Open Journal of Social Sciences, 2015, 3, 225-233
Published Online November 2015 in SciRes. http://www.scirp.org/journal/jss
http://dx.doi.org/10.4236/jss.2015.311027

The Impact of Fund's Heavy Position on Company Performance

—Empirical Evidence of China's Main Board from 2007 to 2014

Wentao Xu*, Junlin Wu, Kun Xie

College of Economics, Jinan University, Guangzhou, China
Email: *963857697@qq.com

Received 15 October 2015; accepted 16 November 2015; published 19 November 2015

Abstract

In China, developing institutional investor, especially securities investment fund, becomes more and more important. In order to improve the level of company governance by bringing in institutional investor, China Securities Regulatory Commission supports the development of institutional investor by legislation and other polices. Papers about the relationship between fund holding and company performance are still not enough and a lot of researches don't consider the effect of some moderator variables. This article mainly researched for the influence of shares heavily held by fund on the performance of company, using data of A-share listed companies in Shanghai and Shenzhen during 2007 to 2014. It also introduced two moderator variables to discuss whether there existed effects on company performance if the fund was the second largest shareholder or the holding company was state-owned. Actually, the empirical result showed that, the percentage of stocks held by fund had a positive relationship with company performance. If the fund was the second largest shareholder, it would strengthen the relationship between fund heavily holding stock and corporate performance. If the company whose stocks were held by fund was state-owned, the influence on company performance would weaken.

Keywords

Fund's Heavy Position, Panel Data, Company Performance

1. Introduction

The issue of "the Law of Chinese Security Investment Fund" in 2004 has set a standard for regulating the opera-

*Corresponding author.

How to cite this paper: Xu, W.T., Wu, J.L. and Xie, K. (2015) The Impact of Fund's Heavy Position on Company Performance. *Open Journal of Social Sciences*, **3**, 225-233. http://dx.doi.org/10.4236/jss.2015.311027

tion of the fund industry. After this, with the support of a variety of policies, the China's fund industry develops at a steady speed. It is well known that securities investment fund, on behalf of institutional investors, plays an important role on helping the development of institutions, promoting the management of listed companies and other aspects. Through heavily holding shares of listed companies, fund makes itself an important shareholder of listed company. As an important external manager, fund can have significant impact on the governance of listed company. Jinguan Yang *et al*. [1] deemed that fund held the shares of listed companies in order to obtain investment returns and the fund's income was largely derived from capital gains. Since the operation performance of holding companies would affect its stock price in the market (Daniel [2]; Dai Xiaojuan [3]), thereby affected the fund's investment returns. With the stocks held by the fund increasing, the stocks' liquidity is reduced. In order to ensure that the fund could get significant benefits before the exit of listed companies, the fund has a strong incentive to participate in the governance of listed companies. In the case of inability to quickly exit, the fund would gradually change the passive shareholder strategy in the past. Jinyan Shi [4] thought that, on the other hand, it would alter to the identity of important external governance, actively involved in the internal governance of listed companies, and focused on corporate performance and long-term value, which would affect the performance of listed companies. In recent years, the researches about institutional ownership affecting the performance of company have been the academic focus. Thus, how the fund holding affects corporate performance?

Based on the China's A-share market, we firstly studied the impact of fund shareholding ratio and fund's heavy position on the performance of listed companies. Secondly, we explored how the fund affected the company performance when it was the second largest shareholder of the company. Finally, we studied when the fund holding company was state-owned, how the impact of fund's heavy position on the company performance would change.

2. The Literature Review and Research Hypothesis

The current studies about the influences of fund holding on corporate performance are mainly expanded around the effects of institutional investors' ownership on corporate performance.

