EQUITY STRATEGY REVIEW
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MERGER ARBITRAGE

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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 fewer 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.

ABOUT OUR FIRM:

DuPont Capital Management is an SEC registered investment advisor based in Wilmington, Delaware. Since the firm's establishment in 1993, we've had a long history of developing global investment opportunities in both traditional and alternative strategies across equity, fixed income and alternative investments. Our investment team structure gives us the ability to be flexible and adapt to changing market conditions. DuPont Capital's focus is delivering consistent investment management results for our clients. Our history of institutional asset management is rooted back to 1942 when our former parent company, DuPont, established a pension plan for its employees. Corteva Inc. succeeded DuPont as sponsor of the DuPont Pension Plan in 2019. DuPont Capital is a wholly owned subsidiary of Corteva and continues to manage the legacy DuPont Pension Plan.

DuPont Capital's President and CEO, Valerie Sill believes in education and diversity of experience as represented in our investment teams which are comprised of PhDs, engineers, medical doctors, and scientists. We believe their global expertise creates a portfolio implementation edge that benefits our clients.

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IMPORTANT DISCLOSURES: