Hello,

On behalf of Harris Arch, CFA and Dan Moore, CFA, the portfolio managers of DuPont Capital's merger arbitrage strategies, attached is our monthly commentary and the November 2021 fact sheet containing performance and risk metrics.

Performance

For the month of November, our Merger Arbitrage strategy increased 40 basis points (bps) net of fees and the Merger Arbitrage Enhanced strategy, which utilizes leverage, increased 80 bps net of fees. Year to date through the end of November, Merger Arb is up 6.50% and Merger Arb Enhanced is up 11.26%, net of fees. The Merger Arb Enhanced strategy is conservatively leveraged at 1.88X gross and 1.72X net leverage.

Outlook and Strategy

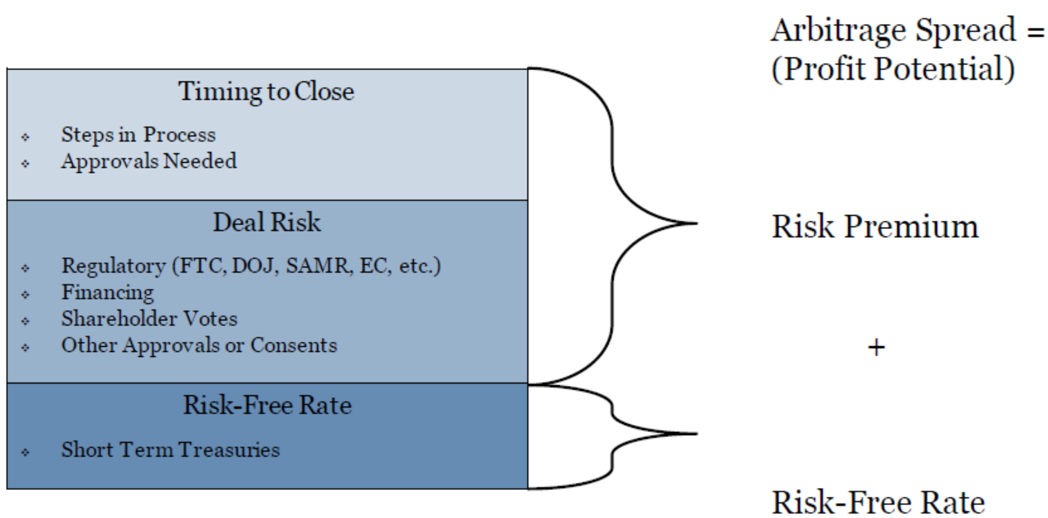
In past monthly outlooks, we have discussed our views on the merger arb and spac environment. In recent weeks, we have met with several allocators who have expressed interest in our strategy as a replacement for traditional fixed income strategies in their portfolios. As a result of these insightful discussions, we think it would be helpful to outline our view of how merger and spac arbitrage can function as an alternative to fixed income.

The challenges facing future returns in core fixed income are well known. Interest rates remain near generational lows in many sovereign markets. As of the writing of this commentary in mid-December, ten and thirty year US treasuries are below 2%. Meanwhile, in recent months, inflation has surged to 4-7% annualized (depending which inflation metric), well in excess of the 2% Fed inflation target. For many years, inflation was well tamed and not a substantial threat to fixed income returns. Now, with inflation rates exceeding government bond yields, real rates have become substantially negative. The current and future return profile for fixed income is definitely fraught with risk.

In a sharp U-turn, the Federal Reserve has recently pivoted towards fighting inflation and will most likely embark on a rate hiking cycle in 2022, once they finish fully tapering treasury and MBS purchases. While the exact number of interest rate hikes for 2022 and beyond is very uncertain, it is certain that the Federal Reserve is starting to end its easy money policies that we were enacted due to the pandemic.

While rising interest rates will be a headwind for fixed income returns, we believe rising rates will be beneficial for merger arb and spac returns. Recall that the merger arb spread is a combination of the risk-free rate plus the idiosyncratic risk related to that particular deal (Exhibit 1). For example, we would expect that a deal with substantial regulatory issues would have a wider spread than a clean, straightforward arb deal. Also, deals that take longer to close often have a larger gross spread than shorter term deals. In that respect, merger arb is similar to very short duration fixed income, since deal horizons can be fairly short, ranging from 45-day tenders to more complex 12-15 month deals involving approvals from several jurisdictions. Most merger arb deals close in 3-6 months on average. If and when rates do eventually increase, new deals will be priced at a spread over that higher treasury rate, leading to overall higher merger arb spreads. This was indeed the case earlier in the history of managing the portfolio, when the risk free peaked at 2-2.5%. For spacs, recall that the cash in trust is invested in six-month treasuries. Currently, that cash in trust is earning a negligible interest rate and most spacs have either $10.00 or $10.01 in trust before redemption. A couple years ago when risk free rates were higher, spacs which went public at $10.00 often had $10.30-$10.40 in trust before redemption. Given the much shorter duration in merger arb and spacs relative to traditional fixed income, a rising rate environment would be welcome, rather than a challenge.

