Mygale Event Driven UCITS Fund

Event Driven

March 2019

FACTSHEET

Performance Returns

The Mygale Event Driven UCITS Fund USD institutional class returned 0.34% during the month of March.

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.

Market Commentary

Continued equity market strength in March saw the first quarter of 2019 end buoyantly. Ongoing optimism over a potential resolution to the Sino-US trade negotiations and hopes for further expansionary global monetary policy propped up the S&P 500 (+1.8% in March) and similarly the Stoxx 600 (+1.7%), further embellishing Q1 gains with the aforementioned indices recording 13% and 12% gains respectively. The Federal Reserve has remained patiently dovish, manifesting in 10-year treasury yields falling to 2.4% and leaving many expecting a rate cut. The US dollar remains unperturbed, gaining ground against a basket of peers (DXY +1.2% in March and Q1) as it exhibits its reserve currency status amidst a backdrop of Brexit negotiations and the Chinese-centric trade war. Yet again the Brexit process continues to get murkier and murkier as UK MPs voted to take control of the parliamentary timetable to try and find a majority for a Brexit option. With the possibility of a long extension and speculation over a potential second referendum Sterling spent most of the month in a holding pattern against the USD, resulting in a gain of 2.3% vs. The Greenback in Q1.

The dichotomy between the performance of equity markets in Q1 relative to the M&A market is stark with global mergers and acquisitions volume sinking 17%. Despite some progress being made, it is clear that the ongoing trade tensions between the US and China, as well as the continued inability of Theresa May to finalise Brexit negotiations and resultant fear of a no-deal Brexit, combined with fears of a slowdown in global growth have spooked chief executives and corporate boardrooms from pursuing tie-ups. Large cross-border deals which fuelled M&A activity over recent years, have almost disappeared at present. There have only been nine mega deals (above $10bn) struck so far this year, down from 14 in Q1 2018. Of these, only two were cross border in nature (Newmont's acquisition of Canada based Goldcorp for $12.8bn, and Saudi Aramco's purchase of SABIC for USD 70.4bn), the rest the result of US based companies acquiring domestic based competitors. In fact, this is where we have seen a positive, with four of the five largest deals year to date being domestic US mergers. These are led by the USD 90bn Celgene / Bristol Myers Squibb combination, which sees the latter bulking up its late-stage pipeline, and providing a clear illustration of the continued appetite for transformative deals in the Pharma sector, a trend we expect to see continuing.

Whilst on the topic of dichotomies, there is another within the M&A world itself. The value of US M&A in Q1 exceeded $414bn, +29% YoY and representing over half of deal making globally (c.52%, the highest since Q4 2016). This contrasted with Europe, where Brexit uncertainty continues to undoubtedly impact deal volume, facing 21% quarter on quarter to c.$123bn, a low since Q3 2012. Despite volumes being down, there remains cross border activity (with signs of aggressivity) in both directions with Berry Global Group of the US acquiring UK based RPC Group (having counter bid an agreed deal from PE firm Apollo Global) and German Pharmaceutical behemoth Merck making a hostile takeover for Versum Materials of the US, who had already agreed to a merger with US rival Entegris. This degree of aggressiveness is encouraging in our mind, particularly when combined with being cross border, as it clearly signals an elevated level of energy and willingness to take more risk.

Our portfolio itself provided the third dichotomy to mention this quarter, and this was apparent in the source of our returns. Traditionally the bulk of returns tend to derive from Merger Arbitrage and Catalyst Driven investments, but this quarter, our Relative Value sub-strategy prevailed. This is a sub-strategy where we tend to have long term holdings in positions but trade around these situations frequently. The long term nature of such positions enables us to develop a thorough understanding of both the fundamental drivers and any catalysts that could be emerging. There are two such positions whereby we have been growing position sizes over the last year as we see catalysts for structural change nearing and the market has only this quarter started to more correctly value what is happening. In times such as these, when merger activity is subdued in Europe, this clearly serves to illustrate the importance of portfolio diversity!

Whilst it was a relatively quiet quarter for deal flow, we remained busy in March, initiating a number of new investments. Most significant of which was an investment in Manx Telecom, the subject of a recommended bid from Basalt Infrastructure Partners. Manx is in the interesting position of having a monopoly position in the Isle of Man telecoms market. Growth in 2018 was driven by the mobile business, with revenues up 12% but it's the Vannin Ventures division that provides the potential upside. They have developed MTclearSound, a product that can provide life-changing benefits for people with varying degrees of hearing loss as it enables more effective telephone communications. This is a product that has potential global significance, and will be launched on the EE network in the UK this summer. The company forecast that this itself could double group revenue within 5 years. Whist the agreed bid price of 215p initially appears fair, we feel that it undervalues the longer term potential from Vannin.

