

# Activism, Stock Selection, and Indexing in Equilibrium

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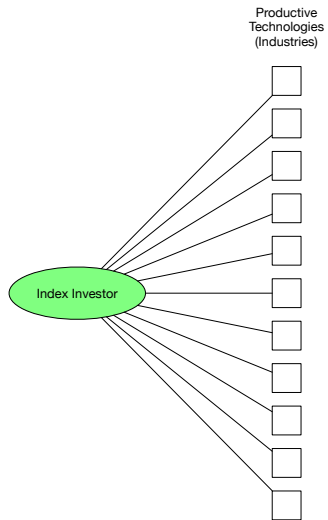
Discussion by Savitar Sundaresan  
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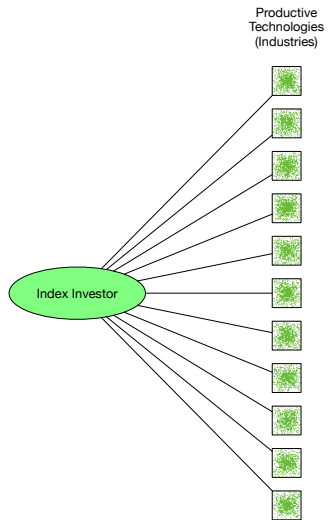
- Why I liked this paper:
  - Right up my alley topic-wise.
  - Relatively clean setup with some very nice interactions and tradeoffs.
  - Thought-provoking mechanism and interesting results.
- Where I struggled:
  - Some non-canonical modeling choices.
- What's coming:
  - Quick walkthrough of the model.
  - Asking for additional motivation on assumptions and clarity on their link to the results.

Productive  
Technologies  
(Industries)

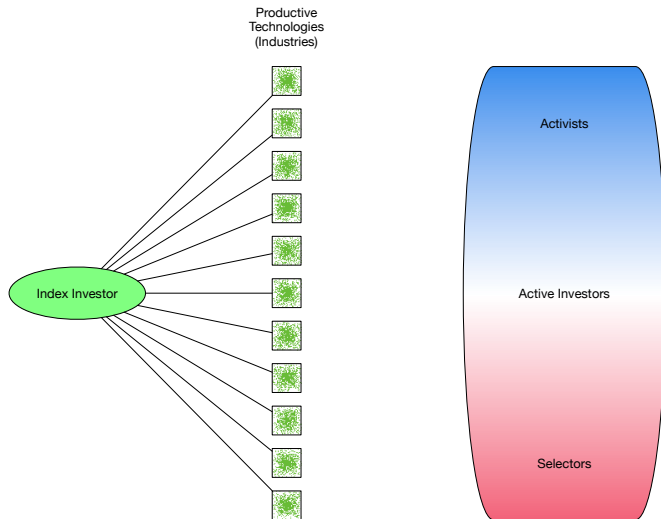
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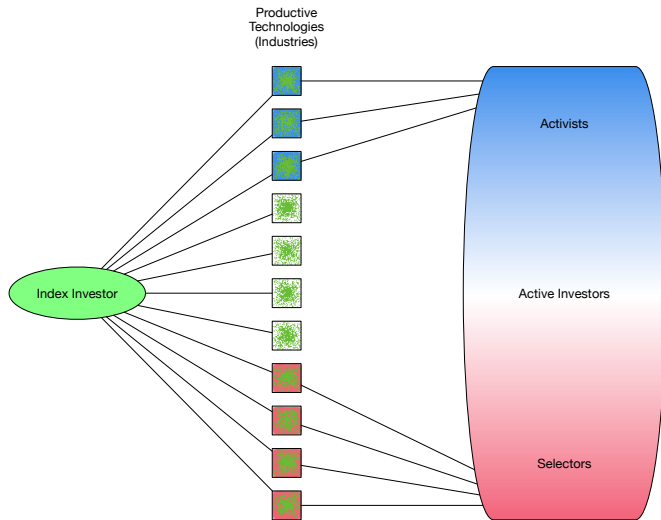
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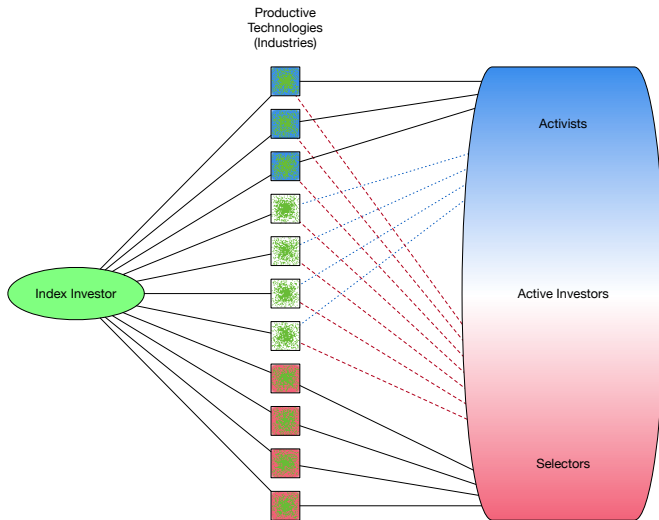
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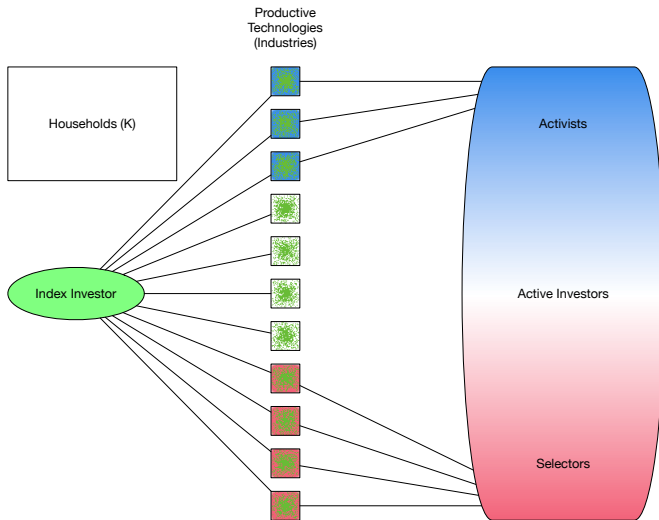


