10TH ANNUAL HEDGE FUND AND PRIVATE EQUITY RESEARCH CONFERENCE

PARIS, 18-19 JANUARY 2018

Conference venue

Université Paris-Dauphine
House of Finance – Room Raymond Aron
Place du Maréchal de Lattre de Tassigny, 75116 Paris

Organizing committee

Serge Darolles (Université Paris-Dauphine & CREST), René Garcia (Université de Montréal & TSE), Christian Gourieroux (University of Toronto & TSE), Tamara Nefedova (Université Paris-Dauphine)

Scientific committee

Vikas Agarwal (Georgia State University), Charles Cao (Penn State University), Serge Darolles (Université Paris-Dauphine & CREST), René Garcia (Université de Montréal & TSE), Christian Gourieroux (University of Toronto & TSE), Tamara Nefedova (Université Paris-Dauphine), Andrew Patton (Duke University), Ronnie Sadka (Boston College), Melvyn Teo (Singapore Management University).

Partners

HOUSE OF FINANCE
Université Paris-Dauphine

CREST
CENTER FOR RESEARCH
IN ECONOMICS AND STATISTICS

DAUPHINE UNIVERSITÉ PARIS | **DRM** *FINANCE*
UMR CNRS 7088

LABEX Louis Bachelier

ANR
Agence Nationale de la Recherche

ARDIAN

Welcome to the 10th Annual Hedge Fund and Private Equity Research Conference, which presents the latest research papers shaping the future of the asset management industry, from the most renowned academics.

With submissions from 42 universities in 13 countries, the 16 unpublished papers, which will be presented during the conference, were selected following a thorough screening process by a scientific committee of internationally respected academic professors.

Since its inception, this event has become a reference in the field of risk management and alternative investments research, now attracting the most reputable academics working on cutting-edge topics. Over the last 9 years, the "Annual Hedge Fund and Private Equity Research Conference" has thus been a platform for international visibility. Indeed, out of a total of 140 research papers presented across the last 9 events, more than 70 of them have already been published in the most renowned academic publications.

The conference benefits from the financial support of DRM-Finance, the Research Initiative ARDIAN « Private Equity and Venture Capital » under the aegis of the Europlace Institute of Finance, the LABEX Louis Bachelier and the ANR Multirisk (16-CE26-0015-01).

Organizing Commitee

SERGE DAROLLES, UNIVERSITÉ PARIS-DAUPHINE & CREST

Serge Darolles is Professor of Finance at Université Paris-Dauphine where he teaches Financial Econometrics since 2012. Prior to joining Dauphine, he worked for Lyxor between 2000 and 2012, where he developed mathematical models for various investment strategies.
Mr. Darolles specializes in financial econometrics and has written numerous articles which have been published in academic journals. He holds a Ph.D. in Applied Mathematic from the University of Toulouse and a postgraduate degree from ENSAE, Paris.

RENÉ GARCIA, UNIVERSITÉ DE MONTRÉAL & TSE

René Garcia is a professor at Université de Montréal and an associate researcher at Toulouse School of Economics. Formerly, he was a Chair Professor of Finance at EDHEC Business School (France) from 2007 to 2015 and taught at Université de Montréal form 1991 to 2007.
. His recent research focuses on the evaluation of asset pricing models accounting for higher moments, long-run risk asset pricing models, the funding liquidity premium in bonds and equities, and the measurement of tail risk.

CHRISTIAN GOURIEROUX, UNIVERSITY OF TORONTO & TSE

Christian Gouriéroux is a professor of Economics at the University of Toronto and an associate researcher at Toulouse School of Economics director of the Finance-Insurance laboratory at CREST (Center for Research in Economics and Statistics in Paris). His current research interests are in Financial Econometrics, especially in credit risk, term structure of interest rates, longevity, hedge funds and regulation. He has published widely, about 200 articles, in Economics, Econometrics and Finance academic journals.

TAMARA NEFEDOVA, UNIVERSITÉ PARIS-DAUPHINE

Tamara Nefedova is an Assistant Professor of Finance at Université Paris-Dauphine. She holds a PhD in Finance from the Swiss Finance Institute. Tamara's work was presented at major finance conferences like AFA and EFA. Her research was picked up by Reuters and Bloomberg News.
Her research interests are empirical corporate finance and capital markets. She mainly focuses on controversial trading practices and conflicts of interests in mutual fund industry and brokerage business.

Scientific Commitee

Vikas Agarwal
Georgia State University

Charles Cao
Penn State University

Serge Darolles
Université Paris-Dauphine & CREST

René Garcia
Université de Montréal & TSE

Christian Gourieroux
University of Toronto & TSE

Tamara Nefedova
Université Paris-Dauphine

Andrew Patton
Duke University

Ronnie Sadka
Boston College

Melvyn Teo
Singapore Management University

PROGRAM

DAY ONE

8.30 – 9.00	Registration
9.00 – 10.30	Liquidity
10.30 – 11.00	Morning break
11.00 – 12.30	Performance Prediction
12.30 – 14.00	Lunch break & Posters session start
14.00 – 15.30	Performance Evaluation
15.30 – 16.00	Afternoon break
16.00 – 17.30	High Order Moments

DAY TWO

9.00 – 10.30	Private Equity I
10.30 – 11.00	Morning break
11.00 – 12.30	Private Equity II
12.30 – 14.00	Lunch break
14.00 – 15.30	Activism
15.30 – 16.00	Afternoon break
16.00 – 17.30	Flows

