

# Release the hounds



An interview with Rajeev Das, Principal of Bulldog Investors and its Head of Trading.

In the world of activism, Bulldog Investors is one of the great survivors. Founded in 1993 by former civil engineer Phil Goldstein and securities analyst Steve Samuels, it has become known for its pioneering, and continuing, work with closed-end funds (“CEFs”), as well as its habit for picking fights with the US Securities and Exchange Commission on everything from disclosure to the ban on soliciting investments from non-qualified investors.

The number of funds and companies on the receiving end of Bulldog’s attentions reached double digits last year—a fact that has propelled it into the Activist Investing Annual Review’s Activist Top Ten for the second time in the past three years.

As its name suggests, there is tenacity to Bulldog’s style of activism, as well as simplicity of purpose. While other activists have adopted the manner of corporate governance campaigners to excoriate boards and win support, Bulldog has eschewed their rhetoric.

Indeed, 2014 brought unwanted attention when Imperial Holdings—a company whose board was chaired by Goldstein—adopted a bylaw that prohibited shareholders from owning less than 3% of its stock from litigation. The bylaw was approved by shareholders ultimately, despite criticism by some observers.

Speaking of Bulldog’s single-mindedness, Rajeev Das, a Principal at the firm and its Head of Trading,

told *Activism Monthly Premium*. “We’re in the market for one reason alone, and that’s to make money.”

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Even so, Das points to a breakdown in the assumption of accountability for public companies that makes governance a focal point for activism. “If you understand the way the modern corporation is structured—the separation between shareholders

and the day-to-day management—and you understand human nature, then you see why there’s a need for shareholder activism,” he adds.

## The playbook

Goldstein and Samuels were initially drawn to CEF’s because their discounts to net asset values were so obvious. Some management teams have attempted to justify this on the basis that discounts allow retail investors to access the underlying assets—be they stocks, bonds or other—at a cheaper rate. Yet discounts that grow too wide, or remain so for years, often indicate the market’s verdict on management, suggesting that cash in their hands is worth less than in the bank.

“What happened was that over time, the funds we’d bought into at a 25%

## BDCs: The next frontier?

Recent interest in business development companies (BDCs) by activist investors has led to predictions that the sector might be expecting a shake-up, after the likes of American Capital and Fifth Street Finance faced campaigns. Bulldog is no stranger to the sector and currently owns several, including Crossroads Capital and Full Circle Capital. In many ways, the strategy is the same as for closed-end funds, with liquidation or a sales process two common outcomes.

“BDCs were devastated with the broader market sell-off last year,” says Das. Trouble is, no-one trusts their NAVs, with both their contents and the ultimate prospects for debt repayment obscure, making this a risky space for activists. Das cites two further concerns: fee structures which divert cash away from shareholders, and equity-focused BDCs that may struggle to realize assets now that the IPO market has slowed.

# “We ran our first proxy fight in 1997 and haven’t looked back since.”

or so discount, two or three years later, they’re still trading at a 25% discount,” remembers Das, who joined Bulldog in 1997. That year, the investor launched its first proxy fight and surprised many in the industry by getting onto the board. “We haven’t looked back since,” says Das.

“Our closed-end fund investing is discount-driven—how big, how quick. For the most part, they’re just plain vanilla funds. The underlying assets trade every day, so you can value them easily,” he continues.

“There are really two sets of opportunities. With activist positions, accumulating enough stock at a discount could take months, and we usually exit not through selling but through an event such as open-ending the fund or liquidation. Then there are the short-term opportunities, the conversions and so-on. They might take three-to-four-months [for value to crystalize].”

Unusually, it’s an area that Bulldog both pioneered, and continues to lead. “We probably do 99% of the proxy fights [in this space], but others submit shareholder proposals or write public letters,” Das says.

Overall, the environment has become much more demanding for management teams. “Institutions are not averse to picking up the phone to management when they’re unhappy,” he points out.

## Not just funds

Nor is Bulldog’s activism limited solely to funds. Last year, the activist took on a couple of operating

companies, running proxy fights at Hill International and Stewart Information Services, losing the former and settling with the latter in return for a seat on the board. Since then, Stewart has increased its dividend by a fifth, authorized \$50 million in share repurchases, as well as jettisoning its mortgage services segment.

Hill, meanwhile, has presented a slightly more difficult proposition. The board of directors had already rejected a \$5.50 per share takeover offer from DC Capital Partners and implemented a poison pill when Bulldog announced plans for a contest.

The activist had to go to court to defend its nominations, after being told they were invalid, before losing the contest with 43% and 37% of the vote for its two nominees: Goldstein and fellow Bulldog Principal, Andrew Dakos.

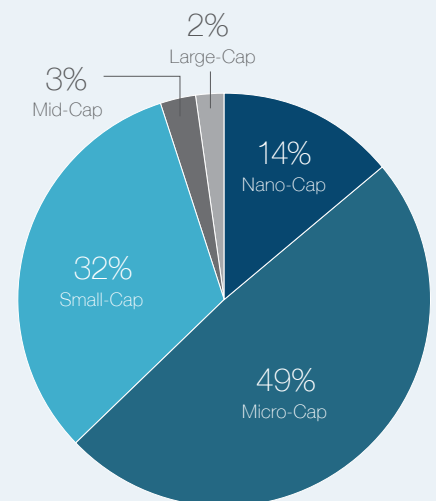
A second bid from DC Capital—at the lower price of \$4.75 per share—has also been dismissed, and Das says Bulldog won’t be walking away with its tail between its legs. “If nothing changes, we’ll be doing another proxy contest there this year,” he says. If so, it will be more to maintain the pressure on management than in hope of a radical shift. “These guys are entrenched—it’s going to be hard.” 📌

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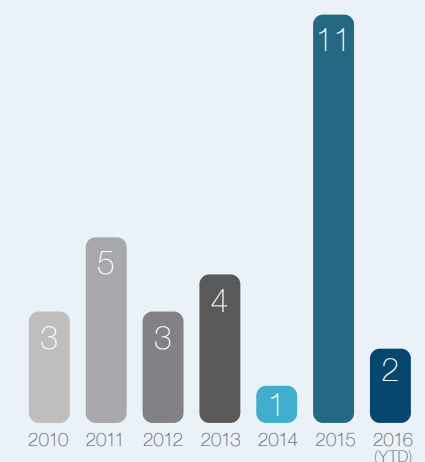
## Bulldog Investors at a glance

Headquarters	US
Founded	1992
Level of activism focus	Dedicated
Companies subjected to public demands in 2015	11
Assets under management	\$479mn
Average annualized return since inception	9.12%

## Investments by market cap



## Companies targeted by year



The above chart displays the number of companies Bulldog Investors has made a public activist demand of by year.



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