Methodological Details Appendix

Pilot Study - Method

Data from over half of all hedge funds active in 2013, accounting for total assets of over $500 billion were collected from the Lipper Hedge Fund database (total of 4,997 funds).

Volatility. It is assumed that riskier corporate investments lead to more volatility in the fund's earnings (Beaver, Kettler, and Scholes, 1970; John et al., 2008; Zhang, 2009). Motivated by prior work, we employ a widely-used measure of corporate risk: Annualized volatility of fund, which is the standard deviation of fund price over a period of one-year (2013). Standardized volatility reported by hedge funds and included in the dataset used for the present project is essentially a measure which describes the fluctuation of a fund's price over time. Higher volatility is generally considered to equate to higher risk over a certain period of time. The database used in this study included information on annual volatility which is calculated as follows: If the daily logarithmic returns of a stock have a standard deviation of σ_{SD} and the time period of returns is P, the annualized volatility is,

$$\sigma = \frac{\sigma_{SD}}{\sqrt{P}}.$$

A common assumption is that P = 1/252 (there are 252 trading days in any given year). Then, for instance, if $\sigma_{SD} = 0.01$ the annualized volatility is,

$$\sigma_{\text{annual}} = \frac{0.01}{\sqrt{\frac{1}{252}}} = 0.01\sqrt{252} = 0.1587.$$

Elevation. The physical elevation of firm offices in the dataset were identified through the LexisNexis and TrustNet Offshore databases or collected using the contact information (i.e., physical address) available online. In cases where a hedge fund's executive offices were reported to occupy more than one story of a building, the elevation was calculated as the mean of the building levels occupied by the firm. Firms with offices that were found to occupy more than one building during the year (either due to having multiple locations or due to relocation – 496 funds), and those that did not have floor level information in the address (1,554 funds) were excluded from the study (1,850 funds in total), resulting in usable data from 3,147 funds. Annualized volatility did not differ significantly between funds included and those excluded from further analysis, $p > .2$.

Study 1 – Method

Design and Procedure. 116 individuals (86 males, 30 females) participated in this study. Participants were approached and recruited as they waited to go up or down on an elevator in a 73-floor skyscraper in the business district of a large midwestern city in the United States. The elevator in question traveled between the mezzanine level and the seventy second floor in approximately ninety seconds. Elevator rides were on the Panoramic Otis Traction elevator with views of the city and a river. The experimenter explained that he was conducting a one-question survey on investment decisions that could be completed during the elevator ride and was looking for volunteers. Approximately 20% of those asked, agreed to participate in the study. The experiment did not involve any form of compensation. During most elevator rides, participants were co-present with other non-participants in the elevator. Following a verbal consent, and approximately midway in the elevator ride, subjects were asked to make a financial decision by

choosing between a "safer" lottery (which offered 50% probabilities of winning $50 or $100) and a "riskier" lottery (with 50% probabilities of winning $20 or $130).

Study 2 - Method

Design and Procedure. Thirty-eight community members (15 males, 23 females) participated in this study in exchange for $6. Recruitment was conducted using public posters and flyers. Participants took part in a repeated-measures design that involved meeting the experimenter either on the mezzanine floor or the 72nd floor of the same skyscraper used in Study 1. Participants met the experimenter on the mezzanine floor (72nd floor) of the skyscraper and were asked to complete a study on investment decisions. After subjects signed a consent form, they accompanied the experimenter on the elevator up to the 72nd floor (down to the mezzanine floor) to get some ostensibly forgotten experimental materials from a confederate before returning to the initial meeting location. In the interest of time, the experimenter instructed participants to begin the initial task midway through the elevator ride. Elevator rides were on the Panoramic Otis Traction elevator with views of a river and city. Each ride took approximately 90 seconds. Risk preferences were assessed using the Gneezy and Potter (1997) elicitation method. Participants were asked to imagine that they had received a certain amount of money and could invest all or part of the money and keep the remainder. Participants were told they have a 2/3 chance of losing the amount invested and a 1/3 chance of winning 2.5x the amount invested. They were then asked to allocate the amount they would keep and invest. Participants were asked to allocate $70 and $170 on the initial and return ride, respectively. All participants completed this task both as they ascended above and as they descended below the midway point. The share invested in each scenario was used to measure risk preferences. Upon completing this task, participants were debriefed and dismissed.