DAY ONE

◆ **8.30 – 9.00**   **Registration**

◆ **9.00 – 10.30**   **Liquidity**

Chair: S. Darolles (Université Paris-Dauphine)

◆ **Hedge Fund Liquidity Management**

G. Aragon (SEC and Arizona University)
A. Tolga Ergun (SEC)
M. Getmansky Sherman (SEC and University of Massachusetts-Amherst)
G. Girardi (SEC)

Speaker: M. Getmansky Sherman (SEC and University of Massachusetts-Amherst)
Discussant: J. Joenväärä (University of Oulu)

Using quarterly Form PF filings over 2013-2015, we find that the market illiquidity of a hedge fund's assets is typically lower than the funding illiquidity of its borrowings and investor capital (negative liquidity mismatch). This is particularly true when VIX is low and among funds with less leverage, greater managerial stake and greater assets. Consistent with liquidity management, funds with greater asset illiquidity secure longer-term investor financing, while funds with shorter-term financing from investors and lenders hold more cash and borrowing capacity. Furthermore, funds increase these liquidity buffers in response to and in anticipation of investor outflows and negative returns

◆ **Are Hedge Fund Capacity Constraints Binding? Evidence on Scale and Competition**

C. Cao (Penn State University)
R. Velthuis (Villanova University)

Speaker: R. Velthuis (Villanova University)
Discussant: G. Mero (University of Cergy-Pontoise)

An important question in hedge fund management is whether hedge funds experience decreasing returns to scale, as hedge fund managers often pursue arbitrage opportunities which are limited and short-lived. Extant literature has presented evidence of decreasing returns to scale at the hedge fund level based on OLS regressions. Employing a newly developed, unbiased estimation method based on recursive demeaning, we find no evidence of decreasing returns to scale at the hedge fund level. However, we do find evidence that hedge fund returns are decreasing in industry size. Further tests suggest that inter-hedge fund competition drives this result. Additionally, we examine the evolution of raw managerial skill of hedge funds over time and find that fund performance deteriorates as funds grow older, but this does not take away from the detrimental effects on performance due to the industry becoming more competitive.

10.30 – 11.00   Morning break

11.00 – 12.30   Performance Prediction

Chair: F. Riva (Université Paris-Dauphine)

Hedge Fund Performance Prediction

N. Bollen (Vanderbilt University)
J. Joenväärä (University of Oulu and Imperial College Business School)
M. Kauppila (University of Oulu)

Speaker: N. Bollen (Vanderbilt University)
Discussant: O. Kolokolova (Manchester Business School)

This paper examines the forecasting power of a comprehensive set of hedge fund performance predictors. Ex-post performance is assessed using standard metrics, two utility-based measures, and a novel simulation procedure that permits probabilistic inference. We document the deterioration in performance realized by investors when controlling for biases in reported fund returns and a constraint on the number of hedge funds selected. Several predictors are generally able to identify hedge funds that outperform a passive benchmark over the full sample. None of the predictors, however, can select funds that add value following the market bottom of March 2009.

The Absolute Return Wedge: A New Measure That Predicts Hedge Fund Performance

V. Agarwal (Georgia State University)
S. Ruenzi (University of Mannheim)
F. Weigert (University of St. Gallen)

Speaker: F. Weigert (University of St. Gallen)
Discussant: S. Darolles (Université Paris-Dauphine)

We propose a new measure of hedge fund's activeness. Our activeness measure is a fund firm's absolute return wedge defined as the absolute value of a fund firm's reported return minus its hypothetical portfolio return derived from its disclosed long equity holdings. Fund firms with a high absolute return wedge outperform fund firms with a low absolute return wedge by more than 6% p.a. after accounting for typical risk factors that explain hedge fund performance. We find that the absolute return wedge is positively associated with measures of managerial incentives and discretion. Moreover, fund firms with greater value of long put options and confidential equity positions disclosed with a delay in their regulatory filings show high absolute return wedges. Taken together, these results are consistent with better incentivized hedge fund managers being more active and delivering superior performance.

◆ 12.30 – 14.00 **Lunch break & Posters session start**

◆ 14.00 – 15.30 **Performance Evaluation**

Chair: E. Passari (Université Paris-Dauphine)

◆ **The Fix is In: Properly Backing out Backfill Bias**

Ph. Jorion (University of California at Irvine and PAAMCO)
C. Schwarz (University of California at Irvine)

Speaker: C. Schwarz (University of California at Irvine)
Discussant: C. Gourieroux (University of Toronto and TSE)

Hedge fund researchers have long known about backfill bias, typically correcting for it by truncating a fixed number of returns from the beginning of each fund's return series. However, we document that this practice decreases the percentage of backfilled returns by only 25%. Thus, empirical conclusions using this correction are still biased by backfill, including average performance and performance's relation with size, age, and other fund characteristics. Unfortunately, many databases do not include the listing dates needed to properly control for this bias (now including TASS.) We therefore propose a novel method to infer listing dates when not available.

