
OCTOBER 2026

From beta to idiosyncratic: the case for event-driven in a world of higher rates

Why a structurally higher cost of capital favours merger
arbitrage, special situations and volatility-driven return —
at the same time.

ABSTRACT

For over a decade, near-zero interest rates blurred the differences that event-driven strategies depend on: financing was so cheap and abundant that weak companies traded like strong ones, and mediocre deals got done almost as easily as good ones. As central banks retreat from that era of free money, those differences are re-emerging.

Takeovers are once again priced on their own merits rather than on the availability of cheap debt (Mitchell and Pulvino, 2001); boards face renewed pressure to simplify through spin-offs and divestitures; and the correlation that quantitative easing helped compress after 2008 (de la Horra et al., 2024) has fallen to some of its lowest levels in two decades. This is not a narrow tactical opportunity but a genuine regime shift, and one from which event-driven strategies, spanning merger arbitrage, special situations and volatility-driven return, stand to benefit across several reinforcing channels at once. This paper sets out the evidence for that shift and its implications for portfolio construction.

All references cited are detailed at the end of this paper.

CONTENTS

01	Beta in a low-rate world, idiosyncrasy in a high-rate world
02	Three buckets of idiosyncratic return
03	Why higher rates feed all three buckets
04	The prospective angle — where the opportunity set is expanding
05	Positioning and conclusion

Beta in a low-rate world, idiosyncrasy in a high-rate world

For more than a decade after the 2008 financial crisis, the single most useful fact about a stock was not what the company did, but what the market was doing. Central banks held the price of money near zero and, for long stretches, bought vast quantities of financial assets outright. Capital was abundant and nearly free, which meant that the decision to fund a deal, extend a loan, or keep a marginal division alive rested less on its individual merits and more on whether the wider system had liquidity to spare. It generally did. In that environment, returns compressed into a single dominant factor: the direction of the market itself. When the tide came in, it lifted essentially every boat, strong hull or weak; when it went out, as in 2008 or briefly in 2020, it dragged nearly everything down together, irrespective of company-specific merit. Correlation across stocks ran high, dispersion ran low, and the return an investor earned was, to a first approximation, a bet on beta.

That backdrop has changed. Since 2022, the cost of capital has reset to a level that has proven far stickier than most forecasters expected. Following the most aggressive tightening cycle in forty years, which took the US Fed funds rate from 0 to 5.25-5.50% between 2022 and 2023, the Federal Reserve has been range-bound around 3.50-5.00% for two years — and as of the July 2026 meeting the risk to that rate is arguably tilted toward another increase rather than a cut, with three sitting FOMC members dissenting in favour of tightening further. Financing is no longer an afterthought in a corporate decision; it is once again the binding constraint. A leveraged buyout has to clear a real hurdle rate. A company carrying a marginal, low-return division has to weigh the earnings drag against a cost of capital that no longer forgives inefficiency. A board considering a share buyback, a spin-off, or a sale has to make that case on its own arithmetic merit, because the market is no longer subsidising the decision with free money. The result is that capital allocation has become a company-by-company judgement again, and returns have started to reflect that: idiosyncratic, catalyst-driven, and only loosely tethered to the direction of the market.

This is the dichotomy the rest of this paper is built on, and it is worth stating as plainly as possible. In a low-rate, high-liquidity regime, the dominant source of equity return is beta: broad market direction, driven by the price and availability of money. In a higher-for-longer regime, the dominant source of return shifts toward idiosyncrasy: company-specific catalysts — a merger completing, a division being spun off, a balance sheet being restructured, a re-rating driven by a change in the business itself rather than the multiple that the whole market is willing to pay.

The current rate regime is not a headwind for event-driven strategies to survive, but the specific set of conditions under which the strategy family is designed to work.

Event-driven strategies are, by construction, the part of the alternatives toolkit built to harvest the second kind of return, not the first. Every section that follows is an elaboration of this single idea: that the current rate regime is not a headwind for event-driven strategies to survive, but the specific set of conditions under which the strategy family is designed to work, and thrive.

