Inside the "black box" of Private In-house Meetings
Implications for Fair Disclosure and Insider Trading Regulation

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Abstract

While corporate private in-house meetings between investors and management are common across the world, there are generally no requirements to disclose anything about these meetings. The Shenzhen Stock Exchange in China is an exception and thus provides a unique opportunity to look inside the 'black box' to examine the attributes and consequences of private in-house meetings. We develop a large-scale hand-collected dataset by accessing over 17,000 private meeting reports over 2012-2014. We find that, on average: (i) the stock market anticipates positive news in these private meetings as there is a significant stock price run-up starting about 30 days before the meeting date, (ii) the market reacts strongly and positively around the meeting dates, and (iii) the market reacts again around the subsequent public disclosure of the private meetings. Further, we find that company insiders sell over $12 billion USD around these meeting dates. More importantly, it appears that these insiders are able to time their transactions by selling more shares *before* negative news disclosures, while postponing selling when there is positive news to be disclosed in the meeting. Finally, we find that relatively large institutions benefit from greater access, and that management uses meetings with these relatively large investors to disproportionately share bad news – likely with the goal of mitigating negative stock price reactions. Overall, our results suggest that firms disclose material non-public information during their private meetings, and that at least some meeting participants and company insiders trade on this information before it becomes publicly available. Further, it appears that disclosure of private meeting details can be beneficial for market participants who are unable to attend such meetings. We discuss implications of these findings for disclosure requirements in the U.S.

Keywords: disclosure, private meetings, fair disclosure, inside information, insider trading, regulation, information dissemination, institutional investors

1. Introduction

Private in-house meetings have long served as a communication channel between firm management and investors.[1] While private meetings are not unlawful, if managers knowingly or unknowingly disclose material non-public information, general market participants face an un-level playing field with meeting participants. In order to mitigate potential adverse effects of private interactions between managers and investors, policymakers around the world have devised regulations to (i) restrict disclosure practices that might benefit only a select group (henceforth termed as "fair disclosure regulation") and (ii) ban insider trading on material non-public information.[2] Despite the advent of fair disclosure regulations, Solomon and Soltes (2015) observe that "managers continue to spend a large amount of time meeting privately with investors at public conferences, investors' offices, and the headquarters of firms" (p. 2). Ng and Troianovski (2015) report that U.S. investors spend $1.4 billion a year for face time with executives.

There are at least two reasons why private meeting participants may garner an information advantage over general investors despite fair disclosure regulation. First, while Fair Disclosure regulations mandate equal access to material information for all market participants, it does not prohibit private in-house meetings – it only requires that material non-public information be made public.[3] However, a number of anecdotes (Ng and Troianovski, 2015) and

[1] Private in-house meetings are held at corporate headquarters with invited investors and sell-side analysts. In-house meetings differ from other management-investor interactions such as investor conferences and analyst/investor days in that they are generally not publicized in advance and their content may never become public unless hosting firms are required to publish the meeting details by law.

[2] For example, the U.S. Securities and Exchange Commission (SEC) promulgated *Regulation Fair Disclosure* in August 2000 (also known as Reg FD) to restrict firms from giving selective access to firm specific information to certain investors. Similarly, in China, the Shenzhen Stock Exchange issued *Fair Information Disclosure Guidelines for SZSE Listed Firms* in August 2006, which maintained that listed firms should not disclose material information to a select group of investors.

[3] The apparent presumption underlying these private meetings is that participating investors can make more informed investment decisions because of their better information processing capabilities – not because managers

limited empirical evidence (Solomon and Soltes, 2015; Bushee, Gerakos and Lee, 2014) suggest that private in-house meetings may disclose valuable non-public information to meeting participants who, in turn, carry out informed trading. Second, fair disclosure regulations appear to be difficult to enforce. For example, it can be challenging to (i) uncover details about the content and timing of private meetings and (ii) prove that information disclosed in a private meeting is indeed "material" as per regulatory guidelines. Earlier studies have shown that it is uncommon to find prosecution for breaches of U.S. Regulation Fair Disclosure (Solomon and Soltes, 2015; Bushee, Gerakos and Lee, 2014). Ng and Troianovski (2015) report that in the past 15 years, the SEC has brought only 14 enforcement actions under Regulation Fair Disclosure (Reg FD). In most of the cases, targeted firms experience at most a small civil penalty.

We believe the first step in examining the costs and benefits of requiring disclosure of private meeting details is to examine the structure and consequences of such meetings in a large sample.[4] We are aware of only one setting worldwide where firms are required to disclose details of their private in-house meetings – the Shenzhen Stock Exchange (SZSE) in China.[5] Starting in 2009, SZSE firms were required to disclose the dates (but not the content) of all private in-house meetings in their annual report. Beginning July 2012, all SZSE-listed firms were required to

disclose material non-public information during these meetings. In the spirit of Solomon and Soltes (2015), we label this as Mosaic Information Disclosure. Under this view, a firm can hold private meetings with select investors and avoid violating fair disclosure guidelines as long as no non-public material information is released [SEC, 2000; SZSE, 2006].

[4] Solomon and Soltes (2015) examine the effects of private meetings on investors' trading decisions by using a proprietary dataset from a *single* NYSE firm. Their results suggest that private meetings help a select group of investors by allowing them to make more informed trading decisions. Bushee, Gerakos and Lee (2014) examine approximately 400,000 flights taken by the top management of 396 firms. They find that managers frequently fly to money centers in order to meet with investors privately. The stock price movements around these travel dates indicate that these private meetings are "an important information event for both the firms and the participating investors" (p. 33).

[5] The Shenzhen Stock exchange is one of the two well-recognized stock exchanges in China (with the other being Shanghai Stock Exchange). According to the World Federation of Exchanges report, as of August 2015, Shenzhen Stock exchange is ranked as the 7th largest stock exchange in the world with its USD 2.74 trillion domestic market capitalization.

disclose a summary of each private meeting within two days of the meeting dates. We use the current SZSE setting to look inside the 'black box' of private in-house meetings with investors.

We hand collect approximately 17,000 meeting records from late July 2012 through December 2014 from the SZSE web portal. The standard format of these meeting records allows us to extract information on actual meeting dates, participants' information, publication date of the meeting report on web portal, and reported content of the meeting. Appendix A presents a sample report. We investigate four related research questions.

Our first set of tests examines stock market reactions to private in-house meetings while they are still "private." We find significant stock price run-ups *prior* to the meeting dates that are similar regardless of whether the subsequent meeting news is positive or negative.[6] This outcome suggests that meeting participants (and perhaps their friends and family) trade in advance of the meeting with the *expectation* that good news will be announced during the meeting, but do not have advance knowledge of the meeting content. On average, their expectations are correct, as we find that 5-day (-2 to +2) cumulative abnormal returns (CARs) around private meeting dates are both statistically and economically significant (0.4% using the market model).[7] This result indicates that private in-house meetings are informative to those "in the know." We also find that the number of participants and the presence of investment funds and top management in the meetings are associated with stronger stock market reactions on the meeting dates. These results are suggestive of selective information disclosure.

[6] Given private meetings are voluntary, we expected self-selection for good news disclosures. However, negative news was almost as common, which we discuss in greater detail below.

[7] A contemporaneous working paper by Cheng et al (2016) reports similar results for the meeting date window, using data mostly from the prior SZSE disclosure regime: 2009-2013. To our knowledge, Cheng et al (2016) does not investigate pre- or post-private meeting stock price activity or any of our other research questions.

Our second set of tests indicate that the subsequent publication of private meeting details triggers an incremental significant positive market reaction from general investors. This incremental reaction is consistent with the public announcement of the meeting (and/or its meeting summary) being interpreted as informative despite earlier trading activity both before and during the private meetings themselves.

Our third set of tests examine insider trading activities around private meeting dates. We find that corporate insiders' (including executives, board members, and their direct family members) net stock sales totaled over $12 billion USD around private meeting dates from late July 2012 through December 2014 – 62% of the total net value of insider trades for *all* Shenzhen-listed firms over this period. Our results also indicate that corporate insiders trade differently in positive and negative news environments. Insiders tend to sell more shares *before* negative news disclosures but hold off selling when there is positive news to be disclosed in the meeting. These results suggest that some corporate insiders trade on material information that is not accessible to general investors – apparently in violation of fair disclosure principles and insider trading regulations.

Our fourth set of tests examine the role of institutional investors. We find that influential investors have more access to private in-house meetings, and firms use private meetings to disseminate negative news to these relatively large institutional investors – likely in an attempt to manage the news, minimize stock sell-offs and reduce stock return volatility. We also find that institutional investors who attend private in-house meetings tend to make more informed trading decisions compared to investors not attending the meetings.

Our results support Solomon and Soltes' (2015) recommendation that all firms publish private meeting transcripts to allow every investor quick access to information disclosed in

private meetings.[8] While detection of material information disclosure remains a challenge in most economies including the U.S., publication of private meeting details would "shine a light" on fair disclosure concerns and potential insider trading related to private meetings. Because the SZSE made it mandatory to publish private meeting details, academics, analysts, policymakers and general investors are now able to monitor trading activity, abnormal stock returns and insider trading around private meeting dates for SZSE-listed firms. Such disclosure could be potentially cost-effective if implemented in the U.S. as well – with the major "cost" being possible change in the behavior of management and private meeting participants. Of course, it is unclear whether fair disclosure principles can be effectively legislated. In the extreme, an attempt to do so could arguably "muzzle" managers' ability to discuss their company with anyone outside the company.

We organize the paper as follows. Next, we present a brief background on the regulatory environment in China with respect to private in-house meetings. In section 3, we introduce the sample, key measures and explain our methodology. In section 4, we provide results and robustness tests. In section 5, we summarize the results and conclude the paper.

2. Private in-house Meetings, Regulatory Environment and Policy Perspectives

2.1 Information disclosure through private in-house meetings

Investors, analysts and other market participants gather firm-specific information from a variety of publicly available sources that include annual reports, press releases, media reports and assorted other corporate disclosures. In addition to these conventional company-generated sources, investors and analysts attempt to collect information through alternative channels including phone calls, conference calls and private in-house meetings. However, such private interactions could lead to selective disclosure of material information to a small group of market

[8] Note that this suggestion goes beyond the current requirements of the SZSE in that the SZSE does not require a transcript of the meeting, but rather requires management to summarize the meeting content.

participants. While all types of private interactions could give an informational advantage to select investors, private in-house meetings are arguably more contentious, as participants can engage in in-depth discussions with management (Chen and Matsumoto, 2006; Soltes, 2014).

There are no restrictions on holding private in-house meetings beyond the mandate not to disclose material non-public information. In fact, Article 41 of the "Guideline of Investor Relations Management" issued by the SZSE in 2006 encouraged companies to accommodate requests from investors and market participants to have private in-house meetings. As Allen, Chakrabarti, De, Qian and Qian (2010) observe, small high-growth firms in China "make extensive use of informal and relation-based arrangements to finance growth" (p. 1). While private meetings are potentially helpful to a select group of participants and perhaps to the firm itself, regulators in China have received complaints about material information leakage during these private in-house meetings, and have been urged to implement more disclosure requirements on private in-house meetings (e.g., see SZSE memo no. 2 in Appendix B).

After reviewing 500 randomly selected meeting reports and talking to several local analysts, we draw the following observations. First, either firm management or investors/analysts can initiate private in-house meetings. Second, based on meeting reports released after private meetings, most meeting notes have an optimistic tone.[9] However, the stock market reacts negatively to approximately half of the meeting events. It appears that published meeting reports deliberately adopt a positive tone. Third, it appears that mandated meeting reports can (and perhaps often) omit important details. For example, the sample report in Appendix A suggests that, while the meeting notes include the main issues discussed in the meeting, they are unlikely to divulge key details. Given that most meetings last for more than an hour, it seems likely that

[9] We report on the results of two content analyses of published meeting notes in section 4.

participants have a chance to discuss details (and perhaps other issues) that are not disclosed in the subsequent public report. Fourth, the elapsed time between the meeting date and the publication date still gives an advantage to meeting participants and select investors who are informed privately of the meeting's content to trade on signals received during the meeting.

2.2 Regulatory Environment in China

The SZSE and the Chinese Securities Regulatory Commission have taken a number of steps to restrict material information disclosure through private meetings and associated insider trading. For example, in 2006 the SZSE issued *Fair Information Disclosure Guidelines* that specified that SZSE-listed firms should not disclose material non-public information to participants during private in-house meetings. These fair disclosure guidelines are motivated by Reg FD, which was introduced by the U.S. Securities and Exchange Commission (SEC) in 2000.

The SZSE took further steps to level the playing field by increasing disclosure requirements around private meetings in both 2009 and 2012. In 2009, the SZSE required listed firms to disclose information on private meetings in their annual reports. On July 17, 2012, SZSE issued new regulations that required firms to publish a standard report on each private meeting within two days of the meeting date through the stock exchange's online web portal. In addition, all meeting participants are required to sign non-disclosure agreements and take on legal responsibility to not disclose or trade on any material information they received during the meetings – see Appendix A and B. To our knowledge, no other jurisdiction (including the U.S.) requires disclosure of the timing or content of private meetings.

Recognizing that insider trading can be detrimental to the development of healthy financial markets, China started developing its insider trading regulation in the early 1990s (Huang 2005, 2013). The China Securities Regulatory Commission (CSRC) is the main national

regulatory body that tracks and is responsible for prosecuting insider trading activities. Over the years, based on other countries' experience, China developed a "relatively complete regulatory regime" that includes severe penalties and punitive measures for insider trading activities around prohibited events such as M&A and earnings announcements (Huang 2013). In 1999, China introduced the Securities Law of the People's Republic of China (known as the Securities Law) that includes a number of articles that define insiders, the nature of insider trading and various punishments for infractions. Despite its efforts, the CSRC recognizes that insider trading remains a significant issue in China (Huang 2013). Huang (2005) reports that approximately 80% of the securities cases in China are related to insider trading activities. However, insider trading activities around private in-house meetings are not illegal per se in China, because private meetings are not supposed to disclosure material non-public information to meeting participants. Further, due to the lack of clarity on the definition of material information, it is difficult to differentiate between material and non-material information (Bushee et al. 2014). This provides corporate insiders with an opportunity to influence stock prices by disclosing selective material information during private in-house meetings.

2.3 Institutional Ownership in China

As Chinese capital markets began to develop in the early 1990s, stock ownership was dominated by individual investors, various government entities (i.e. state ownership), and other corporate legal entities (also known as legal-person ownership).

In 2001, Chinese authorities began to encourage the participation of financial institutions in the SZSE and Shanghai Stock Exchange. This led to a gradual increase in institutional ownership in SZSE-listed firms, with investment funds accounting for the largest share.[10] Other

[10] As of December 2014, there are 111 investment management firms in China.

institutional investors include insurance companies, China's social security agency, qualified foreign institutional investors (QFII), brokerage firms, and private equity funds. Currently institutional ownership in SZSE firms is approximately 15%. While this ownership level is lower than other developed markets (e.g. 60% institutional ownership level in the U.S.), it is important to examine the role and influence of institutional ownership in Chinese firms for several reasons. First, institutional ownership is increasing in Chinese firms over time. Second, Chinese regulatory authority views institutional investors as a positive force in promoting corporate governance practices and stabilizing capital markets (Firth, Lin, Liu and Xuan, 2013). Third, Chinese retail investors tend to follow the trading strategies of institutional investors, and hence it is important to understand the investment dynamics of these institutional investors (KPMG Report, 2011). Fourth, earlier studies find that investment funds play an active role in firms' stock trading activity, and their ownership levels are associated with better firm performance (Yuan, Xiao, and Zou, 2008). While most investment funds in China tend to have a short investment horizon (China Capital Market Development Report, 2008), Dai, Kong and Wang (2013) finds that investment funds with longer-term horizons are associated with improved earnings quality. Given the above, one key aspect of this study is to investigate whether managers host private meetings to strategically influence institutional investors' trading decisions.

2.4 Can other jurisdictions learn from regulation of private in-house meetings in China?

Recent research suggests that at least some private in-house meetings in the U.S. are associated with informed trading around meeting dates (Bushee et al. 2014; Solomon and Soltes, 2015), i.e., at least some investors benefit from the information shared between firm management and meeting participants during private meetings. Solomon and Soltes (2015) state that while informed trading undermines the spirit of Reg FD, such trading activities are not illegal.

Soltes (2014) observes that in the U.S., even if managers do not reveal material information during private meetings (due to the restrictions imposed by Reg FD), sophisticated investors generally can derive valuable information from apparently non-material disclosures made by firm management during private meetings. Sophisticated investors have the ability to combine this non-material information with their pre-existing information 'mosaic' in ways that can increase the quality of their trading decisions (Solomon and Soltes, 2015). The demarcation between material and non-material 'mosaic' information is imprecise because Reg FD does not clearly specify what constitutes material non-public information (Soltes, 2014). It appears that firm management has considerable flexibility in sharing allegedly non-material information with investors and analysts. "For example, management can review an analyst's model and suggest changes as long as these corrections are matters of historical fact" (Soltes, 2014; p. 259). Such feedback can give an informational advantage to meeting participants, especially to sophisticated investors, and lead to more informed trading. Of course, it is also possible that some managers share material non-public information during private meetings that is difficult to detect and verify by regulatory authorities. Detection becomes even more challenging if private meeting dates and transcripts are not disclosed.

Given disclosures about private in-house meetings are only widely available for SZSE-listed firms, we use these data to investigate the consequences of private in-house meetings. Human behavior being somewhat universal, we believe our results also may raise questions about unforeseen consequences of private meetings in the U.S. and other western economies. However, we recognize that one has to be cautious in drawing a direct parallel as there are significant institutional differences between Chinese and U.S. (and other developed country) economies. At a

minimum, our results can inform market participants on the potential value of requiring modest disclosures around private meetings in other settings.

3. Data and Methodology

3.1 Data and sample descriptions

Our sample includes all *disclosed* private in-house meetings conducted by SZSE-listed firms from July 2012 through December 2014. We manually downloaded all public investor relation activity record forms published on the SZSE web portal between July 17, 2012 and December 31, 2014.[11] The initial sample includes 19,424 activity record forms for 1,360 firms. The SZSE classifies investor relations activities into eight categories: in-house investor meeting, site visit, media interview, public news meeting, analyst conference meeting, performance announcement meeting, road shows, and others. The distribution of meeting types is shown in Table 1 (Panel A).

[Insert Table 1 about here]

To be consistent with the literature on private in-house meetings (Soltes, 2014; Solomon and Soltes, 2015), we focus on the largest two categories (in-house investor meetings and site visits). These two activities account for more than 90% of the total public relations activities reported by SZSE-listed firms. After reading the meeting reports, we observe that firms use these two meeting categories interchangeably to describe in-house meetings that host investors and

[11] Beginning July 2012, the Shenzhen Stock Exchange requires all publicly listed firms to electronically publish a standard meeting report for each in-house meeting through its web portal, "Hu Dong Yi," at http://irm.cninfo.com.cn/szse/.. See Appendix B for more detailed information about this requirement. Nominally, public investors should be able to access the information within two days after the meetings. However, there are a substantial number of firms that delayed publishing the meeting notes on the web portal (particularly in 2012 and 2013). Statistics on these delays are reported in Table 1.

analysts. Accordingly, we combine these two activities and use the general term, private in-house meetings. We exclude the other types of activities from our main analysis.[12]

Table 1 (Panel B) reports assorted characteristics of in-house meetings. We observe that the number of *reported* private in-house meetings increased slightly from 2013 to 2014 (2012 was a partial year). In 2014, 72.7% of SZSE-listed firms hosted at least one private in-house meeting during the year. This slight upward trend in *reported* meetings suggests that SZSE firms are responding to incentives embedded in the SZSE's information quality ranking by either (i) holding more in-house meetings in 2014 or (ii) becoming more compliant in reporting in-house meetings.[13] Table 1 (Panel B) also reports that the average number of outside participants is 4.7. We also observe that listed firms marginally increased the word count in meeting reports from 1,122 Chinese characters in 2012 to 1,218 in 2014. About 30% of in-house private meetings have company's top management attending the meetings.[14]

Table 1 (Panel C) divides meeting participants into four categories: investment funds (mainly mutual funds), brokerage firms (representing sell side analysts), private equity funds, and other investors and participants (such as asset management firms, investment trusts, insurance firms, and individual investors). Out of the average of 4.7 meeting participants, 1.7 are

[12] We conducted a robustness check by only examining the "in-house investor meeting" category. Our main results remain the same. Although we exclude other public relation activities from our study, we do control for the presence of other activities in the month prior to each in-house meeting in our multivariate analyses. More details are provided in the results section.

[13] In 2013, the SZSE added the disclosure of investor relations activities to its firm information quality ranking system. SZSE-listed firms that fail to follow the disclosure requirement are penalized in the ranking and publicly criticized by the SZSE (SZSE, 2013). Before July 2012, the SZSE required listed firms to publish investor relations activities in firms' annual reports. However, due to delays in disclosure to the public and perceptions that some firms failed to disclose the information at all, public investors and the media complained about likely selective disclosure of material information, e.g., see Appendix B. Under pressure from public investors and the media, in July 2012 the SZSE required listed firms to electronically submit the meeting records to its web portal within two days of meetings. See SZSE memo #2 in Appendix B for more information.

[14] We define top management to include the Chairman (or vice-Chairman) of the board, CEO, CFO, President, and vice-president, general manager, and vice-general manager. We do not include division managers, investor relation representatives (directors or managers), or board directors as top management.

financial analyst/brokerage firms (36.6%), 1.5 are investment funds (32.45%), and 1.0 (21.7%) are other investors attending in-house meetings.

Finally, Table 1 (Panel D) documents the industry distribution of firms hosting private in-house meeting activities in the sample period. The manufacturing sector accounts for more than 72% of all private in-house meetings in the sample. This percentage consistently increased over 2012-2014, which reflects the nature of SZSE-listed firms.

We collect firms' financial information from the China Stock Market & Accounting Research (CSMAR) database, which includes daily stock prices, audited accounting information, and managerial and board information. We gather financial analyst coverage from the GTA China Listed Company Financial Analyst Forecast database.[15] We collect company insider trading information from the Tonghuashun Financial Database.[16] Appendix C presents variable definitions, measures and data sources in more detail.

3.2 Variables and Methodologies

3.2.1 Outcome (dependent) variables

Short-term stock returns: We examine short-term stock returns around private in-house meeting dates. We use published online document to manually collect each actual meeting date, corresponding meeting notes and the report publication date. We use the standard market model to examine daily abnormal stock returns around event dates for each hosting firm:

$$AR_{j,t} = R_{j,t} - (\alpha_j + \beta_j * R_{m,t}) \quad (1)$$

where $AR_{j,t}$ is the daily abnormal return for firm *j* on day *t*; $R_{j,t}$ is the firm *j*'s daily stock return

[15] Both the CSMAR Database and the Financial Analyst Forecast database are designed and developed by GTA Information Technology Co. Ltd., one of major providers of financial market data in China.
[16] The database is developed by Hithink Royal Flush Information Network Co Ltd. (Ticker 300033), which is listed on the Shenzhen Stock Exchange. The company specializes in online financial data, data analysis software, and other financial software.

on day *t*, $R_{m,t}$ is the daily stock-market return of the Shenzhen Composite Index on day *t*. We use the market model to estimate α_j and β_j from an estimation window of the stock returns between 255 and 43 days before the meeting date (i.e., -255, -43). We then sum daily abnormal returns to measure the CAR for hosting firm *j* during the five-day period (-2, +2) surrounding the meeting dates.[17]

$$CAR_j = \sum_{t=-2}^{+2} AR_{j,t} \quad (2)$$

Long-term stock returns: We examine each firm's "long-term" stock return performance up to 12 months after their in-house meeting. We use the overall stock market index as the benchmark to calculate buy-and-hold abnormal returns for each meeting observation:[18]

$$\text{BHAR}_{j,\,t1\text{-}12} = \prod_{t=1}^{12}(1 + R_{j,t}) - \prod_{t=1}^{12}(1 + M_t) \quad (3)$$

where $\text{BHAR}_{j,t1\text{-}12}$ is the buy-and-hold-abnormal return for firm *j* between month t_1 and t_{12} after the private in-house meeting; $R_{j,t}$ is the monthly stock return for firm *j* in month *t*; M_t is the corresponding monthly return of the Shenzhen Stock Composite Index in month *t*.

Insider Trading: We collect transaction details on insider trading from the Tonghuashun Financial database and extract trading frequency and volume in each calendar month for all SZSE-listed firms in our sample period. We also track trading activities in 30-day windows before and after each private in-house meeting.

[17] We also calculate CAR for multiple alternative event windows, including (-1, +1), (-5, +5), (-5, -1), and (+1, +5). As a further robustness check, we also use two alternative measures of abnormal returns (AR) based on the mean-adjusted model and the market-adjusted model. More specifically, the mean adjusted model calculates the daily abnormal returns by subtracting the average daily stock returns of the firm in the estimation window (-255, -43) from the stock returns in the test window (-5, +5). The market-adjusted model calculates the abnormal returns by subtracting the SZSE daily index return from the corresponding event firm's daily stock return in the test window.

[18] It is challenging to examine long-term stock performance due to various econometric issues (Mitchell and Stafford, 2000). The normal approach of using a control-firm's performance as a benchmark does not work well in the context of our study because it is difficult to find a pure control firm among SZSE-listed firms that does not host private in-house meetings. (We find that over 70% of SZSE-listed firms hosted private in-house meetings in the three-year sample period, and most of these firms are concentrated in the manufacturing sector.)

Stock price volatility: We measure the impact of private in-house meetings on stock price volatility by using daily stock returns in the 61-day (-30, +30) window around the actual meeting date.[19] We calculate the standard deviation of daily stock returns for each meeting firm in the meeting date window.[20]

3.2.2 Firm specific variables

We use several firm specific variables to explain variation in the outcome variables. We use *analyst coverage* as a proxy for each firm's information depth and asymmetry. We count the number of brokerage firms that issue firm-specific analyst forecasts per firm in each year.

In all multivariate analyses, we control for firm size (measured by log transformed total assets); financial leverage (long-term debt divided by total assets); market-to-book ratio (market value of equity divided by the book value of equity); ROA (operating income divided by yearend total assets); sales growth (percentage change in revenue from last year to this year); R&D intensity (percentage of R&D expenses to sales in the fiscal year); state ownership (percentage of issued shares owned by the Chinese government); and stock performance (BHAR of firm stock returns adjusted by the SZSE market index). We also collect the SZSE's information quality ranking index. The index ranges from D (low information quality) to A (high information quality). To mitigate endogeneity problems in some models, we use values from the latest fiscal yearend before each private in-house meeting.

3.2.3 Meeting specific variables

We include several meeting specific variables in our multivariate analyses. First, we

[19] As robustness checks, we also use different event windows, such as (+3, +30) and (+3, +60) around the meeting date. We find qualitatively similar results.

[20] As a robustness check, we follow Estrada (2006) to calculate downside risk for each sample firm in the meeting window. We take the square root of the semivariance, which is defined as the sum of squared *negative* stock returns of each firm in the meeting window.

measure the "number of participants," which is the number of outside investors, analysts and other participants attending the in-house meeting. We exclude the staff and executives of the hosting firm from this measure. We also calculate the percentage of investment funds; percentage of brokerage firms (i.e., sell-side analysts) and percentage of private equity funds among the total participants.[21] Second, we count the number of top management present in the meeting. As a robustness check, we also calculate a ratio of the number of top managers to the total number of company staff present in the meeting. Third, we count the number of Chinese characters in the content of the meeting reports. Fourth, we control for the number of public investor relations activities (other than in-house meetings) in the past month before each in-house meeting. Fifth, we measure the number of days between the reported meeting date and the publication date of each meeting report on the SZSE web site. Finally, we control for the days between each in-house meeting and the prior (and subsequent) quarterly earnings announcement date of each firm. Table 1 Panel E provides descriptive statistics for the variables outlined above. Appendix C presents a list of variables and their measurements.

4. Results and Discussion[22]

4.1 Market reactions to private in-house meetings while still "private"

4.1.1. Univariate analysis of short-term stock returns around private meeting dates

[21] In detailed analyses on investment funds in section 4.6, we also control for fund-specific variables. For each investment fund, we gather ownership data for each investment fund management company in each hosting firm prior to each private in-house meeting – measured as the percentage of total outstanding shares issued by the hosting firm. We count the number of awards received by an investment fund (and its individual fund managers) between 2007 and 2012 to measure reputation of the investment fund. We control for fund's age and size (measured as log transformed total RMB value of each investment fund's managed assets at the fiscal yearend) in the models.

[22] We also examined (in untabulated results) the characteristics of firms that are likely to hold private meetings. Firms that hold more private meetings tend to have (i) greater analyst following, (ii) higher information quality, (iii) better stock return performance, and (iv) higher sales growth. This evidence suggests that firms hold private meetings to satisfy investors' and analysts' demand for information and to support their reputation for information quality. Because short-selling of stocks is banned in China in our sample period, investors and analysts have relatively more interest in good performing firms. Accordingly, these firms are likely to exert more effort to cater to perceived informational needs of investors.

To assess the informativeness of private in-housing meetings, we examine the association between private in-house meetings and stock market reactions.[23] Based on the event study methodology outlined above, we calculate short-term cumulative abnormal returns (CARs) for sample firms during meeting date windows. We exclude any meetings with confounding events, such as earning announcements, M&A announcements, and press releases. Table 2 presents results based on three methods across various event windows. Abnormal returns are positive and statistically significant across various event windows and methods. Given hosting private in-house meetings is voluntary, managers have incentives to selectively disclose good news that may positively influence the firm's stock price, while possibly withholding or minimizing bad news (Kothari, Shu, Wysocki, 2009). However, we find that there is significant variation in market reactions. The median statistic for the market model CAR (-2, +2) is -0.2% and about 52.4% of CARs (-2, +2) are negative, which suggests many firms may have been discussed negative information in these meetings. However, on average, positive news meetings generate larger market reactions than negative news meetings.

[Insert Table 2 and Figure 1 about here]

[23] An alternative to stock market reactions as a measure of private meeting content, we conducted two content analyses of published meeting notes. First, we followed Piotroski, Wong, and Zhang (2016) to use the LIBSVM classifier algorithm for support vector machines to classify each sentence of the entire sample of the 17,000 meeting notes as positive, negative or neutral in tone. We use NLPIR (http://ictclas.nlpir.org/ from the Institute of Computing Technology, Chinese Lexical Analysis System, which is developed by the Chinese Academy of Sciences) to implement word segmentation and tag positive or negative tone sentences. We measure the tone of each meeting note as the number of positive sentences minus the number of negative sentences in the report, scaled by one plus the sum of the number of positive and negative sentences. We find the ratio is highly skewed to positive tone. The median value of the ratio is 0.75 because 94% of the observations are positive. This suggests that published meeting notes don't tell the full story disclosed during the private meeting. Further, being overwhelmingly positive in tone is inconsistent with the nearly evenly distributed positive versus negative stock market reactions during short meeting windows. Second, we conduct an experiment by soliciting expert opinions on the information contained in published meeting notes. Based on the market reaction measure, CAR (-2, +2), we selected ten meetings that had the most positive CARs, and ten meetings that had the most negative CARs. We randomized these two groups of meeting notes. We recruited 15 professional financial analysts and asked each analyst to read and rate each meeting note from 1 to 9 rating (with 1 being most negative and 9 being most positive). We compared average analyst ratings for the positive-CAR and negative-CAR meeting notes, but we could not detect a statistical difference. Thus, based on these two analyses, we infer that firms' published meeting notes are not likely to reveal the underlying content of private meetings. Thus, we rely on the stock market reaction during the meeting window to judge the information content of the private meetings. Results of these content analyses are available upon request from the authors.

While these meetings are supposed to be private, it is possible that other market participants become aware of them through "expert" or "investor" networks, and trade on the anticipated information. We explore such possibilities in Figures 1 and 2. In Figure 1, we present daily abnormal returns of sample firms in the pre 30-day and post 10-day periods.

Figure 1 shows a clear trend of positive stock abnormal returns before the private meeting date. In untabulated statistical tests of daily CARs, we find a consistent and significant CAR trend starting approximately 22 days prior to the private meeting dates. CAR (-22, -1) is as high as +1.7%, which is both economically and statistically significant (p-value < 0.001). Given the average market cap of a sample firm at day -23 is about 4.3 billion RMB (approximately $677 million USD), this stock price run-up translates into 73.1 million RMB (or about $11 million USD) per average firm in our sample.[24]

Next, we investigate whether market participants have prior knowledge of meeting content or just trade based on anticipation of the meeting's existence. We compare the pre-meeting stock price run-up trends for positive news meetings versus negative news meetings. We identify positive versus negative news by ranking meeting date abnormal returns, CAR (-2, +2) from high to low.[25] We take the top 10% (positive news) and the bottom 10% (negative news) of meeting date CAR values and plot the stock price run-up trends separately in Figure 2. Interestingly, we find that the stock price run-up trend is positive for both positive and negative news meetings, which is inconsistent with leakage of the meeting content. Rather, the similar

[24] Stock price run-ups in the pre-meeting period can reduce observed market reactions during the actual meeting window. In order to get a holistic view on the effect of private in-house meetings, one should take price run-ups into consideration. We also conducted a robustness check by removing observations with earning announcements in the 30-day pre-meeting event window. We continue to observe significant price run-ups starting about 30 days before the meeting dates.

