



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 September 2022 fact sheet containing performance and risk metrics.

Performance

For the month of September, our Merger Arbitrage strategy increased 13 bps net of fees and the Merger Arbitrage Enhanced strategy, which utilizes leverage, decreased 1 bp net of fees. Year to date, Merger Arbitrage is up 0.03% and Merger Arbitrage Enhanced is down 1.72%, net of fees. The Merger Arbitrage Enhanced strategy is conservatively leveraged at 1.74X gross and 1.74X net leverage. In recent months, the leverage has gradually declined as our SPAC holdings reach their redemption date.

Outlook and Strategy

The month of September was quite volatile in the equity markets, as the S&P 500 was down 9.34%. The increased volatility provided opportunities to add or initiate positions in certain pending deals that had previously been trading at tighter arb spreads. When equity markets decline so precipitously, the break price of the target is often lower. When deciding to add or initiate a position, it is critical to determine if any events have weakened the investment thesis for a successful close. If so, then the widening arb spread may be warranted. If not, it may provide an investment opportunity, but we undertake additional fundamental work to better understand the drivers of a successful close.

In recent weeks, two of the largest pending LBOs, Citrix/Vista and Nielsen/Brookfield, closed on terms. Both deals were announced earlier this year when the credit markets were more willing to finance large deals. During the life of these deals, each traded at sizeable, double digit gross spreads to the offer price (Exhibits 1 & 2, below). Since these deals were not conditioned on financing, which is typically the case, the banks were responsible for holding onto any debt they were unable to syndicate. Some debt was purchased by private credit funds, which have opportunistically deployed capital this year as yields have widened. The remaining debt is on the banks' balance sheets and will incur sizable losses. As discussed in prior monthly commentaries, banks will be less willing to fund large buyouts in the near term until they have a better ability to offload the debt commitments.

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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Exhibit 1

Citrix Price Chart

Acquisition announced on 1/31/2022 at \$104/share. Closed on 10/3/2022.



Exhibit 2

Nielsen Holdings Price Chart

Acquisition announced on 3/29/2022 at \$28/share. Closed on 10/12/2022.



Disclosures:

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Please see GIPS Report in attached Fact Sheet.