THE 2020 ADVISER AWARDS

THE BIG SHORTS

SABA CAPITAL

NETFLIX DRAMA

ACTIVIST INSIGHT MONTHLY
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PUBLISHED BY:
Activist Insight Ltd

www.activistinsight.com
info@activistinsight.com
Twitter: @ActivistInsight

4 Old Park Lane
Mayfair, London, W1U 6PZ
+44 (0) 20 7129 1314

1350 Avenue of the Americas
New York, NY, 10019
+1 646 475 2214

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EDITOR'S LETTER

JASON BOOTH, ACTIVIST INSIGHT

Given the disruption caused by COVID-19 to the normal course of doing business, it is fitting that our December issue is dedicated to the advisers that work behind the scenes on behalf of activists and companies, whose advice is often needed most in times of confusion.

Our annual adviser awards recognize the law and proxy solicitation firms most active globally in this space. Congratulations to Olshan Frome Wolosky and Okapi Partners, who ranked first for overall activist campaign involvements again in 2020. This year, we have also recognized category leaders for activist and issuer advisory, as well as the advisers who worked on campaigns at companies with the largest average market capitalization.

For those wondering how they can participate in the rankings, we accept submissions year-round. We also do periodic data drives and a final push in October of each year. To keep us informed of your representations, please ask your marketing teams to add data@activistinsight.com to their mailing lists.

Elsewhere in this edition, Iuri Struta looks at how rapid changes in the media world have gained the attention of shareholder activists and why John Malone's media giant Discovery may be especially vulnerable.

IBM is another large cap attracting activist interest, but in this case from short seller Jim Chanos, Eleanor O'Donnell reports. We also look at how Saba Capital, a specialist in targeting closed-end funds, is now focused on terminating investment management agreements, and how environmental, social, and governance (ESG) investing might blossom under the incoming Biden presidential administration.

WHAT WE'VE LEARNED

While few will be sad to see the end of 2020, we should not overlook the new developments in the activism world this year, some pandemic related, others not.

> "WHILE FEW WILL BE SAD TO SEE THE END OF 2020, WE SHOULD NOT OVERLOOK THE NEW DEVELOPMENTS IN THE ACTIVISM WORLD THIS YEAR."

Special purpose acquisition companies (SPAC) took center stage, quickly going from a vehicle for activists to raise money in uncertain times to a target for short sellers. We saw activists start to embrace ESG and an election that will likely usher in new leadership at the Securities and Exchange Commission just as several key proposals likely to affect activism are under consideration.

And despite the pandemic, there were some drawn out, hard-hitting proxy battles. Starboard Value's first proxy fight in years netted it eight seats at GCP Applied Technologies. Tegna won a bitter contest against Standard General, while Senator Investor Group and Cannae Holdings have brought CoreLogic to heel without yet securing the buyout they were banking on.

In Europe, we saw the struggle between Veraison Capital, Cobas Asset Management, and Elliott Management over Aryzta as well as Amber Capital's unsuccessful fight for board control at fading media and travel empire Lagardère, setting up a fight between two of France's most-admired industrialists.

HAPPY NEW YEAR

Amid the pandemic, U.S. boards have appointed fewer new directors this year but adopted a lot more poison pills, according to *Activist Insight Governance* data. Those decisions may create flashpoints in the 2021 proxy season.

Indeed, we surveyed activist funds in October to find out what they thought of the current climate and found that while COVID-19 caused a slowdown in activism in the first part of 2020, many activists believe that the pandemic will have a negligible or positive impact on activism by identifying laggards and poorly managed companies.

And while some respondents think the U.S. market is overcrowded following a rapid recovery in stock prices from the dislocation in March, America remains the region where activists are most likely to see investment opportunities.

With that, we wish you the best over the holiday season and look forward to bringing you the latest developments in activism in 2021.

Jason Booth
@activistinsight

THE 2020 ADVISER AWARDS

OUR ANNUAL ADVISER AWARDS DRAW ON THE COMPREHENSIVE COVERAGE OF ACTIVIST INVESTING WORLDWIDE BY ACTIVIST INSIGHT ONLINE. IN THIS FEATURE, ACTIVIST INSIGHT FIRST PROFILES THE MOST PROLIFIC LAW AND PROXY SOLICITATION FIRMS BY TOTAL CAMPAIGN INVOLVEMENT BEFORE REVEALING THIS YEAR'S WINNERS IN CATEGORIES DETERMINED BY THE SIZE OF THE ISSUER AND WHETHER THE ADVISER REPRESENTED THE DISSIDENT OR TARGET.

For all of our advisers, 2020 brought new challenges as proxy season was disrupted by stay-at-home orders and a switch to virtual meetings. Unsurprisingly, it resulted in the second consecutive year in which the number of companies publicly subjected to activist demands declined, with some withdrawn and others settled quickly. But there was plenty of work to go around as legal and proxy advisers were called on to counsel boards on stock price volatility and hostile takeover defenses, or helping activists navigate tricky environments and break logjams, as well as new concerns such as environmental, social, and governance (ESG) issues.

In the end, 2020 saw some notable proxy contests, including victorious control slates at GCP Applied Technologies and Mack-Cali Realty, and the first win in years for dissidents in a French proxy contest.

It was an especially exciting year for activism globally, with Japan among the few major markets not seeing a significant slowdown, France remaining lively, and several U.S. activists active in the U.K. earlier in the year. Unsurprisingly, the U.S. remained the busiest market, seeing a late-year recovery as the industry bounced back from COVID disruption.

Many advisers expect 2021 to be a busy year, especially in terms of M&A and ESG activism. “While governance has always been a collateral issue in proxy contests, we are already starting to see the E&S components of ESG, e.g. sustainability and board diversity, becoming more prominent in campaigns as activists use the significantly increased focus on these areas to their advantage,” Morrow Sodali’s Paul Schulman said. “There will be some campaigns where the activists’ core messaging will be ESG, rather than performance or strategy.”

THE 2020 ADVISER AWARDS

LAW FIRMS

1ST
TOTAL REPRESENTATIONS
OLSHAN FROME WOLOSKY

1ST
TOTAL ACTIVIST REPRESENTATIONS
OLSHAN FROME WOLOSKY

1ST
TOTAL ISSUER REPRESENTATIONS
VINSON & ELKINS AND SIDLEY AUSTIN

1ST
AVERAGE MARKET CAP FOR ACTIVIST REPRESENTATION
WHITE & CASE

1ST
AVERAGE MARKET CAP FOR ISSUER REPRESENTATION
CRAVATH, SWAINE & MOORE

LAW FIRMS

TOP FIVE LEGAL ADVISERS, RANKED BY TOTAL REPRESENTATIONS

1. OLSHAN FROME WOLOSKY

TOTAL REPRESENTATIONS: 97
TOTAL AVERAGE MARKET CAP: $4.6B

Once again, Olshan Frome Wolosky placed first for total representations in our law firm rankings, representing activists in the largest number of campaigns for the sixth year in a row. Despite a global slowdown following the first wave of the coronavirus pandemic, Andrew Freedman, co-head of Olshan's activist & equity investment group, told *Activist Insight Monthly* that there has been a noticeable uptick in activity more recently.

"It was harder for newcomers during the pandemic than the tried-and-true veteran activists," noted Freedman. "Now we're seeing newcomers show the wherewithal to join the fray and launch campaigns."

The New York-based law firm worked on Elliott Management's campaign for a strategic review at Crown Castle and push for Evergy to restart sales discussions with NextEra. It represented Engaged Capital on the firm's engagement with Evolent Health and 180 Degree Capital and B. Riley Capital Management's efforts to install a new board at theMaven, the media company that owns Sports Illustrated and TheStreet.

"Activity levels show it should almost be back to normal for 2021 campaigns," said Freedman.

> "IT WAS HARDER FOR NEWCOMERS DURING THE PANDEMIC THAN THE TRIED-AND-TRUE VETERAN ACTIVISTS."

OLSHAN ADVISED ELLIOTT ON CAMPAIGNS AT EVERGY AND CROWN CASTLE.

2. SCHULTE ROTH & ZABEL
TOTAL REPRESENTATIONS: 37
TOTAL AVERAGE MARKET CAP: $4.7B

COVID-19 caused Schulte Roth & Zabel's proxy season to be a little less active than it might otherwise have been. "It made springtime less active and people were taking a step back and not looking to agitate other than in situations that required it," Eleazer Klein, co-chair of the firm's activism group told *Activist Insight Monthly*.

> "COMPANIES ARE GOING TO BE JUDGED AS THEY'VE BEEN TRADITIONALLY JUDGED. IF THEY'VE UNDERPERFORMED DURING COVID THEY'RE GOING TO HAVE TO ANSWER FOR THAT."

But Schulte Roth & Zabel still managed to place second among all law firms, representing the likes of Jeff Ubben's Inclusive Capital Partners in several campaigns, Cevian Capital at Pearson, and KKR Asset Management at Dave & Buster's Entertainment. Moreover, while some companies might have gotten a pass from activists in 2020, Klein expects activism to bounce back in 2021. "Companies are going to be judged as they've been traditionally judged. If they've underperformed during COVID they're going to have to answer for that," Klein said.

He also expects ESG issues to remain relevant in campaigns in the coming years. "ESG is an important part of society and that will be an important part of activism as well," he concluded.

3. VINSON & ELKINS
TOTAL REPRESENTATIONS: 35
TOTAL AVERAGE MARKET CAP: $470M

"Our phones have been ringing off the hook all year," Lawrence Elbaum, co-head of Vinson & Elkins' shareholder activism practice, told *Activist Insight Monthly* in an interview, as boards and management teams continued seeking sophisticated counsel from the firm, especially when corporate control was at stake.

Such business helped Vinson & Elkins win joint first place in the issuer representation award category, with Primo Water, First United, and theMaven among its clientele. And although 2020 saw fewer campaigns, this proxy season was notable for the severe market dislocation, which kept counsel busy explaining to "scores of boards" how poison pills should be used.

> "FOR YEARS ACTIVISTS HAVE CLAIMED THAT THEY CARE ABOUT THE QUALITY OF 'BUSINESS' AND NOT SIMPLY STOCK PRICES."

Patrick Gadson, the practice's other co-head, expects to see a lot of criticism of how companies have recovered from the trough of the pandemic, as well as campaigns that sort the short-term activists from the longer-term. "For years activists have claimed that they care about the quality of 'business' and not simply stock prices," he told *Activist Insight Monthly*. During the pandemic proxy season, "Some showed they were just stock-price chasers and bowed out, but a good amount hung in there with their running shoes on."

4. SIDLEY AUSTIN
TOTAL REPRESENTATIONS: 33
TOTAL AVERAGE MARKET CAP: $6.4B

Sidley Austin took fourth spot overall and levelled with Vinson & Elkins in second place for issuer representations, as the law firm managed its busiest year ever despite COVID-19.

Speaking with *Activist Insight Monthly*, Sidley partner Kai Liekefett said that among the most memorable campaigns for him was Carl Icahn's effort at Delek which launched just as COVID-19 was hitting the U.S. "I was in the car on a 36-hour drive with my entire family to flee from New York to the Texas countryside at the time," Liekefett recalled. A poison pill ensured that Icahn's campaign quickly fizzled, with the activist remaining quiet since.

> "MOST ACTIVISTS THAT WITHSTOOD THE MARKET MAYHEM OF THE EARLY WEEKS OF THE PANDEMIC REMAIN WELL-CAPITALIZED AND ARE READY TO CAMPAIGN AGAIN."

Liekefett also noted Elliott Management's attempted takeover of Cubic as a standout campaign this year, saying the move "is a harbinger of what to expect in terms of unsolicited takeover bids in the next 12 months."

Looking ahead, Liekefett believes activists will be well-positioned in 2021, noting that "most activists that withstood the market mayhem of the early weeks of the pandemic remain well-capitalized and are ready to campaign again." Indeed, Liekefett suggested we may see a busy proxy season, noting that "historically, activist activity has increased following market downturns. For example, in 2009/10, the U.S. had the highest number of proxy contests on record."

