What Are We Meeting For?

The Consequences of Private Meetings with Investors

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Abstract: Executives of publicly-traded firms spend considerable time meeting privately with investors, despite regulation restricting their ability to convey material nonpublic information. Using a set of records of all one-on-one meetings between senior management and investors for a NYSE traded firm, we investigate which funds meet privately with management and the consequences of these interactions. We find that hedge funds, large block holders, geographically close investors, and investors with higher turnover meet more frequently with management. We also find that trades are more correlated among funds that meet with management and these trades better predict future performance. Overall, our results suggest that private meetings help some investors make more informed trading decisions.

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Managers of publicly traded firms spend a significant amount of time meeting investors. A 2010 survey showed that chief executive officers and chief financial officers spent 17 and 26 days on average per year respectively on investor meetings (Cross Border Group (2010)). Despite the significant amount of managerial time consumed, these meetings have garnered little academic attention. An important reason for this, as noted by Bebchuk and Weisbach (2010), is that "informal contact between institutional investors and firms is by its nature private and difficult to quantify". While some of these interactions occur at publicly known conferences sponsored by investment banks, others occur at investors' offices and the headquarters of firms.

The prevalence of these private interactions in the United States is surprising in light of the passage of Regulation Fair Disclosure (i.e. Reg FD) in 2000. This regulation was created in response to the perceived belief by regulators that certain investors were gaining an unfair advantage in the financial markets by having preferential access to information. While Reg FD did not prohibit private one-on-one meetings with management, the regulation did specify that all material information disclosed by managers had to be publicly available and accessible to all investors (SEC File No.S7-31-99).

Despite this regulation, investors continue to covet meetings with senior management. However, if these meetings convey no additional information "that a reasonable shareholder would consider … important in making an investment decision" (SEC), it is not immediately obvious why investors would expend significant effort and resources engaging in these meetings. Assuming investors spend their time rationally on research activities that facilitate better investment decisions, this suggests that investors view the benefits of meeting with management as strictly greater than zero.

In this paper, we investigate the type of investors that meet with management and the consequences of these meetings on the informativeness of trades. Through the acquisition of a unique set of records from a mid-cap, NYSE traded firm, we have an exhaustive compilation of all meetings between senior management and investors over a multi-year period. While our investigation naturally has limits given that it represents the meetings for a single listed firm, our dataset still contains significant variation in that it contains over 900 meetings with 340

different institutional investors over a five year period. This allows us to analyze not only the impact of meetings in general, but also how such impact varies across investors.

We find that investors who have greater turnover in their holdings and own a proportionally larger amount of equity in the firm gain greater access to management. We also find that investors located farther away from the firm are somewhat less likely to meet. Out of the different types of investors who meet management, hedge funds are the most likely to meet management regularly. Intermediaries, and in particular sell-side analysts, play a crucial role in setting up meetings between management and investors. As discussed in Groysberg, Healy, and Maber (2011), analysts are largely compensated for activities that increase brokerage and investment banking activity. The factors influencing access to management across investors are consistent with these incentives.

We also examine the consequences of these meetings for investors' trading activity, both in terms of the likelihood of trading and the direction of trading. If investors who meet are gaining access to information that is useful for their investment decisions, they are likely to update their beliefs about the company and thus be more likely to trade the firm's stock. In addition, we hypothesize that investors who meet management around the same period of time are likely to receive similar information from management and thus update their beliefs about the firm in the same direction (i.e. positively or negatively). As a result, we examine whether funds whose investors attend meetings exhibit unusually correlated trades relative to funds whose investors did not meet privately with management.

We find that meetings are strongly associated with the direction of trades. Specifically, our results indicate that funds that meet management in a given quarter tend to have trades that are significantly more correlated relative to other funds with similar characteristics. In other words, funds that meet with management are more likely to all buy the stock or all sell the stock in a given quarter, relative to comparable funds who did not meet with management during the period. These correlations are strongly significant and economically large – we find that a meeting, on average, changes the probability of increasing a fund's position by 21% on average.

We then investigate whether private meetings result in improved timing ability in the trades made by investors. To do so, we examine whether investors who meet with management

are more likely to increase their position before periods of high returns and decrease their position before periods of low returns. We find evidence supporting this. Specifically, for funds that meet, a 10% increase in next quarter's stock returns is associated with a 33% increase in the size of the investor's position, relative to the trades of funds with similar characteristics. In addition, while funds who meet management have greater timing ability after meetings, they do not appear to have better timing ability in periods when they do not meet. When we include date and fund fixed effects to control for the overall timing ability of each fund, we continue to find that investors who meet privately with management have greater timing ability that quarter. This suggests that our results are driven by funds meeting with management and not omitted variables related to fund skill.

While our results are consistent with meetings conveying valuable information, we find that the value of management meetings is not uniform across fund types. Instead, the informativeness of meetings appears limited to groups of investors that are often viewed as being more informed: hedge funds, and to a lesser extent, banks. The increased correlation in trades after meetings is limited to hedge funds that meet, while the increased timing ability is strong for hedge funds, and weakly present for banks. Both investment advisors and pension funds show no increase in timing ability or correlation of trades after meeting with management.

The fact that the value of meetings varies across fund types also speaks to the nature and value of the information being discussed in private meetings. Conveying information that is unambiguously material, like news of a takeover or a future earnings surprise, allows an investor to make a more informed investment decision without significant additional information or analysis. However, even without conveying material information, it is still possible for investors who meet management to make more informed investment decisions. Specifically, the information discussed may not be material on its own, but can become material once it is interpreted together with other sources of information that the investor has collected. 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. From the standpoint of Reg FD, this "mosaic theory" of information gathering is

excluded from the scope of the regulation. Our results are consistent with the mosaic theory – inasmuch as hedge funds are often considered more sophisticated investors, they may be better able to process the information in meetings, or in possession of other information which makes the discussions in meetings especially valuable.[1] Hedge funds may also be more skilful in extracting useful information from management, such as by asking better questions.

This research contributes to two streams of research that seek to better understand the impact of interactions between insiders and market participants. Cohen, Frazzini and Malloy (2008) identify educational connections between mutual fund managers and board members. They find that managers acquire larger positions and perform relatively better in positions when they have an identifiable educational connection. In a related paper, Cohen Frazzini and Malloy (2010) document that an analyst's social network, via educational connections, influences the quality of their recommendations. Bushee, Jung, and Miller (2010) and Bushee, Jung, and Miller (2011), investigate interactions between managers and investors at investor conferences. They find a number of pieces of evidence that suggest conference meetings confer some preferential access to those in attendance. Overall, this body of research recognizes that having connections which offer privileged access to management, and ultimately information, plays an important role in financial markets (Hirshleifer and Teoh (2009)).

Our paper also contributes to the literature on the behavior and investing choices of institutional investors. A number of papers (e.g. Hong, Kubik, and Stein (2005), Coval and Moskowitz (1999, 2001)) present evidence that shows that institutional investors make decisions based on word-of-mouth and proximity to others. Private meetings, a pervasive venue for creating interactions, provide a previously unexamined mechanism for different funds to develop similar beliefs and facilitate discussion between different institutional investors.

Our investigation should also be of interest to regulators. Recent regulation, like Reg FD, specifically sought to level the informational playing field for all investors. The number of indictments by the SEC for breaches of these regulations is small, however, partly because of the

[1] 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. This view is not universal, however - see section 2.2.1 for more discussion.

difficulty of observing and prosecuting breaches during such interactions.[2] Our analysis suggests that private meetings confer benefits to a select group of investors who are able to gain access to management. It is important to note that managers need not be in violation of any regulation while conveying information to investors. Moreover, our analysis does not address whether private meetings lead to overall gains in financial markets or instead merely transfer surplus between participants. Indeed, the prohibition of all private meetings between management and investors may not be desirable, even if it were feasible.