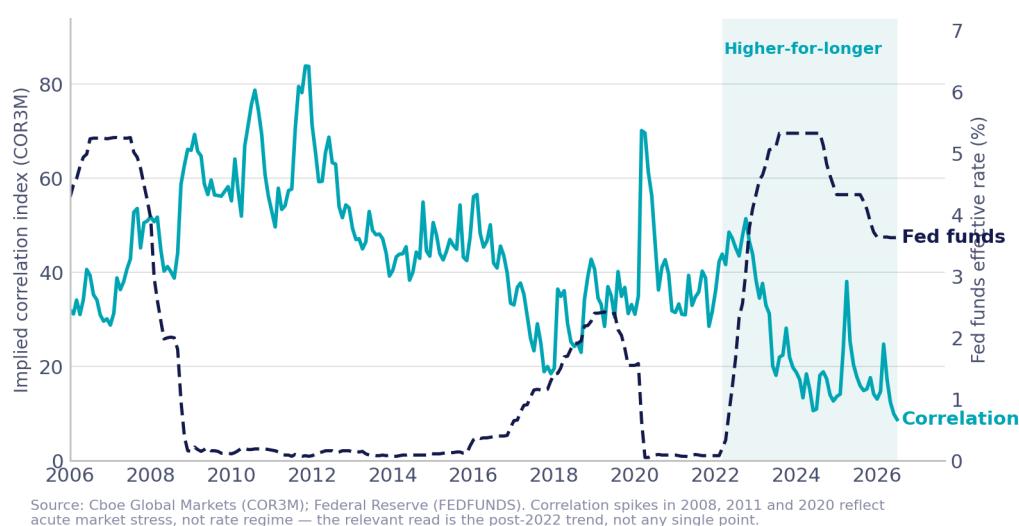
The evidence in one chart

The clearest single proxy for this shift is the relationship between the cost of capital and how closely stocks move together. The chart below plots the CBOE 3-month implied correlation index (COR3M), a measure of how much of the S&P 500's option-implied volatility is explained by common, market-wide moves rather than stock-specific ones, against the effective Fed funds rate, monthly, since 2006.

FIGURE 1

Correlation has fallen to a two-decade low as rates settled higher

CBOE 3-month implied correlation index (COR3M) vs. Fed funds rate, monthly average, 2006–2026



Two things stand out. First, implied correlation is noisy and event-driven: it spikes sharply during systemic shocks regardless of the prevailing rate regime, which is why 2008, 2011 and 2020 all show peaks under very different monetary policy conditions. A rigorous reader will rightly resist a chart that implies a clean, mechanical link between rates and dispersion. The relationship is real but noisy, not a dial that turns in lockstep.

Second, and more relevant to the thesis, once that noise is looked past, correlation has spent the years since the 2022 tightening cycle grinding down to levels last seen only briefly, and has reached its lowest sustained readings of the entire 2006–2026 period in the first half of 2026, precisely the window in which the Fed funds rate has been elevated and stable. That combination of elevated, plateaued rates and multi-year-low correlation is the empirical anchor for the dichotomy this paper identifies, and it is a materially better anchor than any single year of merger-arbitrage spread data, because it captures the market-wide shift from beta-driven to idiosyncratic return.

Three buckets of idiosyncratic return

If Section 1 establishes why idiosyncratic return has become more available — a structurally higher cost of capital forcing capital-allocation decisions to be made on their own merits — this section maps where that return actually comes from. It is deliberately a map, not a manual: each of the three buckets below could support its own paper of sub-strategy detail, and none of that detail changes the argument. What matters for an Investment Committee is that idiosyncratic return arrives through three distinct, largely separable channels, each with its own academic grounding and its own trigger, and that a higher cost of capital feeds all three at once.

FIGURE 2

Three sources of idiosyncratic return



Illustrative summary; supporting statistics from the academic literature cited in each panel and discussed below.

A Merger arbitrage

The first bucket is the most mechanical of the three. When one company agrees to acquire another, the target's shares trade at a discount to the offer price until the deal closes — compensation to whoever holds the shares in the interim for bearing the risk that the transaction breaks. A merger arbitrage position simply owns that spread.

Because the position is resolved by a specific, dated corporate event rather than by where the broader market happens to be trading on the day the deal closes, its return is largely independent of market direction.

The foundational academic study of this effect, Mitchell and Pulvino's analysis of 4,750 mergers between 1963 and 1998, found that merger arbitrage returns are uncorrelated with the market in flat or rising conditions, and only become correlated, behaving like a short put position on the index, in severely depreciating markets; after accounting for transaction costs, the strategy generated an excess return of roughly four percent per year over the sample period. That asymmetry is precisely the point: the return this bucket offers is compensation for deal-specific risk, not for carrying market exposure, which is what makes it a genuine diversifier rather than a disguised long equity position.

