Never Waste a Crisis: Following the Smart Money through Beneficial Ownership Filings

Investors looking for ideas amid the recent market downturn may profit from an understanding of beneficial ownership filings: SEC schedules 13D and 13G. Large shareholders must file a 13D or 13G when they acquire 5% or more of a voting class of a corporation’s shares.¹ These purchases, therefore, often represent high conviction buys by activists, industry insiders, hedge funds, etc. Our previous investor activism research shows that investors can benefit by following activists’ lead: a portfolio of stocks that activists had targeted outperformed the market by over 8% annually and target shareholders saw rising dividend payments and share buybacks post-activism.

This report examines recent 13D and 13G filings, and spotlights four purchases of target companies with high historical operating cash flows and below average dividend payments, characteristics of companies typically targeted by activists. High cash flow generation can be used to fund both corporate growth and shareholder payouts. Figure 1 shows buy zones (in green) for four select 13D filings.

Figure 1. Four Recent 13D Filings, with Purchasing Firm (on Vertical Axis) and Buy Zone (Green Highlight)


Within the list of recent 13D filings (Figure 2, below), a few themes stand out:

- **Recession-resistant industries**, including biotechnology (Mersana Therapeutics and Aravive) and software (Cloudera and Convmvault Systems).
- **Stay-at-home-friendly names**: GameStop (video gaming), Meet Group (online social networking), Wayfair (online home furnishings), Bed Bath & Beyond.
- **Food sellers**: Chefs’ Warehouse (specialty foods), Farmer Bros. (coffee, tea & culinary).
- **Beaten-down energy names**: Occidental Petroleum, Sprague Resources (oil & gas storage).

¹ 13Ds are filed by investors who are seeking control, while 13Gs are shorter forms that are filed by passive investors.
NEVER WASTE A CRISIS: FOLLOWING THE SMART MONEY THROUGH BENEFICIAL OWNERSHIP FILINGS

**Figure 2. Select Recent 13D Filings, Including Current Percentage of Shares Outstanding Held**

<table>
<thead>
<tr>
<th>Filing Date</th>
<th>Target Company Name</th>
<th>Symbol</th>
<th>Market Cap ($mm)</th>
<th>Purchaser Name</th>
<th>Hedge Fund?</th>
<th>% of Shares O/S (5/19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/17/2020</td>
<td>Mersana Therapeutics, Inc.</td>
<td>MRSN</td>
<td>584</td>
<td>Bain Capital Life Sciences Investors, LLC</td>
<td>No</td>
<td>5.85%</td>
</tr>
<tr>
<td>4/17/2020</td>
<td>Wayfair Inc.</td>
<td>W</td>
<td>17,062</td>
<td>Great Hill Partners, LP</td>
<td>No</td>
<td>6.00%*</td>
</tr>
<tr>
<td>4/16/2020</td>
<td>Extended Stay America, Inc.</td>
<td>STAY</td>
<td>1,757</td>
<td>Starwood Capital Operations, LLC</td>
<td>No</td>
<td>8.52%</td>
</tr>
<tr>
<td>4/16/2020</td>
<td>Aravive, Inc.</td>
<td>ARAV</td>
<td>189</td>
<td>Eshelman Ventures, LLC</td>
<td>No</td>
<td>5.84%</td>
</tr>
<tr>
<td>4/15/2020</td>
<td>Cloudera, Inc.</td>
<td>CLDR</td>
<td>2,341</td>
<td>Icahn Capital LP</td>
<td>No</td>
<td>17.72%</td>
</tr>
<tr>
<td>4/10/2020</td>
<td>GameStop Corp.</td>
<td>GME</td>
<td>318</td>
<td>Scion Asset Management, LLC</td>
<td>Yes</td>
<td>4.34%</td>
</tr>
<tr>
<td>4/8/2020</td>
<td>Sprague Resources LP</td>
<td>SRLP</td>
<td>297</td>
<td>Oaktree Capital Management, L.P.</td>
<td>Yes</td>
<td>6.00%</td>
</tr>
<tr>
<td>4/2/2020</td>
<td>Bed Bath &amp; Beyond Inc.</td>
<td>BBBY</td>
<td>700</td>
<td>Legion Partners Asset Management, LLC</td>
<td>Yes</td>
<td>5.41%**</td>
</tr>
<tr>
<td>3/30/2020</td>
<td>The Chefs’ Warehouse, Inc.</td>
<td>CHEF</td>
<td>355</td>
<td>Legion Partners Asset Management, LLC</td>
<td>Yes</td>
<td>2.72%</td>
</tr>
<tr>
<td>4/1/2020</td>
<td>Farmer Bros. Co.</td>
<td>FARM</td>
<td>136</td>
<td>Trigran Investments, Inc.</td>
<td>Yes</td>
<td>12.91%</td>
</tr>
<tr>
<td>3/30/2020</td>
<td>Commvault Systems, Inc.</td>
<td>CVLT</td>
<td>1,980</td>
<td>Starboard Value LP</td>
<td>Yes</td>
<td>9.91%</td>
</tr>
<tr>
<td>3/24/2020</td>
<td>Winnebago Industries, Inc.</td>
<td>WGO</td>
<td>1,506</td>
<td>Punch Card Capital, LLC</td>
<td>Yes</td>
<td>5.00%</td>
</tr>
<tr>
<td>3/19/2020</td>
<td>The Meet Group, Inc.</td>
<td>MEET</td>
<td>442</td>
<td>Magnetar Capital, LLC</td>
<td>Yes</td>
<td>4.92%</td>
</tr>
<tr>
<td>3/12/2020</td>
<td>Occidental Petroleum Corporation</td>
<td>OXY</td>
<td>12,060</td>
<td>Icahn Capital LP</td>
<td>No</td>
<td>9.85%</td>
</tr>
</tbody>
</table>

