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Abstract

The Shenzhen Stock Exchange (SZSE) in China is unique worldwide in requiring disclosure of the timing, participants, and selected content of private in-house meetings between firm managers and outsider investors. We investigate whether these private meetings benefit hosting firms and their major outside institutional investors—blockholder mutual funds (i.e., funds with ownership ≥5%). Using a large data set of SZSE firms, we find that blockholder mutual funds have more access to private in-house meetings, and top management is more likely to be present, especially when a meeting is associated with negative news. Furthermore, when blockholder mutual funds attend negative-news meetings with top management, they are less likely to sell shares, their investment relationship with the hosting firm lasts longer, and hosting firms experience lower postmeeting stock return volatility. These findings suggest that private in-house meetings are an informative disclosure channel that improves social bonding between top management and blockholder mutual funds in ways that benefit hosting firms.

JEL CLASSIFICATION
G18, G38, K22, M41, M48

> *"For the past 15 years, selective disclosure by companies has been illegal under U.S. securities rules. Yet the same rules explicitly allow private meetings like those by P&G. The result is a booming back channel through which facts and body language flow from public companies to handpicked recipients."*
>
> Ng and Troianovski (2015)

1 | INTRODUCTION

Private in-house meetings, a murky voluntary private communication channel, are held at corporate sites with a select group of investors and sell-side analysts.[1] Investors incur effort and expend resources to attend these meetings, suggesting that they expect the experience to be informative and cost effective. These meetings are different from other management–investor interactions such as investor conferences in that they are generally not publicized in advance and their content may never become public. Unlike traditional public financial disclosure channels (e.g., conference calls, social media, and periodic financial reports), private meetings are not supposed to disseminate material new information.[2] Firms experience negative consequences when disclosing material information in private settings.[3]

Despite the advent of fair disclosure regulations, Solomon and Soltes (2015) observe that *"managers continue to spend a large amount of time meeting privately with investors at public conferences, investors' offices, and the headquarters of firms"* (p. 326). Investors generally request these private meetings to collect nonpublic, nonmaterial ("mosaic") information about a company and its management to inform their decisions. Although apparently commonplace (e.g., Ng & Troianovski, 2015), we know little about the communication strategy underlying these private meetings and the extent to which they benefit the firms and investors that participate in them. The literature mainly focuses on the informativeness of private meetings to capital markets and financial analysts (e.g., Cheng et al., 2016, 2019; Han et al., 2018). We examine whether managers at firms that host private meetings use these meetings to improve social bonding with institutional investors in ways that mitigate the effects of negative market sentiment on stock sell-offs and stock return volatility. We use the SZSE in China for our study because it is the only regulatory body in the world that requires disclosure of private in-house meetings.[4]

Although a firm's ownership structure can include different types of institutional investors, we expect that firm management and institutions with relatively large active ownership (i.e., blockholder funds with at least 5% ownership[5]) have a strong mutual interest in these private meetings. Our conjecture is rooted in traditional

[1]Private in-house meetings are also known as site visits (Cheng et al., 2019); both terms are used interchangeably in the original disclosure documents on the Shenzhen Stock Exchange (SZSE) website.

[2]For example, US Regulation Fair Disclosure (Reg FD) prohibits firms from selectively disclosing new material information to outsider investors under any circumstances including private meetings. China's regulatory authority (China Securities Regulatory Commission) and the SZSE follow the spirit of Reg FD and prohibit firms from privately discussing any new material information with stakeholders outside the firm (Bowen et al., 2018; SZSE, 2006). These regulations do not prohibit the selective disclosure of nonmaterial information (Koch et al., 2013).

[3]Cheng et al. (2019) state that *the SZSE publicly denounces companies that disclose material non-public information to select institutional investors. Note that denouncement is a typical form of regulatory sanction in China, and it is not taken lightly by companies or investors. Research documents that denouncements lead to negative market reactions, restricted access to bank loans, higher loan spreads, increased likelihood of receiving qualified audit opinions, and increased audit fees (*Yang and Xie 2008; Zhu and Wu 2009; Chen et al. 2011*).* (p. 363).

[4]The SZSE is the second largest stock exchange in China behind the Shanghai Stock Exchange. According to Statista.com, as of December 2021, the SZSE is the 6th largest stock exchange in the world in market capitalization of listed companies at US$6.54 billion.

[5]The literature has commonly used a 5% cutoff as a proxy for blockholder ownership (Dlugosz et al., 2005; Duo et al., 2018; Edmans & Manso, 2011). Although blockholder funds are relatively rare in China, their relationship with management is more likely to influence corporate policies (e.g., Firth et al., 2016) and shareholder voting (e.g., Song et al., 2020). Although blockholders with >5% ownership are considered to be "insiders" according to China Securities Regulatory Commission Regulation No. 56 (2007) and China Securities Law (2019), their trades are not considered illegal unless they are informed by nonpublic material information.

agency theory, which *"suggests that blockholders are more motivated to, for instance, initiate shareholder-sponsored meetings and private negotiations, when they have relatively more concentrated control in the firm* (Fama and Jensen, 1983; Jensen and Meckling, 1976)" (Chen et al., 2019, p. 89).

The largest institutional ownership in Chinese firms is held by mutual funds (Jiang & Kim, 2015; Yuan et al., 2008). The combination of increasing levels of ownership by mutual funds and their short investment horizons can pose disclosure challenges for firm managers. On one hand, increased information disclosure through private meetings can amplify stock return volatility. For example, Bushee and Noe (2000) state that *"attracting institutional ownership with improved disclosure is not always beneficial and managers faced with decisions about whether to change their firms' disclosure practices should weigh any potential benefits of improved disclosure quality against the possibility of exacerbating stock return volatility"* (p. 174). On the other hand, firm managers may use private in-house meetings to develop a social bond (i.e., a trusted relationship) with blockholder funds (Elliott et al., 2018). Trust can allay investors' concerns about potential negative developments (Hutton et al., 2003), which we predict will strengthen the management–blockholder relationship, reduce stock sell-offs by blockholder funds, and lower stock return volatility following private meetings, especially those that contain negative news.[6]

We differentiate our study from prior research as follows. First, Elliot et al. (2018) examine social bonding in a social media setting using a lab experiment design. In contrast, we study actual private meetings that are accessible only to a select group of mainly large institutional investors and analysts. Second, none of the private meeting studies consider the quality of the relationship between firm management and large institutional investors as a key attribute of these meetings. In contrast, most studies focus on informativeness of private meetings to the capital markets and financial analysts. Third, we use a comprehensive cross-sectional data set to examine the dynamics between mutual funds and SZSE-listed firms surrounding private in-house meetings. In contrast, earlier studies either evaluate voluntary public disclosures or focus on other participants, such as financial analysts (e.g., Cheng et al., 2016; Han et al., 2018) or corporate insiders (Bowen et al., 2018). Although Cheng et al. (2019) consider mutual fund participation in private meetings, they do not differentiate between blockholder funds and funds with little or no ownership, and thus do not focus on the interaction between top management and these potentially influential investors. We argue that managers are likely to use different communication strategies for blockholder (vs. nonblockholder) funds. Fourth, most studies either (1) assume that voluntary disclosures contain positive information (Kothari, Shu, & Wysocki, 2009) or (2) do not differentiate between positive and negative disclosures (Cheng et al., 2019).[7] In contrast, we observe that over 50% of private meetings reported by SZSE-listed firms experienced negative stock price reactions in the 5 days (−2 to +2 days) surrounding the meeting. This suggests that most private meetings are associated with negative information. Negative-tone meetings are especially important for both investors and firm management, as negative news generally has a greater effect on investors' mindsets and trading activities (Loughran & McDonald, 2011). Top management is also likely to pay particular attention when reporting negative news in the presence of blockholder funds because this could negatively affect management's personal compensation, reputation, and career development (Graham et al., 2005; Mergenthaler et al., 2012). Meeting privately with influential blockholders provides managers an opportunity to explain the context of negative developments, address investors' concerns, and further develop a trusted relationship (Elliott et al., 2018). Fifth, to the best of our knowledge, we are the first to examine the communication strategy used by top management in private meetings. By focusing on the private interactions between firm management and influential blockholder funds, we examine the importance top management puts on (1) attending private meetings with key

[6]In the context of Chinese markets, management of stock return volatility remains an important concern for both firm managers and investors. As Chen et al. (2018) point out, *"compared with a mature market such as the U.S. market, the Chinese market is quite volatile and experiences frequent sharp rises and falls, with a monthly stock market volatility reaching 9.65% compared with 4.45% on the S&P 500 between 1996 and 2015"* (p. 4).

[7]In this context of our article, the term "voluntary disclosure" refers to corporate disclosures that are not mandated by existing regulations. Thus, any information revealed through private interaction between firm management and investors is considered to be voluntary. Of course, voluntary disclosure can be made through public as well as private channels.

investors, (2) managing negative disclosures, and (3) developing trust with influential blockholder funds. Finally, as we focus on SZSE firms in China, we provide information on private meetings dynamics in an emerging market, where the information environment can be relatively more opaque.

Based on a hand-collected sample of 17,281 private in-house meetings, we first observe that blockholder funds are more likely to attend private in-house meetings, which is consistent with blockholders expecting the meetings to be informative. Second, when a blockholder fund is present in a meeting, at least one member of top management is more likely to attend, especially for meetings that contain negative news. Third, when a blockholder fund attends a meeting with top management that is associated with relatively negative news, blockholders are less likely to sell shares, the investment relationship tends to last longer, and the hosting firm experiences less postmeeting stock return volatility. Longer blockholder investment horizons likely improve market stability (Bushee & Noe, 2000; Callen & Fang, 2013). Fourth, although top management tends to use a positive tone even during negative-news meetings, their tone is less positive when blockholder funds are present. Overall, our results suggest that top management offers more face-to-face communication opportunities to blockholder funds, and top management is likely to be relatively more forthcoming in their presentations and responses during negative-news private meetings with blockholder funds. On average, this behavior should enhance the social bond between top management and blockholders by building credibility and trust.[8] As a result, hosting firms appear to benefit from this private communication channel through longer investment relationships, lower sell-off pressure on stock prices, and lower stock return volatility.

Private meetings occur worldwide behind a veil of secrecy. We believe our findings, combined with others who have studied private meetings of SZSE firms (e.g., Bowen et al., 2018; Cheng et al., 2016, 2019; Han et al., 2018;), may have implications for economies beyond China. Taken together, there is clearly tension in the implications of these results. Although some results appear to be inconsistent with the spirit of fair disclosure principles (e.g., Bowen et al., 2018),[9] our results demonstrate the potential value of private meetings in developing a social bond between management and key investors that may in turn mitigate stock return volatility and increase the length of the relationship between hosting companies and blockholder investors.

2 | LITERATURE REVIEW AND HYPOTHESES

2.1 | Institutional blockholder ownership in China

In the early 1990s, as Chinese capital markets began to develop, stock ownership was dominated by individual investors, various government entities (i.e., state ownership), and legal-person ownership (LPO) from other corporate legal entities. Earlier research on Chinese capital markets finds that state owners do not play an active role and do not make positive contributions toward a firm's operating performance (e.g., Yuan et al., 2008). LPO represents shares held by other corporations and legal entities, where the primarily intention is to facilitate treasury functions between these entities. Yuan et al. (2008) find LPOs do not play a significant role in firm management.

In 2001, Chinese authorities began to encourage the participation of financial institutions in the SZSE and the Shanghai Stock Exchange. This led to a large increase in institutional ownership in SZSE-listed firms, with mutual

[8]Consistent with relationships having value, in another context, Bird et al. (2020) estimate the value of banks' lending relationships with borrowers to be 6.6% of total bank assets and 41.2% of total bank capital (i.e., equity capital plus relationship capital).
[9]Similar to Reg FD implemented by the US Securities and Exchange Commission (SEC), the SZSE issued Fair Information Disclosure Guidelines for SZSE Listed Firms in August 2006, which maintained, among other things, that listed firms should not disclose material nonpublic information to a select group of investors.

funds accounting for the largest share. As of August 2021, there were 8674 mutual funds with total assets of around 24 trillion Chinese yuan, that is, US$3.75 trillion (Motowaki & Doi, 2021).[10]

Studies find that mutual funds play an active role in firms' stock trading activity, and their ownership levels are associated with better firm performance (Yuan et al., 2008). However, it appears that most mutual funds in China have a short investment horizon. According to Jiang and Kim (2015), mutual funds on average held a company's stock for less than 6 (4) months in 2011 (2009). Although a short-term orientation may make it less likely that mutual funds directly monitor firm activities, their trading activities alone could play at least an indirect role in disciplining firm management (e.g., by selling shares when anticipating bad news).[11] Furthermore, little research has explored a mechanism that can lengthen the investment horizon of mutual funds in China.

2.2 | Institutional ownership and private interaction with managers: Literature review

Most of the studies that examine the relation between voluntary disclosure and institutional investors' trading strategies focus on disclosures made through public channels. This is partially because data on private interactions between firm managers and institutional investors are rarely observable. Studies have used a variety of public sources to gather data on interactions between management and investors and analysts, including conference calls (e.g., Bushee et al., 2003, 2004), conference presentations (e.g., Bushee et al., 2011, 2017; Green et al., 2014a, 2014b), analyst/investor days (Kirk & Markov, 2016), and nondeal roadshows (Bradley et al., 2022; Ellis et al., 2022). Although these studies make significant contributions to understanding how institutional investors and various market participants benefit from interactions with firm management, only Solomon and Soltes (2015) and Bushee et al. (2018) directly address the consequences of private meetings in a US setting. Solomon and Soltes (2015) examine the effects of private meetings on investors' trading decisions by using a proprietary data set from a single New York Stock Exchange (NYSE) firm. Their results suggest that private meetings held by this firm help a select group of investors make more informed trading decisions. Bushee et al. (2018) examine approximately 400,000 flights taken by the top management of 396 firms. They find that managers frequently fly to money centers, presumably to meet with investors privately. The stock price movements around these travel dates suggest that *"these meetings are an important information event for participating investors"* (Bushee et al., 2018, p. 33). Although these two studies provide interesting evidence on private in-house meetings, questions remain about the broad significance of their results. Solomon and Soltes (2015) use only a single firm's data, and Bushee et al. (2018) employ a noisy indicator of private meeting dates.

Recently, using a data set of SZSE firms similar to what we use, researchers have studied the consequences of private meetings held in a Chinese setting. Cheng et al. (2016, 2019) and Han et al. (2018) find that private meetings hosted by SZSE firms are informative and analysts' forecast accuracy improves following meeting attendance. Bowen et al. (2018) find abnormal levels of insider trading around private in-house meetings. Chen et al. (2022) find managerial forecasting accuracy improves around private meetings, and they conclude that private meetings are a two-way information channel through which corporate insiders can learn valuable information from outside participants.

Although earlier research highlights the information role of private meetings, we know of no study that examines how top managers determine their private meeting communication strategies. We do not expect all mutual funds to draw equal attention from top management. Hosting-firm managers and mutual funds likely adopt different strategies depending on a fund's ownership level in the firm. For example, we expect that mutual funds

[10]According to the Wind Financial database, there are 77 investment management companies (i.e., parent companies of individual mutual funds) in our sample period (2012–2014).

