

MontLake Abrax Merger Arbitrage UCITS Fund

Global Merger Arbitrage

March 2020

Performance Returns

The MontLake Abrax Merger Arbitrage UCITS Fund returned -5.90% for the month of March (USD Institutional Founder Class).

Investment Objective & Strategy

The MontLake Abrax Merger Arbitrage UCITS Fund is a global merger arbitrage and hard catalyst only focused investment fund managed by a highly experienced team.

Through in-depth research, judicious selection of deals, active trading and disciplined risk management, the Fund is focused on late stage M&A situations with firm merger agreements in place. The Fund only invests in developed markets, with strong regulatory frameworks.

Through selection of the best risk/reward merger arbitrage deals and not taking exposure to special situations or pre-event deals, the MontLake Abrax Merger Arbitrage UCITS Fund has a targeted annual net return of 6 to 8%, with a strong focus on capital preservation with low correlation to the wider equity markets.

General Merger Arbitrage Commentary

Due to almost unprecedented market moves and volatility on the back of the COVID-19 pandemic –not seen since the 1929 Wall Street Market crash- the merger arbitrage environment has been significantly impacted mainly due to a flight to liquidity from ETFs & long only institutional money with significant risk-off /almost 'forced' liquidations- with extreme merger spreads widening /dislocations in the general merger arbitrage environment.

Absent any negative deal commentary, deal merger spreads blew out to extreme levels –with numerous examples including the tier 1 pharma tie up of Allergan and Abbvie set for May closing and traded towards the end of the month at a spread of annualised more than 50%!

As a level of reference, the unleveraged HFR Merger Arbitrage Index fell more than 7% during March (it lost more than 6% alone on Monday 16 March, which was the 2nd worst day in general equity markets history), drops not seen since the inception of this benchmark index.

Portfolio Commentary

As a result the Fund was significantly impacted on a mark-to-market basis given the indiscriminate selling forces at play across almost the entire portfolio.

Besides general widening across almost our entire portfolio, the monthly performance was disproportionately negatively impacted by 2 mid-sized positions, namely i) Cineplex, the largest Canadian cinema operator which is currently being bought by UK's Cineworld, saw its share price collapse on fears that the deal might be at peril following the temporary closure of all movie theatres in Canada. We have kept this small position as it trades at a very small implied deal probability despite the strong commitment/synergies been repeatedly voiced by its bidder Cineworld's CEO/CFO in mid-March -with only 1 approval outstanding in Canada which is due shortly. Financing has also been committed and placed and the merger agreement specifically carves out outbreaks of illness in its Material Adverse Clause. Even in the case of a price cut we will recoup a very significant part of the P&L; and ii) Tallgrass Energy, a buyout of a US midstream oil company by its largest shareholders, whose share price declined on the back of a collapse of oil pricing, where we continue to expect deal closing by April, given a) strong merger agreement with oil pricing specifically carved out in the Material Adverse Clause; b) continued commitment to process of deal, and c) ongoing bidder reiterative commentary that bidder is still scheduled to close with no material changes or amendments to the announced deal terms.

Montlake Abrax Merger Arbitrage UCITS Fund Positioning

Although the fund has been impacted on a mark-to-market basis, we wanted to stress key aspects of our current positioning which will help to recoup this temporary loss:

- a) despite aggressive sell-offs, we had 0 exposure to the 3 deals in US that displayed buyers remorse (Delphi Automotive, Condor Hospitality and Hexcel/Woodward), where all our deals are still very much intact with no deal breaks (on the contrary, during the month we actually witnessed positive intelligence from a number of our invested deals);
- b) we have and continue to focus mainly on the more late-stage deals (18 situations with short terms catalyst within 30-60 days) with;
 - strong regulatory frameworks and solid merger agreements (making it very costly for any acquirer to terminate and with pandemics & natural disasters specifically excluded as Force Majeure cases)
 - significant strategic deal rationales with low pro-forma leverage situations and focus mainly on strategic vs private equity/LBO deals

Nevertheless, with spreads widening significantly, the Fund also opportunistically added to dislocated but safe deals spreads (as described above), in return enhancing very significantly the return profile and increasing the implied yield for the Abrax fund.

We believe the portfolio is very well positioned to recapture the above average yields of (short-term and strategic) merger deals – which more than compensate for the temporary drought in newly announced M&A. The wide spreads and the (current) merger arbitrage strategy do currently not only provide better capital preservation in markets of turbulence, unlike other investment strategies, merger arbitrage investing remains unique that despite mark-to-market marking/dislocations, merger arbitrage has a much better visibility on return generation and has significantly better capacity to recoup any losses and/or even amplify returns on the strong, hard near-term catalysts of deal closings.

