

Theta Distressed Credit Opportunities Pool – TDCOP US\$ share classes

31 Jan 2023

Monthly Commentary

As risk-free rates have been on the rise and may have peaked, credit markets have become more intriguing. This provides opportunities to invest in higher quality credit, offering higher returns with only marginal changes to risk. January saw bond yields falling, leading the Global Aggregate bond index to rally by 3.2%. Fund I (+6.75%) and Fund II (+2.35%) demonstrated robust performance that aligned with the broader fixed income markets. Fund III lost -10.7% due to shorts in the wrong direction of High Yield bond markets, Commercial Mortgage-Backed Securities and equity derivatives. Fund III realised some of the losses and replaced them with long put options. Fund IV and Fund V were on par with expectations and we anticipate between 20-100bps of performance each month of this year. Interestingly, we have seen fund portfolios shifting towards higher RMBS allocations away from CDO and CLOs. The RMBS space has become more attractive as the yields are better and risk profiles have remained the same. Where some funds had an historical average of 15-25% allocation to RMBS, they now see allocations of up to 40-50%. Given these developments we are excited about the current portfolio.

Fund Characteristics

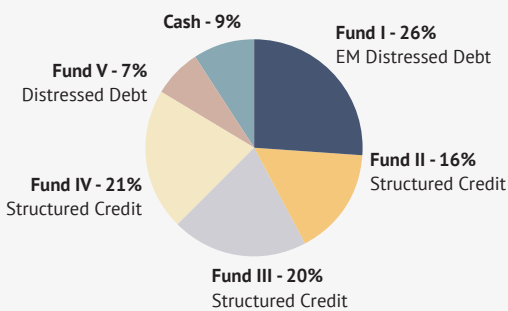
Fund AuM	\$47,272,570.00
Strategy AuM (rounded*)	\$80,500,000.00
Number of holdings	5
Top holding	26%
Top 5 holdings	91%

NAV & MTD performance (net of fees)

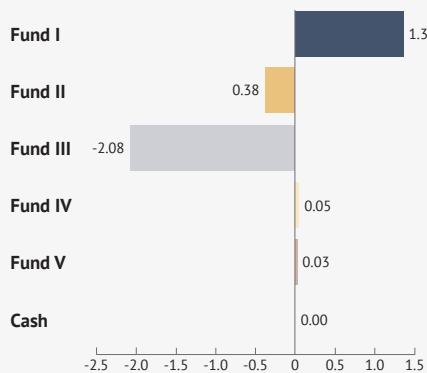
Class A	\$ 1,181.43	-0.23%
Class B	\$ 1,162.23	-0.26%

\*Rounded- includes assets in Theta Capital managed accounts

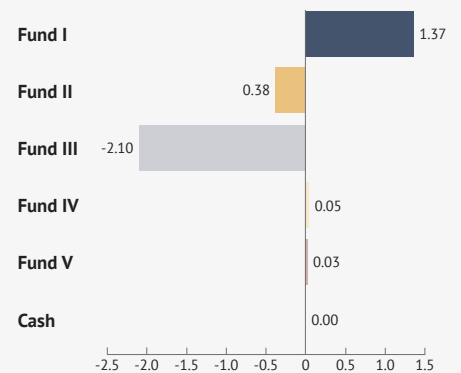
Strategy breakdown



Strategy contribution (MTD, %)



Strategy contribution (YTD, %)



Statistics (since inception)

Returns (%)	Annualised returns	Annualised St. Dev.	Risk-adjusted return*	Best monthly return %	Positive months %
Fund A	6.67%	3.93%	1.70	2.69%	80.6%
Fund B	5.99%	3.82%	1.57	2.52%	80.6%
HFRX <sup>2</sup>	3.32%	3.86%	0.86	2.82%	54.8%

\*Annualised returns divided by annualised standard deviation with with data since inception

Monthly Fund<sup>1</sup> returns (net of fees, USD)

Class A	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	HFRX <sup>2</sup>
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%	0.78%	0.62%	0.69%	0.59%	0.06%	0.03%	11.91%	3.65%
2022	0.21%	-2.06%	0.28%	0.97%	-0.47%	-0.54%	-2.13%	1.64%	0.35%	-1.73%	0.55%	1.36%	-1.65%	-3.52%
2023	-0.23%												-0.23%	1.67%

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 <sup>2</sup>
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%	0.71%	0.59%	0.66%	0.57%	0.05%	0.02%	11.03%	3.65%
2022	0.18%	-2.08%	0.25%	0.95%	-0.49%	-0.57%	-2.15%	1.62%	0.32%	-1.75%	0.53%	1.34%	-1.93%	-3.52%
2023	-0.26%												-0.26%	1.67%

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**Co-Investment**

Theta Capital Management offered to qualified investors to join a co-investment in ZAIS Zephyr 7 Fund per October 1<sup>st</sup> 2020. The investment offered a highly attractive opportunity to invest in CLO tranches at dislocated prices. The investment was offered to qualified investors as a co-investment directly into the fund as the liquidity structure of the investment did not fit TDCOP. Per December 2021 the investment has been fully returned to investors and has generated a net fund return of 39% IRR to investors (excluding fees charged by Theta Capital Management) over a 14 month period.

**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.

**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 120.000
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	0.625%
Performance Fee Class A	5.0%
Performance Fee Class B	7.5%
Hurdle	5.0%

**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	EY Accountants LLP
Legal & Tax Counsel	Greenberg Traurig, LLP

**Investor Relations**

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**Disclaimer**

Theta Distressed Credit Opportunities Pool – TDCOP (the “Fund”), is domiciled in The Netherlands. Theta Fund Management B.V. (Theta) is the management company of the Fund a 100% subsidiary of Theta Capital Management B.V. Theta is authorised as a management company and regulated by the Dutch regulator Autoriteit Financiële Markten. The Fund is registered under the license of Theta at the Autoriteit Financiële Markten. The shares of the Fund are admitted for (public) offering in The Netherlands. The information in this document provides insufficient information for an investment decision. Please read the Key Information Document (only for the Netherlands) and the prospectus. These documents of the Fund are available on the website of Theta ([www.thetacapital.com](http://www.thetacapital.com)). The value of your investment may fluctuate. Past performance provides no guarantee for the future.