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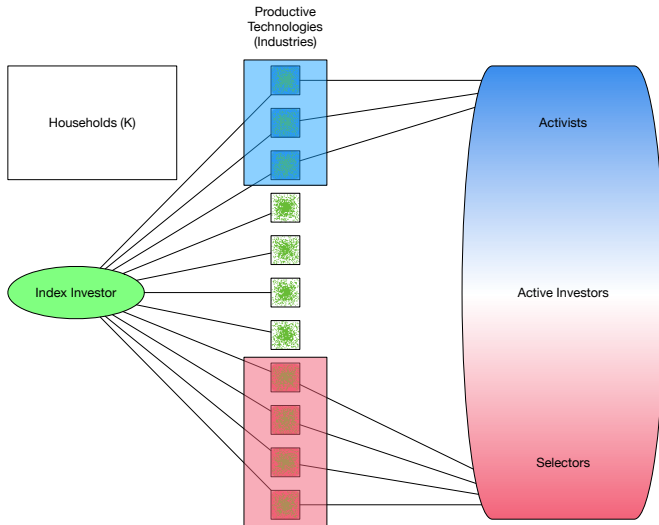




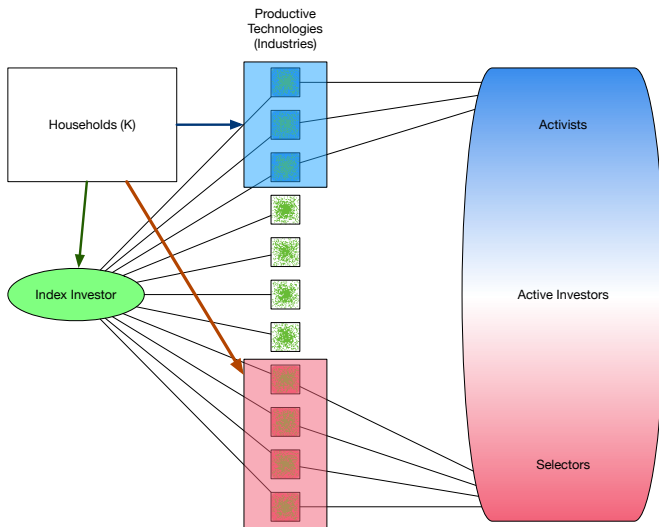
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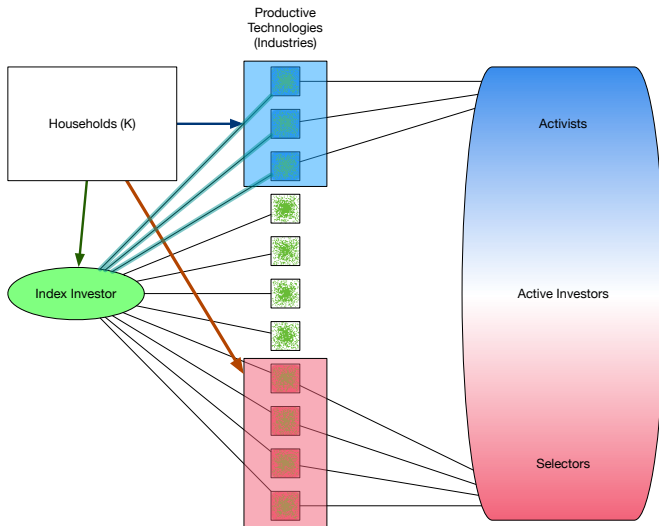
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## Key Takeaway

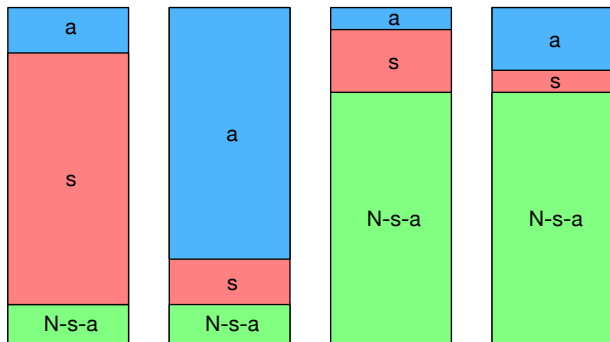
- Activists' improvements on indexed firms spills over to improved index efficiency.
- Selectors' improved returns provide no spillovers to index.
- Index efficiency (and fees) disciplines fund fees.
- Activists and selectors are strategic complements.

## Tracking mechanisms through assumptions: $\eta$

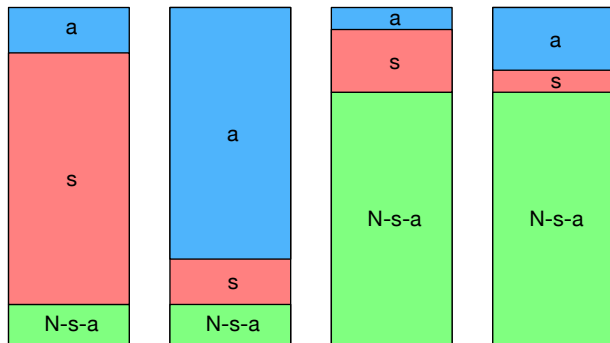
$$\hat{a}_t^{1-\nu}(N - a_t - s_t)^\nu \quad ; \quad \hat{s}_t^{1-\nu}(\eta(N - a_t - s_t) + (1 - \eta)a_t)^\nu$$

Question 1: why  $\eta$  and  $1 - \eta$ ?

# Tracking mechanisms through assumptions: $\eta$



# Tracking mechanisms through assumptions: $\eta$



Ease of Matching

Selectors

Activists

Hard

Hard

Medium

Hard

Medium

Easy

Medium

Easy



## Tracking mechanisms through assumptions: $\eta$

Question 2: how much does  $\eta = \frac{1}{2}$  simplify things?

- $\eta$  doesn't appear in optimal fees or equations after Proposition 1.
- Seems like  $\eta$  should impact fees, as it introduces an additional complementarity.

Suggestion 1: Robustness for  $\hat{s}_t^{1-\nu}((N - a_t - s_t) + \eta a_t)^\nu$

Suggestion 2: Clarify when  $\eta = \frac{1}{2}$  and describe how results would change for  $\eta \neq \frac{1}{2}$ .

# Tracking mechanisms through assumptions: exclusivity and style

Comment: Needs better motivation to fix ideas.

- 1 Activists and selectors can't invest in the same firm at the same time.
- 2 Each can invest with index.
- 3 Selectors' impact appears to be shorthand for informational advantage.
- 4 One-sided displacement.

Suggestion: Be open about (3). Either lit review or motivating example for (1)/(2).

## A bunch of minor comments

- First sentence talks about voice/exit, but selectors do neither.
- Bottom of page 2 last sentence is a bit unclear.
- Second paragraph on page 3 also a bit unclear.
- $K_t$  process isn't explained anywhere. I assumed it's exogenous.
- Could probably simplify the fee structure up front.

## State of Play

- Feedback from activist investing to index to fees is new and interesting!
- Simplifying assumptions could be justified and connected to results more clearly.