-1.62%*

Mygale Event Driven UCITS Fund

Event Driven

June 2022

Performance Returns

*The Mygale Event Driven UCITS Fund USD Institutional Class returned -1.62% 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.

Commentary

Following a volatile May, where markets oscillated from negative to positive, June was more definitive, with European markets falling around 10% over the course of the month as fears of a slowing economy and rising inflation continuing to frighten investors globally. Our portfolio wasn't immune to this, and, unsurprisingly, it was our Catalyst Driven and Relative Value portfolio investments that suffered most. Some of this was due to general selling pressure as fundamental investors look to unwind portfolio exposures and some was due to name specific news. For example, one of our long term catalyst investments suffered due to the imposition of a temporary export tariff (until end July 22), which long term should have limited impact on the company, and in fact, post 1st August, there will be further longer term revisions that will actually reduce the levy the company will pay on exports from the amount they paid prior to June. Unfortunately however, in this environment, investors treat such news harshly and the stock was down 10% on the news. Elsewhere in the Catalyst sub-strategy we have exposure to a couple of European financials, both of which have strong potential catalysts for the second half of this year. We reduced these positions a few months back, conscious of the potential negativity that would ensue as interest rates rise. As expected these names suffered negatively in the market sell off we saw in June. With more manageably sized positions we will look to rebuild these names opportunistically as market weakness offers such opportunities.

Notably, the negative performance was very dispersed across the portfolio, the positive performance was much the same. A pharmaceutical Catalyst position performed most strongly on the expected delivery of one of the small catalysts the investment carries, but, unsurprisingly, it was the Merger Arbitrage sub-strategy that delivered much of the positive performance this month. The takeover of Swedish Match by Philip Morris delivered strongly following deal announcement in May. In what should be a safe deal from a conditionality perspective there exists potential for an improvement in price. Not all shareholders are likely to be happy with the terms on the table, understanding the future potential of modern smokeless and oral products. Likewise, Philip Morris are lacking in this product area and desperately need the US distribution network Swedish Match will bring them, and hence they could be forced to improve the terms as the deal nears completion. One of our negative performers from May, Accell, retraced those losses this month as KKR were aggressive in their tactics and worked with minority shareholders to get the deal over the line (showing the continued motivation of private equity buyers to complete deals, despite the difficult current environment).

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2022	-1.07%	-0.22%	0.35%	-0.54%	0.12%	-1.62%							-2.96%
2021	-0.47%	0.20%	0.79%	0.58%	0.64%	0.19%	0.35%	1.11%	-0.06%	0.02%	-0.87%	0.19%	2.69%
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. This is a marketing communication.

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	$475 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

Share Class	Institutional G/Institutional G Pooled
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.00%
Perf. Fee	20.00%
Min Init. Sub.	10,000,000
ISIN Codes	EUR: IE00BM98V839/IE00BM98VD89 USD: IE00BM98VB65/IE00BM98VG11 CHF: IE00BM98VC72/IE00BM98VH28 GBP: IE00BM98V946/IE00BM98VF04

Commentary continued.

New deal activity in June was actually quite strong, particularly so given the negative general market backdrop. In the UK, Caretech, a UK based provider of social care services for adults and children with special needs reached agreement to be taken private by a consortium including the company founders. Biffa, the UK based waste collections and waste recycling business, received an approach from Energy Capital Partners to buy the company at 445p in cash. Biffa have a dominant waste collection position in the UK, and scale matters a lot in this industry. The deal itself though carries potential risk, not only due to it being only a proposal but also due to a potential tax liability the company has disclosed due to an industry wide HMRC investigation in to the classification of waste. Again, staying in the UK, we saw Capricorn Energy reach agreement on a recommended all share 'merger of equals' with Tullow Oil. With Capricorn being flush with cash (c.150-160p per share on a stock priced at 210p) this is effectively a capital raise from Tullow disguised as a merger. This deal gives Tullow the war chest it requires to accelerate its development programme in Ghana where there may be significant potential for growth, i.e., quicker than the 3 year timeline which it previously outlined if it were independent. The situation seems ripe for a potential activist to step in and try and encourage something like a special cash dividend to be paid out in advance of the merger, or even compel Capricorn to run a proper sales process. Alternatively, Capricorn could return cash to shareholders to unlock the valuation discount in their Egyptian production and development assets.

