

# **Institutional investors and corporate governance:** **The incentive to be engaged**

JF 2021.06

汇报人：田雨贤  
2021年12月1日



山西大学  
shanxi university



Jonathan W. Lewellen

## ■ CARL E. AND CATHERINE M. HEIDT PROFESSOR OF FINANCE

### ABOUT:

Prof. Lewellen teaches Capital Markets in Tuck's MBA program and Corporate Finance in the Business Bridge program. Prior to joining Tuck in 2005, Prof. Lewellen was on the faculty at MIT's Sloan School of Management. He received a PhD in finance from the University of Rochester.

Prof. Lewellen's research has been published in the Journal of Finance, Journal of Financial Economics, Review of Financial Studies, Journal of Financial and Quantitative Analysis, Critical Finance Review, Journal of Accounting and Economics, and Review of Accounting Studies.

### CURRENT RESEARCH TOPICS:

- Tests of asset-pricing models
- Determinants of expected stock returns
- Behavior of corporate investment

### CURRENT RESEARCH TOPICS:

- Institutional investors and corporate governance: The incentive to be engaged with K Lewellen(2021)
- The behavior of aggregate corporate investment with SP Kothari and J Warner(2020)
- Institutional investors and the limits of arbitrage Journal of Financial Economics (2011)



## ❑ ASSOCIATE PROFESSOR OF BUSINESS ADMINISTRATION



Katharina Lewellen

### ABOUT:

Katharina Lewellen has been at Tuck since 2005. Professor Lewellen received a PhD from the University of Rochester and a doctorate from the University of Zurich. Earlier, she worked as an economist at the Swiss National Bank.

Professor Lewellen's expertise is in corporate finance and corporate governance. She studies various aspects of corporate financing and investment decisions, such as managerial incentives, taxes, and financing constraints. In her recent work, she investigates incentives of large financial institution to be active shareholders in the firms they own. Her other current projects focus on governance of nonprofit hospitals.

### CURRENT RESEARCH TOPICS:

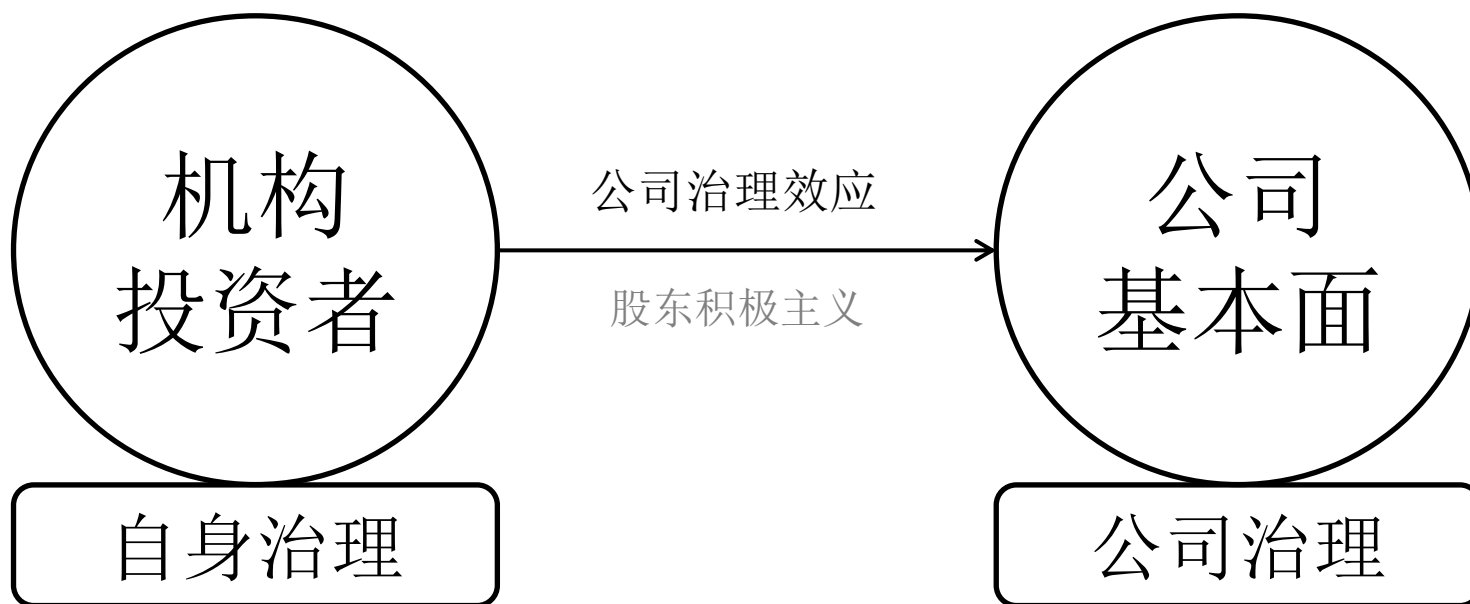
- Institutional Investors
- Corporate Governance
- Nonprofit Firms