[11]In China, approximately 50% of total institutional ownership is held by mutual funds. Mutual funds provide detailed semi-annual and quarterly holding reports that allow us to conduct this study. We focus on mutual fund management companies (i.e., parent companies of individual mutual funds), as published meeting notes only disclose names of parent funds, not individual subsidiary funds. Other institutional investors include insurance companies, China's social security agency, qualified foreign institutional investors, brokerage firms, private equity funds, and others.

with relatively large (small) stockholdings are likely to draw more (less) attention and more (less) forthcoming information from top management. Blockholder mutual funds have more bargaining power vis-à-vis top management, for example, because a blockholder fund stock sell-off can send a strong negative message to other market participants and increase stock return volatility. In contrast, mutual funds with little ownership in the hosting firm likely exhibit less loyalty and their exit likely has fewer consequences (Duan & Jiao, 2016; Edmans & Manso, 2011). Therefore, top management has an incentive to pay special attention to blockholder funds and may use private meetings to address the concerns of these large institutional investors, thereby developing a stronger social bond with these influential meeting participants.

2.3 | Hypotheses

2.3.1 | Top management participation when blockholder mutual funds are present

Top managers attend about 30% of private meetings (Bowen et al., 2018). The remainder tend to be hosted by lower level managers or investor relations staff. For blockholders, the presence of top management is valuable because top management: (1) includes the most informed individuals in the firm (Inci et al., 2017), (2) makes key decisions affecting the firm (Bebchuk et al., 2011; Malmendier & Tate, 2008), and (3) has more accountability to the board, regulators, and stakeholders, and hence is likely to be a more credible source of information (Mergenthaler et al., 2012). Combined, blockholder funds should prefer to have top management present, as it is expected to increase the credibility of information shared during private interactions.

Top management should want to attend private meetings that include blockholder funds to manage the discussion to the firm's benefit. Private meetings also present an opportunity for top management to learn from investors (Chen et al., 2022; Lev, 2011), which is especially relevant when top management interacts with institutional investors that likely have incremental insights on the competitive environment. Direct interaction with blockholders also gives management an opportunity to develop a social bond with these influential investors.[12] The construct of a social bond is rooted in social identity theory (Elliott et al., 2018):

> *The social bond is created by the perception that investors are personally interacting with the other individual. A social bond refers to an individual's subjective sense of interpersonal closeness or connectedness with another* (Kadous, Leiby, and Peecher [2013]). *Social bonds generally cause individuals to develop more enduring trust in the other individual* (Shapiro, Sheppard, and Cheraskin 1992, Lewicki and Bunker 1996, Haslam and Ellemers 2005). (pp. 1484–1485)

Once a trusted relationship is developed between top management and influential investors, it can help mitigate investors' apprehensions about a firm (Elliott et al., 2018).

H1a: *Top management is more likely to attend private in-house meetings when blockholder funds are present.*

[12]The majority of private meetings are initiated by outsider investors (Cheng et al., 2019). Organizing and attending these meetings are the main responsibilities of investor relations managers and the board secretary. Usually the chief executive officer (CEO), chief financial officer (CFO), or other top executives are not expected to be at the meetings. However, because we do not have data on meeting invitations, we do not know whether managers choose to attend the meetings because of blockholders' attendance or blockholders choose to attend because of top management attendance. Therefore, we cannot make strong causal statements on whose attendance causes the consequences we document.

We further argue that the anticipated (positive or negative) tone of a private meeting also influences the top management's decision to attend. Research indicates that most voluntary disclosures tend to be positive (Kothari, Shu, & Wysocki, 2009). Although investors presumably welcome any type of credible corporate disclosure, Loughran and McDonald (2011) suggest that negative news generally has a greater effect on investors' mindsets and their subsequent trading activities, particularly for investors who already have a significant stake in the firm. From top management's perspective, bad news may negatively affect their personal compensation, reputation, and career development (Graham et al., 2005; Mergenthaler et al., 2012). Outsider investors (particularly blockholders) are also likely to be concerned with negative news that may affect their portfolio performance and downside risk. Top management presence in the meeting provides an opportunity for blockholders to ask direct questions, gather first-hand information, and clarify potential issues. Thus, both firm management and blockholder funds should have a mutual interest in managing negative news to mitigate potential adverse effects on stock prices and stock return volatility.[13]

H1b: *Top management is more likely to attend private in-house meetings when the meeting is associated with negative news and blockholder funds are present.*

2.3.2 | Effects of negative-news meetings attended by top management and blockholder funds

Gabaix et al. (2006) find that trading by large institutional investors can induce significant stock return volatility. Top management presence in private meetings is likely to enhance the credibility of their interaction with participating investors. Drawing from best business practices, Lev (2011) argues, *"One of the most important lessons is that honesty does pay: Attempts to deceive investors by sugar-coating poor results or, worse, manipulating sales and earnings eventually lead to lower stock prices (and sometimes career-ending scandals) as investors wise up"* (p. 55). The underlying argument is that when investors have more confidence in a firm's management and prospects, there is a stronger incentive to invest, less selling pressure on the stock, and weaker effect on stock return volatility.

Extending Lev's (2011) argument, we argue that if top management is relatively forthcoming with blockholder funds during private meetings, this should increase blockholders' trust in management and blockholders should be less inclined to engage in short-term trading. These private interactions provide an opportunity for top management and blockholder funds to develop a social bond (Elliott et al., 2018), which in turn can result in a longer investment relationship (Sampagnaro et al., 2015). Furthermore, qualitative "soft talk" disclosure by top management can allay investors' concerns about potential negative developments (Hutton et al., 2003). This should mitigate stock return volatility following private meetings, especially for meetings that contain negative news.

H2a: *Postmeeting stock return volatility tends to be lower when top management attends negative-news private in-house meetings with blockholder funds.*

H2b: *Blockholder funds tend to have a longer investment relationship with hosting firms when top management attends negative-news private in-house meeting with these funds.*

[13]In support of these views, research has shown that negative disclosures have (1) stronger effect on stock prices (Skinner & Sloan, 2002), (2) more negative career consequences for managers (Mergenthaler et al., 2012), and (3) the potential to erode investor trust (Graham et al., 2005).

3 | DATA AND METHODOLOGY

3.1 | Data and sample description

Beginning July 2012, the SZSE required listed firms to disclose details of investor relations activities within 2 trading days of the activity. Meeting notes from these investor relations activities are posted on the SZSE web portal called "Hu Dong Yi."[14] We downloaded 19,512 meeting notes posted from July 2012 through December 2014. Based on the type of activities disclosed in the notes, we identified 17,281 private in-house meetings (89%), 788 investor- and analyst-related conference meetings (4%), 312 phone calls and email contacts (1.6%), and 1170 other interactions (6%). We focus on private in-house meetings because it is clearly the dominant private interaction channel in China.[15] An example of published meeting notes is provided in Appendix A.

Meeting notes disclose the types of institutions attending each meeting. As reported in Panel A of Table 1, institutional ownership in SZSE firms at the end of 2014 can be categorized into mutual funds (6.68%), insurance companies (2.62%), social security (2.48%), qualified foreign institutional investors (1.57%), brokerage firms (0.65%), private equity funds (0.35%), and others (0.26%). We focus on mutual funds because they represent the largest category of institutional investment, and mutual fund ownership data are available for each listed firm.[16] We match mutual funds with their portfolio holdings from the Wind Financial database.[17]

We partition the sample into meeting firms, which hosted at least one private in-house meeting in the fiscal year, and nonmeeting firms, which did not host any in-house meetings in the year.[18] In 2014, 1166 SZSE firms (73%) hosted at least one private in-house meeting. The average number of mutual fund management companies (hereafter, mutual funds[19]) with ownership in SZSE-listed firms increased almost 18% from 2012 to 2014. On average, there were 12.66 (14.92) mutual funds with ownership in each SZSE company at 2012 (2014) year-end.

Panel B of Table 1 reports additional details on private in-house meetings. Of the 17,281 private in-house meetings in our sample, 9328 (54%) were attended by mutual funds. On average, two to three mutual funds attended each meeting. On average, 85% of the mutual funds attending meetings had ownership in the firm before the meeting. We find that 553 meetings were attended by at least one blockholder fund.

Blockholder mutual funds are influential but rare in China. Only 1.5% of mutual funds in our sample hold a blockholder position (with >5% ownership), but they are twice as likely to attend private meetings compared to nonblockholder mutual funds (i.e., 3.1% of private meetings are attended by blockholder funds; see Table 2). Firth et al. (2016) find that mutual funds with larger ownership have more influence on firms' cash dividend policies in China. Song et al. (2020) find that mutual funds with large ownership are less likely to vote against compensation-related proposals than are individual investors, suggesting that managers and these funds form a social bond. Given that blockholder mutual funds have a significant effect on the capital markets (Gabaix et al., 2006), our study can reveal important dynamics between managers and these influential investors in the context of private meetings.

[14]The web portal is: http://irm.cninfo.com.cn/szse/. Disclosed meeting notes can be downloaded from the website, normally (but not always) within 2 days after the private in-house meetings.

[15]Private in-house meetings (89%) include investors' site visits (12%) because we find that SZSE-listed firms use site visits and in-house investor meetings interchangeably in the disclosed notes. Conference meetings include broker-sponsored meetings, industry meetings, new product meetings, analyst meetings, and any other investor-related meetings. Others include company earnings calls and meetings, road shows, media interviews, and activities that are not specifically defined in the notes. We do not specifically analyze other disclosure mediums such as conference calls and open-house meetings because of the limited sample size. Thus, we do not argue that blockholder funds prefer private in-house meetings over other forms of disclosure mediums.

[16]Meeting notes disclose mutual fund affiliation information only at the mutual fund management company level. Thus, our unit of analysis is based on mutual fund management companies, not individual mutual funds.

[17]The Wind Financial database is developed by Wind Information Co. Ltd., headquartered in Shanghai. The company is a leading provider of financial data and software in China. It serves more than 90% of the financial institutions in the Chinese market.

[18]Note that 2012 has only 5 months of data on private in-house meetings (July 17 to December 31). Thus, the number of meeting firms is smaller in 2012 than in subsequent years.

[19]Technically, mutual fund management companies can be parent companies of multiple individual mutual funds. Given that our data are available only at the parent level, we use the term "mutual fund" to refer to the parent company.

TABLE 1 Descriptive statistics on mutual funds with ownership in Shenzhen Stock Exchange (SZSE) firms.

Panel A: Institutional investors and SZSE firms (meeting participant firms vs. nonmeeting participant firms)									
	Nonmeeting firms			Meeting firms			Overall sample		
Institutional ownership in SZSE firms	**2012**	**2013**	**2014**	**2012**	**2013**	**2014**	**2012**	**2013**	**2014**
Average number of mutual funds per firm	11.52	10.76	11.54	14.29	15.81	16.74	12.66	13.92	14.92
Median number of mutual funds per firm	5	4	5	9	11	12	7	8	9
Average ownership of mutual funds per firm (%)	0.54	0.38	0.47	1.09	0.73	0.71	0.76	0.60	0.63
Median ownership of mutual fund per firm (%)	0.15	0.09	0.19	0.57	0.36	0.37	0.27	0.21	0.30
Mutual fund ownership (%)	6.12	4.16	4.09	10.42	8.61	7.56	8.45	7.51	6.68
Insurance company ownership (%)	2.42	2.25	2.72	3.30	2.29	2.60	2.88	2.28	2.62
Social security ownership (%)	2.70	2.45	2.59	3.22	2.36	2.46	3.00	2.38	2.48
QFII ownership (%)	1.74	1.01	1.11	2.15	1.91	1.69	2.01	1.75	1.57
Brokerage firm ownership (%)	1.20	0.45	0.90	1.39	0.73	0.58	1.31	0.66	0.65
Private equity ownership (%)	0.21	0.24	0.36	0.30	0.27	0.35	0.26	0.26	0.35
Other financial institutional ownership (%)	0.69	1.02	0.64	0.05	0.11	0.12	0.33	0.39	0.26
Total financial institutional ownership (%)	15.08	11.57	12.42	20.82	16.27	15.35	18.25	15.23	14.62

Panel B: Mutual funds and private in-house meetings				
Private in-house meeting descriptive statistics	**2012**	**2013**	**2014**	**Overall sample**
Number of private in-house meetings	3202	6841	7238	17281
Number of meetings attended by mutual funds	1698	3653	3977	9328
% of meetings attended by mutual funds	53.0%	53.4%	54.9%	54.0%
Number of meetings attended by blockholder mutual funds	90	239	224	553
% of meetings attended by blockholder mutual funds	2.8%	3.5%	3.1%	3.2%
Average number of mutual funds attending a meeting (excluding nonattended meetings)	2.27	2.63	2.79	2.63
Median number of mutual funds attending a meeting (excluding nonattended meetings)	1	2	2	2
% of mutual funds (which have ownership in the hosting firm) out of total number of funds attending the meeting	67.3%	90.1%	88.4%	85.2%

Note: This table provides descriptive data on institutional investors and private in-house meetings hosted by SZSE-listed firms between July 17, 2012 and December 31, 2014. Panel A provides data on ownership of mutual fund management companies (hereafter "mutual funds") in private meeting firms and nonmeeting firms in each sample year. We conduct our analysis at the mutual fund level because private in-house meeting notes disclose only the names of mutual fund management companies rather than individual mutual funds. Panel A also reports firm-level aggregated institutional investment ownership, including mutual funds, insurance companies, social security, Qualified Foreign Institutional Investors (QFII), brokerage firms, private equity, and other institutional investors. Panel B reports characteristics of private in-house meetings and the mutual funds that attend these meetings.

What we learn from blockholder mutual funds can also shed light on other large outside shareholders that are difficult to observe because of a lack of ownership data. In addition, like other relatively rare phenomena in finance (e.g., female CEO, financial fraud), blockholder fund attendance at private meetings is potentially important to both companies and shareholders. It helps us better understand a company's communication

TABLE 2 Variables and descriptive statistics.

