Do Mutual Funds Exploit Information on Local Companies? Evidence from Fund-Firm Taxi Trips in NYC

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Background

- Existing studies show that investors – both institutional and individual – overweight local firms in their portfolios. (Coval and Moskovitz, 1999; Ivkovic and Weisbenner, 2005)
  - It is possible that information transfer occurs directly between investors and local firms/executives.
  - Local investors might just be more attune to a local company's information environment.
- As of yet, there is little direct evidence that fund managers aggressively pursue information about companies located nearby, much less whether they pursue public or private information.

Existing Literatures

- Identifying the mechanism that drives local investors' returns is inherently difficult. Several studies question the superior returns by local investors (Seasholes and Zhu, 2010; Bernile et al., 2018)
- Locations (of investors and firms) are often endogenous, and evidence of a local information advantage may be largely circumstantial. (Ellis et al., 2019)

Existing Literatures

- The opportunities for market participants to meet with corporate insiders (Bushee et al., 2017; Green et al. 2014a, b; Kirk and Markov, 2016), typically occur at public events that are scheduled in advance.
- Other researchers provide evidence that investors gather information at undislosed meetings with corporate insiders. (Jame and Williams, 2020; Solomon and Soltes, 2015)
- However, these studies are subject to oversight by regulators or corporate officials a limit sample of firms. In addition, they largely identify informed trading by hedge funds.

Contribution

- In this paper, we use a novel measure of fund manager information gathering – taxi trips between mutual funds and public companies headquartered in New York City.
- We contribute to the endogenous problems by directly identifying travel between mutual funds and local firms.
- Our approach is unique from prior work on public corporate events, such as conferences and analyst/investor days, therefore more easily facilitate the transfer of private information.
- Our paper covers a much larger sample of firms and provides a more granular analysis of trading records for local investors and mutual funds.

Research questions

- Do Mutual Funds Exploit Information on Local Companies?

NYC Funds  NYC-headquarter Firms

1. invest or not?
2. if investing, did taxi trip matter and how did it work?
3. excess return or not?

Data - Mutual Funds

- CRSP Survivor-Bias-Free U.S. Mutual Funds database
  - TNA, Lipper fund classification code, management company address, and other fund attributes.
- Thompson Reuters Mutual Fund Holdings database
  - Stock holdings of U.S. mutual funds
- Focus on domestic active equity funds
  - Exclude funds with fewer than 20 holdings or more than 500 holdings (that are likely to be index funds).
  - Exclude funds with TNA less than $5 million and equities investment less than 80% of TNA.
  - Eliminate funds with missing management addresses in CRSP.

Data - Mutual Funds

- NYC fund
  - For every quarter, the fund management company is located in New York City. All other funds are considered as Non-NYC funds.
  - Since NYC taxi records are only available after 2009, we further split our sample period into 2000-2008 and 2009-2017.

	Mean	Median	Std. Dev	P25	P75
NYC Funds (582 Funds)					
Asset Under Management ($ million)	1,097.20	371.40	2,127.18	120.40	1,102.40
Number of Holdings	89	65	76	44	101
Number of NYC-firm holdings	7	5	6	3	9
Fraction of NYC-based Holdings (%)	9.90	7.52	7.76	3.68	15.09
Taxi Trips to NYC firms in port. (per qtr.)	12	6	17	2	14
Taxi Trips to NYC firms (per qtr.)	210	110	321	32	272
Non-NYC Funds (2406 Funds)					
Asset Under Management ($ million)	1,588.50	232.70	6,475.97	66.10	941.00
Number of Holdings	88	69	68	47	102
Number of NYC-firm holdings	7	5	5	3	9
Fraction of NYC-based Holdings (%)	9.19	7.15	7.28	3.38	14.11

