Mygale Event Driven UCITS Fund

Event Driven

October 2016

FACTSHEET

Performance Returns

The Mygale Event Driven UCITS Fund USD institutional class had a performance of -1.56% during the month of October.

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

If there was any doubt about the influence of politics on today's markets, October proved to be a real reminder of its relevance. At home, the UK continues to deal with the implications of June's positive Brexit vote. Early on in October, PM May told us that Article 50 would be invoked by March 2017 and markets reacted with utter surprise at the government's willingness to pursue a "hard Brexit". We saw a flash crash on the 7th where cable dipped below 1.20 and has never fully recovered, helping the FTSE 100 finish higher over the course of the month (+0.6%), in the process outperforming our cousins across the pond. The US spent October with one eye on their impending quadrennial election where to us, the verbal jousting has been more bitter and attacks have been more personal than any other election in recent memory. We hope that does not detract from the ability and action plan of the successful candidate to run the country when in office. We haven't got the typical strong October for US markets with the S&P 500 lower by 1.8% over the course of the month despite US Q3 real GDP expanding by an annual rate of 2.9%, a notable turnaround from a stagnant H1. Perhaps investors are looking ahead to a potential December rate rise and holding fire for now. We also saw some political headlines in Spain, where PM Mariano Rajoy was elected for a second successive term after ten months of stalemate. European equities outperformed last month (SX5E +1.8%) amidst a backdrop of generally solid Q3 results, with notable beats from the financial sector.

We are hopeful that the current political uncertainty is just another speed bump in many companies' growth journeys. While it is true that volatility tends to inhibit deals, October reminded us that conditions are still ripe for increased merger activity. Bloomberg reliably informs us that the cash amounts on US corporate balance sheets increased from 3.75% in Q1 to 3.82% in Q2, above the 25-year average. We are still a way off the 2009-10 highs of 4.50%+, but financing rates are still very favourable for companies facing dwindling organic growth. It is these mega caps who, at this late expansion stage of the business cycle are buying inorganic growth funded by cash on hand or corporate debt. We saw General Electric join forces with Baker Hughes to create a $32bn oil and gas behemoth, helping US M&A activity in October make a new record print of over $251bn, surpassing the $240bn in July 2015 according to Dealogic. In fact, Bloomberg-compiled data shows that if we extrapolate mega-deal volume so far (transaction value in excess of $10bn), 2016 is on track to beat every year since 2007. When we consider this year's M&A activity as a proportion of global GDP (c.4%), we are still below the 5% average of the past 15 years and well short of the recent annual peaks of 7-8% in 2007 and c.10% in 2000 (Bloomberg).

Despite taking a cautious stance coming in to October, we unfortunately suffered our first down month of the year. In late September, we had started to reduce exposures, both due to the fact that some deal spreads were trading at tighter levels than we were comfortable with and also due to concerns about markets generally. However, the widespread market nervousness, combined with a couple of specific negative news events, contributed to our underperformance.

The fund was involved in its first broken deal of the year (that cost us just over 20bps), which admittedly, came a little out of left field. Altice, of the Netherlands, made a bid for the 22% of SFR that it didn't already own. The deal had no minimum acceptance level and required only clearance from the AMF and AFM (French and Dutch market regulators respectively) of the offering prospectus. Surprisingly, the AMF declared that the offer was 'non-compliant' and that Altice had provided 'imprecise' information about how SFR would compensate its mother company that was needed by minority holders to evaluate the offer, hence the offer could not proceed. Since this decision, Altice bought a further 5% of SFR in an off market transaction and has launched an appeal to the AMF decision. We reacted to this by instantly unwinding half of our position, and have subsequently started to buy back in as the spread has started to reach attractive levels. Elsewhere, our catalyst driven investment in the cyber security company Imperva, a position that had performed well for us in September, reversed those gains as it became apparent that the company hadn't been successful in its search for a buyer and were putting the sales process on hold. It seems that whilst the company is for sale, the prices that were offered (by more than one acquirer) were lower than they were willing to accept, and hence chose to remain independent.

Ahead of the US elections we have continued to reduce our exposures, and hence enter November sensibly positioned and ready to take advantage of any opportunities the market brings our way.