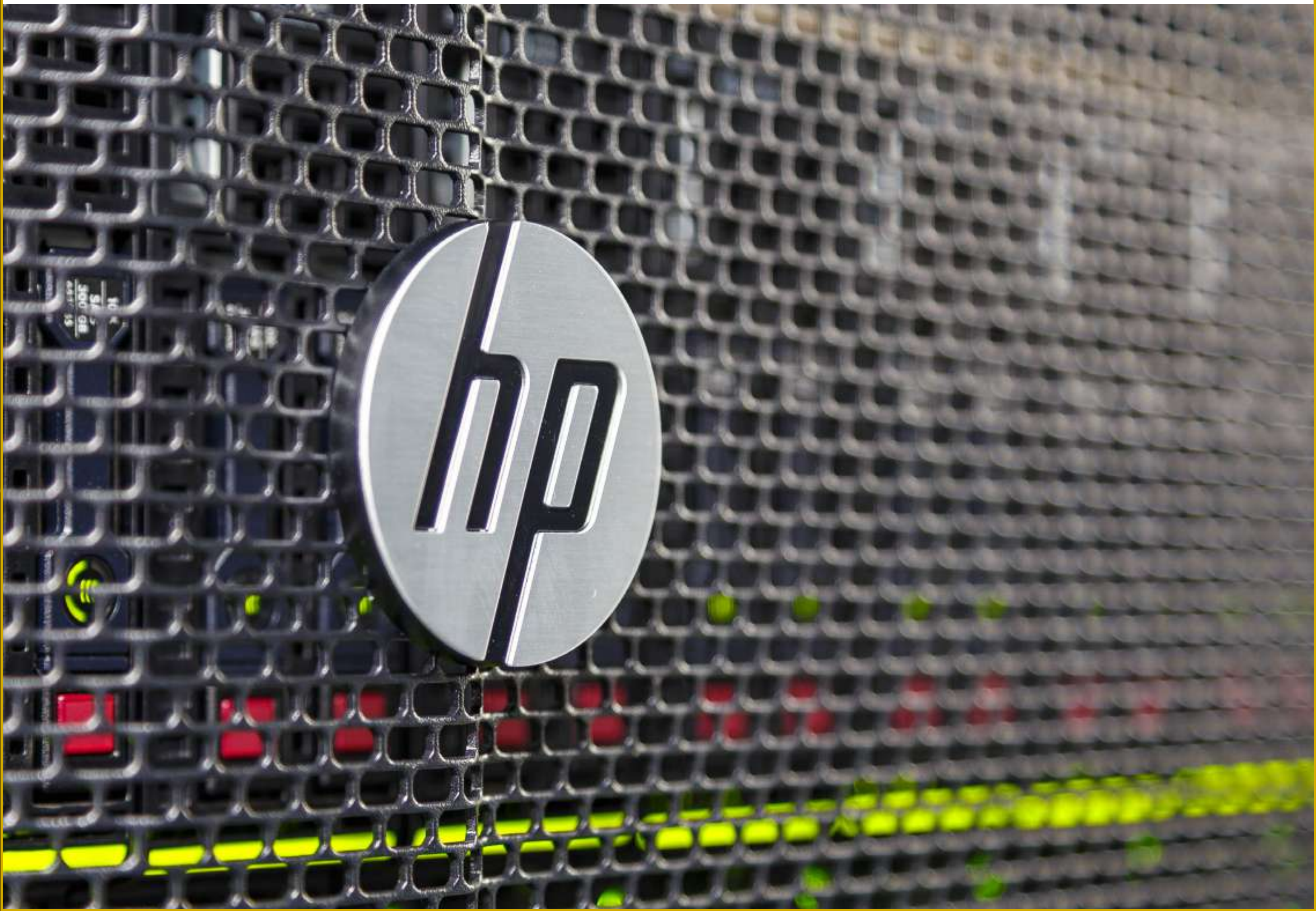
5. WACHTELL, LIPTON, ROSEN & KATZ

TOTAL REPRESENTATIONS: 23
TOTAL AVERAGE MARKET CAP: $6.1B

New York-based law firm Wachtell, Lipton, Rosen & Katz placed fifth overall, taking the bronze spot for issuer-side work in 2020, with several issuer clients, including eBay and HP, emerging from tough fights with activists earlier in the year. Despite such successes, Wachtell wants boards to know that new challenges await, noting that although the legal responsibilities of directors have not changed, stakeholder expectations are fast evolving, not least thanks to COVID-19.

> "THE SALIENT QUESTION HAS SHIFTED FROM WHETHER A BOARD OF DIRECTORS SHOULD TAKE INTO ACCOUNT THE INTERESTS OF STAKEHOLDERS OTHER THAN SHAREHOLDERS, TO HOW A BOARD SHOULD DO SO."

"The coronavirus pandemic and resulting economic turbulence, combined with the wide embrace of ESG, stakeholder governance and sustainable long-term investment strategies, is propelling a decisive inflection point in the responsibilities of boards of directors," Wachtell said in a recent memo. "The salient question has shifted from whether a board of directors should take into account the interests of stakeholders other than shareholders, to how a board should do so."



WACHTELL HELPED EBAY AND HP THROUGH TOUGH ACTIVIST FIGHTS THIS YEAR.

THE 2020 ADVISER AWARDS

PROXY SOLICITATION FIRMS

1ST
TOTAL REPRESENTATIONS
OKAPI PARTNERS

1ST
TOTAL ACTIVIST REPRESENTATIONS
OKAPI PARTNERS

1ST
TOTAL ISSUER REPRESENTATIONS
INNISFREE

1ST
AVERAGE MARKET CAP FOR ACTIVIST REPRESENTATION
GEORGESON

1ST
AVERAGE MARKET CAP FOR ISSUER REPRESENTATION
GEORGESON

THE 2020 ADVISER AWARDS

PROXY SOLICITATION FIRMS

TOP FIVE PROXY SOLICITORS, RANKED BY TOTAL REPRESENTATIONS

1. OKAPI PARTNERS

TOTAL REPRESENTATIONS: 47

TOTAL AVERAGE MARKET CAP: $6.0B

Bruce Goldfarb's Okapi Partners topped our total proxy solicitation representations table for the fifth year running thanks to its reputation as the go-to adviser for activist investors. The proxy solicitor worked on the year's standout proxy fight, at GCP Applied Technologies, and a host of Starboard Value and Elliott Management settlements.

"This year was extraordinary, but our team was able to harness technology and grit to come together and really execute for clients," Goldfarb told *Activist Insight Monthly*, adding that working from home had not hampered operations even as shareholder meetings went largely virtual. "Our work for both shareholder activists and companies required special considerations of outreach, processing, and messaging in 2020 to understand investor behavior and we expanded our client base in an unusual time."

"Environmental and social issues will be at the forefront, especially when these issues are potential risks to value and can have an operational impact," Goldfarb said about 2021. "While market conditions are always important, we think shareholder activism will continue its evolution with more outright acquisitions and more engagement from traditional institutional investors."

> "ENVIRONMENTAL AND SOCIAL ISSUES WILL BE AT THE FOREFRONT, ESPECIALLY WHEN THESE ISSUES ARE POTENTIAL RISKS TO VALUE AND CAN HAVE AN OPERATIONAL IMPACT."

ELLIOTT MANAGEMENT PUSHED DUTCH INSURER NN GROUP TO SELL ASSETS.

=2. INNISFREE M&A

TOTAL REPRESENTATIONS: 41
TOTAL AVERAGE MARKET CAP: $6.9B

Top spot for issuer representations and a handful of activist clients helped Innisfree M&A win joint second place in *Activist Insight Monthly*'s 2020 ranking of proxy solicitation firms for total overall representations.

> **"THE PANDEMIC OBVIOUSLY POSED SERIOUS CHALLENGES FOR ALL MARKET PARTICIPANTS THIS YEAR, BUT THE INNISFREE TEAM ARE EXTREMELY PROUD OF OUR ACHIEVEMENTS."**

"The pandemic obviously posed serious challenges for all market participants this year, but the Innisfree team are extremely proud of our achievements," said Art Crozier, the firm's chairman. "Our team's hard work and dedication enabled us to continue to serve our clients seamlessly and to deliver great results, such as the successful defenses at Tegna and HP, and Bow Street's replacement of the board at Mack-Cali Realty."

=2. D.F. KING

TOTAL REPRESENTATIONS: 41
TOTAL AVERAGE MARKET CAP: $5.3B

Thanks to a combination of its efforts in the U.S. and Europe, D.F. King stormed up the rankings to share second place overall. The proxy solicitor was successful on the activist side, assisting Senator Investor Group and Cannae Holdings in their proxy win at CoreLogic, and maintains a robust issuer clientele in France where it defended Suez and Sequans in 2020.

> **"AS WITH ALL FACETS OF LIFE, THE PANDEMIC HAS SLOWED ACTIVISM SOMEWHAT, YET IT HAS REMAINED GLOBALLY ROBUST AND SHOULD INCREASE ITS PACE IN A POST-VACCINE WORLD."**

"As with all facets of life, the pandemic has slowed activism somewhat, yet it has remained globally robust and should increase its pace in a post-vaccine world," David Chase Lopes, D.F. King managing director, EMEA, told *Activist Insight Monthly*. He added that a company's best defense in 2021 will be to arm itself with a board committed to long-term value creation, dialogue and alignment with its shareholders' and stakeholders' interests.

D.F. KING HELPED ACTIVISTS WIN PROXY FIGHT AT CORELOGIC.

4. GEORGESON
TOTAL REPRESENTATIONS: 32
TOTAL AVERAGE MARKET CAP: $13.2B

Georgeson placed fourth in *Activist Insight Monthly*'s intermediary awards, slipping one place from 2019. The firm's global head of activism and M&A, Cas Sydorowitz, said that activists were muted during the early stages of the COVID-19 lockdowns, not wanting to "seem as if they were overlooking the challenges faced by businesses." However, as the year went on activists grew more confident, Sydorowitz said, adding that "the pandemic has perhaps created a greater focus on the value of individual companies and their assets."

"THE TACTICS EMPLOYED BY THE CHILDREN'S INVESTMENT FUND MANAGEMENT'S (TCI) AT AENA MAY BE ADOPTED BY OTHER ACTIVISTS TO IMPROVE TRANSPARENCY AT COMPANIES."

Looking ahead, Sydorowitz believes that companies will face new activist threats in the new year. He predicted a rise in ESG activism, probably in the form of traditional investors working through an NGO that targets companies based on a single issue such as the environment. "The tactics employed by The Children's Investment Fund Management's (TCI) at Aena may be adopted by other activists to improve transparency at companies," Sydorowitz added.

5. MORROW SODALI
TOTAL REPRESENTATIONS: 25
TOTAL AVERAGE MARKET CAP: $2.5B

Morrow Sodali expanded its team in 2020 by hiring Paul Schulman from MacKenzie Partners to be co-head of its M&A and activism advisory group, alongside Mike Verrechia. The new hire was well timed as the firm played a role in a number of proxy fights that went to a vote this year, including Unibail-Rodamco-Westfield and OneSpaWorld.

"WE'RE EXPECTING A VERY ROBUST ACTIVISM ENVIRONMENT NEXT YEAR. THIS INCLUDES HOSTILE ACQUISITION, ACTIVISTS PUSHING FOR M&A AND 'BUMPITRAGE' SITUATIONS."

"Despite the uncertainty last spring, we've been very busy with M&A and SPAC [special purpose acquisition company] campaigns in 2020," Verrechia told *Activist Insight Monthly*. He added that market volatility led to a lot of engagements with issuers who were looking to get a clear picture of how their shareholder profile had evolved.

"We're expecting a very robust activism environment next year," said Schulman, predicting that a recovery in the M&A market will drive more activist campaigns. This includes hostile acquisition, activists pushing for M&A and "bumpitrage" situations where activists oppose deals in order to get better consideration.

MORROW SODALI HANDLED VOTES AT UNIBAIL-RODAMCO-WESTFIELD AND ONESPAWORLD.

