

ONLINE APPENDIX

for “Fee Structure and Mutual Fund Choice: An Experiment” by
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C Control Questions, CRT test, and Questionnaire

C.1 Control Questions with Answers

Treatments N , N^{Re}

1. Suppose that in the current period the price of fund A is 70 and the price of fund B is 74.1. You have 700 points in the current period and you choose to invest in fund A . Suppose that in the next period the price of funds A and B turned out to be 73.5 and 76.3, respectively. How many points do you have at the beginning of the next period? [735]
2. You have 1100 points at the beginning of the current period and want to invest in fund B . Would your investment decision from the previous period (i.e., in which fund you invested previously) matter for the number of points you will earn? [No]

Treatments O_B , O_B^{Re}

1. Suppose that in the current period the price of fund A is 70 and the price of fund B is 74.1. You have 700 points in the current period and you choose to invest in fund A . Suppose that in the next period the price of funds A and B turned out to be 73.5 and 76.3, respectively. How many points do you have at the beginning of the next period? [735]
2. Suppose you have 600 points and you invest your points in fund B whose price in the current period is 57. Fund B charges a fee of 1%. How much fee would you pay for this period? [6]
3. You have 1100 points at the beginning of the current period and want to invest in fund B . Would your investment decision from the previous period (i.e., in which fund you invested previously) matter for the number of points you will earn? [No]

Note: For treatment O_A , in question 2, we used fund A charging 2% fee, instead of fund B charging 1% fee, to keep consistency with the design.

Treatment F_B, F_B^{Re}

1. Suppose that in the current period the price of fund A is 70 and the price of fund B is 74.1. You have 700 points in the current period and you choose to invest in fund A for which there is no fee. Suppose that in the next period the price of funds A and B turned out to be 73.5 and 76.3, respectively. How many points do you have at the beginning of the next period? [735]
2. Suppose you invested in fund A in the last period, you have 1000 points at the beginning of this period and want to invest in fund B in this period. Fund B charges a fee of 13%. How much fee would you pay? [130]
3. Recall that fund A does not charge a fee, and fund B charges a fee of 13%. You have 1100 points at the beginning of the current period and want to invest in fund B . Would your investment decision from the previous period (i.e., in which fund you invested previously) matter for the number of points you will earn? [Yes]

Note: For treatment F_A , in question 2, we used fund A charging a fee of 24%, instead of fund B charging a fee of 13%, to keep consistency with the design.

C.2 Questionnaire

You have made your decision for all periods! Here is a questionnaire on your backgrounds. Please fill in and press “send” to submit. After that you will see the payment page:

1. Age:
2. Gender:
3. Have you come to an experiment before?
 - A No
 - B Once
 - C More than once
4. How do you think of the instruction of this experiment?
 - A It is not clear at all.
 - B It is understandable, with some places a little unclear.
 - C It is very clear.

5. What suggestions do you have for the instruction? (Open question)
6. How do you describe you strategy in this experiment? (Open question)

C.3 CRT test

For the CRT test that subjects in 2017 sessions had to complete after the questionnaire, we used the standard 3 questions (see, e.g., Figure 1 in Frederick, 2005).

1. A bat and a ball cost \$1.10 in total. The bat costs \$1.00 more than the ball. How much does the ball cost? [5 cents]
2. If it takes 5 machines 5 minutes to make 5 widgets, how long would it take 100 machines to make 100 widgets? [5 minutes]
3. In a lake, there is a patch of lily pads. Every day, the patch doubles in size. If it takes 48 days for the patch to cover the entire lake, how long would it take for the patch to cover half of the lake? [47 days]

D Additional Figures and Tables

This Appendix contains additional figures and tables.

Fig. 8 is similar to Fig. 1 of the paper; it compares the time series of returns and prices that were used and shown to the participants in blocks 1 and 2 for treatments \mathbf{N} , \mathbf{O}_A and \mathbf{F}_A . In the last two treatments the return time series of fund A are shifted up by 2 percentage points.

Figure 9 and Figure 10 show the 10 time series of returns and prices that were used and shown to the participants in Block 3. In each row there are 4 panels which show (from left to right): returns in treatments \mathbf{N} , \mathbf{O}_B and \mathbf{F}_B ; prices in treatments \mathbf{N} , \mathbf{O}_B and \mathbf{F}_B ; returns in treatments \mathbf{N} , \mathbf{O}_A and \mathbf{F}_A ; prices in treatments \mathbf{N} , \mathbf{O}_A and \mathbf{F}_A .

Figures 11, 12, 13, 14, and 15 present the histograms of B -choices by each block and treatment. In each row, the left three panels show the data for blocks 1, 2 and 3, respectively, and the right panel gives the data pooled over the blocks. Figure 11 show these histograms for treatment \mathbf{N} (upper row), treatment \mathbf{N}^{Re} (middle row), and these two treatments with combined data (lower row). Figures 12 and 13 are similar for treatments \mathbf{O}_B - \mathbf{O}_B^{Re} and \mathbf{F}_B - \mathbf{F}_B^{Re} , respectively. Finally, Figures 14 and 15 show the histograms for treatments \mathbf{O}_A and \mathbf{F}_A .

