MontLake

MontLake Abrax Merger Arbitrage UCITS Fund

Global Merger Arbitrage

September 2020

Performance Returns

The MontLake Abrax Merger Arbitrage UCITS Fund lost -2.0% for the month of September (USD Institutional Founder Class), bringing YTD performance to -2.3%.

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 September

On the back of a general risk-off market environment, the Fund was mainly impacted by weakness in 3 mid-sized pre-Covid deal positions awaiting the start of their respective deal litigation processes. Precedent cases nevertheless indicate a significant chance for ultimate deal settlements in these disputed deal terminations, ahead of two of these trials which will commence shortly, given it is unprecedented for any remorse buyer to win on (Covid-related) Material Adverse Effect grounds in any US/Delaware Court trial. September also represented a record month for the year for new deal initiations, both reflective of significantly growing opportunity set and the Fund's focus to supplement the stubbornly wide (near-tem closing) pre-Covid deals

Against a volatile market backdrop, the Fund's monthly negative performance was mainly attributed to weakness in 3 pre-Covid deals, with all 3 deals awaiting deal closing clarity through upcoming legal processes (and/or potential agreed settlement outcomes) which nevertheless all suffered disproportionately in a softening market. The latter losses were nevertheless somehow neutralised by spread tightening driven by positive commentary on regulatory processes on one deal, and further strong fundamental price appreciation in a recently abandoned deal.

In what again proved a month highly absent of any real deal catalysts, most of the rest of the portfolio, remained largely stable - while the significantly accelerating new M&A activity (especially in Europe) allowed us again to further complement our portfolio with new, post-Covid deal situations. Overall 48% of the Fund's positions were positive P&L contributors, which continues to reflect the current, highly nervous merger arbitrage environment, where 2 of our positions closed during the month while initiating 13 new positions, a monthly record for the year, highly indicative of the accelerating new M&A activity and the subsequent, opportunity set of new M&A.

The main attributors for the month's negative performance were due to price weakness in 3 of our mid-sized pre-Covid positions, which are all headed to litigation, namely i) Tiffany, where its buyer LVMH now officially displayed its buyer's remorse using a French Foreign Minister letter "advising" that LVMH should postpone the deal till Jan 6th 2021 (a date well beyond the deal's Nov 24th termination date), and where the deal is now headed to an expedited trial in the US Court of Delaware - with not only Tiffany remaining the strong upper hand (not only given absence of a strong Material Adverse Clause or any Merger agreement breach but also the highly questionable letter from the French Government, somehow reflective of any orchestrated move by LVMH's Arnault) but also a widely held expectation that LVMH's deal termination attempt approach is to force Tiffany for a reduced offer price settlement; ii) Taubman, the other high profile pre-Covid deal, which is now nearing the November Michigan trials and whose share price declined largely in sympathy of US malls/retail centres price weakness, rather than deal specific news, which we remain optimistic on the deal outcome in litigation and/or increased chance for a deal settlement with its suitor Simon Properties; and iii) Cineplex, which reverses last month's price strength and was largely caught up in a deteriorating pandemic environment.

The main positive contributors of note for the month were i) Fitbit, where positive press commentary surfaced on increasing chances for 4Q20 regulatory approval by the European Commission, following its suitor Google having submitted a new set of remedies after the initiation of a Phase 2 investigation in early August - we remain highly bullish given absence of any clear cut antitrust issues; and ii) Qiagen, whose share price continues to outperform towards EUR 45 /ps levels on the back of its Covid testing/diagnostics capabilities well above the recently lapsed EUR 43 /ps tender offer price.

Market commentary

With about 2,600 new deals worth almost USD 530bn, newly announced M&A activity was almost double the previous months, which already proved to be an accelerating trend of newly announced M&A in the summer months since the Covid-19 pandemic started – with a very strong pick up in new $1bn+ deals in Europe. Notable deals in September were the acquisition of Immunomedics by Gilead Sciences ($20bn); WPX Energy / Devon Energy ($6bn) & Sogou / Tencent Holdings ($2bn) in the US and Metro AG / EP Global Commerce ($8bn); G4S / Garda World Security ($6bn); Bankia / Caixabank ($5bn); William Hill / Caesars Entertainment ($4bn); Play Communications / Iliad ($3bn); Ahlstrom-Munksjo / Bain Capital ($3bn); Altice Europe / Next Alt ($1bn) & Rocket Internet / Management Group ($1bn) in Europe.

