Appendix II

Appendix IIA

Kernel density estimates of the token share of the cheapest security (the security with the lowest price) depicted in Figure 3 with the data generated by a sample of ambiguity-neutral and ambiguity-averse simulated subjects who make choices from the same set of budget sets the human subjects do. The simulated subjects maximize the kinked specification in (equation 1) using a range of parameter values for ambiguity aversion and risk aversion. Each panel assumes a different ambiguity parameter.

Appendix IIB

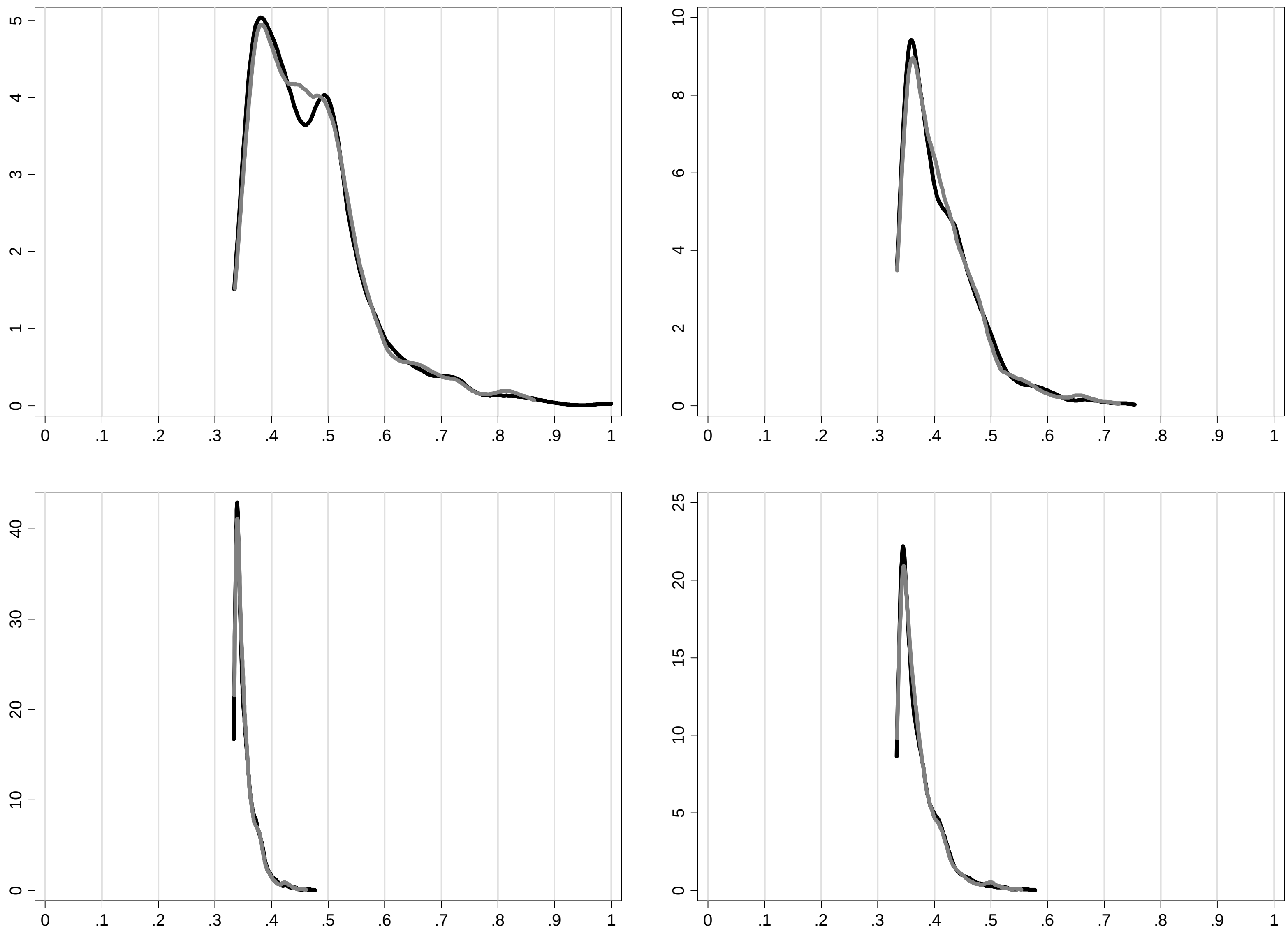
Within-subject comparisons of the average token shares of the cheapest security depicted in Figure 5. The data are generated by the sample of simulated subjects who make choices from the same set of budget sets the human subjects do and maximize the kinked specification (Equation 1). Each panel assumes a different ambiguity parameter.

