



Corporate Activity is Reaccelerating: Why Event-Driven Strategies are Positioned to Benefit

Executive Summary

- Corporate activity contracted materially in 2022 as rising interest rates, valuation uncertainty, and heightened regulatory scrutiny made deal execution prohibitively difficult and often unattractive.
- By late 2025, those constraints began to ease; financing conditions stabilized, market confidence improved, and long-deferred strategic expansion began moving back onto boardroom agendas. M&A and IPO activity began to recover.
- We view 2025 as the early phase of a broader normalization, supported by a strong pipeline of deferred transactions and increasingly favorable market and regulatory conditions.
- Historically, such environments have favored event-driven strategies, particularly merger arbitrage and equity capital markets managers.
- Recognizing these dynamics, TIFF increased exposure to event-driven strategies through allocations to merger arbitrage and equity capital markets managers.

“We are optimistic about the outlook for equity and debt underwriting, particularly amid the resurgence in the IPO market and higher acquisition finance-related activity.”

— David Solomon, Goldman Sachs CEO at Q4 2025 earnings period

A Shift in Corporate Sentiment

During the Q4 2025 earnings season, corporate commentary shifted meaningfully with renewed enthusiasm around M&A and equity capital markets: a dealmaking renaissance. After several years of constrained activity, corporates are now eager to act. We see early signs of recovery in 2025 across mergers and equity capital market issuance, creating conditions that have historically favored event-driven strategies. To understand the significance of this shift, it is helpful to revisit what caused the slowdown.

The 2022 Reversal

Prior to 2022, deals were elevated across both M&A and equity capital markets. Following the initial COVID shock, extraordinary monetary and fiscal stimulus drove interest rates to historic lows and sharply reduced the cost of capital. IPO issuance and M&A reached record levels in 2021, supported by strong equity markets and abundant financing. For event-driven managers, the opportunity sets were broad with low closing risk. According to HFRI, event-driven strategies were among the best-performing hedge fund categories in 2021.

Conditions changed abruptly in 2022. Inflation surged, prompting one of the fastest monetary tightening cycles in decades. At the same time, heightened regulatory scrutiny extended review timelines and increased deal uncertainty. This deadly combination materially weakened business confidence and reduced corporate willingness to pursue transactions.

Global IPO issuance fell by roughly 70–80%,¹ while M&A volumes declined 40–50% from prior peaks.² As transaction activity slowed, opportunity sets narrowed and event-driven strategies faced a challenging backdrop.

Early Signs of Recovery

After several years of limited IPO and M&A activity, material pressure began to build beneath the surface, and a substantial backlog of high potential transactions accumulated. As of late 2025, more than 1,300 unicorns³ remained held within private equity and venture capital portfolios.⁴ Prolonged holding periods increased pressure on private equity sponsors to unlock capital and realize IRRs, while venture-backed companies faced growing urgency to secure long-delayed liquidity events.

By 2025, several headwinds that froze corporate activity began to ease:

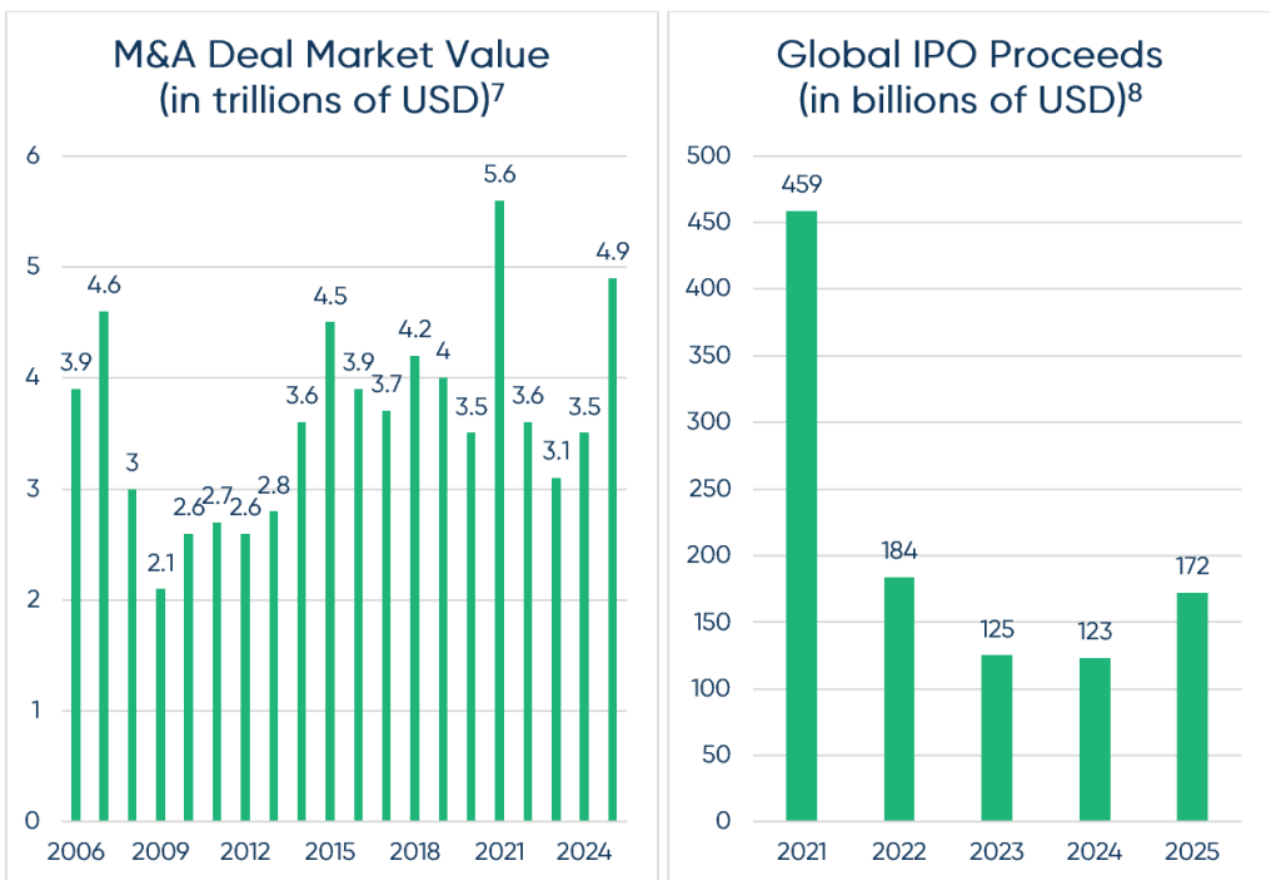
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Boards and sponsors shifted from “wait-and-see mode” to careful execution with optimism. In 2025, both M&A and equity capital markets rose ~40% year-over-year in dollar terms^{5 6} with broad-based recovery across sectors and geographies. Strategic transactions led the rebound as companies repositioned for growth, with artificial intelligence serving as an additional

catalyst for large-scale deals.

As transaction flow resumed, event-driven opportunity sets expanded accordingly. Event-driven performance recovered alongside activity, with the HFRI Event-Driven Index returning approximately 11% in 2025.

We view 2025 not as a short-term rebound, but as the early phase of a broader normalization. Financing conditions have stabilized, business confidence is restoring, regulatory review processes have become more predictable, and the backlog of deferred transactions remains substantial. In our view, the recovery reflects a return toward the long-term growth trajectory that preceded the disruption.



Why This Matters for Event-Driven Strategies

Event-driven strategies are designed to capitalize on corporate activity. As transaction volumes expand, opportunity sets broaden meaningfully. Recognizing these dynamics, TIFF increased exposure to event-driven strategies through allocations to merger arbitrage and equity capital markets managers.

Merger Arbitrage Strategies

Merger arbitrage strategies seek to capture the spread between a target company's trading

price and the offered price in a merger transaction (deal spread).

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Equity Capital Markets Strategies

Equity capital markets (ECM) strategies seek to capture deal-specific alpha by providing liquidity across primary and secondary issuance, including IPOs, follow-ons, block trades, and convertible securities.

ECM managers are positioned to benefit from a growing pipeline of transactions and increased issuance frequency. Experienced managers often engage with issuers well ahead of market reopening, working alongside management teams and underwriters on positioning, investor messaging, and deal structuring. These long-standing relationships and preparation can translate into improved access and more attractive allocations as issuance resumes.

Portfolio Diversification Benefits

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Positioning for a Multi-Year Normalization

Our objective was not to time a short-term rebound, but to position the portfolio for a sustained reopening of corporate activity.

We believe the recovery that began in 2025, supported by stabilizing financing environments, a more predictable regulatory backdrop, and a substantial pipeline of deferred transactions, represents the early stages of a multi-year normalization.

