



# 11<sup>TH</sup> ANNUAL HEDGE FUND AND PRIVATE EQUITY RESEARCH CONFERENCE

PARIS, 17-18 JANUARY 2019

## **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), Adam Reed (UNC Chapel Hill), Ronnie Sadka (Boston College), Melvyn Teo (Singapore Management University).

## Partners

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





Welcome to the 11th Annual Hedge Fund and Private Equity Research Conference, which presents the latest research papers from the most renowned academics shaping the future of the asset management industry.

With submissions from 63 universities in 20 countries, the 17 unpublished papers to be presented during the conference were selected following a thorough screening process by a scientific committee of internationally respected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, attracting the most reputable academics working on cutting-edge topics. Over the last 11 years, the "Annual Hedge Fund and Private Equity Research Conference" has become a platform for international visibility. Out of 160 research papers presented across the last 10 events, almost half of them is published in the most renowned academic journals, 20% of them are published in the top three finance journals.

The conference benefits from 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 Committee

### 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. Professor Darolles specializes in financial econometrics and has written numerous articles which have been published in academic journals. He holds a Ph.D. in Applied Mathematics 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 from 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 Committee

### Vikas Agarwal

Georgia State University

### Charles Cao

Penn State University

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Université Paris-Dauphine & CREST

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### Christian Gouriéroux

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### Tamara Nefedova

Université Paris-Dauphine

### Andrew Patton

Duke University

### Adam Reed

UNC Chapel Hill

### Ronnie Sadka

Boston College

### Melvyn Teo

Singapore Management University

## PROGRAM

### DAY ONE

**8.30 – 9.00**  
**REGISTRATION**

**9.10 – 10.30**  
**SESSION 1:**  
**PERFORMANCE**

**10.30 – 11.10**  
**MORNING**  
**BREAK**

**11.00 – 12.30**  
**SESSION 2:**  
**FINANCIAL**  
**INTERMEDIARIES**

**12.30 – 14.00**  
**LUNCH BREAK**

**14.00 – 15.30**  
**SESSION 3:**  
**ANOMALIES**

**15.30 – 16.00**  
**AFTERNOON**  
**BREAK**

**16.00 – 17.30**  
**SESSION 4:**  
**NETWORKS**

**DAY TWO**

**9.00 – 10.30  
SESSION 5:  
PRIVATE EQUITY I**

**10.30 – 11.00  
MORNING  
BREAK**

**11.00 – 13.15  
SESSION 6:  
PRIVATE EQUITY  
II**

**13.15 – 14.00  
LUNCH BREAK**

**14.00 – 15.30  
SESSION 7:  
INVESTORS**

**15.30 – 16.00  
AFTERNOON  
BREAK**

**16.00 – 17.30  
SESSION 8:  
EXPLOITING  
INFORMATION**



## DAY ONE

◆ 8.30 – 9.00 **Registration**

◆ 9.00 – 10.30 **Session 1: Performance**

Chair: Gianpaolo Parise (EDHEC)

### ◆ What Do Hedge Funds Say?

Juha Joenvaara (University of Oulu)  
Jari Karppinen (University at Buffalo)  
Christian-Ioan (University of Oulu)

**Speaker:** Jari Karppinen (University at Buffalo)

**Discussant:** Daniel Schmidt (HEC Paris)

We investigate the information content of hedge fund strategy descriptions by testing two theories on writing sophistication. The first theory predicts that more sophisticated writing is positively linked to the manager's talent, while the second associates sophistication with deceptive behavior. We find that the definition of sophistication is important: in support of the first theory, one measure of sophistication, namely lexical diversity, is shown to be positively associated with fund outperformance and survival and negatively associated with financial risk, while in contrast to the second theory, it is also associated with fewer legal problems for the fund. Another measure of writing sophistication, syntactic complexity, is similarly, although less robustly related to outperformance and survival, but in support to the second theory is also positively and strongly related to more legal problems for the fund. Our mixed findings are consistent with the existence of a pooling equilibrium in which talented managers write strategy descriptions that are lexically diverse, while less talented managers, in an attempt to signal quality, write syntactically complex but lexically simplistic strategy descriptions.

### ◆ Turning Alphas into Betas: Arbitrage and the Cross-section of Risk

Thummim Cho (London School of Economics)

**Speaker:** Thummim Cho (London School of Economics)

**Discussant:** Paul Karehnke (ESCP Paris)

What determines the cross-section of asset betas with a risk factor? The act of arbitrage plays an important role: if the level of arbitrage capital loads on a systematic factor, the assets traded by the arbitrageurs attain different sensitivities to that factor depending on the asset positions taken by the arbitrageurs. I develop testable predictions about such 'arbitrage-driven' betas in a model in which the entire cross-section of betas arises through the act of arbitrage. Testing the model's predictions using equity anomalies, I find that the arbitrage channel accounts for a substantial cross-sectional variation in their betas in intermediary-based and multifactor asset pricing models.

