Mygale Event Driven UCITS Fund

Event Driven

May 2019

FACTSHEET

Performance Returns

The Mygale Event Driven UCITS Fund USD institutional class returned -0.20% during the month of May.

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.

Market Commentary

The age old adage of 'sell in May and go away' certainly seemed to run true this year as global equity markets suffered a miserable month. In the main, this can be blamed on trade negotiations taking a turn for the worse. President Trump proceeded to increase tariffs on imports from China early in the month and levy a 5% tariff on Mexican imports at the end of the month, resulting in the S&P 500 and the tech-oriented Nasdaq falling 6.6% and 7.9% respectively in May. It was a similar scenario in Europe, with the Euro Stoxx 50 shedding 6.7% and the exporter-heavy DAX closing the month 5.0% lower. The lack of substantial progress in Brexit negotiations and considerable pressure from her own party led to PM May finally announcing she was to step down on 7 June. The FTSE 100 (-3.5%) outperformed other developed equity markets, as sterling lost 3.2% against the US dollar amidst the UK's maelstrom of uncertainty. Sovereign bonds had a marked rally as investors fled to safety, with US 10-year treasury yields sinking to 2.12%, a low not seen since Q3 of 2017. The USD see-sawed throughout the month, finishing May 0.3% higher against a basket of peers.

Unsurprisingly against this backdrop of deteriorating trade relationships, merger activity has remained predominantly domestic and strategic, with cross-border activity languishing at depressed levels. In the US, we saw two companies who had thus far remained on the sidelines while their peers consolidated are finally combining – Total System Services agreed to a $25bn merger with Global Payments, as the dynamic global payments industry continues to evolve. It was dwarfed however, by Occidental's successful $55bn counterbid for Anadarko. As mentioned last month, the initial bid for Anadarko came from Chevron in mid-April, valued at $65 in cash and stock, quickly followed by Occidental announcing their own proposal, at $76, in a mixture of 50/50 cash and stock.

Clearly this was a significant premium to the Chevron bid but it was by no means certain that they would be able to win this, primarily due to the Anadarko board as well as shareholders not being keen to accept Occidental paper. Chevron had the upper hand here to a degree, with their bid continuing to be recommended by the Anadarko board and hence we felt that there was likely to be continued upward pressure in the share price provided by improved bids from either of the buyers. Occidental's position was strengthened somewhat by $10bn funding provided by Berkshire Hathaway (albeit at an expensive 8% per annum cost!) and this enabled them, on 6th May, to deliver a revised proposal. Occidental kept the bid value at $76 per share, but through the additional cash funding they were able to increase the cash proportion of the bid structure to almost 80% (from 50% previously) and transform their deal, importantly, into one no longer requiring approval from their own shareholders. We maintained our investment in Anadarko at this point still of the belief that there was potential for Chevron, who needed the Anadarko Permian assets to bolster their upstream portfolio, to counter bid. Unfortunately however, Chevron decided to walk away, citing a desire not to overpay for assets and this resulted in Anadarko being our largest negative contributor during the month, giving back some of the pnl gained in April.

Thankfully, May was comparatively busy when compared with April, and saw the portfolio grow by a net five new investments. A proposed all-stock merger between Fiat and Renault late in the month was the most notable of these, and was a sign of long anticipated auto industry consolidation. This is doubtless a story that we expect to have many twists and turns along the way, in a deal between two companies made all the more complex by the French State shareholding in Renault as well as the Nissan / Renault relationship, but this is a merger of strong strategic merit. At first glance many observers feel Fiat to be the beneficiary here due to its lack of EV exposure, but in reality Renault and Nissan can gain significantly from this deal should it happen.

We are well positioned as we near the end of H1 and look forward to this continued pick up in deal flow.

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y-T-D
2019	0.60%	0.19%	0.34%	0.51%	-0.20%								**1.45%**
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. F	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y-T-D
2019	0.54%	0.15%	0.33%	0.48%	-0.25%								**1.26%**
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%**

Note: 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

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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	$279.86 million
Inception	1st January 2016

Share Class	**Institutional/Institutional Pooled**
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.50%
Perf. Fee	20%
Min Init. Sub.	1,000,000
ISIN Codes	EUR: IE00BYRPFQ61/IE00BYRPFV15 USD: IE00BYRPFT92/IE00BYRPFY46 CHF: IE00BYRPFS85/IE00BYRPFX39 GBP: IE00BYRPFR78/IE00BYRPFW22

