

↑ 0.15% *

Mygale Event Driven UCITS Fund

Event Driven

August 2019

Performance Returns

*The Mygale Event Driven UCITS Fund USD Institutional Class returned +0.15% during the month of August.

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.

Monthly Commentary

Whilst August is traditionally a quiet month for markets, this year, initially, it proved nothing of the sort. In the UK, Westminster was reeling over the potential for a government shutdown, whilst the US and China continued to up the stakes in their tit-for-tat trade war. President Trump surprised markets with the imposition of a 10% tariff on some \$300m of yet untaxed Chinese imports, breaking an apparent ceasefire agreed at the G20 back in May. China retaliated by increasing tariffs on the likes of cars, oil and soybeans, prompting the US president to threaten a 5% rise in all tariffs, existing and planned. Naturally, this shook markets globally but as the month progressed a degree of calm returned that resulted in markets recovering the majority of the losses to end the month down small (the S&P 500 and Euro Stoxx 50 indices lost 1.8% and 1.2% respectively). The worst performer was the FTSE 100 (-5% on the month) with new Prime Minister Boris Johnson striking fear in to markets with his hard approach towards a No Deal Brexit. In reality though, whilst Brexit fears continue to chip away at investor confidence, the potential parliamentary shutdown is of little consequence to markets. The US-China trade dispute on the other hand, is undoubtedly hitting countries exports and is therefore having a lasting impact on markets.

In the Merger Arbitrage space it's clear that geopolitical concerns surrounding US-China trade negotiations as well as Brexit are having an ongoing impact. Yet, despite this, we continue to see European activity levels, whilst admittedly not soaring away, maintaining a steady flow. European deal flow continues to benefit from rising protectionism in the US, as well as from the record levels of dry powder we are currently seeing in the hands of financial players - estimated at \$2tn - \$2.5tn globally currently. Naturally, this dry powder needs a home and is chasing deals in order to generate returns for investors. This has resulted in a welcome demand in the European, and particularly UK deal universe, which otherwise is experiencing lower than expected volumes coming from corporate acquirers, who are somewhat more cautious in their approach due to continuing Brexit uncertainty. Private equity players are now accepting lower IRR returns (typically mid teens on a 3-5 year exit), and seem to be much less cautious of Brexit issues than their corporate counterparts.

In our portfolio, whilst we welcomed the return of calmness late in the month, August kept with tradition and was comparatively quiet in terms of new deal flow. Despite this we initiated 11 new positions during the month, spread across all sub-strategies of the portfolio. In the Merger Arbitrage strategy, we saw activity in the UK continuing the strong trend seen throughout the year so far, with acquisitions by foreign acquirers leading the way. Hasbro of the US reached a recommended deal to acquire Entertainment One, in particular excited by the potential for developing the Peppa Pig and PJ Masks infant and pre-school children's brands further. Also in the UK, Li Ka Shing, keen to diversify his holdings outside of Hong Kong and China, launched a bid to acquire Greene King, having gained knowledge of the business through leasing some Greene King pubs previously.

The portfolio delivered widespread returns this month with no single position standing out. In total we unwound 9 portfolio investments, realising final profits in previous significant contributors such as KCOM and Anadarko, for example. One of our Catalyst Driven investments, Green REIT, which manages a portfolio of prime office properties in Ireland contributed most strongly as the auction process whittled down four (final stage) bidders to one with Henderson Park, a relatively new financial fund winning the process. We had a meaningful exposure prior to the bid being formalised and have added since.

With the ever present threat of increasing trade tensions combined with Brexit nervousness we maintain a cautious approach to our investing currently. Whilst we welcome continued strong deal flow in the UK despite the Brexit headwinds, we look forward to being able to put Brexit issues behind us and the favourable environment that we expect to follow.