B Special situations, including activism

The second bucket widens the aperture from a single announced transaction to the broader set of ways a company can be restructured, separated, or re-rated: spin-offs, divestitures, break-ups, and the strategic reviews that precede them, sometimes initiated by management and sometimes forced by an activist investor. The return here is tied to a specific corporate action rather than the level of the market, but unlike merger arbitrage, the catalyst is often self-selected: an activist identifies a company it believes is undervalued precisely because of a correctable capital-allocation decision, and the return comes from closing that gap.

The empirical record for both halves of this bucket is well established. Cusatis, Miles and Woolridge's study of spin-offs completed between 1965 and 1988 found statistically significant positive abnormal returns for spin-off companies, their former parents, and the combined entity for up to three years after separation. The authors interpret this as evidence that breaking a company apart can itself create value, largely by allowing capital to be allocated more purposefully within each smaller unit. On the activist side, Brav, Jiang, Partnoy and Thomas's study of US hedge fund activism between 2001 and 2006 found an average abnormal stock return of approximately seven percent around the announcement of an activist campaign. Target firms subsequently showed improved payout ratios, better operating performance, and higher CEO turnover, with activists achieving full or partial success in roughly two-thirds of the cases studied. A higher cost of capital raises the number of companies for which this kind of intervention is worth making, which is precisely why this bucket should expand in the current environment, a point developed further in Section 4.

C Volatility, dispersion and factor-based return

The third bucket is the least tied to any single event and the most tied to the overall structure of the market. Rather than owning the outcome of one merger or one restructuring, it captures the widening gap between the best- and worst-performing

stocks within an index — through positions in equity volatility, through relative-value and factor exposures (quality versus junk, value versus momentum), and through trades explicitly designed to profit from a normalisation in that gap once it becomes unusually wide or narrow.

The academic basis for treating this as a distinct return source, rather than noise, comes from Ang, Hodrick, Xing and Zhang's work (2006) on the cross-section of volatility. Stocks with high idiosyncratic volatility, meaning volatility left unexplained by standard size, value, and momentum factors, earn reliably different average returns from the rest of the market. Size, book-to-market, momentum and liquidity effects cannot explain the gap. As Section 1's correlation data showed directly, the last three years have pushed cross-sectional correlation to multi-year lows, which is another way of saying that the gap this bucket is designed to harvest has been widening. This is also the most forward-looking of the three buckets, and the one Section 4 will return to in the most depth.

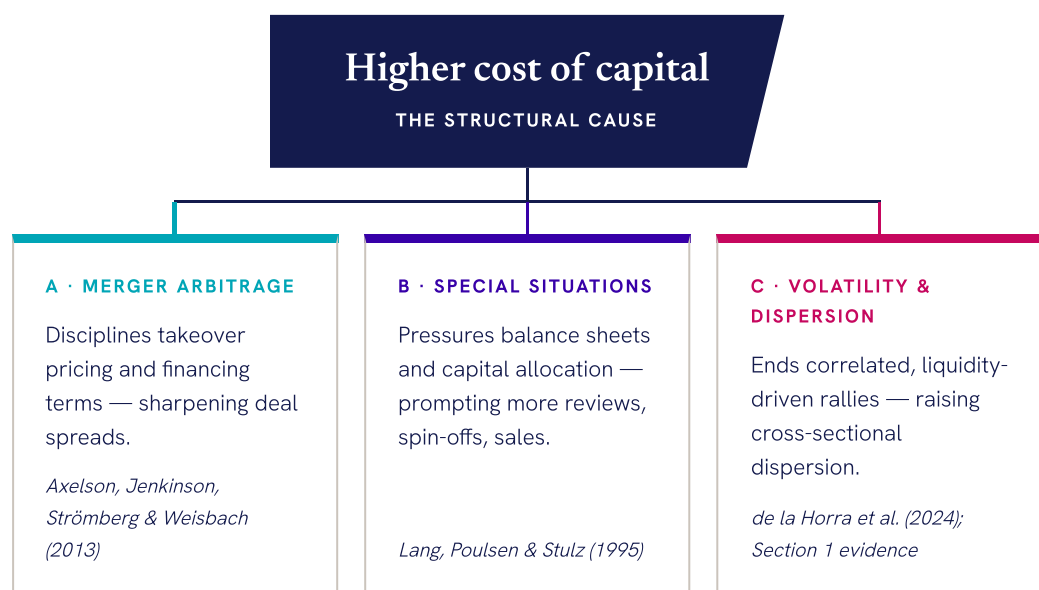
03

Why higher rates feed all three buckets

Section 2 mapped where idiosyncratic return comes from. This section adds the piece that ties the map together: all three buckets are downstream of the same structural cause. A permanently higher cost of capital does not raise the opportunity in merger arbitrage, special situations, and dispersion trading through three unrelated channels — it does so through one channel, disciplined capital allocation, that happens to show up differently in each bucket. That is the connective tissue the rest of this paper relies on, and each link below has its own empirical grounding rather than resting on intuition alone.

