

Internet Appendix

for

Industry Familiarity and Trading: Evidence from the Personal Portfolios of Industry Insiders

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Table IA1. Buy-and-Hold Abnormal Returns, Three Months

A stock purchase or sale by a corporate insider is classified as Expertise if the stock's industry is the same as the insider's based on the three-digit SIC code definition. Trades in an insider's own firm are excluded, and the insider's remaining trades are defined as Non-Expertise. All Retail Traders' Trades indicates trades made by the other individuals in the large discount broker (LDB) data set. We report three-month (63 days) buy-and-hold returns as well as returns in excess of the DGTW benchmark return (Daniel, Grinblatt, Titman, and Wermers, 1997) and the value-weighted industry benchmark returns. Stock returns and trade size are winsorized at the 1% level within each trade category. *t*-statistics are reported in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated with ***, **, and *, respectively.

		Equal Weighted			Trade-Size Weighted		
		Raw	DGTW- Adjusted	Industry- Adjusted	Raw	DGTW- Adjusted	Industry- Adjusted
		(1)	(2)	(3)	(4)	(5)	(6)
Insiders' Expertise Trades	Buy	7.39*** (4.23)	2.76* (1.66)	2.29 (1.41)	12.96*** (7.14)	5.52*** (3.10)	5.12*** (3.17)
	Sell	1.43 (0.76)	-3.11* (-1.90)	-2.08 (-1.24)	-2.30 (-1.19)	-5.99*** (-3.54)	-5.48*** (-3.52)
	Buy - Sell	5.96** (2.33)	5.87** (2.52)	4.38* (1.87)	15.26*** (5.76)	11.51*** (4.69)	10.60*** (4.73)
Insiders' Non- Expertise Trades	Buy	3.80*** (8.06)	-0.19 (-0.45)	-0.91** (-2.10)	5.94*** (12.77)	1.66*** (3.99)	1.28*** (3.11)
	Sell	5.00*** (9.63)	0.46 (0.99)	0.46 (0.98)	4.91*** (11.28)	0.21 (0.55)	0.47 (1.23)
	Buy - Sell	-1.20* (-1.71)	-0.66 (-1.03)	-1.36** (-2.14)	1.02 (1.61)	1.45** (2.53)	0.81 (1.44)
All Retail Traders' Trades	Buy	3.30*** (125.37)	-0.85*** (-36.20)	-0.85*** (-36.01)	3.26*** (128.25)	-0.90*** (-39.80)	-0.87*** (-38.59)
	Sell	3.88*** (142.65)	-0.31*** (-12.68)	-0.26*** (-10.79)	3.90*** (147.60)	-0.33*** (-14.11)	-0.36*** (-15.75)
	Buy - Sell	-0.59*** (-15.50)	-0.54*** (-16.04)	-0.59*** (-17.29)	-0.63*** (-17.32)	-0.57*** (-17.56)	-0.50*** (-15.55)

Table IA2. Round-trip Returns and Monthly Based Returns

In this table, we present the equal-weighted round-trip returns earned by industry insiders and other retail traders on their purchases. We separate purchases into two groups depending on whether they were closed within 63 trading days of their opening. The average number of trading days in a month during our sample period is 21.08, so we use 63 trading days as an approximation for a three-month period. For positions closed within 63 trading days, we calculate the realized return as the cumulated return earned starting the day after the purchase until the day of the sale. For positions held for more than 63 trading days, we report the 63 trading days' cumulated return, calculated starting the day after the purchase. The Average 63 Trading Days Return (Realized or Trailing) is computed using the round-trip returns for the positions that are closed within 63 days, and the 63 trading day returns for the remaining positions. Equivalent 3-Month Average Return is the Average 63 Trading Days (Realized or Trailing) adjusted for the average difference between the Average Holding Period and the actual number of trading days in a three-month period. We exclude purchases made in the last 63 trading days of our five-year and 11-month sample because it is not possible to determine when some of the resulting positions were closed. The number of observations used in this table is therefore about 4% smaller than in Table 1. See the text for further details.

	Insiders' Expertise Trades (1)	Insiders' Non- Expertise Trades (2)	All Other Retail Traders (3)
All Positions			
Observations	209	2,176	729,284
Average Holding Period (Capped at 64 Trading Days)	46.1	54.9	52.6
Average 63 Trading Days Return (Realized or Trailing)	5.8	3.7	3.0
Equivalent 3-Month Average Return	7.91	4.29	3.63
Average 3-Month Returns Calculated as in Table 5	7.39	3.80	3.30
Positions Closed Within 63 Trading Days of Purchase			
Observations	95	547	215,932
Percent of Total Purchases (%)	45.5	25.1	29.6
Average Holding Period (Trading Days)	24.7	27.9	25.6
Average Round-trip Return (Realized)	5.04	5.01	5.65
Positions Held For More Than 63 Trading Days			
Observations	114	1,629	513,352
Percent of Total Purchases (%)	54.5	74.9	70.4
Average Return After 63 Trading Days (Trailing)	6.38	3.30	1.92

Table IA3. Holdings-Based Calendar-Time Portfolios

This table presents robustness tests for Table 3, Panel B under different specifications. Panel A replicates the analysis excluding the year 1991 from the time series of portfolio returns. In Panel B, each observation in the regression, i.e., each day in the time series of portfolio returns, is weighted by the aggregate dollar amount held in the portfolio at the end of the previous day (). In Panel C, each observation in the regression, i.e., each day in the time series of portfolio returns, is weighted by the number of different stocks in the portfolio at the end of the previous day. Panel D replicates the analysis in Table 3, Panel C excluding microcap stocks, defined as stocks in the lowest DGTW (Daniel, Grinblatt, Titman, and Wermers, 1997) size quintile.

Panel A: Excluding 1991

	All Retail Traders	All Insider Trades	Insiders' Expertise Trades	Insiders' Non-Expertise Trades
	(1)	(2)	(3)	(4)
Fama-French 3 Factor Model	0.58 (1.03)	1.56 (1.51)	5.14** (2.08)	1.33 (1.24)
Carhart 4 Factor Model	0.65 (1.16)	1.54 (1.49)	5.00** (2.02)	1.32 (1.23)
HXZ Q-Factor Model	0.18 (0.30)	0.84 (0.77)	4.07* (1.67)	0.59 (0.52)
Fama-French 5 Factor Model	1.04** (1.97)	2.18** (2.04)	5.31** (2.10)	2.06* (1.86)

Panel B: Days Weighted by Aggregate Dollar Amount

	All Retail Traders	All Insider Trades	Insiders' Expertise Trades	Insiders' Non-Expertise Trades
	(1)	(2)	(3)	(4)
Fama-French 3 Factor Model	0.50 (0.83)	1.91* (1.85)	5.58** (2.23)	1.78* (1.66)
Carhart 4 Factor Model	0.57 (0.94)	1.90* (1.85)	5.28** (2.13)	1.79* (1.67)
HXZ Q-Factor Model	-0.15 (-0.24)	1.40 (1.36)	4.65* (1.81)	1.25 (1.17)
Fama-French 5 Factor Model	0.91 (1.65)	2.40** (2.29)	5.68** (2.23)	2.41** (2.22)

Table IA3. Holdings-Based Calendar-Time Portfolios (Cont.)

Panel C: Days Weighted by Number of Stocks in Portfolio

	All Retail Traders	All Insider Trades	Insiders' Expertise Trades	Insiders' Non-Expertise Trades
	(1)	(2)	(3)	(4)
Fama-French 3 Factor Model	0.26 (0.49)	1.63* (1.67)	4.76** (2.09)	1.44 (1.42)
Carhart 4 Factor Model	0.35 (0.65)	1.61 (1.64)	4.55** (2.01)	1.43 (1.41)
HXZ Q-Factor Model	0.00 (-0.01)	1.24 (1.23)	3.54 (1.56)	1.05 (0.99)
Fama-French 5 Factor Model	0.70 (1.38)	2.17** (2.14)	4.66** (2.04)	2.09** (1.98)

Panel D: Excluding Microcaps

	All Retail Traders	All Insider Trades	Insiders' Expertise Trades	Insiders' Non-Expertise Trades
	(1)	(2)	(3)	(4)
Fama-French 3 Factor Model	0.36 (0.64)	1.56 (1.12)	5.87** (2.40)	0.99 (0.67)
Carhart 4 Factor Model	0.47 (0.85)	1.49 (1.08)	5.66** (2.32)	0.95 (0.65)
HXZ Q-Factor Model	0.07 (0.12)	1.12 (0.81)	4.83* (2.00)	0.64 (0.43)
Fama-French 5 Factor Model	0.69 (1.30)	1.99 (1.35)	6.27** (2.51)	1.45 (0.93)

Table IA4. Transactions-Based Calendar-Time Portfolios

This table presents robustness tests for Table 4 under different specifications. Panel A repeats the analysis of Table 4 where portfolios are equally-weighted within days. Panels B and C report figures computed analogously to Table 4 and Table IA4, Panel A, respectively, with the only exception being that each observation, i.e., each day in the time series of portfolio returns, is weighted by the aggregate dollar amount held in the portfolio at the end of the previous day. Panels D and E replicate the analysis presented in Table 4, and Table IA4, Panel A, respectively, excluding microcap stocks, defined as stocks in the lowest DGTW (Daniel, Grinblatt, Titman, and Wermers, 1997) size quintile. Panels F and G replicate the analysis presented in Table 4, and Table IA4, Panel A, respectively, using a six-month holding period. Panels H and I replicate the analysis presented in Table 4, and Table IA4, Panel A, respectively, using a three-month holding period.

Panel A: Equal-Weighted Portfolios, Days Weighted by Number of Trades

	Average Returns (bp/Day)		Annualized Difference		Annualized Alpha	
	Buy	Sell	Mean	<i>t</i> -stat	Mean	<i>t</i> -stat
	(1)	(2)	(3)	(4)	(5)	(6)
Insiders' Expertise	10.21	6.46	8.57*	1.77	11.02**	2.26
Insiders' Non-Expertise	6.33	6.82	-0.79	-0.44	0.90	0.52
All Retail Traders	6.26	7.18	-2.33***	-2.72	-0.44	-0.66

Panel B: Value-Weighted Portfolios, Days Weighted by Aggregate Dollar Amount

	Average Returns (bp/Day)		Annualized Difference		Annualized Alpha	
	Buy	Sell	Mean	<i>t</i> -stat	Mean	<i>t</i> -stat
	(1)	(2)	(3)	(4)	(5)	(6)
Insiders' Expertise	12.06	2.51	19.75***	2.73	19.39***	2.71
Insiders' Non-Expertise	6.57	5.50	2.76	0.78	3.11	0.89
All Retail Traders	6.83	7.74	-2.07***	-2.63	-0.34	-0.51

Panel C: Equal-Weighted Portfolios, Days Weighted by Aggregate Dollar Amount

	Average Returns (bp/Day)		Annualized Difference		Annualized Alpha	
	Buy	Sell	Mean	<i>t</i> -stat	Mean	<i>t</i> -stat
	(1)	(2)	(3)	(4)	(5)	(6)
Insiders' Expertise	10.32	5.40	11.20*	1.86	12.61**	2.11
Insiders' Non-Expertise	5.92	6.20	-0.74	-0.40	0.86	0.49
All Retail Traders	6.27	7.22	-2.23**	-2.40	-0.40	-0.56

Table IA4. Transactions-Based Calendar-Time Portfolios (Cont.)**Panel D: Value-Weighted Portfolios, Excluding Microcaps**

	Average Returns (bp/Day)		Annualized Difference		Annualized Alpha	
	Buy	Sell	Mean	<i>t</i> -stat	Mean	<i>t</i> -stat
	(1)	(2)	(3)	(4)	(5)	(6)
Insiders' Expertise	10.79	4.09	20.00***	3.30	20.92***	3.53
Insiders' Non-Expertise	7.37	6.30	3.53	1.04	3.46	1.01
All Retail Traders	7.18	7.96	-2.00***	-2.60	-0.20	-0.31

Panel E: Equal-Weighted Portfolios, Excluding Microcaps

	Average Returns (bp/Day)		Annualized Difference		Annualized Alpha	
	Buy	Sell	Mean	<i>t</i> -stat	Mean	<i>t</i> -stat
	(1)	(2)	(3)	(4)	(5)	(6)
Insiders' Expertise	8.90	7.31	5.94	1.40	8.16*	1.86
Insiders' Non-Expertise	7.04	7.06	0.63	0.37	1.97	1.21
All Retail Traders	6.61	7.40	-2.09**	-2.17	0.14	0.19

Panel F: Value-Weighted Portfolios, Six-Month Holding Period

	Average Returns (bp/Day)		Annual Difference		Annualized Alpha	
	Buy	Sell	Mean	<i>t</i> -stat	Mean	<i>t</i> -stat
	(1)	(2)	(3)	(4)	(5)	(6)
Insiders' Expertise	11.35	3.48	19.31**	2.37	21.06**	2.55
Insiders' Non-Expertise	7.45	4.41	7.25	1.36	8.64	1.63
All Retail Traders	5.89	6.69	-2.22**	-2.17	-0.05	-0.06

Panel G: Equal-Weighted Portfolios, Six-Month Holding Period

	Average Returns (bp/Day)		Annualized Difference		Annualized Alpha	
	Buy	Sell	Mean	<i>t</i> -stat	Mean	<i>t</i> -stat
	(1)	(2)	(3)	(4)	(5)	(6)
Insiders' Expertise	8.42	4.77	8.45	1.21	10.64	1.54
Insiders' Non-Expertise	6.43	6.07	0.48	0.18	2.29	0.87
All Retail Traders	5.24	6.12	-2.55**	-2.35	-0.46	-0.52

Table IA4. Transactions-Based Calendar-Time Portfolios (Cont.)

Panel H: Value-Weighted Portfolios, Three-Month Holding Period

	Average Returns (bp/Day)		Annualized Difference		Annualized Alpha	
	Buy	Sell	Mean	<i>t</i> -stat	Mean	<i>t</i> -stat
	(1)	(2)	(3)	(4)	(5)	(6)
Insiders' Expertise	13.33	-0.48	30.45***	2.71	33.04***	2.94
Insiders' Non-Expertise	10.03	7.01	8.33	1.13	10.95	1.50
All Retail Traders	5.70	6.71	-2.64*	-1.87	0.04	0.03

Panel I: Equal-Weighted Portfolios, Three-Month Holding Period

	Average Returns (bp/Day)		Annualized Difference		Annualized Alpha	
	Buy	Sell	Mean	<i>t</i> -stat	Mean	<i>t</i> -stat
	(1)	(2)	(3)	(4)	(5)	(6)
Insiders' Expertise	11.08	1.76	21.89**	2.23	24.50**	2.57
Insiders' Non-Expertise	6.54	7.97	-1.71	-0.46	0.76	0.20
All Retail Traders	5.44	6.45	-2.71**	-2.10	-0.43	-0.39

Table IA5. Buy-and-Hold Abnormal Returns, 12 Months

This table shows results analogous to those reported in Table IA1, but using a 12-month holding period. A stock purchase or sale by a corporate insider is classified as Expertise if the stock's industry is the same as the insider's based on the three-digit SIC code definition. Trades in an insider's own firm are excluded, and the insider's remaining trades are defined as Non-Expertise. All Retail Traders' Trades indicates trades made by the other individuals in the large discount broker (LDB) data set. We report three-month (63 days) buy-and-hold returns as well as returns in excess of the DGTW benchmark returns (Daniel, Grinblatt, Titman, and Wermers, 1997) and the value-weighted industry benchmark returns. Stock returns and trade size are winsorized at the 1% level within each trade category. *t*-statistics are reported in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated with ***, **, and *, respectively.

