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Strategic Voting and Informational Rents: Evidence from Mutual Funds' Trades and Votes

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Abstract

We examine whether informed shareholders sometimes vote strategically against their private information to preserve its value for trading. Using mutual funds' trading and voting records, we identify this behavior by a fund's tendency to buy (sell) shares after losing (winning) a contentious vote. We find that post-vote net buying by strategic voters positively predicts subsequent abnormal stock returns, while the alignment of vote outcomes with their votes negatively predicts returns. Our findings suggest that these funds possess private information and strategically vote against it, highlighting a key friction in shareholder democracy where the pursuit of trading profits can weaken corporate governance.

Keywords: Proxy voting, Strategic voting, Corporate governance, Mutual funds, Information aggregation

JEL Classifications: G34, G23, G14

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Abstract

We examine whether informed shareholders sometimes vote strategically against their private information to preserve its value for trading. Using mutual funds' trading and voting records, we identify strategic voting by a fund's tendency to buy (sell) shares after losing (winning) a contentious vote. We find that post-vote net buying by strategic voters positively predicts subsequent abnormal stock returns, while the alignment of vote outcomes with their votes negatively predicts returns. Our findings suggest that these funds possess private information and strategically vote against it, highlighting a friction in shareholder democracy where the pursuit of trading profits can weaken corporate governance.

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1 Introduction

The effective functioning of shareholder democracy requires that shareholders acquire information and that their votes collectively impound this information into the vote tally, thereby ensuring that voting outcomes reflect shareholders' collective wisdom. However, unlike civic elections, where voting is often the only way for informed voters to derive utility from their private information, proxy voting allows informed voters to gain from both voting and trading shares, making these decisions interdependent. As a result, informed shareholders may sometimes vote against their private information to retain an informational advantage for post-vote trading. Such strategic voting behavior, while in the private interest of informed shareholders,[1] reduces the informativeness of the aggregate vote tally and would therefore undermine the effectiveness of proxy voting as a mechanism for aggregating information. In this paper, we examine strategic voting by informed shareholders and its implications for firms.

The interdependence of voting and trading creates a fundamental tension between a shareholder's governance role and her trading incentives. Voting in line with private information contributes to collective decision-making, but it also risks revealing costly private information through the aggregate vote tally.[2] Consequently, informed shareholders may adopt a mixed strategy—sometimes voting against their private signals to preserve the value of their information. This tactic is analogous to that of informed traders in market microstructure models, who occasionally trade against their private information to conceal it and profit (Huddart, Hughes, and Levine 2001; Yang and Zhu 2020). Meirowitz and Pi (2022) formalize this trade-

[1] Mutual fund managers are legally obligated to cast votes in the best interests of their *fund investors*, rather than in the interests of the shareholders of the firms in which they hold shares and cast votes. Therefore, in principle, strategic voting can be consistent with fund managers' fiduciary duty as long as it benefits fund investors.

[2] The mechanism does not require that the market perfectly infer any individual shareholder's private signal from the aggregate vote tally. Just as in market microstructure models where the market maker cannot identify individual informed trades from aggregate order flow but nonetheless adjusts prices based on it (Kyle 1985), it suffices that the vote tally is partially informative about shareholders' collective private information.

off, distinguishing between a vote's pivotal effect on the policy outcome and its signaling effect on market prices. Given that an individual vote is unlikely to be pivotal, the strategic incentive to reduce the informativeness of the aggregate vote tally often dominates. By obscuring their private signal in the voting outcome, informed shareholders preserve their ability to trade on that information before it is fully impounded into the stock price.

Specifically, when an informed shareholder employs a mixed strategy by occasionally voting against her private information, the market cannot infer her true signal with certainty, creating a temporary wedge between the shareholder's private valuation and the market price that can be exploited through post-vote trading. For example, suppose a shareholder has favorable information about a proposal but votes against it strategically. If the proposal passes, in which case the shareholder loses the vote as the vote outcome goes against her strategic vote, the resulting share price is lower than her private valuation as the market does not fully incorporate her positive signal. The shareholder can then buy shares to take advantage of her information. Conversely, if the proposal fails, in which case the shareholder wins the vote, her private information indicates that a value-enhancing initiative has been rejected, leading to a lower private valuation of the firm compared to the market and creating an incentive to sell shares. We therefore identify strategic voting through contrary trades, i.e., a tendency to buy shares after losing a vote and sell shares after winning one.

Using a large sample of mutual fund trading and voting records at the intersection of transaction-level data from ANcerno and voting data from ISS Voting Analytics, we examine mutual funds' strategic voting behavior and its implications for firms. We focus on votes on contentious proposals, where information production is critical and the stock market reaction is particularly sensitive to variations in the level of support for the proposals.

We measure a fund's tendency to vote strategically based on how often it places contrary trades after contentious votes. On average, we find that a fund engages in contrary trades

22.2% of the time, indicating a nontrivial likelihood of strategic voting. We sort our sample mutual funds into quintiles based on the strategic voting measure in each year and classify those in the top quintile as strategic voters. To benchmark strategic voters' trading and voting behavior, we also measure each fund's tendency to engage in aligned trades—buying after winning a vote or selling after losing one—a pattern that Li, Maug, and Schwartz-Ziv (2022) interpret as belief-based trading in response to disagreement. We classify funds in the top quintile of aligned trading as aligned traders, with the remaining funds forming a residual category we refer to as "other."

We find that the strategic voting measure exhibits persistence for up to three years into the future, suggesting that it captures a persistent fund characteristic. The measure also exhibits significant heterogeneity in the cross-section. Funds with higher portfolio turnover engage in more strategic voting, consistent with active traders being better positioned to profit from private information. Funds with higher expense ratios—those able to afford information acquisition costs and likely to have skilled managers—also exhibit more strategic voting. Notably, these characteristics do not consistently predict aligned-trading tendency, suggesting that the strategic voting measure captures something distinct from belief-based trading in response to disagreement.

Informed shareholders' incentive to vote strategically may increase with stock liquidity, as greater liquidity enables post-vote trading with minimal price impact. Consistent with this prediction, we find that strategic voters are more likely to place contrary trades after contentious votes in liquid stocks. In contrast, stock liquidity is not consistently correlated with aligned traders' tendency to place aligned trades. These results suggest that liquidity matters specifically for the strategic mechanism—informed shareholders need a liquid market to profit from privately preserved signals—rather than for disagreement-based trading.

If strategic voters possess private information about contentious proposals and trade on it,

their post-vote trades should contain information about subsequent abnormal stock returns.[3] Consistent with this prediction, we find that net buying by strategic voting funds in an 11-day window starting from the shareholder meeting date positively predicts subsequent abnormal stock returns, especially over intermediate horizons of 6 to 9 months. The economic magnitude is large. For example, a one-standard-deviation increase in net buying by strategic voters is associated with an increase of 2.179 percentage points in the Fama-French-Carhart four-factor adjusted cumulative abnormal return (CAR) over a 6-month period following the trading window, and the magnitude is larger over 9 months. In contrast, net buying by aligned traders or by the residual category of funds does not predict abnormal stock returns. These results indicate that strategic voting funds possess information about contentious proposals and profit from this information through post-vote trading.

To shed light on the sources of strategic voters' informational advantage, we investigate how the predictive power of strategic voters' post-vote trades for subsequent stock performance varies with the extent to which they vote in the same direction. When strategic voters vote uniformly, they are likely to amplify the wedge between their private valuations and the market price, which in turn could allow them to extract higher informational rents through subsequent trades. We find that the predictive power of strategic voters' post-vote net buying is significantly stronger when their votes are more aligned, suggesting that strategic voters are better able to extract informational rents when their voting behavior is more synchronized.

We then examine the information content of strategic voters' votes. Because strategic voters tend to vote against their private signals, the alignment of vote outcomes with their votes should be inversely related to those signals and, hence, to future stock returns. For example, when strategic voters disproportionately vote against a contentious proposal, they likely possess favorable information about the proposal. Thus, the stock price should ultimately

[3]Sources of such private information include costly proprietary research, superior information processing skill, and private engagement with firm management.

decrease when the proposal is rejected (i.e., when the vote outcome aligns with their strategic votes) and increase when it passes to reflect their favorable information. Consistent with this prediction, we find that strategic voters' net win, i.e., the extent to which the vote outcome aligns with their votes, negatively predicts post-vote abnormal stock returns. This result indicates that strategic voters vote against their private information, and that this information is ultimately reflected in the stock price.

Our paper is related to three strands of the literature. First, our paper contributes to the literature on institutional investors' voting behavior and its implications for corporate governance.[4] A number of studies show that mutual funds' proxy voting decisions are influenced by considerations such as business and social connections to management (Davis and Kim 2007; Butler and Gurun 2012; Ashraf, Jayaraman, and Ryan 2012; Cvijanović, Dasgupta, and Zachariadis 2016; Calluzzo and Kedia 2019), peer institutions (Matvos and Ostrovsky 2010; Huang 2023), reliance on proxy advisory firms (Iliev and Lowry 2015; Gantchev and Giannetti 2021), capital gains lock-in (Dimmock et al. 2018), governance preferences (Bolton et al. 2020; Bubb and Catan 2022), and portfolio considerations (Matvos and Ostrovsky 2008; He, Huang, and Zhao 2019; Antón et al. 2022). We provide new insights into shareholder voting by showing that some informed shareholders withhold information in voting to preserve the value of costly research and profit from it through post-vote trading. Our focus on strategic voting as a tool to preserve informational advantages distinguishes our work from studies that frame strategic voting as a way to improve information aggregation—whether under supermajority rules (Maug and Rydqvist 2009) or through a blockholder withholding part of her votes so as not to drown out other shareholders' information (Bar-Isaac and Shapiro 2020)—as well as from work framing it as a response to agency conflicts between ESG-oriented funds and

[4]More broadly, our paper adds to the literature on shareholder activism and the role of institutional investors in corporate governance (see, e.g., Brickley, Lease, and Smith 1988; DeAngelo and DeAngelo 1989; Carleton, Nelson, and Weisbach 1998; Gillan and Starks 2000; Huson, Parrino, and Starks 2001; Parrino, Sias, and Starks 2003; Chen, Harford, and Li 2007; Brav et al. 2008; Greenwood and Schor 2009; Aghion, Van Reenen, and Zingales 2013; Appel, Gormley, and Keim 2016, 2019).

their families (Michaely, Ordonez-Calafi, and Rubio 2024). We identify this strategic behavior using a novel, ex ante measure based on funds' voting and trading patterns around contentious votes and show that the post-vote trades of strategic voting funds predict future stock returns.

Second, our paper contributes to the literature on shareholder voting as a corporate governance mechanism (e.g., Cai, Garner, and Walkling 2009; Cai and Walkling 2011; Cuñat, Giné, and Guadalupe 2012, 2016; Ertimur, Ferri, and Oesch 2013, 2015; Fos and Tsoutsoura 2014; Larcker, McCall, and Ormazabal 2015; Malenko and Shen 2016; Fos 2017; Fos, Li, and Tsoutsoura 2018; Holderness 2018; Aggarwal, Dahiya, and Prabhala 2019; Brav et al. 2024; Gao and Huang 2025). While much of this literature documents positive governance effects of shareholder voting, our evidence highlights a key friction: when informed shareholders face strong trading incentives, they may withhold private information in voting, thereby weakening the information aggregation role of voting.

Third, our paper contributes to the literature on information production and strategic information use by investors and by information intermediaries. Prior studies examine informed trading by institutional investors (e.g., Chen, Jegadeesh, and Wermers 2000; Sias, Starks, and Titman 2006; Chemmanur, Hu, and Huang 2010, 2015). We bridge this line of research with corporate governance by showing that proxy voting can be an integral part of an informed investor's strategy. The strategic voting behavior we show echoes the mixed strategies of informed traders, who sometimes trade against their private information to conceal their informational advantage and preserve long-term profits (Huddart, Hughes, and Levine 2001; Yang and Zhu 2020). Our work also complements theories on the strategic incentives of information intermediaries, such as proxy advisors, who may crowd out shareholders' private information production (Malenko and Malenko 2019) or even issue biased public recommendations to increase the value of their private research reports (Malenko, Malenko, and Spatt 2025). We show that shareholders may similarly obfuscate their private information in the

voting process to preserve its value for trading.

Our paper also differs from prior studies that treat trading as a *reaction* to public signals related to voting. Specifically, existing studies find that funds tend to sell in response to negative proxy advisor recommendations or when the vote outcome contradicts their votes (Iliev and Lowry 2015; Duan and Jiao 2016; Li, Maug, and Schwartz-Ziv 2022). Li, Maug, and Schwartz-Ziv (2022), for instance, attribute this behavior to differences of opinion, arguing that it leads to a benign sorting mechanism that creates a more homogeneous shareholder base. Their framework provides a natural interpretation for aligned trades, which serve as our main comparison group. Our paper complements these studies by showing that the vote itself can be a proactive tool used by informed investors to protect the value of their private information before trading on it.

Our study has important implications for regulators. A well-functioning shareholder democracy requires that the voting process aggregate the information dispersed among shareholders, thereby ensuring that voting outcomes reflect shareholders' collective wisdom. Our findings suggest that informed shareholders may at times vote strategically against their private information to preserve an informational edge for post-vote trading, which can weaken the effectiveness of proxy voting as an information aggregation mechanism. This tension between shareholders' roles as both traders and voters is therefore of direct relevance to policymakers, indicating that assessments of the proxy system should account for how trading incentives and the pursuit of informational rents affect the informativeness of shareholder voting and, ultimately, the effectiveness of corporate governance.

The rest of the paper is organized as follows. Section 2 introduces the measure of strategic voting for mutual funds. Section 3 describes sample selection and reports summary statistics. Section 4 presents empirical results, and Section 5 concludes.

2 Measuring Strategic Voting

To capture strategic voting among informed shareholders, we construct a measure based on their post-vote trading behavior in relation to their winning or losing a contentious vote. The premise is that informed shareholders may sometimes strategically vote against their private signals so that the aggregate vote tally remains only weakly informative, which allows them to trade profitably before the information is fully impounded into the price.[5] This behavior leads to a distinctive pattern: strategic voters tend to buy shares after losing a vote (i.e., when the vote outcome goes against their strategic vote) and sell shares after winning a vote (i.e., when the vote outcome is in line with their strategic vote).