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2019	0.60%	0.19%	0.34%	0.51%	-0.20%	1.43%	0.67%	0.15%					3.74%
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. A F	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2019	0.54%	0.15%	0.33%	0.48%	-0.25%	1.37%	0.67%	0.12%					3.47%
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%

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 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	\$309 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: IE00BYRPF92/IE00BYRPFY46 CHF: IE00BYRPF585/IE00BYRPFX39 GBP: IE00BYRPF78/IE00BYRPFW22

Share Class Institutional Founder/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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Portfolio Exposures

Risk Metrics

VAR ¹	2.87%
LONG EXPOSURE ²	63.36%
SHORT EXPOSURE ²	-13.04%
GROSS EXPOSURE ²	76.40%
NET EXPOSURE ^{2,4}	13.75%
SHARPE RATIO ³	2.27
SORTINO RATIO ³	2.44
VOLATILITY ³	2.11%
NO OF POSITIONS	60

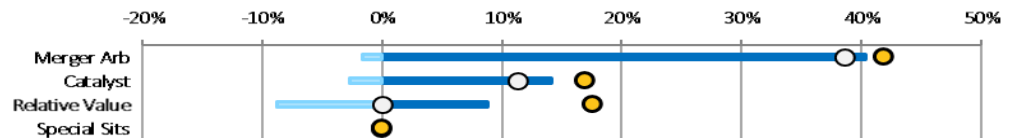
1. VaR is calculated using a confidence level of 99% and a holding period of 20 working days. The VaR model used by the Sub-Fund typically uses data from the last 200 weeks or greater, but a shorter observation period may be used in instances of recent significant changes in price volatility.

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

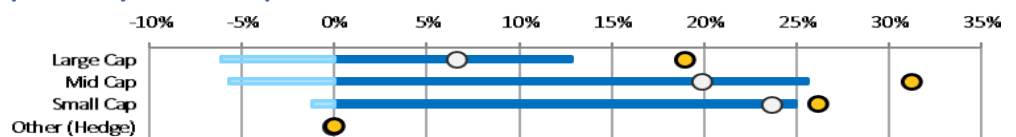
3. Based on monthly net portfolio performance

4. The net figure excludes cash merger deals.

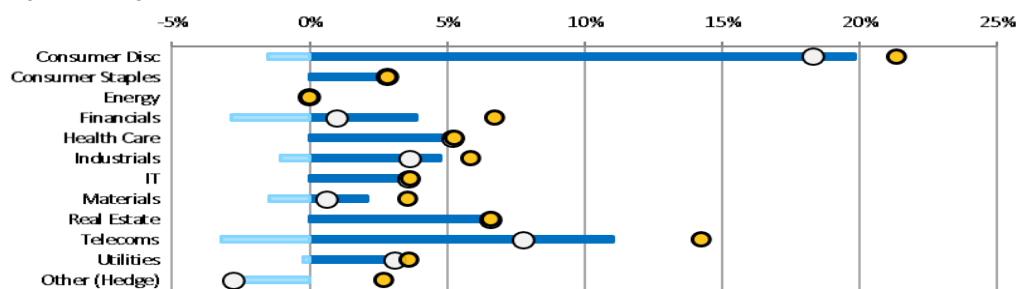
Exposure By Strategy²



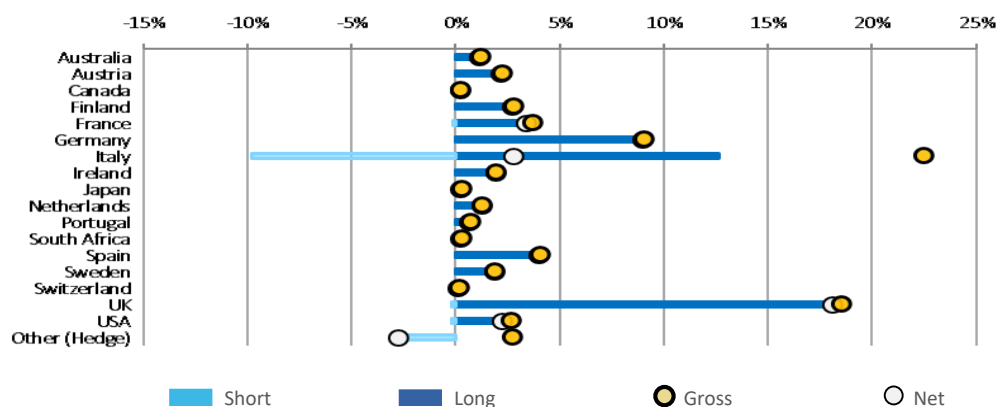
Exposure By Market Cap²



Exposure By Sector²



Exposure By Geography²



Contact Details

Investor Contact

MontLake Funds (UK) Ltd
 Park House, 116 Park Street
 London, W1K 6AF
 T: +44 20 3709 4510
 investorrelations@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 1728
 cp@mygalefunds.com

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