

## FACTSHEET

## Performance Returns

The MontLake Burren Global Arbitrage UCITS Fund finished up 1.47% in December.

## Market Commentary

The Burren Global Arbitrage Fund returned +1.47% net for the month of December, compared to +1.92% for the HFRX Event Driven Index, +0.75% for the HFRX Merger Arbitrage Index and +0.86% for the HFRX Global Hedge Fund Index. For the year 2016, the fund outperformed the HFR Merger Arbitrage Index 7 out of 12 months, finishing the year up +5.52% vs +4.30% and outperforming the HFRX Global Hedge Fund Index 7 out of 12 months with the index finishing the year up +2.50%. 2016 enabled us to further differentiate our strategy and skill set. Consistency is a core principle of our investment philosophy which is clearly illustrated by the fund's return profile. With a Sharpe ratio of 1.43 and an exciting opportunity set ahead of us, 2017 could be an excellent year.

For the month of December Geographical exposure was split approximately as follows: Europe 29% and North America 71%. The fund had no exposure to Asia in the month and its volatility was 2.8%.

During December, the Trump rally continued unabated with the well anticipated Federal Reserve hike of +0.25% having practically no impact on the equity markets. As such, the S&P, EuroStoxx and Nikkei rallied +1.82%, +7.83% and +4.40% respectively. The only exception to these strong gains was in China with the Shanghai Composite falling -4.50%. USD also continued appreciating +1.33%, +0.68% and +2.18% against GBP, EUR and JPY respectively. Crude also rallied strongly, +8.66% on the month. With the VIX relatively unchanged during December, all of the market moves are giving corporates much to celebrate over the festive season.

In the month of December, 35 new deals were announced, split roughly 43% North America, 40% Europe and 17% Asia. The Top 5 deals in aggregate totalled approximately \$84bn. There were two standout transactions announced in the month: Praxair's \$40bn merger with Linde and Fox's \$23bn minority buyout of Sky. Both are complex situations, but for very different reasons. Praxair / Linde is certainly interesting from an antitrust perspective and Sky from a political headline risk angle. Since market participants were significantly caught out the last time Murdoch attempted to buyout the Sky minorities, we believe that most will tread with caution as is the approach we are taking. We continue to monitor both situations carefully and await a catalyst to emerge either way before assuming a position.

Merger Arbitrage was the best performing strategy in the month of December, producing a gross return of +1.54%. The competitive bidding situation in Lavendon produced a gross return of +0.64% to the fund as several rounds of bidding were announced. This position was certainly one of the more profitable for 2016 with the stock now trading almost 30% above the fund's entry price. The only disappointing aspect to this trade is the market cap of the company which constrained its size within the fund. Kuka / Midea produced +0.26% gross for the fund off the back of the deal closing. The Dell tracking stock spread produced an additional +0.18% gross. We continue to watch this spread reduce and as such retain the position. There were no significant losers in the month within the Merger Arbitrage component of the portfolio.

Relative Value produced a small negative return of -0.05% gross for the fund. This was mostly attributable to the MSCI rebalancing positions from November and a post-acquisition rating strategy which is yet to materialise. December traditionally being a month with erratic / lack of volume and liquidity, we took the decision to be underinvested within Relative Value. We aim to redeploy capital to this strategy in the month of January, in anticipation of the FTSE All World index rebalance.

We enter 2017 with renewed vigour and excitement about our space. We expect certain sectors to remain hot, such as pharmaceuticals and cross border acquisitions to be of significant focus. According to the FT, pharma companies paid twice as much for acquisitions in 2016 than in the previous year. Cheap credit and the need to secure a pipeline of new drugs inflated the value of deals. Certainly buyers are taking on additional risk and more bullish views on peak sales and the success of research pipelines. The stalking of Actelion is a prime example. Irrational exuberance is evident, however certain commentators have predicted a further surge in Pharma activity in 2017 given that US political uncertainty held players back in 2016. This could absolutely be the case if corporates are permitted to repatriate trapped overseas earnings and cash in a tax efficient manner.

## THE MANAGER



**Andrew McGrath** obtained a European Baccalaureate in 1995 from the European School in Oxfordshire and then graduated in 1998 with a Bachelor of Commerce, Banking & Finance (Hons) from University College Dublin. After working for Morgan Stanley (1998-

2001) as an associate in the Equity Structured Products Group, Andrew moved to Cater Allen International Limited as Head of Equity Relative Value Proprietary Trading (2001-2003). Andrew then moved to Lehman Brothers International Europe where he co-founded the Special Situations portfolio within Lehman Equity Strategies. After nearly 3 years at Lehman Brothers (2003-2006), he moved to BNP Paribas and assumed the role of European Head of Special Situations & Risk Arbitrage Proprietary Trading. In 2009 Andrew founded Burren Capital Advisors Limited.

