



## Compartment transfers and shareholder value: A long-term event study on NYSE Euronext Paris

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### ABSTRACT

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This paper investigates the impact of market compartment transfers on the long-term performance of French firms listed on NYSE Euronext Paris. This study employs a long-term event study methodology on a sample of 84 French companies that announced a compartment transfer on NYSE Euronext Paris between 2000 and 2019. The results indicate that firms announcing a compartment transfer exhibit excess returns below those predicted by the asset pricing model, reflecting weaker risk-adjusted performance and suggesting that such transfers do not create shareholder value. The findings provide insights for investors and regulators into the limited long-term benefits of listing transfers and how markets process information in segmented trading environments.

**Contribution/Originality:** This study contributes to the existing literature by providing the first long-term evidence on the shareholder value implications of compartment transfers on NYSE Euronext Paris. The findings clarify whether such transfers serve as value-relevant signals to investors or merely reflect regulatory reclassification with limited economic significance.

## 1. INTRODUCTION

Financial markets have continuously evolved to accommodate the expanding needs of companies. Many of these markets are organized into multiple segments or compartments, each characterized by specific features. For instance, regulatory procedures for share admission, disclosure requirements, and standards for investor protection differ across market segments.

In France, Euronext Paris is organized into three main segments: the regulated market (Eurolist), Euronext Growth (formerly known as Alternext until June 2017), and Euronext Access (which replaced the Free Market in 2017). Similarly, the Tokyo Stock Exchange in Japan is divided into two sections: Section 1, which serves large companies, and Section 2, which is intended for small and medium-sized enterprises (SMEs).

In the United States, NASDAQ comprises three distinct markets: the Nasdaq Global Select Market, the Nasdaq Global Market, and the Nasdaq Capital Market. In the United Kingdom, the London Stock Exchange (LSE) is organized into two primary segments: the Main Market, which is a regulated market, and the Alternative Investment Market (AIM), intended for small and medium-sized enterprises (SMEs).

Every year, thousands of companies worldwide opt to change the market on which their shares are traded. Although the motivations for such market segment switches vary, empirical evidence suggests a common and highly valued driver: the pursuit of enhanced performance. Nevertheless, the decision to switch stock exchanges is complex, as it entails a trade-off between the costs and risks borne by the company and the potential benefits it aims to achieve.

Previous research has demonstrated that companies frequently transfer the trading of their shares from one market segment to another to gain advantages such as increased visibility, improved liquidity, and strengthened corporate governance. Financial theory suggests that such market segment switches positively influence firm value by facilitating more accurate share valuation by investors. This effect is largely attributed to the presence of a more efficient information environment, commonly referred to as the financial market microstructure, which allows for more precise estimation of future cash flows.

Furthermore, market switching contributes to mitigating information asymmetry, both between managers and shareholders and among investors. Consequently, it reduces transaction costs and results in notable improvements in the trading conditions of the transferred shares.

Research on market reactions to announcements of market segment (or compartment) transfers has been extensively documented, particularly in studies focusing on the U.S. market (Baker, Powell, & Weaver, 1998; Dang, Michayluk, & Pham, 2018; Jain & Kim, 2006; McConnell & Kadlec, 1994; Papaioannou, Travlos, & Viswanathan, 2009) and the U.K. market (Campbell & Tabner, 2014; Mortazian, 2022). Similar investigations have been conducted in other international contexts, including South Korea (Park, Binh, & Eom, 2016), Brazil (De Carvalho & Pennacchi, 2012), and China (Kwok, 2020).

While the majority of these studies concentrate on the short-term market reaction to transfer announcements, the question of their long-term impact on firm performance has increasingly attracted the attention of financial scholars. This heightened interest underscores the need to examine whether the initial market enthusiasm is sustained over time and whether such transfers create enduring value for both firms and investors.

Drawing on the theories of market efficiency, signaling, and liquidity, this study investigates the long-term performance of companies listed on NYSE Euronext Paris following a market segment switch. The primary objective is to determine whether transferring a listing from one compartment to another significantly affects the long-term performance of French firms.

This research contributes to the literature by addressing limitations in prior studies, which have predominantly concentrated on short-term effects or have largely neglected the French context. By examining the period from 2001 to 2019, the study seeks to provide a comprehensive understanding of the enduring effects of market segment transfers on firm performance.

