

↓ -0.34%*

Mygale Event Driven UCITS Fund

Event Driven

May 2020

Performance Returns

*The Mygale Event Driven UCITS Fund USD Institutional Class returned -0.34% during the month of May.

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

With investors now clearly focused on the relaxing of lockdown restrictions and positive progress on vaccine development, globally equity markets continued to perform strongly in May with the S&P 500 and Euro Stoxx 50 both up over 4% on the month, trailed slightly by the FTSE 100 which rose 3%. For the majority of the time a 'risk on' mentality was very much the name of the game with growth and small caps outperforming, but the forward-looking nature of markets seems somewhat decoupled from the sombre underlying macroeconomic data, with countries having clearly been paralysed economically by Covid-19.

History teaches us that markets tend to bounce back from big falls, and this has clearly been the case over the last two months. As the medical crisis is overcome, hopefully sooner rather than later, we will likely see a steady improvement in the economic backdrop. As equity markets continue to stabilise and make up lost ground, we are seeing volatility continuing to grind lower (VIX <28 at month end, compared to >80 in March). A corollary of this returning to normality is a more predictable behaviour in event driven situations, but more importantly, it gives potential acquirers more comfort in valuing targets and identifying pockets of opportunity to secure quality assets at attractive prices.

The Event Driven space this month saw spreads, in the main, continue to tighten, whilst remaining volatile at times. This volatility meant that we suffered small negative performance on a few positions in a month where positive performance proved thin on the ground to compensate. In Europe, one of the most significant things to occur during May was the removal of the short sale ban that had been in place across many countries for the previous two months. The ban was lifted from the 18th May and resulted in more normalised movements in a number of merger situations on our portfolio, in names such as Fiat / Peugeot and Ingenico / Worldline, just to name a few. The Fiat / Peugeot spread is a perfect example of the 'new' normal, having traded at around 7% spread prior to the crisis, it now resides in a range of 15%-22% and is behaving in such a manner that it throws up trading opportunities most days. We also mentioned the Ingenico / Worldline merger, which having traded at over 4% spread prior to the lifting of the short sale ban, now trades in a much tighter band of between 1%-2%, but still offers range trading opportunities.

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%								-3.33%
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%								-3.38%
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 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



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	\$320 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: IE00BYRPF85/IE00BYRPFX39
 GBP: IE00BYRPF78/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

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Monthly Commentary continued

In the US however, things remained more volatile, and we saw a few deals, across various sectors, either break or have speculation of a break, thus heavily impacting spreads. We have only a small portion of the portfolio in the US at the moment, mainly as we felt spreads had proven overly volatile during the last couple of months. Cineplex is one such name (a name we've mentioned before) and we re-invested during April. Having suffered a significant sell off during the crisis, we felt the risk / reward balance now reflected an attractive opportunity skewed much more in our favour than prior to the sell off. As the stock price rallied, we took advantage and sold the majority of our position in to this bounce.

As expected, it was again a quiet month for announced new deal flow. Importantly however, as we enter this new phase in our lives and markets recover, there are definite shoots of activity starting to poke through. In the US for example, we spent much time looking at a potential new deal - the takeover of Grubhub by Uber. The parties are spending a considerable amount of time in negotiating the terms of the transaction, with discussions no doubt centred not only around price, but also the significant antitrust issues that need to be addressed in certain US states. Also, we initiated a new investment in Zenith Energy, being acquired by a consortium led by Pacific Equity Partners. Zenith is an Australian company who generate and supply energy to large mines in Australia. With plants located at the mine site, we viewed the company as an attractive asset offering barriers to entry that are exceptionally high. For us, this was a classic 'Merger with a Catalyst' investment, as we felt that not only was the merger itself safe, but also that 17% shareholder Ontario Teachers Pension Plan could launch a hostile bid. Unfortunately however, that catalyst was quickly extinguished as OTPP have in fact negotiated and joined the Pacific Equity consortium.

Late in the month, press reports leaked a potential bid for Spanish telecoms operator Masmovil by a private equity consortium including KKR and Cinven. This is in fact the second time we have heard such a story following similar only a month previously and is one we believe to make sense as the management of Masmovil are keen to have a financial partner to enable them to keep consolidating the Spanish market, one of the most unconsolidated in Europe, with over 30 different names still operating. However the timing of this is particularly prescient, coming hot on the heels of a significant legal decision where on 28th May 2020 the European Court of Justice annulled a decision by the EC competition authority that in 2016 blocked the merger of O2 and Three UK, finding that the original decision had failed to prove that such a merger would damage competition. The EC decision had been based on their default view that European telecoms markets are better served by having a minimum of four Mobile Network Operators in each EU Member State. When we saw this news we immediately thought it's impact could be significant and spur a new wave of Telecom mergers, particularly so in markets where there are still four players such as Sweden (with 4) or even Spain (with 5 main players but over 30 in total), although clearly didn't expect anything immediately. In their appeal, Three UK (CK Hutchison) argued that the EC approach ignored market realities of what was needed in the sector, and that consolidation could help facilitate significant efficiencies in terms of increased investment, network improvements and consumer benefits. The ramifications of this annulment are potentially much wider than just the telecoms sector though. The standard EC approach of 'four' to 'three' being an issue has doubtless, for many years, acted as a brake on a number of mergers in Europe that could have resulted in significant new investment, innovation and ultimately been beneficial to consumers. Clearly this isn't a change that just impacts the telecom sector, but one that could open the doors to significant mergers across various industries.