Study 3 – Method

Design and Procedure. One hundred forty-four individuals (81 males and 63 females, average age = 33.87, age range 18-73) participated in this field experiment for a chance to win an Apple iPod and a small cash prize. Recruitment was conducted using public posters and flyers. Subjects were randomly assigned to meet the experimenter in one of two identical spaces, either on the ground floor or the third floor of a university building. Both spaces had views of a forty-foot high interior atrium. Therefore, the orientation, horizontal positioning and viewable surrounding of the spaces were identical, varying only in their elevation. An interior vertical space (as opposed to looking out of a window) was chosen as the venue for this study to eliminate any visual confounding factors that may influence behavior. To control for familiarity biases, we only recruited individuals who had never been in that space prior to the study. All sessions were conducted individually and held between 9:00 am and 2:00 pm. Upon arriving at the designated spot, participants were greeted by the experimenter and asked to complete several tasks for a study on cognitive abilities and decision-making. After subjects signed a consent form, in the guise of assessing their verbal abilities, participants were asked to eloquently describe their view. This was done to cue elevation. Next, they completed three tasks to measure accessibility of power-related and affect-laden thoughts, risk preferences and an unrelated task. The order in which the tasks were completed was randomized and had no bearing on the DVs measured (ps > .5). At the end of the study, participants were debriefed and dismissed.

Measure - Risk Preferences. Participants' risk preferences were assessed using the original multiple price list method (MPL; Holt & Laury, 2002). This method has been shown to be effective in capturing risk preferences and identifying treatment effects (Charness, Gneezy & Imas, 2013). In this task, participants are given a list of 10 decisions between paired gambles with

risk-averse (Option A) and risk-seeking (Option B) choices – See Table below. In the first decision row, participants are presented with a 1/10 chance of getting the high payoff for either option, and the expected payoff of Option A is only $1.17 greater than of Option B. Hence, only a very risk-seeking individual would choose Option B in this row. Moving down the rows, the probability of the high payoff increases and by the last decision, the choice is between $2.00 and $3.85 with certainty. If the individual understands the instructions correctly, he/she should choose Option B for the last decision. For all but the most risk-seeking, this implies a pattern where individuals start by choosing Option A for the first decision and switch over to Option B at some point before the last decision row. We used this switching point (indicating the number of risk-seeking options chosen) to measure individuals' risk preference. To make the risk preferences incentive-compatible, participants were informed that after all decisions are made, one decision will be selected at random and the chosen gamble will be played for real (see Andersen, Harrison, Lau, & Rutstrom, 2006).

Option A	Option B
1/10 of $2.00, 9/10 of $1.60	1/10 of $3.85, 9/10 of $0.10
2/10 of $2.00, 8/10 of $1.60	2/10 of $3.85, 8/10 of $0.10
3/10 of $2.00, 7/10 of $1.60	3/10 of $3.85, 7/10 of $0.10
4/10 of $2.00, 6/10 of $1.60	4/10 of $3.85, 6/10 of $0.10
5/10 of $2.00, 5/10 of $1.60	5/10 of $3.85, 5/10 of $0.10
6/10 of $2.00, 4/10 of $1.60	6/10 of $3.85, 4/10 of $0.10
7/10 of $2.00, 3/10 of $1.60	7/10 of $3.85, 3/10 of $0.10
8/10 of $2.00, 2/10 of $1.60	8/10 of $3.85, 2/10 of $0.10
9/10 of $2.00, 1/10 of $1.60	9/10 of $3.85, 1/10 of $0.10
10/10 of $2.00, 0/10 of $1.60	10/10 of $3.85, 0/10 of $0.10

Table 1: MPL task derived from Holt and Laury (2002).

Measure - Power and Mood. To assess sense of power, participants completed a word fragment completion task derived from Bargh and colleagues (1995). Participant's affective state

was measured by incorporating affect-related words in the task. Previous studies, including DeWall and Baumeister (2007), used this task to assess mood implicitly. The task included 10 power-related words, 10 non-power-related positive words and 10 non-power-related negative words (total of 30 words).

Target Power-related words included: “Boss, Control, King, Supremacy, Win, Command, Able, Rule, Wealth, Power”.

Target affect-laden positive and negative words included: “Joy, Joke, Like, Love, Fun, Sexy, Dear, Happy, Glad, Glee. Fear, Anger, Sad, Hate, Bad, Bitter, Grief, Cruel, Nasty, Abuse”.

For example, the target power-related word “B_S_”, could be completed either as “BASE”, or “BOSS”, “C_NTR_L” as “CENTRAL” or “CONTROL” and “KIN_” as “KIND” or “KING”. The number of words completed as power-related was used to measure power. The affect-laden words included incomplete target words such as “JO_” or “ANG__” that could be completed to form positive or negative emotional words, such as “JOY” or “ANGER”, or unemotional words, such as “JOB” or “ANGLE”. The total number of affect-laden words that were formed was used to measure mood. Participants also completed an unrelated task. For a study that is beyond the scope of this research report, participants were asked to classify 44 objects related to camping (e.g., brush, tent, camera; see Liberman, Sagristano, and Trope, 2002 for full list of objects) into groups. They were instructed that every item should be included and there should be no overlaps between groups.