[25] We find similar results with shorter event windows, including CAR (-1, +1), or CAR (0, +1).

price run-ups in both extreme positive and negative news subsamples (about 8 to 9% positive abnormal returns from Day -30 to Day -3) suggest a "meeting anticipation effect" where meeting participants (and anyone else they tell) trade on the rational belief that in-house private meetings generally reveal positive information. This result also suggests that the content of private in-house meetings generally remain private during the pre-meeting period, and investors primarily react based on their beliefs and "average" past experience.

[Insert Figure 2 about here]

4.1.2 Multivariate analyses of CARs around private meeting dates

In this section, we explore the association between the various firm- and meeting-specific factors and the information content of private meeting events (proxied by CARs). More specifically, we regress CAR (-2, +2) on a number of firm characteristics from Table 1. Table 3 presents the multivariate results. To mitigate potential reverse causality, we use firm-specific variables as of the latest fiscal yearend before the meeting dates. A number of firms in our sample host several meetings within a short time span. To address this clustering effect, we report clustered standard errors by each hosting firm and use these standard errors to conduct statistical tests.[26] We also adjust standard errors for heteroscedasticity and include firm fixed effects in all models. Model 1 presents regression results with the basic firm- and meeting-specific variables. Model 2 incorporates characteristics of meeting participants. Model 3 includes the firm-specific experience of investment funds that participated in past meetings.

[Insert Table 3 about here]

In all three models, both the 'Number of participants' and the 'Presence of top management in the meeting' have highly significant and positive associations with CAR (-2, +2).

[26] We also conduct a robustness check by only examining private meetings that do not have any other in-house meetings hosted by the same firm in the past 30 days. Our results remain qualitatively similar.

This result suggests that firms are more likely to indicate positive prospects for the business when top management presents to a larger audience. It is not surprising that top management would use private in-house meetings to share good news.

As pointed out by earlier studies (e.g., Solomon and Soltes, 2015), meeting participants can differ in terms of their financial and analytical skillsets. For example, large institutional investors are likely to have well developed models and relatively strong analytical skills. As a result, they are likely to benefit more from 'mosaic' information. In Model 2, we analyze the composition of meeting participants based on their background. We include the percentage of participants from investment funds, brokerage firms (i.e., sell side analysts), and private equity funds, respectively. Model 2 results indicate a significant positive association between percentage of investment fund participants and CARs. The result supports the mosaic information argument. In addition, investment funds have direct access to the capital market. Their large size and visibility in the market may trigger attention from other investors and herding behavior (Zheng, Li and Zhu, 2015; Chiang, Li and Tan, 2010).

Given investment fund participants are likely to have the best skills, we use the average meeting experience of investment funds participants with each firm to measure the firm-specific sophistication of investment funds. We count the number of in-house meetings that an investment fund has attended with the same firm prior to and including the focal meeting.[27] As there might be multiple investment funds meeting with a firm, we take the average of the past meeting experience of each investment fund. The average meeting experience ranges from 1 to

[27] Due to data limitations, we can only extract past meeting experience from July 2012. This creates a censored data bias, as we do not have observations prior to July 2012. To mitigate this bias, we conduct a robustness check by running the regression with the experience measure using data from January 2013 onwards. In other words, we leave a five-month gap to accumulate the experience measure. While this does not completely remove the censored data bias, it does help track investment funds that have frequently visited the same firm in a short time span (at least in the past five-month window).

11, with the mean of 1.4. In our sample, about 55% of in-house meetings have investment fund presence. Results are shown as Model 3 in Table 3.

We find investment funds' past meeting experience has a negative relation with meeting date CARs ($p < 0.01$). This result suggests that the positive effect of investment fund participation on meeting date CARs is not caused by superior firm-specific knowledge of the experienced investment fund. It is not surprising to find that the information discussed in the meeting appears to be less (more) informative to experienced (less experienced) investors.[28]

4.3 Market reactions to the subsequent publication of private meeting reports

In this subsection, we examine market reactions to the subsequent publication of private meeting reports. SZSE firms are required to publish their meeting reports within two days of the actual meeting dates. However, in our sample, about 38% of the disclosing firms missed the two-day requirement. To avoid potential confounding effects caused by meeting day event windows overlapping with the subsequent publication of meeting notes, we use a subsample where the elapsed time between the meeting date and the publication date is more than five days.[29] In addition, we report market reactions on the publication date for both positive and negative news subsamples.

[28] The control variables also yield interesting results. First, we observe a negative and significant relation between CARs and market-to-book value of equity. This suggests that firms with lower stock valuations benefit more from private in-house meetings. Further, we find that firms with lower ROA, lower sales growth, and relatively weak stock performance (BHAR in the month before the meetings) tend to have higher CARs during the 5-day meeting windows. Together, these results are consistent with the conjecture that, because relatively weak performing firms receive less attention from stock market participants, private meetings become relatively more valuable. We also find that the coefficient on the time between the meeting date and the subsequent quarterly earnings announcement date has a significant negative association with meeting date CARs. This suggests that CARs are more positive when the meeting date is closer to the next quarterly earnings announcement. In addition, we examine the association between meeting date CARs and subsequent earning announcement date CARs. We find that the coefficient of the variable 'CAR (-5, +5) on the next quarterly earning date' is positive and significant at the 1% level. This finding suggests that the market reaction on the meeting date is rational, as the information content signalled in the private meeting has a direct relation with the company's future earnings news.

[29] As a robustness check, we also repeat the analysis with a ten-day gap between the meeting date and the publication date. Although the CAR values are smaller, majority of the CAR values are still significantly larger than zero in the overall sample. The results are also similar in both positive and negative news subsamples.

[Insert Table 4 about here]

Table 4 Panel A reports that, on average, the market reacts positively to the publication of private meeting reports. Although the magnitude of CARs on the publication date is slightly smaller than CARs on the actual meeting date and the median CAR is negative, the average market reaction remains positive and significant. Panels B and C present market reactions for the positive news and negative news subsamples, respectively. We define positive (negative) news when the CAR (-2, +2) on the meeting date is in the top (bottom) 10% of all sample CARs. We find that for the positive (negative) news group, the stock market reacts positively (negatively) again on the publication of private meeting reports. In other words, investors that did not have access to private meetings also perceive them to be informative.

4.4 Long-term stock performance after private meetings

To further investigate the validity of in-house meeting information signals, we examine stock performance of the hosting firms up to one year after the private meetings. By using the overall SZSE index as the benchmark, we calculate abnormal buy-and-hold returns (BHAR) for each sample firm after holding in-house meetings. The BHAR measure is introduced in equation (3) in section 3.

We examine BHAR for three time horizons: three months, six months, and twelve months after each private meeting. Given many firms organize multiple meetings in a short time span, measuring post-meeting stock performance over a one-year time horizon leads to overlapping in-house meetings and makes it difficult to test for long run performance. To reduce the impact of overlapping events, we only include meetings that are at least one-year apart from the previous meeting organized by the same firm. We find (in untabulated results available from the authors) that all three BHAR measures are positive and significant (p-values less than 1%), which suggests

that private in-house meetings provide information that predicts long-term stock performance. On average, over a one-year time horizon, hosting firms experience a 16% abnormal return compared to the market index. These results complement our earlier analyses on the informativeness of private in-house meetings.

4.5 Do insiders benefit from private in-house meetings?

In this section, we present results on insider trading associated with private in-house meetings. Insider trading on material non-public information is illegal in China. Even though private meetings are not supposed to disclose material non-public information, our stock price results in previous sub-sections (4.1 to 4.4) suggest that the investing public believes significant information was disclosed during the meetings. While it remains a possibility that these documented market reactions are simply a manifestation of mosaic information and herding, their magnitude suggests that disclosed information could contain material information. We explore this issue further by examining the trading activities of insiders around private meeting dates. This allows us to more directly investigate whether managers use private meetings to disclose material non-public information and time their trading activities.

4.5.1 Frequency and magnitude of insider trading around private in-house meetings

We first examine the amount of insider trading before and after in-house meetings at SZSE-listed firms.[30] Table 5 Panel A reports that in the 30-day windows before 17,631 private in-house meeting dates in the sample, 3.44% of the meetings are associated with 'insider buys' and

[30] Data in Table 5 Panels A and B represent a lower bound on the amount of insider trading because we initially eliminate meetings with overlapping time periods and only keep meetings that are at least 60 days apart from either a previous meeting or a subsequent meeting hosted by the same firm. Panel C provides our estimate of total insider trading around meeting dates.

10.46% are associated with 'insider sells.'[31] Activity increases slightly in the 30-days after in-house meetings (plus the meeting date) to 'insider buys' of 3.78% and 'insider sells' of 15.07%.

[Insert Table 5 about here]

Table 5 Panel B presents the frequency and economic value associated with these insider trades. In the overall sample, we find that in the 61-day combined window around in-house meetings (i.e. pre-30 through post-30 days), sample firm insiders engaged in 3,486 sell transactions and 771 buy transactions. In total, insiders cashed-out (invested) $5.565 ($0.386) billion USD from selling (buying) their own company's shares. The net sales number is $5.179 billion USD. Insider sell transactions are far larger and more frequent than buy transactions.

In Table 5 Panel C, we partition the aggregate value of all insider trading for SZSE-listed firms between July 2012 and December 2014 into four categories. The total value of reported insider trading across all SZSE firms is estimated to be $19.918 billion USD in the approximate two-and-half year sample period. Row (1) in Panel C reports insider trading of $5.179 billion for non-overlapped meetings (which ties to the summary total in Panel B). This is an understated value of insider trading around private meeting dates because we exclude meetings that overlapped with the previous or subsequent meetings. Row (2) presents the *incremental* value of insider trading of $7.156 billion USD for these overlapped meetings. Thus, the total value of insider trading in the 61-day (-30, +30) windows across all private meetings is the sum of rows (1) and (2) or $12.335 billion USD. This represents 61.9% of the value of *all* insider trading for

[31] To count insider trades, we exclude those inside transactions that are specified as incentive plans, stock dividends, gift shares, etc. We only focus on buy and sell orders made by insiders and their direct family members in the secondary market.

SZSE firms in the sample period.[32] These findings indicate that the potential economic benefits to insiders through their transactions around in-house meetings are enormous.

4.5.2 Insider trading and the frequency of private in-house meetings

In this sub-section, we examine whether insiders time their trading activities to benefit from private meetings. We analyze the association between the frequency of insider trading and the timing of private in-house meetings. We calculate *net* sell transactions (i.e., the count of sell transactions less buy transactions) in each calendar month between August 2012 and December 2014, and measure the frequency of in-house meetings in each calendar month over the same sample period.[33] We regress insider trading frequency on in-house meeting frequency and control for key firm characteristics and other activities such as earning announcements or other public relation activities. We consider all calendar months and all listed firms on the SZSE during our sample period. If insiders time their trading activities, we should find a positive and significant association between insider trading frequency and in-house meeting frequency.

[Insert Table 6 about here]

Table 6 provides regression results that include year, month, industry and firm fixed effects.[34] In Model 1, we find that insider trading frequency is highly correlated with meeting frequency in our sample period. This suggests that the timing of insiders' trades is not random. On average, insiders appear to systematically take advantage of the positive market environment around private in-house meeting dates to sell their holdings. This result suggests that insiders

[32] Row (3) reports insider trading of $6.35 billion USD for hosting firms outside of the 61-day private meeting windows, or 31.9% of the entire insider trading value of the SZSE sample. Row (4) reports insider trading of $1.232 billion USD for SZSE firms that do not report hosting private in-house meetings during the sample period.
[33] As a robustness check (not reported in the paper), we also create a dummy variable which equals 1 if there is at least one in-house meeting hosted by the listed firm in a month, zero otherwise. Results are unchanged.
[34] We also used pooled sample OLS regression and firm-random effects regressions. The results are qualitatively similar.

have incentives to disclose positive material information during private meetings to either make their firm's stock more liquid or increase its stock price.[35]

To further test the liquidity needs of managers, we interact managerial ownership and firm size with meeting frequency in Model 2 of Table 6. We find that the regression coefficient for the interaction term between 'firm size' and 'frequency of meetings' is negative and significant. This suggests that managers of large firms are less likely to time their insider trading activities around in-house meetings. We find that the regression coefficient for the interaction term between 'managerial ownership' and 'frequency of meetings' is positive and significant. This result suggests that managers with a higher level of ownership sell more shares around in-house meetings.

4.5.3 Positive versus negative information disclosures and insider trading

To further investigate whether corporate insiders trade based on the content of information disclosed during private in-house meetings, we use the method reported in Figure 2 and classify meetings by positive and negative news content. Positive news meetings have the top 10% of CARs (-2, +2) during the meeting window; and negative news meetings have the bottom 10% of CAR measures.[36]

We find more sell transactions in the negative news group than the positive news group *before* the meetings, while there are more sell transactions in the positive news group *after* the meetings. Figure 3 illustrates this phenomenon by plotting the "cumulative density function" of insider sell transactions ranging from 0% before day -30 to 100% on day +10.[37] On average,

[35] Control variables also show some interesting results. We find that (i) firms experiencing higher stock returns in the month (denoted by BHAR) have more insider sells, (ii) insiders trade less frequently in the earnings announcement month, and (iii) firms with higher managerial ownership tend to have more insider sells, which is consistent with their desire to diversify their concentrated portfolio risk in the company's stock holdings.
[36] Our results are similar using (i) 25% or (ii) positive versus negative CARs as cutoff points.
[37] We use the same time window as shown in Figures 1 and 2 (-30, +10). The frequency of insider sell transactions is similar in the time window (+11, +30) for positive news and negative news meetings.

from Day -30 to Day -3, about 61% of all sell transactions are made by insiders before negative news meetings, while only 34% of sell transactions are made by insiders before positive news meetings. From Day +3 to Day +10, sell transactions increase by 34% (from 66% to 100%) after positive news meetings, while sell transactions only increase by 18% (from 82% to 100%) after negative news meetings. The difference between the cumulative density functions for negative news meetings and positive news meetings is also shown in Figure 3.These results suggest that corporate insiders trade differently in positive and negative news environments; insiders sell more often before negative news events but postpone sell transactions if the meetings are likely to trigger positive market reactions.[38]

[Insert Figure 3 and Table 7 about here]

To confirm that the insider trading patterns identified in Figure 3 are not confounded by other events and firm characteristics, we conduct multivariate analyses on the relationship between meeting date CARs and insider trading patterns during pre- and post-event periods. We identify 'insider-trading pattern' as the ratio of insider sell transaction counts in the post-meeting window (+3, +10) to insider sell transaction counts in the pre-meeting window (-10, -3). To avoid losing observations when there is no insider trading, we add 1 to both the numerator and denominator of the measure. Thus, the measure equals 1 if the insider sell counts remain same during the pre- and post-event periods; it is larger (smaller) than 1 if there are relatively more (less) insider sells after the meetings. We regress this variable on 5-day meeting date CARs (-2, +2). If the regression coefficient on the insider-trading pattern variable is positive and

[38] We repeat the same analysis for insider buy transactions in Panel B. It seems company insiders tend to buy shares after the negative market reaction. However, most of the other results are weak, likely due to the prominence of sell transactions in the SZSE market.

significant, it confirms the evidence in Figure 3 that company insiders tend to engage in more sell transactions before negative news meetings or after positive news meetings.

Model 1 in Table 7 reports a positive coefficient on insider-trading patterns, which supports the conjecture that company insiders time their sell transactions. Model 2 uses a dummy variable for CAR, which equals 1 for positive CAR (-2, +2) observations, and 0 for negative CAR (-2, +2) observations. We use logistic regression to estimate this model and find a similar positive and significant coefficient on the insider-trading pattern variable. This result is more general than illustrated in Figure 3 because we consider all positive and negative CAR meetings in the multivariate analysis (instead of only the top or bottom 10% of CAR values). Our results are robust to a large set of control variables that are included in the regression models.[39]

Overall, insider trading activities around private in-house meetings suggest that insiders at some SZSE-listed firms trade opportunistically on material private information. Although only 20% of SZSE firms disclose insider trading activities around private meeting dates, we believe our results may reveal a larger problem (because these behaviors likely extend to firms listed on other Chinese stock exchanges, including the larger Shanghai Stock Exchange). Opportunistic net insider selling of over $12 billion USD in our approximate two and half year sample period is perhaps too large to be ignored by regulators and public investors.