We distinguish between portfolios where the cheapest security pays off in one of the ambiguous states (vertical axis) and portfolios where the cheapest security pays off in the unambiguous state (horizontal axis). Note that following the α-MEU model, in the kinked specification (equation 1), α is a measure of ambiguity aversion. We assume that risk preferences are represented by a von Neumann-Morgenstern utility function with constant absolute risk aversion (CARA) so ρ is the coefficient of absolute risk aversion.

A: Kernel density estimates of the distribution of the fraction of tokens allocated to the cheapest security

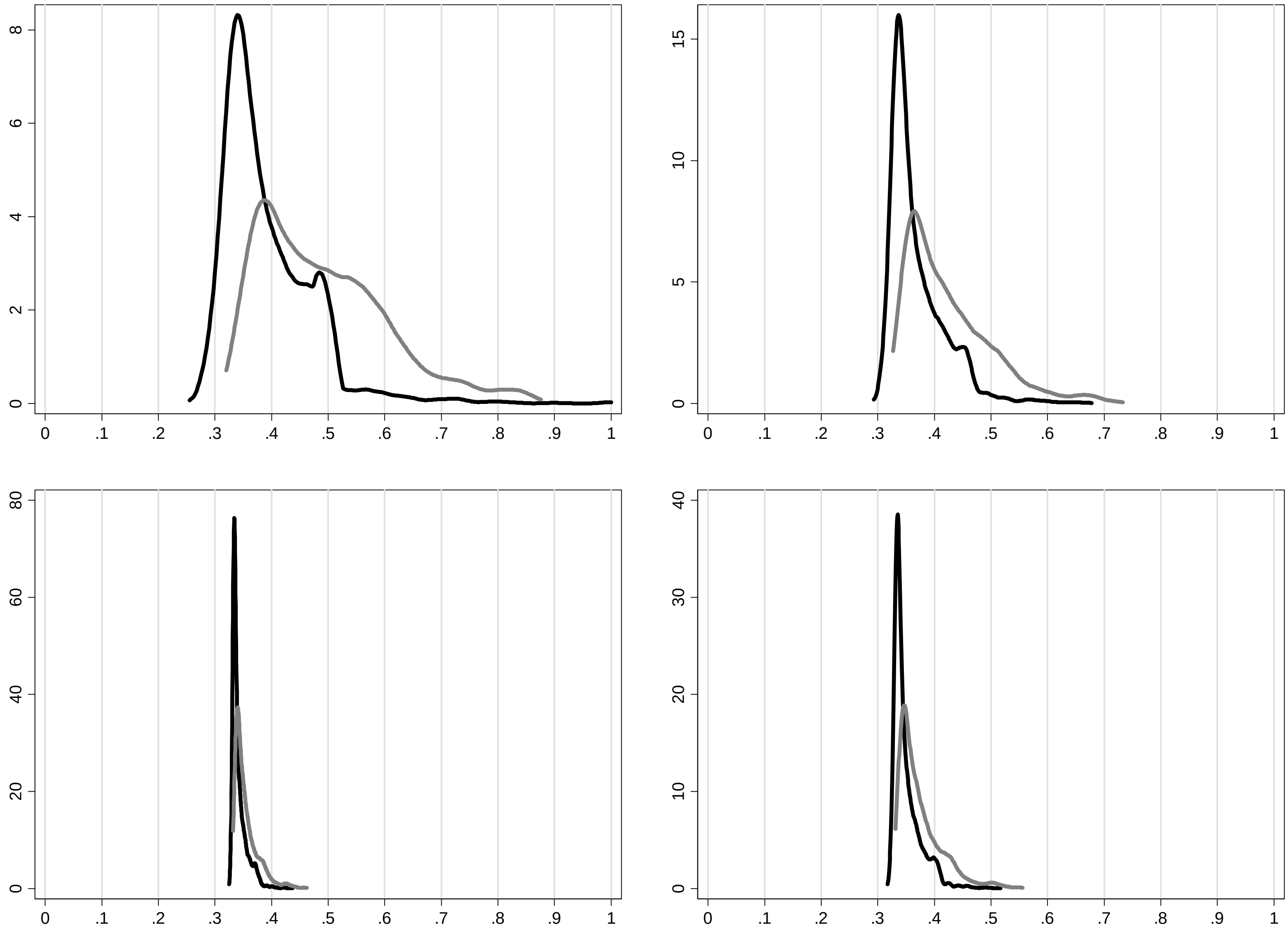
<u>α = 0.5</u>

(clockwise from top left: ρ = 0.05, 0.1, 0.25, 0.5)



Black: Portfolios where the cheapest security pays off in one of the *ambiguous* states, 1 or 3. **Gray**: Portfolios where the cheapest security pays off in the *unambiguous* state.

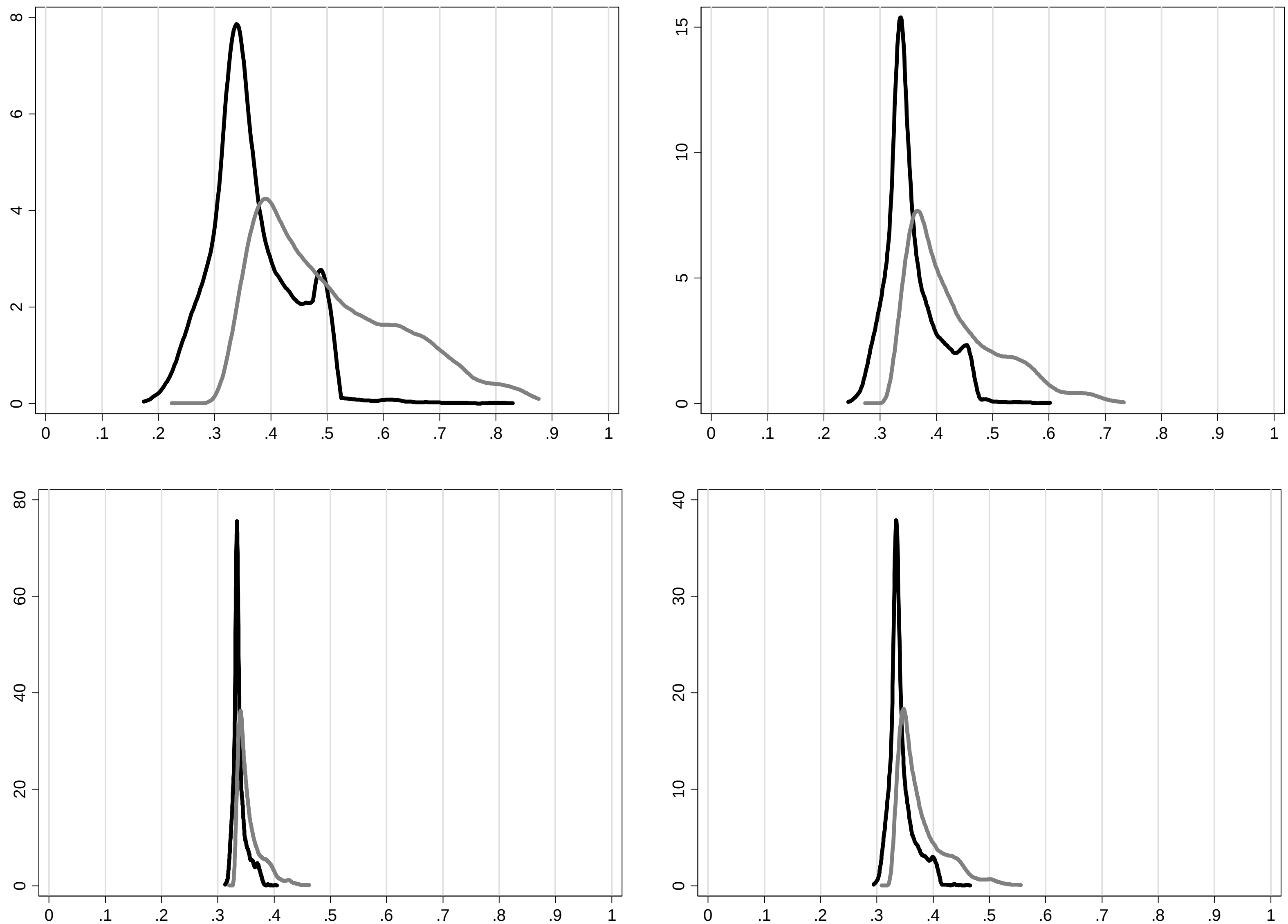
$\underline{\alpha = 0.7}$
(clockwise from top left: ρ = 0.05, 0.1, 0.25, 0.5)



Black: Portfolios where the cheapest security pays off in one of the *ambiguous* states, 1 or 3. **Gray**: Portfolios where the cheapest security pays off in the *unambiguous* state.