*Includes convertible senior notes convertible to 3,448,276 common shares.
**Includes 1,150,000 shares from long call options currently exercisable.


Note that percentage of shares outstanding have been updated to reflect current ownership levels, and may differ from filing.

**Spotlight: Notable Recent 13D/G Filings**

This section looks in-depth at recent filings by four prominent investment funds in companies with above-average cash flow generation. See the Appendix for a list of recent 13G filings.

**1. Starwood Capital - Extended Stay America**

- Starwood’s 8.5% purchase of STAY follows the company’s losing bid for STAY, to Centerbridge Partners, in a 2010 bankruptcy auction. STAY owns 631 hotels in the mid-priced, extended stay segment.
- Foot traffic at STAY’s properties fell by 62% in March, year-to-year, narrower than the 73% average decline for non-REIT hotel peers (foot traffic data is from Airsage).
- STAY has withdrawn 2020 guidance. On May 6, STAY reported Q4 normalized EPS of $0.07, $0.02 ahead of estimates. Revenue of $266mm was also above views.
- STAY’s CEO bought 50,000 shares in March (below).

**Insider Trade Highlights**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Aggregate Purchase Price</th>
<th>Number of Shares</th>
<th>Price Range</th>
<th>Date Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bruce Haase</td>
<td>Chief Executive Officer</td>
<td>$512,538</td>
<td>50,000</td>
<td>$10.07 - $10.33</td>
<td>3/6/2020 - 3/9/2020</td>
</tr>
<tr>
<td>Michael Kuenne</td>
<td>Senior Key Executive</td>
<td>$13,800</td>
<td>1,500</td>
<td>$9.20</td>
<td>3/10/2020</td>
</tr>
<tr>
<td>Kapila Anand</td>
<td>Member of the Board of Directors</td>
<td>$14,925</td>
<td>1,500</td>
<td>$9.95</td>
<td>3/6/2020</td>
</tr>
</tbody>
</table>
2. Icahn Capital – Occidental Petroleum

