

# MontLake Abrax Merger Arbitrage UCITS Fund

## Global Merger Arbitrage

December 2021

### 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.

### Portfolio Commentary for 2021

2021 was an interesting year which saw record M&A volumes of \$5.6trillion, (which will likely continue into 2022) and an unprecedentedly strong H1 with multiple bidding wars and bumps followed by a volatile H2 which saw a significant number of terminated transactions.

Much of what occurred during H2 2021 was on the back of significantly tougher antitrust regulation (including Willis Tower/AON) and this turned the year into one of the most challenging since 2014 (which saw the failed Shire/Abbvie transaction). Much as we were disappointed with our final performance number, it does compare inline with the average performance of the merger arbitrage UCITS universe which was circa 2.5%, and we are delighted that our process helped us to avoid all but one of the failed deals.

Our 2021 performance also does not reflect how much trading we undertook in taking advantage of dislocated spreads and adjusting our leverage. We typically only employed moderate leverage through the year and with volatile spreads and widespread deal breaks we were keen to be prudent and have dry powder to deploy opportunistically. The result is our highest ever invested performance to come (since the inception of Abrax) and we expect to crystallise some of this shortly.

### Portfolio Commentary for December

Cineplex contributed positively after the Ontario court granted the company C\$1.24 billion in damages for lost synergies. The Court confirmed on December 14th that Cineworld had breached its obligations under the deal that they had decided to call off in June 2020 because of the pandemic. Given the uncertainty of an appeal, the viability of Cineworld to pay the amount in full and even the enforceability of the ultimate court decision (which would probably trigger the liquidation of Cineworld), the share price reaction of Cineplex to this decision was muted. It is most likely that Cineplex will find a mutually acceptable resolution with Cineworld. This is the best outcome that we could have hoped for with Cineplex and this shows once again that it is extremely difficult to unilaterally terminate a Definitive Merger Agreement, even during a pandemic.

We made another profit on WLTW/AON as the spread ratio continues to return to more normal trading levels, and we expect to sell the position when reaching pre-deal prices. This is a good illustration of our patient approach to trading out a position if it breaks. We have only had four deal breaks since inception and in each case, we have looked to take our time and let the immediate panic selling of other investors dissipate before exiting the position in the most beneficial fashion.

We also made a profit on the trading of the volatility of the XLINX/AMD spread, that we have now exited as we expect China to delay the approval of the transaction on renewed Sino-US Tech tensions.

We lost on the JOBS spread widening following the consultation from the buying consortium announced in November. The buying consortium remains committed, and we could see a price cut, however the risk/reward of the spread remains very attractive at these levels.

### 2022 M&A Market Outlook

According to the global co-heads of M&A at Goldman Sachs, elevated M&A volumes will persist in 2022 as cash-rich companies race to buy growth, win long term consolidation, and boost their own valuations. CEOs and Boards have also strong confidence in the macro-outlook despite rising inflation. Hence, we should continue to witness very elevated M&A volumes and opportunities in 2022, despite heightened market volatility and interest rate hikes. Antitrust pressure will also keep mega-mergers in check; hence the average size of strategic deals will likely be reduced.

Private-equity firms are also gearing up to spend the record \$2.3 trillion of dry powder they have mostly raised during the pandemic, and we should see larger LBO transactions. According to GS, common M&A "themes" are likely to include Technology, ESG and a focus on Core/Simplification of company's portfolios.

With respect to M&A sectors, GS expects that while cross border activity is expected to recover after travel restrictions are eased, strength will remain in Private Equity driven M&A, Mid-caps, Tech and Healthcare M&A.

### UCITS Monthly Performance (USD Institutional Founder Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2021	1.96%	1.79%	0.82%	0.90%	1.15%	0.20%	-2.36%	-0.22%	-0.35%	-0.81%	-1.73%	+0.87%	2.12%
2020	0.49%	0.57%	-5.90%	5.95%	0.54%	-3.41%	1.65%	0.18%	-1.98%	0.54%	7.46%	0.97%	6.55%
2019	-	-	-	-	-	-	-0.05%	0.68%	0.49%	0.55%	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.

### Olivier Baccam

Olivier Baccam has 15 years' event driven/merger arbitrage investment experience at Candriam (Dexia Asset Management) where he was Senior Portfolio Manager, Senior Investment Analyst as well as Management Committee member.

