**Factsheet**

**Performance Returns**

The Mygale Event Driven UCITS Fund USD institutional class had a positive performance of 0.84% during the month of September.

**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 30-50 positions with a typical net exposure of up to 50% and gross of between 150% and 250%. 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.

**Market Commentary**

September saw the return of corporate activity with a bang, although the bar in August was far from lofty by any standards. Bankers returned from their summer hiatuses to give us plenty to sink our teeth into, with many of the mega caps addressing a slump in organic growth by making bolt-on acquisitions, but at what price? Allergan for one, didn’t wait long to deploy the $40.5bn or so they received from Teva in exchange for their generics business, making a string of acquisitions in September – Akarna, RetroSense, Tobira and Vitae are just the latest to join the family. Tobira was executed at an especially eye-watering 1550% premium, assuming all development and regulatory milestones will be met to release full value from the CVR. Even the upfront payment of $533m added up to an almost 500% premium. Before you ask, Bloomberg suggests that this 6x is the largest premium ever paid in biopharma as Allergan plugs its R&D shortfall, spoiling the market for its peers in the process.

In the meantime, markets traded mostly sideways in September as focus intensifies on the US Presidential Election. We got our first debate in late September, which set the record as the most-watched debate in American election history according to Nielsen. Scientific polls suggest that voters believe that Clinton performed better at the debate and markets moved higher in relief that Tr-umpertainty may be further away. In fact, September was good to most assets with commodities leading the way. If you keep some crude oil in your basement, then you’d be happy with the cool 7.6% you made over the month, assuming the WTI variety. The search for yield continues with HY bonds delivering positive returns (0.5% US, 0.2% ex-US) on the whole, while EM bonds measured by the Citigroup EBSI-C index climbed 1.3%. The US dollar index took another step down, falling 0.6% in September and losing ground against the majority of currencies with the exception of the British Pound. Brent anyone?

Stocks traded sideways in September, but the dampened volatility and the relative stability that dealmakers crave has yielded increased activity. Central to those has been the private-equity buyer, who we have seen active across the board, but notably in the technology space as cybersecurity and software-as-a-service companies get snapped up by the likes of Thoma Bravo and Vista Equity Partners. Perhaps we should expect more PE deals as the wall of money raised by private-equity funds continues to grow. PE continues to be a feasible long-duration investment alternative to the fixed income universe as investors continue to chase outperformance. Perhaps they have noticed the strong demand for PE-backed IPOs throughout 2016, although the scarcity value of these may explain that away.

Our portfolio delivered positive returns during the month, generated from both the Merger Arb and Catalyst Driven positions. Of particular note was an investment in the Swedish brake and suspension components manufacturer, Haldex. With a strength in supplying these components across the whole range of braking systems for trucks and trailers, Haldex is one of the market leaders in the US and Europe. With the increasing move towards automated vehicles, the technology they have developed is becoming more and more sought after. The company was originally the subject of an unsolicited offer at SEK94.42 in July from SAF Holland. Shortly afterwards ZF Friedrichshafen of Germany counter bid at a price of SEK100. With ZF having revenues of €29bn, compared to €1bn for SAF Holland, they were a fearsome opponent that resulted in SAF Holland walking away rather than try and compete. Despite this, our feeling was still that the price paid (at around 8.8x EV/EBITDA) was not expensive for an asset of such rarity and hence we continued to build our position in the expectation that other parties could pay more. Knorr Bremse, a specialist in chassis and braking systems, launched a rival bid at SEK 110 in early September. This prompted a series of counter bids from ZF that resulted in the price tag rising to SEK125, and Knorr Bremse being in the position to win the contest, subject to a degree of regulatory scrutiny.

**Monthly Share Class Performance Breakdown**

<table>
<thead>
<tr>
<th>2016</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Y-T-D</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD Ins.</td>
<td>0.97%</td>
<td>0.43%</td>
<td>0.02%</td>
<td>0.67%</td>
<td>0.47%</td>
<td>0.03%</td>
<td>2.83%</td>
<td>0.76%</td>
<td>0.84%</td>
<td></td>
<td></td>
<td></td>
<td>7.21%</td>
</tr>
<tr>
<td>GBP Ins.</td>
<td>1.25%</td>
<td>0.47%</td>
<td>0.02%</td>
<td>0.69%</td>
<td>0.57%</td>
<td>0.18%</td>
<td>2.85%</td>
<td>0.83%</td>
<td>0.86%</td>
<td></td>
<td></td>
<td></td>
<td>7.96%</td>
</tr>
</tbody>
</table>
PORTFOLIO EXPOSURES

<table>
<thead>
<tr>
<th>Risk Metrics</th>
<th>Long Exposure²</th>
<th>Short Exposure²</th>
<th>Gross Exposure²</th>
<th>Net Exposure²</th>
<th>Sharpe Ratio²</th>
<th>Sortino Ratio³</th>
<th>Volatility⁴</th>
<th>Daily Var¹³</th>
<th>No of Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>86.09%</td>
<td>11.50%</td>
<td>97.59%</td>
<td>12.30%</td>
<td>2.46</td>
<td>3.71</td>
<td>4.23%</td>
<td>5.66%</td>
<td>43</td>
</tr>
</tbody>
</table>

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 daily gross portfolio performance.

4. The net figure excludes cash merger deals.

Exposure By Strategy²

-15% 0% 15% 30% 45% 60% 75% 90%
Merger Arb  
Catalyst  
Relative Value  

Exposure By Market Cap²

-10% -5% 0% 5% 10% 15% 20% 25% 30% 35% 40%
Large Cap  
Mid Cap  
Small Cap  

Exposure By Sector²

-5% 0% 5% 10% 15% 20% 25%
Consumer Disc  
Consumer Staples  
Energy  
Financials  
Health Care  
Industrials  
IT  
Materials  
Telecoms  
Utilities  

Exposure By Geography²

-10% -5% 0% 5% 10% 15% 20% 25% 30% 35% 40%
Australia  
France  
Germany  
Italy  
China  
Sweden  
Switzerland  
South Africa  
UK  
USA  

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