Nonetheless, our results support the position that permitting private meetings between management and investors undermines regulators' objective of wanting all investors to have equal access to information. To the extent that our results are consistent with the mosaic theory, they suggest that the distinction between 'material' and 'non-material' information is more subtle than typically envisaged in regulations.

The remainder of the paper is as follows: Section 2 describes the setting under which private meetings between managers and investors occur and the hypothesized consequences of these meetings. Section 3 describes our set of records which detail our meetings dataset. Section 4 examines which investors gain access to management. Section 5 investigates the impact of meetings on trading. Section 6 concludes.

2. One-on-One Meetings and the Predicted Effects of Meeting

2.1 Institutional Background

Information asymmetry exists in publicly traded firms between insiders (i.e. management) who manage firms and outsiders (i.e. investors) who provide capital. To mitigate this asymmetry, investors demand 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.

[2] 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).

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

Recognizing that some investors get 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 et. al. (2003)).

Despite the passage of 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)). A wide range of investors attend these 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").[3]

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 see these conferences as a convenience since it allows

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

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. Investors sign up to meet with particular managers. Depending on the conference sponsor, firm management is given varying degrees of discretion about who they have the opportunity to meet with. While in some cases, they will not be given any choice (i.e. selection done by conference sponsor), in other cases management may be offered the opportunity to give input about with whom they would like to meet.

Investor office meetings (also known as "road show" meetings) provide management the opportunity to visit investors in their own offices. These meetings offer a particular convenience to investors since they incur little travel or commuting cost. 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 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 both meet members of senior management and observe plant operations. While these meetings consume more time, they offer firm management a greater convenience by not needing to travel. "In house" meetings are typically set-up and funded by intermediaries (e.g. investment banks) for their clients.

2.2 Meeting Hypotheses and Tests

The incentives of managers, investors, and sell-side analysts' offer several predictions about which investors will gain access to management and what the consequences of these interactions will be.

2.2.1 Who Meets Management

Investors who perceive the greatest opportunity to profit from conversations with management while incurring the least cost in doing so are most likely to desire private one-on-one meetings. Consequently, on the benefits side, investors who hold relatively larger positions in the firm will have a greater desire to meet, as they stand to make greater dollar profits from any information they receive.

Private information acquired during management meetings may be a substitute or a complement to other sources of public information. If sophisticated investors have the ability to develop their investment thesis and determine 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 less valuable to more sophisticated investors. Alternatively, sophisticated investors may be better able to process signals conveyed by management during private meetings and better utilize their own research in conjunction with information provided by management. In this case, investors who can more successfully process information would be more likely to benefit from private meetings with management. Across the fund 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))[4], whereas the average mutual fund does not appear to earn abnormal returns (see, for instance, Carhart (1997), Fama and French (2010), and numerous others).

On the cost side, larger funds with more personnel and greater resources can more readily send a research analyst to meet with management. In addition, firms located father away from the firm (for an in house meeting) or from a conference will incur greater travel time and/or financial cost to get to the meeting and therefore be less likely to meet or attend.

[4] There are, however, other papers that dispute the view that hedge fund managers have more skill than mutual fund managers – see, for instance, Griffin and Xu (2009), Deuskar, Pollet, Wang and Zheng (2011), and Fung and Hsieh (2001). In addition, the data on hedge fund returns is largely self-reported and poses a number of empirical challenges (Fung and Hsieh (2000), Liang (2000,2003), Bollen and Kreply (2006), Agarwal, Daniel and Naik (2010), Asness, Krail and Liew (2001), among others).

While the focus of this paper is on the consequences of meetings for investors, rather than the consequences for the firm, the incentives of the firm are nonetheless important in understanding who meets with management. In addition to the factors that affect how much investors are likely to demand meetings, an important consideration is 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 executives 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 few institutional investors will be turned down, the management does use its discretion in deciding when to offer the private meeting (i.e. immediately or in several months). If management desires to better accommodate a given group of investors, these investors are likely to be able to meet more regularly. In this regard, if managers are seeking to maximize the impact of meetings, they may prefer to meet with larger holders of their firm's security since their trading decisions will have a disproportionally larger effect on the stock price.

It is also important to consider the incentives of the sell-side firms, who organize meetings. These firms are interested in rewarding clients that generate the most brokerage business through trading. Consequently, investors who conduct more trades and have higher turnover are more likely to be given the opportunity to meet with management. Some types of investors (e.g. hedge funds) generate more trading commissions for banks and thus will be more likely to be given the opportunity to meet with management. Although firms tend to avoid investors who have high turnover, the relationship between sell-side firms who arrange meetings and the firm appears to be largely amicable. In reference to a firm's relationship with a sell-side analyst, one mid-cap investor relations officer noted that "certainly we get a lot of introductions through the sell-side. That is where most of our investors get to hear about us, and then invest" (Bank of New York (2010)).

We investigate which investors meet with management, which managers they meet with, and what venues they meet at through a series of regressions. Specifically, we examine probit regressions with dependent variables indicating meeting attendance, manager type, and venue type.

2.2.2 Consequences of One-on-one Meetings

We investigate whether private management meetings convey information and whether this information is useful for making more informed trading decisions. Our first two tests primarily focus on understanding whether meetings convey information and our third test seeks to address whether meetings help investors make more informed trades.

We begin by investigating the association between having a meeting with management and an investor's decision to trade in the firm's security. If investors update their priors during meetings with management, they may feel compelled to trade in the security. Evidence that investors are more likely to trade would be consistent with meetings conveying information (e.g. Bamber et al. (1999), Hong and Stein (2007)).

While a greater tendency to trade is consistent with meetings conveying information, the relationship is not unambiguous. A meeting could also convey information that leads an investor to choose not to trade (e.g. an investor planned to sell before the meeting, but management convinced him or her otherwise). In addition, even if meetings contained information, if uninformed investors are overconfident in their own trading abilities (as found in Odean (1998)), they may still be equally as likely to trade as informed investors who attended meetings. Thus, even if private meetings convey information to investors, there may be no statistical relationship between meetings and the tendency to trade. Although this reduces the power of the test, we investigate as a preliminary test whether there is an association between investors who meet and those who trade.

Our second set of analyses provides a more powerful test of whether information is conveyed in meetings. We examine whether investors who meet are more likely to make correlated trading decisions. If meetings impart information to those who meet, we would expect investors who meet with management to trade more similarly to other investors who

also meet with management, as opposed to those that do not. 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 thesis. Thus, if meetings convey information, we expect investors meeting with management to trade in a more correlated fashion. To investigate this, we examine whether the trades are more correlated among those investors who meet with management as compared to those who do not.

These first two tests investigate whether information is conveyed to investors from private meetings with management, but not whether the information is actually useful. If investors are making trades based on information from meetings, then this suggests that they view the information from meetings as being relevant to their investment decisions. This does not however speak directly to the matter of whether this information actually improves the performance of the funds who act on it. It is possible that information is conveyed through meetings, but that the information is either not relevant or is used in a way that does not generate superior profits. Our third set of tests seeks to address this question.

To do so, we investigate the timing ability of investors who meet privately with management. Specifically, we examine the extent to which investors increase their position before periods of high returns and decrease their position before periods of low returns. 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 returns on the firm's stock.

Although finding a relationship between the change of an investor's position in the firm and future returns is consistent with meetings conveying useful information, an alternative explanation is that this phenomenon is not due to meetings with management, but rather due to the selection of investors who meet with management. If, for example, more skilled investors tend to meet management, then it would not be clear whether more informed trading after

meetings is actually because the meeting conveyed information which led to more informed trading or simply because investors who met with management typically made more informed trades.

