

### FACTSHEET

#### Performance Returns

The MontLake Burren Global Arbitrage UCITS Fund finished up 0.91% in July.

#### Market Commentary

The fund returned 0.91% net for the month of July, compared to +2.37% for the HFRX Event Driven Index, +0.26% for the HFRX Merger Arbitrage Index and +1.45% for the HFRX Global Hedge Fund Index. Geographical exposure was split approximately as follows: Europe 43% and North America 57%. The fund had no exposure to Asia in the month. The fund's volatility was 2.5%.

After June's shocking Brexit vote, July was an especially strong month for equities globally with the S&P, Eurostoxx and Nikkei moving +3.56%, +4.40% and +6.38% respectively. The VIX fell to recent lows against these moves, moving from 15.63 to 11.87, whilst credit recovered slightly in the month. Metals continued their upwards move with gold, silver and platinum rallying +2.22%, +8.66% and +12.12% respectively. Oil however came under renewed pressure with crude approaching \$40 by the end of the month. The correlation of previous months to the equity markets has obviously broken down, for now. Currencies were particularly muted and little changed in comparison to recent weeks and months.

In the month of July, 27 new deals were announced, split roughly 63% North America, 30% Europe and 7% Asia. The Top 5 deals in aggregate totalled approximately \$68bn, mega deals once again dominated the news flow. A prime example of such a deal was SoftBank's \$30bn acquisition of Arm Holdings in the UK. As we mentioned in last month's newsletter we do expect to see a pick-up in those deals, seeking to take advantage of UK valuations against a weakened GBP, especially where the company's earnings are predominantly derived from outside the UK, such as Arm Holdings. Given the short timeline, nominal regulatory risk, solely a UK vote requirement and the limited ability for the UK government to intervene, this is one of the more interesting situations in our opinion currently in the European M&A space. As such we initiated a position within the fund. Oracle's \$9bn acquisition of NetSuite was also of particular note. Again with a short timeline, limited regulatory risk, and small potential optionality, this situation also made the cut and was included in the portfolio over the course of the month.

There was one significant story which dominated much of the news flow within our space in the month of July, Anheuser-Busch's acquisition of SAB Miller. As we approached the end of the regulatory calendar, we were expecting some news flow to occur, however even we were surprised at what happened next. During the month, Anheuser-Busch made the surprise announcement that they were increasing their tabled bid by £1.00 to £45.00. This small increase was shocking enough, however the bump was also accompanied by the dreaded "full and final" terminology which under the UK Takeover Panel meant that Anheuser-Busch could not increase the terms any further. This announcement was also released by Anheuser-Busch unilaterally inferring that there was a significant problem with the transaction, specifically the SAB's board recommendation. Our analysis led us to conclude that the terms had been changed for two reasons. Firstly, to halt any momentum which had been gathering from shareholders who were looking for increased terms. Secondly, we inferred that given Anheuser-Busch had used the full and final language, they were struggling to secure the SAB board's recommendation at the previously agreed level of £44.00. We concluded that if Anheuser-Busch were having an issue securing a board recommendation at £44.00, the extra £1.00 was unlikely to be enough to close the deal. As such our discomfort with the position grew and we immediately exited the position whilst other participants trumpeted the increase in terms. This made SAB Miller our most profitable position in the month, contributing +0.19% gross for the month. We then awaited the next data point which was the announcement of the board as to whether they would recommend the new terms or not. In fact they did, but with another twist, separating the vote on the merger into two classes, both of which needed to be successful. Firstly Altria and Bevo, SAB's two largest shareholders will vote (41% of outstanding shares) and then everyone else. Both votes need to achieve 75% in favour to secure the transaction. This move meant that there is a chance of dissenting shareholders voting against the transaction and introduced some deal uncertainty into the situation with which the spread widened. Our analysis has led us to the conclusion that the vote will however be successful. As such we took the decision to re-establish a position.

Merger Arbitrage was the best performing strategy in the month of July which contributed +0.94% gross. The other best performers were Medivation / Sanofi, +0.19% gross as this exciting competitive auction continues. We continue to maintain this position as we anticipate the auction coming to a close over the coming weeks. Premier Farnell contributed +0.16% on the back of Avnet entering the situation and trumping Daetwyler's bid by 12%. Both parties are still in the situation and we retain the position in the hope of a competitive bidding scenario. Our position in LinkedIn contributed +0.14% gross to the performance on the back of the spread tightening with the news that Salesforce was also part of the auction process and could re-enter the situation. Whilst we think this is unlikely, the deal is a safe one in our opinion and continues to offer a solid rate of return, albeit with limited optionality. Again we retain the position. The only significant loser during the month was EMC / Dell which contributed -0.18% gross during the month. This was as a result of widening in the spread on little to no news. We continue to monitor, but remain convinced of a positive end result and as such retain the position.

### THE MANAGER



**Andrew McGrath** obtained a European Baccalaureate in 1995 from the European School in Oxfordshire and then graduated in 1998 with a Bachelor of Commerce, Banking & Finance (Hons) from University College Dublin. After working for Morgan Stanley (1998-

2001) as an associate in the Equity Structured Products Group, Andrew moved to Cater Allen International Limited as Head of Equity Relative Value Proprietary Trading (2001-2003). Andrew then moved to Lehman Brothers International Europe where he co-founded the Special Situations portfolio within Lehman Equity Strategies. After nearly 3 years at Lehman Brothers (2003-2006), he moved to BNP Paribas and assumed the role of European Head of Special Situations & Risk Arbitrage Proprietary Trading. In 2009 Andrew founded Burren Capital Advisors Limited.

#### FUND FACTS

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Fund AUM	\$10.3 million
Inception	7 <sup>th</sup> April, 2015
Share Class	<b>Institutional/Institutional Pooled</b>
Currency	EUR/GBP/CHF/USD
Mgt. Fee	1.50%
Perf. Fee	20%
Min Init. Sub.	100,000
ISIN Codes	EUR: IE00BVVB9450/IE00BVVB9D45 USD: IE00BVVB9781/IE00BVVB9H82 CHF: IE00BVVB9674/IE00BVVB9G75 GBP: IE00BVVB9567/IE00BVVB9F68
Share Class	<b>Retail Pooled</b>
Currency	EUR/GBP/CHF/USD
Mgt. Fee	2.00%
Perf. Fee	20%
Min Init. Sub.	100,000
ISIN Codes	EUR: IE00BVVB9J07 USD: IE00BVVB9M36 CHF: IE00BVVB9L29 GBP: IE00BVVB9K12

#### PORTFOLIO INFORMATION

No. of positions	39
Positions contributing a profit	28
Positions contributing a loss	11
% of profitable positions	72%
Best performing position	0.19%
Worst performing position	-0.18%
Largest allocation	9.89%

Relative Value generated a flat return in the month of July. Our telecom M&A basket returned a flat performance with Telecom Italia recovering post positive earnings mitigated by an investor rush for value which impacted our sector hedge negatively. There were no obvious trades to be executed post the June index reshuffling and given the current market environment we took the decision to wait before pre-positioning ourselves for the September index reshuffling. In particular significant sector moves post Brexit referendum created volatility and uncertainties on inclusion candidates apart from Ahold and Adidas, well flagged as SX5E new entrants.

It can be observed from the above the environment remains vibrant even though M&A in the first half of 2016 saw a drop from 2015 highs, with global deal values falling 27% to US\$1.3tn across 7,794 transactions from H1 2015's US\$1.8tn across 8,730 transactions, according to Merger Market. As numerous commentators including ourselves have pointed out, government regulatory action, geopolitical and macro uncertainty, coupled with Brexit and general market volatility has contributed to a more cautious M&A environment so far this year. However, with consolidations in many industries and China's focus on cross-border acquisitions, pockets of our investment space remain extremely interesting. More importantly we are demonstrating that we are able to take advantage, without taking directional or beta exposure. At the time of writing many sophisticated investors are calling the top of the equity markets; in fact this has been a familiar theme for some time as we too have struggled to find reasonable fundamental support to recent and current valuations. In combination with an uncertain macro environment globally but in Europe in particular over the foreseeable future we anticipate a potentially hostile environment for beta exposed strategies in general but an interesting yet challenging environment for a true arbitrage player.

### UCITS Monthly Performance\* (USD Institutional Founder Class B)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2016	+0.07%	+0.89%	+0.05%	-0.08%	+0.31%	+1.03%	+0.91%						+3.21%
2015	-	-	-	-0.66%	+0.54%	-0.96%	+0.28%	-0.80%	-0.22%	+1.77%	-0.18%	+0.30%	+0.05%

\*The performance figures quoted above represent the performance of the Burren Global Arbitrage UCITS Fund since its launch on 7<sup>th</sup> April 2015. These performance figures refer to the past and past performance is not a guarantee of future performance or a reliable guide to future performance.

### New Deals

	Sector	Country	Value (USDM)
ARM Holdings PLC \ SoftBank Group Corp	Technology	UK	30,356.31
Linear Technology Corp \ Analog Devices Inc	Technology	US	12,870.35
WhiteWave Foods Co/The \ Danone SA	Consumer, Non-cyclical	US	12,349.07
NetSuite Inc \ Oracle Corp	Technology	US	8,716.28
Joy Global Inc \ Komatsu Ltd	Industrial	US	3,623.25

### Completed Deals

	Sector	Country	Value (USDM)
Starwood Hotels & Resorts Worldwide Inc \ Marriott International	Consumer, Cyclical	US	15,158.57
Columbia Pipeline Group Inc \ TransCanada Corp	Energy	US	12,026.25
Southern Co Gas \ Southern Co/The	Utilities	US	11,936.79
Delhaize Group \ Koninklijke Ahold Delhaize NV	Consumer, Non-cyclical	BELGIUM	11,473.42
TECO Energy Inc \ Emera Inc	Utilities	US	10,361.49

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