$\underline{\alpha = 0.8}$

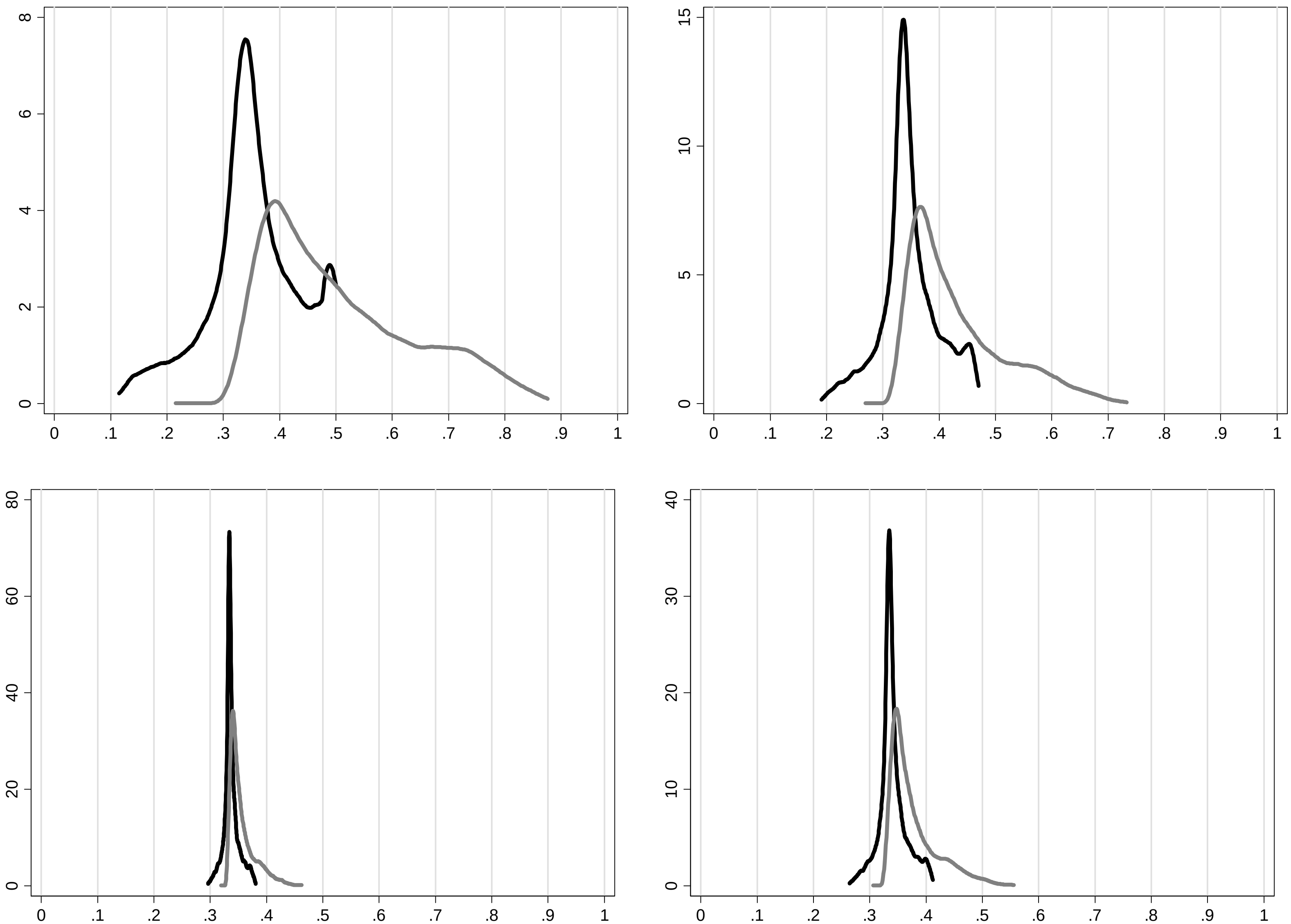
(clockwise from top left: ρ = 0.05, 0.1, 0.25, 0.5)



Black: Portfolios where the cheapest security pays off in one of the *ambiguous* states, 1 or 3. **Gray**: Portfolios where the cheapest security pays off in the *unambiguous* state.