FIGURE 3

One cause, three channels



Illustrative summary of the causal channels discussed below; see the cited studies for the underlying evidence.

On Bucket A, the discipline shows up directly in deal financing. Axelson, Jenkinson, Strömberg and Weisbach's study of 1,157 global buyouts between 1980 and 2008 found that leverage in these deals is driven overwhelmingly by economy-wide credit conditions rather than by the characteristics of the target company, and that higher deal leverage is associated with higher transaction prices and lower fund returns — acquirers overpay when credit is cheap and abundant. The mirror image holds when credit is expensive: financing terms tighten, prices are argued down more carefully, and the resulting spreads in merger arbitrage reflect a genuinely more disciplined transaction rather than a looser one.

On Bucket B, the mechanism runs through the corporate balance sheet rather than the deal. Lang, Poulsen and Stulz's study of corporate asset sales found that firms divest assets primarily because doing so provides the cheapest available source of funds, not for operating-efficiency reasons alone, and that this behaviour is concentrated in companies with high leverage or weak performance. When the cost of external financing rises, selling a division or spinning off a unit becomes the cheaper way to fund the rest of the business, which is exactly why boards and activists both have more raw material to work with in a higher-rate world: there are simply more companies for which the arithmetic favours separation.

On Bucket C, the effect runs through the willingness of capital to treat all stocks alike. De la Horra, Gabriel, Giménez-Roche and Perote's study of quantitative easing in the years following the Great Recession found that asset purchases significantly altered asset-return correlations through short-term portfolio-rebalancing effects. In other words, an easier monetary stance measurably pushes assets to move together. Withdrawing that stance should be expected to work in reverse, and Section 1's own data bears this out directly: cross-sectional correlation has fallen to multi-year lows over precisely the period the Fed funds rate has been elevated and stable.

It is worth being precise about what this citation does and does not establish: the QE literature speaks most directly to stock-bond correlation dynamics, while the dispersion this paper cares about is correlation among stocks themselves — a related but distinct effect, and the Section 1 chart remains the more direct evidence for the equity-specific claim.

04

The prospective angle – where the opportunity set is expanding

Sections 2 and 3 are backward-looking: they establish that idiosyncratic return has an academic pedigree and a clear structural cause. This section is forward-looking. It does not repeat that groundwork; it asks where the opportunity set is actually widening today, inside and around the three buckets already mapped.

The opportunity here is not that spreads are wide. It is that they are wide for a reason that persists – a structurally higher cost of capital – rather than a reason that is about to reverse.

Decompression trades

The clearest near-term opportunity is not owning a wide spread, but owning the position that profits specifically when an unusually wide spread narrows back toward normal, whether that is a merger spread, a holding-company discount, or a valuation gap between two related securities. Shleifer and Vishny's foundational analysis of the limits of arbitrage explains why these gaps can persist longer than fundamentals justify: arbitrage requires capital, that capital is finite and risk-averse, and in stressed conditions it withdraws exactly when spreads are most attractive, leaving the gap open until conditions normalise. A period like the present one, in which financing stress has kept several spreads wider than their historical norm without a matching rise in realised deal or restructuring risk, is precisely the setup this literature describes and precisely what a decompression trade is designed to harvest.

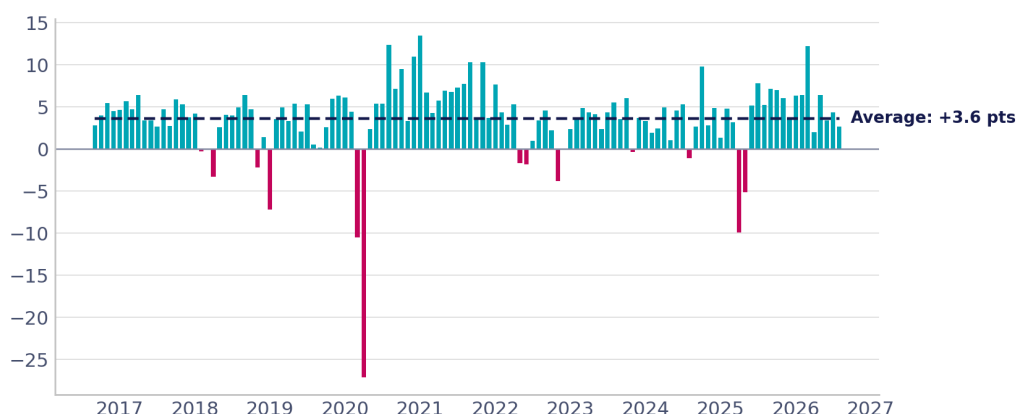
Equity volatility as a return source in its own right

Volatility is usually thought of as something to hedge against, not a source of return. The academic record says otherwise. Carr and Wu's study of variance risk premia found that the price the market pays for insurance against volatility, implied volatility, is persistently higher than the volatility that actually materialises, a gap that is compensation for bearing a risk most investors want to avoid rather than a pricing error. The chart below updates this idea with a simple, direct measure: the VIX less trailing realised S&P 500 volatility, monthly, over the last decade.

FIGURE 4

Implied volatility has exceeded realised volatility in 86% of months

VIX minus trailing 21-day realised S&P 500 volatility, monthly average, 2016–2026



Source: Cboe (VIXCLS); Federal Reserve (SP500), author calculation. Positive values (aqua) indicate months where implied volatility priced in more movement than materialised — the basis of the variance risk premium (Carr & Wu, 2009).

The premium is positive in the large majority of months and, more importantly for this paper, is structurally larger and more persistent in a higher-dispersion regime, because a market where individual outcomes vary more from one another is a market that rationally demands more compensation for uncertainty, which is exactly the environment Section 1 showed the current regime to be. This is what makes volatility a standalone return source in a higher-rate world rather than only a portfolio hedge.

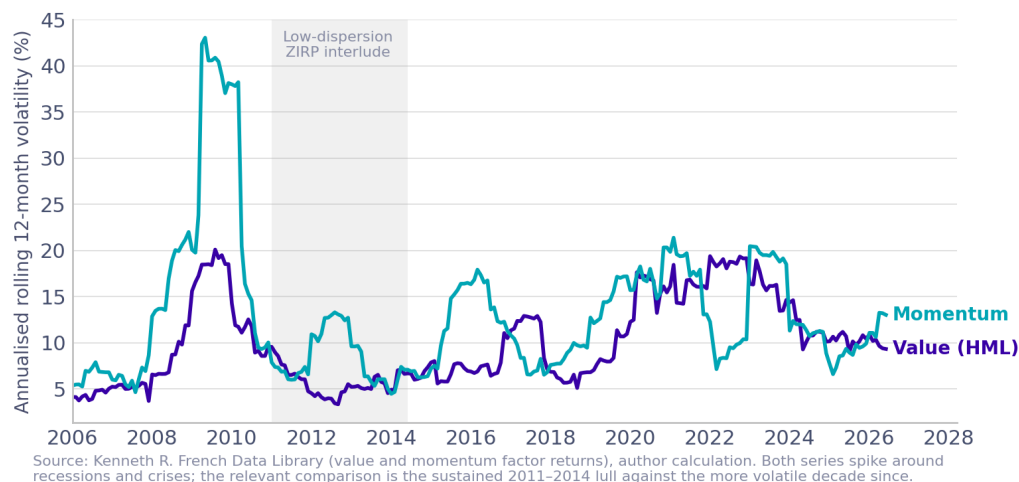
Factor arbitrage

As correlation falls, the return available to strategies that go long one cohort of stocks and short another — quality versus junk, value versus growth, winners versus losers — should mechanically widen, because there is more genuine difference between the cohorts to be long or short of. Asness, Frazzini and Pedersen's study of a quality-minus-junk factor, tested across the United States and 24 other countries, found that this kind of factor earns significant risk-adjusted returns precisely because the market persistently underprices the gap between high- and low-quality companies. The chart below shows the rolling volatility of two standard academic factors, value and momentum, as a simple proxy for how much dispersion-driven opportunity has been available to exploit over time.

FIGURE 5

Factor volatility is noisy, but has stayed well above its ZIRP-era calm

Rolling 12-month annualised volatility of Fama-French factor returns, 2006–2026



The reading of this chart is that factor volatility is noisy and spikes around crises rather than moving in a clean line with the rate cycle, the same caveat that applied to the correlation data in Section 1. The relevant comparison is not any single year but the sustained lull of 2011–2014 against the more volatile decade that has followed, which is consistent with, though it does not by itself prove, a structurally wider opportunity set for factor-based strategies since the low-rate era ended, and more alpha for event-driven strategies.

