

AS AT 30 APRIL 2021

# Dalton Street Market Neutral Trust

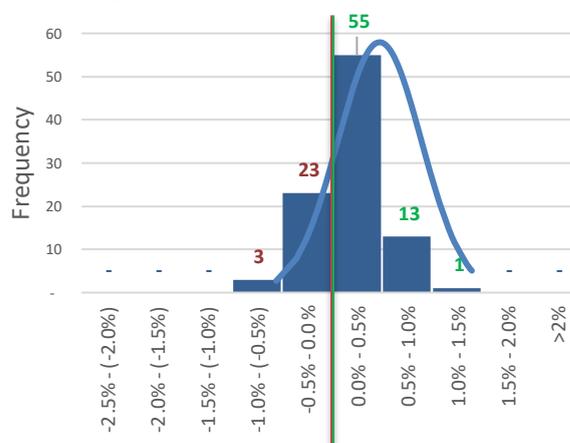
Dalton Street Capital is a boutique investment manager founded in November 2015. We actively manage investment portfolios for a range of clients which include self-managed super funds, endowments and foundation plans for institutional and retail investors.

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 1 January to 30 April 2021

Net Investment Performance %*						
	1M	3M	6M	1YR	FY21	CYTD
Dalton Street Market Neutral Trust	4.62	9.54	8.90	-	8.90	8.69
RBA Cash Rate	0.01	0.02	0.06	-	0.06	0.03
Excess Returns	4.61	9.52	8.83	-	8.83	8.66

\*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
Strategy Inception date*	October 2020
APIR	WMF0001AU
Base currency	Australian Dollars
Management fee	1.53% pa of the NAV
Performance fee	20.5% pa <sup>^</sup>
Investment minimum	AUD 50,000
Buy/sell spread	0.30%
Liquidity	Daily
Benchmark	RBA Cash Rate
Platforms	Netwealth, BT, Asgard, Macquarie, HUB24

<sup>^</sup>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	
Number of Holdings	61
Daily Standard Deviation	5.9%
Risk Reward Ratio	9.4
Daily Alpha Contribution	0.17%
Correlation	0.19
Beta	0.09
Best Daily Performance	+1.01%
Worst Daily Performance	-0.75%
Max Drawdown (Daily)	-1.36%
Win/Loss Ratio	75%
Sortino Ratio	5.4
Calmar Ratio	11.8
Gross Exposure	181.9%

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## Market Commentary

The event-driven strategy aims to exploit pricing inefficiencies around corporate activity, in particular M&A events. We are excited to report the Fund's best monthly net return of 4.62% with the foundation of which being the result of multiple competitive bidding situations as well as crystallization of deal spreads from completed M&A transactions. Even though our overall gross exposure has decreased to 182%, we are finding new opportunities to continue to replenish the book in an extremely healthy event landscape. New additions included Mainstream Group (MAI AU), McPherson (MCP AU) as well as scrip deals in Orocobre (ORE AU), Galaxy Resources (GXY AU), Centuria Capital (CNI AU) and Primewest Group (PWG AU). The strategy's resilience is evident in the 19 out of 22 positive daily returns.

The biggest return contributor was our position in Vitalharvest Freehold Trust (VTH AU). We have initially built this position in early January when Macquarie Agricultural Funds Management (MAFM) entered into a scheme implementation agreement to acquire all of the issued units at A\$1.00. Historically in Australia, there is a 40% probability of an increase in the offer considerations across all live M&A deal transactions. We have not only seen an increase in consideration payable, but also the emergence of another party, Roc Private Equity (ROC) entering the bidding contest. On April 23rd, VTH received a further revised 6th proposal from MAFM at A\$1.24 and is evaluating the 5th revised Roc offer. The strategic nature behind VTH's assets and the highest bidder's willingness to pay will further benefit the Fund.

Our pre-event names Tabcorp Holdings (TAH AU) and Bingo (AU) have seen positive developments. THA announced that Entain (ENT LN) made a revised, unsolicited, non-binding proposal to acquire TAH's wagering unit for A\$3.5bn from the earlier proposal of A\$3bn. We see this as a path for TAH to be trading closer to its sum-of-the-parts valuation of approximately A\$5.10-5.30 per share. Also, BIN announced it has entered into a binding scheme implementation agreement with Macquarie Infrastructure and Real Assets (MIRA) to acquire shares at either A\$3.45 cash or a mixed cash and unlisted scrip alternative for a maximum value of A\$4.10. We view the mixed cash/scrip alternative as a good outcome for the largest shareholders Tartak and Malouf, de-risking the voting risk. We have aggressively built BIN with a 45/50% probability to deal completion, trading well below the A\$3 level, whilst it was under attack of the Snow Cap report.

In Japan, our position in Hitachi Metals (5,486 JP) rallied by 16.4% as the company announced that Bain Capital, Japan Industrial Partners, Japan Industrial Solutions (joint offeror) launched a pre-conditional tender offer to acquire all shares at JPY 2,181 per share. This is a great outcome for minority shareholders as they benefit greatly from this two-tier offer structure, since Hitachi (6,501 JP) is taking a 30% lower consideration of JPY 1,674. The Fund continues to find and implement very attractive risk/return trades with an asymmetric return nature in mind and is very resilient towards broader market sell-offs. Thank you for your continued support and trust in the Fund's strategy and team members.

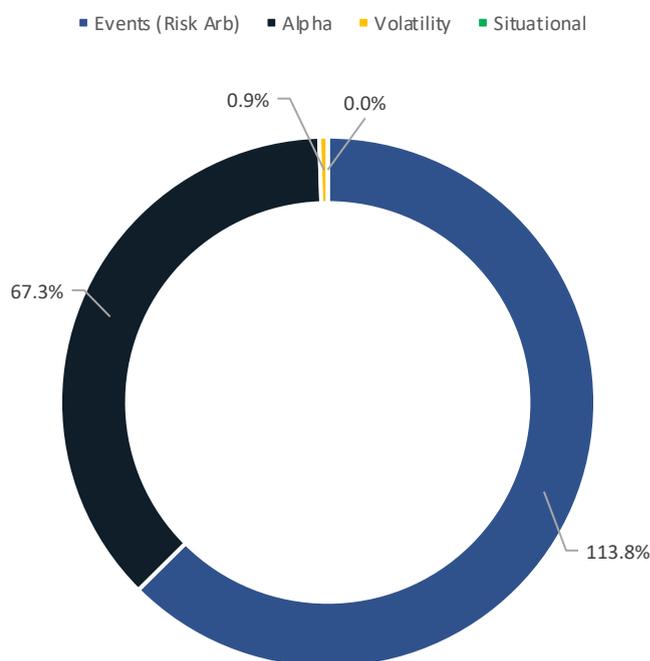
### Contributors to Return (Basis Points)<sup>†</sup>

TOP 2	
Vitalharvest Freehold Trust (+15.2%)	225
Mainstream Group Holdings (+112%)	110
BOTTOM 2	
Icar Asia Ltd (-1.7%)	-6
Treasury Wine Estate (-3.0%)	-7

### 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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<sup>†</sup>Preliminary. Dalton Street started managing this fund as of 18 October 2020.

**DALTON STREET CAPITAL**

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