

Internet Appendix:

**“Investing in Low-trust Countries:
Trust in the Global Mutual Fund Industry”**

by

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In this Internet Appendix, we first provide a theoretical framework in the spirit of Guiso, Sapienza, and Zingales (2008) to illustrate the role of trust in delegated portfolio management (page 2). We then conduct a list of robustness checks for our main analysis in Part 2. Finally, we tabulate the full specification of the regression models, as reported in various tables in the main text.

I. A Simple Model of Trust in Active Portfolio Management

This appendix provides a simple model in the spirit of Guiso et al. (2008) (hereafter GSZ) to illustrate the role of trust in delegated portfolio management. We start from the widely accepted notion that trust mitigates contracting incompleteness because it can reduce the subjective probability the individual assigns to the possibility of being cheated (e.g., Arrow (1972), Gambetta (1988), Putnam, Leonardi, and Nanetti (1993), Williamson (1993), and Fukuyama (1995)). One way for the literature to formulate this cultural influence is to assume that when investors decide whether to invest in a stock, they assess not only the distribution of returns but also the likelihood that the underlining investment opportunity is a pure scam (e.g., Guiso et al. (2004), (2008)). A simple mathematical formulation follows that investors assign a subjective probability p that the scam can occur, in which case investors do not receive anything from their investment. By contrast, for the probability of $1 - p$, investors believe they will receive returns from the stock with a certain distribution. The subjective probability of $1 - p$, in this case, measures the degree of trust that investors have in that stock. The influence of trust on delegated portfolio investment can be formulated in a similar way, in which investors assess the likelihood of two different types of scams: 1) that in which the value of invested physical assets vanishes and 2) that in which fund managers steal all the value from investors. Both affect investors' decision to participate in delegated portfolio investment.

To demonstrate this intuition, we extend GSZ to an economy with three assets. The first asset is risk free, which yields a sure and positive return of r_f . The second asset is risky, which we label *the market*. Following GSZ, we assume that the market is risky from investors' perspective in two dimensions. First, the market can yield a risky return of r_M that follows a normal distribution of $r_M \sim N(\bar{r}, \sigma_r^2)$, where $\bar{r} > r_f$ is the expected return—when there is no market scam. Second, investors believe that a market scam can occur with probability p , in which case its value of investment vanishes. When the economy consists of only these two assets, GSZ shows that trust boosts investors' participation in the market.

We further introduce a third asset, an actively managed fund, into this economy; it delivers a risky return of $r_M + x$ when no scam occurs. The functional form of the fund return captures the most important feature of active management: while active funds are benchmarked against stock market indices such as S&P 500, they also try to outperform these indices. Here, x denotes the additional return—or *performance*—that the active fund promises to deliver above and beyond the market, for instance because fund managers have selection and timing abilities. The risk associated with fund performance is three-fold. First, fund performance follows a risky distribution $x \sim N(\bar{x}, \sigma_x^2)$, where $\bar{x} > 0$ is the promised performance and σ_x^2 is its associated variance risk. Second, if the market scam occurs (still with the subjective probability of p), investors receive nothing regardless of the actions of fund managers. Third, there is an addition risk whereby active fund managers steal all the money from investors—which we call a fund scam—and investors receive

nothing from investing in the active fund. Investors assign a subjective probability of q to the occurrence of such a scam. In other words, investors can receive fund returns only when there is no scam in the market or in the fund. The subjective probability of $1 - p$ and $1 - q$, in this case, measures the degree of trust that investors have in the market and in fund managers, respectively. Although both types of trust can be largely determined by a common cultural value shared in a society (i.e., the “general” trust), we track them separately in the model because investors can nonetheless assign different probabilities to different types of expropriation.

Given initial wealth W , an investor will maximize her utility function $U(W)$ by investing α -fraction of the wealth in the market, β -fraction in the active fund, and the remaining $1 - \alpha - \beta$ portion in the risk-free asset. The investor will receive a final wealth of $W_n = (1 - \alpha - \beta)r_f W + \alpha r_M W + \beta(r_M + x)W$, $W_p = (1 - \alpha - \beta)r_f W$, or $W_q = (1 - \alpha - \beta)r_f W + \alpha r_M W$ if, respectively, no scam, the market scam, or the fund scam occurs. Since these three scenarios occur with a probability of $1 - p - q$, p and q , respectively, the investor solves the following maximization problem:

$$\text{Max}_{\alpha, \beta} (1 - p - q)\mathbf{E}[U(W_n)] + pU(W_p) + q\mathbf{E}[U(W_q)].$$

The first order conditions with respect to α and β are given by:

$$\begin{cases} (1 - p - q)\mathbf{E}[U'(W_n)(r_M - r_f)] + q\mathbf{E}[U'(W_q)(r_M - r_f)] \leq pU'(W_p)r_f. & (A1) \\ (1 - p - q)\mathbf{E}[U'(W_n)(r_M + x - r_f)] \leq pU'(W_p)r_f + q\mathbf{E}[U'(W_q)r_f]. & (A2) \end{cases}$$

The two FOCs describe the marginal utility of investing in the market and active fund. To analyze how trust affects the decision to participate in the market and the active fund, we follow GSZ to examine the marginal utility of the investor when $\alpha = \beta = 0$. In this scenario, if the marginal benefit the investor can obtain from investing in a risky asset is lower than the cost of losing everything according to her subjective probability, then the optimal decision is to stay out of the asset. In the spirit of GSZ, this implies the existence of two thresholds of p and q , denoted as \bar{p} and \bar{q} , at which levels the marginal benefit equals the marginal cost. For any subjective probability above the two thresholds, investors choose to stay away from the risky assets. It then follows that:

PROPOSITION 1: Only investors with high enough trust $(1 - p) \geq (1 - \bar{p})$ will invest in the market, where $\bar{p} = (\bar{r} - r_f)/\bar{r}$. In addition, only investors with high enough trust $(1 - q) \geq (1 - \bar{q})$ will invest in the active fund, where $\bar{q} = (\bar{r} + \bar{x} - r_f)/(\bar{r} + \bar{x}) - (\bar{r} - r_f)/\bar{r}$.

Proof: When $\alpha = \beta = 0$, $U'(W_n) = U'(W_p) = U'(W_q)$. The two FOCs with \bar{p} and \bar{q} become $(1 - \bar{p})(r_M - r_f) = \bar{p}r_f$ and $(1 - \bar{p} - \bar{q})(r_M + x - r_f) = \bar{p}r_f + \bar{q}r_f$, respectively. From these two FOCs, we can solve for the value of \bar{p} and \bar{q} as specified in Proposition 1. The general condition follows that the

investor will invest only when $(1 - p) \geq (1 - \bar{p})$ and $(1 - q) \geq (1 - \bar{q})$. *Q.E.D.*

The intuition of Proposition 1 is straightforward. The investor will invest in the market only when its expected return, after netting out the influence of both the variance risk and the risk of market scam, exceeds the risk-free rate. Depending on the distribution of returns, this means that investors will invest in the market only when the probability of a scam is believed to be smaller than a threshold that equalizes the expected return and risk-free asset. Any higher subjective probability will persuade the investor not to invest in the market. The same intuition also applies to investment in active funds. The investor will invest in the active fund only when its expected return, after netting out the effects of variance risk and the two scams, exceeds what can be derived from the risk-free asset. Depending on the relative values of \bar{p} and \bar{q} , the investor can either invest in the market, or invest in the active fund, or invest in both.

Next, suppose that the investor's levels of trust are above both thresholds; what does her optimal investment look like? Intuitively, a higher level of trust or, mathematically, a lower value of p and q , will enhance the marginal benefit of investing in risky assets as described in the two FOCs. Hence, optimal investment in the active fund should increase with trust. Below we demonstrate this intuition in closed-form solutions by making some assumptions on the functional form of the utility function.

PROPOSITION 2: If the investor is risk averse and ignores higher order risk distributions, the more the investor trusts, the higher the fraction of her wealth she invests in the active fund conditioning on participation. The relative importance of the active fund between the two risky assets also increases.

Proof: When the investor does not care about higher-order risk distribution, her utility function can be described by a CARA preference with either a negative exponential function or a mean-variance preference.¹ Without loss of generality, we demonstrate the intuition based on $\mathbf{E}[U(W)] = \mathbf{E}[W] - \frac{1}{2}\theta \times \text{Var}(W)$, for which we can use $\text{Var}(W)$ to denote the variance of wealth and θ the degree of risk aversion. The investor essentially solves the following mean-variance maximization problem:

$$\begin{aligned} \text{Max}_{\alpha, \beta} (1 - p - q) & \left[(1 - \alpha - \beta)r_f W + (\alpha + \beta)\bar{r}W + \beta\bar{x}W - \frac{1}{2}\theta(\alpha + \beta)^2 W^2 \sigma_r^2 - \frac{1}{2}\theta\beta^2 W^2 \sigma_x^2 \right] \\ & + p(1 - \alpha - \beta)r_f W + q \left[(1 - \alpha - \beta)r_f W + \alpha\bar{r}W - \frac{1}{2}\theta\alpha^2 W^2 \sigma_r^2 \right]. \end{aligned}$$

Denote the optimal solution of α and β to be α^ and β^* , respectively. FOC (1) w.r.t α^* becomes $(1 - p - q)[(\bar{r} - r_f) - \theta(\alpha^* + \beta^*)W\sigma_r^2] - pr_f + q[(\bar{r} - r_f) - \theta\alpha^*W\sigma_r^2] = 0$, which further yields $\alpha^* + (1 - q/(1 - p))\beta^* = \frac{\bar{r} - r_f/(1 - p)}{\theta W \sigma_r^2}$. Meanwhile, FOC (2) w.r.t β^* becomes $(1 - p - q)[(\bar{r} + \bar{x} - r_f) -$*

¹ Whittle (1990) demonstrates how to map an optimization problem with negative exponential utility functions into one with mean-variance utility functions. Alternatively, the mean-variance utility function can be viewed as the Taylor expansion of a more general utility function, when the first two moments dominate higher order preferences.

$(\alpha^* + \beta^*)\theta W\sigma_r^2 - \beta\theta W^2\sigma_x^2] - pr_f - qr_f = 0$, or $\alpha^* + \beta^* \left(\frac{\sigma_x^2}{\sigma_r^2} + 1\right) = \frac{\bar{r} + \bar{x} - r_f/(1-p-q)}{\theta W\sigma_r^2}$. Solving the two equations, we have:

$$\alpha^* = \frac{\bar{r}}{\theta W\sigma_r^2} - \frac{\bar{x}}{\theta W\sigma_r^2} \left(\frac{1 - \frac{q}{1-p}}{\frac{\sigma_x^2}{\sigma_r^2} + \frac{q}{1-p}} \right) - \frac{r_f}{\theta W\sigma_r^2(1-p) \left(1 + \frac{q}{1-p} \frac{\sigma_r^2}{\sigma_x^2} \right)}; \beta^* = \frac{\bar{x} - \frac{qr_f}{(1-p-q)(1-p)}}{\theta W\sigma_r^2 \left(\frac{\sigma_x^2}{\sigma_r^2} + \frac{q}{1-p} \right)}$$

The above closed-form solutions allow us to examine the influence of trust in detail. Let us first examine the optimal investment in the active fund, which is characterized by β^* . It is clear that $\frac{\partial \beta^*}{\partial(1-q)} > 0$, $\frac{\partial \beta^*}{\partial \bar{x}} > 0$ and $\frac{\partial \beta^*}{\partial \sigma_x^2} < 0$. That is, investment in the active fund increases with trust as well as expected fund performance, and it decreases with the volatility of fund performance. The relationship between investment and the distribution of fund performance is well known. The new property is that trust in general induces investors to invest more in the active fund.

The demand for the market is more complex, as the existence of the active fund will influence the investor's demand for the market. However, we can first nest this result into the economy with two assets by ruling out the demand for the active fund (i.e., when $\beta^* = 0$). In this case, $\alpha_0^* = \frac{\bar{r}}{\theta W\sigma_r^2} - \frac{r_f}{\theta W(1-p)\sigma_r^2}$. Easy to see, a higher level of trust in the market (i.e., $1-p$) leads to more investment in the market, consistent with the insight of GSZ on how trust influences the decision to participate in the market.

Next, we consider the more general case when $\beta^* > 0$. In this case, we have $\alpha^* = \alpha_0^* - \frac{1-p-q}{1-p} \beta^*$, $1-p-q > 1-\bar{p}-\bar{q} > 0$, and $0 < \frac{1-p-q}{1-p} < 1$. Two interesting properties emerge. First, with β^* -fraction of initial wealth invested in the active fund, the optimal investment in the market actually decreases (i.e., $\alpha^* < \alpha_0^*$). In other words, investors view the market and the active fund as partial substitutes in making investment decisions because investing in either one can potentially help improve her marginal utility compared to the risk-free asset. Second, the overall investment in the two risky assets increases when β^* increases because investment in the market decreases less than investment increases in the active fund.

Adding the two properties together, an increase in β^* enhances both the overall demand for risky assets (i.e., $\alpha^* + \beta^*$) and the relative importance of the active fund between the two risky assets (i.e., $\beta^*/(\alpha^* + \beta^*)$). Q.E.D.

To see the intuition behind the optimal investment in the active fund, recall that the classical demand function we can derive from mean-variance or negative exponential utility functions are proportional to the expected value of the return in excess to the risk-free rate, scaled by the variance risk. These features are modified by the influence of trust in our model: a higher subjective probability of a fund scam reduces the

marginal benefit of investing in the fund and therefore reduces the investor's corresponding demand. Hence, a high level of trust in the active fund allows the investor to invest more in it. Moreover, since investment in the active fund partially substitutes for that in the market, more investment in the active fund also increases the relative importance of the active fund between the two risky assets.

This proposition highlights how trust could influence the mutual fund industry. It first extends GSZ's analysis to active delegated portfolio management, showing that more trusting investors are also likely to allocate more capital to active funds. Note that in our model, trust does not necessarily increase direct market investment (i.e., α^*) but rather the overall market participation through both types of investment (i.e., $\alpha^* + \beta^*$). Moreover, the prediction of increased relative importance of the active fund between the two risky assets also has important implications for the mutual fund industry. If we recognize that investment in the market can be largely achieved via index funds, it then implies that the entire mutual fund industry (including both index and active funds) will be more active in catering to the demand of more trusting investors.² At the industry level, it means that the fraction of active funds increases with the level of trust in an economy. At the fund level, it means that the activeness of an average fund increases with the level of trust. Our empirical findings support these predictions.

We next examine fund performance based on the notion that trust and trustworthiness are largely reciprocal. The existence of a reciprocal relationship is an important feature of collaborative equilibriums in which social trust influences people's behavior (e.g., Algan and Cahuc (2014), Berg, Dickhaut, and McCabe (1995), and Baran, Sapienza, and Zingales (2010)). If people in a society assign a lower subjective probability to cheating, for instance, their counterparties need to cheat less for a high-trust equilibrium to emerge in the society. Since disruptions or breaches of trust are typically punished by outflows of capital (Choi and Kahan (2007), Kostovetsky (2015), and Gurun, Stoffman, and Yonker (2018)), a high-trust equilibrium in delegated portfolio management is also likely to occur only when managers reciprocate with trustworthy behavior. As a reduced-form description of this type of collaborative equilibrium (i.e., the "mutual trust hypothesis" in our main text), we can formulate the reciprocal relationship into the mathematical notion that the realized probability of a scam must converge with its subjective probability in the long run. Expected fund performance in this case will increase with trust:

PROPOSITION 3: When trust and trustworthiness are reciprocal, i.e., when the subjective probability of a scam converges with the real probability of a scam, the performance of the active fund increases with trust in fund managers.

Proof: Fund return when no scam, the market scam, or the fund scam occurs is, respectively:

² In this case we interpret $\alpha^* + \beta^*$ as the maximum size of the mutual fund industry. If index fund-related investment only occupies an η -fraction of market investment, then the size of the mutual fund industry is smaller (i.e., it becomes $\eta\alpha^* + \beta^*$)—and active funds will become even more important therein.

$$\begin{cases} r_M + x, & \text{with the probability of } 1 - p - q \\ 0, & \text{with the probability of } p \\ r_M, & \text{with the probability of } q \end{cases}$$

It follows that the expected fund return is $(1 - p - q)(\bar{r} + \bar{x}) + q\bar{r} = (1 - p)\bar{r} + (1 - p - q)\bar{x}$, which increases with trust in fund managers. *Q.E.D.*

Proposition 3 applies the notion of reciprocal trust and trustworthiness to delegated portfolio investment. In terms of active management, such a reciprocal relation means both more trusting investors (who assign a low subjective probability of being cheated) and more trustworthy funds (that expropriate less). In other words, if trust plays a significant role in forming the principal-agent relationship, high trust will not only enhance the participation in the active fund by investors (Proposition 1) but also induce the fund manager to cheat less (i.e., to deviate less from the promised “true” returns). Other things being equal (i.e., conditioned on the “true” distribution of active fund returns), the trustworthiness of fund managers implies a higher expected return from the investors’ perspective.

We lastly discuss the property of the diminishing impact of trust in this simple model. Based on Proposition 2, the impact of trust in fund $(1 - q)$ on optimal investment in the fund (β^*) is always positive. The relationship between the level of trust (i.e., $1 - q$ or $1 - p$) and the marginal impact of trust (i.e., $\frac{\partial \beta^*}{\partial (1 - q)}$), however, is more complex. The following proposition illustrates that the marginal impact can be diminishing when the level of fund trust is high—i.e., when the risk of a fund scam is less important compared to the variance risk associated with fund performance (mathematically when $q \ll \sigma_x^2 / \sigma_r^2$).

PROPOSITION 4: The marginal impact of trust on the optimal investment in the active fund decreases with the level of trust when $q \ll \sigma_x^2 / \sigma_r^2$.

Proof: When $q \ll \sigma_x^2 / \sigma_r^2$, $\beta^ \approx \frac{\bar{x} - \frac{qr_f}{(1-p-q)(1-p)}}{\theta W \sigma_x^2}$, i.e., the optimal investment in the active fund is dominated by the numerator terms, describing the tradeoff between the marginal return of fund performance and the return of the risk-free asset. Easy to see, $\frac{\partial \beta^*}{\partial (1 - q)} \propto \frac{r_f}{(1 - p - q)^2} > 0$, $\frac{\partial^2 \beta^*}{\partial (1 - q)^2} < 0$, and $\frac{\partial^2 \beta^*}{\partial (1 - q) \partial (1 - p)} < 0$. The last two second-order conditions confirm that the marginal impact of trust decreases when the level of either trust in the market or trust in fund managers increases. *Q.E.D.**

Note that the above proposition provides only a sufficient condition for trust to exhibit diminishing impacts. The condition is reasonable because the risk of a fund scam is less visible compared to the variance risk in the global mutual fund industry. Nonetheless, the role of trust could be subtler in other more general conditions. Diminishing impact, in this regard, can be regarded as an important empirical feature of the mutual fund industry.

II. Robustness checks

This part 2 consists of seven main sets of robustness checks. The first set of tests focuses on non-US funds and the second set of tests employs only the World Values Survey (WVS) sample rather than the joint sample including both the WVS and the Europe Value Survey (EVS). The third set of tests concerns alternative definitions of our main variables. The fourth set of robustness checks involves alternative factor models to compute fund performance. Specifically, the main tests used domestic risk factors of the fund sales countries to compute fund performance. As a robustness check, we want to show that utilizing the risk factors of fund-investing countries or combining foreign with domestic factors will not affect our main results. The fifth and sixth set of robustness checks considers additional country characteristics related to financial development, culture and institutions. The last set of robustness checks examines the influence of trust among retail funds and institutional funds. Below, we describe these tests in detail.

A. Additional Tests on the Sample of Non-US funds

Table IN2 tabulates the detailed results when we exclude the sample of fund domiciled in the US. Specifically, Panel A applies the tests in Table 3 regarding the impact of trust on the activeness and performance of domestic funds, while Panel B replicates the test of the diminishing impact of trust, as reported in Table 8 based on the subsample of international funds. We can see that the results are qualitatively and quantitatively similar to our baseline estimates. Across this test, our baseline test, and the previous subsample tests on US funds and European funds, therefore, we can see that the role of trust as a fundamental building block of delegated portfolio management is pervasive and global.

B. Additional Tests on the World Values Survey (WVS) sample

Table IN1 tabulates the detailed summary statistics at the individual country level. From this table, we can see that, in the combined sample utilized in our main tests, the WVS covers more countries than does the EVS. Although the combined sample covers more countries and is thus more representative, the literature sometimes focuses only on the WVS survey. Hence, it is important for us to examine whether our results hold in the WVS subsample.

Tables IN4 to IN6 take on this task. These three tables replicate the three sets of our main tests based on the WVS subsample. Specifically, Table IN4 replicates Table 2 for the WVS subsample. Table IN5 applies the tests in Table 3 regarding the impact of trust on the activeness and performance of domestic funds to WVS countries. Finally, Table IN6 replicates the test of the diminishing impact of trust, as reported in Table 8 based on the subsample of the WVS survey. We can see that our main results are robust to the use of WVS survey data only, confirming that the selection of survey data is not an issue affecting our main

conclusions. Note that the results for other cross-border tests (i.e., Tables 4-6) are also consistent with our observations in the main text. However, since Table 8 reconciles these cross-border tests based on the interpretation of the diminishing impact of trust, we focus on this parsimonious framework to demonstrate the robustness of the cross-border conclusions.

C. Robustness Checks on Alternative Definitions of Main Variables

Next, we move on to alternative definitions of our main variables. We first verify whether our results are sensitive to the threshold we employ to differentiate between domestic and international funds. In the main text, we define domestic (international) funds as those that invest more than (less than) 80% of their total assets in stocks listed in a foreign country. In our robustness checks, we change the threshold to 50% of total assets. That is, we define a fund as domestic (international) as long as its domestic assets exceed (are less than) foreign assets.

The next two tables explore the impact of trust on domestic and international funds based on this alternative definition. Table IN7 applies the tests in Table 3 regarding the impact of trust on the activeness and performance of newly defined domestic funds, whereas Table IN8 replicates the test of the diminishing impact of trust (Table 8 in the main text) based on the newly defined international funds. We can see that the results are robust. These two tests confirm that the impact of trust in the global mutual fund industry is not contaminated by the way we define domestic vs. international funds.

Tables IN9 and IN10 explore an alternative measure of trust. Following the literature, the main proxy of trust comes from answers to the survey question, “Generally speaking, would you say that most people can be trusted or that you cannot be too careful in dealing with people?” In addition to this general question, we also explore three additional survey questions regarding whether a known person, a stranger, and a person of a different nationality can be trusted (the value is still scaled to be between 0 and 1): 1) “How much do you trust people you know personally?”; 2) “How much do you trust people you meet for the first time?”; and 3) “How much do you trust people of another nationality?”³ Specifically, we first construct trust variables distributed between zero (low trust) and one (high trust) for each of the three questions and, second, take the average value of the three specific trust variables. In this way, we construct an alternative proxy for trust based on whether specific types of persons can be trusted in a society.

We then replace our main trust variable with this alternative proxy in tests for both domestic funds (Table 3) and international mutual funds (Table 8). The results are reported in Tables IN9 and IN10 for

³ In particular, the alternative trust measure is constructed based on the answers to three different survey questions regarding whether a known person, a stranger, and a person with a different nationality can be trusted or not—the three survey questions are specified in Appendix A. For each of the three questions, we construct a trust variable that distributes between zero and one (high trust). We then take the average value of the three variables as the alternative proxy of trust.

domestic and international funds, respectively. We find that our main results are robust, which is perhaps not very surprising, as both the alternative and our main proxy for trust aim to capture the same type of cultural effect in an economy.

Next, it may be argued that, because funds legally operate in their domicile country, trust of the domicile country may provide a reasonable proxy for trust in managers in terms of cross-border mutual fund investments. To address this issue, we replace the trust of the fund sales country with that of the fund domicile country in tests exploring fund investments in low-trust countries (Table 8). The results, as tabulated in Table IN11, are very similar to our previous observations, suggesting that our results are robust to the proxy of the domestic country in cross-border investments.

D. Robustness Checks on Alternative Measures of Fund Performance

We now move on to the third set of robustness checks. In the main test, we compute the four-factor rolling alpha and in-sample alpha based on the fund sales country. As a robustness check, we compute alternative fund performance measures based on 1) the risk factors of the leading investment country of an international fund, 2) the holding value TNA-weighted average of the local factors of all investing countries, and 3) the combination of risk factors from both the fund sales country and the leading fund-investing country (i.e., 8 factors in this case). We then employ these alternative performance measures to re-estimate the performance implications of trust-related activeness, as originally reported in Panels B of Table 8 and Panel B2 of Table IN3.

The results are tabulated in Table IN12. We find that the prediction that the trust-related active share strongly predicts performance is robust when risk factors from the fund-investing countries are employed alone or in addition to those from the fund sales country. The economic magnitude of the performance impact is similar to what we reported in the main text. Our major conclusion on the performance impact of trust is therefore robust to alternative performance measures.

E. Additional Control for Financial Development

The fifth set of robustness conducts an in-depth investigation of the role of financial development in our setting. On one hand, financial development can help improve the capital allocation process and thus play an essential role in affecting the formation of the mutual fund industry (Wurgler (2000)). On the other hand, it is closely linked to the level of social capital, one key outcome of which is trust (Guiso et al. (2004)). In addition to the proxy of financial development as the ratio of stock market capitalization to GDP (e.g., Wurgler (2000)), we further control for several indicators of financial development used by La Porta, Lopez-Silanes, Shleifer, and Vishny (1997) and Guiso et al. (2004), including (1) EXTERNAL_EQUITY/GNP, the fraction of the capitalization of the equity not detained by outsiders divided by GNP; (2) DEBT/GNP,

total debt outstanding divided by GNP; (3) #FIRMS/POPULATION, the number of listed companies divided by million inhabitants; (4) #IPOS/POPULATION, the number of initial public offerings divided by million inhabitants. Table IN13 examines how these variables affect the influence of trust for domestic funds (i.e., extending Table 3 of the main text), whereas Table IN14 focuses their effect in the test of the diminishing impact of trust (i.e., extending Table 8 of the main text), with the additional sets of controls.