$\underline{\alpha = 0.9}$

(clockwise from top left: ρ = 0.05, 0.1, 0.25, 0.5)

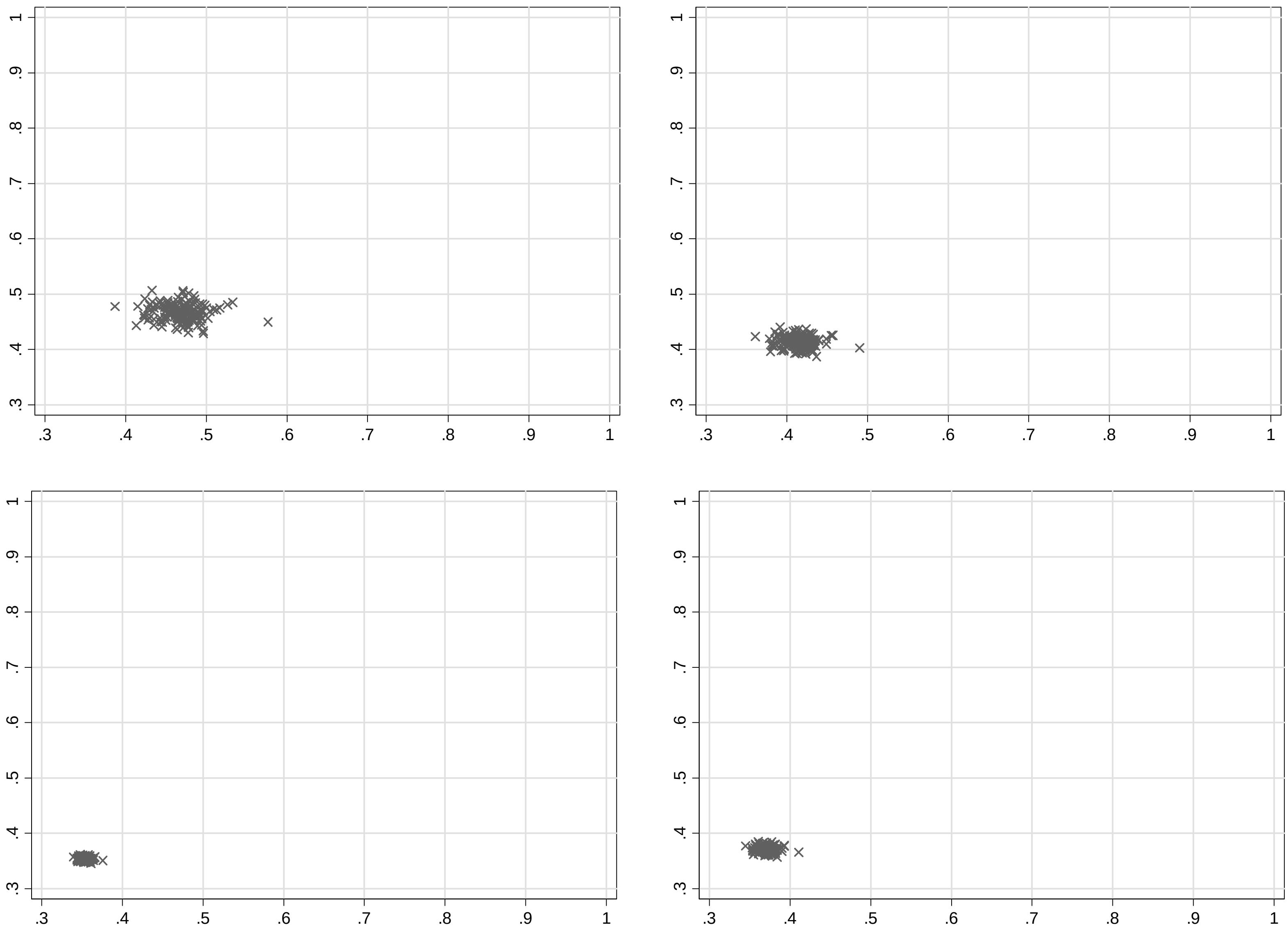


Black: Portfolios where the cheapest security pays off in one of the *ambiguous* states, 1 or 3. **Gray**: Portfolios where the cheapest security pays off in the *unambiguous* state.

