

#### EPISODE 249: AUSTIN CAMPORIN – SUCCESSFUL INVESTMENT MANAGEMENT

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##### Austin Camporin

There's a real, I think, concern that made it top of mind for policymakers around our ability to produce enough power to sustain our critical industries.

##### Female Voice

From William & Mary in Williamsburg, Virginia. This is Leadership & Business, produced by the William & Mary School of Business and its MBA program. Offered in four formats: the full-time, the part-time, the online, and executive MBA. For more information, visit [wm.edu](http://wm.edu).

##### Ken White

Welcome to Leadership & Business, the podcast that brings you the latest and best thinking from today's business leaders from across the world. Sharing strategies, information, and insight that help you become a more effective leader, communicator, and professional. I'm your host, Ken White. Thanks for listening. From Dog Street to Wall Street. It's an annual event co-hosted by the Boehly Center for Excellence in Finance at the William & Mary School of Business and partner organizations on campus. The event introduces students to William & Mary alumni and industry guests who lead sessions and panels on finance, investment in corporate banking, private equity, alternative investments, hedge funds, and more. This year's keynote speaker was Austin Camporin, a William & Mary graduate and Senior Portfolio Manager and Head of Special Situations at Magnetar Capital. After interacting with students, he joined us to talk about his investment philosophy, the current market, and approaches that lead to success. Here's our conversation with Austin Camporin.

##### Ken White

Austin, thanks so very much, man. We have put you to work the last day and a half, and thanks for joining us.

##### Austin Camporin

Yeah, of course. No, happy to be here and happy to give back to the community.

## Ken White

What's your reaction and impression of the students? You spent a ton of time with our undergraduate students.

## Austin Camporin

Yeah, I think if I had to put it into a word, I'd say ambitious. I think I talked a bit last night how conferences like this, this Dog Street to Wall Street conference, serve as this great bridge between students and alumni, between theory and practice, between ambition and experience. They're lacking a bit on the experience front, and that's obviously something they'll pick up over time. But they're all very ambitious, going out of their way to ask questions, really peppering us to understand as much as they can. You can see they really have a love for business and finance, and hopefully it does them well.

## Ken White

How do they compare to what you were like when you were an undergraduate?

## Austin Camporin

I would say even more ambitious, honestly. I came into school. I didn't quite know what I wanted to do when I first showed up. I was pre-med when I first showed up on campus. I even applied to the Eastern Virginia Medical School to get early acceptance into the medicine school, and ultimately fumbled my way into the business school as I was a junior and discovered really my love for finance and for investing over that period of time. But I think the folks today are ambitious. They seem to have a better sense of what they want to do earlier. I think that's good and bad, but definitely see the ambition.

## Ken White

Tell us about your role. What are you doing today?

## Austin Camporin

Sure. Currently, I'm the head of special situations at Magnetar. Magnetar is a north of \$20 billion hedge fund that's been in existence since 2005. As the head of special situations, I help drive investments across both credit and equity and largely an engaged strategy. This is us working with companies to help maximize stakeholder value, both through credit and equity.

## Ken White

How about your career? How did you get to this point? Can you tell us about that?

### Austin Camporin

Yeah, sure. I mentioned how when I showed up first on campus, I was focused on pre-med. That evolved into me being a finance major. I got my first break when I was a junior, and I was accepted into the internship program at J. P. Morgan. Then I was invited back for a full-time job. I spent the first two years as a research analyst covering high-yield credit, primarily in tech and telecom. Then I was invited in 2007, I believe it was, to join the proprietary trading desk. That was really a big break for me. The proprietary trading desk at the Large Investment Banks at that time were really the internal hedge funds. It was a very prestigious job, and I was really honored to be given that opportunity. I did that for a number of years. The Volcker Rule came down, which effectively it limited a lot of prop trading. For me, what was interesting is I had the opportunity to stay. I was young. I was relatively inexpensive as a resource. They had fired all of my bosses, and I was sitting there, I think a JPMorgan prop with something like a \$300 million book. I could have stayed and continued to try to operate that book and really take a swing for the fences. But what I decided at the time was I needed to learn more to really gain the confidence to be an independent investor. It was at that time that I decided to join Elliott Management as an analyst, really the lowest rung on the ladder. Elliott is a tremendous institution, been around for north of 40 years now, and was able to rise through the ranks of eventually becoming a portfolio manager at Elliott until recently, where I joined Magnetar and been given the title, again, of Senior Portfolio Manager there and incremental responsibility and opportunity in that seat.

### Ken White

We sometimes talk about careers are not always up. There's sometimes lateral moves. Was that a lateral move going to Elliott?