Data - Stock Data

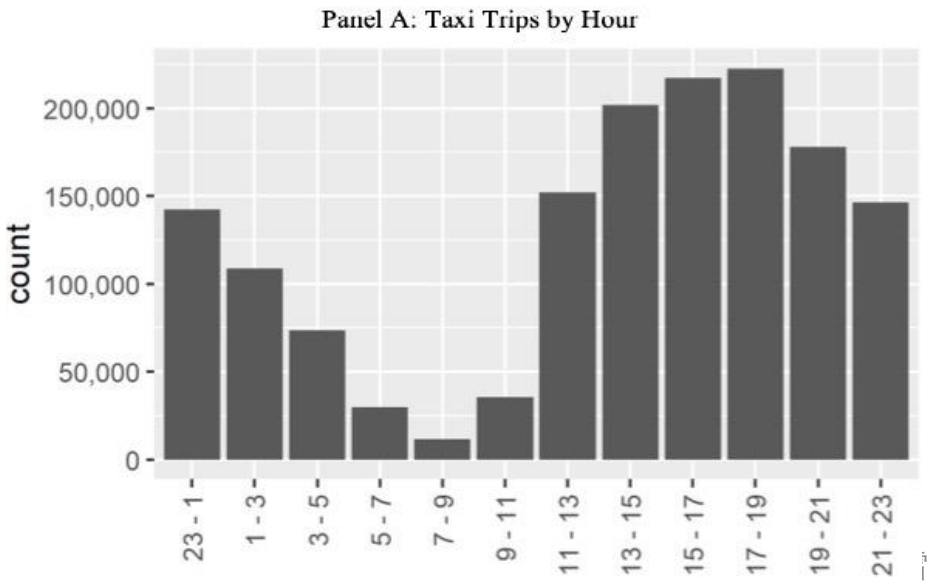
- We use stock CUSIPs to link each position in the Thompson Reuters Mutual Fund Holdings database to the CRSP U.S. stock database, and Compustat for firm characteristics.
- We obtain the historical firm headquarter address from the Compustat Snapshot database.
- After matching with the fund holdings, we identify 433 (244) public companies over 2000-2017 (2009-2016) that are headquartered in NYC and are held by at least one mutual fund in our sample.
- We further obtain analyst forecast data for companies from I/B/E/S.

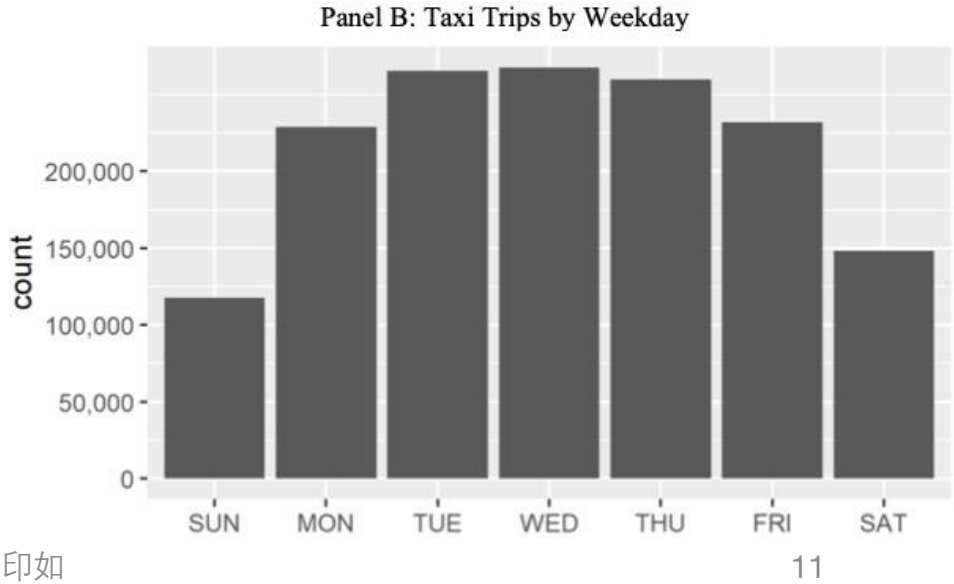
Data - Taxi Trips

- The NYC Taxi and Limousine Commission (TLC)
  - Medallion (yellow) taxi, street hail livery (green) taxi, and for-hire vehicles (FHVs) such as those contracted through Uber and Lyft.
  - We only use yellow taxi records from 2009.01 to 2016.06 for our analysis because yellow taxis are licensed to pick up passengers anywhere in NYC.
  - The taxi trip records contain precise GPS coordinates for pick-up and drop off locations, pick-up and drop-off times, trip distance, the number of passengers, tip amount, and fare.

Data - Taxi Trips

- We require pick-up and drop-off coordinates to fall within 30 meters of fund management offices and firm headquartersm(Bradley et al., 2020).
- The resulting sample includes 1,519,604 taxi trips between 244 unique NYC-headquartered firms and 346 unique NYC mutual funds from January of 2009 January to June of 2016.





Data - Taxi Trips

- We sum all taxi trips between a NYC fund and a NYC-headquartered firm to proxy for the intensity of local information gathering by the fund in a quarter, treating multiple taxi rides between the same fund and firm within one day as one.
- It is possible that taxi trips between funds' location and pubilc firms' headquarter can be for non-business purpose or by random travelers.
- To refine our taxi trip measure so that it can better capture the inforamtion gathering by fund managers, we focus on the taxi trips between a NYC fund and the NYC-headquarterd firms held in its portfolio.

