Mygale Event Driven UCITS Fund

Event Driven

June 2016

FACTSHEET

Performance Returns

The Mygale Event Driven UCITS Fund USD institutional class had a positive performance of 0.03% 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 30-50 positions with a typical net exposure of up to 50% and gross of between 150% and 250%. 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

Exit or not to exit? The widely anticipated 23rd June referendum on whether the UK will stay in or leave the European Union sent shockwaves around the world, defying the predictions of various bookmakers and pollsters alike. The vote to leave the EU was successful by approximately 52% to 48% and the repercussions are still playing out in financial markets and the political sphere. Changes at the helm of British politics are now inevitable as various contenders sharpen their pitches in preparation for their real-life *Game of Thrones*. The implications for financial assets played out initially as expected following the vote – stock markets sold off in a panic fashion, the British Pound and Euro took a tumble while gold continued its strong run. However, after gaining much lost ground on the day itself, since the 23rd, the stock markets continued to shrug off the result as questions arise over the separation process and timing. The FTSE 100 turnaround has been the most stark, with investors finding solace in the fact that the majority of constituents generate their profits outside the UK, and hence not in GBP. It finished up 4.4% in June, against the likes of the S&P 500 (+0.1%) and the DAX (-5.6%). No such luck for sterling and the euro though, with holders of the greenback sitting pretty. Don't expect central banks to simply watch from the sidelines – perhaps we can stop panicking when they start.

We've seen a notable drop in announced deals and corporate activity leading up to the Brexit vote, as the uncertainty understandably meant that any significant acquisition or restructuring was postponed. The base effect comes into play though, with a record 2015 being a tough act to follow. Recently released Dealogic data showed that UK-targeted merger activity slowed in 1H, with the fall especially pronounced in the second quarter. The post-vote uncertainty is unlikely to help either, but we welcome the market volatility presenting us with multiple opportunities to add to our favourite positions at attractive levels. That being said, there is still plenty of cash to be put to work and the UK has never looked cheaper to a foreign buyer following sterling's fall, so we can always be hopeful of others following News Corp's lead. It is clear that US buyers are always happy to look closer to home, with Hershey rejecting a Mondelez bid only last week. Takeover valuations for US targets continue to remain lofty, with the medium EBITDA multiple in excess of 15x. With investors turning cautious, valuations are likely to come down, or simply serve to highlight the value in spending overseas.

Most spreads have returned to their pre-Brexit levels, but the investor cautiousness in deals with a Chinese acquirer is still evident. West China Cement is the latest such situation to sting investors, in what had looked like a reasonably straightforward deal with a good buyer in Anhui Conch, China's largest cement manufacturer (fortunately we had looked at this deal but, after careful consideration, chose to avoid making an investment). In the end, MOFCOM didn't approve the deal prior to the 30 June drop dead date. The scepticism isn't limited to the merger arb community as index provider MSCI failed to include China's domestic A shares in its global benchmarks for the third year running. MSCI pointed out a few outstanding issues, including obstacles to moving funds in andout of China. Sounds very familiar to us, but we hope this can inspire Chinese markets to open up further as we are under no doubt over the fundamental role the Chinese buyer will play in shaping the global economy.

Unsurprisingly, our portfolio was relatively volatile during the month of June (particularly so at the end of the month!) and whilst we are pleased to have generated a positive return in this difficult environment, we are also disappointed that the return wasn't more meaningful.

We had a few catalysts that had the possibility to play out in June that unfotunately didn't materialise in our favour. The most annoying of which was the mandatory takeover of Engineering by the Neuberger Berman and Apax consortium. We have been an investor in Engineering since the early days of the bid process and always felt that the bid structure as well as the price being paid leant themselves to some sort of shareholder action. As the market leading Italian IT services company with an unlevered balance sheet and strong cash generation we felt it likely that some large shareholders could push for a higher price or a dividend distribution. With over e153m net cash at end 2015, and having paid dividends for the previous 6 years, including a special dividend in 2015, we thought this a legitimate possibility. The day after the publication of the 2015 results we started to see some progress in this direction with OEP Italy (a shareholder with 29%) proposing an entry to the shareholders general meeting for a dividend distribution to be paid. In 2014, when net profits of euro 34.1m were made, they paid a dividend of euro 20m, hence OEP Italy argued that having made euro 49.8m profit in 2015 there was no material or objective reason that would prevent the company from making a distribution this year. Unfortunately however the consortium reached an agreement to buy the OEP shares on the 14th June at the bid price. This behaviour seems a little strange to us, and leads us to speculate that some sort of deal for an investment in the bidding vehicle may have been agreed behind the scenes…… a most disappointing outcome!

Elsewhere, both the Merger Arbitrage and Catalyst sub-strategies delivered positive returns with a small loss being suffered in the relative value strategy. In Merger Arbitrage, contribution of note came thanks to the increased bid for Energy Assets from Alinda Capital, with the bid being increased from 685p to 722.5p. After strong financial performance in 2015 we were expecting an increase in terms to get the necessary scheme vote through and were pleased that this materialised as envisaged.