<table>
<thead>
<tr>
<th>Icahn Capital 60-Day Investments (13D)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate Purchase Price</td>
<td>$963,333,345</td>
<td></td>
<td></td>
</tr>
<tr>
<td># of Shares Purchased</td>
<td>66,055,417</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Outstanding Shares</td>
<td>7.92%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Purchase Price</td>
<td>$14.58</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase Price Range</td>
<td>$12.68 - $17.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase Date Range</td>
<td>3/9/2020 - 3/11/2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% 60-Day Purchase/Total</td>
<td>74.53%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Icahn Capital is an investment subsidiary of Icahn Enterprises, chaired by billionaire investor Carl Icahn.
- Filing showed that Icahn Enterprises owned a 7.9% stake in OXY and Carl Icahn personally owned 9.9%.
- On May 5, OXY reported a Q1 normalized loss per share of $0.52, $0.10 better than analyst views. Oil revenues were 9% below expectations.
- Icahn Capital also filed a 13D for Cloudera, Inc., on April 15, indicating 17.7% ownership.

3. Public Investment Fund - Carnival Corporation

<table>
<thead>
<tr>
<th>Public Investment Fund: Recent 13G Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Company</td>
</tr>
<tr>
<td>Carnival Corporation</td>
</tr>
</tbody>
</table>

- The Public Investment Fund, an investment arm of the government of Saudi Arabia, disclosed an initial 8.2% stake in CCL in a 13G filing on April 6. The fund has since reduced its ownership stake, to 4.6%, according to a recent 13F filing.
- On April 6, Randall Weisenburger, a Carnival director, purchased 1.25mm shares in CCL for $10 million.
- CCL has announced that a limited number of cruises may take place starting in August of this year.
- CCL has suspended dividend payments and stock repurchases, and has recently raised over $6 billion through debt and equity issuance.

4. D.E. Shaw – Yelp

<table>
<thead>
<tr>
<th>D.E. Shaw: Recent 13G Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Company</td>
</tr>
<tr>
<td>Yelp</td>
</tr>
</tbody>
</table>

- Hedge fund D.E. Shaw announced 5% holdings in Yelp Inc. (YELP) through 13G filings in mid-April. It also filed a 13-G for micropcap stock Blue Apron (APRN).
- YELP withdrew its 2020 guidance in March. On May 7, YELP posted Q1 normalized EPS of $0.23, in-line with consensus, and down 39% from a year earlier. Revenue of $250 million (up 6%, year-to-year) was 10% above estimates. Prior to withdrawing guidance YELP had expected 8-10% revenue growth in Q1 and 10-12% growth for 2020.

5. Data

The data from this report are sourced from S&P Global Market Intelligence’s Ownership database, which covers equity ownership for over 99.7% of global public and private (delisted) companies comprising more than 36,000 institutional investment firms, 45,000 mutual funds, and 300,000 insider/individual owners. Data is captured from over 1,500 relevant documents, including SEC forms 13F, 13G, 13D, and insider trading forms. History is available back to 2004.
Estimates data are from S&P Global Estimates, a comprehensive, standardized database of global, real-time financial forecasting measures on upgrades/downgrades, target price revisions, market-moving news or significant developments for public companies worldwide, and estimates based on the projections, models, analysis, and research of analysts, brokers, and the companies themselves.

**Conclusion**

Uncertainty caused by the COVID-19 pandemic has created potential investment opportunities in specific industries and stocks. Investors looking for investment ideas can “follow the smart money” by reviewing recent 13D and 13G filings. Since 13Ds and/or 13Gs must be filed when an investor acquires 5% or more of a company’s outstanding shares, such filings represent conviction buys. In addition, our research has shown that following in the footsteps of activist investors has historically been a profitable strategy.

