# Results

We perform trading and performance difference-in-difference (DiD) analysis between the target and control sample with the following model in Equation (1)...

(1)

where l indexes for the loan facility, f indexes for the fund, b indexes for the corporate bond and t for time (quarterly). Y is the dependent variable which can be the absolute value for the change of ownership scaled by the Total Asset under Management (|∆ Ownership|) of a fund f’s holding of bond b from the beginning to the end of quarter t. When analyzing performance, the measure is the change of the ownership, ∆ Ownership, multiplies the bond b’s return in t+1. That is the trading happens during quarter t and the performance will be checked the next quarter, t+1. The results are presented in Table 2. Column A presents the trading activity DiD (|∆ Ownership|) and Columns B reported the performance DiD using the bond return multiply the change of the ownership (∆ Ownership). Note that the control sample is rating/duration matched with the Target sample. The coefficient in Column (B) of Table 2 is therefore the DGTW alpha.

Table 2: Affiliated mutual fund trading performance and transaction during the syndication

This table reports bond mutual fund trading on the bond as descripted in *Figure 1*. *Target* equals 1 if the lead lender owned fund trades the borrower’s bond for *fund-bond-quarter* observation, and 0 otherwise. EventQ equals 1 if the transaction occurs within [-2, 0] quarters to the loan origination. *Target\*EventQ* is the interaction of *Target* and *EventQ*. *Transaction* is defined as absolute amount of face value of the bond scaled by the prior year fund TNA. *Performance* is defined as the *Q+1 bond return*, (i.e. next quarter bond return) multiply the buy (+) or sell (-) face value amount scaled by the prior year fund TNA. Both *Transaction* and *Performance* measures are in base points (bps). *Fund#Quarter* and *Bond#Quarter* fixed effects are controlled for. Coefficients are reported and Standard errors are reported below in parentheses. Significance level is marked as \*\*\*; .\*\* and \* for 1%, 5% and 10%, respectively.

|  |  |  |
| --- | --- | --- |
|  | *Transaction* | *Performance* |
| *Target\*EventQ* | 0.368\*\*\* | 0.160\*\*\* |
|  | (0.141) | (0.031) |
| *EventQ* | 0.050\*\* | 0.037\*\*\* |
|  | (0.021) | (0.005) |
| *Target* | 0.347 | 0.170 |
|  | (0.843) | (0.185) |
| *Fund, Bond, Qtr FE*  *N* | Yes  378,439 | Yes  378,439 |
| *Adj R2* | 0.237 | 0.171 |

Table 3: Portfolio performance during the loan origination

This table reports the monthly performance of the bond performance of lend lender related mutual fund buy/sell transactions during the event quarters, [-2,0], of the loan origination. DGTW and factor model adjusted abnormal returns are reported. The portfolio is reshuffled every quarter and kept for 3 months before next reshuffling.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | ***Target*** | | | ***Control*** | | |  |
|  | *Buy* | *Sell* | ***Dif*** | *Buy* | *Sell* | ***Dif*** | ***Dif-in-Dif*** |
| ***DGTW*** | 0.408\*\* | -0.171\*\* | 0.580\*\*\* | -0.256\*\*\* | -0.018 | -0.238\* | 0.817\*\*\* |
|  |  |  | (0.202) |  |  | (0.126) | (0.240) |
|  |  |  |  |  |  |  |  |
| ***Alpha*** | 0.770\*\*\* | 0.163 | 0.614\*\* | 0.229 | 0.241 | -0.035 | 0.633\*\*\* |
|  |  |  | (0.272) |  |  | (0.116) | (0.315) |