

"The Risk and Return of Arbitrage in Dual-Listed Companies"

Figure A
Log deviations from parity (all 12 DLCs)

This figure shows the log deviations from theoretical parity (on a percentage basis) for all 12 dual-listed companies (DLCs) in the sample. For the unified DLCs the sample period ends 20 trading days before the unification announcement.

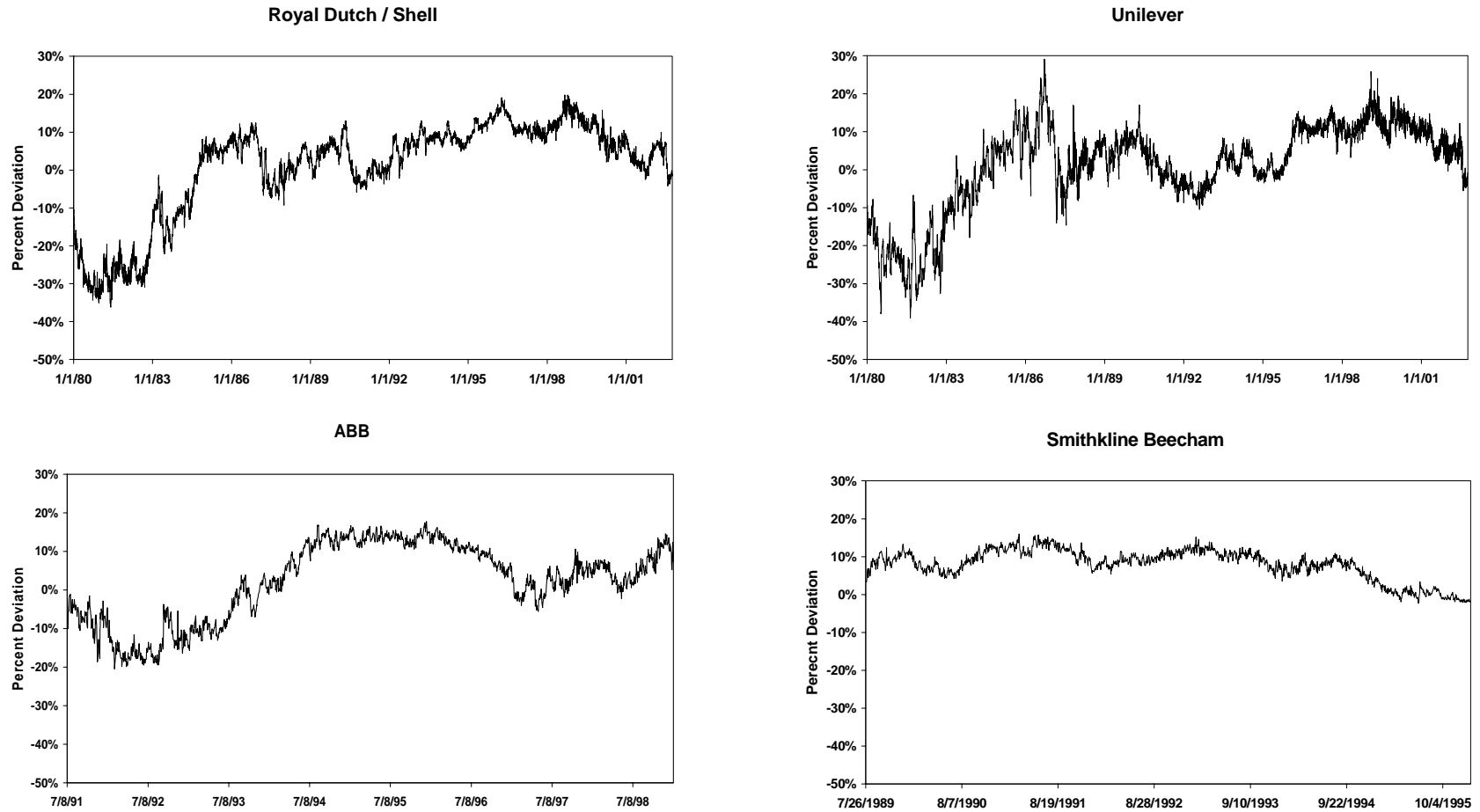
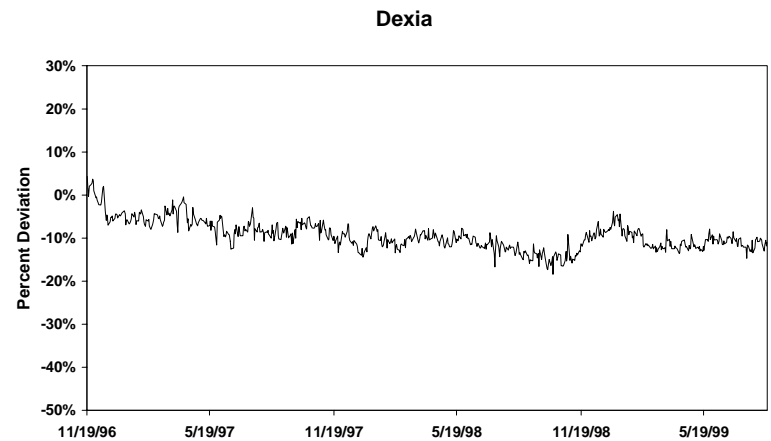
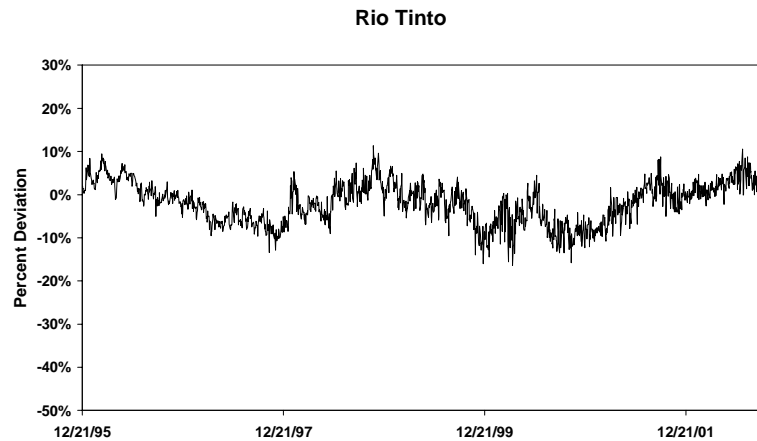
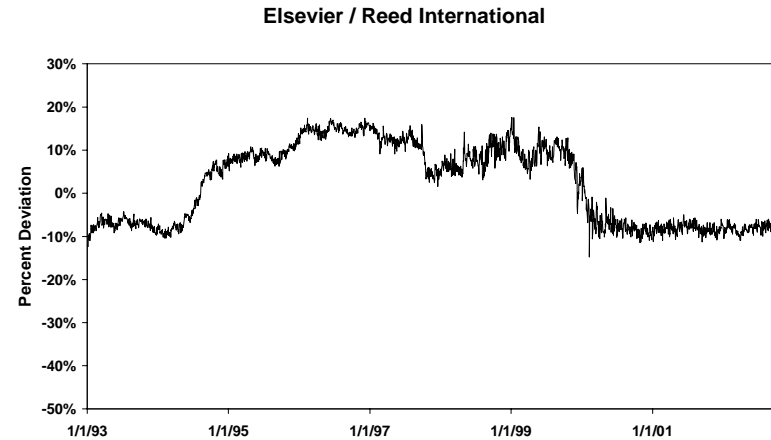
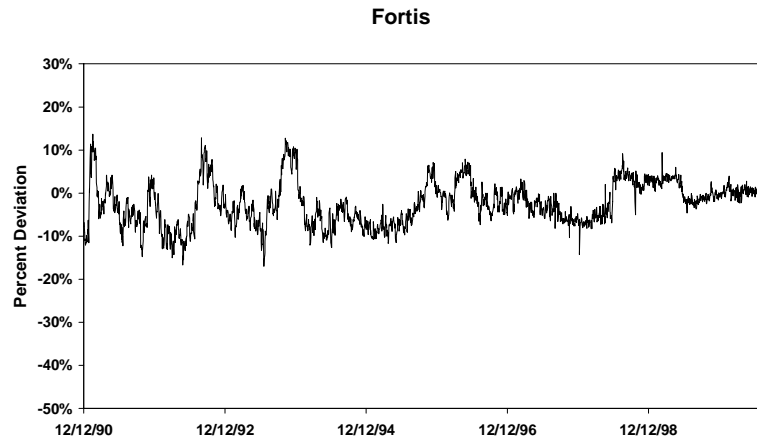


