



**UNIVERSITAT
JAUME I**

SCHOOL OF JURIDICAL AND ECONOMIC SCIENCE

FINANCE AND ACCOUNTING DEGREE

COURSE 2016/2017

CASTELLON DE LA PLANA

BACHELOR'S THESIS

**BIBLIOGRAPHICAL REVIEW OF
SHAREHOLDERS ACTIVISM, HEDGE
FUNDS STYLE**

Author: Nelson García Montero

E-mail: al258072@uji.es

Tutor: María Luisa Nieto Soria
(Universitat Jaume I)

JEL CODE: G34

ABSTRACT:

In this essay we are going to perform a bibliographic review of studies and information of different means of economic reporting on the phenomenon of shareholder activism, which is used as the organ of Government in some companies and exercise of pressure against the mismanagement that administrators perform.

The perspective to be taken into account in the whole essay will be activism with Hedge Funds' active tendency, who are the main renderer of this movement for change in companies.

To optimally understand this particular type of shareholder activism first the main activism aspects will be developed separately and, on the other hand, the characteristics that represent to the Hedge Funds, so that the understanding of both concepts together will be enhanced and the analysis of the motivators, tools, and processes of the activist action will have greater meaning.

Key words: Hedge Fund, activism, asymmetric information, theory of agency, corporate influence, proxy advisors.

TABLE OF CONTENTS

1. INTRODUCTION	5
2. SHAREHOLDERS ACTIVISM.....	7
2.1 WHAT IS SHAREHOLDER ACTIVISM?.....	7
2.2 TYPES OF ACTIVISM INVESTORS.....	7
2.2.1 LARGE INVESTORS.....	8
2.2.2 CORPORATE RAIDERS:.....	8
2.2.3 INSTITUTIONAL INVESTORS.....	9
2.2.4 HEDGE FUNDS.....	10
2.3 TYPES OF ACTIVISM.....	10
2.3.1 PASSIVE ACTIVISM.....	10
2.3.2 ACTIVE ACTIVISM.....	11
3. HEDGE FUNDS.....	12
3.1 WHAT IS HEDGE FUNDS?	12
3.2 HEDGE FUNDS BEGINNING	12
3.3 HEDGE FUNDS CHARACTERISTICS	12
3.4 HEDGE FUNDS INVESTMENT STRATEGIES.....	13
3.4.1 <i>Relative Value Strategies.</i>	14
3.4.2 <i>“Even driven” or Life Cycle Strategies.</i>	14
3.4.3 <i>Oportunist or Directional Strategies:</i>	15
4. SHAREHOLDER ACTIVISM BY HEDGE FUNDS.....	18
4.1 THE PROBLEM OF ASYMMETRIC INFORMATION AND AGENCY THEORY: REASONS FOR ENTERING HEDGE FUNDS IN COMPANIES.....	18
4.2 ELEMENTS THAT ENCOURAGE HEDGE FUNDS IN COMPANIES.....	20
4.2.1 <i>Investment Capacity</i>	20
4.2.2 <i>Independence</i>	20
4.2.3 <i>Laxity Regulation</i>	21
4.3 VARIABLES THAT TAKE INTO ACCOUNT HEDGE FUNDS TO ACTIVIST ACTION.....	21
4.3.1 <i>Starting Point</i>	21
4.3.2 <i>Supply Side Variables</i>	22
4.3.3 <i>Demand Side Variables</i>	23
4.4 THE HEDGE FUNDS ACTIVIST PROCESS IN THE COMPANIES.....	24
4.4.1 <i>INFLUENCE VS CONTROL</i>	24
4.4.2 <i>THE HEDGE FUNDS ACTIVISM AS A TECHNIQUE OF INFLUENCE IN CORPORATE GOVERNANCE.</i>	25
4.5 POSITIVE AND NEGATIVE POINTS OF THE HEDGE FUNDS ACTIVIST PROCESS.....	27
4.5.1 <i>POSITIVE POINTS</i>	27
4.5.2 <i>NEGATIVE POINTS</i>	28
4.5.2.1 <i>Private profit of control</i>	28
4.5.2.2 <i>Tunneling effect</i>	29
4.5.2.3 <i>Use of “empty voting”</i>	29
4.5.2.4 <i>Proxy Advisors</i>	30

5. CURRENT ACTIVISM SITUATION	32
5.1 CURRENT ACTIVISM SITUATION FROM EUROPEAN BACKGROUND.....	32
5.2 CURRENT ACTIVISM SITUATION FROM SPANISH BACKGROUND.....	33
6. CONCLUSION.....	35
7. BIBLIOGRAPHY	37

TABLE OF FIGURES

FIGURE 1: HEDGE FUNDS STRATEGIES CLASSIFICATION	16
FIGURE 2: ASSETS MANAGED BY FUNDS ACCORDING TO STRATEGY	17
FIGURA 3: CHARACTERISTICS TARGET COMPANIES OF ACTIVIST MOVEMENTS	23
FIGURE 4: ACTIVIST PROCESS ACCORDING TO DEGREES OF INTENSITY.....	27
FIGURE 5: SCALE OF COUNTRIES REGARDING THEIR ACTIVIST THREAT.....	33

1. INTRODUCTION

Specially since the economic crisis of 2008, the concern of investors on the management of the companies on behalf of managers and board of directors has caused that the so-called shareholder activism increases, first in the USA and then in the rest of the world.

Hedge Funds, investment funds with techniques and complex methods of investment in business analysis, look for and analyze undervalued companies or companies whose management has not facilitated the maximization of profit. In this context these funds arise as the most representative investor in the active shareholder activism proposing to management strategies to increase shareholder value in the company and undertaking a task of control and supervision over the administrators' practices.

The objective sought in the essay is to provide the necessary foundations to analyze and understand the activist movement, done in particular by Hedge Funds. For this reason, an analysis of the main studies and publications that investigate on the one hand the shareholder activism and on the other the Hedge Funds will be carried out, in order to connect the key points of each and in a cohesive way explain the reasons, process and consequences of this movement with increasing weight in companies.

In relation to what was commented in the previous paragraph the essay is developed as follows: firstly, point 2 develops the concept of activism and provides a classification according to the type of investor who performs activism and then these investors are grouped in another classification according to their attitude to distinguish the passive and active activists, where the Hedge Funds are.

In point 3, once the Hedge Funds are located within activists assets, their main characteristics and more representative strategies are developed, since they are necessary in order to understand the type of activism they perform and how it is developed.

The main point is point 4, where the terms discussed above are related and the ones that have helped us to contextualize the work and to develop the key points of the shareholder activism from the perspective of Hedge Funds. At this point the motivators and facilitators of the entry of these funds in firms will be explained, the variables that take into account before investing in any company or the specific action that perform against the companies, analysing in a final part positive and negative aspects that can

appear.

To finish, point 5 sets out the current situation of Hedge Funds both in Europe as well as particularly in Spain, where there is an increase of these shareholders' investment and participation in companies.

As a closing remark, in section 6 the most important conclusions are obtained.

It should be noted that the importance of the analysis of this study is that the movement of shareholder participation in the decisions of the company is a current phenomenon in growth, which, as we will see later, is moving from the USA to the rest of the world. On the other hand, the fact of explaining the action taken from the Hedge Funds' perspective is because its more active nature makes its pressure more effective and therefore of greater importance. Finally, it is also relevant that in the work other external agents appear, which are in the current business context and that give meaning to the main study object analyzed in this: the shareholder activism of Hedge Funds.

2. SHAREHOLDER ACTIVISM

In the first point of the essay we are going to analyze the concept of shareholder activism and their main characteristics. Then, we will develop the types of investors that we can find, explaining the typology and traits of each one in relation to the concept of activism that they develop. At the end of this section we are going to explain the types of activism that we can find according to the attitude of investors in relation to its participation and control of the management of the company on behalf of administrators, differentiating between active and passive activism.

2.1 WHAT IS SHAREHOLDER ACTIVISM?

According to the web page derechomercantilespaña.com, shareholder activism can be defined as "actions undertaken by shareholders with the explicit intention to influence the policies and behavior of the companies, that is, of those who manage".