The remainder of this paper is structured as follows: Section 2 presents the literature review; Section 3 outlines the methodology and data collection process; Section 4 discusses the empirical results; and Section 5 concludes with key findings and implications.

## 2. LITERATURE REVIEW

### 2.1. Benefits of Market Section Switching and Subjacent Theories

In recent years, the decision to change trading compartments has become a strategically important issue for listed companies. Understanding the underlying motivations that drive managers to shift the trading venue for their securities is essential. This entails identifying the anticipated benefits and examining the theoretical foundations, particularly those related to market efficiency, signaling theory, and liquidity considerations that justify such strategic decisions.

### 2.2. Improving the Company's Financial Structure

Transferring between trading compartments enables companies to enhance the conditions under which they raise capital. This objective is especially relevant for high-growth firms and for companies that have reached their borrowing limits.

This motivation is supported by Merton's (1987) investor recognition hypothesis, which posits that expanding a firm's visibility among a broader set of investors, both individual and institutional, can reduce information asymmetry

and, consequently, lower the cost of capital. This theoretical perspective is empirically validated by [McConnell and Kadlec \(1994\)](#), who found that firms transferring their shares from the over-the-counter (OTC) market to the New York Stock Exchange experienced a decline in their cost of capital, along with improved abnormal returns and an expanded investor base.

### *2.3. Improved Company's Visibility and Reputation*

Another key motivation for companies to change the marketplace where their shares are traded is to enhance their visibility and corporate reputation ([Baker et al., 1998](#); [Jain & Kim, 2006](#); [McConnell & Kadlec, 1994](#); [Papaioannou et al., 2009](#)). Increased visibility through a listing on a more prestigious or regulated market segment can signal greater transparency and credibility to investors. [Roberts and Dowling \(2002\)](#) emphasize that a strong corporate reputation is a critical intangible asset that contributes significantly to firm value. Due to its intangible and cumulative nature, a reputation is difficult for competitors to replicate, thereby providing firms with a sustainable competitive advantage in capital markets.

### *2.4. Increased the Company's Share Liquidity*

By switching trading sections, companies can enhance the liquidity of their shares ([Christie & Huang, 1994](#); [Cissé & Fontaine, 2016](#); [Kim & Lee, 2014](#); [Lamba & Ariff, 1997](#); [McConnell & Kadlec, 1994](#); [Tse & Devos, 2004](#)).

The issue of liquidity has been extensively examined by [Amihud and Mendelson \(1986\)](#), who demonstrated that investors are willing to bear additional costs in exchange for higher liquidity. Their findings further indicate that firms with greater liquidity enjoy competitive advantages, including lower costs of capital and reduced expected future returns. This relationship underscores liquidity as a critical factor influencing both investor behavior and firm valuation.

### *2.5. Improved Corporate Governance*

According to the “bonding hypothesis,” firms can improve their corporate governance by listing on foreign stock exchanges with stricter regulatory standards, which enhances minority shareholder protection ([Coffee, 1998](#); [Stulz, 2022](#)).

Supporting this view, [Campbell and Tabner \(2014\)](#) found that companies transferring their listing from the less regulated Alternative Investment Market (AIM) to the more regulated Main Market of the London Stock Exchange experience positive abnormal returns on the announcement day. Conversely, firms moving in the opposite direction tend to exhibit negative abnormal returns upon announcement, reflecting investor concerns about potential governance deterioration.

### *2.6. Reduced Registration Costs*

In the United States, annual listing fees on NASDAQ are lower than those on the New York Stock Exchange, amounting to approximately \$47,000 compared to \$71,000, respectively. In the United Kingdom, transfers between the Main Market and the Alternative Investment Market (AIM) reflect the distinct characteristics of each market segment, notably regulatory flexibility and lower admission costs associated with AIM ([Campbell & Tabner, 2014](#); [Doukas & Hoque, 2016](#)).

### *2.7. Market Section Switching and Long Run Performance*

Research on market reactions to announcements of compartment transfers has yielded mixed results. Various studies employing different econometric methods and event windows have reported diverse, and sometimes conflicting, findings.

The majority of this literature has concentrated on the U.S. market, particularly examining transfers of NASDAQ-listed shares to national exchanges such as AMEX and NYSE ([Baker & Edelman, 1992](#); [Bhandari,](#)

Grammatikos, Makhija, & Papaioannou, 1989; Jain & Kim, 2006; McConnell & Kadlec, 1994; McConnell & Sanger, 1987; Tse & Devos, 2004).