4.6. Investment fund participants, disclosure strategy and relevant consequences

In this section we focus on hosting firms' disclosure strategies (and consequences) when investment funds attend private in-house meetings. While a firm's ownership structure can include different types of institutional investors, we predict that institutions with relatively large

[39] As a robustness test, we also repeat these analyses using earlier and later windows to measure the insider-trading pattern. We compare insider sells in the post-meeting window of (+10, +30) with the pre-meeting window of (-30, -10) to avoid the influence of insider trading close to the meeting date. Results are qualitatively similar.

active ownership are more likely to receive special attention, including access to selective disclosures from firm management. Among institutional investors, we focus on investment funds because they represent approximately 50% of institutional ownership in China. Further, by focussing on firms' disclosure strategies involving investment funds, we address an interesting managerial dilemma. The combination of increasing levels of ownership by investment funds and their short-term investment horizon can pose significant disclosure challenges for firm managers. On one hand, firm managers have an incentive to host more frequent private in-house meetings as a direct way to address the demand for information from these influential investors. However, if on average Chinese investment funds have short-term investment horizons, increased information disclosure through private meetings may amplify stock return volatility.

4.6.1 Investment fund participants and positive/negative disclosures during private meetings

In this sub-section, we seek to understand how firms handle the disclosure of negative developments through private meetings. Again, we find that, the CAR distribution around private meetings is skewed, and shows a positive and significant mean but a negative median. In other words, more than 50% of private meetings result in negative hosting firm stock returns.

[Insert Table 8 about here]

To study the role of investment funds participating in private in-house meetings, we partition the CAR sample into positive and negative news based on CAR (-2, +2). The positive (negative) CAR sample suggests positive (negative) information was revealed during the meeting. We use each individual investment fund as the unit of analysis so that we can measure each fund's characteristics (such as its ownership in the hosting firm prior to the meetings). We regress a dummy variable (which equals 1 for positive CAR meetings, and 0 for negative CAR meetings) on investment fund characteristics and other control variables. We use ownership

information from the latest semi-annual report or the latest quarterly report disclosed by each investment fund before the meetings. Quarterly reports provide more timely ownership information, but only include the top ten holdings of each investment fund. Semi-annual reports are required to disclose all holdings of each investment fund. The sample only includes private meetings that are attended by investment funds. In Models (1) and (3), we include investment funds that do not have any ownership in the firm prior to the meeting and code their ownership as zero. This sample has 20,407 meeting-fund observations. Models (2) and (4) provide a robustness check by excluding funds that do not have ownership in the firm prior to the meetings. Table 8 presents logistic regression results.[40] We find that regression coefficients on individual fund ownership are negative and significant in all four models. This suggests that investment funds with larger ownership in the hosting firm are more likely to attend private meetings that disclose negative information.[41]

4.6.2 Investment fund participants and stock return volatility

In order to better understand why firms hosting private meetings disclose negative news to select investment funds, we examine stock return volatility during the meeting date window. We conjecture that listed firms purposefully invite investment funds with relatively large ownership to inform them of negative news before announcing it to the public. By doing so, hosting firms may mitigate the response of these institutional investors to the new information. Selectively disclosing negative news through the private meeting channel may allow information

[40] We also used a continuous measure of CAR and tested the impact of investment fund ownership in an OLS regression model. The main results remain qualitatively similar. We find that investment fund ownership is significantly and negatively related to stock market reactions during private in-house meetings.

[41] Some control variables also show significant explanatory power in the models. We find that top management presence is generally accompanied with positive information disclosures. Firms that show recent positive financial performance (i.e., higher market-to-book valuation, higher sales growth and better stock performance) are more likely to announce negative news through private in-house meetings, which is consistent with survey evidence from Graham et al. (2005). Further, both positive and negative news revealed in private meetings appear to be informative in that each is significantly correlated with subsequent quarterly earnings results.

to be gradually disseminated to the market and thus reduce stock price shocks. If this is the case, we should see lower stock price volatility in the negative news meeting window when investment funds with relatively large ownership are present.

We measure stock return volatility using daily stock returns in the 61 (-30, +30) days around each meeting date. We regress stock return volatility on investment fund ownership and test the interaction between participating fund and non-participating funds. Because listed firms are likely to be more concerned about funds that are already invested in the firm, we focus on a sample where both participants and non-participants have ownership in the hosting firm prior to the meeting.

[Insert Table 9 about here]

The first three models in Table 9 present results for negative news meetings (where CARs during the 5-day meeting window are less than zero). We also split the sample into two parts: Model 1 includes investment funds that participated in the meeting, and Model 2 includes investment funds that did not participate in the meeting (but have ownership in the hosting firm). We find clear differences in the association between fund ownership and stock return volatility. In the meeting participant sample, investment funds with relatively large ownership are associated with reduced stock return volatility (the coefficient on fund ownership is *negative* and significant at 5% level). However, when investment funds with relatively large ownership do <u>not</u> attend the private meeting, stock price volatility increases (the coefficient is positive and significant at the 10% level). We test the statistical difference between the two coefficients by using an interaction term in the combined sample in Model 3. We create a dummy variable that equals 1 if the fund participated in the meeting and 0 if not. We multiply the dummy variable with investment funds' ownership and include the multiplicative interaction term in the model.

We find a negative and significant coefficient on the interaction term, which suggests that firms hosting private in-house meetings with relatively large investment fund owners in attendance tend to experience lower stock return volatility compared to meetings without large investment fund owners in attendance. The coefficient is significant at the 5% level, which supports the conjecture that in cases of negative disclosures during private meetings, participating investment funds with larger ownership in the hosting firm are more likely to be associated with lower stock price volatility.

In the remaining three models (4, 5 and 6) in Table 9, we repeat the same analyses on positive news meetings. We do not find evidence of a similar reduction in volatility in the meeting participant sample. The difference between meeting participants and non-participants is not statistically significant based on the interaction effect in the combined sample model (6).[42,43]

4.6.3 Do private in-house meetings affect the investment decisions of meeting participants and non-participants?

Next, we examine (i) whether investment funds adjust their portfolio based on information disclosed in private in-house meetings, and (ii) whether there is a difference in adjusted investment positions between meeting participants and non-participants. We use quarterly investment fund ownership data to capture the most timely available information on

[42] We also find meaningful results for the control variables. First, we find large firms tend to have lower stock return volatility during the period surrounding private in-house meetings. Second, firms with higher leverage (suggesting more monitoring from debt holders) tend to have lower stock return volatility. Third, firms with better operating performance tend to have lower volatility. Fourth, we find that firms with other public relations activities and press releases before the meeting tend to experience higher volatility, which suggests a period of intensive information disclosure by a firm garners attention from the investment community. Finally, we find that stock return volatility during the meeting window is negatively associated with subsequent earnings announcement returns.

[43] We carry out a number of robustness checks to verify our results: (i) we replace the standard deviation of stock returns with the downside risk measure explained earlier (Estrada, 2006), (ii) we consider a longer post-meeting window (+3, +60) from 3 days to 60 days after the meeting, (iii) we use the full sample of meeting participants and non-participants, which includes investment funds who do not have any ownership in the firm prior to the meeting (and code their ownership value to be zero), (iv) Finally, we use quarterly ownership data (instead of the semi-annual ownership data used in the above analysis) and re-run the models. Our results remain robust to these variations.

changes in investment positions before and after private in-house meetings.[44] To measure change in ownership, we subtract each investment fund's ownership in the hosting firm between the latest quarter-end prior to the private meeting from the ownership in the subsequent quarter-end after the meeting. Positive values on this measure indicate an increase in ownership, and negative values indicate a decrease in ownership. We regress change in ownership on positive or negative stock market reactions during the 5-day meeting date window. If private in-house meetings are informative and associated with buying or selling decisions by investment funds, we should observe a positive correlation between meeting date stock returns and changes in investment funds' holdings. In other words, we expect to observe increased holdings in the hosting firm after positive news private meetings and decreased holdings after negative news private meetings.

[Insert Table 10 about here]

Model 1 in Table 10 provides regression results for the overall sample (including both meeting participants and non-participants). The regression coefficient on positive vs. negative news meetings is positive and significant at 1% level, which indicates that investment fund ownership positions are associated with the tone of private in-house meetings.

Next, we examine whether meeting participants react more strongly to private meeting disclosures compared to non-participants. Models (2) and (3) in Table 10 split the sample into two groups: Model 2 includes only investment funds who participated in the meetings, and Model 3 includes only non-participant funds that have prior ownership. In both samples, we continue to find that changes in their investment positions are highly correlated with positive or negative stock market reactions during the meeting date window. However, the coefficient on the

[44] Although quarterly data are the best available information to approximate timely changes in investment positions around private meeting dates, it may not accurately capture funds' short-term trading strategies. Given the statistically significant results (reported below) using quarterly data, we believe the actual phenomenon may be even more significant than indicated.

relationship is larger in the meeting participant sample ($\beta_{(2)}$ = 0.034) than in the non-participant sample ($\beta_{(3)}$ = 0.005). We test the statistical difference between the two coefficients in Model (4) by combining both samples and introducing an interaction term between fund meeting attendance and positive (vs. negative) news meetings. The coefficient on the interaction term is positive and significant (p value < 0.05), which indicates that funds attending private meetings are more responsive to meeting news and presumably adjust their investment positions in the hosting firm more completely to the information revealed in the meetings.[45] This result suggests that private in-house meetings can provide an information advantage to meeting participants. Even among investment funds, meeting participants react to information more strongly (and possibly more quickly). Investment funds not participating in the meetings may learn the information from other channels but react to the information less strongly (and possibly more slowly). This evidence suggests institutional investors do consider private in-house meetings informative and act on the information they receive from the private meetings. Our results also suggest that large institutional investors receive preferential access to private meetings.[46]

5. Summary and Conclusions

Despite voluminous literature on corporate disclosure, little is known about the consequences of private in-house meetings between management and outside parties such as institutional investors and analysts. The current literature suggests that private interactions with

[45] This analysis is based on the full sample where investment funds may or may not have ownership in the meeting firm prior to the private meetings (however, we exclude those firms that do not have quarterly ownership in the hosting firm before AND after the meeting from this analysis). For example, a fund that increases its ownership from zero (before the meeting) to a certain level of ownership after the meeting is included in this sample; or a firm that decreases its ownership to zero after the meeting is also part of this sample. As a robustness check, we exclude investment funds that do not have ownership before or after the private in-house meetings. We repeat the same analysis in Table 10 and find qualitatively similar results. Results are available from the authors.

[46] In untabulated results, we find institutional investors with large ownership tend to receive preferential treatment in private in-house meetings. For example, these influential investors have more access to private in-house meetings; they attend more one-participant meetings, and they have more opportunities to interact with top management of the hosting firm. The results are available from the authors.

management remain an important communication channel for investors and analysts (Soltes, 2014). However, some have suspected that these private meetings give an advantage to select meeting participants (and those they inform) and thus potentially undermine the principle of fair disclosure of information to all investors at the same time (Solomon and Soltes, 2015). Regulatory bodies across the world have promulgated various forms of fair disclosure regulations in an attempt to reduce the disclosure of material non-public information to select investors. We examine whether these regulations are effective in the context of private in-house meetings.

The rarity of empirical evidence on this issue is mainly due to the fact that U.S. firms are not required to disclose the existence or content of private meetings. Although recent studies by Brown et al. (2014), Bushee et al. (2014), Soltes (2014), and Solomon and Soltes (2015) have attempted to penetrate the "black box" of private meetings, these studies are limited due to the lack of large-sample cross-sectional data on actual private meetings.

We examine a comprehensive set of firms listed on the Shenzhen Stock Exchange (SZSE) that are required to disclosure private in-house meetings within two days of the actual meeting dates. We manually gather private in-house meeting data for all listed firms from documents on the SZSE website and examine a series of interrelated research questions.

First, we observe significant stock price run-ups *prior* to private meeting dates regardless of whether firms subsequently report positive or negative news. This result suggests that meeting participants or someone in their network (i) trade in advance of the meeting with the *expectation* that good news will be announced during the meeting, but (ii) did not have advance knowledge of the meeting content. On average, their expectations are correct; we find 5-day (-2 to +2) cumulative abnormal returns (CARs) around private meeting dates are both statistically and economically significant. Further, we find that the number of participants and the presence of

investment funds and top management in the meetings are associated with stronger stock market reactions around meeting dates. Finally, we find that the subsequent publication of private meeting notes triggers an incremental significant market reaction from general investors that mirrors the direction of the stock reactions during the private meetings themselves.

Second, and arguably of greatest regulatory concern, our results suggest that insiders tend to time their buy or sell transactions depending on the meetings' information content and the anticipated impact on stock market prices. Although only 20% of private meetings are associated with reported insider trading activities, the dollar value of these trades exceeds $12 billion USD from August 2012 through December 2014 – representing almost 62% of the value of *all* insider trading among SZSE-listed firms. Insiders carry out more sell transactions before negative news events but postpone sell transactions if the private meetings are likely to trigger positive market reactions. Because insiders also likely determine the timing and information content of private in-house meetings, these results suggest opportunistic behavior on the part of at least some insiders. Insiders can take advantage of increased market liquidity around private in-house meetings to camouflage their trades. Given it is unlikely that insiders trade based on mosaic information prior to the meetings, we believe that, taken as a whole, our evidence suggests that material non-public information is disclosed through private in-house meetings.

Third, our results suggest that managers prefer to disclose negative developments to select institutional investors in a private setting – possibly to manage the news, minimize stock sell-offs and mitigate stock return volatility. Further, we find that institutional investors who attend private in-house meetings tend to make more informed trading decisions compared to investors not attending the meetings. These results lend support to the conclusion that at least

some private meetings reveal material non-pubic information disclosure that violates the spirit of fair disclosure regulations.

Note that our results are likely understated for at least two reasons. First, they are based on *disclosed* private in-house meetings of SZSE-listed firms. Some SZSE-listed firms may not disclose all of their private in-house meetings. Second, the SZSE is the smaller of China's two major stock exchanges. Unlike the Shanghai Stock Exchange, which lists larger and more mature firms, SZSE is to our knowledge unique in the world in that it requires listed firms to publish reports about private investor meetings within two days of the meeting.

Solomon and Soltes (2015) suggest that firms should publish transcripts of their private interactions so that all market participants are aware of meeting details. If the principle of equal access to material information is a cornerstone of fair disclosure, other jurisdictions may want to consider regulations similar to those required by the SZSE. The large economic significance of our results for SZSE-listed firms suggests that disclosure of private in-house meetings shines a light on arguably unethical activities related to these meetings in China. U.S. regulatory bodies may find it cost-effective to also require modest disclosures. For example, the mere disclosure of the existence and timing of private meetings (either ex post or in advance) would allow academics, analysts, investors and regulators to conduct studies similar to ours. Investors would learn more about the consequences of private meetings in the U.S., e.g., who hosts such meetings, how the stock market reacts, and how insiders and meeting participants benefit. While this minimal disclosure should improve transparency and perhaps reduce insider trading, practically speaking, it is unclear to what extent fair disclosure principles can be legislated. Any attempt to do so could be seen as attempting to "muzzle" managers' ability to discuss their company with capital suppliers and other stakeholders.

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Tables

Table 1. Descriptive data on private in-house meetings for SZSE-listed firms: 2012-2014

Table 1 provides descriptions of private in-house meetings hosted by Shenzhen Stock Exchange (SZSE)-listed firms between July 17, 2012 and December 31, 2014. Panel A provides data on various public investor relations activities disclosed on the SZSE website. We focus on the first two categories, namely in-house investor meetings and site visits, which have 17,631 occurrences in the sample period. We label these events "private in-house meetings."

Panel B reports on the characteristics of these private in-house meetings.

Panel C partitions meeting participants according to their background. Most participants are sell-side analysts (from brokerage firms), investment funds (including mutual fund managers), and private equity funds. Other participants usually include asset management firms, investment trusts, insurance firms, individual investors, and journalists.

Panel D provides the distribution of private in-house meetings by industry. About 72% of the meetings (12,745 out of the 17,633) took place in the manufacturing industry.

Panel E reports the sample descriptive statistics of the main variables. All financial variables (including total assets, leverage, market to book ratio, ROA, sales growth, and R&D intensity) are winsorized by 1% from both tails.