See the Appendix for a list of recent 13G filings, including Citadel’s purchase of Tesla and Morgan Stanley’s purchase of Dave & Buster’s. For those interested in what the “smart money” is doing, 13D and 13G filings, along with insider filings, are a good place to start. We also note that investment managers with at least $100 million in assets were required to file first-quarter 13Fs (equity holdings) with the SEC by May 15, 2020. For more on institutional holdings, see our 2016 research paper An IQ Test for the “Smart Money.”
### Appendix – Select Recent 13G Filings (Passive Investments)

<table>
<thead>
<tr>
<th>Filing Date</th>
<th>Target Company Name</th>
<th>Symbol</th>
<th>Market Cap ($mm)</th>
<th>Purchaser Name</th>
<th>Hedge Fund?</th>
<th>% of Shares O/S (5/19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/1/2020</td>
<td>CarGurus, Inc.</td>
<td>CARG</td>
<td>2,677</td>
<td>Morgan Stanley, Investment Banking and Brokerage Investments</td>
<td>No</td>
<td>5.12%</td>
</tr>
<tr>
<td>5/1/2020</td>
<td>Forescout Technologies, Inc.</td>
<td>FSCT</td>
<td>1,031</td>
<td>Beryl Capital Management LLC</td>
<td>Yes</td>
<td>5.69%</td>
</tr>
<tr>
<td>4/28/2020</td>
<td>Liberty Broadband Corporation</td>
<td>LBRD.A</td>
<td>22,974</td>
<td>Norges Bank Investment Management</td>
<td>No</td>
<td>5.19%</td>
</tr>
<tr>
<td>4/28/2020</td>
<td>Fitbit, Inc.</td>
<td>FIT</td>
<td>1,727</td>
<td>Norges Bank Investment Management</td>
<td>No</td>
<td>5.08%</td>
</tr>
<tr>
<td>4/27/2020</td>
<td>Arcturus Therapeutics Holdings Inc.</td>
<td>ARCT</td>
<td>1,105</td>
<td>Cormorant Asset Management, LLC</td>
<td>Yes</td>
<td>5.75%</td>
</tr>
<tr>
<td>4/27/2020</td>
<td>The RealReal, Inc.</td>
<td>REAL</td>
<td>1,081</td>
<td>Woodson Capital Management, LLC</td>
<td>Yes</td>
<td>5.26%</td>
</tr>
<tr>
<td>4/27/2020</td>
<td>Live Nation Entertainment, Inc.</td>
<td>LYV</td>
<td>9,489</td>
<td>Public Investments Fund</td>
<td>No</td>
<td>5.83%</td>
</tr>
<tr>
<td>4/24/2020</td>
<td>Tesla, Inc.</td>
<td>TSLA</td>
<td>149,780</td>
<td>Citadel Securities, LLC, Asset Management Arm</td>
<td>No</td>
<td>4.14%</td>
</tr>
<tr>
<td>4/23/2020</td>
<td>Dave &amp; Buster’s Entertainment, Inc.</td>
<td>PLAY</td>
<td>532</td>
<td>Morgan Stanley, Investment Banking and Brokerage Investments</td>
<td>No</td>
<td>5.20%</td>
</tr>
<tr>
<td>4/22/2020</td>
<td>Bill.com Holdings, Inc.</td>
<td>BILL</td>
<td>5,697</td>
<td>Temasek Holdings (Private) Limited</td>
<td>No</td>
<td>7.66%</td>
</tr>
<tr>
<td>4/22/2020</td>
<td>Covanta Holding Corporation</td>
<td>CVA</td>
<td>1,158</td>
<td>Norges Bank Investment Management</td>
<td>No</td>
<td>5.01%</td>
</tr>
<tr>
<td>4/22/2020</td>
<td>Collegium Pharmaceutical, Inc.</td>
<td>COLL</td>
<td>752</td>
<td>Perceptive Advisors LLC</td>
<td>Yes</td>
<td>5.01%</td>
</tr>
<tr>
<td>4/21/2020</td>
<td>Arch Resources, Inc.</td>
<td>ARCH</td>
<td>475</td>
<td>Morgan Stanley, Investment Banking and Brokerage Investments</td>
<td>No</td>
<td>6.27%</td>
</tr>
<tr>
<td>4/17/2020</td>
<td>Blue Apron Holdings, Inc.</td>
<td>APRN</td>
<td>114</td>
<td>D. E. Shaw &amp; Co., L.P.</td>
<td>Yes</td>
<td>4.35%</td>
</tr>
<tr>
<td>4/16/2020</td>
<td>Immunomedics, Inc.</td>
<td>IMMU</td>
<td>7,671</td>
<td>Point72 Asset Management, L.P.</td>
<td>No</td>
<td>4.74%</td>
</tr>
<tr>
<td>4/16/2020</td>
