Arbitrage

Corporate Arbitrage

Overview and Benefits of a Dynamic Multi-Strategy Approach

May 18, 2023

Corporate arbitrage strategies seek to capture pricing differences among related assets which can arise due to liquidity demand around corporate events. Several distinct strategies fall under this umbrella. They are only modestly correlated to each other, and each has an opportunity set that varies over time. This is why a dynamic, multistrategy approach is more effective than siloed allocations at capturing these diversifying sources of returns.

Arbitrage lends itself to a hybrid quantitative and discretionary process. Portfolios diversified across hundreds of deals and securities, with discretionary oversight of each individual position's specific risks, can result in more consistent and risk-managed returns. In this short article, we provide an introduction to the main corporate arbitrage strategies, make the case for a multistrategy approach, and review the role of a corporate arbitrage allocation within a broader portfolio.

actual future market behavior or future performance of any particular investment which may differ materially, and should not be relied upon as such. Diversification does not eliminate the risk of experiencing investment losses.

The information in this paper may contain projections or other forward-looking statements regarding future events, targets, forecasts or expectations regarding the strategies described herein, and is only current as of the date indicated. There is no assurance that such events or targets will be achieved, and may be significantly different from that shown here. The information in this document, including statements concerning financial market trends, is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons.