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THE ROLE OF ACTIVIST INVESTING IN TODAY'S FINANCIAL MARKETS

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ABSTRACT

Long term investing has been going on for centuries – from the simplest form, loaning somebody money in order to see a return in the future, to the most complex, advanced investment strategies employed by the asset managers of today. While simple investments are still made today, complex investment strategies have become attractive to those wishing to put their money to work for a long period of time, and see a large financial gain at the end.

Traditionally, asset management strategies have involved buying or selling stock – going long or going short – and hedging away risk using derivatives and other hedging methods. Since the 1980s, several other investment strategies have been used by those trying to find the best possible investment for their money. Naming a few, we find strategies including quantitative investment, investment in foreign exchange, and activist investing. Activist investors, those taking a large stake in a public company by owning its equity, look to encourage asset prices to move in a direction favorable to them so that they may realize a financial return higher than if the stock would have been left alone in the open market, free to move without outside influence.

This paper will examine whether activist stakes in a company truly provide higher returns than traditional strategies.

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Chapter 1

Introduction

This paper will examine the performance of the alternative investment strategy known as activist investing. There are several types of alternative investment vehicles with which investors choose to place capital in order to receive the benefits of a specialized asset allocation, a specific investment strategy, and ultimately a higher return on their investment. While alternative investments is a broad category, much focus from investors as well as regulators and the media has been placed on hedge funds. A hedge fund is an investment vehicle that offers investors protection from unsystematic risk. Fund managers aim to hedge this risk while maintaining high returns for their funds, with returns often exceeding the returns of major indices and more traditional investments such as mutual funds.

Each specific manager has his own style or strategy of investing. Some choose a long-short equities strategy, in which they buy or sell shares and hold for an extended period of time. Others choose quantitative investing, which involves high frequency trading that takes advantage of market volatility. Still, others choose a strategy that gives them more control of the fate of their investment. Activist investing, buying or selling a large stake in a public company in order to win board seats, influence executive decisions, or expose fraudulent activities, allows funds to maintain a level of control over their capital. This strategy has been around for decades, and while the hostile takeovers and corporate raiders of the 1980s have long since disappeared, activists take calculated measures to ensure that their invested capital will produce a strong, positive return – generally, a return higher than the average traditional investment strategy.

By examining data from the past thirty years, and analyzing work done by others, as well as original analysis, this paper aims to prove that activism does indeed lead to a higher return on investment than long-short equity, exchange traded funds, and market indices.

This paper will discuss previous work done on the topic of activist investments in a literature review in Chapter 2. The literature review will include examples of activist investing and its successes in

the past, as well as current activist positions held by hedge funds and examples of how the market has reacted to these positions. It will also examine research done in the past which has compared activism to vanilla investment strategies. In Chapter 3, I will discuss the methodology used to create and conduct the original analysis. Chapter 4 will discuss the results of the original analysis, explicitly showing that activist investing has produced higher returns than traditional strategies over the same period. Finally, Chapter 5 will conclude the paper and further explain the importance of these findings.

This paper will be useful to all investors. Its findings will help guide individual investors with an appetite for controlled risk towards investments that will ultimately provide them with a higher return on their investment. Furthermore, it will show fund managers that an activist stake in a company can drastically increase their returns, making their funds more appealing to potential clients.

Chapter 2

Literature Review

Long term investing has been around for an extensive period of time. From the most simplistic investment strategies of the early industrial era – lending capital towards a project in order to see a return in the future – to direct investment vehicles, stocks and bonds of publically traded companies, rational investors have always looked for a place to put cash to work. During the 1930s and 1940s, the earliest forms of shareholder activism took place. However, modern shareholder activism was not seen until the 1970s, when, as explained by Tony Huynh in his article “A Quick and Dirty History of Shareholder Activism”, shareholders were allowed to make proposals and institutional investors became big players in the markets. Companies were forced to state shareholder proposals on their proxy statements, and institutional investors began taking massively large stakes in companies with the intent to act not only as simple investors, but also as part of the company’s maintenance and growth. This literature review looks at the difference in investment strategy between today’s activist investors and the corporate raiders of the past, including returns earned by investors, advantages of modern activists, the changing landscape of defensive mechanism used by target companies, and the advantage of activist investing compared to traditional long-short equity strategies.

Activist investors take large stakes – generally more than five percent of shares outstanding – in companies that lack corporate governance and have strong potential for a premium return on equity. With these large positions, they hope to win seats on a company’s board of directors in order to entice change. A recent article published by Forbes discusses how

Starboard Value Partners, an activist fund, won twelve board seats during a takeover, aiming to make profound changes to a company's management thereby increasing share price. While this change and market reaction can happen, it is an extremely ideal situation. In his article, "Corporate Raiders, Performance and Governance in Europe", Ettore Croci discusses the share price reaction to corporate takeovers.

