

# MontLake Abrax Merger Arbitrage UCITS Fund

## Global Merger Arbitrage

June 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 June

June was an interesting month which started relatively calmly but finished in volatile fashion as the unexpected Willis Tower/AON litigation (more on this below) caused a more general spread widening. Whilst only 45% of our positions contributed positively, Abrax still protected capital and generated a small positive return of +0.20% for the month. This brought our YTD to +7.00% which compares favourably to the HFRXMA Index which ended June at -27bps (YTD of +4.23%).

We started the month with another bidding war for Inter Pipeline (IPL CN). On June 1st, Pembina Pipeline submitted an all-stock-C\$19.45/share counter-offer, trumping the Brookfield Infrastructure opportunistic bid of C\$16.50/share (mix of cash and stock) for the 80.35% majority they did not already own. This forced Brookfield Infrastructure to increase its offer the following day, to C\$19.75/share. This has developed into an interesting situation where we now have 2 bids on the table.

GrandVision also contributed nicely, through the long-awaited conclusion of the transaction between HAL, owner 30% of GrandVision, and EssilorLuxottica who had unsuccessfully tried to extract a "covid price cut" over the previous year.

### Willis Tower/AON

As we anticipated, newly appointed Democrat antitrust teams both at the US DOJ and the US FTC are taking a tougher stance on mergers which have highly concentrated market share in the US. As a result, whilst AON had provided significant remedies (3 out of 5) and was still negotiating with the DOJ, the remedies were abruptly deemed insufficient and the DOJ unexpectedly decided to litigate against the merger.

Whilst we had a small position in Willis Tower, the Willis Tower/AON spread moved sharply by -7% and triggered some forced selling on almost all other major spreads. Willis Tower is currently one of the most crowded trades given (i) the high level of commitment of acquirer AON, (ii) the remedies offered so far (EU has indicated the imminent clearing of the transaction) and (iii) the attractive risk/reward (limited downside), hence several funds had a full position in the spread. However, this is not the first time that the DOJ has litigated in order to push the acquirer to settle with the required remedies. Previous examples include US Airways/AMR, Modello/Budweiser, Ameristar Casinos / Pinnacle which all settled before any actual litigation.

AON and Willis Tower also immediately issued a joint press release indicating that they continue to make material progress with other regulators around the world and remain fully committed to the benefits of the combination. In addition, at current trading levels there is almost zero downside and it is highly likely that a settlement will be reached, given the potential \$1bn termination fee to be paid by AON in the event that they fail to obtain US antitrust approval.

Despite this, almost all of our core spreads (ALXN/AZN, WORK/CRM, INFO/SPGI, MXIM/ADI, NUAN, XLINX/AMD) slightly widened daily coming into month end, highlighting the risk-aversion in the strategy.

We took the opportunity to cautiously increase our position sizing in the spreads which widened the most, since this month-end/quarter-end move was, we believe, largely unjustified as it was related to a separate event and not to each of these specific situations.

The expected re-convergence of these invested spreads should bode well for Abrax in the short term.

### M&A Market Review for June

June continued to be in line with the 5 previous months as M&A volumes worth \$411bn were announced (vs a LTM monthly average M&A volume of \$340bn) across 3 429 transactions (+10% vs last month).

The US was particularly active with notable deals including Inter Pipeline / Pembina Pipeline (\$12.7bn), QTS Realty Trust /Blackstone Group (\$5.4bn), Cludera Inc/Clayton Dubilier & Rice LLC (\$4.6bn), First Midwest Bancorp /Old National Bancorp (\$2.5bn), Sykes Enterprises /Sitel Group (\$2.3bn), New Senior Investment /Ventas (\$2.2bn) and Raven Industries /CNH Industrial (\$2.1bn).

Europe was slightly quieter with \$200bn worth of M&A, down -17% from last month, with notably Wm Morrison Supermarkets PLC/Clayton Dubilier & Rice LLC (\$12bn) (proposed) and Solarpack Corp Tecnologica SA/EQT AB (\$1.5bn).

### 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%							7.00%
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	\$115.6 million
Fund AUM	\$68.5 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

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

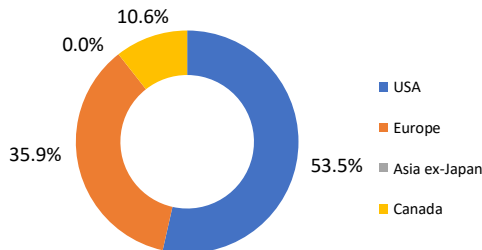
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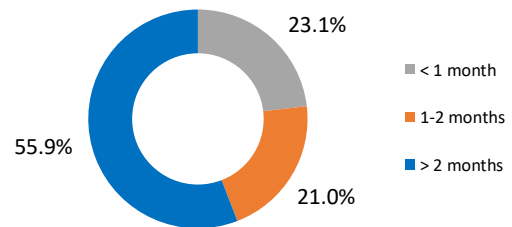
June 2021

### Portfolio Exposure

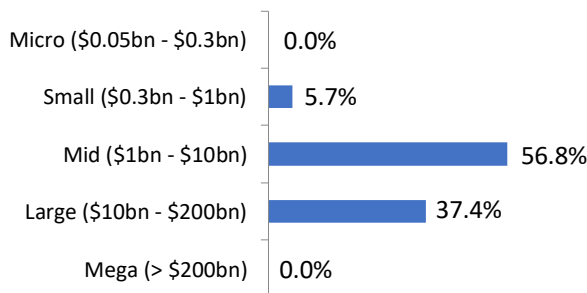
EXPOSURE BY GEOGRAPHY - TARGET



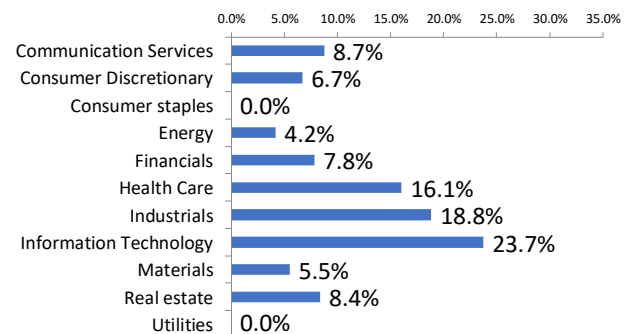
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



CURRENT FUND POSITIONING (% of NAV)

Long	147.1%
Short	25.8%
Gross	172.8%
Net	121.3%
Leverage	1.73x

CONCENTRATION (% of gross exposure)

Top 5 long positions	21.0%
Top 10 long positions	32.4%

DIRECTION (positions)

Long	34	New situations	9
Short	8	Situations closed	6

LIQUIDITY BREAKDOWN (% of gross exposure)

< 1 day	91.9%
2-5 days	8.1%
6-10 days	0.0%
11-20 days	0.0%
> 20 days	0.0%

### Contact Details

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