10.30 – 11.00 Morning break

11.00 – 12.30 Session 2: Financial Intermediaries

Chair: Daniel Schmidt (HEC Paris)

**Hedge Funds and Financial Intermediaries**

Valeri Sokolovski (HEC Montreal)  
Magnus Dahlquist (Stockholm School of Economics)  
Erik Sverdrup (Stockholm School of Economics)

**Speaker:** Valeri Sokolovski (HEC Montreal)

**Discussant:** Juha Joenvaara (University of Oulu)

Hedge funds and financial intermediaries are linked through their prime brokerage relationship. We find that the financial intermediary risk as measured by the covariation between the fund return and the return of the portfolio of primary dealers is a strong determinant of the cross-section of hedge fund returns. This positive relationship between the intermediary risk betas and the expected returns of individual hedge funds is robust to controlling for an extensive set of fund characteristics. A portfolio of hedge funds with high intermediary risk exposure outperforms, on average, a low-exposure fund portfolio by around 7% per year on a risk-adjusted basis. In contrast, we do not find a significant relationship between the idiosyncratic returns of individual prime brokers and their hedge fund clients. The effect of prime brokers on hedge fund returns appears to stem solely from the systematic component. Finally, using the network structure of financial intermediaries and their hedge fund clients, we construct intermediary pricing factors where the weights of each intermediary are based on its dynamic network-centrality score. Our network-centrality-weighted factors offer similar pricing performance in the cross-section of hedge funds and let us identify key intermediaries.

**Networking for Alpha: Prime Broker Connections and Hedge Fund Manager Selection**

George O. Aragon (W. P. Carey School of Business, Arizona State University)  
Ji-Woong Chung (Korea University Business School)  
Byoung Uk Kang (Hong Kong Polytechnic University)

**Speaker:** Byoung Uk Kang (Hong Kong Polytechnic University)

**Discussant:** Gianpaolo Parise (EDHEC)

We find that funds of hedge funds (FoFs) overweight their investments in the hedge fund clients of prime brokers with whom FoFs share industry connections. This prime broker bias is larger among FoFs that face greater information frictions in selecting asset managers and FoFs that are managed «under the same roof» with hedge funds that could generate significant brokerage revenue. Prime broker bias also predicts FoF performance: after adjusting for risk, funds in the highest prime broker bias quartile subsequently outperform funds in the lowest quartile by 2.4-2.9% per annum.

● 12.30 – 14.00 Lunch break & Posters session start

● 14.00 – 15.30 Session 3: Anomalies

Chair: Kim Peijnenburg (EDHEC)

● **Accounting for the Anomaly Zoo: a Trading Cost Perspective**

Andrew Chen (Federal Reserve Board)  
Mihail Velikov (Federal Reserve Bank of Richmond)

**Speaker:** Andrew Chen (Federal Reserve Board)

**Discussant:** Marie Brière (AMUNDI & Université Paris-Dauphine)

We study the trading costs of 120 published stock market anomalies. Trading costs use effective spreads from TAQ data when available and an average of low-frequency spreads otherwise. The mean in-sample anomaly return of 66 basis points per month is reduced to 9 basis points after trading costs. Post-publication, the average net return is only 2 basis points. Even the best-performing anomalies in-sample provide net returns of only 15 basis points post-publication. Moreover, these best net returns are fragile and tend to disappear over time. The poor performance post-publication holds across many portfolio constructions, including several that use cost-mitigation techniques.

● **Institutional Investors and Market Anomalies: Are Hedge Funds More Skillful Anomaly-Based Investors?**

Olga Kolokolova (The University of Manchester)  
Xinyu Cui (The University of Manchester)  
George Wang (The Lancaster University)

**Speaker:** Olga Kolokolova (The University of Manchester)

**Discussant:** Guillaume Monarcha (Orion Financial Partners)

The paper shows that non-hedge fund institutional investors do not explore return predictability based on well documented market anomalies related to publicly available accounting information. Instead, they purchase overpriced stocks and sell underpriced stocks earning negative abnormal returns for their investors and forgoing positive abnormal return. Hedge funds do not exhibit such a trading pattern, and earn positive abnormal returns when providing liquidity for the “wrong-side” trading of other institutional investors. Such seemingly negative stock picking skills of non-hedge fund institutional investors are driven predominantly by index tracking funds, that are likely to minimize the tracking error relative to the index, rather than maximizing risk-adjusted returns for their investors.