Jensen [5] thought institutional investors may supervise the management of listed companies, and potentially control the company governance issues. With the stake increasing, their motivations to monitor the company governance and management behaviors become more intense. Demsetz *et al* [6] believed that compared with individual investors, institutional investor owned more shares of listed companies. In order to obtain more holding incomes, the motivation of its regulatory to listed companies would be stronger; at the same time, institutional investor had greater voting rights, which guaranteed the power of their participation in corporate governance. Through researching, the authors found that the institutional investor shareholding proportion had a significantly positive impact on company performance. Moreover, Smith [7] found that maintaining the independence of the external institutional governance could improve internal governance, Helwege *et al*. [8] considered that institutional investor through active participating in corporate governance, continuously improved the company governance structure and optimized the equity structure of the company, thus to improve company performance. Gillan and Starks [9] found that institutional investors had been major shareholders of most US companies. Institutional investors had become active participation in corporate governance and could have an effective oversight of the company management.

From the domestic point of researches, Weian Li and Bin Li [10] through empirical method found that institutional investor effectively enhanced the level of corporate governance, and reduced agency costs of listed companies. Institutional investor shareholding had a significantly positive correlation with corporate performance and market value. Haifeng Fan *et al*. [11] from the heterogeneity point of institutional investor found that increasing the fund shareholding ratio would facilitate fund's monitoring to listed companies, thus increasing the market value of listed companies. Zhonghai Li and Dixin Zhang [12] thought that, especially for securities investment fund, there was a positive correlation between the proportion of the fund holding and the company operating performance. The higher the stake was, the better the holding company operating performance would be. Jinyan Shi *et al*. [13] using 2005-2011 mainboard listed companies as the study sample, through the empirical analysis of the panel data, with the increasing proportion of the fund shareholding, the fund's power of involving in corporate governance and supervising of the largest shareholder would continue to enhance, thus improved corporate governance, and improved corporate performance. Xianzhi Zhang, Xingfei Jia [14] used empirical analysis to find that different ownership stake and time range of social security fund had impacts on the value of listed companies. The empirical results showed that increased stake would significantly improve the company value. The longer the holding period was, the higher company value increased. The same with the holding stake. What's more, the social security fund holding in general could play a positive role in strengthening supervision, weakening the agency problem, etc., thereby enhancing the value of listed companies. Weimin Xie [15] used 2005-2011 mainboard listed companies as the research sample, and found that share proportion held by social security fund had a positive effect on company performance after controlling other variables' influences. Yajing Huang and Yueming Zeng's [16] study showed that China's institutional investor holding did play a positive role on the performance of listed companies. High share proportion held by fund was expected to improve corporate performance. While, low share proportion held by securities companies, QFII, insurance fund, social security fund and trust companies did not have significant influences on enterprise performance.

Based on the above analysis, we can find that, along with an increase in fund shareholding ratio, the motivation and ability of fund to participate in company governance are also growing. This power can play an important role in the company incentive and supervision, and also decision making. When the fund shareholding ratio reaches a certain percentage, earnings through participation in corporate governance outweigh the cost of their participation in corporate governance generated, which further promotes the fund companies to participate in corporate governance, thereby enhancing the company performance level. Especially when the proportion of fund holding is more than 10%, it is possible to send a director to play a more important role in improving corporate governance. When share proportion held by fund is more than 10%, this article would define it as fund's heavy position. This paper will investigate the effect of the fund's heavy position on the company performance, we raised the proposed hypothesis 1:

Hypothesis 1: fund holding proportion has a significantly positive correlation with corporate performance, and so does fund's heavy position.

