MontLake

↑ +0.15%*

Mygale Event Driven UCITS Fund

Event Driven

June 2020

Performance Returns

*The Mygale Event Driven UCITS Fund USD Institutional Class returned +0.15% during the month of June.

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

Thankfully Q2 2020 has been a completely different animal to Q1, with equity markets rallying strongly in both April and May. June however brought signs of indecision and notable intra-month volatility sent the VIX back to 40. The S&P 500 added a relatively meagre 1.8% in June, although posted a very respectable 20% in Q2 as global stock markets recovered from the impact of the novel coronavirus. Led by the Fed and their almost $3 trillion initiative, central banks globally have poured significant liquidity into the financial system, suppressing borrowing costs and avoiding a liquidity crunch like that seen during the GFC. Governments have also played their part, with extraordinary fiscal stimulus helping to offset the reduction in consumption. Of course, the steady easing of lockdown restrictions has induced the most sanguine of animal spirits helping to propel stock markets, almost as if the pandemic were just a dream (or should that read nightmare!). The technology sector has been a notable driver of equity performance, with the biggest companies just getting bigger – the Nasdaq composite jumped 31% in Q2, almost unbelievably, making new all-time highs and totalling a positive 12% on the year! Europe kept up for the most part – the Euro Stoxx 50 ended Q2 16% higher while the DAX gained 24%, its best quarter for seventeen years. As focus switched back to Brexit negotiations in Europe, the FTSE 100 underperformed, adding only 9% in Q2 as Prime Minister Boris Johnson successfully recovered from COVID-19. Don't sleep on the UK though – the vaccine being studied by the partnership of Oxford University and AstraZeneca looks to be a leading candidate in the global race alongside the option being championed by the US's Moderna.

You'll recall that Mygale ended Q1 on somewhat of a low ebb and despite having acted quickly to reduce the gross exposure of our portfolio to around 40%, we still ended March down 3.7%. Our prediction at this time was that whilst we expected to encounter a period of inactivity in Event Driven situations, as the year progressed, we felt confident that opportunities would present themselves that would enable us to grow the portfolio and take advantage of dislocations that resulted from the Covid crisis. As we progressed through Q2, this story has begun to play out very much as we expected. Initially, stability returned to equity markets and merger spreads started to return to more 'normal' levels, although Europe was slower in this regard than the US, primarily due to short sale bans imposed by certain European countries having the effect of keeping spreads wider for longer.

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%	0.15%							-3.19%
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%	0.21%							-3.17%
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 F Share Class since launch. These performance figures refer to the past and past performance is not a reliable guide to future performance.

The Manager

MYGALE

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	$291 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: IE00BYRPFT92/IE00BYRPFY46 CHF: IE00BYRPFS85/IE00BYRPFX39 GBP: IE00BYRPFR78/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

Monthly Commentary continued

New deal activity, whilst virtually moribund in March, April and for much of May, started to show a few early signs of life in late May, with Uber negotiating a potential takeover of Grubhub, rumours of a potential bid for Masmovil of Spain by KKR, as well as an announced bid for Zenith Energy in Australia. We took these early shoots of activity positively and with the view that we will likely see many new opportunities develop over the coming months.

Q2 ended with June continuing the positive trend in deal activity that we had sensed developing in May. The previously rumoured bid for Spanish telecom operator Masmovil was announced early in the month, with a consortium of KKR, Cinven and Providence Equity bidding €22.5 per share in cash. Masmovil offers both fixed and mobile services and has been a disruptor in the Spanish market with an aggressive pricing approach. This has served them well and the company is now the no. 4 player in Spain. Providence is a long-term shareholder, having helped fund the company when they first started back in 2007, and are clearly believers in the opportunity the Spanish market offers. We view the bid as being opportunistic and the price being paid could easily be considered cheap, hence offering potential for further upside.

Our Catalyst investment in US based food delivery company Grubhub didn't go in quite the direction we expected, but thankfully did result in a bid materialising. The long-mooted deal with Uber gradually appeared less and less likely as the parties seemingly struggled to agree on price as well as finding a way to overcome the significant anti-trust hurdles that existed. However, in early June, in the first major corporate cross border acquisition post Covid, Takeaway.com launched a recommended all stock offer for Grubhub. Having only completed the acquisition of Just Eat in late 2019, Takeaway had their hand forced somewhat and moved sooner than they would have perhaps liked due to fear of losing out on their US growth opportunity should Uber have won Grubhub's hand. These weren't the only new situations of note in June however, in fact we initiated 11 new positions during the month and do not expect this to be a one off occurrence.

Global M&A value is down 39% so far this year (according to Bloomberg data) and as you may have guessed, we don't expect this to stay that way. The aftershocks of Covid-19 will likely force companies in to selling assets to boost their shares and will likely result in a second half rally in deal activity. Some industries may be ripe for healthy consolidation - for example, oil and gas, a sector already facing challenges with the shift toward lower-emitting and carbon neutral infrastructure, has been hit particularly hard by the oil price collapse. It is a sector where many of the individual players are in a very weak state. In the banking sector, a Covid-19 induced crisis is prompting the ECB to encourage banks to merge in an effort to strengthen their equity ratios. This isn't totally new as it has already spurred the takeover of Ubi Banca by Banca Intesa earlier this year, in itself a position we have been quite active in over the last couple of months. We expect this ECB 'encouragement' to continue in the second half of 2020 and beyond.

These are but a few of the sectors that we expect to see increased activity as the year progresses. Some companies will have already had merger plans readied for 2020 that were put on an enforced hold as the crisis struck. Whilst not all, it is likely that some of these deals will return to the table soon, but also new deals will emerge. Covid-19 lockdowns have pushed companies in many sectors near to the brink. Many of these will be forced to seek strategic measures in order to survive. A lot of these are small and mid-size companies that are on the journey to realising that they need scale and balance sheet strength to survive - we expect this to lead to continued Event Driven activity in the coming months and we look forward to a pathway more easily navigated than that presented to us in H1.

We appreciate your continued support of Mygale and look forward to a more enjoyable and profitable second half.

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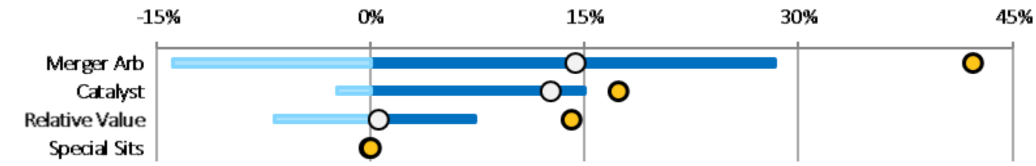
Portfolio Exposures

Risk Metrics

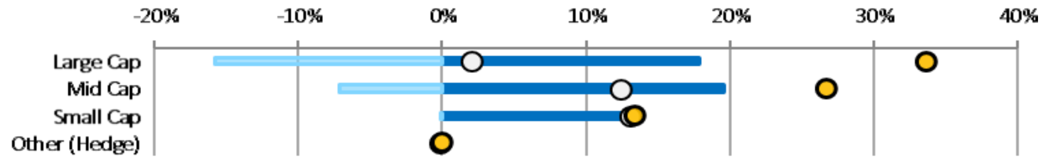
LONG EXPOSURE[2]	50.75%
SHORT EXPOSURE[2]	-22.97%
GROSS EXPOSURE[2]	73.72%
NET EXPOSURE[2, 4]	15.65%
SHARPE RATIO[3]	1.19
SORTINO RATIO[3]	1.70
VOLATILITY[3]	2.81%
VAR[1]	3.16%
NO OF POSITIONS	50

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.

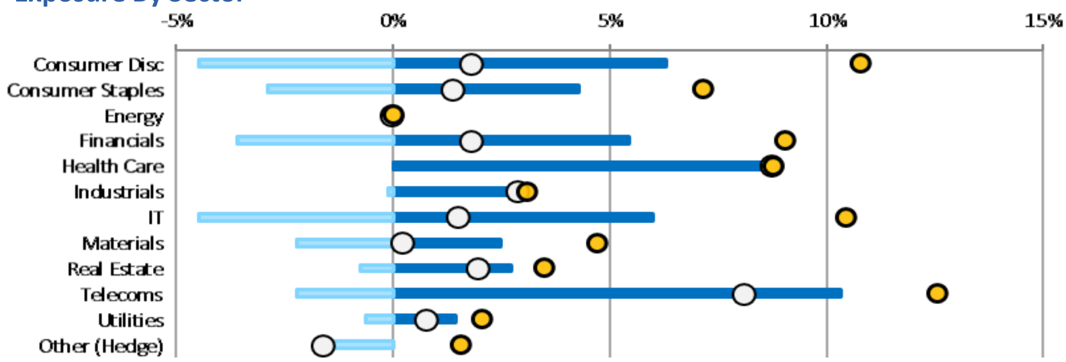
Exposure By Strategy[2]



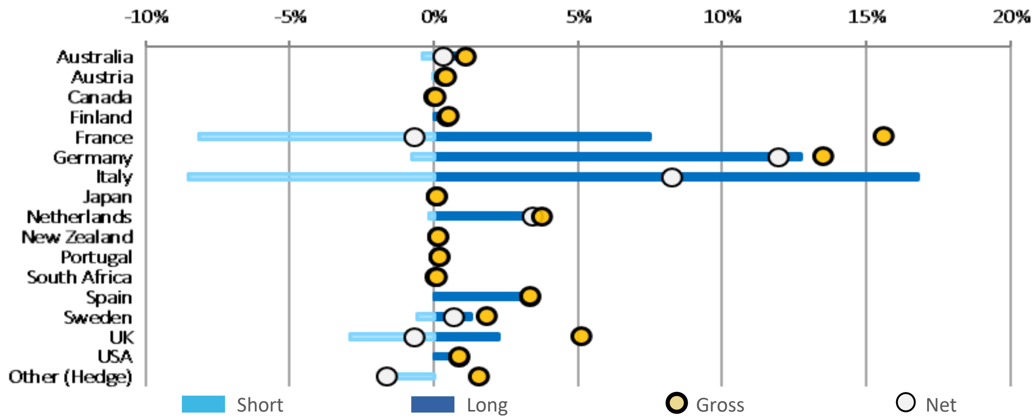
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



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