In his research, he has found that there is generally a positive market reaction to the first public announcement of activist stake in a company. This is to be expected, as activists take stake in a company to improve how it functions, which will naturally lead to a higher market value. However, his research also shows that these investors seem to make their profits in a relatively short time frame, and when the investment is held for a longer period of time, these initial gains diminish significantly. However, during the first half of 2014, activist hedge funds earned a return of 5.9%, greater than the 3.9% return earned by the rest of the hedge fund community.

Buy side institutions are usually the firms that take activist stakes in companies. As discussed, these activist stakes have historically produced a higher return on investment than passive investing. Recently, regulation has changed to make the possibility of higher returns even greater. In a recent Wall Street Journal article, "Activist Investors Add to Their War Chests", Juliet Chung and David Benoit discuss how assets under management of activist investment firms has grown by nearly ten billion dollars during the first half of 2014. These gains come as activists are now a force to be reckoned with in the US equity market. Once considered corporate raiders, today's activists have been able to secure seats and force change in blue-chip companies such as Microsoft, Proctor & Gamble, and Apple, to name a few.

Activist hedge funds have emerged as the leader in progressive investing and increased return on investment. With large inflows of capital, the actions that these funds may take and the returns that they may offer to investors will only grow. Historically, only wealthy, accredited investors were able to invest in hedge funds. Due to SEC and CFTC regulation, and the nature of a hedge fund as a privately placed investment vehicle with a high level of risk, marketing to the general public was not allowed. Recently, these regulations have changed, and the ban on hedge fund advertising is slowly being lifted. Andrew Ackerman discusses this in his September 2014 Wall Street Journal article. According to Ackerman, the bulk of the hedge fund industry has yet to begin advertising. However, if funds begin advertising, capital inflows will only grow. An activist fund can take full advantage of this not only in terms of raising cash, but also advertising about their positions in particularly popular cases. For example, Bill Ackman of Pershing Square Capital Partners, an activist fund, has recently begun publicizing his view and ideas on several of his holdings, most notably Herbalife. When Ackman spoke publically about Herbalife, the stock moved nearly twenty percent during his three hour presentation. I saw this presentation live and in person, and the pricing power that subsequent presentations like this may have on the equities market is huge.

Aside from having several advantages to companies attacked by corporate raiders, target companies of activist investors are putting up weaker fights than those of the 1980s. Traditionally, targets of raiders or activists have had several defensive mechanisms ready to employ if the case against the corporate governance of the firm grew too strong – the poison pill, golden parachutes, scorched earth strategy, to name a few. Companies today, however, are employing these measures less and less as discussed by Guhan Subramanian in his article “A New Era for Raiders”. Subramanian suggest that some of the antitakeover techniques used in the

past have become less popular and effective. In 2005, over 54% of S&P 1500 companies had poison pills ready to employ. In 2010, less than 28% of these companies had a poison pill strategy in place, and the number of companies ready to use these antitakeover measures has continued to shrink. Furthermore, Section 203 of the corporate code of Delaware, which has kept activists at bay since 1988, could be overturned, which would further reduce antitakeover protection for many US companies. As the landscape for takeover changes in favor of activist investors, the size of their funds and the return they can offer investors should rise.

As the size and scope of activist hedge funds continues to change, it will be interesting to see how they compare to the traditional, long-short equity driven funds that have dominated the alternative investment landscape for decades. In contrast to typical, plain vanilla mutual funds that must follow a strict investment strategy and benchmark, hedge funds have traditionally had the ability to invest using nearly any strategy that they please. The most obvious and popular investment strategy used by hedge funds today is long-short. Using this strategy, funds can buy and own stocks that they think will go up, and sell short stocks that they think will go down. In theory, this provides not only the possibility of higher returns than that of a traditional vanilla fund, but also adds a level of downside protection, or hedging, for the hedge fund itself. However, in their paper “The Risk in Hedge Fund Strategies: Theory and Evidence from Long/Short Equity Hedge Funds”, William Fung and David Hsieh found that less than 20% of long-short equity have significant, persistent, non-factor related returns. They found that many of the hedge funds included in the research did produce strong returns, but it was not as ideal as one would have guessed based on theory. This is interesting, as activist hedge funds as a group outperformed the market by nearly two percent during the first six months of 2014.

As activist investors continue to grow in size, they also continue to grow in power.

“Activist investors have been called raiders, distractions and dissidents. Now, they are getting a new label: ‘Asset Class’”, said Anupreeta Das and Sharon Terlep last year. Activists have been able to hone their techniques and seek bigger corporations, and an industry is growing around them. Investment banks have begun doing advisory work on companies being targeted by activist funds, and big investors have been dumping capital into activist funds. In stark contrast to the old style corporate raiders who were often regarded as self-interested men looking to make a quick profit, today’s style of activism has a stronger emphasis on research, collaboration, and a push for change that make sense long term. According to HFR Inc., which tracks the hedge fund industry, activist funds have performed on average more than three percent better than the industry as a whole over the past four years. Activists are stalking bigger companies, taking bigger stakes, and producing higher returns for their investors than traditional long-short equity funds, as well as their predecessors of the 1980s.

