

# CIGOGNE UCITS

## M&A Arbitrage

### Monthly Factsheet - July 2021



Assets Under Management :

185 776 193 €

Net Asset Value - C1 Shares :

1 105.80 €

#### INVESTMENT OBJECTIVES

The sub-fund's objective is to generate regular returns not correlated with the main market trends, in a context of risk controls. The choice of the assets is guided by an arbitration of mergers and/or acquisitions, consisting in benefiting from the price differences, which can appear at the time of takeover bids or exchange. Based on a solid and detailed analysis of the economic, legal and competitive frameworks, initiated operations are mainly held until the finalization of the offer. The portfolio only focuses on declared M&A situations. Initiated strategies consist in acquiring shares of the target company (cash offer) and selling shares of the acquirer (stock, cash and stock offer) or conversely if we expect the bid to fail. The sub-fund may also develop strategies on corporate action arbitrage such as preferential subscription rights.

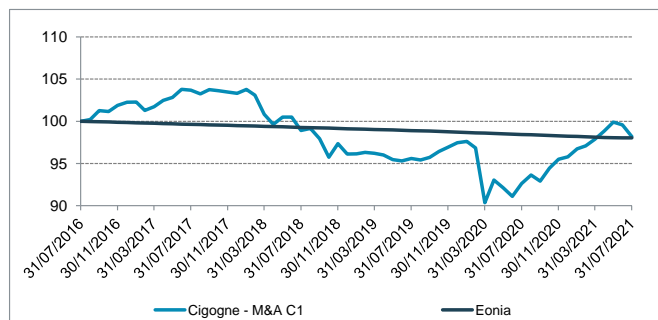
#### PERFORMANCES

|      | January | February | March  | April  | May    | June   | July   | August | September | October | November | December | YTD    |
|------|---------|----------|--------|--------|--------|--------|--------|--------|-----------|---------|----------|----------|--------|
| 2021 | 1.00%   | 0.37%    | 0.82%  | 0.96%  | 1.08%  | -0.34% | -1.38% |        |           |         |          |          | 2.52%  |
| 2020 | 0.16%   | -0.78%   | -6.71% | 2.97%  | -1.00% | -1.09% | 1.66%  | 1.09%  | -0.76%    | 1.64%   | 1.12%    | 0.31%    | -1.72% |
| 2019 | 0.02%   | 0.17%    | -0.12% | -0.20% | -0.57% | -0.16% | 0.28%  | -0.17% | 0.33%     | 0.71%   | 0.54%    | 0.54%    | 1.39%  |
| 2018 | 0.44%   | -0.66%   | -2.19% | -1.17% | 0.85%  | 0.01%  | -1.58% | 0.25%  | -1.22%    | -2.25%  | 1.68%    | -1.26%   | -6.96% |
| 2017 | 0.03%   | -0.98%   | 0.43%  | 0.74%  | 0.35%  | 0.93%  | -0.09% | -0.43% | 0.49%     | -0.13%  | -0.15%   | -0.15%   | 1.04%  |