We address this possibility in several ways. First, we control for a number of observable proxies for fund skill (fund type, size of position, turnover), and find that the timing ability associated with meetings continues after adding these controls. Second, we show that funds who meet at least once do not seem to show better timing ability in quarters when they do not meet, suggesting that the timing ability is not a fixed property of funds who meet management. Finally, we add in fund fixed effects, controlling explicitly for the average timing ability of each fund, and we find that funds still display greater timing ability in quarters when they meet. This suggests that meetings are not proxying for funds that are simply more informed overall.

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.

With the condition of firm anonymity, we were given 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 provided 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.

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 a 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. In terms of the distribution across time, 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 with the larger population of firms. 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. Nearly 30% of firms surveyed by Thomson Reuters saw their CEO's take more than 5 trips per year to meet investors, as does our sample CEO. Our sample CEO also 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 per year traveling while 16% spent more days traveling per year to meet investors.

3.2 Additional Data

In our cross-sectional analysis, we include several variables to investigate differences in the types of funds that meet. 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 is provided in millions of dollars as of the end of 2009. To reduce the possible bias associated with using this end of period measure of assets, and to account for possible non-linearities in the effects of fund size, we divide funds into four size quintiles. In doing so, we hope to separate relatively larger funds from relatively smaller funds, but not introduce specific ex-post performance bias into the measure.[5] Investment style shows the fund's type designation as recognized by investors and firm management. We classify funds according to whether they are an investment advisor, hedge fund, pension fund, bank and trust or research firm, and other

[5] If asset size measures are excluded from the regressions the results are substantially similar, suggesting that survivorship bias from the assets measure is not driving our results.

(endowment fund, insurance company, private equity, independent research, sovereign wealth fund, venture capital, or foundation). The latter are grouped together because the very small number of observations in each category makes individual controls impractical in most of the regressions.

Turnover indicates the frequency that equity holdings are traded at the firm. For each firm, Thomson designates turnover of each firm as low, medium, or high. Finally, the location of the fund 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 a dummy variable to group firms with missing data, in order to preserve as much of the sample data as possible for our tests.

Table I Panel A offers descriptive statistics about our sample by firm quarter. The average investor in our sample manages nearly $27 billion in equity assets and is located 815 miles away 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 significantly less than 1%.

Panel B provides a correlation table with asterisks indicating statistical significance at the 5% level. As would be expected, the amount of assets managed by an investor is positively correlated with the fraction of the firm they hold.

4. Empirical Results on Access to Management

The frequency of meetings for different investors in our sample is heterogeneous. Figure I displays a histogram of the number of meetings per investor. The histogram is positively skewed with many firms only meeting once and a small number of firms meeting many times. We find that 56% of firms meet only once during our six-year sample period. In contrast, 13% of investors meet at least once per year. In addition, a small number of investors meet 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 these meetings offer more than just an opportunity to receive an introduction to management.

Univariate statistics also show considerable variation in the quantity and quality of the different types of events. Table II shows that investor conferences are the most frequent venue (64%) for the firm to meet investors. The number of meetings with different investors at in-house events is higher than at conferences or road-shows. This difference between 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 by the natural convenience offered by bringing investors to the firm's headquarters, 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 and the majority of meetings regardless of the venue of the meetings. The unconditional probability of a fund meeting with management in a given quarter is 4.3%.

To examine the types of investors who gain access to management, Table III provides three sets of multivariate regressions. Panel A examines the characteristics of who meets. We find that firms that turnover their holdings more frequently are more likely to meet. Specifically, a high turnover firm is 5% more likely to meet than a low turnover firm. Firms that hold a greater fraction of the firm's shares (fraction firm) are also more likely to meet.

We also find evidence that the distance from the firm's headquarters to an investor's headquarters is related to the probability of meeting. In particular, we find a negative and statistically significant coefficient on log distance which indicates that investors whose headquarters are located farther away from the firm are less likely to meet. A one standard deviation increase in distance (i.e. nearly 800 miles) lowers the likelihood of meeting by 2%.

In regression (4) of Panel A, we also investigate different types of investors. The base specification consists of investment advisors with indicators for hedge fund, pension funds, and banks included in the regression. We find that hedge funds are nearly 2% more likely to meet with management than investment advisors. 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 III, Panel B we examine the determinants of funds meeting at different venues. Funds with higher turnover and holding a larger fraction of the firm are more likely to meet at conferences. Firms 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. This is consistent with investors not bearing any travel cost associated with a roadshow meeting as the firm travels to the investor's place of work.

In Panel C, we investigate the determinants of which funds meet specific executives at private meetings. Higher turnover and greater holdings of the firm's stock increase the likelihood of meeting all three top C-suite executives. Hedge funds are more likely to meet with the CEO and CFO. The results are somewhat more limited for the COO. One explanation for this is the limited availability of the COO at most meetings.

5. The Impact of Meeting with Management

The previous section investigates which investors engage in private meetings, the frequency of such meetings, and the venues these meetings occurred at. This section examines the impact of meetings on investors' trading decisions.

5.1 Likelihood of Trading Around Meeting

In Table IV, we examine the likelihood that an investor will trade in the quarter surrounding its meeting with the firm's management. The regression uses a probit specification, and is as follows:

$$Trade_{i,t} = a + b_1*Meet_{i,t} + b_{2\text{-}4}*Style_{2\text{-}4:\ i,t} + b_{5\text{-}7}*Asset_{2\text{-}4:\ i,t} + b_{8\text{-}9}*Turnover_{2\text{-}3:\ i,t} + b_{10}*FracCompany_{i,t} + b_{11}*LDrivedist_{i,t} + b_{12}*AssetMiss_{i,t} + b_{13}*TurnoverMiss_{i,t} + b_{14}*Date + e_{i,t} \quad (1)$$

The dependent variable is *Trade*, a dummy variable that equals one if the fund changed its position in the company's shares that quarter and zero otherwise. The main independent variable is *Meet*, a dummy variable that equals one if the fund met with the company that quarter and zero otherwise. In terms of additional controls, $Syle_{2\text{-}4}$ correspond to dummy variables for hedge funds, pension funds and banks, with investment advisors being the omitted category, $Asset_{2\text{-}4}$ are dummy variables for quartiles of fund asset size in 2009, with group 4 being the largest, $Turnover_{2\text{-}3}$ are dummy variables for medium and high turnover funds. *FracCompany* is the fraction of the company's shares held by the fund, *LDrivedist* is the log of the driving distance from the fund headquarters to the company headquarters, *AssetMiss* and *TurnoverMiss* are dummy variables that equal one if information on asset size and turnover, respectively, are missing, and *Date* are fixed effects for each quarter. Observations are taken quarterly for each fund, running from March 2004 to December 2009, and standard errors are clustered by fund and quarter.

Table IV presents these results. In both a univariate specification and after controlling for fund style, we find that investors who meet are statistically more likely to trade. The coefficient on meet is 0.728 in the univariate regression, and 0.627 when controlling for fund style, both significant at a 1% level. When adding the full controls, the coefficient on *Meet* is 0.402 and marginally significant at a 10% level. In terms of the economic magnitude of the coefficient, firms who meet are approximately 7% more likely to trade in the firm's security.

As well as the theoretical ambiguity of the test as noted earlier, the association between meeting and likelihood of trade also has limited power, due to over 90% of funds trading in each quarter. The marginally significant relationship between meetings and trade is suggestive of information being conveyed in meetings, but not conclusive.

