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16 & 17.01.2020 / 8h30-18h30

Room Raymond Aron

12TH ANNUAL HEDGE FUND RESEARCH CONFERENCE

Dauphine UNIVERSITÉ PARIS | PSL

HOUSE OF FINANCE Université Paris-Dauphine

Partners

The conference received the financial support of DRM-Finance, the LABEX Louis Bachelier, the ANR Multirisk (16-CE26-0015-01), the Research Initiative ARDIAN « Private Equity and Venture Capital », under the aegis of the Europlace Institute of Finance, and the Research Initiative « Quantitative Management Initiative », under the aegis of the Fondation du Risque

12th Annual Hedge Fund and Private Equity Research Conference

Welcome to the 12th 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 With submissions from 103 universities in 18 countries, the 16 unpublished papers to be presented during the conference were selected following a thorough screening process by a scientific committee of internationally respected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 years, the "Annual Hedge Fund and Private Equity Research Conference" has become a platform for international visibility. Out of 176 research papers presented across the last 11 events, almost half is published in the most renowned academic journals, 20% are published in the top three finance journals.

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

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.
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 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 the Université Paris-Dauphine & PSL Research University. She holds a PhD in Finance from the Swiss Finance Institute. Tamara's research was recently published at *the Journal of Financial Economics*. Her research papers were presented at major finance conferences like AFA, EFA, and FIRS. Her work was picked up by Reuters and Bloomberg News.
Her research interests are empirical corporate finance and capital markets.

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

Adam Reed
UNC Chapel Hill

Ronnie Sadka
Boston College

Valeri Sokolovski
HEC Montréal

Melvyn Teo
Singapore Management University

Keynote Speakers

Prof. Utpal Bhattacharya

Professor of Finance at the Hong Kong University of Science and Technology

Professor Bhattacharya's research is about the dark side of financial markets. He believes, with apologies to Thomas Jefferson, that «the price of capitalism is eternal vigilance.

He is the Executive Editor of Financial Management, and was an Associate Editor of the Review of Financial Studies and the Journal of Financial Markets. His publications have appeared in top-tier finance journals like the Journal of Finance, Journal of Financial Economics, The Review of Financial Studies, Journal of Financial and Quantitative Analysis and the Journal of Business, top-tier accounting journals like The Accounting Review, and top-tier economics journals like the Journal of Economic Theory, Journal of Law and Economics and the Journal of Monetary Economics.

His research has been featured in full-length stories more than a hundred times in various media across the world, including five times in the Economist.

Prof. Laura Starks

Professor of Finance at McCombs School of Business, University of Texas at Austin, Charles E. and Sarah M. Seay Regents Chair in Finance and Co-Executive Director, Social Innovation Initiative

Laura T. Starks, Charles E. and Sarah M. Seay Regents Chair in Finance and co-Executive Director of Social Innovation@McCombs. She teaches undergraduate and graduate courses on environmental, social and governance investing, global financial strategies, and other finance topics.

She has previously served as interim Dean, Associate Dean for Research, Chairman of the Department of Finance and Graduate Advisor. She was also an editor of the Review of Financial Studies from 2008-2014 and has won a number of research and teaching awards in her career. Her current research focuses on mutual funds, corporate governance institutional investors and environmental, social and governance investing. She has served on the Boards of Directors of the four national academic finance organizations: the American Finance Association, the Financial Management Association (FMA), the Society of Financial Studies (SFS) and the Western Finance Association (WFA). She is past president of the FMA and WFA and is currently President of the SFS. She is a past Chairman of the Graduate Assembly for the University of Texas at Austin, the elected faculty council that governs the University's graduate programs, and served on the Executive Committee of the University Faculty Council. She is an independent director for CREF Retirement Accounts and TIAA-CREF Mutual Funds, serves on the Investment Advisory Committee for the Employees Retirement System of Texas, the Board of Governors of the Investment Company Institute, and the Governing Council of the Independent Directors Council. She has also served on the 2013 Strategy Council and the 2014 Expert Panel for the Norwegian Government Pension Fund (the largest sovereign wealth fund in the world).

Program
Day One

8.30 – 9.00 **Registration and Welcome Coffee**

9.00 – 10.30 **Session 1: Crowding, Performance, and Risk**
Chair: Tamara Nefedova (Université Paris Dauphine - PSL)

Does Timing the Momentum Crowd Pay Off? An Analysis of Hedge Fund Performance

Ralitsa Petkova (Case Western Reserve University)

Speaker: Ralitsa Petkova (Case Western Reserve University)
Discussant: Elise Gourrier (ESSEC)

This paper shows that some hedge funds have the ability to adjust their exposure to the momentum strategy by gauging the size of the momentum crowd. Funds that scale back their exposure to momentum at times when short sellers are actively crowded into the strategy earn 8% more annually than funds that increase their exposure at such times. Funds that increase their exposure to momentum at times when positive-feedback trading by mutual funds is expected to intensify earn 5% more annually than funds that decrease their exposure at such times. Funds that scale back their exposure to momentum at times when noise traders are expected to be active earn 7% more annually than funds that increase their loading on momentum at such times. The evidence suggests that some hedge funds are skilled at timing the actions of other active investors and they adjust the direction of their exposure to momentum accordingly. This skill is rewarded by economically significant average returns.

Crowded Trades and Tail Risk

Greg Brown (Kenan-Flagler, UNC-Chapel Hill)
Philip Howard (School of Business, Wake Forest University)
Christian Lundblad (Kenan-Flagler, UNC-Chapel Hill)

Speaker: Philip Howard (School of Business, Wake Forest University)
Discussant: Cristian-Ioan Tiu (University at Buffalo)

Hedge fund positions are an important component of crowdedness. These vehicles are particularly active, take highly concentrated positions, and utilize leverage and short sales. Using a database of hedge fund holdings, we measure the degree of security-level crowdedness. The average return on a crowdedness factor, the difference between returns of high and low crowdedness portfolios, is sizable and its variation is distinct from other traditional risk factors. Further, hedge fund exposures to crowdedness risk are often significant and they help to explain downside “tail risk» as funds with higher exposures experience relatively larger drawdowns during periods of industry distress.

10.30 – 11.00 **Coffee Break**

11.00 – 12.30 **Session 2: Private Information**

Chair: Olga Kolokolova (The University of Manchester, Alliance Manchester Business School)

Carrot and Stick: A Risk-Sharing Rationale for Fulcrum Fees in Active Fund Management

Juan Martin Sotes-Paladino (Universidad de los Andes, University of Melbourne)
Fernando Zapatero (Boston University)

Speaker: Juan Martin Sotes-Paladino (Universidad de los Andes, University of Melbourne)
Discussant: Sergei Glebkin (INSEAD)

We show that risk-sharing considerations rationalize symmetric benchmark-adjusted («fulcrum») fees in the compensation of privately informed active fund management. By tying fees symmetrically to the appropriate benchmark, investors can tilt a fund portfolio toward their optimal risk exposure and realize almost the full value of the manager's information. Since fulcrum fees do not alter the manager's preferred payoff profile, the optimal contract saves the cost of compensating the managers for exposure to undesired risk. Under certain conditions, including a fulcrum component in a fund's fee is not only optimal but necessary for active management to add value over passive alternatives.

Clients' Connections: Measuring the Role of Private Information in Decentralised Markets

Gabor Pinter (Bank of England)
Peter Kondor (London School of Economics)

Speaker: Gabor Pinter (Bank of England)
Discussant: Adam Reed (UNC Chapel Hill)

We propose a new measure of private information in decentralised markets – connections – defined as the number of dealers with whom a client trades in a time period. Using proprietary data for the UK government bond market, we show that clients have systematically better performance when having more connections, and this effect is stronger during macroeconomic announcements. Time-variation in market-wide connections also helps explain yield dynamics. Given our novel measure, we present two applications suggesting that (i) dealers pass on information, acquired from their informed clients, to their subsidiaries, and (ii) informed clients better predict the order-flow intermediated by their dealers.

12.30 – 14.00 **Lunch Break & Poster Session I**

Program
Day One

14.00 – 15.00 **Keynote Speech «Dark Side of Investing» by Utpal Bhattacharya** (Hong Kong University of Science and Technology)

15.00 – 16.30 **Session 3: Information and Stock Prices**
Chair: Adam Reed (UNC Chapel Hill)

Short-term Momentum

Mamdouh Medhat (Cass Business School)
Maik Schmeling (Goethe University Frankfurt and CEPR)

Speaker: Mamdouh Medhat (Cass Business School)
Discussant: Irina Zviadadze (HEC Paris)

We document a striking pattern in the cross section of U.S. and international stock returns: Double sorting on the previous month's return and share turnover results in significant short-term reversal for low-turnover stocks whereas high-turnover stocks exhibit short-term momentum. Short-term momentum is as profitable and persistent as conventional momentum, is exclusively a large-cap phenomenon, and survives transaction costs. We use the Cursed Expectations Equilibrium model to illustrate that our results are difficult to reconcile with rational expectations but are in line with inefficient use of price-inferred information. We derive novel predictions about the effects of liquidity trading and the link to fundamentals for which we find supporting evidence.

Constrained Information Acquisition

Boone Bowles (Texas A&M University, Mays Business School)

Speaker: Boone Bowles (Texas A&M University, Mays Business School)
Discussant: Nicolas P.B. Bollen (Vanderbilt University)

When a portion of institutional investors are prohibited from short selling, news that generates differences of opinions also affects information acquisition. Investors facing a short-sale prohibition (e.g., mutual funds) acquire less information when the sentiment of news is positive, as positive sentiment increases the likelihood that they will be unable to trade. Also, prices are more informative following news with negative sentiment than news with positive sentiment. These novel predictions are tested empirically using new measures of information acquisition derived from a hand-collected sample of mutual fund and hedge fund IP addresses. When the sentiment of recent news has been negative instead of positive, information acquisition by mutual funds increases by 16% relative to hedge funds, and prices are up to 14% more informative.

16.30 – 17.00 **Coffee Break**

17.00 – 18.30

Session 4: Governance

Chair: Fabrice Riva (Université Paris Dauphine - PSL)

Phantom of the Opera: ETF Shorting and Shareholder Voting

Richard Evans (University of Virginia – Darden)
Oğuzhan Karakaş (Judge Business School - Cambridge University)
Rabih Moussawi (Villanova University)
Michael Young (University of Virginia – Darden)

Speaker: Oğuzhan Karakaş (Judge Business School - Cambridge University)
Discussant: Anna Calamia (Toulouse Business School)

The short-selling of exchange-traded funds (ETFs) creates "phantom" ETF shares, trading at ETF market prices, with cash flows rights but no associated voting rights. Unlike regular ETF shares backed by the underlying securities of the ETF and voted as directed by the sponsor, phantom ETF shares are backed by collateral that is not voted. Introducing a novel measure of phantom shares both of the ETF and corresponding underlying securities, we find that increases in phantom shares are associated with decreases in number of proxy votes cast (for and against), and increases in broker non-votes, the vote premium, and value-reducing acquisitions.

Socially Responsible Investments: Costs and Benefits for University Endowment Funds

George Aragon (Arizona State University)
Juha Joenväärä (Aalto University)
Yuxiang Jiang (Southwestern University for Finance and Economics)
Cristian Ioan Tiu (University at Buffalo)

Speaker: Yuxiang Jiang (Southwestern University for Finance and Economics)
Discussant: Hugues Langlois (HEC Paris)

We examine the socially responsible investment (SRI) policies of university endowment funds over 2009-2017. SRI policies are more common when funds face greater stakeholder pressure to adopt such policies, and among universities that are more donation-dependent and located in environments with greater corporate social responsibility. SRI policy adoption predicts greater donations, especially from "socially-conscious" donors, but impose a drag on fund performance. On balance, SRI and non-SRI funds produce similar total additions (investment income plus donations), consistent with an optimal contracting equilibrium. SRI policies also yield non-pecuniary benefits, including enhanced risk management practices by the fund and higher student enrollment.

Poster Session I

Systemic Risk Channels of Nonbank Financial Entities: Evidence from Hedge Funds and Mutual Funds

Stefan Greppmair (University of Mannheim)

Using a sample of hedge funds and mutual funds, I examine two channels through which nonbank financial entities can contribute to systemic risk: the service channel when funds act as liquidity suppliers and the asset liquidation channel when funds act as liquidity demanders. Consistent with the latter channel being more important, I find that contributions to systemic risk increase significantly when hedge funds demand liquidity. Conversely, no such effect exists for mutual funds. A decomposition of systemic risk reveals that the higher level of systemic risk for liquidity-demanding hedge funds can be explained by a higher degree of interconnectedness. Providing further evidence for the asset liquidation channel, I document that systemic risk is considerably larger when hedge funds demand liquidity in times of low funding liquidity and during stock market boom and bust phases. Complementary to that, the systemic risk of liquidity-supplying hedge funds is significantly lower in such periods.

Hedge Fund Survival

Afrae Hassouni (Université Libre de Bruxelles)

This paper implements the discrete-time survival model to examine the determinants of hedge fund liquidation. The model allows us to examine the evolution of the effect of variables such as leverage, fund size and fund performance and risk on the probability of hedge fund liquidation. The resulting dynamic effects provide a better understanding of the survival of hedge funds. We find that leverage has a significant impact on hedge fund survival only in specific years. We also find that performance and size are significant only in the first years of the lifetimes of hedge funds, whereas the volatility and kurtosis of return appear to impact funds' survival over their whole lifetimes. Another interesting finding from our analysis concerns the impact of the 2007-08 financial crisis on hedge fund survival. Our analysis shows that the survival of hedge funds has been negatively impacted by the crisis.

Commodity Index Funds: The Price Impact of the Roll on Commodities Futures Contracts

Loïc Maréchal (University of Neuchâtel)
Michel Dubois (University of Neuchâtel)

We identify and date two significant breaks, previously only backed by anecdotal or visual evidence: i) one in index fund investment and ii) one in the amount of arbitrage capital. To see whether these changes in investors' clientele had an impact on commodity futures prices, we conduct an event study based on several benchmarks. The CASRs (cumulated abnormal spreading returns) of individual contracts are 17 basis points at most -the order of magnitude of minimum possible transaction costs- and are never statistically significant when we adjust the standard errors for event-induced cross-correlation and variance. The test hypotheses of hedging induced price pressure, sunshine trading and predatory trading yields mixed and mostly insignificant results.

Do Hedge Fund Managers Work Harder Under Pressure? A Unique View From Hedge Fund Flow-Related Trading

Olga Kolokolova (The University of Manchester, Alliance Manchester Business School)
Xinyu Cui (The University of Manchester, Alliance Manchester Business School)

Analyzing trading of hedge funds facing substantial outflows, we find that hedge funds that ``trade against the flow'' display significant stock picking skills. Stocks purchased by hedge funds facing large outflows deliver positive ex-post abnormal returns, which are larger than those of stocks purchased upon inflows. Such "revealed under pressure" stock-picking skills are associated with hedge funds that are more dependent on management fee income and more prone to sudden outflows due to less stringent share restrictions.

Poster Session II

Structural Estimation of Time-varying Spillovers: an Application to International Credit Risk Transmission in the Euro Area

Lukas Boeckelmann (Banque de France, Paris School of Economics)
Arthur Stalla-Bourdillon (Banque de France, Université Paris-Dauphine)

To quantify time varying spillovers on financial markets we propose a structural version of the popular Diebold-Yilmaz framework based on a single comprehensive empirical methodology. Key to our approach is a SVAR-GARCH model identified by heteroscedasticity and economically identified by maximum shock contribution. Building on these advances, we analyze national and international credit risk spillovers between Eurozone (EZ) sovereign and bank CDS. On top of intuitive economic results, we find that, compared to other models used in the literature, our methodology (i) gives more reactive contagion indices (ii) better fit economic narratives in terms of shocks (iii) is more suitable to analyze sovereign-bank spillovers.

