-0.11%*

Mygale Event Driven UCITS Fund

Event Driven

MontLake

October 2019

Performance Returns

*The Mygale Event Driven UCITS Fund USD institutional class returned -0.11% during the month of October.

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

The September calm in China / US tensions continued in to October, as constructive developments in trade negotiations combining with better than expected corporate earnings drove global equity markets to new highs for 2019. Investor confidence grew as the US agreed to suspend its next tariff increase and President Trump proposed a "Phase one deal" in which he pledged to freeze import tariffs at 25% in exchange for China increasing their purchases of American agricultural products and accelerating the opening up of their financial sector. The deal is expected to be agreed in November.

The reduced chance of a no-deal Brexit also improved investor sentiment somewhat and markets welcomed Boris Johnson reaching terms of a Brexit deal with the EU. Unfortunately, whilst the deal itself was ratified by UK parliament the prospective timetable was not and hence Johnson was forced to agree a deadline extension to 31 January 2020. The resultant move in Cable was most notable - with Sterling rallying by over 5% vs. the US dollar. Conversely, the US dollar was not helped by a cut in domestic interest rates, a net positive for equity markets as it clearly shows that financial conditions will likely remain loose for some time. Europe too looks set for continued fiscal stimulus in the coming years and we expect this, combined with a positive Brexit outcome to help EU markets in the near future, naturally leading to an environment conducive to deal making.

Activity most definitely seemed to pick up as the month progressed, no doubt the first signs of deal-flow re-emerging now progress is being made with geopolitical tensions. We saw large strategic acquisitions being announced, such as the $12bn acquisition of Liberty Property Trust by sector leader Prologis, but also the potential $50bn tie up between the auto making giants Fiat Chrysler and Peugeot. Whilst the proposed merger of Fiat with Renault failed earlier in the year, it is clear that the motivation of both Fiat and the controlling family to do a deal remains undimmed. A deal with Peugeot would give Fiat Chrysler the exposure to electrification that they so badly require and for Peugeot, they get the global reach and size they have been striving for. Whilst the deal is at the provisional stage at the moment, we envisage talks progressing to a firm deal over the coming weeks.

Some of our existing portfolio investments were also active, most notably Just Eat, which was the subject of a counter bid, in cash, by Prosus at an almost 20% premium to market price. We have continued to grow this investment. Overall, we unwound 8 investments in October and initiated the same number, with most of these being new Merger Arbitrage Investments in Europe and the UK. In the UK for example, we have invested in Elegant Hotels Group, an operator of luxury all-inclusive beach front hotels in the best part of Barbados. Marriott are currently bidding 110p in cash, but we see potential for a counter bidder to emerge at a higher price due to the quality of this portfolio. Names such as Hilton or Hyatt are interested in expanding in the all-inclusive luxury segment as are private equity players such as Apollo or Blackstone for example, who have also been acquisitive recently.

Looking forward, despite having to agree to an extended deadline of 31 Jan 2020, we feel progress now made with the Brexit deal should ensure a return to normality in terms of merger activity come 2020….. assuming the Conservatives get the result they hope for in the general election in mid-December!

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2019	0.60%	0.19%	0.34%	0.51%	-0.20%	1.43%	0.67%	0.15%	0.16%	-0.11%			3.80%
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 F	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Y-T-D**
2019	0.54%	0.15%	0.33%	0.48%	-0.25%	1.37%	0.67%	0.12%	0.13%	-0.12%			3.48%
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

MYGALE

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	$314 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 Founder/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

-0.11%*

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Portfolio Exposures

Risk Metrics

LONG EXPOSURE[2]	60.35%
SHORT EXPOSURE[2]	-14.15%
GROSS EXPOSURE[2]	74.50%
NET EXPOSURE[2, 4]	17.45%
SHARPE RATIO[3]	2.21
SORTINO RATIO[3]	2.34
VOLATILITY[3]	2.08%
VAR[1]	2.33%
NO OF POSITIONS	60