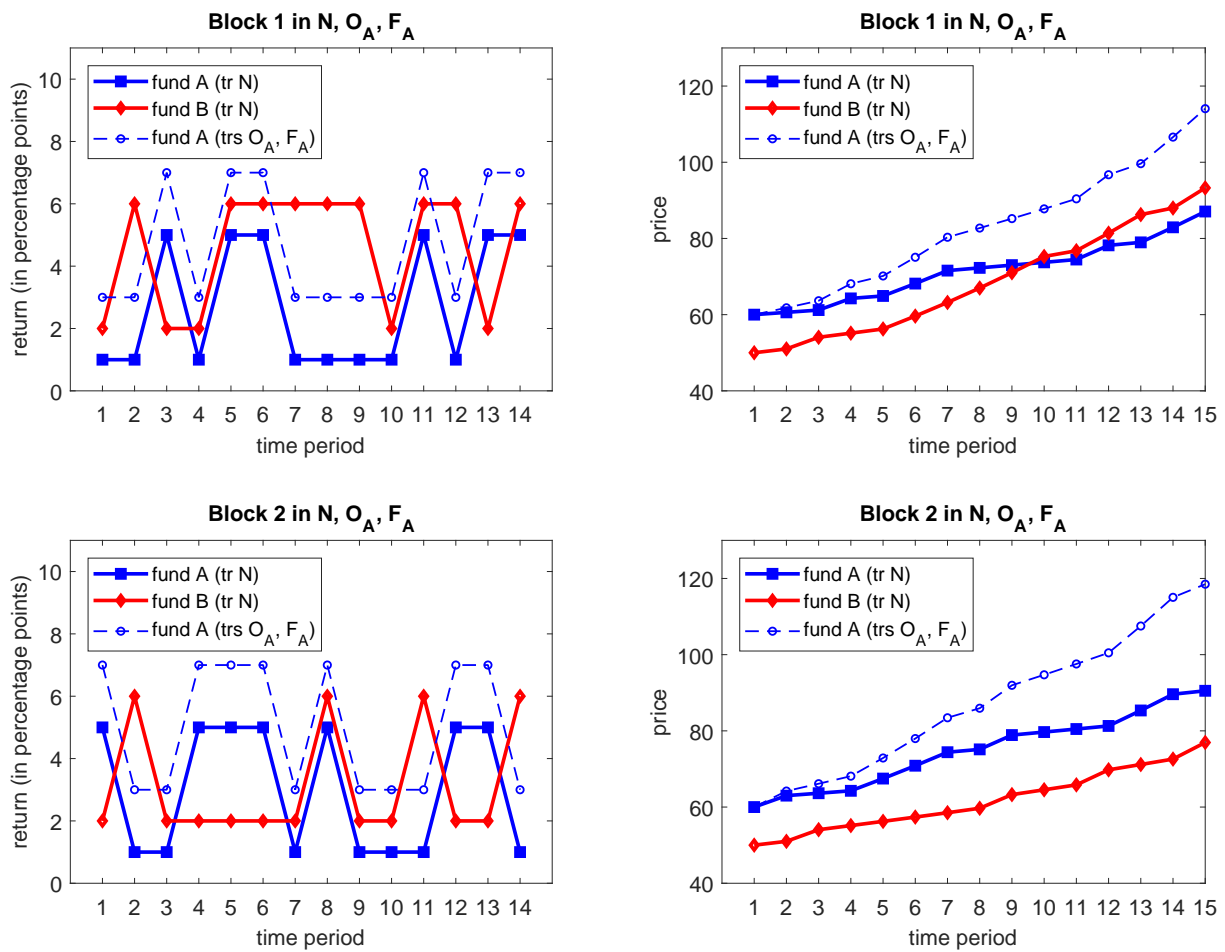


Figure 8: Generated time series in blocks 1 and 2 for treatments N , O_A and F_A . *Left*: Returns. *Right*: Prices. Fund B returns are the same in three treatments. Fund A returns in treatments O_A and F_A are two percentage points higher than returns in treatment N . Prices are generated using the returns with initial values 60 and 50 for funds A and B , respectively.

The left upper panel in Figure 16 shows the CDF of individual choices for fund B in 5 different treatments. It aggregates the histograms shown in Fig. 3 of the paper. The remaining three panels of Fig. 16 show the CDF of individual choices for fund B for the first block, the second block, and the last (third) block.

Figure 17 show the histogram of earnings in different treatments. They complement the CDF of earnings shown in the paper in Fig. 4.

