

# MontLake Abrax Merger Arbitrage UCITS Fund

## Global Merger Arbitrage

December 2020

### Performance Returns

The MontLake Abrax Merger Arbitrage UCITS Fund gained 1.0% for the month of December (USD Institutional Founder Class), bringing YTD performance to 6.6%. The monthly performance compares to the (unleveraged) return of +4.4% YTD for the reference HFRX Merger Arbitrage Index.

### Investment Objective & Strategy

The MontLake Abrax Merger Arbitrage UCITS Fund is a global merger arbitrage and hard catalyst only focused investment fund managed by a highly experienced team.

Through in-depth research, judicious selection of deals, active trading and disciplined risk management, the Fund is focused on late stage M&A situations with firm merger agreements in place. The Fund only invests in developed markets, with strong regulatory frameworks.

Through selection of the best risk/reward merger arbitrage deals and not taking exposure to special situations or pre-event deals, the MontLake Abrax Merger Arbitrage UCITS Fund has a targeted annual net return of 6 to 8%, with a strong focus on capital preservation with low correlation to the wider equity markets.

### Portfolio Commentary for December

December was a quieter month for Abrax with very little in the way of deals completing or news flow, but it still resulted in a small, positive return.

The Fund had two interesting situations which saw a price increase in their consideration (one bump and one bidding war which is pending), which serves to highlight the strong and growing appetite for M&A that we have seen over the past 3 months.

### G4S

Allied Universal trumped Garda World in its pursuit of G4S (+102bps) with a counter-offer on December 8th. Garda World has been pretty vocal about Allied Universal's competitive bid and now has until 27 February (day 53 of the timetable) to come back with a superior offer. We believe it is more likely than not that they will come back with a superior offer, given the strategic nature of the asset and the synergies to be generated and a still attractive valuation vs historic multiples paid in the sector.

### Altice Europe

Parent holding Next (Patrick Drahi) finally increased its consideration by 30% to delist Altice Europe (+78bps) following feedback from an increasing number of shareholders who were unhappy with the initial price which was still well below pre-pandemic levels.

We also made +33 bps by shorting Sogou, which was acquired by giant Tencent, after China's antitrust watchdog had levied fines against Tencent and Alibaba's previous M&A transactions of Internet sector companies.

The second part of the month was very quiet as it is often the case around the Xmas period, with some of our spreads widening a little but there were no new catalysts or deal closures.

### M&A Market Review and 2021 Outlook

Despite an almost complete shutdown of the M&A market during Q2 2020, the acceleration in new deals during Q3 and Q4 resulted in an M&A market volume of \$4.8 trillion for 2020, which was down 11% vs 2019 and 2018 levels, and indeed was in line with the 2016 level. Q3 and Q4 M&A volumes were higher than any of the highest quarters of 2018 and 2019 which in many ways is quite extraordinary.

2021 has seen no respite to this deal flow with \$200bn worth of M&A being announced in the first 5 days alone, making it the fastest M&A start on record. This has mainly been led by \$5bn+ megadeals, with acquirers making very opportunistic bids over targets, which are still trading at a distressed price vs their pre-pandemic price levels.

As a result, we are currently witnessing an un-precedented number of bidding wars (G4S, Codemasters, Entra ASA, Countrywide, Alaska Telecommunications etc) which is resulting in significant additional profit opportunities for our strategy.

M&A advisors have been commenting that their backlog is very busy given (i) US election uncertainty being removed, (ii) a more diplomatic approach vis a vis the US/China relationship expected going forward and (iii) cost of financing back at the lowest level of 2008, with companies ready to strike large M&A deals. All of this is very positive for the Fund and we are excited for the year ahead.

### UCITS Monthly Performance (USD Institutional Founder Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2020	0.49%	0.57%	-5.90%	6.00%	0.50%	-3.41%	1.66%	0.18%	-1.98%	0.54%	7.46%	0.97%	6.55%
2019	-	-	-	-	-	-	-0.05%	0.68%	0.50%	0.56%	0.27%	1.08%	3.05%

The performance figures quoted above represent the performance of the MontLake Abrax Merger Arbitrage UCITS Fund, USD Inst. Founder class since launch on 24-Jul-2019. These performance figures refer to the past and past performance is not a reliable guide to future performance.