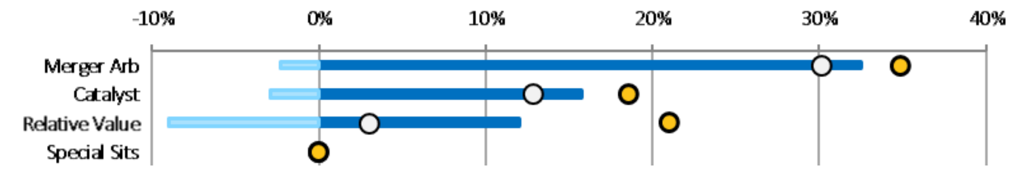
1. VaR is calculated using a confidence level of 99% and a holding period of 20 working days. The VaR model used by the Sub-Fund typically uses data from the last 200 weeks or greater, but a shorter observation period may be used in instances of recent significant changes in price volatility.

2. Based on information from the administrator and as a percentage of the fund AUM in USD including currency hedge for share classes.

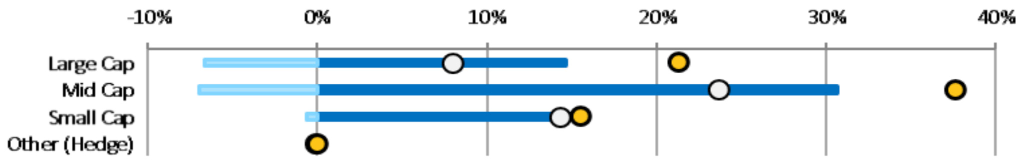
3. Based on monthly net portfolio performance

4. The net figure excludes cash merger deals.

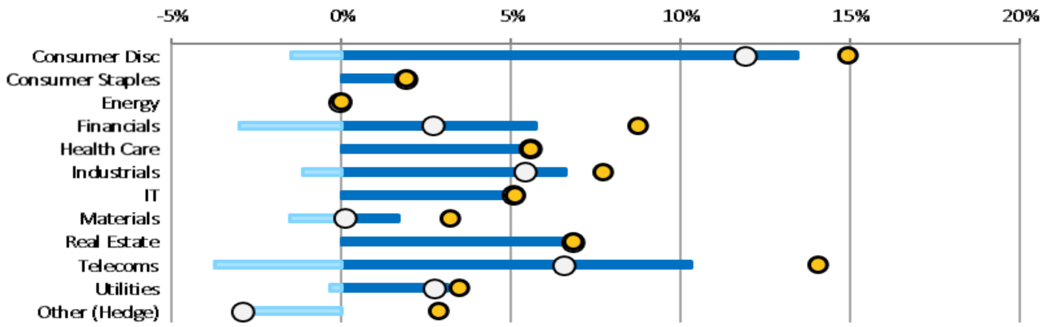
Exposure By Strategy[2]



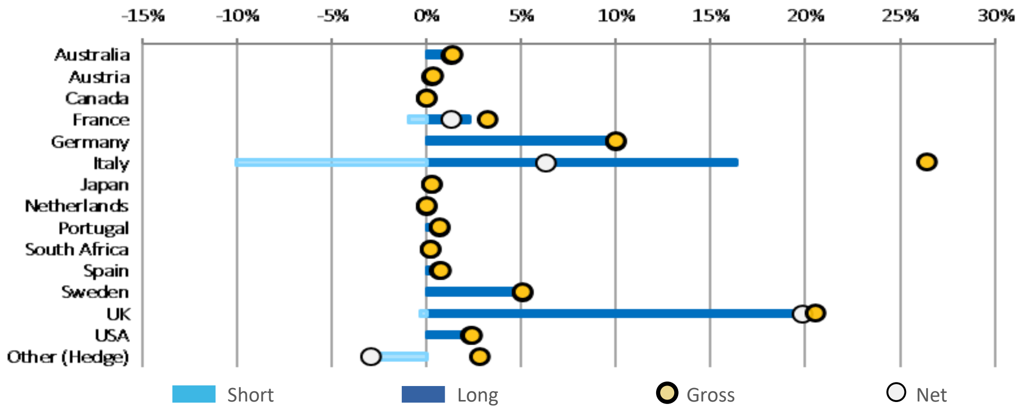
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



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