.481)	(-1.528)		0.05%				
5FF_Factor	0.039***	0.251	0.186	0.442***	0.373	-0.090	55.3%		205	0.000	11.3%	44.8%
	(4.531)	(1.478)	(1.675)	(20.072)	(0.270)	(-0.989)		-0.04%				
TrES_EP_25SBM	0.033**	0.028	0.079	0.451***	-0.025	0.029	55.9%		205	0.000	5.9%	98.5%
	(2.756)	(1.027)	(0.765)	(15.366)	(-0.982)	(0.403)		-0.06%				
TrETSS_Anlst _10Ind	0.035***	0.055	-0.098	0.438***	-0.318	-0.197	54.3%		205	0.000	11.3%	81.8%
	(3.369)	(1.230)	(-0.334)	(16.007)	(-0.818)	(-1.056)		-0.17%				
CAPM_Factor	0.102	-4.565	0.153	0.448***	-10.730	0.141	55.3%		205	0.529	19.7%	24.1%
	(0.909)	(-0.518)	(0.905)	(13.740)	(-0.994)	(0.792)		-0.21%				
WNG_RW	0.05***	0.000	0.029	0.436***	-0.006	-0.294	54.5%		205	0.000	3.9%	99.5%
	(5.854)	(-1.528)	(0.298)	(19.372)	(-1.030)	(-2.203)		-0.21%				
TrETSS_RI_10Ind	0.04***	-0.034	0.074	0.442***	0.082	-0.022	54.8%		205	0.000	14.3%	97.0%
	(5.021)	(-2.803)	(0.633)	(19.553)	(1.405)	(-0.241)		-0.30%				
TrETSS_EP_25SBM	0.04***	0.000	-0.027	0.451***	0.014	-0.514	54.2%		205	0.000	7.9%	99.5%
	(3.626)	(-0.079)	(-0.140)	(15.946)	(1.438)	(-1.070)		-0.31%				
TrOHE_25SBM	0.045***	0.093	0.090	0.436***	-0.078	0.015	54.1%		205	0.000	12.3%	87.7%
	(5.691)	(1.893)	(0.822)	(18.901)	(-1.837)	(0.214)		-0.37%				
WNG_RI	0.049***	0.000	0.070	0.454***	0.150	-0.158	55.1%		205	0.000	4.0%	99.0%

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Table 73 : Capturing Subsequent Return: High Value Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
	(5.545)	(0.062)	(0.451)	(15.476)	(1.757)	(-1.140)		-0.56%				
TrETSS_HDZ_10Ind	0.048***	-0.062	0.386	0.421***	-0.034	-0.063	54.4%		205	0.000	10.8%	86.7%
	(5.314)	(-1.280)	(1.662)	(19.367)	(-0.326)	(-0.495)		-0.56%				
GLS_RW	0.052	0.002	0.074	0.453***	0.289	-0.091	53.9%		205	0.000	13.8%	85.2%
	(1.651)	(0.037)	(0.515)	(16.304)	(0.584)	(-1.296)		-0.56%				
Carhart_Factor	0.043***	-0.010	0.067	0.453***	2.275	-0.133	54.2%		205	0.000	7.4%	60.1%
	(4.787)	(-0.134)	(0.468)	(15.493)	(1.716)	(-0.880)		-0.63%				
WNG_HDZ	0.043***	-0.001	0.039	0.472***	0.331	-0.098	54.5%		205	0.000	1.0%	99.5%
	(4.140)	(-0.742)	(0.251)	(15.725)	(1.485)	(-1.139)		-0.64%				
TrETSS_HDZ_25SBM	0.049***	0.008	0.105	0.421***	0.004	-0.080	54.1%		205	0.000	11.3%	93.6%
	(6.087)	(0.458)	(1.075)	(19.135)	(0.120)	(-0.863)		-0.65%				
TrETSS_RI_25SBM	0.047***	0.003	0.083	0.435***	-0.014	-0.179	53.7%		205	0.000	7.9%	96.1%
	(6.066)	(0.298)	(0.731)	(20.148)	(-0.989)	(-2.023)		-0.67%				
TrETSS_EP_10Ind	0.028	0.034	0.013	0.462***	-0.035	-0.191	54%		205	0.000	13.3%	97.5%
	(1.916)	(1.840)	(0.103)	(15.302)	(-0.867)	(-1.254)		-0.70%				

For the highest quartile of firms in terms of value, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in

subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 74 : Capturing Subsequent Return: Low Price Momentum Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TPDPS_Anlst	0.033**	0.154***	0.299*	0.413***	0.061*	-0.047	64.5%	8.76%	205	0.000	54.7%	93.4%
	(3.037)	(6.254)	(1.971)	(12.350)	(2.225)	(-0.457)						
TPDPS_HDZ	0.031**	0.149***	0.306*	0.408***	0.058*	-0.029	64.3%	8.67%	205	0.000	56.9%	93.4%
	(2.929)	(6.235)	(2.025)	(12.279)	(2.191)	(-0.282)						
Naive	0.038***	0.147***	0.307	0.413***	0.062*	-0.048	64.2%	8.51%	205	0.000	53.6%	93.4%
	(3.504)	(5.976)	(1.914)	(12.197)	(2.253)	(-0.479)						
TPDPS_RI	0.037***	0.091***	0.263	0.392***	0.071**	-0.058	62.6%	7.10%	205	0.000	49.7%	95.6%
	(3.435)	(4.603)	(1.691)	(12.011)	(2.902)	(-0.575)						
BP_Anlst	0.001	1.07***	0.35*	0.415***	0.243	0.071	61.5%	6.83%	205	0.525	55.8%	38.7%
	(0.140)	(9.665)	(2.028)	(11.871)	(1.614)	(0.740)						
BP_HDZ	0.021	0.982***	0.231	0.342***	0.46*	-0.131	61.3%	6.53%	205	0.894	55.2%	37.6%
	(0.978)	(7.365)	(1.064)	(4.535)	(2.095)	(-0.535)						
TPDPS_EP	0.038***	0.085***	0.247	0.381***	0.06*	-0.056	61.4%	6.06%	205	0.000	50.8%	97.2%
	(3.434)	(4.319)	(1.874)	(11.657)	(2.492)	(-0.556)						
BP_RI	0.032	0.646***	0.172	0.33***	0.551*	-0.140	60%	5.35%	205	0.004	45.9%	39.8%
	(1.461)	(5.387)	(0.763)	(4.380)	(2.547)	(-0.583)						
BP_EP	0.032	0.574***	0.063	0.329***	0.546*	-0.158	59.5%	4.95%	205	0.000	45.9%	43.6%
	(1.450)	(4.935)	(0.316)	(4.382)	(2.503)	(-0.651)						

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Table 74 : Capturing Subsequent Return: Low Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% %$\beta_{ICC}^{CS} = 1$
TPDPS_RW	0.049***	0.073***	0.016	0.392***	0.026	-0.024	60%	4.92%	205	0.000	39.8%	96.7%
	(4.409)	(4.285)	(0.140)	(11.971)	(0.555)	(-0.272)						
BP_RW	0.040	0.582***	0.133	0.326***	0.5*	-0.180	59.1%	4.89%	205	0.001	38.1%	48.1%
	(1.789)	(4.625)	(0.561)	(4.314)	(2.254)	(-0.746)						
PE_Anlst	0.011	0.663**	0.033	0.334***	0.401	-0.233	58.3%	4.23%	205	0.161	44.2%	29.3%
	(0.564)	(2.771)	(0.120)	(6.703)	(0.747)	(-1.531)						
DKL_HDZ	0.016	0.279*	0.045	0.38***	0.88*	0.007	57.3%	3.27%	205	0.000	22.7%	62.4%
	(1.275)	(2.093)	(0.359)	(10.380)	(2.208)	(0.058)						
GLS_HDZ	0.050	0.505**	-0.096	0.231	4.012	-0.425	57%	3.12%	205	0.006	27.6%	55.2%
	(1.326)	(2.837)	(-0.265)	(1.768)	(1.428)	(-0.875)						
GM_Anlst	-0.007	0.338	0.130	0.429***	-0.724	0.180	55.9%	3.09%	205	0.008	26.0%	40.9%
	(-0.440)	(1.362)	(0.508)	(6.249)	(-0.553)	(1.036)						
MPEG_Anlst	0.008	0.296***	-0.122	0.399***	0.049	0.080	55.9%	3.00%	205	0.000	24.9%	47.5%
	(0.613)	(3.577)	(-1.126)	(11.724)	(0.118)	(0.971)						
HL_HDZ	0.027	-0.123	-0.006	0.462***	-0.381	0.157	56.8%	2.99%	205	0.001	22.7%	68.0%
	(0.760)	(-0.380)	(-0.017)	(4.182)	(-0.314)	(0.413)						
FGHJ_HDZ	-4.975	-27.434	45.173	20.774	-454.913	77.891	56.7%	2.94%	205	0.398	25.4%	60.8%
	(-0.827)	(-0.817)	(0.828)	(0.844)	(-0.826)	(0.827)						
PE_HDZ	0.025*	0.226*	-0.021	0.398***	0.862*	-0.053	57.2%	2.85%	205	0.000	34.3%	56.9%

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Table 74 : Capturing Subsequent Return: Low Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(2.205)	(2.440)	(-0.211)	(10.639)	(2.485)	(-0.490)						
GM_RI	0.024*	0.127	-0.068	0.384***	-3.109	0.010	55.7%	2.74%	205	0.000	27.5%	69.7%
	(2.136)	(1.749)	(-0.538)	(13.965)	(-0.985)	(0.149)						
KMY_HDZ	0.036	-0.098	-0.203	0.436***	0.449	-0.061	56.6%	2.70%	205	0.003	24.3%	60.2%
	(1.292)	(-0.269)	(-0.624)	(6.981)	(0.709)	(-0.267)						
GLS_Anlst	-0.037	0.826***	-0.080	0.361***	1.223*	-0.204	56.7%	2.65%	205	0.296	30.4%	39.2%
	(-1.960)	(4.988)	(-0.528)	(8.618)	(2.559)	(-1.552)						
FPM_Anlst	-0.012	0.655	0.312	0.351***	-3.464	0.246	55.1%	2.64%	205	0.377	26.0%	29.3%
	(-0.442)	(1.681)	(1.049)	(5.013)	(-1.104)	(1.053)						
TrES_RW_10Ind	0.053***	1.280	0.052	0.369***	-3.970	0.046	55.3%	2.58%	205	0.875	11.0%	85.1%
	(4.347)	(0.721)	(0.215)	(12.090)	(-0.989)	(0.317)						
DKL_Anlst	-0.008	0.747*	0.116	0.321***	0.927*	-0.017	56.5%	2.51%	205	0.457	29.8%	37.6%
	(-0.234)	(2.202)	(0.454)	(5.101)	(2.027)	(-0.112)						
FGHJ_Anlst	-0.066	0.966***	-0.024	0.368***	1.186*	-0.215	56.5%	2.50%	205	0.887	29.3%	40.3%
	(-1.940)	(4.023)	(-0.151)	(8.685)	(2.303)	(-1.681)						
CT_HDZ	0.026*	0.114	-0.064	0.403***	1.547**	-0.058	57.2%	2.50%	205	0.000	25.4%	65.2%
	(2.390)	(1.151)	(-0.474)	(10.479)	(3.058)	(-0.511)						
HL_Anlst	0.010	0.501***	0.155	0.328***	0.457	-0.010	56.3%	2.45%	205	0.000	29.3%	38.7%
	(0.447)	(3.780)	(0.651)	(5.543)	(0.857)	(-0.063)						

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Table 74 : Capturing Subsequent Return: Low Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
PE_RI	0.023	0.169	-0.039	0.393***	0.482	-0.001	56%	2.36%	205	0.000	32.6%	76.2%
	(1.780)	(1.638)	(-0.286)	(9.033)	(0.633)	(-0.018)						
PE_EP	0.023*	0.502***	-0.127	0.373***	1.899	-0.119	56%	2.31%	205	0.002	33.1%	80.7%
	(2.142)	(3.250)	(-1.208)	(11.275)	(1.889)	(-1.316)						
HL_RI	-0.015	0.119	0.125	0.541*	-0.393	0.456	54.2%	2.18%	205	0.000	22.1%	78.5%
	(-0.340)	(1.797)	(0.298)	(2.523)	(-0.871)	(0.808)						
DKL_RI	-0.013	0.113	0.103	0.548*	-0.431	0.483	54.2%	2.16%	205	0.000	17.7%	79.6%
	(-0.300)	(1.729)	(0.241)	(2.524)	(-0.963)	(0.858)						
MPEG_RI	-0.007	0.080	0.176	0.53**	7.270	0.263	55.6%	2.05%	205	0.000	28.4%	75.6%
	(-0.212)	(1.578)	(0.530)	(3.054)	(0.503)	(0.881)						
CT_Anlst	-0.002	0.7***	0.218	0.329***	0.571	-0.036	56.2%	2.04%	205	0.126	29.3%	39.8%
	(-0.069)	(3.592)	(0.917)	(5.745)	(1.109)	(-0.258)						
GG_HDZ	0.032	-0.018	-0.199	0.432***	1.911***	-0.108	56.4%	1.98%	205	0.001	22.1%	55.2%
	(1.729)	(-0.061)	(-0.747)	(7.656)	(3.208)	(-0.531)						
WNG_RW	0.045***	-0.002	-0.164	0.344***	-0.005	-0.007	53.9%	1.92%	205	0.000	3.4%	100.0%
	(4.119)	(-0.847)	(-1.531)	(13.469)	(-0.457)	(-0.092)						
TrES_RI_25SBM	0.048***	0.005	-0.244	0.376***	-0.004	-0.062	53.8%	1.79%	205	0.000	10.5%	98.9%
	(3.641)	(0.889)	(-2.147)	(11.391)	(-0.926)	(-0.783)						
FPM_HDZ	0.044	0.114	-0.137	0.35***	0.756	-0.048	54.9%	1.71%	205	0.000	19.9%	51.9%

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Table 74 : Capturing Subsequent Return: Low Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
	(1.883)	(0.632)	(-1.143)	(9.131)	(1.091)	(-0.480)						
KMY_EP	-0.002	0.212***	-0.165	0.483***	-0.554	0.284	54.5%	1.69%	205	0.000	26.5%	70.7%
	(-0.064)	(3.292)	(-0.544)	(3.460)	(-0.710)	(0.635)						
GM_HDZ	0.041***	-0.023	-0.023	0.403***	1.145***	0.026	54.4%	1.68%	205	0.000	17.1%	64.6%
	(3.462)	(-0.241)	(-0.176)	(8.929)	(3.186)	(0.191)						
TrES_RI_10Ind	0.058***	0.000	-0.015	0.426***	-0.019	0.053	53.8%	1.68%	205	0.000	12.2%	97.2%
	(3.634)	(-0.008)	(-0.050)	(5.581)	(-0.948)	(0.325)						
HL_EP	0.010	0.048	0.168	0.497***	0.207	0.387	54.4%	1.66%	205	0.000	23.2%	76.8%
	(0.336)	(0.415)	(0.457)	(3.629)	(0.293)	(0.869)						
WNG_RI	0.036***	-0.008	-0.163	0.393***	0.003	0.020	54%	1.65%	205	0.000	3.4%	100.0%
	(3.138)	(-0.875)	(-1.481)	(10.995)	(0.056)	(0.242)						
GG_RW	0.029	-0.070	-0.229	0.431***	2.513*	-0.099	55.9%	1.65%	205	0.001	22.2%	65.3%
	(1.477)	(-0.231)	(-0.826)	(7.352)	(2.367)	(-0.466)						
KMY_Anlst	-0.081	0.481	-0.209	0.494***	0.469	-0.225	54.5%	1.56%	205	0.061	22.7%	53.6%
	(-0.832)	(1.743)	(-0.969)	(3.733)	(1.723)	(-1.433)						
PEG_HDZ	0.049***	-0.023	-0.028	0.387***	0.326	0.052	55%	1.47%	205	0.000	11.6%	68.5%
	(4.427)	(-0.374)	(-0.231)	(9.193)	(0.444)	(0.395)						
MPEG_HDZ	0.04***	0.043	-0.042	0.394***	0.501	0.019	54.7%	1.46%	205	0.000	16.0%	70.7%
	(3.722)	(0.742)	(-0.360)	(9.914)	(1.126)	(0.161)						

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Table 74 : Capturing Subsequent Return: Low Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
GG_Anlst	-0.081	0.273	-0.192	0.469**	0.287	-0.226	53.7%	1.41%	205	0.000	19.3%	69.6%
	(-0.723)	(1.735)	(-1.151)	(2.852)	(1.524)	(-1.313)						
GG_EP	0.021	0.284	-0.020	0.379***	0.378	0.130	55%	1.40%	205	0.170	20.0%	70.0%
	(1.835)	(0.547)	(-0.142)	(9.304)	(0.343)	(1.029)						
WNG_EP	0.051***	-0.014	-0.687	0.442***	0.002	0.120	54.1%	1.34%	205	0.000	3.9%	98.3%
	(3.799)	(-2.027)	(-1.080)	(7.300)	(0.148)	(0.937)						
TrES_Anlst _25SBM	0.057***	-0.001	-0.342	0.352***	0.003	-0.120	53.4%	1.21%	205	0.000	7.7%	97.8%
	(5.355)	(-0.108)	(-1.421)	(12.321)	(0.289)	(-1.130)						
PEG_EP	0.037	0.032	-0.026	0.326***	0.424	0.030	55.1%	1.21%	205	0.000	24.1%	97.6%
	(1.818)	(0.733)	(-0.076)	(5.302)	(1.503)	(0.210)						
CT_EP	0.051	-0.681	0.471	0.524**	2.962	0.387	54.1%	1.12%	205	0.063	16.6%	81.8%
	(0.813)	(-0.758)	(0.836)	(2.940)	(0.851)	(0.814)						
DKL_EP	0.004	0.097	0.090	0.501***	0.061	0.355	53.7%	1.07%	205	0.000	22.1%	72.9%
	(0.129)	(1.182)	(0.250)	(3.394)	(0.112)	(0.790)						
MPEG_RW	0.054*	0.113	-0.355	0.333***	0.379	-0.328	54.2%	1.04%	205	0.000	9.1%	95.4%
	(2.575)	(1.312)	(-1.703)	(4.595)	(1.857)	(-1.277)						
GM_EP	0.019	-0.023	-0.116	0.383***	0.953***	-0.006	54.4%	1.00%	205	0.000	25.0%	83.9%
	(1.460)	(-0.300)	(-0.580)	(12.080)	(3.724)	(-0.074)						
KMY_RW	0.015	0.077	-0.316	0.342***	1.694	-0.175	53.4%	0.99%	205	0.000	6.6%	86.2%

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Table 74 : Capturing Subsequent Return: Low Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(0.397)	(0.870)	(-1.278)	(6.474)	(0.933)	(-1.279)						
HL_RW	0.016	0.092	-0.275	0.339***	1.616	-0.183	53.4%	0.98%	205	0.000	7.7%	88.4%
	(0.408)	(1.059)	(-1.129)	(6.456)	(0.890)	(-1.337)						
PEG_RI	0.049*	-0.027	0.015	0.32***	0.486*	0.077	54%	0.84%	205	0.000	16.0%	98.7%
	(2.491)	(-0.282)	(0.060)	(5.222)	(2.456)	(0.604)						
TrOHE_25SBM	0.058***	0.151**	-0.091	0.338***	-0.024	-0.168	52.5%	0.84%	205	0.000	14.4%	77.3%
	(3.293)	(2.799)	(-0.411)	(5.194)	(-0.574)	(-1.060)						
PEG_Anlst	0.011	0.179	-0.248	0.421***	-0.179	0.056	54.3%	0.81%	205	0.000	12.7%	59.7%
	(0.408)	(1.497)	(-1.803)	(8.522)	(-0.297)	(0.705)						
GG_RI	0.028*	0.168	0.088	0.399***	0.081	-0.013	54.2%	0.78%	205	0.000	20.6%	73.5%
	(2.206)	(1.506)	(0.577)	(8.961)	(0.082)	(-0.126)						
TrETSS_RW_25SBM	0.045***	-0.004	-0.136	0.386***	-0.014	0.013	54.1%	0.77%	205	0.000	8.8%	98.9%
	(4.418)	(-0.621)	(-1.409)	(13.916)	(-0.879)	(0.171)						
FGHJ_EP	-4.953	-27.603	44.994	20.747	-453.327	77.881	54.3%	0.74%	205	0.395	27.6%	80.1%
	(-0.824)	(-0.822)	(0.825)	(0.843)	(-0.823)	(0.827)						
KMY_RI	0.019	0.092	0.224	0.484*	0.646	0.413	53.6%	0.63%	205	0.000	18.2%	70.2%
	(0.350)	(0.989)	(0.538)	(2.126)	(0.686)	(0.725)						
GM_RW	0.024*	0.018	-0.105	0.385***	0.556**	-0.077	54.7%	0.62%	205	0.000	15.8%	91.2%
	(2.012)	(0.739)	(-0.557)	(9.648)	(2.595)	(-0.802)						

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Table 74 : Capturing Subsequent Return: Low Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% %$\beta_{ICC}^{CS} = 1$
TrES_RW_25SBM	-0.011	-1.712	-0.265	0.495**	1.002	0.032	54%	0.55%	205	0.110	2.2%	84.0%
	(-0.158)	(-1.013)	(-1.568)	(3.028)	(0.883)	(0.224)						
MPEG_EP	-0.001	0.022	-0.068	0.429***	0.799***	0.155	54.2%	0.55%	205	0.000	27.1%	83.4%
	(-0.046)	(0.473)	(-0.317)	(6.459)	(3.152)	(0.866)						
FGHJ_RI	-4.948	-27.604	45.113	20.743	-464.033	77.964	52.6%	0.50%	205	0.395	24.3%	71.8%
	(-0.823)	(-0.822)	(0.827)	(0.842)	(-0.842)	(0.828)						
TrETSS_EP_25SBM	0.031	-0.004	0.057	0.438***	-0.006	0.136	53.1%	0.48%	205	0.000	7.7%	97.8%
	(1.727)	(-0.838)	(0.278)	(6.265)	(-0.516)	(0.721)						
DKL_RW	0.002	0.136	-0.264	0.341***	1.702	-0.149	53.5%	0.46%	205	0.000	12.7%	85.1%
	(0.059)	(1.493)	(-0.991)	(6.371)	(0.937)	(-1.107)						
PE_RW	0.036	0.063	-0.066	0.39***	-2.028	0.020	54.6%	0.44%	205	0.000	13.3%	86.7%
	(1.916)	(1.245)	(-0.314)	(12.080)	(-0.922)	(0.234)						
CT_RW	0.017	0.107	-0.108	0.386***	0.544	-0.027	54.5%	0.42%	205	0.000	18.1%	71.3%
	(1.171)	(1.253)	(-0.485)	(9.495)	(0.646)	(-0.275)						
GLS_EP	0.051	0.333*	-0.499	0.276*	6.436	-0.447	53.9%	0.42%	205	0.000	24.3%	75.1%
	(1.506)	(2.116)	(-1.610)	(2.268)	(1.801)	(-0.945)						
FPM_EP	0.080	0.052*	-0.146	0.507**	-0.033	0.064	52.4%	0.36%	205	0.000	17.1%	89.5%
	(1.180)	(2.297)	(-1.419)	(3.067)	(-0.880)	(0.422)						
GLS_RW	0.286	-0.310	0.467	0.382***	-0.617	0.087	52.9%	0.35%	205	0.000	6.6%	84.5%

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Table 74 : Capturing Subsequent Return: Low Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(1.158)	(-1.079)	(0.701)	(6.774)	(-1.094)	(0.934)						
3FF_Factor	0.065***	-0.414	-0.092	0.332***	6.847*	-0.083	53.4%	0.31%	205	0.000	7.7%	28.2%
	(4.838)	(-2.206)	(-0.852)	(7.778)	(2.462)	(-0.607)						
TrOHE_10Ind	0.05***	0.151	-0.300	0.346***	0.346	-0.157	52.5%	0.30%	205	0.000	13.8%	50.8%
	(3.097)	(1.778)	(-2.182)	(7.104)	(1.108)	(-1.170)						
TrES_EP_10Ind	0.056***	-0.002	-0.154	0.371***	-0.005	-0.025	52.9%	0.21%	205	0.000	11.6%	95.0%
	(5.208)	(-0.179)	(-1.993)	(12.547)	(-0.259)	(-0.406)						
GLS_RI	0.060	0.287	-0.322	0.27*	20.721	-0.432	52.9%	0.20%	205	0.000	23.2%	75.7%
	(1.778)	(1.862)	(-1.091)	(2.219)	(0.870)	(-0.913)						
FPM_RI	0.025*	0.100	-0.128	0.366***	-0.662	-0.064	52.3%	0.19%	205	0.000	16.0%	76.8%
	(2.104)	(1.185)	(-1.225)	(11.820)	(-0.637)	(-0.887)						
TrES_Anlst _10Ind	0.054***	0.033*	-0.197	0.345***	-0.033	-0.164	54.2%	0.19%	205	0.000	14.4%	92.3%
	(3.888)	(2.084)	(-1.323)	(10.978)	(-0.811)	(-1.460)						
TrETSS_Anlst _25SBM	0.071***	-0.018	-0.256	0.39***	0.020	-0.041	52.8%	0.18%	205	0.000	5.0%	91.2%
	(4.820)	(-0.415)	(-1.340)	(12.790)	(0.739)	(-0.555)						
TrETSS_Anlst _10Ind	0.034***	0.16**	-0.186	0.405***	-0.006	-0.007	54.2%	0.16%	205	0.000	9.9%	69.6%
	(3.403)	(2.587)	(-1.367)	(12.728)	(-0.049)	(-0.096)						
TrETSS_HDZ_25SBM	0.05***	0.001	-0.152	0.404***	0.003	0.031	53.5%	0.14%	205	0.000	9.4%	90.6%
	(5.018)	(0.029)	(-1.643)	(12.199)	(0.081)	(0.334)						

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Table 74 : Capturing Subsequent Return: Low Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TrES_HDZ_10Ind	0.078***	-0.002	-0.266	0.333***	0.004	-0.095	52.5%	0.10%	205	0.000	14.4%	96.7%
	(3.990)	(-0.179)	(-2.045)	(6.549)	(0.264)	(-0.776)						
Carhart_Factor	-0.054	-0.453	0.860	0.732	-6.113	1.441	53%	0.07%	205	0.000	6.1%	35.9%
	(-0.367)	(-1.744)	(0.908)	(1.453)	(-0.658)	(0.859)						
TrETSS_RI_25SBM	0.04*	-0.011	-0.240	0.449***	-0.011	0.114	53.5%	0.07%	205	0.000	6.1%	96.7%
	(2.198)	(-1.226)	(-1.102)	(6.181)	(-0.609)	(0.578)						
CT_RI	-0.022	-0.056	0.100	0.607**	2.531	0.388	52.2%	0.05%	205	0.000	6.6%	86.7%
	(-0.391)	(-0.760)	(0.192)	(2.621)	(0.847)	(0.676)						
PEG_RW	0.002	0.035	-0.319	0.383***	2.074	-0.070	53.8%	0.04%	205	0.000	11.6%	100.0%
	(0.057)	(0.813)	(-0.937)	(8.754)	(0.700)	(-0.546)						
5FF_Factor	0.059***	-0.150	-0.097	0.346***	-0.268	-0.048	53.1%	0.02%	205	0.000	8.8%	27.1%
	(4.662)	(-0.841)	(-0.937)	(9.550)	(-0.138)	(-0.415)						
CAPM_Factor	-0.027	5.806	0.102	0.329***	-5.275	0.163	53.2%	-0.04%	205	0.818	12.2%	19.3%
	(-0.086)	(0.278)	(0.444)	(5.645)	(-0.224)	(1.110)						
WNG_Anlst	0.058**	0.041	-0.043	0.342***	0.002	-0.027	52.3%	-0.07%	205	0.000	9.9%	91.7%
	(2.833)	(1.062)	(-0.216)	(6.532)	(0.016)	(-0.315)						
FGHJ_RW	-4.934	-27.792	44.813	20.797	-456.163	77.931	52.7%	-0.16%	205	0.406	11.1%	83.6%
	(-0.798)	(-0.805)	(0.798)	(0.821)	(-0.805)	(0.805)						
TrES_HDZ_25SBM	0.055***	0.005	0.180	0.37***	-0.010	0.071	51.9%	-0.31%	205	0.000	5.5%	97.8%

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Table 74 : Capturing Subsequent Return: Low Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(4.839)	(0.343)	(0.441)	(11.003)	(-0.736)	(0.456)						
FPM_RW	0.053**	0.037	-0.286	0.316***	0.068	-0.119	52.7%	-0.45%	205	0.000	8.3%	83.4%
	(2.770)	(1.582)	(-1.806)	(5.403)	(0.918)	(-0.803)						
TrETSS_RW_10Ind	-0.028	-0.036	0.031	0.609*	0.008	0.574	52.7%	-0.58%	205	0.000	6.6%	92.8%
	(-0.319)	(-1.631)	(0.056)	(2.176)	(0.038)	(0.739)						
TrES_EP_25SBM	0.052***	0.003	-0.185	0.346***	-0.002	-0.089	51.4%	-0.74%	205	0.000	6.6%	97.8%
	(4.864)	(0.610)	(-2.185)	(9.597)	(-0.329)	(-0.815)						
WNG_HDZ	0.046***	0.000	-0.474	0.371***	0.198	-0.153	52.1%	-0.82%	205	0.000	0.6%	99.4%
	(3.919)	(-1.557)	(-1.006)	(11.705)	(0.609)	(-0.934)						
TrETSS_EP_10Ind	-0.019	-0.007	0.240	0.61*	-0.072	0.532	51.3%	-1.12%	205	0.000	7.2%	98.3%
	(-0.230)	(-0.702)	(0.509)	(2.327)	(-0.888)	(0.768)						
TrETSS_HDZ_10Ind	0.056***	0.000	0.028	0.373***	0.022	-0.037	51%	-1.18%	205	0.000	8.8%	89.5%
	(5.193)	(0.016)	(0.137)	(14.141)	(0.333)	(-0.415)						
TrETSS_RI_10Ind	0.067**	0.003	-0.280	0.307***	0.029	-0.175	51%	-1.31%	205	0.000	13.8%	95.0%
	(2.905)	(0.221)	(-1.729)	(4.182)	(0.858)	(-0.835)						

For the lowest quartile of firms in terms of price momentum, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much

of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 75 : Capturing Subsequent Return: High Price Momentum Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
TPDPS_Anlst	-0.026	0.185***	0.346*	0.419***	0.084	0.029	67.1%		205	0.000	45.6%	94.6%
	(-2.086)	(3.872)	(2.365)	(10.656)	(1.525)	(0.553)		6.25%				
Naive	-0.016	0.154**	0.311*	0.415***	0.079	0.036	66.8%		205	0.000	45.6%	94.6%
	(-1.356)	(3.054)	(2.133)	(10.729)	(1.666)	(0.709)		6.07%				
TPDPS_HDZ	-0.025	0.152*	0.314*	0.379***	0.134*	0.094	66.8%		205	0.000	44.2%	94.6%
	(-1.663)	(2.272)	(2.204)	(8.756)	(2.161)	(1.383)		6.03%				
BP_HDZ	-0.015	0.655***	0.278	0.48***	0.529**	0.120	66.3%		205	0.008	46.3%	49.7%
	(-1.370)	(5.090)	(1.638)	(9.845)	(2.944)	(1.821)		5.83%				
BP_Anlst	-0.013	0.719***	0.269	0.495***	0.493**	0.116	65.9%		205	0.038	46.3%	51.0%
	(-1.176)	(5.372)	(1.649)	(8.513)	(2.897)	(1.764)		5.42%				
TPDPS_EP	-0.014	0.070	0.295	0.43***	0.152*	0.120	65.6%		205	0.000	42.9%	97.3%
	(-1.268)	(1.879)	(1.929)	(11.785)	(2.532)	(1.457)		5.29%				
TPDPS_RI	-0.019	0.096	0.286*	0.407***	0.127*	0.128	64.8%		205	0.000	34.0%	96.6%
	(-1.405)	(1.742)	(2.184)	(10.165)	(2.174)	(1.535)		4.17%				
TPDPS_RW	-0.020	0.041	0.391***	0.403***	0.117**	0.079	64.7%		205	0.000	33.3%	98.0%
	(-1.744)	(1.639)	(3.320)	(11.918)	(2.942)	(1.454)		4.07%				
BP_EP	-0.012	0.441***	0.309*	0.519***	0.502**	0.126	64%		205	0.000	41.5%	55.1%
	(-1.083)	(4.544)	(1.974)	(8.024)	(2.909)	(1.867)		4.03%				

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Table 75 : Capturing Subsequent Return: High Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
BP_RW	-0.009	0.543***	0.217	0.514***	0.377*	0.111	63.6%		205	0.000	38.8%	54.4%
	(-0.781)	(5.456)	(1.290)	(8.799)	(2.051)	(1.768)		3.89%				
BP_RI	-0.010	0.42***	0.284	0.518***	0.498**	0.127	63.4%		205	0.000	37.4%	53.7%
	(-0.914)	(4.404)	(1.736)	(8.004)	(2.819)	(1.799)		3.23%				
3FF_Factor	-0.011	1.337	0.412	0.468***	7.601	0.161	61.1%		205	0.800	8.2%	22.4%
	(-0.609)	(1.009)	(0.340)	(5.664)	(0.684)	(1.224)		2.59%				
PE_Anlst	-0.024	0.621**	0.225	0.48***	1.364**	0.049	62.7%		205	0.066	30.6%	29.3%
	(-1.434)	(3.040)	(0.913)	(8.369)	(2.796)	(0.683)		1.98%				
PE_HDZ	-0.002	0.164	0.205	0.457***	1.365***	0.062	61%		205	0.000	15.6%	42.9%
	(-0.108)	(1.478)	(1.698)	(9.511)	(3.690)	(0.923)		1.85%				
CT_Anlst	-0.053	0.666***	0.424***	0.48***	0.629	0.081	62%		205	0.059	20.4%	32.7%
	(-3.008)	(3.786)	(3.225)	(8.861)	(0.870)	(1.159)		1.72%				
TrETSS_RW_10Ind	0.000	-0.067	0.231	0.388***	-0.156	0.029	60.3%		205	0.000	6.1%	93.2%
	(-0.001)	(-0.836)	(1.441)	(9.598)	(-0.989)	(0.381)		1.72%				
GM_Anlst	-0.017	0.137	0.182	0.437***	0.844	0.061	61.5%		205	0.000	12.9%	38.8%
	(-1.037)	(0.995)	(1.008)	(9.584)	(1.326)	(0.978)		1.60%				
PEG_RW	0.023	-0.039	0.423	0.392***	1.168	0.315	60.6%		205	0.000	12.9%	100.0%
	(0.252)	(-0.259)	(0.989)	(6.488)	(0.856)	(0.852)		1.53%				
FPM_Anlst	-0.025	0.294	0.244	0.466***	0.659	0.064	61.2%		205	0.002	7.5%	23.8%

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Table 75 : Capturing Subsequent Return: High Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(-1.173)	(1.341)	(1.087)	(8.575)	(1.101)	(0.829)		1.45%				
KMY_HDZ	-0.012	0.131	0.358*	0.437***	1.692**	0.072	60.7%		205	0.000	14.3%	50.3%
	(-0.751)	(1.040)	(2.136)	(9.213)	(2.798)	(1.116)		1.38%				
CT_HDZ	-0.008	0.089	0.347	0.428***	1.57***	0.073	60.7%		205	0.000	15.6%	53.7%
	(-0.384)	(0.542)	(1.906)	(9.027)	(3.454)	(1.132)		1.34%				
CAPM_Factor	0.005	0.052	0.063	0.461***	5.153	0.047	60.7%		205	0.896	15.0%	18.4%
	(0.043)	(0.007)	(0.308)	(8.208)	(0.476)	(0.612)		1.31%				
TrES_HDZ_25SBM	-0.005	0.018	0.107	0.343***	-0.008	-0.018	60%		205	0.000	6.8%	98.6%
	(-0.419)	(1.386)	(0.843)	(7.895)	(-0.758)	(-0.295)		1.31%				
TrES_RW_25SBM	0.003	0.234	0.182	0.413***	-0.010	0.017	59.2%		205	0.029	4.8%	93.2%
	(0.247)	(0.674)	(1.100)	(9.844)	(-0.350)	(0.270)		1.28%				
GG_EP	-0.010	0.006	0.297	0.486***	1.301	0.115	60.2%		205	0.000	17.6%	64.7%
	(-0.654)	(0.028)	(1.916)	(7.413)	(1.647)	(1.513)		1.25%				
TrETSS_RI_10Ind	0.010	-0.010	0.221	0.367***	0.086	0.046	59.6%		205	0.000	4.8%	91.8%
	(0.664)	(-0.267)	(1.144)	(10.731)	(1.222)	(0.641)		1.22%				
GG_HDZ	0.007	0.055	0.395*	0.446***	2.227***	0.068	61.1%		205	0.000	18.4%	49.7%
	(0.371)	(0.328)	(2.427)	(9.185)	(3.660)	(0.964)		1.21%				
PE_EP	0.012	0.175	0.046	0.44***	0.420	0.098	59.9%		205	0.004	15.0%	78.9%
	(0.563)	(0.626)	(0.337)	(6.566)	(0.777)	(1.179)		1.18%				

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Table 75 : Capturing Subsequent Return: High Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
HL_HDZ	-0.015	0.083	0.361	0.444***	1.069	0.076	60.3%		205	0.000	12.9%	55.1%
	(-0.910)	(0.639)	(1.677)	(9.121)	(1.643)	(1.134)		1.17%				
TrETSS_HDZ_25SBM	-0.003	0.020	0.113	0.42***	-0.022	0.055	59.6%		205	0.000	8.8%	91.8%
	(-0.287)	(0.709)	(0.804)	(8.553)	(-0.594)	(0.788)		1.14%				
TrES_Anlst _25SBM	-0.003	0.012	0.158	0.334***	0.028	0.088	58.8%		205	0.000	6.8%	97.3%
	(-0.309)	(0.440)	(1.094)	(11.808)	(1.185)	(1.368)		1.13%				
HL_EP	0.007	-0.252	0.459	0.388***	1.585	0.061	60%		205	0.018	15.8%	74.7%
	(0.179)	(-0.484)	(0.998)	(11.186)	(1.040)	(0.873)		1.11%				
5FF_Factor	0.008	-0.063	0.259	0.512***	-0.752	0.045	59.7%		205	0.000	9.5%	27.2%
	(0.606)	(-0.314)	(1.668)	(7.346)	(-0.761)	(0.643)		1.10%				
DKL_EP	-0.020	0.107	0.139	0.392***	0.671	0.026	59.9%		205	0.000	16.4%	69.2%
	(-1.204)	(0.855)	(1.260)	(11.848)	(1.750)	(0.476)		1.02%				
FGHJ_RW	0.010	0.198*	0.183	0.392***	0.011	-0.095	58.4%		205	0.000	14.1%	87.4%
	(0.499)	(2.268)	(0.854)	(4.533)	(0.056)	(-0.650)		0.99%				
TrOHE_10Ind	0.229	-2.280	-5.757	0.498***	-4.291	-2.564	59.8%		205	0.302	8.8%	53.7%
	(0.746)	(-0.720)	(-0.752)	(4.053)	(-0.753)	(-0.740)		0.97%				
DKL_HDZ	-0.016	0.166	0.338*	0.435***	1.428**	0.067	60%		205	0.000	15.0%	55.8%
	(-0.926)	(1.272)	(2.193)	(9.171)	(2.949)	(1.068)		0.95%				
TrES_EP_10Ind	-0.010	0.027	0.313	0.348***	-0.005	0.067	59.1%		205	0.000	6.8%	95.2%

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Table 75 : Capturing Subsequent Return: High Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(-0.776)	(1.288)	(1.582)	(10.978)	(-0.438)	(0.865)		0.92%				
TrES_EP_25SBM	-0.005	0.013	0.103	0.349***	-0.025	0.022	59.6%		205	0.000	7.5%	98.6%
	(-0.405)	(0.357)	(0.677)	(10.188)	(-0.686)	(0.396)		0.88%				
HL_RW	-0.006	0.053	0.294	0.478***	0.074	0.055	59.1%		205	0.000	8.2%	85.7%
	(-0.150)	(0.569)	(1.137)	(9.103)	(0.210)	(0.499)		0.86%				
GG_RI	0.001	0.096	0.348*	0.486***	0.643	0.111	59.4%		205	0.000	7.4%	61.5%
	(0.036)	(0.650)	(2.361)	(7.592)	(1.471)	(1.600)		0.78%				
CT_EP	0.055	-1.944	0.718	0.39***	10.071	0.281	60.3%		205	0.304	13.8%	75.2%
	(0.564)	(-0.682)	(0.955)	(7.772)	(0.823)	(1.008)		0.75%				
TrES_RW_10Ind	0.005	-0.123	0.174	0.491***	0.787	-0.034	59.1%		205	0.000	7.5%	87.8%
	(0.392)	(-0.555)	(0.959)	(8.000)	(0.683)	(-0.383)		0.75%				
CT_RW	-0.018	0.112	0.304	0.482***	1.533**	0.092	60%		205	0.000	20.8%	73.8%
	(-0.851)	(0.549)	(1.614)	(7.384)	(2.613)	(1.229)		0.74%				
GG_RW	0.001	-0.018	0.342*	0.447***	1.802	0.072	59.8%		205	0.000	12.8%	68.4%
	(0.060)	(-0.151)	(2.091)	(8.220)	(1.076)	(0.959)		0.74%				
KMY_RW	-0.006	0.044	0.298	0.477***	0.186	0.056	59%		205	0.000	6.8%	84.4%
	(-0.162)	(0.489)	(1.154)	(9.095)	(0.511)	(0.511)		0.73%				
GLS_RW	-0.005	0.111	0.528	0.404***	0.314	0.052	57.9%		205	0.000	7.5%	76.2%
	(-0.250)	(1.435)	(1.652)	(4.856)	(0.624)	(0.846)		0.70%				

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Table 75 : Capturing Subsequent Return: High Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
MPEG_Anlst	-0.012	0.031	0.140	0.424***	0.388	0.071	60.2%		205	0.000	9.5%	44.2%
	(-0.687)	(0.215)	(0.992)	(10.428)	(1.357)	(1.152)		0.64%				
PEG_Anlst	-0.022	0.144	0.110	0.456***	0.668	0.072	60%		205	0.005	8.2%	46.3%
	(-0.699)	(0.483)	(0.702)	(7.932)	(1.876)	(1.078)		0.52%				
Carhart_Factor	-0.001	-0.083	0.123	0.435***	-1.637	0.027	59.4%		205	0.000	4.8%	38.1%
	(-0.084)	(-0.752)	(0.681)	(8.049)	(-2.073)	(0.304)		0.50%				
DKL_Anlst	-0.031	0.278	0.335	0.444***	-0.030	0.055	61.1%		205	0.008	14.3%	29.3%
	(-1.142)	(1.040)	(1.493)	(9.658)	(-0.032)	(0.777)		0.42%				
FGHJ_HDZ	-0.007	0.151	0.215	0.484***	2.068***	0.063	59.8%		205	0.000	15.0%	59.9%
	(-0.397)	(1.386)	(1.812)	(8.399)	(4.053)	(0.922)		0.38%				
HL_Anlst	-0.010	0.106	0.028	0.446***	0.698	0.015	60.9%		205	0.003	12.2%	28.6%
	(-0.328)	(0.358)	(0.083)	(9.536)	(1.590)	(0.230)		0.33%				
DKL_RW	0.048	-0.121	-0.403	0.511***	0.645	-0.121	58.1%		205	0.000	7.5%	77.6%
	(0.657)	(-0.487)	(-0.436)	(6.194)	(0.719)	(-0.487)		0.29%				
PEG_EP	-0.004	0.211	0.135	0.471***	1.530	0.091	60.3%		205	0.000	16.1%	80.4%
	(-0.239)	(1.713)	(0.778)	(8.138)	(1.582)	(1.256)		0.25%				
KMY_EP	-0.008	-0.066	0.255	0.406***	1.147	0.059	59.9%		205	0.000	14.4%	70.5%
	(-0.401)	(-0.229)	(1.458)	(11.459)	(1.292)	(1.015)		0.24%				
GM_RW	-0.015	0.067	0.201	0.454***	0.831**	0.089	60.1%		205	0.000	10.9%	81.6%

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Table 75 : Capturing Subsequent Return: High Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(-0.728)	(1.130)	(1.053)	(9.428)	(3.013)	(1.047)		0.23%				
MPEG_EP	-0.013	0.091*	0.130	0.416***	0.586*	0.041	59.6%		205	0.000	12.9%	81.6%
	(-0.766)	(1.975)	(0.794)	(8.434)	(2.458)	(0.616)		0.16%				
GLS_EP	-0.001	0.053	0.205	0.461***	0.198	0.059	58.6%		205	0.000	12.9%	78.6%
	(-0.081)	(0.456)	(1.352)	(8.317)	(0.297)	(0.877)		0.16%				
FPM_EP	0.005	0.031	-0.106	0.359***	0.044	-0.055	60.2%		205	0.000	11.6%	79.6%
	(0.232)	(0.918)	(-0.388)	(11.214)	(0.204)	(-0.564)		0.14%				
PE_RW	-0.004	-0.087	0.219	0.411***	0.295	0.091	59.9%		205	0.000	8.8%	78.9%
	(-0.254)	(-0.685)	(1.775)	(8.808)	(1.505)	(1.538)		0.13%				
TrES_RI_10Ind	-0.007	0.013	0.049	0.376***	0.002	-0.104	58.7%		205	0.000	8.2%	97.3%
	(-0.475)	(1.073)	(0.239)	(7.654)	(0.140)	(-0.866)		0.12%				
FGHJ_Anlst	0.030	-0.174	-0.003	0.437***	0.615	-0.019	60.9%		205	0.017	17.0%	34.7%
	(0.458)	(-0.359)	(-0.010)	(9.627)	(1.200)	(-0.129)		0.12%				
TrES_HDZ_10Ind	0.104	-0.115	-0.772	0.45***	0.182	-1.237	58.4%		205	0.000	8.2%	98.6%
	(0.678)	(-0.705)	(-0.615)	(3.347)	(0.748)	(-0.714)		0.12%				
TrETSS_Anlst _25SBM	0.000	0.089	0.085	0.434***	-0.030	-0.013	59%		205	0.000	6.8%	90.5%
	(-0.032)	(1.429)	(0.620)	(9.543)	(-0.615)	(-0.189)		0.11%				
MPEG_RI	0.000	-0.021	0.197	0.426***	0.359	0.059	59.6%		205	0.000	9.5%	88.4%
	(-0.021)	(-0.283)	(1.910)	(9.788)	(1.810)	(0.880)		0.10%				

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Table 75 : Capturing Subsequent Return: High Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
KMY_Anlst	-0.027	0.144	0.133	0.475***	0.463	0.101	60.1%		205	0.000	15.0%	51.7%
	(-0.910)	(1.146)	(0.830)	(8.539)	(0.712)	(1.381)		0.05%				
MPEG_RW	-0.011	0.055	0.170	0.484***	2.377	0.067	59.6%		205	0.000	8.8%	83.7%
	(-0.560)	(1.032)	(1.444)	(8.363)	(1.176)	(0.914)		0.05%				
FGHJ_EP	-0.006	0.065	0.141	0.454***	0.129	0.086	58.6%		205	0.000	15.9%	81.9%
	(-0.353)	(0.656)	(1.038)	(8.064)	(0.235)	(1.220)		0.05%				
PE_RI	0.007	0.014	0.215	0.486***	0.483	0.064	60.1%		205	0.000	12.2%	78.2%
	(0.546)	(0.190)	(1.740)	(7.377)	(1.598)	(0.993)		0.04%				
GLS_Anlst	0.010	-0.011	0.044	0.437***	0.895	0.014	60.8%		205	0.000	15.6%	35.4%
	(0.277)	(-0.042)	(0.175)	(9.616)	(1.926)	(0.133)		0.02%				
GM_EP	-0.007	0.005	0.250	0.428***	0.882*	0.042	59.5%		205	0.000	13.6%	77.6%
	(-0.376)	(0.045)	(1.871)	(8.147)	(2.516)	(0.689)		-0.11%				
GG_Anlst	-0.022	0.075	-0.141	0.439***	0.138	-0.019	59.8%		205	0.000	15.6%	76.2%
	(-0.909)	(1.128)	(-0.358)	(11.164)	(0.487)	(-0.260)		-0.18%				
FPM_HDZ	-0.014	0.081	0.387	0.435***	1.917	0.116	58.3%		205	0.000	7.5%	40.1%
	(-0.698)	(0.359)	(1.472)	(8.954)	(1.519)	(1.090)		-0.20%				
GLS_HDZ	0.000	0.101	0.237*	0.485***	1.905***	0.069	59.1%		205	0.000	11.6%	60.5%
	(0.000)	(1.082)	(2.063)	(8.491)	(3.799)	(1.020)		-0.23%				
TrETSS_EP_25SBM	0.005	0.001	0.170	0.356***	0.003	-0.016	58.6%		205	0.000	6.1%	98.0%

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Table 75 : Capturing Subsequent Return: High Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
	(0.477)	(0.188)	(1.585)	(11.631)	(0.172)	(-0.297)		-0.24%				
PEG_RI	0.007	-0.011	0.153	0.483***	0.057	0.120	59.4%		205	0.000	9.0%	93.3%
	(0.373)	(-0.169)	(0.987)	(7.952)	(0.100)	(1.464)		-0.24%				
TrETSS_HDZ_10Ind	0.434	-3.912	-5.985	0.958	3.255	-5.975	58.3%		205	0.346	4.1%	88.4%
	(0.767)	(-0.754)	(-0.724)	(1.326)	(0.767)	(-0.742)		-0.26%				
GM_RI	0.001	-0.024	0.110	0.429***	1.034	0.051	58.8%		205	0.000	8.8%	78.2%
	(0.038)	(-0.234)	(0.703)	(9.225)	(0.935)	(0.726)		-0.30%				
WNG_EP	-0.025	0.076	0.243	0.386***	-0.159	-0.001	59.3%		205	0.000	3.4%	95.9%
	(-1.092)	(0.832)	(1.577)	(7.824)	(-0.763)	(-0.020)		-0.32%				
TrETSS_Anlst _10Ind	0.005	-0.006	0.104	0.414***	0.097	0.091	58.7%		205	0.000	4.8%	74.1%
	(0.453)	(-0.051)	(0.244)	(8.477)	(0.695)	(0.907)		-0.37%				
TrES_Anlst _10Ind	-0.003	0.019	0.187	0.36***	-0.044	-0.008	57.8%		205	0.000	6.8%	92.5%
	(-0.293)	(0.790)	(1.351)	(10.802)	(-1.425)	(-0.135)		-0.39%				
FGHJ_RI	-0.001	0.043	0.176	0.443***	-0.166	0.074	58.9%		205	0.000	7.2%	84.1%
	(-0.073)	(0.526)	(1.360)	(8.582)	(-0.194)	(1.054)		-0.41%				
GLS_RI	-0.001	0.077	0.194	0.441***	-0.296	0.069	58.9%		205	0.000	7.9%	83.6%
	(-0.109)	(1.095)	(1.554)	(8.640)	(-0.303)	(1.005)		-0.42%				
FPM_RI	0.006	-0.025	0.211	0.412***	0.144	0.046	58.1%		205	0.000	11.6%	83.0%
	(0.248)	(-0.365)	(1.550)	(9.838)	(0.702)	(0.673)		-0.46%				

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Table 75 : Capturing Subsequent Return: High Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% %β_{ICC}^{CS} = 1
WNG_RW	0.004	0.000	0.133	0.358***	-0.002	-0.011	58.1%		205	0.000	2.1%	100.0%
	(0.315)	(0.017)	(1.061)	(11.978)	(-0.056)	(-0.222)		-0.47%				
TrES_RI_25SBM	-0.005	-0.004	0.106	0.334***	0.004	0.087	57.9%		205	0.000	6.8%	98.6%
	(-0.438)	(-0.718)	(0.845)	(9.715)	(0.323)	(1.201)		-0.49%				
FPM_RW	0.028	0.078	0.128	0.374***	0.026	0.043	58.1%		205	0.000	7.5%	80.3%
	(0.353)	(0.620)	(0.564)	(11.378)	(0.254)	(0.359)		-0.53%				
TrETSS_RW_25SBM	-0.006	0.022	0.173	0.387***	0.011	0.048	57.8%		205	0.000	5.4%	95.9%
	(-0.561)	(1.485)	(1.101)	(9.849)	(0.433)	(0.983)		-0.53%				
WNG_Anlst	0.028	-0.191	-0.223	0.455***	0.617	-0.136	57.1%		205	0.000	4.1%	94.6%
	(1.151)	(-1.131)	(-0.569)	(5.691)	(1.302)	(-0.741)		-0.56%				
PEG_HDZ	-0.006	0.067	0.168	0.443***	1.364**	0.052	58.7%		205	0.000	10.2%	61.2%
	(-0.475)	(1.076)	(1.442)	(9.285)	(3.003)	(0.822)		-0.59%				
MPEG_HDZ	-0.011	0.037	0.161	0.44***	0.823**	0.026	58.4%		205	0.000	8.2%	68.7%
	(-0.660)	(0.398)	(0.988)	(9.032)	(2.844)	(0.412)		-0.64%				
KMY_RI	0.013	-0.268	0.098	0.439***	0.410	0.010	57.9%		205	0.000	3.4%	76.9%
	(0.745)	(-0.800)	(0.487)	(8.056)	(1.519)	(0.099)		-0.66%				
HL_RI	-0.007	0.022	0.113	0.431***	0.129	-0.044	57.8%		205	0.000	6.8%	89.8%
	(-0.355)	(0.182)	(0.577)	(7.443)	(1.081)	(-0.343)		-0.83%				
TrOHE_25SBM	0.005	0.019	0.101	0.396***	0.016	0.029	57.1%		205	0.000	2.7%	83.0%

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Table 75 : Capturing Subsequent Return: High Price Momentum Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(0.487)	(0.539)	(0.748)	(10.568)	(0.459)	(0.509)		-0.97%				
GM_HDZ	-0.011	0.020	0.121	0.432***	1.953	0.048	58.1%		205	0.000	10.9%	57.1%
	(-0.721)	(0.204)	(0.722)	(9.053)	(1.706)	(0.711)		-1.01%				
DKL_RI	0.003	-0.064	0.087	0.401***	0.237	-0.132	57.5%		205	0.000	7.5%	89.1%
	(0.195)	(-0.939)	(0.387)	(4.796)	(1.217)	(-0.573)		-1.04%				
WNG_RI	0.000	0.005	0.142	0.363***	0.058	0.000	57.6%		205	0.000	2.7%	98.0%
	(-0.016)	(0.118)	(1.090)	(9.931)	(0.932)	(-0.003)		-1.05%				
WNG_HDZ	0.015	-0.112	0.331	0.358***	-0.064	-0.080	56.9%		205	0.000	2.7%	95.9%
	(0.490)	(-0.505)	(1.792)	(5.749)	(-0.509)	(-0.611)		-1.07%				
CT_RI	0.007	-0.126	0.200	0.47***	-0.037	0.067	57.3%		205	0.000	2.8%	97.2%
	(0.527)	(-1.042)	(1.535)	(7.776)	(-0.131)	(1.110)		-1.21%				
TrETSS_EP_10Ind	0.024	-0.053	-0.158	0.412***	-0.070	-0.052	56.9%		205	0.000	2.7%	96.6%
	(1.453)	(-1.606)	(-0.383)	(10.736)	(-1.042)	(-0.449)		-1.21%				
TrETSS_RI_25SBM	-0.007	0.005	0.864	0.344***	0.038	0.195	56.7%		205	0.000	6.8%	96.6%
	(-0.404)	(0.129)	(0.874)	(7.864)	(1.238)	(0.973)		-1.31%				

For the highest quartile of firms in terms of price momentum, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much

of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 76 : Capturing Subsequent Return: Low Forecasted Long-term Growth Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
BP_HDZ	0.055	-0.096	1.177	0.131	0.638	-0.672	71.8%	11.47%	205	0.372	31.3%	16.3%
	(0.388)	(-0.079)	(0.602)	(0.648)	(0.574)	(-0.493)						
Naive	-0.002	0.085	0.304	0.251***	0.056	-0.101	73.4%	10.95%	205	0.000	35.0%	73.8%
	(-0.057)	(1.549)	(0.842)	(4.469)	(0.608)	(-0.386)						
TPDPS_HDZ	0.050	-0.028	0.877	0.157	0.124	-0.566	72.7%	10.73%	205	0.000	31.3%	73.8%
	(0.414)	(-0.141)	(0.518)	(0.925)	(0.578)	(-0.442)						
BP_Anlst	0.082	-0.194	1.442	0.111	1.670	-1.163	73.7%	10.04%	205	0.473	35.0%	22.5%
	(0.475)	(-0.117)	(0.546)	(0.478)	(0.632)	(-0.556)						
TPDPS_Anlst	-0.072	0.200	-0.731	0.343*	-0.124	0.811	74.3%	10.01%	205	0.000	32.5%	75.0%
	(-0.697)	(1.083)	(-0.445)	(2.480)	(-0.382)	(0.573)						
PE_EP	0.077	-0.018	-0.192	0.271***	-0.127	-0.005	66%	8.91%	205	0.000	7.5%	71.3%
	(1.108)	(-0.214)	(-0.715)	(3.266)	(-0.217)	(-0.022)						
TPDPS_RI	-0.010	0.049	-0.183	0.296***	0.063	0.274	70.1%	8.15%	205	0.000	10.0%	78.8%
	(-0.246)	(0.781)	(-0.540)	(4.599)	(0.688)	(0.559)						
TPDPS_RW	0.218	-0.573	3.927	-0.191	-0.257	0.612	70.3%	7.41%	205	0.147	20.0%	80.0%
	(0.640)	(-0.534)	(0.561)	(-0.238)	(-0.479)	(0.561)						
WNG_Anlst	0.028	-0.197	-0.345	0.281***	0.475	0.280	64%	7.39%	205	0.032	3.8%	86.3%
	(0.803)	(-0.359)	(-0.766)	(4.273)	(0.449)	(0.443)						

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Table 76 : Capturing Subsequent Return: Low Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
BP_RW	0.025	0.175	0.257	0.228***	-0.014	-0.020	69.1%	6.99%	205	0.000	17.5%	23.8%
	(0.940)	(0.790)	(0.962)	(4.575)	(-0.036)	(-0.100)						
BP_RI	0.006	0.294	-0.337	0.202*	0.116	0.132	68%	6.33%	205	0.001	17.5%	27.5%
	(0.165)	(1.413)	(-0.673)	(2.147)	(0.307)	(0.514)						
TPDPS_EP	-0.009	0.111	-0.605	0.262**	-0.233	0.123	68%	6.18%	205	0.000	13.8%	76.3%
	(-0.222)	(1.237)	(-0.549)	(2.582)	(-0.482)	(0.610)						
PEG_EP	0.167	0.044	-1.001	0.346	-1.360	0.213	65.3%	6.13%	205	0.000	5.6%	84.7%
	(0.662)	(0.553)	(-0.739)	(1.248)	(-0.468)	(0.308)						
MPEG_HDZ	0.028	0.006	-0.073	0.28***	0.263	0.082	65.8%	6.07%	205	0.000	6.3%	53.8%
	(0.905)	(0.038)	(-0.240)	(3.677)	(0.408)	(0.396)						
HL_HDZ	0.026	0.133	-0.316	0.232*	-0.709	0.012	65.8%	5.71%	205	0.000	7.5%	45.0%
	(0.631)	(0.768)	(-0.640)	(2.272)	(-0.473)	(0.039)						
DKL_Anlst	-0.004	0.276	0.202	0.253***	0.581	-0.045	63.8%	5.66%	205	0.184	16.3%	17.5%
	(-0.074)	(0.510)	(0.981)	(5.896)	(0.591)	(-0.372)						
PE_RW	0.030	0.088	-0.215	0.24***	0.088	-0.091	67.3%	5.17%	205	0.000	3.8%	75.0%
	(0.961)	(0.921)	(-1.255)	(5.010)	(0.503)	(-0.527)						
KMY_RW	0.038	-0.203	-0.875	0.314***	0.951	0.776	61.4%	5.12%	205	0.000	5.0%	51.3%
	(0.994)	(-0.862)	(-0.660)	(3.125)	(0.493)	(0.569)						
HL_Anlst	-0.039	0.623	0.068	0.247***	-0.288	-0.042	63.3%	5.00%	205	0.323	12.5%	18.8%

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Table 76 : Capturing Subsequent Return: Low Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(-0.909)	(1.642)	(0.424)	(5.999)	(-0.362)	(-0.323)						
PEG_Anlst	0.023	0.042	-0.055	0.259***	-0.392	0.047	65.1%	4.87%	205	0.000	7.5%	35.0%
	(1.124)	(0.310)	(-0.278)	(5.984)	(-0.745)	(0.475)						
KMY_Anlst	0.025	-0.011	-0.182	0.271***	0.296	-0.115	63.6%	4.66%	205	0.000	10.0%	38.8%
	(0.857)	(-0.083)	(-0.864)	(6.040)	(0.803)	(-0.901)						
CT_Anlst	0.002	0.170	-0.022	0.277***	0.705	-0.054	61.7%	4.56%	205	0.011	16.3%	26.3%
	(0.087)	(0.532)	(-0.091)	(6.065)	(1.308)	(-0.395)						
MPEG_RI	0.029	0.026	-0.083	0.253***	-0.951	-0.094	61.8%	4.45%	205	0.000	8.8%	75.0%
	(0.702)	(0.387)	(-0.262)	(4.806)	(-0.592)	(-0.420)						
KMY_HDZ	0.022	-0.100	0.010	0.284***	-0.293	-0.068	66.2%	4.36%	205	0.001	10.0%	46.3%
	(0.728)	(-0.304)	(0.046)	(4.246)	(-0.272)	(-0.407)						
GM_RW	0.033	-0.046	-0.054	0.253***	0.930	-0.039	66.7%	4.30%	205	0.000	4.0%	68.0%
	(1.347)	(-0.663)	(-0.295)	(5.169)	(0.747)	(-0.251)						
WNG_RW	0.027	0.000	0.121	0.206***	0.001	0.255	62%	4.07%	205	0.000	3.8%	93.8%
	(1.476)	(-1.377)	(0.484)	(5.010)	(0.023)	(0.702)						
FGHJ_EP	0.030	0.044	-0.122	0.237***	-18.846	-0.064	66.5%	4.06%	205	0.000	4.2%	84.7%
	(1.184)	(0.402)	(-0.724)	(5.150)	(-0.542)	(-0.350)						
GLS_EP	0.033	0.038	-0.135	0.239***	3.179	-0.067	66.4%	4.05%	205	0.000	4.2%	86.1%
	(1.299)	(0.329)	(-0.791)	(5.178)	(0.290)	(-0.358)						

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Table 76 : Capturing Subsequent Return: Low Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TrES_Anlst _25SBM	0.049*	-0.009	-0.086	0.237***	0.010	0.020	62.7%	4.00%	205	0.000	3.8%	82.5%
	(2.316)	(-0.641)	(-0.498)	(5.529)	(0.947)	(0.226)						
GM_Anlst	0.008	0.115	-0.659	0.237***	-0.523	-0.088	65.2%	3.97%	205	0.000	8.8%	25.0%
	(0.285)	(0.541)	(-0.655)	(3.621)	(-0.520)	(-0.545)						
TrES_RI_10Ind	0.004	0.059	0.017	0.239***	-0.034	0.092	62.8%	3.91%	205	0.000	1.3%	87.5%
	(0.135)	(0.644)	(0.074)	(4.320)	(-0.295)	(0.558)						
GM_EP	-0.002	0.019	-0.070	0.235***	0.770	-0.012	64.9%	3.82%	205	0.000	6.3%	68.8%
	(-0.069)	(0.329)	(-0.399)	(5.282)	(1.016)	(-0.063)						
CT_RI	0.054	-0.026	-0.172	0.25*	-0.361	0.416	65.2%	3.79%	205	0.000	3.8%	75.0%
	(0.828)	(-0.305)	(-0.645)	(2.561)	(-0.649)	(0.521)						
CT_RW	0.047	-0.449	-0.343	0.263***	-0.198	0.000	61.4%	3.69%	205	0.301	7.7%	66.2%
	(0.646)	(-0.323)	(-0.671)	(4.794)	(-0.103)	(0.000)						
PEG_RI	0.050	-0.003	-0.176	0.213*	-0.295	-0.208	64.9%	3.64%	205	0.000	6.5%	80.5%
	(1.234)	(-0.075)	(-0.441)	(2.238)	(-0.518)	(-0.644)						
HL_RW	0.045	-0.207	-1.029	0.318***	0.918	0.826	61%	3.63%	205	0.000	5.1%	53.8%
	(0.914)	(-0.796)	(-0.745)	(3.109)	(0.469)	(0.598)						
GM_HDZ	0.026	-0.062	-0.006	0.263***	0.700	0.012	63.6%	3.57%	205	0.000	5.0%	48.8%
	(0.917)	(-0.466)	(-0.023)	(4.892)	(0.855)	(0.095)						
FPM_RW	0.042*	0.059	0.016	0.241***	-0.051	-0.133	59.7%	3.54%	205	0.000	11.3%	52.5%

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Table 76 : Capturing Subsequent Return: Low Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(2.079)	(0.800)	(0.114)	(5.499)	(-0.395)	(-0.628)						
PEG_HDZ	0.022	0.011	-0.200	0.271***	0.511	0.032	61.9%	3.52%	205	0.000	6.3%	53.8%
	(0.920)	(0.117)	(-0.749)	(4.764)	(0.689)	(0.166)						
FGHJ_Anlst	-0.051	0.519	-0.099	0.233***	0.042	-0.035	63.9%	3.48%	205	0.158	11.3%	11.3%
	(-1.068)	(1.538)	(-0.284)	(5.246)	(0.059)	(-0.236)						
MPEG_Anlst	0.019	0.094	-0.164	0.268***	-0.197	-0.032	61.4%	3.28%	205	0.000	8.8%	27.5%
	(0.638)	(0.520)	(-0.663)	(5.511)	(-0.450)	(-0.278)						
MPEG_EP	0.015	-0.014	0.017	0.231***	0.129	-0.196	63.4%	3.14%	205	0.000	6.3%	77.5%
	(0.470)	(-0.346)	(0.099)	(5.181)	(0.643)	(-0.912)						
KMY_RI	0.027	-0.022	-0.071	0.222***	0.915	-0.028	66.3%	3.08%	205	0.000	7.5%	60.0%
	(0.753)	(-0.308)	(-0.276)	(5.056)	(0.883)	(-0.193)						
GG_EP	0.029	-0.010	-0.065	0.259***	0.289	-0.029	66.6%	2.93%	205	0.000	5.8%	63.8%
	(1.085)	(-0.058)	(-0.261)	(5.062)	(0.262)	(-0.235)						
WNG_HDZ	0.045**	0.010	0.037	0.243***	0.017	0.067	62%	2.93%	205	0.000	6.3%	93.8%
	(2.859)	(0.711)	(0.272)	(5.603)	(0.067)	(0.804)						
GLS_Anlst	-0.038	0.445	-0.078	0.229***	-0.173	-0.058	63.7%	2.92%	205	0.102	10.0%	12.5%
	(-0.795)	(1.326)	(-0.230)	(5.141)	(-0.204)	(-0.402)						
FGHJ_HDZ	0.024	-0.063	0.037	0.259***	11.649	-0.265	63%	2.88%	205	0.001	0.0%	38.8%
	(0.700)	(-0.203)	(0.150)	(4.915)	(0.579)	(-0.837)						

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Table 76 : Capturing Subsequent Return: Low Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TrES_RI_25SBM	0.038	-0.008	-0.072	0.232***	0.003	0.036	63.4%	2.85%	205	0.000	3.8%	91.3%
	(1.944)	(-0.874)	(-0.342)	(5.641)	(0.415)	(0.357)						
TrES_RW_25SBM	0.019	0.060	-0.341	0.192***	-0.049	-0.029	62.3%	2.84%	205	0.000	6.3%	86.3%
	(0.616)	(0.693)	(-0.423)	(3.979)	(-0.532)	(-0.195)						
BP_EP	-0.001	0.347	-0.216	0.189*	-0.142	0.016	64.5%	2.82%	205	0.001	12.5%	27.5%
	(-0.039)	(1.747)	(-0.468)	(2.044)	(-0.266)	(0.102)						
FPM_EP	0.092	-0.129	0.211	0.274**	0.234	0.154	64.8%	2.82%	205	0.000	1.3%	63.8%
	(0.784)	(-0.516)	(0.432)	(2.915)	(0.820)	(0.505)						
TrETSS_HDZ_25SBM	0.025	0.029	-0.033	0.242***	-0.002	0.009	66.4%	2.81%	205	0.000	3.8%	78.8%
	(1.294)	(0.769)	(-0.220)	(5.946)	(-0.048)	(0.087)						
TrES_EP_10Ind	0.028	-0.017	-0.001	0.22***	0.010	-0.010	59%	2.75%	205	0.000	5.0%	88.8%
	(0.841)	(-0.871)	(-0.005)	(5.338)	(0.216)	(-0.101)						
CAPM_Factor	0.663	-42.536	-0.115	0.226*	55.005	-0.110	64.9%	2.72%	205	0.606	11.3%	15.0%
	(0.535)	(-0.506)	(-0.292)	(2.411)	(0.389)	(-0.775)						
CT_HDZ	-0.009	0.202	0.060	0.254***	-0.509	-0.001	62.6%	2.62%	205	0.000	11.3%	47.5%
	(-0.268)	(1.020)	(0.264)	(4.776)	(-0.372)	(-0.009)						
GG_RI	0.026	0.042	-0.019	0.27***	-0.253	-0.097	66%	2.61%	205	0.000	10.1%	63.8%
	(1.122)	(0.386)	(-0.088)	(5.083)	(-0.450)	(-0.676)						
DKL_RI	0.012	0.023	0.055	0.245***	-0.110	0.127	65.8%	2.42%	205	0.000	5.0%	62.5%

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Table 76 : Capturing Subsequent Return: Low Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(0.361)	(0.413)	(0.283)	(5.540)	(-0.340)	(0.504)						
DKL_RW	0.093	-0.426	-1.442	0.331**	1.091	0.888	59.9%	2.40%	205	0.011	3.8%	52.6%
	(0.770)	(-0.781)	(-0.839)	(3.065)	(0.553)	(0.640)						
TrES_HDZ_10Ind	0.024	-0.006	0.230	0.187***	0.036	-0.022	62.3%	2.11%	205	0.000	6.3%	86.3%
	(1.100)	(-0.392)	(0.573)	(4.036)	(0.381)	(-0.198)						
5FF_Factor	0.031	0.565	-0.210	0.224*	1.047	-0.081	61.3%	2.07%	205	0.506	3.8%	11.3%
	(0.970)	(0.869)	(-0.508)	(2.408)	(0.464)	(-0.283)						
GLS_HDZ	0.031	0.070	-0.109	0.252***	-4.673	-0.054	62.6%	2.06%	205	0.000	1.3%	36.3%
	(0.847)	(0.287)	(-0.538)	(4.232)	(-0.495)	(-0.317)						
GG_RW	0.024	0.003	-0.054	0.248***	0.673	-0.110	60%	2.05%	205	0.000	1.6%	57.1%
	(0.889)	(0.019)	(-0.319)	(4.496)	(0.704)	(-0.745)						
TrETSS_HDZ_10Ind	0.012	0.104	0.072	0.276***	-0.201	0.184	59.1%	2.03%	205	0.000	2.5%	57.5%
	(0.463)	(1.095)	(0.379)	(5.246)	(-1.027)	(0.768)						
PE_Anlst	-0.002	0.537	-0.156	0.273***	1.148	-0.130	64.1%	1.94%	205	0.290	8.8%	18.8%
	(-0.055)	(1.236)	(-0.544)	(5.077)	(1.043)	(-1.131)						
PE_HDZ	-0.010	0.325	0.172	0.258***	0.897	-0.081	63.8%	1.84%	205	0.047	1.3%	42.5%
	(-0.305)	(0.973)	(0.582)	(4.266)	(0.842)	(-0.462)						
TrETSS_RI_25SBM	0.047*	0.021	0.052	0.259***	0.012	0.133	64.3%	1.78%	205	0.000	6.3%	85.0%
	(2.081)	(0.637)	(0.161)	(5.447)	(0.435)	(0.699)						

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Table 76 : Capturing Subsequent Return: Low Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
GLS_RW	0.038	-0.105	-0.810	0.31**	0.792	0.832	60.3%	1.76%	205	0.000	2.6%	53.8%
	(0.840)	(-0.437)	(-0.606)	(3.052)	(0.402)	(0.604)						
GLS_RI	0.046	0.015	-0.075	0.251***	5.237	-0.066	65.5%	1.72%	205	0.000	1.4%	88.7%
	(1.558)	(0.124)	(-0.438)	(4.940)	(0.328)	(-0.340)						
3FF_Factor	0.018	0.198	-0.101	0.214*	0.418	-0.081	60.5%	1.69%	205	0.379	6.3%	10.0%
	(0.412)	(0.219)	(-0.240)	(2.273)	(0.032)	(-0.618)						
TrOHE_25SBM	0.025	-0.015	-0.197	0.267***	0.002	0.055	63.9%	1.64%	205	0.000	2.5%	52.5%
	(1.326)	(-0.167)	(-0.683)	(5.673)	(0.014)	(0.530)						
FGHJ_RW	-0.005	0.175	-0.214	0.25***	0.401	0.328	60.7%	1.60%	205	0.000	2.9%	68.1%
	(-0.094)	(0.848)	(-0.515)	(4.565)	(0.605)	(0.474)						
TrETSS_Anlst _25SBM	0.038	0.056	-0.008	0.28***	-0.126	0.079	63.3%	1.57%	205	0.000	7.5%	50.0%
	(1.517)	(0.582)	(-0.039)	(4.379)	(-1.022)	(0.759)						
GG_Anlst	0.032	0.023	0.494	0.235***	-6.451	-0.013	61.3%	1.55%	205	0.000	10.0%	72.5%
	(1.371)	(0.386)	(0.481)	(5.558)	(-0.549)	(-0.073)						
HL_RI	0.166	-0.026	2.798	0.552	-8.419	-0.872	66.9%	1.51%	205	0.000	7.5%	67.5%
	(0.553)	(-0.261)	(0.567)	(0.921)	(-0.549)	(-0.551)						
MPEG_RW	-0.213	0.105	1.091	0.107	1.635	-0.437	65%	1.48%	205	0.002	4.1%	74.0%
	(-0.448)	(0.374)	(0.526)	(0.342)	(0.645)	(-0.513)						
TrETSS_EP_25SBM	0.041*	0.012	0.306	0.257***	-0.024	0.001	63.5%	1.34%	205	0.000	2.5%	87.5%

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Table 76 : Capturing Subsequent Return: Low Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(2.148)	(0.351)	(0.561)	(5.514)	(-0.368)	(0.008)						
KMY_EP	0.032	-0.048	-0.212	0.242***	-0.040	-0.079	62.8%	1.29%	205	0.000	1.3%	55.0%
	(1.134)	(-0.663)	(-1.003)	(6.155)	(-0.107)	(-0.541)						
GG_HDZ	0.008	0.077	0.117	0.244***	1.149	-0.041	61.8%	1.26%	205	0.000	7.5%	31.3%
	(0.309)	(0.593)	(0.567)	(4.851)	(1.143)	(-0.343)						
DKL_HDZ	0.011	0.136	-0.088	0.267***	-0.030	0.044	62.8%	1.13%	205	0.000	6.3%	40.0%
	(0.368)	(0.652)	(-0.391)	(4.688)	(-0.044)	(0.171)						
GM_RI	0.014	0.057	-0.022	0.286***	-0.013	0.019	65.2%	1.07%	205	0.000	10.0%	71.3%
	(0.289)	(0.396)	(-0.072)	(5.109)	(-0.033)	(0.085)						
FPM_RI	-0.008	0.025	0.047	0.226***	0.166	-0.042	60.8%	1.04%	205	0.000	3.8%	55.0%
	(-0.276)	(0.656)	(0.447)	(4.501)	(1.450)	(-0.385)						
TrETSS_RI_10Ind	0.009	0.079	0.314	0.25***	0.001	-0.079	59%	1.02%	205	0.000	5.0%	71.3%
	(0.335)	(1.117)	(0.596)	(4.706)	(0.006)	(-0.371)						
TrETSS_RW_25SBM	0.014	0.098	-0.124	0.244***	0.033	0.027	61.2%	0.93%	205	0.000	2.5%	86.3%
	(0.626)	(0.690)	(-0.729)	(6.162)	(0.239)	(0.334)						
FPM_Anlst	-0.039	0.741	-0.001	0.253***	-0.365	-0.090	61.9%	0.61%	205	0.611	12.5%	11.3%
	(-0.713)	(1.463)	(-0.004)	(5.691)	(-0.510)	(-0.477)						
TrETSS_EP_10Ind	-0.066	0.097	0.669	0.133	0.893	-0.826	57%	0.55%	205	0.000	0.0%	75.0%
	(-0.465)	(0.639)	(0.424)	(0.609)	(0.629)	(-0.618)						

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Table 76 : Capturing Subsequent Return: Low Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
CT_EP	0.012	0.057	-0.050	0.248***	0.367	-0.101	61.7%	0.33%	205	0.000	2.5%	67.5%
	(0.394)	(0.954)	(-0.218)	(5.749)	(0.745)	(-0.333)						
TrES_EP_25SBM	0.028	-0.003	0.017	0.221***	-0.006	-0.007	62.4%	0.32%	205	0.000	1.3%	93.8%
	(1.239)	(-0.280)	(0.120)	(5.679)	(-0.975)	(-0.093)						
PEG_RW	0.030	-0.014	-0.250	0.220	0.178	0.091	59.1%	0.22%	205	0.000	5.3%	100.0%
	(0.640)	(-0.237)	(-0.441)	(1.657)	(1.386)	(0.278)						
DKL_EP	0.028	-0.016	-0.143	0.245***	-0.019	-0.140	61%	0.16%	205	0.000	1.3%	67.5%
	(0.927)	(-0.266)	(-0.523)	(6.074)	(-0.048)	(-0.811)						
TrES_HDZ_25SBM	0.035	-0.004	-0.088	0.216***	0.005	0.020	60.8%	0.13%	205	0.000	3.8%	88.8%
	(1.622)	(-0.239)	(-0.495)	(4.930)	(0.437)	(0.193)						
HL_EP	0.035	-0.033	-0.041	0.243***	0.214	-0.173	61.9%	0.01%	205	0.000	0.0%	73.8%
	(1.147)	(-0.579)	(-0.237)	(6.051)	(0.490)	(-0.890)						
TrETSS_RW_10Ind	0.016	0.171	-0.158	0.306***	-3.195	0.165	60.8%	0.01%	205	0.053	6.3%	55.7%
	(0.311)	(0.405)	(-0.618)	(3.901)	(-0.693)	(1.110)						
TrES_RW_10Ind	0.019	-0.153	-0.053	0.215**	0.218	-0.063	59.9%	-0.08%	205	0.000	0.0%	76.3%
	(0.396)	(-0.623)	(-0.068)	(2.584)	(0.568)	(-0.304)						
TrES_Anlst _10Ind	0.045	-0.031	-0.476	0.282***	0.012	-0.297	58.2%	-0.46%	205	0.000	1.3%	75.0%
	(1.366)	(-0.276)	(-0.554)	(3.533)	(0.190)	(-0.568)						
FPM_HDZ	-0.020	0.259	0.038	0.28***	0.323	-0.023	62.8%	-0.62%	205	0.000	5.0%	31.3%

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Table 76 : Capturing Subsequent Return: Low Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(-0.636)	(1.380)	(0.192)	(4.663)	(0.451)	(-0.152)						
PE_RI	0.031	0.029	-0.069	0.242***	0.343	-0.037	61.7%	-0.96%	205	0.000	3.8%	78.8%
	(1.251)	(0.396)	(-0.453)	(4.981)	(1.536)	(-0.299)						
WNG_RI	0.032	0.001	0.162	0.218***	0.100	0.028	57.8%	-1.30%	205	0.000	2.5%	93.8%
	(1.627)	(0.759)	(0.930)	(4.244)	(0.504)	(0.301)						
FGHJ_RI	0.043	0.031	-0.079	0.254***	-8.645	0.010	61.8%	-1.34%	205	0.000	2.8%	84.5%
	(1.350)	(0.277)	(-0.428)	(4.734)	(-0.600)	(0.072)						
Carhart_Factor	0.049	-0.206	-0.192	0.233*	4.441	-0.230	59.4%	-1.86%	205	0.010	3.8%	8.8%
	(1.250)	(-0.454)	(-0.472)	(2.263)	(0.283)	(-0.985)						
TrOHE_10Ind	0.052	-0.244	-0.162	0.24***	0.028	-0.233	60.3%	-2.40%	205	0.133	6.3%	35.0%
	(0.742)	(-0.298)	(-0.680)	(4.507)	(0.022)	(-0.626)						
WNG_EP	0.044*	0.005	-0.137	0.216***	-0.051	0.301	60.7%	-3.29%	205	0.000	0.0%	86.3%
	(2.221)	(0.092)	(-0.602)	(5.483)	(-0.574)	(0.673)						
TrETSS_Anlst _10Ind	0.003	0.112	-0.035	0.28***	-2.383	-0.148	55.7%	-4.57%	205	0.000	0.0%	31.3%
	(0.134)	(0.615)	(-0.102)	(5.848)	(-0.538)	(-0.884)						

For the lowest quartile of firms in terms of Long-term forecasted growth in earnings, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta_{ICC}^{TS} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta_{ICC}^{CS} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 77 : Capturing Subsequent Return: High Forecasted Long-term Growth Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
TPDPS_Anlst	0.038	0.103*	-0.721	0.534***	0.362	-1.650	66%		205	0.000	44.2%	95.3%
	(0.514)	(2.023)	(-0.817)	(7.687)	(0.850)	(-0.800)		7.58%				
Naive	0.011	0.113***	-0.868	0.532***	0.164	-0.772	65.9%		205	0.000	43.0%	95.3%
	(0.266)	(3.272)	(-0.819)	(8.051)	(0.818)	(-0.787)		7.27%				
BP_HDZ	0.113	3.539	17.164	0.130	8.975	-1.477	65.2%		205	0.424	51.7%	39.0%
	(0.752)	(1.116)	(0.821)	(0.309)	(0.883)	(-0.984)		6.40%				
TPDPS_HDZ	0.006	0.116***	-0.932	0.508***	0.097	-0.581	65.6%		205	0.000	43.6%	93.6%
	(0.179)	(3.227)	(-0.711)	(9.526)	(0.540)	(-0.751)		6.39%				
TPDPS_RI	0.036	0.098***	0.029	0.42***	0.169	-0.829	64.8%		205	0.000	39.5%	95.9%
	(0.911)	(3.664)	(0.031)	(4.719)	(0.921)	(-0.885)		6.21%				
TPDPS_EP	0.036	0.069*	-0.455	0.428***	0.132	-0.836	65%		205	0.000	34.9%	95.3%
	(0.861)	(1.965)	(-0.317)	(4.622)	(0.618)	(-0.841)		6.09%				
BP_RW	0.005	0.408	-0.930	0.487***	0.268	-0.286	64.2%		205	0.009	40.7%	48.8%
	(0.260)	(1.815)	(-0.645)	(10.701)	(0.286)	(-0.633)		5.77%				
PE_EP	-0.004	0.646*	0.046	0.456***	-1.186	0.048	63.8%		205	0.231	23.3%	78.5%
	(-0.228)	(2.194)	(0.158)	(7.406)	(-0.692)	(0.349)		5.50%				
BP_Anlst	-0.110	-1.291	-14.571	0.79*	-6.363	0.702	65.4%		205	0.419	52.9%	40.1%
	(-0.868)	(-0.456)	(-0.791)	(2.080)	(-0.719)	(0.549)		5.33%				

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Table 77 : Capturing Subsequent Return: High Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
GG_HDZ	0.011	0.336*	0.228	0.468***	3.355***	-0.155	63.4%		205	0.000	25.0%	58.7%
	(0.673)	(2.194)	(0.754)	(9.992)	(3.203)	(-0.806)		5.22%				
GG_Anlst	0.147	-0.007	1.257	0.446*	5.788	-3.664	61.6%		205	0.000	19.2%	79.1%
	(0.962)	(-0.071)	(0.704)	(2.510)	(1.107)	(-0.901)		5.05%				
BP_EP	-0.088	-1.250	-12.706	0.724*	-5.494	0.523	64.2%		205	0.351	43.0%	43.0%
	(-0.763)	(-0.520)	(-0.789)	(2.165)	(-0.700)	(0.473)		4.97%				
FPM_Anlst	-0.175	-0.117	-3.803	0.975	13.516	1.829	62.7%		205	0.361	21.5%	29.1%
	(-1.036)	(-0.096)	(-0.725)	(1.512)	(0.884)	(0.743)		4.97%				
CT_Anlst	-0.044	0.519*	-0.853	0.575***	-1.381	0.030	63%		205	0.030	25.0%	38.4%
	(-1.136)	(2.360)	(-0.739)	(4.076)	(-0.727)	(0.174)		4.96%				
DKL_HDZ	-0.028	0.569	0.299	0.453***	1.653	-0.051	63%		205	0.242	19.8%	68.0%
	(-0.703)	(1.547)	(0.450)	(7.667)	(1.085)	(-0.249)		4.80%				
BP_RI	-0.002	0.608***	-0.581	0.475***	0.400	-0.257	63.8%		205	0.024	41.9%	43.0%
	(-0.101)	(3.530)	(-0.527)	(11.927)	(0.512)	(-0.607)		4.78%				
TPDPS_RW	-0.028	0.071***	-0.904	0.572***	0.001	0.472	63.9%		205	0.000	30.8%	95.3%
	(-0.798)	(3.229)	(-0.788)	(3.353)	(0.015)	(1.085)		4.78%				
GG_RW	0.012	0.291	0.213	0.461***	1.473	-0.159	61.7%		205	0.000	23.1%	65.6%
	(0.732)	(1.883)	(0.713)	(9.622)	(0.840)	(-0.746)		4.74%				
FGHJ_HDZ	-0.008	0.421**	-0.004	0.445***	2.507***	-0.277	62.7%		205	0.000	15.7%	69.2%

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Table 77 : Capturing Subsequent Return: High Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% %$\beta^{CS}_{ICC}=1$
	(-0.440)	(2.680)	(-0.013)	(12.558)	(4.191)	(-2.060)		4.64%				
PE_RI	0.016	0.295	0.372	0.435***	-2.003	0.056	63.1%		205	0.001	19.2%	79.1%
	(1.168)	(1.416)	(0.877)	(10.187)	(-0.564)	(0.232)		4.54%				
GM_HDZ	-0.013	0.371	-1.957	0.539***	0.149	-0.076	62.4%		205	0.019	15.1%	70.3%
	(-0.355)	(1.395)	(-0.748)	(5.695)	(0.088)	(-0.718)		4.47%				
GLS_Anlst	-0.006	0.363	0.526	0.481***	1.937	-0.136	62.1%		205	0.068	23.3%	43.6%
	(-0.162)	(1.047)	(0.580)	(7.056)	(1.569)	(-0.757)		4.35%				
CT_RI	0.019	0.406	0.521	0.348***	-0.628	0.265	60.7%		205	0.040	5.3%	92.3%
	(0.628)	(1.418)	(1.000)	(4.009)	(-0.885)	(1.192)		4.25%				
CT_HDZ	0.020	0.088	0.219	0.471***	1.233	-0.114	62.5%		205	0.000	22.1%	71.5%
	(1.457)	(0.638)	(0.529)	(11.228)	(1.216)	(-0.681)		4.23%				
PE_Anlst	-0.001	0.441	0.633	0.436***	1.112	0.097	63.8%		205	0.237	36.6%	34.9%
	(-0.027)	(0.939)	(0.878)	(8.984)	(0.719)	(0.369)		4.17%				
TrES_RW_10Ind	0.224	-0.335	-0.115	0.552***	59.500	-3.033	61.1%		205	0.585	16.3%	89.0%
	(0.959)	(-0.137)	(-0.417)	(4.340)	(0.900)	(-0.817)		4.13%				
GM_Anlst	-0.052	0.746***	0.314	0.476***	0.295	0.069	63.3%		205	0.266	25.6%	46.5%
	(-1.577)	(3.274)	(1.418)	(8.174)	(0.552)	(0.441)		4.10%				
GG_EP	-0.016	0.623	-0.373	0.473***	-3.476	0.141	62.4%		205	0.739	19.9%	70.8%
	(-0.955)	(0.551)	(-1.157)	(9.266)	(-1.030)	(0.309)		4.05%				

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Table 77 : Capturing Subsequent Return: High Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
HL_HDZ	0.016	0.207	0.616	0.459***	2.468*	-0.227	62.8%		205	0.000	21.5%	70.3%
	(0.912)	(1.604)	(0.768)	(10.147)	(2.125)	(-1.744)		3.79%				
KMY_HDZ	0.016	0.175	0.250	0.483***	2.416**	-0.230	62.7%		205	0.000	20.3%	64.5%
	(1.051)	(1.147)	(0.574)	(10.442)	(2.845)	(-1.733)		3.69%				
GLS_HDZ	-0.014	0.466*	-0.009	0.445***	2.215***	-0.242	62.7%		205	0.007	17.4%	63.4%
	(-0.669)	(2.382)	(-0.026)	(11.657)	(4.203)	(-1.731)		3.67%				
HL_Anlst	-0.048	0.791***	0.297	0.481***	0.457	-0.009	63.2%		205	0.362	24.4%	42.4%
	(-1.708)	(3.459)	(1.534)	(8.121)	(0.865)	(-0.069)		3.62%				
TrOHE_10Ind	0.007	0.361	0.037	0.452***	-2.694	0.293	60.3%		205	0.261	9.3%	57.6%
	(0.100)	(0.639)	(0.213)	(7.351)	(-1.057)	(0.286)		3.50%				
CAPM_Factor	-0.084	5.906	0.474	0.369***	9.892	0.459	60.8%		205	0.644	11.6%	16.9%
	(-0.542)	(0.558)	(1.375)	(8.009)	(0.787)	(0.908)		3.49%				
DKL_Anlst	-0.049	0.782***	0.315	0.462***	0.559	-0.019	63.2%		205	0.331	26.2%	39.5%
	(-1.741)	(3.494)	(1.272)	(7.722)	(0.893)	(-0.125)		3.48%				
WNG_RI	0.036***	-0.066	0.072	0.382***	-0.070	0.073	61.9%		205	0.000	4.7%	94.8%
	(3.449)	(-1.059)	(0.447)	(11.625)	(-0.377)	(0.637)		3.47%				
MPEG_Anlst	-0.061	0.846***	0.184	0.475***	0.748	-0.180	63.2%		205	0.563	21.5%	55.2%
	(-1.933)	(3.185)	(1.516)	(9.756)	(1.061)	(-0.904)		3.46%				
FPM_RW	0.029	0.021	0.180	0.376***	0.115	0.035	60.1%		205	0.000	6.4%	82.6%

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Table 77 : Capturing Subsequent Return: High Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(1.184)	(0.680)	(0.741)	(6.531)	(0.711)	(0.351)		3.38%				
TrES_RI_10Ind	0.035	-0.011	0.068	0.401***	0.048	0.074	60.8%		205	0.000	13.4%	96.5%
	(1.803)	(-0.330)	(0.649)	(14.678)	(0.571)	(0.622)		3.36%				
PE_HDZ	0.038	0.206	0.829	0.497***	1.741*	0.535	62.6%		205	0.084	22.1%	61.0%
	(0.854)	(0.452)	(0.814)	(8.354)	(2.439)	(0.714)		3.33%				
FGHJ_Anlst	0.004	0.302	1.023	0.467***	2.537	-0.135	61.9%		205	0.047	21.5%	42.4%
	(0.108)	(0.865)	(0.748)	(7.083)	(1.281)	(-1.061)		3.24%				
KMY_Anlst	-0.068	0.325	-0.042	0.531***	-0.102	0.159	62.6%		205	0.037	20.9%	70.9%
	(-0.840)	(1.013)	(-0.120)	(8.562)	(-0.180)	(0.907)		3.24%				
TrES_Anlst _10Ind	-21.516	50.028	-4.201	-3.475	-12.079	131.374	60.7%		205	0.430	11.0%	93.6%
	(-0.807)	(0.807)	(-0.799)	(-0.721)	(-0.813)	(0.808)		3.21%				
TrES_EP_10Ind	0.037	-0.001	0.700	0.353***	0.053	0.100	61.5%		205	0.000	11.6%	96.5%
	(1.068)	(-0.041)	(1.012)	(3.472)	(0.669)	(0.664)		3.01%				
FPM_RI	0.040	-0.230	0.774	0.343***	0.237	-0.034	60%		205	0.000	11.0%	84.3%
	(1.863)	(-0.992)	(1.082)	(3.689)	(0.736)	(-0.327)		2.85%				
PE_RW	0.031	0.116	0.087	0.443***	-0.383	-0.011	61.2%		205	0.002	5.8%	86.6%
	(1.008)	(0.422)	(0.275)	(7.375)	(-0.989)	(-0.071)		2.83%				
KMY_EP	-0.008	0.239***	0.263	0.419***	0.416*	0.038	61.7%		205	0.000	21.5%	72.1%
	(-0.562)	(3.616)	(1.133)	(8.689)	(2.140)	(0.278)		2.80%				

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Table 77 : Capturing Subsequent Return: High Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TrES_HDZ_25SBM	-0.006	-0.003	-0.551	0.544**	-0.010	0.714	59.7%		205	0.000	8.7%	93.0%
	(-0.121)	(-0.100)	(-0.385)	(3.054)	(-0.570)	(0.819)		2.71%				
TrETSS_Anlst _10Ind	-0.001	-0.499	0.023	0.446***	0.012	0.482	60.8%		205	0.024	11.0%	76.2%
	(-0.036)	(-0.760)	(0.198)	(10.207)	(0.066)	(1.035)		2.71%				
Carhart_Factor	0.087	-2.121	-1.634	0.439***	-3.699	-0.464	60.3%		205	0.223	8.1%	48.3%
	(1.442)	(-0.831)	(-0.890)	(9.090)	(-0.826)	(-1.641)		2.54%				
TrETSS_EP_25SBM	0.051**	-0.010	-0.017	0.407***	-0.006	0.054	61.1%		205	0.000	5.8%	96.5%
	(2.944)	(-0.804)	(-0.077)	(12.136)	(-0.289)	(0.255)		2.51%				
GLS_RI	0.011	0.146	0.254	0.43***	-7.008	-0.059	62.4%		205	0.000	18.6%	78.5%
	(0.667)	(0.622)	(0.891)	(10.078)	(-1.019)	(-0.372)		2.51%				
PEG_Anlst	0.002	0.426*	0.228	0.466***	0.996	-0.262	62.6%		205	0.001	15.7%	61.0%
	(0.071)	(2.408)	(0.888)	(10.646)	(0.947)	(-0.923)		2.45%				
GG_RI	0.010	0.241	0.213	0.448***	1.654	-0.028	61.6%		205	0.008	15.6%	66.9%
	(0.829)	(0.850)	(0.789)	(11.813)	(1.718)	(-0.127)		2.45%				
PEG_HDZ	0.035*	-0.138	0.418	0.471***	1.57*	-0.157	62.5%		205	0.000	14.0%	73.3%
	(2.380)	(-0.705)	(0.612)	(8.621)	(2.215)	(-1.279)		2.44%				
HL_EP	0.007	0.054	0.337	0.428***	0.423*	0.017	61.6%		205	0.000	20.9%	76.2%
	(0.282)	(0.322)	(1.254)	(10.210)	(2.127)	(0.110)		2.40%				
TrETSS_RI_10Ind	0.040	-0.013	0.436	0.417***	0.033	0.167	60.2%		205	0.000	9.3%	93.0%

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Table 77 : Capturing Subsequent Return: High Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(1.219)	(-0.555)	(1.384)	(8.796)	(0.764)	(0.395)		2.37%				
DKL_EP	-0.039	0.501	-0.080	0.439***	0.101	0.111	61.6%		205	0.131	19.8%	74.4%
	(-1.068)	(1.522)	(-0.240)	(10.209)	(0.301)	(0.629)		2.32%				
PEG_RI	0.021	-0.008	0.318	0.449***	0.696***	0.015	61.4%		205	0.000	11.8%	92.1%
	(1.287)	(-0.080)	(0.775)	(7.772)	(4.095)	(0.141)		2.27%				
GLS_EP	0.022	-0.188	-0.035	0.449***	-2.334	0.161	61.5%		205	0.025	15.1%	74.4%
	(0.834)	(-0.358)	(-0.266)	(14.552)	(-0.622)	(0.358)		2.25%				
MPEG_HDZ	0.031	0.020	0.717	0.44***	1.431*	-0.138	63%		205	0.000	17.4%	75.0%
	(1.853)	(0.201)	(0.879)	(10.211)	(2.217)	(-1.289)		2.22%				
CT_RW	-0.006	0.321	0.037	0.473***	-0.701	-0.066	62.2%		205	0.000	17.1%	79.3%
	(-0.403)	(1.694)	(0.139)	(10.567)	(-0.353)	(-0.197)		2.15%				
TrETSS_Anlst _25SBM	0.109	-0.211	-0.170	0.484***	0.280	-0.541	59.7%		205	0.000	3.5%	92.4%
	(1.399)	(-1.255)	(-0.646)	(9.314)	(1.183)	(-0.815)		2.14%				
MPEG_EP	0.001	-0.073	-0.434	0.513***	1.427***	-0.161	62.4%		205	0.000	18.6%	82.6%
	(0.018)	(-0.930)	(-0.566)	(8.858)	(3.107)	(-0.533)		2.12%				
FGHJ_EP	0.030	-0.231	-0.024	0.446***	70.367	0.130	61.6%		205	0.018	13.5%	79.5%
	(1.021)	(-0.448)	(-0.195)	(14.761)	(0.701)	(0.341)		2.09%				
WNG_Anlst	0.048*	0.067	0.574	0.411***	0.623	-0.235	59.4%		205	0.000	4.7%	96.5%
	(2.191)	(0.898)	(1.053)	(5.136)	(1.591)	(-1.498)		2.05%				

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Table 77 : Capturing Subsequent Return: High Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TrES_Anlst _25SBM	0.041***	0.014	0.563	0.404***	-0.007	0.004	60.1%		205	0.000	5.8%	95.9%
	(4.006)	(1.083)	(0.778)	(10.903)	(-0.897)	(0.039)		2.02%				
FPM_HDZ	14.128	-19.948	-18.641	16.547	3959.718	-520.305	61.3%		205	0.405	18.0%	47.7%
	(0.807)	(-0.796)	(-0.810)	(0.829)	(0.807)	(-0.807)		2.02%				
CT_EP	-0.004	0.300	0.358	0.422***	1.656*	0.003	61.2%		205	0.000	18.0%	79.1%
	(-0.165)	(1.777)	(1.260)	(9.861)	(1.965)	(0.011)		1.96%				
GM_EP	0.005	0.091	0.020	0.442***	1.76**	0.058	62.2%		205	0.000	20.9%	78.5%
	(0.302)	(0.745)	(0.096)	(14.974)	(2.614)	(0.283)		1.94%				
3FF_Factor	0.042***	0.059	0.325	0.438***	0.585	0.095	60.1%		205	0.009	4.7%	34.3%
	(3.610)	(0.168)	(1.528)	(13.898)	(0.293)	(0.622)		1.89%				
TrETSS_HDZ_25SBM	0.023	-0.014	-0.160	0.474***	-0.046	0.078	60%		205	0.000	5.2%	90.7%
	(1.047)	(-0.333)	(-0.320)	(6.654)	(-0.808)	(0.423)		1.78%				
TrES_HDZ_10Ind	-0.027	-0.128	-6.277	0.842	-0.013	-2.616	59.7%		205	0.000	18.0%	93.6%
	(-0.208)	(-0.932)	(-0.790)	(1.716)	(-0.751)	(-0.793)		1.77%				
TrETSS_HDZ_10Ind	-0.022	0.337	-1.925	0.606***	0.045	0.440	60.7%		205	0.012	13.4%	87.2%
	(-0.207)	(1.285)	(-0.824)	(3.540)	(0.261)	(0.488)		1.72%				
TrETSS_EP_10Ind	0.048	-0.013	-0.026	0.461***	-0.079	0.262	60.3%		205	0.000	7.0%	94.8%
	(1.701)	(-0.536)	(-0.037)	(8.643)	(-0.611)	(1.119)		1.71%				
FGHJ_RW	0.015	-0.119	-0.768	0.544***	2.439	0.011	61%		205	0.000	12.9%	85.9%

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Table 77 : Capturing Subsequent Return: High Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(0.410)	(-0.416)	(-0.866)	(3.461)	(0.900)	(0.025)		1.69%				
TrES_EP_25SBM	0.035**	0.003	0.221	0.412***	-0.011	0.025	60.7%		205	0.000	8.1%	95.3%
	(2.819)	(0.371)	(0.994)	(12.666)	(-1.320)	(0.309)		1.55%				
GM_RI	-0.007	0.263	-2.144	0.537***	-1.720	-0.097	62.5%		205	0.005	19.9%	73.5%
	(-0.171)	(1.016)	(-0.803)	(5.423)	(-0.885)	(-0.568)		1.47%				
PEG_EP	0.015	-0.012	0.176	0.445***	2.011*	0.060	59.9%		205	0.000	18.1%	89.2%
	(1.204)	(-0.099)	(0.519)	(10.832)	(2.508)	(0.362)		1.34%				
WNG_EP	0.037*	-0.001	0.259	0.378***	-0.005	-0.288	59.8%		205	0.000	2.3%	96.5%
	(2.192)	(-0.580)	(0.523)	(8.863)	(-0.588)	(-1.213)		1.30%				
WNG_RW	0.036*	0.000	0.177	0.357***	0.009	0.025	60.8%		205	0.000	3.5%	96.5%
	(2.214)	(-0.582)	(1.055)	(10.076)	(1.815)	(0.263)		1.30%				
FGHJ_RI	-0.033	1.015	0.118	0.444***	20.384	-0.307	60.8%		205	0.984	14.6%	76.0%
	(-0.756)	(1.361)	(0.482)	(10.618)	(0.857)	(-1.586)		1.18%				
5FF_Factor	0.070	0.052	0.398	0.436***	1.615	-0.169	60.4%		205	0.528	4.7%	29.7%
	(1.871)	(0.035)	(0.592)	(5.174)	(0.340)	(-0.475)		1.10%				
HL_RI	0.036	0.014	0.638	0.371***	0.479	0.019	60.2%		205	0.000	12.2%	89.5%
	(1.339)	(0.153)	(1.089)	(4.584)	(0.939)	(0.138)		1.02%				
KMY_RI	0.030	0.027	0.510	0.367***	0.322	0.167	60.5%		205	0.000	9.9%	82.0%
	(1.096)	(0.226)	(0.903)	(4.430)	(1.703)	(0.814)		1.00%				

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Table 77 : Capturing Subsequent Return: High Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
TrETSS_RW_25SBM	0.032*	0.005	-0.327	0.467***	-0.008	-0.074	61.1%		205	0.000	12.8%	94.2%
	(2.035)	(0.394)	(-1.062)	(7.406)	(-0.448)	(-0.333)		0.98%				
DKL_RW	-0.196	0.765	1.125	0.292	-5.489	2.670	61.4%		205	0.795	11.0%	83.1%
	(-0.689)	(0.848)	(1.458)	(1.548)	(-0.976)	(1.284)		0.88%				
MPEG_RI	2.493	-11.395	-0.966	-0.077	0.969	-32.817	61.3%		205	0.387	15.1%	75.3%
	(0.815)	(-0.797)	(-0.293)	(-0.120)	(1.545)	(-0.785)		0.83%				
DKL_RI	0.037	0.010	0.514	0.374***	0.535	-0.021	60.2%		205	0.000	11.0%	91.3%
	(1.737)	(0.105)	(1.169)	(5.883)	(1.026)	(-0.190)		0.82%				
FPM_EP	-0.069	0.095***	-0.104	0.435***	0.072	0.009	60.8%		205	0.000	19.2%	91.9%
	(-1.490)	(4.568)	(-0.402)	(10.195)	(1.331)	(0.105)		0.70%				
TrES_RW_25SBM	0.057*	-5.878	0.069	0.462***	-1.522	-0.016	59.9%		205	0.483	5.8%	87.8%
	(2.439)	(-0.601)	(0.167)	(8.862)	(-1.358)	(-0.070)		0.57%				
GM_RW	-0.010	0.109***	0.040	0.449***	-2.153	0.020	59.9%		205	0.000	14.6%	87.1%
	(-0.737)	(3.726)	(0.287)	(13.760)	(-0.719)	(0.080)		0.56%				
GLS_RW	0.029*	0.075	0.323	0.444***	0.003	-0.020	59.7%		205	0.000	7.0%	85.5%
	(1.961)	(0.574)	(1.263)	(12.537)	(0.001)	(-0.098)		0.20%				
HL_RW	0.136	-0.145	0.806	0.44***	0.173	-0.235	60.8%		205	0.000	9.9%	87.2%
	(1.940)	(-1.048)	(1.781)	(7.150)	(0.571)	(-0.956)		0.17%				
TrETSS_RI_25SBM	0.044**	0.005	0.171	0.418***	-0.048	0.162	59.7%		205	0.000	4.7%	94.2%

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Table 77 : Capturing Subsequent Return: High Forecasted Long-term Growth Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(2.865)	(0.272)	(0.654)	(13.242)	(-1.587)	(0.946)		0.12%				
KMY_RW	0.135	-0.142	0.815	0.44***	0.293	-0.234	60.8%		205	0.000	10.5%	84.9%
	(1.925)	(-1.025)	(1.800)	(7.155)	(0.950)	(-0.953)		0.12%				
PEG_RW	0.014	0.062	0.362	0.433***	0.403	0.075	59.5%		205	0.000	21.7%	100.0%
	(0.712)	(1.233)	(0.998)	(12.013)	(1.388)	(0.492)		0.07%				
WNG_HDZ	0.052***	-0.017	-0.058	0.46***	0.212	-0.184	60.3%		205	0.000	5.2%	96.5%
	(3.862)	(-1.270)	(-0.303)	(11.103)	(1.314)	(-0.931)		0.06%				
TrES_RI_25SBM	0.034*	-0.040	-1.668	0.518***	0.067	-1.007	59.5%		205	0.000	9.3%	96.5%
	(2.086)	(-0.804)	(-0.749)	(3.265)	(0.730)	(-0.840)		-0.20%				
TrETSS_RW_10Ind	0.014	-0.041	0.042	0.432***	-0.017	-0.038	60.5%		205	0.000	12.2%	92.4%
	(0.996)	(-0.717)	(0.437)	(14.217)	(-0.154)	(-0.243)		-0.26%				
MPEG_RW	-0.007	0.168***	0.058	0.444***	0.523**	-0.080	59.8%		205	0.000	14.3%	94.6%
	(-0.350)	(3.234)	(0.489)	(15.594)	(2.931)	(-0.672)		-0.51%				
TrOHE_25SBM	0.030	-0.128	-1.288	0.437***	0.112	0.108	59.8%		205	0.000	9.3%	80.2%
	(1.467)	(-0.809)	(-0.728)	(6.767)	(0.992)	(0.696)		-1.14%				

For the highest quartile of firms in terms of Long-term forecasted growth in earnings, this table reports average monthly regression coefficients of one year ahead Return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it

represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 78 : Capturing Subsequent Return: Low Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
TPDPS_Anlst	0.015*	0.162***	0.393***	0.474***	0.052	-0.061	62.8%	6.85%	205	0.000	69.5%	91.1%
	(2.335)	(8.322)	(3.269)	(16.158)	(1.790)	(-1.204)						
Naive	0.02***	0.163***	0.434***	0.469***	0.070	-0.066	62.6%	6.71%	205	0.000	68.0%	91.6%
	(3.159)	(8.077)	(3.693)	(15.748)	(1.956)	(-1.370)						
TPDPS_HDZ	0.013*	0.159***	0.412***	0.468***	0.057*	-0.101	62.4%	6.47%	205	0.000	69.5%	92.6%
	(2.034)	(8.768)	(3.822)	(16.775)	(2.107)	(-1.411)						
BP_HDZ	-0.002	1.066***	0.312**	0.46***	0.399*	-0.091	60.8%	5.63%	205	0.521	70.9%	49.8%
	(-0.368)	(10.323)	(2.670)	(17.271)	(2.537)	(-1.242)						
BP_Anlst	-0.001	1.119***	0.293**	0.472***	0.413*	-0.011	60.6%	5.50%	205	0.212	70.4%	54.7%
	(-0.137)	(11.792)	(2.661)	(18.486)	(2.498)	(-0.226)						
TPDPS_RI	0.019**	0.115***	0.368**	0.452***	0.07*	-0.107	61%	5.06%	205	0.000	59.1%	91.6%
	(2.913)	(5.848)	(2.864)	(15.562)	(1.985)	(-2.151)						
TPDPS_EP	0.021**	0.106***	0.332**	0.451***	0.071*	-0.083	60.5%	4.67%	205	0.000	58.1%	92.6%
	(3.083)	(5.738)	(2.775)	(15.204)	(2.014)	(-1.656)						
TPDPS_RW	0.029***	0.078***	0.159*	0.477***	0.095**	-0.196	59.8%	4.36%	205	0.000	50.7%	96.1%
	(4.392)	(5.393)	(2.556)	(21.209)	(2.759)	(-1.450)						
BP_EP	0.006	0.747***	0.182	0.449***	0.364*	-0.058	59.3%	4.26%	205	0.020	60.1%	60.1%
	(0.805)	(6.929)	(1.628)	(16.193)	(2.438)	(-1.264)						

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Table 78 : Capturing Subsequent Return: Small Firms, Low Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
BP_RI	0.008	0.781***	0.254*	0.446***	0.348*	-0.071	59.2%	4.17%	205	0.048	57.1%	56.7%
	(1.108)	(7.099)	(2.401)	(16.399)	(2.385)	(-1.523)						
BP_RW	0.019*	0.744***	0.155	0.451***	0.379*	-0.042	58.8%	3.87%	205	0.020	56.2%	55.7%
	(2.507)	(6.816)	(1.330)	(15.908)	(2.521)	(-0.840)						
PE_Anlst	-0.010	1.034***	0.604***	0.433***	0.934	-0.355	58.1%	2.92%	205	0.758	59.6%	41.4%
	(-1.036)	(9.382)	(3.945)	(20.027)	(1.346)	(-2.457)						
GLS_Anlst	-0.035	0.721***	0.044	0.438***	0.718	-0.152	57.2%	2.17%	205	0.075	35.5%	55.2%
	(-2.355)	(4.622)	(0.490)	(18.936)	(0.875)	(-2.210)						
FGHJ_Anlst	-0.034	0.634***	0.025	0.454***	1.745**	-0.119	57.2%	2.11%	205	0.006	38.9%	60.1%
	(-2.363)	(4.781)	(0.282)	(19.535)	(2.965)	(-1.914)						
CT_Anlst	-0.011	0.521***	0.128	0.455***	1.157	-0.084	56.9%	1.93%	205	0.000	42.4%	57.1%
	(-1.037)	(4.548)	(1.470)	(20.372)	(1.649)	(-1.650)						
CT_EP	0.046	0.107*	-0.031	0.414***	0.426	-0.008	55.7%	1.81%	205	0.000	27.1%	88.2%
	(1.879)	(2.039)	(-0.455)	(12.863)	(1.092)	(-0.190)						
FGHJ_HDZ	-0.001	0.415***	-0.052	0.454***	2.801***	-0.051	57%	1.79%	205	0.000	26.1%	69.5%
	(-0.058)	(4.911)	(-0.664)	(19.580)	(4.225)	(-0.971)						
DKL_Anlst	-0.027	0.658***	0.107	0.452***	0.321	-0.078	56.8%	1.67%	205	0.008	42.9%	45.8%
	(-2.336)	(5.171)	(1.459)	(20.686)	(0.609)	(-1.508)						
MPEG_Anlst	0.007	0.324***	0.044	0.446***	0.109	0.064	55.8%	1.58%	205	0.000	31.0%	58.1%

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Table 78 : Capturing Subsequent Return: Small Firms, Low Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(0.849)	(5.149)	(0.572)	(19.975)	(0.359)	(0.817)						
CT_RW	0.005	0.322	-0.058	0.463***	1.823	-0.213	56.4%	1.58%	205	0.004	28.3%	74.7%
	(0.369)	(1.383)	(-0.695)	(17.832)	(1.511)	(-1.188)						
GLS_HDZ	0.006	0.366***	-0.094	0.456***	2.758***	-0.058	56.9%	1.57%	205	0.000	27.6%	64.5%
	(0.722)	(4.621)	(-0.851)	(19.304)	(4.528)	(-1.146)						
GG_HDZ	0.009	0.473***	0.119	0.446***	2.821***	-0.253	56.9%	1.53%	205	0.000	32.0%	65.5%
	(1.100)	(4.580)	(1.031)	(19.127)	(4.130)	(-1.670)						
TrES_Anlst _10Ind	0.042***	0.008	0.008	0.456***	0.013	-0.107	56.4%	1.44%	205	0.000	21.2%	97.5%
	(4.354)	(0.602)	(0.104)	(16.199)	(0.827)	(-1.029)						
DKL_EP	0.005	0.155***	-0.120	0.459***	0.471	-0.090	55.5%	1.42%	205	0.000	36.0%	80.3%
	(0.614)	(4.952)	(-1.428)	(17.743)	(1.435)	(-1.776)						
CT_HDZ	0.016	0.303***	0.069	0.452***	1.626**	-0.219	56.5%	1.40%	205	0.000	30.0%	70.4%
	(1.837)	(3.577)	(0.832)	(19.496)	(2.913)	(-1.815)						
TrES_RI_10Ind	0.036***	-0.008	-0.063	0.428***	0.037	-0.033	55.2%	1.39%	205	0.000	17.7%	98.0%
	(4.292)	(-0.556)	(-1.123)	(20.028)	(1.304)	(-0.406)						
KMY_EP	-0.003	0.232***	-0.022	0.416***	0.133	-0.403	55.3%	1.32%	205	0.000	36.0%	73.9%
	(-0.331)	(3.750)	(-0.292)	(12.089)	(0.356)	(-1.608)						
DKL_HDZ	0.000	0.444***	0.041	0.453***	1.359**	-0.253	56.4%	1.28%	205	0.000	29.6%	70.4%
	(0.029)	(3.145)	(0.513)	(19.947)	(2.941)	(-1.761)						

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Table 78 : Capturing Subsequent Return: Small Firms, Low Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
HL_Anlst	-0.018	0.573***	0.110	0.448***	0.489	-0.031	56.3%	1.26%	205	0.000	35.5%	47.3%
	(-1.834)	(6.113)	(1.626)	(20.985)	(1.435)	(-0.582)						
GM_Anlst	-0.021	0.577***	0.070	0.447***	0.226	-0.093	55.8%	1.26%	205	0.000	33.0%	52.2%
	(-2.267)	(6.941)	(0.998)	(21.150)	(0.751)	(-0.592)						
GG_Anlst	0.003	0.119***	-0.032	0.457***	0.456	-0.110	55.8%	1.24%	205	0.000	24.6%	74.4%
	(0.236)	(3.253)	(-0.418)	(19.424)	(1.372)	(-1.794)						
KMY_HDZ	0.009	0.379***	0.024	0.451***	1.472***	-0.210	56.3%	1.23%	205	0.000	29.6%	65.5%
	(0.921)	(3.858)	(0.300)	(19.333)	(3.251)	(-1.653)						
PE_HDZ	0.016	0.428***	-0.032	0.452***	2.089***	-0.199	56.5%	1.21%	205	0.000	38.9%	62.6%
	(1.825)	(3.425)	(-0.354)	(20.068)	(3.547)	(-2.558)						
HL_EP	0.007	0.128***	-0.111	0.459***	0.450	-0.111	55.2%	1.20%	205	0.000	30.0%	82.8%
	(0.842)	(4.493)	(-1.336)	(17.767)	(1.389)	(-2.089)						
FPM_Anlst	-0.014	0.471**	-0.028	0.457***	0.041	0.023	55.6%	1.18%	205	0.003	33.0%	35.0%
	(-0.949)	(2.688)	(-0.356)	(19.803)	(0.063)	(0.394)						
GG_EP	0.017*	-3.072	-0.193	0.476***	3.069	-0.034	55.8%	1.18%	205	0.128	30.7%	75.0%
	(2.207)	(-1.155)	(-1.719)	(15.837)	(1.887)	(-0.433)						
MPEG_RW	0.033***	0.099***	0.027	0.446***	0.582***	-0.098	56%	1.18%	205	0.000	25.1%	94.6%
	(3.320)	(3.385)	(0.274)	(17.991)	(4.078)	(-1.626)						
WNG_EP	0.049***	0.000	-0.020	0.44***	-0.003	-0.095	55.1%	1.14%	205	0.000	6.9%	100.0%

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Table 78 : Capturing Subsequent Return: Small Firms, Low Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(3.690)	(-0.457)	(-0.335)	(19.342)	(-1.047)	(-1.337)						
KMY_Anlst	-0.002	0.185***	-0.008	0.459***	0.374	-0.068	55.9%	1.06%	205	0.000	30.5%	63.5%
	(-0.151)	(3.404)	(-0.107)	(19.454)	(0.856)	(-1.191)						
GLS_EP	0.016	0.139	-0.220	0.464***	2.161***	-0.039	56.1%	1.06%	205	0.000	29.1%	71.9%
	(1.452)	(1.037)	(-1.824)	(18.061)	(3.326)	(-0.360)						
FGHJ_RI	0.028**	0.074	-0.094	0.453***	0.763	-0.018	55.6%	1.02%	205	0.000	24.6%	70.9%
	(2.812)	(0.724)	(-1.038)	(19.087)	(0.871)	(-0.289)						
GG_RW	0.007	0.396***	0.083	0.446***	5.128*	-0.246	56.3%	1.02%	205	0.000	29.7%	75.1%
	(0.772)	(3.911)	(0.677)	(18.239)	(2.145)	(-1.547)						
PE_EP	0.032***	-0.282	-0.191	0.482***	2.481***	0.272	56%	1.00%	205	0.011	36.0%	73.4%
	(3.454)	(-0.567)	(-1.406)	(12.826)	(3.261)	(0.875)						
GM_RW	0.019	0.068***	-0.041	0.451***	0.569***	-0.057	56%	0.99%	205	0.000	25.8%	96.4%
	(1.856)	(3.359)	(-0.458)	(17.841)	(3.508)	(-1.042)						
PEG_Anlst	0.023**	0.193***	-0.002	0.439***	0.268	0.085	55.1%	0.97%	205	0.000	18.2%	68.0%
	(2.589)	(3.169)	(-0.027)	(20.085)	(1.203)	(1.114)						
PE_RW	0.04***	0.125	0.031	0.45***	0.109	-0.017	55.9%	0.94%	205	0.000	14.3%	91.1%
	(4.420)	(1.758)	(0.298)	(18.953)	(0.297)	(-0.295)						
MPEG_EP	0.014	0.086	-0.002	0.453***	0.871**	-0.123	55.5%	0.92%	205	0.000	30.5%	88.7%
	(1.387)	(1.321)	(-0.015)	(18.142)	(2.852)	(-1.278)						