Monthly Share Class Performance Breakdown

2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y-T-D
USD Ins. S	0.97%	0.43%	0.02%	0.67%	0.47%	0.03%	2.83%	0.76%	0.84%	-1.56%			**5.54%**
GBP Ins. F	1.25%	0.47%	0.02%	0.69%	0.57%	0.18%	2.85%	0.83%	0.86%	-1.16%			**6.70%**

Note: The performance figures quoted above for the USD Share Class 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

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 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	$101million
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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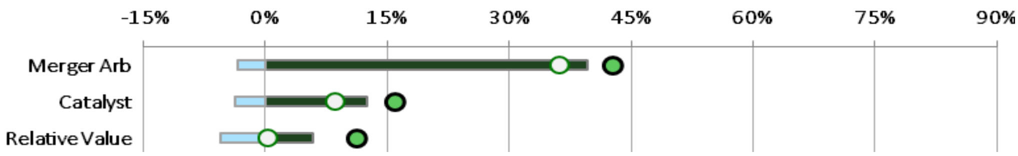
PORTFOLIO EXPOSURES

Risk Metrics

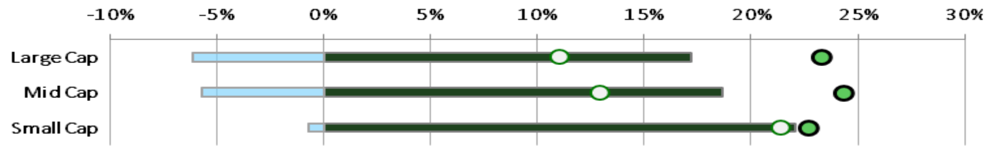
LONG EXPOSURE[2]	57.92%
SHORT EXPOSURE[2]	12.56%
GROSS EXPOSURE[2]	70.47%
NET EXPOSURE[2, 4]	10.80%
SHARPE RATIO[3]	1.85
SORTINO RATIO[3]	2.93
VOLATILITY[3]	4.33%
DAILY VAR[1, 3]	3.92%
NO OF POSITIONS	40

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.

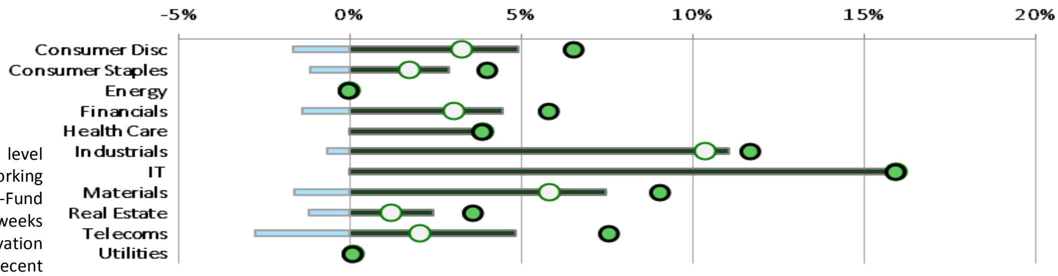
Exposure By Strategy[2]



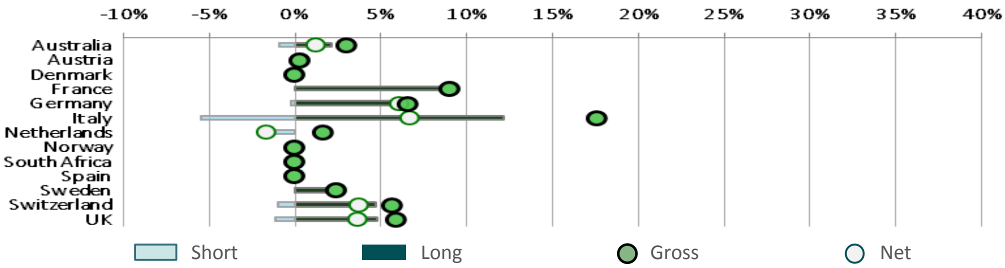
Exposure By Market Cap[2]



Exposure By Sector[2]



Exposure By Geography[2]



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