Current Investment Thesis

Update on Fees

Please note that effective August 1st 2021, that the fees on the B class shares will be reduced. The new fees will be: Management Fee 0.625% (from 1.00%) and the Incentive Fees will be 7.5% (from 10%). For further information please refer to the notice and updated Information Memorandum published on the website.

Returns

Welcome to our fourth Quarterly Investor Letter. For the second Quarter of 2021 TDCOP delivered returns of 4.66%. TDCOP finished its first full 12 months period since its July 1st 2020 launch with a return of 17.13% annualized return. And this with significantly a better risk reward profile then the HFRX index.

Strategy

Overall performance continues to be strong. This quarter we saw returns being generated across all funds and sectors as the structured credit part of the book continued to play out well, as did the distressed managers.

The broader bond market, and interest rates in general, continue to demonstrate the influence of one of the easiest monetary and fiscal policy periods on record. The unprecedented levels of quantitative easing and focus on holding short-term interest rates pegged at zero have suppressed yields across all almost all asset classes. Meanwhile the effect of recovering economic growth has translated to increasing global inflation pressure, especially in emerging markets where food and energy prices have been steadily increasing. While we anticipate the Fed will remain cautious in its response and will likely maintain near-zero short-term rates (anticipated to remain unchanged for the next year, or more), fiscal stimulus measures are likely reaching the end of their course as the Federal Reserve contends with the near-term strength of economic and market recovery.

Within the structured credit part of the book, managers continue to manage their portfolios by rotating out of high prices/par positions with limited upside return potential and focus on additional purchases in tranches that hold greater write-back loss potential and overall higher yield/return expectations. The legacy RMBS sector continues to demonstrate very positive collateral performance trends within seasoned mortgage pools. Consumer balance sheets have significantly improved over the past decade with lower debt to income levels and building homeowner equity as a result of accelerated home price appreciation rates.

Long cash bonds holdings in legacy RMBS have seen a small-scale sector rotation with higher credit enhancement (CE) bonds, which remain safe but hold limited upside credit improvement, trading to very low discount margins. This has allowed for some rotation out of a portion of these positions where there is limited further price improvement and the managers have targeted additional new purchases for example in lower CE bonds (write-back mezzanine tranches) with stable price performance but with better upside optionality.

There is also considerable divergence in CMBS collateral performance. May saw the first realized loss in the CMBX Series 6, because of the liquidation of the Fashion Outlets of Las Vegas mall which resulted in > 120% loss severity. For perspective, this liquidation represented the greatest loss incurred within any CMBS 2.0 deal to date. Across the asset class as a whole, underlying collateral delinquencies have come down somewhat but much of this improvement has been a result of either forbearance agreements, release of cash management lock boxes, or release of reserves to cover payments. Most of these loans will still be in special servicing and still pose loss risks to the underlying CMBS trusts. In short, there are signs of improvement, however, our managers remain keenly focused on underlying collateral details.

On the distressed side, large returns were generated by one manager in one of their post reorg positions, namely MGM Studios, which after several years has finally paid off. We expect this manager to return cash which we will reallocate whevn received.

[1] All returns refer to Class A shares

Theta Distressed Credit Opportunities Pool – TDCOP US$ share classes

30 June 2021

Fund Characteristics

Fund AuM	$ 42,426,708.00
Strategy AuM*	$ 80,500,000.00
Number of holdings	5
Top holding	20%
Top 5 holdings	100%

NAV & MTD performance (net of fees)

Class A US$	$ 1,171.22	0.53%
Class B US$	$ 1,157.70	0.47%

* Includes assets in Theta managed accounts

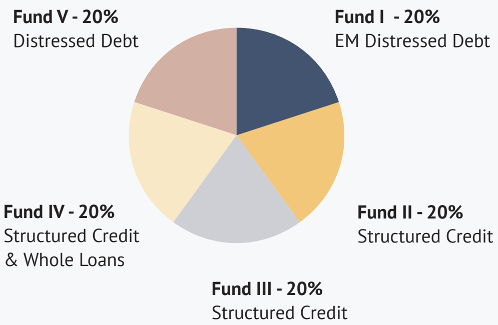
Fund Strategy & description

TDCOP will allocate to 4-8 specialist managers at any time, depending on the evolving opportunity set, with a focus on investing in dislocated credit instruments and distressed debt and restructuring opportunities.