### CURRENT RESEARCH TOPICS:

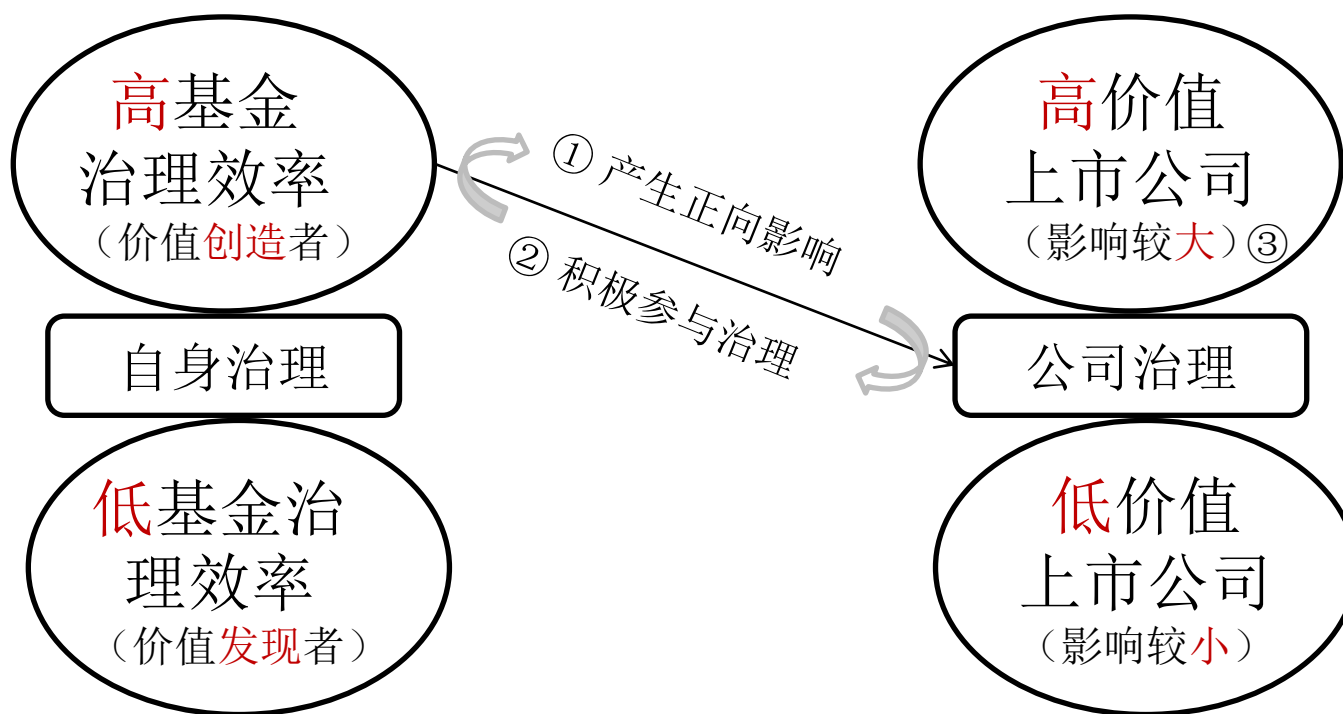
- With J. Lewellen, "Cashflow and Investment: New Evidence," Journal of Financial and Quantitative Analysis, 2015