For example, suppose a shareholder has positive information about a proposal but votes against it strategically. If the proposal passes, in which case the shareholder loses the vote as the vote outcome contradicts her strategic vote, the resulting share price would be lower than her private valuation as the market does not incorporate her positive signal. The shareholder can then buy shares at this lower price to profit from her private information. Conversely, if the proposal fails, in which case the shareholder wins the vote as the vote outcome aligns with her strategic vote, the shareholder's private information suggests a good proposal was rejected. This causes her private valuation to fall below the market's, prompting her to sell shares. We therefore use the tendency that a shareholder engages in contrary trades, i.e., buying shares after losing a vote and selling shares after winning one, to identify strategic

[5] While abstaining from a vote could, in theory, help avoid revealing private information, mutual funds almost never abstain in practice (about 1.5% in our sample). This may be because abstention can signal disengagement, raising concerns among investors and regulators about whether fund managers are fulfilling their fiduciary responsibilities.

voting behavior.[6,7]

In Meirowitz and Pi's (2022) model, every shareholder who places a contrary trade does so to exploit a private signal. In practice, however, post-vote trades reflect more than informed strategic action: they may also be driven by portfolio rebalancing, liquidity needs, flow-driven activity, or reactions to concurrent public news. As a result, the contrary-trade pattern can arise both through strategic voting on private information and through unrelated factors that happen to align with this pattern coincidentally. Aggregating contrary trades across all funds would therefore conflate the informed and uninformed components, leaving the underlying strategic-voting signal difficult to detect. We address this gap between the theory and the empirical setting by identifying strategic voting at the fund level.[8] The premise is that proxy research and information processing skills, which produce private signals about contentious proposals, are persistent fund characteristics (Gao and Huang 2025).[9] Because such skills

[6]The pattern of buying after losing the vote may appear consistent with a learning-based mechanism, where sincere funds simply update their beliefs based on the vote outcome when it contradicts their prior assessment—e.g., buying after a proposal passes despite having voted sincerely against it. This story is difficult to reconcile with our results for three reasons. First, it applies to only one of the four contrary-trade cases, buying after voting against a proposal that passes; it cannot produce the other three: a fund that voted for a failed proposal would, if anything, revise downward and sell, not buy, and a fund that wins a vote has no reason to sell. Second, even in that case, a fund updating on the public outcome moves toward the market consensus but should not overshoot it: the fund cannot rationally become more optimistic than the market and buy simply because the proposal passes. Third, and more fundamentally, such trading is a reaction to publicly observable information and should not predict abnormal returns. Yet the post-vote trades of funds we classify as strategic do predict abnormal returns (Section 4.2, Table 4), indicating that they are driven by private information.

[7]In Meirowitz and Pi's (2022) framework, share value is determined by the match between enacted policy and the underlying state ($v = 1$ if matched, 0 otherwise). Strategic voters trade on the wedge between their private valuation and the market price, buying when their signal is validated by the outcome and selling when it is contradicted. This mechanism operates symmetrically: trade direction depends on whether the enacted policy matches the state, not on whether the proposal passed or failed. In untabulated tests, decomposing $Netbuy(Strategic)$ by whether the proposal passed or was rejected yields positive coefficients across nearly all specifications, with F-tests consistently failing to reject equality, consistent with this symmetric prediction.

[8]We conduct our analysis at the fund level rather than the fund family level because mutual funds appear to exercise considerable independence in their votes on contentious proposals. Gao and Huang (2025) report that the likelihood that two funds from the same family vote differently on a given contentious proposal is 34.6%, compared to 47.7% for funds from different families. This large within-family disagreement suggests that fund-level analysis is appropriate for our setting. If, however, voting and trading decisions were made independently, there would be no systematic relation between a fund's winning or losing a vote and its post-vote trading direction, and our measure of strategic voting would simply capture noise.

[9]We show evidence consistent with this in Section 4.1.

are stable, a fund whose post-vote trades systematically follow the contrary-trade pattern across many proposals is likely to be acting on a persistent informational advantage, not by coincidence.[10]

Formally, for a fund f that votes on P contentious proposals in a given year, we measure the fund's tendency to vote strategically as

$$Strategic\ Voting_f = \sum_{p=1}^{P} ContraryTrade_{f,p} \times \frac{v_{f,p}}{\sum_{p=1}^{P} v_{f,p}}, \tag{1}$$

where $ContraryTrade_{f,p}$ equals one if fund f buys the stock of the firm at which proposal p is held in an 11-day window from the meeting day to 10 trading days after when the fund loses the vote on the proposal or sells the stock when it wins the vote on the proposal, and zero otherwise; $v_{f,p}$ is the dollar value of fund f's holdings, measured before the vote, in the stock of the firm at which proposal p is held.[11] We use the value of holdings as weights, because fund managers may allocate more research effort to issues at firms where they hold a larger stake.

We focus on contentious votes to examine voting behavior for two reasons. First, because the outcomes of contentious votes are generally uncertain, it is critical for shareholders to produce information on the potential impact of the proposals (Gao and Huang 2025). This is in contrast to non-contentious votes, which typically involve routine matters that receive over 95% support and require minimal information production. Second, the stock market reaction is more sensitive to variations in the support level for contentious proposals. When the voting results are close, each vote becomes crucial in determining the final outcome, which in turn makes the market price particularly responsive to even small changes in the support level

[10] As we discuss in Section 4.2, aggregated contrary trades across all funds without fund-level conditioning do not contain information about future stock returns, confirming that the informational content of contrary trading is concentrated in the subset of funds for which strategic voting is a persistent strategy.

[11] If a firm has multiple contentious proposals at a given shareholder meeting, we divide the fund's holdings in the stock of the firm equally across the proposals.

(Meirowitz and Pi 2022). This heightened price sensitivity creates a strong incentive for an informed shareholder to withhold her private signal in voting to profit from her informational advantage through subsequent trading.

Three comments are in order regarding the strategic voting measure. First, while it is well grounded in theory, we note that the measure is potentially noisy. Mutual funds' trades following a vote on a contentious proposal may be influenced by factors other than their private information about the proposal, such as portfolio rebalancing or liquidity needs. To the extent that such factors are not systematically correlated with the private signal, they likely introduce noise into our measure and lead to attenuation bias in our results.

Second, we rely on mutual funds' trades during a short window after the vote to infer whether they vote strategically. If a fund votes on a contentious proposal but does not trade the stock during the post-vote window, our measure will not classify that vote as strategic.[12] As a result, our measure likely underestimates the extent of actual strategic voting behavior.

Third, we focus on post-vote, rather than pre-vote, trading because informed shareholders in our setting possess private information about the value implications of contentious proposals, not about the vote outcome. Because their optimal trading direction depends on the outcome—they should buy (sell) if a proposal they believe is value-enhancing passes (fails)—this information is most actionable after the uncertainty about the vote outcome is resolved. Post-vote trading therefore provides a cleaner test of whether shareholders vote strategically to preserve their informational advantage.[13]

[12] A fund might choose not to trade for several reasons; for example, its perceived informational edge may be too small to cover transaction costs, or the fund may face liquidity or other portfolio constraints.

[13] Relatedly, the timing of when individual funds' votes become public—for example, through N-PX filings—does not affect strategic voting behavior or the trading opportunity strategic voters face. Because a strategic voter's individual vote is only a noisy signal of her private information under the mixed strategy, and because her post-vote trades are not publicly observable, the subsequent disclosure of how she voted does not reveal whether her vote was strategic or sincere. Individual vote disclosure therefore provides no actionable signal beyond what has already been revealed in the aggregate vote tally at the meeting.

We now turn to the construction of net buy measures at the proposal level. To capture strategic voting funds' post-vote trading behavior, we first calculate the strategic voting measure for each fund at the end of the month preceding a vote on a contentious proposal. Specifically, this measure is based on the fund's tendency to engage in contrary trades over the most recent 12 months. We then sort funds into quintiles by the strategic voting measure and classify those in the top quintile as strategic voters. We define $Netbuy(Strategic)$ as the difference between the number of shares bought and sold by strategic voters during an 11-day window—from the meeting day (day 0) to 10 days after—divided by the number of shares outstanding.

To measure the information content of the votes of different groups of funds, we use the net win measures proposed by Gao and Huang (2025). We define $NetWin(Strategic)$ as the difference between the fractional ownership of strategic voters that win the vote and that of strategic voters that lose the vote. A more positive value of $NetWin(Strategic)$ indicates that a contentious proposal passes (fails) when strategic voters disproportionately vote for (against) the proposal.

The contrary-trade pattern that defines our strategic voting measure has a natural opposite—buying after winning a vote and selling after losing one. We refer to these as aligned trades. Li, Maug, and Schwartz-Ziv (2022) interpret this pattern as belief-based trading in response to disagreement: shareholders whose views were validated by the outcome buy additional shares while those who disagree with the outcome exit the firm. Such belief-driven reallocation of ownership around votes is also a feature of theoretical models in which voting and trading interact under shareholder disagreement (Levit, Malenko, and Maug 2024). We measure a fund's tendency to engage in aligned trades analogously to the strategic voting measure.

$$Aligned\ Trading_f = \sum_{p=1}^{P} AlignedTrade_{f,p} \times \frac{v_{f,p}}{\sum_{p=1}^{P} v_{f,p}}, \tag{2}$$

where $AlignedTrade_{f,p}$ equals one if fund f buys the stock of the firm at which proposal p is held in the 11-day window when the fund wins the vote on the proposal or sells the stock when it loses the vote on the proposal, and zero otherwise.

As with strategic voters, we sort funds into quintiles by the aligned trading measure and classify those in the top quintile as aligned traders. Because a fund's tendencies to place contrary trades and aligned trades are both based on its post-vote trading, an active trader could rank highly on both measures. While the two classifications are therefore positively correlated, they remain largely distinct: only 23.6% of strategic voters are also classified as aligned traders. As we show in Section 4, the two groups of funds are associated with different characteristics and their trades differ in stock return predictive power.

We similarly define proposal-level measures $Netbuy(Aligned)$ and $NetWin(Aligned)$ for aligned traders, and $Netbuy(Other)$ and $NetWin(Other)$ for the residual group of funds, denoted "Other." Our regressions include all three groups, which identifies the strategic effect against two distinct comparison groups: aligned traders, whose post-vote trading conforms to the disagreement-based pattern in Li, Maug, and Schwartz-Ziv (2022), and the residual category, which absorbs funds whose trades and votes do not systematically follow either pattern.

3 Data and Sample

3.1 Data on mutual funds' trades and votes

We use mutual funds at the intersection of transaction-level data from ANcerno and voting data from ISS Voting Analytics. The transaction-level data are obtained from ANcerno Ltd.,

also known as Abel Noser.[14] For each transaction, the data include the date of the transaction, the stock traded, the number of shares traded, the dollar principal traded, the identification code (but not name) of the institution placing the transaction, and whether it is a buy or sell. The data cover the period from January 1999 through September 2011. We identify anonymized mutual funds in ANcerno by matching the changes in stock holdings implied by the transaction data with the changes in the holdings between two consecutive holdings reports in the Thomson Reuters Mutual Fund Holdings Database using the method proposed by Busse et al. (2021). We are able to identify 966 unique funds in the trading data.

We obtain data on mutual funds' votes on all proposals from the Institutional Shareholder Services (ISS) Voting Analytics database. The detailed voting information becomes available due to SEC Rule 30b1-4, which requires U.S.-registered mutual funds to report proxy votes using Form N-PX starting from 2003. For each proposed agenda item (i.e., proposal) voted on by each mutual fund, the data report the firm that receives the proposal, the date of the shareholder meeting during which the proposal is considered, the issue being voted upon, the sponsor of the proposal, management's recommendation, ISS's recommendation, and the fund's vote. We obtain data on vote outcomes from the ISS Voting Results dataset. We match mutual funds in the voting data with those in the CRSP Survivor-Bias-Free US Mutual Fund Database by name.

Our matched dataset contains the votes and trades of 547 distinct active equity mutual funds during the period from July 2003 through September 2011. We focus on contentious proposals, defined as those that pass or fail within $\pm 20\%$ of the passing threshold. A $\pm 20\%$ cutoff allows us to have a reasonably large sample of funds with a sufficient number of contentious votes.

[14] See Hu et al. (2018) for additional details on the data. An incomplete list of papers that use the ANcerno transaction data includes Chemmanur, Hu, and Huang (2010, 2015), Puckett and Yan (2011), Di Maggio et al. (2019), and van Binsbergen et al. (2024).

3.2 Summary statistics on the sample of mutual funds

We first construct a sample of mutual funds to examine persistence in strategic voting and aligned trading behaviors and their cross-sectional determinants. To be included in our sample, we require that the fund be classified by CRSP as a domestic equity fund, have a TNA of at least $5 million, and cast votes on more than 10 contentious proposals in the year. Given our focus on active trading decisions, we exclude index funds from the analysis. The sample consists of 755 fund-years.

We compute the strategic voting and aligned trading measures for each mutual fund-year in our sample using the fund's trades during the 11-day window starting from the meeting day (day 0 through day +10). While vote results are typically announced at or shortly after the meeting (Karpoff, Malatesta, and Walkling 1996; Cuñat, Giné, and Guadalupe 2012), mutual funds need time to process information and may execute trades gradually over several days to limit price impact, particularly for less liquid stocks. Li, Maug, and Schwartz-Ziv (2022) document elevated trading volume in the few weeks following shareholder meetings.

Panel A of Table 1 shows that the strategic voting measure has a mean of 0.222. Thus, the average fund engages in contrary trades about 22.2% of the time, suggesting a nontrivial likelihood of strategic voting. The aligned trading measure has a mean of 0.203.[15]

Panel A of Table 1 also shows that the average sample fund has a TNA of about $4.1 billion, belongs to a fund family with a TNA of $1,099.2 billion, has been in existence for about 200 months, and has 162 stocks in its portfolio. These numbers are much larger than those for the average domestic equity fund in the CRSP database during the same period

[15] In untabulated analyses using the panel of proposal-funds, we find that aligned trades are much more frequent than contrary trades in the non-contentious sample (27.7% vs. 19.5%), whereas the gap narrows significantly in the contentious sample (25.3% vs. 22.5%). The dominance of aligned trades in the non-contentious sample is consistent with the disagreement-based reallocation in Li, Maug, and Schwartz-Ziv (2022), and the narrowing of the gap in the contentious sample is consistent with our hypothesis that strategic voting—and hence contrary trading—becomes more prevalent when private information is more valuable.

(e.g., the latter has a TNA of about $1.1 billion and belongs to a family with a TNA of $126.0 billion). Thus, our sample is tilted toward larger funds, which is partly because we require a fund to vote on more than 10 contentious proposals in a given year.[16] On average, funds in our sample have an annual turnover ratio of 99.0%, an expense ratio of 1.0%, and a total load of 1.8% of TNA. Following Kacperczyk, Sialm, and Zheng (2005), we calculate the value-weighted size, value, and momentum scores for each fund-year in our sample. The scores range from 1 to 5. The average fund has a size score of 4.3, a value score of 2.2, and a momentum score of 3.6, suggesting that the average fund tilts its portfolio heavily toward large-cap stocks and slightly toward growth stocks and winner stocks.

