



ARBITRAGE

Corporate Arbitrage

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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.

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