In contrast, research specifically addressing market segment switching remains scarce, with notable contributions from [Lamba and Ariff \(1997\)](#) and [Cissé and Fontaine \(2016\)](#).

Based on a sample of over-the-counter stocks listed on the NYSE during the period 1966–1977, [McConnell and Sanger \(1987\)](#) confirmed a reduction in the benefits associated with listing on a major exchange. They also documented significant positive abnormal returns immediately following the announcement of the transfer, followed by significant negative returns shortly thereafter.

Some studies have reported non-significant cumulative abnormal returns around the announcement window ([McConnell & Kadlec, 1994](#); [Park et al., 2016](#)). Conversely, other research has found negative market reactions post-announcement ([Lamba & Ariff, 1997](#); [McConnell & Sanger, 1987](#)). Additionally, [Dharan and Ikenberry \(1995\)](#) demonstrated significant long-term underperformance over a three-year horizon following listings transfers to AMEX and NYSE during 1973–1990.

More recent studies have documented positive abnormal returns immediately following the announcement of a market segment transfer ([Jain & Kim, 2006](#); [Jenkinson & Ramadorai, 2013](#)). Additionally, [Papaioannou et al. \(2009\)](#) observed improvements in post-listing operating performance following the Nasdaq market reforms of 1996. One explanation for these findings is the "timing hypothesis," which suggests that decision-makers strategically choose to announce transfers during periods of peak corporate financial health.

Furthermore, [Park et al. \(2016\)](#), analyzing a sample of 38 companies that moved from KOSDAQ (Korean Securities Dealers Automated Quotations) to KOSPI (Korean Composite Stock Price Index) between 1993 and 2010, concluded that the macrostructure of the stock market plays a crucial role in determining improved firm performance.

Similarly, [Podedworna-Tarnowska \(2023\)](#) examined empirical data from firms transferring to the Warsaw Stock Exchange between 2007 and 2020. The study revealed an improvement in financial performance prior to the announcement; however, performance sharply declined in the year of the transfer and continued to deteriorate over the subsequent two years, with a notable recovery observed in the third year post-transfer.

Using the event study methodology to investigate the effect of migration announcements from the Alternative Exchange (AltX) to the Johannesburg Stock Exchange (JSE) main board, [Mtiki and Brijlal \(2023\)](#) found significant abnormal returns occurring three weeks prior to the announcement. [Kwok \(2020\)](#) examined abnormal returns (AR) for Growth Enterprise Market (GEM) companies transitioning to the Main Board (MB) and reported long-term stock price increases, but only for firms characterized by low liquidity.

Furthermore, [Podedworna-Tarnowska and Kaszyński \(2022\)](#) analyzed 71 migration announcements from the alternative market to the regulated market of the Warsaw Stock Exchange between 2007 and 2020. Their results provide evidence of enhanced liquidity and improved firm performance over the long term following the transfer.

### 3. METHODOLOGY AND DATA COLLECTION

#### 3.1. Data Collection

To evaluate the impact of market segment switching on the long-term performance of listed companies, this study analyzes 84 announcements of compartment transfers that occurred between 2000 and 2019. Financial and accounting data were obtained from the Datastream database, the official NYSE Euronext Paris website, the World Federation of Exchanges (WFE), and the companies' annual reports. Each share's listing was identified using the ISIN codes available in the Datastream database. In addition, announcement dates for the transfer events were collected directly from the stock exchange's official website.

Furthermore, a control group of comparable firms is employed to isolate the effect of the compartment transfer on company performance. This control group comprises companies that were not directly affected by the event but share similar characteristics. By comparing the performance of firms undergoing a transfer with that of matched

control firms, the study aims to disentangle the specific impact of the transfer from other external factors that could influence the observed outcomes. Control firms are selected based on criteria such as firm size, book-to-market ratio, industry sector, and other relevant attributes to ensure comparability with the sample firms.

### 3.2. The Three-Factor Model of Fama and French (1993)

The [Fama and French \(1993\)](#) three-factor model extends the traditional Capital Asset Pricing Model (CAPM) by incorporating two additional factors: size and book-to-market, to better explain portfolio excess returns. Specifically, the model posits that the excess return of a portfolio is explained by the market risk premium, the size premium (Small Minus Big, SMB), and the value premium (High Minus Low, HML).

