Mygale Event Driven UCITS Fund

Event Driven

April 2019

FACTSHEET

Performance Returns

The Mygale Event Driven UCITS Fund USD institutional class returned 0.51% during the month of April.

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

With a backdrop of seemingly improved China-US trade negotiations combined with a solid US Q1 earning season, equity markets continued to push higher throughout April. The S&P 500 rallied 3.9% on the month, the Euro Stoxx 50 +4.9%, while the FTSE 100 again underperformed at only +1.9%. The EU granted the UK a half year extension to Brexit, as PM May avoided a no-deal scenario, in the short term at least, while the real UK economy showed some promise, as the manufacturing PMI registered its highest reading in a year, at 55.1. In Europe, the Draghi-led ECB predictably kept interest rates on hold, with the main refinancing rate remaining at 0%. The ECB's continued use of long-term loans has undoubtedly helped drive stock market performance over the past few months, through pushing European Banks higher (Euro Stoxx Banks +8%). This accommodative monetary policy is particularly relevant to our strategy, creating favourable lending conditions thus contributing to a positive M&A environment.

In our portfolio, we continued to observe a decline in deal volumes, particularly noticeable in the UK. European deal value was at c.$70bn during the month, down from c. $94bn in March, but this positively dwarfed the UK which saw deals valuing only c. $6bn during April! North American deal volume was also lower on the month, down in value by 17%. We've touched on what we see driving this in last month's newsletter, but feel it worthy of further comment;

On the one side we see the appetite for global M&A at a particularly strong level (research by EY actually backs this up also) as companies continue to use acquisitions to build foundations for future growth. This is not surprising to us, as funding levels remain at historically low levels and help to underpin a broad corporate confidence prevailing in boardrooms. It is however, in contrast to many economists who forecast slower growth ahead and also in spite of continuing geopolitical uncertainty. In EY research, the vast majority of respondents (93%) believe that the global economy is improving (up from 73% a year ago), with corporate executives having optimistic views of their own future performance forecasting revenue growth of between 6% and 15% in the next 12 months.

This positivity in the face of geopolitical uncertainty is due to a continued focus on growth, necessary not only after the prolonged period of inward looking post the global financial crisis, but also due to technological disruption changing the face of how many industries operate. In many cases companies need to do deals at an accelerated pace in an effort to future proof their businesses. As the pace of this disruption accelerates, so does the frequency that companies have to review their businesses in order to identify areas for investment and acquisitions, as well as divestments.

Ironically, despite the fall in deal volumes in April, the UK has climbed to be the top investment destination in the eyes of corporates, displacing the US which held the top spot since 2014. Actual values back up the focus on the UK, with the country accounting for 10% of M&A globally in 2018, with domestic mergers boosted by strong inbound flows. Despite this however, we feel there is a particular nervousness in the UK being caused by the current Brexit situation, both in the eyes of the acquirer as well as of the shareholder. It is apparent that fewer deals than in the past are becoming competitive, presumably either because acquirers, both corporate or private equity, are proceeding with caution. There is still a distinct fear of the UK crashing out of the EU with no deal. Given if this were to happen there is so much that is unknown about the country's political and economic future, it is not surprising that acquisitions in the UK are, in many cases, being postponed until Brexit clarity. What we have also observed, is that in deals that are happening, many are taking place at lower deal premiums than we would typically have expected. It appears that many long term shareholders are proving more willing to accept a middling valuation to sell their holdings, happy to book a profit of sorts, even if this doesn't reflect their opinion of fair value. Whereas in the past we would have seen long term shareholders rally against a cheeky bid valuation resulting in a bump to deal terms or a counterbid, this doesn't seem to be happening that frequently in the UK at present. We wrote about Manx Telecom last month for example, and despite there being obvious reasons for shareholders to fight for higher premiums to be paid, the deal was voted through in late April. Frustratingly we have had a number of situations like this on our portfolio recently, carrying strong potential upside catalysts, that have seen shareholders acquiesce, seemingly for want of an easy life! As a degree of direction around Brexit develops we expect this to be overcome by a resumption of focus on fundamental value.

Despite this UK negativity, April was actually an active period for us, with a bid for one of our Catalyst names, KCOM from USS Pension fund of the UK. KCOM is in the unique position of having a monopoly position in the Hull area and, whilst in the light of what we previously mentioned is most likely to complete at this price, there remains a possibility that other players such as Virgin, BT or even private equity could intervene. There were other deals in Europe during the month, notably with private equity bids for both Wessanen of the Netherlands and Parque Reunidos, the amusement park operator of Spain, being most noteworthy. Unsurprisingly, a domestic US deal topped the monthly charts, with Occidental Petroleum competing with Chevron to acquire Anadarko and its significant assets in the Permian Basin. Hence we end the month on a positive note, and despite the ongoing geopolitical challenges and the UK being particularly quiet, there are still attractive opportunities developing.

