MontLake

+0.08%*

Mygale Event Driven UCITS Fund

Event Driven

September 2020

Performance Returns

*The Mygale Event Driven UCITS Fund USD Institutional Class returned +0.08% during the month of September.

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 global stock markets took a breather in September, rattled somewhat as concerns over a second wave of coronavirus infections spread, particularly so in Europe, merger activity continued it's upward trajectory, strongly! In fact it was a particularly busy month with the sheer pace of deal announcements accelerating significantly over what was seen in August. In the US, deal value increased by 3%, and globally by 63% in September. This was reflected in our portfolio where we initiated twelve new investments during the month and closed four.

It was a month where we saw not only many new deals, but also positive developments in some of our existing portfolio holdings. Top performance came from our investment in Fiat / Peugeot where we saw our investment thesis play out. Many in the market had feared, due to coronavirus, that the deal terms would be renegotiated in favour of Peugeot given expectations that the Peugeot business would perform better during the crisis than FCA and that FCA was the party with the weaker hand. Our belief was that much of this story was caused by a lack of understanding of both the FCA business mix as well as the desire (and need) of Peugeot to acquire FCA. As it transpired, the terms WERE re-negotiated, slightly earlier than we expected actually (we expected the parties to wait until the Q3 performance was known for each side), and were actually IN FAVOUR of Fiat not against, with a small improvement in terms of just over 1%. As a result, a significant part of the perceived deal risk was removed and hence the spread tightened in by around 5%. The merger of Ingenico and Worldline also delivered positive returns, fuelled by the EC approval of the deal late in the month. The deal is now set to close in mid-October, and small potential upside still exists due to the prorate optionality in the deal structure. On the negative side our investment in healthcare provider Pihlajalinna suffered a small loss to the portfolio following the Finnish Competition Commission recommending that the deal be blocked by the High Court. As we always recognised there were regulatory issues and potential divestitures needed here, we kept the position small accordingly, however the reason for the CC recommendation to block the deal was a little surprising, as in reaching their decision they only looked at market shares in the private sector. In previous mergers antitrust authorities have looked both at private and public sectors. Staying in Scandinavia, our investment in IT consulting firm HIQ International received a bump, albeit only a small one, from 70 SEK to 72 SEK. This was enough to convince two large local shareholders with 15.4% to support the bid. We now expect this deal to close successfully.

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%	-3.75%	1.26%	-0.34%	0.15%	0.57%	0.75%	0.08%				-1.83%
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%	-0.24%	-3.93%	1.30%	-0.26%	0.21%	0.64%	0.82%	0.15%				-1.61%
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 F Share Class since launch. These performance figures refer to the past and past performance is not a reliable guide to future performance.

The Manager

MYGALE

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	$299 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

Monthly Commentary continued

As mentioned earlier we were active in a number of new situations this month. In the UK, security firm and perennial disappointer G4S, received an approach from Garda World, backed by their 51% owner BC Partners. Seemingly Garda have been trying to take advantage of a Covid depressed share price and have made three approaches since August, all of which have been rebuffed by the board. They have now formally announced their intent to the market and hence a PUSU period has started which expires on 12th October. We believe there is strong logic for the deal and the issue here is price. We have taken a position with the expectation that having been unsuccessful in discussions with the board Garda will now go hostile and take their bid directly to shareholders. A similar situation is Suez, again pre-announced, but nonetheless interesting. Veolia have made an approach to Engie (the holder of a 32% stake in Suez) at EUR 15.5 p/sh to buy 29.9% and intends to bid for minorities if antitrust approval is granted. Antitrust issues exist in France and hence Veolia have lined up a French infrastructure fund as a buyer of assets it expects to need to divest, but this isn't the issue in the short term. The real issue here is that Suez management are very hostile toward this approach. In efforts to overcome opposition Veolia raised the price to EUR 18 and have gained the support of Engie. Suez management however, continue to oppose the deal.

It is interesting to look back at the quarter as a whole, and while not wanting to swamp the newsletter with stat's there are some useful points that help paint a picture of what is happening currently:

- In Q3 as a whole, globally, the US saw the largest jump in deal values, with over $400bn worth of deals being announced, not surprisingly an increase of over 400% quarter on quarter. Over in Europe, we also saw a strong recovery but admittedly not in the same league as the US, with deal values only growing 54% over Q2.
- YTD deal volume is still significantly lower than in 2019, down 38% year on year globally.
- In previous market recoveries seen in 2003 and 2009 it took around 6 months for M&A to bounce back
- Despite August being a traditionally quiet month, August 2020 was the strongest month for US deal volumes since June 2019
- The economics of debt financed M&A look significantly more compelling now than prior to the crisis. Acquirers can now borrow at historically low rates (of as low as 1% in Europe). The fact that 7 recent deals were primarily financed via cash/debt reflects this.

It is clear to us that Global M&A has experienced a significant recovery from the doldrums seen in Q2. Historically this isn't surprising - in the past it has taken around 6 months after the equity market turns for M&A to turn. What is significant to note is that Europe has, thus far, lagged the recovery in the US and hence we feel has scope to recover more strongly. Back in April or even as recently as June, it was easy to look back at what had been experienced thus far in 2020 and predict that the future would be equally as bleak. We however never felt that to be the case, and the resurgence in deal activity since July has vindicated our belief. We enter Q4 with an excitement that conditions are ripe for European Event Driven opportunities to grow. We expect economic growth in Europe to be ahead of what was expected earlier in the year and to witness a rebound in 2021 with deal flow continuing its resurgence.

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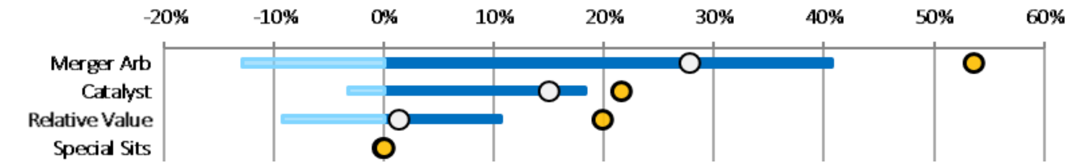
Portfolio Exposures

Risk Metrics

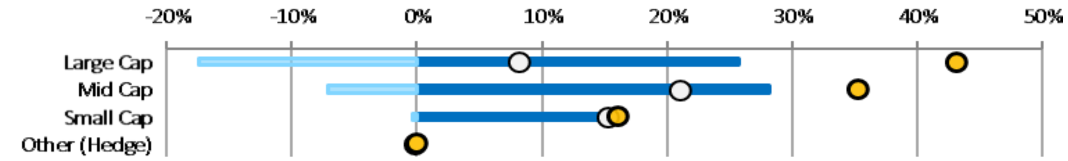
LONG EXPOSURE[2]	69.74%
SHORT EXPOSURE[2]	-25.35%
GROSS EXPOSURE[2]	95.09%
NET EXPOSURE[2, 4]	19.59%
SHARPE RATIO[3]	1.26
SORTINO RATIO[3]	1.76
VOLATILITY[3]	2.75%
VAR[1]	5.29%
NO OF POSITIONS	69

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.

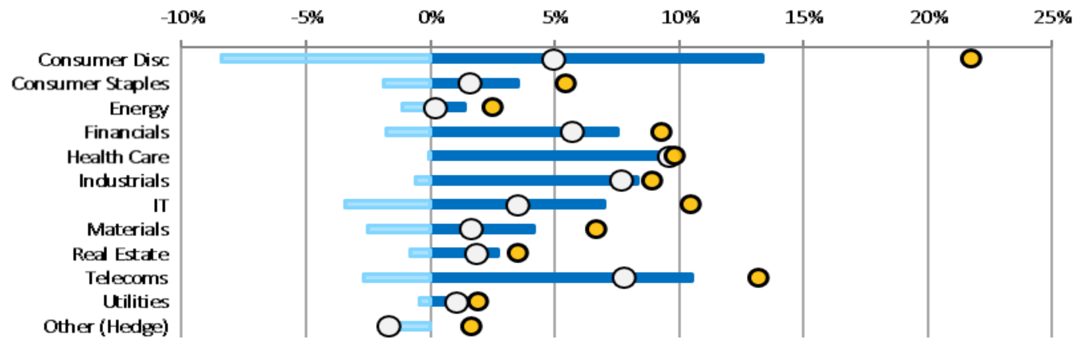
Exposure By Strategy[2]



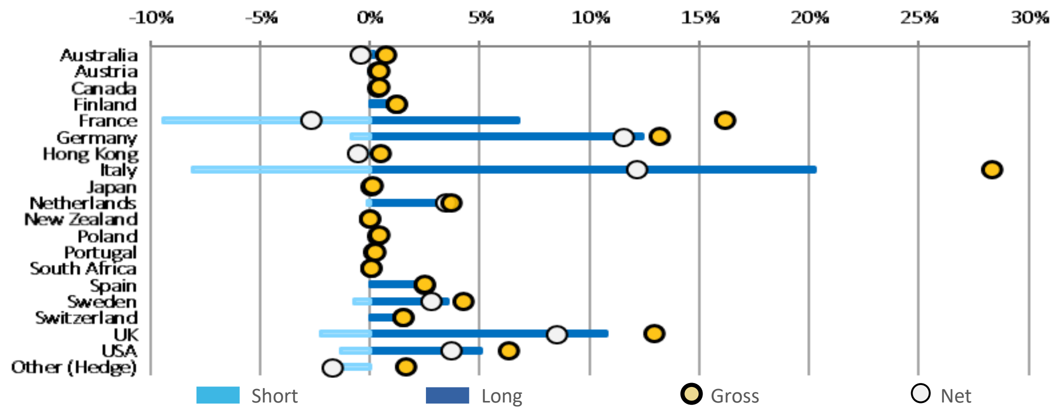
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



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