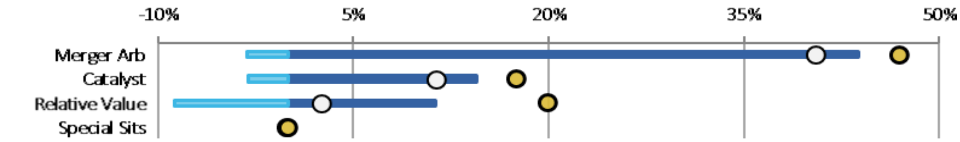
Share Class	**Institutional Founder/Retail Pooled**
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.25%/2.00%
Perf. Fee	15%/20%
Min Init. Sub.	10,000,000/10,000
ISIN Codes	EUR: IE00BYRPG302/IE00BYRPFZ52 USD: IE00BYRPG633/IE00BYRPG294 CHF: IE00BYRPG526/IE00BYRPG187 GBP: IE00BYRPG419/IE00BYRPG070

PORTFOLIO EXPOSURES

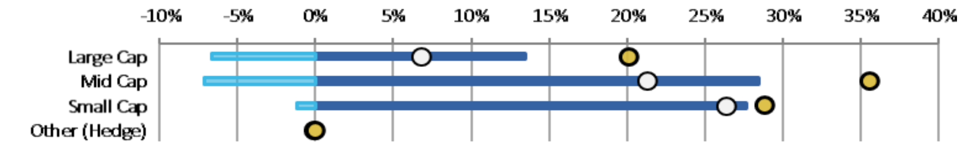
Risk Metrics

LONG EXPOSURE[2]	69.60%
SHORT EXPOSURE[2]	-14.91%
GROSS EXPOSURE[2]	84.50%
NET EXPOSURE[2, 4]	14.13%
SHARPE RATIO[3]	2.14
SORTINO RATIO[3]	2.29
VOLATILITY[3]	2.10%
VAR[1]	2.83%
NO OF POSITIONS	59

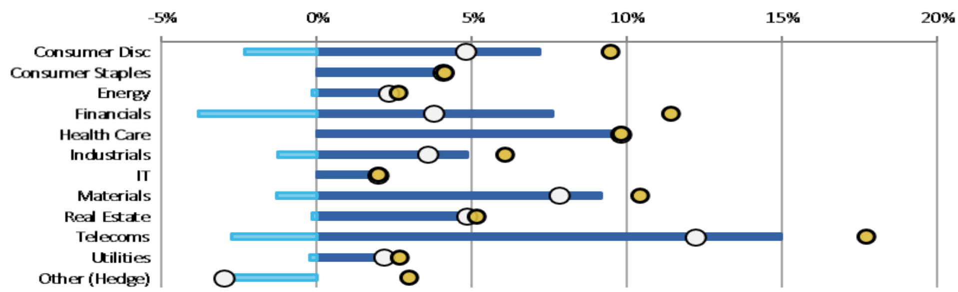
Exposure By Strategy[2]



Exposure By Market Cap[2]

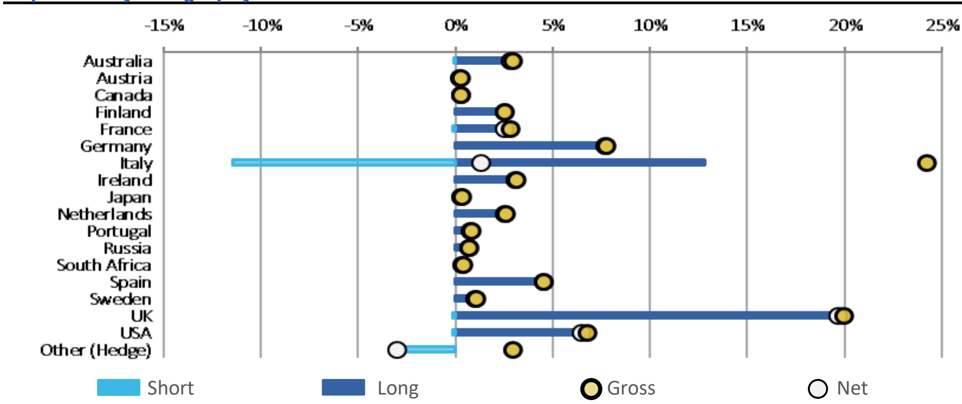


Exposure By Sector[2]



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 Geography[2]



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