Law Firm	Total Representations	Total Activist Representations	Total Issuer Representations	Total Average Market Cap ($M)	Average Market Cap for Activist Representations ($M)	Average Market Cap for Issuer Representations ($M)	Awards
SORT	SORT	SORT	SORT	SORT	SORT	SORT	
Akin Gump Strauss Hauer & Feld	1	1	0	239	239	-	
Arnold Bloch Leibler	2	2	0	1045	1045	-	
Bass, Berry & Sims	1	0	1	74	-	74	
Cadwalader, Wickersham & Taft	10	10	0	3120	3120	-	
Chris Chong & CT Ho	1	0	1	9	-	9	
Cleary Gottlieb Steen & Hamilton	4	0	4	23637	-	23637	
Cravath, Swaine & Moore	4	0	4	30877	-	30877	Highest Average Market Cap for Issuer Representations
Debevoise & Plimpton	1	1	0	10	10	-	
Dentons	1	1	0	10	10	-	
Eldan Law	1	1	0	9	9	-	
Foley Hoag	1	1	0	50	50	-	
Gibbons P.C.	1	1	0	72	72	-	
Gibson Dunn	2	2	0	1879	1879	-	
Goodmans	5	2	3	216	130	273	
Goodwin Procter	4	1	3	311	67	392	
Greenberg Traurig	2	1	1	1126	625	1626	
Holland & Knight	1	1	0	454	454	-	
Hughes Hubbard & Reed	1	1	0	42	42	-	
Jenner & Block	1	1	0	112	112	-	
Jones Day	1	1	0	152	152	-	
Kane Kessler	3	3	0	121	121	-	
Kirkland & Ellis	13	1	12	980	59	1057	
Kleinberg, Kaplan, Wolff & Cohen	12	12	0	409	409	-	
Latham & Watkins	17	1	16	822	2101	742	
Linklaters	1	0	1	16	-	16	
Meltzer, Lippe, Goldstein & Breitstone	1	1	0	250	250	-	
MLT Aikins	2	0	2	789	-	789	
Morgan, Lewis & Bockius	3	0	3	5143	-	5143	
Morrison & Foerster	1	0	1	513	-	513	
Norton Rose Fulbright	6	4	2	200	294	12	
Olshan Frome Wolosky	97	97	0	4642	4642	-	Most Representations and Most Activist Representations
Paul, Weiss, Rifkind, Wharton & Garrison	1	0	1	1876	-	1876	
Schulte Roth & Zabel	37	37	0	4733	4733	-	
Seyfarth Shaw	1	0	1	1626	-	1626	
Shartsis Friese	1	1	0	31	31	-	
Sidley Austin	33	0	33	6423	-	6423	Most Issuer Representations
Simpson Thacher & Bartlett	2	2	0	209	209	-	
Skadden	14	0	14	2777	-	2777	
Stikeman Elliott	1	0	1	31	-	31	
Stradling Yocca Carlson & Rauth	1	1	0	83	83	-	
Sullivan & Cromwell	3	2	1	1137	1347	717	
Thompson Hine	3	3	0	41	41	-	
Thornton Grout Finnigan	1	1	0	769	769	-	
Venable	3	1	2	64	54	69	
Vinson & Elkins	35	2	33	470	101	492	Most Issuer Representations
Wachtell Lipton Rosen & Katz	23	0	23	6055	-	6055	
Weil, Gotshal & Manges	1	1	0	5430	5430	-	
White & Case	19	14	5	7942	10499	783	Highest Average Market Cap for Activist Representations
Willkie Farr & Gallagher	3	3	0	595	595	-	
Wilson Sonsini Goodrich & Rosati	9	0	9	3443	-	3443	

KEY: GOLD - 1ST IN CLASS, SILVER - 2ND IN CLASS, BRONZE - 3RD IN CLASS

SOURCE: *ACTIVIST INSIGHT ONLINE*

Proxy Solicitation Firm SORT	Total Representations SORT	Total Activist Representations SORT	Total Issuer Representations SORT	Total Average Market Cap ($M) SORT	Average Market Cap for Activist Representations ($M) SORT	Average Market Cap for Issuer Representations ($M) SORT	Awards
Alliance Advisors	1	1	0	4	4	-	
AST Fund Solutions	2	0	2	228	-	228	
AST Phoenix Advisors	2	0	2	3883	-	3883	
Carson Proxy Advisors	1	1	0	28	28	-	
D.F. King	41	8	33	5338	5829	5219	
First Advisers	4	2	2	27	27	28	
Georgeson	32	12	20	13239	9865	15264	Highest Average Market Cap for Activist Representations, Highest Average Market Cap for Issuer Representations
Gryphon Advisors	2	1	1	417	810	25	
Harkins Kovler	4	4	0	8391	8391	-	
Innisfree	41	5	36	6896	2635	7505	Most Issuer Representations
Investorcom	8	8	0	265	265	-	
Kingsdale Advisors	16	1	15	2955	210	3138	
Laurel Hill	6	2	4	30	20	34	
MacKenzie Partners	20	3	17	1601	2690	1409	
Morrow Sodali	25	4	21	2468	3532	2265	
Okapi Partners	47	32	15	6027	8678	373	Most Representations and Most Activist Representations
Saratoga Proxy Consulting	13	12	1	401	432	24	
Shorecrest Group	3	2	1	2563	3831	28	
The Proxy Advisory Group	2	0	2	407	-	407	

KEY: GOLD - 1ST IN CLASS, SILVER - 2ND IN CLASS, BRONZE - 3RD IN CLASS

SOURCE: *ACTIVIST INSIGHT ONLINE*

THE TERMINATORS

SABA CAPITAL HAS SPECIALIZED IN FORCING CLOSED-END FUNDS TO GIVE UP BOARD SEATS AND MAKE TENDER OFFERS. IT IS NOW FOCUSED ON TERMINATING MANAGEMENT AGREEMENTS, WRITES JASON BOOTH.

SABA CAPITAL	
FOUNDED	**2009**
HQ LOCATION	**NEW YORK, NY**
ACTIVISM FOCUS	**PARTIAL FOCUS**
AUM	**$3.4B (NOVEMBER 2020)**

Specialists tend to be the most successful activists. And when it comes to activism at publicly traded closed-end funds (CEFs), few are as specialized as Saba Capital. It's the only kind of activism the New York-based fund will engage in. And it does a lot of it, making public demands at 15 separate CEFs this year as of December 3, one more than in all of 2019 and up from just two in 2018.

Saba was founded by Boaz Weinstein in 2009 as a spinoff from Deutsche Bank and currently manages three core strategies: Credit Relative Value, Tail Hedge, and CEFs, which is headed by Pierre Weinstein (no relation to Boaz). A CEF is a portfolio of pooled assets, such as debt, that is listed via an initial public offering of shares.

> "SABA SAW IT AS AN OBVIOUS OPPORTUNITY TO MAXIMIZE SHAREHOLDER VALUE AS 'OPEN-ENDING' WOULD AUTOMATICALLY NARROW THE DISCOUNT TO ZERO."

Like an open-end mutual fund, a CEF has a professional manager who oversees the portfolio and charges a fee for the service. But unlike a mutual fund, CEF investors can only redeem their money by selling shares in the secondary market. The price of those shares, however, tends to be less than the net asset value (NAV) of the assets on which it is based, a fact regularly criticized by activist investors.

Saba began making passive investments in CEFs as a result of its broader interest in fixed income. As the bond market rebounded in 2014 following a disastrous 2013, the discount between the share prices of many debt-based CEFs and its NAVs widened to well over 10%. Saba saw this as a buy signal, according to people with knowledge of the strategy, and invested on the assumption that CEF share prices would in time rally to match the value of their NAVs.

ACTIVATION

Yet in some cases the discounts persisted, including at Deutsche High Income Trust. Saba disclosed an initial passive 5.4% stake via a Form 13 G filing in March 2014, when the CEF's share price was close to $10. A year later, as the price drifted down towards $8, Saba switched to an activist strategy, filing a 13D and increasing its stake to over 14%.

Deutsche High Income was especially vulnerable because under its bylaws if the NAV discount exceeded 10% on average over the final three months of any year then the board was required to hold a shareholder vote on whether to convert its charter from a CEF into a traditional "open-end" mutual fund, which is required by law to trade at NAV.

When a vote was triggered at the end of 2015, Saba saw it as an obvious opportunity to maximize value as "open-ending" would automatically narrow the discount to zero, providing stockholders a quick double-digit gain on their investment. Deutsche High Income's board, however, recommended shareholders vote against open-ending the fund, and to the dismay of Saba the proposal failed to pass.

The event led to Saba's first public fight with a portfolio company and instilled in the fund a belief that continues to drive its strategy, that CEF boards cannot be trusted to act in the best interest of shareholders.

OPEN-ENDED

The value of open-ending a CEF is hotly debated. Critics like the Closed-End Funds Association claim that by the time most conversions are completed the NAV discount has already narrowed because arbitragers and activists bought up the shares ahead of time. And following conversion the fund can be forced to make poorly timed asset sales to repay investors cashing out. As such many boards are hesitant to recommend open-ending, while some CEFs are simply not able to convert into a mutual fund due to their bylaws and would be forced to liquidate if shareholders voted to do so.

Deutsche High Income Trust, for one, was liquidated and its assets distributed to shareholders following a 2016 agreement with Saba.

> "THE EVENT LED TO SABA'S FIRST PUBLIC FIGHT WITH A PORTFOLIO COMPANY AND INSTILLED IN THE FUND A BELIEF THAT CONTINUES TO DRIVE ITS STRATEGY, THAT CEF BOARDS CANNOT BE TRUSTED TO ACT IN THE BEST INTEREST OF SHAREHOLDERS."

GAINING SUPPORT

Saba has since become the second-busiest activist in the CEF market, publicly making demands at 33 separate companies in total. Its proposals have started gaining more support from other CEF shareholders. Since 2016, Saba has publicly sought 83 board seats and won 11, all within the last 12 months. In December 2019 it won three seats at Eaton Vance Floating-Rate Income. It followed up by winning eight seats at Voya Prime Rate Plus in July, where it has a 25% stake.

Saba has also succeeding in nine of 14 cases where it demanded tender offers and other forms of buybacks. Most recently, the board of Voya Prime Rate Plus, now dominated by Saba appointees, announced plans to commence a tender offer for 15% of its outstanding shares at a price equal to 99% of the fund's NAV. The size of the tender angered some other shareholders, however, who had approved a proposal, put forward by Saba, to tender for 40% of shares.

Bulldog Investors, with a 1.5% stake, said it had voted for both the self-tender proposal and Saba's nominees, but following the 15% tender it now questioned whether the dissident dominated board "serve the best interests of all shareholders." Sources close to Saba point out that the CEF could make additional tenders until the 40% limit is hit.

TERMINATION

The sensitivity over tender offers is one reason Saba recently shifted its focus towards forcing the boards of CEFs to terminate their investment advisory agreements, according to people familiar with the strategy. They noted that if a shareholder proposal to fire the investment adviser is approved, the board is required to take action, while a board can choose to ignore a tender proposal, or as in the case at Voya, reduce its size.

This year Saba has called on 12 different CEFs to terminate their investment advisory agreements, typically arguing that management charges excessive fees for poor performance. In October it took advantage of Morgan Stanley's acquisition of Eaton Vance to oppose the renewal of management agreements at four separate Eaton Vance CEFs.

But as with open-ending, the goal may be liquidation of the CEFs rather than finding new, cheaper management. That's the view of Eaton Vance, which argued in a recent proxy statement, "Saba does not have an alternative plan for the management of the funds, it is simply trying to take advantage of the situation to create disruption and force major structural change, such as liquidation or a large tender offer."

SABA CAPITAL'S PUBLIC ACTIVIST DEMANDS BY TYPE

	2016	2017	2018	2019	2020 YTD*
TERMINATE INVESTMENT ADVISORY AGREEMENT	-	-	-	1	12
GAIN BOARD REPRESENTATION	1	4	1	11	6
PUSH FOR SHARE REPURCHASE	2	2	1	3	6
ADOPT MAJORITY VOTE STANDARD	-	-	-	-	2
AMEND BYLAW	-	-	-	-	1
ELIMINATE STAGGERED BOARD	2	4	-	11	1
REMOVAL OF CEO OR OTHER BOARD MEMBER	-	-	1	-	-

SOURCE: *ACTIVIST INSIGHT ONLINE*
*2020 YTD AS OF NOVEMBER 30.

