MontLake

# ↓ 1.67% (Net)

# Advent Global Partners UCITS Fund

June 2022

ADVENT CAPITAL MANAGEMENT, LLC

## Performance Returns

Advent Global Partners UCITS Fund returned -1.67% for the month of June resulting in a net 2022 YTD return of -6.58% (USD Institutional Founder Pooled share class).

## The Manager

Advent Global Partners UCITS Fund (The "Fund") is managed by Advent Capital Management, LLC ("Advent"). Founded in 1995, Advent has extensive experience investing in global convertibles, credit and equities. As of June 2022, Firm assets are approximately $9 billion.

## Investment Objective & Strategy

The strategy primarily employs convertible bonds, credit and equities when managing and allocating capital to the Fund's sub-strategies: Idiosyncratic Volatility, Event Driven, Credit and Short Opportunities. The strategy seeks to generate strong absolute returns over a market cycle by identifying compelling long and short opportunities that may include single name convertible bonds and equities, capital structure arbitrage and other positively asymmetric event driven opportunities. Sub-strategy allocation decisions are based on the current and expected opportunity set and all sub-strategies may not be allocated to at all times.

## Fund Facts

| | |
|---|---|
| **Portfolio Managers** | Tracy Maitland<br>Odell Lambroza |
| **Structure** | UCITS Fund |
| **Domicile** | Ireland |
| **Liquidity** | Daily |
| **Fund AUM** | $206.2 million |
| **Strategy AUM** | $488.7 million |
| **Inception** | July 14, 2016 |
| **Managed by Advent Since** | **September 18, 2017** |

## Monthly Returns (Net)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2022** | **-0.72%** | **-0.15%** | **-0.65%** | **-1.64%** | **-1.91%** | **-1.67%** | | | | | | | **-6.58%** |
| **2021** | **1.62%** | **2.16%** | **-2.54%** | **-0.62%** | **0.38%** | **0.20%** | **-0.10%** | **0.13%** | **1.07%** | **0.59%** | **-0.21%** | **-0.57%** | **2.05%** |
| **2020** | **0.45%** | **-0.09%** | **-8.33%** | **5.70%** | **1.51%** | **2.89%** | **3.49%** | **2.62%** | **0.58%** | **0.66%** | **2.15%** | **2.09%** | **13.89%** |
| **2019** | **3.65%** | **2.46%** | **1.80%** | **0.94%** | **-0.13%** | **2.42%** | **1.67%** | **0.52%** | **-0.21%** | **0.45%** | **0.83%** | **1.20%** | **16.71%** |
| **2018** | **0.46%** | **0.76%** | **0.38%** | **0.72%** | **0.26%** | **1.42%** | **-1.36%** | **0.58%** | **0.61%** | **-1.91%** | **-1.07%** | **-2.19%** | **-1.41%** |
| **2017** | 0.35% | 0.14% | -1.12% | 0.88% | 0.00% | 0.34% | 0.27% | -0.22% | **-0.07%[1]** | **1.00%** | **0.27%** | **0.85%** | **2.71%** |
| **2016** | - | - | - | - | - | - | 0.05% | 0.18% | -0.45% | 0.00% | -1.24% | 0.51% | -0.96% |

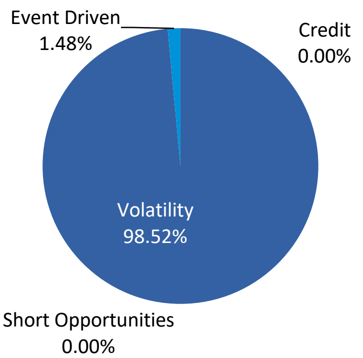
| Sub-Strategy Return Attribution (Net of Fees) | |
|---|---|
| Volatility | -1.67% |
| Event Driven | -0.01% |
| Credit | 0.00% |
| Short Opportunities | 0.00% |
| **Total** | **-1.67%** |

## Portfolio Characteristics

| Portfolio Characteristics | | | |
|---|---|---|---|
| Long Exposure[4] | 206.99% | Conversion Premium | 41.79% |
| Short Exposure[5] | -107.71% | Delta | 57.51% |
| Adjusted Leverage[6] | 1.90 | Gamma | 0.78% |
| Number of Issuers | 96 | Current Yield | 1.01% |
| Top Ten Positions[7] | 25.58% | Yield to Put/Maturity | 3.02% |
| Credit Quality[8] | BB | Years to Maturity | 2.73 |

| Top Five Positions (%NMV/AUM)[7] | |
|---|---|
| Charter Communications | 4.02% |
| Royal Caribbean Cruises | 3.50% |
| Itron | 2.74% |
| Ionis Pharmaceuticals | 2.40% |
| Workday, Inc. | 2.36% |
| **Total** | **15.03%** |

Sub-Strategy Exposure (% of Total LMV)[9]




[1] The performance figures quoted above represent the net performance of the USD Institutional Founder Pooled Class since inception in July 2016. **Performance after September 18, 2017 is attributable to Advent Capital Management while performance before September 18, 2017 is attributable to the Quest Global Advisors, LLC. These performance figures refer to the past and past performance is not a reliable guide to future performance.** [2] Since Advent start date September 18, 2017. See disclosure 1. [3] The risk free rate used is an average of the constant maturity 3-month US Treasury Rate. [4] Defined as the long market value over equity. [5] Defined as the short market value over equity. [6] Adjusted Leverage excludes Convertible Bonds with less than 10% conversion premium. [7] Defined as net market value over equity. [8] This includes internal estimates for all non-rated securities. [9] Exposures are represented as a % of total long market value.

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# Advent Global Partners UCITS Fund

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## Portfolio Exposures

| Asset Type | LMV/NAV[1] | SMV/NAV[2] |
|---|---|---|
| Convertible Bonds | 205.82% | 0.00% |
| Equities/Equity Derivatives | 0.76% | -87.07% |
| Credit | 0.00% | 0.00% |
| Hedges/Other | 0.41% | -20.63% |

| Geographic (% of Total LMV)[3] | |
|---|---|
| Asia | 0.31% |
| EMEA | 8.33% |
| Japan | 0.00% |
| US | 91.36% |

| Market Cap (% of Total LMV)[3] | |
|---|---|
| Small Cap *(<$2bn)* | 10.40% |
| Mid Cap *($2bn-$10bn)* | 53.43% |
| Large Cap *($10bn-$25bn)* | 21.46% |
| Mega Cap *(>$25bn)* | 14.71% |

| Credit Profile (% of Total LMV)[3] | |
|---|---|
| A or Above | 4.61% |
| BBB | 8.64% |
| BB | 37.34% |
| B | 46.99% |
| CCC or Below | 0.82% |
| Hedges/Options/Other | 1.60% |

## Market Review

The market turmoil extended into June causing significant losses in both equities and credit, marking the worst beginning for U.S. equities since 1970. Fear of persistent inflation and emerging signs of slowing growth weighed on markets, as investors assessed the potential of a recession and the implications for risk assets. The S&P declined -8.25% in June, bringing year-to-date to -20%, marking its largest decline in 60 years. The ICE BofA U.S. High Yield Index and the ICE BofA U.S. Corporate Index also marched further into negative territory, resulting in year-to-date performance of -14.04% and -13.93% respectively, a dismal first half of the year and the worst beginning since the Global Financial Crisis. Equity index volatility, as measured by the VIX, spiked mid-month, peaking at 34.02 and ending the month at 28.71, levels broadly in line with an economic slowdown. The U.S. 10-year Treasury yield climbed 12 basis points to 2.97%, slightly higher than where it started the month. Overall, the first half of 2022 ended with a sharp selloff in risk assets that many participants have never experienced and exceeded most strategists' forecasts.