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Table 78 : Capturing Subsequent Return: Small Firms, Low Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
HL_HDZ	0.006	0.358***	0.025	0.456***	1.123**	-0.153	56.2%	0.92%	205	0.000	27.6%	70.4%
	(0.474)	(3.166)	(0.336)	(19.433)	(3.010)	(-1.713)						
PE_RI	0.031***	0.026	-0.070	0.461***	2.217**	-0.017	55.4%	0.89%	205	0.000	36.5%	73.4%
	(4.246)	(0.269)	(-0.853)	(19.349)	(2.652)	(-0.333)						
FGHJ_EP	0.024	0.049	-0.187	0.457***	2.44**	-0.039	55.5%	0.88%	205	0.000	31.5%	75.4%
	(1.772)	(0.287)	(-1.563)	(17.787)	(3.037)	(-0.363)						
TrETSS_RW_25SBM	0.034***	0.010	-0.010	0.446***	0.004	0.023	55.9%	0.87%	205	0.000	13.8%	100.0%
	(4.212)	(1.402)	(-0.138)	(18.543)	(0.495)	(0.330)						
GM_EP	0.009	0.151***	-0.059	0.45***	1.298**	-0.189	55.1%	0.86%	205	0.000	33.0%	83.7%
	(1.136)	(3.204)	(-0.794)	(18.823)	(2.613)	(-1.487)						
PEG_EP	0.022**	0.081	-0.089	0.455***	1.011***	-0.094	54.9%	0.84%	205	0.000	33.7%	100.0%
	(2.718)	(1.792)	(-1.039)	(17.352)	(4.619)	(-1.336)						
GLS_RI	0.024**	0.117	-0.088	0.455***	2.677	-0.036	55.5%	0.81%	205	0.000	26.1%	72.4%
	(2.750)	(1.391)	(-0.927)	(19.049)	(0.371)	(-0.585)						
FPM_RW	0.049***	0.05***	-0.030	0.433***	0.036	0.001	55.8%	0.76%	205	0.000	19.7%	97.5%
	(4.983)	(4.090)	(-0.489)	(20.114)	(0.939)	(0.007)						
TrES_RW_25SBM	0.04***	-1.015	-0.031	0.441***	0.647	0.008	55.6%	0.74%	205	0.245	8.4%	83.3%
	(5.534)	(-0.587)	(-0.472)	(20.594)	(0.636)	(0.135)						
MPEG_HDZ	0.017	0.238**	-0.036	0.461***	0.612	-0.049	55.6%	0.69%	205	0.000	28.1%	71.4%

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Table 78 : Capturing Subsequent Return: Small Firms, Low Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(1.451)	(2.984)	(-0.413)	(16.830)	(1.576)	(-0.670)						
DKL_RI	0.016	0.127*	-0.075	0.451***	0.328	-0.008	54.6%	0.68%	205	0.000	28.1%	81.8%
	(1.790)	(2.271)	(-0.723)	(18.063)	(1.360)	(-0.152)						
WNG_Anlst	0.045***	0.002	-0.025	0.455***	-0.315	0.004	54.5%	0.67%	205	0.000	7.4%	100.0%
	(6.171)	(1.430)	(-0.363)	(18.992)	(-0.712)	(0.066)						
GM_HDZ	0.020	0.266**	-0.081	0.467***	0.722	-0.057	55.6%	0.67%	205	0.000	24.6%	69.0%
	(1.714)	(2.620)	(-0.866)	(16.482)	(1.315)	(-0.694)						
3FF_Factor	0.041***	-0.071	-0.015	0.464***	5.006*	-0.047	55%	0.65%	205	0.000	7.9%	42.4%
	(4.183)	(-0.320)	(-0.125)	(15.028)	(1.987)	(-0.251)						
KMY_RI	0.013	0.211**	-0.076	0.447***	0.325	-0.087	54.5%	0.65%	205	0.000	29.6%	74.9%
	(1.492)	(2.938)	(-0.860)	(19.982)	(1.174)	(-0.990)						
FPM_HDZ	0.011	0.298***	-0.072	0.456***	1.107**	-0.069	55.3%	0.63%	205	0.000	24.1%	68.0%
	(1.334)	(3.915)	(-1.050)	(19.714)	(2.957)	(-0.670)						
TrETSS_RW_10Ind	0.034***	-0.049	-0.080	0.443***	-0.705	-0.067	54.4%	0.60%	205	0.000	14.3%	98.0%
	(3.518)	(-1.771)	(-1.085)	(19.882)	(-1.099)	(-1.028)						
PEG_RW	0.043***	-0.010	-0.035	0.448***	0.383*	-0.097	55.3%	0.59%	205	0.000	22.4%	100.0%
	(3.259)	(-0.297)	(-0.276)	(14.576)	(2.130)	(-1.311)						
HL_RI	0.015	0.13*	-0.076	0.45***	0.326	-0.010	54.5%	0.56%	205	0.000	30.0%	81.8%
	(1.613)	(2.324)	(-0.737)	(18.033)	(1.350)	(-0.200)						

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Table 78 : Capturing Subsequent Return: Small Firms, Low Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
HL_RW	0.025	0.022	-0.034	0.454***	-0.200	-0.022	54.6%	0.56%	205	0.000	15.8%	86.2%
	(1.329)	(0.805)	(-0.352)	(17.468)	(-0.617)	(-0.372)						
FGHJ_RW	0.03***	0.035	0.000	0.451***	0.558	-0.012	54.1%	0.56%	205	0.000	21.1%	84.0%
	(3.375)	(0.344)	(-0.004)	(19.327)	(1.704)	(-0.218)						
DKL_RW	0.009	0.067	-0.068	0.455***	-0.099	-0.025	54.6%	0.55%	205	0.000	17.7%	82.8%
	(0.503)	(1.936)	(-0.682)	(16.777)	(-0.296)	(-0.454)						
TrES_RW_10Ind	0.041***	2.936	-0.085	0.449***	17.794	-0.175	55.2%	0.55%	205	0.512	18.2%	76.8%
	(5.303)	(0.996)	(-0.833)	(16.693)	(1.065)	(-1.043)						
TrES_Anlst _25SBM	0.05***	0.003	-0.050	0.436***	-0.001	-0.083	55.1%	0.53%	205	0.000	7.4%	99.5%
	(5.786)	(0.611)	(-0.629)	(19.189)	(-0.405)	(-1.095)						
5FF_Factor	0.037***	0.102	0.017	0.452***	-0.066	0.058	55.1%	0.52%	205	0.000	10.8%	45.3%
	(4.563)	(0.630)	(0.174)	(18.818)	(-0.047)	(0.944)						
PEG_HDZ	0.017	0.269**	-0.151	0.479***	0.580	-0.011	55.7%	0.51%	205	0.000	20.2%	68.5%
	(1.132)	(2.607)	(-1.397)	(13.605)	(1.297)	(-0.153)						
TrES_EP_10Ind	0.04***	0.056	-0.002	0.441***	0.018	-0.061	54.5%	0.50%	205	0.000	12.3%	95.6%
	(4.483)	(1.461)	(-0.010)	(17.369)	(0.736)	(-0.390)						
KMY_RW	0.024	0.031	-0.033	0.454***	-0.153	-0.022	54.5%	0.48%	205	0.000	14.3%	86.7%
	(1.233)	(1.102)	(-0.345)	(17.469)	(-0.469)	(-0.367)						
FPM_RI	0.038***	0.007	0.012	0.459***	0.079	-0.121	55%	0.47%	205	0.000	21.2%	89.2%

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Table 78 : Capturing Subsequent Return: Small Firms, Low Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(3.533)	(0.162)	(0.176)	(18.854)	(1.102)	(-1.709)						
GM_RI	0.012	0.197*	-0.139	0.466***	0.225	-0.040	55%	0.43%	205	0.000	32.7%	76.2%
	(1.044)	(2.507)	(-1.511)	(16.604)	(0.402)	(-0.520)						
FPM_EP	0.020	0.077***	-0.068	0.44***	0.013	-0.121	54.6%	0.41%	205	0.000	22.2%	97.5%
	(1.904)	(4.614)	(-0.906)	(18.351)	(0.638)	(-1.670)						
CT_RI	0.03***	0.017	-0.048	0.443***	0.069	-0.072	54.4%	0.40%	205	0.000	12.3%	84.7%
	(3.730)	(0.402)	(-0.589)	(18.219)	(0.232)	(-0.704)						
TrOHE_10Ind	0.035***	0.212*	-0.065	0.461***	0.662	0.003	54.4%	0.38%	205	0.000	17.2%	71.9%
	(4.220)	(2.547)	(-0.639)	(16.757)	(1.379)	(0.036)						
PEG_RI	0.029***	0.085	-0.111	0.452***	0.250	-0.068	54.1%	0.37%	205	0.000	30.1%	100.0%
	(3.271)	(0.991)	(-1.332)	(17.190)	(1.526)	(-1.045)						
TrETSS_Anlst _25SBM	0.051***	-0.075	-0.083	0.452***	0.082*	-0.097	54.1%	0.37%	205	0.000	6.9%	89.7%
	(6.650)	(-1.737)	(-1.030)	(18.475)	(1.986)	(-1.299)						
GG_RI	0.025***	0.166	-0.094	0.456***	2.029***	-0.122	54.6%	0.34%	205	0.000	29.2%	78.1%
	(3.528)	(1.132)	(-1.272)	(19.209)	(3.170)	(-1.647)						
TrES_RI_25SBM	0.039***	-0.011	-0.071	0.43***	0.007	-0.032	54.1%	0.33%	205	0.000	6.9%	100.0%
	(4.464)	(-1.483)	(-0.978)	(18.138)	(1.539)	(-0.712)						
MPEG_RI	0.004	0.177**	-0.114	0.461***	-2.047	-0.037	55%	0.28%	205	0.000	32.7%	82.2%
	(0.329)	(2.651)	(-1.382)	(17.017)	(-0.672)	(-0.488)						

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Table 78 : Capturing Subsequent Return: Small Firms, Low Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
TrETSS_EP_25SBM	0.049***	0.001	0.046	0.432***	0.002	-0.082	54.1%	0.23%	205	0.000	9.4%	100.0%
	(6.185)	(0.253)	(0.641)	(19.721)	(0.312)	(-1.460)						
CAPM_Factor	0.165	-9.622	0.025	0.442***	-2.448	0.237	54.8%	0.22%	205	0.287	18.7%	23.6%
	(1.318)	(-0.968)	(0.229)	(16.117)	(-0.137)	(1.270)						
TrES_HDZ_25SBM	0.046***	0.002	-0.233	0.444***	-0.002	-0.093	55.4%	0.17%	205	0.000	4.4%	99.0%
	(5.620)	(0.414)	(-1.089)	(17.210)	(-0.436)	(-1.317)						
TrES_HDZ_10Ind	0.056***	-0.034	-0.063	0.451***	-0.048	0.033	54.7%	0.16%	205	0.000	18.7%	96.6%
	(4.002)	(-1.040)	(-0.649)	(17.327)	(-1.128)	(0.363)						
WNG_RW	0.046***	0.000	-0.073	0.444***	-0.005	-0.137	54%	0.13%	205	0.000	3.4%	100.0%
	(6.401)	(-1.314)	(-1.189)	(20.039)	(-0.874)	(-1.642)						
TrETSS_RI_25SBM	0.042***	0.011	-0.087	0.452***	-0.002	-0.156	53.8%	0.10%	205	0.000	8.4%	98.5%
	(5.927)	(1.484)	(-0.938)	(17.934)	(-0.171)	(-2.068)						
WNG_RI	0.041***	-0.002	-0.110	0.46***	0.192	-0.056	54.7%	0.08%	205	0.000	4.0%	100.0%
	(5.373)	(-0.347)	(-1.037)	(16.700)	(1.332)	(-0.880)						
TrETSS_RI_10Ind	0.04***	-0.011	-0.051	0.448***	0.055	-0.090	54.2%	0.06%	205	0.000	15.8%	99.0%
	(5.192)	(-0.749)	(-0.644)	(19.615)	(1.010)	(-0.798)						
TrES_EP_25SBM	0.032**	0.031	-0.047	0.45***	-0.022	0.138	55.1%	0.00%	205	0.000	6.4%	99.5%
	(2.651)	(1.017)	(-0.649)	(14.178)	(-0.976)	(1.218)						
TrETSS_Anlst _10Ind	0.039***	0.046	-0.048	0.44***	0.075	-0.155	54.1%	-0.05%	205	0.000	12.3%	82.3%

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Table 78 : Capturing Subsequent Return: Small Firms, Low Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(5.296)	(1.041)	(-0.490)	(16.405)	(0.904)	(-0.880)						
TrETSS_HDZ_25SBM	0.043***	0.004	-0.081	0.444***	-0.021	-0.044	54%	-0.05%	205	0.000	10.8%	93.1%
	(6.263)	(0.293)	(-1.128)	(19.441)	(-0.678)	(-0.635)						
TrOHE_25SBM	0.043***	0.040	-0.025	0.448***	-0.039	-0.007	53.8%	-0.06%	205	0.000	12.3%	86.2%
	(6.069)	(1.733)	(-0.313)	(19.516)	(-1.630)	(-0.116)						
TrETSS_HDZ_10Ind	0.042***	-0.051	-0.026	0.441***	-0.025	-0.098	53.8%	-0.09%	205	0.000	11.3%	88.2%
	(5.507)	(-1.334)	(-0.362)	(19.340)	(-0.458)	(-1.200)						
GLS_RW	0.059	0.004	-0.067	0.462***	0.175	-0.023	53.5%	-0.27%	205	0.000	12.8%	86.7%
	(1.543)	(0.084)	(-0.542)	(16.200)	(0.375)	(-0.416)						
Carhart_Factor	0.039***	-0.075	-0.066	0.461***	2.251	-0.042	53.6%	-0.28%	205	0.000	7.4%	58.6%
	(4.473)	(-0.700)	(-0.839)	(16.973)	(1.827)	(-0.357)						
TrETSS_EP_10Ind	0.024	0.031	-0.178	0.474***	-0.020	-0.113	53.5%	-0.35%	205	0.000	15.8%	99.0%
	(1.739)	(1.745)	(-1.514)	(14.509)	(-0.559)	(-0.782)						
WNG_HDZ	0.045***	0.000	-0.014	0.467***	0.034	-0.104	54.1%	-0.48%	205	0.000	1.0%	100.0%
	(4.367)	(-0.705)	(-0.147)	(15.956)	(0.121)	(-1.340)						

For the lowest quartile of firms in terms of analysts coverage, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much

of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 79 : Capturing Subsequent Return: High Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
TPDPS_Anlst	0.038	0.103*	-0.721	0.534***	0.362	-1.650	66%		205	0.000	44.2%	95.3%
	(0.514)	(2.023)	(-0.817)	(7.687)	(0.850)	(-0.800)		7.58%				
Naive	0.011	0.113***	-0.868	0.532***	0.164	-0.772	65.9%		205	0.000	43.0%	95.3%
	(0.266)	(3.272)	(-0.819)	(8.051)	(0.818)	(-0.787)		7.27%				
BP_HDZ	0.113	3.539	17.164	0.130	8.975	-1.477	65.2%		205	0.424	51.7%	39.0%
	(0.752)	(1.116)	(0.821)	(0.309)	(0.883)	(-0.984)		6.40%				
TPDPS_HDZ	0.006	0.116***	-0.932	0.508***	0.097	-0.581	65.6%		205	0.000	43.6%	93.6%
	(0.179)	(3.227)	(-0.711)	(9.526)	(0.540)	(-0.751)		6.39%				
TPDPS_RI	0.036	0.098***	0.029	0.42***	0.169	-0.829	64.8%		205	0.000	39.5%	95.9%
	(0.911)	(3.664)	(0.031)	(4.719)	(0.921)	(-0.885)		6.21%				
TPDPS_EP	0.036	0.069*	-0.455	0.428***	0.132	-0.836	65%		205	0.000	34.9%	95.3%
	(0.861)	(1.965)	(-0.317)	(4.622)	(0.618)	(-0.841)		6.09%				
BP_RW	0.005	0.408	-0.930	0.487***	0.268	-0.286	64.2%		205	0.009	40.7%	48.8%
	(0.260)	(1.815)	(-0.645)	(10.701)	(0.286)	(-0.633)		5.77%				
PE_EP	-0.004	0.646*	0.046	0.456***	-1.186	0.048	63.8%		205	0.231	23.3%	78.5%
	(-0.228)	(2.194)	(0.158)	(7.406)	(-0.692)	(0.349)		5.50%				
BP_Anlst	-0.110	-1.291	-14.571	0.79*	-6.363	0.702	65.4%		205	0.419	52.9%	40.1%
	(-0.868)	(-0.456)	(-0.791)	(2.080)	(-0.719)	(0.549)		5.33%				

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Table 79 : Capturing Subsequent Return: Small Firms, High Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
GG_HDZ	0.011	0.336*	0.228	0.468***	3.355***	-0.155	63.4%		205	0.000	25.0%	58.7%
	(0.673)	(2.194)	(0.754)	(9.992)	(3.203)	(-0.806)		5.22%				
GG_Anlst	0.147	-0.007	1.257	0.446*	5.788	-3.664	61.6%		205	0.000	19.2%	79.1%
	(0.962)	(-0.071)	(0.704)	(2.510)	(1.107)	(-0.901)		5.05%				
BP_EP	-0.088	-1.250	-12.706	0.724*	-5.494	0.523	64.2%		205	0.351	43.0%	43.0%
	(-0.763)	(-0.520)	(-0.789)	(2.165)	(-0.700)	(0.473)		4.97%				
FPM_Anlst	-0.175	-0.117	-3.803	0.975	13.516	1.829	62.7%		205	0.361	21.5%	29.1%
	(-1.036)	(-0.096)	(-0.725)	(1.512)	(0.884)	(0.743)		4.97%				
CT_Anlst	-0.044	0.519*	-0.853	0.575***	-1.381	0.030	63%		205	0.030	25.0%	38.4%
	(-1.136)	(2.360)	(-0.739)	(4.076)	(-0.727)	(0.174)		4.96%				
DKL_HDZ	-0.028	0.569	0.299	0.453***	1.653	-0.051	63%		205	0.242	19.8%	68.0%
	(-0.703)	(1.547)	(0.450)	(7.667)	(1.085)	(-0.249)		4.80%				
BP_RI	-0.002	0.608***	-0.581	0.475***	0.400	-0.257	63.8%		205	0.024	41.9%	43.0%
	(-0.101)	(3.530)	(-0.527)	(11.927)	(0.512)	(-0.607)		4.78%				
TPDPS_RW	-0.028	0.071***	-0.904	0.572***	0.001	0.472	63.9%		205	0.000	30.8%	95.3%
	(-0.798)	(3.229)	(-0.788)	(3.353)	(0.015)	(1.085)		4.78%				
GG_RW	0.012	0.291	0.213	0.461***	1.473	-0.159	61.7%		205	0.000	23.1%	65.6%
	(0.732)	(1.883)	(0.713)	(9.622)	(0.840)	(-0.746)		4.74%				
FGHJ_HDZ	-0.008	0.421**	-0.004	0.445***	2.507***	-0.277	62.7%		205	0.000	15.7%	69.2%

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Table 79 : Capturing Subsequent Return: Small Firms, High Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(-0.440)	(2.680)	(-0.013)	(12.558)	(4.191)	(-2.060)		4.64%				
PE_RI	0.016	0.295	0.372	0.435***	-2.003	0.056	63.1%		205	0.001	19.2%	79.1%
	(1.168)	(1.416)	(0.877)	(10.187)	(-0.564)	(0.232)		4.54%				
GM_HDZ	-0.013	0.371	-1.957	0.539***	0.149	-0.076	62.4%		205	0.019	15.1%	70.3%
	(-0.355)	(1.395)	(-0.748)	(5.695)	(0.088)	(-0.718)		4.47%				
GLS_Anlst	-0.006	0.363	0.526	0.481***	1.937	-0.136	62.1%		205	0.068	23.3%	43.6%
	(-0.162)	(1.047)	(0.580)	(7.056)	(1.569)	(-0.757)		4.35%				
CT_RI	0.019	0.406	0.521	0.348***	-0.628	0.265	60.7%		205	0.040	5.3%	92.3%
	(0.628)	(1.418)	(1.000)	(4.009)	(-0.885)	(1.192)		4.25%				
CT_HDZ	0.020	0.088	0.219	0.471***	1.233	-0.114	62.5%		205	0.000	22.1%	71.5%
	(1.457)	(0.638)	(0.529)	(11.228)	(1.216)	(-0.681)		4.23%				
PE_Anlst	-0.001	0.441	0.633	0.436***	1.112	0.097	63.8%		205	0.237	36.6%	34.9%
	(-0.027)	(0.939)	(0.878)	(8.984)	(0.719)	(0.369)		4.17%				
TrES_RW_10Ind	0.224	-0.335	-0.115	0.552***	59.500	-3.033	61.1%		205	0.585	16.3%	89.0%
	(0.959)	(-0.137)	(-0.417)	(4.340)	(0.900)	(-0.817)		4.13%				
GM_Anlst	-0.052	0.746***	0.314	0.476***	0.295	0.069	63.3%		205	0.266	25.6%	46.5%
	(-1.577)	(3.274)	(1.418)	(8.174)	(0.552)	(0.441)		4.10%				
GG_EP	-0.016	0.623	-0.373	0.473***	-3.476	0.141	62.4%		205	0.739	19.9%	70.8%
	(-0.955)	(0.551)	(-1.157)	(9.266)	(-1.030)	(0.309)		4.05%				

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Table 79 : Capturing Subsequent Return: Small Firms, High Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
HL_HDZ	0.016	0.207	0.616	0.459***	2.468*	-0.227	62.8%		205	0.000	21.5%	70.3%
	(0.912)	(1.604)	(0.768)	(10.147)	(2.125)	(-1.744)		3.79%				
KMY_HDZ	0.016	0.175	0.250	0.483***	2.416**	-0.230	62.7%		205	0.000	20.3%	64.5%
	(1.051)	(1.147)	(0.574)	(10.442)	(2.845)	(-1.733)		3.69%				
GLS_HDZ	-0.014	0.466*	-0.009	0.445***	2.215***	-0.242	62.7%		205	0.007	17.4%	63.4%
	(-0.669)	(2.382)	(-0.026)	(11.657)	(4.203)	(-1.731)		3.67%				
HL_Anlst	-0.048	0.791***	0.297	0.481***	0.457	-0.009	63.2%		205	0.362	24.4%	42.4%
	(-1.708)	(3.459)	(1.534)	(8.121)	(0.865)	(-0.069)		3.62%				
TrOHE_10Ind	0.007	0.361	0.037	0.452***	-2.694	0.293	60.3%		205	0.261	9.3%	57.6%
	(0.100)	(0.639)	(0.213)	(7.351)	(-1.057)	(0.286)		3.50%				
CAPM_Factor	-0.084	5.906	0.474	0.369***	9.892	0.459	60.8%		205	0.644	11.6%	16.9%
	(-0.542)	(0.558)	(1.375)	(8.009)	(0.787)	(0.908)		3.49%				
DKL_Anlst	-0.049	0.782***	0.315	0.462***	0.559	-0.019	63.2%		205	0.331	26.2%	39.5%
	(-1.741)	(3.494)	(1.272)	(7.722)	(0.893)	(-0.125)		3.48%				
WNG_RI	0.036***	-0.066	0.072	0.382***	-0.070	0.073	61.9%		205	0.000	4.7%	94.8%
	(3.449)	(-1.059)	(0.447)	(11.625)	(-0.377)	(0.637)		3.47%				
MPEG_Anlst	-0.061	0.846***	0.184	0.475***	0.748	-0.180	63.2%		205	0.563	21.5%	55.2%
	(-1.933)	(3.185)	(1.516)	(9.756)	(1.061)	(-0.904)		3.46%				
FPM_RW	0.029	0.021	0.180	0.376***	0.115	0.035	60.1%		205	0.000	6.4%	82.6%

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Table 79 : Capturing Subsequent Return: Small Firms, High Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(1.184)	(0.680)	(0.741)	(6.531)	(0.711)	(0.351)		3.38%				
TrES_RI_10Ind	0.035	-0.011	0.068	0.401***	0.048	0.074	60.8%		205	0.000	13.4%	96.5%
	(1.803)	(-0.330)	(0.649)	(14.678)	(0.571)	(0.622)		3.36%				
PE_HDZ	0.038	0.206	0.829	0.497***	1.741*	0.535	62.6%		205	0.084	22.1%	61.0%
	(0.854)	(0.452)	(0.814)	(8.354)	(2.439)	(0.714)		3.33%				
FGHJ_Anlst	0.004	0.302	1.023	0.467***	2.537	-0.135	61.9%		205	0.047	21.5%	42.4%
	(0.108)	(0.865)	(0.748)	(7.083)	(1.281)	(-1.061)		3.24%				
KMY_Anlst	-0.068	0.325	-0.042	0.531***	-0.102	0.159	62.6%		205	0.037	20.9%	70.9%
	(-0.840)	(1.013)	(-0.120)	(8.562)	(-0.180)	(0.907)		3.24%				
TrES_Anlst _10Ind	-21.516	50.028	-4.201	-3.475	-12.079	131.374	60.7%		205	0.430	11.0%	93.6%
	(-0.807)	(0.807)	(-0.799)	(-0.721)	(-0.813)	(0.808)		3.21%				
TrES_EP_10Ind	0.037	-0.001	0.700	0.353***	0.053	0.100	61.5%		205	0.000	11.6%	96.5%
	(1.068)	(-0.041)	(1.012)	(3.472)	(0.669)	(0.664)		3.01%				
FPM_RI	0.040	-0.230	0.774	0.343***	0.237	-0.034	60%		205	0.000	11.0%	84.3%
	(1.863)	(-0.992)	(1.082)	(3.689)	(0.736)	(-0.327)		2.85%				
PE_RW	0.031	0.116	0.087	0.443***	-0.383	-0.011	61.2%		205	0.002	5.8%	86.6%
	(1.008)	(0.422)	(0.275)	(7.375)	(-0.989)	(-0.071)		2.83%				
KMY_EP	-0.008	0.239***	0.263	0.419***	0.416*	0.038	61.7%		205	0.000	21.5%	72.1%
	(-0.562)	(3.616)	(1.133)	(8.689)	(2.140)	(0.278)		2.80%				

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Table 79 : Capturing Subsequent Return: Small Firms, High Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TrES_HDZ_25SBM	-0.006	-0.003	-0.551	0.544**	-0.010	0.714	59.7%		205	0.000	8.7%	93.0%
	(-0.121)	(-0.100)	(-0.385)	(3.054)	(-0.570)	(0.819)		2.71%				
TrETSS_Anlst _10Ind	-0.001	-0.499	0.023	0.446***	0.012	0.482	60.8%		205	0.024	11.0%	76.2%
	(-0.036)	(-0.760)	(0.198)	(10.207)	(0.066)	(1.035)		2.71%				
Carhart_Factor	0.087	-2.121	-1.634	0.439***	-3.699	-0.464	60.3%		205	0.223	8.1%	48.3%
	(1.442)	(-0.831)	(-0.890)	(9.090)	(-0.826)	(-1.641)		2.54%				
TrETSS_EP_25SBM	0.051**	-0.010	-0.017	0.407***	-0.006	0.054	61.1%		205	0.000	5.8%	96.5%
	(2.944)	(-0.804)	(-0.077)	(12.136)	(-0.289)	(0.255)		2.51%				
GLS_RI	0.011	0.146	0.254	0.43***	-7.008	-0.059	62.4%		205	0.000	18.6%	78.5%
	(0.667)	(0.622)	(0.891)	(10.078)	(-1.019)	(-0.372)		2.51%				
PEG_Anlst	0.002	0.426*	0.228	0.466***	0.996	-0.262	62.6%		205	0.001	15.7%	61.0%
	(0.071)	(2.408)	(0.888)	(10.646)	(0.947)	(-0.923)		2.45%				
GG_RI	0.010	0.241	0.213	0.448***	1.654	-0.028	61.6%		205	0.008	15.6%	66.9%
	(0.829)	(0.850)	(0.789)	(11.813)	(1.718)	(-0.127)		2.45%				
PEG_HDZ	0.035*	-0.138	0.418	0.471***	1.57*	-0.157	62.5%		205	0.000	14.0%	73.3%
	(2.380)	(-0.705)	(0.612)	(8.621)	(2.215)	(-1.279)		2.44%				
HL_EP	0.007	0.054	0.337	0.428***	0.423*	0.017	61.6%		205	0.000	20.9%	76.2%
	(0.282)	(0.322)	(1.254)	(10.210)	(2.127)	(0.110)		2.40%				
TrETSS_RI_10Ind	0.040	-0.013	0.436	0.417***	0.033	0.167	60.2%		205	0.000	9.3%	93.0%

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Table 79 : Capturing Subsequent Return: Small Firms, High Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(1.219)	(-0.555)	(1.384)	(8.796)	(0.764)	(0.395)		2.37%				
DKL_EP	-0.039	0.501	-0.080	0.439***	0.101	0.111	61.6%		205	0.131	19.8%	74.4%
	(-1.068)	(1.522)	(-0.240)	(10.209)	(0.301)	(0.629)		2.32%				
PEG_RI	0.021	-0.008	0.318	0.449***	0.696***	0.015	61.4%		205	0.000	11.8%	92.1%
	(1.287)	(-0.080)	(0.775)	(7.772)	(4.095)	(0.141)		2.27%				
GLS_EP	0.022	-0.188	-0.035	0.449***	-2.334	0.161	61.5%		205	0.025	15.1%	74.4%
	(0.834)	(-0.358)	(-0.266)	(14.552)	(-0.622)	(0.358)		2.25%				
MPEG_HDZ	0.031	0.020	0.717	0.44***	1.431*	-0.138	63%		205	0.000	17.4%	75.0%
	(1.853)	(0.201)	(0.879)	(10.211)	(2.217)	(-1.289)		2.22%				
CT_RW	-0.006	0.321	0.037	0.473***	-0.701	-0.066	62.2%		205	0.000	17.1%	79.3%
	(-0.403)	(1.694)	(0.139)	(10.567)	(-0.353)	(-0.197)		2.15%				
TrETSS_Anlst _25SBM	0.109	-0.211	-0.170	0.484***	0.280	-0.541	59.7%		205	0.000	3.5%	92.4%
	(1.399)	(-1.255)	(-0.646)	(9.314)	(1.183)	(-0.815)		2.14%				
MPEG_EP	0.001	-0.073	-0.434	0.513***	1.427***	-0.161	62.4%		205	0.000	18.6%	82.6%
	(0.018)	(-0.930)	(-0.566)	(8.858)	(3.107)	(-0.533)		2.12%				
FGHJ_EP	0.030	-0.231	-0.024	0.446***	70.367	0.130	61.6%		205	0.018	13.5%	79.5%
	(1.021)	(-0.448)	(-0.195)	(14.761)	(0.701)	(0.341)		2.09%				
WNG_Anlst	0.048*	0.067	0.574	0.411***	0.623	-0.235	59.4%		205	0.000	4.7%	96.5%
	(2.191)	(0.898)	(1.053)	(5.136)	(1.591)	(-1.498)		2.05%				

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Table 79 : **Capturing Subsequent Return: Small Firms, High Analysts Coverage Firms**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TrES_Anlst _25SBM	0.041***	0.014	0.563	0.404***	-0.007	0.004	60.1%		205	0.000	5.8%	95.9%
	(4.006)	(1.083)	(0.778)	(10.903)	(-0.897)	(0.039)		2.02%				
FPM_HDZ	14.128	-19.948	-18.641	16.547	3959.718	-520.305	61.3%		205	0.405	18.0%	47.7%
	(0.807)	(-0.796)	(-0.810)	(0.829)	(0.807)	(-0.807)		2.02%				
CT_EP	-0.004	0.300	0.358	0.422***	1.656*	0.003	61.2%		205	0.000	18.0%	79.1%
	(-0.165)	(1.777)	(1.260)	(9.861)	(1.965)	(0.011)		1.96%				
GM_EP	0.005	0.091	0.020	0.442***	1.76**	0.058	62.2%		205	0.000	20.9%	78.5%
	(0.302)	(0.745)	(0.096)	(14.974)	(2.614)	(0.283)		1.94%				
3FF_Factor	0.042***	0.059	0.325	0.438***	0.585	0.095	60.1%		205	0.009	4.7%	34.3%
	(3.610)	(0.168)	(1.528)	(13.898)	(0.293)	(0.622)		1.89%				
TrETSS_HDZ_25SBM	0.023	-0.014	-0.160	0.474***	-0.046	0.078	60%		205	0.000	5.2%	90.7%
	(1.047)	(-0.333)	(-0.320)	(6.654)	(-0.808)	(0.423)		1.78%				
TrES_HDZ_10Ind	-0.027	-0.128	-6.277	0.842	-0.013	-2.616	59.7%		205	0.000	18.0%	93.6%
	(-0.208)	(-0.932)	(-0.790)	(1.716)	(-0.751)	(-0.793)		1.77%				
TrETSS_HDZ_10Ind	-0.022	0.337	-1.925	0.606***	0.045	0.440	60.7%		205	0.012	13.4%	87.2%
	(-0.207)	(1.285)	(-0.824)	(3.540)	(0.261)	(0.488)		1.72%				
TrETSS_EP_10Ind	0.048	-0.013	-0.026	0.461***	-0.079	0.262	60.3%		205	0.000	7.0%	94.8%
	(1.701)	(-0.536)	(-0.037)	(8.643)	(-0.611)	(1.119)		1.71%				
FGHJ_RW	0.015	-0.119	-0.768	0.544***	2.439	0.011	61%		205	0.000	12.9%	85.9%

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Table 79 : Capturing Subsequent Return: Small Firms, High Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(0.410)	(-0.416)	(-0.866)	(3.461)	(0.900)	(0.025)		1.69%				
TrES_EP_25SBM	0.035**	0.003	0.221	0.412***	-0.011	0.025	60.7%		205	0.000	8.1%	95.3%
	(2.819)	(0.371)	(0.994)	(12.666)	(-1.320)	(0.309)		1.55%				
GM_RI	-0.007	0.263	-2.144	0.537***	-1.720	-0.097	62.5%		205	0.005	19.9%	73.5%
	(-0.171)	(1.016)	(-0.803)	(5.423)	(-0.885)	(-0.568)		1.47%				
PEG_EP	0.015	-0.012	0.176	0.445***	2.011*	0.060	59.9%		205	0.000	18.1%	89.2%
	(1.204)	(-0.099)	(0.519)	(10.832)	(2.508)	(0.362)		1.34%				
WNG_EP	0.037*	-0.001	0.259	0.378***	-0.005	-0.288	59.8%		205	0.000	2.3%	96.5%
	(2.192)	(-0.580)	(0.523)	(8.863)	(-0.588)	(-1.213)		1.30%				
WNG_RW	0.036*	0.000	0.177	0.357***	0.009	0.025	60.8%		205	0.000	3.5%	96.5%
	(2.214)	(-0.582)	(1.055)	(10.076)	(1.815)	(0.263)		1.30%				
FGHJ_RI	-0.033	1.015	0.118	0.444***	20.384	-0.307	60.8%		205	0.984	14.6%	76.0%
	(-0.756)	(1.361)	(0.482)	(10.618)	(0.857)	(-1.586)		1.18%				
5FF_Factor	0.070	0.052	0.398	0.436***	1.615	-0.169	60.4%		205	0.528	4.7%	29.7%
	(1.871)	(0.035)	(0.592)	(5.174)	(0.340)	(-0.475)		1.10%				
HL_RI	0.036	0.014	0.638	0.371***	0.479	0.019	60.2%		205	0.000	12.2%	89.5%
	(1.339)	(0.153)	(1.089)	(4.584)	(0.939)	(0.138)		1.02%				
KMY_RI	0.030	0.027	0.510	0.367***	0.322	0.167	60.5%		205	0.000	9.9%	82.0%
	(1.096)	(0.226)	(0.903)	(4.430)	(1.703)	(0.814)		1.00%				

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Table 79 : Capturing Subsequent Return: Small Firms, High Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
TrETSS_RW_25SBM	0.032*	0.005	-0.327	0.467***	-0.008	-0.074	61.1%		205	0.000	12.8%	94.2%
	(2.035)	(0.394)	(-1.062)	(7.406)	(-0.448)	(-0.333)		0.98%				
DKL_RW	-0.196	0.765	1.125	0.292	-5.489	2.670	61.4%		205	0.795	11.0%	83.1%
	(-0.689)	(0.848)	(1.458)	(1.548)	(-0.976)	(1.284)		0.88%				
MPEG_RI	2.493	-11.395	-0.966	-0.077	0.969	-32.817	61.3%		205	0.387	15.1%	75.3%
	(0.815)	(-0.797)	(-0.293)	(-0.120)	(1.545)	(-0.785)		0.83%				
DKL_RI	0.037	0.010	0.514	0.374***	0.535	-0.021	60.2%		205	0.000	11.0%	91.3%
	(1.737)	(0.105)	(1.169)	(5.883)	(1.026)	(-0.190)		0.82%				
FPM_EP	-0.069	0.095***	-0.104	0.435***	0.072	0.009	60.8%		205	0.000	19.2%	91.9%
	(-1.490)	(4.568)	(-0.402)	(10.195)	(1.331)	(0.105)		0.70%				
TrES_RW_25SBM	0.057*	-5.878	0.069	0.462***	-1.522	-0.016	59.9%		205	0.483	5.8%	87.8%
	(2.439)	(-0.601)	(0.167)	(8.862)	(-1.358)	(-0.070)		0.57%				
GM_RW	-0.010	0.109***	0.040	0.449***	-2.153	0.020	59.9%		205	0.000	14.6%	87.1%
	(-0.737)	(3.726)	(0.287)	(13.760)	(-0.719)	(0.080)		0.56%				
GLS_RW	0.029*	0.075	0.323	0.444***	0.003	-0.020	59.7%		205	0.000	7.0%	85.5%
	(1.961)	(0.574)	(1.263)	(12.537)	(0.001)	(-0.098)		0.20%				
HL_RW	0.136	-0.145	0.806	0.44***	0.173	-0.235	60.8%		205	0.000	9.9%	87.2%
	(1.940)	(-1.048)	(1.781)	(7.150)	(0.571)	(-0.956)		0.17%				
TrETSS_RI_25SBM	0.044**	0.005	0.171	0.418***	-0.048	0.162	59.7%		205	0.000	4.7%	94.2%

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Table 79 : Capturing Subsequent Return: Small Firms, High Analysts Coverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(2.865)	(0.272)	(0.654)	(13.242)	(-1.587)	(0.946)		0.12%				
KMY_RW	0.135	-0.142	0.815	0.44***	0.293	-0.234	60.8%		205	0.000	10.5%	84.9%
	(1.925)	(-1.025)	(1.800)	(7.155)	(0.950)	(-0.953)		0.12%				
PEG_RW	0.014	0.062	0.362	0.433***	0.403	0.075	59.5%		205	0.000	21.7%	100.0%
	(0.712)	(1.233)	(0.998)	(12.013)	(1.388)	(0.492)		0.07%				
WNG_HDZ	0.052***	-0.017	-0.058	0.46***	0.212	-0.184	60.3%		205	0.000	5.2%	96.5%
	(3.862)	(-1.270)	(-0.303)	(11.103)	(1.314)	(-0.931)		0.06%				
TrES_RI_25SBM	0.034*	-0.040	-1.668	0.518***	0.067	-1.007	59.5%		205	0.000	9.3%	96.5%
	(2.086)	(-0.804)	(-0.749)	(3.265)	(0.730)	(-0.840)		-0.20%				
TrETSS_RW_10Ind	0.014	-0.041	0.042	0.432***	-0.017	-0.038	60.5%		205	0.000	12.2%	92.4%
	(0.996)	(-0.717)	(0.437)	(14.217)	(-0.154)	(-0.243)		-0.26%				
MPEG_RW	-0.007	0.168***	0.058	0.444***	0.523**	-0.080	59.8%		205	0.000	14.3%	94.6%
	(-0.350)	(3.234)	(0.489)	(15.594)	(2.931)	(-0.672)		-0.51%				
TrOHE_25SBM	0.030	-0.128	-1.288	0.437***	0.112	0.108	59.8%		205	0.000	9.3%	80.2%
	(1.467)	(-0.809)	(-0.728)	(6.767)	(0.992)	(0.696)		-1.14%				

For the highest quartile of firms in terms of analysts coverage, this table reports average monthly regression coefficients of one year subsequent return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 80 : Capturing Subsequent Return: Low Earnings Forecast Standard Deviation Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
BP_HDZ	-0.023	0.444	0.159	0.427***	0.092	0.239	65.3%	3.59%	205	0.016	34.4%	33.1%
	(-0.624)	(1.952)	(0.430)	(12.441)	(0.139)	(0.582)						
BP_Anlst	0.017	0.616***	0.448***	0.427***	0.716***	-0.197	64.9%	3.57%	205	0.000	32.5%	28.6%
	(1.428)	(6.140)	(3.864)	(12.514)	(3.647)	(-1.680)						
MPEG_EP	0.038	-0.085	0.471	0.436***	0.564	-0.164	64%	3.06%	205	0.000	13.6%	85.7%
	(1.259)	(-0.934)	(1.315)	(12.468)	(1.308)	(-1.219)						
TPDPS_HDZ	-0.024	0.051	0.053	0.414***	0.038	0.357	65.5%	3.02%	205	0.000	29.2%	93.5%
	(-0.494)	(1.124)	(0.112)	(13.275)	(0.248)	(0.669)						
TrOHE_10Ind	0.039**	0.113	0.43**	0.395***	-0.235	-0.181	63.3%	3.00%	205	0.000	11.0%	40.3%
	(2.867)	(0.647)	(2.996)	(7.945)	(-0.675)	(-1.507)						
TPDPS_Anlst	0.017	0.066	0.433***	0.425***	0.15***	-0.097	65.1%	2.87%	205	0.000	29.2%	92.2%
	(1.683)	(1.855)	(3.923)	(13.089)	(4.514)	(-1.409)						
KMY_EP	0.067	-0.174	0.487	0.422***	0.231	-0.110	63.4%	2.73%	205	0.000	11.0%	70.8%
	(1.587)	(-0.874)	(1.056)	(11.266)	(0.211)	(-0.627)						
PEG_HDZ	0.005	0.192	0.548	0.401***	-0.072	-0.086	63.7%	2.65%	205	0.000	13.0%	66.9%
	(0.157)	(1.343)	(1.940)	(9.585)	(-0.061)	(-0.741)						
TrES_Anlst _10Ind	0.005	0.008	0.362	0.354***	-0.006	0.202	62.8%	2.60%	205	0.000	9.1%	90.9%
	(0.140)	(0.257)	(1.524)	(9.371)	(-0.106)	(0.573)						

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Table 80 : Capturing Subsequent Return: Low Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
Naive	0.02*	0.063*	0.411***	0.427***	0.162***	-0.102	64.9%	2.60%	205	0.000	26.6%	92.2%
	(2.008)	(2.189)	(3.808)	(13.248)	(4.602)	(-1.486)						
MPEG_HDZ	-0.009	0.193*	1.056	0.404***	-1.764	-0.233	63.5%	2.52%	205	0.000	14.3%	73.4%
	(-0.271)	(1.969)	(1.429)	(8.771)	(-0.730)	(-1.032)						
BP_RW	-0.025	0.173	-0.044	0.411***	-0.077	0.314	63.9%	2.44%	205	0.022	25.5%	40.5%
	(-0.504)	(0.482)	(-0.085)	(12.739)	(-0.088)	(0.560)						
GM_EP	0.050	-0.072	0.629	0.444***	0.614	-0.234	63.8%	2.41%	205	0.000	14.3%	80.5%
	(1.525)	(-0.693)	(1.659)	(9.839)	(1.183)	(-1.119)						
TrETSS_Anlst _10Ind	0.048*	0.063	0.447*	0.436***	0.001	-0.254	62.8%	2.37%	205	0.000	10.4%	52.6%
	(2.369)	(0.631)	(2.295)	(6.953)	(0.007)	(-1.246)						
WNG_EP	0.043**	0.019	0.46*	0.357***	0.011	0.072	61.8%	2.37%	205	0.000	5.8%	95.5%
	(2.987)	(1.011)	(2.049)	(10.794)	(0.113)	(0.581)						
WNG_RI	0.034*	0.039	0.203	0.412***	-0.440	-0.086	62.1%	2.36%	205	0.000	5.8%	98.1%
	(2.164)	(0.796)	(0.956)	(11.268)	(-0.459)	(-1.766)						
TrETSS_HDZ_25SBM	0.03*	-0.016	0.101	0.399***	0.020	-0.217	62.5%	2.33%	205	0.000	9.1%	93.5%
	(2.210)	(-0.260)	(0.593)	(11.303)	(0.252)	(-1.813)						
TrES_RI_10Ind	0.034	0.027	0.332	0.299***	0.015	-0.242	63.7%	2.18%	205	0.000	13.0%	97.4%
	(1.108)	(1.821)	(1.312)	(4.194)	(0.688)	(-0.903)						
PEG_EP	0.046	0.022	0.776*	0.406***	0.614	0.003	63.2%	2.17%	205	0.000	10.1%	97.1%

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Table 80 : Capturing Subsequent Return: Low Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(1.728)	(0.288)	(2.029)	(7.042)	(1.195)	(0.026)						
GG_EP	0.081	-0.111	0.324	0.419***	1.986	-0.395	63.4%	2.16%	205	0.000	12.6%	69.9%
	(1.946)	(-0.503)	(0.671)	(7.588)	(1.864)	(-1.478)						
CAPM_Factor	0.039	-0.107	0.603**	0.382***	-1.034	-0.195	62.6%	2.15%	205	0.828	10.4%	13.0%
	(0.503)	(-0.021)	(2.627)	(6.915)	(-0.068)	(-1.289)						
FPM_RW	0.878	-1.528	8.346	-0.678	0.148	8.028	63.1%	2.06%	205	0.189	13.0%	74.7%
	(0.822)	(-0.797)	(0.820)	(-0.500)	(0.127)	(0.805)						
HL_EP	-0.001	0.298	1.225	0.39***	-1.558	0.330	63%	2.06%	205	0.174	11.0%	81.8%
	(-0.007)	(0.579)	(1.495)	(7.258)	(-0.655)	(0.759)						
TPDPS_EP	0.017	0.037	0.403***	0.41***	0.106***	-0.019	63.9%	2.03%	205	0.000	21.4%	96.8%
	(1.873)	(1.439)	(4.196)	(13.175)	(3.814)	(-0.378)						
TrETSS_RI_10Ind	0.015	-0.156	0.415	0.396***	0.058	-0.071	62.3%	2.03%	205	0.000	7.1%	91.6%
	(1.108)	(-2.086)	(1.767)	(11.175)	(1.108)	(-1.451)						
MPEG_RW	0.044	0.030	0.644	0.424***	0.376	-0.063	63%	1.96%	205	0.000	13.8%	85.5%
	(1.132)	(0.509)	(1.502)	(11.762)	(1.445)	(-0.621)						
GLS_RW	0.057*	0.025	0.399	0.412***	-0.131	-0.213	62%	1.92%	205	0.000	9.7%	77.3%
	(2.457)	(0.340)	(1.241)	(11.711)	(-0.379)	(-1.649)						
CT_RW	0.010	0.110	-0.007	0.402***	1.047	-0.249	63.1%	1.92%	205	0.000	12.5%	89.0%
	(0.208)	(0.516)	(-0.015)	(10.155)	(1.548)	(-2.125)						

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Table 80 : Capturing Subsequent Return: Low Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
GG_RW	0.040	0.102	0.507	0.451***	1.489*	-0.099	62.9%	1.91%	205	0.000	16.8%	71.2%
	(1.213)	(0.651)	(1.408)	(9.841)	(2.111)	(-0.882)						
KMY_RI	0.020	0.010	0.023	0.419***	-0.508	-0.186	62.2%	1.91%	205	0.000	8.4%	76.0%
	(0.799)	(0.048)	(0.069)	(9.113)	(-0.458)	(-1.880)						
TPDPS_RI	-0.003	0.023	0.192	0.417***	0.048	0.155	64.2%	1.84%	205	0.000	23.4%	96.8%
	(-0.120)	(0.638)	(0.759)	(13.182)	(0.589)	(0.535)						
MPEG_Anlst	0.023	0.146	0.352**	0.402***	-0.020	-0.185	62.6%	1.78%	205	0.000	13.0%	47.4%
	(1.409)	(1.183)	(2.647)	(9.841)	(-0.049)	(-1.915)						
PEG_Anlst	0.030	-0.031	0.469*	0.386***	-0.797	-0.041	62.6%	1.70%	205	0.000	12.3%	55.2%
	(1.037)	(-0.147)	(2.486)	(9.684)	(-0.626)	(-0.278)						
KMY_RW	-0.106	0.310	0.581	0.432***	0.212	0.309	62.4%	1.68%	205	0.120	7.1%	76.0%
	(-0.527)	(0.705)	(1.142)	(12.568)	(0.535)	(0.603)						
GM_HDZ	0.004	-0.031	0.514*	0.402***	-1.654	-0.064	62.9%	1.66%	205	0.000	13.6%	65.6%
	(0.096)	(-0.161)	(2.470)	(9.894)	(-0.537)	(-0.330)						
Carhart_Factor	0.068*	1.272	0.929	0.373***	62.789	0.443	62.3%	1.62%	205	0.881	7.8%	28.6%
	(2.035)	(0.702)	(1.132)	(9.673)	(0.846)	(0.414)						
GG_RI	0.034*	0.049	0.371	0.41***	1.513	-0.072	62.4%	1.62%	205	0.000	9.1%	69.2%
	(2.518)	(0.335)	(1.591)	(8.364)	(1.755)	(-0.611)						
TrES_EP_10Ind	0.032	0.015	0.388	0.367***	0.069	-0.068	62.7%	1.59%	205	0.000	8.4%	97.4%

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Table 80 : Capturing Subsequent Return: Low Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% $\%\beta_{ICC}^{CS}$ = 1
	(1.744)	(0.897)	(1.518)	(7.552)	(0.726)	(-1.119)						
KMY_HDZ	0.010	0.293**	0.466**	0.393***	0.349	-0.086	63.2%	1.57%	205	0.000	18.2%	55.2%
	(0.694)	(2.810)	(2.827)	(8.083)	(0.583)	(-0.831)						
DKL_RW	0.171	-0.318	0.756	0.439***	2.394	-0.413	62.2%	1.53%	205	0.000	7.1%	81.2%
	(1.291)	(-0.898)	(0.911)	(10.977)	(0.944)	(-1.071)						
FGHJ_RI	0.049	-0.086	0.316	0.465***	13.295	-0.175	62.3%	1.53%	205	0.002	8.8%	83.8%
	(1.547)	(-0.249)	(1.371)	(5.770)	(0.969)	(-2.098)						
DKL_EP	0.055	-0.021	0.765	0.42***	-0.062	0.058	62.4%	1.53%	205	0.000	11.0%	77.9%
	(1.098)	(-0.105)	(1.458)	(11.457)	(-0.095)	(0.479)						
HL_RW	-0.100	0.320	0.671	0.433***	0.135	0.320	62.2%	1.51%	205	0.124	6.5%	81.2%
	(-0.493)	(0.729)	(1.088)	(12.330)	(0.341)	(0.622)						
BP_RI	-0.007	0.298	0.163	0.42***	0.032	0.130	62.8%	1.49%	205	0.000	25.7%	48.0%
	(-0.247)	(1.723)	(0.589)	(12.339)	(0.059)	(0.421)						
GM_RW	0.052	-0.016	0.825	0.435***	0.686	-0.123	62.8%	1.46%	205	0.000	8.7%	84.7%
	(0.924)	(-0.154)	(1.477)	(10.518)	(1.470)	(-1.057)						
FGHJ_RW	0.044*	0.041	0.400	0.402***	0.279	-0.236	61.9%	1.45%	205	0.000	12.6%	86.0%
	(2.045)	(0.505)	(1.356)	(10.623)	(1.150)	(-1.436)						
FPM_EP	0.042	0.015	0.664	0.352***	0.138	0.158	62.4%	1.45%	205	0.000	10.4%	84.4%
	(1.199)	(0.575)	(1.311)	(6.665)	(1.385)	(0.433)						

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Table 80 : Capturing Subsequent Return: Low Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
PE_HDZ	0.034*	0.166	0.496***	0.391***	0.589	-0.257	63.2%	1.42%	205	0.000	16.2%	56.5%
	(2.207)	(1.217)	(3.124)	(7.340)	(1.266)	(-1.127)						
GG_HDZ	0.008	0.341**	0.352**	0.446***	1.601**	-0.134	63.6%	1.41%	205	0.000	26.0%	48.7%
	(0.562)	(2.744)	(2.942)	(10.977)	(2.846)	(-1.509)						
HL_Anlst	0.005	0.321	0.509**	0.421***	0.599	-0.109	62.2%	1.38%	205	0.000	15.6%	39.0%
	(0.213)	(1.721)	(2.579)	(9.780)	(1.391)	(-1.048)						
GLS_RI	0.056*	-0.008	0.237	0.375***	2.463	-0.418	62.2%	1.38%	205	0.000	10.8%	80.4%
	(2.548)	(-0.041)	(1.346)	(5.127)	(1.245)	(-1.216)						
HL_HDZ	-0.002	0.304**	0.569*	0.407***	-0.638	-0.078	62.9%	1.38%	205	0.000	18.2%	64.3%
	(-0.129)	(2.775)	(2.341)	(8.245)	(-0.540)	(-0.770)						
PEG_RW	-0.147	0.370	0.688	0.433***	-4.316	-2.236	62.2%	1.37%	205	0.342	14.6%	100.0%
	(-0.454)	(0.561)	(1.061)	(7.994)	(-0.501)	(-0.585)						
TrETSS_RW_10Ind	-0.028	0.234	0.342	0.361***	-0.832	1.145	62.1%	1.35%	205	0.014	9.1%	81.8%
	(-0.297)	(0.758)	(1.687)	(7.113)	(-0.751)	(0.656)						
CT_HDZ	0.005	0.3*	0.424***	0.455***	0.726	-0.063	63.1%	1.35%	205	0.000	16.9%	62.3%
	(0.320)	(2.176)	(3.118)	(10.062)	(1.312)	(-0.799)						
BP_EP	0.015	0.412***	0.427***	0.416***	0.470	-0.116	62.9%	1.29%	205	0.000	25.0%	52.0%
	(1.446)	(4.710)	(3.297)	(12.253)	(1.473)	(-1.611)						
FPM_HDZ	0.027	0.164	0.403**	0.521***	1.015	-0.227	62.2%	1.28%	205	0.000	12.3%	44.2%

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Table 80 : Capturing Subsequent Return: Low Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(1.493)	(0.707)	(2.578)	(4.549)	(1.562)	(-1.894)						
PE_Anlst	-0.001	0.544***	0.475***	0.419***	0.984	-0.076	62.2%	1.27%	205	0.002	20.8%	23.4%
	(-0.052)	(3.724)	(4.305)	(12.562)	(1.224)	(-0.519)						
DKL_HDZ	-0.004	0.392*	0.51**	0.403***	0.440	0.008	62.6%	1.23%	205	0.000	16.9%	59.1%
	(-0.210)	(2.365)	(2.597)	(7.811)	(0.293)	(0.061)						
DKL_RI	0.034	-0.115	0.027	0.404***	-0.155	-0.127	61.4%	1.22%	205	0.000	9.7%	89.6%
	(1.232)	(-0.452)	(0.109)	(11.177)	(-0.184)	(-1.497)						
DKL_Anlst	0.026	0.154	0.459*	0.42***	0.765	-0.177	62.2%	1.22%	205	0.000	15.6%	31.2%
	(1.125)	(0.813)	(2.262)	(9.675)	(1.614)	(-1.509)						
CT_EP	-0.749	5.156	5.354	0.056	-20.808	4.535	62.1%	1.22%	205	0.486	8.4%	84.4%
	(-0.825)	(0.867)	(0.692)	(0.126)	(-0.636)	(0.744)						
FPM_RI	0.025	0.029	0.316**	0.456***	-0.144	-0.056	62.5%	1.18%	205	0.000	11.0%	83.1%
	(1.623)	(0.489)	(2.689)	(8.645)	(-1.116)	(-1.258)						
5FF_Factor	0.037***	-0.050	0.337**	0.424***	-0.447	-0.095	62%	1.17%	205	0.000	8.4%	25.3%
	(3.509)	(-0.275)	(2.706)	(9.454)	(-0.154)	(-0.933)						
TrES_RW_10Ind	0.057**	-1.056	0.609*	0.375***	-0.386	-0.238	62%	1.15%	205	0.092	9.7%	93.5%
	(2.735)	(-0.870)	(2.245)	(6.195)	(-0.360)	(-1.602)						
TrES_HDZ_10Ind	0.030	-0.007	0.296	0.383***	0.005	-0.058	61.5%	1.14%	205	0.000	11.7%	97.4%
	(1.933)	(-0.339)	(1.905)	(10.011)	(0.120)	(-0.527)						

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Table 80 : Capturing Subsequent Return: Low Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
GG_Anlst	0.605	-1.721	0.421	0.433***	2.426	1.357	62%	1.12%	205	0.196	11.0%	79.2%
	(0.877)	(-0.821)	(1.732)	(4.896)	(0.855)	(0.716)						
TrES_RW_25SBM	0.034***	-0.148	0.488*	0.406***	-7.180	-0.043	61.3%	1.08%	205	0.000	5.2%	93.5%
	(3.196)	(-1.220)	(2.123)	(6.646)	(-0.754)	(-0.354)						
3FF_Factor	-0.124	-0.057	-0.115	0.37***	-31.467	1.043	61.9%	1.07%	205	0.000	9.1%	25.3%
	(-0.584)	(-0.193)	(-0.221)	(6.108)	(-0.660)	(0.659)						
CT_Anlst	0.021	0.266	0.385**	0.419***	0.819*	-0.162	62%	1.06%	205	0.001	16.2%	42.2%
	(0.827)	(1.288)	(2.643)	(8.470)	(2.075)	(-1.612)						
KMY_Anlst	-0.010	0.204	0.379***	0.424***	0.113	-0.143	62.3%	1.04%	205	0.003	14.3%	62.3%
	(-0.171)	(0.769)	(3.212)	(9.649)	(0.235)	(-1.230)						
GM_Anlst	0.018	0.194	0.351***	0.412***	0.468	-0.234	62%	1.02%	205	0.000	13.0%	35.1%
	(1.269)	(1.498)	(3.304)	(12.496)	(1.672)	(-2.454)						
GM_RI	0.010	0.039	0.296**	0.42***	0.313	-0.052	62.9%	0.92%	205	0.000	11.0%	76.0%
	(0.919)	(0.577)	(3.078)	(11.541)	(0.938)	(-0.884)						
PE_RI	0.026	-0.080	0.339*	0.431***	-0.411	-0.052	63.2%	0.91%	205	0.000	9.7%	83.1%
	(0.978)	(-0.321)	(2.002)	(9.291)	(-0.156)	(-0.316)						
TrES_HDZ_25SBM	0.041***	0.015	0.184	0.378***	-0.024	-0.131	62.2%	0.91%	205	0.000	9.7%	96.8%
	(3.474)	(0.826)	(1.165)	(12.405)	(-0.932)	(-1.654)						
FGHJ_Anlst	-0.035	0.372	0.192	0.442***	-0.606	0.077	61.7%	0.90%	205	0.129	13.6%	33.8%

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Table 80 : Capturing Subsequent Return: Low Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(-0.417)	(0.904)	(1.115)	(9.258)	(-0.240)	(0.196)						
TrETSS_HDZ_10Ind	0.035**	0.095	0.443*	0.421***	-0.538	-0.044	62.8%	0.86%	205	0.000	10.4%	81.2%
	(3.047)	(1.306)	(2.064)	(12.466)	(-1.048)	(-0.699)						
GLS_Anlst	0.075	-0.124	0.269	0.475***	2.887	-0.459	61.7%	0.83%	205	0.007	14.9%	38.3%
	(1.020)	(-0.300)	(1.511)	(9.959)	(1.330)	(-1.370)						
TPDPS_RW	0.026**	0.062*	0.306***	0.419***	0.107*	-0.059	62.5%	0.82%	205	0.000	14.9%	96.1%
	(2.871)	(2.080)	(3.216)	(13.462)	(2.212)	(-1.317)						
MPEG_RI	-0.006	0.093	0.252*	0.413***	0.253	-0.090	62.6%	0.82%	205	0.000	10.4%	75.3%
	(-0.500)	(1.876)	(2.452)	(11.464)	(1.048)	(-1.256)						
TrES_Anlst _25SBM	0.031**	0.001	0.165	0.386***	-0.005	-0.135	61.7%	0.77%	205	0.000	5.8%	97.4%
	(2.617)	(0.071)	(1.049)	(11.751)	(-0.631)	(-2.311)						
WNG_RW	0.05***	0.001	0.329**	0.372***	0.018	-0.118	60.9%	0.77%	205	0.000	4.0%	100.0%
	(4.533)	(0.795)	(2.654)	(11.616)	(0.620)	(-2.515)						
WNG_HDZ	0.025	-0.002	-0.768	0.412***	-0.044	-1.003	62%	0.73%	205	0.000	9.1%	95.5%
	(1.283)	(-0.046)	(-0.571)	(12.432)	(-0.188)	(-0.735)						
HL_RI	0.003	0.166	0.136	0.398***	-0.289	-0.133	61.7%	0.73%	205	0.000	11.7%	89.6%
	(0.094)	(0.806)	(1.039)	(11.104)	(-0.763)	(-1.684)						
PE_RW	0.004	-0.053	0.211	0.42***	0.191	0.001	62.2%	0.67%	205	0.000	5.9%	81.0%
	(0.148)	(-0.902)	(1.373)	(10.559)	(0.849)	(0.006)						

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Table 80 : Capturing Subsequent Return: Low Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
FPM_Anlst	0.028	0.088	0.301***	0.429***	0.898	-0.141	62.3%	0.51%	205	0.000	13.0%	24.7%
	(1.541)	(0.502)	(3.215)	(9.900)	(1.203)	(-0.979)						
TrETSS_EP_10Ind	0.038*	0.025	0.158	0.361***	-0.062	-0.131	61.3%	0.50%	205	0.000	9.1%	90.3%
	(2.222)	(0.814)	(1.058)	(9.920)	(-1.293)	(-1.714)						
PE_EP	0.018	0.397	0.209	0.397***	-0.290	-0.155	62.1%	0.49%	205	0.023	11.7%	81.8%
	(1.274)	(1.507)	(0.907)	(8.525)	(-0.175)	(-1.203)						
TrETSS_Anlst _25SBM	0.052*	-0.077	0.473	0.405***	-0.146	0.155	59.7%	0.46%	205	0.000	1.3%	86.4%
	(2.183)	(-0.753)	(1.489)	(11.581)	(-0.715)	(0.455)						
FGHJ_EP	0.051**	0.023	0.653**	0.386***	1.079	-0.241	60.9%	0.08%	205	0.000	8.0%	88.7%
	(2.905)	(0.305)	(2.664)	(6.942)	(1.020)	(-1.133)						
PEG_RI	0.034*	0.039	0.484*	0.388***	0.566	-0.167	60%	0.04%	205	0.000	6.9%	88.3%
	(2.374)	(0.462)	(2.085)	(6.835)	(1.936)	(-1.226)						
CT_RI	0.032*	0.118	0.534	0.42***	-0.111	-0.060	61.3%	0.02%	205	0.013	5.9%	93.5%
	(2.016)	(0.336)	(1.891)	(12.295)	(-0.103)	(-0.784)						
TrETSS_EP_25SBM	0.059**	-0.016	0.304*	0.356***	0.036	-0.022	59.8%	0.02%	205	0.000	6.5%	97.4%
	(2.697)	(-0.823)	(2.368)	(12.162)	(0.952)	(-0.240)						
FGHJ_HDZ	-0.009	0.437***	0.476***	0.438***	0.639	-0.180	62.1%	-0.04%	205	0.000	14.3%	63.6%
	(-0.407)	(3.126)	(4.199)	(9.889)	(1.079)	(-0.822)						
GLS_HDZ	0.001	0.384**	0.444***	0.432***	0.773	-0.223	62%	-0.05%	205	0.000	16.9%	58.4%

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Table 80 : Capturing Subsequent Return: Low Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% %$\beta_{ICC}^{CS} = 1$
	(0.064)	(3.051)	(4.028)	(9.669)	(1.399)	(-0.948)						
TrOHE_25SBM	0.020	0.080	0.231	0.406***	-0.011	-0.029	61.4%	-0.11%	205	0.000	5.8%	80.5%
	(1.381)	(0.793)	(1.110)	(12.138)	(-0.155)	(-0.224)						
GLS_EP	0.029*	0.095	0.443*	0.419***	-0.562	-0.090	61.2%	-0.23%	205	0.000	7.3%	84.0%
	(2.005)	(0.873)	(2.058)	(7.393)	(-0.334)	(-0.932)						
TrETSS_RW_25SBM	0.032**	0.020	0.166	0.38***	0.003	-0.112	59.7%	-0.50%	205	0.000	3.2%	96.1%
	(2.972)	(1.205)	(1.502)	(11.135)	(0.143)	(-1.891)						
TrETSS_RI_25SBM	0.05*	-0.055	-0.120	0.391***	0.170	-0.757	60.1%	-0.53%	205	0.000	3.9%	96.8%
	(2.162)	(-0.606)	(-0.217)	(10.020)	(0.721)	(-0.867)						
TrES_RI_25SBM	0.038***	-0.003	0.215	0.336***	-0.003	-0.076	59.1%	-0.91%	205	0.000	4.5%	97.4%
	(3.848)	(-0.492)	(1.683)	(8.299)	(-0.705)	(-2.008)						
TrES_EP_25SBM	0.034***	0.016	0.171	0.384***	0.007	-0.124	58.8%	-0.94%	205	0.000	4.5%	96.8%
	(3.218)	(0.700)	(1.280)	(10.801)	(0.332)	(-1.917)						
WNG_Anlst	0.045**	0.040	0.455*	0.393***	0.272	-0.198	58.5%	-1.64%	205	0.000	5.2%	94.2%
	(2.892)	(0.562)	(2.004)	(9.125)	(0.624)	(-1.735)						

For the lowest quartile of firms in terms of the standard deviation in earnings forecasts, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it

represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 81 : Capturing Subsequent Return: High Earnings Forecast Standard Deviation Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
TPDPS_Anlst	0.028*	0.159***	-0.199	0.462***	0.003	-0.219	59.5%		205	0.000	64.0%	94.3%
	(2.337)	(5.447)	(-0.422)	(11.766)	(0.055)	(-1.556)		-2.73%				
TPDPS_HDZ	0.026*	0.15***	-0.241	0.459***	0.015	-0.184	59.5%		205	0.000	66.3%	94.3%
	(2.364)	(5.839)	(-0.549)	(12.015)	(0.285)	(-1.638)		-2.98%				
Naive	0.046*	0.174***	-0.063	0.471***	-0.057	-0.387	59.2%		205	0.000	62.3%	93.7%
	(2.100)	(4.640)	(-0.168)	(10.734)	(-0.447)	(-1.297)		-3.10%				
BP_Anlst	0.009	1.061***	0.232	0.415***	0.128	-0.046	57.1%		205	0.650	67.4%	49.1%
	(0.820)	(7.928)	(0.973)	(12.052)	(0.712)	(-0.453)		-4.23%				
BP_HDZ	0.005	1.022***	0.232	0.398***	0.147	-0.097	56.6%		205	0.856	68.0%	44.0%
	(0.439)	(8.436)	(1.006)	(11.757)	(0.839)	(-1.146)		-5.11%				
TPDPS_RI	0.035***	0.09***	-0.266	0.436***	0.034	-0.190	56.8%		205	0.000	53.1%	94.3%
	(3.130)	(4.007)	(-0.729)	(11.948)	(0.675)	(-1.943)		-5.56%				
TPDPS_EP	-0.022	0.925	22.681	-0.449	0.739	-1.899	55.9%		205	0.941	53.1%	95.4%
	(-0.322)	(0.906)	(0.814)	(-0.419)	(0.871)	(-0.880)		-5.97%				
TPDPS_RW	0.026	0.082***	-0.051	0.399***	0.064	0.067	55.2%		205	0.000	44.0%	96.0%
	(1.696)	(3.531)	(-0.252)	(11.786)	(1.177)	(0.600)		-6.48%				
BP_RI	0.019	0.655***	0.175	0.387***	0.238	-0.136	54.3%		205	0.003	50.3%	48.6%
	(1.568)	(5.623)	(0.725)	(11.363)	(1.409)	(-1.560)		-7.01%				

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Table 81 : Capturing Subsequent Return: High Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
PE_Anlst	0.005	0.859***	0.242	0.391***	2.369	-0.367	53.7%		205	0.449	46.3%	38.9%
	(0.279)	(4.609)	(0.870)	(11.949)	(1.027)	(-1.793)		-7.23%				
BP_EP	0.016	0.613***	0.120	0.388***	0.235	-0.128	53.9%		205	0.001	49.7%	52.0%
	(1.384)	(5.342)	(0.519)	(11.479)	(1.408)	(-1.547)		-7.71%				
BP_RW	0.026*	0.642***	0.160	0.383***	0.179	-0.143	53.4%		205	0.004	48.6%	49.7%
	(2.029)	(5.266)	(0.673)	(11.201)	(1.128)	(-1.392)		-8.06%				
GLS_Anlst	0.254	-2.187	0.963	0.255	10.797	-1.156	51.9%		205	0.309	25.7%	39.4%
	(0.868)	(-0.701)	(0.804)	(1.843)	(0.934)	(-0.940)		-8.97%				
TrES_Anlst _10Ind	0.051***	-0.008	-0.087	0.36***	0.037	-0.075	51.2%		205	0.000	13.7%	95.4%
	(4.192)	(-0.462)	(-0.673)	(14.736)	(1.447)	(-1.061)		-9.00%				
FGHJ_Anlst	-0.008	0.515	-0.009	0.385***	0.030	-0.277	51.7%		205	0.094	26.9%	36.6%
	(-0.253)	(1.792)	(-0.045)	(11.717)	(0.033)	(-1.129)		-9.10%				
CT_Anlst	0.003	0.473	-0.256	0.405***	0.128	-0.060	51.6%		205	0.207	32.6%	48.6%
	(0.056)	(1.137)	(-0.518)	(8.897)	(0.139)	(-0.339)		-9.34%				
PE_HDZ	0.027*	0.339*	-0.194	0.383***	0.722	-0.183	52.3%		205	0.000	33.7%	62.9%
	(2.195)	(2.523)	(-1.192)	(9.947)	(0.712)	(-1.353)		-9.48%				
DKL_Anlst	-0.089	2.709	2.360	0.274	-6.255	-2.394	51.4%		205	0.490	32.0%	34.3%
	(-1.163)	(1.098)	(0.783)	(1.587)	(-0.822)	(-0.866)		-9.58%				
HL_Anlst	-0.006	0.473***	-0.031	0.388***	0.043	-0.009	51.1%		205	0.000	29.7%	34.9%

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Table 81 : Capturing Subsequent Return: High Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(-0.406)	(4.166)	(-0.163)	(13.489)	(0.071)	(-0.098)		-9.72%				
WNG_EP	0.042***	-0.003	-0.093	0.347***	-0.001	-0.127	49.7%		205	0.000	2.9%	96.0%
	(3.574)	(-0.828)	(-0.528)	(7.502)	(-0.163)	(-1.436)		-9.73%				
MPEG_EP	0.003	0.066	0.306	0.322***	2.542	0.543	51.2%		205	0.024	20.6%	81.7%
	(0.056)	(0.159)	(0.898)	(8.631)	(1.285)	(1.158)		-9.74%				
PE_EP	0.100	-1.006	0.363	0.189	5.628	0.415	51.8%		205	0.204	28.6%	78.9%
	(1.189)	(-0.639)	(0.636)	(0.841)	(1.007)	(0.664)		-9.81%				
TrES_EP_25SBM	0.039***	0.019	-0.292	0.358***	-0.012	-0.050	49.9%		205	0.000	4.0%	96.0%
	(3.429)	(0.995)	(-1.491)	(12.117)	(-0.785)	(-0.479)		-9.84%				
PEG_EP	0.026	0.047	-0.466	0.41***	1.269***	-0.075	51.1%		205	0.000	24.3%	82.2%
	(1.808)	(0.649)	(-1.328)	(6.591)	(3.719)	(-0.517)		-9.93%				
TrETSS_Anlst _25SBM	0.057**	-0.027	-0.393	0.405***	-0.001	-0.220	49.3%		205	0.000	0.0%	91.4%
	(2.856)	(-0.864)	(-1.120)	(10.466)	(-0.019)	(-0.654)		-9.94%				
KMY_EP	-0.007	0.443*	-0.202	0.394***	0.656	-0.307	50.7%		205	0.005	26.3%	68.6%
	(-0.277)	(2.288)	(-0.616)	(6.930)	(1.107)	(-1.766)		-9.97%				
TrETSS_Anlst _10Ind	0.083*	0.013	-0.566	0.297*	0.216	-0.145	50.4%		205	0.000	14.3%	76.6%
	(2.178)	(0.099)	(-1.594)	(2.436)	(1.425)	(-1.386)		-10.03%				
CAPM_Factor	-0.079	8.461	-0.040	0.358***	4.520	0.071	50.4%		205	0.240	16.6%	19.4%
	(-0.834)	(1.338)	(-0.196)	(9.852)	(0.368)	(0.186)		-10.05%				

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Table 81 : Capturing Subsequent Return: High Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
GM_Anlst	-0.002	0.375	0.063	0.39***	-0.134	-0.049	50.9%		205	0.004	25.7%	39.4%
	(-0.063)	(1.751)	(0.296)	(13.014)	(-0.286)	(-0.541)		-10.08%				
GLS_RW	0.047	-0.061	-0.179	0.341***	2.887	0.116	50%		205	0.000	6.3%	87.4%
	(0.824)	(-0.601)	(-1.151)	(7.278)	(0.697)	(0.501)		-10.08%				
TrES_RW_10Ind	0.051*	3.021	-0.274	0.393***	-3.558	0.167	50.7%		205	0.542	13.7%	85.1%
	(2.514)	(0.914)	(-0.400)	(5.694)	(-0.947)	(0.905)		-10.15%				
KMY_Anlst	0.020	0.104	-0.244	0.361***	0.418	-0.056	51.1%		205	0.000	29.1%	64.0%
	(0.627)	(0.798)	(-1.343)	(10.890)	(1.185)	(-0.628)		-10.16%				
GG_Anlst	0.024	0.059	-0.259	0.353***	0.389	-0.045	50.7%		205	0.000	24.0%	77.1%
	(0.862)	(0.777)	(-1.380)	(11.650)	(1.492)	(-0.555)		-10.18%				
MPEG_Anlst	-0.007	0.515*	0.101	0.378***	0.360	-0.018	50.6%		205	0.053	20.6%	50.3%
	(-0.261)	(2.069)	(0.455)	(12.416)	(0.796)	(-0.198)		-10.22%				
KMY_HDZ	0.056	0.033	-0.523	0.376***	-2.315	-0.106	51.4%		205	0.000	20.6%	68.0%
	(1.753)	(0.127)	(-0.788)	(6.731)	(-0.567)	(-0.801)		-10.23%				
TrES_HDZ_10Ind	0.085***	-0.025	-0.321	0.357***	-0.008	-0.048	50.1%		205	0.000	9.7%	94.9%
	(3.230)	(-0.750)	(-1.713)	(12.268)	(-0.210)	(-0.218)		-10.26%				
FGHJ_RI	0.029	0.089	-0.110	0.338***	83.602	-0.019	50.5%		205	0.000	22.0%	75.1%
	(1.778)	(0.593)	(-0.383)	(9.012)	(0.796)	(-0.138)		-10.27%				
GG_RW	0.051*	0.143	-0.095	0.34***	8.201	-0.151	50.7%		205	0.000	18.5%	64.8%

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Table 81 : Capturing Subsequent Return: High Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(2.000)	(0.955)	(-0.243)	(7.084)	(0.936)	(-0.488)		-10.29%				
FPM_Anlst	-0.036	0.959	-0.156	0.394***	0.489	0.101	51.5%		205	0.956	30.9%	31.4%
	(-0.405)	(1.291)	(-0.251)	(10.305)	(0.224)	(0.359)		-10.29%				
DKL_HDZ	-0.012	0.621	-0.540	0.391***	-1.140	-0.060	51%		205	0.334	18.9%	67.4%
	(-0.284)	(1.584)	(-1.736)	(10.944)	(-0.723)	(-0.610)		-10.37%				
HL_HDZ	-0.068	0.938	-0.358	0.412***	0.187	0.359	51.1%		205	0.934	20.6%	68.6%
	(-0.768)	(1.248)	(-1.114)	(8.614)	(0.089)	(0.653)		-10.42%				
WNG_RI	0.039***	0.015	0.177	0.33***	0.000	0.011	49.3%		205	0.000	2.9%	95.4%
	(3.388)	(0.427)	(0.460)	(7.825)	(0.004)	(0.088)		-10.44%				
FGHJ_HDZ	0.001	0.446*	-0.098	0.363***	1.223*	-0.047	51.7%		205	0.007	24.0%	69.1%
	(0.037)	(2.185)	(-0.530)	(10.470)	(2.048)	(-0.339)		-10.44%				
GLS_HDZ	0.026	0.295	0.094	0.331***	2.100	0.105	51.6%		205	0.000	21.7%	65.7%
	(1.050)	(1.615)	(0.280)	(5.750)	(1.768)	(0.307)		-10.45%				
MPEG_HDZ	0.031	0.187	0.043	0.352***	1.365	0.020	50.5%		205	0.000	12.6%	73.7%
	(1.508)	(1.229)	(0.143)	(11.272)	(0.762)	(0.071)		-10.48%				
KMY_RI	0.061	0.113	-0.723	0.381***	-0.450	-0.601	49.8%		205	0.011	20.6%	73.7%
	(1.172)	(0.328)	(-1.086)	(7.245)	(-0.942)	(-0.955)		-10.49%				
FPM_HDZ	0.047	-0.079	-0.435	0.362***	2.025	-0.062	50.4%		205	0.001	12.6%	60.0%
	(1.629)	(-0.252)	(-0.689)	(9.457)	(1.564)	(-0.407)		-10.52%				

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Table 81 : Capturing Subsequent Return: High Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
TrES_Anlst _25SBM	0.04***	-0.075	-3.000	0.388***	0.015	-1.338	50.4%		205	0.000	5.7%	96.0%
	(3.839)	(-0.544)	(-0.895)	(6.360)	(0.272)	(-0.845)		-10.53%				
GG_EP	0.032	0.681	0.220	0.345***	2.934	-0.316	50.7%		205	0.780	22.0%	70.1%
	(1.740)	(0.597)	(0.531)	(7.777)	(0.778)	(-1.071)		-10.54%				
WNG_Anlst	0.056***	0.011	-0.361	0.353***	-0.123	-0.064	49.6%		205	0.000	7.4%	92.6%
	(4.968)	(0.205)	(-1.423)	(11.322)	(-0.568)	(-0.730)		-10.54%				
PEG_HDZ	0.030	0.224	0.087	0.367***	2.800	-0.056	50.5%		205	0.000	10.9%	71.4%
	(1.055)	(1.247)	(0.270)	(11.081)	(0.846)	(-0.137)		-10.55%				
TrETSS_RI_10Ind	0.052***	-0.002	-0.145	0.343***	-0.028	-0.118	49.7%		205	0.000	13.1%	94.9%
	(3.897)	(-0.067)	(-0.846)	(10.249)	(-0.237)	(-1.407)		-10.57%				
GM_EP	0.280	-1.895	-2.300	0.220	-25.464	-2.532	50.8%		205	0.241	21.7%	78.3%
	(0.905)	(-0.771)	(-0.920)	(1.175)	(-0.799)	(-0.904)		-10.59%				
FGHJ_EP	0.044*	-0.134	-0.526	0.389***	-9.009	-0.014	50.2%		205	0.000	19.1%	79.2%
	(2.301)	(-0.621)	(-2.071)	(8.340)	(-0.666)	(-0.056)		-10.62%				
TrETSS_RW_10Ind	0.154	-0.252	0.088	0.458***	-0.796	-0.929	50.1%		205	0.000	10.9%	93.1%
	(1.182)	(-1.203)	(0.058)	(4.927)	(-1.272)	(-0.945)		-10.65%				
CT_HDZ	0.046*	0.109	-0.031	0.337***	1.312	-0.057	51.1%		205	0.000	20.6%	68.6%
	(2.323)	(0.791)	(-0.153)	(8.602)	(1.777)	(-0.469)		-10.65%				
TrETSS_EP_25SBM	0.06***	-0.011	-0.183	0.368***	0.036	-0.223	49.1%		205	0.000	5.7%	96.0%

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Table 81 : Capturing Subsequent Return: High Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% $\%\beta_{ICC}^{CS}$ = 1
	(3.588)	(-1.375)	(-1.040)	(7.139)	(0.824)	(-1.448)		-10.68%				
GG_HDZ	0.042*	0.214	0.198	0.323***	2.248*	0.016	51.5%		205	0.000	21.1%	62.3%
	(2.103)	(1.452)	(0.827)	(7.415)	(2.064)	(0.094)		-10.69%				
TrOHE_10Ind	0.044**	0.110	-0.474	0.405***	0.082	-0.150	49.6%		205	0.000	13.1%	61.1%
	(3.079)	(1.488)	(-1.882)	(8.806)	(0.383)	(-1.099)		-10.70%				
DKL_RI	0.043	0.376	-0.588	0.338***	-0.628	-0.478	49.4%		205	0.222	22.3%	85.1%
	(0.968)	(0.738)	(-1.079)	(5.330)	(-0.867)	(-1.005)		-10.78%				
TrES_EP_10Ind	0.056**	0.273	-0.122	0.327***	-0.023	0.008	50.3%		205	0.025	12.6%	93.7%
	(2.598)	(0.853)	(-0.760)	(11.022)	(-0.964)	(0.044)		-10.81%				
GM_HDZ	0.284	-1.832	-2.209	0.233	-25.629	-2.439	50.4%		205	0.249	10.3%	72.0%
	(0.920)	(-0.749)	(-0.886)	(1.254)	(-0.805)	(-0.876)		-10.84%				
PEG_RI	0.028	0.065	-0.481	0.406***	0.330	-0.131	49.1%		205	0.000	24.3%	97.4%
	(1.381)	(0.825)	(-1.315)	(6.103)	(1.394)	(-0.396)		-10.86%				
PEG_Anlst	0.043*	0.041	-0.319	0.376***	0.472	-0.206	50%		205	0.000	14.9%	62.3%
	(2.491)	(0.314)	(-0.779)	(11.906)	(0.642)	(-1.023)		-10.90%				
TrETSS_RW_25SBM	0.015	0.062	-1.068	0.413***	-0.009	-0.297	49.3%		205	0.000	5.1%	96.0%
	(0.250)	(0.981)	(-1.173)	(5.248)	(-0.070)	(-0.389)		-10.90%				
GLS_RI	0.036**	0.288	-1.377	0.459***	-4.729	-0.347	49.9%		205	0.009	21.4%	73.4%
	(2.686)	(1.075)	(-1.056)	(3.632)	(-1.043)	(-1.382)		-10.92%				

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Table 81 : Capturing Subsequent Return: High Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
GLS_EP	0.051	-0.474	-0.297	0.318***	9.000	0.432	50.5%		205	0.003	20.8%	72.8%
	(1.582)	(-0.952)	(-1.136)	(3.214)	(1.008)	(0.825)		-10.93%				
HL_EP	0.012	0.224*	-0.198	0.35***	0.870	-0.311	50%		205	0.000	23.4%	74.3%
	(0.480)	(2.254)	(-0.699)	(6.300)	(1.681)	(-1.762)		-10.94%				
DKL_EP	0.011	0.335*	-0.136	0.348***	1.335	-0.355	49.9%		205	0.000	26.9%	69.7%
	(0.431)	(2.163)	(-0.402)	(6.019)	(1.254)	(-1.712)		-10.97%				
GG_RI	-5.583	3.791	72.156	-4.315	116.889	94.792	49.8%		205	0.516	11.0%	75.6%
	(-0.781)	(0.885)	(0.787)	(-0.727)	(0.795)	(0.784)		-10.98%				
TrES_RW_25SBM	0.046*	1.873	0.172	0.362***	-1.011	-0.082	49.2%		205	0.848	2.9%	86.9%
	(2.543)	(0.411)	(0.210)	(8.713)	(-0.199)	(-0.547)		-11.02%				
PEG_RW	0.064	-0.008	-0.424	0.391***	0.338	-0.133	49.8%		205	0.000	14.9%	100.0%
	(1.519)	(-0.122)	(-1.574)	(9.236)	(1.327)	(-0.778)		-11.03%				
3FF_Factor	0.044*	-0.461	-0.287	0.394***	0.398	0.192	49.8%		205	0.002	5.7%	27.4%
	(2.367)	(-1.009)	(-1.185)	(11.753)	(0.169)	(0.617)		-11.03%				
WNG_RW	0.015	0.000	10.108	-0.665	0.000	2.525	49.1%		205	0.000	0.6%	97.1%
	(0.123)	(0.288)	(0.869)	(-0.638)	(-0.011)	(0.974)		-11.03%				
FPM_EP	-0.046	0.121***	-0.156	0.349***	0.014	-0.095	49.9%		205	0.000	21.1%	86.9%
	(-0.916)	(5.298)	(-1.063)	(9.453)	(0.411)	(-1.131)		-11.05%				
Carhart_Factor	0.073*	-0.484	-0.160	0.361***	15.686	-0.154	49.6%		205	0.042	4.6%	41.1%

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Table 81 : Capturing Subsequent Return: High Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(1.986)	(-0.668)	(-1.071)	(9.937)	(0.849)	(-0.716)		-11.08%				
FPM_RW	0.069	0.013	-0.200	0.328***	-0.139	-0.062	49.9%		205	0.000	11.4%	85.7%
	(1.325)	(0.477)	(-1.308)	(8.466)	(-1.397)	(-0.719)		-11.14%				
MPEG_RW	0.024	0.025	-0.441	0.442***	0.532	-0.255	49.9%		205	0.000	10.3%	93.7%
	(1.740)	(0.502)	(-1.261)	(7.740)	(1.361)	(-1.525)		-11.14%				
CT_RW	0.004	0.791	-0.333	0.401***	19.039	-0.489	50%		205	0.887	12.2%	79.3%
	(0.063)	(0.541)	(-1.146)	(4.226)	(0.807)	(-0.829)		-11.18%				
TrES_RI_25SBM	0.032*	0.002	-0.189	0.357***	0.005	0.096	48.8%		205	0.000	8.0%	96.0%
	(2.337)	(0.500)	(-0.505)	(11.192)	(0.768)	(0.561)		-11.21%				
TrES_RI_10Ind	0.068***	-0.021	-0.063	0.338***	0.001	-0.190	50.3%		205	0.000	13.1%	94.9%
	(3.346)	(-1.048)	(-0.290)	(12.300)	(0.035)	(-1.350)		-11.22%				
DKL_RW	0.053**	0.013	-0.531	0.393***	0.012	-0.337	49.4%		205	0.000	8.0%	84.6%
	(2.817)	(0.216)	(-2.060)	(11.031)	(0.016)	(-1.568)		-11.27%				
CT_EP	0.070	0.347	0.039	0.291*	0.400	-1.563	49.6%		205	0.239	10.9%	79.4%
	(1.071)	(0.627)	(0.028)	(2.287)	(0.667)	(-1.345)		-11.28%				
PE_RI	0.052*	-0.349	0.206	0.36***	0.489	0.198	51%		205	0.026	34.3%	74.3%
	(2.218)	(-0.579)	(0.393)	(10.102)	(0.664)	(0.716)		-11.29%				
5FF_Factor	0.039	-0.344	-0.256	0.418***	-2.027	0.412	49.5%		205	0.002	9.7%	32.0%
	(1.725)	(-0.813)	(-0.982)	(10.249)	(-0.881)	(0.712)		-11.33%				

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Table 81 : Capturing Subsequent Return: High Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
GM_RW	0.028*	0.037	-0.329	0.373***	0.199	-0.285	50%		205	0.000	12.6%	93.7%
	(2.100)	(1.749)	(-1.757)	(10.565)	(0.535)	(-1.843)		-11.34%				
TrETSS_HDZ_25SBM	0.051***	-0.036	-0.530	0.365***	0.007	-0.173	48.8%		205	0.000	5.7%	93.1%
	(3.319)	(-0.575)	(-1.351)	(11.167)	(0.059)	(-0.903)		-11.37%				
MPEG_RI	0.033	0.058	0.228	0.338***	1.508	-0.034	50.4%		205	0.000	28.8%	78.2%
	(1.271)	(0.420)	(0.731)	(8.938)	(0.851)	(-0.117)		-11.38%				
TrETSS_RI_25SBM	0.056***	0.019	-0.203	0.351***	0.006	-0.166	49.2%		205	0.000	4.0%	96.0%
	(4.028)	(0.595)	(-0.867)	(10.188)	(0.116)	(-1.668)		-11.43%				
FGHJ_RW	0.05***	0.120	-0.459	0.371***	-0.730	-0.413	49%		205	0.000	11.5%	90.9%
	(3.223)	(1.865)	(-1.686)	(8.544)	(-0.649)	(-1.429)		-11.45%				
PE_RW	0.031	-0.024	-0.582	0.383***	-0.270	-0.160	50%		205	0.000	10.9%	86.9%
	(1.264)	(-0.479)	(-1.945)	(8.933)	(-1.062)	(-1.740)		-11.53%				
HL_RI	0.002	0.544	-0.049	0.307***	-0.711	-0.043	49.4%		205	0.342	22.9%	83.4%
	(0.070)	(1.135)	(-0.324)	(5.396)	(-0.987)	(-0.262)		-11.57%				
HL_RW	0.012	0.090	-0.861	0.452***	0.437	-0.603	49.1%		205	0.000	4.6%	88.0%
	(0.217)	(0.815)	(-1.395)	(5.166)	(0.526)	(-1.312)		-11.59%				
TrETSS_EP_10Ind	0.06**	0.019	-0.390	0.396***	0.024	-0.333	49.2%		205	0.000	8.0%	96.0%
	(2.846)	(1.468)	(-1.185)	(6.767)	(0.309)	(-1.117)		-11.60%				
FPM_RI	0.068**	-0.056	-0.195	0.358***	-0.109	-0.257	49.7%		205	0.000	19.4%	82.3%

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Table 81 : Capturing Subsequent Return: High Earnings Forecast Standard Deviation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(2.622)	(-0.640)	(-0.736)	(7.846)	(-0.433)	(-1.202)		-11.62%				
GM_RI	0.060	-0.448	-2.739	0.145	-25.489	-1.598	50.3%		205	0.628	29.4%	73.5%
	(0.148)	(-0.150)	(-1.061)	(0.703)	(-0.789)	(-0.534)		-11.68%				
KMY_RW	0.011	0.093	-0.865	0.452***	0.459	-0.602	49%		205	0.000	4.0%	88.0%
	(0.202)	(0.838)	(-1.403)	(5.170)	(0.551)	(-1.312)		-11.72%				
TrES_HDZ_25SBM	0.032*	0.027	-0.202	0.366***	0.002	-0.010	49.4%		205	0.000	1.1%	94.9%
	(2.326)	(1.232)	(-1.498)	(14.020)	(0.150)	(-0.137)		-11.89%				
TrOHE_25SBM	0.048***	0.082	-0.192	0.352***	0.083	-0.119	49.3%		205	0.000	8.0%	86.3%
	(3.884)	(1.516)	(-1.696)	(10.904)	(1.094)	(-1.725)		-12.21%				
WNG_HDZ	0.054***	0.005	-0.357	0.379***	0.351	-0.078	49%		205	0.000	2.3%	96.0%
	(4.417)	(0.929)	(-1.803)	(11.007)	(1.039)	(-0.821)		-12.27%				
TrETSS_HDZ_10Ind	0.052***	0.012	-0.122	0.348***	-0.136	-0.167	49.5%		205	0.000	5.1%	85.7%
	(4.520)	(0.279)	(-0.867)	(11.079)	(-1.205)	(-1.908)		-12.44%				
CT_RI	0.054**	-0.326	-0.102	0.37***	0.431	0.018	48.8%		205	0.000	10.3%	89.7%
	(2.856)	(-1.181)	(-0.331)	(8.556)	(1.044)	(0.104)		-12.48%				

For the highest quartile of firms in terms of the standard deviation in earnings forecasts, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it

represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 82 : Capturing Subsequent Return: Low Earnings Forecasts Coefficient of Variation Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% %$\beta_{ICC}^{CS} = 1$
TPDPS_Anlst	0.019**	0.148***	0.309	0.466***	0.046	-0.071	62.1%		205	0.000	69.1%	93.6%
	(2.698)	(6.754)	(1.877)	(16.123)	(1.735)	(-1.356)		6.48%				
Naive	0.023***	0.152***	0.383**	0.461***	0.069*	-0.089	62%		205	0.000	67.6%	94.1%
	(3.545)	(7.450)	(2.838)	(15.731)	(2.041)	(-1.730)		6.48%				
TPDPS_HDZ	0.018*	0.142***	0.279	0.462***	0.042	-0.083	61.7%		205	0.000	68.6%	94.1%
	(2.422)	(5.814)	(1.470)	(16.675)	(1.621)	(-1.476)		6.17%				
BP_HDZ	0.004	0.938***	0.105	0.453***	0.272	-0.079	60%		205	0.713	73.0%	52.5%
	(0.476)	(5.608)	(0.396)	(17.030)	(1.560)	(-1.255)		5.26%				
BP_Anlst	0.009	0.916***	0.037	0.463***	0.364	-0.050	59.7%		205	0.657	71.1%	55.9%
	(0.878)	(4.817)	(0.115)	(18.189)	(1.945)	(-0.767)		5.05%				
TPDPS_RI	0.023***	0.104***	0.295	0.445***	0.067	-0.122	60.3%		205	0.000	59.3%	94.1%
	(3.313)	(5.029)	(1.941)	(15.499)	(1.952)	(-2.342)		4.78%				
TPDPS_EP	0.024***	0.094***	0.245	0.444***	0.066*	-0.103	59.9%		205	0.000	59.3%	94.6%
	(3.413)	(4.781)	(1.670)	(15.222)	(1.970)	(-1.917)		4.42%				
BP_EP	0.009	0.695***	0.109	0.441***	0.336*	-0.078	58.7%		205	0.008	62.3%	58.8%
	(1.181)	(6.130)	(0.768)	(16.123)	(2.388)	(-1.553)		4.04%				
TPDPS_RW	0.03***	0.082***	0.122	0.465***	0.07*	-0.150	59.1%		205	0.000	50.5%	95.6%
	(4.442)	(6.122)	(1.628)	(21.121)	(2.374)	(-1.340)		3.98%				

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Table 82 : Capturing Subsequent Return: Low Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
BP_RI	0.011	0.731***	0.180	0.438***	0.335*	-0.085	58.5%		205	0.020	57.8%	55.9%
	(1.496)	(6.348)	(1.351)	(16.301)	(2.442)	(-1.711)		3.90%				
BP_RW	0.021**	0.693***	0.102	0.442***	0.386**	-0.074	58%		205	0.005	55.4%	53.9%
	(2.767)	(6.381)	(0.776)	(15.796)	(2.717)	(-1.502)		3.46%				
PE_Anlst	-0.015	1.032***	0.521***	0.421***	0.566	-0.305	57.6%		205	0.785	60.8%	40.2%
	(-1.620)	(8.890)	(4.214)	(20.047)	(0.943)	(-2.262)		3.02%				
GLS_Anlst	-0.036	0.739***	0.034	0.43***	0.842	-0.129	56.4%		205	0.054	35.3%	54.4%
	(-2.686)	(5.496)	(0.409)	(19.430)	(1.290)	(-2.302)		1.86%				
FGHJ_Anlst	-0.038	0.685***	0.019	0.442***	1.618***	-0.106	56.4%		205	0.010	36.3%	57.8%
	(-2.771)	(5.631)	(0.220)	(19.799)	(3.359)	(-1.983)		1.84%				
CT_Anlst	-0.009	0.51***	0.094	0.444***	1.232	-0.096	56.1%		205	0.000	39.7%	54.4%
	(-0.905)	(4.803)	(1.186)	(20.310)	(1.813)	(-1.729)		1.62%				
FGHJ_HDZ	0.001	0.396***	-0.050	0.439***	2.541***	-0.060	56%		205	0.000	27.5%	68.6%
	(0.055)	(4.687)	(-0.673)	(19.513)	(4.363)	(-1.198)		1.61%				
DKL_Anlst	-0.029	0.681***	0.099	0.44***	0.513	-0.072	55.9%		205	0.005	40.2%	42.2%
	(-2.615)	(6.011)	(1.434)	(20.718)	(1.101)	(-1.352)		1.38%				
MPEG_Anlst	0.007	0.324***	0.039	0.435***	0.162	0.047	55.1%		205	0.000	31.9%	56.4%
	(0.820)	(5.553)	(0.495)	(19.911)	(0.583)	(0.679)		1.38%				
TrES_RI_10Ind	0.036***	-0.005	-0.105	0.419***	0.031	-0.040	54.5%		205	0.000	17.2%	97.5%

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Table 82 : **Capturing Subsequent Return: Low Earnings Forecasts Coefficient of Variation Firms, Continued**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(4.439)	(-0.376)	(-1.503)	(19.891)	(1.124)	(-0.522)		1.23%				
PE_EP	0.031***	-0.286	-0.219	0.472***	2.014***	0.316	55.6%		205	0.010	39.2%	74.5%
	(3.274)	(-0.576)	(-1.616)	(12.647)	(3.115)	(1.028)		1.19%				
DKL_HDZ	-0.001	0.462***	0.022	0.44***	0.997**	-0.233	55.4%		205	0.000	29.4%	70.6%
	(-0.107)	(3.310)	(0.278)	(19.907)	(2.800)	(-1.667)		1.18%				
GM_Anlst	-0.019	0.56***	0.061	0.438***	0.411	-0.007	55.1%		205	0.000	33.8%	47.5%
	(-2.179)	(7.591)	(0.873)	(21.113)	(1.426)	(-0.114)		1.16%				
GG_HDZ	0.010	0.432***	0.101	0.436***	2.464***	-0.231	55.9%		205	0.000	34.3%	63.2%
	(1.242)	(4.789)	(0.867)	(19.087)	(4.502)	(-1.519)		1.16%				
GLS_EP	0.016	0.126	-0.231	0.453***	1.742**	0.011	55.3%		205	0.000	30.4%	70.6%
	(1.528)	(0.944)	(-1.953)	(18.016)	(3.003)	(0.116)		1.06%				
GLS_HDZ	0.011	0.309***	-0.096	0.442***	2.411***	-0.056	55.7%		205	0.000	29.4%	64.2%
	(1.207)	(3.908)	(-0.897)	(19.149)	(4.436)	(-1.057)		1.04%				
HL_Anlst	-0.017	0.559***	0.093	0.438***	0.620	-0.038	55.5%		205	0.000	34.8%	45.1%
	(-1.702)	(6.308)	(1.360)	(20.860)	(1.903)	(-0.702)		1.04%				
PE_HDZ	0.016	0.43***	-0.060	0.44***	1.962***	-0.178	55.7%		205	0.000	42.2%	65.2%
	(1.775)	(3.425)	(-0.687)	(20.061)	(3.597)	(-2.414)		1.01%				
CT_HDZ	0.015	0.324***	0.047	0.439***	1.367***	-0.217	55.3%		205	0.000	33.8%	70.6%
	(1.735)	(4.339)	(0.558)	(19.373)	(3.277)	(-1.856)		0.96%				

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Table 82 : Capturing Subsequent Return: Low Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
KMY_HDZ	0.009	0.371***	-0.008	0.44***	1.288***	-0.192	55.3%		205	0.000	30.9%	67.6%
	(1.004)	(3.891)	(-0.106)	(19.226)	(3.353)	(-1.557)		0.91%				
FPM_Anlst	-0.013	0.486**	-0.025	0.446***	-0.258	-0.046	54.8%		205	0.002	32.8%	35.8%
	(-0.957)	(2.962)	(-0.318)	(19.600)	(-0.472)	(-0.902)		0.86%				
HL_HDZ	0.005	0.369***	0.000	0.445***	0.955**	-0.129	55.3%		205	0.000	28.9%	70.6%
	(0.403)	(3.299)	(0.006)	(19.270)	(2.972)	(-1.534)		0.84%				
GG_Anlst	-0.003	0.136***	-0.056	0.446***	0.425	-0.076	54.9%		205	0.000	24.0%	74.5%
	(-0.245)	(4.108)	(-0.726)	(19.254)	(1.338)	(-1.368)		0.82%				
CT_RW	0.006	0.310	-0.106	0.454***	2.056	-0.190	55.2%		205	0.002	30.7%	75.9%
	(0.456)	(1.384)	(-1.223)	(17.435)	(1.863)	(-1.061)		0.81%				
FGHJ_EP	0.025	0.030	-0.195	0.445***	2.061**	0.023	54.8%		205	0.000	32.8%	75.5%
	(1.835)	(0.174)	(-1.606)	(17.662)	(2.828)	(0.244)		0.81%				
FGHJ_RI	0.029**	0.060	-0.147	0.442***	0.581	-0.049	54.7%		205	0.000	26.5%	73.5%
	(2.915)	(0.587)	(-1.660)	(18.937)	(0.737)	(-0.826)		0.80%				
PEG_EP	0.022**	0.021	-0.127	0.441***	0.904***	-0.086	54.3%		205	0.000	33.0%	100.0%
	(2.664)	(0.688)	(-1.462)	(17.133)	(4.058)	(-1.376)		0.77%				
PEG_Anlst	0.024**	0.183***	-0.010	0.427***	0.292	0.081	54.3%		205	0.000	20.1%	68.1%
	(2.747)	(3.173)	(-0.128)	(19.896)	(1.274)	(1.030)		0.76%				
CT_EP	0.047	0.070	-0.090	0.404***	0.548	-0.037	54.1%		205	0.000	28.4%	87.7%

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Table 82 : Capturing Subsequent Return: Low Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(1.929)	(1.616)	(-1.248)	(12.768)	(1.636)	(-0.781)		0.76%				
KMY_Anlst	-0.006	0.209***	-0.024	0.445***	0.473	-0.067	55.1%		205	0.000	30.4%	67.6%
	(-0.555)	(4.382)	(-0.341)	(19.808)	(1.458)	(-1.204)		0.76%				
GG_RW	0.007	0.371***	0.083	0.434***	5.584*	-0.223	55.3%		205	0.000	31.9%	72.3%
	(0.746)	(4.247)	(0.692)	(18.426)	(2.236)	(-1.423)		0.71%				
GG_EP	0.018*	-2.914	-0.201	0.463***	3.782*	-0.037	54.8%		205	0.136	31.1%	75.1%
	(2.340)	(-1.114)	(-1.813)	(15.588)	(2.273)	(-0.479)		0.69%				
MPEG_RW	0.034***	0.096***	-0.028	0.436***	0.515***	-0.092	55%		205	0.000	23.5%	95.6%
	(3.447)	(3.355)	(-0.295)	(17.887)	(3.923)	(-1.484)		0.66%				
FPM_RW	0.05***	0.05***	-0.056	0.422***	0.016	-0.057	54.9%		205	0.000	20.6%	97.5%
	(5.173)	(3.963)	(-0.838)	(19.852)	(0.468)	(-0.910)		0.66%				
GLS_RI	0.025**	0.103	-0.132	0.444***	4.493	-0.044	54.6%		205	0.000	28.4%	73.0%
	(2.935)	(1.236)	(-1.492)	(18.965)	(0.490)	(-0.735)		0.66%				
TrES_Anlst _10Ind	0.038***	0.025	-0.085	0.448***	0.005	-0.185	54.9%		205	0.000	22.1%	97.5%
	(3.878)	(1.911)	(-0.635)	(15.608)	(0.285)	(-1.853)		0.65%				
WNG_EP	0.048***	0.000	-0.061	0.426***	-0.003	-0.080	54.3%		205	0.000	5.9%	99.5%
	(3.637)	(-0.437)	(-0.854)	(20.111)	(-0.960)	(-1.546)		0.64%				
KMY_EP	-0.002	0.241***	-0.035	0.405***	0.272*	-0.376	54.1%		205	0.000	38.7%	74.5%
	(-0.259)	(4.067)	(-0.437)	(11.901)	(2.027)	(-1.507)		0.64%				

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Table 82 : Capturing Subsequent Return: Low Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
DKL_EP	0.005	0.166***	-0.145	0.449***	0.516*	-0.067	54.1%		205	0.000	36.8%	80.4%
	(0.561)	(5.284)	(-1.647)	(17.581)	(2.087)	(-1.453)		0.63%				
PE_RI	0.032***	0.011	-0.110	0.45***	1.669*	-0.042	54.7%		205	0.000	36.8%	74.0%
	(4.332)	(0.116)	(-1.475)	(19.345)	(2.557)	(-0.839)		0.62%				
GM_RW	0.019	0.067***	-0.097	0.442***	0.495***	-0.043	55.1%		205	0.000	26.2%	97.4%
	(1.940)	(3.399)	(-1.047)	(17.638)	(3.364)	(-0.734)		0.61%				
PE_RW	0.038***	0.118	-0.029	0.439***	0.109	-0.018	54.8%		205	0.000	14.7%	91.7%
	(4.237)	(1.672)	(-0.296)	(18.843)	(0.298)	(-0.303)		0.57%				
MPEG_EP	0.014	0.070	-0.006	0.439***	0.763*	-0.127	54.4%		205	0.000	33.3%	87.7%
	(1.483)	(1.109)	(-0.051)	(17.984)	(2.553)	(-1.326)		0.54%				
3FF_Factor	0.042***	-0.157	-0.029	0.452***	4.666*	-0.045	54.5%		205	0.000	8.8%	41.2%
	(4.236)	(-0.955)	(-0.243)	(14.856)	(1.963)	(-0.243)		0.52%				
KMY_RI	0.015	0.151*	-0.120	0.437***	0.273	-0.098	54.1%		205	0.000	28.9%	77.9%
	(1.716)	(2.076)	(-1.400)	(19.963)	(1.029)	(-1.123)		0.48%				
DKL_RI	0.018*	0.088	-0.124	0.441***	0.259	-0.018	54.2%		205	0.000	29.9%	83.8%
	(2.014)	(1.531)	(-1.254)	(18.070)	(1.161)	(-0.369)		0.45%				
HL_RI	0.017	0.091	-0.123	0.441***	0.253	-0.020	54.2%		205	0.000	28.9%	83.8%
	(1.812)	(1.594)	(-1.253)	(18.040)	(1.135)	(-0.419)		0.42%				
TrETSS_RW_25SBM	0.035***	0.009	-0.055	0.432***	0.009	-0.010	54.4%		205	0.000	11.3%	99.5%

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Table 82 : Capturing Subsequent Return: Low Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(4.327)	(1.213)	(-0.726)	(18.787)	(1.282)	(-0.218)		0.42%				
GM_EP	0.012	0.119***	-0.051	0.435***	1.097*	-0.214	54.3%		205	0.000	32.8%	86.3%
	(1.547)	(3.927)	(-0.700)	(18.615)	(2.536)	(-1.678)		0.39%				
HL_EP	0.008	0.135***	-0.132	0.448***	0.507*	-0.081	53.8%		205	0.000	33.3%	82.4%
	(0.884)	(4.997)	(-1.519)	(17.605)	(2.061)	(-1.731)		0.37%				
GM_HDZ	0.021	0.248**	-0.126	0.457***	0.597	-0.017	54.5%		205	0.000	27.9%	69.6%
	(1.813)	(2.714)	(-1.357)	(16.475)	(1.370)	(-0.224)		0.37%				
TrES_RW_10Ind	0.041***	4.833	-0.085	0.441***	14.612	-0.189	54.4%		205	0.232	19.6%	78.9%
	(5.309)	(1.510)	(-0.794)	(16.541)	(0.965)	(-1.348)		0.35%				
FPM_EP	0.019*	0.075***	-0.083	0.427***	0.010	-0.058	54%		205	0.000	22.5%	97.5%
	(2.045)	(4.649)	(-1.087)	(18.380)	(0.474)	(-1.136)		0.32%				
PEG_RI	0.028***	-0.022	-0.125	0.44***	0.212	-0.064	53.6%		205	0.000	27.4%	100.0%
	(3.119)	(-0.172)	(-1.457)	(17.035)	(1.471)	(-0.970)		0.32%				
MPEG_HDZ	0.018	0.226**	-0.095	0.452***	0.535	-0.017	54.4%		205	0.000	27.5%	72.5%
	(1.515)	(3.046)	(-1.132)	(16.850)	(1.742)	(-0.258)		0.31%				
TrES_Anlst _25SBM	0.049***	0.003	-0.121	0.427***	-0.001	-0.128	54.2%		205	0.000	8.3%	99.5%
	(5.692)	(0.809)	(-1.326)	(19.099)	(-0.304)	(-1.871)		0.27%				
TrES_RW_25SBM	0.041***	-0.882	-0.078	0.433***	0.383	-0.005	54.4%		205	0.279	6.4%	82.8%
	(5.586)	(-0.509)	(-1.246)	(20.555)	(0.370)	(-0.081)		0.24%				

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Table 82 : Capturing Subsequent Return: Low Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
GM_RI	0.012	0.191*	-0.155	0.453***	-0.068	-0.020	54.3%		205	0.000	33.5%	76.4%
	(1.056)	(2.550)	(-1.634)	(16.413)	(-0.128)	(-0.255)		0.24%				
CT_RI	0.03***	0.008	-0.057	0.43***	0.254	-0.075	54%		205	0.000	12.3%	85.3%
	(3.706)	(0.203)	(-0.673)	(18.105)	(1.085)	(-0.728)		0.23%				
DKL_RW	0.010	0.060	-0.102	0.445***	-0.154	-0.054	53.6%		205	0.000	18.1%	84.3%
	(0.541)	(1.757)	(-0.996)	(16.584)	(-0.466)	(-0.959)		0.20%				
MPEG_RI	0.003	0.181**	-0.138	0.451***	-3.870	0.004	54.2%		205	0.000	32.5%	82.3%
	(0.274)	(2.763)	(-1.628)	(16.866)	(-0.780)	(0.062)		0.20%				
FPM_HDZ	0.015*	0.256***	-0.078	0.44***	0.826**	-0.038	54.3%		205	0.000	26.0%	65.2%
	(1.976)	(3.814)	(-1.094)	(19.782)	(2.918)	(-0.878)		0.20%				
5FF_Factor	0.037***	0.139	-0.013	0.442***	0.046	0.018	54.2%		205	0.000	11.3%	47.1%
	(4.519)	(0.955)	(-0.139)	(18.623)	(0.033)	(0.333)		0.19%				
HL_RW	0.005	0.084	-0.235	0.462***	-0.213	0.095	53.6%		205	0.000	16.2%	86.8%
	(0.182)	(1.218)	(-1.149)	(13.625)	(-0.652)	(0.619)		0.17%				
PEG_RW	0.041***	-0.011	-0.083	0.438***	0.398**	-0.082	54.1%		205	0.000	21.5%	100.0%
	(3.226)	(-0.311)	(-0.675)	(14.449)	(2.634)	(-1.267)		0.17%				
FPM_RI	0.038***	-0.003	-0.019	0.446***	0.034	-0.101	54.2%		205	0.000	21.1%	90.2%
	(3.582)	(-0.072)	(-0.276)	(18.717)	(1.094)	(-1.731)		0.15%				
FGHJ_RW	0.031***	0.030	-0.059	0.439***	0.456	-0.057	53.3%		205	0.000	22.1%	83.6%

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Table 82 : Capturing Subsequent Return: Low Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
	(3.488)	(0.313)	(-0.768)	(19.363)	(1.448)	(-1.102)		0.15%				
WNG_Anlst	0.044***	0.002	-0.068	0.438***	-0.194	-0.003	53.5%		205	0.000	8.8%	99.5%
	(6.138)	(1.299)	(-0.964)	(19.784)	(-1.385)	(-0.041)		0.14%				
GG_RI	0.026***	0.126	-0.101	0.443***	1.871***	-0.127	53.9%		205	0.000	29.0%	78.2%
	(3.669)	(0.908)	(-1.365)	(19.011)	(3.347)	(-1.737)		0.12%				
KMY_RW	0.003	0.092	-0.235	0.462***	-0.172	0.095	53.5%		205	0.000	15.7%	87.3%
	(0.115)	(1.342)	(-1.145)	(13.622)	(-0.525)	(0.620)		0.10%				
TrES_HDZ_25SBM	0.047***	-0.001	-0.214	0.432***	-0.001	-0.130	54.3%		205	0.000	4.4%	99.0%
	(5.708)	(-0.216)	(-1.017)	(17.010)	(-0.274)	(-1.821)		0.10%				
CAPM_Factor	0.096	-4.058	-0.001	0.431***	-14.158	0.231	54.1%		205	0.565	19.6%	26.0%
	(0.869)	(-0.463)	(-0.009)	(15.963)	(-0.892)	(1.236)		0.09%				
PEG_HDZ	0.017	0.252*	-0.175	0.469***	0.516	0.005	54.5%		205	0.000	19.6%	69.1%
	(1.171)	(2.535)	(-1.597)	(13.474)	(1.380)	(0.063)		0.08%				
TrES_RI_25SBM	0.042***	-0.005	-0.123	0.426***	0.004	-0.051	53.4%		205	0.000	6.9%	99.5%
	(5.072)	(-1.657)	(-1.669)	(18.370)	(1.276)	(-1.087)		0.04%				
TrES_HDZ_10Ind	0.053***	-0.030	-0.095	0.442***	-0.045	-0.043	53.6%		205	0.000	19.6%	96.6%
	(3.915)	(-0.923)	(-0.935)	(17.073)	(-1.084)	(-0.755)		0.02%				
TrETSS_Anlst _10Ind	0.04***	0.040	-0.074	0.428***	0.071	-0.199	53.8%		205	0.000	12.3%	83.3%
	(5.342)	(1.030)	(-0.728)	(16.251)	(0.951)	(-1.151)		0.02%				

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Table 82 : Capturing Subsequent Return: Low Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% %β_{ICC}^{CS} = 1
TrOHE_10Ind	0.037***	0.163*	-0.131	0.452***	0.674	-0.068	53.7%		205	0.000	18.6%	72.1%
	(4.520)	(2.449)	(-1.223)	(16.685)	(1.397)	(-1.232)		0.01%				
TrETSS_EP_25SBM	0.047***	0.003	-0.026	0.426***	0.002	-0.068	53.2%		205	0.000	9.8%	99.5%
	(6.038)	(0.619)	(-0.368)	(19.723)	(0.310)	(-1.257)		-0.02%				
TrETSS_RI_25SBM	0.047***	-0.003	-0.108	0.44***	-0.004	-0.210	53.3%		205	0.000	9.3%	98.5%
	(6.419)	(-0.307)	(-1.208)	(17.803)	(-0.343)	(-2.237)		-0.06%				
TrOHE_25SBM	0.043***	0.031	-0.097	0.438***	-0.026	-0.049	53.2%		205	0.000	12.7%	88.2%
	(6.041)	(1.450)	(-1.159)	(19.585)	(-1.424)	(-0.991)		-0.11%				
TrETSS_Anlst _25SBM	0.052***	-0.078	-0.148	0.443***	0.077*	-0.110	53%		205	0.000	7.4%	91.7%
	(6.852)	(-1.941)	(-1.995)	(18.599)	(2.062)	(-1.680)		-0.12%				
TrETSS_HDZ_10Ind	0.042***	-0.054	-0.076	0.432***	0.001	-0.142	53.4%		205	0.000	10.8%	89.2%
	(5.504)	(-1.456)	(-0.924)	(19.197)	(0.032)	(-1.785)		-0.12%				
TrES_EP_10Ind	0.041***	0.048	-0.017	0.43***	0.023	-0.161	53.6%		205	0.000	14.7%	96.1%
	(4.566)	(1.264)	(-0.114)	(17.315)	(0.971)	(-1.209)		-0.16%				
WNG_RI	0.041***	-0.003	-0.154	0.449***	0.152	-0.030	53.7%		205	0.000	3.4%	100.0%
	(5.302)	(-0.547)	(-1.418)	(16.517)	(1.124)	(-0.553)		-0.20%				
WNG_RW	0.047***	0.000	-0.107	0.431***	-0.004	-0.131	53.2%		205	0.000	3.9%	99.5%
	(6.454)	(-1.246)	(-1.476)	(20.171)	(-0.828)	(-1.695)		-0.25%				
Carhart_Factor	0.039***	-0.034	-0.037	0.448***	2.503*	-0.026	53.4%		205	0.000	8.3%	58.3%

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Table 82 : Capturing Subsequent Return: Low Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(4.478)	(-0.350)	(-0.439)	(16.754)	(2.011)	(-0.221)		-0.25%				
TrETSS_RI_10Ind	0.042***	-0.012	-0.084	0.439***	0.056	-0.156	53.3%		205	0.000	15.7%	98.5%
	(5.385)	(-0.890)	(-1.071)	(19.801)	(1.070)	(-1.487)		-0.28%				
GLS_RW	0.048	0.010	-0.108	0.45***	0.093	-0.057	53.1%		205	0.000	13.2%	86.8%
	(1.472)	(0.249)	(-0.847)	(15.984)	(0.222)	(-1.073)		-0.29%				
TrETSS_HDZ_25SBM	0.043***	0.004	-0.087	0.434***	-0.012	-0.073	53%		205	0.000	11.8%	95.1%
	(6.287)	(0.277)	(-1.266)	(19.831)	(-0.669)	(-1.183)		-0.41%				
TrES_EP_25SBM	0.033**	0.032	-0.094	0.438***	-0.023	0.077	54%		205	0.000	5.9%	99.5%
	(2.742)	(1.045)	(-1.324)	(13.953)	(-0.991)	(0.700)		-0.46%				
TrETSS_RW_10Ind	0.043***	-0.022	-0.090	0.428***	-0.005	-0.067	52.9%		205	0.000	13.7%	98.0%
	(5.878)	(-1.771)	(-1.248)	(20.178)	(-0.080)	(-1.410)		-0.48%				
WNG_HDZ	0.045***	0.000	-0.038	0.453***	0.196	-0.081	53.3%		205	0.000	0.5%	99.5%
	(4.442)	(-0.692)	(-0.391)	(15.753)	(1.196)	(-1.362)		-0.56%				
TrETSS_EP_10Ind	0.026	0.028	-0.231	0.465***	-0.043	-0.129	52.9%		205	0.000	12.3%	99.0%
	(1.909)	(1.587)	(-1.919)	(14.375)	(-1.190)	(-0.909)		-0.60%				