The model is formally expressed as follows.

$$R_{p,t} - R_{f,t} = \alpha_p + \beta_p (R_{m,t} - R_{f,t}) + s_p \times SMB_t + h_p \times HML_t + \varepsilon_{p,t} \quad (1)$$

Where:

$R_{p,t} - R_{f,t}$ : Is the excess return of portfolio p at time t.

$R_{f,t}$ : Is the risk-free rate at time t.

$R_{m,t}$ : Is the return of the market portfolio at time t.

$SMB_t$  represents the size factor (Small Minus Big) at time t.

$HML_t$  represents the book-to-market factor (High Minus Low) at time t.

$\alpha_p$ : Is the intercept term, capturing abnormal returns.

$\beta_p$ ,  $s_p$ , and  $h_p$ : Are the factor loadings corresponding to the market, size, and value factors, respectively.

$\varepsilon_{p,t}$ : Is the error term.

### 3.3. Construction of Fama-French Three Factors (1993)

First, stocks are divided into two portfolios based on their market capitalization. For each year, the size breakpoint is determined by the median market capitalization of all stocks at the end of June. Stocks with market capitalizations below the median are classified as Small (S), while those above the median are classified as Big (B). The SMB (Small Minus Big) factor is then calculated as the monthly difference between the average returns of the three small-cap portfolios and the average returns of the three large-cap portfolios. This factor captures the size premium, reflecting the empirical observation that small-cap stocks tend to outperform large-cap stocks over time.

$$SMB = \frac{1}{3}(SL + SM + SH) - \frac{1}{3}(BL + BM + BH) \quad (2)$$

Second, each size-based portfolio is further divided into three groups according to the book-to-market ratio, using the 30th and 70th percentile breakpoints. Portfolios with a low book-to-market ratio are classified as Low (L), those with a medium ratio as Medium (M), and those with a high ratio as High (H). The combination of the two size categories (Small and Big) with the three book-to-market categories results in six distinct portfolios: SL, SM, SH, BL, BM, and BH. The HML (High Minus Low) factor is computed as the difference between the average returns of the two high book-to-market portfolios (SH and BH) and the two low book-to-market portfolios (SL and BL). This factor captures the value premium, representing the tendency of value stocks (high book-to-market) to outperform growth stocks (low book-to-market).

$$HML = \frac{1}{2}(SH + BH) - \frac{1}{2}(SL + BL) \quad (3)$$

### 3.4. Procedure of Fama and MacBeth (1973)

This method involves two main steps. The first step entails estimating the coefficients of monthly returns through individual cross-sectional regressions. These estimated coefficients (Betas) are then used in the second step to calculate the average monthly returns.

To isolate the effect of the compartment transfer from other factors influencing cross-sectional variations in profitability, monthly cross-sectional regressions will be performed on all listed stocks. The necessary data, including variables such as the VC/VM ratio and market capitalization, will be obtained from the Datastream international database.

The regressions are estimated for each calendar month over the period 2001 to 2019, considering time horizons of three and five years following the last transfer event. Following the [Fama and MacBeth \(1973\)](#) procedure, the model includes three independent variables: the natural logarithm of the book-to-market ratio  $\ln(VC/VM_{it})$ , the natural logarithm of market capitalization  $\ln(VM_{it})$ , and the transfer variable, a binary indicator equal to 1 if the company has undergone a compartment transfer, and 0 otherwise.

The model to be estimated is specified as follows.

$$R_{it} = \alpha_0 + a_1 \ln(VM_{it}) + a_2 \ln(VC/VM_{it}) + a_3 Transfer_{it} + \varepsilon_{it} \quad (4)$$

Where:

$R_{it}$  is the monthly return,  $\ln(VM_{it})$  is the logarithm of market capitalization,  $\ln(VC/VM_{it})$  is the logarithm of the book-to-market ratio, and  $Transfer_{it}$  is the dichotomous variable.

### 3.5. Empirical Results

In this section, we present and discuss the results obtained using the two methodological approaches adopted in this study: The [Fama and French \(1993\)](#) three-factors model and the [Fama and MacBeth \(1973\)](#) cross-sectional regression procedure.