Looking forward, it's apparent that politics are likely to be at the forefront of dealmakers minds over coming months. As well as the European parliamentary elections, we expect that a resolution to US-China trade negotiations or a Brexit agreement could lead to significant improvement in deal activity and despite the first quarter slowdown, we are cautiously optimistic for the remainder of the year.

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y-T-D
2019	0.60%	0.19%	0.34%										**1.14%**
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. F	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y-T-D
2019	0.54%	0.15%	0.33%										**1.02%**
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%**

Note: 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

M Y G A L E

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	$264.40 million
Inception	1st January 2016

Share Class	**Institutional/Institutional Pooled**
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.50%
Perf. Fee	20%
Min Init. Sub.	1,000,000
ISIN Codes	EUR: IE00BYRPFQ61/IE00BYRPFV15 USD: IE00BYRPFT92/IE00BYRPFY46 CHF: IE00BYRPFS85/IE00BYRPFX39 GBP: IE00BYRPFR78/IE00BYRPFW22

Share Class	**Institutional Founder/Retail Pooled**
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.25%/2.00%
Perf. Fee	15%/20%
Min Init. Sub.	10,000,000/10,000
ISIN Codes	EUR: IE00BYRPG302/IE00BYRPFZ52 USD: IE00BYRPG633/IE00BYRPG294 CHF: IE00BYRPG526/IE00BYRPG187 GBP: IE00BYRPG419/IE00BYRPG070

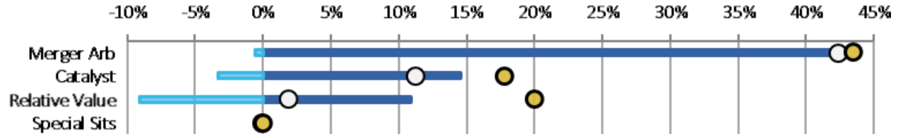
PORTFOLIO EXPOSURES

Risk Metrics

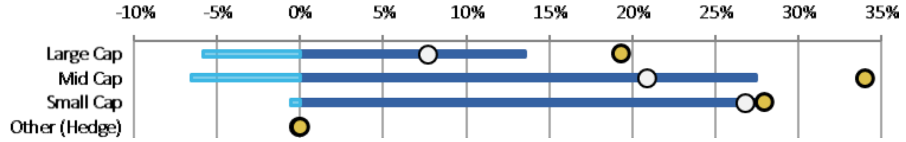
LONG EXPOSURE[2]	68.43%
SHORT EXPOSURE[2]	-12.88%
GROSS EXPOSURE[2]	81.31%
NET EXPOSURE[2, 4]	13.18%
SHARPE RATIO[3]	2.34
SORTINO RATIO[3]	3.81
VOLATILITY[3]	1.97%
VAR[1]	2.56%
NO OF POSITIONS	61

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 weekly net portfolio performance
4. The net figure excludes cash merger deals.

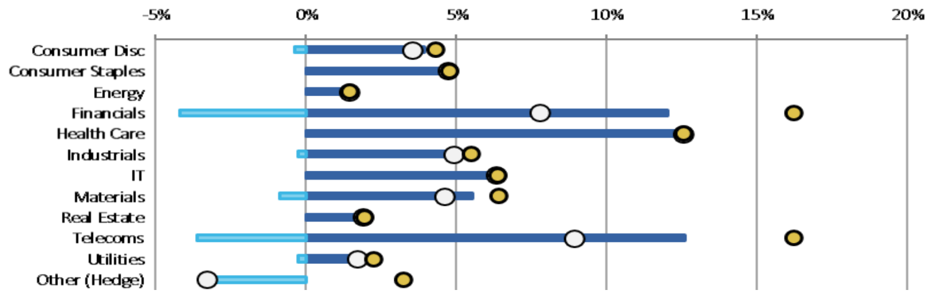
Exposure By Strategy[2]



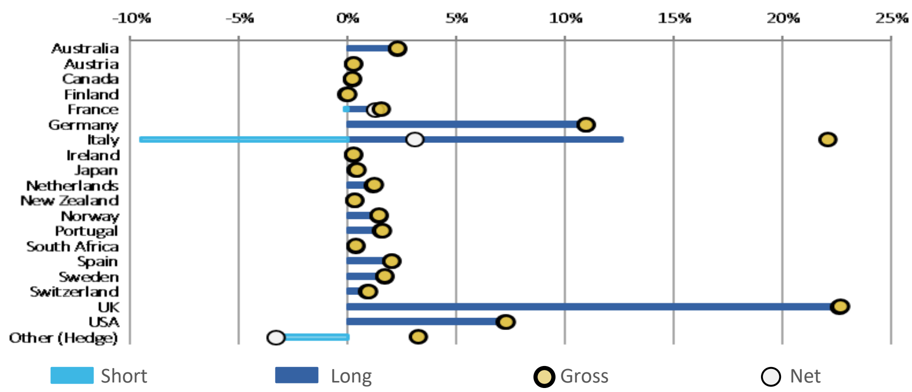
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



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