Mygale Event Driven UCITS Fund

Event Driven

October 2018

FACTSHEET

Performance Returns

The Mygale Event Driven UCITS Fund USD institutional class returned -0.48% during the month of October.

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.

Market Commentary

There was certainly nothing orderly about October 2018 as market volatility returned with a vengeance. The VIX topped 25% during the month as the S&P posted its worst monthly performance for over seven years, shedding 6.9%. There was no singular catalyst for the pullback, but concerns over geopolitical issues and global trade dynamics continue to plague equity markets, as they have done for much of the year. To compound things, bellwethers Alphabet and Amazon reported light Q3 results, precipitating significant weakness in the market-navigating technology sector. Despite strong underlying results, companies are generally issuing cautious forward guidance this results season as the impact of the widening tariff wars are starting to be both felt and anticipated. The pain was broad-based geographically (Euro Stoxx 50 -5.9%; MSCI EM -8.8% (in USD)), but the defensive nature of the FTSE 100 helped it outperform (-5.1%) other regions. The weakness in Sterling helped the UK blue-chip bourse offset broader equity weakness, but embodied the lack of material progress being made in Brexit negotiations. The UK Budget announcement was preponed to avoid clashing with EU talks and we heard Chancellor Hammond revise UK real GDP growth down to 1.3%, modelled on a "good" deal. Besides Brexit, the EU is also grappling with Italian budgetary proposals, having rejected an initial draft (MIB -8.0%). The rise of the US 10-year bond yield to 3.2% was noticeable, driven by solid macroeconomic data (historically low Sept. unemployment print of 3.7%) and the Fed's hawkish policy path, weighing on emerging markets.

As markets suffered, unfortunately the Mygale portfolio also delivered negative returns. Losses were broadly spread across the sub strategies of the portfolio and in the main, due to no name specific reasons. The market volatility brought a degree of panic, particularly from long only or long / short investors whom we observed, in many cases, liquidating positions totally. This is not uncommon in times of general market stress and can have a particular impact in Merger Arbitrage situations whereby the sellers frequently focus their selling pressure. This is due to the appetite of Arb buyers providing an easy route for the sellers to raise cash quickly at a price where they see comfort from knowing there remains little upside left on the table. Ironically of course, in selling the names that are easiest to sell, they frequently miss the point that these aren't the names where the real risk in their portfolio resides, and hence aren't actually lowering their risk profile! This does however provide a fruitful hunting ground for us to increase our position sizings and we did so opportunistically.

Despite the challenges of the month, we were actually very busy. Significantly, our long held position in Sky was finally booked out, and in all we closed ten positions during the month. The long awaited regulatory clearance for the CME takeover of NEX Group also arrived, with that deal closing successfully. We initiated nine new positions, in names such as Communisis, a UK marketing communications company being bought by the OSG Group, seeking to take advantage of strategic overlap afforded by Communisis to build its business further. We also initiated an investment in Mr Green, the online gambling company, subject to a recommended bid from William Hill. Under pressure from regulatory changes in their home market, William Hill are looking to diversify their business in to the faster growing online betting and gaming markets.

It's clear that as the trade war rages on, countries are battening down the hatches by formalising laws around foreign investments, creating further considerations and impediments for dealmaking CEOs. A few weeks ago, the US Treasury Department revealed FIRRMA's interim rules and the twenty-seven industries with critical technology that it affects, surely increasing the workload for CFIUS. We can look to the progress of recently announced deals for clues as to how the new law will be applied. In the same light, France's Finance Ministry are due to publish a decree expanding their control over foreign investment in strategic sectors. We don't expect significant changes in the global regulatory approach for the vast majority of deals, but the proof will be in the pudding. Broadly though, in Europe proposed changes to Foreign Direct Investment (FDI) screening are modest, and whilst increased scrutiny will serve to temper inbound US M&A deal flow, this will also likely divert deals in to Europe, which remains much less burdensome. This isn't just our feeling either, statistics also prove this point, so far in 2018, 51% of M&A deals involving a European target were initiated by firms outside of Europe. Contrast this with North America where only 8% of deals involving a US target were from a different region. As October proved, markets aren't easy at the moment, but it is clear to us that Europe in particular, remains attractive for our strategy.