Variables	*N*	Mean	*SD*	Quartiles 25%	50% (Median)	75%
Dependent variables	15,440	0.299	0.458	0.000	0.000	1.000
Presence of top management in the meeting						
Change in postmeeting stock return volatility	15,439	0.027	0.009	0.020	0.026	0.032
Meeting notes tone	14,713	0.829	0.202	0.750	0.887	1.000
Conditioning variables						
Positive (vs. negative) news meetings	15,440	0.482	0.500	0.000	0.000	1.000
Independent variables						
Blockholder fund attendance	15,440	0.031	0.175	0.000	0.000	0.000
Total mutual fund ownership	15,440	10.332	13.185	0.734	4.787	15.323
Number of company staff members in the meeting	15,440	1.836	1.080	1.000	2.000	2.000
Analyst coverage	15,440	9.316	7.779	3.000	7.000	14.000
Number of participants	15,440	4.569	6.513	1.000	2.000	5.000
Total assets	15,440	21.711	1.089	20.907	21.495	22.243
Leverage	15,440	0.038	0.063	0.000	0.001	0.049
Market-to-book ratio	15,440	1.737	1.139	0.884	1.385	2.262
ROA	15,440	0.068	0.041	0.039	0.062	0.092
Sales growth	15,440	0.185	0.217	0.028	0.159	0.312
State ownership	15,440	0.027	0.100	0.000	0.000	0.000
Stock performance (3-month BHAR before the meeting)	15,440	0.052	0.163	−0.070	0.024	0.148
Information quality ranking	15,440	3.214	0.543	3.000	3.000	4.000
Other public investor relation activities in the month before the meeting	15,440	1.301	1.775	0.000	1.000	2.000
Number of words in the meeting notes (log)	15,440	6.810	0.789	6.430	6.858	7.274
Days between meeting date and publication date	15,440	7.902	40.104	1.000	2.000	4.000
Days between meeting date and next quarterly earning date	15,440	82.110	43.454	48.000	72.000	113.000
Stock abnormal return on the next quarterly earning date	15,440	0.006	0.077	−0.042	−0.002	0.045
Managerial ownership	15,440	19.302	22.873	0.000	5.619	39.207

TABLE 2 (Continued)

Variables	*N*	Mean	*SD*	Quartiles 25%	50% (Median)	75%
Other financial institutional ownership	15,440	1.116	2.509	0.000	0.062	1.331
Legal-person ownership	15,440	24.868	23.949	2.890	17.618	43.350
Board member ownership	15,440	16.886	20.734	0.000	3.398	32.948
R&D intensity	15,440	0.015	0.038	0.000	0.000	0.011
Public float (outstanding shares divided by total issued shares)	15,440	0.629	0.272	0.378	0.598	0.920
Money center location	15,440	0.285	0.452	0.000	0.000	1.000
Independent board members (%)	15,440	0.372	0.055	0.333	0.333	0.429
Board size	15,440	8.731	1.745	8.000	9.000	9.000
CEO duality	15,440	0.356	0.479	0.000	0.000	1.000
Number of press releases in the past 30 days	15,440	5.849	3.014	4.000	5.000	8.000
SZSE index firms	15,440	0.460	0.498	0.000	0.000	1.000
Analyst attended meeting	15,440	0.776	0.417	1.000	1.000	1.000

Note: This table reports sample descriptive statistics for the meeting-level sample. For each meeting, we collapse the mutual fund participant information and report the meeting-level variable for blockholder funds, which equals 1 if the meeting is attended by at least one blockholder fund (with more than 5% ownership in the meeting firm) and 0 if the meeting is not attended by any blockholder fund. Firm-level variables are measured based on the latest fiscal year-end before the meeting. Sample size (*N*), mean, standard deviation (*SD*), and the 25%, 50% (median), and 75% quantile statistics are provided for each variable. In this table, we include all private meetings (which may or may not be attended by mutual funds). Variables are defined in Appendix B.

strategy in dealing with large outside shareholders. It also suggests that private meetings are not only an information channel but also a source of relationship building that can mitigate information uncertainty and stock return volatility.

In addition to institutional ownership data, we collect firms' financial information from the China Stock Market & Accounting Research (CSMAR) database, which includes daily stock prices, audited accounting information, and managerial and board information. We gather financial analyst coverage from the GTA China Listed Company Financial Analyst Forecast database,[20] and press release information from the Resset Financial database. Appendix B presents variable definitions, measures, and data sources in more detail.

3.2 | Variables and methods

3.2.1 | Outcome (dependent) variables

Our main analysis is conducted at the private meeting level. For each meeting, we develop the following dependent variables.

[20]Both the CSMAR Database and the Financial Analyst Forecast database are designed and developed by GTA Information Technology Co. Ltd., one of major providers of financial market data in China. The company is based in Shenzhen, China.

Top management presence in private meetings

Using data in the meeting notes, we create a dummy variable for top management presence in a private in-house meeting (1 for top management presence, and 0 otherwise). We define top management as the chairman (or vice-chairman) of the board, CEO, or CFO. In our sample, about 30% of private in-house meetings are attended by the hosting company's top management (as defined).

Changes in stock return volatility following private meetings

We measure the effect of private in-house meetings on stock return volatility using changes in daily stock returns in the postmeeting window compared to the premeeting window. Specifically, we first calculate the standard deviation of daily stock returns for each meeting firm on and after the meeting (0, +30 days).[21] Next, we subtract stock return volatility in the premeeting window (−60, −30 days) to calculate the change in stock return volatility after each private meeting.[22] In the multivariate regression analyses, we use this change in the standard deviation of stock returns as the dependent variable and regress it on meeting-level attributes.[23]

Length of the investment relationship following private meetings

Similar to other studies on enduring trusted business relationships (e.g., Elliott et al., 2018; Sampagnaro et al., 2015), our measure of social bonding is the length of the investment relationship between mutual funds and the hosting firm. We measure the average number of quarters that mutual funds hold hosting firm's stocks within 2 years after each private meeting. Using the mutual fund data set in our sample period, we find that only 1.3% of mutual funds maintain an investment relationship for more than 2 years. Thus, we examine whether top management's communication strategy in private meetings can influence the long-term social bonding relationship with outside mutual funds.

Our main results are based on pooled ordinary least squares (OLS) regression models. We cluster standard errors by meeting firm because the same firm may organize multiple meetings in the sample period. We report heteroskedasticity-robust standard errors, which are used to calculate the significance of the regression coefficients. We include year and industry fixed effects in all models.

3.2.2 | Independent variables

Blockholder fund attendance

We first identify individual blockholder mutual funds based on their ownership in each hosting firm before each private in-house meeting.[24] We then match each blockholder fund with the meeting participants' information disclosed in the private meeting notes. We develop a dummy variable, blockholder fund attendance, which equals 1 if a meeting is attended by at least one blockholder fund and 0 if there is no blockholder fund in the meeting.

[21]For the meetings held on a nontrading day, we consider the next available trading day as day 0. As a robustness check, we also use a longer event window (0, +60) after the meeting date. We find qualitatively similar results (see Part A of the Online Appendix).
[22]We omit the (−29, −1) window preceding private meetings to avoid any abnormal trading activities (such as opportunistic insider trades identified by Bowen et al., 2018) that may affect the baseline estimate of stock return volatility.
[23]As an alternative measure of stock return volatility, we also measure downside risk (Sortino & van der Meer, 1991) which is the semi-deviation calculated on negative stock returns. If both managers and outsider investors are concerned about stock performance, our results should hold on the downside risk, which focuses on losses. We find qualitatively similar results (see Part B of the Online Appendix).
[24]Our primary results are based on mutual fund ownership information in these semi-annual reports because mutual funds are only required to report their top 10 largest holdings in quarterly reports. As a robustness check, we also report ownership based on quarterly reports, which provides a more timely, but less complete, measure of funds' investment positions.

Negative- versus positive-news meetings

Cheng et al. (2019) find that private in-house meetings are informative to investors and can trigger significant stock returns around these private meetings. We follow their approach and use stock market reactions to identify whether positive or negative news was likely associated with each private meeting. We use the standard market model to calculate cumulative abnormal returns (CARs) for the hosting firm during the meeting event window.[25]

The average CAR value is 0.44%, which is statistically greater than zero (p-value < 0.01). However, we find that 48.2% of the CARs are positive and 51.8% are negative. The median CAR value is −0.19%, which indicates a skewed distribution. We assume that positive-news meetings are associated with positive CARs, and negative-news meetings are associated with negative CARs. We create a dummy variable equal to 1 for positive-CAR meetings, and 0 for negative-CAR meetings.

3.2.3 | Control variables: Firm- and meeting-specific controls

We control for several firm characteristics in our multivariate analyses, including firm size (measured by the log of total assets), financial leverage (long-term debt divided by total assets), market-to-book ratio (market value of equity divided by book value of equity), ROA (return on assets; operating income divided by book value of assets), sales growth (percentage change in revenue from last year to this year), public float (percentage of publicly traded shares to total issued shares), legal-person ownership (percentage of outstanding shares owned by other companies or legal entities), state ownership (percentage of outstanding shares owned by Chinese government agencies), other financial institutional ownership (percentage of outstanding shares owned by financial institutions other than mutual funds), and stock performance (buy-and-hold firm stock returns adjusted by the SZSE market index, i.e., buy-and-hold abnormal returns [BHARs]). We also control for analyst coverage by counting the number of brokerage firms that issue firm-specific analyst forecasts each year. We measure the disclosure quality of each meeting firm by adopting the information quality ranking index from the SZSE. The index ranges from D (low information quality) to A (high information quality). We also control for each firm's corporate governance and board characteristics. We include CEO duality (which equals 1 if the CEO is also the chairman of the board, and 0 otherwise), board size (total number of board members), board independence (percentage of independent board members), board ownership (percentage of outstanding shares owned by board members), and managerial ownership (percentage of outstanding shares owned by top management). To mitigate potential endogeneity issues, we use values from the latest fiscal year-end before each private in-house meeting. We also control for money center location of firms' headquarters (which equals 1 if the company's headquarters is located in Beijing, Shanghai, or Shenzhen, and 0 otherwise). We also control for each firm's membership in the SZSE composite index (which equals 1if the company is part of the index, and 0 otherwise).

In addition, we control for several meeting-specific variables. First, we control for the number of public investor relations activities in the 30 days before each private in-house meeting (other than private in-house meetings themselves) such as conference meetings, phone calls, media interviews, and earnings announcements. Second, we control for press releases by counting the number in the month before each private in-house meeting. Third, we measure the number of days between the reported meeting date and the publication date of related meeting notes on the SZSE web portal. Fourth, we control for the days between each private in-house meeting and the

[25]We use the Shenzhen Composite Index to estimate a market model based on an estimation window of stock returns between 255 and 43 days before the meeting date (i.e., −255, −43). We use the parameters of the estimated market model to calculate daily abnormal returns in the meeting event window. We then sum daily abnormal returns to measure CAR for each hosting firm during the 5-day period (−2, +2) surrounding each meeting date. As robustness checks, we calculate CAR for multiple alternative event windows, including (−1, +1), (−5, +5). Our results are qualitatively similar.

subsequent quarterly earnings announcement date for each firm. Fifth, we control for abnormal stock returns around the subsequent quarterly earnings announcement date. Finally, we control for meetings that are attended by financial analysts (coded as 1) or not (coded as 0).

Table 2 provides descriptive statistics for each private meeting. We find that stock return volatility on average increases by 2.7% after the meetings. The tone of published meeting notes is extremely positive (=0.829, where the range of the tone is between extreme negative (−1) and extreme positive (+1)).

4 | RESULTS

4.1 | Top management participation in private in-house meetings

In this section, we provide evidence on factors that influence top management's decision to attend private meetings with investors and analysts. Particularly, we examine whether top management's attendance is associated with blockholder fund presence and positive- versus negative-news content of the meeting.

As reported earlier, about 30% of private in-house meetings have top management present. However, when blockholder funds are present, about 55% of the meetings are attended by top management (untabulated). Consistent with Hypothesis 1a, Model 1 in Table 3 reports that the regression coefficient on blockholder attendance is positive and significant at the 5% level, where all tests are two-tailed. This indicates that top management is more likely to attend private meetings when blockholder funds are present in the meeting.[26]

Next, we partition the results by negative-news meetings (Column 2 in Table 3 where CAR (−2, +2) is less than or equal to 0) and by positive-news meetings (Column 3 where CAR (−2, +2) is greater than zero). Consistent with Hypothesis 1b, we find that the positive association between blockholder fund attendance and top management attendance is mainly driven by negative-news meetings (significant at the 1% level). In other words, top management is more likely to attend private in-house meetings that are associated with negative news when blockholder funds are present.

4.2 | Blockholder fund attendance in private meetings and changes in stock return volatility

To better understand why top management and blockholder funds are both interested in attending negative-news meetings, we examine two consequences of these meetings: (1) changes in stock return volatility and (2) length of the investment relationship. Normally, negative news is associated with an increase in stock return volatility and cost of capital (Kothari, Li, & Short, 2009), both of which should concern firm managers and blockholder funds. However, by discussing negative developments in a private setting, hosting firms can elaborate on the context of the negative developments and address specific concerns. This in turn may mitigate blockholder reactions to the relatively bad news and reduce sell-off pressure from these influential investors. Blockholder funds similarly benefit by assessing management's response to bad news and perhaps giving feedback to inform managerial decisions. Such information exchange can enhance social bonding (i.e., mutual trust) between top management and blockholder funds, which should result in relatively smaller changes in stock return volatility after negative-news private meetings. The underlying argument is that when investors have more confidence in the firm's management, there is less selling pressure on the stock and therefore relatively less stock return volatility, ceteris paribus.

[26]The control variables indicate that top management is more likely to attend meetings with smaller firms, positive news, more other staff present, more outside participants, longer meeting notes, and more recent press releases.

TABLE 3 Effects of blockholder fund presence on top management attendance in private meetings.

Variables	Full sample (1)	Negative-news meetings (2)	Positive-news meetings (3)
Blockholder fund attendance	0.379**	0.555***	0.149
	(0.165)	(0.197)	(0.197)
Meeting date CAR (−2, +2)	0.123***		
	(0.044)		
Total mutual fund ownership	0.004	0.004	0.005
	(0.007)	(0.007)	(0.007)
Number of company staff members in the meeting	0.179***	0.190***	0.168***
	(0.046)	(0.052)	(0.050)
Analyst coverage	−0.004	0.002	−0.010
	(0.011)	(0.011)	(0.012)
Total assets	−0.256**	−0.255**	−0.256**
	(0.106)	(0.110)	(0.114)
Leverage	1.340	1.288	1.319
	(1.155)	(1.232)	(1.222)
Market-to-book ratio	0.063	0.072	0.046
	(0.084)	(0.089)	(0.090)
ROA	0.440	−0.962	1.896
	(1.746)	(1.867)	(1.871)
Sales growth	0.278	0.235	0.280
	(0.236)	(0.258)	(0.269)
State ownership	0.424	0.481	0.306
	(0.520)	(0.503)	(0.627)
Stock performance (3-month BHAR before the meeting)	−0.056	−0.099	−0.037
	(0.179)	(0.208)	(0.223)
Information quality ranking	0.161	0.228*	0.100
	(0.112)	(0.116)	(0.123)
Other public investor relation activities in the month before the meeting	−0.067**	−0.095***	−0.044
	(0.027)	(0.030)	(0.030)
Number of outsider participants	0.050***	0.045***	0.056***
	(0.006)	(0.009)	(0.007)

(Continues)

TABLE 3 (Continued)

Variables	Full sample (1)	Negative-news meetings (2)	Positive-news meetings (3)
Number of words in the meeting notes	0.343***	0.266***	0.424***
	(0.075)	(0.084)	(0.082)
Days between meeting date and publication date	−0.001	−0.002	−0.000
	(0.001)	(0.001)	(0.001)
Days between meeting date and next quarterly earning date	−0.001***	−0.002***	−0.001
	(0.001)	(0.001)	(0.001)
Stock abnormal return on the next quarterly earning date	0.496	0.470	0.518
	(0.411)	(0.488)	(0.482)
Managerial ownership	−0.021*	−0.026**	−0.016
	(0.011)	(0.012)	(0.010)
Board member ownership	0.012	0.016	0.009
	(0.011)	(0.013)	(0.010)
Other financial institutional ownership	0.001	−0.004	0.006
	(0.022)	(0.025)	(0.022)
Legal-person ownership	0.002	0.002	0.001
	(0.003)	(0.003)	(0.003)
R&D intensity	2.592*	2.141	3.038*
	(1.569)	(1.525)	(1.824)
Public float (outstanding shares divided by total issued shares)	−0.603*	−0.672*	−0.507
	(0.364)	(0.397)	(0.391)
Money center location	0.135	0.157	0.111
	(0.144)	(0.152)	(0.153)
Independent board members (%)	1.792	1.375	2.285*
	(1.135)	(1.173)	(1.242)
Board size	−0.025	−0.047	−0.007
	(0.043)	(0.045)	(0.047)
CEO duality	0.071	0.005	0.127
	(0.125)	(0.132)	(0.135)
Number of press releases in the past 30 days	0.036***	0.030**	0.044***
	(0.012)	(0.014)	(0.014)

TABLE 3 (Continued)

Variables	Full sample (1)	Negative-news meetings (2)	Positive-news meetings (3)
SZSE index firms	−0.013	−0.043	0.020
	(0.158)	(0.166)	(0.173)
Analyst attended meeting	0.027	0.105	−0.048
	(0.063)	(0.076)	(0.080)
Constant	0.790	1.725	−0.048
	(2.451)	(2.519)	(2.623)
Year and industry fixed effects	Yes	Yes	Yes
Observations	15,440	7996	7442
Pseudo R^2	0.095	0.091	0.105

Note: This table reports the effect of blockholder fund attendance and the propensity for top management to attend private in-house meetings. The dependent variable equals 1 if top management is present in a private in-house meeting, and 0 otherwise. We define top management as including the chairman (or vice-chairman) of the board, CEO, and CFO. Blockholder fund attendance is an indicator variable that equals 1 if there is at least one blockholder fund (i.e., ownership in the firm is greater than or equal to 5%) in the meeting, and 0 otherwise. We use logistic regression and regress top management presence in the meeting on the blockholder fund attendance and control for other firm- and meeting-level characteristics. Variable definitions and data sources are in Appendix B. Model 1 is based on the full sample, Model 2 is based on negative-news meeting sample where meeting date cumulative abnormal return (CAR) (−2, +2) is less than 0, and Model 3 is based on positive-news meetings where meeting date CAR is greater than 0. Year and industry fixed effects are included in all models. We cluster standard errors by firm and report robust standard errors in parentheses.
$^{*}p < 0.10$; $^{**}p < 0.05$; $^{***}p < 0.01$.