NO ESCAPE

Given their vulnerability to activists, some believe CEFs will start taking advantage of state control share statutes to discriminate among shareholders, such as activists. That defense strategy became more viable earlier this year when the Securities and Exchange Commission (SEC) withdrew the so-called Boulder Letter, a decade-old guidance which had limited such practices.

But people close to Saba didn't see the lifting of that prohibition as a serious issue in most states due to shareholder friendly courts. As for the possibility of CEFs relocating to states less friendly to activists, such as Maryland? "If they want to move, they must do a shareholder vote," noted one source. If so, Saba will likely be there.

"THAT DEFENSE STRATEGY BECAME MORE VIABLE EARLIER THIS YEAR WHEN THE SECURITIES AND EXCHANGE COMMISSION (SEC) WITHDREW THE SO-CALLED BOULDER LETTER."

FOR MORE ON CLOSED END FUNDS:

"THE FIGHT TO VOTE" - OCTOBER 2020 ISSUE OF ACTIVIST INSIGHT MONTHLY
The SEC's withdrawal of the boulder letter has sparked a fight between activists and closed-end fund investment managers, writes Iuri Struta.

"CLOSED FUNDS, OPEN BATTLE" - A JANUARY 2020 IN-DEPTH STORY ON ACTIVIST INSIGHT ONLINE
Despite the longevity of closed-end fund activism, new Securities and Exchange Commission (SEC) provisions could turn the tables. Some people, including the SEC, argue closed-end funds cannot protect themselves from raiders, while others blame underperformers charging high fees. Yet, the closed-end fund world is not far off from traditional activism.

MORGAN STANLEY'S ACQUISITION OF EATON VANCE SPARKED MULTIPLE PROXY FIGHTS WITH SABA.


SHAREHOLDER ACTIVISM
Q3 2020 YTD
DOWNLOAD NOW

NETFLIX DRAMA

AS TRADITIONAL MEDIA FACES GROWING COMPETITION FROM A HANDFUL OF DEEP-POCKETED INSURGENTS, SITTING AND WATCHING HOW THE DRAMA UNFOLDS IS NOT AN OPTION FOR ACTIVISTS, WRITES IURI STRUTA.

Eight years ago, when Carl Icahn was pushing for a sale of then $4-billion market-cap Netflix, the large media conglomerates it competed against remained well beyond the range of shareholder activists.

Now, with strong stock performance and rich valuation, it is Netflix that is secure from activism, while its peers face growing activist pressure to adapt and cement their place in the streaming oligopoly.

The largest activists have invested billions of dollars in some of the most iconic media and telecoms companies and are getting more vociferous. Indeed, their presence could spur the next round of dealmaking.

YOU'RE TOAST

That matters because in such a rapidly changing and competitive environment, only focused media companies are expected to prosper. David Zaslav, the CEO of Discovery, which owns channels Food Network and Animal Planet, said recently that the market could only absorb three streaming platforms for scripted programming. With Netflix and Disney already assuming the two leadership positions, the fight for the third spot will be tough.

But media has also become a commodity to some deep-pocketed tech companies, complicating the transition for traditional media. Alphabet's YouTube is stealing a growing number of eyeballs, and both Amazon and Apple have added streaming to their core products without the pressure of having to turn a profit on those businesses.

ValueAct Capital founder Jeffrey Ubben, a former activist investor at media company Fox, described it best when he lamented over Amazon providing free video content just to entice customers to buy more from its e-commerce platform. It's like a bank giving away a toaster to get you to open a deposit, Ubben said in a 2018 interview. "The idea that we're a toaster sucks."

These secular challenges have spurred frenetic deal-making in the traditional media sector in recent years, in turn attracting the interest of activist investors. Disney acquired Fox's entertainment assets in 2019 to boost its content library as it was preparing to launch its streaming service Disney+. AT&T acquired Time Warner in 2018, while Comcast snapped up Sky last year following a bitter bidding war with Disney to boost its global presence in media. All three of these once untouchable companies have recently experienced activism even as they started transforming themselves. Activists were drawn by their relative undervaluation, strong brands, conglomerate discounts, and potential for further changes.

> "TRIAN'S PRESENCE COULD PROVIDE 'SOME AIR COVER UNDER WHICH COMCAST CAN DO THINGS THAT IT MIGHT HAVE BEEN THINKING ABOUT ALREADY.'"

"There tend to be more ways to win, particularly for the large companies. Activists see the opportunity to generate returns through multiple paths, maybe it's capital allocation, maybe it's cost reduction, maybe breaking up the portfolio," Peter Michelsen, head of activism and shareholder advisory at Qatalyst Partners, said in an interview.

ACTIVISTS TUNE IN

Dan Loeb's Third Point Partners took an $800-million stake in Disney earlier this year and urged management to redirect its capital from paying dividends to investing in new content, as well as simplifying its streaming services and avoiding short-term monetizing opportunities such as video on demand.

The sale of action movie Mulan for $30 to existing subscribers was a "debacle," Loeb said, urging it to give some movies away for free on the streaming platform in order to increase subscription numbers. In other words, Disney should follow Netflix's business model more closely.

Nelson Peltz's Trian Partners revealed a $1-billion stake in Comcast in September, a conglomerate that owns a thriving cable and broadband business and NBCUniversal, which has experienced mixed fortunes and is one of the last to join the streaming wars with its Peacock platform. Peltz has not revealed much beyond saying he is in discussions with the board, but speculation has been swirling that he might push for a spinoff of NBCUniversal.

> "IN TWO YEARS, AT&T HAS TRANSITIONED FROM CALLING ITSELF A MODERN MEDIA COMPANY TO CALLING ITSELF A BROADBAND COMPANY THAT TELLS STORIES."

And then there is AT&T, the mobile broadband conglomerate that was targeted by Elliott Management last year, in part due to the uninspired acquisitions of broadcast distributor DirecTV and Time Warner, the media juggernaut which owns streaming service HBO MAX. Elliott criticized the DirecTV buyout and questioned the rationale behind owning Time Warner. AT&T is now seeking to undo the DirecTV acquisition and shift its focus to legacy broadband, while Elliott has been decreasing its stake.

"In two years, AT&T has transitioned from calling itself a modern media company to calling itself a broadband company that tells stories," Bernstein analyst Peter Supino said in an interview with *Activist Insight Monthly*.

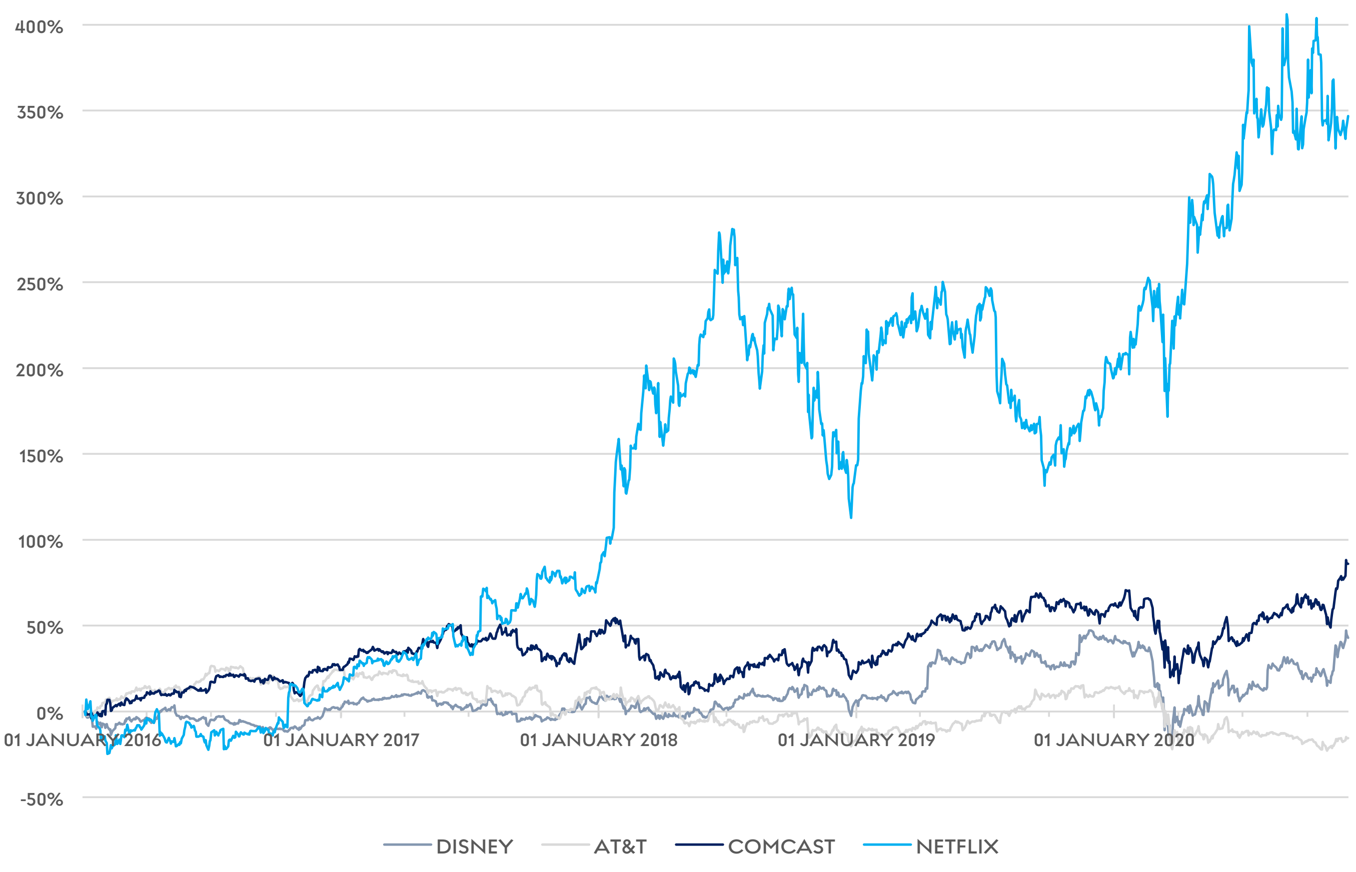
FILLING SEATS, ANYHOW

AT&T and Comcast face more pressure from activists than Disney because there is a conglomerate discount involved. Both have underperformed their more focused peers Verizon Communications and Charter Communications, respectively, largely because of their media units, which need heavy investment to compete. However, shareholders cherish rising dividends from the highly lucrative core businesses and are unlikely to back large investments in media.

Faced with secular challenges, some companies moved early. Fox sold its entertainment assets to Disney, withdrawing from the streaming race to focus on sports and news. Shareholders might push AT&T and Comcast to follow a similar path.

STREAM ON

DISNEY, AT&T, COMCAST, AND NETFLIX SHARE PRICE PERFORMANCE SINCE 2016



Share price data sources: CSI - www.csidata.com and

Separating Comcast's media unit would result "in a materially higher combined equity value," Supino said in a June public letter to the company. A survey of Comcast shareholders conducted by Supino revealed that most shareholders agreed with the spinoff idea.

As CEO Brian Roberts controls 35% of voting power via super-voting stock, a hostile campaign by Trian is unlikely. However, Trian's presence could provide "some air cover under which Comcast can do things that it might have been thinking about already," Supino said. Ed Breen, a master of breaking up conglomerates who worked with Trian on the merger of Dow Chemical and DuPont, is Comcast's lead independent director.

A standalone NBCUniversal could use its free cash flow and stock to make deals, something that Comcast investors would not accept, according to Supino.

