

# MontLake Abrax Merger Arbitrage UCITS Fund

## Global Merger Arbitrage

August 2021

### 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 for August

Abrax had a quiet August and finished the month essentially flat (-22bps). There were no new major transactions or any significant catalysts.

Several long-standing deals did successfully close (Maxim Integrated, InterPipeline, Proofpoint, Orbcomm, QTS Realty Trust, US Concrete, Euskatel, Dialog), contributing +50bps in the process but also importantly, serving to deleverage our portfolio. This was important because spreads continued to widen during August, particularly on August 4th which saw the HFRXMA Index losing -1.5%, the largest single daily move since March 2020.

Some spreads have reconverged in early September, but only partially, as we are seeing a significant, sustained repricing of all deals carrying any hint of potential antitrust issues in the US. This is on the back of the new Biden antitrust team, spearheaded by the newly appointed Lina Khan (taking office in September 2021), who is pushing for a much more aggressive antitrust enforcement. The failed Willis Tower/AON transaction is a good example of this new policy. As a result, we are now more cautious than ever in avoiding all deals carrying any degree of high market share concentration (Aerojet Rocketdyne, Change Healthcare, etc.) as we believe an increasing number of transactions will be challenged or blocked by US antitrust regulatory bodies.

This increased risk aversion has also spilled over to other spreads, which at this moment in time makes the strategy very attractive from an investable yield standpoint. We continue to see compelling bidding wars and price increases including:

- Second price increase on August 9th for Inhalator producer VEC LN, which received a 10% higher counter-offer of GBP 1.65 from Philip Morris.
- New higher \$300 offer from Canadian Pacific Railway for Kansas City Southern Aligroup, looking to derail the current pending merger with Canadian National Railway on August 10th.
- Third price increase on August 20th for WM Morrison from Clayton Dubillier and Rice (£2.85/share offer), competing against Fortress/Canada Pension Plan/GIC bidding consortium (£2.7/share offer), which is now heading towards an auction.

### M&A Market Review for August and Potential Impact from the New Antitrust Team

August remained a robust month for M&A with volumes worth \$495bn being announced (vs a LTM monthly average M&A volume of \$380bn).

However, as mentioned above, aggressive US antitrust enforcement may serve to slow down mega-mergers in the US (no new 15bn+ deal has been announced since the end of June) with an impact on the average overall deal size, yet the number of deals should remain the same or even higher given the attractiveness of the M&A market: (i) interest rates at zero, (ii) stock prices of most of the targets still below the pre-pandemic levels and (iii) unprecedented cash pile raised by private equity firms for the past 12 months). Given that Abrax is a relatively small sized fund, we should be immune to this reduced average deal size, while we will also remain very cautious of any potential US antitrust exposure on every deal.

US deals announced in August included; MGM Growth Properties /VICI Properties (\$10,9bn), Avast /NortonLifeLock (\$9,4bn), American National Group /Brookfield Asset Management (\$5,1bn), Cornerstone OnDemand /Clearlake Capital Group (\$4,9bn), Sanderson Farms /Cargill Inc (\$4,5bn), Inovalon Holdings /Nordic Capital Svenska AB (\$4bn), WPT Industrial REIT/Blackstone REIT (\$2,9bn), Santander Consumer USA /Santander Holdings (\$2,5bn), Translate Bio /Sanofi (\$2,1bn), Trillium Therapeutics /Pfizer (\$1,9bn), Score Media and Gaming /Penn National Gaming (\$1,6bn), Vine Energy /Chesapeake Energy (\$1,5bn), Vividion Therapeutics /Bayer (\$1,3bn), Pilgrim's Pride /JBS (\$1,3bn)

Europe was also active with the following deals announced; Kungsliden AB/Castellum AB (\$5,5bn), Hella GmbH /Faurecia (\$4,7bn), Ultra Electronics /Cobham (\$3,5bn), Zooplus /Hellman & Friedman (\$3,2bn), Sanne Group /Apex Group (\$2,2bn) and Stock Spirits /CVC (\$1,1bn).

