13D Activist Fund

A Qualitatively Analyzed Portfolio of Activism

October 21, 2020

Class I YTD Net Return: -7.02% Russell 2500 YTD: -5.82% AUM: $188 million

In the third quarter of 2020, the I shares (DDDIX) returned 2.56%, net of fees and expenses (versus 5.88% for the Russell 2500). This was a reasonable quarter for the Fund coming off of two of the most unprecedented quarters to start the year. It was the first calendar quarter in a year that the Russell MidCap Value Index outperformed the Russell 2500, which is a good sign for value funds like ours. We continue to believe that value will close the gap against growth and value funds will be the beneficiaries of that rotation. We also believe that owning value stocks with a built-in change agent, or catalyst, should provide additional alpha. Unfortunately, that dynamic was not present during the third quarter due to factors discussed below.

The total return for the 13D Activist Fund, net of fees and expenses, for the period ending September 30, 2020 are:

as of 9/30/20	Since Inception*	3 Month	YTD	1 Year	3 Year	5 Year	Inception Cumulative*	
13D Activist Fund I	11.42%	2.56%	-7.02%	3.52%	4.23%	8.30%	157.94%	
Russell 2500 TR	11.11%	5.88%	-5.82%	2.22%	4.45%	8.97%	151.54%	
Russell Mid Cap Value TR	9.97%	6.40%	-12.84%	-7.30%	0.82%	6.38%	129.93%	
S&P US Activist Interest Index TR	5.51%	9.91%	-5.44%	8.51%	-2.75%	1.68%	68.77%	
Lipper Percentile Rank	11th	N/A	N/A	18th	28th	21st	11th	
Lipper Ranking	21/200	N/A	N/A	63/ 334	85/ 306	52/ 252	21/200	
	2012	2013	2014	2015	2016	2017	2018	2019
13D Activist Fund I	21.27%	36.58%	15.46%	-10.92%	19.57%	23.78%	-13.47%	27.15%
Russell 2500 TR	17.88%	36.80%	7.07%	-2.90%	17.59%	16.81%	-10.00%	27.77%
Russell MidCap Value TR	18.45%	33.46%	14.75%	-4.78%	20.00%	13.34%	-12.29%	27.06%
S&P US Activist Interest Index TR	22.36%	57.62%	-4.74%	-17.85%	13.68%	8.96%	-14.04%	10.07%

* Inception Date is December 28, 2011

We are arguably living through the most fragile economy since the Great Depression, the greatest health crisis since the Spanish Flu of 1918 and the most divided country since the Civil War. Shareholder Activism has taken a back seat to everything that is more important in the world – health, unity and compassion to our neighbors. It is hard to be an activist in a world hit by COVID; or in a country so divided; or in a city where there is so much more important activism happening on our own streets. So, naturally the level of shareholder activism has dropped during this time and the number of catalysts realized has slowed. But it has started to return with a renewed energy and we expect the fourth quarter of 2020 and 2021 to be banner years for shareholder activism.

During the second quarter, we added four new positions and exited four positions. We exited Callaway (ELY), Medifast (MED), ABB (ABB) and Norton/Lifelock (NLOK) when the respective activists reduced their positions below 5% and ceased to be 13D filers. ABB and NLOK were very profitable, long-term positions for us, with the latter starting off as Symantec prior to splitting in two and selling the enterprise business. Callaway and Medifast were much shorter holds with Callaway being marginally profitable and Medifast extremely profitable.