For the lowest quartile of firms in terms of coefficient of variation in earnings forecasts, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it

represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 83 : Capturing Subsequent Return: High Earnings Forecasts Coefficient of Variation Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
TPDPS_Anlst	0.016*	0.16***	0.401***	0.464***	0.051	-0.057	61.7%	6.44%	205	0.000	70.0%	92.1%
	(2.420)	(7.981)	(3.306)	(15.968)	(1.732)	(-1.178)						
Naive	0.021***	0.161***	0.442***	0.459***	0.068	-0.062	61.5%	6.31%	205	0.000	70.0%	92.1%
	(3.233)	(7.799)	(3.758)	(15.568)	(1.875)	(-1.346)						
TPDPS_HDZ	0.015*	0.156***	0.409***	0.459***	0.058*	-0.096	61.3%	6.05%	205	0.000	70.0%	93.6%
	(2.197)	(8.433)	(3.800)	(16.563)	(2.128)	(-1.377)						
BP_HDZ	-0.001	1.051***	0.313**	0.451***	0.375*	-0.087	59.7%	5.26%	205	0.624	70.4%	48.8%
	(-0.085)	(10.040)	(2.684)	(17.063)	(2.384)	(-1.221)						
BP_Anlst	0.001	1.092***	0.304**	0.463***	0.402*	-0.041	59.4%	5.00%	205	0.331	69.0%	53.7%
	(0.119)	(11.523)	(2.727)	(18.303)	(2.436)	(-0.802)						
TPDPS_RI	0.021**	0.114***	0.369**	0.442***	0.068	-0.104	59.9%	4.70%	205	0.000	58.6%	92.1%
	(3.047)	(5.627)	(2.875)	(15.376)	(1.908)	(-2.186)						
TPDPS_EP	0.022***	0.105***	0.337**	0.442***	0.066	-0.079	59.5%	4.38%	205	0.000	60.6%	93.6%
	(3.177)	(5.504)	(2.815)	(15.053)	(1.868)	(-1.653)						
BP_EP	0.008	0.726***	0.187	0.441***	0.294	-0.078	58.3%	3.99%	205	0.012	61.6%	57.6%
	(1.021)	(6.698)	(1.681)	(16.003)	(1.922)	(-1.591)						
TPDPS_RW	0.03***	0.076***	0.189**	0.467***	0.094*	-0.186	58.8%	3.93%	205	0.000	51.7%	95.6%
	(4.354)	(3.921)	(3.055)	(21.044)	(2.576)	(-1.385)						

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Table 83 : Capturing Subsequent Return: High Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
BP_RI	0.010	0.754***	0.259*	0.437***	0.276	-0.090	58%	3.76%	205	0.027	56.7%	55.7%
	(1.402)	(6.847)	(2.468)	(16.184)	(1.854)	(-1.826)						
BP_RW	0.02**	0.713***	0.171	0.442***	0.293	-0.062	57.6%	3.39%	205	0.010	55.2%	52.2%
	(2.647)	(6.485)	(1.468)	(15.711)	(1.918)	(-1.168)						
PE_Anlst	-0.009	1.029***	0.544***	0.434***	0.856	-0.347	57.4%	3.01%	205	0.798	59.6%	42.9%
	(-0.969)	(9.117)	(3.268)	(18.689)	(1.253)	(-2.401)						
GLS_Anlst	-0.039	0.764***	0.050	0.431***	0.625	-0.176	56.3%	1.98%	205	0.148	36.5%	54.7%
	(-2.439)	(4.710)	(0.571)	(18.789)	(0.767)	(-2.126)						
CT_Anlst	-0.012	0.544***	0.149	0.448***	1.076	-0.080	56.1%	1.95%	205	0.000	40.4%	59.1%
	(-1.151)	(4.706)	(1.733)	(20.069)	(1.540)	(-1.498)						
FGHJ_HDZ	0.004	0.37***	-0.065	0.449***	2.366***	-0.035	55.9%	1.88%	205	0.000	26.6%	69.0%
	(0.324)	(3.482)	(-0.807)	(19.214)	(4.192)	(-0.577)						
FGHJ_Anlst	-0.038	0.677***	0.042	0.445***	1.631**	-0.133	56.2%	1.81%	205	0.019	39.9%	57.6%
	(-2.525)	(4.967)	(0.476)	(19.388)	(2.839)	(-1.927)						
CT_RW	0.007	0.296	-0.070	0.459***	1.714	-0.245	55.8%	1.65%	205	0.003	28.3%	76.3%
	(0.460)	(1.261)	(-0.747)	(17.173)	(1.446)	(-1.338)						
DKL_Anlst	-0.029	0.683***	0.128	0.444***	0.216	-0.077	56%	1.62%	205	0.014	42.9%	46.8%
	(-2.435)	(5.310)	(1.779)	(20.420)	(0.408)	(-1.414)						
MPEG_RW	0.033**	0.096***	0.026	0.439***	0.523***	-0.104	55.4%	1.60%	205	0.000	25.1%	95.6%

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Table 83 : Capturing Subsequent Return: High Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(3.003)	(3.267)	(0.271)	(17.705)	(3.704)	(-1.112)						
MPEG_Anlst	0.006	0.334***	0.053	0.436***	-0.034	0.073	55.2%	1.55%	205	0.000	32.5%	56.2%
	(0.699)	(5.398)	(0.696)	(19.792)	(-0.116)	(0.913)						
GM_RW	0.020	0.064**	-0.080	0.448***	0.511***	-0.077	55.4%	1.54%	205	0.000	26.8%	97.4%
	(1.742)	(2.795)	(-0.836)	(17.211)	(3.446)	(-0.812)						
GLS_HDZ	0.009	0.332***	-0.102	0.45***	2.387***	-0.040	55.7%	1.54%	205	0.000	28.6%	65.0%
	(0.969)	(3.531)	(-0.910)	(18.948)	(4.537)	(-0.679)						
CT_EP	0.052*	0.083	-0.040	0.409***	0.413	-0.030	55%	1.53%	205	0.000	26.1%	88.7%
	(2.138)	(1.798)	(-0.571)	(12.692)	(1.051)	(-0.725)						
GM_Anlst	-0.021	0.581***	0.078	0.441***	0.037	-0.080	55.4%	1.48%	205	0.000	33.0%	51.2%
	(-2.215)	(6.966)	(1.089)	(20.853)	(0.113)	(-0.506)						
TrES_RI_10Ind	0.036***	-0.011	-0.034	0.421***	0.035	-0.009	54.7%	1.48%	205	0.000	18.2%	98.5%
	(4.261)	(-0.792)	(-0.582)	(19.896)	(1.266)	(-0.108)						
TrES_Anlst _10Ind	0.043***	0.009	0.024	0.453***	0.010	-0.093	55.4%	1.46%	205	0.000	19.7%	98.0%
	(4.347)	(0.783)	(0.294)	(15.919)	(0.672)	(-0.875)						
GG_HDZ	0.015	0.345**	0.070	0.447***	2.399***	-0.174	55.7%	1.44%	205	0.000	31.0%	67.0%
	(1.695)	(3.082)	(0.540)	(18.056)	(4.742)	(-1.061)						
DKL_HDZ	0.007	0.361*	-0.021	0.451***	1.12***	-0.222	55.5%	1.34%	205	0.000	29.6%	71.9%
	(0.496)	(2.312)	(-0.216)	(18.801)	(3.103)	(-1.495)						

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Table 83 : Capturing Subsequent Return: High Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
FPM_Anlst	-0.013	0.477**	0.014	0.446***	0.040	0.034	55%	1.34%	205	0.004	33.5%	36.9%
	(-0.888)	(2.679)	(0.180)	(19.732)	(0.062)	(0.559)						
KMY_HDZ	0.017	0.248*	-0.079	0.455***	1.26***	-0.167	55.4%	1.33%	205	0.000	29.1%	68.0%
	(1.623)	(2.077)	(-0.707)	(17.610)	(3.757)	(-1.245)						
HL_Anlst	-0.020	0.597***	0.129	0.441***	0.405	-0.028	55.6%	1.31%	205	0.000	35.0%	48.8%
	(-1.916)	(6.188)	(1.940)	(20.675)	(1.188)	(-0.510)						
KMY_EP	-0.001	0.222***	0.002	0.41***	0.208	-0.407	54.8%	1.30%	205	0.000	35.0%	74.4%
	(-0.093)	(3.687)	(0.021)	(11.897)	(0.702)	(-1.623)						
CT_HDZ	0.021*	0.219*	-0.007	0.453***	1.197***	-0.188	55.2%	1.23%	205	0.000	33.5%	70.0%
	(2.315)	(2.502)	(-0.069)	(17.925)	(3.267)	(-1.492)						
DKL_EP	0.008	0.146***	-0.102	0.452***	0.527	-0.096	54.8%	1.22%	205	0.000	34.5%	79.3%
	(0.874)	(5.027)	(-1.191)	(17.464)	(1.762)	(-1.967)						
GG_EP	0.017*	-3.035	-0.238	0.474***	2.697	-0.059	55.1%	1.19%	205	0.132	30.7%	74.5%
	(2.160)	(-1.138)	(-1.924)	(15.270)	(1.692)	(-0.650)						
PE_RW	0.04***	0.152	0.041	0.444***	0.099	0.018	55.2%	1.17%	205	0.000	15.3%	91.1%
	(4.438)	(1.757)	(0.395)	(18.656)	(0.266)	(0.297)						
GG_Anlst	0.004	0.119***	-0.006	0.449***	0.426	-0.102	54.9%	1.17%	205	0.000	27.6%	73.9%
	(0.301)	(3.175)	(-0.076)	(19.263)	(1.282)	(-1.630)						
PE_HDZ	0.019*	0.376**	-0.101	0.45***	1.856***	-0.172	55.2%	1.14%	205	0.000	38.9%	64.0%

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Table 83 : Capturing Subsequent Return: High Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(2.114)	(3.003)	(-0.965)	(18.923)	(3.651)	(-2.112)						
GLS_EP	0.017	0.126	-0.260	0.459***	1.723***	-0.027	54.9%	1.14%	205	0.000	29.1%	71.9%
	(1.574)	(0.906)	(-2.172)	(17.853)	(3.149)	(-0.256)						
PE_EP	0.033***	-0.327	-0.190	0.476***	2.114***	0.280	55.1%	1.10%	205	0.009	36.5%	74.4%
	(3.541)	(-0.651)	(-1.410)	(12.658)	(3.272)	(0.900)						
MPEG_EP	0.013	0.098	0.025	0.443***	0.767**	-0.119	54.8%	1.08%	205	0.000	31.5%	88.2%
	(1.271)	(1.457)	(0.212)	(18.131)	(2.996)	(-1.227)						
PE_RI	0.031***	0.046	-0.064	0.451***	1.477*	-0.014	54.7%	1.07%	205	0.000	36.5%	73.4%
	(4.210)	(0.456)	(-0.842)	(19.283)	(2.101)	(-0.277)						
HL_EP	0.010	0.121***	-0.091	0.452***	0.512	-0.116	54.6%	1.05%	205	0.000	30.5%	83.3%
	(1.079)	(4.576)	(-1.080)	(17.488)	(1.739)	(-2.239)						
FGHJ_EP	0.027*	0.013	-0.213	0.454***	2.022**	-0.027	54.5%	1.03%	205	0.000	31.0%	75.9%
	(1.971)	(0.071)	(-1.782)	(17.593)	(3.053)	(-0.251)						
KMY_Anlst	-0.001	0.189***	0.016	0.451***	0.335	-0.079	55%	1.00%	205	0.000	30.5%	62.6%
	(-0.132)	(3.421)	(0.229)	(19.219)	(0.768)	(-1.357)						
GG_RW	0.013	0.265*	0.033	0.446***	3.714*	-0.166	55.1%	0.93%	205	0.000	29.8%	75.0%
	(1.353)	(2.413)	(0.240)	(17.352)	(2.328)	(-0.973)						
WNG_EP	0.055***	0.000	0.020	0.438***	-0.003	-0.093	54.4%	0.91%	205	0.000	6.9%	100.0%
	(3.597)	(-0.170)	(0.308)	(18.984)	(-1.081)	(-1.442)						

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Table 83 : Capturing Subsequent Return: High Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
HL_HDZ	0.009	0.313**	0.000	0.452***	1.006***	-0.178	55.2%	0.87%	205	0.000	27.1%	70.9%
	(0.697)	(2.625)	(0.003)	(18.518)	(3.707)	(-1.796)						
GM_EP	0.010	0.159***	-0.022	0.441***	1.308**	-0.184	54.6%	0.85%	205	0.000	33.5%	84.2%
	(1.138)	(3.418)	(-0.290)	(18.642)	(2.618)	(-1.440)						
PEG_EP	0.023**	0.087*	-0.103	0.451***	0.969***	-0.120	54.2%	0.83%	205	0.000	33.1%	100.0%
	(2.639)	(2.055)	(-0.957)	(17.000)	(4.846)	(-1.398)						
5FF_Factor	0.038***	0.044	0.069	0.442***	-0.167	0.083	54.5%	0.80%	205	0.000	10.8%	47.8%
	(4.568)	(0.235)	(0.571)	(18.638)	(-0.122)	(1.021)						
GM_HDZ	0.019	0.29**	-0.047	0.459***	0.542	-0.046	54.9%	0.79%	205	0.000	24.6%	70.9%
	(1.603)	(2.874)	(-0.489)	(16.358)	(1.187)	(-0.566)						
PEG_RW	0.042**	-0.010	-0.022	0.442***	0.347*	-0.098	54.5%	0.79%	205	0.000	25.4%	100.0%
	(2.993)	(-0.302)	(-0.170)	(14.320)	(2.027)	(-0.923)						
TrES_RW_10Ind	0.042***	2.579	-0.125	0.45***	15.030	-0.195	54.5%	0.78%	205	0.587	19.2%	77.8%
	(5.209)	(0.888)	(-1.084)	(16.070)	(1.067)	(-1.130)						
MPEG_HDZ	0.016	0.25***	-0.018	0.456***	0.428	-0.036	54.8%	0.78%	205	0.000	27.6%	73.9%
	(1.365)	(3.118)	(-0.203)	(16.686)	(1.405)	(-0.484)						
3FF_Factor	0.042***	-0.104	0.008	0.456***	5.168*	-0.041	54.3%	0.78%	205	0.000	7.9%	43.3%
	(4.201)	(-0.451)	(0.062)	(14.831)	(2.099)	(-0.220)						
PEG_Anlst	0.024**	0.189***	0.006	0.43***	0.182	0.092	54.4%	0.76%	205	0.000	17.7%	70.0%

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Table 83 : Capturing Subsequent Return: High Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(2.648)	(3.205)	(0.083)	(19.907)	(0.845)	(1.182)						
TrES_RW_25SBM	0.041***	-1.346	-0.031	0.437***	0.971	-0.019	54.9%	0.75%	205	0.167	9.9%	82.8%
	(5.482)	(-0.796)	(-0.495)	(20.269)	(1.015)	(-0.307)						
FGHJ_RI	0.029**	0.057	-0.113	0.449***	0.220	-0.032	54.1%	0.73%	205	0.000	25.6%	70.9%
	(2.813)	(0.522)	(-1.253)	(18.633)	(0.301)	(-0.515)						
FPM_RW	0.044***	0.052***	0.016	0.435***	0.036	-0.072	55.2%	0.73%	205	0.000	21.2%	98.0%
	(4.702)	(4.349)	(0.249)	(19.706)	(0.936)	(-0.967)						
TrETSS_RW_25SBM	0.038***	0.010	0.022	0.441***	0.001	-0.003	54.9%	0.70%	205	0.000	12.3%	100.0%
	(4.744)	(1.481)	(0.333)	(18.490)	(0.182)	(-0.043)						
KMY_RW	0.029	0.010	-0.106	0.451***	-0.170	0.004	54%	0.61%	205	0.000	14.8%	87.2%
	(1.505)	(0.315)	(-0.877)	(16.631)	(-0.522)	(0.054)						
HL_RW	0.031	0.001	-0.106	0.452***	-0.214	0.003	54%	0.59%	205	0.000	16.3%	86.7%
	(1.596)	(0.040)	(-0.879)	(16.629)	(-0.662)	(0.050)						
DKL_RW	0.018	0.019	-0.108	0.448***	-0.073	0.010	54%	0.59%	205	0.000	19.2%	83.7%
	(0.952)	(0.403)	(-0.934)	(16.259)	(-0.219)	(0.142)						
FPM_HDZ	0.013	0.276***	-0.055	0.445***	1.034**	-0.091	54.7%	0.56%	205	0.000	26.1%	67.5%
	(1.644)	(3.862)	(-0.767)	(19.505)	(2.699)	(-0.905)						
FPM_EP	0.018	0.076***	-0.030	0.44***	0.012	-0.081	54.1%	0.55%	205	0.000	23.6%	97.5%
	(1.892)	(4.580)	(-0.375)	(18.729)	(0.619)	(-1.184)						

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Table 83 : Capturing Subsequent Return: High Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
WNG_Anlst	0.046***	0.005	-0.008	0.447***	-0.328	-0.073	53.8%	0.53%	205	0.000	7.4%	100.0%
	(6.164)	(1.549)	(-0.123)	(18.750)	(-0.750)	(-0.800)						
PEG_HDZ	0.015	0.28**	-0.092	0.47***	0.488	0.012	54.7%	0.51%	205	0.000	20.7%	70.0%
	(1.009)	(2.681)	(-0.831)	(13.492)	(1.397)	(0.155)						
TrES_HDZ_10Ind	0.055***	-0.031	-0.032	0.443***	-0.046	0.036	54.4%	0.51%	205	0.000	20.2%	98.5%
	(4.004)	(-0.950)	(-0.323)	(17.136)	(-1.102)	(0.400)						
FGHJ_RW	0.031***	0.037	0.029	0.444***	0.500	-0.032	53.6%	0.50%	205	0.000	20.6%	85.1%
	(3.335)	(0.361)	(0.325)	(18.805)	(1.604)	(-0.478)						
KMY_RI	0.016	0.176**	-0.044	0.44***	0.262	-0.090	54%	0.46%	205	0.000	29.6%	75.9%
	(1.773)	(2.934)	(-0.503)	(19.695)	(0.983)	(-1.021)						
DKL_RI	0.019*	0.093*	-0.056	0.445***	0.258	-0.019	54%	0.43%	205	0.000	30.0%	82.8%
	(2.160)	(2.165)	(-0.542)	(17.790)	(1.154)	(-0.370)						
TrES_Anlst _25SBM	0.058***	-0.002	-0.031	0.423***	0.003	-0.084	54.2%	0.42%	205	0.000	6.4%	99.5%
	(5.081)	(-0.324)	(-0.384)	(18.318)	(0.525)	(-1.125)						
GLS_RI	0.027**	0.081	-0.104	0.449***	2.794	-0.033	53.8%	0.42%	205	0.000	27.6%	73.9%
	(2.984)	(0.900)	(-1.116)	(18.870)	(0.397)	(-0.561)						
HL_RI	0.018*	0.095*	-0.055	0.445***	0.260	-0.021	54%	0.41%	205	0.000	30.0%	82.8%
	(1.996)	(2.226)	(-0.535)	(17.767)	(1.161)	(-0.420)						
GM_RI	0.011	0.218**	-0.104	0.459***	-0.287	-0.032	54.1%	0.40%	205	0.000	34.2%	73.8%

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Table 83 : Capturing Subsequent Return: High Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(0.906)	(2.782)	(-1.117)	(16.457)	(-0.346)	(-0.411)						
TrES_HDZ_25SBM	0.044***	0.003	-0.219	0.447***	0.000	-0.097	54.5%	0.28%	205	0.000	5.9%	99.0%
	(5.442)	(0.855)	(-1.022)	(17.070)	(-0.118)	(-1.326)						
CT_RI	0.031***	0.029	-0.025	0.437***	0.087	-0.077	53.7%	0.27%	205	0.000	12.3%	84.7%
	(3.722)	(0.737)	(-0.299)	(17.529)	(0.298)	(-0.761)						
TrETSS_Anlst _25SBM	0.051***	-0.067	-0.047	0.445***	0.066	-0.058	53.4%	0.24%	205	0.000	7.4%	89.7%
	(6.502)	(-1.547)	(-0.588)	(18.238)	(1.545)	(-0.736)						
PEG_RI	0.03***	0.011	-0.138	0.452***	0.253	-0.095	53.5%	0.22%	205	0.000	28.2%	100.0%
	(3.299)	(0.281)	(-1.339)	(16.302)	(1.579)	(-1.169)						
TrES_EP_10Ind	0.042***	0.055	0.039	0.432***	0.001	-0.104	53.6%	0.21%	205	0.000	14.8%	96.6%
	(4.620)	(1.440)	(0.264)	(16.868)	(0.030)	(-0.761)						
FPM_RI	0.038***	0.005	0.037	0.451***	0.080	-0.145	54.1%	0.19%	205	0.000	21.2%	89.2%
	(3.523)	(0.123)	(0.529)	(18.660)	(1.114)	(-1.885)						
CAPM_Factor	0.165	-9.768	-0.019	0.441***	2.391	0.212	53.9%	0.19%	205	0.280	20.2%	24.6%
	(1.319)	(-0.982)	(-0.164)	(15.614)	(0.185)	(1.112)						
TrOHE_25SBM	0.043***	0.031	0.017	0.443***	-0.033	0.008	53.4%	0.18%	205	0.000	12.8%	88.2%
	(5.899)	(1.274)	(0.228)	(19.162)	(-1.389)	(0.152)						
TrOHE_10Ind	0.037***	0.214**	-0.071	0.452***	0.589	-0.013	53.6%	0.17%	205	0.000	18.2%	72.4%
	(4.534)	(2.794)	(-0.703)	(16.672)	(1.234)	(-0.200)						

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Table 83 : **Capturing Subsequent Return: High Earnings Forecasts Coefficient of Variation Firms, Continued**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% %$\beta^{CS}_{ICC}=1$
GG_RI	0.025***	0.144	-0.138	0.454***	2.003***	-0.141	53.7%	0.16%	205	0.000	27.6%	77.6%
	(3.504)	(1.030)	(-1.546)	(18.110)	(3.201)	(-1.666)						
MPEG_RI	0.003	0.189**	-0.087	0.456***	-3.936	-0.024	53.9%	0.16%	205	0.000	33.2%	83.2%
	(0.252)	(2.819)	(-1.014)	(16.858)	(-0.777)	(-0.324)						
WNG_RI	0.042***	-0.003	-0.076	0.452***	0.214	-0.101	54.2%	0.14%	205	0.000	4.5%	100.0%
	(5.355)	(-0.262)	(-0.712)	(16.449)	(1.425)	(-1.217)						
WNG_RW	0.048***	0.000	-0.080	0.436***	-0.005	-0.246	53.5%	0.11%	205	0.000	2.5%	100.0%
	(6.329)	(-1.530)	(-0.989)	(19.534)	(-0.829)	(-2.317)						
Carhart_Factor	0.041***	-0.094	-0.013	0.453***	2.098	-0.024	53.4%	0.11%	205	0.000	7.9%	60.6%
	(4.543)	(-0.852)	(-0.157)	(16.731)	(1.732)	(-0.204)						
TrES_EP_25SBM	0.034**	0.028	-0.015	0.449***	-0.021	0.140	54.5%	0.07%	205	0.000	6.9%	99.5%
	(2.770)	(0.935)	(-0.189)	(14.138)	(-0.939)	(1.213)						
TrES_RI_25SBM	0.042***	-0.008	-0.054	0.431***	0.005	-0.025	53.1%	0.06%	205	0.000	8.9%	100.0%
	(4.803)	(-1.119)	(-0.752)	(18.217)	(1.204)	(-0.592)						
TrETSS_Anlst _10Ind	0.04***	0.051	0.005	0.433***	0.092	-0.151	53.5%	0.03%	205	0.000	11.8%	82.3%
	(5.201)	(1.168)	(0.054)	(16.240)	(1.220)	(-0.865)						
TrETSS_RI_10Ind	0.041***	-0.008	-0.018	0.441***	0.049	-0.097	53.6%	-0.03%	205	0.000	16.7%	99.0%
	(5.126)	(-0.517)	(-0.221)	(19.532)	(0.897)	(-0.853)						
TrETSS_EP_25SBM	0.044***	0.001	0.068	0.438***	0.002	-0.065	53.4%	-0.04%	205	0.000	10.3%	100.0%

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Table 83 : Capturing Subsequent Return: High Earnings Forecasts Coefficient of Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(6.053)	(0.256)	(0.963)	(19.519)	(0.366)	(-1.275)						
TrETSS_HDZ_10Ind	0.043***	-0.038	0.010	0.432***	-0.003	-0.102	53.3%	-0.04%	205	0.000	11.3%	89.2%
	(5.524)	(-0.951)	(0.141)	(19.197)	(-0.054)	(-1.212)						
TrETSS_EP_10Ind	0.027*	0.027	-0.137	0.466***	-0.015	-0.101	53.2%	-0.06%	205	0.000	15.8%	99.0%
	(2.003)	(1.502)	(-1.136)	(14.319)	(-0.527)	(-0.700)						
TrETSS_RI_25SBM	0.045***	0.000	0.004	0.432***	-0.012	-0.159	53.1%	-0.07%	205	0.000	8.9%	99.0%
	(6.382)	(-0.014)	(0.054)	(20.038)	(-0.902)	(-2.093)						
TrETSS_RW_10Ind	0.042***	-0.026	-0.033	0.434***	-0.232	-0.044	53.1%	-0.10%	205	0.000	12.8%	98.0%
	(5.380)	(-1.649)	(-0.451)	(19.836)	(-0.754)	(-0.756)						
TrETSS_HDZ_25SBM	0.044***	0.009	-0.031	0.432***	0.012	-0.030	53.3%	-0.15%	205	0.000	11.3%	94.1%
	(6.334)	(0.636)	(-0.452)	(19.198)	(0.494)	(-0.467)						
GLS_RW	0.058	-0.010	-0.014	0.452***	-0.145	-0.023	52.9%	-0.19%	205	0.000	11.8%	86.7%
	(1.578)	(-0.212)	(-0.110)	(16.024)	(-0.377)	(-0.388)						
WNG_HDZ	0.043***	0.000	-0.016	0.469***	0.062	-0.109	53.5%	-0.36%	205	0.000	1.5%	100.0%
	(4.142)	(-0.719)	(-0.157)	(15.841)	(0.220)	(-1.397)						

For the highest quartile of firms in terms of coefficient of variation in earnings forecasts, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it

represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 84 : Capturing Subsequent Return: Low Leverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
TPDPS_Anlst	-0.008	0.203***	0.559***	0.515***	0.043	-0.052	61.2%		205	0.000	63.3%	96.8%
	(-1.209)	(5.719)	(5.682)	(11.385)	(1.669)	(-0.667)		8.69%				
Naive	-0.005	0.186***	0.494***	0.502***	0.05*	0.000	60.7%		205	0.000	62.8%	96.8%
	(-0.675)	(7.080)	(4.879)	(14.116)	(2.084)	(0.000)		8.34%				
TPDPS_HDZ	-0.010	0.183***	0.502***	0.5***	0.059*	-0.033	60.6%		205	0.000	63.3%	97.9%
	(-1.480)	(7.580)	(5.498)	(15.036)	(2.523)	(-0.542)		8.30%				
BP_Anlst	-0.019	1.232***	0.51***	0.493***	0.138	-0.009	58.5%		205	0.220	69.1%	48.9%
	(-2.546)	(6.520)	(3.900)	(11.459)	(1.101)	(-0.124)		7.12%				
BP_HDZ	-0.022	1.152***	0.498***	0.483***	0.185	-0.018	58%		205	0.374	71.3%	44.7%
	(-2.736)	(6.741)	(4.175)	(12.115)	(1.386)	(-0.218)		6.79%				
TPDPS_EP	-0.011	0.124***	0.371***	0.482***	0.064**	-0.022	58.6%		205	0.000	59.0%	96.8%
	(-1.533)	(6.322)	(3.776)	(16.077)	(2.816)	(-0.352)		6.49%				
TPDPS_RI	-0.006	0.121***	0.252**	0.489***	0.069**	-0.051	58.3%		205	0.000	53.2%	97.3%
	(-0.883)	(5.118)	(2.579)	(14.081)	(2.763)	(-0.803)		5.88%				
TPDPS_RW	0.012	0.264	0.275**	0.676**	0.060	-0.156	57.2%		205	0.000	47.9%	98.4%
	(0.904)	(1.388)	(2.619)	(2.663)	(1.514)	(-0.930)		5.09%				
BP_EP	-0.014	0.708***	0.348**	0.462***	0.354**	-0.009	56%		205	0.029	61.7%	38.8%
	(-1.711)	(5.319)	(2.725)	(13.703)	(2.944)	(-0.126)		4.86%				

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Table 84 : Capturing Subsequent Return: Low Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
BP_RW	0.001	0.717***	0.323*	0.467***	0.341**	-0.012	55.4%		205	0.083	55.9%	45.2%
	(0.122)	(4.416)	(2.407)	(12.019)	(2.583)	(-0.169)		4.29%				
BP_RI	-0.009	0.675***	0.258*	0.461***	0.371***	-0.020	55.2%		205	0.013	56.9%	40.4%
	(-1.128)	(5.227)	(2.298)	(13.667)	(3.175)	(-0.291)		4.06%				
PE_Anlst	-0.022	0.954***	0.43***	0.442***	0.702	-0.080	54.9%		205	0.798	53.7%	43.1%
	(-1.446)	(5.342)	(3.720)	(16.210)	(1.318)	(-1.046)		3.49%				
GG_HDZ	0.001	0.254**	-0.117	0.442***	2.067**	0.027	54.5%		205	0.000	33.5%	53.2%
	(0.063)	(2.634)	(-1.132)	(16.749)	(2.601)	(0.340)		2.61%				
CT_Anlst	-0.044	0.682***	0.173	0.456***	1.305	-0.167	53.8%		205	0.055	43.6%	41.0%
	(-2.646)	(4.148)	(1.057)	(16.072)	(1.403)	(-1.217)		2.40%				
HL_Anlst	-0.020	0.468	0.036	0.434***	0.724*	-0.102	53.3%		205	0.088	29.3%	37.2%
	(-0.566)	(1.511)	(0.166)	(17.275)	(2.405)	(-1.091)		1.87%				
MPEG_Anlst	-0.008	0.284***	0.080	0.435***	0.370	0.011	52.8%		205	0.000	24.5%	47.9%
	(-0.693)	(3.132)	(0.812)	(17.277)	(0.898)	(0.178)		1.77%				
FGHJ_HDZ	-0.037	0.516**	0.071	0.422***	2.38***	-0.032	52.6%		205	0.012	23.4%	66.0%
	(-1.624)	(2.714)	(0.366)	(13.272)	(4.793)	(-0.320)		1.74%				
CT_HDZ	0.001	0.137	-0.106	0.44***	1.012	-0.049	52.9%		205	0.000	29.3%	66.0%
	(0.088)	(1.737)	(-1.071)	(16.610)	(1.792)	(-0.861)		1.69%				
GM_Anlst	-0.024	0.479*	0.059	0.431***	0.552	-0.047	52.8%		205	0.026	31.9%	39.4%

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Table 84 : Capturing Subsequent Return: Low Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
	(-0.821)	(2.063)	(0.337)	(17.520)	(1.752)	(-0.507)		1.69%				
DKL_Anlst	-0.051	0.746***	0.190	0.434***	0.968*	-0.065	53.3%		205	0.101	31.9%	33.5%
	(-3.097)	(4.840)	(1.611)	(16.670)	(2.513)	(-0.975)		1.66%				
PE_HDZ	0.004	0.268**	-0.129	0.431***	1.724***	-0.029	53.4%		205	0.000	36.7%	55.3%
	(0.408)	(3.043)	(-1.336)	(16.937)	(4.494)	(-0.414)		1.66%				
GG_RW	-0.003	0.156	-0.129	0.443***	1.692	-0.043	53.2%		205	0.000	29.0%	62.5%
	(-0.254)	(1.743)	(-1.158)	(16.228)	(0.789)	(-0.611)		1.64%				
PEG_HDZ	0.014	0.163*	-0.008	0.412***	0.092	-0.057	52.8%		205	0.000	22.9%	70.2%
	(1.531)	(2.417)	(-0.050)	(16.700)	(0.220)	(-0.779)		1.63%				
HL_HDZ	-0.017	0.357*	-0.018	0.423***	0.938***	-0.094	52%		205	0.000	22.3%	67.6%
	(-1.214)	(2.472)	(-0.201)	(16.317)	(3.239)	(-1.035)		1.55%				
KMY_Anlst	-0.007	0.132	-0.022	0.437***	0.318	-0.065	52.6%		205	0.000	22.3%	61.2%
	(-0.346)	(1.456)	(-0.178)	(15.830)	(1.569)	(-0.958)		1.54%				
GLS_HDZ	-0.043	0.581**	0.128	0.404***	2.333***	-0.007	52.5%		205	0.053	23.9%	62.2%
	(-1.619)	(2.696)	(0.667)	(13.139)	(4.860)	(-0.067)		1.39%				
GG_Anlst	-0.001	0.068	-0.150	0.428***	0.171	-0.027	51.9%		205	0.000	17.0%	78.7%
	(-0.072)	(1.480)	(-1.473)	(16.575)	(1.115)	(-0.353)		1.38%				
PE_RI	-0.004	0.425**	-0.020	0.418***	1.67**	0.027	52.4%		205	0.001	31.4%	75.5%
	(-0.392)	(2.591)	(-0.196)	(16.385)	(2.645)	(0.407)		1.35%				

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Table 84 : Capturing Subsequent Return: Low Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
GLS_Anlst	-0.045	0.658***	-0.006	0.422***	1.446**	-0.066	52.4%		205	0.010	27.7%	45.7%
	(-3.060)	(5.013)	(-0.058)	(16.857)	(2.616)	(-0.990)		1.32%				
DKL_HDZ	-0.015	0.324***	-0.027	0.428***	1.125***	-0.033	51.8%		205	0.000	21.8%	65.4%
	(-1.583)	(3.874)	(-0.322)	(16.883)	(3.848)	(-0.478)		1.24%				
FGHJ_Anlst	-0.072	0.836***	0.096	0.414***	1.522*	-0.046	52.3%		205	0.364	28.2%	49.5%
	(-3.525)	(4.651)	(0.799)	(15.708)	(2.264)	(-0.699)		1.24%				
GM_HDZ	0.005	0.188*	0.092	0.412***	0.614	-0.079	52.3%		205	0.000	20.2%	69.1%
	(0.545)	(2.226)	(0.536)	(14.010)	(1.011)	(-1.211)		1.20%				
PEG_Anlst	0.007	0.147	0.144	0.41***	0.703	-0.040	51.5%		205	0.000	15.4%	55.9%
	(0.557)	(1.341)	(0.820)	(14.316)	(1.425)	(-0.657)		1.18%				
CT_EP	-0.001	0.134***	-0.049	0.417***	0.354	-0.044	51.7%		205	0.000	23.9%	79.8%
	(-0.064)	(4.342)	(-0.594)	(16.099)	(1.529)	(-0.587)		1.16%				
PE_EP	0.008	0.079	-0.165	0.433***	2.154**	-0.079	52.8%		205	0.000	37.8%	73.4%
	(0.615)	(0.406)	(-1.446)	(16.158)	(2.883)	(-1.248)		1.10%				
KMY_HDZ	-0.004	0.251**	-0.085	0.438***	1.398***	-0.012	51.6%		205	0.000	25.5%	60.6%
	(-0.405)	(2.706)	(-0.908)	(16.548)	(4.552)	(-0.238)		1.09%				
PEG_RI	0.007	0.048	-0.108	0.429***	0.421**	0.056	51.6%		205	0.000	32.5%	100.0%
	(0.350)	(0.932)	(-0.923)	(14.582)	(2.625)	(0.399)		1.05%				
MPEG_HDZ	0.003	0.204*	0.131	0.407***	0.445	-0.116	52.2%		205	0.000	20.2%	76.6%

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Table 84 : Capturing Subsequent Return: Low Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(0.326)	(2.279)	(0.659)	(13.431)	(1.436)	(-1.442)		1.05%				
WNG_EP	0.022*	0.000	-0.211	0.412***	-0.003	-0.064	51.4%		205	0.000	3.2%	99.5%
	(2.310)	(0.841)	(-2.875)	(15.118)	(-0.601)	(-1.222)		1.02%				
GM_RW	0.010	0.053*	-0.060	0.408***	0.144	0.026	51.9%		205	0.000	15.7%	95.7%
	(0.998)	(2.205)	(-0.684)	(16.045)	(0.649)	(0.266)		0.98%				
TrES_RW_25SBM	0.019*	2.736	0.118	0.399***	-3.010	-0.002	51.5%		205	0.478	5.3%	83.5%
	(2.404)	(1.121)	(0.437)	(11.743)	(-0.723)	(-0.036)		0.87%				
HL_RI	-0.002	0.145	-0.053	0.418***	-0.155	-0.014	50.8%		205	0.000	25.0%	86.7%
	(-0.219)	(1.590)	(-0.460)	(16.424)	(-0.796)	(-0.197)		0.87%				
MPEG_RI	-0.012	0.191*	0.046	0.4***	-1.478	-0.107	51.9%		205	0.000	25.1%	75.4%
	(-1.252)	(2.224)	(0.230)	(12.939)	(-0.666)	(-1.352)		0.86%				
FPM_Anlst	-0.027	0.488*	0.037	0.438***	0.372	-0.065	51.7%		205	0.021	26.6%	31.4%
	(-1.367)	(2.222)	(0.436)	(17.149)	(1.142)	(-1.227)		0.83%				
CT_RW	0.006	-0.161	-0.046	0.427***	0.594	-0.016	51.3%		205	0.000	27.8%	71.6%
	(0.535)	(-0.792)	(-0.511)	(16.241)	(0.529)	(-0.231)		0.82%				
HL_EP	-0.010	0.161***	0.044	0.402***	0.265	-0.019	51.6%		205	0.000	29.3%	75.0%
	(-1.002)	(4.374)	(0.303)	(14.698)	(1.941)	(-0.255)		0.82%				
FPM_EP	0.008	0.093***	-0.170	0.421***	0.042	-0.048	51.2%		205	0.000	20.7%	93.1%
	(0.380)	(4.507)	(-2.456)	(13.783)	(0.797)	(-0.873)		0.81%				

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Table 84 : Capturing Subsequent Return: Low Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
TrETSS_RW_10Ind	0.016	-0.002	0.019	0.414***	0.069	0.044	51.8%		205	0.000	11.2%	97.3%
	(1.839)	(-0.168)	(0.105)	(15.938)	(1.349)	(0.716)		0.80%				
KMY_RI	0.005	0.085	-0.052	0.419***	-0.040	-0.037	50.8%		205	0.000	18.6%	76.6%
	(0.454)	(0.603)	(-0.422)	(15.634)	(-0.288)	(-0.474)		0.79%				
DKL_EP	-0.016	0.178***	-0.005	0.407***	0.231	-0.050	51.4%		205	0.000	31.4%	75.0%
	(-1.534)	(6.034)	(-0.054)	(16.320)	(1.630)	(-0.691)		0.73%				
CT_RI	-0.005	0.423	0.317	0.371***	0.366	0.052	50.7%		205	0.069	5.3%	88.8%
	(-0.331)	(1.341)	(0.832)	(7.796)	(1.099)	(0.651)		0.70%				
Carhart_Factor	0.021*	-0.032	-0.177	0.432***	-1.804	-0.081	50.7%		205	0.000	9.6%	43.1%
	(2.324)	(-0.285)	(-1.663)	(16.851)	(-2.559)	(-1.311)		0.68%				
WNG_RI	0.02*	0.005	-0.184	0.432***	-0.009	-0.061	51.3%		205	0.000	5.3%	98.4%
	(2.111)	(0.705)	(-2.478)	(14.435)	(-0.225)	(-1.031)		0.66%				
TrETSS_HDZ_25SBM	0.022**	-0.020	-0.164	0.415***	-0.007	-0.028	50.7%		205	0.000	8.0%	96.3%
	(2.807)	(-0.860)	(-2.273)	(16.792)	(-0.385)	(-0.302)		0.66%				
GLS_RI	0.009	0.114	-0.094	0.426***	-7.654	0.013	51.4%		205	0.000	19.1%	75.5%
	(0.811)	(1.463)	(-1.011)	(16.093)	(-1.236)	(0.127)		0.65%				
DKL_RI	-0.001	0.129	-0.082	0.42***	-0.157	-0.025	50.5%		205	0.000	22.9%	87.8%
	(-0.102)	(1.438)	(-0.790)	(16.898)	(-0.807)	(-0.357)		0.64%				
GG_EP	-0.008	0.250	-0.119	0.437***	2.838	-0.091	51.7%		205	0.356	25.4%	63.3%

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Table 84 : Capturing Subsequent Return: Low Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(-0.802)	(0.309)	(-1.154)	(16.299)	(1.842)	(-1.348)		0.58%				
KMY_EP	-0.013	0.199***	0.041	0.41***	0.192	-0.056	51.4%		205	0.000	26.1%	70.2%
	(-1.364)	(4.579)	(0.290)	(14.757)	(1.044)	(-0.874)		0.57%				
FPM_RW	-0.021	0.087***	-0.150	0.406***	0.008	-0.076	51.5%		205	0.000	16.0%	92.6%
	(-0.613)	(3.912)	(-2.164)	(15.487)	(0.147)	(-1.139)		0.56%				
GM_RI	-0.007	0.152	0.127	0.396***	0.087	0.003	51.9%		205	0.000	30.5%	72.7%
	(-0.737)	(1.872)	(0.744)	(13.510)	(0.102)	(0.038)		0.54%				
PEG_EP	0.005	0.040	-0.020	0.411***	0.704*	-0.029	51.4%		205	0.000	26.1%	86.7%
	(0.465)	(0.985)	(-0.112)	(13.245)	(2.304)	(-0.438)		0.51%				
TrES_EP_25SBM	0.011	0.000	-0.147	0.397***	-0.003	-0.023	51.6%		205	0.000	10.1%	98.4%
	(1.414)	(0.010)	(-1.958)	(16.850)	(-0.774)	(-0.423)		0.45%				
TrETSS_RI_25SBM	0.026	-0.002	-0.165	0.401***	0.014	-0.099	51.3%		205	0.000	7.4%	99.5%
	(1.705)	(-0.195)	(-2.455)	(16.753)	(1.100)	(-1.691)		0.45%				
TrES_HDZ_25SBM	0.018*	0.010	-0.150	0.398***	-0.007	-0.050	51.1%		205	0.000	9.6%	98.9%
	(2.325)	(1.763)	(-2.233)	(16.588)	(-1.236)	(-0.981)		0.40%				
FPM_HDZ	-0.008	0.252**	0.121	0.414***	0.588	-0.131	50.9%		205	0.000	18.6%	56.4%
	(-0.767)	(2.726)	(0.606)	(12.850)	(1.863)	(-1.410)		0.40%				
MPEG_RW	0.013	0.043*	-0.091	0.412***	0.263	0.033	51%		205	0.000	16.1%	96.2%
	(1.294)	(2.226)	(-1.037)	(16.112)	(1.680)	(0.326)		0.36%				

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Table 84 : Capturing Subsequent Return: Low Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
TrES_Anlst _25SBM	0.021*	0.007	-0.141	0.388***	0.006	-0.057	50.9%		205	0.000	9.0%	99.5%
	(2.233)	(1.190)	(-1.988)	(15.504)	(0.480)	(-0.677)		0.36%				
PEG_RW	0.013	-0.010	-0.188	0.417***	0.293*	0.014	50.7%		205	0.000	22.4%	100.0%
	(1.135)	(-0.176)	(-1.774)	(14.090)	(2.119)	(0.139)		0.31%				
HL_RW	0.021	0.020	-0.095	0.427***	-0.175	-0.021	50.8%		205	0.000	12.8%	89.9%
	(1.064)	(0.582)	(-1.120)	(16.713)	(-0.990)	(-0.250)		0.31%				
PE_RW	0.013	0.219	-0.105	0.411***	-0.048	0.011	50.9%		205	0.019	9.6%	87.8%
	(1.314)	(0.664)	(-1.411)	(17.240)	(-0.148)	(0.149)		0.27%				
WNG_RW	0.027**	0.000	-0.148	0.394***	-0.002	-0.045	50.9%		205	0.000	5.3%	99.5%
	(2.965)	(-0.387)	(-2.182)	(15.823)	(-0.457)	(-0.770)		0.26%				
MPEG_EP	-0.002	0.085	0.217	0.509***	9.720	0.192	51.1%		205	0.000	22.9%	79.8%
	(-0.097)	(0.700)	(0.923)	(3.534)	(0.887)	(0.485)		0.24%				
KMY_RW	0.019	0.024	-0.096	0.426***	-0.134	-0.023	50.6%		205	0.000	11.7%	87.8%
	(0.966)	(0.700)	(-1.134)	(16.720)	(-0.734)	(-0.270)		0.20%				
TrETSS_RI_10Ind	0.02*	-0.009	-0.113	0.422***	0.037	0.031	50.4%		205	0.000	10.1%	98.4%
	(2.220)	(-0.754)	(-1.435)	(16.386)	(0.721)	(0.349)		0.20%				
TrOHE_10Ind	0.02*	0.013	-0.226	0.431***	-0.166	0.055	51%		205	0.000	6.4%	73.9%
	(2.445)	(0.272)	(-2.304)	(16.652)	(-0.594)	(0.489)		0.18%				
TrETSS_RW_25SBM	0.013	0.000	-0.110	0.386***	0.015	0.062	50.5%		205	0.000	6.9%	99.5%

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Table 84 : Capturing Subsequent Return: Low Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% %β_{ICC}^{CS} = 1
	(0.785)	(-0.076)	(-1.609)	(12.288)	(1.229)	(0.770)		0.16%				
TrES_Anlst _10Ind	0.017	0.015	-0.100	0.405***	0.029	-0.028	50.8%		205	0.000	17.0%	97.9%
	(1.657)	(0.932)	(-1.416)	(15.391)	(1.289)	(-0.456)		0.12%				
FGHJ_RI	0.018	-0.009	-0.018	0.417***	-2.949	0.102	50.5%		205	0.000	22.9%	77.1%
	(1.230)	(-0.089)	(-0.117)	(14.491)	(-0.966)	(0.615)		0.09%				
GG_RI	-0.003	0.44**	0.000	0.434***	0.667	-0.114	50.7%		205	0.001	15.9%	72.7%
	(-0.366)	(2.609)	(0.002)	(15.496)	(1.218)	(-1.400)		0.08%				
GM_EP	-0.003	0.111	0.145	0.406***	1.076*	-0.086	51%		205	0.000	20.7%	80.9%
	(-0.368)	(1.850)	(0.807)	(13.727)	(1.991)	(-1.330)		0.02%				
TrES_RI_25SBM	0.016*	0.006	-0.150	0.38***	0.000	-0.001	50.2%		205	0.000	6.4%	98.9%
	(2.157)	(1.899)	(-1.958)	(16.780)	(0.090)	(-0.016)		0.01%				
TrETSS_HDZ_10Ind	0.019*	-0.006	-0.082	0.408***	-0.029	0.000	50.4%		205	0.000	8.5%	95.2%
	(2.293)	(-0.258)	(-0.618)	(15.655)	(-0.496)	(-0.002)		0.00%				
WNG_HDZ	0.025**	0.003	-0.003	0.383***	-0.021	-0.096	50.5%		205	0.000	1.6%	99.5%
	(2.887)	(0.641)	(-0.020)	(12.839)	(-0.146)	(-1.540)		-0.01%				
CAPM_Factor	-0.058	5.227	-0.136	0.424***	-2.059	-0.050	50.3%		205	0.452	15.4%	17.6%
	(-0.709)	(0.932)	(-1.390)	(17.057)	(-0.309)	(-0.722)		-0.09%				
5FF_Factor	0.017	0.005	-0.190	0.436***	-0.369	-0.034	49.8%		205	0.000	12.8%	37.8%
	(1.915)	(0.036)	(-1.381)	(16.977)	(-0.480)	(-0.528)		-0.10%				

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Table 84 : Capturing Subsequent Return: Low Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
FGHJ_EP	-0.002	0.104	-0.167	0.424***	13.796	-0.093	50.8%		205	0.000	21.8%	79.8%
	(-0.143)	(1.526)	(-1.879)	(16.294)	(1.044)	(-1.712)		-0.17%				
TrETSS_EP_25SBM	0.015	0.003	-0.123	0.404***	-0.005	0.129	50.4%		205	0.000	8.0%	99.5%
	(1.090)	(1.022)	(-1.695)	(16.385)	(-0.859)	(0.796)		-0.20%				
DKL_RW	0.015	0.018	-0.064	0.418***	-0.013	0.007	49.8%		205	0.000	12.8%	84.6%
	(0.693)	(0.299)	(-0.785)	(16.038)	(-0.064)	(0.089)		-0.22%				
TrES_RI_10Ind	-0.070	0.074	0.335	0.441***	0.056	-0.273	50.6%		205	0.000	14.9%	97.9%
	(-0.772)	(0.922)	(0.538)	(9.351)	(1.190)	(-1.125)		-0.27%				
WNG_Anlst	0.026***	0.010	-0.182	0.419***	0.073	-0.011	50.5%		205	0.000	8.5%	99.5%
	(3.168)	(1.131)	(-1.531)	(15.893)	(0.323)	(-0.140)		-0.28%				
FGHJ_RW	0.011	0.063	-0.059	0.43***	0.497	0.006	49.9%		205	0.000	14.0%	95.5%
	(1.182)	(1.660)	(-0.448)	(14.911)	(1.078)	(0.089)		-0.30%				
GLS_EP	-0.005	0.146**	-0.180	0.434***	-2.787	-0.097	50.7%		205	0.000	25.0%	71.3%
	(-0.427)	(2.608)	(-2.172)	(16.675)	(-0.833)	(-1.691)		-0.31%				
GLS_RW	0.008	0.035	-0.114	0.443***	0.316	-0.015	49.7%		205	0.000	8.5%	92.0%
	(0.235)	(0.774)	(-0.911)	(15.544)	(0.714)	(-0.225)		-0.33%				
TrETSS_Anlst _25SBM	0.029***	-0.026	-0.134	0.417***	0.035	-0.025	50.1%		205	0.000	7.4%	96.3%
	(3.600)	(-1.228)	(-1.788)	(16.645)	(1.954)	(-0.460)		-0.35%				
3FF_Factor	0.027**	-0.176	-0.259	0.443***	-0.539	-0.103	49.6%		205	0.000	14.9%	31.4%

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Table 84 : Capturing Subsequent Return: Low Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(2.683)	(-0.858)	(-1.471)	(12.910)	(-0.463)	(-1.367)		-0.37%				
TrES_EP_10Ind	0.024*	-0.013	-0.167	0.405***	0.020	0.002	50.2%		205	0.000	6.4%	97.9%
	(2.159)	(-0.767)	(-2.320)	(13.848)	(1.018)	(0.026)		-0.38%				
TrOHE_25SBM	0.022**	0.006	-0.026	0.423***	-0.035	-0.026	49.4%		205	0.000	4.8%	94.1%
	(2.643)	(0.170)	(-0.192)	(15.107)	(-1.659)	(-0.513)		-0.41%				
TrES_RW_10Ind	0.022**	-0.034	-0.182	0.428***	10.621	-0.079	50.1%		205	0.311	11.7%	83.0%
	(2.651)	(-0.033)	(-2.233)	(17.530)	(1.330)	(-1.434)		-0.44%				
TrETSS_Anlst _10Ind	0.016	0.030	-0.180	0.417***	0.054	0.026	50.3%		205	0.000	7.4%	81.4%
	(1.872)	(1.120)	(-2.169)	(16.673)	(0.872)	(0.320)		-0.45%				
TrES_HDZ_10Ind	0.031	-0.014	-0.137	0.389***	-0.007	-0.053	49.7%		205	0.000	12.2%	98.4%
	(1.953)	(-0.710)	(-1.994)	(16.235)	(-0.516)	(-0.886)		-0.49%				
TrETSS_EP_10Ind	0.02*	-0.005	0.212	0.408***	-0.051	-0.006	49.8%		205	0.000	8.5%	98.9%
	(2.149)	(-0.603)	(0.484)	(14.966)	(-1.024)	(-0.122)		-0.55%				
FPM_RI	0.003	0.034	-0.155	0.44***	0.020	-0.033	50.4%		205	0.000	13.3%	87.8%
	(0.197)	(1.618)	(-1.919)	(16.237)	(0.656)	(-0.661)		-0.55%				

For the lowest quartile of firms in terms of leverage, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in

subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 85 : Capturing Subsequent Return: High Leverage Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
BP_Anlst	0.520	-8.176	-8.207	0.031	24.272	-4.053	65.9%	4.55%	205	0.461	33.8%	15.5%
	(0.801)	(-0.658)	(-0.690)	(0.054)	(0.786)	(-0.776)						
Naive	0.084	0.132*	0.250	0.447***	0.196	-0.268	67.1%	4.01%	205	0.000	38.0%	75.4%
	(1.630)	(2.081)	(0.688)	(7.818)	(0.843)	(-0.580)						
TPDPS_Anlst	0.064*	0.090	0.098	0.417***	0.133	-0.094	66.7%	3.90%	205	0.000	30.3%	76.1%
	(2.328)	(1.546)	(0.336)	(9.729)	(1.258)	(-0.443)						
TPDPS_HDZ	0.029	0.141***	0.140	0.399***	-0.002	0.050	66.3%	3.14%	205	0.000	38.0%	74.6%
	(1.630)	(3.531)	(1.345)	(11.536)	(-0.026)	(0.389)						
BP_HDZ	0.029	0.63***	0.094	0.401***	0.264	0.160	65%	2.96%	205	0.062	35.9%	21.1%
	(1.502)	(3.204)	(0.866)	(11.361)	(0.767)	(0.880)						
BP_RW	0.029	0.433*	0.078	0.393***	0.181	0.078	65%	2.81%	205	0.003	26.8%	31.7%
	(1.484)	(2.300)	(0.728)	(11.145)	(0.503)	(0.418)						
Carhart_Factor	0.084***	-0.314	0.101	0.411***	-24.303	0.082	62%	2.37%	205	0.001	6.3%	23.2%
	(4.277)	(-0.785)	(0.798)	(9.269)	(-0.839)	(0.238)						
TPDPS_RW	0.046*	0.07*	0.084	0.371***	0.072	0.008	63.8%	2.29%	205	0.000	19.7%	86.6%
	(2.177)	(2.119)	(0.669)	(11.308)	(0.978)	(0.055)						
CAPM_Factor	-0.086	6.835	-0.038	0.409***	-54.575	0.412	61.9%	2.23%	205	0.787	6.3%	13.4%
	(-0.265)	(0.316)	(-0.297)	(10.908)	(-0.990)	(1.898)						

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Table 85 : Capturing Subsequent Return: High Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% $\%\beta_{ICC}^{CS}$ = 1
BP_RI	0.035	0.42**	0.229	0.412***	1.002	0.122	63.7%	2.17%	205	0.000	25.4%	31.7%
	(1.825)	(2.598)	(1.504)	(10.550)	(1.200)	(0.646)						
TrES_Anlst _10Ind	0.040	0.191	-0.148	0.367***	-0.283	0.048	61.7%	2.06%	205	0.000	2.8%	85.2%
	(1.349)	(1.326)	(-0.829)	(6.602)	(-1.136)	(0.284)						
TPDPS_EP	0.034	0.104**	-0.069	0.363***	-0.243	0.046	63.4%	2.06%	205	0.000	19.0%	83.8%
	(1.826)	(2.945)	(-0.192)	(6.504)	(-0.714)	(0.368)						
KMY_RI	0.023	0.187	0.091	0.381***	-0.591	0.004	61.1%	2.01%	205	0.002	9.9%	53.5%
	(0.562)	(0.729)	(0.737)	(9.725)	(-0.804)	(0.018)						
FGHJ_EP	0.139	-0.440	0.170	0.392***	3.349	0.392	61.3%	1.91%	205	0.028	8.5%	71.1%
	(1.270)	(-0.677)	(1.480)	(9.439)	(1.899)	(1.272)						
GG_Anlst	0.027	0.137	0.212	0.373***	0.208	0.075	61.2%	1.70%	205	0.000	12.0%	54.9%
	(0.772)	(1.284)	(1.285)	(10.739)	(1.124)	(0.520)						
5FF_Factor	0.082***	-0.194	0.023	0.384***	5.039	0.468	62.4%	1.69%	205	0.060	4.2%	21.1%
	(4.573)	(-0.307)	(0.094)	(10.047)	(0.908)	(1.417)						
TPDPS_RI	0.052*	0.085*	-0.207	0.344***	-0.531	-0.024	64.2%	1.69%	205	0.000	24.6%	81.7%
	(2.371)	(2.246)	(-0.330)	(4.123)	(-0.682)	(-0.158)						
GM_HDZ	0.056***	0.123	0.217	0.389***	0.844	0.124	62%	1.63%	205	0.000	6.3%	57.7%
	(3.120)	(1.041)	(1.162)	(10.984)	(1.484)	(1.184)						
PE_Anlst	0.044*	0.173	0.066	0.39***	0.741	0.253	62.4%	1.61%	205	0.100	19.0%	16.2%

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Table 85 : Capturing Subsequent Return: High Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(2.123)	(0.345)	(0.136)	(10.805)	(1.032)	(0.998)						
GG_HDZ	0.11*	-0.489	-0.039	0.401***	3.471*	0.080	61.8%	1.59%	205	0.000	7.7%	49.3%
	(2.455)	(-1.337)	(-0.278)	(10.481)	(2.333)	(0.323)						
FGHJ_HDZ	0.008	0.325	-0.189	0.351***	-1.854	-0.029	61.6%	1.56%	205	0.310	6.3%	47.2%
	(0.081)	(0.490)	(-0.732)	(6.550)	(-0.733)	(-0.091)						
TrETSS_HDZ_10Ind	0.079***	-0.004	0.183	0.39***	-0.087	0.208	61.2%	1.55%	205	0.000	2.1%	67.6%
	(3.188)	(-0.037)	(1.054)	(10.898)	(-0.202)	(0.902)						
GM_RW	0.056	0.009	-0.016	0.39***	1.117*	0.147	60.8%	1.54%	205	0.000	7.9%	78.6%
	(1.715)	(0.175)	(-0.114)	(10.690)	(1.972)	(0.725)						
PE_EP	0.020	0.367	0.084	0.346***	-11.626	0.062	62%	1.49%	205	0.017	9.9%	77.5%
	(0.539)	(1.401)	(0.515)	(9.503)	(-0.717)	(0.446)						
MPEG_HDZ	0.068***	0.017	0.119	0.385***	0.429	0.101	62%	1.47%	205	0.000	6.3%	68.3%
	(3.422)	(0.202)	(0.980)	(11.092)	(0.819)	(0.783)						
PEG_EP	0.024	0.158	0.063	0.361***	-0.989	0.142	61.3%	1.46%	205	0.000	7.9%	86.5%
	(0.392)	(0.845)	(0.366)	(8.891)	(-0.257)	(0.373)						
CT_Anlst	0.021	0.417	0.374	0.4***	1.085	0.196	61.9%	1.46%	205	0.025	16.9%	28.9%
	(0.810)	(1.626)	(1.952)	(9.989)	(1.846)	(1.392)						
BP_EP	0.033	0.406**	0.080	0.39***	0.225	0.012	62.4%	1.42%	205	0.000	19.7%	33.8%
	(1.849)	(2.980)	(0.819)	(11.230)	(0.737)	(0.111)						

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Table 85 : Capturing Subsequent Return: High Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
GG_RI	0.038	0.350	0.099	0.368***	-0.695	-0.119	61%	1.41%	205	0.138	9.9%	53.4%
	(0.896)	(0.806)	(0.858)	(8.970)	(-0.469)	(-0.289)						
TrES_RW_10Ind	0.084***	-0.191	-0.144	0.277	0.242	-0.169	61.2%	1.39%	205	0.000	11.3%	87.3%
	(4.603)	(-0.840)	(-0.438)	(1.821)	(0.696)	(-0.363)						
HL_RI	0.023	0.137	0.042	0.381***	-0.559	0.030	60.5%	1.31%	205	0.000	10.6%	66.2%
	(0.605)	(0.808)	(0.238)	(9.952)	(-1.001)	(0.158)						
TrETSS_RW_25SBM	0.048***	0.003	0.143	0.359***	0.009	0.039	60.5%	1.31%	205	0.000	4.2%	93.7%
	(3.527)	(0.182)	(1.271)	(11.040)	(0.457)	(0.501)						
GLS_EP	0.147	-0.528	0.064	0.399***	4.561	0.503	61%	1.29%	205	0.065	6.3%	69.7%
	(1.080)	(-0.644)	(0.504)	(7.869)	(1.194)	(1.191)						
3FF_Factor	0.053*	-0.480	0.222	0.361***	1.230	0.009	62.3%	1.29%	205	0.006	7.7%	16.2%
	(2.176)	(-0.906)	(1.429)	(8.462)	(0.120)	(0.024)						
PE_RI	0.066***	-0.031	0.169	0.373***	0.077	0.098	62.2%	1.25%	205	0.000	9.9%	77.5%
	(3.254)	(-0.235)	(1.256)	(10.213)	(0.121)	(0.618)						
FGHJ_RI	0.046*	0.116	0.054	0.366***	-19.600	0.130	61.3%	1.25%	205	0.000	11.4%	71.4%
	(2.017)	(0.868)	(0.574)	(10.250)	(-0.964)	(0.885)						
GG_EP	-0.860	12.352	13.321	0.237	-706.595	-2.872	61.9%	1.24%	205	0.510	10.7%	57.3%
	(-0.697)	(0.718)	(0.708)	(1.301)	(-0.704)	(-0.726)						
CT_RW	0.096	-0.248	0.038	0.405***	7.818	0.421	61.8%	1.23%	205	0.000	8.9%	60.7%

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Table 85 : Capturing Subsequent Return: High Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(1.309)	(-0.749)	(0.163)	(9.283)	(0.731)	(1.166)						
WNG_Anlst	0.056***	-0.005	0.195	0.364***	-0.465	0.288	60.6%	1.20%	205	0.000	6.3%	85.9%
	(3.554)	(-0.111)	(0.979)	(10.178)	(-0.965)	(0.912)						
TrETSS_RI_25SBM	0.050	-0.028	0.239	0.339***	-0.008	-0.106	60.4%	1.19%	205	0.000	4.9%	93.0%
	(1.610)	(-1.038)	(1.530)	(9.817)	(-0.301)	(-0.818)						
PE_HDZ	0.073**	-0.130	0.154	0.393***	1.591	0.345	62%	1.15%	205	0.000	12.7%	47.9%
	(3.047)	(-0.735)	(1.200)	(11.027)	(1.855)	(1.593)						
TrETSS_Anlst _10Ind	0.07***	-0.003	0.084	0.386***	0.036	0.062	61.8%	1.11%	205	0.000	7.7%	53.5%
	(4.187)	(-0.026)	(0.712)	(11.146)	(0.117)	(0.445)						
GLS_Anlst	0.069	-0.057	0.064	0.387***	1.847*	0.228	62%	1.11%	205	0.000	11.3%	16.9%
	(1.869)	(-0.194)	(0.447)	(10.888)	(2.061)	(1.198)						
DKL_RI	0.015	0.183	-0.102	0.383***	-0.701	0.025	60.6%	1.07%	205	0.000	13.4%	66.9%
	(0.382)	(0.887)	(-0.597)	(9.750)	(-1.004)	(0.123)						
GLS_HDZ	0.009	0.376	-0.182	0.342***	-1.507	-0.152	61.4%	1.06%	205	0.244	6.3%	48.6%
	(0.113)	(0.706)	(-0.682)	(6.341)	(-0.670)	(-0.436)						
DKL_HDZ	0.044	0.172	0.266	0.395***	-1.185	0.113	61.5%	1.06%	205	0.000	8.5%	49.3%
	(1.755)	(0.957)	(0.959)	(9.444)	(-0.406)	(0.619)						
TrES_EP_10Ind	0.072**	-0.048	0.016	0.36***	-0.014	0.091	61%	1.05%	205	0.000	3.5%	93.7%
	(2.754)	(-0.532)	(0.101)	(9.543)	(-0.346)	(1.048)						

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Table 85 : Capturing Subsequent Return: High Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
WNG_HDZ	0.054***	0.016	0.156	0.352***	-0.300	0.095	60.7%	0.99%	205	0.000	4.2%	94.4%
	(3.565)	(0.533)	(0.991)	(10.961)	(-0.520)	(1.045)						
DKL_Anlst	0.049	0.120	0.123	0.394***	1.529*	0.223	61.7%	0.98%	205	0.000	14.8%	15.5%
	(1.592)	(0.498)	(0.991)	(10.960)	(2.012)	(1.260)						
CT_HDZ	0.069**	-0.102	0.038	0.39***	1.86*	0.071	61.4%	0.98%	205	0.000	5.6%	56.3%
	(2.913)	(-0.616)	(0.348)	(10.771)	(2.282)	(0.329)						
KMY_HDZ	0.036	0.124	0.080	0.37***	-0.355	0.044	61.6%	0.98%	205	0.034	9.2%	52.8%
	(0.734)	(0.304)	(0.361)	(9.333)	(-0.180)	(0.187)						
PE_RW	0.294	0.142	-0.013	0.331***	-0.294	-1.029	62%	0.95%	205	0.014	7.2%	74.1%
	(1.127)	(0.412)	(-0.031)	(4.590)	(-0.739)	(-0.699)						
WNG_EP	0.042*	0.021	0.063	0.321***	0.060	0.117	61%	0.95%	205	0.000	11.3%	93.0%
	(2.525)	(0.707)	(0.351)	(9.507)	(0.458)	(1.071)						
HL_HDZ	0.051*	0.067	0.143	0.393***	0.353	0.158	61.7%	0.95%	205	0.000	9.2%	52.1%
	(2.277)	(0.557)	(1.143)	(10.274)	(0.431)	(1.048)						
TrETSS_Anlst _25SBM	0.288	-0.877	1.791	0.333***	0.758	-0.239	60.1%	0.95%	205	0.118	6.3%	64.1%
	(0.939)	(-0.734)	(0.872)	(5.930)	(0.699)	(-0.573)						
PEG_HDZ	0.074***	0.008	0.128	0.383***	0.490	-0.024	62%	0.95%	205	0.000	4.2%	67.6%
	(3.547)	(0.078)	(0.934)	(10.952)	(0.695)	(-0.160)						
TrETSS_RW_10Ind	0.065***	-0.003	0.147	0.371***	0.403	0.111	62.1%	0.95%	205	0.000	5.6%	71.8%

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Table 85 : Capturing Subsequent Return: High Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% %$\beta_{ICC}^{CS} = 1$
	(3.643)	(-0.052)	(1.401)	(11.036)	(1.114)	(1.169)						
FGHJ_Anlst	0.353	-1.977	-0.308	0.449***	10.755	-0.637	62%	0.94%	205	0.308	11.3%	16.2%
	(0.844)	(-0.679)	(-0.511)	(4.608)	(0.853)	(-0.539)						
MPEG_RW	0.1*	0.022	0.098	0.376***	0.483	-0.127	61%	0.92%	205	0.000	6.5%	81.3%
	(2.396)	(0.219)	(0.705)	(10.514)	(1.771)	(-0.270)						
FGHJ_RW	0.045*	0.112	-0.029	0.393***	-0.342	-0.057	59.6%	0.91%	205	0.000	6.8%	70.5%
	(2.220)	(1.781)	(-0.282)	(10.701)	(-0.505)	(-0.367)						
TrES_HDZ_25SBM	0.061***	-0.029	-0.281	0.346***	0.010	0.099	60.2%	0.90%	205	0.000	2.8%	95.1%
	(3.365)	(-0.660)	(-0.511)	(11.305)	(0.278)	(1.022)						
TrES_Anlst _25SBM	0.075***	-0.019	0.225	0.352***	0.010	0.166	61.1%	0.86%	205	0.000	5.6%	95.1%
	(3.309)	(-0.400)	(1.216)	(10.972)	(0.244)	(1.052)						
FPM_HDZ	0.068***	0.022	0.153	0.391***	1.301*	0.104	61.5%	0.84%	205	0.000	8.5%	33.1%
	(3.356)	(0.122)	(1.116)	(10.680)	(2.509)	(0.875)						
GG_RW	0.062	-0.009	0.127	0.398***	4.121	0.276	60.4%	0.82%	205	0.001	4.3%	51.7%
	(1.688)	(-0.031)	(0.718)	(9.357)	(1.237)	(1.377)						
FPM_RW	0.042	0.071	-0.676	0.226	0.216	0.375	61.5%	0.80%	205	0.000	4.9%	66.2%
	(1.147)	(0.799)	(-0.578)	(1.265)	(0.822)	(0.929)						
TrES_EP_25SBM	0.042**	-0.009	0.229	0.328***	0.004	0.130	60.6%	0.79%	205	0.000	4.9%	97.2%
	(2.948)	(-0.704)	(0.666)	(10.352)	(0.292)	(0.828)						

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Table 85 : **Capturing Subsequent Return: High Leverage Firms, Continued**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
WNG_RI	0.08***	-0.447	-0.809	0.396***	0.288	0.651	60.1%	0.79%	205	0.023	3.5%	96.5%
	(4.177)	(-0.711)	(-0.944)	(7.772)	(0.918)	(1.186)						
PEG_RI	0.05*	0.115	0.165	0.39***	0.381	0.129	61.2%	0.73%	205	0.000	9.7%	70.1%
	(2.405)	(1.165)	(1.047)	(10.593)	(0.989)	(1.158)						
MPEG_Anlst	0.084**	-0.110	0.269	0.388***	0.424	0.275	61.7%	0.63%	205	0.000	9.9%	34.5%
	(2.729)	(-0.647)	(1.415)	(10.525)	(1.017)	(1.361)						
PEG_Anlst	0.092***	-0.163	0.185	0.383***	0.741	0.138	61.6%	0.60%	205	0.000	4.2%	35.9%
	(3.683)	(-1.149)	(1.339)	(9.172)	(1.280)	(0.802)						
GM_Anlst	0.114	-0.318	0.198	0.422***	1.072	0.461	61.7%	0.59%	205	0.002	9.9%	26.8%
	(1.801)	(-0.770)	(1.340)	(9.150)	(1.634)	(1.196)						
MPEG_RI	0.096***	-0.105	0.210	0.377***	0.647	0.184	60.5%	0.58%	205	0.000	6.3%	73.2%
	(3.322)	(-1.205)	(1.627)	(11.169)	(1.792)	(1.522)						
TrES_RI_10Ind	0.043	0.030	0.129	0.347***	0.016	0.172	60.5%	0.57%	205	0.000	3.5%	93.0%
	(1.748)	(0.920)	(0.829)	(9.500)	(0.398)	(1.518)						
TrOHE_10Ind	0.047	0.134	0.308	0.448***	0.921	0.329	60%	0.56%	205	0.013	4.9%	28.2%
	(1.236)	(0.390)	(0.885)	(5.175)	(1.467)	(1.593)						
FPM_Anlst	0.043	0.170	0.412	0.375***	0.946	0.120	61.3%	0.51%	205	0.006	11.3%	9.9%
	(1.232)	(0.578)	(1.187)	(9.866)	(0.618)	(0.645)						
FPM_RI	0.052*	0.071	0.030	0.354***	-0.222	0.131	61%	0.45%	205	0.000	6.3%	71.8%

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Table 85 : Capturing Subsequent Return: High Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
	(2.327)	(0.691)	(0.229)	(10.104)	(-0.663)	(1.012)						
HL_Anlst	0.056**	0.075	0.140	0.397***	1.157*	0.277	61.6%	0.45%	205	0.000	12.7%	19.7%
	(2.642)	(0.501)	(1.246)	(11.174)	(2.013)	(1.683)						
GM_EP	0.040	0.100	0.144	0.363***	0.453	0.047	60.8%	0.38%	205	0.000	10.6%	71.8%
	(0.897)	(0.662)	(1.165)	(10.296)	(0.529)	(0.203)						
TrETSS_RI_10Ind	0.09***	-0.052	-0.055	0.359***	0.111	0.139	60.5%	0.38%	205	0.000	2.1%	81.0%
	(3.862)	(-0.680)	(-0.404)	(9.148)	(0.636)	(1.030)						
TrETSS_HDZ_25SBM	0.008	0.109	-0.044	0.673	-0.386	0.422	61.2%	0.37%	205	0.000	7.0%	86.6%
	(0.092)	(0.656)	(-0.297)	(1.598)	(-0.741)	(1.258)						
DKL_EP	0.056	0.190	0.160	0.345***	-0.490	-0.056	59.7%	0.37%	205	0.000	3.5%	63.4%
	(0.846)	(0.873)	(0.608)	(7.097)	(-0.901)	(-0.198)						
HL_EP	0.054	0.153	0.130	0.348***	-0.543	-0.074	60.2%	0.35%	205	0.000	4.2%	62.7%
	(0.893)	(0.846)	(0.541)	(7.523)	(-1.137)	(-0.254)						
MPEG_EP	0.033	0.066	0.157	0.366***	-0.171	0.070	60%	0.30%	205	0.000	7.7%	77.5%
	(0.733)	(0.552)	(1.238)	(10.036)	(-0.476)	(0.288)						
CT_RI	0.181	-1.106	0.050	0.426***	6.324	0.686	59.9%	0.27%	205	0.056	9.9%	86.6%
	(1.408)	(-1.014)	(0.186)	(6.827)	(0.982)	(0.560)						
TrETSS_EP_10Ind	0.06***	0.037	0.194	0.374***	-0.076	0.222	60.2%	0.18%	205	0.000	2.8%	83.8%
	(3.110)	(1.659)	(1.410)	(10.793)	(-0.564)	(1.915)						

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Table 85 : Capturing Subsequent Return: High Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
PEG_RW	0.048	0.011	0.025	0.371***	0.127	0.094	60%	0.07%	205	0.000	7.8%	100.0%
	(1.072)	(0.136)	(0.162)	(8.332)	(0.178)	(0.607)						
GLS_RI	0.043	0.152	0.067	0.369***	8.166	0.123	60.9%	0.02%	205	0.000	7.9%	68.6%
	(1.910)	(1.261)	(0.660)	(10.165)	(1.220)	(0.828)						
GM_RI	0.11**	-0.205	0.188	0.382***	0.811	0.176	60.4%	-0.03%	205	0.000	8.5%	67.6%
	(2.608)	(-1.030)	(1.479)	(10.976)	(1.754)	(1.464)						
KMY_EP	-0.105	0.560	-0.803	0.295*	-1.928	-0.175	61%	-0.04%	205	0.420	9.2%	54.9%
	(-0.757)	(1.029)	(-0.582)	(2.016)	(-0.693)	(-0.368)						
FPM_EP	-0.009	0.073	0.316	0.325***	0.109	-0.029	61.9%	-0.06%	205	0.000	6.3%	66.9%
	(-0.174)	(1.250)	(1.273)	(8.497)	(0.578)	(-0.262)						
KMY_RW	-0.023	0.243	-0.007	0.379***	-0.225	-0.070	59.1%	-0.14%	205	0.000	4.9%	59.2%
	(-0.375)	(1.705)	(-0.039)	(10.732)	(-0.549)	(-0.315)						
DKL_RW	0.118	-0.146	-0.109	0.393***	-0.205	0.206	59.3%	-0.17%	205	0.000	3.5%	62.0%
	(1.370)	(-0.554)	(-0.399)	(10.600)	(-0.478)	(1.141)						
GLS_RW	0.051**	0.149	0.131	0.396***	0.352	0.215	59%	-0.18%	205	0.000	2.1%	60.6%
	(2.677)	(1.465)	(1.071)	(11.018)	(0.676)	(1.303)						
TrES_HDZ_10Ind	0.072***	-0.018	0.087	0.352***	-0.051	0.028	60.7%	-0.21%	205	0.000	4.2%	91.5%
	(3.558)	(-0.801)	(0.698)	(10.100)	(-0.818)	(0.171)						
HL_RW	-0.020	0.227	0.013	0.381***	-0.213	-0.049	59.2%	-0.25%	205	0.000	3.5%	63.4%

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Table 85 : Capturing Subsequent Return: High Leverage Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(-0.319)	(1.602)	(0.073)	(10.744)	(-0.509)	(-0.220)						
WNG_RW	0.036*	0.000	0.170	0.339***	-0.045	0.214	59.9%	-0.32%	205	0.000	4.3%	100.0%
	(2.277)	(1.484)	(1.363)	(10.519)	(-0.271)	(1.446)						
KMY_Anlst	-0.077	0.809	0.771	0.37***	-0.498	0.297	60.6%	-0.43%	205	0.844	7.7%	32.4%
	(-0.457)	(0.833)	(0.851)	(10.139)	(-0.433)	(1.062)						
CT_EP	0.037	0.163	-0.676	0.387***	-0.721	0.135	60.6%	-0.44%	205	0.000	3.5%	73.9%
	(0.790)	(0.959)	(-0.691)	(6.776)	(-1.103)	(0.477)						
TrOHE_25SBM	0.054***	0.025	0.079	0.361***	0.024	0.038	60.5%	-0.49%	205	0.000	8.5%	59.9%
	(3.418)	(0.327)	(0.578)	(11.090)	(0.190)	(0.377)						
TrES_RI_25SBM	-0.029	0.013	-1.661	0.351***	0.001	0.824	59.2%	-0.50%	205	0.000	2.1%	96.5%
	(-0.292)	(0.518)	(-0.943)	(9.059)	(0.085)	(0.821)						
TrES_RW_25SBM	0.055*	0.045	-0.324	0.473**	-0.060	0.489	59.7%	-0.77%	205	0.000	2.1%	92.3%
	(2.534)	(0.520)	(-0.750)	(2.841)	(-0.472)	(1.109)						
TrETSS_EP_25SBM	0.093	-0.017	-0.464	0.240	-0.020	-0.251	59.1%	-1.19%	205	0.000	2.8%	93.7%
	(1.616)	(-1.154)	(-0.583)	(1.595)	(-1.053)	(-0.602)						

For the highest quartile of firms in terms of leverage, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in

subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 86 : Capturing Subsequent Return: Low Target Price over Market Price Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
MPEG_RI	-0.033	0.146	0.085	0.526***	2.969	0.088	66.9%		205	0.000	13.4%	83.4%
	(-1.223)	(1.454)	(0.618)	(9.209)	(0.973)	(0.825)		2.66%				
TPDPS_Anlst	-0.029	0.215	0.392*	0.536***	-0.061	-0.011	69%		205	0.000	32.5%	84.7%
	(-1.444)	(1.008)	(2.156)	(10.216)	(-0.467)	(-0.194)		2.43%				
Naive	-0.029	0.202	0.4*	0.547***	-0.053	-0.024	69%		205	0.000	33.8%	87.9%
	(-1.493)	(0.914)	(2.088)	(11.688)	(-0.414)	(-0.431)		2.38%				
KMY_Anlst	-0.010	-0.033	0.256	0.54***	0.146	0.140	67.5%		205	0.000	8.3%	68.2%
	(-0.289)	(-0.230)	(1.507)	(10.937)	(0.671)	(1.737)		2.34%				
TPDPS_HDZ	-0.035	0.238	0.345*	0.539***	-0.061	-0.005	68.9%		205	0.000	34.4%	87.9%
	(-1.819)	(1.179)	(2.468)	(12.991)	(-0.474)	(-0.110)		2.29%				
GG_Anlst	-0.047	0.120	0.208	0.552***	0.138	0.067	67.8%		205	0.000	5.7%	83.4%
	(-1.054)	(0.891)	(1.431)	(9.528)	(0.941)	(0.440)		2.21%				
GM_RI	-0.059	0.268	0.148	0.564***	-1.541	-0.116	67.2%		205	0.004	17.2%	77.1%
	(-1.999)	(1.065)	(0.893)	(10.597)	(-0.915)	(-0.868)		2.17%				
PE_RW	-0.009	0.092	0.288	0.491***	-0.028	0.085	67.2%		205	0.000	6.4%	81.4%
	(-0.143)	(0.949)	(1.870)	(9.642)	(-0.172)	(0.579)		2.17%				
BP_HDZ	-0.041	0.542***	0.537*	0.626***	0.139	0.252	68.7%		205	0.007	36.3%	30.6%
	(-1.821)	(3.253)	(2.445)	(5.702)	(0.642)	(0.927)		2.12%				

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Table 86 : Capturing Subsequent Return: Low Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TrES_RW_10Ind	-0.010	-0.215	0.244	0.59***	-10.192	0.238	67.3%		205	0.017	9.6%	91.7%
	(-0.357)	(-0.429)	(1.232)	(6.596)	(-0.681)	(0.968)		2.03%				
MPEG_Anlst	-0.041	0.266	0.497*	0.625***	-0.172	0.137	66.5%		205	0.101	5.7%	63.7%
	(-0.903)	(0.600)	(2.018)	(6.993)	(-0.326)	(0.933)		1.99%				
TrES_Anlst _10Ind	-0.026	0.009	0.149	0.502***	0.001	0.196	67.8%		205	0.000	10.8%	93.6%
	(-1.912)	(0.245)	(0.847)	(11.816)	(0.016)	(1.707)		1.92%				
BP_Anlst	-0.027	0.339	0.485	0.636***	0.134	0.023	68.7%		205	0.115	36.9%	36.9%
	(-0.726)	(0.812)	(1.470)	(4.498)	(0.508)	(0.049)		1.89%				
TPDPS_EP	-0.034	0.188	0.284	0.522***	-0.045	-0.094	68.8%		205	0.000	28.0%	91.1%
	(-1.646)	(0.892)	(1.325)	(9.959)	(-0.351)	(-0.685)		1.87%				
BP_EP	-0.048	-0.450	0.850	0.698***	-0.212	0.159	68.5%		205	0.238	31.2%	51.0%
	(-2.038)	(-0.367)	(1.495)	(4.867)	(-0.396)	(0.529)		1.87%				
GG_RW	-0.040	-0.023	0.673	0.644***	-3.267	0.006	67.9%		205	0.001	7.9%	81.3%
	(-1.869)	(-0.072)	(1.136)	(4.419)	(-0.565)	(0.053)		1.85%				
TrES_EP_25SBM	-0.014	-0.014	0.114	0.481***	-0.004	-0.041	66.3%		205	0.000	5.1%	98.1%
	(-1.353)	(-0.563)	(0.973)	(12.828)	(-0.242)	(-0.342)		1.70%				
TrETSS_RW_25SBM	-0.016	-0.001	0.231*	0.526***	0.016	-0.036	66%		205	0.000	3.8%	93.6%
	(-1.428)	(-0.059)	(2.137)	(10.987)	(0.582)	(-0.500)		1.70%				
BP_RW	-0.037	0.159	0.455*	0.626***	0.271	0.215	68%		205	0.009	24.2%	52.9%

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Table 86 : Capturing Subsequent Return: Low Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(-1.632)	(0.501)	(2.073)	(5.675)	(1.489)	(0.782)		1.69%				
TPDPS_RI	-0.055	0.230	0.155	0.559***	-0.066	-0.029	68.3%		205	0.000	26.8%	91.7%
	(-1.468)	(1.112)	(0.782)	(6.984)	(-0.489)	(-0.210)		1.68%				
MPEG_RW	0.036	-0.058	0.166	0.505***	0.416*	0.109	67.3%		205	0.000	7.1%	84.0%
	(0.600)	(-0.777)	(1.301)	(10.819)	(2.345)	(1.268)		1.68%				
TrETSS_Anlst _25SBM	-0.013	0.004	0.130	0.501***	0.014	0.034	67.4%		205	0.000	4.5%	86.0%
	(-0.930)	(0.094)	(0.971)	(13.000)	(0.214)	(0.258)		1.60%				
KMY_RW	-0.008	-0.063	-0.261	0.478***	0.197	0.336	66.6%		205	0.000	4.5%	84.7%
	(-0.186)	(-0.687)	(-0.592)	(6.671)	(0.998)	(1.314)		1.59%				
TrOHE_10Ind	-0.039	0.359	0.689	0.549***	-0.016	0.254	68.1%		205	0.005	10.8%	61.8%
	(-2.443)	(1.576)	(1.596)	(10.355)	(-0.053)	(1.330)		1.58%				
BP_RI	-0.055	0.357	0.476*	0.66***	-0.013	0.272	68.2%		205	0.026	28.7%	45.2%
	(-1.895)	(1.248)	(2.037)	(5.525)	(-0.046)	(0.957)		1.58%				
HL_RW	-0.007	-0.060	-0.264	0.478***	0.119	0.335	66.6%		205	0.000	3.8%	86.0%
	(-0.179)	(-0.653)	(-0.597)	(6.675)	(0.623)	(1.312)		1.58%				
PE_EP	-0.018	-0.060	0.459*	0.532***	0.355	0.106	67.3%		205	0.000	15.3%	82.2%
	(-1.172)	(-0.202)	(2.431)	(9.831)	(0.286)	(1.088)		1.55%				
PE_HDZ	-0.034	0.184	0.411*	0.569***	0.351	0.085	68.5%		205	0.000	16.6%	65.6%
	(-2.233)	(0.853)	(2.085)	(10.363)	(0.312)	(0.927)		1.54%				

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Table 86 : Capturing Subsequent Return: Low Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
PEG_RI	-0.060	0.010	0.551	0.772**	-0.178	0.399	65.8%		205	0.000	16.2%	93.0%
	(-1.117)	(0.127)	(1.217)	(3.003)	(-0.377)	(0.526)		1.54%				
HL_HDZ	-0.016	0.027	0.42*	0.544***	-0.402	-0.025	68.3%		205	0.000	10.2%	73.2%
	(-1.221)	(0.232)	(2.048)	(8.397)	(-0.266)	(-0.200)		1.53%				
DKL_HDZ	-0.010	0.024	0.382	0.515***	-0.460	-0.088	68.1%		205	0.000	10.2%	70.1%
	(-0.591)	(0.183)	(1.772)	(6.650)	(-0.282)	(-0.529)		1.52%				
GG_HDZ	-0.039	-0.041	0.661	0.638***	-2.089	0.037	67.9%		205	0.001	7.6%	68.8%
	(-1.953)	(-0.137)	(1.186)	(4.647)	(-0.430)	(0.322)		1.50%				
PE_RI	-0.023	0.263	0.134	0.493***	1.155	0.176	67.8%		205	0.001	13.4%	84.7%
	(-1.434)	(1.190)	(0.933)	(8.629)	(1.000)	(1.234)		1.46%				
KMY_HDZ	-0.022	-0.062	0.477	0.584***	-0.699	0.033	68.1%		205	0.000	9.6%	71.3%
	(-1.674)	(-0.378)	(1.830)	(8.028)	(-0.303)	(0.361)		1.43%				
PE_Anlst	-0.044	0.65**	0.495**	0.542***	-0.111	0.002	68.2%		205	0.118	27.4%	27.4%
	(-2.430)	(2.917)	(2.684)	(10.083)	(-0.130)	(0.012)		1.39%				
DKL_Anlst	-0.039	0.468	0.336	0.467***	0.084	-0.310	66.8%		205	0.120	8.9%	42.0%
	(-0.913)	(1.374)	(1.144)	(3.686)	(0.110)	(-0.884)		1.35%				
KMY_RI	-0.031	0.157	0.195	0.533***	-0.278	0.040	67.2%		205	0.000	7.0%	81.5%
	(-2.147)	(1.362)	(1.154)	(10.685)	(-0.464)	(0.390)		1.34%				
CT_Anlst	0.040	-0.453	0.110	0.561***	1.238	-0.034	66.8%		205	0.012	11.5%	47.1%

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Table 86 : Capturing Subsequent Return: Low Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
	(0.670)	(-0.795)	(0.323)	(8.134)	(1.274)	(-0.159)		1.32%				
GLS_RI	-0.173	-1.209	2.955	1.388	-30.505	-0.746	66.9%		205	0.273	7.3%	87.3%
	(-0.967)	(-0.602)	(0.857)	(1.194)	(-0.773)	(-0.619)		1.30%				
TrES_RI_25SBM	-0.024	-0.005	0.285	0.429***	0.005	0.204	66.8%		205	0.000	7.0%	98.1%
	(-1.549)	(-0.816)	(1.945)	(3.868)	(0.806)	(0.902)		1.29%				
FPM_HDZ	-0.018	0.051	0.149	0.501***	1.68*	0.190	67.3%		205	0.000	3.8%	61.1%
	(-1.094)	(0.442)	(0.922)	(10.988)	(2.552)	(1.749)		1.22%				
GLS_HDZ	-0.076	0.561	0.112	0.612***	1.239	0.240	67.5%		205	0.544	7.6%	68.8%
	(-1.202)	(0.778)	(0.315)	(7.667)	(0.427)	(1.370)		1.19%				
FGHJ_RI	-0.035	-3.184	3.474	1.585	-47.185	-1.036	67%		205	0.379	9.3%	88.0%
	(-0.716)	(-0.671)	(0.849)	(1.121)	(-0.762)	(-0.634)		1.19%				
TrES_EP_10Ind	-0.023	-0.080	-0.009	0.565***	-0.038	0.155	67.5%		205	0.000	10.2%	96.8%
	(-1.257)	(-0.740)	(-0.047)	(11.306)	(-0.810)	(0.914)		1.18%				
TrES_HDZ_10Ind	-0.029	0.012	0.136	0.481***	-0.005	0.077	66.7%		205	0.000	12.1%	97.5%
	(-2.101)	(0.860)	(0.965)	(12.821)	(-0.112)	(0.912)		1.09%				
CT_HDZ	-0.019	-0.027	0.354	0.571***	-0.582	0.090	67.7%		205	0.000	8.9%	72.6%
	(-1.441)	(-0.164)	(1.812)	(9.454)	(-0.342)	(1.120)		1.09%				
TrES_HDZ_25SBM	0.043	0.673	-2.009	-0.476	-0.265	4.615	67%		205	0.701	7.6%	97.5%
	(0.850)	(0.794)	(-0.608)	(-0.397)	(-0.683)	(0.744)		1.03%				

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Table 86 : Capturing Subsequent Return: Low Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
TrES_RI_10Ind	-0.051	-0.004	0.145	0.561***	0.010	0.089	66.1%		205	0.000	10.8%	98.1%
	(-1.904)	(-0.217)	(1.134)	(5.169)	(0.360)	(0.879)		1.03%				
CT_EP	-0.020	0.006	0.124	0.527***	0.181	0.188	67.1%		205	0.000	10.2%	80.3%
	(-0.758)	(0.060)	(0.752)	(10.562)	(0.271)	(1.087)		1.00%				
TrETSS_RW_10Ind	-0.017	-0.054	0.31**	0.535***	0.024	0.055	67.1%		205	0.000	2.6%	94.2%
	(-1.262)	(-0.803)	(2.615)	(10.641)	(0.132)	(1.205)		0.99%				
TrETSS_HDZ_25SBM	-0.007	0.002	0.526	0.538***	-0.056	-0.054	66%		205	0.000	2.5%	87.9%
	(-0.686)	(0.030)	(1.348)	(10.720)	(-0.492)	(-0.264)		0.97%				
HL_RI	-0.042	0.177	0.199	0.524***	0.030	0.145	66.7%		205	0.000	11.5%	89.2%
	(-2.218)	(1.563)	(1.078)	(10.107)	(0.210)	(1.297)		0.96%				
TPDPS_RW	-0.025	0.223	0.236*	0.499***	-0.037	0.043	67.1%		205	0.000	18.5%	93.0%
	(-1.273)	(1.135)	(2.234)	(13.318)	(-0.283)	(0.578)		0.95%				
FGHJ_HDZ	-0.046	0.207	0.406	0.598***	-0.747	0.097	67.6%		205	0.003	8.3%	70.7%
	(-1.795)	(0.794)	(1.638)	(8.022)	(-0.303)	(0.939)		0.92%				
PEG_Anlst	-0.016	0.002	0.221	0.518***	-0.126	0.206	65.3%		205	0.014	1.9%	68.2%
	(-0.382)	(0.005)	(1.107)	(7.762)	(-0.204)	(1.215)		0.91%				
FPM_RW	0.011	-0.020	0.256	0.465***	0.016	0.014	67.3%		205	0.000	5.1%	87.9%
	(0.270)	(-0.622)	(1.854)	(9.339)	(0.270)	(0.262)		0.89%				
PEG_HDZ	-0.024	-0.035	0.496	0.608***	-1.798	0.050	68.1%		205	0.000	5.7%	75.8%

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Table 86 : Capturing Subsequent Return: Low Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
	(-1.691)	(-0.210)	(1.329)	(6.874)	(-0.508)	(0.439)		0.83%				
DKL_RI	-0.081	0.459	-0.151	0.471***	-0.059	0.394	66.8%		205	0.190	8.3%	89.2%
	(-1.222)	(1.116)	(-0.271)	(5.973)	(-0.130)	(0.868)		0.81%				
TrETSS_RI_25SBM	0.211	-0.010	-3.323	0.627***	-0.388	2.593	65.9%		205	0.000	6.4%	94.9%
	(0.730)	(-0.334)	(-0.743)	(3.514)	(-0.746)	(0.766)		0.80%				
WNG_RW	-0.018	0.000	0.222	0.464***	-0.029	0.006	65.8%		205	0.000	3.2%	100.0%
	(-0.876)	(0.390)	(1.868)	(7.006)	(-0.783)	(0.118)		0.77%				
HL_Anlst	-0.030	0.190	0.401*	0.523***	0.047	0.033	65.9%		205	0.040	8.9%	47.8%
	(-0.747)	(0.485)	(2.225)	(8.669)	(0.090)	(0.320)		0.70%				
MPEG_HDZ	-0.028	0.140	0.230	0.575***	0.010	0.060	67.7%		205	0.000	7.6%	77.7%
	(-1.841)	(0.916)	(1.146)	(10.502)	(0.008)	(0.704)		0.67%				
GM_HDZ	-0.026	0.102	0.157	0.568***	-0.600	0.041	67.6%		205	0.000	8.3%	72.6%
	(-1.769)	(0.527)	(0.603)	(10.503)	(-0.321)	(0.520)		0.63%				
PEG_RW	0.005	-0.021	0.205	0.536***	0.343	0.190	66.1%		205	0.000	18.3%	100.0%
	(0.110)	(-0.333)	(1.295)	(7.775)	(1.166)	(1.334)		0.62%				
CT_RI	-0.007	-0.023	0.205	0.535***	-0.252	-0.024	66.9%		205	0.000	8.9%	91.7%
	(-0.487)	(-0.132)	(1.307)	(10.262)	(-0.464)	(-0.220)		0.57%				
TrES_Anlst _25SBM	-0.006	0.018	0.155	0.479***	-0.014	0.087	66.6%		205	0.000	5.7%	95.5%
	(-0.578)	(1.576)	(1.189)	(13.773)	(-1.244)	(1.649)		0.50%				

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Table 86 : Capturing Subsequent Return: Low Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
TrETSS_RI_10Ind	-0.015	0.049	0.067	0.526***	-0.016	0.080	65.7%		205	0.000	3.2%	94.9%
	(-1.403)	(1.374)	(0.408)	(13.386)	(-0.299)	(0.975)		0.38%				
WNG_HDZ	0.000	-0.067	-0.026	0.496***	0.700	0.150	66.5%		205	0.000	3.2%	97.5%
	(0.019)	(-0.811)	(-0.093)	(10.592)	(0.746)	(1.526)		0.36%				
Carhart_Factor	-0.018	-1.148	-0.195	0.537***	0.790	0.359	66%		205	0.168	8.9%	50.3%
	(-1.172)	(-0.741)	(-0.578)	(10.393)	(0.443)	(0.994)		0.34%				
5FF_Factor	-0.020	0.457	-0.125	0.454***	1.474	0.100	65.8%		205	0.489	10.2%	32.5%
	(-1.324)	(0.583)	(-0.182)	(4.172)	(0.689)	(0.935)		0.32%				
DKL_RW	-0.034	0.099	0.026	0.567***	0.152	0.003	65.7%		205	0.000	2.5%	83.4%
	(-1.409)	(1.105)	(0.102)	(9.656)	(0.980)	(0.020)		0.30%				
TrOHE_25SBM	0.022	-0.514	0.594	0.552***	0.117	-0.255	65.6%		205	0.002	5.1%	86.6%
	(0.530)	(-1.095)	(1.690)	(5.487)	(0.312)	(-0.666)		0.27%				
TrETSS_Anlst _10Ind	-0.007	0.192	0.153	0.546***	0.253	-0.258	66.2%		205	0.076	6.4%	75.2%
	(-0.215)	(0.425)	(0.511)	(8.775)	(0.577)	(-0.592)		0.20%				
TrETSS_EP_10Ind	-0.025	0.011	0.095	0.526***	-0.399	0.063	65.9%		205	0.000	5.1%	96.2%
	(-1.778)	(0.364)	(0.555)	(10.669)	(-0.890)	(1.088)		0.17%				
GM_RW	-0.005	-0.015	0.070	0.454***	0.53*	0.029	67.2%		205	0.000	5.8%	84.0%
	(-0.193)	(-0.322)	(0.427)	(7.980)	(2.126)	(0.194)		0.12%				
GM_EP	0.011	-0.276	0.185	0.485***	-3.751	-0.153	65.9%		205	0.000	12.1%	80.9%

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Table 86 : Capturing Subsequent Return: Low Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(0.275)	(-1.020)	(0.544)	(3.424)	(-0.869)	(-0.400)		0.07%				
CAPM_Factor	-0.166	10.076	0.046	0.611***	-3.928	0.298	66.5%		205	0.345	15.9%	21.0%
	(-1.163)	(1.052)	(0.104)	(4.136)	(-0.349)	(0.761)		0.02%				
GLS_EP	-0.010	-0.053	-0.105	0.596***	-0.398	-0.030	65.9%		205	0.033	9.9%	82.2%
	(-0.205)	(-0.108)	(-0.244)	(8.088)	(-0.492)	(-0.135)		0.00%				
TrETSS_HDZ_10Ind	0.051	-0.434	0.851	0.571***	2.171	0.302	66%		205	0.012	2.5%	85.4%
	(0.602)	(-0.767)	(0.843)	(4.177)	(1.027)	(0.846)		-0.15%				
FGHJ_EP	0.004	-0.225	-0.123	0.583***	-0.704	0.036	65.8%		205	0.016	11.3%	86.1%
	(0.076)	(-0.448)	(-0.283)	(8.715)	(-0.747)	(0.160)		-0.19%				
WNG_Anlst	-0.019	0.091	0.087	0.513***	0.334	0.220	65.5%		205	0.000	5.1%	93.0%
	(-1.098)	(0.406)	(0.304)	(10.731)	(0.747)	(1.605)		-0.20%				
GM_Anlst	0.096	-1.031	-0.640	0.538***	-0.554	-0.103	64.2%		205	0.129	5.1%	52.9%
	(0.678)	(-0.775)	(-0.562)	(6.846)	(-0.490)	(-0.387)		-0.28%				
FGHJ_RW	-0.010	-0.070	-0.156	0.558***	0.447	-0.135	66.2%		205	0.000	2.7%	91.1%
	(-0.524)	(-0.283)	(-0.251)	(8.541)	(1.052)	(-0.492)		-0.28%				
FPM_RI	-0.011	-0.027	0.215	0.525***	0.010	0.155*	66%		205	0.000	10.8%	91.1%
	(-0.607)	(-0.455)	(1.861)	(12.015)	(0.087)	(2.049)		-0.31%				
DKL_EP	-0.033	-0.092	0.179	0.533***	-0.364	0.166	65.5%		205	0.000	15.3%	78.3%
	(-1.276)	(-0.509)	(1.423)	(9.471)	(-0.393)	(0.955)		-0.35%				

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Table 86 : Capturing Subsequent Return: Low Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
FPM_Anlst	-0.025	-0.421	0.194	0.563***	-1.804	0.454	65.2%		205	0.033	6.4%	35.0%
	(-0.885)	(-0.636)	(0.865)	(8.826)	(-0.448)	(0.681)		-0.36%				
GLS_RW	-0.151	0.220	0.157	0.506***	0.864	-0.074	64.9%		205	0.001	1.9%	83.4%
	(-0.793)	(0.990)	(0.320)	(9.821)	(1.276)	(-0.416)		-0.48%				
GG_RI	-0.009	0.196	0.353	0.552***	-0.137	-0.171	66.2%		205	0.003	6.2%	71.9%
	(-0.319)	(0.743)	(1.168)	(8.910)	(-0.186)	(-0.586)		-0.57%				
FPM_EP	-0.002	0.003	0.067	0.511***	0.451	-0.039	65.2%		205	0.000	10.2%	85.4%
	(-0.084)	(0.093)	(0.443)	(11.155)	(0.938)	(-0.364)		-0.65%				
WNG_EP	-0.004	-0.009	0.222*	0.48***	-0.023	0.113	65.1%		205	0.000	3.2%	95.5%
	(-0.449)	(-0.901)	(2.296)	(13.547)	(-0.951)	(1.504)		-0.66%				
GLS_Anlst	-0.075	0.547	0.546*	0.541***	-0.537	0.097	65.5%		205	0.217	8.3%	45.2%
	(-1.668)	(1.494)	(2.069)	(8.518)	(-0.359)	(0.837)		-0.67%				
TrES_RW_25SBM	-0.030	0.045	0.215	0.533***	0.002	0.143	64.4%		205	0.000	5.7%	92.4%
	(-1.868)	(0.852)	(1.046)	(10.728)	(0.044)	(0.833)		-0.68%				
3FF_Factor	-0.019	-0.283	0.321	0.589***	3.932	0.248	65.7%		205	0.004	10.2%	24.8%
	(-0.966)	(-0.645)	(1.230)	(6.319)	(1.473)	(1.093)		-0.71%				
KMY_EP	-0.044	0.036	0.210	0.534***	0.035	0.164	65.1%		205	0.000	13.4%	73.2%
	(-2.252)	(0.485)	(1.671)	(10.609)	(0.055)	(0.956)		-0.73%				
HL_EP	-0.025	-0.113	0.199	0.539***	-0.308	0.159	65%		205	0.000	14.0%	81.5%

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Table 86 : Capturing Subsequent Return: Low Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(-0.902)	(-0.641)	(1.395)	(9.166)	(-0.354)	(0.948)		-0.77%				
WNG_RI	-0.004	0.024	0.040	0.453***	-0.422	0.063	65.2%		205	0.000	3.8%	98.1%
	(-0.277)	(0.713)	(0.216)	(10.433)	(-0.737)	(0.699)		-0.83%				
CT_RW	-0.047	-0.046	0.553	0.587***	-1.098	0.145	65.8%		205	0.001	6.3%	85.4%
	(-1.402)	(-0.146)	(1.519)	(6.072)	(-0.509)	(0.797)		-0.93%				
FGHJ_Anlst	0.081	-0.467	-0.335	0.336	3.794	-0.225	65.2%		205	0.112	7.6%	47.1%
	(0.646)	(-0.508)	(-0.438)	(1.691)	(0.936)	(-0.443)		-0.97%				
TrETSS_EP_25SBM	-0.006	-0.004	0.21*	0.479***	-0.010	0.066	65%		205	0.000	5.1%	96.8%
	(-0.406)	(-0.436)	(2.096)	(14.193)	(-0.771)	(1.261)		-1.01%				
GG_EP	-0.035	0.064	-0.309	0.58***	-1.279	-0.030	65.1%		205	0.000	10.3%	77.4%
	(-1.914)	(0.255)	(-0.362)	(9.492)	(-0.586)	(-0.153)		-1.10%				
MPEG_EP	0.252	-3.568	4.451	0.135	-5.194	1.737	64.8%		205	0.336	8.9%	83.4%
	(0.681)	(-0.753)	(0.834)	(0.244)	(-0.773)	(0.749)		-1.36%				
PEG_EP	-0.034	-0.013	0.370	0.575***	0.069	0.164	65%		205	0.000	13.8%	88.2%
	(-2.281)	(-0.232)	(1.865)	(9.230)	(0.082)	(1.182)		-1.58%				

For the lowest quartile of firms in terms of ratio of target price over market price, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta_{ICC}^{TS} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta_{ICC}^{CS} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 87 : Capturing Subsequent Return: High Target Price over Market Price Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
BP_Anlst	0.027*	0.995***	0.387*	0.412***	0.182	-0.051	63.5%	9.53%	205	0.974	61.8%	38.2%
	(2.464)	(7.080)	(2.222)	(12.505)	(0.920)	(-0.477)						
BP_HDZ	0.023	0.952***	0.288	0.41***	0.321	-0.066	63.2%	8.95%	205	0.724	61.3%	32.4%
	(1.901)	(6.951)	(1.765)	(12.954)	(1.633)	(-0.690)						
Naive	0.035**	0.145***	0.328**	0.406***	0.038	-0.080	63.7%	8.86%	205	0.000	59.5%	90.8%
	(2.829)	(4.683)	(2.760)	(14.159)	(0.888)	(-0.862)						
TPDPS_Anlst	0.034**	0.138***	0.375**	0.407***	0.024	-0.087	63.5%	8.79%	205	0.000	59.0%	90.2%
	(2.731)	(4.380)	(2.709)	(13.942)	(0.501)	(-0.902)						
TPDPS_HDZ	0.033*	0.136***	0.231*	0.41***	0.040	-0.031	63.4%	8.37%	205	0.000	61.8%	92.5%
	(2.226)	(3.808)	(2.183)	(13.817)	(0.815)	(-0.336)						
BP_RW	0.048***	0.559***	0.104	0.398***	0.775	-0.071	60.6%	7.37%	205	0.000	45.7%	41.6%
	(4.175)	(5.514)	(0.603)	(11.948)	(1.084)	(-0.685)						
BP_EP	0.041***	0.5***	0.182	0.403***	0.324	-0.048	61%	6.91%	205	0.000	48.6%	38.7%
	(3.653)	(5.000)	(1.167)	(12.711)	(1.596)	(-0.516)						
BP_RI	0.041***	0.53***	0.231	0.398***	0.375*	0.003	60.8%	6.74%	205	0.000	48.6%	38.2%
	(3.857)	(5.775)	(1.405)	(12.728)	(2.099)	(0.037)						
TPDPS_RI	0.047***	0.075***	0.140	0.381***	0.051	0.004	61.8%	6.41%	205	0.000	50.3%	96.0%
	(4.396)	(3.632)	(1.220)	(13.429)	(1.276)	(0.052)						

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Table 87 : Capturing Subsequent Return: High Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% %$\beta_{ICC}^{CS} = 1$
TPDPS_EP	0.048***	0.072***	0.213*	0.38***	0.046	-0.058	61.4%	5.99%	205	0.000	49.7%	94.2%
	(4.489)	(3.587)	(2.133)	(13.106)	(1.186)	(-0.620)						
TPDPS_RW	0.055***	0.09***	0.192	0.364***	0.025	0.064	59.2%	5.68%	205	0.000	43.9%	95.4%
	(3.374)	(3.353)	(1.687)	(10.366)	(0.445)	(0.903)						
FGHJ_Anlst	-0.021	0.885***	0.354**	0.37***	1.114*	0.007	59%	5.44%	205	0.480	34.7%	37.0%
	(-1.108)	(5.444)	(2.775)	(12.614)	(2.038)	(0.072)						
PE_Anlst	0.024*	0.883***	0.65***	0.368***	0.353	-0.148	59.9%	4.99%	205	0.400	45.7%	27.2%
	(2.046)	(6.338)	(3.796)	(11.762)	(0.652)	(-1.242)						
GM_Anlst	0.007	0.692***	0.422*	0.402***	0.212	-0.030	58%	4.93%	205	0.011	30.6%	35.8%
	(0.443)	(5.781)	(2.131)	(12.426)	(0.422)	(-0.297)						
GLS_Anlst	-0.004	0.793***	0.394**	0.366***	0.968	0.008	58.8%	4.91%	205	0.142	33.5%	37.6%
	(-0.249)	(5.656)	(2.831)	(12.611)	(1.934)	(0.077)						
WNG_EP	0.068***	0.004	-0.066	0.35***	0.002	-0.079	55.7%	4.82%	205	0.000	6.4%	97.1%
	(7.443)	(0.355)	(-0.510)	(12.014)	(0.197)	(-0.776)						
MPEG_Anlst	0.031*	0.371	0.110	0.396***	1.331	-0.034	57.9%	4.73%	205	0.001	31.8%	36.4%
	(2.024)	(1.920)	(0.498)	(12.698)	(0.964)	(-0.367)						
DKL_Anlst	-0.017	0.949***	0.571***	0.374***	0.172	-0.075	58.7%	4.51%	205	0.726	34.7%	32.9%
	(-1.049)	(6.474)	(3.258)	(12.130)	(0.302)	(-0.741)						
FGHJ_HDZ	0.012	0.621***	0.058	0.386***	1.431*	-0.105	57.1%	4.17%	205	0.004	28.3%	55.5%

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Table 87 : Capturing Subsequent Return: High Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
	(0.775)	(4.749)	(0.556)	(12.626)	(2.171)	(-1.224)						
HL_Anlst	-0.003	0.782***	0.501*	0.384***	0.179	-0.026	58.1%	4.10%	205	0.082	35.3%	30.6%
	(-0.189)	(6.290)	(2.570)	(12.762)	(0.370)	(-0.267)						
FPM_Anlst	-0.025	1.002***	0.185	0.373***	-0.197	-0.012	57.3%	4.08%	205	0.996	31.2%	23.7%
	(-1.020)	(3.633)	(0.949)	(11.728)	(-0.502)	(-0.120)						
GM_EP	0.044**	-0.192	0.088	0.381***	-7.286	0.043	56.5%	3.98%	205	0.000	30.2%	74.4%
	(3.000)	(-0.878)	(0.590)	(13.304)	(-0.747)	(0.363)						
PEG_Anlst	0.047***	0.323**	-0.012	0.401***	0.384	0.012	56.5%	3.96%	205	0.000	13.3%	51.4%
	(3.317)	(2.967)	(-0.048)	(12.497)	(0.823)	(0.133)						
GLS_HDZ	0.018	0.584***	0.053	0.382***	1.963***	-0.068	57%	3.69%	205	0.001	28.3%	53.2%
	(1.268)	(4.936)	(0.508)	(12.570)	(3.528)	(-0.759)						
CT_Anlst	-0.005	0.866***	0.602**	0.372***	0.348	-0.088	58.1%	3.52%	205	0.356	33.5%	37.0%
	(-0.313)	(5.976)	(3.085)	(12.192)	(0.598)	(-0.698)						
MPEG_EP	0.027	0.021	0.212	0.396***	-14.189	0.159	56.4%	3.48%	205	0.000	31.0%	77.2%
	(1.510)	(0.089)	(1.075)	(10.937)	(-0.794)	(0.751)						
KMY_EP	0.021	0.265**	0.107	0.363***	0.156	0.026	56.4%	3.29%	205	0.000	34.1%	59.5%
	(1.574)	(2.600)	(0.701)	(12.917)	(0.737)	(0.243)						
HL_EP	0.023	0.246***	0.081	0.366***	0.155	-0.008	56.1%	3.14%	205	0.000	30.6%	67.6%
	(1.751)	(3.199)	(0.536)	(13.498)	(0.779)	(-0.098)						

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Table 87 : Capturing Subsequent Return: High Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% %$\beta^{CS}_{ICC}=1$
DKL_HDZ	0.018	0.577***	0.121	0.396***	1.239**	-0.099	55.7%	3.01%	205	0.000	32.9%	55.5%
	(1.418)	(4.906)	(0.873)	(12.605)	(2.688)	(-0.981)						
WNG_RI	0.071***	0.030	0.022	0.347***	-0.027	-0.076	54%	2.97%	205	0.000	5.8%	97.7%
	(6.731)	(0.719)	(0.163)	(12.468)	(-0.389)	(-0.789)						
GG_Anlst	0.033	0.089	1.550	0.362***	-1.245	-0.323	55.8%	2.93%	205	0.000	23.7%	65.9%
	(1.068)	(0.638)	(0.982)	(10.088)	(-0.780)	(-0.831)						
GG_RW	0.021	0.6**	0.114	0.366***	2.828***	-0.162	55.7%	2.89%	205	0.056	37.3%	57.1%
	(1.267)	(2.889)	(0.517)	(10.272)	(3.229)	(-1.499)						
GG_EP	0.024	1.389	0.093	0.381***	-1.402	-0.251	56.2%	2.82%	205	0.884	29.6%	63.0%
	(0.663)	(0.522)	(0.512)	(11.287)	(-0.707)	(-1.324)						
3FF_Factor	0.09***	-0.795	-0.108	0.372***	-1.989	-0.063	53.9%	2.81%	205	0.000	5.2%	30.6%
	(6.839)	(-2.309)	(-0.577)	(11.782)	(-0.509)	(-0.478)						
KMY_HDZ	0.025*	0.534***	0.119	0.387***	1.303***	-0.070	55.8%	2.77%	205	0.000	31.8%	56.1%
	(2.144)	(5.377)	(0.739)	(12.613)	(3.380)	(-0.796)						
DKL_EP	0.028	0.253***	0.794	0.35***	0.143	-0.084	56%	2.75%	205	0.000	28.9%	64.7%
	(1.739)	(3.349)	(0.858)	(8.194)	(0.610)	(-0.905)						
PE_HDZ	0.054***	0.411***	0.267	0.389***	1.216*	-0.158	57.1%	2.72%	205	0.000	34.1%	48.6%
	(4.790)	(4.381)	(1.402)	(12.921)	(2.405)	(-1.761)						
HL_HDZ	0.022	0.537***	0.072	0.395***	0.804**	-0.123	55.4%	2.71%	205	0.000	30.6%	61.3%

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Table 87 : Capturing Subsequent Return: High Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(1.726)	(4.448)	(0.536)	(12.620)	(2.601)	(-1.010)						
GG_HDZ	0.025	0.682***	0.042	0.37***	2.576***	-0.150	55.9%	2.65%	205	0.114	30.1%	49.7%
	(1.592)	(3.403)	(0.221)	(10.817)	(4.417)	(-1.405)						
DKL_RW	0.068***	0.028	-0.058	0.385***	0.123	0.111	54.9%	2.62%	205	0.000	18.5%	79.8%
	(4.970)	(0.651)	(-0.477)	(11.771)	(0.824)	(0.732)						
CT_EP	0.06***	0.067	0.108	0.383***	0.548	-0.078	55%	2.59%	205	0.000	19.7%	79.8%
	(5.273)	(1.146)	(0.747)	(13.892)	(1.593)	(-0.853)						
GM_RW	0.031	0.135*	-0.135	0.368***	0.263	-0.105	55.4%	2.54%	205	0.000	23.4%	88.0%
	(1.467)	(2.176)	(-0.834)	(7.830)	(0.589)	(-0.748)						
HL_RW	0.081***	-0.026	-0.013	0.379***	0.112	0.147	54.4%	2.54%	205	0.000	16.8%	85.0%
	(5.688)	(-0.616)	(-0.097)	(10.371)	(0.865)	(0.902)						
KMY_RW	0.077***	0.015	0.009	0.378***	0.161	0.131	54.5%	2.54%	205	0.000	19.1%	78.6%
	(5.366)	(0.317)	(0.067)	(10.407)	(1.149)	(0.796)						
TrOHE_25SBM	0.082***	-0.011	0.094	0.391***	-0.058	-0.172	53.6%	2.41%	205	0.000	11.0%	82.1%
	(7.808)	(-0.152)	(0.374)	(13.503)	(-0.684)	(-1.539)						
PE_RW	-0.001	0.438	0.361	0.425***	-0.489	-0.316	55.3%	2.38%	205	0.256	18.5%	85.0%
	(-0.008)	(0.890)	(1.248)	(9.036)	(-0.990)	(-1.073)						
PEG_HDZ	0.06***	0.174	0.274	0.382***	0.682	-0.007	55.9%	2.37%	205	0.000	23.1%	61.3%
	(3.987)	(1.489)	(0.846)	(11.806)	(1.641)	(-0.077)						

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Table 87 : Capturing Subsequent Return: High Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
GLS_RW	0.126*	0.004	-0.149	0.366***	0.107	0.119	54.7%	2.34%	205	0.000	12.1%	81.5%
	(2.293)	(0.048)	(-1.337)	(10.043)	(0.394)	(0.645)						
PEG_EP	0.054***	0.041	0.207	0.381***	0.543*	-0.055	56.1%	2.31%	205	0.000	28.0%	92.4%
	(3.610)	(0.552)	(0.800)	(11.429)	(2.153)	(-0.573)						
WNG_RW	0.07***	0.000	0.013	0.374***	-0.015	-0.023	54.8%	2.29%	205	0.000	4.6%	98.8%
	(5.240)	(-1.166)	(0.104)	(13.403)	(-0.815)	(-0.264)						
GLS_EP	0.041***	0.327***	0.064	0.374***	-0.043	-0.003	56.9%	2.25%	205	0.000	34.1%	68.2%
	(3.105)	(3.491)	(0.474)	(11.957)	(-0.009)	(-0.027)						
KMY_Anlst	0.001	0.348***	0.588*	0.379***	-0.087	-0.036	55.6%	2.20%	205	0.000	24.9%	49.7%
	(0.061)	(4.558)	(2.161)	(11.377)	(-0.247)	(-0.357)						
5FF_Factor	0.089***	1.528	1.016	0.586*	-10.316	-1.959	54.6%	2.11%	205	0.830	3.5%	26.6%
	(6.468)	(0.623)	(0.730)	(2.146)	(-0.973)	(-0.825)						
TrETSS_Anlst _25SBM	0.077***	-0.077	0.060	0.417***	0.048	0.037	52.8%	2.05%	205	0.000	4.0%	86.1%
	(3.113)	(-1.022)	(0.334)	(8.923)	(0.689)	(0.265)						
TrES_EP_10Ind	0.065***	-0.043	-0.064	0.39***	0.016	-0.033	54.6%	2.04%	205	0.000	12.1%	95.4%
	(3.907)	(-0.526)	(-0.578)	(11.383)	(0.129)	(-0.464)						
TrES_RW_10Ind	0.058*	51.129	0.121	0.369***	-3.946	-0.069	53.5%	2.04%	205	0.432	11.0%	84.4%
	(2.088)	(0.803)	(0.623)	(12.685)	(-0.930)	(-0.446)						
CT_RW	0.021	0.735	-0.142	0.316***	4.675	-0.135	54.8%	2.00%	205	0.777	26.5%	73.5%