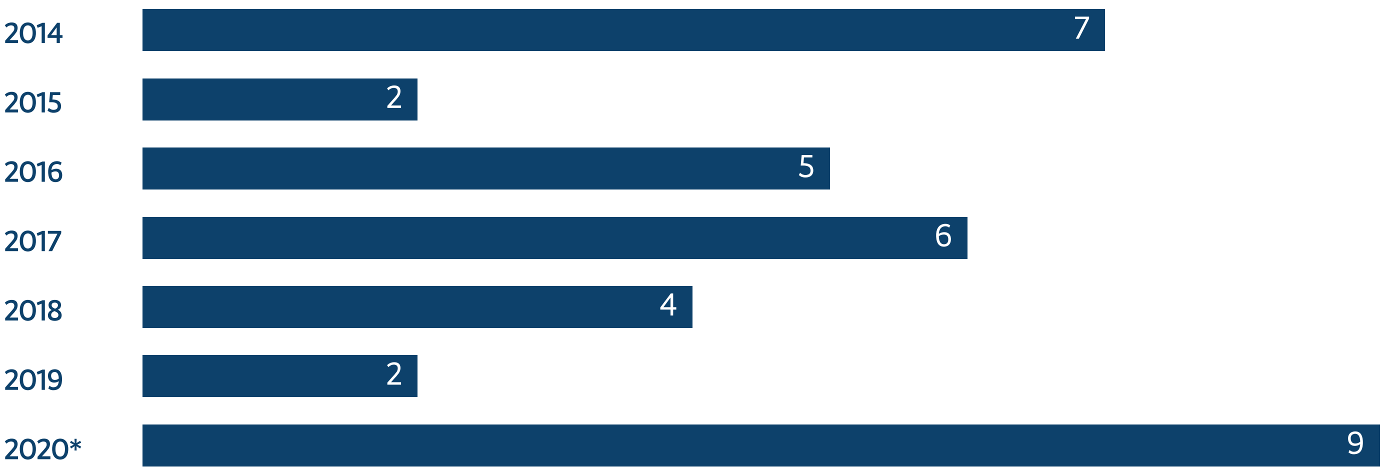
Further down the road, Supino believes a merger between AT&T's WarnerMedia and Comcast's NBCUniversal would make most sense. "Despite having different portfolios, they are very comparably positioned," Supino said, adding both have good movie studios and produce relevant TV programming but own some struggling TV networks.
Third Point has said little since Disney announced its latest reorganization to focus on the streaming service, which has been the only bright spot during the coronavirus pandemic. As the subscription numbers blew even the most optimistic expectations, Third Point might now sit and watch.

"THERE TEND TO BE MORE WAYS TO WIN, PARTICULARLY FOR THE LARGE COMPANIES."

Orchestrating multi-billion-dollar deals in an insular industry like media might seem beyond the scope of shareholder activists. But given that pressure from Trian and Third Point contributed to the reformation of the chemicals space by merging Dow and DuPont and then breaking up as focused businesses, it's unlikely they will shy away from fighting in the streaming wars.

TRIAN COULD PROVIDE AIR COVER UNDER WHICH COMCAST COULD ACT.

DEDICATED ACTIVIST INVESTMENTS IN LARGE-CAP MEDIA COMPANIES



NUMBER OF INVESTMENTS IN LARGE-CAP ($10B+) MEDIA COMPANIES BY INVESTORS WHICH ALLOCATE MOST, IF NOT ALL OF ITS ASSETS TO ACTIVIST STRATEGIES. BY YEAR.
SOURCE: *ACTIVIST INSIGHT ONLINE*
*2020 YTD AS OF NOVEMBER 30

ESG GOES TO WASHINGTON

DEMOCRATS WINNING THE WHITE HOUSE COULD MEAN A BOOST FOR ESG INVESTING AND NEW OPPORTUNITIES FOR ACTIVIST INVESTORS, WRITES ELEANOR O'DONNELL.

How the world can turn in a month. In the November issue of *Activist Insight Monthly*, we discussed the U.S. Department of Labor's plan to restrict pension funds investing based on ESG criteria, the latest in a string of efforts by U.S. President Donald Trump's administration to spark a counterrevolution against ESG investment.

"IT WILL BE HARDER FOR ACTIVISTS TO RESORT TO THEIR TRADITIONAL DEMAND FOR COMPANIES TO ENHANCE SHAREHOLDER VALUE BY CUTTING COSTS VIA LAYOFFS."

But now the U.S. is preparing for a very different presidency under Joe Biden, who along with Vice President-elect Kamala Harris campaigned on issues such as climate change, social justice, and diversity. The market, including activist investors, is already gearing up for a more ESG-friendly regime.

ESG 500?

All eyes will be on whether the U.S. Securities Exchange Commission (SEC) will adopt a more ESG-friendly stance under Biden, especially given the upcoming departure of Chairman Jay Clayton, appointed by Trump in 2017.

"WHEN 'GREENWISHING' INVESTORS SEE HOW THEIR ESG FUNDS ARE FREQUENTLY VOTING AGAINST ESG ISSUES RAISED BY SHAREHOLDER PROPOSALS, THEY WILL DEMAND CHANGES."

"The SEC has the authority and the capacity to serve as a force for progress on a range of vital economic and other issues," wrote Lorin Reisner, the former deputy director of the SEC Enforcement Division in a recent editorial.

Noting how large cap companies benefit from the massive amount of investor money flowing into index funds, she said the SEC should encourage the establishment of new index funds that emphasize corporate responsibility, such as an ESG 500 to mirror the S&P 500 index of America's largest companies. Doing so would help ESG-concerned investors direct their money to companies aspiring to benefit their communities and employees in addition to delivering financial performance.

One expectation is that the SEC will start requiring asset managers to make more transparent N-PX filings, in which they detail their proxy voting history. Doing so would make it easier for ESG-sympathetic investors to see how often the mutual funds they invest in actually vote against ESG proposals.

"When 'greenwishing' investors see how their ESG funds are frequently voting against ESG issues raised by shareholder proposals, they will demand changes or will simply move their investments to funds with better track records," predicted corporate governance shareholder advocate James McRitchie.

RISE OF THE S

Given Biden's success winning blue collar votes in the U.S. "rust belt," and his oft-stated support for unions and higher wages, portfolio companies may face greater shareholder scrutiny regarding worker remuneration, employment, and role in supporting local communities.

While environmental and governance issues are more easily quantifiable and therefore easier to address, ValueEdge Advisors Vice Chair Nell Minow expects to see more progress in the social field in the next four years. According to Minow, there will be "better disclosure of key indicators like investment in employee training, statistics on employee turnover, diversity in hiring, pay, and promotions."

That could create a double-edged sword for activists. Biden-backed spending on green industries might benefit activists like ValueAct founder Jeff Ubben, whose new fund Inclusive Capital Partners looks to make money from the greening of U.S. industry, or Kimmeridge Energy Management, which this year raised money for an activist strategy that includes getting energy giants to reduce their carbon footprints.

But it will be harder for activists to resort to their traditional demand for companies to enhance shareholder value by cutting costs via layoffs, asset sales, and rewarding shareholders with generous dividends and buybacks. Under a greener Washington, “new ESG hedge fund activists will have skills far beyond disassembling and reassembling companies based on financialization,” McRitchie mused.

The Democrats’ limited power in Congress means radical change is unlikely. But Minow sees the future as more shareholder-friendly, with investors playing a more significant role in the selection of directors and ESG goals an important factor in CEO pay. “ESG is still at a very early stage,” he said. “We will see more consistency in the disclosures and ratings in the future [and] see E-funds, S-funds, and G-funds.” No matter what happens, one thing is certain: the impact investing landscape is about to get even more complex.

DISCOVERY TIME

HIGH SHAREHOLDER DISCONTENT, SLOW ADAPTATION TO MASSIVE CHANGES IN THE MEDIA SECTOR, PLUS STRONG BRANDS MAKE DISCOVERY AN ATTRACTIVE TARGET FOR ACTIVISTS, WRITES IURI STRUTA.

DISCOVERY INC.	
SECTOR	**CONSUMER CYCLICAL**
MARKET CAP	**$13.0B (LARGE CAP)**
EXCHANGE	**NASDAQ**
TICKER	**DISCA**
HQ	**NEW YORK, NY**

VULNERABILITIES

DIRECTOR SUPPORT | **REMUNERATION SUPPORT** | **VALUATION** | **DIRECTOR TENURE**

There are few names in the history of U.S. media and telecom more prominent than John Malone. The soon-to-be octogenarian is as famous for his astute dealmaking as he is notorious for using complex share structures to maintain quasi-control over holding companies spanning media, telecoms and online travel agencies.

> "THE NEW YORK-HEADQUARTERED COMPANY IS CURRENTLY VALUED LIKE A STRUCTURALLY DYING, UNLOVED BUSINESS."

Most of Malone's enterprises have rewarded investors over the long term, but the advent of cord-cutting and a fast-paced war between rival streaming companies has made one of his holdings, Discovery Inc., vulnerable to activism. According to *Activist Insight Vulnerability*, Discovery is in the 68th percentile of companies most likely to experience activist action over the next nine months.

WORSE THAN TOBACCO

The New York-headquartered company is currently valued like a structurally dying, unloved business. Its stock trades at a price-to-free-cash-flow ratio of 4.8, versus 9.2 for its median peer, as of December 3. Its price-to-earnings ratio of just 11.4 is lower than tobacco company Philip Morris International, which faces declining demand for both its products and shares.

Discovery has underperformed most of its peers over the past 12 months, including close rivals Fox, ViacomCBS, and Walt Disney. One-year total shareholder return was negative 11% as of December 3, versus positive 9% for its median peer group. Five-year TSR of negative 5.8% compares poorly with positive 71% for the median peer, according to *Activist Insight Vulnerability*.

'PRETTY DARN CHEAP'

In many ways the company looks undervalued. Discovery is the global market leader in the lifestyle and unscripted programming space, with its channels Discovery, Food Network, The Learning Channel (TLC), and Animal Planet collectively boasting around 1 billion subscribers. Eurosport is an international leader in live sports entertainment.

Customers especially love the Discovery Channel, which according to a TiVo survey is the third most popular network in the U.S. after ABC and CBS. What's more, Discovery owns the global rights to its content and its viewership is more global than Disney, WarnerMedia, and ViacomCBS. It has around 60,000 hours of unscripted programming available for streaming, twice as much as Netflix, the market leader in video on demand.

It is also on strong financial footing. Its Ebitda expanded from $3 billion to $3.9 billion in 2019 and remained strong this year despite the coronavirus pandemic. This has allowed the company to decrease its debt from around $17 billion in 2018 to $15.3 billion in the third quarter of 2020, showing that the debt-fueled acquisition of Scripps in 2017 for $12 billion is paying off.

Malone himself called Discovery's stock "pretty darn cheap" last year after buying $75 million worth of additional shares. "They've got a lot of the pieces, but they need to make the transition from linear to direct-to-consumer," he said in an interview with CNBC.

As part of that transition, on December 2 Discovery announced it is entering the crowded streaming sector, joining a host of incumbents like Disney and WarnerMedia and insurgents Netflix, Amazon, and Apple. The move, designed to help counter a decline in advertising and distribution revenue, had little impact on Discovery's stock price, however. The tepid market reaction is partly due to the perception that the streaming service will likely "highly cannibalize" revenues from Discovery's existing cable networks, according to analysts at MoffettNathanson.