Empirical Tests

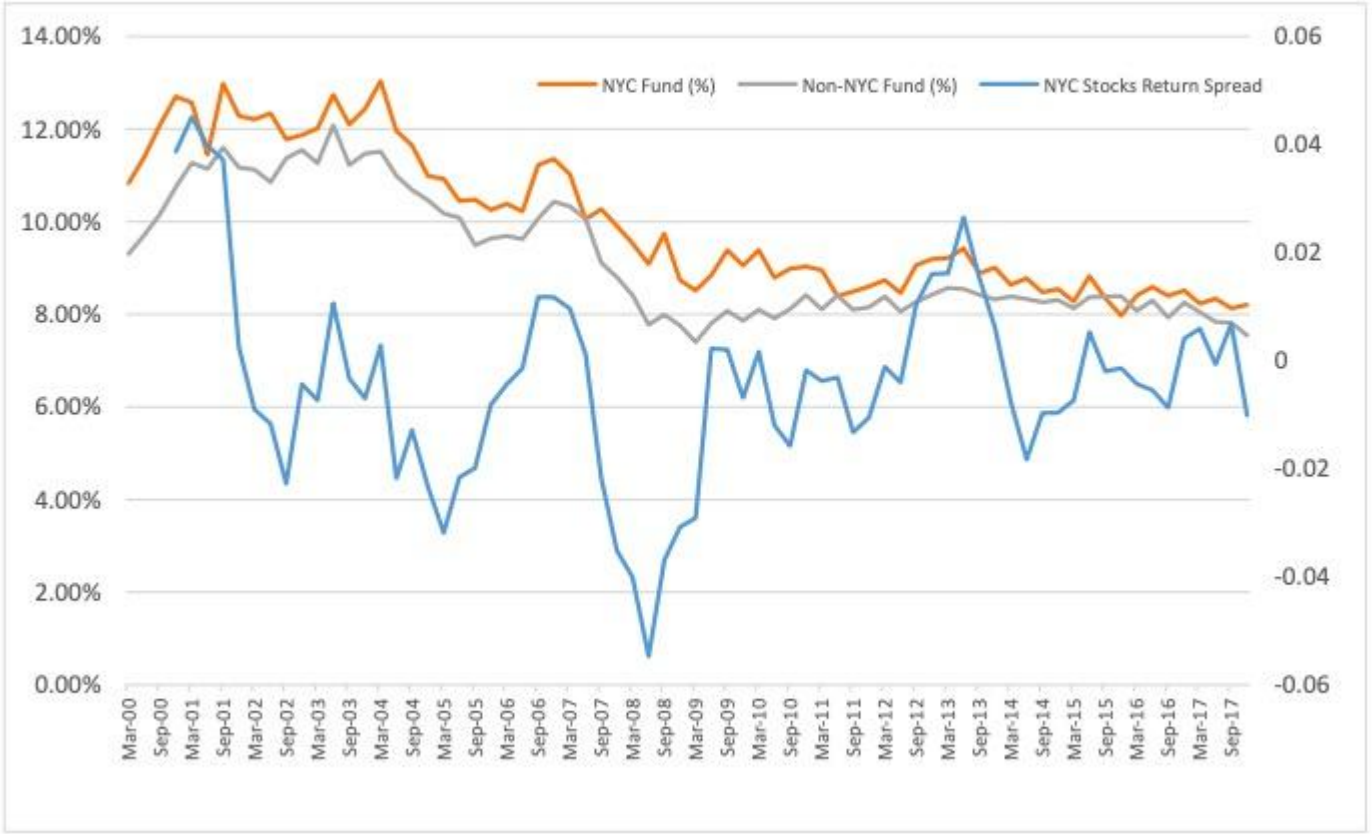
- Local Mutual Fund Investing Bias in NYC
  - Previous research has shown that mutual funds tend to overweight their holdings of local stocks (Coval and Moskowitz, 1999), and we begin by checking for these patterns in our samples using stocks headquartered in New York City (NYC-headquartered stocks)

	NYC Funds (%)	Non-NYC Funds (%)	NYC minus Non-NYC (%)	t-stat
Full sample	9.90	9.19	0.71**	1.97
2000-2008	11.06	10.18	0.88**	2.18
2009-2017	8.71	8.16	0.55	1.32
Exclude Dow 30	6.95	6.34	0.61***	3.05
Exclude S&P 100	4.14	3.66	0.48***	4.93
NYC Non-financials	5.48	4.88	0.60***	2.96
NYC Financials	4.57	4.36	0.21	0.75

Empirical Tests

- Local Mutual Fund Investing Bias in NYC

Figure 3 Time Series Ownership of NYC-headquartered Firms



Empirical Tests

- Local Mutual Fund Investing Bias in NYC
  - Coval and Moskowitz (2001) find that agile funds – small, undiversified, and older funds – invest more heavily in local stocks

