



Activism Monthly

...your monthly digest of activist investment

Welcome to June's edition of **Activism Monthly**. This month we review the performance of activist funds in the first quarter, examine shareholder activism in Sweden and take a closer look at Mount Kellett's involvement at Clearwire Corporation.

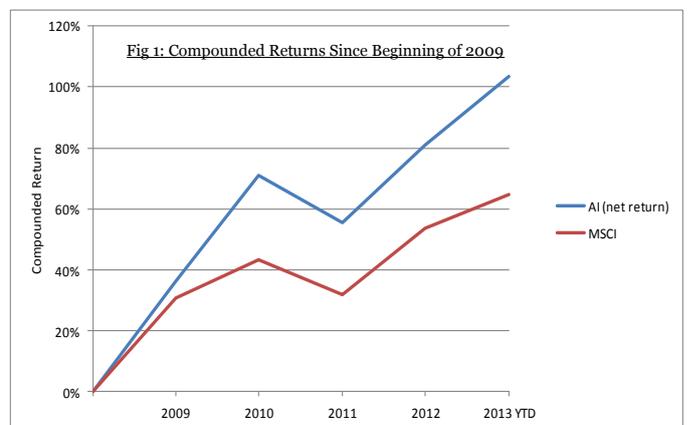
Feature: Activist Index trumps market in first quarter

The **Activist Index**, compiled by **Activist Insight**, comprising 26 activism-focused hedge funds from around the globe, returned 12.51% net of fees in the first quarter of 2013, outperforming the MSCI World Index by a notable 5.33 percentage points and the S&P 500 by 2.48 percentage points.

The Activist Index was buoyed by the performance of its top performing fund, which returned an impressive 79.26% net of fees over the first quarter. Excluding this apparent anomaly, the index still returned an outperforming 9.84% net of fees. Indeed, 17 of the 26 activist funds featured in the index individually outperformed the MSCI World Index over the quarter.

Assisted by a global stock rally which has seen the Dow Jones Share Index reach record highs, the impressive first quarter return of the Activist Index surpasses by far the 3.27% net return achieved by the index in Q4 2012, in a period where the MSCI World Index posted gains of 3.71%. The Q1 2013 return also tops that attained in the first quarter of last year, when activist funds returned a net average of 7.18%.

Notable individual investments of the funds included in the index include Starboard Value's investment in Unwired Planet, which saw the issuer's share price increase by 76.19% over the quarter. Relational Investors enjoyed a 58.72% rise in the share price of Hewlett Packard, while HealthCor Management's investment in Allscripts Healthcare Solutions returned 44.42% in the first quarter (excluding dividends).



Given these impressive activist fund returns coincided with the beginning of what has become a record-breaking rally in equities worldwide, the data suggests activist hedge funds can continue to outperform even in a bull market, where opportunities to pick up undervalued stocks are typically less numerous.

The latest performance data means the Activist Index has returned 103.4% net of fees since the beginning of 2009 (as of March 31, 2013, Fig 1.), which equates to an annualized return of 18.18%. The MSCI World Index has returned 64.63% over the same period, which represents an annualized return of 12.45%, or an annualized outperformance by the Activist Index of 5.74 percentage points.



Activism goes global... Sweden



Shareholder activism in Sweden is perhaps best known for activist investor Cevian Capital, which was founded in 2002 by Christopher Gardell and Lars Förberg. Cevian undertakes a strategy of taking substantial positions in undervalued public companies and helps them to achieve greater value through active ownership. In the past, Cevian has been well known for taking on Volvo and Danske Bank. More recently it has persuaded the board of Metso Corporation to demerge the company in a proposal which is due to be voted on by shareholders later this year.

Peter Gyllenhammar is another prominent activist that has emerged from Sweden. He is the 100% owner of Bronsstädet AB which actively invests in companies located in Sweden. Bronsstädet aims to take the position as a company's largest shareholder and Gyllenhammar himself will often sit on a company's board.

Legislation in Sweden permits all shareholders to make proposals, which offers minority shareholders greater power than in

other regions. High levels of transparency in Sweden also give small shareholders opportunities to work together in order to bring about change at a company. The ownership structures of listed companies are public and include all shareholders that own more than 500 shares in a particular company, while shareholder votes are always open so shareholders are aware of the votes cast by others. This information can be useful for activists to understand which way a shareholder vote may go.

Global Activism Spectrum:



For details of our online service where you can find more data & news visit www.activistinsight.com to arrange a product trial.

News in brief: our monthly round-up

New Investments in May:

Activist	Company	Stake
Coppersmith Capital	Alere	5.80%
Stilwell Value	Malvern Bancorp	9.80%
Wynnefield Capital	SMTC Corporation	5.30%
Corvex Management	TW Telecom	5.77%
Taconic Capital	WPX Energy	6.39%

In the News:

Office Depot has distributed proxy soliciting materials to its shareholders urging them to reject Starboard Value's board nominations. The activist hedge fund claims to have put forward a slate of "far more qualified" candidates after the office-supply retailer rejected a proposal to work with Starboard to reconstitute its board. Office Depot has said that it does not believe that Starboard's actions are in the best interests of the company and argued that current management are in crucial negotiations over a proposed merger with Office Max, and the proposed spin-off of Office Depot de Mexico with Gigante.

A group of hedge funds led by Equilbria Capital has sent a letter to the board of RHJ International calling for a break-up of the company. The hedge funds argue that RHJ's management has caused "very clear value destruction" through "poor investments" and "weak execution." The group also wants to remove the entire board of the company and replace them with their own nominees. The group of hedge funds, which also includes Polar Capital, Mantra Investissement, Alpha Plus and Overseas Asset Management, wants some of the €250 million held in cash by the company returned to shareholders. The letter concluded by stating, "It is our belief that the company needs to change its strategic direction by moving swiftly to return capital to shareholders and [work towards] a full break-up under the stewardship of a different board."

Campaign to watch...

Mount Kellett - *Clearwire Corporation*

Mount Kellett Capital Management is a global, multi-strategy investment firm focused on distressed, special situations and opportunistic investing. The firm first disclosed a 7.7% stake in Clearwire Corporation on November 1, 2012 with a Schedule 13D filing. Attached to the filing was a letter expressing Mount Kellett's concern regarding a proposal from Sprint Nextel Corporation to acquire the remainder of the US wireless communications company's shares. Telecommunications operator Sprint already owned 50% of Clearwire but Mount Kellett was in firm opposition to Sprint's \$2.90-a-share offer for the outstanding voting stock that it did not already own. On December 14, Mount Kellett sent a second letter to the special committee established to review the Sprint bid at Clearwire, saying it believed the bid was coercive and grossly undervalued Clearwire, while also subjecting the company to unnecessary transaction risk.

At the beginning of 2013, direct-broadcast satellite service provider DISH Network submitted an unsolicited offer to purchase Clearwire for \$3.30-a-share, which represented an 11% increase on Sprint Nextel's original bid. Mount Kellett sent a letter to management urging them to carefully evaluate DISH Network's surprise bid and also negotiate for all possible improvements to the proposal. While entering into a group agreement on May 1 to engage collectively in discussion with the management of Sprint and other interested parties (including DISH Network), the activist shareholder continued to oppose Sprint's offer which had increased slightly to \$2.97-a-share. A shareholder vote on the Sprint-Clearwire merger was scheduled to take place at Clearwire's AGM on May 21. Mount Kellett revealed that it had formed a group with other Clearwire shareholders in order to push Sprint into making a higher bid. The group included Highside Capital Management, Glenview Capital Management and Chesapeake Partners Management who collectively controlled 18.2% of Clearwire's shares.

Prior to the Clearwire AGM, there was a split between the proxy advisory firm verdicts. Institutional Shareholder Services (ISS) and Egan-Jones recommended that shareholders back the Sprint merger whilst Glass Lewis urged them to vote against it. Just hours before the vote was scheduled to go ahead, Sprint improved its offer to \$3.40-a-share causing the meeting to be postponed until May 31. Mount Kellett was still not satisfied with the offer and a \$4.40-a-share offer for Clearwire from DISH Network, representing a 29% premium on the Sprint Bid, two days before the AGM caused the vote to be postponed for a second time. It was this latest offer that finally satisfied Mount Kellett, which called it "both actionable and obviously superior" to the Sprint bid. 8% Clearwire stakeholder Crest Financial also came out in favour of the DISH Network offer. To complicate matters further, DISH has also made a \$25.5 billion offer for Sprint despite SoftBank already having an agreement in place to purchase the telecommunications operator. A vote on the Sprint-Clearwire merger is now scheduled for June 13.

13D Digest May

Activist 13D's	14	↑
Activist 13D/A's	80	↑
New Activist Funding	\$1,712,598,654	↑

Activist Insight...

Activist Insight aims to provide the most comprehensive global information source on activist investment including news, profiles of activist firms, performance benchmarks and more.



Activist Insight