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ALTERNATIVE INVESTMENT PRIMER

ACTIVIST INVESTING

ACTIVIST INVESTING BY THE NUMBERS¹

551

companies globally were publicly subjected to activist demands in 2015

Of those,

62

were S&P 500 companies

\$250B

of activist-held stocks worldwide

\$173B

managed by funds focused primarily on activist investing

61%

of 2015 activist campaigns were successful

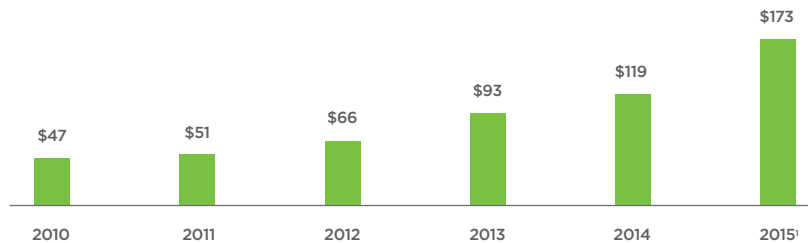
397

investors made public activist demands in 2015

OVERVIEW

Activist investors typically acquire a substantial stake in a public company and seek to enhance shareholder value by catalyzing a major change in operations, business, balance sheet, capitalization or governance. Activists may be investment companies, institutional investors, shareholder groups or even wealthy individuals seeking to influence the strategic or financial direction of a company. As of year-end 2015, activist hedge funds managed \$173 billion in assets.¹

GROWTH OF ACTIVIST HEDGE FUND ASSETS (\$B)²



ACTIVISM

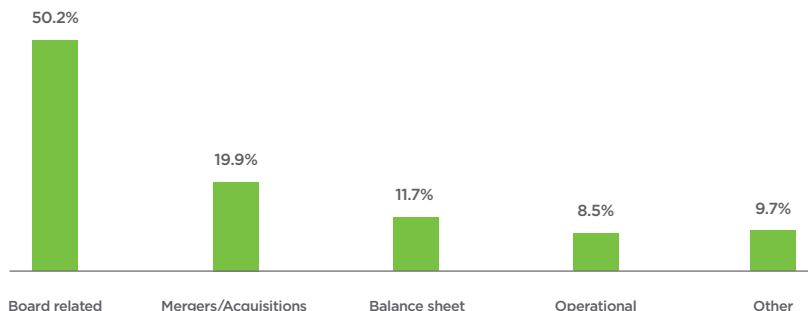
- Frequently initiated by friendly appeal to company management or board
- Typically targets undervalued and poorly managed companies
- Broad global opportunities across all market capitalizations

OBJECTIVES

Activist investors typically seek to enhance shareholder value through a collaborative review of a company's strengths, weaknesses and competitive positioning. If collaborative measures fail, the activist will frequently resort to more aggressive tactics, including demands for board and management changes. This may lay the groundwork for future changes to the company's strategy, assets or even sale. Often, activist campaigns have multiple goals.

2015 ACTIVIST DEMANDS¹

Half are board related



STRATEGIES

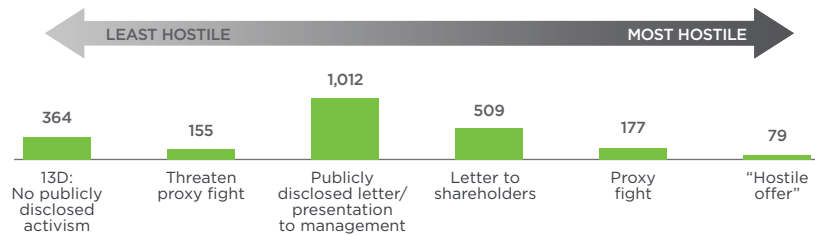
Modern activist investing dates back to the late 1970s/early 1980s. In the past, activists were labeled “barbarians,” “raiders” and worse. At that time, activists typically launched a cash tender offer for all, or a majority, of a target company’s outstanding stock by issuing junk bonds.

There is growing acceptance of activists and activism. Today, activist investors generally seek a collaborative approach with target companies. They rarely acquire equity stakes greater than 10%, and capital comes from hedge funds they manage, not from the debt or equity markets. Many institutional investors now collaborate with activist hedge funds and use their votes to support activist recommendations and proxy contests. In recent years, relatively few activist campaigns have resulted in proxy fights.

Activist investors use a variety of tactics to initiate change. Letters to the board, company and/or its shareholders have been the most frequent tactic employed by activists, followed by acquiring a substantial percentage of company stock (>5%) and filing a Schedule 13D, otherwise known as a “beneficial ownership report.”

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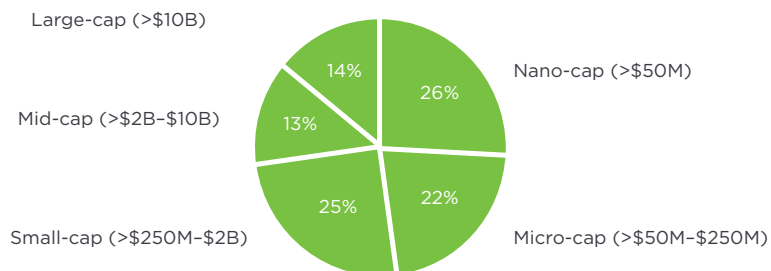
ACTIVIST TACTICS (2009-DECEMBER 2014)³



TARGET SIZES

More than one quarter of shareholder activism campaigns now involve companies with market capitalizations greater than \$2B. Approximately 550 companies globally and approximately 350 U.S. companies were publicly targeted by activists in 2015, including 62 companies in the S&P 500.¹ Increasingly, activists are targeting companies which, due to their size, have historically been underrepresented in activist portfolios.

ACTIVIST TARGETS BY MARKET CAP¹



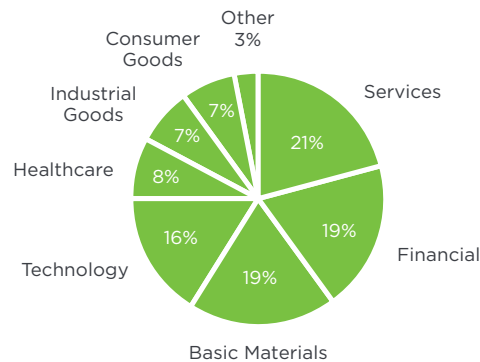
Larger companies offer a sizable opportunity set, substantial barriers to entry and limited competition.

- Targets are typically high quality companies that the activist believes have lost focus, become lax with cost control and capital allocation or slow in decision-making due to a bloated corporate structure
- Boards are large and are not comprised of family or friends
- Requires an activist investor with substantial capital, an attractive long-term track record and a strong reputation, barriers to entry for smaller and newer activists
- Competition from private equity firms is potentially reduced as target companies may be too large to be taken private

TARGET INDUSTRIES

Activists have been most active in the Services, Financial, Materials and Technology sectors, although they do initiate campaigns in a variety of other industries.