An activist can be defined as that investor who acquires a significant stake in a listed company with the purpose of establishing a negotiation with the management of this company aimed to promote a productive change for the company and thereby obtain a benefit from the investment (Pound, 1992).

Investors activists carry out an analysis to find companies with room for improvement by getting involved in the management and control with the aim of achieving an increase in the value of the firm through its actions; therefore, they are not limited to expect a possible increase leaving the management to administrators.

As a result and according to the above definitions, we can say that the main characteristics of the activism of shareholders are:

- Search for companies with potential to improvement
- Active attitude with regard to the management of the company
- Negotiation and pressure to administrators

2.2 TYPES OF ACTIVISM INVESTORS

According to the study carried out by the Department of Management and Economics at the University of Leon in his thesis on "*La toma de decisiones en el activismo financiero: los hedge funds en Europa*", the autor of this essay Pilar Valcárcel ranks and includes the types of investors that we can find in the shareholding of a company in the following assemblies:

2.2.1 LARGE INVESTORS

Major investors are the set of entities, individuals or financial institutions, that have acquired a large volume of shares in companies that have invested. The effect they have on the companies means that the announcement of purchase by large investors or presence of these corporations increases the price of the shares of this company (Shivdasani, 1993).

On the other hand, Maug (1998), Kahn and Winton (1998) emphasize that the incentives of the large shareholders may be related in that due to the large market liquidity and the imperfections of this such as the uneven information that these have. The objective is to rapidly increase the value of their shares to sell and thus obtain large gains with these operations.

In line with these studies, and as a result of this process of buying and selling shares, there will be an increase in the disinvestment that can lead to a fall in the position of the company.

2.2.2 CORPORATE RAIDERS:

Just as Worldfinance website defines "the term 'corporate raid' describes the process by which an investor, or raider, decides to buy a large stake in a company which is listed publicly and then uses the voting rights of that transaction to gain power within the company and to enter the company's management practices. Once in control, the raiders will try to stop action of the Board or even replace specific individuals to ensure value for shareholders".

Investors classified as 'financial sharks' are those that have as main objective the society fast resale, which have launched a tender offer (OPA) to. This investors are considered the ancestors of the Hedge Funds by its high degree of activism and because some corporate raiders such as Carl Icahn, Nelson Peltz, Guy Wyser - Pratte, Tito Tettamanti have resurfaced as hedge fund activists managers.

The raiders based his activist strategy on the acquisition of companies for its subsequent liquidation. In some cases to avoid such liquidation a bonus for their actions is offered to the raiders and thus stop their aggressive campaigns and get the output of the company's shareholders.

In the same way as arge investors, the announcement of the acquisition of shares by a

raider, the market responds with an increase in yields, so shareholders see improved profits even when there is a repurchase of shares of the raider's shares on behalf of the company. (Holderness and Sheehan, 1985)

The raiders disappeared in the 1980s since the companies developed measures against its acquisitions, such as poison pills, which allow counteract a shareholder block purchases. There are several strategies:

-Flip in: shareholders are offered a higher number of shares with a discount, in order to increase the number of shares and reduce the power of the acquiring company.

-Flip over: this strategy allows shareholders to get the shares the new shareholder wants with a discount.

2.2.3 INSTITUTIONAL INVESTORS

An institutional investor, as appointment the Morningstar web page points out, is a generic term which is used to designate an organization that invests large amounts of money (internal or external) in securities and funds. Within this definition we could find banks, pension funds, investment companies or insurance...

Currently, these investors' role in Europe is abundant, according to Efama (Association of European funds) data from the end of 2014, 37.2 per cent of the assets of the IICs in Europe correspond to insurance companies and pension funds and 24.8 percent to the sector "other financial intermediaries", which are basically investment funds. "Consequently, 62 per cent of the assets of investment funds in Europe correspond to institutional investors".

When making changes in the firm, institutional investors focus their attention on the private negotiations with the company or present shares to the Board of shareholders. In order to gain attention from the management of the company, these tend to adopt a strategy known as "The Wall Street Walk" based on the threat of sale of its shares and drop in the price of the company.

The type of companies in which focus these investors are companies with low yields, entities with more institutional shareholders or with a perceived structure of weak government.

To finish, focusing on the attitude of these investors we can state that they have a

passive attitude, as we commented earlier in the proceedings of the corporate governance (control of the remuneration of the executives, anti-OPA measurements, control of transactions...).

2.2.4 HEDGE FUNDS

Hedge funds appear in the first half of the twentieth century in the USA and they are characterized by providing to their investors higher profitability, considering funds with greater risk due to the multiple strategies with more risky financial instruments that incorporate in their portfolios.

Hedge funds will be discussed in detail in point two of the work because they are one of the axis of this work. That's why we will include a section devoted to develop in depth their characteristics.

2.3 TYPES OF ACTIVISM

Focusing on the kind of attitude that investors previously analyzed present, we can group them in the following types of activism.

2.3.1 PASSIVE ACTIVISM

Typical attitude of institutional investors. The types of investors with this attitude focus on performances of corporate governance (control of the remuneration of executives, anti-takeover measures, control of transactions...). They seek companies with bad government that may present agency costs, they tend to rely on entities advisors (proxy advisors, which will be discussed later).

This type of activists are reluctant to meddle in the management of the company. Their attention, as mentioned, is focused on supervising the business management.

The web *derechomercantiles.pana* explains the reasons for this attitude:

- On the one hand, they are non-specialists in management and investors and they invest in many companies and sectors, so their attention may not be dedicated exclusively to a single company. They accept that their benefits are consistent with the market (by comparing their profits with other institutional investors).
- The second reason is that institutional investors prefer to be considered as a foreign agent (they don't want to be catalogued as manager in fact because of its intusiveness in the management) . They want to avoid possible claims by

third parties or any related activities that the enterprise develops and which can act against other investments the company has.

2.3.2 ACTIVE ACTIVISM

This attitude is common among investors like hedge funds or venture capital funds, which are the activist shareholders inside the company.

They usually get a significant participation in society and try to modify the strategy of the company, first through moderate actions talking to managers and if dialogue does not work, they try it with more expeditious actions more expeditious such as the loan of actions to participate in the Board.

The success of this type of shareholders is based on convincing the institutional investors of their proposals and exercising pressure in the management of the company.

Unlike passive activists, they focus on companies which are acquitted and undervalued and that can increase their value with the adequate adjustments and changes. Their benefits correspond to the yields of their own investment in the company once the changes are applied in the listed company.

3. HEDGE FUNDS

In this second section we are going to focus on the analysis of hedge funds (definition and origins) to contextualize the concept. Then, we are going to show the main features, which make these funds particularly attractive today. Finally, we are going to explain the main strategies that tend to follow these funds at the time of investing depending on the arbitrage, irregularities in the formation of prices or the company's life cycle or lifetime.

3.1 WHAT ARE HEDGE FUNDS?

Rankia web portal indicates that hedge funds can be defined as 'category of funds that is characterized by not having any limitation on their investments. They are funds, which (like the traditional ones) aim to obtain positive profitability for their partners, but to do so they enjoy broad flexibility in their investment policy and the instruments that can be used to get them'.

3.2 HEDGE FUNDS ORIGINS

The origins of Hedge Funds date back to 1949, 'Alfred Winslow Jones, sociology doctor, established the first fund from \$ 60,000 worth of other funds and \$ 40,000 out of his own pocket. He started by combining two investment techniques that, separately, can be considered risky but combined, as Jones himself argued, would reduce the portfolio's risk and maximize its profitability. On the one hand, short sales - borrowing a bond, selling it and repurchasing it later, at a price that is anticipated to be less, to return it to its owner upon maturing the loan - and, on the other hand, leverage - to borrow funds - ' (Documents of Economy, la Caixa, 2008).

The basis of his strategy was to separate the market and specific risks and cover the losses of one of his strategies with the profits in the other, that is to say, he bought shares of undervalued companies and sold shares of overvalued companies which caused to be covered in both positions considering that if the market went up the shares he had bought would go up in value, compensating the losses in sales. Otherwise, if the market went down, the short sales would provide profits and the purchases would provide losses that would be compensated. This is the reason why they are called hedge funds.