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y-T-D
2018	0.63%	0.96%	-0.23%	0.36%	-0.27%	0.63%	0.22%	0.06%	0.90%	-0.48%			**2.80%**
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. F	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Y-T-D**
2018	0.65%	0.97%	-0.29%	0.37%	-0.28%	0.59%	0.23%	0.03%	0.90%	-0.40%			**2.79%**
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%**

Note: 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 Founder 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 19 years' experience successfully running event driven portfolios and funds, and 22 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	$195.56 million
Inception	1st January 2016

Share Class	Institutional/Institutional Pooled
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.50%
Perf. Fee	20%
Min Init. Sub.	1,000,000
ISIN Codes	EUR: IE00BYRPFQ61/IE00BYRPFV15
	USD: IE00BYRPFT92/IE00BYRPFY46
	CHF: IE00BYRPFS85/IE00BYRPFX39
	GBP: IE00BYRPFR78/IE00BYRPFW22

Share Class	Institutional Founder/Retail Pooled
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.25%/2.00%
Perf. Fee	15%/20%
Min Init. Sub.	10,000,000/10,000
ISIN Codes	EUR: IE00BYRPG302/IE00BYRPFZ52
	USD: IE00BYRPG633/IE00BYRPG294
	CHF: IE00BYRPG526/IE00BYRPG187
	GBP: IE00BYRPG419/IE00BYRPG070

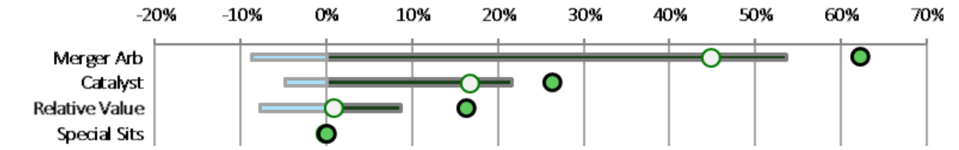
PORTFOLIO EXPOSURES

Risk Metrics

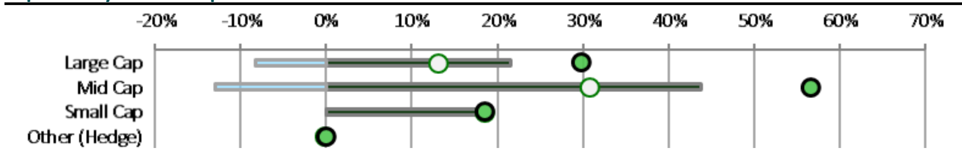
LONG EXPOSURE[2]	83.91%
SHORT EXPOSURE[2]	-21.18%
GROSS EXPOSURE[2]	105.09%
NET EXPOSURE[2, 4]	23.32%
SHARPE RATIO[3]	2.32
SORTINO RATIO[3]	3.75
VOLATILITY[3]	2.02%
VAR[1]	4.33%
NO OF POSITIONS	52

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 weekly net portfolio performance
4. The net figure excludes cash merger deals.

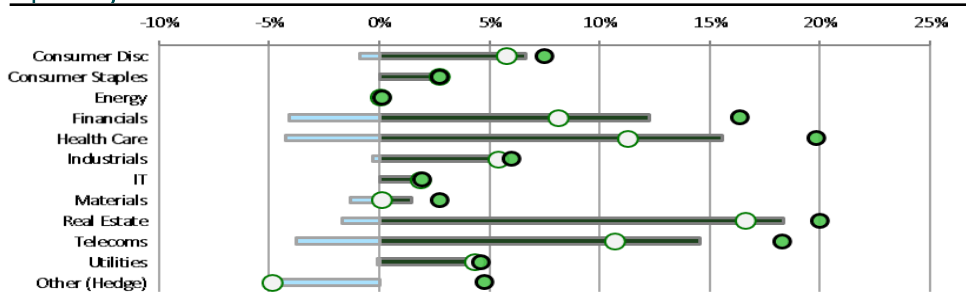
Exposure By Strategy[2]



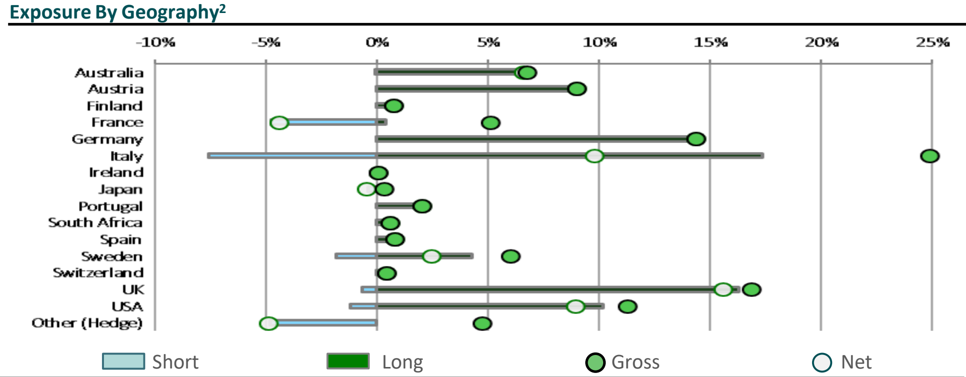
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



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