Chapter 3

Methodology

In order to perform an original analysis examining the performance of hedge funds employing an activist investment strategy, it was necessary to collect data from several sources. Sources used to collect monthly performance information for the top 210 activist hedge funds include Lipper's TASS database, Barclay's Commercial Hedge Fund Database, and Hedge Fund Research's database of historical information. The top 210 activist hedge funds were determined by the Investor Research Institute, and the list was procured from their database. This list can be found in Appendix E. However, information on all 210 funds included in the list could not be obtained, so only the funds with accessible information have been included in this study. Historical monthly market return data as well as historical 1-month Treasury bill yields were collected from the Fama and French factors posted on the website of Kenneth French. Only reliable information on the United States financial markets was used in this analysis. All of the data mentioned was placed into and manipulated in various excel spreadsheets. This analysis was extremely reliant on Excel's ability to process data as well as create tables.

The Fama and French Three Factor model was used in the analysis to determine whether or not select activist funds were creating alpha, and therefore beating market returns. This model expands on the capital asset pricing model, also considering the size of a security's market capitalization, and whether or not a security is a value stock or a growth stock. Fama and French concluded that small cap stocks tend to outperform large cap stocks, and that value stocks tend to outperform growth stocks. These assumptions are included in the model using three factors – market return, small minus big, and high minus low as outlined by Fama and French.

Because the specific factors of Fama and French include consideration for size and performance, this analysis selected activist funds based on the same factors – number of activist positions, and top

performance activist funds. By running a regression on this data for the activist funds selected based on this criteria, Excel was able to provide a monthly alpha that this fund had historically generated. Alpha, a measure of performance on a risk adjusted basis, compares the performance and volatility of an investment vehicle and compares it to a benchmark, in this case market return. In order to run this regression, the risk premium of monthly returns for each fund was determined, and a regression was run against the Fama and French three factors. The results of these tests will be discussed in the next chapter, and can be seen in Appendix B and Appendix D.

While alpha is a strong indicator of fund performance, especially regarding hedge funds and mutual funds, there is more that can be examined from the data obtained from the hedge fund databases. We compared historic returns over an extended period of time to that of the open market, benchmark indices, and hedge fund specific indices as well. These results will also be discussed in the following chapter.

Chapter 4

Empirical Results

After careful review of the data used in the original analysis, the consistently superior performance of activist investors to that of the market can be seen in Table 4-1, Table 4-2, and Table 4-3.

Table 4-1 Average Monthly Activists Returns

	Average Monthly Return					Average Monthly Rm-Rf 0.65%
	5.00-2.00%	1.99-1.50%	1.49-1.00%	0.99-0.65%	0.64-0.00%	
# Activist Funds	9	15	33	37	32	

*data used for table can be found in Appendix F

Table 4-2 Most Activist Fund Alphas according to Fama and French Three Factor Model

Alpha of Funds with Most Activist Positions			
Fund No.	Historic Monthly Alpha	Annualized	
24	1.223371345	14.6804561	
202	1.559416402	18.7129968	
154	0.905827265	10.8699272	
179	0.913550482	10.9626058	
84	0.261044718	3.13253661	
189	1.080777866	12.9693344	
147	0.418553599	5.02264319	
158	-1.664798109	-19.977577	

Table 4-3 Top Returning Fund Alphas according to Fama & French Three Factor Model

Alpha of Top % Return Funds		
Fund No.	Historic Monthly Alpha	Annualized
1	10.11894994	121.427399
54	4.833497576	58.0019709
154	0.905827265	10.8699272
9	1.48753142	17.850377
133	2.033524066	24.4022888
180	1.029668988	12.3560279
108	0.509483823	6.11380588
74	2.216635655	26.5996279
132	1.775759426	21.3091131
202	1.559416402	18.7129968

These tables show that funds engaging in activist investing do indeed yield superior performance than that which can be found in the open market. Table 4-1 shows the average monthly return of all activist funds included in the original analysis versus the risk adjusted return of the market. It is important to note that hedge funds generally have very low Sharpe ratios due to managers keeping variance low in order to mitigate risk. It is also important to note that the databases from which the fund return information was drawn provide returns after dividends and fees, ultimately lowering the percentage return used in our study. Therefore, it is appropriate to compare the performance of these funds versus a risk adjusted market return. As can be seen in Table 4-1, only 32 of the 126 funds with available return information did not outperform the market return. Furthermore, it can be seen in the data that these funds often outperformed the market, however instances of large losses in a specific month brought down their overall monthly average return.

While fund return as seen in Table 4-1 is a solid indicator of performance, it is better to compare the performance of investment funds against a benchmark using the factor alpha. In this analysis, the Fama and French three factor model was used to find alpha and examine the performance of the funds included in this analysis. Examining the top eight funds by number of activist positions as seen in Table 4-2, and the top ten funds by average monthly return as seen in Table 4-3, it is evident that these funds have generated an extreme level of positive alpha. An alpha of one represents that an investment fund is

outperforming a specific benchmark by one percent. Nearly all of the funds included in Table 4-2 have alphas greater than one, showing a high level of superior performance as compared to the open market using the three factor model. There is a fund with a negative alpha in the table, and this may be explained by the nature of the data used to calculate alpha.

Due to the nature of hedge fund reporting, fund managers are not required to disclose return information. The return information for Fund 158, SAC Capital Advisors, was only reported during the height of the most recent financial crisis, specifically from 2010 to 2013. Additionally, the fund's manager, Steven A. Cohen, was implicated in a large criminal insider trading scandal during the months for which we have return information, and many investors began pulling their capital from SAC during this time as the fund plead guilty and agreed to pay a \$1.2 billion fine in November of 2013.

In Table 4-3, the alphas of the top ten activist hedge funds based on average monthly return can be found. It is clear in this chart that these funds significantly outperformed the benchmark used in the Fama and French three factor model. All of these funds have positive alphas during the time which return information was reported, and some seem strikingly high. It is possible that the funds with exceedingly high alphas performed incredible well during the time which return information was reported. It is not unheard of for a hedge fund, especially an activist fund, to earn stellar returns during a down period for the rest of the market. Instances like this help to explain why a few of the alphas included in Table 4-3 seem large.

From the results of the analysis, it is clear that activist funds often experience long periods with a return on investment higher, and in some cases significantly higher, than the risk adjust return of the market. Alpha is a leading indicator of fund performance, and the activist funds included in this study have alphas in line with the top of the industry. In future studies, it might be interesting to evaluate these fund's performances based on alpha and beta, which would give us an even deeper understanding of where this excess return comes from. I firmly believe that the increase in return on investment comes directly from the actions of the men and women who manage these funds. By definition, an activist is

heavily involved with the inner workings of a company, and doing all he can in order to improve efficiency and performance of the entity he owns. These funds rely on the ability of their employees to seek out strong investment opportunities, and make the decisions necessary to improve a company, and therefore increase its market value. Although limited diversification could be a risk at these funds, their ability to generate positive alpha by going into the market and forcing change heavily outweighs this risk.

I believe that if examined deeper, results of further analysis would only strengthen by hypothesis that activist investors outperform other types of investment vehicles. Although only 210 were included in this study, there is no formal registration or documentation needed. Therefore, it is likely that there are significantly more activist investors in the market than those who were included in this analysis. I believe if identified and included in this study, the results would strengthen my thesis. I believe that eventually, activists will self-identify. At this time, my research can be expanded upon.

Chapter 5

Conclusion

Long term investing sits at the heart of the world's financial markets, and will continue to do so as long as these markets remain open. All investors look to maximize their return on investment in whatever way possible – proprietary research, investment strategy, even superstitious acts. While all successful investors earn a positive return on their investment, some investors employ strategies that greatly increase their returns. Today, hedge funds are a model for earning high returns on investment using a style specific to each fund manager. Specifically, activist investors have appeared at the forefront of change in our financial world. No longer looked down upon as evil doers looking to ruin a company, activist investing has become an asset class in itself, offering the promise of high returns while going in and making concrete changes to a publically traded entity.

With a large stake in a company comes an increased level of risk, and activist hedge funds make sure that their returns are adjusted upwards due to taking on this increased risk. As seen through careful review of past literature, as well as an original analysis, these funds provide far superior performance than that which one would find in a typical exchange traded fund, index fund, or mutual fund. As the asset class of activist investing continues to broaden and grow, and as the hedge fund industry matures, investors will be able to put their capital to work in vehicles which promise to beat the market, and provide returns higher than they could find elsewhere.

A rational investor places his capital where he can earn the highest return on investment.

While it may be naïve to say that activist investing is the best asset allocation strategy employed by funds today, their continued market outperformance will only help them grow into a larger portion of the investments industry. I believe that based on the results of this study, capital flowing into activist hedge funds will be plentiful, and activists will be in the spotlight, and become leaders in the financial services industry for years to come.

Appendix A

Regression Statistics, Top Funds by Number of Activist Positions

Regression Statistics - Top Funds by # of Activist Positions						
Fund ID	No.	Multiple R	R Square	Adjusted R Square	Standard Error	Observations
	24	0.425413721	0.180976834	0.149874689	4.83633985	83
	202	0.393694933	0.1549957	0.117159687	2.353544479	71
	154	0.719319949	0.51742119	0.4995479	9.489128877	85
	179	0.652067897	0.425192543	0.412029013	3.000179656	135
	84	0.685004907	0.469231722	0.430395019	1.880594978	45
	189	0.571716831	0.326860135	0.306865881	3.04033432	105
	147	0.498664902	0.248666685	0.107791688	0.977412573	20
	158	0.454895491	0.206929907	0.152856946	8.780635558	48

Appendix B

Fama and French Three Factor Model, Top Funds by Number of Activist Positions

Fama & French Three Factor Model - Top Funds by # Activist Positions				
Fund 24				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	1.223371345	0.552980307	2.212323531	0.029832167
Mkt	0.35434934	0.126269579	2.806292237	0.006308363
SmB	0.173356664	0.13097095	1.323626832	0.189444653
HmL	-0.04056152	0.169111121	-0.239851288	0.811066796
Fund 202				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	1.559416402	0.300512734	5.189185769	2.13315E-06
Mkt	0.219154826	0.070310457	3.116959222	0.002691237
SmB	0.14671083	0.068846601	2.130981465	0.036763769
HmL	0.156811558	0.092026206	1.703988073	0.093017411
Fund 154				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.905827265	1.110460589	0.815722119	0.417051375
Mkt	2.073907288	0.303368438	6.836265832	1.3938E-09
SmB	1.412934861	0.384256638	3.677060382	0.000422932
HmL	0.711003467	0.37769038	1.882503514	0.063358298
Fund 179				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.913550482	0.27183754	3.360648724	0.001019166
Mkt	0.566595488	0.067463322	8.398570854	6.46771E-14
SmB	0.377816964	0.073044921	5.172392007	8.44589E-07
HmL	0.290248644	0.092798773	3.127720721	0.002171194

Fund 84				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.261044718	0.28792189	0.906651169	0.369889191
Mkt	0.556907468	0.105534269	5.277029683	4.58201E-06
SmB	0.023494764	0.145936718	0.160992821	0.872889729
HmL	0.41314188	0.168829526	2.44709495	0.018774508
Fund 189				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	1.080777866	0.31491087	3.43201194	0.000869584
Mkt	0.420399317	0.071642031	5.868054161	5.62911E-08
SmB	0.360409081	0.075722394	4.759610197	6.48401E-06
HmL	0.471251669	0.097859076	4.81561535	5.16605E-06
Fund 147				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.418553599	0.289698101	1.444792343	0.167815615
Mkt	0.223018841	0.098288067	2.269032722	0.037453347
SmB	-0.175146979	0.136251874	-1.285464729	0.216925229
HmL	-0.226293257	0.176238687	-1.284015792	0.217419291
Fund 158				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-1.664798109	1.426682967	-1.16690123	0.249535692
Mkt	0.768790132	0.425244788	1.80787667	0.077464374
SmB	0.881360729	0.794087011	1.109904478	0.273069373
HmL	-0.798928082	0.814355248	-0.981055975	0.331928957

Appendix C

Regression Statistics Top Funds by Monthly Return

Regression Statistics - Top Funds by Monthly Return					
Fund ID No.	Multiple R	R Square	Adjusted R Square	Standard Error	Observations
1	0.726501407	0.527804294	0.370405725	5.696791957	13
54	0.346280878	0.119910446	-0.408143286	8.091277681	9
154	0.719319949	0.51742119	0.4995479	9.489128877	85
9	0.521944208	0.272425756	0.252761588	5.812739822	115
133	0.52455993	0.27516312	0.176321728	2.587981918	26
180	0.550648003	0.303213223	0.22579247	31.94814712	31
108	0.589858818	0.347933425	0.250123439	12.84574823	24
202	0.393694933	0.1549957	0.117159687	2.353544479	71
74	0.402522057	0.162024006	0.12661657	4.87160448	75
132	0.16851898	0.028398646	-0.007147744	7.143373965	86

Appendix D

Fama and French Three Factor Model, Top Funds by Monthly Return

Fama & French Three Factor Model - Top Funds by Monthly Return				
Fund 1				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	10.11894994	2.249019606	4.499271557	0.001490509
Mkt	0.420037702	0.445875229	0.942052114	0.37076364
SmB	-2.333104131	0.863497667	-2.701922913	0.024317
HmL	-2.629470378	1.018379451	-2.582014372	0.029598656
Fund 54				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	4.833497576	3.349598009	1.443008255	0.208608104
Mkt	0.433058986	1.549086471	0.279557658	0.791012476
SmB	-0.021421938	2.358951425	-0.009081127	0.9931056
HmL	1.222743642	1.606512319	0.761116879	0.480922032
Fund 154				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.905827265	1.110460589	0.815722119	0.417051375
Mkt	2.073907288	0.303368438	6.836265832	1.3938E-09
SmB	1.412934861	0.384256638	3.677060382	0.000422932
HmL	0.711003467	0.37769038	1.882503514	0.063358298