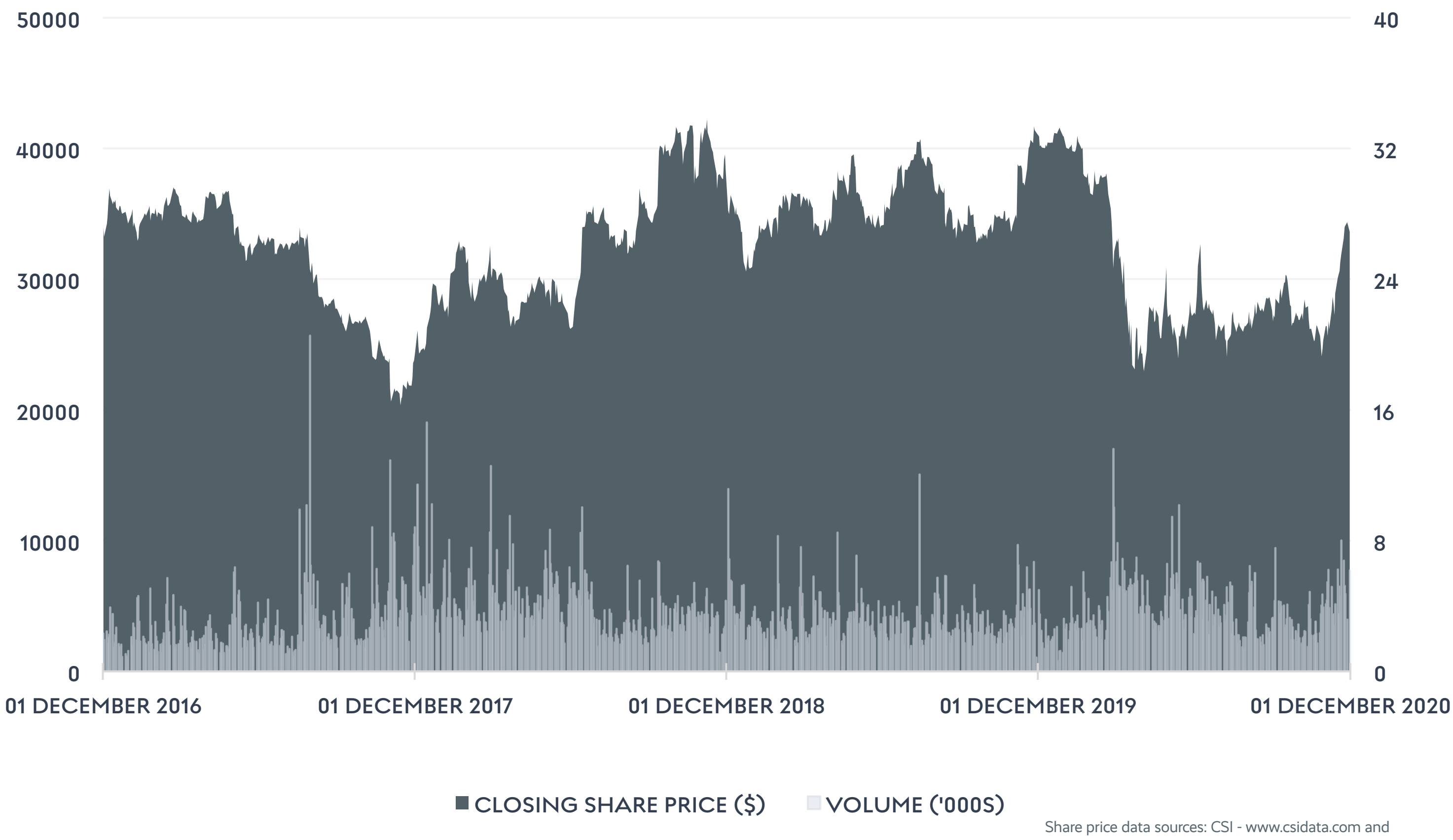
SALE TIME

Given the challenges of creating a streaming service and the highly competitive environment, an activist might argue that a sale of the company is the best way to maximize shareholder value, especially as media and technology giants are currently competing to build video libraries for their streaming services and seem willing to pay top dollar. Discovery's extensive library of content and expertise in the sector could prove useful for Disney, Netflix, or Amazon.

European broadcaster Sky was bought by Comcast for 40 billion pounds following a bidding war with Disney, or a whopping 18 times Ebitda. AT&T bought Time Warner for a steep 11.3 times Ebitda. Discovery's main class A stock trades at an enterprise value to Ebitda of just 3.9.

A deal would require the blessing of either Malone, who controls 28% of votes via supervoting shares, or the

DISCOVERY INC'S 5-YEAR SHARE PRICE PERFORMANCE



Share price data sources: CSI - www.csidata.com and

Newhouse family's investment vehicle, which controls about 24%. But neither looks to be emotionally attached to Discovery, which has always been a financial investment for them.

MEN'S CLUB

Improving governance could be another way to create value. At the last three annual meetings, no director received more than 83% of the shares in favor of re-election and most saw at least a third of shares go against them. Malone himself had 34.8% of the shares voted against him at the June 2020 annual meeting, largely because he is overboarded. The median vote for directors in the S&P 500 is 98.2%. Executive compensation was opposed by 39% of shareholders in 2020.

The opposition is unsurprising. According to *Activist Insight Governance*, the average director tenure is nine years, versus 7.9 for the S&P 500 Index. Also, there is only one female director on the board, despite women being the biggest watchers of some of its channels. The average age of directors is 68 years versus 62.6 for the S&P 500 Index. And according to Proxy Insight, some shareholders expressed their opposition due to the board's unresponsiveness to shareholder concerns and disconnect between performance and executive pay.

At the same time, Discovery's ownership structure is cumbersome, with three classes of shares, and only two of them entitled to vote. And due to high insider ownership, winning a proxy fight would be difficult, although Malone and the Newhouse family don't have any voting arrangements. However, past campaigns in the media sector have shown success can be achieved in an amicable fashion.

The director nomination deadline closes in April.

THE BIG SHORTS

JIM CHANOS HAS A NEW SHORT ON IBM. BUT GIVEN THE LARGE CAP'S RESOURCES AND REPUTATION, ARE THE REWARDS WORTH THE RISKS, ASKS ELEANOR O'DONNELL.

IBM	
SECTOR	**TECHNOLOGY**
MARKET CAP	**$111B (LARGE CAP)**
EXCHANGE	**NYSE**
TICKER	**IBM**
HQ	**ARMONK, NY**

In October, nearly four years after exiting a profitable short position on International Business Machines (IBM), Jim Chanos revealed he has made a new bet against the $110 billion company, predicting a hidden hole in its earnings will soon deflate both investor expectations and IBM's share price.

Going after such a highly capitalized company is not a popular move among short sellers. According to *Activist Insight Shorts* data, large-cap companies have experienced the least short seller activism, apart from nano-caps, in recent years. Only 13 large-cap companies were targeted this year as of November 17, compared to 62 small caps.

"THE ANTI-CLOUD COMPANY"

But Chanos thinks IBM is hiding something.

In an interview with Hedgeye, he predicted that IBM's revenue decline will accelerate in the coming years due to rising competition and a failing cloud business. IBM is using an "accounting scam" to window dress its performance, the short seller said, and added that leadership will be forced to "bring down expectations to reality," cut the dividend, and reset stock options for executives.

He said he had expected IBM to take those steps by itself, but instead recently appointed CEO Arvind Krishna announced a spinoff of the company's IT infrastructure business, leaving behind its cloud business. In Chanos' words, "IBM is so structurally impaired they're spinning off the really bad business to keep the bad business."

IBM did not respond to a request for comment on the allegations.

> "IF CHANOS MAKES MONEY ON THIS BIG-CAP SHORT, HE WILL HAVE BEATEN THE ODDS."

BIG-CAP DANGER

If Chanos makes money on this big-cap short, he will have beaten the odds. In 2018, the average one-year campaign return was negative 4.3% for large-cap companies, while small caps returned an average gain of 1.7% for shorts and micro caps 40.3%, according to *Activist Insight Shorts* data.

The very size of their share float means the stock price is unlikely to see the kinds of downward volatility that shorts usually count on to make a profit. They have strong brands, and investor relations and public relations teams to argue against the short thesis. A charismatic leader can even pose a risk to short sellers. Tesla has defied shorts for years based largely on the outsized reputation of founder Elon Musk, who wiped out an estimated $1.3 billion worth of short sellers' money in 2018 with a single tweet about taking the company private. Losers included Chanos, who recently said he was reducing a long-term short bet against Tesla, calling the investment experience "painful."

David Einhorn of Greenlight Capital, whose strategy of shorting large caps is akin to Chanos', was also burned by Tesla. And earlier this year he made another ill-timed short bet on Netflix, just before COVID-19 lockdowns sent Netflix's business, and stock price, surging. Citron Research also made a large-cap mistake putting a $100 price target on Shopify's stock in April 2019, when it was trading at $198. The company's share price proceeded to hit $407 by the new year. Unsurprisingly, Citron threw in the towel, explaining in its annual investor letter, "this type of story is too large for us to get our little hands around."

> "IBM IS SO STRUCTURALLY IMPAIRED THEY'RE SPINNING OFF THE REALLY BAD BUSINESS TO KEEP THE BAD BUSINESS."

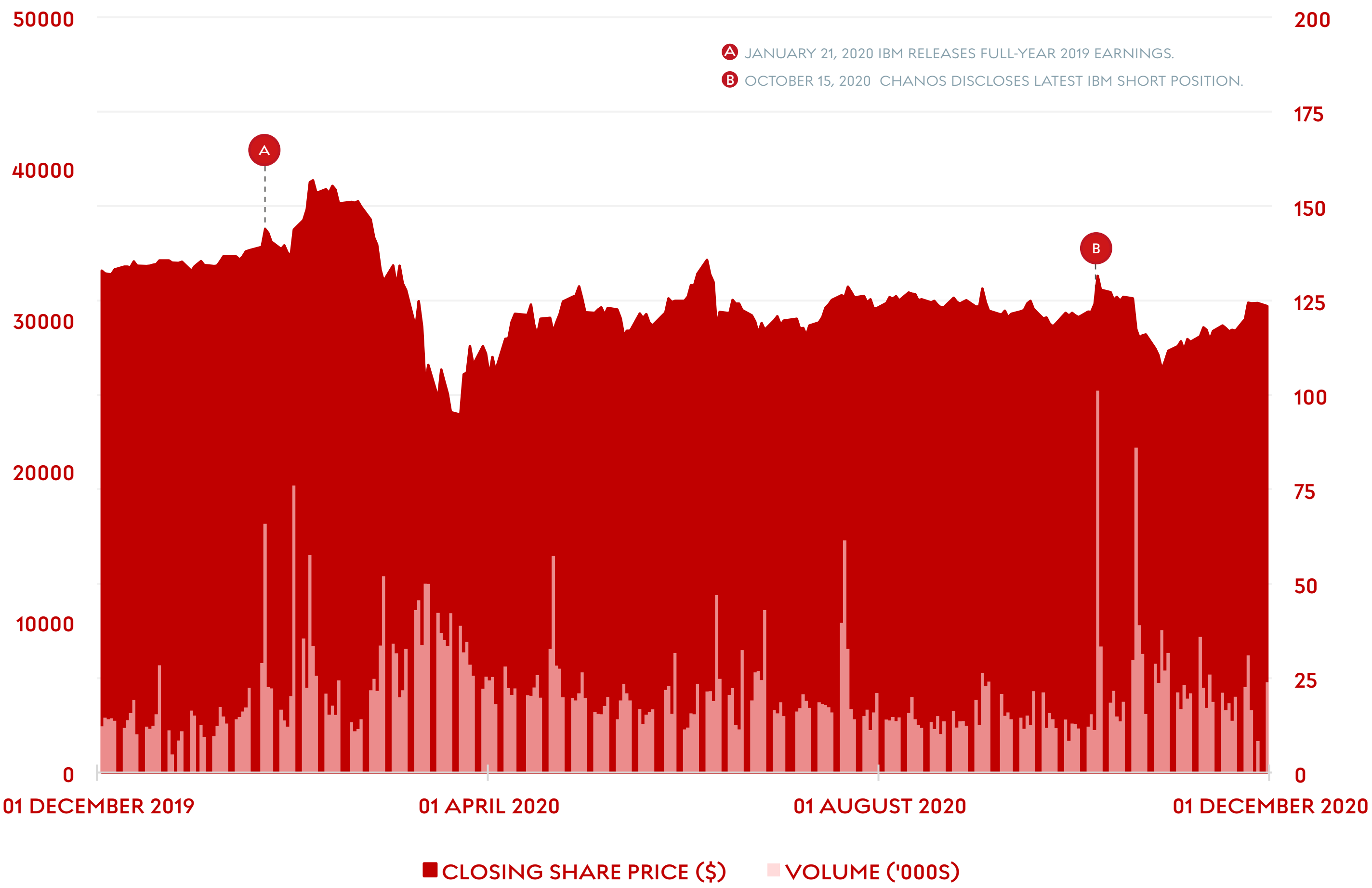
Indeed, only two of the top 10 short campaigns by returns since 2013 were large caps, The Street Sweeper at Helios & Matheson Analytics, and MCA Mathematik at Wirecard. Though neither of those were established blue chip U.S. companies like IBM, founded in 1908 with 350,000 employees. And Wirecard's collapse took so long, in part because the German government felt it was too big to fail, that most short sellers lost money on their positions anyway.

