

**Internet Appendix to Accompany**  
**“Short-Term Reversals: The Effects of Past Returns and Institutional Exits”**  
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**Table IA1: Stock Returns and Institutional Ownership Change**

This table presents the results of the following quarterly regressions in the style of Fama and MacBeth (1973), as well as  $t$ -statistics computed as per the Newey and West (1987) method:

$$r_{i,q} = \beta_0 + \beta_1 \Delta Active_{i,q-1} + \beta_2 \Delta Passive_{i,q-1} + c' Controls_{i,q-1} + \varepsilon_{i,q},$$

$$r_{i,q} = \beta_0 + \beta_1 D(Active_{i,q-1}^+) + \beta_2 D(Passive_{i,q-1}^+) + c' Controls_{i,q-1} + \varepsilon_{i,q},$$

where  $r_{i,q}$  refers to the average monthly return on stock  $i$  in quarter  $q$ ,  $\Delta Active_{i,q-1}$  and  $\Delta Passive_{i,q-1}$  refer to the change in number of active and passive institutions,  $D(Active_{i,q-1}^+)$  and  $D(Passive_{i,q-1}^+)$  refer to dummy variables that take a value of one if the number of active (*Active*) or passive (*Passive*) institutions increase and zero otherwise, and the vector *Controls* stacks all other control variables, including the lagged monthly stock return (*1M Return*), the logarithm of Amihud (2002) illiquidity (*ILLIQ*), stock turnover (*Turnover*), return volatility (*Volatility*), the logarithm of firm's market capitalization (*Size*), book-to-market ratio of the firm's equity (*BM*) and returns on the stock over the past six-months (*6M Return*). Numbers with “\*”, “\*\*” and “\*\*\*” are significant at the 10%, 5%, and 1% level, respectively.

| Regression of Stock Returns on Change in Number of Institutions |                    |                    |                     |                     |                      |                      |
|---|--------------------|--------------------|---------------------|---------------------|----------------------|----------------------|
|   | Model 1            | Model 2            | Model 3             | Model 4             | Model 5              | Model 6              |
| Intercept   | -0.900*<br>(-1.84) | -0.949*<br>(-1.95) | -1.242**<br>(-2.41) | -1.286**<br>(-2.49) | -0.198<br>(-0.35)    | -0.295<br>(-0.52)    |
| $\Delta Active$   | 0.030***<br>(4.81) | 0.028***<br>(4.52) |                     |                     | 0.021***<br>(4.70)   |                      |
| $\Delta Passive$  |                    | 0.006<br>(0.98)    |                     |                     | -0.002<br>(-0.41)    |                      |
| $D(Active^+)$   |                    |                    | 0.352***<br>(4.41)  | 0.343***<br>(4.41)  |                      | 0.134***<br>(3.40)   |
| $D(Passive^+)$  |                    |                    |                     | 0.058<br>(1.29)     |                      | -0.052<br>(-1.41)    |
| 1M Return   |                    |                    |                     |                     | 0.014*<br>(1.93)     | 0.015**<br>(2.13)    |
| ILLIQ   |                    |                    |                     |                     | 0.197***<br>(3.72)   | 0.196***<br>(3.77)   |
| Turnover  |                    |                    |                     |                     | 0.014**<br>(2.02)    | 0.015**<br>(2.11)    |
| Volatility  |                    |                    |                     |                     | -0.655***<br>(-7.47) | -0.655***<br>(-7.50) |
| Size  | 0.166***<br>(3.98) | 0.177***<br>(4.26) | 0.190***<br>(4.47)  | 0.191***<br>(4.51)  | 0.280***<br>(3.65)   | 0.289***<br>(3.75)   |
| BM  | 0.715***<br>(4.43) | 0.717***<br>(4.46) | 0.714***<br>(4.42)  | 0.714***<br>(4.41)  | 0.398***<br>(3.76)   | 0.397***<br>(3.79)   |
| 6M Return   | 0.095***<br>(6.01) | 0.094***<br>(6.06) | 0.096***<br>(5.94)  | 0.096***<br>(6.00)  | 0.099***<br>(7.58)   | 0.102***<br>(7.45)   |
| Adj-Rsq.  | 0.040              | 0.041              | 0.040               | 0.041               | 0.083                | 0.082                |