Panel A: 2000 to 2008

	NYC Funds (%)	Non-NYC Funds (%)	NYC minus Non-NYC (%)	t-stat
Fund Size				
Q1 (Small)	9.63	8.98	0.65*	1.97
Q2 – Q4	11.17	9.96	1.21***	6.99
Q5 (Large)	13.08	12.54	0.54	1.27
# Holdings				
Q1 (Undivers.)	14.05	11.77	2.28***	5.59
Q2 – Q4	11.42	10.32	1.10***	4.17
Q5 (Diversified)	8.59	8.54	0.05	0.22
Fund Age				
Q1 (Young)	11.33	9.72	1.61***	4.66
Q2 – Q4	10.25	9.89	0.36*	1.80
Q5 (Old)	14.10	12.07	2.03***	5.11

NYC Bias and Information Gathering

- Is an overall local bias correlated with active information gathering on local companies?
- We divide NYC funds into “frequent” and “infrequent” visitors based on quarterly taxi trips between location and NYC-headquartered firms in their portfolio (>median).
- We need a quarterly measure of NYC funds’ investment bias in NYC-headquartered firms relative to funds located outside New York City.

$$NYC\ Bias_{i,t} = \sum_{k=1}^{K} w_{i,t}^{k} - \frac{\sum_{j}^{J} \sum_{k=1}^{K} w_{j,t}^{k}}{J}$$

- Portfolio weights difference of all NYC-headquartered stocks between NYC and Non-NYC mutual funds in the same Lipper fund category.

NYC Bias and Information Gathering

- NYC fund managers that visit local firms more often exhibit greater NYC bias in portfolios, which is stronger for small, undiversified, and old funds.

	"Frequent" Visitor	"Infrequent" Visitor	"Frequent" minus "Infrequent"
All NYC Funds			
NYC Bias	1.97***	0.15**	1.82***
	(14.81)	(2.46)	(12.49)
Fund Size			
Small Funds	2.47***	-0.11	2.58***
	(12.47)	(-1.17)	(11.80)
Large Funds	1.51***	0.41***	1.11***
	(15.85)	(4.33)	(8.24)
Small minus Large	0.96***	-0.52***	1.47***
	(4.35)	(-3.91)	(5.74)
# Fund Holdings			
Undiversified Funds	3.79***	0.62***	3.17***
	(19.20)	(6.62)	(14.52)
Diversified Funds	0.85***	-0.52***	1.37***
	(6.46)	(-7.27)	(9.16)
Undiv. minus Div.	2.94***	1.14***	1.80***
	(12.43)	(9.68)	(6.80)
Fund Age			
Old Funds	2.22***	0.12*	2.09***
	(15.90)	(2.00)	(13.73)
Young Funds	1.77***	0.18**	1.58***
	(12.10)	(2.47)	(9.69)
Old minus Young	0.45**	-0.06	0.51**
	(2.23)	(-0.61)	(2.27)

NYC Bias and Information Gathering

- NYC funds invest significantly more in NYC-headquartered firms they visit, NYC funds invest more in companies they visit multiple times.

	Taxi Trip Vs. No Taxi Trip			Multiple Taxi Trips Vs. Single Taxi Trip		
	Taxi Trip	No Trip	Trip – No Trip	Multiple Trips	Single Trip	Multiple - Single
All NYC Funds						
NYC Bias	0.62***	0.41***	0.21***	0.39***	0.23***	0.16**
	(9.74)	(10.18)	(2.88)	(7.53)	(6.23)	(2.51)
Fund Size						
Small Funds	0.80***	0.39***	0.42***	0.52***	0.28***	0.24***
	(9.40)	(7.53)	(4.99)	(8.07)	(5.64)	(3.05)
Large Funds	0.44***	0.45***	-0.01	0.26***	0.18***	0.08
	(6.30)	(8.13)	(-0.11)	(4.46)	(4.61)	(1.13)
Small minus Large	0.37***	-0.06	0.43***	0.26***	0.10	0.16
	(3.32)	(-0.83)	(3.17)	(3.03)	(1.64)	(1.51)
# Fund Holdings						
Undiversified Funds	1.02***	0.68***	0.34***	0.61***	0.41***	0.20**
	(14.10)	(10.99)	(2.92)	(10.35)	(7.95)	(2.41)
Diversified Funds	0.22**	0.15***	0.08	0.17**	0.05	0.12
	(2.75)	(3.46)	(1.12)	(2.74)	(1.12)	(1.58)
Undiversified minus diversified	0.80***	0.53***	0.26*	0.44***	0.36***	0.08
	(7.30)	(7.11)	(1.93)	(5.12)	(5.09)	(0.75)
Fund Age						
Old Funds	0.66***	0.44***	0.21**	0.43***	0.23***	0.20**
	(8.43)	(10.61)	(2.44)	(6.90)	(4.70)	(2.56)
Young Funds	0.59***	0.39***	0.21**	0.36***	0.24***	0.12
	(9.05)	(7.34)	(2.32)	(6.19)	(6.32)	(1.66)
Old minus Young	-0.07	-0.06	-0.01	-0.08	0.01	-0.09
	(-0.65)	(-0.86)	(-0.06)	(-0.89)	(0.16)	(-0.79)

Information Gathering and Returns

monthly value-weighted return

- We begin this analysis by examining whether NYC funds that frequently visit local firms earn better returns on their NYC holdings.

