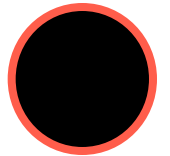


Background (1/3)

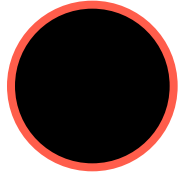


Each January, starting in 1998, *Fortune* publishes a list of the “100 Best Companies to Work For in America.”

In Team Assignment #3, you will evaluate a portfolio strategy that invests in publicly-traded companies that appear on that list, using the lists published from 1998-2012.



Background (2/3)



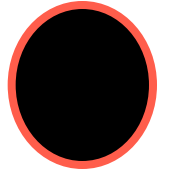
The 15 lists from 1998-2012 (and the identification of publicly-traded companies in the list) are provided by Alex Edmans of LBS in the spreadsheet (<http://faculty.London.edu/aedmans/bcwlist.xls>) and used in this research of his:

Edmans, Alex, 2011, "Does the Stock Market Fully Value Intangibles? Employee Satisfaction and Equity Prices," *Journal of Financial Economics* 101, 621-640.

Edmans, Alex, 2012, "The Link Between Job Satisfaction and Firm Value, With Implications for Corporate Social Responsibility," *Academy of Management Perspectives* 26, 1-19.



Background (3/3)



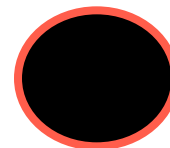
I used this information on the *Fortune* “100 Best Companies to Work For in America” to construct various equally-weighted stock portfolios. All of these portfolios are contained in the spreadsheet:

Employee_Satisfaction>Returns.xlsx

For some portfolios, returns are not available for certain months, this is indicated in the spreadsheet by a “.” This means no return is available for this month so do NOT include this observation in a regression analysis. A “.” does NOT mean the return is zero for that month!



Employee_Satisfaction_Returns.xlsx



Employee_Satisfaction_Returns - Excel

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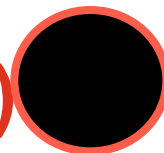
	A	B	C	D	E	F	G	H	I	J	K
1	yyyymm	ret_RF	ret_1yearlag_RF	ret_2yearlag_RF	ret_dropped_RF	ret_year_before_added_RF	Mkt_RF	SMB	HML		
2	199802	8.291516	.	.	.	8.914111	7.03	0.01	-0.15		Returns in
3	199803	6.092519	.	.	.	4.854949	4.76	-0.93	1.03		Returns in
4	199804	0.5344488	.	.	.	4.247181	0.73	0.22	0.78		
5	199805	-4.378022	.	.	.	-6.415591	-3.07	-3.75	4.15		
6	199806	1.720631	.	.	.	4.71192	3.18	-3.14	-2.34		
7	199807	-5.084651	.	.	.	-3.600811	-2.46	-5.13	-0.98		
8	199808	-16.60179	.	.	.	-19.47449	-16.08	-5.3	3.39		
9	199809	4.198792	.	.	.	15.87231	6.15	-0.14	-3.26		
10	199810	6.35015	.	.	.	5.885649	7.13	-3.3	-2.2		
11	199811	8.107208	.	.	.	5.280439	6.1	1.06	-3.13		
12	199812	8.409484	.	.	.	5.577207	6.16	-0.34	-4.45		
13	199901	2.482989	.	.	.	0.5194282	3.5	0.37	-4.03		
14	199902	-5.366617	-2.87677	.	-3.310492	-3.902207	-4.08	-5.64	1.37		
15	199903	4.518166	5.450887	.	7.270904	9.57024	3.45	-3.93	-2.65		
16	199904	6.486416	3.568297	.	2.864668	0.5038328	4.33	3.96	2.54		

Sheet1

READY

100%

Descriptions of spreadsheet columns (1/4)



Column A: Month (given in yyyyymm format, so July 2005 is 200507).

Column B: This is the monthly return of a portfolio that invests equally in all the publicly-traded members of the *Fortune* list released the past January. The 1998 list is released January 1998, so returns from 199802 to 199901 represent the portfolio returns from investing in the 1998 *Fortune* list. Returns from 199902 to 200001 represent the portfolio returns from investing in the 1999 *Fortune* list, ..., and returns from 201202 to 201301 represent returns from investing in the 2012 *Fortune* list. The returns are in excess of the monthly Treasury-Bill rate.

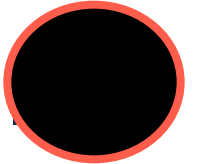
Descriptions of spreadsheet columns (2/4)



Column C: This is the monthly return of a portfolio that invests equally in all the publicly-traded members of the *Fortune* list WITH A ONE-YEAR DELAY. The 1998 list is released January 1998, so returns from 199902 to 200001 represent the portfolio returns from investing in the 1998 *Fortune* list with a one-year delay and returns from 201302 to 201401 represent returns from investing in the 2012 *Fortune* list with a one-year delay. The returns are in excess of the monthly Treasury-Bill rate.

Column D: This is the monthly return of a portfolio that invests equally in all the publicly-traded members of the *Fortune* list WITH A TWO-YEAR DELAY. The 1998 list is released January 1998, so returns from 200002 to 200101 represent the portfolio returns from investing in the 1998 *Fortune* list with a two-year delay and returns from 201402 to 201501 represent returns from investing in the 2012 *Fortune* list with a two-year delay. The returns are in excess of the monthly Treasury-Bill rate.

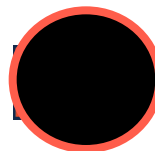
Descriptions of spreadsheet columns (3/4)



Column E: This is the monthly return of a portfolio that invests equally in all the publicly-traded members that were dropped from the most recent *Fortune* list released the past January. The 1999 *Fortune* list is released January 1999, so returns from 199902 to 200001 represent the portfolio returns from investing in the 1998 *Fortune* list companies that were dropped from the 1999 *Fortune* list. The returns are in excess of the monthly Treasury-Bill rate.

Column F: This is the monthly return of companies the year before they were added to the *Fortune* list. The 1999 *Fortune* list is released January 1999, so returns from 199802 to 199901 represent the portfolio returns from investing in the 1999 *Fortune* list companies that did not appear in the 1998 *Fortune* list. Obviously, this is not a portfolio strategy we could implement in practice, since it requires knowing in advance what new companies will be added to the *Fortune* list! The returns are in excess of the monthly Treasury-Bill rate. **THIS COLUMN IS NOT USED IN TEAM ASSIGNMENT 3, BUT WILL BE DISCUSSED LATER.**

Descriptions of spreadsheet columns (4/4)



Column G: This is the monthly return of the overall stock market minus the Treasury-Bill rate (**Mkt_RF**).

Column H: This is the monthly return of a portfolio of small-cap stocks minus the return of a portfolio of large-cap stocks (**SMB**).

Column I: This is the monthly return of a portfolio of value stocks minus the return of a portfolio of growth stocks (**HML**).

You will use these three columns when you estimate CAPM and 3-Factor Model regressions.