5.2 Correlation of Trading Among Investors

A more powerful test to examine whether meetings convey information is to identify similarities in trading between investors who meet with management and those that do not. To do this, we examine whether the trades of investors who attend meetings are more correlated than those who do not privately meet with management. While the information in the meeting

may lead to the purchase or sale of the stock, the meeting should lead investors that were at a particular meeting to be more likely to trade in the same direction relative to other funds. The distinction of 'relative to other funds' is crucial – the question is not whether the trades of funds who meet are correlated, but whether they are *more* correlated than the trades of other funds.

To address this question, we apply a two-step methodology. First, we examine the cross-section of trades at each point in time to see if funds who meet are more likely to trade in a given direction during that quarter. Second, we aggregate the p-values from each of the cross-sectional tests into an overall test statistic for the abnormal correlation of trades of funds who meet with management. This process allows us to determine whether trades of funds who meet are more likely to go in a particular direction, while allowing for the fact that the direction of the effect will likely vary from quarter to quarter.

We consider three different dependent variables which define the direction of change in the investors' position. '*Increase*' is a dummy variable equal to 1 if the investor bought shares over the quarter and zero otherwise and '*Decrease'* is a dummy variable that equals 1 if the fund sold shares over the quarter and zero otherwise. We also consider a bidirectional variable, *TradeDir* that equals 1 if the fund bought shares, 0 if the fund did not change its position, and -1 if the fund sold shares.

Using these variables, we run several tests to evaluate whether the positional changes for investors who meet are correlated. The first test utilizes the binomial method. For this test, each quarter we compute the n funds who held the stock at the start of the quarter, m funds who met with the company, j funds who increased their position in the stock, and k funds who both met and increased their position in the stock. Following this, the unconditional probability that an investor will increase his position that quarter is j / n. Under the null hypothesis that meeting the fund is uncorrelated with the direction of the position change, if we select m funds, the probability distribution for the number of funds that increased their position is given by a binomial distribution $Bin(m, j/n)$. As a result, under the null hypothesis that funds who meet have the same chance of buying the stock as other funds, the cumulative distribution function for observing k increases given the population probability q is given by:

$$\Pr(X \leq k) = \sum_{i=0}^{k} \binom{m}{i} q^i (1 = q)^{m-1}$$

Because both a very high cumulative distribution (lots funds who meet are buying) or a very low cumulative distribution (very few funds who meet are buying) are both rejections of the null, we are interested in the overall p-value. To obtain this, we take the minimum of (Pr(*X*≤*k*), Pr(*X*>*k*)), and multiply this by 2 to reflect the two-sided nature of the test. This corresponds to the overall *p*-value in that quarter for the null hypothesis that funds who meet are equally likely to increase their position. We compute this statistic for both the 'increase' position and 'decrease' position variables. After computing this statistic for each quarter, we aggregate the time series p-values (as described below).

The second method for obtaining the time-series of p-values is through regression analysis. For the univariate regression, the model is:

$$Increase\ [or\ Decrease\ or\ TradeDir] = a + b_1 * Meet + e$$

For the multivariate regression, we also include the additional controls as discussed in Section 4. In doing so, we are able to examine whether funds that met were more likely to trade in a given direction given the other attributes of the fund. This regression is:

$$Increase\ [or\ Decrease\ or\ Tradedir] = a + b_1 * Meet + b_{2\text{-}4} * Style_{2\text{-}4:\ i,t} + b_{5\text{-}7} * Asset_{2\text{-}4:\ i,t} + b_{8\text{-}9} * Turnover_{2\text{-}3:\ i,t} + b_{10} * FracCompany_{i,t} + b_{11} * LDrivedist_{i,t} + b_{12} * AssetMiss_{i,t} + b_{13} * TurnoverMiss_{i,t} + b_{14} * Date + e_{i,t} \quad (2)$$

For both the univariate and multivariate regressions, we primarily focus on the p-value associated with the t-statistic on b_1, the coefficient on *Meet*. Like the binomial test, the regression models create a time-series of p-values describing whether funds who meet with management are more likely to trade in a given direction.

After creating the time-series of p-values through the binomial or regression method, we aggregate these values into an overall test statistic. This is done by combining the p-values into a single test statistic as described in Maddala and Wu (1999). If we have *p*-values from *n*

quarters, then $K = \sum_{i=1}^{n} -2 \ln p_i$ is distributed according to a Chi-Squared distribution with $2n$ degrees of freedom. This is the overall test of significance for correlation of trades that we examine.

The results of these tests are presented in Table V. The magnitude and direction of the correlation varies from period to period, but the results show a consistent pattern that funds who meet will often be more likely to trade in the specified direction. For example, out of the 20 periods for the 'bidirectional' trade analysis, 9 are significant at a 10% level, 4 are significant at a 5% level, and 2 are significant at a 1% level. As discussed, these quarter by quarter p-values are aggregated to create one overall test statistic.

Panels A and B present the results of these formal aggregated tests and the aggregated p-values. The values displayed are the p-values for the chi-squared test. This value provides the overall probability of observing this much correlation in position changes by chance alone.

Overall, the results in Table V provide evidence that the trades of investors who attend meetings are significantly more correlated than those of investors who do not meet with management. Under the binomial test, the overall p-value is less than .01 for both increases and decreases in position. The univariate and multivariate p-values are similar with p-values for increases, decreases, and tradedir significant at the 1% level.

In terms of the economic magnitude of how a meeting affects the likelihood of a positional change, a meeting changes the overall probability of a fund increasing or decreasing its position by approximately 21% (for instance, if the base probability of a fund increasing its position in a quarter is 20%, funds that meet would have a 41% chance of an increase). This observation results from the average absolute value of the coefficient on *meet*, which is between 0.20 (univariate regression of *decrease* on *meet*) and 0.22 (univariate regression of *increase* on *meet*). When the overall trade direction variable is considered, the coefficient is 0.42. The larger coefficient here reflects the fact that in any given quarter, funds that meet will be simultaneously more likely to buy *and* less likely to sell, or vice versa (as opposed to just switching from buying to not changing position).

To explore the source of this correlation in trading behavior, we also examine several additional specifications in Panels B by fund type. In this setting, the regression is testing whether a particular type of investor (e.g. investment advisor) is more likely to have correlated trades relative to other funds.

The results indicate that the correlation in trades among funds that meet is driven mainly by the hedge funds in the sample. They exhibit a correlation in trades that is significant at the 1% level in all specifications. By contrast, none of the other fund types show any significant correlation in their trades. This result suggests that private meetings have a greater influence on certain types of investors. In this case, hedge funds, who are usually considered among the most informed investors, exhibit highly correlated trades, whereas other investors do not.

5.3 Informativeness of Trades

The results in section 5.2 suggest that meetings convey information to some investors, as evidenced by the increased tendency for investors who meet to conduct their trades in a more correlated fashion. If traders are all motivated to trade in the same direction after meeting, it suggests that they view the information as being predictive for future returns. However, it is possible that information is conveyed through meetings, but this information does not actually improve future investment decisions. In this section, we seek to examine whether meetings offer investors the opportunity to make more informed trading decisions. To do so, we investigate the timing ability of investors who meet privately with management versus those who do not. Specifically, we examine whether and to what extent investors increase their position before periods of high returns and decrease their position before periods of low returns.

Our analysis of this issue examines the relationship between the percentage change in the investor's position and the next quarter's stock return for the firm. The regression is:

$$Fracchange_{i,t} = a + b_1*Meet_{i,t} + b_2*Return_{t+1} + b_3*Meet*Return_{t+1} + b_{4\text{-}6}*Style_{2\text{-}4:i,t} + b_{7\text{-}9}*Style_{2\text{-}4:\ i,t}*Return_{t+1} + b_{10\text{-}12}*Asset_{2\text{-}4:\ i,t} + b_{13\text{-}15}*Asset_{2\text{-}4:\ i,t}*Return_{t+1} + b_{16\text{-}17}*Turnover_{2\text{-}3:\ i,t}$$

$$+ b_{18\text{-}19}*Turnover_{2\text{-}3:\,i,t}*Return_{t+1} + b_{20}*FracCompany_{i,t} + b_{21}*FracCompany_{i,t}*Return_{t+1} + b_{22}*AssetMiss_{i,t} + b_{23}*AssetMiss_{i,t}*Return_{t+1} + b_{24}*TurnoverMiss_{i,t} + b_{25}*TurnoverMiss_{i,t}*Return_{t+1} + b_{26}*AnyMeet_{i,t} + b_{27}*AnyMeet_{i,t}*Return_{t+1} + b_{28}*FracMeet_{i,t} + b_{29}*AnyMeet_{i,t}*Return_{t+1} + b_{30}*Date + e_{i,} \quad (4)$$

The dependent variable, *fracchange*, is the percentage change in the fund's holdings from period *t*-1 to period *t*. The measure of timing ability for the average fund is the coefficient on $Return_{i,t+1}$. A positive coefficient would indicate that the average fund has positive timing ability, as they increase their position before positive returns and decrease their position before negative returns. The main variable of interest is the coefficient on $Meet*Return_{t+1}$ – this indicates whether funds that meet have better timing ability relative to other funds. A positive coefficient on this variable indicates that funds who meet are more likely to increase their positions in the quarter before high returns and decrease their position before low returns, as compared to a fund with equivalent characteristics that did not meet.

The other controls (*Style*, *Asset*, etc.) capture the possibility that these characteristics may be associated with an overall trend in purchasing, while the interactions (*Style*Return* etc.) are included to capture the possibility that the control variables may be associated with better timing ability. New controls include *AnyMeet*, a dummy variable that equals one if the fund ever met with management, and *FracMeet*, the number of quarters that the fund met with management as a fraction of the number of quarters that the fund held the stock.

Table VI presents the results of these regressions. At a univariate level, the coefficient on $Meet*Ret_{t+1}$ is 3.572, and significant at the 1% level. The positive coefficient indicates that funds that meet have significantly better timing ability than other funds. Adding in additional fund controls and date fixed effects (column 4) reduces the effect to 2.622, still significant at the 1% level. The magnitude of the coefficient indicates that a one standard deviation increase in next quarter's returns creates a 19% increase in the size of the investor's position.

One identification concern is the possibility that investors who meet with management are more skilled along some dimension that we are not measuring. In this regard, meetings with the management may be a sign of underlying skill of the investor, not information being conveyed in the meeting itself.

Columns 5 and 6 address this question. One possibility is that funds that meet often simply have better timing ability generally and the apparent effect of meetings is picking up this effect. To address this, we include the controls for *AnyMeet* and *FracMeet*, as well as their interactions with *Return*. The addition of *AnyMeet*Return* tests whether funds that meet at some point have better overall timing ability as a group, and whether meetings increase their timing ability relative to this level. The addition of *FracMeet*Return* tests whether the effect is limited to funds that meet frequently with the fund, which may be also correlated with other fund characteristics.

Including these controls increases the coefficient on $Meet*Ret_{t+1}$ to 3.260, significant at the 5% level. In addition, the coefficient on $AnyMeet*Return_{t+1}$ is actually negative: -2.180, significant at a 10% level. The interpretation of this is that funds that meet only seem to have better timing ability in the quarters when they meet. In quarters where they do not meet (i.e. *Meet*=0 and *AnyMeet*=1), funds that have met at least once with the company appear to display directionally *worse* timing ability than funds that never met. While we do not seek to place strong emphasis on the negative sign as it is only weakly significant, this is compelling evidence that the results are not driven by funds who meet at any point simply being more skillful overall (i.e. that the coefficient is not in fact positive).

The second test we examine is even more stringent – we replace the fund-level controls with individual fund fixed effects and interactions of these fixed effects with $Return_{t+1}$. This has the effect of controlling for the fixed timing ability of every individual fund and measuring the overall increase in timing ability associated with meetings relative to that particular fund's base timing ability. Because this involves the addition of a significant number of fixed effects, the statistical significance of the $Meet*Return_{t+1}$ coefficient drops to the 10% level, but the coefficient itself is similar in magnitude, at 3.624. The fact that that funds that meet privately with management continue to show enhanced timing ability provides additional robust support that the effect is indeed a time-series one related to funds who met in that particular quarter, rather than an omitted variable related to underlying investor skill.

5.4 Informativeness of Trades by Fund Type

The results in Table V suggest that the correlation in trades appears driven only by the hedge funds in the sample. To examine this question further, we examine whether the increased informativeness of trades after meetings is also concentrated among hedge funds. The regressions are the same as those in section 5.3, except that *Meet*Return* is replaced by four variables corresponding to meetings held by each fund type (*Style*$_1$*Meet*Return*, *Style*$_2$*Meet*Return* etc.), and the simple *Meet* variable is also replaced by *Style*$_1$*Meet* etc. In addition, the controls for *AnyMeet*, *FracMeet*, *AnyMeet*Return*, and *FracMeet*Return* are similarly replaced with interactions for each fund type: *AnyMeet*Style*$_1$, *AnyMeet*Style*$_1$*Return*, etc.

The interpretation of these variables is that the overall meeting effect is split into four variables corresponding to meetings by each fund type, and the coefficient has the interpretation of whether meetings by that particular fund type are associated with increased timing ability over that fund type generally.

Table VII presents these results. Consistent with Table V, the increase in timing ability due to meetings is driven mainly by hedge funds. The coefficient on *Style*$_2$*Meet*Return*$_{t+1}$ (i.e. the increased timing ability for meetings by hedge funds) is 5.809 and significant at a 1% level in column 1, which includes only fund type controls and interactions. Adding in all controls except *AnyMeet*Style* and *FracMeet*Style* in column 3 (corresponding to column 4 in Table VI) results in a coefficient on *Style*$_2$*Meet*Return*$_{t+1}$ of 5.121, significant at a 5% level. As in Table VI, the effect again does not appear to be associated with a higher overall timing ability for hedge funds who meet, but instead better timing ability in periods after meeting. This is seen in column 4, where the addition of the *AnyMeet*Style* and *FracMeet*Style* interactions results in a somewhat larger effect meetings on hedge fund timing ability, with the coefficient increasing to 6.133, significant at the 5% level.

In terms of the other fund types, investment advisors and pension funds show no significant increase in timing ability in any specification. Banks show a marginally significant increase in timing ability after meetings when only fund type controls are included, with the coefficient on *Style*$_4$*Meet*Return*$_{t+1}$ (i.e. bank meetings) being 3.053 and significant at a 10% level.

However, this effect loses its significance as additional controls are added, and becomes smaller in size when the *AnyMeet*Style* and *FracMeet*Style* interactions are included.

5.5 Discussion

The analysis in sections 5.1 to 5.4 offers several pieces of evidence which are consistent with meetings both conveying information and facilitating more informed trades. In addition, the effect of meetings on both trade correlation and trade informativeness are concentrated largely in hedge funds who meet with management. Hedge funds are often considered as being relatively sophisticated investors, and more likely to have skill than mutual funds or pension funds. If the increased trade correlation and informativeness is a sign of valuable information being conveyed, this raises the question of why these effects are not present for all funds.

Our results are consistent with two possible interpretations. The first is that investors are receiving the same information, but that the information is not equally valuable to all investors. Hedge funds may have more ability to parse out the meaning of ambiguous information conveyed by management, or the information conveyed may only be valuable in conjunction with other pieces of information that informed investors have. Discussion with management might convey the missing piece in the puzzle that helps informed investors understand the company's prospects, but may not be useful on its own to less sophisticated investors. This view would be consistent with the mosaic theory of investing.

An alternative hypothesis is that hedge funds are being told different and inherently more valuable information. Under this interpretation, management would need to disclose more valuable information to hedge funds than to other fund types.

While we cannot conclusively determine which explanation is true with the available empirical data, there are some anecdotal reasons to suggest that, at a minimum, disclosing more valuable material information to hedge funds is unlikely to be a *deliberate* policy by management. First, it seems improbable that the firm would be willing to provide us with their meetings data if they felt that they were deliberating disclosing information that would blatantly violate Reg-FD. This does not rule out the possibility that the firm inadvertently

discloses such information, but it militates against the possibility of management having a quid-pro-quo arrangement with hedge funds to disclose valuable material information.

Second, it is not clear why it would be in the interests of the company to give preferential treatment to hedge funds. The anecdotal reasons for the company's willingness to hold such meetings center around 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 from management.

Given this, our results seem to be most appropriately interpreted as implying either that 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.

6. Conclusion

Private meetings between executives and investors consume a significant amount of managerial time and offer investors a potentially unique window into a firm's operations. We find that certain types of investors are more likely to privately meet with management including those with more assets, greater turnover, closer physical proximity to the firm, and greater holdings of the firm. We also find that hedge funds are also more likely to meet with management. These findings are consistent with the incentives of both sell-side analysts (who arrange meetings for investors that offer the greatest revenue opportunities for the sell-side analysts' firm) and investors who have the most to gain from meetings with management.

We also examine whether private meetings convey information to investors and whether this information is useful for making more informed investment decisions. We find that investors who meet with management trade in a more correlated fashion. We also find evidence that investors who meet with management make more informed trades by increasing the size of their position before periods of high returns and reducing their position before periods of low returns. In addition, the increases in both correlation and timing ability are concentrated among hedge funds and are not evident for mutual funds or pension funds.

Our results are based on detailed records from a mid-cap NYSE traded firm. However, the results relating to the differences in effects across funds rely on the larger cross-section of funds. Our findings align with the incentives of the parties involved, mitigating some concern that our firm is unusual. Although we provide survey evidence from several institutions to understand similarities and differences in the meeting behavior between our firm and others, future research that could gain access to additional data would prove fruitful to reexamine our analysis and results in a larger sample.

The spirit underlying Reg FD might suggest that meetings would not convey information useful for making more informed trading decisions. However, evidence suggests that collecting nonmaterial nonpublic information is quite common. For example, a recent *New York Times* piece described one major hedge fund as being "known for relentlessly pressing sources for information about companies in the hopes of building what they call a 'mosaic' to gain an information edge" (*New York Times*, Dealbook). Our analysis is consistent with this idea of a 'mosaic theory' of investing.

Our analysis on the consequences of meetings focuses on the issue from the perspective of an investor. Another angle that deserves additional examination is the consequences for management. A recent paper on how chief executives spend their time (Bandiera et al. (2011)) suggests that time spent with outsiders (including investors) is on average less beneficial for the firm. This is in contrast to survey evidence which suggests that executives meet with investors because of its perceived benefits for the firm. Future research addressing the implications of spending more or less time with outside stakeholders, like investors, would prove useful in better understanding whether such interactions are beneficial for the firm.

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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.

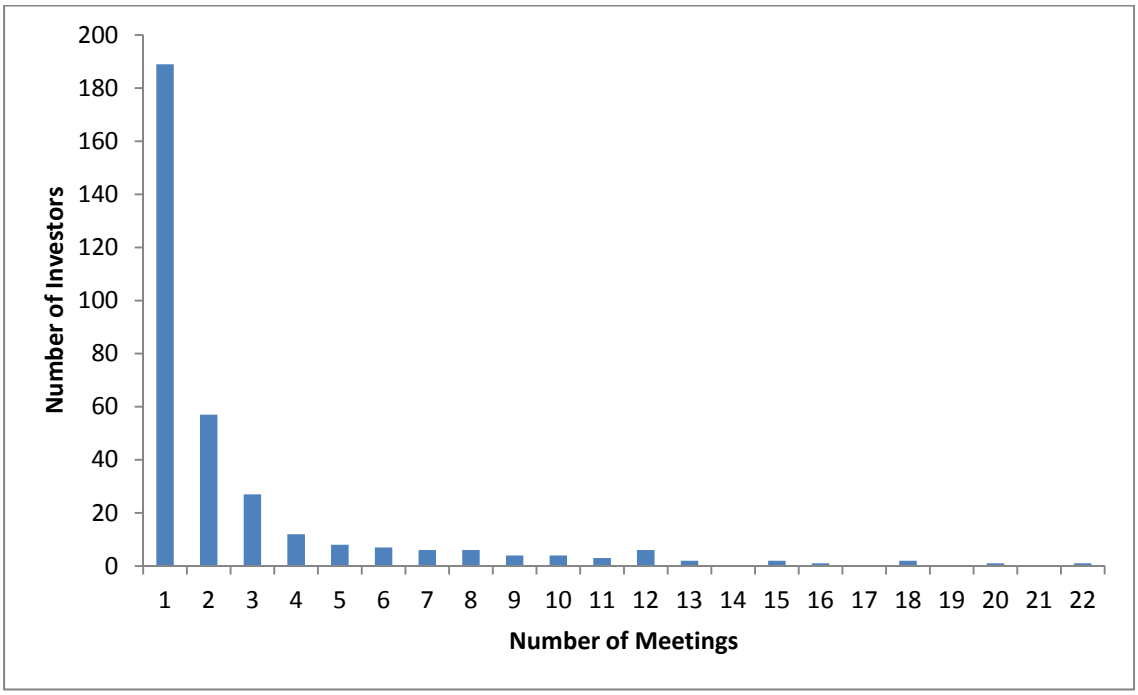

Table I - Descriptive Statistics

Panel A: Variables

The table displays summary statistics for the variables used in the regression analysis. Investor assets refers to the value of equity assets (in millions) at the end of 2009 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 of the firm over a quarter winsorized by 1%.

	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: Correlation Matrix

The table shows the correlation of variable used in the analysis. A ' * ' indicates statistical significance at the 5% level. See Panel A for variable definitions.

	Assets (M)	Distance (miles)	Turnover (med)	Turnover (high)	Fraction firm	Meet	Trade	Fraction change
Assets (M)	1.0000							
Distance (miles)	-0.1123*	1.0000						
Turnover (med)	0.0498*	-0.0827*	1.0000					
Turnover (high)	-0.3476*	-0.0900*	-0.4263*	1.0000				
Fraction firm	0.4495*	-0.0603*	0.0530*	-0.2076*	1.0000			
Meet	0.0865*	-0.1049*	0.0251	0.0471*	0.1734*	1.0000		
Trade	0.1051*	-0.0946*	0.0797*	0.0367*	0.0977*	0.0621*	1.0000	
Fraction change	0.1981*	0.0194	0.0223	-0.1637*	0.5516*	0.0262	-0.1118*	1.0000

Table II - Meetings Statistics

The table displays summary statistics for different venues. Each event is defined as the set of meetings (i.e. private interaction between each the firm and the investor) held in one location on a given day(s). See Section 2.1 for additional details on the description of each event type.