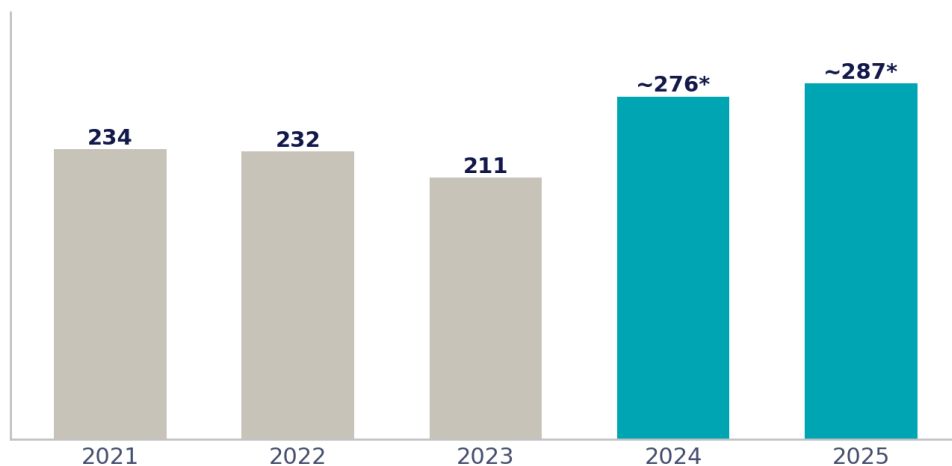
A structural pickup in corporate self-help

Sections 2 and 3 already established the mechanism: boards and activists both find more reason to simplify a business when the cost of capital is high. What is new here is the scale of the response now visible in the data. US spin-off activity fell to a multi-year low in 2023, then reversed sharply.

FIGURE 6

US spin-off activity has re-accelerated since the 2023 trough

Announced/completed US corporate spin-offs by year



Source: Bloomberg deal-count data (2021–2023) via Forbes (Cornell, 2024); H-Advisors (2025) reported YoY growth of +31% in 2024 and +36% in 2025 versus the 2023 base — *2024/2025 figures are derived from those growth rates, not independently reported counts, and should be treated as approximate.

This is worth distinguishing from the smaller, portfolio-pruning divestitures that dominated the prior decade. Market commentary on the current wave — Honeywell's proposed break-up, FedEx's freight spin-off, Comcast's cable-networks separation — describes larger, more transformative separations rather than tidying at the margin, consistent with the Lang, Poulsen and Stulz mechanism cited in Section 3 operating at a scale that reflects a persistent rather than a transient rise in the cost of capital.

Trade policy and the new mercantilism

A second, largely independent source of dispersion has opened up alongside the rate cycle. Since early 2025, the current US administration has used Section 232 national security authority and emergency executive powers to impose or threaten tariffs across a widening and frequently revised set of sectors:

Steel, aluminium & copper	Tariffs doubled to 50% in mid-2025 before being extended to a range of derivative products.
Automobiles & auto parts	Subject to a 25% tariff since April 2025, partly offset for vehicles assembled domestically.
Semiconductors & AI hardware	Tariffs sit alongside export controls restricting advanced chip sales to China.
Pharmaceuticals	Tariffs phasing in from mid-2026, rising to 100% for companies without an onshoring commitment.
Alcoholic beverages	Threatened with a 200% tariff on European wine, champagne and spirits amid a tit-for-tat dispute with the EU.
Energy & critical minerals	Reshoring and energy-security incentives layer on top of tariffs and export restrictions on strategic inputs.

Bridgewater Associates has termed this shift away from decades of trade and capital liberalisation a “mercantilist world,” in which capital allocation is guided as much by national security and industrial strategy as by comparative advantage. For event-driven investors this is not simply a risk to hedge; it is a second, policy-driven engine of the same dispersion this paper’s thesis depends on, and one with its own academic grounding. The tariff-jumping literature finds that trade costs measurably raise the incentive for firms to acquire a foothold inside a protected market rather than continue exporting into it, so cross-border consolidation accelerates specifically in the sectors a tariff schedule targets (Hijzen, Görg and Manchin, 2008). Separately, and just as relevant, the effect does not depend on tariffs settling at any particular level: sustained policy uncertainty of the kind produced by a frequently revised, litigated and renegotiated tariff schedule has itself been shown to depress trade flows and firm investment, independent of the tariff rate eventually applied (Handley and Limão, 2017).

