What Are We Meeting For?
The Consequences of Private Meetings with Investors

David Solomon
University of Southern California

Eugene Soltes
Harvard Business School

March 2015

Abstract: Regulation Fair Disclosure was passed in 2000 in response to the concern that certain investors were gaining selective access to privileged firm information. In spite of the passage of this regulation, some investors continue to meet privately with executives. Using a unique set of proprietary records of all one-on-one meetings between senior management and investors for an NYSE-traded firm, we investigate the impact of private meetings on investor decisions. We find that when investors meet privately with management they make more informed trading decisions. This improvement in trading is concentrated in hedge funds, but is not present for investment advisors or pension funds. Overall, our results suggest that private meetings help a select group of investors make more informed trading decisions.

Contact at dhsolomo@marshall.usc.edu and esoltes@hbs.edu respectively. We would like to thank Howard Chan, Lauren Cohen, Gerard Hoberg, Chris Malloy, Asis Martinez-Jerez, Greg Miller, Karthik Ramanna, K. Ramesh, Chris Parsons, participants at the Harvard Business School Information and Markets Conference, the Financial Intermediation Research Society Meetings, the Financial Research Association Meetings, the Helsinki Finance Summit, the European Finance Association Meetings, the California Corporate Finance Conference, the Financial Economics and Accounting Conference, as well as workshop participants at Boston College, University of Texas Dallas, Harvard Business School, and The University of Southern California for helpful comments. We also wish to thank Sara Hess for her excellent research assistance on the project. This research is funded by the Division of Research at the Harvard Business School and the USC Marshall School of Business.

A central question for financial regulators is how to regulate the disclosures made by firms to investors. More disclosure of information is generally thought to make securities prices more efficient, leading to a better allocation of resources in the real economy (e.g. Leuz and Verrecchia (2000)). Nonetheless, some practices that might increase price efficiency are restricted due to conflicts with other regulatory objectives.[1] For example, many jurisdictions have long banned insiders with access to material, non-public information about firm performance from trading on this news until it has been disclosed to the general public. There are a variety of reasons underlying this ban against insider trading including agency issues, information asymmetry, and perceptions of fairness (Seyhun (1992), Meulbroek (1992)).

A related concern that has only drawn scrutiny from regulators quite recently is the practice of managers selectively disclosing information to particular investors and analysts. Unlike conventional insider trading, firm managers are not personally benefitting by trading against other investors. However, the selective disclosure of news by managers may reduce the willingness of investors who lack access to firm management to trade in financial markets. The practice also raises normative questions about the fairness of selective disclosure.

In light of such concerns, Regulation Fair Disclosure (Reg FD) was passed in the United States in 2000. Reg FD specified that all material information disclosed by managers had to be publicly available and accessible to all investors (SEC File No.S7-31-99). The SEC stipulated that this material information included any information "that a reasonable shareholder would consider … important in making an investment decision" (SEC), but regulators have refrained from providing more detail around this definition of materiality. Prosecutions for breaches of this

[1] The U.S. Securities and Exchange Commission describes its mission as being to "protect investors, maintain fair, orderly, and efficient markets" (SEC, The Investor's Advocate Publication).

law are uncommon, in part due to monitoring challenges, but are costly for the firms and individuals involved when sanctions are imposed.

Despite the passage of Reg FD, managers continue to spend a large amount of time meeting privately with investors at public conferences, investors' offices, and the headquarters of firms. A 2010 survey showed that on average chief executive officers (CEOs) and chief financial officers (CFOs) had meetings with investors on 17 and 26 days out of the year respectively (Cross Border Group (2010)). For managers, these meetings allow them to develop relationships with the firm's shareholders, particularly long-term block holders. The fact that investors continue to meet privately with executives in spite of the passage of Reg FD raises important questions about what benefits investors are gaining from private access to firm management and what is being disclosed at these meetings.

In this paper, we investigate the consequences of private meetings on investors' trading decisions. Through the acquisition of a unique set of records from a mid-cap, NYSE traded firm, we have a complete compilation of all meetings between senior management and investors over a six-year period, covering over 900 meetings with 340 different institutional investors. This data allows us to analyze the impact of meetings on trades, and how such impact varies across investors.

We test whether these meetings convey information useful for making more informed trading decisions. Our first set of tests examines whether investors who meet privately with management have more correlated trades than those investors who do not. We find evidence that investors who privately meet with management have trades that are significantly more correlated with each other, but less correlated with those of other investors. The greater correlation in the direction of trades by meeting participants suggests that they have similar views on the

company's future prospects. This is consistent with these investors receiving information from private interactions with management that other investors do not receive, or with these investors having similar pre-existing information at the time of the meeting.

Our second set of tests examines more explicitly whether attending private meetings is associated with improved trading behavior of those investors who gain private access to management. We examine whether the trades of investors who meet with managers display greater predictive power for future stock returns. We find evidence supporting this proposition. Specifically, a one-standard deviation in the average percentage change of quarterly holdings of investors who attended private meetings with management is associated with a 4.2% increase in stock returns during the following month.

By contrast, the trades of investors who do not meet with management that quarter show no significant predictive power for future stock returns, implying that the informativeness of trades by meeting participants is not a result of all our sample investors making informed trades. More importantly, when we examine the trades of investors who met with management at some point but not in the current quarter, they also display no predictive power for future returns. This implies that attending meetings is associated with a time-series increase in the informativeness of investor trades, rather than these investors simply being more skilled overall.

The increased informativeness associated with meetings is reinforced by controlling explicitly for the trades of investors split according to a number of different attributes – different investor types, turnover levels, distance from the company, position size, and total assets. The trades of meeting participants retain their predictive power for future returns even after controlling for the trades of numerous other investor groups. This is consistent with the notion

that the information in private meetings is not readily subsumed by the information contained in trades by other groups of investors.

While the increase in timing ability around meetings is consistent with investors receiving valuable information at these meetings, an alternative explanation is that investors have access to time-varying levels of information, and choose to meet with the firm only when they already have pre-existing private information. We examine a subset of private interactions that are relatively exogenous to the investor's choice of timing, namely conference meetings. We find that these meetings are associated with similarly large increases in timing ability, although it remains possible that even though the meeting timing is exogenous, investors only attend the conference when they possess valuable information. To address measurement concern about whether investors trade before or after meeting within a quarter, our analysis is robust to restricting the analysis to private meetings that occur earlier in the quarter.

To the extent that the average investor makes better trades after meeting with the firm, the disclosure of information in meetings should provide this benefit to all investors present. However, even among investors who meet with management, there is substantial variation in how much their trades tend to improve. When we examine the effects of meetings on the cross-section of investor types, we find that the informativeness of meetings is limited to investors that are often viewed as being more skilled, namely hedge funds. Inasmuch as hedge funds are often considered to be sophisticated investors, they are better positioned to process the information in meetings, or may be in possession of other information that makes the discussions in meetings especially valuable.[2] Hedge funds may also be more skillful in extracting useful information from management, such as by asking better questions.

[2] See, for instance, Kosowski, Naik, and Teo (2007), Brown, Goetzmann and Ibbotson (1999), Ibbotson, Chen and Zhu (2011), who find that hedge funds appear to earn abnormal returns. See section 2.2 for more discussion.

This variation in benefits across investor types also speaks to the nature and value of the information being discussed in private meetings. If meetings conveyed unambiguously material information, like news of a takeover or a future earnings surprise, nearly all investors present would make a more informed investment decision without significant additional information or analysis. Extensive interviews with management indicate that they feel their firm follows a conservative approach in what information they disclose during meetings and by having their general counsel present. To the extent that managers are following the rules outlined in Reg FD and investors are becoming more informed by meeting, this suggests that managers need not provide such explicitly material information to facilitate better trading decisions.

One potential mechanism that could be leading to these more informed trades is that managers may be providing investors with information that is immaterial on its own, but which becomes valuable when combined with other information that the investor possesses. Under this view, information acquired during meetings is only useful within the larger context of an investor's investigation and for investors who know how to appropriately process the information. Indeed, this possibility overlaps considerably with the previously discussed notion that attending a meeting may partly reflect pre-existing information that the investor possesses. Investors may also not be collecting new information− data, figures, or operational details− in the conventional sense during private meetings. Instead, investors can use the interaction with management to confirm their investment theses about the firm. Confirming private signals provides the investor with information that can enhance the quality of their trading decisions.

The variation across investors in how much meetings are associated with improved timing ability may also reflect variation in the ability of investors to interpret information that is not overtly material. For instance, Hobson, Mayew and Venkatachalam (2012) analyze the level

of emotion in the speech of CEOs during earnings conference calls and find that this predicts the chance of subsequent earnings restatements. This finding raises the question of whether it is even *possible* for a CEO to speak privately with investors without revealing any information. From the standpoint of Reg FD, this "mosaic theory" of information gathering is excluded from the scope of the regulation.

Regardless of whether investors become more informed by managers providing material information, providing non-material information used in a "mosaic", or by confirming private signals, our results suggest that private meetings undermine the objective of offering investors equal access to information that served as the impetus for the passage of Reg FD. Our analysis suggests that private meetings confer benefits to a select group of investors who are able to gain access to management. Importantly, this does not necessarily imply a breach of Reg FD given the different ways investors may become informed by managers during such private interactions. Within the framework of Reg FD, investors can still become more informed by accessing non-material information and forming an information "mosaic" or confirming their own information signals.

