

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 January 2023 fact sheet containing performance and risk metrics.

## **Performance**

For the month of January, our Merger Arbitrage strategy increased 66 bps net of fees and the Merger Arbitrage Enhanced strategy, which utilizes leverage, increased 83 bps net of fees. The Merger Arbitrage Enhanced strategy is at 0.98X gross and 0.93X net leverage. In recent months, the leverage has declined as our SPAC holdings reach their redemption date. The present leverage ratio is near our lowest since the levered fund was started in 2020.

## **Outlook and Strategy**

In recent weeks, we have observed deal activity in the small and midcap space. Credit markets have rebounded slightly in the new year and new issuance has picked up, especially in high yield, after being shut for most of last year. A thaw in the credit markets should provide encouragement to buyers, especially private equity firms, as they seek financing for potential deals. Not surprisingly, large cap M&A remains sparse since the global regulatory environment is difficult and opaque. Most management teams and corporate boards would not want to enter a deal, knowing that litigation could be a very likely scenario.

Presently, we would characterize our portfolio as quite defensive. In certain deals with tight spreads, we have opted to reverse the spread. While the equity market has been strong so far year to date, if there is a near term correction in equities and credit spreads, we might see merger arbitrage spreads widen, especially in rate of return deals. This could provide an opportune entry point for new positions in deals where we are currently on the sidelines.

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.