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Table 87 : Capturing Subsequent Return: High Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(0.486)	(0.785)	(-0.563)	(3.951)	(0.439)	(-0.426)						
CT_RI	0.074***	-0.070	0.117	0.36***	1.015	-0.030	52.9%	1.98%	205	0.000	2.9%	88.4%
	(6.432)	(-0.911)	(0.904)	(12.712)	(1.188)	(-0.366)						
TrETSS_EP_10Ind	0.094**	-0.016	0.549	0.352***	0.446	0.423	53.4%	1.92%	205	0.000	12.1%	96.5%
	(2.939)	(-0.415)	(0.925)	(10.443)	(0.813)	(0.803)						
FGHJ_EP	0.044***	0.31**	0.045	0.376***	-4.296	0.036	56.8%	1.84%	205	0.000	31.0%	76.6%
	(3.319)	(2.953)	(0.335)	(12.258)	(-0.831)	(0.348)						
TrES_Anlst _25SBM	0.066***	0.059	0.060	0.386***	-0.047	-0.028	53.6%	1.83%	205	0.000	5.8%	96.5%
	(6.605)	(1.177)	(0.454)	(9.703)	(-1.388)	(-0.480)						
TrETSS_RW_25SBM	0.058***	0.009	-0.158	0.374***	0.054	-0.010	53.9%	1.81%	205	0.000	12.7%	97.7%
	(6.728)	(1.102)	(-1.474)	(13.480)	(0.992)	(-0.110)						
MPEG_RW	0.08*	0.046	-0.044	0.406***	0.535*	0.068	54.5%	1.77%	205	0.000	22.8%	90.4%
	(2.126)	(0.850)	(-0.277)	(11.111)	(2.318)	(0.721)						
FPM_EP	0.054	0.084*	0.192	0.296***	0.031	0.163	53.7%	1.75%	205	0.000	17.3%	85.5%
	(0.718)	(2.218)	(1.099)	(5.525)	(0.294)	(1.302)						
GM_RI	0.039***	0.323*	0.121	0.353***	-4.124	0.088	55.8%	1.65%	205	0.000	33.1%	65.7%
	(3.138)	(2.344)	(0.877)	(7.168)	(-0.759)	(1.100)						
PE_EP	0.051***	0.493**	-0.067	0.391***	2.300	-0.129	57%	1.63%	205	0.004	29.5%	76.3%
	(4.497)	(2.820)	(-0.289)	(12.209)	(1.517)	(-1.419)						

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Table 87 : Capturing Subsequent Return: High Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
CT_HDZ	0.04**	0.295***	0.107	0.379***	1.672*	0.076	55.1%	1.62%	205	0.000	32.4%	56.1%
	(2.913)	(3.245)	(0.436)	(10.170)	(2.014)	(0.509)						
FPM_RI	0.059	-0.004	0.195	0.327***	-0.754	-0.050	53.4%	1.61%	205	0.000	15.0%	82.1%
	(1.726)	(-0.018)	(1.044)	(12.056)	(-0.688)	(-0.393)						
FGHJ_RW	0.06***	0.191*	0.081	0.401***	-0.415	-0.120	53.8%	1.56%	205	0.000	19.0%	80.4%
	(5.191)	(2.469)	(0.633)	(10.496)	(-1.257)	(-0.793)						
WNG_HDZ	0.078***	0.012	-0.025	0.364***	0.013	0.064	55.3%	1.53%	205	0.000	6.4%	98.3%
	(7.468)	(0.481)	(-0.231)	(11.809)	(0.091)	(0.594)						
TrES_RI_10Ind	0.058***	-0.011	-0.110	0.389***	-0.104	0.006	53.7%	1.51%	205	0.000	12.7%	95.4%
	(4.535)	(-0.463)	(-0.867)	(11.026)	(-1.383)	(0.049)						
FPM_HDZ	0.029	0.478*	0.099	0.382***	0.902*	-0.184	54.9%	1.44%	205	0.006	28.3%	41.6%
	(1.569)	(2.534)	(0.715)	(12.155)	(2.130)	(-1.045)						
GLS_RI	0.053***	0.26**	0.154	0.387***	12.522	-0.037	55.2%	1.28%	205	0.000	32.4%	71.8%
	(4.333)	(2.817)	(1.167)	(11.858)	(0.560)	(-0.515)						
KMY_RI	0.036*	0.36**	0.126	0.385***	-0.343	-0.072	54%	1.12%	205	0.000	24.9%	69.4%
	(2.432)	(3.023)	(0.863)	(9.953)	(-0.485)	(-0.579)						
MPEG_RI	0.045***	0.163***	0.097	0.368***	-0.404	0.042	54.8%	1.11%	205	0.000	29.3%	72.5%
	(3.567)	(3.494)	(0.627)	(12.904)	(-0.623)	(0.540)						
FGHJ_RI	0.052***	0.269*	0.136	0.397***	-2.601	-0.023	54.8%	1.06%	205	0.000	30.0%	72.4%

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Table 87 : Capturing Subsequent Return: High Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% %$\beta_{ICC}^{CS}=1$
	(3.840)	(2.352)	(1.020)	(11.434)	(-0.760)	(-0.298)						
PEG_RW	-0.070	0.170	0.409	0.434***	0.173	-0.168	53%	1.06%	205	0.009	20.2%	100.0%
	(-0.251)	(0.541)	(1.049)	(6.340)	(0.591)	(-0.416)						
TrETSS_EP_25SBM	0.05*	0.022*	-0.135	0.39***	-0.001	0.033	53%	1.00%	205	0.000	7.5%	97.7%
	(2.180)	(2.276)	(-0.339)	(7.647)	(-0.019)	(0.306)						
TrES_HDZ_25SBM	0.067***	-0.013	-0.290	0.335***	-0.010	-0.319	53.5%	0.96%	205	0.000	8.7%	96.5%
	(3.875)	(-0.444)	(-0.809)	(9.369)	(-0.414)	(-0.878)						
HL_RI	0.05***	0.24*	0.064	0.346***	-0.150	0.064	53.6%	0.94%	205	0.000	19.7%	80.9%
	(3.155)	(2.299)	(0.485)	(11.539)	(-0.242)	(0.853)						
CAPM_Factor	0.471	-24.995	0.237	0.466***	-43.054	-0.627	54.4%	0.94%	205	0.255	7.5%	22.0%
	(1.396)	(-1.097)	(0.273)	(4.704)	(-0.574)	(-1.126)						
GM_HDZ	0.057***	0.289*	0.131	0.361***	-3.126	0.083	54.4%	0.91%	205	0.000	26.6%	56.6%
	(4.892)	(1.976)	(0.726)	(7.205)	(-0.576)	(0.848)						
TrETSS_RI_10Ind	0.094*	-0.069	1.213	0.499***	1.751	-0.262	53.2%	0.87%	205	0.000	13.3%	93.1%
	(2.126)	(-0.841)	(0.769)	(3.737)	(0.810)	(-0.615)						
DKL_RI	0.043**	0.253*	0.297	0.369***	-0.216	-0.101	53.4%	0.87%	205	0.000	17.3%	80.3%
	(2.656)	(2.383)	(1.128)	(10.934)	(-0.348)	(-0.716)						
TrETSS_HDZ_10Ind	0.07***	-0.002	0.058	0.398***	0.061	-0.014	53.4%	0.77%	205	0.000	11.0%	85.0%
	(4.397)	(-0.032)	(0.440)	(9.299)	(0.595)	(-0.086)						

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Table 87 : Capturing Subsequent Return: High Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% %$\beta^{CS}_{ICC}=1$
TrETSS_HDZ_25SBM	0.08***	-0.028	-0.163	0.401***	-0.013	-0.005	53.8%	0.75%	205	0.000	15.6%	90.8%
	(6.420)	(-0.618)	(-0.908)	(13.117)	(-0.232)	(-0.065)						
PE_RI	0.057***	0.338*	0.199	0.384***	0.052	0.033	55.6%	0.73%	205	0.000	30.6%	74.0%
	(4.948)	(1.965)	(1.070)	(12.527)	(0.041)	(0.425)						
TrES_RI_25SBM	0.081***	-0.011	0.011	0.35***	-0.001	0.009	54%	0.71%	205	0.000	9.2%	98.8%
	(6.330)	(-1.675)	(0.098)	(11.399)	(-0.111)	(0.147)						
PEG_RI	0.059***	0.020	0.133	0.381***	0.587*	-0.086	54.7%	0.67%	205	0.000	16.2%	98.6%
	(3.245)	(0.326)	(0.650)	(11.506)	(2.267)	(-0.779)						
FPM_RW	0.414	0.033	-0.048	0.334***	0.123	0.031	53.6%	0.65%	205	0.000	15.0%	78.6%
	(0.780)	(0.544)	(-0.351)	(12.029)	(0.737)	(0.259)						
TrETSS_RW_10Ind	0.065***	0.006	-0.008	0.38***	0.757	-0.096	53.9%	0.64%	205	0.000	11.0%	89.0%
	(4.372)	(0.174)	(-0.038)	(9.416)	(1.046)	(-0.938)						
GG_RI	0.053***	0.343**	-0.002	0.398***	0.514	-0.157	54.1%	0.62%	205	0.000	25.3%	66.7%
	(4.664)	(2.934)	(-0.009)	(11.714)	(0.534)	(-1.430)						
TrES_HDZ_10Ind	0.062*	0.009	-0.089	0.394***	-0.034	-0.074	52%	0.61%	205	0.000	11.6%	95.4%
	(1.973)	(0.239)	(-0.549)	(10.035)	(-0.576)	(-0.538)						
MPEG_HDZ	0.069***	0.083	-0.040	0.387***	-0.071	0.040	54.9%	0.58%	205	0.000	27.7%	64.2%
	(4.379)	(0.720)	(-0.203)	(12.146)	(-0.102)	(0.435)						
TrOHE_10Ind	0.069**	0.038	0.110	0.374***	1.308	-0.175	52.7%	0.56%	205	0.000	9.2%	46.8%

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Table 87 : Capturing Subsequent Return: High Target Price over Market Price Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(2.985)	(0.297)	(0.422)	(10.695)	(1.071)	(-0.816)						
TrES_Anlst _10Ind	0.065***	0.019	-0.099	0.384***	-0.077	-0.025	53.8%	0.49%	205	0.000	8.7%	94.2%
	(3.930)	(0.554)	(-0.605)	(9.549)	(-1.457)	(-0.277)						
TrES_EP_25SBM	0.05*	0.034	-0.144	0.34***	-0.012	-0.322	52.9%	0.47%	205	0.000	8.1%	96.5%
	(2.301)	(1.192)	(-0.462)	(6.620)	(-1.341)	(-0.759)						
TrETSS_RI_25SBM	0.069***	0.036	0.144	0.377***	-0.059	0.012	53.9%	0.33%	205	0.000	9.2%	94.2%
	(6.416)	(1.594)	(0.746)	(12.313)	(-1.078)	(0.094)						
TrETSS_Anlst _10Ind	0.084***	0.135	0.258	0.383***	-0.107	0.019	52.5%	0.20%	205	0.000	5.2%	76.9%
	(5.429)	(1.290)	(0.918)	(11.576)	(-0.563)	(0.113)						
TrES_RW_25SBM	0.073***	1.367	0.068	0.366***	-0.758	-0.020	53%	0.07%	205	0.834	2.9%	85.5%
	(7.093)	(0.782)	(0.380)	(13.430)	(-0.462)	(-0.234)						
Carhart_Factor	0.086***	-0.140	0.199	0.386***	-0.907	-0.054	53.3%	0.01%	205	0.000	4.0%	45.7%
	(7.476)	(-0.822)	(1.091)	(11.927)	(-0.574)	(-0.436)						
WNG_Anlst	0.081***	0.027	0.160	0.384***	-0.082	-0.073	52%	-0.52%	205	0.000	8.1%	96.0%
	(7.422)	(1.344)	(0.932)	(12.354)	(-0.419)	(-0.758)						

For the highest quartile of firms in terms of ratio of target price over market price, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 88 : Capturing Subsequent Return: Low Beta Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
BP_HDZ	0.020	-0.152	-0.099	0.144	-0.167	0.128	63%		205	0.189	40.9%	13.6%
	(0.818)	(-0.176)	(-0.243)	(1.868)	(-0.321)	(0.991)		10.47%				
BP_Anlst	0.022	-0.090	-0.056	0.151*	-0.069	0.141	62.5%		205	0.176	38.6%	11.4%
	(0.840)	(-0.114)	(-0.182)	(2.125)	(-0.193)	(1.060)		9.93%				
TPDPS_HDZ	0.016	0.007	-0.037	0.162**	0.015	0.089	62.4%		205	0.000	36.4%	70.5%
	(0.696)	(0.075)	(-0.157)	(2.739)	(0.197)	(1.163)		9.63%				
TPDPS_Anlst	0.017	0.008	-0.032	0.16**	0.022	0.094	62.3%		205	0.000	36.4%	70.5%
	(0.737)	(0.078)	(-0.137)	(2.699)	(0.292)	(1.224)		9.60%				
BP_EP	0.017	0.264	0.195	0.173**	0.436	0.155	61.7%		205	0.014	36.4%	13.6%
	(0.656)	(0.919)	(0.450)	(2.752)	(0.444)	(0.986)		9.24%				
BP_RI	0.020	0.278	0.224	0.172**	0.428	0.148	60.7%		205	0.024	38.6%	9.1%
	(0.788)	(0.905)	(0.502)	(2.774)	(0.444)	(0.963)		8.69%				
Naive	0.018	0.010	-0.012	0.163**	0.023	0.095	61.4%		205	0.000	34.1%	68.2%
	(0.821)	(0.108)	(-0.068)	(2.844)	(0.338)	(1.218)		8.67%				
TPDPS_RI	-0.015	-0.042	-0.887	0.112	-0.323	-0.098	61.2%		205	0.000	38.6%	72.7%
	(-0.205)	(-0.196)	(-0.383)	(0.762)	(-0.368)	(-0.218)		8.17%				
BP_RW	0.019	0.751	0.407	0.210	0.886	0.178	60.4%		205	0.861	34.1%	11.4%
	(0.757)	(0.532)	(0.437)	(1.708)	(0.404)	(0.948)		7.83%				

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Table 88 : Capturing Subsequent Return: Low Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
TPDPS_EP	-0.021	-0.071	-1.115	0.083	-0.418	-0.144	58.8%		205	0.000	29.5%	77.3%
	(-0.221)	(-0.254)	(-0.398)	(0.414)	(-0.370)	(-0.239)		7.55%				
GLS_EP	0.002	0.110	-0.178	0.159*	0.559	0.123	57.1%		205	0.002	22.7%	47.7%
	(0.029)	(0.402)	(-0.454)	(2.367)	(0.487)	(0.679)		6.37%				
PE_EP	0.039	0.174	0.054	0.16**	1.991	0.181	56.2%		205	0.001	22.7%	36.4%
	(0.788)	(0.785)	(0.148)	(2.768)	(0.527)	(0.623)		5.81%				
KMY_EP	0.008	0.206	-0.177	0.122*	-0.142	0.430	56.9%		205	0.027	29.5%	18.2%
	(0.170)	(0.597)	(-0.396)	(2.048)	(-0.153)	(0.775)		5.47%				
TrES_Anlst _10Ind	0.055	-0.024	-0.004	0.136*	0.119	0.054	52%		205	0.000	9.1%	70.5%
	(1.052)	(-0.225)	(-0.021)	(2.526)	(0.601)	(0.421)		5.35%				
CT_Anlst	-0.043	0.710	0.138	0.159**	0.120	0.069	54.5%		205	0.761	18.2%	11.4%
	(-0.545)	(0.746)	(0.295)	(2.783)	(0.171)	(0.470)		4.79%				
TPDPS_RW	0.012	-0.016	-0.167	0.151*	-0.033	0.062	57.1%		205	0.000	13.6%	70.5%
	(0.513)	(-0.145)	(-0.506)	(2.309)	(-0.258)	(0.724)		4.63%				
TrETSS_HDZ_10Ind	0.020	0.032	-0.115	0.163**	-0.066	0.109	52.1%		205	0.000	6.8%	31.8%
	(0.752)	(0.243)	(-0.622)	(3.035)	(-0.296)	(0.592)		4.31%				
TrETSS_RW_10Ind	0.012	-0.040	-0.131	0.138**	0.051	0.110	55.3%		205	0.000	2.3%	68.2%
	(0.425)	(-0.318)	(-0.702)	(2.629)	(0.348)	(1.301)		4.23%				
GLS_RI	0.035	0.000	-0.075	0.140	-0.068	0.105	52.7%		205	0.001	20.5%	43.2%

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Table 88 : Capturing Subsequent Return: Low Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(0.509)	(0.000)	(-0.352)	(1.914)	(-0.134)	(0.609)		3.49%				
GG_EP	0.033	0.258	-0.065	0.17**	-2.146	0.209	50.8%		205	0.272	20.5%	13.6%
	(0.799)	(0.386)	(-0.162)	(2.834)	(-0.355)	(1.208)		3.29%				
GG_HDZ	0.016	0.068	-0.039	0.155**	0.432	0.165	54.8%		205	0.006	27.3%	11.4%
	(0.465)	(0.212)	(-0.182)	(2.708)	(0.347)	(0.934)		3.07%				
TrOHE_25SBM	0.021	0.103	-0.148	0.144*	0.017	0.125	51.4%		205	0.000	11.4%	25.0%
	(0.870)	(0.738)	(-0.435)	(2.533)	(0.113)	(1.212)		3.05%				
CT_RW	0.027	-0.115	-0.069	0.147*	-0.114	0.118	50.6%		205	0.024	10.5%	34.2%
	(0.478)	(-0.244)	(-0.160)	(2.367)	(-0.099)	(0.915)		3.02%				
DKL_Anlst	0.007	0.222	-0.091	0.164**	0.538	0.158	53.6%		205	0.258	20.5%	6.8%
	(0.088)	(0.328)	(-0.166)	(2.874)	(0.632)	(0.872)		2.96%				
PE_Anlst	0.009	0.098	-0.106	0.162**	-0.509	-0.196	55.1%		205	0.016	29.5%	13.6%
	(0.332)	(0.272)	(-0.291)	(2.759)	(-0.376)	(-0.264)		2.95%				
GG_RW	0.032	-0.148	-0.103	0.151*	-0.297	0.171	50.1%		205	0.006	11.5%	76.9%
	(0.659)	(-0.390)	(-0.407)	(2.275)	(-0.197)	(0.773)		2.91%				
TrES_HDZ_25SBM	0.003	0.033	0.249	0.119*	0.021	-0.091	49.6%		205	0.000	11.4%	79.5%
	(0.067)	(0.706)	(0.300)	(2.356)	(0.774)	(-0.265)		2.82%				
KMY_Anlst	-0.033	0.264	0.094	0.143*	0.266	0.050	54.4%		205	0.015	15.9%	13.6%
	(-0.494)	(0.914)	(0.313)	(2.536)	(0.601)	(0.401)		2.82%				

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Table 88 : Capturing Subsequent Return: Low Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
FGHJ_HDZ	0.015	0.110	-0.026	0.151**	0.453	0.162	54.3%		205	0.007	25.0%	18.2%
	(0.385)	(0.348)	(-0.127)	(2.806)	(0.351)	(0.877)		2.81%				
DKL_EP	0.027	0.029	-0.100	0.139*	0.492	0.175	51.9%		205	0.000	18.2%	29.5%
	(0.633)	(0.173)	(-0.426)	(2.529)	(0.701)	(1.063)		2.75%				
HL_Anlst	-0.004	0.301	0.046	0.16**	0.652	0.133	52.5%		205	0.082	15.9%	4.5%
	(-0.089)	(0.766)	(0.127)	(2.853)	(0.712)	(0.998)		2.75%				
TrETSS_EP_10Ind	0.013	0.015	-0.071	0.136**	-0.080	0.031	48%		205	0.000	4.5%	75.0%
	(0.446)	(0.209)	(-0.377)	(2.672)	(-0.775)	(0.224)		2.68%				
TrES_RW_10Ind	0.043	0.042	-0.012	0.131*	0.039	0.184	48.8%		205	0.000	4.5%	63.6%
	(0.799)	(0.280)	(-0.051)	(2.429)	(0.288)	(1.180)		2.64%				
PEG_EP	0.010	0.066	-0.248	0.154*	0.048	0.084	53.2%		205	0.000	16.3%	53.5%
	(0.293)	(0.764)	(-1.105)	(2.531)	(0.094)	(0.562)		2.50%				
HL_EP	0.025	0.014	-0.229	0.145*	0.292	0.139	51.5%		205	0.000	11.4%	34.1%
	(0.549)	(0.090)	(-0.700)	(2.519)	(0.487)	(0.911)		2.37%				
GM_RW	0.009	0.020	-0.216	0.152**	0.016	0.069	51.2%		205	0.000	11.4%	36.4%
	(0.179)	(0.119)	(-0.774)	(2.695)	(0.040)	(0.603)		2.37%				
GLS_HDZ	0.019	0.055	-0.066	0.156**	0.408	0.156	53.9%		205	0.002	20.5%	18.2%
	(0.559)	(0.196)	(-0.327)	(2.848)	(0.387)	(1.009)		2.36%				
GM_Anlst	0.030	-0.031	0.346	0.107	8.616	-0.349	52.2%		205	0.179	11.4%	4.5%

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Table 88 : Capturing Subsequent Return: Low Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% %β_{ICC}^{CS} = 1
	(0.328)	(-0.041)	(0.529)	(0.633)	(0.562)	(-0.306)		2.25%				
TrETSS_HDZ_25SBM	0.018	0.021	0.010	0.146**	-0.002	0.150	49.4%		205	0.000	2.3%	50.0%
	(0.721)	(0.176)	(0.047)	(2.942)	(-0.015)	(1.096)		2.09%				
PE_HDZ	0.006	0.159	-0.139	0.153**	0.019	-0.170	53.7%		205	0.000	22.7%	11.4%
	(0.215)	(0.928)	(-0.611)	(2.787)	(0.022)	(-0.220)		2.05%				
TrES_HDZ_10Ind	0.010	0.007	-0.121	0.128**	-0.011	-0.057	50.4%		205	0.000	4.5%	84.1%
	(0.362)	(0.149)	(-0.700)	(2.709)	(-0.160)	(-0.213)		1.87%				
GG_Anlst	-0.014	0.127	-0.011	0.15**	0.122	0.100	53.4%		205	0.000	9.1%	25.0%
	(-0.219)	(0.679)	(-0.044)	(2.813)	(0.349)	(0.971)		1.87%				
FPM_Anlst	-0.016	0.419	-0.054	0.168**	2.413	0.179	50.7%		205	0.488	13.6%	9.1%
	(-0.211)	(0.505)	(-0.215)	(2.624)	(0.762)	(1.135)		1.80%				
CT_HDZ	0.020	-0.011	-0.003	0.159**	0.377	0.163	54.4%		205	0.061	20.5%	11.4%
	(0.394)	(-0.021)	(-0.008)	(2.751)	(0.333)	(1.019)		1.80%				
FGHJ_EP	0.031	-0.046	-0.094	0.162*	0.726	0.125	52.2%		205	0.000	13.6%	43.2%
	(0.648)	(-0.215)	(-0.436)	(2.515)	(0.626)	(0.745)		1.78%				
GLS_RW	0.029	-0.017	-0.016	0.141*	-0.105	0.157	48%		205	0.001	4.5%	40.9%
	(0.530)	(-0.059)	(-0.051)	(2.367)	(-0.144)	(1.132)		1.74%				
FGHJ_Anlst	-0.057	0.811	0.700	0.167**	1.907	-0.236	53.2%		205	0.891	15.9%	6.8%
	(-0.468)	(0.591)	(0.430)	(2.683)	(0.524)	(-0.314)		1.67%				

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Table 88 : Capturing Subsequent Return: Low Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
CT_EP	0.038	-0.097	-0.179	0.157*	0.816	-0.022	50.9%		205	0.002	6.8%	27.3%
	(0.778)	(-0.287)	(-0.426)	(2.350)	(0.544)	(-0.053)		1.55%				
TrETSS_EP_25SBM	0.021	-0.021	-0.016	0.138**	0.018	0.041	49.3%		205	0.000	2.3%	90.9%
	(0.934)	(-0.437)	(-0.068)	(2.990)	(0.334)	(0.442)		1.54%				
FPM_EP	-0.023	0.119	-0.278	0.15**	0.038	0.053	51.2%		205	0.000	13.6%	38.6%
	(-0.435)	(0.990)	(-0.847)	(2.632)	(0.082)	(0.398)		1.43%				
GLS_Anlst	-0.099	1.441	1.751	0.181*	4.321	-0.345	52.4%		205	0.885	20.5%	6.8%
	(-0.404)	(0.476)	(0.429)	(2.171)	(0.480)	(-0.417)		1.38%				
FGHJ_RI	0.034	-0.031	-0.078	0.138*	-0.145	0.106	50%		205	0.000	13.6%	40.9%
	(0.537)	(-0.125)	(-0.343)	(1.984)	(-0.262)	(0.686)		1.33%				
PEG_RW	0.048	0.012	-0.217	0.14*	0.074	0.189	48.8%		205	0.000	0.0%	44.2%
	(0.575)	(0.095)	(-0.797)	(2.510)	(0.218)	(1.070)		1.32%				
GM_EP	0.013	0.051	-0.238	0.155**	0.048	0.084	51.8%		205	0.000	13.6%	27.3%
	(0.360)	(0.392)	(-0.875)	(2.700)	(0.073)	(0.515)		1.27%				
3FF_Factor	-0.001	0.870	-0.757	0.153**	-6.973	0.210	53%		205	0.952	0.0%	13.6%
	(-0.012)	(0.405)	(-0.438)	(2.738)	(-0.750)	(0.850)		1.22%				
DKL_HDZ	0.011	0.084	-0.123	0.154**	0.255	0.124	53.1%		205	0.000	22.7%	11.4%
	(0.430)	(0.433)	(-0.600)	(2.863)	(0.298)	(0.776)		1.18%				
PE_RW	0.010	-0.101	-0.036	0.151*	-0.162	0.085	50.8%		205	0.004	2.3%	50.0%

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Table 88 : Capturing Subsequent Return: Low Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% %β_{ICC}^{CS} = 1
	(0.154)	(-0.278)	(-0.122)	(2.171)	(-0.267)	(0.680)		1.17%				
HL_RI	0.018	0.022	-0.106	0.161**	-0.017	0.083	46.5%		205	0.000	13.6%	43.2%
	(0.514)	(0.233)	(-0.515)	(2.695)	(-0.109)	(0.788)		1.15%				
TrETSS_Anlst _10Ind	0.029	0.081	0.087	0.132*	-0.018	0.180	48.3%		205	0.000	2.3%	38.6%
	(1.039)	(0.392)	(0.140)	(1.973)	(-0.040)	(0.918)		1.13%				
TrOHE_10Ind	0.041	-0.091	-0.189	0.129	-0.688	0.569	50.9%		205	0.022	4.5%	13.6%
	(0.977)	(-0.199)	(-0.699)	(1.553)	(-0.533)	(0.567)		1.11%				
DKL_RI	0.016	0.029	-0.116	0.164**	-0.013	0.080	46.3%		205	0.000	13.6%	45.5%
	(0.425)	(0.238)	(-0.557)	(2.667)	(-0.075)	(0.746)		1.04%				
WNG_RW	0.014	-0.006	-0.131	0.138*	-0.148	0.111	46.1%		205	0.000	2.6%	100.0%
	(0.457)	(-0.438)	(-0.552)	(2.375)	(-0.509)	(1.135)		0.92%				
Carhart_Factor	0.031	-0.087	0.115	0.141*	-0.130	0.117	50.6%		205	0.000	2.3%	13.6%
	(1.295)	(-0.400)	(0.327)	(2.508)	(-0.047)	(0.668)		0.91%				
PE_RI	0.403	-1.271	0.101	-0.188	-2.181	1.211	54.5%		205	0.497	22.7%	29.5%
	(0.430)	(-0.384)	(0.184)	(-0.228)	(-0.395)	(0.444)		0.85%				
WNG_EP	0.016	0.002	-0.107	0.142**	-0.018	0.095	51.8%		205	0.000	2.3%	86.4%
	(0.914)	(0.072)	(-0.583)	(2.855)	(-0.297)	(1.064)		0.84%				
MPEG_RI	0.012	0.019	-0.075	0.156*	3.428	0.059	49.3%		205	0.000	6.8%	36.4%
	(0.206)	(0.092)	(-0.263)	(2.426)	(0.438)	(0.467)		0.72%				

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Table 88 : Capturing Subsequent Return: Low Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
HL_RW	0.028	0.006	-0.174	0.145*	0.121	0.085	47.6%		205	0.000	0.0%	36.4%
	(0.551)	(0.041)	(-0.503)	(2.545)	(0.303)	(0.597)		0.59%				
CT_RI	0.060	-0.140	0.053	0.157*	0.004	0.155	46.9%		205	0.000	2.3%	75.0%
	(1.096)	(-0.581)	(0.191)	(2.383)	(0.008)	(1.168)		0.59%				
FGHJ_RW	0.030	-0.009	-0.026	0.15**	-0.142	0.150	46.5%		205	0.001	0.0%	45.5%
	(0.549)	(-0.030)	(-0.087)	(2.582)	(-0.200)	(1.018)		0.43%				
MPEG_Anlst	0.002	0.192	0.131	0.153**	0.068	0.090	49.3%		205	0.010	9.1%	2.3%
	(0.044)	(0.639)	(0.303)	(2.674)	(0.050)	(0.587)		0.40%				
PEG_Anlst	0.024	0.034	-0.099	0.16**	-0.518	0.208	47.9%		205	0.019	2.3%	15.9%
	(0.502)	(0.086)	(-0.252)	(2.648)	(-0.186)	(0.968)		0.39%				
MPEG_EP	-0.003	0.078	-0.241	0.158**	0.057	0.044	50.3%		205	0.000	11.4%	43.2%
	(-0.087)	(0.910)	(-1.093)	(2.744)	(0.109)	(0.391)		0.34%				
TrETSS_RW_25SBM	-0.020	0.069	-1.387	0.159	-0.154	0.262	49.8%		205	0.000	0.0%	68.2%
	(-0.267)	(0.441)	(-0.463)	(1.853)	(-0.385)	(0.444)		0.34%				
FPM_HDZ	0.016	0.139	-0.150	0.158**	0.753	0.068	52.7%		205	0.007	13.6%	11.4%
	(0.371)	(0.461)	(-0.722)	(2.598)	(0.673)	(0.225)		0.31%				
CAPM_Factor	0.047	-0.862	-0.176	0.145*	5.352	0.198	52.1%		205	0.359	2.3%	15.9%
	(1.115)	(-0.429)	(-0.482)	(2.436)	(0.302)	(0.855)		0.20%				
DKL_RW	0.038	-0.029	-0.093	0.159**	0.098	0.134	49.6%		205	0.000	4.5%	20.5%

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Table 88 : Capturing Subsequent Return: Low Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
	(0.826)	(-0.149)	(-0.396)	(3.001)	(0.190)	(1.054)		0.15%				
FPM_RI	0.009	0.003	-0.168	0.162*	0.129	0.069	48%		205	0.000	4.5%	36.4%
	(0.221)	(0.023)	(-0.734)	(2.494)	(0.487)	(0.631)		0.10%				
GM_RI	0.025	-0.010	-0.086	0.162**	9.314	0.083	49.9%		205	0.000	6.8%	25.0%
	(0.700)	(-0.074)	(-0.335)	(2.749)	(0.432)	(0.407)		0.09%				
PEG_RI	0.026	-0.058	-0.327	0.174*	0.269	0.108	50.2%		205	0.000	2.6%	65.8%
	(0.818)	(-0.406)	(-0.706)	(2.106)	(0.494)	(0.492)		0.04%				
TrETSS_RI_10Ind	0.065	1.163	-0.127	0.141*	-1.048	0.132	47.1%		205	0.936	4.5%	65.9%
	(0.832)	(0.577)	(-0.773)	(2.431)	(-0.681)	(0.946)		0.00%				
TrES_RI_25SBM	0.018	0.003	-0.055	0.112**	-0.001	-0.023	47.2%		205	0.000	6.8%	95.5%
	(0.869)	(0.234)	(-0.241)	(2.739)	(-0.052)	(-0.180)		-0.01%				
HL_HDZ	0.012	0.073	-0.137	0.152**	0.243	0.129	51.9%		205	0.000	20.5%	4.5%
	(0.483)	(0.451)	(-0.571)	(2.849)	(0.305)	(0.751)		-0.10%				
KMY_HDZ	0.010	0.094	-0.125	0.154**	0.319	0.086	51.9%		205	0.000	20.5%	6.8%
	(0.397)	(0.537)	(-0.625)	(2.860)	(0.354)	(0.574)		-0.18%				
GG_RI	0.037	-0.245	-0.199	0.143*	-0.252	0.190	49.1%		205	0.002	6.8%	13.6%
	(0.958)	(-0.667)	(-0.723)	(2.550)	(-0.227)	(1.121)		-0.21%				
MPEG_RW	0.008	0.032	-0.129	0.154**	0.029	0.089	48.3%		205	0.000	2.3%	45.5%
	(0.175)	(0.269)	(-0.644)	(2.881)	(0.100)	(1.184)		-0.38%				

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Table 88 : Capturing Subsequent Return: Low Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
TrES_EP_10Ind	0.031	0.024	-0.118	0.159*	-0.033	-0.096	45.9%		205	0.000	2.3%	81.8%
	(0.758)	(0.422)	(-0.529)	(2.256)	(-0.600)	(-0.177)		-0.44%				
5FF_Factor	0.014	0.142	-0.286	0.147**	-0.300	0.051	52%		205	0.021	0.0%	11.4%
	(0.451)	(0.396)	(-0.630)	(2.706)	(-0.115)	(0.256)		-0.62%				
TrES_Anlst _25SBM	0.012	0.025	-0.011	0.125**	0.021	0.064	45.2%		205	0.000	2.3%	84.1%
	(0.594)	(0.867)	(-0.044)	(3.070)	(0.351)	(0.526)		-0.83%				
FPM_RW	0.027	0.025	-0.166	0.146*	-0.120	-0.008	48.4%		205	0.000	6.8%	50.0%
	(0.335)	(0.125)	(-0.416)	(2.512)	(-0.250)	(-0.025)		-1.07%				
TrETSS_RI_25SBM	0.016	-0.012	-0.071	0.132**	0.026	0.049	46.9%		205	0.000	4.5%	86.4%
	(0.712)	(-0.289)	(-0.437)	(2.722)	(0.385)	(0.664)		-1.11%				
KMY_RI	0.007	0.072	-0.030	0.161**	-0.018	0.070	45.8%		205	0.000	9.1%	13.6%
	(0.154)	(0.353)	(-0.131)	(2.579)	(-0.069)	(0.615)		-1.37%				
KMY_RW	0.033	-0.025	-0.133	0.143*	0.092	0.095	46.3%		205	0.000	0.0%	34.1%
	(0.707)	(-0.135)	(-0.464)	(2.534)	(0.184)	(0.695)		-1.37%				
MPEG_HDZ	0.030	-0.054	-0.247	0.145*	0.074	0.116	50.1%		205	0.000	6.8%	9.1%
	(1.047)	(-0.253)	(-0.675)	(2.474)	(0.098)	(0.390)		-1.44%				
WNG_RI	0.023	-0.014	-0.112	0.122**	-0.139	0.069	47.7%		205	0.000	4.5%	95.5%
	(0.777)	(-0.119)	(-0.469)	(2.766)	(-0.678)	(0.914)		-1.46%				
TrES_RI_10Ind	0.038	0.000	-0.176	0.136**	-0.085	0.052	46.8%		205	0.000	6.8%	88.6%

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Table 88 : Capturing Subsequent Return: Low Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(1.027)	(-0.025)	(-0.945)	(2.761)	(-0.508)	(0.301)		-1.52%				
TrES_RW_25SBM	0.013	-0.029	-0.106	0.13*	-0.025	0.033	45.8%		205	0.000	2.3%	81.8%
	(0.561)	(-0.357)	(-0.613)	(2.174)	(-0.470)	(0.278)		-1.70%				
WNG_HDZ	0.020	-0.019	0.037	0.129**	0.266	0.128	47.2%		205	0.000	0.0%	93.2%
	(0.898)	(-0.300)	(0.190)	(2.833)	(0.571)	(1.125)		-2.41%				
WNG_Anlst	0.036	-0.031	-0.117	0.155***	0.121	0.127	45.3%		205	0.000	6.8%	50.0%
	(1.605)	(-0.310)	(-0.432)	(3.128)	(0.389)	(0.996)		-2.81%				
GM_HDZ	0.023	0.016	-0.302	0.157**	0.225	0.287	47.2%		205	0.013	6.8%	4.5%
	(0.816)	(0.043)	(-0.791)	(2.773)	(0.336)	(0.460)		-2.81%				
TrETSS_Anlst _25SBM	0.034	0.007	-0.209	0.139**	0.000	0.114	45%		205	0.000	0.0%	56.8%
	(1.413)	(0.089)	(-0.669)	(2.813)	(0.004)	(1.057)		-2.93%				
PEG_HDZ	0.036	-0.065	-0.250	0.14*	-0.010	0.164	45.9%		205	0.000	4.5%	13.6%
	(1.388)	(-0.422)	(-1.078)	(2.500)	(-0.015)	(0.611)		-3.63%				
TrES_EP_25SBM	0.023	-0.009	-0.080	0.102*	-0.003	0.107	45.1%		205	0.000	2.3%	93.2%
	(1.361)	(-0.523)	(-0.505)	(2.273)	(-0.189)	(0.842)		-3.68%				

For the lowest quartile of firms in terms of market beta, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 89 : Capturing Subsequent Return: High Beta Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TPDPS_Anlst	0.001	0.202***	0.353	0.482***	0.039	-0.107	63%	8.86%	205	0.000	61.7%	87.8%
	(0.093)	(7.434)	(1.457)	(17.264)	(0.561)	(-0.564)						
Naive	-0.022	0.223***	0.372	0.44***	0.035	0.558	63.2%	8.48%	205	0.000	61.2%	88.3%
	(-0.699)	(5.557)	(1.294)	(8.701)	(0.349)	(0.825)						
TPDPS_HDZ	-0.008	0.17***	0.516	0.444***	0.019	0.345	62.3%	7.40%	205	0.000	60.2%	87.2%
	(-0.294)	(4.414)	(1.583)	(10.514)	(0.226)	(0.674)						
TPDPS_EP	-0.018	0.145***	0.245	0.415***	0.030	0.487	61.2%	6.64%	205	0.000	54.6%	88.3%
	(-0.606)	(3.829)	(0.819)	(9.024)	(0.321)	(0.812)						
BP_Anlst	-0.018	1.543***	0.691	0.45***	1.236	-0.346	59.6%	6.58%	205	0.217	63.3%	45.9%
	(-0.960)	(3.521)	(1.353)	(13.103)	(1.020)	(-1.182)						
TPDPS_RI	-0.018	0.153***	0.084	0.426***	0.023	0.434	61.1%	6.33%	205	0.000	49.5%	88.8%
	(-0.632)	(3.931)	(0.255)	(9.192)	(0.239)	(0.734)						
BP_HDZ	-0.012	1.112***	0.416	0.449***	0.233	0.077	59.8%	6.16%	205	0.572	65.3%	40.8%
	(-0.601)	(5.614)	(1.449)	(14.262)	(0.716)	(0.242)						
TPDPS_RW	-0.107	0.111	1.395	0.332***	0.099	2.978	59.6%	5.98%	205	0.000	49.5%	87.8%
	(-0.970)	(1.527)	(1.532)	(3.473)	(0.501)	(1.243)						
BP_RW	-0.004	0.894***	0.164	0.427***	0.196	0.211	58.3%	5.32%	205	0.506	44.9%	42.9%
	(-0.179)	(5.614)	(0.630)	(11.713)	(0.473)	(0.468)						

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Table 89 : Capturing Subsequent Return: High Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
BP_RI	-0.025	1.055***	0.006	0.421***	0.292	0.324	58.1%	4.86%	205	0.790	51.5%	48.0%
	(-1.010)	(5.065)	(0.020)	(11.412)	(0.767)	(0.737)						
BP_EP	-0.024	0.989***	0.026	0.42***	0.300	0.316	58.1%	4.82%	205	0.956	54.1%	50.0%
	(-0.971)	(4.911)	(0.096)	(11.537)	(0.852)	(0.746)						
PEG_Anlst	-0.015	0.267	0.268	0.418***	-0.607	0.590	55.4%	3.89%	205	0.000	12.8%	56.6%
	(-0.312)	(1.671)	(1.100)	(11.289)	(-1.307)	(0.862)						
GM_Anlst	0.015	1.890	-0.738	0.491***	-7.618	-3.783	56.7%	3.81%	205	0.477	28.6%	39.8%
	(0.109)	(1.512)	(-0.932)	(5.754)	(-1.023)	(-0.891)						
CAPM_Factor	0.853	-66.375	-0.107	0.501***	-28.712	0.360	56.2%	3.51%	205	0.367	19.4%	21.9%
	(0.906)	(-0.892)	(-0.295)	(8.349)	(-0.784)	(0.827)						
GG_HDZ	0.009	0.219	-0.290	0.468***	1.751	0.075	55.6%	3.49%	205	0.000	27.0%	56.1%
	(0.545)	(1.123)	(-1.271)	(14.163)	(0.497)	(0.379)						
PE_Anlst	-0.015	0.688	0.481	0.414***	-0.486	0.037	58.3%	3.47%	205	0.616	55.6%	38.8%
	(-0.802)	(1.106)	(0.992)	(11.255)	(-0.189)	(0.116)						
FGHJ_HDZ	-0.006	-0.084	-0.098	0.462***	-6.027	0.776	55%	3.41%	205	0.103	18.9%	62.2%
	(-0.172)	(-0.127)	(-0.635)	(10.592)	(-0.629)	(1.059)						
WNG_EP	0.058***	0.000	0.021	0.448***	-0.002	-0.205	55.5%	3.24%	205	0.000	3.6%	96.9%
	(3.723)	(-0.737)	(0.115)	(16.602)	(-0.716)	(-0.965)						
GM_RW	-0.058	0.169	0.802	0.508***	-0.750	1.198	55.4%	3.13%	205	0.000	14.4%	81.4%

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Table 89 : Capturing Subsequent Return: High Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% %$\beta_{ICC}^{CS} = 1$
	(-0.561)	(1.270)	(0.896)	(7.138)	(-0.469)	(0.807)						
TrES_HDZ_25SBM	0.021	0.034	0.045	0.485***	0.034	0.599	55.3%	2.95%	205	0.000	7.7%	93.4%
	(0.977)	(0.935)	(0.250)	(8.151)	(0.894)	(1.567)						
PE_RW	0.026	0.111	-0.071	0.454***	0.729	0.025	56.9%	2.78%	205	0.000	9.2%	80.1%
	(1.606)	(1.514)	(-0.329)	(17.729)	(0.581)	(0.103)						
WNG_RI	0.061***	-0.027	-0.255	0.436***	-0.109	-0.215	54.4%	2.69%	205	0.000	2.1%	91.8%
	(4.220)	(-0.304)	(-1.115)	(16.608)	(-1.027)	(-1.386)						
CT_Anlst	0.000	0.302	0.062	0.456***	0.751	-0.048	57.4%	2.69%	205	0.027	33.7%	49.0%
	(-0.010)	(0.967)	(0.426)	(15.774)	(0.842)	(-0.147)						
HL_Anlst	-0.016	0.550	0.289	0.459***	0.743	-0.039	57%	2.68%	205	0.120	28.1%	39.8%
	(-0.551)	(1.913)	(1.642)	(16.989)	(1.015)	(-0.213)						
WNG_Anlst	0.071**	-0.169	0.426	0.424***	-0.618	-0.080	54.5%	2.68%	205	0.000	8.2%	93.9%
	(2.601)	(-0.823)	(1.217)	(9.491)	(-0.948)	(-0.556)						
GLS_Anlst	-0.014	0.580	-0.141	0.479***	0.391	0.023	56.9%	2.58%	205	0.332	23.5%	46.9%
	(-0.362)	(1.344)	(-0.666)	(11.670)	(0.224)	(0.041)						
CT_EP	-0.001	-0.078	0.347	0.424***	-1.627	0.430	54.4%	2.48%	205	0.000	14.8%	81.1%
	(-0.036)	(-0.417)	(0.992)	(16.787)	(-0.569)	(0.799)						
TrES_Anlst _10Ind	0.032	0.147	-0.186	0.447***	-0.012	-0.466	55.7%	2.45%	205	0.000	16.3%	86.2%
	(1.212)	(1.180)	(-0.862)	(10.642)	(-0.216)	(-1.308)						

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Table 89 : Capturing Subsequent Return: High Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
PE_RI	0.04**	0.322	0.101	0.465***	3.701***	-0.422	54%	2.45%	205	0.013	26.5%	66.3%
	(2.966)	(1.191)	(0.709)	(17.609)	(3.103)	(-1.730)						
DKL_Anlst	0.038	-0.057	-0.112	0.48***	0.235	-0.092	57.2%	2.38%	205	0.251	31.1%	34.2%
	(0.527)	(-0.062)	(-0.254)	(13.259)	(0.221)	(-0.245)						
FPM_HDZ	0.041	0.246	-0.294	0.478***	1.416	-0.594	55.8%	2.30%	205	0.008	20.9%	61.7%
	(1.159)	(0.874)	(-1.327)	(16.361)	(0.895)	(-1.526)						
PE_EP	-0.004	0.520	-0.182	0.454***	1.176	0.104	54.6%	2.30%	205	0.255	34.2%	71.9%
	(-0.204)	(1.234)	(-0.921)	(15.607)	(0.432)	(0.337)						
PE_HDZ	-0.007	0.324	-0.223	0.44***	2.358	0.602	54.6%	2.28%	205	0.026	32.7%	60.7%
	(-0.266)	(1.072)	(-1.234)	(12.161)	(1.267)	(1.455)						
FGHJ_Anlst	-0.025	0.684	-0.212	0.488***	0.039	-0.098	56.8%	2.24%	205	0.492	26.5%	42.9%
	(-0.528)	(1.493)	(-0.879)	(11.232)	(0.025)	(-0.161)						
GLS_HDZ	-0.011	-0.463	-0.247	0.491***	-11.470	1.305	54.1%	2.13%	205	0.115	18.4%	60.7%
	(-0.452)	(-0.500)	(-0.739)	(6.432)	(-0.729)	(0.968)						
TrES_EP_10Ind	0.06**	0.030	-0.068	0.477***	-0.055	-0.314	55.1%	2.09%	205	0.000	13.3%	91.3%
	(2.945)	(0.445)	(-0.227)	(14.402)	(-0.775)	(-0.835)						
TrES_RI_10Ind	0.083*	-0.016	-0.327	0.467***	0.000	-0.530	55.4%	2.09%	205	0.000	11.2%	93.4%
	(2.413)	(-0.809)	(-1.227)	(11.276)	(0.005)	(-1.324)						
KMY_HDZ	0.021	0.143	-0.003	0.462***	-0.718	0.059	56.2%	2.06%	205	0.000	25.0%	61.7%

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Table 89 : Capturing Subsequent Return: High Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
	(1.621)	(0.874)	(-0.014)	(15.171)	(-0.278)	(0.294)						
FPM_Anlst	-0.071	0.484	0.262	0.43***	0.910	0.833	55.6%	2.03%	205	0.291	27.6%	29.6%
	(-1.149)	(0.993)	(1.560)	(13.448)	(0.859)	(1.111)						
WNG_HDZ	0.043**	0.006	0.102	0.463***	0.374	0.248	55.7%	1.99%	205	0.000	1.0%	96.9%
	(2.820)	(0.889)	(0.716)	(16.311)	(0.877)	(1.008)						
KMY_EP	-0.010	0.337	0.127	0.453***	-0.027	0.058	54%	1.97%	205	0.000	26.5%	67.3%
	(-0.428)	(1.933)	(0.542)	(11.181)	(-0.055)	(0.120)						
TrES_RI_25SBM	0.048	-0.007	-0.033	0.458***	0.005	-0.353	53.5%	1.94%	205	0.000	6.6%	95.4%
	(1.385)	(-1.552)	(-0.253)	(12.838)	(1.101)	(-1.022)						
MPEG_Anlst	0.011	0.293*	0.146	0.446***	-0.647	-0.123	56.2%	1.90%	205	0.000	26.0%	45.4%
	(0.642)	(2.396)	(1.015)	(17.891)	(-1.238)	(-0.678)						
HL_RW	0.047	-0.003	0.471	0.416***	-0.280	0.481	53.8%	1.82%	205	0.000	12.2%	73.0%
	(0.411)	(-0.022)	(0.862)	(7.906)	(-0.132)	(0.718)						
KMY_RW	0.045	0.005	0.474	0.415***	-0.221	0.482	53.7%	1.80%	205	0.000	10.7%	73.0%
	(0.398)	(0.045)	(0.868)	(7.902)	(-0.104)	(0.720)						
TrES_RW_10Ind	0.067**	0.494	0.071	0.481***	9.901	-0.280	55.3%	1.72%	205	0.909	13.8%	74.5%
	(2.650)	(0.111)	(0.165)	(16.155)	(1.016)	(-0.983)						
WNG_RW	0.032	0.000	0.153	0.373***	-0.032	-0.155	53.1%	1.68%	205	0.000	4.1%	96.9%
	(1.305)	(-0.917)	(0.597)	(4.971)	(-0.925)	(-0.183)						

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Table 89 : Capturing Subsequent Return: High Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
GG_RW	0.003	0.372**	-0.036	0.448***	9.790	0.143	54.3%	1.60%	205	0.000	21.8%	74.1%
	(0.164)	(2.952)	(-0.202)	(15.480)	(1.308)	(0.672)						
FPM_EP	-0.037	0.05***	-0.164	0.45***	0.014	-0.441	55.1%	1.53%	205	0.000	12.2%	88.8%
	(-0.397)	(3.601)	(-0.858)	(15.322)	(0.282)	(-1.208)						
MPEG_RW	0.010	0.231	0.255	0.447***	0.108	0.152	54.9%	1.53%	205	0.000	20.9%	85.7%
	(0.368)	(1.513)	(1.134)	(17.443)	(0.118)	(0.489)						
TrES_HDZ_10Ind	0.09*	-0.028	-0.133	0.476***	-0.024	-0.465	54.7%	1.50%	205	0.000	14.8%	84.2%
	(2.449)	(-1.007)	(-0.739)	(14.973)	(-0.605)	(-1.732)						
GLS_EP	-0.023	0.205	-0.128	0.441***	-0.373	0.481	54.1%	1.50%	205	0.028	25.5%	63.8%
	(-1.001)	(0.569)	(-0.422)	(13.310)	(-0.118)	(0.908)						
MPEG_EP	-0.328	0.155	1.800	0.258	-6.006	6.403	54.7%	1.47%	205	0.003	19.4%	78.1%
	(-0.937)	(0.544)	(1.136)	(0.913)	(-0.701)	(1.013)						
GG_Anlst	0.043	-0.074	0.448	0.418***	1.444	0.426	55.6%	1.41%	205	0.000	22.2%	69.1%
	(1.526)	(-0.499)	(0.866)	(5.861)	(1.772)	(0.784)						
DKL_RW	0.089	-0.067	-0.086	0.432***	-0.363	-0.170	54.2%	1.39%	205	0.000	11.2%	69.9%
	(0.834)	(-0.517)	(-0.415)	(11.342)	(-0.199)	(-0.750)						
TrOHE_10Ind	-0.214	4.961	0.541	0.377***	-2.665	0.916	52.4%	1.37%	205	0.473	17.3%	58.2%
	(-0.799)	(0.900)	(0.863)	(3.455)	(-0.674)	(1.077)						
DKL_EP	-0.006	0.219*	0.096	0.441***	-0.076	0.079	53%	1.28%	205	0.000	23.5%	68.4%

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Table 89 : Capturing Subsequent Return: High Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
	(-0.272)	(2.318)	(0.448)	(14.509)	(-0.143)	(0.213)						
FPM_RW	0.045	0.014	-0.160	0.429***	-0.102	-0.329	54.5%	1.23%	205	0.000	12.2%	88.3%
	(1.254)	(0.352)	(-0.841)	(14.908)	(-1.200)	(-1.053)						
MPEG_HDZ	-0.009	0.294	0.030	0.446***	-1.022	0.272	54.5%	1.21%	205	0.000	20.9%	66.8%
	(-0.322)	(1.556)	(0.198)	(17.058)	(-0.652)	(0.780)						
PEG_RW	0.032	0.018	0.266	0.445***	0.370	0.217	54.6%	1.21%	205	0.000	23.2%	100.0%
	(0.795)	(0.415)	(0.720)	(12.945)	(0.858)	(0.394)						
TrETSS_Anlst _10Ind	0.07***	-0.324	0.647	0.419***	0.284	-0.187	54.3%	1.20%	205	0.000	9.7%	70.9%
	(3.552)	(-0.954)	(1.359)	(7.984)	(0.995)	(-0.758)						
FGHJ_EP	0.007	0.462	-0.536	0.516***	-3.502	-0.523	52.7%	1.09%	205	0.190	25.5%	67.9%
	(0.187)	(1.129)	(-1.587)	(11.720)	(-0.584)	(-1.241)						
GM_HDZ	-0.049	0.846	0.206	0.433***	-3.073	0.430	54.6%	1.09%	205	0.793	19.4%	64.8%
	(-0.987)	(1.439)	(0.823)	(14.944)	(-0.909)	(0.841)						
KMY_Anlst	-0.005	0.217	0.177	0.446***	0.644	0.159	55.6%	1.05%	205	0.003	23.0%	58.2%
	(-0.134)	(0.826)	(0.938)	(12.954)	(1.039)	(0.581)						
HL_EP	-0.005	0.213*	0.133	0.447***	-0.042	0.082	52.8%	1.02%	205	0.000	20.9%	72.4%
	(-0.228)	(2.514)	(0.666)	(13.952)	(-0.105)	(0.220)						
TrES_EP_25SBM	0.104	-0.301	0.396	0.498***	0.030	0.213	53.8%	1.01%	205	0.001	5.1%	94.4%
	(1.164)	(-0.749)	(1.138)	(5.134)	(0.702)	(0.581)						

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Table 89 : Capturing Subsequent Return: High Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
3FF_Factor	0.119	0.027	-0.571	0.55***	5.190	-1.195	55.4%	0.88%	205	0.128	9.7%	28.6%
	(1.680)	(0.043)	(-1.246)	(5.863)	(0.722)	(-0.869)						
GG_RI	-0.702	-0.867	4.984	0.497***	-58.439	17.250	52.9%	0.87%	205	0.263	16.8%	64.9%
	(-0.801)	(-0.521)	(0.823)	(13.610)	(-0.828)	(0.821)						
TrES_RW_25SBM	0.096*	-6.116	-0.337	0.495***	3.024	-0.983	55.3%	0.87%	205	0.124	6.1%	80.1%
	(2.151)	(-1.328)	(-1.222)	(10.858)	(0.816)	(-1.154)						
TrETSS_Anlst _25SBM	0.037*	-0.035	0.076	0.432***	0.100	-0.015	54.1%	0.86%	205	0.000	6.1%	79.6%
	(2.058)	(-0.406)	(0.533)	(15.134)	(0.599)	(-0.072)						
DKL_HDZ	0.020	0.183	-0.043	0.465***	-1.015	0.107	56%	0.81%	205	0.000	22.4%	61.2%
	(1.353)	(1.740)	(-0.252)	(16.069)	(-0.462)	(0.516)						
HL_HDZ	0.028*	0.082	0.001	0.468***	-0.716	0.057	56.2%	0.80%	205	0.000	20.4%	63.8%
	(2.025)	(0.655)	(0.004)	(17.493)	(-0.380)	(0.557)						
CT_HDZ	0.027	0.162	-0.100	0.476***	-0.064	-0.038	55.8%	0.80%	205	0.000	31.6%	62.2%
	(1.620)	(0.946)	(-0.705)	(16.660)	(-0.022)	(-0.319)						
TrETSS_HDZ_10Ind	0.021	0.039	0.023	-0.005	5.393	-1.213	53.6%	0.79%	205	0.000	6.1%	73.5%
	(0.512)	(0.252)	(0.170)	(-0.010)	(0.843)	(-1.115)						
FPM_RI	0.007	0.339	-0.074	0.429***	-0.043	-0.570	54.3%	0.76%	205	0.006	16.8%	78.1%
	(0.337)	(1.430)	(-0.530)	(17.122)	(-0.324)	(-0.930)						
PEG_HDZ	0.020	0.281	-0.148	0.472***	-1.144	-0.170	54.1%	0.75%	205	0.000	14.3%	65.3%

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Table 89 : Capturing Subsequent Return: High Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(1.257)	(1.755)	(-0.935)	(16.593)	(-0.630)	(-1.299)						
TrOHE_25SBM	0.026	0.051	0.642	0.383***	0.080	0.588	54.3%	0.71%	205	0.000	8.7%	74.5%
	(0.756)	(0.669)	(0.947)	(6.723)	(0.695)	(0.742)						
GG_EP	0.014	0.356	-0.026	0.481***	10.529	0.032	54.3%	0.69%	205	0.531	21.1%	70.3%
	(0.338)	(0.347)	(-0.072)	(8.873)	(1.882)	(0.040)						
CT_RW	-0.016	0.020	0.712	0.47***	-0.078	0.843	54.4%	0.69%	205	0.005	17.5%	69.8%
	(-0.258)	(0.059)	(1.091)	(13.831)	(-0.015)	(0.798)						
KMY_RI	0.002	0.208	0.218	0.444***	-1.570	-0.108	53.4%	0.53%	205	0.011	19.4%	68.9%
	(0.087)	(0.678)	(0.672)	(15.393)	(-0.799)	(-0.456)						
TrES_Anlst _25SBM	0.052**	0.007	0.176	0.445***	-0.014	-0.139	54.9%	0.52%	205	0.000	3.6%	92.9%
	(2.729)	(0.287)	(0.582)	(12.372)	(-1.091)	(-1.036)						
TrETSS_HDZ_25SBM	0.085**	-0.197	0.167	0.348***	-0.058	-0.741	52%	0.52%	205	0.000	9.2%	79.6%
	(2.857)	(-1.771)	(0.765)	(3.111)	(-0.778)	(-1.304)						
TrETSS_EP_25SBM	0.056	0.005	0.005	0.472***	0.000	-0.269	51.4%	0.35%	205	0.000	7.1%	95.4%
	(1.247)	(0.477)	(0.013)	(10.654)	(-0.031)	(-1.029)						
TrETSS_RW_10Ind	0.033*	-0.049	0.178	0.437***	0.080	0.067	52.7%	0.31%	205	0.000	10.2%	86.2%
	(2.218)	(-1.934)	(1.065)	(17.244)	(0.501)	(0.368)						
CT_RI	0.029	-0.054	0.139	0.443***	0.742	0.118	53%	0.27%	205	0.000	10.7%	81.1%
	(1.470)	(-0.398)	(0.944)	(16.516)	(1.022)	(0.564)						

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Table 89 : Capturing Subsequent Return: High Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
5FF_Factor	-0.002	0.649	0.272	0.371***	1.073	1.200	53.5%	0.19%	205	0.722	9.7%	33.2%
	(-0.049)	(0.660)	(0.764)	(5.967)	(0.500)	(0.982)						
TrETSS_RI_10Ind	0.057	0.108	0.572	0.478***	-0.147	-0.216	52%	0.19%	205	0.000	12.3%	88.7%
	(1.696)	(1.371)	(0.528)	(12.562)	(-0.768)	(-0.387)						
PEG_RI	-0.061	0.701	1.159	0.288	8.444	-0.744	52.9%	0.09%	205	0.769	28.0%	100.0%
	(-0.431)	(0.692)	(0.679)	(1.220)	(0.773)	(-0.926)						
GLS_RW	0.143	-0.014	-0.004	0.436***	-2.579	0.104	53.3%	0.03%	205	0.000	8.2%	71.9%
	(1.254)	(-0.098)	(-0.023)	(14.013)	(-1.413)	(0.500)						
MPEG_RI	0.011	0.145**	-0.182	0.459***	0.550	-0.052	54%	-0.19%	205	0.000	28.3%	71.1%
	(0.887)	(2.671)	(-1.730)	(18.048)	(1.132)	(-0.425)						
HL_RI	-0.007	0.386	-0.053	0.434***	-0.064	-0.302	52.6%	-0.47%	205	0.005	25.0%	77.0%
	(-0.297)	(1.784)	(-0.249)	(13.661)	(-0.159)	(-0.845)						
DKL_RI	-0.033	1.326	0.349	0.363***	-0.350	-2.112	52.3%	-0.47%	205	0.784	21.9%	77.0%
	(-0.830)	(1.116)	(0.617)	(3.837)	(-0.845)	(-0.824)						
FGHJ_RI	-0.014	0.921**	0.040	0.417***	-11.506	-0.577	53.1%	-0.63%	205	0.820	17.9%	65.8%
	(-0.629)	(2.657)	(0.305)	(12.383)	(-0.914)	(-1.946)						
TrETSS_EP_10Ind	0.022	0.018	-0.197	0.457***	-0.130	0.140	51.7%	-0.64%	205	0.000	8.2%	92.8%
	(1.263)	(0.994)	(-0.685)	(16.762)	(-0.931)	(0.632)						
PEG_EP	0.017	0.017	-0.076	0.443***	1.586*	0.239	53.9%	-0.66%	205	0.000	24.3%	97.0%

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Table 89 : Capturing Subsequent Return: High Beta Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(1.019)	(0.250)	(-0.369)	(16.602)	(2.369)	(0.925)						
GM_EP	-0.041	0.090	0.400	0.472***	-4.216	0.894	53.1%	-0.70%	205	0.000	21.9%	72.4%
	(-0.749)	(1.177)	(0.728)	(13.997)	(-0.583)	(0.798)						
GLS_RI	-0.001	0.886**	0.061	0.407***	-46.103	-0.604	53%	-0.73%	205	0.708	17.3%	66.3%
	(-0.068)	(2.920)	(0.406)	(10.555)	(-0.956)	(-1.594)						
GM_RI	0.011	0.193*	-0.062	0.443***	0.219	-0.007	52.8%	-0.79%	205	0.000	26.9%	66.8%
	(0.835)	(2.447)	(-0.534)	(18.162)	(0.239)	(-0.060)						
TrETSS_RW_25SBM	0.048***	0.014	0.087	0.454***	-0.059	-0.007	53.3%	-0.86%	205	0.000	7.7%	94.9%
	(4.184)	(1.011)	(0.770)	(17.191)	(-0.437)	(-0.062)						
TrETSS_RI_25SBM	0.088**	-0.056	0.198	0.423***	0.085	-0.588	50.6%	-1.22%	205	0.000	8.7%	94.4%
	(3.001)	(-1.376)	(0.762)	(13.529)	(1.543)	(-2.112)						
Carhart_Factor	0.043***	-0.247	-0.147	0.437***	3.834	-0.012	53.1%	-1.24%	205	0.000	8.7%	38.8%
	(3.322)	(-1.406)	(-0.851)	(15.379)	(1.399)	(-0.072)						
FGHJ_RW	0.015	0.328	0.233	0.438***	-0.711	0.043	52.1%	-1.60%	205	0.000	16.1%	73.7%
	(0.992)	(1.938)	(0.735)	(14.736)	(-0.833)	(0.258)						

For the highest quartile of firms in terms of market beta, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 90 : Capturing Subsequent Return: Low Beta Standard Error Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TrETSS_Anlst _10Ind	0.047	0.325	-0.129	0.099	2.455	-0.589	54.8%		205	0.232	9.7%	38.9%
	(1.135)	(0.580)	(-0.442)	(0.561)	(0.497)	(-0.814)		7.21%				
MPEG_Anlst	-0.001	0.441	-0.054	0.223***	0.545	-0.085	57.1%		205	0.079	9.7%	30.6%
	(-0.037)	(1.407)	(-0.104)	(3.776)	(0.986)	(-0.325)		6.88%				
HL_Anlst	-0.029	0.750	0.001	0.189*	0.784	-0.308	56.6%		205	0.635	12.5%	15.3%
	(-0.491)	(1.426)	(0.002)	(2.150)	(1.150)	(-0.936)		6.60%				
GLS_Anlst	-0.010	0.460	-0.096	0.214***	1.271	0.003	58.6%		205	0.149	11.1%	12.5%
	(-0.201)	(1.241)	(-0.254)	(3.446)	(1.067)	(0.014)		6.58%				
GM_Anlst	-0.004	0.413	0.178	0.162	0.924	-0.156	57.7%		205	0.070	6.9%	22.2%
	(-0.081)	(1.292)	(0.351)	(1.411)	(1.456)	(-0.305)		6.51%				
FGHJ_Anlst	-0.028	0.574	-0.064	0.215***	1.321	-0.009	58.4%		205	0.353	8.3%	12.5%
	(-0.465)	(1.258)	(-0.171)	(3.459)	(1.074)	(-0.045)		6.33%				
DKL_Anlst	-0.057	1.040	0.224	0.19*	1.990	-0.245	57.7%		205	0.954	12.5%	15.3%
	(-0.853)	(1.494)	(0.331)	(2.569)	(0.828)	(-0.752)		6.00%				
TPDPS_HDZ	0.038	0.040	-0.238	0.247***	0.011	0.030	59.4%		205	0.000	23.6%	72.2%
	(1.618)	(0.511)	(-0.752)	(4.996)	(0.120)	(0.215)		5.35%				
KMY_Anlst	-0.020	0.319	0.182	0.206*	0.340	-0.089	57%		205	0.005	5.6%	25.0%
	(-0.326)	(1.356)	(0.746)	(2.572)	(1.014)	(-0.425)		5.19%				

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Table 90 : Capturing Subsequent Return: Low Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
DKL_RI	0.036	0.044	-0.329	0.22***	0.424	-0.017	54.3%		205	0.000	6.9%	69.4%
	(1.358)	(0.354)	(-0.714)	(4.105)	(0.770)	(-0.073)		5.15%				
BP_EP	0.026	0.426	0.188	0.192	0.169	0.175	57.5%		205	0.038	21.1%	15.5%
	(0.697)	(1.572)	(0.361)	(1.033)	(0.659)	(0.420)		5.09%				
HL_RI	0.030	0.110	-0.327	0.218***	0.134	-0.030	54.1%		205	0.000	8.3%	63.9%
	(0.932)	(0.667)	(-0.686)	(3.863)	(0.436)	(-0.146)		5.01%				
TPDPS_Anlst	0.026	0.060	-0.170	0.248***	0.003	0.008	59.2%		205	0.000	20.8%	70.8%
	(1.072)	(0.962)	(-0.567)	(4.946)	(0.032)	(0.055)		4.83%				
TrES_RI_10Ind	0.000	0.056	-0.064	0.229***	0.014	0.058	53.5%		205	0.000	8.3%	80.6%
	(0.004)	(1.201)	(-0.246)	(3.139)	(0.241)	(0.383)		4.70%				
GLS_HDZ	0.020	0.248	-0.135	0.211***	1.350	0.103	58.6%		205	0.082	9.7%	18.1%
	(0.416)	(0.582)	(-0.301)	(3.528)	(1.347)	(0.509)		4.69%				
CT_Anlst	-0.046	0.790	-0.291	0.222***	0.066	-0.147	57.1%		205	0.796	11.1%	19.4%
	(-0.489)	(0.978)	(-0.712)	(3.848)	(0.057)	(-0.543)		4.54%				
3FF_Factor	0.000	-0.449	-0.574	0.159	-0.719	-0.669	56.1%		205	0.005	1.4%	6.9%
	(0.000)	(-0.906)	(-0.626)	(1.577)	(-0.173)	(-0.492)		4.48%				
Naive	0.034	0.059	-0.159	0.25***	0.012	0.008	58.7%		205	0.000	19.4%	70.8%
	(1.748)	(0.904)	(-0.546)	(4.950)	(0.115)	(0.062)		4.35%				
FGHJ_HDZ	0.015	0.238	-0.178	0.22***	1.633	0.102	58%		205	0.219	11.1%	16.7%

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Table 90 : Capturing Subsequent Return: Low Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(0.219)	(0.387)	(-0.402)	(3.626)	(1.281)	(0.473)		4.30%				
GG_Anlst	-0.017	0.195	0.050	0.192*	0.168	-0.119	55.7%		205	0.000	4.2%	47.2%
	(-0.244)	(1.134)	(0.231)	(2.473)	(0.624)	(-0.501)		4.13%				
TrETSS_RW_10Ind	0.030	-0.070	-0.311	0.179***	-0.128	0.138	51.9%		205	0.000	4.2%	45.8%
	(0.736)	(-0.472)	(-0.792)	(3.289)	(-0.644)	(0.793)		4.01%				
TrES_RI_25SBM	0.052	0.008	-0.055	0.193***	0.011	-0.087	50.9%		205	0.000	4.2%	95.8%
	(1.392)	(0.273)	(-0.199)	(3.459)	(0.721)	(-0.404)		3.94%				
BP_HDZ	0.002	1.044	0.216	0.282***	0.162	-0.047	56.8%		205	0.962	26.4%	19.4%
	(0.045)	(1.136)	(0.262)	(3.623)	(0.487)	(-0.217)		3.81%				
TPDPS_EP	0.029	0.074	-0.016	0.227***	0.037	-0.121	55.6%		205	0.000	20.8%	79.2%
	(1.259)	(1.828)	(-0.047)	(4.252)	(0.472)	(-0.589)		3.81%				
CAPM_Factor	1.922	-129.402	-0.016	0.185**	144.443	0.328	55.6%		205	0.565	2.8%	9.7%
	(0.578)	(-0.574)	(-0.025)	(2.858)	(0.766)	(0.928)		3.66%				
PEG_Anlst	0.022	0.225	-0.137	0.264***	0.618	0.069	54%		205	0.019	2.8%	31.9%
	(0.702)	(0.697)	(-0.289)	(3.818)	(1.038)	(0.266)		3.62%				
BP_Anlst	0.019	0.52*	-0.243	0.26***	0.224	-0.033	56.5%		205	0.061	25.0%	22.2%
	(0.954)	(2.058)	(-0.721)	(4.728)	(0.691)	(-0.183)		3.40%				
WNG_RW	0.042	-0.010	-0.133	0.206***	0.036	0.574	52.5%		205	0.000	4.2%	94.4%
	(1.447)	(-0.629)	(-0.454)	(3.771)	(0.479)	(0.767)		3.34%				

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Table 90 : Capturing Subsequent Return: Low Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
GLS_RW	-0.026	0.039	-0.365	0.215***	0.941	0.013	52.8%		205	0.000	1.4%	43.1%
	(-0.166)	(0.157)	(-0.897)	(3.751)	(1.131)	(0.063)		3.32%				
MPEG_EP	0.021	0.098	-0.263	0.233**	0.486	-0.157	54.6%		205	0.000	3.0%	77.3%
	(0.597)	(1.038)	(-0.508)	(2.632)	(0.975)	(-0.386)		3.32%				
DKL_HDZ	0.017	0.224	-0.222	0.227*	1.338	0.235	55.9%		205	0.118	8.3%	23.6%
	(0.324)	(0.458)	(-0.629)	(2.540)	(1.276)	(0.665)		3.24%				
GM_RI	0.019	0.156	-0.391	0.265***	-0.431	-0.134	56.9%		205	0.014	9.7%	62.5%
	(0.533)	(0.463)	(-0.608)	(3.277)	(-0.397)	(-0.323)		3.10%				
TrES_RW_10Ind	0.024	0.082	0.139	0.229***	-0.057	0.037	53.8%		205	0.000	8.3%	66.7%
	(0.978)	(0.838)	(0.423)	(3.365)	(-0.491)	(0.268)		3.06%				
MPEG_RI	-0.014	0.187	-0.394	0.321*	-1.173	-0.030	57.2%		205	0.000	11.1%	62.5%
	(-0.272)	(1.002)	(-0.578)	(2.405)	(-0.497)	(-0.051)		2.79%				
PE_HDZ	0.027	0.262	-0.378	0.216***	0.913	0.047	54.6%		205	0.070	16.7%	29.2%
	(0.782)	(0.652)	(-1.061)	(3.999)	(0.872)	(0.283)		2.78%				
TPDPS_RW	0.030	0.065	-0.034	0.21***	0.017	0.117	57.2%		205	0.000	16.7%	77.8%
	(1.461)	(1.656)	(-0.110)	(3.616)	(0.165)	(0.592)		2.45%				
KMY_HDZ	0.035	0.106	-0.151	0.215***	1.493	0.189	55.8%		205	0.139	6.9%	23.6%
	(0.652)	(0.178)	(-0.488)	(3.548)	(1.198)	(0.520)		2.19%				
HL_HDZ	0.034	0.180	-0.062	0.184*	1.002	0.047	55.2%		205	0.031	5.6%	29.2%

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Table 90 : Capturing Subsequent Return: Low Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
	(0.803)	(0.484)	(-0.185)	(2.318)	(1.014)	(0.131)		2.19%				
PE_EP	0.055	0.075	0.235	0.302*	0.820	0.097	54.9%		205	0.000	5.6%	68.1%
	(0.919)	(0.353)	(0.268)	(2.508)	(1.268)	(0.455)		2.13%				
TrETSS_RI_25SBM	0.054*	-0.042	-0.164	0.2**	0.015	-0.054	50.7%		205	0.000	2.8%	80.6%
	(2.515)	(-0.729)	(-0.510)	(2.784)	(0.178)	(-0.392)		2.03%				
PE_RW	0.018	0.053	-0.185	0.230	0.238	-0.178	54.2%		205	0.000	5.8%	62.3%
	(0.268)	(0.407)	(-0.312)	(1.393)	(0.788)	(-0.281)		2.00%				
TPDPS_RI	0.030	0.078*	0.054	0.219***	0.051	0.065	54.8%		205	0.000	22.2%	77.8%
	(1.517)	(2.162)	(0.186)	(4.459)	(0.840)	(0.328)		1.91%				
GM_EP	0.017	0.128	-0.195	0.235*	0.664	-0.242	55.3%		205	0.000	4.5%	74.2%
	(0.489)	(0.948)	(-0.375)	(2.320)	(0.819)	(-0.536)		1.84%				
TrES_Anlst _25SBM	0.046*	0.017	-0.256	0.123	0.003	-0.008	48.8%		205	0.000	4.2%	84.7%
	(2.323)	(0.488)	(-0.788)	(1.355)	(0.072)	(-0.042)		1.82%				
FGHJ_EP	0.066	-0.108	-0.431	0.205	0.458	-0.277	55%		205	0.000	5.9%	72.1%
	(1.382)	(-0.664)	(-0.624)	(1.254)	(0.820)	(-0.665)		1.48%				
PEG_EP	0.074	-0.047	-0.364	0.216*	0.464	0.120	54.7%		205	0.000	6.5%	91.9%
	(1.548)	(-0.449)	(-0.777)	(2.576)	(0.806)	(0.270)		1.35%				
FPM_Anlst	0.114	-0.831	-0.766	0.242	-1.476	0.029	54.5%		205	0.388	8.3%	8.3%
	(0.595)	(-0.394)	(-0.454)	(1.938)	(-0.312)	(0.046)		1.33%				

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Table 90 : Capturing Subsequent Return: Low Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
PE_RI	0.046*	-0.084	-0.361	0.256**	0.843	-0.010	56.1%		205	0.000	4.2%	69.4%
	(1.993)	(-0.431)	(-0.680)	(3.061)	(1.555)	(-0.061)		1.29%				
Carhart_Factor	0.047*	-0.056	-0.292	0.2***	-2.727	-0.044	51.4%		205	0.005	4.2%	15.3%
	(2.352)	(-0.155)	(-0.743)	(3.762)	(-0.357)	(-0.238)		1.14%				
GM_RW	0.062	-0.039	0.115	0.24***	2.408	0.318	53.8%		205	0.000	4.3%	57.1%
	(1.704)	(-0.145)	(0.281)	(3.638)	(0.634)	(0.992)		1.13%				
TrETSS_EP_25SBM	0.056	-0.037	-0.250	0.273*	0.042	0.193	50.9%		205	0.000	6.9%	84.7%
	(1.661)	(-0.611)	(-0.798)	(2.500)	(0.485)	(0.809)		1.07%				
PE_Anlst	0.017	0.448	0.532	0.159	1.138	0.766	54%		205	0.328	15.3%	12.5%
	(0.300)	(0.797)	(0.571)	(0.915)	(0.878)	(0.628)		1.04%				
GG_RW	0.074	-0.194	-1.012	0.262	1.263	-0.364	53.6%		205	0.000	5.3%	47.4%
	(1.470)	(-0.808)	(-0.723)	(1.109)	(1.240)	(-0.513)		0.87%				
BP_RW	0.021	0.202	-0.197	0.341*	0.253	-0.077	53%		205	0.002	20.6%	27.9%
	(0.853)	(0.799)	(-0.367)	(2.445)	(0.977)	(-0.274)		0.81%				
CT_RW	-0.001	-0.021	-2.674	0.592	0.258	-1.473	53.1%		205	0.002	4.8%	54.0%
	(-0.013)	(-0.065)	(-0.516)	(0.873)	(0.319)	(-0.449)		0.67%				
GLS_EP	0.100	-0.245	-0.381	0.188	0.611	-0.126	54.3%		205	0.000	4.4%	72.1%
	(1.830)	(-0.900)	(-0.651)	(1.179)	(0.568)	(-0.386)		0.54%				
WNG_Anlst	0.018	0.209	-0.015	0.258***	-0.294	0.042	52.8%		205	0.006	1.4%	62.5%

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Table 90 : Capturing Subsequent Return: Low Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
	(0.564)	(0.743)	(-0.051)	(3.275)	(-0.319)	(0.299)		0.52%				
5FF_Factor	-0.058	-0.317	-1.145	0.159	3.558	-1.491	50.3%		205	0.094	2.8%	12.5%
	(-0.274)	(-0.409)	(-0.610)	(0.928)	(0.497)	(-0.480)		0.40%				
FPM_HDZ	0.041	0.064	0.014	0.120	-1.493	-0.567	52.6%		205	0.009	8.3%	12.5%
	(0.878)	(0.182)	(0.032)	(0.631)	(-0.377)	(-0.596)		0.29%				
BP_RI	0.033	0.288	-0.043	0.178	0.196	0.034	52.3%		205	0.001	23.9%	15.5%
	(1.095)	(1.381)	(-0.141)	(1.322)	(0.837)	(0.135)		0.25%				
GLS_RI	0.030	0.120	0.089	0.232	0.520	0.011	53%		205	0.001	2.9%	67.6%
	(0.625)	(0.455)	(0.138)	(1.851)	(0.600)	(0.027)		0.25%				
GG_HDZ	0.068	-0.432	-0.259	0.242***	2.771	0.253	54.2%		205	0.346	8.3%	26.4%
	(0.660)	(-0.286)	(-0.681)	(3.391)	(0.836)	(0.364)		0.24%				
TrES_EP_10Ind	0.025	-0.015	-0.557	0.239***	-0.152	0.192	52%		205	0.000	2.8%	81.9%
	(1.142)	(-0.315)	(-0.430)	(3.191)	(-1.146)	(0.592)		0.22%				
GG_EP	0.052	-0.102	-1.151	0.271	0.269	-0.656	52.7%		205	0.000	0.0%	54.4%
	(1.225)	(-0.362)	(-0.577)	(0.971)	(0.357)	(-0.635)		0.21%				
GG_RI	0.061	-0.418	-0.351	0.199	2.921	0.010	52.8%		205	0.009	0.0%	39.7%
	(1.490)	(-0.789)	(-0.610)	(1.314)	(0.759)	(0.024)		0.17%				
PEG_RI	0.037	0.021	-0.533	0.244***	0.201	-0.228	53.8%		205	0.000	9.4%	85.9%
	(1.175)	(0.212)	(-1.025)	(3.903)	(0.261)	(-0.644)		0.04%				

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Table 90 : Capturing Subsequent Return: Low Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
TrES_Anlst _10Ind	0.010	0.054	-0.315	0.199***	-0.278	-0.021	50%		205	0.000	11.1%	66.7%
	(0.231)	(0.502)	(-0.408)	(3.149)	(-0.762)	(-0.109)		-0.18%				
HL_RW	-0.119	0.520	-0.777	0.254**	1.317	-0.170	51.2%		205	0.520	4.2%	51.4%
	(-0.492)	(0.699)	(-0.959)	(2.713)	(0.496)	(-0.404)		-0.24%				
FGHJ_RI	0.055	-0.042	-0.443	0.236*	0.726	0.221	51.5%		205	0.000	4.4%	66.2%
	(1.371)	(-0.157)	(-0.591)	(2.153)	(0.589)	(0.469)		-0.32%				
TrETSS_Anlst _25SBM	0.038	-0.033	-0.261	0.224***	0.006	0.011	50.7%		205	0.000	1.4%	58.3%
	(1.768)	(-0.379)	(-0.928)	(4.032)	(0.066)	(0.084)		-0.32%				
DKL_RW	-2.397	5.439	-1.097	-0.047	63.739	-0.007	51.3%		205	0.647	2.8%	44.4%
	(-0.566)	(0.563)	(-0.720)	(-0.092)	(0.489)	(-0.006)		-0.41%				
PEG_RW	0.081	-0.073	-0.387	0.208**	-0.094	0.412	53.7%		205	0.000	4.3%	100.0%
	(1.423)	(-0.674)	(-0.415)	(3.038)	(-0.082)	(0.614)		-0.50%				
FGHJ_RW	0.036	0.102	-1.159	0.345	0.496	-0.359	49.2%		205	0.000	1.5%	39.7%
	(1.421)	(0.674)	(-0.750)	(1.704)	(1.326)	(-0.407)		-0.54%				
KMY_RW	-0.117	0.493	-0.733	0.254**	1.432	-0.185	51.4%		205	0.498	4.2%	45.8%
	(-0.486)	(0.664)	(-0.933)	(2.706)	(0.539)	(-0.438)		-0.62%				
TrETSS_HDZ_10Ind	0.038	0.107	-0.296	0.239***	-0.095	0.050	49.3%		205	0.000	2.8%	55.6%
	(1.780)	(0.970)	(-0.977)	(4.564)	(-0.308)	(0.361)		-0.67%				
PEG_HDZ	0.020	0.156	0.037	0.204***	1.399	-0.080	51.4%		205	0.000	2.8%	48.6%

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Table 90 : Capturing Subsequent Return: Low Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% $\%\beta_{ICC}^{CS}$ = 1
	(0.673)	(0.776)	(0.131)	(3.280)	(1.267)	(-0.286)		-1.15%				
TrES_EP_25SBM	0.052*	-0.026	-0.050	0.169***	0.020	-0.009	44.6%		205	0.000	0.0%	94.4%
	(2.179)	(-1.016)	(-0.221)	(4.020)	(0.951)	(-0.094)		-1.17%				
FPM_RI	0.059	-0.010	-0.304	0.187***	0.324	0.187	51.1%		205	0.000	5.6%	55.6%
	(1.690)	(-0.051)	(-0.436)	(3.858)	(0.709)	(0.754)		-1.34%				
TrES_HDZ_10Ind	0.043	0.016	-0.243	0.221*	-0.060	0.161	47.6%		205	0.000	9.7%	79.2%
	(1.487)	(0.389)	(-1.017)	(2.487)	(-0.772)	(0.649)		-1.73%				
FPM_RW	-0.373	0.116	0.001	0.236***	0.717	0.061	51.7%		205	0.002	4.2%	51.4%
	(-0.329)	(0.427)	(0.002)	(3.272)	(1.782)	(0.219)		-1.76%				
TrOHE_25SBM	0.025	0.113	-0.090	0.196**	-0.038	-0.226	47.5%		205	0.000	2.8%	56.9%
	(0.563)	(0.659)	(-0.337)	(2.886)	(-0.414)	(-0.373)		-1.86%				
MPEG_HDZ	0.017	0.357	-0.112	0.193**	0.747	0.239	49.8%		205	0.072	0.0%	44.4%
	(0.641)	(1.016)	(-0.343)	(2.886)	(1.086)	(0.759)		-2.19%				
CT_HDZ	-0.349	4.297	-1.647	-0.320	1.811	0.114	51.2%		205	0.657	6.9%	29.2%
	(-0.521)	(0.582)	(-0.609)	(-0.307)	(1.040)	(0.319)		-2.50%				
MPEG_RW	0.035	0.261	-0.211	0.18*	1.011	0.105	48.5%		205	0.023	1.4%	66.2%
	(0.347)	(0.820)	(-0.451)	(2.520)	(0.778)	(0.312)		-2.54%				
WNG_EP	0.036	0.033	-0.143	0.23***	-0.057	0.007	49.6%		205	0.000	5.6%	87.5%
	(1.663)	(0.594)	(-0.280)	(3.533)	(-0.559)	(0.046)		-2.64%				

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Table 90 : Capturing Subsequent Return: Low Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
TrETSS_EP_10Ind	0.043	0.058	-0.055	0.256*	-0.139	0.012	49.7%		205	0.000	4.2%	66.7%
	(1.189)	(0.636)	(-0.238)	(2.403)	(-0.722)	(0.069)		-2.69%				
WNG_HDZ	0.028	-0.032	-0.492	0.227***	-0.132	0.150	47%		205	0.000	1.4%	93.1%
	(1.635)	(-0.922)	(-0.852)	(3.657)	(-0.150)	(0.356)		-2.70%				
TrOHE_10Ind	0.066	-0.128	0.208	0.238***	0.769	0.078	48.2%		205	0.047	6.9%	18.1%
	(1.455)	(-0.231)	(0.603)	(4.057)	(0.494)	(0.433)		-3.03%				
TrETSS_HDZ_25SBM	0.044*	0.037	-0.027	0.201***	-0.028	-0.085	47.3%		205	0.000	2.8%	72.2%
	(2.289)	(0.371)	(-0.112)	(4.648)	(-0.231)	(-0.864)		-3.09%				
KMY_RI	0.053	-0.003	-0.221	0.218***	0.350	0.121	46.2%		205	0.000	1.4%	50.0%
	(1.736)	(-0.017)	(-0.488)	(4.016)	(1.010)	(0.480)		-3.12%				
CT_RI	0.063	-0.064	-0.371	0.185	0.104	-0.094	48.8%		205	0.000	7.0%	71.8%
	(1.709)	(-0.680)	(-0.462)	(1.031)	(0.201)	(-0.243)		-3.20%				
TrETSS_RW_25SBM	0.063**	0.039	-0.493	0.214**	-0.234	-0.152	43%		205	0.000	6.9%	86.1%
	(2.846)	(0.754)	(-0.829)	(2.939)	(-0.490)	(-0.432)		-3.57%				
GM_HDZ	0.030	0.102	-0.330	0.22*	0.462	-0.034	48.8%		205	0.003	2.8%	33.3%
	(1.041)	(0.357)	(-0.756)	(2.529)	(0.403)	(-0.101)		-3.72%				
KMY_EP	0.081	-0.048	-1.032	0.276	0.738	-0.268	49.3%		205	0.000	4.2%	46.5%
	(1.166)	(-0.244)	(-0.623)	(1.075)	(1.036)	(-0.237)		-3.84%				
CT_EP	0.089	0.626	9.549	-1.017	0.127	6.185	48.5%		205	0.748	9.9%	59.2%

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Table 90 : Capturing Subsequent Return: Low Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(0.782)	(0.538)	(0.510)	(-0.423)	(0.179)	(0.522)		-3.85%				
FPM_EP	0.000	0.187	-0.179	0.233***	0.041	-0.078	49.2%		205	0.011	6.9%	48.6%
	(0.001)	(0.604)	(-0.606)	(3.865)	(0.097)	(-0.421)		-3.89%				
DKL_EP	0.053	-0.010	-1.118	0.230	0.881	-0.622	47.5%		205	0.000	5.6%	59.2%
	(1.197)	(-0.065)	(-0.774)	(0.908)	(0.906)	(-0.751)		-4.12%				
TrETSS_RI_10Ind	0.022	0.000	-0.213	0.222***	0.060	0.203	47.7%		205	0.000	1.4%	63.9%
	(0.711)	(0.003)	(-0.814)	(4.194)	(0.324)	(0.688)		-4.35%				
HL_EP	0.045	0.014	-1.046	0.246	0.393	-0.544	47.8%		205	0.000	5.6%	59.2%
	(1.075)	(0.095)	(-0.728)	(0.979)	(0.821)	(-0.667)		-4.46%				
WNG_RI	0.044	-0.002	-0.293	0.175***	-0.013	0.438	47.2%		205	0.000	1.4%	88.7%
	(1.651)	(-0.047)	(-0.765)	(3.824)	(-0.079)	(0.535)		-5.76%				
TrES_HDZ_25SBM	0.041*	0.003	0.133	0.176***	-0.004	-0.037	42.6%		205	0.000	1.4%	84.7%
	(2.194)	(0.085)	(0.384)	(3.583)	(-0.089)	(-0.418)		-6.65%				
TrES_RW_25SBM	0.042*	-0.001	-0.020	0.216*	0.017	0.065	39.9%		205	0.000	1.4%	84.7%
	(1.969)	(-0.031)	(-0.062)	(2.219)	(0.335)	(0.429)		-6.72%				

For the lowest quartile of firms in terms of market beta standard error (as proxy for company specific risk), this table reports average monthly regression coefficients of one year subsequent return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 91 : Capturing Subsequent Return: High Beta Standard Error Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
Naive	0.012	0.179***	0.336*	0.489***	0.038	-0.028	66.3%		205	0.000	52.5%	95.0%
	(1.306)	(6.738)	(1.993)	(16.024)	(1.044)	(-0.391)		6.27%				
TPDPS_Anlst	0.009	0.173***	0.321	0.491***	0.041	-0.032	66.2%		205	0.000	52.5%	94.5%
	(0.953)	(6.814)	(1.951)	(16.666)	(1.143)	(-0.453)		6.13%				
TPDPS_HDZ	0.008	0.166***	0.286	0.489***	0.039	-0.028	66%		205	0.000	54.0%	94.5%
	(0.905)	(6.820)	(1.777)	(17.129)	(1.092)	(-0.397)		5.86%				
BP_Anlst	0.013	1.044***	0.631***	0.474***	0.441	-0.258	65%		205	0.740	56.0%	43.5%
	(1.088)	(7.870)	(3.607)	(18.507)	(1.509)	(-2.087)		5.46%				
BP_HDZ	-0.003	1.091***	0.232	0.48***	0.275	-0.019	64.8%		205	0.529	56.5%	39.0%
	(-0.278)	(7.545)	(1.427)	(17.708)	(1.332)	(-0.231)		5.14%				
TPDPS_RW	0.021*	0.094***	0.110	0.496***	0.054	-0.071	64.4%		205	0.000	43.5%	96.0%
	(2.231)	(4.264)	(0.770)	(21.452)	(1.394)	(-0.576)		4.69%				
TPDPS_EP	0.015	0.115***	0.259	0.481***	0.014	-0.078	64.5%		205	0.000	49.0%	95.5%
	(1.461)	(4.776)	(1.371)	(15.460)	(0.392)	(-0.992)		4.39%				
TPDPS_RI	0.016	0.114***	0.248	0.474***	0.032	-0.079	63.8%		205	0.000	47.0%	95.0%
	(1.622)	(4.566)	(1.354)	(15.563)	(0.849)	(-1.051)		3.74%				
BP_RW	0.02*	0.85***	0.272	0.469***	0.268	-0.035	62.8%		205	0.337	43.5%	47.5%
	(1.983)	(5.439)	(1.537)	(16.332)	(1.199)	(-0.428)		3.43%				

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Table 91 : Capturing Subsequent Return: High Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
PE_Anlst	-0.015	1.197***	0.89***	0.461***	-1.840	-0.223	62.8%		205	0.205	50.0%	38.5%
	(-1.293)	(7.730)	(3.308)	(16.883)	(-0.742)	(-1.366)		3.18%				
BP_RI	0.003	0.846***	0.123	0.466***	0.331	-0.019	62.6%		205	0.322	49.5%	51.5%
	(0.282)	(5.473)	(0.751)	(16.659)	(1.624)	(-0.233)		3.16%				
BP_EP	0.002	0.8***	0.054	0.463***	0.276	-0.039	62.7%		205	0.176	47.5%	51.5%
	(0.197)	(5.430)	(0.313)	(16.396)	(1.349)	(-0.468)		3.11%				
CT_Anlst	0.015	-0.172	-0.064	0.441***	1.037*	-0.276	61.7%		205	0.168	33.5%	39.0%
	(0.416)	(-0.203)	(-0.200)	(8.820)	(2.209)	(-0.882)		2.25%				
FPM_Anlst	-0.054	1.275	0.510	0.45***	0.370	-0.109	60.8%		205	0.673	24.5%	28.0%
	(-1.423)	(1.959)	(1.216)	(11.713)	(0.580)	(-0.535)		1.81%				
PE_RI	0.044***	-0.151	-0.016	0.47***	1.73*	-0.138	60.5%		205	0.000	24.0%	72.0%
	(3.746)	(-0.732)	(-0.044)	(13.083)	(2.109)	(-1.493)		1.59%				
TrES_RW_25SBM	0.046***	-0.586	-0.049	0.464***	0.989	-0.068	59.9%		205	0.514	8.0%	81.0%
	(4.495)	(-0.242)	(-0.337)	(15.740)	(0.695)	(-0.603)		1.52%				
FGHJ_Anlst	0.002	0.245	-0.080	0.478***	2.177***	0.059	61.5%		205	0.004	19.0%	36.5%
	(0.080)	(0.952)	(-0.477)	(18.964)	(3.198)	(0.687)		1.46%				
TrES_RI_10Ind	0.047**	-0.019	-0.014	0.442***	-0.015	-0.190	60%		205	0.000	16.5%	97.5%
	(2.841)	(-0.915)	(-0.148)	(17.378)	(-0.445)	(-1.748)		1.42%				
GLS_Anlst	0.007	0.261	-0.026	0.475***	1.886***	0.024	61.5%		205	0.002	19.0%	40.5%

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Table 91 : Capturing Subsequent Return: High Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(0.322)	(1.099)	(-0.166)	(18.774)	(3.306)	(0.272)		1.38%				
DKL_Anlst	-0.004	0.413*	0.198	0.48***	0.853	-0.021	61.2%		205	0.001	27.5%	29.0%
	(-0.203)	(2.468)	(1.661)	(20.058)	(1.704)	(-0.218)		1.35%				
MPEG_Anlst	0.017	0.233*	0.071	0.465***	0.246	-0.111	60.3%		205	0.000	22.0%	52.0%
	(1.174)	(2.187)	(0.635)	(19.790)	(0.978)	(-1.009)		1.29%				
HL_Anlst	-0.006	0.499	0.269	0.461***	0.777*	-0.163	61%		205	0.057	25.0%	38.5%
	(-0.220)	(1.910)	(1.808)	(18.878)	(2.294)	(-1.207)		1.28%				
PE_HDZ	0.018	0.415**	0.026	0.484***	1.244*	-0.134	61%		205	0.000	25.0%	62.5%
	(1.670)	(2.999)	(0.212)	(19.853)	(2.061)	(-1.768)		1.27%				
GM_HDZ	0.026	0.245	0.046	0.466***	0.722	-0.171	60.7%		205	0.000	20.0%	68.0%
	(1.376)	(1.743)	(0.233)	(15.767)	(1.217)	(-1.636)		1.24%				
GM_Anlst	-0.033	0.739	0.356	0.404***	0.600	-0.550	60.5%		205	0.595	25.5%	43.5%
	(-0.682)	(1.513)	(1.489)	(5.148)	(1.628)	(-1.070)		1.23%				
GM_RW	0.020	0.062**	-0.027	0.47***	0.777***	-0.048	60%		205	0.000	8.3%	90.2%
	(1.841)	(2.686)	(-0.193)	(17.509)	(3.762)	(-0.702)		1.01%				
KMY_Anlst	-0.017	0.360	0.159	0.451***	0.592*	-0.253	59.9%		205	0.017	20.0%	55.0%
	(-0.615)	(1.351)	(1.082)	(18.263)	(2.172)	(-1.941)		1.00%				
MPEG_HDZ	0.020	0.248*	0.046	0.472***	0.614	-0.143	60.3%		205	0.000	15.0%	68.0%
	(1.134)	(2.348)	(0.262)	(16.466)	(1.342)	(-1.542)		0.99%				

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Table 91 : Capturing Subsequent Return: High Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% $\%\beta_{ICC}^{CS}=1$
TrES_Anlst _10Ind	0.042***	-0.004	0.096	0.475***	0.046	-0.124	59.6%		205	0.000	13.5%	95.0%
	(4.145)	(-0.278)	(0.922)	(17.109)	(1.766)	(-1.686)		0.91%				
GG_Anlst	0.022	-0.030	-0.473	0.504***	1.830	0.074	59.4%		205	0.000	14.1%	70.7%
	(1.121)	(-0.201)	(-0.838)	(13.985)	(1.150)	(0.353)		0.89%				
GM_RI	0.013	0.223*	-0.227	0.5***	-0.622	0.189	60.1%		205	0.000	16.8%	70.6%
	(0.695)	(2.134)	(-1.057)	(15.170)	(-0.351)	(0.873)		0.87%				
PEG_Anlst	0.028*	0.120	0.041	0.456***	0.237	-0.056	59.7%		205	0.000	9.0%	58.0%
	(2.264)	(1.255)	(0.370)	(20.100)	(0.779)	(-0.510)		0.85%				
MPEG_EP	0.029*	0.061	0.082	0.473***	0.116	-0.417	59.7%		205	0.000	13.5%	85.5%
	(2.474)	(0.734)	(0.591)	(18.691)	(0.258)	(-1.843)		0.83%				
FPM_HDZ	0.004	0.391**	-0.188	0.472***	0.236	-0.110	59.9%		205	0.000	12.0%	55.5%
	(0.234)	(2.745)	(-1.457)	(19.999)	(0.754)	(-2.019)		0.81%				
HL_HDZ	0.014	0.308*	0.055	0.473***	1.354*	-0.189	60.3%		205	0.000	19.0%	65.0%
	(0.847)	(2.295)	(0.380)	(18.883)	(2.338)	(-1.855)		0.79%				
TrETSS_EP_25SBM	0.056***	0.007	0.067	0.463***	0.000	-0.093	58.7%		205	0.000	7.5%	98.5%
	(4.683)	(1.193)	(0.464)	(18.229)	(0.059)	(-1.483)		0.76%				
TrES_HDZ_25SBM	0.055***	0.031	-0.089	0.442***	0.012	-0.175	59.9%		205	0.000	6.5%	98.0%
	(4.916)	(1.422)	(-0.329)	(14.959)	(0.449)	(-1.695)		0.75%				
KMY_HDZ	0.014	0.348***	0.042	0.477***	1.952***	-0.205	60.4%		205	0.000	19.5%	62.5%

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Table 91 : Capturing Subsequent Return: High Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(1.210)	(3.503)	(0.329)	(18.764)	(3.570)	(-1.590)		0.68%				
FGHJ_HDZ	0.011	0.269**	-0.091	0.491***	2.254***	-0.061	60.8%		205	0.000	19.5%	63.5%
	(0.748)	(2.644)	(-0.645)	(16.254)	(3.238)	(-1.016)		0.66%				
DKL_HDZ	0.011	0.356*	0.051	0.48***	1.777**	-0.216	59.9%		205	0.000	18.0%	62.0%
	(0.714)	(2.539)	(0.370)	(18.895)	(2.897)	(-1.626)		0.65%				
MPEG_RW	0.024*	0.097**	-0.075	0.474***	0.765***	-0.066	59.5%		205	0.000	10.6%	91.0%
	(2.173)	(2.944)	(-0.542)	(17.795)	(4.409)	(-0.915)		0.64%				
TrES_RW_10Ind	0.042**	3.919	0.010	0.487***	13.653	-0.135	58.9%		205	0.305	12.5%	75.0%
	(2.825)	(1.381)	(0.031)	(15.468)	(1.340)	(-0.709)		0.64%				
GLS_HDZ	0.014	0.261**	-0.130	0.492***	2.181***	-0.068	60.7%		205	0.000	17.5%	63.5%
	(1.053)	(2.710)	(-0.789)	(15.316)	(3.313)	(-1.105)		0.63%				
TrETSS_Anlst _25SBM	0.058***	-0.061	-0.032	0.479***	0.046	-0.095	58.7%		205	0.000	4.5%	89.5%
	(5.850)	(-1.164)	(-0.239)	(16.986)	(0.999)	(-0.883)		0.59%				
HL_RW	0.076*	-0.020	0.113	0.48***	0.213	0.073	58.4%		205	0.000	7.5%	84.5%
	(2.264)	(-0.464)	(0.650)	(16.407)	(0.874)	(0.535)		0.57%				
CT_HDZ	0.022	0.282***	0.076	0.477***	2.114	-0.230	59.8%		205	0.000	20.5%	67.5%
	(1.934)	(3.532)	(0.557)	(19.042)	(1.577)	(-1.696)		0.57%				
KMY_RW	0.073*	-0.007	0.114	0.479***	0.259	0.073	58.4%		205	0.000	8.5%	81.0%
	(2.193)	(-0.155)	(0.656)	(16.390)	(1.053)	(0.538)		0.55%				

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Table 91 : Capturing Subsequent Return: High Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
GM_EP	0.013	0.082	-0.307	0.493***	1.055	-0.158	59.2%		205	0.000	12.0%	80.5%
	(0.676)	(1.943)	(-0.932)	(13.865)	(1.333)	(-1.042)		0.54%				
DKL_EP	0.014	0.122***	-0.116	0.487***	0.522	0.010	58.2%		205	0.000	20.5%	73.5%
	(1.325)	(3.603)	(-0.925)	(17.421)	(1.845)	(0.152)		0.52%				
TrETSS_RW_25SBM	0.047***	0.012	0.057	0.473***	-0.003	-0.118	59.5%		205	0.000	8.5%	97.5%
	(3.752)	(1.461)	(0.232)	(13.554)	(-0.327)	(-1.577)		0.50%				
DKL_RW	0.062	0.019	0.080	0.481***	0.422	0.069	58.1%		205	0.000	6.5%	81.5%
	(1.853)	(0.393)	(0.451)	(15.925)	(1.533)	(0.514)		0.49%				
GLS_EP	0.017	0.135	-0.265	0.501***	5.149	0.043	59.8%		205	0.000	13.5%	65.0%
	(1.412)	(1.066)	(-1.480)	(16.099)	(1.429)	(0.435)		0.46%				
MPEG_RI	0.011	0.182*	-0.198	0.505***	-1.950	0.064	59.7%		205	0.000	20.6%	74.4%
	(0.659)	(2.115)	(-0.969)	(16.408)	(-0.547)	(0.568)		0.45%				
TrOHE_10Ind	0.05*	0.044	0.294	0.442***	1.041	-0.238	58.5%		205	0.000	10.5%	60.0%
	(1.975)	(0.173)	(0.518)	(9.167)	(1.338)	(-1.327)		0.43%				
PEG_EP	0.031***	0.071	-0.017	0.487***	0.490	0.003	59.1%		205	0.000	12.1%	100.0%
	(3.095)	(1.798)	(-0.103)	(15.234)	(1.105)	(0.021)		0.42%				
CAPM_Factor	0.154	-9.125	0.013	0.468***	5.464	0.254	59.9%		205	0.217	15.0%	23.5%
	(1.345)	(-1.117)	(0.070)	(13.624)	(0.334)	(1.364)		0.42%				
PEG_RI	0.042***	-0.056	0.265	0.455***	0.150	-0.318	58.9%		205	0.000	16.4%	100.0%

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Table 91 : Capturing Subsequent Return: High Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(3.379)	(-0.481)	(0.754)	(10.418)	(0.632)	(-1.168)		0.36%				
PEG_HDZ	0.030	0.155	-0.063	0.492***	0.901	-0.057	59.7%		205	0.000	10.5%	67.5%
	(1.559)	(1.333)	(-0.301)	(12.356)	(1.650)	(-0.473)		0.36%				
FGHJ_RW	0.031***	0.027	0.007	0.476***	0.097	-0.096	58.3%		205	0.000	9.4%	84.8%
	(3.230)	(0.271)	(0.061)	(19.841)	(0.198)	(-1.601)		0.34%				
CT_EP	0.018	0.048	-0.269	0.476***	0.581	0.023	58.3%		205	0.000	14.0%	85.0%
	(0.838)	(0.480)	(-1.041)	(14.457)	(1.488)	(0.267)		0.34%				
TrES_Anlst _25SBM	0.045***	0.001	0.089	0.471***	-0.005	-0.069	59.1%		205	0.000	5.5%	98.0%
	(4.709)	(0.083)	(0.396)	(16.983)	(-0.453)	(-0.845)		0.32%				
FGHJ_EP	0.029*	0.046	-0.221	0.496***	3.179**	0.041	59.5%		205	0.000	15.5%	71.5%
	(2.060)	(0.288)	(-1.312)	(16.165)	(2.912)	(0.414)		0.30%				
TrETSS_Anlst _10Ind	0.057***	0.098	0.363	0.442***	0.032	-0.355	58.7%		205	0.000	5.5%	76.5%
	(3.942)	(0.656)	(0.834)	(11.936)	(0.214)	(-1.363)		0.30%				
GG_EP	0.013	-2.145	-0.194	0.499***	1.133	-0.011	58.9%		205	0.234	19.6%	64.0%
	(1.196)	(-0.815)	(-1.020)	(14.663)	(0.516)	(-0.091)		0.26%				
PEG_RW	0.054***	-0.001	0.045	0.472***	0.526*	-0.029	58.8%		205	0.000	13.7%	100.0%
	(3.319)	(-0.024)	(0.222)	(13.938)	(2.318)	(-0.236)		0.25%				
FGHJ_RI	0.046***	-0.118	-0.134	0.479***	-7.008	-0.106	59.5%		205	0.000	13.0%	71.0%
	(4.069)	(-0.975)	(-1.144)	(20.561)	(-0.599)	(-1.753)		0.23%				

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Table 91 : Capturing Subsequent Return: High Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% %$\beta^{CS}_{ICC}=1$
KMY_EP	0.009	0.171**	-0.086	0.462***	0.322	-0.142	58.2%		205	0.000	21.0%	72.0%
	(0.927)	(3.025)	(-0.628)	(11.973)	(1.369)	(-0.654)		0.22%				
PE_EP	0.038***	-0.243	-0.136	0.51***	2.166**	-0.016	59.4%		205	0.006	18.5%	70.5%
	(3.380)	(-0.541)	(-0.756)	(13.376)	(2.949)	(-0.058)		0.21%				
FPM_EP	0.034***	0.020	0.052	0.441***	0.023	-0.157	58.6%		205	0.000	9.0%	95.5%
	(3.147)	(1.513)	(0.527)	(20.046)	(0.616)	(-1.971)		0.19%				
CT_RW	0.014	0.356	-0.081	0.491***	2.131	-0.211	58.9%		205	0.007	10.9%	72.4%
	(0.935)	(1.507)	(-0.545)	(17.549)	(1.122)	(-1.059)		0.16%				
3FF_Factor	0.039**	0.600	0.009	0.51***	-11.987	-0.204	59.1%		205	0.407	7.5%	25.5%
	(2.769)	(1.249)	(0.039)	(12.567)	(-0.720)	(-1.133)		0.16%				
HL_EP	0.019	0.084**	-0.129	0.491***	0.502	0.026	57.9%		205	0.000	15.5%	77.5%
	(1.904)	(2.975)	(-0.975)	(17.246)	(1.757)	(0.296)		0.15%				
TrES_EP_10Ind	0.037***	0.039	-0.909	0.429***	-0.458	-0.213	58.8%		205	0.000	12.5%	94.0%
	(3.149)	(1.000)	(-0.841)	(11.196)	(-0.836)	(-1.483)		0.13%				
GG_HDZ	0.023*	0.243**	0.107	0.464***	0.405	-0.148	59.7%		205	0.000	22.0%	61.0%
	(2.185)	(2.676)	(0.696)	(18.303)	(0.246)	(-0.920)		0.12%				
WNG_Anlst	0.05***	-0.005	0.285	0.445***	-0.829	-0.073	58.6%		205	0.000	3.0%	98.0%
	(5.007)	(-0.639)	(0.691)	(9.284)	(-1.305)	(-0.657)		0.12%				
TrETSS_EP_10Ind	0.033*	0.018	-0.110	0.494***	-0.030	-0.109	58.1%		205	0.000	4.0%	97.0%

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Table 91 : Capturing Subsequent Return: High Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(2.100)	(0.911)	(-0.798)	(14.148)	(-0.754)	(-0.642)		0.07%				
FPM_RW	0.042*	0.059***	-0.787	0.332*	0.038	-0.991	59.9%		205	0.000	9.5%	85.5%
	(2.203)	(3.090)	(-0.856)	(2.509)	(0.806)	(-0.937)		0.06%				
WNG_RW	0.046***	0.000	-0.074	0.467***	-0.015	0.001	58.2%		205	0.000	5.5%	99.0%
	(4.767)	(-1.567)	(-0.551)	(17.809)	(-0.638)	(0.002)		0.05%				
TrETSS_RI_25SBM	0.049***	0.009	-0.029	0.471***	-0.006	-0.171	58.3%		205	0.000	7.0%	97.5%
	(4.362)	(1.183)	(-0.213)	(18.714)	(-0.543)	(-1.924)		0.04%				
WNG_RI	0.047***	-0.004	-0.073	0.474***	0.121	-0.009	59.1%		205	0.000	5.5%	99.5%
	(5.008)	(-0.674)	(-0.527)	(15.800)	(1.410)	(-0.076)		0.04%				
TrES_EP_25SBM	0.036**	0.020	0.004	0.453***	-0.017	-0.065	58.7%		205	0.000	4.5%	98.0%
	(2.852)	(0.726)	(0.042)	(15.127)	(-0.649)	(-0.832)		0.02%				
WNG_EP	0.062***	0.000	-0.052	0.475***	-0.002	-0.149	58.5%		205	0.000	5.5%	99.0%
	(3.225)	(-0.867)	(-0.518)	(17.035)	(-0.145)	(-0.927)		-0.01%				
PE_RW	0.034***	0.098	-0.020	0.473***	-0.311	-0.050	59.3%		205	0.000	8.0%	89.9%
	(3.331)	(1.786)	(-0.116)	(18.625)	(-1.396)	(-0.686)		-0.02%				
FPM_RI	0.048***	-0.010	0.077	0.466***	0.032	-0.169	59.3%		205	0.000	8.0%	84.5%
	(4.368)	(-0.238)	(0.679)	(18.540)	(0.603)	(-2.278)		-0.06%				
TrETSS_RI_10Ind	0.049***	-0.037	0.053	0.472***	0.076	-0.002	58%		205	0.000	5.0%	95.5%
	(5.128)	(-2.879)	(0.441)	(15.937)	(1.544)	(-0.021)		-0.06%				

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Table 91 : Capturing Subsequent Return: High Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
TrETSS_HDZ_25SBM	0.044***	0.006	-0.018	0.461***	-0.017	-0.080	58.3%		205	0.000	7.0%	89.5%
	(5.128)	(0.249)	(-0.209)	(20.374)	(-0.658)	(-1.258)		-0.06%				
TrES_RI_25SBM	0.053***	-0.011	0.009	0.484***	0.015	-0.114	58.2%		205	0.000	4.5%	98.0%
	(4.129)	(-1.724)	(0.088)	(12.570)	(1.213)	(-1.525)		-0.07%				
TrETSS_RW_10Ind	0.059***	-0.015	0.124	0.464***	0.023	-0.102	58%		205	0.000	5.5%	97.5%
	(4.503)	(-1.276)	(0.690)	(19.765)	(0.357)	(-1.657)		-0.08%				
TrOHE_25SBM	0.05***	-0.017	-0.007	0.475***	-0.014	-0.051	57.6%		205	0.000	6.5%	84.5%
	(5.433)	(-0.253)	(-0.066)	(11.192)	(-0.303)	(-0.461)		-0.12%				
KMY_RI	0.015	0.085	-0.040	0.475***	0.322	-0.006	58.4%		205	0.000	13.5%	70.5%
	(0.721)	(1.126)	(-0.281)	(17.266)	(0.949)	(-0.051)		-0.16%				
GLS_RI	0.038***	-0.022	-0.101	0.475***	-52.075	-0.075	59.4%		205	0.000	14.5%	70.0%
	(3.873)	(-0.225)	(-0.873)	(20.186)	(-0.858)	(-1.244)		-0.18%				
TrES_HDZ_10Ind	0.058***	-0.068	0.205	0.504***	-0.067	0.142	58.3%		205	0.000	13.0%	95.5%
	(3.203)	(-1.872)	(0.914)	(9.621)	(-1.154)	(0.414)		-0.21%				
Carhart_Factor	0.043***	-0.312	-0.113	0.471***	1.139	-0.012	58.2%		205	0.000	7.0%	45.5%
	(4.624)	(-2.163)	(-0.780)	(15.588)	(1.045)	(-0.094)		-0.24%				
5FF_Factor	0.047**	-0.738	0.072	0.429***	1.853	0.329	58.1%		205	0.055	10.5%	27.0%
	(2.728)	(-0.820)	(0.502)	(10.292)	(0.873)	(1.070)		-0.27%				
WNG_HDZ	0.043***	-0.001	0.196	0.49***	0.214	-0.087	58.3%		205	0.000	3.5%	99.0%

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Table 91 : Capturing Subsequent Return: High Beta Standard Error Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(3.693)	(-0.662)	(0.975)	(14.510)	(0.747)	(-1.024)		-0.29%				
CT_RI	0.024	0.056	0.008	0.46***	0.322	-0.055	58%		205	0.000	4.5%	84.5%
	(1.646)	(0.896)	(0.062)	(17.239)	(0.771)	(-0.455)		-0.29%				
GLS_RW	-0.067	0.176	0.249	0.471***	-0.074	-0.030	57.1%		205	0.003	2.5%	85.5%
	(-0.283)	(0.637)	(0.788)	(12.730)	(-0.151)	(-0.191)		-0.35%				
HL_RI	0.012	0.129	-0.007	0.466***	0.287	0.019	58%		205	0.000	10.0%	79.0%
	(0.598)	(1.257)	(-0.049)	(17.093)	(0.752)	(0.168)		-0.37%				
GG_RI	0.028**	0.041	-0.153	0.476***	-1.264	-0.126	57.8%		205	0.000	14.3%	67.7%
	(2.970)	(0.223)	(-0.854)	(18.473)	(-0.750)	(-1.285)		-0.42%				
GG_RW	0.022*	0.251**	0.078	0.463***	0.797	-0.140	58.9%		205	0.000	15.1%	69.4%
	(2.002)	(2.624)	(0.492)	(17.674)	(0.429)	(-0.840)		-0.45%				
DKL_RI	-0.001	0.143	-0.047	0.46***	0.211	0.109	57.8%		205	0.000	10.0%	80.0%
	(-0.020)	(1.299)	(-0.319)	(16.233)	(0.499)	(0.573)		-0.49%				
TrETSS_HDZ_10Ind	0.051***	-0.085	0.116	0.47***	-0.048	-0.072	57.3%		205	0.000	5.0%	84.0%
	(5.401)	(-1.443)	(0.932)	(17.562)	(-0.506)	(-0.608)		-1.03%				

For the highest quartile of firms in terms of market beta standard error (as proxy for company specific risk), this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta_{ICC}^{TS} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta_{ICC}^{CS} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 92 : Capturing Subsequent Return: Low Earnings Variation Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
BP_Anlst	-0.003	0.951***	0.746***	0.47***	0.114	-0.162	65.5%		205	0.782	45.8%	40.0%
	(-0.402)	(5.366)	(3.359)	(14.430)	(0.264)	(-1.947)		7.16%				
BP_HDZ	-0.003	0.876***	0.797***	0.467***	0.693*	-0.171	65.3%		205	0.505	46.8%	40.5%
	(-0.360)	(4.726)	(3.844)	(14.083)	(2.100)	(-2.074)		7.00%				
TPDPS_Anlst	0.014	0.156**	0.899**	0.438***	0.098	-0.181	65.5%		205	0.000	42.6%	91.1%
	(1.268)	(2.973)	(3.019)	(7.891)	(1.389)	(-1.698)		6.31%				
TPDPS_HDZ	0.012	0.121**	0.84**	0.463***	0.101	-0.137	65.4%		205	0.000	42.6%	91.1%
	(1.383)	(2.910)	(3.039)	(11.084)	(1.520)	(-1.777)		6.30%				
Naive	0.013	0.158***	0.752*	0.457***	0.131	-0.189	65.3%		205	0.000	39.5%	90.5%
	(1.382)	(3.124)	(2.368)	(10.438)	(1.839)	(-2.207)		6.14%				
TPDPS_RI	0.014	0.106*	0.76*	0.448***	0.131	-0.196	64.8%		205	0.000	35.8%	93.2%
	(1.490)	(2.241)	(2.555)	(10.378)	(1.794)	(-2.312)		5.82%				
BP_RW	0.009	0.724***	0.733**	0.443***	0.483	-0.184	63.6%		205	0.166	38.9%	44.7%
	(1.024)	(3.645)	(2.637)	(11.822)	(1.190)	(-1.691)		5.52%				
BP_EP	0.001	0.692***	0.665**	0.453***	0.616	-0.196	63.6%		205	0.109	38.9%	47.9%
	(0.104)	(3.619)	(2.889)	(13.167)	(1.796)	(-2.249)		5.45%				
BP_RI	0.003	0.676***	0.681**	0.455***	0.617	-0.172	63.4%		205	0.084	38.4%	47.4%
	(0.382)	(3.612)	(2.875)	(13.245)	(1.800)	(-1.975)		5.28%				

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Table 92 : Capturing Subsequent Return: Low Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β_{ICC}^{TS} = 1	%N +sig	% $\%\beta_{ICC}^{CS}$ = 1
TPDPS_EP	0.015	0.086*	0.801**	0.44***	0.107	-0.160	64.1%		205	0.000	35.3%	93.2%
	(1.663)	(1.999)	(2.712)	(10.097)	(1.476)	(-1.950)		5.18%				
PE_Anlst	-0.029	1.188***	0.95***	0.452***	2.966***	-0.383	62.8%		205	0.387	34.2%	28.9%
	(-2.622)	(5.491)	(3.188)	(16.646)	(4.785)	(-2.324)		4.85%				
KMY_HDZ	-0.043	0.795**	0.110	0.512***	2.265***	-0.120	62.4%		205	0.452	26.3%	57.9%
	(-2.366)	(2.917)	(0.269)	(15.190)	(3.861)	(-0.657)		3.46%				
GG_HDZ	-0.011	0.335	-0.338	0.498***	3.392***	-0.377	63.2%		205	0.037	27.4%	51.1%
	(-0.589)	(1.057)	(-0.744)	(13.877)	(4.515)	(-1.628)		3.44%				
GLS_HDZ	-0.036	0.482*	0.192	0.483***	2.393*	-0.103	62.5%		205	0.023	23.7%	59.5%
	(-1.395)	(2.130)	(0.910)	(17.875)	(2.388)	(-0.792)		3.41%				
CT_HDZ	-0.022	0.362**	-0.480	0.525***	2.194**	-0.194	62.9%		205	0.000	26.3%	62.1%
	(-1.741)	(2.852)	(-0.578)	(10.241)	(3.029)	(-1.223)		3.41%				
DKL_HDZ	-0.079	1.254	0.160	0.521***	1.863***	0.131	61.9%		205	0.724	25.3%	61.6%
	(-1.727)	(1.742)	(0.488)	(13.786)	(3.254)	(0.328)		3.41%				
PEG_Anlst	-0.014	0.308	0.468*	0.449***	-1.419	0.125	60.7%		205	0.008	10.0%	61.1%
	(-0.480)	(1.200)	(2.276)	(15.701)	(-0.789)	(0.851)		3.39%				
FGHJ_HDZ	-0.024	0.389*	0.182	0.476***	3.302***	-0.090	62.7%		205	0.000	22.6%	64.7%
	(-1.466)	(2.383)	(1.180)	(19.557)	(3.466)	(-0.849)		3.39%				
HL_HDZ	-0.045	0.694***	0.070	0.509***	1.657***	-0.112	61.6%		205	0.081	25.8%	64.7%

