-0.05%*

Mygale Event Driven UCITS Fund

Event Driven

MontLake

October 2022

Performance Returns

*The Mygale Event Driven UCITS Fund USD Institutional Class returned -0.05% during the month of October.

Investment Objective & Strategy

An active trading approach to European Focused Event Driven Equity.

Following predominantly Merger Arbitrage and Catalyst Driven strategies, the fund typically has 40-60 positions, a typical net exposure of up to 50% and a gross of between 100% and 200%. The trading approach has a three-tiered methodology designed to capture additional alpha in each position. Trades are structured with the intention of embedding optionality and favourably skewing risk, with sharpened timing and market feel from our deep trading experience. 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.

Commentary

Behaviourally more rational markets brought a welcome change in October, and some of the more heavily sold but strong catalyst situations in the portfolio finally started to perform in a way we had expected many months ago. CNH Industrial, the Italian listed agriculture and construction equipment company, is a prime example of a name that has suffered excessively during the market turmoil, as investors failed to see the potential in the company to outperform, seemingly due to management consistently providing cautious commentary. This is almost the polar opposite of their main peers, the larger US listed players, who have been much more effusive about their prospects. We feel there is more to come here and expect some catalysts to be delivered in the coming quarters.

The strongest performance this month came from our investment in Swedish Match following Philip Morris’ increased bid to SEK116. Ultimately, this was a lower increase than we had thought possible for what is a strategic asset to Philip Morris in their quest to diversify their business away from traditional tobacco products and achieve their 50% tobacco free target by 2025. The acquisition also gives Philip Morris access to a strategic distribution footprint in the US, something which they currently lack. Unfortunately, despite opposition from a number of shareholders, current market conditions have probably enabled Philip Morris to get away with a lower price rise than they would have done in a less challenging environment. Ultimately, their final price is akin to an adjustment for the currency movements since deal launch, and isn’t affording any extra value for the fundamental upside that Swedish Match will provide over the coming years.

Unfortunately, on the negative side of things, we were involved in a broken deal this month - the take private deal for Italian shoemaker Tod’s by founder Diego Della Valle, in conjunction with 10% shareholder LVMH. Della Valle owned 65% and LVMH a further 10%, and despite the bid not being overly generous, in these markets we felt the deal would get over the line. With a 90% threshold it is not abnormal for any deal to struggle to reach 90% at first close. Often, this is due in part to the presence of index funds or significant retail holders, but the surprise here was that the bidder chose not to waive the threshold, despite reaching an 87% tender.

Deal activity in Europe quietened significantly in October and we only initiated five new positions on the month (fewer than normal). However, activity was more buoyant in the US and, for example, we started to build an investment in Aveo Pharma, the subject of a $15 bid from LG Chemical of Korea. Aveo is a commercial-stage, oncology-focused biopharma, with a lead product called FOTIVDA

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2022	-1.07%	-0.22%	0.35%	-0.54%	0.12%	-1.62%	0.28%	0.08%	-0.26%	-0.05%			-2.90%
2021	-0.47%	0.20%	0.79%	0.58%	0.64%	0.19%	0.35%	1.11%	-0.06%	0.02%	-0.87%	0.19%	2.69%
2020	-0.24%	-0.24%	-3.75%	1.26%	-0.34%	0.15%	0.57%	0.75%	0.08%	0.12%	2.31%	1.73%	2.30%
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%

The performance figures quoted above for the USD Share Class represents the performance of the Mygale Event Driven UCITS Fund USD Institutional Share Class since launch. These performance figures refer to the past and past performance is not a reliable guide to future performance. This is a marketing communication.

The Manager

MYGALE

Neil Tofts has over 25 years’ experience successfully running event driven portfolios and funds, and 26 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. Neil 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 12 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	$468 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: IE00BYRPFT92/IE00BYRPFY46 CHF: IE00BYRPFS85/IE00BYRPFX39 GBP: IE00BYRPFR78/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

Share Class	Institutional G/Institutional G Pooled
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.00%
Perf. Fee	20.00%
Min Init. Sub.	10,000,000
ISIN Codes	EUR: IE00BM98V839/IE00BM98VD89 USD: IE00BM98VB65/IE00BM98VG11 CHF: IE00BM98VC72/IE00BM98VH28 GBP: IE00BM98V946/IE00BM98VF04

Commentary continued.

that has been approved in the US and Europe for the treatment of adult patients with relapsed or refractory advanced renal cell carcinoma (RCC). It is also in Phase 2/3 studies as a combination therapy in RCC and HCC with BMY, AZN and NiKang as partners. Aveo also has an interesting pipeline; ficlatuzumab is in Phase 2 studies to treat HNSCC (head and neck squamous cell carcinoma), pancreatic cancer and acute myeloid leukaemia, and other assets in early stage trials (Phase 1) in cachexia/oncology. The acquisition grants LG Chem a clear pathway to enter the US and provides their Life Sciences division with a stable commercial asset – LG Chem have highlighted the segment as their new growth engine in the mid-to long-term. There is notable upside to Aveo's valuation, not only from the expansion of current FOTIVDA indications or the commerciality of their pipeline, but also from the interest a possible deal could ignite from their development partners in Bristol Myers-Squibb and/or AstraZeneca.

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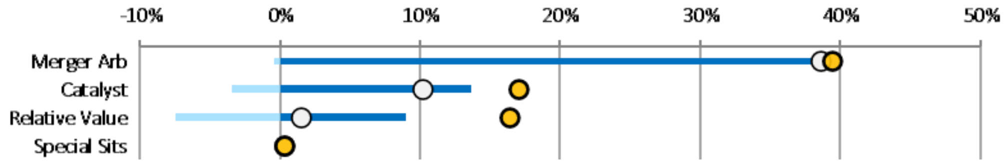
Portfolio Exposures

Risk Metrics

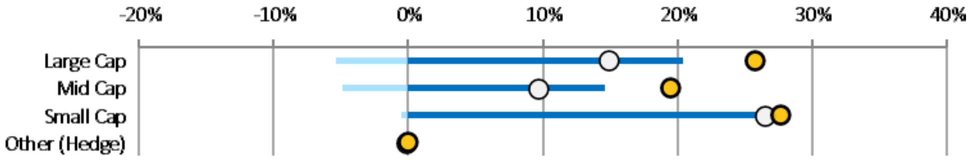
LONG EXPOSURE[1]	62.14%
SHORT EXPOSURE[1]	-11.25%
GROSS EXPOSURE[1]	73.39%
NET EXPOSURE[1, 3]	17.54%
SHARPE RATIO[2]	1.08
SORTINO RATIO[2]	0.98
VOLATILITY[2]	2.76%
NO OF POSITIONS	55

1. Based on information from the administrator and as a percentage of the fund AUM in USD including currency hedge for share classes.
2. Based on monthly net portfolio performance
3. The net figure excludes cash merger deals.

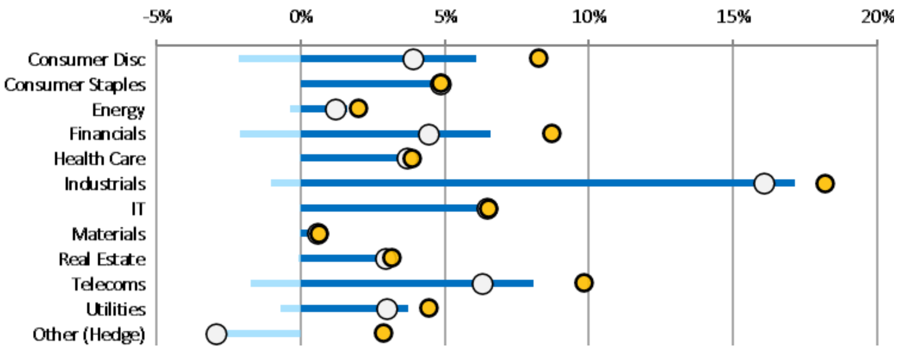
Exposure By Strategy[1]



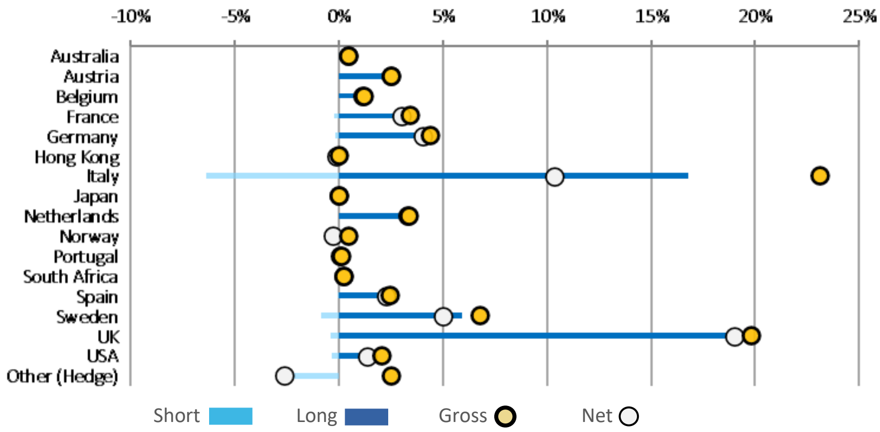
Exposure By Market Cap[1]



Exposure By Sector[1]



Exposure By Geography[1]



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