Bulldog SPAC Update 3/8/2021- Principal Protection with Optionality-Coda or Prelude-The last SPAC transaction announced in 2020, Betsy Cohen's $975 million deal to acquire Wall Street investment banking boutique Perella Weinberg is a fitting coda for 2020- a year which saw a record 248 SPAC IPOs. Recall Perella Weinberg made a stab at going public via a traditional IPO two years ago but saw those plans up- ended by a fickle market*. Thus, the deal announced on December 30th, not only highlights the advantages of the SPAC route to going public over the traditional IPO, but also showcases a savvy bet by a Wall Street bank on the future of SPACS- what better way to ensure participation in the hottest financing tool on Wall Street than by going public via a SPAC sponsored by a veteran SPAC player.

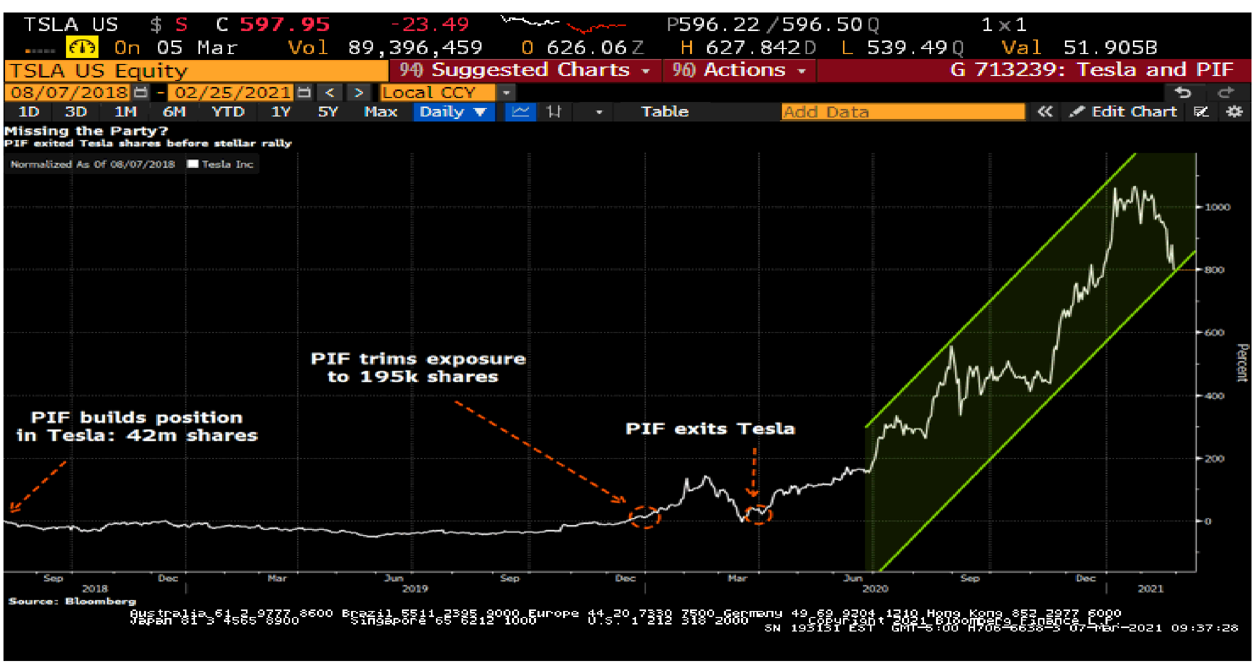
In short-the deal screams SPACs are here to stay. While 2020 was a record year for SPAC issuance, 2021 looks set to quickly eclipse any markers set last year, possibly as quickly as Q1 (see table 1).

***Table 1: SPAC Underwriting** (Source: SPAC Research)*

Year	*Amount Raised ($bn)*	*# IPOS*	*Underwriting Leader*
2021	73.2	228	Citi Group
2020	83.4	248	Credit Suisse
2019	13.6	59	Cantor Fitzgerald
2018	10.8	46	Cantor Fitzgerald
2017	10	34	Credit Suisse

Churchill and Lucid- No one deal quite captures the zeitgeist like the Churchill /Lucid business combination. If in a few years a movie is made about blank check companies, this would be it. Made for Netflix, the script involves a high- profile SPAC team (Churchill), a hot sector (Electric Vehicles) and (I guess in the role of the villain-not really, but it is a movie!) the Saudis. The Saudis, still smarting from an early exit from Tesla (Chart 1) are sitting on a paper gain of over 30- fold on their initial investment in Lucid.