#### 3.5.1. The Three-Factors Model of Fama and French (1993)

In the context of the [Fama and French \(1993\)](#) three-factor model, the intercept term ( $\alpha$ ) is interpreted as a proxy for the mean abnormal performance of the portfolio. This measure performs a role analogous to Jensen's alpha in the Capital Asset Pricing Model (CAPM), capturing the component of returns unexplained by the market, size, and value factors.

To provide a robust evaluation of long-term performance following a compartment transfer announcement, we adopt three different post-event horizons: 12, 24, and 36 months. This multi-period approach allows us to observe the persistence and evolution of abnormal returns over time. [Table 1](#) presents the abnormal return using the Fama-French three-factor model (1993).

**Table 1.** present the abnormal return using the Fama-French three-factor model (1993).

Horizon	$\alpha$ (%)	$\beta_p$	Sp	Hp	Adj. R <sup>2</sup>	F-stat
12 Months	-2.2 *** (-3.09)	0.938 5.65***	0.155* 1.68	0.037 0.21	0.161	10.73***
24 Months	-2.2 *** -2.74	0.982*** 6.22	0.262*** 2.47	-0.413** -2.25	0.201	15.5***
36 Months	-2.1 *** -2.47	0.176*** 6.36	0.2* 1.72	-0.673*** -3.33	0.234	18.22***

**Note:** This table presents the regression results based on the Fama and French three-factor model. The analysis focuses on estimating the risk-adjusted returns of the sample firms, highlighting the significance and direction of the intercept (abnormal return), as well as the estimated loadings on the market ( $\beta$ ), size (sp), and value (hp) factors. The values in parentheses are the statistical tests; \*\*\*, \*\*, and \* denote the 1%, 5%, and 10% significance levels, respectively.

The model we will estimate is as follows.

$$R_{p,t} - R_{ft} = \alpha_p + \beta_p (Rm_t - Rf_t) + s_p SMB_t + h_p HML_t + \varepsilon_t \quad (5)$$

The results from the [Fama and French \(1993\)](#) regression models indicate that, across all three horizons (12, 24, and 36 months), firms announcing a compartment transfer exhibit significantly negative abnormal monthly returns. This suggests that the performance of transferred firms consistently underperforms that of control firms. For

instance, over a 36-month horizon, the monthly abnormal return is  $-2.1\%$  ( $t = -2.47$ ;  $p < 0.01$ ), corresponding to a compounded underperformance of  $-53.42\%$ .

The positive and significant coefficient on the SMB factor confirms that the sample consists predominantly of small-cap firms. In contrast, the HML coefficient is significantly negative, indicating that the transferred firms are mainly growth-oriented. Additionally, the market beta is significantly below one ( $p < 0.01$ ), implying that these stocks exhibit lower sensitivity to market movements.

Overall, a negative abnormal return implies that the market financially penalizes companies following a compartment transfer, anticipating weaker future performance than expected. This reflects a loss of value for shareholders and calls into question the financial effectiveness of this strategic operation.

### 3.5.2. Procedure of Fama and MacBeth (1973)

The regression results obtained using the [Fama and MacBeth \(1973\)](#) procedure are summarized in [Table 2](#).

**Table 2.** The mean of the estimated coefficients based on cross-sectional regression of monthly returns on size returns and book-to-market ratio.

Coefficients	12 months	24 months	36 months
$\alpha_0$	0.006 (1.13)	0.006 (1.19)	0.006 (1.19)
$\ln(VM_{it})$	$-0.010^{***}$ (-3.56)	$-0.010^{***}$ (-3.55)	$-0.010^{***}$ (-3.54)
$\ln(VC/VM_{it})$	0.001 (0.53)	0.001 (0.54)	0.001 (0.57)
Transfer	<b>-0.011**</b> (-2.38)	<b>-0.014**</b> (-2.39)	<b>-0.011*</b> (-1.81)
No. obs.	271	273	275
Adjusted R <sup>2</sup>	0.024	0.025	0.029

**Note:** This table presents the results of cross-sectional regressions of monthly returns using the [Fama and MacBeth \(1973\)](#) procedure for a portfolio of companies that announced a compartment transfer during the period 2000 to 2019, across 12-, 24-, and 36-month horizons. The table reports the averages of the estimated coefficients, with values in parentheses representing t-statistics. The symbols '\*\*\*', '\*\*', and '\*' denote significance levels at 1%, 5%, and 10%, respectively.