Exhibit 1:



Our strategy also compares well against fixed income on several risk and performance metrics. While merger and spac arbitrage involve equity securities, the annualized volatility of our portfolio is on par with fixed income rather than equities (Exhibit 2). An “ideal” alternative investment should demonstrate a low correlation to traditional equity and fixed income markets. Our unlevered strategy has indeed fit the bill with a monthly correlation of 0.32 to the S&P 500 and 0.12 to the Bloomberg Aggregate since inception over the six years ago (Exhibit 3). Our beta to the S&P is 0.10 over that time frame. When one thinks of alternatives, often private equity, private credit, or infrastructure are in vogue. Those assets are fairly illiquid given they do not trade on public markets, while our merger and spac arbitrage strategy owns public equities, which trade daily in liquid markets. Lastly, the strongest piece of evidence in our case of merger and spac arbitrage as a replacement to fixed income is that our unlevered strategy (Exhibit 4) has bested the return of the Bloomberg Aggregate since inception (Exhibit 5).

Exhibit 2:

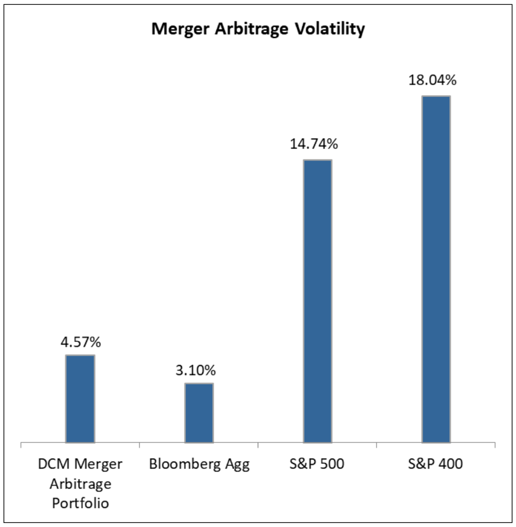


Exhibit 3:

Risk Metrics[1]

Annualized Volatility(%)	4.57
Sharpe Ratio	0.96
Beta to S&P 500	0.10
Correlation to S&P 500	0.32
Correlation to Bloomberg Agg	0.12

Exhibit 4:

Performance (%)

As of November 30, 2021	3 Months	1-Year	3-Year	5-Year	Since Inception
Merger Arbitrage (Gross of fees)	1.77	11.96	6.81	5.55	5.22
Merger Arbitrage (Net of fees)	1.65	11.40	6.28	5.03	4.70
3 Month T-Bill	0.01	0.05	1.01	1.10	0.88

Exhibit 5:

Performance (%)

Supplemental Information*

As of November 30, 2021	3 Months	1-Year	3-Year	5-Year	Since Inception
Bloomberg Aggregate	(0.60)	(1.15)	5.52	3.65	3.12

*The Bloomberg Aggregate Index is a useful proxy for the overall performance of the US fixed income market. When making a comparison of merger arb to traditional fixed income, the Bloomberg Aggregate Index is a suitable comparison.

In previous monthly commentaries, we have discussed in more detail the current investment opportunities in merger arb and spacs. As fixed income markets face a challenging backdrop, we believe the environment for merger and spac arbitrage remains favorable. The overall level of merger activity remains robust since company balance sheets are strong, credit markets are willing to lend at attractive rates, and private equity has significant dry powder. We continue to remain vigilant on assessing regulatory risks, however, which could cause deals to fail. On the spac front, given the pullback in investor interest since the February 2021 peak, issuers have improved investor terms. New spacs often feature an overfunded trust, improved warrant coverage, and shorter deal timelines.

We hope that you find our case for merger and spac arbitrage as a replacement for fixed income allocations to be persuasive. 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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All information as of November 30, 2021 unless otherwise stated.
Performance for periods greater than one year is annualized.
[1]Calculated with monthly gross returns since inception.
Please see GIPS Report in attached Fact Sheet.