# phenomenon&background



# phenomenon&background



文献来源: CSSCI学术期刊《金融监管研究》2020.3

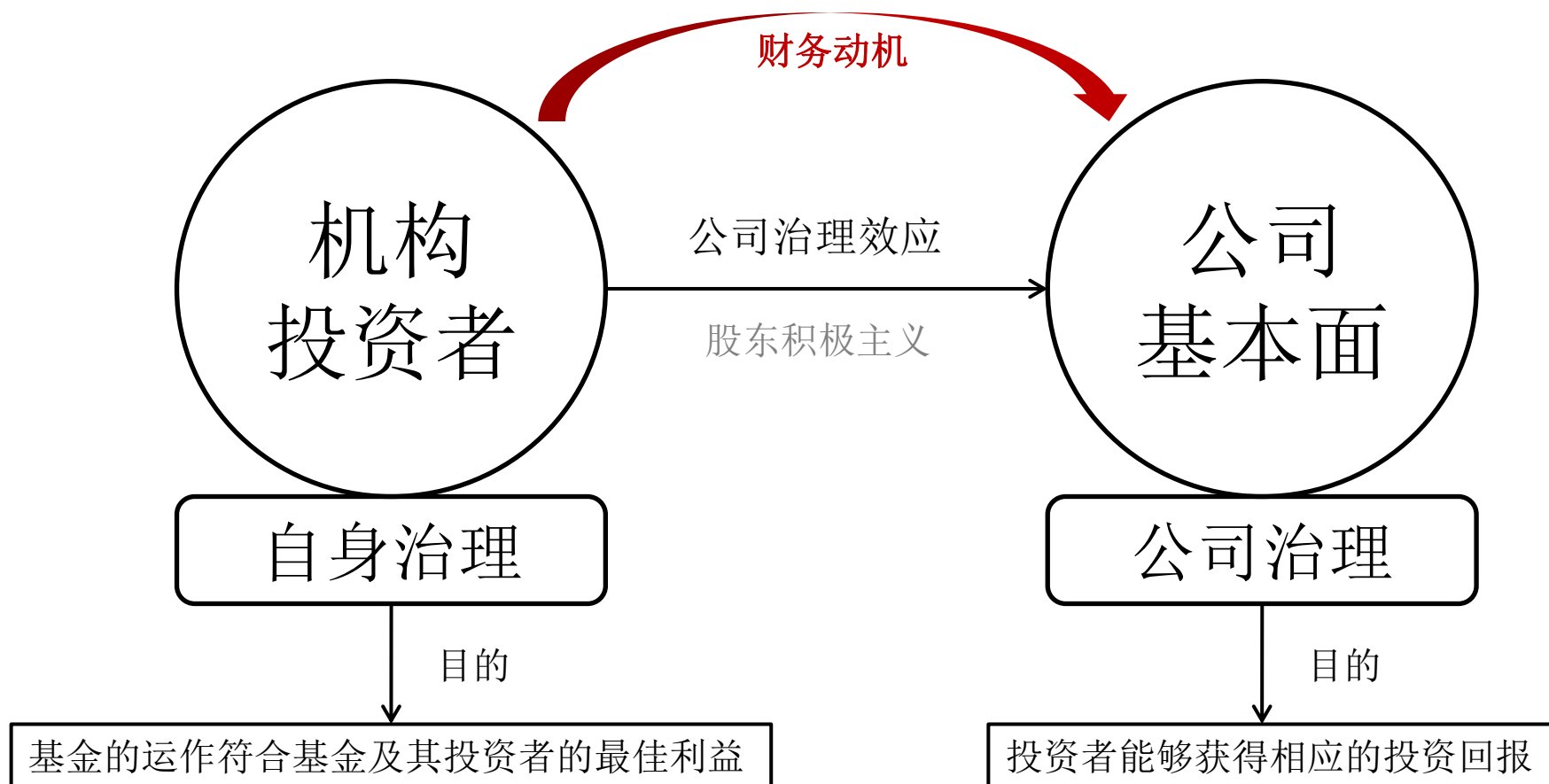
金融机构公司治理影响实体企业公司治理吗——基于基金与上市公司的视角



山西大学

shanxi university

# phenomenon&background



# SEC 13F Filings

美国证券交易委员会(Securities and Exchange Commission); 美国证监会; 美国证交会

## Berkshire Hathaway Inc

### All 13F Filings

Notable people

Warren Buffett

Location

Omaha, NE

CIK

0001067983

All SEC filings

[View on sec.gov](#)

FILING ID	QUARTER	HOLDINGS	VALUE (\$000)	FORM TYPE
<a href="#">000095012321015518</a>	Q3 2021	43	293,447,417	13F-HR
<a href="#">000095012321011396</a>	Q2 2021	44	293,023,412	13F-HR
<a href="#">000095012321007024</a>	Q1 2021	46	270,435,200	13F-HR