We observe that controlling for these indicators of financial development does not change our main results. This result also adds to our previous tests using the first-wave WVS trust values: they jointly show that the influence of trust is indeed not mainly driven by recent economic conditions related to financial developments.

F. Additional Control for Other Cultural and Institutional Variables

Next, we consider additional country characteristics related to formal and informal institutions. Particularly, we alternately include RELIGIOSITY (Stack and Kposowa (2006)) as a proxy for the influence of religion, other important types of informal culture, namely, INDIVIDUALISM and HIERARCHY (Appendix A provides the definition), other important measures of formal institutions related to GOOD_GOV_INDEX (Karolyi, Lee, and van Dijk (2012)), DISCLOSURE (Bushman, Piotroski, and Smith (2004)), ANTI_SELF_DEALING (Djankov, La Porta, Lopez-de-Silanes, and Shleifer (2008)), ACC_TRANSPARENCY (Durnev, Errunza, and Molchanov (2009)), PROPERTY_RIGHTS and CONTRACTING_INST (Acemoglu and Johnson (2005)), the POLITICAL_TRUST and INSTITUTIONAL_TRUST measures based on the IMD international survey (Hwang (2015))⁴, and measures of the population distribution, such as LIFE_EXPECTANCY and the percentage of economically active population (Birdsall and Londono (1997)).

We first consider alternative informal institutions that are likely to be embedded in the culture of a country. In addition to trust, individualism and hierarchy are known to capture important facets of culture. The definitions of these two variables are provided in Appendix A in the main text. Hence, Table IN15 replaces the list of country characteristics used in Table 8 with the alternative cultural variables: INDIVIDUALISM and HIERARCHY. We employ the survey questions detailed in Appendix A from the WVS and the EVS to construct these two variables. Following the format in Table 8, we then examine whether the effects of trust in the first- and second-stage analyses are robust when we include these additional cultural variables.

⁴ Though we follow Hwang (2015) and call the two variables *Political Trust* and *Institutional Trust*, these variables are not really about social trust. Rather, they are constructed from the survey questions of whether “*The government adapts its policies to new economic realities effectively*” and whether “*There is full confidence among people that their person and property is protected.*” Clearly, these two questions check the efficiency of government and property rights institutions in a country and are, therefore, close in spirit to our control variables related to formal institutions. Hence, we treat them as control variables rather than alternative measures of social trust.

From Panel A of Table IN15, we can see that the positive relationship between trust and the active share remains highly significant. Interestingly, INDIVIDUALISM also seems to affect the active share, but the way it affects the active share differs drastically from that of trust. Specifically, while the impact of trust is concentrated in the low-trust country for cross-border investments, INDIVIDUALISM allows for more active shares in both countries. Hence, unlike trust, INDIVIDUALISM does not impose a threshold constraint on fund activeness. The performance impact of INDIVIDUALISM, however, is less robust than that of trust. While the trust-related active share still predicts significant performance, the performance impact of INDIVIDUALISM is not significant when employing the Fama-MacBeth specification.

In addition to emphasizing cultural variables, the literature has highlighted the importance of formal institutions in affecting economic outcomes and market behaviors. One potential concern, therefore, is whether the detected impact of trust may simply reflect the influence of omitted variables related to a country's formal institutions. In our main test, we mitigate this concern by controlling for the three types of country characteristics that are most likely to affect the activeness and performance of international mutual funds, namely, quality of government, information environment and education. Thus, we control for other types of formal institutions that are widely employed in the literature. Particularly, we expand Table 8 by controlling for an alternate good governance index (Karolyi et al. (2012)), disclosure (Bushman et al. (2004)), anti-self-dealing (Djankov et al. (2008)), accounting transparency (Durnev et al. (2009)), property rights and contracting institutions (Acemoglu and Johnson (2005)), and POLITICAL_TRUST and INSTITUTIONAL_TRUST based on an IMD international survey (Hwang (2015)).

Note that, among these variables, the two variables of POLITICAL_TRUST and INSTITUTIONAL_TRUST may appear to proxy for social trust, while they actually do not do so. Rather, the two variables are constructed from the survey questions of whether "*The government adapts its policies to new economic realities effectively*" and whether "*There is full confidence among people that their person and property is protected.*" We know that these two questions deal mostly with the efficiency of government and property rights institutions in a country, which are close in spirit to our control variables related to formal institutions –for instance, the good governance index of Karolyi et al. (2012) and property rights institutions of Acemoglu and Johnson (2005). We therefore treat these two variables similarly to other variables on formal institutions rather than viewing them as alternative measures of social trust.

We report the results in Table IN16. Note that we add these additional controls one by one because many of these institutional variables are highly correlated across countries. Our results remain robust when we jointly control for unrelated country characteristics. We observe that the inclusion of these variables does not affect the significant explanatory power of trust either in the first stage regarding fund activeness or in the second stage regarding fund performance. Interestingly, many alternative country characteristics affect fund activeness in the first stage. None of these variables, however, exerts a significant impact on

performance. Hence, formal institutions could be more related to the development stage of the mutual fund industry in terms of activeness. By contrast, they do not necessarily generate the reciprocal performance implication that trust does. These observations suggest that trust has a unique impact on the formation of the global mutual fund industry, in addition to the effects of formal institutions.

Religion, which could be correlated with both formal institutions and informal culture, may also play a role in economic activities. We therefore further control for religiosity in Table IN17. Particularly, we use RELIGIOSITY to proxy for the involvement in formal religious ritual and intrinsic religiosity, which is defined based on response categories to the question of “how often do you attend religious service” from the World Values Survey (Stack and Kposowa (2006)). Responses were coded on a seven-point scale from never (1) to more than once a week (8). Meanwhile, we also control for the life expectancy (LIFE_EXPECTANCY) of a country and its percentage of the population who could potentially be economically active (POP_AGE). Both variables come from the world development indicator data of the World Bank (also see Birdsall and Londono (1997)).

We again find that controlling for these religiosity and life expectancy variables do not change our main results. Especially, trust exhibits a significant impact on fund activeness in the first stage and on fund performance in the second stage. Trust is not equivalent to religiosity, as the relationship between alphas and trust remains highly significant and the impact of religion on activeness in the first stage differs from that of trust. Hence, social trust and religiosity play different roles in the formation of the global mutual fund industry.

G. The Influence of Trust among Retail Funds

Finally, the last set of robustness checks examines whether the influence of trust differs when mutual funds serve different types of investors. Our main intuition is that, compared to institutional investors who rely on their professional expertise when making investment decisions, retail investors essentially face greater contracting incompleteness. Hence, we expect trust—either in terms of trust in the market and trust in managers—to have a more crucial impact on mutual funds that mostly serve retail investors. To explore this intuition, we follow Berk and Binsbergen (2015) and Pastor, Stambaugh, and Taylor (2015) and identify share class type as either institutional or retail/non-institutional. We then classify a fund as institutional (i.e., institutional investor-dominated) when more than 50% of its TNA is associated with an institutional share class and as retail otherwise.

We apply the two-stage tests for domestic funds (as reported in Table 3) separately for retail and institutional funds and tabulate the results side-by-side in Table IN18. From Panel A, we can see that the relationship between trust and fund activeness remains highly significant for retail funds. By contrast, the relationship becomes either insignificant or has the wrong sign for the subset of institutional funds. Panel B

further shows that trust-related active share is positively related to performance for retail funds but not for institutional funds.

Finally, we apply diminishing impact tests of international funds (as reported in Table 8) separately to these two types of funds and report the results side-by-side in Table IN19. We can see that, again, social trust significantly affects the activeness and performance of retail funds but not those of institutional funds. This result reveals an interesting substitute effect between culture and professional knowledge. Since retail funds outnumber institutional funds in the global industry, this pattern illustrates the importance of trust in the global mutual fund industry.

Table IN1: Additional Summary Statistics

This table presents the summary statistics for domestic (Panel A) and international funds (Panel B) in this paper from 2002 to 2015. All variables are taken average over the sample period for each fund. Panel C summarizes country distribution of fund observations and some main variables in our sample.

Panel A Domestic Fund						
Variable	N	Mean	SD	25%	Median	75%
ACTIVE_SHARE	26498	0.711	0.249	0.594	0.779	0.904
TNA (in billion)	26498	1.139	4.891	0.055	0.207	0.779
FLows (per annum)	26498	0.171	0.532	-0.155	0.060	0.333
TURNOver (per annum)	26498	0.740	0.834	0.200	0.520	0.980
FUND_AGE	26498	14.292	12.411	7.000	11.000	18.000
BENCH_ADJ_RETURN (%)	26498	2.087	11.902	-6.038	0.716	9.355
BENCH_ADJ_ROLLING ALPHA4 (%)	26370	0.736	14.149	-8.340	-0.468	9.354
BENCH_ADJ_IN_SAMPLE_ALPHA4 (%)	26498	0.768	14.162	-8.322	-0.443	9.421
Panel B International Fund						
ACTIVE_SHARE	15658	0.710	0.227	0.591	0.758	0.880
TNA (in billion)	15658	0.619	2.715	0.032	0.107	0.362
FLows (per annum)	15658	0.151	0.553	-0.200	0.036	0.331
TURNOver (per annum)	15658	0.472	0.804	0.042	0.092	0.610
FUND_AGE	15658	12.270	8.807	6.000	11.000	16.000
BENCH_ADJ_RETURN (%)	15658	0.613	11.348	-6.926	-0.084	7.649
BENCH_ADJ_ROLLING ALPHA4 (%)	15236	-0.356	13.873	-9.239	-1.609	8.012
BENCH_ADJ_IN_SAMPLE_ALPHA4 (%)	15658	-0.185	13.997	-9.226	-1.505	8.251
Panel C Country Distribution						
Country	FundNo.(Domicile)	Fund No.(Sale)	TRUST	QUA_GOV	INDIVIDUALISM	HIERARCHY
Andorra	7	10	0.248	-	0.607	-
Argentina	0	1	0.210	0.238	0.407	0.554
Austria	98	537	0.426	0.878	0.193	0.248
Belgium	149	147	0.392	0.882	0.497	0.399
Canada	496	496	0.524	0.923	0.496	0.842
Chile	0	90	0.176	0.399	0.241	0.870
Cyprus	0	1	0.120	-	0.323	0.571
Czech Republic	0	3	0.356	-	0.618	0.268
Denmark	198	200	0.936	0.943	0.719	0.517
Estonia	0	1	0.348	-	0.371	0.301
Finland	77	111	0.746	0.934	0.355	0.350
France	774	702	0.220	0.880	0.400	0.394
Germany	303	269	0.455	0.921	0.283	0.295
Greece	4	4	0.244	0.480	0.288	0.433
Hong Kong	6	14	0.544	0.749	0.382	-
Ireland	501	49	0.470	0.836	0.496	0.454
Italy	173	195	0.365	0.692	0.568	0.313
Malaysia	66	66	0.082	0.582	0.704	-
Netherlands	74	63	0.668	0.963	0.502	0.347
Norway	79	84	0.945	0.979	0.418	0.879
Peru	0	12	0.074	0.127	0.766	0.473
Portugal	9	9	0.165	0.704	0.334	0.444
Puerto Rico	0	24	0.274	-	0.859	0.703
Singapore	37	37	0.259	0.972	0.694	0.294
South Africa	4	5	0.174	0.600	0.519	0.703
Spain	266	289	0.305	0.730	0.440	0.505
Sweden	166	99	0.855	0.943	0.513	0.526
Switzerland	202	346	0.599	0.998	0.215	0.439
Taiwan	1	6	0.376	0.720	0.645	0.215
United Kingdom	742	673	0.380	0.912	0.455	0.386
United States	3451	3,340	0.489	0.864	0.546	0.758

Panel D Trust and Country										
	Source of Survey	2002	2003	2004	2005	2006	2007	2008	2009	2010
Andorra	WVS	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248	0.248
Argentina	WVS	0.181	0.181	0.181	0.181	0.195	0.195	0.195	0.195	0.195
Austria	EVS	0.392	0.392	0.392	0.392	0.392	0.392	0.451	0.451	0.451
Belgium	EVS	0.347	0.347	0.347	0.347	0.347	0.347	0.347	0.438	0.438
Canada	WVS	0.473	0.473	0.473	0.473	0.545	0.545	0.545	0.545	0.545
Chile	WVS	0.280	0.280	0.280	0.280	0.133	0.133	0.133	0.133	0.133
Cyprus	WVS	0.139	0.139	0.139	0.139	0.139	0.139	0.139	0.139	0.139
Czech Republic	WVS	0.356	0.356	0.356	0.356	0.356	0.356	0.356	0.356	0.356
Denmark	EVS	0.850	0.850	0.850	0.850	0.850	0.850	1.000	1.000	1.000
Estonia	WVS	0.259	0.259	0.259	0.259	0.259	0.259	0.259	0.259	0.259
Finland	WVS	0.637	0.637	0.637	0.776	0.776	0.776	0.776	0.776	0.776
France	WVS	0.220	0.220	0.220	0.220	0.220	0.220	0.220	0.220	0.220
Germany	WVS	0.422	0.422	0.422	0.422	0.433	0.433	0.433	0.433	0.433
Greece	EVS	0.245	0.245	0.245	0.245	0.245	0.245	0.243	0.243	0.243
Hong Kong	WVS	0.530	0.530	0.530	0.530	0.530	0.530	0.530	0.530	0.530
Ireland	EVS	0.450	0.450	0.450	0.450	0.450	0.450	0.485	0.485	0.485
Italy	WVS	0.365	0.365	0.365	0.365	0.365	0.365	0.365	0.365	0.365
Malaysia	WVS	0.083	0.083	0.083	0.083	0.083	0.083	0.083	0.083	0.083
Netherlands	WVS	0.577	0.577	0.577	0.577	0.577	0.577	0.577	0.577	0.577
Norway	WVS	0.866	0.866	0.866	0.866	0.866	0.989	0.989	0.989	0.989
Peru	WVS	0.109	0.109	0.109	0.109	0.050	0.050	0.050	0.050	0.050
Portugal	EVS	0.127	0.127	0.127	0.127	0.127	0.127	0.194	0.194	0.194
Puerto Rico	WVS	0.274	0.274	0.274	0.274	0.274	0.274	0.274	0.274	0.274
Singapore	WVS	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
South Africa	WVS	0.142	0.142	0.142	0.142	0.142	0.142	0.142	0.142	0.142
Spain	WVS	0.432	0.432	0.432	0.432	0.432	0.237	0.237	0.237	0.237
Sweden	WVS	0.788	0.788	0.788	0.788	0.903	0.903	0.903	0.903	0.903
Switzerland	WVS	0.473	0.473	0.473	0.473	0.473	0.668	0.668	0.668	0.668
Taiwan	WVS	0.490	0.490	0.490	0.490	0.297	0.297	0.297	0.297	0.297
United Kingdom	WVS	0.372	0.372	0.372	0.383	0.383	0.383	0.383	0.383	0.383
United States	WVS	0.464	0.464	0.464	0.464	0.509	0.509	0.509	0.509	0.509
	Source of Survey	2011	2012	2013	2014	2015	Average			
Andorra	WVS	0.248	0.248	0.248	0.248	0.248	0.248			
Argentina	WVS	0.195	0.195	0.282	0.282	0.282	0.210			
Austria	EVS	0.451	0.451	0.451	0.451	0.451	0.426			
Belgium	EVS	0.438	0.438	0.438	0.438	0.438	0.392			
Canada	WVS	0.545	0.545	0.545	0.545	0.545	0.524			
Chile	WVS	0.133	0.138	0.138	0.138	0.138	0.176			
Cyprus	WVS	0.087	0.087	0.087	0.087	0.087	0.120			
Czech Republic	WVS	0.356	0.356	0.356	0.356	0.356	0.356			
Denmark	EVS	1.000	1.000	1.000	1.000	1.000	0.936			
Estonia	WVS	0.509	0.509	0.509	0.509	0.509	0.348			
Finland	WVS	0.776	0.776	0.776	0.776	0.776	0.746			
France	WVS	0.220	0.220	0.220	0.220	0.220	0.220			
Germany	WVS	0.433	0.433	0.550	0.550	0.550	0.455			
Greece	EVS	0.243	0.243	0.243	0.243	0.243	0.244			
Hong Kong	WVS	0.530	0.530	0.530	0.631	0.631	0.544			
Ireland	EVS	0.485	0.485	0.485	0.485	0.485	0.470			
Italy	WVS	0.365	0.365	0.365	0.365	0.365	0.365			
Malaysia	WVS	0.083	0.079	0.079	0.079	0.079	0.082			
Netherlands	WVS	0.577	0.895	0.895	0.895	0.895	0.668			
Norway	WVS	0.989	0.989	0.989	0.989	0.989	0.945			
Peru	WVS	0.050	0.076	0.076	0.076	0.076	0.074			
Portugal	EVS	0.194	0.194	0.194	0.194	0.194	0.165			
Puerto Rico	WVS	0.274	0.274	0.274	0.274	0.274	0.274			
Singapore	WVS	0.165	0.495	0.495	0.495	0.495	0.259			
South Africa	WVS	0.142	0.142	0.288	0.288	0.288	0.174			
Spain	WVS	0.231	0.231	0.231	0.231	0.231	0.305			
Sweden	WVS	0.860	0.860	0.860	0.860	0.860	0.855			
Switzerland	WVS	0.668	0.668	0.668	0.668	0.668	0.599			
Taiwan	WVS	0.297	0.380	0.380	0.380	0.380	0.376			
United Kingdom	WVS	0.383	0.383	0.383	0.383	0.383	0.380			
United States	WVS	0.490	0.490	0.490	0.490	0.490	0.489			

Table IN2: Robustness Checks on the Activeness and Performance of Domestic and International Funds: Excluding Funds Domiciled in the US

This table reports the results of robustness test for Table 3 and 8 by excluding funds domiciled in the US.

Panel A Domestic Funds			
	(1)	(2)	(3)
Panel A1 The Impact of Trust on Fund-level Activeness			
TRUST	0.147*** (5.04)	0.130*** (4.62)	0.133*** (4.67)
QUA_GOV		-1.556*** (-28.12)	-1.550*** (-25.17)
INFORMATION			0.031 (0.50)
EDUCATION			-0.995*** (-3.71)
Controls	YES	YES	YES
Year FE	YES	YES	YES
Observations	4,821	4,821	4,821
R-squared	0.09	0.21	0.21
Panel A2 Performance of Trustworthy Active Shares			
	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE_ALPHA4	BENCH_ADJ ROLLING_ALPHA4
ACTIVE_SHARE(TRUST)	0.491*** (6.17)	0.512*** (5.51)	0.559*** (5.91)
ACTIVE_SHARE(QUA_GOV)	0.035*** (3.02)	0.031** (2.34)	0.082*** (5.80)
ACTIVE_SHARE(INFORMATION)	-2.818*** (-3.31)	-2.767*** (-3.12)	-0.511 (-0.55)
ACTIVE_SHARE(EDUCATION)	0.856*** (6.52)	1.074*** (7.00)	1.138*** (6.77)
Controls	YES	YES	YES
Year FE	YES	YES	YES
Observations	4,821	4,821	4,693
R-squared	0.34	0.33	0.30

Panel B International Funds						
Panel B1: The impact of trust on fund-level activeness						
	(1)	(2)	(3)			
TRUST_HIGH	0.009 (1.26)	0.007 (0.99)	0.009 (1.16)			
TRUST_LOW	0.309*** (13.30)	0.267*** (10.09)	0.260*** (8.45)			
QUA_GOV_HIGH		0.089*** (3.35)	0.201*** (3.99)			
QUA_GOV_LOW		0.001 (0.09)	0.000 (0.04)			
INFORMATION_HIGH			0.004 (0.56)			
INFORMATION_LOW			-0.042 (-0.36)			
EDUCATION_HIGH			-0.119*** (-2.86)			
EDUCATION_LOW			-0.004 (-0.49)			
Control Variables	YES	YES	YES			
Year FE	YES	YES	YES			
Observations	9,547	9,547	9,547			
R-squared	0.10	0.10	0.10			
Panel B2: Performance of Trust-related Active Share						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ IN_SAMPLE_ALPHA4		BENCH_ADJ ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	0.067 (0.45)	0.096 (0.66)	0.104 (0.56)	0.142 (0.77)	0.157 (0.84)	0.199 (1.07)
ACTIVE_SHARE(TRUST_LOW)	0.267*** (5.99)	0.242*** (5.48)	0.348*** (6.17)	0.309*** (5.43)	0.340*** (5.99)	0.309*** (5.44)
ACTIVE_SHARE(GOV_QUA_HIGH)	0.033 (0.57)	0.008 (0.14)	0.044 (0.64)	0.002 (0.03)	0.074 (1.02)	0.048 (0.64)
ACTIVE_SHARE(GOV_QUA_LOW)	2.127** (1.99)	2.062** (1.98)	2.968** (2.23)	2.850** (2.19)	2.216* (1.70)	2.085 (1.64)
ACTIVE_SHARE(INFORMATION_HIGH)	-0.050 (-0.61)	-0.071 (-0.86)	-0.026 (-0.26)	-0.060 (-0.60)	0.024 (0.24)	0.002 (0.02)
ACTIVE_SHARE(INFORMATION_LOW)	3.866*** (4.65)	3.507*** (4.30)	3.337*** (3.23)	2.940*** (2.89)	3.134*** (3.03)	2.719*** (2.67)
ACTIVE_SHARE(EDUCATION_HIGH)	-0.710 (-0.75)	-0.429 (-0.46)	-1.564 (-1.31)	-1.226 (-1.04)	-1.283 (-1.08)	-0.961 (-0.82)
ACTIVE_SHARE(EDUCATION_LOW)	4.592*** (5.88)	3.935*** (5.28)	8.554*** (8.56)	7.695*** (7.88)	9.216*** (8.84)	8.368*** (8.23)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
Year FE	YES	YES	YES	YES	YES	YES
Observations	9,547	9,547	9,547	9,547	9,265	9,265
R-squared	0.27	0.30	0.30	0.32	0.29	0.32

Table IN3: Robustness Checks on Trust and the Activeness of the Mutual Fund Industry (Table 3 and 8): Fama-Macbeth Estimate

This table reports Fama-Macbeth Estimate of for Table 3 and 8.

Panel A Domestic Funds			
	(1)	(2)	(3)
Panel A1 The Impact of Trust on Fund-level Activeness			
TRUST	0.378*** (5.71)	0.171*** (2.62)	0.170** (2.59)
QUA_GOV		-0.158 (-1.61)	-0.157 (-1.57)
INFORMATION			0.009** (2.29)
EDUCATION			-0.005 (-1.21)
Controls	YES	YES	YES
Observations	26,498	26,498	26,498
R-squared	0.19	0.23	0.23
Panel A2 Performance of Trustworthy Active Shares			
	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE_ALPHA4	BENCH_ADJ ROLLING_ALPHA4
ACTIVE_SHARE(TRUST)	0.132*** (2.73)	0.185** (2.51)	0.159** (2.39)
ACTIVE_SHARE(QUA_GOV)	-0.187*** (-3.39)	-0.192*** (-3.63)	-0.199*** (-3.67)
ACTIVE_SHARE(INFORMATION)	-0.001 (-0.57)	-0.000 (-0.05)	-0.000 (-0.29)
ACTIVE_SHARE(EDUCATION)	-0.003 (-1.59)	-0.003* (-1.85)	-0.003** (-2.10)
Controls	YES	YES	YES
Observations	26,498	26,498	26,370
R-squared	0.18	0.20	0.19

Panel B International Funds						
Panel B1: The impact of trust on fund-level activeness						
	(1)	(2)	(3)			
TRUST_HIGH	0.003 (0.39)	0.002 (0.35)	0.002 (0.36)			
TRUST_LOW	0.309*** (4.66)	0.306*** (4.26)	0.313*** (3.48)			
QUA_GOV_HIGH		0.006 (0.17)	0.035 (0.44)			
QUA_GOV_LOW		-0.006 (-0.66)	-0.000 (-0.06)			
INFORMATION_HIGH			-0.043 (-0.67)			
INFORMATION_LOW			-0.002 (-0.51)			
EDUCATION_HIGH			0.001 (0.26)			
EDUCATION_LOW			-0.219 (-0.73)			
Control Variables	YES	YES	YES			
Observations	15,658	15,658	15,658			
R-squared	0.12	0.12	0.13			
Panel B2: Performance of Trust-related Active Share						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ IN_SAMPLE_ALPHA4		BENCH_ADJ ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	-0.472* (-1.76)	-0.457* (-1.84)	-0.431 (-1.65)	-0.414* (-1.71)	-0.468 (-1.63)	-0.447* (-1.68)
ACTIVE_SHARE(TRUST_LOW)	0.208*** (3.04)	0.178** (2.31)	0.197*** (3.35)	0.169*** (2.60)	0.215*** (2.80)	0.180** (2.03)
ACTIVE_SHARE(GOV_QUA_HIGH)	-1.529 (-0.42)	-3.223 (-0.95)	-1.672 (-0.45)	-3.268 (-0.93)	-0.189 (-0.05)	-2.003 (-0.53)
ACTIVE_SHARE(GOV_QUA_LOW)	-0.728* (-1.70)	-0.679* (-1.69)	-0.674 (-1.61)	-0.629 (-1.59)	-0.721 (-1.54)	-0.665 (-1.50)
ACTIVE_SHARE(INFORMATION_HIGH)	4.232 (0.66)	4.953 (0.88)	6.027 (1.04)	6.608 (1.30)	1.854 (0.25)	2.478 (0.37)
ACTIVE_SHARE(INFORMATION_LOW)	3.618 (0.89)	3.388 (0.91)	3.046 (0.76)	2.831 (0.78)	3.645 (0.85)	3.439 (0.88)
ACTIVE_SHARE(EDUCATION_HIGH)	0.063 (0.23)	0.003 (0.01)	0.055 (0.21)	-0.004 (-0.01)	0.090 (0.33)	0.028 (0.09)
ACTIVE_SHARE(EDUCATION_LOW)	0.167 (0.38)	0.076 (0.17)	0.101 (0.24)	0.025 (0.06)	0.145 (0.29)	0.072 (0.15)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
Observations	15,658	15,658	15,658	15,658	15,236	15,236
R-squared	0.17	0.22	0.18	0.22	0.17	0.21

Table IN4: Robustness Checks on Trust and the Activeness of the Mutual Fund Industry (Table 2): the WVS sample only

This table reports the results of robustness test for Table 2 by only using countries available from the World Value Survey.