Although the topic of private interaction is widely discussed among regulators and practitioners, our analysis is among the first to rigorously analyze the effects of these meetings using an actual set of meeting records.[3] Our access to this unique set of proprietary records allows us to understand the specifics of who meets, where they are meeting, and when they are meeting. In doing so, we are able to contribute to this discussion by explicitly examining the consequences of these interactions. Our analysis provides evidence suggesting that private

[3] Several recent contemporaneous papers also seek to examine off-line interaction through proxies from public sources including corporate jet records (Bushee, Gerakos and Lee (2013)) and public conference events (Bushee, Jung and Miller (2011, 2013), Green, Jame, Markov and Subasi (2013)). Aside from the noise inherent in such proxies, these measures do not permit direct inferences about the consequences of meeting since these analyses cannot infer which investors these managers meet with.

meetings undermine one of the SEC's goals of assuring all investors have equal access to information. These results do not necessarily imply that these meetings ought not to be allowed as there may be other market benefits to permitting these interactions. Yet, our analysis suggests that the benefits and costs of these private interactions may not accrue equally to all market participants.

2. Meetings and their Predicted Effects

2.1 Institutional Background

Information asymmetry exists in publicly traded firms between insiders (management) who manage firms and outsiders (investors) who provide capital. To mitigate this asymmetry, investors demand that firms disclose information about their performance and operations. Firms satisfy this demand for information by providing news and reports to investors (e.g. financial statements, press releases, conference calls) and information intermediaries including media and analysts.

One of the most direct ways of satisfying investors' demand for timely information is for management to privately meet with investors. Historically, both formal and informal one-on-one meetings between investors and CEOs, CFOs, and others in senior management have played an important role in communicating information. These meetings offer an opportunity for managers to address investors' questions while also offering investors a more intimate opportunity to directly engage management.

Recognizing that some investors receive preferential access to information, the Securities and Exchange Commission (SEC) passed Reg FD in the fall of 2000. This regulation prohibits managers from privately conveying material information to investors. In creating this regulation,

the SEC sought to stanch the perceived widespread flow of "selective disclosure" to favored investors and analysts (Bailey, Li, Mao and Zhong (2003)).

During the passage of Reg FD, some investors voiced concerns that the regulation would ban private discussions with management. The final regulation did not explicitly prohibit private meetings with investors, but the contents of any private conversation between investors and management must comply with Reg FD (i.e. no new material information). Relatively limited guidance has been offered by the SEC as to what types of questions and responses might violate the regulation.[4] One instance where the SEC has offered guidance is empirical modeling. The SEC has noted that management may review an investor's model, however any adjustments to the model are restricted to "historical facts that were a matter of public record" (SEC, Compliance and Disclosure Interpretation June 4, 2010). In the end, managers have considerable latitude to interpret what information constitutes as material. Several panel discussions held by the National Investor Relations Institute suggest that this continues to be an active topic of discussion among managers who conduct these meetings (e.g. NIRI Annual Conference panels, 2010). Managers' willingness to engage in discussions around specific topics varies considerably across firms.

Ultimately, in spite of the changes mandated by Reg FD, private meetings continue to occur regularly. Survey evidence suggests that 97% of CEOs of publicly traded firms meet privately with investors (Thomson Reuters Survey of IR Best Practices (2009)). Convicted violations of Reg FD are relatively infrequent with only a handful of cases since 2000.[5] One reason is that regulators cannot directly observe when these private meetings are occurring or

[4] See Page and Yang (2005) for discussion around the constitutionality of the regulation.
[5] Since 2000, the SEC has brought enforcement actions against five firms for violating Regulation FD in regards to private meetings with investors. These include Secure Computing Company (2002), Siebel Systems (2002), Schering-Plough (2003), Siebel Systems (2004), and Presstek (2010).

with whom they are occurring (i.e. records of these meetings are not disclosed publicly or to regulators). Not only do virtually all publicly traded firms conduct these private meetings, but a wide range of investors attend these private meetings, including investment advisory firms who oversee mutual fund selection (i.e. the "buy-side"), pension managers, and hedge funds.

These one-on-one meetings occur at several different venues including conferences, investors' offices ("road shows"), and firms' headquarters ("in-house").[6] Conference meetings occur at industry and bank conferences that bring together multiple firms in one location. Most often a member of senior management will speak to all attendees at the conference, and investors will have the opportunity to speak with firm managers either prior to or following these remarks. Other conferences consist of full days of meetings between managers and investors. Although most of these meetings will be one-on-one (i.e. management meets with one investor), there is an increasing trend to have several investors meet management at once in a small group. Meetings tend to be relatively brief and last 30 minutes. Many managers and investors view these conferences as a convenience since it allows each to meet with multiple constituents within a short span of time. For most institutional investors, and especially those at larger asset management firms, meetings occur with buy-side analysts covering the firms rather than portfolio managers. Depending on the conference sponsor, firm management has varying degrees of discretion in deciding with whom they will meet.

Investor office meetings (also known as non-deal "road show" meetings) provide management the opportunity to visit investors in their own offices. As compared with conference meetings, road show meetings typically offer more time for investors and managers to interact. Unlike conference meetings, firm management will usually meet with the portfolio managers

[6] The discussion of how meetings operate is based on firm management's description of its own processes, and conversations with several professionals in the investor relations (IR) industry. According to the IR professionals we spoke with, the mechanics of meetings at this firm are fairly typical of public companies in general.

who directly make decisions about whether to buy or sell a position in the firm. Investment banks will often, although not always, pay for expenses (e.g. a private jet) associated with making the trip.

Finally, in-house meetings occur at the firm's headquarters. These meetings provide a small group of investors the opportunity to visit the firm's corporate headquarters. Analysts will send invitations to their clients offering the opportunity to visit the firm's headquarters. This visit is an opportunity to meet members of senior management and observe plant operations. In-house meetings are typically set up and funded by intermediaries (e.g. investment banks) for their clients.

While the focus of this paper is on the consequences of meetings for investors, the incentives of the firm and its managers are important in understanding the supply of meetings – that is, the willingness of managers to meet different investors. Managers engage in private meetings with investors because of the perceived importance of developing relationships with investors. A 2010 report by the Bank of New York found that "more intimate one-on-one meetings with investors and road shows set up by the sell-side are the primary venues at which investor relations officers receive introductions to investment professionals. This trend is evident regardless of market cap, region, or industry" (Bank of New York (2010)). In the current context, our sample firm will seek to accommodate all requests by investors for private meetings. While institutional investors will not be explicitly turned down, the management does use its discretion in deciding when to offer the private meeting (i.e. immediately or in several months).

2.2 Meeting Hypotheses and Tests

We investigate whether private management meetings convey information that leads investors to make more informed trading decisions. Our first set of tests examines whether

investors who meet with management are more likely to make correlated trading decisions. Survey evidence suggests that investors' questions largely focus on management's vision for the future, financial statement items, and results from specific business segments (Thomson Reuters Investor Relations Practices Study (2009)). In responding to these questions, management seeks to clarify and improve investors' understanding of these issues. Assuming management provides consistent answers to all investors who meet during the same time period, investors who meet with management are more likely to herd around a similar investment decision. As a result, we would expect the trades of those investors to be more highly correlated than others.

If investors are making trades based on information from meetings, then this suggests that they view such information as being relevant to their investment decisions. A more important question, however, is whether the information actually improves trading outcomes. We test this by examining the timing ability of investors who meet privately with management. We consider the aggregated trades of investors who met with management in a given quarter, and examine whether these trades can predict the abnormal stock returns of the firm, relative to trades of other investor groups. If the information conveyed during meetings is useful for investment decisions, we expect investors who meet with management to increase (decrease) their position more in advance of higher (lower) future stock returns for the firm.

Private information acquired during management meetings may be a substitute or a complement to public information. If sophisticated investors can discern the value of the company through better analysis of public information, private information would only confirm their existing knowledge. In such a case, private meetings with management would be more valuable to less sophisticated investors who might not otherwise understand the existing disclosures. Alternatively, sophisticated investors may benefit more if they are better able to

process signals conveyed by management during private meetings and better utilize their own research in conjunction with information provided by management. Across the investor types we observe, hedge funds are often considered to be more informed investors, inasmuch as they appear to earn abnormal returns (Kosowski, Naik, and Teo (2007), Brown, Goetzmann and Ibbotson (1999), Ibbotson, Chen and Zhu (2011))[7], while the average mutual fund does not appear to earn abnormal returns (see Carhart (1997), Fama and French (2010)).

3. Data

3.1 Meetings Data

The confidential nature of senior executives' schedules and meetings with specific investors significantly hinders researchers' ability to investigate interactions between managers and investors. Discussions with numerous investor relations officers suggest that many firms do not maintain archival electronic records of these interactions for liability reasons, while others maintain strict internal policies that prohibit distributing this information.[8] With the condition of firm anonymity, we were provided with access to the detailed meeting records for the senior management of a mid-capitalization (i.e. $2-$10 billion in market capitalization) NYSE traded firm. These records included data on which members of senior management (e.g. CEO, CFO, COO and IRO) attended the meeting, the name and type of event (e.g. investor conference, road show), the location of the event, and the names of investors with whom the firm met.

[7] Hedge funds also appear to trade at the expense of distressed mutual funds (Chen, Hanson, Hong and Stein (2008)), and are able to negotiate substantial discounts in private equity deals (Brophy, Ouimet and Sialm (2009)). The view that hedge fund managers have more skill than mutual fund managers is not universal, however – see, for instance, Griffin and Xu (2009), Deuskar, Pollet, Wang and Zheng (2011), and Fung and Hsieh (2001). Hedge fund performance also is sensitive to funds growing too large (Liang and Schwarz (2011)) and operational risks (Brown, Goetzmann, Liang and Schwarz (2012), Brown, Goetzmann and Liang (2008)).

[8] Firms are not legally required to maintain records of these meetings or provide public disclosure about them. We are not aware of any other firms that have voluntarily disclosed whom they meet with privately.