◆ **Anomaly Time**

B. Bowles (University of North Carolina)
M. Ringgenberg (University of Utah)
A. Reed (University of North Carolina)
J. Thornock (Brigham Young University)

Speaker: A. Reed (University of North Carolina)
Discussant: M. Lambert (HEC Liege)

We test the view that anomaly returns are driven by information. We show that anomaly returns are not distributed throughout the year. Instead, anomaly returns are earned almost exclusively around the release of the accounting information on which the portfolios are rebalanced. We focus on ten accounting-based anomalies that are inherently tied to an information release date and create a dynamic trading strategy that updates based on new information. We show that an information-based portfolio of all ten anomalies outperforms an annual buy-and-hold portfolio by 4% per year. Furthermore, we show that stocks that surprisingly move into the anomaly portfolios drive anomaly returns far more than stocks that are expected to be in the portfolio. Overall, the results support an information-based explanation for anomaly returns and call into question risk-based explanations for anomaly returns.

● **15.30 – 16.00 Afternoon break**

● **16.00 – 17.30 High Order Moments**
Chair: C. Gourieroux (University of Toronto and TSE)

● **Spanning tests for assets with option-like payoffs: the case of hedge funds**

P. Karehnke (University of New South Wales)
F. de Roon (Tilburg University)

Speaker: P. Karehnke (University of New South Wales)
Discussant: R. Garcia (Université de Montreal and TSE)

We draw on the skewness literature to propose regression-based performance evaluation tests designed for investments with option-like returns. These tests deliver conclusions valid for all risk-averse mean-variance-skewness investors and can better account for non-linearities in returns than option-based factor models. Applied to mutual funds and hedge funds, our tests usually suggest selecting different funds than standard tests, and find that a significant fraction, 11%, of hedge funds add value to investors, whereas this is an insignificant 4% for mutual funds. We also analyze the economic significance of these option-like returns, their out-of-sample persistence, and their relation to subsequent fund flows.

● **Nonparametric Assessment of Hedge Fund Performance**

C. Almeida (EPGE/FGV)
K. Ardison (EPGE/FGV)
R. Garcia (Université de Montreal and TSE)

Speaker: K. Ardison (EPGE/FGV)
Discussant: H. Langlois (HEC Paris)

This paper proposes a novel class of non-parametric, discount-based, performance measures that incorporate no-arbitrage pricing restrictions for the benchmark assets as well as naturally embed information about the higher order mixed moments between actively managed portfolios and the benchmarks' returns. We provide a full set of asymptotic results that allow one to test both for the relevance of the benchmarks in the stochastic discount factor (SDF) determination as well as for the statistical significance of the funds' performance. We show theoretically the relationship between the proposed class and two well-known alternatives: the Jensen's Alpha and the Hansen and Jagannathan estimator. Empirically we apply our methodology to a large panel of individual hedge fund returns. Our results reveal sizable differences across performance measures implied by SDFs with different exposures to higher order mixed-moments.

DAY TWO

● **9.00 – 10.30   Private Equity I**

Chair: L. Phalippou (University of Oxford)

Do private equity managers have superior information on public markets?

O. Gredil (Tulane University)

Speaker: O. Gredil (Tulane University)
Discussant: Y. Alperovych (EM Lyon)

This paper investigates whether private equity (PE) fund managers have private information about the valuations of public equities. Using cash flows from 941 buyout and venture funds, I show that PE distribution patterns predict returns in the industries of funds' specialization. An inter-quartile increase in the rate of funds' distributions to investors predicts approximately 6% lower 12-month returns for the S&P 500 sector. My tests distinguish timing skill from reactions to market conditions and spillover effects of PE activity on public firms. Fund managers tend to sell at the industry peaks only when they have performance fees to harvest and foresee public firms' future earnings rather than innovations to the discount rates. When struggle to survive through the current fund, skilled managers (based on the past track record of market timing) are significantly better at extracting the agency benefits of control over the funds' cash flow schedule. The results are robust to exclusion of the extreme market turmoils, help better understand PE fund performance and have strong implications for PE manager/contract selection by PE investors.

Private Equity Funds Styles

W. Goetzmann (Yale School of Management)
E. Gourier (Queen Mary University)
L. Phalippou (Oxford University)

Speaker: E. Gourier (Queen Mary University)
Discussant: E. Jurczenko (EHL)

We identify the different styles of private equity funds inferred from observed cash flows and reported net asset values. We statistically determine the number of styles present in the data and group funds accordingly. We compare our classification to a labour-intensive one made by our data provider. The results give insights on the diversification benefits of the different types of alternative investments. In particular, we can assess whether real assets (infrastructure, natural resources) can be considered to be separate asset classes and thus increase the investment opportunity set of institutional investors.

◆ **10.30 – 11.00 Morning break**

◆ **11.00 – 12.30 Private Equity II**
Chair: T. Nefedova (Université Paris-Dauphine)

Permanent capital, permanent struggle? New evidence from listed private equity

S. Ain Tommar (Université Paris-Dauphine)
S. Darolles (Université Paris-Dauphine)

Speaker: S. Ain Tommar (Université Paris-Dauphine)
Discussant: J. Martin (University of Amsterdam)

Recent years witnessed a slew of private equity IPOs, commonly dubbed listed private equity (LPE). While the terminology is oxymoronic, we document aspects of the still-private nature of LPE and study the important question of their performance. Many data providers built on LPE to proxy for traditional (unlisted) private equity (TPE). While index providers use selected LPEs, we build a representative dataset of the LPE universe and compare their performance to TPE. We also examine whether belonging to indices and having minimum liquidity requirements is linked to performance. Our results suggest that listing decreases performance by 4.9% to 5.8% on average. Within LPE, performance is highly related to the organizational forms of the listed entities and is not individually related to liquidity, trading in the home country exchange or with being part of a LPE index. However, the combination of the three decreases alpha by 5% and suppresses its significance.

