MontLake

+0.12%*

Mygale Event Driven UCITS Fund

Event Driven

October 2020

Performance Returns

*The Mygale Event Driven UCITS Fund USD Institutional Class returned +0.12% 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

To use the well-worn football commentator's cliché… October really was 'a game of two halves'. Global equity markets started the month strongly, led by excitement of a potentially significant stimulus package as Biden extended his lead over President Trump in the polls, but then faltered from mid-month onwards as uncertainty grew following a resurgence of Covid-19, particularly so in Europe. Frustratingly, this pattern was mirrored somewhat in our own portfolio - the month started off strongly, with some positive catalyst developments in existing positions, but we gave up some of these profits towards month end both due to negative deal specific news flow, as well as some spread weakening during the market sell off.

It was our Relative Value portfolio that proved particularly active this month, with potential catalysts being delivered in two names in the form of a merger of the share classes. In early October, Buzzi Unicem got the ball rolling when they announced a conversion of the risparmio shares in to ordinary shares. The deal has been structured as a mandatory conversion with a special dividend of €0.75 per share, payable to both risparmio and ordinary holders post closure of the deal. The deal is conditional on ordinary shareholder approval (the Buzzi family control over 50% of the votes so that shouldn't be an issue) as well as approval by a majority of risparmio shareholders at the EGM called for 19 Nov. The terms offered, whilst being a premium of just over 20% on the previous day prices, are a little low in terms of the actual percentage discount level implied, as well as being low when compared to precedent risparmio share conversions in Italy. Hence there exists a very small chance that Buzzi is forced to improve the terms to get this over the line, but we consider this unlikely. Interestingly, and as a slight aside here, I have had conversations with Pietro Buzzi, the CEO, in the last few weeks, and reading between the lines slightly of what he is saying, it sounds to me like this conversion is being prompted, at least partly, by ESG concerns. The impression I got from him was that the company have been advised that it is not good corporate governance to have different share classes listed. Clearly the motivation could be opportunistic, it could also be driven by corporate transactions they wish to do in the future.

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%	-3.75%	1.26%	-0.34%	0.15%	0.57%	0.75%	0.08%	0.12%			-1.71%
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%	-3.93%	1.30%	-0.26%	0.21%	0.64%	0.82%	0.15%	0.18%			-1.43%
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 F 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	$288 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 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

Monthly Commentary continued

The Buzzi conversion proposal in fact followed hot on the heels of Danieli, which was announced in late September. Danieli though was voted down by risparmio holders at the EGM meeting held on 28th October. This was despite Danieli, just a week before the EGM was due to take place, restructuring the terms of the deal such that the risparmio holders would receive the dividend payout prior to conversion (hence improving the terms they receive). The issue here is that both ISS and Glass Lewis advised holders that the terms weren't sufficient and hence we suspect that large shareholders such as Invesco, Brandes and Lupus could have simply followed the proxy recommendations and voted against the deal. As mentioned above, we suspect that the decision by two separate companies to merge share classes at this point isn't coincidental, and hence we expect that Danieli will return with a restructured deal format in the future.

In the Merger Arbitrage strategy of the portfolio, we were similarly busy. Our investment in specialty fibre-based paper manufacturer Ahlstrom Munksjo of Finland progressed as expected. The offer document was published with no surprises, but just as importantly, the company reported very solid Q3 results and outlook statement. We feel this could galvanise disgruntled shareholders who believe the offer price significantly undervalues the company. Australian activity seems to be picking up also. We were involved in a small way in a bidding war that developed for Australian telecoms wholesale network infrastructure operator Opticomm. It is a unique asset in a market which is dominated by the government (>90% market share) with the balance split between Opticomm and the other bidder here - Uniti. There is no other alternative for Uniti to grow in this high recurring revenue segment where you are essentially being paid to build, maintain, operate and own the last mile infrastructure. Aware Super (a superannuation fund with AUM of >A$125bn) have made a counter proposal at the last minute. Staying in Australia, we have also been involved in a bid for Coca-Cola Amatil (CCA) by Coca-Cola Europe (CCEP). CCEP have agreed to acquire Coca-Cola's (the US parent - I know getting a little confusing here isn't it!) 30% stake in CCA at a discount to the price they are paying to the minorities. CCEP are paying a fair price to minorities but arguably not paying a premium for control and there is already 7% of the register describing the bid as opportunistic and significantly undervaluing the company.

Despite slightly muted performance this month, October was yet another busy period for us with a number of new investment opportunities being added to the portfolio. For globally announced deal flow, this quarter has started much as the last ended, which is clearly exciting for our strategy in Europe. As we go in to the final two months of 2020 we expect to hear positive news of Covid-19 vaccines, and, despite continuing escalation in the number of new virus cases, we maintain our long held view that the resumption of normalised life activities will bring with it a rebound not only in economic growth but in corporate activity.