Our meeting sample begins in November 2004 and continues until March 2010. Over this time period, the firm conducted meetings at 70 venues. At these events, the firm met with 340 different institutional investors during 935 one-on-one meetings. In terms of attendance, the IRO was present at 858 meetings, the CEO at 831 meetings, the CFO at 511 meetings, and the COO at 74 meetings. The mean number of meetings per quarter is 9.8, with a standard deviation of 9.

An annual survey conducted by the Bank of New York Mellon on investor relations practices offers a chance to compare our firm to a larger sample of firms to understand how representative it is of the larger population. Their survey results shows that the average CEO, CFO, and IRO have 46, 72, and 147 meetings per year (BNY Mellon Analysis of IR Practices, 6th Edition). If we annualize the number of meetings for our sample firm, this would correspond to 153, 94, 166 meetings annually for the CEO, CFO, and IRO respectively. This suggests that our sample firm, and particularly its CEO, is somewhat more engaged in meeting with investors than the average firm.

Although the number of meetings is higher in our sample, the number of days on the road appears somewhat more comparable to an average firm. The CEOs of nearly 30% of firms surveyed by Thomson Reuters made more than 5 trips per year to meet investors, as did our CEO. Our sample CEO spent an average of 15 days per year on the road meeting investors. In the Thomson Reuters Survey, 66% of CEOs spent less time than this travelling to meet investors, while 16% spent more time.

In other respects the firm is not unusual in the distribution of publicly listed firms over the sample period. In terms of returns, the firm's cumulative returns were in the third quartile of the CRSP distribution, and volatility was in the second quartile. In terms of liquidity, the firm is

somewhat more liquid than average, being in the top quartile of turnover and bottom quartile of relative bid-ask spread.

3.2 Additional Data

We utilize Thomson One Banker to determine the amount of equity assets, investment style, turnover, and location of each investor. Equity assets for each investor are provided in millions of dollars as of the end of 2009. To reduce the possible bias of using this end-of-period measure of assets, and to account for possible non-linearity in the effect of investor size, we divide investors into size quartiles. Thomson also provides information on investment style, which we classify as one of: investment advisor, hedge fund, pension fund, bank and trust or research firm, and other (endowment fund, insurance company, private equity, independent research, sovereign wealth fund, venture capital, or foundation). The latter are grouped together because of the very small number of observations in each category.

Turnover indicates the frequency with which equity holdings are traded by the investor. For each investor, Thomson designates turnover as low, medium, or high. Finally, the location of the investor is the zip code of the investment manager's corporate headquarters. For data on quarterly equity ownership, we utilize data from the Form 13F documents. Institutions with over $100 million under management are required to file this document quarterly with the SEC for all U.S equity positions over $200,000 or more than 10,000 shares in size (Griffin and Xu (2009)). In cases where a particular asset or turnover variable is missing from Thomson One Banker, we use an indicator variable to group firms with missing data, in order to preserve as much of the sample data as possible for our tests.

Panel A of Table I offers quarterly descriptive statistics for our sample. The average investor in our sample manages nearly $27 billion in equity assets and is located 815 miles from

our sample firm's headquarters. 21% of investors turn over their assets at a high rate (i.e. more than 100% per year). In most cases, the amount of the firm's equity held by an investor is considerably less than 1%.

4. Results on Access to Management

Figure I displays a histogram of the number of meetings per investor. The histogram is positively skewed with many investors only meeting once, and a small number of investors meeting many times. We find that 56% of investors met only once during our six-year sample period. In contrast, 13% of investors met at least once per year, and a small number of investors met much more frequently. Seven investors in our sample met at least 15 times. Of these investors, the four most active were hedge funds and the remaining three investors were large buy-side investment firms. The regularity of these meetings for certain investors seems to indicate that they offer more than just an opportunity to receive an introduction to management. Figure II displays the number of meetings in each month of the sample period.

Univariate statistics also show considerable variation in the quantity and quality of the different types of events. Panel B of Table I shows that investor conferences are the most frequent meeting venue (64%). The number of meetings with different investors at in-house events is higher than at conferences or road shows. The number of meetings per in-house event is statistically higher than that for conferences or road shows, but the magnitude of the difference is small (i.e. less than two meetings).

Access to senior management varies by event. As expected from the lack of travel time, senior executives are more likely to be available at in-house events than for road shows or investor conferences. This variation is particularly significant for investor access to the CFO and COO. Both the CEO and IRO are available at the majority of meetings regardless of the venue of

the meetings. The unconditional probability of an investor meeting with management in a given quarter is 0.043.

To examine the types of investors who gain access to management, Table II provides three sets of multivariate regressions. Panel A examines investor characteristics. The dependent variable is *Meet*, with an indicator variable that equals one if the investor met with firm management that quarter and zero otherwise. Observations are included for every investor that holds shares in the firm in that quarter, running from March 2004 to March 2010. The regressions are a probit specification, and standard errors are clustered by investor and quarter. The regression equation is:

$$Meet_{i,t} = a + b_1*HedgeFund_{i,t} + b_2*PensionFund_{i,t} + b_3*Bank_{i,t} + b_{4\text{-}6}*Asset_{2\text{-}4:\,i,t} + b_{7\text{-}8}*Turnover_{2\text{-}3:\,i,t} + b_9*Fraction\ Firm_{i,t} + b_{10}*LogDistancet_{i,t} + b_{11}*AssetMiss_{i,t} + b_{12}*TurnoverMiss_{i,t} + e_{i,t} \quad (1)$$

In terms of independent variables, *HedgeFund, PensionFund* and *Bank* correspond to indicator variables for hedge funds, pension funds, and banks and research firms (respectively), with investment advisors being the omitted category, $Asset_{2\text{-}4}$ are indicator variables for quartiles of investor asset size in 2009, with group 4 being the largest, $Turnover_{2\text{-}3}$ are indicator variables for medium and high turnover investors. *Fraction Firm* is the fraction of the company's shares held by the investor, *LogDistance* is the log of the driving distance from the investor headquarters to the company headquarters, *AssetMiss* and *TurnoverMiss* are indicator variables that equal one if information on asset size and turnover, respectively, are missing.

We find that investors with high turnover have a probability of meeting management that is significantly higher by 0.05 relative to low-turnover investors. Recall that the unconditional probability of meeting is 0.043, so this shift is economically significant, representing a more than doubling of the likelihood of meeting. The effect of turnover is consistent with the incentives of sell-side financial firms who organize some of these meetings and wish to reward clients that generate more brokerage commissions through trading. Investors holding a greater fraction of the firm's shares (*Fraction Firm*) are also more likely to meet with management. We also find evidence that investors whose headquarters are located farther away from the firm are significantly less likely to meet. A one standard deviation increase in distance (i.e. nearly 800 miles) lowers the probability of meeting by 0.02, representing approximately half of the unconditional probability of meeting.

We also investigate the likelihood of meeting by the type of investment institution (e.g. bank, hedge fund, etc.). The omitted category is investment advisor, with indicator variables for hedge fund, pension funds, and banks included in the regression. With full controls in regression (4), we find that hedge funds have a probability of meeting management that is significantly higher by 0.02 than that of investment advisors. The 'Other' category is excluded from these regressions as these investors never attended meetings during our sample, and hence the variable is dropped automatically. Overall, the results in Panel A are consistent with both the incentives of investors who have the most to benefit from meeting management at the least cost, and the incentives of analysts to arrange meetings for clients that are likely to generate the most brokerage trading business.

In Table II, Panel B we examine the determinants of investors meeting at different venues. Investors with higher turnover and holding a larger fraction of the firm are more likely to

meet at conferences. Investors located farther away are less likely to meet at conferences and in-house meetings. However, distance does not influence the likelihood of meeting at road shows, consistent with investors not bearing any travel cost associated with a roadshow meeting as management travels to the investor's place of work.

5. The Impact of Meeting with Management

5.1 Correlation of Trading among Investors who Attend Meetings

One test of whether private meetings convey information to investors is the level of similarity in trading between investors who meet with management relative to those that do not. If investors at private meetings are being told similar information by management, they are likely to trade in a similar direction. Finding such a correlation would imply that investors themselves believe that the information conveyed in the meetings improves their trades, although this is distinct from showing that it actually does improve trades.

To test this, we examine whether the trades of investors who attend meetings with management are more correlated than those who do not meet with management. If the information conveyed by meeting leads to the purchase or sale of the stock, investors at a particular meeting ought to be more likely to trade in the same direction relative to other investors. The distinction of 'relative to other investors' is crucial – the question is not whether the trades of investors who meet with management are correlated, but whether they are *more* correlated than the trades of other investors.

We consider three different dependent variables that define the direction of change in the investors' position. '*Increase*' is an indicator variable equal to one if the investor bought shares over the quarter and zero otherwise and '*Decrease'* is an indicator variable that equals one if the investor sold shares over the quarter and zero otherwise. Finally, '*Tradedir'* is a variable that

equals negative one if the investor sold shares that quarter, zero if the current position was maintained, and one if the investor bought shares. We test whether these positional changes for investors who meet with management are significantly more correlated than the trades of other investors. We examine whether investors who meet with management are more likely to change their position in the same direction as other participants who also attended a meeting that quarter.

To do this, in column (1) of Table III we regress *Increase* on *AvgMeetIncrease, Meet,* and *AvgMeetIncrease*Meet*. *AvgMeetIncrease* is the average value of *Increase* for those investors who meet with management that quarter (excluding the current investor, if applicable). The coefficient on this variable measures whether the average investor's trades (regardless of whether they attended meetings) are correlated with the trades of investors who meet with managers. *AvgMeetIncrease*Meet* is *AvgMeetIncrease* interacted with an indicator variable, *Meet*, that takes on a value of one when the investor meets with managers that quarter and zero otherwise. The coefficient on this variable measures whether the correlation of an investor's trades with those of meeting participants is higher for investors who themselves meet with management. We find a positive and statistically significant coefficient on *AvgMeetIncrease*Meet* which indicates that attending a meeting makes an investor's trades more correlated with other investors who also attended a meeting that quarter.

In terms of magnitudes, the marginal effect of *AvgMeetIncrease* is -0.060, and the marginal effect of *AvgIncrease*Meet* is 0.447. Recall that *AvgMeetIncrease* measures the fraction of other investors at meetings that quarter who increased their position (or, equivalently, the probability that a given investor at meetings increased their position). When this fraction goes up by 0.1, the average investor not at the meeting has a probability of purchasing that is

insignificantly lower by 0.006, while the average investor at a meeting has a probability of purchasing that is higher by 0.1*(0.447-0.060) = 0.39.

In column (2), we add two additional controls, *AvgIncrease* and *AvgIncrease*Meet*, to explicitly control for the trading behavior of all investors regardless of whether they meet privately with management. *AvgIncrease* is the fraction of all other investors who increase their position in the firm's stock in a given quarter. We seek to examine whether the increased correlation of trades among meeting participants survives after controlling for the general correlation of trades among all investors.

Because there are many reasons why investors trade in a given quarter, we do not have clear predictions of how much the average investor's trades will be correlated with those of other investors. The key prediction, rather, is that the trades of meeting participants will be more correlated with each other, relative to the trades of other investors. Empirically, the correlation between *Increase* and *AvgIncrease* (which excludes the investor's own value of *Increase*) is 0.14, while the correlation across all investors of *Increase* and *AvgMeetIncrease* is -0.02. This indicates that the regression does not have a multicollinearity problem.

The positive coefficient on *AvgIncrease* in column (2) of Table III is consistent with the previous univariate evidence that investors broadly trade in a correlated fashion. In particular, the propensity of an investor to increase their position rises with the fraction of other investors who also increase their position. At the same time, we find a negative coefficient on *AvgIncrease*Meet* whose magnitude offsets the base effect of *AvgIncrease.* This indicates that the trades of investors who meet privately with management are not correlated, or even slightly negatively correlated, with investors in general. Most importantly, we continue to find a positive and statistically significant coefficient on *AvgMeetIncrease*Meet.* This indicates that that the

trades of investors who meet with management are positively correlated with the trades of other meeting participants that quarter. Together, the evidence in (1) and (2) indicates that investors who meet privately with managers are more likely to increase their position in the firm when other investors who meet with managers also increase their position in the firm.

In columns (3) and (4), we reexamine a similar set of analyses as in regressions (1) and (2), but instead measure the direction of trades using *Decrease* that measures whether an investor decreases the size of their position. In a similar fashion to our analysis of increasing position sizes, we find a positive coefficient on *AvgMeetDecrease*Meet* in both columns (3) and (4) of Table III, which indicates that investors who meet with managers are more likely to decrease their position when other investors who other met with managers that quarter decrease their position. The marginal effects of *AvgMeetDecrease* and *AvgMeetDecrease*Meet* are -0.026 and 0.406 respectively, similar to the magnitudes for the regressions using *Increase*. In columns (5) and (6), we show that the same conclusions about trade correlations hold when trading variables are measured using *TradeDir,* the bidirectional variable that includes both increases and decreases.

Overall, the evidence in Table III indicates that investors who meet with managers in a particular quarter are more likely to trade in a similar manner. Notably, we continue to find this pattern even after controlling for the trading behavior of other investors in a given quarter. In all three of our analyses in Table III, we find that the trading behavior of those that meet is closer to that of other meeting participants than to the overall sample of investors who traded in the firm's securities.

5.3 Informativeness of Trades – Predicting Stock Returns

The evidence in section 5.2 indicates that the trades of investors who meet with management are more strongly correlated with each other than those of other investors, consistent with meetings conveying information to some investors. If traders tend to trade in the same direction after meeting, it suggests that they view the information as being useful for predicting future returns. However, it is possible that information is conveyed through meetings, but this information does not actually improve future investment decisions. In this subsection and in subsection 5.4, we seek to examine whether meetings with management offer investors the opportunity to make more informed trading decisions, as measured by whether their trades show more predictive power for future stock returns.

Our main measure of investors' trades is *AvgfracchangeMeet*, the average percentage change in quarterly holdings among investors who attended a private meeting with management during the quarter when the trade occurred. In Table IV, we test the predictive power of these trades for future stock returns, by regressing monthly stock returns on the most recent prior quarter's changes in holdings by investors who attended meetings.

We seek to examine whether the average change in holdings by investors who attend meetings has predictive power for future stock returns. In Table IV column (1), which examines the univariate effect of trades by meeting participants, we find a positive coefficient on *AvgfracchangeMeet* indicating that the trades of investors who privately meet with managers predict excess returns of the firm.

In column (2), we show that the same result holds using an alternative method to control for the market-wide time-series determinants of stock returns. We change the dependent variable from returns to characteristic-adjusted returns, by subtracting each month the returns of a portfolio of all stocks in the same quintile of size, book-to-market ratio, and returns from two to

twelve months ago as the sample firm.[9] Again, *AvgfracchangeMeet* continues to be positive and statistically significant. In terms of magnitudes, a one standard deviation increase in *AvgfracchangeMeet* (1.604) is associated with an increase in characteristic-adjusted stock returns of 4.2% during the next month (1.604*0.026=0.042).

To ensure that our results are not simply driven by the possibly anomalous returns and trading behavior during the financial crisis, we reexamine the analysis excluding returns from this period. In column (3), we continue to find that *AvgfracchangeMeet* predicts characteristic-adjusted returns even when returns after June 2008 are excluded.

As an additional robustness check to make sure that the results are not driven by outliers in the distribution of the *AvgfracchangeMeet* variable, we compute an alternative measure using an indicator variable *AvgfracchangeMeetHigh* that equals one when the value of *AvgfracchangeMeet* is above its median and zero otherwise.[10] This variable has predictive power over returns (column 4) and characteristic-adjusted returns (column 5). The indicator specification also gives an easy interpretation of magnitudes. The coefficient of 0.066 on *AvgfracchangeMeetHigh* in column (5) indicates that monthly characteristic-adjusted returns are 6.6% higher in periods when investors who met with management in the previous quarter are increasing their positions more than they do in the median quarter.

[9] The characteristic-adjusted returns method is the one used in Daniel, Grinblatt, Titman and Wermers (1997). We run an additional set of regressions controlling for: the excess return of the market, and the returns of portfolios of stocks sorted on their market capitalization (SMB), book-to-market ratio (HML), and returns from two to twelve months ago (UMD) (see Fama and French (1992, 1993), Jegadeesh and Titman (1993) and Carhart (1997). All the results in the paper are very similar using either characteristic-adjusted returns or excess returns after controlling for market excess returns, SMB, HML and UMD portfolios. We use characteristic-adjusted returns for ease of exposition, and because the adjustment process saves degrees of freedom by utilizing information from where the sample firm falls in the distribution of all stocks along each characteristic, rather than the in-sample time-series of the firm's returns.

[10] Because information about the full set of meetings is private and only known to the firm, the emphasis here is not on the tradability of these variables, and hence in the main specification we use the full-period breakpoints for allocating periods as above or below the median. If instead we calculate the median using only information up to the current period (skipping the first year where the range is very small), the results are similar – the coefficient on *AvgfracchangeMeetHigh* is the coefficient is 0.0579 with a *t*-statistic of 1.89. The loss of a year's data contributes to the somewhat lower significance of the coefficient.

In addition, the indicator specification lets us test an additional implication of meetings having value – namely, high purchasing activity should be associated with abnormal returns that are not just higher, but are in fact positive at an absolute level. If the information in meetings is actually valuable, high purchasing activity by investors who meet should be associated with positive abnormal returns, rather than just less negative returns. The intercept in the regression in column (5) is -0.035, meaning that when net purchasing by meeting participants is below the median level, characteristic-adjusted returns are on average -3.5% per month, while during periods when net purchasing by meeting participants is above its median level, characteristic-adjusted returns are on average -0.035 + 0.066 = 0.031, or 3.1% per month. In other words, high purchasing by meeting participants is associated with positive abnormal returns.

While Table IV shows that the trades of investors who attend meetings have predictive power over returns, the key question is whether the meetings themselves are associated with the informativeness of these trades. To test this, in Table V we compare the informativeness of trades by meeting participants with a number of comparison groups. First, we test whether the trades of investors who did not attend meetings that quarter show the same predictive power over future returns (and whether they drive out the predictive power of meeting participants). This tests whether the informativeness of the trades by meeting participants simply reflects the general informativeness of trades by all investors.

Second, we test whether the apparent effect of meetings may be proxying for fixed cross-sectional differences in the types of investors who attend meetings. It is possible that the predictive power of meeting participants may be because investors with greater fixed skill are more likely to attend meetings, even though the meetings themselves are not adding any

information. We test for this possibility by examining the predictive power of trades by investors who attended a meeting at some point in the sample but who did not meet in the current quarter.

To investigate these questions, we include several additional variables as predictors of returns. In addition to *AvgfracchangeMeet* from before, *AvgfracchangeNoMeet* is the average percentage change in holdings for investors who did not meet with management that quarter, and *AvgfracchangeOtherQtrMeet* is the average percentage change in holdings for investors who met with management at some point during the sample but not in the current quarter. In addition, *AvgfracchangeAll* is the average percentage change in holdings for all investors who held the stock that quarter.

These results are presented in Table V. In all cases, the dependent variable is the stock's monthly characteristic-adjusted returns. In column (1), when only *AvgfracchangeNoMeet* is included, the coefficient on *AvgfracchangeNoMeet* is 0.013 and statistically insignificant (compared with the equivalent specification for *AvgfracchangeMeet* in column (2) of Table IV of 0.026, significant at the 1% level). This indicates that the trades of all non-meeting investors each quarter do not significantly predict future returns, with the point estimate being only half as large as for investors who did meet.

In column (2), when *AvgfracchangeOtherQtrMeet* is examined as a univariate predictor of abnormal returns, the coefficient is also insignificant, and the point estimate is negative (-0.015). The interpretation of this result is that the predictive power of trades by meeting participants is not evident in quarters when they do not attend meetings – rather, the informativeness is only evident in periods when they attend meetings. In untabulated results, we also repeat the same analysis but limit the sample only to those periods when meetings actually occurred. This ensures that the previous result is not driven by the firm's choice of whether to

hold meetings at all, as the investors who did not meet could have potentially done so as meetings were occurring during this period. The results are very similar to those in column (2), confirming the lack of informativeness of these investors outside of periods when they attended meetings.

In columns (3) and (4), we test whether the inclusion of trades by different groups of investors drives out the predictive power over returns previously identified for investors who attended meetings that quarter. We include *AvgfracchangeMeet* in addition to *AvgfracchangeNoMeet* (column 3) and *AvgfracchangeOtherQtrMeet* (column 4). The coefficients on *AvgfracchangeMeet* are 0.026 in both cases and significant at the 1% level, the same as in the univariate specification in Table IV. In other words, including the trades of these other groups does not affect the relation between meeting participant trades and returns. In addition, the coefficients on *AvgfracchangeNoMeet* and *AvgfracchangeOtherQtrMeet* remain statistically insignificant. The point estimates on these variables (0.009 and -0.006) are slightly closer to zero than in the univariate specifications, reinforcing the lack of predictive power for these groups.

We also include the results of F-tests for whether the coefficient on *AvgfracchangeMeet* is significantly different from the coefficient on *AvgfracchangeNoMeet* and *AvgfracchangeOtherQtrMeet.* When comparing meeting participants with all non-participants, despite the fact that the coefficient on *AvgfracchangeMeet* is almost three times as large as that on *AvgfracchangeNoMeet*, the noisiness of the estimates means that the two coefficients are not significantly different from each other. On the other hand, when comparing meeting participants with investors who met in some quarter but not the current one, the F-test for whether the coefficient on *AvgfracchangeMeet* equals the coefficient on *AvgfracchangeOtherQtrMeet* is

4.00, with a *p*-value of 0.051. In other words, the coefficients are just outside conventional levels of being significantly different from each other. Because this test utilizes the same investors in different periods, it captures the time-series difference in predictability associated with attending meetings, and finds it to be somewhat significant. By contrast, the comparison with investors who don't meet will include both time-series effects of the meeting itself and cross-sectional differences in which investors attend meetings, which are less attributable to the effect of meetings themselves.

Finally, in column (5) we include the trades of all investors (meeting and non-meeting, measured by *AvgfracchangeAll*), and show that the predictive power of investors who attend meetings is robust to such controls. We also repeat this regression in untabulated results for other partitions - investors who never meet with management, and investors who met at some point other than the current quarter. In all cases, the coefficient on *AvgfracchangeMeet* remains statistically significant and fairly similar in magnitude (between 0.023 and 0.026), while none of the other variables show any statistically significant effects. Across the different partitions of investors according to when and whether they met with management, only the trades of investors who met in the current quarter show predictive power over future stock returns. Trade informativeness is not present either for investors who did not attend meetings or for investors who met at some point other than the present quarter, consistent with meetings being associated with a time-series increase in the informativeness of an investor's trades.

5.4 Meetings Compared with Other Investor Group Trades

The results in Section 5.3 provide time-series based evidence of an improvement in the informativeness of investor trades for those that meet privately with managers. This result is

consistent with investors receiving useful information from private interaction. In this section, we explore whether this conclusion survives more explicit controls for investor characteristics, and provide some evidence on the possible causes for this relationship.

In Table VI, we examine how the informativeness of trades by meeting participants compares with the trades of other investor groups. In particular, it is possible that the information in trades by meeting participants is simply reflecting the same information contained in the trades of some other group of informed investors. This would not be picked up by the broad partition of trades into meeting versus non-meeting investors in Table V. By contrast, if the information in the meetings is not something publicly available, it should be predictive of returns over and above the trades of those investors who have not met with management.

To test this, in Table VI we test whether the informativeness of trades by meeting participants is eliminated by controlling for the trades of other investor groups. The regressions are similar to those of Table V, with the dependent variable being firm characteristic-adjusted returns, and the main independent variable being *Avgfracchange**Meet*. In addition, we include the average change in holdings by various different groups of investors. In column (1), we split investors by investment type into investment advisors, hedge funds, pension funds, banks, and others. In column (2), we split investors according to the three levels of turnover provided by Thomson. In column (3), we split investors according to whether they are above or below the median distance from the firm's headquarters. In column (4), we split investors according to whether they are above or below the median level of ownership in the firm. In column 5, we split investors according to whether or not they are above the median level of investor total assets.

The results in Table VI indicate that the informativeness of trades by meeting participants is not subsumed by the trades of these groups. The coefficient on *Avgfracchange**Meet* remains

significant and of a similar or larger magnitude than Table V when controlling for trades split on turnover, distance, firm ownership, and total assets. Controlling for investor style in column (1) weakens the coefficient on *AvgfracchangeMeet* and it is no longer statistically significant. However, in untabulated results, when additional controls are added to include the trades of all investor subsets at once, the coefficient on *AvgfracchangeMeet* once again is economically and statistically significant (and in fact is larger than in the previous specifications of Table V). These results suggest that the information contained in the trades of meeting participants is not driven out by the information from other investor groups, consistent with it being obtained at meetings that the other investors were not present at.

5.5 Informativeness of Meetings by Investor Type

While the evidence in section 5.3 and 5.4 is consistent with meetings conveying information to participants, an important question is whether the value of meetings varies across investors. If the information conveyed in meetings is unambiguously material (such as upcoming earnings numbers, for instance) and is imparted to all participants at meetings, then the effects of meetings should be similar across investors. By contrast, if meetings only convey useful information to a subset of investors, this suggests either that not all investors are receiving the same information (i.e. useful information is only disclosed to a subset of investors at meetings), or that the same information is not equally valuable to all investors.

To examine this proposition, we investigate the effect of meetings for different investor styles – investment advisors, hedge funds, pension funds and banks. We do not include the 'other' category, as none of these investors attended a meeting during the sample period. In each case, we consider the informativeness of trades by that group of investors when they attend

meetings versus the overall population of that investor type. We present these results in Table VII. The dependent variable is again monthly characteristic-adjusted returns, and the independent variables are the trades of each investor type. In column (1), the dependent variables are *AvgfracchangeInvestmentAdvisor* (the average percentage change in holdings for investment advisors) and *AvgfracchangeMeetInvestmentAdvisor* (the average percentage change in holdings for investment advisors who attended a meeting with management during the quarter). We also include *AvgfracchangeNoMeet* as an additional variable to control for the general trades of non-meeting investors. The same two sets of analyses is repeated for the trades of hedge funds in column (2), pension funds in column (3), and banks in columns (4).

The results in Table VII indicate that the benefits of meetings appear limited to hedge funds. In column (2), the coefficient on *AvgfracchangeMeetHedgeFund* is 0.017 and significant at the 5% level. This indicates that the trades of hedge funds who attend meetings in the current quarter display additional predictive power for future returns, over and above the average trades of all hedge funds. By contrast, none of the other meeting coefficients (*AvgfracchangeMeetInvestmentAdvisor*, *AvgfracchangeMeetPensionFund* and *AvgfracchangeMeetBank*) shows any statistical significance. While the sample size is considerably reduced in the case of pension funds and banks (due to these groups not attending meetings at all points in time), the point estimates are also either close to zero or negative, suggesting that the distinction is not merely one of statistical power.

As noted earlier, one important difference between hedge funds and other types of investors is that hedge funds tend to be considered more sophisticated. Another potential explanation for the difference in timing ability across investor types is that non-hedge funds face additional portfolio constraints that prevent them from acting upon the information in private

meetings. However, the size of hedge funds' trades (as measured by the investor-level standard deviation of the *fracchange* variable) is not significantly lower for banks or investment advisors relative to hedge funds. The fact that these investor types have trades as large as hedge funds makes it difficult to attribute the difference in timing ability after management-investor meetings to the inability to make large or aggressive trades. Pension funds, however, do have significantly less volatile trades, and thus we cannot rule out the possibility that pension funds face constraints preventing them from fully acting on the information revealed in meetings with management.

5.6 Interpreting Meeting Informativeness

One possible concern is that investors are meeting after they have executed their trades, rather than before. In this case, the meeting cannot be driving more informed trading. To examine this possibility, we re-estimate our tests considering only meetings that occurred in the first two months of the quarter (*EarlyMeet*) in Table VIII. In doing so, meetings are more likely to have preceded any possible trades. As shown in column (1), the trades of investors who meet early still display significant predictive power for returns, indicated by the coefficient on *AvgfracchangeEarlyMeet* of 0.020, significant at the 5% level.

One other concern is that investors have time-varying levels of information. If so, meetings may arise as a result of private information, instead of being the source of the privately conveyed information. Such an explanation for these private interactions would nevertheless imply that meetings still provide information in the form of a signal confirmation. However, this interpretation would differ from a more conventional interpretation of information sharing via discussion of news.

We provide some preliminary evidence to address this concern by examining a set of management-investor meetings for which the potentially endogenous choice of meeting time is less likely to be a problem, namely conference meetings. For conferences, the timing of the conference is largely exogenous to both the firm and the investor.[11] We examine the effect of *AvgfracchangeConference*, the average percentage change in holdings for investors who attended a conference meeting that quarter in column (2) of Table VIII. The results indicate that the trades of investors who attend a relatively exogenously-timed conference meeting also show strong predictive power for returns. This is similar to the base coefficient of meetings in Table IV, and directionally slightly bigger. This provides some evidence, albeit preliminary, that the effect of meetings is not driven entirely by the endogenous choice of investors attending due to having pre-existing short-lived private information.

Overall, our analysis indicates that private meetings convey information to investors who are present, and that these effects are concentrated in hedge funds who attend such meetings. This variation across investor types is consistent with two possible interpretations. First, investors may be receiving the same information, but the information is not equally valuable to all investors. Hedge funds may be better at parsing out the meaning of ambiguous information conveyed by management, or the information conveyed may only be valuable in conjunction with other information that informed investors have. This would be consistent with the mosaic theory of investing. The second hypothesis is that hedge funds are being given different and inherently more valuable information.

[11] While the timing of the meeting is exogenous, investors may still choose whether to attend or not based on private information. At a minimum, investors will have more difficulty in timing a conference meeting to coincide optimally with confirming pre-existing private information, making the role of external information likely to be smaller at such meetings.

Out of these two possibilities, there are some anecdotal reasons to suggest that disclosing more valuable material information to hedge funds is unlikely to be a deliberate policy by management. It seems improbable that the firm would be willing to provide us with their meetings data if they felt that they were intentionally disclosing information that would clearly violate Reg FD. The firm may still be inadvertently disclosing such information, but it militates against the possibility of management having a quid-pro-quo arrangement with hedge funds to disclose material information (e.g. Butler and Gurun (2012)).

Second, if firm management were to favor one group of investors by deliberately giving them private information, it is not clear that hedge funds would be the natural group to select. The stated reason for the company's willingness to hold meetings is a desire to build relationships with the company's long term investors and large block holders. To the extent that hedge funds tend to have high turnover and a short-term focus, they are not the most obvious group to receive preferential treatment. As a result, it seems more likely that either hedge funds are better able to utilize the information conveyed during private meetings, or alternatively that they are better able to extract useful information from management, such as by asking better questions.[12]

Our results exploit variation arising from a heterogeneous set of investor types and time-series variation from six years of trades and meetings. Nonetheless, the question arises as to how our results, which are derived from the detailed data of one NYSE firm, generalize across the population of firms. In terms of meeting frequency and general practices, our firm is fairly typical of industry practices. To the extent that there is a selection bias from the fact that the firm

[12] Investment banks also play a role in arranging and potentially providing information to clients (i.e. investors) in the context of private interactions. To the extent that hedge funds interact with these banking analysts, investors may be gaining information from management in conjunction with sell-side analysts in attendance (see Soltes (2014), Green et al (2013)).

was willing to provide us with their data, this seems more likely to bias us against finding any results. Management's willingness to provide us with the data is consistent with management genuinely believing that they are not violating SEC regulations. The fact that we find apparent information value in meetings with the firm, despite its conservative approach towards disclosing potentially material information, suggests that our results are unlikely to overstate the impact of meetings in the general population of firms.

6. Conclusion

Private meetings between executives and investors consume a significant amount of managerial time and offer investors a unique window into a firm's operations. Using a set of records describing the private meetings of managers, we examine whether private meetings convey information to investors and whether this information is useful for making better investment decisions. We find that investors who meet with management trade in a more correlated fashion, and display better timing ability when they meet with the firm. We also find that the increases in timing ability are concentrated among hedge funds, and are not evident for mutual funds or pension funds

Our results support the view that private meetings help some investors make more informed trading decisions. This could arise if the firm provides material information to investors (in violation of Reg FD) or if some investors are better able to process information (e.g. mosaic theory or confirming private information signals). Survey evidence from several institutions suggests that our firm is not unusual in its meeting practices, and our findings align with the incentives of the parties involved.

Our findings suggest that while firms and managers might be abiding by the technical rules ascribed by Reg FD, private access to management seems to undermine the spirit that originally motivated the regulation. Specifically, selective access to management that leads to more advantageous trading is inconsistent with the notion of a level playing field with regard to information that the SEC sought to create. Naturally, there may be other benefits associated with continuing to let investors interact privately with managers. However, strictly from the standpoint of the goals of the regulation, our results seem to suggest that it is not entirely successful in achieving its original mandate.

This raises the question of whether it is possible to adjust regulation to still allow investors to privately meet with managers while at the same time seeking to more closely achieve the original objective of the regulation. One possible solution is to publicly publish a transcript of these private interactions as firms currently provide for quarterly earnings conference calls with analysts. Such a practice would continue to facilitate private meetings, but also allow all market participants access to the information being disclosed regardless of their ability to gain private access.

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Figure I - Number of Meetings per Investor

The histogram shows the number of meetings (i.e. conferences, in-house, and road shows) that each investor attends over our sample period from November 2004 until March 2010.

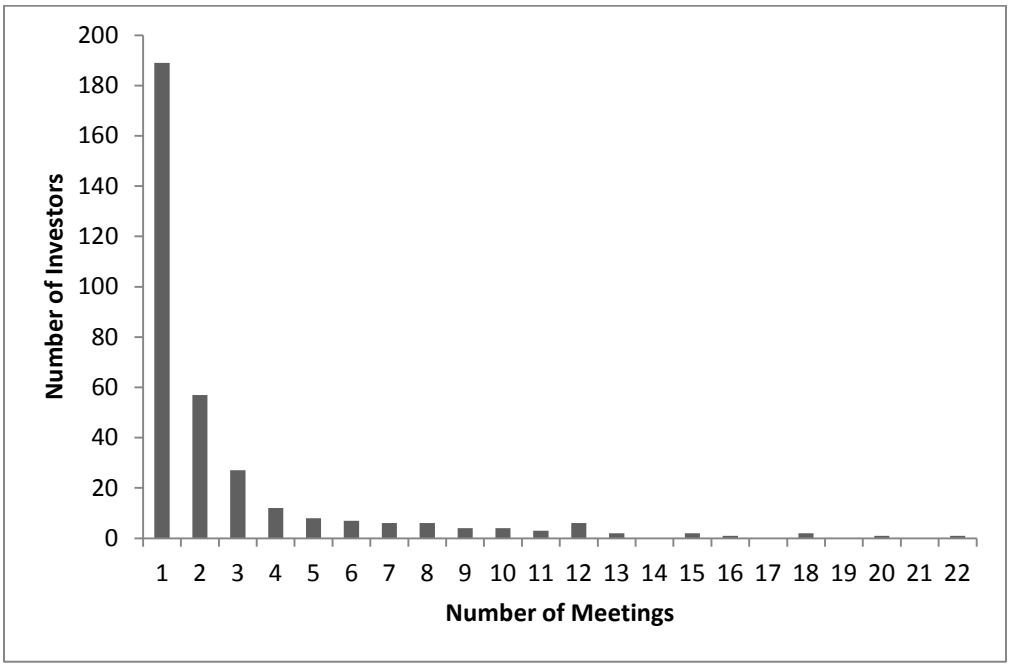

Figure II - Number of Meetings per Month

This histogram shows the number of meetings (i.e. conferences, in-house, and road shows) each month over the sample period from November 2004 until March 2010.

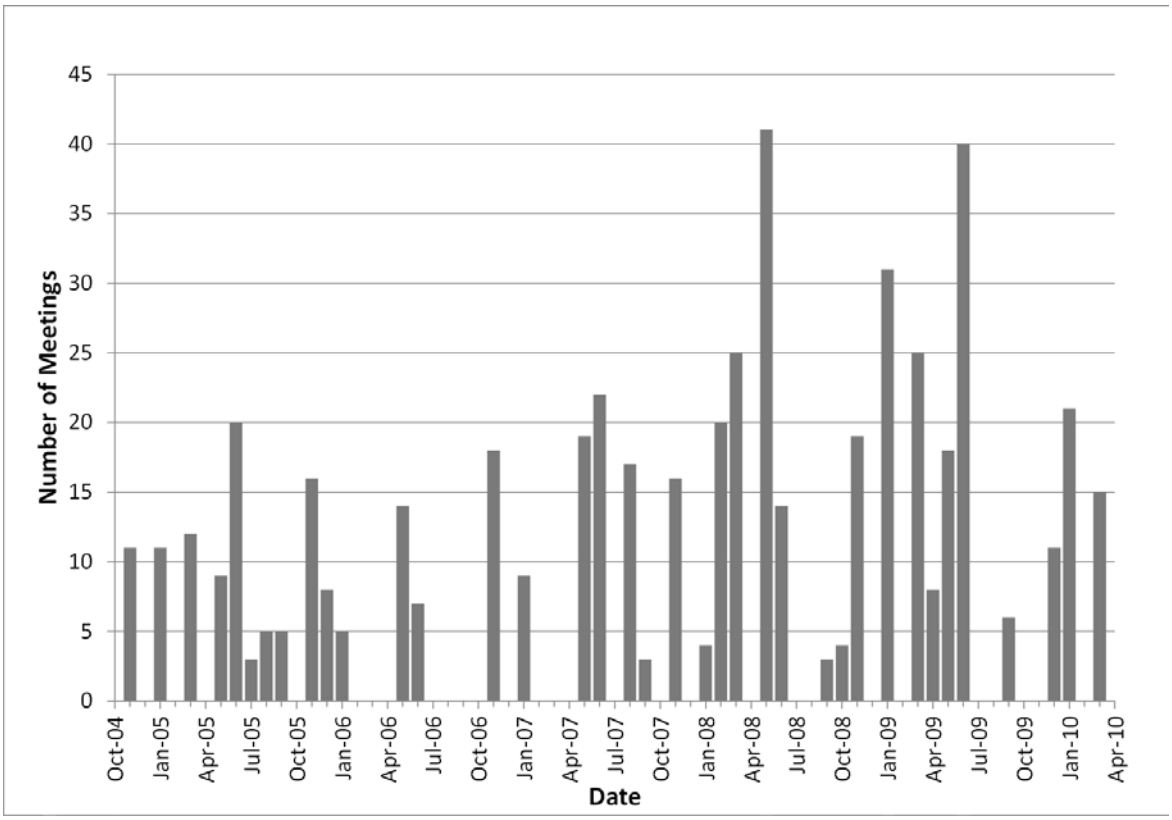

Table I - Descriptive Statistics

The following four panels display summary statistics for the variables used in the regression analysis. 'Assets' refers to the value of the investor's equity assets (in millions) from Thomson One Banker. 'Distance' is the number of miles from the zip code of the firm's headquarters to the zip code of the investor's headquarters. 'Turnover (med/high') is an indicator variable showing whether the firm has medium or high turnover on Thomson Banker. 'Fraction firm' is the fraction of the firm held by the investor. 'Meet' is an indicator variable showing whether the firm met during the quarter. 'Trade' is an indicator variable showing whether the firm traded during the quarter. 'Fraction change' is the percentage change in the investor's position in the firm over a quarter, winsorized at the 0.5% level in each tail. Panels B-C provide attributes of the different meeting types – meetings held at public conferences ('Conference'), meetings held at the investor's offices ('Road show') and meetings held at the firm's headquarters ('In-House'). A meeting is the individual interaction between the investor and the firm on a given day. An event refers to any day where a meeting occurs, so that there may be multiple meetings in a given event.

