+0.19%*

Mygale Event Driven UCITS Fund

Event Driven

June 2021

Performance Returns

*The Mygale Event Driven UCITS Fund USD Institutional Class returned +0.19% during the month of June.

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.

Quarterly Commentary

Contrary to the recent trend, European merger activity in the second quarter started in oddly quiet fashion. As the pace of global deal making continued unabated, doubtless stoked by progress on vaccine rollouts, new injections of government incentives and low interest rates, somehow, Europe just felt ever so slightly quieter. This pause for breath didn't last long however, as European volumes returned with a vengeance in May and June, and global deal activity remained at record highs. Globally, year-to-date volumes hit $2.8 trillion in the first half of the year, up a record +129% compared to the same period in 2020 and comfortably clearing the pre-pandemic five year average of $1.6 trillion.

In Europe, the second quarter returned a +50% increase in deal volumes over the first, whilst a post Brexit Britain remains remarkably compelling from a valuation perspective, as, by various metrics, the U.K. is trading at a c.40% discount to global peers. This valuation gap, combined with the removal of the Brexit overhang, is likely the driving force behind both growth in cross-border volumes, which are +51% YTD year-on-year, as well as the significant pick up in private equity and infrastructure activity we have seen. All told, U.K. M&A through the first week of July stood at $181 billion for 2021, the highest figure on record!

Looking forward, many of the economic, corporate and structural tailwinds that are needed for elevated levels of merger activity to take place, exist in Europe currently. Absent of any significant and unexpected negative developments, we continue to expect Europe specifically, to be the region that generates most growth and opportunities over the next 2-3 years.

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2021	-0.47%	0.20%	0.79%	0.58%	0.64%	0.19%							1.94%
2020	-0.24%	-0.24%	-3.75%	1.26%	-0.34%	0.15%	0.57%	0.75%	0.08%	0.12%	2.31%	1.73%	2.30%
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%

The performance figures quoted above for the USD Share Class represents the performance of the Mygale Event Driven UCITS Fund USD Institutional Share Class since launch. These performance figures refer to the past and past performance is not a reliable guide to future performance.

The Manager

M Y G A L E

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	$437 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

Positions of Interest in June

June performance was slightly subdued, with some nervousness starting to creep in to markets generally mid month, having a knock-on impact on a few of our deal spreads. Nothing major of note in any one situation, it was just slight negativity across a number of names.

The main contributor this month, perhaps a little unusually, came from the Special Situations sub strategy - a simple rights issue trade, but there were also a number of developments in existing Merger Arbitrage and Catalyst investments that all contributed positively. In existing names, Deutsche Wohnen, announced only last month, is progressing quickly. Elliott have announced they have built a stake of over 3%, a move that has seemingly spurred Vonovia in to action increasing their own holding, which, by late in the month, had grown to 20%. Elliott's involvement is not a surprise to us, as we have always felt that Vonovia are buying the company with an opportunistically low valuation.

As in May, there continued to be activity in the European property sector. The bid for Adapteo by Goldman Sachs Infrastructure Fund saw the offer open. Adapteo is a Swedish based flexible and modular property rental company, specialising in renting modular building to schools, day-care centres, offices etc, and is an attractive business with high recurring revenues that are generated by contracts, primarily with public sector customers. Despite having an irrevocable of 17% from the private equity group EQT, we see the deal as interesting. Staying in property, St Modwen, the U.K. based property developer focused on logistics assets and affordable homes saw Blackstone bump it's own bid from 542 pence to 560 pence per share, in the face of opposition from a number of shareholders. This seems to have had the desired effect of garnering shareholder support, with investors holding 18.5% of shares publicly supporting the new bid, in addition to a prior 11.7% irrevocable. The scheme vote will now take place later in July.

Further to my earlier comments and I'm sure many of you have read it in the press already, but it's worth highlighting that the preponderance of private equity led transactions continues to grow, particularly so in Europe and the UK. The most significant potential deal in June is a speculated approach for supermarket group Morrisons by Clayton Dubilier & Rice. Morrisons is an attractive asset from a number of angles so we wouldn't be surprised to see a deal develop, although at this stage it remains highly speculative. This private equity trend only reinforces what we have been saying for the last few years now regarding the opportunity set that has been created, particularly so in the U.K. where Brexit has had the effect of negatively weighing on company valuations since the original vote to leave in 2016. Clearly this momentum will have to slow at some point, but we foresee it continuing for a while yet!