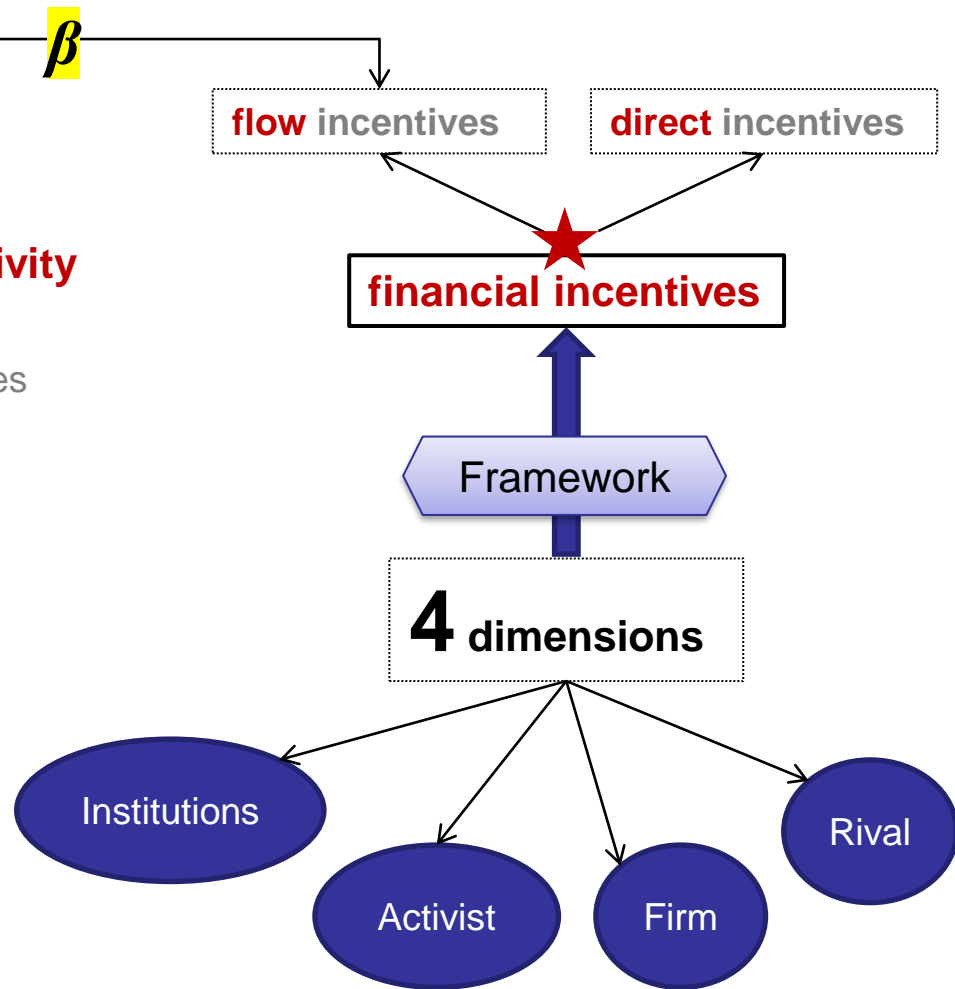


山西大学

shanxi university

# Content

- I. Introduction
- II. Framework
- III. Data
- IV. Flow-to-performance sensitivity**
  - 1. Background
  - 2. Flow-to-performance estimates
- V. Institutions' incentives
  - 1. Institution-level estimates
  - 2. Activist investors
  - 3. Firm-level estimates
  - 4. Discussion
- VI. Rival incentives
- VII. Conclusions



# Indirect Incentives of Hedge Fund Managers

JONGHA LIM, BERK A. SENSOY and MICHAEL S. WEISBACH JF2016

- I. Quantifying the Magnitude of Pay for Performance of Hedge
  - 1. **Direct Pay** for Performan
  - 2. **Indirect Pay** for Performance
- I. Hedge Fund Data
- II. Estimating the Sensitivity of Fund Inflows to Performance
- III. Flow-to-performance sensitivity**
  - 1. Empirical Specification
  - 2. Estimates of the Flow - Performance Relation
- V. Calculating Indirect and Direct Pay for Performance
  - 1. Estimates of Direct and Indirect Incentives
  - 2. **Direct and Indirect Incentives** by Fund Age
  - 3. **Direct and Indirect Incentives** and Fund Scalability
  - 4. **Direct and Indirect Incentives** and High-Water Marks
- VI. Implications of These Estimates of Indirect Incentives
  - 1. **Total Incentives** over Time and the Relation between **Direct and Indirect Incentives**
