

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 2022 fact sheet containing performance and risk metrics.

### **Performance**

For the month of February, our Merger Arbitrage strategy increased 8 basis points (bps) net of fees and the Merger Arbitrage Enhanced strategy, which utilizes leverage, increased 7 bps net of fees. Year to date, Merger Arbitrage is down 0.59% and Merger Arbitrage Enhanced is down 1.65%, net of fees. The Merger Arbitrage Enhanced strategy is conservatively leveraged at 1.89X gross and 1.81X net leverage.

### **Outlook and Strategy**

There have been a fair number of new M&A deals in the midcap space (\$1-\$10B size) over the past several weeks. Some of the acquirors have been strategic buyers, while many were private equity firms. Private equity has substantial dry powder and has continued to deploy capital, especially as equity valuations have modestly retreated year to date. While funding markets have been choppy, they are still open for well structured acquisitions and in some cases the public markets have been bypassed altogether, highlighting the various ways M&A activity can be funded.

During the market sell off over the past several weeks, we were able to add or initiate positions in spreads that we found attractive and had modestly widened. In some cases, the spreads were too tight and not attractive on day 1, but we had still done our research and were able to put on positions when the market provided a brief window of opportunity.

In SPACs, not surprisingly, there has been a dearth of IPOs. The SPAC target market remains challenged as PIPE capital remains scarce and post de-SPAC trading often breaks the \$10.00 floor. In the 2H 2022 and 1H 2023, a significant amount of SPACs will reach their deal deadline. If they have not found a target by then, they could opt to liquidate or contribute more cash in trust to extend the deadline. The current value of many SPAC warrants reflects substantial concern that many SPACs will be able to find targets. Ideally, we would prefer to see SPACs find targets at attractive valuations, but if they do not, we will simply receive our initial investment plus interest back at redemption.

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.

**DuPont Capital Management**

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Please see GIPS Report in attached Fact Sheet.