UCITS Monthly Performance (USD Institutional Founder Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2020	0.49%	0.57%	-5.90%										-4.90%
2019	-	-	-	-	-	-	-0.05%	0.68%	0.50%	0.56%	0.27%	1.08%	3.05%

The performance figures quoted above represent the performance of the MontLake Abrax Merger Arbitrage UCITS Fund, USD Inst. Founder class since launch on 24-Jul-2019. These performance figures refer to the past and past performance is not a reliable guide to future performance.



Xavier Robinson

Xavier Robinson has been the Manager of the Abrax strategy since 2011. He has almost 25 years experience in M&A Investment Banking and Asset Management with senior roles at Dexia Asset Management, Lehman Brothers, Citigroup and BNP Paribas.

Peter Germonpre

Peter Germonpre has 15 years' event driven/merger arbitrage investment experience with senior roles at Halcyon Asset Management, Burren Capital Advisors, Sandell Asset Management and Silver Point Capital.

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Strategy AUM	\$58.1 million
Fund AUM	\$19.7 million
Inception	24 th July 2019

Share Class Institutional Class Founder / Pooled

Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.00%
Perf. Fee	10.00%
Min Init. Sub.	1,000,000

ISIN Codes	USD: IE00BZ00Y245 / IE00BGLJXS63 GBP: IE00BZ01D866 / IE00BZ01D973 EUR: IE00BZ00XN87 / IE00BZ00Y351 CHF: IE00BZ00Y138 / IE00BGLJXR56
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Share Class Institutional Class / Pooled

Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.50%
Perf. Fee	15.00%
Min Init. Sub.	100,000

ISIN Codes	USD: IE00BZ00XH28 / IE00BZ00XM70 GBP: IE00BZ00XF04 / IE00BZ00XK56 EUR: IE00BZ00XD89 / IE00BZ00XJ42 CHF: IE00BZ00XG11 / IE00BZ00XL63
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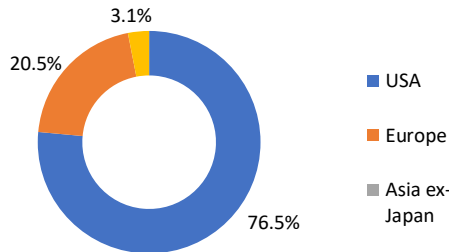
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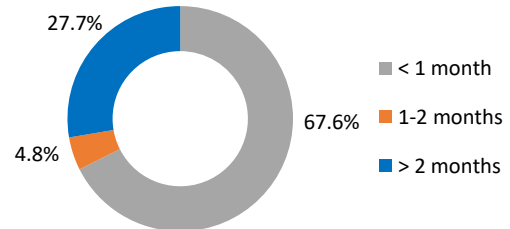
March 2020

Portfolio Exposure

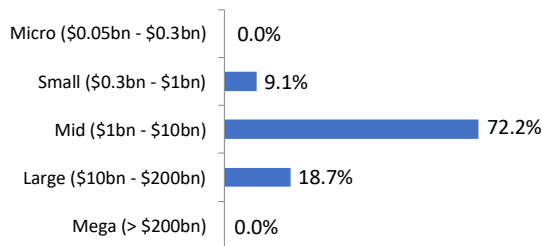
EXPOSURE BY GEOGRAPHY - TARGET



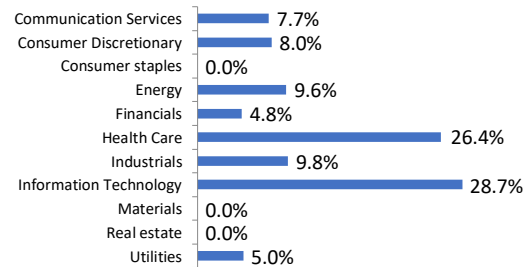
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



CURRENT FUND POSITIONING
(% of NAV)

Long	94.6%
Short	5.5%
Gross	100.1%
Net	89.1%
Leverage	1.00x

CONCENTRATION
(% of gross exposure)

Top 5 long positions	44.7%
Top 10 long positions	69.3%

DIRECTION (positions)

Long	19	New situations	6
Short	3	Situations closed	5

LIQUIDITY BREAKDOWN
(% of gross exposure)

< 1 day	96.2%
2-5 days	3.8%
6-10 days	0.0%
11-20 days	0.0%
> 20 days	0.0%

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