Fund 9				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	1.48753142	0.56235844	2.645165989	0.009349119
Mkt	0.77334031	0.141638795	5.459946969	2.93912E-07
Smb	0.660205297	0.151722409	4.351402668	3.02004E-05
HmL	0.588975327	0.192192321	3.06451019	0.002737312
Fund 133				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	2.033524066	0.638689721	3.183899785	0.004291724
Mkt	-0.485382118	0.323540465	-1.500220745	0.147772808
Smb	0.757038908	0.286712148	2.640414486	0.014942195
HmL	0.401468297	0.385642372	1.041037827	0.309164115
Fund 180				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	1.029668988	5.861178096	0.175676113	0.861859327
Mkt	-0.150156659	1.125781732	-0.133379904	0.894882107
Smb	-1.45682685	2.498539292	-0.583071419	0.56468401
HmL	-4.851912352	1.947966853	-2.490757142	0.019194158
Fund 108				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.509483823	3.232997174	0.157588701	0.876361066
Mkt	1.31881938	0.58135111	2.268541946	0.034520996
Smb	1.383611267	0.74010929	1.869468856	0.07627131
HmL	1.47103305	0.667735411	2.203017881	0.039484965

Fund 74				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	2.216635655	0.57854788	3.831378059	0.000272421
Mkt	0.015298175	0.170357453	0.089800442	0.928698642
SmB	-0.02668907	0.261855033	-0.101923073	0.919105041
HmL	-1.067787269	0.301642203	-3.539913371	0.000710987
Fund 132				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	1.775759426	0.77420427	2.293657495	0.024369278
Mkt	-0.077422245	0.188068181	-0.411671152	0.68165455
SmB	0.581046397	0.382666555	1.518414375	0.132756245
HmL	-0.004783788	0.32613944	-0.014667922	0.988332741
Fund 202				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	1.559416402	0.300512734	5.189185769	2.13315E-06
Mkt	0.219154826	0.070310457	3.116959222	0.002691237
SmB	0.14671083	0.068846601	2.130981465	0.036763769
HmL	0.156811558	0.092026206	1.703988073	0.093017411

Appendix E

Hedge Funds by Identification Number

Hedge Funds by Identification Number					
ID #	Fund Name	Activist Positions	ID #	Fund Name	Activist Positions
1	Accipiter Capital Management, LLC	5	56	Financial Stocks Capital Partners IV L.P.	1
2	Advisory Research Inc.	1	57	Firebrand Partners	1
3	Akre Capital Management LLC	1	58	Flag Luxury Riv LLC	1
4	Amalgamated Gadget LP	3	59	Flagg Street Capital LLC	1
5	AMG Investments LLC	2	60	Formation Capital, LLC	1
6	AmTrust Capital Management, Inc.(Barry Zyskind)	1	61	Four Leaf Management, LLC	1
7	Ancora Advisors LLC	1	62	Foxhill Capital Partners LLC	1
8	ANS Investments LLC	2	63	Francis Capital Management LLC	1
9	Appaloosa Management LP	2	64	Fursa Alternative Strategies LLC	1
10	Arbor Realty Trust	1	65	Galloway Capital Management LLC	1
11	Asset Managers Int'l, Ltd(Pentagon CM)	1	66	GAMCO Investors	2
12	Atlantic Blue Group, Inc.	1	67	Gemini Partners, Inc.	1
13	Barington Capital Group LP	7	68	Golconda Capital Management, LLC	1
14	Bay Harbour Management LLC	1	69	GoldenTree Asset Management LP	1
15	BBAC LLC	1	70	Greenlight Capital, Inc.	3
16	BlueLine Partners LLC	2	71	Greenwood Investments, Inc.	1
17	Blum Capital Partners LP	1	72	GWA Investments LLC	1
18	Boston Avenue Capital LLC	1	73	Hallmark Financial Services Inc.	1
19	Breeden Capital Management LLC	2	74	Harbinger Capital Partners	7
20	Brencourt Advisors LLC	1	75	Hawkshaw Capital Management, LLC	1
21	Brener International Group LLC	1	76	Hayman Advisors LP	2
22	Bristol Capital Advisors LLC(Bristol Investment Fund Ltd)	1	77	HBK Capital Management	1
23	Broadwood Partners LP	1	78	HealthCor Management LP	4
24	Bulldog Related Entities	28	79	Henry Partners, L.P.	1
25	Burton Capital Management LLC	1	80	Highland Capital Management LP	3
26	Campbell Group LLC	1	81	Hovde Capital Advisors LLC	1
27	Carpe Diem Capital Management LLC	2	82	Hummingbird Management LLC	3
28	Carrousel Capital Ltd.	1	83	IBS Capital LLC	1
29	Catalyst Fund LP	1	84	Icahn Associates Corp.	11
30	Caxton Associates LLC	1	85	Intrinsic Value Asset Management, Inc.	1
31	Centennial Energy Partners LP	1	86	JAM Partners LP	1
32	Chadwick Capital Management LLC(Monarch Activist Partners LP)	1	87	JANA Partners LLC	2
33	Chapman Capital LLC	6	88	Jewelcor Management, Inc.	1
34	Childrens Investment Fund Management (UK) LLP	2	89	JMP Asset Management LLC	1
35	Clarus Capital Group Management LP	1	90	K Capital Management LLC	2
36	Clinton Group, Inc.	4	91	Karpus Investment Management	5
37	Cobalt Capital Management Inc.	1	92	Karsch Capital Management LP	1
38	Coghill Capital Management LLC	2	93	Keefe Managers LLC	1
39	Costa Brava Partnership III LP	3	94	KnightsPoint Partners II, L.P.	1
40	Crescendo Advisors LLC	7	95	Laddcap Value Associates LLC	2
41	Crescent Capital VI LLC	1	96	Lane Five Capital Management LP	1
42	D. E. Shaw & Co., Inc.	4	97	Lawndale Capital Management LLC	4
43	Deephaven Capital Management LLC	1	98	Lawrence Partners LP	1
44	DellaCamera Capital Management LLC	3	99	Laxey Partners (UK) Ltd.	1
45	Diker Management LLC	2	100	Liberation Investment Group LLC	3
46	Discovery Capital Management LLC	2	101	Lion Fund LP	2
47	Dolphin Ltd. Partnership I LP	2	102	Loeb Partners Corp.	2
48	Elkhorn Partners LP	2	103	Luminus Management LLC	2
49	Elliott & Associates, Inc.	3	104	Luther King Capital Management Corp.	1
50	Emancipation Capital	1	105	Magnetar Financial LLC	1
51	Endurance Capital Investors LP	1	106	Marathon Partners LP/Cibelli Capital Management LLC	1
52	Esopus Creek Management	1	107	Mason Capital Partners	1
53	Everest Funds Management LLC	7	108	Mercury Real Estate Advisors LLC	4
54	Fairview Capital Investment Management LLC	1	109	Metropolitan Capital Advisors, Inc.	1
55	Farallon Capital Management LLC	1	110	Midwood Capital Management LLC	2