3.3 HEDGE FUNDS' CHARACTERISTICS

Using the information provided by La Caixa and the CNMV in their reports on hedge funds we can summarize their main characteristics:

1. Minimum Investments: they require the investor to contribute around \$ 500,000 in the USA while in Spain the contribution to these funds is usually at 50,000 euros.

2. The main commissions (may vary according to the specific hedge fund) applied are those that flow around 15 % or 20 % of the profitability accumulated by the venturer and the management fee, which is usually 1 % of the heritage. We can observe how the consideration is high compared to other types of funds, all in exchange for a good profitability.

3. Poor regulation and supervision, the main rules that they follow are those they dictate in their internal regulations, so these rules are usually very lax and flexible. This fact is due to various reasons like the limitation to weight investors or the fact that most of these are usually located in tax havens with limited transparency.

4. The Hedge Funds managers invest part of their capital in the funds they manage, so their motivation to improve profitability and caution to avoid undertaking excessively risky investments grows.

5. Nature of their investments and instruments used in their investment movements. Hedge funds tend to follow very diversified strategies both geographical, sectorial or different type of instruments, due to their few restrictions.

In addition, they usually operate with speculation products and derivatives with high risk, in the stock market or in unorganized markets.

6. Leverage, through loans or lines of credit, look for investing above their available capital and thus obtain greater benefits that allow them to return the borrowed and obtain a good profitability.

3.4 HEDGE FUNDS' INVESTMENT STRATEGIES

After reviewing the literature in this section, the following classification has been made on the types of strategies that hedge funds use according to the investor style and differentiating if the basis of their strategies is based on price distortions, on using privileged information regarding different corporate events or on using macroeconomic indicators or indices to develop their strategies.

3.4.1 Relative Value Strategies

They are strategies based on taking advantage of price distortions in the market of different financial products. In particular, it looks for prices of products undervalued or overvalued by the market in order to anticipate their subsequent correction and obtain profits. Within this group we could highlight:

1. Convertible arbitrage strategy: the strategy is used in convertible bonds. The strategy is based on acquiring convertible bonds whose option to buy is overvalued and sell the shares that have a relation to that bond. When the end of the period is reached and the price of the bond has actually fallen, the shares will be acquired at a lower price and the title loan that has been taken will be returned.
2. Equity Market Neutral: it is also called statistical arbitraje. The strategy consists of employing short and long positions that are offset. Yields are derived from the choice of under- or over-valued shares, even if the market trend is different. It is related with variable income.
3. Fixed income arbitrage: using different tools such as the type curve, HF managers look for the best combination of investment or debt in fixed income depending on the possible evolution of the curve.

3.4.2 “Even driven” or Life Cycle Strategies

These strategies also seek anticipation but in this case not in the price of a value but in different events such as liquidations, mergers or organizational changes that may cause inefficiencies in the value of the company's shares and thus try to get a profit by positioning themselves Taking into account the possible final circumstances. Within this group we can distinguish:

1. Risk Arbitrage: investments are made in companies that will be absorbed or in the process of merger. Acquisitions are usually made from the acquired company and short sales from the acquiring company.
2. Distressed Securities: it is similar to the strategy in situation of mergers but in this case the managers buy or sell shares of companies in operational or financial difficulties. They tend to take advantage of the distortions in the values of these companies due to the continuous liquidations of the investors. According to the style of the manager will make purchases if you expect the situation to revert with various reorganizations or sales if you believe otherwise.

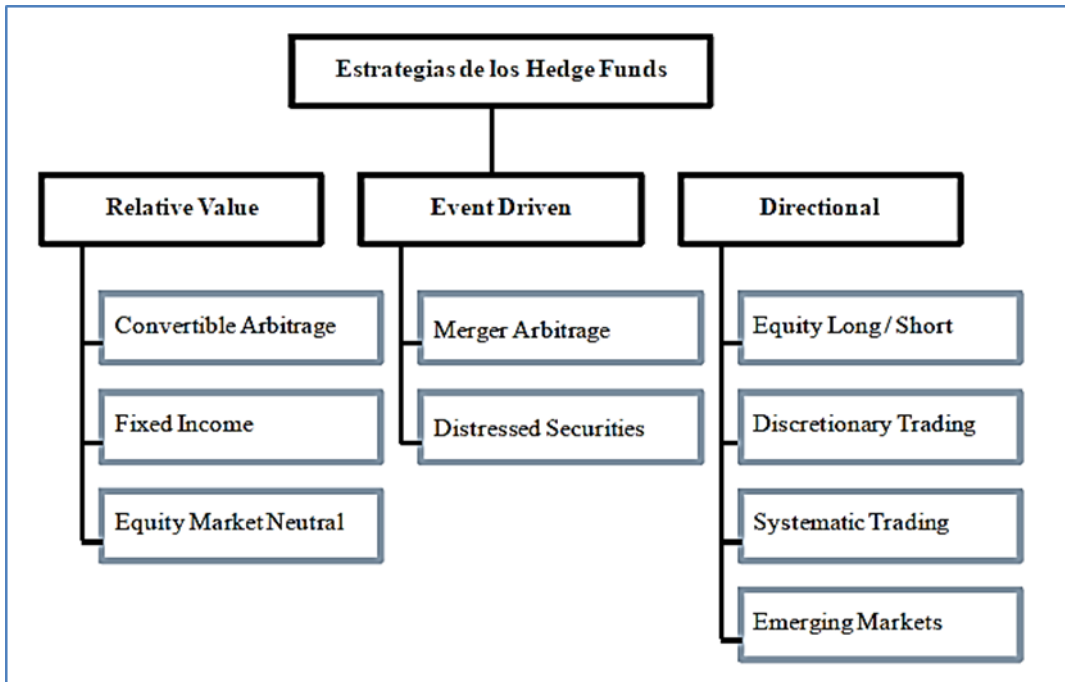
3. Others: we would find other strategies based on events such as the high-performance strategy based on investment in company shares without rating, or the strategy called "Regulation" that consists of the investment in companies with low market capitalization and that have a price marked by volatility.

3.4.3 Opportunist or Directional Strategies:

These are strategies whose objective is to generate returns based on valuation differences between macroeconomic indicators, financial instruments or sectors with the valuations made in the market. So we can differentiate:

1. Global / macro: seek to predict changes in macroeconomic and financial conditions that may affect some assets and once identified to analyze prices that may seem unsustainable.
2. Downward Markets: strategy based on taking advantage of bear markets, making sales anticipating a decrease in the price of the asset.
3. Futures: they are responsible for strategies in the futures market thanks to the high leverage that is allowed in these markets and the transaction costs that are lower.
4. Emerging markets: investing in emerging markets by conducting their own market analysis and usually having a local presence in order to benefit from the scarce financial information or political factors affecting the valuation of financial instruments.
5. Long / Short Equity: combination of long and short positions in equities according to the market trend, being a buyer in bull markets or short in bearers, they are more risky to be operating in this case without coverage.

Figure 1: Hedge Funds Strategies Classification



Source: La toma de decisiones en el activismo financiero: los hedge funds en Europa, 2011.