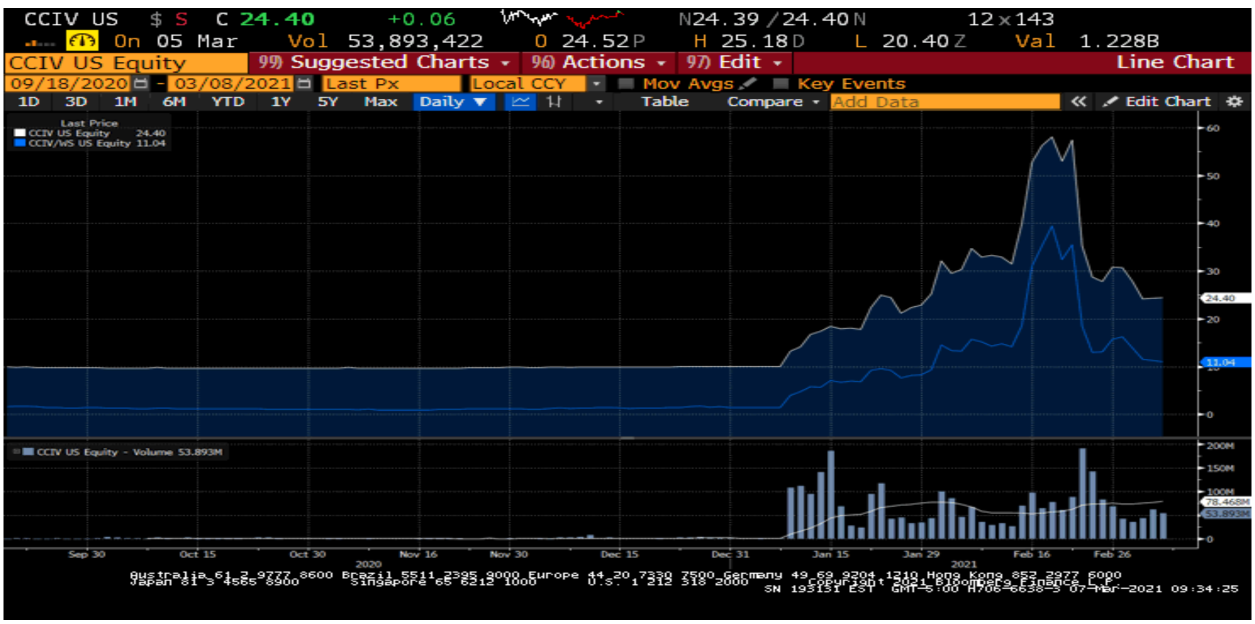
Chart 1. Public Investment Fund of Saudi Arabia (PIF) investment in Tesla**



Churchill IV ("CCIVU, CCIV, CCIV/WS") completed its initial public offering in July 2020 issuing units (U=S+ W/5) at $10 per unit. At over $2 billion, the SPAC was smaller in size only to Bill Ackmans ***Pershing Square Tontine Holdings ("PSTH").*** Strong performance from ***Clarivate Analytics ("CCC"),*** the private company acquired by Churchill 1, ensured the IPO was well received. The large size of the IPO, however, weighed on the stock price, with SPAC players figuring Churchill's size reduced the actionable pool of targets *(quick SPAC Math- the larger the SPAC, the larger the target company needs to be to make up for dilution. A smaller SPAC can go after a target many times its size, using a PIPE or issuing debt to make up for any shortfall in funding*). The share price only started creeping higher in December on rumors of a deal with Direct TV. But it was not until earlier this year, when Bloomberg broke the news on a possible combination with Lucid, did the stock really start to perk up. No surprise, because along with the positive environmental implications of such a deal, an investment in Lucid meant an investment in one of the more prominent EV start- ups. And Lucid had just completed construction of a brand-new production facility in Arizona.

Ok back to the Saudis---scuttlebutt has it that the deal was held up as the Saudis tried to negotiate location of a second production facility outside Jeddah (and with the murder of journalist Khashoggi now officially pinned on MBS you see why they would make good villains). The time from first rumors to deal announcement took over a month and the delay only added to chat room frenzy. Retail buying drove shares higher with common shares eventually peaking at over $60 intra- day. When the deal was finally announced and investors were able to look at deal numbers the share price collapsed, dropping over 50% in just 2 days (Chart 2).

