

Dalton Street Market Neutral Trust January 2021 Investment Update

DALTON STREET CAPITAL

The event-driven sub-strategy aims to exploit pricing inefficiencies around corporate activity, in particular, hard catalyst events such as M&A and restructuring/spin-offs events. The biggest tail risk in M&A situations are deal-breaks, i.e. the bidding entity walks away from acquiring the target company. This is what happened in the first week of January when both Link Administration (LNK AU) and Regis Healthcare (REG AU) had received letters stating the bidding entity had withdrawn their indicative proposals.

Given our strong risk management overlay to cushion potential large drawdowns from M&A deal failures, the combined impact was -75 basis points, which would have led to an unchanged NAV price movement for the month of January. The asymmetric return nature and its resiliency towards broader market sell-off was evidenced in the last three trading days when Aussie market fell -3.3% and the Fund was unscathed. The heightened level of deal activity and the attractive M&A deal spreads caused us to increase capital in the Event bucket to 128% from 101%. Our conviction is particularly strong in Amaysim (AYS AU).

To recap: WAM Capital is an agreed off-market takeover bid for 100% in shares of AYS. The scrip consideration offers a deal spread of 10.2%, conditional on the successful voting of the sale of the mobile division. We view the voting risk to be low and anticipate the WAM offer to be declared unconditional in the first week of February. Another attractive position offering a deal-spread of 11.1% is the strategic merger of equals between Dacian Gold (DCN AU) and NTM Gold (NTM AU).

The scheme vote is scheduled for 3rd March and key rationale are the leveraging of DCN processing infrastructure and strong cash flows supporting discovery and delineation of potential future production sources. This merger is unanimously recommended by both Boards. We have high conviction to capture this prevailing deal-spread. At the time of writing the Fund is estimated +1.2% in the first three trading days in February. The event-driven strategy is well positioned in this environment.

Returns	1m	3m	1y	3y (p.a.)	Inception (p.a.)	Inception
Fund	-0.78%	-0.59%	n/a	n/a	n/a	-0.66%
RBA Cash Rate	0.01%	0.04%	n/a	n/a	n/a	0.06%

Net performance shown is after deduction of all fees and costs. Inception date of Mantis Funds Dalton Street Capital acting as sub-advisor is 18 October 2020. ^ Compounded return since inception. Past performance is no indicator of future performance

Alpha family	Performance
Market Neutral Equities	0.00%
Events & Special Situations	-0.78%
Trend & miscellaneous	0.00%

Value of investment

Assuming re-investment of distributions

\$1.30

\$1.25

\$1.20

\$1.15

\$1.10

\$1.05

\$1.00

Oct-20
Nov-20
Dec-20
Jan-21

About The Fund

Objective

Deliver absolute returns over rolling 3 year periods with low to no correlation to traditional asset classes

APIR Code

WMF0001AU

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