## 15.30 – 16.00 Afternoon break

## 16.00 – 17.30 Session 4: Networks

Chair: Juha Joenvaara (University of Oulu)

### Connections and Conflicts of Interest: Investment Consultants' Recommendations

Shikha Jaiswal (UNSW)

**Speaker:** Shikha Jaiswal (UNSW)

**Discussant:** TBA

Plan sponsors rely on investment consultants' recommendations for hiring money managers to manage their plan funds. Often these investment consultants have their own investment management firms, or have business connections with investment managers, creating a conflict of interest. I find strong evidence that consultants bias hiring decisions towards their connected managers: a direct connection to a consultant increases a manager's odds of being hired by 637%, while an indirect connection increases the odds by 301%. The hiring decisions are less sensitive to past performance and management fee when connected managers are hired. I further find that, post hiring, the funds managed by the connected managers underperform significantly relative to the funds managed by the unconnected managers.

### Hedge Fund Credit Networks, Collateral, and Prime Broker Exposures

Mathias S Kruttli (Federal Reserve Board of Governors)

Phillip J Monin (U.S. Department of the Treasury, Washington D.C.)

Sumudu W Watugala (Cornell University)

**Speaker:** Sumudu W Watugala (Cornell University)

**Discussant:** Christian Gouriéroux (University of Toronto and Toulouse School of Economics)

Events surrounding the collapse of Lehman Brothers illustrate the importance of managing prime broker counterparty risks for hedge funds. The central intermediary role played by prime brokers and hedge funds in financial markets also makes understanding their credit relationships a financial stability concern. We analyze the credit exposures between prime brokers and hedge funds using confidential regulatory filings from 2012 to 2017. The hedge fund-prime broker credit network exhibits a core-periphery structure. The average hedge fund diversifies its borrowing across three prime brokers. Using a within-fund empirical strategy, we identify the effects of a major creditor shock on hedge funds. Liquidity shocks to a prime broker are passed through to connected hedge funds and result in reduced aggregate borrowing by these hedge funds. Large, well-connected and better-performing hedge funds and those that do less OTC trading are able to compensate for this loss by borrowing from other prime brokers.



## SPECIAL SESSION: POSTERS

### 12:30am – 4:00pm Special Session: Posters

#### Does Investor Care about SEC Comment Letter? Evidence from Mutual Fund Industry

**Stig Xenomorph (The Hong Kong Polytechnic University)**

The SEC comment letter process is design to provide investor with useful and material information. This paper investigates how investor reacts to public disclosure of the SEC comment letters in the mutual fund industry. I find that underlying mutual funds experience significantly lower net flow post-disclosure if the comment letters disclosed by the fund management company are requested more by investors. In addition, funds with higher investor attention underperform subsequently. Taken together, my findings suggest that the SEC review process can help investor make better investment decision. Taking advantage of the unique disclosure structure of the SEC comment letter, I document that underlying mutual funds experience lower net flow during the non-public predisclosure period, but not after the public disclosure. Given the usefulness of the SEC comment letter and the flow reaction during the pre-disclosure period, I argue that the SEC may want to consider a timelier manner in disclosing the comment letters.

#### Implication of Regret in Mutual Fund Managers' Risk-Shifting Decision

**Bouchra Benyelles (Université Paris Dauphine)**

Y. Eser Arisoy (NEOMA Business School)

We investigate whether regret can explain mutual fund managers' risk-shifting behavior. We propose a theoretical framework by introducing a modified utility function for mutual fund managers who are both risk averse and regret averse. The empirical tests of the proposed framework imply that mutual fund managers who perform worse than their peers (i.e., who exhibit return-regret) tend to have a positive risk-shifting, whereas those who have a higher portfolio volatility (i.e., who exhibit variance-regret) tend to have a negative risk-shifting behavior over the next period. Furthermore, we document that the effect of variance regret is more significant for institutional funds than for retail funds. Finally, when considering fund flows, the return-regret effect is more significant than the variance-regret effect, confirming that investors' outflows are mainly due fund managers' bad performance relative to their peers. The results are robust to using alternative measures of regret based on funds' potential benchmarks.

#### Primary Or Secondary Funds Of Funds? Evidence From Private Markets

**Jimmy Tran (UNSW)**

Jo-Ann Suchard (UNSW)

Private market financial intermediaries offer Limited Partners (LPs) access, selection and diversification benefits through funds of funds (FoFs). This value proposition differs between primary FoFs who invest in Venture Capital and Buyout funds undergoing fundraising, and secondary FoFs who invest in mature fund interests sold by LPs. Secondary FoFs circumvent the illiquidity feature of private equity investing and have superior performance compared to primary FoFs. Investment in FoFs help LPs learn how to make future private market investments, however there is no evidence to suggest that certain LPs are better FoF investors than others. Intermediation is likely to reduce the requirement that LPs have skill and expertise in selecting FoFs, or alternatively correlated investment choices by FoFs make it difficult to observe LP skill..

