

↑ +0.75%*

Mygale Event Driven UCITS Fund

Event Driven

August 2020

Performance Returns

*The Mygale Event Driven UCITS Fund USD Institutional Class returned +0.75% 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

The traditional August lull in Event Driven activity, was much less pronounced this summer than is traditional, which in itself is not surprising when you consider the dearth of activity seen in late Q1 and Q2 as the Covid induced lockdown stopped the world in its tracks, but is also encouraging for a continuance of the positive deal momentum we have seen in the previous couple of months. In reality we have a strong suspicion that under the surface, August was actually even busier still. There is definitely a large backlog of deals that were put on hold at the height of the Covid crisis that are now starting to come to fruition and, from our conversations with bankers and deal lawyers, there are many who have not taken their traditional August vacations this year, instead having one of their busiest months of 2020 thus far.

The Mygale portfolio is continuing to claw back lost ground with once again, a strong performance that was widespread throughout the 3 main sub-strategies of the portfolio. Our investment in Ubi Banca again performed well following the successful offer by Intesa in late July. We believe that some of the 'friendly' (to Intesa) Italian banks short tendered in to the bid, in order for Intesa to secure greater than 90% acceptances. This makes Intesa's life easier in terms of being able to delist the balance. As a result of this the market squeezed a little in the days post announcement of offer success and we benefitted by leaving ourselves slightly long and exposed to this. Intesa are currently going through the residual offer process and we have subsequently built a large position for the free optionality that this affords us (as part of the offer election terms). Elsewhere, another of our core positions, Fiat / Peugeot performed well, with the spread continuing to tighten over the month following positive Fiat results. It appears that people were holding back on increasing positions due to fearing that Fiat results would disappoint. However, with this hurdle removed we have seen Event Driven investors increasing exposures as they become more confident that there will not be a significant renegotiation to deal terms (a thesis we have believed to be the case all along). This has obviously resulted in a tightening of the deal spread. In the Catalyst book, there was positive news in a few of our names as they move along the pathway to the expected catalyst realisation, and in the Relative Value strategy we also experienced overall positive performance although it wasn't all plain sailing, with a few situations experiencing spread widening for no specific reason apart from directional selling flows in one of the legs. As ever, we are actively trading around in these situations.

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%					-1.91%
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%					-1.76%
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



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	\$318 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
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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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Monthly Commentary continued

There were fewer new deals announced this month compared to recent times, but as mentioned earlier - for August, activity still felt busy with a number of decent sized transactions being confirmed and hence new investment opportunities to add to the portfolio. Europe saw its fair share of activity, with not only domestic acquisitions but also cross border deals making a comeback. Liberty Global reached a recommended deal to acquire Sunrise Communications of Switzerland at a price of CHF 110 in cash. Sunrise is the no. 2/3 player in mobile and broadband in Switzerland and is the last independent fixed/mobile player that can be acquired. The Swiss telecoms sector is particularly attractive as it has high barriers to entry and earns outsized margins so could be attractive to both financial or strategic investors. As such, whilst the bid is recommended, we don't discount the chance of an interloper emerging. Over in Sweden there was a recommended bid for IT consultancy firm HIQ International, by Triton PE. HIQ have been focused on growth via acquisitions for some time and more recently their lack of investment in their existing business has been acting as a drag. North America saw sustained deal flow in August also. In the medical sector for example, we saw Siemens Healthineers launch a recommended bid to acquire Varian Medical, a maker of medical equipment for the treatment of cancer using radiation therapies. This is a competitive space and we think the opportunity is interesting. The packaging sector was also active with Madison Dearborn agreeing a deal to buy IPL Plastics. IPL is an artisanal player in the generally recession-proof packaging space, with significant expertise in food containers and injection moulding.

At the very end of the month August closed with yet another sizeable transaction - Veolia made an offer for Engie's 29.9% stake in Suez and intends to bid for the minorities if Engie accepts its Eur15.5 bid. This would be a truly transformational deal for Veolia as it would bring together two industry behemoths in water services and waste management, creating a French powerhouse. Given the overlap in both companies there are definitely antitrust hurdles to be overcome and Veolia has pre-empted this by lining up French infrastructure fund Meridiam to buy the problematic assets. They have also seemingly gained the all-important support of the French government. Suez management however have given a negative reaction to what they see as a hostile bid, hence we believe there exists an opportunity for Veolia to improve the terms to persuade management and shareholders as to the deal benefits, and enable the transaction to be consummated.

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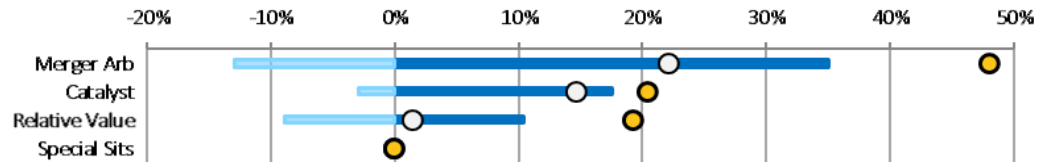
Portfolio Exposures

Risk Metrics

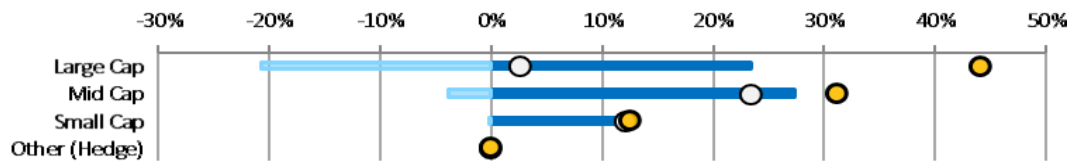
LONG EXPOSURE ²	63.07%
SHORT EXPOSURE ²	-24.66%
GROSS EXPOSURE ²	87.74%
NET EXPOSURE ^{2,4}	19.88%
SHARPE RATIO ³	1.27
SORTINO RATIO ³	1.79
VOLATILITY ³	2.77%
VAR ¹	4.48%
NO OF POSITIONS	65

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.

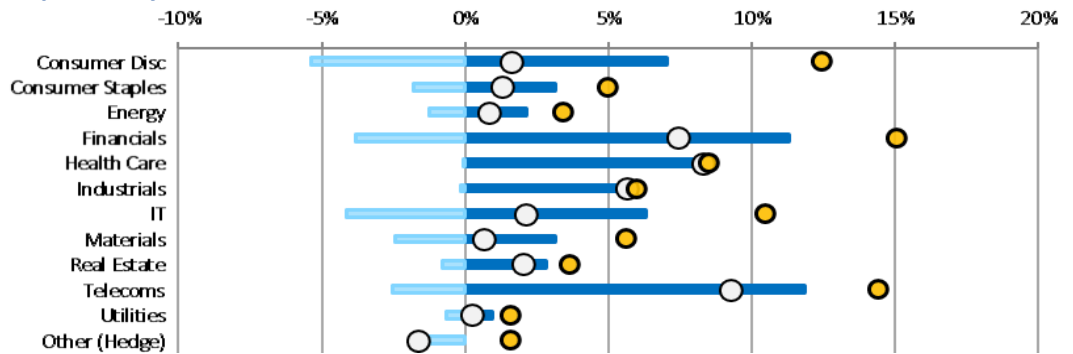
Exposure By Strategy²



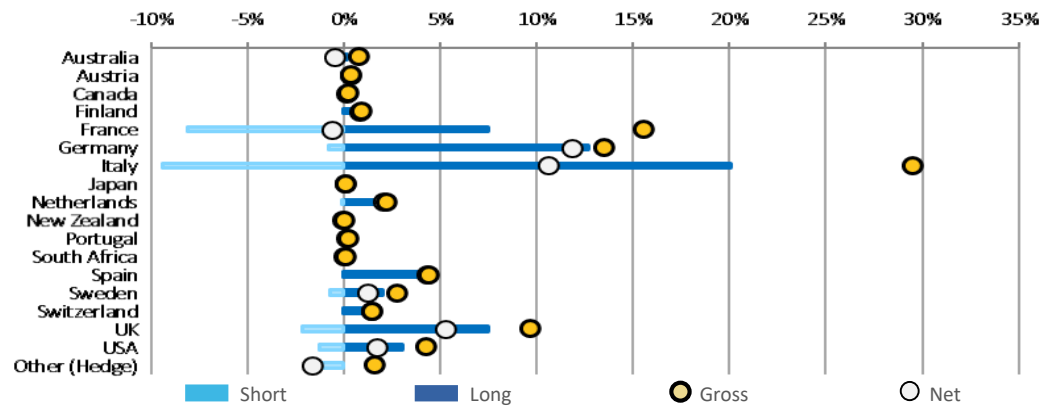
Exposure By Market Cap²



Exposure By Sector²



Exposure By Geography²



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