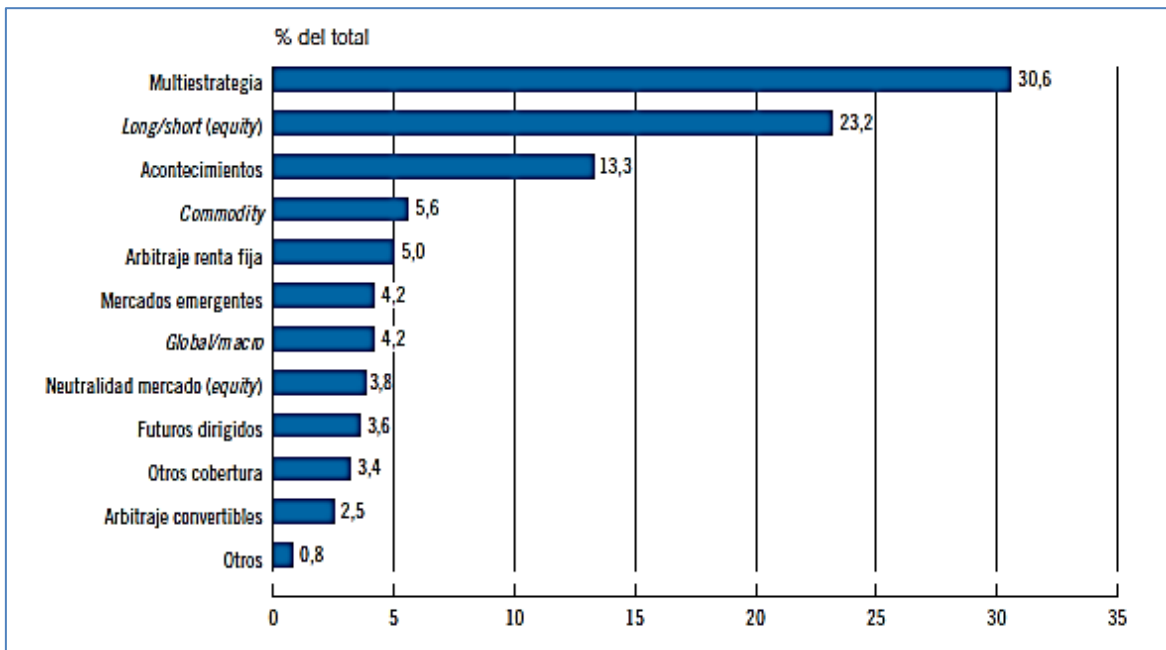
Figure 1 shows a summary of the main strategies used by Hedge Funds dividing them according to the classification explained above.

Although according to the style of the concrete hedge fund, it can use one or other of the strategies mentioned, it is important to note that for the study of activism we will focus on the main analysis of the strategies of the group event driven or life cycle, since from the combination of these the main object of study in the work, that is the activism of hedge funds, appears.

Another aspect to highlight and to conclude the section on the strategies of Hedge Funds is to emphasize that most Hedge Funds opt for a multiple strategy, they do not specialize in a single style, but use several features of each according to the market conditions at specific times.

Figure 2 shows how the largest percentage of Hedge Funds opted for the use of multiple strategies, followed by the use of long / short equity strategies.

Figure 2: Assets Managed by Funds according to strategy



Source: *el enigmático mundo de los HF, beneficios y riesgos*. Data obtained from Lipper Hedge Fund Summary (May, 2007)

4. SHAREHOLDER ACTIVISM BY HEDGE FUNDS

The concepts of activism and hedge funds have been developed separately in sections 2 and 3 of the paper. Once the essay is focused and the basic concepts developed, the next point will be the main goal of the work the activism done by the Hedge Funds, merging both concepts previously analyzed.

This point will be developed in the following way: firstly, the reasons based on the asymmetric information will be explained, which allow to enter the Hedge Funds in the companies; secondly, we will indicate the factors that favour the entrance of this specific type of fund of investment in the companies; thirdly, we will take the variables that take into account Hedge Funds before entering the companies differentiating mainly the supply side (company) and the demand side (investors); fourthly we will investigate the activist process in particular carried out by the Hedge Funds; and finally, we will mention the positive and negative aspects of the activism of Hedge Funds with a greater emphasis on the latter.

4.1 THE PROBLEM OF ASYMMETRIC INFORMATION AND AGENCY THEORY: REASONS FOR ENTERING HEDGE FUNDS IN COMPANIES

According to the traditional theory, we can suppose the existence of perfect information in the companies with which they maximize the value for its shareholders from the expected benefits, regardless of the management of the company.

Nevertheless, in the real business and financial level there are asymmetries of information among the agents of the environment. This derives in that the market that knows this situation endows the decisions of the company's government of relevance (Stiglitz, 2002).

In the current context of large companies that are listed on capital markets, those who have the capacity to finance investments of the company are not necessarily the ones that direct it, so the management is transferred to other entities. This fact is explained in a process of separation between ownership and control of the company.

As a consequence of this separation, a conflict of interests appears between two groups within the same company: shareholders who own the property and those in charge of the management of the same. This is the conflict that the agency theory tries to explain.

According to Berle and Means (1932), 'as managerial participation in the capital of the enterprise is reduced, its tendency to appropriate the resources of the entity through privileges is going to increase', it must be borne in mind that due to asymmetric information problem previously commented, managers can make decisions that improve their position at the expense of shareholders' interests without being able to control them without incurring high costs.

Among the behaviors of managers that can affect the value of the company we can point out two important ones (Bebczuk, 2000):

- The first one that is related to the managers' performance in line with the cost and profits obtained. A greater effort on the part of the management usually entails higher profits, but not necessarily a higher remuneration of the managers. This implication usually leads to a loss of personal well-being.
- The second behavior is the suboptimal investment referring to the choice of projects of low productivity but of high benefit for the managers, such as investments that increase the corporate wealth, power and prestige, and the promotion of the managers, although they do not improve the value of the business.

The problem of agency commented is one of the reasons that cause the appearance of active activists like the Hedge Funds. Minority shareholders do not have the necessary information or incentives to exercise control rights over executives and managers of the company, and it is costly to carry out collective action, resulting in feelings of apathy that, together with their attitude of "free raiders", intensify the rights and position of managers in companies.

The Hedge Funds, which have capital within the company, implement in their practice activist mechanisms for the supervision and control of the management. In addition, they sometimes exercise the task of mobilizing the minority investors to face the conflicts of interests that appear. The main reason for this is the pursuit of the highest value of their investments in that company, therefore they seek to make a good management of the resources of the company and do not deviate the objectives towards personal reasons of the management.

4.2 ELEMENTS THAT ENCOURAGE HEDGE FUNDS IN COMPANIES

Hedge funds, as explained above, have particular features that differentiate them from other funds, namely high opacity thanks to the flexible legislation that applies to them, high levels of leverage or the short-term horizons in which they develop their investments.

These characteristics may help one of the purposes of such funds: to achieve a dominant position in the societies in which they invest and to participate actively in their corporate governance.

In relation to these particularities, we can highlight factors that favour the entry of Hedge Funds into companies.

4.2.1 Investment Capacity

As commented in the previous point when discussing the characteristics of Hedge Funds, these investment funds require investors to enter with substantial capital, which favours the generation of large capital in the fund that increases their ability to invest in companies, even so to strengthen their long position they use techniques with high leverage.

With this capacity of resources and indebtedness they obtain significant positions in the form of voting rights that are used as acquisition of control. Although with their high level of investment they can exercise control over managers, another of their most habitual strategies is the coordination of minority shareholders through instruments of representation.

4.2.2 Independence

Hedge funds differ from traditional funds in which they enjoy greater independence, in the sense that traditional hedge funds often have good trading relationships with companies in which they invest directly or indirectly through other clients of his or the financial group., This fact means that to maintain this commercial relationship his activism develops passively, leaving unhindered action to the administration. This fact is related to the presence of commercial or investment banking in a fund.

Hedge Funds are often disconnected from financial groups and may act in a more isolated and disconnected way. This factor facilitates the taking of positions contrary to

the interests of the managers as they are not subject to commercial pressure or loss of business of other entities in a financial group.

4.2.3 Laxity Regulation

Finally, it should be noted that Hedge Funds are not subject to the rules of traditional investment funds in terms of liquidity and diversification of the portfolio. This fact allows the acquisition of a large percentage of the portfolio in a single company which facilitates the ability to influence society.

4.3 VARIABLES THAT TAKE INTO ACCOUNT HEDGE FUNDS TO ACTIVIST ACTION

In the next point we will develop the key points that Hedge Funds take into account when carry out activist action on a company. The information that will be explained in the following section has been obtained through the review of the study by Armor, J. and Cheffins, B. "The past, present and Future of Shareholders Activism by Hedge Funds".

4.3.1 Starting Point

In order to take action on a company, it is necessary to ensure that the benefits derived are higher than the costs. This fact can be a dissuasive element, as the activists support all the costs and they only receive a part of the benefits, in proportion to their participation within the company.