Whilst we have a relentless drive to find new investable opportunities, we are also of the view that this is a marathon, not a sprint. It is very important to be patient and stay disciplined - there will be, and in fact we are already starting to see, many opportunities on the horizon.

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Portfolio Exposures

Risk Metrics

LONG EXPOSURE ²	44.41%
SHORT EXPOSURE ²	-15.42%
GROSS EXPOSURE ²	59.83%
NET EXPOSURE ^{2,4}	11.94%
SHARPE RATIO ³	1.19
SORTINO RATIO ³	1.72
VOLATILITY ³	2.84%
VAR ¹	2.58%
NO OF POSITIONS	48

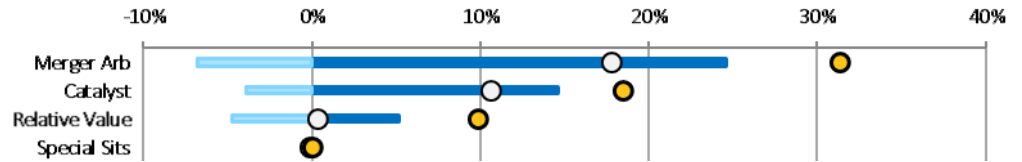
1. VaR is calculated using a confidence level of 99% and a holding period of 20 working days. The VaR model used by the Sub-Fund typically uses data from the last 200 weeks or greater, but a shorter observation period may be used in instances of recent significant changes in price volatility.

2. Based on information from the administrator and as a percentage of the fund AUM in USD including currency hedge for share classes.

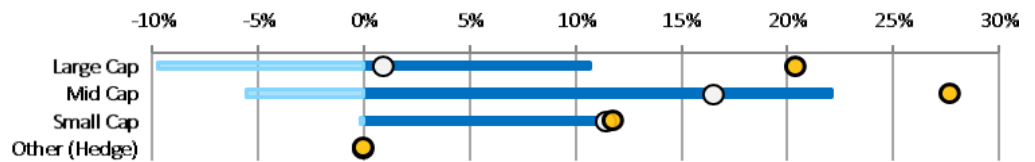
3. Based on monthly net portfolio performance

4. The net figure excludes cash merger deals.

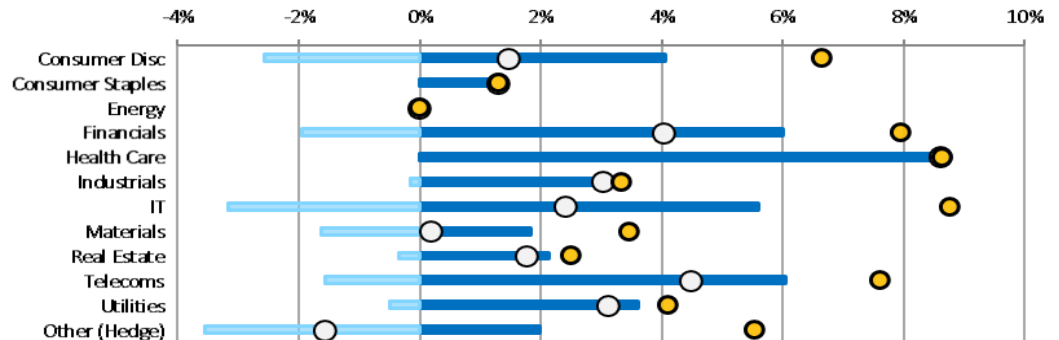
Exposure By Strategy²



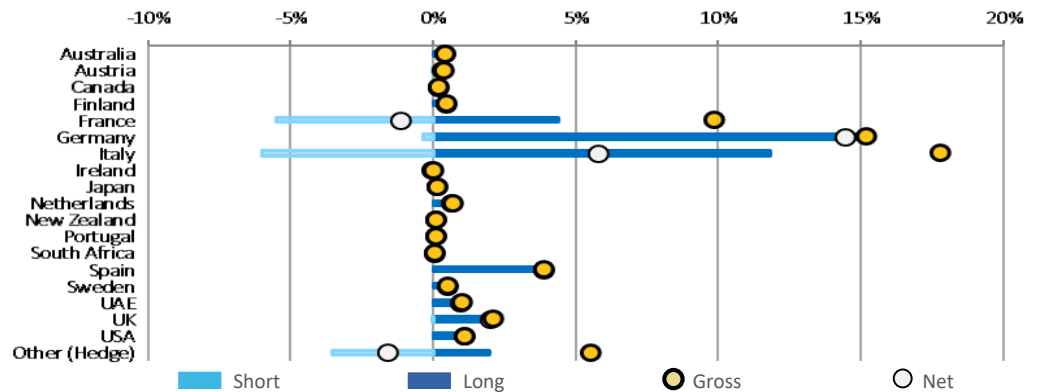
Exposure By Market Cap²



Exposure By Sector²



Exposure By Geography²



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