

# MontLake Abrax Merger Arbitrage UCITS Fund

## Global Merger Arbitrage

November 2020

### Performance Returns

The MontLake Abrax Merger Arbitrage UCITS Fund gained 7.5% for the month of November (USD Institutional Founder Class), bringing YTD performance to 5.5%. The monthly performance compares to the (unleveraged) gain of +2.43% (YTD +2.6%/LTM +3.3%) for the reference HFRX Merger Arbitrage Index.

### 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 for November

For the first time since the inception of the Fund, all of our most important catalysts for the year - which had all been pending due to Covid-19 - occurred all at once during November, when Abrax achieved its best ever monthly performance.

Several key events happened around Taubman Centers and Cineplex, which have both been discussed at length in our earlier newsletters. We also had numerous deals closing (Bitauto, Rocket Internet, Sunrise, Pivot Technology, Hasting Group and Myokardia) - highlighting again that 'normal' deal closing mechanisms have resumed - as well as some additional spreads positively converging - GrandVision, Acacia Communications, Willis Tower Watson, China Biologic, Fitbit. On top of this we had some attractive situations such as G4S benefitting from an ongoing bidding war from 2 strategic acquirers. Overall, 71% of our positions made a positive contribution this month which is in line with the historical average of the fund.

### Taubman Centers

As we had expected, Taubman Centers and Simon Properties finally agreed on a price cut/settlement just before their November 16th trial, which resulted in a significant positive contribution.

We had made Taubman Centers an important position in the Fund for a variety of reasons but a key one was that none of the termination attempts to date in the US had made it to court. We had been invested in all of them (Tiffany, Delphi Automotive, Advance Disposal Services and Forescout) and they had all settled on a price cut pre-trial. Given that Taubman didn't suffer any MAE either during their Q2 results (Covid-19 being specifically carved out), nor was there any breach of normal business conduct, Simon Property did not have a strong legal case and was therefore very likely to settle on a price cut prior to any trial that they would have almost certainly lost, for an asset they had coveted since 2003.

This final outcome was excellent news, as it not only enabled us to crystallise long waited and significant performance, but it also emphasizes the fact that our legal analysis has been spot on regarding these 5 legal cases resulting in significant alpha generation. All of these situations were bound by strong merger agreement contracts, the forensic analysis of which, is we feel, both an edge and indeed a critical part of our deal selection process.

### Cineplex

Cineplex was also a strong p&I contributor. While the Cineworld litigation will occur sometime in 3Q 2021, Cineplex was trading significantly below its fair value, at similar distressed levels to its peers such as AMC US which will most likely file for bankruptcy given their excessive leverage. While we had a very small exposure, following regular calls with the management they started to inform their shareholders that they were negotiating with their banks to announce the waiving of their debt covenant on November 13th (during their Q3 results) until June 2021, well ahead of their initial year-end objective (announced in June). This significant catalyst played well and is paving the way for a successful outcome of their litigation.

Finally, we saw an increased number of newly announced M&A situations in the US during November, which created several compelling investment opportunities for Abrax.

### Market commentary

With about \$510bn worth of new M&A deals, M&A activity has continued to accelerate - having a continued pick up in new \$5bn+ deals in the US. Notable deals (US & Canada) in November included IHS Markit /S&P Global (USD 43,5bn), HD Supply Holdings /Home Depot (USD 11,1bn), Norbord /West Fraser Timber (USD 3,2bn), Endurance International /Clearlake (USD 2,9bn), Teranga Gold /Endeavour Mining (USD 2,3bn), Great Canadian Gaming /Apollo Global Management Inc (USD 2,3bn), China Biologic /PW Medtech & CITIC, (USD 1,4bn). Europe is also quite active with RSA Insurance /Intact Financial (USD 9,3bn), Entra /Samhallsbyggnadsbolaget i Norden AB (USD 5,7bn).

### 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%	0.57%	-5.90%	6.00%	0.50%	-3.41%	1.66%	0.18%	-1.98%	0.54%	7.46%		5.53%
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.

### Olivier Baccam

Olivier Baccam has 15 years' event driven/merger arbitrage investment experience at Candriam (Dexia Asset Management) where he was Senior Portfolio Manager, Senior Investment Analyst as well as Management Committee member.

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Strategy AUM	\$68.3 million
Fund AUM	\$26.9 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
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### 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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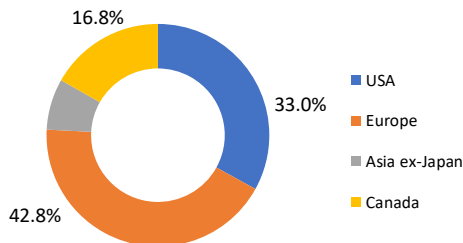
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## Global Merger Arbitrage

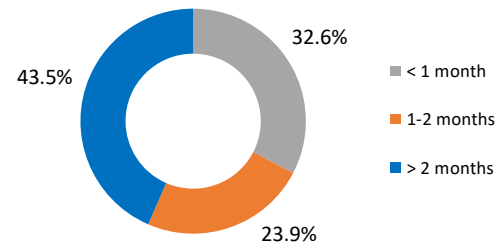
November 2020

### Portfolio Exposure

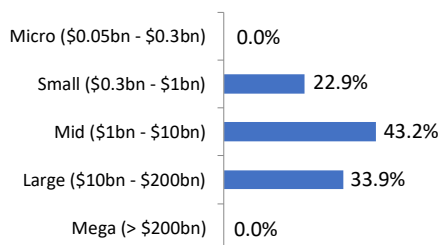
EXPOSURE BY GEOGRAPHY - TARGET



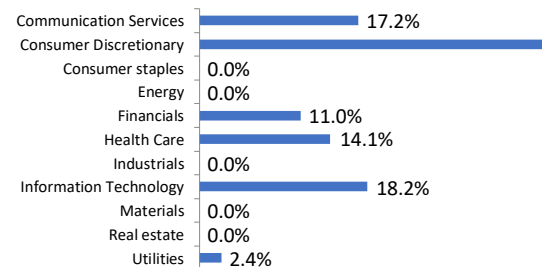
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



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

Long	98.3%
Short	15.3%
Gross	113.6%
Net	83.0%
Leverage	1.14x

**CONCENTRATION**  
(% of gross exposure)

Top 5 long positions	30.4%
Top 10 long positions	46.0%

**DIRECTION (positions)**

Long	27	New situations	9
Short	5	Situations closed	8

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

< 1 day	100.0%
2-5 days	0.0%
6-10 days	0.0%
11-20 days	0.0%
> 20 days	0.0%

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