

↓ -0.24%\*

# Mygale Event Driven UCITS Fund

## Event Driven

January 2020

### Performance Returns

\*The Mygale Event Driven UCITS Fund USD institutional class returned -0.24% during the month of January.

### 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

Global stock markets opened 2020 very much as they closed 2019. Bourses across the board made new record highs, as investors were encouraged by the signing of a phase one trade deal between the US and China, bringing some respite to the geopolitical angst. The optimism was short-lived though, as the US-Iran tensions were reignited after the killing of an influential Iranian leader, and coronavirus concerns served to scare markets... for a few days at least! The timing of the outbreak coincided with the turn of the Chinese New Year and the increased travel has likely contributed to an infection rate exceeding that of the SARS epidemic. The S&P 500 closed January broadly unchanged, outperforming the Euro Stoxx 50 (-2.8%) and the FTSE 100 (-3.4%). With China having developed into even more of a global powerhouse in the past 17/18 years since the SARS epidemic, it is unsurprising to see emerging market indices bearing the brunt of derisking (MSCI EM -4.7%).

After the flurry of activity we saw at the end of 2019, January was particularly quiet in the Event Driven space, a complete volte face from what we experienced 12 months previously. Consequently, with the portfolio suffering small negative performance in a couple of our longstanding Merger Arbitrage and Relative Value positions, there weren't sufficient gains elsewhere in the portfolio to offset this. January proved the slowest start to dealmaking globally for over seven years, and in truth we are not quite sure why this proved so - with the Coronavirus being the only new factor to dent confidence. Clearly people are taking a more conservative approach at present, but in reality I suspect that the Coronavirus is not the reason for a quiet January for new deals, and it's more of a short term lull following the flurry of activity at year end. Whilst it is difficult to predict how the virus will impact markets over coming months we'd be surprised if we don't see greater dealmaking activity in February and beyond.

Of the deals that were announced, they were of a much smaller size than we've typically seen. In the US for example, the value of deals over \$1bn tumbled over 70% when compared to January 2019, a trend virtually mirrored globally. Our portfolio activity reflected this slowdown, and we only added 6 new positions during the month (frequently this is in excess of 10), investing in new opportunities across Europe as well as in the US. Our long held investment in Just Eat again delivered positive returns for the portfolio, with Takeaway.com reaching 80% acceptances and declaring the bid unconditional as to acceptances. We were caught by surprise late in the month however when the CMA informed Takeaway that it had reconsidered its position regarding the deal and now believes that a merger investigation is warranted. Their investigation here is around the question of whether, absent the Just Eat acquisition, would Takeaway have re-entered the UK market. Fortunately this wasn't a condition to the deal closing, and whilst the timetable was lengthened by a week it won't prevent Takeaway closing the deal in early February.

Our investment in Consort Medical, in the end, proved a frustrating one. We'd invested in the company following the bid by Recipharm of Sweden, not only due to the safe nature of the bid but also due to the attractiveness of Consort as a business and it's imminent recovery from a fire at one of its plants (which had impacted performance recently). Consorts 'Bespak' division is one of the worlds leading manufacturers of medical devices to deliver drugs to lungs - such as inhalers and injectables. Bespak has an extremely high reputation in the industry and their devices use valves to deliver exactly the required amount of drug at any time. Undoubtedly Recipharm were taking advantage of the destabilising effects of the fire to buy the company on the cheap, as such we felt there was an opportunity either for shareholders to push for a higher price or for a counter bidder to emerge. Unfortunately, as we realised neither of these eventualities were likely to materialise we sold most of our position at a premium to the bid price.

We end the month with a dichotomy. On the one side we are enthused by the removal of the geopolitical tensions of Brexit and US/China trade issues that have plagued us for the last few years, whilst on the other we are fully aware of the potential for Coronavirus to worsen and the ensuing impact this could have on markets globally. Mindful of this concern we have positioned the portfolio cautiously, but with optimism, fully prepared to step in more aggressively should deal flow grow as we expect it to in coming months.

### Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2020	-0.24%												-0.24%
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%
GBP Ins. A Fou.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2020	-0.23%												-0.23%
2019	0.54%	0.15%	0.33%	0.48%	-0.25%	1.37%	0.67%	0.12%	0.13%	-0.12%	0.28%	0.25%	4.04%
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	\$358 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: IE00BYRPF85/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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January 2020

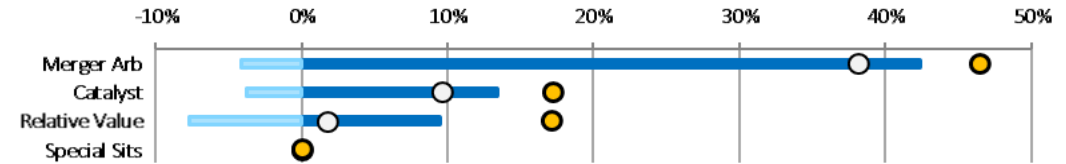
### Portfolio Exposures

#### Risk Metrics

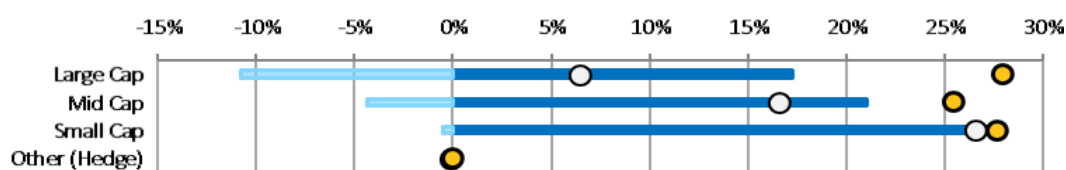
LONG EXPOSURE <sup>2</sup>	65.44%
SHORT EXPOSURE <sup>2</sup>	-15.61%
GROSS EXPOSURE <sup>2</sup>	81.04%
NET EXPOSURE <sup>2,4</sup>	13.85%
SHARPE RATIO <sup>3</sup>	2.16
SORTINO RATIO <sup>3</sup>	2.24
VOLATILITY <sup>3</sup>	2.04%
VAR <sup>1</sup>	2.89%
NO OF POSITIONS	62

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.

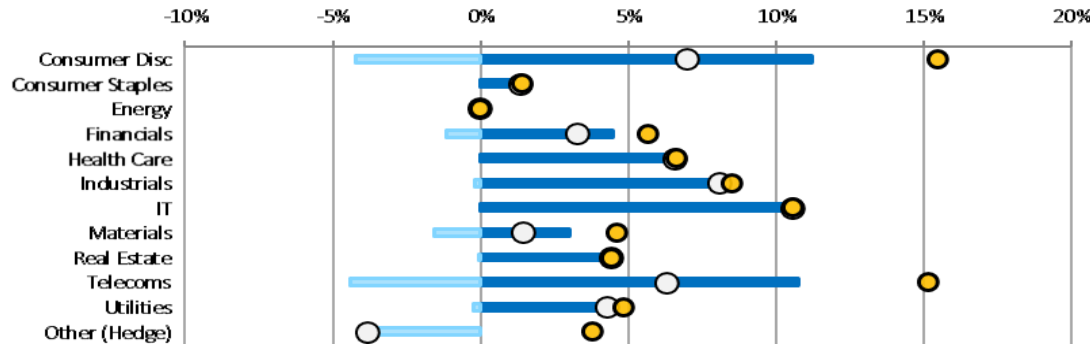
### Exposure By Strategy<sup>2</sup>



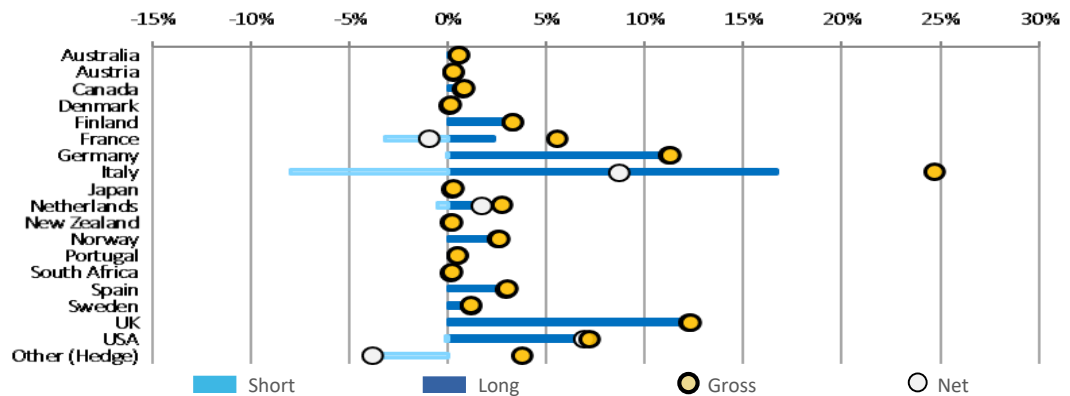
### Exposure By Market Cap<sup>2</sup>



### Exposure By Sector<sup>2</sup>



### Exposure By Geography<sup>2</sup>



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