Panel A. SZSE listed firms' disclosure of public investor relations activities by type

Public Investor Relation Activities	2012	2013	2014	Total sample
In-house investor meetings	2,758	6,038	6,552	15,348
Site visits	500	959	824	2,283
Media interview	89	152	99	340
Analyst conference meetings	62	105	131	298
Performance announcement meetings	46	66	90	202
Missing information	31	44	53	128
Road shows	9	17	19	45
Public news meeting	0	7	9	16
Others	120	263	379	762

Panel B. Characteristics of private-in-house meetings

In-house Meeting Characteristics	2012	2013	2014	Total sample
# of private in-house meetings	3,258	6,997	7,376	17,631
# of hosting firms	756	1,063	1,166	1,316
% of hosting firms out of all SZSE listed firms	50.1%	69.9%	72.7%	64.2%
Average # of meetings per firm-year	4.310	6.584	6.326	4.466
Average # of participants in the meetings	4.964	4.349	5.018	4.743
Average # of days between the meeting date and the publication date	19.779	7.789	2.834	7.932
Average word count in the meeting notes	1,122	1,124	1,218	1,163
Average meeting time (minutes)	111.84	105.20	101.82	104.89
Percentage of meetings that have top executive presence	32.88%	28.52%	33.23%	31.29%

Panel C. Characteristics of participants in the private-in-house meetings

Types of meeting participants	2012	2013	2014	Total Sample
Total number of participants	4.964	4.349	5.018	4.743
Number from brokerage firms (sell-side analysts)	1.520	1.720	1.848	1.737
Number from investment funds	1.288	1.500	1.685	1.539
Number from private equity funds	0.288	0.373	0.496	0.409
Number of other participants	1.738	0.752	0.987	1.031

Panel D. Private-in-house meetings by industry

Industries	2012	2013	2014	Total Sample
Manufacturing	2,222	5,055	5,466	12,745
Telecommunication technology	386	605	642	1,633
Wholesale and retail	104	246	258	608
Building industry	151	235	185	571
Real estate	73	204	145	422
Water and environment	53	129	92	274
Science research and service	62	77	85	224
Business service	26	88	93	207
Farming and fishing	35	82	79	196
Public utilities	45	66	77	188
Transportation	26	50	102	178
Entertainment and sports	19	58	38	115
Mining	31	47	29	107
Financial and banking	14	27	38	79
Hotels and restaurants	7	7	24	38
Medical and social work	4	17	17	38
Conglomerate	0	4	6	10
Grand Total	3,258	6,997	7,376	17,631

Panel E. Descriptive statistics of main variables

				Quintiles		
Variables	N	Mean	S.D.	25%	50%	75%
Meeting date CAR (-2, +2)	16509	0.004	0.060	-0.030	-0.002	0.031
Long term stock return BHAR (12 months)	13974	0.153	0.677	-0.234	0.032	0.397
Meeting window stock return volatility	17191	0.027	0.008	0.022	0.027	0.032
# of analysts following	17631	9.566	7.742	3.000	8.000	14.000
Total assets (log)	17221	21.658	1.098	20.843	21.440	22.183
Leverage	17221	0.037	0.062	0.000	0.001	0.047
Market to book ratio	16916	1.665	1.128	0.815	1.310	2.165
ROA	17209	0.071	0.042	0.040	0.065	0.095
Sales growth	15737	0.185	0.217	0.028	0.158	0.311
R&D intensity	17631	0.014	0.037	0.000	0.000	0.007
State ownership	17221	0.029	0.104	0.000	0.000	0.000
Stock performance	17448	0.053	0.164	-0.070	0.027	0.149
Information quality ranking	16923	3.200	0.534	3.000	3.000	4.000
Other public investor relation activities	17631	1.291	1.792	0.000	1.000	2.000
Number of words	17627	1200.0	844.4	628.0	962.0	1500.0
Days between meeting date and publication date	17631	2.640	2.627	1.000	2.000	4.000
Days between meeting date and next quarterly earning date	17631	82.99	44.02	48.00	73.00	116.00
CAR (-5, +5) on the next quarterly earning date	17631	0.007	0.078	-0.041	-0.001	0.046
Percentage of brokerage firms in the total participants	17592	0.468	0.368	0.143	0.449	0.857
Percentage of investment funds in the total participants	17592	0.298	0.331	0.000	0.231	0.500
Number of participants	17631	4.741	6.745	1.000	2.000	5.000
Presence of top management in the meeting	17631	0.322	0.467	0.000	0.000	1.000
Percentage of private equity funds in the total participants	17592	0.067	0.176	0.000	0.000	0.000
Investment fund experience	17631	0.781	0.908	0.000	1.000	1.000

Table 2. Univariate analyses of short-term stock returns around private in-house meeting dates

Table 2 reports analyses of hosting firms' short-term stock returns around private in-house meeting dates. We report three methods to calculate abnormal returns. In Panel A, the mean adjusted model estimates average daily stock returns ($\bar{R}_j$) of the hosting firm in an estimation window of (-255, -43) trading days before the meeting date. Then we subtract stock returns ($R_{j,t}$) during the meeting event window, such as the five-day period (-2, +2), by the estimated average daily return. $AR_{j,t} = R_{j,t} - \bar{R}_j$. We then add daily abnormal returns to measure the CAR for hosting firm *j* during the five-day period (-2, +2) surrounding the meeting dates. $CAR_j = \sum_{t=-2}^{+2} AR_{j,t}$. In Panel B, we use the market model to examine daily abnormal stock returns around the meeting date. We calculate the daily abnormal return as: $AR_{j,t} = R_{j,t} - (\alpha_j + \beta_j * R_{m,t})$, where $AR_{j,t}$ is the daily abnormal return for firm *j* on day *t*; $R_{j,t}$ is firm *j*'s daily stock return on day *t*, and $R_{m,t}$ is the daily stock-market return of the Shenzhen Composite Index on day *t*. We use the market model to estimate the α_j and β_j from an estimation window of the stock returns between (-255, -43) days before the meeting date. We then add the daily abnormal returns to measure the CAR for hosting firm *j* for various event windows, including (-1, +1), (-2, +2), and (-5, +5). In Panel C, we use the market adjusted model to calculate the daily abnormal returns: $AR_{j,t} = R_{j,t} - R_{m,t}$. Since this method does not require a long estimation window before the meeting date, we do not lose as many observations due to missing stock returns in the estimation period. In the main analysis, we focus on CARs measured by the market model, which is used most frequently in finance and accounting research. In the table below, we show the sample size, mean, standard error and standard deviation of the CARs for various event windows based on the three estimation methods; t statistics and statistical significance of the CAR values are reported in the last two columns.
*** denotes 1% significance, ** denotes 5% significance, and * denotes 10% significance, all two-tailed.

				Quintiles					
Meeting date CAR measures	**N**	**Mean**	**S.D.**	**25%**	**50%**	**75%**	**t stats**		**% of positive**
Panel A. Mean adjusted model									
CAR(-5,+5)	16509	0.012	0.098	-0.050	0.007	0.067	15.780	***	53.4%
CAR(-2, +2)	16509	0.006	0.068	-0.036	0.003	0.043	10.903	***	52.3%
CAR(-1,+1)	16509	0.003	0.053	-0.028	0.001	0.030	6.441	***	50.7%
Panel B. Market model									
CAR(-5,+5)	16509	0.008	0.087	-0.044	0.000	0.050	11.858	***	49.8%
CAR(-2, +2)	16509	0.004	0.060	-0.030	-0.002	0.031	9.560	***	47.6%
CAR(-1,+1)	16509	0.002	0.046	-0.023	-0.002	0.022	6.512	***	48.2%
Panel C. Market adjusted model									
CAR(-5,+5)	17591	0.016	0.086	-0.036	0.005	0.057	24.536	***	53.2%
CAR(-2, +2)	17594	0.008	0.059	-0.026	0.001	0.034	17.701	***	50.8%
CAR(-1,+1)	17594	0.004	0.046	-0.021	0.000	0.024	12.572	***	49.6%

Table 3. Multivariate analyses of CARs around private in-house meeting dates

In Table 3, we use multivariate regression to examine the association between the various firm- and meeting-specific factors and the information content (proxied by CARs) of private in-house meetings. We also control for a set of firm- and meeting-specific characteristics in each regression model. We use firm variables as of the latest fiscal yearend before the meeting dates. To test the statistical significance of the regression coefficients, we use the robust standard errors corrected for heteroscedasticity. We include year, industry and firm fixed effects in the models. Model 1 presents regression results with the basic firm- and meeting-specific variables. Model 2 incorporates the background of meeting participants. Model 3 includes the meeting experience of the investment fund with the same hosting firm. Robust standard errors are reported in parentheses.
*** denotes 1% significance, ** denotes 5% significance, and * denotes 10% significance, all two-tailed.

Dependent variable:	(1)	(2)	(3)
Market Model CAR (-2, +2)	Model	Model	Model
Number of participants	0.052***	0.058***	0.048***
	(0.012)	(0.012)	(0.015)
Presence of top management in the meeting	0.448***	0.398**	0.524**
	(0.161)	(0.162)	(0.224)
Percentage of investment funds in the total participants		0.529***	0.656
		(0.194)	(0.451)
Investment fund experience			-0.320**
			(0.136)
# of analysts following	-0.011	-0.009	0.000
	(0.018)	(0.018)	(0.026)
Total assets	-1.243**	-1.187**	-1.233
	(0.530)	(0.531)	(0.797)
Leverage	3.685	3.861	5.926*
	(2.541)	(2.542)	(3.573)
Market to book ratio	-0.659***	-0.666***	-0.718***
	(0.111)	(0.111)	(0.157)
ROA	-5.256	-5.632	-1.496
	(3.669)	(3.669)	(5.510)
Sales growth	-0.999***	-0.975***	-0.840
	(0.377)	(0.376)	(0.579)
R&D intensity	-1.803	-2.993	-3.430
	(3.761)	(3.776)	(4.665)
State ownership	-2.475**	-2.550**	-2.838*
	(1.011)	(1.010)	(1.498)
Stock performance	-2.807***	-2.907***	-3.365***
	(0.361)	(0.361)	(0.511)
Information quality ranking	0.143	0.142	0.039
	(0.186)	(0.186)	(0.292)
Other public investor relation activities	0.127***	0.123***	0.118**
	(0.036)	(0.036)	(0.051)
Number of words	0.024	0.031	0.042
	(0.078)	(0.078)	(0.126)
Days between meeting date and publication date	0.000	0.000	0.001
	(0.002)	(0.002)	(0.003)
Days between meeting date and next quarterly earning date	-0.007***	-0.007***	-0.007***
	(0.001)	(0.001)	(0.002)
CAR (-5, +5) on the next quarterly earning date	1.493**	1.341*	2.879***
	(0.743)	(0.743)	(1.076)
Percentage of brokerage firms in the total participants		0.112	0.727
		(0.182)	(0.495)
Percentage of private equity funds in the total participants		0.275	1.313
		(0.288)	(0.844)
Constant	26.478**	25.292**	24.470
	(10.684)	(10.708)	(17.154)
Year, industry and firm fixed effects	Yes	Yes	Yes
Observations	15,663	15,636	8,621
R^2	0.128	0.128	0.193

Table 4. Market reactions around publication dates of private in-house meeting records

Table 4 reports analyses of hosting firms' short-term stock returns around the public release of meeting records through the SZSE website. Although SZSE firms are nominally required to publish their meeting details within two days of the actual meeting dates, a number of these firms fail to disclose the meeting records on time. To avoid overlapping event windows, we use a subsample of meetings where the publication date is at least five days subsequent to the meeting date. As discussed in Table 3, we report the CAR measures based on three different methods. We also show CARs for different event windows, including (-1, +1), (-2, +2), and (-5, +5). In the tables below, we show the sample size, mean, standard error and standard deviation of CARs for various event windows based on the three estimation methods. t statistics and statistical significance of CAR values are reported in the last two columns. In Panel A, we present statistics for the overall sample; In Panel B, we report statistics for the negative news subsample where CAR (-2, +2) around the *meeting date* was in the bottom 10% of the CAR value distribution; and in Panel C, we present results for the positive news subsample where meeting date CARs are in the top 10% of the distribution.
*** denotes 1% significance, ** denotes 5% significance, and * denotes 10% significance, all two-tailed.

Publication date CAR measures	N	Mean	S.D.	Quintiles			t stats	
				25%	50%	75%		
Panel A. Overall Sample								
CAR(-5,+5)	2495	0.005	0.083	-0.045	-0.003	0.046	2.973	***
CAR(-2, +2)	2495	0.002	0.055	-0.030	-0.002	0.028	1.865	*
CAR(-1,+1)	2495	0.002	0.043	-0.023	-0.001	0.022	2.726	***
Panel B. Negative news group: bottom 10% meeting date CAR (-2, +2)								
CAR(-5,+5)	250	-0.053	0.086	-0.102	-0.062	-0.011	-9.843	***
CAR(-2, +2)	250	-0.019	0.055	-0.056	-0.021	0.011	-5.435	***
CAR(-1,+1)	250	-0.005	0.050	-0.036	-0.010	0.021	-1.536	
Panel C. Positive news group: top 10% meeting date CAR (-2, +2)								
CAR (-5,+5)	250	0.083	0.116	0.005	0.082	0.137	11.322	***
CAR (-2, +2)	250	0.026	0.085	-0.032	0.020	0.062	4.890	***
CAR (-1,+1)	250	0.015	0.067	-0.030	0.003	0.054	3.552	***

Table 5. Descriptive statistics on insider trading activities around private in-house meeting dates

Table 5 Panel A reports the frequency of private in-house meetings that have insider trading activities in various time windows before and after the meeting dates. "# of meetings" indicates the number of private in-house meetings that have at least one insider trade in the respective time windows (ranging from -30 days to +30 days around the meeting dates). "% of meetings" is a ratio of the number of meetings with insider trading in a year divided by the total number of meetings in the year. Table 5 Panel B reports the frequency and dollar value of insider trading transactions around private in-house meetings. For each meeting, we count the number of insider buy and sell transactions and the corresponding buy and sell transaction dollar values in various time windows before and after the meeting date. We then add up both transaction count data and dollar values for all sample firms in the specified time windows. In order to present a 'clean' picture of insider trading in each event window, we eliminate those meetings with overlapping time periods and only keep meetings that are at least 60 days apart from previous or subsequent meetings hosted by the same firm. We provide insider buy and sell transactions separately. We report six different time windows where date 0 is the private meeting date. [-30, -1] represents 30 days before through 1 day before the meeting date; [-10, -1] represents 10 days before through 1 day before the meeting date; [-5, -1] represents 5 days before through 1 day before the meeting date; [0, +5] includes the meeting date through five days after the meeting date; [0, +10] includes the meeting date through ten days after the meeting date; [0, +30] includes the meeting date through thirty days after the meeting date; finally, [-30, +30] covers 30 days before through 30 days after the meeting date.

	Panel A.		***Panel B.***	
Time windows	**# of meetings**	**% of meetings**	**Total # of transactions**	**Total value of transactions (million $)**
Insider Buy				
[-30, -1]	166	3.44%	382	172.6
[-10, -1]	77	1.60%	195	126.4
[-5, -1]	54	1.12%	119	47.5
[0, +5]	48	1.00%	75	79.8
[0, +10]	78	1.62%	138	90.9
[0, +30]	182	3.78%	389	213.9
[-30, +30]	315	6.54%	771	386.5
Insider Sell				
[-30, -1]	504	10.46%	1,338	-2148.6
[-10, -1]	311	6.45%	663	-1057.1
[-5, -1]	198	4.11%	338	-503.4
[0, +5]	253	5.25%	479	-593.9
[0, +10]	378	7.84%	896	-1223.7
[0, +30]	726	15.07%	2,148	-3416.4
[-30, +30]	1,024	21.25%	3,486	-5565.1
Insider Net Buy (Buy - Sell)				
[-30, -1]	620	12.87%	1,720	-1976.0
[-10, -1]	369	7.66%	858	-930.7
[-5, -1]	240	4.98%	457	-455.9
[0, +5]	289	6.00%	554	-514.1
[0, +10]	432	8.96%	1034	-1132.8
[0, +30]	837	17.37%	2,537	-3202.5
[-30, +30]	1,196	24.82%	4,257	-5178.6

Table 5. Descriptive statistics on insider trading activities around private in-house meeting dates (continued)

Panel C. Aggregated values of the insider trading activities around private in-house meetings

Table 5 Panel C reports the aggregate value of insider trading activities for all SZSE-listed firms between July 2012 and December 2014. We partition this total dollar value into four categories. In rows (1) and (2), we report the dollar value of insider trading within 60-days around private in-house meetings in two subcategories. Row (1) presents the value of insider trading for non-overlapped meetings (and ties to the summary total in Panel B). Row (2) presents the *incremental* value of insider trading for overlapped meetings. Therefore, the total value of insider trading across all 61-day event windows is the sum of rows (1) and (2) or $12.335 billion USD; this accounts for 61.9% of the value of *all* insider trading for SZSE firms in the sample period. Row (3) reports hosting firms' insider trading value outside the 61-day event windows. Row (4) reports the insider trading value of the SZSE firms that do not report hosting private in-house meetings during the sample period. Adding up the four categories, we estimate the total value of insider trading across all SZSE firms is $19.918 billion USD in the two-and-half year sample period.

