

Conference on

Hedge Funds

On Friday October 14, 2011, the FMRC sponsored a one-day conference on hedge funds organized by Owen Professor **Nick Bollen**. Eleven distinguished researchers in the field were invited to present and discuss current work examining hedge fund managerial skill, the role of hedge funds in markets, and evidence of reporting biases.

In the first session, Professor **George Aragon** from Arizona State University presented his paper, "Strategic Delays and Clustering in Hedge Fund Reported Returns," which studies the conditions under which managers delay reporting their returns to the TASS database. The paper was discussed by **Cristian Tiu** of SUNY Buffalo. Next, Professor **Stephen Brown** from New York University presented his paper, "The Impact of Mandatory Hedge Fund Portfolio Disclosure," which studies abnormal trading in equities around the time hedge fund managers report holdings on

SEC Form 13F. The paper was discussed by **Veronika Pool** of Indiana University.

In the second session, Professor **Andrew Patton** from Duke University presented his paper, "Change You Can Believe In? Hedge Fund Data Revisions," which studies different vintages of the TASS database. This paper has received a great deal of attention in the popular press. He finds that some managers revise previously reported returns, usually downward, suggesting that some managers initially purposefully misreport to

enhance their perceived performance. The paper was discussed by **Evan Dudley** of the University of Florida. The last paper of the morning was presented by Professor **William Fung** of the London Business School. He presented his paper, "Exploring Uncharted Territories of the Hedge Fund Industry: Empirical Characteristics of Mega Hedge Fund Firms," which

was then discussed by our own Professor **Bob Whaley**.

After lunch, Professor **William Goetzmann** of Yale University presented the keynote speech, titled "The Role of Hedge Funds in the Markets." Professor Goetzmann provided his own insights regarding the impact the growth of the hedge fund industry has had on market efficiency, market microstructure, and expectations of performance.

In the final session, Professor **Gjergji Cici** of the College of William and Mary presented his controversial paper, "Caught in the Act: How Hedge Funds Manipulate their Equity Positions." He presented evidence that some equity valuations reported by hedge fund managers on SEC Form 13F differ from stock prices recorded on the same day in the CRSP stock database. The paper



Neal Ramsey reviewing the development of hedge funds.

was discussed by Professor **Mila Sherman** of UMass Amherst. The last paper of the day was presented by Professor **Vikas Agarwal**, "Uncovering Hedge Fund Skill from the Portfolio Holdings They Hide." In this paper, Professor Agarwal studies the performance of stocks that hedge fund managers are able to "hide" by delaying reporting their ownership on SEC Form 13F. These stocks tend to outperform, providing evidence of managerial skill. The paper was discussed by our own Professor **Jacob Sagi**. ■