While the capital markets primary calendar across all financial asset classes remained muted in June, the convertible primary calendar picked up slightly, pricing nine deals, totaling $2.5 billion, all of which were in the U.S. We saw a $500 million issue from natural gas company, Tellurian, a $450 million deal from biopharmaceutical company, Cytokinetics, a $431 issue from geothermal company, Ormat Technologies, and $250 million issue from technology company, Avaya Holdings.

## Portfolio Discussion[4]

The portfolio declined -1.67% net in June. As we saw last month, and has been the case historically during sharp market drawdowns, the convertible basis cheapens on lopsided flows and dominates the initial phase of a selloff. This drawdown was driven primarily by a combination of continued selling from levered hedge fund platforms and European long-only UCITS funds, as well as hesitant and muted buyer activity. The mark down in valuations during the first half of the year was among the sharpest we have witnessed in the last twenty years, only exceeded by the COVID meltdown and the Global Financial Crisis. However, this selloff pattern was distinct from other sharp drawdowns as nearly all markets traded in the same direction, and there was nowhere to hide, including in Treasuries, which also did not provide a safe haven. In the past, these events have presented singular opportunities to add or establish new positions, as these dislocated opportunities do not occur very often and tend to be short-lived.

The portfolio is comprised of heavily discounted volatility arbitrage positions, catalyst driven fundamental events and corporate special situations. We believe the combination of these strategies provides the fund with multiple fronts to generate absolute performance. The sharp selloff in risk assets has, not surprisingly, bled into the convertible market. This has the ironic effect of cheapening the embedded call options at a time when comparable listed and realized volatility has expanded. As in the past, this cheapening has led to subsequent periods of strong returns that benefit from the convertibles richening. Continued profits from trading market volatility also tend to follow such periods. Additionally, we have recently seen the emergence of companies with underlying convertible securities employ active balance sheet management including incentivized conversions, buyback at discounts and exchange offerings to extend maturities. This is a trend that started in the last several weeks as companies observed the increased opportunity set that emerged due to the sharp equity selloff. We anticipate that this trend will continue and accelerate as we move into next year and more maturities come due. The sharp increase in active corporate balance sheet management will support valuations going forward, while allowing Advent to be a pivotal manager in interacting and pricing transactions. Most recently, we have been involved in helping to guide pricing on five transactions.

The top monthly performers included cruise line operator, Royal Caribbean Cruises, and foodservice equipment manufacturer, Middleby. The largest detractors from performance were cancer genetics diagnostic testing service provider, NeoGenomics, and European based tire manufacturer, Pirelli.

Royal Caribbean Cruises contributed to performance. As the stock dropped almost 40% on the month due to global economic worries, the convertible expanded as a result of its high gamma profile and short duration. We actively traded the underlying equity hedge and monetized the elevated volatility in the cruise line sector during the month. We believe the company's credit profile remains resilient. We expect the company to proactively manage its balance sheet and refinance its near-term debt pursuant to a committed financing agreement with Morgan Stanley. We continue to hold the position.

Another positive contributor to performance was Middleby. We set up this position as a synthetic put, given the bond's low conversion premium, short duration and high bond floor. The thesis started to come to fruition in June as the equity tumbled 17%, reflecting rising inflation and recessionary factors impacting their commercial foodservice and residential kitchen business segment. We continue to hold the position given the strong underlying credit profile, with $146 million in cash, $2.6 billion available under its revolving credit facility and gross/net leverage (versus projected 2022 EBITDA) of 2.9x/2.7x, respectively.

Our position in NeoGenomics detracted from performance. Companies focused on cancer diagnostics were generally weak in June, and NeoGenomics was no exception. There was no specific company news, but continued negative market sentiment for companies not currently profitable. We believe

[1]Exposures are represented as LMV/NAV. [2]Exposures are represented as SMV/NAV [3]Exposures are represented as a % of total long market value. [4]The holdings identified as top contributors to or detractors from performance do not represent all of the strategy's holdings during the period. Past performance does not guarantee future results.

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## Portfolio Discussion (continued)

NeoGenomics is well capitalized with a solid path to cash flow generation in less than 24 months, with new product introduction this year and continued recovery of patient visits to oncologists.

Pirelli also detracted from performance, as the bond cheapened driven by broad European market weakness, rising sovereign yields and widening Italian credit spreads. We maintain our thesis in Pirelli based on a solid investment grade balance sheet. Pirelli has demonstrated pricing power, as tire replacement is a non-discretionary purchase, and Pirelli is positioned at the high end of the market, which is less price-elastic. The convertible bond remains a valuable call option on the stock, which we view as cheap both on an absolute and historic basis and versus its peers.

## Outlook

After a remarkably challenging first half of the year for risk assets, we expect volatility will remain robust as we move into the second half of 2022 and 2023. We expect rapid market fluctuations to persist, regardless of market direction. Given our positioning, we remain confident that we can provide our clients with attractive returns over the next several years given the optimal environment for convertible arbitrage.

## Portfolio Managers

### Tracy Maitland

Mr. Maitland serves as President and Chief Investment Officer of Advent Capital Management. Prior to starting Advent Capital Management in 1995, Mr. Maitland was a Director and National Sales Manager in the Convertible Securities Department in the Capital Markets Division at Merrill Lynch. During his 13-year tenure at Merrill Lynch, Mr. Maitland advised institutions on investing in specific convertible issues in their respective convertible, fixed income and equity portfolios. The extensive investing knowledge that Mr. Maitland developed at Merrill Lynch inspired him to create Advent Capital Management in order to satisfy the growing demand for investment expertise in convertible securities and other parts of the capital structure that are influenced by convertible valuations such as high yield and bank debt. Mr. Maitland is a graduate of Columbia University.

### Odell Lambroza

Mr. Lambroza joined Advent in 2001 as a Principal and serves as a portfolio manager on the strategy. Prior to Advent, Mr. Lambroza was Head of Convertibles and Equity Derivatives at Société Générale. Previously, Mr. Lambroza managed the sales and trading departments at HSBC Securities and Bankers Trust. Mr. Lambroza began his career at Merrill Lynch and served as Vice President of Convertible Trading, Structured Equity Derivative Products and Asset Swaps. Mr. Lambroza is a graduate of Cornell University and has over 30 years of industry experience.

## Share Classes

| Share Class | Inst Founder Class | Inst Class | Inst Class A | Retail Class |
|---|---|---|---|---|
| **Currency** | EUR/USD/CHF/GBP | EUR/USD/CHF/GBP | EUR/USD/CHF/GBP | EUR/USD/CHF/GBP |
| **Management Fee** | 1.25% | 1.00% | 1.50% | 2.00% |
| **Performance Fee** | 15% | 20% | 20% | 20% |
| **Min Initial Subscription** | 20,000,000 | 5,000,000 | 1,000,000 | 10,000 |
| **ISIN Codes** | EUR: IE00BD3CQZ05<br>USD: IE00BD3CR131<br>CHF: IE00BD3CR248<br>GBP: IE00BD3CR024 | EUR: IE00BNTVVH81<br>USD: IE00BNTVVL28<br>CHF: IE00BNTVVK11<br>GBP: IE00BNTVVJ06 | EUR: IE00BD3CQ612<br>USD: IE00BD3CQ836<br>CHF: IE00BD3CQ943<br>GBP: IE00BD3CQ729 | EUR: IE00BD3CQL68<br>USD: IE00BD3CQN82<br>CHF: IE00BD3CQP07<br>GBP: IE00BD3CQM75 |

## Contact Details


### Investor Contact

**Waystone Capital Solutions (UK) Ltd**
2nd Floor, 20-22 Bedford Row
Holborn, London
T: +44 207 290 9493
investorrelations@waystone.com

### Management Company

**Waystone Fund Management (IE) Ltd**
3rd Floor, 76 Baggot Street Lower
Dublin, Ireland
T: +353 1 533 7020
investorrelations@waystone.com

### Investment Manager

**Advent Capital Management, LLC**
888 Seventh Avenue, 31st Floor
New York, NY 10019
T: +1 212 482 1600
AdventUCITS@adventcap.com


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