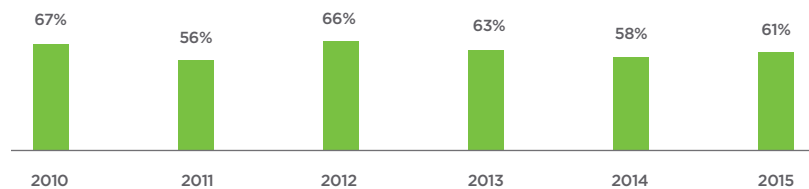
2015 TARGETS¹



OUTCOMES

Activism activity surged in 2015 and 61% of 2015 campaigns were successful.¹

ACTIVIST SUCCESS RATES¹



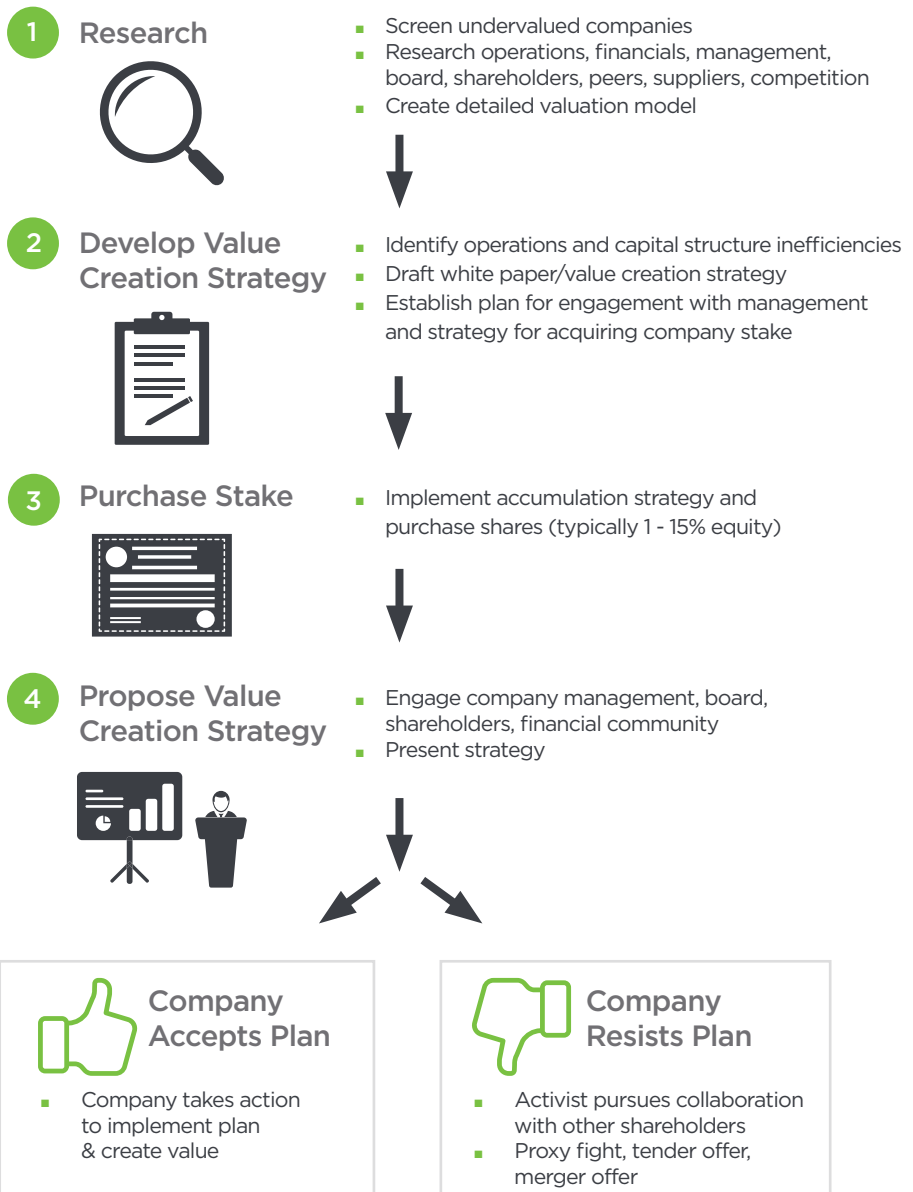
ENVIRONMENT

A positive environment currently exists for activism:

- Large institutional investors are becoming more vocal and are increasingly willing to support activists
- Activism no longer has a negative connotation
- Increasing number of activists with impressive track records
- Steady stream of corporate spin-offs and restructurings
- Record levels of cash on corporate balance sheets
- Financing available at low rates

PROCESS⁴

While each activist campaign is unique, common strategies are employed to create value.



BALANCE SHEET VS. OPERATIONAL ACTIVISM

Activist investors may focus on changes to the balance sheet by increasing leverage, buying back shares or issuing dividends. They may also focus on improving operations by restructuring business lines, exploring M&A transactions or imposing changes to management. Balance sheet or financial activism most frequently involves returning surplus cash to investors. Operational activism seeks to improve income and cash flow, typically by trimming company expenses, including eliminating research and development programs or perks such as corporate jets. Operational activism is generally recognized as a more labor-intensive and time-consuming approach, however it offers the greatest potential for valuation improvements as the market assigns a higher multiple for every \$1 of earnings.

MEDIA ENGAGEMENT

Typically, activist investors will first try to resolve differences with management amicably, through non-public measures. If situations cannot be resolved amicably, the media may be strategically employed as a tool to pressure management to implement changes necessary to improve the value of the company.

In some instances, an activist may elect to sell short a target company's stock and wage a public campaign explaining why they have done so. Instead of uncovering hidden value in a company, this strategy seeks to uncover over-valuation, strained/unsustainable business models or fraud and engage the media to disseminate the findings.

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MANAGER SELECTION

There are hundreds of activist investors operating today. A few things to consider when selecting an activist manager are:⁴

- ✓ Amount of capital managed
- ✓ Length and quality of track record
- ✓ Previous campaign support from institutional investors
- ✓ Consultant recommendations/endorsements

Corporate inefficiency and security mispricing has always existed and will likely continue in the future, creating an enduring opportunity set for activist investors.

ACTIVISM VS. PRIVATE EQUITY

Activist investors seek to catalyze corporate change within a public company without a control position. They are often able to buy shares of a target company at discounted valuations, relative to peers, due to shareholder dissatisfaction with current management or financial performance.

Similar to activism, private equity seeks to effect corporate change, but private equity managers typically acquire a control position in a target company. They may seek to take a company private to implement governance, management and strategy changes without public market, shareholder and reporting pressures associated with a public company.

SUSTAINABILITY

As the popularity of activism has increased, activist investors are often questioned about the sustainability of their strategy. Opportunities for shareholder activism are only limited to the extent that corporations fully optimize their business models, operations, capital allocation and are efficiently priced by the markets. Corporate inefficiency and security mispricing has always existed, and will likely continue in the future, creating an enduring opportunity set for activist investors. Furthermore, activism is a highly concentrated strategy, typically requiring managers to source only a few opportunities each year.

INVESTOR CONSIDERATIONS

Activism can perform a variety of functions in a portfolio — strategy diversification within an existing hedge fund program, a complement to a private equity portfolio or a substitute for a long-only manager allocation.

While the benefits of activist investing may be considerable, this strategy is not for everyone. Activist investing involves significant risks, including a total loss of capital. Risks include investments in short sales, options, small cap stocks, “junk bonds,” derivatives, distressed securities, non-U.S. securities and illiquid investments. Activist investing is intended for long-term investors who can accept the substantial risks associated with investing in illiquid assets. There is no assurance that objectives will be achieved or that an investment program will be successful.

Qualified investors who can appreciate the risks and potential rewards of activist investing may wish to consider an appropriate allocation in their portfolio.

END NOTES

1. Source: Schulte Roth & Zabel, Activist Insight, “Activist Investing: An Annual Review of Trends in Shareholder Activism 2016.”
2. Unless otherwise noted, source: Giles Turner, “The Activist Floodgates Are Open, JP Morgan Says,” *Wall Street Journal*, August 7, 2015.
3. JP Morgan, “The Activist Revolution: Understanding and Navigating a New World of Heightened Investor Scrutiny,” January 2015.
4. Represents opinions of Central Park Group. Not a complete list of considerations.

This document is intended to provide interested persons with insight on activist investing and is not intended to promote any manager or firm, nor does it intend to advertise their performance. Unless otherwise noted, all opinions expressed are those of Central Park Advisers, LLC. The information in this report is not intended to address the needs of any particular investor. While the benefits of activist investing may be considerable, this asset class is not for everyone. Activist investing involves significant risks, including a total loss of capital.

RISK CONSIDERATIONS

Alternative investments are speculative and involve substantial risks. It is possible that investors may lose some or all of their investment.

Alternative investments may not be appropriate for all investors. This document does not constitute an offer to purchase any securities or obtain investment advisory services. The risks associated with alternative investments arise from several factors, depending on the specific type of investment.

Some alternative investments:

- Use leverage and other speculative strategies that may increase the risk of loss
- Are impacted by fluctuations in interest rates, currency values or credit quality
- Do not provide periodic pricing or valuation information to investors
- May delay distribution of important tax information
- May charge high fees

Before investing in a fund, review the detailed explanation of risks as well as all other information in the offering materials. Central Park Group does not provide tax or legal advice. Please contact your tax and legal advisors regarding your specific situation.

There are risks associated with investing in alternatives, including hedge funds, funds-of-funds, private equity and real estate. There is no assurance that objectives will be achieved or that an investment program will be successful. Risks typically associated with hedge funds and funds-of-funds include investments in short sales, options, small-cap stocks, "junk bonds," derivatives, distressed securities, non-U.S. securities and illiquid investments. Investors in funds-of-funds bear management fees as well as other fees, incentive allocations, if any, and expenses imposed by the funds-of-funds as well as those of the underlying funds. Investors in access funds bear an additional layer of fees and expenses.

All investments in securities involve risk of the loss of capital. Alternative investments are sold to qualified investors only by a Confidential Offering Memorandum or Prospectus. Alternative investments provide limited liquidity and include, among other things, the risks inherent in investing in securities and derivatives, using leverage and engaging in short sales. An investment in an alternative investment fund is speculative, involves substantial risks and should not constitute a complete investment program. An alternative investment fund may be highly leveraged and the volatility of the price of its interests may be significant. Alternative investments may involve complex tax structures and there may be delays in distributing important tax information.

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Published in June 2016. Information presented may have changed since publication (or the date on any page) and is subject to change. Please contact Central Park Group at info@centralparkgroup.com or (212) 317-9200 for the most current information.

COMMONLY USED TERMS

13D Filing - When a person or group acquires more than 5% of a company's equity, they are required to file a Schedule 13D with the SEC.

Leverage - Borrowed money used to control a larger market position/improve return without increasing investment. Leverage may increase the potential scope of both risk and return.

Long Position - Ownership of a security.

Short Position - Sale of a security not owned by the seller. Used to take advantage of anticipated decline in price or to protect a long position.

S&P 500* - A capitalization-weighted unmanaged index of 500 common stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index's performance includes reinvestment of dividends and capital gains.

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Central Park Group provides a broad range of investment offerings tailored for institutions and qualified private client investors. It distributes offerings through U.S. brokerage firms, registered investment advisors, financial planning firms and family offices.

Central Park Group's founding partners are a respected team of investment professionals with significant experience across the spectrum of alternative investments and traditional asset management.

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