

Internet Appendix for “Asset Management and Financial Conglomerates: Attention through Stellar Funds”

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This Internet Appendix reports the results of robustness tests:

- Table A2: Sample Distribution by Industries
- Table A3: The Star Fund Effect: Low Advertising Expense
- Table A4: Stellar Performing Funds and EDGAR Search Volume
- Table A5: Stellar Performing Funds and Analyst Coverage
- Table A6: Stellar Performing Funds and Trading Volume
- Table A7: Star Funds and Affiliated Stock Returns: Fraction of Star Funds
- Table A8: The Star Fund Effect: Low Number of Affiliated Funds
- Table A9: Stock Returns around Fund Star Events
- Table A10: The Star Fund Effect on Affiliated Stock Returns: Subsample Analysis

Table A2: Sample Distribution by Industries

This table reports summary statistics of the sample of publicly-traded companies with an asset management division, the total number of asset managers and mutual funds that operate in the U.S. market during the period 1992-2014. Companies are sorted by divisions within the financial sector. The last row displays the total number of existing companies, asset managers and mutual funds during the sample period.

	Number of Firms	Number of Asset Managers	Number of Mutual Funds
Banks and Credit Institutions	59	96	2568
Brokers and Investment Advice	50	66	3683
Insurance Companies	31	30	1060
All Financial Sector	140	183	6717

Table A3: The Star Fund Effect: Low Advertising Expense

The table reports the results of panel regressions of stock return on star funds managed by the controlled asset manager and other independent variables at the parent company and asset manager level lagged one period. The explanatory variable of interest *Five-Star Funds* is the natural logarithm of 1 plus the number of 5-star funds as rated by Morningstar. Control variables at the asset manager level (total funds, asset under management, management fees, revenues, age, flows, and turnover ratio) are also included but not reported. A full description of all the variables reported in this table can be found in Table A1. The sample covers all publicly traded firms with below-average advertising expenses, that were affiliated with the asset management industry over 1992-2014. The constant term is included but not reported. t-statistics are reported in parentheses. Standard errors are clustered at the stock level. * denotes significance at the 10% level, ** denotes significance at the 5% and *** denotes significance at the 1% level.

	Stock Returns (%)			
	(1)	(2)	(3)	(4)
Five-Star Funds	0.353*** (3.88)	0.263** (2.36)	0.344** (2.31)	0.299* (1.91)
Trading Volume	0.237*** (3.13)	0.241*** (3.31)	0.338 (1.51)	0.339 (1.50)
Sales	1.378** (2.49)	1.268** (2.49)	0.888** (2.30)	0.938** (2.38)
Size	0.407*** (3.25)	0.442*** (3.63)	0.729* (1.79)	0.754* (1.77)
ROA	0.096 (0.08)	0.275 (0.21)	0.823 (0.37)	0.848 (0.37)
Age	-0.171** (-2.43)	-0.169** (-2.40)	-0.055 (-0.29)	-0.052 (-0.27)
Cash	0.576 (1.62)	0.244 (0.62)	-0.026 (-0.04)	0.029 (0.04)
Market Cap	-0.779*** (-4.86)	-0.911*** (-5.08)	-2.140*** (-6.10)	-2.114*** (-6.14)
Lev	-0.273 (-0.35)	-0.365 (-0.50)	0.071 (0.05)	0.104 (0.08)
Capex	-0.020 (-1.04)	-0.009 (-0.47)	-0.005 (-0.23)	-0.008 (-0.33)
MB	-0.005 (-0.08)	-0.004 (-0.07)	0.014 (0.18)	0.008 (0.10)
Time FE	Yes	Yes	Yes	Yes
Firm FE	No	No	Yes	Yes
Asset Manager Controls	No	Yes	No	Yes
Observations	9525	9525	9525	9525
Adjusted r^2	0.041	0.041	0.047	0.047

Table A4: Stellar Performing Funds and EDGAR Search Volume

This table reports logistic regression of monthly abnormal number of IPs searching Edgar files (AIP) on star funds and other control variables. The dependent variable is a dummy variable equals 1 if the current monthly searching of Edgar files is above the average of search during the past 12 months, and 0 otherwise. The explanatory variable of interest *Five-Star Funds* is the natural logarithm of 1 plus the number of 5-star funds as rated by Morningstar. I control for a set of variables at the firm level. A full description of these variables can be found in Table A1. The sample covers all publicly traded firms that were affiliated with the asset management industry over 2003-2014. The constant term is included but not reported. t-statistics using robust standard errors are reported in parentheses. * denotes significance at the 10% level, ** denotes significance at the 5% and *** denotes significance at the 1% level.

