MontLake

+0.29%*

Mygale Event Driven UCITS Fund

Event Driven

November 2019

Performance Returns

*The Mygale Event Driven UCITS Fund USD institutional class returned +0.29% during the month of November.

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.

Monthly Commentary

November brought gains of +3.4% for the S&P500, hitting one closing high after another amid growing signs that questions over geopolitical trade issues were slowly being answered. Much of this is predicated on a positive outcome for a Phase 1 trade deal between China and the US, which has so far eluded us, but perhaps it is notable that there has been no further escalation of tariffs. We look ahead to 15th December, the date of the next scheduled tariff increase, and remain cognisant of a potential further twist in negotiations. Similarly, political uncertainty continues to plague the UK, with all eyes on the upcoming election on 12th December. Polls have the Boris Johnson-led Conservative Party securing a parliamentary majority, giving him a boost in getting his Brexit deal done, but poll-watchers have been bitten more than once in recent times! Whilst we have a view that both of these situations will be resolved in a market pleasing manner we remain mindful that history has taught us to expect the unexpected. In Europe, markets also proved resilient with the Euro Stoxx 50 posting gains of +2.8% in the face of continued economic concerns. There is little doubt that the US / China trade dispute as well as the impact of continued Brexit uncertainty is not helping matters, with, for example, the eurozone PMI at a 7 year low. The expected imminent resolution to these now tiresome issues is necessary to provide much needed certainty and confidence.

With the calmness that returned to markets in October continuing in to November, we saw a much more active environment for Event Driven activity as global announced deal volumes increased 16% YoY. Driven by broad strength in strategic deals, as well as from financial sponsors, European deal flow in particular was strong during the month (up 76% YoY). This resulted in us initiating a number of new investments in the portfolio, many of which were in our Merger Arbitrage sub-strategy. These new deals were broad ranging across the market cap. spectrum - some of which have quickly delivered the expected catalyst within our investment thesis.

Looking regionally within Europe, Scandinavia was active with investments initiated in Hoivatilat, an operator of aged care facilities and primary schools. Bid for by Aedifica, the attraction here is its stable cash flow, long leases and credit exposure to state entities. We view the offer price as being opportunistic and believe that there could be pressure for a bump in terms or a counter bidder to emerge. Continuing the Scandinavian theme, we also initiated positions in Cramo, a construction equipment rental company active in Scandinavia and Eastern Europe. Boels, the no.1 player in the sector in the Benelux region reached agreement on a cash takeover at euro13.25.

Activity in the UK remained more quiet than normal, with corporate CEO's perhaps still lacking the confidence needed to embark on transformational acquisitions whilst Brexit and political uncertainty still remained. Consort Medical, however, received a bid from Recipharm (of Sweden) at 1010p in cash. Consort has suffered from years of mismanagement and also a recent fire at one of its production facilities so, in our view, Recipharm are somewhat opportunistic in the timing of their approach. Consort is a manufacturer of drug delivery devices and ingredients and as such can be considered to be strategic in nature with an interesting portfolio of patents.

In the US we were encouraged by European conglomerates looking across the pond to boost growth, with the likes of Tiffany & Co. being bought by LVMH, as well as Medicines Co. reaching an agreed deal to be bought by Novartis. The vote of confidence from these European CEO's is clearly a positive and hopefully a sign of a burgeoning deal pipeline once the geopolitical issues are sorted. It is also supportive of our belief that European corporates have focused too much on cutting costs and paying dividends, particularly so when compared to their US counterparts, and need a renewed focus of investing via Capex and M&A to drive growth and profitability in coming years.

We have also been active in the US this month initiating a number of new investments. The most notable of these has been in Tech Data, a global distributor of IT and consumer electronics products. PE firm Apollo made a bid in early November and our analysis quickly led us to gain an understanding as to the attractiveness of the company and gave us confidence that there was potential for other parties to emerge as a counter bidder at a higher price. This thesis was confirmed when Berkshire Hathaway made a bid for Tech Data that ultimately led to Apollo raising their original bid price by 12%. Buffett is believed to have walked away from bidding higher but we continue to hold the position in the belief that there remains an outside chance for a further bidder to emerge.

We look forward to December with hope that the long running global trade and Brexit induced tensions will finally find paths to resolution. Should this progress in the way we envisage, then we foresee an active end to the year and a conducive environment for our strategy in 2020.

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2019	0.60%	0.19%	0.34%	0.51%	-0.20%	1.43%	0.67%	0.15%	0.16%	-0.11%	0.29%		4.10%
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. A F	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2019	0.54%	0.15%	0.33%	0.48%	-0.25%	1.37%	0.67%	0.12%	0.13%	-0.12%	0.28%		3.78%
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%

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	$355 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 Founder/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

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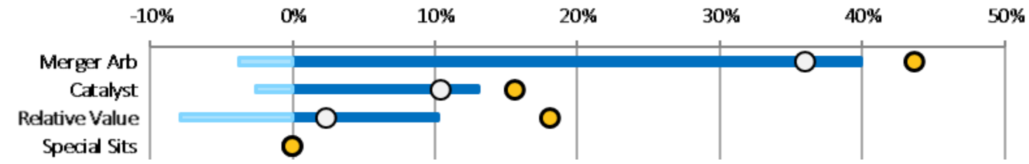
Portfolio Exposures

Risk Metrics

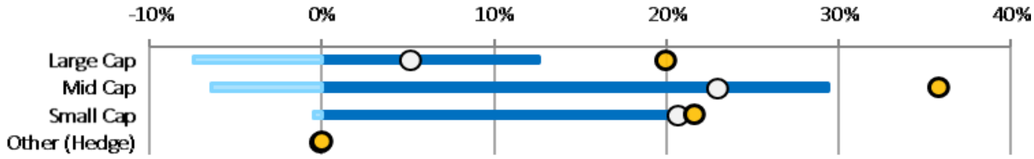
LONG EXPOSURE[2]	63.17%
SHORT EXPOSURE[2]	-14.24%
GROSS EXPOSURE[2]	77.41%
NET EXPOSURE[2, 4]	16.06%
SHARPE RATIO[3]	2.22
SORTINO RATIO[3]	2.33
VOLATILITY[3]	2.06%
VAR[1]	2.64%
NO OF POSITIONS	63

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

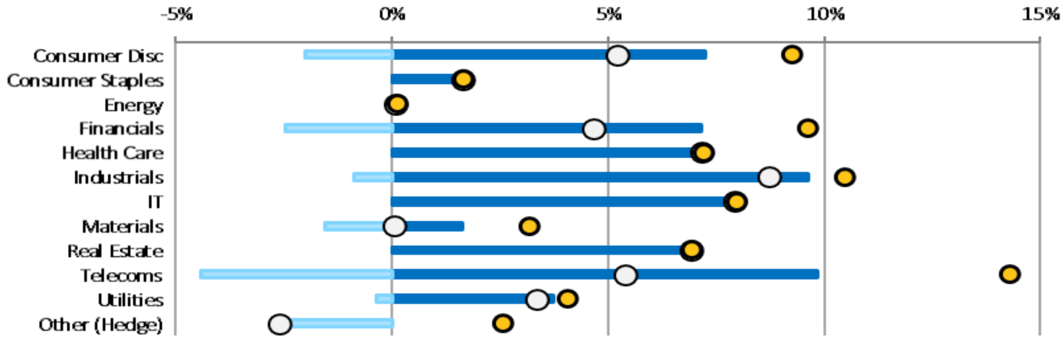
Exposure By Strategy[2]



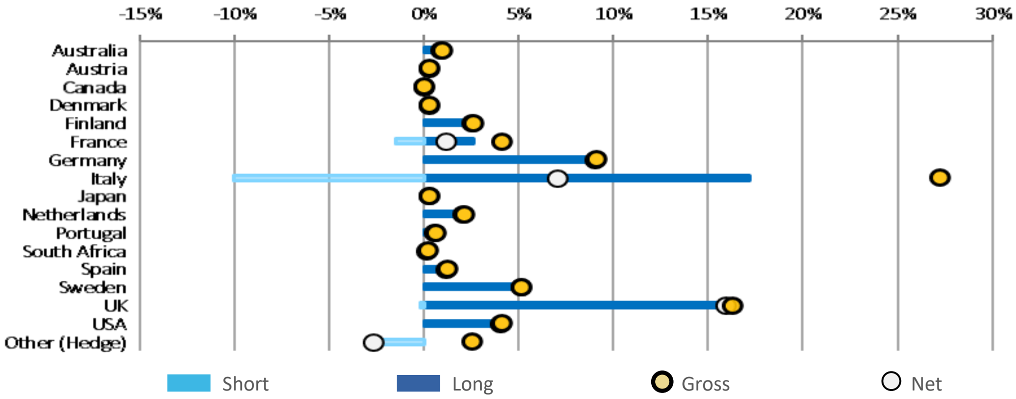
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



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