M&A OPPORTUNITIES

INVESTOR LETTER – Q4 2020

A growing M&A market, which drives investing performance with attractive risk-adjusted returns compared to equities and bonds. Investors have the opportunity to invest in this uncorrelated strategy under the investor friendly terms of a UCITS fund with daily liquidity and European tax harmonization.

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In the final quarter of 2020, our Aristea M&A Opportunities fund performed at +2.92% in the net class in euro, thus bringing the total net gains for 2020 to +3.32%, despite the fund launching during the unfortunate period of late February 2020 at the very beginning of COVID's development. As per our track record in managing funds based on M&A activity, the fund has achieved its objective to provide return that is diversified, uncorrelated, with daily liquidity, a low downside and low volatility, even in a difficult year like 2020. In late March, in the midst of the crisis, and with the biggest indices in negative territory by over -30%, the fund lost -4.4%.

In the final quarter of the year, we gained thanks to our following positions:

Tiffany. M&A litigation with clear incentive from both parties to find a solution that would make it possible to move forward with the deal and avoid the uncertainties of a legal decision on the case. The parties therefore came to an agreement to close the deal with a small discount on the initial price.

Cardinal Resources. Australian gold company involved in a biding war between China and Russia. With a NAV of around $1.50 and offers of $0.66 from both contenders, we entered this opportunity at around $0.72, with a downside of a few percentage points and a high upside due to the NAV and the clash between the parties. The deal was then closed in favour of the Chinese for $1.075, with significant gains.

Front Yard. American real estate company with the deal announced at $13.50, then increased by nearly 20% to $16.50. We entered at $13.60, with less than 1% downside, having identified the deal's low valuation and having carefully read a letter from the company's founder which stated that the company's liquidation had greater value for shareholders than the deal signed at $13.50.

Alaska Communications. Deal signed at 5x EBITDA with similar deals made at 7x EBITDA, good assets with stable market shares, good margins and a high number of potential investors. We had also identified a sales process carried out quickly without a full check of the market. The deal price increased by around 15%.

CodeMasters. Leading UK company in video games for Formula One™. Deal made with an American sector giant at only 10% of the premium and with an offer consisting mainly of American shares. While discussing the offer with the shareholders of CodeMasters, we noticed a strong preference for a totally cash offer and, again in this case, we assessed that the company had not been adequately presented to all possible buyers. Electronic Arts proposed an alternative offer that was 15% higher. The situation remains fluid with a further possible upside in 2021.

G4S. Company that employs security guards globally. There is an ongoing bidding war between two strategic buyers. We entered at 200p immediately after a hostile and highly opportunistic offer from GardaWorld, since we assessed 260p to be a fair price for the transaction. Allied Universal then offered 245p, and the situation has further upside in 2021.

We are entering 2021 with M&A activity seeing a strong global boom and a notable number of opportunities. We are particularly focused on asymmetric opportunities with a very low downside due to officially signed deals and a significant upside identified by our specific analysis process for the deal valuation, the process and the parties involved. We also have various wide spreads in the portfolio (around 6-7%) which we believe will close in the first 6 months of the year. We are extremely confident in our ability to continue offering you net returns in mid-single digit euros, with low volatility and that are fundamentally asymmetric due to the favourable downside/upside ratio of the opportunities in which we invest capital. We would also like to remind you that the returns of the funds with an M&A strategy typically increases as interest rates increase, unlike fixed income.

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