### Austin Camporin

Yeah, lateral move, if not almost a step down to a certain extent, just given what my ceiling was in the J. P. Morgan prop role. But I was focused on the floor at that time. My concern was I was going to make a run at it and not do that well. I just didn't feel that I had. I didn't really have the confidence as an investor in that point in time to be able to make a go of it. I felt like I needed to learn more. And at that point, I felt like Elliott was an incredible place to learn as much as possible to make myself the best, most rounded investor that I could be. Elliott's really unique in that you have the opportunity to invest across the capital structure, and it turned out to be, I think, a good decision.

### Ken White

I've heard students ask you this question while you've been here, so I'll ask it. What's your investment philosophy?

## Austin Camporin

Sure. I've always thought that if you were to buy an equity or credit, if you're looking at an equity and it's trading at five times EBITDA, or you're looking at a specific piece of debt, and it's trading at 50% LTV, effectively on market value, and yielding 7%, you can hope and pray that the yield is going to tighten, that the stock price is going to increase, that the multiple is going to trade higher. But that's a very difficult way to make a living. But if there's some way that I could actually engage with other stakeholders, with the management team, with leadership, and create some kind of catalyst, or at least rally others to my cause, to effectuate a catalyst. That'd be a better way to wear risk, a better way to sleep at night with that risk. I'd say that evolved over time, where I realized initially, okay, this catalyst-driven type of investing is something that makes me feel comfortable. It's something where I feel like I can produce alpha over an extended period of time to, okay, well, I found the catalyst aspect. I understand that, but how do I manage the risk? If I can't manage all the exogenous risks associated with the situation, I can't really isolate that catalyst and produce alpha. So how do I do that? That really framed over time my perspective on hedging, risk management, and I think ultimately making me a better investor.

## Ken White

Can you tell us a little bit more about engagement? You're talking about engaging with organization leaders, right?

## Austin Camporin

Yeah. It depends right on the credit and equity side. If we were talking about a typical situation, it can be both credit and equity, where we'll engage with the board of a company. There might be something that they have a blind spot regarding. Really, what we're trying to do is constructively engage to maximize shareholder value. I think one of the biggest issues that I've encountered or seen with engage investing more broadly is investors not really having empathy or understanding of how the folks on the other side of the table are going to interpret an overture. For instance, if we're talking about a difficult decision that you might need to have with a management team or with a board about poor leadership at the company or poor capital allocation historically, or the ability to separate the business into better component pieces such that capital allocation can be improved for each of the individual businesses, that message that you have is going to land in a certain way with those individuals that you're having that conversation with. I think the most effective engagement is one where you have a very thought-out process in terms of how your message can be interpreted, and then even how that message can be interpreted. What's your plan B? What's your plan C? What's your contingency planning to ensure that that value can be extracted in one way or another?

## Ken White

Constructively engage is such a great term. How did you learn that? I mean, you didn't just walk in knowing that.

## Austin Camporin

Yeah, I think like most good things in life, you learn through making a mistake or two. I think there are some examples of investments I've made earlier in my career where I hadn't put as much thought in how the message would land as I should have, and that resulted in long, drawn-out engagements. Really, the goal of an engagement is to reach a resolution in a constructive manner in a short period of time, or a short period of time as possible. It doesn't mean it's going to be a one or two-day thing. These things take some time, but not to have it be drawn out over multiple years. I think I found through some of those earlier engagements how to perfect my process and really what resources can be utilized and leveraged to ensure you reach a better answer faster. I think really it's the resources that can be brought to bear to those which are resources, which are proprietary, that have developed over a long period of time, have access to, can be used repeatedly. I've seen how engagement, utilizing, and leveraging those resources really improves the overall process.

## Ken White

We'll continue our discussion with Austin Camporin in just a minute. Our podcast is brought to you by the William & Mary School of Business. When it comes to choosing an MBA program, there's much to consider: the curriculum, fit, cost, rankings, quality, and the time it takes to earn the MBA. If you're thinking about pursuing an MBA, check out the William & Mary MBA. It checks all the boxes and indicators of quality, like a world-class faculty, unparalleled student support, and a brand that's highly respected, the William & Mary MBA. Reach out to our admissions team to learn which of our four MBA programs best fits you: the full-time, the part-time, the online, and the executive MBA. Check out the MBA program at William & Mary at [wm.edu](http://wm.edu). Now back to our conversation with Austin Camporin.

## Ken White

Where are you seeing opportunities in the market today?