Read together, this is a second macro regime pointing in the same direction as the first. Companies in the directly affected sectors — autos, alcoholic beverages, semiconductors and AI hardware, pharmaceuticals, energy — face a recurring, policy-driven incentive to restructure supply chains through acquisition, relocate production, or separate exposed divisions, while the accompanying uncertainty widens the valuation gap between well- and poorly-positioned companies within the same sector. It is a second tailwind behind the same three buckets, arriving from Washington rather than the Federal Reserve.

Positioning and conclusion

This paper opened with a single dichotomy. In a low-rate, high-liquidity regime, return is dominated by beta: cheap and abundant capital funds decisions on scale rather than merit, correlation across stocks rises, and dispersion, the raw material every idiosyncratic strategy depends on, disappears. In a higher-for-longer regime, capital is disciplined again, decisions are made company by company, and return becomes idiosyncratic. Section 1's own data made the point directly: cross-sectional correlation has fallen to some of its lowest sustained readings in two decades precisely as the Fed funds rate has been elevated and stable. Everything that follows in this conclusion rests on that one empirical fact, not on any view about the next FOMC decision.

It is worth being explicit about what that implies for how this thesis should be judged. This is a regime call, not a rates call. An allocator's Investment Committee does not need to forecast the Federal Reserve or European Central Bank. It needs only to accept that the cost of capital has reset to a structurally higher plateau than the decade following the 2008 crisis, and that this reset is durable rather than a temporary spike.

This is a regime call, not a rates call.

The alternatives winter is over

The decade of near-zero rates was, in a specific and measurable sense, a winter for alternative strategies built on idiosyncratic return. Cheap, abundant capital compressed the very dispersion those strategies exist to harvest: takeover financing was easy enough that discipline in pricing mattered less, as Axelson, Jenkinson, Strömberg and Weisbach's evidence on buyout leverage and pricing makes clear; corporate balance sheets faced less pressure to simplify, muting the flow of the spin-offs and divestitures that Lang, Poulsen and Stulz identify as the mechanism behind Bucket B; and, as de la Horra, Gabriel, Giménez-Roche and Perote's study of quantitative easing shows directly, unconventional monetary policy measurably pushed asset returns to move together, narrowing the very gaps that Ang, Hodrick, Xing and Zhang identify as a distinct, priced source of return. That winter is over. The structural cause has reversed, and with it, every mechanism this paper has traced has begun working in the opposite direction.

We believe this is not a narrow claim. The evidence assembled across Sections 1 through 4 supports a genuinely positive regime for alternative strategies as a category: a world in which capital is no longer free rewards exactly the kind of company-specific

judgement, risk-bearing, and patient capital that active managers are built to supply, and penalises the passive, beta-driven approach that dominated the prior decade. Within that broader positive regime, event-driven strategies are especially well positioned, because they are not exposed to a single source of idiosyncratic return but to three simultaneously reinforcing ones.

Why event-driven specifically is set to compound

Merger arbitrage benefits directly from the repricing of corporate control that a higher cost of capital forces. The same discipline that Mitchell and Pulvino show produces a real, largely market-independent excess return, now available on cleaner terms than in the Khan-era antitrust confound of 2022-23. Special situations and activism benefit from the wave of strategic reviews, spin-offs and divestitures that a permanently higher cost of capital is now visibly producing, consistent with both the capital-allocation evidence in Cusatis, Miles and Woolridge and the announcement-return evidence in Brav, Jiang, Partnoy and Thomas. And volatility, dispersion and factor-based return benefit from a market in which the gap between winners and losers is once again wide enough to be worth harvesting, whether through the variance risk premium documented by Carr and Wu, the quality-minus-junk premium documented by Asness, Frazzini and Pedersen, or the decompression trades that Shleifer and Vishny's work on the limits of arbitrage explains are available precisely because capital is not infinite or fearless.

No other strategy family in the alternatives toolkit draws on three structurally reinforcing return sources at once, which is the specific and differentiated case for event-driven, not merely alternatives in general, over the years ahead.

The alternatives winter is over. What follows is not a brief thaw but a genuinely different season – and event-driven, of every strategy in the alternatives toolkit, is built to draw on the most sources of it at once.

The allocation implication

The practical conclusion follows directly. This regime argument should encourage allocators' Investment Committees to overweight idiosyncratic-return strategies as a family, across merger arbitrage, special situations and activism, and volatility, dispersion and factor-based return together, rather than concentrating that overweight in any single sub-strategy. The case made in this paper is a case for the regime, and the

regime rewards all three buckets simultaneously; a portfolio that captures only one of them is underwriting a narrower and more fragile version of the same thesis than the evidence actually supports.