During the quarter we added Pershing Square Tontine Holdings (PSTH), Merit Medical Systems (MMSI), Enviva Partners (EVA) and Evolent Health (EVH)[1]. PSTH is the Pershing Square SPAC launched to invest in a multi-billion dollar private company. We believe that SPACs are generally poor investments due to the egregious compensation structure for the SPAC founders, which generally include a dilutive 20% founders' interest. However, PSTH is the first SPAC ever to do away with the founders' shares, and Pershing Square only receives an approximate 6% promote on profits after investors receive a 20% return (see attached article for more about this SPAC). We were fortunate enough to get our investment early on and have an average cost of \$20.79 per unit, which included detachable and non-detachable warrants. We sold the detachable warrants, which brought our average cost down to \$19.90 per unit. As part of a SPAC investment, investors like us have the option to redeem our units for \$20 per share plus interest less expenses if PSTH does not find a company to invest in or if they make an investment we do not like. As a big believer in Pershing Square, we expect that they will find a great company to invest in and we intend to be long term holders as they help to create value for shareholders. But it is nice to have the downside protection and the optionality to reduce our position if there is a big stock appreciation upon announcement.

Merit Medical Systems (MMSI) is a position of Starboard Value. Starboard is a very successful activist investor and has extensive experience helping companies focus on operational efficiency and margin improvement. MMSI is a medical device company that specializes in peripheral intervention, cardiac intervention, breast cancer localization and endoscopy. Over the past several years the Company has put up high single digit to low double-digit organic growth by expanding its facilities, employees and M&A. While its organic revenue growth has been on the higher end of its peers, this has not flowed through to profitability and the Company's 14.6% EBITDA margins have been on the lower end of its peers who have margins in the mid 20's to low 30's. Fred Lampropoulos founded the Company in 1987 and has been its Chairman, CEO and President ever since. He has been focused on revenue growth and more recently on M&A, and has done a great job of growing the Company to where it is. However, he is still running the Company more like an entrepreneur than a disciplined CEO and the Company would benefit from a board and management team that is more focused on long-term profitability and margins. We have seen that founder-led companies like this are often activist targets because the visionaries who created the Company may not be the best people to operate it when it gets to a certain size. There is a lot of room for improvement here and Starboard has tremendous experience in improving operations from a board level, particularly at founder led companies. A parallel opportunity is that the Company could get sold. There has been a lot of consolidation in the MedTech space and Lampropoulos is at an age (70) where he might start thinking about an exit. Stryker acquired Wright Medical; CR Bard, one of Merit's direct peers, was acquired by Beckton Dickinson and over time, Teleflex has bought many companies in this space, leveraging those acquisitions into significant margin expansion. Merit's attractive assets could be accretive to a larger strategic acquirer and could see tremendous upside as many of the other consolidations in the industry took place at 4-5x revenue, while Merit is trading just over 2x revenue today. On May 26, 2020, Starboard and the Company entered into an Agreement, pursuant to which the Company added three new directors to the nine-person board.

[1] As of 9/30/2020, the Fund's Top Ten Equity Holdings & Weightings are: CHENIERE ENERGY INC (4.78%); HAIN CELESTIAL GROUP (4.74%); PAPA JOHNS INTERNATIONAL (4.64%); NEWELL BRANDS (4.62%); GREEN DOT CORP (4.36%); ERICSSON (4.36%); BOX INC (4.09%); SEAGATE TECHNOLOGY (4.04%); MAGELLAN HEALTH (3.91%); SLM (3.73%).

Enviva Partners (EVA) is a position of Inclusive Capital, the successor to the Value Act Spring Fund, which is the sustainability investing fund founded by Jeff Ubben, ValueAct's founder, who is on the Board of Enviva. The ValueAct Spring Fund was launched in January 2018 with the mission of identifying and investing in companies whose products, services or technology can unlock environmental or social value, which in turn creates a sustainability premium. ValueAct is building a huge network and has accessed experts in industries such as energy, electrification, water, agriculture, food production, particulates, education and human rights. Just like ValueAct's constructive, patient investment style, Inclusive Capital will seek to earn the trust of managers, board members and institutional investors. Enviva manufacturers wood pellet plants in the southeastern part of the US from tree farm scraps and pulp mill waste. These pellets are sold to power generators in Europe and Japan as they convert coal plants to biomass. This technology reduces the carbon footprint of these plants by roughly 80%, making it a key part of the decarbonization strategy for utilities. By working closely with the independent stewardship organizations, Enviva helps assure that the tree farms are managed responsibly. The extra income the landowner receives from Enviva helps replace lost business from pulp mills, protecting the land from development. The company's strategic access to so much forest growth is key to securing a contracted revenue backlog of over $10B, with a contract maturity of over 11 years. Enviva has refined its technology to raise the burning temperature of pellets, enabling them to produce more energy. The Company has also slashed costs by building facilities close to logging sites where it can collect scraps that sawmills cannot use. Enviva's targeted return is 15%, with a current yield of 7.5% and a growth in distributions of 8%.

