MontLake

1.26%*

Mygale Event Driven UCITS Fund

Event Driven

April 2020

Performance Returns

*The Mygale Event Driven UCITS Fund USD Institutional Class returned 1.26% during the month of April.

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

As the number of new coronavirus infections fell and countries began publishing plans to ease lockdown restrictions, global equity indices regained remarkable ground in April. The S&P 500 led the charge, adding 12.7% over the month compared to a paltry 5.1% for the Euro Stoxx 50 and 4.0% for the FTSE 100. Despite reopening the economy early, even MSCI China couldn't keep up (+6.3%) with the US market. The outperformance in the US has been headlined by the tech sector, with darlings like Amazon benefitting from the "stay at home" theme, its share price growing 27% over the month. It is notable that the five largest companies in the US account for over 20% of the S&P 500, increasing from around 17% at the beginning of the year.

Naturally, as stability and confidence returned to markets, undoubtedly fuelled by the incredible injections of fiscal and monetary stimulus, we saw normality return to Event Driven situations. The vast majority of positions on our portfolio delivered positive returns as many spreads continued to tighten toward more 'normal' levels. In the Merger Arbitrage sub-strategy situations such as our investment in the merger of Fiat and Peugeot was the stand out performer as the spread continued to tighten in from late March highs of as wide as 50% actual spread, to close the month at 21%. This and a few other names on the portfolio, ironically, have been significantly impacted by the short sale bans imposed by certain countries (in this case France) that has resulted in the merger spread being much more volatile than it would ever have normally been due to the fact that Event Driven investors can't 'control' the spread through their normal investing process. The short sale ban imposed in Italy actually created an opportunity for us, as it caused the spreads of a number of Relative Value situations to widen and, due to our knowledge of these situations, we were able to take advantage of this short term widening.

In the main, we have seen deal spreads tighten dramatically in the US, but a number of situations in Europe are still trading at significantly wider levels than they would normally, and hence this is where we are seeing most opportunity going forward. Our investment in Qiagen, subject of a cash bid at 39 euros by Thermo Fisher of the US, tightened about 4% during the month. As the company's increasing importance in the fight against Covid19 became more apparent (they are a leading manufacturer of testing kits) the market started to focus on the sales projections for Q1 and the rest of the year and hence also begin to think of the potential for shareholders pushing Thermo Fisher to improve its bid. Some of the larger European merger situations such as the merger of Fiat with Peugeot as well as Grandvision, currently merging with Essilor Luxottica, are both examples of spreads that tightened significantly during the month.

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2020	-0.24%	-0.24%	-3.75%	1.26%									-3.00%
2019	0.60%	0.19%	0.34%	0.51%	-0.20%	1.43%	0.67%	0.15%	0.16%	-0.11%	0.29%	0.28%	4.39%
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 Fou.	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Y-T-D**
2020	-0.23%	-0.24%	-3.93%	1.30%									-3.13%
2019	0.54%	0.15%	0.33%	0.48%	-0.25%	1.37%	0.67%	0.12%	0.13%	-0.12%	0.28%	0.25%	4.04%
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

M Y G A L E

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	$326 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: IE00BYRPFT92/IE00BYRPFY46 CHF: IE00BYRPFS85/IE00BYRPFX39 GBP: IE00BYRPFR78/IE00BYRPFW22

Share Class	Institutional F/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

Monthly Commentary continued

A number of investments in the Catalyst portfolio also performed well, with many regaining ground lost through the crisis, as people started to focus on the inherent catalyst. Karo Pharma is an example of such a position that had a very strong performance this month. As a leading provider of painkillers and flu/cold/cough medicine in the Nordic region the company have benefitted strongly in the current environment. Our investment here has been predicated on the fact that we expect the main (private equity) shareholder that owns 70% of the company to return with a delisting bid at some point in the future, but with the stock price having reached our expected valuation we have reduced the position significantly in to this rally.

Event Driven outlook and our thoughts as we begin to come out of lockdown

It is very clear that Covid 19 has had a significant impact on Merger and Acquisition activity in April, continuing what we started to see in March, with metrics such as deal value (-44%) and number of deals (-24%) dropping globally when compared to previous years. (Commentary continued overleaf)

We have also seen a few deals break during the month, such as Sycamore / L Brands (owner of Victoria's Secret) where Sycamore agreed in February to buy a majority 55% stake in Victoria's Secret with L.Brands continuing to hold the minority. In April Sycamore accused them of improperly behaving by cancelling shipments and furloughing workers, resulting in Sycamore walking away from the acquisition (Mygale were not involved in this deal), and we expect to see a few more of these breaks over coming months.

It is understandable that merger activity is quiet currently, but the tide could turn quickly. As confidence starts to return, companies are likely to turn to deal making in an effort to best position themselves for an eventual economic recovery. In previous times of crisis with uncertainty such as this, we have frequently seen companies combining to gain scale in order to survive in the new and potentially more challenging environment - we see this behaviour as being very applicable to Covid 19. It is important to recognise that the crisis has created a situation where some smaller companies are faced with unsustainable balance sheets and need critical mass to survive. These sectors hit hardest by the crisis will likely present great opportunity for leading companies to acquire the laggards and hence enforce their dominant position.

