

“I Don’t Like Risk, I Like Arbitrage”: Jeffrey Sweeney on Where the Smart Money Wins

What if the smartest investors are not the ones taking the most risk, but the ones seeing opportunities others miss? Jeffrey Sweeney explains why the strongest returns often come from arbitrage—finding overlooked value where competition is limited, structures are misunderstood, and markets become inefficient.



By [Jeffrey Sweeney](#), Founder and Chairman, [US Capital Global](#)

In finance, risk-taking is often treated as a virtue. Markets reward boldness, leverage, and aggressive positioning—until they don’t. Entire cycles are built on the assumption that higher returns require higher risk. But in my experience, some of the best opportunities in finance come not from taking greater risks, but from seeing opportunities others fail to recognize.

As I often say: “I don’t like risk, I like arbitrage.”

That distinction matters enormously, particularly in today’s market environment.

When many investors think of arbitrage, they think of classic trading or hedging strategies—buying an asset in one market and selling it in another to capture a pricing discrepancy. But in private finance and alternative investments, arbitrage is often something much broader and far more strategic. It is about recognizing opportunities that exist because other market participants either cannot, will not, or do not know how to pursue them.

In many cases, the opportunity itself is not inherently risky. The opportunity exists because competition and expertise at the table are limited.

Arbitrage Exists Where Markets Become Narrow

One of the most common forms of arbitrage in private finance is access. Sometimes you are the only group with the relationships, sourcing network, or market visibility to see a transaction. Proprietary deal flow itself creates arbitrage. If only a small number of participants are even aware of an opportunity, pricing and structure can become highly favorable.

Size can also create arbitrage. Large institutional lenders are not structured to efficiently serve the lower middle market, and over the past decade that disruption has only increased. Their underwriting systems, internal approvals, and cost structures are built for larger transactions. At the same time, many smaller capital sources lack the infrastructure, visibility, and deal flow necessary to provide institutional-quality financing solutions. Many of these emerging lenders remain largely unknown in the marketplace, and building meaningful market presence is often beyond the scope of their teams and budgets.

As larger lenders increasingly retreat from middle-market financing, and newer middle-market capital providers remain fragmented and underrecognized, significant inefficiencies continue to emerge across both regional and global markets.

That creates a substantial gap in the market.

At US Capital Global, we have long focused on robust origination and bringing institutional-quality structuring and underwriting to the middle market, including the lower middle market. In many cases, we are able to provide customized financing solutions that borrowers would typically associate only with much larger institutions. This is an arbitrage strategy.

The same principle applies to asset classes and structures that fall outside standardized underwriting models. Traditional banks and many large finance companies operate within relatively narrow product parameters, with limited flexibility outside those lanes. As a result, many perfectly financeable assets are simply overlooked—not because they are necessarily riskier, but because they do not fit conventional models.

That creates opportunities for firms with the experience and insight to recognize value others overlook and to find like-minded financial partners capable of executing those transactions.

Arbitrage Is About Understanding What Others Miss

One of the great misconceptions in finance is that high returns always imply high underlying risk. In reality, some of the strongest risk-adjusted opportunities emerge when markets become inefficient.

A transaction may carry an elevated yield because there are fewer buyers, fewer lenders, regulatory friction, liquidity constraints, or structural complexity. But complexity alone does not equal danger. Often, it simply means the average participant cannot become comfortable quickly enough.

That is where experience matters. If you can properly understand the structure, collateral, counterparties, and downside protection, opportunities that appear unconventional can actually prove far safer than highly crowded trades offering only marginal spreads. This is why I have always preferred arbitrage opportunities over speculative risk-taking.

I would rather participate in a transaction where there are few capable competitors at the table than try to mathematically optimize a highly efficient market for a few additional basis points of return. The former creates structural advantage. The latter often creates fragility, particularly in uncertain markets.

The Long-Term Advantage of Arbitrage

There is another important dimension to arbitrage that business leaders sometimes overlook.

When a firm identifies a genuine market inefficiency, it can strategically position itself within that niche rather than simply becoming part of the broader herd of capital providers offering standardized products with modest yields. Firms with strong origination capabilities can expand their niche arbitrage opportunities because higher transaction volume within a specialized segment allows for more selective and profitable capital allocation.



Used intelligently, arbitrage opportunities can become a mechanism for building market share, strengthening relationships, and expanding brand reputation over time. If clients feel they are being treated fairly during periods when financing alternatives are limited, they tend to remain loyal. Relationships deepen, referral networks strengthen, and market position expands organically.

Ultimately, successful finance is not about chasing risk for its own sake. It is about understanding where structural inefficiencies exist, where competition is limited, where markets have become temporarily dislocated, and where careful underwriting can uncover opportunities others fail to recognize.

At US Capital Global, we continue to believe that strong brand building, robust origination, intelligent structuring, and strategic arbitrage opportunities remain among the most compelling drivers of long-term success in private finance. Over time, the smartest investors understand that disciplined arbitrage consistently beats speculative risk-taking.

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