For each meeting, we measure changes in stock return volatility in the (0, +30) days on and after the meeting date relative to (−60, −30) days before the meeting. We regress changes in stock return volatility on blockholder fund attendance (which equals 1 if a meeting is attended by at least one blockholder fund, and 0 otherwise) and test the interaction between top management attendance and blockholder fund attendance.

The first two models in Table 4 present results for negative-news meetings (where CARs during the 5-day meeting window are less than zero). In Model 1, we find that meetings with blockholder fund attendance experience reduced stock return volatility (the coefficient on blockholder fund attendance is negative and significant at the 1% level). The coefficient on top management attendance is also negative but not significant at conventional levels (p-value = 0.11). In Model 2, we find that the interaction between blockholder fund attendance and top management attendance is negative and significant at the 5% level, which suggests that negative-news meetings attended by both top management and blockholder funds are associated with even lower postmeeting stock return volatility compared to other negative-news meetings that are not attended by either top management or blockholder funds. This result suggests that top management presence mitigates blockholder fund reactions during negative-news private meetings, which in turn reduces stock return volatility. Overall, this finding supports Hypothesis 2a.

We repeat the same analyses on positive-news meetings in Models 3 and 4 in Table 4. We do not find evidence of a similar reduction in volatility when top management is present in meetings that are attended by blockholder

TABLE 4 Effects of blockholder fund and top management attendance on postmeeting stock return volatility.

Variables	Negative-news meetings (1)	(2)	Positive-news meetings (3)	(4)
Blockholder fund attendance	−0.138***	−0.033	0.002	0.039
	(0.052)	(0.078)	(0.059)	(0.082)
Top management attendance	−0.042	−0.034	0.016	0.018
	(0.027)	(0.027)	(0.033)	(0.033)
Blockholder fund attendance × Top management attendance		−0.196**		−0.071
		(0.097)		(0.122)
Total mutual fund ownership	0.001	0.001	−0.000	−0.000
	(0.002)	(0.002)	(0.002)	(0.002)
Number of company staff members in the meeting	0.009	0.009	0.002	0.002
	(0.012)	(0.012)	(0.013)	(0.013)
Analyst coverage	0.004	0.004	0.002	0.002
	(0.003)	(0.003)	(0.003)	(0.003)
Total assets	−0.135***	−0.134***	−0.197***	−0.197***
	(0.026)	(0.026)	(0.030)	(0.030)
Leverage	−0.635**	−0.634**	−0.444	−0.440
	(0.273)	(0.273)	(0.406)	(0.406)
Market-to-book ratio	0.031*	0.031*	−0.044**	−0.044**
	(0.019)	(0.019)	(0.021)	(0.021)
ROA	−2.120***	−2.120***	−2.641***	−2.639***
	(0.450)	(0.450)	(0.528)	(0.528)
Sales growth	0.144**	0.142**	0.119	0.119
	(0.067)	(0.067)	(0.085)	(0.085)
State ownership	−0.161	−0.163	−0.158	−0.159
	(0.151)	(0.151)	(0.171)	(0.171)
Stock performance (3-month BHAR before the meeting)	1.019***	1.019***	1.037***	1.036***
	(0.082)	(0.082)	(0.091)	(0.091)
Information quality ranking	0.000	0.000	−0.025	−0.025
	(0.029)	(0.029)	(0.033)	(0.033)
Other public investor relation activities in the month before the meeting	0.034***	0.034***	0.058***	0.058***
	(0.006)	(0.006)	(0.008)	(0.008)
Number of outsider participants	0.004*	0.004*	0.004**	0.004**
	(0.002)	(0.002)	(0.002)	(0.002)

TABLE 4 (Continued)

Variables	Negative-news meetings (1)	(2)	Positive-news meetings (3)	(4)
Number of words in the meeting notes	0.026	0.026	0.007	0.007
	(0.016)	(0.016)	(0.018)	(0.018)
Days between meeting date and publication date	−0.000	−0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Days between meeting date and next quarterly earning date	0.002***	0.002***	0.002***	0.002***
	(0.000)	(0.000)	(0.000)	(0.000)
Stock abnormal return on the next quarterly earning date	−0.314*	−0.314*	−0.028	−0.028
	(0.177)	(0.177)	(0.203)	(0.203)
Managerial ownership	0.007**	0.007**	0.008**	0.008**
	(0.004)	(0.004)	(0.003)	(0.003)
Board member ownership	−0.006	−0.006	−0.008**	−0.008**
	(0.004)	(0.004)	(0.004)	(0.004)
Other financial institutional ownership	−0.012**	−0.013**	−0.011	−0.011
	(0.005)	(0.006)	(0.008)	(0.008)
Legal-person ownership	0.001	0.001	−0.000	−0.000
	(0.001)	(0.001)	(0.001)	(0.001)
R&D intensity	1.001***	0.999***	0.297	0.294
	(0.376)	(0.377)	(0.467)	(0.466)
Public float (outstanding shares divided by total issued shares)	−0.221**	−0.222**	−0.022	−0.022
	(0.092)	(0.092)	(0.105)	(0.105)
Money center location	0.063*	0.063*	0.073*	0.073*
	(0.034)	(0.034)	(0.044)	(0.044)
Independent board members (%)	0.059	0.048	0.074	0.071
	(0.309)	(0.309)	(0.334)	(0.334)
Board size	−0.010	−0.010	−0.029**	−0.029**
	(0.011)	(0.011)	(0.013)	(0.013)
CEO duality	0.012	0.012	0.073*	0.073*
	(0.031)	(0.031)	(0.038)	(0.038)
Number of press releases in the past 30 days	0.009**	0.009**	0.015***	0.015***
	(0.004)	(0.004)	(0.005)	(0.005)
SZSE index firms	0.092**	0.092**	0.249***	0.249***
	(0.041)	(0.041)	(0.047)	(0.047)

(Continues)

TABLE 4 (Continued)

Variables	Negative-news meetings (1)	(2)	Positive-news meetings (3)	(4)
Analyst attended meeting	−0.041*	−0.041*	0.031	0.031
	(0.021)	(0.021)	(0.026)	(0.026)
Constant	4.881***	4.871***	6.276***	6.273***
	(0.535)	(0.536)	(0.651)	(0.652)
Year and industry fixed effects	Yes	Yes	Yes	Yes
Observations	7996	7996	7443	7443
R^2	0.203	0.204	0.217	0.217

Note: This table reports the effects of blockholder fund and top management attendance on firms' postmeeting stock return volatility. For each meeting, we measure the change in stock return volatility in the (0, +30) days on and after the meeting date versus the (−60, −30) days before the meeting. In Models 1 and 3, we use OLS regression and regress the changes in stock return volatility on blockholder fund attendance, top management attendance, and the same set of firm- and meeting-level characteristics as in Table 3. In Models 2 and 4, we add the interaction between top management attendance and blockholder fund attendance. The first two models in Table 4 present the results for negative-news meetings (where cumulative abnormal returns [CARs] during the 5-day meeting windows are less than zero) and the last two models present the results for positive-news meetings (where CARs during the 5-day meeting windows are greater than zero). Variable definitions and data sources are in Appendix B. We cluster standard errors by firm and report robust standard errors in parentheses.

*$p < 0.10$; **$p < 0.05$; ***$p < 0.01$.

funds. This suggests that positive-news meetings are less important to top management and blockholders, as they do not have a similar effect on volatility compared to negative-news meetings.[27]

4.3 | Blockholder fund attendance in private meetings and length of investment relationship

We argue earlier that top management and blockholder funds have mutual interests in strengthening social bonding through private meetings, particularly in the context of negative-news situations. Next, we investigate whether blockholder fund participation in private meetings can influence the length of their investment relationship—a proxy for the extent of their social bond. For each meeting, we measure the average holding period (number of quarters) of each participating mutual fund in the 2 years after each private meeting.[28] Because of the large skewness in

[27]We also find some interesting results among the control variables. First, large firms tend to have lower stock return volatility during and after private in-house meetings. Second, firms with higher leverage (suggesting more monitoring from debt holders) tend to have lower stock return volatility. Third, firms with better operating performance tend to have lower volatility. However, firms that experience higher stock price run-ups before the meetings tend to experience more volatility during the 31 days (0, +30) during and after the meeting. This result suggests that firms with rapidly increasing premeeting stock prices should be careful in how they handle information disclosures, as the relatively high stock price may trigger increased volatility. Fourth, firms with other public relations activities and press releases before the meeting tend to experience higher stock return volatility, which suggests that a period of intensive information disclosure by a firm attracts attention from the investment community. Finally, we find that stock return volatility during the meeting window is positively associated with the number of days to the subsequent earnings announcement.

[28]We use average holding period of all participating mutual funds instead of holding period of individual mutual fund as we believe a firm's communication strategy varies only by meeting (e.g., meeting attended by blockholder funds or not). A certain strategy adopted for a meeting can influence all participants in the same meeting.

holding periods, we regress the log-transformed length of holding period and test the interaction between top management attendance and blockholder fund attendance.

The first two models in Table 5 present results for negative-news meetings (where CARs during the 5-day meeting window are less than zero). Model 1 presents the main effects of blockholder fund and top management attendance in private meetings. Although we do not find a significant direct effect on the length of the investment relationship, when we interact both blockholder fund and top management attendance in Model 2, we find that the coefficient is positive and marginally significant at the 10% level, which suggests that negative-news meetings attended by both top management and blockholder funds are weakly associated with longer investment relationships compared to other negative-news meetings that are not attended by either top management or blockholder funds. Given that the average log-transformed holding period is 0.2623, the coefficient on the interaction (0.057) suggests an economically significant improvement in the length of the relationship between mutual funds and hosting firms (i.e., 22% increase in the holding period). This finding provides some support for Hypothesis 2b.

We repeat the same analyses on positive-news meetings in Models 3 and 4 in Table 5. We find a positive albeit statistically insignificant improvement in the length of investment relationship when top management is present in meetings that are attended by blockholder funds. The economic effect is also smaller compared to negative-news meetings.

4.4 | Fund-meeting level analysis: Blockholder fund attendance in private meetings and changes in mutual fund ownership

Our preceding analysis suggests that postmeeting stock return volatility tends to be lower when top management and blockholder funds both attend negative-news private in-house meetings. The mechanism between blockholder fund attendance and lower stock return volatility could be due to the trading behavior of these influential investors. If top management can effectively address blockholder funds' concerns through private meetings, we expect that these blockholders sell fewer shares after negative-news meetings (compared with blockholder funds not meeting privately with top management). This in turn should reduce stock return volatility.

To examine the change in mutual fund stockholdings after each private meeting, we use mutual fund meeting-level data. To obtain a holistic view of the private meeting's effect on individual mutual fund's trading decisions, we consider both mutual funds that attend a private meeting and mutual funds that do not attend. Given that negative-news meetings appear to be more relevant to top management and blockholder funds in the context of risk mitigation (as we find in the previous section), we present results only for negative-news meetings.[29]

The dependent variable in Table 6 is a dummy variable that equals 1 if an individual mutual fund decreased its stockholdings in the quarter immediately after the meeting and 0 if its stockholdings in the meeting firm increased or did not change. We use quarterly ownership changes to gauge individual mutual fund's holding changes in response to private meetings.[30]

First, we examine whether attending a negative-news private meeting affects the stockholding decision of blockholder funds. We use a logistic regression to regress the dummy variable indicating a decrease in ownership on

[29]We conduct the same analyses for positive-news meetings but again do not find a significant interaction between top management and blockholder funds on blockholders' tendency to trade shares. Results for positive-news meetings are available from the authors.

[30]The quarterly window provides the cleanest available test on the effect of private meetings on changes in mutual fund stockholdings. We do not use semi-annual data because there are likely more confounding events taking place during the semi-annual window compared to the quarterly window. As expected, results using semi-annual data are not significant at conventional levels (although the signs of the semi-annual ownership coefficients in the regressions are consistent with our prediction. For example, the coefficient of the interaction between blockholder fund attendance and mutual fund attendance in Model 2 is −0.31, *p*-value = 0.33).

TABLE 5 Effects of blockholder fund and top management attendance on length of investment relationships.