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y-T-D
2019	0.60%	0.19%	0.34%	0.51%									**1.65%**
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. F	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y-T-D
2019	0.54%	0.15%	0.33%	0.48%									**1.51%**
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%**

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

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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	$286 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

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PORTFOLIO EXPOSURES

Risk Metrics

LONG EXPOSURE[2]	72.06%
SHORT EXPOSURE[2]	-13.21%
GROSS EXPOSURE[2]	85.27%
NET EXPOSURE[2, 4]	16.25%
SHARPE RATIO[3]	2.21
SORTINO RATIO[3]	2.19
VOLATILITY[3]	2.10%
VAR[1]	3.39%
NO OF POSITIONS	58

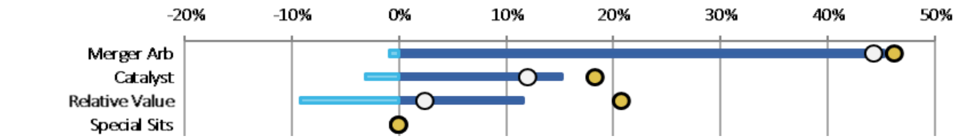
1. VaR is calculated using a confidence level of 99% and a holding period of 20 working days. The VaR model used by the Sub-Fund typically uses data from the last 200 weeks or greater, but a shorter observation period may be used in instances of recent significant changes in price volatility.

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

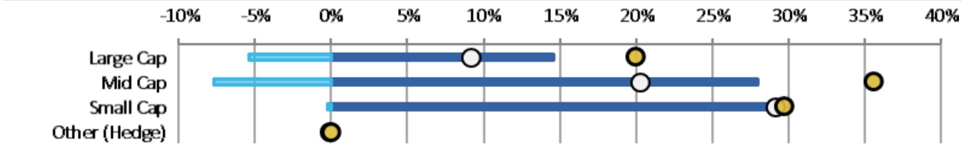
3. Based on monthly net portfolio performance

4. The net figure excludes cash merger deals.

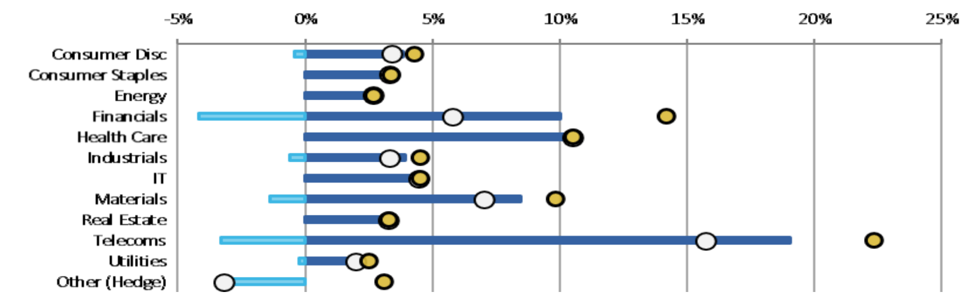
Exposure By Strategy[2]



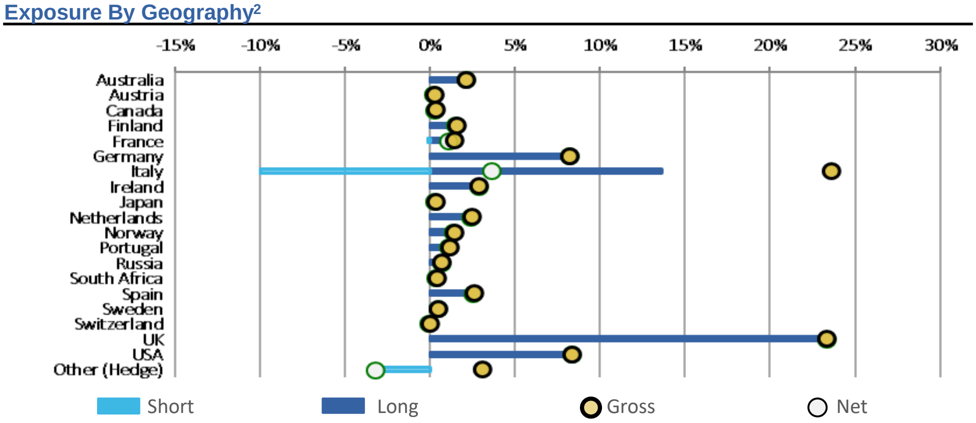
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



Contact Details

Investor Contact

MontLake Funds (UK) Ltd
Park House, 116 Park Street
London, W1K 6AF, UK
T: +44 20 3709 4510
info@montlakefunds.com

Management Company

MontLake Management Ltd
23 St. Stephen's Green
Dublin 2, Ireland
T: +353 1 533 7020
investorrelations@montlakefunds.com

Investment Manager

Tavira Securities
88 Wood Street
London EC2V 7DA
T: +44 20 3192 1725
sp@mygalefunds.com

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