As transaction flow continues to rebuild, event-driven strategies are positioned to benefit from an expanding opportunity set across mergers and equity capital markets.

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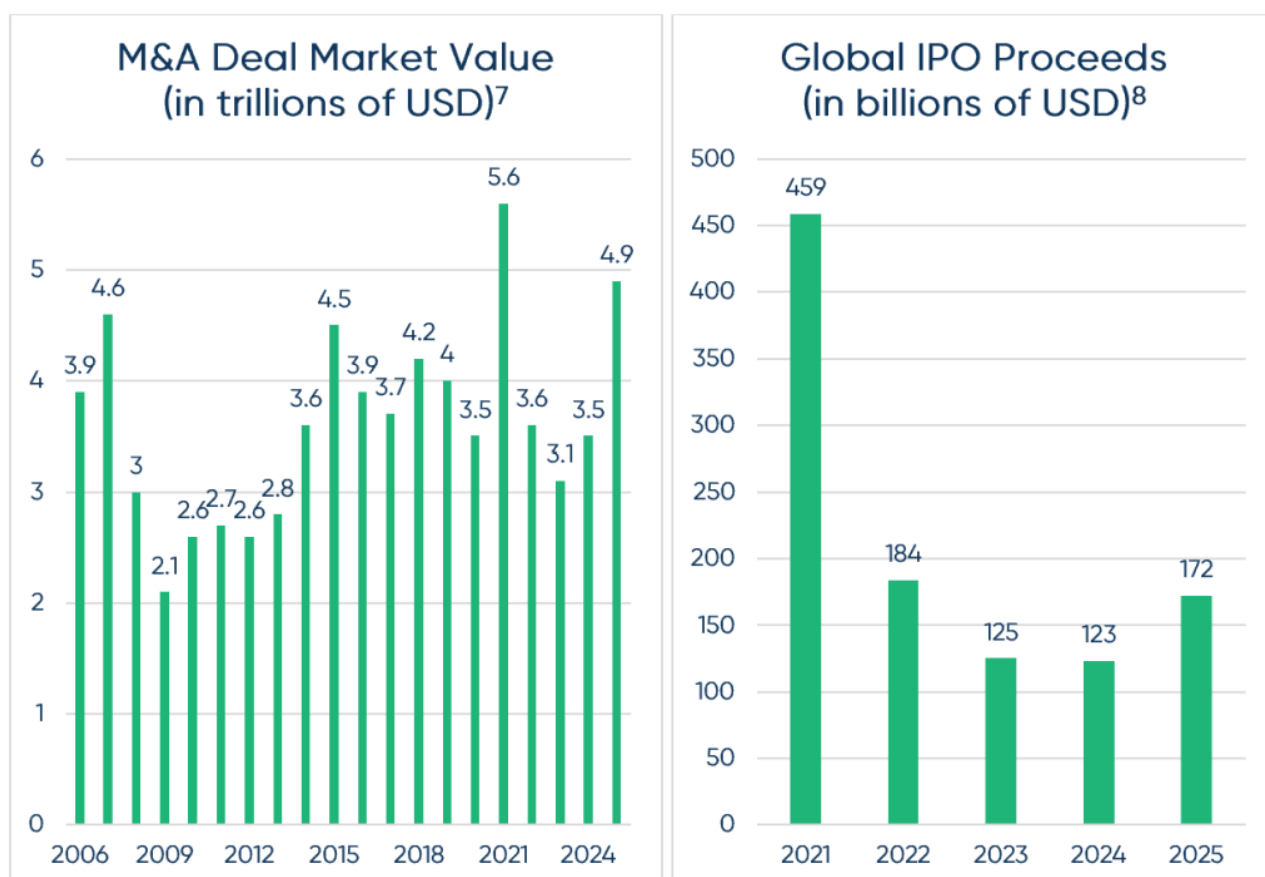
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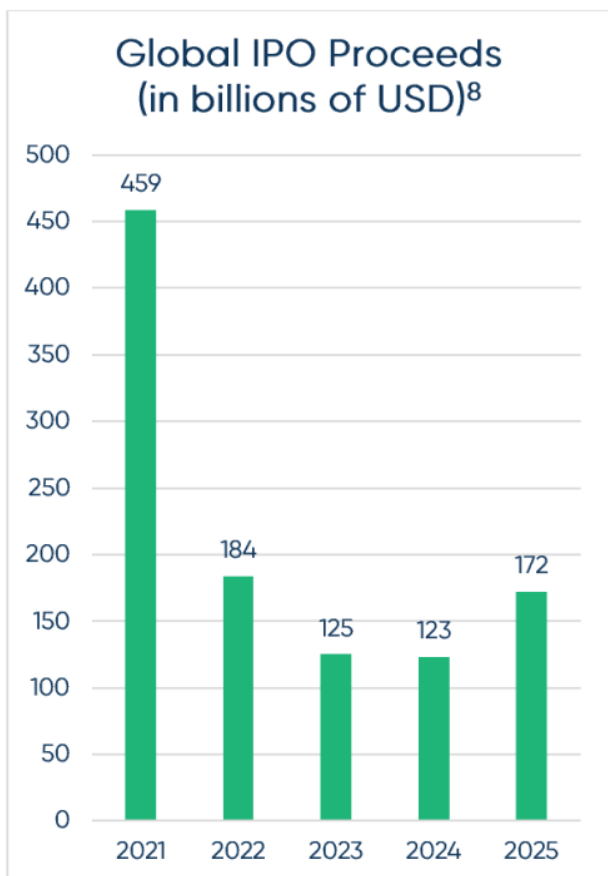
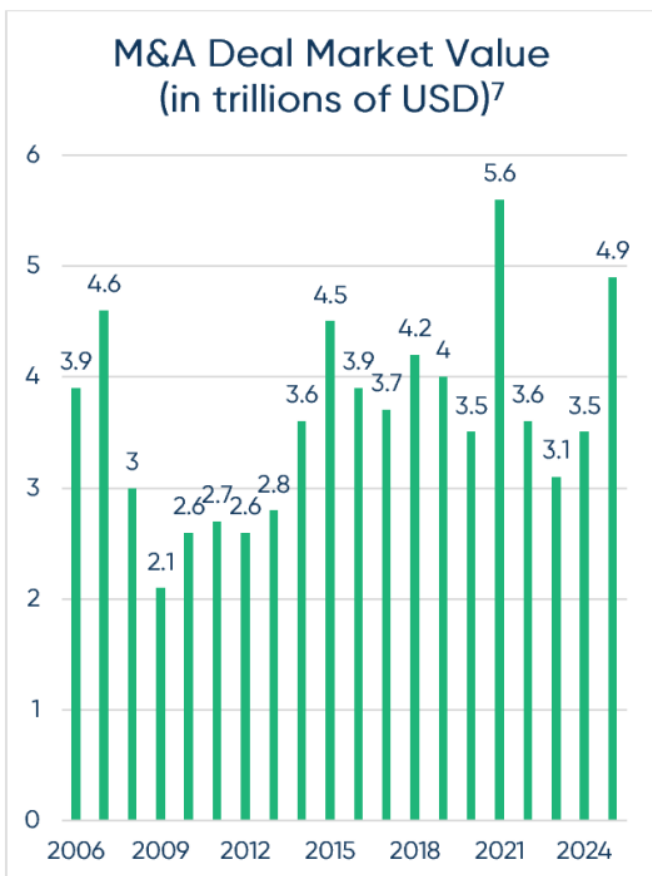
