Mygale Event Driven UCITS Fund

Event Driven

June 2019

FACTSHEET

Performance Returns

The Mygale Event Driven UCITS Fund USD institutional class returned +1.43% 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.

Market Commentary

As the first half of the year finishes and we look back on 2019 so far, it is clear there remained plenty of reasons to worry business leaders in the first half: Economic growth slowed, geopolitical tensions increased and the trade war continued unabated. Despite this however, merger activity remained relatively buoyant, with the value of deals globally standing at approx. $2 trillion over the first 6 months of the year. June itself was a big driver of this, delivering a particularly strong end to the half, with over $400bn of acquisitions announced, the largest of which were in the US with Abbvie's $63bn takeover of Allergan, the merger of Raytheon and United Technologies ($86bn) as well as SalesForce's purchase of Tableau Software. Whilst on the outside this all looks positive, as always, the devil is in the detail, and we again observe a trend that we have mentioned in previous newsletters, namely the fall in US cross-border deals which saw a decline of 46% from the same period in 2018. This is not a surprise and is a function of ever increasing regulation and opposition toward foreign led acquisitions of US companies. Worse than this however was Europe, where the continuing uncertainty created by the prolonged Brexit process has exacerbated an economic slowdown and resulted in the value of European mergers dropping by 56%, and in fact now reaching the lowest level in 2 decades! In some ways this isn't at all surprising, and many companies have been waiting for a little more certainty before enacting acquisition plans. However, in contradiction to this, we have now started to see a degree of exasperation and opportunism coming in to Europe with acquirers stepping back in to the market place in the last few months. Also, as we have mentioned previously, we expect to see the comparatively open European acquisition landscape as a natural beneficiary of the US becoming a somewhat closed shop toward foreign acquirers. It hasn't just been Brexit that has impacted deal flow in Europe though, one of the bigger potential deals, the tie up between Fiat Chrysler and Renault was seemingly stymied by French political bureaucracy.

There has most definitely been a degree of positivity and broad confidence prevailing in corporate boardrooms so far in 2019, despite the relentless geopolitical pressures markets have faced. This positivity in the face of geopolitical uncertainty is due to a continued focus on growth, necessary to rebuild after the financial crisis and also due to technological disruption changing the face of how many industries operate. Significant liquidity both on corporate balance sheets as well as in the hands of private equity players and infrastructure funds is resulting in a moderately challenging yet attractive environment for our strategy. In Europe and particularly so in the UK, with many transaction decisions being postponed until Brexit clarity, we are observing deal premiums that are not high compared to traditional levels. Buyers are in fact able to take advantage of the current environment and prey on a willing set of sellers, many of whom are themselves struggling for investment performance and hence more willing than usual to accept a middling valuation and book some sort of profit at least. Shareholder opposition to opportunistic bid valuations is still there, but currently less vociferous than in the past!

As an end to the first half of 2019, June itself was a particularly strong month for our portfolio. A bit like London buses where you wait ages and then two turn up at once, we saw a number of catalysts deliver this month. We initially made a Catalyst Driven investment in KCOM back in late 2018, attracted by the company's monopolistic position in its' market as well as the technology it had developed. Back in April this year, our vision was rewarded with a bid at 97p per share from USS Pension Fund of the UK. Our in depth understanding of the company enabled us to formulate the view that this was an asset that could be attractive to both corporate as well as other financial buyers and hence we grew our position accordingly. Early in June, our expected thesis was realised when Macquarie Infrastructure Fund submitted a competing bid at a premium of over 11% to USS and sparked what is ultimately likely to culminate in an auction process for the company. Catalysts were realised, not only in the Merger Arbitrage part of the portfolio, but also in the Relative Value sub-strategy, where we benefitted from the announcement of a re-construction event to take place in one of our holding company investments as well as saw movement towards catalyst realisation in another holding structure.

Looking forward, we still see the broad general economic stability, whilst admittedly tempered by the ongoing trade wars, offering an attractive landscape for our approach to Event Driven investing. There remains a tremendous amount of capital needing to be deployed as and when geopolitical uncertainty disappears. Fundraising for private equity players has been extremely strong of late with many firms raising record amounts for new funds - this will doubtless fuel continued investment activity. A corollary of the prolonged period of historically low interest rates is the pressure it puts on investment funds to find returns. This is doubtless driving a compression in the ROI's accepted by both private equity and infrastructure players and hence fuelling a fight for attractive investments offering long term yield like returns.