## Austin Camporin

Yeah, that's a great question. I think for me personally, what I've seen is there's a lot of opportunity in the small and mid-cap space, both in credit and in equity. If you mapped out the universe of, let's call it 10% plus yielding credit, you'd see that by number, the number of issuers, 90% are effectively smaller and mid-cap capital structure. So this is \$5 billion and below. And the same thing on the engage equity side, 90% of what I would call attractive engagement opportunities on the equity side tend to be smaller market cap companies, this \$5 billion in below, which is really fascinating. And it's also a sector

of the universe where not everyone can play. There's a number of reasons for that, but one is just this consolidation of asset that's happened among money managers, where it's more difficult for some managers to move the proverbial needle in driving returns with smaller opportunities given their overall size. I think what's also incrementally fascinating is that the return profile on these smaller investments generally tends to trump investments in larger capital structures. You can look at the short-term returns, you can look at some longer-term returns for equity engagement. You can do the same on the credit side. And generally, you can see that the returns are higher for these what I'll call mid-cap and smaller capital structures. So that's where I tend to find the most opportunity. The last thing I would say is it's a bit intuitive. If you think about it, a smaller-cap company will have less sell-side coverage. Well, what does that mean? Well, it means that you can get away with poor corporate governance for longer. It means that there might be worse management in place for longer, and fewer folks effectively taking to task or calling out and pointing to those specific issues that might exist in the business. There's other issues, too, but it's intuitive, and I think it bears out on the data as well.

### **Ken White**

It's pretty evident you're passionate about what you do. How important is passion to success?

### **Austin Camporin**

Yeah, I think it's everything. Everything, maybe that's a bit of a restive of a term, but it's very, very important, needless to say. This is a difficult job. It's a real grind. The people that I've seen to be the most successful over my career have a real passion for investing. It's not something that they do from 9 to 5 or 9 to 7, and they go home and they're doing something else. They're thinking about it all the time. I think especially in the type of investing I do, where it's engagement-focused, it tends to be a bit more concentrated. I'm not trading 100 different equities or 100 different bonds at a time. We might be trading 5 to 10 at a specific time, probably closer to the 10, but in that range. We really need to drill in and find differentiated insights. That quest, that journey, defined a differentiated insight, as it relates to a specific situation, is something that just intuitively takes a lot of time. I'm looking at the same information as everyone else in the market is, and I'm trying to come up with something unique. I'm looking at the other side of the coin, something that someone else hasn't figured out. What I found is that when this is done well, it really works. That you can just aggregate, and there's been plenty of examples of this that I've seen over my career, you can aggregate publicly available information in a different way and come up with a different insight. Just the mere publication of those insights to the market can cause a massive move in the prices of securities over a short period of time. I always think back in college, as I graduated, people often harped on the efficient market hypothesis. I've seen firsthand that it's not a perfectly efficient market, that there is information out there that if you're able to analyze it the

right way, if you know where to look, how to turn the coin, and you develop that instinct and ability and something that I'm constantly working on and improving, that you can come up with differentiated insights that really drive security prices.

### **Ken White**

You talk about how you're engagement-focused. You also mentioned skepticism when you were talking to the students last night. I thought it was really interesting. Can you share a little bit about what you said about that? I have some notes if you don't remember about what you said about it.

### **Austin Camporin**

Yeah, no, absolutely. I think so. I hired a lot of folks over my career. And what I found repeatedly is that the folks that have been most successful had a healthy amount of skepticism. So why does that matter? Well, the reality is when you think about just the nature of alpha and the nature of beta, beta is you're listening to the crowd. You're doing what other folks are doing. If you're always doing what other folks are doing and you're not thinking independently, you're bound to be producing beta over your career. But to generate alpha, you need to have this independent insight. This independent insight really requires skepticism. You need to listen to what the crowd is saying, and then you need to think for yourself. Does that make sense? I think that's something that sometimes is lacking in the industry broadly, where folks are often trying to focus an idea generation by talking to their friends, by talking to sell-side analysts. It really starts at the very beginning. How do you come up with ideas? Are you sitting by yourself in an office, pulling together a screen, then pulling together data from the sell side, from other investors, from management teams? You're not supposed to completely lock yourself off from outside sources. That's another path to failure. But really, starting with the kernel, why is this interesting? I find often in the screening process where you start from independent, doing it on your own, building up, then checking your ideas, thinking through things that you might not know, utilizing outside resources to do it and building up a process. That is path to success. And that all really starts with a skeptical view of what else is out there.

### **Ken White**

That's our conversation with Austin Camporin, and that's it for this episode of Leadership & Business. Our podcast is brought to you by the William & Mary School of Business, home of the MBA program offered in four formats: the full-time, the part-time, the online, and the Executive MBA. Check out the William & Mary MBA program at [wm.edu](http://wm.edu). Thanks to our guest, Austin Camporin, and thanks to you for joining us. I'm Ken White, wishing you a safe, happy, and productive week ahead.

## Female Voice

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