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The Insider Advantage

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The Insider Advantage | The Davenport Insider Buying Fund

May, 2026

Corporate insiders possess an information advantage that no analyst model can fully replicate. Open-market purchases represent a deliberate, discretionary commitment of personal capital. More than fivedecades of peer-reviewed finance research hasdocumented that these purchases predict statisticallysignificant abnormal returns. Thestrength of the signal varies meaningfully by who buys, how much theycommit, andwhether others buy alongside them. The findings below represent the academic foundationfor the Davenport Insider Buying Fund (DBUYX) strategy.

What the Academic Record Shows

+11.2%
12-month raw outperformance
Insider purchase portfolios outperformed the market by 11.2% on a raw basis over the following 12 months. [1]

~6%
Annual risk-adjusted alpha
On a risk-adjusted basis, insider purchase portfolios generated approximately 6% in annual abnormal returns. [1]

82bps
Monthly alpha, opportunistic trades
Trades outside an insider's normal pattern earned 82 basis points per month versus routine trades. [2]

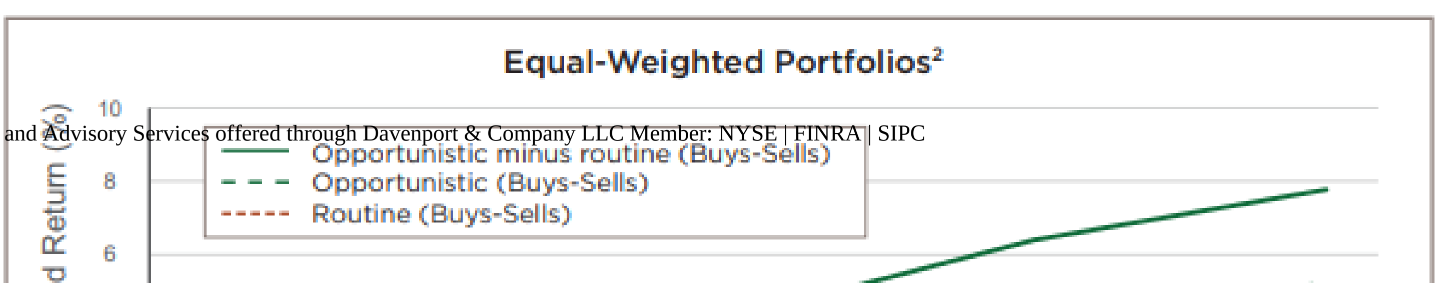
2.5:1
Odds of large price increase after purchase
Following insider purchases, the odds of a large (≥8%) price increase were approximately 2.5 times those of a decline. [3]

0.89%
Average abnormal return per insider transaction
Across 644,643 transactions from 1986–2013, the mean abnormal return per insider trade was 0.89% within a 20-day window. [4]

~60%
Stocks outperform with 2+ concurrent buyers
When two or more insiders bought concurrently, stocks outperformed the Dow Jones Industrials approximately 60% of the time. [3]

Opportunistic vs. Routine Trades

Cohen, Malloy & Pomorski (2012) show that opportunistic trades, defined as thoseoutside an insider’snormal pattern, earn significantly higher risk-adjusted returns thanroutine trades, forming the backbone ofthe DBUYX screening process.



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