Therefore, the authors argue that if "b" are the expected benefits, "c" the costs of their action and "α" the proportion of shares of the company (valued between 0 and 1), the action will be rational if it is true:

$$C_i < \alpha b_i$$

Based on the basic equation the authors make variations of this, taking into account separately two extra factors: the anticipation of the market before large block purchases and the private benefits that can get the activists with their action.

The first variation takes into account that the market before purchases of large blocks of stocks reacts to the position that the fund is adopting and increases the price of the target company's shares. The new variable λ (with values between 0 and 1) is therefore introduced. This includes the maximum number of actions that the activists

can acquire in a stealthy way and without alerting the market. The new equation will be specified as follows:

$$C_i < (\text{argmin} \{\alpha, \lambda\}) b_i.$$

It is expressed as a minimization of the joint effect of α and λ .

The second variation would be determined if we take into account that activists can obtain private benefits that can be obtained in various cases through strategies such as "Green Mail", which consists of a premium offered by the company to buy the actions of the activist and expel him from the society or when the activist recommends that the company enter into high-value operations with another company in which the activist himself is involved.

The new variable will be called "p" and the new variation will be:
 $C_i < (\alpha b_i + p_i)$

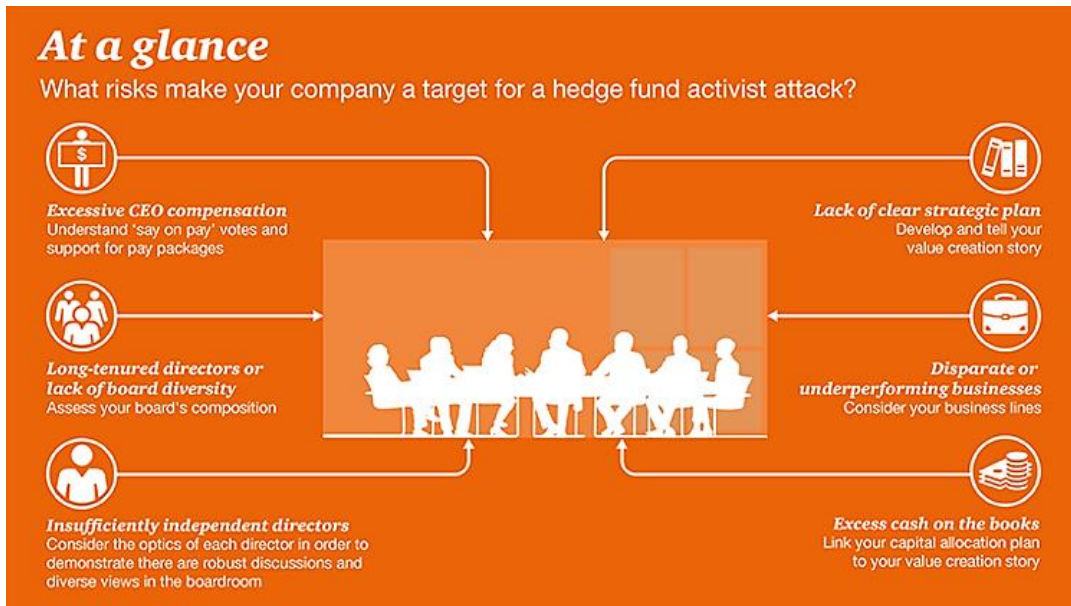
4.3.2 Supply Side Variables

The authors classify these variables as characteristics that the target companies of Hedge Funds have to have for their activist practice:

- **Undervalued Objectives:** Undervalued does not correspond to a low return, can have a robust profit but does not generate value for the shareholder due to mismanagement.
 Activist investors are looking for companies that through feasible changes in financial policies or strategy can increase shareholder returns.
- **Property Structure:** It is important that the structure of the property is diffuse, since in conditions where an investor has a large percentage of the company's capital is more difficult that the activist can exert an influence and cause changes.
- **Shareholder Rights:** This variable is based on the regulation of voting and on the subject of legislation based on the possible gain or loss of shareholder rights in the board that may influence the force of the activist action. It is assumed that if they win rights, the activist will have more leverage.

The following figure shows the indicators from the side of the company that make it attractive and that take into account Hedge Funds:

Figura 3: Characteristics target companies of activist movements



Source: PwC website included in the article "10Minutes on hedge fund activism"

4.3.3 Demand side variables

The study points out those factors that condition activist action from the side of investors:

- **Financing costs:** in general the costs of borrowing to buy shares. It is necessary to take into account that it is necessary as a prerequisite to have sufficient capital to acquire at market prices a considerable number of shares of a company. Not every investor owns that capital, so it is necessary to resort to foreign capital.
 Hedge funds have an advantage in this aspect as they have more capital than other types of investors.
 This variable also depends on the historical moment and political actions that make interest rates to increase or decrease, what is the main indicator of the cost of borrowing.
- **Transaction costs:** Transaction costs take various forms in the context of activism. Firstly, research costs to investigate and identify the possible objectives of the activist action.
 Secondly, broker commissions costs and costs of price spreads on supply and demand. Hedge funds often go to the open market and do not shop in large

blocks to avoid attracting attention, thus increasing costs. Thirdly, communication costs for the activist campaign, which will be lower if you get changes with first calls or email. However, they can increase if you get to the point of using proxy advisors to advise the vote.

- Regulation of Collective Investment Vehicles: although the authors do not emphasize it, it is also necessary to take into account the possible legal and formal requirements of the funds that in the case of Hedge Funds, although it is less, it can also generate costs.

In conclusion, this point can be summarized as follows: for an activist action to be rational, it must meet a series of requirements from the side of the target company as a structure of diffuse property and that is an underestimated company by the market. From the point of view of the activist investor we must take into account the financing and transaction costs and the possible legal consequences of their action, complying with and analyzing the main constraints, the main premise must be that their costs are lower than their weighted benefits to their participation in the company.

4.4 THE HEDGE FUNDS ACTIVIST PROCESS IN THE COMPANIES

Previously we have analyzed the problem of asymmetric information and the agency theory that originates the activist movement. Secondly, we have explained the sources that favor the entry of Hedge Funds and finally a review of market elements which active activists take into account when assessing whether an activist action on the target company is appropriate.

At this point the process and techniques of activist action will be developed once the determinants have been taken into account and the suitability of the activist practice for the specific company is confirmed.

4.4.1 INFLUENCE VS CONTROL

Before investigating the activist process itself, it is necessary to distinguish between the goal of influence or the control of the target society. The distinction is generated at the time of purchase of shares of a company. At that time the objective may be to exert pressure to cause changes in the management of the company or on the contrary to try to obtain complete control in the votes of the Board.

It is useful to distinguish between investors who seek to agitate the rest of investors to generate a change without acquiring a block of shares large enough to ensure the legal

control or voting right of those determined to execute what law professors Ronald Gilson and Alan Schwartz qualify as "transfer by sale" strategy by purchasing the majority of shares of existing investors similar to a takeover bid.

The distinction is usually generated through business models, pointing to private equity firms and investment funds, with a greater variety of capital. Private equity firms specialize in public procurement and therefore they seek corporate control, so that the changes and investments they intend to make are made by having the property of the target company.

On the other hand, investment funds and Hedge Funds in particular prefer not to commit their capital in the form of majority ownership and look for taking advantage of their position as minority shareholders to influence other investors and to gain profits at the time when management of society makes changes in response if necessary, from the pressure of investors.

4.4.2 THE HEDGE FUNDS ACTIVISM AS A TECHNIQUE OF INFLUENCE IN CORPORATE GOVERNANCE

Lastly and as a closing of the point in this section we will explain the activist process and the offensive techniques of the active activist based on the Hedge Funds point of view and always in the context of exercising influence and not control as discussed previously.

According to the author García, L. in his study for the Universidad Complutense, "the deployment of the activist strategy exercised by Hedge Funds is based on the acquisition of a relevant shareholding position to exert some influence in decision making in society". Indeed, in line with the concepts discussed above, Hedge Funds' first step is the acquisition of a considerable number of shares of the target company that allows it to have some importance in society.