**Table IA2: Returns to Contrarian Investment Strategies Excluding January**

Stocks are sorted into three size groups — microcaps, small stocks and big stocks, using NYSE 20th and 50th percentiles as breakpoints. Within each size group, stocks are independently sorted into quintiles according to their lagged three-month accumulated returns ( $t - 3$  to  $t - 1$ ) and one-month returns ( $t$ ), to generate 25 ( $5 \times 5$ ) portfolios. The Loser (Winner) portfolio is comprised of the bottom (top) quintile of stocks. This table reports the month  $t + 1$  (equal-weighted) profits to the strategy of going long (short) the one-month Loser (Winner) stocks. The profits are reported for the full sample from 1980 to 2011 but excluding January. Risk-adjusted returns are based on a four-factor model comprising the three Fama-French factors (market, size and book-to-market) and the Pástor-Stambaugh liquidity factor. The row “LMW” reports the difference in profits between three-month loser and winner portfolios. Newey and West (1987)-adjusted  $t$ -statistics are shown in parentheses. Numbers with “\*”, “\*\*” and “\*\*\*” are significant at the 10%, 5% and 1% level, respectively.

| Returns to Contrarian Investment Strategies (Excluding January) and Past Three-Month Returns |                     |                    |                    |                    |                              |                    |                    |                     |
|--|---------------------|--------------------|--------------------|--------------------|------------------------------|--------------------|--------------------|---------------------|
| Rank of Past Three-Month Returns   | Returns             |                    |                    |                    | Four-Factor adjusted Returns |                    |                    |                     |
|  | Firm Size           |                    |                    | All                | Firm Size                    |                    |                    | All                 |
|  | Micro               | Small              | Big                |                    | Micro                        | Small              | Big                |                     |
| Loser  | 1.583***<br>(7.00)  | 1.399***<br>(4.49) | 0.936***<br>(3.18) | 1.438***<br>(6.22) | 1.433***<br>(5.91)           | 1.105***<br>(3.53) | 0.702***<br>(2.67) | 1.223***<br>(5.16)  |
| 2  | 0.188<br>(0.81)     | 0.230<br>(0.88)    | 0.229<br>(0.95)    | 0.183<br>(0.91)    | 0.014<br>(0.05)              | -0.011<br>(-0.04)  | 0.035<br>(0.13)    | 0.015<br>(0.07)     |
| 3  | -0.043<br>(-0.22)   | 0.416*<br>(1.71)   | 0.205<br>(0.83)    | 0.141<br>(0.72)    | -0.228<br>(-1.08)            | 0.238<br>(0.95)    | -0.063<br>(-0.24)  | -0.048<br>(-0.23)   |
| 4  | -0.259<br>(-1.08)   | 0.128<br>(0.46)    | -0.085<br>(-0.33)  | -0.244<br>(-1.18)  | -0.494*<br>(-1.88)           | -0.176<br>(-0.60)  | -0.392<br>(-1.47)  | -0.494**<br>(-2.08) |
| Winner   | -0.547**<br>(-2.08) | 0.359<br>(1.21)    | -0.136<br>(-0.49)  | -0.302<br>(-1.28)  | -0.708**<br>(-2.40)          | 0.111<br>(0.35)    | -0.389<br>(-1.32)  | -0.529**<br>(-2.00) |
| LMW  | 2.130***<br>(7.12)  | 1.040***<br>(3.42) | 1.072***<br>(3.38) | 1.740***<br>(7.04) | 2.141***<br>(6.95)           | 0.995***<br>(3.16) | 1.091***<br>(3.93) | 1.752***<br>(7.26)  |

**Table IA3: Returns to Industry-Adjusted Contrarian Investment Strategies:  
Sorted by Past Three-Month Returns**

Stocks are sorted into three size groups — microcaps, small stocks and big stocks, using NYSE 20th and 50th percentiles as breakpoints. Within each size group, stocks are independently sorted into quintiles according to their lagged three-month accumulated returns ( $t - 3$  to  $t - 1$ ) and one-month industry-adjusted returns ( $t$ ), to generate 25 (5×5) portfolios. The Loser (Winner) portfolio is comprised of the bottom (top) quintile of stocks. Panel A reports the month  $t + 1$  (equal-weighted) profits to the strategy of going long (short) the one-month Loser (Winner) stocks. The profits are reported for the full sample (1980 — 2011, Panel A) as well as two sub-periods: 1980 — 1999 (Panel B) and 2000 — 2011 (Panel C). Risk-adjusted returns are based on a four-factor model comprising the three Fama-French factors (market, size and book-to-market) and the Pástor-Stambaugh liquidity factor. The rows “LMW” report the difference in profits between three-month loser and winner portfolios. Newey and West (1987)-adjusted  $t$ -statistics are shown in parentheses. Numbers with “\*”, “\*\*” and “\*\*\*” are significant at the 10%, 5% and 1% level, respectively.