Inside trading net sell values by firm category (between July 2012 and December 2014)	Insider net sell value (Million USD)	% of total
(1) Insider trading of in-house meeting firms within the meeting window (-30, + 30): non-overlapped meetings only	5,178.60	26.0%
(2) Insider trading of in-house meeting firms within the meeting window (-30, + 30): overlapped meetings (without double counting)	7,156.20	35.9%
(3) Insider trading of in-house meeting firms outside the meeting date window (-30, + 30)	6,350.48	31.9%
(4) Insider trading of firms that do not report in-house meetings	1,232.95	6.2%
Total insider trading of all SZSE firms (million USD)	19,918.23	100.0%

Table 6. Relation between the frequency of private in-house meetings and insider trading

Table 6 model 1 examines the association between the frequency of insider trading activities and the frequency of private in-house meetings based on a calendar month firm dataset. More specifically, we measure insiders' net sell transactions (which is the count of insider sell transactions less insider buy transactions) in each month between August 2012 and December 2014. We use this variable as the dependent variable in the regression models. We measure the frequency of private in-house meetings in each calendar month in the same sample period. We regress the insider trading frequency measure on in-house meeting frequency and control for assorted firm characteristics. Model 2 analyzes private in-house meeting frequency interacted with managerial ownership and firm size, respectively, and examines the relation with monthly insider trading frequency. We consider all calendar months and all listed firms on the SZSE in this analysis. We use firm fixed-effects to estimate the regression models. We also include year and month fixed effects in each regression model. We report the heteroscedasity robust standard errors in parentheses. *** denotes 1%, ** denotes 5%, and * denotes 10% significance.

Dependent variable Monthly insider net sell transactions	(1) Model	(2) Model
Number of in-house meetings in the month	0.052***	1.052***
	(0.012)	(0.274)
# of analysts following	-0.004	-0.004
	(0.005)	(0.005)
Total assets	-0.041	-0.015
	(0.127)	(0.127)
Leverage	0.661	0.626
	(0.517)	(0.517)
Market to book ratio	-0.042**	-0.041**
	(0.020)	(0.020)
ROA	0.888	0.943
	(0.898)	(0.897)
Sales growth	0.039	0.035
	(0.061)	(0.061)
R&D intensity	0.387	0.434
	(0.820)	(0.819)
State ownership	0.233	0.242
	(0.208)	(0.208)
Stock performance	1.406***	1.382***
	(0.084)	(0.084)
Information quality ranking	-0.016	-0.016
	(0.041)	(0.041)
Other public investor relation activities	0.012	0.011
	(0.042)	(0.042)
Earnings announcement in the month	-0.299***	-0.296***
	(0.048)	(0.048)
Managerial ownership	1.014**	0.929**
	(0.441)	(0.441)
Total assets X Number of in-house meetings in the month		-0.048***
		(0.012)
Managerial ownership X Number of in-house meetings in the month		0.196***
		(0.053)
Constant	0.941	0.408
	(2.745)	(2.745)
Year-month, industry and firm fixed effects	Yes	Yes
Firm-month observations	24,072	24,072
R^2	0.032	0.033
Number of firms	1,151	1,151

Table 7. Timing of insider sell transactions and meeting date CARs

Table 7 examines the relation between the timing of insider sell transactions and meeting date CARs. We use a ratio of the count of insider sell transactions in (+3, +30) to the count of insider sell transactions in (-30, -3) around each in-house meeting date as an independent variable. We add 1 to both numerator and denominator to avoid losing observations that have zero insider sell transactions. Model (1) use a continuous measure of CAR (-2, +2) as the dependent variable, Model (2) use a dummy variable which equals 1 for positive CAR (-2, +2) and 0 for negative CARs. We use OLS regression and logistic regression to estimate models (1) and (2) respectively. We also include year, industry and firm fixed effects in each regression model. We report the heteroscedasity robust standard errors.

Dependent variable	(1)	(2)
Market Model Meeting Date CAR (-2, +2)	Model	Model
Count of insider sell (+3, +30) relative to count of insider sell (-30, -3)	0.518***	0.153***
	(0.108)	(0.037)
Number of participants	0.047***	0.025***
	(0.015)	(0.004)
Presence of top management in the meeting	0.522**	0.132*
	(0.223)	(0.075)
Investment fund experience	-0.202**	-0.067*
	(0.098)	(0.036)
# of analysts following	-0.001	-0.019*
	(0.026)	(0.010)
Total assets	-1.260	-0.416
	(0.794)	(0.289)
Leverage	6.159*	2.401
	(3.581)	(1.539)
Market to book ratio	-0.703***	-0.151***
	(0.157)	(0.055)
ROA	-1.167	-2.477
	(5.519)	(1.975)
Sales growth	-0.899	-0.226
	(0.579)	(0.202)
R&D intensity	-3.775	-1.885
	(4.619)	(1.993)
State ownership	-2.658*	-1.064*
	(1.494)	(0.558)
Stock performance	-3.231***	-0.741***
	(0.511)	(0.167)
Information quality ranking	0.002	0.002
	(0.292)	(0.104)
Other public investor relation activities	0.117**	0.036**
	(0.051)	(0.018)
Number of words	0.036	-0.039
	(0.126)	(0.047)
Days between meeting date and publication date	0.001	-0.000
	(0.003)	(0.001)
Days between meeting date and next quarterly earning date	-0.008***	-0.002***
	(0.002)	(0.001)
CAR (-5, +5) on the next quarterly earning date	2.986***	0.727**
	(1.075)	(0.360)
Percentage of brokerage firms in the total participants	0.733	0.202
	(0.494)	(0.181)
Percentage of investment funds in the total participants	0.641	0.253
	(0.450)	(0.162)
Percentage of private equity funds in the total participants	1.319	0.278
	(0.843)	(0.302)
Constant	25.277	9.069
	(17.091)	(6.260)
Year, industry and firm fixed effects	Yes	Yes
Observations	8,621	8,121
R^2	0.196	0.0844

Table 8. Investment fund characteristics and the likelihood of being hosted in positive vs. negative news meetings

Table 8 reports analyses of the propensity to disclose positive versus negative news through private in-house meetings. We use the stock market reaction during each meeting date window, CAR (-2, +2), to label unobservable private meeting disclosures as positive or negative. We use logistic regression and regress the positive vs. negative news dummy variable on the level of fund ownership in the hosting firm prior to each meeting. In this analysis, we only consider investment funds that participated in the meetings. To control for sample selection bias, we follow Heckman (1979) and estimate a "meeting participation probability" for each investment fund based on a probit model that examines the impact of fund characteristics on private meeting participation (not reported in the paper). We keep the estimated meeting participation probability from the probit model and control for it in the models below. We use ownership information from the latest semi-annual reports (models 1 and 2) or the latest quarterly reports (models 3 and 4) disclosed by each investment fund before the meetings. Quarterly reports provide the most timely ownership information, but only include the top ten holdings of each investment fund. Semi-annual reports are required to disclose all holdings of each investment fund. The models also control for other fund characteristics, such as fund reputation, age, and size. A full list of variable definitions and data sources are in Appendix C. In Models (1) and (3), we include investment funds that do not have any ownership in the firm prior to the meeting, and code ownership as zero. Models (2) and (4) provide a robustness check by excluding funds that do not have ownership in the firm prior to the meetings. We include year, industry and firm fixed effects in each regression model. We cluster standard errors by meeting and report robust standard errors in parentheses. *** denotes 1% significance, ** denotes 5% significance, and * denotes 10% significance, all two-tailed.

Dependent variable Likelihood of positive news meetings	(1) Model	(2) Model	(3) Model	(4) Model
Investment fund's ownership in the firm prior to the meeting (semi-annual measure)	-0.042***	-0.037***		
	(0.012)	(0.014)		
Investment fund's ownership in the firm prior to the meeting (quarterly measure)			-0.058***	-0.041*
			(0.017)	(0.021)
Investment fund reputation (awards mentioned in the media)	-0.003*	-0.003	-0.003*	-0.005
	(0.002)	(0.003)	(0.002)	(0.005)
Investment fund age	-0.013	0.018	-0.012	-0.025
	(0.012)	(0.026)	(0.012)	(0.047)
Investment fund size (investment value of the fund)	-0.006	0.027	-0.007	0.086
	(0.015)	(0.058)	(0.015)	(0.094)
Number of participants	-0.006	-0.006	-0.005	-0.006
	(0.007)	(0.009)	(0.007)	(0.012)
Presence of top management in the meeting	0.167**	0.215**	0.167**	0.147
	(0.068)	(0.093)	(0.068)	(0.155)
# of analysts following	0.002	0.001	0.001	-0.004
	(0.006)	(0.007)	(0.006)	(0.012)
Total assets	0.016	0.034	0.019	0.081
	(0.046)	(0.060)	(0.046)	(0.100)
Leverage	0.158	-0.696	0.152	-2.769
	(0.694)	(0.961)	(0.694)	(1.901)
Market to book ratio	-0.081***	-0.113***	-0.079**	-0.157**
	(0.031)	(0.041)	(0.031)	(0.068)
ROA	-2.227**	-1.672	-2.222**	-0.666
	(0.976)	(1.200)	(0.976)	(2.074)
Sales growth	-0.460***	-0.461**	-0.465***	-0.139
	(0.158)	(0.218)	(0.158)	(0.378)
R&D intensity	-0.722	0.055	-0.741	-0.058
	(0.773)	(1.064)	(0.771)	(1.798)
State ownership	0.012	-0.148	0.009	0.138
	(0.341)	(0.421)	(0.340)	(0.734)
Stock performance	-0.576***	-0.592**	-0.562***	0.091
	(0.199)	(0.275)	(0.199)	(0.476)
Information quality ranking	0.000	0.011	-0.000	-0.079
	(0.063)	(0.086)	(0.063)	(0.144)
Other public investor relation activities	0.040*	0.036	0.040*	0.083

	(0.022)	(0.028)	(0.022)	(0.051)
Number of words	-0.078*	-0.147**	-0.077*	-0.163
	(0.046)	(0.063)	(0.046)	(0.107)
Days between meeting date and publication date	-0.001	0.000	-0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.002)
Days between meeting date and next quarterly earning date	-0.002***	-0.001	-0.002***	0.000
	(0.001)	(0.001)	(0.001)	(0.002)
CAR (-5, +5) on the next quarterly earning date	1.118***	1.494***	1.115***	2.200**
	(0.418)	(0.570)	(0.418)	(0.901)
Percentage of investment funds in the total participants	-0.167	0.057	-0.162	-0.262
	(0.209)	(0.299)	(0.209)	(0.521)
Percentage of brokerage firms in the total participants	-0.145	0.001	-0.142	-0.338
	(0.217)	(0.308)	(0.216)	(0.552)
Percentage of private equity funds in the total participants	-0.169	0.148	-0.178	-0.535
	(0.372)	(0.518)	(0.372)	(0.982)
Meeting participation probability	2.009**	1.489	1.837**	1.785
	(0.800)	(0.936)	(0.758)	(1.090)
Constant	1.305	0.625	1.221	-0.593
	(1.101)	(1.557)	(1.100)	(2.628)
Year, industry and firm fixed effects	Yes	Yes	Yes	Yes
Observations	20,407	7,046	20,407	1,817
R^2	0.018	0.022	0.018	0.035

Table 9. Investment fund characteristics and stock return volatility

Table 9 reports the effects of participating investment funds ownership on meeting firms' stock return volatility. We measure stock return volatility using daily stock returns in the 61 days (-30, +30) around the meeting date. We regress stock return volatility on investment fund ownership and test the interaction between participating funds and non-participating funds. We do not control for the estimated meeting participation probability because we consider both participating funds and non-participating funds. We focus on a sample where both participants and non-participants have ownership in the hosting firm in their semi-annual reports prior to the meeting. The first three models in Table 9 present the results for negative news meetings (where CARs during the 5-day meeting windows are less than zero) and the last three models present the results for positive news meetings (where CARs during the 5-day meeting windows are greater than zero). More specifically, Model 1 tests the association between participating investment funds' ownership and hosting firms' stock volatility surrounding negative news meetings; Model 2 tests the association between non-participating investment funds' ownership and hosting firms' stock volatility around negative news meetings; and Model 3 tests the interaction between investment fund participation and fund ownership around negative news meetings. Models 4, 5 and 6 repeat the same analyses in models 1, 2 and 3 for positive news meetings. The models also control for other fund characteristics, such as fund reputation, age, and size. A full list of variable definitions and data sources are in Appendix C. We include year, industry and firm fixed effects in each regression model. We cluster standard errors by meeting and report robust standard errors in parentheses. *** denotes 1% significance, ** denotes 5% significance, and * denotes 10% significance, all two-tailed.

	Negative news meetings			Positive news meetings		
Dependent variable	(1)	(2)	(3)	(4)	(5)	(6)
Meeting date stock return volatility (-30, +30)	Model	Model	Model	Model	Model	Model
Investment fund's ownership in the firm prior to the meeting	-0.006	0.007***	0.007***	0.005	0.006***	0.006***
	(0.004)	(0.001)	(0.001)	(0.005)	(0.002)	(0.002)
Meeting attendance			0.038***			0.016
			(0.011)			(0.013)
Investment fund's ownership X Meeting attendance			-0.010***			0.002
			(0.004)			(0.005)
Investment fund reputation (awards mentioned in the media)	0.001	0.000	0.000*	0.000	0.000	0.000*
	(0.001)	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)
Investment fund age	-0.011	-0.005***	-0.005***	-0.007	-0.005***	-0.005***
	(0.011)	(0.001)	(0.001)	(0.010)	(0.002)	(0.002)
Investment fund size (investment value of the fund)	-0.007	0.002	0.002	0.026	0.006*	0.006**
	(0.030)	(0.003)	(0.003)	(0.021)	(0.003)	(0.003)
Number of participants	0.005*	0.005***	0.005***	0.004***	0.005***	0.005***
	(0.003)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Presence of top management in the meeting	-0.026	-0.046**	-0.045**	-0.001	-0.023	-0.021
	(0.033)	(0.018)	(0.018)	(0.040)	(0.020)	(0.020)
# of analysts following	-0.000	0.004***	0.004***	-0.001	0.003**	0.003**
	(0.003)	(0.001)	(0.001)	(0.003)	(0.001)	(0.001)
Total assets	-0.145***	-0.121***	-0.122***	-0.134***	-0.116***	-0.116***
	(0.025)	(0.011)	(0.011)	(0.025)	(0.012)	(0.012)
Leverage	-0.953**	-0.994***	-0.993***	-1.710***	-1.107***	-1.125***
	(0.397)	(0.174)	(0.173)	(0.390)	(0.196)	(0.195)
Market to book ratio	-0.009	0.006	0.005	-0.034**	-0.023***	-0.023***
	(0.014)	(0.007)	(0.007)	(0.017)	(0.008)	(0.008)
ROA	-1.113**	-2.227***	-2.199***	-2.216***	-2.593***	-2.588***
	(0.435)	(0.237)	(0.236)	(0.511)	(0.250)	(0.250)
Sales growth	0.223***	0.177***	0.176***	0.166*	0.227***	0.226***
	(0.083)	(0.043)	(0.043)	(0.090)	(0.050)	(0.050)
R&D intensity	0.682**	1.470***	1.440***	0.315	1.135***	1.096***
	(0.343)	(0.198)	(0.198)	(0.436)	(0.219)	(0.220)
State ownership	-0.132	-0.150*	-0.150*	-0.088	-0.398***	-0.387***
	(0.139)	(0.077)	(0.077)	(0.162)	(0.086)	(0.086)
Stock performance	1.386***	1.342***	1.344***	1.158***	1.253***	1.252***
	(0.102)	(0.056)	(0.056)	(0.117)	(0.060)	(0.059)

Information quality ranking	-0.050	-0.045***	-0.045***	-0.089**	-0.058***	-0.059***
	(0.032)	(0.016)	(0.016)	(0.035)	(0.018)	(0.018)
Other public investor relation activities	0.057***	0.038***	0.038***	0.041***	0.046***	0.046***
	(0.009)	(0.005)	(0.005)	(0.014)	(0.005)	(0.005)
Number of words	0.062**	0.002	0.003	0.013	0.004	0.005
	(0.027)	(0.011)	(0.011)	(0.025)	(0.011)	(0.011)
Days between meeting date and publication date	0.000	0.000	0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)
Days between meeting date and next quarterly earning date	0.000	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
CAR (-5, +5) on the next quarterly earning date	-0.734***	-0.699***	-0.700***	-0.097	-0.422***	-0.411***
	(0.217)	(0.118)	(0.117)	(0.222)	(0.129)	(0.129)
Percentage of investment funds in the total participants	0.151	-0.007	-0.006	0.386***	0.099***	0.101***
	(0.116)	(0.034)	(0.034)	(0.127)	(0.036)	(0.036)
Percentage of brokerage firms in the total participants	0.053	-0.037	-0.037	0.290**	0.061*	0.061*
	(0.118)	(0.032)	(0.032)	(0.124)	(0.035)	(0.035)
Percentage of private equity funds in the total participants	0.131	-0.061	-0.061	0.380*	0.007	0.008
	(0.176)	(0.047)	(0.047)	(0.211)	(0.058)	(0.058)
Constant	5.101***	5.035***	5.038***	4.695***	4.711***	4.722***
	(0.658)	(0.265)	(0.266)	(0.638)	(0.282)	(0.282)
Year, industry and firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,633	135,929	139,562	3,820	117,655	121,475
R^2	0.372	0.343	0.344	0.366	0.340	0.341

Table 10. Private in-house meetings and changes in investment funds' ownership positions

Table 10 investigates (i) whether there is an association between adjustments in funds' investment positions and the positive or negative information disclosed in private in-house meetings and (ii) whether there is a difference in adjusted investment positions between meeting participants and non-participants. We measure each investment fund's ownership in the hosting firm at the latest quarter-end prior to the private meeting and at the subsequent quarter-end after the meeting. We use the difference between the two ownership amounts as the dependent variable. Positive (negative) values in this measure indicate an increase (decrease) in ownership. We use pooled sample OLS regression models and regress changes in ownership on the positive or negative stock market reactions during the 5-day meeting date windows. Model 1 shows the regression results for the overall sample (including both meeting participants and non-participants). Models (2) and (3) split the sample into two groups: Model 2 includes only investment funds who participated in the meetings, and Model 3 includes only non-participant funds. Model (4) combines both participating and non-participating investment funds together and introduces an interaction term between fund meeting attendance and positive vs. negative news meetings. All four models control for other fund characteristics, such as fund reputation, age, and size. A full list of variable definitions and data sources are in Appendix C. We include year, industry and firm fixed effects in each regression model. We cluster standard errors by meeting and report robust standard errors in parentheses. *** denotes 1% significance, ** denotes 5% significance, and * denotes 10% significance, all two-tailed.