Variables	Negative-news meetings (1)	(2)	Positive-news meetings (3)	(4)
Blockholder funds attendance	−0.018	−0.049**	0.001	−0.012
	(0.019)	(0.023)	(0.017)	(0.018)
Top management attendance	−0.011	−0.013	0.005	0.004
	(0.012)	(0.012)	(0.011)	(0.011)
Blockholder funds attendance × Top management attendance		0.057*		0.025
		(0.033)		(0.027)
Total mutual fund ownership	0.004***	0.004***	0.004***	0.004***
	(0.001)	(0.001)	(0.001)	(0.001)
Number of company staff members in the meeting	0.002	0.002	−0.003	−0.004
	(0.005)	(0.005)	(0.004)	(0.004)
Analyst coverage	0.007***	0.007***	0.006***	0.006***
	(0.002)	(0.002)	(0.002)	(0.002)
Total assets	0.130***	0.130***	0.118***	0.118***
	(0.019)	(0.019)	(0.016)	(0.016)
Leverage	−0.047	−0.047	−0.108	−0.109
	(0.151)	(0.151)	(0.142)	(0.142)
Market-to-book ratio	0.070***	0.070***	0.062***	0.062***
	(0.013)	(0.013)	(0.012)	(0.012)
ROA	−0.257	−0.257	0.011	0.011
	(0.261)	(0.262)	(0.245)	(0.245)
Sales growth	0.052*	0.053*	0.046*	0.047*
	(0.027)	(0.027)	(0.026)	(0.026)
State ownership	−0.147**	−0.146**	−0.163***	−0.163***
	(0.061)	(0.061)	(0.052)	(0.052)
Stock performance (3-month BHAR before the meeting)	0.158***	0.158***	0.183***	0.183***
	(0.024)	(0.024)	(0.024)	(0.024)
Information quality ranking	0.044***	0.044***	0.032**	0.032**
	(0.016)	(0.016)	(0.014)	(0.014)
Other public investor relation activities in the month before the meeting	0.018***	0.018***	0.019***	0.019***
	(0.004)	(0.004)	(0.004)	(0.004)
Number of outsider participants	0.001**	0.001**	0.001**	0.001**
	(0.001)	(0.001)	(0.000)	(0.000)

TABLE 5 (Continued)

Variables	Negative-news meetings (1)	(2)	Positive-news meetings (3)	(4)
Number of words in the meeting notes	−0.017**	−0.017**	−0.012*	−0.012*
	(0.008)	(0.008)	(0.007)	(0.007)
Days between meeting date and publication date	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Days between meeting date and next quarterly earning date	0.000***	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)
Stock abnormal return on the next quarterly earning date	0.182***	0.182***	0.192***	0.192***
	(0.052)	(0.051)	(0.042)	(0.042)
Managerial ownership	0.001	0.001	0.002*	0.002*
	(0.001)	(0.001)	(0.001)	(0.001)
Board member ownership	−0.001	−0.001	−0.001	−0.001
	(0.001)	(0.001)	(0.001)	(0.001)
Other financial institutional ownership	0.003	0.003	0.002	0.002
	(0.004)	(0.004)	(0.004)	(0.004)
Legal-person ownership	−0.001***	−0.001***	−0.001***	−0.001***
	(0.000)	(0.000)	(0.000)	(0.000)
R&D intensity	0.330	0.331	0.459**	0.460**
	(0.213)	(0.212)	(0.193)	(0.193)
Public float (outstanding shares divided by total issued shares)	−0.064	−0.064	−0.048	−0.048
	(0.048)	(0.048)	(0.045)	(0.045)
Money center location	0.009	0.009	0.008	0.007
	(0.018)	(0.018)	(0.016)	(0.016)
Independent board members (%)	−0.116	−0.113	−0.135	−0.134
	(0.171)	(0.170)	(0.159)	(0.159)
Board size	0.000	0.000	0.002	0.002
	(0.009)	(0.009)	(0.008)	(0.008)
CEO duality	0.008	0.008	0.009	0.009
	(0.015)	(0.015)	(0.013)	(0.013)
Number of press releases in the past 30 days	0.003*	0.003*	0.002	0.002
	(0.002)	(0.002)	(0.002)	(0.002)
SZSE index firms	0.024	0.024	0.033*	0.033*
	(0.019)	(0.019)	(0.017)	(0.017)

(Continues)

TABLE 5 (Continued)

Variables	Negative-news meetings (1)	(2)	Positive-news meetings (3)	(4)
Analyst attended meetings	−0.045***	−0.045***	−0.032***	−0.032***
	(0.008)	(0.008)	(0.007)	(0.007)
Constant	−2.953***	−2.950***	−2.670***	−2.669***
	(0.432)	(0.432)	(0.331)	(0.331)
Year and industry fixed effects	Yes	Yes	Yes	Yes
Observations	7996	7996	7444	7444
Pseudo R^2	0.597	0.597	0.585	0.585

Note: This table reports the effects of blockholder fund and top management attendance on firms' postmeeting length of investment relationship. For each meeting, we measure the average holding period (i.e., number of quarters) of each mutual funds investing in the hosting firm after each private meeting. In Models 1 and 3, we use OLS regression and regress the length of holding period on blockholder fund attendance, top management attendance, and the same set of firm- and meeting-level characteristics as in Table 3. In Models 2 and 4, we add the interaction between top management attendance and blockholder fund attendance. The first two models in Table 5 present the results for negative-news meetings (where cumulative abnormal returns [CARs] during the 5-day meeting windows are less than zero) and the last two models present the results for positive-news meetings (where CARs during the 5-day meeting windows are greater than zero). Variable definitions and data sources are in Appendix B. We cluster standard errors by firm and report robust standard errors in parentheses.

*$p < 0.10$; **$p < 0.05$; ***$p < 0.01$.

the blockholder fund indicator (which equals 1 if a mutual fund has at least 5% ownership of the firm in the quarter before the meeting, and 0 otherwise) as well as an indicator variable for mutual fund attendance (which equals 1 if a fund attends the private meeting, and 0 otherwise). We interact these two indicator variables to focus on blockholder funds that attend the meeting (vs. blockholder funds that do not attend the meeting). In Model 1 in Table 6, we find the regression coefficient of the interaction term is negative and significant at the 10% level. This provides some evidence that a private meeting may reduce a blockholder's tendency to sell their holdings if they attend the private meeting.[31]

Next, we split the sample by whether top management attended (Model 2 in Table 6) or not (Model 3). In Model 2, we find the coefficient on the interaction term for both blockholder attendance and mutual fund attendance is negative and significant at the 5% level, which again suggests that blockholder funds are less likely to sell their holdings after negative-news meetings when top management is present. In Model 3, we find the coefficient of the interaction term is positive but insignificant, which suggests that blockholder funds do not refrain from selling their stockholdings after negative-news meetings when top management is not present in the meeting. Finally, we conduct a robustness test by excluding mutual funds that do not attend the meeting; therefore, we focus on the treatment effect of top management attendance on all mutual fund participants in the meeting. In Model 4, we find the interaction term when both blockholder funds and top management attend is negative and significant (at the 1% level). These results corroborate our earlier findings and indicate a mechanism to explain why stock

[31]The main effect for blockholder fund attendance is positive, which suggests that overall, blockholder funds are more likely to sell their holdings during the quarter with negative-news meetings. However, we focus on the interaction term to examine whether blockholder funds that attend these private meetings have a reduced tendency to sell their stockholdings.

TABLE 6 Effects of blockholder fund and top management attendance on mutual fund ownership after negative-news private meetings.

Variables	Negative-news meetings sample (1)	Top management attendance in negative-news meetings (2)	No top management attendance in negative-news meetings (3)	Mutual fund attendance in negative-news meetings sample (4)
Blockholder fund	4.396***	4.054***	4.620***	4.882***
	(0.095)	(0.157)	(0.115)	(0.504)
Mutual fund attendance	0.489***	0.558***	0.450***	
	(0.051)	(0.074)	(0.071)	
Blockholder fund × Mutual fund attendance	−0.592*	−0.815**	0.401	
	(0.304)	(0.366)	(0.581)	
Top management attendance	−0.032			0.093
	(0.035)			(0.109)
Blockholder fund × Top management attendance				−1.658***
				(0.592)
Mutual fund reputation	0.012***	0.011***	0.012***	−0.002
	(0.001)	(0.001)	(0.001)	(0.004)
Mutual fund age	0.082***	0.072***	0.085***	0.024
	(0.005)	(0.010)	(0.006)	(0.032)
Mutual fund size	0.219***	0.204***	0.226***	0.127*
	(0.011)	(0.019)	(0.013)	(0.074)
Number of company staff members in the meeting	−0.020	0.029*	−0.078***	0.053
	(0.014)	(0.016)	(0.020)	(0.033)
Analyst coverage	0.062***	0.053***	0.068***	0.040***
	(0.002)	(0.005)	(0.003)	(0.007)
Number of outsider participants	0.009***	0.008**	0.008**	0.010*
	(0.003)	(0.004)	(0.004)	(0.005)
Total assets	0.744***	0.726***	0.740***	0.632***
	(0.023)	(0.049)	(0.028)	(0.072)
Leverage	−0.432	−0.967*	−0.063	−1.126
	(0.332)	(0.532)	(0.418)	(0.978)
Market-to-book ratio	0.501***	0.497***	0.495***	0.405***
	(0.018)	(0.033)	(0.022)	(0.063)

(Continues)

TABLE 6 (Continued)

Variables	Negative-news meetings sample (1)	Top management attendance in negative-news meetings (2)	No top management attendance in negative-news meetings (3)	Mutual fund attendance in negative-news meetings sample (4)
ROA	1.579***	1.807**	1.668***	2.834*
	(0.462)	(0.852)	(0.576)	(1.578)
Sales growth	0.300***	0.415***	0.245***	0.697***
	(0.075)	(0.143)	(0.087)	(0.247)
State ownership	−0.292**	0.242	−0.531***	0.716
	(0.145)	(0.253)	(0.169)	(0.513)
Stock performance (3-month BHAR before the meeting)	0.820***	0.719***	0.834***	0.326
	(0.094)	(0.166)	(0.110)	(0.291)
Information quality ranking	0.199***	0.079	0.224***	−0.111
	(0.028)	(0.054)	(0.032)	(0.094)
Other public investor relation activities in the month before the meeting	0.012*	0.054***	0.005	−0.054
	(0.007)	(0.014)	(0.008)	(0.034)
Number of words in the meeting notes	−0.074***	−0.077***	−0.066***	0.033
	(0.015)	(0.029)	(0.018)	(0.072)
Days between meeting date and publication date	0.001	0.002*	0.000	0.002*
	(0.000)	(0.001)	(0.000)	(0.001)
Days between meeting date and next quarterly earning date	0.001***	0.002***	0.001***	0.003***
	(0.000)	(0.001)	(0.000)	(0.001)
Stock abnormal return on the next quarterly earning date	−0.362*	−0.538	−0.387	−1.278*
	(0.207)	(0.372)	(0.244)	(0.752)
Managerial ownership	0.005	0.018***	−0.003	−0.000
	(0.003)	(0.005)	(0.003)	(0.009)
Other financial institutional ownership	−0.007**	−0.023***	0.002	−0.005
	(0.003)	(0.005)	(0.004)	(0.010)

TABLE 6 (Continued)

Variables	Negative-news meetings sample (1)	Top management attendance in negative-news meetings (2)	No top management attendance in negative-news meetings (3)	Mutual fund attendance in negative-news meetings sample (4)
Legal-person ownership	0.025***	0.014*	0.032***	0.008
	(0.006)	(0.008)	(0.009)	(0.011)
Board member ownership	−0.017***	−0.018***	−0.016***	−0.015***
	(0.001)	(0.002)	(0.001)	(0.003)
R&D intensity	1.600***	1.529***	1.873***	1.133
	(0.322)	(0.433)	(0.502)	(1.020)
Public float (outstanding shares divided by total issued shares)	−0.539***	−0.360*	−0.614***	−0.007
	(0.102)	(0.185)	(0.125)	(0.343)
Money center location	0.088**	−0.124*	0.158***	−0.168
	(0.036)	(0.067)	(0.043)	(0.119)
Independent board members (%)	0.079	−0.212	0.195	0.067
	(0.303)	(0.578)	(0.367)	(0.958)
Board size	0.012	0.066***	−0.001	0.018
	(0.010)	(0.023)	(0.011)	(0.037)
CEO duality	−0.141***	0.043	−0.180***	0.016
	(0.036)	(0.065)	(0.044)	(0.104)
Number of press releases in the past 30 days	0.010*	0.008	0.013**	−0.011
	(0.005)	(0.009)	(0.006)	(0.017)
SZSE index firms	0.353***	0.476***	0.311***	0.554***
	(0.042)	(0.075)	(0.051)	(0.136)
Analyst attended meeting	0.001	0.033	−0.002	−0.228
	(0.035)	(0.074)	(0.040)	(0.163)
Constant	−25.274***	−25.590***	−25.129***	−20.540***
	(0.521)	(1.048)	(0.621)	(1.693)
Year and industry fixed effects	Yes	Yes	Yes	Yes

(Continues)

TABLE 6 (Continued)

Variables	Negative-news meetings sample (1)	Top management attendance in negative-news meetings (2)	No top management attendance in negative-news meetings (3)	Mutual fund attendance in negative-news meetings sample (4)
Observations	573,984	162,720	410,184	9983
Pseudo R^2	0.254	0.246	0.260	0.224

Note: This table examines individual mutual fund's change in stockholdings of the hosting firm after each private meeting. We consider only negative-news meetings where cumulative abnormal returns (CARs) during the 5-day meeting windows are less than zero. The dependent variable is a dummy variable that equals 1 if an individual mutual fund decreased its stockholdings in the quarter immediately after the meeting and 0 if its holdings in the meeting firm increased or did not change. We use quarterly ownership changes to gauge individual mutual fund's response to the private meetings. We do not use semi-annual data here because there could be more confounding events taking place during the semi-annual window compared to the quarterly window. In Model 1, we use logistic regression to regress the dummy variable indicating a decrease in ownership on the blockholder fund indicator (which equals 1 if a mutual fund has more than 5% ownership of the firm in the quarter before the meeting, and 0 otherwise) as well as an indicator variable for mutual fund attendance (which equals 1 if a mutual fund attends the private meeting, and 0 otherwise). In Models 2 and 3, we split the sample based on whether top management attended the meeting and estimate the same regressions. Model 4 conducts a robustness test by excluding mutual funds that do not attend the meeting, and it therefore focuses on the treatment effect of top management attendance on all mutual fund participants in the meeting. We regress the dummy variable indicating a decrease in ownership on the interaction between blockholder fund and top management attendance. We control for the same set of mutual fund, meeting, and firm characteristics as in Table 3. Variable definitions and data sources are in Appendix B. We cluster standard errors by meeting and report robust standard errors in parentheses.
$^{*}p < 0.10$; $^{**}p < 0.05$; $^{***}p < 0.01$.

return volatility decreases (and length of the investment relationship increases) when both blockholder funds and top management are present in negative-news private meetings.

5 | ADDITIONAL ANALYSES AND ROBUSTNESS TESTS

5.1 | Top management's communication strategy during private meetings

In the main analyses, we provide evidence on an association between top management and blockholder fund attendance in private meetings and subsequent effects on stock return volatility, blockholder funds' stock sell-off behavior, and blockholders' length of investment relationship with the hosting firm. Although we believe the effect is due to top management's communication strategy and relationship building between top management and blockholder funds through private meetings, we do not have archival data to directly observe the dynamics of private meetings (such as audio or video records of conversations). However, after a change in SZSE disclosure regulations after July 2012, meeting firms were required to publish a summary meeting report on the SZSE website within 2 business days after each meeting. Each report contains a section on summary questions and answers discussed during the meeting. We conduct a tone analysis based on these published meeting summary reports (see an example report in Appendix A). We first extract corporate insiders' answers from the meeting reports and follow Bowen et al. (2018) to measure the tone in their answers as the number of positive words minus the number of negative words, scaled by one plus the sum of the number of positive and negative words. The ratio is calculated as:

$$\text{Positive–Negative Tone Ratio} = \frac{\#\text{Positive Words} - \#\text{Negative Words}}{\#\text{Positive Words} + \#\text{ Negative Words} + 1}.$$

Larger values of the measure indicate more positive tone and smaller values suggest more negative tone. Bowen et al. (2018) find that the tone is associated with future earnings, long-term stock performance, and abnormal stock returns around private meetings. We use tone in the meeting reports as a measure of management's communication strategy and examine whether top management differentially tailor their tone in (1) negative- versus positive-news meetings and (2) the presence of blockholder funds.

In Table 7, we first regress meeting notes tone on blockholder fund attendance, top management attendance, and other control variables. Models 1 and 3 provide results for negative-news meetings (where meeting date CAR is less than zero). We find the regression coefficient on top management attendance is positive and significant at the 5% level. This suggests that top management tends to use more positive toned language during negative-news meetings. Models 2 and 4 provide results for positive-news meetings. In both models, the coefficient on top management attendance is positive but not significant at conventional levels.

One way for top management to enhance their credibility with blockholder funds is to be more forthcoming during private interactions, even if such disclosures do not present an optimistic view of the firm.[32] To test this argument empirically, we introduce an interaction term between top management attendance and blockholder fund attendance in the meetings. In Model 3 (negative-news meetings) in Table 7, we find the coefficient of the interaction effect is negative and significant at the 1% level. The interaction is also economically meaningful in that the coefficient is larger than the positive effect of top management attendance in the main-effects model. This result suggests that although top managers generally use positive tone during negative-news meetings, they tend to use relatively less positive tone during negative-news meetings in the presence of blockholder funds. This is consistent with top managers using an effective communication strategy to build trust and reduce short-term selling pressure surrounding negative news disclosures. We do not find a similar effect in positive-news meetings (Model 4).[33]

5.2 | Robustness tests

5.2.1 | Propensity score matching and difference-in-differences measures

One of our key findings is that blockholder fund attendance in private meetings is associated with a relative reduction in postmeeting stock return volatility. However, it is possible that this relation is endogenous because blockholder fund attendance in private meetings could be nonrandom (e.g., blockholder funds are attracted to certain types of meetings that are accompanied with lower subsequent stock return volatility). This could lead to a nonrandom treatment effect and induce endogeneity bias in the results (Reeb et al., 2012;

[32]According to Kothari, Shu, and Wysocki (2009), *"In contrast to good news disclosures, management has an aversion to disclose bad news. So, when it volunteers such information, it is believable. That is, management's unfavorable voluntary disclosures are more credible regardless of whether they are qualitative or quantitative"* (p. 1643). Similarly, Mercer (2005) argues that when management is more forthcoming about negative news, they have more credibility with investors. Lev (2011) observes, *"Honesty and specificity in the face of adversity are more helpful and credible than vagueness and sugar-coating"* (p. 62).

[33]Our results so far are mainly significant around negative-news meetings (where CAR is negative). We further investigate this relation to see whether our results are stronger for large negative returns relative to small negative returns. We partition the negative-news meeting sample into large negative CAR values (CAR < −3%) and small negative CAR values (0% > CAR > −3%). We repeated our analyses in the main Tables 3–6 and provide the results in Part C of the Online Appendix. We find some evidence that in larger negative news meetings, attendance of blockholder mutual funds is associated with a larger reduction in postmeeting stock return volatility. In addition, we find that when blockholder mutual funds meet top management in larger negative-news meetings, the investment relationship lasts longer than in smaller negative-news meetings. Finally, we find that when blockholder mutual funds attend with top management in larger negative-news meetings, managers tend to use less positive tone (i.e., are more forthcoming about the negative news) than in smaller negative-news meetings. Combined, we see some evidence that the results are stronger (although not in all tests) for larger negative news meetings.

TABLE 7 Communication strategy during private meetings based on tone analysis of published meeting notes.

Variables	Negative-news meetings (1)	Positive-news meetings (2)	Negative-news meetings (3)	Positive-news meetings (4)
Blockholder fund attendance	−0.004	−0.011	0.028*	−0.010
	(0.013)	(0.013)	(0.016)	(0.022)
Top management attendance	0.015**	0.005	0.017**	0.005
	(0.007)	(0.008)	(0.007)	(0.008)
Blockholder fund attendance × Top management attendance			−0.060***	−0.002
			(0.023)	(0.026)
Total mutual fund ownership	0.000	0.001	0.000	0.001
	(0.000)	(0.000)	(0.000)	(0.000)
Number of company staff members in the meeting	0.001	−0.004	0.001	−0.004
	(0.003)	(0.003)	(0.003)	(0.003)
Analyst coverage	−0.001	−0.001	−0.001	−0.001
	(0.001)	(0.001)	(0.001)	(0.001)
Total assets	0.005	−0.003	0.006	−0.003
	(0.007)	(0.008)	(0.007)	(0.008)
Leverage	−0.102	−0.013	−0.102	−0.013
	(0.086)	(0.095)	(0.086)	(0.095)
Market-to-book ratio	0.004	0.002	0.005	0.002
	(0.005)	(0.006)	(0.005)	(0.006)
ROA	−0.014	−0.112	−0.014	−0.112
	(0.118)	(0.141)	(0.118)	(0.141)
Sales growth	0.020	0.040**	0.020	0.040**
	(0.018)	(0.019)	(0.019)	(0.019)
State ownership	−0.004	0.055	−0.005	0.055
	(0.036)	(0.042)	(0.036)	(0.042)
Stock performance (3-month BHAR before the meeting)	0.047***	0.033*	0.047***	0.033*
	(0.016)	(0.018)	(0.016)	(0.018)
Information quality ranking	0.012	0.018**	0.012	0.018**
	(0.008)	(0.008)	(0.008)	(0.008)
Other public investor relation activities in the month before the meeting	0.009***	0.010***	0.009***	0.010***
	(0.002)	(0.002)	(0.002)	(0.002)

TABLE 7 (Continued)

Variables	Negative-news meetings (1)	Positive-news meetings (2)	Negative-news meetings (3)	Positive-news meetings (4)
Number of outsider participants	−0.001**	0.000	−0.001*	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Number of words in the meeting notes	0.007	0.004	0.007	0.004
	(0.006)	(0.006)	(0.006)	(0.006)
Days between meeting date and publication date	0.000	−0.000	0.000	−0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Days between meeting date and next quarterly earning date	0.000	−0.000	0.000	−0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Stock abnormal return on the next quarterly earning date	0.002	0.007	0.002	0.007
	(0.036)	(0.037)	(0.036)	(0.037)
Managerial ownership	−0.000	−0.001	−0.000	−0.001
	(0.001)	(0.001)	(0.001)	(0.001)
Board member ownership	0.000	0.001	0.000	0.001
	(0.001)	(0.001)	(0.001)	(0.001)
Other financial institutional ownership	−0.000	−0.000	−0.000	−0.000
	(0.002)	(0.001)	(0.002)	(0.001)
Legal-person ownership	−0.001***	−0.000	−0.001***	−0.000
	(0.000)	(0.000)	(0.000)	(0.000)
R&D intensity	0.091	0.153*	0.090	0.153*
	(0.076)	(0.087)	(0.076)	(0.087)
Public float (outstanding shares divided by total issued shares)	0.028	0.017	0.028	0.017
	(0.025)	(0.033)	(0.025)	(0.033)
Money center location	0.005	0.002	0.005	0.002
	(0.010)	(0.010)	(0.010)	(0.010)
Independent board members (%)	−0.109	−0.065	−0.112	−0.065
	(0.086)	(0.080)	(0.086)	(0.080)
Board size	0.000	0.001	0.000	0.001
	(0.003)	(0.003)	(0.003)	(0.003)

(Continues)

TABLE 7 (Continued)

Variables	Negative-news meetings (1)	Positive-news meetings (2)	Negative-news meetings (3)	Positive-news meetings (4)
CEO duality	−0.009	−0.006	−0.009	−0.006
	(0.009)	(0.010)	(0.009)	(0.010)
Number of press releases in the past 30 days	0.000	−0.001	0.000	−0.001
	(0.001)	(0.001)	(0.001)	(0.001)
SZSE index firms	0.012	0.023*	0.013	0.023*
	(0.011)	(0.013)	(0.011)	(0.013)
Analyst attended meeting	0.005	−0.001	0.005	−0.001
	(0.006)	(0.006)	(0.006)	(0.006)
Constant	0.590***	0.783***	0.587***	0.783***
	(0.150)	(0.163)	(0.149)	(0.163)
Year and industry fixed effect	Yes	Yes	Yes	Yes
Observations	7661	7052	7661	7052
R^2	0.043	0.042	0.043	0.042

Note: This table reports the effects of top management attendance and blockholder fund attendance on the tone of published meeting notes. We extract corporate insiders' answers from the meeting notes. Following Bowen et al. (2018), tone is measured as the number of positive words minus the number of negative words, scaled by one plus the sum of the number of positive and negative words. Higher (lower) values of the measure indicate more positive (negative) tone. In Models 1 and 2, we use OLS regression and regress the meeting notes tone on top management attendance and blockholder fund attendance. In Models 3 and 4, we add the interaction between blockholder funds attendance and top management attendance. We also differentiate the effects on (1) negative-news meetings (where cumulative abnormal returns [CARs] during the 5-day meeting windows are less than zero) in Models 1 and 3 and (2) positive-news meetings (where CARs during the 5-day meeting windows are greater than zero) in Models 2 and 4. The models also control for the same set of firm- and meeting-level characteristics as in Table 4. Variable definitions and data sources are in Appendix B. We cluster standard errors by firm and report robust standard errors in parentheses.

*$p < 0.10$; **$p < 0.05$; ***$p < 0.01$.

Roberts & Whited, 2013). To address this potential endogeneity bias, we employ a matched-sample approach. According to Reeb et al. (2012), *"this approach attempts to correct for the non-random treatment effect by matching a treated firm (or person) to an untreated firm which has similar characteristics"* (p. 214). Essentially, we (1) create matched treatment and control groups of private meetings based on a large set of firm- and meeting-level characteristics and (2) examine how attendance of blockholder funds in the meeting affects stock return volatility following private meetings.

Following Lemmon and Roberts (2010), we use propensity score matching in conjunction with difference-in-differences estimation to examine how stock return volatility changes in the pre- versus post-private-meeting periods for two groups of private meetings: (1) a subsample of private meetings that are attended by at least one blockholder fund and (2) a matching subsample of private meetings that are not attended by a blockholder fund. To match the two subsamples, we use propensity score methodology based on the probability of a blockholder fund attending a private meeting. First, we estimate the probability of a firm hosting at least one blockholder fund during

a private meeting. The dependent variable is a dummy variable that equals 1 if at least one blockholder fund attends the private meeting, and 0 otherwise. The independent variables include the full set of firm- and meeting-level characteristics used in Table 4. We estimate a probit model and retain the estimated probability value of each meeting that hosts at least one blockholder fund. We sort our sample based on these probability values. For each private meeting that is attended by a blockholder fund, we look for a private meeting with the closest probability value that has no blockholder fund in attendance. This approach allows us to examine two private meeting subsamples that are similar ex ante in their likelihood of hosting blockholder funds in the meeting. This should partially mitigate the potential concern that blockholder funds endogenously select certain types of firms and meetings (based on this large set of observed characteristics) that may be associated with the postmeeting stock return volatility.[34]

In our sample, we find 472 private meetings attended by blockholder funds and 472 matched private meetings that were not attended by a blockholder fund. Using this matched sample, we repeat the same analysis in Table 4 and present the matched-sample results in Table 8.

In Model 1 of Table 8, we find that the coefficient on blockholder fund attendance is negative and significant at the 1% level, which confirms that negative-news meetings with at least one blockholder fund in attendance experience lower stock return volatility. In Model 2, we find the interaction between blockholder fund attendance and top management attendance is negative and significant at the 5% level, which again indicates that negative-news meetings attended by both top management and blockholder funds are associated with even lower postmeeting stock return volatility compared to other negative-news meetings not attended by either top management or blockholder funds. Also consistent with earlier findings, Models 3 and 4 report insignificant results for positive-news meetings.

We conduct matched-sample analyses on other meeting-level outcomes, such as in Tables 3 and 6. We find qualitatively similar (albeit slightly weaker) results. We still find that top management is more likely to attend private in-house meetings that contain negative news when blockholder funds are present (significant at the 10% level). We also find that hosting firms use less positive tone language in published meeting notes when both top management and blockholder funds are present in the negative-news meetings (significant at the 10% level). These results are available from the authors.

5.2.2 | Firm fixed-effects models

Although we control for many firm-level and meeting-level variables in the regression models underlying Tables 3–6 and use a matched-sample based on many observed characteristics (in Table 8), it remains possible that unobservable firm characteristics affect the decision of blockholder funds to attend private meetings and subsequently trade on what they learn. To address a potential omitted-variable problem that may induce endogeneity in the pooled OLS regression, we estimate firm fixed-effects regressions for the meeting-level data set as a robustness check. In particular, we focus on stock return volatility because of the importance of this finding in our study. By considering variations within each firm over time, we control for any time-invariant firm characteristics. In other words, in Table 9 we examine whether the attendance of a blockholder fund affects postmeeting stock return volatility for all of the private meetings organized by each firm.

[34]We report the probit model from propensity score matching in Part D of the Online Appendix. To make sure that propensity score matching makes the matched samples more similar, we also report the *t*-test for the mean differences between the treated sample (i.e., meetings attended by at least one blockholder fund) and control sample (i.e., meetings not attended by any blockholder fund) before and after the matching. We report in Online Appendix Table OA8 that the mean differences are much smaller (and most are insignificant) after the matching. We only include observations with common support (i.e., a range of propensity scores of treated and control observations that overlap between the two samples) in our analysis.

TABLE 8 Propensity score matching and difference-in-differences analyses of stock return volatility changes around private in-house meetings.

Variables	Negative-news meetings (1)	(2)	Positive-news meetings (3)	(4)
Blockholder fund attendance	−0.210***	−0.023	0.043	0.083
	(0.074)	(0.103)	(0.073)	(0.109)
Top management attendance	−0.055	0.111	0.062	0.099
	(0.079)	(0.121)	(0.088)	(0.111)
Blockholder fund attendance × Top management attendance		−0.318**		−0.072
		(0.143)		(0.161)
Total mutual fund ownership	−0.001	0.000	0.003	0.003
	(0.003)	(0.004)	(0.003)	(0.004)
Number of company staff members in the meeting	0.031	0.021	0.001	0.001
	(0.033)	(0.032)	(0.028)	(0.028)
Analyst coverage	0.009	0.009	−0.000	−0.000
	(0.007)	(0.008)	(0.008)	(0.008)
Total assets	−0.230***	−0.209**	−0.300***	−0.299***
	(0.075)	(0.081)	(0.077)	(0.077)
Leverage	−0.554	0.072	−2.228**	−2.171**
	(1.041)	(1.047)	(0.890)	(0.867)
Market-to-book ratio	0.044	−0.009	−0.029	−0.028
	(0.064)	(0.064)	(0.073)	(0.072)
ROA	−1.949	−1.533	−4.668***	−4.664***
	(1.250)	(1.412)	(1.590)	(1.596)
Sales growth	0.326	0.124	0.628***	0.628***
	(0.222)	(0.224)	(0.231)	(0.231)
State ownership	0.403	0.205	0.067	0.064
	(0.478)	(0.531)	(0.385)	(0.387)
Stock performance (3-month BHAR before the meeting)	0.852***	0.924***	0.492*	0.490*
	(0.273)	(0.279)	(0.281)	(0.282)
Information quality ranking	0.028	0.004	−0.001	−0.000
	(0.088)	(0.098)	(0.073)	(0.074)
Other public investor relation activities in the month before the meeting	0.063*	0.055*	0.085**	0.083**
	(0.033)	(0.030)	(0.033)	(0.034)
Number of outsider participants	0.000	0.002	0.005**	0.005**
	(0.004)	(0.004)	(0.002)	(0.002)

TABLE 8 (Continued)

Variables	Negative-news meetings (1)	(2)	Positive-news meetings (3)	(4)
Number of words in the meeting notes	0.073	0.061	0.012	0.015
	(0.062)	(0.066)	(0.052)	(0.054)
Days between meeting date and publication date	0.002*	0.001	0.004***	0.004***
	(0.001)	(0.001)	(0.001)	(0.001)
Days between meeting date and next quarterly earning date	0.002***	0.002***	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)
Stock abnormal return on the next quarterly earning date	−0.672	−0.668	0.538	0.543
	(0.545)	(0.563)	(0.601)	(0.602)
Managerial ownership	0.010	0.011*	0.012**	0.012**
	(0.006)	(0.006)	(0.006)	(0.006)
Board member ownership	−0.010	−0.011*	−0.019***	−0.019***
	(0.006)	(0.007)	(0.006)	(0.006)
Other financial institutional ownership	−0.009	−0.010	−0.024*	−0.024
	(0.015)	(0.016)	(0.014)	(0.015)
Legal-person ownership	0.003	0.002	0.003	0.003
	(0.004)	(0.003)	(0.003)	(0.003)
R&D intensity	0.144	0.452	0.661	0.684
	(0.763)	(0.811)	(1.068)	(1.073)
Public float (outstanding shares divided by total issued shares)	−0.369	−0.241	−0.328	−0.336
	(0.329)	(0.345)	(0.436)	(0.433)
Money center location	0.080	0.168	0.108	0.112
	(0.104)	(0.102)	(0.103)	(0.103)
Independent board members (%)	0.008	−0.712	0.155	0.151
	(0.816)	(0.882)	(0.820)	(0.820)
Board size	0.006	−0.000	−0.008	−0.007
	(0.034)	(0.037)	(0.043)	(0.043)
CEO duality	−0.050	−0.057	0.032	0.027
	(0.086)	(0.091)	(0.088)	(0.090)
Number of press releases in the past 30 days	0.022	0.020	0.038**	0.038**
	(0.014)	(0.014)	(0.016)	(0.016)
SZSE index firms	−0.108	−0.057	0.078	0.079
	(0.105)	(0.116)	(0.120)	(0.120)

(Continues)

TABLE 8 (Continued)

Variables	Negative-news meetings (1)	(2)	Positive-news meetings (3)	(4)
Analyst attended meeting	0.071	0.125	−0.127	−0.129
	(0.126)	(0.128)	(0.114)	(0.114)
Constant	5.990***	6.115***	7.915***	7.857***
	(1.556)	(1.740)	(1.888)	(1.924)
Year and industry fixed effect	Yes	Yes	Yes	Yes
Observations	511	511	433	433
R^2	0.293	0.236	0.418	0.418

Note: In this table, we create a matched sample for two groups of private meetings: (1) a treatment sample of private meetings that are attended by at least one blockholder fund and (2) a control sample of private meetings that are not attended by a blockholder fund. More specifically, we use propensity score matching methodology based on the probability of the blockholder fund attending the private meeting. First, we use the meeting-level data set to estimate the probability of a firm hosting at least one blockholder fund during a private meeting. The dependent variable is a dummy variable that equals 1 if at least one blockholder fund attends the private meeting, and 0 otherwise. The independent variables include the full set of firm- and meeting-level characteristics used in Table 4. We estimate a probit model and retain the estimated probability value of each meeting that hosts at least one blockholder fund. We sort our sample based on these probability values. For each private meeting that is attended by a blockholder fund, we look for a private meeting with the closest probability value that has no blockholder fund in attendance. This matching procedure results in 472 private meetings attended by blockholder funds and 472 matched private meetings that were not attended by a blockholder fund. Using this matched sample, we repeat the analysis in Table 4 and report the results in this table. We regress the changes in stock return volatility (i.e., stock return volatility in the (0, +30) days on and after the meeting date minus the stock return volatility in (−60, −30) days before the meeting) on blockholder fund attendance (which equals 1 if a meeting is attended by at least one blockholder fund, and 0 otherwise) in Models 1 and 3. We regress the same dependent variable on the interaction between top management attendance and blockholder fund attendance in Models 2 and 4. The first two models in Table 7 present the results for negative-news meetings (where cumulative abnormal returns [CARs] during the 5-day meeting windows are less than zero) and the last two models present the results for positive-news meetings (where CARs during the 5-day meeting windows are greater than zero). The models also control for the same set of firm- and meeting-level characteristics as in Table 4. Variable definitions and data sources are in Appendix B. We cluster standard errors by firm and report robust standard errors in parentheses.

*$p < 0.10$; **$p < 0.05$; ***$p < 0.01$.

Table 9 reports similar regression models as in Table 4. For negative-news meetings in Model 1, we continue to find that blockholder fund attendance is associated with reduced stock return volatility (i.e., the coefficient on fund ownership is negative and significant at the 10% level). When top managers also attend a meeting with blockholder funds, stock return volatility decreases further; that is, the coefficient of the interaction term is negative and significant at the 5% level in Model 2. Again, we do not find a significant effect of blockholder fund or top management attendance on stock return volatility in positive-news meetings (Models 3 and 4). Thus, by controlling for potential unobserved time-invariant firm characteristics, we find a similar (albeit weaker) result that blockholder fund attendance is associated with lower stock return volatility after negative-news meetings.[35]

[35]We also estimate firm fixed-effect models on other meeting-level outcomes, such as in Tables 3 and 6. We find qualitatively similar results. We continue to find that top management is more likely to attend private in-house meetings that contain negative news when blockholder funds are present (significant at the 5% level). We also find that hosting firms use less positive tone language in published meeting notes when both top management and blockholder funds are present in the negative-news meetings (significant at the 10% level). For brevity, we do not provide the results here but they are available from the authors.

TABLE 9 Effects of blockholder fund and top management attendance on postmeeting stock return volatility (firm fixed-effects models).

Variables	Negative-news meetings (1)	(2)	Positive-news meetings (3)	(4)
Blockholder fund attendance	−0.101*	0.028	−0.003	0.036
	(0.052)	(0.073)	(0.061)	(0.085)
Top management attendance	0.010	0.020	0.048	0.051*
	(0.027)	(0.028)	(0.031)	(0.031)
Blockholder fund attendance × Top management attendance		−0.243**		−0.078
		(0.099)		(0.117)
Total mutual fund ownership	0.003**	0.003**	0.003	0.003
	(0.001)	(0.001)	(0.002)	(0.002)
Number of company staff members in the meeting	−0.016	−0.016	−0.006	−0.005
	(0.011)	(0.011)	(0.012)	(0.012)
Analyst coverage	0.023***	0.023***	0.021***	0.021***
	(0.004)	(0.004)	(0.004)	(0.004)
Total assets	0.436***	0.435***	0.136	0.136
	(0.097)	(0.097)	(0.111)	(0.111)
Leverage	−1.663***	−1.658***	−0.644	−0.647
	(0.496)	(0.496)	(0.545)	(0.545)
Market-to-book ratio	−0.026	−0.027	−0.149***	−0.149***
	(0.023)	(0.023)	(0.027)	(0.027)
ROA	1.428**	1.408**	0.953	0.960
	(0.636)	(0.636)	(0.735)	(0.735)
Sales growth	−0.024	−0.026	−0.055	−0.056
	(0.065)	(0.065)	(0.076)	(0.076)
State ownership	−0.280	−0.284	−0.333	−0.335
	(0.218)	(0.218)	(0.231)	(0.231)
Stock performance (3-month BHAR before the meeting)	0.827***	0.824***	0.779***	0.778***
	(0.056)	(0.056)	(0.066)	(0.066)
Information quality ranking	−0.033	−0.033	−0.067*	−0.067*
	(0.032)	(0.032)	(0.037)	(0.037)
Other public investor relation activities in the month before the meeting	0.020***	0.020***	0.027***	0.027***
	(0.006)	(0.006)	(0.007)	(0.007)
Number of outsider participants	0.003	0.003	0.004**	0.004**
	(0.002)	(0.002)	(0.002)	(0.002)

(Continues)

TABLE 9 (Continued)

Variables	Negative-news meetings (1)	(2)	Positive-news meetings (3)	(4)
Number of words in the meeting notes	0.021	0.021	0.005	0.005
	(0.015)	(0.015)	(0.017)	(0.017)
Days between meeting date and publication date	−0.000	−0.000	−0.000	−0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Days between meeting date and next quarterly earning date	0.002***	0.002***	0.002***	0.002***
	(0.000)	(0.000)	(0.000)	(0.000)
Stock abnormal return on the next quarterly earning date	−0.160	−0.162	0.089	0.091
	(0.124)	(0.124)	(0.135)	(0.135)
Managerial ownership	0.005	0.005	0.008*	0.008*
	(0.004)	(0.004)	(0.004)	(0.004)
Board member ownership	−0.004	−0.004	−0.010**	−0.010**
	(0.004)	(0.004)	(0.005)	(0.005)
Other financial institutional ownership	−0.015**	−0.015***	−0.007	−0.007
	(0.006)	(0.006)	(0.007)	(0.007)
Legal-person ownership	−0.000	−0.000	−0.002*	−0.002*
	(0.001)	(0.001)	(0.001)	(0.001)
R&D intensity	1.062*	1.068*	−0.546	−0.549
	(0.618)	(0.618)	(0.807)	(0.807)
Public float (outstanding shares divided by total issued shares)	−0.021	−0.021	0.422***	0.422***
	(0.121)	(0.121)	(0.133)	(0.133)
Independent board members (%)	−0.146	−0.135	0.738	0.733
	(0.516)	(0.516)	(0.525)	(0.525)
Board size	−0.014	−0.014	−0.044*	−0.044
	(0.024)	(0.024)	(0.027)	(0.027)
CEO duality	−0.016	−0.017	0.181***	0.180***
	(0.055)	(0.055)	(0.064)	(0.064)
Number of press releases in the past 30 days	0.005	0.005	0.008**	0.008**
	(0.004)	(0.004)	(0.004)	(0.004)
Analyst attended meeting	−0.038*	−0.038*	0.032	0.032
	(0.021)	(0.021)	(0.024)	(0.024)
Constant	−7.356***	−7.341***	−0.781	−0.792
	(2.114)	(2.113)	(2.413)	(2.414)

TABLE 9 (Continued)

Variables	Negative-news meetings (1)	(2)	Positive-news meetings (3)	(4)
Year and firm fixed effects	Yes	Yes	Yes	Yes
Observations	7996	7996	7443	7443
R^2	0.443	0.444	0.481	0.481
Number of unique firms	1116	1116	1113	1113

Note: This table uses firm fixed-effects regressions and reports the effects of blockholder fund and top management attendance on hosting firms' stock return volatility. Similar to Table 4, for each meeting we measure changes in stock return volatility in the (0, +30) days on and after the meeting date versus the (−60, −30) days before the meeting. In Models 1 and 3, we use OLS regression and regress the changes in stock return volatility on blockholder fund attendance, top management attendance, and the same set of firm- and meeting-level characteristics as in Table 4. In Models 2 and 4, we add the interaction between top management attendance and blockholder fund attendance. The first two models in Table 9 present the results for negative-news meetings (where cumulative abnormal returns [CARs] during the 5-day meeting windows are less than zero) and the last two models present the results for positive-news meetings (where CARs during the 5-day meeting windows are greater than zero). Time-invariant firm variables are dropped from the fixed-effects models, such as money center location and SZSE index firms. Other control variables are similar to those variables reported in Table 4. Variable definitions and data sources are in Appendix B. We cluster standard errors by firm and report robust standard errors in parentheses.

*$p < 0.10$; **$p < 0.05$; ***$p < 0.01$.

As a caveat, because we use archival data to test the hypotheses, we need to be cautious about drawing strong causal inferences from our findings. Both blockholder attendance and top management attendance at meetings are highly endogenous. Because we do not know who initiated each meeting in our data set, we do not know which party's attendance caused the outcomes we document. Although we use various empirical methods to address potential endogeneity (such as propensity score matching and firm fixed-effect models), they do not eliminate this concern. We acknowledge this as a limitation of our study.[36]

5.3 | Blockholder funds' future access to private meetings

An additional important question is: Why do blockholder mutual funds chose to maintain their stockholdings after attending a negative-news meeting with top management?[37] One possible explanation consistent with social bonding theory discussed earlier is that not selling (or even buying) shares allows blockholder funds to maintain their relationship with management, resulting in improved future access to private meetings. To test this conjecture, we extend our mutual fund holding and private meeting sample by another 3 years (2015–2017). We track each blockholder fund that attended a private meeting with the hosting firm up to 3 years after each negative-news meeting. We find that, on average, blockholder mutual funds that either buy or do not sell shares after negative-

[36]We also evaluate whether our results vary if we use different ownership thresholds to define blockholders. We reexamine key findings in Tables 3–5 based on blockholder ownership ranging from 3% to 7%. Our untabulated results remain similar with higher thresholds (i.e., 6% or 7% or more block ownership) but become insignificant with lower thresholds (i.e., 3% or 4%). This suggests that the 5% threshold commonly used in the literature and in regulation is an important cut-off level to differentiate blockholder owners from nonblockholder owners. Given that blockholders are required to disclose more information about their holdings, they may take a more proactive approach to monitor and maintain a strategic relationship with top management of firms where they have a significant investment.

[37]An anonymous referee suggested this analysis.

news meetings attend 10.35 private meetings with the hosting firm in the next 3 years (compared to blockholder funds that sell shares attend 9.37 meetings). We interpret this difference of one meeting (about 10%) to be economically significant.

In addition, we use regression analysis to test the statistical difference after controlling for meeting firm and blockholder fund characteristics. In Table 10, we regress the number of private meetings attended in the following 3 years on blockholder mutual funds' selling behavior and other control variables. The sample is limited to negative-news meetings where blockholder funds attend the meetings. We find similar evidence that blockholders that sell their shares after negative-news meetings tend to have less access to private meetings with the same firm in the future. This reduced access to private meetings is more significant when top management is present in the negative-news meetings. These results support the conjecture that not selling shares after negative-news meetings allows blockholder funds to maintain a closer relationship with management, resulting in improved access to private meetings in the future.

6 | SUMMARY AND CONCLUSIONS

The literature has generally focused on how investors and analysts can benefit from private interactions with managers (e.g., Cheng et al., 2016, 2019; Solomon & Soltes, 2015). However, there has been little research on whether firms (1) cater to the informational demands of institutional investors and (2) benefit from private meetings. Our article suggests that (1) managers of hosting firms and blockholder mutual funds (with ≥5% ownership in the hosting firm) use private meetings strategically—especially around negative firm-specific developments, (2) these meetings at least partially mitigate the increased stock volatility that normally follows negative news, and (3) these meetings appear to strengthen the social bond between blockholder funds and hosting firms.

In our empirical tests, we use a large hand-collected data set of private in-house meetings hosted by SZSE-listed firms. First, we find that top management of hosting firms is more likely to meet with blockholder funds in the presence of negative news. This suggests that senior managers prefer to meet influential investors in a negative-news setting, perhaps to address key investors' concerns and mitigate potential negative outcomes. Second, when firms meet with blockholder funds in negative (but not positive) news private in-house meetings, stock return volatility tends to be lower in postmeeting periods. Third, when blockholder funds attend private meetings that contain negative news, they (1) are less likely to sell their holdings after the meetings and (2) tend to have a longer investment relationship with the hosting firm. Fourth, based on the tone analysis of published meeting notes around negative-news meetings, we find that top managers tend to use less positive tone when they meet with blockholder funds, which suggests that they are (at least somewhat) more forthcoming about negative information when they interact with blockholder funds. This appears to be an effective strategy to build credibility and trust between top management and blockholder funds. Finally, we find that blockholders that sold some of their shares following a negative meeting are less likely to attend future meetings with top management relative to blockholders that did not sell shares or purchased more shares.

Our article contributes to the institutional ownership and voluntary disclosure literatures. First, it contributes to our understanding of management's strategic intentions behind holding voluntary private in-house meetings. Second, we provide a better understanding of the dynamics of private interactions between listed firms and blockholder mutual funds in an emerging market setting. Third, we explore how firms and blockholders use private meetings to mitigate potential market disruption, especially around negative firm-specific news. Private meetings appear to give management an opportunity to address specific concerns of blockholder funds, which in turn benefits the firm through less stock return volatility.

Our findings have potentially important implications for firm management, institutional investors, and public policy. Our results suggest that top management of SZSE-listed firms consider private meetings to be both an

TABLE 10 Blockholder fund attendance in future meetings conditioned on whether funds sold shares after a negative-news private meeting.

Variables	(1)	(2)
Blockholder funds sell shares	−0.111***	−0.059
	(0.034)	(0.041)
Top management presence		−0.057
		(0.037)
Blockholder funds sell shares × Top management presence		−0.138**
		(0.058)
Blockholder fund ownership	0.001	0.000
	(0.004)	(0.004)
Blockholder fund age	−0.445***	−0.442***
	(0.014)	(0.014)
Blockholder fund size	0.520***	0.506***
	(0.062)	(0.062)
Blockholder fund reputation	0.013**	0.013**
	(0.006)	(0.006)
Analyst coverage	0.032***	0.033***
	(0.002)	(0.002)
Firm size	0.161***	0.161***
	(0.020)	(0.020)
Constant	−4.437***	−4.281***
	(0.748)	(0.747)
Industry and year fixed effects	Yes	Yes
Observations	4027	4027
R^2	0.367	0.371

Note: In this table, we use OLS regression and regress the number of private meetings attended by blockholder mutual funds in the three years after each negative-news meeting on blockholder funds' selling behavior. Blockholder funds sell shares is a dummy variable that equals 1 if a blockholder mutual fund reduces its holdings in the meeting firm from 1 quarter before to 1 quarter after a negative-news meeting. If a blockholder mutual fund's quarterly holding around the meeting is unchanged or increases, we code the dummy variable as 0. Model 1 shows the main effect of the regression model. Model 2 interacts blockholder funds sell shares with top management presence, which equals 1 if top management was in the negative-news meeting, and 0 otherwise. The sample is limited to negative-news meetings where blockholder funds attend. We conduct the analysis at the blockholder fund-firm level, which allows us to control for blockholder characteristics such as blockholder fund ownership in the firm, fund age (number of years since the inception of the fund), and fund reputation (number of awards received by the fund). We also control for firm size and financial analyst coverage in the models. We cluster standard errors by firm and report robust standard errors in parentheses.

**$p < 0.05$; ***$p < 0.01$.

information disclosure channel and a relationship-building opportunity that can mutually benefit the firm and influential outsider investors. By improving mutual understanding and trust, top management appears to receive support from blockholders in reducing selling pressure around negative news.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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APPENDIX A: EXAMPLE OF REPORTED PRIVATE IN-HOUSE MEETING NOTES

Stock Code: 000718 Company Name: Sunning Universal

The record of Sunning Universal Investor Relations Code: 2012-001

Type of Investors Relation Activities	■Specific entity investigation □Analyst meeting □Media interview □Performance announcement meeting □Public news meeting □Road show ■Site visit □Other (conference call)
Meeting participants	Guotai Junan Securities, Analyst: Li Pingke, Ding Ming, Wen Yang; Hong Ding Investment, Analyst: Lu Tiezhuang, Zhang Liang; TF Securities, Analyst: Wang Rongpiao; Starock, Analyst: Guo Xichun; Caitong Securities, Analyst: Ye Zhijun; Anbang Group, Analyst: Wei Yubo; Taikang Asset, Analyst: Zhang Jingfeng; Jiahe Life Insurance, Analyst: Feng Anming; Hezhong Renshou, Analyst: Cheng Rui; China Life, Analyst: Li Biao; CCB Principal Asset Management, Analyst: Wang Dongjie; China International Fund Management, Analyst: Ren Yun; Changsheng Fund, Analyst: Sun Ke; Zhonghai Fund, Analyst: Xia Chunhui;Huafu Fund, Analyst: Zhang Xiaolin; China Asset Management, Analyst: Wang Jiapeng ; BNY Mellon Western Fund Management, Analyst: Wang Guoguang ;

	Goldstate Capital, Analyst: Lu Yiwen; Guotai Fund, Analyst: Xu Jin; Dacheng Fund, Analyst: Huang Wanqing ; Yinhua Fund, Zou Jijian
Time	08/03/2012 9:30 AM
Where	Meeting Room of the branch in Jiangbei district
Management Attended	President Assistant: Liu Denghua Deputy Manager of Securities Department: Liu Hongxiang
Contents of the meeting	First: Analysts toured around the projects in Jiangbei district, such as "Tian Run Cheng" and "Wei Ni Si Shui Cheng" Second: Management participants started Q&A session after signing the Non-Disclosure Agreement. ***Q1: Your company's stock price plummeted by 10% to its daily limit yesterday; is your company undergoing fundamentally major changes?*** Answer: Our operating activity is normal. By the end of June of this year, sales contracts signed are worth RMB 3.616 billion, a 146.32% year-on-year growth, which is better than last year. We do not have any negative news. ***Q2: Recently, the supervision committee of China's Central Government has been dispatched to Nanjing; would this affect your company?*** Answer: According to the media, this committee will supervise the local government, focusing on the implementation of limited house sales and new housing mortgage regulations, the supply and management of housing land, and tax levying. They will conduct supervision by examining policy implementation materials in local government, visiting housing sites, and soliciting public opinion. We believe that the group will (1) focus on whether local government has duly implemented the limited housing sales policy formulated by the central government, (2) survey some real estate projects, and (3) pay extra attention to the rise in housing prices -- because the central government wants to keep housing prices stable. Our company's real estate products in Nanjing meet the demand and are stable in price, in line with government policies. ***Q3: Can the company reach its annual sales target this year?*** Answer: According to the semi-annual earning forecast on July 20, because demand in first half of 2012 increased, we sold 494,600 square meters of land, a 203.62% YOY growth, or sales revenue of RMB 3.616 billion, which is a 146.32% YOY growth. When this revenue growth translates into net income, we think it will be higher than that of last year. We estimate the EPS in the first half-year will be between RMB 0.1997 and 0.208, a 20% to 25% YOY growth. The company will formulate its sales strategy in line with the market conditions, in an attempt to reach the sales goal set at the beginning of the year. ***Q4: Does the government have a very low tolerance on the rise of housing prices?*** Answer: The government wants the price to be stable, rather than increasing or decreasing significantly. We are in the same direction with the government to keep housing prices in check. ***Q5: The company has recorded sales revenue of RMB 3.616 billion in the first half of this year; can I know the revenues of specific business sectors that contribute to this figure?*** Answer: Our sales projects include "Tian Run Cheng" and "Wei Ni Si Shui Cheng" in Jiangbei District; "Tian Jiu Yu Cheng" in Yixing city and "Cheng Shi Zhi Guang" in Wuhu city. ***Q6: What is your strategy for future development?*** Answer: Our development strategy is "deepening the root in Nanjing city, solidifying our footprint in Jiangsu province, and eyeing the national market." We will mainly increase land reserves in the Yangtze Delta and the Zhujiang Delta regions and capitalize on our advantage in Jiangsu province to explore the

(Continues)

	national market by shortening the development period, accelerating capital conversion circle, following the market trend, controlling costs, strengthening quality control, raising brand awareness, abiding by the law, tightening internal controls, and elevating professionalism.
Attachment: yes/no	No
Date of record	Aug 3, 2012

APPENDIX B: VARIABLE DEFINITIONS AND DATA SOURCES

Main variables	Measures	Data sources
Main dependent variables		
Propensity to attend private in-house meetings	Dummy variable that equals 1 if the mutual fund attends the meeting, and 0 otherwise	Shenzhen Stock Exchange (SZSE) disclosure documents
Change in postmeeting stock return volatility	Stock return volatility in the (0, +30) days on and after the meeting date subtracted by the stock return volatility in the (−60, −30) days before the meeting	China Stock Market & Accounting Research (CSMAR) database and SZSE disclosure documents
Decrease in mutual fund ownership	Dummy variable that equals 1 if an individual mutual fund decreased its stockholdings in the quarter immediately after the meeting and 0 if it increased its stockholdings or did not change in the meeting firm	CSMAR database and SZSE disclosure documents
Meeting notes tone	Tone ratio is measured as the number of positive words minus the number of negative words, scaled by one plus the sum of the number of positive and negative words in each meeting notes	SZSE disclosure documents
Number of private meeting attendance in the following 3 years	Count of private meetings attended by blockholder mutual funds in the 3 years after each negative new meetings	SZSE disclosure documents
Mutual fund variables		
Mutual fund reputation	Number of awards received by the mutual fund between 2007 and 2012	Wind Financial Terminal
Mutual fund age	Number of years between the start year of the mutual fund management company and the private in-house meeting	Wind Financial Terminal
Mutual fund size	Log transformed renminbi (RMB) value of the total financial assets managed by the mutual fund	Wind Financial Terminal
Blockholder fund (semi-annual measure)	Dummy variable that equals 1 if a mutual fund has equal to or more than 5% ownership of the meeting firm in the latest semi-annual report before the meeting, and 0 otherwise	

Main variables	Measures	Data sources
Blockholder fund (quarterly measure)	Dummy variable that equals 1 if a mutual fund has equal to or more than 5% ownership of the meeting firm in the latest quarterly report before the meeting, and 0 otherwise	
Hosting firm variables		
Analyst coverage	Number of unique analyst firms providing financial forecasts on the firm	CSMAR database
Total assets	Log transformed total assets value of the firm	CSMAR database
Leverage	Long-term debt divided by total assets of the firm	CSMAR database
Market-to-book ratio	Market value of equity divided by book value of equity	CSMAR database
ROA	Return on assets: operating income divided by total assets	CSMAR database
Sales growth	Percentage of growth rate of the current year's revenue compared to last year's revenue	CSMAR database
State ownership	Percentage of issued shares owned by the government	Wind Financial Terminal
Information quality ranking	Information quality ranking developed by the SZSE. The letter grade ranking ranges from D (poor information quality) to A (good information quality). We code A-grade firms with a value of 4, B as 3, C as 2 and D as 1	SZSE website
Managerial ownership	Percentage of outstanding shares owned by company executives	Wind Financial Terminal
Other financial institutional ownership	Percentage of outstanding shares owned by financial institutional investors excluding mutual funds (including insurance companies, social security fund, Qualified Foreign Institutional Investor [QFII], brokerage firms, and others)	Wind Financial Terminal
Legal-person ownership	Percentage of outstanding shares held by legal person or other corporations	Wind Financial Terminal
Public float (outstanding shares divided by total issued shares)	Percentage of nonrestricted shares of total issued shares	Wind Financial Terminal
Board member ownership	Percentage of outstanding shares held by board members	Wind Financial Terminal
R&D intensity	Research and development (R&D) expense-to-sales ratio	CSMAR database
Independent board members (%)	Percentage of board members who are independent from the company	CSMAR database
Board size	Total number of board members (including the chairman)	CSMAR database
CEO duality	Dummy variable that equals 1 if the CEO is also the chairman of the board, and 0 otherwise	CSMAR database

(Continues)

Main variables	Measures	Data sources
Money center location	Dummy variable that equals 1 if the firm is located in a money centers in China (i.e., Beijing, Shanghai, and Shenzhen), and 0 otherwise	CSMAR database
SZSE index firms	Dummy variable that equals 1 if the firm is included in the SZSE composite index, and 0 otherwise	SZSE website
Private meeting variables		
Blockholder fund attendance	Dummy variable that equals 1 if there is a blockholder fund (which has more than 5% ownership in the firm) attending the meeting, and 0 otherwise	CSMAR database and SZSE disclosure documents
Positive (vs. negative) news meetings	Dummy variable that equals 1 if the meeting date cumulative abnormal return (CAR) (−2, +2) is positive and 0 if the CAR value is negative. CARs are estimated based on the market model using daily stock returns of meeting companies and the local market index; estimation window is between (−255, −43) days before the meeting dates	CSMAR database and SZSE disclosure documents
Meeting date CAR (− 2, +2)	CARs in the (−2, +2) days around meeting date. CARs are estimated based on the market model using daily stock returns of meeting companies and the local market index; estimation window is between (−255, −43) days before the meeting dates	CSMAR database and SZSE disclosure documents
Number of participants	Number of investors, analysts, and other participants attending the private in-house meeting (excluding the staff and executives of the hosting firm)	SZSE disclosure documents
Presence of top management in the meeting	Dummy variable that equals 1 if anyone from top management (such as chairman of the board, CEO, or CFO) attends the meeting, and 0 otherwise	SZSE disclosure documents
Number of company staff members in the meeting	Number of company staff members (i.e., company insiders) attending the private meeting	SZSE disclosure documents
Number of outsider participants	Number of company outsiders (e.g., financial analysts, mutual fund managers/analysts) attending the private meeting	SZSE disclosure documents
Stock performance (3-month BHAR before the meeting)	Buy-and-hold abnormal returns (BHARs) of the meeting firm subtracted by the BHARs of the local market index in the 3 months before the meeting	CSMAR database
Other public investor relation activities in the month before the meeting	Number of public investor relation activities (other than in-house meetings) in the month before the private meeting	SZSE disclosure documents
Number of words in the meeting notes	Number of Chinese characters in meeting notes (log transformed)	SZSE disclosure documents

Main variables	Measures	Data sources
Number of press releases in the last 30 days	Number of press releases published by the firm in the 30 days before the meeting	Resset financial database
Time between the meeting and publication	Number of days between the private meeting date and the publication date of the meeting notes on the SZSE web portal	SZSE disclosure documents
Days between meeting date and publication date	Number of days between the meeting date and the meeting notes publication date	SZSE disclosure documents
Days between meeting date and next quarterly earning date	Number of days between the meeting and the next quarterly earnings announcement date	CSMAR database
Earnings announcement in the month	Dummy variable that equals 1 if there is quarterly earnings announcement in the meeting month, and 0 otherwise	CSMAR database
Stock abnormal return on the next quarterly earning date	CARs on the quarterly earnings announcement date after the private in-house meeting. CAR is estimated based on the market model for the period (−2, +2).	CSMAR database
Analyst attended meeting	Dummy variable that equals 1 if there is a financial analyst attending the meeting, and 0 otherwise	SZSE disclosure documents