Mygale Event Driven UCITS Fund

Event Driven

September 2018

FACTSHEET

Performance Returns

The Mygale Event Driven UCITS Fund USD institutional class returned 0.90% during the month of September.

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

September proved to have a bit of the "same old" about it, with the US continuing to outperform Europe amidst continuing geopolitical and trade tensions. Supported by a thriving domestic economy, the S&P 500 returned 0.4% during the month bringing its total performance for Q3 to a strong +7.2%. In contrast, the DAX lost 0.5% in September on the back of a political crisis in Germany centred on migration, which weakened Chancellor Merkel's ability to form a new government. The Euro Stoxx 50 gained 0.2%, returning a paltry 0.1% for the quarter. The FTSE 100 overcame Brexit deal uncertainty and a stronger Sterling (+0.5% vs. USD) to close the month 1.0% higher, however still insufficient to record a positive Q3 (-1.7%).

Following a frantic first half of the year, Q3 proved to be a somewhat subdued quarter as far as Global M&A activity was concerned (down 35% on Q2 at $783bn) as many acquirers paused over the summer period, no doubt mindful of the continuing geopolitical tensions and trade wars. The biggest casualty of these trade wars was undoubtedly the Qualcomm / NXP Semiconductors deal which fell apart in July due to the absence of Chinese approval. Whilst this has rightly cast uncertainty for the prospects of other deals requiring Chinese regulatory approval, we are starting to see more rational consideration of these risks reflected in deal pricing. Despite this Q3 slowdown however, 2018 is still proving to be the strongest on record, and the first nine months of the year saw global M&A deal value reach a record of $3.3tn (a 39% jump from 2017). Growth in Europe, whilst down 14% on Q2, has been particularly strong YTD with deal values of $963bn, up 72% compared to 2017 and the highest since 2007.

Whilst the previously mentioned regulatory tensions are hard to ignore, it's also important to remember just what is driving corporate decision making currently. Company CEOs are increasingly operating in an environment where the traditional definition of markets is changing. Consumer habits are evolving dramatically and entire industries are being disrupted by new technologies. This is having a significant impact on decision making. Companies operating in disrupted marketplaces have to adapt and keep on moving to stay relevant, with businesses needing to be driven forward to generate growth for shareholders. Pepsi's acquisition of Sodastream, announced in August, is recent evidence of the impact of such changing consumer habits. As consumers become increasingly health conscious, companies are looking towards healthier and greener options to drive their business forward. We fully expect this trend to continue over coming years, and in fact, as we write, both Coca Cola and Pepsi are among potential buyers of GlaxoSmithKline's nutritional foods unit.

Cross border acquisitions have been much more active than domestic only deals so far this year, and in Q3, it wasn't just the culmination of an intense bidding battle for Sky, in September, that was noteworthy. In fact, of the top ten deals targeting Europe in the quarter, nine were conducted by foreign acquirers, with the $67bn acquisition of Jardine Lloyd Thompson by Marsh & Mclennan being the most significant. The bid for UK drugmaker Shire, by Takeda of Japan this year is also very symbolic for the space. This is the biggest outbound deal by a Japanese acquirer ever, and we feel is unlikely to be the last. Many Japanese companies have access to significant amounts of capital and are likely to continue using it to acquire and grow outside of Japan.

Whilst new deal flow in September was somewhat quiet, deal appetite itself was very healthy, as evidenced by the bidding battles for unique assets such as Sky and Investa Office Fund, two of our long held and biggest investments in the portfolio. An auction process for Sky resulted in Comcast trumping Fox with a winning bid of 1728p per share, a premium in excess of 60% over Fox's initial approach at 1075p per share almost two years ago. Investa Office Fund, saw OMERS, a Canadian Pension Fund make a late play for the company and fought hard against Blackstone, with a number of bids and counter bids, and is currently in a period of confirmatory due diligence. Pension fund players and Infrastructure funds are increasingly looking toward listed targets in order to find value and hence we foresee continued bidding tension between them and private equity players, all of whom are flush with liquidity at present!