Figure A – *continued*
Log deviations from parity (all 12 DLCs)

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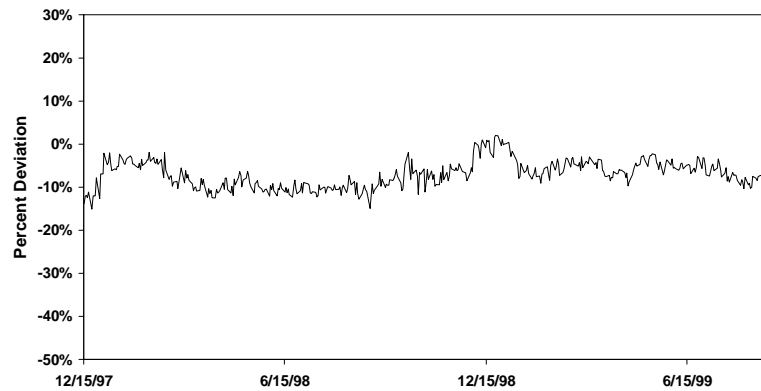


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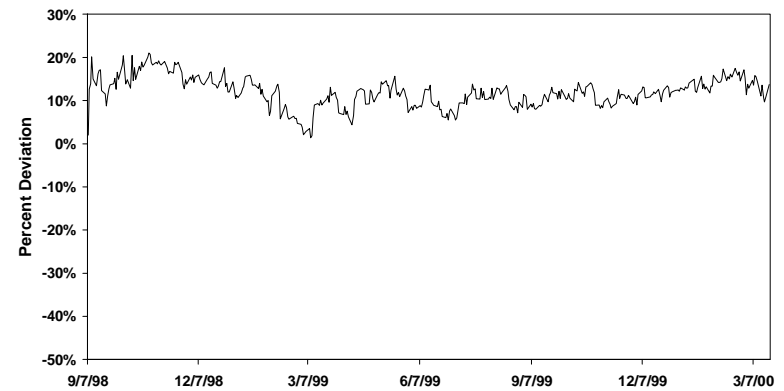
Figure A – *continued*
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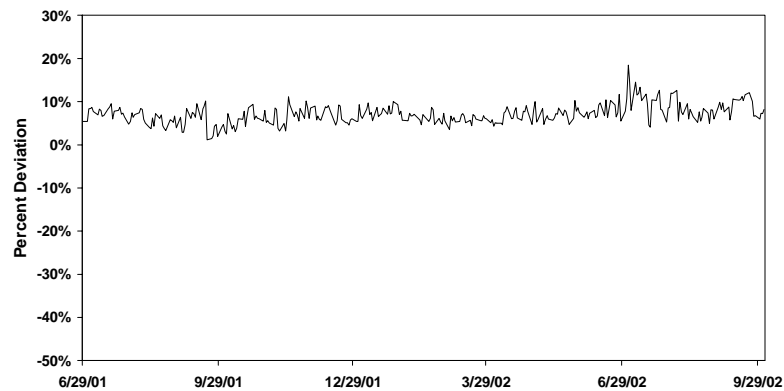
Merita / Nordbanken



Zürich Allied / Allied Zürich



BHP Billiton



Brambles

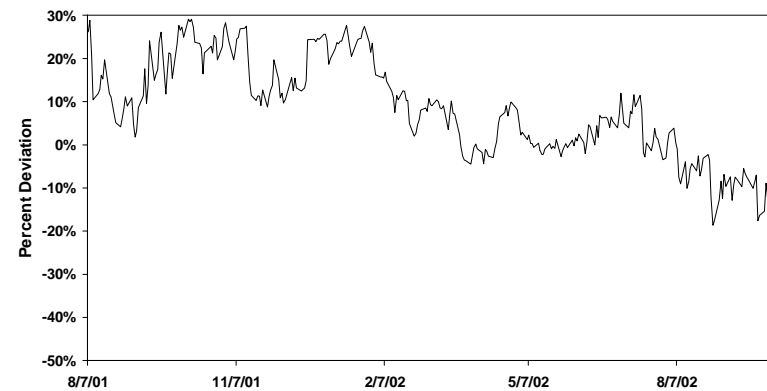


Figure B
Distribution of daily returns on DLC arbitrage versus the S&P 500

This figure shows the distribution of the daily returns on an arbitrage strategy in all twins with a buy threshold of 10%, a sell threshold of 5%, and a maximum horizon of one year (left column). Returns are calculated in excess of the 3-month T-Bill yield and after taking account of transaction costs and margin requirements. For positions that last less than 1 month, the returns of the 3-month T-bill in the remainder of the month are excluded from the histogram. The right column depicts the excess returns on the S&P 500 over the same period. The frequencies at the far left and far right of the table represent the cumulative frequencies of the returns that lie further into the tails of the distributions.

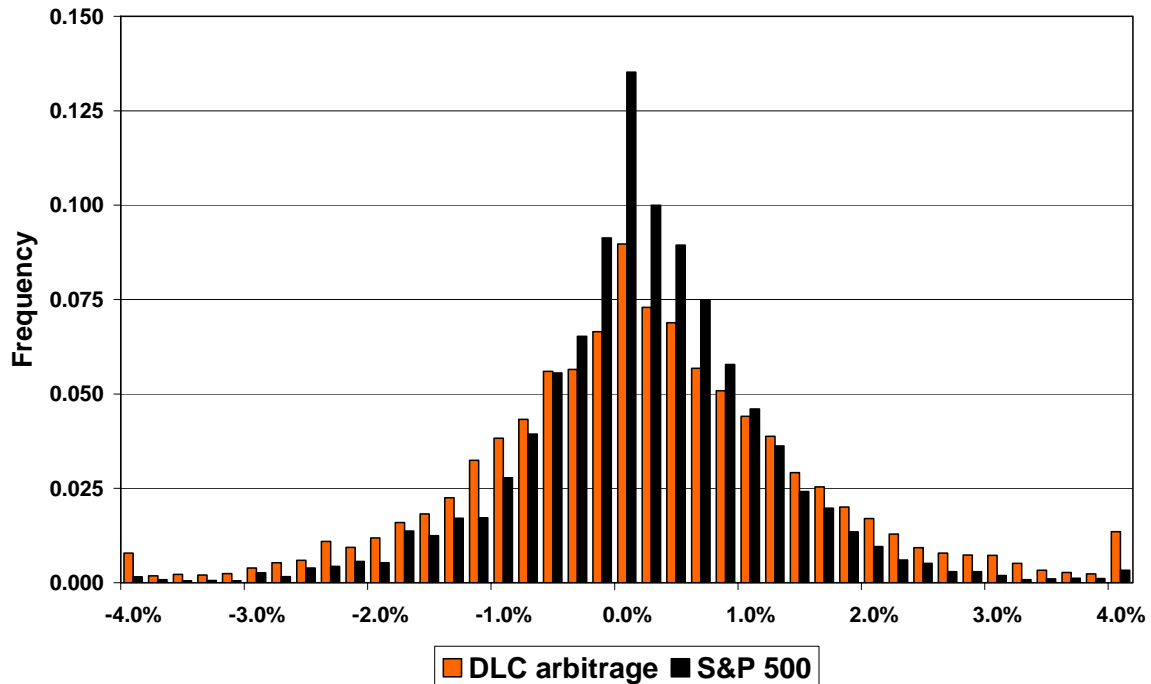


Figure C

Log deviations from Royal Dutch / Shell parity – ADR versus ordinary share prices

This figure shows the log deviations from theoretical parity (on a percentage basis) for Royal Dutch/Shell. The light-colored line represents the log deviations from Royal Dutch/Shell parity based on the prices of the ordinary shares traded in Amsterdam and London, respectively. The dark-colored line depicts the log deviations from Royal Dutch/Shell parity based on the prices of the American Depository Receipts (ADRs) of the parent companies. Royal Dutch trades as an ordinary share New York Registry on the NYSE and Shell trades as a Level II ADR on the NYSE.