		Equal Weighted			Trade-Size Weighted		
		Raw	DGTW- Adjusted	Industry- Adjusted	Raw	DGTW- Adjusted	Industry- Adjusted
		(1)	(2)	(3)	(4)	(5)	(6)
Insiders' Expertise Trades	Buy	27.92*** (5.45)	7.78 (1.56)	6.55 (1.37)	25.96*** (5.22)	4.46 (0.89)	4.18 (0.88)
	Sell	16.14*** (3.94)	-1.83 (-0.50)	-2.73 (-0.77)	13.49*** (2.90)	-4.46 (-1.06)	-3.60 (-0.91)
	Buy - Sell	11.78* (1.80)	9.61 (1.55)	9.27 (1.55)	12.47* (1.83)	8.92 (1.36)	7.78 (1.26)
	Buy	15.53*** (16.14)	-0.97 (-1.12)	-4.35*** (-4.89)	16.63*** (18.62)	-0.45 (-0.56)	-2.05*** (-2.60)
Insiders' Non- Expertise Trades	Sell	16.81*** (14.86)	-0.89 (-0.87)	-2.19** (-2.05)	15.97*** (16.91)	-1.80** (-2.14)	-2.09** (-2.44)
	Buy - Sell	-1.28 (-0.86)	-0.08 (-0.06)	-2.16 (-1.56)	0.66 (0.51)	1.35 (1.17)	0.04 (0.03)
	Buy	15.21*** (265.02)	-1.37*** (-26.98)	-2.72*** (-51.04)	16.56*** (295.50)	-0.64*** (-12.95)	-1.96*** (-38.23)
All Retail Traders' Trades	Sell	17.52*** (288.16)	0.19*** (3.57)	-0.81*** (-14.30)	18.77*** (315.07)	0.77*** (14.69)	-0.40*** (-7.39)
	Buy - Sell	-2.31*** (-27.59)	-1.57*** (-21.06)	-1.91*** (-24.67)	-2.21*** (-27.02)	-1.41*** (-19.57)	-1.56*** (-20.89)

Table IA6. Insider Trades and Local Stocks

A stock purchase or sale by a corporate insider is classified as Expertise if the stock's industry is the same as the insider's based on the three-digit SIC code definition. Trades in an insider's own firm are excluded, and the insider's remaining trades are defined as Non-Expertise. A stock purchase or sale by a corporate insider is classified as Local if the headquarters of the traded firm is within 250 miles of the headquarters of the insider's firm(s). In Panel A (Panel B), we report equal-weighted (trade size-weighted) three-month buy-and-hold DGTW-adjusted returns (Daniel, Grinblatt, Titman, and Wermers, 1997). Stock returns and trade size are winsorized at the 1% level within each trade category. *t*-statistics are reported in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated with ***, **, and *, respectively.

Panel A: Equal-Weighted Three-Month DGTW-Adjusted Returns

	Local Stocks			Non-Local Stocks		
	All	Expertise	Non-Expertise	All	Expertise	Non-Expertise
	(1)	(2)	(3)	(4)	(5)	(6)
N	1205	179	1026	3619	233	3386
Buy	0.48 (0.55)	-2.03 (-0.92)	0.92 (0.98)	-0.09 (-0.19)	6.69*** (2.83)	-0.52 (-1.07)
Sell	-1.46 (-1.58)	-6.06** (-2.19)	-0.67 (-0.69)	0.69 (1.34)	-1.00 (-0.50)	0.82 (1.52)
Buy - Sell	1.93 (1.53)	4.03 (1.14)	1.59 (1.18)	-0.78 (-1.11)	7.69** (2.49)	-1.34* (-1.85)

Panel B: Trade-Size-Weighted Three-Month DGTW-Adjusted Returns

	Local Stocks			Non-Local Stocks		
	All	Expertise	Non-Expertise	All	Expertise	Non-Expertise
	(1)	(2)	(3)	(4)	(5)	(6)
N	1205	179	1026	3619	233	3386
Buy	3.90*** (4.66)	0.25 (0.11)	4.68*** (5.26)	1.04** (2.20)	13.04*** (5.01)	0.13 (0.28)
Sell	0.12 (0.15)	-7.89*** (-2.85)	1.47* (1.93)	-0.68 (-1.50)	-4.04* (-1.94)	-0.40 (-0.88)
Buy - Sell	3.78*** (3.31)	8.14** (2.25)	3.20*** (2.73)	1.71*** (2.62)	17.09*** (5.12)	0.54 (0.82)