Evolent Health (EVH) is a position of Engaged Capital. Evolent provides health care delivery and payment solutions and operates through two segments - Services and True Health. The Services segment includes clinical and administrative solutions designed to help payers and providers administer value-based reimbursements. This segment includes Identifi, a proprietary technology system that aggregates and analyzes data, manages care workflows and engages patients. The Services segment also offers specialty care management solutions that support a range of specialty care delivery stakeholders during their transition from fee-for-service to value-based care. The True Health segment is a physician-led health plan in New Mexico available through the commercial market for employer-sponsored health coverage. True Health manages full health plans and acquires RFP to run health plans in different geographies. The Services business is the Company's core business, accounting for 80% of its revenue. This business had grown historically at a 40% CAGR and 2020 guidance has 30% growth. On the contrary, the True Health business is very capital intensive and has not performed well. The Company has written off $47 million on its acquisition of an Oklahoma health plan and failed to grow its Kentucky health plan, leaving it with just a New Mexico plan. Despite this, by refinancing its convertible debt on less favorable terms instead of redeeming it with cash the Company expects to receive from its arrangement with Passport Health, management is indicating that it plans on continuing to invest in the True Health segment and its sub-par ROI business. The healthcare sector has been making a move away from fee-for-service to value-based care and Evolent is the largest and best player in the industry. There is opportunity here to rapidly scale the Services business and significantly increase the number of lives on the system from the current 7.5 million, particularly if that business is sold to a strategic investor. Evolent has been a coveted asset by a number of strategic players, including large managed care plans like United, Anthem and CVS and other healthcare IT players like Epix. This is a textbook activist opportunity where a company spends the money from its profitable, growing core business on a money-losing, non-core business. Engaged will urge the Board to first and foremost exit the True Health business allowing management to focus its time and resources on the Services business. This should close some of the gap between where Evolent trades (1.5x revenue) and its peers trade (3-4 x revenue). Then, Engaged will request the Board to explore its strategic alternatives, including a sale of the Company. In 2018, Cerner made a minority investment in Evolent's smaller peer, Lumeris, at 6x revenue. If Engaged is not able to constructively engage with the Company by January 10 when the nomination window opens, we would expect them to nominate a full slate of directors for the 2021 class. The 2021 class of directors has three filled board seats and one vacancy, so Engaged stands a chance to win four of ten seats. Moreover, the Company's founder and CEO, Frank Williams, is in this director class. As he has already announced that he will be stepping down as CEO to become Executive Chairman on October 1, losing his board seat will leave him with no role in management. Engaged would also have another tailwind to a proxy fight in that for the past two years ISS has made recommendations against all directors due to unfriendly shareholder provisions in the Company's charter and bylaws.

2020 Distribution Estimate

The 13D Activist Fund will be making our tax distribution on December 9, 2020, with a record date of December 8, 2020. As a tax aware fund, we do what we can to minimize the amount of this distribution and have made a series of 31 day sales to that end. We have often been able to prevent distributions in the past, but due to the appreciation of the fund in 2019 (+27.15%) and the exiting of positions with significantly lower cost basis, this year we anticipate a long term capital gains distribution of approximately 8% of assets. Furthermore, due to a 40% one-time, special dividend that Norton Lifelock (NLOK) paid in December, we will have a net interest income distribution of approximately 2.3% of assets.