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

	# 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

	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 III - Access to Management

This table examines the determinants of which investors meet with managers at what location. Hedge fund, pension fund, and bank are indicator variables (1/0) of whether an investor falls into the respective category. See Table I for other variable definitions. All regressions are probit models and standard errors clustered by firm and quarter are shown in parentheses below the coefficients. *,**,*** indicate statistical significance at the 10%. 5%, and 1% level.

Panel A: Meeting Determinants

This panel examines the determinants of meeting with management.

	(1)	(2)	(3)	(4)
	meet	meet	meet	meet
hedge fund	0.306**	0.319**	0.242*	0.346***
	(0.130)	(0.124)	(0.124)	(0.132)
pension fund	-0.260	-0.0462	-0.0582	0.0305
	(0.303)	(0.300)	(0.310)	(0.331)
bank	0.119	0.194	-0.145	-0.105
	(0.208)	(0.226)	(0.253)	(0.282)
turnover (med)		0.417***	0.498***	0.520***
		(0.153)	(0.160)	(0.178)
turnover (high)		0.543***	0.598***	0.555**
		(0.198)	(0.212)	(0.234)
asset quartile 2		-0.0361	0.0365	0.000682
		(0.186)	(0.182)	(0.203)
asset quartile 3		-0.164	-0.181	-0.210
		(0.185)	(0.190)	(0.213)
asset quartile 4		0.234	0.209	0.204
		(0.180)	(0.188)	(0.211)
fraction firm		22.20***	21.19***	25.29***
		(2.683)	(2.595)	(3.429)
log distance			-0.203***	-0.201**
			(0.0789)	(0.0911)
turnover (miss)		-0.454	-0.152	-0.181
		(0.524)	(0.487)	(0.563)
asset (miss)		0.507	0.800**	0.921**
		(0.460)	(0.373)	(0.451)
constant	-1.828***	-2.401***	-1.075*	-5.933***
	(0.128)	(0.194)	(0.600)	(0.806)
Date Fixed Effects	No	No	No	Yes
# Observations	5,431	5,431	4,106	3,666
R^2	0.02	0.14	0.14	0.23

Panel B: Venue Determinants

This panel examines the determinants of the venue choice. Conference, roadshow, and inhouse are indicator variables (1/0) for each respective venue.

	(1)	(2)	(3)
	conference	roadshow	inhouse
hedge fund	0.196	0.427***	0.433***
	(0.147)	(0.159)	(0.148)
pension fund	-0.0346	-	0.610
	(0.310)		(0.469)
bank	-0.0473	-0.234	-0.0625
	(0.278)	(0.320)	(0.400)
turnover (med)	0.535***	0.420**	0.470**
	(0.197)	(0.191)	(0.214)
turnover (high)	0.525**	0.452*	0.593**
	(0.233)	(0.272)	(0.240)
asset quartile 2	0.0224	0.0977	-0.172
	(0.226)	(0.279)	(0.337)
asset quartile 3	-0.134	0.0684	-0.738*
	(0.216)	(0.307)	(0.440)
asset quartile 4	0.268	0.241	-0.127
	(0.188)	(0.262)	(0.229)
log distance	-0.164**	-0.0364	-0.549***
	(0.0710)	(0.139)	(0.155)
fraction firm	23.16***	23.70***	15.88***
	(3.116)	(2.828)	(4.425)
turnover (miss)	0.0607	-0.581	-0.0728
	(0.548)	(0.571)	(0.707)
asset (miss)	0.572	1.575***	0.00645
	(0.407)	(0.295)	(0.602)
constant	-6.060***	-7.110***	-3.212***
	(0.684)	(1.128)	(1.014)
Date Fixed Effects	Yes	Yes	Yes
# Observations	2,830	1,740	1,145
R^2	0.21	0.21	0.20

Panel C: Senior Management Determinants

This panel examines the determinants of the venue choice. This table examines which senior managers meet investors. CEO, CFO, and COO are indicator variables (1/0) for each respective executive.

	(1) CEO	(2) CFO	(3) COO	(4) IRO
hedge fund	0.391***	0.402***	0.113	0.353***
	(0.122)	(0.148)	(0.344)	(0.130)
pension fund	0.0788	-0.0261	0.224	0.0604
	(0.325)	(0.329)	(0.554)	(0.331)
bank	-0.0799	-0.0808	0.287	-0.144
	(0.282)	(0.295)	(0.257)	(0.267)
turnover (med)	0.491***	0.537***	0.426	0.552***
	(0.170)	(0.150)	(0.299)	(0.177)
turnover (high)	0.512**	0.533**	0.343	0.590**
	(0.228)	(0.216)	(0.319)	(0.232)
asset quartile 2	-0.0183	-0.110	-0.00732	-0.0231
	(0.198)	(0.224)	(0.383)	(0.205)
asset quartile 3	-0.287	-0.161	-0.706*	-0.204
	(0.203)	(0.241)	(0.428)	(0.214)
asset quartile 4	0.174	0.169	-0.475	0.197
	(0.206)	(0.186)	(0.350)	(0.214)
log distance	-0.186**	-0.273***	-0.568***	-0.194**
	(0.092)	(0.100)	(0.211)	(0.092)
fraction firm	25.14***	18.82***	18.34***	25.22***
	(3.419)	(2.912)	(5.608)	(3.514)
turnover (miss)	-0.196	-0.651*	?	-0.143
	(0.559)	(0.341)		(0.554)
asset (miss)	0.903**	1.019***	2.164***	0.930**
	(0.443)	(0.249)	(0.171)	(0.442)
constant	-5.991***	-4.968***	-3.612***	-5.970***
	(0.806)	(0.724)	(1.293)	(0.810)
Date Fixed Effects	Yes	Yes	Yes	Yes
# Observations	3,666	3,060	994	3,666
R^2	0.22	0.19	0.27	0.23

Table IV - The Likelihood of Trading

This table examines the likelihood of an investor trading in the firm's security. The dependent variable is an indicator variable (1/0) of whether the firm trades in the quarter or not. Hedge fund, pension fund, and bank are indicator variables (1/0) of whether an investor falls into the respective category. See Table I for other variable definitions. All regressions are probit models and standard errors clustered by firm and quarter are shown in parentheses below the coefficients. *,**,*** indicate statistical significance at the 10%. 5%, and 1% level.

	(1)	(2)	(3)	(4)
	trade	trade	trade	trade
meet	0.728***	0.627***	0.388*	0.402*
	(0.184)	(0.192)	(0.206)	(0.213)
hedge fund		0.380***	0.266**	0.268**
		(0.109)	(0.129)	(0.130)
pension fund		-0.471**	-0.586***	-0.588***
		(0.211)	(0.219)	(0.222)
bank		0.244	0.222	0.247
		(0.176)	(0.235)	(0.235)
turnover (med)			0.362**	0.373***
			(0.143)	(0.143)
turnover (high)			0.419**	0.411**
			(0.172)	(0.174)
asset quartile 2			-0.0912	-0.106
			(0.183)	(0.183)
asset quartile 3			0.178	0.172
			(0.180)	(0.179)
asset quartile 4			0.437**	0.447**
			(0.192)	(0.191)
log distance			-0.108	-0.112
			(0.069)	(0.070)
fraction firm			13.96	14.58
			(9.797)	(9.982)
turnover (miss)			0.171	0.143
			(0.225)	(0.233)
asset (miss)			-0.0493	-0.0305
			(0.326)	(0.340)
constant	1.302***	1.231***	1.598***	1.561***
	(0.060)	(0.078)	(0.504)	(0.550)
Date Fixed Effects	No	No	No	Yes
# Observations	5,431	5,431	4,106	4,106
R^2	0.01	0.04	0.09	0.11

Table V - Correlated Trading Analysis

This table examines the correlation among trades made by investors who meet and do not meet with management. Meet is an indicator (1/0) for whether the investor met with management during the quarter (at all, by investor type, by meeting type). The table displays the p-value for the test described in Section 5.2.