Dependent variable Change in the pre- and post-meeting quarterly fund ownership	(1) Model	(2) Model	(3) Model	(4) Model
Positive news meetings	0.005***	0.037***	0.005***	0.005***
	(0.001)	(0.014)	(0.001)	(0.001)
Meeting attendance	0.059***			0.046***
	(0.006)			(0.008)
Positive news meetings X Meeting attendance				0.025**
				(0.012)
Investment fund's ownership in the firm prior to the meeting	-0.295***	-0.295***	-0.297***	-0.295***
	(0.008)	(0.031)	(0.008)	(0.008)
Investment fund reputation (awards mentioned in the media)	0.001***	0.001**	0.001***	0.001***
	(0.000)	(0.001)	(0.000)	(0.000)
Investment fund age	0.001***	0.004	0.001***	0.001***
	(0.000)	(0.003)	(0.000)	(0.000)
Investment fund size (investment value of the fund)	0.000***	0.005*	0.000***	0.000***
	(0.000)	(0.003)	(0.000)	(0.000)
Number of participants	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Presence of top management in the meeting	-0.002	0.008	-0.002**	-0.002
	(0.001)	(0.018)	(0.001)	(0.001)
# of analysts following	0.002***	0.009***	0.002***	0.002***
	(0.000)	(0.002)	(0.000)	(0.000)
Total assets	-0.023***	-0.099	-0.022***	-0.023***
	(0.005)	(0.065)	(0.005)	(0.005)
Leverage	0.036*	-0.201	0.040**	0.035*
	(0.018)	(0.287)	(0.018)	(0.018)
Market to book ratio	0.000	0.015	0.000	0.000
	(0.001)	(0.013)	(0.001)	(0.001)
ROA	-0.128***	-0.028	-0.127***	-0.128***
	(0.027)	(0.467)	(0.027)	(0.027)
Sales growth	0.009***	-0.029	0.010***	0.009***
	(0.003)	(0.039)	(0.002)	(0.003)
R&D intensity	0.017	0.679**	0.002	0.017
	(0.026)	(0.338)	(0.024)	(0.026)
State ownership	0.005	0.063	0.002	0.005
	(0.008)	(0.096)	(0.008)	(0.008)
Stock performance	0.028***	0.102**	0.026***	0.028***
	(0.003)	(0.043)	(0.003)	(0.003)
Information quality ranking	0.001	0.010	0.001	0.002

	(0.001)	(0.023)	(0.001)	(0.001)
Other public investor relation activities	0.001***	0.004	0.001***	0.001***
	(0.000)	(0.005)	(0.000)	(0.000)
Number of words	-0.001	-0.015	-0.000	-0.001
	(0.001)	(0.010)	(0.001)	(0.001)
Days between meeting date and publication date	-0.000***	-0.000*	-0.000***	-0.000***
	(0.000)	(0.000)	(0.000)	(0.000)
Days between meeting date and next quarterly earning date	-0.000***	-0.000	-0.000***	-0.000***
	(0.000)	(0.000)	(0.000)	(0.000)
CAR (-5, +5) on the next quarterly earning date	0.014***	0.068	0.014***	0.014***
	(0.005)	(0.081)	(0.005)	(0.005)
Percentage of investment funds in the total participants	0.004**	0.099**	0.003**	0.004**
	(0.001)	(0.043)	(0.001)	(0.001)
Percentage of brokerage firms in the total participants	0.001	-0.017	0.001	0.001
	(0.001)	(0.045)	(0.001)	(0.001)
Percentage of private equity funds in the total participants	0.004*	0.051	0.004*	0.004*
	(0.002)	(0.069)	(0.002)	(0.002)
Constant	0.507***	1.870	0.421***	0.446***
	(0.108)	(1.306)	(0.093)	(0.095)
Year, industry and firm fixed effects	Yes	Yes	Yes	Yes
Observations	1,130,184	21,282	1,108,902	1,130,184
R^2	0.132	0.160	0.134	0.132

Figures

Figure 1. Cumulative Abnormal Stock Returns (CARs) around private in-house meetings

Figure 1 shows cumulative abnormal stock returns between -30 and +10 days around private in-house meetings for SZSE-listed sample firms. We use the market model to estimate abnormal stock returns in the event window. We add up the daily stock returns from day -30 to day +10 and plot these CARs in the figure below. We also highlight (i) day 0, which is the actual meeting date and (ii) day 2, which is the "required" (but not always actual) publication date of private meeting records to the public through the SZSE website.

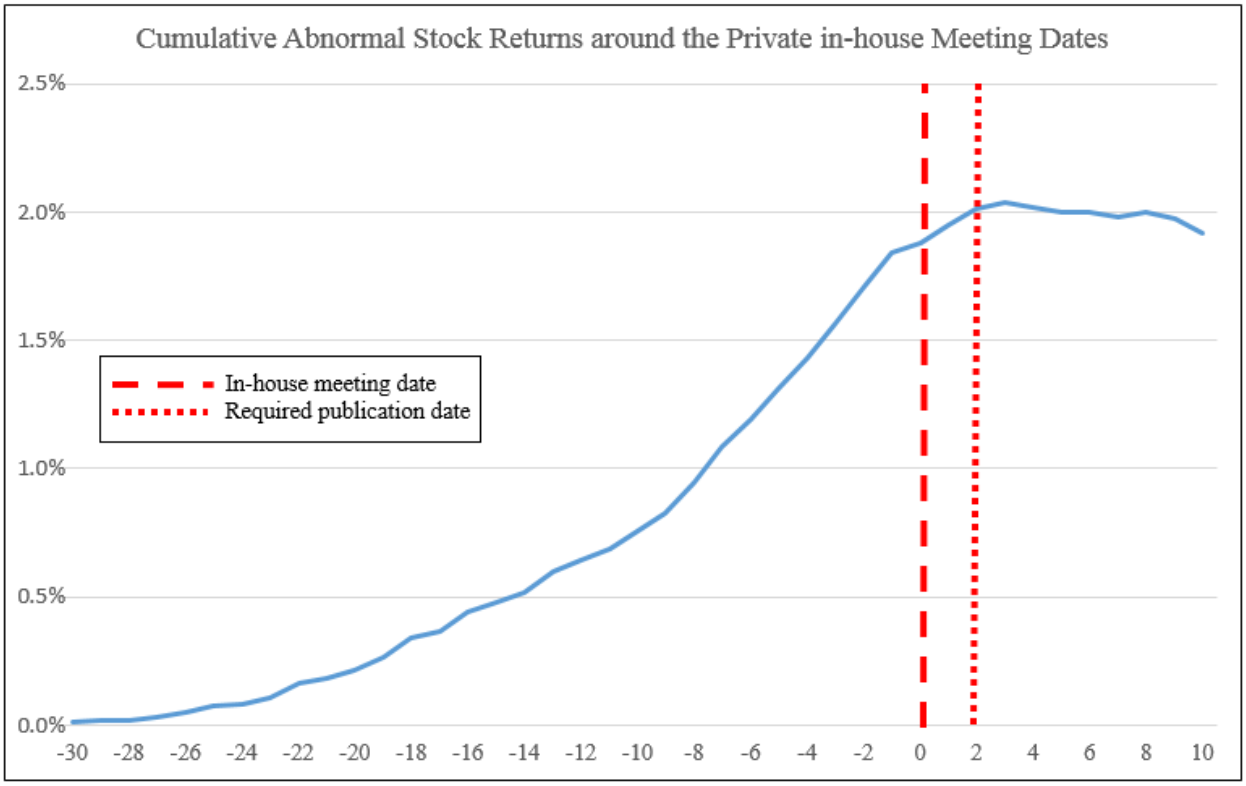


Figure 2. Cumulative Abnormal Stock Returns (CARs) around private in-house meetings partitioned into positive news and negative news subsamples

Figure 2 shows cumulative abnormal stock returns for positive news and negative news subsamples between -30 and +10 days around private in-house meetings for SZSE-listed sample firms. The positive (negative) news subsample is those firms with meeting date CARs (-2, +2) in the top (bottom) 10% of the CAR distribution. Thus, CARs reported from day -2 through day +2 are mechanically linked to our selection process. We use the market model to estimate abnormal stock returns in the event window. We add up the daily stock returns from day -30 to day +10 and plot these CARs in the figure below. We also highlight (i) day 0, which is the actual meeting date and (ii) day 2, which is the "required" (but not always actual) publication date of private meeting records to the public through the SZSE website.

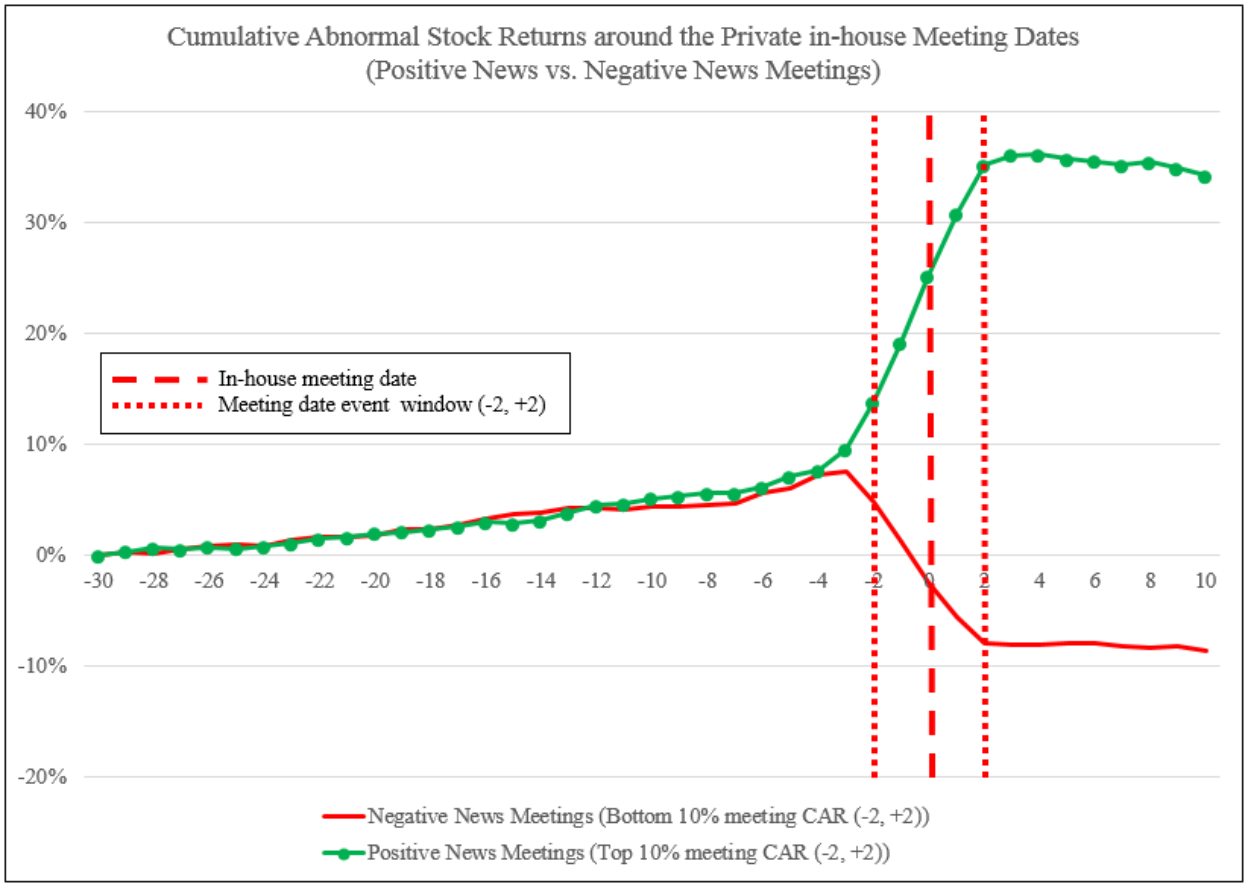
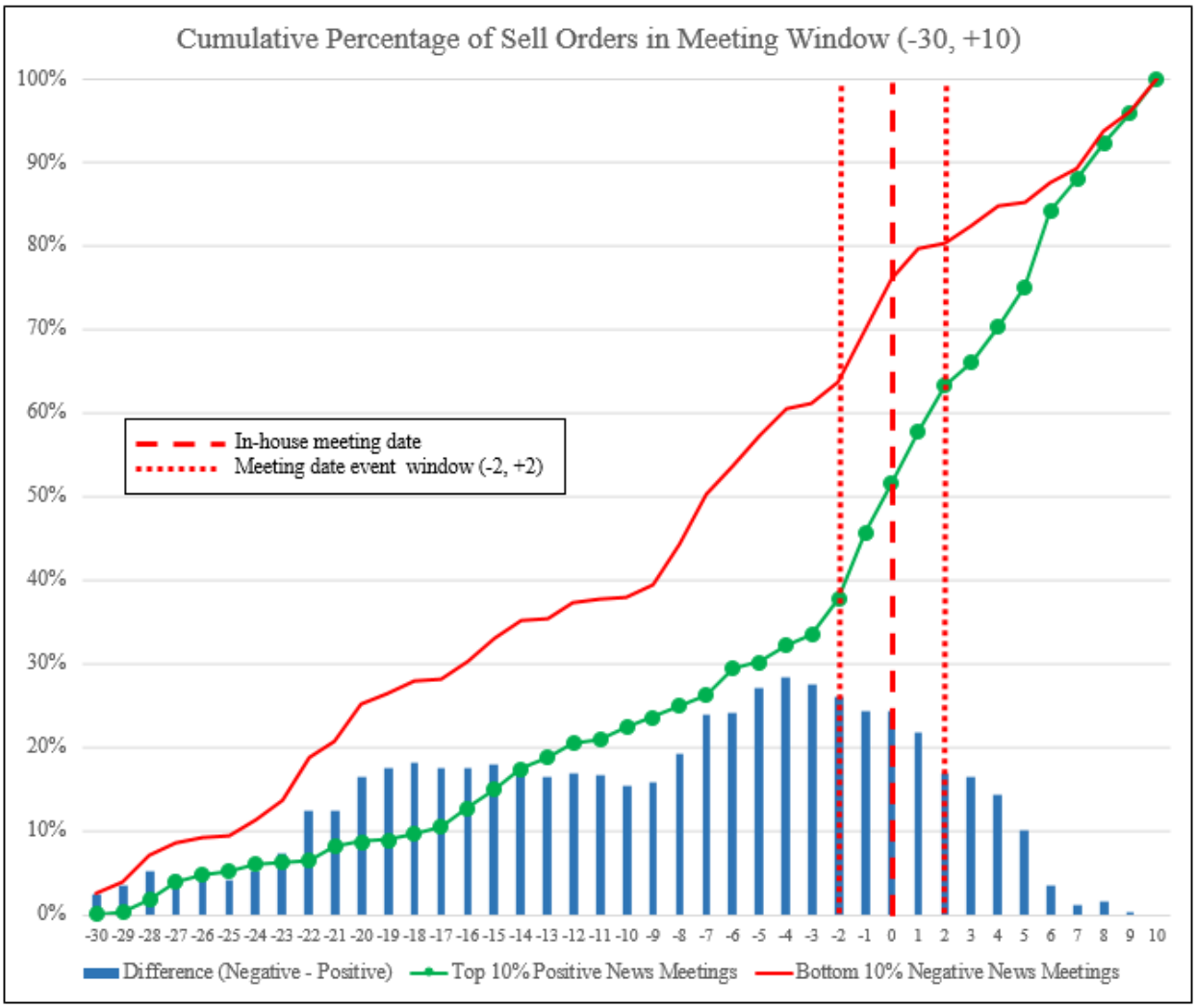


Figure 3. Timing of insider sell transactions around private in-house meetings

Figure 3 shows a cumulative density function of total insider sell trades on each day between day -30 and day +10 around private in-house meetings. The value increases from 0% before day -30 to 100% after day +10. The graph shows that from Day -30 to Day -3, about 61% of sell transactions are made by insiders before negative news meetings, while only 34% of sell transactions are made by insiders before positive news meetings. Further, from Day +3 to Day +10, sell transactions increase from 66% to 100% after positive news meetings, while sell transactions only increase from 82% to 100% after negative news meetings. The bar chat shows the difference between negative news and positive news meetings.