Hedge Funds by Identification Number					
ID #	Fund Name	Activist Positions	ID #	Fund Name	Activist Positions
111	MMI Investments LP	3	166	Sellers Capital LLC	1
112	MT Trading LLC	1	167	Shamrock Activist Value Fund LLC	12
113	Mustang Capital Advisors LP	1	168	Sherborne Investors Management LP	1
114	Nanes Delorme Partners I LP	1	169	Sherwood Investments	1
115	New Mountain Vantage LP	1	170	SilkRoad Equity LLC	2
116	Newcastle Partners LP	5	171	SKIRITAL Capital LLC	1
117	Nierenberg Investment Management Company, Inc.	3	172	SLS Capital LLC	1
118	North Star Partners	1	173	Sofaer Capital Global Hedge Fund	1
119	Northaven Management, Inc.	1	174	Southpaw Asset Management LP	1
120	Northbrook GH LLC	1	175	Spencer Capital Management, LLC	2
121	NSL Capital Management	1	176	Springhouse Capital LP	1
122	Oaktree Capital Management LLC	1	177	SRB Mangement LP	2
123	Obrem Capital Management LLC	2	178	Stadium Capital Management, LLC	1
124	Obsidian Finance Group LLC	1	179	Steel Partners LLC	12
125	Oliver Press Partners LLC	3	180	Sterling Capital Management LLC	1
126	Orbimed Advisors Inc.	3	181	Stilwell Value LLC	6
127	Osmium Partners LLC	1	182	Strategic Turnaround Equity Partners LP	1
128	OSS Capital Management LP	2	183	Strongbow Capital Ltd.	1
129	Outpoint Capital Management LLC	1	184	Summit Capital Management LLC	1
130	Pacific Coast Investment Partners LLC	1	185	T2 Partners Management LP	1
131	Palisair Capital Partners LP	1	186	The Galleon Group	1
132	Paragon Associates	1	187	Thesis Capital Management LLC	1
133	Pardus Capital Management LP	1	188	Third Avenue Management LLC	1
134	PartnerCommunity Inc.	2	189	Third Point Management Co. LLC	10
135	Pennant Capital Management LLC	2	190	Tinicum Capital Partners	1
136	Pentwater Capital Management	1	191	Trian Fund Management LP	4
137	Pequot Capital Management, Inc.	1	192	Trinad Capital LP	2
138	Pershing Square Capital Management LP	1	193	Trivium Capital Management LLC	1
139	Pinto Technology Ventures LP	1	194	Tudor Investment Corp.	1
140	Pirate Capital LLC	7	195	VA Partners, I LLC	1
141	PL Capital LLC	7	196	Valuevest High Concentration MasterFund, Ltd	1
142	Punch Card Capital LLC	1	197	Vector Capital Management LLC	3
143	Puplava Financial Services, Inc.	1	198	Water Asset Management LLC	1
144	Purchase Associates LP	1	199	Wattles Capital Management LLC	1
145	QVT Financial LP	1	200	Weequahic Partners LLC	1
146	RA Capital Management LLC	1	201	West Creek Capital LP,	1
147	Ramius Capital Group LLC	10	202	Western Investment LLC	13
148	Ravenswood Investment Company LP	1	203	Wexford Capital LLC	1
149	Red Mountain Capital Partners LLC	1	204	Whippoorwill Associates Inc.	1
150	Red Oak Partners LLC	1	205	Wintergreen Advisers LLC	1
151	Red Zone LLC	1	206	Woodbridge Equity Fund LLLP	1
152	Reed, Conner & Birdwell LLC	1	207	Wynnefield Capital Management LLC	6
153	Relational Investors LLC	1	208	Xmark Opportunity Partners	1
154	Riley Investment Management	12	209	Zeff Holding Co. LLC	4
155	RLR Capital Partners	1	210	ZS Crossover II GP	1
156	Roaring Fork Capital L.P.	1			
157	ROCA Real Estate Securities Fund LP	1			
158	S.A.C. Capital Advisors	8			
159	Sandell Asset Management Corp.	6			
160	Santa Monica Partners LP	2			
161	Schultze Asset Management LLC	1			
162	Schwartz Investment Counsel Inc.	1			
163	SCO Capital Partners LLC	1			
164	SCSF Equities LLC	2			
165	Seidman & Associates LLC	3			