Because of the special China's background, the shareholding ratio of the largest shareholder generally occupies too high. The dominant shareholder usually tends to occupy the interests of minority shareholders, which is not conducive to improve corporate performance. Check-and-balance ownership structure can help improve the level of corporate governance. Yuanpei Lin and Wen Chen [17] selected the listed companies in growth enterprise market as sample, they found that the share proportion held by the first largest shareholder had a significantly negative relationship with company performance through empirical analysis. Jianxin Tang *et al*. [18] employed non-financial companies from 2003 to 2010 in China as the sample and analyzed whether equity ownership structure and the characteristics of board were conducive to tunneling. These results indicated that the first largest shareholder tunneled the listed company by acquiring equity control, which was harmful to company performance. Check-and-balance ownership structure could inhibit this tunneling behavior. Deping Chen and Yongsheng Chen [19] found that a high degree of shareholder balance in the company would prove to have a higher operating performance. Normally, the second largest shareholder holding ratio is higher than the sum of ratio of third to the fifth shareholders. And therefore to balance the first largest shareholder, it will need the second largest shareholder or the cooperation of other shareholders and the second largest shareholder. Fund as one of institutional investors, has the advantage of large scale funding, professional quality and other advantages. If the fund is the second largest shareholder of the company, the fund will actively involve in corporate governance, effectively supervise the first largest shareholder, and play professional advantages, thus improve corporate performance. So we put forward the hypothesis 2:

Hypothesis 2: The fund as the second largest shareholder will improve the listed company performance and will strengthen the positive impact the fund's heavy position will have on company performance.

Most of our country's listed companies are converted from state-owned enterprises. The ultimate control is in the hands of the government, so the state-owned enterprises will take some non-economic tasks. Their goals are often influenced by political and social factors. While the government departments, in order to safeguard their own interests, would adopt some administrative intervention to state-owned companies, which is not conducive for the fund to play a role in corporate governance. Xinmin Dai *et al*. [20] used the date of state-owned listed companies of China's manufacturing industry from 2006-2011 as sample, they found that there existed negative relationship between the property of state-owned companies and companies performance. Hanjun Li *et al*. [21] empirically examined the relationship between the state-owned enterprises ownership structure and corporate performance from 2007 to 2012. The results indicated the implementation of equity diversification of state-owned enterprises, especially the institutional investors, could improve corporate governance structure to promote its performance. Xing Liu and Xianchong Wu [22] found that the nature of state-owned had a negative impact on the fund's effective of improving the company performance. Accordingly, the proposed hypothesis 3:

Hypothesis 3: When the listed company is state-owned, its performance is lower than the non-state-owned holding company. And this nature will weaken the positive impact the fund's heavy position will have on company performance.

3. Research Design

3.1. Sample Treatment

The study sample in this paper is selected from listed company in Shanghai and Shenzhen Stock Exchange from 2007 to 2014. The data for dependent variables, independent variables and control variables is selected from Wind Financial Database. Corresponding financial data is from the CSMAR financial analysis index database. In this paper, primary sample is processed according to the following procedures: (1) Excluding financial and insurance companies. (2) Excluding ST, PT companies. (3) Excluding insolvency companies or related data incomplete companies. After the above dispositions, a total of 11,805 samples obtained.

3.2. Variable Description

Table 1 shows the type, name, symbol and measure method of variables.

3.3. Model Specification

To test whether hypotheses 1 and 2 is established, we set current return rates of total assets ROA as the dependent variable, the last period fund holding ratio HP as explanatory variables. At the same time, we added some appropriate control variables, and built the multiple regression Equation (1) for authentication. When HP regression coefficient is significantly positive, indicating that the higher the proportion of shares the fund holds, the more powerful effect the fund has on improving corporate performance, which verifies the hypothesis 1. To further test the hypothesis 2, we introduced two dummy variables in the regression Equation (1). One was whether the fund was in a heavy position, and another was whether the second largest shareholder of the company was fund. As the second largest shareholder has balance power to the first largest shareholder. If the fund is the second largest shareholder of its holding company, it will strengthen the impact of the fund's heavy position on improving company performance. For this reason, we introduced the interaction term HH * FS and investigated the fund's regulatory role as the second largest shareholder in its holding company. When β_3, β_4 are significantly positive, hypothesis 2 was verified. In order to control the influence of the first largest shareholder of the company performance, we introduced the first largest shareholder holding ratio Fir_Share as control variable into the

Table 1. Variable description table.