Monthly Share Class Performance Breakdown

USD Ins.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y-T-D
2018	0.63%	0.96%	-0.23%	0.36%	-0.27%	0.63%	0.22%	0.06%	0.90%				**3.30%**
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**
2018	0.65%	0.97%	-0.29%	0.37%	-0.28%	0.59%	0.23%	0.03%	0.90%				**3.20%**
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

M Y G A L E

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 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	Weekly
Fund AUM	$198.97 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

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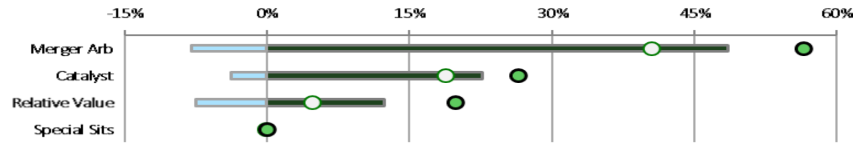
PORTFOLIO EXPOSURES

Risk Metrics

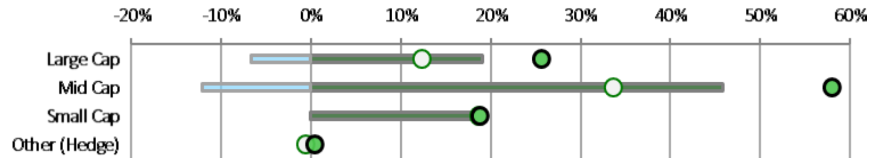
LONG EXPOSURE[2]	83.68%
SHORT EXPOSURE[2]	-19.23%
GROSS EXPOSURE[2]	102.91%
NET EXPOSURE[2, 4]	25.72%
SHARPE RATIO[3]	2.57
SORTINO RATIO[3]	4.47
VOLATILITY[3]	1.95%
VAR[1]	3.88%
NO OF POSITIONS	51

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.

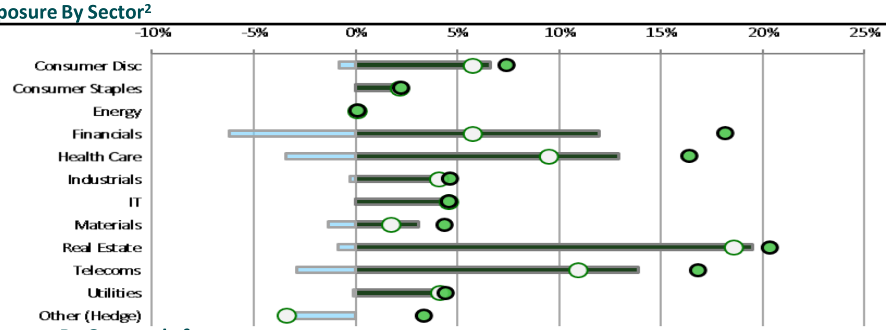
Exposure By Strategy[2]



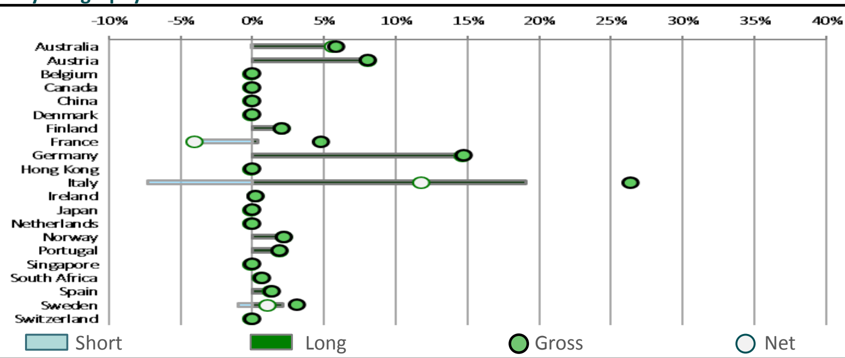
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



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