

↑ 0.16%*

Mygale Event Driven UCITS Fund

Event Driven

September 2019

Performance Returns

*The Mygale Event Driven UCITS Fund USD institutional class returned +0.16% during the month of September.

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

After the gyrations experienced in August, equity markets were much calmer in September as US / China trade tensions dissipated somewhat, with President Trump going as far as to label his delaying of planned \$250bn tariff increases as 'a gesture of goodwill!' The US markets were also buoyed by a cut in US interest rates designed to shore up the economy ahead of uncertainties over future economic growth. In Europe, markets were similarly strong also due to financial stimulus measures (including a restart of quantitative easing) announced by Mario Draghi. It is clear however, that Brexit remains the key item on the agenda, whilst I'm conscious that writing about the subject is almost instantly rendered worthless by the constant changes in direction, it feels as though the end is finally nigh.

Whilst September proved relatively stable for equity markets as a whole, oddly, activity in Event Driven opportunities appeared sparser than of late. We continue to feel European corporates are somewhat gripped by a Brexit induced paralysis and hence we experienced what felt like a quieter month. In reality though, we were quite active, closing 12 investments and initiating 10 new ones, identifying some interesting new opportunities as well as seeing positive developments in some of our existing holdings. We initiated a new position in Hembra for example, the Swedish residential property developer who are subject of a bid from Vonovia. Having recently invested in both Swedish and German real estate deals such as this we understand the space well. The Swedish property rental market is very similar to that in Germany, Vonovia's home country, and Vonovia have proven an astute acquirer of late. With Hembra, they are paying a low premium and hence we have identified the potential for pressure from shareholders to improve the terms.

Looking back at the third quarter as a whole, it is clear that challenges in the macro environment are definitely having an impact. Global deal making has eased to the slowest pace for more than two years and so far this year the value of deal activity globally has fallen 11%. That doesn't tell the story of Q3 though, oddly, despite the Brexit tensions, European deal flow has enjoyed a comparatively buoyant summer period with a fall of only 2.3% on the quarter which is significant when compared to the fall of 21% in the value of US deals. Despite a fall from Q2 levels, it is clear that US led acquisitions in Europe are on target to reach one of the highest levels on record, and, to those of you who are regular readers of our commentary, this is fully aligned with our previous thoughts on Europe as a target destination. With many Strategic acquirers gripped by fear and uncertainty surrounding Brexit, the influence of private equity players has continued to be noticeable in Q3, and now account for 22% of total European deal activity.

Performance wise, Q3 was a positive one for our portfolio, and in September specifically, a number of our investments in the Relative Value sub-strategy performed well. The portfolio also benefitted from an increased bid in one of our US Merger Arbitrage investments. We'd taken an investment in Presidio who reached a recommended deal to be bought by BC Partners. We identified that Presidio, a developer of IT infrastructure to mid-market and government agencies, had developed their business strongly over the last few years and offered the potential for competitive bidders to emerge. This view was realised late in the month when BC Partners bumped the offer terms by 4% in response to an alternative acquisition proposal emerging during the go-shop process.

As we enter the final quarter of 2019, we look forward to a positive outcome of US/China trade negotiations as well as Brexit. Both events have doubtless had a significant de-stabilising effect on markets globally. Should these finally reach a resolution, we are positive on renewed market stability being an empowering force for corporate CEO's and dealmakers that will drive company growth ambitions forward. Whilst this is unlikely to be instantaneous, we look forward to continued corporate activity as we go in to 2020.

Monthly Share Class Performance Breakdown

| USD Ins. | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Y-T-D |
|--------------|-------|-------|--------|-------|--------|-------|-------|-------|-------|--------|-------|-------|-------|
| 2019 | 0.60% | 0.19% | 0.34% | 0.51% | -0.20% | 1.43% | 0.67% | 0.15% | 0.16% | | | | 3.91% |
| 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 F | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Y-T-D |
| 2019 | 0.54% | 0.15% | 0.33% | 0.48% | -0.25% | 1.37% | 0.67% | 0.12% | 0.13% | | | | 3.61% |
| 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 Founder Share Class since launch. These performance figures refer to the past and past performance is not a reliable guide to future performance.