B: Scatterplot of the average fraction of tokens allocated to the cheapest security by subject

$\underline{\alpha = 0.5}$

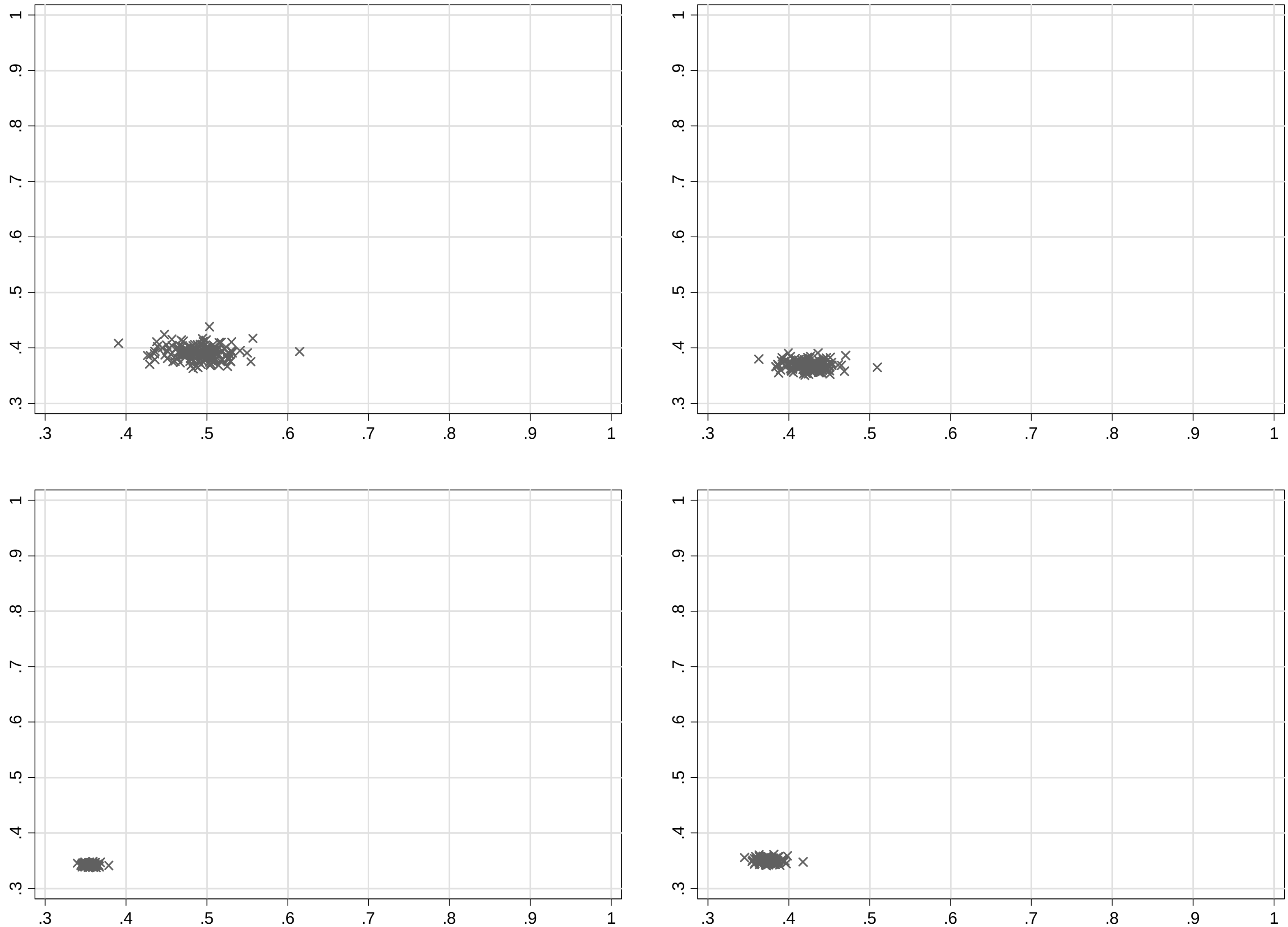
(clockwise from top left: ρ = 0.05, 0.1, 0.25, 0.5)



Vertical axis: The average fraction of tokens allocated to the cheapest security (the security with the lowest price) when it pays off in an *ambiguous* state. **Horizontal axis**: The average fraction of tokens allocated to the cheapest when it pays off in the *unambiguous* state.

