Opportunities and inefficiencies: How activist hedge fund Bluebell Capital is reaping rewards with large-cap Euro focus

BY HUGH LEASK | 22/01/2021 - 9:33AM

Founded by a team of Italian former investment bankers, London-based activist hedge fund Bluebell Capital Partners has gained impressive momentum over the past year with its focus on listed, predominantly European large-cap companies.

Launched in November 2019, its Bluebell Active Equity Fund today manages around EUR70 million (USD84.9 million) in assets, specialising in companies with a market capitalisation of more than EUR2 billion and up to around EUR50 billion, with an annual target return of around 15 per cent.

The firm is led by founding partners Giuseppe Bivona, CIO, and Marco Taricco, CIO, along with chairman Francesco Trapani. It emerged out of Bluebell Partners, an investment advisory business set up in 2014 by Bivona and Taricco who together had identified shareholder activism – traditionally a predominantly North American phenomenon – as a growing trend in Europe.

Formidable foundations

Its original business model was in advising, pitching and coinvesting in trade ideas and themes in European corporates alongside large US activist funds, including the likes of Elliott Management, Paul Singer's formidable activist hedge fund firm known for its confrontational investment style, and Jana Partners, the event-driven focused firm founded by Barry Rosenstein.

"Having done this successfully for five years, we felt it was a natural evolution to launch our own fund, as we were continuing to see enormous opportunities in Europe," Taricco says of the firm's initial formation.

Before Bluebell, Bivona spent 18 years at Goldman Sachs, Morgan Stanley and Lehman Brothers in New York, London and Milan. Taricco has some 23 years' experience with investment banks Goldman Sachs, Morgan Stanley and JP Morgan, working on M&A and capital markets transactions across the US and Europe, which included Telecom Italia, Mediaset, Gucci, and Bulgari.

Trapani has more than 30 years' industry experience, including as CEO of Bulgari from 1984 until 2013, where he led the IPO in 1995 and orchestrated the sale of the company to LVMH in 2011, after which he was head of the hard luxury division at LVMH, then senior adviser to Bernard Arnault.

Taricco says: "For Giuseppe and myself, our friendship dates back to when we were in business school together in New York in the late '80s and early '90s. I worked in corporate finance, while Giuseppe worked in capital markets, structured products and derivatives. Francesco comes from the corporate world and brings managerial and operational skills. It's a very complementary team."

Building on these formidable foundations, Bluebell's strategy runs activist campaigns focused around large cap companies, predominantly – though not exclusively – in Europe, with the investment portfolio typically consisting of between 10 and 15 investment positions.

Taricco believes Bluebell's investment approach is "more conducive and more adaptable" to larger companies than smaller ones.

"There are more levers you can use when you invest in these big companies; you have a more sophisticated audience, a better-quality board, a better-quality management team," he tells Hedgeweek.

"In general, particularly in Europe, when you target small-caps you have a higher probability that the target company will be controlled or dominated by a family or individual. That makes it more difficult and challenging to engage in discussions."

'Critical mass'

Taricco also touches on the firm's experience and pedigree in the activist arena, explaining how its ability to mobilise more capital for campaigns – despite its relatively small size – stems partly from the networks it built and fostered during its early years as an advisory business.

“Due to what we’ve done in the past, we can invite another co-investor into our investments – it might be another activist fund, or more typically it’s a long-only investor, such as a family office. That helps provide a critical mass,” he continues.

This experience of working with other larger activist managers has meant Bluebell can utilise varying campaign styles from across the activist spectrum: from the low-profile, behind-closed-doors, private route often favoured by European activist managers, to the more vocal and aggressive public campaigns typical of US funds.

“We’ve adapted our strategy and approaches over the past year, depending on the situation,” Taricco explains.

Building on this point, Bivona suggests a collaborative approach is often more conducive to broader campaigns when external investors are involved.

“Long-only investors are often facing their own headwinds, so they have a greater incentive to take a more active role in supporting the requests of an activist in front of boards when we have a collaborative model. Traditional long-only investors are more willing to support, and take more of a role in, our initiatives that way.”

This ability to use multiple styles according to a specific situation, and tap into its long experience in working with other activist hedge funds, has proved a vital element in the firm’s successes over the last 12 months.

“It was an extraordinary year in which we proved we had the right strategy and the right management and infrastructure to navigate a very turbulent time, and it proved very rewarding for us and our investors,” Bivona adds.

Since its November 2019 launch the fund has built a solid track record, despite the Covid-19 pandemic breaking out so soon after launch. The fund is understood to have generated a 6 per cent return during 2020, gaining good momentum in the latter half of the year, against a Eurostoxx 600 return of -4 per cent. Already, it has started 2021 strongly, in line with its double-digit return target.

Currently, the portfolio comprises 10 positions, nine of which are in Europe and one in the US. Out of its European positions, three are in France, two are in the UK, with a further two in the Nordic region, one in Italy and one in Spain.

The strategy has a medium-term investment horizon, with an average holding period in a position of between 18-24 months.

“We are fairly sector-agnostic,” Taricco notes of the portfolio make-up. “As a general rule, we tend to stick to sectors which we know best, but given the knowledge and experience of our portfolio managers, we can be fairly diversified across a number of industries.”

Gaining traction

Recent investments have included Mediobanca, an Italian specialist financial services firm; Denmark-based wind turbine manufacturer Vestas; as well as German airline

Lufthansa, Canadian movie theatre chain Cineplex, and Hugo Boss, the luxury goods company.

“In general, our approach is to invest in good companies which have good fundamentals with interesting growth prospects, where we can identify specific actions to bring to the attention of the board. We don’t like turnaround situations,” Taricco says.

While 2020 was a particularly difficult economic environment, Bluebell gained “enormous traction and visibility in most of our campaigns,” Bivona observes.

“Some of the investments were in sectors which had been very deeply affected by Covid,” he continues. “We were recognised to be leading certain changes; we were instrumental in governance changes at Mediobanca, which was a high-profile campaign. It’s a stock in which we are still invested.

“Cineplex was another great success story, where we successfully campaigned against an acquisition of the firm. It was a short activist position.”

The firm also has a strong focus on ESG, which Bivona says forms a core part of each of its investment campaigns.

“When we look to any investment, we have four risk/reward areas - strategy, operations, capital structure and ESG,” he explains. “For us, it’s natural to focus on ESG - we are an activist hedge fund, so governance is of course a key area of any of our campaigns. We think there is a lot of hype around ESG, and we question a lot of things we hear around ESG. But we always try to practically incorporate E and S - as well as G - as much as any other risk/reward area, and advocate for change in this area.”

With the fund’s first full year of trading completed, Bivona and Taricco are optimistic for the year ahead, noting how “significant inefficiencies” remain across large swathes of markets and companies in Europe.

“There are a lot of companies that are not run properly – every day we run into companies where practices could be improved, and where there needs to be more attention paid to minority shareholders’ interests,” says Taricco.

“The gap between activism in Europe and the US has still not been closed, so there are strong opportunities for our strategy. Looking in at Europe from the US, activism may sometimes appear more difficult – there are different jurisdictions, cultures, different governance rules, languages. But we think the opportunities in the next few years in Europe are larger than in the US.”