	EDGAR Search Volume				
	(1)	(2)	(3)	(4)	(5)
Five-Star Funds	0.065*	0.105***	0.090**	0.104***	0.080**
	(1.76)	(2.82)	(2.40)	(2.74)	(2.09)
Size		-0.090***	-0.177***	-0.289***	-0.202***
		(-11.84)	(-16.88)	(-19.41)	(-6.66)
Trading Volume			0.167***	0.220***	0.213***
			(10.91)	(13.59)	(11.37)
Sales				-1.002***	-0.616***
				(-9.48)	(-3.99)
ROA					0.074
					(0.22)
Age					0.176***
					(7.13)
Cash					0.072
					(0.42)
Lev					-0.471**
					(-2.19)
Market Cap					-0.104***
					(-2.67)
Capex					0.015
					(0.46)
MB					-0.006**
					(-2.02)
Time FE	Yes	Yes	Yes	Yes	Yes
Observations	9545	9545	9545	9545	9545
Pseudo r^2	0.078	0.088	0.098	0.106	0.112

Table A5: Stellar Performing Funds and Analyst Coverage

This table examines the star fund effect on financial analyst coverage. The dependent variable is the logarithm of 1 plus the number of financial analysts covering the stock. The explanatory variable of interest *Five-Star Family* is a dummy variable equals one if the controlled asset management company has at least one 5-star fund. I control for a set of variables at the firm level. A full description of these variables can be found in Table A1. The sample covers all publicly traded firms that were affiliated with the asset management industry over 1992-2014. The constant term is included but not reported. t-statistics are reported in parentheses. Standard errors are clustered at the stock level. * denotes significance at the 10% level, ** denotes significance at the 5% and *** denotes significance at the 1% level.

	Analyst Coverage				
	(1)	(2)	(3)	(4)	(5)
Five-Star Family	0.086*	0.094*	0.095*	0.092*	0.114**
	(1.82)	(1.93)	(1.94)	(1.89)	(2.19)
Trading Volume	0.296***	0.294***	0.294***	0.276***	0.145***
	(9.12)	(8.98)	(9.03)	(7.45)	(3.26)
Sales		-0.105	-0.113	-0.102	0.072
		(-1.36)	(-1.54)	(-1.33)	(0.74)
ROA			0.077	0.058	0.280
			(0.28)	(0.21)	(0.94)
Age				0.076	0.018
				(1.43)	(0.39)
Size					0.316***
					(3.52)
Cash					-0.378
					(-1.42)
Lev					0.712**
					(1.89)
Capex					-0.003
					(-0.16)
MB					0.000
					(0.19)
Firm FE	Yes	Yes	Yes	Yes	Yes
Observations	11673	11673	11673	11673	11673
Adjusted r^2	0.748	0.748	0.748	0.749	0.771

Table A6: Stellar Performing Funds and Trading Volume

This table examines the star fund effect on abnormal trading volume. The dependent variable is the ratio of stock turnover to the market median turnover, where stock turnover is the trading volume per shares outstanding. The explanatory variable of interest *Five-Star Family* is a dummy variable equals one if the controlled asset management company has at least one 5-star fund. I control for a set of variables at the firm level. A full description of these variables can be found in Table A1. The sample covers all publicly traded firms that were affiliated with the asset management industry over 1992-2014. The constant term is included but not reported. t-statistics are reported in parentheses. Standard errors are clustered at the stock level. * denotes significance at the 10% level, ** denotes significance at the 5% and *** denotes significance at the 1% level.