Appendix A. Example of Private In-house Meeting Report[47]

Security code: 000413 Corporate name: Dongxu Optoelectronic Group

The Record of Dongxu Investors Relation Activities Code：2014-003

Type of Investors Relation Activities	■In-house investor meeting □Analyst meeting □Media interview □Performance announcement meeting □Public news meeting □Road show □Site visit □Other(conference call)
Meeting Participants	Xu Xingjun (Guangfa Securities; Type: Brokerage firm), Liu Zhaowei (King Tower Asset Management; Type: Mutual Fund), Chen Ping (Guosen Securities; Type: Brokerage firm), Peng Junbin (GFUND; Type: Mutual Fund), Chen Zhifeng (Yimin Asset Management; Type: Mutual Fund), Wang Peng (China Venture; Type: Mutual Fund), Liu Yuchen (Yinhua Fund; Type: Mutual Fund), Qing Yi (Sunshine Asset; Type: Private Equity), Wei Hongda (KGI Securities ; Type: Brokerage firm), Gu Xingfeng (China Asset Management; Type: Private Equity), Chen Ming (CICC; Type: Brokerage firm), Liu Kunpeng (Union Asset; Type: Private Equity), Qi Chen (eFunds; Type: Mutual Fund), Sheng Zhenshan (Lion Fund; Type: Mutual Fund), Qian Wenli (Chang Shen Fund; Type: Mutual Fund).
Time	May 12, 2014 14:00-15:30
Where	Company
Management attended	Board Chairman Li Zhaoting; Board Secretary Fu Yinfang and Marketing Director Zhang Taisheng
Contents of the meeting	**Visiting company's exhibition hall** **Conversation with executives:** ***Q1:The production and operation of the company's sixth production line*** Answer: In the first production stage, the four production lines have been launched with 75% of product meeting high quality standard. In the second stage, the four production lines have been gradually launched in 2014. The production capacity will be determined by sales volume. The remaining two lines will be launched when the market is mature. For manufacturing technique, we need to spend three to six months fully mastering it. But as we are increasingly familiarized with it over time, the later production period will be shortened to reach high quality standard. ***Q2: The sixth product line sales and marketing*** Answer: Currently Jingdongfang and Zhonghua Yingguan have been substantially supplying it (sixth product) with Jingdongfang reaching 40,000 pills per month and Zhonghua Yingguan 20,000 per month. We are actively communicating with the two companies in a hope to increase sales volume. Meanwhile, Taiwan Youda and Qunchuang have sent this product for inspection and recognition to local government. ***Q3:Operation of the company's designated manufacturers*** Answer: Zhengzhou Xufei Company's four lines and Shijiazhuang Xuxin's two lines have been put into production with 75% of product meeting high quality requirement. These products have also been recognized and able to be supplied on a high-volume basis. These manufacturers have been recognized as best supplier by Zhonghang Guangdian Company and best supplier service by Longteng Guangdian Company. Sichuan Xuhong launched a special aluminum glass production in February this year. It has already had this product with types of 0.7mm and 0.5mm, which have been sent to customers for inspection and recognition. ***Q4:Merging arrangement of designated manufacturers into the listed company*** Answer: As promised, if a designated manufacturer meets certain requirement, it can be merged into our company. Since the capital invested into the designated companies is relatively high and their establishment, construction, operation and profitability are all different, the merge time would not be the same. ***Q5:Company's future strategy*** Answer: We will build on our glass board construction technique and expand to new material for optoelectronic screening, thereby forming an optoelectronic business that includes glass board and other material. We aim to become a global leader in this industry.
Attachment: yes /no	No
Date of record	May 12, 2014

[47] Translated by the authors.

Appendix B

SZSE Regulation on Public Investor Relation Activities[48]

Memorandum No. 2 for information disclosure business for mid and small-sized enterprise stock index: investor relations and information disclosure

Amended in July 17, 2012 by the Department for Mid- and Small-sized Enterprise Index of Shenzhen Stock Exchange.

To standardize investor relations management and information disclosures for companies in this index and to fully protect the investor's right to obtain information fairly, our department has drafted this memorandum according to <Stock listing regulation>, <Guidance on mid- and small-sized listed company operation>. Please implement.

1. Specific requirements on investor relations management

1) The listed companies should establish investor relations rules and procedures for accommodating special entities including institutional investors, analysts, news media and for holding earning conference calls, road shows and press releases. These companies should make sure that they effectively enforce the requirements of information disclosure. The lists for eligible special entities could be found in our policy of <Guidance on mid- and small-sized listed company operation>.
2) The listed companies should establish and optimize regulations on internal controls to strengthen the management and monitoring of information disclosed on the Company website, blog and Weibo and the information posted by shareholders, ultimate controlling shareholders, board members, committee members, senior managers and others, in an attempt to prevent the release of material non-public information via these venues.
3) *For the direct communication between listed companies and special entities, the companies should ask the entities to show their proof of identity and to sign a non-disclosure agreement, which can be found in the attachment (not provided). This requirement does not apply to a situation where listed companies are invited to attend an investment strategy conference held by brokerage companies.*
   Special entities could sign non-disclosure agreement (NDA) with the listed companies in the participant's name or the institution's name. Special entities could sign NDA for single or multiple visits for conducting research, visiting, interviewing managers and holding conference calls. But for multiple visits NDA, special entity must sign the NDA in the name of the institution.
4) The listed companies should make a proper record when communicating with special entities. Listed companies should keep those conference records, radio-recording (if available), manuscript (if available) and documents provided (if available).
5) After communication, the listed companies should ask the special entities to notify them before the release of a research report and news report generated from the communication. Listed companies should carefully review these documents in reference to <Guidance on mid- and small-sized listed company operation>.

[48] Translated by the authors.

6) The listed companies should establish the procedures for reviewing the communication with special entities, to examine if there is a potential opportunity to release material non-public information because of missteps in the conversation. The procedure should also specify an emergency response mechanism.
7) The listed companies should conduct investor relation management and training for board members, committee members, senior managers and related employees, to strengthen their ability to conduct conversation properly with a special entity, broaden their knowledge of law and regulations, increase their understanding of corporate regulation, and raise their awareness of fair disclosure principles.

2. Information disclosure in investor relations management

1) The board secretary of listed companies should be responsible for investor relations management and information disclosure. Companies should make proper effort to reduce the number of representing spokespersons.
2) If the listed companies and their information disclosure persons provided material non-public information, the companies should promptly make disclosure to all investors according to this memorandum, in order to let all investors obtain the same information.
3) The listed companies should disclose its regulations about investor relations management on the Company website as well as a special portal named "Hu Dong Yi" with the website of <http://irm.cninfo.com.cn>
4) The listed companies should draft <Investor relations activities record> (not provided), within two days after the investor relations activity ends; and the listed companies should upload this record, manuscripts for this activity and other documents to its own website and the "Hu Dong Yi" portal of our department's website.
   If the relevant records, manuscripts, and other documents for an activity are the same as those of a previous activity, the listed companies do not need to upload these similar materials. But they still need to notify this activity on the publications of <Record for investor relations activities> to the "Hu Dong Yi" portal.
5) The listed companies are forbidden from releasing material non-public information on "Hu Dong Yi" website. If the listed companies illicitly release material non-public information, they should immediately issue clarifications via designated media platform and take necessary steps.

The listed company's disclosure on "Hu Dong Yi" does not replace its legal disclosure obligation.

The board of the listed companies should ensure the authenticity, accuracy and integrity of the investor relations activity record posted on "Hu Dong Yi." Once the records on "Hu Dong Yi" are posted, in principle, they are not allowed to be withdrawn or replaced. If the listed companies find any mistakes or missing information in the posted record on "Hu Dong Yi," they should immediately post the new amended record, and file an application with "Hu Dong Yi" to affix a notification on the amended record so that readers can distinguish between the previous and the new one.

Attachment 2: Amendments on <No.2 memorandum for information disclosure for mid and small-sized enterprise stock index: investor relations and information disclosure>

To standardize investor relations management for the listed companies and information disclosure during the conversation between the listed companies and special entities, and to fully protect the rights of small investors to obtain information, our department has amended the <No.2 memorandum for information disclosure for mid and small-sized enterprise stock index: specific issues for listed companies' direct communication to special entities> and changed its name to <No.2 memorandum for information disclosure for mid and small-sized enterprise stock index: investor relations and information disclosure>, in accordance to<Stock Listing Regulation>, <Guidance on mid- and small-sized listed company operation>.

The <Stock Listing Regulation>, issued by the Department, regulates the method, standard and procedure of mandatory information disclosure of the listed companies. The middle and small net worth investors as well as media are increasingly focusing on how the listed companies accommodate the special entities' interview or research visit. *As there is a growing concern that some listed companies selectively release information in the interview or research visit and some special entities trade material non-public information, our Department has amended this memorandum after several rounds of revision by soliciting public opinion. We aim to explicitly regulate the way by which the listed companies fairly release information to all investors in investor relations activities. This memorandum specifically emphasizes the necessary procedures that must be taken by the listed companies in investor relations activities and makes clear the requirement on information disclosure.*

According to the memorandum, the listed companies governed by our Department should establish an effective regime and procedure to prevent releasing material non-public information when communicating with institutional investors, analysts and news media. Meanwhile, considering the fact that the listed companies' information disclosure efforts are challenged by the growing popularity of the internet platform, diversified information channels as well as the interactive and simultaneous nature of information release, this memorandum also requires the listed companies to strengthen the information management and monitor various websites, blogs, Weibo of companies, controlling shareholders, ultimate controlling shareholders, board members, committee members and senior managers, to ensure that the information disclosure is in order and complies with existing regulation.

To effectively protect the investors' right to fair information retrieval, this memorandum requires that a listed company record investor relations activities, posts the record along with all documents for such activities on its own website, and hand over these materials to "Hu Dong Yi" platform so that all investors can obtain information fairly.

Our Department has given serious deliberation on this amendment by deeply researching and considering the listed companies' feedback, opinion and advice. We aim to elevate the implementation level of this memorandum and reduce the disclosure cost of the listed companies through amendments such as adjusting the monitoring scope on related blog and Weibo, specifying timing of information disclosure, and making clear the special situation in the NDA signed by special entities and the listed companies.

Appendix C: Variable Definitions and Data Sources

Main variables	Measures	Data sources
Outcome variables		
Cumulative abnormal returns (CARs) around the meeting date	CARs estimated based on the market model using daily stock returns of meeting companies and the local market index; estimation window is between (-255, -43) days before the meeting dates	CSMAR database
Buy-and-hold-abnormal returns (BHARs) after the meeting date	Buy-and-hold stock returns of the meeting firm subtracted by the buy-and-hold returns of the local market index in the 12 months after the in-house meeting	CSMAR database
Positive news meetings	A dummy variable which equals 1 if the meeting date CAR (-2, +2) is positive, and equals 0 if the CAR value is negative. CARs are estimated based on the market model using daily stock returns of meeting companies and the local market index; estimation window is between (-255, -43) days before the meeting dates	CSMAR database and SZSE disclosure documents
Stock return volatility	Standard deviation of daily stock returns in the (-30, +30) days around the meeting date	CSMAR database and SZSE disclosure documents
Downside stock return volatility	Standard deviation of negative stock returns in the (-30, +30) days around the meeting date	CSMAR database and SZSE disclosure documents
Firm specific variables		
# of analysts following	Number of unique analyst firms providing financial forecasts on the firm	GTA database
Total assets	Log transformed total assets of the firm	CSMAR database
Leverage	Long-term debt divided by the total assets of the firm	CSMAR database
Market to book ratio	Market value of equity divided by the book value of equity	CSMAR database
ROA	Operating income divided by year-end total assets	CSMAR database
Sales growth	Percentage growth rate of the current year's revenue relative to the last year's revenue	CSMAR database
State ownership	Percentage of issued shares owned by the government	CSMAR database
R&D intensity	R&D expense divided by revenue	CSMAR database
Stock performance	Buy-and-hold stock returns of the meeting firm subtracted by the buy-and-hold returns of the local market index in the fiscal year	CSMAR database
Information quality ranking	Information quality ranking developed by the SZSE. The letter grade ranking ranges from D (poor information quality) to A (good information quality). We code the A grade firms with a value of 4, B grade as 3, C grade as 2 and D grade as 1.	SZSE website
Meeting specific variables		
Number of participants	Number of investors, analysts and other participants attending the in-house meeting (excluding the staff and executives of the listed firms)	SZSE disclosure documents
Presence of top management in the meeting	Dummy variable which equals 1 if any of the top management (such as Chairman of the board, CEO, CFO, President, and vice-executives) attends the meeting, otherwise 0	SZSE disclosure documents

Percentage of brokerage firms in the total participants	Percentage of the meeting participants that are sell-side analysts (representing the brokerage firms)	SZSE disclosure documents
Percentage of investment funds in the total participants	Percentage of the meeting participants from investment funds (including mutual funds, index funds)	SZSE disclosure documents
Percentage of private equity funds in the total participants	Percentage of the meeting participants from private equity funds	SZSE disclosure documents
Investment fund experience	Average number of times that the investment funds (in the current meeting) have attended private in-house meetings with the same hosting firm	SZSE disclosure documents
Number of words	Count of the number of Chinese characters in the content of the meeting notes	SZSE disclosure documents
Other public investor relation activities in the past one month	Number of public investor relations activities (other than the in-house meetings) in the past month before the meeting	SZSE disclosure documents
Time between the meeting and publication	Number of days before the meeting date and the publication date of the meeting notes disclosed on the SZSE web site	SZSE disclosure documents
Days between the meeting and next earning announcement	Number of days before the meeting and the next quarterly earnings announcement date	CSMAR database
Days between the meeting and previous earning announcement	Number of days between the meeting and the previous quarterly earnings announcement date	CSMAR database
Earnings announcement in the month	Dummy variable which equals 1 if there is quarterly earnings announcement in the meeting month, otherwise 0	CSMAR database
CAR on the next quarterly earning date	Cumulative abnormal stock returns on the quarterly earnings announcement date subsequent to the private in-house meeting. CAR is estimated based on the market model for the time period (-2, +2).	CSMAR database
Meetings with insider trading (-30, +30): dummy variable	Dummy variable which equals 1 if there is any insider transaction in the (-30, +30) window around the private in-house meeting.	Tonghuashun financial database and SZSE disclosure documents
Count of insider sell (+3, +30) relative to count of insider sell (-30, -3)	Ratio of the count of insider sell transactions in (+3, +30) to the count of insider sell transactions in (-30, -3) around each in-house meeting date. One is added to both numerator and denominator to avoid losing observations that have zero insider sell transactions	Tonghuashun financial database and SZSE disclosure documents
Investment fund ownership	% of outstanding shares of the hosting firm owned by the investment fund management company prior to the private in-house meetings	Wind Financial Terminal
Investment fund reputation	Number of awards received by the investment fund between year 2007 and 2012	Wind Financial Terminal
Investment fund age	Number of years between the start year of the investment fund to the private in-house meeting date	Wind Financial Terminal
Investment fund size	Log transformed RMB value of the total financial assets managed by the investment fund	Wind Financial Terminal