<td>BGC Partners, Inc.</td>
<td>BGCP</td>
<td>937</td>
<td>Point72 Asset Management, L.P.</td>
<td>No</td>
<td>4.98%</td>
</tr>
<tr>
<td>4/13/2020</td>
<td>Yelp Inc.</td>
<td>YELP</td>
<td>1,501</td>
<td>D. E. Shaw &amp; Co., L.P.</td>
<td>Yes</td>
<td>5.00%</td>
</tr>
<tr>
<td>4/13/2020</td>
<td>Carvana Co.</td>
<td>CVNA</td>
<td>5,696</td>
<td>T. Rowe Price Group, Inc.</td>
<td>No</td>
<td>20.30%</td>
</tr>
<tr>
<td>4/10/2020</td>
<td>Synapsis Incorporated</td>
<td>SYNA</td>
<td>2,061</td>
<td>FMR LLC</td>
<td>No</td>
<td>11.74%</td>
</tr>
<tr>
<td>4/10/2020</td>
<td>II-VI Incorporated</td>
<td>IIVI</td>
<td>4,148</td>
<td>FMR LLC</td>
<td>No</td>
<td>10.71%</td>
</tr>
<tr>
<td>4/10/2020</td>
<td>Genpact Holdings</td>
<td>G</td>
<td>6,423</td>
<td>FMR LLC</td>
<td>No</td>
<td>9.60%</td>
</tr>
<tr>
<td>4/10/2020</td>
<td>Revolution Medicines, Inc.</td>
<td>RVMD</td>
<td>2,046</td>
<td>FMR LLC</td>
<td>No</td>
<td>11.28%</td>
</tr>
<tr>
<td>4/10/2020</td>
<td>Inspire Medical Systems, Inc.</td>
<td>INSPI</td>
<td>2,130</td>
<td>FMR LLC</td>
<td>No</td>
<td>11.03%</td>
</tr>
<tr>
<td>4/10/2020</td>
<td>Beacon Roofing Supply, Inc.</td>
<td>BECN</td>
<td>1,501</td>
<td>Adage Capital Management, L.P.</td>
<td>Yes</td>
<td>5.01%</td>
</tr>
<tr>
<td>4/10/2020</td>
<td>Urban Outfitters, Inc.</td>
<td>URBAN</td>
<td>1,753</td>
<td>Shapiro Capital Management LLC</td>
<td>No</td>
<td>9.92%</td>
</tr>
<tr>
<td>4/10/2020</td>
<td>Graphic Packaging Holding Company</td>
<td>GPK</td>
<td>3,690</td>
<td>Shapiro Capital Management LLC</td>
<td>No</td>
<td>5.04%</td>
</tr>
<tr>
<td>4/9/2020</td>
<td>AutoNation, Inc.</td>
<td>AN</td>
<td>3,291</td>
<td>Caisse de dépôt et placement du Québec</td>
<td>No</td>
<td>5.29%</td>
</tr>
<tr>
<td>4/9/2020</td>
<td>Heska Corporation</td>
<td>HSKA</td>
<td>755</td>
<td>Park West Asset Management LLC</td>
<td>Yes</td>
<td>6.00%</td>
</tr>
<tr>
<td>4/9/2020</td>
<td>OrthoPediatrics Corp.</td>
<td>KIDS</td>
<td>829</td>
<td>Brown Capital Management, LLC</td>
<td>No</td>
<td>7.72%</td>
</tr>
<tr>
<td>4/9/2020</td>
<td>Halozyme Therapeutics, Inc.</td>
<td>HALO</td>
<td>3,185</td>
<td>Artisan Partners Limited Partnership</td>
<td>No</td>
<td>10.64%</td>
</tr>
<tr>
<td>4/6/2020</td>
<td>Carnival Corporation &amp; Plc</td>
<td>CCL</td>
<td>10,383</td>
<td>Public Investments Fund</td>
<td>No</td>
<td>4.59%</td>
</tr>
<tr>
<td>4/2/2020</td>
<td>Sealed Air Corporation</td>
<td>SEE</td>
<td>4,661</td>
<td>Rivulet Capital, LLC</td>
<td>Yes</td>
<td>5.00%</td>
</tr>
<tr>
<td>3/27/2020</td>
<td>Nevro Corp.</td>
<td>NVRO</td>
<td>4,158</td>
<td>HealthCor Management L.P.</td>
<td>Yes</td>
<td>5.16%</td>
</tr>
<tr>
<td>3/26/2020</td>
<td>National General Holdings Corp.</td>
<td>NGHC</td>
<td>2,070</td>
<td>Park West Asset Management LLC</td>
<td>Yes</td>
<td>5.07%</td>
</tr>
<tr>
<td>3/26/2020</td>
<td>SailPoint Technologies Holdings, Inc.</td>
<td>SAIL</td>
<td>1,903</td>
<td>SoMa Equity Partners, L.P.</td>
<td>Yes</td>
<td>5.88%</td>
</tr>
<tr>
<td>3/25/2020</td>
<td>Royal Dutch Shell plc</td>
<td>RDSA</td>
<td>112,490</td>
<td>Norges Bank Investment Management</td>
<td>No</td>
<td>2.29%</td>
</tr>
<tr>
<td>3/24/2020</td>
<td>Carnival Corporation &amp; Plc</td>
<td>CCL</td>
<td>10,383</td>
<td>Norges Bank Investment Management</td>
<td>No</td>
<td>5.10%</td>
</tr>
</tbody>
</table>