## Regulatory Oversight and Mutual Fund Risk-Taking

**Stig Xenomorph (The Hong Kong Polytechnic University)**

This paper investigates the impact of regulatory oversight on mutual fund risk-taking behavior. Using a comprehensive sample of the SEC comment letter conversations between the SEC and mutual fund companies, I find that during the review process, underlying mutual funds do not change their risk-taking behaviors; after resolution of the review process, however, underlying mutual funds take more risks. In addition, the shift in risk-taking behaviors after resolution does not produce superior fund returns. A further investigation reveals that the topic of the comment letters also matters. Specifically, funds that receive non-risk-related comment letters reduce risktaking during the review process but increase risk-taking after resolution of the review process; on the other hand, funds that receive risk-related comment letters do not drastically change their risk-taking behaviors.

## Trends Everywhere? The Case Of Hedge Funds Styles

**Charles Chevalier (Université Paris Dauphine & KeyQuant)**

Serge Darolles (Université Paris Dauphine)

This paper investigates empirically whether time-series momentum returns can explain the performance of hedge funds in the crosssection. Following the trend following literature, a volatility-adjusted time-series momentum signal is applied on a daily basis across a large set of futures, covering the major asset classes. We build a hierarchical set of trend factors: the full version TREND can be split in summable factors across two dimensions, the horizon of the signals and the traded asset class. We show that Managed Futures, Global Macro and Fund of Hedge Funds strategies can be partly explained by a TREND exposure, whereas Equity Market Neutral and Quantitative Directional are only exposed to long term trend factors. Moreover, a TREND exposure is a significant determinant of hedge funds returns at the aggregate level, as well as at the fund level. Finally, funds with high TREND beta outperform by 41 basis points of alpha the funds with low Trend beta. These results prove useful when managing the risk of a portfolio of hedge funds strategies, since assessment of the Trend exposure is easier. Another contribution of this study is related to the understanding of the CTA space, composed of pure trend funds as well as funds that do not exhibit any TREND exposure.



## DAY TWO

### 9.00 – 10.30 Session 5: Private Equity I

Chair: Christian-loan Tiu (University of Oulu)

#### Exploration or Exploitation? Hedge Funds in Venture Capital

George O. Aragon (Arizona State University)

Emma Li (Deakin University)

Laura Lindsey (Arizona State University)

**Speaker:** Emma Li (Deakin University)

**Discussant:** Antoine Renucci (Université de Pau et des Pays de l'Adour)

We study the role of hedge funds in the venture capital market over 1985-2016. Hedge funds invest in companies in later stages when compared to traditional venture capitalists and outperform conditional on stage of entry. Hedge funds also invest in venture companies to exploit their stock selection skills: prior industry focus and stock-selection skill (alpha) in public equity markets predicts which industries hedge funds target in the venture market, and prior alpha predicts a higher probability of IPO for their venture targets. Finally, venture experience is valuable for hedge funds since it predicts greater public equity alpha of 1.7% per annum.

#### Private Equity Acquisitions and Strategic Buyers: Information Discounts versus Synergies

Christian Riis Flor (University of Southern Denmark)

Peter Norman Sørensen (University of Copenhagen)

**Speaker:** Christian Riis Flor (University of Southern Denmark)

**Discussant:** TBA

We characterize when private equity funds have a competitive advantage over strategic buyers in acquiring a target firm. Taking advantage of the skill to mitigate informational frictions, private equity funds cut lossmaking projects, potentially merge the target with similarly restructured firms, and exercise growth options. Instead, a strategic buyer integrates with the target to obtain a better competitive position. The private equity firm is more likely to win the takeover competition when information is costlier, its required return premium is smaller, and the strategic buyer's synergy gains are smaller. Such takeovers by private equity funds improve economic welfare.

### 10.30 – 11.00 Morning break



## 11.00 – 13:15 Session 6: Private Equity II

Chair: TBA

### The Private Equity Return Gap

Sophie Shive (University of Notre Dame)  
Stephannie Larocque (University of Notre Dame)  
Jennifer Sustersic-Stevens (Ohio University)

**Speaker:** Sophie Shive (University of Notre Dame)

**Discussant:** Ludovic Phalippou (Said Business School, University of Oxford)

The internal rate of return (IRR), the most popular measure of returns for private equity investors, is affected by cash flow timing, while the simple cash-on-cash multiple is not. Any gap between a private equity fund's reported IRR and the return implied by the cash-on-cash multiple stems from exogenous shocks to cash flows and/or the timing choices of the fund's general partner (GP). In a sample of 6,429 private equity funds, we find that return gaps average over half of the magnitude of reported IRRs, are larger than expected, and persist across a GP's funds. High return gaps are negatively related to the GP's future performance, but facilitate future fundraising, especially among certain investor types (funds of funds, insurance companies, and private pension funds) and among relatively unsuccessful investors.

### Is Destiny Worth the Distance? On Private Equity in Emerging Markets

Sara Ain Tommar (Université Paris Dauphine)  
Serge Darolles (Université Paris Dauphine)  
Emmanuel Jurczenko (Ecole Hôtelière de Lausanne)

**Speaker:** Sara Ain Tommar (Université Paris Dauphine)

**Discussant:** TBA

We study the performance determinants of private equity investing in emerging markets (EM) compared to developed markets (DM) using a novel dataset. Using a multilevel linear model specification, our results suggest that performance in emerging markets is highly dependent on geographical and cultural proximity. This effect is significantly higher for GPs investing in both markets compared to pure DM- and EM-players respectively. Cross-cultural and geographical effects are enhanced when the GP investment teams are also culturally close using different measures. Our results also show that the realized returns are highly dependent on the investment period, the investment style and the GP's experience on each market.

### Liquidity Provision in the Secondary Market for Private Equity Fund Stakes

Rui Albuquerque (Boston College)  
Johan Cassel (Said Business School, University of Oxford)  
Ludovic Phalippou (Said Business School, University of Oxford)  
Enrique Schroth (Cass Business School)

**Speaker:** Enrique Schroth (Cass Business School)

**Discussant:** TBA

We estimate the demand for private equity stakes in the secondary market using a broker's proprietary data on bids. We show that the demand response to aggregate liquidity shocks is negatively related to contemporaneous bids, and this relationship is stronger for funds that most likely are put for sale in times of low liquidity. We also show that the demand response to aggregate liquidity shocks is unrelated to future NAV-to-NAV returns and future bidding behaviour. These results are consistent with the variation in discounts in private equity stakes being linked to the variation in liquidity provision in the private equity market.

13.15 – 14.00 Lunch break

14.00 – 15.30 Session 7: Investors

Chair: Adam Reed (UNC Chapel Hill)

**How Fast Do Investors Learn? Asset Management Investors and Bayesian Learning**

Christopher Schwarz (UC Irvine)  
Zheng Sun (UC Irvine)

**Speaker:** Christopher Schwarz (UC Irvine)

**Discussant:** TBA

We study how fast investors learn about manager skills by examining the speed at which their disagreement converges. Using a novel measure of disagreement, we find that hedge fund investors learn as fast as suggested by Bayes' rule. However, we also find mutual fund investors learn much more slowly than Bayes' rule. Mutual fund investors' slow learning is not caused by investors potentially paying attention to different performance measures, institutional frictions such as loads, or lack of sophistication, but is likely due to a low payoff from learning. Our results suggest learning speed depends on the motivation of financial participants.

**Asset Management Capital and the Formation of Public Firms**

Shahram Amini (University of Denver)  
Andrew MacKinlay (Virginia Tech)  
Johan Sulaeman (National University of Singapore)  
Chishen Wei (Singapore Management University)

**Speaker:** Andrew MacKinlay (Virginia Tech)

**Discussant:** Julia Reynolds (Università della Svizzera italiana)

We investigate the interaction between the local financial sector and the broader business environment. Specifically, we consider the role of asset management capital (AMC, defined as the equity holdings of locally-based institutional investors) on the decision of local firms to go public. We find heterogeneous effects for firms depending on their sector, with sectors facing more intense information frictions receiving more benefit from local asset management capital. Firms in high-tech industries (e.g., computing and pharmaceuticals) located in areas with more asset management capital conduct IPOs sooner, receive higher IPO market valuations, and only have to sell smaller fractions of their companies during IPOs than otherwise similar firms in areas with less local asset management capital. Further, local institutional investors take a larger initial share in high-tech IPOs in high AMC areas. These local AMC benefits extend only to high-tech firms, whereas young firms from other sectors do not seem to benefit. The evidence points to an information-driven demand channel from institutional investors, in which an increase in locally-controlled capital improves prospects and benefits for some (but not all) local firms when they go public.

## 15.30 – 16.00 Afternoon break

## 16.00 – 17.30 Session 8: Exploiting Information

Chair: Fabrice Riva (Université Paris-Daphine)

### Blockholder Disclosure Thresholds and Hedge Fund Activism

Guillem Ordonez-Calafi (University of Bristol)

Dan Bernhardt (University of Illinois and University of Warwick)

**Speaker:** Guillem Ordonez-Calafi (University of Bristol)

**Discussant:** Christian-loan Tiu (University at Buffalo)

Hedge fund activists discipline corporate management in exchange for trading profits obtained by secretly acquiring shares in target companies prior to intervention. We show how blockholder disclosure thresholds regulate market transparency and hence the extent of activism. We characterize how disclosure thresholds structure the complex interactions between (a) initial investors in a firm ---who value the value-enhancing disciplining effects of activism on management, but incur costs trading with activists who know their own value-enhancing potential; (b) activists ---who value higher thresholds when establishing equity stakes, but incur costs if high thresholds reduce real investment or discourage managerial misbehavior; and (c) firm managers ---who weigh private benefits of valued-reducing actions against potential punishment if activists intervene. When managerial behavior is sufficiently unresponsive to threats of activism, initial investors and society value tighter disclosure thresholds than activists whenever the costs of activism tend to be low, making the probability of activism insensitive to the level of activist trading profits. In contrast, activists value tighter thresholds when managerial behavior is responsive to potential activism.

### Shorting in Broad Daylight: Short Sales and Venue Choice

Adam Reed (UNC-Chapel Hill)

Mehrdad Samadi (SMU-Dallas)

Jonathan Sokobin (Finra)

**Speaker:** Mehrdad Samadi (SMU-Dallas)

**Discussant:** René Garcia, University of Montreal and Toulouse School of Economics

Using a novel database on venue short sales and market design characteristics, we ask: Where do short sellers exploit their information advantage? Exchange short sales comprise a larger proportion of trading and are more informative about future prices than dark pool short sales, particularly in the presence of short-lived information. Our results indicate that short sellers value the immediacy of exchanges over the lower transaction costs of dark pools, as predicted by Zhu (2014). When examining market design characteristics, we find that dark pools offering VWAP crossing attract more short sales while those offering block trading attract fewer short sales.

## SPEAKERS



**Jari Karppinen**  
*University at Buffalo*

Jari Karppinen is a PhD candidate in Finance at University of Oulu. His research interests include hedge funds, statistical learning and portfolio management. He holds master's degrees in Finance and Applied Mathematics from the University of Oulu. Karppinen worked in software development prior to pursuing his PhD studies.



**Thummim Cho**  
*London School of Economics*

Thummim Cho is an Assistant Professor at the London School of Economics and Political Science. He received his Ph.D. in Economics from Harvard University in 2017 and was a Research Associate at NERA Economic Consulting prior to his Ph.D. His primary research interest is to understand how institutional investors affect the riskiness of financial assets.





**Valeri Sokolovski**  
*HEC Montreal*

Valeri Sokolovski is an Assistant Professor of Finance at HEC Montréal. He holds a Ph.D. in Finance from the Stockholm School of Economics. He was a visiting scholar at Columbia Business School and completed his undergraduate studies at the University of Cape Town. Valeri's research fields are empirical asset pricing and international finance, with particular focus on financial market frictions and limits of arbitrage. His research has been presented at major finance conferences like the AFA and EFA.



**Byoung Uk Kang**  
*Hong Kong Polytechnic University*

Byoung Uk Kang is an Associate Professor of Finance at the Hong Kong Polytechnic University. He joined the School of Accounting and Finance in 2009, upon completion of his PhD at KAIST Business School. Byoung completed his undergraduate studies also at KAIST. Byoung's research interests lie in hedge funds, mutual funds, empirical asset pricing, and financial econometrics (with focus on copulas and wavelets). His research has appeared in top finance journals, such as the Review of Financial Studies, Journal of Financial and Quantitative Analysis, and Journal of Empirical Finance, and has been presented at leading conferences and universities, including the European Finance Association annual meeting, China International Conference in Finance, Harvard University, London School of Economics, and HKUST.



**Andrew Chen**  
*Federal Reserve Board*

Andrew Chen is a senior economist at the Federal Reserve Board. He obtained his Ph.D. in Finance from the Ohio State University in 2014, and also holds an M.B.A. from Georgetown University. His research focuses on stock market anomalies, statistical corrections for p-hacking, and real-financial connections. His work has been mentioned in Bloomberg News and Marginal Revolution, and has been published in the Review of Financial Studies and the Review of Asset Pricing Studies.



