

MontLake Abrax Merger Arbitrage UCITS Fund

Global Merger Arbitrage

December 2019

Performance Returns

The MontLake Abrax Merger Arbitrage UCITS Fund returned 1.08% for the month of December (USD Institutional Founder Class).

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

The positive performance of December was mainly attributed to a combination of a number of positive end-of-deal catalysts in conjunction with continued general tightening in two of our largest positions, without any notable negative performers. Overall, 62% of the Fund's positions were positive P&L contributors, whereby 10 of our positions closed during the month while initiating 11 new positions.

Notable positive contributors for December were i) Allergan / Abbvie, the \$60bn pharma tie up whose spread continued to tighten on the back of anticipated near-term regulatory greenlights from Europe and US - where deal parties have provided remedies to the EC in the Phase 1 review with indications that both global regulators will sign off the deal in early 2020 following a number of divestitures; ii) Cobham plc, following the mid December election result of an overwhelming majority of the UK Conservatives, the UK Secretary of State for Business, Energy and Industrial Strategy, announced that she had accepted statutory undertakings from the parties, which was the last main hurdle for deal closing; iii) Mellanox, whose price further benefited from the confirmation of a Phase 1 trade deal between US and China; iv) Osram Light, a small position we initiated following the unwarranted sell-off just ahead of the tender results of the renewed attempt by Austria's AMS to secure 55% tender acceptances; and v) Just Eat plc, the UK food delivery platform which was subject to a bidding war between Takeaway.com and Prosus NV, and where the former all-share knock-out bid now ended the bidding war.

The rest of our portfolio remained largely stable, without any significant negative contributors.

M&A Market Review & Outlook

Despite the ongoing US-China trade war and Brexit uncertainty, 2019 ranked as the fourth strongest year for deal making, with M&A total volumes of about \$3.9tn, only slightly lower than the \$3.96 trillion in deals recorded for 2018.

We observed a number of M&A trends for 2019: Firstly, domestic deals represented the majority of newly announced M&A activity with companies being comfortable in 2019 doing deals within their own regions given the macroeconomic risks (such as the trade tariffs and Brexit) while cross-border M&A was down 25% year-on-year to its lowest level since 2013, as increased geopolitical uncertainty and regulatory scrutiny of deals made many company boards and deal makers skeptical to expand beyond their home markets. Secondly, mega-deals (and especially in the US) increased versus the previous year with the number of M&A transactions worth more than \$10 billion increasing 8% year-on-year, their highest level since 2015: notable megadeals for 2019 were the US pharma tie ups between Celgene / Bristol-Myers Squibb and Allergan / Abbvie and the bidding war for Anadarko Petroleum between Chevron and Occidental Petroleum. Thirdly, M&A activity in Europe remained somehow mute, with deal making in UK having dropped 4% year-on-year on the eternal Brexit saga.

Despite a strong year for M&A in 2019, we nevertheless continue to expect further acceleration, as already evidenced in the last 2 months of 2019, where M&A activity levels started to significantly pick up again. Some of the geopolitical risks that weighed on cross-border M&A in 2019 are gradually dissipating. The US and China are close to signing their Phase 1 trade deal, while a strong electoral victory for UK's Conservatives in late 2019 offered clarity on the country's timetable for Brexit. While some market participants might indicate a global economic slowdown, we anticipate such a dynamic to nevertheless continue to be stimulating for newly announced M&A where a lukewarm economy is ideal for acquisitions, because well-capitalised companies will continue to pursue M&A to ensure growth.

UCITS Monthly Performance (USD Institutional Founder Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2019	-	-	-	-	-	-	-0.05%	0.68%	0.50%	0.56%	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.

Peter Germonpre

Peter Germonpre has 15 years' event driven/merger arbitrage investment experience with senior roles at Halcyon Asset Management, Burren Capital Advisors, Sandell Asset Management and Silver Point Capital.

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Strategy AUM	\$63.8 million
Fund AUM	\$20.3 million
Inception	24 th July 2019

Share Class	Institutional Class Founder / Pooled
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.00%
Perf. Fee	10.00%
Min Init. Sub.	1,000,000
ISIN Codes	USD: IE00BZ00Y245 / IE00BGLJXS63 GBP: IE00BZ01D866 / IE00BZ01D973 EUR: IE00BZ00XN87 / IE00BZ00Y351 CHF: IE00BZ00Y138 / IE00BGLJXR56

Share Class	Institutional Class / Pooled
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.50%
Perf. Fee	15.00%
Min Init. Sub.	100,000

ISIN Codes	USD: IE00BZ00XH28 / IE00BZ00XM70 GBP: IE00BZ00XF04 / IE00BZ00XK56 EUR: IE00BZ00XD89 / IE00BZ00XJ42 CHF: IE00BZ00XG11 / IE00BZ00XL63
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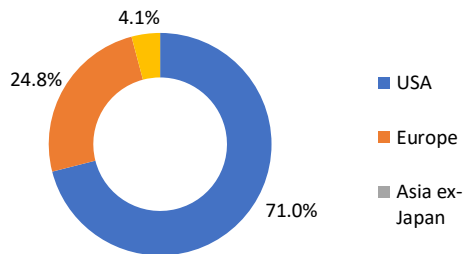
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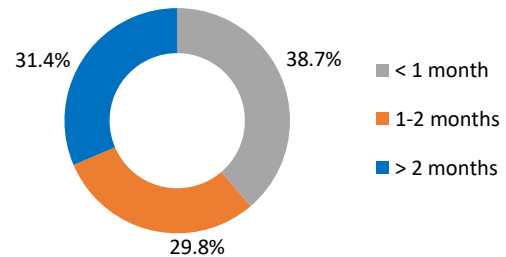
December 2019

Portfolio Exposure

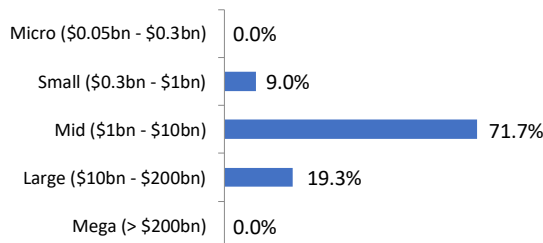
EXPOSURE BY GEOGRAPHY - TARGET



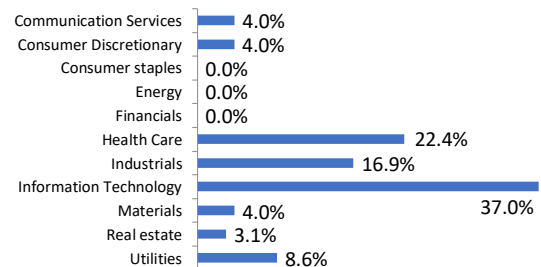
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



CURRENT FUND POSITIONING (% of NAV)

Long	119.4%
Short	(4.0%)
Gross	123.4%
Net	115.4%
Leverage	1.23x

CONCENTRATION (% of gross exposure)

Top 5 long positions	33.2%
Top 10 long positions	53.2%

DIRECTION (positions)

Long	26	New situations	11
Short	2	Situations closed	10

LIQUIDITY BREAKDOWN (% of gross exposure)

< 1 day	100.00%
2-5 days	0.0%
6-10 days	0.0%
11-20 days	0.0%
> 20 days	0.0%

Contact Details

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