  - 2. Hedge Fund Managers ' Careers and Adverse Consequences of Incentives
  - 3. Implications for Understanding Contracting More Broadly
- VII. Conclusions



# Flow-to-performance sensitivity

$$Net\ Inflow_{it} = \frac{AUM_{it} - AUM_{i,t-1}(1 + R_{it})}{AUM_{i,t-1}}, \quad (7)$$



# Model Analysis

$$AUM_{t+1} = AUM_t * (1 + \sum_{i=1}^N w_{i,t} R_{i,t+1}) + Flow_{t+1}. \quad (1)$$

$$Flow_{t+1} = AUM_t * [\alpha + \beta * (\sum_{i=1}^N w_{i,t} R_{i,t+1} - \sum_{i=1}^N v_{i,t} R_{i,t+1}) + e] \quad (2)$$



# Model Analysis

$$\left[ \begin{array}{l} \text{Direct incentives}_{i,t} = p * AUM_t * w_{i,t} \end{array} \right. \quad (3)$$

$$\left[ \begin{array}{l} \text{Direct rival incentives}_{i,t} = p * AUM_{t-1} * \boxed{\sum_j} w_{j,t-1} \end{array} \right. \quad (5)$$

$$\left[ \begin{array}{l} \text{Flow incentives}_{i,t} = p * AUM_t * \beta * (w_{i,t} - v_{i,t}) \end{array} \right. \quad (4)$$

$$\left[ \begin{array}{l} \text{Flow rival incentives}_{i,t} = p * AUM_{t-1} * \beta * \boxed{\sum_j} (w_{j,t-1} - v_{j,t-1}). \end{array} \right. \quad (6)$$



# Institutions' incentives

Institution-level estimates

Activist investors

Firm-level estimates

Rival incentives



How much does an institution **gain** from taking an action——

- monitoring the firm
- engaging with management
- voting on shareholder proposals

——that affects firm value?