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Table 92 : Capturing Subsequent Return: Low Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% %$\beta_{ICC}^{CS}=1$
	(-2.720)	(3.984)	(0.276)	(17.583)	(3.422)	(-1.039)		3.25%				
KMY_EP	0.001	0.221**	1.049	0.38***	1.026**	-0.436	60.3%		205	0.000	22.6%	65.8%
	(0.041)	(2.964)	(1.860)	(7.809)	(2.720)	(-1.558)		3.19%				
TPDPS_RW	0.019*	0.019	0.240	0.504***	0.092	-0.072	62.3%		205	0.000	26.8%	94.7%
	(2.363)	(0.553)	(1.523)	(14.569)	(1.169)	(-0.482)		3.19%				
FPM_Anlst	-0.069	0.822*	0.191	0.486***	1.005	-0.027	62.1%		205	0.655	17.4%	24.7%
	(-1.721)	(2.065)	(0.873)	(19.051)	(0.870)	(-0.262)		2.97%				
CT_EP	0.027	0.149**	0.995	0.376***	0.570	0.006	60.2%		205	0.000	21.1%	77.9%
	(0.988)	(2.618)	(1.553)	(7.232)	(1.323)	(0.050)		2.84%				
DKL_EP	0.007	0.158***	1.030	0.42***	0.876**	-0.012	59.6%		205	0.000	19.5%	71.1%
	(0.511)	(3.893)	(1.509)	(8.447)	(3.038)	(-0.101)		2.78%				
WNG_RW	0.023***	0.000	0.023	0.471***	0.005	-0.107	59.9%		205	0.000	3.2%	98.4%
	(3.288)	(-0.355)	(0.101)	(15.786)	(0.688)	(-1.399)		2.77%				
PE_HDZ	-0.149	1.813	-2.152	0.724**	2.928***	-0.660	62.8%		205	0.616	31.1%	52.1%
	(-1.060)	(1.121)	(-0.935)	(2.827)	(4.080)	(-0.869)		2.65%				
HL_EP	0.007	0.13***	1.055	0.416***	1.245**	-0.117	59.5%		205	0.000	20.0%	74.7%
	(0.491)	(3.548)	(1.619)	(8.711)	(3.013)	(-0.954)		2.63%				
GG_RW	-0.004	0.215	-0.373	0.498***	5.201**	-0.376	61.8%		205	0.016	19.1%	66.3%
	(-0.231)	(0.662)	(-0.796)	(13.442)	(2.684)	(-1.575)		2.50%				

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Table 92 : Capturing Subsequent Return: Low Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
GM_EP	-0.047	0.968	0.149	0.514***	20.266	-0.178	60.6%		205	0.971	17.4%	75.3%
	(-1.285)	(1.113)	(0.943)	(9.996)	(0.942)	(-1.097)		2.23%				
GM_HDZ	-0.015	0.474***	0.069	0.514***	1.819*	-0.040	59.7%		205	0.000	18.4%	63.7%
	(-1.195)	(3.813)	(0.394)	(16.341)	(2.406)	(-0.458)		2.22%				
Carhart_Factor	0.016	0.549	1.163	0.506***	-2.609	-0.053	59.2%		205	0.317	11.1%	41.6%
	(1.072)	(1.223)	(1.915)	(9.741)	(-1.583)	(-0.157)		2.18%				
PE_EP	0.015	0.021	0.432	0.464***	3.246*	0.258	61.7%		205	0.073	18.4%	75.3%
	(1.423)	(0.039)	(1.572)	(10.107)	(2.167)	(0.782)		2.17%				
WNG_Anlst	0.026**	0.035	0.154	0.477***	0.080	-0.008	60.1%		205	0.000	3.2%	96.3%
	(3.073)	(1.380)	(0.221)	(10.474)	(0.311)	(-0.043)		2.10%				
DKL_Anlst	-0.038	0.722*	0.844**	0.444***	2.372**	0.047	61.9%		205	0.392	24.2%	38.9%
	(-1.229)	(2.227)	(3.047)	(14.099)	(2.795)	(0.394)		2.10%				
GM_Anlst	0.010	0.224	0.579	0.454***	0.958	-0.156	61.4%		205	0.019	18.4%	40.5%
	(0.267)	(0.683)	(1.870)	(12.843)	(0.770)	(-1.248)		2.00%				
GLS_Anlst	-0.383	3.846	-0.476	0.613***	8.148	-1.486	63%		205	0.300	20.5%	44.7%
	(-1.207)	(1.405)	(-0.223)	(4.044)	(1.466)	(-1.009)		1.93%				
FPM_EP	0.117	0.052***	0.221	0.473***	0.043	-0.044	60.8%		205	0.000	15.8%	91.6%
	(0.965)	(3.196)	(1.211)	(18.012)	(0.862)	(-0.849)		1.88%				
DKL_RW	-0.021	0.058	0.193	0.48***	0.331	0.038	60%		205	0.000	14.7%	79.5%

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Table 92 : Capturing Subsequent Return: Low Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(-0.701)	(0.988)	(1.136)	(15.830)	(1.583)	(0.538)		1.83%				
HL_Anlst	-0.113	1.667	1.377*	0.4***	1.837**	-0.304	61.2%		205	0.489	21.1%	37.4%
	(-1.485)	(1.731)	(2.165)	(7.197)	(2.809)	(-0.793)		1.80%				
WNG_EP	0.028*	0.000	0.372	0.45***	-0.009	-0.006	60.3%		205	0.000	4.7%	97.4%
	(2.074)	(0.080)	(1.622)	(18.214)	(-0.906)	(-0.102)		1.78%				
FGHJ_Anlst	-0.087	1.118*	0.735*	0.482***	3.602***	-0.193	62.8%		205	0.790	20.5%	48.4%
	(-2.468)	(2.522)	(2.002)	(16.797)	(3.476)	(-2.051)		1.77%				
HL_RI	0.013	-0.020	0.153	0.493***	0.494	-0.011	59%		205	0.000	17.4%	83.7%
	(1.177)	(-0.151)	(1.108)	(17.218)	(0.852)	(-0.120)		1.71%				
DKL_RI	0.015	-0.031	0.159	0.493***	0.505	-0.013	58.9%		205	0.000	16.3%	83.2%
	(1.427)	(-0.227)	(1.134)	(17.228)	(0.871)	(-0.139)		1.63%				
MPEG_EP	-0.004	0.107	0.170	0.471***	0.587	-0.073	60.5%		205	0.000	15.8%	82.1%
	(-0.385)	(1.260)	(0.813)	(16.218)	(0.927)	(-0.660)		1.61%				
TrES_Anlst _25SBM	0.031***	-0.003	0.308*	0.443***	0.006	-0.032	59.6%		205	0.000	4.7%	97.4%
	(3.274)	(-0.262)	(2.204)	(18.733)	(0.806)	(-0.557)		1.60%				
TrETSS_RI_10Ind	0.024*	0.015	0.151	0.477***	0.081	-0.032	59.9%		205	0.000	8.9%	93.7%
	(2.427)	(0.523)	(0.782)	(15.988)	(0.915)	(-0.261)		1.54%				
GM_RI	0.006	0.047	-0.241	0.559***	1.366	0.298	59.7%		205	0.017	21.4%	67.9%
	(0.174)	(0.119)	(-0.884)	(7.803)	(1.151)	(0.823)		1.52%				

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Table 92 : Capturing Subsequent Return: Low Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
TrES_RI_10Ind	0.015	0.005	0.004	0.467***	0.097	0.023	60.5%		205	0.000	11.1%	94.7%
	(1.291)	(0.269)	(0.014)	(16.569)	(1.530)	(0.255)		1.51%				
MPEG_HDZ	-0.008	0.336***	0.048	0.503***	1.699*	-0.054	59.5%		205	0.000	17.4%	68.9%
	(-0.595)	(3.372)	(0.282)	(16.645)	(2.291)	(-0.630)		1.50%				
TrETSS_RW_10Ind	0.039*	0.029	0.089	0.482***	0.331	0.129	59%		205	0.000	8.9%	92.1%
	(2.565)	(0.773)	(0.323)	(17.196)	(0.664)	(1.225)		1.44%				
CT_Anlst	-0.051	0.878***	0.748**	0.461***	2.54**	-0.099	61.5%		205	0.566	22.6%	40.5%
	(-2.866)	(4.120)	(2.706)	(15.655)	(2.975)	(-1.146)		1.43%				
TrES_Anlst _10Ind	0.013	0.002	0.006	0.492***	0.128	-0.060	61.1%		205	0.000	11.6%	92.1%
	(1.247)	(0.054)	(0.018)	(13.269)	(1.039)	(-0.696)		1.42%				
KMY_RW	-0.016	0.057	0.281	0.474***	0.248	0.044	59.7%		205	0.000	11.1%	82.1%
	(-0.528)	(1.300)	(1.621)	(16.647)	(0.897)	(0.492)		1.42%				
HL_RW	-0.015	0.050	0.282	0.474***	0.141	0.044	59.6%		205	0.000	12.1%	83.7%
	(-0.501)	(1.140)	(1.628)	(16.645)	(0.527)	(0.496)		1.41%				
MPEG_Anlst	-0.014	0.383*	0.366	0.476***	0.916	-0.145	60.5%		205	0.000	14.7%	48.4%
	(-0.728)	(2.507)	(1.145)	(13.242)	(0.329)	(-0.737)		1.33%				
CAPM_Factor	0.203	-11.824	0.881	0.444***	7.808	0.243	60.7%		205	0.129	17.9%	19.5%
	(1.646)	(-1.407)	(1.600)	(11.480)	(0.693)	(1.090)		1.31%				
PEG_HDZ	-0.001	0.306*	0.149	0.504***	1.504*	-0.014	59.6%		205	0.000	16.8%	64.2%

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Table 92 : Capturing Subsequent Return: Low Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
	(-0.068)	(2.553)	(0.893)	(13.409)	(2.248)	(-0.169)		1.30%				
PEG_RW	-0.009	0.068	-0.609	0.466***	0.734***	0.179	60.1%		205	0.000	21.3%	100.0%
	(-0.183)	(1.584)	(-0.489)	(14.320)	(3.717)	(0.407)		1.21%				
TrES_EP_10Ind	0.012	-0.003	-0.138	0.499***	0.051	-0.097	61.4%		205	0.000	7.4%	95.3%
	(1.349)	(-0.069)	(-0.352)	(14.250)	(0.945)	(-0.681)		1.21%				
GLS_RW	-0.025	0.078	0.081	0.492***	-1.176	-0.015	57.6%		205	0.000	12.6%	84.2%
	(-0.589)	(0.961)	(0.424)	(16.185)	(-1.031)	(-0.122)		1.16%				
TrETSS_HDZ_10Ind	0.016*	-0.030	0.042	0.487***	0.006	-0.016	59.3%		205	0.000	7.9%	90.0%
	(2.143)	(-0.498)	(0.171)	(15.888)	(0.076)	(-0.190)		1.16%				
TrOHE_25SBM	0.028***	-0.089	0.292	0.456***	-0.017	0.006	57.5%		205	0.000	4.7%	90.5%
	(3.645)	(-0.921)	(1.369)	(17.852)	(-0.285)	(0.096)		1.14%				
TrETSS_HDZ_25SBM	0.007	0.112	-0.064	0.449***	-0.021	0.002	59.2%		205	0.000	12.1%	94.2%
	(0.387)	(1.029)	(-0.252)	(10.703)	(-0.548)	(0.021)		1.08%				
KMY_Anlst	-0.007	0.311	0.574*	0.463***	1.421*	-0.103	60.9%		205	0.001	15.3%	64.2%
	(-0.235)	(1.528)	(2.179)	(15.602)	(2.273)	(-0.829)		1.06%				
TrOHE_10Ind	0.034*	-0.096	0.488	0.429***	0.322	0.081	59.2%		205	0.000	6.8%	58.9%
	(2.258)	(-0.579)	(1.275)	(10.219)	(0.409)	(0.876)		1.06%				
TrETSS_Anlst _25SBM	0.031***	-0.066	0.019	0.475***	0.076	-0.073	58.4%		205	0.000	3.2%	89.5%
	(3.515)	(-1.365)	(0.126)	(18.268)	(1.825)	(-1.076)		1.06%				

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Table 92 : Capturing Subsequent Return: Low Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
MPEG_RI	-0.014	0.268**	0.063	0.486***	-1.178	-0.086	59.4%		205	0.000	19.6%	70.9%
	(-1.051)	(2.951)	(0.383)	(16.241)	(-0.386)	(-1.008)		1.03%				
KMY_RI	0.006	0.029	0.333*	0.487***	0.039	-0.035	58%		205	0.000	15.3%	73.7%
	(0.656)	(0.167)	(2.225)	(18.380)	(0.068)	(-0.299)		1.01%				
GG_Anlst	-0.007	0.056	0.090	0.512***	1.001	-0.348	61.2%		205	0.009	11.1%	72.6%
	(-0.077)	(0.155)	(0.217)	(6.159)	(0.926)	(-1.236)		0.98%				
3FF_Factor	0.044*	-0.690	0.422	0.462***	1.645	0.052	59.7%		205	0.004	11.1%	32.1%
	(2.289)	(-1.193)	(0.871)	(12.619)	(0.412)	(0.219)		0.89%				
TrES_HDZ_10Ind	0.003	-0.014	-0.303	0.528***	-0.287	0.363	60.3%		205	0.000	13.7%	93.7%
	(0.122)	(-0.294)	(-0.650)	(10.506)	(-0.981)	(1.108)		0.89%				
PE_RI	0.017*	0.092	0.384*	0.465***	1.907	-0.011	61.7%		205	0.000	22.6%	71.6%
	(2.070)	(0.591)	(2.390)	(18.080)	(1.637)	(-0.113)		0.80%				
5FF_Factor	0.035*	-0.196	0.465*	0.463***	1.226	-0.148	59.3%		205	0.011	11.6%	33.7%
	(2.088)	(-0.420)	(2.311)	(15.703)	(0.723)	(-0.815)		0.78%				
MPEG_RW	0.017	0.079*	0.238	0.465***	0.965***	-0.092	59.8%		205	0.000	14.8%	91.5%
	(1.573)	(2.042)	(1.333)	(17.457)	(3.436)	(-0.884)		0.77%				
FGHJ_RI	0.030	-0.161	0.190	0.465***	8.500	0.018	60.4%		205	0.000	12.7%	78.5%
	(1.696)	(-0.712)	(0.800)	(15.603)	(0.874)	(0.137)		0.76%				
TrES_HDZ_25SBM	-0.061	0.165	2.408	0.626***	-0.078	0.658	59.3%		205	0.000	7.4%	96.3%

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Table 92 : Capturing Subsequent Return: Low Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS}=1$	%N +sig	% %$\beta_{ICC}^{CS}=1$
	(-0.643)	(0.910)	(0.931)	(3.169)	(-1.011)	(0.795)		0.72%				
FGHJ_EP	0.028	-0.193	0.069	0.474***	45.585	0.139	60.6%		205	0.000	13.7%	79.2%
	(1.489)	(-0.800)	(0.353)	(16.061)	(0.875)	(0.957)		0.66%				
FGHJ_RW	0.037*	-0.304	0.299	0.471***	-0.587	0.019	57.6%		205	0.000	16.9%	88.2%
	(2.317)	(-1.575)	(1.218)	(17.980)	(-0.618)	(0.129)		0.53%				
CT_RI	0.012	0.074	0.056	0.496***	0.252	-0.161	58.7%		205	0.000	8.4%	85.8%
	(1.345)	(0.879)	(0.151)	(14.797)	(0.446)	(-0.908)		0.47%				
GG_EP	0.008	-0.950	0.176	0.486***	4.717*	0.006	60.9%		205	0.499	19.6%	66.5%
	(0.442)	(-0.330)	(0.543)	(14.569)	(2.219)	(0.028)		0.47%				
TrES_RI_25SBM	0.032*	-0.019	0.190	0.428***	0.007	-0.098	59.2%		205	0.000	3.7%	97.9%
	(2.132)	(-0.943)	(0.615)	(8.845)	(0.607)	(-0.986)		0.46%				
PEG_EP	-0.027	0.104*	-0.392	0.476***	0.916***	0.328	59.2%		205	0.000	15.5%	96.0%
	(-0.638)	(2.076)	(-0.370)	(18.664)	(3.259)	(0.882)		0.37%				
TrETSS_EP_10Ind	-0.001	0.006	-0.021	0.508***	-0.537	0.177	58.3%		205	0.000	6.3%	95.8%
	(-0.077)	(0.183)	(-0.101)	(13.647)	(-0.954)	(0.693)		0.37%				
PE_RW	0.02*	0.109	0.312*	0.468***	-0.361	-0.128	60%		205	0.000	8.4%	87.4%
	(2.486)	(0.904)	(2.100)	(18.619)	(-1.670)	(-1.626)		0.36%				
GLS_EP	0.029	-0.229	0.090	0.476***	-0.100	0.117	60.3%		205	0.000	13.5%	70.8%
	(1.716)	(-1.027)	(0.456)	(15.982)	(-0.034)	(0.825)		0.36%				

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Table 92 : Capturing Subsequent Return: Low Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
CT_RW	-0.002	0.159	0.158	0.483***	3.417	-0.214	60.1%		205	0.002	18.5%	75.1%
	(-0.147)	(0.585)	(0.695)	(15.705)	(1.593)	(-0.996)		0.33%				
GLS_RI	0.031*	-0.150	0.197	0.462***	-2.045	0.011	60.7%		205	0.000	12.6%	73.8%
	(2.026)	(-0.795)	(0.837)	(15.604)	(-0.587)	(0.083)		0.29%				
PEG_RI	-0.406	-0.966	-6.127	0.897	0.517*	4.615	58.5%		205	0.083	10.5%	100.0%
	(-0.744)	(-0.858)	(-0.710)	(1.612)	(2.078)	(0.761)		0.28%				
TrETSS_RW_25SBM	0.017*	0.010	0.472*	0.47***	0.027*	0.014	59.4%		205	0.000	6.8%	97.4%
	(2.065)	(1.215)	(2.245)	(17.154)	(2.079)	(0.289)		0.28%				
TrES_EP_25SBM	0.014	0.039	0.217	0.461***	-0.031	0.067	59.6%		205	0.000	7.9%	95.8%
	(1.107)	(1.195)	(1.365)	(13.826)	(-1.242)	(0.573)		0.28%				
TrETSS_EP_25SBM	0.042	0.003	0.079	0.424***	0.053	0.010	59.4%		205	0.000	6.3%	96.8%
	(1.651)	(0.602)	(0.452)	(6.426)	(0.979)	(0.109)		0.26%				
GM_RW	0.011	0.018	0.53*	0.466***	0.524	0.130	60.2%		205	0.000	13.8%	88.3%
	(1.107)	(0.482)	(2.256)	(17.451)	(0.893)	(0.834)		0.21%				
GG_RI	0.019	-0.470	0.296	0.469***	1.673**	-0.171	58.9%		205	0.001	16.8%	65.4%
	(1.037)	(-1.079)	(1.057)	(15.908)	(2.671)	(-0.800)		0.16%				
WNG_RI	0.022*	-0.003	0.077	0.483***	0.129	-0.145	59.1%		205	0.000	2.1%	96.3%
	(2.314)	(-0.338)	(0.363)	(15.236)	(0.794)	(-1.391)		0.14%				
FPM_RI	0.024	-0.055	0.297*	0.454***	0.019	-0.064	60.3%		205	0.000	12.6%	83.7%

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Table 92 : Capturing Subsequent Return: Low Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC}=1$	%N +sig	% $\%\beta^{CS}_{ICC}=1$
	(1.863)	(-0.619)	(2.213)	(15.170)	(0.206)	(-1.142)		0.12%				
TrETSS_RI_25SBM	0.022***	0.002	0.233	0.467***	0.027	-0.106	59.1%		205	0.000	4.7%	97.4%
	(3.317)	(0.214)	(1.614)	(18.558)	(1.618)	(-1.448)		0.02%				
FPM_HDZ	-0.023	0.508**	0.146	0.481***	0.855*	-0.052	60.3%		205	0.004	22.1%	47.4%
	(-1.413)	(3.003)	(0.656)	(17.809)	(2.379)	(-0.411)		0.01%				
FPM_RW	0.005	0.043	0.093	0.466***	0.111	-0.071	61.2%		205	0.000	15.3%	87.4%
	(0.079)	(1.762)	(0.447)	(17.692)	(1.501)	(-1.063)		-0.09%				
TrES_RW_10Ind	0.017*	5.698	0.305*	0.471***	7.193	-0.109	60.7%		205	0.232	11.6%	80.0%
	(2.144)	(1.455)	(2.253)	(17.343)	(0.806)	(-0.735)		-0.17%				
TrES_RW_25SBM	0.025***	-7.807	0.400	0.46***	3.917	0.096	59%		205	0.164	3.7%	80.0%
	(3.556)	(-1.238)	(1.641)	(20.082)	(0.964)	(0.983)		-0.53%				
TrETSS_Anlst _10Ind	0.021***	0.006	0.166	0.477***	-0.079	-0.116	58.4%		205	0.000	10.5%	71.6%
	(3.122)	(0.122)	(0.824)	(15.761)	(-0.830)	(-0.650)		-0.71%				
WNG_HDZ	0.023	-0.007	0.456	0.517***	-0.178	0.147	59%		205	0.000	2.1%	97.9%
	(1.463)	(-1.168)	(1.280)	(8.736)	(-1.083)	(0.828)		-0.72%				

For the lowest quartile of firms in terms of earnings variation, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much

of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

Table 93 : Capturing Subsequent Return: High Earnings Variation Firms

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
TPDPS_Anlst	0.010	0.151***	0.224***	0.372***	0.048*	0.060	61.3%	4.23%	205	0.000	52.9%	94.8%
	(0.811)	(6.944)	(3.786)	(13.089)	(2.128)	(1.458)						
Naive	0.014	0.157***	0.226***	0.372***	0.046*	0.054	61.2%	4.11%	205	0.000	55.6%	95.4%
	(1.149)	(7.269)	(3.704)	(13.144)	(2.014)	(1.356)						
TPDPS_HDZ	0.008	0.155***	0.245***	0.371***	0.035	0.060	61.2%	4.06%	205	0.000	55.6%	96.7%
	(0.689)	(7.599)	(4.223)	(13.100)	(1.865)	(1.568)						
BP_Anlst	0.016	0.886***	0.162*	0.357***	0.258*	0.062	58.7%	2.46%	205	0.258	54.2%	37.3%
	(1.297)	(8.781)	(2.222)	(11.604)	(2.086)	(1.491)						
TPDPS_RI	0.016	0.103***	0.155*	0.359***	0.052*	0.056	59.2%	2.11%	205	0.000	45.8%	97.4%
	(1.294)	(5.638)	(2.508)	(12.821)	(2.561)	(1.392)						
BP_HDZ	0.011	0.844***	0.145*	0.354***	0.242*	0.061	58.5%	2.07%	205	0.091	63.4%	32.7%
	(0.910)	(9.203)	(2.053)	(11.698)	(2.320)	(1.550)						
TPDPS_EP	0.013	0.098***	0.161**	0.354***	0.055**	0.075	58.9%	2.05%	205	0.000	41.2%	98.0%
	(1.069)	(5.677)	(2.620)	(12.567)	(2.857)	(1.456)						
TPDPS_RW	0.022	0.1***	0.157**	0.356***	0.046*	0.064	58.5%	1.90%	205	0.000	37.3%	97.4%
	(1.722)	(5.487)	(2.783)	(12.699)	(2.013)	(1.453)						
BP_EP	0.017	0.495***	0.031	0.337***	0.44***	0.082	56.7%	0.51%	205	0.000	47.7%	47.1%
	(1.120)	(7.150)	(0.411)	(11.255)	(3.377)	(1.003)						

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Table 93 : Capturing Subsequent Return: High Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
BP_RI	0.023	0.538***	0.039	0.341***	0.408***	0.031	56.6%	0.33%	205	0.000	50.3%	41.8%
	(1.795)	(6.917)	(0.534)	(11.550)	(3.479)	(0.740)						
BP_RW	0.028*	0.547***	0.033	0.341***	0.285	0.037	56.4%	0.25%	205	0.000	41.2%	47.7%
	(2.192)	(7.051)	(0.452)	(11.533)	(1.942)	(0.859)						
GM_EP	0.028	0.047	-0.023	0.332***	0.681*	0.085	53.8%	-0.82%	205	0.000	15.0%	79.7%
	(1.659)	(0.801)	(-0.348)	(11.413)	(2.469)	(1.867)						
PEG_EP	0.042*	0.072	-0.098	0.283***	0.579***	0.118*	53.5%	-0.86%	205	0.000	19.7%	90.1%
	(2.458)	(1.088)	(-0.906)	(6.038)	(3.424)	(2.195)						
MPEG_EP	0.035	0.009	-0.037	0.292***	0.37*	0.055	54%	-1.08%	205	0.000	17.0%	85.6%
	(1.938)	(0.173)	(-0.527)	(9.014)	(2.002)	(0.958)						
PE_RI	0.031*	0.073	0.055	0.334***	0.054	0.076	53.7%	-1.48%	205	0.000	20.9%	83.0%
	(2.452)	(1.779)	(0.564)	(11.197)	(0.139)	(1.354)						
TrETSS_EP_25SBM	0.048***	-0.003	-0.003	0.309***	0.012	0.074	53%	-1.51%	205	0.000	5.2%	98.7%
	(4.011)	(-0.583)	(-0.041)	(10.609)	(1.401)	(1.656)						
FGHJ_HDZ	0.022	0.236**	-0.016	0.32***	0.93*	0.090	54.3%	-1.51%	205	0.000	17.6%	61.4%
	(1.579)	(3.024)	(-0.204)	(10.413)	(2.558)	(1.828)						
KMY_EP	-0.005	0.197***	-0.002	0.342***	0.265	0.049	53%	-1.79%	205	0.000	18.3%	69.9%
	(-0.245)	(3.557)	(-0.024)	(10.473)	(1.278)	(1.029)						
FGHJ_Anlst	-0.001	0.482***	0.056	0.291***	1.106***	0.098*	54.5%	-1.81%	205	0.000	25.5%	30.7%

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Table 93 : **Capturing Subsequent Return: High Earnings Variation Firms, Continued**

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(-0.041)	(3.395)	(0.468)	(6.455)	(3.300)	(1.961)						
GLS_Anlst	0.013	0.383***	0.042	0.289***	1.187***	0.104*	54.5%	-1.82%	205	0.000	22.2%	33.3%
	(0.733)	(3.252)	(0.347)	(6.433)	(3.598)	(2.103)						
DKL_HDZ	0.03*	0.171*	-0.001	0.331***	0.759*	0.095*	53.9%	-1.87%	205	0.000	16.3%	71.9%
	(2.081)	(1.968)	(-0.014)	(10.511)	(2.564)	(2.088)						
TrETSS_Anlst _10Ind	0.043***	0.060	0.044	0.312***	0.074	0.070	52.6%	-1.87%	205	0.000	7.8%	68.6%
	(3.111)	(0.735)	(0.595)	(9.505)	(0.771)	(1.132)						
CT_EP	0.015	0.140	-0.071	0.349***	0.561	0.039	52.9%	-1.89%	205	0.000	5.2%	86.9%
	(0.674)	(1.151)	(-0.790)	(10.591)	(1.698)	(0.852)						
PE_Anlst	0.028	0.577***	0.199	0.289***	0.434	0.050	54.2%	-1.95%	205	0.000	32.0%	24.8%
	(1.819)	(5.333)	(1.665)	(6.427)	(1.769)	(1.015)						
FGHJ_RW	0.046**	0.065	0.071	0.315***	0.195	-0.001	52.3%	-1.95%	205	0.000	9.2%	85.9%
	(2.599)	(1.220)	(0.394)	(10.024)	(1.881)	(-0.008)						
DKL_EP	0.014	0.094	-0.038	0.342***	0.429	0.046	52.7%	-1.96%	205	0.000	12.4%	78.4%
	(0.662)	(1.454)	(-0.452)	(10.493)	(1.643)	(1.013)						
KMY_RI	0.011	0.083	-0.072	0.347***	0.344	0.105	52.6%	-1.99%	205	0.000	15.7%	73.2%
	(0.521)	(1.158)	(-0.722)	(10.540)	(1.950)	(1.560)						
HL_EP	0.006	0.124*	-0.036	0.344***	0.175	0.041	52.6%	-2.02%	205	0.000	13.7%	80.4%
	(0.296)	(2.254)	(-0.428)	(10.486)	(0.782)	(0.860)						

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Table 93 : Capturing Subsequent Return: High Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
KMY_HDZ	0.035*	0.125	0.006	0.326***	0.751*	0.116*	54.1%	-2.09%	205	0.000	12.4%	66.7%
	(2.539)	(1.693)	(0.075)	(10.327)	(2.121)	(2.193)						
TrETSS_RI_10Ind	0.027	0.010	-0.030	0.336***	-0.035	0.054	53%	-2.10%	205	0.000	7.2%	85.6%
	(1.630)	(0.451)	(-0.370)	(11.257)	(-0.573)	(1.190)						
GLS_HDZ	0.03*	0.165*	-0.019	0.323***	1.141***	0.089	54.2%	-2.11%	205	0.000	17.0%	63.4%
	(2.166)	(2.328)	(-0.237)	(10.480)	(3.397)	(1.833)						
CT_HDZ	0.03*	0.097	-0.017	0.352***	1.092**	0.115*	54%	-2.16%	205	0.000	14.4%	68.6%
	(2.105)	(1.559)	(-0.241)	(11.082)	(2.685)	(2.386)						
HL_HDZ	0.03*	0.150	-0.018	0.321***	0.941*	0.154	54%	-2.18%	205	0.000	13.1%	71.9%
	(2.005)	(1.863)	(-0.204)	(9.323)	(2.070)	(1.679)						
TrETSS_EP_10Ind	0.021	0.009	0.000	0.341***	-0.015	0.123	52.5%	-2.20%	205	0.000	6.5%	96.7%
	(1.294)	(0.763)	(-0.006)	(10.926)	(-0.476)	(1.920)						
PE_HDZ	0.031*	0.183***	0.026	0.333***	0.811*	0.072	53.7%	-2.22%	205	0.000	19.0%	60.1%
	(2.367)	(3.282)	(0.315)	(11.160)	(2.399)	(1.398)						
TrETSS_RI_25SBM	0.04***	-0.005	0.021	0.315***	-0.005	0.055	52.1%	-2.27%	205	0.000	5.2%	99.3%
	(3.220)	(-0.548)	(0.284)	(10.576)	(-0.346)	(1.050)						
WNG_HDZ	0.047***	0.024	0.017	0.329***	-0.035	0.084	52.8%	-2.34%	205	0.000	2.6%	98.7%
	(3.805)	(0.912)	(0.180)	(11.634)	(-0.230)	(1.737)						
GG_HDZ	0.033*	0.125*	-0.006	0.337***	1.661***	0.104*	54%	-2.36%	205	0.000	10.5%	68.0%

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Table 93 : Capturing Subsequent Return: High Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% %$\beta_{ICC}^{CS} = 1$
	(2.344)	(2.057)	(-0.079)	(10.564)	(3.716)	(2.233)						
FPM_Anlst	-0.007	0.601***	-0.002	0.287***	0.835	0.131*	52.9%	-2.36%	205	0.025	17.6%	22.9%
	(-0.262)	(3.402)	(-0.023)	(6.344)	(1.427)	(2.063)						
DKL_RI	0.018	0.040	-0.033	0.345***	-0.193	0.015	52.3%	-2.37%	205	0.000	16.3%	83.7%
	(0.796)	(0.517)	(-0.369)	(10.342)	(-0.348)	(0.139)						
HL_RI	0.012	0.095**	0.020	0.341***	-0.191	0.056	52.3%	-2.38%	205	0.000	17.0%	83.7%
	(0.566)	(2.668)	(0.225)	(10.167)	(-0.386)	(1.190)						
GLS_RI	0.024	0.113*	-0.038	0.32***	18.188	0.135	52.9%	-2.39%	205	0.000	16.4%	78.3%
	(1.467)	(2.196)	(-0.469)	(10.297)	(0.605)	(1.785)						
TrES_HDZ_10Ind	0.044***	0.005	-0.012	0.31***	-0.008	0.046	52.7%	-2.40%	205	0.000	5.2%	98.7%
	(3.608)	(0.375)	(-0.173)	(12.233)	(-0.615)	(1.061)						
CT_RW	0.019	0.103	-0.025	0.345***	1.217*	0.113*	53.5%	-2.45%	205	0.000	14.6%	79.9%
	(1.019)	(0.945)	(-0.359)	(10.699)	(1.970)	(2.324)						
FGHJ_RI	0.028	0.102*	-0.069	0.322***	11.440	0.107	52.8%	-2.47%	205	0.000	17.1%	80.3%
	(1.903)	(2.249)	(-0.942)	(10.477)	(1.141)	(1.801)						
WNG_EP	0.037**	0.000	0.010	0.317***	-0.013	0.057	52.2%	-2.51%	205	0.000	3.3%	98.7%
	(2.656)	(-0.201)	(0.117)	(10.914)	(-1.265)	(1.223)						
MPEG_Anlst	0.044**	0.129*	-0.072	0.294***	0.085	0.092	52.8%	-2.51%	205	0.000	9.8%	52.9%
	(3.055)	(2.446)	(-0.679)	(6.537)	(0.517)	(1.931)						

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Table 93 : Capturing Subsequent Return: High Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
FPM_EP	0.011	0.093***	0.047	0.307***	-0.003	0.055	52.3%	-2.59%	205	0.000	19.0%	84.3%
	(0.910)	(3.801)	(0.599)	(11.849)	(-0.080)	(1.250)						
TrES_Anlst _10Ind	0.045**	0.014	0.057	0.284***	0.016	0.100	52.6%	-2.62%	205	0.000	8.5%	96.1%
	(2.984)	(0.809)	(0.638)	(7.943)	(0.707)	(1.466)						
PEG_RI	0.049**	-0.007	-0.076	0.278***	-0.184	0.106*	51.8%	-2.63%	205	0.000	13.8%	88.3%
	(2.919)	(-0.077)	(-0.673)	(5.876)	(-0.142)	(2.106)						
TrETSS_RW_10Ind	0.020	-0.009	0.061	0.314***	0.055	0.039	51.9%	-2.64%	205	0.000	9.2%	90.2%
	(0.673)	(-0.121)	(0.526)	(10.588)	(0.273)	(0.617)						
GG_RI	0.034*	0.080	-0.013	0.333***	0.638	0.12*	52.3%	-2.65%	205	0.000	14.9%	70.9%
	(2.462)	(1.273)	(-0.161)	(10.120)	(1.840)	(2.210)						
GLS_RW	0.048**	0.061	-0.019	0.316***	0.028	0.055	51.8%	-2.66%	205	0.000	6.5%	78.4%
	(2.908)	(1.485)	(-0.245)	(10.857)	(0.117)	(1.042)						
GM_HDZ	0.032*	0.149	0.102	0.322***	0.664	0.070	53.1%	-2.73%	205	0.000	7.8%	69.3%
	(2.333)	(1.840)	(0.799)	(10.891)	(1.685)	(1.143)						
KMY_RW	0.056**	0.026	-0.007	0.315***	0.262*	-0.045	52%	-2.75%	205	0.000	9.8%	75.8%
	(3.055)	(0.694)	(-0.090)	(10.810)	(2.442)	(-0.287)						
CT_Anlst	0.016	0.418***	0.037	0.292***	0.763*	0.107	53.3%	-2.75%	205	0.000	24.8%	42.5%
	(0.913)	(3.808)	(0.345)	(6.496)	(2.271)	(1.796)						
GG_RW	0.023	0.328**	0.113	0.332***	2.051	0.032	53.4%	-2.76%	205	0.000	15.3%	70.2%

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Table 93 : Capturing Subsequent Return: High Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% $\%\beta^{CS}_{ICC}$ = 1
	(1.356)	(2.750)	(0.530)	(9.494)	(1.441)	(0.291)						
MPEG_HDZ	0.037**	0.113	-0.002	0.321***	0.69**	0.097	53%	-2.77%	205	0.000	9.2%	75.2%
	(2.692)	(1.948)	(-0.017)	(10.914)	(2.908)	(1.903)						
HL_RW	0.059***	0.005	-0.005	0.316***	0.19*	-0.050	52%	-2.78%	205	0.000	7.8%	80.4%
	(3.216)	(0.157)	(-0.058)	(10.821)	(2.118)	(-0.319)						
GM_RI	0.047**	-0.042	-0.003	0.315***	0.549*	0.079	52.5%	-2.84%	205	0.000	15.7%	80.4%
	(2.860)	(-0.792)	(-0.050)	(10.447)	(2.051)	(1.724)						
CAPM_Factor	-0.134	12.449	-0.089	0.28***	-4.574	0.081	52.6%	-2.91%	205	0.460	9.2%	17.0%
	(-0.580)	(0.806)	(-0.803)	(6.185)	(-0.233)	(1.616)						
PEG_Anlst	0.049***	0.093*	-0.102	0.291***	0.112	0.094	52.4%	-2.92%	205	0.000	7.2%	58.2%
	(3.456)	(2.052)	(-0.956)	(6.481)	(0.765)	(1.915)						
WNG_Anlst	0.061***	-0.048	-0.051	0.327***	0.119	0.077	51.4%	-2.95%	205	0.000	6.5%	97.4%
	(4.938)	(-0.852)	(-0.526)	(10.280)	(0.624)	(1.702)						
TrES_RW_25SBM	0.041***	-0.165	-0.022	0.318***	0.076	0.121	52.5%	-2.96%	205	0.000	3.3%	95.4%
	(3.418)	(-0.788)	(-0.272)	(10.398)	(0.708)	(1.771)						
GM_Anlst	0.036*	0.218*	0.020	0.29***	0.062	0.114	52.6%	-3.00%	205	0.000	12.4%	41.2%
	(2.113)	(2.418)	(0.143)	(6.171)	(0.283)	(1.775)						
FPM_HDZ	0.027	0.286***	-0.055	0.286***	0.561	0.099*	52.6%	-3.03%	205	0.000	13.7%	45.1%
	(1.798)	(3.370)	(-0.491)	(6.365)	(1.805)	(2.098)						

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Table 93 : Capturing Subsequent Return: High Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% %$\beta^{CS}_{ICC} = 1$
TrES_RI_10Ind	0.059***	0.001	-0.022	0.305***	-0.005	0.094*	51.7%	-3.04%	205	0.000	5.2%	98.7%
	(4.103)	(0.163)	(-0.293)	(11.702)	(-0.378)	(2.117)						
TrETSS_Anlst _25SBM	0.055***	0.031	0.013	0.299***	0.013	0.054	51.6%	-3.05%	205	0.000	3.3%	83.7%
	(3.878)	(1.174)	(0.154)	(8.299)	(0.487)	(1.125)						
WNG_RW	0.044***	0.001	-0.002	0.335***	-0.006	0.057	51.6%	-3.11%	205	0.000	1.3%	100.0%
	(4.208)	(0.832)	(-0.032)	(10.218)	(-0.190)	(1.327)						
KMY_Anlst	0.019	0.168***	-0.132	0.293***	0.33*	0.113	52.6%	-3.14%	205	0.000	20.3%	50.3%
	(1.095)	(3.111)	(-1.183)	(6.537)	(1.963)	(1.959)						
PE_EP	0.027*	0.128	-0.012	0.328***	0.267	0.076	53.1%	-3.21%	205	0.000	17.6%	86.9%
	(2.112)	(1.793)	(-0.161)	(11.029)	(0.518)	(1.513)						
GG_Anlst	0.011	0.091*	0.044	0.335***	0.279*	0.092	52.4%	-3.22%	205	0.000	17.6%	71.9%
	(0.712)	(2.128)	(0.633)	(11.620)	(2.005)	(1.784)						
TrETSS_RW_25SBM	0.035*	-0.012	0.052	0.32***	0.004	0.075	52.3%	-3.23%	205	0.000	4.6%	96.1%
	(2.136)	(-1.508)	(0.616)	(10.887)	(0.404)	(1.366)						
TrES_RI_25SBM	0.037***	0.011	0.100	0.3***	-0.002	0.050	51%	-3.24%	205	0.000	11.1%	99.3%
	(3.291)	(1.903)	(0.674)	(11.552)	(-0.241)	(0.881)						
MPEG_RI	0.037*	0.019	-0.019	0.342***	0.261	0.066	52.3%	-3.24%	205	0.000	18.3%	83.7%
	(2.524)	(0.360)	(-0.294)	(11.862)	(1.099)	(1.368)						
PEG_HDZ	-0.039	0.095	-0.288	0.464*	0.602**	-1.826	52.9%	-3.25%	205	0.000	7.2%	71.9%

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Table 93 : Capturing Subsequent Return: High Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta_{ICC}^{TS} = 1$	%N +sig	% $\%\beta_{ICC}^{CS} = 1$
	(-0.371)	(1.284)	(-0.719)	(2.327)	(2.620)	(-0.722)						
TrETSS_HDZ_10Ind	0.044***	0.111	0.060	0.312***	-0.009	0.066	51.7%	-3.26%	205	0.000	8.5%	84.3%
	(3.419)	(1.893)	(0.536)	(11.008)	(-0.141)	(1.375)						
GG_EP	0.025	0.140	-0.075	0.326***	0.332	0.096*	52.4%	-3.27%	205	0.000	13.4%	73.2%
	(1.620)	(1.708)	(-0.993)	(9.927)	(1.334)	(2.012)						
CT_RI	0.024	0.035	0.003	0.344***	0.086	0.079	51.4%	-3.28%	205	0.000	8.6%	90.8%
	(1.128)	(0.974)	(0.035)	(10.161)	(0.187)	(1.382)						
DKL_Anlst	0.025	0.337**	-0.041	0.294***	0.370	0.102	52.9%	-3.30%	205	0.000	19.0%	32.0%
	(1.325)	(2.825)	(-0.344)	(6.509)	(0.900)	(1.738)						
FPM_RI	0.027	0.042	0.003	0.313***	0.007	0.071	52.2%	-3.30%	205	0.000	13.1%	80.4%
	(1.687)	(1.338)	(0.046)	(11.724)	(0.104)	(1.631)						
Carhart_Factor	0.061***	-0.104	-0.095	0.285***	0.604	-0.023	51.5%	-3.33%	205	0.000	3.9%	35.3%
	(4.109)	(-1.188)	(-0.895)	(6.324)	(0.747)	(-0.147)						
WNG_RI	0.041***	0.000	0.045	0.316***	0.080	0.055	52.3%	-3.36%	205	0.000	2.0%	99.3%
	(3.376)	(0.931)	(0.526)	(11.897)	(0.922)	(1.061)						
3FF_Factor	0.05***	-0.087	-0.064	0.291***	-1.702	0.134*	51.8%	-3.36%	205	0.000	5.2%	18.3%
	(3.113)	(-0.474)	(-0.578)	(6.365)	(-1.379)	(2.054)						
GLS_EP	0.043*	0.070	-0.074	0.317***	-3.625	-0.010	52.7%	-3.36%	205	0.000	15.8%	78.3%
	(2.065)	(0.892)	(-0.982)	(10.181)	(-0.597)	(-0.063)						

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Table 93 : Capturing Subsequent Return: High Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	β^{TS}_{ICC} = 1	%N +sig	% %β^{CS}_{ICC} = 1
TrOHE_10Ind	0.053***	0.002	0.036	0.32***	0.096	0.088	51.2%	-3.42%	205	0.000	5.9%	47.1%
	(3.625)	(0.016)	(0.344)	(10.952)	(0.629)	(1.554)						
FGHJ_EP	0.042*	0.029	-0.028	0.317***	-5.046	0.088	52.2%	-3.54%	205	0.000	17.8%	82.2%
	(2.325)	(0.472)	(-0.310)	(10.228)	(-0.446)	(1.815)						
TrOHE_25SBM	0.048***	0.102*	0.035	0.343***	-0.029	0.081	50.9%	-3.57%	205	0.000	8.5%	82.4%
	(3.802)	(2.138)	(0.457)	(10.720)	(-1.096)	(1.649)						
HL_Anlst	0.033*	0.251**	-0.031	0.293***	0.113	0.093	52.5%	-3.58%	205	0.000	16.3%	35.9%
	(2.072)	(2.849)	(-0.270)	(6.469)	(0.467)	(1.819)						
DKL_RW	0.051**	0.031	-0.012	0.317***	0.158	-0.056	51.5%	-3.61%	205	0.000	9.2%	77.8%
	(3.065)	(0.969)	(-0.163)	(10.873)	(1.717)	(-0.356)						
TrES_EP_10Ind	0.036	0.002	0.042	0.297***	-0.018	0.107	51%	-3.71%	205	0.000	7.2%	98.0%
	(1.553)	(0.153)	(0.555)	(11.386)	(-0.146)	(1.914)						
TrETSS_HDZ_25SBM	0.059**	-0.034	0.284	0.324***	0.038	-0.011	51%	-3.75%	205	0.000	10.5%	88.2%
	(2.622)	(-0.762)	(0.700)	(9.325)	(0.746)	(-0.072)						
PE_RW	0.031	-0.218	0.031	0.321***	0.147	0.064	52.1%	-3.82%	205	0.000	7.3%	84.1%
	(0.917)	(-1.039)	(0.384)	(10.478)	(0.617)	(1.396)						
FPM_RW	0.033	0.041	-0.010	0.299***	0.174	-0.043	51.6%	-3.95%	205	0.000	7.8%	78.4%
	(1.952)	(1.287)	(-0.129)	(11.628)	(1.624)	(-0.273)						
PEG_RW	-0.018	0.053	-0.084	0.279***	0.260	0.060	51.5%	-3.98%	205	0.000	7.5%	100.0%

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Table 93 : Capturing Subsequent Return: High Earnings Variation Firms, Continued

Model	Intercept	ICC	CFNST	CFNLT	EWERN	FSERN	Adj R^2	R^2 Imp.	N	$\beta^{TS}_{ICC} = 1$	%N +sig	% $\%\beta^{CS}_{ICC} = 1$
	(-0.194)	(0.532)	(-0.543)	(4.466)	(1.221)	(0.921)						
TrES_Anlst _25SBM	0.047***	0.007	0.037	0.302***	-0.009	0.066	51.1%	-4.00%	205	0.000	4.6%	98.0%
	(4.545)	(1.164)	(0.481)	(11.513)	(-1.409)	(1.270)						
MPEG_RW	0.011	0.104*	0.043	0.31***	0.309	0.047	51.9%	-4.05%	205	0.000	9.2%	88.2%
	(0.235)	(2.038)	(0.541)	(11.210)	(1.536)	(0.958)						
GM_RW	0.019	0.063	0.026	0.327***	0.408**	0.103*	51.9%	-4.05%	205	0.000	14.5%	84.2%
	(1.205)	(1.877)	(0.351)	(11.668)	(2.711)	(2.034)						
TrES_RW_10Ind	0.055***	0.032	0.044	0.307***	-1.000	-0.036	51.2%	-4.15%	205	0.000	4.6%	90.2%
	(3.915)	(0.540)	(0.555)	(11.354)	(-0.936)	(-0.228)						
5FF_Factor	0.057***	0.003	-0.079	0.288***	-1.728	0.084	51%	-4.34%	205	0.000	9.2%	22.2%
	(3.848)	(0.030)	(-0.733)	(6.413)	(-1.119)	(1.831)						
TrES_EP_25SBM	0.044***	-0.008	0.025	0.304***	-0.008	0.071	51%	-4.96%	205	0.000	5.2%	98.0%
	(3.478)	(-0.723)	(0.327)	(11.744)	(-0.861)	(1.444)						
TrES_HDZ_25SBM	0.036*	-0.020	-0.165	0.295***	0.012	0.244	50.5%	-5.08%	205	0.000	3.9%	97.4%
	(2.208)	(-1.054)	(-0.660)	(10.393)	(0.901)	(1.360)						

For the highest quartile of firms in terms of earnings variation, this table reports average monthly regression coefficients of one year ahead return on expected return proxies using various **ICC** models, cash flow news proxies (**CFNST** and **CFNLT**), and expected return news proxies (**EWERN** and **FSERN**) are presented in this table $r_{realised,it} = \alpha_0 + \beta_1 ICC_{it-1} + \beta_2 CFNST_{it} + \beta_3 CFNLT_{it} + \beta_4 EWERN_{it} + \beta_5 FSERN_{it} + \epsilon_{it}$. The t-statistics of the mean is calculated using the temporal standard error of the coefficients estimates across the testing period as described in Fama and MacBeth (1973). The adjusted R squared is the mean from the monthly regressions, and it represents how much

of the variation in subsequent return is captured by the model. R^2 **Imp.** is the difference between the adjusted R squared of the model and the adjusted R squared of the same model without the ICC variable. R^2 **Imp.** measures how much improvement in capturing subsequent return variation is provided by the ICC estimate. **N** is the number of months over which the cross-sectional regressions are carried out. $\beta^{TS}_{ICC} = 1$ is the p-value for testing whether the reported average ICC coefficient is different from the theoretical value of one. **%N +sig** is the percentage of months in which the ICC coefficient was positive and statistically significant. $\%\beta^{CS}_{ICC} = 1$ is the percentage of months in which the ICC coefficient was indistinguishable from one.

A.2 MCS Additional Analysis

Table 94: **Model Confidence Set Summary Results: Firm Size Effect**

Panel A: Analysts

First Quartile						Fourth Quartile					
MEV		RMSE		MAE		MEV		RMSE		MAE	
BP_Anlst	42.58%	GLS_Anlst	53.48%	PE_Anlst	54.87%	BP_Anlst	42.68%	GLS_Anlst	55.04%	PE_Anlst	56.70%
PE_Anlst	41.86%	PE_Anlst	50.56%	GLS_Anlst	53.96%	PE_Anlst	42.27%	PE_Anlst	53.04%	GLS_Anlst	56.17%
GG_Anlst	39.71%	BP_Anlst	49.03%	BP_Anlst	52.99%	GG_Anlst	39.61%	BP_Anlst	50.43%	BP_Anlst	54.64%
PEG_Anlst	39.20%	MPEG_Anlst	46.11%	MPEG_Anlst	47.36%	PEG_Anlst	39.10%	MPEG_Anlst	49.17%	MPEG_Anlst	49.83%
CT_Anlst	37.67%	FGHJ_Anlst	44.71%	OHE_Ind10	47.08%	CT_Anlst	37.67%	FGHJ_Anlst	47.30%	OHE_Ind10	49.70%
KMY_Anlst	36.44%	OHE_Ind10	43.60%	ETSS_Anlst_Ind10	45.13%	KMY_Anlst	36.64%	OHE_Ind10	46.63%	FGHJ_Anlst	46.83%
FPM_Anlst	36.44%	HL_Anlst	42.14%	FGHJ_Anlst	44.30%	FPM_Anlst	36.54%	HL_Anlst	45.10%	ETSS_Anlst_Ind10	46.76%
OHE_Ind10	35.82%	ETSS_Anlst_Ind10	41.93%	PEG_Anlst	43.74%	OHE_Ind10	35.82%	ETSS_Anlst_Ind10	44.83%	PEG_Anlst	46.16%
GLS_Anlst	34.90%	DKL_Anlst	41.72%	HL_Anlst	43.39%	GLS_Anlst	34.90%	PEG_Anlst	44.63%	HL_Anlst	46.10%
MPEG_Anlst	34.70%	GM_Anlst	41.52%	CT_Anlst	42.56%	MPEG_Anlst	34.90%	DKL_Anlst	44.50%	DKL_Anlst	45.90%
GM_Anlst	34.19%	PEG_Anlst	40.89%	DKL_Anlst	42.42%	GM_Anlst	34.49%	GM_Anlst	44.30%	GM_Anlst	45.03%
FGHJ_Anlst	33.37%	CT_Anlst	40.75%	KMY_Anlst	42.14%	FGHJ_Anlst	33.47%	KMY_Anlst	43.10%	CT_Anlst	44.76%
ETSS_Anlst_Ind10	32.45%	KMY_Anlst	40.61%	GM_Anlst	42.00%	DKL_Anlst	32.34%	CT_Anlst	43.03%	KMY_Anlst	44.30%
DKL_Anlst	32.24%	FPM_Anlst	38.18%	TPDPS_Anlst	38.73%	ETSS_Anlst_Ind10	32.34%	FPM_Anlst	41.16%	FPM_Anlst	41.83%
HL_Anlst	31.22%	WNG_Anlst	35.12%	FPM_Anlst	38.60%	HL_Anlst	31.32%	Naive	36.69%	TPDPS_Anlst	39.96%
WNG_Anlst	29.48%	Naive	34.49%	Naive	37.76%	WNG_Anlst	29.27%	WNG_Anlst	36.62%	Naive	39.63%
Naive	15.76%	TPDPS_Anlst	34.08%	OHE_25SBM	36.16%	Naive	15.35%	TPDPS_Anlst	36.62%	OHE_25SBM	38.56%
TPDPS_Anlst	15.15%	OHE_25SBM	31.15%	WNG_Anlst	33.10%	TPDPS_Anlst	14.64%	OHE_25SBM	34.29%	WNG_Anlst	34.76%
OHE_25SBM	13.00%	GG_Anlst	28.93%	GG_Anlst	29.00%	OHE_25SBM	13.00%	GG_Anlst	30.55%	ETSS_Anlst_25SBM	31.22%
ETSS_Anlst_25SBM	12.08%	ETSS_Anlst_25SBM	26.43%	ETSS_Anlst_25SBM	28.79%	ETSS_Anlst_25SBM	11.98%	ETSS_Anlst_25SBM	28.49%	GG_Anlst	30.42%
ES_Anlst_Ind10	8.70%	ES_Anlst_Ind10	13.35%	ES_Anlst_Ind10	15.02%	ES_Anlst_Ind10	8.80%	ES_Anlst_Ind10	14.74%	ES_Anlst_Ind10	14.94%
ES_Anlst_25SBM	2.25%	ES_Anlst_25SBM	7.58%	ES_Anlst_25SBM	7.44%	ES_Anlst_25SBM	2.15%	ES_Anlst_25SBM	8.54%	ES_Anlst_25SBM	8.67%

Panel B: HDZ

First Quartile						Fourth Quartile					
MEV		RMSE		MAE		MEV		RMSE		MAE	
PEG_HDZ	44.41%	PE_HDZ	54.94%	PE_HDZ	58.90%	PEG_HDZ	44.30%	PE_HDZ	56.64%	PE_HDZ	60.11%
BP_HDZ	44.08%	BP_HDZ	51.67%	BP_HDZ	57.09%	BP_HDZ	44.19%	BP_HDZ	53.17%	BP_HDZ	58.31%
GM_HDZ	42.76%	GLS_HDZ	50.70%	GLS_HDZ	51.18%	GM_HDZ	43.09%	GLS_HDZ	52.50%	GLS_HDZ	53.84%
PE_HDZ	42.65%	GG_HDZ	48.40%	GG_HDZ	51.18%	PE_HDZ	42.54%	GG_HDZ	50.83%	GG_HDZ	53.17%
MPEG_HDZ	41.89%	FGHJ_HDZ	45.20%	FGHJ_HDZ	45.34%	MPEG_HDZ	41.89%	FGHJ_HDZ	47.90%	FGHJ_HDZ	49.23%
FPM_HDZ	38.60%	CT_HDZ	43.25%	CT_HDZ	44.78%	FPM_HDZ	39.04%	CT_HDZ	45.16%	CT_HDZ	47.30%
GG_HDZ	38.27%	KMY_HDZ	38.73%	ETSS_HDZ_Ind10	41.45%	GG_HDZ	38.60%	KMY_HDZ	41.76%	KMY_HDZ	43.70%
GLS_HDZ	36.62%	DKL_HDZ	38.39%	TPDPS_HDZ	41.17%	GLS_HDZ	36.84%	DKL_HDZ	41.36%	TPDPS_HDZ	42.90%
FGHJ_HDZ	35.31%	ETSS_HDZ_Ind10	37.83%	KMY_HDZ	40.54%	FGHJ_HDZ	35.64%	ETSS_HDZ_Ind10	40.16%	ETSS_HDZ_Ind10	42.76%
KMY_HDZ	33.88%	TPDPS_HDZ	36.93%	DKL_HDZ	39.92%	KMY_HDZ	34.21%	TPDPS_HDZ	39.43%	DKL_HDZ	42.63%
HL_HDZ	33.55%	HL_HDZ	35.95%	HL_HDZ	37.48%	HL_HDZ	33.55%	HL_HDZ	38.89%	HL_HDZ	40.56%
CT_HDZ	32.35%	MPEG_HDZ	35.26%	MPEG_HDZ	37.00%	CT_HDZ	32.35%	MPEG_HDZ	37.56%	MPEG_HDZ	39.83%
DKL_HDZ	31.25%	GM_HDZ	33.80%	GM_HDZ	36.23%	DKL_HDZ	31.25%	GM_HDZ	36.89%	GM_HDZ	39.16%
WNG_HDZ	27.96%	FPM_HDZ	33.52%	FPM_HDZ	35.95%	WNG_HDZ	28.29%	FPM_HDZ	36.02%	FPM_HDZ	39.03%
ETSS_HDZ_Ind10	24.89%	PEG_HDZ	31.64%	PEG_HDZ	34.56%	ETSS_HDZ_Ind10	25.11%	PEG_HDZ	34.36%	PEG_HDZ	37.29%
TPDPS_HDZ	17.00%	WNG_HDZ	23.44%	ETSS_HDZ_25SBM	25.03%	TPDPS_HDZ	16.78%	ETSS_HDZ_25SBM	25.48%	ETSS_HDZ_25SBM	27.28%
ETSS_HDZ_25SBM	9.65%	ETSS_HDZ_25SBM	22.67%	WNG_HDZ	24.41%	ETSS_HDZ_25SBM	10.09%	WNG_HDZ	25.08%	WNG_HDZ	26.15%
ES_HDZ_25SBM	1.97%	ES_HDZ_25SBM	8.62%	ES_HDZ_25SBM	8.83%	ES_HDZ_25SBM	2.19%	ES_HDZ_25SBM	10.01%	ES_HDZ_25SBM	9.67%
ES_HDZ_Ind10	1.32%	ES_HDZ_Ind10	7.02%	ES_HDZ_Ind10	6.61%	ES_HDZ_Ind10	1.43%	ES_HDZ_Ind10	7.94%	ES_HDZ_Ind10	6.80%

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Table 94: **Model Confidence Set Summary Results: Firm Size Effect, Continued**

Panel C: RW

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RW	57.23%	BP_RW	64.88%	GG_RW	68.15%	BP_RW	57.38%	GG_RW	66.31%	GG_RW	68.98%
GG_RW	35.62%	GG_RW	64.81%	BP_RW	66.76%	GG_RW	35.92%	BP_RW	65.51%	BP_RW	66.98%
KMY_RW	33.38%	CT_RW	50.90%	CT_RW	52.29%	KMY_RW	33.38%	CT_RW	53.04%	CT_RW	54.17%
GM_RW	23.99%	FGHJ_RW	44.02%	FGHJ_RW	46.18%	GM_RW	24.14%	FGHJ_RW	46.23%	FGHJ_RW	48.63%
CT_RW	19.08%	KMY_RW	43.18%	KMY_RW	43.67%	CT_RW	19.23%	KMY_RW	45.96%	KMY_RW	46.70%
FGHJ_RW	18.93%	DKL_RW	36.37%	GLS_RW	38.04%	FGHJ_RW	18.63%	DKL_RW	39.16%	GLS_RW	40.29%
HL_RW	15.80%	GLS_RW	35.61%	DKL_RW	36.30%	HL_RW	15.80%	GLS_RW	37.96%	DKL_RW	39.23%
MPEG_RW	15.35%	GM_RW	32.75%	GM_RW	34.08%	MPEG_RW	15.50%	GM_RW	36.29%	GM_RW	37.16%
DKL_RW	15.20%	HL_RW	31.64%	HL_RW	30.95%	DKL_RW	15.20%	HL_RW	34.56%	HL_RW	33.22%
GLS_RW	13.71%	TPDPS_RW	26.01%	TPDPS_RW	28.30%	GLS_RW	13.86%	TPDPS_RW	28.55%	TPDPS_RW	29.82%
PE_RW	10.43%	MPEG_RW	24.76%	MPEG_RW	26.56%	PE_RW	10.73%	MPEG_RW	26.88%	MPEG_RW	28.62%
TPDPS_RW	10.13%	PEG_RW	23.78%	PEG_RW	25.10%	TPDPS_RW	10.13%	PEG_RW	26.28%	PEG_RW	26.55%
PEG_RW	9.99%	ES_RW_Ind10	16.62%	ES_RW_Ind10	18.01%	PEG_RW	9.99%	ES_RW_Ind10	20.41%	ES_RW_Ind10	21.41%
ETSS_RW_Ind10	3.28%	PE_RW	16.20%	PE_RW	16.76%	ETSS_RW_Ind10	3.28%	PE_RW	18.15%	PE_RW	18.08%
ES_RW_Ind10	2.68%	ETSS_RW_Ind10	14.26%	ETSS_RW_Ind10	13.84%	ES_RW_Ind10	2.68%	ETSS_RW_Ind10	16.28%	ETSS_RW_Ind10	15.68%
WNG_RW	2.68%	ETSS_RW_25SBM	10.85%	ETSS_RW_25SBM	9.67%	WNG_RW	2.68%	ETSS_RW_25SBM	12.27%	ETSS_RW_25SBM	11.54%
ETSS_RW_25SBM	1.94%	ES_RW_25SBM	7.72%	ES_RW_25SBM	7.65%	ETSS_RW_25SBM	1.94%	ES_RW_25SBM	10.74%	ES_RW_25SBM	9.41%
FPM_RW	1.79%	FPM_RW	7.58%	FPM_RW	7.58%	FPM_RW	1.79%	FPM_RW	10.01%	FPM_RW	9.14%
ES_RW_25SBM	0.45%	WNG_RW	7.30%	WNG_RW	4.73%	ES_RW_25SBM	0.30%	WNG_RW	8.74%	WNG_RW	5.14%

Panel D: EP

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_EP	57.05%	BP_EP	62.80%	BP_EP	64.95%	BP_EP	56.68%	BP_EP	64.18%	BP_EP	66.58%
PE_EP	42.57%	GG_EP	54.45%	GG_EP	56.40%	PE_EP	42.20%	GG_EP	56.44%	GG_EP	58.37%
GLS_EP	34.28%	KMY_EP	47.98%	KMY_EP	49.44%	GM_EP	34.28%	KMY_EP	51.57%	KMY_EP	52.10%
GM_EP	34.28%	CT_EP	39.78%	CT_EP	41.45%	FGHJ_EP	34.28%	CT_EP	43.43%	CT_EP	45.63%
FGHJ_EP	34.28%	PE_EP	38.53%	PE_EP	41.17%	GLS_EP	34.03%	PE_EP	39.96%	PE_EP	42.03%
DKL_EP	31.31%	GLS_EP	34.77%	GLS_EP	36.86%	DKL_EP	30.94%	GLS_EP	37.69%	GLS_EP	39.09%
HL_EP	30.69%	DKL_EP	33.03%	DKL_EP	34.63%	KMY_EP	30.45%	DKL_EP	36.69%	DKL_EP	37.76%
KMY_EP	30.57%	TPDPS_EP	30.53%	TPDPS_EP	33.38%	HL_EP	29.95%	FGHJ_EP	33.22%	TPDPS_EP	36.16%
MPEG_EP	29.46%	FGHJ_EP	29.42%	FGHJ_EP	31.99%	MPEG_EP	29.21%	TPDPS_EP	32.82%	FGHJ_EP	34.82%
GG_EP	24.75%	GM_EP	24.90%	GM_EP	28.23%	PEG_EP	24.88%	GM_EP	28.49%	GM_EP	31.09%
PEG_EP	24.75%	HL_EP	24.27%	HL_EP	26.56%	GG_EP	24.50%	HL_EP	27.08%	HL_EP	29.22%
CT_EP	21.66%	PEG_EP	21.28%	PEG_EP	24.83%	CT_EP	21.41%	PEG_EP	23.75%	PEG_EP	27.55%
TPDPS_EP	16.46%	MPEG_EP	16.13%	MPEG_EP	17.80%	TPDPS_EP	16.34%	MPEG_EP	19.01%	MPEG_EP	20.35%
ETSS_EP_Ind10	7.55%	ETSS_EP_Ind10	11.06%	ETSS_EP_Ind10	11.61%	ETSS_EP_Ind10	7.30%	ETSS_EP_Ind10	13.01%	ETSS_EP_Ind10	12.94%
FPM_EP	6.81%	FPM_EP	6.82%	FPM_EP	7.37%	FPM_EP	6.81%	FPM_EP	8.27%	FPM_EP	7.61%
ETSS_EP_25SBM	4.21%	ES_EP_Ind10	5.84%	ES_EP_Ind10	6.82%	ETSS_EP_25SBM	3.96%	ETSS_EP_25SBM	7.47%	ES_EP_Ind10	6.87%
ES_EP_Ind10	1.73%	ETSS_EP_25SBM	5.42%	ETSS_EP_25SBM	5.56%	ES_EP_Ind10	1.61%	ES_EP_Ind10	7.34%	ETSS_EP_25SBM	5.87%
WNG_EP	1.36%	WNG_EP	3.89%	WNG_EP	3.62%	WNG_EP	1.36%	WNG_EP	5.40%	WNG_EP	3.80%
ES_EP_25SBM	0.25%	ES_EP_25SBM	2.29%	ES_EP_25SBM	1.88%	ES_EP_25SBM	0.25%	ES_EP_25SBM	3.87%	ES_EP_25SBM	1.87%

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Table 94: **Model Confidence Set Summary Results: Firm Size Effect, Continued**

Panel E: RI

First Quartile						**Fourth Quartile**					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RI	61.82%	BP_RI	65.23%	BP_RI	67.45%	BP_RI	61.69%	BP_RI	66.64%	BP_RI	67.44%
PE_RI	46.02%	GG_RI	54.31%	GG_RI	55.98%	PE_RI	46.02%	GG_RI	55.97%	GG_RI	57.37%
GG_RI	41.42%	KMY_RI	43.46%	KMY_RI	44.44%	GG_RI	41.54%	PE_RI	45.36%	KMY_RI	45.36%
FGHJ_RI	36.94%	PE_RI	43.05%	PE_RI	43.05%	FGHJ_RI	37.06%	KMY_RI	44.63%	PE_RI	44.36%
GLS_RI	35.95%	GLS_RI	38.60%	GLS_RI	41.66%	GLS_RI	36.19%	GLS_RI	41.23%	GLS_RI	44.10%
KMY_RI	30.35%	TPDPS_RI	35.81%	TPDPS_RI	38.46%	KMY_RI	30.60%	TPDPS_RI	38.49%	TPDPS_RI	40.03%
GM_RI	22.89%	FGHJ_RI	33.03%	FGHJ_RI	36.02%	GM_RI	22.89%	FGHJ_RI	36.82%	FGHJ_RI	38.83%
DKL_RI	19.40%	DKL_RI	29.21%	DKL_RI	30.74%	DKL_RI	19.53%	DKL_RI	30.89%	DKL_RI	32.15%
TPDPS_RI	18.66%	CT_RI	25.59%	CT_RI	27.61%	TPDPS_RI	18.41%	GM_RI	28.42%	GM_RI	29.42%
MPEG_RI	17.04%	GM_RI	24.83%	GM_RI	26.77%	MPEG_RI	17.04%	CT_RI	26.95%	CT_RI	27.82%
HL_RI	15.67%	HL_RI	23.23%	HL_RI	25.17%	HL_RI	15.67%	HL_RI	26.02%	HL_RI	27.22%
PEG_RI	12.06%	PEG_RI	22.18%	PEG_RI	24.90%	PEG_RI	11.94%	PEG_RI	24.42%	PEG_RI	26.42%
CT_RI	10.45%	MPEG_RI	16.06%	MPEG_RI	17.87%	CT_RI	10.70%	MPEG_RI	18.48%	MPEG_RI	19.28%
ETSS_RI_Ind10	4.85%	ETSS_RI_Ind10	12.17%	ETSS_RI_Ind10	13.14%	ETSS_RI_Ind10	4.85%	ETSS_RI_Ind10	13.61%	ETSS_RI_Ind10	14.48%
FPM_RI	3.11%	FPM_RI	9.04%	FPM_RI	9.67%	FPM_RI	2.99%	FPM_RI	10.74%	FPM_RI	10.27%
ETSS_RI_25SBM	2.11%	ETSS_RI_25SBM	7.37%	ETSS_RI_25SBM	8.00%	ETSS_RI_25SBM	2.11%	ETSS_RI_25SBM	9.14%	ETSS_RI_25SBM	9.14%
WNG_RI	1.00%	ES_RI_Ind10	3.55%	ES_RI_Ind10	2.99%	WNG_RI	1.00%	WNG_RI	5.00%	WNG_RI	3.87%
ES_RI_Ind10	0.75%	WNG_RI	3.20%	WNG_RI	2.92%	ES_RI_Ind10	0.75%	ES_RI_Ind10	4.80%	ES_RI_Ind10	3.34%
ES_RI_25SBM	0.25%	ES_RI_25SBM	1.74%	ES_RI_25SBM	1.18%	ES_RI_25SBM	0.25%	ES_RI_25SBM	3.14%	ES_RI_25SBM	1.20%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE) for the highest and lowest quartiles of firms in terms of size. The table reports the percentage of firms for which a specific model is included in the confidence set. Panel A report the results for the ICC models estimated using analysts earnings forecasts. Panel B, C, D and E report the results using ICC estimates based on mechanical earnings forecasts of Hou, van Dijk, and Zhang (2012) model (HDZ), random walk (RW) model, Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI) respectively.

Table 95: **Model Confidence Set Summary Results: Firm Value Effect**

Panel A: Analysts

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
GG_Anlst	31.35%	BP_Anlst	45.53%	BP_Anlst	46.39%	GG_Anlst	31.66%	GLS_Anlst	45.95%	PE_Anlst	46.95%
PEG_Anlst	30.72%	PE_Anlst	42.44%	PE_Anlst	45.36%	PEG_Anlst	30.72%	BP_Anlst	43.71%	BP_Anlst	45.33%
BP_Anlst	29.15%	OHE_25SBM	41.24%	OHE_25SBM	45.02%	BP_Anlst	29.15%	PE_Anlst	42.96%	GLS_Anlst	44.46%
PE_Anlst	28.21%	OHE_Ind10	40.55%	OHE_Ind10	40.55%	PE_Anlst	28.21%	MPEG_Anlst	42.59%	MPEG_Anlst	41.72%
FPM_Anlst	27.59%	GLS_Anlst	33.33%	MPEG_Anlst	35.57%	FPM_Anlst	27.90%	ETSS_Anlst_Ind10	40.97%	OHE_Ind10	41.47%
KMY_Anlst	26.33%	MPEG_Anlst	32.99%	GLS_Anlst	35.22%	KMY_Anlst	26.33%	PEG_Anlst	39.85%	ETSS_Anlst_Ind10	40.60%
WNG_Anlst	26.02%	ETSS_Anlst_Ind10	32.65%	ETSS_Anlst_Ind10	34.54%	WNG_Anlst	26.02%	OHE_Ind10	39.60%	PEG_Anlst	39.10%
GM_Anlst	25.71%	CT_Anlst	31.96%	CT_Anlst	33.85%	GM_Anlst	25.71%	HL_Anlst	38.36%	KMY_Anlst	38.85%
OHE_Ind10	25.71%	FGHJ_Anlst	30.24%	PEG_Anlst	33.16%	OHE_Ind10	25.39%	KMY_Anlst	37.61%	HL_Anlst	37.73%
OHE_25SBM	25.08%	WNG_Anlst	29.90%	KMY_Anlst	32.65%	OHE_25SBM	25.08%	GM_Anlst	36.99%	GM_Anlst	37.24%
MPEG_Anlst	24.76%	Naive	29.73%	FGHJ_Anlst	31.62%	MPEG_Anlst	24.76%	FGHJ_Anlst	36.99%	ETSS_Anlst_25SBM	36.74%
ETSS_Anlst_Ind10	24.76%	KMY_Anlst	29.55%	Naive	31.27%	ETSS_Anlst_Ind10	24.76%	DKL_Anlst	36.86%	FGHJ_Anlst	36.61%
GLS_Anlst	21.63%	HL_Anlst	29.38%	TPDPS_Anlst	31.27%	GLS_Anlst	21.63%	GG_Anlst	35.62%	DKL_Anlst	36.61%
CT_Anlst	21.00%	TPDPS_Anlst	29.04%	GM_Anlst	31.10%	CT_Anlst	21.32%	ETSS_Anlst_25SBM	35.37%	GG_Anlst	36.11%
FGHJ_Anlst	19.44%	PEG_Anlst	28.87%	HL_Anlst	30.93%	FGHJ_Anlst	19.44%	FPM_Anlst	34.37%	FPM_Anlst	36.11%
HL_Anlst	18.18%	GM_Anlst	28.69%	DKL_Anlst	30.24%	HL_Anlst	18.18%	CT_Anlst	33.50%	TPDPS_Anlst	35.62%
DKL_Anlst	18.18%	DKL_Anlst	28.69%	FPM_Anlst	29.21%	DKL_Anlst	17.87%	TPDPS_Anlst	32.88%	Naive	34.25%
ETSS_Anlst_25SBM	13.48%	FPM_Anlst	27.66%	WNG_Anlst	29.21%	ETSS_Anlst_25SBM	13.48%	WNG_Anlst	32.50%	CT_Anlst	33.87%
Naive	11.29%	GG_Anlst	21.65%	ETSS_Anlst_25SBM	24.91%	Naive	11.29%	Naive	32.13%	OHE_25SBM	33.25%
TPDPS_Anlst	11.29%	ETSS_Anlst_25SBM	20.62%	GG_Anlst	21.48%	TPDPS_Anlst	11.29%	OHE_25SBM	29.27%	WNG_Anlst	28.77%
ES_Anlst_Ind10	6.90%	ES_Anlst_Ind10	13.40%	ES_Anlst_Ind10	15.46%	ES_Anlst_Ind10	6.90%	ES_Anlst_Ind10	14.57%	ES_Anlst_Ind10	14.20%
ES_Anlst_25SBM	2.19%	ES_Anlst_25SBM	10.14%	ES_Anlst_25SBM	11.34%	ES_Anlst_25SBM	2.19%	ES_Anlst_25SBM	7.72%	ES_Anlst_25SBM	5.23%

Panel B: HDZ

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PEG_HDZ	34.34%	BP_HDZ	50.52%	BP_HDZ	51.89%	PEG_HDZ	34.34%	PE_HDZ	46.82%	PE_HDZ	51.18%
GM_HDZ	26.94%	PE_HDZ	45.19%	PE_HDZ	48.11%	GM_HDZ	26.94%	BP_HDZ	46.45%	BP_HDZ	48.44%
BP_HDZ	26.94%	GG_HDZ	37.97%	GG_HDZ	40.89%	BP_HDZ	26.60%	GLS_HDZ	44.33%	GLS_HDZ	43.96%
PE_HDZ	24.58%	FGHJ_HDZ	32.13%	GLS_HDZ	35.91%	FPM_HDZ	24.58%	GG_HDZ	39.10%	GG_HDZ	40.10%
FPM_HDZ	24.58%	GLS_HDZ	31.96%	CT_HDZ	34.36%	PE_HDZ	24.24%	FGHJ_HDZ	38.73%	FGHJ_HDZ	39.98%
MPEG_HDZ	22.22%	CT_HDZ	31.79%	TPDPS_HDZ	34.36%	MPEG_HDZ	22.22%	TPDPS_HDZ	34.87%	TPDPS_HDZ	39.60%
GG_HDZ	21.89%	TPDPS_HDZ	31.79%	FGHJ_HDZ	34.19%	GG_HDZ	21.21%	ETSS_HDZ_Ind10	34.50%	CT_HDZ	36.74%
WNG_HDZ	20.54%	ETSS_HDZ_Ind10	30.93%	FPM_HDZ	33.33%	WNG_HDZ	20.88%	CT_HDZ	34.12%	ETSS_HDZ_Ind10	36.49%
GLS_HDZ	18.18%	FPM_HDZ	30.76%	MPEG_HDZ	33.16%	GLS_HDZ	18.18%	KMY_HDZ	32.88%	DKL_HDZ	33.75%
FGHJ_HDZ	17.17%	MPEG_HDZ	30.58%	ETSS_HDZ_Ind10	32.99%	FGHJ_HDZ	16.84%	DKL_HDZ	32.75%	KMY_HDZ	33.75%
HL_HDZ	17.17%	PEG_HDZ	30.24%	KMY_HDZ	32.47%	HL_HDZ	16.50%	MPEG_HDZ	32.38%	MPEG_HDZ	32.00%
CT_HDZ	16.16%	KMY_HDZ	28.69%	PEG_HDZ	31.96%	CT_HDZ	15.82%	HL_HDZ	30.76%	HL_HDZ	31.26%
ETSS_HDZ_Ind10	15.49%	DKL_HDZ	27.66%	DKL_HDZ	31.62%	ETSS_HDZ_Ind10	15.82%	FPM_HDZ	30.01%	FPM_HDZ	30.01%
DKL_HDZ	13.47%	HL_HDZ	26.98%	GM_HDZ	29.73%	TPDPS_HDZ	13.80%	GM_HDZ	28.77%	GM_HDZ	29.76%
KMY_HDZ	13.47%	GM_HDZ	26.46%	HL_HDZ	29.73%	DKL_HDZ	13.13%	PEG_HDZ	28.39%	PEG_HDZ	28.77%
TPDPS_HDZ	13.47%	ETSS_HDZ_25SBM	23.37%	ETSS_HDZ_25SBM	29.04%	KMY_HDZ	13.13%	ETSS_HDZ_25SBM	24.16%	ETSS_HDZ_25SBM	25.28%
ETSS_HDZ_25SBM	10.77%	WNG_HDZ	21.65%	WNG_HDZ	21.31%	ETSS_HDZ_25SBM	10.77%	WNG_HDZ	23.79%	WNG_HDZ	22.67%
ES_HDZ_25SBM	3.03%	ES_HDZ_25SBM	15.98%	ES_HDZ_25SBM	17.35%	ES_HDZ_25SBM	3.37%	ES_HDZ_Ind10	9.71%	ES_HDZ_Ind10	10.09%
ES_HDZ_Ind10	0.34%	ES_HDZ_Ind10	8.25%	ES_HDZ_Ind10	7.73%	ES_HDZ_Ind10	0.67%	ES_HDZ_25SBM	4.86%	ES_HDZ_25SBM	3.86%

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Table 95: **Model Confidence Set Summary Results: Firm Value Effect, Continued**

Panel C: RW

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RW	51.38%	BP_RW	60.31%	BP_RW	59.11%	BP_RW	51.38%	GG_RW	55.92%	GG_RW	57.66%
GG_RW	32.04%	GG_RW	48.63%	GG_RW	50.00%	GG_RW	32.04%	BP_RW	55.92%	BP_RW	56.04%
KMY_RW	27.07%	CT_RW	38.14%	CT_RW	42.61%	KMY_RW	27.07%	CT_RW	42.59%	CT_RW	44.96%
CT_RW	20.44%	FGHJ_RW	37.29%	FGHJ_RW	40.55%	CT_RW	20.44%	KMY_RW	41.72%	KMY_RW	42.71%
GM_RW	16.57%	KMY_RW	29.73%	KMY_RW	30.58%	GM_RW	16.57%	FGHJ_RW	40.10%	FGHJ_RW	41.47%
HL_RW	16.02%	GLS_RW	27.84%	TPDPS_RW	29.55%	HL_RW	16.02%	DKL_RW	37.61%	GLS_RW	38.11%
DKL_RW	15.47%	GM_RW	27.32%	GLS_RW	28.52%	DKL_RW	15.47%	GLS_RW	34.37%	DKL_RW	37.61%
PE_RW	12.71%	TPDPS_RW	26.98%	GM_RW	28.01%	PE_RW	12.71%	GM_RW	32.25%	GM_RW	33.37%
FGHJ_RW	11.05%	MPEG_RW	24.57%	PE_RW	25.43%	FGHJ_RW	11.05%	HL_RW	32.25%	HL_RW	32.63%
GLS_RW	8.84%	HL_RW	24.05%	DKL_RW	24.74%	GLS_RW	8.84%	MPEG_RW	24.53%	MPEG_RW	26.28%
PEG_RW	8.84%	PE_RW	23.02%	MPEG_RW	24.40%	PEG_RW	8.84%	PEG_RW	22.17%	PEG_RW	23.79%
TPDPS_RW	8.29%	DKL_RW	23.02%	HL_RW	23.88%	TPDPS_RW	8.29%	TPDPS_RW	20.80%	TPDPS_RW	23.16%
MPEG_RW	4.97%	PEG_RW	20.79%	ES_RW_Ind10	20.79%	ES_RW_Ind10	4.97%	PE_RW	17.43%	ES_RW_Ind10	21.79%
ES_RW_Ind10	4.97%	ES_RW_Ind10	19.24%	PEG_RW	20.45%	MPEG_RW	4.42%	ES_RW_Ind10	17.31%	PE_RW	17.43%
ETSS_RW_Ind10	3.31%	ETSS_RW_25SBM	17.18%	ES_RW_25SBM	18.38%	ETSS_RW_Ind10	3.31%	ETSS_RW_Ind10	15.32%	ETSS_RW_Ind10	17.19%
ETSS_RW_25SBM	1.66%	ETSS_RW_Ind10	16.15%	ETSS_RW_Ind10	15.64%	ETSS_RW_25SBM	1.66%	FPM_RW	10.09%	FPM_RW	10.59%
WNG_RW	1.10%	ES_RW_25SBM	14.95%	ETSS_RW_25SBM	15.29%	WNG_RW	1.10%	ETSS_RW_25SBM	9.96%	ETSS_RW_25SBM	10.21%
FPM_RW	0.55%	WNG_RW	8.93%	FPM_RW	6.87%	FPM_RW	0.55%	WNG_RW	6.23%	WNG_RW	4.36%
ES_RW_25SBM	0.00%	FPM_RW	7.04%	WNG_RW	6.36%	ES_RW_25SBM	0.00%	ES_RW_25SBM	4.73%	ES_RW_25SBM	3.74%

Panel D: EP

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_EP	48.37%	BP_EP	54.30%	BP_EP	56.53%	BP_EP	49.19%	BP_EP	55.04%	BP_EP	55.92%
PE_EP	37.40%	GG_EP	45.36%	GG_EP	46.22%	PE_EP	37.80%	GG_EP	48.44%	GG_EP	47.82%
FGHJ_EP	28.05%	PE_EP	39.35%	PE_EP	42.44%	FGHJ_EP	28.46%	KMY_EP	40.85%	KMY_EP	41.59%
GM_EP	25.20%	KMY_EP	37.63%	KMY_EP	41.75%	GM_EP	26.42%	CT_EP	39.60%	CT_EP	39.23%
PEG_EP	25.20%	CT_EP	35.91%	CT_EP	35.57%	PEG_EP	25.61%	PE_EP	31.01%	PE_EP	32.25%
GLS_EP	24.80%	DKL_EP	28.69%	DKL_EP	32.47%	GLS_EP	25.20%	DKL_EP	28.77%	GLS_EP	29.89%
MPEG_EP	24.80%	TPDPS_EP	27.66%	TPDPS_EP	29.38%	MPEG_EP	25.20%	GLS_EP	28.64%	DKL_EP	29.14%
DKL_EP	22.76%	GLS_EP	24.91%	GLS_EP	27.49%	DKL_EP	23.17%	FGHJ_EP	26.90%	FGHJ_EP	27.52%
HL_EP	20.33%	PEG_EP	22.68%	FGHJ_EP	25.95%	HL_EP	21.54%	GM_EP	25.65%	PEG_EP	27.15%
KMY_EP	18.70%	FGHJ_EP	21.31%	PEG_EP	25.95%	KMY_EP	19.92%	PEG_EP	24.28%	GM_EP	26.53%
CT_EP	12.20%	HL_EP	21.31%	HL_EP	24.74%	CT_EP	13.41%	TPDPS_EP	24.16%	TPDPS_EP	25.28%
GG_EP	11.38%	GM_EP	18.38%	GM_EP	23.02%	GG_EP	11.79%	HL_EP	23.41%	HL_EP	23.79%
TPDPS_EP	10.98%	MPEG_EP	15.81%	MPEG_EP	16.84%	TPDPS_EP	10.98%	MPEG_EP	19.43%	MPEG_EP	20.80%
ETSS_EP_Ind10	4.88%	ETSS_EP_Ind10	8.25%	ETSS_EP_Ind10	9.11%	ETSS_EP_Ind10	4.88%	ETSS_EP_Ind10	14.82%	ETSS_EP_Ind10	16.69%
FPM_EP	4.47%	ETSS_EP_25SBM	6.19%	ETSS_EP_25SBM	6.19%	FPM_EP	4.47%	FPM_EP	10.71%	FPM_EP	11.46%
ETSS_EP_25SBM	3.66%	FPM_EP	5.33%	ES_EP_Ind10	6.01%	ETSS_EP_25SBM	3.66%	ES_EP_Ind10	7.72%	ES_EP_Ind10	6.97%
WNG_EP	2.03%	ES_EP_Ind10	5.33%	FPM_EP	5.67%	WNG_EP	2.03%	ETSS_EP_25SBM	5.60%	ETSS_EP_25SBM	6.23%
ES_EP_25SBM	0.81%	WNG_EP	4.81%	WNG_EP	4.64%	ES_EP_25SBM	0.81%	WNG_EP	5.60%	WNG_EP	4.86%
ES_EP_Ind10	0.41%	ES_EP_25SBM	3.95%	ES_EP_25SBM	4.12%	ES_EP_Ind10	0.41%	ES_EP_25SBM	1.62%	ES_EP_25SBM	0.87%

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Table 95: **Model Confidence Set Summary Results: Firm Value Effect, Continued**

Panel E: RI

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RI	49.02%	BP_RI	56.19%	BP_RI	56.53%	BP_RI	48.63%	BP_RI	58.41%	BP_RI	57.78%
PE_RI	41.96%	GG_RI	44.67%	GG_RI	47.08%	PE_RI	41.96%	GG_RI	47.70%	GG_RI	47.32%
FGHJ_RI	30.20%	PE_RI	43.13%	PE_RI	44.16%	FGHJ_RI	30.20%	KMY_RI	38.61%	KMY_RI	37.86%
GLS_RI	27.45%	KMY_RI	35.05%	KMY_RI	36.08%	GLS_RI	27.84%	GLS_RI	32.75%	GLS_RI	32.25%
GG_RI	24.71%	TPDPS_RI	33.68%	TPDPS_RI	35.40%	GG_RI	24.31%	TPDPS_RI	31.88%	TPDPS_RI	32.00%
GM_RI	18.43%	GLS_RI	33.16%	GLS_RI	34.71%	GM_RI	18.04%	PE_RI	31.13%	PE_RI	30.76%
TPDPS_RI	16.86%	FGHJ_RI	28.35%	FGHJ_RI	31.62%	TPDPS_RI	16.47%	FGHJ_RI	30.14%	FGHJ_RI	30.39%
KMY_RI	14.51%	CT_RI	26.63%	DKL_RI	28.69%	MPEG_RI	14.51%	PEG_RI	26.65%	PEG_RI	27.40%
MPEG_RI	14.12%	DKL_RI	25.95%	CT_RI	27.15%	KMY_RI	14.51%	GM_RI	26.03%	GM_RI	25.40%
PEG_RI	12.55%	GM_RI	25.26%	PEG_RI	26.80%	PEG_RI	12.55%	CT_RI	25.40%	CT_RI	25.28%
HL_RI	10.98%	PEG_RI	24.40%	GM_RI	25.60%	HL_RI	10.59%	DKL_RI	24.91%	DKL_RI	25.16%
DKL_RI	9.41%	HL_RI	23.37%	HL_RI	25.26%	DKL_RI	9.02%	HL_RI	22.54%	HL_RI	21.79%
CT_RI	8.63%	MPEG_RI	17.18%	MPEG_RI	18.21%	CT_RI	8.24%	MPEG_RI	21.17%	MPEG_RI	21.17%
ETSS_RI_Ind10	7.45%	ETSS_RI_Ind10	13.57%	ETSS_RI_Ind10	14.60%	ETSS_RI_Ind10	7.06%	ETSS_RI_Ind10	15.19%	ETSS_RI_Ind10	14.82%
ETSS_RI_25SBM	4.71%	ETSS_RI_25SBM	12.20%	ETSS_RI_25SBM	12.89%	ETSS_RI_25SBM	4.31%	FPM_RI	14.20%	FPM_RI	14.20%
FPM_RI	3.92%	FPM_RI	8.42%	FPM_RI	8.76%	FPM_RI	3.53%	ETSS_RI_25SBM	8.22%	ETSS_RI_25SBM	7.72%
WNG_RI	0.78%	WNG_RI	5.67%	WNG_RI	4.81%	WNG_RI	0.78%	ES_RI_Ind10	6.10%	ES_RI_Ind10	5.48%
ES_RI_25SBM	0.39%	ES_RI_Ind10	3.78%	ES_RI_Ind10	2.92%	ES_RI_25SBM	0.39%	WNG_RI	5.11%	WNG_RI	3.24%
ES_RI_Ind10	0.00%	ES_RI_25SBM	2.23%	ES_RI_25SBM	1.55%	ES_RI_Ind10	0.00%	ES_RI_25SBM	2.12%	ES_RI_25SBM	1.00%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE) for the highest and lowest quartiles of firms in terms of value. The table reports the percentage of firms for which a specific model is included in the confidence set. Panel A report the results for the ICC models estimated using analysts earnings forecasts. Panel B, C, D and E report the results using ICC estimates based on mechanical earnings forecasts of Hou, van Dijk, and Zhang (2012) model (HDZ), random walk (RW) model, Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI) respectively.

Table 96: **Model Confidence Set Summary Results: Price Momentum Effect**

Panel A: Analysts

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_Anlst	41.88%	GLS_Anlst	54.86%	PE_Anlst	56.44%	BP_Anlst	42.09%	GLS_Anlst	55.10%	PE_Anlst	57.97%
PE_Anlst	41.56%	PE_Anlst	52.96%	GLS_Anlst	56.11%	PE_Anlst	41.67%	PE_Anlst	53.24%	GLS_Anlst	56.70%
GG_Anlst	39.56%	BP_Anlst	51.91%	BP_Anlst	54.93%	GG_Anlst	39.98%	BP_Anlst	51.50%	BP_Anlst	55.70%
PEG_Anlst	38.61%	MPEG_Anlst	47.63%	OHE_Ind10	49.54%	PEG_Anlst	38.40%	MPEG_Anlst	48.03%	OHE_Ind10	49.97%
CT_Anlst	37.34%	OHE_Ind10	46.32%	MPEG_Anlst	49.01%	CT_Anlst	37.45%	OHE_Ind10	47.16%	MPEG_Anlst	49.37%
KMY_Anlst	36.18%	FGHJ_Anlst	46.06%	ETSS_Anlst_Ind10	47.63%	KMY_Anlst	36.39%	FGHJ_Anlst	46.23%	ETSS_Anlst_Ind10	47.97%
FPM_Anlst	35.44%	HL_Anlst	43.89%	FGHJ_Anlst	46.39%	FPM_Anlst	35.65%	ETSS_Anlst_Ind10	45.30%	FGHJ_Anlst	47.30%
OHE_Ind10	34.70%	ETSS_Anlst_Ind10	43.69%	HL_Anlst	45.27%	GLS_Anlst	34.92%	HL_Anlst	44.76%	PEG_Anlst	46.63%
GLS_Anlst	34.49%	DKL_Anlst	43.43%	PEG_Anlst	45.14%	OHE_Ind10	34.70%	DKL_Anlst	44.36%	HL_Anlst	45.50%
MPEG_Anlst	33.97%	GM_Anlst	42.77%	DKL_Anlst	45.01%	MPEG_Anlst	34.18%	GM_Anlst	43.50%	CT_Anlst	45.30%
GM_Anlst	33.23%	PEG_Anlst	42.51%	CT_Anlst	44.68%	GM_Anlst	33.33%	PEG_Anlst	43.43%	DKL_Anlst	45.23%
FGHJ_Anlst	33.12%	KMY_Anlst	42.31%	GM_Anlst	43.63%	FGHJ_Anlst	33.33%	KMY_Anlst	43.16%	GM_Anlst	44.23%
ETSS_Anlst_Ind10	31.96%	CT_Anlst	41.72%	KMY_Anlst	43.23%	ETSS_Anlst_Ind10	32.07%	CT_Anlst	42.03%	KMY_Anlst	44.10%
DKL_Anlst	31.65%	FPM_Anlst	39.62%	FPM_Anlst	41.59%	DKL_Anlst	31.65%	FPM_Anlst	40.43%	FPM_Anlst	41.89%
HL_Anlst	30.70%	WNG_Anlst	35.55%	OHE_25SBM	39.03%	HL_Anlst	30.91%	WNG_Anlst	36.76%	TPDPS_Anlst	39.89%
WNG_Anlst	27.85%	Naive	34.76%	TPDPS_Anlst	38.76%	WNG_Anlst	28.27%	Naive	35.69%	Naive	39.56%
Naive	15.30%	TPDPS_Anlst	34.69%	Naive	38.37%	Naive	15.82%	TPDPS_Anlst	34.96%	OHE_25SBM	38.63%
TPDPS_Anlst	14.87%	OHE_25SBM	34.17%	WNG_Anlst	34.56%	TPDPS_Anlst	15.51%	OHE_25SBM	34.22%	WNG_Anlst	34.96%
OHE_25SBM	12.97%	GG_Anlst	29.43%	ETSS_Anlst_25SBM	31.21%	OHE_25SBM	13.19%	GG_Anlst	30.22%	ETSS_Anlst_25SBM	31.62%
ETSS_Anlst_25SBM	11.71%	ETSS_Anlst_25SBM	27.92%	GG_Anlst	29.76%	ETSS_Anlst_25SBM	11.60%	ETSS_Anlst_25SBM	27.82%	GG_Anlst	30.35%
ES_Anlst_Ind10	8.76%	ES_Anlst_Ind10	13.99%	ES_Anlst_Ind10	14.85%	ES_Anlst_Ind10	8.76%	ES_Anlst_Ind10	13.41%	ES_Anlst_Ind10	14.68%
ES_Anlst_25SBM	1.79%	ES_Anlst_25SBM	8.54%	ES_Anlst_25SBM	8.41%	ES_Anlst_25SBM	2.00%	ES_Anlst_25SBM	8.27%	ES_Anlst_25SBM	7.81%

Panel B: HDZ

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PEG_HDZ	44.36%	PE_HDZ	57.23%	PE_HDZ	61.50%	PEG_HDZ	44.24%	PE_HDZ	57.64%	PE_HDZ	61.24%
BP_HDZ	43.90%	BP_HDZ	54.66%	BP_HDZ	59.40%	BP_HDZ	43.90%	BP_HDZ	54.50%	BP_HDZ	59.11%
GM_HDZ	42.87%	GLS_HDZ	53.29%	GLS_HDZ	54.53%	GM_HDZ	42.65%	GLS_HDZ	53.10%	GLS_HDZ	54.77%
PE_HDZ	42.76%	GG_HDZ	50.85%	GG_HDZ	53.42%	PE_HDZ	42.65%	GG_HDZ	51.23%	GG_HDZ	53.90%
MPEG_HDZ	41.73%	FGHJ_HDZ	48.23%	FGHJ_HDZ	48.95%	MPEG_HDZ	41.85%	FGHJ_HDZ	48.77%	FGHJ_HDZ	49.50%
FPM_HDZ	38.54%	CT_HDZ	45.34%	CT_HDZ	46.98%	FPM_HDZ	38.43%	CT_HDZ	45.90%	CT_HDZ	46.96%
GG_HDZ	37.74%	KMY_HDZ	41.72%	KMY_HDZ	44.61%	GG_HDZ	37.86%	KMY_HDZ	42.49%	KMY_HDZ	44.70%
GLS_HDZ	36.15%	DKL_HDZ	41.46%	ETSS_HDZ_Ind10	43.82%	GLS_HDZ	36.15%	DKL_HDZ	42.36%	DKL_HDZ	43.90%
FGHJ_HDZ	34.89%	ETSS_HDZ_Ind10	39.75%	DKL_HDZ	43.30%	FGHJ_HDZ	34.89%	HL_HDZ	39.36%	ETSS_HDZ_Ind10	43.03%
KMY_HDZ	33.64%	HL_HDZ	38.57%	TPDPS_HDZ	42.38%	KMY_HDZ	33.52%	ETSS_HDZ_Ind10	39.23%	TPDPS_HDZ	42.70%
HL_HDZ	33.41%	TPDPS_HDZ	38.50%	HL_HDZ	41.52%	HL_HDZ	33.30%	TPDPS_HDZ	39.09%	HL_HDZ	41.49%
CT_HDZ	32.04%	MPEG_HDZ	37.71%	MPEG_HDZ	40.54%	CT_HDZ	32.38%	MPEG_HDZ	38.29%	MPEG_HDZ	40.63%
DKL_HDZ	30.56%	FPM_HDZ	36.73%	FPM_HDZ	39.55%	DKL_HDZ	30.44%	GM_HDZ	37.49%	GM_HDZ	39.63%
WNG_HDZ	28.51%	GM_HDZ	36.40%	GM_HDZ	39.49%	WNG_HDZ	28.39%	FPM_HDZ	36.29%	FPM_HDZ	38.76%
ETSS_HDZ_Ind10	24.40%	PEG_HDZ	34.36%	PEG_HDZ	37.65%	ETSS_HDZ_Ind10	24.40%	PEG_HDZ	34.42%	PEG_HDZ	37.49%
TPDPS_HDZ	16.31%	ETSS_HDZ_25SBM	26.22%	ETSS_HDZ_25SBM	28.06%	TPDPS_HDZ	16.19%	ETSS_HDZ_25SBM	25.22%	ETSS_HDZ_25SBM	27.42%
ETSS_HDZ_25SBM	9.92%	WNG_HDZ	25.43%	WNG_HDZ	26.15%	ETSS_HDZ_25SBM	9.81%	WNG_HDZ	24.68%	WNG_HDZ	26.02%
ES_HDZ_25SBM	1.37%	ES_HDZ_25SBM	9.92%	ES_HDZ_25SBM	9.26%	ES_HDZ_25SBM	1.25%	ES_HDZ_25SBM	9.87%	ES_HDZ_25SBM	8.41%
ES_HDZ_Ind10	1.14%	ES_HDZ_Ind10	8.08%	ES_HDZ_Ind10	6.31%	ES_HDZ_Ind10	1.25%	ES_HDZ_Ind10	7.00%	ES_HDZ_Ind10	6.80%

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Table 96: **Model Confidence Set Summary Results: Price Momentum Effect, Continued**

First Quartile						Fourth Quartile					
Panel C: RW											
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RW	58.14%	BP_RW	67.81%	GG_RW	69.12%	BP_RW	58.29%	BP_RW	67.65%	GG_RW	69.38%
GG_RW	35.50%	GG_RW	66.49%	BP_RW	68.59%	GG_RW	35.66%	GG_RW	66.64%	BP_RW	68.71%
KMY_RW	34.26%	CT_RW	54.20%	CT_RW	54.73%	KMY_RW	34.57%	CT_RW	54.30%	CT_RW	55.24%
GM_RW	24.50%	FGHJ_RW	47.63%	FGHJ_RW	49.61%	GM_RW	24.50%	FGHJ_RW	46.76%	FGHJ_RW	49.43%
CT_RW	19.07%	KMY_RW	45.86%	KMY_RW	46.06%	CT_RW	18.91%	KMY_RW	46.43%	KMY_RW	46.70%
FGHJ_RW	17.98%	DKL_RW	39.75%	GLS_RW	41.46%	FGHJ_RW	17.98%	DKL_RW	40.56%	GLS_RW	40.83%
HL_RW	16.90%	GLS_RW	39.42%	DKL_RW	39.49%	HL_RW	16.59%	GLS_RW	38.89%	DKL_RW	39.89%
MPEG_RW	16.43%	HL_RW	34.95%	GM_RW	35.22%	MPEG_RW	16.28%	GM_RW	35.36%	GM_RW	35.49%
DKL_RW	15.81%	GM_RW	34.56%	HL_RW	33.51%	DKL_RW	15.81%	HL_RW	35.09%	HL_RW	34.29%
GLS_RW	13.18%	TPDPS_RW	28.65%	TPDPS_RW	30.35%	GLS_RW	13.02%	TPDPS_RW	28.69%	TPDPS_RW	30.55%
PE_RW	10.54%	MPEG_RW	26.81%	MPEG_RW	27.73%	PE_RW	10.54%	MPEG_RW	26.75%	MPEG_RW	27.69%
PEG_RW	10.39%	PEG_RW	25.82%	PEG_RW	26.22%	PEG_RW	10.39%	PEG_RW	25.82%	PEG_RW	26.02%
TPDPS_RW	10.39%	ES_RW_Ind10	19.97%	ES_RW_Ind10	21.02%	TPDPS_RW	10.23%	ES_RW_Ind10	20.08%	ES_RW_Ind10	21.41%
ETSS_RW_Ind10	2.95%	PE_RW	18.40%	PE_RW	18.13%	ETSS_RW_Ind10	2.95%	PE_RW	17.48%	PE_RW	17.34%
ES_RW_Ind10	2.64%	ETSS_RW_Ind10	16.49%	ETSS_RW_Ind10	15.44%	ES_RW_Ind10	2.64%	ETSS_RW_Ind10	15.41%	ETSS_RW_Ind10	14.34%
WNG_RW	2.64%	ETSS_RW_25SBM	12.75%	ETSS_RW_25SBM	11.63%	WNG_RW	2.64%	ETSS_RW_25SBM	11.67%	ETSS_RW_25SBM	11.34%
ETSS_RW_25SBM	2.02%	ES_RW_25SBM	11.04%	ES_RW_25SBM	9.66%	FPM_RW	1.86%	ES_RW_25SBM	10.34%	ES_RW_25SBM	10.07%
FPM_RW	1.86%	FPM_RW	10.05%	FPM_RW	9.00%	ETSS_RW_25SBM	1.86%	FPM_RW	9.47%	FPM_RW	8.61%
ES_RW_25SBM	0.47%	WNG_RW	8.87%	WNG_RW	4.86%	ES_RW_25SBM	0.31%	WNG_RW	7.87%	WNG_RW	4.47%
Panel D: EP											
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_EP	56.31%	BP_EP	64.78%	BP_EP	66.43%	BP_EP	56.31%	BP_EP	64.91%	BP_EP	67.44%
PE_EP	41.02%	GG_EP	56.37%	GG_EP	57.95%	PE_EP	41.15%	GG_EP	56.84%	GG_EP	57.64%
GM_EP	33.89%	KMY_EP	50.53%	KMY_EP	51.18%	GM_EP	33.63%	KMY_EP	51.03%	KMY_EP	52.43%
FGHJ_EP	33.63%	CT_EP	44.68%	CT_EP	44.94%	GLS_EP	33.50%	CT_EP	43.43%	CT_EP	44.36%
GLS_EP	33.38%	PE_EP	40.74%	PE_EP	42.84%	FGHJ_EP	33.38%	PE_EP	40.56%	PE_EP	42.76%
KMY_EP	29.94%	GLS_EP	37.06%	GLS_EP	38.76%	DKL_EP	29.94%	GLS_EP	37.29%	GLS_EP	38.49%
DKL_EP	29.68%	DKL_EP	36.40%	DKL_EP	37.45%	KMY_EP	29.94%	DKL_EP	35.76%	DKL_EP	37.42%
MPEG_EP	28.92%	FGHJ_EP	32.06%	FGHJ_EP	34.10%	HL_EP	28.92%	FGHJ_EP	31.55%	FGHJ_EP	34.42%
HL_EP	28.54%	TPDPS_EP	31.34%	TPDPS_EP	33.97%	MPEG_EP	28.66%	TPDPS_EP	31.15%	TPDPS_EP	34.36%
GG_EP	25.10%	HL_EP	26.87%	GM_EP	29.50%	GG_EP	24.97%	GM_EP	26.82%	GM_EP	29.75%
PEG_EP	23.69%	GM_EP	26.74%	HL_EP	28.65%	PEG_EP	23.57%	HL_EP	26.22%	HL_EP	28.62%
CT_EP	21.53%	PEG_EP	22.54%	PEG_EP	25.69%	CT_EP	21.66%	PEG_EP	22.41%	PEG_EP	26.02%
TPDPS_EP	15.92%	MPEG_EP	18.00%	MPEG_EP	18.79%	TPDPS_EP	15.80%	MPEG_EP	17.68%	MPEG_EP	19.08%
ETSS_EP_Ind10	7.26%	ETSS_EP_Ind10	11.50%	ETSS_EP_Ind10	11.56%	ETSS_EP_Ind10	7.01%	ETSS_EP_Ind10	11.41%	ETSS_EP_Ind10	11.81%
FPM_EP	6.75%	FPM_EP	7.62%	FPM_EP	7.95%	FPM_EP	6.62%	FPM_EP	6.87%	FPM_EP	6.94%
ETSS_EP_25SBM	3.69%	ES_EP_Ind10	6.50%	ES_EP_Ind10	6.37%	ETSS_EP_25SBM	3.82%	ETSS_EP_25SBM	6.14%	ES_EP_Ind10	6.40%
ES_EP_Ind10	1.66%	ETSS_EP_25SBM	6.18%	ETSS_EP_25SBM	5.58%	ES_EP_Ind10	1.40%	ES_EP_Ind10	6.07%	ETSS_EP_25SBM	5.27%
WNG_EP	1.40%	WNG_EP	4.20%	WNG_EP	3.48%	WNG_EP	1.27%	WNG_EP	3.87%	WNG_EP	3.47%
ES_EP_25SBM	0.25%	ES_EP_25SBM	2.89%	ES_EP_25SBM	1.64%	ES_EP_25SBM	0.13%	ES_EP_25SBM	2.60%	ES_EP_25SBM	1.33%

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Table 96: **Model Confidence Set Summary Results: Price Momentum Effect, Continued**

Panel E: RI

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RI	60.90%	BP_RI	67.28%	BP_RI	68.73%	BP_RI	61.03%	BP_RI	67.18%	BP_RI	69.45%
PE_RI	45.00%	GG_RI	56.96%	GG_RI	58.08%	PE_RI	44.49%	GG_RI	56.44%	GG_RI	58.57%
GG_RI	40.38%	PE_RI	45.80%	KMY_RI	46.25%	GG_RI	40.38%	KMY_RI	45.30%	KMY_RI	47.10%
FGHJ_RI	37.31%	KMY_RI	45.53%	PE_RI	45.40%	FGHJ_RI	37.05%	PE_RI	45.23%	PE_RI	44.90%
GLS_RI	36.54%	GLS_RI	41.06%	GLS_RI	44.02%	GLS_RI	36.28%	GLS_RI	40.83%	GLS_RI	44.23%
KMY_RI	29.74%	TPDPS_RI	38.17%	TPDPS_RI	39.42%	KMY_RI	29.74%	TPDPS_RI	37.63%	TPDPS_RI	39.56%
GM_RI	22.44%	FGHJ_RI	36.79%	FGHJ_RI	38.83%	GM_RI	22.56%	FGHJ_RI	36.09%	FGHJ_RI	38.83%
DKL_RI	18.85%	DKL_RI	31.27%	DKL_RI	32.33%	DKL_RI	18.46%	DKL_RI	31.55%	DKL_RI	33.02%
TPDPS_RI	17.95%	CT_RI	27.79%	CT_RI	29.24%	TPDPS_RI	17.82%	CT_RI	27.55%	GM_RI	30.09%
MPEG_RI	16.92%	GM_RI	27.79%	GM_RI	29.11%	MPEG_RI	16.92%	GM_RI	27.28%	CT_RI	29.22%
HL_RI	14.74%	HL_RI	25.69%	HL_RI	26.81%	HL_RI	14.74%	HL_RI	25.68%	HL_RI	27.82%
PEG_RI	11.54%	PEG_RI	24.44%	PEG_RI	26.41%	PEG_RI	11.54%	PEG_RI	24.35%	PEG_RI	26.82%
CT_RI	10.64%	MPEG_RI	18.27%	MPEG_RI	19.65%	CT_RI	10.38%	MPEG_RI	18.68%	MPEG_RI	19.95%
ETSS_RI_Ind10	4.49%	ETSS_RI_Ind10	12.42%	ETSS_RI_Ind10	14.19%	ETSS_RI_Ind10	4.36%	ETSS_RI_Ind10	12.74%	ETSS_RI_Ind10	14.21%
FPM_RI	2.69%	FPM_RI	10.18%	FPM_RI	10.97%	FPM_RI	2.56%	FPM_RI	10.54%	FPM_RI	10.47%
ETSS_RI_25SBM	1.67%	ETSS_RI_25SBM	8.87%	ETSS_RI_25SBM	9.00%	ETSS_RI_25SBM	1.54%	ETSS_RI_25SBM	8.87%	ETSS_RI_25SBM	8.81%
WNG_RI	0.77%	WNG_RI	4.20%	WNG_RI	3.29%	WNG_RI	0.77%	WNG_RI	4.40%	WNG_RI	3.47%
ES_RI_Ind10	0.51%	ES_RI_Ind10	4.01%	ES_RI_Ind10	3.09%	ES_RI_Ind10	0.51%	ES_RI_Ind10	4.14%	ES_RI_Ind10	3.00%
ES_RI_25SBM	0.13%	ES_RI_25SBM	2.50%	ES_RI_25SBM	1.12%	ES_RI_25SBM	0.00%	ES_RI_25SBM	2.67%	ES_RI_25SBM	1.13%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE) for the highest and lowest quartiles of firms in terms of price momentum. The table reports the percentage of firms for which a specific model is included in the confidence set. Panel A report the results for the ICC models estimated using analysts earnings forecasts. Panel B, C, D and E report the results using ICC estimates based on mechanical earnings forecasts of Hou, van Dijk, and Zhang (2012) model (HDZ), random walk (RW) model, Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI) respectively.