	Increase			Decrease			Increase/Decrease		
Model	Test Statistic	p-value	Abs. Coeff	Test Statistic	p-value	Abs. Coeff	Test Statistic	p-value	Abs. Coeff
Panel A: Meet Binary									
Meet(Binomial Test)	72.64	0.001	-	67.53	0.004	-	-	-	-
Meet (Univariate)	73.93	0.001	0.22	65.74	0.006	0.20	72.03	0.001	0.42
Meet(Multivariate)	65.19	0.007	0.21	62.39	0.013	0.21	67.78	0.004	0.42
Panel B: By Investor Type									
Meet Investment Advisor(Multivariate)	44.74	0.210	0.33	40.52	0.360	0.30	44.02	0.232	0.63
Meet Hedge Fund(Multivariate)	62.09	0.008	0.30	66.42	0.003	0.32	68.16	0.002	0.61
Meet Pension Fund(Multivariate)	16.50	0.284	0.50	12.56	0.561	0.39	15.32	0.357	0.89
Meet Bank(Multivariate)	18.22	0.573	0.36	18.96	0.525	0.38	19.53	0.488	0.74
Panel C: By Event Type									
Conference(Multivariate)	36.00	0.208	0.20	38.30	0.142	0.20	39.20	0.121	0.40
Roadshow(Multivariate)	28.44	0.099	0.23	23.73	0.255	0.21	27.80	0.114	0.44
In-House(Multivariate)	15.13	0.235	0.22	18.01	0.115	0.24	17.70	0.125	0.45

Table VI - Informativeness of Trades

This table examines the relationship between meeting and the timing ability of trades. The dependent variable is the percent change in the fund's holding this quarter. Meet is an indicator (1/0) for whether the investor met with management during the quarter. Return is the market return on the firm's security in the following quarter. See Table I for other variable definitions. All regressions are OLS models and standard errors clustered by firm and quarter are shown in parentheses below the coefficients. *,**,*** indicate statistical significance at the 10%. 5%, and 1% level.

	(1)	(2)	(3)	(4)	(5)	(6)
	fracchange	fracchange	fracchange	fracchange	fracchange	fracchange
return	0.0522	-2.733	-2.593	-2.980	-3.274	-6.818
	(0.132)	(2.949)	(3.090)	(3.264)	(3.520)	(4.602)
meet*return	3.572***	3.138***	2.981***	2.622***	3.260**	3.624*
	(1.028)	(0.761)	(0.840)	(0.920)	(1.571)	(2.160)
fraction firm * return		32.64	33.45	36.52	44.66	125.6
		(24.06)	(26.54)	(27.25)	(30.24)	(78.78)
turnover (med) * return		1.038*	1.001*	1.032*	1.370*	
		(0.626)	(0.604)	(0.610)	(0.755)	
turnover (high) * return		-0.0948	-0.382	-0.521	-0.415	
		(1.023)	(1.142)	(1.187)	(1.114)	
log distance * return		0.331	0.267	0.249	0.285	
		(0.414)	(0.414)	(0.424)	(0.453)	
asset quartile 2 * return		0.457	0.475	0.452	0.418	
		(0.682)	(0.720)	(0.717)	(0.735)	
asset quartile 3 * return		-0.218	-0.175	-0.219	-0.114	
		(0.532)	(0.523)	(0.547)	(0.578)	
asset quartile 4 * return		-0.289	-0.281	-0.308	0.174	
		(0.861)	(0.892)	(0.868)	(0.838)	
turnover (miss) * return		-2.528***	-2.747***	-2.826***	-2.622***	
		(0.825)	(0.353)	(0.628)	(0.978)	
asset (miss) * return		4.718*	4.715**	4.847**	5.182**	
		(2.442)	(2.276)	(2.389)	(2.498)	
hedge fund * return			0.929	0.939	0.959	
			(0.638)	(0.659)	(0.663)	
pension fund * return			0.360	0.461	0.262	
			(0.724)	(0.738)	(0.669)	
bank * return			-1.166	-1.169	-1.279	
			(1.408)	(1.437)	(1.474)	
other style * return			1.491**	1.384*	0.955	
			(0.686)	(0.731)	(0.623)	
any meeting * return					-2.180*	
					(1.314)	
fraction meeting * return					2.742	
					(3.019)	
Turnover, Distance, Asset, Fraction Firm Controls	No	Yes	Yes	Yes	Yes	No
Meet	Yes	Yes	Yes	Yes	Yes	Yes
Style Control	No	No	Yes	Yes	Yes	No
Date FE	No	No	No	Yes	Yes	Yes
Fund FE, Fund FE * Return	No	No	No	No	No	Yes
# Observations	4,468	3,420	3,420	3,420	3,420	4,468
R^2	.01	.01	.02	.02	.03	.19

Table VII - Informativeness of Trades by Style

This table examines the relationship between meeting and the timing ability of trades by different fund types. The dependent variable is the percent change in the fund's holding this quarter. Meet is an indicator (1/0) for whether the investor met with management during the quarter. Return is the market return on the firm's security in the following quarter. Hedge fund, pension fund, and bank are indicator variables (1/0) of whether an investor falls into the respective category. See Table I for other variable definitions. All regressions are OLS models and standard errors clustered by firm and quarter are shown in parentheses below the coefficients. *,**,*** indicate statistical significance at the 10%. 5%, and 1% level.

	(1)	(2)	(3)	(4)
	fracchange	fracchange	fracchange	fracchange
investment manager * meet * return	0.229	-1.509	-2.184	-1.865
	(1.160)	(1.784)	(1.806)	(1.356)
hedge fund * meet * return	5.809***	5.391***	5.121**	6.133**
	(2.055)	(2.045)	(2.054)	(2.764)
pension fund * meet * return	0.104	0.331	0.487	-0.157
	(0.342)	(0.432)	(0.471)	(0.558)
bank * meet * return	3.053*	4.049	3.595	2.024
	(1.620)	(2.978)	(2.730)	(2.507)
return	-0.424	-2.464	-2.780	-2.661
	(0.498)	(2.988)	(3.115)	(3.498)
hedge fund * return	0.134	0.679	0.679	0.474
	(0.572)	(0.654)	(0.669)	(0.724)
pension fund * return	-0.401	0.320	0.408	-0.161
	(0.495)	(0.694)	(0.705)	(0.607)
bank * return	-1.590	-1.182	-1.186	-1.940
	(1.358)	(1.434)	(1.469)	(1.724)
other style * return	-0.682	1.412**	1.299**	0.672
		(0.613)	(0.659)	(0.654)
turnover (med) * return		0.946	0.976	1.302*
		(0.613)	(0.617)	(0.749)
turnover (high) * return		-0.425	-0.573	-0.534
		(1.142)	(1.187)	(1.105)
turnover (miss) * return		-2.760***	-2.845***	-2.859***
		(0.728)	(0.920)	(0.832)
log distance * return		0.264	0.246	0.261
		(0.412)	(0.422)	(0.463)
fraction firm * return		42.01	45.80	58.74
		(34.53)	(35.68)	(42.65)
Asset, Asset * Return, Style	Yes	Yes	Yes	Yes
Turnover, Distance, Fraction	No	Yes	Yes	Yes
Date Fixed Effect	No	No	Yes	Yes
Any Meeting * Style (* Return)	No	No	No	Yes
Fraction Meeting * Style (* Return)	No	No	No	Yes
# Observations	4,468	3,420	3,420	3,420
R^2	0.011	0.020	0.027	0.029