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# Cliff Robbins's Blue Harbour Excels Under the Radar

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**The firm, which typically doesn't engage in contentious campaigns, is one of the best-performing activists this year.**

This year is shaping up to be a pretty good one for many activist hedge fund managers, despite the sizable losses suffered by William Ackman's Pershing Square Capital Management, one of the most high-profile members of this group.

One of the top performers is a fund that mostly operates below the radar: Greenwich, Connecticut–based Blue Harbour Group, headed by Clifton Robbins, which manages $3.5 billion.

This year through November, Robbins has posted a 13 percent gain in his firm's flagship long-only fund, Active Ownership Partners. His long-short fund, Strategic Value Partners, has returned about 7 percent.

Robbins likes to call himself a friendly activist because he doesn't engage in public displays of acrimony. He rarely launches proxy fights, nor does he typically engage in bombastic fights with management or create big headlines at hedge fund conferences. He prefers to do much of his activism behind the scenes — which is how most activist deals are completed anyway.

But Robbins doesn't have the public persona or media savvy of Ackman, Third Point's Daniel Loeb, or Greenlight Capital's David Einhorn. The former KKR & Co. partner typically likes to maintain a concentrated portfolio of ten core positions, mostly small- and midcap North American companies.

Gains this year have been driven, in part, by Rackspace, which agreed to be acquired by Apollo Global Management for $4.3 billion, and Progressive Waste Solutions, which was acquired by Waste Connections earlier in the year for $2.8 billion. Shares of Rackspace surged more than 22 percent over the first 11 months of the year.

Blue Harbour had 14 stock holdings at the end of the third quarter, five of which each accounted for roughly 12 percent to nearly 16 percent of assets.

They include Xilinx, the programmable-chip supplier giant, which boasts a strong balance sheet and cash flow growth. It has been rumored to be a takeover target, especially since competitor Altera Corp. was acquired by Intel Corp. in 2015.

Blue Harbour has recommended that Xilinx scale back large acquisitions and return excess capital to shareholders. At the SkyBridge Alternatives Conference (known as SALT) in May, Robbins talked up the shares of the company, stressing that it is debt free and has $2 billion in net cash. He added that it has a high return on invested capital and a strong business and balance sheet but trades below its competitors.

In the June quarter Xilinx repurchased $100 million of stock and paid $80 million in dividends, which the company said represented nearly 100 percent of operating cash flow generated during the period.

In the first 11 months of the year, the stock gained nearly 15 percent.

BWX Technologies, Blue Harbour's second-largest holding, is the sole manufacturer of naval nuclear reactors for submarines and aircraft carriers. The company was created in July 2015 when the Babcock & Wilcox Co. split into two publicly traded companies, which became BWX and Babcock & Wilcox Enterprises.

Robbins began urging the company to break into two parts at an investment conference in the spring of 2014. The decision to split into two companies was announced later in the year, resulting in a 50 percent increase in the value of the combined companies. This year the company executed a $200 million accelerated share repurchase program and raised its dividend by 50 percent. Shares of BWX had gained more than 23 percent this year through November.

Investors Bancorp, Blue Harbour's third-largest long, is a regional bank based in Short Hills, New Jersey. Blue Harbour is urging the company to repurchase a significant amount of stock and boost dividends. The stock is up nearly 9 percent for the year through November.