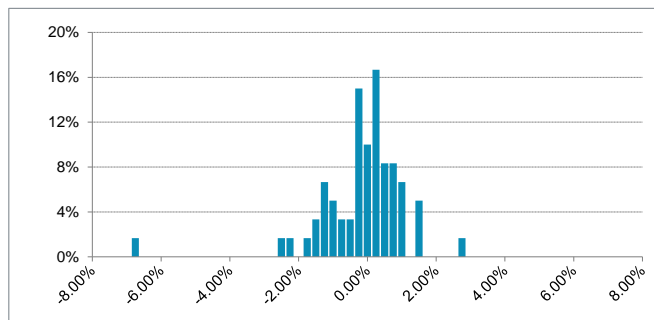
#### PORTFOLIO STATISTICS FOR 5 YEARS / SINCE 03/05/2013

|                       | Cigogne M&A Arbitrage |            | Eonia     |            | HFRU Hedge Fund Composite Index |            |
|-----------------------|-----------------------|------------|-----------|------------|---------------------------------|------------|
|                       | Sur 5 ans             | From Start | Sur 5 ans | From Start | Sur 5 ans                       | From Start |
| Cumulative Return     | -1.80%                | 10.58%     | -1.96%    | -2.09%     | 8.67%                           | 16.87%     |
| Annualised Return     | -0.36%                | 1.23%      | -0.40%    | -0.26%     | 1.68%                           | 1.91%      |
| Annualised Volatility | 5.61%                 | 4.54%      | 0.01%     | 0.03%      | 4.80%                           | 4.64%      |
| Sharpe Ratio          | 0.01                  | 0.33       | -         | -          | 0.43                            | 0.47       |
| Sortino Ratio         | 0.01                  | 0.46       | -         | -          | 0.57                            | 0.65       |
| Max Drawdown          | -18.29%               | -18.29%    | -1.96%    | -2.25%     | -14.26%                         | -14.26%    |
| Time to Recovery (m)  | > 16,85               | > 16,85    | > 2,08    | > 2,08     | 14,54                           | 14,54      |
| Positive Months (%)   | 56.67%                | 68.69%     | 1.67%     | 19.19%     | 66.67%                          | 66.67%     |

#### PERFORMANCE (NAV) FOR 5 YEARS



#### DISTRIBUTION OF MONTHLY RETURNS FOR 5 YEARS



#### INVESTMENT MANAGERS' COMMENTARY

The merger-acquisition environment was restricted in volume in July. The jumbo deals that reached maturity could not be replaced by deals of equivalent size. However, several attractive new deals have emerged. These include Zoom's acquisition of cloud computing software specialist Five9 at \$14.7 bn and Thoma Bravo's privatisation of the online shipping solutions provider Stamps.com for nearly \$6.0 bn.

In a month that proved more volatile than previous months, with investors showing signs of nervousness, the M&A sub-fund recorded a negative performance. One case in fact adversely affected performance. Sixteen months after Aon announced its intention to purchase Willis Towers Watson, and despite significant progress with regulators around the world (recent approval of the merger by the European Commission), the parties abandoned the transaction. According to the Aon's CEO, the entities were at an impasse with the US competition authority, which is why Aon chose to abandon the transaction at more than \$30.0 bn. The discount widened considerably since the announcement and, at the end of the month, remained at a level that we feel is excessive, particularly given the performance of counterparts since 9 March 2020 and the announcement of the merger. Once the post-failure sales flows have passed, the target price should nonetheless be supported by massive share buybacks, made possible by the payment of the \$1.0 bn termination fee and the cash accumulated since the merger was announced. Willis Towers Watson will also publish its second-quarter results and provide its economic outlook. We expect a significant tightening of the spread in order to gradually reduce the position. Prior to that, we had seen some attractive gains when we finalised our two major deals on schedule. Firstly, Salesforce.com completed the acquisition of the business communication platform Slack Technologies. Secondly, British pharmaceutical giant AstraZeneca finalised its acquisition of US company Alexion Pharmaceuticals following approval of the transaction by the UK competition authority. As the current climate leads us to be more cautious for the rest of the year, the resulting decline in securities was consciously not offset. However, the portfolio was diversified by taking positions in the buyout of Santander Consumer minority shareholders by its parent company, in the Five9/Zoom spread and in the other 22 moderate-sized deals, which include several small-cap companies.

#### MAIN POSITIONS

| TARGET               | ACQUIRER             | WEIGHT | PAYMENT TYPE | TARGET SECTOR       | GEOGRAPHICAL ZONE |
|----------------------|----------------------|--------|--------------|---------------------|-------------------|
| IHS MARKIT           | S&P GLOBAL           | 5.05%  | Stock        | Industrial Services | North America     |
| WILLIS TOWER WATSON  | AON                  | 4.46%  | Stock        | Insurance           | North America     |
| ST MODWEN PROPERTIES | BLACKSTONE GROUP     | 3.83%  | Cash         | Real Estate         | Europe            |
| SUEZ                 | VEOLIA ENVIRONNEMENT | 3.71%  | Cash         | Utilities           | Europe            |
| ALTAHA               | ALIBABA              | 3.60%  | Cash & Stock | Financial Services  | North America     |