### UCITS Monthly Performance (USD Institutional Founder Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2021	1.96%	1.79%	0.82%	0.90%	1.15%	0.20%	-2.36%	-0.22%					4.23%
2020	0.49%	0.57%	-5.90%	5.95%	0.54%	-3.41%	1.65%	0.18%	-1.98%	0.54%	7.46%	0.97%	6.55%
2019	-	-	-	-	-	-	-0.05%	0.68%	0.49%	0.55%	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.

### Olivier Baccam

Olivier Baccam has 15 years' event driven/merger arbitrage investment experience at Candriam (Dexia Asset Management) where he was Senior Portfolio Manager, Senior Investment Analyst as well as Management Committee member.

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Strategy AUM	\$113.8 million
Fund AUM	\$69.2 million
Inception	24 <sup>th</sup> July 2019

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

ISIN Codes	USD: IE00BZ00XM70 GBP: IE00BZ00XK56 EUR: IE00BZ00XJ42 CHF: IE00BZ00XL63
------------	--

Share Class	Retail Class
Currency	EUR/USD/CHF/GBP
Mgt. Fee	2.00%
Perf. Fee	20.00%
Min Init. Sub.	10,000

ISIN Codes	USD: IE00BZ01DF31 GBP: IE00BZ01DC00 EUR: IE00BZ01DB92 CHF: IE00BZ01DD17
------------	--

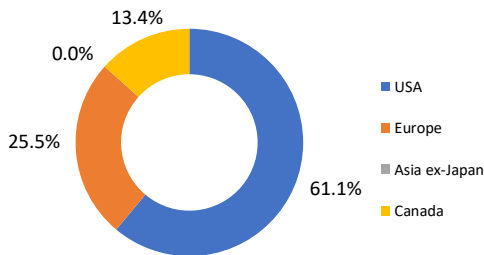
# MontLake Abrax Merger Arbitrage UCITS Fund

## Global Merger Arbitrage

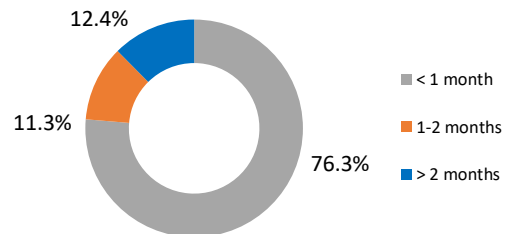
August 2021

### Portfolio Exposure

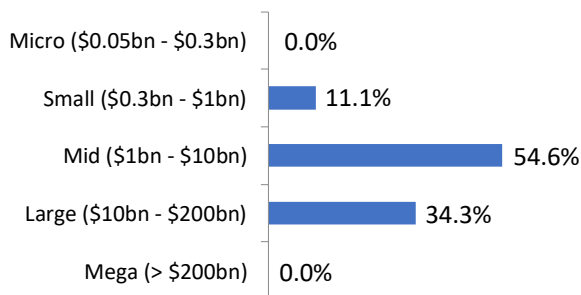
EXPOSURE BY GEOGRAPHY - TARGET



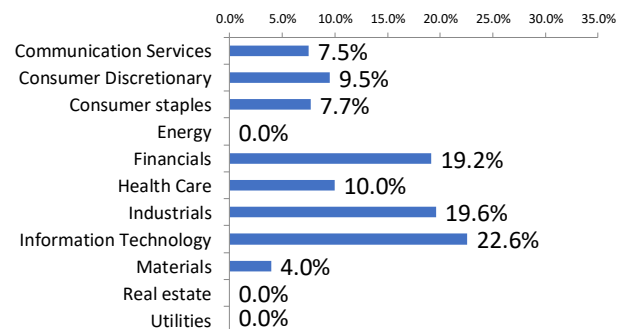
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



CURRENT FUND POSITIONING  
(% of NAV)

