

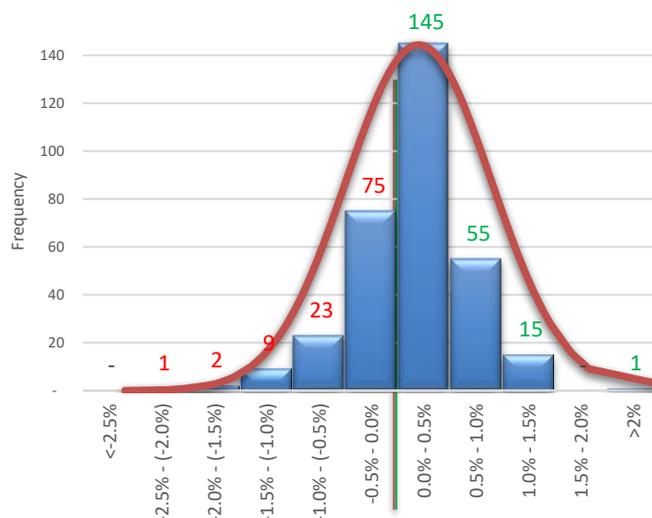
# Dalton Street Market Neutral Trust

Dalton Street Capital is a boutique investment manager and re-launched the MNT Fund in October 2020. 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.



Daily Gross Unaudited Returns: 1 January 2021 to 31 March 2022

Net Investment Performance %*							
	1M	3M	6M	FYTD	CYTD	1YR	SI (CUM.)
Dalton Street Market Neutral Trust	2.86%	2.58%	8.08%	15.12%	2.58%	22.76%	27.77%
RBA Cash Rate	0.00%	0.02%	0.05%	0.07%	0.02%	0.10%	0.15%
Excess Returns	2.86%	2.56%	8.03%	15.05%	2.56%	22.66%	27.62%

\*Net performance shown is after deduction of all fees and costs. Dalton Street took over the Fund from 18 October 2020 and actively managed it from 1 January 2021. Compounded net return since inception. Past performance is not a reliable indicator of future performance. For the purposes of Net Investment Performance, the NAV for 28 February has been estimated.

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	90
Standard Deviation	5.9%
Sharpe Ratio	3.64
Risk Reward Ratio p.a.	3.65
Daily Alpha Contribution	0.112%
Correlation	0.43
Beta	0.31
Best Daily Performance	+2.24%
Worst Daily Performance	-2.17%
Max Drawdown (Daily)	-0.9%
Win/Loss Ratio	80%
Sortino Ratio	7.2
Calmar Ratio	8.3
Gross Exposure	182.3%

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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 pleased to report a positive net performance of 2.9% for the month of March achieved in a tumultuous market environment, as geopolitical risks intensified by Russia's invasion of Ukraine and volatility ripped through the Asia Pacific markets, particularly in Hong Kong HSCFI index.

MSCI Asia Pacific fell -1.0%, whilst at home the Australian share market (ASX) posted a strong +6.4% gain, mainly the result of a sharp increase in the commodity, and deep value banking sectors. Despite the sharp recovery the maximum drawdown of -10.4% has still not been fully recovered since mid-August 2021, finishing the month at -1.7%. Interesting to note is the asymmetric nature of the Funds resilience towards downside risk evidenced in the month of January but capturing 62% of the upside as markets recovered in Australia posting a net gain of +2.6% for the quarter. The Fund's key risk metrics show a strong Sharpe Ratio of 3.6, an average since inception gross daily Alpha of 11.2 basis points, and a win/loss ratio of 66% undermining the consistency of delivering positive outcomes when it really matters.