Table IA7. Expertise Trades in Hard-to-Value Stocks, 12-Month DGTW-Adjusted Returns

This table shows results analogous to those reported in Table 5, but using a 12-month holding period. A stock purchase or sale by a corporate insider is classified as Expertise if the stock's industry is the same as the insider's based on the three-digit SIC code definition. Trades in an insider's own firm are excluded, and the insider's remaining trades are defined as Non-Expertise. Retail Traders indicates trades made by the other individuals in the large discount broker (LDB) data set. We sort buy and sell trades into two equally sized portfolios using the in-sample median value of stock size, residual analyst coverage calculated as in Hong, Lim, and Stein (2000), and idiosyncratic volatility calculated in month $t-1$, following Ang, Hodrick, Xing, and Zhang (2006). The median expertise stock is in the 72nd NYSE-AMEX size percentile. Three-month equal-weighted DGTW-adjusted excess returns (Daniel, Grinblatt, Titman, and Wermers, 1997) are reported. Stock returns and trade size are winsorized at the 1% level within each trade category. t -statistics are reported in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated with ***, **, and *, respectively.

Panel A: Expertise Trades and Hard-to-Value Stocks: Size

	Insiders' Trades			Retail Traders	Differences		
	Exp Buy	Exp Sell	Non-Exp Buy	Retail Buy	(1) - (2)	(1) - (3)	(1) - (4)
	(1)	(2)	(3)	(4)	(1) - (2)	(1) - (3)	(1) - (4)
Firm Size							
Small	12.50 (1.37)	-9.97* (-1.81)	-3.06** (-2.09)	-3.01*** (-35.03)	22.47** (2.10)	15.57* (1.68)	15.51* (1.70)
Big	3.02 (0.78)	6.39 (1.35)	1.13 (1.26)	0.26*** (4.85)	-3.37 (-0.55)	1.89 (0.47)	2.75 (0.71)
Small - Big	9.49 (0.95)	-16.36** (-2.25)	-4.19** (-2.44)	-3.28*** (-32.19)	25.85** (2.10)	13.68 (1.36)	12.76 (1.28)

Panel B: Expertise Trades and Hard-to-Value Stocks: Residual Analyst Coverage

	Insiders' Trades			Retail Traders	Differences		
	Exp Buy	Exp Sell	Non-Exp Buy	Retail Buy	(1) - (2)	(1) - (3)	(1) - (4)
	(1)	(2)	(3)	(4)	(1) - (2)	(1) - (3)	(1) - (4)
Resid. Analyst Coverage							
Low	17.08** (2.00)	-2.71 (-0.49)	-2.17* (-1.82)	-3.94*** (-58.14)	19.79* (1.95)	19.25** (2.23)	21.02** (2.46)
High	-1.60 (-0.32)	-0.95 (-0.19)	0.24 (0.19)	1.19*** (15.71)	-0.66 (-0.09)	-1.84 (-0.36)	-2.79 (-0.56)
Low - High	18.68* (1.89)	-1.76 (-0.24)	-2.41 (-1.40)	-5.13*** (-50.45)	20.45* (1.66)	21.09** (2.10)	23.81** (2.41)

Table IA7. Expertise Trades in Hard-to-Value Stocks, 12-Month DGTW-Adjusted Returns (Cont.)

Panel C: Expertise Trades and Hard-to-Value Stocks: Idiosyncratic Volatility

	Insiders' Trades			Retail Traders	Differences		
	Exp Buy	Exp Sell	Non-Exp Buy	Retail Buy	(1) - (2)	(1) - (3)	(1) - (4)
	(1)	(2)	(3)	(4)			
Idiosyncratic Volatility							
High	11.30 (1.16)	-10.47* (-1.66)	-4.11*** (-2.79)	-2.95*** (-33.32)	21.77* (1.88)	15.40 (1.57)	14.25 (1.46)
Low	4.43 (1.47)	6.72* (1.83)	2.17** (2.46)	0.20*** (3.94)	-2.29 (-0.48)	2.25 (0.72)	4.23 (1.41)
High - Low	6.87 (0.68)	-17.19** (-2.36)	-6.28*** (-3.66)	-3.15*** (-30.91)	24.06* (1.92)	13.15 (1.27)	10.02 (0.98)

Table IA8. Trading Frequency and Expertise Trades

This table presents a robustness test for the results presented in Panel E of Table A1. Column 1 to 3 present results obtained using all the corporate insiders in the sample. Columns 4-6 present results obtained after excluding the top 10% of insiders ranked by number of expertise trades. We repeat the test for the eight industry definitions considered in Appendix D, but report results for only three of them in order to save space. Stock returns are winsorized at the 1% level. *t*-statistics are reported in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated with ***, **, and *, respectively.

Equal-Weighted DGTW-Adjusted 3-Month Buy-And-Hold Abnormal Returns						
Expertise Definition	All Insiders			Excluding Top 10% of Insiders by Number of Expertise Trades		
	3 Digit SIC	2 Digit SIC	12FF	3 Digit SIC	2 Digit SIC	12FF
	(1)	(2)	(3)	(4)	(5)	(6)
Purchases (n)	214	333	688	109	173	377
Sales (n)	199	317	589	101	199	337
Buy	2.76*	2.44**	1.49*	6.46***	4.95***	2.02*
	(1.66)	(1.99)	(1.83)	(2.67)	(2.74)	(1.73)
Sell	-3.11*	-2.03*	-0.543	-4.84**	-1.783	-0.504
	(-1.90)	(-1.69)	(-0.57)	(-2.18)	(-1.21)	(-0.40)
Buy-Sell	5.87**	4.47***	2.033	11.30***	6.74***	2.521
	(2.52)	(2.60)	(1.62)	(3.44)	(2.89)	(1.47)

Table IA9. Financial Firm Insiders

A stock purchase or sale by a corporate insider is classified as Expertise if the stock's industry is the same as the insider's based on the three-digit SIC code definition. Trades in an insider's own firm are excluded, and the insider's remaining trades are defined as Non-Expertise. Financial Firm Insiders are individuals who are insiders of at least one financial firm or bank, according to the 49 Fama-French industry definition. Twenty-three out of 105 industry insiders in our sample are classified as Financial Firm Insiders, and they are responsible for roughly 30% of insiders' trades. The remaining insiders are classified as Non-Financial Firm Insiders. Three-month (12-month) equal-weighted DGTW-adjusted excess returns (Daniel, Grinblatt, Titman, and Wermers, 1997) are reported in Panel A (Panel B). Stock returns and trade size are winsorized at the 1% level within each trade category. *t*-statistics are reported in parentheses. Statistical significance at the 1%, 5%, and 10% level is indicated with ***, **, and *, respectively.

Panel A: Three-Month DGTW-Adjusted Returns

	All Insiders	Financial Firm Insiders	Non-Financial Firm Insiders
	(1)	(2)	(3)
N (#insiders)	105	23	82
Expertise Buy	2.76* (1.66)	1.17 (0.87)	4.15 (1.44)
Expertise Sell	-3.11* (-1.90)	0.30 (0.15)	-5.70** (-2.34)
Expertise Buy - Sell	5.87** (2.52)	0.87 (0.36)	9.85*** (2.61)
Non-Expertise Buy	-0.19 (-0.45)	1.21* (1.85)	-1.30** (-2.25)
Non-Expertise Sell	0.46 (0.99)	0.83 (1.14)	0.23 (0.38)
Non-Expertise Buy - Sell	-0.66 (-1.03)	0.38 (0.39)	-1.54* (-1.82)

Table IA9. Financial Firm Insiders (Cont.)**Panel B: 12-Month DGTW-Adjusted Returns**