Over time, well capitalised financial buyers are also likely to take advantage of this opportunity to build sizeable positions in, or acquire, undervalued companies. Increased access to financing combined with the significant amounts of equity capital raised by financial sponsors in recent years will boost an already very healthy private equity market.

We also envisage the crisis will result in changes, both positive and negative, to how our Event Driven landscape functions. Remote working practices will likely slow down the regulatory process hence resulting in a longer timetable between announcement and deal close (which in itself isn't a negative as it could actually throw up more opportunity for trading such spreads). Whilst we are currently seeing some countries being protectionist against foreign acquirers of their domestically strategically important assets, on a positive note, governments may prove more lenient in competition reviews in order to give domestic businesses more chances to survive and grow again - itself conducive to increased M&A activity.

We close this month with one final thought - we feel that it is important to remember that what is going on in markets at the moment is a short term symptom of the coronavirus, and not likely to be a long term trend. Opportunities will present themselves over coming months and quarters and we are well positioned to take advantage of these as they occur.

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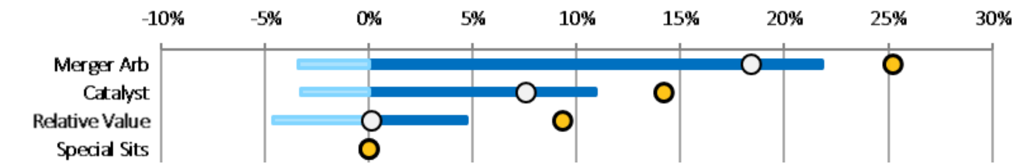
Portfolio Exposures

Risk Metrics

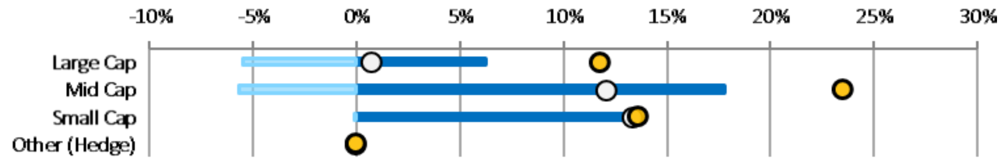
LONG EXPOSURE[2]	37.52%
SHORT EXPOSURE[2]	-11.28%
GROSS EXPOSURE[2]	48.80%
NET EXPOSURE[2, 4]	8.67%
SHARPE RATIO[3]	1.23
SORTINO RATIO[3]	1.79
VOLATILITY[3]	2.85%
VAR[1]	2.09%
NO OF POSITIONS	50

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.

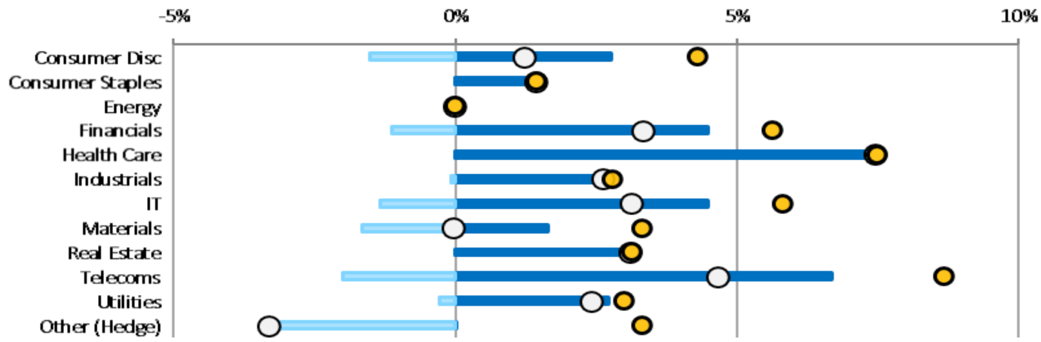
Exposure By Strategy[2]



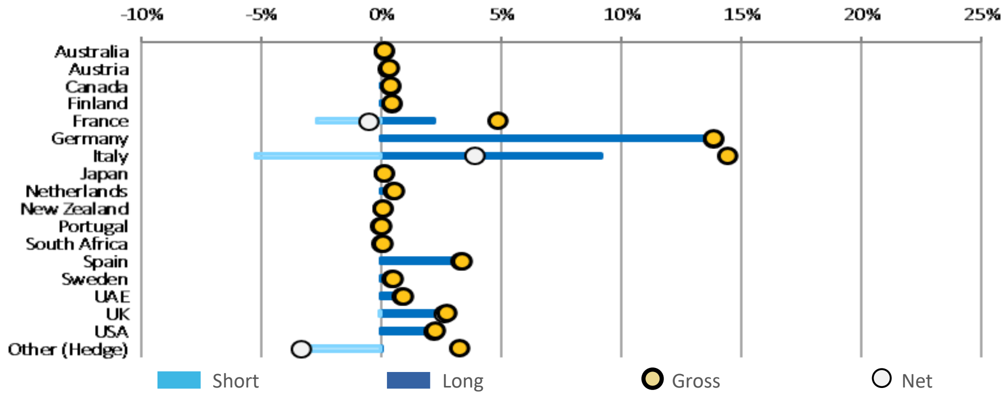
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



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