Market Defenses Against NAV-timing Pickpockets: Evidence from Open-end Private Real Estate Funds

S. Couts (Ohio State University)

Speaker: S. Couts (Ohio State University)
Discussant: L. Phalippou (University of Oxford)

Theory predicts that open-end funds investing in illiquid assets will have predictable returns and be subject to Net Asset Value (NAV) timing strategies which transfer wealth. I provide evidence that markets defend against NAV-timing wealth transfers by analyzing open-end real estate funds. Real estate returns appear profitably predictable. An unconstrained long-short portfolio based on prior returns generates annualized industry benchmark and three factor alphas of 8.2% and 9.1% respectively from 1978 to 2015. However, because investors pursue attractive returns, queues into and out of these funds are the largest when NAV-timing strategies would be the most profitable. Queue durations into top funds are approximately four quarters on average during expansion periods, and waiting in the queue four quarters reduces industry benchmark and three factor alphas by 65 and 80 respectively. Additionally, queue adjusted NAV-timing alphas are found to be statistically and economically insignificant. This evidence suggests that markets provide a natural mechanism to protect against the NAV-timing wealth transfers that are created from illiquidity exposure.

12.30 – 14.00   Lunch break

14.00 – 15.30   Activism

Chair: E. Arisoy (Université Paris-Dauphine)

Picking Friends Before Picking (Proxy) Fights: How Does Mutual Fund Voting Shape Proxy Contests

A. Brav (Duke University)
W. Jiang (Columbia Business School)
T. Li (University of Florida)

Speaker: T. Li (University of Florida)
Discussant: D. Schmidt (HEC Paris)

This paper studies mutual fund voting in proxy contests using a comprehensive sample of voting records over the period 2008 - 2015, taking into account selective targeting by activists. We find that firm, fund, and event characteristics generate substantial heterogeneity among investors in their support for the dissident, including their reliance on proxy advisors. Notably, active funds are significantly more pro-dissident than passive funds, and we uncover evidence consistent with a large unobserved fund "inherent stance" that cannot be explained by observable fund or event characteristics. In particular, we document a positive correlation between the propensity for targeting by activists and pro-activist voting by investors, both based on the observables and unobservables. This finding suggests that a relatively pro-activist shareholder base is a key factor driving activists' selection of targets.

Skin or Skim? Inside Investment and Hedge Fund Performance

A. Gupta (New York University)
K. Sachdeva (Columbia University)

Speaker: A. Gupta (New York University)
Discussant: C. Sialm (University of Texas at Austin)

Using a comprehensive and survivor bias-free dataset of US hedge funds, we document the role that inside investment plays in managerial compensation and fund performance. We find that funds with greater investment by insiders outperform funds with less "skin in the game" on a factor-adjusted basis, exhibit greater return persistence, and feature lower fund flow-performance sensitivities. These results suggest that managers earn outsize rents by operating trading strategies further from their capacity constraints when managing their own money. Our findings have implications for optimal portfolio allocations of institutional investors and models of delegated asset management.

◆ **15.30 − 16.00 Afternoon break**

◆ **16.00 − 17.30 Flows**

Chair: : R. Garcia (Université de Montreal & TSE)

Hedge Fund Flows and Name Gravitas

C. Tiu (University at Buffalo)
J. Joenväärä (UniversityofOulu)

Speaker: C. Tiu (University at Buffalo)
Discussant: J. Reynolds (Università della Svizzera italiana)

We document that investors allocate more flows to hedge funds whose names exhibit gravitas - defined as a combination of words from geopolitics and economics, or suggesting power. The economic effects are relatively large: averaging across our models, adding one more word with gravitas to the name of the average fund brings more than a quarter million dollars more in annual flows. We also document that having a name with gravitas is associated with abnormal negative performance: high name gravitas funds have lower returns, alphas, Sharpe ratios and manipulation-proof performance measures, higher volatilities and maximum drawdowns as well as higher probabilities of extinction than the funds with lower name gravitas. Although we find evidence that investors learn about the true investment abilities of their funds and respond less to gravitas as they do so, the chasing gravitas behavior survives all these controls.

Correlated Flows, Portfolio Similarity and Mutual Fund Liquidity Management

V. Nanda (University of Texas at Dallas)
K. Wei (University of Texas at Dallas)

Speaker: V. Nanda (University of Texas at Dallas)
Discussant: F. Suntheim (Financial Conduct Authority)

We contend that the confluence of portfolio similarity and correlated liquidity shocks within mutual fund styles can exacerbate fund exposure to liquidity risk. We find that mutual funds mitigate such liquidity risk exposure by systematically reducing portfolio overlap with peer funds when their flows become more correlated (*Overlap Management*). *Overlap Management* is highly persistent and is more pronounced among funds with liquidity concerns. Funds engaging in overlap management tend to avoid stocks that are more vulnerable to flow-driven trading when facing correlated flows. As a result, this type of liquidity management independently contributes to higher fund performance after controlling for the direct relation between portfolio overlap and fund performance. The benefit of *Overlap Management* is therefore distinct from that of strategy uniqueness as studied in prior literature. An examination of the channel through which *Overlap Management* contributes to fund performance suggests that overlap management effectively alleviates the negative feedback effect of outflows on future performance.