	All Insiders	Financial Firm Insiders	Non-Financial Firm Insiders
	(1)	(2)	(3)
N (#insiders)	105	23	82
Expertise Buy	7.78 (1.56)	8.48** (2.56)	7.17 (0.81)
Expertise Sell	-1.83 (-0.50)	11.25*** (2.82)	-11.79** (-2.12)
Expertise Buy - Sell	9.61 (1.55)	-2.77 (-0.53)	18.96* (1.81)
Non-Expertise Buy	-0.97 (-1.12)	-0.21 (-0.17)	-1.56 (-1.33)
Non-Expertise Sell	-0.89 (-0.87)	0.42 (0.27)	-1.71 (-1.27)
Non-Expertise Buy - Sell	-0.08 (-0.06)	-0.63 (-0.31)	0.15 (0.08)

Figure IA1. Do Insiders Trade More Before the Traded Firm Earnings Announcements?

Figure IA1a shows the average daily percentage of buy trades for expertise and non-expertise trades of insiders around the traded-firm's earnings announcements, as well as the fraction of trades by other traders in the retail trading database. Trades are shown for intervals of five trading days around the traded firm's earnings announcement. Analogously, Figure IA1b presents the share of sell trades around the traded-firm's earnings announcements.

Figure IA1a. Distribution of Buy Trades Relative to the Traded Firm's Earnings Announcements



Figure IA1b. Distribution of Sell Trades Relative to the Traded Firm's Earnings Announcements

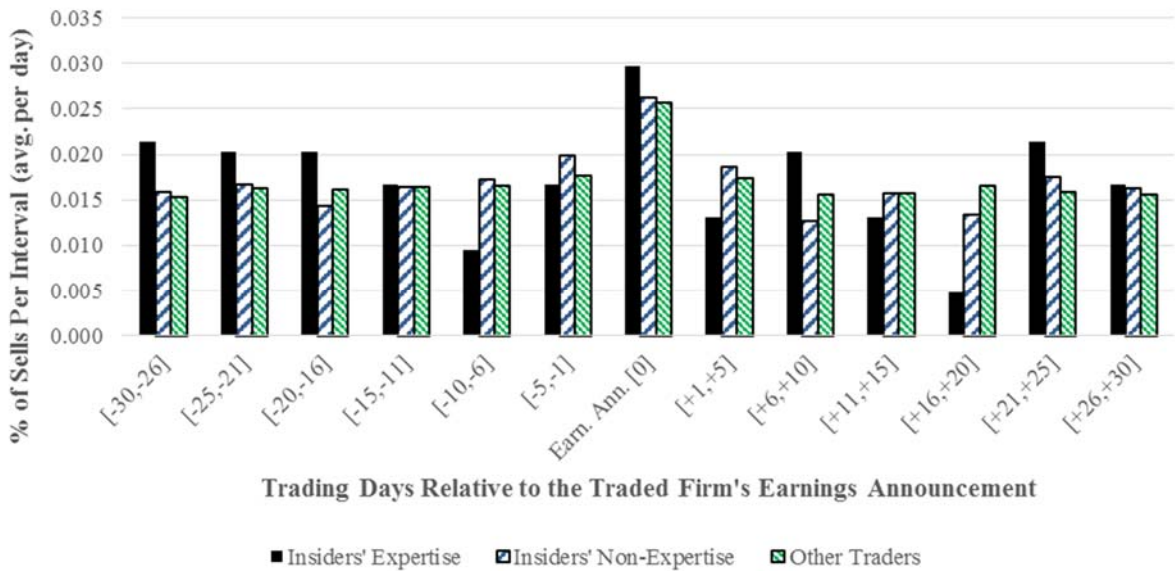


Figure IA2. Do Insiders Trade More Before Own-Firm Earnings Announcements?

Figure IA2a shows the average daily percentage of buy trades for expertise and non-expertise trades of insiders around their own-firm earnings announcements. Trades are shown for intervals of five trading days around the own-firm earnings announcement. Analogously, Figure IA2b presents the share of sell trades around own-firm earnings announcements.

Figure IA2a. Distribution of Buy Trades Relative to Own-Firm Earnings Announcements



Figure IA2b. Distribution of Sell Trades Relative to Own-Firm Earnings Announcements