### Xavier Robinson

Xavier Robinson has been the Manager of the Abrax strategy since 2011. He has almost 25 years experience in M&A Investment Banking and Asset Management with senior roles at Dexia Asset Management, Lehman Brothers, Citigroup and BNP Paribas.

### Olivier Baccam

Olivier Baccam has 15 years' event driven/merger arbitrage investment experience at Candriam (Dexia Asset Management) where he was Senior Portfolio Manager, Senior Investment Analyst as well as Management Committee member.

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Strategy AUM	\$69.4 million
Fund AUM	\$28.5 million
Inception	24 <sup>th</sup> July 2019

Share Class	Institutional Class Founder / Pooled
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.00%
Perf. Fee	10.00%
Min Init. Sub.	1,000,000
ISIN Codes	USD: IE00BZ00Y245 / IE00BGLJXS63 GBP: IE00BZ01D866 / IE00BZ01D973 EUR: IE00BZ00XN87 / IE00BZ00Y351 CHF: IE00BZ00Y138 / IE00BGLJXR56

Share Class	Institutional Class / Pooled
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.50%
Perf. Fee	15.00%
Min Init. Sub.	100,000

ISIN Codes	USD: IE00BZ00XH28 / IE00BZ00XM70 GBP: IE00BZ00XF04 / IE00BZ00XK56 EUR: IE00BZ00XD89 / IE00BZ00XJ42 CHF: IE00BZ00XG11 / IE00BZ00XL63
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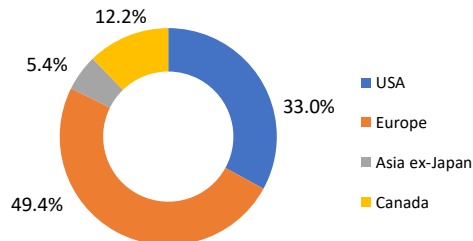
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## Global Merger Arbitrage

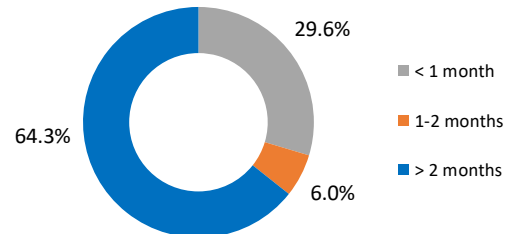
December 2020

### Portfolio Exposure

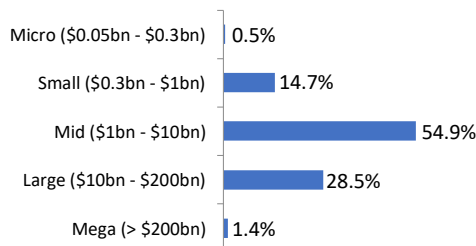
EXPOSURE BY GEOGRAPHY - TARGET



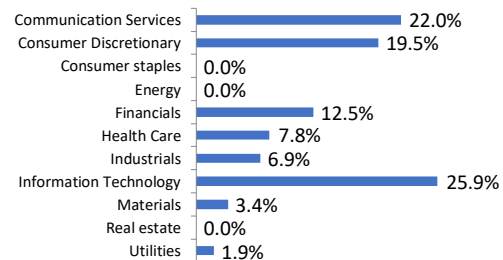
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



#### CURRENT FUND POSITIONING (% of NAV)

Long	122.5%
Short	14.0%
Gross	136.5%
Net	108.5%
Leverage	1.37x

#### CONCENTRATION (% of gross exposure)

Top 5 long positions	26.0%
Top 10 long positions	42.8%

#### DIRECTION (positions)

Long	32	New situations	10
Short	5	Situations closed	2

#### LIQUIDITY BREAKDOWN (% of gross exposure)

< 1 day	100.0%
2-5 days	0.0%
6-10 days	0.0%
11-20 days	0.0%
> 20 days	0.0%

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