SPEAKERS

Mila Getmansky Sherman
University of Massachusetts

Professor Mila Getmansky Sherman is an Associate Professor of Finance at the Isenberg School of Management at UMass Amherst. Professor Mila Getmansky Sherman's research specializes in empirical asset pricing, hedge funds, performance of investment trading strategies, financial institutions, systemic risk, and system dynamics. She received a B.S. degree in Chemical Engineering and Minor in Economics from MIT and a Ph.D. degree in Management from the MIT Sloan School of Management. Prior to current position at UMass Amherst, she was a post-doctoral fellow at the MIT Lab for Financial Engineering before joining UMass Amherst. Professor Getmansky Sherman is an associate director of the Center for International Securities and Derivatives Markets (CISDM) at UMass Amherst.

Raisa Velthuis
Villanova University

Raisa Velthuis is an Assistant Professor of Finance at Villanova University. She earned her Ph.D. in Finance from Penn State University, and received an M.B.A. in Finance from the University of Rochester and a Master's degree in Econometrics from Erasmus University. Her research interests include empirical asset pricing and financial institutions, in particular hedge funds and mutual funds.

Nicolas Bollen joined Vanderbilt in 2001 as an assistant professor. He was awarded tenure and promoted to associate professor in the spring of 2005. In 2010 he was promoted to full professor. Professor Bollen teaches investments-related coursework in several graduate programs at Vanderbilt's business school, where he also serves as Faculty Director of the Master of Science in Finance (MSF) program. Professor Bollen has published over 25 scholarly articles, including many in the premier academic finance journals. He is best known for his extensive research on hedge funds. Current work includes (1) a study of the financial advisor/client relationship and (2) a study of performance prediction in the hedge fund industry. Professor Bollen earned an MBA and PhD in Finance from Duke University, and a BA in Physics and Economics from Cornell University.

Nicolas P.B. Bollen
Vanderbilt University

Florian Weigert is an assistant professor at the School of Finance of the University of St. Gallen (Switzerland). He received his Ph.D. in Finance from the University of Mannheim (Germany) in summer 2013 and was a visiting scholar at the University of Texas at Austin, Georgia State University, and Georgetown University. Florian's research focuses on the analysis of hedge funds and mutual funds as well as on empirical asset pricing and behavioral finance topics. He published his work, among others, in the Journal of Financial Economics, the Journal of Financial & Quantitative Analysis, and the Review of Finance. Florian is executive director of the Master's of Banking and Finance (MBF) programme at the University of St. Gallen.

Florian Weigert
University of St. Gallen

Christopher Schwarz is an Associate Professor of Finance at the UCI Paul Merage School of Business and a Faculty Director of the Center for Investment and Wealth Management. His research interests include the management, disclosure, and operational risk of the investment fund industry and the impact of manager incentives and structure on investment fund performance. His research has been published in such leading academic journals as the Journal of Finance, Journal of Financial Economics, Review of Financial Studies, and the Journal of Financial and Quantitative Analysis and included in testimony before the U.S. Congress House Financial Services Committee.

Christopher G. Schwarz
University of California at Irvine

Adam Reed is Professor of Finance and Julian Price Distinguished Scholar at The University of North Carolina's Kenan-Flagler Business School.

He researches short selling, equity lending, capital markets and mutual funds. The Journal of Finance, The Journal of Financial Economics and the Review of Financial Studies have published his research, which also has been featured in several books. He serves as an Associate Editor of Management Science. The Wall Street Journal, Bloomberg and The New York Times have cited his research.

Dr. Reed has worked with the Risk Management Association (RMA) to promote academic research and interaction between academics, practitioners and policy makers in the area of short selling. He started the annual UNC/RMA Academic Forum on Securities Lending, which bought together academics and industry professionals to discuss early stage research in securities lending and securities lending.

He received his PhD and master's degree in finance from the Wharton School of the University of Pennsylvania and his BA in applied mathematics and economics with honors from the University of California at Berkeley.

Adam Reed
Federal Reserve Board

Paul Karehnke is a Senior Lecturer in the School of Banking and Finance at the University of New South Wales in Sydney, Australia. His research is in asset pricing and investments, and his work has been published in Management Science and the Review of Finance. He holds a joint PhD from Université Paris-Dauphine and Tilburg University.

Paul Karehnke
University of New South Wales

Kym Ardison is an economics Ph.D. candidate at Fundação Getúlio Vargas (FGV - EPGE). Kym's current research agenda focuses on generalized minimum contrast estimators applied to hedge fund performance measurement. He graduated from FUCAPE, with a B.A. in Economics and attended FGV - EPGE Economics masters program. During his Ph.D. Kym was a visiting researcher at Kellogg School of Management, at Northwestern University.

Kym Ardison
EPGE - FGV

Oleg Gredil is an Assistant Professor of Finance at Tulane University's A.B. Freeman School of Business and a Research Fellow with the Private Equity Research Consortium. He received his PhD in Finance and MBA from Kenan-Flagler Business School of the University of North Carolina at Chapel Hill. Oleg conducts research on financial intermediaries with a primary focus on Private Equity and Hedge funds. His papers has been accepted for publications at the Journal of Financial Economics, solicited for publication by the Review of Finance, and mentioned in NBER Digest, Wall Street Journal, Private Equity Findings, and London Business School Roundtable on Private Equity fundraising. He also has presented at the major academic conferences such as the annual meetings of American Finance Association, Financial Intermediation Research Society, and Financial Management Association

Oleg Gredil
Tulane University

I am a Lecturer (Assistant Professor) in Finance at Queen Mary University of London, and a Research Affiliate in Financial Economics at the CEPR (Centre for Economic Policy Research). My research interests include theoretical and empirical asset pricing. My early papers focus on understanding the dynamic features of equity return volatility and the associated risk premia. This work addresses questions such as: How can an investor trade volatility? What economic benefits do they gain? How does the compensation required for volatility risk vary as a function of the investment horizon? I am currently investigating a very different but parallel market: the one of private equity funds. Little has been written on the dynamic properties of returns and on the risk profile of these funds. We address the following questions: What are the stylized facts of private equity returns? Which types of private equity funds bring diversification benefits to investors? What determines the alpha of private equity?

Before joining Queen Mary University of London, I worked as a postdoctoral fellow at Princeton University. I received my PhD from the Swiss Finance Institute at the University of Zurich.

Elise Gourier
Queen Mary University

Sara Ain Tommar is a PhD candidate in Finance at Université Paris Dauphine. Her research interests include empirical corporate finance with a focus on private equity. She previously held various positions in corporate and investment banking institutions in different countries, where she participated in Private Equity Fund structuring, mergers & acquisitions and corporate financing. She also holds consulting roles as VP for Aperios Partners, an Investment Banking Boutique that develops capital across Frontier & Emerging Markets.

Sara Ain Tommar
Université Paris Dauphine

Spencer Couts is a Ph.D. candidate in Finance at The Ohio State University. His research focuses on asset management, alternative investments, and real estate. He holds master's degrees in Business Administration and Real Estate Development from the University of Southern California and a master's degree in Finance from Purdue University. He earned his B.S. degree in Engineering from Purdue University. Spencer worked in real estate investment and development prior to pursuing his Ph.D.

Spencer Couts
Ohio State University

Tao Li
University of Florida

Tao Li is an Assistant Professor of Finance at the University of Florida. He was previously an Assistant Professor at the University of Warwick. Prior to joining academia, Tao was a consultant at Deutsche Bank in New York, advising pension funds and other institutional investors on alternative investment strategies. Tao's research focuses on corporate finance, corporate governance, and investments. His recent work studies how shareholder activism affects M&A deal performance, as well as the information content of hedge fund trading. His research has been mentioned in several media outlets, including New York Times and Financial Times. Tao has a PhD in Economics and a Master's in Statistics, both from Columbia University. He also holds graduate and undergraduate degrees in Architecture.

Arpit Gupta
New York University

Arpit Gupta joined New York University Stern School of Business as an Assistant Professor of Finance in September 2016.

Professor Gupta's research interests focus on using large datasets to understand default and performance dynamics in household finance, real estate and corporate finance. Recent papers examine the role for foreclosure contagion in mortgage markets and estimate the impact of adverse health events on foreclosures and bankruptcies. Other research investigates the role of managerial capital stakes on hedge fund performance. He is the recipient of the 2016 Top Finance Graduate Award at Copenhagen Business School.

He received his B.S. in Mathematics and Economics at the University of Chicago and his Ph.D. in Finance and Economics from Columbia Business School.

Cristian Tiu
University at Buffalo

Cristian Tiu is the Chair of the Department of Finance and an Associate Professor of Finance at University at Buffalo. He is also the current Academic Director of the MBA program at the University at Buffalo. Cristian is interested in determinants of performance for non-standard institutional investors such as university endowment funds and hedge funds.

He published in outlets such as the Review of Financial Studies, Mathematical Finance or the Journal of Investment Management and presented his work at venues such as the American Finance Association or the Western Finance Association meetings, or at practitioner events such as the Global ARC. He is an associate editor of the Asia-Pacific Journal of Financial Studies, a member of the Investment Committee of the University at Buffalo Foundation, an $800+ million university endowment, and an academic adviser to GersteinFisher, a New York investment company.

Cristian is an expert in endowment management, including aspects related to governance, compensation, integration with the university as well as investments, and consulted for a variety of dedicated organizations such as UTIMCO, Perella Weinberg or TIAA.

Cristian is a member of the American Finance Association, the Western Finance Association, the Association of Governing Boards of Universities and Colleges and a TIAA Institute Fellow.

Vikram Nanda
University of Texas at Dallas

Dr. Vikram Nanda joined the Jindal School of Management at UT Dallas in 2015. He previously held academic positions at Rutgers University, Georgia Tech, Arizona State University, The University of Michigan and The University of Southern California.

Nanda has broad research interests with a focus on corporate finance and financial institutions. His work seeks to explain the attributes and performance of financial institutions. "I have an enduring faith in the role of well-functioning markets to allocate capital to its most productive use and, thereby, contribute to economic growth and development," he said. "However, markets don't function in the abstract; they need a strong legal system to ensure property rights and transparency."

Nanda's early work was on securities trading and external equity financing. He later worked on topics including financial innovation, distortions of incentive contracting, decision quality of powerful managers and the value and strategies of organizational forms, such as business groups and conglomerates.

His more recent research focused on financial institutions such as banks, mutual and hedge funds, and venture capital. He currently is working in behavioral finance to understand managerial "over-confidence" and its implications for incentive contracting, financing, shareholder lawsuits and the mitigating effect of rules. Other current research interests include information disclosure, trade secret laws and corruption.