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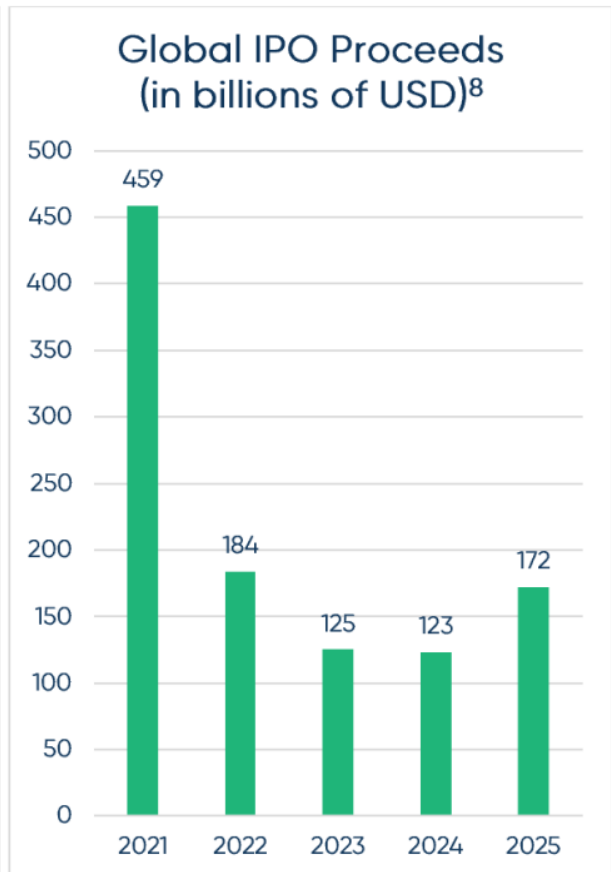
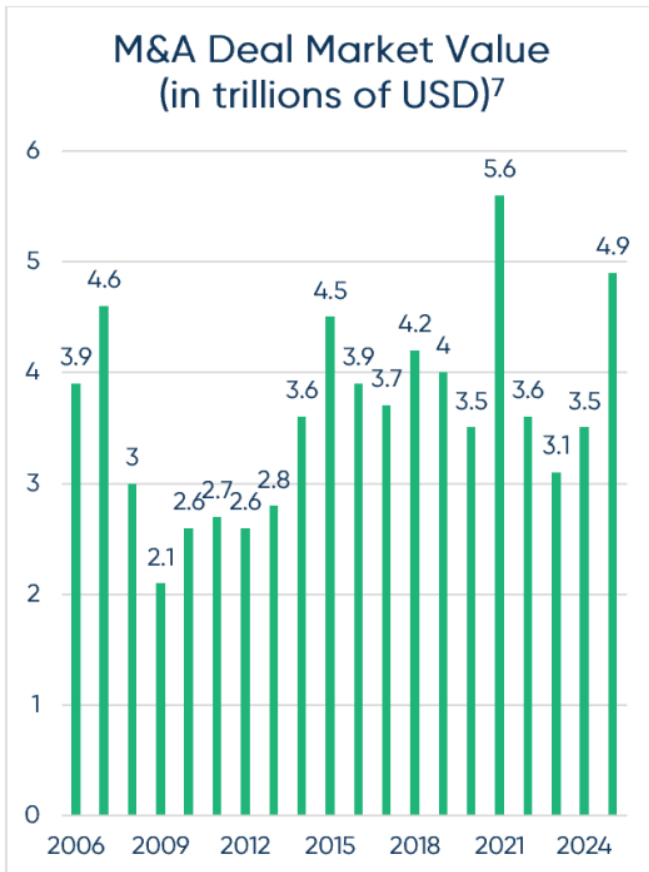
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6. EY: https://www.ey.com/en_gl/insights/ipo/trends.
7. Bain: <https://www.bain.com/insights/looking-back-m-and-a-report-2026/>.
8. EY: https://www.ey.com/en_gl/insights/ipo/trends.