Do equity style coverage in news impact institutional investors' dynamic allocation?

Cédric Gillain (HEC-Liège, ULiège)
Ashwin Itoo (HEC-Liège, ULiège)
Marie Lambert (HEC-Liège, ULiège)

Market anomalies generate a premium on earnings announcement and other news days which is multiple times higher than on any other day. We show that on days of earnings announcements (EA), stocks are particularly sensitive to idiosyncratic information rather than market information. This effect is even stronger in case of disagreement in market news. Using a sentiment measure to proxy for firm-specific news content, we show that glamour stocks are more sensitive to EA-news releases than value stocks. The EA-news effect is not reversed over the quarter following the announcement. Conversely, value stocks are more affected by subsequent news shocks post-EA. Our thesis is that media convey a disappointing amount of information for value stocks. This induces a learning process and commands a higher premium for value stocks while the information conveyed by news sentiment of glamour stocks reduces market frictions.

Persistence in private equity returns: individual manager mobility, skills and return predictability

Sara Ain Tommar (NEOMA Business School)
Serge Darolles (Université Paris Dauphine - PSL Research University)

Using a novel dataset which allows to track private equity professionals across private equity firms over time, we show evidence of repeatable skills of individual private equity managers across deals. Our results suggest that human capital is as important as the reputation capital of the firm for buyout deals, whereas the individual is twice as important for venture capital deals. Individuals exhibit stronger persistence in monitoring skills compared to deal screening skills, and ex-ante mobility events are strong predictors for the observed deal performance ex-post.

Diversifying Trends

Charles Chevalier (KeyQuant, Université Paris Dauphine - PSL)
Serge Darolles (Université Paris Dauphine - PSL)

This paper provides a new method to disentangle the systematic component from the idiosyncratic part of the risk associated with trend following strategies. A simple statistical approach, combined with standard dimension reduction techniques, enables us to extract the common trending part in any asset price. We apply this methodology on a large set of futures, covering all the major asset classes, and extract a common risk factor, called CoTrend. We show that common trends are higher for some cross-asset class pairs than from intra-asset class ones, such as JPY/USD and Gold. This result helps to create sectors in a portfolio diversification context, especially for trend following strategies. In addition, the CoTrend factor helps to understand arbitrage-based hedge fund strategies, which by essence are decorrelated with the standard risk factors.

The Earnings-Announcement Day and the Value Premium

Marie Lambert (HEC Liège, ULiège)
Nicolas Moreno (HEC Liège, ULiège)

Market anomalies generate a premium on earnings announcement and other news days which is multiple times higher than on any other day. We show that on days of earnings announcements (EA), stocks are particularly sensitive to idiosyncratic information rather than market information. This effect is even stronger in case of disagreement in market news. Using a sentiment measure to proxy for firm-specific news content, we show that glamour stocks are more sensitive to EA-news releases than value stocks. The EA-news effect is not reversed over the quarter following the announcement. Conversely, value stocks are more affected by subsequent news shocks post-EA. Our thesis is that media convey a disappointing amount of information for value stocks. This induces a learning process commands a higher premium for value stocks while the information conveyed by news sentiment of glamour stocks reduce market frictions.

Program Day Two

8.30 – 9.00 **Morning Coffee**

9.00 – 10.30 **Session 5: Hedge Fund Performance**
Chair: Serge Darolles (Université Paris Dauphine - PSL)

Hedge Fund Hold'em

Yan Lu (University of Central Florida)
Sandra Mortal (University of Alabama)
Sugata Ray (University of Alabama)

Speaker: Sugata Ray (University of Alabama)
Discussant: Marie Lambert (HEC Liège)

We find that hedge fund managers who do well in poker tournaments have significantly better fund performance. This effect is stronger for tournaments with more entrants, larger buy-ins, larger cash prizes and for managers who win multiple tournaments, suggesting poker skills are correlated with fund management skills. Investors appear cognizant of this as after a manager wins a poker tournament, net flows to the manager's fund increase significantly. These increases are concentrated in cases where there is media coverage of the manager's poker playing, when the tournament win is bigger, and for more prominent tournaments (e.g. the World Series of Poker). Along with higher net flows, fund alpha also decreases significantly following the tournament win, especially in cases where net inflows are highest, suggesting decreasing returns to scale erode the informativeness of the poker win signal. Given this, hedge fund investors would be better off investing in an otherwise similar manager without poker tournament success.

