Home Bias in Foreign Investment Decisions

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Abstract

This paper shows that the home bias is more widespread than once thought. Evidence of the strong investor preference for domestic firms is pervasive not only in international and domestic financial markets, but also in the foreign investment decisions of domestic investors. In contrast to all existing studies that focus on investors' bias toward domestic firms, our research work examines the bias of domestic investors toward foreign firms with presence in their home market. Analyzing the equity holdings of more than 3,000 mutual funds from 22 developed and developing countries worldwide, we find robust evidence that mutual fund managers (all non-U.S. managers) strongly prefer to invest in stocks of U.S.-headquartered firms that have presence in their home country. The home bias behavior is independent of the differences in the cultural background, country of location, and spoken language of this diverse group of mutual fund managers. These professional money managers increase their propensity to invest in a U.S. firm and also to increase their holding weight in the firm's stock after it first establishes presence in their home country. Finally, results suggest that fund managers' familiarity bias explains their strong preference for foreign firms with local presence.

Keywords: Foreign investments, Mutual Funds, and Local Presence JEL Classification Number: G11, G23 It has long been known that, despite the gains from cross-border diversification, the strong investor preference for domestic firms is pervasive in international financial markets.¹ This "home bias" phenomenon not only persists, but also is ubiquitous across developed and developing markets. In a more recent study based on worldwide equity fund holdings data in 1999 and 2000, Chan, Covrig, and Ng (2005) document the existence of home bias in every single country in their sample of 48 countries across the globe. Plausible explanations for the investor strong preference for domestic equities include the existence of cross-border boundaries (that give rise to exchange rate risk, variation in regulation, culture, taxation, accounting standards, corporate governance, language, and economic and market development), information asymmetries, and non-information related factors (familiarity or investor recognition).²

Interestingly, recent research shows that this stylized home-bias phenomenon in international financial markets exists even at home. Coval and Moskowitz (1999) find that U.S. professional money managers exhibit a strong bias toward locally headquartered firms in their domestic stock portfolios. Grinblatt and Keloharju (2001) show the home bias in the investment decisions of both individual and institutional investors in Finland, Ivković and Weisbenner (2004) and Zhu (2002) find the same in those of individual investors in the U.S., and Feng and Seasholes (2004) in those of individual investors in Mainland China. All this evidence at home suggests that the home bias exists irrespective of the existence of cross-border boundaries, and that it apparently remains as long as geographic distance separates investors from potential investments.

In this study we explore the home bias in the foreign investment decisions of professional money managers from a broad range of countries. Our research contributes to the existing literature in several significant directions. One, it represents the first study to examine whether local investors exhibit home bias when making decisions to invest in foreign firms. Specifically, are investors more inclined to invest in stocks of foreign firms that have subsidiaries or operations in their home market than those that have not? Such evidence would be indicative that the home bias is more widespread than once thought.

¹See Lewis (1999) for an excellent review of the literature.

 $^{^{2}}$ Huberman (1998) finds that investors tend to hold stocks of Regional Bell Operating Companies whose local telephone service they subscribe to. According to Merton's (1997) investor-recognition hypothesis, investors are more likely to hold stocks that they recognize or are aware of.

Essentially, our work differs substantially from extant studies of home bias in both international and domestic equity markets. Empirical research of international markets looks at the proportion of domestic investors' investments in domestic firms relative to the world market capitalization weight of their domestic stock market, and empirical work on domestic markets investigates the preference of domestic investors for locally headquartered domestic firms. In contrast to all these studies that focus on investors' bias toward domestic firms, ours examines the bias of domestic investors toward foreign firms with presence in their home market.

Two, we exploit the uniqueness of two databases that enables us to test our hypothesis. The first database from CDA/Spectrum contains detailed information on the portfolio holdings of more than 3,000 mutual funds from 22 developed and developing countries worldwide and their stock allocations in U.S. markets for the period 2000 to 2002. This information allows us to investigate whether mutual funds located in 22 different countries have a propensity to allocate their investments to foreign stocks whose firms have presence in their home country. Our analysis takes the perspective of these mutual funds (the "domestic" investors) and examines how they invest in foreign firms, and the foreign firms are all U.S.-headquartered firms. For example, we look at German fund managers' foreign investments of U.S. firms and hence their portfolio allocations to U.S. stocks whose firms that have a local presence in Germany vs. those whose firms that have no presence in Germany. The second database from the Directory of Corporate Affiliations (DCA) contains business profiles and geographic distribution of these U.S. firms and of their subsidiaries throughout the world. The DCA database permits us to determine the worldwide locations of these U.S.-headquartered firms' subsidiaries and ultimately to ascertain their presence in the 22 countries where our sample of fund managers reside.

Finally, it is important to discuss our motivations for employing only U.S.-headquartered firms as foreign firms and for selecting this huge number of mutual funds from a large cross-section of countries. Existing literature has shown that equity investments in a foreign market can be affected by its country's accounting standard, corporate governance structures, economic and legal environments, spoken language and cultural background, geographic proximity, stock market development, among others.³ For example, foreign firms that have high accounting standards, better financial disclosure policies, better corporate governance structures, and firms from countries with stronger protections to minority shareholders are typically more appealing to investors. These characteristics vary within and across developed and emerging markets, and as a result, examining foreign firms from various countries makes it difficult to disentangle the effects of the above firm-specific and country factors from the effect of a a firm presence on the foreign investment decisions of mutual funds. Therefore, to rule out all these effects, we simply restrict our analysis to the funds' foreign investments in firms from a single country, and obviously, U.S.-headquartered firms are ideal candidates for our study. More important, being the largest in the world, the U.S. equity markets not only have a significantly large number of publicly-traded firms, but also many of these U.S. firms have presence in foreign countries that facilitate our analysis. Furthermore, our selection of mutual funds from multiple countries offers us a valuable opportunity to test the cross-market implications of the home bias hypothesis. Any cross-country evidence of fund managers' strong bias toward U.S. firms with presence in their home country indicates robustness of our test. Also, such a preference suggests that despite the significant differences in their language, culture, and geographic location, this diverse group of fund managers worldwide still exhibit the same home bias behavior.

We find evidence of home bias in foreign investment decisions to be surprisingly overwhelming. Mutual fund managers from countries with varying spoken languages, cultural backgrounds, and geographic distances from the U.S. markets consistently exhibit a strong preference for foreign firms that have presence in their home country. The results are robust to the various firm-specific characteristics that are previously shown to play a significant role in foreign equity portfolios. The results remain materially unchanged, even after controlling for firms' international presence and worldwide visibility (as measured by the firms' global operations and foreign exchange crosslistings). We also show that a change in a U.S. firm's presence status in a country has a strong impact on the portfolio holdings of fund managers. Fund managers are more likely to hold stocks of U.S. firms and also to significantly increase their investment in these firms following the year

³See, for example, Chan, Covrig, and Ng (2004) and Grinblatt and Keloharju (2001).

in which the firms first establish subsidiaries or operations in their country.

Additional investigation suggests that the home bias in foreign investment decisions is unrelated to an information-based explanation. There is no strong evidence that the home bias is related to foreign firms that are associated with information asymmetries, or that domestic fund managers might have easy access to valuable information of these foreign firms with a local presence. Nor is there any evidence that foreign firms with a local presence that domestic fund managers own perform better than those with a local presence but not held by any of the managers. The bottom line of our results is that home bias is part of a larger phenomenon in which investors exhibit a bias toward familiar firms.

The rest of the paper is organized as follows. The next section describes the data. Section 2 discusses the key results of the paper, with the robustness tests in the following section. In Section 4, we conduct a number of tests to determine whether familiarity or information drives the strong preference for foreign firms with a local presence. The final section concludes.

1 Data

We obtain our sample from three data sources: (i) a unique database from DCA that provides information on U.S. firms' foreign operations worldwide, (ii) the Thomson Financial data on foreign mutual fund holdings of U.S. stocks, and (iii) CRSP and Compustat databases. Below we first discuss the two key data sets used in this study. Next, we briefly describe the various firmspecific control variables constructed using CRSP and Compustat databases that are employed in our analyses, followed by summary statistics of the foreign holdings of U.S. stocks.

1.1 Foreign Affiliations of U.S. Firms

We use the annual files of DCA to identify the foreign affiliates of U.S. firms and their locations worldwide. The DCA database is produced by LexisNexis Group, a division of Reed Elsevier Inc., and contains business profiles and corporate linkage ("who owns whom") for approximately 184,000 public and private companies worldwide. It provides profiles of all major domestic and international companies for both parents and affiliates (subsidiaries and major divisions) and their locations. To be included in the database, U.S.-based companies must demonstrate annual sales in excess of \$10 million and non-U.S. based companies must demonstrate annual sales in excess of \$50 million.

The principal organization of the data is geographical (by parent company) and then hierarchical (by company reportage). U.S. companies or international companies are the ultimate parents, with subsidiaries of the same reporting level, irrespective of locations, classified in the same category. Lower level subsidiaries report directly to the nearest higher level subsidiaries. The corporate hierarchies can reach to the ninth level, but the database primarily reports main subsidiaries. We identify a U.S. firm as having a local presence in a certain country when it reports a subsidiary in that country regardless of the actual level of the subsidiary. For example, the database reports that in year 2001 Lehman Brothers Holdings Inc. has seven levels of subsidiaries. Among its three direct subsidiaries (second level and all 100% owned by the parent), only one has presence in the United Kingdom (U.K.) – Lehman Brothers Merchant Banking Partners. This second-level U.K. subsidiary holds 90% of Blount International, Inc., a third-level company, which reports overseas subsidiaries (fourth- to seventh-level companies) in several countries such as Belgium, Germany, Canada, and Sweden. Therefore, regardless of the reporting level, we identify Lehman Brothers as having presence in the U.K., Belgium, Germany, Canada, and Sweden.

Our study focuses on U.S.-headquartered firms that are listed on the NYSE, AMEX and NASDAQ. We include firms that are covered by the DCA database and that have returns and stock-characteristics data on the CRSP and Compustat. We exclude stocks that do not have a CRSP share type code of 10 and 11, such as REITs, closed-end funds, and ADRs. We merge the DCA database with CRSP/Compustat data using Cusip numbers. In a few cases, we use additional information such as a firm name, or a ticker symbol to complete the match. Because the DCA database includes mainly larger firms (firms with at least \$10 million annual sales), the number of stocks it covers is smaller than that contained in CRSP and Compustat databases. Our study therefore includes firms that have corporate profile information from the DCA database and that have returns and financial variables from the CRSP and Compustat for the sample period

of 2001 to 2002. As a result, our sample contains 4,937 in year 2001 and 4,462 in year 2002.

1.2 Foreign Investment in U.S. Equities

Data from Thomson Financial contain detailed equity holdings of at least 3,000 mutual funds from 22 different countries worldwide for the period 2001 to 2002.⁴ The data also report the name of the fund and the management company, the report date, security holdings, and the located country of the mutual fund. While all these mutual funds are incorporated outside the U.S., a proportion of their portfolios is in U.S. equities. And Thomson Financial provides only information on these funds' equity holdings in U.S. markets but not on their remaining holdings in local or other markets. A majority of the funds report their holdings in November and December. We therefore study the fund holdings in U.S. stocks as of their latest reporting date of a given year. We group mutual funds into their respective country based on their country of incorporation. For example, if a fund reports Germany as its located country, then it is classified as a fund from Germany. We, however, exclude offshore funds that are located in financial centers such as Ireland and Luxembourg, since the objective of such funds is to take advantage of the significant tax incentives the two countries offer to fund operators.

Table 1 summarizes descriptive statistics of the equity holdings of foreign funds that have investments in U.S. stocks, by country, and for the year 2002.⁵ The foreign funds are located in 17 developed countries and 5 developing or emerging countries.⁶ The latter include Chile, Hungary, Poland, Portugal, and South Africa. For each country, the table reports the number of mutual funds that hold U.S. stocks, the number of stocks held, the total value of U.S. stockholdings, the total number of U.S. firms that have a local presence, and the number of U.S. firms with a local presence that are held by mutual funds in the country. The last row reports the aggregate information of the 22 countries. Overall, there are 3,381 foreign funds that hold shares of approximately 3,000 U.S. stocks. The aggregate market value of U.S. equities held by these mutual

⁴While such information is available from years 1999 and 2000, the information during this period is incomplete. ⁵The unreported descriptive statistics for the year 2001, available upon request, are quite similar to those for

vear 2002.

 $^{^{6}}$ We classify countries as developing or emerging countries based on the definitions provided by International Financial Corporation.

funds amounts to about \$20 billion.

As seen in Table 1, the number of mutual funds from various countries investing in U.S. firms varies from 1 (Hungary and Poland) to 794 (Germany). The one Hungarian fund holds stocks of 40 different U.S. firms, whereas the German funds in total hold stocks of 1,483 U.S. firms. While the U.K. has the second largest number of mutual funds (736) investing in U.S. markets, they own the largest cross-section of U.S. stocks (2,502). The market value of U.K. funds' stock investment in the U.S. is about \$5.5 billion, which constitutes about 27% of the total market value of U.S. stocks held by our sample of foreign funds worldwide. The Hungarian fund, on the other hand, has the smallest U.S. stock investment of only about \$2 million.

The last two columns of Table 1 reveal one interesting observation. Fund managers exhibit a strong preference for U.S. firms that have presence in their home country, and this is consistent across all 22 developed and developing countries worldwide. For example, in our sample, the number of U.S.-headquartered firms having affiliates in foreign countries varies substantially from 4 in Hungary to 553 in the U.K. And fund managers invest in almost all U.S. firms that have presence in their home country, ranging from 72.7% in Poland (8 out of 11 U.S. firms with a local presence in Poland) to 100% in Portugal (all 22 U.S. firms with a local presence in Portugal).

1.3 Firm-Specific Characteristics

Our analysis also controls for several firm-specific characteristics that are previously shown to affect the investment decisions of institutional investors. For example, Falkenstein (1996) examines the stock preferences of U.S. mutual fund managers, as revealed by their equity holdings, and finds that fund managers generally prefer stocks with large market capitalization, high liquidity, and low transaction costs. Gompers and Metrick (2001) investigate the holdings of U.S. 13f institutional investors and find that these institutions are biased toward large stocks, and stocks with high dividend yields, high turnover, and high liquidity. Aggarwal, Klapper, and Wysocki (2004) analyze the equity holdings of U.S. funds invested in emerging markets and document that such funds tend to invest more in larger firms, firms with lower leverage, and firms with higher accounting disclosures and better corporate governance. Other research focuses on the holdings of foreign investors in non-U.S. markets and find that such holdings reveal preferences for several similar firm-specific characteristics. For example, Kang and Stulz (1997) show that foreign investors investing in Japan primarily prefer large firms, firms in the manufacturing sector and firms with good accounting performance, low undiversified risk, and low leverage. Dahlquist and Robertsson (2001) find that foreigners who invest in the Swedish market have the tendency to invest in large firms, firms paying low dividends, and firms with large cash holdings. Recently, Covrig, Lau, and Ng (2005) examine both domestic and foreign fund managers from 11 developed markets. They show that both groups of fund managers consider turnover rates, return on equity, and stock riskiness important in their investment decisions.

All these studies suggest that certain firm-specific characteristics play an important role in the stock investment decisions of institutional investors. Therefore, drawn from these studies but constrained by data availability, we employ a multitude of similar firm characteristics as control variables in our subsequent analyses. The definitions and construction of the control variables, using the information from CRSP and Compustat databases, are given below.

- a. Firm size. The market capitalization of a firm's stock at the beginning of its fiscal year and expressed in natural logarithm.
- b. S&P 500. An indicator variable that takes the value of one if a stock is in the S&P 500 index, and zero otherwise.
- c. Turnover. The ratio of total trading volume over the past 12 months to total number of shares outstanding at the beginning of a fiscal year.
- d. Dividend yield. Cash dividend per share divided by a stock's market price at the beginning of a fiscal year.
- e. Book-to-market. The book value of equity divided by market capitalization.
- f. Momentum. The past 12-month cumulative stock return prior to a fund's reporting date.
- g. Leverage. The ratio of total liabilities to total assets at the beginning of a fiscal year.

- h. Market beta. The systematic risk of a stock, estimated using the CAPM based on the past
 48 monthly stock returns preceding to the report date.
- *i.* Volatility. The idiosyncratic risk of a firm, as given by the residual standard error from the CAPM.
- j. Return on assets. The ratio of net income to total assets as of the beginning of a fiscal year.

Table 2 reports average values, together with medians in parentheses, of our selected firmspecific characteristics that are associated with the stocks held by mutual funds from the 22 countries in year 2002.⁷ The last two rows present aggregate average and median values of these variables for all the U.S. stocks that have information in both DCA and CRSP/Compustat databases. Comparing the mean (median) values of stock-specific characteristics of the U.S. stocks in foreign fund holdings with those of the U.S. market reveals several distinctive patterns that are broadly consistent with those found in the existing literature. On average, mutual funds around the world tend to hold larger stocks, stocks with S&P 500 membership, higher turnover, larger dividend yields, lower book-market equity (growth stocks), lower financial leverage, lower stock volatility, and higher return on assets. All this is evident in their mean and median values comparisons between the stocks owned by fund managers from each country and all U.S. stocks included in our analysis. For example, the average firm size held by foreign funds is between 6.64 (U.K. funds) and 9.89 (Polish funds), compared with 5.32 for the U.S. market. The average book-to-market equity varies from 0.31 (Polish funds) to 0.57 (U.K. funds), compared with 0.80 for the U.S. market. In general, these results imply that it is imperative that we control for these variables when examining the importance of U.S. a firm presence in the fund holdings of mutual fund managers across 22 developed and developing countries.

⁷The distribution of the summary statistics for year 2001 are quite similar to that of year 2002.

2 The Importance of Firm Presence in Foreign Investment Decisions

In this section, we examine whether and to what extent the decision of fund managers to invest in a foreign firm is affected by the firm's presence in their home market. We explore this issue by analyzing the equity holdings of mutual fund managers from a wide range of countries. One interesting characteristic of these mutual funds from 22 developed and developing countries is that the managers communicate in varied languages, differ in their geographic proximity from U.S. equity markets, and are of varied cultural backgrounds. Language, culture, and distance, as shown in Grinblatt and Keloharju (2001), are three factors that have an impact on investors' investment decisions. Any pervasive cross-country evidence of fund managers exhibiting home bias toward foreign firms with presence would be indicative that the substantial cross-sectional variation in the three factors cannot be the driving forces behind our evidence.

Recall that the descriptive statistics of Table 1 show that mutual fund investors exhibit a bias toward foreign firms with local presence. Alternatively, this result may be a manifestation of a bias toward certain firm characteristics such as large firm size, firms whose stocks are components of a major market index, highly liquid stocks, among others. This section therefore investigates the effect of a firm presence, while controlling for firm characteristics that are previously found to affect investment decisions and for other potentially confounding variables.

2.1 Evidence of Home Bias

This subsection analyzes the propensity of mutual fund managers located in 22 developed and developing countries (excluding the U.S.) to hold shares of U.S. stocks with a firm presence in their respective domestic markets. To perform the analysis, for each country, we construct a binary decision-variable that takes the value of one if any mutual fund manager located in the country holds a U.S. stock i in her portfolio and zero otherwise. For example, a U.K. fund holds shares of stock of U.S. Firm X, but holds no shares of stock of U.S. Firm Y. The binary decision-variable for her investment in the stock of Firm X is one and in that of Firm Y is zero. Similarly, for each country, we also construct a firm-presence dummy variable that takes the value of one if a U.S.

firm has presence in the country and zero otherwise. For the same example, U.S. Firm X has no a firm presence in the U.K., whereas U.S. Firm Y has. Thus, the firm-presence dummy variable for X is zero and for Y is one.

For each country, we employ a logistic regression approach to estimate a yearly and a twoyear pooled cross-sectional relations between the binary decision-variable for U.S. stocks and the firm-presence dummy variable, while controlling for the pre-determined firm characteristics. The two separate years of results were qualitatively the same as those of pooled two years of crosssectional logistic regressions with year effects incorporated.⁸ Additionally, the coefficient on the firm-presence dummy variable is fairly stable across the two years of holdings data. Hence, for brevity, we report and discuss the latter. Results for all 22 countries as well as for each individual country are offered in Table 3. Note that we control for country effects as well when estimating the results for all 22 countries altogether. To conserve space, the regression coefficients on both year and country effects are not reported.

The table reveals strong cross-country evidence of a persistent bias exhibited by mutual fund managers toward U.S. firms with a local presence in their home country. The firm-presence coefficients are all positive and statistically significant at the 5% level. The magnitude of the coefficients varies from 0.86 (t-statistic = 6.5) in the U.K. to 5.25 (t-statistic = 4.0) in Portugal, suggesting that mutual fund managers are more likely to invest in U.S. firms with a local presence than those without. Interestingly, this evidence is irrespective of whether the fund managers are from a developed or developing market, and also it suggests that language, geographic proximity, and culture exert no varying influences on this strong home bias behavior.

Our evidence somewhat contradicts Grinblatt and Keloharju's (2001) findings that are based on Finnish data. Their results indicate that Finnish investors have greater tendency to hold, buy, and sell the stocks of firms that are located near to the investor, that communicate in the investor's native language (Finnish investors communicate in either Finnish or Swedish), and that have chief executives of the same cultural background. For our sample, the primary languages of mutual fund managers communicate in vary from English (Australia, South Africa, and the U.K.), Ger-

⁸Estimating the model using a probit regression approach yields virtually the same results.

man (Austria, Germany and Switzerland), Dutch (Belgium and the Netherlands), Spanish (Chile, and Spain), Finnish (Finland), Danish (Denmark), French (France), Chinese (Hong Kong and Singapore), Italian (Italy), Japanese (Japan), Portuguese (Portugal), Swedish (Sweden), Hungarian (Hungary), Norwegian (Norway), to Polish (Poland).⁹ In contrast to Grinblatt and Keloharju, we find English-speaking fund managers (Australians, South Africans, and the British) and non-English speaking mutual fund managers to exhibit the same home bias behavior. Similarly, there is no apparent indication that these fund managers with varied cultural backgrounds have a bias toward U.S.-headquartered firms with a local presence because the firms' CEOs are of the same cultural background. Nor is there any obvious pattern that fund managers whose country of location is of closer proximity to U.S. equity markets, such as those from the European markets, place less emphasis on U.S. firms with presence in their home country than do those managers from countries farther away from the U.S., such as Hong Kong and Singapore. The bottom line is that, regardless of their cultural background, the language they communicate in, and their country of location, these mutual fund managers exhibit similar strong bias for U.S. firms that have presence in their home country when deciding the type of U.S. firms to invest in.

It is worthwhile to note that, consistent with existing studies, our results also show that on average mutual fund managers attach a considerable importance to U.S. firms with large market capitalization, high turnover, low financial leverage, large volatility, high momentum, and stocks that are components of the S&P 500 index. More important, this evidence is indicative that neither the effect of a firm presence nor the effects of firm characteristics subsume each other's role in the foreign investment decisions of fund managers worldwide. Thus, the overall results offer substantial evidence that a firm presence plays an important role in fund managers' holding decisions of foreign stocks.

2.2 The Extent of Home Bias

Thus far, we have shown pervasive cross-country evidence that mutual fund managers prefer U.S. firms that have presence in their domestic market to those that have not. But we have not shown

⁹The primary language of each country is obtained from The World Factbook in http://www.cia.gov/cia/publications/factbook/fields/2098.html.

the extent to which these managers emphasize the importance of such firms in their portfolio holdings. This subsection addresses the issue.

We begin by examining the fraction of mutual fund managers from each country investing in a U.S. firm – the participation ratio.¹⁰ Particularly, we investigate whether a larger fraction of fund managers would invest in a U.S. firm with presence in their home market, compared to one without. This analysis focuses on those U.S. firms owned by fund managers from each country and hence allows us to determine the extent of home bias affecting fund managers' foreign investment decisions. Table 4 offers the cross-country results in a format similar to that of Table 3. For each country, we perform a cross-sectional regression of the fraction of mutual fund managers holding a U.S. firm against the firm-presence dummy variable, firm-specific control variables, and year effects. We also perform the same for all countries with additional controls for country effects.

The table provides pronounced evidence that a firm presence has a significant impact on the participation ratio of fund managers. The coefficient of the firm-presence dummy variable is all positive and, except for Denmark and South Africa, it is also statistically significant at the 5% level. For the aggregated result, the coefficient on the firm-presence dummy variable is 0.23 (t-statistic = 5.1), indicating that a U.S. firm with local presence will attract a 23% increase in mutual fund participation ratio, compared to one without. For individual country analyses, the magnitude of this coefficient varies from 0.03 (t-statistic = 3.3) in the U.K. to 0.73 (t-statistic = 4.7) in Austria.

We next investigate whether fund managers in aggregate are likely to allocate disproportionately more of their holdings toward U.S.-headquartered firms that have local activities than those that have not. To conduct this test, we examine the effect of firm presence on the holding weight of a fund's portfolio in U.S. stocks. For each country, the holding weight of a U.S. stock is defined as the total value of all fund investments in the stock divided by the total value of all fund investments in all U.S. stocks. Table 5 contains the regression results on all countries and by country.

¹⁰Such an analysis excludes Poland and Hungary, where both countries only have one mutual fund holding U.S. stocks. The reason is that in both cases the participation ratio will be 1 and hence all the dependent variables are constant.

Results of Table 5 show fairly consistent evidence of home bias in fund managers' investment of U.S. stocks. The aggregate firm-presence coefficient is 0.03 (t-statistic = 5.3), and this finding suggests that, on average, mutual fund managers increase their allocation of holdings by about 3% to U.S. stocks whose firms have a a local presence vs. those whose firms have not. For the individual country analyses, 16 out of the 22 countries yield positive coefficient estimates, and of which, 10 are statistically significant at the 5% level. It is evident that fund managers in general tend to increase their holding weights in U.S. firms with a local presence in their home country. For example, German fund managers, on average, increase their holding weights in the former by 1.6%, and correspondingly, Finnish managers, on average, increase by 29.3%.

It is important to note that, compared to those of Table 3, the coefficients of most control variables have reduced their level of statistical significance or have become statistically insignificant. One exception is firm size, which remains positive and statistically significant in almost all the holdings of fund managers across all countries, except Hungary and Poland. Consistent with prior international studies, our work also shows that market capitalization is a predominant factor in determining the foreign stock holdings of mutual fund managers worldwide. Even controlling for the widely employed firm characteristics, our overall evidence still suggests that investors are likely to be influenced by a foreign firm's presence in their home country when making foreign investment decisions, and this finding is independent of their country of location, cultural background, and native language.

2.3 Evidence from the Change in Firm Presence

We further verify our earlier evidence by examining whether the investment behavior of fund managers is associated with a change in the foreign a firm presence in their home country. For each country, we identify any U.S. firm that first establishes presence in the country by either opening a subsidiary or setting up a local operation at the beginning of our 2-year sample period. Among the 22 countries, Austria, Chile, Denmark, Finland, Hong Kong, Hungary, Norway, Poland, Portugal, South Africa, and Switzerland have fewer than 10 U.S.-headquartered firms that first establish a local presence in these periods. For example, there is only 1 U.S. firm that establishes presence in Hungary in 2001 and there are 9 in Hong Kong and Switzerland. Our analysis therefore excludes these countries that have a limited number of U.S. firms that first establish presence in these countries.

For the remaining countries, the number of U.S. firms that first establish presence in the local market in year 2000 varies from 17 in Belgium and Sweden to 130 in the U.K., and in year 2001 the number varies from 14 in Belgium and Italy to 65 in the U.K. On average, the numbers of new establishments are 28 and 26 in the two corresponding years. In our analysis, we employ a binary status-change variable to define the change in a firm-presence status. The binary status-change variable takes the value of one if a U.S.-headquartered firm changes its status (i.e. establishes a local presence) within the 2-year sample period, and zero if no change occurs.

In Table 5, we produce two sets of logistic regression results. For the first set of results, the dependent variable is a binary holding decision-variable of the fund managers and the independent variables include the binary status-change variable of a U.S. firm and all the control variables that were used in the preceding tables. For each country, the binary holding-decision variable takes the value of one if a fund manager in the country holds a U.S. stock at the beginning but not at the end of the sample period, and zero otherwise. For the other set of results, the dependent variable is a binary holding-weight variable of the fund managers. The binary holding-weight variable equals one if the fund manager increases his/her holding weight of a U.S. stock from the beginning to the end of the sample period, and zero otherwise.

A distinct finding emerges from the table. The results further reinforce our earlier finding that mutual fund managers prefer to invest in U.S. firms that have presence in their home market than in those that have not. Mutual fund managers increase their propensity to invest in a U.S. firm and also increase their holding weight in the firm's stock after the inception of the firm's activities or operations in the country where the fund managers reside. For the logistic regressions with the holding-decision variable as the dependent variable, the coefficient associated with the status-change variable is positive and statistically significant across all countries. Estimates of the coefficient range from 0.91 (t-statistic = 2.7) in the U.K. to 5.54 (t-statistic = 4.0) in Sweden. For the logistic regressions with the holding-weight decision variable as the dependent variable, as the dependent variable as the dependent variable. almost all of the coefficient estimates associated with the status-change variable are positive and statistically significant across all countries.

Overall, foreign U.S. firms in general attract more mutual fund investors to hold their stock in the following year in which they establish presence. The evidence seems compelling and robust that there exists home bias in the foreign investment decisions of mutual fund managers.

3 Robustness Tests

Thus far, our results suggest that mutual fund managers exhibit home bias in their foreign investment decisions. One may, however, argue that these findings can also be consistent with alternative interpretations that mutual fund managers prefer U.S. firms that have global operations and presence or those with worldwide recognition. Prior studies show that investors exhibit a stronger preference for foreign firms with global visibility. For instance, Kang and Stulz (1997) and Dahlquist and Robertsson (2001) provide evidence that foreign investors tend to invest in firms with large market capitalization, or firms with high export sales. They argue that their results are consistent with the Merton (1987) investor-recognition hypothesis that investors do not have equal information and hence they invest only in those stocks that they know about. Furthermore, Covrig, Lau, and Ng (2005) show that foreign money managers tend to invest in large firms and firms with large foreign sales, extensive analyst coverage, foreign listings, and market index memberships. They also contend that foreign managers prefer globally visible stocks or stocks with worldwide recognition. A recent study by Ammer, Holland, Smith, and Warnock (2005) employs a comprehensive 1997 survey and finds that U.S. investors are attracted to foreign stocks that cross-list in the U.S.

Generally, U.S. firms that have presence in some foreign country are also likely to have operations in other parts of the world, or are firms whose stocks are cross-listed on foreign stock exchanges. These firms are typically more well known and recognizable to foreign investors, and hence will attract more foreign investment. It is therefore plausible that our earlier results merely reflect fund manager interest in U.S. stocks with worldwide visibility and recognition, but not necessarily in stocks whose firms are located in their home country. We therefore proceed to test whether mutual fund managers demand for firm presence is driven by their preference for U.S. stocks with global visibility and recognition. Below we perform a number of robustness tests to gain further insights into our above evidence.

3.1 U.S. Firms' Global Operations

Following Denis, Denis, and Yost (2002), we identify a firm with global operations or presence for which it reports a fraction of total sales generated from foreign subsidiaries. The information is contained in the Global Segment data provided by Compustat, but Compustat offers no information on the geographic locations of the foreign subsidiaries. We therefore construct a firm global-presence dummy variable that equals one if a firm has at least 5% of total sales from global operations and zero otherwise.¹¹ In a matter of interest, for each country, we calculate the correlation coefficient of the global-presence dummy variable and the firm-presence dummy variable. The unreported correlation coefficient ranges from 0.04 (Hungary) to 0.36 (U.K.), with an average cross-country correlation coefficient of 0.15. While the low correlation coefficient between the two presence dummies poses no multicollinearity problem in our estimation, it suggests that U.S. firms that have presence in a particular foreign country may not necessarily have presence across other countries in the world.

We replicate the logistic regressions of Table 3 by incorporating the global-presence dummy in place of the firm-presence dummy and another by including both firm- and global-presence dummies in the model. The regressions are estimated with all the control variables employed earlier. Given that the coefficient estimates of the latter are qualitatively similar to those reported in Table 3,¹² Models 1 and 2 of Table 7 contain coefficient estimates of the global-presence dummy and of both global- and firm-presence dummies, respectively, by country. All t-statistics are reflected in parentheses.

Results of Model 1 show that a firm's global presence does influence a mutual fund manager's propensity to hold a U.S.-headquartered stock. Except for the negative coefficient in the case of Hong Kong, all estimates of the coefficient on the global-presence dummy are positive. 15 of the

 $^{^{11}}$ We also employed a 10% cut-off criterion and the results were qualitatively the same.

¹²They are available upon request.

positive coefficients are statistically significant at the 5% level, and 3 are marginally significant. The magnitude of the significant positive coefficient estimates ranges from 0.18 (t-statistic = 1.9) in Spain to 0.99 (t-statistic = 6.7) in Chile. Consistent with the results of previous studies and with the Merton hypothesis, fund managers tend to invest in U.S. firms that are internationally visible. When both the firm- and global-presence dummies are evaluated jointly, as reflected in Model 2, we find that fund managers place a greater emphasis on a foreign firm's presence in their home country than its worldwide visibility in their foreign investment decisions. The magnitude and level of statistical significance of the firm-presence dummy coefficient remain substantially the same as those reported in Table 3. On the other hand, the global-presence dummy coefficient becomes insignificant in 7 countries, including Australia, Denmark, France, Japan, Poland, Portugal, and Spain. For the remaining statistically significant, has reduced slightly. These results suggest that the importance of a firm presence in foreign investment decisions of fund managers is not driven by firm global visibility.

3.2 Cross-Listing of U.S. Firms

Many U.S. firms cross-list on a foreign stock exchange or several foreign stock exchanges. The extent of a U.S. firm's visibility depends possibly on the type of exchanges and the number of exchanges its stock is cross-listed. Information on a U.S. firm's foreign listings is available from the DCA database, which reports all the exchange listings of the firm.

For each country, we define a local cross-listing dummy that equals one if a U.S. firm is crosslisted on the local stock exchange and zero otherwise. In our sample of 22 countries, there are U.S. firms cross-list only on the local exchanges of Australia, Belgium, Denmark, Finland, France, Germany, Japan, the Netherlands, Norway, Sweden, Switzerland, and the U.K. There is, however, no U.S. firm that is cross-listed on the local exchanges of the 10 remaining countries; 5 of which are developing countries. This is not surprising that U.S. companies only choose to cross-list on some major foreign stock exchanges, and none on those of developing countries. Similarly, for each country, we define a regional cross-listing dummy that equals one if a U.S. firm is cross-listed on any exchange within the continent that the country is located, and zero otherwise. For example, if a U.S. firm is cross-listed on the Tokyo Stock Exchange but not on the Singapore Stock Exchange, then its local cross-listing dummy is one for the Japan sample and zero for the Singapore sample. The regional cross-listing dummy for this U.S. firm, on the other hand, is one for both the Japan and Singapore samples as the U.S. firm is listed on an exchange located in Asia. A U.S. firm that has regional cross-listing ought to have a wider geographic visibility than one that has only local cross-listing. We will let our data bear out this result. Note that no U.S. firm is cross-listed on any of the exchanges of the region that the fund managers from Chile and South Africa reside.

Models 3 and 4 of Table 7 report tests of the local cross-listing effect on the holding decisions of fund managers by country. Models 5 and 6 of the same table present counterpart tests of the regional cross-listing effect. In Models 3 and 5, we perform similar logistic regressions as in Model 1 of the same table by incorporating the local cross-listing and regional cross-listing dummies, respectively, in place of the global-presence dummy. In Models 4 and 6, we conduct the same, except that we now examine the firm-presence dummy jointly with the local cross-listing and regional cross-listing dummies, respectively. Logit regression results of Models 3 to 6 are presented in the same format as those of Models 1 and 2 in that only the coefficients on the firmpresence and the cross-listing dummies are reported. The unreported estimates of the coefficients on various firm-characteristic controls and on year effects are substantially the same as in Table 3.

From the results of Models 3 to 6 of Table 7, it is strongly evident that a foreign firm's presence in the home country of fund managers still plays an influential role in their foreign investment decisions, even after controlling for the firm's global visibility and recognition. The magnitude and level of statistical significance of the coefficient on the firm-presence dummy (see Models 4 and 6) are substantially similar to those of Model 2 in Table 7 and those of Table 3. It is important to emphasize that the firm-presence dummy is statistically significant across all 22 countries, even conditional on the firm's local cross-listing and regional cross-listing dummies and other controls.

Furthermore, results of Models 3 and 4 indicate that a U.S. firm that is cross-listed on the local exchange of the country in which the fund managers reside does not help to attract the latter to

invest in the firm. None of the coefficient estimates for the local cross-listing dummy is statistically significant at conventional levels. On the other hand, results of Model 5 show that, to a certain extent, a U.S. firm that is cross-listed on a regional exchange has a significantly positive impact on the holding decisions of fund managers who are located in that region. This observation is particularly evident in Austria, Denmark, France, Italy, and the Netherlands, but is weakly evident in Germany and Spain. For the remaining countries, the coefficient on the regional crosslisting dummy is statistically insignificant. Interestingly, all the statistically significant estimates on the regional cross-listing dummy coefficient become statistically insignificant when the firmpresence dummy is added to the logistic regression model. The results of Models 5 and 6 further corroborate the evidence that a foreign firm's a local presence is predominantly an important determinant of foreign investment decisions of local fund managers across the world.

While the results are consistent with our earlier findings reported in Tables 3-6, they differ from those documented in Ammer, Holland, Smith, and Warnock (2005) and Covrig, Lau, and Ng (2005). There are several reasons that drive the differences in the results, and they include the differences in the sample period, the methodologies employed, and the samples studied. In Ammer, Holland, Smith, and Warnock, they look at the U.S. institutional holdings of 13,445 non-U.S. firms that are domiciled in 52 different countries and tracked by Worldscope in their 1997 survey. Their key finding is that foreign firms that cross-list on a U.S. exchange can increase the U.S. holdings of their market capitalization by 6 to 11 percent, and this increase is doubled those that are not crosslisted. The study by Covrig, Lau, and Ng (2005) that relates to our work is their investigation of foreign mutual fund preference for stocks in 11 developed countries, namely Australia, France, Germany, Hong Kong, Italy, Japan, the Netherlands, Singapore, Sweden, Switzerland, and the U.K. for the period 1998 and 1999. Although they also find that a firm's cross-listing on foreign stock exchanges has a significant influence on the portfolio holdings of foreign fund managers, the coefficient on the cross-listing is significant for 16 out of 22 regressions. Given that only the aggregate regression results are reported, we are unable to determine which countries and for what year the estimates of the coefficients are statistically insignificant.

While both studies, especially by Ammer, Holland, Smith, and Warnock (2005), find cross-

listings to be important in the foreign investment decisions, their analyses examine foreign investment in non-U.S. firms by institutional investors from developed countries. It is likely that institutional investors pay more attention to the global visibility of a non-U.S. firm than a U.S.-headquartered firm. As we discussed earlier, U.S. firms are generally viewed to have better accounting standards, higher accounting and financial disclosure policies, better corporate governance, and are subject to stricter security and corporate rules and regulations than firms from other countries, particularly developing countries. As a result, it is not surprising that we find non-U.S. fund managers to place little emphasis on the cross-listings of U.S. firms when deciding the type of U.S. firms to invest in.s

In summary, this section provides compelling evidence of home bias in the foreign investment decisions of mutual fund managers worldwide. The evidence is robust to various firm-specific characteristics and to variables that are proxies for global visibility and recognition that are previously found to be significant determinants of foreign investment holdings. More importantly, the strong preference for a firm presence is independent of the native language spoken, cultural background, and geographic location of the fund managers across the globe.

4 Familiarity and Home Bias

We have established that home bias is prevalent in the foreign investments of mutual fund managers across a broad range of developed and developing countries. A natural question that arises is what drives this strong preference for foreign firms with local presence. Some studies show that the equity preference for domestic firms is consistent with an information-based story, while others find their evidence to be more consistent with the familiarity-bias argument. For instance, Coval and Moskowitz (1999) show that U.S. fund managers prefer locally headquartered firms for which they have informational advantage. Kang and Stulz (1997) and Covrig, Lau, and Ng (2005) also show that foreign investors prefer to invest in firms that are associated with lower information asymmetries. On the other hand, Huberman (1998) find that investors tend to invest in stocks of Regional Bell Operating Companies that they are more familiar than those they are not. Zhu (2002) shows that familiarity of close-by firms induces U.S. individual investors to invest in the firms.

In our setting, we are inclined to advocate a familiarity-bias explanation for the mutual fund managers' preference for foreign firms with a local presence. There is no reason to believe that fund managers can access much information about U.S-headquartered firms through their subsidiaries and operations located in their home country. In this section, we implement a couple of tests to show that the strong preference for foreign firms with a local presence is primarily driven by fund managers' familiarity bias than informational advantage.

4.1 Home Bias and Firm Characteristics

Here we explore the various firm characteristics that can help differentiate whether it is familiarity or informational advantage that explains a fund managers' propensity to invest in foreign firms with a local presence. The firm-characteristic variables we employ are those defined earlier and are substantially the same as those used in Coval and Moskowitz (1999). For each country, the dependent variable is a binary decision-variable that takes the value of one if a stock with a firm presence is held by a mutual fund in the country, and zero otherwise. For each country, the independent variables are the firm-specific characteristic variables that include firm size, S&P 500 index membership, turnover, dividend yield, book-to-market, momentum, leverage, market β , volatility, return on total assets, and a year dummy variable. Their associated t-test statistics are reported in parentheses, and the pseudo R^2 value is reported in the last column of the table. Note that our analysis excludes countries that have fewer than 15 U.S. firms with a local presence, and these countries are Austria, Chile, Finland, Hungary, Italy, Poland, Portugal, and Sweden. Results of the remainder countries that have a sufficient number of firms with a local presence are presented in Table 8.

Our results are in stark contrast with those reported by Coval and Moskowitz (1999). We find no evidence that is consistent with the information-based explanation for the fund preference for foreign firms with a local presence. The sign and statistical significance of several key firm-characteristic variables, which differ from those of Coval and Moskowitz, suggest that fund managers possess no informational advantage when they invest in U.S. firms that have presence in their home country.

The results of Table 8 show a strongly positive and statistically significant firm size coefficient. As we discussed earlier, larger firms are generally associated with lower information asymmetries. Therefore, the association of the home bias behavior of domestic fund managers with investing in larger U.S. firms does not tie in with the information story. This finding is further supported by the mainly negative coefficient estimates on leverage, return on assets, and book-to-market equity ratio. Leverage captures the level of a firm's financial distress, return on equity measures the firm's accounting performance, and book-to-market ratio measures its growth potential. While most of the estimates on the variable coefficients are statistically insignificant, it implies that these variables have no explanatory power for a fund manager's inclination toward foreign firms with a local presence. Overall, the results are consistent with the familiarity than information story for the firm-presence preference of domestic fund managers.

4.2 Performance of Firms with a Local Presence

This subsection tests the return performances of U.S. firms with a local presence that are held by fund managers vs. those that are not. The rationale behind this test is that if fund managers have informational advantage, then their investment in firms with local presence should outperform firms with a local presence whose stocks they do not own. If there exists no statistical difference in their return performances of the two groups of firms with a local presence, or if the latter outperform the former, this suggests that domestic fund managers possess no informational advantage. Instead, any such evidence would suggest that it is familiarity that induces fund managers to invest in U.S. firms that have presence in their home country.

Table 9 reports, by country, equal-weighted characteristic-adjusted returns on the portfolio of firms with presence and held by fund managers and on the portfolio of firms with presence but not held by fund managers of the country. The characteristic-adjusted return is computed using the methodology of Daniel and Titman (1997). We construct 27 characteristic-benchmark portfolios that capture three stock characteristics, namely book-to-market equity, size, and momentum as follows. At the beginning of each year, we employ the breakpoints of NYSE firms to sort all firms into three portfolios based on each firm's market capitalization. Firms in each size-portfolio are further sorted into three portfolios based on their book-to-market equity ratio. Finally, the firms in each of the nine size/book-to-market portfolios are sorted into three portfolios based on their prior-year return. We then compute the equal-weighted monthly returns on the 27 characteristicbenchmark portfolios. For each year, a stock is assigned to a characteristic-benchmark portfolio according to its rank based on size, book-to-market, and past-year return performance. The characteristic-adjusted monthly returns of each stock are then computed by subtracting the stock's corresponding characteristic-benchmark portfolio's returns from the stock's returns.

As seen in Table 9, the characteristic-adjusted return on the portfolio of stocks whose firms have presence in the country and are held by domestic fund managers are all positive, except for that of Hong Kong. The positive characteristic-adjusted return ranges from 0 to 0.01%; 6 of them are statistically significant at the 5% level and 4 are marginally significant at the 10% level. Conversely, the portfolio of stocks whose firms have presence in the country but are not held by domestic fund managers yield mixed performance. Note that there is a smaller number of U.S. firms that have a local presence and are not held by fund managers of the country. As a result, we can compute only the characteristic-adjusted returns for the portfolio of U.S. stocks whose firms have local operations in 9 countries of our sample; for these countries, there are at least 29 U.S. firms with presence and are not owned by any of the fund managers in each country. Except for the positively statistically-significant characteristic-adjusted return in the case of the Netherlands (0.02% with a t-statistic of 2.0), none of the characteristic-adjusted returns are statistically significant at conventional levels. However, when we compare the two portfolios of stocks within each country where there is an adequate number of observations, we find no statistical difference in their return performances.

Taken together, the results of Tables 8 and 9 are more likely to suggest that mutual fund managers exhibit a familiarity bias toward foreign U.S. firms that have a firm presence in their home country.

5 Conclusion

We employ data on the portfolio holdings of more than 3,000 mutual funds from 22 developed and developing countries across the globe (excluding the U.S.) for the period 2000 to 2002 to examine how these "domestic" funds from a wide range of countries make foreign investment decisions, particularly their foreign investment in U.S.-headquartered firms. We find pervasive evidence of home bias in their foreign investment decisions. Mutual fund managers favor U.S. firms that have presence in their home country than those that have not, even after controlling for various firm characteristics including firm worldwide visibility and recognition. Furthermore, we also find increases in the likelihood of mutual funds to invest in U.S. firms and also to allocate more of their holdings to these firms in the following year in which they first establish presence in the funds' country. Overall, the home bias behavior is robust to the managers' country of location, cultural background, and spoken language, an evidence suggesting that the home bias phenomenon in international finance is more pervasive than once documented.

The evidence that a firm presence plays a critical role in determining foreign investment decisions has many important implications. Existing studies have offered several explanations for the existence of home bias, and the explanations include information asymmetries, market imperfections, and familiarity. On the one hand, information asymmetries may exist between foreign firms that have presence in the home country of the investors and those that have not. Alternatively, local investors could be more familiar with foreign firms that have a local presence and hence such familiarity explains their bias toward these firms. Our additional analyses explore these possible explanations. The results suggest that familiarity drives the local bias of the fund managers toward foreign firms that have presence in their home country.

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Table 1

Summary Statistics of Fund Equity Holdings in U.S. Markets by Country

The table reports summary statistics of mutual fund equity holdings in U.S. markets by country in year 2002. For each country, the table reports the number of funds holding U.S. equities, number of U.S. stocks held, total holding value in US\$ million, the number of U.S. firms with presence in the country, and finally the number of U.S. firms with presence held. The total holding value is the sum of holding values of all stocks held by mutual funds in the country. The last row reports the variables at the aggregate level across all 22 countries.

Country	No. of Funds	No. of Stocks Held	Total Holding Value (US\$ million)	Number of U.S. Firms with Presence	No. of U.S. Firms with Presence that are Held
Australia	30	267	463.2	92	73
Austria	127	569	755.7	43	42
Belgium	190	991	826.5	120	109
Chile	44	216	17.4	27	25
Denmark	96	437	356.2	45	43
Finland	54	310	147	31	30
France	126	657	526.6	188	156
Germany	794	$1,\!483$	3,122.0	270	234
Hong Kong	78	188	196.9	55	41
Hungary	1	40	2.0	4	3
Italy	51	819	230.5	117	104
Japan	115	633	729.3	156	136
Netherlands	101	429	1,554.1	111	87
Norway	58	368	230.5	39	38
Poland	1	70	7.9	11	8
Portugal	27	284	77.3	22	22
Singapore	67	552	120.5	98	82
South Africa	38	331	320.9	30	26
Spain	256	626	140.6	110	103
Sweden	140	561	644.6	77	72
Switzerland	251	1,034	$3,\!911.7$	116	104
U.K.	736	2,502	$5,\!479.9$	553	482
Total	3,381	2,810	19,861.7	688	575

Table 2

Firm-Specific Characteristics of U.S. Stocks Held by Mutual Funds by Country

ratio of total liabilities to total assets at the previous fiscal year-end. Market β is estimated from the CAPM model using the The table reports firm-specific characteristics of U.S. stocks held by mutual funds in year 2002 by country. For each country, both the mean and median (in brackets) values of the stock characteristics are reported. Size is the natural logarithm of the market capitalization measured at the previous fiscal year-end in US\$ million. S&P 500 is an indicator variable taking the value of one if the stock is a member of the S&P 500 index, and zero otherwise. Turnover (TURN) is the trade value over the previous 12 months before the report date over the fiscal year-end market capitalization. Dividend yield (DY) is the dividend per share over the fiscal year-end market price. Book-to-market (BM) is the ratio of book equity value to market capitalization at the previous fiscal year-end. Momentum (MOM) is the past 12-month cumulative stock return before the report date. Leverage (LEV) is the past 48 monthly stock returns before the report date. Volatility (VOL) is the residual standard error from the estimated CAPM. Return on total assets (ROA) is the ratio of net income to total assets. The last row reports the means and medians for all available stocks in the U.S. Market.

Country	Size	S&P 500	TURN	DY	BM	MOM	LEV	Market β	NOL	ROA
Australia	9.267	0.712	2.363	0.010	0.342	-0.051	0.582	0.939	0.126	0.030
	[9.225]	[1.000]	[1.587]	[0.005]	[0.296]	[-0.067]	[0.609]	[0.712]	[0.107]	[0.038]
Austria	8.358	0.592	2.481	0.010	0.441	-0.059	0.551	1.078	0.151	0.000
	[8.567]	[1.000]	[1.711]	[0.002]	[0.366]	[-0.083]	[0.584]	[0.806]	[0.122]	[0.026]
$\operatorname{Belgium}$	7.803	0.437	2.357	0.010	0.461	-0.005	0.542	1.046	0.149	0.011
	[7.625]	[0.000]	[1.660]	[0.001]	[0.388]	[-0.023]	[0.567]	[0.802]	[0.125]	[0.033]
Chile	9.497	0.787	2.707	0.010	0.339	-0.132	0.558	0.979	0.122	0.039
	[9.434]	[1.000]	[1.801]	[0.004]	[0.273]	[-0.138]	[0.594]	[0.726]	[0.107]	[0.040]
Denmark	8.499	0.579	2.577	0.009	0.391	-0.095	0.509	1.165	0.150	0.008
	[8.756]	[1.000]	[1.737]	[0.00]	[0.334]	[-0.108]	[0.526]	[0.885]	[0.119]	[0.030]
Finland	8.735	0.629	2.780	0.009	0.394	-0.126	0.516	1.207	0.153	0.003
	[8.922]	[1.000]	[1.985]	[0.002]	[0.313]	[-0.140]	[0.552]	[0.908]	[0.121]	[0.027]
France	8.289	0.534	2.530	0.009	0.415	-0.040	0.539	1.093	0.147	0.000
	[8.283]	[1.000]	[1.693]	[0.002]	[0.362]	[-0.052]	[0.564]	[0.835]	[0.123]	[0.026]
Germany	7.270	0.295	2.277	0.009	0.526	-0.004	0.516	1.098	0.162	-0.020
	[7.288]	[0.000]	[1.575]	[0.00]	[0.417]	[-0.026]	[0.536]	[0.810]	[0.133]	[0.024]
Hong Kong	9.130	0.681	1.809	0.011	0.408	-0.004	0.612	0.929	0.124	0.034
	[9.372]	[1.000]	[1.308]	[0.008]	[0.333]	[-0.059]	[0.639]	[0.662]	[0.106]	[0.030]
Hungary	9.703	0.850	1.560	0.018	0.384	-0.001	0.648	0.856	0.110	0.031
	[9.857]	[1.000]	[1.009]	[0.020]	[0.358]	[0.010]	[0.658]	[0.655]	[0.101]	[0.015]

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Country	Size	S&P 500	TURN	DY	BM	MOM	LEV	Market β	VOL	ROA
Italy	7.944	0.447	2.261	0.010	0.481	0.058	0.570	0.984	0.141	0.028
	[7.655]	[0.000]	[1.534]	[0.002]	[0.404]	[0.035]	[0.591]	[0.759]	[0.122]	[0.032]
Japan	8.535	0.635	2.206	0.011	0.427	-0.007	0.584	0.950	0.132	0.026
	[8.554]	[1.000]	[1.528]	[0.004]	[0.358]	[-0.001]	[0.610]	[0.715]	[0.112]	[0.035]
Netherlands	8.724	0.620	2.589	0.010	0.377	-0.043	0.549	1.164	0.153	-0.003
	[8.830]	[1.000]	[1.727]	[0.001]	[0.316]	[-0.052]	[0.574]	[0.825]	[0.118]	[0.027]
Norway	9.110	0.753	2.069	0.012	0.421	-0.024	0.604	0.916	0.123	0.037
	[9.055]	[1.000]	[1.465]	[0.007]	[0.365]	[-0.042]	[0.623]	[0.700]	[0.109]	[0.035]
Poland	9.887	0.914	1.392	0.017	0.309	-0.001	0.637	0.666	0.097	0.058
	[9.793]	[1.000]	[0.931]	[0.017]	[0.271]	[-0.016]	[0.645]	[0.549]	[0.09]	[0.051]
Portugal	8.920	0.644	2.424	0.009	0.344	0.004	0.568	0.897	0.128	0.030
	[9.024]	[1.000]	[1.718]	[0.003]	[0.287]	[-0.004]	[0.584]	[0.647]	[0.108]	[0.035]
Singapore	8.089	0.473	2.051	0.011	0.458	0.047	0.552	0.930	0.138	0.012
	[7.992]	[0.000]	[1.356]	[0.003]	[0.395]	[0.008]	[0.573]	[0.697]	[0.119]	[0.027]
South Africa	9.112	0.752	2.420	0.012	0.413	-0.048	0.613	0.894	0.122	0.036
	[9.016]	[1.000]	[1.797]	[0.008]	[0.338]	[-0.062]	[0.634]	[0.662]	[0.105]	[0.036]
Spain	8.494	0.665	2.498	0.011	0.436	-0.076	0.573	0.982	0.141	0.012
	[8.530]	[1.000]	[1.831]	[0.004]	[0.350]	[-0.090]	[0.594]	[0.699]	[0.115]	[0.030]
Sweden	8.710	0.668	2.489	0.011	0.407	-0.090	0.573	1.006	0.136	0.016
	[8.733]	[1.000]	[1.756]	[0.005]	[0.339]	[-0.077]	[0.607]	[0.728]	[0.113]	[0.029]
Switzerland	7.837	0.419	2.311	0.010	0.451	-0.011	0.533	1.057	0.150	-0.001
	[7.802]	[0.000]	[1.620]	[0.000]	[0.383]	[-0.025]	[0.559]	[0.793]	[0.126]	[0.028]
U.K.	6.635	0.176	2.048	0.010	0.574	0.003	0.536	0.930	0.155	-0.001
	[6.411]	[0.000]	[1.409]	[0.00]	[0.480]	[-0.019]	[0.549]	[0.643]	[0.133]	[0.022]
U.S. Market	5.316	0.100	1.490	0.009	0.802	0.012	0.531	0.964	0.178	-0.044
	[5.191]	[0.00]	[0.896]	[0.00]	[0.603]	[-0.011]	[0.536]	[0.665]	[0.151]	[0.011]

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The Impact of Firm Presence on Mutual Funds' Holding Decisions

variable that takes the value of one if a stock is held by a mutual fund in the country, and zero otherwise. For the given country, the independent variables are the firm-presence dummy variable and firm-specific control variables. The firm-presence dummy variable takes the value of one if a U.S. firm has subsidiaries or operations in the given country, and zero otherwise. The control variables are defined in Table 2 and include firm size, S&P 500 index presence, turnover (TURN), dividend yield (DY), book-to-market (BM), momentum (MOM), leverage (LEV), market β , volatility (VOL), return on total assets (ROA), and an The table reports logistic regression coefficient estimates of all countries and by country. For a given country, the dependent variable is a binary decisionunreported year dummy variable. z-score test statistics are reported in parentheses, and the pseudo R^2 (in %) is reported in the last column of the table. The sample period is from year 2001 to year 2002.

	Firm		S&P						Market			Pseudo
Country	Presence	Size	500	TURN	DY	BM	MOM	LEV	β	NOL	ROA	R^2 (%)
ALL	2.232^{**}	1.131^{**}	0.925^{**}	0.196^{**}	-5.480^{**}	0.110^{**}	0.605^{**}	-0.635^{**}	-0.088**	0.526^{**}	-0.982**	35.13
	(32.54)	(112.01)	(29.47)	(31.70)	(-7.69)	(5.51)	(31.20)	(-13.51)	(-6.21)	(3.22)	(-13.49)	
Australia	4.390^{**}	1.341^{**}	0.389^{**}	0.250^{**}	-18.454^{**}	-0.385	0.750^{**}	-0.227	-0.240^{**}	0.560	-1.289^{*}	22.71
	(10.03)	(17.90)	(2.17)	(5.96)	(-3.10)	(-1.52)	(4.37)	(-0.65)	(-2.23)	(0.37)	(-1.93)	
Austria	2.416^{**}	1.032^{**}	1.581^{**}	0.182^{**}	-15.397^{**}	0.372^{**}	0.251^{**}	-0.247	-0.181^{**}	3.219^{**}	-1.574^{**}	30.25
	(3.71)	(22.38)	(11.71)	(6.93)	(-4.05)	(4.95)	(2.45)	(-1.08)	(-2.91)	(5.41)	(-5.01)	
Belgium	2.197^{**}	0.944^{**}	2.699^{**}	0.205^{**}	-12.873^{**}	-0.066	0.550^{**}	-0.734**	-0.121^{**}	0.165	-0.438^{*}	40.16
	(6.29)	(26.88)	(12.45)	(9.13)	(-4.31)	(-0.85)	(8.67)	(-4.39)	(-2.45)	(0.29)	(-1.75)	
Chile	4.136^{**}	1.300^{**}	0.502^{**}	0.378^{**}	-20.513^{**}	-0.018	-0.035	-1.335^{**}	-0.241^{**}	-3.123^{*}	1.299	19.38
	(3.82)	(16.86)	(2.65)	(8.66)	(-3.17)	(-0.07)	(-0.15)	(-3.50)	(-2.13)	(-1.69)	(1.55)	
Denmark	2.721^{**}	1.032^{**}	0.769^{**}	0.140^{**}	-9.871^{**}	-0.194	0.346^{**}	-1.951^{**}	-0.054	1.367^{*}	-1.295^{**}	24.44
	(4.74)	(20.94)	(5.45)	(5.05)	(-2.38)	(-1.34)	(3.09)	(-7.92)	(-0.85)	(1.90)	(-3.91)	
Finland	4.619^{**}	1.121^{**}	0.700^{**}	0.226^{**}	-11.063^{**}	0.113	0.589^{**}	-1.701^{**}	-0.076	3.186^{**}	-1.138^{**}	20.73
	(5.66)	(20.13)	(4.40)	(7.54)	(-2.23)	(0.82)	(4.92)	(-6.01)	(-1.05)	(4.53)	(-2.85)	
France	3.036^{**}	1.097^{**}	0.896^{**}	0.184^{**}	-9.113^{**}	-0.006	0.525^{**}	-1.051^{**}	-0.022	0.605	-1.957**	32.76
	(12.59)	(23.80)	(6.68)	(7.15)	(-2.59)	(90.0-)	(5.81)	(-4.85)	(-0.37)	(0.88)	(-6.60)	
Germany	1.912^{**}	1.202^{**}	1.476^{**}	0.152^{**}	-6.020^{**}	0.368^{**}	0.495^{**}	-0.897**	-0.067	0.782^{*}	-1.852^{**}	44.32
	(10.52)	(36.53)	(6.08)	(7.35)	(-2.80)	(7.81)	(9.08)	(-6.28)	(-1.61)	(1.77)	(-9.56)	
Hong Kong	3.393^{**}	1.001^{**}	0.303^{*}	0.063	-19.695^{**}	0.099	0.745^{**}	0.675^{**}	-0.119	2.590^{**}	-0.115	15.20
	(8.70)	(17.16)	(1.71)	(1.49)	(-3.58)	(0.64)	(5.90)	(2.06)	(-1.18)	(2.47)	(-0.18)	
Hungary	4.706^{**}	0.762^{**}	1.780^{**}	-0.041	12.313^{**}	-0.442	0.729^{*}	0.333	0.363	-3.072	-1.218	4.13
	(2.88)	(6.77)	(3.46)	(-0.36)	(2.96)	(26.0-)	(1.78)	(0.47)	(1.53)	(-0.71)	(-0.72)	

	Pseudo $R^2 \ (\%)$	34.57	39.50	29.21	32.60	7.69	19.14	23.94	25.31	37.86	36.39	44.01	52.21
	ROA	0.851^{**} (2.47)	-0.573 (-1.40)	-2.591^{**} (-6.96)	-1.146^{**} (-2.10)	-0.200 (-0.14)	-1.814** (-3.99)	-1.045^{**} (-3.10)	0.123 (0.17)	-1.493** (-4.87)	-2.393^{**} (-6.61)	-1.979** (-7.87)	0.192 (0.96)
	VOL	-1.162 (-1.61)	-1.222 (-1.32)	2.315^{**} (3.12)	0.344 (0.31)	-8.686** (-2.34)	-0.466 (-0.39)	-0.568 (-0.67)	-1.332 (-0.88)	2.166^{**} (3.63)	2.797^{**} (3.93)	-0.049 (-0.08)	-1.351^{**} (-2.86)
)	$\substack{ \beta \\ \beta }$	-0.006 (-0.11)	(90.0-)	-0.041 (-0.58)	-0.023 (-0.26)	0.275 (1.43)	-0.151* (-1.75)	-0.129* (-1.95)	0.150 (1.50)	-0.085 (-1.47)	-0.202** (-2.90)	-0.113** (-2.20)	-0.207** (-4.60)
	LEV	0.280 (1.56)	-0.244 (-1.03)	-0.722** (-2.76)	0.093 (0.32)	-0.926^{*} (-1.69)	-0.624^{**} (-2.21)	-0.884** (-4.18)	0.821^{**} (2.49)	-0.894** (-4.10)	-0.919^{**} (-3.56)	-1.174^{**} (-6.69)	-0.530** (-3.87)
	MOM	0.724^{**} (10.75)	0.693^{**} (7.41)	0.958^{**} (9.46)	0.605^{**} (4.75)	1.133^{**} (4.37)	1.223^{**} (11.94)	0.672^{**} (8.26)	0.791^{**} (5.19)	0.508^{**} (5.99)	0.608^{**} (5.40)	0.563^{**} (7.91)	0.681^{**} (12.43)
	BM	0.135^{*} (1.83)	0.046 (0.40)	-0.140 (-0.94)	0.316^{**} (2.68)	-1.179^{**} (-2.44)	-0.789** (-3.74)	0.039 (0.38)	0.418^{**} (3.24)	0.430^{**} (6.15)	0.071 (0.54)	0.066 (0.82)	0.116^{**} (2.45)
	DY	-6.056^{**} (-2.27)	-9.734^{**} (-2.61)	-4.670 (-1.14)	-6.782* (-1.70)	11.889^{**} (3.40)	-27.783^{**} (-5.02)	-10.225^{**} (-3.03)	-11.112^{**} (-2.44)	-15.034** (-4.06)	-5.783 (-1.45)	4.804^{**} (2.52)	-1.164 (-0.71)
	TURN	0.267^{**} (10.93)	0.261^{**} (8.71)	0.245^{**} (8.00)	0.083^{**} (2.20)	-0.167 (-1.60)	0.117^{**} (3.37)	0.063^{**} (2.24)	0.293^{**} (7.35)	0.208^{**} (8.05)	0.190^{**} (6.28)	0.175^{**} (7.37)	0.224^{**} (8.66)
	S&P 500	0.664^{**} (5.28)	1.797^{**} (11.69)	0.741^{**} (5.05)	1.456^{**} (9.98)	1.331^{**} (4.03)	0.131 (0.83)	0.476^{**} (3.76)	0.938^{**} (5.89)	1.972^{**} (13.03)	1.617^{**} (11.23)	2.178^{**} (9.14)	-1.537** (-5.57)
•	Size	0.946^{**} (25.84)	1.234^{**} (23.54)	1.324^{**} (22.24)	1.360^{**} (21.38)	0.797^{**} (9.02)	1.134^{**} (19.26)	0.894^{**} (21.64)	1.315^{**} (19.28)	1.219^{**} (25.23)	1.414^{**} (23.44)	1.308^{**} (30.92)	1.498^{**} (40.92)
	Firm Presence	2.678^{**} (8.94)	2.469^{**} (7.75)	2.524^{**} (6.98)	3.517^{**} (4.19)	2.999^{**} (3.32)	5.248^{**} (3.99)	3.280^{**} (10.38)	3.201^{**} (4.28)	2.134^{**} (4.99)	3.267^{**} (5.57)	2.332^{**} (6.43)	0.860^{**} (6.49)
	Country	Italy	Japan	Netherlands	Norway	Poland	Portugal	Singapore	South Africa	Spain	Sweden	Switzerland	U.K.

Table 3 (Continued)

The Impact of Firm Presence on Mutual Funds' Holding Decisions

* denotes significance at 10 percent level. ** denotes significance at 5 percent level.

iable and zero and zero $d(DY)$, $d(DY)$, $t^2 (in \%)$		(%)	1		3		2		6		5		6		1		6		3		2	
on of ny var untry, end yie ed yea The <i>I</i>		R^2 (61.3		30.3		52.8		58.9		15.3		43.6		28.9		50.1		72.1		40.9	
s the fracti sence dum he given co RN), dividé n unreport 0) method.		ROA	-0.250**	(-5.21)	0.502	(0.45)	-0.390	(-1.14)	-0.381^{**}	(-4.29)	0.950^{**}	(2.03)	-0.447**	(-2.14)	0.012	(0.04)	-0.663**	(-3.29)	-0.164^{**}	(-6.00)	0.816	(1.21)
variable i ne firm-pre actions in t nover (TU)A), and a Nhite (198		VOL	0.484^{**}	(4.31)	1.511	(0.51)	1.877^{**}	(2.22)	1.168^{**}	(5.72)	0.026	(0.02)	0.178	(0.40)	0.672	(0.94)	0.510	(0.99)	0.205^{**}	(3.15)	0.413	(0.33)
dependent ables are tl s local open ership, tur assets (RC using the V	Market	β	-0.003	(-0.38)	-0.342^{*}	(-1.90)	0.094	(1.46)	-0.092^{**}	(-5.69)	0.045	(0.66)	0.012	(0.33)	-0.104^{*}	(-1.82)	-0.081^{**}	(-2.21)	-0.010^{*}	(-1.88)	0.174^{*}	(1.90)
intry, the indent variance S. firm has dex memb- n on total tedasticity		LEV	-0.219^{**}	(-8.03)	-1.255^{**}	(-2.36)	-0.209	(-0.99)	-0.108^{**}	(-2.13)	0.203	(0.96)	-0.366**	(-3.15)	-0.929**	(-4.50)	-0.572**	(-4.46)	-0.038**	(-2.20)	-0.532^{*}	(-1.90)
a given cou the indepe one if a U. (&P 500 in OL), return or heterosk ear 2002.		MOM	0.012	(0.91)	0.186	(0.57)	-0.214^{*}	(-1.93)	-0.036	(-1.44)	-0.178	(-1.36)	0.089	(1.42)	0.053	(0.51)	0.008	(0.12)	0.001	(0.15)	0.144	(1.11)
try. For a n country, n country, ie value of firm size, S latility (V adjusted f or 2001 to y		BM	0.121^{**}	(9.19)	-0.095	(-0.19)	0.452	(4.92)	0.098	(3.58)	-0.115	(-0.68)	-0.021	(-0.25)	0.049	(0.41)	0.192	(2.48)	0.047	(7.00)	0.142	(0.83)
d by coum , for a give ble takes th d include f arket β , vo ard errors i from year		DY	-2.043**	(-5.48)	-12.046	(-1.32)	3.991	(1.24)	-1.725^{**}	(-2.14)	-6.507*	(-1.73)	-1.197	(-0.61)	-1.636	(-0.49)	-7.656^{**}	(-3.85)	-0.898**	(-4.55)	-3.811	(-0.74)
untries an Similarly nmy variah Table 2 an (LEV), mæ d on stand le period is		TURN	-0.017^{**}	(-5.02)	0.013	(0.17)	-0.096**	(-3.93)	0.003	(0.41)	-0.024	(-0.97)	-0.008	(-0.54)	0.003	(0.13)	-0.026^{*}	(-1.78)	0.010^{**}	(4.67)	-0.144^{**}	(-3.75)
es of all cc m presence tresence dur defined in defined in , leverage es are base The samp	S&P	500	0.109^{**}	(6.66)	-0.360	(-1.25)	0.022	(0.18)	0.262^{**}	(8.59)	0.091	(0.80)	-0.198^{**}	(-2.70)	-0.037	(-0.33)	-0.150^{**}	(-2.02)	0.332^{**}	(30.36)	-0.820^{**}	(-4.78)
on estimat s with a fir The firm-pi are those in (MOM) t parenthes the table.		Size	0.325^{**}	(63.71)	0.900^{**}	(8.78)	0.799^{**}	(21.65)	0.273^{**}	(27.42)	0.048	(1.21)	0.340^{**}	(15.90)	0.325^{**}	(8.91)	0.565^{**}	(23.26)	0.119^{**}	(35.70)	0.532^{**}	(11.18)
LS regressi g U.S. stocks variables. [ol variables.], momentu reported in t column of	Firm	Presence	0.219^{**}	(13.46)	0.621^{**}	(2.64)	0.730^{**}	(4.70)	0.245^{**}	(7.14)	0.426^{**}	(3.36)	0.109	(1.34)	0.622^{**}	(4.51)	0.247^{**}	(3.93)	0.054^{**}	(5.13)	0.296^{**}	(2.18)
e table reports O tual funds holding ck-specific control terwise. The control she-to-market (BM iable. <i>t</i> -statistics reported in the las		Country	ALL		Australia		Austria		$\operatorname{Belgium}$		Chile		Denmark		Finland		France		Germany		Hong Kong	
Th mu sto oth boc var var is r																						

The Impact of Firm Presence on the Proportion of Mutual Funds Holding U.S. Stocks

Table 4

L '	The Impac	t of Fir	m Prese	nce on t	the Prop	portion	of Mutı	ıal Fund	s Holdin	g U.S. S	tocks	
	Firm		S&P						Market			
	Presence	Size	500	TURN	DY	$_{\rm BM}$	MOM	LEV	β	VOL	ROA	R^{2}
	0.091^{**}	0.111^{**}	-0.087**	-0.008*	-0.868*	0.034^{*}	0.024	-0.123^{**}	0.007	-0.246	0.084	õõ
	(4.09)	(15.26)	(-3.86)	(-1.69)	(-1.65)	(1.96)	(1.34)	(-3.33)	(0.55)	(-1.39)	(1.05)	
	0.362^{**}	0.825**	0.640^{**}	0 003	0.170	-0.056	-0.081	-0.074	-0 118**	1.623^{*}	-0.358	9

Table 4 (Continued)

e	Size	500	TURN	DY	BM	MOM	LEV	β	NOL	ROA	R^2 (%)
* *	0.111^{**}	-0.087**	-0.008*	-0.868*	0.034^{*}	0.024	-0.123^{**}	0.007	-0.246	0.084	85.89
	(15.26)	(-3.86)	(-1.69)	(-1.65)	(1.96)	(1.34)	(-3.33)	(0.55)	(-1.39)	(1.05)	
2**	0.825^{**}	0.649^{**}	0.003	0.179	-0.056	-0.081	-0.074	-0.118^{**}	1.623^{*}	-0.358	64.75
(6)	(25.80)	(6.85)	(0.13)	(0.02)	(-0.53)	(-0.94)	(-0.41)	(-2.01)	(1.87)	(-0.92)	
2^{**}	0.643^{**}	-0.438**	0.026	-4.548	-0.081	-0.049	-0.998**	0.204^{**}	-2.013^{**}	-0.969**	38.00
21)	(15.40)	(-3.47)	(0.93)	(-1.36)	(-0.60)	(-0.44)	(-4.44)	(3.13)	(-2.20)	(-2.47)	
14^{**}	0.595^{**}	-0.253^{**}	-0.014	-3.259	0.071	-0.211^{*}	-0.200	0.003	0.521	-0.378	43.38
27)	(16.79)	(-2.45)	(-0.48)	(-1.15)	(0.52)	(-1.89)	(-0.99)	(0.04)	(0.53)	(-0.87)	
J69	0.125^{**}	-0.214^{**}	0.006	0.856	-0.040	0.115	-0.133	-0.032	-0.330	-0.893**	21.96
.62)	(4.33)	(-2.37)	(0.33)	(0.34)	(-0.41)	(1.47)	(-0.93)	(-0.68)	(-0.44)	(-3.25)	
16^{**}	0.188^{**}	-0.114^{*}	-0.016	-3.607**	0.034	0.051	-0.290^{**}	-0.002	-0.280	0.087	24.48
(88)	(10.58)	(-1.90)	(-1.24)	(-2.24)	(0.56)	(1.05)	(-2.82)	(-0.05)	(-0.62)	(0.45)	
121^{**}	0.125^{**}	0.029^{*}	0.005	-0.930**	0.040	0.016	-0.061^{**}	0.008	0.119	-0.214^{**}	59.57
(.92)	(23.55)	(1.77)	(1.47)	(-2.16)	(3.93)	(1.15)	(-2.05)	(0.93)	(1.04)	(-4.27)	
229^{**}	0.368^{**}	0.041	0.009	-2.223*	0.086	-0.005	-0.215^{**}	0.038	0.369	-0.437^{**}	50.83
.41)	(23.01)	(0.88)	(0.89)	(-1.84)	(1.65)	(-0.11)	(-2.54)	(1.54)	(1.07)	(-2.69)	
311^{**}	0.414^{**}	0.317^{**}	-0.003	-0.715	0.083	-0.086^{**}	-0.175^{**}	-0.060**	0.913^{**}	-0.627^{**}	59.40
.67)	(30.68)	(8.31)	(-0.33)	(-0.98)	(2.32)	(-2.57)	(-2.48)	(-2.79)	(3.06)	(-5.22)	
.139	0.578^{**}	0.161	0.034	-6.801^{*}	0.271	0.236	0.359	0.105	2.856^{**}	0.867	34.57
(80)	(12.58)	(1.24)	(1.03)	(-1.88)	(1.84)	(1.59)	(1.46)	(1.21)	(1.97)	(1.43)	
126**	0.143^{**}	0.435^{**}	0.017^{**}	-1.062^{**}	0.031	0.046^{**}	-0.015	-0.008*	-0.011	-0.091^{**}	77.83
.34)	(51.92)	(40.99)	(9.30)	(-5.74)	(5.22)	(7.98)	(-1.11)	(-1.84)	(-0.21)	(-3.97)	

* denotes significance at 10 percent level. ** denotes significance at 5 percent level.

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The Impact of Firm Presence on Mutual Funds' Holding Weights

The table reports OLS regression estimates of all countries and by country. For a given country, the dependent variable is the funds' holding weight in the country portfolio of U.S. stocks held by all mutual funds from the country. The firm-presence dummy variable takes the value of one if a U.S. firm has and an unreported year-dummy variable. t-statistics reported in parentheses are based on standard errors adjusted for heteroskedasticity using the White (1980) method. The R^2 (in %) is reported in the last column of the table. The sample period is from year 2001 to year 2002. operations in the given country, and zero otherwise. The control variables are those defined in Table 2 and include firm size, S&P 500 index membership, turnover (TURN), dividend yield (DY), book-to-market (BM), momentum (MOM), leverage (LEV), market β , volatility (VOL), return on total assets (ROA),

	Firm		$\mathrm{S\&P}$						Market			
Country	Presence	Size	500	TURN	DY	BM	MOM	LEV	β	VOL	ROA	R^2 (%)
ALL	0.033^{**}	0.065^{**}	-0.030^{**}	-0.009**	-0.454^{**}	0.009^{*}	0.020^{**}	-0.050^{**}	-0.015^{**}	0.203^{**}	-0.049**	26.40
	(5.27)	(33.37)	(-4.78)	(-6.38)	(-3.17)	(1.87)	(3.90)	(-4.78)	(-4.64)	(4.70)	(-2.62)	
Australia	0.035	0.177^{**}	-0.137	-0.034	-6.982^{**}	-0.159	0.064	0.347^{**}	-0.055	0.236	-0.279	15.66
	(0.51)	(5.84)	(-1.61)	(-1.54)	(-2.57)	(-1.06)	(0.66)	(2.20)	(-1.04)	(0.27)	(-0.84)	
Austria	0.017	0.065^{**}	-0.016	-0.009*	-0.089	0.013	0.026	-0.025	-0.021^{*}	0.103	-0.036	19.06
	(0.58)	(9.67)	(-0.73)	(-1.95)	(-0.15)	(0.76)	(1.30)	(-0.65)	(-1.79)	(0.67)	(-0.57)	
$\operatorname{Belgium}$	0.077^{**}	0.075^{**}	-0.070**	-0.009**	-0.960**	0.000	0.024^{**}	-0.089**	-0.036^{**}	0.307^{**}	-0.099**	27.08
	(6.03)	(20.17)	(-6.12)	(-3.79)	(-3.20)	(0.01)	(2.53)	(-4.73)	(-5.99)	(4.04)	(-2.99)	
Chile	0.220^{**}	0.116^{**}	-0.195^{**}	-0.005	-0.621	0.040	0.262^{**}	-0.022	-0.007	0.363	0.588^{**}	22.07
	(3.58)	(6.06)	(-3.50)	(-0.42)	(-0.34)	(0.49)	(4.13)	(-0.21)	(-0.22)	(0.67)	(2.59)	
Denmark	0.140^{**}	0.113^{**}	-0.140^{**}	-0.009	-2.533^{**}	0.035	0.112^{**}	-0.158^{**}	0.005	0.042	0.041	16.37
	(2.95)	(9.05)	(-3.27)	(-1.05)	(-2.21)	(0.70)	(3.07)	(-2.34)	(0.26)	(0.16)	(0.34)	
Finland	0.293^{**}	0.074^{**}	-0.019	-0.007	5.019^{**}	0.042	0.075	-0.198^{*}	-0.033	0.070	0.050	14.21
	(4.08)	(3.91)	(-0.32)	(-0.63)	(2.92)	(0.68)	(1.37)	(-1.85)	(-1.11)	(0.19)	(0.30)	
France	-0.010	0.055^{**}	-0.021	-0.007*	-1.188^{**}	-0.003	0.016	-0.037	-0.027^{**}	-0.075	0.005	15.87
	(-0.62)	(8.45)	(-1.07)	(-1.71)	(-2.24)	(-0.15)	(06.0)	(-1.09)	(-2.75)	(-0.55)	(0.00)	
Germany	0.016^{**}	0.033^{**}	0.032^{**}	-0.001	-0.269^{**}	0.009^{**}	0.011^{**}	-0.040^{**}	-0.006^{*}	0.131^{**}	-0.051^{**}	21.76
	(2.48)	(16.93)	(4.95)	(-0.63)	(-2.29)	(2.17)	(2.32)	(-3.83)	(-1.81)	(3.36)	(-3.12)	
Hong Kong	-0.262^{*}	0.324^{**}	-0.493^{**}	-0.131^{**}	5.245	0.138	-0.172	-0.005	0.025	1.698	-0.079	19.94
	(-1.95)	(6.85)	(-2.89)	(-3.42)	(1.03)	(0.81)	(-1.34)	(-0.02)	(0.27)	(1.37)	(-0.12)	
Hungary	-0.313	-0.533^{**}	1.579	0.045	30.835	-0.609	-0.173	-0.576	1.120^{*}	-20.240	2.800	13.39
	(-0.36)	(-2.13)	(1.64)	(0.24)	(1.35)	(-0.46)	(-0.14)	(-0.41)	(1.82)	(-1.52)	(0.75)	

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R^2 (%)	24.58	16.25	13.83	14.26	36.45	8.12	5.56	9.43	6.23	11.95	17.68	26.92
ROA	0.076 (1.20)	-0.076 (-0.88)	-0.108 (-0.97)	-0.166 (-1.32)	0.405 (0.42)	0.028 (0.10)	0.167 (1.08)	0.020 (0.08)	0.085 (1.06)	-0.179^{**} (-1.99)	-0.187^{**} (-4.53)	-0.027** (-3.86)
VOL	0.002 (0.02)	0.169 (0.88)	-0.109 (-0.42)	-0.129 (-0.46)	-0.568 (-0.25)	0.005 (0.01)	0.452 (1.26)	0.673 (1.18)	-0.303^{*} (-1.65)	0.822^{**} (4.31)	0.533^{**} (5.19)	0.017 (1.00)
Market β	0.004 (0.40)	-0.010 (-0.79)	0.038^{**} (2.03)	0.019 (1.03)	0.122 (0.99)	-0.052 (-1.16)	-0.060** (-2.26)	-0.072^{**} (-2.10)	0.015 (1.05)	-0.069^{**} (-4.99)	-0.030^{**} (-3.99)	-0.006** (-4.02)
LEV	-0.002 (-0.06)	-0.130** (-3.22)	-0.004 (-0.07)	0.060 (1.03)	-0.315 (-1.01)	-0.108 (-0.78)	0.005 (0.06)	0.109 (1.12)	-0.055 (-1.15)	-0.128** (-2.73)	-0.111^{**} (-4.58)	-0.006 (-1.52)
MOM	0.045^{**} (3.16)	0.035^{*} (1.84)	0.083^{**} (2.64)	0.096^{**} (2.97)	0.313^{*} (1.85)	0.020 (0.26)	-0.032 (-0.83)	0.192^{**} (3.27)	0.015 (0.66)	0.040 (1.63)	0.009 (0.78)	0.008^{**} (4.54)
BM	0.010 (0.71)	-0.024 (-1.02)	-0.026 (-0.69)	0.001 (0.03)	-0.042 (-0.14)	0.104 (1.10)	-0.124^{**} (-2.52)	0.037 (0.64)	0.006 (0.34)	-0.054^{*} (-1.87)	0.000 (0.01)	-0.003 (-1.40)
DY	-0.669 (-1.60)	0.082 (0.15)	-0.290 (-0.30)	0.924 (1.13)	11.395^{**} (2.29)	-0.973 (-0.40)	-2.629^{**} (-2.04)	-0.652 (-0.46)	-1.086 (-1.57)	-1.600^{**} (-2.39)	0.101 (0.40)	-0.422** (-7.33)
TURN	-0.005 (-1.26)	0.020^{**} (3.68)	-0.001 (-0.16)	-0.019^{**} (-2.26)	0.025 (0.53)	-0.023 (-1.24)	-0.019^{*} (-1.81)	-0.002 (-0.12)	0.010^{*} (1.84)	0.003 (0.61)	-0.003 (-1.00)	0.002^{**} (3.02)
S&P 500	-0.023 (-1.29)	-0.080** (-3.82)	0.039 (1.08)	-0.022 (-0.73)	-0.026 (-0.13)	0.242^{**} (2.78)	-0.142** (-2.97)	0.025 (0.48)	-0.015 (-0.57)	-0.117^{**} (-4.56)	-0.060^{**} (-4.56)	0.027^{**} (8.15)
Size	0.076^{**} (13.15)	0.087^{**} (12.24)	0.084^{**} (7.02)	0.073^{**} (7.17)	0.278^{**} (5.59)	0.035 (1.27)	0.051^{**} (3.59)	0.083^{**} (4.56)	0.049^{**} (5.69)	0.070^{**} (7.89)	0.081^{**} (17.36)	0.018^{**} (20.93)
Firm Presence	0.094^{**} (5.24)	0.043^{**} (2.20)	0.010 (0.30)	0.052 (1.33)	0.029 (0.17)	0.014 (0.13)	0.095^{**} (2.03)	-0.006 (00.0-)	-0.036 (-1.28)	0.107^{**} (3.74)	0.050^{**} (3.14)	0.000 (-0.10)
Country	Italy	Japan	Netherlands	Norway	Poland	Portugal	Singapore	South Africa	Spain	Sweden	Switzerland	U.K.

* denotes significance at 10 percent level. ** denotes significance at 5 percent level.

Table 6

The Effects of Firm-Presence Status Change

The table reports logistic regression results of the effects of foreign firms' firmpresence status change on fund investment decisions and fund holding weights of such firms, by country. The dependent variable for the holding decision of a fund manager is a binary decision-variable that equals one if a stock is held by a mutual fund in that country, and zero otherwise, and the dependent variable for the holding weight of a fund is a binary variable that equals one if a stock's relative holding weight is increased in that country, and zero otherwise. The independent variables include the firm-presence status change variable and all the control variables as defined in Table 3. The firm-presence status change variable is 1 if a U.S. firm changes its status from no a local presence at the beginning of the sample period to newly established presence at the end of the sample period, 0 if no change in status occurs during the two-year sample period. t-statistics reported in parentheses are based on standard errors adjusted for heteroskedasticity using the White (1980) method.

Country	Holding Decision	Holding Weight
Australia	4 070**	0.900**
Australia	4.278	2.309
	(4.33)	(3.05)
Belgium	1.882**	1.146^{*}
	(2.16)	(1.65)
France	3.624^{**}	2.716^{**}
	(5.31)	(4.28)
Germany	2.423^{**}	1.804^{**}
	(5.20)	(3.38)
Italy	3.193^{**}	2.077^{**}
	(3.95)	(2.78)
Japan	2.290^{**}	2.160^{**}
	(2.93)	(2.81)
Netherlands	1.702^{**}	1.330^{**}
	(2.75)	(2.50)
Singapore	4.560^{**}	1.613^{**}
	(5.40)	(3.20)
Spain	3.006^{**}	0.948^{**}
	(2.51)	(1.78)
Sweden	5.538^{**}	0.819
	(3.99)	(1.48)
U.K.	0.907^{**}	1.805^{**}
	(2.72)	(5.52)

* denotes significance at 10 percent level.

** denotes significance at 5 percent level.

Table 7

Robustness Tests

The table reports logistic regression estimates of various model specifications, by country. The estimates are obtained by running all control variables employed. Similar to the regressions of Table 3, the dependent variable is a binary decision-variable that equals one presence dummy, Model 2 includes both dummies jointly. The global-presence dummy equals one if a U.S. firm has global operations and zero otherwise. Model 3 replaces the firm-presence dummy by the local cross-listing dummy, which equals one if the U.S. stock is also listed in the local market, and zero otherwise. Model 4 incorporates both firm-presence and local cross-listing dummies. Models 5 and 6 are similar to Models 3 and 4, except we now substitute regional cross-listing dummy for local cross-listing dummy. Like the logistic regressions which are almost identical to those of Table 3 with a number of additional variables. See Table 3 for the definition of For brevity, the table only presents the logistic regression estimates of the coefficients on the four dummies of interest. The sample if a U.S. stock is held by a mutual fund in the country, and zero otherwise. Model 1 replaces the firm-presence dummy by the globallocal cross-listing dummy, the regional cross-listing dummy equals one if the U.S. stock is also listed in any of the regional exchanges. period is from year 2001 to year 2002.

	Intern	ational Prese	nce	Loca	l Cross-List	ing	Regio	nal Cross-Lis	ting
	Model 1	Mod	el 2	Model 3	Mo	del 4	Model 5	Mod	el 6
Country	Global Presence	Global Presence	Firm Presence	Local Listing	Local Listing	Firm Presence	Regional Listing	Regional Listing	Firm Presence
Australia	0.314^{**}	0.048	4.345^{**}	15.696	9.059	4.383**	13.384	9.059	4.383**
	(2.39)	(0.34)	(10.24)	(0.01)	(0.02)	(6.6)	(0.03)	(0.02)	(66.6)
Austria	0.253^{**}	0.214^{**}	2.459^{**}				3.133^{**}	1.041	2.132^{**}
	(2.64)	(2.22)	(3.73)				(2.31)	(0.68)	(2.97)
$\operatorname{Belgium}$	0.294^{**}	0.238^{**}	2.086^{**}	8.641	6.617	2.195^{**}	1.585	-0.543	2.221^{**}
	(3.91)	(3.13)	(5.96)	(0.04)	(0.03)	(6.28)	(66.0)	(-0.34)	(6.21)
Chile	0.985^{**}	0.934^{**}	3.967^{**}						
	(6.71)	(6.32)	(3.72)						
Denmark	0.225^{**}	0.155	2.685^{**}	12.266	9.665	2.690^{**}	3.718^{**}	1.277	2.495^{**}
	(2.28)	(1.55)	(4.57)	(0.03)	(0.02)	(4.67)	(2.37)	(0.77)	(4.11)
Finland	0.572^{**}	0.495^{**}	4.365^{**}	10.631	10.574	4.617^{**}	16.022	11.871	4.257^{**}
	(5.09)	(4.36)	(5.39)	(0.03)	(0.00)	(5.66)	(0.04)	(0.03)	(4.85)
France	0.251^{**}	0.027	2.951^{**}	2.151	-0.651	3.049^{**}	3.267^{**}	0.452	3.017^{**}
	(2.85)	(0.30)	(12.41)	(1.30)	(-0.40)	(12.52)	(2.62)	(0.36)	(12.25)
Germany	0.063	-0.107	1.950^{**}	12.398	10.585	1.891^{**}	1.856^*	0.067	1.911^{**}
	(96.0)	(-1.55)	(10.64)	(0.06)	(0.05)	(10.36)	(1.65)	(0.06)	(10.38)
Hong Kong	-0.047	-0.155	3.407^{**}				14.160	11.257	3.321^{**}
	(-0.36)	(-1.15)	(8.79)				(0.04)	(0.03)	(8.31)
Hungary	0.365	0.278	4.557^{**}				33.293	12.162	4.207^{**}
	(1.29)	(0.97)	(2.96)			-	(0.00)	(0.01)	(2.13)

7 (Continued)	ustness Tests
Table 7	Robu

	Intern	lational Prese	ence	Loca	d Cross-List	ting	Regio	nal Cross-Lis	ting
	Model 1	Mod	lel 2	Model 3	Mo	del 4	Model 5	Mod	lel 6
Country	Global Presence	Global Presence	Firm Presence	Local Listing	Local Listing	Firm Presence	Regional Listing	Regional Listing	Firm Presence
Italy	0.088	-0.024	2.735^{**}		[[2.468^{**}	-0.091	2.685^{**}
	(1.14)	(-0.30)	(9.12)				(2.29)	(-0.08)	(8.64)
Japan	0.279^{**}	0.134	2.306^{**}	11.174	8.730	2.464^{**}	10.598	8.730	2.464^{**}
	(2.86)	(1.34)	(7.86)	(0.03)	(0.03)	(7.72)	(0.04)	(0.03)	(7.72)
Netherlands	0.676^{**}	0.559^{**}	2.432^{**}	13.473	11.600	2.463^{**}	3.846^{**}	1.585	2.332^{**}
	(6.26)	(5.10)	(6.62)	(0.04)	(0.03)	(6.73)	(2.94)	(1.19)	(6.11)
Norway	0.766^{**}	0.714^{**}	3.318^{**}	16.014	12.060	3.110^{**}	16.078	13.131	3.011^{**}
	(6.49)	(6.01)	(3.86)	(0.03)	(0.04)	(3.82)	(0.03)	(0.03)	(3.63)
Poland	0.355^{*}	0.262	2.938^{**}				33.409	11.934	2.615^{**}
	(1.68)	(1.22)	(3.32)				(0.00)	(0.02)	(2.58)
Portugal	0.218^*	0.151	5.149^{**}				5.531	0.564	5.185^{**}
	(1.89)	(1.30)	(4.01)				(1.46)	(0.13)	(3.74)
Singapore	0.394^{**}	0.272^{**}	3.073^{**}				12.050	8.810	3.270^{**}
	(4.45)	(3.00)	(6.60)				(0.04)	(0.03)	(10.31)
South Africa	0.661^{**}	0.597^{**}	2.960^{**}						
	(5.29)	(4.74)	(3.90)						
Spain	0.175^{*}	0.123	2.129^{**}				2.314^*	0.344	2.099^{**}
	(1.90)	(1.33)	(4.97)				(1.69)	(0.24)	(4.66)
Sweden	0.465^{**}	0.394^{**}	3.162^{**}	8.714	5.657	3.266^{**}	12.868	9.450	3.220^{**}
	(4.34)	(3.65)	(5.36)	(0.02)	(0.01)	(5.57)	(0.04)	(0.03)	(5.40)
Switzerland	0.398^{**}	0.329^{**}	2.221^{**}	10.220	8.048	2.328^{**}	0.249	-2.084^{*}	2.439^{**}
	(5.04)	(4.11)	(6.09)	(0.03)	(0.03)	(6.41)	(0.21)	(-1.67)	(6.54)
U.K.	0.472^{**}	0.363^{**}	0.689^{**}	10.530	9.908	0.852^{**}	0.515	-0.168	0.862^{**}
	(6.61)	(4.85)	(5.11)	(0.06)	(0.05)	(6.43)	(0.49)	(-0.16)	(6.47)

* denotes significance at 10 percent level. ** denotes significance at 5 percent level.

Table 8

Firm Characteristics Preferred by Mutual Funds in Holding U.S. Stocks with Firm Presence

mutual fund in the country, and zero otherwise. For the given country, the independent variables are the firm-specific characteristic variables. The independent variables, as defined in Table 2, include firm size, S&P 500 index membership, turnover (TURN), dividend country, the dependent variable is a binary decision-variable that takes the value of one if a stock with a firm presence is held by a unreported year effects. t-test statistics are reported in parentheses, and the pseudo R^2 (in %) is reported in the last column of the The table reports logistic regression coefficient estimates of firm characteristics preferred by mutual funds by country. For a given yield (DY), book-to-market (BM), momentum (MOM), leverage (LEV), market β , volatility (VOL), return on total assets (ROA), and table. The sample period is from 2001 to 2002.

		S&P						Market			Pseudo
Country	Size	500	TURN	DY	BM	MOM	LEV	β	VOL	ROA	R^2 (%)
Australia	0.829^{*}	1.856	0.687^{*}	10.729	-1.921	1.801	-3.162	-0.917	-13.584	-9.013^{*}	58.68
	(1.92)	(1.22)	(1.78)	(0.28)	(-1.12)	(1.44)	(-1.11)	(-0.97)	(-1.05)	(-1.87)	
$\operatorname{Belgium}$	0.877^{**}	1.856	0.262	12.492	-1.812	1.424	-2.636	-1.152	-11.245	-6.187	35.92
	(2.13)	(1.50)	(0.80)	(0.62)	(-1.49)	(1.41)	(-1.10)	(-1.46)	(-0.86)	(-1.20)	
Denmark	-1.068	17.712	3.213	170.900	-26.140	-26.899	-4.673	-11.069	-30.161	-43.254	33.51
	(-0.75)	(1.33)	(1.35)	(1.29)	(-1.52)	(-1.48)	(-0.34)	(-1.40)	(-0.98)	(-1.35)	
France	1.742^{**}	-0.112	-0.032	7.159	-0.538	0.959	-3.764^{*}	0.077	-8.346	-2.248	55.69
	(5.08)	(-0.11)	(-0.24)	(0.43)	(-0.53)	(1.20)	(-1.87)	(0.15)	(-1.29)	(-0.84)	
Germany	1.446^{**}	-0.874	0.046	4.560	-0.020	0.674^{**}	-0.205	-0.273	-0.542	1.931	40.91
	(06.9)	(-1.08)	(0.46)	(1.01)	(-0.07)	(2.18)	(-0.20)	(-0.76)	(-0.14)	(0.88)	
Hong Kong	1.276^{**}	2.957	1.168	-43.895	0.035	-4.461	4.074	-2.853	-34.971	-13.594^{*}	65.66
	(1.97)	(1.01)	(1.48)	(-1.44)	(0.03)	(-1.46)	(0.92)	(-1.23)	(-1.32)	(-1.70)	

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$0.440 - 13.608^{*}$
(0.74) (-1.85)
1.719^{**} 0.974
(-2.36) (0.13)
-1.560 -48.552
(-0.57) (-1.48)
-1.878 -10.315
(-1.56) (-0.92)
-3.303 20.790
(-1.08) (0.67)
-1.585 4.457
(-1.25) (0.30)
-0.242 -9.354
(-0.35) (-1.04)
-0.272 -4.559*
(-1.20) (-1.85)

Table 8 (Continued)

Firm Characteristics Preferred by Mutual Funds in Holding U.S. Stocks with Firm Presence

 * denotes significance at 10 percent level. ** denotes significance at 5 percent level.

Table 9

Performance of U.S. Stocks with a Firm Presence

The table reports the performance of U.S. stocks with a local presence by country over the 2001-2002 period. For each country, U.S. stocks with presence are split into two groups: stocks with presence and held, and stocks with presence but not held by domestic fund managers of the country. For each group, the table reports the equal-weighted characteristic-adjusted return, number of U.S. stocks in each group, and a t-statistic that tests whether the characteristic-adjusted return is different from zero. The last two columns report the performance difference between the two groups and the t-test statistic of the difference. Reported returns are expressed in percent.

	Stocks with and Held b	n a Firm Presence y Fund Managers	Stocks wit but Not Hel	h a Firm Presence d by Fund Managers	Return Difference
Country	R^H	N_1	R^N	N_2	$R^H - R^N$
Australia	0.003 (1.60)	144	-0.005 (-0.45)	45	0.008 (0.74)
Austria	0.005^{*} (1.82)	85		_	
Belgium	0.005^{**} (3.03)	222		—	
Chile	0.000 (0.05)	48		_	
Denmark	0.003 (1.11)	83		_	
Finland	0.004 (1.18)	59		_	
France	0.004^{**} (2.84)	280	0.013 (1.45)	70	-0.008 (-0.94)
Germany	0.003^{**} (2.32)	449	0.003 (0.24)	79	0.001 (0.04)
Hong Kong	-0.001 (-0.23)	89	-0.012 (-0.73)	37	0.011 (0.68)

	Stocks with and Held by	a Firm Presence Fund Managers	Stocks with but Not Held	a Firm Presence by Fund Managers	Return Difference
Country	R^H	N_1	R^N	N_2	$R^H - R^N$
Italy	0.004^{**} (2.25)	208	-0.012 (-0.75)	29	0.016 (0.98)
Japan	0.003^{*} (1.77)	282	0.000 (0.01)	49	0.003 (0.26)
Netherlands	0.004^{*} (1.93)	170	0.019^{**} (2.03)	47	-0.015 (-1.55)
Norway	0.004 (1.40)	80			
Portugal	$0.002 \\ (0.48)$	45			_
South Africa	0.003 (1.43)	51			
Singapore	0.003 (1.44)	145	0.015 (1.22)	35	-0.012 (-0.94)
Spain	0.004^{**} (2.52)	191			
Sweden	0.006^{**} (2.83)	137		_	
Switzerland	0.003^{*} (1.78)	215			_
U.K.	0.001 (0.63)	914	-0.004 (-0.58)	160	$0.005 \\ (0.66)$

Table 9 (Continued)

Performance of U.S. Stocks with a Firm Presence

* denotes significance at 10 percent level. ** denotes significance at 5 percent level.