What would prove this wrong

The risk to this thesis is precisely the mirror image of its cause. It weakens if correlation and dispersion revert — that is, if conditions return to the easy, correlated regime of the prior decade, removing the very dispersion these strategies are built to harvest, regardless of what happens to the policy rate along the way. That is the one condition worth monitoring; everything else in this paper is a reason to expect it will not arrive soon. The shift to a “mercantilist world” framed by Bridgewater Associates, away from decades of trade and capital liberalisation, suggests this is a structural trend we may still underestimate.

References

- Ang, A., Hodrick, R.J., Xing, Y. and Zhang, X. (2006) 'The Cross-Section of Volatility and Expected Returns', *Journal of Finance*, 61(1), pp. 259-299.
- Asness, C.S., Frazzini, A. and Pedersen, L.H. (2019) 'Quality Minus Junk', *Review of Accounting Studies*, 24(1), pp. 34-112.
- Axelson, U., Jenkinson, T., Strömberg, P. and Weisbach, M.S. (2013) 'Borrow Cheap, Buy High? The Determinants of Leverage and Pricing in Buyouts', *Journal of Finance*, 68(6), pp. 2223-2267.
- Brav, A., Jiang, W., Partnoy, F. and Thomas, R. (2008) 'Hedge Fund Activism, Corporate Governance, and Firm Performance', *Journal of Finance*, 63(4), pp. 1729-1775.
- Carr, P. and Wu, L. (2009) 'Variance Risk Premiums', *Review of Financial Studies*, 22(3), pp. 1311-1341.
- Cusatis, P.J., Miles, J.A. and Woolridge, J.R. (1993) 'Restructuring Through Spinoffs: The Stock Market Evidence', *Journal of Financial Economics*, 33(3), pp. 293-311.
- de la Horra, L.P., Gabriel, A., Giménez-Roche, G.A. and Perote, J. (2024) 'Quantitative Easing and Correlation Dynamics in the Aftermath of the Great Recession: A Dynamic Conditional Correlation with Exogenous Variables Approach', *Bulletin of Economic Research*, 76(4), pp. 994-1006.
- Handley, K. and Limão, N. (2017) 'Policy Uncertainty, Trade, and Welfare: Theory and Evidence for China and the United States', *American Economic Review*, 107(9), pp. 2731-2783.
- Hijzen, A., Görg, H. and Manchin, M. (2008) 'Cross-Border Mergers and Acquisitions and the Role of Trade Costs', *European Economic Review*, 52(5), pp. 849-866.
- Lang, L., Poulsen, A. and Stulz, R. (1995) 'Asset Sales, Firm Performance, and the Agency Costs of Managerial Discretion', *Journal of Financial Economics*, 37(1), pp. 3-37.
- Mitchell, M. and Pulvino, T. (2001) 'Characteristics of Risk and Return in Risk Arbitrage', *Journal of Finance*, 56(6), pp. 2135-2175.
- Shleifer, A. and Vishny, R.W. (1997) 'The Limits of Arbitrage', *Journal of Finance*, 52(1), pp. 35-55.
-

IMPORTANT INFORMATION

This material is intended for professional and institutional investors only and is not intended to be directed at or made available to retail clients or US Persons.

The information contained in this document is only for general information on products and services provided by Lumyna Investments Limited ("Lumyna") and Generali Investments Luxembourg S.A ("GIL"), as Management Company. It shall under no circumstances constitute an offer, recommendation or solicitation to subscribe units/shares of undertakings for collective investment in transferable securities or an offer of investment services. It is not linked to nor is it intended to be the foundation of any contract or commitment. It shall not be considered as an explicit or implicit recommendation of any investment strategy or as investment advice. Neither Lumyna nor GIL accept responsibility for mistakes or omissions in this document and shall not be liable in respect of any damages or losses related to the improper use of the information provided herein.

Where forward-looking statements are used in this material, it should be noted that these may involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including general economic conditions, future acquisitions and competitive conditions. Lumyna and GIL undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Investment in funds carries substantial risk. There can be no assurance that the investment objectives of funds will be achieved and investment results may vary substantially over time. Investment in any fund is not intended to be a complete investment programme for any investor. Investment in these types of funds is intended for experienced investors who are able to understand and accept the risks involved.

A prospective investor should appreciate that the value of any investment, and any income from any investment, may go down as well as up and that an investor's capital is at risk and the investor may not receive back the amount invested. Past performance is not indicative of future results.

Lumyna Investments Ltd is authorised and regulated by the Financial Conduct Authority.

LUMYNA