Nanda has regularly served on the program committees for meetings of the Western Finance Association, the European Finance Association and the Financial Intermediation Research Society. He formerly served as associate editor for the Journal of Financial Research and for Financial Letters.

POSTERS SESSIONS

Julia Reynolds is a post-doctoral researcher at the Università della Svizzera italiana (USI) in Lugano, Switzerland. Prior to joining USI, Julia obtained a PhD in finance from the Vienna Graduate School of Finance (VGSF) in 2017 and an MBA from Webster University in 2012. Her research interests lie in the fields of market microstructure, financial markets, and institutional investors. In particular, she is interested in market reactions to the trading activities of hedge funds.

Julia Reynolds
Institute of Finance, Università della Svizzera italiana

Thomas Matthys is a PhD candidate in Finance at Ghent University – Vlerick Business School in Belgium. His research focuses on Banking and Financial Institutions, Corporate Finance, and Hedge Fund Activism, with a specialization in financial intermediation. He was a visiting PhD at Georgetown University – McDonough School of Business in Washington, DC, and a visiting fellow at the European Commission's Joint Research Centre in Italy. Prior to his PhD, he worked as a research associate with a large, international consulting firm. He obtained a master's degree in Banking and Finance, and a master's degree in Economics at Ghent University, Belgium.

Thomas Matthys
Vlerick Business School

Ellen, Yazhou He is a research fellow with Centre for Corporate Reputation in Saïd Business School, Oxford University. She completed her PhD in Finance at Warwick Business School in 2017. In 2016 she was a visiting scholar at NYU Stern School of Business. Ellen's PhD thesis focused on hedge fund activism: the institutional background of target selection and how social relationships among institutional investors benefit hedge fund activists. Ellen is interested in the role of institutional shareholders on corporate governance and other general issues of a firm. Ellen also has an interest in exploring how regulation and disclosure can promote environmentally friendly investments. Ellen has presented her work at FMA, EFA, and various international conferences during her PhD studies.

Ellen Yazhou He
Warwick Business School

Xi Dong is an Assistant Professor of Finance at Baruch College, City University of New York. He received his Ph.D. in Finance from Boston College, and MA in Economics from the Ohio State University. He was an Assistant Professor of Finance at INSEAD. He currently conducts research in the area of Empirical Asset Pricing, Information Economics, and Institutional Investors. His work has been published, for example, in Management Science, and presented at major conferences such as AFA, AEA, FIRS, and INFORMS.

Xi Dong
Baruch College/City University of New York

Anmar is a Lecturer in Econometrics and Applied Mathematics at the University Paris-Dauphine and the IAE Gustave Eiffel. He holds a Ph.D Thesis in Management Sciences from the University Paris-Dauphine (2017). Anmar had been a Quantitative Researcher within Natixis Investment Managers for 3 years, dedicated to volatility arbitrage. He presented papers in peer-reviewed international conferences, including the Xth Annual Conference of the Society for Financial Econometrics, and the 2017 Econometric Society European Winter Meeting. He is also an Editorial Board member of Journal of Business, Accounting, and Finance Perspectives, a new academic journal sponsored by Thomson Reuters, where he published his first paper. His second paper about implied volatility smile modeling won in 2017 the Best Doctoral Paper Award at the XXIVth Annual Conference of the Multinational Finance Society. His domain of expertise covers among others, volatility modeling, options pricing, and alternative risk premia.

Anmar Al Wakil
Université Paris-Dauphine

Boris Fays is a PhD Candidate in Finance at HEC Liège, University of Liège with a research focus on financial markets, market anomalies, and particularly on the evaluation of both active and passive investment vehicles (Hedge Funds and Smart Beta ETFs). The first thematic of Boris' doctoral research is conducted on the evolution of Smart Beta ETFs within the investment industry. Together with his co-authors, Boris reconstruct proxies for the tangent market portfolio with Smart Beta strategies based on innovative characteristic-portfolios (style investing). In this research, the authors show that the methodology used to group stock in investment style portfolios has significant implications on the performance of Smart Beta strategies. The second thematic aims to shed new lights on Hedge Funds industry managers who claim to time the market and common factors. In this research, the authors measure the performance of the managers' market timing skills by correcting their performance with passive option-based strategies. The research aims at demonstrating the potential bias and/or outperformance brought by some risk factor models that attribute skills to Hedge Funds manager.

Boris Fays
University of Liège

POSTERS SESSIONS

In for the Long Haul: Activist Hedge Funds and Fragility Risk

J. Reynolds (Institute of Finance Università della Svizzera italiana)

This paper explores the idea that investors ex ante price the risk that large firesales by liquidity-shocked blockholders will trigger negative price impacts, referred to as "fragility risk", and argues that fragility risk should be lower for institutional blockholders who can credibly signal superior long-term liquidity management. This mitigation of risk can subsequently generate substantial abnormal returns. Especially considered are block acquisitions by activist hedge funds, who are unique in terms of long lock-up and redemption notification periods. A hand-collected dataset reveals comparatively higher cumulative abnormal returns following activist hedge fund block acquisitions. A difference-in-differences analysis shows that block ownership by activist hedge funds insulates stocks against a drop in returns following a positive shock to fragility risk.

Targeted by an Activist Hedge Fund, Do the Lenders Care?