Record Date:	*December, 8 2020*
Ex-Dividend Date:	*December, 9 2020*
Payable Date:	*December, 9 2020*

When this letter reaches your inbox we will be on the cusp of an extremely polarizing presidential election and awaiting news on potential Coronavirus vaccines. There are certainly interesting times ahead. Please keep things in perspective. Thank you very much for your support. We hope you are all staying safe and that your families remain healthy.

Ken Squire

Special Purpose Acquisition Companies (SPACs) raise assets to seek potential acquisition opportunities. Unless and until an acquisition is completed, a SPAC generally invests its assets in U.S. government securities, money market securities, and cash. Because SPACs have no operating history or ongoing business other than seeking acquisitions, the value of their securities is particularly dependent on the ability of the entity's management to identify and complete a profitable acquisition. There is no guarantee that the SPACs in which the Fund invests will complete an acquisition or that any acquisitions that are completed will be profitable. Public stockholders of SPACs may not be afforded a meaningful opportunity to vote on a proposed initial business combination because certain stockholders, including stockholders affiliated with the management of the SPAC, may have sufficient voting power, and a financial incentive, to approve such a transaction without support from public stockholders. As a result, a SPAC may complete a business combination even though a majority of its public stockholders do not support such a combination. Some SPACs may pursue acquisitions only within certain industries or regions, which may increase the volatility of their prices.

The Lipper Mid-Cap Core Funds Peer Group have been presented as investment strategies with similar investment styles. Lipper rankings are based on total return of a fund's stated share class, are historical and do not represent future results. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings correspond directly to any comparative indices. Past performance may not be indicative of future results and does not reflect the impact of taxes on non-qualified accounts. The data herein is not guaranteed. You cannot invest directly in an index.

The **Russell 2500** Index is a broad index, featuring 2,500 stocks that cover the small- and mid-cap market capitalizations. The Russell 2500 is a market cap-weighted index that includes the smallest 2,500 companies covered in the Russell 3000 universe of United States-based listed equities. The Russell Midcap Index is a market capitalization weighted index comprised of 800 publicly traded U.S. companies with market caps of between $2 and $10 billion. The 800 companies in the Russell Midcap Index are the same 800 of the 1,000 companies that comprise Russell 1000 Index. The Russell 1000 Index is a compilation of the largest 1,000 publicly traded U.S. companies. The average Russell Midcap Index member has a market cap of $8 billion to $10 billion, with a median value of $4 billion to $5 billion. The index is reconstituted annually so that stocks that have outgrown the index can be removed and new entries can be added. The Russell 1000 Index is a compilation of the largest 1,000 publicly traded U.S. companies. The average Russell Midcap Index member has a market cap of $8 billion to $10 billion, with a median value of $4 billion to $5 billion. The index is reconstituted annually so that stocks that have outgrown the index can be removed and new entries can be added. The Russell Midcap® Value Index measures the performance of the midcap value segment of the US equity universe. It includes those Russell Midcap® Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap® Value Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap value market. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true midcap value market. The S&P U.S. Activist Interest Index is designed to measure the performance of companies within the S&P U.S. BMI that have been targeted by an activist investor, as defined by S&P Capital IQ, within the last 24 months.

Mutual Fund investing involves risk including loss of principal. Overall stock market risks will affect the value of individual instruments in which the Fund invests. Factors such as economic growth, market conditions, interest rate levels, and political events affect the U.S. securities markets. When the value of the Fund's investments goes down, your investment in the Fund decreases in value and you could lose money. The Fund is a non-diversified investment company, which makes the value of the Fund's shares more susceptible to certain risks than shares of a diversified investment company. The Fund has a greater potential to realize losses upon the occurrence of adverse events affecting a particular issuer. The value of small or medium capitalization company stocks may be subject to more abrupt or erratic market movements than those of larger, more established companies or the market averages in general. An investor should also consider the Fund's investment objective, charges, expenses, and risk carefully before investing.

Before investing, please read the Fund's prospectus and shareholder reports to learn about its investment strategy and potential risks. This and other information about the Fund is contained in the Fund's prospectus, which can be obtained on the web at www.13DActivistFund.com or by calling 1-877-413-3228. Please read the prospectus carefully before investing. The 13D Activist Fund is distributed by Foreside Financial Services, LLC.

The views expressed in this update are as of the date of this letter. These views and any portfolio holdings discussed in this update are subject to change at any time based on market or other conditions. The Fund disclaims any duty to update these views, which may not be relied upon as investment advice. In addition, references to specific companies' securities should not be regarded as investment recommendations or indicative of the Fund's portfolio as a whole.

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Bill Ackman and Tontine Holdings Rewrite the Terms for SPACs

The following is a reprint from the July 22, 2020 article written by Ken Squire, published at CNBC:

This week, Bill Ackman, through Pershing Square Holdings, is sponsoring the largest Special Purpose Acquisition Company ever raised.

A SPAC, also known as blank check companies, has no commercial operations and is formed strictly to raise capital through an initial public offering for the purpose of acquiring an existing company.

Pershing Square's SPAC will be called Pershing Square Tontine Holdings and will raise $4 billion by offering 200 million units at $20 per share. Additionally, Pershing Square will be acquiring between $1 billion and $3 billion of units, for a total amount of capital of up to $7 billion. However, based on Pershing Square's current assets under management, we do not expect their contribution to exceed $1.5 billion, for a total capitalization of $5.5 billion.

This is the second time in its history that Pershing Square has sponsored a SPAC.

Pershing Square also served as co-sponsor of Justice Holdings, with Nicolas Berggruen and Martin Franklin. Justice Holdings raised approximately $1.5 billion in its initial public offering in February of 2011 (including a $458 million investment by Pershing Square).

In April of 2012, Justice Holdings purchased from 3G Capital a 29% stake in Burger King Worldwide Holdings Inc. for $1.4 billion in cash, and subsequently merged with Tim Hortons, to form Restaurant Brands International. Pershing Square still remains the second-largest investor in Restaurant Brands International. As of June 30, 2020 the stock of Restaurant Brands International has generated a compound annual total return of 19% since its merger with Justice Holdings, even after losing 30% of its value during the COVID-19 pandemic.

The basic structure of a SPAC is that investors buy common stock in the IPO of a blank check company, in this case, for $20 per share. In addition to the common stock, they receive warrants as an incentive for them to invest.

These warrants are generally detachable, allowing the investor to trade them as separate securities and inviting the short-term investing arbitrage world into SPACs, which often make up a significant part of the shareholder base. The SPAC sponsor will then find a company to acquire and investors will essentially have the choice of staying invested in the SPAC through the acquisition or redeeming their shares for the full amount they acquired them for.

The structure of Tontine Holdings is unique on many different levels. First, each unit consists of: (i) one share of common stock, (ii) one-ninth of a redeemable warrant, exercisable at $23; and (iii) two-ninths of a warrant, exercisable at $23 provided that they are not redeemed in connection with a proposed business combination. It is this last element that is significant.

The one-ninth of a warrant is detachable on day 52 and this is a normal incentive for SPAC investors. However, unlike virtually all other SPACs where all warrants are detachable, two-thirds of the warrants issued to shareholders are not detachable, discouraging the arb community and encouraging long term investors.

Moreover, the investors do not even receive these two-thirds of warrants if they choose to redeem their stock prior to the closing of the acquisition, giving a significant amount of more certainty that the acquisition will close. And finally, as additional incentive to hold the securities through the closing, if a shareholder does redeem, their warrants are distributed pro rata to the shareholders who remain in the SPAC, hence the name "Tontine" holdings.

A tontine is an investment plan devised in the 17th century whereby each investor pays an agreed sum into the fund and thereafter receives a periodic payout with that payment devolving to the other participants upon the death of an investor.

