

AS AT 31 MARCH 2021

Dalton Street Market Neutral Trust

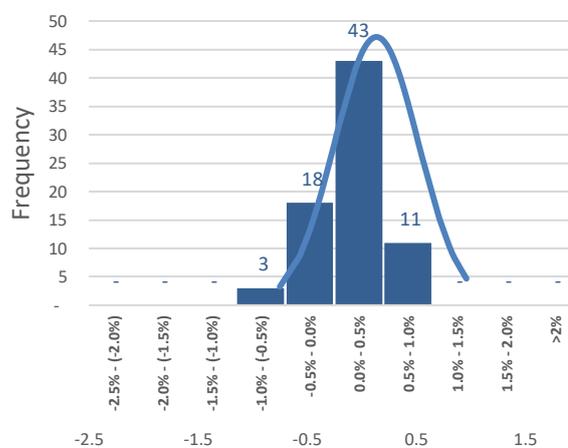
Dalton Street Capital is a boutique investment manager founded in November 2015. We actively manage investment portfolios for a range of clients which include self-managed super funds, endowments and foundation plans for institutional and retail investors.

Our team consists of investment professionals with deep local and global equity market expertise in corporate events, derivatives and leveraged fund management knowledge. Active overall risk management is also an integral part of the investment management process.

A market neutral trust aims to deliver non-market, uncorrelated and asymmetric absolute return, with a suite of broad range alternative investment strategies. These diverse strategies are skill-based and run on a hedged basis with both low volatility and correlation compared to traditional and alternative asset classes. It also provides investors with diversifying sources of alpha which may help to reduce a portfolio's overall volatility as well as improve returns.

In simple terms, by holding a diversified pool of alternative strategies, our explicit protection strategy is enhanced, particularly during periods of heightened market volatility and stress. Our specialist team have a successful track record in producing positive returns during major market dislocations.

Histogram – Dalton Street Market Neutral Trust



Daily Gross Unaudited Returns QTD 31 Mar 2021

Net Investment Performance AUD%*

	1M	3M	6M	1YR	3YR (PA)	5YR (PA)	SI (CUM)
Dalton Street Market Neutral Trust	0.52	3.89	-	-	-	-	4.08
RBA Cash Rate	0.01	0.02	-	-	-	-	0.05
Excess Returns	0.51	3.86	-	-	-	-	4.03

Net performance shown is after deduction of all fees and costs. Dalton Street started managing the fund from 18 October 2020. *Compounded return since inception. Past performance is not a reliable indicator of future performance.

Fund Facts

Responsible Entity	Equity Trustees Limited
Portfolio Manager	Dalton Street Capital
Investment Manager	Mantis Funds
Sales & Marketing Manager	Mantis Funds
Fund Inception date	August 2012
Strategy Inception date	October 2020
APIR	WMF0001AU
Base currency	Australian dollars
Management fee	1.53% pa of the NAV
Performance fee	20.5% pa*
Investment minimum	AUD50,000
Buy/sell spread	0.30%
Liquidity	Daily
Benchmark	RBA Cash Rate
Platforms	Netwealth, BT, Asgard, Macquarie, HUBB24

*20.5% p.a. (including GST net of RITC) of the increase in NAV which exceeds the benchmark, subject to a high-watermark.

Risk Metrics

	MNT
Number of Holdings	53
Daily Standard Deviation	6%
Risk Reward Ratio	8
Daily Alpha Contribution	0.13%
Correlation	0.23
Beta	0.09
Best Daily Performance	+0.96%
Worst Daily Performance	-0.75%
Max Drawdown (daily)	-1.36%
Win/Loss Ratio	74%
Sortino	4.3
Calmar	9.7
Win/Loss Ratio	74%

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Market Commentary

The event-driven strategy aims to exploit pricing inefficiencies around corporate activity, in particular M&A events. Even though the final reported March performance was +0.52%, the Fund would have printed a much higher overall performance due to three big scrip M&A deals in Japan becoming effective on 1st April.

In the first two weeks of April, the Fund's return is already +2% as a result of the crystallization of those Japanese M&A deals being recognised by the Fund's accountant. The event landscape continues to remain healthy, with overall gross exposure increasing to 224% compared to 203% from the previous month. The biggest return contributor was our position in WPP AUNZ Limited (WPP AU). To recap, WPP PLC through Cavendish has agreed to acquire the remaining 38.5% of WPP AU that it does not currently own at \$0.70 AUD per share by way of scheme of arrangement.

The optionality in this trade was particularly evident when WPP AU declared an increase of the fully franked dividend and special dividends of up to \$0.20 AUD per share. The Fund took an aggressive long position below \$0.69 AUD and whilst WPP traded cum franking credit entitlement above \$0.73 AUD, the Fund realized a 6% gain on the long position.

Being able to trade around a position is a key characteristic of this strategy, as the Fund borrowed offshore stock (i.e. stock that is not subject to franking credits) to initiate a short position at \$0.73 AUD and covered the position at \$0.645 AUD.

It consequently rebuilt its long position at the same price at \$0.645 AUD when it was trading ex-dividend entitlement on the 30th March 2021.

The Fund is currently long to capture the final consideration of \$0.656 AUD or 1.7% once the scheme becomes effective in April. This is a clear example of the flexibility of the strategy, which allows the Fund to remain nimble and trade around multiple mispricing events.

In Singapore, we have implemented a position in both Jardine Strategic Holdings (JS SP), as well as Jardine Matheson (JM SP). JM SP announced the acquisition of JS SP shares of the remaining 15% stake that it does not already own for \$33 USD.

After the announcement, the mispricing opportunity was in JM as the acquisition was perceived to be 30% EPS accretive. This transaction is aimed to end dual holding company structures and cross-shareholdings. In both positions the Fund crystallized a +40bp gain.

The Fund continues to find and implement very attractive risk/return trades, and with an asymmetric return nature in mind is very much resilient towards broader market sell-offs.

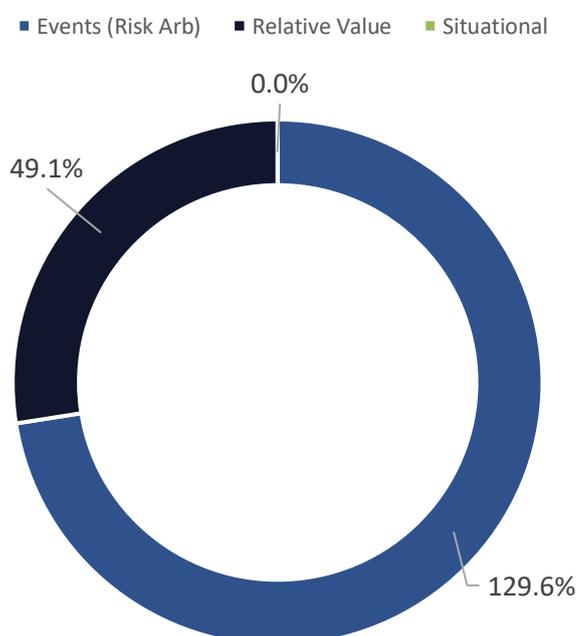
Month's Contributors to Return (Basis Points)

TOP 2	
WPP AUNZ Ltd	73
Jardine Strategic Holdings and Jardine Matheson	40
BOTTOM 2	
Beijing Jingneng Clean Energy	-12
Titan Materials	-26

Team Members Experience

INVESTMENT TEAM	DSC	INDUSTRY
Antonio Meroni (PM)	1	29
Rhett Dinsdale (PM)	3	17
Aji Mathews (PM)	4	12
BUSINESS TEAM		
David Gray (COO)	1	35
Damien Hatfield (Distribution)	1	40+
Paul Jacobs (BDM)	1	40
Timothy Cheung (Director)	1	18

Gross Exposure by Strategy



Enquires

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