Variable type	Variable name	Variable symbol	Variable measure method
Explained variable	Return on total assets	ROA	Company net profit/average total assets
	Tobin's q	Tobinq	Enterprise value/asset replacement cost
Explanatory variable	The proportion of stocks held by fund.	HP	The number of stocks fund holds/company total capital stock
Control variable	Whether fund heavily holds stocks	HH	If the ratio of stock the fund holds is greater than 10%, then remark as 1, otherwise as 0.
	Whether fund is the company second largest shareholder	FS	If fund is the company second largest shareholder, recorded as 1, otherwise to 0.
	Whether the stock holding company is state-owned	SO	If the stock holding company is state-owned, then remark as 1, otherwise as 0.
	Company size	lnSize	Natural logarithm of total assets
	Leverage ratio	Lev	Total debt/total assets
	The total number of the first largest shareholder equity ratio	Fir_Share	The first largest shareholder's stock holding amount/company total capital stock

model. At last, the paper brought in annual dummy variables to control the impact of different years on corporate performance. Regression model (1) is as follow:

$$ROA_{i,t} = \beta_0 + \beta_1 HP_{i,t-1} + \beta_2 HH_{i,t-1} + \beta_3 FS_{i,t} + \beta_4 HH_{i,t-1} * FS_{i,t} + \beta_5 Fir\_share_{i,t}$$
$$+\beta_6 lnSize_{i,t} + \beta_7 Lev_{i,t} + \sum_{k=8}^{14} \beta_k Year_i + \varepsilon_{i,t}$$

$ROA_{i,t}$ represents the company's return on total asset in period t. $HP_{i,t-1}$ represents in the $t-1$ period, the share proportion held by fund, taking the hysteretic nature of the fund's heavy position to the improvement of corporate performance into consideration. So we introduce the lag one period variable. $HH_{i,t-1}*FS_{i,t}$ represents the $FS_{i,t}$ as the moderator variable introduced to model to study when the company's second largest shareholder is the fund, how the impact of the fund's heavy position will have on the company performance.

To test the hypothesis 3, we added state-owned dummy variable in the regression model (2), and examined the impact of the nature of state-owned on performance. Then we introduced an interaction term $HH * SO$, and studied whether the property of state-owned would weaken the fund's positive impact on corporate performance. Regression model (2) is as follow:

$$ROA_{i,t} = \beta_0 + \beta_1 HP_{i,t-1} + \beta_2 HH_{i,t-1} + \beta_3 SO_{i,t} + \beta_4 HH_{i,t-1} * SO_{i,t} + \beta_5 Fir\_share_{i,t}$$
$$+\beta_6 lnSize_{i,t} + \beta_7 Lev_{i,t} + \sum_{k=8}^{14} \beta_k Year_i + \varepsilon_{i,t}$$

Referring to existing classic literature research methods, the paper chose Tobin's Q value (Tobinq) to replace the ROA to do robust test.

4. Hypothesis Test and the Regression Result Analysis

4.1. Descriptive Statistics

Table 2 divides samples into two categories according to whether the fund heavily holds companies' shares and lists the consequence of variables' descriptive statistics. In **Table 2** we can find that the company performance is better when its shares are heavily held by fund. Specifically, the mean of proxy variables of company performance such as ROA, Tobinq are higher, they respectively reach 0.0744, 2.1449. As to the median of ROA, Tobinq when shares heavily held by fund, and the numbers are 0.0641, 1.7010. They are still higher than the numbers of companies whose shares are not heavily held by fund. We can find that the standard deviations of ROA, Tobinq are 0.0601, 1.333w3 when HH remarks as 1. They are lower than the numbers of companies when HH remarks as 0, which shows that the companies' operations are more stable when the fund heavily hold their shares. The HP's mean is 0.2672 when fund heavily hold companies' shares, which is higher than the number of HP's mean when fund don't heavily hold companies' shares, and the numerical difference is big.

