

**Internet Appendix to**  
**“Distracted Institutional Investors”**

March 12, 2018

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## **Internet Appendix A: Additional Information on Dataset Construction**

### *Appendix A.1: Match between ANcerno and CRSP*

Matching procedure: We match stockkeys from ANcerno to permnos from CRSP using 8-digit cusip-day pairs. We drop from our sample all stockkeys that have more than one cusip on any particular day.

Since the cusip field in ANcerno is missing for several trades, there are often “holes” in this match. We fill these holes in the following way: Whenever a permno shows up for a stockkey two times without any other permno being present in between, we assign this permno for all dates in-between. We also assign the first permno to all prior days of this stockkey and the last permno to all following dates.

Quality assessment: On average we can match over 93% of stockkey-dates to permnos. The matching quota is above 90% in every month. As a comparison: Matching on stock symbols (ticker) only matches 63% of stockkey-dates. In those cases where we can match stockkey and permno using both ticker and cusip, they yield the same permno in 99.5% of the cases. In those cases where they yield different permnos, the match is better using our cusip method in 99% of the cases. We measure quality of the match as the difference in logs between the average trading price in ANcerno and the CRSP closing price. The match quality is also good in an absolute sense. In only 36 out of over 11 million stockkey-date pairs is the median trading price from ANcerno outside the low-high price range given by CRSP.

### *Appendix A.2: Match between ANcerno and 13f*

Matching procedure: Using the manager names available to us, we hand-match between ANcerno managers (identified by managercode) to institutional investors in 13f (identified by mgrno). In doing so, we follow a conservative matching approach in order to minimize erroneous matches. We first use a string-proximity algorithm to generate a set of potential matches and then manually select the correct match from these potential matches. We are able to find mgrnos in 13f for 670 out of the 835 managers in our ANcerno sample.

Quality assessment: Given the name-matching table, we link each managercode-quarter pair in ANcerno with mgrno-quarter pairs from 13f where available. For the managercode-quarter pairs that we can match, the match is with a unique mgrno in 92% of the cases. For the remaining 8%, there appear multiple mgrnos in 13f in that quarter with a name that matches to ANcerno. It appears that in those cases the different mgrnos represent different state branches of the same manager. We therefore aggregate the 13f holdings across those different mgrnos in those quarters. With this approach, we are able to find holding reports for 6,830 out of 19,686 managercode-quarter pairs in our ANcerno sample.

## Internet Appendix B: Results for Trade-based Watchlist

In the paper, we show results using the *portfolio* watchlist definition. That is, we consider a stock to be on an investor's watchlist if it was in the investor's portfolio at the end of the previous quarter. This watchlist definition influences both our sample (since we run regression (1) only for the sample of watchlist stocks) as well as our distraction measure (which is defined as the watchlist-weighted earnings announcement dummy across stocks). In this section, we show that all of the results in the paper are robust to using an alternative watchlist definition—called the *trade-based* watchlist. This trade-based watchlist comprises all stocks that a manager was trading in the past 12 weeks. The watchlist weight is then defined as:

$$w_{imt}^T = \frac{\text{trading volume in stock } i \text{ in the past 12 weeks}}{\text{total trading volume in the past 12 weeks}},$$

where the superscript  $T$  indicates that this is the weight for the trade-based watchlist.

The construction of the distraction measure proceeds in the same way as for the portfolio watchlist:

$$distraction_{imt}^T = \frac{\sum_{j \neq i} w_{jmt}^T \times EA \text{ dummy}_{jt}}{\sum_{j \neq i} w_{jmt}^T}.$$

We then run regression (1) from the paper with this new distraction measure on the sample of trade-based watchlist stocks. Below, we show the analogues of Tables 1-12 for this watchlist definition—with the exception of the disposition effect test of Table 10, which was already based on trading data (since we need to know the purchase price in order to calculate gains and losses).

**Table B.1: Descriptive Statistics**

This table describes the data for the sample based on the trade-based watchlist. In Panel A, we show summary statistics for all variables used in our panel regressions. *Trade volume* is the weekly trading volume in the stock (if it is positive) in million \$. *Buy volume* is the weekly buy volume in the stock (if it is positive) in million \$. *Sell volume* is the weekly sell volume in the stock (if it is positive) in million \$. *Trade (dummy)* is a dummy variable equal to one if the manager trades the stock in that week. *Buy (dummy)* is a dummy variable equal to one if the manager bought the stock at least once in the week. *Sell (dummy)* is a dummy variable equal to one if the manager sold the stock at least once in the week. *Trade profitability* is the post-trade return (in %) for buys and the post-trade return times minus one for sells. Post-trade returns are calculated over the subsequent 4 weeks of the transaction week. *Relative transaction spread* (in %) is the difference between the transaction price and the previous day closing price for buys (and the same difference times minus one for sells), scaled by the previous day closing price. *Distraction* is defined as the weighted fraction (in %) of a manager’s watchlist stocks that have an earnings announcement. The weights correspond to the fraction of dollar volume traded in the particular stock over the previous 12 weeks. *Stocks on watchlist* is the logarithm of the number of stocks on the manager’s watchlist. *Trade number* is the number of days on which the stock was traded in the last 12 weeks. *Trade volume manager* is the total trading volume of the manager in the past 12 weeks (in m\$). *Assets under Management* is the amount of assets under management according to 13f (in b\$). *Change in AuM* is the percentage change in assets under management of the manager in the preceding quarter. All variables are defined in the paper’s Appendix. In Panel B, we report results of a comparison of the propensity to trade between the trade-based watchlist and a “placebo” watchlist. For the trade-based watchlist, it shows the mean number of stocks on the watchlist, the mean number of those stocks that are traded in the next week, and the fraction of the two. This fraction is compared to a similar fraction of traded stocks for the placebo watchlist (in which stocks are randomly assigned to a given manager’s watchlist). The last column reports the *t*-statistic of a difference-in-mean test clustered at the manager-level. \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

**Panel A: Summary statistics for all variables**

	Mean	Median	StD	1 <sup>st</sup> perc.	25 <sup>th</sup> perc.	75 <sup>th</sup> perc.	99 <sup>th</sup> perc.
<i>Dependent variables</i>							
Trade volume (m\$)	0.7645	0.0849	4.6140	0.0007	0.0210	0.3883	11.5189
Buy volume (m\$)	0.5902	0.0612	3.1035	0.0006	0.0165	0.2599	9.3704
Sell volume (m\$)	0.7792	0.0693	5.2791	0.0005	0.0156	0.3639	12.0006
Trade (dummy)	0.1144	0.0000	0.3183	0.0000	0.0000	0.0000	1.0000
Buy (dummy)	0.0780	0.0000	0.2682	0.0000	0.0000	0.0000	1.0000
Sell (dummy)	0.0691	0.0000	0.2536	0.0000	0.0000	0.0000	1.0000
Trade profitability (%)	0.0853	0.0771	13.9784	-39.2857	-6.0672	6.2340	39.5683
Relative transaction spread (%)	0.3722	0.0000	0.9887	0.0000	0.0000	0.3245	4.4698
<i>Independent variables</i>							
Distraction (%)	8.1021	3.1167	10.7951	0.0000	0.9456	10.2790	41.6299
Stocks on watchlist (log)	6.9037	7.1770	1.1246	4.0073	6.1181	7.9095	8.2953
Trade number (t-12,t-1)	3.1149	0.0000	9.0043	0.0000	0.0000	1.0000	53.0000
Trade volume manager (t-12,t-1) (b\$)	6.0621	0.1559	19.0157	0.0000	0.0336	1.0845	92.5586
Assets under Management (b\$)	98.0730	19.0161	152.4120	0.2263	4.6257	124.8788	564.5344
Change in AuM (%)	2.4507	2.6060	13.7883	-33.4867	-4.6912	9.5284	50.0000
Number of observations	40,436,795						

**Panel B: Sanity check – are watchlist stocks more likely to be traded compared to other stocks?**

Mean # stocks on watchlist	Mean # traded stocks on watchlist	Fraction traded (in %)	Placebo: Fraction traded (in %)	t-statistic of difference
275.75	82.36	20.43	4.16	(39.93)***

*Table B.2: Distraction and Trading Activity*

This table shows results of stock-manager-week level regressions of managers' trading activity on the distraction measure (specification (1) in the text). Distraction is defined as the fraction of a manager's watchlist stocks that have an earnings announcement. In Panel A, trading activity is measured at the extensive margin; that is, by a dummy that takes the value one if the manager trades a given stock in a given week and zero otherwise. In Panel B, trading activity is measured at the intensive margin; that is, as the logarithm of the dollar trading volume by the manager in a given stock and week (the measure is set to missing if the manager does not trade the stock in that week). Columns 1-3 show results for all trades (buys and sells combined). Columns 4-6 and 7-9 separate between buy and sell transactions, respectively. All variables are defined in the paper's Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