The Manager



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 | \$314 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: IE00BYRPF92/IE00BYRPFY46 CHF: IE00BYRPF85/IE00BYRPFX39 GBP: IE00BYRPF78/IE00BYRPFW22 |

Share Class Institutional Founder/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 |

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Event Driven

September 2019

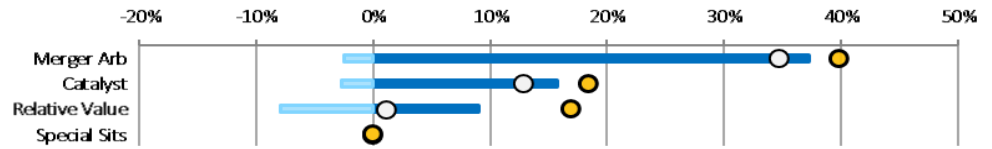
Portfolio Exposures

Risk Metrics

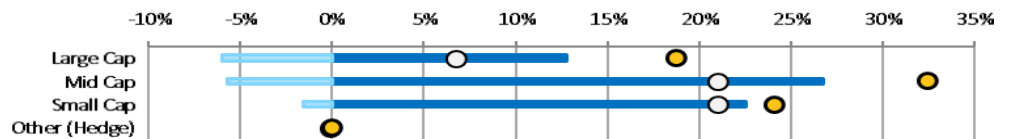
| | |
|-----------------------------|---------|
| LONG EXPOSURE ² | 62.15% |
| SHORT EXPOSURE ² | -13.18% |
| GROSS EXPOSURE ² | 75.33% |
| NET EXPOSURE ^{2,4} | 15.78% |
| SHARPE RATIO ³ | 2.27 |
| SORTINO RATIO ³ | 2.41 |
| VOLATILITY ³ | 2.09% |
| VAR ¹ | 2.37% |
| NO OF POSITIONS | 59 |

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.

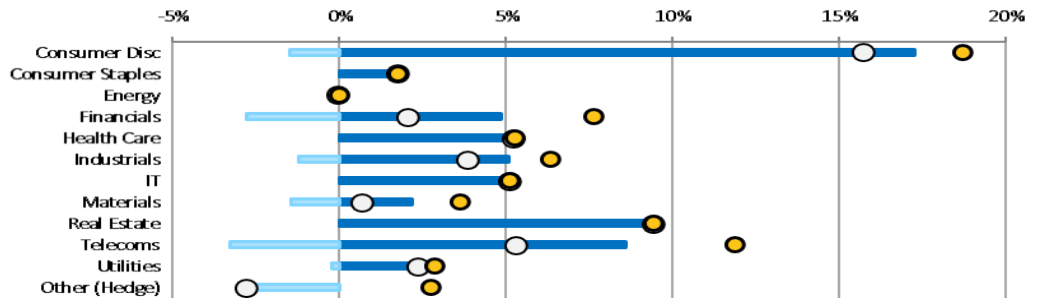
Exposure By Strategy²



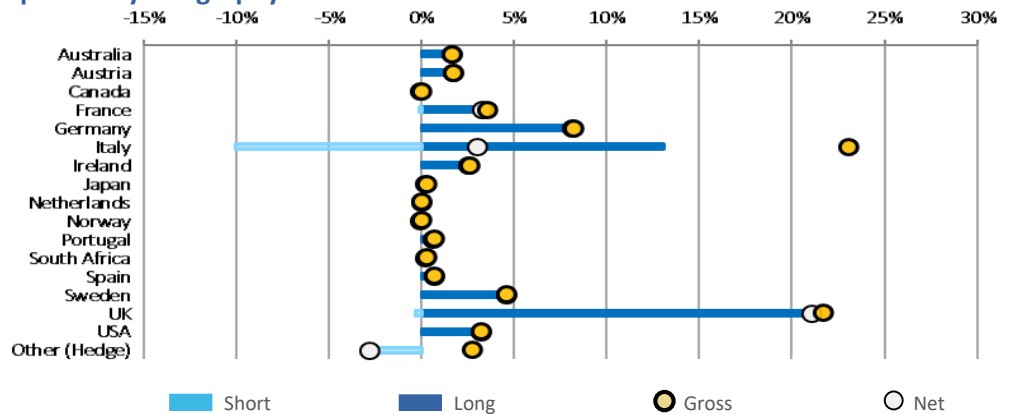
Exposure By Market Cap²



Exposure By Sector²



Exposure By Geography²



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