Table 2. The result of descriptive statistics.

HH		ROA	Tobinq	HP	FS	SO	Fir_Share	lnSize	Lev
	Min	−1.393	0.6160	10^{-7}	0	0	0.02197	14.1082	0.00789
	Max	1.2016	69.8757	0.099996	1	1	0.8941	28.5031	13.63
0	Mean	0.0336	1.8750	0.0252	0.0991	0.4790	0.3669	21.9404	0.4701
	Median	0.0298	1.5330	0.0132	0	0	0.3496	21.7695	0.4756
	SD	0.0608	1.4309	0.0281	0.2988	0.4996	0.1570	1.26738	0.2864
	Min	−0.372	0.7863	0.1096	0	0	0.0362	19.1145	0.00752
	Max	0.4770	11.6085	0.8514	1	1	0.8855	28.1356	1.1512
1	Mean	0.0744	2.1449	0.2672	0.3198	0.4409	0.3698	22.2534	0.4347
	Median	0.0641	1.7010	0.2232	0	0	0.3582	22.0665	0.4393
	SD	0.0601	1.3333	0.1471	0.46645	0.4966	0.1548	1.26319	0.2063

4.2. The Correlation Test

Table 3 shows the correlation between the variables by using Spearman correlation test, which can judge whether there is a serious multicollinearity problem between variables. It can be found from **Table 3**, fund shareholding proportion is significantly positive correlation with performance indicators ROA, Tobinq, so the hypothesis 1 is preliminarily verified. The coefficient of FS (whether the fund is the second largest shareholder of the company) is positive, which means company performance will be improved when fund is company's second largest shareholder. The property of state-owned is significantly negative correlation with corporate performance, which is consistent with the hypothesis 2, 3. The shareholding proportion of the first largest shareholder is significantly negative correlation with corporate performance. And other control variables are significantly correlated with corporate performance.

In the view of the correlation coefficients between the various explanatory variables, we can find that the correlation coefficient between HH and HP is 0.52, which is biggest. The correlation coefficients between the other variables are less than 0.45, and the numbers of VIF are all less than 10 through testing, so this part can indicate that above models don't exist serious multicollinearity problems. Also the correlation between Tobinq and ROA is significantly positive, so this paper took robustness test by using Tobinq as a substitute variable for ROA.

4.3. The Empirical Result Analysis

Through using the unbalanced panel data from 2007 to 2014, the **Table 4** shows OLS regression result by using fixed effect model (Hausman Test rejected the null hypothesis that there was no systematic differences between fixed effect method and random effect method, so this study used fixed effect model). It can be found from **Table 4**, the coefficients of HP (fund shareholding proportion) in regression result (1), (2), (3) are positive (0.129, 0.103, 0.104), and being significant at level 1%, which shows that the higher the proportion of the fund shareholding , the more active the participation of corporate governance is. Because the fund's earnings are correlated with the stock price of holding company, and the stock price is affected by company governance. Thus, the fund will have motivations to play an important role in supervising company governance, and the company performance will be improved. These regression results confirm the hypothesis 1. The coefficients of HH (whether the fund heavily hold companies' share) in regression result (2), (3) are significantly positive at level 1%. Fund can give full play to the functions of their supervision when heavily holding companies' shares. Because the fund can send a director to the company, which can enhance company governance level.

The coefficient of FS in regression result (2) is positive, which is significant at level 1%. So we can know that company performance will be improved if the company's second largest shareholder is fund. Some reasons are as follow, on the one hand, high shareholding ratio gives the fund positivity to participate in company management. Fund can make good use of talents and have more chance to improve company governance. On the other hand, the fund can balance the power of the largest shareholder when being the second largest shareholder of the

Table 3. Spearman correlation test.

