

↓ -0.24%\*

# Mygale Event Driven UCITS Fund

## Event Driven

February 2020

### Performance Returns

\*The Mygale Event Driven UCITS Fund USD Institutional Class returned -0.24% during the month of February.

### 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

There proved to be much more activity in February than we saw in January, unfortunately though, not all of it was of the ideal type. Merger deal flow increased consistently throughout the month, particularly so in Europe where we saw a number of significant new transactions being announced, but unfortunately any positivity derived from such activity was overridden by widespread market panic that developed as the month progressed. As the Coronavirus spread to Europe, particularly so Italy, developed market equities plunged precipitously, with the Euro Stoxx 50 dropping 8.6% and the FTSE 100 falling 9.7% on the month. The VIX ended February at 40% while the VSTOXX closed the month at 42%! Emerging market equities outperformed, as the MSCI EM index only lost 5.3% despite notable USD strength – the DXY index rallied to its highest valuation since mid-2017 before falling to close the month 0.8% higher. Despite being "country zero" for COVID-19 cases, China's Shanghai Composite index posted a relatively resilient -3.2% in February as it emerged from its Chinese New Year hiatus, and investors rewarded the country for its aggressive response to managing the outbreak. Contagion also spread into commodities, as WTI crude oil ended the month 13.4% cheaper, while gold lived up to its safe haven property as it made a 7-year high, eclipsing the \$1,600 level. All eyes are on policymakers globally – the US 10-year treasury yield fell to 1.15% at month end, as expectation of further monetary easing gathered pace despite solid underlying economic data domestically.

In short, the broader market took a beating as investors countenanced the possibility of a significant impact on the global economy being caused by the Coronavirus. This resulted in a widening of deal spreads as people clearly entered a risk off mentality. The temptation here was to use this widening to increase exposures, but in our mind this is not the environment to be doing so, and instead we did the opposite and reduced our gross exposure globally. We are unfortunate that our focus on Italy at this time, as is typical in fact, is higher than for many other countries, but whilst we reduced exposure to Italian positions where appropriate, we don't envisage this to be an Italy specific situation going forward.

With merger activity returning, we added a number of new investments to the portfolio. We initiated a position in the merger of UBI Banca with Intesa, where Intesa intends to create the 3rd largest bank in Europe by market cap. Intesa have wisely pre-agreed buyers for a number of banking branches as well as insurance businesses that will need to be divested to pass anti-trust scrutiny. This deal is not a recommended one however, and was in fact a complete surprise to the UBI Banca CEO who had to make an about turn back to Italy having just heard of the bid when his flight landed in London. As such, should markets stabilise over the course of the deal, there is potential for improved terms, particularly so as the main 'foundations' who own stakes in UBI Banca are gradually coming out against the deal on the basis of valuation.

We also added a new position in the \$23bn merger of Worldline with Ingenico, both of France, that will create the no.4 global payment services provider. The companies have a highly complementary geographic footprint and this is a deal that is not expected to have significant anti-trust issues. This is a sector that has already seen consolidation in recent years and the combination of two pure players such as this was expected to happen at some point.

Performance wise, in a reversal of January, our top performing position was in the Relative Value sub strategy, where our investment benefitted following continued progress toward a restructuring of the company's assets. On the negative side, as well as general spread widening, we took a cautious approach to Sirius Minerals and significantly reduced our investment, as some investors' threat to derail the shareholder vote could have ultimately led to the company's bankruptcy.

Going forward, clearly the unanswered question now is what impact the Coronavirus is going to have on markets. We find ourselves in a position of more doubt now than when we ended January, and to be honest, it is a situation we feel is likely to worsen. Hence our expectation that 2020 would be a buoyant year for global M&A has most definitely changed. The volatility being caused by the virus is without doubt, bad for deal making, at least initially, reducing acquirers ability to gauge if the time is right to buy. Once this volatility subsides however, it is highly possible that acquirers will seize on the reduced valuations of potential targets.