$\underline{\alpha = 0.7}$

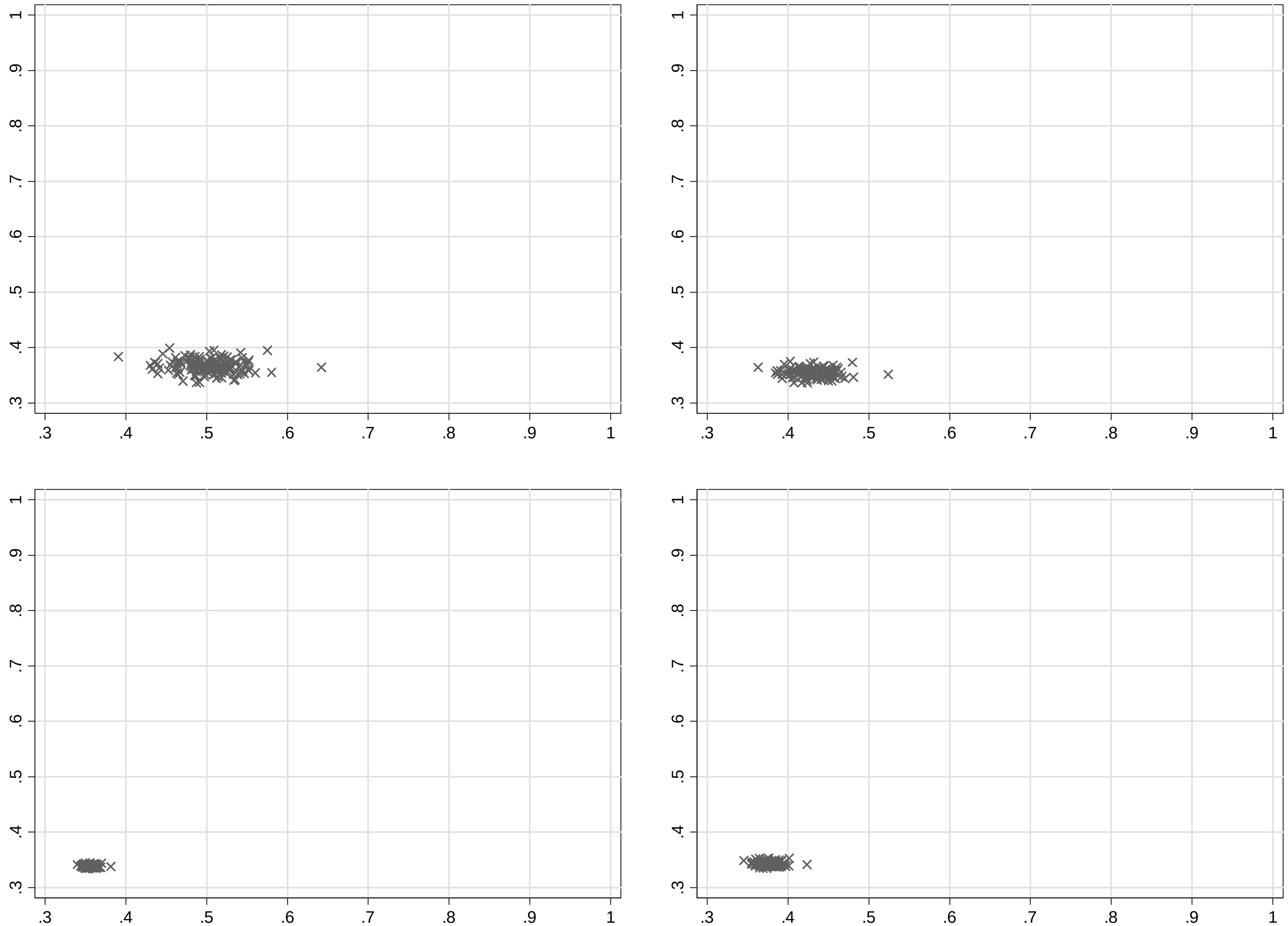
(clockwise from top left: ρ = 0.05, 0.1, 0.25, 0.5)



Vertical axis: The average fraction of tokens allocated to the cheapest security (the security with the lowest price) when it pays off in an *ambiguous* state. **Horizontal axis**: The average fraction of tokens allocated to the cheapest when it pays off in the *unambiguous* state.

