MontLake

+2.31%*

Mygale Event Driven UCITS Fund

Event Driven

November 2020

Performance Returns

*The Mygale Event Driven UCITS Fund USD Institutional Class returned +2.31% during the month of November.

Investment Objective & Strategy

An active trading approach to European Focused Event Driven Equity.

The fund follows predominantly merger arbitrage and catalyst driven strategies. We hold 40-60 positions with a typical net exposure of up to 50% and gross of between 100% and 200%. Our trading approach has a three tiered methodology designed to capture additional alpha for every position. Trades are structured with the intention of embedding optionality and favourably skew risk, with sharpened timing and market feel from our trading background. We frequently question our investment thesis, and conduct fundamental in-house research with the understanding that company specialists may know more. We are not wedded to any positions and do not believe we have the 'information edge.' Therefore, we systematically consult the market through deep local broker relationships and industry specialists. We are constantly looking for trades with fundamental value, and situations with the possibility of counter bids and bump catalysts and try to avoid the 'home run' mentality.

Monthly Commentary

November delivered the positive vaccine news we'd all been hoping for and the strength of the positive market reaction wasn't a great surprise. Equity markets were also driven higher post the US election result, which, whilst not delivering the 'blue wave' that many had touted, did give confidence in the form of expected stability and favourable stock market backdrop. Naturally, both of these developments are supportive of a continuing recovery in the Global M&A market as increasing confidence emboldens chief executives to carry out strategic and opportunistic M&A. In fact, on the day of the first vaccine news itself, in one day alone, over $40bn worth of new deals were announced!

Our portfolio performed strongly during the month, not due to beta exposure as such, rather being driven by deal specific or catalyst news. Gains were spread widely across the portfolio, both on existing portfolio investments as well as new opportunities added during November in what was once again a very busy month for new deal flow. Unsurprisingly, the largest of the new deals were all strategic in nature, and it was pleasing to see strength both in the US, with significant deals such as the acquisition of Markit by S&P Global, as well as in Europe, which presented a number of new investment opportunities.

Many of the European opportunities involved cross border acquirers, and in some, a consortium approach. We saw non-life insurer RSA Insurance reach a deal to sell itself to a consortium consisting of Intact Financial (of Canada) and Tryg of Denmark, who will split up the business geographically between them. In fact, opportunities in the UK were plentiful this month.

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2020	-0.24%	-0.24%	-3.75%	1.26%	-0.34%	0.15%	0.57%	0.75%	0.08%	0.12%	2.31%		0.55%
2019	0.60%	0.19%	0.34%	0.51%	-0.20%	1.43%	0.67%	0.15%	0.16%	-0.11%	0.29%	0.28%	4.39%
2018	0.63%	0.96%	-0.23%	0.36%	-0.27%	0.63%	0.22%	0.06%	0.90%	-0.48%	0.42%	0.20%	3.43%
2017	0.00%	0.30%	0.47%	0.61%	0.04%	0.22%	0.46%	0.19%	0.26%	0.56%	0.16%	0.74%	4.06%
2016	0.97%	0.43%	0.02%	0.67%	0.47%	0.03%	2.83%	0.76%	0.84%	-1.56%	0.03%	1.02%	6.65%
GBP Ins. A Fou.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2020	-0.23%	-0.24%	-3.93%	1.30%	-0.26%	0.21%	0.64%	0.82%	0.15%	0.18%	2.35%		0.89%
2019	0.54%	0.15%	0.33%	0.48%	-0.25%	1.37%	0.67%	0.12%	0.13%	-0.12%	0.28%	0.25%	4.04%
2018	0.65%	0.97%	-0.29%	0.37%	-0.28%	0.59%	0.23%	0.03%	0.90%	-0.40%	0.31%	0.15%	3.26%
2017	0.01%	0.28%	0.43%	0.62%	0.07%	0.21%	0.46%	0.19%	0.25%	0.57%	0.16%	0.72%	4.03%
2016	1.25%	0.47%	0.02%	0.69%	0.57%	0.18%	2.85%	0.83%	0.86%	-1.16%	0.05%	0.84%	7.65%

The performance figures quoted above for the USD Share Class represents the performance of the Mygale Event Driven UCITS Fund USD Institutional Share Class and the GBP Share Class represents the performance of the GBP Institutional Class A F Share Class since launch. These performance figures refer to the past and past performance is not a reliable guide to future performance.

The Manager

MYGALE

Neil Tofts has over 20 years' experience successfully running event driven portfolios and funds, and 23 years in derivatives. As Managing Director and Head of Event Driven Investments for Merrill Lynch in London, he was responsible for a European focused, Global Event Driven portfolio. From 2007 he was Head of Global Event Driven Investments at KBC Alternative Investment Management in London where he established and ran a 4 person team. Prior to this in 2000, Neil founded the London office of Deephaven Capital Management. He has also managed Event Driven investments at Paribas and NatWest Markets. He graduated with a BA (Hons) in Business Studies from Oxford Brookes University.