It can be added that Hedge Funds also make cautious purchases, not the block, so that the market does not anticipate its strategy and increases the price of the company's shares, as has been argued in section 3.3.1. of this essay. Then, in a second step, Hedge Funds managers act indirectly by establishing a contact with the company's management body in a private way through telematic resources such as telephone calls or e-mails, suggesting implementing certain measures to increase the shareholder's value.

The changes they usually suggest are related to financial changes such as:

- Cost reductions: reviewing the cost accounting carried out by the company.
- Distribution of higher dividends: oriented to the management of possible cash surplus.
- Issuance of obligations: to obtain financing in a less expensive way that does not carry more debts to the company.
- Exit of non-strategic assets of little value for the company.
- Management of the relationship with suppliers and customers of the company to increase or decrease their payment and collection periods.

Although the changes proposed above advocate the implementation of these strategies in the company's financial structure, Hedge Funds managers also tend to take into account strategies in favour of operational efficiency or strategic changes such as the implementation of information systems (ERP) that speed up day-to-day management.

If the dialogue with the Board of Directors has not answer, Hedge Fund activist will take a position in which the degree of aggressiveness will increase gradually. The activist fund can intensify the pressure by criticizing the board of directors or creating smear campaigns by threatening even by lawsuits against the directors of the company.

Managers of the funds at this stage of their activist action will go on to perform public actions in the society and will use as targets of their attacks the managers of society (not the society itself), as a discredit of society will create a bad image in the financial markets eliminating the attraction of exerting influence in the company.

A strategy used specifically by active activists and that Hedge Funds often use is the so-called "transfer by vote". As the authors Gilson and Schwartz point out, this strategy consists of a managerial control by obtaining alliances with other shareholders or institutional investors, mobilizing a percentage that allows to decide in the board or threaten the replacement of the board of directors.

It should be noted that although this technique is used, active investors prefer not to enter control battles, as this generates costs and their preference is not direct participation in the operation.

As a last step in their activist action, we could point out that the attack would have its culmination when the threats against the administration of society are put into practice, even replacing them.

Cheffins, R. and Armour, J. point out in their study that researchers Alon Brav, Wei Jiang, Frank Partnoy and Randall Thomas found that in 13 % of incidents in hedge fund activism, the fund was involved in a proxy competition to replace the directors of the companies.

Once seen the process of activist action carried out by the Hedge Funds, we can conclude that it is an activism for defensive purposes and that their objective is to operate ex ante and privately proposing to the company's board measures that can benefit to obtain the potential of the company and will only employ more aggressive actions when it is with negative towards the realization of the proposals presented. The following figure shows the phases of the activist process in a summarized way.

Figure 4: Activist process according to Degrees of Intensity



Source: Own Elaboration

4.5 POSITIVE AND NEGATIVE POINTS OF THE HEDGE FUNDS ACTIVIST PROCESS

Having seen the whole activist process by looking at their variables to take into account when selecting the target company, it is necessary to comment on the positive and negative aspects of this process on companies, analyzing this point from Hedge Fund activism action.

4.5.1 POSITIVE POINTS

Among the positive aspects, it is the question of whether Hedge Funds with their activist strategy generate value creation for the societies in which they invest or for the investors of the latter.

To this question, several authors, such as García, L. M^a and Holderness (2003) answer

affirmatively. They indicate that with the proposals of Hedge Funds or the exerted pressures, the distribution of dividends or the amortizations of the actions is encouraged. They try to reduce the remuneration of the Board of Directors or the agency costs analyzed above improving the profitability of companies.

In addition, the latter author points out that these benefits in companies are generated through the management and supervision that is expected to be promoted through the Hedge Funds when acquiring significant stakes in the target companies.

Another positive aspect is that Hedge Funds seek to reduce the informational asymmetries between management and shareholders, which is another fact that favours the creation of value.

On the other hand, not only the members of the company do benefit, but also the fund's participants, because the yield of Hedge Funds increases when an activist strategy is followed. In addition, when the Hedge Fund's participation in the company increases, the incentives to increase the company's yield are greater.

4.5.2 NEGATIVE POINTS

Although the positive points of activism have an important effect, which is corroborated by multiple authors, such as those previously mentioned, this review will explain in more depth the negative aspects that can also originate in the activist practice of Hedge Funds from their position as a dominant shareholder, which can have a strong impact on the companies and for their other shareholders. Among these effects we will highlight: Private benefits of control, Tunneling, the use of the so-called "empty vote" and the proxy advisors.

4.5.2.1 Private profit of control

Shareholders with a significant stake in the capital of a company have incentives to use their power and influence in order to enjoy profits without sharing them with minority shareholders. These are the so-called "private benefits of control" (Shleifer and Vishny, 1997).

Accordingly, this is the effect that appears if Hedge Funds with a larger share and with information and influence advantages over the decisions of the companies with respect to other minority shareholders use their position to extract private profits from their investment in these companies specifically, damaging the interests of other

shareholders. This fact usually appears in events of changes of control such as acquisitions or mergers.

4.5.2.2 Tunneling effect

At a time when minority shareholders finance companies in which there are a dominant shareholder, it may happen that the returns on their investment are not obtained. This is due to the result of the expropriation carried out in this case, not by the manager of the company, but by these majority shareholders. This effect is called "Tunneling".

The expropriation process is based on the transfer of profits and resources outside the company for the exclusive use of majority shareholders. It can be done in several ways (Johnson, 2000):

- Transactions in which a price that is more advantageous for the shareholder than the one provided by the market is agreed or the use of the company's assets as loan guarantees.
- Financial operations such as the issuance of capital to dilute the participation of other shareholders.
- Carrying out operations with privileged information or discriminatory characteristics for the other shareholders.
- Creation of mechanisms to exclude minority shareholders.

It should be noted that the objective is to try to extract assets or profits from the company so that the dominant shareholders benefit from these transactions.

4.5.2.3 Use of "empty voting"

Having a share in a company generates, on the one hand, the right to obtain the proportion in the profits of the company through the distribution of dividends or capital gains with the sale of the shares when the company increases its value in the market, but also with the acquisition of a share means the right to participate in the Boards and participate in the company's governance through the votes.

It is assumed that the shareholder has an interest in the maximization of the shares' value and therefore the shareholder will pay attention to related matters that have a direct relation to their value. This is the reason why shareholders have a voting right in their shares. This factor appears when economic and voting interests are aligned.

Today, there is a separation between economic ownership and political rights

associated with an action, appearing a problem, since it may be the case that the vote has no economic impact or is even contrary to the creation of value.

One of the reasons that this "empty vote" can cause is the conflict of interest that is generated when a shareholder has positions in other companies with which their vote will be destined to improve their positions in this other one, as it is argued in Coen (2008). In this case the shareholder has an opposite objective to the rest of shareholders of the company and therefore a negative vote can be generated.

Some mechanisms to exercise the negative vote is to use credit default Swaps in a specific period to be able to use the vote and not be exposed to economic risk or borrowing shares. You can also use contracts for differences (CFD).

Hedge Funds use the empty voting technique, on the one hand, to disconnect from economic exposures and, on the other hand, for their activist role in mergers and acquisitions. In this last role they usually acquire shares of both the acquiring company and the target company, removing the economic part.

The negative part generated by Hedge Funds when using their "empty vote" is that they use their participation in the vote of the two parties to carry out their transactions according to their personal interests, as Valcárcel, P. explains in their doctoral thesis: "using the empty vote on the offensive side, hedge funds will try to promote the consummation of the transaction, even if it involves the destruction of value for the acquiring company, while, when they use it on the defensive side, Hedge funds could carry out counter-transaction strategies, with positions that would benefit in the event of a collapse of the transaction and, therefore, voting against it."

4.5.2.4 Proxy Advisors

These agents are independent firms that are primarily responsible for researching and providing advisory services to institutional investors or investors with a dominant share in the capital of a company in case of a particular Board proposal.

The *ieseinsight.com* website highlights the recent rise of voting advisors, which have emerged as a result of new regulations aimed at strengthening the weight of shareholders in corporate governance decisions by requiring shareholder approval to carry out more business operations.

It is also mentioned that the negative aspect appears as the power and influence of proxy advisors has been growing. In addition, doubts related to whether their incentives are adequate to use their voting recommendations have been generated.