Chart 2. Trading in Churchill IV Common and Warrants**



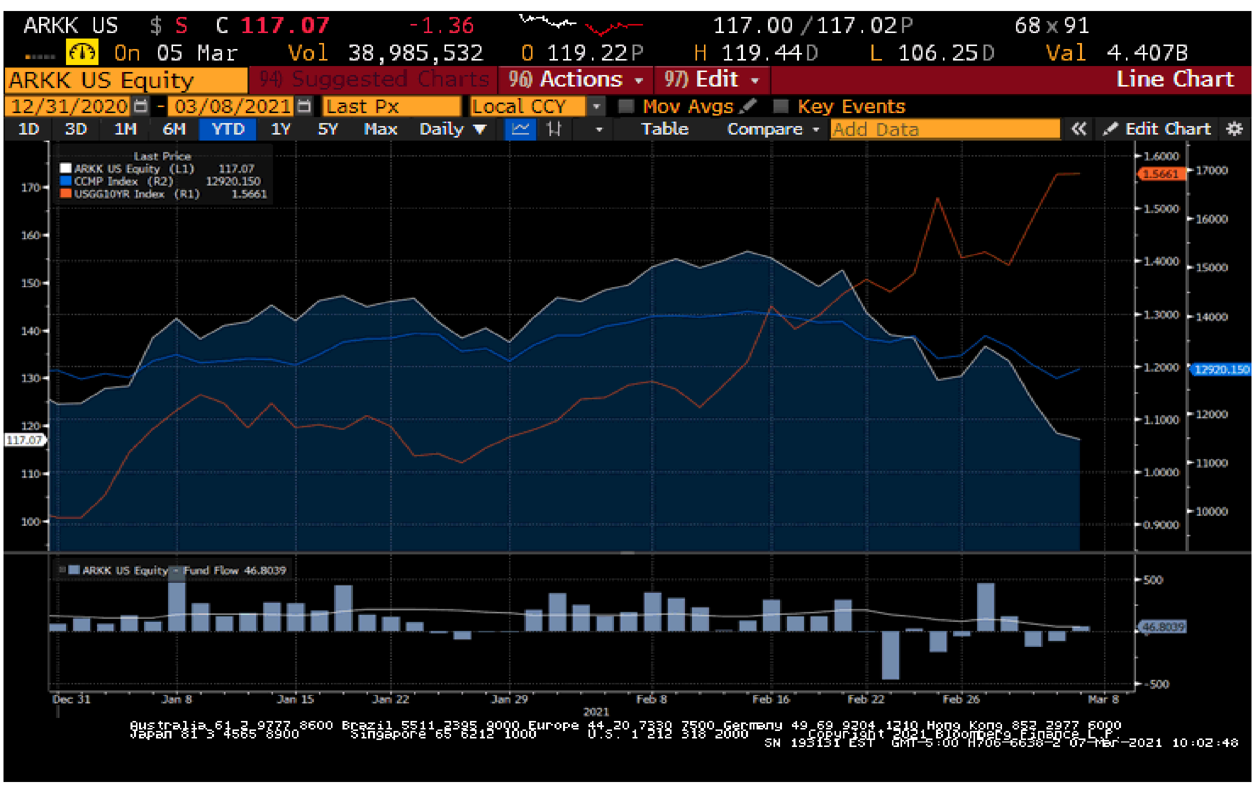
We started selling our Churchill shares and warrants after deal rumors first percolated and exited our entire position shortly thereafter- only to watch the stock and warrants continue to climb higher and higher and ouch…higher…you get the picture, or you can just look at Chart 2… we always get questions as to why we exit positions when we do. This then is a good time to take stock and remind ourselves as to why we play the SPAC game.

Bulldog views SPACs as a cash alternative. While the SPAC sponsor searches for a deal, cash in the trust account is invested in short term US Treasuries. Our bogey continues to be a return of 5% to 8% net of fees, which represents substantial alpha over US Treasuries. Our bet is not on electric vehicles, faster rechargeable batteries or Biotech-it is rather on the SPAC structure. The structure, a product of some very elegant financial engineering, offers SPAC buyers high safety of principal, free look at a deal, an opportunity to realize some very real optionality if an announced deal is well received by the market, and a put option for investors to ask for cash back (or in the jargon- an asymmetric risk-return profile).

The de- rating of Churchills stock price since deal announcement, is not just the result of a hard- nosed look at deal details, but also the result of a more baleful appraisal of the general investing environment. Reignited Inflation fears have pushed rates on US 10-year treasuries from below 1% at the start of the year to over 1.5%. The NASDAQ Composite is now negative for the year while fund flows for Cathie Woods high flying ETF ***("ARKK")*** are trending negative (Chart 3).

Now Betsy Cohen again…. As the SPAC market wobbled, Betsy Cohen launched SPAC # 8 (by my count). On March 4th, ***FTAC Hera Acquisition {"HERAU")*** priced 80 million units at $10. And guess what…. shares broke below $10……. we have not seen IPOs trade below $10 since October. Now normal people who lead busy lives may shrug their shoulders and say "so what" but in SPAC Land this is a "huge" deal. If IPOS continue to trade below $10, then essentially investors will stop participating in IPOs knowing they can buy stock cheaper post IPO (essentially turning off the spigot) or terms will have to improve. Terms have been trending in sponsors favor for a while now…. Full warrant to 1/3 warrant to 1/5 warrant to no warrant….so this may signal a reversal.

Chart 3. ARKK, Fund Flows, USGG 10 Year, NASDAQ COMP**



Wobbly SPAC markets are very important for your portfolio as it sets the foundation for future returns. As you are maybe aware IPO Allocations are tight. In addition, our disciplined approach to buying SPACs (never pay more than cash level in trust) means we must jump at these opportunities. You will see some increased trading in your portfolios as we swap into higher quality names- Haymaker ***III ("HYACU"), Northern Star ("NSTD/U and NSTC/U") (see attached FT story on Joana Coles), FTAC Hera ("HERAU"), Jack Creek ("JCICU")-*** **We Have Been Buying.**

If you have additional queries about any of the securities in your account, or questions about SPACs in general, please feel free to reach out.

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****Source: Bloomberg- "Perella Weinberg Goes Public Through SPAC After a Long Wait" by Sonali Basak and Hannah Levitt***

*****Source: All Charts Bloomberg***

Disclosures:

Past performance is not indicative of future performance

SPAC shares are subject to secondary market risk and may decline in value if sold prior to deal completion or trust liquidation