Ken Li Chung was previously a Vice President at Bank of America Merrill Lynch in London where, most recently, he had full responsibility for the European Event Driven trading franchise. He has over nine years of investment experience, having joined BAML in 2008 and has also been responsible for a European focused fundamental equity portfolio as well as index and portfolio trading. Ken Li graduated with a BA (Hons) in Economics from the London School of Economics and Political Science, and is a CFA Charterholder.

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	$303 million
Inception	1 January, 2016

Share Class	Institutional/Institutional Pooled
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.50%
Perf. Fee	20.00%
Min Init. Sub.	1,000,000
ISIN Codes	EUR: IE00BYRPFQ61/IE00BYRPFV15
	USD: IE00BYRPFT92/IE00BYRPFY46
	CHF: IE00BYRPFS85/IE00BYRPFX39
	GBP: IE00BYRPFR78/IE00BYRPFW22

Share Class	Institutional F/Retail Pooled
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.25%/2.00%
Perf. Fee	15.00%/20.00%
Min Init. Sub.	10,000,000/10,000
ISIN Codes	EUR: IE00BYRPG302/IE00BYRPFZ52
	USD: IE00BYRPG633/IE00BYRPG294
	CHF: IE00BYRPG526/IE00BYRPG187
	GBP: IE00BYRPG419/IE00BYRPG070

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Monthly Commentary continued

We initiated a new investment in Codemasters who reached agreement to be bought by Take Two of the US, in a stock and cash deal. Codemasters is a UK based game developer with the exclusive worldwide rights to develop and publish the F1 racing game. Take Two, one of the world's largest multi studio game development companies and owner of titles such as Grand Theft Auto - the highest selling game in history. Interestingly a lot of Take Two analysts don't seem to fully understand the rationale for the deal (which due to the lack of penetration of F1 in the US we don't find overly surprising), but we feel the rationale is very strong. Codemasters underlying technology is very good, and the F1 licence is their crown jewel asset. This licence currently delivers over £60m of revenue per annum and could be delivering over £100m in 2 years - very few gaming franchises can get to this sort of level. On top of this, there is great potential for service revenues (in game content purchases) - only 3% of revenue comes from services for Codemasters currently, but over 50% at Take Two. Our view is that the bid undervalues the company and the unique potential of it's license in what is a high growth area of computer gaming, hence the potential exists for price improvement or counter bids to emerge.

We were again active in G4S this month, being bid for by Garda World of Canada. Our thesis here from the outset has been that there is a potential counter bidder in the form of Allied Universal of the US lingering in the background and hence we felt the dynamics were strongly in favour of a positive upside catalyst materialising. Having initially invested in G4S as a catalyst position we have been cognisant of the company's strategic value for some time, particularly since they sold their Cash division to Brinks earlier in 2020, and consequently we strongly felt that the 190p bid from GardaWorld was lacking somewhat. Further, our work in to understanding the position of unlisted peer Allied Universal gave us confidence that they had serious intent and were likely to get involved, hence we were not surprised when G4S announced early in the month that they had received an approach from Allied at a price of 210p. Whilst not yet a confirmed bidding war, the Allied approach confirmed our confidence in the thesis for both of these parties to be interested in G4S and in a situation where losing the opportunity could prove a significant long-term threat to the other parties business positioning. We have continued to build our long position with the expectation of increased bids and/or competitive bids to emerge as we go in to year end.

In Scandinavia we were active in the property sector, with a bidding war brewing for Entra of Norway. Swedish property developer and manager SBB, have bid NOK 165 in cash and stock and are now facing competition from local peer Castellum who have also launched a bid, at NOK 171, also in cash and stock. Entra is a developer and manager of high quality, environmentally friendly, centrally located office and community service properties across Norway's four largest cities, with a high proportion of public tenants (c.60%). The Entra portfolio has a long average lease life of 7 years and has proven very resilient through Covid with >99% rent collection. It is the only publicly listed commercial property portfolio of any scale in Norwegian real estate. The valuation here is modest at only around 4% premium to NAV (some previous deals in Scandinavia in recent years have gone for over 20% premium) hence we feel there is room for improvement from either of the two parties to win the day. Not only that but there also exists the potential for counter bids from many other parties, be they Swedish peers or even the big German players as Norway remains attractive due to its higher yields.

Whilst the merger Arbitrage and Catalyst Driven sub strategies both performed well this month, it was pleasing to see some degree of normality start to return to our Relative Value sub-strategy. A few of our holding company situations had been impacted negatively in recent months due to directional selling flows and simple investor disinterest, but during the month this abated somewhat. In Unipol for example, a results presentation with the CEO revealed their intention to pay dividends of EUR 600m in their 3-year plan, and this will include the EUR 200m accrued but not paid for 2019 due to Covid restrictions on dividend payments. This is clearly positive for the holding company spread.

As we reach the final month of what has been a year like no other before, we can't help but to feel positivity toward our strategy going forward. The simple fact is that merger activity declines as uncertainty increases. The dramatic reduction in uncertainty seen in November as a result of the US election result, combined with the strong efficacy data from Covid-19 vaccines should bode extremely well in the months ahead….and I haven't even mentioned the word BREXIT!