3.3 Summary statistics on the sample of contentious proposals

To examine whether strategic voters possess information about future stock returns, we use a sample of 3,008 contentious proposals that are voted on by at least one mutual fund in our sample. We use ex ante information to classify each fund as a strategic voter, aligned trader, or other. As described in Section 2, at the end of the month before a vote on a contentious proposal, we compute the strategic voting measure for each fund using its tendency to engage in contrary trades during the most recent 12 months. We then sort mutual funds into quintiles by the strategic voting measure and classify those in the top quintile as strategic voters. We compute $Netbuy(Strategic)$ by taking the difference between the number of shares bought and sold by strategic voters during an 11-day window—from the meeting day (day 0) to 10 days after—divided by the number of shares outstanding. We similarly define $Netbuy(Aligned)$ and $Netbuy(Other)$ for aligned traders and the residual category, respectively.

[16] Our sample funds account for 13.9% of the assets under management by actively managed domestic equity funds in the CRSP mutual fund database. The selection toward larger funds suggests that funds in our sample are economically important voters that likely have the resources for the costly information acquisition that strategic voting requires.

Panel B of Table 1 reports the summary statistics. $Netbuy(Strategic)$ has a mean of -0.647 basis points and a standard deviation of 5.812 basis points. $Netbuy(Aligned)$ and $Netbuy(Other)$ have means of -0.424 and -1.614 basis points, with standard deviations of 6.516 and 16.243 basis points, respectively.

We compute cumulative abnormal returns subsequent to mutual funds' trades using the Fama-French-Carhart four-factor model and DGTW characteristics benchmarks (Daniel et al. 1997). We consider four holding horizons following the trading window, i.e., 3 months (day +11 to +73, with day 0 being the date of the vote), 6 months (+11 to +136), 9 months (+11 to +199), and 12 months (+11 to +262). The use of relatively long holding horizons allows us to focus on the permanent change in stock prices due to information production and minimize the noise introduced by noninformational factors, such as temporary price pressure and liquidity effects.

To measure the information content of strategic voters' votes, we compute $NetWin(Strategic)$ as the difference between the fractional ownership of strategic voters that win the vote and that of strategic voters that lose the vote. We similarly define $NetWin(Aligned)$ and $NetWin(Other)$ for aligned traders and the residual category, respectively. Panel B of Table 1 shows that $NetWin(Strategic)$ has a mean of 0.114 percentage points and a standard deviation of 0.876 percentage points; $NetWin(Aligned)$ has a mean of 0.072 percentage points and a standard deviation of 1.248 percentage points; $NetWin(Other)$ has a mean of 0.382 percentage points and a standard deviation of 2.153 percentage points.

Panel B of Table 1 also reports summary statistics on the stock return measures and various proposal and firm characteristics. The 6-month Fama-French-Carhart four-factor adjusted (DGTW characteristics-adjusted) CARs have a mean of -0.662% (-1.382%) and a standard deviation of 30.235 (25.272) percentage points. *Management wins* is an indicator that equals one if the outcome of the vote aligns with management's recommendation and

zero otherwise, and *ISS wins* is an indicator that equals one if the vote outcome aligns with ISS's recommendation and zero otherwise. Management and ISS win 82.4% and 45.3% of the contentious votes, respectively. *Management loses non-contentious* is an indicator that equals one if management loses non-contentious votes (i.e., losing margin greater than 20%) at the shareholder meeting where the contentious proposal is voted upon. About 3.5% of contentious proposals in our sample are accompanied by such losses. These figures are in line with Gao and Huang (2025), who use a comparable definition of contentious votes. We also construct control variables, including the logarithm of total assets, market-to-book ratio, prior stock return, leverage, capital expenditures, S&P 500 membership, mutual fund ownership, and analyst coverage. All control variables are measured using the most recent information publicly available to investors at the time when a given proposal is voted on.

[Insert Table 1 about here]

4 Empirical Tests

In this section, we first examine the persistence and determinants of strategic voting among mutual funds. We then examine the informativeness of strategic voters' post-vote trades using the sample of contentious proposals. Finally, we examine the information content of strategic voters' votes.

4.1 Persistence and determinants of strategic voting

If the strategic voting measure captures stable fund characteristics, it should exhibit persistence over time. To test this, we sort our sample funds into quintiles based on their strategic voting levels in year t, with $Q5$ representing funds exhibiting the highest level of strategic

voting and $Q1$ the lowest. We then track strategic voting levels of each quintile portfolio over the next three years. Figure 1 shows that funds in the top quintile ($Q5$) for strategic voting in year t continue to exhibit higher levels of strategic voting compared to those in lower quintiles over the next three years. Furthermore, the relative rankings of all quintiles remain stable throughout this period. This persistence lends support to our approach of identifying strategic voting at the fund level: the behavior is likely driven by persistent fund characteristics, such as proxy research resources, monitoring intensity, and managerial skill in assessing contentious proposals.

[Insert Figure 1 about here]

Internet Appendix Table IA-1 reports the annual transition matrix across quintiles. Funds in the top and bottom quintiles remain in the same quintile 35.5% and 41.6% of the time, respectively, well above the 20% benchmark under random assignment, and a χ^2 test strongly rejects the null of independence ($p < 0.001$).

We analyze the determinants of strategic voting and aligned trading behaviors using a panel regression. Specifically, we estimate the following regression using the sample of fund-years:

$$y_{f,t} = \alpha_t + \alpha_s + \beta \times \mathbf{X}_{f,t-1} + \varepsilon_{f,t}, \tag{3}$$

where $y_{f,t}$ is either the strategic voting measure (or the strategic voter indicator) or the aligned trading measure (or the aligned trader indicator) for fund f in year t; α_t and α_s are year fixed effects and style fixed effects, respectively; $\mathbf{X}_{f,t-1}$ consists of a comprehensive set of fund characteristics measured in year $t-1$, including fund size, fund family size, fund age, past style-adjusted fund return, past style-adjusted fund flow, number of stocks, turnover rate, expense ratio, load, size score, value score, and momentum score. We cluster standard errors at the fund family level to allow for arbitrary within-family correlation in residuals.

Determinants of strategic voting. We present the results on strategic voting in the first two columns of Table 2. Column 2 shows that the turnover rate significantly positively predicts strategic voting: a one-standard-deviation increase in the turnover rate is associated with an increase of roughly 4.2 percentage points in the likelihood of being a strategic voter, which represents a 21% increase relative to the unconditional probability. This result suggests that active trading funds are more likely to engage in strategic voting, potentially because they are better positioned to exploit their private information through trading rather than intervention (Kahn and Winton 1998). It is also consistent with the view that funds with a short-term investment horizon are less concerned about corporate governance, because the benefits of improved governance tend to materialize over the long term (e.g., Chen, Harford, and Li 2007; Cuñat, Giné, and Guadalupe 2012; Iliev and Lowry 2015).

The expense ratio is also a positive and significant predictor of strategic voting. Since funds charging higher fees can afford the costly research needed to gain an informational edge (Iliev, Kalodimos, and Lowry 2021) and may have more skilled managers, this finding suggests that strategic voting serves as a useful tool for these funds to protect the value of their informational advantage for subsequent trading. Column 2 shows that a one-standard-deviation increase in the expense ratio is associated with an increase of roughly 2.5 percentage points in the likelihood of being a strategic voter (or a 12.5% increase relative to the unconditional probability).

Fund family size is also positively and significantly associated with strategic voting, suggesting that larger fund families may have economies of scale in proxy research (Iliev and Lowry 2015), which can be crucial in identifying opportunities for strategic voting. Further, funds that tilt their portfolios toward large stocks and loser stocks are more likely to exhibit strategic voting.

Determinants of aligned trading. Columns 3 and 4 of Table 2 report the determinants of aligned trading. The most robust predictor is past style-adjusted flow, which is significant at the 1% level in column 4 and at the 5% level in column 3. In contrast, the variables that strongly predict strategic voting in both specifications—turnover, expense ratio, and family size—are not consistently significantly associated with aligned trading. We interpret these patterns as evidence that the two measures capture distinct fund behaviors: strategic voting is associated with characteristics related to active trading and research resources, while aligned trading is not.

[Insert Table 2 about here]

Reliance on proxy advisor recommendations. To further validate our classification of strategic voters, we examine their reliance on proxy advisor recommendations. We follow the methodology of Iliev and Lowry (2015) and split the sample of contentious votes based on whether ISS recommends voting against or with management's recommendation. We then regress an indicator for a fund voting with management on our indicators for strategic voters and aligned traders, along with fund characteristics, in each subsample.

The results, reported in Internet Appendix Table IA-2, show that, in the subsample of votes where ISS disagrees with management, strategic voters are modestly more likely to vote with management, against the ISS recommendation. This finding is consistent with strategic voters being "active voters" (in the sense of Iliev and Lowry 2015) who act on their own independent information. In contrast, aligned traders' voting behavior in this subsample is statistically indistinguishable from that of the residual "Other" category, and no significant differences emerge across groups when ISS recommends voting with management. These results suggest that strategic voters are the only group that systematically exhibits this form of independent voting behavior, further differentiating them from other funds.

The role of stock liquidity. Having established that our strategic voting measure is persistent and exhibits characteristics consistent with theoretical predictions, we next turn to the economic forces that shape strategic voting. Meirowitz and Pi (2022) argue that stock liquidity is a key driver of strategic voting behavior.[17] A more liquid stock allows informed shareholders to engage in post-vote trading without significantly impacting the stock price, which could increase their incentive to vote strategically.[18] To test this prediction, we run the following regression using the sample of fund-contentious proposal pairs:

$$ContraryTrade_{f,p} = \alpha_p + \delta \times I(Strategic)_{f,p} \times Illiquidity_p + \varphi \times \mathbf{X}_{f,p} + \varepsilon_{f,p}, \qquad (4)$$

where $ContraryTrade_{f,p}$ is an indicator that equals one if fund f sells the stock of the firm at which proposal p is held in an 11-day window from the meeting day to 10 days after when the fund wins the vote on the proposal or buys the stock when it loses the vote, and zero otherwise; α_p is proposal fixed effects; $I(Strategic)_{f,p}$ is an indicator that equals one if fund f's strategic voting is in the top quintile in the year before the vote on proposal p and zero otherwise; $Illiquidity_p$ is the Amihud (2002) illiquidity ratio for the firm's stock, measured using data during the 12 months before the vote on proposal p; $\mathbf{X}_{f,p}$ consists of a comprehensive set of fund characteristics measured in the year before the vote on proposal p, including fund size, fund family size, fund age, past style-adjusted fund return, past style-adjusted fund flow, number of stocks, turnover rate, expense ratio, load, size score, value score, and momentum

[17] A large literature examines how stock market liquidity shapes the tradeoff between governance through voice and governance through trading. Maug (1998) shows that liquid markets facilitate monitoring but also make exit easier; Kahn and Winton (1998) formalize the tradeoff between intervention and speculation; and Edmans (2009) demonstrates that liquidity enables governance through exit. Empirically, liquidity has been shown to promote blockholder governance (Edmans, Fang, and Zur 2013) and shareholder activism (Norli, Ostergaard, and Schindele 2015). We examine a previously unexplored dimension of this tradeoff: liquidity may also affect whether informed shareholders vote strategically.

[18] We focus on stock liquidity rather than stake size as the cross-sectional predictor of strategic voting incentives. In Meirowitz and Pi's (2022) framework, larger stakes amplify the pivotal effect and weaken strategic incentives, but the tiny stakes individual mutual funds typically own in companies make this channel quantitatively negligible.

score. In some specifications, we additionally control for fund-year fixed effects, which absorb the variation in fund characteristics. We double-cluster standard errors at the fund family and stock levels to allow for arbitrary correlations within families and within stocks in the residuals.

The first two columns of Table 3 show that the coefficient on the interaction term between being a strategic voter and stock illiquidity is negative and statistically significant at the 1% level. A one-standard-deviation increase in stock illiquidity (about 0.0044) is associated with a decrease of 2.4 to 3.8 percentage points in the likelihood of strategic voters placing a contrary trade, relative to other funds. This effect is notable considering that the likelihood of placing a contrary trade has a mean of 21.2% and a standard deviation of 40.8 percentage points. This result is consistent with the prediction that strategic voters are more inclined to place contrary trades in liquid stocks, where they can exploit their informational advantage through trading without significant price impact.

The last two columns of Table 3 conduct a parallel test for aligned traders' tendency to place aligned trades following contentious votes. The coefficient on the interaction term between being an aligned trader and stock illiquidity is negative and significant in the specification without fund-year fixed effects but becomes insignificant when these fixed effects are included.

Taken together, these results indicate that greater stock liquidity increases the incentive and ability of informed shareholders to engage in strategic voting, as it allows them to more effectively exploit their informational advantage through subsequent trading. In contrast, stock liquidity does not robustly shape aligned trading. These findings provide evidence for the theoretical prediction that the pursuit of trading profits is a key distinguishing feature of strategic voting behavior.

[Insert Table 3 about here]

4.2 Informativeness of strategic voters' trades

Our results so far indicate that strategic voters exhibit voting and trading behaviors consistent with strategic motives. We now turn to a series of tests designed to establish that these patterns reflect the exploitation of private information rather than alternative mechanisms. Because exogenous variation in private information about shareholder proposals is unavailable in our setting—as in the broader literature on informed trading and shareholder voting—we conduct a number of tests to rule in the informed strategic voting mechanism and rule out specific alternatives. The central prediction is that if strategic voters possess private information about contentious proposals and exploit their informational advantage through post-vote trading, their trades should predict subsequent abnormal stock returns.

A. Baseline specification. To examine the predictive power of post-vote net buying by strategic voters and other funds for future stock performance, we run the following regression using the panel of contentious proposals:

$$CAR_p = \alpha + b_1 \times Netbuy(Strategic)_p + b_2 \times Netbuy(Aligned)_p + b_3 \times Netbuy(Other)_p + \varphi \times \mathbf{X}_p + \varepsilon_p, \tag{5}$$

where CAR_p is the Fama-French-Carhart four-factor adjusted return or the DGTW characteristics benchmark-adjusted return after the vote on contentious proposal p over four different horizons (3, 6, 9, and 12 months), all starting from the 11^{th} trading day after the vote. $Netbuy(Strategic)_p$ is the difference between the number of shares bought and sold by strategic voters during an 11-day window—from the meeting day (day 0) to 10 trading days after—divided by the number of shares outstanding.[19] $Netbuy(Aligned)$ and $Netbuy(Other)$

[19] Internet Appendix Table IA-3 shows that the results are qualitatively similar using alternative trading

are similarly defined for aligned traders and the residual category, respectively. $\mathbf{X}_p$ consists of various proposal and firm characteristics, including an indicator for management winning the vote, an indicator for ISS winning the vote, an indicator for management losing a concurrent non-contentious vote, firm size, market-to-book ratio, abnormal stock returns during the 11-day window, prior 12-month abnormal stock returns, leverage, capital expenditure, an indicator for S&P 500 firms, mutual fund ownership, and analyst coverage. We also include year fixed effects, proposal type fixed effects, and industry fixed effects in all regressions. We compute two-way clustered standard errors by firm and year-month to account for within-firm persistence and the cross-sectional correlation induced by the clustering of contentious votes during proxy season (particularly April and May).

Table 4 presents the results. Panel A uses cumulative abnormal returns adjusted by the Fama-French-Carhart four-factor model; Panel B uses DGTW characteristics-adjusted returns. Across the two panels and four horizons, the coefficient on $Netbuy(Strategic)$ is positive and statistically significant at the 1% or 5% levels at the 3-, 6-, and 9-month horizons in both panels.[20]

A consistent finding in the informed-trading literature is that the predictive power of insiders and connected investors emerges over short-to-intermediate horizons and attenuates as private information becomes fully impounded into prices over the long run (Lakonishok and Lee 2001; Cohen, Frazzini, and Malloy 2008, 2010; Cohen, Malloy, and Pomorski 2012). Consistent with this, the predictive power of strategic voters' net buying is most pronounced at the 6- and 9-month holding horizons in both panels, both in terms of economic magnitude and statistical significance. A one-standard-deviation increase in net buying by strategic voters is

windows of 6 and 21 trading days.

[20] This significant stock return predictive power of strategic voters' post-vote net buying rules out an alternative interpretation in which our measure simply captures funds updating their beliefs after observing the vote outcome (e.g., voting against a proposal and buying after it passes to align with the majority). Trading based on publicly observable vote outcomes should not generate significant abnormal returns.

associated with an increase of 2.179 and 2.923 percentage points in the Fama-French-Carhart four-factor adjusted cumulative abnormal return (CAR) over the 6- and 9-month periods following the trading window, respectively; the corresponding magnitudes under DGTW adjustment are 1.540 and 2.226 percentage points. The coefficient remains positive at the 12-month horizon but is statistically insignificant, suggesting that most of the private information is incorporated into prices within the first 9 months. This horizon pattern also aligns with our earlier finding that high-turnover funds—those with relatively short holding periods—engage in more strategic voting, indicating that strategic voters profit from their private information within the time frames most relevant to their trading strategies.[21]

In contrast, the coefficients on $Netbuy(Aligned)$ and $Netbuy(Other)$ are economically small and statistically insignificant across almost all specifications. The null result for aligned traders is consistent with the disagreement-based interpretation in Li, Maug, and Schwartz-Ziv (2022): aligned trades reflect belief-based reallocation in response to vote outcomes rather than informed action on private signals.

The F-tests reported at the bottom of each panel reject the null that the coefficients on $Netbuy(Strategic)$ and $Netbuy(Aligned)$ are equal at the 1% or 5% level for the 3-, 6-, and 9-month horizons in both panels. The tests similarly reject equality between the coefficients on $Netbuy(Strategic)$ and $Netbuy(Other)$ at these horizons. These results highlight the unique informational role of strategic voters, distinguishing them from aligned traders and other funds who do not appear to be trading on private information.

[21] While the predictive power of strategic voters' trades provides direct evidence that these funds possess private information about the proposals, whether strategic voting is associated with superior fund performance is unclear. This is because fund-level performance is an aggregate outcome influenced by many factors. For example, fund managers may specialize in strategies where they have a competitive edge, resulting in sorting between managers and strategies. While managers who excel in proxy research and active trading may focus on strategic voting, those who lack such expertise may opt for other strategies where they have a comparative advantage. Consequently, managers that do not specialize in strategic voting may not necessarily underperform relative to those that do. In untabulated tests, we compare the performance of strategic voters to other funds using a calendar-time portfolio approach and find insignificant differences.

Table 4 also shows that proposal and firm characteristics are generally insignificant in predicting abnormal stock returns beyond 10 days after the vote on contentious proposals. Two notable exceptions are the abnormal stock returns during the trading window and the abnormal stock returns over the 12 months prior to the vote, both of which negatively predict subsequent long-run abnormal returns. These results suggest that part of the pre-vote and immediate post-vote abnormal returns might be driven by investor overreaction or temporary price pressures, which are subsequently corrected over longer horizons. In addition, the coefficient on S&P 500 membership is negative and significant in six of the eight specifications (all but the two three-month horizons), indicating that index constituents earn lower returns than other firms following contentious votes.

[Insert Table 4 about here]

To assess whether conditioning on fund type is essential to identifying the informed component of contrary trading, we run a complementary specification that aggregates contrary and aligned trades across all funds without such conditioning. Specifically, we construct $Netbuy(Contrary)^{Pooled}$ as the sum of net buying across all funds that buy the stock after losing the vote or sell the stock after winning the vote, and $Netbuy(Aligned)^{Pooled}$ as the analogous measure for funds that buy after winning or sell after losing. We then re-estimate Eq. (5) replacing the $Netbuy$ variables conditioned on fund type with these pooled measures.

Internet Appendix Table IA-4 reports the results. $Netbuy(Contrary)^{Pooled}$ carries no return-predictive power at any horizon, with coefficients an order of magnitude smaller than the analogous fund-level estimates in Table 4. This null is expected: informed funds are a minority, and aggregating their trades with those of uninformed funds buries their private signal. Indeed, Gao and Huang (2025) show that only the top quintile of funds in their vote-alpha measure possess private information about contentious proposals. The contrast between

the pooled and fund-level estimates confirms that the informational content of contrary trading is concentrated in the subset of funds for which strategic voting is a persistent strategy, validating our methodological choice to condition on fund-level voting and trading patterns.

B. Cross-sectional tests. To shed light on the sources of strategic voters' informational advantage, we examine how the stock return predictive power of strategic voters' net buying varies with the extent to which these funds vote in the same direction. While a single fund's strategic vote has a limited impact, the collective action of multiple funds voting strategically in the same direction can more effectively reduce the informativeness of the aggregate vote tally. Such synchronized behavior should create a larger wedge between these shareholders' private valuations and the market price, allowing them to extract greater informational rents through subsequent trades.

To test this, we measure strategic voters' synchronized voting on a contentious proposal, *Synched voting*, as the absolute difference between the number of shares held by strategic voters voting in favor and those voting against the proposal, normalized by the total number of shares held by strategic voters. The measure has a value ranging from 0 to 1, with 0 indicating evenly split votes (an equal number of shares voted for and against), and 1 indicating perfectly synchronized votes (all shares voted in the same direction). We also define a high synchronized voting indicator that takes the value of one if *Synched voting* is greater than 0.5. We re-estimate the regression in Eq. (5), adding each synchronized voting measure and its interaction terms with all independent variables.

Table 5 shows the results using abnormal stock returns over a 6-month horizon; results for other holding horizons are qualitatively similar. The coefficients on the interaction terms combining $Netbuy(Strategic)$ and the synchronized voting measures are positive and significant, suggesting that strategic voters' trades are more informative about future stock returns when these funds vote in the same direction. This finding is consistent with strategic voters'

synchronized votes amplifying the wedge between their private valuations and the market price, providing greater opportunities to extract informational rents.

[Insert Table 5 about here]

C. Alternative interpretations. To further validate our informational mechanism, we consider three alternative interpretations of our findings: a governance channel, contrarian trading, and liquidity provision.

We begin with the governance channel, in which strategic voters' post-vote buying reflects optimism about firm fundamentals and the disciplining role of dissenting votes. Under this interpretation, a fund optimistic about a firm's prospects votes against management to discipline it, expecting governance pressure to enhance long-term value, and then buys shares because it remains optimistic about the firm. In its simplest form, this channel predicts aligned trades (buying after winning the vote against management), not the contrary-trade pattern that defines our strategic voting measure, because the disciplining effect is strongest when the dissent is successful. To address more sophisticated versions of the governance channel, we now provide three additional tests.

First, even if the governance channel is not strictly conditioned on dissent succeeding, it still applies asymmetrically: only votes against management can produce the disciplining effect that motivates buying. Our informational-rents mechanism, by contrast, is symmetric with respect to vote direction: strategic voters who withhold a private signal in either direction can profit from it through subsequent trading. To test this, we decompose $Netbuy(Strategic)$ into two components based on how strategic voters voted on the proposal: $Netbuy(Strategic)^{AgainstMgmt}$, capturing net buying by strategic voters who voted against management's recommendation, and $Netbuy(Strategic)^{WithMgmt}$, capturing net buying by those who voted with management. We then include both in our return-predictive

regression. Under the governance channel, only the former should predict returns; under the informational-rents mechanism, both components should carry predictive power.

Internet Appendix Table IA-5 reports the results. Both components load positively on subsequent abnormal returns across most specifications, and we cannot reject equality of the two coefficients at any horizon. The with-management component is positive in all eight specifications and statistically significant in five, indicating that the return-predictive power of strategic voters' trades is not concentrated in their against-management votes. This pattern is at odds with the directional asymmetry implied by a pure governance channel and consistent with the symmetric prediction of the informational-rents mechanism.

Second, if the return predictability we attribute to strategic voters were instead driven by a generic propensity to discipline management, then funds with the highest baseline propensity to vote against management independent of any informational considerations should drive the result. To test this, we identify governance-oriented funds as those in the top quintile of the fraction of votes cast against management's recommendation over the prior 12 months, using all proposals on which the fund voted. We then construct $Netbuy(Governance)$ analogously to our other measures and estimate a horse-race regression that includes both $Netbuy(Strategic)$ and $Netbuy(Governance)$. Under the governance channel, $Netbuy(Governance)$ should subsume the predictive power of $Netbuy(Strategic)$. Under the informational-rents mechanism, $Netbuy(Strategic)$ should retain its predictive power above and beyond $Netbuy(Governance)$, because what makes strategic voters informative is the interaction between their voting choice and their post-vote trading, not their general inclination toward dissent.

Internet Appendix Table IA-6 reports the results. The coefficient on $Netbuy(Strategic)$ is nearly identical to that in Table 4 in both magnitude and statistical significance. In contrast, the coefficient on $Netbuy(Governance)$ is statistically insignificant in all specifications. This pattern is difficult to reconcile with a governance-driven interpretation, in which voting against

management drives the stock return predictive power.

Third, the governance channel and the informational-rents mechanism differ in their predictions about pre-vote trading under one specific version of the governance story: if a dissenting fund is optimistic about the firm independent of vote outcome, the fund could buy before the shareholder meeting and profit from its optimism about firm value. By contrast, the informational-rents mechanism predicts attenuated and uninformed pre-vote trading, because the private signal becomes most actionable after the vote outcome resolves uncertainty and because pre-vote trading would partially reveal the signal the fund is attempting to preserve.

In untabulated results, we find that strategic voters are net sellers in the pre-vote window, with mean net buying of -0.343 basis points among those who voted against management and -0.345 basis points among those who voted with management; the difference of 0.002 basis points is statistically indistinguishable from zero. Turning to the stock return predictive power of pre-vote trading, Internet Appendix Table IA-7 reports the regression results. The dependent variable is abnormal stock returns starting on the first day after the vote. The coefficients on $Netbuy(Strategic)^{AgainstMgmt}_{Pre\text{-}vote}$ and $Netbuy(Strategic)^{WithMgmt}_{Pre\text{-}vote}$ are small and statistically insignificant in all specifications. Strategic voters who vote against management therefore neither buy more in the pre-vote window than those who vote with management, nor do their pre-vote trades predict subsequent returns. These results are difficult to reconcile with a simple governance channel, which predicts positive pre-vote buying by funds anticipating effective dissent and return-predictive content in those trades.

Taken together, these three tests are difficult to reconcile with a purely governance-based explanation. Strategic voters' return-predictive power is symmetric across vote direction, survives controls for the trades of governance-oriented funds (those with a greater tendency to dissent), and is absent in pre-vote trades.

We next examine whether our measure of strategic voting simply captures contrarian trad-

ing behavior. Specifically, if losing a vote is correlated with negative short-term returns and winning with positive returns, a fund that mechanically buys past losers and sells past winners would be classified as a "strategic voter" even in the absence of private information about the proposal. To distinguish our information-based mechanism from this non-informational alternative, we conduct a "horse race" by including trades of contrarian traders in the regression. We identify contrarian traders using an ex ante methodology analogous to our strategic voter classification. A fund is classified as a contrarian trader if it is in the top quintile of contrarian trading tendency in the past 12 months, defined as buying (selling) following a negative (positive) abnormal announcement return around a contentious vote. We measure abnormal announcement returns using market-adjusted returns over the $[0, +1]$ window. We then compute $Netbuy(Contrarian)$ as the number of shares net bought by these funds during the $[0, +10]$ window, divided by the number of shares outstanding.

We repeat the baseline regression in Eq. (5) by adding $Netbuy(Contrarian)$ as an explanatory variable. The results, reported in Internet Appendix Table IA-8, show that the coefficient on $Netbuy(Strategic)$ remains positive and statistically significant in most specifications, whereas that on $Netbuy(Contrarian)$ is generally insignificant and often negative. These results indicate that the predictive power of strategic voters' trades is not driven by a contrarian trading strategy. The fact that strategic voters predict returns above and beyond contrarian traders indicates that our results capture a distinct phenomenon that is not subsumed by such mechanical trading rules.

Finally, we distinguish our informational mechanism from liquidity provision in response to differences of opinion. What appears as "strategic" might simply reflect these funds providing liquidity to shareholders who sell after losing a vote and buy additional shares after winning—a behavior Li, Maug, and Schwartz-Ziv (2022) attribute to sorting based on differences of opinion. If our results were driven by "strategic" funds providing liquidity to preference-driven

shareholders, these funds' trades may still predict returns by capturing a liquidity premium. As Li, Maug, and Schwartz-Ziv (2022) note, disagreement and preference divergence are not limited to contentious votes but also occur in routine proposals. As such, a liquidity-provision story implies that such return predictability should manifest across both contentious and non-contentious proposals. In contrast, our informational-rents hypothesis implies that strategic voting should be concentrated in contentious proposals, where information acquisition is most valuable and the potential for informational rents is the highest.

