Mygale Event Driven UCITS Fund

Event Driven

November 2016

FACTSHEET

Performance Returns

The Mygale Event Driven UCITS Fund USD institutional class had a positive performance of 0.03% 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 30-50 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

2016 will likely be remembered by many for the dramatic rise of populism. We now know that the US electorate has voted Donald Trump in as their 45th President, joining the British public in confounding bookmakers and pollsters alike. His populist manifesto of tighter immigration control, opposition to trade agreements and lower taxes proved popular enough, but we are unsure about whether the gulf with other leading Republicans can be bridged. We had reduced our gross leverage ahead of a potential Trump victory, anticipating that many forecasters had been too complacent on a Clinton win, much like we had seen months earlier with our Brexit vote. As a result, we had expected much uncertainty and volatility in markets, but instead we got a sustained market rally – US equity markets made all time highs (S&P 500 +3.4%), a drop in the VIX (-21.9%) and a US rate rise on the horizon, as Trump talked big infrastructure spending, lower taxes and new trade deals. Go figure – if anything, we have been reminded again how unpredictable markets can be. We're not fully convinced on equities globally as a clear disconnect still exists – see the November weakness in Europe: FTSE 100 -2.5%, DAX -0.23% and MIB -1.1%.

December brings with it another significant referendum, with the Italian populace voting on a change to the country's constitution. PM Renzi wants to limit the senate's power relative to the lower house in order to pass a major economic reform bill. Should a No vote prevail, Renzi may resign either leading to the appointment by President Mattarella of a caretaker technocratic PM, or early elections that might see the populist Five Star party take power. Its leader, comedian Beppe Grillo has said that it would hold a referendum over whether Italy should leave the eurozone, the consequences of which are obviously far-reaching. Italian spreads over Bunds widening out to two-year highs. Slippery slope ahead – we are watching cautiously, but it would no longer surprise us as the EU voter continues to display their distaste of globalisation. Look at the rise in support for the right wing populist parties across Europe like Front Nationale in France, Fidesz in Hungary or PVV in the Netherlands, to name a few.

The strength of the US Dollar last month has been noticeable with the DXY Dollar index having made thirteen-year highs. We're seeing some of that play out in M&A as American buyers whether corporate or private equity, go shopping overseas. None made as many column inches once Johnson & Johnson were caught in the act (excuse the pun) trying to buy Actelion, the Swiss drug maker specialising in treatments for pulmonary arterial hypertension. Actelion has long been mooted as a takeover target, with the likes of Shire having been linked just last year. Much will depend on Jean-Paul Clozel, a cardiologist and Actelion's CEO since its establishment in 1997, who has fought tooth and nail to keep the company independent, hence, rightly or wrongly, we are approaching this with caution. However, the prize for the month's largest deal goes to the merger of Sunoco Logistics and Energy Transfer Partners, both midstream energy storage and pipeline companies who will combine in a $20bn all-stock deal. We expect the string of deals in the energy and oil & gas space to persist with Trump planning to lift restrictions in the sector while OPEC agreed to its first output cut for eight years.

With this volatile backdrop in mind, we have maintained a relatively cautious approach in November, and the fund produced a small positive return of +3bps. Ahead of the US elections in early November we reduced gross exposures in the expectation of being able to benefit from market volatility should Trump win. As we all now know however, this volatility didn't materialize and markets held up very well.

In Europe we were active in MP Evans, an operator of palm oil and rubber plantations in Indonesia. The company was subject to a bid approach from KLK, a leading Malaysian palm oil plantation group. The initial offer was priced at 640p in cash, and this is where we became interested. From a valuation perspective, the proposed price was cheap at around US$12k / hectare, when opposed to previous deals seen at greater than US$20k / hectare. MP Evans is a rare asset, in that it is listed and potentially available to be acquired, this is opposed to the majority of other Palm oil land in Indonesia which is private family held and unlikely to be for sale. MP Evans were opposed to the deal based on valuation and had support from 55% of shareholders. We built a long position in the expectation of KLK being both forced, and able, to increase their price to secure this strategic asset. A revised bid of 740p (US$14k / hectare) in cash ensued, and as the stock rallied we sold some of our position, concerned that the continued shareholder opposition (now at around 40%) could still derail the bid.

We also profited from an investment in Lavendon, a European and Middle Eastern market leader in powered access equipment, who are the subject of a bid from TVH of Belgium in a deal that would create the third largest player globally. Lavendon is an interesting business and one that, due to the leverage needed for growth, is probably better suited to being private equity or privately owned. We identified early on that due to the specialised nature of the asset that there could be a handful of potentially interested parties. The company has subsequently received an approach from privately owned Loxam of France, and we await further progress on this.

Outside Europe, our investment in Accuride, the US wheel manufacturer subject to a bid by private equity firm Crestview Partners closed successfully during the month, despite some shareholder opposition to the price being paid. Post the US elections we saw a pick up in new merger activity, both in the US as well as in Europe. We see this continuing strongly in to 2017, and whilst the EU referendum in Italy could provide some short term volatility, the strong reasons for corporate activity that we have discussed in previous newsletters remains.

