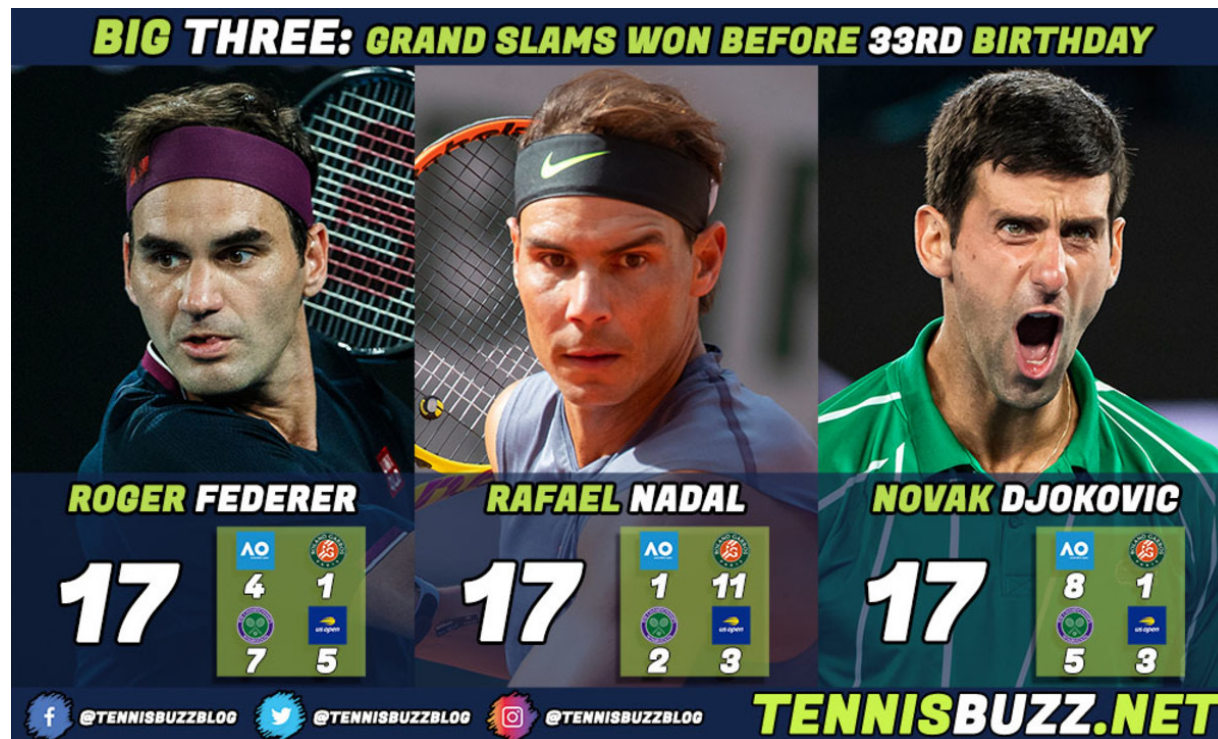


The GOAT Debate



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r/movies • 3y ago
ReelStats



These are the 100 greatest movies of all time, based on averaging ratings from 30 websites

Ranking	Movie	Year
1	The Godfather	1972
2	Seven Samurai	1954
3	12 Angry Men	1957
4	The Godfather: Part II	1974
5	Tokyo Story	1953

GOAT in Finance?



steal his look



Zegna silk tie
\$210



Merit light
\$22.4



Patek Philippe
5136
\$40,000



blue Oxford shirt
Brunello Cucinelli
\$430

**69% annualized
average return
(before fees) over
34 years**



GOAT Trade? (1) Index Inclusion

- S&P announces a stock will enter the index on a future effective date. Index funds must buy at the closing price on that date regardless of cost. Buy the stock after announcement, sell to forced indexers at inclusion. Reverse for deletions.
- Example: Pretty much every event-driven desk
- What can go wrong?
 - Crowding
 - Anticipation trading moves the price before announcement

GOAT Trade? (2) Merger Arbitrage

- When Company A announces acquisition of Company B, target B trades below offer price (the "spread"). Buy B, collect spread when deal closes. In stock deals, short A to hedge exchange-ratio risk.
- Example: Paulson & Co., Millennium's merger arb pods
- What can go wrong?
 - Deals often break and correlations spike in crises e.g. 2008
 - Recent example: Microsoft-Activision (2022-23) had the FTC block attempt and the spread blew out before eventually closing.

GOAT Trade? (3) Convertible Arbitrage

- Buy a convertible bond (bond + embedded call option on issuer's stock). Short the right amount of stock to hedge the option's delta.
- You're buying cheap vol from a price-insensitive seller (i.e. corporate treasurer typically does not price the option correctly). **Mispricing!**
- Example: Citadel, AQR, Highbridge
- What can go wrong?
 - Issuer can default or get downgraded (e.g. 2005 GM/Ford)
 - 2008 was also pretty bad