	Abnormal Trading				
	(1)	(2)	(3)	(4)	(5)
Five-Star Family	0.038** (2.13)	0.035* (1.94)	0.035* (1.95)	0.036** (2.01)	0.032* (1.79)
Trading Volume	0.022*** (3.38)	0.023*** (3.45)	0.022*** (3.41)	0.028*** (3.33)	0.062*** (4.63)
Sales		0.043 (1.59)	0.039 (1.54)	0.036 (1.39)	-0.013 (-0.55)
ROA			0.036 (0.45)	0.042 (0.52)	0.105 (1.39)
Age				-0.024 (-1.24)	-0.017 (-0.89)
Size					-0.089*** (-3.23)
Cash					-0.087 (-1.09)
Lev					-0.005 (-0.06)
Capex					-0.005 (-0.54)
MB					-0.001 (-1.02)
Firm FE	Yes	Yes	Yes	Yes	Yes
Observations	11672	11672	11672	11672	11672
Adjusted r^2	0.012	0.012	0.012	0.013	0.021

Table A7: Star Funds and Affiliated Stock Returns: Fraction of Star Funds

The table reports the results of panel regressions of stock return on star funds managed by the controlled asset manager and other independent variables at the parent company and asset manager level lagged one period. The explanatory variable of interest *Proportion Star Funds* is the fraction of 5-star funds as rated by Morningstar with respect to the total funds managed by the controlled asset manager. Control variables at the asset manager level (total funds, asset under management, management fees, revenues, age, flows, and turnover ratio) are also included but not reported. A full description of all the variables reported in this table can be found in Table A1. The sample covers all publicly traded firms that were affiliated with the asset management industry over 1992-2014. The constant term is included but not reported. t-statistics are reported in parentheses. Standard errors are clustered at the stock level. * denotes significance at the 10% level, ** denotes significance at the 5% and *** denotes significance at the 1% level.

	Stock Returns (%)			
	(1)	(2)	(3)	(4)
Proportion Star Funds	4.709*** (2.92)	4.462*** (2.74)	5.254*** (3.09)	5.146*** (2.98)
Advertising	-0.593 (-1.46)	-0.709 (-1.61)	-0.683 (-1.20)	-0.481 (-0.69)
Trading Volume	0.221** (2.03)	0.228** (2.01)	0.083 (0.42)	0.077 (0.39)
Sales	0.919*** (3.14)	0.762** (2.59)	0.967** (2.58)	0.985** (2.62)
Size	0.283*** (2.73)	0.384*** (3.96)	0.406 (0.69)	0.383 (0.65)
ROA	1.439 (1.07)	1.555 (1.14)	0.592 (0.24)	0.526 (0.22)
Age	-0.209*** (-3.32)	-0.199*** (-3.21)	-0.197 (-1.22)	-0.202 (-1.25)
Cash	0.066 (0.12)	-0.335 (-0.61)	0.347 (0.64)	0.424 (0.70)
Market Cap	-0.459*** (-3.31)	-0.720*** (-4.77)	-1.871*** (-4.47)	-1.849*** (-4.58)
Lev	-1.325 (-1.07)	-1.401 (-1.16)	-1.216 (-0.91)	-1.245 (-0.94)
Capex	-0.018 (-0.82)	0.000 (0.01)	-0.025 (-0.67)	-0.028 (-0.80)
MB	0.042 (0.91)	0.053 (1.05)	0.047 (0.74)	0.044 (0.68)
Time FE	Yes	Yes	Yes	Yes
Firm FE	No	No	Yes	Yes
Asset Manager Controls	No	Yes	No	Yes
Observations	13083	13083	13083	13083
Adjusted r^2	0.031	0.032	0.043	0.043

Table A8: The Star Fund Effect: Low Number of Affiliated Funds

The table reports the results of panel regressions of stock return on star funds managed by the controlled asset manager and other independent variables at the parent company and asset manager level lagged one period. The explanatory variable of interest *Five-Star Funds* is the natural logarithm of 1 plus the number of 5-star funds as rated by Morningstar. Control variables at the asset manager level (total funds, asset under management, management fees, revenues, age, flows, and turnover ratio) are also included but not reported. A full description of all the variables reported in this table can be found in Table A1. The sample covers all publicly traded firms with a below-average number of affiliated funds. The constant term is included but not reported. t-statistics are reported in parentheses. Standard errors are clustered at the stock level. * denotes significance at the 10% level, ** denotes significance at the 5% and *** denotes significance at the 1% level.

	Stock Returns (%)			
	(1)	(2)	(3)	(4)
Five-Star Funds	0.465* (1.97)	0.398* (1.70)	0.627** (2.40)	0.619** (2.32)
Advertising	-0.654 (-1.37)	-0.631 (-1.35)	-0.741 (-1.09)	-0.633 (-0.80)
Trading Volume	0.240 (1.55)	0.252 (1.59)	-0.072 (-0.29)	-0.080 (-0.33)
Sales	0.850** (2.27)	0.700* (1.83)	1.002** (2.04)	0.971* (1.98)
Size	0.292 (1.37)	0.380* (1.74)	-0.212 (-0.21)	-0.181 (-0.19)
ROA	4.167** (2.17)	4.176** (2.07)	4.492 (1.02)	4.449 (1.01)
Age	-0.314*** (-3.62)	-0.336*** (-4.18)	-0.315* (-1.94)	-0.325* (-1.95)
Cash	-0.219 (-0.26)	-0.514 (-0.65)	-0.167 (-0.16)	-0.169 (-0.15)
Market Cap	-0.443 (-1.61)	-0.633** (-2.24)	-1.188* (-1.72)	-1.221* (-1.82)
Lev	-3.947* (-1.90)	-4.024* (-1.82)	-5.076** (-2.50)	-5.230** (-2.55)
Capex	-0.053 (-1.39)	-0.040 (-1.06)	-0.080 (-1.10)	-0.078 (-1.15)
MB	-0.018 (-0.19)	0.000 (0.00)	-0.209 (-1.01)	-0.201 (-0.97)
Time FE	Yes	Yes	Yes	Yes
Firm FE	No	No	Yes	Yes
Asset Manager Controls	No	Yes	No	Yes
Observations	9260	9260	9260	9260
Adjusted r^2	0.027	0.028	0.042	0.042

Table A9: Stock Returns around Fund Star Events

The table presents results from the analysis of cumulative abnormal returns (CAR) around the event where the controlled asset manager increases the number of 5-star funds, by at least one extra fund. Panel A examines the daily CAR using different estimations using 150 days of length and required at least 45 days. The estimation approaches are the Market Model (OLS estimation), Market-adjusted Return (stock return in excess over the observed return on the market index) and Comparison Mean-adjusted (stock return in excess of the stock return mean over the estimation period). The estimation windows are the prior 25 and 10 before the event, in the same day, in the next day, and in the next 9 and 23 days after the firm was affiliated to an extra star fund. Panel B examines the monthly CAR using 36 months of length with a minimum of 20 months. The different windows around the event are: between the last 5 and 2 months, one month before, the month after the event, the next four following months and between the fifth and eighth month after the event. * denotes significance at the 10% level, ** denotes significance at the 5% level and *** denotes significance at the 1% level.

Panel A: Daily Cumulative Abnormal Return

	N	(-25,-1)	(-10,-1)	(0,0)	(+1,+1)	(+1,+9)	(+1,+23)
Market Model	678	-1.11*	0.71*	-0.18	0.18*	0.91**	1.47***
Market-adjusted Return	678	-0.17	0.50	-0.11*	0.27*	1.68***	3.15***
Comparison Mean-adjusted	678	-1.90*	-1.42**	-0.12	0.29*	2.12***	2.67**

Panel B: Monthly Cumulative Abnormal Return

	N	(-5,-2)	(-1,0)	(+1,+1)	(+1,+4)	(+5,+8)
Market Model	635	-0.45	-0.59	1.61***	2.90**	0.03
Market-adjusted Return	635	1.22	-1.37*	0.95*	3.36**	0.35
Comparison Mean-adjusted	635	1.52	-1.28**	2.48***	2.06***	-0.65*