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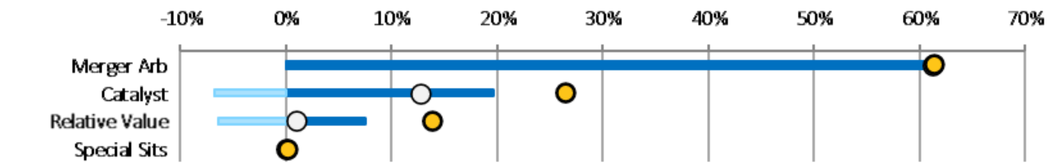
Portfolio Exposures

Risk Metrics

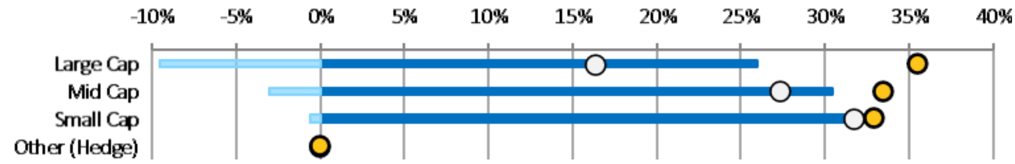
LONG EXPOSURE[1]	88.78%
SHORT EXPOSURE[1]	-13.18%
GROSS EXPOSURE[1]	101.96%
NET EXPOSURE[1, 3]	14.25%
SHARPE RATIO[2]	1.47
SORTINO RATIO[2]	2.09
VOLATILITY[2]	2.79%
NO OF POSITIONS	74

1. Based on information from the administrator and as a percentage of the fund AUM in USD including currency hedge for share classes.
2. Based on monthly net portfolio performance
3. The net figure excludes cash merger deals.

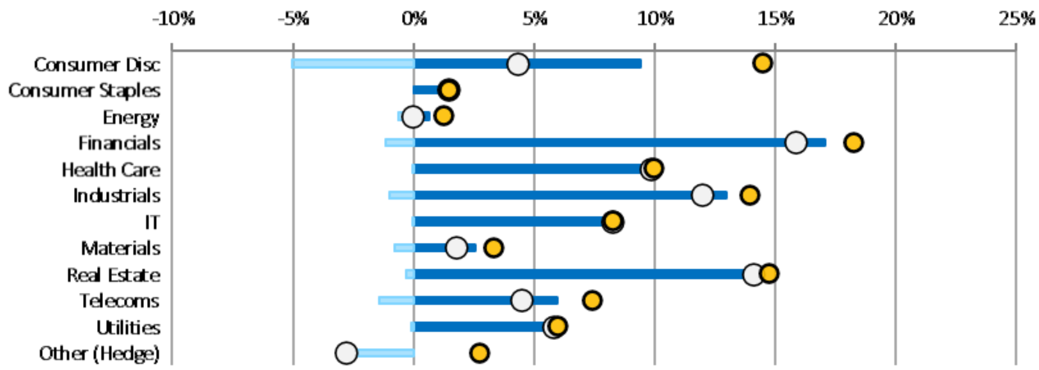
Exposure By Strategy[1]



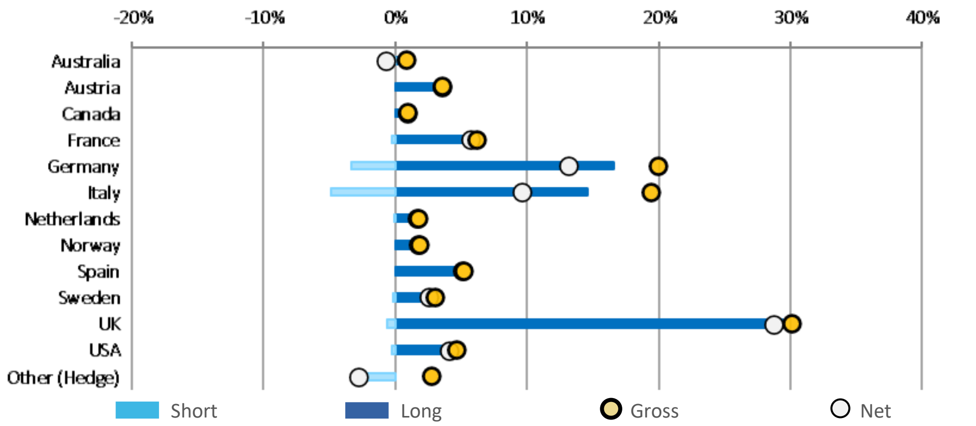
Exposure By Market Cap[1]



Exposure By Sector[1]



Exposure By Geography[1]



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