We finish this month with comment on the general landscape for M&A, something that the press have been doing a lot of in the last few months. It is without doubt that financing has become more expensive and banks will likely be looking at deals with a finer tooth comb. It is also without doubt that the impact of inflation and of the Russia/Ukraine situation and of the lingering threat of Covid induced lockdowns in certain parts of the world dragging out supply chain disruptions - all of which will have an impact on the environment for deal activity. However, it is not as clear cut as a lot of the press would lead you to believe in my mind. In some ways, this is the perfect storm of a negative environment, but as we are seeing, company valuations have already changed rapidly and markedly. Over recent years it has become abundantly clear that many industries are being disrupted by the impact of technology, with the need to adapt and transform happening at a faster pace perhaps than ever before. Corporates know this, and will move quickly to take advantage of this destabilised environment we currently live in. Financial players, many of whom are buoyed by record levels of un-deployed capital, will also look to turn the current unstable market situation to their advantage by swooping on hard hit, perhaps undervalued companies. Buyers know that they need to move quickly to take advantage of opportunities - if they don't then others most likely will. Yes, we have seen greater volatility in deal situations and yes we have seen a decline in deals overall this year, but opportunities haven't fallen off a cliff, deals are still being announced and opportunities for our strategy are being created. As markets and share prices digest and adapt to the current uncertain environment we are living in, it is likely that some of the best and most interesting opportunities are probably ahead of us is in the next 12-18 months.

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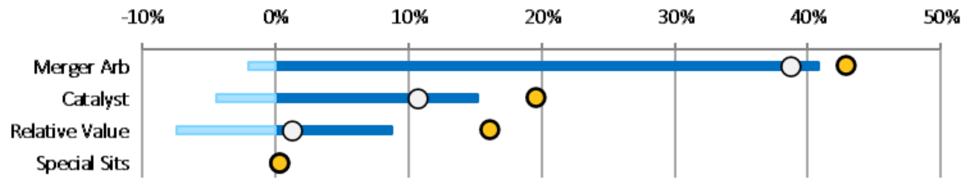
Portfolio Exposures

Risk Metrics

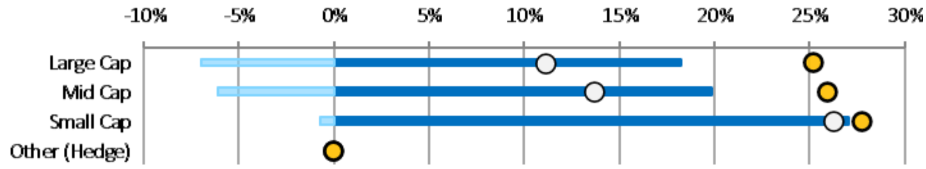
LONG EXPOSURE[1]	65.13%
SHORT EXPOSURE[1]	-13.90%
GROSS EXPOSURE[1]	79.03%
NET EXPOSURE[1, 3]	13.81%
SHARPE RATIO[2]	1.11
SORTINO RATIO[2]	0.86
VOLATILITY[2]	2.82%
NO OF POSITIONS	54

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.

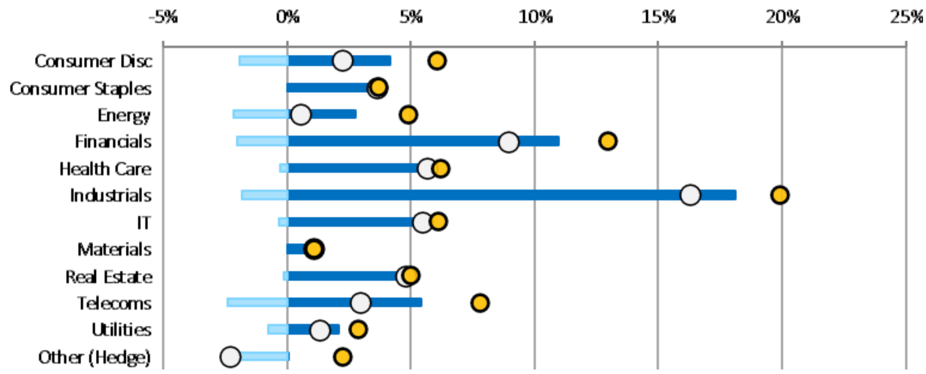
Exposure By Strategy[1]



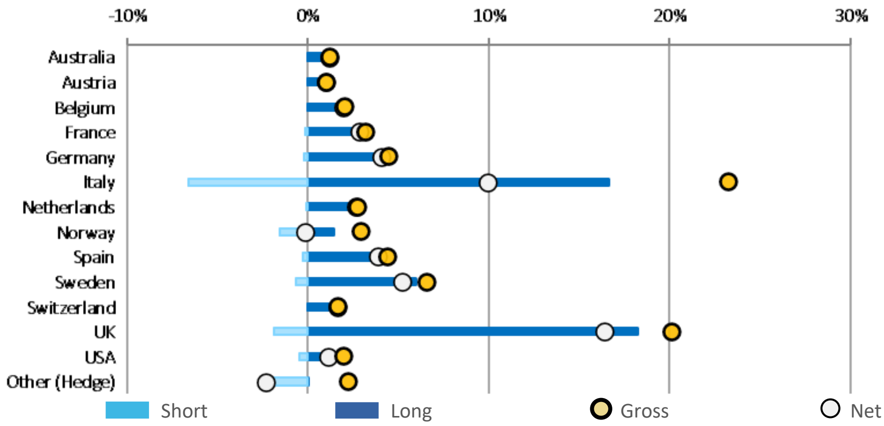
Exposure By Market Cap[1]



Exposure By Sector[1]



Exposure By Geography[1]



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