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Strategy AUM	\$107.9 million
Fund AUM	\$66.9 million
Inception	24 <sup>th</sup> July 2019

#### Share Class Institutional Class

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

USD: IE00BZ00XM70  
 GBP: IE00BZ00XK56  
 EUR: IE00BZ00XJ42  
 CHF: IE00BZ00XL63

#### ISIN Codes

#### Share Class Retail Class

Currency	EUR/USD/CHF/GBP
Mgt. Fee	2.00%
Perf. Fee	20.00%
Min Init. Sub.	10,000

USD: IE00BZ01DF31  
 GBP: IE00BZ01DC00  
 EUR: IE00BZ01DB92  
 CHF: IE00BZ01DD17

#### ISIN Codes

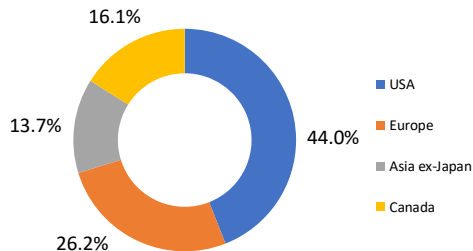
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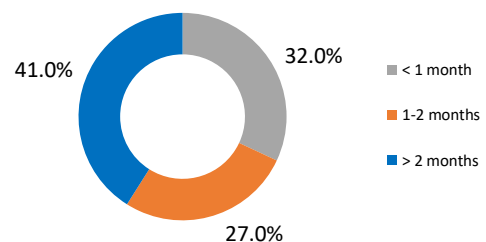
December 2021

### Portfolio Exposure

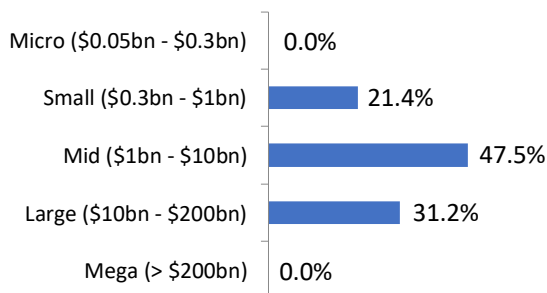
EXPOSURE BY GEOGRAPHY - TARGET



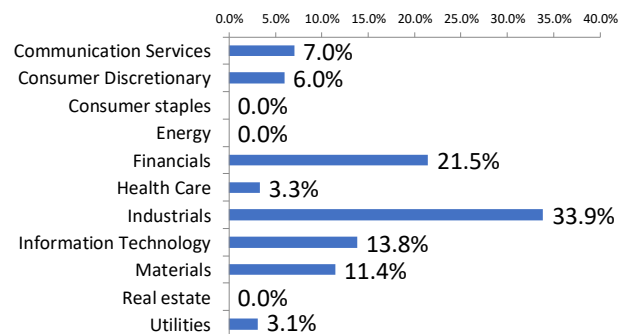
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



CURRENT FUND POSITIONING  
(% of NAV)

Long	88.3%
Short	14.6%
Gross	103.0%
Net	73.7%
Leverage	1.03x

CONCENTRATION  
(% of gross exposure)

Top 5 long positions	28.9%
Top 10 long positions	47.4%

DIRECTION (positions)

Long	20	New situations	5
Short	3	Situations closed	4

LIQUIDITY BREAKDOWN  
(% of gross exposure)

< 1 day	97.0%
2-5 days	3.0%
6-10 days	0.0%
11-20 days	0.0%
> 20 days	0.0%

### Contact Details

#### Investor Contact

**Waystone Capital Solutions (UK) Ltd**  
2nd Floor, 20-22 Bedford Row  
Holborn, London  
T: +44 207 290 9493  
investorrelations@waystone.com

#### Management Company

**Waystone Fund Management (IE) Ltd**  
3rd Floor, 76 Baggot Street Lower  
Dublin, Ireland  
T: +353 1 533 7020  
investorrelations@waystone.com

#### Investment Manager

**AUM Asset Management Ltd**  
148/2, Tower Road  
Sliema SLM 1604, Malta  
T: +356 2713 9851  
investorrelations@aum-am.com

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