But the most unique feature of this SPAC and the greatest departure from historical SPACs is the compensation terms for the SPAC sponsor, in this case Pershing Square Holdings. The normal historical SPAC sponsor will partly capitalize the operations of the SPAC by acquiring sponsor warrants giving them a participation in the upside of the company. But that is far from their main compensation. Typically, SPAC sponsors receive 20% of the shares in the SPAC for extremely nominal consideration. These founders shares compensate the sponsor regardless of whether the shares in the company appreciate or decline.

For example, in a recent SPAC sponsored by Goldman Sachs, they raised $700 million at $10 per share. They paid $16 million for warrants to acquire 8 million shares at $11.50 per share and received Founders shares for 20% of the company for $5,000.

On the day of the closing that $5,000 payment yielded them $140 million of

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stock assuming a deal closes.

Another example a little older but involving a peer of Pershing Square is Third Point's 2018 sponsoring of Far Point Acquisition Corp. where it raised $500 million at $10 per share. In that situation, Third Point paid $12 million for warrants to buy 8 million shares at $11.50 per share and received its 20% of Founder shares for a nominal payment of only $25,000.

So, assuming a deal closes, Third Point receives $100 million of its shareholders' investment regardless of whether the investment is successful or not. Moreover, under the Founders' shares compensation structure, Third Point and Goldman Sachs still receive tens of millions of dollars of compensation even in a failed investment that loses half of its value.

In contrast, in Tontine Holdings, Pershing Square and its affiliates (including Tontine board members) are paying $67.8 million for warrants to acquire 6.21% of the company. This is much more consideration than the $16 million and $12 million that Goldman and Third Point paid and much less than the 9.1% and 12.8% of shares that Goldman and Third Point received.

Moreover, Goldman and Third Point's warrants were exercisable at a 15% premium to the IPO price whereas Pershing Square's are exercisable at a 20% premium, and Pershing Square has agreed not to exercise its warrants for three years after the closing of the acquisition.

But this is not the really groundbreaking feature of the Tontine compensation structure.

The truly remarkable departure from SPAC standard terms is that Pershing Square is not taking any founders shares.

By removing this egregious compensation element, Pershing Square really shows their allegiance to their investors. Pershing Square's sole compensation for founding and capitalizing the SPAC and sourcing, negotiating and closing a $10B+ acquisition will be a 6.21% promote after the investors have already received a 20% return.

To put it another way, under Pershing Square's warrant-only compensation structure, Pershing Square does not receive any compensation until after the shareholders receive a 20% return, whereas under the typical founders shares compensation structure (as illustrated by the Goldman Sachs and Third Point SPACs above), the shareholders do not see any return until after the company receives a 20% return. Furthermore, Pershing Square paid $67.8 million for these warrants, money they do not get back if a deal is not procured and closed.

So, why did Pershing Square wait almost 10 years after its extremely successful Justice Holdings SPAC to do another one? The answer is market environment.

Pershing Square started working on Justice Holdings right after the financial crisis, when there was an extreme level of uncertainty in the markets. Uncertainty is the mortal enemy of IPOs — until the day of the IPO, companies are not sure what price they will get, how much money they will raise and if it will even happen during times of ultra-volatility in the markets.

Pershing Square patiently waited for that market environment to repeat itself, except this time in the form of a global pandemic and a presidential election. With COVID-19 surges coming or not coming and vaccines coming or not coming depending on the day, there is too much uncertainty in the markets over the next nine months or so for companies to risk an IPO, particularly a $5 billion IPO.

Isn't it much easier to go public through a SPAC where you know exactly how much

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TONTINE SPAC ARTICLE

you are getting for your shares and have a contractual obligation from the acquirer? Moreover, management does not have to deal with the loss of focus inherent in an IPO and all of the meetings, issues and road shows.

The only uncertainty in a SPAC is if the acquirer will approve it or if its shareholders will choose to redeem instead. Well, Pershing Square's structure has taken a lot of that uncertainty away as well.