Long	96.7%
Short	17.0%
Gross	113.7%
Net	79.6%
Leverage	1.14x

CONCENTRATION  
(% of gross exposure)

Top 5 long positions	26.2%
Top 10 long positions	42.4%

DIRECTION (positions)

Long	22	New situations	3
Short	5	Situations closed	12

LIQUIDITY BREAKDOWN  
(% of gross exposure)

< 1 day	95.9%
2-5 days	4.1%
6-10 days	0.0%
11-20 days	0.0%
> 20 days	0.0%

### Contact Details

#### Investor Contact

**Waystone Capital Solutions (UK) Ltd**  
2nd Floor, 20-22 Bedford Row  
Holborn, London  
T: +44 207 290 9493  
investorrelations@waystone.com

#### Management Company

**Waystone Fund Management (IE) Ltd**  
3rd Floor, 76 Baggot Street Lower  
Dublin, Ireland  
T: +353 1 533 7020  
investorrelations@waystone.com

#### Investment Manager

**AUM Asset Management Ltd**  
148/2, Tower Road  
Sliema SLM 1604, Malta  
T: +356 2713 9851  
investorrelations@aum-am.com

### Disclaimer

**RISK WARNING:** Past performance is not a reliable indicator of future results, prices of investments and the returns from them may fall as well as rise. Investments in equities are subject to market risk. Changes in exchange rates may have an adverse effect on the value price or income of the product. The MontLake Abrax Merger Arbitrage UCITS Fund (the "Fund") may use higher leverage and financial derivative instruments as part of the investment process. The distribution of this report does not constitute an offer or solicitation and this notice shall not be construed as an offer of sale in any other fund managed or advised by AUM Asset Management Ltd or Waystone Fund Management (IE) Ltd ("Waystone"). Any investment in the Fund should be based on the full details contained in the Fund's Supplement Prospectus and Key Investor Information Document which together with the MontLake UCITS Platform ICAV Prospectus may be downloaded from the MontLake website ([www.montlakeucits.com/funds/abrax-merger-arbitrage-ucits-fund](http://www.montlakeucits.com/funds/abrax-merger-arbitrage-ucits-fund)). Information given in this document has been obtained from, or based upon, sources believed by us to be reliable and accurate although neither Waystone nor AUM Asset Management Ltd accepts liability for the accuracy of the contents. Waystone does not offer investment advice or make recommendations regarding investments. The Manager of the Fund is Waystone Fund Management (IE) Ltd, a company regulated by the Central Bank of Ireland. The Investment Manager for the fund, AUM Asset Management Ltd is authorised and regulated by the Malta Financial Services Authority. The state of the origin of the fund is Ireland. This document may only be distributed in Switzerland to qualified investors within the meaning of art. 10 para. 3, 3bis and 3ter CISA. The Representative in Switzerland is Waystone Fund Services (Switzerland) SA, Avenue Villamont 17, 1005 Lausanne, Switzerland, whilst the paying agent is NPB Neue Privat Bank AG, Limmatquai 1/am Bellevue, P.O. Box, CH-8024 Zurich. The basic documents of the fund as well as the annual and, if applicable, semi-annual report may be obtained free of charge from the representative. In respect of the units distributed in or from Switzerland, the place of performance and jurisdiction is at the registered office of the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units. The MontLake UCITS Platform ICAV is registered and regulated as an open-ended Irish collective asset-management vehicle with segregated liability between sub-Funds formed in Ireland under the Irish Collective Asset Management Vehicles Act 2015 and authorised by the Central Bank as a UCITS pursuant to the UCITS Regulations. This notice shall not be construed as an offer of sale in the Fund. The state of the origin of the Fund is the Republic of Ireland. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units. Authorised and Regulated by the Central Bank of Ireland. The Management Company may decide to terminate the arrangements made for the marketing of the Fund in accordance with Article 93a of Directive 2009/65/EC. To view the Summary of Investor Rights, please visit the following [link](http://link). This is a marketing communication.

For more information visit [www.montlakeucits.com](http://www.montlakeucits.com)