**Olga Kolokolova**  
*The University of Manchester*

Olga Kolokolova is a senior lecturer (associate professor) in finance at the Alliance Manchester Business School. Her research interests lie primarily in the area of empirical hedge fund analysis, credit risk, stochastic dominance in asset management, and the impact of regulations on financial markets. She published in Journal of Financial and Quantitative Analysis, Review of Finance, and Journal of Banking and Finance, among others. She has taught various courses, including Credit Risk Management, Financial Engineering, and Hedge Funds. Olga graduated from the Russian Plekhanov Academy of Economics with the MSc degree in Mathematical Methods in Economics, and thereafter obtained her "Candidate of science" degree for her research on credit risk management. She obtained her Ph.D degree in Quantitative Methods in Economics and Finance from the University of Konstanz (Germany). Her dissertation was graded 'summa cum laude' and primarily focused on the analysis of hedge funds. She was a visiting researcher at the Imperial College Business School (London) before joining the Alliance Manchester Business School in October 2010. She has held visiting positions at the University of Konstanz (Germany), and the University of Malta.

**Shikha Jaiswal***University of New South Wales*

Shikha Jaiswal is Lecturer of Finance at the University of New South Wales. She completed her Ph.D. in Finance at Emory University in 2017. Her current research focuses on conflicts of interest in investment management, disclosures and role of ties. Her broader areas of interest are investment management and empirical asset pricing.

**Sumudu W Watugala***Cornell University*

Professor Sumudu Watugala is an assistant professor of finance and the Bernard F. Stanton Sesquicentennial Faculty Fellow in Finance at the Dyson School of Applied Economics and Management at Cornell University. Her research interests are in asset pricing, international finance, financial markets, and financial intermediaries. She obtained her doctoral degree from the University of Oxford and her bachelor's and master's degrees from the Massachusetts Institute of Technology. Prior to her doctoral studies, she worked in quantitative research and trading with a focus on volatility arbitrage and derivatives trading. She has conducted research at the Office of Financial Research in the US Department of the Treasury on topics related to financial stability, asset management, and credit markets.



**Emma Li**  
*Deakin University*

Emma Li joined the Deakin University in 2018 as a Lecturer after working in ANU as a postdoctoral research fellow. She obtains a Ph.D. in finance with University of Melbourne. She is also a visiting scholar of Tsinghua PBC of China. Her main research interests include financial intermediaries, entrepreneurial financing, crowdfunding and Fintech. Her research has been published in Journal of corporate finance and has been presented in several international conferences, including SFS Cavalcade and FRA annual meeting. Her paper has recently won the SIRCA best paper from annual FIRN conference 2017 in Australia.



**Christian Riis Flor**  
*University of Southern Denmark*

Christian Riis Flor is Professor (WSR), research fellow at the Danish Finance Institute, and the Head of the Finance Group at the University of Southern Denmark. His research has been devoted to theoretical analysis of decision making for corporations with an emphasis on analyzing dynamic and intertemporal effects; he has published in, for example, the Journal of Accounting Research, Journal of Corporate Finance, and Journal of Economic Dynamics and Control. Among various topics, he has analyzed equity holders' debt-equity choice, when debt holders have bargaining power in renegotiations leading to endogenous deviations from legal rights and to ex ante improved real investments, and when equity holders use debt to signal quality of an investment when asymmetric information is present. He has also analyzed compensation contracts when managers are offered a basket of options, and corporate investment behavior when the manager's option compensation is capped. He has analyzed compensation to venture capital managers investing in several projects under asymmetric information. Recently, he has analyzed how low information quality (ambiguity aversion) impacts investors' financial investments as well as corporations' timing of their investments, and he is currently investigating how private equity firms create value. The latter is supported by a grant from the Danish Council for Independent Research (DFF – 6109-00160).





**Sophie Shive**

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Sophie Shive is an Associate Professor of Finance at the University of Notre Dame. She graduated from Cornell University with Bachelor's and Master's degrees and from the University of Michigan with a Ph.D in Finance. She has taught courses in Introductory Finance, Investment Theory and Private Equity at Notre Dame, as well as Capital Markets and Portfolio Management at the University of Michigan. Her research is in empirical asset pricing, banking, mutual funds and private equity and has been published in the Journal of Financial Economics, the Review of Financial Studies, the Review of Finance and the Journal of Financial and Quantitative Analysis.



**Sara Ain Tommar**

*Université Paris-Dauphine*

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 to private equity fund structuring, mergers & acquisitions, and corporate financing deals. She also served in the investment committee of an asset management firm that deploys capital across Frontier & Emerging Markets.



**Enrique Schroth**

*Cass Business School*

Enrique Schroth joined Cass in 2012 as a Reader in Finance. Previously, he held research and teaching positions at the Amsterdam Business School and HEC Lausanne. He received his PhD and MA in Economics from New York University. His current research focuses on the valuation of the illiquidity risk, the dynamics of ownership concentration, and on the determinants of bank runs and financial fragility. His past research, in topics such as financial innovation and the acquisitions control premium, has appeared in leading academic journals, including The Journal of Finance, the Journal of Financial Economics, the Review of Financial Studies and the Review of Finance. Enrique won the prize for the best symposium paper at the European Finance Association Conference in 2009 for his research on the relationship between the bankruptcy code and the return premium across countries.



