TERM STRUCTURE OF INVESTMENT GROWTH AND PORTFOLIO PERFORMANCE

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ABSTRACT

This study extends prior research on the investment growth anomaly by decomposing long-term investment growth into short-term consecutive investment growth measures based on the concept of term structure and investigating performance of the resulting growth portfolios. Our findings support the validity of the extrapolative myopic mispricing theory in explaining the anomaly. A steeper cross-sectional slope and evidence of more severe mispricing are associated with a higher return spread and a greater abnormal return spread at a portfolio level.