*Panel A: Extensive margin*

Dependent Variable:	Trade dummy								
Sample:	All trades			Buys			Sells		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Distraction	-0.0611*** (-4.58)	-0.0837*** (-4.40)	-0.0379*** (-2.75)	-0.0473*** (-4.27)	-0.0486*** (-3.83)	-0.0319*** (-2.84)	-0.0319*** (-3.25)	-0.0660*** (-3.42)	-0.0168* (-1.70)
Stocks on watchlist (log)	0.0175*** (4.47)	0.0089 (1.38)	-0.0517*** (-6.55)	0.0111*** (3.48)	0.0031 (0.64)	-0.0246*** (-5.37)	0.0136*** (4.35)	0.0015 (0.22)	-0.0250*** (-3.82)
Trade volume manager (t-12,t-1) (log)	0.0167*** (6.84)	0.0191*** (5.05)	-0.0409*** (-9.86)	0.0080*** (3.75)	0.0109*** (2.88)	-0.0295*** (-9.32)	0.0109*** (6.06)	0.0128*** (3.67)	-0.0319*** (-8.52)
Trade number (t-12,t-1)	0.0154*** (20.80)	0.0135*** (10.28)	0.0145*** (32.05)	0.0135*** (46.36)	0.0123*** (21.31)	0.0123*** (36.12)	0.0144*** (56.63)	0.0138*** (52.84)	0.0133*** (35.45)
Assets under Management (log)		0.0053 (1.34)			0.0073** (2.27)			0.0024 (0.65)	
Change in AuM (%)		-0.0107 (-0.76)			0.0084 (0.76)			-0.0244** (-2.38)	
Number of Observations	56,996,731	17,253,471	56,996,731	56,996,731	17,253,471	56,996,731	56,996,731	17,253,471	56,996,731
Adjusted-R <sup>2</sup>	0.31	0.36	0.35	0.31	0.40	0.33	0.29	0.30	0.31
Stock×Week fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	No	No	Yes	No	No	Yes

*Panel B: Intensive margin*

Dependent Variable:	Trade volume (log)								
	Sample:	All trades			Buys			Sells	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Distraction	-0.0493 (-0.46)	-0.0954 (-0.40)	0.0180 (0.18)	0.1040 (0.71)	0.0431 (0.16)	0.1443 (1.06)	-0.1939 (-1.51)	-0.1994 (-0.65)	-0.1074 (-0.87)
Stocks on watchlist (log)	-0.5844*** (-13.21)	-0.4617*** (-7.42)	0.0760* (1.86)	-0.5698*** (-9.81)	-0.4509*** (-5.86)	0.1017** (2.35)	-0.5806*** (-12.08)	-0.4340*** (-7.20)	0.0524 (1.11)
Trade volume manager (t-12,t-1) (log)	0.3845*** (16.66)	0.3590*** (10.59)	-0.2450*** (-9.25)	0.4041*** (17.13)	0.3636*** (9.89)	-0.1255*** (-4.21)	0.3082*** (10.91)	0.2832*** (8.17)	-0.2700*** (-9.69)
Trade number (t-12,t-1)	0.0123*** (3.88)	0.0078*** (4.42)	0.0201*** (5.63)	-0.0051*** (-2.68)	-0.0070*** (-2.69)	-0.0015 (-0.89)	0.0112*** (2.71)	0.0047 (1.53)	0.0218*** (5.70)
Assets under Management (log)		-0.0252 (-0.51)			0.0161 (0.28)			-0.0422 (-0.73)	
Change in AuM (%)		0.1741 (1.36)			0.2625** (2.35)			0.1617 (0.87)	
Number of Observations	15,810,557	4,625,783	15,810,108	9,761,907	2,818,786	9,761,238	9,624,627	2,568,074	9,623,949
Adjusted-R <sup>2</sup>	0.43	0.42	0.46	0.40	0.41	0.44	0.39	0.38	0.43
Stock×Week fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	No	No	Yes	No	No	Yes

*Table B.3: Trading Activity – Excluding Quasi-Indexers*

This table shows a sample split by whether a manager is a quasi-indexer or not. We run stock-manager-week level regressions of managers' trading activity on the distraction measure (specification (1) in the text). Distraction is defined as the fraction of a manager's watchlist stocks that have an earnings announcement. In Panel A, trading activity is measured at the extensive margin; that is, by a dummy that takes the value one if the manager trades a given stock in a given week and zero otherwise. In Panel B, trading activity is measured at the intensive margin; that is, as the logarithm of the dollar trading volume by the manager in a given stock and week (the measure is set to missing if the manager does not trade the stock in that week). In columns 1 and 3, we include only managers that are identified as quasi-indexers according to the classification by Bushee and Noe (2000) and Bushee (2001), while we exclude those managers in columns 2 and 4. The statistical significance of the difference between the two subgroups is reported at the bottom of the table. This significance is based on a regression model where all explanatory variables and fixed effects are interacted with a dummy equal to one if the manager is a quasi-indexer. All variables are defined in the paper's Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

*Panel A: Extensive margin*

Dependent Variable:	Trade (dummy)			
Subsample:	Quasi-indexer	Other	Quasi-indexer	Other
	(1)	(2)	(3)	(4)
Distraction	-0.0470** (-2.33)	-0.1272*** (-4.54)	-0.0154 (-0.67)	-0.0879*** (-3.15)
Stocks on watchlist (log)	0.0085 (1.15)	0.0202** (2.06)	-0.0382*** (-3.38)	-0.0663*** (-5.10)
Trade volume manager (t-12,t-1) (log)	0.0171*** (3.26)	0.0132** (2.46)	-0.0404*** (-6.04)	-0.0392*** (-4.47)
Trade number (t-12,t-1)	0.0115*** (8.67)	0.0159*** (22.77)	0.0140*** (17.83)	0.0157*** (27.90)
Assets under Management (log)	0.0097** (2.29)	-0.0031 (-0.67)		
Change in AuM (%)	-0.0393* (-1.66)	-0.0032 (-0.18)		
Number of Observations	7,341,136	6,200,431	15,525,293	17,386,651
Adjusted-R <sup>2</sup>	0.47	0.24	0.45	0.27
Difference in Distraction (t-stat)		2.33**		2.01**
Stock×Week fixed effects	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	Yes



*Panel B: Intensive margin*

Dependent Variable:	Trade volume (log)			
Subsample:	Quasi-indexer	Other	Quasi-indexer	Other
	(1)	(2)	(3)	(4)
Distraction	-0.2187 (-1.13)	0.1094 (0.88)	-0.1730 (-1.37)	0.2687 (1.13)
Stocks on watchlist (log)	-0.3660*** (-5.64)	-0.4864*** (-5.40)	0.1058** (2.57)	0.1185** (1.99)
Trade volume manager (t-12,t-1) (log)	0.2832*** (8.53)	0.3437*** (6.66)	-0.2703*** (-6.61)	-0.2850*** (-7.97)
Trade number (t-12,t-1)	0.0060** (2.50)	0.0052 (1.16)	0.0152*** (4.23)	0.0190*** (7.13)
Assets under Management (log)	-0.0196 (-0.31)	-0.0743 (-0.97)		
Change in AuM (%)	0.2974 (1.25)	0.2127 (1.61)		
Number of Observations	1,831,969	1,173,327	4,395,851	3,899,880
Adjusted-R <sup>2</sup>	0.47	0.35	0.48	0.39
Difference in Distraction (t-stat)	-1.23		-1.45	
Stock×Week fixed effects	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	Yes

*Table B.4: Trading Propensity – Sample Splits by Manager Characteristics*

This table shows results for sample splits for stock-manager-week level regressions of a manager’s trading propensity on the distraction measure (specification (1) in the text). Each row represents a different sample split as indicated in the row header (and explained in Subsection IV.C). The specification is the same as the one from Table 2. For brevity, the table only shows the coefficient on the distraction measure. Columns 1-3 show results for the specification with AuM controls; columns 5-7 show results for the specification with manager×quarter fixed effects (which subsume the AuM controls). Columns 4 and 8 show the test statistics of the difference between the high/yes and low/no groups. These significance tests are based on a regression model where all explanatory variables and fixed effects are interacted with a dummy equal to one if an observation is in the high/yes group and zero if it is in the low/no group. The split variables are defined as follows: 1) turnover is the manager’s average dollar trading volume in watchlist stocks over their market capitalization. 2) trade activeness is defined as the minimum of a manager’s dollar buys and dollar sells, divided by his total trading volume. 3) industry concentration is defined as the Herfindahl concentration index of a manager’s reported stock holdings across Fama-French 49 industries. 4) Institution AuM is the institution’s average assets under management. 5) Watchlist size is the average number of stocks on the institution’s watchlist. 6) Average profits is the average 48-weeks ahead portfolio return of the watchlist portfolio. 7) Hedge fund is a dummy variable equal to one for hedge funds and zero otherwise (obtained from Russell Jame; explained in Jame, 2017). All variables are defined in the paper’s Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