	ROA	Tobinq	HP	HH	FS	SO	Fir_Share	lnSize	Lev
ROA	1								
Tobinq	0.31***	1							
HP	0.42***	0.07***	1						
HH	0.37***	0.12***	0.52**	1					
FS	0.19**	0.04***	0.30**	0.27*	1				
SO	−0.11*	−0.18***	−0.02	−0.04**	−0.09*	1			
Fir_Share	−0.21**	−0.19*	−0.37	−0.06*	−0.11*	0.21**	1		
lnSize	0.07*	0.43*	0.21*	0.12**	0.06**	0.34**	0.24**	1	
Lev	−0.41**	−0.37*	−0.06*	−0.07**	0.03*	0.28*	0.07***	0.43***	1

Note: *, ** and *** show that test result is respectively significant at level 10%, 5%, 1%.

Table 4. The regression results of model (1), (2).

	(1)	(2)	(3)	(4)	(5)
	ROA	ROA	ROA	Tobinq	Tobinq
HP	0.129***	0.103***	0.104***	1.929***	1.862***
	(34.37)	(17.15)	(17.47)	(14.34)	(13.99)
HH		0.0110***	0.0101***	0.145***	0.0995**
		(5.90)	(4.93)	(3.49)	(2.18)
FS		0.0135***		0.141***	
		(6.30)		(2.95)	
HHFS		0.0118***		0.325***	
		(4.15)		(5.14)	
SO			−0.00408***		−0.0560*
			(−3.09)		(−1.89)
HHSO			−0.00216		−0.0149
			(−0.98)		(−0.30)
Fir_Share	−0.000284***	−0.000276***	−0.000306***	−0.000667	−0.00104
	(−8.33)	(−8.08)	(−8.91)	(−0.87)	(−1.36)
lnSize	0.00357***	0.00343***	0.00406***	0.512	0.516
	(7.80)	(7.49)	(8.50)	(47.89)	(46.49)
Lev	−0.0888***	−0.0879***	−0.0875***	−0.941***	−0.921***
	(−42.20)	(−41.86)	(−41.47)	(−17.02)	(−16.60)
Year	control	control	control	control	control
Constant	−0.0151	−0.0139	−0.0257***	12.61***	12.71***
	(−1.60)	(−1.47)	(−2.62)	(58.12)	(56.44)

Note: *, ** and *** show that regression result is respectively significant at level 10%, 5%, 1%; T statistics are shown in brackets.

company, which can cease the condition that a dominant controls the company and can inhibit the first largest shareholder's tunneling behavior. Therefore, the company performance will be improved. From the point of interaction item HHFS, the coefficient is significantly positive at level 1%, which shows that the promotional effect of fund's heavy position will be better when the fund is the second largest shareholder of the company. The above results confirm the hypothesis 2.

The coefficient of SO (whether the companies are controlled by government) in regression result (3) is significantly negative at level 1%, which shows that non-state-owned enterprises have better performance than state-owned enterprises. Because non-state-owned enterprises are less affected by administrative intervention, they can pursue the goal of maximizing business efficiency without government's mandatory intervention and need not consider too much social responsibility. So they can focus on improving company performance. While, the state-owned corporate may assume some social goal and help government to realize some functions, and maximizing company performance isn't its main purpose, which is not good for company development. The coefficient of interaction item HHSO in regression result (3) is significantly negative, which means that the state-owned characteristic of listed companies may limit the fund's role in corporate governance and weaken positive impact of the fund's heavy position on corporate performance. The above results confirm the hypothesis 3.