怎么就说明机构参与公司治理了呢？机构持有某公司股票，就代表行使参与公司治理的权利了吗？

## Institutional investors and corporate governance: **The incentive to be engaged**

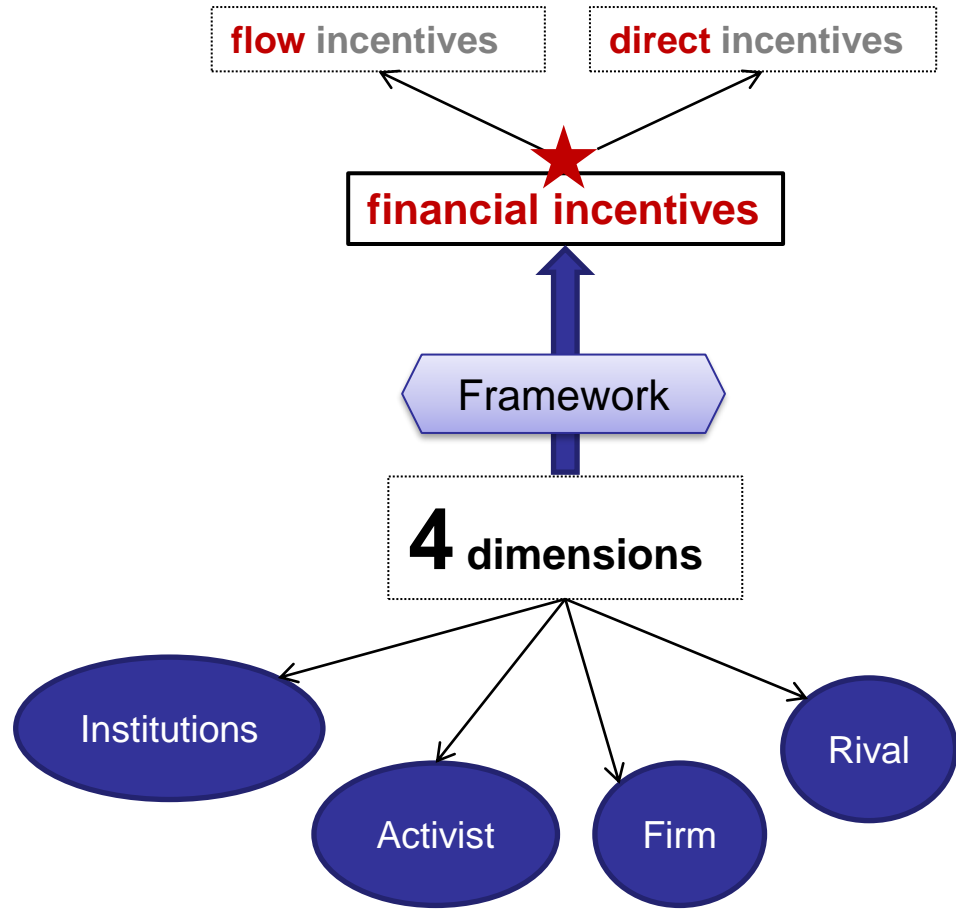
the increase in an institution's annual management fee  
caused by a 1% increase in the value of a portfolio firm.

◆ the **direct** impact of an increase in AUM ——the size of the institution's investment in the firm

◆ the **indirect** effect via relative performance and subsequent fund inflows.  
——how much the institution under-or overweights the firm relative to other institutions it competes with for new money.



# Conclusions



Thank you!

Τησικ λονι

