

Institutional holding strategies:a comparison from pre-and post-financial crisis

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ABSTRACT

The volume traded by individual investors in Taiwan stock markets has been exceeded 70% of the total market trading volume. Although the stock markets in Taiwan are dominated by individual investors, the institutional investors do play some roles in the markets. They are thought to have professional research team and big money to affect the stock markets as they are trading. This paper tends to investigate what determinates institutional investors' choices as they pick up their portfolios, especially as they face the 2008 global financial crisis. The empirical evidences show that institutional investors in Taiwan pick up their portfolios based on some of the "prudence characteristics". They choose stocks with large size, high visibility, high dividend yields and low betas. They also prefer stocks of old firms. As taking ownership structures, liquidity and stock returns into consideration, they prefer stocks with high directors' and large shareholders' ownership, high managerial ownership, high stock prices, low turnover rates and positive lag returns. We further investigate how institutional investors respond to the 2008 financial crisis and some major changes emerge. Institutional investors change their investing style and prefer young firms with small size, low dividend yields, and high price. Furthermore, during the financial crisis they perform like a contrarian trader to pick up stocks with negative past returns rather than what a momentum trader did. Keyword: Institutional investors, prudence, contrarian, momentum

Keywords : 機構法人、持股策略、謹慎原則、逆勢交易、動能交易

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