The estimated model is specified as follows.

$$R_{it} = \alpha_0 + \alpha_1 \ln(VM_{it}) + \alpha_2 \ln(VC/VM_{it}) + \alpha_3 Transfer_{it} + \varepsilon_{it} \quad (6)$$

The results presented in [Table 2](#) indicate that the mean coefficient for  $\ln(VM)$  is  $-0.01$ , and it is statistically significant at the 1% level. This finding suggests that firms with larger market capitalizations tend to exhibit lower expected returns. This outcome is consistent with the size effect documented in asset pricing literature ([Banz, 1981](#); [Fama & French, 1993](#)), which posits that smaller firms generally yield higher expected returns compared to their larger counterparts.

The average coefficient of the dichotomous Transfer variable is  $-1.1$  and is statistically significant at conventional levels. This finding indicates that companies undergoing a compartment transfer underperform by 0.11 basis points per month, corresponding to an annualized underperformance of approximately  $13.2\%$  in the year following the announcement. This negative abnormal return reflects a deterioration in investor expectations post-transfer and may signal reduced confidence in the firm's future performance.

A significant negative coefficient may challenge the Efficient Market Hypothesis (EMH), which posits that new information is rapidly and fully reflected in stock prices. This deviation from market efficiency could be attributed to information asymmetry, which increases investor uncertainty and leads to delayed or incomplete price adjustments. In such cases, investors may interpret the compartment transfer as a signal of underlying firm-specific risks or weak fundamentals, rather than as a value-enhancing event.

The underperformance observed using the [Fama and MacBeth \(1973\)](#) procedure is consistent with the earlier results obtained through the time-series regression based on the [Fama and French \(1993\)](#) three-factor model. This convergence strengthens the evidence of a persistent decline in post-transfer performance. These findings are also in

line with those of [Dharan and Ikenberry \(1995\)](#), who documented long-term underperformance over a three-year horizon following 2,889 firm transfers to the NYSE between 1962 and 1990.

Similarly, [Papaioannou, Travlos, and Viswanathan \(2003\)](#) reported negative abnormal returns during the migration from NASDAQ to NYSE, NASDAQ to AMEX, and AMEX to NYSE over the period 1978–1996. From a financial perspective, the observed underperformance may reflect higher agency costs, investor confidence, or unrealistic expectations surrounding the benefits of switching market segments. Instead of enhancing shareholder value, the transfer may signal concerns about managerial intent or the firm's ability to meet the regulatory demands of the new compartment.

#### 4. CONCLUSIONS AND DISCUSSION

This study examines the long-term performance of 84 compartment transfer announcements on the French Stock Exchange (Euronext Paris) over the period 1994–2019. To assess the impact of these transfers, we employ two complementary methodologies: the [Fama and French \(1993\)](#) three-factor asset pricing model and the cross-sectional regression procedure developed by [Fama and MacBeth \(1973\)](#). These approaches allow us to capture both time-series abnormal returns and cross-sectional variations in firm performance, providing a robust framework for evaluating the financial implications of market segment transitions.

The main findings of this study are as follows. First, using the [Fama and French \(1993\)](#) three-factor model, we find that firms announcing a transfer from one market compartment to another exhibit statistically significant negative abnormal returns, indicating underperformance relative to their expected risk-adjusted returns. Second, the results from the [Fama and MacBeth \(1973\)](#) cross-sectional regression confirm a significant deterioration in firm performance over the 12-, 24-, and 36-month post-announcement horizons, reinforcing the evidence of long-term underperformance following a compartment transfer.

This study contributes to the finance literature by assessing capital market efficiency, identifying potential market anomalies, and providing empirical evidence on the effectiveness of market segmentation and regulatory frameworks. It also offers insights into investor reactions to new information conveyed by compartment transfers, thereby enhancing our understanding of shifts in investor expectations and market behavior.

Like most empirical research, this study faces certain limitations. First, the sample size is constrained by data availability, highlighting the need for larger datasets in future research to enhance generalizability. Second, the study relies on the [Fama and French \(1993\)](#) three-factor model, which, while foundational, does not capture all dimensions of firm performance. Future research could benefit from incorporating additional factors related to profitability and investment, as proposed in the [Fama and French \(2015\)](#) five-factor model, or by integrating cognitive variables drawn from behavioral finance to better account for investor psychology.

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