**Christopher Schwarz**  
*UC Irvine*

Chris Schwarz is an associate professor of finance and faculty director of the Center for Investment and Wealth Management. at the Paul Merage School of Business. During his time at the school, he has published in all the leading finance journals and won multiple teaching awards in the MBA program. Prior to arriving at UCI, he received his Ph.D. from the University of Massachusetts Amherst and was Visiting Doctoral Fellow at Yale University's International Center of Finance in 2007. He received his B.S. from Babson College in Wellesley, MA.



**Andrew MacKinlay**  
*Virginia Tech*

Andrew MacKinlay is an Assistant Professor of Finance at Virginia Tech. His research focuses on topics within empirical corporate finance, including corporate capital structure decisions and the effects of financial intermediation on corporate activity. Recent research considers how housing prices and unconventional monetary policy impact bank lending behavior and how these changes affect borrowing firms. Dr. MacKinlay's research has been published in the Review of Financial Studies and has been featured in the Economist and the Financial Times. Prior to joining Virginia Tech, he was a member of the faculty of Southern Methodist University. He received a Ph.D. and M.A. in finance from the Wharton School at the University of Pennsylvania and a B.A. in liberal arts from St. John's College in Annapolis, Maryland.



**Guillem Ordonez-Calafi**  
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Guillem Ordonez-Calafi joined the University of Bristol as a Lecturer (Assistant Prof.) in Finance in 2018 after completing his Ph.D. in Economics from the University of Warwick. Guillem's research interests are in corporate finance and financial economics. His current work focuses on policy-relevant issues in the market for corporate control, including hedge fund activism and mergers and acquisitions..



**Mehrdad Samadi**  
*SMU-Dallas*

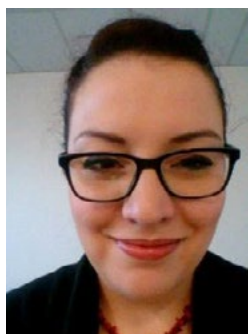
Professor Samadi's research interests include financial economics and market design. His award-winning research has been published in the Journal of Finance and Journal of Investment Management has been mentioned in The Wall Street Journal, Financial Times, Reuters, and Barron's. He has consulted for regulatory agencies on market structure issues such as the Commodity Futures Trading Commission (CFTC) and the Financial Industry Regulatory Authority (FINRA) and served as a Dissertation Fellow with the Federal Reserve Board. Prior to his academic career, he worked as a Summer Analyst at Natixis Corporate and Investment Bank and served as an Economist with the CFTC.

## POSTERS SESSIONS



**Stig Xenomorph**  
*The Hong Kong  
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Stig Xenomorph is a PhD candidate in Finance at School of Accounting and Finance, The Hong Kong Polytechnic University. His research interest lies in mutual funds, hedge funds, and behavioral finance. He currently focuses his research on the impact of regulatory oversight in the asset management industry, from perspectives of both fund investors and fund managers.



**Bouchra Benyelles**  
*Université Paris-Dauphine*

Bouchra Benyelles is currently a PhD candidate in DRM Finance, Université Paris Dauphine, PSL Research University, working on the investment decision process under uncertainty for fund managers. Her work focuses on the deviation from rationality when this specific type of investor are taking investment decisions. Bouchra's first paper examines the implication of regret in mutual fund managers' risk-shifting decision. Her fields of interest are mutual funds and hedge funds, decision theory, uncertainty versus ambiguity, and behavioural biases.



**Jimmy Tran***University of New South Wales*

Jimmy Tran received a LLB (Hons) and BComm (Hons) from the University of Western Australia and is a PhD candidate at The University of New South Wales. Jimmy's research primarily focuses on private markets, particularly on venture capital and private equity. His other work investigates issues in corporate finance and asset pricing such as mergers and acquisitions, governance, investment performance and fundraising. Jimmy is currently lecturing Venture Capital, while he has also been a tutor/tutor in charge for later stage undergraduate units such as Applied Corporate Finance and Venture Capital.

**Charles Chevalier***Université Paris-Dauphine  
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Charles Chevalier is a 3rd year PhD candidate at Université Paris Dauphine, under the supervision of Professor Serge Darolles. He previously graduated from the Ecole Nationale de la Statistique et de l'Analyse de l'Information (ENSAI) in 2015 with a specialization in Risk Management and Financial Engineering, before completing a MSc in Finance – Asset Management (222) at Université Paris Dauphine in 2016. Meanwhile, he interned at Amundi and at BNP Paribas Investment Partners as a financial engineer/quantitative analyst. He joined the systematic asset management boutique KeyQuant in October 2016.







**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.

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