To test this, we conduct placebo tests using non-contentious proposals. We restrict the sample to meetings that include only non-contentious proposals to ensure that trading activity is not driven by concurrent contentious votes. We identify strategic voters based on funds' votes and trades around these non-contentious proposals and construct $Netbuy(Strategic)$ accordingly. Internet Appendix Table IA-9 reports that in this placebo sample, $Netbuy(Strategic)$ has no predictive power for future stock returns. This non-result provides evidence against the liquidity-provision channel. It confirms that the return predictive power is specific to proposals where the market price is sensitive to the vote tally, consistent with the strategic exploitation of private information.[22]

4.3 Information content of votes

Since strategic voters tend to vote against their private signals, their aggregate votes may contain information that is systematically inversely related to those signals and, hence, to future stock returns. When strategic voters disproportionately vote against a contentious

[22] A related concern is that the post-vote trades of strategic voters may be driven by processing of new information arriving at or around the shareholder meeting—such as earnings announcements, guidance revisions, or other firm-specific news—rather than the strategic exploitation of private information about the proposal. However, if post-vote trades were driven by information unrelated to the proposal, the finding that only strategic voters' trades—but not those of aligned traders—predict abnormal returns implies that the direction of the trade conditional on winning or losing the vote would have to be systematically correlated with the new information. This contradicts the assumption that such information is independent of the proposal.

proposal, they likely possess favorable information about it. If the proposal is rejected (aligning with their vote), the stock price should ultimately decrease because the rejected proposal was actually value-enhancing; if the proposal passes (contradicting their vote), the stock price should ultimately increase to reflect their positive private information. The opposite holds when strategic voters disproportionately vote in favor of a proposal. Therefore, abnormal stock returns following the vote should be negatively related to the extent to which the vote outcome aligns with strategic voters' votes, which we measure using the net win of these funds, $NetWin(Strategic)$.

The informational content of aligned traders' and other funds' votes is likely limited. Since aligned traders are characterized by belief-based reallocation in response to vote outcomes (Li, Maug, and Schwartz-Ziv 2022) rather than by informational advantage, their aggregate votes are not expected to predict subsequent returns. There is no clear reason to expect the aggregate votes of the residual category to exhibit return predictability either.

We regress long-run post-vote abnormal stock returns on the net win measures for different groups of funds to examine the information content of their votes. Specifically, we consider two long-term holding horizons, 12 and 24 months starting on the first day after the vote, since the information embedded in aggregate vote outcomes—unlike that revealed by active trading—may take longer to be fully impounded into prices. We compute cumulative abnormal returns using the Fama-French-Carhart four-factor model and DGTW characteristics benchmarks. We include the same set of controls and fixed effects as Eq. (5), except for the cumulative abnormal stock returns over the 11-day trading window. We again compute two-way clustered standard errors by firm and year-month to account for both within-firm persistence and proxy-season cross-sectional correlation.

Table 6 shows that the coefficient on $NetWin(Strategic)$ is negative across all specifications and statistically significant at the 2-year horizon, suggesting that strategic voters' votes

contain information that is contrary to their private signals about the shareholder value implications of the proposal. In terms of economic magnitude, a one-standard-deviation increase in net win of strategic voters is associated with a decrease of 2.429 percentage points in the Fama-French-Carhart four-factor adjusted cumulative abnormal return (CAR) over a 2-year period after the vote. This result is consistent with the market impounding strategic voters' concealed private information over the long run.

In contrast, the coefficients on $NetWin(Aligned)$ and $NetWin(Other)$ are generally positive but insignificant, suggesting that these two groups of funds in general do not possess private information. F-tests reject the null that the coefficients on $NetWin(Strategic)$ and $NetWin(Aligned)$, as well as those on $NetWin(Strategic)$ and $NetWin(Other)$, are equal at the 2-year horizon. These results suggest that strategic voters possess private information about the proposal and vote against it strategically, while the other two groups of funds primarily base their votes on public information. Together with the above evidence on the stock return predictive power of post-vote trades, these findings lend further support to the conclusion that strategic voters act on private information that is inversely related to their voting behavior.

[Insert Table 6 about here]

Tables 4 and 6 show that the predictive power of strategic voters' trades and votes emerges at different horizons. Net buying by strategic voters strongly predicts stock returns over intermediate horizons of 6 to 9 months, consistent with our earlier finding that strategic voters tend to be high-turnover funds with relatively short holding periods. In contrast, the predictive power of their net win emerges only over longer horizons of 1 to 2 years. This pattern is consistent with the type of information strategic voters choose to trade on. When information is expected to be impounded into stock prices relatively quickly (i.e., within

their typical holding periods), strategic voters trade on it, accelerating its incorporation. Conversely, when information is unlikely to be impounded quickly, possibly due to transaction costs, information complexity, or uncertainty, strategic voters may refrain from trading, which could further delay its incorporation. As a result, information in the votes may take longer to be fully reflected in stock prices, explaining the difference in the predictive horizon between strategic voters' trades and votes.

5 Conclusion

Informed shareholders may sometimes vote strategically against their private information to preserve profit opportunities for trading, potentially undermining the effectiveness of proxy voting as an information aggregation mechanism. In this paper, we investigate strategic voting by mutual funds and its implications for firms. We measure strategic voting based on a fund's tendency to engage in contrary trades—buying after losing a contentious vote and selling after winning one—and use aligned trades as a comparison group. Using a large dataset of mutual funds' voting and trading records, we find that strategic voting is highly persistent and increases with a fund's turnover rate and expense ratio. We also find that strategic voters are more likely to engage in contrary trades in liquid stocks, consistent with the theoretical prediction that liquidity facilitates post-vote trading and enables strategic voters to profit from private information.

Our main findings indicate that net buying by strategic voters following contentious votes positively predicts abnormal stock returns, particularly over intermediate horizons of 6 to 9 months, which aligns with the typical holding periods of these funds. This predictive power is stronger when strategic voters vote in the same direction, suggesting that synchronized voting amplifies the wedge between their private valuations and the market price and creates

more profitable trading opportunities. These findings are consistent with strategic voters exploiting their informational advantage through post-vote trading. Moreover, the net win of strategic voters negatively predicts future stock returns over longer horizons of 1 to 2 years, consistent with the notion that these funds vote against their private information and that such information is ultimately impounded into prices. In contrast, the post-vote trades and votes of aligned traders and the residual category do not predict subsequent abnormal stock returns.

Our study has important policy implications. A well-functioning shareholder democracy relies on the voting process to aggregate the signals dispersed among shareholders, so that voting outcomes reflect their collective wisdom. Our findings suggest a key friction: the incentive to profit from trading can weaken the information-aggregation role of proxy voting. This highlights a fundamental tension between shareholders' roles as both traders and voters, suggesting that policymakers should consider how trading incentives and the pursuit of informational rents affect the informativeness of proxy voting and, ultimately, the effectiveness of corporate governance. These findings provide direct empirical support for the concern raised in theoretical models of voting and trading, namely, that trading incentives can weaken shareholder democracy (Meirowitz and Pi 2022; Levit, Malenko, and Maug 2024).

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Appendix

Table A1. Definition of variables

Variable	Definition
Fund-level variables	
Strategic voting	The tendency to buy (sell) during the [0, +10] window after losing (winning) a vote, where day 0 is the day of the shareholder meeting
I(*Strategic*)	An indicator that equals one if the fund's strategic voting is in the top quintile and zero otherwise
Aligned trading	The tendency to buy (sell) during the [0, +10] window after winning (losing) a vote, where day 0 is the day of the shareholder meeting
I(*Aligned*)	An indicator that equals one if the fund's aligned trading is in the top quintile and zero otherwise
Fund size	The total net assets (TNA) of the fund
Family size	The sum of the TNAs of all funds in the fund's family
Fund age	The number of months since the fund entered the CRSP mutual fund database
Past style-adj. return	The fund's mean monthly style-adjusted return during the past 12 months
Past style-adj. flow	The mean monthly style-adjusted percentage net flow to the fund during the past 12 months
Number of stocks	The number of stocks in the fund's portfolio
Turnover	The minimum of aggregate purchases and sales of securities during the year, divided by the average TNA
Expense ratio	The percentage of total investment that shareholders pay for the fund's operating expenses
Total load	The sum of the maximum front-end and rear-end load fees
Size score	Weighted average of the quintile number of the market capitalization of stocks in the fund's portfolio (ranging from 1 to 5), weighted by the dollar value of holdings
Value score	Weighted average of the quintile number of the book-to-market ratio of stocks in the fund's portfolio (ranging from 1 to 5), weighted by the dollar value of holdings
Momentum score	Weighted average of the quintile number of the return of stocks in the fund's portfolio over the prior 12 months (ranging from 1 to 5), weighted by the dollar value of holdings
Proposal- and firm-level variables	
Netbuy(*Strategic*)	The number of shares net bought by funds that are strategic voters during the [0, +10] window, divided by the number of shares outstanding
Netbuy(*Aligned*)	The number of shares net bought by funds that are aligned traders during the [0, +10] window, divided by the number of shares outstanding
Netbuy(*Other*)	The number of shares net bought by funds in the residual category during the [0, +10] window, divided by the number of shares outstanding
NetWin(*Strategic*)	The difference between the total number of shares held by strategic voters that win the vote and that by strategic voters that lose the vote, divided by the number of shares outstanding

NetWin(Aligned)	The difference between the total number of shares held by aligned traders that win the vote and that by aligned traders that lose the vote, divided by the number of shares outstanding
NetWin(Other)	The difference between the total number of shares held by funds in the residual category that win the vote and the total number of shares held by those that lose the vote, divided by the number of shares outstanding
FFC CAR$[t_1, t_2]$	Fama-French-Carhart four-factor adjusted cumulative abnormal returns over the holding horizon from day t_1 to day t_2, where day 0 is the date of the vote
DGTW CAR$[t_1, t_2]$	DGTW characteristics-adjusted cumulative abnormal returns over the holding horizon from day t_1 to day t_2, where day 0 is the date of the vote
Management wins	An indicator that equals one if the vote outcome of the proposal is in line with management's recommendation and zero otherwise
ISS wins	An indicator that equals one if the vote outcome of the proposal is in line with ISS's recommendation and zero otherwise
Mgmt loses non-contentious	An indicator that equals one if the vote outcome of a non-contentious proposal is contrary to management's recommendation and zero otherwise
Total assets	The total assets of the firm
Firm size	The logarithm of the total assets of the firm
Market-to-book	The market value of common equity divided by the book value of common equity
$CAR_{[0,\ +10]}$	The cumulative market-adjusted abnormal stock returns during the [0, +10] window
Prior 1-year stock return	The cumulative market-adjusted abnormal stock returns during a 12-month window before the shareholder meeting
Leverage	The book leverage of the firm
CapEx	Capital expenditure divided by total assets
S&P 500	An indicator that equals one if the firm is included in the S&P 500 index and zero otherwise
Mutual fund ownership	The total number of shares held by mutual funds as a fraction of outstanding shares
Number of analysts	The number of distinct financial analysts that issue annual earnings forecasts for the firm in the year

Table 1. Summary statistics on mutual funds and contentious proposals

This table presents the summary statistics for the samples of mutual fund-years (Panel A) and contentious proposals (Panel B). All variables are defined in Table A1 in the appendix. For each variable in each sample, we report the mean, standard deviation, and 10th, 50th, and 90th percentiles.

A. The sample of mutual fund-years ($N = 755$)

	Mean	SD	10th	50th	90th
Main variables					
Strategic voting	0.222	0.170	0.017	0.192	0.463
Aligned trading	0.203	0.163	0.016	0.177	0.417
I(*Strategic*)	0.197	0.398	0.000	0.000	1.000
I(*Aligned*)	0.197	0.398	0.000	0.000	1.000
Fund characteristics					
Fund size ($ millions)	4,082.620	8,850.120	70.300	842.900	9,786.400
Fund family size ($ billions)	1,099.200	1,283.590	15.380	684.134	3,375.040
Fund age (months)	200.468	137.913	55.000	167.000	450.000
Past style-adj. return (%)	−0.030	0.711	−0.698	0.003	0.691
Past style-adj. flow	0.003	0.031	−0.022	−0.003	0.032
Number of stocks	161.506	149.495	46.000	116.000	324.000
Turnover	0.990	0.690	0.290	0.850	1.850
Expense ratio	0.010	0.004	0.004	0.010	0.016
Total load	0.018	0.020	0.000	0.008	0.049
Size score	4.337	0.741	3.081	4.654	4.923
Value score	2.210	0.487	1.597	2.193	2.852
Momentum score	3.584	0.477	2.980	3.593	4.150

B. The sample of contentious proposals ($N = 3{,}008$)

	Mean	SD	10th	50th	90th
Main variables					
Netbuy(*Strategic*) (bps)	−0.647	5.812	−1.751	0.000	0.284
Netbuy(*Aligned*) (bps)	−0.424	6.516	−1.059	0.000	0.688
Netbuy(*Other*) (bps)	−1.614	16.243	−8.008	0.000	2.479
FFC CAR[+11, +73] (%)	−0.679	18.142	−19.966	−0.194	17.044
FFC CAR[+11, +136] (%)	−0.662	30.235	−30.386	−0.831	28.636
FFC CAR[+11, +199] (%)	0.206	33.406	−33.216	0.925	33.025
FFC CAR[+11, +262] (%)	1.350	35.233	−37.385	2.146	38.990
DGTW CAR[+11, +73] (%)	−0.997	15.156	−16.229	−0.329	13.779
DGTW CAR[+11, +136] (%)	−1.382	25.272	−25.950	−0.066	23.396
DGTW CAR[+11, +199] (%)	−1.322	28.715	−30.986	−0.022	29.047
DGTW CAR[+11, +262] (%)	−0.635	31.183	−33.250	0.342	31.831
NetWin(*Strategic*) (%)	0.114	0.876	−0.144	0.000	0.576
NetWin(*Aligned*) (%)	0.072	1.248	−0.156	0.000	0.512
NetWin(*Other*) (%)	0.382	2.153	−0.979	0.099	2.061
FFC CAR[+1, +252] (%)	1.396	35.233	−36.307	2.366	39.643
FFC CAR[+1, +504] (%)	3.826	50.174	−49.692	6.440	56.752
DGTW CAR[+1, +252] (%)	−0.709	31.158	−32.851	0.124	31.745
DGTW CAR[+1, +504] (%)	−0.495	44.229	−47.437	1.706	45.163
Proposal/firm characteristics					
Management wins	0.824	0.381	0.000	1.000	1.000
ISS wins	0.453	0.498	0.000	0.000	1.000
Mgmt loses non-contentious	0.035	0.184	0.000	0.000	0.000
Total assets ($ millions)	71,736.040	263,315.930	381.677	7,091.680	109,183.000
Market-to-book	3.556	22.830	0.873	2.102	5.616
$CAR_{[0,\ +10]}$ (%)	0.164	8.202	−7.828	0.169	7.933
Prior 1-year stock return (%)	7.852	39.086	−29.242	4.900	51.089
Leverage	0.586	0.252	0.258	0.562	0.915
CapEx	0.044	0.054	0.002	0.029	0.095
S&P 500	0.534	0.499	0.000	1.000	1.000
Mutual fund ownership	0.245	0.097	0.130	0.238	0.371
Number of analysts	16.497	9.603	5.000	16.000	29.000

Table 2. Cross-sectional predictors of strategic voting and aligned trading

This table presents regression analysis of the determinants of strategic voting and aligned trading behaviors. The dependent variable is strategic voting in the first column and an indicator for strategic voters in the second column. The dependent variable is aligned trading in the third column and an indicator for aligned traders in the last column. All independent variables are lagged by one year. See Table A1 in the appendix for variable definitions. All regressions include year fixed effects and style fixed effects. We use CRSP objective code to classify mutual funds into different investment styles. Numbers in parentheses are t-statistics based on standard errors clustered by fund family. $^{*}p < .1$; $^{**}p < .05$; $^{***}p < .01$.