S. Dahiya (Georgetown University)
I. Hallak (European Commission Joint Research Centre)
T. Matthys (Vlerick Business School)

Do banks worry about expropriation when an activist hedge fund targets their borrowers or are they reassured that their borrowers will perform better post such targeting? We study 1,600 events during the 1996-2013 period in which an activist targeted a US corporation to examine what happens to loan contract terms post-targeting. We find that banks charge a higher interest rate for loans made after the activist involvement. However, banks appear to take into account the past record of the activist. For hedge funds with a history of frequent targeting, the banks charge lower spreads when these investors target their borrowers. These findings suggest that banks adjust their loan pricing to reflect the likely operational improvements that frequent activists make in their targets.

Dissatisfied Investors and Hedge Fund Activism

E. He (Warwick Business School)

This paper utilizes a rich literature on institutional investors' governance roles and develops simple measures of institutional discontent expressed through holding, trading and voice channels to predict hedge fund activism target selection. Discontent expressed through all three channels leads to subsequent targeting. Medium sized dissatisfied owners and sellers seem to be the main driving force and institutions' discretionary disagreement on management compensation and governance related proposals have the highest explanatory power. Activists are more likely to gain higher announcement returns and threaten to take hostile actions against management with more discontent institutional investors in the target companies. Discontent institutions are more likely to vote pro-activist in the annual meetings proceeding campaigns.

FOMC Annoucement and Asset Bubbles

X. Dong (City University of New York)
J. Sheng (University of British Columbia)

We conduct the first study on the effects of FOMC announcements on relatively mispriced stocks – bubbles in the cross-section. Utilizing short interest and 105 anomalies information to proxy for relative overpricing, we find that overpriced stocks earn significantly higher short-run returns than other stocks on/after announcement days. The 3-day announcement return difference between them and other stocks amounts to over 18% annually, or the 3-day effects from 8 announcements a year represent 24% to 57% of the equity premium. This return reverses in the long term. We find evidence supporting two effects of the Fed on overpricing. First, short squeeze in highly shorted stocks increases on FOMC days as the Fed tends to introduce unexpectedly positive surprises (the so-called Greenspan put). Second, short constraints (short supply and costs) increases, consistent with that the Fed exacerbates difference-of-opinions through announcements, despite its efforts to avoid it. Jointly, these forces impede arbitrageurs to short sell overpriced stocks.

Do Hedge Funds Hedge? New Evidence from Tail Risk Premia Embedded in Options

A. Al Wakil (Université Paris-Dauphine)
S. Darolles (Université Paris-Dauphine)

This paper deciphers tail risk in hedge funds from option-based dynamic trading strategies. It demonstrates multiple and tradable tail risk premia strategies as measured by pricing discrepancies between real-world and risk-neutral distributions are instrumental determinants in hedge fund performance, in both time-series and cross-section. After controlling for Fung-Hsieh factors, a positive one-standard deviation shock to volatility risk premia is associated with a substantial decline in aggregate hedge fund returns of 25.2% annually. The results particularly evidence hedge funds that significantly load on volatility (kurtosis) risk premia subsequently outperform low-beta funds by nearly 11.7% (8.6%) per year. This finding suggests to what extent hedge fund alpha arises actually from selling crash insurance strategies. Hence, this paper paves the way for reverse engineering the performance of sophisticated hedge funds by replicating implied risk premia strategies.

Benchmarking the Market Timing Skills of Hedge Funds: An Adjustment from Option Greeks

B. Fays (University of Liège)
G. Hübner (University of Liège & University of Maastricht)
M. Lambert (University of Liège)

This paper shed new lights on hedge fund industry managers who claim to time the market. We measure the performance of the managers' market timing skills with a correction of the alpha from the Treynor and Mazuy model with the cost of a passive replicating strategy using the "greeks" of call options. Controlling for the convexity in hedge funds' payoffs returns leaves positive (negative) market timers with positive (negative) performance. We compare this model to other standard linear and nonlinear factor models. The paper contributes to provide an alpha correction for multifactor models and analyze the convex nature of trades in hedge funds.

Notes

HOUSE OF FINANCE

Université Paris-Dauphine

The House of Finance is a key component of the university's strategic drive to foster and strengthen a collaborative ecosystem in the field of Finance, that engages both the academic and corporate communities.

The House of Finance is both a driver and catalyst, bringing together over 30 degree programs, 110 faculty and research fellows, 8 academic and research chairs and initiatives in several fields such as insurance, private equity, climate economics, etc.

The House of Finance fosters collaborative dynamics; it is a space within which researchers and finance professionals can work together on subjects of common interest.That makes it a unique ecosystem built on partnerships born of trust and recognition for the quality of our academic programs and the excellence, relevance and applicability of our research programs. It is a veritable driver for developing stronger partnerships with the corporate community and increased international cooperation thanks to a wide range of collaborative opportunities and innovative, flexible services - all of which contribute to Dauphine's academic excellence.

Our ambition is to contribute to develop responsible and sustainable finance; unite faculty, researchers, students and the financial community in a collaborative ecosystem where they can work together on cross-disciplinary subjects of common concern, develop robust partnerships with the financial community and strengthen Dauphine's position as one of the world's leading universities in Finance.

Contact

contact.housefinance@dauphine.fr
www.housefinance.dauphine.fr

Place du Maréchal de Lattre de Tassigny
75 775 Paris Cedex 1