RISK-RETURN

IBM's stock price fell 15% in the days following Chanos' disclosure but has since recovered. Chanos admits it could take time for his IBM thesis to prove correct, because even though revenues will continue to decline it will enable the company to take charges, call them structural, and add them back to adjusted earnings. "IBM's not going out of business tomorrow," he conceded to Hedgeye. "Problem with IBM is people are buying it as value and haven't really dug down into the numbers to realise it's not what it says it is."

He's has been right about IBM before. Between 2013, when he first disclosed a short stake in IBM, and the end of 2015 the stock lost around a quarter of its value. Only time will tell if he is correct again.

IBM'S 12-MONTH SHARE PRICE PERFORMANCE



Share price data sources: CSI - www.csidata.com and

SHORT NEWS IN BRIEF

A ROUNDUP OF DEVELOPMENTS IN ACTIVIST SHORT SELLING IN NOVEMBER.

Nikola's share price fell sharply after the electric truck startup's planned deal with General Motors was revised. GM will no longer take an equity stake in Nikola or assist in the development of a planned pickup truck called Badger. The revised deal came after Nikola confirmed it had been subpoenaed by the Securities Exchange Commission and the Department of Justice, following claims from short seller Hindenburg Research that the company was fraudulent. DETAIL

Wirecard's auditor EY may face criminal charges over the role it played at the German payment company, prior to its collapse earlier this year. German prosecutors are weighing up a report from accounting regulator APAS before making a decision. "We are still evaluating APAS' report and haven't yet made any decision about whether to bring any criminal charges," a spokesperson told Reuters in early November. Fellow auditing firm KPMG testified against EY in Germany, saying that Wirecard's fraud could have been easily spotted. DETAIL

The Canadian Securities Administrators launched a consultation into the country's rules surrounding activist short selling, following an increase in short attacks. DETAIL

Two former executives of medical device company MiMedX Group were convicted following investigations by the Securities and Exchange Commission (SEC) and the Department of Justice. Former CEO Parker "Pete" Petit was convicted of securities fraud while former chief operating officer William Taylor was convicted of conspiracy, by a U.S. District Court in Manhattan. Short sellers Aurelius Value and Viceroy Research issued reports during Petit's tenure, with Viceroy claiming that MiMedx had employed people involved in bribery and kickback schemes at other companies. DETAIL / DETAIL

J Capital Research continued its campaign against ACM Research. The short seller said it believed ACM was inflating its revenues by "foisting" production costs onto its research and development departments. In November, J Capital took issue with ACM's third-quarter results, saying it was strange that ACM continued to borrow money to fund short-term working capital despite claiming to have $92.2 million in cash on its balance sheet. "The gold leasing provision is yet another reason to doubt that ACMR actually has or can access the $92.2 million it claims to have in cash," J Capital said in a follow-up report. DETAIL

Bonitas Research urged China Harmony Auto accountant Deloitte to "walk away" from the company after auditing it thoroughly. Bonitas claimed that Chairman Changge Feng has stolen as much as $150 million from China Harmony investors and has been fabricating the company's balance sheet since 2015. Bonitas pointed to previous accounting firms that had ditched the company and said all Deloitte must do "is review Harmony's ownership percentage of alleged associates to know that it has fabricated its profits." DETAIL

Marc Cohodes joined Quintessential Capital Management's short campaign at Penumbra, with a Periscope video criticizing the company's products and inviting his followers to submit evidence. DETAIL

WIRECARD'S AUDITOR EY IS FACING POSSIBLE CRIMINAL CHARGES.

NEW SHORT INVESTMENTS

A SELECTION OF THE LATEST ACTIVIST SHORT INVESTMENTS DISCLOSED IN NOVEMBER.

ACTIVIST	COMPANY	HQ	DATE ANNOUNCED	DETAIL
HINDENBURG RESEARCH	KANDI TECHNOLOGIES		NOVEMBER 30, 2020	DETAIL
Hindenburg said that Kandi has fabricated customers via a series of undisclosed related party transactions in order to inflate its results.				
CITRON RESEARCH	PALANTIR TECHNOLOGIES		NOVEMBER 27, 2020	DETAIL
Citron set a $20 price on Palantir, a 31% downside, after tweeting that the company had become a "full casino."				
CIPHERSENSE RESEARCH	ANEXO GROUP		NOVEMBER 24, 2020	DETAIL
Ciphersense said Anexo misled investors over its status as a growth company, and expects it to continue struggling to generate meaningful returns.				
KERRISDALE CAPITAL MANAGEMENT	TATTOOED CHEF		NOVEMBER 19, 2020	DETAIL
Kerrisdale said Tattooed Chef's $1.2 billion market cap is "extremely generous" as rising competition in the packaged foods industry will reduce sales.				
MARC COHODES	PENUMBRA		NOVEMBER 18, 2020	DETAIL
Cohodes confirmed he is short Penumbra, agreeing with Quintessential Capital Management's claim that the company is "killing people for money."				
MUDDY WATERS RESEARCH	JOYY		NOVEMBER 18, 2020	DETAIL
Muddy Waters said that as much as 90% of Joyy's live streaming revenue is fake, adding that Joyy as a whole is "almost entirely fraudulent."				
SHADOWFALL CAPITAL & RESEARCH	BLUE PRISM GROUP		NOVEMBER 18, 2020	DETAIL
ShadowFall claimed Blue Prism is unlikely to achieve profitability, adding that it was already seeing substantial declines across key metrics.				
CITRON RESEARCH	NIO		NOVEMBER 13, 2020	DETAIL
Citron said the share price of electric car maker Nio will suffer as it faces more competition from Tesla, adding that Nio's share price could fall to $25.				
BONITAS RESEARCH	CHINA HARMONY AUTO HOLDING		NOVEMBER 12, 2020	DETAIL
Bonitas accused China Harmony's chairman of defrauding investors and claimed the company's financial statements are fabricated.				
MUDDY WATERS RESEARCH	MULTIPLAN		NOVEMBER 11, 2020	DETAIL
Muddy Waters said that Multiplan's sales will fall because the rise of a new competitor, Naviguard, threatens Multiplan's partnership with its largest customer.				
QUINTESSENTIAL CAPITAL MANAGEMENT	PENUMBRA		NOVEMBER 10, 2020	DETAIL
Quintessential said Penumbra's aspiration catheter device has a structural flaw that will force it to be recalled, giving the company's stock a $55 per share target price.				

NEWS IN BRIEF

A ROUNDUP OF DEVELOPMENTS IN ACTIVIST INVESTING IN NOVEMBER.

NORTH AMERICA

Securities and Exchange Commission (SEC) Chairman Jay Clayton confirmed he will step down from the position by the end of the year, paving the way for a possible policy overhaul. Since Clayton took the position in 2017, the SEC has passed significant policy changes affecting both proxy voting advisers and shareholder proposals, while a plan to raise the threshold for 13F holding disclosures to $3.5 billion is also under consideration. DETAIL

Senator Investment Group and Cannae Holdings initiated a consent solicitation at CoreLogic with the aim of removing six incumbent directors if a "legitimate sales process" is not carried out by the company. Senator and Cannae won three board seats at a November 17 special meeting, but argued the new solicitation was "necessary for shareholders to have a safeguard in place." DETAIL / DETAIL

Invesco CEO Marty Flanagan denied that Trian Partners had pushed for a merger of the asset manager with Janus Henderson in a television interview. Invesco also added three board members in November, including Trian's Nelson Peltz and Ed Garden. DETAIL

Kimmeridge Energy Management published a white paper calling for an overhaul of executive compensation in the energy sector. The activist, which disclosed new stakes in Ovintiv, PDC Energy, and Cimarex Energy in November, said energy companies should pay director fees in equity that is restricted for tenure, introduce ownership thresholds for board tenure over five and seven years, and consider any board member serving for more than nine years as non-independent. DETAIL

Paulson & Co requisitioned a special meeting at Midas Gold, later settling for five board seats. DETAIL

Enzo Biochem was pulled into another fight with 11.7% shareholder Harbert Management after the activist's two representatives stepped down from its board. Harbert called for the biotechnology company to remove CEO Elazar Rabbani from his job and from the board, before repeating calls for a sale. Following Harbert's demands, Roumell Asset Management disclosed a 5.8% stake in Enzo. DETAIL

Bulldog Investors slammed the tender offer advanced by the Saba Capital Management-backed board at Voya Prime Rate Trust. Having won a full board sweep in mid-July, Saba's nominees were expected to follow through on a tender offer for 40% of the closed-end fund's shares. Bulldog said the size of the tender raised questions whether the new board "serve[s] the best interests of all shareholders." DETAIL

Sian Capital switched tack at Opko Health, calling on the company to expand its distribution of kidney disease treatment Rayaldee because demand for such treatment was higher due to COVID-19. The activist, with a 3% stake, called for the company to explore a sale in late October. DETAIL

Chris James, the co-founder of technology focused Andor Capital, teamed up with ex-Jana Partners' executive Charles Penner and Jennifer Garcio, founder of BlackRock's iShares business, to launch impact fund Engine No. 1 with an initial $250 million in capital. Engine No. 1 later threatened to nominate directors at Exxon Mobil. DETAIL

SECURITIES AND EXCHANGE COMMISSIONS' CHAIRMAN JAY FULTON IS TO STEP DOWN BY 2021.

Former Fir Tree Partners Managing Director Aaron Stern is looking to raise as much as $500 million for his newly launched activist fund Converium Capital Management, according to media reports. The Montreal-based fund will focus on distressed debt but would also build a global portfolio and take an activist approach when needed, Bloomberg News reported, citing unnamed sources. DETAIL

EUROPE

Gianluca Ferrari, formerly a director at Shareholder Value Management, is planning to launch an ESG-focused activist fund in Europe, according to a Reuters report. The fund, Clearway Capital, will push for changes at mid-caps that are poorly rated by markets. Ferrari is looking to raise around 100 million euros for the fund. DETAIL

Aryzta continued to attract attention from suitors, with the Swiss company confirming that Elliott Management returned with a new offer for the bakery outfit. Bloomberg reported that Elliott's revised deal was worth 0.80 Swiss francs per share, and that the activist had already carried out due diligence. A sticking point for the deal had been Elliott's issues with refinancing Aryzta's 1.2 billion euros of debt, though an arrangement was said to be at "a very advanced stage." DETAIL

Petrus Advisers called on German lender Aareal Bank to formulate a new strategy to correct the bank's waning performance. The activist, a 6.1% investor, said the current board has become complacent in recent years, and urged the lender to undertake cost cuts, devise a new strategy for commissions and fees, expansion into new business areas, and sell its Wiesbaden headquarters. DETAIL

Countrywide shareholders rejected the 90 million pounds cash injection from private equity firm Alchemy Partners, a proposal that Catalist Partners had previously called an "unnecessary, ill-judged and dilutive transaction." The result followed Countrywide receiving an offer from rival property company Connells which valued the company at 250 pence per share. DETAIL

Shareholders to voted against the share buybacks as proposed by Associated Capital Group. GVP had been urged to liquidate

ELLIOTT RETURNED WITH A NEW OFFER FOR SWISS BAKER ARYZTA.

by several shareholders, including Close Brother Asset Management and Investec Wealth & Management. DETAIL

Cevian Capital slammed ThyssenKrupp for failing to capitalize on its elevator unit divestment earlier this year, saying the company's 5.5 billion euros loss this year, along with an announcement that 5,000 jobs will be cut, is evidence that the company has failed to make any progress. "It's painful to watch," Cevian partner and ThyssenKrupp director Friederike Helfer told Reuters. "It doesn't have to be like this, ThyssenKrupp has the potential to succeed," she added. DETAIL

Elliott Management welcomed news that Sampo had trimmed its stake in Nordea Bank, but urged the insurance company to drop the stake entirely in order to correct a long-term disconnect between the company's strengths and its market valuation. Elliott also pushed Sampo to consider a sale of non-core assets and return to being a pure-play insurance company. DETAIL

REST OF THE WORLD

Mittleman Brothers said it remains concerned about a Village Roadshow buyout, despite private equity firm BGH Capital raising the acquisition price to AU$3 per share. Earlier in the month, BGH advanced an AU$2.52 per share offer which was criticized by both Mittleman and Spheria Asset Management as undervaluing the company. An improved AU$3 per share offer was accepted by both Village Roadshow and Spheria, though Mittleman said AU$5.24 per share would be more reflective of Village Roadshow's true value. DETAIL

Yoshiaki Murakami disclosed a new stake in Japan Asia Group (JAG), fuelling speculation that the activist may look to stall a 37-billion-yen management buyout, which is being backed by private equity firm Carlyle Group. Having initially taken a 6.1% stake, Murakami increased his holding to just over 10%, before reducing it to 8% in the space of a week. The activist is yet to make any demands, though his fund, City Index Eleventh, has reportedly informed JAG that it will fight the buyout if the price is not raised. DETAIL

Hong Kong-based activist Oasis Management won backing from Institutional Shareholder Services for its campaign to oust three directors from Tokyo Dome, the company that owns the eponymous stadium in Japan, alleging mismanagement during their long tenures. Meanwhile, real estate developer Mitsui Fudosan launched a "white knight" bid that sent the company's shares soaring. A special meeting is set for December 17. DETAIL

Rising Sun Management pushed for a management buyout of textile manufacturer Sakai Ovex. Rising Sun, an activist vehicle headed by Dalton Investments' James Rosenwald, said management should acquire the company for 2,350 yen per share, an approximately 13% premium over its November close. Rising Sun invests through its publicly-listed fund Nippon Active Value, said it would partly back the deal. DETAIL

Fang Holdings received an offer from General Atlantic to take

OASIS WON ISS BACKING IN TOKYO DOME BOARD FIGHT.