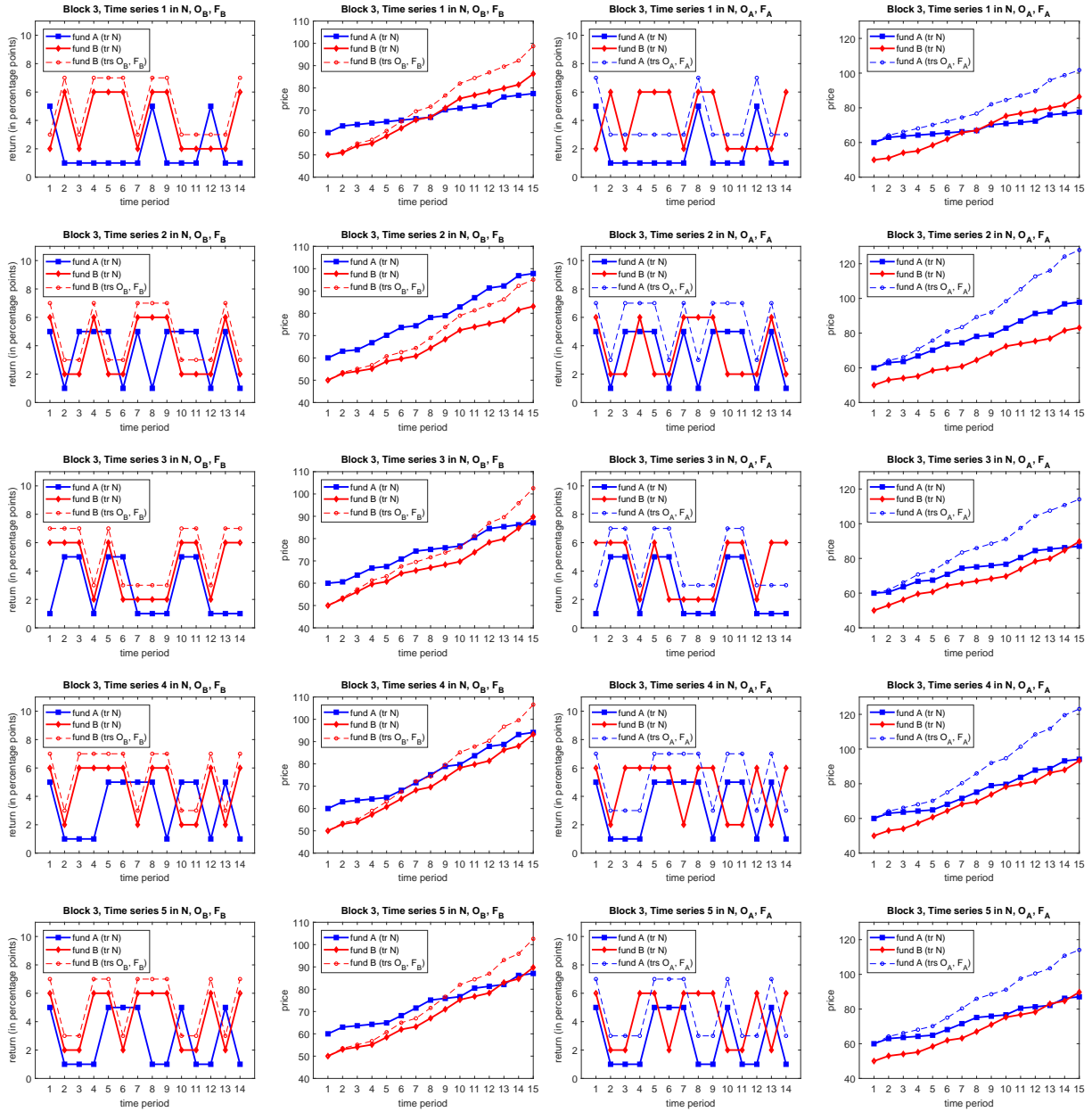


Figure 9: Generated time series in block 3 for all treatments. Time series 1 to 5.