Panel A: Attributes of Funds

	Mean	Standard Dev	Q1	Median	Q3
Assets (M)	26,893	70,745	649	4,656	23,701
Distance (miles)	815	777	298	470	1053
Turnover (med)	0.30	0.46	0	0	1
Turnover (high)	0.21	0.41	0	0	0
Fraction firm	0.005	0.013	0.000	0.001	0.003
Meet	0.06	0.23	0.00	0.00	0.00
Trade	0.91	0.29	1.00	1.00	1.00
Fraction change	0.43	4.47	-0.68	-0.03	0.06

Panel B: Attributes of Meetings

Event Type	% of Events	% of Meetings
Conference	64%	64%
Road-Show	23%	21%
In-House	13%	15%

Panel C: Meetings per Event

Event Type	Mean	Std	Q1	Median	Q3
Conference	13	8	7	12	17
Road-Show	12	9	6	12	17
In-House	15	11	6	14	22

Panel D: Likelihood of Attendance

Event Type	CEO	CFO	COO	IRO
Conference	0.93	0.51	0.04	0.96
Road-Show	1	0.63	0.06	1
In-House	1	0.89	0.56	1

Table II - Access to Management

This table examines the determinants of which investors meet with managers at what location. Observations are by investor and quarter for all investors who held shares in the company in that quarter, from November 2004 until March 2010. In Panel A, the dependent variable is *Meet*, an indicator variable that equals one if the investor met privately with the firm that quarter. In Panel B, the dependent variables are indicator variables for conference meetings, in-house meetings, and roadshow meetings, respectively. *Hedge fund*, *pension fund*, and *bank* are indicator variables (1/0) for each investor type. '*Turnover (med)*' and '*Turnover (high)*' are indicator variables for the investor's turnover, as classified by Thomson One Banker. *Asset Quartile* variables are indicator variables for quarterlies of the investor's assets at the end of 2009, with quartile 4 being the largest 25%. *Fraction Firm* is the investor's number of shares in the company divided by the number of shares outstanding. *Log distance* is the log of the distance between the investor's zip code and the firm headquarters zip code. *Turnover (miss)* and *Asset (miss)* are indicator variables that equal one if turnover and asset information (respectively) are missing. All regressions are probit models and standard errors clustered by investor and quarter are shown in parentheses below the coefficients. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level.

	PANEL A: Meeting Determinants					PANEL B: Venue Determinants		
	(1)	(2)	(3)	(4)		(1)	(2)	(3)
	meet	meet	meet	meet		conference	roadshow	inhouse
hedge fund	0.306**	0.319**	0.242*	0.346***	hedge fund	0.193	0.435***	0.424***
	(2.350)	(2.572)	(1.949)	(2.631)		(1.328)	(2.731)	(2.858)
pension fund	-0.260	-0.0462	-0.0582	0.0305	pension fund	-0.0547	-	0.656
	(-0.857)	(-0.154)	(-0.188)	(0.092)		(-0.175)		(1.383)
bank	0.119	0.194	-0.145	-0.105	bank	-0.116	-0.237	0.188
	(0.569)	(0.861)	(-0.574)	(-0.371)		(-0.387)	(-0.737)	(0.546)
turnover (med)		0.417***	0.498***	0.520***	turnover (med)	0.533***	0.411**	0.497**
		(2.716)	(3.104)	(2.925)		(2.733)	(2.272)	(2.381)
turnover (high)		0.543***	0.598***	0.555**	turnover (high)	0.543**	0.432	0.552**
		(2.743)	(2.815)	(2.370)		(2.311)	(1.621)	(2.390)
asset quartile 2		-0.0361	0.0365	0.000682	asset quartile 2	0.0835	-0.0169	-0.209
		(-0.194)	(0.200)	(0.003)		(0.354)	(-0.0851)	(-0.798)
asset quartile 3		-0.164	-0.181	-0.210	asset quartile 3	-0.0892	-0.0548	-0.770**
		(-0.883)	(-0.954)	(-0.986)		(-0.390)	(-0.305)	(-2.066)
asset quartile 4		0.234	0.209	0.204	asset quartile 4	0.350	0.0984	-0.238
		(1.300)	(1.113)	(0.966)		(1.635)	(0.417)	(-0.834)
fraction firm		22.20***	21.19***	25.29***	fraction firm	22.87***	24.63***	15.02***
		(8.274)	(8.165)	(7.374)		(6.797)	(8.133)	(3.831)
log distance			-0.203***	-0.201**	log distance	-0.168**	-0.0463	-0.506***
			(-2.577)	(-2.209)		(-2.400)	(-0.327)	(-2.921)
turnover (miss)		-0.454	-0.152	-0.181	turnover (miss)	0.178	-0.611	-0.383
		(-0.866)	(-0.312)	(-0.321)		(0.343)	(-1.033)	(-0.584)
asset (miss)		0.507	0.800**	0.921**	asset (miss)	0.476	1.477***	0.473
		(1.103)	(2.145)	(2.043)		(1.332)	(3.761)	(1.086)
constant	-1.828***	-2.401***	-1.075*	-5.933***	constant	-6.092***	-6.987***	-3.147***
	(-14.24)	(-12.35)	(-1.792)	(-7.360)		(-8.662)	(-6.184)	(-2.826)
Date Fixed Effects	No	No	No	Yes	Date Fixed Effects	Yes	Yes	Yes
# Observations	5,431	5,431	4,106	3,666	# Observations	2,830	1,740	1,145
R^2	0.02	0.14	0.14	0.23	R^2	0.21	0.21	0.20

Table III – Meeting Attendance and Correlation in Trades

This table examines whether investors who attend meetings with firm management tend to trade in a more correlated fashion relative to other investors. The dependent variable is either an indicator variable *Increase* for whether the investor increased their holdings in the stock that quarter (columns 1 and 2), an indicator variable *Decrease* for decreasing holdings that quarter (columns 3 and 4) or a bidirectional variable *TradeDir* which equals -1 for position decreases, 0 for holding a constant position, and 1 for position increases. *Meet* is an indicator variable for whether the investor met with firm management that quarter. *AvgIncrease* (*AvgDecrease, AvgTradedir*) is the average value of *Increase* (*Decrease, Tradedir*) for all investors that quarter, other than the investor in question. *AvgMeetIncrease* (*AvgMeetDecrease, AvgMeetTradedir*) is the average value of *Increase* (*Decrease, Tradedir*) for all investors who attended a meeting that quarter, excluding the investor in question if applicable. [*Variable*]**Meet* is the interaction of the *Meet* indicator and the first-named variable. Regressions (1)-(4) are probit regressions, and regressions (5)-(6) are OLS regressions. In each row, the top value is the coefficient, the bottom value in parentheses is the *t*-statistic, and *, **, *** indicate statistical significance at the 10%, 5%, and 1% level respectively.

	(1) increase (probit)	(2) increase (probit)	(3) decrease (probit)	(4) decrease (probit)	(5) tradedir (OLS)	(6) tradedir (OLS)
Meet	-0.458	0.991**	-0.422*	0.917**	0.005	0.008
	(-1.59)	(2.39)	(-1.79)	(2.20)	(0.08)	(0.15)
AvgMeetIncrease	-0.151	-0.106**				
	(-1.04)	(-2.47)				
AvgMeetIncrease * Meet	1.127**	1.067**				
	(2.24)	(2.01)				
AvgIncrease		2.273***				
		(9.78)				
AvgIncrease * Meet		-3.107***				
		(-5.15)				
AvgMeetDecrease			-0.066	-0.106**		
			(-0.45)	(-2.37)		
AvgMeetDecrease * Meet			1.025**	1.066**		
			(2.03)	(2.13)		
AvgDecrease				2.127***		
				(6.42)		
AvgDecrease * Meet				-2.985***		
				(-3.22)		
AvgMeetTradedir					-0.045	-0.042**
					(-0.78)	(-2.44)
AvgMeetTradedir * Meet					0.435**	0.430**
					(2.24)	(2.16)
AvgTradedir						0.865***
						(9.36)
AvgTradedir * Meet						-1.211***
						(-4.08)
# Observations	4,672	4,672	4,672	4,672	4,672	4,672
Pseudo R^2 / R^2	0.002	0.017	0.001	0.010	0.002	0.019

Table IV – Meetings and the Predictive Ability of Investor Trades for Stock Returns

This table examines the extent to which the trades of investors who met with management are able to predict future company stock returns. In columns (1) and (4), the dependent variable is the monthly excess returns of the stock, from November 2004 to March 2010. In columns (2), (3) and (5) the dependent variable is the returns of the stock that month, minus the return on a portfolio of stocks in the same market-wide quintile of market capitalization, book-to-market ratio, and stock returns from 2-12 months ago. The main independent variable considers the average across investors of the percent change in holdings between the most recent reporting date and the quarter prior. This average percent change is taken for investors that met during the quarter of trades (*AvgfracchangeMeet).* An indicator version takes a value of 1 when the average percent change of investors who met is above its historical median, and zero otherwise (*AvgfracchangeMeetHigh*). Column (3) excludes all returns after June 2008. All regressions are OLS models and standard errors are shown in parentheses below the coefficients. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level.