Following up from the uptick in newly announced M&A in July and August, September proved again the strength of the global M&A revival (making it the fastest start to the second half for megadeals since 2007) - where Europe is making a strong comeback, having lagged M&A activity in US for the last 12 months - where deals that have been speculated for a long time, seem to now finally get across the finish line.

UCITS Monthly Performance (USD Institutional Founder Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2020	0.49%	0.57%	-5.90%	6.00%	0.50%	-3.41%	1.66%	0.18%	-1.98%				-2.33%
2019	-	-	-	-	-	-	-0.05%	0.68%	0.50%	0.56%	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.

ABRAX
Merger Arbitrage

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.

Peter Germonpre

Peter Germonpre has 15 years' event driven/merger arbitrage investment experience with senior roles at Halcyon Asset Management, Burren Capital Advisors, Sandell Asset Management and Silver Point Capital.

Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Strategy AUM	$62.0 million
Fund AUM	$23.7 million
Inception	24th July 2019

Share Class	Institutional Class Founder / Pooled
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.00%
Perf. Fee	10.00%
Min Init. Sub.	1,000,000
ISIN Codes	USD: IE00BZ00Y245 / IE00BGLJXS63 GBP: IE00BZ01D866 / IE00BZ01D973 EUR: IE00BZ00XN87 / IE00BZ00Y351 CHF: IE00BZ00Y138 / IE00BGLJXR56

Share Class	Institutional Class / Pooled
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.50%
Perf. Fee	15.00%
Min Init. Sub.	100,000
ISIN Codes	USD: IE00BZ00XH28 / IE00BZ00XM70 GBP: IE00BZ00XF04 / IE00BZ00XK56 EUR: IE00BZ00XD89 / IE00BZ00XJ42 CHF: IE00BZ00XG11 / IE00BZ00XL63

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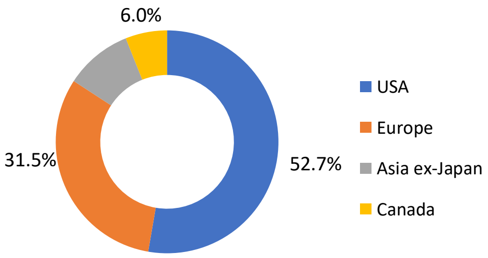
Global Merger Arbitrage

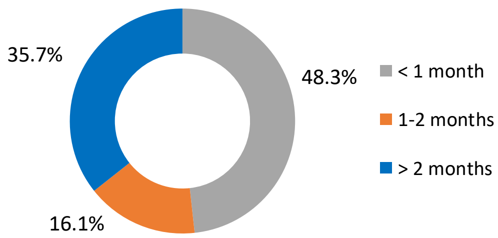
September 2020

Portfolio Exposure

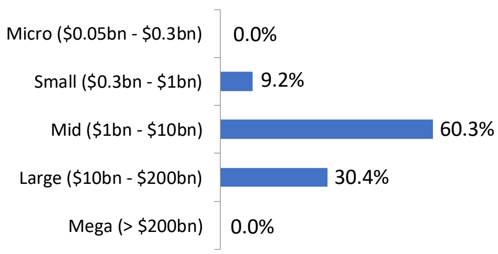
EXPOSURE BY GEOGRAPHY - TARGET



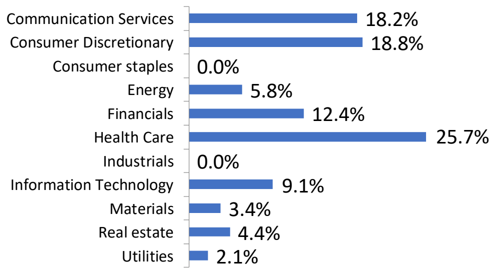
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



CURRENT FUND POSITIONING (% of NAV)

Long	130.8%
Short	12.5%
Gross	143.2%
Net	118.3%
Leverage	1.43x

CONCENTRATION (% of gross exposure)

Top 5 long positions	21.6%
Top 10 long positions	38.7%

DIRECTION (positions)

Long	29	New situations	13
Short	4	Situations closed	4

LIQUIDITY BREAKDOWN (% of gross exposure)

< 1 day	100.0%
2-5 days	0.0%
6-10 days	0.0%
11-20 days	0.0%
> 20 days	0.0%

Contact Details

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Disclaimer

For more information visit **www.montlakeucits.com**