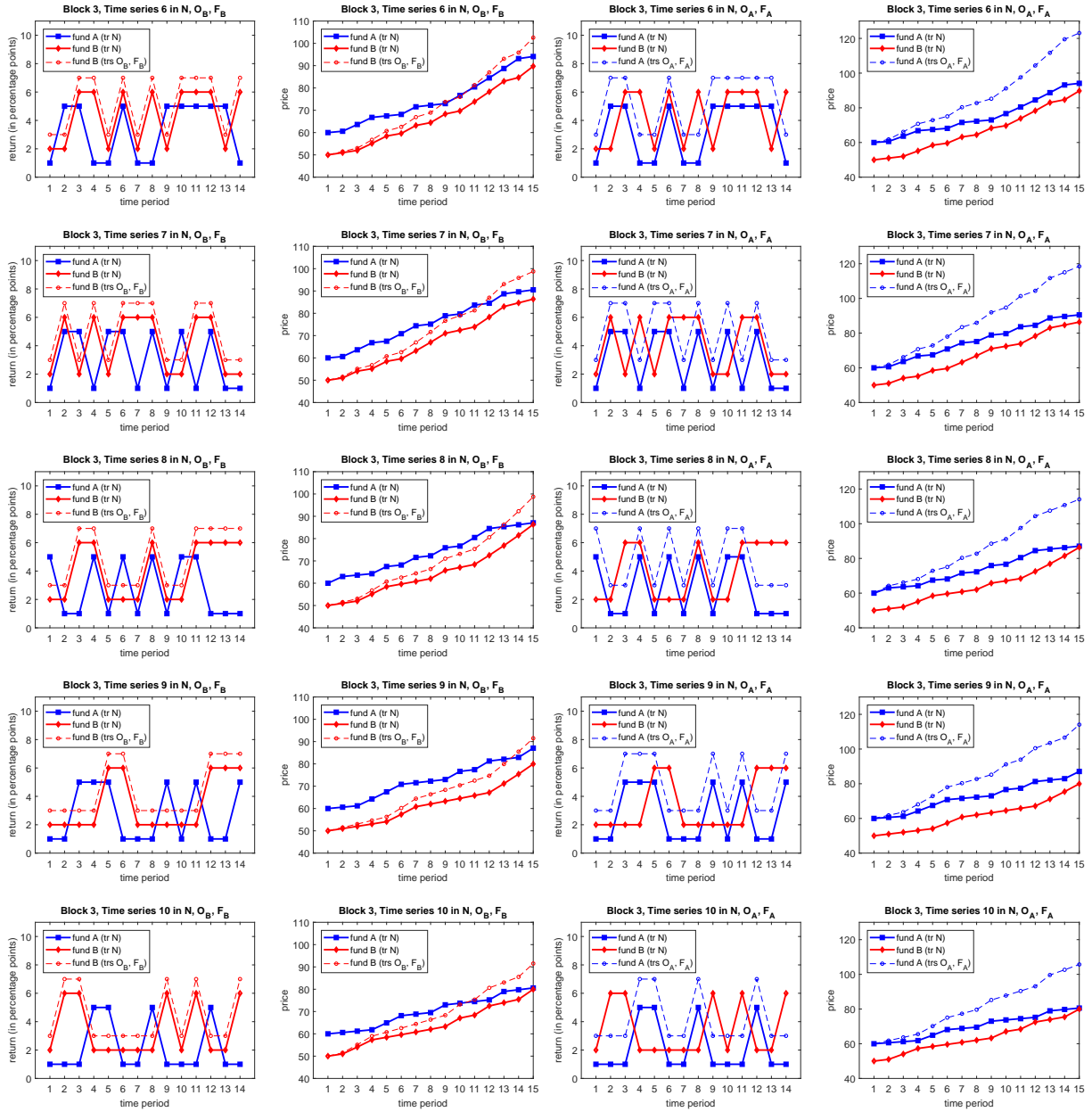


Figure 10: Generated time series in block 3 for all treatments. Time series 6 to 10.

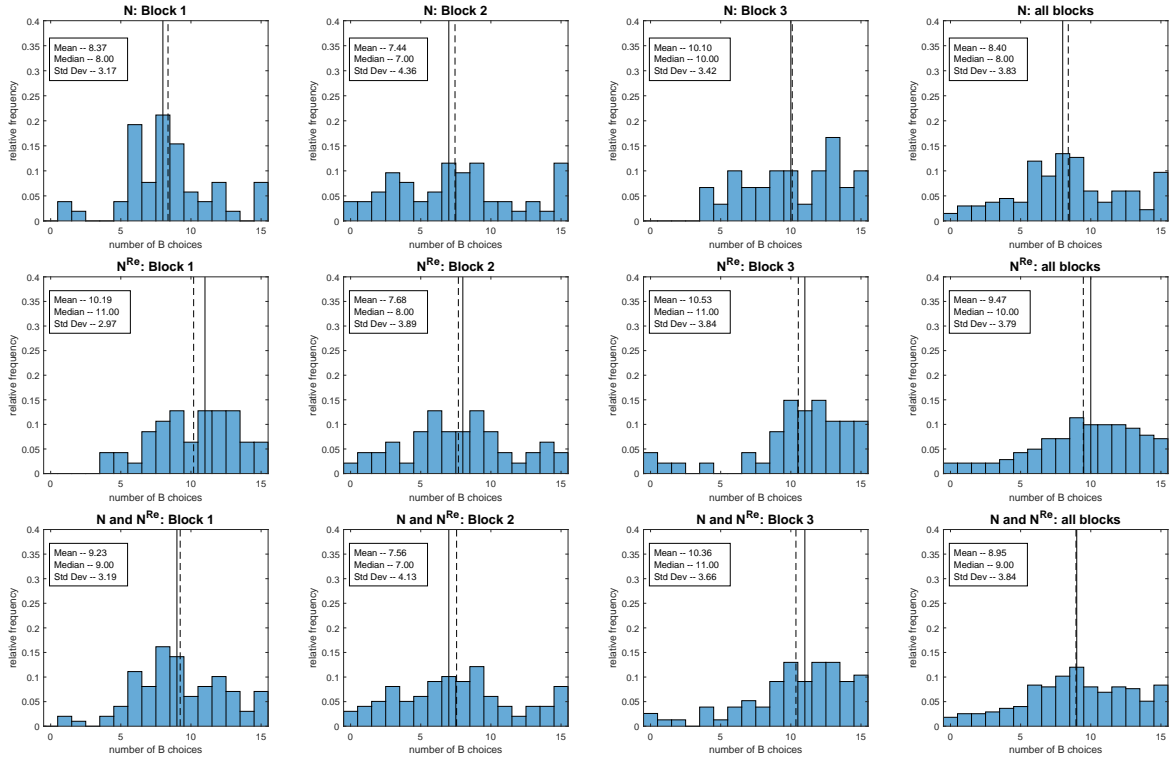


Figure 11: Histograms of investment in fund B by blocks in treatments N and N^{Re} . The solid vertical line shows the mean and the dashed vertical line shows the median.