As we enter the 2nd half of 2016, we have a diversified portfolio of opportunities and have a number of potential catalysts that could play out during the coming months. Whilst recognising the undoubted uncertainty the Brexit vote is bringing to the markets, we are cautiously optimistic that our approach to Event Driven investing will continue to uncover profitable investment opportunities in H2, and look forward to your continued support.

USD Institutional Share Class Performance (fees, 1.5% and 20%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y-T-D
2016	0.97%	0.47%	0.02%	0.67%	0.47%	0.03%							**2.61%**

The performance figures quoted above represent the performance of the Mygale Event Driven UCITS Fund USD Institutional Share Class since launch on 6th January 2016. These performance figures refer to the past and past performance is not a guarantee of future performance or a reliable guide to future performance.

THE MANAGER

MYGALE

Neil Tofts has over 19 years' experience successfully running event driven portfolios and funds, and 22 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 six 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	Weekly
Fund AUM	$83 million
Inception	1st December 2015

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

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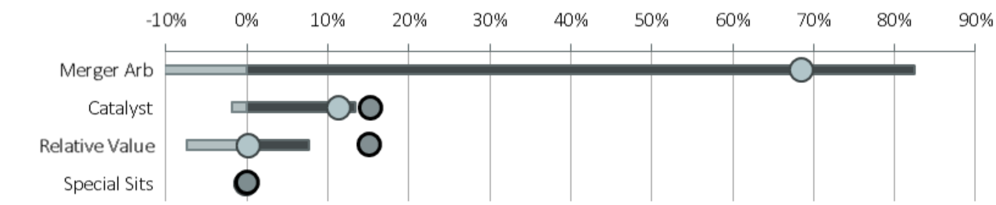
PORTFOLIO EXPOSURES

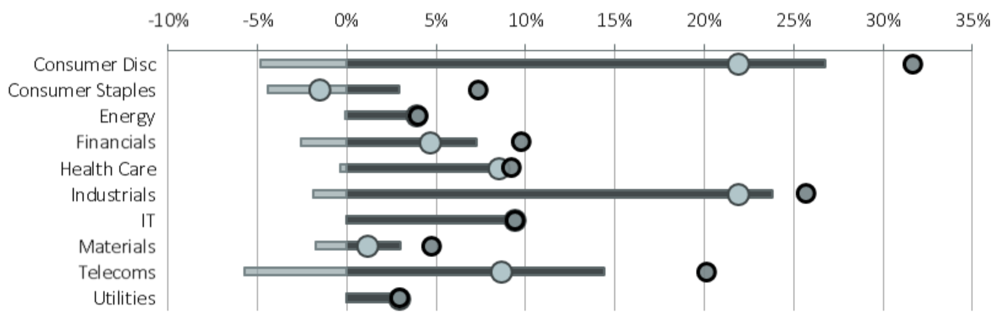
Risk Metrics

LONG EXPOSURE[2]	103.48%
SHORT EXPOSURE[2]	21.51%
GROSS EXPOSURE[2]	125.01%
NET EXPOSURE[2, 4]	17.98%
SHARPE RATIO[3]	1.36
SORTINO RATIO[3]	1.80
VOLATILITY[3]	3.96%
DAILY VAR[1, 3]	4.64%
NO OF POSITIONS	43

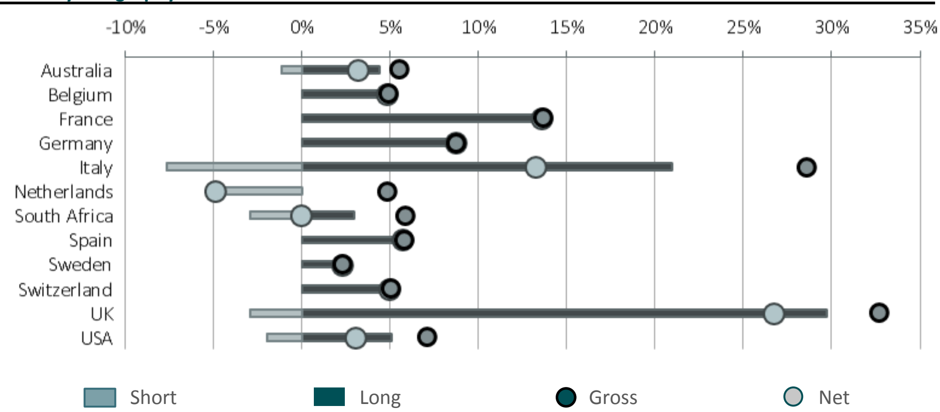
Exposure By Strategy[2]



Exposure By Sector[2]



Exposure By Geography[2]



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 daily gross portfolio performance
4. The net figure excludes cash merger deals.

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