

Boyle, G., & Ward, G. (2018). Do Better Informed Investors Always Do Better? A Buyback Puzzle. *Economic Inquiry*.

We explore the value of private investment information using data from a singular source: auctions of yearling racehorses. Horse breeders possess superior information about their own horses and have strong financial incentives to buy the best of these back at auction. However, those they repurchase subsequently perform significantly worse on average, earning 30% less at the racetrack than horses purchased by outsiders. Moreover, this underperformance is concentrated in male horses, despite these being purchased exclusively for racing purposes. These puzzling findings cannot be explained by differences in horse risk or breeder abilities, or by nonfinancial objectives, or by behavioral or selection biases.

<https://onlinelibrary.wiley.com/doi/abs/10.1111/ecin.12688>