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y-T-D
2019	0.60%	0.19%	0.34%	0.51%	-0.20%	1.43%							**2.90%**
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. F	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y-T-D
2019	0.54%	0.15%	0.33%	0.48%	-0.25%	1.37%							**2.65%**
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%**

Note: 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	$305.64 million
Inception	1st January 2016

Share Class	**Institutional/Institutional Pooled**
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.50%
Perf. Fee	20%
Min Init. Sub.	1,000,000
ISIN Codes	EUR: IE00BYRPFQ61/IE00BYRPFV15 USD: IE00BYRPFT92/IE00BYRPFY46 CHF: IE00BYRPFS85/IE00BYRPFX39 GBP: IE00BYRPFR78/IE00BYRPFW22

Share Class	**Institutional Founder/Retail Pooled**
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	EUR: IE00BYRPG302/IE00BYRPFZ52 USD: IE00BYRPG633/IE00BYRPG294 CHF: IE00BYRPG526/IE00BYRPG187 GBP: IE00BYRPG419/IE00BYRPG070

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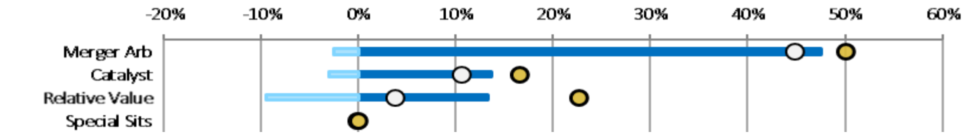
PORTFOLIO EXPOSURES

Risk Metrics

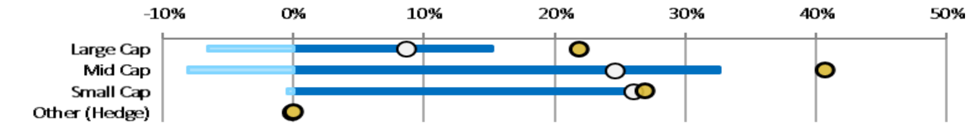
LONG EXPOSURE[2]	74.45%
SHORT EXPOSURE[2]	-15.03%
GROSS EXPOSURE[2]	89.48%
NET EXPOSURE[2, 4]	17.36%
SHARPE RATIO[3]	2.23
SORTINO RATIO[3]	2.44
VOLATILITY[3]	2.15%
VAR[1]	3.24%
NO OF POSITIONS	62

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.

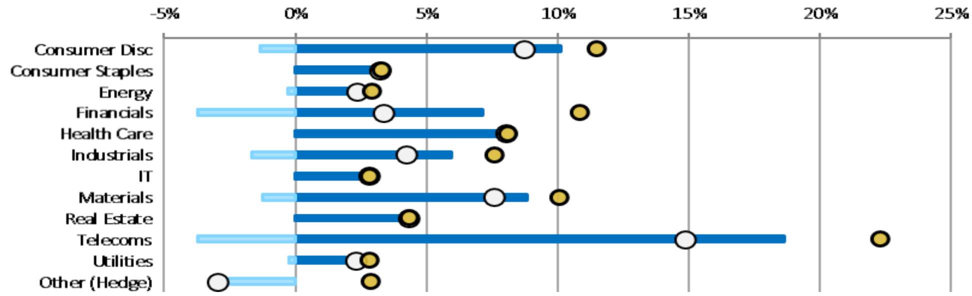
Exposure By Strategy[2]



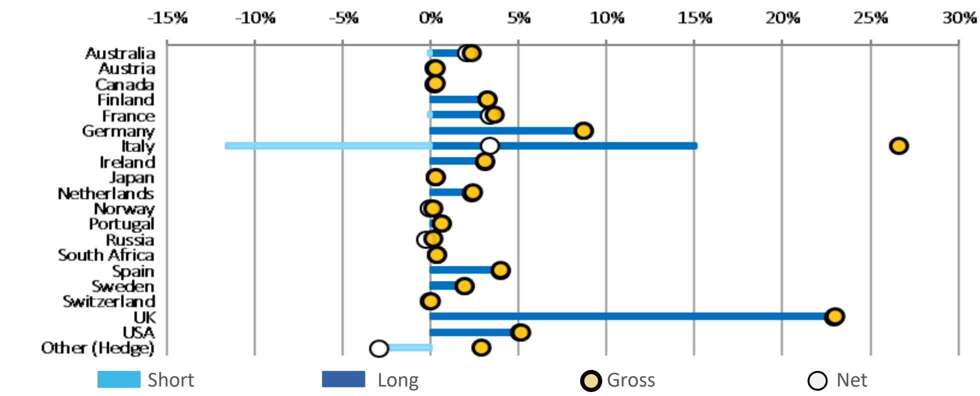
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



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