

MontLake Abrax Merger Arbitrage UCITS Fund

Global Merger Arbitrage

February 2021

Performance Returns

The MontLake Abrax Merger Arbitrage UCITS Fund gained 1.8% for the month of February (USD Institutional Founder Class), bringing the last 12 months' performance to +9.4%. The monthly performance compares favourably to the (unleveraged) return of +1.0% in February (LTM gain of +7.0%) 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 February

February's performance was primarily driven by a 3rd and final knock out bid on Tikkurila Oyj and a three-way bidding war on Coherent as well as continued convergence on Cineplex and Orange Belgium. The main detractor was a loss on G4S as Garda World unexpectedly decided to abandon the auction process that they, themselves had triggered alongside Allied Universal. There was also a broader spread widening in the merger arbitrage space caused by a significant decline in the SPAC universe. This is a universe in which Abrax has not been investing.

Tikkurila Oyj

PPG agreed to buy the paint manufacturer Tikkurila Oyj on December 18th at €25 per share. Tikkurila Oyj received 3 competitive offers; one from Hempel forcing PPG to increase its original bid by 11% from €25 to €27.75 on January 5th, another bid from Akzo Nobel/Hempel on January 18th at €31.25 (+12.6% increase from PPG's latest bid), and a final knock out bid from PPG at €34 (+ 36% increase from PPG's initial bid).

Coherent Inc

Lumentum agreed to buy the laser photonic supplier Coherent on January 19th at \$226 per share (\$100 in cash & 1.1851 shares of Lumentum). On February 8th, MKS Instruments submitted a counter proposal at \$240 per share (+6.2% increase) (\$100 in cash & 0.7473 share MKSI). On February 12th, a third strategic bidder, II-VI, announced its intention to acquire Coherent for \$260 a share (\$130 in cash & 1.30055 share of II-VI) or a +15% increase from the original bid.

These bidding wars & bumps (following very opportunistic takeovers for target companies whose share prices were still well below pre-covid levels) which continue to unfold, including Tikkurila and Coherent in February, are clear illustrations of the significant additional profit opportunities our strategy is currently enjoying.

G4S plc

While we have made a total net profit on G4S position since inception, we had a loss in February following the abandoned auction by Garda World for G4S. We had calibrated the position to limit the downside, floored with Allied Universal's bid at €245 and this outcome was a disappointment. It is unique for a bidder in a UK takeover auction that it has itself invoked, to abandon the process on day one of the auction which paved the way for its competitor Allied to buy G4S on an attractive price. Allied investment bankers were themselves extremely surprised and could not find a valid explanation, especially following Garda World's intense lobbying (in Canada, US and UK) and declarations that G4S acquisition was a must have in order to remain independent in a consolidating industry.

Recent Market Volatility and SPACs

The recent market volatility seems to have triggered some dislocation in the SPACs universe. SPAC ETFs and Indexes (SPAK US and SPAC Index) have lost -14% from their February peak, which has led to some collateral impact on merger arbitrage spreads, where all core merger arbitrage spreads including MXIM/ADI, WLTW/AON, PS, ALXN/AZN and WORK/CRM have widened.

This spread widening environment has created some interesting investment opportunities for Abrax and we also remain very optimistic about our performance prospects going forward, both with the rise in the number of opportunities and also with the higher profitability of these opportunities.

M&A Market Review for February

February was as active as January with strong M&A volume of \$400bn worth of M&A being announced. Notable deals included PRA Health Sciences /ICON (\$11,7bn), Inter Pipeline /Brookfield Infrastructure (\$10,1bn), CoreLogic / Stone Point Capital (\$7,6bn),

People's United Financial /M&T Bank (\$7,1bn), Enable Midstream Partners /Energy Transfer (\$6,8bn), GW Pharmaceuticals /Jazz Pharmaceuticals (\$6,4bn), Coherent Inc/II-VI Inc/MKS Instruments Inc (\$6bn), Seven Generations Energy Ltd/ARC Resources Ltd (\$3,6bn). Europe was also active with Signature Aviation /Cascade Investment (\$6,9bn), Dialog Semiconductor /Renesas Electronics (\$5,6bn), Natixis SA/Groupe BPCE (\$4,5bn).

UCITS Monthly Performance (USD Institutional Founder Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2021	1.97%	1.79%											3.79%
2020	0.49%	0.57%	-5.90%	6.00%	0.50%	-3.41%	1.66%	0.18%	-1.98%	0.54%	7.46%	0.97%	6.55%
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	\$79.0 million
Fund AUM	\$35.3 million
Inception	24 th 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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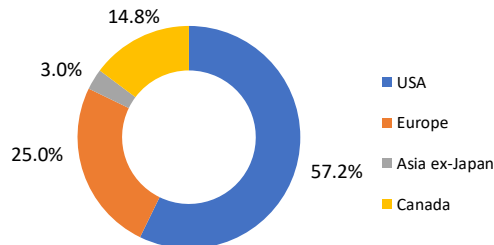
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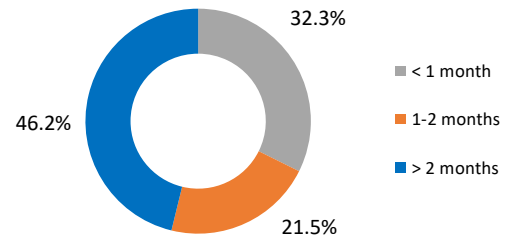
February 2021

Portfolio Exposure

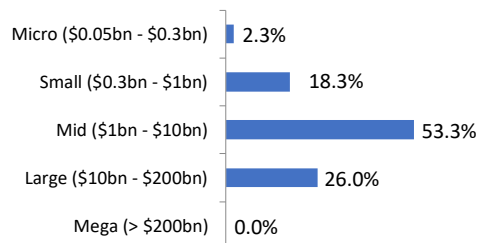
EXPOSURE BY GEOGRAPHY - TARGET



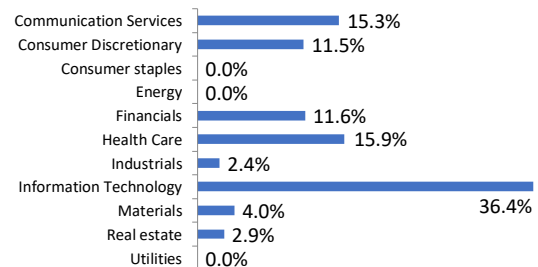
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



CURRENT FUND POSITIONING (% of NAV)

Long	115.4%
Short	11.7%
Gross	127.2%
Net	103.7%
Leverage	1.27x

CONCENTRATION (% of gross exposure)

Top 5 long positions	20.7%
Top 10 long positions	36.6%

DIRECTION (positions)

Long	35	New situations	10
Short	5	Situations closed	9

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%

Contact Details

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