When It Pays To Follow The Crowd: Strategy Conformity And CTA Performance

Nicolas P.B. Bollen (Vanderbilt University)
Mark C. Hutchinson (University College Cork)
John O'Brien (University College Cork)

Speaker: Mark C. Hutchinson (University College Cork)
Discussant: Juha Joenväärä (Aalto University)

Prior research in hedge fund and mutual fund management finds a positive relation between portfolio distinctiveness and subsequent performance, suggesting that strategy differentiation is associated with superior skill. We find that CTAs with returns that correlate more strongly with those of peers feature higher performance and are more highly exposed to a time series momentum factor. In contrast to hedge funds and mutual funds, CTA strategy conformity appears to be a signal of managerial skill. These results indicate that a common trend following strategy drives CTA returns and that CTAs offer investors an opportunity to invest in momentum

10.30 – 11.00 **Coffee Break**

11.00 – 12.30 **Session 6: Hedge Fund Trading**

Chair: Christian Lundblad (Kenan-Flagler, UNC-Chapel Hill)

Informed Trading by Hedge Funds

Qiping Huang (Boise State University)
Pankaj Jain (University of Memphis)

Speaker: Qiping Huang (Boise State University)
Discussant: Matthijs Breugem (Collegio Carlo Alberto)

Using daily equity transactions, we create a hedge fund informed trading measure (ITM) that separates information related trades from liquidity driven trades. We find that stocks with higher hedge fund informed trading are associated with higher future stock performance. The long-short portfolio delivers 4% annual alpha after controlling for size, value, momentum, and illiquidity factors. The results are mainly driven by the long side of informed trading. We attribute the informed trading to funds' ability to identify and correct stock underpricing. The results are robust to various ways of constructing and sorting the measure, and we do not find a return reversal in 4 quarters, indicating that the measure is information related.

How Well Do Traders Condition on the Uniqueness of Their Signals?

Nicholas Hirschey (London Business School)
Chishen Wei (Singapore Management University)

Speaker: Nicholas Hirschey (London Business School)
Discussant: Daniel Schmidt (HEC Paris)

This paper shows hedge funds and mutual funds neglect to properly invert prices to infer other traders' signals when trading on earnings announcements. This leads to predictable excess trading when many funds have similar signals, because they underestimate how much of their information is already incorporated in prices. Consistent with this excess trading causing temporary price impact, a portfolio long stocks that had excess selling and short stocks that had excess buying has an annualized Sharpe ratio near 1.0 after hedging exposure to common risk factors. Our findings are useful for understanding how asset prices are affected when a trader underestimates how many other investors follow similar investment strategies.

12.30 – 14.00 **Lunch Break & Poster Session II**

Program
Day Two

14.00 – 15.00 **Keynote Speech «The Influence of Hedge Funds on Activism» by Laura Starks** (University of Texas at Austin, McCombs School of Business)

15.00 – 16.30 **Session 7: Factor Investing**
Chair: Christian Gourieroux (University of Toronto, TSE)

Does Crowding Erode Returns? Scale and Competition in Factor Investing

Victor DeMiguel (London Business School)
Alberto Martin-Utrera (New Jersey Institute of Technology)
Raman Uppal (EDHEC Business School and CEPR)

Speaker: Victor DeMiguel (London Business School)
Discussant: Christian Lundblad (Kenan-Flagler, UNC-Chapel Hill)

Smart-beta providers exploit characteristics like value and momentum, while other institutions provide liquidity for their trades. We study how competition among these institutions affects liquidity and profits. A liquidity provider competing with a smart-beta provider reduces liquidity by half, compared to the centralized setting where a single institution exploits the smart-beta characteristic and provides liquidity. But, an increase in competition among smart-beta or liquidity providers restores liquidity to that in the centralized setting. Also, competition among smart-beta providers transfers profits to liquidity providers; thus, regulators encouraging competition among smart-beta providers to reduce fees may erode the profitability of smart-beta products.

Stock Market Liquidity and the Trading Costs of Asset Pricing Anomalies

Marie Briere (Amundi Asset Management - Université Paris Dauphine - PSL)
Charles-Albert Lehalle (Capital Fund Management – Imperial College)
Tamara Nefedova (Université Paris Dauphine - PSL)
Amine Raboun (Euronext – Université Paris Dauphine - PSL)

Speaker: Amine Raboun (Euronext – Université Paris Dauphine - PSL)
Discussant: Thierry Foucault (HEC Paris)

Using a large database of the US institutional investors' trades, this paper revisits the question of anomalies-based portfolio transaction costs. The real costs paid by large investors to implement the well-identified size, value, and momentum anomalies are lower than what has been documented in the previous studies. We find that the average investor pays an annual transaction cost of 17bps for size, 24bps for value, and 274bps for momentum. The three strategies generate statistically significant returns of respectively 5.21%, 2.79% and 2.77% after accounting for transaction costs. When the market impact is taken into account, transaction costs reduce substantially the profitability of the well-known anomalies for large portfolios, however, these anomalies remain profitable for average size portfolios. The break-even capacities in terms of fund size are $ 206 billion for size, $ 16.1 billion for value and $ 310 million for momentum.

16.30 – 17.00 **Coffee Break**

17.00 – 18.30 **Session 8: Liquidity Shocks**
Chair: Cristian-Ioan Tiu (University at Buffalo)

Hedge Fund Redemption Restrictions and Stock Price Fragility

Julia Elizabeth Reynolds (Università della Svizzera italiana)

Speaker: Julia Elizabeth Reynolds (Università della Svizzera italiana)
Discussant: Olga Kolokolova (The University of Manchester, Alliance Manchester Business School)

This paper explores the idea that the increasing concentration of institutional ownership in equity markets makes stocks prices more «fragile,» i.e., more exposed to liquidity shocks to institutional investors. I argue that exposure to stock price fragility should be lower for institutional stockholders with stricter redemption policies, who are less likely to experience redemption-generated liquidity shocks. A hand-collected dataset of institutional block acquisitions reveals comparatively higher cumulative abnormal returns following block acquisitions by hedge funds with tighter redemption restrictions, confirming that the market places a real value on the ability of redemption policies to mitigate stock price fragility. A difference-in-differences analysis further reveals that stocks purchased by institutional blockholders with stricter redemption policies experience a significant decrease in volatility.

Systemic Portfolio Diversification

Marko Hans Weber (National University of Singapore)
Agostino Capponi (Columbia University)

Speaker: Agostino Capponi (Columbia University)
Discussant: Christian Gourieroux (University of Toronto, TSE)

We study the implications of fire-sale externalities on balance sheet composition. Banks choose their asset holdings accounting for the liquidation costs incurred when they sell assets to manage their leverage. Our analysis highlights the fundamental trade-off between diversification at the bank and at the systemic level. While sacrificing diversification benefits to reduce portfolio commonality may increase the bank's idiosyncratic probability of liquidation, it also lowers the endogenous probability of a costly widespread sell-off. We show that higher heterogeneity in banks' leverage is socially beneficial because it gives banks stronger incentives in achieving systemic diversification. The socially optimal level of systemic diversification can be attained by taxing banks for creating interlinked balance sheets with high concentration on illiquid assets.

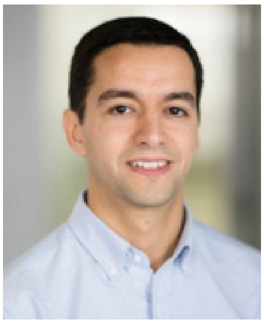
Speakers Day One

Ralitsa Petkova
Case Western Reserve University

Ralitsa Petkova is an Associate Professor of Finance at Case Western Reserve University. She graduated from Hamilton College with a Bachelor's degrees and from the University of Rochester with a Ph.D in Finance. She has taught courses in Financial Modeling and Investment Strategies at Case Western Reserve University, as well as Capital Markets and Portfolio Management at Purdue University and Texas A&M University. Her research is in empirical asset pricing and market anomalies, and has been published in the Journal of Finance, Journal of Financial Economics, the Review of Financial Studies, and Journal of Empirical Finance.

Philip Howard
Wake Forest University

Philip Howard is an assistant professor of finance at Wake Forest University's School of Business and a senior research associate at the Kenan Institute of Private Enterprise, where he leads quantitative analyst for the Active Management Research Alliance.
His research spans international finance, monetary policy and alternative investments. His work has recently been featured in Bloomberg, published in the American Economic Review and awarded the 2019 Unigestion Alternative Risk Premia research academy project.
At Wake Forest, Dr. Howard teaches Quantitative Finance in the undergraduate finance program and Financial Analytics in the Masters in Business Analytics program. He is the 2018-2019 recipient of the T.B. Rose Fellowship in Business Teaching Award for pedagogical innovation.
Dr. Howard received a PhD in finance from the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. He earned a master's degree in Statistics and Operations Research and a bachelor's of science degree with highest honors in Mathematical Decision Sciences from the Department of Statistics and Operations Research at UNC-Chapel Hill.



Juan Sotes-Paladino
Universidad de los Andes, Chile and University of Melbourne

Juan Sotes-Paladino has been a Senior Lecturer in the Department of Finance at the University of Melbourne since 2012, and an Assistant Professor at the School of Business and Economics at Universidad de los Andes, Chile, since 2019. He obtained a PhD in Finance from the University of Southern California and a Licentiate degree in Economics from the University of Buenos Aires. His research focuses on the investment decisions and asset pricing implications of professional asset managers under different incentive arrangements and financial frictions. His work has been published in leading academic journals such as the Review of Financial Studies. His research has won several awards, including the Mirae Asset Securities Co., Ltd Outstanding Paper Award and the FIRN Annual Conference Best Paper Award. Prior to his academic career, Juan worked as economic consultant and as research analyst for over six years.

Gabor Pinter
Bank of England

Gabor Pinter is a Senior Adviser at the Bank of England. He studied Economics at Cardiff (MSc), Cambridge (PhD, 2013) and Princeton (Visiting), and Mathematics at King's College London (Diploma). His research interest lies in the interaction between financial markets and the macroeconomy.

Speakers Day One

Mamdouh Medhat
Cass Business School, University of London

Mamdouh Medhat is an Assistant Professor of Finance at Cass Business School in London. His research explores the risk-return tradeoff in equity markets with a focus on systematic long-short strategies that exploit traders' behavioral biases or the interaction between corporate policies and asset prices. His research into volume-driven momentum won 1st prize at the 2018 Chicago Quantitive Alliance (CQA) academic competition. He graduated with a PhD in Finance from Copenhagen Business School in 2015 and has held visiting scholar positions at Stanford and Princeton.

Boone Bowles
Texas A&M University

Boone Bowles is an Assistant Professor of Finance at Texas A&M University. His research focuses on institutional investors, particularly their role as information acquirers. His research also explores the existence of market anomalies. Prior to joining A&M, Boone completed his doctoral work at the University of North Carolina. He also received B.S. and M.S. degrees in economics and finance from Utah State University.