Table 97: **Model Confidence Set Summary Results: Long-term Growth in Earnings Forecast Effect**

Panel A: Analysts

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PE_Anlst	41.87%	GLS_Anlst	54.95%	PE_Anlst	56.48%	PE_Anlst	41.64%	GLS_Anlst	54.87%	PE_Anlst	56.95%
BP_Anlst	41.52%	PE_Anlst	52.67%	BP_Anlst	55.08%	BP_Anlst	41.52%	PE_Anlst	53.13%	BP_Anlst	56.40%
GG_Anlst	39.45%	BP_Anlst	51.60%	GLS_Anlst	55.01%	GG_Anlst	39.45%	BP_Anlst	52.50%	GLS_Anlst	55.29%
PEG_Anlst	38.06%	OHE_Ind10	46.99%	OHE_Ind10	50.07%	PEG_Anlst	37.95%	MPEG_Anlst	48.26%	OHE_Ind10	49.86%
CT_Anlst	37.37%	MPEG_Anlst	46.93%	MPEG_Anlst	47.93%	CT_Anlst	37.25%	OHE_Ind10	47.15%	MPEG_Anlst	49.30%
KMY_Anlst	35.87%	FGHJ_Anlst	46.72%	ETSS_Anlst_Ind10	47.39%	KMY_Anlst	35.76%	FGHJ_Anlst	46.24%	ETSS_Anlst_Ind10	48.33%
FPM_Anlst	34.95%	ETSS_Anlst_Ind10	44.99%	FGHJ_Anlst	46.06%	FPM_Anlst	34.95%	ETSS_Anlst_Ind10	45.90%	PEG_Anlst	47.08%
GLS_Anlst	34.83%	HL_Anlst	44.32%	HL_Anlst	44.85%	GLS_Anlst	34.72%	HL_Anlst	45.48%	HL_Anlst	45.76%
MPEG_Anlst	33.91%	DKL_Anlst	44.05%	PEG_Anlst	44.52%	MPEG_Anlst	33.91%	DKL_Anlst	44.51%	FGHJ_Anlst	45.41%
OHE_Ind10	33.68%	KMY_Anlst	43.32%	DKL_Anlst	44.45%	OHE_Ind10	33.56%	GM_Anlst	43.88%	CT_Anlst	44.99%
GM_Anlst	32.99%	PEG_Anlst	43.25%	CT_Anlst	44.25%	GM_Anlst	32.64%	PEG_Anlst	43.81%	DKL_Anlst	44.85%
FGHJ_Anlst	32.76%	CT_Anlst	42.85%	KMY_Anlst	43.58%	FGHJ_Anlst	32.53%	KMY_Anlst	42.84%	GM_Anlst	43.95%
DKL_Anlst	31.37%	GM_Anlst	42.65%	GM_Anlst	42.98%	ETSS_Anlst_Ind10	31.26%	CT_Anlst	42.77%	KMY_Anlst	43.46%
ETSS_Anlst_Ind10	31.26%	FPM_Anlst	40.51%	FPM_Anlst	41.31%	DKL_Anlst	31.03%	FPM_Anlst	40.68%	FPM_Anlst	41.52%
HL_Anlst	30.57%	WNG_Anlst	37.90%	Naive	40.31%	HL_Anlst	30.45%	WNG_Anlst	36.72%	TPDPS_Anlst	39.22%
WNG_Anlst	27.80%	Naive	37.17%	TPDPS_Anlst	40.11%	WNG_Anlst	27.80%	Naive	36.37%	Naive	39.15%
Naive	15.80%	TPDPS_Anlst	36.23%	OHE_25SBM	38.77%	Naive	15.92%	TPDPS_Anlst	36.02%	OHE_25SBM	38.73%
TPDPS_Anlst	15.34%	OHE_25SBM	34.83%	WNG_Anlst	34.63%	TPDPS_Anlst	15.57%	OHE_25SBM	34.14%	WNG_Anlst	34.28%
ETSS_Anlst_25SBM	11.07%	GG_Anlst	30.88%	ETSS_Anlst_25SBM	31.15%	ETSS_Anlst_25SBM	11.30%	GG_Anlst	31.02%	GG_Anlst	30.11%
OHE_25SBM	10.96%	ETSS_Anlst_25SBM	29.01%	GG_Anlst	30.88%	OHE_25SBM	11.07%	ETSS_Anlst_25SBM	28.09%	ETSS_Anlst_25SBM	30.04%
ES_Anlst_Ind10	8.65%	ES_Anlst_Ind10	14.91%	ES_Anlst_Ind10	15.84%	ES_Anlst_Ind10	8.88%	ES_Anlst_Ind10	14.46%	ES_Anlst_Ind10	14.74%
ES_Anlst_25SBM	1.73%	ES_Anlst_25SBM	9.29%	ES_Anlst_25SBM	8.56%	ES_Anlst_25SBM	1.73%	ES_Anlst_25SBM	8.48%	ES_Anlst_25SBM	7.79%

Panel B: HDZ

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PEG_HDZ	44.16%	PE_HDZ	56.48%	PE_HDZ	60.63%	PEG_HDZ	44.40%	PE_HDZ	57.72%	PE_HDZ	61.89%
BP_HDZ	43.91%	BP_HDZ	54.61%	BP_HDZ	59.63%	BP_HDZ	44.03%	BP_HDZ	55.84%	BP_HDZ	60.92%
GM_HDZ	43.05%	GLS_HDZ	52.07%	GG_HDZ	53.68%	PE_HDZ	43.30%	GLS_HDZ	52.57%	GG_HDZ	54.03%
PE_HDZ	43.05%	GG_HDZ	50.13%	GLS_HDZ	53.41%	GM_HDZ	42.93%	GG_HDZ	50.83%	GLS_HDZ	53.48%
MPEG_HDZ	42.31%	FGHJ_HDZ	47.79%	FGHJ_HDZ	48.93%	MPEG_HDZ	42.31%	FGHJ_HDZ	47.01%	FGHJ_HDZ	48.05%
FPM_HDZ	38.50%	CT_HDZ	44.79%	CT_HDZ	47.33%	FPM_HDZ	38.62%	CT_HDZ	44.71%	CT_HDZ	47.71%
GG_HDZ	37.88%	KMY_HDZ	41.98%	KMY_HDZ	44.65%	GG_HDZ	38.25%	DKL_HDZ	41.38%	KMY_HDZ	44.09%
GLS_HDZ	37.15%	DKL_HDZ	41.24%	TPDPS_HDZ	44.25%	GLS_HDZ	36.90%	KMY_HDZ	41.31%	ETSS_HDZ_Ind10	43.67%
FGHJ_HDZ	35.67%	TPDPS_HDZ	40.31%	DKL_HDZ	43.25%	FGHJ_HDZ	35.79%	ETSS_HDZ_Ind10	40.40%	DKL_HDZ	42.91%
KMY_HDZ	33.95%	ETSS_HDZ_Ind10	39.91%	ETSS_HDZ_Ind10	43.18%	KMY_HDZ	33.95%	TPDPS_HDZ	38.87%	TPDPS_HDZ	42.56%
HL_HDZ	33.58%	HL_HDZ	38.57%	HL_HDZ	40.71%	HL_HDZ	33.83%	HL_HDZ	37.62%	HL_HDZ	40.75%
CT_HDZ	32.10%	MPEG_HDZ	36.97%	MPEG_HDZ	39.71%	CT_HDZ	32.60%	MPEG_HDZ	36.58%	MPEG_HDZ	38.94%
DKL_HDZ	31.24%	GM_HDZ	36.23%	GM_HDZ	38.84%	DKL_HDZ	31.24%	FPM_HDZ	36.51%	GM_HDZ	38.25%
WNG_HDZ	29.15%	FPM_HDZ	35.76%	FPM_HDZ	38.57%	WNG_HDZ	29.03%	GM_HDZ	35.88%	FPM_HDZ	37.90%
ETSS_HDZ_Ind10	23.62%	PEG_HDZ	34.56%	PEG_HDZ	37.50%	ETSS_HDZ_Ind10	23.49%	PEG_HDZ	33.94%	PEG_HDZ	37.13%
TPDPS_HDZ	16.85%	ETSS_HDZ_25SBM	25.33%	ETSS_HDZ_25SBM	26.47%	TPDPS_HDZ	16.97%	WNG_HDZ	25.31%	WNG_HDZ	26.63%
ETSS_HDZ_25SBM	9.35%	WNG_HDZ	24.80%	WNG_HDZ	26.14%	ETSS_HDZ_25SBM	9.10%	ETSS_HDZ_25SBM	25.17%	ETSS_HDZ_25SBM	26.36%
ES_HDZ_25SBM	1.35%	ES_HDZ_25SBM	10.36%	ES_HDZ_25SBM	9.76%	ES_HDZ_25SBM	1.35%	ES_HDZ_25SBM	9.94%	ES_HDZ_25SBM	8.55%
ES_HDZ_Ind10	1.23%	ES_HDZ_Ind10	8.22%	ES_HDZ_Ind10	7.15%	ES_HDZ_Ind10	1.23%	ES_HDZ_Ind10	8.00%	ES_HDZ_Ind10	6.68%

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Table 97: **Model Confidence Set Summary Results: Long-term Growth in Earnings Forecast Effect, Continued**

First Quartile						Fourth Quartile					
Panel C: RW											
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RW	58.00%	BP_RW	66.84%	GG_RW	69.45%	BP_RW	58.00%	BP_RW	68.01%	BP_RW	68.85%
GG_RW	35.28%	GG_RW	66.44%	BP_RW	67.71%	GG_RW	35.28%	GG_RW	65.92%	GG_RW	67.80%
KMY_RW	34.25%	CT_RW	54.14%	CT_RW	55.01%	KMY_RW	34.42%	CT_RW	53.69%	CT_RW	53.76%
GM_RW	25.30%	FGHJ_RW	47.53%	FGHJ_RW	49.60%	GM_RW	25.13%	FGHJ_RW	47.36%	FGHJ_RW	48.33%
CT_RW	17.21%	KMY_RW	46.26%	KMY_RW	46.19%	FGHJ_RW	17.21%	KMY_RW	46.73%	KMY_RW	45.97%
FGHJ_RW	17.21%	DKL_RW	40.17%	GLS_RW	40.91%	CT_RW	16.87%	DKL_RW	40.54%	GLS_RW	40.40%
MPEG_RW	16.35%	GLS_RW	39.91%	DKL_RW	39.44%	HL_RW	16.18%	GLS_RW	38.87%	DKL_RW	39.29%
HL_RW	16.01%	GM_RW	35.70%	GM_RW	35.03%	MPEG_RW	16.01%	GM_RW	35.74%	GM_RW	35.67%
DKL_RW	15.15%	HL_RW	34.89%	HL_RW	33.62%	DKL_RW	14.97%	HL_RW	35.05%	HL_RW	33.59%
GLS_RW	13.08%	TPDPS_RW	29.08%	TPDPS_RW	30.68%	GLS_RW	12.74%	TPDPS_RW	28.93%	TPDPS_RW	29.00%
PE_RW	11.53%	MPEG_RW	26.80%	MPEG_RW	27.54%	PE_RW	11.36%	MPEG_RW	27.33%	MPEG_RW	27.82%
PEG_RW	11.02%	PEG_RW	25.67%	PEG_RW	25.87%	PEG_RW	11.02%	PEG_RW	25.94%	PEG_RW	26.29%
TPDPS_RW	10.50%	ES_RW_Ind10	20.66%	ES_RW_Ind10	20.19%	TPDPS_RW	10.50%	ES_RW_Ind10	20.03%	ES_RW_Ind10	21.70%
ETSS_RW_Ind10	3.10%	PE_RW	18.78%	PE_RW	17.18%	ETSS_RW_Ind10	2.75%	PE_RW	18.36%	PE_RW	17.94%
ES_RW_Ind10	2.58%	ETSS_RW_Ind10	16.11%	ETSS_RW_Ind10	15.98%	ES_RW_Ind10	2.58%	ETSS_RW_Ind10	15.72%	ETSS_RW_Ind10	14.67%
WNG_RW	2.58%	ETSS_RW_25SBM	13.10%	ETSS_RW_25SBM	11.90%	WNG_RW	2.58%	ETSS_RW_25SBM	11.20%	ETSS_RW_25SBM	11.40%
FPM_RW	2.07%	ES_RW_25SBM	11.30%	ES_RW_25SBM	9.89%	FPM_RW	2.07%	ES_RW_25SBM	10.99%	ES_RW_25SBM	9.94%
ETSS_RW_25SBM	1.72%	FPM_RW	9.69%	FPM_RW	8.89%	ETSS_RW_25SBM	1.72%	FPM_RW	9.11%	FPM_RW	8.69%
ES_RW_25SBM	0.52%	WNG_RW	8.62%	WNG_RW	4.61%	ES_RW_25SBM	0.34%	WNG_RW	8.28%	WNG_RW	4.73%
Panel D: EP											
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_EP	55.45%	BP_EP	65.04%	BP_EP	66.58%	BP_EP	55.45%	BP_EP	64.60%	BP_EP	66.41%
PE_EP	39.39%	GG_EP	56.89%	GG_EP	58.02%	PE_EP	39.11%	GG_EP	56.05%	GG_EP	57.72%
GM_EP	32.82%	KMY_EP	50.67%	KMY_EP	50.94%	GM_EP	32.40%	KMY_EP	50.21%	KMY_EP	50.49%
GLS_EP	31.28%	CT_EP	44.79%	CT_EP	45.39%	GLS_EP	31.56%	CT_EP	44.16%	CT_EP	44.85%
FGHJ_EP	30.87%	PE_EP	40.44%	PE_EP	42.31%	FGHJ_EP	31.01%	PE_EP	39.36%	PE_EP	42.35%
KMY_EP	30.17%	GLS_EP	37.70%	GLS_EP	38.03%	KMY_EP	30.17%	GLS_EP	36.02%	GLS_EP	37.48%
DKL_EP	29.75%	DKL_EP	36.83%	DKL_EP	37.50%	DKL_EP	29.61%	DKL_EP	35.61%	DKL_EP	36.65%
MPEG_EP	28.77%	TPDPS_EP	33.62%	TPDPS_EP	35.63%	MPEG_EP	28.49%	FGHJ_EP	31.64%	TPDPS_EP	33.73%
HL_EP	28.21%	FGHJ_EP	32.89%	FGHJ_EP	34.02%	HL_EP	28.21%	TPDPS_EP	30.32%	FGHJ_EP	33.66%
GG_EP	25.28%	GM_EP	27.67%	GM_EP	29.75%	GG_EP	25.14%	GM_EP	26.77%	GM_EP	29.21%
PEG_EP	23.18%	HL_EP	27.67%	HL_EP	28.48%	PEG_EP	22.77%	HL_EP	26.22%	HL_EP	28.09%
CT_EP	21.23%	PEG_EP	23.66%	PEG_EP	26.67%	CT_EP	20.95%	PEG_EP	22.88%	PEG_EP	26.50%
TPDPS_EP	15.92%	MPEG_EP	18.58%	MPEG_EP	19.18%	TPDPS_EP	15.78%	MPEG_EP	18.29%	MPEG_EP	19.61%
ETSS_EP_Ind10	6.70%	ETSS_EP_Ind10	12.77%	ETSS_EP_Ind10	12.17%	ETSS_EP_Ind10	6.56%	ETSS_EP_Ind10	11.20%	ETSS_EP_Ind10	12.03%
FPM_EP	6.15%	FPM_EP	9.02%	FPM_EP	7.95%	FPM_EP	6.15%	FPM_EP	6.54%	FPM_EP	7.02%
ETSS_EP_25SBM	3.63%	ES_EP_Ind10	7.22%	ES_EP_Ind10	6.48%	ETSS_EP_25SBM	3.63%	ES_EP_Ind10	6.05%	ES_EP_Ind10	6.61%
ES_EP_Ind10	1.54%	ETSS_EP_25SBM	6.55%	ETSS_EP_25SBM	5.55%	ES_EP_Ind10	1.40%	ETSS_EP_25SBM	5.70%	ETSS_EP_25SBM	5.70%
WNG_EP	1.26%	WNG_EP	4.95%	WNG_EP	3.81%	WNG_EP	1.26%	WNG_EP	3.62%	WNG_EP	3.34%
ES_EP_25SBM	0.00%	ES_EP_25SBM	3.41%	ES_EP_25SBM	1.47%	ES_EP_25SBM	0.00%	ES_EP_25SBM	2.50%	ES_EP_25SBM	1.53%

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Table 97: **Model Confidence Set Summary Results: Long-term Growth in Earnings Forecast Effect, Continued**

First Quartile						Fourth Quartile					
Panel E: RI											
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RI	60.31%	BP_RI	66.98%	BP_RI	68.65%	BP_RI	60.45%	BP_RI	68.22%	BP_RI	69.96%
PE_RI	43.90%	GG_RI	56.89%	GG_RI	58.36%	PE_RI	44.04%	GG_RI	57.51%	GG_RI	58.97%
GG_RI	40.53%	PE_RI	45.19%	KMY_RI	46.79%	GG_RI	40.67%	KMY_RI	46.31%	KMY_RI	47.36%
GLS_RI	35.06%	KMY_RI	45.19%	PE_RI	44.65%	FGHJ_RI	35.34%	PE_RI	45.69%	PE_RI	45.27%
FGHJ_RI	35.06%	GLS_RI	41.78%	GLS_RI	44.25%	GLS_RI	35.06%	GLS_RI	41.38%	GLS_RI	44.51%
KMY_RI	30.58%	TPDPS_RI	38.37%	TPDPS_RI	40.04%	KMY_RI	30.58%	TPDPS_RI	38.11%	FGHJ_RI	39.50%
GM_RI	20.90%	FGHJ_RI	37.10%	FGHJ_RI	39.17%	GM_RI	21.18%	FGHJ_RI	36.93%	TPDPS_RI	39.08%
DKL_RI	19.35%	DKL_RI	32.29%	DKL_RI	32.69%	DKL_RI	19.35%	DKL_RI	32.41%	DKL_RI	33.59%
TPDPS_RI	17.67%	GM_RI	28.07%	CT_RI	29.48%	TPDPS_RI	17.95%	CT_RI	28.93%	CT_RI	29.76%
MPEG_RI	16.55%	CT_RI	27.94%	GM_RI	29.41%	MPEG_RI	16.69%	GM_RI	28.51%	GM_RI	29.55%
HL_RI	14.87%	HL_RI	26.20%	HL_RI	27.34%	HL_RI	14.87%	HL_RI	26.98%	HL_RI	28.09%
PEG_RI	11.64%	PEG_RI	25.27%	PEG_RI	26.94%	PEG_RI	11.78%	PEG_RI	25.10%	PEG_RI	27.19%
CT_RI	10.80%	MPEG_RI	19.05%	MPEG_RI	20.52%	CT_RI	10.80%	MPEG_RI	19.89%	MPEG_RI	20.45%
ETSS_RI_Ind10	4.21%	ETSS_RI_Ind10	13.03%	ETSS_RI_Ind10	13.64%	ETSS_RI_Ind10	4.21%	ETSS_RI_Ind10	13.56%	ETSS_RI_Ind10	14.39%
FPM_RI	2.52%	FPM_RI	10.96%	FPM_RI	10.96%	FPM_RI	2.66%	FPM_RI	10.64%	FPM_RI	11.13%
ETSS_RI_25SBM	1.82%	ETSS_RI_25SBM	10.16%	ETSS_RI_25SBM	9.49%	ETSS_RI_25SBM	1.82%	ETSS_RI_25SBM	9.25%	ETSS_RI_25SBM	9.39%
WNG_RI	0.84%	ES_RI_Ind10	4.68%	WNG_RI	3.88%	WNG_RI	0.84%	WNG_RI	4.87%	WNG_RI	3.48%
ES_RI_Ind10	0.42%	WNG_RI	4.68%	ES_RI_Ind10	3.14%	ES_RI_Ind10	0.42%	ES_RI_Ind10	4.52%	ES_RI_Ind10	3.06%
ES_RI_25SBM	0.14%	ES_RI_25SBM	3.14%	ES_RI_25SBM	1.27%	ES_RI_25SBM	0.14%	ES_RI_25SBM	3.20%	ES_RI_25SBM	1.18%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE) for the highest and lowest quartiles of firms in terms of long-term growth in earnings forecast. The table reports the percentage of firms for which a specific model is included in the confidence set. Panel A report the results for the ICC models estimated using analysts earnings forecasts. Panel B, C, D and E report the results using ICC estimates based on mechanical earnings forecasts of Hou, van Dijk, and Zhang (2012) model (HDZ), random walk (RW) model, Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI) respectively.

Table 98: **Model Confidence Set Summary Results: Analysts Coverage Effect**

Panel A: Analysts

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PE_Anlst	33.43%	BP_Anlst	45.24%	BP_Anlst	47.76%	PE_Anlst	33.43%	BP_Anlst	48.86%	BP_Anlst	49.29%
GG_Anlst	32.84%	PE_Anlst	43.63%	PE_Anlst	45.42%	GG_Anlst	32.54%	PE_Anlst	47.58%	PE_Anlst	48.43%
BP_Anlst	31.07%	GLS_Anlst	42.55%	ETSS_Anlst_Ind10	44.52%	BP_Anlst	31.07%	GLS_Anlst	45.58%	GLS_Anlst	46.44%
KMY_Anlst	28.11%	ETSS_Anlst_Ind10	42.19%	GLS_Anlst	43.45%	KMY_Anlst	27.81%	OHE_Ind10	43.02%	OHE_Ind10	45.44%
PEG_Anlst	27.81%	OHE_Ind10	41.83%	OHE_Ind10	42.91%	OHE_Ind10	27.81%	MPEG_Anlst	41.31%	OHE_25SBM	44.02%
OHE_Ind10	27.51%	KMY_Anlst	39.32%	MPEG_Anlst	40.93%	PEG_Anlst	27.51%	FGHJ_Anlst	40.74%	FGHJ_Anlst	42.02%
FPM_Anlst	26.33%	MPEG_Anlst	38.78%	KMY_Anlst	39.50%	FPM_Anlst	26.04%	OHE_25SBM	40.60%	MPEG_Anlst	41.60%
GLS_Anlst	23.96%	FGHJ_Anlst	38.60%	FGHJ_Anlst	38.60%	ETSS_Anlst_Ind10	24.26%	DKL_Anlst	38.46%	PEG_Anlst	39.89%
MPEG_Anlst	23.96%	GM_Anlst	38.42%	GM_Anlst	38.24%	GLS_Anlst	23.67%	CT_Anlst	37.89%	KMY_Anlst	39.03%
ETSS_Anlst_Ind10	23.96%	TPDPS_Anlst	37.52%	TPDPS_Anlst	38.24%	MPEG_Anlst	23.37%	PEG_Anlst	37.46%	GM_Anlst	38.03%
CT_Anlst	22.78%	PEG_Anlst	37.16%	HL_Anlst	38.06%	CT_Anlst	22.78%	HL_Anlst	37.32%	ETSS_Anlst_Ind10	37.89%
GM_Anlst	22.49%	DKL_Anlst	35.73%	PEG_Anlst	37.34%	WNG_Anlst	22.78%	GM_Anlst	37.18%	Naive	37.61%
WNG_Anlst	22.49%	HL_Anlst	35.01%	DKL_Anlst	36.62%	GM_Anlst	21.89%	KMY_Anlst	37.04%	CT_Anlst	37.46%
DKL_Anlst	18.34%	WNG_Anlst	34.83%	FPM_Anlst	35.19%	DKL_Anlst	18.05%	ETSS_Anlst_Ind10	36.47%	HL_Anlst	37.18%
FGHJ_Anlst	18.05%	FPM_Anlst	34.65%	Naive	34.65%	FGHJ_Anlst	17.75%	FPM_Anlst	34.90%	DKL_Anlst	37.18%
HL_Anlst	16.86%	Naive	34.47%	CT_Anlst	33.57%	HL_Anlst	16.57%	Naive	34.90%	TPDPS_Anlst	35.47%
TPDPS_Anlst	11.54%	GG_Anlst	33.93%	GG_Anlst	33.57%	TPDPS_Anlst	10.95%	WNG_Anlst	33.33%	FPM_Anlst	35.19%
Naive	10.06%	CT_Anlst	32.14%	OHE_25SBM	33.03%	Naive	9.76%	TPDPS_Anlst	32.05%	ETSS_Anlst_25SBM	32.62%
ETSS_Anlst_25SBM	7.99%	OHE_25SBM	29.62%	WNG_Anlst	30.52%	ETSS_Anlst_25SBM	7.69%	ETSS_Anlst_25SBM	30.06%	WNG_Anlst	30.20%
ES_Anlst_Ind10	7.40%	ETSS_Anlst_25SBM	26.39%	ETSS_Anlst_25SBM	28.01%	ES_Anlst_Ind10	7.69%	GG_Anlst	29.49%	GG_Anlst	29.77%
OHE_25SBM	6.21%	ES_Anlst_Ind10	17.06%	ES_Anlst_Ind10	17.06%	OHE_25SBM	6.21%	ES_Anlst_Ind10	11.82%	ES_Anlst_25SBM	11.54%
ES_Anlst_25SBM	0.00%	ES_Anlst_25SBM	4.67%	ES_Anlst_25SBM	3.05%	ES_Anlst_25SBM	0.00%	ES_Anlst_25SBM	10.83%	ES_Anlst_Ind10	11.40%

Panel B: HDZ

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PEG_HDZ	42.37%	BP_HDZ	53.14%	BP_HDZ	56.55%	PEG_HDZ	42.37%	PE_HDZ	51.99%	PE_HDZ	56.13%
GM_HDZ	36.45%	PE_HDZ	50.63%	PE_HDZ	50.99%	GM_HDZ	36.45%	BP_HDZ	49.57%	BP_HDZ	50.14%
BP_HDZ	35.20%	GG_HDZ	40.39%	GLS_HDZ	41.83%	BP_HDZ	35.20%	GLS_HDZ	45.16%	GLS_HDZ	46.87%
MPEG_HDZ	34.58%	GLS_HDZ	38.96%	GG_HDZ	41.83%	MPEG_HDZ	34.27%	FGHJ_HDZ	43.45%	GG_HDZ	44.73%
FPM_HDZ	33.64%	TPDPS_HDZ	36.45%	TPDPS_HDZ	40.93%	FPM_HDZ	33.64%	GG_HDZ	41.60%	ETSS_HDZ_Ind10	43.73%
PE_HDZ	33.02%	ETSS_HDZ_Ind10	36.27%	ETSS_HDZ_Ind10	38.42%	PE_HDZ	33.33%	ETSS_HDZ_Ind10	40.60%	FGHJ_HDZ	43.45%
GG_HDZ	31.46%	CT_HDZ	36.09%	FGHJ_HDZ	38.06%	GG_HDZ	31.15%	MPEG_HDZ	39.60%	TPDPS_HDZ	40.74%
GLS_HDZ	29.28%	FGHJ_HDZ	35.91%	CT_HDZ	36.62%	GLS_HDZ	29.28%	TPDPS_HDZ	38.89%	CT_HDZ	38.46%
WNG_HDZ	28.97%	KMY_HDZ	31.60%	DKL_HDZ	34.11%	WNG_HDZ	29.28%	FPM_HDZ	37.75%	MPEG_HDZ	38.32%
FGHJ_HDZ	28.35%	DKL_HDZ	30.88%	GM_HDZ	33.03%	FGHJ_HDZ	28.35%	DKL_HDZ	36.61%	DKL_HDZ	37.32%
HL_HDZ	27.10%	GM_HDZ	30.34%	KMY_HDZ	32.32%	HL_HDZ	27.10%	CT_HDZ	36.47%	FPM_HDZ	37.04%
KMY_HDZ	26.17%	FPM_HDZ	29.80%	HL_HDZ	31.24%	KMY_HDZ	25.86%	HL_HDZ	35.90%	KMY_HDZ	36.32%
CT_HDZ	24.30%	HL_HDZ	28.73%	FPM_HDZ	30.52%	CT_HDZ	23.99%	KMY_HDZ	35.90%	HL_HDZ	35.19%
DKL_HDZ	22.74%	MPEG_HDZ	27.83%	MPEG_HDZ	29.80%	DKL_HDZ	22.74%	PEG_HDZ	33.48%	ETSS_HDZ_25SBM	34.62%
ETSS_HDZ_Ind10	18.69%	PEG_HDZ	27.65%	PEG_HDZ	29.44%	ETSS_HDZ_Ind10	19.00%	GM_HDZ	32.91%	PEG_HDZ	34.33%
TPDPS_HDZ	14.33%	WNG_HDZ	22.26%	WNG_HDZ	23.16%	TPDPS_HDZ	14.64%	ETSS_HDZ_25SBM	30.77%	GM_HDZ	33.76%
ETSS_HDZ_25SBM	4.67%	ETSS_HDZ_25SBM	18.67%	ETSS_HDZ_25SBM	18.67%	ETSS_HDZ_25SBM	4.98%	WNG_HDZ	24.64%	WNG_HDZ	25.36%
ES_HDZ_Ind10	1.25%	ES_HDZ_Ind10	8.98%	ES_HDZ_Ind10	7.72%	ES_HDZ_Ind10	1.25%	ES_HDZ_25SBM	15.10%	ES_HDZ_25SBM	14.96%
ES_HDZ_25SBM	0.31%	ES_HDZ_25SBM	6.64%	ES_HDZ_25SBM	4.49%	ES_HDZ_25SBM	0.31%	ES_HDZ_Ind10	9.54%	ES_HDZ_Ind10	6.84%

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Table 98: **Model Confidence Set Summary Results: Analysts Coverage Effect, Continued**

Panel C: RW

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RW	46.53%	BP_RW	59.25%	BP_RW	60.14%	BP_RW	46.53%	BP_RW	64.10%	BP_RW	63.39%
GG_RW	26.73%	GG_RW	54.22%	GG_RW	56.19%	GG_RW	26.73%	GG_RW	55.70%	GG_RW	57.55%
KMY_RW	23.76%	CT_RW	44.88%	CT_RW	46.68%	KMY_RW	23.76%	CT_RW	48.58%	CT_RW	47.58%
GM_RW	19.31%	FGHJ_RW	42.19%	KMY_RW	42.73%	GM_RW	19.31%	FGHJ_RW	46.30%	FGHJ_RW	47.15%
MPEG_RW	14.36%	KMY_RW	41.29%	FGHJ_RW	41.11%	MPEG_RW	14.36%	KMY_RW	40.31%	KMY_RW	40.46%
FGHJ_RW	10.40%	GLS_RW	37.34%	GLS_RW	39.32%	FGHJ_RW	10.40%	GLS_RW	38.89%	GLS_RW	39.60%
PEG_RW	9.90%	DKL_RW	35.73%	DKL_RW	36.62%	PEG_RW	9.90%	DKL_RW	38.03%	DKL_RW	36.61%
PE_RW	9.41%	HL_RW	31.78%	HL_RW	33.03%	PE_RW	9.41%	HL_RW	32.62%	HL_RW	33.19%
CT_RW	7.92%	GM_RW	30.88%	GM_RW	30.52%	CT_RW	7.92%	GM_RW	28.92%	TPDPS_RW	29.06%
GLS_RW	6.93%	TPDPS_RW	24.96%	PEG_RW	25.31%	GLS_RW	6.93%	TPDPS_RW	28.92%	GM_RW	28.63%
TPDPS_RW	6.44%	MPEG_RW	23.52%	TPDPS_RW	24.60%	TPDPS_RW	6.44%	MPEG_RW	22.36%	PEG_RW	24.36%
HL_RW	4.95%	PEG_RW	22.44%	MPEG_RW	24.24%	HL_RW	4.95%	PEG_RW	22.36%	MPEG_RW	22.22%
DKL_RW	4.46%	ES_RW_Ind10	19.57%	ES_RW_Ind10	21.01%	DKL_RW	4.46%	ES_RW_Ind10	19.23%	ES_RW_Ind10	20.09%
WNG_RW	2.48%	ETSS_RW_Ind10	18.13%	PE_RW	19.21%	WNG_RW	2.48%	PE_RW	16.24%	PE_RW	16.52%
FPM_RW	0.99%	PE_RW	16.88%	ETSS_RW_Ind10	15.80%	FPM_RW	0.99%	ETSS_RW_Ind10	14.96%	ES_RW_25SBM	14.39%
ETSS_RW_Ind10	0.99%	FPM_RW	10.95%	FPM_RW	9.69%	ETSS_RW_Ind10	0.99%	ETSS_RW_25SBM	14.81%	ETSS_RW_Ind10	14.25%
ES_RW_25SBM	0.50%	ETSS_RW_25SBM	9.87%	ETSS_RW_25SBM	8.80%	ES_RW_25SBM	0.50%	ES_RW_25SBM	13.82%	ETSS_RW_25SBM	13.39%
ES_RW_Ind10	0.50%	WNG_RW	7.90%	ES_RW_25SBM	7.36%	ES_RW_Ind10	0.50%	FPM_RW	7.41%	FPM_RW	9.12%
ETSS_RW_25SBM	0.00%	ES_RW_25SBM	6.64%	WNG_RW	5.75%	ETSS_RW_25SBM	0.00%	WNG_RW	6.70%	WNG_RW	4.70%

Panel D: EP

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_EP	48.21%	BP_EP	57.27%	BP_EP	60.14%	BP_EP	48.21%	BP_EP	58.55%	BP_EP	58.69%
PE_EP	39.29%	GG_EP	49.55%	GG_EP	49.91%	PE_EP	39.29%	GG_EP	47.01%	GG_EP	49.15%
GM_EP	27.50%	KMY_EP	40.57%	KMY_EP	40.75%	GM_EP	27.50%	PE_EP	44.16%	PE_EP	44.44%
MPEG_EP	22.50%	CT_EP	35.37%	CT_EP	35.19%	MPEG_EP	22.14%	KMY_EP	43.45%	KMY_EP	43.87%
GLS_EP	21.79%	PE_EP	29.80%	PE_EP	30.70%	DKL_EP	21.79%	CT_EP	39.60%	CT_EP	40.60%
DKL_EP	21.79%	TPDPS_EP	28.01%	GLS_EP	29.98%	GLS_EP	21.07%	GLS_EP	36.04%	GLS_EP	37.75%
KMY_EP	20.71%	GLS_EP	27.83%	DKL_EP	28.37%	KMY_EP	20.36%	DKL_EP	34.90%	DKL_EP	34.90%
FGHJ_EP	20.36%	DKL_EP	27.65%	PEG_EP	27.83%	HL_EP	20.00%	FGHJ_EP	31.20%	TPDPS_EP	33.76%
HL_EP	20.36%	PEG_EP	26.75%	TPDPS_EP	27.47%	FGHJ_EP	19.64%	TPDPS_EP	29.91%	FGHJ_EP	30.91%
GG_EP	17.50%	FGHJ_EP	24.96%	FGHJ_EP	25.13%	GG_EP	17.50%	GM_EP	25.93%	GM_EP	29.06%
PEG_EP	16.79%	GM_EP	23.16%	GM_EP	24.60%	PEG_EP	16.43%	HL_EP	25.93%	PEG_EP	26.78%
CT_EP	13.57%	HL_EP	22.62%	HL_EP	22.62%	CT_EP	13.21%	PEG_EP	24.93%	HL_EP	26.64%
TPDPS_EP	12.86%	MPEG_EP	17.95%	MPEG_EP	19.03%	TPDPS_EP	12.50%	MPEG_EP	20.23%	MPEG_EP	20.80%
ETSS_EP_Ind10	5.36%	ETSS_EP_Ind10	14.36%	ETSS_EP_Ind10	14.72%	ETSS_EP_Ind10	5.36%	ETSS_EP_Ind10	14.96%	ETSS_EP_Ind10	16.52%
FPM_EP	5.00%	ES_EP_Ind10	9.69%	ES_EP_Ind10	10.23%	FPM_EP	5.00%	FPM_EP	7.83%	ETSS_EP_25SBM	6.98%
ETSS_EP_25SBM	1.43%	FPM_EP	8.08%	FPM_EP	7.54%	ETSS_EP_25SBM	1.43%	ETSS_EP_25SBM	6.98%	FPM_EP	6.70%
ES_EP_Ind10	1.43%	WNG_EP	6.46%	WNG_EP	6.10%	ES_EP_Ind10	1.43%	ES_EP_Ind10	5.84%	ES_EP_Ind10	4.84%
WNG_EP	1.07%	ETSS_EP_25SBM	5.75%	ETSS_EP_25SBM	4.49%	WNG_EP	1.07%	WNG_EP	5.56%	WNG_EP	4.70%
ES_EP_25SBM	0.00%	ES_EP_25SBM	3.41%	ES_EP_25SBM	1.97%	ES_EP_25SBM	0.00%	ES_EP_25SBM	3.42%	ES_EP_25SBM	2.71%

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Table 98: **Model Confidence Set Summary Results: Analysts Coverage Effect, Continued**

Panel E: RI

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RI	55.20%	BP_RI	61.22%	BP_RI	61.76%	BP_RI	55.20%	BP_RI	58.97%	BP_RI	59.12%
PE_RI	38.71%	GG_RI	51.17%	GG_RI	53.14%	PE_RI	38.71%	GG_RI	48.43%	GG_RI	50.57%
GG_RI	35.48%	KMY_RI	37.88%	KMY_RI	38.24%	GG_RI	35.48%	PE_RI	46.72%	PE_RI	47.44%
GLS_RI	27.24%	PE_RI	33.03%	GLS_RI	33.75%	GLS_RI	27.24%	GLS_RI	45.01%	GLS_RI	44.44%
FGHJ_RI	27.24%	GLS_RI	31.96%	PE_RI	33.03%	KMY_RI	27.24%	KMY_RI	39.32%	KMY_RI	40.74%
KMY_RI	27.24%	TPDPS_RI	31.06%	TPDPS_RI	32.85%	FGHJ_RI	26.88%	FGHJ_RI	37.46%	TPDPS_RI	38.32%
GM_RI	18.64%	FGHJ_RI	26.21%	PEG_RI	28.73%	GM_RI	18.64%	TPDPS_RI	37.46%	FGHJ_RI	38.18%
DKL_RI	14.70%	PEG_RI	24.24%	FGHJ_RI	26.93%	DKL_RI	14.70%	DKL_RI	31.62%	DKL_RI	32.62%
MPEG_RI	14.34%	DKL_RI	24.06%	DKL_RI	26.21%	MPEG_RI	14.34%	GM_RI	29.34%	GM_RI	29.77%
TPDPS_RI	13.98%	GM_RI	22.80%	CT_RI	25.13%	TPDPS_RI	13.98%	CT_RI	28.21%	CT_RI	29.34%
HL_RI	10.04%	CT_RI	22.26%	GM_RI	22.62%	HL_RI	10.04%	HL_RI	26.07%	HL_RI	27.64%
CT_RI	9.32%	HL_RI	19.21%	HL_RI	20.29%	CT_RI	9.32%	PEG_RI	24.79%	PEG_RI	27.07%
PEG_RI	8.24%	MPEG_RI	15.44%	MPEG_RI	17.77%	PEG_RI	8.24%	MPEG_RI	19.37%	MPEG_RI	20.09%
ETSS_RI_Ind10	5.38%	ETSS_RI_Ind10	11.13%	ETSS_RI_Ind10	12.39%	ETSS_RI_Ind10	5.38%	ETSS_RI_Ind10	17.09%	ETSS_RI_Ind10	19.23%
FPM_RI	2.15%	FPM_RI	7.54%	ETSS_RI_25SBM	7.00%	FPM_RI	1.79%	ETSS_RI_25SBM	11.25%	ETSS_RI_25SBM	13.53%
WNG_RI	1.43%	ETSS_RI_25SBM	6.46%	FPM_RI	6.82%	WNG_RI	1.43%	FPM_RI	10.54%	FPM_RI	11.11%
ETSS_RI_25SBM	0.72%	WNG_RI	5.39%	WNG_RI	4.67%	ETSS_RI_25SBM	0.36%	WNG_RI	6.98%	WNG_RI	5.98%
ES_RI_25SBM	0.00%	ES_RI_Ind10	4.85%	ES_RI_Ind10	4.49%	ES_RI_25SBM	0.00%	ES_RI_Ind10	3.28%	ES_RI_Ind10	3.56%
ES_RI_Ind10	0.00%	ES_RI_25SBM	2.51%	ES_RI_25SBM	1.97%	ES_RI_Ind10	0.00%	ES_RI_25SBM	2.85%	ES_RI_25SBM	1.71%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE) for the highest and lowest quartiles of firms in terms of number of analysts covering the firms. The table reports the percentage of firms for which a specific model is included in the confidence set. Panel A report the results for the ICC models estimated using analysts earnings forecasts. Panel B, C, D and E report the results using ICC estimates based on mechanical earnings forecasts of Hou, van Dijk, and Zhang (2012) model (HDZ), random walk (RW) model, Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI) respectively.

Table 99: **Model Confidence Set Summary Results: Earnings Forecasts Standard Deviation Effect**

First Quartile						**Fourth Quartile**					
Panel A: Analysts											
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_Anlst	43.24%	GLS_Anlst	55.69%	PE_Anlst	57.41%	BP_Anlst	43.03%	GLS_Anlst	55.64%	PE_Anlst	56.76%
PE_Anlst	42.49%	PE_Anlst	53.90%	GLS_Anlst	57.01%	PE_Anlst	42.92%	PE_Anlst	53.08%	GLS_Anlst	56.36%
GG_Anlst	40.67%	BP_Anlst	51.26%	BP_Anlst	55.56%	GG_Anlst	40.56%	BP_Anlst	50.98%	BP_Anlst	54.79%
PEG_Anlst	40.24%	MPEG_Anlst	47.95%	OHE_Ind10	50.60%	PEG_Anlst	40.24%	MPEG_Anlst	47.70%	OHE_Ind10	49.87%
CT_Anlst	38.52%	OHE_Ind10	47.62%	MPEG_Anlst	48.81%	CT_Anlst	38.52%	FGHJ_Anlst	47.11%	MPEG_Anlst	48.88%
KMY_Anlst	37.23%	FGHJ_Anlst	47.16%	ETSS_Anlst_Ind10	48.15%	FPM_Anlst	37.02%	OHE_Ind10	46.52%	ETSS_Anlst_Ind10	47.90%
FPM_Anlst	37.02%	ETSS_Anlst_Ind10	45.11%	FGHJ_Anlst	47.02%	KMY_Anlst	36.91%	HL_Anlst	44.55%	FGHJ_Anlst	46.26%
OHE_Ind10	36.48%	DKL_Anlst	44.71%	HL_Anlst	45.70%	OHE_Ind10	36.37%	ETSS_Anlst_Ind10	44.42%	HL_Anlst	45.28%
GLS_Anlst	36.16%	HL_Anlst	44.64%	PEG_Anlst	45.44%	GLS_Anlst	35.84%	DKL_Anlst	44.29%	PEG_Anlst	45.21%
MPEG_Anlst	35.52%	KMY_Anlst	43.78%	DKL_Anlst	45.30%	MPEG_Anlst	35.52%	GM_Anlst	43.50%	DKL_Anlst	45.08%
GM_Anlst	34.98%	GM_Anlst	43.45%	CT_Anlst	45.17%	GM_Anlst	34.44%	KMY_Anlst	43.04%	CT_Anlst	44.69%
FGHJ_Anlst	34.33%	PEG_Anlst	43.25%	KMY_Anlst	44.64%	FGHJ_Anlst	34.44%	PEG_Anlst	42.91%	KMY_Anlst	44.23%
DKL_Anlst	33.37%	CT_Anlst	42.79%	GM_Anlst	44.44%	DKL_Anlst	32.94%	CT_Anlst	42.65%	GM_Anlst	43.70%
ETSS_Anlst_Ind10	33.26%	FPM_Anlst	39.81%	FPM_Anlst	41.87%	ETSS_Anlst_Ind10	32.83%	FPM_Anlst	40.22%	FPM_Anlst	41.86%
HL_Anlst	32.08%	WNG_Anlst	37.24%	OHE_25SBM	40.28%	HL_Anlst	31.76%	WNG_Anlst	36.68%	TPDPS_Anlst	39.11%
WNG_Anlst	29.51%	Naive	35.85%	TPDPS_Anlst	39.55%	WNG_Anlst	29.08%	Naive	36.15%	OHE_25SBM	39.04%
Naive	15.99%	TPDPS_Anlst	35.38%	Naive	39.09%	Naive	15.99%	TPDPS_Anlst	35.24%	Naive	38.78%
TPDPS_Anlst	15.56%	OHE_25SBM	35.19%	WNG_Anlst	35.71%	TPDPS_Anlst	15.45%	OHE_25SBM	34.78%	WNG_Anlst	33.99%
OHE_25SBM	13.20%	GG_Anlst	30.16%	ETSS_Anlst_25SBM	30.75%	OHE_25SBM	13.09%	GG_Anlst	29.53%	ETSS_Anlst_25SBM	30.77%
ETSS_Anlst_25SBM	12.12%	ETSS_Anlst_25SBM	28.77%	GG_Anlst	30.42%	ETSS_Anlst_25SBM	11.91%	ETSS_Anlst_25SBM	28.35%	GG_Anlst	29.99%
ES_Anlst_Ind10	9.01%	ES_Anlst_Ind10	14.81%	ES_Anlst_Ind10	15.61%	ES_Anlst_Ind10	8.80%	ES_Anlst_Ind10	13.98%	ES_Anlst_Ind10	15.03%
ES_Anlst_25SBM	2.15%	ES_Anlst_25SBM	8.27%	ES_Anlst_25SBM	7.61%	ES_Anlst_25SBM	2.15%	ES_Anlst_25SBM	8.01%	ES_Anlst_25SBM	8.14%
Panel B: HDZ											
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PEG_HDZ	44.97%	PE_HDZ	57.80%	PE_HDZ	61.71%	PEG_HDZ	44.97%	PE_HDZ	57.02%	PE_HDZ	61.42%
BP_HDZ	44.28%	BP_HDZ	54.63%	BP_HDZ	59.59%	BP_HDZ	44.51%	BP_HDZ	53.87%	BP_HDZ	59.38%
GM_HDZ	43.59%	GLS_HDZ	53.57%	GLS_HDZ	54.70%	GM_HDZ	43.82%	GLS_HDZ	53.02%	GLS_HDZ	54.33%
PE_HDZ	43.48%	GG_HDZ	51.12%	GG_HDZ	54.17%	PE_HDZ	43.36%	GG_HDZ	50.20%	GG_HDZ	53.15%
MPEG_HDZ	42.79%	FGHJ_HDZ	48.41%	FGHJ_HDZ	49.01%	MPEG_HDZ	42.79%	FGHJ_HDZ	47.83%	FGHJ_HDZ	48.75%
FPM_HDZ	39.47%	CT_HDZ	45.97%	CT_HDZ	47.69%	FPM_HDZ	39.59%	CT_HDZ	44.95%	CT_HDZ	47.18%
GG_HDZ	38.79%	DKL_HDZ	42.72%	KMY_HDZ	44.31%	GG_HDZ	39.13%	DKL_HDZ	41.67%	KMY_HDZ	43.50%
GLS_HDZ	37.41%	KMY_HDZ	42.00%	DKL_HDZ	43.19%	GLS_HDZ	37.41%	KMY_HDZ	41.67%	DKL_HDZ	43.11%
FGHJ_HDZ	35.81%	HL_HDZ	40.08%	ETSS_HDZ_Ind10	43.06%	FGHJ_HDZ	36.04%	ETSS_HDZ_Ind10	39.57%	ETSS_HDZ_Ind10	42.59%
KMY_HDZ	34.78%	TPDPS_HDZ	39.68%	TPDPS_HDZ	42.92%	KMY_HDZ	34.44%	HL_HDZ	38.98%	TPDPS_HDZ	41.93%
HL_HDZ	34.21%	ETSS_HDZ_Ind10	39.62%	HL_HDZ	41.40%	HL_HDZ	34.21%	TPDPS_HDZ	38.39%	HL_HDZ	40.75%
CT_HDZ	33.18%	MPEG_HDZ	38.36%	MPEG_HDZ	40.01%	CT_HDZ	33.30%	MPEG_HDZ	37.60%	MPEG_HDZ	39.83%
DKL_HDZ	31.81%	GM_HDZ	37.17%	FPM_HDZ	39.15%	DKL_HDZ	31.81%	GM_HDZ	36.42%	GM_HDZ	38.78%
WNG_HDZ	28.60%	FPM_HDZ	37.17%	GM_HDZ	39.09%	WNG_HDZ	28.72%	FPM_HDZ	36.15%	FPM_HDZ	38.12%
ETSS_HDZ_Ind10	25.51%	PEG_HDZ	34.99%	PEG_HDZ	37.30%	ETSS_HDZ_Ind10	25.29%	PEG_HDZ	34.12%	PEG_HDZ	37.14%
TPDPS_HDZ	17.05%	ETSS_HDZ_25SBM	25.86%	ETSS_HDZ_25SBM	27.98%	TPDPS_HDZ	16.82%	WNG_HDZ	24.87%	ETSS_HDZ_25SBM	27.17%
ETSS_HDZ_25SBM	9.73%	WNG_HDZ	25.40%	WNG_HDZ	25.99%	ETSS_HDZ_25SBM	9.84%	ETSS_HDZ_25SBM	24.08%	WNG_HDZ	25.85%
ES_HDZ_25SBM	1.60%	ES_HDZ_25SBM	10.32%	ES_HDZ_25SBM	9.33%	ES_HDZ_25SBM	1.60%	ES_HDZ_25SBM	9.97%	ES_HDZ_25SBM	9.38%
ES_HDZ_Ind10	1.26%	ES_HDZ_Ind10	8.40%	ES_HDZ_Ind10	7.08%	ES_HDZ_Ind10	1.14%	ES_HDZ_Ind10	8.01%	ES_HDZ_Ind10	7.09%

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Table 99: **Model Confidence Set Summary Results: Earnings Forecasts Standard Deviation Effect, Continued**

Panel C: RW

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RW	58.45%	BP_RW	67.26%	GG_RW	69.64%	BP_RW	58.45%	BP_RW	67.13%	GG_RW	69.16%
GG_RW	36.33%	GG_RW	67.20%	BP_RW	68.12%	GG_RW	36.33%	GG_RW	66.80%	BP_RW	68.37%
KMY_RW	34.60%	CT_RW	54.43%	CT_RW	54.89%	KMY_RW	34.60%	CT_RW	53.67%	CT_RW	54.40%
GM_RW	24.80%	FGHJ_RW	46.96%	FGHJ_RW	49.34%	GM_RW	24.96%	FGHJ_RW	46.98%	FGHJ_RW	49.08%
CT_RW	19.12%	KMY_RW	46.03%	KMY_RW	46.23%	CT_RW	19.27%	KMY_RW	45.21%	KMY_RW	46.39%
FGHJ_RW	18.48%	DKL_RW	40.61%	GLS_RW	41.53%	FGHJ_RW	18.80%	GLS_RW	39.57%	GLS_RW	41.08%
HL_RW	16.75%	GLS_RW	39.81%	DKL_RW	40.08%	HL_RW	16.75%	DKL_RW	39.44%	DKL_RW	39.70%
MPEG_RW	16.27%	GM_RW	35.52%	GM_RW	34.72%	MPEG_RW	16.27%	GM_RW	34.32%	GM_RW	34.78%
DKL_RW	15.96%	HL_RW	35.12%	HL_RW	33.66%	DKL_RW	15.96%	HL_RW	34.06%	HL_RW	33.66%
GLS_RW	13.74%	TPDPS_RW	29.30%	TPDPS_RW	30.09%	GLS_RW	13.74%	TPDPS_RW	28.28%	TPDPS_RW	29.86%
PE_RW	10.58%	MPEG_RW	26.65%	MPEG_RW	26.92%	PE_RW	10.58%	MPEG_RW	25.46%	MPEG_RW	26.64%
PEG_RW	10.43%	PEG_RW	26.06%	PEG_RW	25.66%	PEG_RW	10.43%	PEG_RW	24.80%	PEG_RW	25.52%
TPDPS_RW	10.43%	ES_RW_Ind10	20.63%	ES_RW_Ind10	21.16%	TPDPS_RW	10.43%	ES_RW_Ind10	19.49%	ES_RW_Ind10	20.73%
ETSS_RW_Ind10	3.16%	PE_RW	18.72%	PE_RW	17.20%	ETSS_RW_Ind10	3.32%	PE_RW	17.72%	PE_RW	17.32%
ES_RW_Ind10	2.69%	ETSS_RW_Ind10	16.34%	ETSS_RW_Ind10	15.34%	ES_RW_Ind10	2.69%	ETSS_RW_Ind10	15.16%	ETSS_RW_Ind10	14.83%
WNG_RW	2.69%	ETSS_RW_25SBM	13.62%	ETSS_RW_25SBM	11.77%	WNG_RW	2.69%	ETSS_RW_25SBM	12.53%	ETSS_RW_25SBM	11.22%
FPM_RW	1.90%	ES_RW_25SBM	10.85%	ES_RW_25SBM	9.72%	FPM_RW	1.90%	ES_RW_25SBM	10.63%	ES_RW_25SBM	9.38%
ETSS_RW_25SBM	1.90%	FPM_RW	10.05%	FPM_RW	8.73%	ETSS_RW_25SBM	1.90%	FPM_RW	8.60%	FPM_RW	8.01%
ES_RW_25SBM	0.32%	WNG_RW	8.66%	WNG_RW	4.56%	ES_RW_25SBM	0.32%	WNG_RW	8.01%	WNG_RW	4.53%

Panel D: EP

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_EP	57.11%	BP_EP	64.81%	BP_EP	66.73%	BP_EP	57.11%	BP_EP	65.16%	BP_EP	67.19%
PE_EP	42.64%	GG_EP	56.75%	GG_EP	57.41%	PE_EP	42.25%	GG_EP	57.28%	GG_EP	58.27%
GLS_EP	35.01%	KMY_EP	50.26%	KMY_EP	51.92%	GLS_EP	34.88%	KMY_EP	51.31%	KMY_EP	51.97%
GM_EP	35.01%	CT_EP	43.52%	CT_EP	44.97%	GM_EP	34.88%	CT_EP	44.42%	CT_EP	44.95%
FGHJ_EP	34.88%	PE_EP	41.01%	PE_EP	43.52%	FGHJ_EP	34.50%	PE_EP	41.08%	PE_EP	42.59%
DKL_EP	31.40%	GLS_EP	37.63%	GLS_EP	38.16%	DKL_EP	31.40%	GLS_EP	37.53%	GLS_EP	37.86%
KMY_EP	31.01%	DKL_EP	35.91%	DKL_EP	36.90%	KMY_EP	30.88%	DKL_EP	36.75%	DKL_EP	37.20%
HL_EP	30.36%	FGHJ_EP	32.61%	TPDPS_EP	34.19%	HL_EP	30.10%	FGHJ_EP	32.94%	TPDPS_EP	34.91%
MPEG_EP	29.97%	TPDPS_EP	31.42%	FGHJ_EP	33.66%	MPEG_EP	29.72%	TPDPS_EP	32.02%	FGHJ_EP	34.25%
GG_EP	25.45%	HL_EP	26.98%	GM_EP	29.50%	GG_EP	25.19%	HL_EP	27.82%	GM_EP	30.12%
PEG_EP	24.94%	GM_EP	26.79%	HL_EP	28.31%	PEG_EP	25.06%	GM_EP	26.97%	HL_EP	28.35%
CT_EP	22.09%	PEG_EP	22.42%	PEG_EP	25.93%	CT_EP	21.96%	PEG_EP	23.29%	PEG_EP	26.05%
TPDPS_EP	16.41%	MPEG_EP	17.79%	MPEG_EP	18.92%	TPDPS_EP	16.28%	MPEG_EP	18.44%	MPEG_EP	19.09%
ETSS_EP_Ind10	7.49%	ETSS_EP_Ind10	12.24%	ETSS_EP_Ind10	12.10%	ETSS_EP_Ind10	7.36%	ETSS_EP_Ind10	11.88%	ETSS_EP_Ind10	11.94%
FPM_EP	6.85%	FPM_EP	7.28%	FPM_EP	7.54%	FPM_EP	6.85%	FPM_EP	8.20%	FPM_EP	7.55%
ETSS_EP_25SBM	3.75%	ETSS_EP_25SBM	6.48%	ES_EP_Ind10	6.35%	ETSS_EP_25SBM	4.13%	ES_EP_Ind10	6.89%	ES_EP_Ind10	5.84%
ES_EP_Ind10	1.55%	ES_EP_Ind10	6.22%	ETSS_EP_25SBM	6.02%	ES_EP_Ind10	1.55%	ETSS_EP_25SBM	6.56%	ETSS_EP_25SBM	5.18%
WNG_EP	1.29%	WNG_EP	3.77%	WNG_EP	3.04%	WNG_EP	1.29%	WNG_EP	4.66%	WNG_EP	3.61%
ES_EP_25SBM	0.13%	ES_EP_25SBM	2.78%	ES_EP_25SBM	1.46%	ES_EP_25SBM	0.13%	ES_EP_25SBM	2.89%	ES_EP_25SBM	1.31%

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Table 99: **Model Confidence Set Summary Results: Earnings Forecasts Standard Deviation Effect, Continued**

Panel E: RI

First Quartile						**Fourth Quartile**					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RI	61.74%	BP_RI	67.53%	BP_RI	68.65%	BP_RI	61.74%	BP_RI	67.26%	BP_RI	68.77%
PE_RI	45.78%	GG_RI	57.74%	GG_RI	58.86%	PE_RI	45.78%	GG_RI	56.82%	GG_RI	58.40%
GG_RI	41.25%	PE_RI	46.76%	KMY_RI	47.09%	GG_RI	41.12%	KMY_RI	45.28%	KMY_RI	46.39%
FGHJ_RI	37.09%	KMY_RI	46.69%	PE_RI	46.10%	FGHJ_RI	36.84%	PE_RI	45.01%	PE_RI	45.08%
GLS_RI	36.58%	GLS_RI	41.73%	GLS_RI	44.44%	GLS_RI	36.45%	GLS_RI	40.62%	GLS_RI	43.37%
KMY_RI	30.22%	TPDPS_RI	38.29%	TPDPS_RI	39.81%	KMY_RI	29.96%	TPDPS_RI	37.99%	TPDPS_RI	39.57%
GM_RI	23.48%	FGHJ_RI	37.17%	FGHJ_RI	38.96%	GM_RI	23.22%	FGHJ_RI	36.22%	FGHJ_RI	38.19%
DKL_RI	19.46%	DKL_RI	32.21%	DKL_RI	33.00%	DKL_RI	19.33%	DKL_RI	30.64%	DKL_RI	32.28%
TPDPS_RI	18.29%	GM_RI	28.57%	GM_RI	29.76%	TPDPS_RI	17.90%	CT_RI	27.49%	GM_RI	29.13%
MPEG_RI	17.25%	CT_RI	28.11%	CT_RI	28.64%	MPEG_RI	17.12%	GM_RI	27.10%	CT_RI	28.94%
HL_RI	15.30%	HL_RI	26.72%	HL_RI	27.65%	HL_RI	15.18%	HL_RI	25.33%	HL_RI	26.97%
PEG_RI	11.93%	PEG_RI	25.00%	PEG_RI	26.92%	PEG_RI	11.93%	PEG_RI	24.15%	PEG_RI	26.57%
CT_RI	10.64%	MPEG_RI	19.84%	MPEG_RI	20.63%	CT_RI	10.38%	MPEG_RI	18.90%	MPEG_RI	20.08%
ETSS_RI_Ind10	4.54%	ETSS_RI_Ind10	14.02%	ETSS_RI_Ind10	14.42%	ETSS_RI_Ind10	4.67%	ETSS_RI_Ind10	13.06%	ETSS_RI_Ind10	14.04%
FPM_RI	2.72%	FPM_RI	10.98%	FPM_RI	11.11%	FPM_RI	2.85%	FPM_RI	10.76%	FPM_RI	10.76%
ETSS_RI_25SBM	1.82%	ETSS_RI_25SBM	9.72%	ETSS_RI_25SBM	10.05%	ETSS_RI_25SBM	1.95%	ETSS_RI_25SBM	8.92%	ETSS_RI_25SBM	9.06%
WNG_RI	1.04%	ES_RI_Ind10	4.96%	WNG_RI	3.37%	WNG_RI	1.04%	WNG_RI	4.86%	WNG_RI	3.41%
ES_RI_Ind10	0.65%	WNG_RI	4.83%	ES_RI_Ind10	3.11%	ES_RI_Ind10	0.65%	ES_RI_Ind10	4.79%	ES_RI_Ind10	2.95%
ES_RI_25SBM	0.13%	ES_RI_25SBM	3.44%	ES_RI_25SBM	1.46%	ES_RI_25SBM	0.26%	ES_RI_25SBM	3.41%	ES_RI_25SBM	1.31%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE) for the highest and lowest quartiles of firms in terms of the standard deviation of earnings forecasts. The table reports the percentage of firms for which a specific model is included in the confidence set. Panel A report the results for the ICC models estimated using analysts earnings forecasts. Panel B, C, D and E report the results using ICC estimates based on mechanical earnings forecasts of Hou, van Dijk, and Zhang (2012) model (HDZ), random walk (RW) model, Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI) respectively.

Table 100: **Model Confidence Set Summary Results: Earnings Forecasts Coefficient of Variation Effect**

Panel A: Analysts

First Quartile						**Fourth Quartile**					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
GG_Anlst	24.53%	PE_Anlst	48.92%	PE_Anlst	50.65%	GG_Anlst	24.53%	BP_Anlst	47.29%	BP_Anlst	49.85%
OHE_Ind10	22.67%	BP_Anlst	47.97%	BP_Anlst	48.23%	OHE_Ind10	22.13%	PE_Anlst	44.22%	OHE_Ind10	45.14%
PE_Anlst	21.33%	GLS_Anlst	47.63%	GLS_Anlst	47.63%	BP_Anlst	21.33%	OHE_Ind10	43.50%	PE_Anlst	44.93%
BP_Anlst	21.33%	OHE_Ind10	46.07%	OHE_Ind10	46.68%	WNG_Anlst	21.33%	GLS_Anlst	41.35%	OHE_25SBM	42.37%
WNG_Anlst	21.33%	FGHJ_Anlst	44.09%	ETSS_Anlst_Ind10	44.52%	PE_Anlst	21.07%	ETSS_Anlst_Ind10	41.04%	ETSS_Anlst_Ind10	41.97%
PEG_Anlst	21.07%	MPEG_Anlst	43.57%	MPEG_Anlst	43.31%	PEG_Anlst	20.80%	MPEG_Anlst	40.84%	PEG_Anlst	40.63%
ETSS_Anlst_Ind10	20.27%	ETSS_Anlst_Ind10	42.28%	FGHJ_Anlst	42.97%	FPM_Anlst	20.00%	PEG_Anlst	40.63%	MPEG_Anlst	40.43%
FPM_Anlst	19.73%	DKL_Anlst	41.07%	OHE_25SBM	42.97%	ETSS_Anlst_Ind10	20.00%	HL_Anlst	37.67%	GLS_Anlst	38.59%
CT_Anlst	16.80%	OHE_25SBM	40.72%	DKL_Anlst	40.90%	CT_Anlst	17.07%	GM_Anlst	37.15%	KMY_Anlst	37.67%
KMY_Anlst	16.00%	HL_Anlst	40.55%	KMY_Anlst	40.90%	KMY_Anlst	16.00%	OHE_25SBM	37.15%	GM_Anlst	36.34%
MPEG_Anlst	14.67%	GM_Anlst	40.12%	PEG_Anlst	40.81%	MPEG_Anlst	14.40%	KMY_Anlst	36.75%	Naive	36.23%
GLS_Anlst	14.40%	PEG_Anlst	40.12%	HL_Anlst	39.95%	GLS_Anlst	14.13%	FGHJ_Anlst	36.23%	HL_Anlst	35.52%
GM_Anlst	13.60%	KMY_Anlst	39.69%	CT_Anlst	39.69%	GM_Anlst	13.87%	DKL_Anlst	36.23%	DKL_Anlst	35.21%
FGHJ_Anlst	13.60%	CT_Anlst	38.83%	GM_Anlst	39.69%	FGHJ_Anlst	13.33%	Naive	36.13%	ETSS_Anlst_25SBM	35.01%
DKL_Anlst	11.20%	FPM_Anlst	38.74%	FPM_Anlst	38.05%	DKL_Anlst	11.47%	CT_Anlst	35.21%	FGHJ_Anlst	34.19%
OHE_25SBM	10.93%	WNG_Anlst	36.24%	Naive	34.77%	OHE_25SBM	10.93%	GG_Anlst	34.49%	CT_Anlst	33.57%
HL_Anlst	9.87%	Naive	34.34%	TPDPS_Anlst	34.51%	HL_Anlst	9.60%	FPM_Anlst	34.29%	TPDPS_Anlst	33.57%
ETSS_Anlst_25SBM	9.60%	TPDPS_Anlst	33.82%	WNG_Anlst	34.08%	ETSS_Anlst_25SBM	9.60%	TPDPS_Anlst	32.86%	GG_Anlst	33.37%
Naive	8.80%	GG_Anlst	30.37%	ETSS_Anlst_25SBM	31.23%	Naive	8.80%	WNG_Anlst	32.65%	FPM_Anlst	33.27%
TPDPS_Anlst	6.93%	ETSS_Anlst_25SBM	29.68%	GG_Anlst	31.15%	TPDPS_Anlst	6.93%	ETSS_Anlst_25SBM	32.24%	WNG_Anlst	29.27%
ES_Anlst_Ind10	5.33%	ES_Anlst_Ind10	17.00%	ES_Anlst_Ind10	16.31%	ES_Anlst_Ind10	5.33%	ES_Anlst_Ind10	17.50%	ES_Anlst_Ind10	17.30%
ES_Anlst_25SBM	1.87%	ES_Anlst_25SBM	9.84%	ES_Anlst_25SBM	8.71%	ES_Anlst_25SBM	1.87%	ES_Anlst_25SBM	9.11%	ES_Anlst_25SBM	7.68%

Panel B: HDZ

First Quartile						**Fourth Quartile**					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PEG_HDZ	30.70%	BP_HDZ	53.32%	BP_HDZ	53.75%	PEG_HDZ	30.70%	BP_HDZ	52.92%	BP_HDZ	55.58%
PE_HDZ	24.32%	PE_HDZ	51.34%	PE_HDZ	52.72%	PE_HDZ	24.62%	PE_HDZ	51.38%	PE_HDZ	53.53%
GM_HDZ	24.01%	GG_HDZ	47.37%	GG_HDZ	48.66%	GM_HDZ	24.32%	GLS_HDZ	41.76%	GLS_HDZ	43.71%
MPEG_HDZ	23.10%	GLS_HDZ	46.07%	GLS_HDZ	47.02%	MPEG_HDZ	23.10%	ETSS_HDZ_Ind10	40.43%	ETSS_HDZ_Ind10	42.37%
GLS_HDZ	20.97%	FGHJ_HDZ	44.26%	FGHJ_HDZ	45.13%	GLS_HDZ	21.28%	GG_HDZ	40.12%	GG_HDZ	41.86%
BP_HDZ	20.06%	CT_HDZ	40.90%	CT_HDZ	42.36%	BP_HDZ	20.06%	FGHJ_HDZ	39.41%	FGHJ_HDZ	39.71%
FPM_HDZ	19.76%	ETSS_HDZ_Ind10	40.03%	ETSS_HDZ_Ind10	41.93%	FPM_HDZ	19.76%	TPDPS_HDZ	37.26%	TPDPS_HDZ	39.20%
WNG_HDZ	19.76%	TPDPS_HDZ	39.52%	TPDPS_HDZ	41.93%	WNG_HDZ	19.76%	CT_HDZ	35.11%	CT_HDZ	35.93%
GG_HDZ	18.54%	KMY_HDZ	38.91%	DKL_HDZ	40.21%	GG_HDZ	18.54%	PEG_HDZ	33.98%	MPEG_HDZ	34.60%
FGHJ_HDZ	17.93%	DKL_HDZ	38.65%	KMY_HDZ	39.43%	FGHJ_HDZ	17.93%	FPM_HDZ	33.16%	PEG_HDZ	34.60%
CT_HDZ	15.81%	HL_HDZ	37.27%	HL_HDZ	38.14%	CT_HDZ	15.81%	MPEG_HDZ	33.06%	DKL_HDZ	34.08%
ETSS_HDZ_Ind10	14.29%	MPEG_HDZ	37.01%	MPEG_HDZ	37.79%	ETSS_HDZ_Ind10	14.59%	GM_HDZ	32.96%	KMY_HDZ	33.67%
HL_HDZ	13.68%	FPM_HDZ	36.32%	PEG_HDZ	37.79%	HL_HDZ	13.98%	DKL_HDZ	32.96%	GM_HDZ	33.37%
DKL_HDZ	13.37%	PEG_HDZ	36.24%	FPM_HDZ	37.45%	KMY_HDZ	13.68%	KMY_HDZ	32.96%	HL_HDZ	33.37%
KMY_HDZ	13.37%	GM_HDZ	36.15%	GM_HDZ	36.50%	DKL_HDZ	13.37%	HL_HDZ	32.86%	FPM_HDZ	32.55%
TPDPS_HDZ	9.42%	ETSS_HDZ_25SBM	28.21%	ETSS_HDZ_25SBM	30.46%	TPDPS_HDZ	9.73%	ETSS_HDZ_25SBM	29.48%	ETSS_HDZ_25SBM	29.17%
ETSS_HDZ_25SBM	8.21%	WNG_HDZ	26.06%	WNG_HDZ	26.49%	ETSS_HDZ_25SBM	8.51%	WNG_HDZ	24.67%	WNG_HDZ	25.59%
ES_HDZ_25SBM	2.13%	ES_HDZ_25SBM	13.81%	ES_HDZ_25SBM	12.17%	ES_HDZ_25SBM	2.43%	ES_HDZ_Ind10	11.16%	ES_HDZ_Ind10	9.42%
ES_HDZ_Ind10	0.61%	ES_HDZ_Ind10	10.61%	ES_HDZ_Ind10	8.54%	ES_HDZ_Ind10	0.61%	ES_HDZ_25SBM	10.54%	ES_HDZ_25SBM	8.09%

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Table 100: **Model Confidence Set Summary Results: Earnings Forecasts Coefficient of Variation Effect, Continued**

Panel C: RW

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RW	42.86%	BP_RW	62.30%	GG_RW	60.83%	BP_RW	42.86%	BP_RW	59.98%	BP_RW	59.47%
GG_RW	24.42%	GG_RW	61.00%	BP_RW	60.57%	GG_RW	24.42%	GG_RW	51.18%	GG_RW	51.18%
KMY_RW	18.89%	CT_RW	51.86%	CT_RW	51.08%	KMY_RW	18.43%	FGHJ_RW	42.68%	CT_RW	43.50%
CT_RW	16.59%	FGHJ_RW	44.69%	FGHJ_RW	45.99%	CT_RW	16.59%	CT_RW	42.17%	FGHJ_RW	42.68%
DKL_RW	14.75%	KMY_RW	41.76%	KMY_RW	39.52%	DKL_RW	14.75%	KMY_RW	41.56%	GLS_RW	41.04%
GM_RW	12.44%	GLS_RW	37.96%	GLS_RW	37.88%	GM_RW	12.44%	GLS_RW	40.23%	KMY_RW	40.23%
FGHJ_RW	11.98%	DKL_RW	35.63%	DKL_RW	34.69%	FGHJ_RW	11.98%	DKL_RW	38.08%	DKL_RW	37.97%
HL_RW	11.06%	HL_RW	32.87%	GM_RW	33.22%	HL_RW	11.06%	HL_RW	33.47%	HL_RW	33.67%
GLS_RW	9.22%	GM_RW	32.79%	HL_RW	32.36%	GLS_RW	9.22%	GM_RW	31.53%	GM_RW	32.34%
MPEG_RW	8.76%	TPDPS_RW	28.99%	TPDPS_RW	26.23%	MPEG_RW	8.76%	PEG_RW	28.66%	PEG_RW	28.66%
PEG_RW	7.83%	MPEG_RW	24.25%	MPEG_RW	24.85%	TPDPS_RW	7.83%	MPEG_RW	25.90%	ES_RW_Ind10	26.82%
TPDPS_RW	7.83%	PEG_RW	23.81%	ES_RW_Ind10	22.86%	PEG_RW	7.37%	TPDPS_RW	25.08%	MPEG_RW	26.51%
PE_RW	6.45%	ES_RW_Ind10	23.55%	PEG_RW	22.00%	PE_RW	6.45%	ES_RW_Ind10	24.26%	TPDPS_RW	25.69%
ES_RW_Ind10	2.76%	PE_RW	20.79%	PE_RW	21.05%	ES_RW_Ind10	2.76%	PE_RW	23.03%	PE_RW	22.31%
ETSS_RW_Ind10	2.76%	ETSS_RW_Ind10	18.81%	ETSS_RW_Ind10	15.88%	ETSS_RW_Ind10	2.76%	ETSS_RW_Ind10	19.96%	ETSS_RW_Ind10	20.98%
WNG_RW	2.76%	ES_RW_25SBM	15.10%	ES_RW_25SBM	12.08%	WNG_RW	2.76%	FPM_RW	14.43%	FPM_RW	14.12%
ETSS_RW_25SBM	2.30%	ETSS_RW_25SBM	14.75%	ETSS_RW_25SBM	11.30%	ETSS_RW_25SBM	2.30%	ETSS_RW_25SBM	13.41%	ETSS_RW_25SBM	13.61%
FPM_RW	0.92%	FPM_RW	12.17%	FPM_RW	10.18%	FPM_RW	0.92%	WNG_RW	10.24%	ES_RW_25SBM	8.09%
ES_RW_25SBM	0.00%	WNG_RW	11.30%	WNG_RW	6.30%	ES_RW_25SBM	0.00%	ES_RW_25SBM	9.62%	WNG_RW	7.98%

Panel D: EP

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_EP	39.58%	BP_EP	60.05%	BP_EP	61.43%	BP_EP	39.58%	BP_EP	56.81%	BP_EP	56.91%
PE_EP	35.07%	GG_EP	58.67%	GG_EP	60.22%	PE_EP	35.07%	GG_EP	45.96%	GG_EP	46.88%
FGHJ_EP	24.31%	KMY_EP	50.22%	KMY_EP	49.96%	FGHJ_EP	24.31%	KMY_EP	37.36%	CT_EP	38.38%
GLS_EP	19.79%	PE_EP	43.74%	PE_EP	43.74%	GLS_EP	19.79%	CT_EP	37.05%	KMY_EP	37.46%
MPEG_EP	17.01%	CT_EP	42.28%	CT_EP	43.40%	MPEG_EP	17.01%	PE_EP	35.21%	PE_EP	36.13%
GM_EP	15.28%	GLS_EP	36.50%	TPDPS_EP	35.89%	GM_EP	15.63%	GLS_EP	30.91%	GLS_EP	30.60%
DKL_EP	13.89%	TPDPS_EP	35.63%	GLS_EP	35.72%	DKL_EP	13.89%	DKL_EP	30.60%	DKL_EP	29.89%
GG_EP	13.19%	DKL_EP	35.03%	DKL_EP	34.08%	GG_EP	13.19%	FGHJ_EP	28.15%	FGHJ_EP	28.56%
KMY_EP	13.19%	FGHJ_EP	33.48%	FGHJ_EP	31.49%	KMY_EP	13.19%	PEG_EP	26.31%	PEG_EP	28.25%
HL_EP	12.50%	HL_EP	29.16%	GM_EP	29.59%	HL_EP	12.50%	TPDPS_EP	26.20%	TPDPS_EP	26.41%
PEG_EP	12.15%	GM_EP	27.78%	HL_EP	28.39%	PEG_EP	12.15%	HL_EP	24.67%	HL_EP	24.77%
CT_EP	11.11%	PEG_EP	25.28%	PEG_EP	28.04%	CT_EP	11.46%	GM_EP	24.36%	GM_EP	24.16%
TPDPS_EP	5.90%	MPEG_EP	19.24%	MPEG_EP	20.10%	TPDPS_EP	5.90%	MPEG_EP	18.22%	MPEG_EP	18.42%
ETSS_EP_Ind10	5.21%	ETSS_EP_Ind10	16.39%	ETSS_EP_Ind10	15.79%	ETSS_EP_Ind10	5.21%	ETSS_EP_Ind10	17.30%	ETSS_EP_Ind10	18.01%
FPM_EP	3.47%	WNG_EP	10.01%	FPM_EP	9.40%	FPM_EP	3.47%	FPM_EP	12.08%	FPM_EP	11.77%
ETSS_EP_25SBM	2.43%	FPM_EP	9.75%	ES_EP_Ind10	8.54%	ETSS_EP_25SBM	2.43%	ES_EP_Ind10	8.70%	ES_EP_Ind10	8.39%
WNG_EP	1.04%	ES_EP_Ind10	9.49%	WNG_EP	7.16%	WNG_EP	1.04%	WNG_EP	7.16%	WNG_EP	7.06%
ES_EP_25SBM	0.00%	ETSS_EP_25SBM	8.89%	ETSS_EP_25SBM	7.08%	ES_EP_25SBM	0.00%	ETSS_EP_25SBM	7.06%	ETSS_EP_25SBM	6.14%
ES_EP_Ind10	0.00%	ES_EP_25SBM	6.21%	ES_EP_25SBM	2.93%	ES_EP_Ind10	0.00%	ES_EP_25SBM	2.87%	ES_EP_25SBM	1.74%

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Table 100: **Model Confidence Set Summary Results: Earnings Forecasts Coefficient of Variation Effect, Continued**

Panel E: RI

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RI	42.72%	BP_RI	62.04%	BP_RI	62.38%	BP_RI	42.72%	BP_RI	60.29%	BP_RI	61.11%
PE_RI	31.13%	GG_RI	58.67%	GG_RI	59.19%	PE_RI	31.13%	GG_RI	48.21%	GG_RI	47.49%
GG_RI	27.15%	KMY_RI	46.16%	KMY_RI	46.25%	GG_RI	27.15%	KMY_RI	37.15%	KMY_RI	38.69%
FGHJ_RI	20.53%	PE_RI	44.43%	PE_RI	43.83%	FGHJ_RI	20.20%	GLS_RI	35.21%	GLS_RI	35.11%
GLS_RI	19.54%	GLS_RI	42.36%	GLS_RI	41.93%	GLS_RI	19.54%	PE_RI	35.01%	PE_RI	33.16%
GM_RI	15.89%	TPDPS_RI	40.55%	TPDPS_RI	41.93%	GM_RI	15.89%	TPDPS_RI	30.19%	PEG_RI	31.83%
KMY_RI	15.56%	FGHJ_RI	36.32%	FGHJ_RI	37.79%	KMY_RI	15.56%	FGHJ_RI	29.99%	TPDPS_RI	31.42%
MPEG_RI	12.91%	DKL_RI	31.32%	DKL_RI	31.58%	MPEG_RI	12.91%	PEG_RI	29.68%	FGHJ_RI	31.22%
TPDPS_RI	10.60%	CT_RI	29.94%	CT_RI	29.68%	TPDPS_RI	10.60%	CT_RI	28.45%	CT_RI	28.97%
HL_RI	8.94%	GM_RI	27.35%	GM_RI	28.90%	HL_RI	8.94%	GM_RI	26.71%	DKL_RI	27.23%
DKL_RI	8.61%	HL_RI	26.57%	HL_RI	27.18%	DKL_RI	8.61%	DKL_RI	26.71%	GM_RI	26.92%
CT_RI	7.95%	PEG_RI	25.28%	PEG_RI	26.14%	CT_RI	7.62%	HL_RI	24.26%	HL_RI	24.26%
PEG_RI	6.95%	MPEG_RI	19.41%	MPEG_RI	18.38%	PEG_RI	6.95%	MPEG_RI	19.96%	MPEG_RI	21.29%
ETSS_RI_Ind10	4.64%	ETSS_RI_Ind10	17.00%	ETSS_RI_Ind10	16.91%	ETSS_RI_Ind10	4.64%	ETSS_RI_Ind10	16.89%	ETSS_RI_Ind10	17.50%
ETSS_RI_25SBM	1.99%	FPM_RI	11.73%	FPM_RI	10.01%	ETSS_RI_25SBM	1.99%	FPM_RI	15.25%	FPM_RI	16.07%
FPM_RI	1.66%	ETSS_RI_25SBM	11.56%	ETSS_RI_25SBM	9.40%	FPM_RI	1.66%	ETSS_RI_25SBM	10.44%	ETSS_RI_25SBM	10.13%
WNG_RI	0.66%	WNG_RI	8.63%	WNG_RI	6.04%	WNG_RI	0.66%	ES_RI_Ind10	6.55%	ES_RI_Ind10	4.91%
ES_RI_Ind10	0.33%	ES_RI_Ind10	6.21%	ES_RI_Ind10	3.28%	ES_RI_Ind10	0.33%	WNG_RI	6.45%	WNG_RI	4.71%
ES_RI_25SBM	0.00%	ES_RI_25SBM	4.57%	ES_RI_25SBM	1.98%	ES_RI_25SBM	0.00%	ES_RI_25SBM	3.17%	ES_RI_25SBM	0.92%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE) for the highest and lowest quartiles of firms in terms of the coefficient of variation in earnings forecasts. The table reports the percentage of firms for which a specific model is included in the confidence set. Panel A report the results for the ICC models estimated using analysts earnings forecasts. Panel B, C, D and E report the results using ICC estimates based on mechanical earnings forecasts of Hou, van Dijk, and Zhang (2012) model (HDZ), random walk (RW) model, Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI) respectively.

Table 101: **Model Confidence Set Summary Results: Firm Leverage Effect**

Panel A: Analysts

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_Anlst	43.41%	GLS_Anlst	55.65%	PE_Anlst	56.97%	BP_Anlst	43.41%	GLS_Anlst	55.32%	PE_Anlst	58.02%
PE_Anlst	43.31%	PE_Anlst	54.00%	GLS_Anlst	56.44%	PE_Anlst	43.31%	PE_Anlst	53.02%	GLS_Anlst	56.64%
GG_Anlst	40.67%	BP_Anlst	50.96%	BP_Anlst	54.06%	GG_Anlst	40.57%	BP_Anlst	50.99%	BP_Anlst	55.58%
PEG_Anlst	39.83%	MPEG_Anlst	48.45%	OHE_Ind10	50.03%	PEG_Anlst	40.15%	MPEG_Anlst	47.63%	OHE_Ind10	49.80%
CT_Anlst	38.99%	OHE_Ind10	47.26%	MPEG_Anlst	48.51%	CT_Anlst	38.78%	OHE_Ind10	46.78%	MPEG_Anlst	49.21%
KMY_Anlst	37.30%	FGHJ_Anlst	46.60%	ETSS_Anlst_Ind10	46.86%	KMY_Anlst	37.30%	FGHJ_Anlst	46.12%	ETSS_Anlst_Ind10	48.09%
FPM_Anlst	36.99%	HL_Anlst	44.68%	FGHJ_Anlst	46.20%	FPM_Anlst	36.99%	DKL_Anlst	44.28%	FGHJ_Anlst	46.58%
OHE_Ind10	36.04%	ETSS_Anlst_Ind10	44.35%	PEG_Anlst	45.54%	GLS_Anlst	36.04%	HL_Anlst	44.15%	PEG_Anlst	45.66%
GLS_Anlst	35.83%	DKL_Anlst	44.02%	HL_Anlst	45.01%	OHE_Ind10	35.93%	ETSS_Anlst_Ind10	44.15%	CT_Anlst	45.27%
MPEG_Anlst	35.62%	PEG_Anlst	43.36%	CT_Anlst	44.81%	MPEG_Anlst	35.62%	PEG_Anlst	42.71%	DKL_Anlst	45.20%
GM_Anlst	34.88%	CT_Anlst	43.03%	DKL_Anlst	44.48%	GM_Anlst	34.77%	KMY_Anlst	42.71%	HL_Anlst	45.14%
FGHJ_Anlst	34.14%	GM_Anlst	43.03%	KMY_Anlst	43.23%	FGHJ_Anlst	34.25%	GM_Anlst	42.64%	KMY_Anlst	44.42%
DKL_Anlst	33.09%	KMY_Anlst	42.43%	GM_Anlst	43.16%	DKL_Anlst	33.40%	CT_Anlst	42.44%	GM_Anlst	44.15%
ETSS_Anlst_Ind10	32.67%	FPM_Anlst	40.38%	FPM_Anlst	41.37%	ETSS_Anlst_Ind10	32.67%	FPM_Anlst	39.68%	FPM_Anlst	41.13%
HL_Anlst	32.03%	WNG_Anlst	36.81%	TPDPS_Anlst	39.26%	HL_Anlst	32.03%	WNG_Anlst	36.99%	TPDPS_Anlst	39.49%
WNG_Anlst	29.29%	Naive	35.82%	OHE_25SBM	39.06%	WNG_Anlst	29.29%	Naive	35.48%	Naive	39.29%
Naive	15.70%	TPDPS_Anlst	35.03%	Naive	39.06%	Naive	15.70%	TPDPS_Anlst	35.09%	OHE_25SBM	39.22%
TPDPS_Anlst	15.17%	OHE_25SBM	34.17%	WNG_Anlst	33.77%	TPDPS_Anlst	15.38%	OHE_25SBM	33.57%	WNG_Anlst	35.09%
OHE_25SBM	13.07%	GG_Anlst	29.68%	GG_Anlst	29.94%	OHE_25SBM	13.07%	GG_Anlst	29.37%	ETSS_Anlst_25SBM	30.35%
ETSS_Anlst_25SBM	12.12%	ETSS_Anlst_25SBM	27.96%	ETSS_Anlst_25SBM	29.87%	ETSS_Anlst_25SBM	12.01%	ETSS_Anlst_25SBM	27.53%	GG_Anlst	30.03%
ES_Anlst_Ind10	8.75%	ES_Anlst_Ind10	13.62%	ES_Anlst_Ind10	14.21%	ES_Anlst_Ind10	8.75%	ES_Anlst_Ind10	13.21%	ES_Anlst_Ind10	14.45%
ES_Anlst_25SBM	2.00%	ES_Anlst_25SBM	7.14%	ES_Anlst_25SBM	7.60%	ES_Anlst_25SBM	2.11%	ES_Anlst_25SBM	7.42%	ES_Anlst_25SBM	7.88%

Panel B: HDZ

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PEG_HDZ	45.22%	PE_HDZ	57.96%	PE_HDZ	61.60%	PEG_HDZ	45.22%	PE_HDZ	57.56%	PE_HDZ	61.96%
BP_HDZ	44.88%	BP_HDZ	54.26%	BP_HDZ	59.09%	BP_HDZ	44.99%	BP_HDZ	53.88%	BP_HDZ	59.33%
GM_HDZ	43.76%	GLS_HDZ	53.27%	GLS_HDZ	54.26%	GM_HDZ	43.98%	GLS_HDZ	52.96%	GLS_HDZ	54.01%
PE_HDZ	43.19%	GG_HDZ	52.21%	GG_HDZ	54.00%	PE_HDZ	43.53%	GG_HDZ	50.66%	GG_HDZ	53.68%
MPEG_HDZ	42.97%	FGHJ_HDZ	48.45%	FGHJ_HDZ	49.17%	MPEG_HDZ	42.97%	FGHJ_HDZ	47.70%	FGHJ_HDZ	48.95%
FPM_HDZ	39.48%	CT_HDZ	46.27%	CT_HDZ	48.38%	FPM_HDZ	39.71%	CT_HDZ	44.88%	CT_HDZ	46.78%
GG_HDZ	39.26%	DKL_HDZ	42.70%	KMY_HDZ	44.28%	GG_HDZ	39.37%	KMY_HDZ	41.39%	KMY_HDZ	43.43%
GLS_HDZ	37.01%	KMY_HDZ	42.56%	DKL_HDZ	43.23%	GLS_HDZ	37.35%	DKL_HDZ	41.33%	DKL_HDZ	42.64%
FGHJ_HDZ	36.11%	ETSS_HDZ_Ind10	40.12%	TPDPS_HDZ	42.96%	FGHJ_HDZ	36.33%	ETSS_HDZ_Ind10	38.83%	ETSS_HDZ_Ind10	42.31%
KMY_HDZ	34.98%	HL_HDZ	39.85%	ETSS_HDZ_Ind10	42.70%	KMY_HDZ	35.10%	HL_HDZ	38.37%	TPDPS_HDZ	42.31%
HL_HDZ	34.53%	TPDPS_HDZ	38.66%	HL_HDZ	41.57%	HL_HDZ	34.87%	TPDPS_HDZ	37.71%	HL_HDZ	40.47%
CT_HDZ	33.52%	MPEG_HDZ	38.20%	MPEG_HDZ	40.05%	CT_HDZ	33.63%	MPEG_HDZ	37.45%	MPEG_HDZ	39.55%
DKL_HDZ	31.95%	GM_HDZ	37.21%	GM_HDZ	39.33%	DKL_HDZ	32.06%	FPM_HDZ	36.27%	FPM_HDZ	38.63%
WNG_HDZ	28.68%	FPM_HDZ	36.42%	FPM_HDZ	39.26%	WNG_HDZ	28.80%	GM_HDZ	35.35%	GM_HDZ	38.30%
ETSS_HDZ_Ind10	25.65%	PEG_HDZ	34.24%	PEG_HDZ	37.48%	ETSS_HDZ_Ind10	25.76%	PEG_HDZ	33.05%	PEG_HDZ	37.06%
TPDPS_HDZ	17.21%	ETSS_HDZ_25SBM	24.72%	ETSS_HDZ_25SBM	27.16%	TPDPS_HDZ	17.32%	ETSS_HDZ_25SBM	24.18%	ETSS_HDZ_25SBM	27.20%
ETSS_HDZ_25SBM	10.35%	WNG_HDZ	24.39%	WNG_HDZ	25.51%	ETSS_HDZ_25SBM	10.35%	WNG_HDZ	24.05%	WNG_HDZ	26.02%
ES_HDZ_25SBM	1.80%	ES_HDZ_25SBM	9.19%	ES_HDZ_25SBM	8.92%	ES_HDZ_25SBM	1.80%	ES_HDZ_25SBM	9.20%	ES_HDZ_25SBM	8.80%
ES_HDZ_Ind10	1.35%	ES_HDZ_Ind10	7.14%	ES_HDZ_Ind10	6.94%	ES_HDZ_Ind10	1.24%	ES_HDZ_Ind10	7.16%	ES_HDZ_Ind10	6.70%

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Table 101: **Model Confidence Set Summary Results: Firm Leverage Effect, Continued**

Panel C: RW

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RW	58.00%	BP_RW	67.09%	GG_RW	69.27%	BP_RW	58.00%	BP_RW	67.28%	GG_RW	68.86%
GG_RW	36.31%	GG_RW	66.95%	BP_RW	68.08%	GG_RW	36.15%	GG_RW	66.89%	BP_RW	68.27%
KMY_RW	34.31%	CT_RW	53.60%	CT_RW	54.59%	KMY_RW	34.15%	CT_RW	53.81%	CT_RW	53.81%
GM_RW	24.92%	FGHJ_RW	46.79%	FGHJ_RW	48.71%	GM_RW	24.92%	FGHJ_RW	46.32%	FGHJ_RW	47.96%
CT_RW	19.38%	KMY_RW	46.20%	KMY_RW	46.53%	CT_RW	19.38%	KMY_RW	45.53%	KMY_RW	45.01%
FGHJ_RW	18.77%	DKL_RW	39.85%	GLS_RW	41.04%	FGHJ_RW	18.77%	DKL_RW	39.62%	GLS_RW	39.88%
HL_RW	16.77%	GLS_RW	39.19%	DKL_RW	39.52%	HL_RW	16.46%	GLS_RW	38.90%	DKL_RW	38.37%
MPEG_RW	16.15%	GM_RW	35.23%	GM_RW	35.23%	MPEG_RW	16.00%	GM_RW	34.23%	GM_RW	34.23%
DKL_RW	15.69%	HL_RW	34.50%	HL_RW	33.11%	DKL_RW	15.85%	HL_RW	34.10%	HL_RW	33.05%
GLS_RW	13.85%	TPDPS_RW	27.16%	TPDPS_RW	29.81%	GLS_RW	13.85%	TPDPS_RW	27.92%	TPDPS_RW	29.50%
PE_RW	10.92%	MPEG_RW	25.91%	MPEG_RW	27.23%	PE_RW	10.77%	MPEG_RW	25.49%	MPEG_RW	26.22%
PEG_RW	10.46%	PEG_RW	24.52%	PEG_RW	25.38%	PEG_RW	10.62%	PEG_RW	24.90%	PEG_RW	25.36%
TPDPS_RW	10.31%	ES_RW_Ind10	19.17%	ES_RW_Ind10	20.62%	TPDPS_RW	10.31%	ES_RW_Ind10	19.51%	ES_RW_Ind10	20.63%
ETSS_RW_Ind10	3.23%	PE_RW	17.25%	PE_RW	17.71%	ETSS_RW_Ind10	3.38%	PE_RW	17.15%	PE_RW	16.56%
WNG_RW	2.77%	ETSS_RW_Ind10	15.07%	ETSS_RW_Ind10	14.67%	WNG_RW	2.77%	ETSS_RW_Ind10	15.64%	ETSS_RW_Ind10	14.72%
ES_RW_Ind10	2.62%	ETSS_RW_25SBM	11.24%	ETSS_RW_25SBM	10.64%	ES_RW_Ind10	2.62%	ETSS_RW_25SBM	11.50%	ETSS_RW_25SBM	10.71%
ETSS_RW_25SBM	2.00%	ES_RW_25SBM	10.05%	ES_RW_25SBM	8.99%	ETSS_RW_25SBM	2.00%	ES_RW_25SBM	9.66%	ES_RW_25SBM	9.26%
FPM_RW	1.85%	FPM_RW	9.05%	FPM_RW	8.39%	FPM_RW	1.85%	FPM_RW	8.67%	FPM_RW	7.82%
ES_RW_25SBM	0.31%	WNG_RW	8.06%	WNG_RW	5.09%	ES_RW_25SBM	0.46%	WNG_RW	8.02%	WNG_RW	4.34%

Panel D: EP

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_EP	56.78%	BP_EP	64.77%	BP_EP	66.42%	BP_EP	57.03%	BP_EP	64.59%	BP_EP	67.08%
PE_EP	41.95%	GG_EP	56.84%	GG_EP	57.50%	PE_EP	41.83%	GG_EP	57.03%	GG_EP	57.62%
FGHJ_EP	34.73%	KMY_EP	51.02%	KMY_EP	52.28%	GM_EP	34.73%	KMY_EP	50.72%	KMY_EP	51.71%
GLS_EP	34.47%	CT_EP	43.16%	CT_EP	44.61%	GLS_EP	34.47%	CT_EP	43.43%	CT_EP	44.68%
GM_EP	34.47%	PE_EP	40.58%	PE_EP	42.63%	FGHJ_EP	34.22%	PE_EP	41.06%	PE_EP	43.43%
DKL_EP	31.05%	GLS_EP	37.21%	GLS_EP	38.07%	KMY_EP	31.18%	GLS_EP	37.19%	GLS_EP	38.57%
KMY_EP	30.80%	DKL_EP	35.56%	DKL_EP	37.54%	DKL_EP	30.93%	DKL_EP	35.41%	DKL_EP	37.19%
HL_EP	30.42%	FGHJ_EP	32.45%	FGHJ_EP	34.17%	HL_EP	30.29%	FGHJ_EP	32.00%	TPDPS_EP	33.97%
MPEG_EP	29.40%	TPDPS_EP	31.53%	TPDPS_EP	33.84%	MPEG_EP	29.40%	TPDPS_EP	31.54%	FGHJ_EP	33.38%
GG_EP	24.84%	GM_EP	27.03%	GM_EP	29.48%	GG_EP	25.10%	GM_EP	26.15%	GM_EP	29.37%
PEG_EP	24.59%	HL_EP	26.37%	HL_EP	28.35%	PEG_EP	24.71%	HL_EP	26.02%	HL_EP	27.92%
CT_EP	21.67%	PEG_EP	22.54%	PEG_EP	25.84%	CT_EP	21.67%	PEG_EP	22.21%	PEG_EP	25.49%
TPDPS_EP	16.22%	MPEG_EP	17.32%	MPEG_EP	18.70%	TPDPS_EP	16.10%	MPEG_EP	17.41%	MPEG_EP	18.46%
ETSS_EP_Ind10	7.22%	ETSS_EP_Ind10	11.10%	ETSS_EP_Ind10	11.43%	ETSS_EP_Ind10	7.35%	ETSS_EP_Ind10	11.17%	ETSS_EP_Ind10	11.96%
FPM_EP	6.97%	FPM_EP	6.41%	FPM_EP	6.35%	FPM_EP	6.97%	FPM_EP	6.77%	FPM_EP	7.36%
ETSS_EP_25SBM	4.06%	ES_EP_Ind10	5.88%	ES_EP_Ind10	5.95%	ETSS_EP_25SBM	3.93%	ES_EP_Ind10	5.91%	ES_EP_Ind10	6.70%
ES_EP_Ind10	1.52%	ETSS_EP_25SBM	5.68%	ETSS_EP_25SBM	5.35%	ES_EP_Ind10	1.39%	ETSS_EP_25SBM	5.58%	ETSS_EP_25SBM	5.58%
WNG_EP	1.27%	WNG_EP	3.64%	WNG_EP	3.44%	WNG_EP	1.27%	WNG_EP	3.68%	WNG_EP	3.61%
ES_EP_25SBM	0.13%	ES_EP_25SBM	2.12%	ES_EP_25SBM	1.06%	ES_EP_25SBM	0.13%	ES_EP_25SBM	2.10%	ES_EP_25SBM	1.58%

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Table 101: **Model Confidence Set Summary Results: Firm Leverage Effect, Continued**

Panel E: RI

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RI	61.83%	BP_RI	66.89%	BP_RI	68.54%	BP_RI	61.58%	BP_RI	67.15%	BP_RI	68.86%
PE_RI	45.55%	GG_RI	56.71%	GG_RI	58.03%	PE_RI	46.06%	GG_RI	57.03%	GG_RI	59.13%
GG_RI	41.73%	KMY_RI	45.47%	KMY_RI	46.53%	GG_RI	41.73%	KMY_RI	45.86%	KMY_RI	47.17%
FGHJ_RI	36.77%	PE_RI	44.94%	PE_RI	45.47%	FGHJ_RI	37.40%	PE_RI	45.80%	PE_RI	45.86%
GLS_RI	36.26%	GLS_RI	41.18%	GLS_RI	44.48%	GLS_RI	36.51%	GLS_RI	41.00%	GLS_RI	44.68%
KMY_RI	30.15%	TPDPS_RI	37.34%	TPDPS_RI	39.39%	KMY_RI	30.53%	TPDPS_RI	37.52%	FGHJ_RI	39.49%
GM_RI	23.66%	FGHJ_RI	36.88%	FGHJ_RI	39.00%	GM_RI	23.28%	FGHJ_RI	36.14%	TPDPS_RI	39.03%
DKL_RI	19.34%	DKL_RI	30.67%	DKL_RI	32.25%	DKL_RI	19.47%	DKL_RI	31.27%	DKL_RI	32.79%
TPDPS_RI	18.07%	GM_RI	27.30%	GM_RI	29.48%	TPDPS_RI	18.58%	CT_RI	27.60%	GM_RI	29.30%
MPEG_RI	17.18%	CT_RI	26.83%	CT_RI	28.42%	MPEG_RI	17.30%	GM_RI	27.40%	CT_RI	29.11%
HL_RI	15.65%	HL_RI	25.78%	HL_RI	26.97%	HL_RI	15.52%	HL_RI	26.02%	HL_RI	27.33%
PEG_RI	11.83%	PEG_RI	24.39%	PEG_RI	26.64%	PEG_RI	11.96%	PEG_RI	24.05%	PEG_RI	26.08%
CT_RI	10.56%	MPEG_RI	18.90%	MPEG_RI	19.56%	CT_RI	10.81%	MPEG_RI	18.73%	MPEG_RI	19.84%
ETSS_RI_Ind10	4.58%	ETSS_RI_Ind10	13.02%	ETSS_RI_Ind10	14.41%	ETSS_RI_Ind10	4.71%	ETSS_RI_Ind10	13.73%	ETSS_RI_Ind10	14.32%
FPM_RI	2.80%	FPM_RI	9.91%	FPM_RI	10.18%	FPM_RI	3.05%	FPM_RI	10.97%	FPM_RI	11.17%
ETSS_RI_25SBM	1.91%	ETSS_RI_25SBM	8.59%	ETSS_RI_25SBM	8.92%	ETSS_RI_25SBM	2.04%	ETSS_RI_25SBM	9.59%	ETSS_RI_25SBM	8.74%
WNG_RI	1.02%	WNG_RI	4.49%	WNG_RI	3.30%	WNG_RI	1.02%	WNG_RI	4.53%	WNG_RI	3.42%
ES_RI_Ind10	0.76%	ES_RI_Ind10	4.16%	ES_RI_Ind10	3.17%	ES_RI_Ind10	0.76%	ES_RI_Ind10	4.34%	ES_RI_Ind10	2.96%
ES_RI_25SBM	0.13%	ES_RI_25SBM	2.91%	ES_RI_25SBM	0.93%	ES_RI_25SBM	0.25%	ES_RI_25SBM	2.76%	ES_RI_25SBM	1.18%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE) for the highest and lowest quartiles of firms in terms of leverage. The table reports the percentage of firms for which a specific model is included in the confidence set. Panel A report the results for the ICC models estimated using analysts earnings forecasts. Panel B, C, D and E report the results using ICC estimates based on mechanical earnings forecasts of Hou, van Dijk, and Zhang (2012) model (HDZ), random walk (RW) model, Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI) respectively.

Table 102: **Model Confidence Set Summary Results: Target Price Relative to Market Price Effect**

Panel A: Analysts

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_Anlst	43.84%	GLS_Anlst	55.14%	PE_Anlst	57.83%	BP_Anlst	43.74%	GLS_Anlst	55.73%	PE_Anlst	57.43%
PE_Anlst	43.38%	PE_Anlst	52.91%	GLS_Anlst	56.58%	PE_Anlst	43.38%	PE_Anlst	52.98%	GLS_Anlst	56.71%
GG_Anlst	40.64%	BP_Anlst	50.56%	BP_Anlst	55.08%	GG_Anlst	40.91%	BP_Anlst	50.88%	BP_Anlst	54.94%
PEG_Anlst	39.45%	MPEG_Anlst	47.48%	OHE_Ind10	49.38%	PEG_Anlst	39.91%	MPEG_Anlst	47.35%	OHE_Ind10	49.31%
CT_Anlst	38.63%	OHE_Ind10	46.69%	MPEG_Anlst	48.66%	CT_Anlst	38.54%	OHE_Ind10	46.63%	MPEG_Anlst	48.85%
KMY_Anlst	37.53%	FGHJ_Anlst	45.58%	ETSS_Anlst_Ind10	46.89%	KMY_Anlst	37.72%	FGHJ_Anlst	45.84%	FGHJ_Anlst	46.89%
FPM_Anlst	37.44%	HL_Anlst	44.47%	FGHJ_Anlst	46.50%	FPM_Anlst	37.35%	HL_Anlst	44.53%	ETSS_Anlst_Ind10	46.50%
GLS_Anlst	35.98%	DKL_Anlst	43.75%	HL_Anlst	45.19%	GLS_Anlst	36.35%	DKL_Anlst	43.88%	HL_Anlst	45.38%
OHE_Ind10	35.80%	ETSS_Anlst_Ind10	43.29%	PEG_Anlst	44.99%	OHE_Ind10	36.07%	ETSS_Anlst_Ind10	43.22%	PEG_Anlst	45.25%
GM_Anlst	35.25%	GM_Anlst	42.44%	CT_Anlst	44.73%	GM_Anlst	35.34%	GM_Anlst	42.63%	DKL_Anlst	44.86%
MPEG_Anlst	34.98%	PEG_Anlst	41.98%	DKL_Anlst	44.66%	MPEG_Anlst	35.34%	CT_Anlst	41.85%	CT_Anlst	44.47%
FGHJ_Anlst	34.52%	CT_Anlst	41.52%	GM_Anlst	43.75%	FGHJ_Anlst	34.61%	PEG_Anlst	41.72%	GM_Anlst	43.88%
DKL_Anlst	33.24%	KMY_Anlst	41.45%	KMY_Anlst	42.31%	ETSS_Anlst_Ind10	33.33%	KMY_Anlst	41.52%	KMY_Anlst	43.03%
ETSS_Anlst_Ind10	33.24%	FPM_Anlst	39.03%	FPM_Anlst	40.67%	DKL_Anlst	33.24%	FPM_Anlst	38.51%	FPM_Anlst	40.67%
HL_Anlst	32.33%	WNG_Anlst	35.95%	OHE_25SBM	38.38%	HL_Anlst	32.42%	WNG_Anlst	35.49%	OHE_25SBM	38.05%
WNG_Anlst	30.14%	Naive	34.25%	Naive	38.24%	WNG_Anlst	30.23%	Naive	34.05%	Naive	37.72%
Naive	16.26%	OHE_25SBM	33.60%	TPDPS_Anlst	37.92%	Naive	16.35%	TPDPS_Anlst	33.79%	TPDPS_Anlst	37.72%
TPDPS_Anlst	15.34%	TPDPS_Anlst	33.53%	WNG_Anlst	33.92%	TPDPS_Anlst	15.62%	OHE_25SBM	33.01%	WNG_Anlst	33.86%
OHE_25SBM	14.89%	GG_Anlst	27.24%	ETSS_Anlst_25SBM	29.60%	OHE_25SBM	14.89%	GG_Anlst	27.70%	ETSS_Anlst_25SBM	29.34%
ETSS_Anlst_25SBM	12.42%	ETSS_Anlst_25SBM	26.72%	GG_Anlst	28.95%	ETSS_Anlst_25SBM	12.69%	ETSS_Anlst_25SBM	26.20%	GG_Anlst	29.01%
ES_Anlst_Ind10	8.68%	ES_Anlst_Ind10	12.51%	ES_Anlst_Ind10	13.62%	ES_Anlst_Ind10	8.68%	ES_Anlst_Ind10	12.38%	ES_Anlst_Ind10	13.88%
ES_Anlst_25SBM	2.19%	ES_Anlst_25SBM	6.22%	ES_Anlst_25SBM	6.42%	ES_Anlst_25SBM	2.19%	ES_Anlst_25SBM	6.61%	ES_Anlst_25SBM	6.55%

Panel B: HDZ

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PEG_HDZ	45.14%	PE_HDZ	57.17%	PE_HDZ	61.30%	PEG_HDZ	44.95%	PE_HDZ	56.58%	PE_HDZ	60.97%
BP_HDZ	44.16%	GLS_HDZ	53.50%	BP_HDZ	58.28%	BP_HDZ	44.06%	BP_HDZ	53.50%	BP_HDZ	58.55%
GM_HDZ	43.18%	BP_HDZ	53.44%	GLS_HDZ	54.29%	GM_HDZ	43.18%	GLS_HDZ	52.98%	GLS_HDZ	54.42%
PE_HDZ	42.10%	GG_HDZ	50.29%	GG_HDZ	53.37%	PE_HDZ	42.20%	GG_HDZ	49.44%	GG_HDZ	52.85%
MPEG_HDZ	41.81%	FGHJ_HDZ	47.41%	FGHJ_HDZ	48.20%	MPEG_HDZ	41.51%	FGHJ_HDZ	47.09%	FGHJ_HDZ	48.26%
GG_HDZ	38.08%	CT_HDZ	45.25%	CT_HDZ	46.30%	GG_HDZ	38.37%	CT_HDZ	43.94%	CT_HDZ	46.04%
FPM_HDZ	38.08%	DKL_HDZ	41.58%	KMY_HDZ	43.29%	FPM_HDZ	38.27%	DKL_HDZ	40.67%	KMY_HDZ	42.63%
GLS_HDZ	36.41%	KMY_HDZ	41.06%	DKL_HDZ	42.89%	GLS_HDZ	36.41%	KMY_HDZ	40.21%	DKL_HDZ	42.37%
FGHJ_HDZ	35.03%	HL_HDZ	38.44%	ETSS_HDZ_Ind10	42.11%	FGHJ_HDZ	35.13%	ETSS_HDZ_Ind10	37.72%	ETSS_HDZ_Ind10	41.72%
KMY_HDZ	33.76%	ETSS_HDZ_Ind10	38.38%	TPDPS_HDZ	41.19%	HL_HDZ	33.76%	HL_HDZ	37.66%	TPDPS_HDZ	41.00%
HL_HDZ	33.66%	MPEG_HDZ	37.26%	HL_HDZ	40.86%	KMY_HDZ	33.76%	TPDPS_HDZ	36.74%	HL_HDZ	40.14%
CT_HDZ	32.38%	TPDPS_HDZ	37.26%	MPEG_HDZ	39.49%	CT_HDZ	32.19%	MPEG_HDZ	36.54%	MPEG_HDZ	39.55%
DKL_HDZ	31.40%	GM_HDZ	35.69%	GM_HDZ	37.98%	DKL_HDZ	31.31%	GM_HDZ	34.97%	GM_HDZ	37.72%
WNG_HDZ	27.97%	FPM_HDZ	34.84%	FPM_HDZ	37.20%	WNG_HDZ	27.77%	FPM_HDZ	34.51%	FPM_HDZ	37.07%
ETSS_HDZ_Ind10	25.42%	PEG_HDZ	33.14%	PEG_HDZ	36.28%	ETSS_HDZ_Ind10	25.52%	PEG_HDZ	32.81%	PEG_HDZ	35.89%
TPDPS_HDZ	17.37%	WNG_HDZ	23.97%	ETSS_HDZ_25SBM	25.80%	TPDPS_HDZ	17.47%	WNG_HDZ	23.77%	ETSS_HDZ_25SBM	25.67%
ETSS_HDZ_25SBM	10.79%	ETSS_HDZ_25SBM	23.05%	WNG_HDZ	25.34%	ETSS_HDZ_25SBM	10.89%	ETSS_HDZ_25SBM	22.66%	WNG_HDZ	25.28%
ES_HDZ_25SBM	2.16%	ES_HDZ_25SBM	8.84%	ES_HDZ_25SBM	8.32%	ES_HDZ_25SBM	2.16%	ES_HDZ_25SBM	8.19%	ES_HDZ_25SBM	7.73%
ES_HDZ_Ind10	1.37%	ES_HDZ_Ind10	6.94%	ES_HDZ_Ind10	6.68%	ES_HDZ_Ind10	1.28%	ES_HDZ_Ind10	6.68%	ES_HDZ_Ind10	6.35%

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Table 102: **Model Confidence Set Summary Results: Target Price Relative to Market Price Effect, Continued**

Panel C: RW

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RW	57.68%	BP_RW	67.52%	BP_RW	69.35%	BP_RW	57.68%	BP_RW	67.13%	BP_RW	68.83%
GG_RW	36.13%	GG_RW	66.47%	GG_RW	69.02%	GG_RW	36.13%	GG_RW	66.14%	GG_RW	68.57%
KMY_RW	34.58%	CT_RW	53.57%	CT_RW	54.22%	KMY_RW	34.84%	CT_RW	53.31%	CT_RW	53.83%
GM_RW	24.52%	FGHJ_RW	45.97%	FGHJ_RW	48.46%	GM_RW	24.52%	FGHJ_RW	45.58%	FGHJ_RW	48.00%
CT_RW	20.26%	KMY_RW	43.29%	KMY_RW	44.14%	CT_RW	20.26%	KMY_RW	43.61%	KMY_RW	44.07%
FGHJ_RW	19.74%	DKL_RW	37.72%	GLS_RW	39.55%	FGHJ_RW	19.61%	DKL_RW	38.11%	GLS_RW	39.82%
HL_RW	18.19%	GLS_RW	37.07%	DKL_RW	38.11%	HL_RW	18.32%	GLS_RW	37.46%	DKL_RW	37.79%
DKL_RW	17.81%	HL_RW	32.09%	GM_RW	32.55%	DKL_RW	17.81%	HL_RW	32.48%	GM_RW	32.81%
MPEG_RW	15.10%	GM_RW	31.37%	HL_RW	31.89%	MPEG_RW	15.10%	GM_RW	32.22%	HL_RW	32.09%
GLS_RW	14.45%	TPDPS_RW	26.65%	TPDPS_RW	28.09%	GLS_RW	14.45%	TPDPS_RW	26.33%	TPDPS_RW	28.29%
PE_RW	10.58%	MPEG_RW	23.25%	MPEG_RW	24.82%	PE_RW	10.58%	MPEG_RW	23.44%	MPEG_RW	24.75%
TPDPS_RW	10.58%	PEG_RW	22.66%	PEG_RW	23.84%	TPDPS_RW	10.58%	PEG_RW	23.25%	PEG_RW	24.30%
PEG_RW	10.45%	ES_RW_Ind10	17.68%	ES_RW_Ind10	19.32%	PEG_RW	10.32%	ES_RW_Ind10	17.81%	ES_RW_Ind10	19.65%
ETSS_RW_Ind10	3.35%	PE_RW	15.59%	PE_RW	15.59%	ETSS_RW_Ind10	3.23%	PE_RW	15.72%	PE_RW	15.98%
WNG_RW	3.10%	ETSS_RW_Ind10	13.56%	ETSS_RW_Ind10	13.16%	WNG_RW	3.10%	ETSS_RW_Ind10	13.75%	ETSS_RW_Ind10	13.23%
ES_RW_Ind10	2.84%	ETSS_RW_25SBM	10.09%	ETSS_RW_25SBM	9.82%	ES_RW_Ind10	2.84%	ETSS_RW_25SBM	10.28%	ETSS_RW_25SBM	10.22%
ETSS_RW_25SBM	2.06%	ES_RW_25SBM	8.71%	ES_RW_25SBM	8.51%	ETSS_RW_25SBM	2.06%	ES_RW_25SBM	8.25%	ES_RW_25SBM	7.99%
FPM_RW	1.68%	WNG_RW	7.14%	FPM_RW	6.88%	FPM_RW	1.68%	FPM_RW	7.27%	FPM_RW	7.40%
ES_RW_25SBM	0.39%	FPM_RW	7.01%	WNG_RW	4.19%	ES_RW_25SBM	0.39%	WNG_RW	7.14%	WNG_RW	4.32%

Panel D: EP

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_EP	57.64%	BP_EP	64.37%	BP_EP	66.34%	BP_EP	57.85%	BP_EP	63.98%	BP_EP	66.47%
PE_EP	43.77%	GG_EP	55.73%	GG_EP	56.19%	PE_EP	43.66%	GG_EP	55.21%	GG_EP	56.65%
GLS_EP	36.62%	KMY_EP	50.10%	KMY_EP	50.82%	GLS_EP	36.84%	KMY_EP	49.64%	KMY_EP	51.21%
FGHJ_EP	36.51%	CT_EP	42.89%	CT_EP	44.20%	FGHJ_EP	36.51%	CT_EP	42.04%	CT_EP	44.01%
GM_EP	36.19%	PE_EP	40.28%	PE_EP	42.37%	GM_EP	35.86%	PE_EP	39.82%	PE_EP	42.83%
DKL_EP	32.61%	GLS_EP	36.15%	GLS_EP	37.92%	DKL_EP	32.72%	GLS_EP	36.21%	GLS_EP	37.79%
HL_EP	31.74%	DKL_EP	34.25%	DKL_EP	36.15%	HL_EP	32.07%	DKL_EP	34.38%	DKL_EP	35.82%
KMY_EP	31.20%	FGHJ_EP	31.04%	TPDPS_EP	33.40%	KMY_EP	31.20%	FGHJ_EP	31.24%	TPDPS_EP	33.27%
MPEG_EP	31.09%	TPDPS_EP	30.26%	FGHJ_EP	32.94%	MPEG_EP	30.99%	TPDPS_EP	29.86%	FGHJ_EP	33.07%
GG_EP	25.89%	HL_EP	24.82%	GM_EP	27.77%	PEG_EP	25.89%	HL_EP	24.43%	GM_EP	28.81%
PEG_EP	25.79%	GM_EP	24.69%	HL_EP	27.05%	GG_EP	25.68%	GM_EP	24.36%	HL_EP	27.11%
CT_EP	22.32%	PEG_EP	21.35%	PEG_EP	24.75%	CT_EP	22.43%	PEG_EP	21.22%	PEG_EP	24.69%
TPDPS_EP	17.55%	MPEG_EP	16.57%	MPEG_EP	18.01%	TPDPS_EP	17.33%	MPEG_EP	16.50%	MPEG_EP	17.94%
ETSS_EP_Ind10	9.64%	ETSS_EP_Ind10	10.22%	ETSS_EP_Ind10	10.35%	ETSS_EP_Ind10	9.43%	ETSS_EP_Ind10	9.95%	ETSS_EP_Ind10	10.74%
FPM_EP	6.72%	FPM_EP	5.96%	FPM_EP	5.89%	FPM_EP	6.72%	FPM_EP	5.96%	FPM_EP	6.02%
ETSS_EP_25SBM	4.77%	ETSS_EP_25SBM	5.50%	ES_EP_Ind10	5.76%	ETSS_EP_25SBM	4.77%	ES_EP_Ind10	5.04%	ES_EP_Ind10	5.96%
ES_EP_Ind10	1.84%	ES_EP_Ind10	5.44%	ETSS_EP_25SBM	4.85%	WNG_EP	1.73%	ETSS_EP_25SBM	4.78%	ETSS_EP_25SBM	4.72%
WNG_EP	1.84%	WNG_EP	3.47%	WNG_EP	2.95%	ES_EP_Ind10	1.63%	WNG_EP	3.01%	WNG_EP	2.82%
ES_EP_25SBM	0.54%	ES_EP_25SBM	2.03%	ES_EP_25SBM	1.11%	ES_EP_25SBM	0.43%	ES_EP_25SBM	1.77%	ES_EP_25SBM	1.11%

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Table 102: **Model Confidence Set Summary Results: Target Price Relative to Market Price Effect, Continued**

Panel E: RI

First Quartile						**Fourth Quartile**					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RI	62.36%	BP_RI	67.26%	BP_RI	68.89%	BP_RI	62.25%	BP_RI	66.93%	BP_RI	68.70%
PE_RI	46.17%	GG_RI	56.78%	GG_RI	58.22%	PE_RI	46.28%	GG_RI	56.39%	GG_RI	58.09%
GG_RI	41.03%	PE_RI	45.06%	KMY_RI	46.76%	GG_RI	41.14%	PE_RI	44.60%	KMY_RI	46.63%
FGHJ_RI	37.86%	KMY_RI	44.73%	PE_RI	45.32%	FGHJ_RI	37.75%	KMY_RI	44.40%	PE_RI	45.45%
GLS_RI	36.98%	GLS_RI	40.47%	GLS_RI	44.07%	GLS_RI	36.87%	GLS_RI	39.95%	GLS_RI	43.94%
KMY_RI	29.21%	TPDPS_RI	36.94%	TPDPS_RI	39.03%	KMY_RI	29.32%	TPDPS_RI	36.28%	FGHJ_RI	39.10%
GM_RI	23.41%	FGHJ_RI	35.63%	FGHJ_RI	38.97%	GM_RI	23.19%	FGHJ_RI	35.69%	TPDPS_RI	38.90%
TPDPS_RI	18.82%	DKL_RI	29.80%	DKL_RI	31.89%	TPDPS_RI	18.82%	DKL_RI	29.47%	DKL_RI	32.15%
DKL_RI	18.49%	GM_RI	26.85%	GM_RI	28.55%	DKL_RI	18.49%	GM_RI	26.98%	GM_RI	29.08%
MPEG_RI	16.85%	CT_RI	26.06%	CT_RI	27.64%	MPEG_RI	16.52%	CT_RI	25.15%	CT_RI	27.31%
HL_RI	14.99%	HL_RI	24.69%	HL_RI	27.11%	HL_RI	15.21%	HL_RI	24.43%	HL_RI	27.31%
PEG_RI	12.36%	PEG_RI	23.25%	PEG_RI	26.20%	PEG_RI	12.36%	PEG_RI	22.99%	PEG_RI	26.00%
CT_RI	9.63%	MPEG_RI	18.34%	MPEG_RI	19.97%	CT_RI	9.74%	MPEG_RI	17.81%	MPEG_RI	19.71%
ETSS_RI_Ind10	5.36%	ETSS_RI_Ind10	12.25%	ETSS_RI_Ind10	13.29%	ETSS_RI_Ind10	5.25%	ETSS_RI_Ind10	11.59%	ETSS_RI_Ind10	13.36%
FPM_RI	2.74%	FPM_RI	9.69%	FPM_RI	9.95%	FPM_RI	2.84%	FPM_RI	9.17%	FPM_RI	9.95%
ETSS_RI_25SBM	1.97%	ETSS_RI_25SBM	7.99%	ETSS_RI_25SBM	8.32%	ETSS_RI_25SBM	1.97%	ETSS_RI_25SBM	7.79%	ETSS_RI_25SBM	8.51%
WNG_RI	1.42%	WNG_RI	4.06%	WNG_RI	3.54%	WNG_RI	1.42%	WNG_RI	3.67%	WNG_RI	3.34%
ES_RI_Ind10	0.77%	ES_RI_Ind10	3.86%	ES_RI_Ind10	2.75%	ES_RI_Ind10	0.66%	ES_RI_Ind10	3.60%	ES_RI_Ind10	2.69%
ES_RI_25SBM	0.22%	ES_RI_25SBM	2.62%	ES_RI_25SBM	1.18%	ES_RI_25SBM	0.22%	ES_RI_25SBM	2.10%	ES_RI_25SBM	0.92%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE) for the highest and lowest quartiles of firms in terms of the ratio between target price and market price. The table reports the percentage of firms for which a specific model is included in the confidence set. Panel A report the results for the ICC models estimated using analysts earnings forecasts. Panel B, C, D and E report the results using ICC estimates based on mechanical earnings forecasts of Hou, van Dijk, and Zhang (2012) model (HDZ), random walk (RW) model, Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI) respectively.

Table 103: **Model Confidence Set Summary Results: Market Beta Effect**

Panel A: Analysts

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PE_Anlst	43.51%	GLS_Anlst	52.11%	PE_Anlst	53.61%	BP_Anlst	43.40%	GLS_Anlst	55.51%	PE_Anlst	56.83%
BP_Anlst	43.51%	PE_Anlst	49.39%	BP_Anlst	52.97%	PE_Anlst	42.98%	PE_Anlst	52.88%	GLS_Anlst	55.86%
GG_Anlst	40.85%	BP_Anlst	48.60%	GLS_Anlst	52.68%	GG_Anlst	40.32%	BP_Anlst	51.21%	BP_Anlst	55.44%
PEG_Anlst	40.11%	MPEG_Anlst	44.38%	OHE_Ind10	46.53%	PEG_Anlst	39.68%	MPEG_Anlst	47.75%	OHE_Ind10	50.24%
CT_Anlst	38.83%	FGHJ_Anlst	43.24%	MPEG_Anlst	46.10%	CT_Anlst	38.51%	FGHJ_Anlst	46.64%	MPEG_Anlst	49.41%
KMY_Anlst	37.34%	OHE_Ind10	42.95%	ETSS_Anlst_Ind10	45.24%	KMY_Anlst	37.23%	OHE_Ind10	46.64%	ETSS_Anlst_Ind10	47.47%
FPM_Anlst	37.23%	ETSS_Anlst_Ind10	41.66%	FGHJ_Anlst	42.95%	FPM_Anlst	37.23%	ETSS_Anlst_Ind10	44.35%	FGHJ_Anlst	46.78%
OHE_Ind10	36.28%	HL_Anlst	41.09%	HL_Anlst	42.38%	OHE_Ind10	36.28%	HL_Anlst	44.28%	PEG_Anlst	45.60%
GLS_Anlst	36.06%	DKL_Anlst	40.52%	PEG_Anlst	42.16%	GLS_Anlst	36.06%	DKL_Anlst	43.94%	HL_Anlst	45.25%
MPEG_Anlst	35.74%	GM_Anlst	39.80%	DKL_Anlst	41.73%	MPEG_Anlst	35.32%	GM_Anlst	43.10%	CT_Anlst	45.18%
GM_Anlst	34.89%	KMY_Anlst	39.80%	CT_Anlst	41.37%	GM_Anlst	34.68%	PEG_Anlst	42.97%	GM_Anlst	44.77%
FGHJ_Anlst	34.57%	CT_Anlst	38.87%	GM_Anlst	41.16%	FGHJ_Anlst	34.36%	CT_Anlst	42.62%	DKL_Anlst	44.70%
DKL_Anlst	33.40%	PEG_Anlst	38.80%	KMY_Anlst	40.80%	DKL_Anlst	33.09%	KMY_Anlst	42.48%	KMY_Anlst	43.31%
ETSS_Anlst_Ind10	32.98%	FPM_Anlst	36.29%	FPM_Anlst	37.37%	ETSS_Anlst_Ind10	33.09%	FPM_Anlst	39.92%	FPM_Anlst	41.09%
HL_Anlst	32.13%	Naive	33.86%	TPDPS_Anlst	37.22%	HL_Anlst	32.13%	WNG_Anlst	35.97%	TPDPS_Anlst	39.15%
WNG_Anlst	29.57%	WNG_Anlst	33.21%	Naive	36.94%	WNG_Anlst	29.47%	Naive	35.76%	Naive	38.81%
Naive	16.06%	TPDPS_Anlst	33.00%	OHE_25SBM	35.58%	Naive	15.74%	TPDPS_Anlst	35.27%	OHE_25SBM	38.46%
TPDPS_Anlst	15.53%	OHE_25SBM	30.21%	WNG_Anlst	31.42%	TPDPS_Anlst	15.21%	OHE_25SBM	33.68%	WNG_Anlst	34.10%
OHE_25SBM	13.09%	GG_Anlst	27.77%	GG_Anlst	27.99%	OHE_25SBM	13.09%	GG_Anlst	28.97%	ETSS_Anlst_25SBM	30.08%
ETSS_Anlst_25SBM	12.23%	ETSS_Anlst_25SBM	24.48%	ETSS_Anlst_25SBM	27.99%	ETSS_Anlst_25SBM	12.02%	ETSS_Anlst_25SBM	27.58%	GG_Anlst	29.31%
ES_Anlst_Ind10	8.72%	ES_Anlst_Ind10	13.24%	ES_Anlst_Ind10	14.32%	ES_Anlst_Ind10	8.72%	ES_Anlst_Ind10	13.79%	ES_Anlst_Ind10	14.62%
ES_Anlst_25SBM	2.13%	ES_Anlst_25SBM	5.65%	ES_Anlst_25SBM	5.87%	ES_Anlst_25SBM	2.13%	ES_Anlst_25SBM	7.28%	ES_Anlst_25SBM	7.21%

Panel B: HDZ

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PEG_HDZ	45.35%	PE_HDZ	53.97%	BP_HDZ	58.20%	PEG_HDZ	45.24%	PE_HDZ	56.90%	PE_HDZ	61.40%
BP_HDZ	45.24%	BP_HDZ	52.68%	PE_HDZ	58.05%	BP_HDZ	44.90%	BP_HDZ	54.82%	BP_HDZ	59.60%
GM_HDZ	43.99%	GLS_HDZ	49.53%	GG_HDZ	50.89%	GM_HDZ	43.99%	GLS_HDZ	52.81%	GG_HDZ	54.19%
PE_HDZ	43.65%	GG_HDZ	48.32%	GLS_HDZ	50.68%	PE_HDZ	43.76%	GG_HDZ	51.91%	GLS_HDZ	53.98%
MPEG_HDZ	43.08%	FGHJ_HDZ	44.52%	FGHJ_HDZ	45.24%	MPEG_HDZ	43.20%	FGHJ_HDZ	47.89%	FGHJ_HDZ	49.00%
GG_HDZ	39.57%	CT_HDZ	42.66%	CT_HDZ	44.52%	FPM_HDZ	39.68%	CT_HDZ	45.46%	CT_HDZ	47.68%
FPM_HDZ	39.57%	KMY_HDZ	38.44%	ETSS_HDZ_Ind10	41.30%	GG_HDZ	39.46%	KMY_HDZ	42.34%	KMY_HDZ	44.70%
GLS_HDZ	37.41%	DKL_HDZ	37.80%	KMY_HDZ	41.02%	GLS_HDZ	37.64%	DKL_HDZ	41.79%	ETSS_HDZ_Ind10	43.31%
FGHJ_HDZ	36.28%	ETSS_HDZ_Ind10	37.80%	TPDPS_HDZ	40.52%	FGHJ_HDZ	36.17%	ETSS_HDZ_Ind10	39.92%	DKL_HDZ	43.10%
KMY_HDZ	35.49%	TPDPS_HDZ	36.51%	DKL_HDZ	40.09%	KMY_HDZ	35.37%	HL_HDZ	39.22%	TPDPS_HDZ	41.58%
HL_HDZ	34.92%	HL_HDZ	35.36%	HL_HDZ	37.58%	HL_HDZ	34.81%	TPDPS_HDZ	38.67%	HL_HDZ	41.09%
CT_HDZ	33.56%	MPEG_HDZ	34.29%	MPEG_HDZ	36.94%	CT_HDZ	33.45%	MPEG_HDZ	37.63%	MPEG_HDZ	39.71%
DKL_HDZ	32.31%	GM_HDZ	33.72%	GM_HDZ	36.08%	DKL_HDZ	32.20%	GM_HDZ	36.73%	GM_HDZ	39.36%
WNG_HDZ	28.91%	FPM_HDZ	32.93%	FPM_HDZ	35.43%	WNG_HDZ	28.80%	FPM_HDZ	35.97%	FPM_HDZ	38.12%
ETSS_HDZ_Ind10	25.51%	PEG_HDZ	31.50%	PEG_HDZ	34.43%	ETSS_HDZ_Ind10	25.51%	PEG_HDZ	34.72%	PEG_HDZ	37.01%
TPDPS_HDZ	17.35%	WNG_HDZ	22.48%	WNG_HDZ	24.41%	TPDPS_HDZ	17.46%	ETSS_HDZ_25SBM	24.60%	ETSS_HDZ_25SBM	26.96%
ETSS_HDZ_25SBM	9.98%	ETSS_HDZ_25SBM	21.26%	ETSS_HDZ_25SBM	24.05%	ETSS_HDZ_25SBM	9.98%	WNG_HDZ	24.53%	WNG_HDZ	25.50%
ES_HDZ_25SBM	1.70%	ES_HDZ_25SBM	7.95%	ES_HDZ_25SBM	8.45%	ES_HDZ_25SBM	2.04%	ES_HDZ_25SBM	9.84%	ES_HDZ_25SBM	8.94%
ES_HDZ_Ind10	1.25%	ES_HDZ_Ind10	7.23%	ES_HDZ_Ind10	6.94%	ES_HDZ_Ind10	1.25%	ES_HDZ_Ind10	7.69%	ES_HDZ_Ind10	6.51%

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Table 103: **Model Confidence Set Summary Results: Market Beta Effect, Continued**

Panel C: RW

First Quartile						Fourth Quartile					
MEV		RMSE		MAE		MEV		RMSE		MAE	
BP_RW	58.32%	BP_RW	64.07%	GG_RW	66.28%	BP_RW	58.32%	BP_RW	66.67%	GG_RW	68.88%
GG_RW	36.08%	GG_RW	63.92%	BP_RW	66.21%	GG_RW	36.39%	GG_RW	66.46%	BP_RW	68.33%
KMY_RW	34.37%	CT_RW	50.47%	CT_RW	50.89%	KMY_RW	34.21%	CT_RW	53.01%	CT_RW	53.71%
GM_RW	25.04%	FGHJ_RW	43.38%	FGHJ_RW	45.53%	GM_RW	25.04%	FGHJ_RW	45.53%	FGHJ_RW	47.96%
CT_RW	19.28%	KMY_RW	42.02%	KMY_RW	42.88%	CT_RW	19.44%	KMY_RW	45.11%	KMY_RW	45.95%
FGHJ_RW	18.97%	DKL_RW	35.15%	GLS_RW	37.01%	FGHJ_RW	18.82%	DKL_RW	38.05%	GLS_RW	39.71%
HL_RW	16.33%	GLS_RW	34.65%	DKL_RW	35.58%	MPEG_RW	16.33%	GLS_RW	37.49%	DKL_RW	37.77%
MPEG_RW	16.17%	GM_RW	31.42%	GM_RW	32.64%	HL_RW	16.33%	GM_RW	34.10%	GM_RW	34.93%
DKL_RW	15.71%	HL_RW	30.57%	HL_RW	30.21%	DKL_RW	15.86%	HL_RW	33.19%	HL_RW	32.50%
GLS_RW	14.00%	TPDPS_RW	24.70%	TPDPS_RW	26.70%	GLS_RW	14.15%	TPDPS_RW	27.58%	TPDPS_RW	29.52%
PE_RW	10.73%	MPEG_RW	23.26%	MPEG_RW	24.48%	PE_RW	10.89%	MPEG_RW	25.57%	MPEG_RW	26.75%
PEG_RW	10.42%	PEG_RW	22.83%	PEG_RW	24.34%	PEG_RW	10.42%	PEG_RW	24.74%	PEG_RW	25.23%
TPDPS_RW	10.42%	ES_RW_Ind10	17.25%	ES_RW_Ind10	18.97%	TPDPS_RW	10.42%	ES_RW_Ind10	19.68%	ES_RW_Ind10	20.79%
ETSS_RW_Ind10	3.11%	PE_RW	16.18%	PE_RW	16.96%	ETSS_RW_Ind10	3.27%	PE_RW	17.53%	PE_RW	17.60%
WNG_RW	2.80%	ETSS_RW_Ind10	14.10%	ETSS_RW_Ind10	13.46%	WNG_RW	2.80%	ETSS_RW_Ind10	16.08%	ETSS_RW_Ind10	14.62%
ES_RW_Ind10	2.64%	ETSS_RW_25SBM	10.38%	ETSS_RW_25SBM	9.02%	ES_RW_Ind10	2.64%	ETSS_RW_25SBM	12.27%	ETSS_RW_25SBM	10.67%
FPM_RW	1.87%	ES_RW_25SBM	8.02%	ES_RW_25SBM	8.02%	FPM_RW	1.87%	ES_RW_25SBM	9.77%	ES_RW_25SBM	9.49%
ETSS_RW_25SBM	1.87%	WNG_RW	7.66%	FPM_RW	7.09%	ETSS_RW_25SBM	1.87%	FPM_RW	8.52%	FPM_RW	7.90%
ES_RW_25SBM	0.47%	FPM_RW	7.30%	WNG_RW	4.58%	ES_RW_25SBM	0.31%	WNG_RW	8.45%	WNG_RW	5.13%

Panel D: EP

First Quartile						Fourth Quartile					
MEV		RMSE		MAE		MEV		RMSE		MAE	
BP_EP	56.83%	BP_EP	62.71%	BP_EP	65.57%	BP_EP	57.22%	BP_EP	64.38%	BP_EP	66.74%
PE_EP	42.15%	GG_EP	55.05%	GG_EP	56.48%	PE_EP	42.15%	GG_EP	57.24%	GG_EP	58.14%
GM_EP	34.74%	KMY_EP	46.81%	KMY_EP	48.46%	GLS_EP	34.87%	KMY_EP	50.17%	KMY_EP	51.07%
GLS_EP	34.61%	CT_EP	40.23%	CT_EP	42.30%	FGHJ_EP	34.74%	CT_EP	43.31%	CT_EP	44.70%
FGHJ_EP	34.48%	PE_EP	37.01%	PE_EP	39.51%	GM_EP	34.61%	PE_EP	39.36%	PE_EP	41.23%
DKL_EP	30.91%	GLS_EP	34.36%	GLS_EP	36.15%	DKL_EP	31.16%	GLS_EP	36.59%	GLS_EP	37.56%
KMY_EP	30.65%	DKL_EP	32.93%	DKL_EP	34.36%	KMY_EP	31.16%	DKL_EP	35.55%	DKL_EP	36.52%
HL_EP	30.14%	FGHJ_EP	29.28%	FGHJ_EP	31.85%	HL_EP	30.65%	FGHJ_EP	31.46%	TPDPS_EP	34.30%
MPEG_EP	29.63%	TPDPS_EP	29.06%	TPDPS_EP	31.78%	MPEG_EP	29.37%	TPDPS_EP	31.19%	FGHJ_EP	33.13%
GG_EP	25.03%	GM_EP	24.84%	GM_EP	27.70%	GG_EP	25.03%	GM_EP	26.26%	GM_EP	29.38%
PEG_EP	24.65%	HL_EP	24.48%	HL_EP	26.13%	PEG_EP	24.65%	HL_EP	26.13%	HL_EP	27.79%
CT_EP	21.84%	PEG_EP	21.05%	PEG_EP	24.62%	CT_EP	21.97%	PEG_EP	22.66%	PEG_EP	26.06%
TPDPS_EP	16.35%	MPEG_EP	16.89%	MPEG_EP	18.40%	TPDPS_EP	16.09%	MPEG_EP	18.09%	MPEG_EP	18.78%
ETSS_EP_Ind10	7.41%	ETSS_EP_Ind10	10.95%	ETSS_EP_Ind10	11.02%	ETSS_EP_Ind10	7.41%	ETSS_EP_Ind10	11.43%	ETSS_EP_Ind10	11.50%
FPM_EP	6.90%	FPM_EP	6.30%	ES_EP_Ind10	6.80%	FPM_EP	6.77%	FPM_EP	7.07%	FPM_EP	6.65%
ETSS_EP_25SBM	3.96%	ES_EP_Ind10	6.23%	FPM_EP	6.59%	ETSS_EP_25SBM	4.21%	ES_EP_Ind10	6.44%	ES_EP_Ind10	6.65%
ES_EP_Ind10	1.40%	ETSS_EP_25SBM	5.15%	ETSS_EP_25SBM	4.87%	ES_EP_Ind10	1.53%	ETSS_EP_25SBM	5.89%	ETSS_EP_25SBM	5.61%
WNG_EP	1.28%	WNG_EP	4.51%	WNG_EP	3.94%	WNG_EP	1.28%	WNG_EP	4.16%	WNG_EP	2.91%
ES_EP_25SBM	0.13%	ES_EP_25SBM	2.51%	ES_EP_25SBM	1.57%	ES_EP_25SBM	0.13%	ES_EP_25SBM	2.91%	ES_EP_25SBM	1.39%

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Table 103: **Model Confidence Set Summary Results: Market Beta Effect, Continued**

Panel E: RI

First Quartile						**Fourth Quartile**					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RI	61.79%	BP_RI	66.07%	BP_RI	67.72%	BP_RI	61.79%	BP_RI	67.50%	BP_RI	69.02%
PE_RI	45.90%	GG_RI	54.62%	GG_RI	56.91%	PE_RI	45.90%	GG_RI	57.17%	GG_RI	58.63%
GG_RI	41.79%	PE_RI	42.30%	KMY_RI	43.38%	GG_RI	41.41%	KMY_RI	44.84%	KMY_RI	45.88%
FGHJ_RI	37.56%	KMY_RI	42.09%	PE_RI	42.30%	FGHJ_RI	37.18%	PE_RI	44.07%	PE_RI	43.94%
GLS_RI	36.41%	GLS_RI	37.87%	GLS_RI	41.88%	GLS_RI	36.41%	GLS_RI	40.19%	GLS_RI	43.59%
KMY_RI	30.38%	TPDPS_RI	35.43%	TPDPS_RI	37.15%	KMY_RI	30.26%	TPDPS_RI	37.77%	TPDPS_RI	39.29%
GM_RI	23.59%	FGHJ_RI	33.72%	FGHJ_RI	36.79%	GM_RI	23.33%	FGHJ_RI	35.90%	FGHJ_RI	38.12%
DKL_RI	19.36%	DKL_RI	28.56%	DKL_RI	30.28%	DKL_RI	19.36%	DKL_RI	30.01%	DKL_RI	31.19%
TPDPS_RI	18.46%	GM_RI	25.55%	GM_RI	27.34%	TPDPS_RI	18.21%	CT_RI	27.44%	CT_RI	29.31%
MPEG_RI	17.31%	CT_RI	25.27%	CT_RI	27.06%	MPEG_RI	17.05%	GM_RI	26.13%	GM_RI	27.72%
HL_RI	15.38%	HL_RI	23.69%	PEG_RI	25.70%	HL_RI	15.51%	HL_RI	24.39%	HL_RI	26.06%
PEG_RI	12.05%	PEG_RI	23.26%	HL_RI	25.27%	PEG_RI	11.92%	PEG_RI	23.98%	PEG_RI	25.50%
CT_RI	10.77%	MPEG_RI	17.97%	MPEG_RI	19.40%	CT_RI	10.64%	MPEG_RI	18.30%	MPEG_RI	18.78%
ETSS_RI_Ind10	4.62%	ETSS_RI_Ind10	11.17%	ETSS_RI_Ind10	12.03%	ETSS_RI_Ind10	4.74%	ETSS_RI_Ind10	12.68%	ETSS_RI_Ind10	12.96%
FPM_RI	2.95%	FPM_RI	9.16%	FPM_RI	9.66%	FPM_RI	2.95%	FPM_RI	9.84%	FPM_RI	9.84%
ETSS_RI_25SBM	1.92%	ETSS_RI_25SBM	7.37%	ETSS_RI_25SBM	7.73%	ETSS_RI_25SBM	2.05%	ETSS_RI_25SBM	8.25%	ETSS_RI_25SBM	8.11%
WNG_RI	1.03%	WNG_RI	3.79%	WNG_RI	3.22%	WNG_RI	1.03%	WNG_RI	4.50%	WNG_RI	3.53%
ES_RI_Ind10	0.77%	ES_RI_Ind10	3.72%	ES_RI_Ind10	3.15%	ES_RI_Ind10	0.77%	ES_RI_Ind10	4.44%	ES_RI_Ind10	3.12%
ES_RI_25SBM	0.13%	ES_RI_25SBM	2.08%	ES_RI_25SBM	1.29%	ES_RI_25SBM	0.26%	ES_RI_25SBM	2.84%	ES_RI_25SBM	1.18%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE) for the highest and lowest quartiles of firms in terms of market beta. The table reports the percentage of firms for which a specific model is included in the confidence set. Panel A report the results for the ICC models estimated using analysts earnings forecasts. Panel B, C, D and E report the results using ICC estimates based on mechanical earnings forecasts of Hou, van Dijk, and Zhang (2012) model (HDZ), random walk (RW) model, Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI) respectively.

Table 104: **Model Confidence Set Summary Results: Beta Standard Error Effect**

Panel A: Analysts

First Quartile						**Fourth Quartile**					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PE_Anlst	43.19%	GLS_Anlst	52.65%	PE_Anlst	54.82%	BP_Anlst	43.51%	GLS_Anlst	55.55%	PE_Anlst	57.49%
BP_Anlst	43.19%	PE_Anlst	50.56%	GLS_Anlst	54.00%	PE_Anlst	43.30%	PE_Anlst	53.12%	GLS_Anlst	55.76%
GG_Anlst	40.53%	BP_Anlst	49.22%	BP_Anlst	53.25%	GG_Anlst	40.85%	BP_Anlst	51.32%	BP_Anlst	55.20%
PEG_Anlst	40.00%	MPEG_Anlst	45.56%	MPEG_Anlst	47.27%	PEG_Anlst	40.11%	MPEG_Anlst	48.20%	OHE_Ind10	49.51%
CT_Anlst	38.72%	FGHJ_Anlst	44.21%	OHE_Ind10	46.75%	CT_Anlst	38.72%	OHE_Ind10	46.60%	MPEG_Anlst	48.68%
KMY_Anlst	37.13%	OHE_Ind10	43.61%	ETSS_Anlst_Ind10	45.63%	KMY_Anlst	37.66%	FGHJ_Anlst	46.26%	ETSS_Anlst_Ind10	47.57%
FPM_Anlst	37.13%	ETSS_Anlst_Ind10	42.94%	FGHJ_Anlst	43.84%	FPM_Anlst	37.23%	ETSS_Anlst_Ind10	44.52%	FGHJ_Anlst	46.39%
OHE_Ind10	36.17%	HL_Anlst	42.12%	PEG_Anlst	43.54%	OHE_Ind10	36.49%	HL_Anlst	44.31%	PEG_Anlst	45.77%
GLS_Anlst	35.74%	DKL_Anlst	41.97%	HL_Anlst	43.47%	MPEG_Anlst	35.85%	DKL_Anlst	43.76%	HL_Anlst	45.63%
MPEG_Anlst	35.53%	KMY_Anlst	41.15%	DKL_Anlst	43.02%	GLS_Anlst	35.74%	GM_Anlst	43.69%	DKL_Anlst	45.28%
GM_Anlst	34.89%	GM_Anlst	41.08%	CT_Anlst	42.64%	GM_Anlst	35.32%	PEG_Anlst	43.27%	CT_Anlst	45.01%
FGHJ_Anlst	34.36%	PEG_Anlst	40.40%	GM_Anlst	42.20%	FGHJ_Anlst	34.36%	CT_Anlst	42.72%	GM_Anlst	44.45%
DKL_Anlst	33.19%	CT_Anlst	40.10%	KMY_Anlst	42.12%	DKL_Anlst	33.62%	KMY_Anlst	41.82%	KMY_Anlst	43.13%
ETSS_Anlst_Ind10	32.77%	FPM_Anlst	37.27%	FPM_Anlst	38.46%	ETSS_Anlst_Ind10	33.09%	FPM_Anlst	39.94%	FPM_Anlst	41.05%
HL_Anlst	32.02%	Naive	34.65%	TPDPS_Anlst	37.94%	HL_Anlst	32.45%	Naive	36.41%	Naive	39.18%
WNG_Anlst	29.26%	WNG_Anlst	34.06%	Naive	37.49%	WNG_Anlst	29.68%	WNG_Anlst	35.92%	TPDPS_Anlst	39.04%
Naive	15.53%	TPDPS_Anlst	33.53%	OHE_25SBM	35.47%	Naive	16.06%	TPDPS_Anlst	35.71%	OHE_25SBM	38.90%
TPDPS_Anlst	15.00%	OHE_25SBM	30.10%	WNG_Anlst	32.11%	TPDPS_Anlst	15.64%	OHE_25SBM	33.08%	WNG_Anlst	33.98%
OHE_25SBM	12.77%	GG_Anlst	28.23%	GG_Anlst	28.53%	OHE_25SBM	13.09%	GG_Anlst	29.06%	ETSS_Anlst_25SBM	30.44%
ETSS_Anlst_25SBM	12.13%	ETSS_Anlst_25SBM	25.17%	ETSS_Anlst_25SBM	28.30%	ETSS_Anlst_25SBM	12.55%	ETSS_Anlst_25SBM	27.53%	GG_Anlst	29.06%
ES_Anlst_Ind10	8.51%	ES_Anlst_Ind10	13.44%	ES_Anlst_Ind10	14.26%	ES_Anlst_Ind10	8.94%	ES_Anlst_Ind10	14.29%	ES_Anlst_Ind10	14.84%
ES_Anlst_25SBM	1.91%	ES_Anlst_25SBM	5.60%	ES_Anlst_25SBM	5.38%	ES_Anlst_25SBM	2.13%	ES_Anlst_25SBM	7.21%	ES_Anlst_25SBM	6.80%

Panel B: HDZ

First Quartile						**Fourth Quartile**					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PEG_HDZ	45.46%	PE_HDZ	54.22%	PE_HDZ	58.40%	PEG_HDZ	45.24%	PE_HDZ	56.80%	PE_HDZ	61.10%
BP_HDZ	45.12%	BP_HDZ	53.17%	BP_HDZ	58.40%	BP_HDZ	44.90%	BP_HDZ	54.23%	BP_HDZ	59.15%
GM_HDZ	43.76%	GLS_HDZ	50.71%	GLS_HDZ	51.38%	GM_HDZ	43.88%	GLS_HDZ	52.57%	GG_HDZ	53.68%
PE_HDZ	43.42%	GG_HDZ	48.39%	GG_HDZ	51.31%	PE_HDZ	43.42%	GG_HDZ	50.90%	GLS_HDZ	53.33%
MPEG_HDZ	42.97%	FGHJ_HDZ	45.41%	FGHJ_HDZ	45.48%	MPEG_HDZ	42.86%	FGHJ_HDZ	47.92%	FGHJ_HDZ	48.68%
GG_HDZ	39.68%	CT_HDZ	42.57%	CT_HDZ	44.81%	GG_HDZ	39.57%	CT_HDZ	45.21%	CT_HDZ	47.36%
FPM_HDZ	39.68%	KMY_HDZ	38.76%	KMY_HDZ	41.22%	FPM_HDZ	39.57%	KMY_HDZ	42.23%	KMY_HDZ	44.17%
GLS_HDZ	37.30%	DKL_HDZ	38.61%	ETSS_HDZ_Ind10	40.70%	GLS_HDZ	37.41%	DKL_HDZ	41.61%	DKL_HDZ	43.07%
FGHJ_HDZ	36.28%	ETSS_HDZ_Ind10	37.86%	DKL_HDZ	40.33%	FGHJ_HDZ	36.39%	HL_HDZ	39.11%	TPDPS_HDZ	42.58%
KMY_HDZ	35.49%	TPDPS_HDZ	36.82%	TPDPS_HDZ	40.25%	KMY_HDZ	35.49%	ETSS_HDZ_Ind10	38.90%	ETSS_HDZ_Ind10	42.44%
HL_HDZ	34.47%	HL_HDZ	36.00%	HL_HDZ	37.79%	HL_HDZ	34.35%	TPDPS_HDZ	38.77%	HL_HDZ	40.98%
CT_HDZ	33.45%	MPEG_HDZ	34.58%	MPEG_HDZ	37.12%	CT_HDZ	33.33%	MPEG_HDZ	37.38%	MPEG_HDZ	39.67%
DKL_HDZ	32.20%	GM_HDZ	33.68%	GM_HDZ	36.22%	DKL_HDZ	32.20%	GM_HDZ	36.41%	GM_HDZ	39.11%
WNG_HDZ	28.80%	FPM_HDZ	32.79%	PEG_HDZ	34.88%	WNG_HDZ	28.68%	FPM_HDZ	35.51%	FPM_HDZ	38.07%
ETSS_HDZ_Ind10	25.40%	PEG_HDZ	31.89%	FPM_HDZ	34.80%	ETSS_HDZ_Ind10	25.62%	PEG_HDZ	34.47%	PEG_HDZ	36.62%
TPDPS_HDZ	17.23%	WNG_HDZ	22.63%	WNG_HDZ	24.20%	TPDPS_HDZ	17.12%	WNG_HDZ	25.24%	WNG_HDZ	26.77%
ETSS_HDZ_25SBM	10.20%	ETSS_HDZ_25SBM	21.06%	ETSS_HDZ_25SBM	23.45%	ETSS_HDZ_25SBM	10.20%	ETSS_HDZ_25SBM	24.34%	ETSS_HDZ_25SBM	26.07%
ES_HDZ_25SBM	1.81%	ES_HDZ_25SBM	7.02%	ES_HDZ_25SBM	7.17%	ES_HDZ_25SBM	1.70%	ES_HDZ_25SBM	9.43%	ES_HDZ_25SBM	9.02%
ES_HDZ_Ind10	1.36%	ES_HDZ_Ind10	6.65%	ES_HDZ_Ind10	6.42%	ES_HDZ_Ind10	1.25%	ES_HDZ_Ind10	8.04%	ES_HDZ_Ind10	7.00%

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Table 104: **Model Confidence Set Summary Results: Beta Standard Error Effect, Continued**

Panel C: RW

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RW	58.32%	GG_RW	64.90%	GG_RW	67.44%	BP_RW	58.32%	GG_RW	66.30%	GG_RW	69.14%
GG_RW	36.55%	BP_RW	64.53%	BP_RW	66.32%	GG_RW	36.39%	BP_RW	66.30%	BP_RW	68.24%
KMY_RW	34.37%	CT_RW	51.01%	CT_RW	51.53%	KMY_RW	34.21%	CT_RW	51.94%	CT_RW	53.47%
GM_RW	25.35%	FGHJ_RW	43.32%	FGHJ_RW	45.86%	GM_RW	25.19%	FGHJ_RW	45.35%	FGHJ_RW	47.64%
CT_RW	19.60%	KMY_RW	42.79%	KMY_RW	43.39%	CT_RW	19.60%	KMY_RW	44.94%	KMY_RW	45.77%
FGHJ_RW	19.13%	DKL_RW	35.85%	GLS_RW	36.45%	FGHJ_RW	18.97%	DKL_RW	38.49%	GLS_RW	39.67%
HL_RW	16.64%	GLS_RW	34.50%	DKL_RW	35.25%	HL_RW	16.64%	GLS_RW	37.38%	DKL_RW	38.42%
MPEG_RW	16.49%	GM_RW	31.81%	GM_RW	33.08%	MPEG_RW	16.49%	GM_RW	33.63%	GM_RW	35.78%
DKL_RW	15.86%	HL_RW	30.62%	HL_RW	29.95%	DKL_RW	15.86%	HL_RW	33.29%	HL_RW	32.59%
GLS_RW	14.31%	TPDPS_RW	24.79%	TPDPS_RW	26.81%	GLS_RW	14.31%	TPDPS_RW	26.56%	TPDPS_RW	28.85%
PE_RW	11.04%	MPEG_RW	23.60%	MPEG_RW	25.69%	PE_RW	11.20%	MPEG_RW	25.31%	MPEG_RW	26.84%
PEG_RW	10.42%	PEG_RW	23.30%	PEG_RW	24.65%	PEG_RW	10.42%	PEG_RW	24.83%	PEG_RW	25.45%
TPDPS_RW	10.42%	ES_RW_Ind10	16.58%	ES_RW_Ind10	18.00%	TPDPS_RW	10.42%	ES_RW_Ind10	19.14%	ES_RW_Ind10	20.74%
ETSS_RW_Ind10	3.42%	PE_RW	15.38%	PE_RW	16.06%	ETSS_RW_Ind10	3.42%	PE_RW	17.61%	PE_RW	17.27%
WNG_RW	2.80%	ETSS_RW_Ind10	13.67%	ETSS_RW_Ind10	12.62%	WNG_RW	2.80%	ETSS_RW_Ind10	15.05%	ETSS_RW_Ind10	14.36%
ES_RW_Ind10	2.64%	ETSS_RW_25SBM	9.34%	ETSS_RW_25SBM	8.14%	ES_RW_Ind10	2.64%	ETSS_RW_25SBM	11.10%	ETSS_RW_25SBM	10.06%
ETSS_RW_25SBM	2.02%	ES_RW_25SBM	7.54%	ES_RW_25SBM	7.24%	ETSS_RW_25SBM	2.02%	ES_RW_25SBM	9.57%	ES_RW_25SBM	8.81%
FPM_RW	1.87%	WNG_RW	7.39%	FPM_RW	6.80%	FPM_RW	1.87%	FPM_RW	9.36%	FPM_RW	7.49%
ES_RW_25SBM	0.47%	FPM_RW	7.24%	WNG_RW	4.33%	ES_RW_25SBM	0.47%	WNG_RW	8.81%	WNG_RW	4.79%

Panel D: EP

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_EP	57.09%	BP_EP	62.88%	BP_EP	65.42%	BP_EP	56.83%	BP_EP	64.42%	BP_EP	66.85%
PE_EP	42.02%	GG_EP	55.04%	GG_EP	56.46%	PE_EP	42.02%	GG_EP	57.14%	GG_EP	58.11%
GM_EP	34.87%	KMY_EP	47.27%	KMY_EP	49.07%	GLS_EP	34.74%	KMY_EP	50.42%	KMY_EP	51.32%
GLS_EP	34.74%	CT_EP	40.40%	CT_EP	42.94%	GM_EP	34.74%	CT_EP	42.86%	CT_EP	44.52%
FGHJ_EP	34.48%	PE_EP	36.89%	PE_EP	39.43%	FGHJ_EP	34.61%	PE_EP	39.39%	PE_EP	41.47%
DKL_EP	31.03%	GLS_EP	34.20%	GLS_EP	36.59%	DKL_EP	30.78%	GLS_EP	36.62%	GLS_EP	38.42%
KMY_EP	30.78%	DKL_EP	32.94%	DKL_EP	34.95%	KMY_EP	30.52%	DKL_EP	35.37%	DKL_EP	36.55%
HL_EP	30.27%	FGHJ_EP	29.13%	TPDPS_EP	32.41%	HL_EP	30.14%	FGHJ_EP	31.28%	TPDPS_EP	34.26%
MPEG_EP	29.37%	TPDPS_EP	28.98%	FGHJ_EP	32.11%	MPEG_EP	29.50%	TPDPS_EP	31.28%	FGHJ_EP	34.05%
GG_EP	25.29%	GM_EP	24.72%	GM_EP	28.23%	GG_EP	25.16%	HL_EP	26.07%	GM_EP	29.40%
PEG_EP	24.90%	HL_EP	24.72%	HL_EP	26.66%	PEG_EP	24.39%	GM_EP	25.87%	HL_EP	27.39%
CT_EP	21.84%	PEG_EP	21.36%	PEG_EP	25.24%	CT_EP	21.84%	PEG_EP	22.61%	PEG_EP	25.73%
TPDPS_EP	16.09%	MPEG_EP	16.43%	MPEG_EP	18.07%	TPDPS_EP	16.22%	MPEG_EP	17.82%	MPEG_EP	18.52%
ETSS_EP_Ind10	7.41%	ETSS_EP_Ind10	10.08%	ETSS_EP_Ind10	10.75%	ETSS_EP_Ind10	7.28%	ETSS_EP_Ind10	11.65%	ETSS_EP_Ind10	11.93%
FPM_EP	6.90%	ES_EP_Ind10	5.75%	ES_EP_Ind10	6.72%	FPM_EP	6.90%	FPM_EP	7.14%	FPM_EP	7.14%
ETSS_EP_25SBM	4.21%	FPM_EP	5.53%	FPM_EP	6.05%	ETSS_EP_25SBM	3.70%	ES_EP_Ind10	7.00%	ES_EP_Ind10	6.66%
ES_EP_Ind10	1.53%	ETSS_EP_25SBM	4.56%	ETSS_EP_25SBM	4.78%	ES_EP_Ind10	1.40%	ETSS_EP_25SBM	5.96%	ETSS_EP_25SBM	4.99%
WNG_EP	1.28%	WNG_EP	3.66%	WNG_EP	3.21%	WNG_EP	1.28%	WNG_EP	4.09%	WNG_EP	3.26%
ES_EP_25SBM	0.13%	ES_EP_25SBM	2.17%	ES_EP_25SBM	1.64%	ES_EP_25SBM	0.13%	ES_EP_25SBM	3.40%	ES_EP_25SBM	1.60%

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Table 104: **Model Confidence Set Summary Results: Beta Standard Error Effect, Continued**

Panel E: RI

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RI	61.92%	BP_RI	65.65%	BP_RI	67.59%	BP_RI	61.67%	BP_RI	67.34%	BP_RI	69.35%
PE_RI	46.03%	GG_RI	54.14%	GG_RI	56.24%	PE_RI	45.90%	GG_RI	56.45%	GG_RI	58.18%
GG_RI	41.67%	KMY_RI	41.90%	KMY_RI	43.61%	GG_RI	41.79%	KMY_RI	44.52%	KMY_RI	45.42%
FGHJ_RI	37.69%	PE_RI	41.52%	GLS_RI	42.05%	FGHJ_RI	37.44%	PE_RI	44.31%	PE_RI	43.83%
GLS_RI	36.79%	GLS_RI	37.94%	PE_RI	42.05%	GLS_RI	36.79%	GLS_RI	40.43%	GLS_RI	43.41%
KMY_RI	30.51%	TPDPS_RI	35.55%	TPDPS_RI	37.27%	KMY_RI	30.90%	TPDPS_RI	36.89%	TPDPS_RI	39.39%
GM_RI	23.85%	FGHJ_RI	33.61%	FGHJ_RI	36.37%	GM_RI	23.59%	FGHJ_RI	36.20%	FGHJ_RI	38.07%
DKL_RI	19.49%	DKL_RI	28.01%	DKL_RI	29.95%	DKL_RI	19.62%	DKL_RI	29.40%	DKL_RI	30.93%
TPDPS_RI	18.59%	CT_RI	24.79%	GM_RI	27.11%	TPDPS_RI	18.72%	CT_RI	27.32%	CT_RI	29.54%
MPEG_RI	17.31%	GM_RI	24.79%	CT_RI	27.04%	MPEG_RI	17.18%	GM_RI	27.12%	GM_RI	28.71%
HL_RI	15.64%	HL_RI	22.85%	HL_RI	25.09%	HL_RI	15.77%	HL_RI	24.48%	PEG_RI	26.01%
PEG_RI	12.05%	PEG_RI	22.18%	PEG_RI	24.72%	PEG_RI	11.92%	PEG_RI	23.72%	HL_RI	25.94%
CT_RI	10.77%	MPEG_RI	17.33%	MPEG_RI	18.82%	CT_RI	10.90%	MPEG_RI	18.03%	MPEG_RI	19.35%
ETSS_RI_Ind10	4.74%	ETSS_RI_Ind10	10.53%	ETSS_RI_Ind10	11.95%	ETSS_RI_Ind10	4.74%	ETSS_RI_Ind10	12.90%	ETSS_RI_Ind10	13.31%
FPM_RI	3.08%	FPM_RI	8.89%	FPM_RI	9.63%	FPM_RI	2.95%	FPM_RI	10.33%	FPM_RI	10.06%
ETSS_RI_25SBM	2.18%	ETSS_RI_25SBM	7.32%	ETSS_RI_25SBM	7.09%	ETSS_RI_25SBM	2.05%	ETSS_RI_25SBM	8.46%	ETSS_RI_25SBM	8.46%
WNG_RI	1.03%	ES_RI_Ind10	3.51%	ES_RI_Ind10	2.99%	WNG_RI	1.03%	ES_RI_Ind10	4.37%	ES_RI_Ind10	3.26%
ES_RI_Ind10	0.77%	WNG_RI	3.14%	WNG_RI	2.69%	ES_RI_Ind10	0.77%	WNG_RI	4.02%	WNG_RI	3.12%
ES_RI_25SBM	0.26%	ES_RI_25SBM	1.87%	ES_RI_25SBM	1.12%	ES_RI_25SBM	0.26%	ES_RI_25SBM	2.84%	ES_RI_25SBM	1.25%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE) for the highest and lowest quartiles of firms in terms of market beta standard error as a proxy for firm specific risk. The table reports the percentage of firms for which a specific model is included in the confidence set. Panel A report the results for the ICC models estimated using analysts earnings forecasts. Panel B, C, D and E report the results using ICC estimates based on mechanical earnings forecasts of Hou, van Dijk, and Zhang (2012) model (HDZ), random walk (RW) model, Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI) respectively.

Table 105: **Model Confidence Set Summary Results: Earnings Variation Effect**

Panel A: Analysts

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PE_Anlst	42.74%	GLS_Anlst	55.82%	PE_Anlst	57.92%	BP_Anlst	42.74%	GLS_Anlst	55.38%	PE_Anlst	57.61%
BP_Anlst	42.74%	PE_Anlst	54.04%	GLS_Anlst	56.67%	PE_Anlst	42.42%	PE_Anlst	52.95%	GLS_Anlst	56.56%
GG_Anlst	40.19%	BP_Anlst	51.55%	BP_Anlst	55.23%	GG_Anlst	39.98%	BP_Anlst	51.38%	BP_Anlst	55.58%
PEG_Anlst	39.34%	MPEG_Anlst	47.93%	OHE_Ind10	50.30%	PEG_Anlst	39.66%	MPEG_Anlst	47.64%	OHE_Ind10	50.00%
CT_Anlst	38.28%	OHE_Ind10	47.27%	MPEG_Anlst	49.31%	CT_Anlst	37.96%	FGHJ_Anlst	47.18%	MPEG_Anlst	48.88%
KMY_Anlst	36.90%	FGHJ_Anlst	47.07%	ETSS_Anlst_Ind10	47.53%	KMY_Anlst	36.80%	OHE_Ind10	46.39%	ETSS_Anlst_Ind10	47.97%
FPM_Anlst	36.80%	ETSS_Anlst_Ind10	44.51%	FGHJ_Anlst	46.94%	FPM_Anlst	36.48%	HL_Anlst	44.42%	FGHJ_Anlst	46.85%
OHE_Ind10	35.95%	HL_Anlst	44.44%	CT_Anlst	45.83%	OHE_Ind10	35.84%	DKL_Anlst	44.23%	HL_Anlst	45.93%
GLS_Anlst	35.63%	DKL_Anlst	44.44%	PEG_Anlst	45.76%	GLS_Anlst	35.52%	ETSS_Anlst_Ind10	44.23%	DKL_Anlst	45.47%
MPEG_Anlst	35.10%	GM_Anlst	43.33%	HL_Anlst	45.36%	MPEG_Anlst	34.99%	GM_Anlst	43.37%	PEG_Anlst	45.34%
GM_Anlst	34.46%	PEG_Anlst	43.20%	DKL_Anlst	45.36%	GM_Anlst	34.15%	PEG_Anlst	42.85%	CT_Anlst	45.08%
FGHJ_Anlst	34.15%	CT_Anlst	42.74%	GM_Anlst	44.18%	FGHJ_Anlst	33.83%	CT_Anlst	42.65%	GM_Anlst	44.09%
DKL_Anlst	32.98%	KMY_Anlst	42.54%	KMY_Anlst	43.92%	ETSS_Anlst_Ind10	32.87%	KMY_Anlst	42.45%	KMY_Anlst	44.03%
ETSS_Anlst_Ind10	32.87%	FPM_Anlst	40.11%	FPM_Anlst	41.62%	DKL_Anlst	32.66%	FPM_Anlst	40.03%	FPM_Anlst	41.34%
HL_Anlst	31.81%	WNG_Anlst	36.62%	OHE_25SBM	39.71%	HL_Anlst	31.39%	WNG_Anlst	36.55%	TPDPS_Anlst	39.37%
WNG_Anlst	28.84%	Naive	35.96%	Naive	39.38%	WNG_Anlst	28.84%	Naive	35.76%	OHE_25SBM	38.98%
Naive	15.91%	TPDPS_Anlst	35.17%	TPDPS_Anlst	38.86%	Naive	15.80%	TPDPS_Anlst	35.43%	Naive	38.98%
TPDPS_Anlst	15.27%	OHE_25SBM	34.39%	WNG_Anlst	35.37%	TPDPS_Anlst	15.27%	OHE_25SBM	34.12%	WNG_Anlst	34.84%
OHE_25SBM	13.04%	GG_Anlst	29.98%	ETSS_Anlst_25SBM	30.97%	OHE_25SBM	13.04%	GG_Anlst	29.33%	ETSS_Anlst_25SBM	31.04%
ETSS_Anlst_25SBM	11.88%	ETSS_Anlst_25SBM	28.67%	GG_Anlst	29.59%	ETSS_Anlst_25SBM	11.88%	ETSS_Anlst_25SBM	27.62%	GG_Anlst	29.72%
ES_Anlst_Ind10	8.91%	ES_Anlst_Ind10	13.94%	ES_Anlst_Ind10	14.73%	ES_Anlst_Ind10	9.01%	ES_Anlst_Ind10	13.71%	ES_Anlst_Ind10	14.96%
ES_Anlst_25SBM	2.12%	ES_Anlst_25SBM	8.09%	ES_Anlst_25SBM	7.43%	ES_Anlst_25SBM	2.12%	ES_Anlst_25SBM	7.81%	ES_Anlst_25SBM	7.87%

Panel B: HDZ

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
PEG_HDZ	45.01%	PE_HDZ	57.59%	PE_HDZ	62.13%	PEG_HDZ	45.12%	PE_HDZ	57.35%	PE_HDZ	61.61%
BP_HDZ	43.99%	GLS_HDZ	54.11%	BP_HDZ	59.57%	BP_HDZ	44.22%	BP_HDZ	54.86%	BP_HDZ	59.65%
GM_HDZ	43.42%	BP_HDZ	54.04%	GLS_HDZ	54.64%	GM_HDZ	43.20%	GLS_HDZ	53.28%	GLS_HDZ	54.27%
PE_HDZ	42.97%	GG_HDZ	51.28%	GG_HDZ	54.31%	PE_HDZ	43.20%	GG_HDZ	50.52%	GG_HDZ	53.74%
MPEG_HDZ	42.40%	FGHJ_HDZ	48.26%	FGHJ_HDZ	49.90%	MPEG_HDZ	42.40%	FGHJ_HDZ	48.10%	FGHJ_HDZ	48.56%
FPM_HDZ	39.00%	CT_HDZ	46.09%	CT_HDZ	47.93%	FPM_HDZ	39.12%	CT_HDZ	44.55%	CT_HDZ	46.92%
GG_HDZ	38.78%	DKL_HDZ	42.14%	KMY_HDZ	44.71%	GG_HDZ	39.00%	DKL_HDZ	42.06%	KMY_HDZ	43.31%
GLS_HDZ	37.07%	KMY_HDZ	41.95%	DKL_HDZ	43.33%	GLS_HDZ	36.85%	KMY_HDZ	41.21%	DKL_HDZ	42.72%
FGHJ_HDZ	35.49%	HL_HDZ	39.45%	TPDPS_HDZ	42.93%	FGHJ_HDZ	35.49%	ETSS_HDZ_Ind10	39.30%	ETSS_HDZ_Ind10	42.65%
KMY_HDZ	34.69%	ETSS_HDZ_Ind10	39.25%	ETSS_HDZ_Ind10	42.67%	KMY_HDZ	34.58%	HL_HDZ	38.91%	TPDPS_HDZ	42.26%
HL_HDZ	34.01%	TPDPS_HDZ	38.79%	HL_HDZ	41.29%	HL_HDZ	33.90%	TPDPS_HDZ	38.25%	HL_HDZ	40.88%
CT_HDZ	32.99%	MPEG_HDZ	37.67%	MPEG_HDZ	39.97%	CT_HDZ	32.99%	MPEG_HDZ	37.20%	MPEG_HDZ	39.44%
DKL_HDZ	31.75%	GM_HDZ	36.69%	FPM_HDZ	39.18%	DKL_HDZ	31.41%	FPM_HDZ	36.61%	GM_HDZ	38.58%
WNG_HDZ	28.80%	FPM_HDZ	36.49%	GM_HDZ	38.92%	WNG_HDZ	28.80%	GM_HDZ	36.09%	FPM_HDZ	38.45%
ETSS_HDZ_Ind10	25.06%	PEG_HDZ	33.86%	PEG_HDZ	36.75%	ETSS_HDZ_Ind10	24.94%	PEG_HDZ	33.92%	PEG_HDZ	37.01%
TPDPS_HDZ	17.01%	WNG_HDZ	24.85%	ETSS_HDZ_25SBM	28.07%	TPDPS_HDZ	16.89%	ETSS_HDZ_25SBM	25.33%	ETSS_HDZ_25SBM	27.30%
ETSS_HDZ_25SBM	9.98%	ETSS_HDZ_25SBM	24.33%	WNG_HDZ	26.43%	ETSS_HDZ_25SBM	9.86%	WNG_HDZ	24.67%	WNG_HDZ	26.38%
ES_HDZ_25SBM	1.70%	ES_HDZ_25SBM	9.07%	ES_HDZ_25SBM	8.81%	ES_HDZ_25SBM	1.59%	ES_HDZ_25SBM	9.84%	ES_HDZ_25SBM	9.25%
ES_HDZ_Ind10	1.36%	ES_HDZ_Ind10	7.30%	ES_HDZ_Ind10	6.77%	ES_HDZ_Ind10	1.36%	ES_HDZ_Ind10	8.33%	ES_HDZ_Ind10	7.15%

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Table 105: **Model Confidence Set Summary Results: Earnings Variation Effect, Continued**

Panel C: RW

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RW	57.72%	BP_RW	67.26%	GG_RW	69.76%	BP_RW	57.72%	BP_RW	67.98%	GG_RW	69.42%
GG_RW	35.73%	GG_RW	66.54%	BP_RW	68.77%	GG_RW	36.04%	GG_RW	66.60%	BP_RW	69.03%
KMY_RW	34.17%	CT_RW	54.04%	CT_RW	54.11%	KMY_RW	34.01%	CT_RW	54.20%	CT_RW	54.86%
GM_RW	24.34%	FGHJ_RW	46.42%	FGHJ_RW	49.11%	GM_RW	24.49%	FGHJ_RW	47.38%	FGHJ_RW	49.28%
CT_RW	19.19%	KMY_RW	46.02%	KMY_RW	46.02%	CT_RW	19.34%	KMY_RW	45.67%	KMY_RW	46.06%
FGHJ_RW	18.72%	DKL_RW	40.11%	GLS_RW	40.63%	FGHJ_RW	18.41%	GLS_RW	39.63%	GLS_RW	41.14%
HL_RW	16.54%	GLS_RW	38.99%	DKL_RW	39.25%	HL_RW	16.54%	DKL_RW	39.57%	DKL_RW	39.37%
MPEG_RW	15.91%	HL_RW	34.52%	GM_RW	35.24%	MPEG_RW	16.07%	GM_RW	34.84%	GM_RW	34.12%
DKL_RW	15.91%	GM_RW	34.39%	HL_RW	33.14%	DKL_RW	15.60%	HL_RW	34.84%	HL_RW	33.66%
GLS_RW	13.57%	TPDPS_RW	28.53%	TPDPS_RW	30.11%	GLS_RW	13.57%	TPDPS_RW	28.48%	TPDPS_RW	30.51%
PE_RW	10.76%	MPEG_RW	26.04%	MPEG_RW	27.22%	PE_RW	10.76%	MPEG_RW	25.72%	MPEG_RW	26.51%
TPDPS_RW	10.45%	PEG_RW	25.12%	PEG_RW	25.38%	TPDPS_RW	10.61%	PEG_RW	25.07%	PEG_RW	25.46%
PEG_RW	10.30%	ES_RW_Ind10	19.59%	ES_RW_Ind10	21.04%	PEG_RW	10.30%	ES_RW_Ind10	19.75%	ES_RW_Ind10	21.39%
ETSS_RW_Ind10	3.28%	PE_RW	18.08%	PE_RW	17.95%	ETSS_RW_Ind10	3.12%	PE_RW	17.45%	PE_RW	16.99%
ES_RW_Ind10	2.81%	ETSS_RW_Ind10	15.45%	ETSS_RW_Ind10	14.60%	ES_RW_Ind10	2.81%	ETSS_RW_Ind10	15.55%	ETSS_RW_Ind10	14.96%
WNG_RW	2.65%	ETSS_RW_25SBM	11.77%	ETSS_RW_25SBM	11.05%	WNG_RW	2.65%	ETSS_RW_25SBM	11.75%	ETSS_RW_25SBM	11.29%
FPM_RW	1.87%	ES_RW_25SBM	10.26%	ES_RW_25SBM	9.86%	FPM_RW	1.87%	ES_RW_25SBM	10.50%	ES_RW_25SBM	9.71%
ETSS_RW_25SBM	1.87%	FPM_RW	9.47%	FPM_RW	8.28%	ETSS_RW_25SBM	1.87%	FPM_RW	8.53%	FPM_RW	8.14%
ES_RW_25SBM	0.31%	WNG_RW	7.96%	WNG_RW	4.47%	ES_RW_25SBM	0.31%	WNG_RW	7.81%	WNG_RW	4.46%

Panel D: EP

First Quartile						Fourth Quartile					
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_EP	57.38%	BP_EP	64.56%	BP_EP	66.80%	BP_EP	57.51%	BP_EP	64.63%	BP_EP	66.93%
PE_EP	41.72%	GG_EP	57.07%	GG_EP	57.73%	PE_EP	41.98%	GG_EP	57.28%	GG_EP	57.61%
GM_EP	34.53%	KMY_EP	51.02%	KMY_EP	51.74%	GLS_EP	34.79%	KMY_EP	50.85%	KMY_EP	51.71%
GLS_EP	34.40%	CT_EP	43.46%	CT_EP	44.84%	GM_EP	34.66%	CT_EP	43.31%	CT_EP	44.49%
FGHJ_EP	34.15%	PE_EP	41.09%	PE_EP	43.39%	FGHJ_EP	34.66%	PE_EP	41.01%	PE_EP	43.64%
DKL_EP	31.07%	GLS_EP	37.21%	GLS_EP	38.13%	DKL_EP	31.07%	GLS_EP	37.86%	GLS_EP	38.19%
KMY_EP	30.55%	DKL_EP	35.37%	DKL_EP	36.88%	KMY_EP	30.55%	DKL_EP	35.70%	DKL_EP	36.48%
HL_EP	29.65%	FGHJ_EP	32.41%	FGHJ_EP	34.25%	HL_EP	30.04%	FGHJ_EP	32.28%	FGHJ_EP	33.92%
MPEG_EP	29.40%	TPDPS_EP	31.89%	TPDPS_EP	33.66%	MPEG_EP	29.53%	TPDPS_EP	31.10%	TPDPS_EP	33.92%
GG_EP	24.90%	GM_EP	26.89%	GM_EP	30.05%	GG_EP	24.78%	HL_EP	26.44%	GM_EP	29.53%
PEG_EP	24.78%	HL_EP	26.36%	HL_EP	28.21%	PEG_EP	24.52%	GM_EP	26.31%	HL_EP	28.41%
CT_EP	21.57%	PEG_EP	22.29%	PEG_EP	25.90%	CT_EP	21.69%	PEG_EP	22.38%	PEG_EP	25.85%
TPDPS_EP	16.17%	MPEG_EP	17.88%	MPEG_EP	18.93%	TPDPS_EP	16.05%	MPEG_EP	17.45%	MPEG_EP	18.96%
ETSS_EP_Ind10	7.19%	ETSS_EP_Ind10	11.70%	ETSS_EP_Ind10	12.43%	ETSS_EP_Ind10	6.93%	ETSS_EP_Ind10	11.02%	ETSS_EP_Ind10	11.94%
FPM_EP	6.80%	FPM_EP	7.50%	FPM_EP	7.23%	FPM_EP	6.55%	FPM_EP	7.09%	FPM_EP	6.82%
ETSS_EP_25SBM	3.85%	ES_EP_Ind10	6.64%	ES_EP_Ind10	6.44%	ETSS_EP_25SBM	3.59%	ES_EP_Ind10	5.97%	ES_EP_Ind10	6.43%
ES_EP_Ind10	1.54%	ETSS_EP_25SBM	6.25%	ETSS_EP_25SBM	5.52%	ES_EP_Ind10	1.41%	ETSS_EP_25SBM	5.51%	ETSS_EP_25SBM	5.64%
WNG_EP	1.28%	WNG_EP	4.14%	WNG_EP	3.68%	WNG_EP	1.28%	WNG_EP	3.94%	WNG_EP	3.35%
ES_EP_25SBM	0.13%	ES_EP_25SBM	2.76%	ES_EP_25SBM	1.58%	ES_EP_25SBM	0.13%	ES_EP_25SBM	2.69%	ES_EP_25SBM	1.38%

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Table 105: **Model Confidence Set Summary Results: Earnings Variation Effect, Continued**

First Quartile						Fourth Quartile					
Panel E: RI											
MEV		**RMSE**		**MAE**		**MEV**		**RMSE**		**MAE**	
BP_RI	61.83%	BP_RI	67.78%	BP_RI	68.64%	BP_RI	61.83%	BP_RI	66.99%	BP_RI	69.03%
PE_RI	45.63%	GG_RI	57.26%	GG_RI	58.45%	PE_RI	45.50%	GG_RI	57.15%	GG_RI	58.99%
GG_RI	41.00%	PE_RI	46.09%	KMY_RI	46.55%	GG_RI	41.26%	PE_RI	46.00%	KMY_RI	47.05%
FGHJ_RI	36.89%	KMY_RI	45.50%	PE_RI	45.96%	FGHJ_RI	37.02%	KMY_RI	45.87%	PE_RI	45.73%
GLS_RI	36.12%	GLS_RI	41.55%	GLS_RI	44.58%	GLS_RI	36.25%	GLS_RI	41.27%	GLS_RI	44.23%
KMY_RI	29.69%	TPDPS_RI	37.87%	FGHJ_RI	39.97%	KMY_RI	30.08%	TPDPS_RI	37.80%	TPDPS_RI	39.04%
GM_RI	23.14%	FGHJ_RI	37.34%	TPDPS_RI	39.58%	GM_RI	23.01%	FGHJ_RI	36.42%	FGHJ_RI	38.52%
DKL_RI	19.15%	DKL_RI	31.36%	DKL_RI	33.00%	DKL_RI	19.15%	DKL_RI	31.30%	DKL_RI	32.55%
TPDPS_RI	17.99%	GM_RI	27.88%	GM_RI	29.52%	TPDPS_RI	18.12%	CT_RI	27.69%	GM_RI	29.20%
MPEG_RI	17.22%	CT_RI	27.42%	CT_RI	28.47%	MPEG_RI	17.22%	GM_RI	27.30%	CT_RI	28.35%
HL_RI	15.04%	HL_RI	26.10%	HL_RI	27.81%	HL_RI	15.17%	HL_RI	25.79%	HL_RI	27.36%
PEG_RI	11.95%	PEG_RI	25.05%	PEG_RI	27.02%	PEG_RI	11.95%	PEG_RI	24.54%	PEG_RI	26.18%
CT_RI	10.54%	MPEG_RI	19.13%	MPEG_RI	20.18%	CT_RI	10.67%	MPEG_RI	18.50%	MPEG_RI	19.42%
ETSS_RI_Ind10	4.63%	ETSS_RI_Ind10	13.48%	ETSS_RI_Ind10	14.00%	ETSS_RI_Ind10	4.50%	ETSS_RI_Ind10	12.53%	ETSS_RI_Ind10	13.85%
FPM_RI	2.96%	FPM_RI	9.99%	FPM_RI	10.78%	FPM_RI	2.83%	FPM_RI	10.30%	FPM_RI	10.43%
ETSS_RI_25SBM	1.93%	ETSS_RI_25SBM	9.47%	ETSS_RI_25SBM	9.60%	ETSS_RI_25SBM	1.80%	ETSS_RI_25SBM	8.73%	ETSS_RI_25SBM	8.79%
WNG_RI	1.03%	ES_RI_Ind10	4.67%	WNG_RI	3.42%	WNG_RI	1.03%	ES_RI_Ind10	4.66%	WNG_RI	3.54%
ES_RI_Ind10	0.64%	WNG_RI	4.34%	ES_RI_Ind10	3.22%	ES_RI_Ind10	0.64%	WNG_RI	4.53%	ES_RI_Ind10	2.95%
ES_RI_25SBM	0.26%	ES_RI_25SBM	3.29%	ES_RI_25SBM	1.05%	ES_RI_25SBM	0.13%	ES_RI_25SBM	2.89%	ES_RI_25SBM	1.12%

Using firm level data, this table reports summary results of the Model Confidence Set (MCS) test using 5% significance level and three loss functions: the measurement error variance(MEV), the Root Mean Squared Error (RMSE), and Mean Absolute Error (MAE) for the highest and lowest quartiles of firms in terms of earnings variation. The table reports the percentage of firms for which a specific model is included in the confidence set. Panel A report the results for the ICC models estimated using analysts earnings forecasts. Panel B, C, D and E report the results using ICC estimates based on mechanical earnings forecasts of Hou, van Dijk, and Zhang (2012) model (HDZ), random walk (RW) model, Li and Mohanram (2014) Earnings Persistence model (EP), and (3) Li and Mohanram (2014) Residual Income model (RI) respectively.

Appendix B Improving Portfolio Selection Appendixes

Table 106 : Out-of-Sample performance of ICC Optimal Portfolios

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
GG_RW	0.222	0.067	0.853	4.013	0.000	0.017	0.001
PE_HDZ_Clbrtd	0.301	0.138	0.810	3.609	0.000	0.097	0.010
CT_HDZ_Clbrtd	0.159	0.042	0.772	2.277	0.000	0.091	0.007
PE_RW	0.179	0.058	0.743	3.709	0.000	0.094	0.005
DKL_HDZ_Clbrtd	0.156	0.048	0.712	2.158	0.000	0.156	0.010
HL_HDZ_Clbrtd	0.170	0.059	0.700	2.461	0.000	0.206	0.017
FPM_RW	0.352	0.255	0.696	9.471	0.000	0.348	0.102
FGHJ_HDZ_Clbrtd	0.130	0.035	0.695	1.683	0.000	0.088	0.005
GLS_HDZ_Clbrtd	0.135	0.039	0.689	1.892	0.000	0.125	0.008
FGHJ_EP_Clbrtd	0.126	0.035	0.672	1.464	0.000	0.068	0.007
FGHJ_EP	0.164	0.061	0.666	3.244	0.000	0.170	0.009
KMY_EP	0.270	0.177	0.641	4.132	0.000	0.295	0.029
PEG_RI_Clbrtd	0.132	0.043	0.637	2.262	0.000	0.344	0.051
HL_EP	0.196	0.098	0.626	2.858	0.000	0.289	0.022
MPEG_RI	0.138	0.050	0.618	2.625	0.000	0.295	0.032
GM_RI	0.124	0.041	0.615	2.582	0.000	0.391	0.053
CT_HDZ	0.138	0.051	0.612	3.317	0.000	0.401	0.070
GLS_HDZ	0.138	0.053	0.600	3.251	0.000	0.380	0.056
GG_HDZ	0.181	0.092	0.597	4.174	0.000	0.528	0.120
GLS_EP	0.137	0.053	0.593	3.521	0.000	0.458	0.067
KMY_HDZ	0.134	0.052	0.587	2.960	0.000	0.435	0.072
KMY_Anlst _Clbrtd	0.090	0.025	0.571	1.325	0.000	0.033	0.011
GM_Anlst _Clbrtd	0.093	0.028	0.557	1.648	0.001	0.183	0.003
DKL_EP	0.224	0.163	0.556	3.147	0.000	0.520	0.058
GLS_Anlst _Clbrtd	0.092	0.028	0.548	1.628	0.001	0.197	0.009
FGHJ_Anlst _Clbrtd	0.088	0.026	0.547	1.448	0.001	0.101	0.007
HL_Anlst _Clbrtd	0.090	0.027	0.547	1.542	0.001	0.182	0.003
DKL_Anlst _Clbrtd	0.089	0.027	0.547	1.509	0.001	0.161	0.005
GLS_EP_Clbrtd	0.102	0.036	0.541	1.673	0.000	0.396	0.040
CT_Anlst _Clbrtd	0.089	0.027	0.540	1.639	0.001	0.266	0.014

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Table 106 : Out-of-Sample performance of ICC Optimal Portfolios, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
DKL_HDZ	0.112	0.045	0.531	2.840	0.000	0.611	0.120
PEG_RW_Clbrtd	0.183	0.121	0.525	3.423	0.000	0.668	0.120
FGHJ_HDZ	0.111	0.045	0.525	2.729	0.000	0.630	0.120
FPM_HDZ_Clbrtd	0.093	0.033	0.514	1.373	0.001	0.574	0.062
BP_HDZ_Clbrtd	0.803	2.455	0.512	9.965	0.000	0.769	0.189
KMY_HDZ_Clbrtd	0.158	0.095	0.511	3.250	0.002	0.794	0.233
MPEG_Anlst _Clbrtd	0.092	0.035	0.491	2.384	0.002	0.708	0.034
CT_RI	0.193	0.160	0.481	8.034	0.001	0.872	0.302
MPEG_EP	0.092	0.037	0.479	2.405	0.002	0.783	0.110
HL_HDZ	0.101	0.045	0.477	2.810	0.001	0.831	0.191
GG_Anlst _Clbrtd	0.076	0.026	0.469	1.580	0.001	0.662	0.034
TrES_HDZ_10Ind	1.013	4.705	0.467	60.728	0.000	0.905	0.284
PE_Anlst _Clbrtd	0.107	0.053	0.466	3.297	0.001	0.889	0.232
CT_RW	0.102	0.052	0.447	3.640	0.001	0.953	0.203
minimum-variance	0.068	0.024	0.437	1.173	0.002	1.000	0.072
GLS_Anlst	0.086	0.039	0.433	2.684	0.002	0.980	0.175
BP_EP	0.326	0.567	0.433	18.275	0.000	0.986	0.359
MPEG_RW	0.091	0.044	0.432	2.956	0.002	0.976	0.191
HL_RI	0.496	1.325	0.431	10.768	0.000	0.978	0.310
FPM_RW_Clbrtd	0.307	0.521	0.426	11.081	0.000	0.965	0.423
FPM_Anlst _Clbrtd	0.069	0.027	0.423	1.148	0.003	0.859	0.048
DKL_RW_Clbrtd	0.068	0.027	0.412	1.890	0.004	0.737	0.100
FPM_Anlst	0.065	0.027	0.397	1.829	0.004	0.718	0.155
MPEG_EP_Clbrtd	0.860	4.713	0.396	9.778	0.000	0.871	0.404
KMY_RW	0.124	0.104	0.384	14.360	0.004	0.799	0.323
KMY_Anlst	0.065	0.029	0.381	1.765	0.005	0.608	0.120
FGHJ_Anlst	0.069	0.033	0.380	2.213	0.005	0.696	0.256
FPM_HDZ	0.070	0.034	0.379	2.295	0.004	0.720	0.370
GG_Anlst	0.066	0.030	0.378	1.850	0.005	0.591	0.137
GM_RW	0.096	0.066	0.374	3.641	0.004	0.745	0.355
DKL_RI	1.019	7.608	0.369	26.290	0.000	0.795	0.479
PEG_EP	0.267	0.524	0.368	15.806	0.002	0.839	0.570

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Table 106 : Out-of-Sample performance of ICC Optimal Portfolios, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
DKL_Anlst	0.066	0.032	0.366	2.113	0.006	0.629	0.238
GM_EP	0.071	0.038	0.364	2.345	0.007	0.704	0.368
PE_EP_Clbrtd	0.336	0.936	0.347	75,607.777	0.005	0.758	0.582
HL_Anlst	0.063	0.033	0.346	2.161	0.008	0.558	0.299
GM_Anlst	0.062	0.033	0.342	2.108	0.008	0.535	0.320
MPEG_HDZ	0.075	0.049	0.338	2.939	0.005	0.603	0.495
GLS_RW	1.364	16.380	0.337	25.591	0.000	0.703	0.545
TrES_Anlst _10Ind	0.799	5.644	0.336	30.372	0.000	0.722	0.585
DKL_EP_Clbrtd	0.195	0.340	0.335	2.250	0.000	0.616	0.498
GM_RI_Clbrtd	0.521	2.639	0.320	13.638	0.002	0.765	0.728
DKL_RW	0.110	0.130	0.307	16.403	0.010	0.570	0.559
5FF_Factor	0.837	7.639	0.303	14.251	0.000	0.626	0.661
FGHJ_RI	0.388	1.781	0.291	15.577	0.003	0.622	0.718
KMY_RW_Clbrtd	0.061	0.044	0.289	4.676	0.025	0.372	0.610
PEG_Anlst	0.067	0.055	0.286	3.947	0.016	0.483	0.594
HL_RW	0.101	0.126	0.285	16.301	0.013	0.504	0.630
3FF_Factor	0.258	0.825	0.284	8.730	0.004	0.501	0.671
MPEG_Anlst	0.060	0.045	0.282	2.952	0.015	0.417	0.577
FPM_EP	0.115	0.170	0.278	11.249	0.030	0.579	0.766
TrES_EP_10Ind	3.829	190.501	0.277	122.914	0.000	0.573	0.735
HL_RW_Clbrtd	0.057	0.043	0.272	4.620	0.029	0.325	0.669
FPM_RI	0.164	0.392	0.263	6.099	0.029	0.599	0.813
BP_Anlst	0.747	8.108	0.262	163.751	0.018	0.597	0.781
TrETSS_RI_10Ind	4.010	244.051	0.257	93.776	0.000	0.508	0.781
TrETSS_Anlst _25SBM	2.047	65.972	0.252	86.650	0.000	0.472	0.791
PEG_HDZ	0.061	0.062	0.244	3.295	0.016	0.361	0.791
TrETSS_RI_25SBM	2.593	112.875	0.244	68.737	0.000	0.504	0.829
TrOHE_25SBM	3.798	245.680	0.242	274.010	0.001	0.506	0.837
BP_Anlst _Clbrtd	0.247	1.150	0.231	26.553	0.021	0.488	0.847
GM_EP_Clbrtd	0.345	2.446	0.220	13.587	0.002	0.427	0.888
MPEG_RI_Clbrtd	0.118	0.288	0.220	7.007	0.005	0.382	0.884
BP_EP_Clbrtd	0.621	8.672	0.211	9.008	0.001	0.408	0.915

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Table 106 : Out-of-Sample performance of ICC Optimal Portfolios, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
WNG_EP	9.947	2,236.421	0.210	114.646	0.001	0.405	0.915
GG_EP	0.467	4.943	0.210	25.092	0.001	0.433	0.923
CT_Anlst	0.043	0.043	0.209	3.089	0.030	0.219	0.871
GG_RW_Clbrtd	0.070	0.113	0.209	4.554	0.027	0.332	0.912
GG_HDZ_Clbrtd	0.181	0.809	0.201	6.184	0.075	0.505	0.953
GLS_RW_Clbrtd	0.041	0.042	0.200	2.195	0.034	0.077	0.913
TrES_RW_25SBM	6.233	1,047.024	0.193	173.258	0.001	0.404	0.969
FGHJ_RW	1.491	60.411	0.192	18.581	0.003	0.365	0.969
FPM_EP_Clbrtd	0.038	0.043	0.186	2.105	0.035	0.095	0.978
FGHJ_RI_Clbrtd	0.113	0.372	0.186	4.003	0.019	0.398	0.987
1/N	0.036	0.039	0.181	0.465	0.040	0.072	1.000
TPDPS_RI	0.196	1.214	0.178	10.995	0.055	0.462	0.994
HL_EP_Clbrtd	0.044	0.063	0.177	1.929	0.042	0.179	0.986
BP_RW_Clbrtd	0.982	31.984	0.174	70.892	0.020	0.426	0.982
TPDPS_EP	0.272	2.733	0.165	16.851	0.055	0.441	0.964
TPDPS_EP_Clbrtd	0.271	2.746	0.163	11.969	0.049	0.431	0.960
GM_HDZ	0.038	0.055	0.161	3.290	0.035	0.187	0.934
PE_Anlst	0.157	1.123	0.148	17.926	0.027	0.342	0.913
WNG_HDZ	0.523	16.618	0.128	57.323	0.032	0.358	0.878
BP_RI	0.136	1.149	0.127	18.422	0.075	0.389	0.880
GLS_RI_Clbrtd	0.071	0.335	0.123	11.509	0.041	0.219	0.833
TPDPS_RI_Clbrtd	0.132	1.195	0.121	11.335	0.089	0.374	0.869
WNG_RW	0.527	21.033	0.115	655.669	0.022	0.279	0.823
TPDPS_HDZ_Clbrtd	0.160	2.017	0.112	22.387	0.072	0.334	0.833
WNG_RI	0.362	10.701	0.111	59.506	0.061	0.309	0.828
TrETSS_EP_10Ind	0.102	1.135	0.096	23.318	0.063	0.274	0.799
TPDPS_Anlst_Clbrtd	1.024	122.718	0.092	104.729	0.013	0.217	0.742
TrETSS_EP_25SBM	0.260	8.222	0.091	24.471	0.045	0.275	0.774
PE_RI_Clbrtd	0.794	82.243	0.088	48.326	0.055	0.300	0.781
TrES_Anlst _25SBM	0.549	41.282	0.085	69.977	0.051	0.277	0.766
BP_RW	0.236	7.835	0.084	79.829	0.094	0.330	0.785
TPDPS_RW_Clbrtd	0.307	14.975	0.079	43.176	0.086	0.275	0.742

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Table 106 : Out-of-Sample performance of ICC Optimal Portfolios, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
TPDPS_Anlst	0.238	14.522	0.063	109.388	0.042	0.183	0.658
MPEG_RW_Clbrtd	0.015	0.065	0.058	6.513	0.109	0.151	0.638
KMY_RI	0.023	0.386	0.037	10.333	0.122	0.195	0.653
TrES_RI_10Ind	0.026	0.643	0.033	34.872	0.119	0.194	0.640
PE_RI	0.095	13.450	0.026	17.724	0.133	0.224	0.655
PE_EP	0.016	0.939	0.017	29.229	0.138	0.133	0.560
TPDPS_RW	0.064	22.303	0.014	62.607	0.151	0.212	0.597
FPM_RI_Clbrtd	0.002	1.760	0.002	5.181	0.151	0.143	0.566
TrETSS_RW_25SBM	- 0.009	4.958	- 0.004	60.709	0.161	0.200	0.584
CAPM_Factor	- 0.029	20.466	- 0.006	488.579	0.159	0.173	0.564
DKL_RI_Clbrtd	- 0.005	0.122	- 0.014	5.998	0.162	0.029	0.389
GG_RI	- 0.180	15.428	- 0.046	24.027	0.203	0.130	0.502
FGHJ_RW_Clbrtd	- 0.119	5.383	- 0.051	9.556	0.200	0.128	0.472
PEG_HDZ_Clbrtd	- 0.144	4.746	- 0.066	35.891	0.217	0.129	0.481
GM_HDZ_Clbrtd	- 0.043	0.412	- 0.067	24.704	0.245	0.105	0.449
CT_RI_Clbrtd	- 0.037	0.247	- 0.075	18.574	0.234	0.051	0.315
Carhart_Factor	- 0.148	3.597	- 0.078	27.297	0.209	0.101	0.419
BP_HDZ	- 0.130	2.682	- 0.079	14.688	0.229	0.121	0.401
PE_HDZ	- 0.093	1.344	- 0.080	18.790	0.219	0.094	0.412
TrES_HDZ_25SBM	- 0.295	13.154	- 0.081	98.185	0.235	0.115	0.437
TPDPS_HDZ	- 0.206	6.320	- 0.082	20.517	0.212	0.102	0.411
HL_RI_Clbrtd	- 0.077	0.636	- 0.097	3.239	0.225	0.047	0.327
WNG_Anlst	- 0.736	53.989	- 0.100	121.117	0.609	0.377	0.622
CT_EP	- 0.184	3.114	- 0.104	8.407	0.255	0.044	0.278
TrETSS_HDZ_25SBM	- 0.497	15.881	- 0.125	49.316	0.243	0.073	0.327
PEG_EP_Clbrtd	- 0.219	2.837	- 0.130	7.393	0.252	0.057	0.307
MPEG_HDZ_Clbrtd	- 0.157	1.390	- 0.133	7.135	0.277	0.048	0.308
PEG_RW	- 0.259	2.491	- 0.164	6.099	0.149	0.036	0.229
BP_RI_Clbrtd	- 0.475	7.703	- 0.171	12.624	0.281	0.030	0.236
GM_RW_Clbrtd	- 0.101	0.328	- 0.176	9.246	0.335	0.021	0.220
Naive_Clbrtd	- 0.629	9.945	- 0.199	58.932	0.359	0.032	0.196
Naive	- 0.629	9.945	- 0.199	58.932	0.359	0.032	0.196

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Table 106 : Out-of-Sample performance of ICC Optimal Portfolios, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
GLS_RI	- 0.890	18.721	- 0.206	13.617	0.357	0.028	0.191
GG_EP_Clbrtd	- 0.254	1.506	- 0.207	10.092	0.351	0.024	0.196
TrES_RI_25SBM	- 0.883	17.247	- 0.213	64.179	0.384	0.020	0.165
PEG_RI	- 0.622	7.921	- 0.221	9.905	0.357	0.017	0.147
PE_RW_Clbrtd	- 0.933	17.663	- 0.222	11.968	0.351	0.017	0.154
CT_RW_Clbrtd	- 0.114	0.247	- 0.230	8.141	0.584	0.023	0.181
TrETSS_HDZ_10Ind	- 0.868	13.230	- 0.239	37.500	0.439	0.018	0.153
TrETSS_RW_10Ind	- 13.598	3,232.571	- 0.239	702.010	0.385	0.009	0.107
KMY_EP_Clbrtd	- 1.021	18.047	- 0.240	6.240	0.409	0.012	0.124
PEG_Anlst _Clbrtd	- 5.278	333.844	- 0.289	107.160	0.569	0.008	0.088
CT_EP_Clbrtd	- 0.364	1.513	- 0.296	7.758	0.651	0.008	0.087
TrES_EP_25SBM	- 1.329	20.041	- 0.297	93.302	0.648	0.009	0.087
TrOHE_10Ind	- 2.982	92.524	- 0.310	106.415	0.746	0.013	0.103
TrES_RW_10Ind	- 2.791	80.645	- 0.311	52.124	0.671	0.004	0.063
TrETSS_Anlst _10Ind	- 4.558	214.561	- 0.311	634.936	0.678	0.006	0.073
KMY_RI_Clbrtd	- 0.162	0.217	- 0.348	16.197	0.921	0.000	0.012
mean-variance	- 2.144	33.571	- 0.370	28.089	1.000	0.002	0.040
GG_RI_Clbrtd	- 0.322	0.754	- 0.370	41.205	0.999	0.002	0.044

This table report the out-of-sample results of the tangency portfolio using ICC ex-ante expected return estimates, as well as other benchmark strategies. For each portfolio strategy, the Mean column contains the annualised average monthly excess return, the Var column contains the annualised average return variance, the Sharpe column contains the annualised average Sharpe ratio, the Turnover column contains the average monthly turnover, the MeanV column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the mean-variance portfolio is zero, the 1/N column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the 1/N portfolio is zero, the MinVar column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the minimum variance portfolio is zero. P-values were computed using the Ledoit and Wolf (2008) non-parametric bootstrap method with a block size of 10 and 5,000 replications. The historical window used for computing the covariance matrix, and the first moment for the portfolios is 60 months. The covariance matrix is Ledoit and Wolf (2004) estimator.

Table 107 : Out-of-Sample performance of ICC Timing Portfolios

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
PE_RI	0.124	0.039	0.627	0.484	0.000	0.001	0.000
PE_RW	0.082	0.018	0.602	0.257	0.042	0.253	0.079
PE_HDZ	0.089	0.035	0.474	0.490	0.000	0.023	0.001
PE_HDZ_Clbrtd	0.082	0.031	0.469	0.461	0.006	0.179	0.025
TPDPS_RI	0.091	0.038	0.464	0.535	0.001	0.120	0.009
TPDPS_EP	0.090	0.038	0.461	0.533	0.001	0.132	0.010
BP_EP	0.086	0.035	0.460	0.513	0.002	0.151	0.015
PE_EP	0.089	0.038	0.459	0.449	0.011	0.254	0.028
TPDPS_RI_Clbrtd	0.089	0.038	0.457	0.538	0.002	0.138	0.010
BP_RI	0.085	0.036	0.453	0.520	0.003	0.175	0.018
TPDPS_EP_Clbrtd	0.088	0.038	0.453	0.537	0.002	0.153	0.012
CT_RI	0.085	0.036	0.451	0.549	0.002	0.121	0.017
TrES_EP_10Ind	0.086	0.037	0.448	0.759	0.013	0.350	0.041
GM_HDZ_Clbrtd	0.081	0.034	0.445	0.511	0.001	0.132	0.004
DKL_RI	0.081	0.035	0.436	0.542	0.001	0.083	0.010
GLS_RI	0.082	0.036	0.431	0.536	0.002	0.060	0.003
PEG_HDZ_Clbrtd	0.084	0.038	0.427	0.573	0.007	0.285	0.013
HL_RI	0.079	0.034	0.426	0.531	0.002	0.099	0.011
BP_RW	0.086	0.041	0.424	0.646	0.010	0.365	0.061
KMY_RI	0.078	0.035	0.417	0.546	0.003	0.186	0.020
DKL_EP	0.076	0.034	0.415	0.506	0.000	0.038	0.002
GG_RW	0.077	0.035	0.414	0.498	0.001	0.055	0.001
FPM_RI	0.074	0.032	0.411	0.585	0.001	0.143	0.010
HL_EP	0.075	0.034	0.410	0.505	0.000	0.043	0.003
FGHJ_RI	0.075	0.034	0.405	0.526	0.001	0.050	0.001
CT_HDZ_Clbrtd	0.072	0.032	0.404	0.487	0.001	0.039	0.002
TPDPS_Anlst_Clbrtd	0.079	0.039	0.403	0.603	0.003	0.276	0.020
Naive	0.080	0.040	0.402	0.623	0.004	0.308	0.022
Naive_Clbrtd	0.080	0.040	0.402	0.623	0.004	0.308	0.022
TPDPS_Anlst	0.079	0.039	0.401	0.602	0.004	0.283	0.021
BP_Anlst	0.078	0.038	0.399	0.594	0.004	0.327	0.028

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Table 107 : **Out-of-Sample performance of ICC Timing Portfolios, Continued**

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
TPDPS_HDZ	0.078	0.038	0.399	0.585	0.003	0.293	0.022
BP_HDZ	0.077	0.038	0.398	0.570	0.003	0.314	0.028
TPDPS_RW_Clbrtd	0.081	0.042	0.397	0.574	0.022	0.562	0.129
HL_HDZ_Clbrtd	0.074	0.034	0.397	0.515	0.002	0.178	0.006
GG_HDZ_Clbrtd	0.073	0.034	0.396	0.499	0.002	0.188	0.006
TPDPS_HDZ_Clbrtd	0.078	0.038	0.396	0.586	0.003	0.307	0.023
FGHJ_EP_Clbrtd	0.072	0.033	0.395	0.478	0.001	0.084	0.005
KMY_HDZ_Clbrtd	0.073	0.035	0.395	0.519	0.003	0.227	0.007
KMY_EP	0.071	0.033	0.393	0.528	0.003	0.201	0.013
DKL_HDZ_Clbrtd	0.072	0.034	0.392	0.509	0.002	0.177	0.005
GG_EP_Clbrtd	0.073	0.035	0.391	0.565	0.018	0.568	0.107
TrES_RI_25SBM	0.074	0.036	0.390	1.068	0.055	0.610	0.124
PE_Anlst _Clbrtd	0.070	0.033	0.385	0.505	0.001	0.082	0.008
CT_EP	0.073	0.036	0.385	0.522	0.002	0.302	0.019
GLS_EP	0.071	0.034	0.385	0.510	0.001	0.080	0.002
GLS_HDZ_Clbrtd	0.070	0.034	0.383	0.494	0.001	0.116	0.002
GLS_HDZ	0.072	0.035	0.383	0.485	0.001	0.108	0.003
CT_RW	0.073	0.037	0.380	0.538	0.001	0.220	0.005
GG_HDZ	0.071	0.035	0.379	0.477	0.003	0.253	0.009
BP_EP_Clbrtd	0.072	0.036	0.378	0.547	0.014	0.502	0.059
DKL_RW	0.071	0.036	0.375	0.598	0.001	0.154	0.002
TPDPS_RW	0.077	0.043	0.373	0.589	0.026	0.665	0.136
GLS_EP_Clbrtd	0.068	0.034	0.371	0.483	0.001	0.118	0.003
KMY_RW	0.069	0.035	0.370	0.583	0.001	0.164	0.002
BP_Anlst _Clbrtd	0.073	0.039	0.369	0.598	0.014	0.561	0.055
FGHJ_EP	0.067	0.034	0.368	0.504	0.001	0.111	0.002
GLS_RI_Clbrtd	0.066	0.032	0.367	0.533	0.001	0.537	0.014
MPEG_HDZ_Clbrtd	0.069	0.035	0.367	0.515	0.003	0.476	0.018
GG_RI	0.075	0.042	0.366	0.519	0.082	0.755	0.215
FGHJ_HDZ_Clbrtd	0.067	0.033	0.366	0.485	0.001	0.187	0.002
HL_RW	0.069	0.035	0.366	0.594	0.001	0.209	0.003
FGHJ_HDZ	0.068	0.035	0.365	0.479	0.001	0.181	0.004

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Table 107 : Out-of-Sample performance of ICC Timing Portfolios, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
BP_HDZ_Clbrtd	0.072	0.039	0.365	0.584	0.021	0.622	0.076
CT_HDZ	0.067	0.034	0.365	0.478	0.002	0.329	0.011
KMY_HDZ	0.067	0.034	0.363	0.475	0.003	0.362	0.012
DKL_HDZ	0.065	0.034	0.355	0.475	0.002	0.419	0.013
GLS_Anlst	0.064	0.033	0.353	0.485	0.002	0.267	0.005
MPEG_Anlst _Clbrtd	0.064	0.034	0.351	0.484	0.001	0.226	0.002
MPEG_RW	0.064	0.034	0.349	0.510	0.002	0.314	0.004
KMY_Anlst _Clbrtd	0.063	0.032	0.349	0.464	0.001	0.017	0.004
GM_RW	0.064	0.034	0.347	0.513	0.002	0.353	0.005
HL_HDZ	0.063	0.033	0.346	0.473	0.003	0.557	0.018
GLS_Anlst _Clbrtd	0.062	0.033	0.343	0.481	0.001	0.126	0.003
GM_RI_Clbrtd	0.067	0.039	0.343	0.510	0.028	0.842	0.175
GM_Anlst _Clbrtd	0.063	0.033	0.343	0.475	0.001	0.198	0.002
HL_Anlst _Clbrtd	0.063	0.033	0.343	0.477	0.001	0.171	0.003
DKL_Anlst _Clbrtd	0.062	0.033	0.342	0.477	0.001	0.148	0.003
CT_Anlst _Clbrtd	0.062	0.033	0.341	0.480	0.001	0.201	0.005
CT_RI_Clbrtd	0.061	0.032	0.340	0.528	0.006	0.785	0.063
FGHJ_Anlst _Clbrtd	0.062	0.033	0.340	0.476	0.001	0.103	0.003
PEG_RW	0.063	0.035	0.339	0.523	0.005	0.643	0.005
MPEG_RI	0.060	0.032	0.337	0.487	0.002	0.722	0.023
BP_RI_Clbrtd	0.065	0.038	0.335	0.549	0.045	0.873	0.149
CAPM_Factor	0.056	0.028	0.335	0.494	0.183	0.933	0.404
FGHJ_Anlst	0.061	0.033	0.334	0.479	0.002	0.567	0.007
PE_Anlst	0.062	0.036	0.326	0.500	0.012	0.907	0.043
KMY_RW_Clbrtd	0.058	0.033	0.321	0.490	0.001	0.975	0.006
HL_EP_Clbrtd	0.059	0.034	0.320	0.496	0.004	0.995	0.027
Minimum Variance	0.057	0.032	0.320	0.460	0.001	1.000	0.008
FPM_Anlst _Clbrtd	0.059	0.034	0.320	0.473	0.003	0.999	0.009
MPEG_HDZ	0.058	0.033	0.320	0.469	0.006	0.989	0.047
PEG_Anlst _Clbrtd	0.060	0.035	0.319	0.503	0.005	0.966	0.009
DKL_RW_Clbrtd	0.058	0.033	0.318	0.493	0.001	0.878	0.007
HL_RW_Clbrtd	0.057	0.033	0.318	0.493	0.001	0.860	0.008

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Table 107 : Out-of-Sample performance of ICC Timing Portfolios, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
TrETSS_Anlst _25SBM	0.057	0.032	0.316	0.837	0.015	0.965	0.218
DKL_EP_Clbrtd	0.058	0.034	0.315	0.497	0.005	0.891	0.030
DKL_Anlst	0.056	0.032	0.314	0.474	0.003	0.797	0.014
GG_Anlst _Clbrtd	0.057	0.033	0.313	0.467	0.003	0.641	0.008
PEG_HDZ	0.057	0.033	0.313	0.472	0.007	0.873	0.050
MPEG_EP	0.055	0.031	0.313	0.500	0.002	0.843	0.018
TrES_Anlst _10Ind	0.061	0.039	0.312	0.727	0.118	0.948	0.291
TrOHE_25SBM	0.071	0.052	0.312	1.173	0.118	0.950	0.281
GG_RI_Clbrtd	0.069	0.050	0.312	0.612	0.151	0.957	0.381
PE_EP_Clbrtd	0.058	0.034	0.312	0.471	0.085	0.938	0.256
FPM_RW_Clbrtd	0.065	0.043	0.311	0.573	0.095	0.938	0.316
GM_RI	0.055	0.032	0.310	0.485	0.008	0.872	0.066
WNG_RI	0.069	0.050	0.310	0.949	0.226	0.953	0.481
FPM_HDZ_Clbrtd	0.058	0.036	0.308	0.499	0.016	0.806	0.064
GG_Anlst	0.056	0.034	0.307	0.471	0.003	0.531	0.009
KMY_RI_Clbrtd	0.057	0.035	0.306	0.567	0.012	0.843	0.085
KMY_Anlst	0.056	0.033	0.306	0.469	0.003	0.498	0.010
HL_Anlst	0.054	0.032	0.304	0.473	0.003	0.540	0.021
FPM_RI_Clbrtd	0.060	0.040	0.303	0.555	0.061	0.847	0.143
KMY_EP_Clbrtd	0.057	0.035	0.303	0.516	0.006	0.658	0.032
DKL_RI_Clbrtd	0.055	0.033	0.302	0.535	0.006	0.766	0.071
FPM_Anlst	0.054	0.032	0.301	0.476	0.002	0.322	0.022
TrES_HDZ_10Ind	0.054	0.032	0.301	0.684	0.094	0.882	0.332
CT_Anlst	0.054	0.033	0.300	0.474	0.004	0.481	0.026
MPEG_RW_Clbrtd	0.055	0.034	0.296	0.640	0.034	0.740	0.188
GLS_RW_Clbrtd	0.053	0.033	0.293	0.509	0.002	0.347	0.019
FPM_HDZ	0.052	0.032	0.291	0.476	0.007	0.506	0.090
TrES_RW_10Ind	0.059	0.042	0.290	0.649	0.311	0.871	0.549
PEG_RW_Clbrtd	0.053	0.034	0.289	0.534	0.028	0.515	0.115
GM_Anlst	0.051	0.032	0.285	0.469	0.004	0.228	0.042
CT_EP_Clbrtd	0.052	0.034	0.281	0.518	0.019	0.344	0.114
FGHJ_RI_Clbrtd	0.051	0.034	0.277	0.540	0.008	0.339	0.107

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Table 107 : Out-of-Sample performance of ICC Timing Portfolios, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
WNG_EP	0.061	0.049	0.276	1.028	0.175	0.695	0.438
PEG_Anlst	0.049	0.032	0.274	0.491	0.005	0.243	0.061
MPEG_Anlst	0.049	0.032	0.274	0.480	0.006	0.201	0.078
HL_RI_Clbrtd	0.049	0.033	0.272	0.526	0.015	0.390	0.144
GM_HDZ	0.048	0.033	0.268	0.468	0.034	0.405	0.236
GLS_RW	0.053	0.039	0.268	0.627	0.050	0.430	0.226
BP_RW_Clbrtd	0.060	0.050	0.267	0.651	0.189	0.646	0.449
GM_EP_Clbrtd	0.050	0.035	0.267	0.507	0.038	0.486	0.263
FPM_EP	0.048	0.033	0.266	0.552	0.037	0.334	0.241
TrOHE_10Ind	0.045	0.031	0.260	0.629	0.207	0.662	0.569
PEG_EP	0.047	0.033	0.259	0.573	0.057	0.340	0.268
MPEG_RI_Clbrtd	0.050	0.038	0.258	0.490	0.097	0.536	0.388
FGHJ_RW	0.049	0.036	0.258	0.603	0.063	0.344	0.278
GM_EP	0.046	0.032	0.257	0.496	0.023	0.230	0.161
GM_RW_Clbrtd	0.048	0.037	0.251	0.668	0.157	0.443	0.470
FPM_EP_Clbrtd	0.044	0.034	0.238	0.498	0.049	0.117	0.280
GG_EP	0.038	0.026	0.234	0.546	0.299	0.537	0.699
PEG_RI	0.041	0.034	0.225	0.523	0.109	0.177	0.523
TrES_Anlst _25SBM	0.046	0.043	0.224	1.087	0.298	0.363	0.665
TrETSS_Anlst _10Ind	0.043	0.039	0.220	0.591	0.172	0.322	0.670
TrES_RW_25SBM	0.041	0.037	0.213	0.928	0.526	0.619	0.877
PEG_EP_Clbrtd	0.035	0.028	0.207	0.466	0.348	0.361	0.839
CT_RW_Clbrtd	0.037	0.031	0.207	0.561	0.347	0.405	0.850
TrETSS_EP_10Ind	0.039	0.038	0.201	0.562	0.118	0.232	0.820
TrES_EP_25SBM	0.040	0.039	0.200	1.093	0.408	0.462	0.899
FGHJ_RW_Clbrtd	0.038	0.036	0.198	0.576	0.203	0.084	0.773
1/N	0.036	0.039	0.181	0.465	0.140	0.008	1.000
MPEG_EP_Clbrtd	0.030	0.030	0.174	0.477	0.424	0.249	0.954
GG_RW_Clbrtd	0.027	0.025	0.169	0.405	0.670	0.440	0.950
WNG_HDZ	0.032	0.037	0.164	0.708	0.679	0.405	0.924
TrETSS_HDZ_10Ind	0.029	0.033	0.158	0.520	0.614	0.301	0.873
TrETSS_EP_25SBM	0.029	0.042	0.144	0.720	0.596	0.077	0.671

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Table 107 : Out-of-Sample performance of ICC Timing Portfolios, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
Carhart_Factor	0.027	0.037	0.141	0.641	0.780	0.389	0.853
FPM_RW	0.024	0.035	0.129	0.713	0.763	0.183	0.703
TrES_HDZ_25SBM	0.024	0.037	0.127	1.154	0.730	0.138	0.644
TrETSS_RI_25SBM	0.025	0.040	0.127	0.725	0.737	0.089	0.629
TrETSS_HDZ_25SBM	0.025	0.038	0.126	0.800	0.720	0.129	0.642
TrETSS_RI_10Ind	0.023	0.039	0.116	0.533	0.843	0.230	0.674
3FF_Factor	0.027	0.061	0.109	0.525	0.922	0.380	0.758
TrETSS_RW_10Ind	0.022	0.048	0.101	0.613	0.933	0.202	0.619
TrES_RI_10Ind	0.016	0.032	0.088	0.683	0.994	0.141	0.557
Mean-variance	0.016	0.032	0.087	0.477	1.000	0.001	0.140
WNG_Anlst	0.027	0.123	0.077	1.794	0.818	0.202	0.569
5FF_Factor	0.011	0.042	0.055	0.604	0.869	0.219	0.557
PEG_RI_Clbrtd	0.008	0.032	0.042	0.428	0.811	0.134	0.426
WNG_RW	0.008	0.057	0.033	0.831	0.763	0.098	0.372
PE_RI_Clbrtd	0.003	0.032	0.019	0.437	0.617	0.026	0.206
PE_RW_Clbrtd	0.003	0.035	0.016	0.202	0.786	0.251	0.534
TrETSS_RW_25SBM	- 0.009	0.042	- 0.042	0.702	0.250	0.005	0.031

This table report the out-of-sample results of the market timing portfolio using ICC ex-ante expected return estimates, as well as other benchmark strategies. For each portfolio strategy, the Mean column contains the annualised average monthly excess return, the Var column contains the annualised average return variance, the Sharpe column contains the annualised average Sharpe ratio, the Turnover column contains the average monthly turnover, the RRT column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the conventional Reward-to-Risk Timing (RRT) portfolio is zero, the 1/N column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the 1/N portfolio is zero, the VT column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the Volatility Timing (VT) portfolio is zero. P-values were computed using the Ledoit and Wolf (2008) non-parametric bootstrap method with a block size of 10 and 5,000 replications. The historical window used for computing the covariance matrix, and the first moment for the portfolios is 60 months. The covariance matrix is Ledoit and Wolf (2004) estimator.

Table 108 : ICC Optimal Portfolios - Last Non Missing Estimate Sample

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
GLS_HDZ	0.294	0.056	1.245	2.310	0.000	0.000	0.000
FGHJ_HDZ	0.234	0.049	1.057	2.102	0.000	0.000	0.000
GG_HDZ	0.340	0.114	1.009	3.144	0.000	0.009	0.009
CT_HDZ_Clbrtd	0.226	0.057	0.944	2.177	0.000	0.001	0.000
CT_HDZ	0.251	0.082	0.875	3.092	0.002	0.077	0.077
KMY_HDZ_Clbrtd	0.234	0.076	0.848	2.709	0.001	0.022	0.004
GG_RW	0.275	0.105	0.847	3.221	0.001	0.058	0.027
DKL_HDZ_Clbrtd	0.194	0.055	0.825	2.201	0.001	0.014	0.003
HL_HDZ_Clbrtd	0.211	0.067	0.811	2.402	0.001	0.023	0.005
GLS_HDZ_Clbrtd	0.201	0.063	0.803	1.862	0.000	0.002	0.005
KMY_RI	0.398	0.284	0.747	6.175	0.000	0.068	0.116
GG_HDZ_Clbrtd	0.246	0.118	0.716	3.268	0.001	0.095	0.099
GLS_EP	0.169	0.059	0.698	2.512	0.004	0.086	0.167
DKL_HDZ	0.157	0.051	0.697	2.459	0.005	0.086	0.062
PE_HDZ	2.187	10.218	0.684	9.119	0.000	0.083	0.159
GLS_Anlst	0.120	0.036	0.632	1.791	0.004	0.032	0.069
FGHJ_RI	0.536	0.742	0.623	23.657	0.001	0.212	0.275
PE_EP	1.790	8.804	0.603	28.162	0.001	0.253	0.317
PE_RW	0.158	0.070	0.596	3.144	0.002	0.056	0.180
FPM_HDZ_Clbrtd	0.108	0.035	0.582	1.334	0.001	0.031	0.139
MPEG_Anlst	0.136	0.057	0.571	2.760	0.024	0.181	0.119
HL_EP	0.136	0.058	0.564	3.239	0.005	0.209	0.370
MPEG_EP	0.153	0.075	0.558	2.066	0.001	0.135	0.303
KMY_EP_Clbrtd	0.272	0.239	0.557	3.176	0.000	0.077	0.176
GG_Anlst _Clbrtd	0.098	0.032	0.546	1.388	0.003	0.013	0.206
PE_Anlst _Clbrtd	0.153	0.083	0.530	2.424	0.001	0.170	0.386
GLS_Anlst _Clbrtd	0.116	0.050	0.521	1.683	0.001	0.035	0.130
MPEG_RI	0.170	0.107	0.519	2.690	0.002	0.192	0.317
HL_Anlst	0.095	0.034	0.513	2.021	0.024	0.184	0.182
DKL_RI_Clbrtd	0.115	0.051	0.509	4.309	0.004	0.106	0.354
TrETSS_RI_10Ind	2.037	16.080	0.508	39.163	0.000	0.294	0.446

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Table 108 : ICC Optimal Portfolios - Last Non Missing Estimate Sample, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
CT_Anlst _Clbrtd	0.103	0.041	0.504	1.710	0.002	0.043	0.172
PE_RI	1.725	11.796	0.502	28.812	0.000	0.325	0.479
PE_HDZ_Clbrtd	0.260	0.275	0.495	3.596	0.001	0.188	0.368
KMY_RI_Clbrtd	0.144	0.085	0.493	3.416	0.003	0.171	0.346
GM_Anlst	0.089	0.033	0.492	1.996	0.029	0.203	0.216
FGHJ_Anlst _Clbrtd	0.106	0.049	0.483	1.604	0.001	0.055	0.208
DKL_Anlst	0.086	0.032	0.478	1.926	0.023	0.197	0.265
DKL_EP	0.116	0.060	0.473	3.785	0.015	0.376	0.571
DKL_Anlst _Clbrtd	0.069	0.022	0.470	1.124	0.012	0.072	0.246
MPEG_EP_Clbrtd	0.246	0.277	0.468	4.139	0.002	0.432	0.560
HL_Anlst _Clbrtd	0.071	0.023	0.466	1.169	0.015	0.114	0.221
FGHJ_HDZ_Clbrtd	0.103	0.049	0.462	2.362	0.032	0.491	0.611
FGHJ_Anlst	0.076	0.030	0.440	1.671	0.011	0.206	0.364
WNG_Anlst	1.543	12.507	0.436	60.576	0.002	0.424	0.546
KMY_HDZ	0.115	0.070	0.435	2.635	0.027	0.477	0.534
HL_HDZ	0.103	0.056	0.435	2.516	0.029	0.463	0.505
GLS_RW_Clbrtd	0.099	0.056	0.420	3.766	0.003	0.220	0.559
GG_EP_Clbrtd	0.447	1.139	0.419	12.299	0.010	0.559	0.719
HL_RI	0.529	1.686	0.408	13.116	0.001	0.479	0.688
PE_RW_Clbrtd	0.102	0.064	0.405	2.890	0.005	0.417	0.612
GM_RI	0.103	0.067	0.399	2.596	0.016	0.474	0.699
TrETSS_HDZ_10Ind	1.838	21.410	0.397	81.560	0.000	0.528	0.719
GM_HDZ_Clbrtd	1.326	11.726	0.387	13.611	0.000	0.562	0.710
DKL_RW_Clbrtd	0.089	0.053	0.386	1.872	0.005	0.270	0.574
PEG_Anlst	0.123	0.105	0.379	5.003	0.060	0.629	0.722
KMY_RW_Clbrtd	0.085	0.052	0.372	2.013	0.007	0.360	0.637
KMY_Anlst	0.060	0.026	0.369	1.530	0.024	0.329	0.654
GM_EP_Clbrtd	0.278	0.572	0.367	9.255	0.004	0.584	0.786
HL_RW_Clbrtd	0.083	0.051	0.367	2.000	0.008	0.380	0.668
CT_RW_Clbrtd	5.222	203.856	0.366	73.924	0.000	0.607	0.809
FPM_Anlst _Clbrtd	0.057	0.024	0.366	0.913	0.007	0.272	0.714
GG_Anlst	0.060	0.027	0.364	1.546	0.021	0.361	0.702

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Table 108 : ICC Optimal Portfolios - Last Non Missing Estimate Sample, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
DKL_RI	0.383	1.168	0.354	15.908	0.005	0.645	0.847
GM_Anlst _Clbrtd	0.065	0.034	0.351	1.425	0.045	0.554	0.759
TrES_Anlst _25SBM	2.911	70.265	0.347	127.860	0.001	0.655	0.855
KMY_Anlst _Clbrtd	0.048	0.019	0.347	0.955	0.016	0.124	0.808
HL_RI_Clbrtd	0.062	0.033	0.342	2.203	0.012	0.459	0.843
BP_Anlst	0.761	5.108	0.337	17.803	0.004	0.729	0.889
TPDPS_HDZ_Clbrtd	0.973	8.420	0.335	47.879	0.002	0.707	0.904
CT_RI_Clbrtd	0.442	1.845	0.326	9.962	0.002	0.722	0.921
GG_RI_Clbrtd	6.953	459.383	0.324	81.000	0.000	0.722	0.923
BP_RI_Clbrtd	0.599	3.626	0.315	23.330	0.002	0.739	0.946
KMY_EP	0.365	1.345	0.315	7.517	0.001	0.723	0.948
FPM_RW_Clbrtd	0.670	4.674	0.310	8.798	0.001	0.768	0.967
1/N	0.062	0.043	0.297	0.230	0.036	0.741	1.000
BP_EP	2.562	74.632	0.297	42.378	0.000	0.786	0.998
MPEG_Anlst _Clbrtd	0.075	0.065	0.294	1.963	0.078	0.796	0.988
GG_RW_Clbrtd	0.168	0.328	0.293	11.868	0.018	0.822	0.989
BP_RI	0.654	5.079	0.290	22.454	0.010	0.833	0.976
FPM_RW	0.299	1.188	0.274	53.197	0.040	0.887	0.949
CAPM_Factor	0.335	1.533	0.271	11.589	0.017	0.890	0.938
TrOHE_25SBM	7.138	733.220	0.264	293.798	0.001	0.891	0.906
GLS_EP_Clbrtd	1.215	21.861	0.260	8.708	0.000	0.899	0.893
PE_Anlst	1.032	15.984	0.258	14.790	0.001	0.901	0.884
GG_EP	1.373	28.418	0.257	144.242	0.005	0.908	0.889
PEG_EP	1.729	45.275	0.257	54.398	0.002	0.908	0.890
PEG_HDZ_Clbrtd	21.292	6,879.966	0.257	454.080	0.005	0.912	0.880
FPM_RI	0.191	0.598	0.247	17.865	0.029	0.945	0.883
GM_EP	0.069	0.079	0.247	2.276	0.025	0.929	0.846
FPM_EP	0.208	0.721	0.244	11.103	0.010	0.939	0.849
TrETSS_Anlst _10Ind	95.149	151,762.302	0.244	473.057	0.001	0.942	0.847
TrES_RW_25SBM	10.501	1,901.025	0.241	278.755	0.002	0.955	0.844
Carhart_Factor	0.276	1.327	0.239	18.667	0.026	0.966	0.869
FGHJ_EP_Clbrtd	3.056	169.878	0.234	331.861	0.000	0.973	0.827

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Table 108 : ICC Optimal Portfolios - Last Non Missing Estimate Sample, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
WNG_RI	1.549	43.984	0.234	90.724	0.004	0.975	0.824
BP_EP_Clbrtd	0.114	0.250	0.229	7.347	0.016	0.990	0.802
Minimum Variance	0.031	0.019	0.225	0.791	0.020	1.000	0.741
PEG_RW_Clbrtd	0.054	0.067	0.208	5.686	0.003	0.953	0.729
PEG_RI_Clbrtd	1.374	52.096	0.190	17.288	0.006	0.901	0.707
PE_EP_Clbrtd	0.227	1.654	0.177	17.851	0.039	0.878	0.686
TrETSS_Anlst _25SBM	0.117	0.445	0.175	33.701	0.040	0.874	0.691
TrES_RI_10Ind	1.183	52.476	0.163	155.071	0.011	0.845	0.667
TrES_HDZ_25SBM	1.447	81.864	0.160	207.299	0.033	0.845	0.684
5FF_Factor	0.066	0.176	0.158	14.997	0.030	0.812	0.628
TrETSS_EP_25SBM	0.231	2.212	0.155	53.113	0.035	0.830	0.667
PEG_HDZ	0.417	7.316	0.154	94.342	0.025	0.828	0.625
TPDPS_RW	0.970	40.332	0.153	108.864	0.060	0.839	0.682
CT_EP_Clbrtd	0.153	1.092	0.147	13.841	0.024	0.781	0.515
TrES_RI_25SBM	0.624	18.647	0.144	153.455	0.039	0.809	0.617
FGHJ_RW	0.223	2.456	0.142	39.068	0.068	0.816	0.661
PEG_EP_Clbrtd	0.300	4.714	0.138	11.608	0.039	0.768	0.597
FGHJ_RI_Clbrtd	0.140	1.415	0.118	13.907	0.036	0.723	0.550
GM_RI_Clbrtd	0.094	0.658	0.116	22.039	0.047	0.721	0.516
TrETSS_RI_25SBM	0.214	7.197	0.080	40.640	0.067	0.656	0.474
TPDPS_RI	0.138	3.440	0.074	30.499	0.074	0.607	0.478
CT_Anlst	0.016	0.060	0.066	4.091	0.116	0.448	0.197
TrETSS_RW_25SBM	0.059	1.586	0.047	64.032	0.117	0.590	0.417
TrES_EP_25SBM	0.289	44.184	0.043	143.065	0.063	0.535	0.384
BP_Anlst _Clbrtd	0.055	2.482	0.035	17,129.334	0.109	0.591	0.375
BP_HDZ	0.021	1.645	0.016	30.972	0.111	0.562	0.383
BP_HDZ_Clbrtd	- 0.044	20.557	- 0.010	41.213	0.120	0.497	0.362
PE_RI_Clbrtd	- 0.067	45.040	- 0.010	45.211	0.116	0.519	0.392
TrETSS_HDZ_25SBM	- 0.277	626.876	- 0.011	586.761	0.116	0.496	0.360
Naive_Clbrtd	- 0.079	7.755	- 0.028	58.988	0.138	0.448	0.239
FPM_Anlst	- 0.008	0.073	- 0.029	3.701	0.165	0.309	0.202
GM_RW_Clbrtd	- 0.050	2.577	- 0.031	18.486	0.111	0.397	0.353

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Table 108 : ICC Optimal Portfolios - Last Non Missing Estimate Sample, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
PEG_RW	- 0.038	1.406	- 0.032	13.453	0.135	0.445	0.321
PEG_Anlst _Clbrtd	- 0.016	0.230	- 0.033	8.559	0.235	0.386	0.207
BP_RW_Clbrtd	- 0.127	13.372	- 0.035	1,554.245	0.142	0.466	0.366
TPDPS_Anlst_Clbrtd	- 0.161	6.601	- 0.063	27.409	0.146	0.386	0.315
FPM_HDZ	- 0.022	0.086	- 0.074	3.388	0.231	0.216	0.138
TrETSS_RW_10Ind	- 0.134	3.026	- 0.077	88.211	0.206	0.388	0.291
TPDPS_RW_Clbrtd	- 0.358	14.708	- 0.093	80.471	0.140	0.366	0.302
TrOHE_10Ind	- 0.138	1.898	- 0.100	55.896	0.243	0.349	0.234
FGHJ_RW_Clbrtd	- 0.130	1.565	- 0.104	17.948	0.227	0.266	0.204
TrES_EP_10Ind	- 0.136	1.537	- 0.110	60.126	0.312	0.347	0.243
GM_HDZ	- 0.040	0.127	- 0.111	5.012	0.329	0.248	0.084
MPEG_HDZ_Clbrtd	- 0.271	5.776	- 0.113	9.163	0.178	0.333	0.208
WNG_EP	- 2.647	495.334	- 0.119	102.323	0.174	0.255	0.097
TrES_RW_10Ind	- 0.423	12.079	- 0.122	83.929	0.172	0.263	0.182
TrES_HDZ_10Ind	- 0.344	7.067	- 0.130	74.908	0.219	0.283	0.172
MPEG_HDZ	- 0.053	0.144	- 0.139	3.980	0.372	0.173	0.043
WNG_RW	- 0.739	25.877	- 0.145	70.465	0.202	0.207	0.141
FGHJ_EP	- 0.909	33.788	- 0.156	7.735	0.171	0.211	0.128
TPDPS_Anlst	- 0.817	26.774	- 0.158	27.134	0.199	0.214	0.162
TPDPS_HDZ	- 0.599	13.522	- 0.163	40.039	0.214	0.213	0.174
TPDPS_EP	- 0.567	11.375	- 0.168	67.278	0.300	0.235	0.156
DKL_RW	- 0.214	1.491	- 0.176	7.378	0.220	0.150	0.088
DKL_EP_Clbrtd	- 2.166	132.345	- 0.188	120.571	0.228	0.145	0.078
KMY_RW	- 0.234	1.485	- 0.192	7.267	0.236	0.130	0.075
HL_RW	- 0.240	1.485	- 0.197	7.331	0.240	0.124	0.071
GG_RI	- 0.465	5.252	- 0.203	40.356	0.440	0.207	0.053
GLS_RI_Clbrtd	- 1.299	38.461	- 0.209	21.931	0.228	0.119	0.076
GLS_RW	- 0.269	1.574	- 0.214	11.510	0.263	0.105	0.060
GLS_RI	- 3.447	244.030	- 0.221	55.402	0.243	0.127	0.075
CT_RI	- 2.207	98.784	- 0.222	28.219	0.220	0.104	0.075
HL_EP_Clbrtd	- 0.844	14.116	- 0.225	5.177	0.343	0.100	0.062
GM_RW	- 0.565	6.072	- 0.229	39.029	0.295	0.099	0.054

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Table 108 : ICC Optimal Portfolios - Last Non Missing Estimate Sample, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
PEG_RI	- 0.480	4.318	- 0.231	28.712	0.320	0.123	0.072
3FF_Factor	- 1.085	20.799	- 0.238	48.113	0.288	0.119	0.075
TrES_Anlst _10Ind	- 5.732	567.313	- 0.241	59.473	0.253	0.070	0.036
Naive	- 21.721	7,868.971	- 0.245	905.301	0.269	0.102	0.057
CT_EP	- 0.262	1.135	- 0.246	33.140	0.361	0.098	0.066
CT_RW	- 0.147	0.348	- 0.249	12.285	0.416	0.024	0.004
MPEG_RW	- 4.179	257.417	- 0.260	8.563	0.385	0.097	0.045
MPEG_RW_Clbrtd	- 0.370	1.990	- 0.263	15.907	0.396	0.092	0.033
TPDPS_RI_Clbrtd	- 1.403	26.238	- 0.274	37.515	0.314	0.068	0.045
MPEG_RI_Clbrtd	- 0.214	0.594	- 0.277	7.253	0.473	0.058	0.029
FPM_EP_Clbrtd	- 0.273	0.878	- 0.292	4.318	0.503	0.031	0.020
TPDPS_EP_Clbrtd	- 0.709	5.709	- 0.297	24.534	0.443	0.066	0.023
BP_RW	- 0.637	4.516	- 0.300	59.252	0.383	0.063	0.039
TrETSS_EP_10Ind	- 0.408	1.593	- 0.323	31.259	0.545	0.084	0.033
WNG_HDZ	- 1.332	13.994	- 0.356	136.370	0.502	0.059	0.033
FPM_RI_Clbrtd	- 0.358	0.872	- 0.383	7.898	0.671	0.008	0.006
Mean-variance	- 0.473	0.857	- 0.511	18.063	1.000	0.020	0.036

This table report the out-of-sample results of the tangency portfolio using ICC ex-ante expected return estimates, as well as other benchmark strategies. It is similar to table (106) except that missing ICC estimates are replaced by the last non missing estimates up to 12 months ahead. For each portfolio strategy, the Mean column contains the annualised average monthly excess return, the Var column contains the annualised average return variance, the Sharpe column contains the annualised average Sharpe ratio, the Turnover column contains the average monthly turnover, the MeanV column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the mean-variance portfolio is zero, the 1/N column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the 1/N portfolio is zero, the MinVar column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the minimum variance portfolio is zero. P-values were computed using the Ledoit and Wolf (2008) non-parametric bootstrap method with a block size of 10 and 5,000 replications. The historical window used for computing the covariance matrix, and the first moment for the portfolios is 60 months. The covariance matrix is Ledoit and Wolf (2004) estimator.

