Hello,

On behalf of Harris Arch, CFA and Dan Moore, CFA, the portfolio managers of DuPont Capital's merger arbitrage strategy, attached is our monthly commentary and the February 2023 fact sheet containing performance and risk metrics.

Performance

For the month of February, our Merger Arbitrage strategy increased 42 bps net of fees and the Merger Arbitrage Enhanced strategy, which utilizes leverage, increased 34 bps net of fees. For the year, Merger Arbitrage is up 1.08% and Merger Arbitrage Enhanced is up 1.18%. The Merger Arbitrage Enhanced strategy is at 0.86X gross and 0.72X net leverage. In recent months, the leverage has declined as our SPAC holdings reach their redemption date. The present leverage ratio is near our lowest since the levered fund was started in 2020.

Outlook and Strategy

Our monthly commentaries usually review the past month's performance and deal environment. Given the recent bank failures of Silicon Valley Bank and Signature Bank last week, February 2023 seems like a lifetime ago. We have been quite active in the portfolio over the past two weeks. In certain spreads that had finally widened enough to improve the annualized return and we still believe the odds of deal closure were high, we were able to initiate a position. In other spreads, we covered previous short positions as the spread widened. For several deals, the regulatory factor remains too difficult to handicap and we have no long or short position.

Several firms employ a rules based, systematic approach to merger arbitrage and own most of the pending deals. We believe this may underestimate the deal specific risks such as regulatory approval. In recent weeks, the US regulatory agencies, FTC and DOJ, have sued to block deals such as Spirt/JetBlue and Black Knight/ICE. A fundamental approach to merger arbitrage is better equipped to analyze the risks to closing a deal, especially in this volatile environment.

Typically, during market volatility, there might be a pause in M&A. Although it has only been a couple of weeks of tumult, M&A was fairly robust. The largest deal of the year, Pfizer's $43 billion dollar acquisition of Seagen, was announced last week. Furthermore, there have been several midsized private equity acquisitions. Last fall, the large investment banks were nursing large losses on their LBO related fundings. Given the recent thaw in the credit markets, they were able to offload some of the debt from their balance sheet and have become more willing to fund new deals. Furthermore, private credit remains a large and willing source of capital for recent deals.

In January's commentary, we ended with:

"Presently, we would characterize our portfolio as quite defensive. In certain deals with tight spreads, we have opted to reverse the spread. While the equity market has been strong so far year to date, if there is a near term correction in equities and credit spreads, we might see merger arb spreads widen, especially in rate of return deals. This could provide an opportune entry point for new positions in deals where we are currently on the sidelines."

Given the recent bank induced volatility in the capital markets, we would describe our current posture as "off the sidelines" in certain situations, but still preserving most of our firepower in the event that the volatility is long lasting and more than a near term blip.

If you would like to speak to us in more detail, please reach out and we would be happy to provide more detail on our strategy.

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Please see GIPS Report in attached Fact Sheet.