Dependent Variable: Sample Split by:	Trade (dummy)							
	Low/No	Medium	High/Yes	t-stats Difference	Low/No	Medium	High/Yes	t-stats Difference
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1) Turnover	-0.0085 (-0.41)	-0.0966*** (-3.36)	-0.1194*** (-3.34)	2.71***	0.0072 (0.37)	-0.1146** (-2.10)	-0.0474** (-2.16)	1.90*
2) Trade activeness	-0.0147 (-0.60)	-0.0453* (-1.94)	-0.1321*** (-4.09)	3.03***	-0.0370 (-1.43)	-0.0436 (-1.54)	-0.0800** (-2.49)	1.25
3) Industry concentr.	-0.1480*** (-3.44)	-0.0254** (-1.01)	-0.0447* (-1.75)	-2.10**	-0.1196** (-2.39)	-0.0413 (-1.54)	-0.0504* (-1.95)	-1.29
4) Institution AuM	-0.0504*** (-3.25)	-0.1110*** (-3.33)	-0.1596*** (-2.68)	1.78*	-0.0280** (-2.12)	-0.0305 (-1.48)	-0.0825** (-2.03)	1.80*
5) Watchlist size	-0.0365 (-1.57)	-0.0373* (-1.89)	-0.1322*** (-4.13)	2.54**	-0.0023 (-0.23)	0.0035 (0.37)	-0.0639*** (-2.86)	2.57**
6) Average profits	-0.0488 (-1.47)	-0.1183*** (-4.13)	-0.0254 (-0.87)	-0.53	-0.0154 (-0.90)	-0.0670** (-2.52)	-0.0102 (-0.40)	-0.17
7) Hedge fund	-0.0848*** (-3.87)	N/A	-0.0538 (-1.43)	0.80	-0.0414*** (-2.77)	N/A	-0.0012 (-0.05)	-1.57
Past Trade controls	Yes	Yes	Yes		Yes	Yes	Yes	
AuM controls	Yes	Yes	Yes		No	No	No	
Stock×Week f.e.	Yes	Yes	Yes		Yes	Yes	Yes	
Manager×Stock f.e.	Yes	Yes	Yes		Yes	Yes	Yes	
Manager×Quarter f.e.	No	No	No		Yes	Yes	Yes	

*Table B.5: Distraction and Trade Profitability*

This table shows results of stock-manager-week level regressions of trade profitability on the distraction measure (specification (1) in the text). The dependent variable is the post-trade return for buys and the post-trade return times minus one for sells. Post-trade returns are calculated over the subsequent 4 weeks of the transaction week. Distraction is defined as the fraction of a manager's watchlist stocks that have an earnings announcement. Panel A shows the results for the whole sample. Panel B shows a sample split by whether a manager is a quasi-indexer or not. In Panel B columns 1 and 3, we include only managers that are identified as quasi-indexers according to the classification by Bushee and Noe (2000) and Bushee (2001), while we exclude those managers in columns 2 and 4. The statistical significance of the difference between the two subgroups is reported at the bottom of the table. This significance is based on a regression model where all explanatory variables and fixed effects are interacted with a dummy equal to one if the manager is a quasi-indexer. All variables are defined in the paper's Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

*Panel A: Overall*

	Trade Profitability		
	(1)	(2)	(3)
Distraction	-0.0097*	-0.0072*	-0.0094*
	(-1.93)	(-1.71)	(-1.93)
Stocks on watchlist (log)	0.0002	0.0005	0.0001
	(0.26)	(0.32)	(0.05)
Trade volume manager (t-12,t-1) (log)	-0.0001	-0.0007	-0.0007
	(-0.29)	(-0.75)	(-0.61)
Trade number (t-12,t-1)	-0.0001***	-0.0001***	-0.0001***
	(-4.97)	(-2.72)	(-4.75)
Assets under Management (log)		0.0004	
		(0.64)	
Change in AuM (%)		-0.0026	
		(-1.15)	
Number of Observations	15,735,084	4,605,102	15,734,638
Adjusted-R <sup>2</sup>	0.09	0.10	0.10
Stock×Week fixed effects	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes

*Panel B: Excluding Quasi-Indexers*

Dependent Variable:	Trade Profitability			
	Quasi-indexer	Other	Quasi-indexer	Other
Subsample:	(1)	(2)	(3)	(4)
Distraction	-0.0028	-0.0183**	-0.0052	-0.0152*
	(-0.47)	(-2.52)	(-0.57)	(-1.88)
Stocks on watchlist (log)	-0.0019	0.0002	-0.0014	-0.0010
	(-1.12)	(0.16)	(-0.44)	(-0.62)
Trade volume manager (t-12,t-1) (log)	0.0002	-0.0000	0.0004	0.0015
	(0.20)	(-0.03)	(0.23)	(0.93)
Trade number (t-12,t-1)	-0.0001	-0.0001***	-0.0000	-0.0001***
	(-1.06)	(-3.78)	(-0.89)	(-5.32)
Assets under Management (log)	-0.0003	-0.0006		
	(-0.56)	(-0.63)		
Change in AuM (%)	-0.0117	0.0006		
	(-1.65)	(0.35)		
Number of Observations	1,823,898	1,168,041	4,378,141	3,882,969
Adjusted-R <sup>2</sup>	0.10	0.09	0.12	0.09
Difference in Distraction (t-stat)		1.89*		1.44
Stock×Week fixed effects	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	Yes

*Table B.6: Distraction and Transaction Costs*

This table shows results of stock-manager-week level regressions of transaction costs on the distraction measure (specification (1) in the text). The dependent variable is the relative transaction spread, defined as the difference between the transaction price and the previous day closing price for buys (and the same difference times minus one for sells), scaled by the previous day closing price. Distraction is defined as the fraction of a manager's watchlist stocks that have an earnings announcement. Panel A shows the results for the whole sample. Panel B shows a sample split by whether a manager is a quasi-indexer or not. In Panel B columns 1 and 3, we include only managers that are identified as quasi-indexers according to the classification by Bushee and Noe (2000) and Bushee (2001), while we exclude those managers in columns 2 and 4. The statistical significance of the difference between the two subgroups is reported at the bottom of the table. This significance is based on a regression model where all explanatory variables and fixed effects are interacted with a dummy equal to one if the manager is a quasi-indexer. All variables are defined in the paper's Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

*Panel A: Overall*

	Relative Transaction Spread		
	(1)	(2)	(3)
Distraction	0.0009* (1.95)	0.0011** (2.52)	0.0008* (1.91)
Stocks on watchlist (log)	-0.0002** (-2.17)	0.0002* (1.68)	0.0001 (0.52)
Trade volume manager (t-12,t-1) (log)	0.0001* (1.90)	-0.0000 (-0.58)	0.0000 (0.04)
Trade number (t-12,t-1)	-0.0000*** (-9.29)	-0.0000*** (-6.05)	-0.0000*** (-7.69)
Assets under Management (log)		-0.0000 (-0.22)	
Change in AuM (%)		-0.0003 (-1.16)	
Number of Observations	15,800,276	4,622,514	15,799,829
Adjusted-R <sup>2</sup>	0.20	0.20	0.21
Stock×Week fixed effects	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes

*Panel B: Excluding Quasi-Indexers*

Dependent Variable:	Relative Transaction Spread			
	Quasi-indexer	Other	Quasi-indexer	Other
Subsample:	(1)	(2)	(3)	(4)
Distraction	0.0009* (1.85)	0.0010 (1.60)	0.0008* (1.73)	0.0009 (1.43)
Stocks on watchlist (log)	0.0002 (1.28)	0.0004** (2.03)	0.0001 (0.95)	-0.0002 (-0.86)
Trade volume manager (t-12,t-1) (log)	-0.0000 (-0.02)	-0.0001 (-1.28)	0.0000 (0.19)	0.0001* (1.65)
Trade number (t-12,t-1)	-0.0000*** (-4.89)	-0.0000*** (-7.80)	-0.0000*** (-9.23)	-0.0000*** (-3.63)
Assets under Management (log)	0.0000 (0.34)	0.0002*** (3.29)		
Change in AuM (%)	0.0002 (0.35)	-0.0003 (-1.04)		
Number of Observations	1,831,393	1,171,891	4,393,862	3,896,382
Adjusted-R <sup>2</sup>	0.19	0.18	0.22	0.19
Difference in Distraction (t-stat)		-0.35		-0.24
Stock×Week fixed effects	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	Yes

**Table B.7: Trading Propensity – Rational Attention Allocation?**

This table shows results of stock-manager-week level regressions of a manager’s trading propensity on the distraction measure (specification (1) in the text). Distraction is defined as the fraction of a manager’s watchlist stocks that have an earnings announcement. In columns 1-3, the distraction measure is interacted with the watchlist weight (*WatchlistWeight*) of a stock, which equals the fraction of total dollar trading volume in the previous 12 weeks. In this case, the level effects of the interaction variable are added as an additional control. In columns 4-6, the distraction measure is interacted with a dummy variable (*EA*) that equals one if there is an earnings announcement for the given stock×week and zero otherwise. In this case, the level effects of the interaction variable are subsumed by the stock×week fixed effects. All variables are defined in the Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

Dependent Variable:	Trade (dummy)					
	(1)	(2)	(3)	(4)	(5)	(6)
Distraction	-0.0673*** (-4.81)	-0.0916*** (-4.56)	-0.0413*** (-2.85)	-0.0607*** (-4.45)	-0.0806*** (-4.04)	-0.0374*** (-2.62)
Distraction×WatchlistWeight	0.4573*** (5.99)	0.5675*** (4.27)	0.2599*** (3.38)			
WatchlistWeight	-0.4843*** (-6.78)	-0.5554*** (-4.40)	-0.6450*** (-13.14)			
Distraction×EA				-0.0019 (-0.21)	-0.0170 (-1.03)	-0.0028 (-0.32)
Stocks on watchlist (log)	0.0150*** (3.61)	0.0059 (0.86)	-0.0561*** (-7.04)	0.0175*** (4.47)	0.0089 (1.38)	-0.0517*** (-6.55)
Trade vol. manager (t-12,t-1) (log)	0.0166*** (6.72)	0.0189*** (4.90)	-0.0410*** (-9.90)	0.0167*** (6.84)	0.0191*** (5.05)	-0.0409*** (-9.86)
Trade number (t-12,t-1)	0.0155*** (20.27)	0.0136*** (10.03)	0.0147*** (31.37)	0.0154*** (20.80)	0.0135*** (10.28)	0.0145*** (32.05)
Assets under Management (log)		0.0053 (1.31)			0.0053 (1.34)	
Change in AuM (%)		-0.0107 (-0.76)			-0.0107 (-0.76)	
Number of Observations	56,996,731	17,253,471	56,996,731	56,996,731	17,253,471	56,996,731
Adjusted-R <sup>2</sup>	0.31	0.36	0.35	0.31	0.36	0.35
Stock×Week fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	No	No	Yes

*Table B.8: Trading Propensity – Exacerbating Behavioral Biases?*

This table shows results of stock-manager-week level regressions of a manager’s trading propensity on the distraction measure (specification (1) in the text). Distraction is defined as the fraction of a manager’s watchlist stocks that have an earnings announcement. In columns 1-3, the dependent variable is the trade propensity; i.e., a dummy variable that takes the value one if the manager buys or sells the stock. In columns 4-6, the dependent variable is the buy propensity; i.e., a dummy that takes the value one if the manager buys a given stock in a given week and zero otherwise. In columns 7-9, the dependent variable is the sell propensity; i.e., a dummy variable that takes the value one if the manager sells the stock. In all columns, the distraction measure is interacted with the stock’s return in the previous four weeks (*PastReturn*). The level effects of the interaction variable are subsumed by the stock×week fixed effects. All variables are defined in the paper’s Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

Dependent Variable:	Trade (dummy)			Buy (dummy)			Sell (dummy)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Distraction	-0.0610*** (-4.56)	-0.0837*** (-4.39)	-0.0378*** (-2.74)	-0.0474*** (-4.27)	-0.0488*** (-3.84)	-0.0320*** (-2.84)	-0.0316*** (-3.22)	-0.0659*** (-3.43)	-0.0166* (-1.68)
Distraction×PastReturn	0.0456 (1.41)	0.0492 (1.59)	0.0408 (1.30)	-0.0194 (-0.59)	-0.0292 (-0.82)	-0.0206 (-0.70)	0.0457* (1.94)	0.0670* (1.75)	0.0394 (1.34)
Stocks on watchlist (log)	0.0175*** (4.47)	0.0089 (1.38)	-0.0518*** (-6.55)	0.0111*** (3.47)	0.0031 (0.64)	-0.0246*** (-5.36)	0.0136*** (4.33)	0.0014 (0.21)	-0.0250*** (-3.82)
Trade volume manager (t-12,t-1) (log)	0.0167*** (6.83)	0.0190*** (5.04)	-0.0409*** (-9.85)	0.0080*** (3.74)	0.0109*** (2.88)	-0.0296*** (-9.31)	0.0109*** (6.05)	0.0127*** (3.66)	-0.0320*** (-8.51)
Trade number (t-12,t-1)	0.0154*** (20.78)	0.0135*** (10.23)	0.0145*** (31.95)	0.0135*** (46.25)	0.0123*** (21.16)	0.0123*** (35.99)	0.0144*** (56.88)	0.0138*** (53.21)	0.0133*** (35.54)
Assets under Management (log)		0.0054 (1.36)			0.0072** (2.27)			0.0025 (0.68)	
Change in AuM (%)		-0.0105 (-0.75)			0.0084 (0.77)			-0.0244** (-2.37)	
Number of Observations	56,833,924	17,201,876	56,833,924	56,833,924	17,201,876	56,833,924	56,833,924	17,201,876	56,833,924
Adjusted-R <sup>2</sup>	0.31	0.36	0.35	0.31	0.40	0.33	0.29	0.30	0.31
Stock×Week fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	No	No	Yes	No	No	Yes

*Table B.9: Trading Propensity – Interaction with Salience*

This table shows results of stock-manager-week level regressions of a manager’s trading propensity on the distraction measure (specification (1) in the text). Distraction is defined as the fraction of a manager’s watchlist stocks that have an earnings announcement. In columns 1-3, the dependent variable is the trade propensity; i.e., a dummy variable that takes the value one if the manager buys or sells the stock. In columns 4-6, the dependent variable is the buy propensity; i.e., a dummy that takes the value one if the manager buys a given stock in a given week and zero otherwise. In columns 7-9, the dependent variable is the sell propensity; i.e., a dummy variable that takes the value one if the manager sells the stock. In all columns, the distraction measure is interacted with a dummy variable flagging a managers’ watchlist stocks with the most extreme (positive or negative) past returns over the previous four weeks (*ExtremeRank*), which captures the Rank Effect documented by Hartzmark (2015). The level effects of the interaction variable are added as an additional control. All other variables are defined in the paper’s Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

Dependent Variable:	Trade (dummy)			Buy (dummy)			Sell (dummy)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Distraction	-0.0625*** (-4.63)	-0.0853*** (-4.44)	-0.0386*** (-2.77)	-0.0481*** (-4.29)	-0.0492*** (-3.83)	-0.0322*** (-2.84)	-0.0328*** (-3.29)	-0.0674*** (-3.44)	-0.0172* (-1.71)
Distraction×ExtremeRank	0.0505*** (5.93)	0.0513*** (3.89)	0.0467*** (3.09)	0.0286*** (4.18)	0.0194** (1.99)	0.0127* (1.84)	0.0325*** (4.33)	0.0419*** (2.96)	0.0349** (2.53)
ExtremeRank	0.0029** (2.00)	0.0037* (1.68)	-0.0000 (-0.04)	-0.0005 (-0.38)	-0.0004 (-0.23)	-0.0021* (-1.93)	0.0034** (2.44)	0.0033** (2.26)	0.0032** (2.00)
Stocks on watchlist (log)	0.0176*** (4.48)	0.0090 (1.40)	-0.0518*** (-6.54)	0.0111*** (3.48)	0.0032 (0.65)	-0.0246*** (-5.37)	0.0136*** (4.34)	0.0015 (0.22)	-0.0250*** (-3.82)
Trade volume manager (t-12,t-1) (log)	0.0167*** (6.83)	0.0190*** (5.04)	-0.0409*** (-9.85)	0.0080*** (3.74)	0.0109*** (2.88)	-0.0296*** (-9.31)	0.0109*** (6.05)	0.0127*** (3.65)	-0.0320*** (-8.51)
Trade number (t-12,t-1)	0.0154*** (20.78)	0.0135*** (10.23)	0.0145*** (31.96)	0.0135*** (46.26)	0.0123*** (21.16)	0.0123*** (35.99)	0.0144*** (56.89)	0.0138*** (53.21)	0.0133*** (35.54)
Assets under Management (log)		0.0054 (1.36)			0.0072** (2.27)			0.0025 (0.68)	
Change in AuM (%)		-0.0105 (-0.75)			0.0084 (0.77)			-0.0244** (-2.37)	
Number of Observations	56,833,924	17,201,876	56,833,924	56,833,924	17,201,876	56,833,924	56,833,924	17,201,876	56,833,924
Adjusted-R <sup>2</sup>	0.31	0.36	0.35	0.31	0.40	0.33	0.29	0.30	0.31
Stock×Week fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	No	No	Yes	No	No	Yes

**Table B.10: Robustness Checks**

This table shows robustness checks for stock-manager-week level regressions of trading activity and performance measures on the distraction measure (specification (1) in the text). Panel A shows the results for trading activity, Panel B those for performance. In Panel A, the dependent variables are the trade dummy (columns 1-3) and the logarithm of trading volume (columns 4-6). In Panel B, the dependent variables are the trade profitability (columns 1-3) and the relative transaction spread (columns 4-6). Each row represents a different robustness check as indicated in the row header (and explained in Subsection VII.A of the paper). For brevity, the table only shows the coefficient on the distraction measure. All variables are defined in the paper's Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

**Panel A: Trading Activity**

Dependent Variable:	Trade (dummy)			Trading Volume		
	(1)	(2)	(3)	(4)	(5)	(6)
1) Exclude same industry	-0.0581*** (-4.50)	-0.0795*** (-4.31)	-0.0358*** (-2.69)	-0.0429 (-0.41)	-0.0941 (-0.41)	0.0212 (0.22)
2) Control for trading in EA stocks	-0.1765*** (-11.03)	-0.1872*** (-8.15)	-0.1335*** (-7.33)	-0.1513 (-1.09)	-0.2021 (-1.08)	-0.1874 (-1.47)
3) Distraction (equal-weighted)	-0.0392** (-2.53)	-0.0356** (-2.37)	-0.0314** (-2.48)	0.0214 (0.15)	0.4722 (1.52)	0.0803 (0.74)
4) Distraction (EA surprise)	-0.0211*** (-3.74)	-0.0273*** (-4.07)	-0.0147*** (-2.62)	-0.0377 (-0.91)	-0.0258 (-0.31)	0.0069 (0.18)
5) Distraction (alternative)	-0.0629*** (-4.50)	-0.0834*** (-4.11)	-0.0383*** (-2.62)	-0.0697 (-0.59)	-0.1275 (-0.50)	-0.0040 (-0.04)
Past Trade controls	Yes	Yes	Yes	Yes	Yes	Yes
AuM & change in AuM	No	Yes	No	No	Yes	No
Stock×Week fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	No	No	Yes

**Panel B: Performance**

Dependent Variable:	Trade Profitability			Relative Transaction Spread		
	(1)	(2)	(3)	(4)	(5)	(6)
1) Exclude same industry	-0.0092* (-1.88)	-0.0085 (-1.56)	-0.0084* (-1.79)	0.0009* (1.68)	0.0011*** (2.71)	0.0012** (2.04)
2) Control for trading in EA stocks	-0.0086* (-1.71)	-0.0082* (-1.79)	-0.0107** (-2.08)	0.0008* (1.74)	0.0010** (2.19)	0.0009** (2.04)
3) Distraction (equal-weighted)	-0.0111* (-1.84)	-0.0120* (-1.77)	-0.0123* (-1.80)	0.0007* (1.68)	0.0006 (1.48)	0.0007* (1.67)
4) Distraction (EA surprise)	-0.0030** (-2.05)	-0.0027** (-1.99)	-0.0145** (-2.03)	0.0003 (1.63)	0.0004** (2.52)	0.0004** (2.46)
5) Distraction (alternative)	-0.0092* (-1.77)	-0.0098 (-1.61)	-0.0113** (-2.15)	0.0013** (2.04)	0.0011** (2.16)	0.0012*** (2.87)
Past Trade controls	Yes	Yes	Yes	Yes	Yes	Yes
AuM & change in AuM	No	Yes	No	No	Yes	No
Stock×Week fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	No	No	Yes



**Table B.11: Daily Regression Setting**

This table shows results of stock-manager-date level regressions of trading activity and performance measures on the distraction measure (specification (1) in the text) for the *sample of earnings announcements*. Panel A shows the results for trading activity, Panel B those for performance. In Panel A, the dependent variables are the trade dummy (columns 1-3) and the logarithm of trading volume (columns 4-6). In Panel B, the dependent variables are the trade profitability (columns 1-3) and the relative transaction spread (columns 4-6). Distraction is defined as the fraction of a manager's watchlist stocks that have an earnings announcement on a given day. *Trade volume manager (t-60,t-1) (log)* is the logarithm of the manager's dollar trading volume over the previous 60 trading days. *Trade number (t-60,t-1)* is the number of days out of the previous 60 trading days on which the manager was trading the given stock. All other variables are defined in the paper's Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

**Panel A: Trading Activity**

Dependent Variable:	Trade (dummy)			Trading Volume		
	(1)	(2)	(3)	(4)	(5)	(6)
Distraction	-0.0437** (-2.30)	-0.0494*** (-2.70)	-0.0424** (-2.36)	0.2347 (0.66)	-0.2602 (-0.60)	-0.1480 (-0.58)
Stocks on watchlist (log)	0.0088*** (2.65)	0.0001 (0.02)	-0.0041*** (-4.65)	-0.3539*** (-7.77)	-0.2507*** (-5.63)	-0.0129 (-0.52)
Trade vol. manager (t-60,t-1) (log)	0.0303*** (7.18)	0.0277*** (3.06)	-0.0155*** (-6.27)	0.3744*** (10.13)	0.4022*** (6.21)	-0.1358** (-2.00)
Trade number (t-60,t-1)	0.0000* (1.80)	0.0001*** (3.03)	0.0000* (1.76)	0.0001*** (5.31)	0.0002* (1.96)	0.0001*** (6.02)
Assets under Management (log)		0.0103 (1.44)			0.0052 (0.05)	
Change in AuM (%)		0.0148 (1.06)			0.2827 (1.12)	
Number of Observations	3,659,991	1,084,694	3,659,626	402,860	108,463	398,879
Adjusted-R <sup>2</sup>	0.19	0.27	0.24	0.38	0.39	0.40
Stock×Date fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	No	No	Yes

**Panel B: Performance**

Dependent Variable:	Trade Profitability			Relative Transaction Spread		
	(1)	(2)	(3)	(4)	(5)	(6)
Distraction	-0.0554* (-1.88)	-0.0507* (-1.92)	-0.0560** (-2.34)	0.0018* (1.92)	0.0025** (2.40)	0.0025** (2.04)
Stocks on watchlist (log)	-0.0007 (-0.54)	0.0010 (0.48)	-0.0012 (-1.08)	0.0001*** (2.59)	0.0001 (0.97)	0.0000 (0.03)
Trade vol. manager (t-60,t-1) (log)	-0.0000 (-0.00)	-0.0023* (-1.86)	0.0004 (0.17)	0.0002*** (5.44)	0.0002*** (3.99)	-0.0001 (-1.15)
Trade number (t-60,t-1)	-0.0000 (-1.28)	-0.0000 (-1.17)	-0.0000*** (-3.76)	0.0000* (1.74)	0.0000 (0.91)	0.0000** (1.97)
Assets under Management (log)		-0.0006 (-0.31)			0.0001 (0.69)	
Change in AuM (%)		-0.0154 (-1.45)			0.0004 (1.43)	
Number of Observations	402,332	108,296	398,349	402,829	108,451	398,846
Adjusted-R <sup>2</sup>	0.09	0.06	0.10	0.01	0.09	0.02
Stock×Date fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	No	No	Yes

## **Internet Appendix C: Additional Results**

### *Appendix C.1: Distraction and Trading Propensity – Lead and Lags*

In this subsection, we run specification (1) of the paper for the extensive margin of trading (trade dummy) after including leads and lags of our distraction measure. Table C.1 below shows the results.

