

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 October 2022 fact sheet containing performance and risk metrics.

Performance

For the month of October, our Merger Arbitrage strategy increased 68 bps net of fees and the Merger Arbitrage Enhanced strategy, which utilizes leverage, increased 109 bps net of fees. Year to date, Merger Arb is up 0.71% and Merger Arb Enhanced is down 0.65%, net of fees. The Merger Arbitrage Enhanced strategy is conservatively leveraged at 1.63X gross and 1.56X net leverage. In recent months, the leverage has gradually declined as our SPAC holdings reach their redemption date.

Outlook and Strategy

In recent weeks, the number of new M&A transactions has continued to slow down. There are several causes of the decline. Corporate buyers are currently more focused on ensuring that their organization is able to withstand pending economic weakness rather than assuming the financial and organization risks of acquiring another company. Additionally, banks have been less willing to lend since the ability to offload the debt has proven difficult and costly. Private credit has provided financing in select transactions, but for M&A activity to materially pick up, there needs to be a recovery in the public debt markets. As discussed in previous monthly commentaries, the increasingly stringent regulatory environment has also provided another headwind to M&A. While deal flow is not as robust as previous years, there is still activity and opportunity to invest.

In spacs, we are marking the two-year deadline for most spacs that were issued during the peak in Q4 2020 and Q1 2021. In cases where a spac is liquidating, we are receiving our initial investment plus interest.

As cash on hand continues to build in our portfolio from spac redemptions and less new deals, we are being patient in deploying capital. Often, periods of market selloffs provide good entry points for existing arb spreads. This year has been one of survival and defense within our merger arbitrage portfolio. By building up our cash on hand, we preserve the optionality to pivot to offense when the opportunity presents itself.

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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Disclosures:

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Please see GIPS Report in attached Fact Sheet.