$\underline{\alpha = 0.8}$

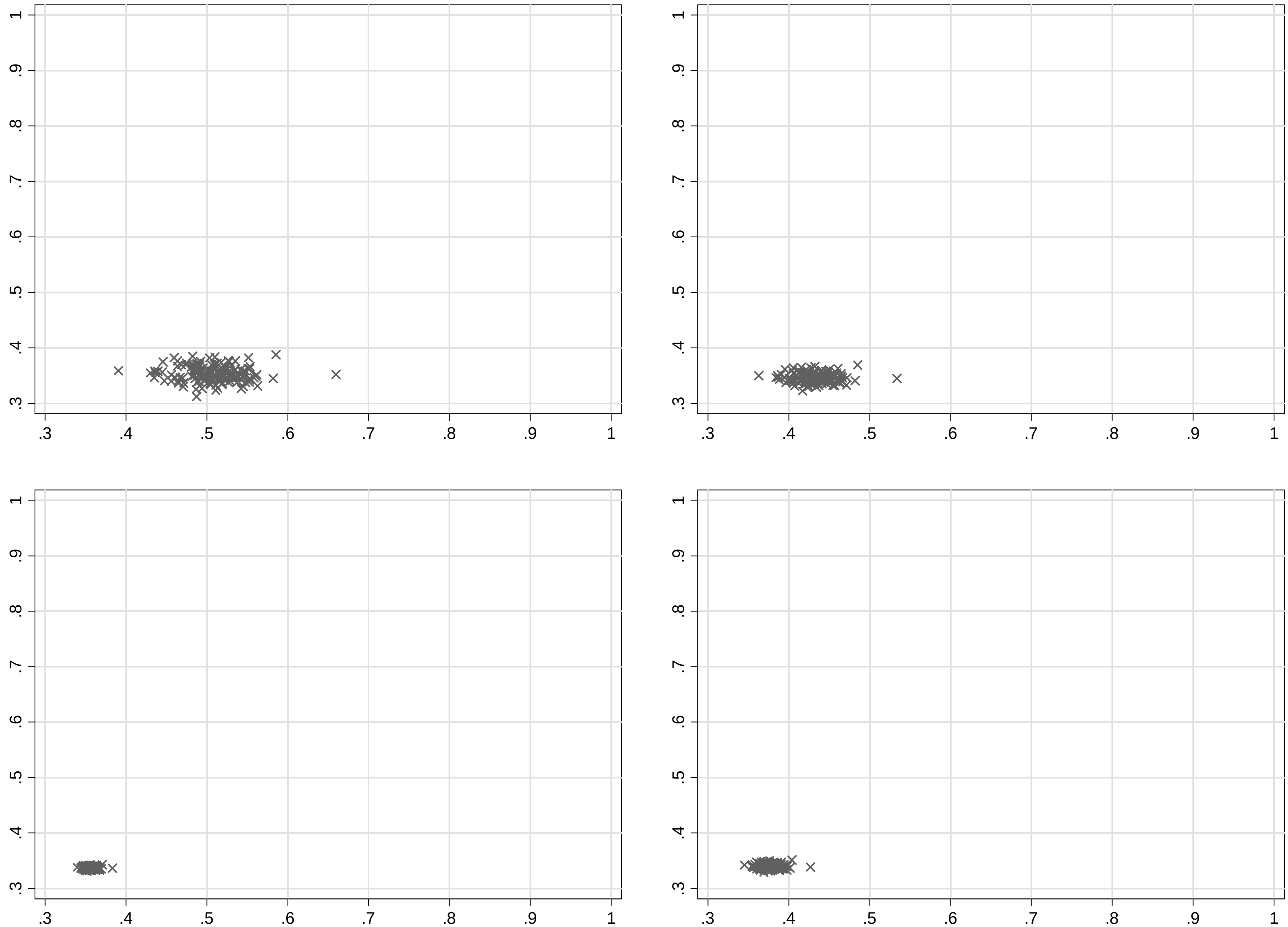
(clockwise from top left: ρ = 0.05, 0.1, 0.25, 0.5)



Vertical axis: The average fraction of tokens allocated to the cheapest security (the security with the lowest price) when it pays off in an *ambiguous* state. **Horizontal axis**: The average fraction of tokens allocated to the cheapest when it pays off in the *unambiguous* state.

$\underline{\alpha = 0.9}$

(clockwise from top left: ρ = 0.05, 0.1, 0.25, 0.5)



Vertical axis: The average fraction of tokens allocated to the cheapest security (the security with the lowest price) when it pays off in an *ambiguous* state. **Horizontal axis**: The average fraction of tokens allocated to the cheapest when it pays off in the *unambiguous* state.