| Returns to Industry-Adjusted Contrarian Investment Strategies Sorted by Size and Past Three-Month Returns |                     |                    |                    |                     |                              |                    |                    |                    |
|---|---------------------|--------------------|--------------------|---------------------|------------------------------|--------------------|--------------------|--------------------|
| Rank of Past Three-Month Returns  | Returns             |                    |                    |                     | Four-Factor adjusted Returns |                    |                    |                    |
|   | Micro               | Firm Size<br>Small | Big                | All                 | Micro                        | Firm Size<br>Small | Big                | All                |
| <b>Panel A: 1980 — 2011</b>   |                     |                    |                    |                     |                              |                    |                    |                    |
| Loser   | 2.382***<br>(11.02) | 1.953***<br>(7.02) | 1.289***<br>(5.31) | 2.018***<br>(9.98)  | 2.232***<br>(10.06)          | 1.665***<br>(6.21) | 1.082***<br>(5.01) | 1.816***<br>(9.10) |
| Winner  | 0.220<br>(1.13)     | 0.873***<br>(3.83) | 0.282<br>(1.53)    | 0.381**<br>(2.33)   | 0.102<br>(0.51)              | 0.647***<br>(2.62) | 0.081<br>(0.43)    | 0.219<br>(1.27)    |
| LMW   | 2.162***<br>(8.10)  | 1.080***<br>(3.90) | 1.007***<br>(4.09) | 1.636***<br>(7.64)  | 2.129***<br>(8.07)           | 1.018***<br>(3.59) | 1.002***<br>(4.22) | 1.598***<br>(7.77) |
| <b>Panel B: 1980 — 1999</b>   |                     |                    |                    |                     |                              |                    |                    |                    |
| Loser   | 2.687***<br>(10.50) | 2.193***<br>(6.59) | 1.800***<br>(7.23) | 2.355***<br>(10.07) | 2.553***<br>(9.85)           | 1.994***<br>(5.97) | 1.582***<br>(6.22) | 2.169***<br>(9.37) |
| Winner  | 0.118<br>(0.59)     | 0.779***<br>(2.97) | 0.369*<br>(1.81)   | 0.276<br>(1.65)     | 0.002<br>(0.01)              | 0.558**<br>(2.03)  | 0.201<br>(1.00)    | 0.111<br>(0.66)    |
| LMW   | 2.569***<br>(8.93)  | 1.414***<br>(4.15) | 1.430***<br>(5.35) | 2.079***<br>(8.56)  | 2.550***<br>(9.24)           | 1.436***<br>(4.20) | 1.381***<br>(5.12) | 2.058***<br>(9.11) |
| <b>Panel C: 2000 — 2011</b>   |                     |                    |                    |                     |                              |                    |                    |                    |
| Loser   | 1.873***<br>(4.99)  | 1.552***<br>(3.18) | 0.438<br>(0.96)    | 1.457***<br>(4.12)  | 1.829***<br>(4.54)           | 1.288***<br>(2.65) | 0.627*<br>(1.90)   | 1.530***<br>(4.09) |
| Winner  | 0.389<br>(1.04)     | 1.030**<br>(2.40)  | 0.136<br>(0.38)    | 0.558*<br>(1.72)    | 0.370<br>(0.91)              | 1.005*<br>(1.95)   | 0.059<br>(0.16)    | 0.537<br>(1.48)    |
| LMW   | 1.484***<br>(3.00)  | 0.523<br>(1.14)    | 0.302<br>(0.68)    | 0.899**<br>(2.52)   | 1.459***<br>(2.81)           | 0.283<br>(0.56)    | 0.568<br>(1.42)    | 0.993***<br>(2.64) |