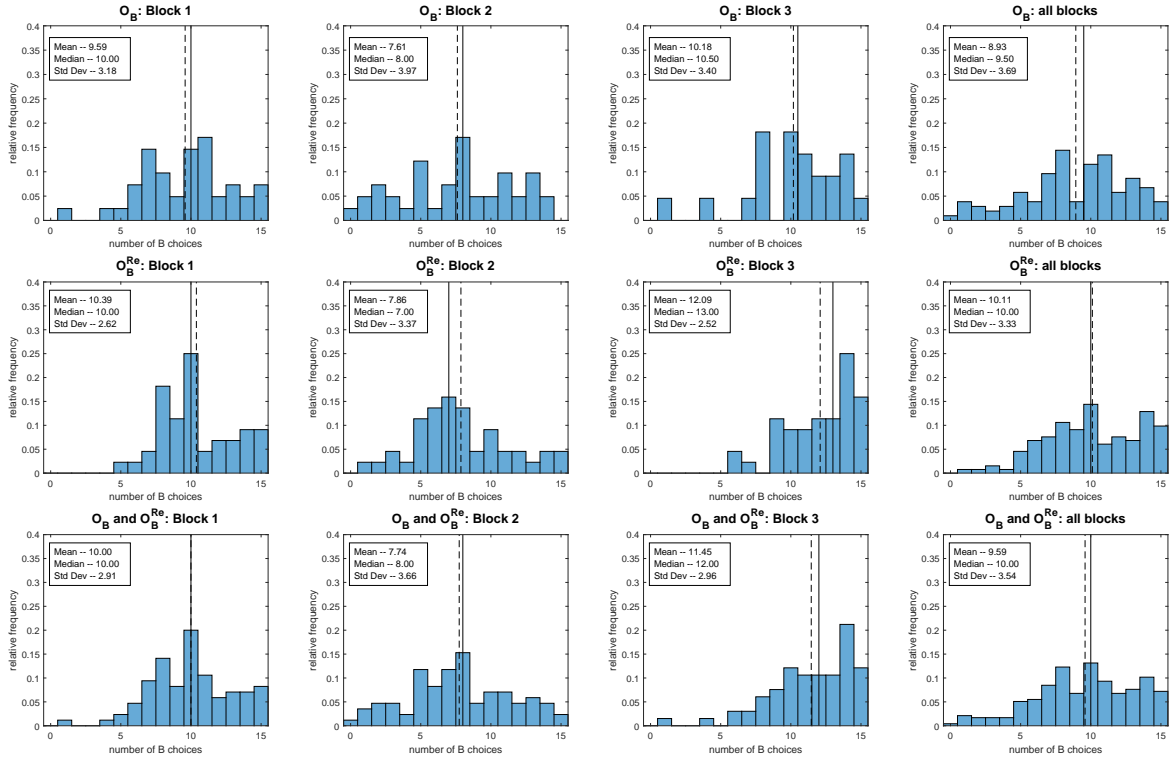


Figure 12: Histograms of investment in fund B by blocks in treatments O_B and O_B^{Re} . The solid vertical line shows the mean and the dashed vertical line shows the median.

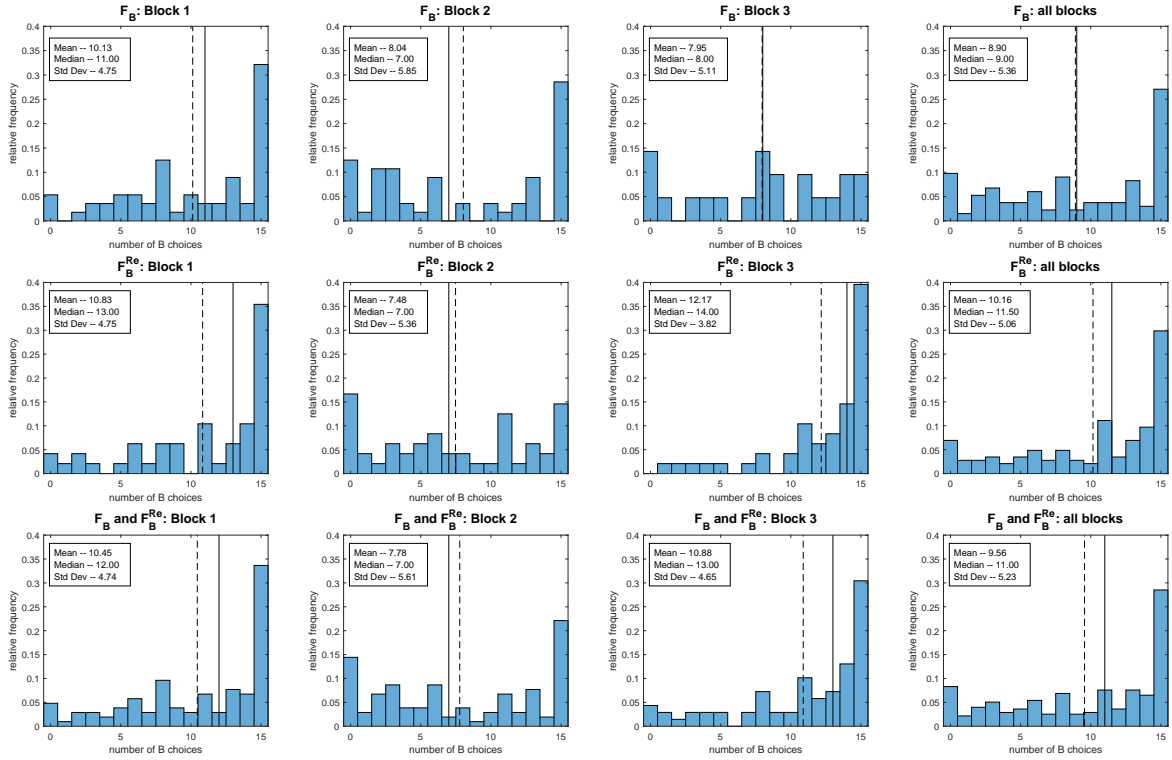


Figure 13: Histograms of investment in fund B by blocks in treatments F_B and F_B^{Re} . The solid vertical line shows the mean and the dashed vertical line shows the median.

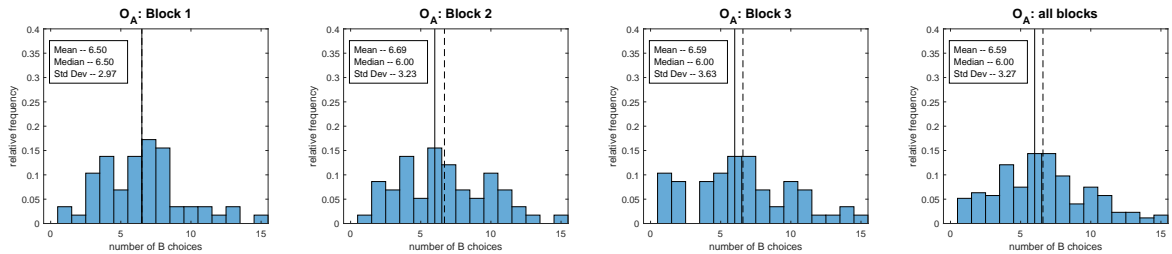


Figure 14: Histograms of investment in fund B by blocks in treatment O_A . The solid vertical line shows the mean and the dashed vertical line shows the median.

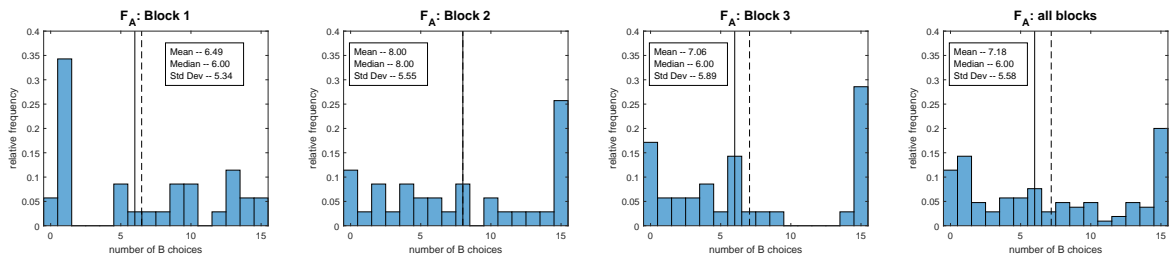


Figure 15: Histograms of investment in fund B by blocks in treatment F_A . The solid vertical line shows the mean and the dashed vertical line shows the median.

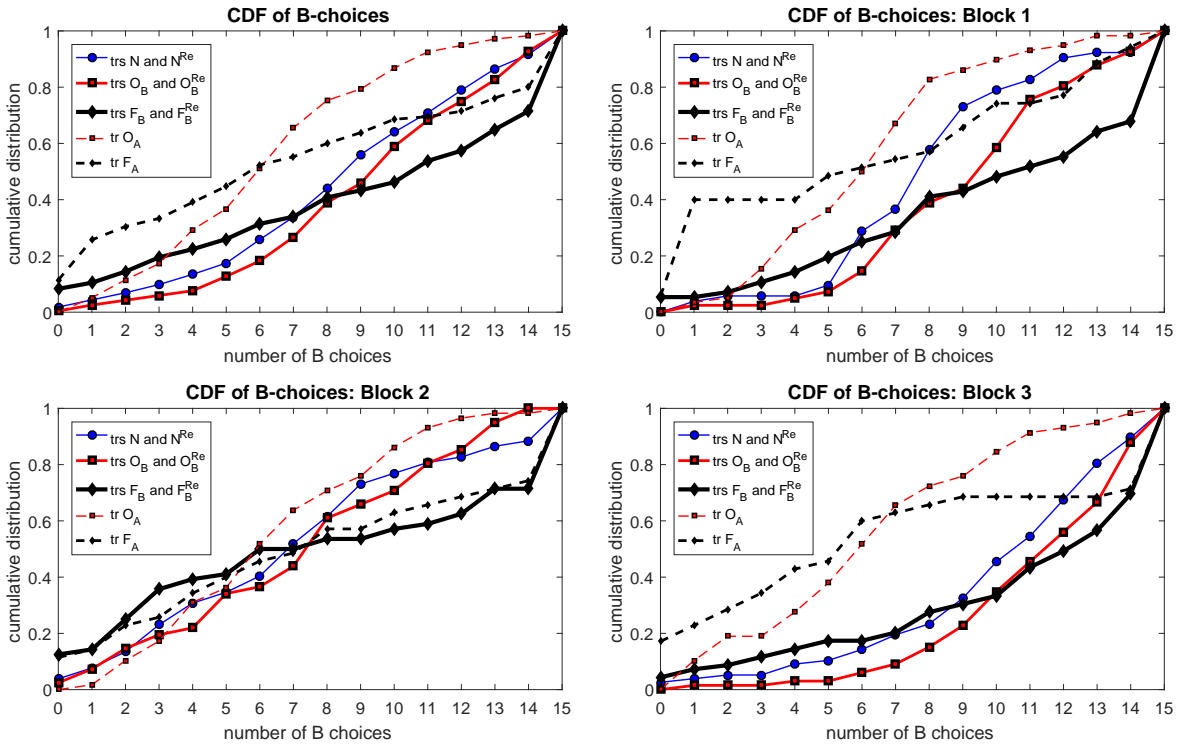


Figure 16: The CDF of individual choices of fund B . *Top*: Aggregated over all blocks. *Middle*: For block 1 only. *Lower*: For block 3 only.

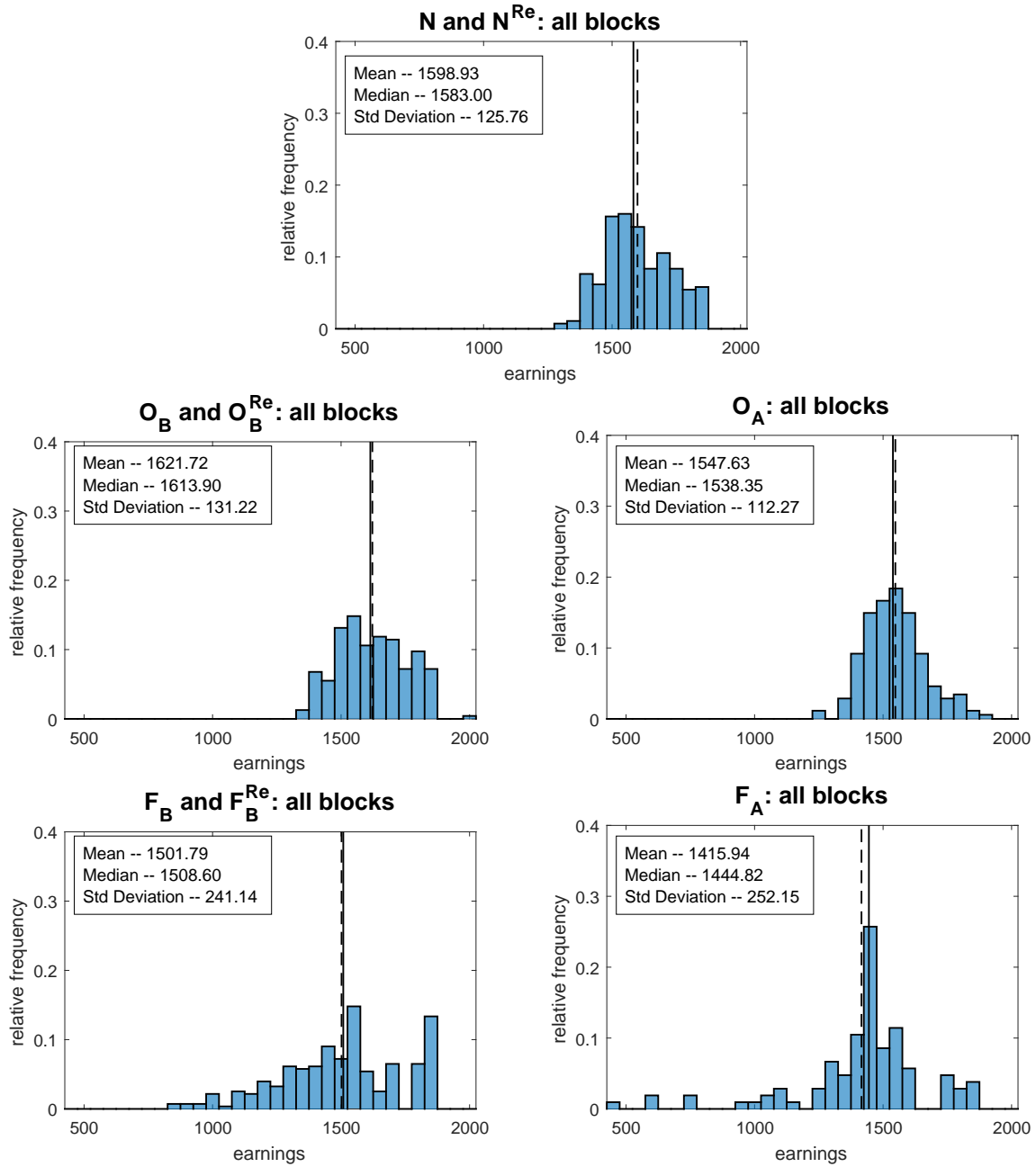


Figure 17: Histograms of earnings in different treatments.

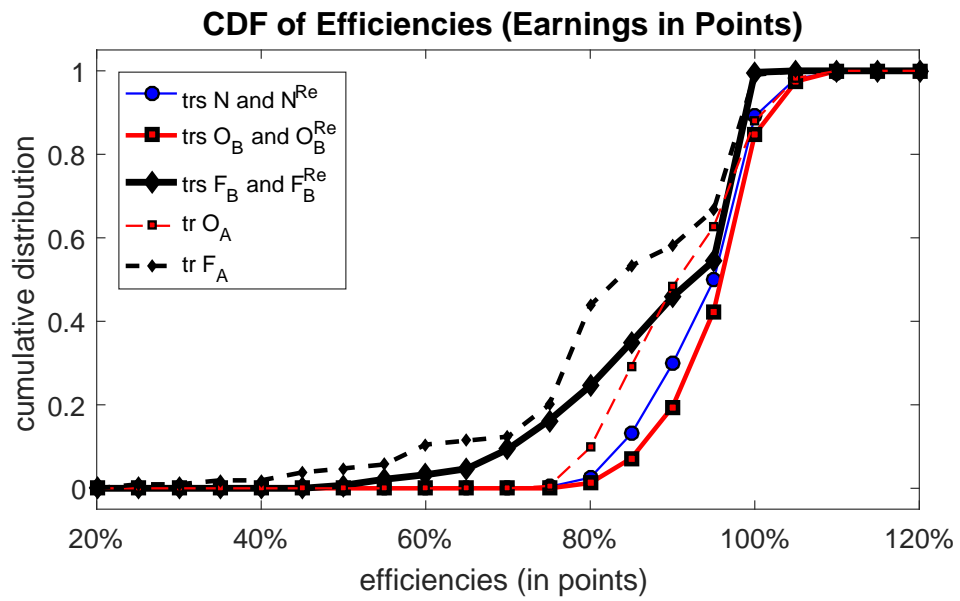


Figure 18: The CDF of efficiencies.

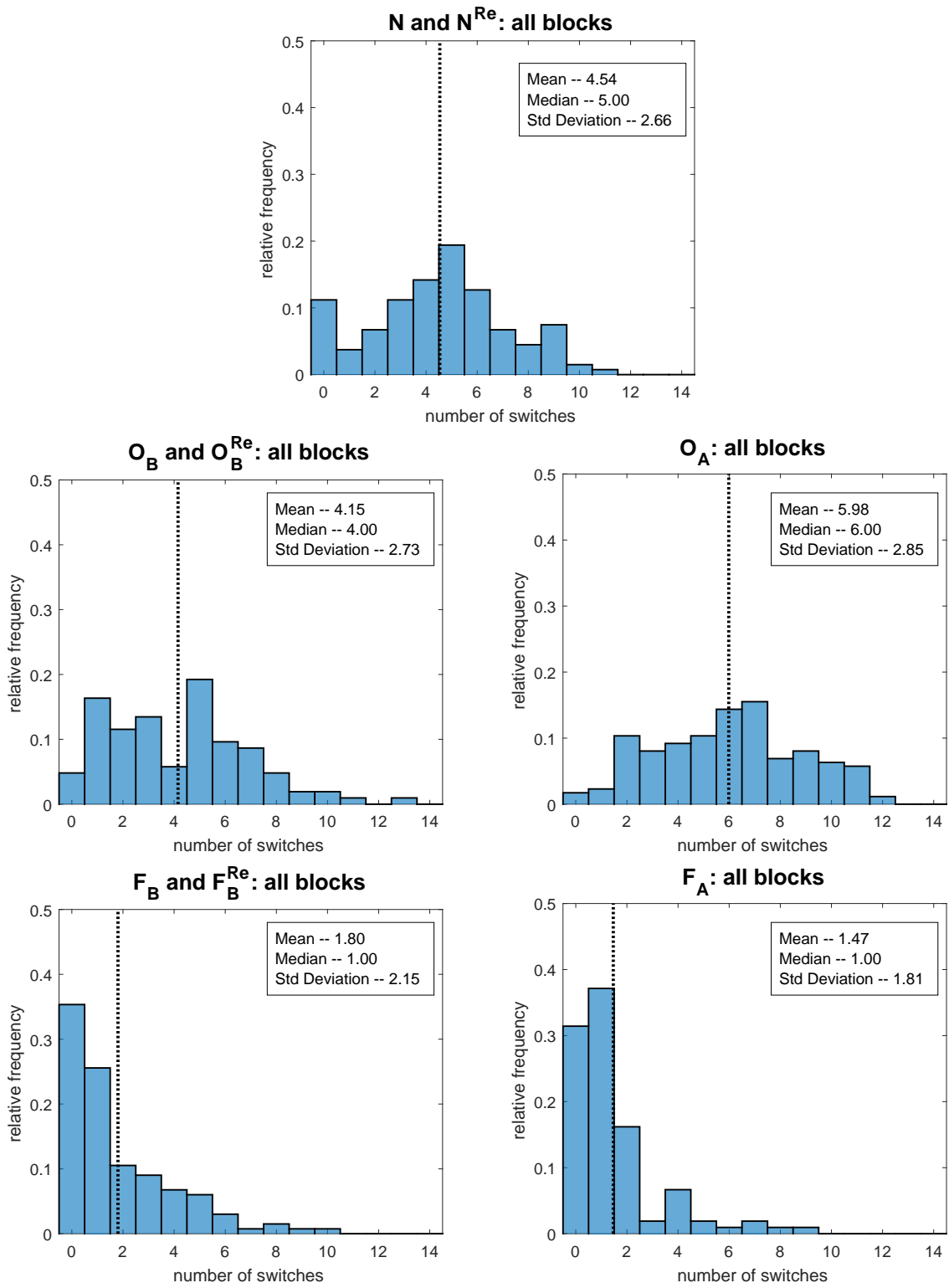


Figure 19: Histograms of switches in different treatments.