

## What is a SPAC?

Also known as a “blank-check company,” a SPAC (acronym for “special purpose acquisition company”) serves as a vehicle to bring a private company to the public markets.

## How it Works



A cash-rich shell company raises money from investors in an IPO



It searches for a private acquisition target over a fixed time period



Once it finds a target company, it enters into a business combination agreement and stages a shareholder vote



After shareholders approve the deal, the target and SPAC merge

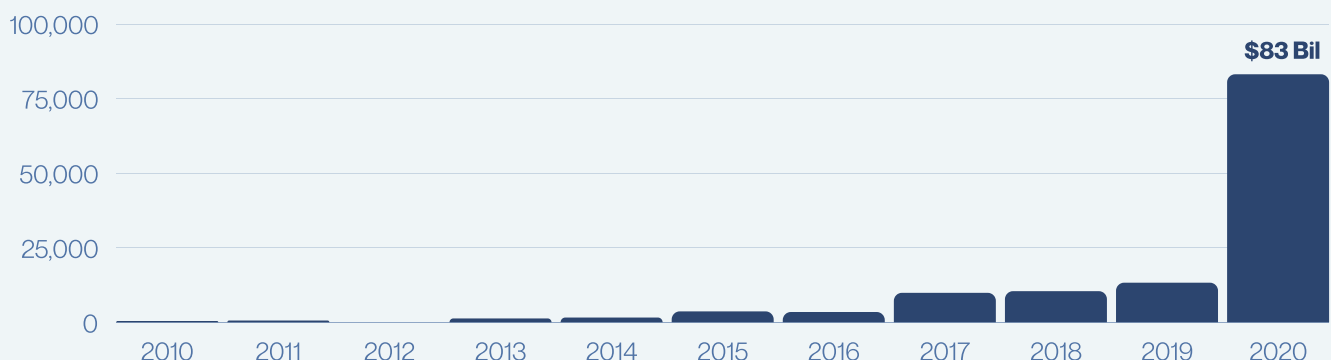
## Typical Characteristics

- Issued at \$10.00 per unit, consisting of 1 common share and a fraction of a warrant
- Usually  $\frac{1}{3}$  or  $\frac{1}{2}$  of a warrant per unit, exercisable at \$11.50
- Units split into common shares and warrants after 52 days
- IPO proceeds go into trust, which accrues interest and cannot be spent (besides tax)
- Has a fixed time period to execute a business combination of 18-24 months
- If deal announced, shareholders vote and can redeem for \$10.00 + accrued interest
- If no deal executed, \$10.00 + accrued interest paid back to shareholders

## SPACs as an Asset Class

- In 2019, SPAC financings reached a record annual haul of \$13 billion
- In 2020, SPACs raised \$83 billion
- After a substantial increase in SPAC IPOs during summer 2020, blank checks now represents a \$160 billion asset class

### Annual US SPAC IPO Volume (SPAC Proceeds Raised in Millions)



## SPAC Benefits Over Traditional IPOs

### 1.Speed



It can close a go public transaction in 3 months

### 2.Marketability



Only dealing with one investor instead of hundreds of potential investors

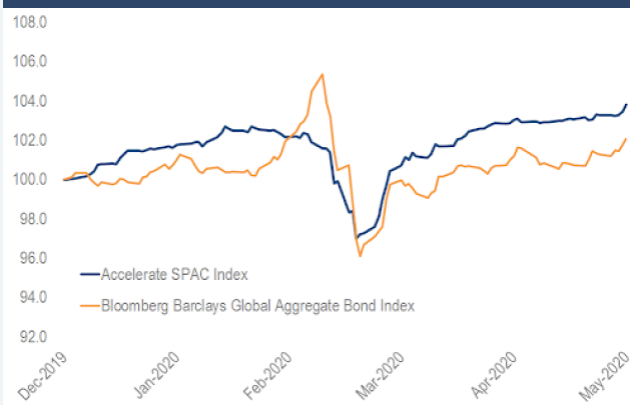
### 3.Certainty



Sponsor and target can actively market the stock and provide forecasts

## Why Invest in SPACs?

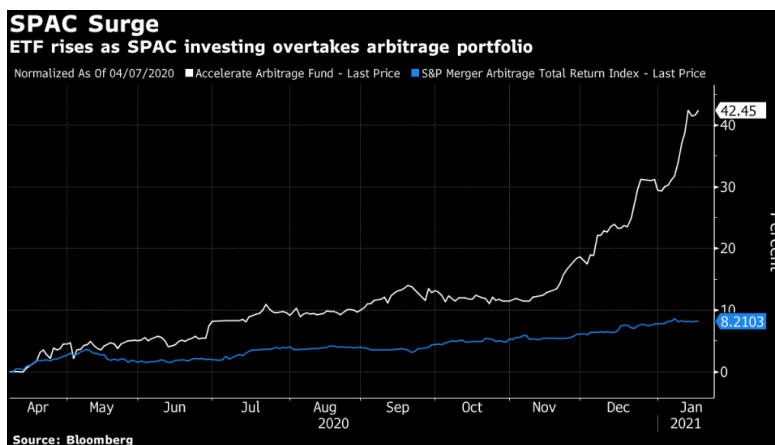
### SPACs Outperformed Bonds Throughout the Pandemic



Throughout one of the most volatile markets in history, SPACs not only outperformed supposedly safe bonds by 170 basis points, with 31% less volatility and a 25% lower drawdown. In addition to an attractive risk-adjusted performance over the pandemic bear market, the other key aspect of an allocation to SPACs is the correlation (or lack thereof). Over the first five months of 2020, SPACs had a 0.37 correlation with bonds and a 0.58 correlation with stocks.

## How to Access SPACs?

The Accelerate Arbitrage Fund (**TSX:ARB**) is the world's first SPAC-focused ETF, currently **holding approximately 150 SPACs**.



Learn more at [www.accelerateshares.com/investment-solutions/arb-2](http://www.accelerateshares.com/investment-solutions/arb-2)

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