* includes convertible preferred stock convertible to 482,869 common shares.


Note that percentage of shares outstanding have been updated to reflect current ownership levels, and may differ from filing.
Our Recent Research

**May 2020: No More Walks in the (Office) Park: Tying Foot Traffic Data to REITs**

Foot traffic data provides investors and corporate managers with key insights on the level of activity at properties and the demographic profile of visitors to these locations.

Corporate managers can use this information to pinpoint properties at greater risk of tenant defaults, while investors can use foot traffic data to identify REITs managing properties where activity remains robust.

More importantly, once the nationwide lockdown eases, foot traffic can serve as a leading indicator of a return of economic activity across industries.

**May 2020: Do Markets Yearn for the Dog Days of Summer? COVID, Climate, and Consternation**

Weather data, from data provider Weather Source, is combined with SNL Real Estate Property data to expose potential risks for Real Estate Investment Trusts (REITs) of prolonged closures, as well as areas that may see a resurgence of the virus later this year.

Over 36,000 REIT property locations were overlaid with Weather Source data to generate quarterly ‘temperature zone exposure’ scores for 165 REITs in the Russell 3000 index.

Empirical support for the correlation between temperature and viral spread is provided by combining Weather Source data with John Hopkin’s University’s COVID-19 database, provided by Star Schema via the Snowflake cloud computing platform.

**April 2020: Cold Turkey - Navigating Guidance Withdrawal Using Supply Chain Data**

A recent surge in corporate earnings guidance withdrawals has left decision-makers missing a wrench in their toolbox. Corporate guidance was already declining, in 2018, when the number of companies in the Russell 3000 providing guidance peaked at 1,721, dropping 6.9% year over year in 2019 to 1,632 companies. Guidance has been further impacted by the Coronavirus pandemic – 173 companies withdrew their previous guidance in the first quarter. This leaves decision-makers looking for alternative forward-looking information on a company’s prospects.

Shipping data can provide a near real-time view into a firm’s activities. Declines in shipping activity could indicate the rate at which a company’s underlying business is slowing. Alternatively, if shipments remain largely unchanged, a company’s underlying health may also be unchanged. Increased international trade activity could indicate an increase in corporate inventories and associated activity. A buildup in inventories often occurs as firms hope to turn imports into sales, or plan for an anticipated supply disruption. Firms and industries that show a decrease in international trade may suggest 1) inventory levels are over-stocked 2) demand forecasts are unfavorable, or 3) significant supply chain shifts are underway.