From the point of other control variables, the coefficients of Fir_Share (the shareholding proportion of the first largest shareholder) in regression result (1), (2), (3) are all significantly negative, which shows that the higher the proportion of shares held by the first largest shareholder, the worse performance of the companies is. The first largest shareholder may not be well supervised and consider its own interests too much, which will violate small shareholders' interests, and having bad impact on the operation of whole company. The coefficients of lnSize (the natural logarithm of the company size) in regression result (1), (2), (3) are all significantly positive, which means the larger the scale of company is, the better the performance of company will be. The company will pay more attention to governance when company size is large. The company will improve company performance by exploiting scale economies effect and enhancing the market share. The coefficients of Lev (leverage ratio) in regression result (1), (2), (3) are all significantly negative. This part shows that the higher the leverage ratio is, the worse performance of the company will be. This is because company will ensure a lot of interest when borrowing much money. At the same time, the company will face the risk of capital chain rupture, which will lead the company to bankruptcy. Thus, the company may face a lot of bondage and do harm to the company operation.

In order to get more reliable conclusions, this paper took robustness test by using Tobinq as an indicator to measure the performance of the company. The regression results are showed in **Table 4**, we can find that the coefficients of HP, HH, FS, HHFS are all significantly positive and the coefficient of SO is significantly negative at level 5% in regression result (4), (5). The coefficient of HHSO is negative, but not significant. Regression results are similar to the above researches, which shows that the models are robust.

5. Conclusions and Suggestions

This study used the Shanghai and Shenzhen's A-share listed companies from 2007 to 2014 as the research sample. Firstly, it researched whether the stocks proportion held by fund influenced the company performance. Secondly, it showed that how the condition would impact the company performance if the fund was the second largest shareholder. Thirdly, it analyzed that how the condition would impact the company performance if the company was state-owned. Through empirical test, this paper confirmed the hypothesis 1, 2, 3 and had the following conclusions: 1) the stocks proportion held by fund had a significantly positive influence on corporate performance. Because the more proportion the fund company holds, the much more actively the fund will participate in holding company governance, which will gradually promote the company performance by supervising company operation; 2) fund as the second largest shareholders would improve the holding company performance, and would strengthen the positive relationship between fund's heavy position and company performance. When the fund as the second largest shareholder of listed companies, the fund can effectively balance the first largest shareholder's rights and help the company to make better decisions, so the condition can improve company performance; 3) the state-owned property would have a significantly negative effect on corporate performance, and would weaken the positive relationship between fund's heavy position and company performance. When the actual controller of the company is government, the government will take account of political and social purposes and may intervene in the company governance. And this case will reduce company performance level.

In view of the above research conclusions, this study raises following suggestions: First of all, the government of China should take effort to develop securities investment fund and other institutional investors. And China Securities Regulatory Commission can help form a diversified, multi-level professional investment team. Secondly, listed companies should actively introduce fund investors and properly increase the proportion of stocks held by fund. As the fund company has the advantage of professional talents, listed companies should encourage fund investor to participate in company governance. Thirdly, government should further strengthen the reform of state-owned enterprises and gradually reduce the proportion of state-owned shares. As the actual controller of state-owned enterprises, the government should reduce administrative intervention in the listed companies and actively encourage fund investors to participate in the governance activities of listed companies.

References

[1] Yang, J.G. and Zuo, X.H. (2011) The Revenue and Distribution of Securities Investment Fund. *Journal of Central University of Finance and Economics*, No. 07, 11-16.

[2] Daniel, K., Hirshleifer, D. and Subrahmanyam, A. (1998) Investor Psychology and Security Market Under and Overreactions. *Journal of Finance*, **53**, 1839-1885. http://dx.doi.org/10.1111/0022-1082.00077

[3] Dai, X.J. (2009) Value Premium and Hindsight. *Financial Theory and Practice*, No. 12, 10-13.

[4] Shi, J.Y., Liu, F.F., Dai, W.X. and Li, Y.X. (2012) The Relationship between Fund Holding Behaviors Characteristics and Listed Companies' Performance—From China's Capital Market Panel Data from 2005 to 2011 in Empirical Evidence. *System Engineering*, No. 10, 10-18.

[5] Jensen, M.C. (1986) Agency Costs of Free Cash Flow, Corporate Finance Takeovers. *American Economic Review*, **76**, 323-339.

[6] Demsetz, H. and Lehn, K. (1985) The Structure of Corporate Ownership: Causes and Consquences. *Journal of Political Economy*, **93**, 1155-1177. http://dx.doi.org/10.1086/261354

[7] Shleifer, A. and Vishny, R.W. (1986) Large Shareholders and Corporate Control. *Journal of Political Economy*, **94**, 461-488. http://dx.doi.org/10.1086/261385

[8] Smith, M.P. (1996) Shareholder Activism by Institutional Investor: Evidence from Calpers. *Journal of Finance*, **51**, 227-252. http://dx.doi.org/10.1111/j.1540-6261.1996.tb05208.x

[9] Helwege, J., Intintoli, V. and Zhang, A. (2012) Voting with Their Feet or Activism? Institutional Investors' Impact on CEO Turnover. *Journal of Corporate Finance*, **18**, 22-37. http://dx.doi.org/10.1016/j.jcorpfin.2011.10.002

[10] Gillan, S. and Starks, L. (2000) Corporate Governance Proposals and Shareholder Activism: The Role of Institutional Investors. *Journal of Financial Economics*, **57**, 270-305. http://dx.doi.org/10.1016/S0304-405X(00)00058-1

[11] Li, W.A. and Li, B. (2008) The Empirical Study of Institutional Investors' Influence on Corporate Governance—Based on the Experience Research of CCGINK. *Nankai Business Review*, No. 11, 4-14.

[12] Fan, H.F., Hu, Y.M. and Shi, S.P. (2009) The Heterogeneity of Institutional Investors, Corporate Governance and Firm Value—The Empirical Evidence from China's Securities Market. *Securities Market Herald*, No. 10, 45-51.

[13] Li, Z.H. and Zhang, D.X. (2011) Fund Holding and Listed Companies' Performance: The Perspective of Fund as the Second Largest Shareholder. *Shanghai Journal of Economics*, No. 01, 68-78.

[14] Zhang, X.Z. and Jia, X.F. (2014) The Influence of the Social Security Fund Shareholding on the Value of the Company—Based on the Perspective of Shareholding Characteristic of Heterogeneity. *Research on Financial and Economic Issues*, No. 05, 45-52.

[15] Xie, W.M. (2013) The Study of the Influence of the Social Insurance Fund Ownership on Corporate Performance. *Price*: *Theory & Practice*, No. 02, 36-42.

[16] Huang, Y.J. and Zeng, Y.M. (2014) The Empirical Research about the Relationship between Institutional Investors Holding and the Performance of Listed Companies. *Economic Research Guide*, **31**, 45-50.

[17] Lin, Y.P. and Chen, W. (2014) The Relationship between the First Largest Shareholder Holding and the Companies' Performance. *Knowledge Economy*, No. 11, 63-70.

[18] Tang, J.X., *et al*. (2013) Equity Ownership Structure, the Characteristics of Board and Tunneling: Empirical Evidence from China's Listed Companies. *Economic Review*, No. 01, 86-94.

[19] Chen, D.P. and Chen, Y.S. (2011) Ownership Concentration, Equity Balance Degree and Company Performance. *Accounting Research*, No. 01, 38-43.

[20] Dai, X.M., *et al*. (2013) An Empirical Analysis of the Relationship between State Holding Proportion and Corporate Performance. *Journal of Anhui University of Technology*, No. 02, 7-10.

[21] Li, H.J., *et al*. (2015) The Diversification of Ownership Structure and Corporate Performance: An Empirical Study on the Listed SOEs form 2007 to 2012. *Journal of Central University of Finance & Economics*, No. 07, 56-63.

[22] Liu, X. and Wu, X.C. (2011) The Heterogeneity of Institutional Investors, Enterprise Property Rights and Company Performance—Based on the Comparative Analysis of before and after the Reform of Non-Tradable Shares. *Chinese Journal of Management Science*, No. 05, 183-190.