Mygale Event Driven UCITS Fund

Event Driven

January 2019

FACTSHEET

Performance Returns

The Mygale Event Driven UCITS Fund USD institutional class returned 0.60% during the month of January.

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

Whilst December was an awful month for global equity markets, 2019 started with a flourish, as January reversed much of December's damage, with equity indices rallying across the board. The S&P 500 bounced 7.9%, outperforming Europe (Euro Stoxx 50 +5.3%) and the UK (FTSE 100 +3.6%), who are still embroiled in arduous Brexit negotiations. Parliament let their votes do the talking, blocking PM May's withdrawal deal by a wide margin and indicating that a renegotiated Irish border backstop agreement could be successful. The easing of the Sino-US trade war rhetoric helped support a tumbling Chinese market, with the Shanghai Composite reversing 2018's trend by adding 3.6% during the month. The rest of the emerging market complex also rebounded in January, with MSCI EM ending the month 8.7% higher supported by a weaker US Dollar, which lost 0.6% against a basket of peers. The Fed was mostly to blame as it transitioned to a more dovish outlook, perhaps not a surprise given disappointing macro data amidst a government shutdown.

Deal-wise, January brought with it a lot of a promise, albeit not quite the typical spike in volume we have almost become accustomed to at the start of a new year. Just as 2018's mega-deal, Shire/Takeda, consummated in early January, we were gifted another in the form of Celgene/Bristol-Myers Squibb. Bearing hallmarks of its predecessor, the latter combines two biotech behemoths with a bolstered pipeline and a half paper, half cash consideration. Unlike Takeda though, Bristol-Myers Squibb's share price looks to have overlooked the sizeable share dilution, for now at least.

In Europe specifically though, both the value and volume of deals declined in January, and in fact, the value of deals announced was the lowest since August 2016! Despite this, we saw some very interesting competitive bidding tactics. After a protracted period of due diligence, private equity firm Apollo announced a long awaited $4bn bid for plastic packaging manufacturer RPC Group. Exactly a week later, Berry Global Group of the US, announced that they were considering a potential offer themselves. A counter bid in itself is clearly not unusual, but how Berry played this game is worthy of comment! Berry sat and watched while RPC had discussions with a number of possible buyers. Apollo, were the only party to table a formal bid, but, for reasons that remain unclear, announced their offer as being 'full and final'. Whilst this removes any potential room for shareholders to push them for a higher price, it has actually played right in to the hands of a competing buyer. This is where Berry felt the landscape had turned in their favour, and are now in the rare position of being able to launch a counter bid for a target without the fear of becoming embroiled in a competitive bidding war with the original acquirer. Berry are now doing due diligence and we await the outcome of this, nonetheless, it is clear to us that this could be a compelling opportunity for them to gain global diversification.

As discussed in previous newsletters, with the continuing uncertainty caused by the geopolitical trade tensions as well as the difficulty PM May has to push her Brexit proposals through, we are not overly surprised to see the drop in deal volumes continue in to the start of 2019. In light of this continued uncertainty we have intentionally reduced exposures and also seen a number of investments close successfully over the last few months, thus contributing to a lower gross overall. Undoubtedly though, there is still significant liquidity sitting on the sidelines, both on corporate balance sheets as well as in the hands of private equity players. As we gain greater certainty around both of these issues in the coming months we expect to see this capital put to work and result in elevated levels of M&A activity as the year progresses, particularly so in Europe.

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%												**0.60%**
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%												**0.54%**
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

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	$243.19 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

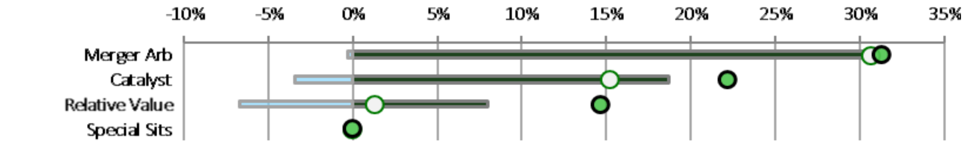
PORTFOLIO EXPOSURES

Risk Metrics

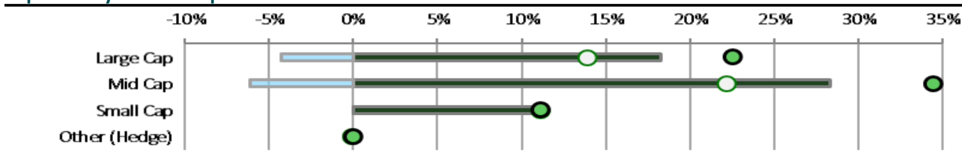
LONG EXPOSURE[2]	57.74%
SHORT EXPOSURE[2]	-10.41%
GROSS EXPOSURE[2]	68.15%
NET EXPOSURE[2, 4]	17.78%
SHARPE RATIO[3]	2.33
SORTINO RATIO[3]	3.80
VOLATILITY[3]	2.01%
VAR[1]	2.41%
NO OF POSITIONS	56

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 weekly net portfolio performance
4. The net figure excludes cash merger deals.

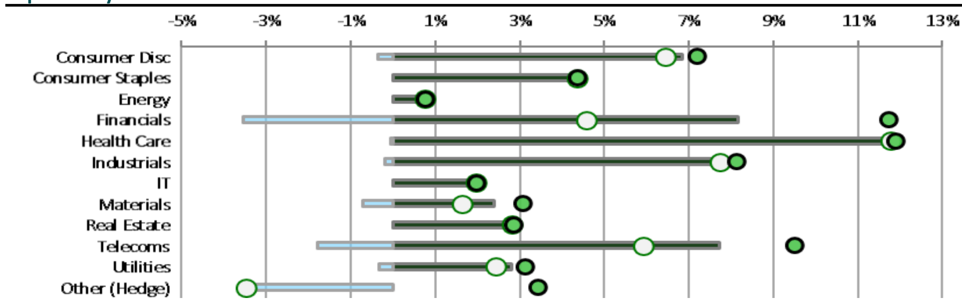
Exposure By Strategy[2]



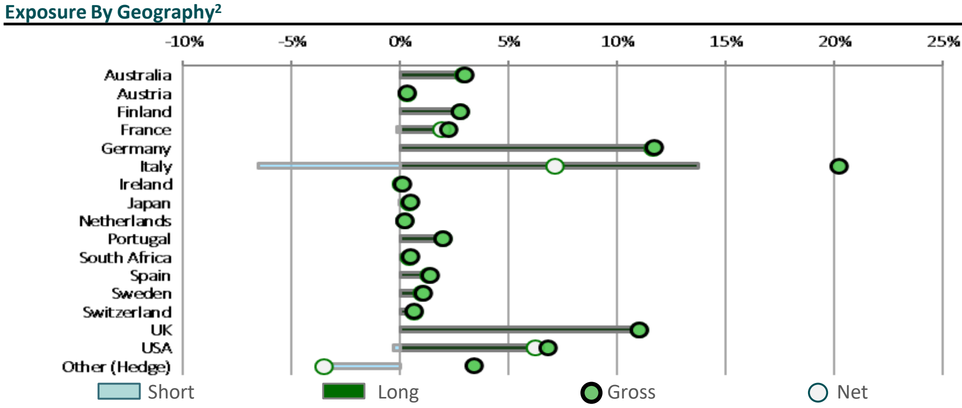
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



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