In relation to the case explained in this paper, the problem that is appearing is related to the excessive use of these companies by some Hedge Funds, what generates a dependence on their services and therefore they are exposed to the issues that various authors and organisms explain:

The company PriceWaterhouseCoopers (PWC) makes a report that argues that the negative part of using proxy advisors mainly lies in the conflict of interests that may arise when the voting advisor belongs to a company group in relation to the company or there is any related entity in the company's shareholders, or even if there is a director or employee of the advisory company in the shareholders of the companies they analyze. These facts will generate that the recommendations of voting are not independent and objective and they are detrimental for the company and its shareholders.

Furthermore, as Manuel Conthe points out in 2012 for the website *Expansión.com* based on the CNMV report, the problem of these services lies not only in the possible conflict of interests but also in the low quality of their advice at a technical level, or in the fact that the opinions they carry out many times are mechanical and without taking into account the singularities that are applied in each market. This fact is the so-called "one size, fits all", in other words, a same type of advice for all its customers.

Although there are also positive aspects, the authors and agencies in their reports share the disadvantages of using these services, as well as proposing improvements related to a greater regulation of these companies in terms of the lack of transparency on the processes followed for the elaboration of the vote recommendation.

5. CURRENT ACTIVISM SITUATION

After explaining the key concepts in the previous points on key aspects to be taken into account on activism and in particular the one carried out by Hedge Funds in a more active way, the following point that will serve as a closing of the work we will present a brief description of the situation of activism in recent years within Europe and in Spain.

5.1 CURRENTLY ACTIVISM SITUATION FROM EUROPEAN BACKGROUND

Since the first activist action in the United States around 1950 and until the most recent present during the 2008 financial crisis, this phenomenon has continued to increase, driven mainly by the most active activists such as Hedge Fund managers.

Today, due to the saturation of the North American market, where as we have said before activism has its origin, activist investors are moving to other markets. "There is an increasing number of hedge funds that consider that the US market for this type of strategies begin to saturate and turn their gaze to other markets, especially to Canada and Europe", says consultancy FTI Consulting in a recent report on the industry.

Different agencies and the economic press begin to remark this fact. "In Europe, high-risk funds or hedge funds that request to participate in the management of the companies where they have invested manage a net worth of 62,000 million dollars (55,426 million euros)", according to the publication *Activist Insight*. In a different article, *El País* newspaper highlights "In 2010, for example, only 10 continental companies were targeted by activists, while in 2015 the movements surpassed thirty."

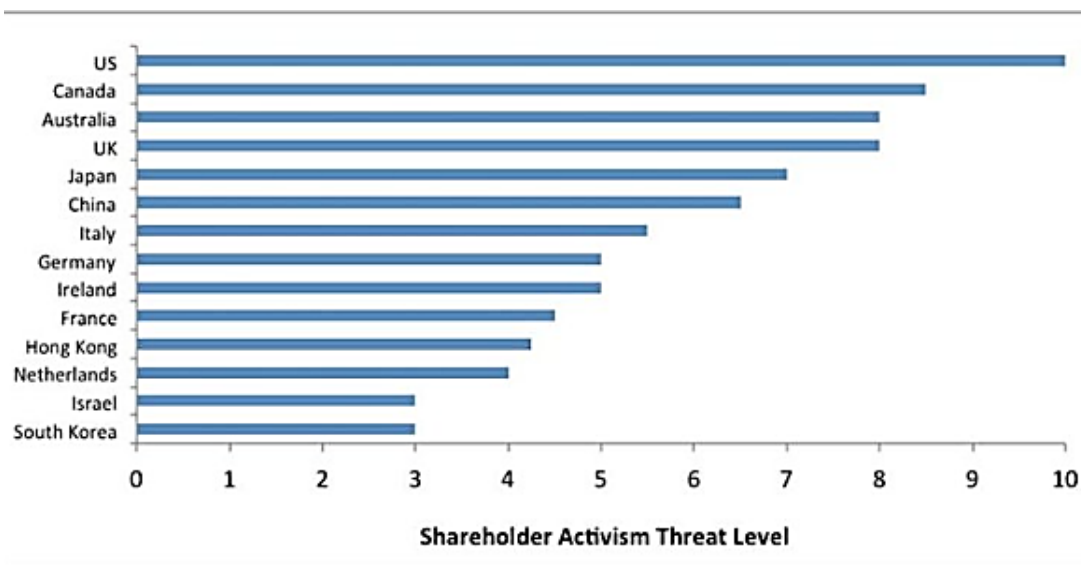
The characteristics of the European market do not facilitate the entry of this type of investor as it is a market with more fragmentation due to the different local regulations, the family-based shareholding structure, the great amount of small companies. Despite the fact that levels of investment are not yet comparable with those of the USA, it is stated that there is a movement of capital and activist actions taking part in Boards of companies located in Europe.

The incident that has occurred in the last years and that has favoured this shift towards Europe is the low interest rate that has caused one of the scarce profitability of the assets without risk that compared to the high yields of the Hedge Funds activists make them attractive to investors, as the newspaper *El País* reports from JP Morgan. Also with regard to this favourable context, the depreciation of the Euro is another focus to be taken into account and it reinforces what has been said above.

In Figure 5, elaborated by the consultant FTI, it is possible to observe how in a scale of the 1 to 10 in countries "threatened" by the activist action, the first European country would be the United Kingdom, in the fourth place, with a level of 8 followed from Italy and Germany.

The United Kingdom accounts for 43.1 % of the European cases between 2010 and 2014 materialized in 103 campaigns on listed British companies (*El País* newspaper).

Figure 5: Scale of Countries regarding their activist threat



Source: linkedin.com. Data obtained of FTI Consulting in 2016

5.2 CURRENT ACTIVISM SITUATION FROM SPANISH BACKGROUND

In Spain, shareholder activism is still underdeveloped, due to the financial crisis of 2008 along with the characteristics of Spanish companies, mostly small companies and majority owners with control in the council, characteristics that cause the deterrence of main activist investors.

Even so, there are particular cases of activist actions of companies in the Spanish context as:

- Sabadell Bank launched an investment fund in 2013 "*Sabadell España 5 Valores*", based on an investment fund that invests in 5 securities according to the valuation of the fund management team. This also has activist tendencies that attempt to propose measures to the companies in which it invests.

- The British Hedge Fund "*Governance for owners*" invested in Spanish listed companies such as Pescanova, Viscofan or Jazztel in 2011, in the latter with an initial holding of 3.13 %.
- In 2014, 36.76 % of Telefónica shareholders voted against the distribution policy of the result.

These examples, among others, are signs that as Spain recovers from the crisis suffered in 2008 and companies have a process of greater internationalization with the entry of new shareholders, cases of this type will increase as a result of the movement of Hedge Funds investments outside US territory, changing the shareholding composition of companies with shareholders who take part in corporate policies.

6. CONCLUSION

The present work has explained the concepts in relation to the stock activism, focusing on that active activism carried out by Hedge Funds:

Activism groups the actions of the shareholders with the intention of influencing the management of the company. The degree of activity will be marked by the characteristics of each investor, so you can differentiate those more passive investors who do not care about the direction of the company, such as institutional investors and, on the other hand, we can find those investors that analyze the companies in which to invest and that propose improvements and exert pressure in case of not being attended (within this group the biggest exponent are the Hedge Funds).

Hedge Funds are a type of investment fund that has particular characteristics such as flexible legislation or greater capitalization, in addition to its riskier investment techniques due to leverage and more complex employee products. These characteristics make them supportive of the practice of activism and participation in companies.

The origins of the activism is based on the problem of agency and the conflicts of interests that make these funds carry out a task of control and revision of the policies made by the corporate government or the administrators.

Before Hedge Funds invest in the company they will take into account a series of variables such as the costs of purchasing shares of the company or implementation of possible policies, but not only quantitatively, since in addition to these variables the company's goal must meet a number of requirements in relation to hidden potential, wasted or not maximized by the company's current policies.

