

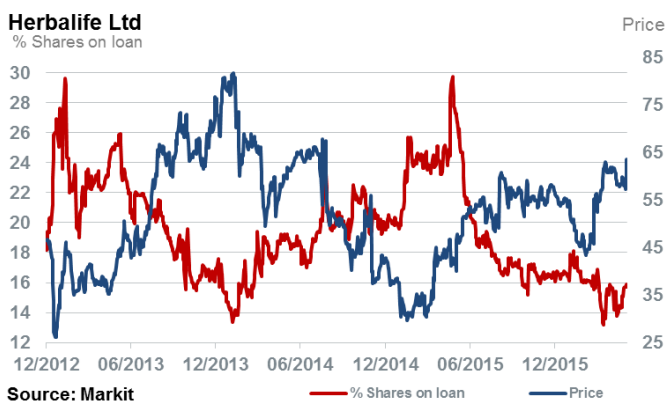
# Fatigue in MLM shorts as Herbalife drags on

Short campaigns against MLM firms have been unable to reach a major breakthrough, which has in turn seen short sellers cover their positions in the sector's firms.

- Herbalife stock up 67% since initial activist campaign in 2012 with shorts covering by a third
- Shorts cover majority of positions in Avon as shares surge by 60% in six months.
- Primerica short interest surges fourfold reaching almost a fifth of shares outstanding on loan

Pershing Square's Bill Ackman, who has been long Valeant (a high profile short target), has over **the past three years** held a conviction short position in Herbalife. However while this trade has yet to come to fruition, with current pending regulatory investigations, shorts have been seen covering in 'multi-level-marketing' (MLM) firms.

The possible spillover results into the rest of the MLM market on the back of a negative result for Herbalife do not seem to have intrigued shorts sellers, however. Short sentiment towards other MLM firms has decreased overall and none have had any major public campaigns to the extent of Herbalife and some fatigue has now started to set in.



During the current short campaign, Herbalife has also had a number of high profile long activist investors including **Carl Ichan** and **Soros Fund Management**. Ironically Pershing Square has been short longer than the two active long positions mentioned above.

With recent news of regulatory investigations possibly **nearing their end** at Herbalife, the stock is still up by 67% since December 2012 when Pershing Square first took its now infamous \$1bn short position.



Shares in Avon have surged by 60% in the past six months with short sellers covering more than 70% of positions – currently there are 4.1% of shares outstanding on loan.

### Tupperware Brands Corp



Tupperware Brands, which generates some of its sales through direct selling “Tupperware parties”, has also seen short interest decline over 40% in the last three months as its shares climbed by 19%.

### Primerica Inc



The exception to the above names however with 17.8% of shares outstanding on loan, is Primerica. The company has seen a fourfold increase in short interest over the past 12 months. The company sells a swathe of financial and investment products through a network of and has been referred to as the ‘Herbalife of Finance’.

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