The transaction will not necessarily require shareholder approval, just board approval; and the possibility of redeeming shareholders was greatly mitigated because of the Tontine-style warrants, the fact that Pershing Square will be investing over a billion dollars of its own money and because unlike most SPACs, shareholders are not looking at a 20% dilution from Founders shares.

So, the $64 million question (or $5.5 billion question in this case) is what kind of company is Pershing Square looking for and when is it likely to happen.

Pershing Square is looking for a minority position and we are assuming they will have $5.5 billion of capital. We also believe it will be just one large company they will be spending the money on. By prospectus, they have to spend at least 80% of their capital. If you assume they would want at least 10% of the company, that makes the target worth between $8.8 and $55 billion.

Pershing Square will look for a company with similar characteristics as its activist investments: a simple, high-quality, high return on capital business that generates predictable growing cash flows that can be estimated within a reasonable range over the long term.

The types of companies it will be looking at will be: (i) a high-quality, well-managed, large capitalization company that is looking for a better alternative to an IPO, such as Rocket Mortgage, which just recently filed for an IPO; (ii) a "mature unicorn"—a high-quality, venture-backed business that has achieved significant scale, market share, competitive dominance and cash flow that does not have as much private funding options as it used to due to the problems at Softbank and the ramifications to the venture market from companies like WeWork; (iii) large private equity portfolio companies that have become distressed due to their typically highly leveraged balance sheets and will require substantial equity infusions to withstand the impact of the current crisis; and (iv) large, high-quality, private family-owned companies that now are required to raise capital due to the economic downturn caused by the COVID–19 pandemic.

How long will this take? Well, by prospectus, they have 2 years to sign a deal and then six months to close thereafter. But it will not take nearly that long.

The crisis that has made this the perfect environment for this strategy will last for about another nine months. We expect Pershing Square to find the company by then. There are only approximately 150 companies that fit their parameters, so they likely already have their top ten wish list, including obvious companies that pop out such as Airbnb and Bloomberg.

We believe this is a tremendous opportunity for several reasons.

First, Pershing Square will have little competition in finding this investment and negotiating the terms.

While its logical competition would come from large private equity firms, Pershing Square is looking to make a minority investment and private equity does not like minority investments. Who else has the ability and the willingness to quickly write a $5 billion check to a company that is looking for capital or liquidity?

Second, as a minority investor, Pershing Square will not have to pay a control premium. Much like in an IPO, the seller does not mind leaving a little money on the table for a minority of his company if he thinks the transaction and the partnership with Pershing Square will help boost the long-term value of the majority he retains.

Third, we believe Pershing Square will be a value-added partner. The firm has extensive experience adding value to companies as an activist investor which is very much the same skillset that they will need here.

Pershing has already put together an all-star board that in addition to Bill Ackman, includes Lisa Gersh, co-founder and former president of Oxygen Media; Michael Ovitz, co-founder of Creative Artists Agency and former president of Walt Disney; Jacqueline D. Reses, the head of Square Capital, a wholly owned subsidiary of Square, and the former chief development officer of Yahoo!; and Joe Steinberg, chairman of the board at Jefferies Financial Group, and former President of Leucadia National Corporation.

This does not mean that all of these directors will be on the board of the surviving company, but we not only expect Bill Ackman to have a board seat given the size of his fund's investment but believe that this could be an inducement to the seller of a large private company often turned off by the public markets.

With Ackman, the seller would get a partner with extensive experience navigating public markets allowing management to focus on operations and board members like Ackman to deal with the issues and obligations inherent in being a public company. Moreover, how better to activist-proof your company than partnering with one of the premiere activists.

In sum, for over two decades, large institutional investors have been paying a 2% annual management fee and 20% of all profits to invest alongside Bill Ackman. Even his fund's special purpose co-investment vehicles charge a 20% promote on profits. Here you can invest alongside him in one of his biggest investments ever and effectively pay no management fee and only a 6.21% incentive fee that is only earned after a 20% return to investors.