Table A10: The Star Fund Effect on Affiliated Stock Returns: Subsample Analysis

The table reports the results of panel regressions of stock return on star funds managed by the controlled asset manager and other independent variables at the parent company and asset manager level. The explanatory variable of interest *Five-Star Funds* is the natural logarithm of 1 plus the number of 5-star funds as rated by Morningstar. Control variables at the asset manager level are also included but not reported. A full description of all the variables reported in this table can be found in Table A1. All these variables are lagged one period. The estimates presented are for sub-samples based on whether the asset management division shares the same name as the parent firm (Columns 1 and 2), the major focus is on retail or institutional investors (Columns 3 and 4), whether the parent company is or not a pure dedicated asset manager (Columns 5 and 6), and whether the main industry of the parent company is banking and insurance (Column 7). The sample covers all publicly traded firms that were affiliated with the asset management industry over 2004-2014.. The constant term is included but not reported. t-statistics are reported in parentheses. Standard errors are clustered at the stock level. * denotes significance at the 10% level, ** denotes significance at the 5% and *** denotes significance at the 1% level.

	Stock Returns (%)						
	Common Name	Different Name	Retail Clients	Institutional Clients	Dedicated	Diversified	Banks and Insurance
Five-Star Funds	0.379** (2.19)	0.393* (1.89)	0.484*** (3.36)	0.165 (0.57)	0.425* (2.01)	0.494*** (2.68)	0.332** (2.02)
Trading Volume	-0.294 (-1.20)	0.464 (1.37)	-0.189 (-0.83)	0.089 (0.20)	-0.449 (-1.25)	-0.057 (-0.23)	0.346** (2.24)
Sales	0.667* (1.95)	6.875*** (3.65)	0.880** (2.62)	2.852 (0.82)	0.208 (0.46)	5.844** (2.48)	0.515*** (3.07)
Size	0.108 (0.14)	1.785** (2.19)	0.311 (0.45)	1.369* (1.79)	-1.362 (-0.93)	1.690*** (3.35)	1.690*** (3.86)
ROA	0.079 (0.03)	-11.629** (-2.74)	1.141 (0.60)	-5.636 (-0.96)	-0.691 (-0.38)	-8.834* (-1.86)	-0.298 (-0.15)
Age	-0.232 (-1.05)	-0.242 (-0.74)	-0.165 (-0.91)	-0.210 (-0.88)	-0.599 (-1.16)	-0.144 (-0.87)	-0.176 (-1.26)
Cash	0.553 (0.73)	3.093 (1.59)	0.597 (0.92)	0.803 (0.28)	1.110 (1.61)	-1.423 (-1.23)	-1.671 (-1.50)
Market Cap	-1.961*** (-4.66)	-2.048*** (-2.80)	-1.876*** (-4.01)	-3.055*** (-5.45)	-1.227* (-1.96)	-2.682*** (-6.60)	-2.618*** (-7.06)
Lev	-2.079 (-1.54)	-0.579 (-0.25)	-1.103 (-1.05)	2.112 (0.41)	0.577 (0.27)	-0.797 (-0.35)	-1.354 (-0.93)
Capex	-0.033 (-0.86)	0.396 (1.50)	-0.040 (-1.24)	-0.749*** (-3.09)	-0.030 (-0.86)	0.043 (0.22)	0.067 (0.48)
MB	0.090 (1.38)	-0.049 (-0.25)	0.050 (0.74)	0.430*** (4.00)	0.007 (0.07)	0.093 (0.90)	0.240* (1.88)
Advertising	-0.619 (-0.73)	-7.290 (-0.36)	-0.291 (-0.42)	43.397 (1.28)	-0.791 (-1.07)	14.652*** (3.24)	-9.297 (-0.76)
Affiliated Funds	0.076 (0.11)	-0.151 (-0.50)	-0.521 (-1.26)	-0.197 (-0.42)	-0.737 (-0.52)	-0.002 (-0.01)	-0.219 (-1.00)
Time FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Asset Manager Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8066	3688	10034	3056	3180	8574	9261
Adjusted r^2	0.307	0.467	0.336	0.513	0.334	0.381	0.426