Table 109 : ICC Timing Portfolios - Last Non Missing Estimate Sample

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
PE_RI	0.122	0.036	0.642	0.303	0.000	0.000	0.000
PE_HDZ	0.117	0.036	0.614	0.288	0.000	0.000	0.000
PE_EP	0.114	0.035	0.605	0.301	0.000	0.000	0.001
TrES_EP_10Ind	0.113	0.036	0.593	0.693	0.003	0.029	0.013
GG_RI	0.100	0.038	0.514	0.371	0.008	0.037	0.006
TrES_Anlst _25SBM	0.104	0.041	0.509	1.106	0.014	0.072	0.029
FGHJ_RI	0.091	0.032	0.506	0.327	0.000	0.000	0.000
DKL_RI	0.091	0.034	0.497	0.430	0.001	0.001	0.005
KMY_RI	0.093	0.035	0.495	0.421	0.001	0.002	0.005
HL_RI	0.090	0.034	0.491	0.407	0.001	0.001	0.006
GLS_RI	0.089	0.033	0.487	0.341	0.001	0.000	0.000
GM_HDZ_Clbrtd	0.096	0.039	0.484	0.322	0.003	0.016	0.003
CT_RI	0.091	0.037	0.473	0.410	0.004	0.058	0.042
TrOHE_25SBM	0.098	0.043	0.471	1.130	0.036	0.163	0.073
TrES_RW_25SBM	0.089	0.036	0.467	1.001	0.070	0.291	0.146
BP_EP	0.092	0.039	0.466	0.394	0.006	0.017	0.011
PE_HDZ_Clbrtd	0.079	0.029	0.463	0.302	0.004	0.023	0.034
GLS_HDZ	0.084	0.034	0.456	0.262	0.002	0.000	0.009
GG_HDZ	0.086	0.036	0.455	0.259	0.010	0.020	0.035
MPEG_HDZ_Clbrtd	0.089	0.039	0.451	0.310	0.011	0.055	0.011
GG_RW	0.084	0.035	0.447	0.277	0.007	0.014	0.023
BP_RI	0.089	0.040	0.447	0.396	0.012	0.042	0.026
TPDPS_RI	0.091	0.042	0.445	0.402	0.010	0.033	0.024
KMY_HDZ_Clbrtd	0.085	0.037	0.442	0.307	0.008	0.034	0.009
DKL_HDZ_Clbrtd	0.084	0.036	0.441	0.295	0.006	0.027	0.007
HL_HDZ_Clbrtd	0.084	0.037	0.440	0.300	0.006	0.033	0.008
TrES_HDZ_25SBM	0.087	0.039	0.439	1.140	0.061	0.294	0.145
FGHJ_HDZ	0.081	0.034	0.439	0.256	0.004	0.001	0.015
TrES_Anlst _10Ind	0.075	0.029	0.438	0.667	0.045	0.220	0.103
CT_HDZ_Clbrtd	0.078	0.033	0.432	0.264	0.007	0.004	0.014
MPEG_EP	0.079	0.033	0.432	0.280	0.008	0.090	0.021

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Table 109 : ICC Timing Portfolios - Last Non Missing Estimate Sample, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
GG_HDZ_Clbrtd	0.080	0.035	0.428	0.273	0.015	0.030	0.030
CT_HDZ	0.081	0.036	0.425	0.262	0.020	0.059	0.058
GLS_RI_Clbrtd	0.079	0.035	0.422	0.367	0.011	0.086	0.024
MPEG_RI	0.075	0.033	0.413	0.278	0.011	0.081	0.044
TPDPS_RI_Clbrtd	0.084	0.042	0.412	0.429	0.020	0.128	0.067
PE_EP_Clbrtd	0.078	0.036	0.412	0.328	0.060	0.325	0.180
FGHJ_EP	0.072	0.031	0.411	0.263	0.002	0.003	0.010
GLS_EP	0.073	0.031	0.411	0.264	0.004	0.011	0.016
GM_RI	0.074	0.033	0.409	0.280	0.012	0.112	0.052
TPDPS_EP	0.085	0.043	0.409	0.400	0.037	0.224	0.083
GG_RI_Clbrtd	0.081	0.040	0.405	0.445	0.072	0.389	0.153
BP_HDZ	0.082	0.041	0.403	0.442	0.027	0.178	0.080
FGHJ_RI_Clbrtd	0.072	0.032	0.402	0.364	0.006	0.173	0.054
DKL_EP	0.070	0.030	0.402	0.298	0.010	0.091	0.042
GM_EP	0.073	0.033	0.402	0.277	0.021	0.281	0.075
HL_EP	0.070	0.030	0.400	0.293	0.015	0.124	0.052
GLS_Anlst	0.073	0.034	0.400	0.261	0.009	0.025	0.042
GLS_HDZ_Clbrtd	0.074	0.034	0.399	0.273	0.018	0.080	0.034
FGHJ_HDZ_Clbrtd	0.073	0.034	0.396	0.258	0.014	0.062	0.027
KMY_RI_Clbrtd	0.073	0.034	0.395	0.369	0.028	0.269	0.104
WNG_RW	0.097	0.061	0.395	0.763	0.329	0.757	0.514
TPDPS_EP_Clbrtd	0.081	0.042	0.394	0.447	0.027	0.264	0.100
PEG_EP_Clbrtd	0.070	0.032	0.392	0.324	0.117	0.609	0.349
TPDPS_HDZ	0.081	0.043	0.389	0.444	0.050	0.372	0.137
MPEG_Anlst _Clbrtd	0.075	0.037	0.388	0.275	0.016	0.061	0.020
TrETSS_Anlst _10Ind	0.068	0.031	0.385	0.484	0.046	0.579	0.253
BP_Anlst	0.078	0.042	0.382	0.456	0.045	0.396	0.145
PEG_RI	0.080	0.044	0.381	0.348	0.197	0.731	0.414
CT_EP_Clbrtd	0.070	0.034	0.380	0.319	0.036	0.337	0.183
PEG_Anlst	0.071	0.035	0.380	0.313	0.029	0.300	0.039
DKL_HDZ	0.072	0.036	0.380	0.262	0.044	0.288	0.154
FGHJ_Anlst	0.069	0.033	0.380	0.254	0.013	0.059	0.067

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Table 109 : ICC Timing Portfolios - Last Non Missing Estimate Sample, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
TPDPS_Anlst	0.080	0.044	0.379	0.444	0.062	0.481	0.177
MPEG_Anlst	0.071	0.035	0.379	0.286	0.024	0.201	0.064
TPDPS_Anlst_Clbrtd	0.080	0.044	0.379	0.449	0.060	0.483	0.178
TrES_RW_10Ind	0.073	0.038	0.378	0.550	0.279	0.787	0.572
TPDPS_HDZ_Clbrtd	0.078	0.043	0.377	0.451	0.066	0.512	0.196
GM_Anlst _Clbrtd	0.071	0.035	0.376	0.260	0.017	0.061	0.039
PE_Anlst _Clbrtd	0.066	0.031	0.375	0.296	0.017	0.277	0.229
Naive	0.080	0.046	0.375	0.465	0.077	0.571	0.210
DKL_RI_Clbrtd	0.068	0.034	0.373	0.361	0.052	0.519	0.216
TrES_EP_25SBM	0.068	0.033	0.373	1.148	0.145	0.720	0.487
Naive_Clbrtd	0.079	0.046	0.371	0.467	0.082	0.612	0.233
HL_Anlst	0.068	0.034	0.370	0.268	0.025	0.246	0.102
TrETSS_RI_25SBM	0.071	0.037	0.369	0.613	0.198	0.791	0.475
DKL_Anlst	0.068	0.034	0.368	0.263	0.024	0.254	0.116
PEG_HDZ_Clbrtd	0.077	0.044	0.368	0.371	0.126	0.680	0.249
KMY_EP	0.066	0.033	0.365	0.329	0.071	0.628	0.226
KMY_HDZ	0.069	0.036	0.364	0.261	0.077	0.580	0.269
TPDPS_RW_Clbrtd	0.081	0.050	0.364	0.463	0.135	0.791	0.415
BP_RW	0.078	0.046	0.364	0.471	0.090	0.751	0.347
GM_Anlst	0.067	0.034	0.362	0.266	0.028	0.387	0.120
PE_Anlst	0.069	0.036	0.362	0.289	0.079	0.646	0.330
HL_Anlst _Clbrtd	0.067	0.035	0.362	0.253	0.024	0.186	0.108
DKL_Anlst _Clbrtd	0.067	0.034	0.362	0.252	0.023	0.151	0.114
CT_Anlst _Clbrtd	0.066	0.033	0.359	0.256	0.023	0.233	0.145
GLS_Anlst _Clbrtd	0.065	0.033	0.358	0.265	0.031	0.345	0.149
HL_RI_Clbrtd	0.065	0.033	0.358	0.332	0.074	0.739	0.312
HL_HDZ	0.068	0.036	0.358	0.261	0.082	0.680	0.295
FGHJ_EP_Clbrtd	0.063	0.031	0.357	0.327	0.094	0.791	0.327
GG_EP_Clbrtd	0.075	0.044	0.356	0.346	0.127	0.820	0.346
TPDPS_RW	0.080	0.051	0.355	0.468	0.216	0.899	0.537
TrETSS_Anlst _25SBM	0.065	0.034	0.354	0.760	0.109	0.847	0.487
PEG_Anlst _Clbrtd	0.068	0.037	0.354	0.285	0.067	0.693	0.133

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Table 109 : ICC Timing Portfolios - Last Non Missing Estimate Sample, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
KMY_Anlst _Clbrtd	0.063	0.032	0.354	0.239	0.021	0.282	0.206
BP_RW_Clbrtd	0.078	0.048	0.353	0.497	0.144	0.875	0.425
KMY_EP_Clbrtd	0.067	0.036	0.353	0.314	0.138	0.845	0.346
HL_EP_Clbrtd	0.065	0.034	0.352	0.285	0.131	0.851	0.386
FGHJ_Anlst _Clbrtd	0.064	0.033	0.352	0.260	0.033	0.513	0.181
CT_Anlst	0.064	0.034	0.348	0.269	0.048	0.797	0.262
MPEG_RW_Clbrtd	0.064	0.034	0.347	0.431	0.081	0.940	0.499
FPM_Anlst	0.062	0.032	0.346	0.263	0.044	0.777	0.259
FPM_RW_Clbrtd	0.075	0.047	0.346	0.561	0.317	0.967	0.647
GM_EP_Clbrtd	0.063	0.034	0.344	0.325	0.088	0.941	0.325
CT_EP	0.061	0.031	0.343	0.304	0.110	0.985	0.478
BP_Anlst _Clbrtd	0.071	0.043	0.343	0.432	0.164	0.986	0.465
TrES_RI_25SBM	0.066	0.037	0.342	1.097	0.321	0.999	0.685
VT	0.060	0.030	0.342	0.227	0.022	1.000	0.291
CT_RI_Clbrtd	0.061	0.032	0.341	0.405	0.200	0.995	0.594
DKL_EP_Clbrtd	0.063	0.034	0.341	0.301	0.172	0.991	0.485
TrOHE_10Ind	0.068	0.040	0.340	0.511	0.312	0.987	0.684
KMY_Anlst	0.062	0.033	0.339	0.258	0.037	0.881	0.262
GG_Anlst _Clbrtd	0.062	0.033	0.337	0.248	0.033	0.753	0.259
MPEG_HDZ	0.065	0.038	0.335	0.261	0.165	0.872	0.534
GM_RW	0.062	0.035	0.333	0.275	0.075	0.721	0.340
HL_RW_Clbrtd	0.059	0.031	0.332	0.268	0.032	0.634	0.394
KMY_RW_Clbrtd	0.058	0.031	0.331	0.267	0.034	0.613	0.401
FGHJ_RW_Clbrtd	0.065	0.038	0.331	0.324	0.131	0.830	0.547
FGHJ_RW	0.062	0.036	0.330	0.368	0.135	0.802	0.572
GG_Anlst	0.060	0.033	0.330	0.256	0.052	0.514	0.350
GLS_EP_Clbrtd	0.059	0.033	0.327	0.327	0.179	0.785	0.587
TrETSS_RW_25SBM	0.062	0.036	0.327	0.553	0.171	0.795	0.628
DKL_RW_Clbrtd	0.058	0.031	0.327	0.281	0.047	0.471	0.453
BP_EP_Clbrtd	0.063	0.038	0.325	0.423	0.304	0.813	0.725
DKL_RW	0.058	0.032	0.325	0.334	0.088	0.530	0.530
GM_HDZ	0.063	0.038	0.324	0.262	0.205	0.698	0.657

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Table 109 : ICC Timing Portfolios - Last Non Missing Estimate Sample, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
GLS_RW_Clbrtd	0.057	0.031	0.320	0.296	0.087	0.396	0.555
FPM_HDZ_Clbrtd	0.061	0.037	0.318	0.293	0.215	0.634	0.731
CT_RW	0.060	0.036	0.318	0.287	0.111	0.389	0.657
TrES_RI_10Ind	0.055	0.030	0.318	0.609	0.331	0.772	0.811
TrETSS_RI_10Ind	0.063	0.039	0.315	0.429	0.423	0.799	0.854
MPEG_EP_Clbrtd	0.059	0.035	0.315	0.341	0.243	0.712	0.818
FPM_Anlst _Clbrtd	0.058	0.034	0.314	0.261	0.218	0.554	0.738
HL_RW	0.056	0.031	0.314	0.327	0.118	0.288	0.700
BP_HDZ_Clbrtd	0.064	0.042	0.313	0.444	0.340	0.669	0.827
KMY_RW	0.056	0.032	0.313	0.331	0.123	0.271	0.715
GG_EP	0.071	0.051	0.312	0.347	0.379	0.717	0.867
TrETSS_HDZ_25SBM	0.063	0.041	0.312	0.744	0.376	0.683	0.847
GG_RW_Clbrtd	0.051	0.027	0.311	0.305	0.522	0.815	0.919
PEG_RW_Clbrtd	0.057	0.035	0.307	0.319	0.322	0.587	0.869
TrETSS_EP_10Ind	0.055	0.033	0.305	0.397	0.267	0.470	0.870
TrES_HDZ_10Ind	0.053	0.031	0.304	0.623	0.430	0.693	0.945
FPM_HDZ	0.056	0.035	0.301	0.291	0.334	0.423	0.953
BP_RI_Clbrtd	0.060	0.040	0.300	0.433	0.436	0.582	0.968
1/N	0.062	0.043	0.297	0.230	0.225	0.291	1.000
PE_RI_Clbrtd	0.055	0.035	0.297	0.294	0.441	0.558	0.999
GLS_RW	0.054	0.033	0.297	0.396	0.230	0.297	0.992
PE_RW	0.072	0.060	0.294	0.273	0.740	0.837	0.987
FPM_RI	0.054	0.036	0.287	0.562	0.522	0.550	0.912
CT_RW_Clbrtd	0.060	0.044	0.286	0.419	0.594	0.629	0.923
TrETSS_EP_25SBM	0.055	0.038	0.283	0.539	0.481	0.379	0.838
FPM_EP_Clbrtd	0.050	0.033	0.279	0.388	0.451	0.335	0.762
FPM_RI_Clbrtd	0.051	0.035	0.272	0.506	0.542	0.265	0.696
FPM_EP	0.048	0.032	0.270	0.466	0.592	0.379	0.742
MPEG_RW	0.051	0.037	0.265	0.287	0.597	0.255	0.614
TrETSS_HDZ_10Ind	0.053	0.040	0.264	0.472	0.660	0.348	0.683
PEG_HDZ	0.051	0.039	0.256	0.274	0.647	0.108	0.478
TrETSS_RW_10Ind	0.047	0.035	0.253	0.396	0.796	0.473	0.713

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Table 109 : ICC Timing Portfolios - Last Non Missing Estimate Sample, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
GM_RW_Clbrtd	0.049	0.037	0.253	0.441	0.684	0.281	0.536
GM_RI_Clbrtd	0.047	0.037	0.244	0.389	0.757	0.112	0.439
RRT	0.036	0.028	0.216	0.265	1.000	0.022	0.225
WNG_Anlst	0.069	0.135	0.189	1.532	0.636	0.402	0.472
WNG_RI	0.039	0.050	0.174	0.865	0.803	0.277	0.396
Carhart_Factor	0.025	0.024	0.160	0.445	0.617	0.087	0.241
MPEG_RI_Clbrtd	0.026	0.036	0.135	0.385	0.547	0.085	0.180
PEG_EP	0.030	0.051	0.132	0.328	0.611	0.192	0.278
CAPM_Factor	0.020	0.034	0.109	0.427	0.571	0.213	0.314
PEG_RI_Clbrtd	0.022	0.044	0.103	0.347	0.454	0.075	0.157
FPM_RW	0.020	0.042	0.097	0.763	0.395	0.038	0.102
WNG_EP	0.014	0.048	0.062	0.990	0.237	0.017	0.047
PEG_RW	0.015	0.063	0.059	0.352	0.398	0.105	0.184
WNG_HDZ	0.014	0.066	0.053	0.474	0.474	0.218	0.288
3FF_Factor	0.009	0.030	0.050	0.453	0.259	0.050	0.090
5FF_Factor	0.004	0.024	0.023	0.496	0.128	0.012	0.035
PE_RW_Clbrtd	- 0.055	0.115	- 0.161	0.277	0.118	0.030	0.036

This table report the out-of-sample results of the market timing portfolio using ICC ex-ante expected return estimates, as well as other benchmark strategies. It is similar to table (107) except that missing ICC estimates are replaced by the last non missing estimates up to 12 months ahead. For each portfolio strategy, the Mean column contains the annualised average monthly excess return, the Var column contains the annualised average return variance, the Sharpe column contains the annualised average Sharpe ratio, the Turnover column contains the average monthly turnover, the RRT column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the conventional Reward-to-Risk Timing (RRT) portfolio is zero, the 1/N column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the 1/N portfolio is zero, the VT column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the Volatility Timing (VT) portfolio is zero. P-values were computed using the Ledoit and Wolf (2008) non-parametric bootstrap method with a block size of 10 and 5,000 replications. The historical window used for computing the covariance matrix, and the first moment for the portfolios is 60 months. The covariance matrix is Ledoit and Wolf (2004) estimator.

Table 110 : ICC Optimal Portfolios with Constrained Turnover

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
WNG_EP	0.106	0.046	0.495	0.146	0.008	0.354	0.318
KMY_HDZ_Clbrtd	0.091	0.037	0.470	0.143	0.015	0.259	0.079
HL_HDZ_Clbrtd	0.089	0.036	0.466	0.143	0.015	0.263	0.080
DKL_HDZ_Clbrtd	0.088	0.036	0.466	0.143	0.015	0.262	0.077
PEG_RW_Clbrtd	0.084	0.034	0.461	0.165	0.012	0.247	0.055
GM_HDZ_Clbrtd	0.087	0.038	0.448	0.129	0.016	0.306	0.139
PEG_HDZ_Clbrtd	0.089	0.041	0.439	0.146	0.020	0.332	0.129
MPEG_HDZ_Clbrtd	0.084	0.038	0.434	0.129	0.018	0.334	0.161
CT_HDZ_Clbrtd	0.080	0.034	0.431	0.121	0.018	0.344	0.146
GM_EP	0.081	0.036	0.430	0.123	0.016	0.331	0.287
PE_RI	0.085	0.039	0.428	0.121	0.019	0.357	0.062
PE_HDZ	0.086	0.043	0.416	0.119	0.023	0.406	0.125
MPEG_EP	0.080	0.037	0.415	0.119	0.016	0.364	0.340
KMY_RI_Clbrtd	0.074	0.032	0.414	0.142	0.017	0.352	0.249
FGHJ_HDZ_Clbrtd	0.072	0.033	0.397	0.142	0.022	0.422	0.206
KMY_EP_Clbrtd	0.071	0.033	0.395	0.147	0.018	0.411	0.365
GLS_HDZ_Clbrtd	0.073	0.034	0.395	0.143	0.023	0.427	0.223
GG_HDZ_Clbrtd	0.077	0.038	0.395	0.122	0.024	0.437	0.275
FPM_HDZ_Clbrtd	0.073	0.034	0.393	0.146	0.020	0.409	0.286
GM_RI	0.073	0.035	0.392	0.119	0.021	0.412	0.390
GLS_RI_Clbrtd	0.071	0.034	0.389	0.145	0.018	0.407	0.380
MPEG_RW_Clbrtd	0.072	0.035	0.387	0.128	0.021	0.441	0.348
GM_RW_Clbrtd	0.073	0.036	0.387	0.128	0.022	0.447	0.334
MPEG_RI	0.072	0.035	0.386	0.119	0.020	0.413	0.399
DKL_RI_Clbrtd	0.069	0.032	0.383	0.140	0.019	0.420	0.388
HL_EP	0.071	0.034	0.383	0.124	0.021	0.437	0.394
GG_RI	0.076	0.039	0.383	0.125	0.028	0.463	0.235
GM_HDZ	0.079	0.042	0.381	0.117	0.028	0.505	0.432
HL_RI_Clbrtd	0.068	0.031	0.381	0.140	0.019	0.423	0.408
PE_HDZ_Clbrtd	0.071	0.034	0.381	0.117	0.021	0.482	0.335
MPEG_HDZ	0.078	0.043	0.378	0.117	0.029	0.516	0.445

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Table 110 : ICC Optimal Portfolios with Constrained Turnover, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
GM_RI_Clbrtd	0.068	0.033	0.373	0.123	0.022	0.464	0.487
FPM_EP	0.065	0.030	0.371	0.125	0.021	0.480	0.451
PEG_RW	0.069	0.034	0.370	0.166	0.025	0.469	0.241
GG_RW	0.073	0.039	0.370	0.122	0.024	0.503	0.320
GG_HDZ	0.074	0.040	0.370	0.117	0.027	0.521	0.351
DKL_EP	0.069	0.035	0.368	0.124	0.024	0.483	0.456
BP_EP	0.079	0.046	0.368	0.119	0.026	0.523	0.505
GG_RI_Clbrtd	0.073	0.039	0.367	0.143	0.032	0.522	0.429
GM_EP_Clbrtd	0.064	0.031	0.367	0.126	0.023	0.489	0.492
BP_RI	0.078	0.045	0.367	0.118	0.025	0.520	0.513
CT_HDZ	0.074	0.041	0.366	0.118	0.029	0.535	0.403
CT_RW_Clbrtd	0.071	0.039	0.362	0.141	0.019	0.477	0.586
PE_EP	0.070	0.038	0.361	0.125	0.027	0.527	0.426
FGHJ_HDZ	0.070	0.038	0.360	0.119	0.030	0.552	0.409
GG_EP_Clbrtd	0.072	0.040	0.360	0.145	0.033	0.585	0.524
KMY_RI	0.067	0.034	0.360	0.119	0.027	0.515	0.447
TPDPS_RI	0.079	0.049	0.358	0.119	0.030	0.561	0.563
MPEG_Anlst _Clbrtd	0.073	0.042	0.357	0.122	0.032	0.556	0.513
GLS_Anlst	0.070	0.039	0.357	0.119	0.031	0.544	0.518
KMY_EP	0.067	0.035	0.356	0.124	0.026	0.527	0.573
DKL_RI	0.065	0.034	0.355	0.116	0.025	0.528	0.477
GM_Anlst _Clbrtd	0.070	0.040	0.354	0.122	0.032	0.560	0.523
HL_Anlst	0.072	0.041	0.352	0.118	0.035	0.575	0.612
HL_RI	0.064	0.033	0.352	0.116	0.025	0.531	0.508
DKL_Anlst	0.071	0.041	0.352	0.119	0.035	0.572	0.603
DKL_RW_Clbrtd	0.062	0.032	0.351	0.137	0.025	0.522	0.579
GLS_HDZ	0.068	0.037	0.350	0.118	0.031	0.575	0.470
HL_EP_Clbrtd	0.062	0.031	0.350	0.142	0.021	0.530	0.625
MPEG_Anlst	0.073	0.043	0.350	0.118	0.037	0.593	0.638
FGHJ_EP_Clbrtd	0.061	0.030	0.350	0.133	0.021	0.532	0.578
FPM_HDZ	0.067	0.037	0.349	0.119	0.030	0.568	0.605
BP_RW_Clbrtd	0.079	0.051	0.349	0.140	0.034	0.591	0.619

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Table 110 : ICC Optimal Portfolios with Constrained Turnover, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
DKL_EP_Clbrtd	0.062	0.031	0.349	0.142	0.022	0.536	0.633
CT_Anlst _Clbrtd	0.065	0.035	0.348	0.125	0.030	0.563	0.570
CT_Anlst	0.073	0.043	0.348	0.120	0.035	0.593	0.629
BP_EP_Clbrtd	0.073	0.044	0.347	0.139	0.030	0.568	0.634
FGHJ_Anlst	0.067	0.038	0.347	0.119	0.032	0.571	0.599
FGHJ_RI_Clbrtd	0.063	0.032	0.347	0.133	0.023	0.531	0.588
BP_HDZ_Clbrtd	0.077	0.050	0.347	0.139	0.032	0.589	0.618
FGHJ_EP	0.065	0.035	0.346	0.123	0.030	0.557	0.531
HL_Anlst _Clbrtd	0.065	0.035	0.346	0.124	0.032	0.573	0.583
DKL_Anlst _Clbrtd	0.064	0.034	0.345	0.124	0.031	0.571	0.585
PEG_Anlst _Clbrtd	0.070	0.041	0.345	0.123	0.035	0.594	0.617
GLS_RW_Clbrtd	0.062	0.032	0.345	0.138	0.026	0.555	0.666
BP_RI_Clbrtd	0.073	0.045	0.345	0.138	0.032	0.578	0.656
GM_Anlst	0.070	0.041	0.344	0.118	0.038	0.603	0.677
TPDPS_EP_Clbrtd	0.076	0.049	0.343	0.118	0.036	0.613	0.652
FGHJ_RI	0.064	0.035	0.343	0.120	0.029	0.571	0.547
HL_HDZ	0.068	0.040	0.342	0.119	0.036	0.616	0.608
DKL_HDZ	0.067	0.039	0.341	0.119	0.035	0.611	0.570
KMY_HDZ	0.068	0.039	0.341	0.118	0.036	0.618	0.607
BP_HDZ	0.076	0.050	0.340	0.117	0.034	0.618	0.679
HL_RW_Clbrtd	0.060	0.031	0.340	0.136	0.026	0.557	0.660
GLS_EP_Clbrtd	0.061	0.032	0.340	0.135	0.022	0.554	0.631
FGHJ_RW_Clbrtd	0.064	0.035	0.339	0.150	0.028	0.580	0.699
KMY_RW_Clbrtd	0.060	0.032	0.338	0.136	0.027	0.563	0.673
TPDPS_HDZ	0.078	0.054	0.338	0.118	0.033	0.630	0.702
TrOHE_10Ind	0.066	0.039	0.336	0.121	0.030	0.605	0.727
TrES_HDZ_25SBM	0.069	0.042	0.335	0.121	0.035	0.629	0.710
TPDPS_RW	0.075	0.051	0.334	0.119	0.035	0.646	0.704
TPDPS_HDZ_Clbrtd	0.077	0.054	0.333	0.119	0.035	0.644	0.736
BP_Anlst	0.075	0.050	0.332	0.117	0.037	0.644	0.744
TPDPS_Anlst_Clbrtd	0.077	0.055	0.330	0.119	0.036	0.657	0.761
GLS_Anlst _Clbrtd	0.060	0.033	0.329	0.124	0.032	0.615	0.709

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Table 110 : ICC Optimal Portfolios with Constrained Turnover, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
PEG_Anlst	0.069	0.044	0.329	0.117	0.042	0.657	0.775
Naive_Clbrtd	0.077	0.055	0.329	0.119	0.036	0.660	0.766
Naive	0.077	0.054	0.328	0.119	0.036	0.660	0.768
FPM_RW_Clbrtd	0.063	0.037	0.328	0.145	0.032	0.634	0.731
TPDPS_RI_Clbrtd	0.072	0.049	0.328	0.119	0.037	0.654	0.771
TPDPS_EP	0.073	0.049	0.327	0.120	0.038	0.661	0.760
FGHJ_Anlst _Clbrtd	0.059	0.033	0.326	0.124	0.032	0.624	0.737
TrETSS_RW_25SBM	0.065	0.039	0.325	0.118	0.035	0.653	0.819
TrES_EP_25SBM	0.064	0.039	0.324	0.118	0.034	0.638	0.801
TPDPS_Anlst	0.075	0.054	0.324	0.119	0.037	0.675	0.806
PE_Anlst _Clbrtd	0.060	0.035	0.322	0.121	0.032	0.664	0.778
FPM_RI	0.057	0.032	0.320	0.122	0.030	0.642	0.811
CT_RI_Clbrtd	0.059	0.034	0.320	0.121	0.034	0.658	0.795
FPM_Anlst _Clbrtd	0.057	0.032	0.320	0.146	0.030	0.635	0.800
PEG_HDZ	0.067	0.044	0.318	0.118	0.044	0.699	0.843
GG_EP	0.067	0.046	0.316	0.125	0.037	0.689	0.860
BP_RW	0.069	0.048	0.316	0.123	0.042	0.701	0.863
CT_RI	0.062	0.039	0.315	0.116	0.031	0.676	0.834
TPDPS_RW_Clbrtd	0.071	0.050	0.315	0.116	0.038	0.700	0.848
KMY_Anlst	0.061	0.038	0.314	0.122	0.040	0.679	0.867
Carhart_Factor	0.060	0.036	0.314	0.117	0.029	0.676	0.902
WNG_RI	0.171	0.297	0.313	0.315	0.011	0.710	0.932
PE_Anlst	0.067	0.046	0.313	0.120	0.042	0.713	0.842
FPM_Anlst	0.059	0.036	0.312	0.118	0.038	0.679	0.888
BP_Anlst _Clbrtd	0.070	0.052	0.310	0.119	0.040	0.713	0.888
CT_EP_Clbrtd	0.056	0.032	0.310	0.133	0.031	0.684	0.903
TrES_Anlst _25SBM	0.062	0.040	0.310	0.119	0.027	0.669	0.880
TrES_HDZ_10Ind	0.059	0.036	0.308	0.117	0.038	0.696	0.902
GLS_EP	0.058	0.035	0.307	0.124	0.037	0.697	0.907
FPM_RW	0.057	0.036	0.302	0.126	0.041	0.726	0.950
TrES_RI_25SBM	0.059	0.038	0.301	0.120	0.041	0.727	0.961
GLS_RI	0.056	0.034	0.301	0.120	0.039	0.720	0.965

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Table 110 : ICC Optimal Portfolios with Constrained Turnover, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
TrOHE_25SBM	0.061	0.041	0.298	0.122	0.044	0.759	0.997
PEG_EP_Clbrtd	0.053	0.032	0.297	0.148	0.025	0.712	0.999
1/N	0.062	0.043	0.297	0.230	0.036	0.741	1.000
PE_EP_Clbrtd	0.058	0.038	0.297	0.116	0.041	0.732	0.998
CT_RW	0.059	0.039	0.296	0.132	0.035	0.732	0.994
KMY_Anlst _Clbrtd	0.052	0.030	0.296	0.123	0.035	0.727	0.993
PE_RW	0.065	0.048	0.295	0.117	0.039	0.769	0.988
GG_Anlst	0.057	0.038	0.295	0.124	0.044	0.746	0.983
MPEG_RW	0.055	0.036	0.292	0.128	0.040	0.749	0.943
FPM_RI_Clbrtd	0.051	0.032	0.284	0.144	0.036	0.766	0.900
TrETSS_Anlst _25SBM	0.054	0.037	0.279	0.124	0.041	0.805	0.874
GM_RW	0.053	0.037	0.278	0.129	0.049	0.806	0.796
GG_Anlst _Clbrtd	0.052	0.035	0.277	0.125	0.041	0.802	0.790
TrETSS_RI_25SBM	0.054	0.039	0.275	0.122	0.041	0.824	0.854
CT_EP	0.052	0.036	0.274	0.128	0.041	0.817	0.778
5FF_Factor	0.050	0.034	0.272	0.122	0.041	0.824	0.824
CAPM_Factor	0.051	0.035	0.272	0.119	0.036	0.822	0.842
TrES_EP_10Ind	0.051	0.037	0.267	0.118	0.048	0.839	0.739
TrETSS_EP_10Ind	0.051	0.037	0.265	0.120	0.043	0.855	0.800
HL_RW	0.048	0.033	0.264	0.131	0.042	0.850	0.645
KMY_RW	0.048	0.033	0.264	0.131	0.042	0.853	0.640
TrES_RW_25SBM	0.053	0.042	0.258	0.108	0.053	0.889	0.465
PEG_EP	0.048	0.035	0.255	0.144	0.050	0.886	0.555
DKL_RW	0.046	0.035	0.249	0.137	0.045	0.906	0.543
FGHJ_RW	0.046	0.036	0.246	0.130	0.050	0.921	0.476
PEG_RI	0.044	0.032	0.243	0.141	0.051	0.926	0.287
TrETSS_EP_25SBM	0.047	0.041	0.233	0.121	0.057	0.971	0.535
TrES_RI_10Ind	0.045	0.038	0.232	0.119	0.058	0.974	0.474
WNG_RW	1.584	47.591	0.230	0.830	0.002	0.986	0.812
3FF_Factor	0.042	0.035	0.225	0.120	0.053	0.998	0.588
Minimum Variance	0.031	0.019	0.225	0.791	0.020	1.000	0.741
TrES_Anlst _10Ind	0.042	0.036	0.220	0.117	0.067	0.984	0.372

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Table 110 : ICC Optimal Portfolios with Constrained Turnover, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
WNG_HDZ	1.543	49.818	0.219	1.011	0.003	0.982	0.787
TrETSS_HDZ_10Ind	0.039	0.034	0.213	0.123	0.059	0.958	0.359
TrETSS_Anlst _10Ind	0.039	0.036	0.206	0.121	0.066	0.930	0.400
TrETSS_RI_10Ind	0.039	0.036	0.205	0.114	0.057	0.932	0.386
GLS_RW	0.038	0.034	0.204	0.136	0.062	0.923	0.266
FPM_EP_Clbrtd	0.034	0.030	0.196	0.138	0.062	0.887	0.196
PE_RI_Clbrtd	0.036	0.037	0.187	0.112	0.059	0.855	0.249
TrETSS_HDZ_25SBM	0.037	0.045	0.175	0.120	0.083	0.832	0.319
TrETSS_RW_10Ind	0.028	0.042	0.138	0.118	0.105	0.721	0.122
GG_RW_Clbrtd	0.025	0.038	0.128	0.126	0.096	0.661	0.074
MPEG_EP_Clbrtd	0.021	0.039	0.105	0.124	0.097	0.609	0.122
PE_RW_Clbrtd	0.021	0.051	0.092	0.112	0.134	0.620	0.013
MPEG_RI_Clbrtd	0.015	0.034	0.080	0.116	0.123	0.505	0.025
TrES_RW_10Ind	0.013	0.037	0.066	0.105	0.140	0.510	0.013
PEG_RI_Clbrtd	0.012	0.040	0.061	0.111	0.116	0.470	0.044
WNG_Anlst	- 0.258	4.824	- 0.117	0.732	0.147	0.228	0.192
Mean-variance	- 0.473	0.857	- 0.511	18.063	1.000	0.020	0.036

This table report the out-of-sample results of the tangency portfolio with constrained turnover using ICC ex-ante expected return estimates, as well as other benchmark strategies. For each portfolio strategy, the Mean column contains the annualised average monthly excess return, the Var column contains the annualised average return variance, the Sharpe column contains the annualised average Sharpe ratio, the Turnover column contains the average monthly turnover, the MeanV column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the mean-variance portfolio is zero, the 1/N column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the 1/N portfolio is zero, the MinVar column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the minimum variance portfolio is zero. P-values were computed using the Ledoit and Wolf (2008) non-parametric bootstrap method with a block size of 10 and 5,000 replications. The historical window used for computing the covariance matrix, and the first moment for the portfolios is 60 months. The covariance matrix is Ledoit and Wolf (2004) estimator.

Table 111 : ICC Timing Portfolios with Constrained Turnover

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
WNG_EP	0.079	0.028	0.473	0.123	0.049	0.305	0.163
GM_EP	0.084	0.033	0.465	0.117	0.010	0.195	0.127
MPEG_EP	0.081	0.033	0.450	0.115	0.016	0.242	0.159
PE_HDZ	0.080	0.032	0.448	0.114	0.017	0.130	0.103
PE_RW	0.088	0.039	0.448	0.199	0.035	0.285	0.101
WNG_RI	0.088	0.039	0.446	0.140	0.101	0.433	0.244
GM_HDZ_Clbrtd	0.083	0.035	0.442	0.123	0.014	0.215	0.120
PEG_RW_Clbrtd	0.082	0.034	0.441	0.160	0.006	0.122	0.049
HL_HDZ_Clbrtd	0.081	0.035	0.435	0.137	0.012	0.207	0.109
TrES_RW_10Ind	0.067	0.024	0.433	0.159	0.021	0.255	0.187
KMY_HDZ_Clbrtd	0.081	0.035	0.432	0.137	0.014	0.226	0.121
DKL_HDZ_Clbrtd	0.080	0.034	0.432	0.137	0.013	0.221	0.117
GM_RI	0.076	0.032	0.430	0.115	0.015	0.269	0.178
MPEG_RI	0.075	0.032	0.425	0.116	0.016	0.289	0.186
MPEG_HDZ_Clbrtd	0.080	0.036	0.421	0.122	0.027	0.314	0.172
PEG_HDZ_Clbrtd	0.083	0.039	0.421	0.142	0.026	0.311	0.158
KMY_EP_Clbrtd	0.077	0.034	0.413	0.139	0.019	0.347	0.184
KMY_RI_Clbrtd	0.075	0.033	0.411	0.137	0.027	0.375	0.208
TrES_EP_10Ind	0.073	0.032	0.411	0.112	0.100	0.487	0.330
GG_EP	0.082	0.041	0.409	0.132	0.043	0.460	0.282
CT_HDZ_Clbrtd	0.073	0.032	0.409	0.116	0.028	0.354	0.215
MPEG_RW_Clbrtd	0.075	0.034	0.403	0.134	0.034	0.369	0.197
KMY_RI	0.071	0.031	0.403	0.116	0.026	0.377	0.224
FPM_HDZ_Clbrtd	0.074	0.034	0.402	0.139	0.022	0.402	0.214
HL_RI	0.070	0.030	0.401	0.113	0.029	0.401	0.246
FGHJ_EP_Clbrtd	0.070	0.030	0.400	0.126	0.035	0.448	0.254
FPM_EP	0.069	0.029	0.400	0.119	0.032	0.488	0.293
HL_EP	0.068	0.030	0.398	0.117	0.029	0.421	0.263
FGHJ_RI	0.069	0.030	0.396	0.117	0.031	0.392	0.216
FGHJ_HDZ_Clbrtd	0.072	0.033	0.394	0.134	0.035	0.457	0.237
DKL_EP	0.068	0.030	0.393	0.117	0.032	0.451	0.277

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Table 111 : ICC Timing Portfolios with Constrained Turnover, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
GLS_HDZ_Clbrtd	0.071	0.033	0.391	0.135	0.041	0.478	0.250
PE_HDZ_Clbrtd	0.065	0.028	0.391	0.115	0.065	0.515	0.330
GLS_RI_Clbrtd	0.071	0.033	0.391	0.138	0.062	0.534	0.305
HL_RI_Clbrtd	0.070	0.032	0.390	0.134	0.045	0.534	0.307
TrES_RW_25SBM	0.069	0.031	0.390	0.150	0.032	0.314	0.111
DKL_RI	0.068	0.031	0.389	0.113	0.048	0.515	0.313
HL_EP_Clbrtd	0.070	0.032	0.389	0.134	0.041	0.533	0.308
KMY_EP	0.068	0.031	0.388	0.118	0.042	0.519	0.318
GG_HDZ_Clbrtd	0.071	0.033	0.387	0.117	0.059	0.530	0.315
DKL_EP_Clbrtd	0.070	0.033	0.386	0.135	0.044	0.552	0.318
PE_RI	0.070	0.033	0.386	0.114	0.079	0.523	0.297
DKL_RI_Clbrtd	0.070	0.033	0.385	0.134	0.058	0.583	0.340
TrES_EP_25SBM	0.070	0.034	0.382	0.115	0.119	0.686	0.460
PEG_RW	0.071	0.035	0.382	0.161	0.065	0.555	0.276
GM_HDZ	0.072	0.036	0.380	0.115	0.100	0.674	0.439
CT_RI_Clbrtd	0.067	0.032	0.379	0.130	0.047	0.602	0.345
TrES_RI_10Ind	0.068	0.032	0.378	0.119	0.148	0.721	0.498
FGHJ_EP	0.065	0.030	0.378	0.117	0.041	0.554	0.296
CT_EP_Clbrtd	0.067	0.032	0.376	0.125	0.062	0.643	0.393
GLS_RW_Clbrtd	0.067	0.032	0.376	0.128	0.054	0.652	0.385
GLS_EP_Clbrtd	0.067	0.032	0.376	0.127	0.049	0.614	0.330
CT_HDZ	0.069	0.034	0.376	0.114	0.067	0.599	0.352
GLS_RI	0.065	0.030	0.376	0.117	0.060	0.585	0.305
MPEG_Anlst _Clbrtd	0.071	0.035	0.376	0.117	0.060	0.641	0.358
GM_RW_Clbrtd	0.071	0.036	0.375	0.128	0.072	0.630	0.318
FPM_Anlst _Clbrtd	0.069	0.034	0.375	0.139	0.047	0.642	0.351
CT_EP	0.066	0.031	0.374	0.120	0.044	0.624	0.366
TrES_HDZ_25SBM	0.071	0.036	0.374	0.118	0.133	0.743	0.467
BP_EP	0.070	0.035	0.372	0.114	0.118	0.706	0.450
GLS_HDZ	0.066	0.032	0.371	0.115	0.067	0.648	0.370
DKL_RW_Clbrtd	0.066	0.032	0.370	0.128	0.056	0.698	0.410
DKL_HDZ	0.068	0.034	0.370	0.115	0.075	0.671	0.395

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Table 111 : ICC Timing Portfolios with Constrained Turnover, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
MPEG_Anlst	0.069	0.035	0.370	0.116	0.107	0.742	0.465
FGHJ_HDZ	0.067	0.032	0.370	0.115	0.066	0.660	0.378
GG_HDZ	0.067	0.033	0.370	0.113	0.092	0.673	0.402
GG_EP_Clbrtd	0.072	0.038	0.370	0.147	0.071	0.632	0.230
TrOHE_25SBM	0.069	0.035	0.369	0.120	0.244	0.825	0.576
GLS_Anlst	0.067	0.033	0.369	0.116	0.085	0.718	0.434
TrETSS_RW_25SBM	0.068	0.034	0.369	0.117	0.162	0.795	0.533
CT_RW_Clbrtd	0.069	0.035	0.369	0.143	0.102	0.729	0.428
PE_Anlst _Clbrtd	0.064	0.030	0.368	0.117	0.082	0.729	0.472
TPDPS_RI	0.071	0.037	0.368	0.115	0.115	0.733	0.459
GM_Anlst _Clbrtd	0.068	0.034	0.368	0.116	0.066	0.709	0.402
FPM_EP_Clbrtd	0.067	0.033	0.368	0.140	0.076	0.749	0.448
FGHJ_Anlst	0.067	0.033	0.368	0.115	0.081	0.733	0.442
MPEG_HDZ	0.070	0.036	0.367	0.114	0.112	0.762	0.484
FGHJ_RW_Clbrtd	0.069	0.035	0.367	0.140	0.097	0.746	0.434
HL_RW_Clbrtd	0.065	0.031	0.366	0.127	0.063	0.740	0.437
HL_HDZ	0.068	0.034	0.365	0.115	0.091	0.741	0.446
HL_Anlst	0.068	0.034	0.365	0.116	0.105	0.774	0.480
KMY_RW_Clbrtd	0.065	0.032	0.365	0.127	0.067	0.756	0.447
FGHJ_RI_Clbrtd	0.066	0.032	0.365	0.125	0.090	0.758	0.436
GLS_EP	0.063	0.030	0.364	0.117	0.063	0.698	0.367
GG_RW	0.065	0.032	0.363	0.116	0.078	0.733	0.418
FPM_RI	0.063	0.030	0.363	0.117	0.088	0.794	0.490
DKL_Anlst	0.067	0.034	0.363	0.116	0.106	0.794	0.491
KMY_HDZ	0.067	0.034	0.362	0.115	0.100	0.765	0.458
DKL_Anlst _Clbrtd	0.066	0.033	0.362	0.117	0.071	0.770	0.444
HL_Anlst _Clbrtd	0.066	0.034	0.362	0.117	0.072	0.772	0.444
FPM_HDZ	0.066	0.034	0.361	0.116	0.109	0.813	0.519
CT_Anlst _Clbrtd	0.066	0.033	0.361	0.117	0.073	0.779	0.458
GM_Anlst	0.067	0.034	0.361	0.116	0.117	0.818	0.512
PE_EP	0.066	0.033	0.360	0.119	0.128	0.806	0.492
GLS_Anlst _Clbrtd	0.065	0.033	0.359	0.117	0.076	0.799	0.462

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Table 111 : ICC Timing Portfolios with Constrained Turnover, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
KMY_Anlst _Clbrtd	0.064	0.032	0.359	0.116	0.076	0.807	0.480
FGHJ_Anlst _Clbrtd	0.065	0.033	0.358	0.117	0.076	0.812	0.472
BP_EP_Clbrtd	0.066	0.034	0.358	0.135	0.149	0.846	0.542
GG_RI_Clbrtd	0.069	0.037	0.357	0.135	0.180	0.847	0.489
TrETSS_EP_10Ind	0.063	0.031	0.356	0.118	0.169	0.884	0.605
FPM_Anlst	0.064	0.032	0.356	0.115	0.113	0.855	0.540
CT_RI	0.065	0.034	0.356	0.111	0.134	0.867	0.565
BP_RI	0.068	0.036	0.356	0.113	0.177	0.865	0.571
WNG_Anlst	0.107	0.091	0.355	0.153	0.457	0.901	0.706
TrES_HDZ_10Ind	0.058	0.027	0.354	0.117	0.162	0.892	0.608
CT_Anlst	0.066	0.034	0.354	0.116	0.135	0.885	0.561
GM_EP_Clbrtd	0.062	0.032	0.351	0.122	0.131	0.904	0.554
TPDPS_HDZ	0.068	0.038	0.350	0.116	0.171	0.922	0.579
GM_RW	0.064	0.033	0.348	0.120	0.099	0.917	0.491
TPDPS_EP	0.067	0.037	0.348	0.116	0.166	0.939	0.590
PEG_Anlst _Clbrtd	0.066	0.036	0.347	0.119	0.128	0.939	0.553
TPDPS_EP_Clbrtd	0.066	0.036	0.347	0.116	0.168	0.947	0.608
MPEG_RW	0.063	0.033	0.346	0.119	0.110	0.942	0.506
TPDPS_HDZ_Clbrtd	0.067	0.038	0.346	0.116	0.182	0.961	0.606
PEG_Anlst	0.064	0.035	0.345	0.117	0.190	0.971	0.637
TrOHE_10Ind	0.066	0.036	0.345	0.119	0.266	0.981	0.701
HL_RW	0.060	0.031	0.344	0.121	0.103	0.976	0.552
KMY_RW	0.060	0.031	0.342	0.121	0.109	0.997	0.566
VT	0.060	0.030	0.342	0.227	0.022	1.000	0.291
TrES_RI_25SBM	0.061	0.032	0.341	0.117	0.162	0.992	0.636
BP_HDZ_Clbrtd	0.065	0.036	0.341	0.135	0.195	0.992	0.646
DKL_RW	0.060	0.031	0.340	0.123	0.115	0.981	0.582
KMY_Anlst	0.062	0.034	0.340	0.116	0.150	0.980	0.637
PEG_EP_Clbrtd	0.058	0.030	0.339	0.156	0.090	0.956	0.469
TPDPS_RI_Clbrtd	0.064	0.036	0.338	0.116	0.200	0.964	0.676
TrETSS_RI_25SBM	0.061	0.033	0.338	0.120	0.279	0.970	0.720
BP_RI_Clbrtd	0.063	0.035	0.337	0.134	0.240	0.957	0.696

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Table 111 : ICC Timing Portfolios with Constrained Turnover, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
TrES_Anlst _25SBM	0.063	0.035	0.337	0.115	0.208	0.948	0.683
TPDPS_Anlst_Clbrtd	0.066	0.039	0.336	0.117	0.217	0.946	0.674
TPDPS_Anlst	0.066	0.039	0.334	0.116	0.227	0.922	0.693
GG_Anlst _Clbrtd	0.061	0.033	0.334	0.117	0.137	0.906	0.661
GG_Anlst	0.061	0.034	0.333	0.117	0.162	0.910	0.678
BP_HDZ	0.065	0.038	0.333	0.114	0.228	0.912	0.720
PE_Anlst	0.061	0.034	0.331	0.116	0.217	0.880	0.702
FPM_RI_Clbrtd	0.060	0.033	0.331	0.139	0.190	0.891	0.709
Carhart_Factor	0.057	0.030	0.330	0.116	0.380	0.930	0.836
Naive	0.066	0.040	0.330	0.117	0.254	0.881	0.730
CAPM_Factor	0.054	0.027	0.329	0.136	0.328	0.917	0.823
BP_Anlst	0.064	0.038	0.329	0.115	0.261	0.879	0.760
Naive_Clbrtd	0.065	0.040	0.329	0.117	0.257	0.873	0.736
BP_RW_Clbrtd	0.067	0.041	0.327	0.139	0.262	0.862	0.748
CT_RW	0.058	0.032	0.326	0.121	0.174	0.821	0.738
GG_RI	0.063	0.037	0.326	0.123	0.334	0.855	0.760
TPDPS_RW_Clbrtd	0.067	0.043	0.324	0.112	0.340	0.853	0.797
TPDPS_RW	0.067	0.044	0.323	0.115	0.360	0.854	0.803
BP_Anlst _Clbrtd	0.062	0.037	0.322	0.116	0.260	0.795	0.788
PEG_HDZ	0.062	0.037	0.321	0.115	0.276	0.810	0.812
TrETSS_Anlst _25SBM	0.056	0.031	0.318	0.122	0.300	0.806	0.854
GG_RW_Clbrtd	0.056	0.033	0.312	0.184	0.185	0.491	0.794
FGHJ_RW	0.054	0.032	0.304	0.123	0.283	0.564	0.935
TrETSS_Anlst _10Ind	0.051	0.029	0.304	0.116	0.376	0.683	0.948
1/N	0.062	0.043	0.297	0.230	0.225	0.291	1.000
PE_EP_Clbrtd	0.055	0.035	0.295	0.114	0.445	0.583	0.984
PEG_RI_Clbrtd	0.051	0.030	0.295	0.145	0.282	0.440	0.969
PEG_EP	0.051	0.030	0.295	0.137	0.355	0.443	0.970
BP_RW	0.058	0.041	0.289	0.121	0.492	0.585	0.939
MPEG_EP_Clbrtd	0.048	0.031	0.272	0.132	0.510	0.250	0.712
TrETSS_EP_25SBM	0.051	0.035	0.271	0.117	0.573	0.397	0.785
5FF_Factor	0.045	0.028	0.269	0.120	0.669	0.575	0.852

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Table 111 : ICC Timing Portfolios with Constrained Turnover, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
GM_RI_Clbrtd	0.046	0.032	0.261	0.125	0.609	0.244	0.626
GLS_RW	0.044	0.030	0.253	0.127	0.651	0.187	0.572
FPM_RW_Clbrtd	0.042	0.030	0.241	0.165	0.698	0.049	0.431
MPEG_RI_Clbrtd	0.044	0.034	0.240	0.122	0.844	0.362	0.638
PE_RW_Clbrtd	0.048	0.042	0.232	0.220	0.849	0.069	0.155
TrETSS_HDZ_25SBM	0.044	0.036	0.232	0.118	0.895	0.314	0.575
TrES_Anlst _10Ind	0.038	0.028	0.228	0.116	0.895	0.168	0.485
TrETSS_HDZ_10Ind	0.041	0.033	0.224	0.124	0.949	0.353	0.586
TrETSS_RI_10Ind	0.040	0.034	0.219	0.123	0.978	0.216	0.435
RRT	0.036	0.028	0.216	0.265	1.000	0.022	0.225
PEG_RI	0.037	0.030	0.215	0.138	0.994	0.068	0.188
PE_RI_Clbrtd	0.035	0.033	0.196	0.110	0.852	0.100	0.323
FPM_RW	0.033	0.029	0.193	0.127	0.726	0.006	0.089
3FF_Factor	0.031	0.032	0.173	0.117	0.750	0.244	0.443
TrETSS_RW_10Ind	0.027	0.034	0.145	0.123	0.596	0.100	0.238
WNG_RW	0.025	0.040	0.124	0.132	0.486	0.070	0.110
WNG_HDZ	- 0.001	0.049	- 0.004	0.115	0.189	0.040	0.074

This table report the out-of-sample results of the market timing portfolio with constrained turnover using ICC ex-ante expected return estimates, as well as other benchmark strategies. For each portfolio strategy, the Mean column contains the annualised average monthly excess return, the Var column contains the annualised average return variance, the Sharpe column contains the annualised average Sharpe ratio, the Turnover column contains the average monthly turnover, the RRT column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the conventional Reward-to-Risk Timing (RRT) portfolio is zero, the 1/N column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the 1/N portfolio is zero, the VT column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the Volatility Timing (VT) portfolio is zero. P-values were computed using the Ledoit and Wolf (2008) non-parametric bootstrap method with a block size of 10 and 5,000 replications. The historical window used for computing the covariance matrix, and the first moment for the portfolios is 60 months. The covariance matrix is Ledoit and Wolf (2004) estimator.

Table 112 : ICC Timing Portfolios - An Alternative Tuning Parameter $\eta = 2$

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
PE_RI	0.151	0.041	0.750	0.511	0.000	0.004	0.000
PE_RW	0.087	0.018	0.651	0.272	0.022	0.338	0.051
GM_HDZ_Clbrtd	0.103	0.031	0.587	0.546	0.000	0.086	0.001
DKL_RI	0.104	0.036	0.554	0.578	0.001	0.128	0.009
PE_HDZ_Clbrtd	0.092	0.028	0.548	0.493	0.003	0.257	0.019
HL_HDZ_Clbrtd	0.099	0.033	0.542	0.545	0.001	0.114	0.003
CT_HDZ_Clbrtd	0.094	0.030	0.541	0.515	0.000	0.022	0.002
CT_RI	0.105	0.038	0.540	0.585	0.001	0.248	0.018
DKL_HDZ_Clbrtd	0.097	0.032	0.538	0.537	0.001	0.114	0.003
TrES_EP_10Ind	0.106	0.039	0.535	0.833	0.005	0.461	0.015
HL_RI	0.100	0.035	0.533	0.570	0.002	0.167	0.012
KMY_RI	0.101	0.036	0.533	0.595	0.002	0.204	0.014
PE_HDZ	0.101	0.037	0.528	0.551	0.001	0.237	0.004
KMY_HDZ_Clbrtd	0.097	0.034	0.527	0.555	0.002	0.210	0.004
GLS_HDZ_Clbrtd	0.094	0.033	0.520	0.523	0.001	0.117	0.002
GLS_RI	0.099	0.036	0.520	0.607	0.004	0.258	0.009
PEG_HDZ_Clbrtd	0.105	0.041	0.518	0.611	0.008	0.434	0.011
GG_HDZ_Clbrtd	0.091	0.033	0.504	0.535	0.002	0.279	0.007
FGHJ_RI	0.092	0.034	0.504	0.583	0.002	0.199	0.005
FGHJ_EP_Clbrtd	0.089	0.032	0.501	0.501	0.001	0.128	0.004
FGHJ_HDZ_Clbrtd	0.089	0.032	0.500	0.511	0.001	0.160	0.002
KMY_RW	0.093	0.035	0.497	0.680	0.000	0.152	0.001
BP_EP	0.094	0.036	0.495	0.563	0.007	0.541	0.041
GG_RW	0.090	0.033	0.493	0.540	0.001	0.258	0.004
DKL_RW	0.094	0.037	0.491	0.719	0.001	0.220	0.002
GLS_HDZ	0.090	0.034	0.489	0.525	0.001	0.188	0.004
BP_RI	0.093	0.036	0.488	0.571	0.009	0.586	0.049
FPM_RI	0.088	0.032	0.488	0.659	0.002	0.389	0.019
DKL_EP	0.092	0.036	0.487	0.543	0.001	0.318	0.010
MPEG_HDZ_Clbrtd	0.089	0.033	0.487	0.556	0.002	0.416	0.008
HL_RW	0.091	0.036	0.485	0.705	0.001	0.239	0.002

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Table 112 : ICC Timing Portfolios - An Alternative Tuning Parameter $\eta = 2$, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
GLS_EP_Clbrtd	0.087	0.033	0.484	0.504	0.001	0.192	0.003
HL_EP	0.089	0.035	0.480	0.540	0.001	0.350	0.011
GLS_EP	0.087	0.033	0.479	0.545	0.001	0.180	0.005
GG_EP_Clbrtd	0.088	0.035	0.473	0.629	0.010	0.702	0.066
MPEG_Anlst _Clbrtd	0.084	0.032	0.467	0.533	0.002	0.324	0.005
FGHJ_EP	0.083	0.032	0.465	0.544	0.001	0.239	0.005
FGHJ_HDZ	0.086	0.034	0.465	0.525	0.001	0.361	0.006
PE_Anlst _Clbrtd	0.083	0.032	0.465	0.569	0.004	0.488	0.023
PE_EP	0.092	0.039	0.463	0.486	0.024	0.739	0.062
GM_Anlst _Clbrtd	0.081	0.031	0.456	0.510	0.001	0.280	0.005
GLS_Anlst _Clbrtd	0.080	0.031	0.455	0.513	0.001	0.233	0.005
TPDPS_RI_Clbrtd	0.097	0.045	0.454	0.611	0.017	0.782	0.069
KMY_EP	0.083	0.034	0.453	0.571	0.005	0.633	0.030
GG_HDZ	0.084	0.034	0.453	0.509	0.005	0.614	0.014
TPDPS_RI	0.096	0.045	0.450	0.609	0.018	0.806	0.076
TPDPS_EP	0.095	0.045	0.450	0.606	0.018	0.808	0.076
TrES_RI_25SBM	0.088	0.038	0.449	1.246	0.047	0.848	0.114
FGHJ_Anlst _Clbrtd	0.079	0.031	0.449	0.503	0.001	0.205	0.005
GLS_Anlst	0.081	0.033	0.449	0.527	0.003	0.476	0.007
HL_Anlst _Clbrtd	0.080	0.032	0.448	0.512	0.001	0.389	0.005
DKL_Anlst _Clbrtd	0.079	0.031	0.446	0.510	0.001	0.394	0.006
TPDPS_EP_Clbrtd	0.095	0.045	0.446	0.608	0.019	0.830	0.078
CT_RW	0.088	0.039	0.444	0.602	0.004	0.708	0.015
KMY_HDZ	0.081	0.034	0.441	0.508	0.005	0.719	0.020
KMY_Anlst _Clbrtd	0.077	0.030	0.441	0.485	0.001	0.187	0.009
BP_Anlst	0.089	0.041	0.439	0.637	0.013	0.854	0.067
DKL_HDZ	0.080	0.033	0.438	0.513	0.004	0.744	0.021
DKL_RW_Clbrtd	0.077	0.031	0.438	0.538	0.001	0.425	0.005
BP_EP_Clbrtd	0.085	0.038	0.438	0.605	0.031	0.870	0.099
KMY_RW_Clbrtd	0.076	0.030	0.435	0.529	0.001	0.452	0.006
CT_Anlst _Clbrtd	0.077	0.031	0.435	0.524	0.002	0.638	0.011
BP_HDZ	0.087	0.040	0.434	0.624	0.014	0.880	0.070

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Table 112 : ICC Timing Portfolios - An Alternative Tuning Parameter $\eta = 2$, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
CT_HDZ	0.081	0.035	0.433	0.526	0.007	0.818	0.027
HL_RW_Clbrtd	0.075	0.030	0.433	0.539	0.001	0.505	0.007
BP_Anlst _Clbrtd	0.090	0.044	0.431	0.663	0.030	0.914	0.090
HL_HDZ	0.078	0.033	0.431	0.510	0.005	0.834	0.026
BP_RW	0.092	0.046	0.430	0.657	0.024	0.921	0.121
r_HighLow_Clbrtd	0.095	0.050	0.425	0.646	0.033	0.953	0.131
FGHJ_Anlst	0.076	0.032	0.425	0.518	0.004	0.836	0.013
MPEG_RW	0.077	0.033	0.424	0.554	0.004	0.871	0.013
BP_HDZ_Clbrtd	0.088	0.043	0.422	0.645	0.038	0.968	0.109
GLS_RI_Clbrtd	0.073	0.031	0.417	0.574	0.005	0.991	0.028
VT	0.071	0.029	0.416	0.470	0.001	1.000	0.016
PEG_RW_Clbrtd	0.075	0.033	0.416	0.566	0.009	0.999	0.024
GM_RW	0.076	0.033	0.414	0.563	0.005	0.973	0.020
CT_EP	0.083	0.041	0.413	0.574	0.008	0.976	0.067
PEG_HDZ	0.073	0.031	0.413	0.504	0.006	0.970	0.033
GG_RI	0.084	0.041	0.411	0.580	0.062	0.979	0.185
PEG_RW	0.076	0.034	0.411	0.543	0.008	0.940	0.011
HL_EP_Clbrtd	0.073	0.032	0.409	0.525	0.006	0.901	0.023
CT_RI_Clbrtd	0.071	0.031	0.408	0.578	0.011	0.943	0.085
PEG_Anlst _Clbrtd	0.076	0.034	0.408	0.562	0.011	0.913	0.018
GG_Anlst _Clbrtd	0.072	0.031	0.406	0.486	0.003	0.748	0.010
MPEG_RI	0.070	0.030	0.405	0.526	0.006	0.875	0.046
DKL_EP_Clbrtd	0.073	0.033	0.404	0.529	0.007	0.824	0.023
CAPM_Factor	0.069	0.029	0.403	0.548	0.089	0.945	0.273
GLS_RW_Clbrtd	0.070	0.030	0.401	0.559	0.002	0.763	0.013
MPEG_HDZ	0.070	0.031	0.401	0.506	0.009	0.843	0.052
FPM_Anlst _Clbrtd	0.072	0.032	0.401	0.498	0.006	0.773	0.016
TPDPS_Anlst_Clbrtd	0.085	0.047	0.394	0.644	0.041	0.867	0.146
GG_Anlst	0.070	0.032	0.393	0.492	0.005	0.550	0.012
MPEG_EP	0.066	0.029	0.392	0.544	0.003	0.681	0.025
DKL_RI_Clbrtd	0.070	0.032	0.392	0.581	0.008	0.794	0.053
TPDPS_Anlst	0.085	0.047	0.392	0.643	0.041	0.853	0.147

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Table 112 : ICC Timing Portfolios - An Alternative Tuning Parameter $\eta = 2$, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
PE_Anlst	0.076	0.038	0.392	0.567	0.021	0.776	0.058
KMY_Anlst	0.069	0.031	0.391	0.489	0.005	0.511	0.015
GM_RI_Clbrtd	0.075	0.037	0.390	0.544	0.019	0.836	0.139
FPM_HDZ_Clbrtd	0.074	0.036	0.389	0.529	0.016	0.713	0.051
TPDPS_HDZ_Clbrtd	0.084	0.046	0.389	0.638	0.041	0.835	0.155
TPDPS_HDZ	0.083	0.046	0.388	0.639	0.042	0.829	0.158
WNG_EP	0.087	0.050	0.388	0.971	0.053	0.825	0.141
FPM_RW_Clbrtd	0.080	0.043	0.386	0.617	0.038	0.835	0.171
KMY_EP_Clbrtd	0.071	0.034	0.385	0.555	0.010	0.629	0.022
Naive_Clbrtd	0.085	0.049	0.384	0.645	0.047	0.815	0.172
Naive	0.085	0.049	0.384	0.645	0.047	0.815	0.172
DKL_Anlst	0.066	0.030	0.382	0.502	0.009	0.460	0.037
TrETSS_Anlst _25SBM	0.071	0.035	0.378	0.949	0.011	0.794	0.174
FPM_Anlst	0.064	0.029	0.375	0.502	0.006	0.254	0.047
BP_RI_Clbrtd	0.075	0.040	0.373	0.605	0.082	0.766	0.225
GG_RI_Clbrtd	0.082	0.052	0.360	0.666	0.099	0.765	0.305
GM_RI	0.063	0.030	0.360	0.525	0.020	0.570	0.120
HL_Anlst	0.062	0.030	0.359	0.501	0.012	0.252	0.063
KMY_RI_Clbrtd	0.065	0.033	0.358	0.613	0.019	0.532	0.075
MPEG_RW_Clbrtd	0.065	0.033	0.358	0.679	0.031	0.510	0.147
FGHJ_RI_Clbrtd	0.064	0.033	0.353	0.586	0.011	0.378	0.087
HL_RI_Clbrtd	0.062	0.032	0.350	0.567	0.019	0.456	0.109
GM_RW_Clbrtd	0.066	0.036	0.349	0.712	0.064	0.545	0.185
CT_Anlst	0.061	0.031	0.348	0.524	0.020	0.235	0.098
FPM_RI_Clbrtd	0.066	0.038	0.341	0.600	0.068	0.519	0.146
FPM_HDZ	0.058	0.029	0.337	0.512	0.019	0.291	0.167
MPEG_RI_Clbrtd	0.064	0.036	0.337	0.526	0.042	0.511	0.184
GM_EP_Clbrtd	0.061	0.033	0.335	0.546	0.030	0.438	0.144
TrES_RW_10Ind	0.067	0.040	0.335	0.729	0.210	0.700	0.433
TrES_Anlst _10Ind	0.067	0.041	0.333	0.839	0.140	0.595	0.333
TPDPS_RW_Clbrtd	0.076	0.054	0.329	0.607	0.116	0.624	0.429
TrOHE_10Ind	0.057	0.030	0.327	0.672	0.086	0.550	0.372

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Table 112 : ICC Timing Portfolios - An Alternative Tuning Parameter $\eta = 2$, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
TPDPS_RW	0.076	0.054	0.326	0.634	0.113	0.600	0.411
PEG_Anlst	0.055	0.030	0.319	0.533	0.014	0.163	0.131
GM_Anlst	0.054	0.030	0.311	0.498	0.032	0.098	0.190
PEG_EP	0.053	0.031	0.302	0.591	0.046	0.165	0.219
GM_HDZ	0.054	0.032	0.301	0.509	0.067	0.273	0.312
CT_EP_Clbrtd	0.055	0.033	0.301	0.560	0.061	0.109	0.227
GM_EP	0.051	0.029	0.300	0.554	0.034	0.199	0.216
FPM_EP	0.052	0.030	0.295	0.612	0.062	0.154	0.332
PEG_EP_Clbrtd	0.048	0.027	0.295	0.489	0.122	0.389	0.455
TrOHE_25SBM	0.068	0.054	0.294	1.323	0.197	0.443	0.454
CT_RW_Clbrtd	0.050	0.030	0.291	0.620	0.110	0.417	0.478
PE_EP_Clbrtd	0.053	0.035	0.286	0.480	0.178	0.369	0.477
FPM_EP_Clbrtd	0.051	0.032	0.286	0.532	0.062	0.104	0.247
MPEG_Anlst	0.050	0.030	0.286	0.519	0.050	0.082	0.308
FGHJ_RW	0.055	0.038	0.281	0.757	0.103	0.226	0.386
GG_EP	0.044	0.025	0.277	0.604	0.196	0.389	0.572
TrES_HDZ_10Ind	0.047	0.031	0.268	0.748	0.154	0.339	0.554
GLS_RW	0.053	0.041	0.262	0.792	0.132	0.183	0.481
WNG_Anlst	0.078	0.088	0.262	0.718	0.250	0.323	0.493
WNG_RI	0.061	0.057	0.255	1.081	0.350	0.450	0.717
FGHJ_RW_Clbrtd	0.045	0.034	0.242	0.640	0.149	0.084	0.478
TrES_Anlst _25SBM	0.055	0.054	0.238	1.313	0.339	0.297	0.708
PEG_RI	0.043	0.032	0.237	0.538	0.153	0.076	0.587
TrES_RW_25SBM	0.046	0.038	0.235	1.046	0.391	0.437	0.810
BP_RW_Clbrtd	0.057	0.059	0.234	0.661	0.328	0.262	0.720
FPM_RW	0.043	0.035	0.232	0.820	0.275	0.263	0.743
MPEG_EP_Clbrtd	0.037	0.028	0.220	0.498	0.215	0.205	0.775
GG_RW_Clbrtd	0.034	0.026	0.208	0.453	0.485	0.353	0.899
Carhart_Factor	0.039	0.039	0.200	0.748	0.500	0.338	0.940
TrETSS_Anlst _10Ind	0.039	0.042	0.189	0.652	0.326	0.128	0.949
TrES_EP_25SBM	0.039	0.043	0.186	1.227	0.398	0.235	0.979
1/N	0.036	0.039	0.181	0.465	0.233	0.016	1.000

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Table 112 : ICC Timing Portfolios - An Alternative Tuning Parameter $\eta = 2$, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
TrETSS_EP_10Ind	0.035	0.043	0.168	0.630	0.317	0.093	0.919
TrETSS_RI_10Ind	0.030	0.044	0.144	0.577	0.572	0.162	0.832
TrETSS_HDZ_10Ind	0.026	0.034	0.143	0.567	0.586	0.148	0.827
TrES_RI_10Ind	0.027	0.035	0.143	0.768	0.632	0.122	0.835
3FF_Factor	0.036	0.063	0.143	0.586	0.694	0.280	0.878
TrETSS_RW_10Ind	0.030	0.051	0.133	0.661	0.699	0.175	0.797
WNG_HDZ	0.022	0.039	0.113	0.762	0.777	0.153	0.740
TrES_HDZ_25SBM	0.021	0.045	0.099	1.366	0.783	0.076	0.619
TrETSS_EP_25SBM	0.019	0.045	0.087	0.880	0.835	0.028	0.465
TrETSS_HDZ_25SBM	0.014	0.041	0.069	0.921	0.917	0.047	0.474
RRT	0.009	0.031	0.053	0.512	1.000	0.001	0.233
TrETSS_RI_25SBM	0.011	0.043	0.053	0.834	1.000	0.018	0.388
5FF_Factor	0.011	0.045	0.051	0.714	0.992	0.118	0.578
PEG_RI_Clbrtd	0.007	0.030	0.039	0.447	0.947	0.070	0.467
PE_RI_Clbrtd	0.004	0.031	0.024	0.451	0.861	0.015	0.329
PE_RW_Clbrtd	0.004	0.035	0.019	0.216	0.896	0.137	0.545
WNG_RW	0.002	0.065	0.008	0.868	0.838	0.054	0.376
TrETSS_RW_25SBM	- 0.023	0.044	- 0.107	0.801	0.303	0.003	0.035

This table report the out-of-sample results of the market timing portfolio using ICC ex-ante expected return estimates with a Tuning Parameter $\eta = 2$, as well as other benchmark strategies. For each portfolio strategy, the Mean column contains the annualised average monthly excess return, the Var column contains the annualised average return variance, the Sharpe column contains the annualised average Sharpe ratio, the Turnover column contains the average monthly turnover, the RRT column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the conventional Reward-to-Risk Timing (RRT) portfolio is zero, the 1/N column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the 1/N portfolio is zero, the VT column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the Volatility Timing (VT) portfolio is zero. P-values were computed using the Ledoit and Wolf (2008) non-parametric bootstrap method with a block size of 10 and 5,000 replications. The historical window used for computing the covariance matrix, and the first moment for the portfolios is 60 months. The covariance matrix is Ledoit and Wolf (2004) estimator.

Table 113 : ICC Optimal Portfolios - An Alternative Estimation Window

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
PE_RI	0.134	0.042	0.653	0.475	0.000	0.001	0.000
PE_RW	0.080	0.018	0.594	0.253	0.136	0.303	0.110
PE_HDZ	0.094	0.037	0.492	0.481	0.002	0.020	0.001
PE_HDZ_Clbrtd	0.087	0.032	0.487	0.454	0.017	0.164	0.022
BP_RW	0.105	0.048	0.483	0.629	0.036	0.210	0.025
PE_EP	0.094	0.040	0.468	0.440	0.047	0.282	0.040
TPDPS_RI	0.093	0.040	0.467	0.529	0.011	0.146	0.013
TPDPS_RW_Clbrtd	0.098	0.044	0.464	0.569	0.071	0.346	0.067
TPDPS_EP	0.092	0.040	0.464	0.527	0.013	0.160	0.014
TPDPS_RI_Clbrtd	0.092	0.040	0.463	0.533	0.013	0.158	0.013
TrES_EP_10Ind	0.090	0.038	0.462	0.757	0.058	0.359	0.048
BP_EP	0.088	0.036	0.461	0.509	0.020	0.185	0.021
GM_HDZ_Clbrtd	0.085	0.034	0.461	0.492	0.017	0.128	0.004
TPDPS_EP_Clbrtd	0.091	0.040	0.458	0.532	0.015	0.179	0.016
TPDPS_RW	0.101	0.049	0.456	0.594	0.081	0.354	0.058
TrES_RI_25SBM	0.091	0.040	0.456	1.062	0.099	0.387	0.068
BP_RI	0.087	0.037	0.456	0.516	0.024	0.210	0.025
CT_RI	0.087	0.037	0.451	0.546	0.013	0.170	0.025
GG_EP_Clbrtd	0.084	0.036	0.442	0.553	0.089	0.392	0.068
GLS_RI	0.085	0.037	0.441	0.525	0.011	0.078	0.002
DKL_EP	0.082	0.036	0.433	0.500	0.002	0.042	0.002
DKL_RI	0.082	0.036	0.433	0.535	0.009	0.154	0.017
HL_EP	0.081	0.035	0.431	0.498	0.002	0.041	0.002
GG_RW	0.081	0.036	0.429	0.489	0.004	0.054	0.001
HL_RI	0.080	0.036	0.424	0.524	0.010	0.169	0.017
FPM_RI	0.078	0.034	0.423	0.581	0.007	0.175	0.012
PEG_HDZ_Clbrtd	0.085	0.041	0.422	0.548	0.088	0.418	0.032
CT_HDZ_Clbrtd	0.076	0.033	0.420	0.478	0.007	0.042	0.002
FGHJ_EP_Clbrtd	0.078	0.034	0.419	0.469	0.003	0.053	0.003
KMY_RI	0.081	0.037	0.419	0.542	0.019	0.258	0.029
KMY_EP	0.077	0.034	0.416	0.521	0.002	0.168	0.011

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Table 113 : ICC Optimal Portfolios - An Alternative Estimation Window, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
KMY_HDZ_Clbrtd	0.078	0.036	0.412	0.505	0.029	0.227	0.006
Naive_Clbrtd	0.084	0.041	0.412	0.619	0.041	0.347	0.027
Naive	0.084	0.041	0.412	0.619	0.041	0.347	0.027
HL_HDZ_Clbrtd	0.077	0.035	0.411	0.498	0.020	0.180	0.005
DKL_HDZ_Clbrtd	0.076	0.035	0.410	0.495	0.018	0.165	0.004
TPDPS_Anlst_Clbrtd	0.082	0.040	0.409	0.598	0.033	0.325	0.025
GG_RI	0.086	0.044	0.409	0.514	0.206	0.637	0.186
TPDPS_Anlst	0.082	0.040	0.408	0.597	0.033	0.328	0.025
CT_RW	0.080	0.038	0.407	0.524	0.004	0.142	0.003
GLS_EP	0.077	0.035	0.407	0.498	0.006	0.062	0.001
PE_Anlst _Clbrtd	0.075	0.034	0.407	0.498	0.007	0.076	0.005
GG_HDZ_Clbrtd	0.076	0.035	0.405	0.490	0.031	0.263	0.008
BP_Anlst	0.081	0.040	0.405	0.591	0.047	0.377	0.035
TPDPS_HDZ	0.080	0.039	0.405	0.578	0.033	0.340	0.028
TPDPS_HDZ_Clbrtd	0.080	0.040	0.404	0.581	0.035	0.353	0.028
GLS_HDZ_Clbrtd	0.075	0.035	0.404	0.483	0.009	0.084	0.001
CAPM_Factor	0.067	0.028	0.401	0.503	0.284	0.702	0.273
BP_HDZ	0.079	0.039	0.400	0.566	0.043	0.390	0.040
GM_RI_Clbrtd	0.075	0.035	0.400	0.497	0.081	0.505	0.075
GLS_EP_Clbrtd	0.075	0.035	0.398	0.472	0.004	0.066	0.002
GLS_RI_Clbrtd	0.074	0.034	0.398	0.524	0.025	0.429	0.013
GG_HDZ	0.076	0.036	0.397	0.468	0.018	0.230	0.008
DKL_RW	0.077	0.037	0.397	0.582	0.003	0.116	0.002
GLS_HDZ	0.076	0.036	0.397	0.475	0.007	0.115	0.003
FGHJ_RI	0.075	0.036	0.397	0.512	0.009	0.199	0.003
CT_EP	0.077	0.038	0.396	0.518	0.017	0.359	0.026
KMY_RW	0.075	0.036	0.391	0.567	0.004	0.127	0.002
BP_EP_Clbrtd	0.075	0.037	0.391	0.542	0.077	0.523	0.065
FGHJ_EP	0.073	0.035	0.389	0.492	0.007	0.085	0.001
HL_RW	0.074	0.037	0.388	0.578	0.004	0.155	0.002
FGHJ_HDZ_Clbrtd	0.071	0.034	0.385	0.475	0.010	0.138	0.001
BP_Anlst _Clbrtd	0.077	0.040	0.383	0.594	0.082	0.571	0.056

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Table 113 : ICC Optimal Portfolios - An Alternative Estimation Window, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
CT_RI_Clbrtd	0.070	0.033	0.382	0.521	0.059	0.557	0.054
MPEG_HDZ_Clbrtd	0.072	0.036	0.382	0.496	0.058	0.481	0.019
FGHJ_HDZ	0.072	0.036	0.380	0.471	0.008	0.192	0.004
KMY_HDZ	0.071	0.035	0.379	0.465	0.025	0.350	0.012
CT_HDZ	0.071	0.035	0.379	0.469	0.021	0.342	0.012
BP_HDZ_Clbrtd	0.076	0.040	0.378	0.579	0.104	0.636	0.080
MPEG_RW	0.070	0.035	0.375	0.496	0.008	0.167	0.001
GM_RW	0.070	0.035	0.375	0.497	0.008	0.174	0.001
GLS_Anlst	0.069	0.035	0.371	0.475	0.013	0.242	0.003
PEG_RW	0.071	0.037	0.371	0.512	0.011	0.365	0.002
DKL_HDZ	0.069	0.035	0.370	0.466	0.026	0.427	0.014
KMY_Anlst _Clbrtd	0.067	0.034	0.364	0.456	0.005	0.026	0.003
MPEG_Anlst _Clbrtd	0.068	0.035	0.364	0.475	0.011	0.272	0.002
GLS_Anlst _Clbrtd	0.067	0.034	0.364	0.471	0.008	0.098	0.001
HL_HDZ	0.067	0.035	0.362	0.464	0.037	0.559	0.018
DKL_Anlst _Clbrtd	0.067	0.034	0.361	0.468	0.008	0.136	0.002
HL_Anlst _Clbrtd	0.067	0.035	0.360	0.468	0.009	0.162	0.002
CT_Anlst _Clbrtd	0.066	0.034	0.360	0.471	0.009	0.190	0.003
FGHJ_Anlst _Clbrtd	0.066	0.034	0.359	0.466	0.008	0.075	0.002
GM_Anlst _Clbrtd	0.066	0.035	0.358	0.466	0.010	0.230	0.002
MPEG_RI	0.064	0.033	0.355	0.479	0.062	0.700	0.022
HL_EP_Clbrtd	0.066	0.035	0.353	0.485	0.036	0.670	0.015
FGHJ_Anlst	0.065	0.034	0.352	0.469	0.019	0.527	0.005
DKL_EP_Clbrtd	0.065	0.035	0.348	0.486	0.042	0.766	0.016
WNG_RI	0.078	0.051	0.346	0.943	0.501	0.961	0.450
BP_RI_Clbrtd	0.068	0.039	0.346	0.544	0.211	0.924	0.173
KMY_RI_Clbrtd	0.066	0.037	0.343	0.557	0.136	0.932	0.066
TrOHE_25SBM	0.079	0.054	0.343	1.157	0.296	0.964	0.237
FPM_Anlst _Clbrtd	0.064	0.035	0.342	0.465	0.031	0.861	0.006
KMY_EP_Clbrtd	0.065	0.036	0.340	0.506	0.070	0.945	0.018
MPEG_EP	0.061	0.032	0.339	0.490	0.053	0.957	0.010
DKL_Anlst	0.062	0.034	0.339	0.463	0.039	0.939	0.007

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Table 113 : ICC Optimal Portfolios - An Alternative Estimation Window, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
PE_Anlst	0.065	0.037	0.339	0.491	0.114	0.977	0.048
Minimum Variance	0.061	0.033	0.337	0.450	0.013	1.000	0.006
MPEG_HDZ	0.062	0.034	0.337	0.460	0.095	0.998	0.045
KMY_RW_Clbrtd	0.062	0.034	0.337	0.480	0.019	0.978	0.005
TrES_Anlst _10Ind	0.067	0.039	0.336	0.720	0.278	0.996	0.274
PEG_EP	0.062	0.034	0.336	0.556	0.199	0.990	0.088
DKL_RW_Clbrtd	0.061	0.034	0.334	0.484	0.021	0.850	0.006
HL_RW_Clbrtd	0.061	0.034	0.334	0.483	0.022	0.817	0.007
HL_Anlst	0.061	0.033	0.334	0.463	0.051	0.892	0.008
DKL_RI_Clbrtd	0.062	0.035	0.334	0.526	0.105	0.954	0.062
PEG_Anlst _Clbrtd	0.064	0.037	0.333	0.494	0.074	0.931	0.013
GG_Anlst _Clbrtd	0.062	0.034	0.333	0.458	0.024	0.766	0.004
KMY_Anlst	0.062	0.034	0.333	0.459	0.032	0.821	0.003
GG_Anlst	0.062	0.035	0.333	0.461	0.028	0.815	0.003
PEG_HDZ	0.061	0.034	0.331	0.462	0.113	0.890	0.048
GG_RI_Clbrtd	0.075	0.052	0.330	0.604	0.460	0.963	0.390
GM_RI	0.059	0.033	0.328	0.476	0.178	0.875	0.068
FPM_HDZ_Clbrtd	0.063	0.037	0.327	0.488	0.139	0.822	0.060
FPM_Anlst	0.059	0.033	0.324	0.466	0.051	0.463	0.012
CT_Anlst	0.060	0.034	0.324	0.465	0.069	0.612	0.017
TrES_HDZ_10Ind	0.059	0.034	0.323	0.677	0.422	0.911	0.343
PEG_Anlst	0.059	0.034	0.323	0.479	0.101	0.696	0.014
WNG_Anlst	0.169	0.276	0.322	1.854	0.486	0.708	0.479
GM_RW_Clbrtd	0.062	0.037	0.321	0.655	0.223	0.826	0.160
GM_Anlst	0.058	0.033	0.319	0.458	0.089	0.490	0.015
MPEG_Anlst	0.058	0.034	0.318	0.469	0.108	0.576	0.022
BP_RW_Clbrtd	0.074	0.054	0.317	0.653	0.435	0.868	0.334
FPM_RI_Clbrtd	0.063	0.041	0.315	0.527	0.273	0.801	0.192
GLS_RW_Clbrtd	0.058	0.034	0.314	0.497	0.079	0.477	0.017
PE_EP_Clbrtd	0.060	0.037	0.312	0.468	0.453	0.833	0.386
MPEG_RI_Clbrtd	0.058	0.034	0.311	0.479	0.298	0.748	0.166
GLS_RW	0.061	0.039	0.310	0.613	0.209	0.662	0.129

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Table 113 : ICC Optimal Portfolios - An Alternative Estimation Window, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
HL_RI_Clbrtd	0.058	0.035	0.310	0.515	0.172	0.622	0.100
CT_EP_Clbrtd	0.058	0.035	0.309	0.506	0.173	0.547	0.093
GG_EP	0.051	0.028	0.308	0.528	0.513	0.828	0.450
FPM_HDZ	0.055	0.033	0.305	0.467	0.206	0.458	0.105
GM_EP_Clbrtd	0.056	0.035	0.301	0.482	0.341	0.655	0.245
FGHJ_RI_Clbrtd	0.057	0.036	0.301	0.529	0.158	0.455	0.118
FPM_RW_Clbrtd	0.064	0.045	0.301	0.568	0.498	0.762	0.444
TrES_RW_10Ind	0.063	0.044	0.300	0.643	0.644	0.846	0.606
MPEG_RW_Clbrtd	0.056	0.036	0.298	0.637	0.299	0.570	0.257
PEG_RW_Clbrtd	0.055	0.035	0.291	0.523	0.282	0.367	0.203
TrOHE_10Ind	0.051	0.032	0.287	0.626	0.610	0.709	0.533
GM_HDZ	0.053	0.034	0.287	0.459	0.381	0.396	0.243
GM_EP	0.052	0.033	0.286	0.487	0.330	0.314	0.112
FGHJ_RW	0.054	0.037	0.284	0.592	0.356	0.384	0.247
TrETSS_Anlst _25SBM	0.051	0.033	0.281	0.826	0.475	0.560	0.462
PEG_RI	0.052	0.034	0.279	0.516	0.429	0.356	0.242
FPM_EP	0.051	0.034	0.274	0.544	0.418	0.283	0.311
FGHJ_RW_Clbrtd	0.053	0.039	0.272	0.554	0.555	0.460	0.372
CT_RW_Clbrtd	0.046	0.031	0.262	0.544	0.728	0.575	0.686
FPM_EP_Clbrtd	0.049	0.035	0.260	0.491	0.470	0.136	0.275
WNG_EP	0.058	0.049	0.260	0.985	0.711	0.504	0.650
TrETSS_Anlst _10Ind	0.046	0.038	0.239	0.611	0.792	0.312	0.726
PEG_EP_Clbrtd	0.041	0.030	0.236	0.456	0.860	0.421	0.810
TrES_EP_25SBM	0.047	0.040	0.235	1.086	0.887	0.534	0.850
TrES_Anlst _25SBM	0.049	0.044	0.233	1.085	0.848	0.307	0.770
TrES_RW_25SBM	0.044	0.038	0.226	0.929	0.949	0.596	0.923
MPEG_EP_Clbrtd	0.039	0.030	0.225	0.459	0.924	0.375	0.870
Mean-variance	0.041	0.038	0.212	0.466	1.000	0.013	0.918
TrETSS_EP_25SBM	0.044	0.043	0.212	0.721	0.997	0.208	0.947
1/N	0.040	0.038	0.206	0.456	0.918	0.006	1.000
TrETSS_EP_10Ind	0.040	0.038	0.202	0.568	0.922	0.168	0.969
GG_RW_Clbrtd	0.031	0.025	0.195	0.403	0.932	0.466	0.956

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Table 113 : ICC Optimal Portfolios - An Alternative Estimation Window, Continued

Startegy	Mean	Var	Sharpe	Turnover	MeanV	MinV	1/N
TrES_HDZ_25SBM	0.038	0.037	0.194	1.142	0.904	0.304	0.928
Carhart_Factor	0.036	0.038	0.187	0.625	0.898	0.466	0.930
WNG_HDZ	0.035	0.037	0.184	0.690	0.882	0.420	0.906
TrETSS_RI_25SBM	0.036	0.042	0.177	0.732	0.757	0.157	0.800
TrETSS_RW_10Ind	0.038	0.046	0.177	0.609	0.825	0.335	0.855
TrETSS_RI_10Ind	0.034	0.037	0.175	0.541	0.812	0.314	0.845
TrETSS_HDZ_25SBM	0.030	0.037	0.157	0.804	0.668	0.128	0.667
TrETSS_HDZ_10Ind	0.026	0.031	0.145	0.526	0.660	0.203	0.678
FPM_RW	0.026	0.036	0.137	0.709	0.626	0.153	0.600
3FF_Factor	0.033	0.062	0.133	0.508	0.736	0.391	0.754
5FF_Factor	0.023	0.042	0.110	0.596	0.618	0.284	0.652
PEG_RI_Clbrtd	0.020	0.035	0.105	0.412	0.580	0.218	0.579
TrES_RI_10Ind	0.019	0.033	0.103	0.677	0.505	0.135	0.515
WNG_RW	0.010	0.056	0.041	0.813	0.314	0.092	0.334
PE_RI_Clbrtd	0.007	0.033	0.038	0.434	0.217	0.029	0.203
TrETSS_RW_25SBM	0.005	0.042	0.022	0.691	0.131	0.013	0.090
PE_RW_Clbrtd	0.002	0.036	0.010	0.202	0.444	0.221	0.465

This table report the out-of-sample results of the tangency portfolio using ICC ex-ante expected return estimates, as well as other benchmark strategies using an alternative estimation window of 90 months. For each portfolio strategy, the Mean column contains the annualised average monthly excess return, the Var column contains the annualised average return variance, the Sharpe column contains the annualised average Sharpe ratio, the Turnover column contains the average monthly turnover, the MeanV column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the mean-variance portfolio is zero, the 1/N column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the 1/N portfolio is zero, the MinVar column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the minimum variance portfolio is zero. P-values were computed using the Ledoit and Wolf (2008) non-parametric bootstrap method with a block size of 10 and 5,000 replications. The historical window used for computing the covariance matrix, and the first moment for the portfolios is 60 months. The covariance matrix is Ledoit and Wolf (2004) estimator.

Table 114 : ICC Timing Portfolios - An Alternative Estimation Window

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
PE_RI	0.134	0.042	0.653	0.475	0.000	0.001	0.000
PE_RW	0.080	0.018	0.594	0.253	0.136	0.303	0.110
PE_HDZ	0.094	0.037	0.492	0.481	0.002	0.020	0.001
PE_HDZ_Clbrtd	0.087	0.032	0.487	0.454	0.017	0.164	0.022
BP_RW	0.105	0.048	0.483	0.629	0.036	0.210	0.025
PE_EP	0.094	0.040	0.468	0.440	0.047	0.282	0.040
TPDPS_RI	0.093	0.040	0.467	0.529	0.011	0.146	0.013
TPDPS_RW_Clbrtd	0.098	0.044	0.464	0.569	0.071	0.346	0.067
TPDPS_EP	0.092	0.040	0.464	0.527	0.013	0.160	0.014
TPDPS_RI_Clbrtd	0.092	0.040	0.463	0.533	0.013	0.158	0.013
TrES_EP_10Ind	0.090	0.038	0.462	0.757	0.058	0.359	0.048
BP_EP	0.088	0.036	0.461	0.509	0.020	0.185	0.021
GM_HDZ_Clbrtd	0.085	0.034	0.461	0.492	0.017	0.128	0.004
TPDPS_EP_Clbrtd	0.091	0.040	0.458	0.532	0.015	0.179	0.016
TPDPS_RW	0.101	0.049	0.456	0.594	0.081	0.354	0.058
TrES_RI_25SBM	0.091	0.040	0.456	1.062	0.099	0.387	0.068
BP_RI	0.087	0.037	0.456	0.516	0.024	0.210	0.025
CT_RI	0.087	0.037	0.451	0.546	0.013	0.170	0.025
GG_EP_Clbrtd	0.084	0.036	0.442	0.553	0.089	0.392	0.068
GLS_RI	0.085	0.037	0.441	0.525	0.011	0.078	0.002
DKL_EP	0.082	0.036	0.433	0.500	0.002	0.042	0.002
DKL_RI	0.082	0.036	0.433	0.535	0.009	0.154	0.017
HL_EP	0.081	0.035	0.431	0.498	0.002	0.041	0.002
GG_RW	0.081	0.036	0.429	0.489	0.004	0.054	0.001
HL_RI	0.080	0.036	0.424	0.524	0.010	0.169	0.017
FPM_RI	0.078	0.034	0.423	0.581	0.007	0.175	0.012
PEG_HDZ_Clbrtd	0.085	0.041	0.422	0.548	0.088	0.418	0.032
CT_HDZ_Clbrtd	0.076	0.033	0.420	0.478	0.007	0.042	0.002
FGHJ_EP_Clbrtd	0.078	0.034	0.419	0.469	0.003	0.053	0.003
KMY_RI	0.081	0.037	0.419	0.542	0.019	0.258	0.029
KMY_EP	0.077	0.034	0.416	0.521	0.002	0.168	0.011

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Table 114 : ICC Timing Portfolios - An Alternative Estimation Window, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
KMY_HDZ_Clbrtd	0.078	0.036	0.412	0.505	0.029	0.227	0.006
Naive_Clbrtd	0.084	0.041	0.412	0.619	0.041	0.347	0.027
Naive	0.084	0.041	0.412	0.619	0.041	0.347	0.027
HL_HDZ_Clbrtd	0.077	0.035	0.411	0.498	0.020	0.180	0.005
DKL_HDZ_Clbrtd	0.076	0.035	0.410	0.495	0.018	0.165	0.004
TPDPS_Anlst_Clbrtd	0.082	0.040	0.409	0.598	0.033	0.325	0.025
GG_RI	0.086	0.044	0.409	0.514	0.206	0.637	0.186
TPDPS_Anlst	0.082	0.040	0.408	0.597	0.033	0.328	0.025
CT_RW	0.080	0.038	0.407	0.524	0.004	0.142	0.003
GLS_EP	0.077	0.035	0.407	0.498	0.006	0.062	0.001
PE_Anlst _Clbrtd	0.075	0.034	0.407	0.498	0.007	0.076	0.005
GG_HDZ_Clbrtd	0.076	0.035	0.405	0.490	0.031	0.263	0.008
BP_Anlst	0.081	0.040	0.405	0.591	0.047	0.377	0.035
TPDPS_HDZ	0.080	0.039	0.405	0.578	0.033	0.340	0.028
TPDPS_HDZ_Clbrtd	0.080	0.040	0.404	0.581	0.035	0.353	0.028
GLS_HDZ_Clbrtd	0.075	0.035	0.404	0.483	0.009	0.084	0.001
CAPM_Factor	0.067	0.028	0.401	0.503	0.284	0.702	0.273
BP_HDZ	0.079	0.039	0.400	0.566	0.043	0.390	0.040
GM_RI_Clbrtd	0.075	0.035	0.400	0.497	0.081	0.505	0.075
GLS_EP_Clbrtd	0.075	0.035	0.398	0.472	0.004	0.066	0.002
GLS_RI_Clbrtd	0.074	0.034	0.398	0.524	0.025	0.429	0.013
GG_HDZ	0.076	0.036	0.397	0.468	0.018	0.230	0.008
DKL_RW	0.077	0.037	0.397	0.582	0.003	0.116	0.002
GLS_HDZ	0.076	0.036	0.397	0.475	0.007	0.115	0.003
FGHJ_RI	0.075	0.036	0.397	0.512	0.009	0.199	0.003
CT_EP	0.077	0.038	0.396	0.518	0.017	0.359	0.026
KMY_RW	0.075	0.036	0.391	0.567	0.004	0.127	0.002
BP_EP_Clbrtd	0.075	0.037	0.391	0.542	0.077	0.523	0.065
FGHJ_EP	0.073	0.035	0.389	0.492	0.007	0.085	0.001
HL_RW	0.074	0.037	0.388	0.578	0.004	0.155	0.002
FGHJ_HDZ_Clbrtd	0.071	0.034	0.385	0.475	0.010	0.138	0.001
BP_Anlst _Clbrtd	0.077	0.040	0.383	0.594	0.082	0.571	0.056

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Table 114 : ICC Timing Portfolios - An Alternative Estimation Window, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
CT_RI_Clbrtd	0.070	0.033	0.382	0.521	0.059	0.557	0.054
MPEG_HDZ_Clbrtd	0.072	0.036	0.382	0.496	0.058	0.481	0.019
FGHJ_HDZ	0.072	0.036	0.380	0.471	0.008	0.192	0.004
KMY_HDZ	0.071	0.035	0.379	0.465	0.025	0.350	0.012
CT_HDZ	0.071	0.035	0.379	0.469	0.021	0.342	0.012
BP_HDZ_Clbrtd	0.076	0.040	0.378	0.579	0.104	0.636	0.080
MPEG_RW	0.070	0.035	0.375	0.496	0.008	0.167	0.001
GM_RW	0.070	0.035	0.375	0.497	0.008	0.174	0.001
GLS_Anlst	0.069	0.035	0.371	0.475	0.013	0.242	0.003
PEG_RW	0.071	0.037	0.371	0.512	0.011	0.365	0.002
DKL_HDZ	0.069	0.035	0.370	0.466	0.026	0.427	0.014
KMY_Anlst _Clbrtd	0.067	0.034	0.364	0.456	0.005	0.026	0.003
MPEG_Anlst _Clbrtd	0.068	0.035	0.364	0.475	0.011	0.272	0.002
GLS_Anlst _Clbrtd	0.067	0.034	0.364	0.471	0.008	0.098	0.001
HL_HDZ	0.067	0.035	0.362	0.464	0.037	0.559	0.018
DKL_Anlst _Clbrtd	0.067	0.034	0.361	0.468	0.008	0.136	0.002
HL_Anlst _Clbrtd	0.067	0.035	0.360	0.468	0.009	0.162	0.002
CT_Anlst _Clbrtd	0.066	0.034	0.360	0.471	0.009	0.190	0.003
FGHJ_Anlst _Clbrtd	0.066	0.034	0.359	0.466	0.008	0.075	0.002
GM_Anlst _Clbrtd	0.066	0.035	0.358	0.466	0.010	0.230	0.002
MPEG_RI	0.064	0.033	0.355	0.479	0.062	0.700	0.022
HL_EP_Clbrtd	0.066	0.035	0.353	0.485	0.036	0.670	0.015
FGHJ_Anlst	0.065	0.034	0.352	0.469	0.019	0.527	0.005
DKL_EP_Clbrtd	0.065	0.035	0.348	0.486	0.042	0.766	0.016
WNG_RI	0.078	0.051	0.346	0.943	0.501	0.961	0.450
BP_RI_Clbrtd	0.068	0.039	0.346	0.544	0.211	0.924	0.173
KMY_RI_Clbrtd	0.066	0.037	0.343	0.557	0.136	0.932	0.066
TrOHE_25SBM	0.079	0.054	0.343	1.157	0.296	0.964	0.237
FPM_Anlst _Clbrtd	0.064	0.035	0.342	0.465	0.031	0.861	0.006
KMY_EP_Clbrtd	0.065	0.036	0.340	0.506	0.070	0.945	0.018
MPEG_EP	0.061	0.032	0.339	0.490	0.053	0.957	0.010
DKL_Anlst	0.062	0.034	0.339	0.463	0.039	0.939	0.007

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Table 114 : ICC Timing Portfolios - An Alternative Estimation Window, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
PE_Anlst	0.065	0.037	0.339	0.491	0.114	0.977	0.048
VT	0.061	0.033	0.337	0.450	0.013	1.000	0.006
MPEG_HDZ	0.062	0.034	0.337	0.460	0.095	0.998	0.045
KMY_RW_Clbrtd	0.062	0.034	0.337	0.480	0.019	0.978	0.005
TrES_Anlst _10Ind	0.067	0.039	0.336	0.720	0.278	0.996	0.274
PEG_EP	0.062	0.034	0.336	0.556	0.199	0.990	0.088
DKL_RW_Clbrtd	0.061	0.034	0.334	0.484	0.021	0.850	0.006
HL_RW_Clbrtd	0.061	0.034	0.334	0.483	0.022	0.817	0.007
HL_Anlst	0.061	0.033	0.334	0.463	0.051	0.892	0.008
DKL_RI_Clbrtd	0.062	0.035	0.334	0.526	0.105	0.954	0.062
PEG_Anlst _Clbrtd	0.064	0.037	0.333	0.494	0.074	0.931	0.013
GG_Anlst _Clbrtd	0.062	0.034	0.333	0.458	0.024	0.766	0.004
KMY_Anlst	0.062	0.034	0.333	0.459	0.032	0.821	0.003
GG_Anlst	0.062	0.035	0.333	0.461	0.028	0.815	0.003
PEG_HDZ	0.061	0.034	0.331	0.462	0.113	0.890	0.048
GG_RI_Clbrtd	0.075	0.052	0.330	0.604	0.460	0.963	0.390
GM_RI	0.059	0.033	0.328	0.476	0.178	0.875	0.068
FPM_HDZ_Clbrtd	0.063	0.037	0.327	0.488	0.139	0.822	0.060
FPM_Anlst	0.059	0.033	0.324	0.466	0.051	0.463	0.012
CT_Anlst	0.060	0.034	0.324	0.465	0.069	0.612	0.017
TrES_HDZ_10Ind	0.059	0.034	0.323	0.677	0.422	0.911	0.343
PEG_Anlst	0.059	0.034	0.323	0.479	0.101	0.696	0.014
WNG_Anlst	0.169	0.276	0.322	1.854	0.486	0.708	0.479
GM_RW_Clbrtd	0.062	0.037	0.321	0.655	0.223	0.826	0.160
GM_Anlst	0.058	0.033	0.319	0.458	0.089	0.490	0.015
MPEG_Anlst	0.058	0.034	0.318	0.469	0.108	0.576	0.022
BP_RW_Clbrtd	0.074	0.054	0.317	0.653	0.435	0.868	0.334
FPM_RI_Clbrtd	0.063	0.041	0.315	0.527	0.273	0.801	0.192
GLS_RW_Clbrtd	0.058	0.034	0.314	0.497	0.079	0.477	0.017
PE_EP_Clbrtd	0.060	0.037	0.312	0.468	0.453	0.833	0.386
MPEG_RI_Clbrtd	0.058	0.034	0.311	0.479	0.298	0.748	0.166
GLS_RW	0.061	0.039	0.310	0.613	0.209	0.662	0.129

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Table 114 : ICC Timing Portfolios - An Alternative Estimation Window, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
HL_RI_Clbrtd	0.058	0.035	0.310	0.515	0.172	0.622	0.100
CT_EP_Clbrtd	0.058	0.035	0.309	0.506	0.173	0.547	0.093
GG_EP	0.051	0.028	0.308	0.528	0.513	0.828	0.450
FPM_HDZ	0.055	0.033	0.305	0.467	0.206	0.458	0.105
GM_EP_Clbrtd	0.056	0.035	0.301	0.482	0.341	0.655	0.245
FGHJ_RI_Clbrtd	0.057	0.036	0.301	0.529	0.158	0.455	0.118
FPM_RW_Clbrtd	0.064	0.045	0.301	0.568	0.498	0.762	0.444
TrES_RW_10Ind	0.063	0.044	0.300	0.643	0.644	0.846	0.606
MPEG_RW_Clbrtd	0.056	0.036	0.298	0.637	0.299	0.570	0.257
PEG_RW_Clbrtd	0.055	0.035	0.291	0.523	0.282	0.367	0.203
TrOHE_10Ind	0.051	0.032	0.287	0.626	0.610	0.709	0.533
GM_HDZ	0.053	0.034	0.287	0.459	0.381	0.396	0.243
GM_EP	0.052	0.033	0.286	0.487	0.330	0.314	0.112
FGHJ_RW	0.054	0.037	0.284	0.592	0.356	0.384	0.247
TrETSS_Anlst _25SBM	0.051	0.033	0.281	0.826	0.475	0.560	0.462
PEG_RI	0.052	0.034	0.279	0.516	0.429	0.356	0.242
FPM_EP	0.051	0.034	0.274	0.544	0.418	0.283	0.311
FGHJ_RW_Clbrtd	0.053	0.039	0.272	0.554	0.555	0.460	0.372
CT_RW_Clbrtd	0.046	0.031	0.262	0.544	0.728	0.575	0.686
FPM_EP_Clbrtd	0.049	0.035	0.260	0.491	0.470	0.136	0.275
WNG_EP	0.058	0.049	0.260	0.985	0.711	0.504	0.650
TrETSS_Anlst _10Ind	0.046	0.038	0.239	0.611	0.792	0.312	0.726
PEG_EP_Clbrtd	0.041	0.030	0.236	0.456	0.860	0.421	0.810
TrES_EP_25SBM	0.047	0.040	0.235	1.086	0.887	0.534	0.850
TrES_Anlst _25SBM	0.049	0.044	0.233	1.085	0.848	0.307	0.770
TrES_RW_25SBM	0.044	0.038	0.226	0.929	0.949	0.596	0.923
MPEG_EP_Clbrtd	0.039	0.030	0.225	0.459	0.924	0.375	0.870
RRT	0.041	0.038	0.212	0.466	1.000	0.013	0.918
TrETSS_EP_25SBM	0.044	0.043	0.212	0.721	0.997	0.208	0.947
1/N	0.040	0.038	0.206	0.456	0.918	0.006	1.000
TrETSS_EP_10Ind	0.040	0.038	0.202	0.568	0.922	0.168	0.969
GG_RW_Clbrtd	0.031	0.025	0.195	0.403	0.932	0.466	0.956

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Table 114 : ICC Timing Portfolios - An Alternative Estimation Window, Continued

Startegy	Mean	Var	Sharpe	Turnover	RRT	VT	1/N
TrES_HDZ_25SBM	0.038	0.037	0.194	1.142	0.904	0.304	0.928
Carhart_Factor	0.036	0.038	0.187	0.625	0.898	0.466	0.930
WNG_HDZ	0.035	0.037	0.184	0.690	0.882	0.420	0.906
TrETSS_RI_25SBM	0.036	0.042	0.177	0.732	0.757	0.157	0.800
TrETSS_RW_10Ind	0.038	0.046	0.177	0.609	0.825	0.335	0.855
TrETSS_RI_10Ind	0.034	0.037	0.175	0.541	0.812	0.314	0.845
TrETSS_HDZ_25SBM	0.030	0.037	0.157	0.804	0.668	0.128	0.667
TrETSS_HDZ_10Ind	0.026	0.031	0.145	0.526	0.660	0.203	0.678
FPM_RW	0.026	0.036	0.137	0.709	0.626	0.153	0.600
3FF_Factor	0.033	0.062	0.133	0.508	0.736	0.391	0.754
5FF_Factor	0.023	0.042	0.110	0.596	0.618	0.284	0.652
PEG_RI_Clbrtd	0.020	0.035	0.105	0.412	0.580	0.218	0.579
TrES_RI_10Ind	0.019	0.033	0.103	0.677	0.505	0.135	0.515
WNG_RW	0.010	0.056	0.041	0.813	0.314	0.092	0.334
PE_RI_Clbrtd	0.007	0.033	0.038	0.434	0.217	0.029	0.203
TrETSS_RW_25SBM	0.005	0.042	0.022	0.691	0.131	0.013	0.090
PE_RW_Clbrtd	0.002	0.036	0.010	0.202	0.444	0.221	0.465

This table report the out-of-sample results of the market timing portfolio using ICC ex-ante expected return estimates, as well as other benchmark strategies using an alternative estimation window of 90 months. For each portfolio strategy, the Mean column contains the annualised average monthly excess return, the Var column contains the annualised average return variance, the Sharpe column contains the annualised average Sharpe ratio, the Turnover column contains the average monthly turnover, the RRT column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the conventional Reward-to-Risk Timing (RRT) portfolio is zero, the 1/N column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the 1/N portfolio is zero, the VT column contains the p-value for the hypothesis test that the difference of the Sharpe ratio between the corresponding portfolio and the Volatility Timing (VT) portfolio is zero. P-values were computed using the Ledoit and Wolf (2008) non-parametric bootstrap method with a block size of 10 and 5,000 replications. The historical window used for computing the covariance matrix, and the first moment for the portfolios is 60 months. The covariance matrix is Ledoit and Wolf (2004) estimator.

Appendix C The Effects of Risk Similarities on Mergers and Acquisitions

C.1 Unbounded ICC Estimates

Table 115: **Merger Pairs and ICC Similarity**

	Industry, Size, Year Match				**Industry, Size, B/M, Year Match**			
	(1)		**(2)**		**(3)**		**(4)**	
ICC_Similarity	2.129	***	2.123	***	1.986	***	1.994	***
	(14.016)		(10.621)		(13.223)		(10.184)	
Same_State_Indicator			1.792	***			1.594	***
			(14.447)				(13.045)	
Target_BM			- 0.015	***				
			(-4.412)					
Target_Cash			- 0.070				- 0.028	
			(-0.332)				(-0.131)	
Target_HHI			- 5.528	***			- 5.538	***
			(-34.583)				(-34.731)	
Target_Leverage			0.294	**			0.463	***
			(2.065)				(3.084)	
Target_RD_to_Asset			1.624	***			1.359	***
			(5.197)				(4.577)	
Target_ROA			0.250	**			0.094	
			(2.489)				(0.863)	
Target_Sales_Growth			- 0.218	***			- 0.255	***
			(-3.57)				(-3.756)	
Acquirer_BM			- 0.022	***				
			(-3.639)					
Acquirer_Cash			- 1.019	***			- 0.785	**
			(-3.079)				(-2.402)	
Acquirer_HHI			- 53.706	***			- 53.829	***
			(-35.683)				(-35.648)	
Acquirer_Leverage			0.566	**			0.682	***
			(2.499)				(2.994)	
Acquirer_RD_to_Asset			1.493	*			1.409	
			(1.757)				(1.489)	
Acquirer_ROA			- 0.225				- 0.670	***
			(-1.21)				(-2.847)	
Acquirer_Sales_Growth			0.880	***			1.006	***
			(6.455)				(7.784)	
Deal Fixed Effect	Yes		Yes		Yes		Yes	
SE Clustered at Actual Deal Level	Yes		Yes		Yes		Yes	
No. Of Obs.	16,203		16,203		16,203		16,203	
Pesudo R-squared	0.031		0.863		0.029		0.863	

The table reports results of conditional logit model of the likelihood of an observation being an actual (as opposed to hypothetical) merger on acquirer-target Implied Cost of Capital (ICC) similarity and other control variables. This table is identical to table (58) except that ICC estimates above 100 or below zero are not dropped. The dependent variable is a binary that takes the value of 1 if the observation is an actual merger deal, and the value of zero if the observation is a pseudo-firm pair from the control group. Following Bena and Li (2014) and Bereskin, Byun, Officer, and Oh (2018), for each actual deal, control group deals are formed by pairing the actual acquirer with up to 5 pseudo targets (identified by industry, year, and closest total assets to the actual target for the models 1 and 2; and matched by industry, year, and closest total assets and Book-to-Market ratio in models 3 and 4), and by pairing each actual target with up to 5 pseudo-acquirers using the same criteria. Constants are estimated but not reported. All specifications include deal fixed effects. All specification report t-statistics below coefficients based on standard errors clustered at the actual deal level.

Table 116: **Likelihood of Deal Completion**

	(1)		(2)		(3)		(4)	
ICC_Similarity	1.231	***	1.025	***	1.205	***		
	(11.937)		(16.792)		(18.432)			
High_ICC_Similarity_Indicator							1.459	***
							(70.545)	
Low_ICC_Similarity_Indicator							- 0.185	***
							(-5.13)	
Same_Industry_Indicator	0.121	*	0.195	***	0.229	***	0.218	***
	(1.735)		(7.81)		(9.819)		(9.709)	
Relative_Size	- 0.016		- 0.076	*	- 0.070	*	- 0.069	*
	(-0.291)		(-1.713)		(-1.883)		(-1.837)	
Tender_Offer_Indicator	0.438	***	0.362	***	0.459	***	0.415	***
	(6.512)		(12.506)		(20.565)		(20.316)	
All_Cash_Indicator	0.224	***	- 0.191	***	- 0.257	***	- 0.227	***
	(3.353)		(-7.646)		(-13.127)		(-11.487)	
Same_State_Indicator	0.009		- 0.040		- 0.024		- 0.012	
	(0.054)		(-1.111)		(-0.878)		(-0.48)	
High_Tech_Indicator	0.199	***	0.241	***	0.206	***	0.176	***
	(2.65)		(8.676)		(9.767)		(8.597)	
Acquirer and Target Controls	No		Yes		Yes		Yes	
Year Fixed Effect	No		No		Yes		Yes	
No. Of Obs.	2,434		2,434		2,434		2,434	
Pesudo R-squared	0.026		0.123		0.158		0.178	

The table reports the likelihood of the deal completion using Logit model. This table is identical to table (59) except that ICC estimates above 100 or below zero are not dropped. The main sample of completed deals have been expanded to include announced but uncompleted transactions using the same filter criteria used to generate the main sample in terms of ownership percentages, deal value, and other characteristics. The dependent variable equals 1 if the deal is completed, and 0 if the deal is withdrawn. The acquirer and target controls (suppressed coefficients) are RD/Assets, Size, Cash and Short-term investments/Assets, and Book-to-Market ratio. Constant terms are estimated but not reported. t-statistics based on standard errors clustered by industry group are reported below coefficients.

Table 117: **Duration of Deal Completion**

	(1)		(2)		(3)	
High_ICC_Similarity_Indicator	0.347	***	0.343	***	0.323	***
	(8.509)		(4.255)		(3.232)	
Low_ICC_Similarity_Indicator	- 0.191	***	- 0.199	***	- 0.197	
	(-5.698)		(-2.841)		(-0.626)	
Same_State_Indicator	- 0.100	*	- 0.108		- 0.119	
	(-1.672)		(-0.954)		(-1.251)	
Relative_Size	- 0.021	***	- 0.036	***	- 0.029	
	(-4.253)		(-2.83)		(-0.536)	
Tender_Offer_Indicator	0.665	***	0.657	***	0.722	*
	(7.767)		(7.624)		(1.787)	
All_Cash_Indicator	0.477	***	0.407	***	0.393	***
	(9.195)		(5.514)		(4.987)	
Same_Industry_Indicator	- 0.206	***	- 0.160	***	- 0.166	
	(-7.813)		(-2.662)		(-0.943)	
High_Tech_Indicator	0.293	***	0.151	***	0.153	
	(3.782)		(3.422)		(1.144)	
Acquirer and Target Controls	No		Yes		Yes	
Year Fixed Effect	No		No		Yes	
No. of Observations	1925		1925		1925	

The table reports the hazard ratio of deal completion time estimated using Cox proportional hazard model. This table is identical to table (60) except that ICC estimates above 100 or below zero are not dropped. The dependent variable is the number of days between the announcement date and the effective date of a deal and is measured for completed deals only. The acquirer and target controls (suppressed coefficients) are RD/Assets, Size, Cash and Short-term investments/Assets, and Book-to-Market ratio. Constant terms are estimated but not reported. Statistics based on standard errors clustered by industry group are reported below coefficients.

Table 118: **Combined Announcement Returns**

	(1)	(2)	(3)	(4)	(5)
ICC_Similarity	0.013 **	0.014 **		0.013 **	0.014 **
	(1.988)	(2.106)		(1.988)	(2.235)
High_ICC_Similarity_Indicator			0.003		
			(0.403)		
Low_ICC_Similarity_Indicator			- 0.001		
			(-0.213)		
Same_Industry_Indicator	0.000	0.001	- 0.001	- 0.001	- 0.001
	(-0.123)	(-0.269)	(-0.056)	(-0.145)	(-0.137)
Same_State_Indicator	0.005	0.004	0.004	0.005	0.005
	(1.279)	(1.037)	(1.226)	(1.311)	(1.249)
High_Tech_Indicator	- 0.006	- 0.010 **	- 0.006	- 0.006	- 0.005
	(-0.963)	(-2.573)	(-1.001)	(-0.982)	(-0.867)
Relative_Size	0.008 **	0.008 **	0.008 **	0.008 **	0.008 **
	(2.17)	(2.063)	(2.168)	(2.207)	(2.022)
All_Cash_Indicator	0.019 ***	0.019 ***	0.018 ***	0.019 ***	0.019 ***
	(4.044)	(3.935)	(4.006)	(4.225)	(4.053)
Tender_Offer_Indicator	0.004	0.005	0.005	0.004	0.005
	(0.799)	(0.877)	(0.862)	(0.808)	(0.732)
Total_Size	- 0.007 ***	- 0.007 ***	- 0.007 ***	- 0.007 ***	- 0.006 ***
	(-5.711)	(-4.983)	(-5.563)	(-6.664)	(-3.673)
Book_To_Market	0.000 ***	0.000 ***	0.000 ***	0.000 ***	0.000 ***
	(2.611)	(2.757)	(2.631)	(2.685)	(2.714)
Leverage	0.022	0.026 *	0.021	0.021	0.021
	(1.588)	(1.687)	(1.519)	(1.6)	(1.601)
Cash	0.001	- 0.014	0.002	0.002	0.000
	(0.031)	(-0.367)	(0.047)	(0.041)	(-0.001)
Merger_Pair_likelihood_Inverse_Mill_ratio				0.003	
				(0.18)	
Completion_likelihood_Inverse_Mill_ratio					0.022
					(0.284)
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	No	Yes	Yes	Yes	Yes
No. of Observations	1925	1925	1925	1925	1925
R-Square	0.295	0.292	0.294	0.294	0.294

The table reports [-3,+3] 7-day cumulative abnormal returns (CAR) around merger announcement of actual deals regression on ICC similarity between the merger pairs and other control variables. This table is identical to table (61) except that ICC estimates above 100 or below zero are not dropped. The t-statistics reported below coefficients are based on industry clustered standard errors. Models 4 and 5 present the results using Heckman's two stage self-selection correction , where the inverse Mills ratio is based on merger-pair likelihood and merger-completion likelihood.

Table 119: **Abnormal Operating Performance**

	(1)				(2)			
	High_Similarity		**Low_Similarity**		**High_Similarity**		**Low_Similarity**	
Constant	0.004	***	0.008		0.038	***	-0.022	
	(2.839)		(1.775)		(3.110)		(-1.349)	
Abnormal_PreMerger_ROA	0.475	***	0.555	***	0.316	**	0.624	***
	(7.864)		(8.775)		(2.301)		(6.980)	
Same_Industry_Indicator					-0.022	*	0.034	**
					(-1.819)		(1.980)	
Same_State_Indicator					-0.001		-0.002	
					(-0.090)		(-0.146)	
Relative_Size					-0.016	*	0.001	
					(-1.787)		(0.753)	
High_Tech_Indicator					-0.020		-0.034	
					(-1.276)		(-1.531)	
Adjusted_R2	0.294		0.381		0.226		0.521	
No. of Observations	481		482		481		482	

The table reports the OLS regression results explaining industry-adjusted (abnormal) post-merger operating performance as defined in Healy, Palepu, and Ruback (1992). This table is identical to table (62) except that ICC estimates above 100 or below zero are not dropped. Operating profitability is defined as EBITDA scaled by the market value of the company assets. The abnormal operating performance is calculated as the company operating profitability minus the industry median performance. The post-merger abnormal operating performance over the 3 post-merger years is regressed against a synthetic pre-merger abnormal operating performance - that is computed as a value-weighted average of the target's and the acquirer's operating performance in the year before the merger- and a list of relevant pair-controls. The intercept is therefore is the post-merger operating performance independent of pre-merger performance. The regression is estimated separately for the top quartile of ICC similarity, and the bottom quartile of ICC similarity. t-statistics using robust standard errors are reported below coefficients in parentheses.

Table 120: **Post-Acquisition Goodwill Write-offs**

	(1)		(2)	
ICC_Similarity	-0.028			
	(-0.274)			
High_ICC_Similarity_Indicator			-0.169	**
			(-2.498)	
Low_ICC_Similarity_Indicator			-0.087	
			(-1.207)	
Relative_PE_Ratio	0.000		0.000	
	(0.628)		(0.888)	
Goodwill_Prct	0.000		0.000	
	(0.588)		(0.729)	
Relative_Size	0.161	***	0.177	***
	(2.618)		(2.858)	
Ln_Market_Value	-0.027	*	-0.028	*
	(-1.712)		(-1.761)	
Stock_Prct	0.067		0.048	
	(0.821)		(0.595)	
Year Fixed Effect	Yes		Yes	
Industry Fixed Effect	Yes		Yes	
Pesudo-R2	0.249		0.248	
No. of Observations	807		807	

The table reports a Tobit regression results of post-acquisitions goodwill write-offs by acquiring firms on ICC similarity index and control variables as in Gu and Lev (2011) and Bereskin, Byun, Officer, and Oh (2018). This table is identical to table (63) except that ICC estimates above 100 or below zero are not dropped. The sample is restricted to acquirers with only one acquisition in 7 years window centred on the acquisition announcement date to ensure that any write-offs are attributable to the acquisitions under consideration. The dependent variable is measured as goodwill write-offs in the 3 years following the acquisition scaled by total assets from the year before the acquisition. Constant terms are estimated but not reported. The t-statistics under each coefficient is based on robust standard errors. Tobit models is used due to fact that the dependent variable have a lower bound of zero.

C.2 CAR Estimation Period

Table 121: **Combined Announcement Returns, 3 Days Estimation Period**

	(1)	(2)	(3)	(4)	(5)
ICC_Similarity	0.026***	0.022**		0.026***	0.029**
	(2.836)	(2.278)		(2.850)	(2.411)
High_ICC_Similarity_Indicator			0.001		
			(0.095)		
Low_ICC_Similarity_Indicator			- 0.003		
			(-0.651)		
Same_Industry_Indicator	0.004	0.004	0.004	0.004	0.003
	(0.785)	(0.772)	(0.842)	(0.769)	(0.743)
Same_State_Indicator	0.004	0.004	0.004	0.004	0.004
	(1.209)	(1.042)	(1.223)	(1.196)	(1.287)
High_Tech_Indicator	- 0.009**	- 0.012***	- 0.009**	- 0.009**	- 0.009*
	(-2.234)	(-2.686)	(-2.107)	(-2.267)	(-1.94)
Relative_Size	0.007	0.006	0.007	0.007	0.007
	(1.554)	(1.462)	(1.531)	(1.562)	(1.479)
All_Cash_Indicator	0.015***	0.016***	0.015***	0.015***	0.016***
	(2.988)	(3.141)	(2.957)	(2.989)	(3.030)
Tender_Offer_Indicator	0.007	0.007	0.007	0.007	0.008
	(1.308)	(1.289)	(1.348)	(1.321)	(1.272)
Total_Size	- 0.008***	- 0.008***	- 0.008***	- 0.008***	- 0.007***
	(-6.649)	(-6.735)	(-6.695)	(-7.057)	(-6.764)
Book_To_Market	0.000**	0.000***	0.000**	0.000**	0.000**
	(2.499)	(2.618)	(2.525)	(2.531)	(2.449)
Leverage	0.025	0.027	0.025	0.025	0.025
	(1.620)	(1.576)	(1.561)	(1.636)	(1.628)
Cash	0.030	0.014	0.030	0.030	0.000
	(0.577)	(0.338)	(0.579)	(0.587)	(0.553)
Merger_Pair_Liklihood_Inverse_Mills_ratio				0.004	
				(0.258)	
Completion_Liklihood_Inverse_Mills_ratio					0.029
					(0.379)
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	No	Yes	Yes	Yes	Yes
No. of Observations	1752	1752	1752	1752	1752
R-Square	0.320	0.317	0.319	0.319	0.319

The table reports [-1,+1] 3-day cumulative abnormal returns (CAR) around merger announcement of actual deals regression on ICC similarity between the merger pairs and other control variables. The t-statistics reported below coefficients are based on industry clustered standard errors. Models 4 and 5 present the results using Heckman's two stage self-selection correction , where the inverse Mills ratio is based on merger-pair likelihood and merger-completion likelihood.

Table 122: **Combined Announcement Returns, 11 Days Estimation Period**

	(1)	(2)	(3)	(4)	(5)
ICC_Similarity	0.026***	0.022**		0.026***	0.029**
	(2.836)	(2.278)		(2.850)	(2.411)
High_ICC_Similarity_Indicator			0.001		
			(0.095)		
Low_ICC_Similarity_Indicator			- 0.003		
			(-0.651)		
Same_Industry_Indicator	0.004	0.004	0.004	0.004	0.003
	(0.785)	(0.772)	(0.842)	(0.769)	(0.743)
Same_State_Indicator	0.004	0.004	0.004	0.004	0.004
	(1.209)	(1.042)	(1.223)	(1.196)	(1.287)
High_Tech_Indicator	- 0.009**	- 0.012***	- 0.009**	- 0.009**	- 0.009*
	(-2.234)	(-2.686)	(-2.107)	(-2.267)	(-1.94)
Relative_Size	0.007	0.006	0.007	0.007	0.007
	(1.554)	(1.462)	(1.531)	(1.562)	(1.479)
All_Cash_Indicator	0.015***	0.016***	0.015***	0.015***	0.016***
	(2.988)	(3.141)	(2.957)	(2.989)	(3.030)
Tender_Offer_Indicator	0.007	0.007	0.007	0.007	0.008
	(1.308)	(1.289)	(1.348)	(1.321)	(1.272)
Total_Size	- 0.008***	- 0.008***	- 0.008***	- 0.008***	- 0.007***
	(-6.649)	(-6.735)	(-6.695)	(-7.057)	(-6.764)
Book_To_Market	0.000**	0.000***	0.000**	0.000**	0.000**
	(2.499)	(2.618)	(2.525)	(2.531)	(2.449)
Leverage	0.025	0.027	0.025	0.025	0.025
	(1.620)	(1.576)	(1.561)	(1.636)	(1.628)
Cash	0.030	0.014	0.030	0.030	0.000
	(0.577)	(0.338)	(0.579)	(0.587)	(0.553)
Merger_Pair_Liklihood_Inverse_Mills_ratio				0.004	
				(0.258)	
Completion_Liklihood_Inverse_Mills_ratio					0.029
					(0.379)
Year Fixed Effect	Yes	Yes	Yes	Yes	Yes
Industry Fixed Effect	No	Yes	Yes	Yes	Yes
No. of Observations	1752	1752	1752	1752	1752
R-Square	0.320	0.317	0.319	0.319	0.319

The table reports [-5,+5] 11-day cumulative abnormal returns (CAR) around merger announcement of actual deals regression on ICC similarity between the merger pairs and other control variables. The t-statistics reported below coefficients are based on industry clustered standard errors. Models 4 and 5 present the results using Heckman's two stage self-selection correction , where the inverse Mills ratio is based on merger-pair likelihood and merger-completion likelihood.

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