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%	0.03%		**5.57%**
GBP Ins A F	1.25%	0.47%	0.02%	0.69%	0.57%	0.18%	2.85%	0.83%	0.86%	-1.16%	0.05%		**6.75%**

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

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	$105.7million
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

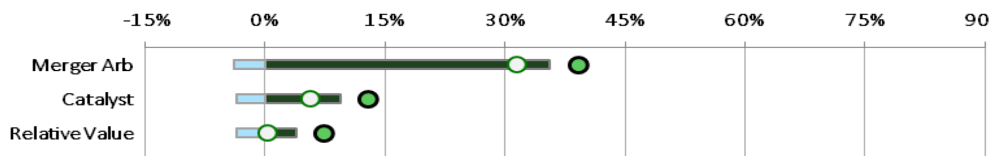
Share Class	Institutional Founder/Retail Pooled
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.25%/2.00%
Perf. Fee	15%/20%
Min Init. Sub.	10,000,000/10,000
ISIN Codes	EUR: IE00BYRPG302/IE00BYRPFZ52
	USD: IE00BYRPG633/IE00BYRPG294
	CHF: IE00BYRPG526/IE00BYRPG187
	GBP: IE00BYRPG419/IE00BYRPG070

PORTFOLIO EXPOSURES

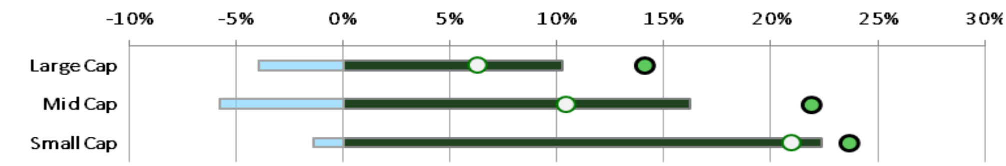
Risk Metrics

LONG EXPOSURE[2]	48.81%
SHORT EXPOSURE[2]	11.07%
GROSS EXPOSURE[2]	59.88%
NET EXPOSURE[2, 4]	9.16%
SHARPE RATIO[3]	1.90
SORTINO RATIO[3]	2.94
VOLATILITY[3]	3.89%
DAILY VAR[1, 3]	2.27%
NO OF POSITIONS	34

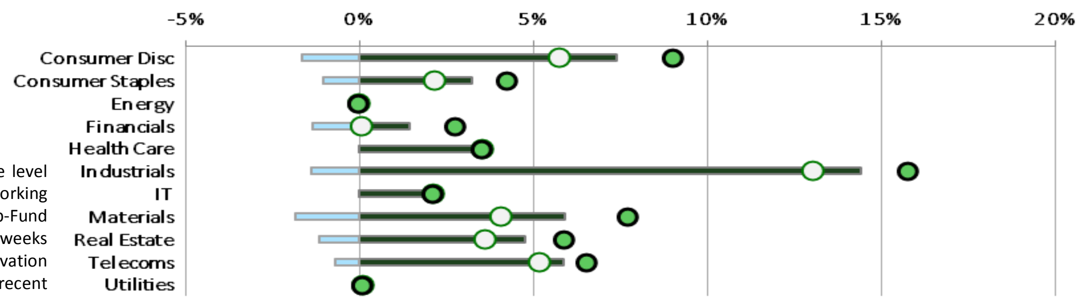
Exposure By Strategy[2]



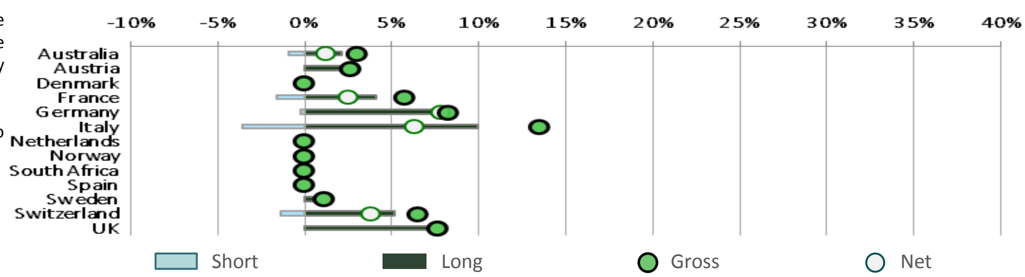
Exposure By Market Cap[2]



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.

Contact Details

Investor Contact	Investment Manager	Sub Investment Manager
ML Capital Ltd	**ML Capital Asset Management Ltd**	**Tavira Securities**
29 Farm Street	26 Fitzwilliam Street Upper	88 Wood Street
London, W1J 5RL, UK	Dublin 2, Ireland	London EC2V 7DA
T: +44 20 3709 4510	T: +353 1 535 0912	T: +44 20 3192 1725
investorrelations@mlcapital.com	investorrelations@mlcapital.com	ym@mygalefunds.com

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