

↑ +0.79%*

Mygale Event Driven UCITS Fund

Event Driven

March 2021

Performance Returns

*The Mygale Event Driven UCITS Fund USD Institutional Class returned +0.79% during the month of March.

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.

Quarterly Commentary

Looking back at the first quarter of 2021, global deal making has started extremely strongly, very much as we expected, with deal value more than doubling year on year to \$1.2 trillion. SPAC activity has admittedly taken many of the headlines, particularly so in the U.S., but the pace of deal activity in Europe has continued where it left off in the last months of 2020. In the U.K. also, activity has been particularly buoyant, driven increasingly by foreign acquirers, such as Japan's Renesas Technologies bidding for U.K. based Apple supplier Dialog Semiconductor, who are taking advantage of share prices that have been languishing not only due to Covid-19 issues, but also from a 4 year Brexit hangover, thankfully now removed!

It is not only corporate acquirers who are buyers, private equity funds who moved quickly to take advantage of the Covid-19 pandemic have also been extremely active, although their work in finding bargains this year will likely be harder than last! Competition for targets is rising and we are observing this first hand in Europe, with many PE players deciding to continue investing through the downturn in difference to the more conservative approaches some took back in 2008. It's an interesting phenomenon at the moment actually – on one side we have some willing sellers, keen to find a way out of Covid induced business changes, and on the other, buyers fuelled by an abundance of cheap capital needing to move quickly before soaring equity markets remove the opportunity from in front of their faces.

We continue to expect the macroeconomic environment to improve as the roll out of Covid-19 vaccines progresses. This will deliver greater levels of certainty in the markets needed to increase confidence still further and hence continue to boost deal activity as we progress through the year.

With the above backdrop in mind, unsurprisingly March was yet again another very busy month for our portfolio, and we added 12 new investments and exited / closed 10.

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2021	-0.47%	0.20%	0.79%										0.52%
2020	-0.24%	-0.24%	-3.75%	1.26%	-0.34%	0.15%	0.57%	0.75%	0.08%	0.12%	2.31%	1.73%	2.30%
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%

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

The Manager



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	\$317 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: IE00BYRPF792/IE00BYRPFY46 CHF: IE00BYRPF585/IE00BYRPFX39 GBP: IE00BYRPF78/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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Positions of Interest in March

Notable of those new names added to the portfolio in March was Aggreko, the global leader in temporary power solutions, who agreed to be acquired by private equity players TDR and I Squared at a price of 880 pence. Aggreko is an interesting target as there has been a significant increase in demand for temporary power solutions over the last few years and this is expected to continue to grow strongly over the next decade. We believe that the Aggreko assets are undervalued as a result of Covid. Their exposure to, and knowledge of, a number of different sectors will mean they are well positioned to benefit from the expected economic recovery over the coming years and we think the price paid is opportunistic.

Euskaltel was another portfolio addition this month, following a bid by now privately owned Masmovil. We were involved in the takeover of Masmovil last year so know the sector in Spain reasonably well and hence always had the view that Euskaltel could be a target. Admittedly though, we didn't expect Masmovil to be the buyer, more so Vodafone or Orange. The acquisition by Masmovil should be relatively straightforward from a conditionality perspective, but the attraction to us is the outside potential for an interloper to emerge.

In early February we initiated a Catalyst Driven investment in Arrow Global, following the company declaring an approach from TDR Capital at a price of 305 pence per share. Initially, management were of the view that the price undervalued the company, but a few weeks later TDR raised their proposal to 307.5 pence and management then announced they were 'minded to recommend'. A change from opposing to being willing to recommend for such a small price increase is very unusual, but perhaps is not surprising considering the underlying structure of the business. Arrow is a debt purchase business and fund manager, founded by Zack Lewy. Zack runs the debt and credit businesses, is widely respected and very successful, yet despite this holds only a 2% stake in the business. In our mind he is the driver of this sale, and is no doubt being offered significantly greater ownership in the new vehicle than his current stake. Without him, it is highly likely the business would not enjoy the same level of success, and we suspect that managements willingness to rollover and accept the takeover is predicated on this knowledge. We are aware that a number of other PE players have been taking a look at Arrow over the last few months, and there are a few industry names for whom Arrow could make strategic sense. Arrow have been very successful with their Credit Opportunities Fund launched last year, both in terms of the money raised as well as the deployment of the capital being faster than expected. We also feel that Zack has experience of managing the business through previous economic crises, and could actually deliver strongly in the coming years as the European economy recovers. We don't feel the bid valuation is particularly attractive and really is only reflecting fundamental value, with no bid premium.