TIFF Investment Management



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Corporate Activity is Reaccelerating: Why Event-Driven Strategies are Positioned to Benefit

Executive Summary

- Corporate activity contracted materially in 2022 as rising interest rates, valuation uncertainty, and heightened regulatory scrutiny made deal execution prohibitively difficult and often unattractive.
- By late 2025, those constraints began to ease; financing conditions stabilized, market confidence improved, and long-deferred strategic expansion began moving back onto boardroom agendas. M&A and IPO activity began to recover.
- We view 2025 as the early phase of a broader normalization, supported by a strong pipeline of deferred transactions and increasingly favorable market and regulatory conditions.
- Historically, such environments have favored event-driven strategies, particularly merger arbitrage and equity capital markets managers.
- Recognizing these dynamics, TIFF increased exposure to event-driven strategies through allocations to merger arbitrage and equity capital markets managers.

“We are optimistic about the outlook for equity and debt underwriting, particularly amid the resurgence in the IPO market and higher acquisition finance-related activity.”

— David Solomon, Goldman Sachs CEO at Q4 2025 earnings period

A Shift in Corporate Sentiment

During the Q4 2025 earnings season, corporate commentary shifted meaningfully with renewed enthusiasm around M&A and equity capital markets: a dealmaking renaissance. After several years of constrained activity, corporates are now eager to act. We see early signs of recovery in 2025 across mergers and equity capital market issuance, creating conditions that have historically favored event-driven strategies. To understand the significance of this shift, it is helpful to revisit what caused the slowdown.

The 2022 Reversal

Prior to 2022, deals were elevated across both M&A and equity capital markets. Following the initial COVID shock, extraordinary monetary and fiscal stimulus drove interest rates to

historic lows and sharply reduced the cost of capital. IPO issuance and M&A reached record levels in 2021, supported by strong equity markets and abundant financing. For event-driven managers, the opportunity sets were broad with low closing risk. According to HFRI, event-driven strategies were among the best-performing hedge fund categories in 2021.

Conditions changed abruptly in 2022. Inflation surged, prompting one of the fastest monetary tightening cycles in decades. At the same time, heightened regulatory scrutiny extended review timelines and increased deal uncertainty. This deadly combination materially weakened business confidence and reduced corporate willingness to pursue transactions.

Global IPO issuance fell by roughly 70–80%,¹ while M&A volumes declined 40–50% from prior peaks.² As transaction activity slowed, opportunity sets narrowed and event-driven strategies faced a challenging backdrop.

Early Signs of Recovery

After several years of limited IPO and M&A activity, material pressure began to build beneath the surface, and a substantial backlog of high potential transactions accumulated. As of late 2025, more than 1,300 unicorns³ remained held within private equity and venture capital portfolios.⁴ Prolonged holding periods increased pressure on private equity sponsors to unlock capital and realize IRRs, while venture-backed companies faced growing urgency to secure long-delayed liquidity events.

By 2025, several headwinds that froze corporate activity began to ease:

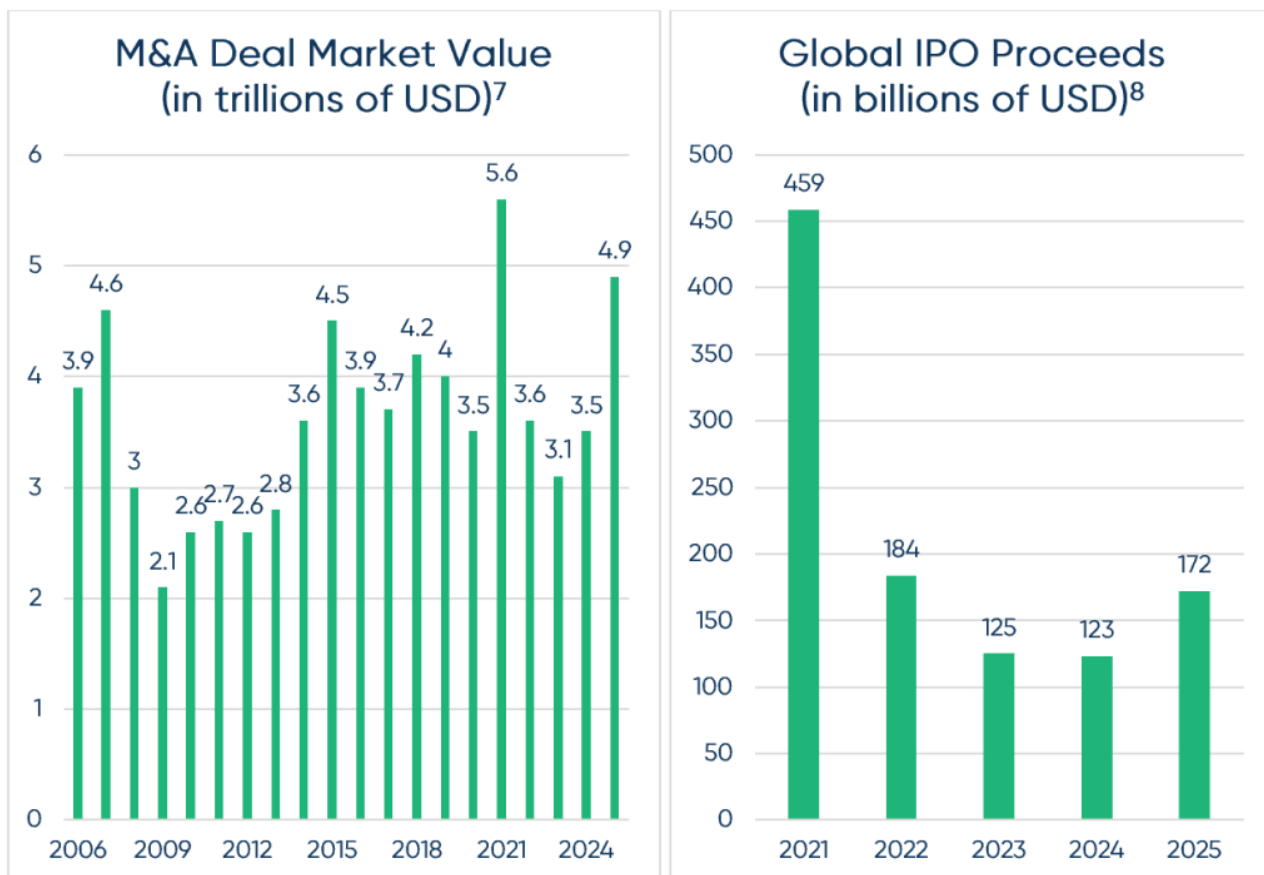
- Interest rates stabilized, reducing uncertainty around financing costs.
- Equity markets recovered, restoring confidence in public market exits.
- Corporate balance sheets strengthened, supporting renewed management confidence in strategic decision-making.
- Regulatory review processes became more predictable, improving visibility around deal execution timelines.