Panel A: Performance of NYC Holdings

	(1)	(2)	(3)	(4)	(5)
NYC Fund Dummy	0.05**		0.05**		
	(2.09)		(2.13)		
"Frequent" Visitor		0.08*		0.08*	0.07*
		(1.84)		(1.84)	(1.66)
"Infrequent" Visitor		0.05		0.05	0.05
		(1.02)		(1.02)	(1.04)
$R_M - R_f$ (%)	0.49***	0.61***	0.34***	0.29***	0.29***
	(33.80)	(28.55)	(27.93)	(16.29)	(16.29)
$R_{NYC} - R_f$ (%)	0.54***	0.44***	0.63***	0.68***	0.68***
	(42.54)	(23.63)	(53.50)	(40.07)	(40.07)
SMB (%)			0.25***	0.31***	0.31***
			(26.97)	(27.77)	(27.77)
HML (%)			0.07***	-0.03***	-0.03***
			(8.75)	(-3.44)	(-3.44)
UMD (%)			0.01***	0.03***	0.03***
			(4.02)	(6.46)	(6.46)
Log (TNA)					-0.00
					(-0.51)
Log (# Holdings)					0.14***
					(6.16)
Fund Age					-0.00
					(-0.29)
Constant	-0.01	0.21**	-0.28**	0.13	-0.42***
	(-0.05)	(2.29)	(-1.99)	(1.35)	(-3.00)
Year-Quarter FE	Yes	Yes	Yes	Yes	Yes
Lipper FE	Yes	Yes	Yes	Yes	Yes
# of Obs	273,406	113,687	273,406	113,687	113,687
Adj. R-squared	0.49	0.52	0.50	0.53	0.53

Information Gathering and Returns

monthly value-weighted return

- We examine monthly return difference between funds' NYC positions and their non-NYC positions as the dependent variable in Panel B.

Panel B: Performance of NYC Holdings minus Non-NYC Holdings

	(1)	(2)	(3)	(4)	(5)
NYC Fund Dummy	0.05**		0.05**		
	(2.11)		(2.11)		
"Frequent" Visitor		0.09**		0.09**	0.08**
		(2.10)		(2.11)	(1.98)
"Infrequent" Visitor		0.07		0.07	0.07
		(1.50)		(1.50)	(1.54)
$R_M - R_f$ (%)	-0.82***	-0.76***	-0.85***	-0.80***	-0.80***
	(-66.23)	(-44.28)	(-65.07)	(-42.00)	(-42.00)
$R_{NYC} - R_f$ (%)	0.76***	0.72***	0.78***	0.74***	0.74***
	(71.22)	(45.66)	(65.12)	(41.27)	(41.27)
SMB (%)			0.04***	0.04***	0.04***
			(6.17)	(4.24)	(4.24)
HML (%)			0.00	0.02**	0.02**
			(0.27)	(2.35)	(2.35)
UMD (%)			-0.00	0.02***	0.02***
			(-0.81)	(4.04)	(4.04)
Log (TNA)					-0.01
					(-1.02)
Log (# Holdings)					0.13***
					(5.58)
Fund Age					-0.00
					(-0.19)
Constant	-1.42***	0.31***	-1.47***	0.50***	0.02
	(-9.67)	(3.12)	(-9.95)	(4.94)	(0.11)
Year-Quarter FE	Yes	Yes	Yes	Yes	Yes
Lipper FE	Yes	Yes	Yes	Yes	Yes
# of Obs	273,406	113,687	273,406	113,687	113,687
Adj. R-squared	0.08	0.05	0.08	0.05	0.06

Information Gathering and Returns

- Firm Visits and Returns on Trades
  - We divide the NYC-based holdings into Buy and Sell portfolios based on the changes in ownership from the previous quarter.

	Buy Portfolio			Sell Portfolio			Buy minus Sell	
	Taxi Visit	No Visit	Visit minus No Visit	Taxi Visit	No Visit	Visit minus No Visit	Taxi Visit	No Visit
Constant	1.16**	-0.41	1.66**	-0.49	0.19	-0.66	3.62***	-0.85
	(2.13)	(-0.68)	(2.03)	(-0.89)	(0.33)	(-0.91)	(2.86)	(-0.68)
$R_M - R_f$ (%)	1.14***	1.16***	-0.03	1.15***	1.01***	0.15***	-0.07	0.14**
	(41.37)	(39.21)	(-0.87)	(51.57)	(36.98)	(4.46)	(-1.35)	(2.35)
SMB (%)	0.19***	0.10	0.10*	0.04	0.05	-0.02	0.09	-0.02
	(3.53)	(1.61)	(1.74)	(1.14)	(0.86)	(-0.36)	(1.09)	(-0.18)
HML (%)	0.13**	0.13**	0.00	0.22***	0.07	0.14**	-0.06	0.01
	(2.46)	(2.42)	(0.03)	(4.42)	(1.45)	(2.04)	(-0.63)	(0.08)
UMD (%)	-0.11***	0.09***	-0.21***	0.06*	-0.01	0.07	-0.12*	0.17***
	(-4.15)	(3.24)	(-4.76)	(1.91)	(-0.27)	(1.55)	(-1.74)	(2.94)
Year-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fund FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
# of Obs	7,022	7,022	7,022	6,253	6,253	6,253	2,701	2,701
# of Funds per Qtr	81	81	81	75	75	75	32	32
Adj. R-squared	0.46	0.38	0.02	0.48	0.36	0.03	0.02	0.01

Information Gathering and Returns

- Individual NYC Stock Returns
  - Baik et al. (2010) show that changes in local institutional ownership predict future stock returns, suggesting that institutional possess superior information about local firms.

$$\Delta\ Ownerhsip - Taxi\ Visit_{i,t} = \log\left(2 + \frac{\sum_{j=1}^{J} \Delta\ Shares_{i,j,t}}{\sum_{j=1}^{J} Shares_{i,j,t-1}}\right),$$

$$\Delta\ Ownerhsip - No\ Taxi_{i,t} = \log\left(2 + \frac{\sum_{j=1}^{J^*} \Delta\ Shares_{i,j,t}}{\sum_{j=1}^{J^*} Shares_{i,j,t-1}}\right),$$

- J* is the union of all NYC funds that do not take any taxi trip to stock i in quarter t. $\Delta Share_{i,j,t}$ denotes change in shares held by fund j in stock i from quarter t-1 to t.

Information Gathering and Returns

- Individual NYC Stock Returns
  - Performance of NYC Firm Trades: Cross-Sectional Regressions

	(1)	(2)	(3)
Δ Ownership – Taxi Visit	0.23*	0.30**	
	(1.79)	(2.14)	
Δ Ownership – No Taxi		-0.16	
		(-1.22)	
Δ Own. (Taxi) minus Δ Own. (No Taxi)			0.22***
			(2.80)
$R_M - R_f$ (%)	1.10***	1.12***	1.12***
	(42.96)	(42.11)	(42.11)
SMB (%)	0.39***	0.27***	0.27***
	(9.23)	(6.19)	(6.19)
HML (%)	0.16***	0.21***	0.21***
	(3.47)	(4.36)	(4.35)
UMD (%)	-0.01	0.06*	0.06*
	(-0.49)	(1.81)	(1.80)
Constant	-0.33**	-0.14	-0.02
	(-2.36)	(-0.68)	(-0.24)
# of Obs	8,007	5,931	5,931
Adj. R-squared	0.27	0.31	0.31

Firm Visits and Earnings Surprises

- In this section, we investigate whether fund managers appear to obtain earnings information through local taxi visits.
  - We first investigate the timing of fund-firm taxi trips around earnings announcement dates by estimating the following regression

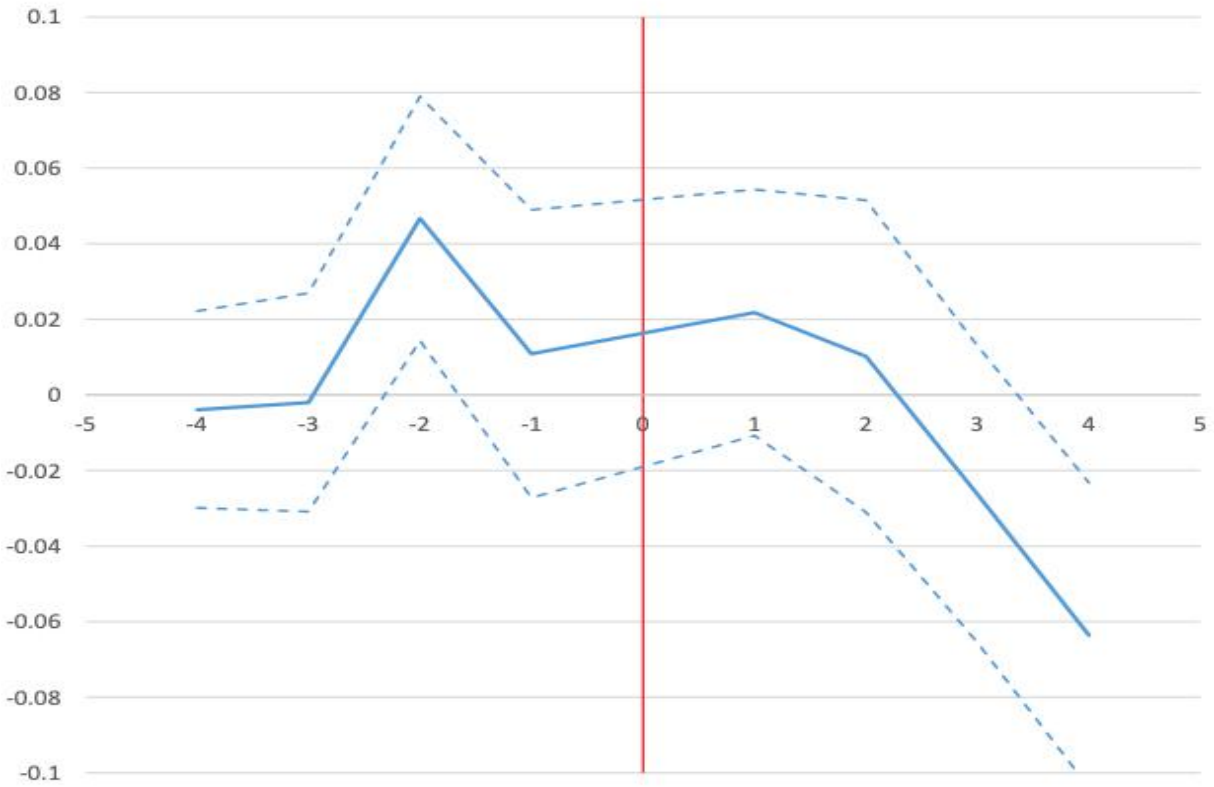
$$Taxi\ Trips_{i,t} = \alpha + \sum_{-4}^{4} \beta_t\ Week_t + \gamma\ Controls_i + Year - Quarter\ FE + Firm\ FE + \epsilon_{i,t}\,.$$

  - We aggregate the number of taxi trips that a firm receives each week around earnings announcement dates. To avoid overlapping time windows, we include only taxi trips that occur from five weeks before the announcement to four weeks after the announcement.

Firm Visits and Earnings Surprises

- Figure 4 shows that the number of abnormal taxi trips peaks in the second week before the announcement date and begins to decline after the announcement.

Figure 4 The Timing of Taxi Trips



Firm Visits and Earnings Surprises

- Next we investigate whether NYC funds' trading prior to earnings announcement predicts visited firms' earnings surprises.
- Table 9 reports the average DGTW-adjusted cumulative abnormal return (CAR) over the [-1, 1] window around subsequent-quarter (t+1) earnings announcements for each tercile grouping in the full sample, the Taxi Visit sample, and the No Visit sample

	Full Sample	Taxi Visit	No Taxi
Buys (*Tercile 1)*	0.67***	0.79***	0.55*
	(3.30)	(3.15)	(1.70)
(Tercile 2)	0.15	-0.05	0.33
	(0.60)	(-0.12)	(0.80)
Sells (*Tercile 3)*	0.28	0.24	0.31
	(1.35)	(0.93)	(0.97)
Buys - Sells	0.40	0.54	0.24
	(1.38)	(1.53)	(0.53)

School Ties

- It is possible that identified taxi visits might occur for reasons other than information sharing.
- We conjecture that taxi rides are more likely to identify information flow between mutual fund managers and corporate insiders if such persons have a pre-existing social relationship.
- We proxy for pre-existing social relationships by identifying instances where a mutual fund manager and corporate executive have a shared educational background

School Ties

- It is possible that identified taxi visits might occur for reasons other than information sharing.We classify a NYC mutual fund and NYC-headquartered firm as having a ‘School Connection’ if the fund manager and a board member of the firm attended the same school

Panel A: NYC Bias and School Connections

	High School Connection	Low School Connection	High minus Low
All Funds	0.83***	-0.05	0.88***
	(8.07)	(-0.75)	(7.04)
Frequent Visitors	1.42***	0.59***	0.83**
	(8.05)	(3.28)	(3.30)
Infrequent Visitors	-0.02	-0.45***	0.42**
	(-0.25)	(-5.82)	(3.42)
Freq minus Infreq.	1.45***	1.04***	0.41
	(7.18)	(5.30)	(1.46)

School Ties

- More important than the level of portfolio holdings, is whether information is transferred between portfolio managers and executives.

