# Enhancing Investor Engagement with AI-Summarized Disclosures

Wong, Yi, Yu, Zhang, Zhang

Discussion: Joachim Gassen

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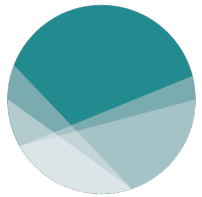

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# Key findings of Wong et al.

- Retail investors having access to AI-generated five-point summaries of annual reports before/during online earnings communication conferences (ECCs)
  - ask more questions in the chat,
  - that tend to align more with the topics raised by the summaries.
- Effect seems more pronounced for less vocal/experienced investors
- More experienced investors seem to focus more on topics not included in the summaries

- Firms tend to answer (all) questions in a more extensive and informative way, especially when the summaries are picked up by investors

- Some (limited) evidence on trading volume and subsequent retail investor engagement effects

# From the Lab to the Field (Harrison and List, JEL 2004)

- **Conventional lab experiment**: standard participant pool of students, abstract framing, and an imposed set of rules

- **Artefactual field experiment**: same but with non-standard participant pool

- **Framed field experiment**: same as an artefactual field experiment but with field context in the commodity, task, information, stakes, time frame, etc.

- **Natural field experiment**: same as a framed field experiment but where the environment is the one that the participants naturally undertake these tasks, such that they do not know that they are in an experiment

# Libby boxes (because – why not?)

Reduction of information processing costs (?)

→

Use of this information (?)

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AI-generated summaries of annual reports

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Questions asked
Topics addressed
Quality of answers given
Trading volume
Retailer engagement on web platforms

# A contribution is a significant revision of our priors…

- Retail investors having access to AI-generated five-point summaries before/during online earnings communication conferences (ECCs)
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# Some Remarks and Suggestions

# Your experimental design likely affects two parties: Investors and firms

- What was the information set of firms going into the experiment?
  - Were they informed about the experiment per se (Hawthrone effects!)?
  - Were the treated firms informed about the summaries? (when?)

- Very little in the paper about how firms can be expected to react to the treatment
  - Treated firms more likely to prepare answers on summary point questions?
  - Maybe even an effect on firms' presentations?

# Some additional questions about the experimental setup

- I do not fully get the point of sentiment treatment (also only tested against baseline)
- Pre-registration?
- How many of your investors attend both treatment and control ECC?
- Are investors informed that the summaries are AI-generated?
- A little bit more detail on how the summaries were created would be nice

2. Financial Status

According to the 2023 annual report, the company is facing certain financial pressures. During the reporting period, the company achieved a revenue of 26,608,570,228.20 yuan, a decrease of 16.86% compared to the previous year; the net profit attributable to shareholders of the listed company was -1,281,289,649.82 yuan, indicating a loss. The company's total assets were 79,847,052,953.58 yuan, with total liabilities of 58,389,197,107.95 yuan and a debt ratio of 73.6%, showing that the enterprise has a certain financial pressure.

Appendix A

# Some thoughts on how the findings might affect future ECCs

- How likely is that firms will accept AI-generated summaries of their annual report in ECCs? (in your setting, but also internationally)

- If firms have agency over the summaries, likely that they will be strategically optimized (e.g., to misinform investors and/or to avoid litigational risks)

- Unclear whether summaries provided/verified by firms will have the same effects on investors

# Minor points

- Control-firms seem somewhat larger and have higher analyst following (t-stats for pooled treatment versus control?)
- Covariate balance in terms of ex ante information asymmetry (e.g., bid-ask spreads)?
- Given DiD results (control ECCs experience significant decline in questions and engagement from pre to post) some checks whether there is a size-based (?) violation in parallel trends?
- Adjust for multiple hypotheses tests?

## Typos?

- Table 8, Panel A: $R^2$s?
- I did not find Hirshleifer and Teoh (2023)

Nice Project. Good luck!

(Not that you need it ;-)