

MontLake Abrax Merger Arbitrage UCITS Fund

Global Merger Arbitrage

May 2022

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 May

May was another volatile month in the M&A world which saw a broad series of spread dislocations following some forced liquidations. This was subsequently reflected in the broader HFRXMA Index which lost 2.4%, its largest drop since March 2020. There was no hiding place for the Fund, even if we are running on a relatively low leverage level and the Fund lost 1.7% following this mechanical spread widening.

As indicated in both the February and April newsletters (when this spread widening trend started), while spreads can widen on a broader basis on volatile days (often on the back of forced selling), these moves are always temporary and do not prevent M&A deals from closing. Hence profits will eventually crystallise as spreads reconverge at the closing of the deal. In terms of our portfolio holdings – none of our positions saw negative news flow or indeed have seen any potential threat to their successful completion.

Whilst many spreads have continued to widen, it would be easy to sit back and do nothing. In our experience, however, this has always been an attractive time to very selectively add risk. We continue to therefore judiciously add to our positions where appropriate but being mindful of the fact that this dislocation trend is lasting relatively longer than previously (3 months now with a peak in May), so we will always keep dry powder to ensure good liquidity on the book.

The main merger arbitrage spreads which significantly widened intra-month, included:

- Shaw (widened by up to -11.33% on May 11th),
- Tenneco (widened by up to -15.6% on May 6th),
- First Horizon Corp (widened by up to -4% on May 11th),
- Moneygram (widened by up to -7.03% on May 20th),
- Twitter (widened by up to -27% on May 27th),
- Tegna (widened by up to -5.6% on May 19th).

We also avoided the deal termination of Momentive/ ZEN (-25% in May).

In addition to adding spreads as discussed above, we also continue to sell spreads that are trading in tighter fashion. **The result is that our current portfolio has an invested performance to come that is now above that which we had during mid-March/early April 2020.**

Hence portfolio deal catalysts should eventually unlock significant profits, despite the persistent market volatility.

M&A Market Overview

May was another active month in terms of M&A volume with \$429bn worth of deals announced vs 12month trailing average of \$320bn, notably with the VMware Inc acquisition by Broadcom for \$70.4bn, a mega merger which is the largest M&A deal of the year.

Other main US deals included Black Knight /Intercontinental Exchange (\$15.6bn), Biohaven Pharmaceutical /Pfizer (\$10.5bn), Yamana Gold /Gold Fields (\$7.2bn), Switch /DigitalBridge (\$6.9bn), ManTech International /Carlyle (\$4bn), Silicon Motion Technology /MaxLinear (\$3.6bn) and Covetrus /Clayton Dubilier & Rice & TPG Capital (\$3.2bn).

Europe was very active as well with Swedish Match /Philip Morris International (\$17.4bn), ContourGlobal /KKR (\$6.1bn), HomeServe /Brookfield Asset Management (\$5.8bn), Siemens Gamesa Renewable Energy /Siemens Energy (\$4.3bn), Secure Income REIT /LXI REIT (\$2.9bn) and S IMMO /CPI Property (\$2.5bn).

UCITS Monthly Performance (USD Institutional Founder Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2022	-0.93%	-0.34%	0.74%	-0.77%	-1.73%								-3.01%
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.

This is a marketing communication.



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	\$93.8 million
Fund AUM	\$57.5 million
Inception	24 th July 2019

Share Class	Institutional Class
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.50%
Perf. Fee	15.00%
Min Init. Sub.	100,000
ISIN Codes	USD: IE00BZ00XM70 GBP: IE00BZ00XK56 EUR: IE00BZ00XJ42 CHF: IE00BZ00XL63

Share Class	Retail Class
Currency	EUR/USD/CHF/GBP
Mgt. Fee	2.00%
Perf. Fee	20.00%
Min Init. Sub.	10,000
ISIN Codes	USD: IE00BZ01DF31 GBP: IE00BZ01DC00 EUR: IE00BZ01DB92 CHF: IE00BZ01DD17

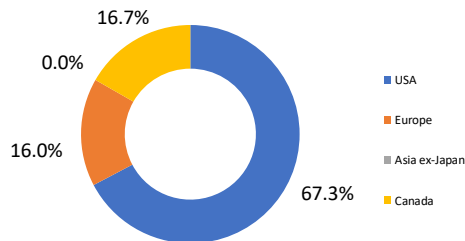
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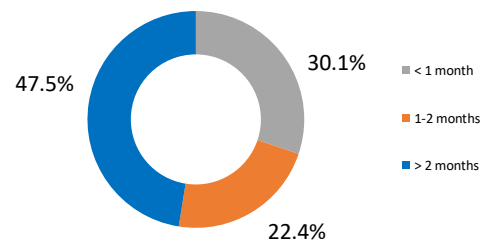
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Portfolio Exposure

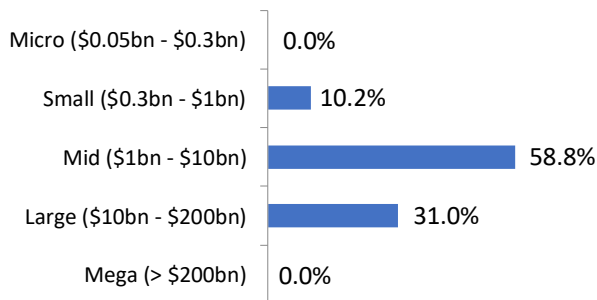
EXPOSURE BY GEOGRAPHY - TARGET



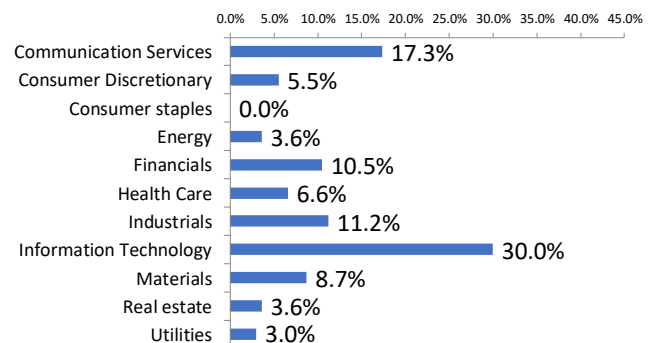
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



CURRENT FUND POSITIONING (% of NAV)

Long	124.0%
Short	4.9%
Gross	128.9%
Net	0.0%
Leverage	1.29x

CONCENTRATION (% of gross exposure)

Top 5 long positions	26.8%
Top 10 long positions	45.2%

DIRECTION (positions)

Long	31	New situations	13
Short	5	Situations closed	7

LIQUIDITY BREAKDOWN (% of gross exposure)

< 1 day	96.3%
2-5 days	3.7%
6-10 days	0.0%
11-20 days	0.0%
> 20 days	0.0%

Contact Details

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