Mygale Event Driven UCITS Fund
Event Driven

Factsheet

Performance Returns

The Mygale Event Driven UCITS Fund USD institutional class had a positive performance of 0.74% during the month of December.

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

In our final newsletter of 2017, we end the year with a bang as December brought with it a flurry of corporate activity. The fund finished 2017 with a return of 4.06% (USD share class), with December itself a strong month, returning 0.74%.

Looking back, 2017 as a whole had fewer political and market surprises than 2016, yet despite this, it’s clear there were still a few impediments to global deal momentum. The US was the main cause here, as companies somewhat shied away from M&A activity as they awaited clarity on President Trump’s approach to regulation, which, combined with the unresolved battle to lower US corporate tax rates, created uncertainty and undoubtedly negatively impacted US deal volume. This is in stark contrast to Europe, often the laggard to the US in mergers and acquisitions volumes, which turned out to be the global hot spot for deals this year. The worries around the eurozone elections as well as the uncertainty of the great Brexit unknown most definitely cast a cloud over European Activity in 2016. However, 2017 saw growing confidence in Europe, where a more stable economic outlook has contributed to announced deals of around $700bn, up over 23% from 2016 (according to Bloomberg data), contrasted with North American deal flow, which has fallen almost 30% to $1.1tn, the lowest since 2013. Europe now contributes 27% to global deal volume, a 6 year high, fuelled by this new period of economic resurgence that we fully expect to continue through 2018.

As this European growth continues, and armed with increasing confidence, the region’s CEOs now understand the need to become bigger and stronger competitors in order for them to compete globally. Cash balances still remain high, and, despite a gradual start to US monetary tightening, external financing remains at historically low levels. This ‘micro’ rationale for acquisitions is clearly growing, led by changing consumer behaviour patterns and disruption from new technologies frequently necessitating a significant change to many existing business models. Top line growth is now a somewhat scarce commodity, hence it is not surprising that companies are increasingly needing to seek inorganic growth opportunities in an environment where they are both willing and able to pay for it.

Also worth noting is the decline in Chinese led activity this year. In 2016, outbound Chinese M&A volume was so large that it was on a par with that of the US (Dealogic), but in 2017, much as we had forecast at the end of last year, this activity wasn’t sustainable and the decline has been precipitous. This is due to not only the Chinese government tightening their scrutiny on capital outflows but also due to the Trump administration taking a tougher stance against Chinese acquirers, blocking deals such as Lattice Semiconductor (being acquired by Canyon Bridge Capital). Whilst we still see deals involving Chinese acquirers, we always tread with great caution, cognisant of the potential pitfalls they carry.

Deal activity in December continued as November left off, with many industries from biotechnology to gaming to telecommunications experiencing consolidation. In our portfolio, we benefitted from this momentum, with our position in Ladbroke’s profiting from its merger with gambling peer GVC, while in Europe we saw Thales gazump Atos in its offer for digital security specialist Gemalto ($6bn). Returns were most definitely global in nature - our catalyst investment in Murray Goulburn of Australia performed strongly as the latter’s stake in UK broadcaster Sky. This contributed to a strong performance in our Sky fund during the month.

We end the year on a high, not only in terms of performance and deal activity but significantly, in terms of the removal of a couple of headwinds that have held things back in 2017. In December President Trump concluded the long awaited tax reforms and in Europe, phase one of the Brexit negotiations were finally completed, with both contributing to a strong year-end rally in equity markets (FTSE100 up 4.9%) and pushed sterling to extend its extraordinary strength seen already in 2017. The prospects for 2018 are clearly very strong and we are genuinely excited the opportunities we see in the year ahead. We would like to end by thanking you for your continued support over the last 12 months.

Monthly Share Class Performance Breakdown

<table>
<thead>
<tr>
<th>USD Ins.</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Y-T-D</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.00%</td>
<td>0.30%</td>
<td>0.47%</td>
<td>0.61%</td>
<td>0.04%</td>
<td>0.22%</td>
<td>0.46%</td>
<td>0.19%</td>
<td>0.26%</td>
<td>0.56%</td>
<td>0.16%</td>
<td>0.74%</td>
<td>4.06%</td>
</tr>
<tr>
<td>2016</td>
<td>0.97%</td>
<td>0.43%</td>
<td>0.02%</td>
<td>0.67%</td>
<td>0.47%</td>
<td>0.03%</td>
<td>2.83%</td>
<td>0.76%</td>
<td>0.84%</td>
<td>-1.56%</td>
<td>0.03%</td>
<td>1.02%</td>
<td>6.65%</td>
</tr>
</tbody>
</table>

GBP Ins. F

<table>
<thead>
<tr>
<th>USD Ins.</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Y-T-D</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0.01%</td>
<td>0.28%</td>
<td>0.43%</td>
<td>0.62%</td>
<td>0.07%</td>
<td>0.21%</td>
<td>0.46%</td>
<td>0.19%</td>
<td>0.25%</td>
<td>0.57%</td>
<td>0.16%</td>
<td>0.72%</td>
<td>4.03%</td>
</tr>
<tr>
<td>2016</td>
<td>1.25%</td>
<td>0.47%</td>
<td>0.02%</td>
<td>0.69%</td>
<td>0.57%</td>
<td>0.18%</td>
<td>2.85%</td>
<td>0.83%</td>
<td>0.86%</td>
<td>-1.16%</td>
<td>0.05%</td>
<td>0.84%</td>
<td>7.65%</td>
</tr>
</tbody>
</table>

Share Class Classification

Institutional Pool

Currency: EUR/GBP/CHF/USD

Mgt. Fee: 1.50%

Perf. Fee: 20%

Min. Init. Sub.: 1,000,000

ISIN Codes

EUI: IE00BYRFPS85/IE00BYRFPRX9
GBP: IE00BYRFPRF78/IE00BYRFPW22

Share Class Classification

Institutional Funded/Retail Pool

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

EUI: IE00BYRG3026/IE00BYRG2524
GBP: IE00BYRG5633/IE00BYRG294
CHF: IE00BYRG5G26/IE00BYRG187
GBP: IE00BYRG419/IE00BYRG070

For more information visit
www.montlakeucits.com

The Manager

Neil Tofs has over 19 years’ experience successfully running event driven portfolios and funds, and 22 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 Panbex and NatWest Markets. He graduated with a BA (Hons) in Business Studies from Oxford Brokes 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

Type: UCITS

Domicile: Ireland

Liquidity: Weekly

Fund AUM: $172 million

Inception: 1st January 2016
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.

Contact Details

Investor Contact
ML Capital Ltd
29 Farm Street
London, W1J 5RL, UK
T: +44 20 3709 4510
investorrelations@mlcapital.com

Investment Manager
ML Capital Asset Management Ltd
23 St. Stephen’s Green
Dublin 2, Ireland
T: +353 1 533 7020
investorrelations@mlcapital.com

Sub Investment Manager
Tavira Securities
88 Wood Street
London EC2V 7DA
T: +44 20 3192 1725
ym@mygalefunds.com

Disclaimer

Risk Warning: Past performance is not a reliable indicator of future results, prices of investments and the income from them may fall as well as rise. Investments in equities are subject to market risk and, potentially, to exchange risk. The Mygale Event Driven UCITS Fund (the “Fund”) may use higher leverage and financial derivative instruments as part of the investment process. The distribution of this report does not constitute an offer or solicitation. Any investment in the Fund should be based on the full details contained in the Fund’s Supplement Prospectus and Key Investor Information Documents which together with the Montlake UCITS Platform Prospectus may be downloaded from the Montlake website (www.montlakeucits.com). Information given in this document has been obtained, or based upon, sources believed by us to be reliable and accurate although neither ML Capital nor Tavira Securities Limited accepts liability for the accuracy of the contents. Tavira Securities is authorised and regulated by the Financial Conduct Authority. ML Capital does not offer investment advice or make recommendations regarding investments. The Manager of the Fund is ML Capital Management Ltd, a company regulated by the Central Bank of Ireland. The Montlake UCITS Platform ICAV is registered and regulated as an open-ended Irish collective asset-management vehicle with segregated liability between sub-Funds formed in Ireland under the Irish Collective Asset-management Vehicles Act 2015 and authorised by the Central Bank as a UCITS pursuant to the UCITS Regulations. ML Capital Asset Management Ltd is regulated by the Central Bank of Ireland. This notice shall not be construed as an offer of sale in the Fund. This notice shall not be construed as an offer of sale in any other fund managed or advised by Tavira Securities.