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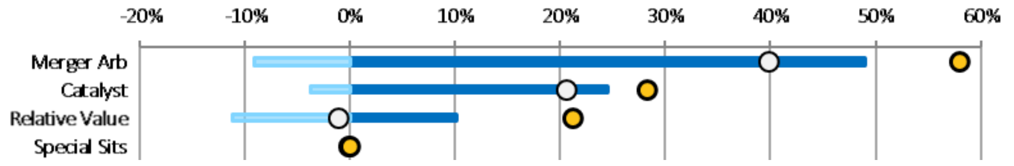
Portfolio Exposures

Risk Metrics

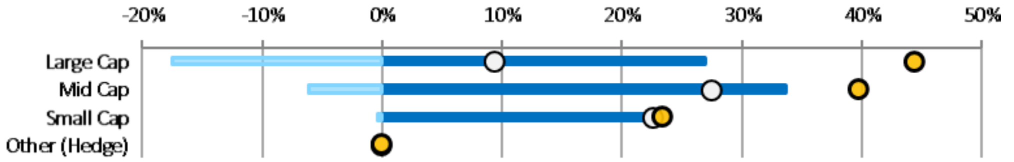
LONG EXPOSURE[2]	83.60%
SHORT EXPOSURE[2]	-24.03%
GROSS EXPOSURE[2]	107.63%
NET EXPOSURE[2, 4]	20.61%
SHARPE RATIO[3]	1.35
SORTINO RATIO[3]	1.96
VOLATILITY[3]	2.85%
VAR[1]	6.98%
NO OF POSITIONS	63

1. VaR is calculated using a confidence level of 99% and a holding period of 20 working days. The VaR model used by the Sub-Fund typically uses data from the last 200 weeks or greater, but a shorter observation period may be used in instances of recent significant changes in price volatility.
2. Based on information from the administrator and as a percentage of the fund AUM in USD including currency hedge for share classes.
3. Based on monthly net portfolio performance
4. The net figure excludes cash merger deals.

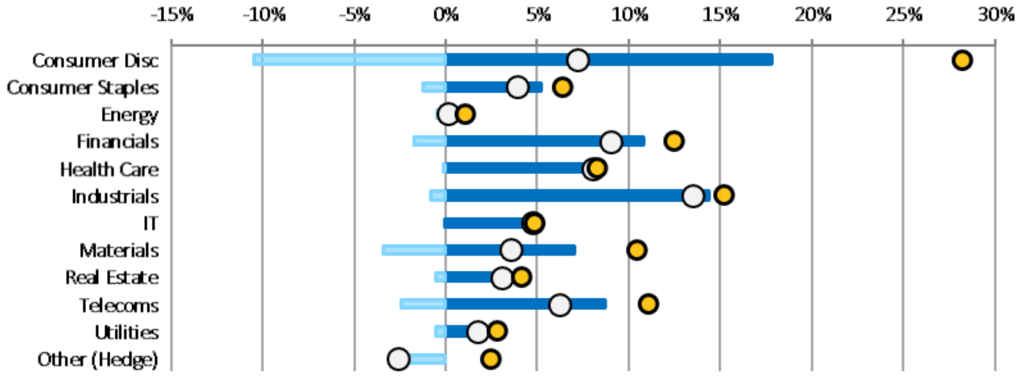
Exposure By Strategy[2]



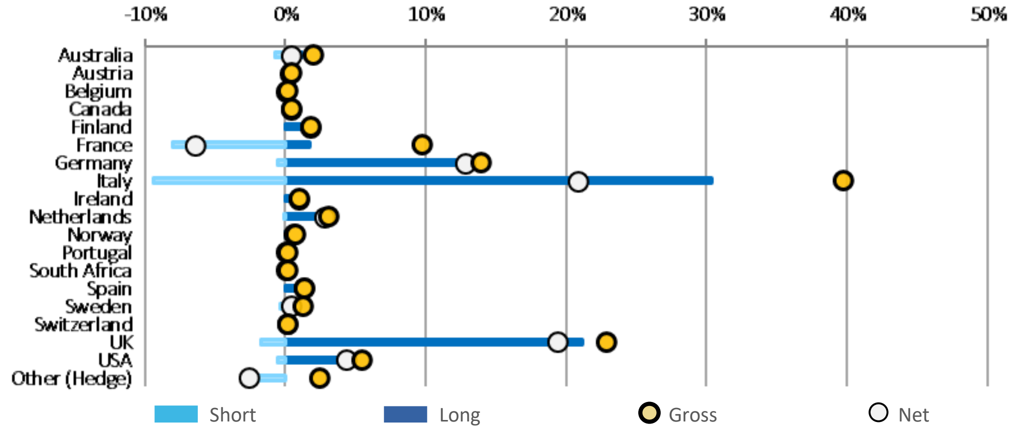
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



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