We see that that the lead of the distraction measure is not significant, which is obviously expected. In contrast, lags of up to 2 weeks continue to have a significant distracting effect on the propensity to trade. Moreover, there is no sign of “catching up;” that is, managers do not trade more to make up for missed trades as their distraction subsides. This suggests that those trades that distracted managers stop making are not motivated by liquidity considerations (as one would expect such trades to take place with delay, rather than being canceled altogether).

**Table C.1: Distraction and Trading Propensity – Lead and Lags**

This table shows results of stock-manager-week level regressions of a manager’s trading propensity on *past, current and future* realizations of the distraction measure (specification (1) in the text, augmented by one lead and three lags for the distraction variable). Panel A shows the results using the portfolio watchlist (the one used in the paper), Panel B the results using the trade-based watchlist (the one used in Internet Appendix B). The dependent variable is a dummy that takes the value one if the manager trades a given stock in a given week and zero otherwise. *Distraction (t)* is defined as the fraction of a manager’s watchlist stocks that have an earnings announcement. *Distraction (t+1)* is the one-week lead of the distraction measure. *Distraction(t-i)* is the *i*-week lag of the distraction measure, where  $i=1,2,3$ . All variables are defined in the paper’s Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

*Panel A: Portfolio Watchlist*

	Trade (dummy)		
	(1)	(2)	(3)
Distraction (t+1)	-0.0081 (-0.96)	-0.0076 (-0.89)	-0.0036 (-0.43)
Distraction (t)	-0.0337*** (-3.20)	-0.0337*** (-3.18)	-0.0296*** (-2.80)
Distraction (t-1)	-0.0326** (-2.57)	-0.0332*** (-2.60)	-0.0287** (-2.25)
Distraction (t-2)	-0.0216** (-2.02)	-0.0218** (-2.04)	-0.0185* (-1.77)
Distraction (t-3)	-0.0123 (-1.22)	-0.0122 (-1.20)	-0.0087 (-0.94)
Stocks on watchlist (log)	0.0087 (1.28)	0.0162 (1.58)	-0.5617*** (-2.95)
Trade volume manager (t-12,t-1) (log)	0.0122*** (4.54)	0.0124*** (4.51)	-0.0115*** (-5.18)
Trade number (t-12,t-1)	0.0158*** (8.54)	0.0158*** (8.79)	0.0155*** (13.67)
Assets under Management (log)		-0.0092 (-1.42)	
Change in AuM (%)		-0.0019 (-0.29)	
Number of Observations	37,007,391	36,877,478	37,007,391
Adjusted-R <sup>2</sup>	0.48	0.48	0.50
Stock×Week fixed effects	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes

*Panel B: Trade-based Watchlist*

	Trade (dummy)		
	(1)	(2)	(3)
Distraction (t+1)	-0.0257 (-1.34)	-0.0232 (-1.06)	-0.0045 (-0.27)
Distraction (t)	-0.0776*** (-4.83)	-0.0942*** (-4.57)	-0.0495*** (-2.97)
Distraction (t-1)	-0.0432*** (-3.81)	-0.0558*** (-3.22)	-0.0154 (-1.33)
Distraction (t-2)	-0.0262* (-1.75)	-0.0352* (-1.83)	0.0006 (0.05)
Distraction (t-3)	-0.0153 (-0.95)	-0.0177 (-1.07)	-0.0067 (-0.48)
Stocks on watchlist (log)	0.0213*** (4.88)	0.0117* (1.71)	-0.0662*** (-8.00)
Trade volume manager (t-12,t-1) (log)	0.0171*** (6.37)	0.0207*** (5.14)	-0.0443*** (-9.90)
Trade number (t-12,t-1)	0.0155*** (18.78)	0.0137*** (9.64)	0.0146*** (30.62)
Assets under Management (log)		0.0046 (1.08)	
Change in AuM (%)		-0.0124 (-0.79)	
Number of Observations	49,076,242	14,849,135	49,076,240
Adjusted-R <sup>2</sup>	0.33	0.37	0.36
Stock×Week fixed effects	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes

### *Appendix C.2: Distraction and Trade Profitability – Median Holding Period*

In Table 5 of the paper, we show that distracted managers trade less profitably where the trade profitability is measured as the 4-week post-trade return for buys and the 4-week post-trade return times minus one for sells. In this subsection, we check the robustness of this finding by recalculating the trade profitability using a manager's median stock holding period.

To estimate this holding period, we first identify all the round-trip trades made by a given manager (where a round-trip trade is an investment episode that starts and ends at a zero net position in a stock). For each round-trip trade, we next calculate the position-weighted opening and closing dates and take the difference. A manager's median holding period is then defined as the median of this difference over all its round-trip trades. For example, consider a manager that buys 200 shares of Microsoft on January 1 and another 100 shares on January 30. Suppose further that the manager then sells 150 shares of Microsoft on April 5 and the remaining 150 shares on April 15 (which closes the Microsoft investment episode). In the example, the average opening date is January 10 and the average closing date is April 10, so that a Microsoft share from this investment episode was held for 3 months on average (equal to about 12 weeks).

It turns out that this example is fairly representative. Indeed, we find that the median holding period across managers equals 12 weeks, although there is obviously substantial variation across managers. For instance, the manager at the 10<sup>th</sup> percentile holds stocks only for 1 week, whereas the manager at the 90<sup>th</sup> percentile holds them typically for about 67 weeks (about 1.5 years).

Table C.2 below shows the results from regressing the recalculated trade profitability (based on the inferred trading horizon) on the distraction measure (specification 1 from the paper).<sup>1</sup> We find that distraction continues to have a negative effect on trade profitability, although the statistical significance is weaker than before. This should not be surprising, however, as return volatility (and thus standard errors) obviously increase with the holding period.

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<sup>1</sup> When recalculating the trade profitability measure, we cap managers' median trading horizon at 1 year, thereby implicitly assuming that managers are unable to profitably trade on signals that extend beyond the 1-year horizon (they can of course still decide to hold the stock for longer, perhaps because they want to earn its risk premium). This restriction affects about 25% of the managers in our sample. Without imposing this restriction, the trade profitability for some managers would need to be calculated using returns several years into the future, which lowers statistical power and therefore weakens our results.

**Table C.2: Distraction and Trade Profitability (median holding period)**

This table shows results of stock-manager-week level regressions of trade profitability on the distraction measure (specification (1) in the text). The dependent variable is the post-trade return for buys and the post-trade return times minus one for sells. Post-trade returns are calculated over the manager's median holding period (starting at the beginning of the week following the transaction week). For each manager, the median holding period is determined as the median number of weeks from open to close for all its round-trip trades (capped at one year). Distraction is defined as the fraction of a manager's watchlist stocks that have an earnings announcement. Panel A shows the results for the whole sample. Panel B shows a sample split by whether a manager is a quasi-indexer or not. In Panel B columns 1 and 3, we include only managers that are identified as quasi-indexers according to the classification by Bushee and Noe (2000) and Bushee (2001), while we exclude those managers in columns 2 and 4. The statistical significance of the difference between the two subgroups is reported at the bottom of the table. This significance is based on a regression model where all explanatory variables and fixed effects are interacted with a dummy equal to one if the manager is a quasi-indexer. All variables are defined in the paper's Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

*Panel A: Overall*

	Trade Profitability		
	(1)	(2)	(3)
Distraction	-0.0221*	-0.0241*	-0.0219*
	(-1.93)	(-1.84)	(-1.79)
Stocks on watchlist (log)	0.0002	-0.0016	0.0853
	(0.09)	(-0.43)	(0.48)
Trade volume manager (t-12,t-1) (log)	-0.0011	-0.0012	-0.0017
	(-1.18)	(-1.23)	(-0.72)
Trade number (t-12,t-1)	-0.0001	-0.0001	-0.0002***
	(-1.41)	(-1.38)	(-2.76)
Assets under Management (log)		0.0030	
		(0.88)	
Change in AuM (%)		-0.0007	
		(-0.07)	
Number of Observations	3,901,974	3,887,774	3,901,853
Adjusted-R <sup>2</sup>	0.13	0.13	0.16
Stock×Week fixed effects	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes

*Panel B: Excluding Quasi-Indexers*

Dependent Variable:	Trade Profitability			
	Quasi-indexer	Other	Quasi-indexer	Other
Subsample:	(1)	(2)	(3)	(4)
Distraction	0.0026	-0.0405**	-0.0010	-0.0440**
	(0.19)	(-2.00)	(-0.07)	(-2.51)
Stocks on watchlist (log)	-0.0002	-0.0044	-0.2354	0.5534**
	(-0.04)	(-0.75)	(-1.62)	(2.15)
Trade volume manager (t-12,t-1) (log)	0.0002	0.0006	-0.0011	0.0015
	(0.15)	(0.37)	(-0.61)	(0.45)
Trade number (t-12,t-1)	-0.0002*	-0.0000	-0.0003**	-0.0002
	(-1.69)	(-0.08)	(-2.55)	(-1.22)
Assets under Management (log)	-0.0015	0.0016		
	(-0.51)	(0.52)		
Change in AuM (%)	0.0085	-0.0210		
	(1.06)	(-1.39)		
Number of Observations	1,739,286	903,616	1,744,549	910,048
Adjusted-R <sup>2</sup>	0.12	0.13	0.16	0.14
Difference in Distraction (t-stat)		1.75*		1.92*
Stock×Week fixed effects	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	Yes

### *Appendix C.3: Distraction and Trade Fragmentation*

In this subsection, we explain how we calculate measures of trade fragmentation in the ANcerno data. The approach follows Anand et al. (2012)—further details can be found in Subsection 5.4 of their paper and their data appendix.<sup>2</sup>

The ANcerno data contains individual trades characterized by the trading institution, stock, date, buy or sell dummy, and transaction price. There is also a variable called *orderid*, but it is missing for more than 70% of observations. As such, it is unfortunately not possible to identify which trades belong to the same order.

Following Anand et al. (2012), we first assign trades to trade tickets by creating a *ticketid* with the help of the variables *xv* and *xp*, which give the total ticket volume (in number of shares) and the average transaction price, respectively.

Specifically, we classify as belonging to the same ticket all trades by the same manager, in the same stock, on the same day, on the same side (i.e., buy or sell) with the same total ticket volume and the same average transaction price and where the traded volumes of the different trades sum up to the total ticket volume. Occasionally, it occurs that the trade volumes sum up to a multiple of the stated total ticket volume. In this case, we assume that these trades belong to multiple tickets of the same size.

In a next step, we “stitch” trade tickets to orders using an algorithm in the spirit of Anand et al. (2012). Specifically, we classify as belonging to the same order all trade tickets done by the same manager, in the same stock, on the same side (i.e., buy or sell) done over adjacent days during the same trading week.<sup>3</sup>

This approach allows to obtain noisy proxies for the extent of trade fragmentation: the number of *trades per order* and the logarithm of the *average trade size*. Figure C.3 below shows how these variables evolve over time for the ANcerno sample. One can see that there is a clear trend for an increased trade fragmentation over time as the number of trades per order increases while the average trade size decreases.

Using these two variables as dependent variables, we run regression specification (1) from the paper. Table C.3 below shows the results for both the portfolio watchlist (Panel A) and the trade-based watchlist (Panel B). The results are weakly consistent with the idea that distracted managers fragment their orders less. Specifically, regressing the trade per order ratio on the distraction measure yields a marginally significant negative coefficient (except for the specification with industry×quarter fixed effects, where the *t*-statistic is -1.54). In terms of economic magnitude, a one-standard deviation increase in distraction reduces the trade per order ratio by about 1.8% ( $\approx 0.11 \times 0.17$ ; the former being the coefficient in Panel A, column 1). Thus, the effects is economically modest but commensurate with the increase in transaction costs reported in the paper (see Subsection V.B). Results for the average trade size go in the right direction (i.e., the distraction coefficient is positive, meaning that higher distraction is associated with larger trades), but are not statistically significant. Overall, the evidence is consistent with

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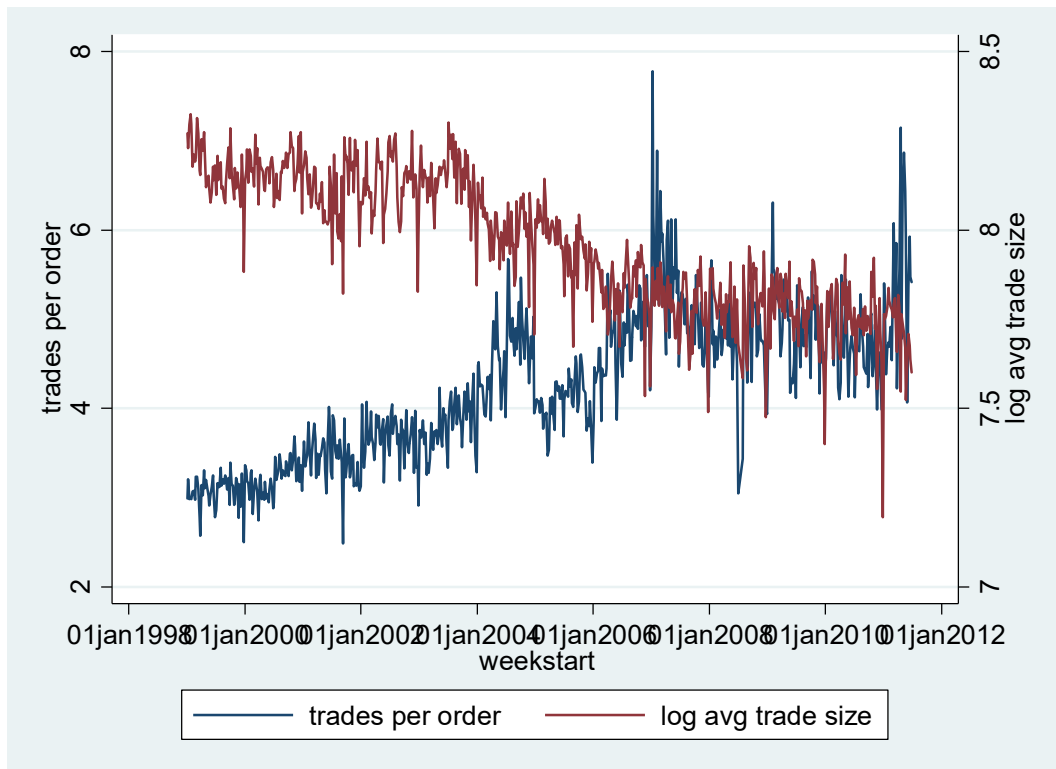
<sup>2</sup> Anand, Amber, Paul Irvine, Andy Puckett, and Kumar Venkataraman (2012): “Performance of Institutional Trading Desks: An Analysis of Persistence in Trading Costs,” *Review of Financial Studies* 25, 557–598.

<sup>3</sup> Anand et al. (2012) use a very similar “order-stitching” algorithm. The only difference is that they focus on orders that last no more than 5 trading days (i.e., they exclude longer orders from their analysis), while we focus on orders that conclude within 5 trading days of the same business week (trades occurring in different weeks are thus treated as different orders). We do this because we want to be able to map orders onto the distraction measure, which is available at the weekly frequency.

the idea that distracted managers split their orders less, although the statistical significance is fairly weak (perhaps due to noise in the order fragmentation measures).

**Figure C.3: Trade Fragmentation over Time**

This figure shows the extent of trade fragmentation over time. The blue line represents the trades per order ratio (trades are grouped to orders according to an “order-sticking” algorithm as in Anand et al, 2012; see description above for details). The red line shows the logarithm of the average trade size. The sample period spans the period from January 1999 to the end of June 2011.



**Table C.3: Distraction and Trade Fragmentation**

This table shows results of stock-manager-week level regressions of order fragmentation proxies on the distraction measure (specification (1) in the text). Panel A shows the results using the portfolio watchlist (the one used in the paper), Panel B the results using the trade-based watchlist (the one used in Internet Appendix B). The dependent variables are the logarithm of the trade to order ratio (columns 1-3) and the logarithm of average trade size (columns 4-6). Distraction is defined as the fraction of a manager's watchlist stocks that have an earnings announcement. All variables are defined in the paper's Appendix. Standard errors are clustered at the manager level. *t*-statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

*Panel A: Portfolio Watchlist*

Dependent Variable:	Trade per Order Ratio			Average Trade Size		
	(1)	(2)	(3)	(4)	(5)	(6)
Distraction	-0.1687*	-0.1667*	-0.0858	0.1213	0.1232	0.1533
	(-1.96)	(-1.92)	(-1.54)	(1.13)	(1.14)	(1.08)
Stocks on watchlist (log)	-0.0377	-0.1746	-2.1653*	-0.0768	-0.0619	-14.1543*
	(-0.57)	(-1.37)	(-1.76)	(-0.98)	(-0.69)	(-1.94)
Trade volume manager (t-12,t-1) (log)	0.0482***	0.0480***	-0.0714***	0.1000***	0.0996***	-0.1246***
	(3.66)	(3.51)	(-4.10)	(3.47)	(3.44)	(-3.34)
Trade number (t-12,t-1)	0.0267***	0.0259***	0.0228***	-0.0064***	-0.0064***	-0.0014
	(17.85)	(26.54)	(10.79)	(-3.06)	(-2.98)	(-0.77)
Assets under Management (log)		0.2080*			-0.0137	
		(1.87)			(-0.22)	
Change in AuM (%)		-0.0232			0.1176	
		(-0.33)			(1.13)	
Number of Observations	3,919,341	3,905,197	3,919,224	3,919,341	3,905,197	3,919,224
Adjusted-R <sup>2</sup>	0.40	0.40	0.45	0.44	0.44	0.48
Stock×Week fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	No	No	Yes