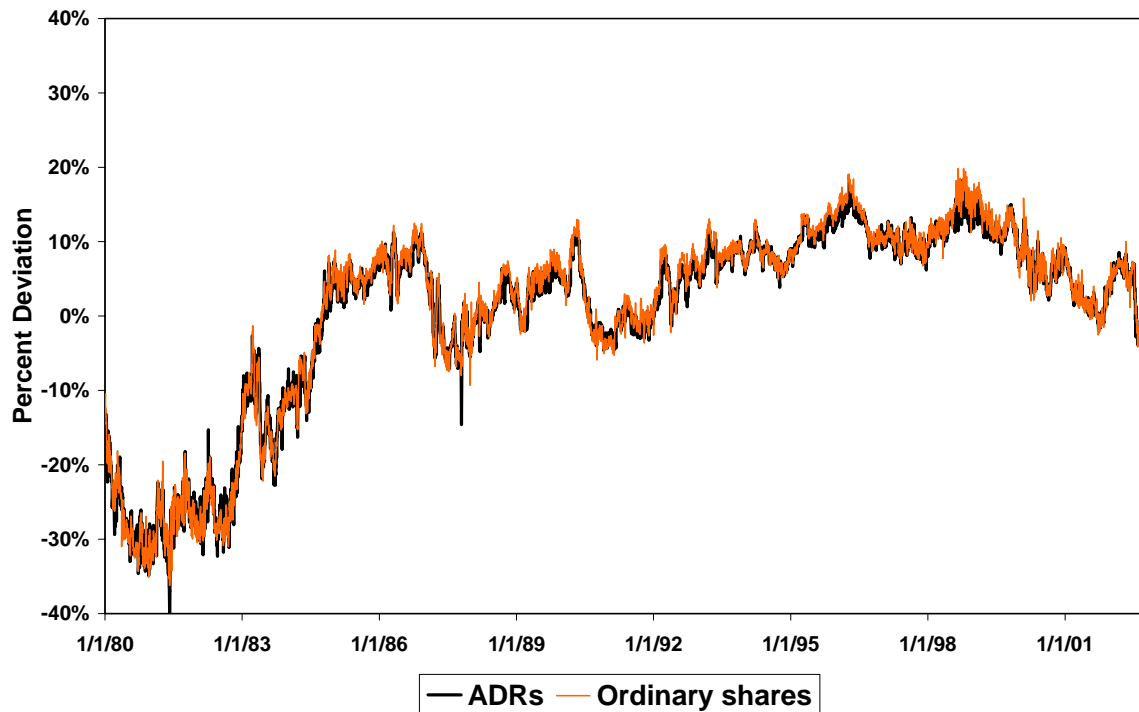


Figure D
Sensitivity analysis of arbitrage strategies

This figure shows the sensitivity of the abnormal returns (alphas) – relative to the Fama-French three-factor model and after taking account of transaction costs and margin requirements – of the arbitrage strategies in all twins with respect to the maximum horizon imposed. The benchmark arbitrage strategy has a buy (sell) threshold of 10% (5%) and a maximum horizon of one year.

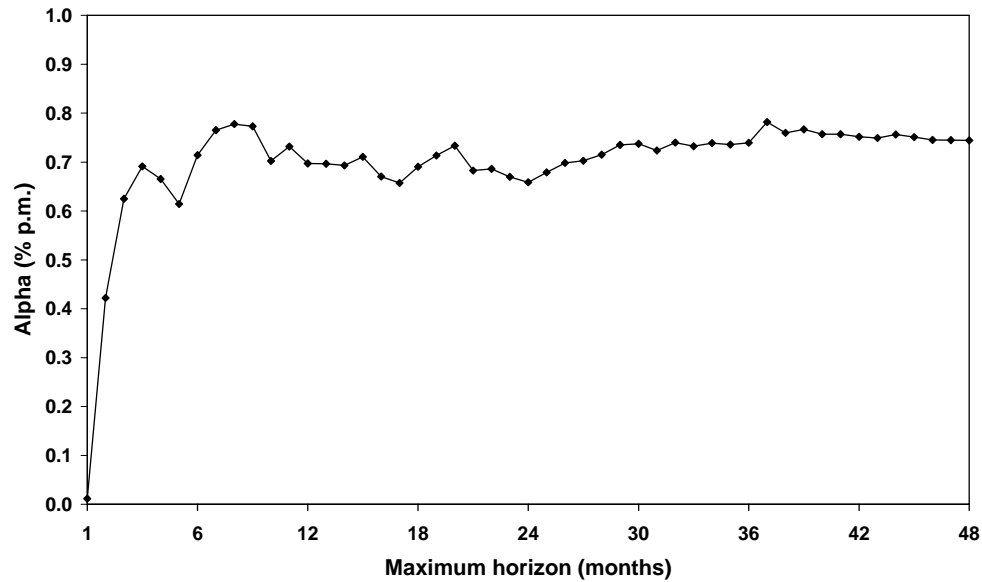


Figure E

Log deviations from parity around the unification announcement (all 6 unified DLCs)

This figure shows the log deviations from theoretical parity (on a percentage basis) for all 6 unified DLCs over the period starting 120 days before the unification announcement (day 0) till the last trading day before unification.