### 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% |        |       |        |       |       |       |       |        |       |       | -0.48% |
| 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% |        |       |        |       |       |       |       |        |       |       | -0.46% |
| 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



**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  | \$355 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: IE00BYRPF92/IE00BYRPFY46  
 CHF: IE00BYRPF85/IE00BYRPFX39  
 GBP: IE00BYRPF78/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

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February 2020

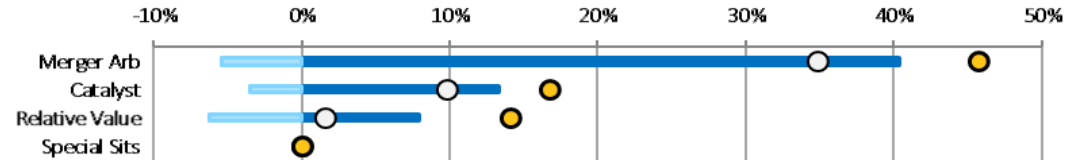
### Portfolio Exposures

#### Risk Metrics

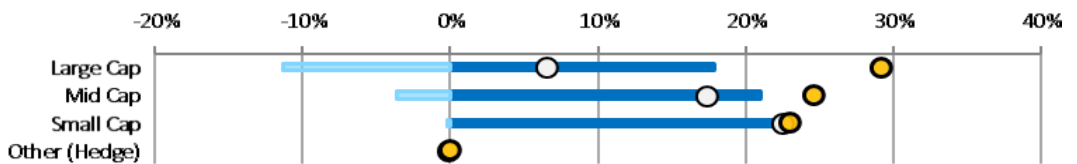
|                             |         |
|-----------------------------|---------|
| LONG EXPOSURE <sup>2</sup>  | 61.74%  |
| SHORT EXPOSURE <sup>2</sup> | -15.11% |
| GROSS EXPOSURE <sup>2</sup> | 76.85%  |
| NET EXPOSURE <sup>2,4</sup> | 14.12%  |
| SHARPE RATIO <sup>3</sup>   | 2.09    |
| SORTINO RATIO <sup>3</sup>  | 2.17    |
| VOLATILITY <sup>3</sup>     | 2.04%   |
| VAR <sup>1</sup>            | 2.89%   |
| 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.

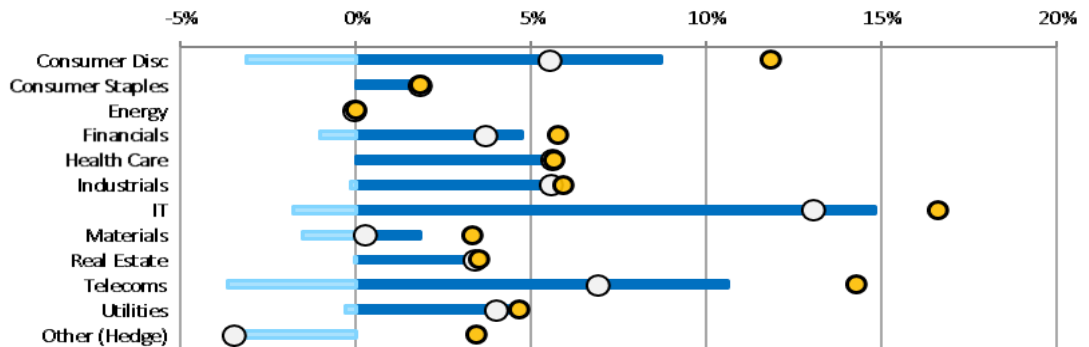
### Exposure By Strategy<sup>2</sup>



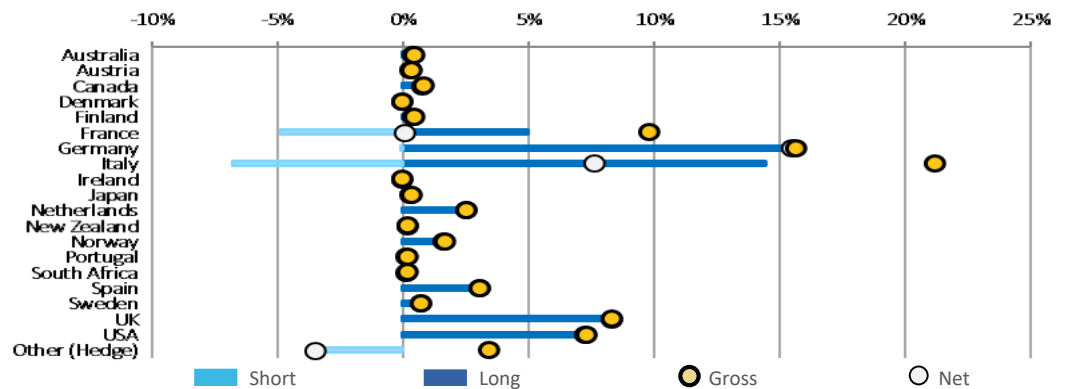
### Exposure By Market Cap<sup>2</sup>



### Exposure By Sector<sup>2</sup>



### Exposure By Geography<sup>2</sup>



### Contact Details

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