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Portfolio Exposures

Risk Metrics

LONG EXPOSURE[2]	67.38%
SHORT EXPOSURE[2]	-20.59%
GROSS EXPOSURE[2]	87.98%
NET EXPOSURE[2, 4]	19.67%
SHARPE RATIO[3]	1.26
SORTINO RATIO[3]	1.75
VOLATILITY[3]	2.72%
VAR[1]	5.07%
NO OF POSITIONS	66

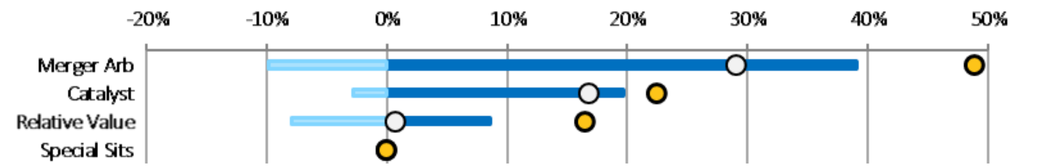
1. VaR is calculated using a confidence level of 99% and a holding period of 20 working days. The VaR model used by the Sub-Fund typically uses data from the last 200 weeks or greater, but a shorter observation period may be used in instances of recent significant changes in price volatility.

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

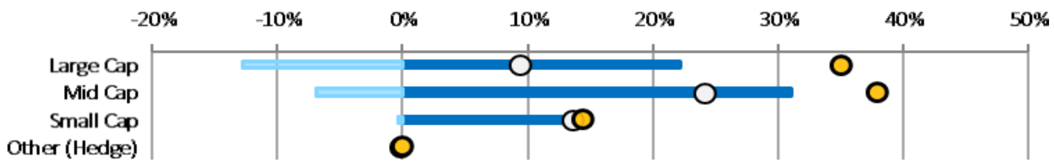
3. Based on monthly net portfolio performance

4. The net figure excludes cash merger deals.

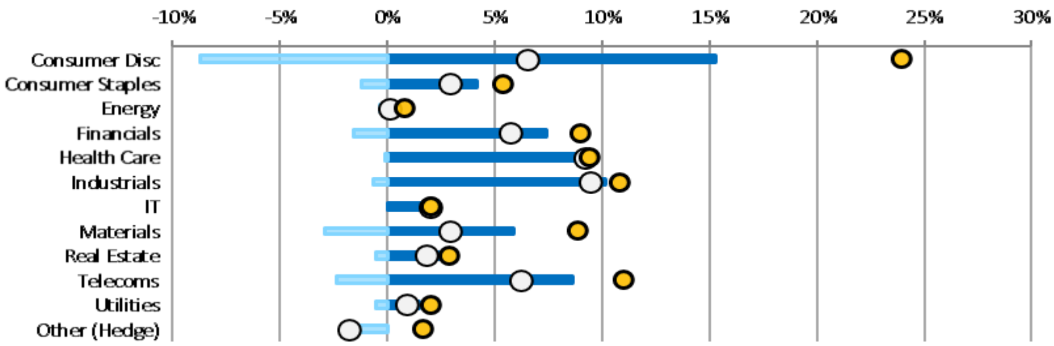
Exposure By Strategy[2]



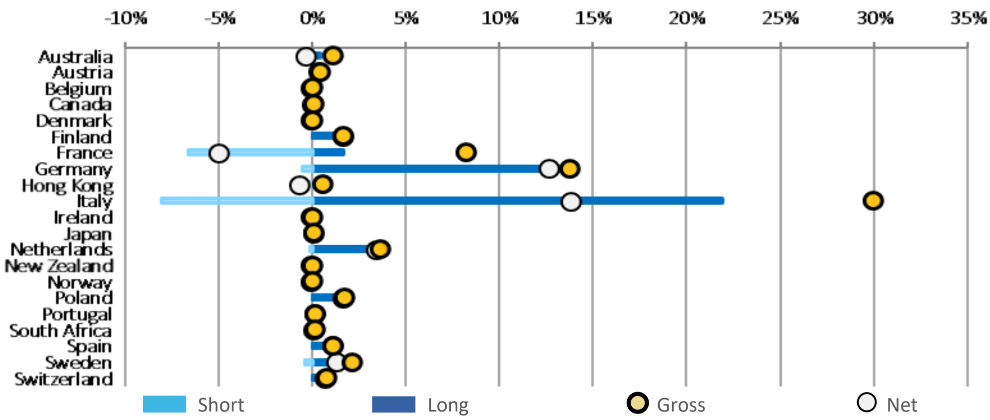
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



Contact Details

Investor Contact

MontLake Funds (UK) Ltd
Park House, 116 Park Street
London, W1K 6AF
T: +44 20 3709 4510
investorrelations@montlakefunds.com

Management Company

MontLake Management Ltd
23 St. Stephen's Green
Dublin 2, Ireland
T: +353 1 533 7020
investorrelations@montlakefunds.com

Investment Manager

Tavira Securities
88 Wood Street
London EC2V 7DA
T: +44 20 3192 1728
cp@mygalefunds.com

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