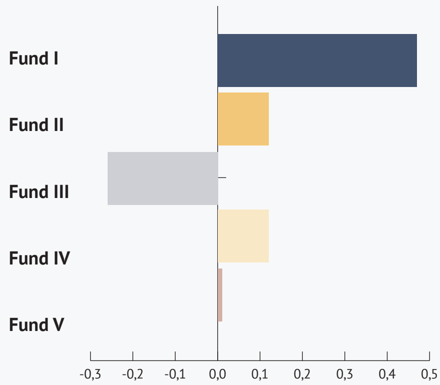
TDCOP will allocate to managers in the structured credit, corporate and sovereign credit space in both developed and emerging markets that have the experience and infrastructure to capitalize on the increased volatility and dispersion in markets as well as anticipated restructurings and liquidations.

Attractive investment opportunities have been limited for distressed debt managers in recent years. We have used this period to secure capacity with the best managers who have been closed to new capital but are now opening up to capitalize on the suddenly vastly expanded opportunity set.

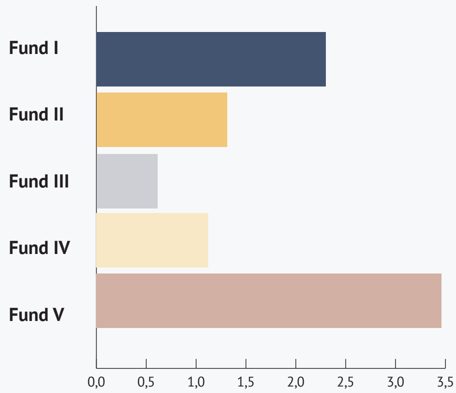
Strategy breakdown



Strategy contribution (MTD, %)



Strategy contribution (YTD, %)



Returns (net of fees)

	Fund Class A	Fund Class B	HFRX
Annualized returns*	17.13%	15.77%	12.01%

Risk (Standard Deviation)

	Fund	HFRX
Annualized St. Dev.*	2.65%	4.09%

Sharpe Ratio

	Fund	HFRX
Sharpe Ratio*	6.46	2.94

Monthly Fund[1] returns (net of fees, USD)

Class A	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	HFRX[2]
2020							0.91%	1.44%	0.34%	0.60%	1.58%	2.51%	7.59%	7.98%
2021	2.01%	1.09%	0.81%	1.44%	2.69%	0.53%							8.86%	3.73%

1) Fund = Theta Distressed Credit Opportunity Pool Class A
2) Reference index = HFRX Global Hedge Fund Index

Class B	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	HFRX[2]
2020							0.83%	1.34%	0.29%	0.55%	1.46%	2.35%	7.01%	7.98%
2021	1.87%	1.00%	0.74%	1.34%	2.52%	0.47%							8.19%	3.73%

Co-Investment Returns (net of fund fees, USD)

Co-Investment[1]	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD[2]	IRR[2]
2020										-0.20%	7.80%	3.30%	52.11%	89.38%
2021	3%[3]	0.20%	-0.70%	2.40%	0.90%	0.30%							6.21%	NA

1) Theta Capital Management offered investors to join a co-investment in ZAIS Zephyr 7 Fund per October 1st 2020. The investment offered a highly attractive opportunity to invest in CLO tranches at dislocated prices. It was offered as a co-investment directly into the fund as the liquidity structure of the investment did not fit TDCOP
2) Based on capital called
3) Monthly estimate which could be different from the official value calculated by the administrator. The final statement will be provided quarterly.

Theta Distressed Credit Opportunities Pool – TDCOP US$ share classes

30 June 2021

Subscriptions & Redemptions

Base Currency	USD
Subscriptions Class A	Monthly, 5 business days
Subscriptions Class B	Monthly, 5 business days
Minimum Subscription Class A	USD 5.000.000
Minimum Subscription Class B	USD 135.000 (subject to manager discretion)
Redemption Notice	Quarterly, 90 days
Investor-level Gate	25%
Lock up Class A	2 years
Lock up Class B	1 year

Fees & Expenses

Management Fee Class A	0.35%
Management Fee Class B	1.00%
Performance Fee Class A	5%
Performance Fee Class B	10%
Hurdle	5%

Management & Administration

Fund Structure	Fonds voor Gemene Rekening (FGR)
Management Company	Theta Fund Management B.V.
Administrator	Apex Fund Services (Netherlands) B.V.
Depository	Darwin Depository Services B.V.
Legal Owner	Stichting Juridisch Eigenaar TDCOP
Auditor	Ernst & Young Accountants LLP
Legal & Tax Counsel	Greenberg Traurig, LLP

Investor Relations

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Disclaimer