Dependent variable =	*Strategic voting*	*I*(*Strategic*)	*Aligned trading*	*I*(*Aligned*)
	(1)	(2)	(3)	(4)
ln(*Fund size*)	0.005	0.004	0.001	0.016
	(0.93)	(0.45)	(0.26)	(1.66)
ln(*Fund family size*)	0.014	0.020	0.009	−0.003
	(2.58)**	(2.35)**	(3.73)***	(0.31)
ln(*Fund age*)	0.009	0.020	−0.002	−0.007
	(0.61)	(0.81)	(0.15)	(0.23)
Past style-adj. return	0.108	0.462	0.762	2.488
	(0.11)	(0.37)	(1.11)	(1.39)
Past style-adj. flow	−0.136	−0.627	0.439	1.409
	(0.72)	(1.26)	(2.51)**	(3.18)***
ln(*Number of stocks*)	0.017	0.012	0.019	0.020
	(1.58)	(0.60)	(1.40)	(0.55)
Turnover	0.037	0.061	0.018	0.018
	(4.21)***	(2.27)**	(1.76)*	(0.57)
ln(*Expense ratio*)	0.042	0.057	0.001	−0.027
	(4.66)***	(2.93)***	(0.16)	(1.19)
Total load	0.112	−0.015	0.088	0.072
	(0.21)	(0.01)	(0.22)	(0.08)
Size score	0.039	0.048	0.029	0.053
	(2.72)***	(1.92)*	(1.79)*	(1.50)
Value score	−0.015	0.022	−0.020	−0.068
	(0.66)	(0.57)	(1.33)	(1.92)*
Momentum score	−0.041	−0.088	−0.000	−0.011
	(2.38)**	(2.87)***	(0.00)	(0.39)
Year FEs	Yes	Yes	Yes	Yes
Style FEs	Yes	Yes	Yes	Yes
Observations	753	753	753	753
Adjusted R-squared	.10	.05	.16	.07

Table 3. Trading behavior of strategic voters

This table presents regression analysis of the trading behavior of strategic voters. The dependent variable is *Contrary Trade* in the first two columns and *Aligned Trade* in the last two columns. All independent variables are lagged by one year. *Contrary Trade* equals one if a fund sells the stock of the firm at which a proposal is held in an 11-day window from the meeting day to 10 trading days after when the fund wins the vote on the proposal or buys the stock when it loses the vote, and zero otherwise. *Aligned Trade* equals one if a fund buys the stock of the firm at which a proposal is held in the 11-day window when the fund wins the vote on the proposal or sells the stock when it loses the vote, and zero otherwise. *Illiquidity* is the Amihud illiquidity ratio of the stock measured using data during the 12 months before the shareholder meeting. See Table A1 in the appendix for variable definitions. Numbers in parentheses are *t*-statistics based on standard errors double-clustered by fund family and stock. $^{*}p < .1$; $^{**}p < .05$; $^{***}p < .01$.

Dependent variable =	*Contrary Trade*		*Aligned Trade*	
	(1)	(2)	(3)	(4)
I(*Strategic*) × *Illiquidity*	−8.621	−5.497		
	(7.36)***	(2.99)***		
I(*Aligned*) × *Illiquidity*			−5.524	−3.069
			(3.31)***	(1.25)
I(*Strategic*)	0.099			
	(3.08)***			
I(*Aligned*)			0.076	
			(6.46)***	
ln(*Fund size*)	−0.002		−0.001	
	(0.23)		(0.38)	
ln(*Fund family size*)	0.014		0.007	
	(5.06)***		(1.60)	
ln(*Fund age*)	0.023		0.014	
	(1.47)		(1.37)	
Past style-adj. return	1.525		2.119	
	(1.63)		(2.28)**	
Past style-adj. flow	0.082		0.284	
	(0.47)		(0.80)	
ln(*Number of stocks*)	0.025		−0.005	
	(2.39)**		(0.60)	
Turnover	0.023		0.013	
	(2.46)**		(0.98)	
ln(*Expense ratio*)	0.015		0.005	
	(0.97)		(0.79)	
Total load	0.691		0.064	
	(1.26)		(0.14)	
Size score	0.020		−0.010	
	(0.90)		(0.78)	
Value score	0.010		−0.006	
	(0.49)		(0.34)	
Momentum score	−0.073		−0.025	
	(4.16)***		(2.23)**	
Fund-year FEs	No	Yes	No	Yes
Proposal FEs	Yes	Yes	Yes	Yes
Observations	22,760	22,759	22,760	22,759
Adjusted R-squared	.07	.14	.07	.11

Table 4. The predictive power of strategic voters' post-vote trades for subsequent abnormal stock returns

This table presents regression analysis of the predictive power of strategic voters' trades for abnormal stock returns after contentious votes. Panels A and B use the Fama-French-Carhart four-factor model and DGTW characteristics benchmark, respectively, to adjust stock returns. See Table A1 in the appendix for variable definitions. Numbers in parentheses are *t*-statistics using standard errors double-clustered by firm and by year-month. Numbers in brackets are *p*-values for the null that the coefficients on *Netbuy*(*Strategic*) and *Netbuy*(*Aligned*) and those on *Netbuy*(*Strategic*) and *Netbuy*(*Other*) are equal. $^*p < .1$; $^{**}p < .05$; $^{***}p < .01$.

A. Fama-French-Carhart four-factor adjusted returns

Dependent variable =	$FFC\ CAR_{[+11,\ +73]}$	$FFC\ CAR_{[+11,\ +136]}$	$FFC\ CAR_{[+11,\ +199]}$	$FFC\ CAR_{[+11,\ +262]}$
	(1)	(2)	(3)	(4)
Netbuy(*Strategic*) (b_1)	0.180	0.375	0.503	0.339
	(2.46)**	(2.55)**	(3.24)***	(1.62)
Netbuy(*Aligned*) (b_2)	−0.071	−0.147	−0.255	−0.130
	(1.27)	(1.26)	(2.70)***	(1.37)
Netbuy(*Other*) (b_3)	−0.002	−0.040	−0.016	−0.033
	(0.05)	(0.85)	(0.31)	(0.93)
Management wins	−1.196	−1.988	−4.617	−1.120
	(1.05)	(0.80)	(2.01)**	(0.52)
ISS wins	0.044	−0.753	−0.161	2.031
	(0.04)	(0.28)	(0.06)	(0.81)
Mgmt loses non-contentious	2.866	1.040	0.181	−3.332
	(1.28)	(0.49)	(0.06)	(0.86)
Firm size	0.264	0.908	0.301	−0.140
	(0.49)	(1.11)	(0.30)	(0.13)
Market-to-book	0.013	−0.005	−0.015	−0.067
	(1.04)	(0.19)	(0.61)	(1.72)*
$CAR_{[0,\ +10]}$	−0.224	−0.486	−0.497	−0.292
	(2.48)**	(3.07)***	(4.49)***	(2.45)**
Prior 1-year stock return	−0.068	−0.102	−0.080	−0.095
	(2.68)***	(2.26)**	(1.76)*	(2.11)**
Leverage	4.323	3.984	4.357	4.433
	(1.36)	(0.84)	(0.87)	(0.70)
CapEx	−6.437	−24.394	−12.522	−21.606
	(0.70)	(1.14)	(0.41)	(0.73)
S&P 500	−2.142	−7.998	−8.266	−6.303
	(1.18)	(2.55)**	(3.24)***	(2.88)***
Mutual fund ownership	−6.914	−6.556	−12.446	−16.352
	(1.04)	(0.74)	(0.90)	(1.31)
ln(1+*Number of analysts*)	0.363	−0.819	1.834	1.270
	(0.39)	(0.75)	(1.14)	(0.58)
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes

Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.006]***	[.004]***	[.000]***	[.057]*
F-test: $b_1 = b_3$	[.018]**	[.008]***	[.004]***	[.090]*
Observations	2,829	2,829	2,829	2,829
Adjusted R-squared	.14	.12	.11	.12

B. DGTW characteristics-adjusted returns

Dependent variable =	$DGTW\ CAR_{[+11,+73]}$	$DGTW\ CAR_{[+11,+136]}$	$DGTW\ CAR_{[+11,+199]}$	$DGTW\ CAR_{[+11,+262]}$
	(1)	(2)	(3)	(4)
Netbuy(Strategic) (b_1)	0.150	0.265	0.383	0.235
	(3.15)***	(2.48)**	(3.16)***	(1.47)
Netbuy(Aligned) (b_2)	0.001	−0.017	−0.117	0.066
	(0.02)	(0.16)	(1.19)	(0.62)
Netbuy(Other) (b_3)	0.001	−0.013	0.004	−0.011
	(0.03)	(0.28)	(0.08)	(0.21)
Management wins	0.581	0.475	−2.431	−0.814
	(0.66)	(0.22)	(1.30)	(0.43)
ISS wins	1.567	1.505	2.063	1.885
	(1.77)*	(0.73)	(1.13)	(0.92)
Mgmt loses non-contentious	4.117	2.938	0.671	−1.769
	(1.74)*	(1.22)	(0.28)	(0.53)
Firm size	0.427	0.503	0.248	−0.090
	(0.84)	(0.58)	(0.32)	(0.09)
Market-to-book	0.010	0.036	0.044	−0.000
	(0.98)	(1.02)	(1.44)	(0.01)
$CAR_{[0,+10]}$	−0.129	−0.323	−0.380	−0.321
	(1.62)	(3.22)***	(3.58)***	(2.76)***
Prior 1-year stock return	−0.022	−0.078	−0.032	−0.066
	(1.04)	(3.06)***	(1.29)	(2.82)***
Leverage	−0.398	2.881	−1.134	0.480
	(0.17)	(0.84)	(0.26)	(0.09)
CapEx	5.668	−2.100	11.311	5.636
	(0.67)	(0.13)	(0.50)	(0.22)
S&P 500	−1.982	−5.114	−5.502	−4.166
	(1.44)	(2.07)**	(2.51)**	(1.73)*
Mutual fund ownership	−4.673	−8.086	−8.637	−8.794
	(0.81)	(0.74)	(0.64)	(0.63)
ln(1+*Number of analysts*)	0.652	−0.122	1.979	1.567
	(0.79)	(0.11)	(1.25)	(0.84)
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.010]***	[.030]**	[.003]***	[.395]
F-test: $b_1 = b_3$	[.009]***	[.022]**	[.003]***	[.142]
Observations	2,763	2,767	2,776	2,777
Adjusted R-squared	.17	.13	.12	.13

Table 5. The predictive power of strategic voters' post-vote trades for subsequent abnormal stock returns: Cross-sectional tests

This table presents regression analysis of how the predictive power of strategic voters' post-vote trades for subsequent abnormal stock returns varies with the extent to which these funds vote in the same direction. *Synched voting* is the absolute difference between the number of shares held by strategic voters voting in favor and those voting against the proposal, normalized by the total number of shares held by strategic voters. The measure has a value ranging from 0 to 1, with 0 indicating evenly split votes and 1 indicating perfectly synchronized votes. *I*(*High Synched voting*) is an indicator that equals one if *Synched voting* is greater than 0.5. See Table A1 in the appendix for variable definitions. The coefficients of other variables and their interaction terms with the synchronized voting measures are omitted for brevity. Numbers in parentheses are *t*-statistics using standard errors double-clustered by firm and by year-month. $^{*}p < .1$; $^{**}p < .05$; $^{***}p < .01$.

Dependent variable =	$FFC\ CAR_{[+11,\ +136]}$	$DGTW\ CAR_{[+11,\ +136]}$	$FFC\ CAR_{[+11,\ +136]}$	$DGTW\ CAR_{[+11,\ +136]}$
$k =$	*Synched voting*		*I*(*High Synched voting*)	
	(1)	(2)	(3)	(4)
Netbuy(*Strategic*) × k	0.981	0.982	0.944	0.716
	(2.20)**	(2.30)**	(4.53)***	(2.27)**
Netbuy(*Strategic*)	−0.503	−0.628	−0.486	−0.392
	(1.33)	(1.64)	(2.37)**	(1.34)
Other *Netbuy* & interactions	Yes	Yes	Yes	Yes
Controls & interactions	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
Observations	2,829	2,767	2,829	2,767
Adjusted *R*-squared	.12	.14	.12	.14

Table 6. The predictive power of strategic voters' votes for abnormal stock returns after contentious votes

This table presents regression analysis of the predictive power of strategic voters' votes for abnormal stock returns after contentious votes. The first two and last two columns use the Fama-French-Carhart four-factor model and DGTW characteristics benchmark, respectively, to adjust stock returns. See Table A1 in the appendix for variable definitions. Numbers in parentheses are *t*-statistics using standard errors double-clustered by firm and by year-month. Numbers in brackets are *p*-values for the null that the coefficients on *NetWin*(*Strategic*) and *NetWin*(*Aligned*) and those on *NetWin*(*Strategic*) and *NetWin*(*Other*) are equal. $^*p < .1$; $^{**}p < .05$; $^{***}p < .01$.