We also saw one of our Catalyst investments deliver the expected catalyst this month, although admittedly earlier than we had expected. Cerved, the Italian data analytics firm received a bid from ION Capital at a price of €9.5 per share. Cerved also has a Credit Management Unit (worth about €400 million - c.20% of mkt. cap) that the company have been trying to sell (a previous bid early last year fell through due to Covid). Our interest here was that if they are successful in selling the Credit Management division then the remaining rump is particularly cheap (trading on approx. 12x Ebitda compared to peers on 16/17x). Whilst encouraged by the ION approach, we feel the bid is at a low valuation, and synergies with their existing businesses in this area could easily enable them to justify a price of €10-10.5 per share. There are a number of credit information peers who could also take a look here, particularly so now that Cerved are expected to be very near to finding a buyer for the Credit Management unit and hence would become a pure play credit data and analytics player.

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Portfolio Exposures

Risk Metrics

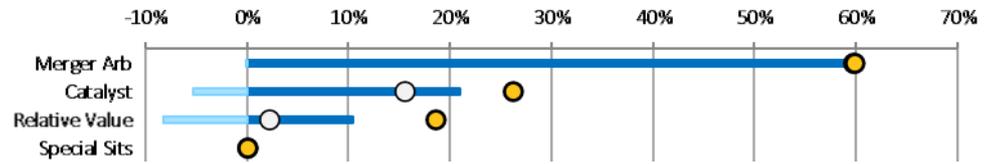
LONG EXPOSURE ¹	91.55%
SHORT EXPOSURE ¹	-13.50%
GROSS EXPOSURE ¹	105.05%
NET EXPOSURE ^{1,3}	19.72%
SHARPE RATIO ²	1.41
SORTINO RATIO ²	2.05
VOLATILITY ²	2.85%
NO OF POSITIONS	77

1. Based on information from the administrator and as a percentage of the fund AUM in USD including currency hedge for share classes.

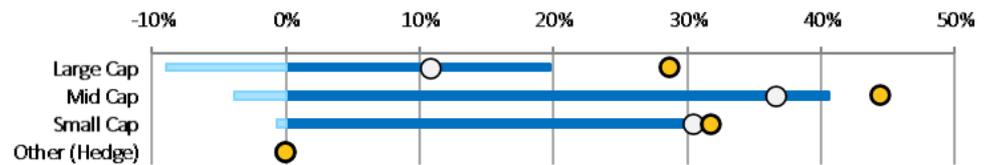
2. Based on monthly net portfolio performance

3. The net figure excludes cash merger deals.

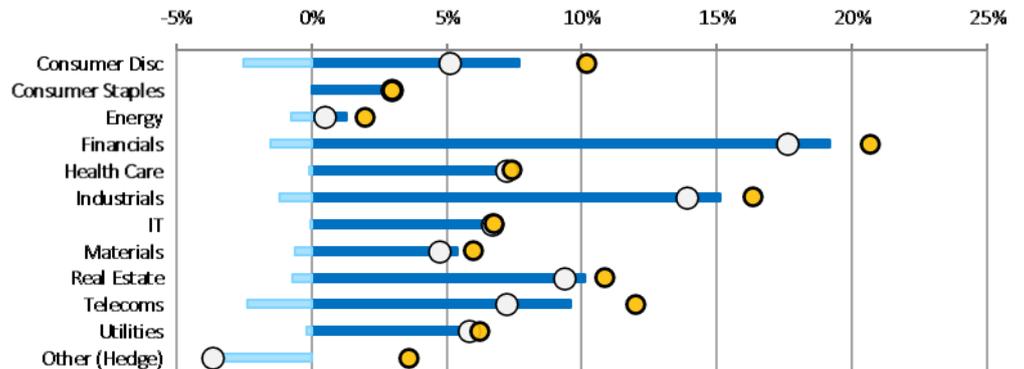
Exposure By Strategy¹



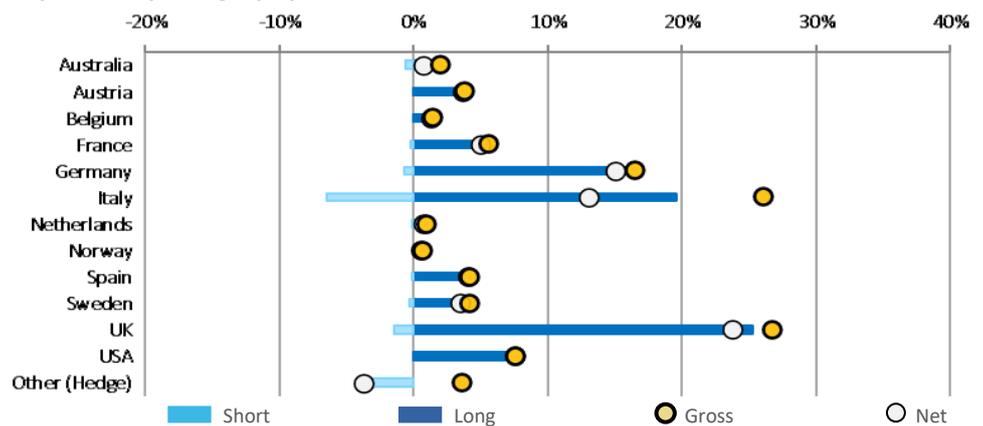
Exposure By Market Cap¹



Exposure By Sector¹



Exposure By Geography¹



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