NEW INVESTMENTS

A SELECTION OF THE LATEST ACTIVIST INVESTMENTS FROM AROUND THE WORLD IN NOVEMBER.

ACTIVIST	COMPANY	HQ	DATE NOTIFIED	DETAIL
IDES CAPITAL MANAGEMENT	MONRO	🇺🇸	NOVEMBER 24, 2020	DETAIL
Ides called on Monro to improve its operations in a bid to boost returns, and noted a lack of diversity on the company's board.				
PETER GYLLENHAMMAR	ALINA HOLDINGS	🇬🇧	NOVEMBER 23, 2020	DETAIL
Gyllenhammar disclosed a new position in Alina Holdings (previously The Local Shopping REIT) but is yet to make any public demands.				
JOHN CHEVEDDEN	VISA	🇺🇸	NOVEMBER 23, 2020	DETAIL
Chevedden has proposed that the company allow shareholders to take action by written consent.				
FIRM CAPITAL PRIVATE EQUITY REALTY TRUST	MELCOR REIT	🇨🇦	NOVEMBER 23, 2020	DETAIL
Firm Capital said Melcor REIT should merge with its former affiliate Melcor Developments in order to improve shareholder value.				
JING ZHOA	VISA	🇺🇸	NOVEMBER 23, 2020	DETAIL
Zhoa proposed that Visa amend its executive compensation program.				
ABADI INVESTMENTS	CARPENTARIA RESOURCES	🇦🇺	NOVEMBER 23, 2020	DETAIL
Carpentaria schedules December 30 special meeting following requisition notice from Abadi and other shareholders aiming to oust one director.				
EFFISSIMO CAPITAL MANAGEMENT	FUDO TETRA	🇯🇵	NOVEMBER 19, 2020	DETAIL
Effissimo disclosed a new stake but is yet to make any public demands.				
YOSHIAKI MURAKAMI	JAPAN ASIA GROUP	🇯🇵	NOVEMBER 19, 2020	DETAIL
Murakami disclosed a new stake in Japan Asia Group, fuelling speculation that the activist may pose an obstacle to a buyout by Carlyle Group.				
NIPPON ACTIVE VALUE FUND	SAKAI OVEX	🇯🇵	NOVEMBER 17, 2020	DETAIL
Nippon disclosed a new Sakai stake but is yet to make any public demands.				
LEVEL ONE PARTNERS	ZIOPHARM ONCOLOGY	🇺🇸	NOVEMBER 13, 2020	DETAIL
Level One said it will support the four-person slate advanced at Ziopharm by WaterMill Asset Management.				
CONCERNED SHAREHOLDERS	KOGI IRON	🇦🇺	NOVEMBER 13, 2020	DETAIL
The dissident group proposed adding Timothy Lebbon and Angus Middleton to the board of directors.				
HARWOOD CAPITAL	VERICI DX	🇬🇧	NOVEMBER 12, 2020	DETAIL
Harwood disclosed a new Verici stake but is yet to make any public demands.				

ELLIOTT IS REPORTEDLY IN TALKS WITH F5 BOARD OVER POOR STOCK PERFORMANCE.

ACTIVIST	COMPANY	HQ	DATE NOTIFIED	DETAIL
ELLIOTT MANAGEMENT	SAMPO OYJ		NOVEMBER 11, 2020	DETAIL
Elliott urged Sampo to drop its stake in Nordea entirely and consider simplifying its equity structure.				
STRATEGIC CAPITAL	WAKITA & CO		NOVEMBER 11, 2020	DETAIL
Strategic Capital disclosed a stake but is yet to make any public demands.				
JOHN LYNCH	CARPENTARIA RESOURCES		NOVEMBER 10, 2020	DETAIL
Lynch and other shareholders are seeking to remove Paul Chokalos as a director.				
ELLIOTT MANAGEMENT	F5 NETWORKS		NOVEMBER 08, 2020	DETAIL
Elliott reportedly engaged with F5's board over ways to improve the company's poor stock performance.				
GOLDENTREE ASSET MANAGEMENT	CALIFORNIA RESOURCES		NOVEMBER 06, 2020	DETAIL
GoldenTree disclosed a new stake in California Resources but is yet to make any public demands.				
RICHARD GRANT	BIO-PATH HOLDINGS		NOVEMBER 05, 2020	DETAIL
Grant proposed the company undertake a study of its executive compensation.				
HARWOOD CAPITAL	TEKMAR GROUP		NOVEMBER 03, 2020	DETAIL
Harwood disclosed a stake but is yet to make any public demands.				
PAUL CHOLAKOS	CARPENTARIA RESOURCES		NOVEMBER 03, 2020	DETAIL
Cholakos called a special meeting in an attempt to remove Peter Graham from the board of directors.				

MONTHLY SUMMARY

A STATISTICAL BREAKDOWN OF ACTIVISM IN NOVEMBER.

ACTIVIST TARGETS BY GEOGRAPHY

COMPANY HQ LOCATION	NOV 2020	2020 YTD	2019 YTD	YOY % CHANGE
U.S.	23	416	456	↓ 8.8%
CANADA	6	46	52	↓ 11.5%
U.K.	2	35	54	↓ 35.2%
AUSTRALIA	11	60	71	↓ 15.5%
EUROPE (EXCLUDING U.K.)	6	90	98	↓ 8.2%
ASIA	9	107	115	↓ 7.0%
OTHER	2	16	13	↑ 23.1%
TOTAL	59	770	859	↓ 10.4%

NUMBER OF COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS BY COMPANY HQ LOCATION.

ACTIVIST TARGETS BY MARKET CAPITALIZATION

MARKET CAPITALIZATION	NOV 2020	2020 YTD	2019 YTD	YOY pp CHANGE
NANO CAP (<$50M)	19.3%	16.7%	20.6%	↓ 3.8pp
MICRO CAP ($50M - $250M)	17.5%	18.3%	19.7%	↓ 1.4pp
SMALL CAP ($250M - $2B)	38.6%	24.2%	22.3%	↑ 1.9pp
MID CAP ($2B - $10B)	19.3%	15.0%	16.6%	↓ 1.6pp
LARGE CAP (>$10B)	5.3%	25.8%	20.8%	↑ 5.0pp

PROPORTION OF COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS BY MARKET CAPITALIZATION.

SUCCESS RATES OF RESOLVED DEMANDS

OUTCOME	NOV 2020	2020 YTD	2019 YTD	YOY pp CHANGE
ACTIVIST AT LEAST PARTIALLY SUCCESSFUL	33.0%	30.3%	38.6%	↓ 8.3pp
ACTIVIST UNSUCCESSFUL	52.1%	56.3%	50.0%	↑ 6.3pp
WITHDRAWN DEMANDS	14.9%	13.4%	11.4%	↑ 2.0pp

OUTCOMES OF RESOLVED ACTIVIST DEMANDS.

NUMBER OF ACTIVE ACTIVISTS

	NOV 2020	2020 YTD	2019 YTD	YOY pp CHANGE
ACTIVE ACTIVISTS	80	609	747	↓ 18.5%

NUMBER OF INVESTORS MAKING A PUBLIC DEMAND OF A COMPANY.

ACTIVIST TARGETS BY SECTOR

SECTOR	NOV 2020	2020 YTD	2019 YTD	YOY pp CHANGE
BASIC MATERIALS	8.5%	9.1%	10.6%	↓ 1.5pp
COMMUNICATION SERVICES	1.7%	2.7%	4.0%	↓ 1.2pp
CONSUMER CYCLICAL	18.6%	14.0%	15.5%	↓ 1.5pp
CONSUMER DEFENSIVE	1.7%	3.9%	6.3%	↓ 2.4pp
ENERGY	11.9%	4.5%	4.7%	↓ 0.1pp
FINANCIAL SERVICES	11.9%	13.0%	11.8%	↑ 1.2pp
FUNDS	5.1%	5.3%	4.8%	↑ 0.6pp
HEALTHCARE	8.5%	9.2%	10.0%	↓ 0.8pp
INDUSTRIALS	18.6%	17.4%	14.4%	↑ 3.0pp
REAL ESTATE	5.1%	4.7%	3.4%	↑ 1.3pp
TECHNOLOGY	6.8%	12.1%	11.6%	↑ 0.4pp
UTILITIES	1.7%	4.0%	3.0%	↑ 1.0pp

PROPORTION OF COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS BY SECTOR.

ACTIVIST DEMANDS BY TYPE

DEMAND TYPE	NOV 2020	2020 YTD	2019 YTD	YOY pp CHANGE
BOARD-RELATED	40.4%	44.2%	48.8%	↓ 4.6pp
BALANCE SHEET	9.1%	11.7%	10.5%	↑ 1.2pp
BUSINESS STRATEGY	7.1%	4.8%	3.7%	↑ 1.1pp
M&A & BREAKUP	22.2%	11.3%	13.4%	↓ 2.1pp
REMUNERATION	10.1%	4.4%	4.9%	↓ 0.5pp
OTHER GOVERNANCE	10.1%	20.0%	17.7%	↑ 2.3pp
OTHER	1.0%	3.7%	1.0%	↑ 2.3pp

PROPORTION OF PUBLIC ACTIVIST DEMANDS BY DEMAND TYPE.

ACTIVIST BOARD SEATS GAINED BY GEOGRAPHY

COMPANY HQ LOCATION	NOV 2020	2020 YTD	2019 YTD	YOY % CHANGE
U.S.	6	173	220	↓ 21.4%
CANADA	12	33	39	↓ 15.4%
U.K.	0	8	27	↓ 70.4%
AUSTRALIA	4	24	42	↓ 42.9%
EUROPE (EXCLUDING U.K.)	5	34	49	↓ 30.6%
ASIA	10	73	70	↑ 4.3pp
OTHER	0	9	7	↓ 28.6%
TOTAL	37	354	454	↓ 22.0%

NUMBER OF BOARD SEATS GAINED BY ACTIVISTS BY COMPANY HQ LOCATION.

N.B. 1. ALL DATA EXCLUDE ACTIVIST SHORT POSITIONS.
N.B. 2. ALL PERCENTAGES ARE GIVEN TO ONE DECIMAL PLACE, AND MAY CAUSE ROUNDING ERRORS.
N.B. 3. YTD FIGURES ARE AS OF THE END OF NOVEMBER OF THE GIVEN YEAR, UNLESS OTHERWISE SPECIFIED.
N.B. 4. MARKET CAPITALIZATION FIGURES ARE AS OF NOVEMBER 30, 2020.

SOURCE: *ACTIVIST INSIGHT ONLINE*