Taking into account that activism is based on influence and not on control, the activist action of Hedge Funds seeks collaboration with managers and owners of the company and not confrontation, so the first step will be an analysis with these bodies of the opportunities presented by the company. In the case of a denial, it will be the moment in which they initiate an offensive action that will increase the pressure and can even arrive at the cessation of the responsables.

Although the activist action has many positive aspects, such as the control of company

and managerial policies, there are also negative aspects arising from the potential relationships of the fund with other companies that coincide in interests, the pursuit of private benefits or the use of voting advisors.

Nowadays, due to the saturation of the US market, there is a shift in Hedge Funds activists' investments in the European continent, which is reinforced by the new low-interest monetary policies and currency depreciation. Among European countries, we highlight the United Kingdom, being the country with more participation of Hedge Funds. In the case of Spain, the process is slower than in the rest of Europe due to the characteristics of the Spanish industrial sector and the crisis of 2008.

Once analyzed the points of the essay and extracted the previous key points, it can be concluded that this provides us with useful information that allows us to have a global and critical vision of the activist process that is developing with greater boom in the last years, especially the one which collective investment instruments carry out, and above all Hedge Funds, with a clear activist tendency.

In subsequent lines of study on this subject it would be convenient to analyze how the activist process in the hands of Hedge Funds is set up in Europe and to compare the results obtained with respect to the American situation, since it is necessary to take into account the different characteristics of the companies and European citizens, with another way of acting and thinking. This difference in culture and economic context can affect the results of the activist movement.

7. BIBLIOGRAPHY

Antunes, M.P. (2012) “*Hedge Funds e o Activismo Societário*” [online] MA dissertation. Universidad Católica de

Lisboa.<http://repositorio.ucp.pt/bitstream/10400.14/13675/1/Miguel%20Paiva%20Antunes_Hedge%20Funds%20e%20o%20Activismo%20Societ%C3%A1rio_Ag.pdf> [20 March]

Arcudia, C.E.(2011) “*El activismo de los inversionistas institucionales en el gobierno de las grandes sociedades*”[online] MA dissertation. Universidad Autónoma de San Luis Potosí. Available

from<http://www.scielo.org.mx/scielo.php?script=sci_arttext&pid=S0186-10422012000400003> [10 March 2017]

Bebczuk, R.N. (2000): *Información Asimétrica en Mercados Financieros*,Cambridge University Press, Madrid

Berle, A.A. y Means, G.C. (1932): *The Modern Corporation and Private Property*, Harcourt Brace and World, Nueva York.

IESE Insight (n.d.) ¿Vale la pena dejarse asesorar por los 'proxy advisors'? [Online] available from< <http://www.ieseinsight.com/doc.aspx?id=1563&ar=3&idioma=1>> [10 April 2017]

Cheffins, Brian R. and Armour, John (2011) The Past, Present and Future of Shareholder Activism by Hedge Funds. (August 31).Journal of Corporation Law, 2012; University of Cambridge Faculty of Law Research Paper No. 38/2011. Available at SSRN: <<https://ssrn.com/abstract=1932805>> [15 March 2017]

Cinco Dias (2005) “*Los secretos de los 'hedge funds' para hacer dinero*” [online] available from<http://cincodias.com/cincodias/2005/11/19/mercados/1132365699_850215.html> [15 March 2017]

CNMV (2006) “*Estudio sobre la industria de los Hedge Funds*”[online] available from<http://www.cnmv.es/DocPortal/Publicaciones/Estudios/HedgeFunds_0602.pdf> [10 April 2017]

Coen, J. (2008): “Negative Voting: Why it Destroys Shareholder Value and a Proposal to Prevent it”, *Harvard Journal on Legislation*, Vol. 45 (1): 44-257.

- Conthe, M. (2012) Proxy advisors. *Expansión*. [online] 8 December. available from <http://www.expansion.com/blogs/conthe/2012/08/01/proxy-advisors.html>> [15 April]
- Derecho Mercantil (2014) *Activismo Accionarial* [online] available from <http://derechomercantilesana.blogspot.com.es/2014/05/activismo-accionarial-i.html>> [20 March 2017]
- Fernandez, D. (2016) Los inversores 'guerreros' ya campan en compañías europeas. *El País* [Online] 6 February. Available from http://economia.elpais.com/economia/2016/02/06/actualidad/1454793456_512612.html> [16 April 2017]
- Fronza, A. (2016) "The rebranding of corporate raiders". *World Finance. The voice of the market* [online] 9 March. Available from <http://www.worldfinance.com/strategy/the-rebranding-of-corporate-raiders>> [20 March 2017]
- García, L. M^a. (2013) *La influencia de la inversión de los Hedge Funds en las sociedades en las que invierten* [Online] MA dissertation. Universidad Complutense de Madrid. Available from <http://eprints.ucm.es/21187/> > [10 March 2017]
- Gil, P.V. (2011) *La toma de decisiones en el activismo financiero: Los Hedge Funds en Europa* [online] PhD thesis. Universidad de León. <http://buleria.unileon.es/xmlui/handle/10612/5730>> [15 March 2017]
- Holderness, C.G. y Sheehan D.P. (1985): "Raiders or Saviors? The Evidence on Six Controversial Investors", *Journal of Financial Economics*, Vol. 14 (4): 555-579.
- Holderness, C.G. (2003): "A Survey of Blockholders and Corporate Control", *Economic Policy Review*, Vol. 9 (1): 51-64.
- IESE Insight (n.d.) ¿Vale la pena dejarse asesorar por los 'proxy advisors'? [online] available from <http://www.ieseinsight.com/doc.aspx?id=1563&ar=3&idioma=1>> [10 April 2017]
- Inversión y Finanzas (2015) *Se busca inversor institucional para fondo de inversión* [online] available from <http://www.finanzas.com/noticias/mercados/20151126/busca-inversor-institucional-para-3300574.html>> [15 March 2017]
- Johnson, S., La Porta, R., Lopez de Silanes y F., Shleifer, A. (2000): "Tunneling", *American Economic Review*, Vol. 90 (2): 22-27.

Kahn, C. y Winton, A. (1998): "Ownership Structure, Speculation, and Shareholder Intervention", *The Journal of Finance*, Vol. 53 (1): 99-129.

Linkedin (2016) "Inversores activistas: nuevo populismo en los consejos de administración" [online] available from <<https://es.linkedin.com/pulse/inversores-activistas-nuevo-populismo-en-los-consejos-bel%C3%A9n-vilchez>> [15 April 2017]

Maug, E. (1998): "Large Shareholders as Monitors: Is There a Trade-Off between Liquidity and Control?", *The Journal of Finance*, Vol. 53 (1): 65-98.

Noguer, M.(2008) "El enigmático mundo de los Hedge Funds: beneficios y riesgos". Documentos de economía La Caixa.[online] available from <http://www.caixabankresearch.com/documents/10180/51459/de09_esp.pdf > [15 March 2017]

PwC (2013) Proxy Advisors ¿Qué impacto tienen en las sociedades cotizadas españolas? [online] available from <<https://www.pwc.es/es/publicaciones/gestion-empresarial/assets/proxy-advisors.pdf>> [10 April 2017]

Rankia España (2017) ¿Qué son los Hedge Funds? [online] available from <<https://www.rankia.com/blog/fondos-inversion/1825147-que-son-hedge-funds>> [18 March 2017]

Shivdasani, A. (1993): "Board Composition, Ownership Structure, and Hostile Takeovers", *Journal of Accounting and Economics*, Vol. 16 (1-3): 167-195.

Shleifer, A. y Vishny, R.W. (1997): "A Survey on Corporate Governance", *The Journal of Finance*, Vol.52 (2): 737-783.

Stiglitz, J.E. (2002): "Information and the Change in the Paradigm in Economics (Conferencia del Premio Nobel, diciembre)", *Revista Asturiana de Economía*, Nº. 25: 95-164.

Torrents, M. (2013) Sabadell también lanza un hedge fund para invertir sólo en España: "Es el momento". *VozPopuli Economía*. [online] 10 July. Available from <http://www.vozpopuli.com/economia-y-finanzas/Banco_Sabadell-Hedge_funds-Cirus_Andreu_0_604739538.html> [20 April 2017]