Boards and sponsors shifted from “wait-and-see mode” to careful execution with optimism. In 2025, both M&A and equity capital markets rose ~40% year-over-year in dollar terms^{5 6} with broad-based recovery across sectors and geographies. Strategic transactions led the rebound as companies repositioned for growth, with artificial intelligence serving as an additional catalyst for large-scale deals.

As transaction flow resumed, event-driven opportunity sets expanded accordingly. Event-driven performance recovered alongside activity, with the HFRI Event-Driven Index returning

approximately 11% in 2025.

We view 2025 not as a short-term rebound, but as the early phase of a broader normalization. Financing conditions have stabilized, business confidence is restoring, regulatory review processes have become more predictable, and the backlog of deferred transactions remains substantial. In our view, the recovery reflects a return toward the long-term growth trajectory that preceded the disruption.



Why This Matters for Event-Driven Strategies

Event-driven strategies are designed to capitalize on corporate activity. As transaction volumes expand, opportunity sets broaden meaningfully. Recognizing these dynamics, TIFF increased exposure to event-driven strategies through allocations to merger arbitrage and equity capital markets managers.

Merger Arbitrage Strategies

Merger arbitrage strategies seek to capture the spread between a target company's trading price and the offered price in a merger transaction (deal spread).

Higher deal volumes expand the investable universe, allowing managers to be more selective and better diversified across deals. Improving confidence in deal completion and more

predictable regulatory timelines can reduce downside risk and shorten holding periods.

While increased competition has narrowed spreads in parts of the market, disciplined managers with strong deal selection, risk management, and portfolio construction remain well positioned to participate across a broader and more active opportunity set.

Equity Capital Markets Strategies

Equity capital markets (ECM) strategies seek to capture deal-specific alpha by providing liquidity across primary and secondary issuance, including IPOs, follow-ons, block trades, and convertible securities.

ECM managers are positioned to benefit from a growing pipeline of transactions and increased issuance frequency. Experienced managers often engage with issuers well ahead of market reopening, working alongside management teams and underwriters on positioning, investor messaging, and deal structuring. These long-standing relationships and preparation can translate into improved access and more attractive allocations as issuance resumes.

Portfolio Diversification Benefits

Importantly, both strategies tend to exhibit low correlation to broader hedge fund strategies. Returns are driven less by market direction and more by deal structure, execution, and corporate decision-making, offering meaningful diversification benefits within a multi-strategy portfolio.

Positioning for a Multi-Year Normalization

Our objective was not to time a short-term rebound, but to position the portfolio for a sustained reopening of corporate activity.

We believe the recovery that began in 2025, supported by stabilizing financing environments, a more predictable regulatory backdrop, and a substantial pipeline of deferred transactions, represents the early stages of a multi-year normalization.

As transaction flow continues to rebuild, event-driven strategies are positioned to benefit from an expanding opportunity set across mergers and equity capital markets.

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Footnotes

1. EY: https://www.ey.com/en_gl/insights/ipo/trends.
2. Bain: <https://www.bain.com/insights/looking-back-m-and-a-report-2026/>.
3. Unicorn is defined as private companies valued above \$1 billion.
4. CB Insights: <https://www.cbinsights.com/research-unicorn-companies>.
5. Bain: <https://www.bain.com/insights/looking-back-m-and-a-report-2026/>.
6. EY: https://www.ey.com/en_gl/insights/ipo/trends.
7. Bain: <https://www.bain.com/insights/looking-back-m-and-a-report-2026/>.
8. EY: https://www.ey.com/en_gl/insights/ipo/trends.

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