*Panel A: Trade-based Watchlist*

Dependent Variable:	Trade per Order Ratio			Average Trade Size		
	(1)	(2)	(3)	(4)	(5)	(6)
Distraction	-0.1420*	-0.1511*	-0.1234	0.1110	0.1087	0.1218
	(-1.79)	(-1.87)	(-1.34)	(1.27)	(1.06)	(1.38)
Stocks on watchlist (log)	-0.0764**	-0.0766*	0.0223	-0.4865***	-0.3397***	0.0537
	(-2.47)	(-1.74)	(1.23)	(-8.83)	(-5.84)	(1.49)
Trade volume manager (t-12,t-1) (log)	0.0954***	0.0848***	-0.1127***	0.2643***	0.2283***	-0.1679***
	(5.91)	(3.52)	(-7.74)	(9.87)	(6.15)	(-7.32)
Trade number (t-12,t-1)	0.0281***	0.0260***	0.0274***	-0.0026	-0.0050***	0.0034
	(13.86)	(13.93)	(11.95)	(-1.20)	(-3.21)	(1.51)
Assets under Management (log)		0.0594			-0.0579*	
		(1.32)			(-1.70)	
Change in AuM (%)		-0.0035			0.1741*	
		(-0.06)			(1.96)	
Number of Observations	15,682,194	4,586,739	15,681,745	15,682,194	4,586,739	15,681,745
Adjusted-R <sup>2</sup>	0.39	0.38	0.43	0.43	0.44	0.48
Stock×Week fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	Yes	No	No	Yes



#### *Appendix C.4: Distraction in Event-time around Earnings Announcements*

In Table 12 of the paper, we show that our results are robust to using an alternative regression setting at the daily frequency. Here, we explore in more detail how the daily distraction effect at the extensive margin varies in event-time around the earnings announcement ( $t = 0$ ).

Specifically, we measure the trading propensity (trade dummy) for days  $t = -1$  to  $t = +5$  relative to the announcement date ( $t = 0$ ) and regress it on the distraction measure at the announcement date. We use the same controls as before, except for *trade vol. manager* and *trade number*, which are now constructed over the previous 60 trading days (instead of over the previous 12 weeks). Table C.4 shows the results—both for the specification with portfolio controls (Panel A) and the specification with manager $\times$ quarter fixed effects (Panel B).

In both panels, distraction on the announcement date has an insignificant effect on the propensity to trade on the day before the announcement ( $t = -1$ ; column 1). This makes perfect sense as we don't expect managers to be distracted by future earnings announcements. On the day of the announcement ( $t = 0$ ; column 2), the distraction effect kicks in (these are obviously the same coefficients than those shown in Table 12 of the paper). On the day after the announcement ( $t = +1$ ; column 3), the distraction effect is, if anything, even larger than on the announcement day itself. One reason for this could be that many announcements are made after trading hours on date  $t = 0$ , so that the news is only priced in—and its distracting impact felt on—day  $t = +1$ . Interestingly, columns 4-5 show that the distraction effect remains similar in size and strongly significant for the next two days after the announcement ( $t = +2$  to  $t = +3$ ). First signs of a decay only appear four days after the announcement ( $t = +4$ ; column 6), when the regression coefficient turns marginally significant in Panel B. Five days after the announcement the distraction effect becomes insignificant and economically reduced ( $t = +5$ ; column 7). These findings explain why the distraction effect at daily frequency is only modestly larger than the distraction effect in our baseline setting at the weekly frequency.

**Table C.4: Distraction in Event-time around Earnings Announcements**

This table shows results of stock-manager-date level regressions of the trading propensity on the distraction measure (specification (1) in the text) for the *sample of earnings announcements in event-time*. Panel A shows the results for the specification with manager-quarter controls, Panel B those for the specification with manager-quarter fixed effects. Each column shows the regression results for a different date in event-time. Distraction is always defined as the fraction of a manager's watchlist stocks that have an earnings announcement on the announcement date ( $t = 0$ ), whereas the dependent variable and the controls vary in event-time. For example, column 1 shows the results for regressing the trade dummy on the day before the announcement ( $t = -1$ ) on the distraction measure on the announcement date ( $t = 0$ ) and controls measured on the day before the announcement ( $t = -1$ ). Trade volume manager ( $t-60,t-1$ ) (log) is the logarithm of the manager's dollar trading volume over the previous 60 trading days. Trade number ( $t-60,t-1$ ) is the number of days out of the previous 60 trading days on which the manager was trading the given stock. All other variables are defined in Appendix A of the paper. Standard errors are clustered at the manager level.  $t$ -statistics are below the parameter estimates in parenthesis; \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% level, respectively.

*Panel A: With Manager-Quarter Controls*

Dependent Variable:	Trade (dummy)						
Time relative to EA:	t = -1	t = 0	t = +1	t = +2	t = +3	t = +4	t = +5
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Distraction	-0.0092 (-0.59)	-0.0376** (-2.41)	-0.0397*** (-3.26)	-0.0378*** (-2.67)	-0.0358** (-2.25)	-0.0349** (-1.98)	-0.0153 (-1.24)
Stocks on watchlist (log)	-0.0141 (-0.97)	-0.0135 (-0.93)	-0.0129 (-0.88)	-0.0129 (-0.95)	-0.0100 (-0.77)	-0.0124 (-0.87)	-0.0121 (-0.90)
Trade vol. manager (t-60,t-1) (log)	0.0106** (2.52)	0.0116** (2.53)	0.0128** (2.55)	0.0114** (2.52)	0.0107** (2.51)	0.0107** (2.47)	0.0111** (2.47)
Trade number (t-60,t-1)	0.0002*** (2.67)	0.0002*** (2.76)	0.0002*** (2.64)	0.0002*** (2.81)	0.0002*** (3.23)	0.0002*** (2.66)	0.0002** (2.46)
Assets under Management (log)	0.0161 (1.08)	0.0165 (1.08)	0.0172 (1.09)	0.0171 (1.11)	0.0149 (1.02)	0.0161 (1.07)	0.0146 (0.99)
Change in AuM (%)	0.0092 (0.91)	0.0124 (1.22)	0.0073 (0.67)	0.0082 (0.74)	0.0051 (0.49)	0.0025 (0.26)	0.0107 (1.07)
Number of Observations	2,082,840	2,415,093	2,277,890	1,472,156	939,026	1,095,054	1,469,528
Adjusted-R <sup>2</sup>	0.37	0.35	0.34	0.34	0.36	0.37	0.37
Stock×Date fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	No	No	No	No	No	No	No

*Panel B: With Manager-Quarter Fixed Effects*

Dependent Variable:	Trade (dummy)						
Time relative to EA:	t = -1	t = 0	t = +1	t = +2	t = +3	t = +4	t = +5
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Distraction	-0.0114 (-1.08)	-0.0316** (-2.15)	-0.0364** (-2.43)	-0.0398*** (-2.76)	-0.0301** (-2.55)	-0.0261* (-1.70)	-0.0202 (-1.50)
Stocks on watchlist (log)	-0.0023 (-1.13)	-0.0036** (-1.98)	-0.0019 (-1.03)	-0.0021 (-1.59)	0.0017 (1.00)	-0.0005 (-0.15)	-0.0014 (-0.67)
Trade vol. manager (t-60,t-1) (log)	-0.0020* (-1.67)	-0.0024** (-2.02)	-0.0014 (-1.01)	-0.0009 (-0.76)	-0.0022* (-1.80)	-0.0036** (-2.38)	-0.0030*** (-2.80)
Trade number (t-60,t-1)	0.0001*** (3.10)	0.0001*** (3.36)	0.0001*** (3.14)	0.0001*** (3.36)	0.0002*** (4.79)	0.0001*** (3.07)	0.0001*** (2.74)
Number of Observations	2,092,712	2,426,692	2,289,245	1,479,609	943,777	1,100,738	1,477,313
Adjusted-R <sup>2</sup>	0.42	0.40	0.39	0.39	0.41	0.42	0.42
Stock×Date fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Stock fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Manager×Quarter fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes