



GovernanceMetrics International®

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Corporate Governance and Investment Returns in Asia

Back-testing shows high rated companies outperform; Singapore earns highest regional ranking; Separate study finds correlations in the Australian market

New York, July 28, 2009 - GovernanceMetrics International (GMI), the corporate governance research and ratings firm, announced today new findings concerning the relationship between corporate governance and investment returns in 10 Asian markets. The new research was recently published by UBS Investment Research in a major new report titled *Corporate Governance in Asia*.

Highlights of the new report included the following:

- Back-testing conducted by the UBS quantitative research team in Asia found that companies with higher corporate governance ratings tend to outperform low rated companies on an annualized basis for holding periods of one year or longer
- Countries with a British colonial heritage – Hong Kong, India and Singapore – tend to have higher levels of transparency and higher average ratings
- Family ownership and control remains a problem in the region, particularly in Hong Kong, Indonesia and Korea.
- Of the 10 Asian markets covered in the new report, Singapore ranked the highest based on the average overall GMI rating, followed by Thailand, India, Malaysia, Taiwan, Hong Kong, Indonesia, South Korea, Philippines and China
- Investment opportunities based on governance issues may be most pronounced in China, Indonesia and Korea

GMI also announced today a related study from UBS Investment Research, this one focusing solely on the Australian market. In *Does Corporate Governance Add Value?*, the UBS Australian quantitative research team found:

- Long-short strategies based on GMI ratings have all performed exceptionally well since the middle of 2007

- IC (information coefficient) analysis shows that GMI ratings have some forecasting ability with IC's between 1.3% and 4.1% (for average) and 2.7% and 4.6% (for median)

The new reports from UBS add to a growing body of academic and commercial research examining the link between corporate governance, cost of capital and shareholder returns. Earlier this year, for example, GMI released *GMI Ratings and Corporate Performance: 2003 to 2008* by Kevin Spellman and Robert Watson, which found that “GMI ratings have been of significant economic importance to investors by providing them with a potentially simple and low cost method by which to make investment decisions”; and *Corporate Governance and Firm Value: International Evidence* by the Swiss Institute of Banking and Finance, which found a “strong and positive relation between firm-level corporate governance and firm valuation” over the 2003 to 2007 time period.

Please [contact GMI](#) for complimentary copies of these and other GMI governance and performance studies.

Please contact Elizabeth.Larkin@ubs.com for copies of the UBS Investment Research reports on Asia and Australia.

About GMI: GMI ratings, research reports and e-Alerts are used by a wide array of global financial institutions. Depending on the organization, clients use GMI as part of their overall investment research strategy, to support corporate engagement programs and ESG-specific research and investment products, and to help assist with portfolio risk analysis. GMI is often combined with traditional analytical tools such as discounted cash flow or financial ratio analysis to create more robust valuation models. GMI publishes new research reports for all companies covered on a quarterly basis and conducts interim re-ratings when events so warrant. Additional information can be found at www.gmiratings.com.

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