	(1)	(2)	(3)	(4)	(5)
	Excess Return	Char-Adj Return	Char-Adj Return	Excess Return	Char-Adj Return
AvgFracchangeMeet	0.022 **	0.026 ***	0.032 ***		
	(2.350)	(2.813)	(3.159)		
AvgFracchangeMeetHigh				0.070 **	0.066 **
				(2.332)	(2.159)
Intercept	-0.030	-0.031 *	-0.041 *	-0.041 *	-0.035
	(-1.615)	(-1.682)	(-1.994)	(-1.889)	(-1.588)
# Observations	57	57	43	57	57
R^2	0.113	0.112	0.113	0.113	0.115

Table V – Analysis of the Informativeness of Trades by Meeting and Non-Meeting Investors

This table compares the predictive ability for future stock returns of the trades of investors who met with firm management relative to the trades of investors who did not attend private meetings. The dependent variable is the returns of the stock that month, minus the return on a portfolio of stocks in the same market-wide quintile of market capitalization, book-to-market ratio, and stock returns from 2-12 months ago, from November 2004 to March 2010. The main independent variable considers the average across investors of the percent change in holdings between the most recent reporting date and the quarter prior. This average percent change is taken for investors that met during the quarter of trades (*AvgfracchangeMeet)*, for investors that did not (*AvgfracchangeNoMeet)*, for investors who met with management at some point but not during the given quarter (*AvgfracchangeOtherQtrMeet*), and for all investors (*AvgfracchangeAll).* The F-tests and associated *p*-values test whether the coefficient on *AvgfracchangeMeet* equals that of either *AvgfracchangeNoMeet* or *AvgfracchangeOtherQtrMeet* as applicable. All regressions are OLS models and standard errors are shown in parentheses below the coefficients. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level.

	(1)	(2)	(3)	(4)	(5)
	Char-Adj Return	Char-Adj Return	Char-Adj Return	Char-Adj Return	Char-Adj Return
AvgFracChangeMeet			0.026 ***	0.026 ***	0.026 **
			(2.721)	(2.706)	(2.545)
AvgFracChangeNoMeet	0.013		0.009		
	(0.338)		(0.220)		
AvgFracChangeOtherQtrMeet		-0.015		-0.006	
		(-1.122)		(-0.432)	
AvgFracChangeAll					0.008
					(0.198)
Intercept	0.003	0.019	-0.034	-0.025	-0.034
	(0.140)	(1.145)	(-1.398)	(-1.101)	(-1.376)
F-Test for Row1 = Row(2,3)			0.16	4.00	
Prob (F-Test)			0.689	0.051	
# Observations	69	69	57	57	57
R^2	0.11	0.11	0.11	0.11	0.11

Table VI – Informativeness of Meeting Participants versus Other Investor Groups

This table examines the informativeness of trades by investors who attend meetings relative to the trades of other investor groups. The dependent variable is the returns of the stock that month, minus the return on a portfolio of stocks in the same market-wide quintile of market capitalization, book-to-market ratio, and stock returns from 2-12 months ago, from November 2004 to March 2010. The independent variables consider the average across investors of the percent change in holdings between the most recent reporting date and the quarter prior. The main variable of interest takes the average for investors that met during the quarter of trades (*AvgfracchangeMeet)*. Other variables include the average change in position for investment advisors, hedge funds, pension funds, banks, and other investor styles (*AvgfracchangeInvestmentAdvisor*, *AvgfracchangeHedgeFund, AvgfracchangePensionFund, AvgfracchangeBank* and *AvgfracchangeOtherStyle* respectively), the average for low, medium and high turnover investors (*AvgfracchangeLowTurnover, AvgfracchangeMedTurnover*, *AvgfracchangeHighTurnover),* for investors located above and below the median distance to firm headquarters (*AvgfracchangeLowDistance* and *AvgfracchangeHighDistance*), for investors above and below the median ownership in the firm (*AvgfracchangeLowOwnership* and *AvgfracchangeHighOwnership*) and for investors above and below the median total amount of assets (*AvgfracchangeLowAssets* and *AvgfracchangeHighAssets*). All regressions are OLS models and standard errors are shown in parentheses below the coefficients. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level.

	(1) Char-Adj Return	(2) Char-Adj Return	(3) Char-Adj Return	(4) Char-Adj Return	(5) Char-Adj Return
AvgFracChangeMeet	0.012	0.027 **	0.038 ***	0.027 **	0.033 ***
	(1.212)	(2.446)	(3.068)	(2.672)	(2.970)
AvgFracChangeInvestmentAdvisor	-0.016				
	(-0.715)				
AvgFracChangeHedgeFund	0.047				
	(1.489)				
AvgFracChangePensionFund	-0.269 ***				
	(-3.183)				
AvgFracChangeBank	-0.006				
	(-1.030)				
AvgFracChangeOtherStyle	0.047 *				
	(1.758)				
AvgFracChangeLowTurnover		-0.005			
		(-0.145)			
AvgFracChangeMedTurnover		0.014			
		(0.716)			
AvgFracChangeHighTurnover		-0.002			
		(-0.162)			
AvgFracChangeLowDistance			0.010		
			(0.416)		
AvgFracChangeHighDistance			-0.051		
			(-1.404)		
AvgFracChangeLowOwnership				-0.036	
				(-0.783)	
AvgFracChangeHighOwnership				0.025	
				(0.994)	
AvgFracChangeLowAssets					-0.030
					(-1.114)
AvgFracChangeHighAssets					0.031
					(0.842)
Intercept	-0.029	-0.037	-0.031	-0.067 *	-0.056 *
	(-1.111)	(-1.421)	(-1.250)	(-1.909)	(-1.732)
# Observations	57	57	57	57	57
R^2	0.11	0.11	0.11	0.11	0.11

Table VII – Variation in Informativeness of Meetings by Investor Style

This table examines how the effect of meetings on timing ability varies across investor types. The dependent variable is the returns of the stock that month, minus the return on a portfolio of stocks in the same market-wide quintile of market capitalization, book-to-market ratio, and stock returns from 2-12 months ago, from November 2004 to March 2010. The independent variables consider the average across investors of the percent change in holdings between the most recent reporting date and the quarter prior. The average change in position is calculated for investment advisors, hedge funds, pension funds, and banks (*AvgfracchangeInvestmentAdvisor, AvgfracchangeHedgeFund, AvgfracchangePensionFund,* and *AvgfracchangeBank*). The average position change is also computed separately for investors in each of the above categories who attended a meeting with firm management during the current quarter (*AvgfracchangeMeetInvestmentAdvisor, AvgfracchangeMeetHedgeFund, AvgfracchangeMeetPensionFund,* and *AvgfracchangeMeetBank* respectively). *AvgfracchangeNoMeet* is the average change for all investors who did not attend a meeting (regardless of investor type). All regressions are OLS models with robust standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level.

	(1) Char-Adj Return	(2) Char-Adj Return	(3) Char-Adj Return	(4) Char-Adj Return
AvgFracChangeInvestmentAdvisor	-0.014			
	(-0.276)			
AvgFracChangeMeetInvestmentAdvisor	0.002			
	(0.151)			
AvgFracChangeHedgeFund		0.022		
		(0.656)		
AvgFracChangeMeetHedgeFund		0.017 **		
		(2.554)		
AvgFracChangePensionFund			-0.337 ***	
			(-3.018)	
AvgFracChangeMeetPensionFund			-0.277	
			(-0.666)	
AvgFracChangeBank				0.001
				(0.027)
AvgFracChangeMeetBank				0.002
				(0.302)
AvgFracChangeNoMeet	0.048	0.025	0.101	0.090
	(0.557)	(0.506)	(0.490)	(1.023)
Intercept	-0.025	-0.041	-0.014	-0.079 *
	(-0.915)	(-1.623)	(-0.275)	(-2.036)
N	54	57	21	27
R-Sq	0.12	0.11	0.12	0.12

Table VIII – Different Meetings Types and Trade Informativeness

This table examines the effect on investor timing ability of meetings early in the quarter and of conference meetings. The dependent variable is the returns of the stock that month, minus the return on a portfolio of stocks in the same market-wide quintile of market capitalization, book-to-market ratio, and stock returns from 2-12 months ago, from November 2004 to March 2010. The independent variables consider the average across investors of the percent change in holdings between the most recent reporting date and the quarter prior. *AvgfracchangeEarly* takes the average change in holdings for investors that met during the first two months of the quarter of trades. *AvgfracchangeConference* takes the average change in holdings for investors that attended a conference meeting during the quarter of trades. *AvgfracchangeNoMeet* takes the average change in holdings for investors that did not meet with management during the quarter of trades. All regressions are OLS models, and. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level respectively.

	(1) Char-Adj Return	(2) Char-Adj Return
AvgFracChangeEarlyMeet	0.020 **	
	(2.135)	
AvgFracChangeConference		0.028 ***
		(3.728)
AvgFracChangeNoMeet	0.038	0.025
	(0.961)	(0.569)
Intercept	-0.054 **	-0.061 **
	(-2.033)	(-2.562)
# Observations	51	45
R^2	0.11	0.10