

# MontLake Abrax Merger Arbitrage UCITS Fund

## Global Merger Arbitrage

August 2020

### Performance Returns

The MontLake Abrax Merger Arbitrage UCITS Fund gained +0.2% for the month of August (USD Institutional Founder Class), bringing YTD performance to -0.4%.

### 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 August

*In a month with largely an absence of strong catalysts (regulatory, legal processes on hold during summer month), spreads widened marginally across the board. The continued global M&A revival (fastest start to the second half for megadeals since 2007), represents an attractive environment for the Fund to continue initiating new positions – supplementing the near-tem closing wide pre-Covid deal spreads*

The Fund's performance has been mainly attributed to strong price appreciation in one of our smaller positions going through deal litigation – with most of positive performance largely neutralised by limited spreads widening across most of our portfolio, without any real significant negative contributors for the month. Overall 33% of the Fund's positions were positive P&L contributors, where 3 of our positions closed during the month while initiating 5 new positions, which in combination with the previous month, represents the highest number of monthly situation initiations since the beginning of the year - highly reflective of the increasing opportunity set of new M&A.

One of the main positive contributor of note for the month was Cineplex : following the Jun-20 termination notice by its UK suitor Cineworld, which immediately initiated litigation proceedings. While our position is small, Cineplex share price rose significantly during the month, not only on better visibility with respect to Canadian cinema openings, but also on better insights provided with respect to the 2021 trial timetable and most importantly the damages sought – a number which we continue to believe is largely not reflective and misunderstood in the valuation assigned to Cineplex.

A number of smaller negative P&L contributors were i) Tiffany, where its buyer LVMH's still somehow ambiguous legal language / posturing on the mandatory deal extension led to some price weakness, despite TIF's much better than expected 2Q20 results and an imminent EC approval filing – nevertheless despite any potential further attempts from LVMH to force a price cut on the deal, the absence of any MAE within the context of an extremely tight worded merger agreement, will be an extremely difficult uphill battle for LVMH not to be forced to close the deal in 4Q20; ii) Qiagen , which didn't obtain the 66 2/3% minimum required tender threshold for the bumped EUR 43 cash /ps offer by its US acquirer Thermo-Fisher, largely reflective of the perceived limited downside / strong fundamental valuation on the back of its Covid-19 testing capabilities – although we expect further volatility in the name, we remain invested in the name and will opportunistically sell out in the name and iii) Fitbit, which despite no clear cut antitrust issues by its suitor Google, received a Phase 2 investigation by the EC, with deal closing timetable now extended to 4Q20.

### Market commentary

With about 2,200 new deals worth almost USD 300bn, despite the summer season, the accelerating trend of newly announced M&A in July continued into August – with a strong activity across the PE/strategic buyer and US-Europe spectrum. Notable deals in August were the acquisition of Varian Medical Systems by Siemens Healthineers (\$16bn); Livongo Health / Teladoc Health (\$15bn); GCI Liberty / Liberty Broadband (\$9bn); Principia BioPharma / Sanofi (\$3bn); Aimune Therapeutics / Nestle (\$2bn); Roseatta Stone / Cambium Learning (\$1bn); Jernigan Capital : Nexpoint Advisors (\$1bn) in the US and Sunrise Communications / Liberty Global (\$7bn); Hastings Group / Sampo (\$2bn) and SDL / RWS Holdings (\$1bn) in Europe.

In the last 2 months alone, we have now witnessed an M&A revival (making it the fastest start to the second half for megadeals since 2007) crisis being led by \$5bn+ megadeals, with companies rushing to prepare themselves for the recession and dusting off deals that were shelved because of the pandemic. M&A advisors have been commenting that the backlog remains very busy, with companies to strike deals that help them weather any tougher economic climate.

### 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%					-0.36%
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.

### Peter Germonpre

Peter Germonpre has 15 years' event driven/merger arbitrage investment experience with senior roles at Halcyon Asset Management, Burren Capital Advisors, Sandell Asset Management and Silver Point Capital.

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Strategy AUM	\$67.3 million
Fund AUM	\$26.3 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

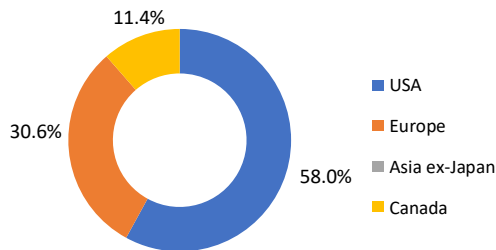
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## Global Merger Arbitrage

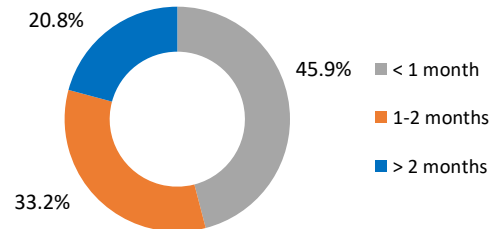
August 2020

### Portfolio Exposure

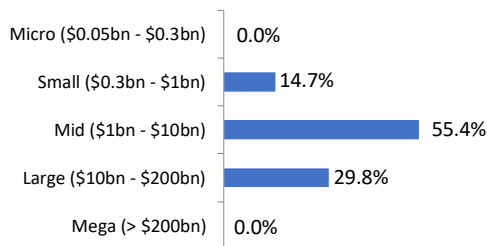
EXPOSURE BY GEOGRAPHY - TARGET



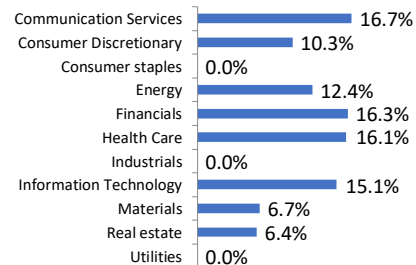
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



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

Long	93.8%
Short	9.1%
Gross	102.9%
Net	84.7%
Leverage	1.03x

#### CONCENTRATION (% of gross exposure)

Top 5 long positions	32.3%
Top 10 long positions	51.0%

#### 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%

#### DIRECTION (positions)

Long	21	New situations	5
Short	2	Situations closed	3

### Contact Details

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