Appendix F

Average Monthly Returns of Activists Hedge Funds

ID #	# Positions	Avg Monthly Return	ID #	# Positions	Avg Monthly Return
1	5	5.84615%	98	1	0.57565%
2	1	1.23832%	99	1	0.75400%
3	1	1.48936%	101	2	-0.07409%
7	1	0.24552%	102	2	1.00481%
9	2	2.24365%	106	1	1.22427%
13	7	0.98380%	108	4	2.15542%
14	1	1.78128%	109	1	0.75466%
17	1	1.54067%	110	2	1.04667%
19	2	0.61832%	113	1	1.14000%
20	1	0.68296%	115	1	0.48663%
22	1	1.31184%	116	5	0.80037%
24	28	1.55591%	118	1	1.12357%
26	1	0.76467%	122	1	0.55216%
27	2	0.55618%	126	3	1.90355%
28	1	0.62866%	127	1	0.98800%
29	1	0.94107%	129	1	0.51077%
30	1	1.18713%	132	1	1.98349%
31	1	0.40468%	133	1	2.22385%
32	1	0.93696%	137	1	1.57364%
33	6	-0.06938%	138	1	1.41548%
34	2	1.61355%	140	7	1.89386%
35	1	1.85385%	141	7	0.93229%
36	4	0.86368%	146	1	-0.49683%
37	1	1.19229%	147	10	0.84200%
38	2	1.26237%	148	1	1.62930%
40	7	1.38847%	150	1	0.96536%
41	1	0.21612%	154	12	2.49071%
43	1	0.68946%	155	1	-0.95564%
44	3	0.72100%	156	1	0.29653%
46	2	1.39855%	158	8	-0.36363%
47	2	1.43357%	159	6	0.96000%
49	3	1.01220%	160	2	0.87867%
50	1	0.95992%	161	1	0.63032%
51	1	0.99893%	163	1	0.70803%
53	7	1.16266%	169	1	0.95000%
54	1	5.80667%	171	1	0.99630%
55	1	1.14389%	172	1	0.73181%
58	1	0.73143%	173	1	0.82227%
62	1	0.74298%	174	1	0.61536%
63	1	1.45946%	175	2	1.84861%
64	1	-0.08059%	177	2	0.51284%
65	1	0.34617%	179	12	1.67467%
66	2	1.28425%	180	1	2.16645%
67	1	1.28838%	181	6	1.28473%
68	1	1.01720%	183	1	-1.88618%
69	1	1.10160%	184	1	0.38093%
70	3	1.52973%	185	1	0.62147%
71	1	0.87850%	186	1	0.86911%
74	7	2.03961%	187	1	-1.14500%
76	2	1.97162%	188	1	0.96542%
77	1	1.01267%	189	10	1.90400%
79	1	1.41021%	191	4	0.61439%
80	3	0.34977%	192	2	1.41889%
81	1	0.40392%	193	1	0.59257%
83	3	0.75069%	194	1	0.55313%
84	11	0.82820%	197	3	1.43761%
85	1	1.35667%	198	1	1.11683%
87	2	1.00250%	202	13	2.11056%
89	1	0.82329%	203	1	1.02167%
93	1	1.05183%	204	1	0.32570%
95	2	0.43244%	206	1	0.84708%
96	1	0.85356%	207	6	0.84670%
97	4	0.98776%	208	1	0.81867%

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