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 May 2022 fact sheet containing performance and risk metrics.

Performance

For the month of May, our Merger Arbitrage strategy declined 55 bps net of fees and the Merger Arbitrage Enhanced strategy, which utilizes leverage, decreased 121 bps net of fees. Year to date, Merger Arbitrage is down 0.96% and Merger Arbitrage Enhanced is down 2.12%, net of fees. The Merger Arbitrage Enhanced strategy is conservatively leveraged at 1.97X gross and 1.87X net leverage.

Outlook and Strategy

The strong decline in equity markets over the past two months and year to date has had a negative impact on merger arbitrage performance. YTD through June 15th, the S&P 500 has declined 20.48% while the Nasdaq is down 29.06%. As discussed in previous commentaries, a decline in equity markets will lower target standalone values and cause spreads to widen, even if the probability of completion remains the same. Also, credit market spreads have widened, which is weighing on many pending arbitrage situations involving private equity buyers. In most merger agreements, debt financing is committed, so recent losses due to weak initial pricing is often borne by the underwriter.

A negative datapoint over the past month that concerned us was the price cut in Thoma Bravo's planned acquisition of Anaplan. While the price cut was only 3.4%, the price cuts during deals in the initial months of the covid pandemic in 2020 are seared into our investing memory. In those price cuts, the buyers alleged that targets were breaching normal course operating covenants by taking actions during the pandemic such as cutting headcount, closing stores, etc. In the case of Anaplan, the allegations were far more minor. Thoma Bravo alleged that Anaplan breached the merger agreement by issuing $32 MM more of equity shares to employees and new hires than was permitted [1]. This amount seems paltry in the context of a $9.4 billion acquisition, but Thoma Bravo was able to use this as leverage to extract a price cut exceeding $300MM. In the hundreds of deals we have analyzed since starting the merger arbitrage portfolio seven years ago, we have never seen a breach related to incentive share issuance. While buyers may be experiencing

[1] https://www.ft.com/content/117ebfdd-5d94-4cd0-9dc3-01de3c5c14c1 "Thoma Bravo seizes on pay issue to lower Anaplan buyout price"

remorse, we believe courts will be loathe to invalidate a carefully negotiated deal between two willing parties should there be litigation in currently pending arb deals.

In recent weeks, deal flow has lessened due to the decline in equity markets. In times of turbulence, usually the buyers and sellers become too far apart on an agreed upon price. The buyers want a price that is more reflective of the current environment while sellers are more anchored to the higher valuations of the past.

In the current environment, while we had selectively added to a few positions, we think it is very prudent to remain diversified and avoid being overexposed to any single deal.

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.