**April 2020: Data North Star - Navigating Through Information Darkness**

Crisis creates uncertainty. Familiar landmarks lose their value and decision makers are left to navigate on partial information. Following the outbreak of the COVID-19 pandemic, this is the environment in which investors and corporate decision-makers now suddenly find themselves. The S&P Global Quantamental Research team has launched a series of research briefs that will aid decision-makers in navigating this uncertain environment. Utilizing non-traditional datasets across the entire S&P Global
Market Intelligence product suite, these briefs will provide market participants with analysis on COVID-19’s impact to the financial markets geared to fill the current information gap.

**March 2020: Long Road to Recovery: Coronavirus Lessons from Supply Chain and Financial Data**

COVID-19 continues to disrupt global supply chains in unprecedented ways. Leveraging maritime shipping data from Panjiva, this report includes a review of trade and financial data to analyze the impact of the SARS-CoV-2 / COVID-19 coronavirus outbreak. Findings include:

- Second-order supply chain effects are also emerging with the apparel industry now seeing a shortage of materials globally due to earlier outages in China.
- Retailers including Costco and Target are gaining from increased sales of health- and personal care products. Yet, supply shortages are rapidly emerging in part due to medical supply export restrictions in several countries.
- There is a notable, but not statistically significant, relationship with firms with higher exposure to Asia having seen a weaker sector neutral stock price performance.

**February 2020: Ship to Shore: Mapping the Global Supply Chain with Panjiva Shipping Data in Xpressfeed™**

World merchandise trade accounted for an estimated $19.7 trillion in 2018, about 90% of which is by sea. While financial data tells us “how a company has done in the past,” shipping data provides a closer-to-real time indicator of “what a company is doing now.” Panjiva’s shipping data allows investors to track trends, identify anomalies, and assess risks for companies engaged in international trade. This paper illustrates how to find investment insights in Panjiva’s US seaborne and Mexican datasets using the US auto parts industry as a case study.

Findings include:

- Shipment trends often lead fundamentals: Rising shipments amid flat or declining fundamentals may signal future financial trend reversal
- Growth in the number of a company’s suppliers and in the types of products it imports may signal strengthening demand and/or product line diversification.
- Tracking industry-level product-line trends can help identify companies with significant exposure to rising or declining product lines.

**January 2020: Natural Language Processing – Part III: Feature Engineering Applying NLP Using Domain Knowledge to Capture Alpha from Transcripts**

Unstructured data is largely underexplored in equity investing due to its higher costs. One particularly valuable unstructured data set is S&P Global Market Intelligence’s machine readable earnings call transcripts.

- Topic Identification – Firms that referenced the most positive descriptors around their financials outperformed historically.
- Transparency – Firms that provided greater call transparency exhibited by executives’ behaviors and decisions outperformed historically.
- Weighted Average Sentiment – Quantifying call sentiment using a weighted average construct led to better returns and less volatility historically.
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- Additive Forecasting Power – The newly introduced signals demonstrated additive forecasting power above commonly used alpha and risk signals historically.

December 2019: The “Trucost” of Climate Investing: Managing Climate Risks in Equity Portfolios
Does sustainable investing come at a “cost”, and is the fear of investors around the performance concessions of “green” portfolios warranted? Our latest research suggests investors’ fears are misplaced – carbon-sensitive portfolios have similar returns and significantly better climate characteristics than portfolios constructed without carbon emission considerations. Other findings include:
- Highly profitable firms are likely to be leaders in reducing their carbon emission levels.
- There is no degradation in fundamental characteristics for the carbon-sensitive portfolios compared to the baseline portfolio, even though the difference in constituents can be as high as 20%.
- Carbon-sensitive portfolios were observed as having significant reductions in water use, air pollutants released and waste generated.

October 2019: #ChangePays: There Were More Male CEOs Named John than Female CEOs
This report examines the performance of firms that have made female appointments to their CEO and CFO positions. Our research finds that firms with female CEOs and/or CFOs:
- Are more profitable and generated excess profits of $1.8 trillion over the study horizon.
- Have produced superior stock price performance, compared to the market average.
- Have a demonstrated culture of Diversity and Inclusion, evinced by more females on the company’s board of directors.

June 2019: Looking Beyond Dividend Yield: Finding Value in Cash Distribution Strategies
Examines the relationship between yield-oriented strategies (dividend yield, buyback yield, and combined shareholder yield) and future stock return, across multiple countries/regions. Also provides insights into two additional topics:
- Which company fundamental characteristics support and enhance future shareholder payouts?
- Under which interest rate environment should investors favor yield-oriented strategies?

June 2019: The Dating Game: Decrypting the Signals in Earnings Report Dates
The first part of this report focuses on companies that deviate from a historical reporting pattern, while the second part examines a related topic – the market’s reaction to companies that postpone a previously scheduled (announced) earnings release date.
- “Advancers” (companies that advance their earnings report date by at least 6 days) are likely to report improving year-year on sales, better earnings surprises, and more positive conference call sentiment readings than their industry group peers and “delayers” (companies that delay their earnings report date by at least 6 days).
- Advancers outperform delayers by over 7% on an annualized basis (Russell 3000). This return rises to 8.80% (Russell 2000) and falls to 2.21% (Russell 1000).
- The annualized return to stocks identified as buy candidates and tagged as advancers is 10.77%, compared to 6.29% for buy candidates tagged as delayers.
- Companies that postpone a previously announced earnings release date underperform the broad market by 2.44% in the 3 days surrounding the announcement. These companies are also likely to report deteriorating fundamentals.
February 2019: U.S Stock Selection Model Performance Review
February 2019: International Small Cap Investing: Unlocking Alpha Opportunities in an Underutilized Asset Class
January 2019: Value and Momentum: Everywhere, But Not All the Time
November 2018: Forging Stronger Links: Using Supply Chain Data in the Investing Process
September 2018: Their Sentiment Exactly: Sentiment Signal Diversity Creates Alpha Opportunity
September 2018: Natural Language Processing – Part II: Stock Selection: Alpha Unscripted: The Message within the Message in Earnings Calls
July 2018: A Case of ‘Wag the Dog’? - ETFs and Stock-Level Liquidity
June 2018: The (Gross Profitability) Trend is Your Friend
May 2018: Buying the Dip: Did Your Portfolio Holding Go on Sale?
March 2018: In the Money: What Really Motivates Executive Performance?
February 2018: The Art of the (no) Deal: Identifying the Drivers of Canceled M&A Deals
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September 2017: Natural Language Processing - Part I: Primer
July 2017: Natural Language Processing Literature Survey
June 2017: Research Brief: Four Important Things to Know About Banks in a Rising Rate Environment
April 2017: Banking on Alpha: Uncovering Investing Signals Using SNL Bank Data
March 2017: Capital Market Implications of Spinoffs
November 2016: Electrify Stock Returns in U.S. Utilities
October 2016: A League of their Own: Batting for Returns in the REIT Industry - Part 2
September 2016: A League of their Own: Batting for Returns in the REIT Industry - Part 1
August 2016: Mergers & Acquisitions: The Good, the Bad and the Ugly (and how to tell them apart)
July 2016: Preparing for a Slide in Oil Prices -- History May Be Your Guide
June 2016: Social Media and Stock Returns: Is There Value in Cyberspace?
April 2016: An IQ Test for the “Smart Money” – Is the Reputation of Institutional Investors Warranted?
March 2016: Stock-Level Liquidity – Alpha or Risk? - Stocks with Rising Liquidity Outperform Globally
February 2016: **U.S. Stock Selection Model Performance Review - The most effective investment strategies in 2015**


November 2015: **Late to File - The Costs of Delayed 10-Q and 10-K Company Filings**

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February 2014: **Obtaining an Edge in Emerging Markets**

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