Overall Fund gross exposure ended at 183%, with Events (M&A Risk Arb) bucket down to 66% from 69%. The individual gross exposure reduction in the M&A bucket, continued to be the result of certain M&A deals completing successfully. In Australia, completed deals included Australian Pharma Industries (API AU) acquired by Wesfarmers (WES AU), and the scrip deal between Over the Wire (OTW AU) with Aussie Broadband (ABB AU). The winning trade was the completed acquisition of Senex (SXY AU) acquired by a consortium led by Posco International (047050 KS) following a deal bump from A\$4.40 to A\$4.60 including dividends. The realized IRR in this trade was >20%p.a. Our existing position in Irongate Group (IAP AU) posted the strongest contribution within the M&A bucket gaining 8.5% in March. To recap: In October 2021 360 Capital Reit (TOT AU) made a cash offer at A\$1.65, which seemed at that time fair representing a 1.15x multiple to NAV which is in line to other precedents. However, IAP reported strong uplift in NAV of A\$1.61 vs 360 Capital's proposed offer

and consequently rejected the Non-binding-indicative-offer (NBIO). 360 Capital responded with an uplift in consideration to A\$1.72. Fast forward to 31<sup>st</sup> January, IAP announced that it has received a NBIO proposal from Charter Hall and PGGM consortium to acquire all shares at A\$1.90 plus dividends. Given that NTA premium in real estate takeovers is typically less than 10%, the proposed offer price at more than 20% premium to NTA will no doubt look attractive to the IAP board. On 30<sup>th</sup> March IAP entered a binding scheme of arrangement at A\$1.9467 thereby sharply increasing the probability of the scheme completing successfully as, together with the agreement for 360 Capital to acquire certain assets post deal, lessens any shareholder vote risk.

Our M&A Risk Arb gross exposure is currently lower than the Relative Value sub-strategy and highlights the diversification benefits within the Fund's overall strategies employed. However, from a M&A deal activity perspective, M&A deal activity has already picked up leading into the month of April. We are confident that once the conflict in Ukraine abides, to see a pickup in deal activity particularly in the resource sector.

Our Volatility sub-strategy, contributed again favorably to overall P&L, as we established a net short trading position in the longer-dated Volatility Futures May/June to take advantage of the unsustainable high level of current spot VIX, trading well above the 30% level. In addition, our Alpha sub-strategy contributed +1.5% to overall performance, partially as we took advantage of the extraordinary volatility when HSCFI index fell -24% intra-month. We realized P&L in China Traditional Chinese Medicine (570 HK; +24.8%), Baidu Inc (9888 HK; +19.3%), Bank of China HK (2388 HK; +9.8%) and Jinchuan Group (2362 HK; +7%).

The Fund continues to find and implement very attractive risk/return opportunities, and with an asymmetric return philosophy in mind is very much resilient towards broader market gyrations. Thank you for your continued support.

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

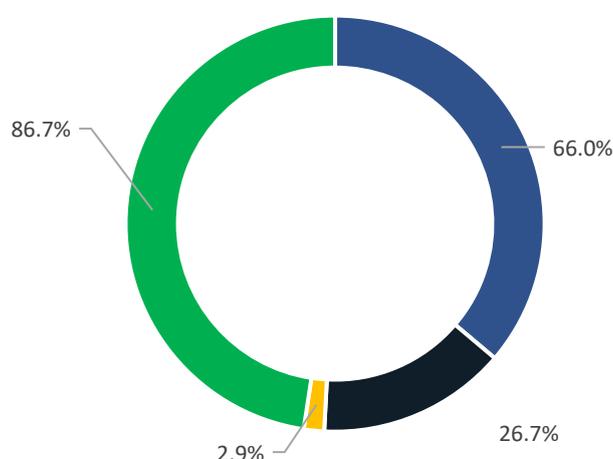
TOP 2	
Irongate Group (+8.5%)	51
China Traditional Medicine (+24.8%)	37
BOTTOM 2	
Praemium Ltd(-9.8%)	-19
Novonix Ltd (+23.2%; short))	-13

### Team Members Experience

INVESTMENT TEAM	DSC	INDUSTRY
Antonio Meroni (PM)	1	29
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

■ Events (Risk Arb) ■ Alpha ■ Volatility ■ Relative Value



## Enquiries

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

**DALTON STREET CAPITAL**

AS AT 31 MARCH 2022