FOR IMMEDIATE RELEASE:

2017 Hillcrest Behavioral Finance Award Winners

Plano, Texas – February 20, 2018 - Hillcrest Asset Management is pleased to announce that Kent Daniel from Columbia Business School and NBER, David Hirshleifer from UC Irvine and NBER and Lin Sun from Florida State University have won the **2017 Hillcrest Behavioral Finance Award** for their paper “Short and Long Horizon Behavioral Factors.”



This paper supplements the market factor of the CAPM with two behavioral factors intended to capture commonality in mispricing associated with psychological biases overconfidence and limited attention. The first factor is motivated by the idea that investor overconfidence induces commonality in mispricing. This paper creates a modified financing factor (FIN) using two prominent financing-related firm characteristics, net share issuance and composite issuance. Motivated by the theory that limited investor attention induces stock market underreaction to public information, this paper considers a post-earnings announcement drift factor (PEAD) constructed based upon earnings surprises. The authors find that FIN especially reflects the returns associated with long-term (>1 year) mispricing and that PEAD especially captures the returns associated with shorter-term (<1 year) mispricing. This paper then compares the model performance with standard factor models and recently prominent models, such as the profitability-based model of Novy-Marx (2013), the five-factor model of Fama and French (2015), the q-factor model of Hou, Xue, and Zhang (2015), and the four-factor mispricing model of Stambaugh and Yuan (2016). The composite model outperforms all other models in explaining 34 robust anomalies, based on the list of anomalies considered in Hou, Xue, and Zhang (2015).

“Daniel, Hirshleifer and Sun have successfully supplanted the market factor of the CAPM with two behavioral factors intended to capture mispricing associated with the behavioral biases overconfidence and limited attention. The motivation behind the two factors are quite convincing: overconfidence and inattention both induce commonality in mispricing, and the prices of firms which are exposed to behavioral factors move with shocks to common mispricing, resulting in correction of this mispricing,” commented Brian Bruce, CEO of Hillcrest Asset Management and Editor of *The Journal of Behavioral Finance*.

This 2017 Hillcrest Behavioral Finance Award contest received 56 submissions representing 103 authors, 75 academic institutions and 22 countries. As a result of the strong field of submissions received for this year’s contest, 4 finalists were identified.

The three finalist papers awarded an Honorable Mention are:

1. "The Dividend Disconnect" by Samuel Hartzmark of University of Chicago and David Solomon of Boston College.
2. "News and Narrative in Financial Systems: Exploiting Big Data for Systemic Risk Assessment" by Rickard Nyman and David Tuckett of University College London, and Sujit Kapadia of Bank of England.
3. "Evidence that Analyst Forecasts do not Reflect their Expectations" by Haim Mozes of Fordham University.

The **Hillcrest Behavioral Finance Award** seeks to annually recognize excellence in research through the selection of a current non-published paper from academics on the subject of behavioral finance.

The previous winners of the **Hillcrest Behavioral Finance Award** are:

2014: "The Use of Word Lists in Textual Analysis," by Tim Loughran and Bill McDonald from the Mendoza College of Business at the University of Notre Dame

2015: "Being Surprised by the Unsurprising: Earnings Seasonality and Stock Returns," by Tom Chang and David Solomon from University of Southern California, Samuel Hartzmark from University of Chicago, and Eugene Soltes from Harvard Business School

2016: "Lazy Prices," by Lauren Cohen and Christopher Malloy from Harvard Business School and Quoc Nguyen from University of Illinois at Chicago

Hillcrest Asset Management is an institutional investment management firm and a recognized leader in the field of Behavioral Finance investing. Our investment philosophy and process are guided by a fundamental belief that stocks deviate from their fair value due to investor behavioral biases. Hillcrest's experienced investment team believes that stocks follow the behavioral cycle of stock movements. We combine model-driven behavioral analysis with traditional fundamental research to build on the strengths of both approaches.

Hillcrest was founded in October 2007 and has offices in Dallas and Boston.

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