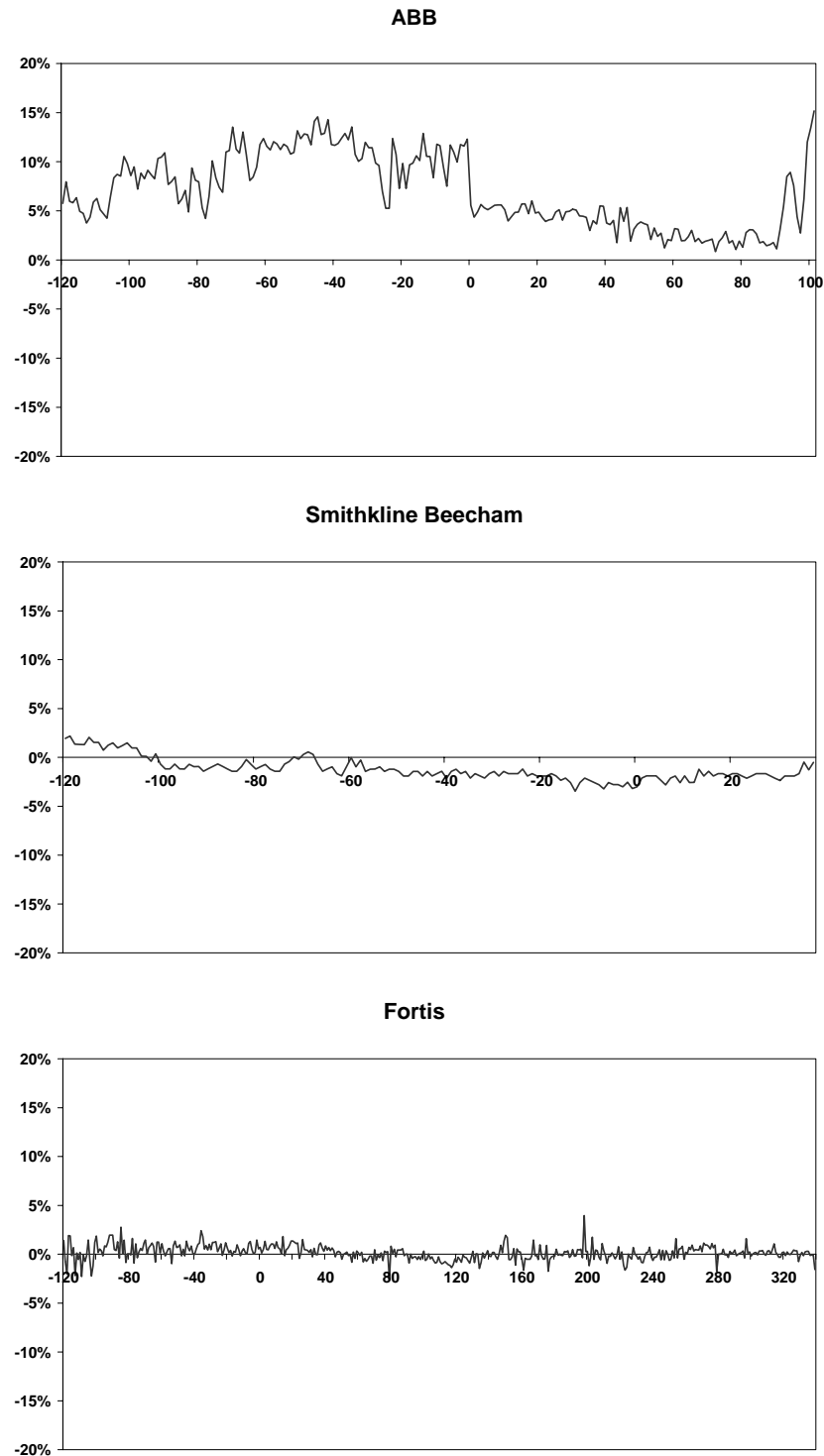


Figure E – *continued*

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