Dependent variable =	$FFC\ CAR_{[+1,\ +252]}$	$FFC\ CAR_{[+1,\ +504]}$	$DGTW\ CAR_{[+1,\ +252]}$	$DGTW\ CAR_{[+1,\ +504]}$
	(1)	(2)	(3)	(4)
NetWin(*Strategic*) (b_1)	−1.476	−2.773	−1.482	−1.970
	(1.48)	(3.14)***	(1.43)	(1.94)*
NetWin(*Aligned*) (b_2)	0.496	0.230	0.599	0.358
	(0.78)	(0.28)	(1.31)	(0.57)
NetWin(*Other*) (b_3)	−0.019	−0.212	0.207	0.043
	(0.05)	(0.35)	(0.75)	(0.09)
Management wins	−1.083	−9.019	−0.839	−7.251
	(0.47)	(2.77)***	(0.44)	(2.29)**
ISS wins	1.779	−3.788	2.096	−2.395
	(0.72)	(1.29)	(1.07)	(0.82)
Mgmt loses non-contentious	−1.241	−8.054	−0.226	−6.238
	(0.32)	(0.87)	(0.07)	(0.93)
Firm size	−0.622	−1.075	−0.286	−1.313
	(0.61)	(0.79)	(0.29)	(1.01)
Market-to-book	−0.061	−0.050	0.008	−0.013
	(1.83)*	(1.24)	(0.36)	(0.59)
Prior 1-year stock return	−0.093	−0.116	−0.058	−0.112
	(1.90)*	(1.71)*	(2.56)**	(2.43)**
Leverage	2.219	6.860	0.780	0.273
	(0.35)	(0.75)	(0.14)	(0.04)
CapEx	−29.172	−82.976	1.185	−52.221
	(0.96)	(2.13)**	(0.04)	(1.70)*
S&P 500	−4.922	0.040	−3.256	3.987
	(2.09)**	(0.01)	(1.30)	(0.99)
Mutual fund ownership	−15.962	−14.768	−12.593	3.103
	(1.39)	(0.89)	(0.98)	(0.17)
ln(1+*Number of analysts*)	2.048	1.540	2.000	0.185
	(0.87)	(0.52)	(0.97)	(0.06)
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.136]	[.008]***	[.103]	[.080]*
F-test: $b_1 = b_3$	[.182]	[.022]**	[.124]	[.070]*
Observations	2,829	2,829	2,777	2,795

Adjusted R-squared	.12	.16	.13	.18

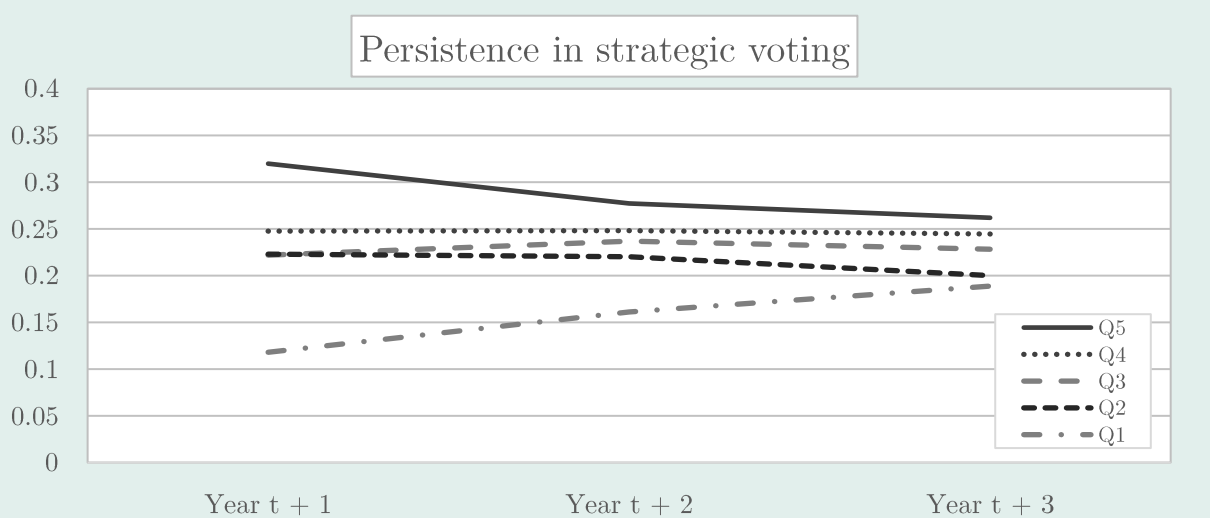


Figure 1. Persistence of strategic voting

This figure shows the average levels of strategic voting for quintile portfolios formed on strategic voting in year t and tracked over the following three years. Strategic voting is a fund's tendency to sell after winning a contentious vote and buy after losing one. We sort our sample funds into quintiles according to their strategic voting in year t; funds in Q5 and Q1 represent those with the highest and lowest levels of strategic voting, respectively.

Internet Appendix for

Strategic Voting and Informational Rents: Evidence from Mutual Funds' Trades and Votes

(Intended for Online Publication)

Table IA-1. Transition matrix of strategic voting quintiles

This table reports the annual transition matrix for quintiles of fund-level strategic voting. Each year, funds are sorted into quintiles based on their strategic voting, where quintile 1 (5) contains the least (most) strategic voters. Each cell reports the percentage of funds in quintile i in year $t-1$ that transition to quintile j in year t. Under random assignment, each cell would be 20%. The chi-square test rejects independence at the 1% level ($\chi^2 = 65.67$, $p < .001$).

	Quintile in year t				
Quintile in year $t-1$	Q1	Q2	Q3	Q4	Q5
Q1 (Least strategic)	**41.6**	21.3	14.6	13.5	9.0
Q2	18.0	**19.1**	21.3	20.2	21.3
Q3	20.4	23.7	**16.1**	20.4	19.4
Q4	7.6	20.7	27.2	**28.3**	16.3
Q5 (Most strategic)	8.6	11.8	20.4	23.7	**35.5**

Table IA-2. Voting behavior of strategic voters

This table presents regression analysis of the voting behavior of strategic voters conditional on the recommendation of ISS. The dependent variable is *VotingWithMgmt*, an indicator that equals one if a fund votes with management's recommendation, and zero otherwise. Following Iliev and Lowry (2015), the regressions are estimated on two subsamples, votes on which ISS recommends voting against management (column 1) and votes on which ISS recommends voting with management (column 2). The key independent variables are *I*(*Strategic*) and *I*(*Aligned*), which are indicator variables for whether a fund is in the top quintile for strategic voting or aligned trading, respectively. All independent variables are lagged by one year. All regressions include proposal fixed effects. See Table A1 in the appendix for variable definitions. Numbers in parentheses are *t*-statistics based on standard errors double-clustered by fund family and stock. $^{*}p < .1$; $^{**}p < .05$; $^{***}p < .01$.

Dependent variable =	*VotingWithMgmt*	
	Subsample: ISS Against Mgmt	Subsample: ISS With Mgmt
	(1)	(2)
I(*Strategic*)	0.050	0.005
	(1.88)*	(0.72)
I(*Aligned*)	−0.002	−0.006
	(0.06)	(0.62)
ln(*Fund size*)	0.028	−0.011
	(1.50)	(2.53)**
ln(*Fund family size*)	0.032	−0.024
	(1.70)	(4.86)***
ln(*Fund age*)	−0.032	0.014
	(2.23)**	(1.19)
Past style-adj. return	4.154	2.974
	(3.64)***	(2.03)*
Past style-adj. flow	−0.941	0.605
	(1.72)*	(2.11)**
ln(*Number of stocks*)	−0.045	−0.010
	(1.30)	(1.09)
Turnover	−0.007	−0.023
	(0.25)	(1.85)*
ln(*Expense ratio*)	−0.209	−0.063
	(6.36)***	(5.37)***
Total load	4.616	−0.203
	(1.82)*	(0.44)
Size score	−0.009	−0.043
	(0.22)	(3.24)***
Value score	0.025	−0.001
	(1.06)	(0.09)
Momentum score	0.055	0.020
	(2.13)**	(1.10)
Proposal FEs	Yes	Yes
Observations	18,424	4,788
Adjusted *R*-squared	.55	.67

Table IA-3. Robustness of the return predictive power of strategic voters' trades to alternative trading windows

This table reports the coefficient on *Netbuy*(*Strategic*) from regressions of post-vote abnormal stock returns on *Netbuy*(*Strategic*), *Netbuy*(*Aligned*), *Netbuy*(*Other*), and the controls and fixed effects from Eq. (5), re-estimated using alternative trading windows of 6, 11 (baseline), and 21 trading days starting from the meeting day. The dependent variable, post-vote cumulative abnormal returns, is measured starting from the day after the trading window ends (i.e., from day +6, +11, and +21 for the 6-, 11-, and 21-day windows, respectively) and is computed over horizons of 3, 6, 9, and 12 months. The control for abnormal stock returns during the trading window is correspondingly adjusted to match each window. Each cell reports the coefficient from a separate regression, with *t*-statistics in parentheses on the row below. Standard errors are double-clustered by firm and by year-month. Panels A and B use the Fama-French-Carhart four-factor model and DGTW characteristics benchmark, respectively, to adjust stock returns. The coefficients for the [0, +10] window are reproduced from Table 4. $^{*}p < .1$; $^{**}p < .05$; $^{***}p < .01$.

A. Fama-French-Carhart four-factor adjusted returns

	FFC CAR (3 months) (1)	*FFC CAR* (6 months) (2)	*FFC CAR* (9 months) (3)	*FFC CAR* (12 months) (4)
[0, +5] window	0.140	0.407	0.695	0.339
	(0.88)	(1.64)	(2.49)**	(1.18)
[0, +10] window (baseline)	0.180	0.375	0.503	0.339
	(2.46)**	(2.55)**	(3.24)***	(1.62)
[0, +20] window	0.106	0.189	0.292	0.258
	(1.59)	(1.86)*	(2.69)***	(2.04)**

B. DGTW characteristics-adjusted returns

	DGTW CAR (3 months) (1)	*DGTW CAR* (6 months) (2)	*DGTW CAR* (9 months) (3)	*DGTW CAR* (12 months) (4)
[0, +5] window	0.187	0.242	0.519	0.257
	(1.51)	(1.28)	(2.47)**	(1.02)
[0, +10] window (baseline)	0.150	0.265	0.383	0.235
	(3.15)***	(2.48)**	(3.16)***	(1.47)
[0, +20] window	0.113	0.147	0.245	0.224
	(2.09)**	(1.88)*	(2.70)***	(2.34)**

Table IA-4. Trade-level pooled test: Aggregate contrary and aligned trades

This table presents regression analysis of the predictive power of trade-level pooled net contrary and net aligned trading for abnormal stock returns after contentious votes, without conditioning on fund-level strategic classification. $Netbuy(Contrary)^{Pooled}$ is the sum of net buying across all funds that buy the stock after losing the vote or sell the stock after winning the vote, divided by the number of shares outstanding. $Netbuy(Aligned)^{Pooled}$ is defined analogously for funds that buy after winning or sell after losing. Panels A and B use the Fama-French-Carhart four-factor model and DGTW characteristics benchmark, respectively, to adjust stock returns. The set of control variables is the same as in Table 4. See Table A1 in the appendix for variable definitions. Numbers in parentheses are t-statistics using standard errors double-clustered by firm and by year-month. Numbers in brackets are p-values for the null that the coefficients on $Netbuy(Contrary)^{Pooled}$ and $Netbuy(Aligned)^{Pooled}$ are equal. $^{*}p < .1$; $^{**}p < .05$; $^{***}p < .01$.

A. Fama-French-Carhart four-factor adjusted returns

Dependent variable =	$FFC\ CAR_{[+11,\ +73]}$	$FFC\ CAR_{[+11,\ +136]}$	$FFC\ CAR_{[+11,\ +199]}$	$FFC\ CAR_{[+11,\ +262]}$
	(1)	(2)	(3)	(4)
$Netbuy(Contrary)^{Pooled}$ (b_1)	−0.019	−0.028	−0.015	−0.022
	(0.71)	(0.71)	(0.30)	(0.55)
$Netbuy(Aligned)^{Pooled}$ (b_2)	0.026	0.012	0.038	0.011
	(1.02)	(0.32)	(0.94)	(0.25)
Controls	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.145]	[.337]	[.299]	[.498]
Observations	2,829	2,829	2,829	2,829
Adjusted R-squared	.14	.11	.10	.12

B. DGTW characteristics-adjusted returns

Dependent variable =	$DGTW\ CAR_{[+11,\ +73]}$	$DGTW\ CAR_{[+11,\ +136]}$	$DGTW\ CAR_{[+11,\ +199]}$	$DGTW\ CAR_{[+11,\ +262]}$
	(1)	(2)	(3)	(4)
$Netbuy(Contrary)^{Pooled}$ (b_1)	−0.005	−0.009	−0.001	−0.011
	(0.24)	(0.25)	(0.02)	(0.28)
$Netbuy(Aligned)^{Pooled}$ (b_2)	0.006	0.022	0.033	0.008
	(0.33)	(0.75)	(1.08)	(0.24)
Controls	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.616]	[.362]	[.396]	[.661]
Observations	2,763	2,767	2,776	2,777
Adjusted R-squared	.17	.13	.12	.12

Table IA-5. Decomposing strategic voters' post-vote trades by vote direction

This table presents regression analysis of the predictive power of strategic voters' post-vote trades for abnormal stock returns after contentious votes, decomposing *Netbuy*(*Strategic*) by whether strategic voters voted against or with management's recommendation. $Netbuy(Strategic)^{AgainstMgmt}$ is the number of shares net bought during the [0, +10] window by strategic voters who voted against management's recommendation on the proposal, divided by the number of shares outstanding. $Netbuy(Strategic)^{WithMgmt}$ is defined analogously for strategic voters who voted with management's recommendation. Panels A and B use the Fama-French-Carhart four-factor model and DGTW characteristics benchmark, respectively, to adjust stock returns. The set of control variables is the same as in Table 4. See Table A1 in the appendix for variable definitions. Numbers in parentheses are *t*-statistics using standard errors double-clustered by firm and by year-month. Numbers in brackets are *p*-values for the null that the coefficients on $Netbuy(Strategic)^{AgainstMgmt}$ and $Netbuy(Strategic)^{WithMgmt}$ are equal. $^{*}p < .1$; $^{**}p < .05$; $^{***}p < .01$.

A. Fama-French-Carhart four-factor adjusted returns

Dependent variable =	$FFC\ CAR_{[+11,\ +73]}$	$FFC\ CAR_{[+11,\ +136]}$	$FFC\ CAR_{[+11,\ +199]}$	$FFC\ CAR_{[+11,\ +262]}$
	(1)	(2)	(3)	(4)
$Netbuy(Strategic)^{AgainstMgmt}$ (b_1)	0.181	0.531	0.591	0.508
	(1.14)	(1.41)	(1.66)	(1.56)
$Netbuy(Strategic)^{WithMgmt}$ (b_2)	0.186	0.354	0.591	0.336
	(1.61)	(1.76)*	(2.34)**	(1.18)
$Netbuy(Aligned)$	−0.065	−0.142	−0.254	−0.129
	(1.19)	(1.23)	(2.70)***	(1.36)
$Netbuy(Other)$	−0.002	−0.043	−0.018	−0.035
	(0.07)	(0.91)	(0.36)	(0.97)
Controls	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.984]	[.670]	[.999]	[.641]
Observations	2,829	2,829	2,829	2,829
Adjusted R-squared	.14	.12	.11	.12

B. DGTW characteristics-adjusted returns

Dependent variable =	$DGTW\ CAR_{[+11,\ +73]}$	$DGTW\ CAR_{[+11,\ +136]}$	$DGTW\ CAR_{[+11,\ +199]}$	$DGTW\ CAR_{[+11,\ +262]}$
	(1)	(2)	(3)	(4)
$Netbuy(Strategic)^{AgainstMgmt}$ (b_1)	0.060	0.342	0.424	0.293
	(0.56)	(1.25)	(1.66)	(0.98)
$Netbuy(Strategic)^{WithMgmt}$ (b_2)	0.220	0.293	0.485	0.257
	(2.43)**	(1.80)*	(2.22)**	(1.18)
$Netbuy(Aligned)$	0.004	−0.016	−0.118	0.067
	(0.08)	(0.16)	(1.21)	(0.64)
$Netbuy(Other)$	0.000	−0.014	0.002	−0.012
	(0.02)	(0.31)	(0.03)	(0.23)
Controls	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.307]	[.885]	[.870]	[.914]
Observations	2,763	2,767	2,776	2,777
Adjusted R-squared	.17	.13	.12	.13

Table IA-6. Horse race between strategic voters and governance-oriented funds

This table presents regression analysis of the predictive power of strategic voters' post-vote trades for abnormal stock returns after contentious votes, controlling for the post-vote trades of governance-oriented funds. *Netbuy*(*Governance*) is the number of shares net bought during the [0, +10] window by funds in the top quintile of the fraction of votes cast against management's recommendation over the prior 12 months, divided by the number of shares outstanding. The fraction of votes against management is computed using all proposals voted on by the fund in the past 12 months. Panels A and B use the Fama-French-Carhart four-factor model and DGTW characteristics benchmark, respectively, to adjust stock returns. The set of control variables is the same as in Table 4. See Table A1 in the appendix for variable definitions. Numbers in parentheses are *t*-statistics using standard errors double-clustered by firm and by year-month. Numbers in brackets are *p*-values for the null that the coefficients on *Netbuy*(*Strategic*) and *Netbuy*(*Governance*) are equal. $^{*}p < .1$; $^{**}p < .05$; $^{***}p < .01$.