Oğuzhan Karakaş
Cambridge Judge Business School

Oğuzhan Karakaş is a University Senior Lecturer in Finance at the Cambridge Judge Business School (CJBS). He is also a Fellow of the Centre for Endowment Asset Management of CJBS, the Cambridge Endowment for Research in Finance of CJBS, and the J M Keynes Fellowship in Financial Economics. Oğuzhan was an Assistant Professor of Finance at the Carroll School of Management at Boston College prior to joining Cambridge Judge Business School. He received his PhD at London Business School, his MSE at Princeton University, and his BS at Middle East Technical University. He has served as a part-time consultant to a hedge fund on establishing trading strategies. Oğuzhan's research focuses on Corporate Governance (particularly in Ownership and Control), Corporate Social Responsibility, Private Equity, and Dynamic Investment Strategies. His research has appeared in leading academic journals, including the Journal of Finance, Review of Financial Studies, and Journal of Financial Economics. Oğuzhan's research in Corporate Social Responsibility is awarded with Hakan Orbay Young Researcher Award, ICPM Research Award, Vice-Chancellor's Impact Awards of the University of Cambridge, FIR-PRI Finance and Sustainability European Research Award for the best published research article, IRRCi Research Award – Honorable Mention, and Moskowitz Prize for the Best Paper in Socially Responsible Investing.

Yuxiang Jiang
Southwestern University of Finance and Economics

Yuxiang Jiang is an Assistant Professor at Southwestern University of Finance and Economics. He received his Ph.D. in Finance from University at Buffalo in 2018. His research focuses on institutional investors and stock market anomalies.

Speakers Day Two

Sugata Ray
University of Alabama

Sugata Ray is an Assistant Professor of Finance at the University of Alabama where he teaches courses on Financial Institutions, Corporate Finance, and Quantitative Investing. His research interests include asset management, real estate, and behavioral finance. His recent work focuses on behavioral aspects of investment managers' decision-making, examining how aspects of their personal lives, such as their car and home purchases, their marital events, and even their hobbies, have bearing on their professional outcomes. His work has been published or is forthcoming in a variety of academic journals, including the Journal of Finance, the Journal of Financial Economics, Management Science, and Marketing Science. Prior to joining the University of Alabama, he taught at the University of Florida. He holds Bachelors, Masters and Doctoral degrees from the University of Pennsylvania, and he was a consultant with Oliver Wyman before graduate school.

Mark Hutchinson
Cork University Business School,
University College Cork

PROF. MARK HUTCHINSON is Professor and Chair of Finance at Cork University Business School, University College Cork. He is known for his ability to collect novel data and provide new insights on investment strategies, through his strong links with the financial services industry. His current research agenda focuses on two areas: the intersection of hedge funds and futures market trading strategies; and Fintech. Professor Hutchinson's research is high impact. He is the leading finance academic in Ireland for research funding, being Principal Investigator or Co- Investigator on projects with a total value over €10m. He is the founder and Co-Chair of the Annual FMA Conference on Hedge Funds, which has been running in Europe since 2014. Previously he has held visiting positions at Vanderbilt University and University of Rennes.

Qiping Huang
Boise State University

Qiping Huang is an Assistant Professor of Finance at Boise State University. He received Ph.D. in Finance from University of Kentucky in 2018, and finished the MBA from Miami University in 2011. His research interests mainly focus on investment, hedge funds, and corporate social responsibility. His paper on funding liquidity risk and hedge fund's dynamic lockup, which was presented at the 8th annual hedge fund conference, has been published at the Journal of Financial and Quantitative Analysis.

Nicholas Hirschey
London Business School

Nicholas Hirschey is an Assistant Professor of Finance at the London Business School. His research interests include asset pricing, microstructure, and international finance. His current work studies the effect high-frequency traders have on liquidity, the impact popular institutional trading strategies have on stock price reactions to news, and retail trade markups in municipal bonds. He has a PhD in Finance from the University of Texas at Austin and B.A.'s in Math and Economics from Grinnell College.

Speakers
Day Two

Victor DeMiguel
London Business School

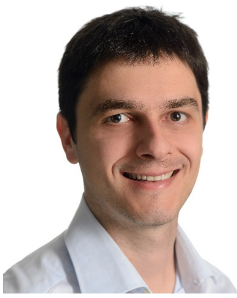
Victor DeMiguel is Professor at London Business School, which he joined in 2001 after earning a PhD at Stanford University. Victor's research focuses on portfolio selection in the presence of estimation error, transaction costs, and taxes. One of his most popular papers is "Optimal Versus Naive Diversification: How Inefficient is the 1/N Portfolio Strategy", which received the Best Paper Award from the Institute for Quantitative Investment Research and was published in The Review of Financial Studies. Victor serves as an Associate Editor of the journals Management Science and Operations Research and is an external consultant to asset-management firms such as SYZ and Goldman Sacks. Victor is a multi-award winning teacher of MBA courses on Financial Analytics and Business Analytics and Executive Education courses on Decision Making.

Amine Raboun
Euronext,
Université Paris Dauphine - PSL

Amine Raboun is a Ph.D. candidate in Finance at the Université Paris Dauphine - PSL Research University. His research interests include market frictions, trading costs, crowding and asset pricing anomalies. In his research work, he studies the effect of institutional investors' trades on overall market liquidity and behavior of high-frequency traders in relation to stock related news. He graduated from Telecom ParisTech Graduate School and holds a master's degree in applied mathematics from Ecole Polytechnique. He currently holds the position of index structurer in Euronext Paris index department.

Julia Elizabeth Reynolds
Columbia University

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). Her research interests lie in the fields of market microstructure, financial markets, and institutional investors.