## FUND FACTS

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	\$10.7 million
Inception	7 <sup>th</sup> April, 2015
<b>Share Class</b>	<b>Institutional/Institutional Pooled</b>
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.50%
Perf. Fee	20%
Min Init. Sub.	100,000
ISIN Codes	EUR: IE00BVVB9450/IE00BVVB9D45 USD: IE00BVVB9781/IE00BVVB9H82 CHF: IE00BVVB9674/IE00BVVB9G75 GBP: IE00BVVB9567/IE00BVVB9F68
<b>Share Class</b>	<b>Retail Pooled</b>
Currency	EUR/GBP/CHF/USD
Mgt. Fee	2.00%
Perf. Fee	20%
Min Init. Sub.	100,000
ISIN Codes	EUR: IE00BVVB9J07 USD: IE00BVVB9M36 CHF: IE00BVVB9L29 GBP: IE00BVVB9K12

## PORTFOLIO INFORMATION

No. of positions	27
Positions contributing a profit	21
Positions contributing a loss	6
% of profitable positions	78%
Best performing position	0.62%
Worst performing position	-0.04%
Largest allocation	9.50%

2017 could be a blockbuster year for M&A. Anecdotally bankers are working on numerous mega transactions. Although valuations do obviously drive activity, we are finding that confidence is such that they are not the primary focus. Boardroom confidence is high, yields are ticking up and with expectations that a Trump administration will have a softer antitrust enforcement approach, we expect deal volume and size to increase substantially in the short term. US tax changes might also have a dramatic effect on our opportunity set, both within the US and on cross border transactions. Repatriation of US funds onshore could also drive domestic M&A whilst a strong USD could enable and encourage cross border activity. The only negative theme that we can currently identify within our space is outbound Chinese activity. This type of deal was especially prevalent during 2016. In fact one could almost categorise this as a frenzy. According to DealLogic \$225bn in Chinese offshore acquisitions were announced in 2016. However, this has left China uncomfortable and the establishment has taken some measures to curb the outward investment, effectively banning less strategic deals. Now the government is carefully examining deals in excess of \$10bn and in fact any deal above \$5m now needs approval. Any acquisition of non-core assets will not be approved with the aim of trying to contain over heated sectors.

The Fund's performance in 2016 was consistent throughout the year with no substantial losses nor substantial losing months. Although deal volume and activity was somewhat volatile between and around the market sensitive events of 2016, the fund performed solidly on all fronts and well on a relative basis. Many geopolitical uncertainties remain and heightened volatility will almost certainly be prevalent at points going forward, however we believe 2017 will prove to be an even more interesting year and environment for our space.

### UCITS Monthly Performance\* (USD Institutional Founder Class B)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2016	+0.07%	+0.89%	+0.05%	-0.08%	+0.31%	+1.03%	+0.91%	+1.18%	+0.91%	-0.99%	+1.30%	+1.47%	<b>+7.25%</b>
2015	-	-	-	-0.66%	+0.54%	-0.96%	+0.28%	-0.80%	-0.22%	+1.77%	-0.18%	+0.30%	<b>+0.05%</b>

\*The performance figures quoted above represent the performance of the Burren Global Arbitrage UCITS Fund since its launch on 7<sup>th</sup> April 2015. These performance figures refer to the past and past performance is not a guarantee of future performance or a reliable guide to future performance.

### New Deals

	Sector	Country	Value (USDM)
Linde AG \ Praxair Inc	Basic Materials	GERMANY	40,352.34
Sky PLC \ Twenty-First Century Fox Inc	Communications	UK	22,601.60
DUET Group \ Cheung Kong Infrastructure Holdings Ltd	Utilities	AUSTRALIA	9,781.70
Tatts Group Ltd \ First State Super	Consumer, Cyclical	AUSTRALIA	6,211.64
Allied World Assurance Co Holdings AG \ Fairfax Financial Holdings Ltd	Financial	SWITZERLAND	4,771.02

### Completed Deals

	Sector	Country	Value (USDM)
LinkedIn Corp \ Microsoft Corp	Communications	US	24,379.90
Envision Healthcare Holdings Inc \ Amsurg Corp	Consumer, Non-cyclical	US	7,519.68
Ingram Micro Inc \ Tianjin Tianhai Investment Co Ltd	Consumer, Cyclical	US	6,133.04
Talen Energy Corp \ Riverstone Holdings LLC	Utilities	US	5,044.77
Post Properties Inc \ Mid-America Apartment Communities Inc	Financial	US	4,894.98

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### Disclaimer

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