A. Fama-French-Carhart four-factor adjusted returns

Dependent variable =	$FFC\ CAR_{[+11,\ +73]}$	$FFC\ CAR_{[+11,\ +136]}$	$FFC\ CAR_{[+11,\ +199]}$	$FFC\ CAR_{[+11,\ +262]}$
	(1)	(2)	(3)	(4)
Netbuy(*Strategic*) (b_1)	0.203	0.383	0.487	0.351
	(2.81)***	(2.67)***	(3.19)***	(1.74)*
Netbuy(*Governance*) (b_2)	−0.181	−0.064	0.128	−0.097
	(1.49)	(0.32)	(0.62)	(0.41)
Netbuy(*Aligned*)	−0.058	−0.143	−0.264	−0.124
	(1.02)	(1.21)	(2.82)***	(1.26)
Netbuy(*Other*)	0.010	−0.037	−0.024	−0.027
	(0.28)	(0.76)	(0.47)	(0.64)
Controls	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[0.021]**	[0.078]*	[0.152]	[0.117]
Observations	2,829	2,829	2,829	2,829
Adjusted R-squared	.14	.12	.11	.12

B. DGTW characteristics-adjusted returns

Dependent variable =	$DGTW\ CAR_{[+11,\ +73]}$	$DGTW\ CAR_{[+11,\ +136]}$	$DGTW\ CAR_{[+11,\ +199]}$	$DGTW\ CAR_{[+11,\ +262]}$
	(1)	(2)	(3)	(4)
Netbuy(*Strategic*) (b_1)	0.158	0.261	0.365	0.238
	(3.05)***	(2.39)**	(2.92)***	(1.51)
Netbuy(*Governance*) (b_2)	−0.062	0.035	0.141	−0.025
	(0.49)	(0.20)	(0.71)	(0.11)
Netbuy(*Aligned*)	0.005	−0.019	−0.127	0.067
	(0.10)	(0.19)	(1.28)	(0.62)
Netbuy(*Other*)	0.005	−0.015	−0.006	−0.009
	(0.18)	(0.30)	(0.12)	(0.15)
Controls	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[0.161]	[0.309]	[0.389]	[0.347]
Observations	2,763	2,767	2,776	2,777
Adjusted R-squared	.17	.13	.12	.13

Table IA-7. Decomposing strategic voters' pre-vote trades by vote direction

This table presents regression analysis of the predictive power of strategic voters' pre-vote trades for abnormal stock returns after contentious votes, decomposing pre-vote net buying by strategic voters by whether they voted against or with management's recommendation. $Netbuy(Strategic)^{AgainstMgmt}_{Pre\text{-}vote}$ is the number of shares net bought during the [−10, −1] window by strategic voters who voted against management's recommendation on the proposal, divided by the number of shares outstanding. $Netbuy(Strategic)^{WithMgmt}_{Pre\text{-}vote}$ is defined analogously for strategic voters who voted with management's recommendation. $Netbuy(Aligned)_{Pre\text{-}vote}$ and $Netbuy(Other)_{Pre\text{-}vote}$ are the corresponding net buy measures for aligned traders and funds in the residual category, respectively. The dependent variable is abnormal stock returns starting on the first day after the vote. Panels A and B use the Fama-French-Carhart four-factor model and DGTW characteristics benchmark, respectively, to adjust stock returns. The set of control variables is the same as in Table 4 except that abnormal stock returns are measured over the pre-vote [−10, −1] window rather than the post-vote [0, +10] window, and the long-run past returns are measured over [−262, −11] rather than [−252, −1]. See Table A1 in the appendix for variable definitions. Numbers in parentheses are t-statistics using standard errors double-clustered by firm and by year-month. Numbers in brackets are p-values for the null that the coefficients on $Netbuy(Strategic)^{AgainstMgmt}_{Pre\text{-}vote}$ and $Netbuy(Strategic)^{WithMgmt}_{Pre\text{-}vote}$ are equal. $^{*}p < .1$; $^{**}p < .05$; $^{***}p < .01$.

A. Fama-French-Carhart four-factor adjusted returns

Dependent variable =	$FFC\ CAR_{[+1,\ +63]}$	$FFC\ CAR_{[+1,\ +126]}$	$FFC\ CAR_{[+1,\ +189]}$	$FFC\ CAR_{[+1,\ +252]}$
	(1)	(2)	(3)	(4)
$Netbuy(Strategic)^{AgainstMgmt}_{Pre\text{-}vote}$ (b_1)	0.088	0.153	0.082	0.106
	(0.92)	(1.36)	(0.62)	(0.67)
$Netbuy(Strategic)^{WithMgmt}_{Pre\text{-}vote}$ (b_2)	0.087	0.045	0.034	0.138
	(1.17)	(0.48)	(0.39)	(1.05)
$Netbuy(Aligned)_{Pre\text{-}vote}$	0.092	0.027	0.004	−0.091
	(1.37)	(0.24)	(0.03)	(0.58)
$Netbuy(Other)_{Pre\text{-}vote}$	−0.081	−0.151	−0.095	−0.052
	(2.06)**	(2.95)***	(2.32)**	(0.91)
Controls	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.994]	[.383]	[.766]	[.882]
Observations	2,829	2,829	2,829	2,829
Adjusted R-squared	.13	.13	.12	.12

B. DGTW characteristics-adjusted returns

Dependent variable =	$DGTW\ CAR_{[+1,\ +63]}$	$DGTW\ CAR_{[+1,\ +126]}$	$DGTW\ CAR_{[+1,\ +189]}$	$DGTW\ CAR_{[+1,\ +252]}$
	(1)	(2)	(3)	(4)
$Netbuy(Strategic)^{AgainstMgmt}_{Pre\text{-}vote}$ (b_1)	0.022	0.027	−0.005	0.064
	(0.41)	(0.31)	(0.04)	(0.43)
$Netbuy(Strategic)^{WithMgmt}_{Pre\text{-}vote}$ (b_2)	0.097	0.046	0.156	0.284
	(1.35)	(0.49)	(1.19)	(1.51)
$Netbuy(Aligned)_{Pre\text{-}vote}$	0.074	0.038	0.054	0.055
	(1.02)	(0.38)	(0.35)	(0.32)
$Netbuy(Other)_{Pre\text{-}vote}$	−0.009	−0.030	0.033	0.091
	(0.32)	(0.79)	(0.59)	(1.55)
Controls	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.382]	[.853]	[.313]	[.303]
Observations	2,759	2,766	2,776	2,777
Adjusted R-squared	.15	.15	.13	.13

Table IA-8. The predictive power of strategic voters' post-vote trades for subsequent abnormal stock returns: Controlling for contrarian trading behavior

This table presents regression analysis of the predictive power of strategic voters' trades for abnormal stock returns after contentious votes, controlling for contrarian trading behavior. Panels A and B use the Fama-French-Carhart four-factor model and DGTW characteristics benchmark, respectively, to adjust stock returns. *Netbuy*(*Contrarian*) is the number of shares net bought by funds classified as contrarian traders during the [0, +10] window, divided by the number of shares outstanding. A fund is classified as a contrarian trader if it is in the top quintile of contrarian trading, i.e., buying (selling) following a negative (positive) abnormal announcement return around a contentious vote. See Table A1 in the appendix for other variable definitions. Numbers in parentheses are *t*-statistics using standard errors double-clustered by firm and by year-month. Numbers in brackets are *p*-values for the null that the coefficient on *Netbuy*(*Strategic*) is equal to the coefficient on *Netbuy*(*Aligned*), *Netbuy*(*Other*), and *Netbuy*(*Contrarian*), respectively. $^{*}p < .1$; $^{**}p < .05$; $^{***}p < .01$.

A. Fama-French-Carhart four-factor adjusted returns

Dependent variable =	$FFC\ CAR_{[+11,\ +73]}$	$FFC\ CAR_{[+11,\ +136]}$	$FFC\ CAR_{[+11,\ +199]}$	$FFC\ CAR_{[+11,\ +262]}$
	(1)	(2)	(3)	(4)
Netbuy(*Strategic*) (b_1)	0.258	0.455	0.501	0.367
	(2.40)**	(2.65)***	(2.67)***	(1.98)**
Netbuy(*Aligned*) (b_2)	−0.023	−0.097	−0.257	−0.113
	(0.31)	(0.71)	(1.98)**	(0.79)
Netbuy(*Other*) (b_3)	0.009	−0.030	−0.016	−0.029
	(0.27)	(0.53)	(0.27)	(0.50)
Netbuy(*Contrarian*) (b_4)	−0.214	−0.221	0.007	−0.076
	(1.70)*	(1.20)	(0.04)	(0.36)
Controls	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.016]**	[.009]***	[.001]***	[.046]**
F-test: $b_1 = b_3$	[.023]**	[.006]***	[.007]***	[.040]**
F-test: $b_1 = b_4$	[.023]**	[.024]**	[.116]	[.159]
Observations	2,829	2,829	2,829	2,829
Adjusted *R*-squared	.14	.12	.11	.12

B. DGTW characteristics-adjusted returns

Dependent variable =	$DGTW\ CAR_{[+11,\ +73]}$	$DGTW\ CAR_{[+11,\ +136]}$	$DGTW\ CAR_{[+11,\ +199]}$	$DGTW\ CAR_{[+11,\ +262]}$
	(1)	(2)	(3)	(4)
Netbuy(*Strategic*) (b_1)	0.205	0.299	0.392	0.276
	(2.08)**	(2.22)**	(2.41)**	(1.79)*
Netbuy(*Aligned*) (b_2)	0.035	0.004	−0.112	0.092
	(0.54)	(0.04)	(1.00)	(0.67)
Netbuy(*Other*) (b_3)	0.007	−0.008	0.005	−0.005
	(0.26)	(0.19)	(0.10)	(0.10)
Netbuy(*Contrarian*) (b_4)	−0.152	−0.094	−0.024	−0.116
	(1.27)	(0.65)	(0.15)	(0.57)
Controls	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.127]	[.079]*	[.012]**	[.392]
F-test: $b_1 = b_3$	[.049]**	[.026]**	[.020]**	[.090]*
F-test: $b_1 = b_4$	[.075]*	[.096]*	[.132]	[.164]
Observations	2,763	2,767	2,776	2,777
Adjusted *R*-squared	.17	.13	.12	.13

Table IA-9. Placebo test: Non-contentious proposals

This table presents regression analysis of the predictive power of strategic voters' trades for abnormal stock returns using a placebo sample of non-contentious proposals. The sample is restricted to non-contentious proposals at shareholder meetings that do not include any contentious proposals. Panels A and B use the Fama-French-Carhart four-factor model and DGTW characteristics benchmark, respectively, to adjust stock returns. See Table A1 in the appendix for variable definitions. Numbers in parentheses are *t*-statistics using standard errors double-clustered by firm and by year-month. Numbers in brackets are *p*-values for the null that the coefficients on *Netbuy*(*Strategic*) and *Netbuy*(*Aligned*) and those on *Netbuy*(*Strategic*) and *Netbuy*(*Other*) are equal. $^{*}p < .1$; $^{**}p < .05$; $^{***}p < .01$.

A. Fama-French-Carhart four-factor adjusted returns

Dependent variable =	$FFC\ CAR_{[+11,\ +73]}$	$FFC\ CAR_{[+11,\ +136]}$	$FFC\ CAR_{[+11,\ +199]}$	$FFC\ CAR_{[+11,\ +262]}$
	(1)	(2)	(3)	(4)
Netbuy(*Strategic*) (b_1)	−0.009	−0.059	0.017	0.000
	(0.19)	(0.74)	(0.23)	(0.01)
Netbuy(*Aligned*) (b_2)	0.047	0.010	0.010	0.023
	(1.36)	(0.18)	(0.17)	(0.36)
Netbuy(*Other*) (b_3)	−0.017	0.003	−0.013	−0.033
	(1.09)	(0.13)	(0.45)	(0.98)
Controls	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.410]	[.532]	[.947]	[.814]
F-test: $b_1 = b_3$	[.881]	[.486]	[.719]	[.645]
Observations	16,732	16,732	16,732	16,732
Adjusted *R*-squared	.07	.07	.06	.08

B. DGTW characteristics-adjusted returns

Dependent variable =	$DGTW\ CAR_{[+11,\ +73]}$	$DGTW\ CAR_{[+11,\ +136]}$	$DGTW\ CAR_{[+11,\ +199]}$	$DGTW\ CAR_{[+11,\ +262]}$
	(1)	(2)	(3)	(4)
Netbuy(*Strategic*) (b_1)	0.008	−0.068	−0.030	−0.048
	(0.27)	(1.16)	(0.70)	(0.98)
Netbuy(*Aligned*) (b_2)	0.009	−0.042	−0.057	−0.024
	(0.30)	(0.84)	(1.04)	(0.40)
Netbuy(*Other*) (b_3)	−0.004	0.028	−0.004	−0.004
	(0.38)	(1.48)	(0.22)	(0.20)
Controls	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Proposal type FEs	Yes	Yes	Yes	Yes
Industry FEs	Yes	Yes	Yes	Yes
F-test: $b_1 = b_2$	[.985]	[.758]	[.722]	[.774]
F-test: $b_1 = b_3$	[.709]	[.144]	[.604]	[.425]
Observations	16,231	16,271	16,296	16,339
Adjusted *R*-squared	.07	.07	.07	.07

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