	EQUITY FUND%	MM FUND%	BENCH NUMBER	BENCH HHI	ACTIVE_FUND%				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A By Country of Sale									
TRUST	0.174*** (5.56)	-0.098*** (-3.63)	0.200*** (2.88)	-0.065*** (-4.34)	0.259*** (12.77)	0.378*** (11.20)	0.282*** (11.79)	0.263*** (8.94)	0.365*** (11.33)
QUA_GOV						-0.283*** (-4.00)			-0.483*** (-5.16)
INFORMATION							-0.007 (-0.18)		-0.115 (-1.15)
EDUCATION								-0.165* (-1.75)	0.205*** (4.06)
Log(GDP)	-0.039*** (-6.03)	-0.007 (-1.04)	0.618*** (24.06)	-0.040*** (-3.95)	0.059*** (11.16)	0.068*** (12.56)	0.059*** (11.52)	0.059*** (10.74)	0.070*** (14.10)
MKTCAP/GDP	-0.003 (-0.84)	-0.008* (-1.85)	-0.032*** (-2.62)	0.014*** (4.72)	-0.009*** (-4.26)	-0.011*** (-5.34)	-0.011*** (-4.51)	-0.009*** (-4.27)	-0.012*** (-5.73)
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES
R-Square	0.62	0.24	0.55	0.36	0.65	0.68	0.66	0.65	0.70
N	273	273	273	273	198	198	198	198	198
Panel B By Country of Domicile									
TRUST	0.180*** (5.90)	-0.058*** (-2.97)	0.210** (2.44)	-0.041*** (-2.97)	0.258*** (12.34)	0.378*** (10.96)	0.258*** (12.54)	0.259*** (8.71)	0.348*** (10.71)
QUA_GOV						-0.279*** (-3.88)			-0.500*** (-5.60)
INFORMATION							-0.001 (-0.05)		-0.388 (-1.08)
EDUCATION								-0.543 (-1.49)	0.222*** (4.31)
Log(GDP)	-0.020*** (-4.69)	-0.000 (-0.07)	0.542*** (14.93)	-0.024*** (-2.90)	0.060*** (11.47)	0.069*** (12.87)	0.060*** (11.49)	0.060*** (10.98)	0.072*** (14.78)
MKTCAP/GDP	0.003 (0.84)	-0.005 (-1.40)	-0.071*** (-5.64)	0.021*** (5.48)	-0.010*** (-2.73)	-0.012*** (-3.33)	-0.010** (-2.52)	-0.010*** (-2.70)	-0.011*** (-3.44)
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES
R-Square	0.69	0.21	0.51	0.37	0.63	0.66	0.63	0.63	0.68
N	236	236	236	236	196	196	196	196	196

Table IN5: Robustness Checks on the Activeness and Performance of Domestic Funds (Table 3): the WVS sample only

This table reports the results of robustness test for Table 3 by only using countries available from the World Value Survey.

Panel A The Impact of Trust on Fund-level Activeness						
Dependent Variable= ACTIVE_SHARE						
	1	2	3	4	5	6
	Panel Regression			Fama-MacBeth		
TRUST	0.281*** (10.80)	0.142*** (6.17)	0.120*** (5.31)	0.399*** (5.37)	0.151*** (2.93)	0.150*** (2.91)
QUA_GOV		-0.278*** (-8.76)	-0.564*** (-12.58)		-0.168* (-1.82)	-0.168* (-1.77)
INFORMATION			0.306*** (7.58)			0.009*** (2.58)
EDUCATION			-1.417*** (-5.69)			-0.006 (-1.28)
Control Variables	YES	YES	YES	YES	YES	YES
Year Fixed-Effects	YES	YES	YES	N/A	N/A	N/A
Observations	26,221	26,221	26,221	26,221	26,221	26,221
R-square	0.16	0.22	0.22	0.18	0.23	0.23
Panel B Performance of Trust-related Active Share						
	(1)	(2)	(3)	(4)	(5)	(6)
	Panel Regression			Fama-MacBeth		
	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE _ALPHA4	BENCH_ADJ ROLLING _ALPHA4	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE _ALPHA4	BENCH_ADJ ROLLING _ALPHA4
ACTIVE_SHARE (TRUST)	0.374*** (4.15)	0.461*** (4.45)	0.631*** (5.99)	0.166* (1.78)	0.219** (2.42)	0.249** (2.18)
ACTIVE_SHARE (QUA_GOV)	-0.156*** (-5.39)	-0.198*** (-5.89)	-0.108*** (-3.23)	-0.120 (-1.35)	-0.155* (-1.87)	-0.173** (-2.19)
ACTIVE_SHARE (INFORMATION)	-0.896*** (-12.95)	-1.074*** (-13.84)	-1.056*** (-13.45)	-0.002 (-1.09)	-0.001 (-0.67)	-0.001 (-0.89)
ACTIVE_SHARE (EDUCATION)	1.037*** (11.41)	1.455*** (13.34)	1.469*** (12.91)	-0.003** (-2.24)	-0.003** (-2.18)	-0.004** (-2.41)
Control Variables	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	N/A	N/A	N/A
Observations	26,221	26,221	26,146	26,221	26,221	26,146
R-squared	0.32	0.36	0.37	0.17	0.19	0.18

**Table IN6: Robustness Checks on the Diminishing Impact of Trust (Table 8):
the WVS sample only**

This table reports the results of robustness test for Table 8 by only using countries available from the World Value Survey.

Panel A The impact of trust on fund-level activeness						
Dependent Variable= ACTIVE_SHARE						
	1	2	3	4	5	6
	Panel Regression			Fama-MacBeth		
TRUST_HIGH	0.011 (1.64)	0.011* (1.65)	0.011* (1.71)	-0.001 (-0.00)	-0.002 (-0.01)	-0.002 (-0.02)
TRUST_LOW	0.241*** (5.32)	0.232*** (5.08)	0.216*** (3.73)	0.293*** (3.83)	0.284*** (3.39)	0.293*** (2.69)
QUA_GOV_HIGH		0.014 (0.25)	0.068 (0.82)		0.025 (0.77)	0.293*** (3.30)
QUA_GOV_LOW		0.011 (1.05)	0.010 (1.00)		0.013 (1.18)	0.014 (1.25)
INFORMATION_HIGH			-0.055 (-0.92)			-0.353*** (-3.03)
INFORMATION_LOW			0.002 (0.26)			-0.001 (-0.11)
EDUCATION_HIGH			0.003 (0.44)			0.002 (0.40)
EDUCATION_LOW			-0.083 (-0.49)			-0.225 (-0.72)
Control Variables	YES	YES	YES	YES	YES	YES
Year Fixed-Effects	YES	YES	YES	N/A	N/A	N/A
Observations	11,733	11,733	11,733	11,733	11,733	11,733
R-square	0.13	0.13	0.13	0.15	0.16	0.17

Panel B: Performance of Trust-related Active Share (Panel Regressions)						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ		BENCH_ADJ		BENCH_ADJ	
	RETURN		IN_SAMPLE_ALPHA4		ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	0.062 (0.26)	0.090 (0.39)	0.039 (0.14)	0.074 (0.26)	0.129 (0.45)	0.168 (0.60)
ACTIVE_SHARE(TRUST_LOW)	0.335*** (5.44)	0.292*** (4.83)	0.459*** (5.87)	0.400*** (5.11)	0.451*** (5.77)	0.403*** (5.17)
ACTIVE_SHARE(GOV_QUA_HIGH)	-0.693** (-2.34)	-0.460 (-1.56)	-0.973*** (-2.77)	-0.654* (-1.84)	-1.055*** (-2.90)	-0.771** (-2.10)
ACTIVE_SHARE(GOV_QUA_LOW)	-1.418*** (-3.28)	-1.322*** (-3.17)	-1.737*** (-3.34)	-1.604*** (-3.18)	-1.439*** (-2.82)	-1.304*** (-2.64)
ACTIVE_SHARE(INFORMATION_HIGH)	-0.935*** (-2.91)	-0.659** (-2.09)	-1.406*** (-3.62)	-1.056*** (-2.74)	-1.492*** (-3.77)	-1.157*** (-2.95)
ACTIVE_SHARE(INFORMATION_LOW)	-7.059*** (-3.88)	-6.396*** (-3.63)	-5.779*** (-2.64)	-4.978** (-2.35)	-5.433** (-2.47)	-4.616** (-2.17)
ACTIVE_SHARE(EDUCATION_HIGH)	-0.310 (-0.30)	0.172 (0.17)	-2.087 (-1.61)	-1.499 (-1.19)	-1.877 (-1.46)	-1.292 (-1.03)
ACTIVE_SHARE(EDUCATION_LOW)	-6.028*** (-10.73)	-5.255*** (-9.72)	-8.773*** (-12.09)	-7.758*** (-10.88)	-9.161*** (-12.36)	-8.175*** (-11.23)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	11,733	11,733	11,733	11,733	11,453	11,453
R-squared	0.25	0.29	0.30	0.34	0.30	0.33

Panel C: Performance of Trust-related Active Share (Fama-MacBeth)						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ		BENCH_ADJ		BENCH_ADJ	
	RETURN		IN_SAMPLE_ALPHA4		ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	0.034 (1.57)	0.034* (1.68)	0.032 (1.47)	0.031 (1.55)	0.032 (1.44)	0.031 (1.48)
ACTIVE_SHARE(TRUST_LOW)	0.223*** (2.96)	0.182** (2.06)	0.212*** (3.36)	0.174** (2.34)	0.200*** (2.74)	0.162* (1.85)
ACTIVE_SHARE(GOV_QUA_HIGH)	0.031 (0.17)	0.107 (0.55)	-0.029 (-0.19)	0.040 (0.24)	-0.050 (-0.30)	0.031 (0.17)
ACTIVE_SHARE(GOV_QUA_LOW)	-0.471 (-1.56)	-0.445 (-1.57)	-0.445 (-1.54)	-0.423 (-1.55)	-0.463 (-1.54)	-0.435 (-1.51)
ACTIVE_SHARE(INFORMATION_HIGH)	0.056 (0.05)	0.395 (0.32)	-0.091 (-0.09)	0.232 (0.22)	-0.143 (-0.15)	0.247 (0.23)
ACTIVE_SHARE(INFORMATION_LOW)	1.378 (0.94)	1.074 (0.81)	0.904 (0.69)	0.632 (0.53)	0.790 (0.59)	0.552 (0.46)
ACTIVE_SHARE(EDUCATION_HIGH)	-1.406 (-1.06)	-1.208 (-1.02)	-0.395 (-0.35)	-0.221 (-0.22)	-0.447 (-0.36)	-0.306 (-0.28)
ACTIVE_SHARE(EDUCATION_LOW)	1.674 (0.56)	1.411 (0.53)	1.391 (0.50)	1.178 (0.48)	1.449 (0.50)	1.229 (0.48)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
Observations	11,733	11,733	11,733	11,733	11,453	11,453
R-squared	0.18	0.23	0.19	0.24	0.20	0.24

Table IN7: Robustness Checks on the Activeness and Performance of Domestic Funds (Table 3): Alternative Definitions of Domestic Funds

This table reports the results of robustness test for Table 3 by using alternative threshold to define domestic fund. Domestic mutual funds are defined as those which invest more than 50% of its portfolio in its domicile country.

Panel A The Impact of Trust on Fund-level Activeness						
Dependent Variable= ACTIVE_SHARE						
	1	2	3	4	5	6
	Panel Regression			Fama-MacBeth		
TRUST	0.134*** (6.09)	0.132*** (5.99)	0.131*** (5.94)	0.194*** (2.82)	0.192*** (2.82)	0.190*** (2.82)
QUA_GOV		-0.028*** (-4.72)	-0.028*** (-4.71)		-0.020*** (-2.60)	-0.020*** (-2.56)
INFORMATION			0.012** (2.51)			0.009*** (2.71)
EDUCATION			-0.005 (-1.25)			-0.007** (-2.11)
Control Variables	YES	YES	YES	YES	YES	YES
Year Fixed-Effects	YES	YES	YES	N/A	N/A	N/A
Observations	30,003	30,003	30,003	30,003	30,003	30,003
R-square	0.15	0.15	0.15	0.17	0.17	0.17
Panel B Performance of Trust-related Active Share						
	(1)	(2)	(3)	(4)	(5)	(6)
	Panel Regression			Fama-MacBeth		
	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE_ALPHA4	BENCH_ADJ ROLLING_ALPHA4	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE_ALPHA4	BENCH_ADJ ROLLING_ALPHA4
ACTIVE_SHARE(TRUST)	0.187*** (3.58)	0.331*** (5.31)	0.291*** (4.64)	0.163*** (2.62)	0.243*** (2.85)	0.223*** (2.82)
ACTIVE_SHARE(QUA_GOV)	0.040 (0.41)	0.009 (0.08)	0.108 (0.97)	-0.193*** (-3.87)	-0.207*** (-3.95)	-0.217*** (-3.83)
ACTIVE_SHARE(INFORMATION)	-0.527*** (-3.00)	-0.626*** (-3.09)	-0.619*** (-3.06)	-0.002 (-1.18)	-0.002 (-1.03)	-0.002 (-1.25)
ACTIVE_SHARE(EDUCATION)	-0.074 (-0.21)	0.077 (0.18)	0.096 (0.23)	-0.002 (-1.11)	-0.002 (-1.55)	-0.003 (-1.72)
Control Variables	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	N/A	N/A	N/A
Observations	30,003	30,003	29,853	30,003	30,003	29,853
R-squared	0.29	0.33	0.33	0.18	0.20	0.20

**Table IN8: Robustness Checks on the Diminishing Impact of Trust (Table 8):
Alternative Definitions of International Funds**

This table reports the results of robustness test for Table 8 by using alternative threshold to define international funds. International mutual funds are defined as those which invest more than 50% of its portfolio out of its domicile country.

Panel A The impact of trust on fund-level activeness						
Dependent Variable= ACTIVE_SHARE						
	1	2	3	4	5	6
	Panel Regression			Fama-MacBeth		
TRUST_HIGH	0.009 (1.61)	0.009 (1.63)	0.008 (1.46)	0.002 (0.36)	0.002 (0.31)	0.002 (0.35)
TRUST_LOW	0.285*** (16.62)	0.294*** (15.77)	0.326*** (14.10)	0.318*** (4.70)	0.309*** (4.28)	0.324*** (3.47)
QUA_GOV_HIGH		-0.010 (-0.45)	-0.147*** (-3.96)		0.029 (0.71)	0.092 (1.00)
QUA_GOV_LOW		-0.016** (-2.14)	-0.012 (-1.61)		-0.007 (-0.79)	-0.002 (-0.21)
INFORMATION_HIGH			0.144*** (4.79)			-0.089 (-1.22)
INFORMATION_LOW			-0.003 (-0.44)			-0.001 (-0.18)
EDUCATION_HIGH			0.001 (0.27)			0.001 (0.21)
EDUCATION_LOW			0.242*** (3.09)			-0.170 (-0.56)
Control Variables	YES	YES	YES	YES	YES	YES
Year Fixed-Effects	YES	YES	YES	N/A	N/A	N/A
Observations	15,520	15,520	15,520	15,520	15,520	15,520
R-square	0.09	0.09	0.09	0.12	0.12	0.13

Panel B: Performance of Trust-related Active Share (Panel Regressions)						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ		BENCH_ADJ		BENCH_ADJ	
	RETURN		IN_SAMPLE_ALPHA4		ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	-0.142 (-0.47)	-0.052 (-0.18)	-0.024 (-0.06)	0.088 (0.24)	-0.050 (-0.15)	0.043 (0.13)
ACTIVE_SHARE(TRUST_LOW)	0.242*** (7.14)	0.210*** (6.31)	0.273*** (6.21)	0.228*** (5.18)	0.244*** (6.66)	0.205*** (5.61)
ACTIVE_SHARE(GOV_QUA_HIGH)	0.203* (1.72)	0.097 (0.82)	0.297** (2.14)	0.156 (1.12)	0.346*** (2.81)	0.230* (1.88)
ACTIVE_SHARE(GOV_QUA_LOW)	1.389*** (4.30)	1.292*** (4.13)	1.810*** (4.51)	1.674*** (4.28)	1.515*** (4.50)	1.399*** (4.26)
ACTIVE_SHARE(INFORMATION_HIGH)	0.238** (2.18)	0.126 (1.18)	0.361*** (2.74)	0.219* (1.70)	0.370*** (3.22)	0.251** (2.23)
ACTIVE_SHARE(INFORMATION_LOW)	4.669*** (4.09)	4.087*** (3.68)	3.464** (2.48)	2.746** (2.02)	2.709** (2.29)	2.103* (1.82)
ACTIVE_SHARE(EDUCATION_HIGH)	1.127 (0.68)	1.790 (1.11)	-1.311 (-0.62)	-0.518 (-0.25)	0.328 (0.18)	0.998 (0.56)
ACTIVE_SHARE(EDUCATION_LOW)	2.059*** (12.46)	1.783*** (11.20)	2.880*** (13.21)	2.514*** (11.77)	2.449*** (13.49)	2.137*** (12.04)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	15,520	15,520	15,520	15,520	15,120	15,120
R-squared	0.25	0.29	0.27	0.31	0.28	0.31

Panel C: Performance of Trust-related Active Share (Fama-MacBeth)						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ		BENCH_ADJ		BENCH_ADJ	
	RETURN		IN_SAMPLE_ALPHA4		ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	0.243 (1.67)	0.233* (1.72)	0.256 (1.60)	0.245 (1.64)	0.233 (1.50)	0.221 (1.53)
ACTIVE_SHARE(TRUST_LOW)	0.201*** (3.31)	0.174** (2.59)	0.216*** (2.87)	0.182** (2.07)	0.203*** (3.12)	0.171** (2.28)
ACTIVE_SHARE(GOV_QUA_HIGH)	1.200 (0.69)	1.938 (1.17)	0.383 (0.23)	1.284 (0.77)	0.583 (0.36)	1.429 (0.86)
ACTIVE_SHARE(GOV_QUA_LOW)	-0.673 (-1.65)	-0.625 (-1.62)	-0.693 (-1.51)	-0.637 (-1.47)	-0.641 (-1.45)	-0.589 (-1.40)
ACTIVE_SHARE(INFORMATION_HIGH)	0.041 (0.15)	-0.021 (-0.07)	0.073 (0.26)	0.006 (0.02)	0.057 (0.21)	-0.008 (-0.03)
ACTIVE_SHARE(INFORMATION_LOW)	0.137 (0.29)	0.043 (0.10)	0.172 (0.31)	0.076 (0.14)	0.118 (0.24)	0.034 (0.07)
ACTIVE_SHARE(EDUCATION_HIGH)	9.688 (1.10)	10.417 (1.34)	5.485 (0.51)	6.063 (0.63)	8.050 (0.83)	8.519 (0.99)
ACTIVE_SHARE(EDUCATION_LOW)	6.196 (0.80)	5.715 (0.82)	6.954 (0.85)	6.482 (0.87)	5.739 (0.72)	5.275 (0.73)
Domicile Country Control Variables	YES	YES	0.004	0.001	0.004	0.001
Fund Control Variables	NO	YES	NO	YES	NO	YES
Observations	15,520	15,520	15,520	15,520	15,120	15,120
R-squared	0.17	0.21	0.18	0.23	0.17	0.21

Table IN9: Robustness Checks on the Activeness and Performance of Domestic Funds (Table 3): Alternative Measures of Social Trust

This table reports the results of robustness test for Table 3 by using ALTER_TRUST as alternative version of trust. Please refer to variable definitions in the Appendix.

Panel A The Impact of Trust on Fund-level Activeness						
Dependent Variable= ACTIVE_SHARE						
	1	2	3	4	5	6
	Panel Regression			Fama-MacBeth		
ALTER_TRUST	0.335*** (27.49)	0.104*** (7.65)	0.118*** (8.34)	0.333*** (9.19)	0.099*** (4.54)	0.103*** (4.50)
QUA_GOV		-0.001 (-0.20)	-0.004 (-0.58)		0.002 (0.24)	0.001 (0.20)
INFORMATION			0.036 (1.27)			0.057 (0.40)
EDUCATION			-0.913*** (-3.77)			-1.815** (-1.98)
Control Variables	YES	YES	YES	YES	YES	YES
Year Fixed-Effects	YES	YES	YES	N/A	N/A	N/A
Observations	26,209	26,209	26,209	26,209	26,209	26,209
R-square	0.19	0.21	0.21	0.21	0.22	0.23
Panel B Performance of Trust-related Active Share						
	(1)	(2)	(3)	(4)	(5)	(6)
	Panel Regression			Fama-MacBeth		
	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE_ALPHA4	BENCH_ADJ ROLLING_ALPHA4	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE_ALPHA4	BENCH_ADJ ROLLING_ALPHA4
ACTIVE_SHARE(ALTER_TRUST)	0.206*** (5.45)	0.222*** (5.27)	0.248*** (5.80)	0.131*** (3.80)	0.126*** (2.73)	0.130** (2.20)
ACTIVE_SHARE(QUA_GOV)	-0.983 (-1.23)	-1.702* (-1.87)	-1.158 (-1.28)	-0.136** (-2.06)	-0.098 (-1.51)	-0.115* (-1.75)
ACTIVE_SHARE(INFORMATION)	-4.237*** (-12.46)	-4.946*** (-13.09)	-5.731*** (-15.15)	-0.001 (-0.62)	-0.000 (-0.13)	-0.000 (-0.07)
ACTIVE_SHARE(EDUCATION)	1.881*** (13.60)	2.628*** (16.18)	2.582*** (15.17)	-0.003 (-1.72)	-0.003** (-1.98)	-0.003** (-2.16)
Control Variables	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	N/A	N/A	N/A
Observations	26,209	26,209	26,138	26,209	26,209	26,138
R-squared	0.31	0.36	0.37	0.19	0.20	0.20

**Table IN10: Robustness Checks on the Diminishing Impact of Trust (Table 8):
Alternative Measures of Social Trust**

This table reports the results of robustness test for Table 8 by using ALTER_TRUST as alternative version of trust. Please refer to variable definitions in the Appendix.

Panel A The impact of trust on fund-level activeness						
Dependent Variable= ACTIVE_SHARE						
	1	2	3	4	5	6
	Panel Regression			Fama-MacBeth		
ALTER_TRUST_HIGH	0.013 (1.52)	0.015* (1.65)	0.013 (1.51)	-0.003 (-0.32)	-0.003 (-0.27)	-0.003 (-0.31)
ALTER_TRUST_LOW	0.095*** (11.46)	0.109*** (12.32)	0.106*** (11.98)	0.097*** (5.45)	0.118*** (6.78)	0.119*** (5.72)
QUA_GOV_HIGH		0.139*** (6.41)	0.203*** (5.66)		0.179*** (3.95)	0.444*** (5.53)
QUA_GOV_LOW		0.033*** (4.62)	0.022*** (3.08)		0.034*** (3.70)	0.025** (2.51)
INFORMATION_HIGH			-0.085*** (-2.74)			-0.313*** (-4.07)
INFORMATION_LOW			-0.006 (-1.08)			-0.011 (-1.34)
EDUCATION_HIGH			0.003 (0.62)			0.003 (0.59)
EDUCATION_LOW			-0.573*** (-9.03)			-0.608*** (-3.43)
Control Variables	YES	YES	YES	YES	YES	YES
Year Fixed-Effects	YES	YES	YES	N/A	N/A	N/A
Observations	16,086	16,086	16,086	16,086	16,086	16,086
R-square	0.17	0.18	0.18	0.19	0.20	0.21

Panel B: Performance of Trust-related Active Share (Panel Regressions)						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ IN_SAMPLE_ALPHA4		BENCH_ADJ ROLLING_ALPHA4	
ACTIVE_SHARE(ALTER_TRUST_HIGH)	-0.080 (-0.24)	-0.231 (-0.72)	-0.097 (-0.23)	-0.300 (-0.75)	-0.107 (-0.26)	-0.295 (-0.73)
ACTIVE_SHARE(ALTER_TRUST_LOW)	0.289*** (7.41)	0.281*** (7.35)	0.365*** (7.74)	0.349*** (7.58)	0.362*** (7.78)	0.352*** (7.65)
ACTIVE_SHARE(GOV_QUA_HIGH)	0.128 (1.45)	0.161* (1.87)	0.089 (0.82)	0.137 (1.28)	0.067 (0.61)	0.116 (1.05)
ACTIVE_SHARE(GOV_QUA_LOW)	-0.505*** (-2.81)	-0.462*** (-2.67)	-0.513** (-2.40)	-0.460** (-2.21)	-0.413* (-1.96)	-0.353* (-1.73)
ACTIVE_SHARE(INFORMATION_HIGH)	0.020 (0.11)	0.139 (0.73)	-0.306 (-1.28)	-0.144 (-0.61)	-0.320 (-1.33)	-0.162 (-0.68)
ACTIVE_SHARE(INFORMATION_LOW)	2.795*** (5.35)	2.524*** (4.99)	2.771*** (4.39)	2.437*** (4.00)	2.712*** (4.29)	2.362*** (3.87)
ACTIVE_SHARE(EDUCATION_HIGH)	-0.005 (-0.01)	0.331 (0.41)	-1.230 (-1.17)	-0.822 (-0.81)	-1.028 (-0.98)	-0.625 (-0.61)
ACTIVE_SHARE(EDUCATION_LOW)	-0.414*** (-6.58)	-0.348*** (-5.80)	-0.695*** (-8.58)	-0.612*** (-7.81)	-0.739*** (-8.88)	-0.650*** (-8.06)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	16,086	16,086	16,086	16,086	15,806	15,806
R-squared	0.22	0.26	0.26	0.30	0.26	0.30
Panel C: Performance of Trust-related Active Share (Fama-MacBeth)						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ IN_SAMPLE_ALPHA4		BENCH_ADJ ROLLING_ALPHA4	
ACTIVE_SHARE(ALTER_TRUST_HIGH)	-0.470** (-2.43)	-0.464** (-2.45)	-0.573*** (-2.94)	-0.546*** (-2.85)	-0.591*** (-2.93)	-0.554*** (-2.84)
ACTIVE_SHARE(ALTER_TRUST_LOW)	0.183** (2.29)	0.187*** (2.65)	0.212** (2.00)	0.219** (2.34)	0.221** (2.04)	0.224** (2.31)
ACTIVE_SHARE(GOV_QUA_HIGH)	-1.814** (-2.17)	-1.457* (-1.74)	-2.423* (-1.69)	-2.001 (-1.45)	-2.769* (-1.77)	-2.275 (-1.49)
ACTIVE_SHARE(GOV_QUA_LOW)	-0.065 (-0.38)	-0.102 (-0.66)	-0.031 (-0.18)	-0.083 (-0.52)	-0.064 (-0.39)	-0.108 (-0.70)
ACTIVE_SHARE(INFORMATION_HIGH)	-1.801** (-2.25)	-1.276* (-1.85)	-2.376** (-2.02)	-1.710 (-1.66)	-2.719** (-2.08)	-2.004* (-1.72)
ACTIVE_SHARE(INFORMATION_LOW)	1.751*** (4.14)	1.533*** (3.42)	1.882** (2.30)	1.630** (1.97)	1.725** (2.09)	1.485* (1.76)
ACTIVE_SHARE(EDUCATION_HIGH)	0.071 (0.06)	0.310 (0.29)	-1.035 (-0.65)	-0.831 (-0.57)	-0.976 (-0.57)	-0.821 (-0.52)
ACTIVE_SHARE(EDUCATION_LOW)	0.025 (0.04)	0.053 (0.09)	-0.159 (-0.26)	-0.095 (-0.17)	-0.126 (-0.20)	-0.058 (-0.10)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
Observations	16,086	16,086	16,086	16,086	15,806	15,806
R-squared	0.12	0.17	0.12	0.18	0.12	0.18

Table IN11: Robustness Checks on the Diminishing Impact of Trust (Table 8): Using the Domicile Countries of International Funds

This table reports the estimates for international mutual funds by defining countries of high and low trust. Panel A present estimates of how trust affects the active management as follows:

$$\text{ACTIVE_SHARE}_{i,j,t} = \alpha + \beta_H \times \text{TRUST_HIGH}_{j,t} + \beta_L \times \text{TRUST_LOW}_{j,t} + \theta_H \times \text{CTY_INSTITUTIONAL_HIGH}_{j,t} + \theta_L \times \text{CTY_INSTITUTIONAL_LOW}_{j,t} + \gamma \times M_{j,t} + \delta \times \text{MFUND}_{i,j,t} + \varepsilon_{i,j,t}$$

ACTIVE_SHARE_{i,j,t} is the active share for fund i in country j at year t, defined as the percentage of a fund's portfolio holding that is different from its benchmark. TRUST_HIGH_{j,t} (TRUST_LOW_{j,t}) denotes the higher (lower) level of trust in the fund's country of domicile and investment. CTY_INSTITUTIONAL_HIGH_{j,t} (CTY_INSTITUTIONAL_LOW_{j,t}) denotes the level of country intuitional variables in the country that fund faces higher (lower) level of trust. The vector M_{j,t} stacks a list of country-level control variables in the domicile country while the vector MFUND_{i,j,t} stacks a list of fund-level control variables. Please refer to Appendix A for control variable definitions. Panel B and C present the two-stage estimates of the effect of trust on the performance of international funds via active share. Offshore funds and funds with TNA below 2 million are excluded. Year-fixed effects are included in the panel regression. Robust t-statistics are reported in parenthesis and based on standard errors clustered by fund and year in panel regression estimates and corrected for heterogeneity and autocorrelation with a lag of one year in the Fama-MacBeth estimation. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A The impact of trust on fund-level activeness						
Dependent Variable= ACTIVE_SHARE						
	1	2	3	4	5	6
	Panel Regression			Fama-MacBeth		
TRUST_HIGH	0.009 (1.64)	0.007 (1.25)	0.005 (0.97)	0.002 (0.43)	0.000 (0.02)	-0.002 (-0.35)
TRUST_LOW	0.301*** (17.06)	0.284*** (15.60)	0.311*** (13.90)	0.306*** (4.04)	0.291*** (4.09)	0.301*** (3.81)
QUA_GOV_HIGH		0.154*** (4.96)	-0.106** (-2.13)		0.146*** (2.96)	-0.115 (-1.19)
QUA_GOV_LOW		-0.017** (-2.25)	-0.013 (-1.63)		-0.008 (-0.81)	-0.002 (-0.21)
INFORMATION_HIGH			0.224*** (7.20)			0.217*** (3.20)
INFORMATION_LOW			-0.004 (-0.62)			-0.004 (-0.67)
EDUCATION_HIGH			0.002 (0.33)			0.002 (0.32)
EDUCATION_LOW			0.214*** (2.72)			-0.240 (-0.87)
Control Variables	YES	YES	YES	YES	YES	YES
Year Fixed-Effects	YES	YES	YES	N/A	N/A	N/A
Observations	15,274	15,274	15,274	15,274	15,274	15,274
R-square	0.09	0.09	0.10	0.12	0.13	0.14

Panel B: Performance of Trust-related Active Share (Panel Regressions)						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ IN_SAMPLE_ALPHA4		BENCH_ADJ ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	-0.272 (-0.73)	-0.142 (-0.39)	-0.133 (-0.28)	0.029 (0.06)	0.105 (0.22)	0.253 (0.55)
ACTIVE_SHARE(TRUST_LOW)	0.223*** (6.91)	0.200*** (6.27)	0.247*** (5.89)	0.212*** (5.00)	0.252*** (6.06)	0.220*** (5.24)
ACTIVE_SHARE(GOV_QUA_HIGH)	-0.308 (-0.53)	-0.678 (-1.19)	0.120 (0.18)	-0.374 (-0.55)	0.399 (0.57)	-0.068 (-0.10)
ACTIVE_SHARE(GOV_QUA_LOW)	1.196*** (4.18)	1.110*** (4.00)	1.568*** (4.43)	1.449*** (4.20)	1.371*** (3.98)	1.257*** (3.74)
ACTIVE_SHARE(INFORMATION_HIGH)	0.223 (1.34)	0.067 (0.41)	0.415** (2.06)	0.220 (1.12)	0.485** (2.39)	0.294 (1.49)
ACTIVE_SHARE(INFORMATION_LOW)	2.347*** (4.06)	2.077*** (3.70)	1.796** (2.54)	1.460** (2.12)	1.561** (2.23)	1.229* (1.80)
ACTIVE_SHARE(EDUCATION_HIGH)	0.723 (0.59)	1.226 (1.03)	-1.105 (-0.71)	-0.505 (-0.33)	-0.899 (-0.58)	-0.306 (-0.20)
ACTIVE_SHARE(EDUCATION_LOW)	2.156*** (12.17)	1.883*** (11.02)	3.017*** (12.86)	2.653*** (11.53)	3.129*** (13.23)	2.759*** (11.89)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	15,274	15,274	15,274	15,274	14,916	14,916
R-squared	0.25	0.29	0.27	0.31	0.27	0.31

Panel C: Performance of Trust-related Active Share (Fama-MacBeth)						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ IN_SAMPLE_ALPHA4		BENCH_ADJ ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	-0.230* (-1.75)	-0.224* (-1.83)	-0.243* (-1.69)	-0.236* (-1.78)	-0.236 (-1.65)	-0.230 (-1.73)
ACTIVE_SHARE(TRUST_LOW)	0.195** (2.00)	0.155 (1.38)	0.240** (2.08)	0.195 (1.47)	0.230** (2.04)	0.184 (1.41)
ACTIVE_SHARE(GOV_QUA_HIGH)	-1.715 (-1.34)	-1.387 (-1.20)	-1.736 (-1.33)	-1.378 (-1.17)	-1.701 (-1.25)	-1.348 (-1.11)
ACTIVE_SHARE(GOV_QUA_LOW)	-0.577 (-1.54)	-0.532 (-1.51)	-0.626 (-1.53)	-0.570 (-1.47)	-0.602 (-1.46)	-0.548 (-1.41)
ACTIVE_SHARE(INFORMATION_HIGH)	0.336* (1.83)	0.256 (1.34)	0.258 (1.39)	0.173 (0.85)	0.249 (1.27)	0.167 (0.80)
ACTIVE_SHARE(INFORMATION_LOW)	0.246 (0.63)	0.163 (0.43)	0.267 (0.55)	0.184 (0.40)	0.246 (0.51)	0.163 (0.35)
ACTIVE_SHARE(EDUCATION_HIGH)	3.943 (0.91)	4.651 (1.20)	-0.177 (-0.03)	0.468 (0.09)	1.154 (0.22)	1.745 (0.36)
ACTIVE_SHARE(EDUCATION_LOW)	10.366 (0.58)	8.946 (0.55)	12.372 (0.67)	10.804 (0.64)	11.941 (0.65)	10.411 (0.62)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
Observations	15,274	15,274	15,274	15,274	14,916	14,916
R-squared	0.18	0.22	0.16	0.21	0.17	0.21

Table IN12: Robustness Checks on the Diminishing Impact of Trust (Table 8): Alternative Performance Measures

This table reports the results of robustness test for the performance test in Table 8 (Panel B) by using the factors of the leading investment country (Column 1 and 4), the holding value-weighted average of risk factors among all investment country (Column 2 and 5), and the combination of factors from both fund sales country and the leading fund investing country (i.e., 8-factor model; reported in Column 3 and 6).

Panel A: Performance of Trust-related Active Share (Panel Regression)						
	ROLLING_ALPHA			IN_SAMPLE_ALPHA		
	(1)	(2)	(3)	(4)	(5)	(6)
	LEAD_INV	VW	8_FACTOR	LEAD_INV	VW	8_FACTOR
ACTIVE_SHARE(TRUST_HIGH)	0.091 (0.25)	0.303 (0.82)	0.250 (0.74)	0.245 (0.63)	0.057 (0.19)	0.222 (0.59)
ACTIVE_SHARE(TRUST_LOW)	0.230*** (5.38)	0.251*** (5.93)	0.228*** (6.14)	0.295*** (6.39)	0.229*** (6.66)	0.295*** (6.74)
ACTIVE_SHARE(GOV_QUA_HIGH)	0.159 (1.59)	0.246** (2.31)	0.263*** (2.71)	-0.094 (-0.82)	0.187* (1.95)	-0.061 (-0.56)
ACTIVE_SHARE(GOV_QUA_LOW)	1.688*** (4.16)	1.447*** (3.62)	1.323*** (3.71)	1.304*** (3.11)	1.236*** (3.64)	1.177*** (2.99)
ACTIVE_SHARE(INFORMATION_HIGH)	0.205* (1.90)	0.265** (2.43)	0.272*** (2.75)	-0.135 (-1.14)	0.171* (1.81)	-0.102 (-0.91)
ACTIVE_SHARE(INFORMATION_LOW)	2.004** (2.04)	1.734* (1.77)	1.408 (1.61)	3.336*** (3.12)	2.889*** (3.40)	3.301*** (3.26)
ACTIVE_SHARE(EDUCATION_HIGH)	0.194 (0.11)	0.308 (0.17)	0.915 (0.56)	2.037 (1.04)	1.588 (1.07)	2.405 (1.29)
ACTIVE_SHARE(EDUCATION_LOW)	2.747*** (11.91)	2.896*** (12.44)	2.552*** (12.51)	3.171*** (13.65)	2.086*** (11.37)	3.091*** (13.99)
Fund Control Variables	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	14,878	14,490	14,878	15,619	15,236	15,619
R-squared	0.32	0.32	0.33	0.30	0.29	0.31

Panel B: Performance of Trust-related Active Share (Fama-MacBeth)						
	ROLLING_ALPHA			IN_SAMPLE_ALPHA		
	(1)	(2)	(3)	(4)	(5)	(6)
	LEAD_INV	VW	8_FACTOR	LEAD_INV	VW	8_FACTOR
ACTIVE_SHARE(TRUST_HIGH)	0.453 (1.58)	0.412 (1.49)	0.391 (1.51)	0.328 (1.48)	0.452 (1.69)	0.302 (1.39)
ACTIVE_SHARE(TRUST_LOW)	0.208*** (2.79)	0.196*** (3.03)	0.163** (2.19)	0.151** (2.16)	0.112** (2.25)	0.143** (2.07)
ACTIVE_SHARE(GOV_QUA_HIGH)	-0.134 (-0.04)	-0.555 (-0.15)	-2.291 (-0.62)	2.695 (0.73)	0.751 (0.28)	2.791 (0.78)
ACTIVE_SHARE(GOV_QUA_LOW)	-0.695 (-1.49)	-0.643 (-1.43)	-0.594 (-1.38)	-0.498 (-1.58)	-0.600 (-1.38)	-0.473 (-1.51)
ACTIVE_SHARE(INFORMATION_HIGH)	0.094 (0.35)	0.078 (0.29)	0.019 (0.06)	0.016 (0.13)	0.057 (0.28)	0.030 (0.24)
ACTIVE_SHARE(INFORMATION_LOW)	0.122 (0.25)	0.076 (0.17)	0.013 (0.03)	0.677** (2.12)	0.514 (1.54)	0.660** (2.02)
ACTIVE_SHARE(EDUCATION_HIGH)	3.488 (0.48)	5.183 (0.79)	5.626 (0.96)	10.609 (1.30)	6.252 (1.25)	10.898 (1.43)
ACTIVE_SHARE(EDUCATION_LOW)	3.537 (0.83)	2.928 (0.70)	2.745 (0.72)	2.585 (0.48)	4.570 (1.21)	2.650 (0.49)
Fund Control Variables	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Observations	14,878	14,490	14,878	15,619	15,236	15,619
R-squared	0.17	0.17	0.16	0.15	0.17	0.15

Table IN13: Robustness Checks on the Activeness and Performance of Domestic Funds (Table 3): Controlling for Financial Development

This table reports the results of robustness test for Table 3 by control for measures of financial development following La Porta et al. (1997) and Guiso et al. (2004): (1) EXTERNAL_EQUITY/GNP, the fraction of the capitalization of the equity not detained by outsiders divided by GNP; (2) DEBT/GNP, total debt outstanding divided by GNP; (3)#FIRMS/POPULATION, the number of listed companies divided by million inhabitants; (4) #IPOS/POPULATION, the number of initial public offerings divided by million inhabitants. Panel A tests the impact of trust on fund-level activeness. Panel B presents the two-stage estimates of the performance impact of trust-related active share.

Panel A: The impact of trust on fund activeness								
	Panel Regressions				Fama-MacBeth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
TRUST	0.209*** (8.67)	0.271*** (9.91)	0.197*** (7.63)	0.191*** (7.99)	0.299*** (3.97)	0.324*** (5.07)	0.192*** (2.68)	0.144* (1.81)
QUA_GOV	-0.601*** (-12.10)	-0.659*** (-13.03)	-0.626*** (-11.91)	-0.633*** (-12.17)	-0.179 (-1.53)	-0.245** (-2.37)	-0.152 (-1.50)	-0.014 (-0.10)
INFORMATION	0.286*** (6.96)	0.335*** (8.24)	0.324*** (7.69)	0.341*** (8.29)	0.008** (2.08)	0.008** (2.13)	0.008** (2.21)	0.009** (2.48)
EDUCATION	-1.796*** (-7.18)	-1.184*** (-4.31)	-1.764*** (-6.98)	-1.927*** (-7.69)	-0.006 (-1.25)	-0.005 (-1.10)	-0.006 (-1.24)	-0.006 (-1.26)
EXTERNAL_EQUITY/GNP	0.139*** (8.99)				0.253*** (3.61)			
DEBT/GNP		0.084*** (2.79)				0.185*** (3.44)		
#FIRMS/POPULATION			0.051*** (3.28)				0.032 (0.40)	
#IPOS/POPULATION				0.075*** (6.07)				0.122*** (3.22)
Control Variables	YES	YES	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	YES	N/A	N/A	N/A	N/A
Observations	26,498	26,043	26,498	26,498	26,498	26,043	26,498	26,498
R-squared	0.22	0.19	0.22	0.22	0.24	0.21	0.23	0.24

Panel B1 Performance of Trustworthy Active Shares: Panel Regression												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE ALPHA4	BENCH_ADJ ROLLING ALPHA4	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE ALPHA4	BENCH_ADJ ROLLING ALPHA4	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE ALPHA4	BENCH_ADJ ROLLING ALPHA4	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE ALPHA4	BENCH_ADJ ROLLING ALPHA4
ACTIVE_SHARE(TRUST)	0.307*** (5.14)	0.423*** (5.93)	0.465*** (6.27)	0.353*** (6.53)	0.475*** (7.44)	0.518*** (7.74)	0.354*** (5.20)	0.528*** (6.47)	0.597*** (7.09)	0.344*** (5.17)	0.442*** (5.58)	0.534*** (6.58)
ACTIVE_SHARE(QUA_GOV)	0.005 (0.13)	-0.079** (-2.04)	-0.019 (-0.49)	0.076** (2.24)	0.057 (1.48)	0.087** (2.27)	0.004 (0.12)	-0.081** (-2.21)	-0.035 (-0.96)	0.004 (0.12)	-0.067* (-1.84)	-0.024 (-0.66)
ACTIVE_SHARE(INFORMATION)	-0.877*** (-11.44)	-1.087*** (-12.89)	-1.054*** (-12.49)	-0.778*** (-11.62)	-0.927*** (-12.68)	-0.925*** (-12.64)	-0.769*** (-11.45)	-0.956*** (-13.03)	-0.961*** (-13.02)	-0.690*** (-11.07)	-0.826*** (-12.25)	-0.837*** (-12.31)
ACTIVE_SHARE(EDUCATION)	0.893*** (11.67)	1.164*** (12.76)	1.148*** (12.09)	1.482*** (11.34)	1.985*** (12.91)	1.912*** (11.76)	0.885*** (11.41)	1.124*** (12.19)	1.104*** (11.53)	0.883*** (11.17)	1.155*** (12.19)	1.133*** (11.52)
ACTIVE_SHARE(EXTERNAL_EQUITY/GNP)	0.206*** (3.55)	0.440*** (6.09)	0.219*** (2.79)									
ACTIVE_SHARE(DEBT/GNP)				0.919*** (5.07)	1.498*** (7.24)	1.354*** (6.32)						
ACTIVE_SHARE(#FIRMS/POPULATION)							0.524*** (2.81)	1.259*** (5.50)	1.123*** (4.87)			
ACTIVE_SHARE(#IPOS/POPULATION)										0.555*** (5.91)	0.766*** (6.88)	0.722*** (6.49)
Controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Observations	26,498	26,498	26,370	26,043	26,043	25,915	26,498	26,498	26,370	26,498	26,498	26,370
R-squared	0.32	0.36	0.37	0.32	0.36	0.37	0.32	0.36	0.37	0.32	0.36	0.37

Panel B2 Performance of Trustworthy Active Shares - FamaMacbeth												
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE ALPHA4	BENCH_ADJ ROLLING ALPHA4	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE ALPHA4	BENCH_ADJ ROLLING ALPHA4	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE ALPHA4	BENCH_ADJ ROLLING ALPHA4	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE ALPHA4	BENCH_ADJ ROLLING ALPHA4
ACTIVE_SHARE(TRUST)	0.246**	0.238**	0.206*	0.162**	0.167*	0.178**	0.246***	0.251***	0.249***	0.181**	0.203**	0.221***
	(2.28)	(2.03)	(1.70)	(2.00)	(1.95)	(2.26)	(3.19)	(2.72)	(2.85)	(2.13)	(2.39)	(2.66)
ACTIVE_SHARE(QUA_GOV)	-0.050	-0.010	0.171	-0.001	0.087	0.754	-0.085	-0.206	0.089	-0.058	-0.014	0.221
	(-0.07)	(-0.01)	(0.18)	(-0.00)	(0.11)	(0.83)	(-0.19)	(-0.39)	(0.14)	(-0.15)	(-0.03)	(0.47)
ACTIVE_SHARE(INFORMATION)	0.207	0.549	0.836	1.359	1.651	0.539	1.089	1.783	1.112	1.406	1.616	0.732
	(0.23)	(0.51)	(0.70)	(1.32)	(1.12)	(0.42)	(0.89)	(1.15)	(0.78)	(1.15)	(1.07)	(0.62)
ACTIVE_SHARE(EDUCATION)	0.114	0.270	0.439	0.600**	0.640	0.579	0.217	0.396	0.437	0.278	0.272	0.275
	(0.48)	(0.82)	(1.38)	(2.18)	(1.45)	(1.19)	(1.01)	(1.51)	(1.57)	(1.30)	(0.83)	(0.76)
ACTIVE_SHARE(EXTERNAL_EQUITY/GNP)	0.019	0.021	-0.042									
	(0.15)	(0.15)	(-0.27)									
ACTIVE_SHARE(DEBT/GNP)				-0.910	-1.071	-0.760						
				(-0.88)	(-0.80)	(-0.66)						
ACTIVE_SHARE(#FIRMS/POPULATION)							0.293	0.365	0.422			
							(0.32)	(0.32)	(0.42)			
ACTIVE_SHARE(#IPOS/POPULATION)										0.023	0.019	0.002
										(0.19)	(0.14)	(0.01)
Controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Observations	26,498	26,498	26,370	26,043	26,043	25,915	26,498	26,498	26,370	26,498	26,498	26,370
R-squared	0.16	0.17	0.17	0.14	0.16	0.16	0.15	0.17	0.17	0.15	0.17	0.17

Table IN14: Robustness Checks on the Diminishing Impact of Trust (Table 8): Controlling for Measures of Financial Development

This table reports the robustness check for Table 8 when we further control for measures of financial development following La Porta et al. (1997) and Guiso et al. (2004): (1) EXTERNAL_EQUITY/GNP, the fraction of the capitalization of the equity not detained by outsiders divided by GNP; (2) DEBT/GNP, total debt outstanding divided by GNP; (3) #FIRMS/POPULATION, the number of listed companies divided by million inhabitants; (4) #IPOS/POPULATION, the number of initial public offerings divided by million inhabitants. Please refer to variable definitions in the Appendix A. Panel A reports the impact of trust on fund-level activeness with additional controls of financial development. Panels B1, B2, and B3 present the two-stage estimates of the performance impact of trust-related active share for the three performance measures reported in Table 8. All other control variables are the same as Table 8.

Panel A: The impact of trust on fund activeness

	Panel Regressions					Fama-MacBeth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
TRUST_HIGH	0.012 (1.32)	0.007 (0.73)	-0.004 (-0.39)	0.007 (0.69)	0.015 (1.08)	0.022 (1.50)	0.004 (0.27)	0.017 (1.03)	
TRUST_LOW	0.380*** (7.19)	0.409*** (7.60)	0.221*** (4.01)	0.448*** (8.16)	0.314*** (4.07)	0.348*** (4.23)	0.145** (2.10)	0.395*** (4.18)	
QUA_GOV_HIGH	0.064 (0.76)	0.030 (0.35)	0.099 (1.17)	0.120 (1.47)	0.096 (0.87)	0.058 (0.45)	0.127 (1.05)	0.170 (1.33)	
QUA_GOV_LOW	-0.027*** (-2.77)	-0.010 (-0.98)	-0.024** (-2.49)	-0.001 (-0.11)	-0.015** (-2.00)	-0.002 (-0.39)	-0.013 (-1.67)	0.005 (0.59)	
INFORMATION_HIGH	0.000 (0.02)	0.001 (0.13)	0.000 (0.00)	0.001 (0.15)	-0.001 (-0.12)	-0.000 (-0.00)	-0.002 (-0.37)	-0.001 (-0.11)	
INFORMATION_LOW	0.639*** (4.10)	0.641*** (3.81)	0.542*** (3.48)	0.429*** (2.68)	-0.264 (-0.50)	-0.112 (-0.31)	-0.237 (-0.66)	0.039 (0.13)	
EDUCATION_HIGH	0.030 (0.53)	0.040 (0.73)	-0.076 (-1.34)	-0.030 (-0.55)	-0.033 (-0.32)	-0.054 (-0.36)	-0.150 (-1.28)	-0.128 (-1.00)	
EDUCATION_LOW	-0.017** (-2.24)	-0.003 (-0.44)	-0.014* (-1.89)	-0.008 (-1.11)	-0.016** (-2.00)	-0.002 (-0.32)	-0.013 (-1.55)	-0.010 (-1.46)	
EXTERNAL_EQUITY/GNP_HIGH	0.147*** (4.90)				0.132*** (10.37)				
EXTERNAL_EQUITY/GNP_LOW	0.086*** (4.73)				0.098*** (7.23)				
DEBT/GNP_HIGH		-0.061* (-1.89)				-0.065*** (-2.59)			
DEBT/GNP_LOW		-0.032 (-1.24)				-0.028 (-1.22)			
#FIRMS/POPULATION_HIGH			0.445*** (8.15)				0.378*** (5.59)		
#FIRMS/POPULATION_LOW			0.250*** (5.12)				0.283*** (10.17)		
#IPOS/POPULATION_HIGH				-0.023 (-1.26)				-0.012 (-0.58)	
#IPOS/POPULATION_LOW				0.070*** (5.00)				0.068*** (4.30)	
Fund Control Variables	YES	YES	YES	YES	YES	YES	YES	YES	
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES	YES	YES	
YEAR FE	YES	YES	YES	YES	N/A	N/A	N/A	N/A	
Observations	13,139	13,139	13,139	13,139	13,139	13,139	13,139	13,139	
R-squared	0.07	0.05	0.09	0.06	0.10	0.09	0.12	0.09	

Panel B1: Performance of Trust-related Active Share (Benchmark-adjusted Return)								
	Panel Regressions				Fama-MacBeth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ACTIVE_SHARE(TRUST_HIGH)	-0.072 (-0.38)	-0.252 (-1.03)	-0.123 (-0.59)	-0.194 (-0.57)	0.030* (1.87)	-0.005 (-1.19)	0.010** (2.06)	-0.011** (-2.10)
ACTIVE_SHARE(TRUST_LOW)	0.174*** (6.79)	0.111*** (4.05)	0.131*** (5.45)	0.274*** (6.83)	0.095*** (2.88)	0.073 (1.49)	0.163*** (4.07)	0.107** (2.59)
ACTIVE_SHARE(QUA_GOV_HIGH)	3.081*** (2.90)	-0.617 (-0.42)	0.060 (0.18)	8.865** (2.25)	-0.204 (-0.89)	-0.153 (-0.39)	-0.214 (-0.92)	-0.064 (-0.29)
ACTIVE_SHARE(QUA_GOV_LOW)	0.773*** (3.09)	9.354 (1.58)	1.109** (2.56)	0.653*** (3.34)	-0.461* (-1.69)	-0.198 (-1.19)	-69.218* (-1.70)	-0.362** (-2.18)
ACTIVE_SHARE(INFORMATION_HIGH)	0.927*** (3.30)	0.957*** (3.75)	-0.553 (-1.05)	4.968*** (3.07)	-1.664 (-1.06)	-1.769 (-0.88)	-1.242 (-0.67)	-2.622 (-1.47)
ACTIVE_SHARE(INFORMATION_LOW)	0.504* (1.94)	0.770 (0.98)	0.677*** (2.94)	0.446** (2.22)	-16.127 (-0.99)	5.144 (1.44)	13.792 (1.47)	1.841 (1.42)
ACTIVE_SHARE(EDUCATION_HIGH)	-11.513* (-1.84)	-7.431* (-1.75)	-5.287* (-1.95)	-8.347* (-1.84)	0.229 (0.46)	0.198 (0.65)	5.378 (0.79)	0.460 (0.42)
ACTIVE_SHARE(EDUCATION_LOW)	0.691*** (10.66)	0.674*** (5.61)	0.812*** (7.55)	0.781*** (10.61)	0.350 (0.87)	-3.643 (-0.53)	0.191 (0.79)	0.158 (0.81)
ACTIVE_SHARE(EXTERNAL_EQUITY/GNP_HIGH)	-0.785* (-1.70)				0.444 (0.58)			
ACTIVE_SHARE(EXTERNAL_EQUITY/GNP_LOW)	1.495*** (8.22)				-0.362 (-0.76)			
ACTIVE_SHARE(DEBT/GNP_HIGH)		-0.008 (-0.13)				0.098 (0.69)		
ACTIVE_SHARE(DEBT/GNP_LOW)		0.714*** (11.43)				0.418*** (2.73)		
ACTIVE_SHARE(#FIRMS/POPULATION_HIGH)			-0.293*** (-3.76)				0.012 (0.09)	
ACTIVE_SHARE(#FIRMS/POPULATION_LOW)			0.393*** (4.59)				0.022 (0.20)	
ACTIVE_SHARE(#IPOS/POPULATION_HIGH)				0.042 (1.09)				-0.177 (-0.61)
ACTIVE_SHARE(#IPOS/POPULATION_LOW)				-1.111*** (-5.09)				-0.011 (-0.06)
Fund Control Variables	YES	YES	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	YES	N/A	N/A	N/A	N/A
Observations	13,139	13,139	13,139	13,139	13,139	13,139	13,139	13,139
R-squared	0.32	0.32	0.31	0.32	0.19	0.20	0.19	0.19

Panel B2: Performance of Trust-related Active Share (Rolling Alpha)								
	Panel Regressions				Fama-MacBeth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ACTIVE_SHARE(TRUST_HIGH)	0.034 (0.14)	-0.069 (-0.22)	0.006 (0.02)	0.023 (0.05)	0.028 (1.58)	-0.004 (-0.97)	0.009 (1.74)	-0.007 (-1.14)
ACTIVE_SHARE(TRUST_LOW)	0.185*** (5.76)	0.139*** (4.00)	0.150*** (4.90)	0.296*** (6.36)	0.166*** (3.16)	0.198** (2.12)	0.296*** (4.60)	0.199*** (3.06)
ACTIVE_SHARE(QUA_GOV_HIGH)	3.984*** (3.14)	-2.740 (-1.52)	-0.101 (-0.26)	14.146*** (3.00)	-0.204 (-0.65)	-0.030 (-0.06)	-0.309 (-0.89)	0.058 (0.22)
ACTIVE_SHARE(QUA_GOV_LOW)	1.074*** (3.45)	17.665** (2.38)	1.193** (2.22)	0.840*** (3.47)	-0.567* (-1.84)	-0.268 (-1.44)	-0.905* (-1.74)	-0.305 (-1.33)
ACTIVE_SHARE(INFORMATION_HIGH)	1.253*** (3.74)	1.322*** (4.30)	-1.211* (-1.91)	7.161*** (3.72)	-1.453 (-0.77)	-1.309 (-0.56)	-1.041 (-0.49)	-2.289 (-1.10)
ACTIVE_SHARE(INFORMATION_LOW)	0.119 (0.39)	-0.375 (-0.40)	0.282 (1.04)	0.098 (0.41)	-11.865 (-0.62)	2.118 (0.45)	10.171 (0.97)	0.937 (0.69)
ACTIVE_SHARE(EDUCATION_HIGH)	-6.157 (-0.78)	-3.885 (-0.73)	-3.251 (-0.95)	-4.465 (-0.78)	0.532 (1.06)	0.261 (0.78)	9.494 (1.40)	0.887 (0.76)
ACTIVE_SHARE(EDUCATION_LOW)	0.937*** (11.08)	1.181*** (7.56)	1.115*** (8.36)	1.065*** (11.13)	-0.091 (-0.19)	4.332 (0.46)	-0.203 (-0.64)	-0.098 (-0.35)
ACTIVE_SHARE(EXTERNAL_EQUITY/GNP_HIGH)	0.219 (0.39)				-0.093 (-0.10)			
ACTIVE_SHARE(EXTERNAL_EQUITY/GNP_LOW)	0.981*** (4.54)				-0.076 (-0.11)			
ACTIVE_SHARE(DEBT/GNP_HIGH)		-0.144* (-1.76)				-0.009 (-0.05)		
ACTIVE_SHARE(DEBT/GNP_LOW)		0.623*** (8.15)				0.349** (2.07)		
ACTIVE_SHARE(#FIRMS/POPULATION_HIGH)			-0.479*** (-5.27)				-0.006 (-0.04)	
ACTIVE_SHARE(#FIRMS/POPULATION_LOW)			0.575*** (6.10)				0.026 (0.21)	
ACTIVE_SHARE(#IPOS/POPULATION_HIGH)				0.033 (0.68)				-0.603** (-2.11)
ACTIVE_SHARE(#IPOS/POPULATION_LOW)				-0.970*** (-4.88)				0.176 (0.91)
Fund Control Variables	YES	YES	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	YES	N/A	N/A	N/A	N/A
Observations	12,900	12,900	12,900	12,900	12,900	12,900	12,900	12,900
R-squared	0.33	0.33	0.33	0.33	0.21	0.22	0.22	0.21

Panel B3: Performance of Trust-related Active Share (In-sample Alpha)								
	Panel Regressions				Fama-MacBeth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ACTIVE_SHARE(TRUST_HIGH)	-0.063 (-0.26)	-0.188 (-0.61)	-0.091 (-0.35)	-0.159 (-0.38)	-0.035** (-2.08)	-0.006 (-1.30)	-0.011** (-2.20)	-0.010 (-1.49)
ACTIVE_SHARE(TRUST_LOW)	0.150*** (4.58)	0.110*** (3.14)	0.124*** (4.00)	0.238*** (5.12)	0.180*** (3.08)	0.220** (2.16)	0.307*** (4.33)	0.208*** (2.91)
ACTIVE_SHARE(QUA_GOV_HIGH)	2.884** (2.44)	-1.503 (-0.90)	0.120 (0.33)	10.467** (2.39)	-0.042 (-0.14)	0.124 (0.25)	-0.217 (-0.71)	0.063 (0.24)
ACTIVE_SHARE(QUA_GOV_LOW)	1.219*** (3.88)	19.667*** (2.65)	1.403** (2.58)	0.943*** (3.87)	-0.692** (-2.26)	-0.327* (-1.88)	-91.426** (-2.16)	-0.405* (-1.73)
ACTIVE_SHARE(INFORMATION_HIGH)	1.091*** (3.35)	1.243*** (4.15)	-1.060* (-1.70)	6.272*** (3.34)	-0.706 (-0.38)	-0.255 (-0.11)	-0.001 (-0.00)	-1.326 (-0.60)
ACTIVE_SHARE(INFORMATION_LOW)	0.277 (0.89)	-0.079 (-0.08)	0.389 (1.41)	0.211 (0.88)	-15.259 (-0.83)	3.342 (0.74)	12.327 (1.21)	1.357 (1.17)
ACTIVE_SHARE(EDUCATION_HIGH)	-8.285 (-1.05)	-5.273 (-0.99)	-4.138 (-1.21)	-6.010 (-1.05)	0.467 (0.86)	0.198 (0.56)	9.465 (1.32)	0.920 (0.72)
ACTIVE_SHARE(EDUCATION_LOW)	0.867*** (10.12)	1.070*** (6.86)	1.038*** (7.81)	0.983*** (10.22)	0.031 (0.07)	1.550 (0.16)	-0.101 (-0.33)	-0.048 (-0.17)
ACTIVE_SHARE(EXTERNAL_EQUITY/GNP_HIGH)	0.315 (0.56)				-0.299 (-0.29)			
ACTIVE_SHARE(EXTERNAL_EQUITY/GNP_LOW)	0.744*** (3.34)				0.289 (0.37)			
ACTIVE_SHARE(DEBT/GNP_HIGH)		-0.144* (-1.79)				-0.049 (-0.25)		
ACTIVE_SHARE(DEBT/GNP_LOW)		0.638*** (8.43)				0.377** (2.00)		
ACTIVE_SHARE(#FIRMS/POPULATION_HIGH)			-0.471*** (-5.14)				0.015 (0.08)	
ACTIVE_SHARE(#FIRMS/POPULATION_LOW)			0.553*** (5.74)				0.084 (0.60)	
ACTIVE_SHARE(#IPOS/POPULATION_HIGH)				0.055 (1.16)				-0.479 (-1.27)
ACTIVE_SHARE(#IPOS/POPULATION_LOW)				-0.797*** (-4.21)				0.129 (0.55)
Fund Control Variables	YES	YES	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	YES	N/A	N/A	N/A	N/A
Observations	13,139	13,139	13,139	13,139	13,139	13,139	13,139	13,139
R-squared	0.33	0.33	0.33	0.33	0.19	0.20	0.20	0.20

Table IN15: Robustness Checks on the Diminishing Impact of Trust (Table 8): Controlling for Alternative Culture Variables

This table reports the results of robustness test for Table 8 by controlling for INDIVIDUALISM and HIERARCHY. Panel A tests the impact of trust on fund-level activeness with additional controls of INDIVIDUALISM and/or HIERARCHY. Panels B and C presents the two-stage estimates of the performance impact of trust-related active share with additional controls of INDIVIDUALISM and/or HIERARCHY. All other fund-level control variables are the same as Table 8.

Panel A The impact of trust on fund-level activeness						
Dependent Variable= ACTIVE_SHARE						
	1	2	3	4	5	6
	Panel Regression			Fama-MacBeth		
TRUST_HIGH	0.010* (1.81)	0.001 (0.19)	0.001 (0.26)	0.004 (0.68)	-0.004 (-0.54)	-0.003 (-0.47)
TRUST_LOW	0.245*** (14.35)	0.320*** (17.45)	0.272*** (14.93)	0.278*** (3.84)	0.334*** (5.10)	0.302*** (4.48)
INDIVIDUALISM_HIGH	-0.235*** (-6.24)		-0.598*** (-12.99)	-0.300*** (-4.59)		-0.499*** (-5.40)
INDIVIDUALISM_LOW	0.251*** (6.67)		0.602*** (13.17)	0.316*** (5.04)		0.507*** (5.58)
HIERARCHY_HIGH		0.194*** (14.87)	0.269*** (18.72)		0.122*** (3.33)	0.183*** (7.76)
HIERARCHY_LOW		-0.065*** (-9.15)	-0.057*** (-8.09)		-0.054*** (-3.81)	-0.047*** (-3.66)
Control Variables	YES	YES	YES	YES	YES	YES
Year Fixed-Effects	YES	YES	YES	N/A	N/A	N/A
Observations	13,219	13,219	13,219	13,219	13,219	13,219
R-square	0.09	0.12	0.13	0.12	0.16	0.17

Panel B: Performance of Trust-related Active Share (Panel Regressions)						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ IN_SAMPLE_ALPHA4		BENCH_ADJ ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	0.078 (0.21)	0.130 (0.36)	0.309 (0.73)	0.392 (0.95)	0.310 (0.76)	0.389 (0.97)
ACTIVE_SHARE(TRUST_LOW)	0.214*** (6.05)	0.197*** (5.71)	0.243*** (5.73)	0.223*** (5.41)	0.243*** (6.06)	0.224*** (5.74)
ACTIVE_SHARE(INDIVIDUALISM_HIGH)	0.444*** (5.98)	0.407*** (5.62)	0.505*** (5.67)	0.463*** (5.34)	0.502*** (5.97)	0.461*** (5.63)
ACTIVE_SHARE(INDIVIDUALISM_LOW)	-0.089** (-2.33)	-0.092** (-2.49)	-0.116** (-2.55)	-0.113** (-2.58)	-0.111** (-2.53)	-0.109*** (-2.58)
ACTIVE_SHARE(HIERARCHY_HIGH)	-0.062 (-0.86)	-0.040 (-0.57)	-0.079 (-0.94)	-0.054 (-0.65)	-0.086 (-1.07)	-0.061 (-0.77)
ACTIVE_SHARE(HIERARCHY_LOW)	0.507*** (9.74)	0.488*** (9.70)	0.621*** (10.21)	0.598*** (10.17)	0.608*** (10.35)	0.586*** (10.32)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	13,219	13,219	13,219	13,219	13,219	13,219
R-squared	0.29	0.33	0.27	0.31	0.28	0.32

Panel C: Performance of Trust-related Active Share (Fama-MacBeth)						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ IN_SAMPLE_ALPHA4		BENCH_ADJ ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	-0.004 (-0.58)	-0.006 (-0.95)	-0.005 (-0.68)	-0.007 (-1.08)	-0.005 (-0.60)	-0.006 (-0.98)
ACTIVE_SHARE(TRUST_LOW)	0.140** (2.25)	0.096* (1.78)	0.177** (2.23)	0.134* (1.85)	0.174** (2.32)	0.130* (1.85)
ACTIVE_SHARE(INDIVIDUALISM_HIGH)	0.306 (0.96)	0.274 (0.98)	0.254 (0.75)	0.224 (0.76)	0.289 (0.84)	0.257 (0.85)
ACTIVE_SHARE(INDIVIDUALISM_LOW)	0.298 (0.95)	0.264 (0.96)	0.247 (0.74)	0.215 (0.74)	0.282 (0.83)	0.249 (0.83)
ACTIVE_SHARE(HIERARCHY_HIGH)	-0.157 (-0.82)	-0.150 (-0.79)	-0.171 (-0.88)	-0.158 (-0.82)	-0.177 (-0.91)	-0.162 (-0.84)
ACTIVE_SHARE(HIERARCHY_LOW)	0.450** (2.47)	0.415** (2.44)	0.509*** (2.60)	0.470*** (2.62)	0.506*** (2.61)	0.468*** (2.63)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
Observations	13,219	13,219	13,219	13,219	13,219	13,219
R-squared	0.12	0.17	0.11	0.16	0.11	0.17

Table IN16: Robustness Checks on the Diminishing Impact of Trust (Table 8): Controlling for Measures of Formal Institutions

This table reports the robustness check for Table 8 when we further control for alternative country-level characteristics such as GOOD_GOV_INDEX (Karolyi et al. (2012)), DISCLOSURE (Bushman et al. (2004)), ANTI_SELF_DEALING (Djankov et al. (2008)), ACC_TRANSPARENCY (Durnev et al. (2009)), PROPERTY_RIGHTS and CONTRACTING_INST (Acemoglu and Johnson (2005)). Please refer to variable definitions in the Appendix A. Panel A reports the impact of trust on fund-level activeness with alternative/additional controls. Panels B1, B2, and B3 present the two-stage estimates of the performance impact of trust-related active share for the three performance measures reported in Table 8. All other control variables are the same as Table 8. “A_S” is short for “ACTIVE_SHARE”.

Panel A: The impact of trust on fund activeness

	Panel Regressions					Fama-MacBeth				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
TRUST_HIGH	0.009 (1.54)	0.009 (1.60)	-0.011* (-1.89)	0.007 (1.20)	0.004 (0.75)	0.008 (1.22)	0.008 (1.19)	-0.008 (-1.29)	0.006 (1.04)	0.005 (0.72)
TRUST_LOW	0.385*** (14.70)	0.321*** (12.66)	0.240*** (8.33)	0.375*** (14.07)	0.330*** (11.42)	0.335*** (4.59)	0.308*** (4.21)	0.203*** (2.86)	0.325*** (3.90)	0.296*** (4.27)
GOOD_GOV_INDEX_HIGH	-0.157*** (-4.29)	-0.152*** (-4.28)	-0.216*** (-6.06)	-0.186*** (-5.12)	-0.128*** (-3.56)	0.025 (0.32)	-0.011 (-0.27)	0.020 (0.22)	0.005 (0.08)	0.036 (0.45)
GOOD_GOV_INDEX_LOW	-0.010 (-1.27)	0.010 (1.24)	-0.017** (-2.18)	-0.011 (-1.41)	-0.014* (-1.76)	0.002 (0.23)	0.016** (2.58)	-0.006 (-0.93)	-0.001 (-0.20)	-0.001 (-0.17)
INFORMATION_HIGH	0.221*** (7.11)	0.177*** (5.75)	0.219*** (7.14)	0.212*** (6.82)	0.183*** (5.94)	0.002 (0.27)	0.001 (0.16)	0.000 (0.05)	0.000 (0.07)	0.002 (0.31)
INFORMATION_LOW	-0.015** (-2.21)	-0.010 (-1.52)	-0.008 (-1.22)	-0.012* (-1.71)	-0.018*** (-2.62)	-0.390 (-0.90)	-0.318 (-0.97)	0.029 (0.11)	-0.284 (-0.58)	-0.309 (-0.63)
EDUCATION_HIGH	0.001 (0.14)	0.001 (0.16)	-0.000 (-0.05)	0.000 (0.05)	0.001 (0.17)	0.063 (0.88)	0.103* (1.84)	0.056 (0.60)	0.065 (1.27)	0.057 (0.77)
EDUCATION_LOW	0.428*** (4.94)	-0.002 (-0.02)	0.491*** (5.83)	0.500*** (5.76)	0.357*** (3.59)	-0.013 (-1.70)	-0.009 (-1.47)	-0.008 (-1.18)	-0.013 (-1.70)	-0.014** (-1.96)
ANTI_SELF_DEALING_HIGH	0.046*** (4.00)					0.007 (0.29)				
ANTI_SELF_DEALING_LOW	-0.021** (-2.32)					-0.022 (-1.10)				
DISCLOSURE_HIGH		-0.035* (-1.72)					-0.055 (-1.45)			
DISCLOSURE_LOW		-0.165*** (-12.53)					-0.149*** (-6.08)			
ACC_TRANSPARENCY_HIGH			0.103*** (10.36)					0.082*** (3.47)		
ACC_TRANSPARENCY_LOW			0.081*** (9.50)					0.073*** (6.24)		
PROPERTY_RIGHTS_HIGH				-0.079*** (-9.25)					-0.063*** (-3.00)	
PROPERTY_RIGHTS_LOW				-0.021*** (-3.68)					-0.005 (-0.42)	
CONTRACTING_INST_HIGH					-0.263*** (-9.08)					-0.143** (-2.25)
CONTRACTING_INST_LOW					-0.014 (-0.61)					0.000 (0.01)
Fund Control Variables	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	YES	YES	N/A	N/A	N/A	N/A	N/A
Observations	13,299	13,299	13,299	13,299	13,299	13,299	13,299	13,299	13,299	13,299
R-squared	0.10	0.11	0.11	0.11	0.11	0.15	0.15	0.15	0.15	0.15

Panel B1: Performance of Trust-related Active Share (Benchmark-adjusted Return)										
	Panel Regressions						Fama-MacBeth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
ACTIVE_SHARE(TRUST_HIGH)	-0.215 (-0.78)	-0.194 (-0.73)	-0.164 (-0.72)	-0.402 (-1.13)	-0.453 (-0.79)	0.062 (0.87)	-0.005** (-1.99)	0.013 (1.64)	-0.833 (-1.60)	0.011 (0.04)
ACTIVE_SHARE(TRUST_LOW)	0.234*** (7.46)	0.140*** (3.64)	0.171*** (3.01)	0.184*** (5.55)	0.391*** (9.49)	0.225** (2.16)	0.244** (2.45)	0.192* (1.84)	0.210** (2.37)	0.248** (2.40)
A_S(GOOD_GOV_INDEX_HIGH)	0.405*** (3.59)	0.208* (1.86)	0.201** (2.46)	0.230** (2.40)	0.298** (2.23)	0.477 (0.22)	-0.727 (-1.01)	-0.028 (-0.06)	-0.167 (-0.06)	4.070 (0.41)
A_S(GOOD_GOV_INDEX_LOW)	1.465*** (3.59)	-1.169*** (-2.88)	1.183*** (5.00)	1.724*** (4.67)	0.998*** (3.51)	-0.590 (-1.36)	-0.293 (-1.73)	2.973 (1.61)	0.058** (2.01)	6.774** (1.99)
A_S(INFORMATION_HIGH)	4.773 (1.56)	4.552 (1.63)	-12.835 (-1.48)	14.489 (1.51)	3.861 (1.55)	10.676 (1.74)	5.082 (1.13)	-1.362 (-0.29)	25.052 (1.49)	3.465 (1.10)
A_S(INFORMATION_LOW)	1.027*** (10.59)	-1.196*** (-6.30)	0.910*** (10.89)	0.941*** (11.14)	1.837*** (13.53)	2.028 (1.28)	0.656 (0.86)	-7.340 (-1.20)	5.665 (1.53)	0.416 (0.85)
A_S(EDUCATION_HIGH)	0.244*** (3.39)	0.152* (1.75)	0.159** (2.22)	0.167** (2.26)	0.259*** (3.01)	-0.004 (-0.02)	0.003 (0.01)	-0.020 (-0.05)	0.419*** (4.46)	0.238 (0.92)
A_S(EDUCATION_LOW)	0.438** (2.02)	0.660** (2.11)	0.916** (2.32)	0.631** (2.20)	0.354* (1.94)	0.265 (0.82)	0.050 (0.11)	-0.579 (-0.23)	0.231 (0.42)	0.009** (2.18)
A_S(ANTI_SELF_DEALING_HIGH)	-0.383*** (-3.41)					-1.051** (-2.59)				
A_S(ANTI_SELF_DEALING_LOW)	1.884*** (8.88)					-0.213 (-0.55)				
A_S(DISCLOSURE_HIGH)		-0.447 (-1.46)					0.148 (0.50)			
A_S(DISCLOSURE_LOW)		0.382*** (8.57)					0.148 (1.19)			
A_S(ACC_TRANSPARENCY_HIGH)			0.191*** (3.93)					-0.062 (-0.37)		
A_S(ACC_TRANSPARENCY_LOW)			0.198*** (3.53)					0.160 (1.28)		
A_S(PROPERTY_RIGHTS_HIGH)				0.369*** (6.61)					-0.065 (-0.33)	
A_S(PROPERTY_RIGHTS_LOW)				0.421*** (2.91)					1.279 (1.09)	
A_S(CONTRACTING_INST_HIGH)					0.001 (0.02)					-0.076 (-0.48)
A_S(CONTRACTING_INST_LOW)					-7.672*** (-9.47)					0.147 (0.74)
Fund Control Variables	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	YES	YES	N/A	N/A	N/A	N/A	N/A
Observations	13,299	13,299	13,299	13,299	13,299	13,299	13,299	13,299	13,299	13,299
R-squared	0.30	0.30	0.29	0.30	0.31	0.23	0.20	0.19	0.21	0.19

Panel B2: Performance of Trust-related Active Share (Rolling Alpha)										
	Panel Regressions						Fama-MacBeth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
ACTIVE_SHARE(TRUST_HIGH)	-0.250 (-0.72)	0.031 (0.09)	0.010 (0.03)	-0.057 (-0.13)	-0.019 (-0.03)	0.133 (1.19)	-0.006** (-2.18)	0.012 (1.68)	-0.900 (-1.70)	0.059 (0.17)
ACTIVE_SHARE(TRUST_LOW)	0.211*** (5.10)	0.173*** (3.52)	0.336*** (4.62)	0.190*** (4.52)	0.387*** (7.55)	0.320** (2.22)	0.258** (2.20)	0.171** (2.18)	0.223** (2.12)	0.256** (2.11)
A_S(GOOD_GOV_INDEX_HIGH)	0.373*** (2.89)	0.337** (2.51)	0.271*** (2.77)	0.307*** (2.69)	0.452*** (2.78)	1.334 (0.53)	-0.699 (-1.00)	-0.222 (-0.48)	-0.019 (-0.01)	4.179 (0.43)
A_S(GOOD_GOV_INDEX_LOW)	2.330*** (4.59)	-1.540*** (-3.09)	1.337*** (4.66)	2.067*** (4.64)	1.335*** (3.83)	-0.773 (-1.54)	-0.337* (-1.90)	2.744* (1.73)	0.064** (2.11)	7.640** (2.14)
A_S(INFORMATION_HIGH)	2.008 (0.52)	1.702 (0.49)	-4.802 (-0.44)	5.174 (0.43)	1.429 (0.46)	4.335 (0.48)	3.463 (0.70)	-4.599 (-1.22)	18.989 (1.04)	2.333 (0.68)
A_S(INFORMATION_LOW)	1.337*** (10.51)	-3.639*** (-8.14)	1.251*** (11.28)	1.253*** (11.32)	2.269*** (13.21)	1.719 (0.94)	0.793 (1.01)	-6.022 (-1.16)	6.762 (1.70)	0.517 (1.03)
A_S(EDUCATION_HIGH)	0.261*** (3.06)	0.258** (2.44)	0.250*** (2.90)	0.249*** (2.77)	0.358*** (3.45)	0.058 (0.23)	-0.008 (-0.03)	-0.060 (-0.16)	0.468*** (4.96)	0.257 (0.99)
A_S(EDUCATION_LOW)	0.235 (0.89)	0.079 (0.21)	0.359 (0.76)	0.170 (0.50)	0.028 (0.13)	0.029 (0.07)	0.108 (0.21)	-0.457 (-0.22)	0.326 (0.53)	0.010** (2.32)
A_S(ANTI_SELF_DEALING_HIGH)	-0.380*** (-2.82)					-1.148*** (-2.79)				
A_S(ANTI_SELF_DEALING_LOW)	1.105*** (4.26)					0.245 (0.37)				
A_S(DISCLOSURE_HIGH)		0.031 (0.08)					0.138 (0.46)			
A_S(DISCLOSURE_LOW)		0.368*** (6.86)					0.128 (1.00)			
A_S(ACC_TRANSPARENCY_HIGH)			0.076 (1.22)					-0.051 (-0.33)		
A_S(ACC_TRANSPARENCY_LOW)			-0.038 (-0.58)					0.133 (1.19)		
A_S(PROPERTY_RIGHTS_HIGH)				0.277*** (4.01)					-0.094 (-0.47)	
A_S(PROPERTY_RIGHTS_LOW)				0.041 (0.24)					1.605 (1.23)	
A_S(CONTRACTING_INST_HIGH)					0.082 (1.34)					-0.068 (-0.40)
A_S(CONTRACTING_INST_LOW)					-6.519*** (-6.73)					0.197 (0.89)
Fund Control Variables	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	YES	YES	N/A	N/A	N/A	N/A	N/A
Observations	12,967	12,967	12,967	12,967	12,967	12,967	12,967	12,967	12,967	12,967
R-squared	0.32	0.32	0.31	0.31	0.31	0.23	0.19	0.20	0.20	0.20

Panel B3: Performance of Trust-related Active Share (In-sample Alpha)

	Panel Regressions						Fama-MacBeth			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
ACTIVE_SHARE(TRUST_HIGH)	0.019 (0.05)	-0.220 (-0.66)	-0.202 (-0.71)	-0.381 (-0.85)	-0.580 (-0.81)	0.139 (1.41)	-0.007** (-2.29)	0.013* (1.73)	-0.929* (-1.77)	0.100 (0.30)
ACTIVE_SHARE(TRUST_LOW)	0.246*** (6.12)	0.155*** (3.10)	0.309*** (4.18)	0.156*** (3.61)	0.329*** (6.32)	0.231** (2.59)	0.266** (2.19)	0.181** (1.98)	0.230** (2.12)	0.265** (2.10)
A_S(GOOD_GOV_INDEX_HIGH)	0.501*** (3.68)	0.235* (1.85)	0.194** (2.12)	0.202* (1.87)	0.302** (1.98)	2.252 (0.91)	-0.708 (-1.00)	-0.190 (-0.42)	-0.080 (-0.03)	4.505 (0.46)
A_S(GOOD_GOV_INDEX_LOW)	1.950*** (3.93)	-1.943*** (-3.81)	1.505*** (5.14)	2.344*** (5.18)	1.612*** (4.51)	-0.808* (-1.80)	-0.364** (-2.02)	2.925* (1.75)	0.066** (2.17)	7.974** (2.23)
A_S(INFORMATION_HIGH)	1.721 (0.45)	2.007 (0.58)	-5.634 (-0.52)	6.204 (0.52)	1.685 (0.54)	5.353 (0.68)	2.012 (0.40)	-3.213 (-0.78)	13.466 (0.72)	1.302 (0.37)
A_S(INFORMATION_LOW)	1.449*** (11.35)	-2.462*** (-7.83)	1.162*** (10.60)	1.146*** (10.33)	2.053*** (11.94)	1.691 (1.00)	0.831 (1.04)	-7.467 (-1.27)	6.925 (1.68)	0.536 (1.06)
A_S(EDUCATION_HIGH)	0.312*** (3.58)	0.219** (2.09)	0.215** (2.54)	0.206** (2.33)	0.301*** (2.93)	0.020 (0.08)	-0.022 (-0.09)	-0.057 (-0.15)	0.477*** (4.84)	0.254 (0.97)
A_S(EDUCATION_LOW)	0.066 (0.25)	0.299 (0.78)	0.626 (1.30)	0.377 (1.10)	0.172 (0.77)	0.088 (0.22)	0.161 (0.32)	-0.828 (-0.37)	0.396 (0.64)	0.011** (2.38)
A_S(ANTI_SELF_DEALING_HIGH)	-0.367*** (-2.71)					-1.090*** (-2.83)				
A_S(ANTI_SELF_DEALING_LOW)	1.406*** (5.43)					0.366 (0.52)				
A_S(DISCLOSURE_HIGH)		0.085 (0.22)					0.113 (0.38)			
A_S(DISCLOSURE_LOW)		0.324*** (6.08)					0.111 (0.85)			
A_S(ACC_TRANSPARENCY_HIGH)			0.080 (1.31)					-0.049 (-0.30)		
A_S(ACC_TRANSPARENCY_LOW)			-0.066 (-1.00)					0.136 (1.13)		
A_S(PROPERTY_RIGHTS_HIGH)				0.234*** (3.45)					-0.112 (-0.56)	
A_S(PROPERTY_RIGHTS_LOW)				-0.113 (-0.65)					1.704 (1.27)	
A_S(CONTRACTING_INST_HIGH)					0.089 (1.49)					-0.067 (-0.39)
A_S(CONTRACTING_INST_LOW)					-5.527*** (-5.76)					0.211 (0.93)
Fund Control Variables	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	YES	YES	N/A	N/A	N/A	N/A	N/A
Observations	13,299	13,299	13,299	13,299	13,299	13,299	13,299	13,299	13,299	13,299
R-squared	0.29	0.32	0.31	0.31	0.32	0.22	0.18	0.20	0.19	0.23

Table IN17: Robustness Checks on the Diminishing Impact of Trust (Table 8): Controlling for Religiosity and Life Expectancy

This table reports the robustness check for Table 8 when we further control for alternative country-level characteristics including life expectancy (LIFE_EXPECTANCY), the percentage of population who could potentially be economically active (POP_AGE) and religiosity. Please refer to variable definitions in the Appendix A. Panel A reports the impact of trust on fund-level activeness with additional controls. Panels B1, B2, and B3 present the two-stage estimates of the performance impact of trust-related active share for the three performance measures reported in Table 8. All other control variables are the same as Table 8.

Panel A: The impact of trust on fund activeness						
	Panel Regressions			Fama-Macbeth		
	(1)	(2)	(3)	(4)	(5)	(6)
TRUST_HIGH	-0.235*** (-5.47)	-0.155*** (-3.76)	-0.155*** (-3.68)	-0.365*** (-4.00)	-0.268*** (-3.09)	-0.274*** (-2.85)
TRUST_LOW	0.457*** (14.86)	0.316*** (9.91)	0.267*** (8.05)	0.451*** (16.56)	0.323*** (13.96)	0.284*** (11.14)
GOOD_GOV_INDEX_HIGH	-0.06 (-0.77)	-0.363*** (-4.71)	-0.105 (-1.33)	-0.008 (-0.08)	-0.289** (-2.57)	-0.054 (-0.42)
GOOD_GOV_INDEX_LOW	0.250*** (7.19)	-0.01 (-0.33)	0.321*** (8.13)	0.234*** (8.66)	-0.018 (-1.04)	0.319*** (7.63)
INFORMATION_HIGH	0.404*** (6.24)	0.371*** (5.56)	0.293*** (4.58)	0.360*** (2.60)	0.298** (2.38)	0.240* (1.92)
INFORMATION_LOW	0.109*** (3.42)	0.152*** (4.83)	-0.012 (-0.38)	0.047 (0.55)	-0.007 (-0.06)	-0.065 (-0.72)
EDUCATION_HIGH	-0.580*** (-6.46)	-0.008 (-0.08)	-0.432*** (-5.03)	-0.444** (-2.54)	0.094 (0.80)	-0.300 (-1.86)
EDUCATION_LOW	-0.099* (-1.75)	-0.313*** (-5.26)	-0.036 (-0.61)	0.043 (0.37)	0.108 (0.38)	0.088 (0.72)
LIFE_EXPECTANCY_HIGH	-0.017*** (-6.95)			-0.018*** (-11.81)		
LIFE_EXPECTANCY_LOW	-0.023*** (-16.59)			-0.020*** (-6.40)		
POP_AGE_HIGH		0.050*** (14.40)			0.037*** (3.79)	
POP_AGE_LOW		-0.002 (-0.73)			0.016 (1.36)	
RELIGIOSITY_HIGH			-0.038*** (-5.01)			-0.041*** (-3.35)
RELIGIOSITY_LOW			-0.082*** (-15.16)			-0.080*** (-13.18)
Fund Control Variables	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	N/A	N/A	N/A
Observations	15,644	15,644	15,644	15,644	15,644	15,644
R-squared	0.09	0.10	0.12	0.13	0.14	0.15

Panel B1: Performance of Trust-related Active Share (Benchmark-adjusted Return)

	Panel Regressions			Fama-Macbeth		
	(1)	(2)	(3)	(4)	(5)	(6)
ACTIVE_SHARE(TRUST_HIGH)	-0.140 (-0.42)	-0.109 (-0.27)	-0.137 (-0.47)	-0.009 (-1.49)	-0.008 (-1.69)	-0.128 (-1.67)
ACTIVE_SHARE(TRUST_LOW)	0.219*** (6.76)	0.252*** (5.83)	0.249*** (4.24)	0.191* (1.82)	0.228*** (2.63)	0.248** (2.30)
ACTIVE_SHARE(GOOD_GOV_INDEX_HIGH)	0.106 (1.15)	0.114 (0.88)	0.088 (1.22)	-1.554 (-0.88)	-0.715 (-0.32)	-0.283 (-0.77)
ACTIVE_SHARE(GOOD_GOV_INDEX_LOW)	4.293*** (3.35)	-14.103*** (-3.55)	-11.201*** (-3.99)	-0.320 (-1.26)	-0.361* (-1.90)	-1.093 (-1.61)
ACTIVE_SHARE(INFORMATION_HIGH)	2.607 (0.98)	1.363 (1.10)	-4.542 (-1.02)	-2.005 (-0.45)	3.346 (0.52)	-2.193 (-1.43)
ACTIVE_SHARE(INFORMATION_LOW)	5.565*** (8.69)	3.022*** (11.03)	-1.166*** (-7.91)	0.876 (0.78)	-0.384 (-0.67)	0.135 (0.41)
ACTIVE_SHARE(EDUCATION_HIGH)	0.117 (1.14)	0.129 (1.07)	0.123** (2.31)	0.068 (0.19)	-0.058 (-0.19)	0.012 (0.05)
ACTIVE_SHARE(EDUCATION_LOW)	-0.876** (-2.07)	-2.129*** (-3.58)	-1.280*** (-3.10)	0.760 (0.28)	0.104 (0.37)	-0.065 (-0.14)
ACTIVE_SHARE(LIFE_EXPECTANCY_HIGH)	1.162* (1.92)			-0.191 (-0.41)		
ACTIVE_SHARE(LIFE_EXPECTANCY_LOW)	0.451*** (5.20)			0.165 (1.75)		
ACTIVE_SHARE(POP_AGE_HIGH)		0.019 (0.37)			0.005 (0.03)	
ACTIVE_SHARE(POP_AGE_LOW)		0.140** (2.20)			0.138 (0.99)	
ACTIVE_SHARE(RELIGIOSITY_HIGH)			-0.025 (-0.74)			-0.093 (-0.85)
ACTIVE_SHARE(RELIGIOSITY_LOW)			0.130*** (3.93)			0.064 (0.86)
Fund Control Variables	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	N/A	N/A	N/A
Observations	15,644	15,644	15,644	15,644	15,644	15,644
R-squared	0.29	0.29	0.31	0.22	0.20	0.24

Panel B2: Performance of Trust-related Active Share (Rolling Alpha)						
	Panel Regressions			Fama-Macbeth		
	(1)	(2)	(3)	(4)	(5)	(6)
ACTIVE_SHARE(TRUST_HIGH)	0.246 (0.58)	0.380 (0.73)	0.193 (0.52)	-0.008 (-1.47)	-0.007* (-1.91)	-0.141* (-1.77)
ACTIVE_SHARE(TRUST_LOW)	0.246*** (5.84)	0.289*** (5.20)	0.347*** (4.53)	0.173** (2.31)	0.190** (2.46)	0.260** (2.04)
ACTIVE_SHARE(GOOD_GOV_INDEX_HIGH)	0.202* (1.86)	0.245 (1.58)	0.154* (1.76)	-1.901 (-1.12)	-3.275 (-1.66)	-0.260 (-0.74)
ACTIVE_SHARE(GOOD_GOV_INDEX_LOW)	5.273*** (3.32)	-14.868*** (-3.06)	-13.420*** (-3.89)	-0.304 (-1.29)	-0.307** (-2.13)	-1.176 (-1.68)
ACTIVE_SHARE(INFORMATION_HIGH)	-0.741 (-0.22)	-0.211 (-0.13)	0.782 (0.14)	-5.002 (-1.46)	6.509 (1.43)	-1.653 (-0.97)
ACTIVE_SHARE(INFORMATION_LOW)	9.034*** (10.65)	4.488*** (12.19)	-1.999*** (-10.22)	0.793 (0.74)	-0.280 (-0.58)	0.201 (0.58)
ACTIVE_SHARE(EDUCATION_HIGH)	0.252** (2.12)	0.280* (1.91)	0.155** (2.39)	0.027 (0.08)	-0.176 (-0.51)	0.022 (0.10)
ACTIVE_SHARE(EDUCATION_LOW)	-0.319 (-0.61)	-1.188* (-1.66)	-0.704 (-1.38)	0.903 (0.37)	0.028 (0.12)	-0.136 (-0.25)
ACTIVE_SHARE(LIFE_EXPECTANCY_HIGH)	1.772** (2.34)			-0.330 (-0.93)		
ACTIVE_SHARE(LIFE_EXPECTANCY_LOW)	0.323*** (3.10)			0.170* (1.94)		
ACTIVE_SHARE(POP_AGE_HIGH)		-0.001 (-0.02)			0.019 (0.16)	
ACTIVE_SHARE(POP_AGE_LOW)		0.230*** (3.02)			0.118 (0.97)	
ACTIVE_SHARE(RELIGIOSITY_HIGH)			-0.146*** (-3.42)			-0.101 (-0.84)
ACTIVE_SHARE(RELIGIOSITY_LOW)			0.044 (1.12)			0.070 (0.87)
Fund Control Variables	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	N/A	N/A	N/A
Observations	15,222	15,222	15,222	15,222	15,222	15,222
R-squared	0.31	0.31	0.29	0.24	0.25	0.23

Panel B3: Performance of Trust-related Active Share (In-sample Alpha)						
	Panel Regressions			Fama-Macbeth		
	(1)	(2)	(3)	(4)	(5)	(6)
ACTIVE_SHARE(TRUST_HIGH)	0.024 (0.06)	0.095 (0.18)	-0.017 (-0.05)	-0.009 (-1.60)	-0.008** (-2.14)	-0.144* (-1.81)
ACTIVE_SHARE(TRUST_LOW)	0.230*** (5.43)	0.271*** (4.81)	0.310*** (3.97)	0.188** (2.06)	0.204** (2.20)	0.270** (2.06)
ACTIVE_SHARE(GOOD_GOV_INDEX_HIGH)	0.122 (1.18)	0.141 (0.97)	0.084 (1.02)	-2.058 (-1.20)	-3.235* (-1.76)	-0.259 (-0.74)
ACTIVE_SHARE(GOOD_GOV_INDEX_LOW)	6.352*** (3.94)	-18.785*** (-3.77)	-15.679*** (-4.47)	-0.330 (-1.38)	-0.369** (-2.28)	-1.210* (-1.73)
ACTIVE_SHARE(INFORMATION_HIGH)	-0.940 (-0.28)	-0.326 (-0.21)	1.217 (0.21)	-2.708 (-0.69)	3.453 (0.65)	-1.162 (-0.66)
ACTIVE_SHARE(INFORMATION_LOW)	8.592*** (10.02)	4.262*** (11.71)	-1.865*** (-9.47)	0.934 (0.86)	-0.458 (-0.90)	0.205 (0.59)
ACTIVE_SHARE(EDUCATION_HIGH)	0.188 (1.60)	0.212 (1.47)	0.125* (1.95)	0.035 (0.10)	-0.196 (-0.52)	0.022 (0.09)
ACTIVE_SHARE(EDUCATION_LOW)	-0.492 (-0.93)	-1.410* (-1.95)	-0.848* (-1.66)	0.556 (0.21)	0.081 (0.33)	-0.193 (-0.36)
ACTIVE_SHARE(LIFE_EXPECTANCY_HIGH)	1.607** (2.13)			-0.326 (-0.77)		
ACTIVE_SHARE(LIFE_EXPECTANCY_LOW)	0.313*** (2.81)			0.195* (1.94)		
ACTIVE_SHARE(POP_AGE_HIGH)		0.009 (0.14)			0.013 (0.09)	
ACTIVE_SHARE(POP_AGE_LOW)		0.167** (2.17)			0.095 (0.69)	
ACTIVE_SHARE(RELIGIOSITY_HIGH)			-0.140*** (-3.31)			-0.101 (-0.82)
ACTIVE_SHARE(RELIGIOSITY_LOW)			0.055 (1.37)			0.074 (0.91)
Fund Control Variables	YES	YES	YES	YES	YES	YES
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
YEAR FE	YES	YES	YES	N/A	N/A	N/A
Observations	15,644	15,644	15,644	15,644	15,644	15,644
R-squared	0.31	0.31	0.28	0.22	0.23	0.23

Table IN18: Robustness Checks on the Influence of Trust among Domestic - Retail and Institutional Funds

This table applies the two-stage test of domestic funds separately to retail and institutional funds. More specifically, Panel A examines the impact of trust on fund-level activeness and the performance impact of trust-related active share following Table 3. In each Panel, we tabulate the results for retail funds and institutional funds side by side. A fund is classified as retail (institutional) when more than 50% of its TNA is associated with retail (institutional) share class. **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A The Impact of Trust on Activeness						
Dependent Variable= ACTIVE_SHARE						
	1	2	3	4	5	6
	Retail Fund			Institutional Fund		
TRUST	0.625*** (8.15)	0.216*** (4.03)	0.234*** (4.38)	0.048 (1.00)	0.034 (0.60)	0.017 (0.29)
QUA_GOV		-0.426*** (-5.97)	-0.524*** (-5.92)		0.047 (0.47)	-0.036 (-0.29)
INFORMATION			0.035 (0.48)			0.131 (0.99)
EDUCATION			-1.595*** (-4.54)			-0.639 (-1.06)
Log(TNA)	0.039** (2.25)	0.080*** (4.65)	0.084*** (4.91)	0.017 (0.68)	0.016 (0.63)	0.019 (0.75)
Log(TNA)_SQUARED	-0.002*** (-3.46)	-0.003*** (-5.96)	-0.003*** (-6.21)	-0.001** (-2.00)	-0.001* (-1.94)	-0.001** (-2.05)
FLows	0.034*** (8.39)	0.033*** (8.32)	0.032*** (8.03)	0.019*** (4.04)	0.019*** (4.05)	0.019*** (4.05)
FUND_AGE	-0.002 (-1.53)	-0.000 (-0.34)	-0.000 (-0.42)	0.005** (2.04)	0.005** (2.02)	0.005** (2.03)
BENCH_NUMBER	0.000 (1.48)	0.000 (1.55)	0.000* (1.66)	0.001*** (9.34)	0.001*** (8.31)	0.001*** (8.37)
BENCH_HHI	3.070*** (11.44)	1.166*** (7.84)	1.073*** (7.18)	0.887*** (6.48)	0.965*** (4.51)	0.978*** (4.57)
MKTCAP/GDP	0.001*** (4.15)	0.000** (2.13)	0.000 (1.57)	-0.001*** (-5.06)	-0.001*** (-5.01)	-0.001*** (-4.35)
GDP	0.095*** (11.07)	0.050*** (6.25)	0.049*** (6.33)	0.016*** (3.13)	0.012 (1.19)	0.010 (1.05)
Year Fixed-Effects	YES	YES	YES	YES	YES	YES
Observations	11,893	11,893	11,893	7,128	7,128	7,128
R-square	0.12	0.15	0.16	0.14	0.14	0.14

Panel B Performance of Trust-related Active Shares						
	(1)	(2)	(3)	(4)	(5)	(6)
	Retail Fund			Institutional Fund		
	BENCH_ADJ	BENCH_ADJ	BENCH_ADJ	BENCH_ADJ	BENCH_ADJ	BENCH_ADJ
	RETURN	IN_SAMPLE ALPHA4	ROLLING ALPHA4	RETURN	IN_SAMPLE ALPHA4	ROLLING ALPHA4
ACTIVE_SHARE(TRUST)	0.330*** (3.88)	0.340*** (3.58)	0.465*** (4.84)	-0.661 (-1.50)	-0.610 (-1.36)	-0.663 (-1.42)
ACTIVE_SHARE(QUA_GOV)	-0.071 (-1.48)	-0.118** (-2.06)	-0.023 (-0.40)	0.035 (0.84)	-0.000 (-0.00)	-0.000 (-0.00)
ACTIVE_SHARE(INFORMATION)	-5.845*** (-5.85)	-7.632*** (-6.40)	-7.741*** (-6.45)	-0.716 (-0.74)	-1.386* (-1.92)	-1.534** (-2.12)
ACTIVE_SHARE(EDUCATION)	0.870*** (7.60)	1.192*** (8.85)	1.121*** (7.91)	0.188** (2.07)	0.195** (2.09)	0.219** (2.30)
Log(TNA)	-0.001 (-0.11)	0.009 (0.93)	0.011 (1.15)	0.005 (0.67)	0.001 (0.13)	0.001 (0.11)
Log(TNA)_SQUARED	0.000 (0.38)	-0.000 (-0.58)	-0.000 (-0.81)	-0.000 (-0.64)	-0.000 (-0.03)	-0.000 (-0.02)
FLows	0.030*** (14.00)	0.037*** (14.07)	0.038*** (14.40)	0.027*** (14.54)	0.026*** (14.75)	0.025*** (14.62)
TURNOver	0.004*** (3.67)	0.007*** (5.02)	0.007*** (4.85)	-0.003* (-1.91)	-0.004*** (-3.00)	-0.004*** (-2.95)
FUND_AGE	0.000 (0.27)	-0.000 (-0.24)	-0.000 (-0.17)	0.003*** (2.73)	0.003** (2.57)	0.003** (2.57)
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	11,893	11,893	11,874	7,128	7,128	7,100
R-squared	0.32	0.35	0.36	0.06	0.06	0.06

**Table IN19: Robustness Checks on the Diminishing Impact of Trust (Table 8):
Retail vs Institutional Funds**

This table applies the test of Table 8 separately to retail and institutional funds. Panels A and B report the impact of trust on fund-level activeness and the performance impact of trust-related active shares, respectively. **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A The Impact of Trust on Activeness						
Dependent Variable= ACTIVE_SHARE						
	(1)	(2)	(3)	(4)	(5)	(6)
	Retail Fund			Institutional Fund		
TRUST_HIGH	-0.001 (-0.12)	0.001 (0.01)	0.001 (0.01)	-0.012 (-0.69)	-0.014 (-0.78)	-0.013 (-0.73)
TRUST_LOW	0.121*** (5.32)	0.170*** (6.84)	0.169*** (6.74)	-0.050 (-0.92)	-0.071 (-1.20)	-0.059 (-0.75)
QUA_GOV_HIGH		-0.148*** (-5.13)	-0.145*** (-4.96)		0.072 (1.27)	0.161* (1.65)
QUA_GOV_LOW		-0.010 (-1.05)	-0.010 (-1.07)		-0.025 (-1.02)	-0.022 (-0.90)
INFORMATION_HIGH			-0.005 (-0.57)			-0.156 (-1.34)
INFORMATION_LOW			0.000 (0.04)			-0.022 (-1.03)
EDUCATION_HIGH			-0.011 (-1.61)			0.011 (0.62)
EDUCATION_LOW			-0.005 (-0.73)			0.042 (0.18)
Control Variables	YES	YES	YES	YES	YES	YES
Year Fixed-Effects	YES	YES	YES	N/A	N/A	N/A
Observations	7,811	7,811	7,811	1,707	1,707	1,707
R-square	0.11	0.12	0.12	0.20	0.20	0.21

Panel B: Performance of Trust-related Active Share of Retail or Institutional Funds						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ ROLLING_ALPHA4		BENCH_ADJ IN_SAMPLE_ALPHA4	
B1: Retail Funds						
ACTIVE_SHARE(TRUST_HIGH)	1.935 (0.31)	1.384 (0.23)	-0.683 (-0.84)	-0.783 (-0.98)	-0.358 (-0.45)	-0.420 (-0.56)
ACTIVE_SHARE(TRUST_LOW)	0.481*** (3.74)	0.403*** (3.23)	0.508*** (3.13)	0.417*** (2.59)	0.428** (2.58)	0.330** (2.00)
ACTIVE_SHARE(GOV_QUA_HIGH)	0.176 (1.52)	0.088 (0.76)	0.335** (2.39)	0.259* (1.84)	0.241* (1.89)	0.147 (1.14)
ACTIVE_SHARE(GOV_QUA_LOW)	1.207*** (2.64)	1.245*** (2.82)	1.394** (2.54)	1.422*** (2.63)	1.603*** (2.83)	1.622*** (2.95)
ACTIVE_SHARE(INFORMATION_HIGH)	0.374* (1.75)	0.274 (1.30)	0.720*** (2.82)	0.621** (2.46)	0.648*** (2.58)	0.538** (2.16)
ACTIVE_SHARE(INFORMATION_LOW)	8.545** (2.02)	6.705 (1.63)	1.258 (0.25)	-0.961 (-0.20)	3.585 (0.71)	1.292 (0.26)
ACTIVE_SHARE(EDUCATION_HIGH)	-0.313 (-1.09)	-0.422 (-1.52)	-0.002 (-0.01)	-0.129 (-0.36)	0.090 (0.24)	-0.042 (-0.12)
ACTIVE_SHARE(EDUCATION_LOW)	-2.198*** (-8.87)	-1.875*** (-7.81)	-2.920*** (-9.07)	-2.525*** (-8.08)	-2.780*** (-8.46)	-2.373*** (-7.46)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	7,811	7,811	7,682	7,682	7,811	7,811
R-squared	0.23	0.28	0.26	0.30	0.26	0.30
B2: Institutional Funds						
ACTIVE_SHARE(TRUST_HIGH)	2.309 (1.39)	1.810 (1.11)	2.248 (1.40)	1.757 (1.11)	2.101 (1.45)	1.630 (1.14)
ACTIVE_SHARE(TRUST_LOW)	-0.555 (-0.76)	-0.790 (-1.11)	-0.648 (-0.92)	-0.879 (-1.28)	-0.769 (-1.22)	-0.966 (-1.56)
ACTIVE_SHARE(GOV_QUA_HIGH)	0.562 (0.25)	0.199 (0.09)	0.714 (0.32)	0.337 (0.16)	1.201 (0.59)	0.876 (0.45)
ACTIVE_SHARE(GOV_QUA_LOW)	0.820*** (3.93)	0.717*** (3.51)	0.778*** (3.89)	0.678*** (3.47)	0.661*** (3.74)	0.573*** (3.33)
ACTIVE_SHARE(INFORMATION_HIGH)	1.358* (1.94)	1.463** (2.13)	1.271* (1.87)	1.372** (2.06)	1.138* (1.86)	1.233** (2.05)
ACTIVE_SHARE(INFORMATION_LOW)	5.108 (1.19)	4.881 (1.16)	5.163 (1.26)	4.930 (1.22)	4.836 (1.34)	4.692 (1.31)
ACTIVE_SHARE(EDUCATION_HIGH)	0.955** (2.54)	0.904** (2.42)	0.927** (2.54)	0.876** (2.43)	0.779** (2.36)	0.737** (2.26)
ACTIVE_SHARE(EDUCATION_LOW)	0.336 (0.66)	0.207 (0.41)	0.353 (0.71)	0.230 (0.47)	0.259 (0.59)	0.145 (0.33)
Domicile Country Control Variables	YES	YES	YES	YES	YES	YES
Fund Control Variables	NO	YES	NO	YES	NO	YES
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	1,707	1,707	1,648	1,648	1,707	1,707
R-squared	0.28	0.31	0.29	0.32	0.30	0.33

III: Full Specifications of Tables Reported in the Main Test

Table 4 (Full Specification): The Impact of Trust on Fund Activeness and Performance of Trust-related Active Share (International Funds Investing in Low-trust Countries)

Panel A presents estimates of how trust affects the active management of international mutual funds that invest in countries of lower trust relative to their sales country from 2002 to 2015. The regression is as follows:

$$\text{ACTIVE_SHARE}_{i,j,t} = \alpha + \beta_S \times \text{TRUST_SALES}_{j,t} + \beta_I \times \text{TRUST_INV}_{j,t} + \gamma \times M_{j,t} + \delta \times \text{MFUND}_{i,j,t} + \varepsilon_{i,j,t}$$

where $\text{ACTIVE_SHARE}_{i,j,t}$ is the active share for fund i in country j at year t , defined as the percentage of a fund's portfolio holding that is different from its benchmark. $\text{TRUST_SALES}_{j,t}$ ($\text{TRUST_INV}_{j,t}$) denotes the level of trust in the fund's sales (investing) country. Panel B reports two-stage estimates of the effect of trust on the performance of international mutual funds that invest in countries of lower trust relative to their sales country via active share. In the first stage, we decompose active share by regressing it on trust and other controls, as in Panel A. In the second stage, we use the decomposed component of active share in the first stage to predict future performance:

$$\text{PERF}_{i,j,t+1} = \alpha + \beta_{1S} \times \widehat{\text{AS}}(\text{TRUST_SALES})_{j,t} + \beta_{1I} \times \widehat{\text{AS}}(\text{TRUST_INV})_{j,t} + \beta_2 \times \widehat{\text{AS}}(\text{OTHER_CHAR})_{j,t} + \gamma \times M_{j,t} + \delta \times \text{MFUND}_{i,j,t} + \varepsilon_{i,j,t+1}$$

Following Cremers and Petajist (2009), $\text{PERF}_{i,j,t+1}$ refers to the future performance of funds, including benchmark-adjusted return, rolling alpha, and in-sample alpha. $\widehat{\text{AS}}(\text{TRUST_SALES})_{j,t}$ and $\widehat{\text{AS}}(\text{TRUST_INV})_{j,t}$ refer to trust-projected active share using the level of trust in the fund sales and investing country, respectively, and $\widehat{\text{AS}}(\text{OTHER_CHAR})_{j,t}$ refers to the projected value of active share based on other country characteristics. The vector $M_{j,t}$ stacks a list of country-level control variables in the domicile country, while the vector $\text{MFUND}_{i,j,t}$ stacks a list of fund-level control variables. Please refer to Appendix A for control variable definitions. The sample includes open-end active international funds in both Morningstar and Factset from 2002 to 2015, defined as those that invest more than 20% of their portfolios outside of the domicile country. Offshore funds and funds with TNA less than 2 million are excluded. Year-fixed effects are included in the panel regression. Robust t-statistics are reported in parentheses and based on standard errors clustered by fund and year in panel regression estimates. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A: The impact of trust on fund-level activeness			
	(1)	(2)	(3)
TRUST_SALES	0.013 (1.46)	0.005 (0.77)	0.002 (0.29)
TRUST_INV	0.365*** (7.23)	0.321*** (12.86)	0.485*** (13.76)
QUA_GOV_SALES		0.350*** (5.83)	0.194** (2.09)
QUA_GOV_INV		-0.037*** (-3.98)	-0.027*** (-2.87)
INFORMATION_SALES			0.107* (1.66)
INFORMATION_INV			-0.009 (-1.11)
EDUCATION_SALE			0.006 (0.84)
EDUCATION_INV			0.863*** (8.62)
Log(TNA)	-0.035 (-0.92)	-0.049** (-2.44)	-0.046** (-2.33)
Log(TNA)_SQUARED	0.000 (0.38)	0.001 (1.37)	0.001 (1.23)
FLows	0.029*** (5.47)	0.029*** (6.55)	0.026*** (5.84)
FUND_AGE	0.011** (2.02)	0.011*** (4.48)	0.010*** (4.07)
BENCH_NUMBER	0.031*** (4.37)	0.031*** (10.45)	0.032*** (10.80)
BENCH_HHI	0.648*** (7.44)	0.660*** (11.78)	0.612*** (11.21)
MKTCAP/GDP	-0.002 (-1.49)	-0.004*** (-6.03)	-0.004*** (-5.52)
GDP	0.005 (0.78)	0.011*** (3.24)	0.010*** (2.92)
YEAR FE	YES	YES	YES
Observations	8,983	8,983	8,983
R-squared	0.13	0.13	0.14

Panel B: Performance of Trust-related Active Share (Panel Regressions)						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ IN_SAMPLE_ALPHA4		BENCH_ADJ ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_SALES)	0.023 (1.45)	0.022 (1.43)	0.033 (1.58)	0.032 (1.56)	0.029 (1.48)	0.026 (1.51)
ACTIVE_SHARE(TRUST_INV)	0.204*** (6.53)	0.186*** (6.07)	0.247*** (6.45)	0.222*** (5.92)	0.257*** (6.70)	0.237*** (6.29)
ACTIVE_SHARE(QUA_GOV_SALES)	0.110 (0.58)	0.240 (1.29)	0.533** (2.43)	0.681*** (3.17)	0.466** (2.12)	0.601*** (2.78)
ACTIVE_SHARE(QUA_GOV_INV)	0.977*** (5.31)	0.927*** (5.22)	1.209*** (5.23)	1.141*** (5.11)	1.004*** (4.36)	0.942*** (4.22)
ACTIVE_SHARE(INFO_SALES)	-0.187 (-0.71)	-0.354 (-1.39)	-0.529* (-1.70)	-0.738** (-2.44)	-0.464 (-1.48)	-0.663** (-2.18)
ACTIVE_SHARE(INFO_INV)	1.718*** (4.01)	1.556*** (3.74)	1.056* (1.89)	0.865 (1.59)	0.882 (1.59)	0.697 (1.29)
ACTIVE_SHARE(EDUCATION_SALES)	0.121 (0.22)	0.334 (0.64)	-0.711 (-1.04)	-0.453 (-0.68)	-0.658 (-0.96)	-0.431 (-0.64)
ACTIVE_SHARE(EDUCATION_INV)	0.714*** (12.00)	0.635*** (11.20)	0.935*** (12.09)	0.836*** (11.27)	0.991*** (12.78)	0.895*** (12.01)
BENCH_NUMBER	0.004*** (2.90)	0.002 (1.23)	0.007*** (4.34)	0.004*** (2.60)	0.006*** (3.47)	0.003** (2.00)
BENCH_HHI	0.006 (0.34)	-0.011 (-0.60)	0.004 (0.20)	-0.016 (-0.79)	0.005 (0.26)	-0.014 (-0.67)
MKTCAP/GDP	0.001* (1.92)	0.000 (1.48)	-0.000 (-0.19)	-0.000 (-0.70)	-0.000 (-0.15)	-0.000 (-0.71)
GDP	-0.003** (-2.53)	-0.003** (-2.15)	-0.003** (-2.03)	-0.003* (-1.66)	-0.002 (-1.51)	-0.002 (-1.26)
Log(TNA)		0.003 (0.33)		0.013 (1.13)		0.014 (1.23)
Log(TNA)_SQUARED		-0.000 (-0.10)		-0.000 (-0.89)		-0.000 (-1.01)

FLWS		0.045***		0.055***		0.052***
		(18.11)		(16.88)		(16.19)
TURNOVER		-0.000		0.001		0.002
		(-0.14)		(0.58)		(0.91)
FUND_AGE		-0.001		-0.001		-0.001
		(-0.53)		(-0.51)		(-0.80)
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	8,983	8,983	8,983	8,983	8,716	8,716
R-squared	0.26	0.30	0.28	0.32	0.28	0.32

Table 5(Full Specification): Subsample Tests—U.S. Funds Investing in Low-Trust Countries

This table presents estimates for US funds that invest in foreign countries of lower trust than the US from 2002 to 2015. Panel A reports the impact of trust on active management and Panel B shows the performance test. Panel C presents coefficient estimates from regressions of fund-level activeness on both the change and level of country popularity (of investment) among Americans and Panel D displays the performance test. Year-fixed effects are included in the panel regression estimation. Robust t-statistics are reported in parentheses and based on standard errors clustered by fund and year in the panel regressions. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A: The Impact of Trust on Fund-level Activeness						
	Dependent Variable= ACTIVE_SHAREe					
	(1)	(2)	(3)			
TRUST_INV	0.611*** (15.43)	0.623*** (15.20)	0.332*** (3.87)			
QUA_GOV_INV		-0.010 (-1.16)	-0.010 (-1.24)			
INFORMATION_INV			-2.719*** (-9.42)			
EDUCATION_INV			-0.072* (-1.93)			
Log(TNA)	0.030* (1.65)	0.030* (1.65)	0.029 (1.59)			
Log(TNA)_SQUARED	-0.001*** (-2.65)	-0.001*** (-2.64)	-0.001** (-2.57)			
FLows	0.024*** (5.43)	0.023*** (5.41)	0.023*** (5.42)			
FUND_AGE	0.013*** (5.46)	0.013*** (5.46)	0.012*** (5.14)			
Control Variables	YES	YES	YES			
YEAR FE	YES	YES	YES			
Observations	5,022	5,022	5,022			
R-squared	0.13	0.13	0.15			
Panel B: Performance of Trust-related Active Share						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ IN_SAMPLE_ALPHA4		BENCH_ADJ ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST)	0.354*** (6.50)	0.309*** (6.08)	0.344*** (6.93)	0.302*** (6.49)	0.363*** (6.67)	0.317*** (6.25)
ACTIVE_SHARE (QUA_GOV)	17.127** (2.13)	14.948** (1.96)	14.663** (1.98)	12.700* (1.82)	16.134** (2.01)	13.975* (1.84)
ACTIVE_SHARE (INFORMATION)	4.295*** (2.82)	3.830*** (2.64)	3.053** (2.20)	2.634** (1.99)	3.859** (2.53)	3.403** (2.34)
ACTIVE_SHARE (EDUCATION)	1.671 (1.04)	2.032 (1.32)	1.477 (1.00)	1.822 (1.29)	1.447 (0.90)	1.817 (1.18)
Log(TNA)		0.001 (0.05)		0.003 (0.21)		0.005 (0.42)
Log(TNA)_SQUARED		0.000 (0.13)		-0.000 (-0.04)		-0.000 (-0.23)
FLows		0.062*** (16.83)		0.062*** (16.81)		0.056*** (17.01)
TURNOVER		0.007*** (2.89)		0.007*** (2.88)		0.007*** (2.96)
FUND_AGE		0.009*** (4.83)		0.009*** (4.74)		0.008*** (4.49)
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	5,022	5,022	5,022	5,022	5,022	5,022
R-squared	0.29	0.34	0.29	0.34	0.29	0.34
Panel C: Country Popularity and Fund-level Activeness						
	(1)	(2)	(3)	(4)	(5)	(6)
TRUST	0.432*** (8.21)	0.623*** (6.06)	0.434*** (3.43)	0.440*** (3.48)	0.442*** (3.50)	0.267** (2.13)
TRUST×Δ(CTY_POPULAR)		0.812** (2.06)	0.895** (2.33)	0.890** (2.31)	0.899** (2.34)	0.782** (2.02)
Δ(CTY_POPULAR)		-0.143 (-0.80)	-0.137 (-0.78)	-0.134 (-0.77)	-0.139 (-0.80)	0.526 (0.95)
CTY_POPULAR	0.094***		0.100***	0.101***	0.101***	0.110*

	(6.14)		(2.97)	(2.99)	(2.99)	(1.87)
CTY_POPULAR×Δ(CTY_POPULAR)						-0.206
						(-0.89)
QUA_GOV				-0.005	-0.005	-0.006
				(-0.44)	(-0.42)	(-0.50)
INFORMATION					-0.005	-0.007**
					(-0.63)	(-2.08)
EDUCATION					-0.003	-0.005
					(-0.51)	(-1.62)
Log(TNA)	0.024	0.032	0.024	0.024	0.024	0.008
	(1.27)	(0.74)	(0.56)	(0.56)	(0.57)	(-0.20)
Log(TNA)_SQUARED	-0.001**	-0.001	-0.001	-0.001	-0.001	-0.000
	(-2.26)	(-1.15)	(-0.97)	(-0.97)	(-0.98)	(-0.12)
FLows	0.022***	0.024***	0.023***	0.023***	0.023***	0.021**
	(5.13)	(4.18)	(3.94)	(3.94)	(3.93)	(2.48)
FUND_AGE	0.012***	0.013**	0.012**	0.012**	0.012**	0.006**
	(5.09)	(2.49)	(2.34)	(2.34)	(2.35)	(2.15)
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	5,022	5,022	5,022	5,022	5,022	5,022
R-squared	0.13	0.13	0.14	0.14	0.14	0.14

Panel D: Performance Test - Country Popularity and Fund-level Activeness

	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ		BENCH_ADJ		BENCH_ADJ	
	RETURN		IN_SAMPLE_ALPHA4		ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST)	0.506***	0.317*	0.510***	0.336**	0.538***	0.343**
	(2.93)	(1.95)	(3.28)	(2.31)	(2.92)	(1.98)
ACTIVE_SHARE(TRUST×Δ(CTY_POPULAR))	1.419**	1.277**	1.297**	1.170**	1.451**	1.307**
	(2.13)	(2.14)	(2.00)	(1.98)	(2.11)	(2.13)
ACTIVE_SHARE(Δ(CTY_POPULAR))	-0.776	-0.617	-0.985	-0.824	-0.726	-0.548
	(-0.20)	(-0.18)	(-0.27)	(-0.25)	(-0.18)	(-0.15)
ACTIVE_SHARE(CTY_POPULAR)	0.260***	0.304***	0.240***	0.280***	0.252***	0.297***
	(3.84)	(4.72)	(3.94)	(4.82)	(3.60)	(4.46)
ACTIVE_SHARE(CTY_POPULAR×Δ(CTY_POPULAR))	-1.419	-1.066	-1.311	-0.976	-1.364	-0.994
	(-0.55)	(-0.43)	(-0.56)	(-0.43)	(-0.51)	(-0.39)
ACTIVE_SHARE(QUA_GOV)	3.375*	2.779	2.828*	2.291	3.475*	2.876
	(1.81)	(1.56)	(1.66)	(1.40)	(1.85)	(1.59)
ACTIVE_SHARE(INFORMATION)	4.557***	3.980***	3.264**	2.742*	4.909***	4.331***
	(2.85)	(2.60)	(2.22)	(1.94)	(2.99)	(2.75)
ACTIVE_SHARE(EDUCATION)	0.897	1.135	0.788	1.014	0.699	0.938
	(1.02)	(1.34)	(0.98)	(1.31)	(0.77)	(1.07)
Log(TNA)		0.006		0.009		0.004
		(0.40)		(0.73)		(0.28)
Log(TNA)_SQUARED		-0.000		-0.000		-0.000
		(-0.26)		(-0.58)		(-0.15)
FLows		0.062***		0.056***		0.064***
		(15.00)		(14.92)		(14.59)
TURNOVER		0.006*		0.005*		0.006*
		(1.75)		(1.80)		(1.78)
FUND_AGE		0.009***		0.008***		0.010***
		(4.15)		(3.70)		(4.17)
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	5,022	5,022	5,022	5,022	5,022	5,022
R-squared	0.30	0.36	0.31	0.36	0.29	0.34

Table 6 (Full Specification): Subsample Tests—Bilateral Trust and Investing-in-Low-Trust Countries

This table uses the bilateral trust between European countries in Guiso, Sapienza, and Zingales (2009) and presents estimates for the sample of European funds: 1) that invest in other European countries; and 2) for which the trust across individuals in the domestic country toward investing countries is lower than toward local people. Panel A reports the impact of trust on active management, where the panel regression results are shown in Columns (1) and (2), while Columns (3) and (4) are estimated using the generalized method of moments instrumented variable estimator (GMM-IV) following Guiso et al. (2009). The instruments are religious similarity and somatic distance. A test of over-identifying restriction, Hansen J-statistics, is also reported. Panel B shows the performance tests. The proximity measures between domicile and investing countries follow Sarkissian and Schill (2004) and include the following: Geo_Proximity is the great circle distance between the capitals of countries *i* and *j* in megameters taken with a negative sign; and Linguistic_Proximity is set to one if countries *i* and *j* share a common major spoken language or if they were part of the same colonial empire. All of the regressions include the domestic country, investing country and year fixed effects. Robust t-statistics are reported in parentheses and are based on standard errors clustered by fund and year. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel B: Performance of Trust-related Active Share				
	Panel Regression		IVGMM	
	BENCH_ADJ_RETURN			
ACTIVE_SHARE(TRUST)	0.098*** (3.03)	0.121*** (3.57)	0.061*** (3.03)	0.076*** (3.45)
Log(TNA)		-0.013 (-0.70)		-0.015 (-0.83)
Log(TNA)_SQUARED		0.000 (0.83)		0.000 (0.97)
FLows		0.000*** (8.34)		0.000*** (8.38)
FUND_AGE		0.000 (1.30)		0.000 (1.19)
GEO_PROXIMITY		0.000* (1.95)		0.000** (2.11)
LINGUISTIC_PROXIMITY		-0.018*** (-2.66)		-0.006 (-1.12)
YEAR FE	YES	YES	YES	YES
Domicile Country FE	YES	YES	YES	YES
Investing Country FE	YES	YES	YES	YES
Observations	3,295	3,295	3,295	3,295
R-squared	0.56	0.58	0.56	0.58
BENCH_ADJ_IN_SAMPLE_ALPHA4				
ACTIVE_SHARE(TRUST)	0.109*** (2.77)	0.104** (2.50)	0.068*** (2.77)	0.110*** (4.16)
Log(TNA)		0.019 (0.80)		0.016 (0.66)
Log(TNA)_SQUARED		-0.000 (-0.57)		-0.000 (-0.43)
FLows		0.000*** (8.46)		0.000*** (8.48)
FUND_AGE		0.000 (1.24)		0.000 (1.13)
GEO_PROXIMITY		0.000** (2.06)		0.000 (1.26)
LINGUISTIC_PROXIMITY		-0.000 (-0.03)		-0.024*** (-3.48)

YEAR FE	YES	YES	YES	YES
Domicile Country FE	YES	YES	YES	YES
Investing Country FE	YES	YES	YES	YES
Observations	3,295	3,295	3,295	3,295
R-squared	0.51	0.53	0.51	0.53
BENCH_ADJ_ROLLING_ALPHA4				
ACTIVE_SHARE(TRUST)	0.129***	0.120***	0.081***	0.114***
	(3.33)	(2.92)	(3.33)	(4.33)
Log(TNA)		0.022		0.020
		(0.89)		(0.81)
Log(TNA)_SQUARED		-0.000		-0.000
		(-0.69)		(-0.60)
FLows		0.000***		0.000***
		(7.83)		(7.85)
FUND_AGE		0.000		0.000
		(0.99)		(0.91)
GEO_PROXIMITY		0.000**		0.000
		(2.18)		(1.38)
LINGUISTIC_PROXIMITY		0.003		-0.020***
		(0.38)		(-2.95)
YEAR FE	YES	YES	YES	YES
Domicile Country FE	YES	YES	YES	YES
Investing Country FE	YES	YES	YES	YES
Observations	3,254	3,254	3,254	3,254
R-squared	0.51	0.53	0.51	0.53

Table 7 (Full Specification): The Reverse Scenario of Investing in High-Trust Countries

This table reports the estimates for international mutual funds that invest in countries of higher trust relative to their sales country from 2002 to 2015. Panel A presents the impact of trust on active management, while Panel B reports the performance testing. Offshore funds and funds with TNA less than 2 million are excluded. Year-fixed effects are included. Robust t-statistics are reported in parentheses and are based on standard errors clustered by fund and year in panel regression estimates. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A: The impact of trust on fund-level activeness			
	(1)	(2)	(3)
TRUST_SALES	0.119*** (4.60)	0.191*** (6.46)	0.171*** (5.89)
TRUST_INV	0.008 (1.02)	0.008 (0.99)	0.009 (1.18)
QUA_GOV_SALES		-0.122*** (-4.45)	-0.278*** (-6.20)
QUA_GOV_INV		0.019 (1.39)	0.022 (1.64)
INFORMATION_SALES			0.193*** (4.41)
INFORMATION_INV			-0.006 (-0.64)
EDUCATION_SALES			-0.002 (-0.25)
EDUCATION_INV			-2.110*** (-8.45)
Log(TNA)	-0.045* (-1.70)	-0.031 (-1.18)	-0.020 (-0.74)
Log(TNA)_SQUARED	0.001 (0.99)	0.000 (0.41)	-0.000 (-0.02)
FLows	0.010* (1.87)	0.011* (1.92)	0.010* (1.74)
FUND_AGE	0.007*** (2.61)	0.008*** (2.89)	0.005* (1.94)
BENCH_NUMBER	0.007*** (2.71)	0.009*** (3.46)	0.008*** (3.11)
BENCH_HHI	0.150*** (3.83)	0.109*** (2.70)	0.061 (1.50)
MKTCAP/GDP	-0.000 (-0.30)	-0.001 (-0.73)	-0.000 (-0.19)
GDP	0.026*** (9.40)	0.028*** (10.26)	0.030*** (10.72)
YEAR FE	YES	YES	YES
Observations	6,675	6,675	6,675
R-squared	0.06	0.06	0.07

Panel B: Performance of Trust-related Active Share (Panel Regressions)

	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ IN_SAMPLE_ALPHA4		BENCH_ADJ ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_SALES)	0.384*** (3.90)	0.338*** (3.55)	0.387*** (3.08)	0.308** (2.47)	0.431*** (3.38)	0.352*** (2.80)
ACTIVE_SHARE(TRUST_INV)	-0.050 (-0.13)	-0.082 (-0.22)	0.094 (0.19)	0.074 (0.16)	0.278 (0.57)	0.270 (0.57)
ACTIVE_SHARE(QUA_GOV_SALES)	0.022 (0.24)	-0.041 (-0.42)	0.041 (0.38)	-0.074 (-0.66)	0.100 (0.86)	0.005 (0.04)
ACTIVE_SHARE(QUA_GOV_INV)	0.041 (0.16)	0.047 (0.18)	-0.292 (-0.88)	-0.260 (-0.80)	-0.287 (-0.86)	-0.249 (-0.76)
ACTIVE_SHARE(INFORMATION_SALES)	0.191 (1.63)	0.145 (1.30)	0.404*** (2.87)	0.340** (2.47)	0.449*** (3.08)	0.387*** (2.75)
ACTIVE_SHARE(INFORMATION_INV)	1.396* (1.86)	1.201 (1.64)	1.865** (2.00)	1.606* (1.77)	1.749* (1.86)	1.507* (1.66)
ACTIVE_SHARE(EDUCATION_SALES)	-1.593 (-0.90)	-1.897 (-1.10)	-0.555 (-0.25)	-0.864 (-0.40)	-0.599 (-0.27)	-1.007 (-0.47)
ACTIVE_SHARE(EDUCATION_INV)	0.019 (0.31)	0.014 (0.24)	-0.215** (-2.56)	-0.210*** (-2.58)	-0.199** (-2.22)	-0.195** (-2.24)
BENCH_NUMBER	0.007*** (5.79)	0.006*** (4.87)	0.008*** (4.88)	0.006*** (3.62)	0.008*** (5.33)	0.007*** (4.14)
BENCH_HHI	0.076 (1.03)	0.106 (1.46)	0.190** (2.15)	0.237*** (2.69)	0.179** (1.97)	0.216** (2.41)
MKTCAP/GDP	-0.000 (-0.91)	-0.000 (-0.70)	-0.000 (-0.40)	-0.000 (-0.23)	-0.000 (-0.40)	-0.000 (-0.33)
GDP	-0.008*** (-5.44)	-0.008*** (-5.51)	-0.007*** (-3.81)	-0.007*** (-3.74)	-0.008*** (-4.23)	-0.007*** (-4.16)
Log(TNA)		0.025** (2.20)		0.016 (1.22)		0.023* (1.71)
Log(TNA)_SQUARED		-0.001** (-2.08)		-0.000 (-1.01)		-0.001 (-1.52)
FLows		0.042*** (14.66)		0.051*** (12.96)		0.050*** (12.76)
TURNOver		-0.003* (-1.94)		-0.004* (-1.93)		-0.004** (-1.97)
FUND_AGE		0.006*** (3.49)		0.003* (1.74)		0.003 (1.42)
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	6,675	6,675	6,675	6,675	6,520	6,520
R-squared	0.26	0.30	0.29	0.32	0.29	0.32

Table 8 (Full Specification): Reconciling based on the Diminishing Impact of Trust

This table reports the estimates for international mutual funds by defining countries of high and low trust. Panel A presents estimates of how trust affects active management as follows:

$$\begin{aligned} \text{ACTIVE_SHARE}_{i,j,t} &= \alpha + \beta_H \times \text{TRUST_HIGH}_{j,t} + \beta_L \times \text{TRUST_LOW}_{j,t} + \theta_H \times \text{CTY_INSTITUTIONAL_HIGH}_{j,t} + \theta_L \\ &\times \text{CTY_INSTITUTIONAL_LOW}_{j,t} + \gamma \times M_{j,t} + \delta \times \text{MFUND}_{i,j,t} + \varepsilon_{i,j,t} \end{aligned}$$

where $\text{ACTIVE_SHARE}_{i,j,t}$ is the active share for fund i in country j at year t , defined as the percentage of a fund's portfolio holding that is different from its benchmark. $\text{TRUST_HIGH}_{j,t}$ ($\text{TRUST_LOW}_{j,t}$) denotes the higher (lower) level of trust in the fund sales and investing country. $\text{CTY_INSTITUTIONAL_HIGH}_{j,t}$ ($\text{CTY_INSTITUTIONAL_LOW}_{j,t}$) denotes the level of country intuitional variables in the country in which the fund faces a higher (lower) level of trust. The vector $M_{j,t}$ stacks a list of country-level control variables in the domicile country, while the vector $\text{MFUND}_{i,j,t}$ stacks a list of fund-level control variables. Please refer to Appendix A for control variable definitions. Panel B presents the two-stage estimates of the effect of trust on the performance of international funds via active share. Offshore funds and funds with TNA less than 2 million are excluded. Year-fixed effects are included in the panel regressions. Robust t-statistics are reported in parentheses and are based on standard errors clustered by fund and year. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A: The impact of trust on fund-level activeness			
	(1)	(2)	(3)
TRUST_HIGH	0.009 (1.64)	0.008 (1.54)	0.008 (1.43)
TRUST_LOW	0.273*** (16.09)	0.292*** (15.74)	0.319*** (13.95)
QUA_GOV_HIGH		-0.040* (-1.85)	-0.187*** (-5.36)
QUA_GOV_LOW		-0.015** (-1.99)	-0.011 (-1.48)
INFORMATION_HIGH			0.164*** (5.52)
INFORMATION_LOW			-0.004 (-0.58)
EDUCATION_HIGH			0.002 (0.29)
EDUCATION_LOW			0.214*** (2.74)
Log(TNA)	-0.039** (-2.41)	-0.035** (-2.16)	-0.030* (-1.87)
Log(TNA)_SQUARED	0.000 (1.12)	0.000 (0.85)	0.000 (0.54)
FLows	0.022*** (6.15)	0.022*** (6.14)	0.021*** (5.80)
FUND_AGE	0.010*** (5.49)	0.010*** (5.52)	0.010*** (5.56)
BENCH_NUMBER	0.018*** (9.88)	0.018*** (9.84)	0.019*** (10.05)
BENCH_HHI	0.361*** (12.44)	0.349*** (11.80)	0.310*** (10.22)
MKTCAP/GDP	-0.002*** (-3.99)	-0.001*** (-3.34)	-0.001*** (-3.16)
GDP	0.019*** (10.54)	0.020*** (10.74)	0.020*** (10.99)
YEAR FE	YES	YES	YES
Observations	15,658	15,658	15,658
R-squared	0.09	0.09	0.09

Panel B: Performance of Trust-related Active Share (Panel Regressions)						
	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ		BENCH_ADJ		BENCH_ADJ	
	RETURN		IN_SAMPLE_ALPHA4		ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	-0.145 (-0.47)	-0.070 (-0.23)	-0.004 (-0.01)	0.090 (0.23)	0.197 (0.50)	0.304 (0.79)
ACTIVE_SHARE(TRUST_LOW)	0.251*** (7.31)	0.218*** (6.45)	0.282*** (6.34)	0.236*** (5.27)	0.297*** (6.77)	0.256*** (5.83)
ACTIVE_SHARE(GOV_QUA_HIGH)	0.205** (2.23)	0.113 (1.23)	0.261** (2.52)	0.139 (1.34)	0.335*** (3.04)	0.227** (2.07)
ACTIVE_SHARE(GOV_QUA_LOW)	1.501*** (4.25)	1.393*** (4.06)	1.992*** (4.54)	1.840*** (4.30)	1.706*** (3.98)	1.559*** (3.72)
ACTIVE_SHARE(INFORMATION_HIGH)	0.222** (2.32)	0.122 (1.31)	0.318*** (2.79)	0.193* (1.73)	0.374*** (3.23)	0.254** (2.24)
ACTIVE_SHARE(INFORMATION_LOW)	3.519*** (4.07)	3.097*** (3.68)	2.595** (2.45)	2.074** (2.01)	2.262** (2.16)	1.753* (1.72)
ACTIVE_SHARE(EDUCATION_HIGH)	0.969 (0.64)	1.613 (1.09)	-1.231 (-0.64)	-0.462 (-0.24)	-1.090 (-0.56)	-0.342 (-0.18)
ACTIVE_SHARE(EDUCATION_LOW)	2.340*** (12.52)	2.026*** (11.24)	3.266*** (13.27)	2.849*** (11.80)	3.420*** (13.77)	3.009*** (12.34)
BENCH_NUMBER	0.006*** (7.44)	0.005*** (5.83)	0.008*** (7.64)	0.006*** (5.67)	0.008*** (7.72)	0.006*** (5.95)
BENCH_HHI	-0.010 (-0.89)	-0.016 (-1.37)	-0.013 (-0.96)	-0.021 (-1.52)	-0.007 (-0.51)	-0.015 (-1.05)
MKTCAP/GDP	0.000 (0.18)	-0.000 (-0.14)	-0.000 (-0.03)	-0.000 (-0.47)	-0.000 (-0.23)	-0.000 (-0.73)
GDP	-0.006*** (-6.19)	-0.006*** (-6.40)	-0.006*** (-5.47)	-0.006*** (-5.56)	-0.006*** (-5.69)	-0.006*** (-5.80)
Log(TNA)		0.013* (1.71)		0.016 (1.64)		0.019** (2.06)
Log(TNA)_SQUARED		-0.000 (-1.54)		-0.000 (-1.40)		-0.000* (-1.84)
FLows		0.045*** (22.51)		0.054*** (20.21)		0.052*** (19.60)
TURNOver		-0.001 (-1.00)		-0.001 (-0.41)		-0.000 (-0.24)
FUND_AGE		0.003*** (2.83)		0.002 (1.40)		0.001 (1.02)
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	15,658	15,658	15,658	15,658	15,236	15,236
R-squared	0.25	0.29	0.27	0.31	0.28	0.31

Table 9 (Full Specification): The Nonmonotonic Effect of Trust

This table reports the coefficient estimates from regressions of fund-level activeness on dummies for different quintiles of trust, as well as the second-stage estimates of fund performance, which can be attributed to quintile-related active share for the sample of international and domestic funds. For each year, we sort either domestic funds or the low-trust side of international funds into trust quintiles, and we create dummy variables indicating the trust quintile of each fund. Funds in quintile group 1 (5) are associated with the lowest (highest) level of trust. We then replace TRUST in Table 3 and TRUST_LOW in Table 8 with these dummy variables to examine the more detailed influences of trust among these funds. The key independent variable consists of the four higher levels of trust (group = 2,3,4,5), denoting the incremental influence of trust in addition to group 1 funds. Year-fixed effects are included in the panel regressions. Robust t-statistics are reported in parentheses and are based on standard errors clustered by fund and year. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)
Panel A Domestic Funds			
Panel A1: The impact of trust on fund-level activeness			
TRUST_GROUP=2	0.042*** (9.75)	0.055*** (11.11)	0.045*** (9.57)
TRUST_GROUP=3	0.065*** (14.32)	0.077*** (15.64)	0.078*** (13.42)
TRUST_GROUP=4	0.079*** (18.79)	0.091*** (19.42)	0.080*** (17.01)
TRUST_GROUP=5	0.081*** (15.42)	0.095*** (15.96)	0.088*** (12.75)
GOV_QUA		-0.715*** (-15.25)	-1.269*** (-19.37)
INFORMATION			0.652*** (11.59)
EDUCATION			-2.083*** (-4.89)
Log(TNA)	0.052*** (6.60)	0.007 (0.58)	0.015 (1.26)
Log(TNA)_SQUARED	-0.010*** (-14.85)	-0.001*** (-2.85)	-0.001*** (-3.55)
FLows	0.024*** (8.96)	0.027*** (10.29)	0.027*** (10.21)
FUND_AGE	-0.003*** (-3.29)	0.005*** (5.47)	0.006*** (6.13)
BENCH_NUMBER	0.001*** (23.65)	0.001*** (24.87)	0.001*** (23.00)
BENCH_HHI	0.997*** (21.19)	0.500*** (4.03)	0.629*** (4.94)
MKTCAP/GDP	0.000 (0.21)	0.000** (2.14)	0.000*** (2.69)
GDP	0.007*** (2.59)	0.016*** (4.68)	0.020*** (5.36)
Year Fixed-Effects	YES	YES	YES
Observations	26,498	26,498	26,498
R-square	0.17	0.19	0.20
Panel A2: Performance of Trustworthy Active Shares			
	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE_ALPHA4	BENCH_ADJ ROLLING_ALPHA4
ACTIVE_SHARE(TRUST_GROUP=2)	0.114*** (4.94)	0.125*** (5.10)	0.096*** (3.97)
ACTIVE_SHARE(TRUST_GROUP=3)	0.220*** (5.54)	0.252*** (5.79)	0.236*** (5.50)
ACTIVE_SHARE(TRUST_GROUP=4)	0.506*** (16.18)	0.567*** (16.61)	0.550*** (16.36)
ACTIVE_SHARE(TRUST_GROUP=5)	0.620***	0.645***	0.661***

	(15.12)	(14.81)	(15.35)
ACTIVE_SHARE(GOV_QUA)	-0.075	-0.086	-0.100
	(-0.50)	(-0.53)	(-0.63)
ACTIVE_SHARE(INFORMATION)	1.558	1.549	1.576
	(0.74)	(0.68)	(0.69)
ACTIVE_SHARE(EDUCATION)	0.133	0.240	0.216
	(0.18)	(0.30)	(0.27)
Log(TNA)	0.003	0.005	0.004
	(0.55)	(0.78)	(0.59)
Log(TNA)_SQUARED	-0.000	-0.000	-0.000
	(-0.22)	(-0.46)	(-0.27)
FLows	0.039***	0.042***	0.041***
	(24.67)	(23.94)	(23.98)
TURNOver	0.006***	0.007***	0.007***
	(6.20)	(6.54)	(6.51)
FUND_AGE	0.001	0.001	0.001
	(1.49)	(1.58)	(1.43)
YEAR FE	YES	YES	YES
Observations	26,498	26,498	26,370
R-squared	0.32	0.36	0.37

Panel B International Funds

Panel B1: The impact of trust on fund-level activeness

	(1)	(2)	(3)
TRUST_HIGH	0.006	0.007	0.006
	(1.20)	(1.33)	(1.12)
TRUST_LOW_GROUP=2	0.037***	0.038***	0.039***
	(6.71)	(6.95)	(6.70)
TRUST_LOW_GROUP=3	0.051***	0.056***	0.058***
	(6.33)	(6.71)	(6.74)
TRUST_LOW_GROUP=4	0.103***	0.107***	0.109***
	(17.09)	(17.17)	(15.99)
TRUST_LOW_GROUP=5	0.134***	0.139***	0.140***
	(17.03)	(17.27)	(16.34)
QUA_GOV_HIGH		-0.044**	-0.150***
		(-2.10)	(-4.42)
QUA_GOV_LOW		-0.010	-0.008
		(-1.37)	(-0.99)
INFORMATION_HIGH			0.002
			(0.34)
INFORMATION_LOW			0.121*
			(1.76)
EDUCATION_HIGH			0.126***
			(4.27)
EDUCATION_LOW			0.003
			(0.46)
Log(TNA)	-0.036**	-0.031*	-0.027*
	(-2.23)	(-1.91)	(-1.69)
Log(TNA)_SQUARED	0.000	0.000	0.000
	(0.94)	(0.60)	(0.37)
FLows	0.019***	0.019***	0.019***
	(5.50)	(5.49)	(5.27)
FUND_AGE	0.009***	0.009***	0.009***
	(4.96)	(4.97)	(4.98)
BENCH_NUMBER	0.020***	0.020***	0.020***
	(10.25)	(10.09)	(10.12)
BENCH_HHI	0.316***	0.303***	0.277***
	(11.13)	(10.50)	(9.36)
MKTCAP/GDP	-0.002***	-0.002***	-0.002***
	(-5.81)	(-4.98)	(-4.78)
GDP	0.024***	0.025***	0.025***
	(12.57)	(12.82)	(13.02)
YEAR FE	YES	YES	YES
Observations	15,658	15,658	15,658
R-squared	0.10	0.10	0.10

Panel B2: Performance of Trust-related Active Share

	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ		BENCH_ADJ		BENCH_ADJ	
	RETURN		IN_SAMPLE_ALPHA4		ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	-8.964 (-0.68)	-5.234 (-0.41)	-7.173 (-0.53)	-3.196 (-0.24)	-2.366 (-0.17)	2.151 (0.16)
ACTIVE_SHARE (TRUST_LOW_GROUP=2)	0.184*** (3.07)	0.139** (2.35)	0.218** (2.19)	0.189*** (3.07)	0.223** (2.25)	0.213*** (3.45)
ACTIVE_SHARE (TRUST_LOW_GROUP=3)	0.195** (2.02)	0.220** (2.33)	0.240*** (3.88)	0.242** (2.47)	0.260*** (4.18)	0.256*** (2.62)
ACTIVE_SHARE (TRUST_LOW_GROUP=4)	0.280*** (8.40)	0.246*** (7.66)	0.302*** (8.67)	0.264*** (7.87)	0.308*** (8.80)	0.273*** (8.11)
ACTIVE_SHARE (TRUST_LOW_GROUP=5)	0.334*** (9.10)	0.291*** (8.00)	0.321*** (8.38)	0.274*** (7.17)	0.332*** (8.75)	0.290*** (7.67)
ACTIVE_SHARE (QUA_GOV_HIGH)	0.189* (1.67)	0.096 (0.85)	0.190* (1.68)	0.088 (0.78)	0.233** (1.98)	0.143 (1.22)
ACTIVE_SHARE (QUA_GOV_LOW)	5.536*** (3.94)	5.161*** (3.78)	6.118*** (4.21)	5.700*** (4.04)	5.337*** (3.74)	4.916*** (3.55)
ACTIVE_SHARE (INFORMATION_HIGH)	0.211 (1.64)	0.093 (0.74)	0.247* (1.88)	0.120 (0.93)	0.277** (2.08)	0.153 (1.18)
ACTIVE_SHARE (INFORMATION_LOW)	-1.601*** (-3.33)	-1.402*** (-3.00)	-1.507*** (-3.05)	-1.291*** (-2.70)	-1.422*** (-2.88)	-1.204*** (-2.51)
ACTIVE_SHARE (EDUCATION_HIGH)	0.817 (0.68)	1.328 (1.13)	0.284 (0.23)	0.825 (0.68)	0.291 (0.23)	0.822 (0.68)
ACTIVE_SHARE (EDUCATION_LOW)	2.343*** (13.14)	2.037*** (11.87)	2.601*** (14.00)	2.268*** (12.69)	2.698*** (14.26)	2.364*** (13.00)
BENCH_NUMBER	0.006*** (7.32)	0.005*** (5.68)	0.007*** (7.88)	0.006*** (6.08)	0.007*** (7.74)	0.006*** (6.16)
BENCH_HHI	-0.019 (-1.64)	-0.024*** (-2.07)	-0.019 (-1.63)	-0.025*** (-2.11)	-0.013 (-1.11)	-0.018 (-1.57)
MKTCAP/GDP	-0.000 (-0.98)	-0.000 (-1.03)	-0.000 (-1.17)	-0.000 (-1.26)	-0.000 (-1.48)	-0.000 (-1.61)
GDP	-0.004*** (-4.27)	-0.004*** (-4.49)	-0.004*** (-4.60)	-0.004*** (-4.81)	-0.004*** (-4.44)	-0.004*** (-4.65)
Log(TNA)		0.014* (1.85)		0.014* (1.87)		0.017** (2.25)
Log(TNA)_SQUARED		-0.000* (-1.67)		-0.000* (-1.65)		-0.000** (-2.06)
FLows		0.044*** (22.22)		0.047*** (22.15)		0.046*** (21.55)
TURNOver		-0.001 (-1.23)		-0.001 (-1.04)		-0.001 (-0.91)
FUND_AGE		0.003** (2.50)		0.002** (2.22)		0.002** (1.96)
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	15,658	15,658	15,658	15,658	15,236	15,236
R-squared	0.26	0.29	0.24	0.28	0.24	0.28

Table 10 (Full Specification): Robustness Checks on the Activeness and Performance of Domestic and International Funds: the 1st wave only

This table reports the results of robustness testing for Tables 3 and 8 using trust from the first wave of the World Value Survey. Other specifications in Panel A (domestic funds) and Panel B (international funds) are similar to those in Tables 3 and 8, respectively.

	(1)	(2)	(3)
Panel A Domestic Funds			
Panel A1: The impact of trust on fund-level activeness			
TRUST	0.382*** (14.08)	0.281*** (11.16)	0.226*** (9.24)
GOV_QUA		-0.268*** (-8.41)	-0.568*** (-11.80)
INFORMATION			0.325*** (7.77)
EDUCATION			-1.689*** (-6.63)
Log(TNA)	-0.005 (-0.38)	0.028** (2.38)	0.035*** (2.94)
Log(TNA)_SQUARED	-0.001* (-1.88)	-0.002*** (-4.94)	-0.002*** (-5.46)
FLows	0.027*** (10.19)	0.026*** (10.05)	0.026*** (9.94)
FUND_AGE	0.005*** (5.11)	0.006*** (6.96)	0.006*** (6.90)
BENCH_NUMBER	0.001*** (22.16)	0.000*** (17.58)	0.000*** (16.49)
BENCH_HHI	0.900*** (11.04)	1.258*** (15.14)	1.103*** (13.83)
MKTCAP/GDP	0.001*** (8.30)	0.000*** (2.97)	0.000*** (3.73)
GDP	0.048*** (16.49)	0.028*** (8.06)	0.035*** (9.94)
Year Fixed-Effects	YES	YES	YES
Observations	26,498	26,498	26,498
R-square	0.18	0.22	0.22
Panel A2: Performance of Trustworthy Active Shares			
	BENCH_ADJ RETURN	BENCH_ADJ IN_SAMPLE_ALPHA4	BENCH_ADJ ROLLING_ALPHA4
ACTIVE_SHARE(TRUST)	0.223*** (4.66)	0.197*** (3.56)	0.239*** (4.26)
ACTIVE_SHARE(GOV_QUA)	-0.152*** (-5.53)	-0.202*** (-6.33)	-0.130*** (-4.05)
ACTIVE_SHARE(INFORMATION)	-0.787*** (-12.55)	-0.933*** (-13.18)	-0.926*** (-12.87)
ACTIVE_SHARE(EDUCATION)	0.795*** (10.05)	1.182*** (12.20)	1.215*** (11.99)
Log(TNA)	-0.001 (-0.10)	0.005 (0.78)	0.007 (1.09)
Log(TNA)_SQUARED	0.000 (0.38)	-0.000 (-0.37)	-0.000 (-0.69)
FLows	0.033*** (23.09)	0.041*** (23.55)	0.041*** (23.60)
TURNOver	0.004*** (4.29)	0.007*** (6.83)	0.007*** (7.00)
FUND_AGE	0.001 (1.28)	0.001 (1.42)	0.001 (1.22)
YEAR FE	YES	YES	YES
Observations	26,498	26,498	26,370
R-squared	0.31	0.36	0.36

Panel B International Funds

Panel B1: The impact of trust on fund-level activeness

	(1)	(2)	(3)
TRUST_HIGH	0.005 (0.93)	0.004 (0.83)	0.003 (0.57)
TRUST_LOW	0.256*** (13.99)	0.248*** (13.30)	0.270*** (10.85)
QUA_GOV_HIGH		0.039* (1.93)	-0.080** (-2.35)
QUA_GOV_LOW		-0.006 (-0.73)	-0.002 (-0.23)
INFORMATION_HIGH			0.139*** (4.65)
INFORMATION_LOW			-0.000 (-0.01)
EDUCATION_HIGH			0.001 (0.23)
EDUCATION_LOW			0.182** (2.16)
Log(TNA)	-0.027* (-1.65)	-0.032** (-1.97)	-0.028* (-1.72)
Log(TNA)_SQUARED	0.000 (0.36)	0.000 (0.68)	0.000 (0.41)
FLows	0.000*** (6.14)	0.000*** (6.11)	0.000*** (5.84)
FUND_AGE	0.001*** (6.14)	0.001*** (6.13)	0.001*** (6.19)
BENCH_NUMBER	0.000*** (9.41)	0.000*** (9.52)	0.000*** (9.56)
BENCH_HHI	0.366*** (12.51)	0.375*** (12.57)	0.343*** (11.21)
MKTCAP/GDP	-0.000*** (-5.75)	-0.000*** (-6.00)	-0.000*** (-5.98)
GDP	0.018*** (9.86)	0.018*** (9.68)	0.018*** (9.64)
YEAR FE	YES	YES	YES
Observations	15,658	15,658	15,658
R-squared	0.08	0.08	0.08

Panel B2: Performance of Trust-related Active Share

	(1)	(2)	(3)	(4)	(5)	(6)
	BENCH_ADJ RETURN		BENCH_ADJ IN_SAMPLE_ALPHA4		BENCH_ADJ ROLLING_ALPHA4	
ACTIVE_SHARE(TRUST_HIGH)	-0.306 (-0.39)	-0.164 (-0.21)	-0.451 (-0.45)	-0.272 (-0.28)	0.168 (0.17)	0.321 (0.33)
ACTIVE_SHARE(TRUST_LOW)	0.463*** (10.11)	0.424*** (9.37)	0.587*** (10.24)	0.531*** (9.28)	0.579*** (10.08)	0.527*** (9.15)
ACTIVE_SHARE(GOV_QUA_HIGH)	0.256 (1.24)	0.090 (0.44)	0.395* (1.71)	0.180 (0.78)	0.541** (2.18)	0.350 (1.42)
ACTIVE_SHARE(GOV_QUA_LOW)	8.057*** (3.64)	7.588*** (3.53)	10.935*** (4.00)	10.275*** (3.84)	9.191*** (3.43)	8.500*** (3.23)
ACTIVE_SHARE(INFORMATION_HIGH)	0.173 (1.54)	0.066 (0.60)	0.266** (2.00)	0.134 (1.03)	0.339** (2.51)	0.211 (1.60)
ACTIVE_SHARE(INFORMATION_LOW)	260.242*** (3.83)	229.680*** (3.47)	184.694** (2.22)	147.491* (1.82)	159.530* (1.93)	122.319 (1.52)
ACTIVE_SHARE(EDUCATION_HIGH)	1.155 (0.61)	1.973 (1.07)	-1.623 (-0.67)	-0.643 (-0.27)	-1.410 (-0.58)	-0.463 (-0.20)
ACTIVE_SHARE(EDUCATION_LOW)	3.408*** (13.54)	3.034*** (12.45)	4.797*** (14.77)	4.293*** (13.50)	4.908*** (14.90)	4.407*** (13.61)
BENCH_NUMBER	0.000*** (8.57)	0.000*** (7.02)	0.000*** (8.98)	0.000*** (7.10)	0.000*** (8.98)	0.000*** (7.23)
BENCH_HHI	-0.013 (-1.14)	-0.019 (-1.63)	-0.020 (-1.45)	-0.028** (-2.02)	-0.012 (-0.89)	-0.020 (-1.42)
MKTCAP/GDP	-0.000*** (-2.79)	-0.000*** (-2.85)	-0.000*** (-3.13)	-0.000*** (-3.23)	-0.000*** (-3.28)	-0.000*** (-3.45)
GDP	-0.007*** (-7.43)	-0.007*** (-7.61)	-0.007*** (-6.82)	-0.007*** (-6.84)	-0.008*** (-7.05)	-0.008*** (-7.09)
Log(TNA)		0.013* (1.84)		0.017* (1.77)		0.021** (2.20)
Log(TNA)_SQUARED		-0.000* (-1.71)		-0.000 (-1.57)		-0.000** (-2.02)
FLows		0.000*** (22.67)		0.001*** (20.31)		0.001*** (19.70)
TURNOver		-0.000 (-1.19)		-0.000 (-0.69)		-0.000 (-0.47)
FUND_AGE		0.000*** (3.19)		0.000* (1.80)		0.000 (1.39)
YEAR FE	YES	YES	YES	YES	YES	YES
Observations	15,658	15,658	15,658	15,658	15,236	15,236
R-squared	0.26	0.29	0.28	0.31	0.28	0.31