Study 4 - Method

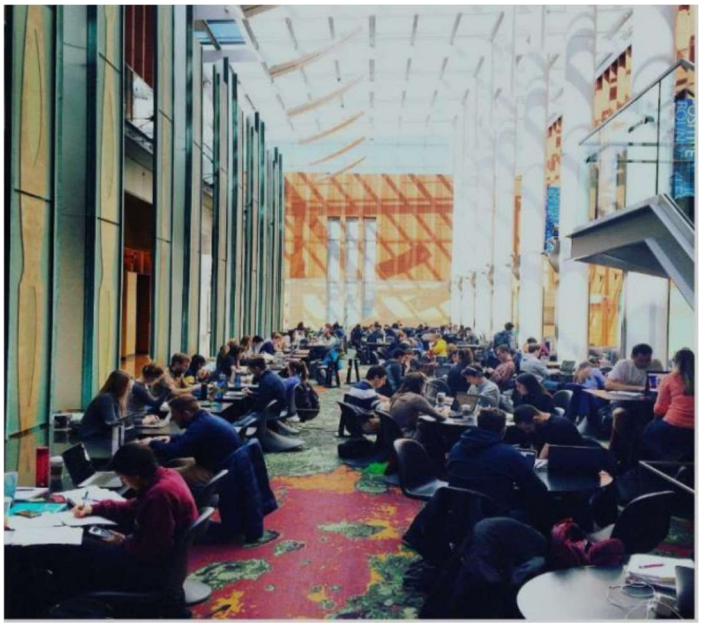
Pretest: Elevation. Study 4 was conducted using Amazon's Mechanical Turk (MTurk) platform. One important feature of MTurk is that it allowed us to conduct a quasi-experiment; hence, we did not control, manipulate or assign participants to a particular physical elevation. Instead, we categorized participants' real-world elevation following a pretest. We pretested judgment of physical elevation with a sample of forty participants who were asked to categorize images of views as either "low elevation" or "high elevation". Each subject saw seventy images comprised of ten images from each level of various buildings (i.e., ten images from the first floor, ten images from the second floor, all the way to seventh floor). These images were taken in residential and commercial buildings in urban and suburban settings. A majority of participants judged the photos taken from the first (97.5%, $\chi^2 = 72.2$, $p < .001$) and second level (87.5%, $\chi^2 = 45$, $p < .001$) as "low elevation". On the other hand, most participants categorized the view from the sixth (75%, $\chi^2 = 20$, $p < .001$) and seventh floor (87.5%, $\chi^2 = 45$, $p < .001$) as high elevation. Analysis revealed notable dissensus in evaluations of elevation on the third (50%, $\chi^2 = 0$, $p = 1$), fourth (47.5%, $\chi^2 = .2$, $p = .65$) and fifth floor (42.5%, $\chi^2 = 1.8$, $p = .18$). To clearly differentiate elevation, potential participants who reported being at levels that resulted in an unclear judgment of elevation (i.e., third through fifth floor) were not allowed to participate in the study. Based on this pretest, participants on the first and second levels were included in the "low elevation" condition, and those on the sixth and higher levels were included in the "high elevation" condition. We did not collect data on the number of MTurk workers who did not satisfy the elevation requirement (i.e., reported being on the third thru fifth floor).

Design and Procedure. Two hundred sixty individuals (104 males, 156 females, average age = 32.98, age range 18-63) who satisfied the elevation criteria and completed the tasks properly were recruited through Amazon MTurk and participated in this study in exchange for $2.50. Ten

additional individuals satisfied the elevation criteria and participated in the study, but failed to complete the photo-taking task (described below) properly or misrepresented their elevation (e.g., reported being on tenth floor but uploaded photo showing a first-floor view). Hence, they were excluded from the study. The study employed a 2 (elevation: high vs. low) × 2 (elevation accessibility: high vs. low) between-subjects design. We asked participants to complete an investment decision task, adopted from Gneezy and Potters (1997) – identical to that used in study 2 (with $70). The amount allocated towards the risky investment was used as measure of financial risk preference. Additionally, participants were asked to upload a photograph of the view from the closest window in their vicinity. They were also asked to describe their view in one paragraph and attach the description to the photo. The photo and description served two purposes: 1) to verify participants' reported physical elevation and 2) to increase elevation accessibility. A key assumption of this manipulation was that accessing elevation when asked to take a photo of one's view will increase awareness of elevation. The "photo-taking/view-describing" and risk assessment task were counter-balanced; so that participants accessed their elevation either before or after their risk preference was recorded. Finally, we collected information regarding participants' age and gender.

Study 3 manipulation of elevation

1. Low Elevation Condition



2. High Elevation Condition