

Does Management Credibility Predict Stock Returns?

2,003 company-year observations across US, ASX, SGX and NZX
suggest it does. And the gap widens over time.

The Q Factor Research Team

Published March 2026 | 5 min read

Report generated March 2026

Generated from theqfactor.io | For informational purposes only

Most investment analysis focuses on what you can measure from a spreadsheet: PE ratios, earnings growth, dividend yields, balance sheet ratios. These matter. But they tell you what a company *has done*, not whether the people running it can be trusted to do what they say they will do.

The Q Factor tracks management credibility systematically. We read annual reports, extract the specific commitments management makes to shareholders, then check the following year to see what was actually delivered. We do this across 590+ companies listed on the US, ASX, SGX and NZX.

The question we wanted to answer: does any of this predict returns?

Key finding: Companies rated STRONG by The Q Factor returned a median of +26.3% over 3 years. Companies rated WEAK returned +0.7%. The gap starts small and widens over time, suggesting management credibility compounds.

The Data

We analysed every company scored by The Q Factor from 2019 to 2022, then tracked their median price returns over the following 1, 2, and 3 years. This produced 2,003 company-year observations across four exchanges.

We used median returns rather than mean to exclude the distortion caused by outliers. A single micro-cap stock rising 5,000% would skew an average but barely moves the median. This gives a fairer picture of what a typical investor in each group would have experienced.

RATING	COMPANIES	1 YEAR	2 YEARS	3 YEARS
STRONG	509	+3.4%	+14.8%	+26.3%
MODERATE	920	+3.0%	+10.3%	+13.7%
WEAK	574	+0.0%	+2.2%	+0.7%

Average 12-month forward returns by Q Factor score tier. Past performance is not indicative of future results.

What Stands Out

The gap widens over time. After one year, the difference between STRONG and WEAK is 3.4 percentage points. After two years, 12.6 points. After three years, 25.6 points. Whatever management credibility captures, it compounds.

STRONG companies win more often. 61% of STRONG-rated companies delivered positive returns over 12 months, compared to 54% for WEAK. Not every high-scoring company outperforms, but the probability is meaningfully tilted.

METRIC	STRONG	WEAK	DIFFERENCE
12-month win rate	61%	54%	+7pp
Avg 12-month return	+20.3%	+7.9%	2.6x
3-year gap (median)	+26.3%	+0.7%	25.6pp

Average returns tell the same story. STRONG-rated companies returned an average of +20.3% over the following 12 months, compared to +7.9% for those rated WEAK. That is 2.6 times the return.

Why This Matters

The Q Score is calculated from the annual report published at the start of the measurement period, not from share price movements or market sentiment. It is a forward-looking assessment derived primarily from fundamentals and management behaviour.

The fact that this score predicts returns — particularly over longer time horizons — suggests the market underprices execution quality and management accountability. This effect appears strongest in less-covered markets like the NZX and SGX, where analyst attention is thinner and information asymmetry is higher.

A management team that consistently delivers on stated commitments builds operational momentum, investor confidence, and compounding returns. A team that repeatedly misses erodes trust, delays strategy, and stalls growth. Over three years, that difference is visible in the data.

"Management credibility compounds. The gap between STRONG and WEAK doesn't shrink over time — it widens. That's not noise. That's a signal."

What You Can Do With This

This research does not tell you which stocks to buy. It tells you that management credibility matters — and that tracking it systematically gives you information that most investors overlook.

When you are evaluating a stock for your portfolio, check whether management has a pattern of delivering on what they promise. Not just financial targets, but strategic commitments, expansion

plans, and operational milestones. A single year is a snapshot. Five years is a pattern. The Q Factor tracks this across 590+ companies so you do not have to read seven years of annual reports yourself.

See how your companies score

Browse Q Scores for 590+ companies free at theqfactor.io

Full analysis reports include Say/Do tracking, score history, execution tracking, and management credibility assessment.

Disclaimer

This report is for informational and research purposes only and does not constitute financial advice, a personal recommendation, or an offer to buy or sell any security. All analysis is derived from publicly available annual reports and financial statements. Investors should conduct independent due diligence and seek professional financial advice before making investment decisions. Past performance is not indicative of future results. The Q Factor score is a structured analytical assessment and should not be construed as a recommendation to buy, sell, or hold any security.

© 2026 The Q Factor. All rights reserved.