Agostino Capponi
Columbia University
- Data Science Institute

Agostino Capponi is an Associate Professor in the Department of Operations Research at Columbia University, and a member of the Data Science Institute. His research interests are on systemic risk, market microstructure, networks, and financial technology. Agostino's research has been funded by NSF, DARPA, the Institute for New Economic Thinking, the Global Risk Institute, the Clearpool Group, and the OCP Group. Agostino's research has been recognized with the 2018 NSF CAREER award, the JP Morgan AI Research Faculty award, and an honorable mention from the MIT Center for Finance and the Harvard Crowd Innovation Laboratory. Agostino is a co-editor of the Finance Department of Management Science, and serves as an associate editor of Operations Research, Operations Research Letters, Stochastic Systems, Stochastic Models, and the Journal of Dynamic and Games. Agostino serves as the program director of the SIAM Activity Group in Financial Engineering, and as the president of the INFORMS Finance Section.

Poster Sessions Day One

Stefan Greppmair
University of Mannheim

Stefan Greppmair is a 4th year PhD candidate at the University of Mannheim. Before his doctoral studies, he received a BSc in International Business Administration from the University of Tuebingen and a MSc in Finance from the Frankfurt School of Finance and Management. His research focuses on hedge funds, mutual funds, and short selling. In his current paper, he examines two different channels through which institutional investors can contribute to systemic risk.

Afrae Hassouni
Université Libre de Bruxelles

Afrae Hassouni is a Ph.D. candidate in Finance at Centre Emile Bernheim – Université Libre de Bruxelles, under the supervision of Professors Hugues Pirotte and Laurent Gheeraert. Her research focuses on hedge fund performance, hedge fund managers and hedge fund liquidation. Afrae holds a Master's degree from the Solvay Brussels School of Economics and Management with a specialization in Finance and a Bachelor's degree in Business Engineering from the same school.

I am a PhD candidate in Finance, focusing on commodity markets through the lens of asset pricing and risk management. I hold an Master in Banking and Finance from the University of Paris Nanterre, and have five years of commodity market analyst experience, working for consulting and trading companies. From both academic and work experiences, I also have strong interest in new machine learning methods (applied on natural language processing and Finance) and algorithmic high-frequency / latency trading.

Loïc Maréchal
University of Neuchâtel

Xinyu Cui is a Ph.D student in Finance at the Alliance Manchester Business School. His research interests lie primarily in the area of hedge fund analysis, market anomalies, and institutional trading. He assists various courses, including Cross-Sectional Econometrics, Financial Engineering, and Financial Decision Making. Xinyu graduated from the University of Leicester with the MSc degree in Finance.

Xinyu Cui
The University of Manchester, Alliance Manchester Business School

Poster Sessions Day Two

Arthur Stalla-Bourdillon is pursuing a PhD in Finance at Université Paris-Dauphine, under the supervision of Gaëlle le Fol. In parallel with his thesis, he is also working as an economist for the Financial Stability Directorate at Banque de France. His research focuses on financial time series econometrics, namely on contagion and on stock return predictability. He graduated from HEC Paris (master "Grande Ecole") and from Paris School of Economics (master "APE").

Arthur Stalla-Bourdillon
Université Paris Dauphine - PSL

Cédric Gillain is PhD candidate at HEC Liège, Liège University. He has professional experience in computational engineering and data science. Cédric currently investigates news impact on financial markets, specifically institutional investors' attention to news. He develops natural language processing (NLP) algorithms dedicated to equity style investment (value vs growth, small vs large, momentum vs contrarian). Cédric research interests also include behavioral finance, market anomalies, analysts forecasts, investor survey and market sentiment.

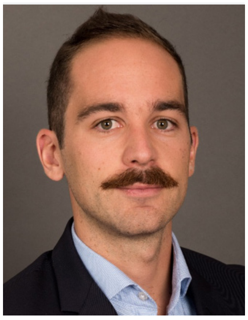
Cédric Gillain
HEC-Liège, ULiège

Sara Ain Tommar
NEOMA Business School

Sara is an Assistant professor of Finance at NEOMA Business School in France. Sara's research interests primarily include Private Equity, but also other topical issues in alternative investments, investment geography and human capital. Prior to her newly started academic career, Sara 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.

Nicolas Moreno
HEC-Liège, ULiège

Nicolas Moreno is a PhD candidate in Finance. His research focus is about the assimilation of information from the financial press into financial markets. Nicolas is particularly interested in the role news play in the manifestation of market anomalies. In the first part of his doctoral research with Professor Lambert he investigates how switching media attention between popular investment styles affects the relative performance of portfolios based on characteristics of opposing styles. The second thematic of his research agenda seeks to decompose the characteristics of media information into their two components affecting asset prices: cash-flow (CF) news and discount-rate (DR) news. Together with his co-authors he uses a framework decomposing the returns of asset portfolios sorted on anomaly-characteristics into CF and DR components and analysis their respective sensitivity over time and across news topics. In particular, the study examines how the accumulation of news can influence the discount-rate component and hence, investor expectations.



Charles Chevelier
KeyQuant

Charles Chevalier holds a PhD in Finance from Université Paris Dauphine. His research focuses on financial markets and portfolio management, and especially on the topics related to hedge funds, alternative risk premia and liquidity. Prior to his PhD, he 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. Charles has been a Quantitative Researcher with the systematic asset management boutique KeyQuant since October 2016.

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.

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