Panel B: Performance of Fund Trades – Calendar Time Portfolios

	Buy Portfolio		Sell Portfolio		Buy minus Sell		Difference in Buy minus Sell
	School Connection	No School Connection	School Connection	No School Connection	School Connection	No School Connection	
Taxi Visit							
3-factor Alpha	0.35	-0.61**	-0.60	0.20	0.98	-0.82	1.80**
	(0.70)	(-1.99)	(-1.19)	(0.54)	(1.48)	(-1.64)	(2.09)
4-factor Alpha	0.35	-0.61*	-0.70	0.20	1.16*	-0.81	1.99**
	(0.69)	(-1.98)	(-1.41)	(0.53)	(1.84)	(-1.63)	(2.40)
5-Factor Alpha	0.56	-0.66**	-0.56	0.23	1.13	-0.89*	1.99**
	(1.14)	(-2.10)	(-1.08)	(0.59)	(1.66)	(-1.74)	(2.26)
No Taxi Visit							
3-factor Alpha	-0.13	-0.14	-0.04	-0.16	-0.10	0.02	-0.11
	(-0.30)	(-0.48)	(-0.11)	(-0.45)	(-0.18)	(0.05)	(-0.15)
4-factor Alpha	-0.16	-0.14	-0.04	-0.16	-0.12	0.02	-0.15
	(-0.45)	(-0.47)	(-0.12)	(-0.45)	(-0.26)	(0.05)	(-0.19)
5-Factor Alpha	-0.24	-0.07	-0.07	-0.18	-0.17	0.11	-0.28
	(0.45)	(0.30)	(0.33)	(0.37)	(0.53)	(0.46)	(-0.35)

Abel Noser Tests

- Abel Noser data has been widely used in academic studies of institutional trading (Puckett and Yan, 2011; Hu et al., 2018).
- Our first analysis investigates whether mutual funds are more likely to trade during a short window following a Taxi ride between the NYC fund and a NYC-headquartered firm.

Panel B: Performance of Fund Trades – 10-day Buy and Hold Abnormal Returns (BHARs)

	All Trades	Trades within 10 days after Taxi Ride			Trades within 20 days after Taxi Ride		
		Days before earnings Announcement			Days before earnings Announcement		
		≤10	≤20	>20	≤10	≤20	>20
Buys	0.25*	2.47***	1.02***	-0.20	2.48***	1.21***	-0.10
	(1.88)	(5.24)	(2.64)	(-0.92)	(4.44)	(3.19)	(-0.56)
Sells	-0.26*	0.98	0.45	-0.52	0.77	0.68	-0.88**
	(-1.76)	(1.29)	(0.85)	(-1.62)	(1.20)	(1.50)	(-3.52)
Diff	0.51**	1.49*	0.57	0.31	1.71**	0.54	0.78**
	(2.53)	(1.77)	(0.86)	(0.82)	(2.01)	(0.90)	(2.52)

Abel Noser Tests

- Column 1-3 present logit regressions where the dependent variable equals 1 if a mutual fund trades a stock during week t, and 0 otherwise.

Panel A: Probability of Trade following a Taxi Visit

	Probability of Trade			Trading Volume		
Post Taxi	0.73***	0.77***	0.72***	0.76***	0.69***	0.61***
	(9.18)	(8.77)	(8.00)	(4.75)	(4.29)	(3.80)
Pre Ann.		0.03	0.00		-0.05	-0.11
		(0.83)	(0.09)		(-0.51)	(-1.36)
Post Taxi * Pre Ann.		-0.25	-0.19		0.45	0.64
		(-1.04)	(-0.79)		(0.69)	(0.91)
Firm Size			0.76**			1.36***
			(2.12)			(2.60)
BM Ratio			0.14			0.19
			(1.50)			(1.46)
Leverage			0.40			0.94
			(0.31)			(0.56)
EPS			0.26			1.03
			(0.20)			(0.89)
Sales Growth			-0.13			-0.24
			(-1.53)			(-1.43)
Earnings Growth			0.50			0.63
			(0.58)			(0.49)
Constant	-5.49***	-5.49***	-20.92***	-3.37***	-3.36***	-31.08***
	(-42.07)	(-41.75)	(-2.86)	(-30.24)	(-30.19)	(-2.92)
Year-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
# Obs	314,115	314,115	287,283	314,115	314,115	287,517
Pseudo R-squared	0.12	0.12	0.12	0.03	0.03	0.03

Conclusion

- We use the taxi trips in New York City that occur between mutual fund and corporate headquarters to proxy for the extent to which local investors intentionally collect information about local firms.
- On average mutual funds located in New York City overweight NYC-based stocks compared to their non-NYC peers, and we find that such local bias is driven by funds that frequently visit local firms, consistent with the hypothesis that fund managers obtain superior information by visiting local companies.

Consideration

- This paper presents a rigorous framework to address the data-snooping concerns that arise when applying multiple testing in the asset pricing context.
- Our paper builds an FDR control test that is valid when the benchmark includes nontradable, and is robust to the presence of omitted factors and an unbalanced data panel, which makes it particularly suitable for many finance applications.
- We also illustrate this procedure by applying it to the evaluation of hedge fund performance.