

# MontLake Abrax Merger Arbitrage UCITS Fund

## Global Merger Arbitrage

January 2020

### Performance Returns

The MontLake Abrax Merger Arbitrage UCITS Fund returned 0.49% for the month of January (USD Institutional Founder Class).

### 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

The positive performance of January was mainly attributed to continued tightening in some of our larger positions, combined with a relative stable merger spreads environment. Despite heightened market volatility towards the end of the month, mainly due to the Asian outbreak of the Corona virus, most of our deal spreads remained stable, without any notable negative performers. Overall, 79% of the Fund's positions were positive P&L contributors, whereby 5 of our positions closed during the month while initiating 3 new positions.

Notable positive contributors for January were: i) Mellanox, the high profile US semiconductor deal requiring China's SAMR approval, whose price in January both benefited from a more positive tone in US-Sino trade relations, and whose (continued) stellar quarterly performance significantly reduced any deal downside; ii) Allergan / Abbvie, which received conditional Phase 1 approval at the EC, awaiting the final conditional approval from the US subject to a number of expected drugs divestitures; iii) Interxion, the data centre company significantly outperformed on the back of the company filings highlighting that -prior to formalising the deal with US peer Digital Realty- it had received significant historic inbound interest – and for which still plenty of time exists for potential upside scenarios to materialise; iv) Altran Technologies, which received a nominal 3.5% bump from its French suitor Capgemini to EUR 14.5 cash offer/ps to secure the required 50% tender conditionality threshold; and v) Osram Light, whose share price further appreciated on anticipated 2Q20 market purchases by its 60% Austrian holder AMS once AMS will have obtained all regulatory approvals for deal closing.

The only minor loss for the month was from our position in Innogy, whose price weakened following the the 90%+ owner E On's announcement that it would force a mandatory squeeze out at the statutory minimum price.

*Given a relatively high number of recent deal closings, in conjunction with a more muted start in terms of new M&A activity, we have observed in January that new deals -especially in Europe - started trading relatively rich versus any perceived deal risk. Historically, we have observed many times that some of this optimistic pricing related to both deal risk assessment and perceived upside optionality tends to deflate, which provide much better entry points for the Fund to benefit from.*

### M&A Market Review & Outlook

Despite the trade Phase 1 signing between the US and China and improved clarity on the Brexit process in the UK, new M&A activity started off relatively slowly for the year - with about 2,500 deals worth about \$250bn. Although we acknowledge that the outbreak of the Corona virus might have compromised some new deal announcements, in general deal announcements are not spread equally across the year, and some deal makers have been pointing out that the pipeline of deals continued to be strong and that dialogue with clients remained "very active", building further on the active 4Q momentum from last year.

Notable deals in US in January were the merger between Hexcel Corp and Woodward (\$7bn); Anixter International / Wesco (\$4bn); CenterState Bank / South State Corp (\$4bn); Delphi Technologies / BorgWarner (\$3bn); Dermira / Eli Lilly (\$1bn); Pope Resources / Rayonier (\$1bn); Primo Water / Cott Corp (\$1bn); Franklin Financial / FB Financial Corp (\$1bn); Gilat Satellite Networks / Comtech Telecom (\$0.5bn) and Habit Restaurants / Yum! Brands ((\$0.5bn). Some of the larger firm announced deals in Europe were the acquisition of Sirius Minerals by Anglo American (\$1bn) and Le Belier / Guangdong Wencan (\$0.3bn).

### 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%												0.49%
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.



### 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	\$66.2 million
Fund AUM	\$22.1 million
Inception	24 <sup>th</sup> 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

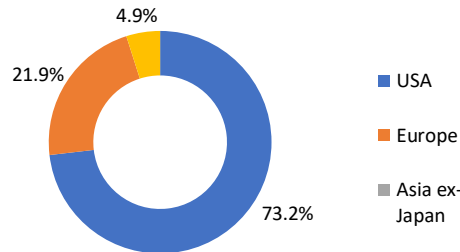
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## Global Merger Arbitrage

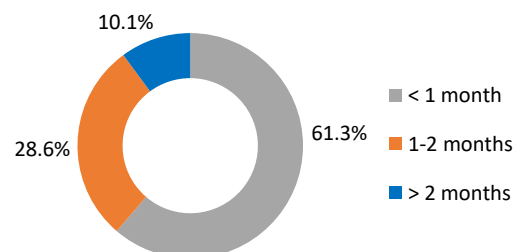
January 2020

### Portfolio Exposure

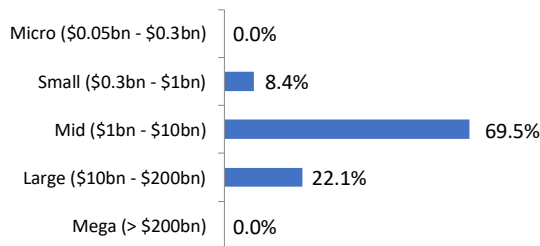
EXPOSURE BY GEOGRAPHY - TARGET



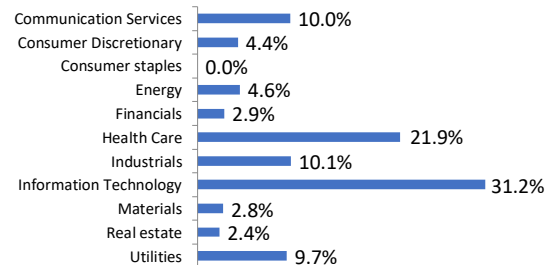
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



#### CURRENT FUND POSITIONING (% of NAV)

Long	92.0%
Short	3.3%
Gross	95.3%
Net	88.6%
Leverage	0.95x

#### CONCENTRATION (% of gross exposure)

Top 5 long positions	28.9%
Top 10 long positions	52.6%

#### DIRECTION (positions)

Long	24	New situations	3
Short	2	Situations closed	5

#### LIQUIDITY BREAKDOWN (% of gross exposure)

< 1 day	100.00%
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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