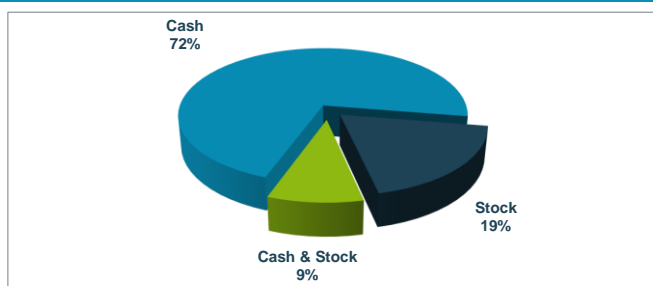
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## M&A Arbitrage

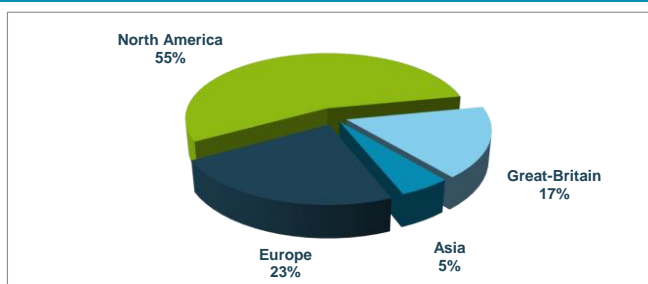
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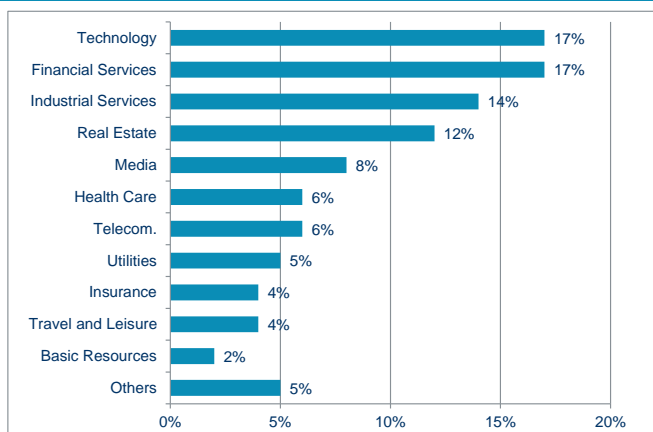
#### PAYMENT TYPE



#### GEOGRAPHICAL BREAKDOWN



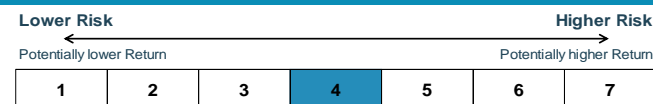
#### SECTORIAL BREAKDOWN



#### PORTFOLIO STATISTICS

|                           |     |
|---------------------------|-----|
| Number of strategies      | 135 |
| New strategies            | 24  |
| Closed strategies         | 17  |
| Time to completion (days) | 69  |
| Small Cap (< 500 MUSD)    | 17% |
| Large Cap (>500 MUSD)     | 83% |

#### RISK PROFILE



The risk category has been determined on the basis of historical and simulated data and may not be a reliable indication of the future risk profile. The risk and reward category shown does not necessarily remain unchanged and the categorization of the fund may shift over time.

#### CHARACTERISTICS

|                       |                              |
|-----------------------|------------------------------|
| Management Company    | Cigogne Management SA        |
| Advisor               | CIC Marchés                  |
| Domiciliation         | Luxembourg                   |
| Fund's Inception Date | March 2013                   |
| Legal Form            | SICAV UCITS                  |
| Valuation             | Weekly, every Friday         |
| Liquidity             | Weekly                       |
| Cut-Off               | 2 Business Days              |
| Depository Bank       | Banque de Luxembourg         |
| Administrative Agent  | European Fund Administration |
| Auditor               | KPMG Luxembourg              |

|                         |                             |
|-------------------------|-----------------------------|
| ISIN code               | LU0893376664                |
| Management Fee          | 1,50%                       |
| Outperformance Fees     | 20% above Eonia capitalised |
| Subscription Fee        | 4% maximum                  |
| Redemption Fee          | Not Applicable              |
| Minimum Subscription    | EUR 1.000                   |
| Subsequent Subscription | EUR 1.000                   |
| Country of Registration | LU, FR, BE, DE              |

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#### CONTACTS

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