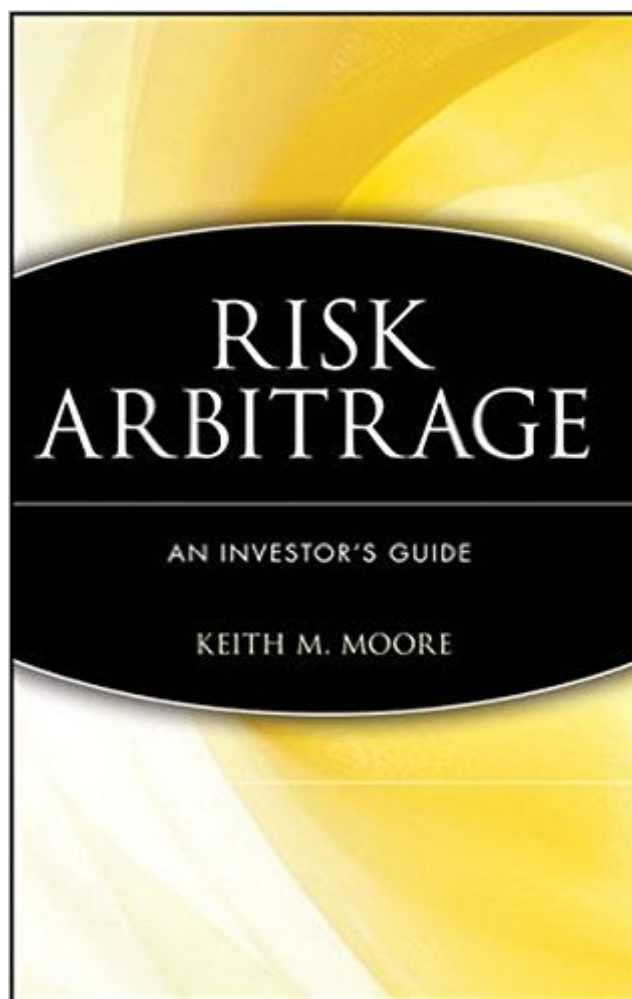


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# Risk Arbitrage: An Investor's Guide



## Synopsis

A much-needed, up-to-date primer on the risk arbitrage investment process. Widely popular during the M&A boom of the early '80s, risk arbitrage is making a comeback. This complete resource takes investors through the ins and outs of risk arbitrage, explaining how it works and how to apply it in real-world situations. It also presents a systematic approach to risk arbitrage techniques that work in today's market.

## Book Information

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## Customer Reviews

I'm surprised this book does not receive more attention as it is apparently the first book in a long while to give a careful treatment to the alluring and elusive business of risk arbitrage. The book's primary merit is its author's clarity --beginning with a clear anecdote to illustrate why the business is called RISK arbitrage. Then, the author helpfully dissects risk arbitrage analysis into its most practical three analytic components: rate of return, risk and probability. He offers, with careful descriptions and examples, several mathematical models to aid in the assessment of these three areas, including a model which melds all three via a risk-adjusted rate of return calculation. The author makes application of these models to cash tenders (friendly and hostile), stock for stock transactions (with and without collars), complex deals involving cash, stocks warrants, bonds etc., and he devotes an entire chapter to hostile takeovers. He discusses portfolio management at length, with handy illustrations of how might one implement the use of spreadsheets, and also discusses hedging strategies fairly carefully. It is a great introduction to an investment arena long in need of a reliable navigator. The book would get 5 stars if not for a teaser the author doesn't address

quite as thoroughly as the rest of his text dictates: he discusses hostile takeovers at length with special emphasis on several anecdotes, but he describes events as they unfold with third-party detachment...whereas I imagine most readers really want to know how each new turn might affect his analysis and computations. But this criticism is a small quibble, and the author deserves tremendous credit for clearly describing a great deal in a short amount of space.

I've been investing for many years but only began investing in arbitrage situations over the past year. I found this book much too basic based on the knowledge I've already gained just by reading various tender offers, proxies and so on. Over 100 pages of the book is two reprints, one of a tender offer document and the other of a court case decision, with a few observations thrown in throughout the reprints. If you have no arbitrage experience it may be helpful.

As a value investor, this book provides a good but simple understanding of what RA is. His experience in the industry is more interesting as others have noted. This book provides conceptual issues that can be applied to options, etc. WITHOUT knowing all these greek letters like delta and gamma. Arbitrage is about common sense, and if you rely on greek letters to support your decision, you will be disappointed.

Keith Moore goes in depth into the Risk Arbitrage world, with useful and simple examples. His analysis progresses at the right speed enabling young professionals to understand fundamental issues easily and with steady progress. The experienced Risk Arbitrageur will also find in it a useful reference guide with interesting issues discussed.

By the time you are done with this book, you will hunger for greater detail on the fascinating topic of merger arbitrage. For the most part, the book glosses over in mostly limited detail the key steps in understanding merger arbitrage. The author's considerable experience has allowed him to convey a somewhat complicated topic in non-complicating language. The author could have offered a more animated and detailed walk through of previous deals, to involve the reader in the drama that often unfolds during the lifetime of deals. Anyone with some degree of financial acumen, or who is interested in perhaps starting a hedge fund, will find it an incomplete discussion, but a very worthy read along the way toward greater mastery of this subject.

It's ok for a beginner, covers the basics and gives a few anecdotes from his investment career,

that's about it. I would recommend Merger Arbitrage by Kirchner because it basically covers this whole book in its first chapter(just makes me wonder how does did the author take a whole book to cover the info Kirchner did in a single chapter) and it has 12 more! Just think of the information difference between the two books.

This book outlines a solid framework to assess risk arbitrage opportunities. The author describes types of transactions and the elements of return, risk, and probability to systematically analyze a deal. A number of useful formulas are included. However, a more thorough discussion on collar deals would be helpful.

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