CIAM Satellite Event Driven

Performance Report

EUR Share Class

FEBRUARY 2021 **MONTHLY RETURN +1.21%**

Fund presentation

CIAM Satellite Event Driven UCITS Fund is a Luxembourg-domiciled alternative fund focused on M&A and Corporate Events, being primarily active in Europe. The objective is to maintain between 25 to 35 positions.

The portfolio consists of 2 categories: the "Merger Arbitrage" class, which consists of officially announced M&A deals (Classic, Stressed Dealts, Counter-Offers), for which the return profile situates itself between 10% and 20% annualized. The second category, "Special Situations", focuses on investing around mergers and corporate events.

Fund commentary - FEBRUARY 2021

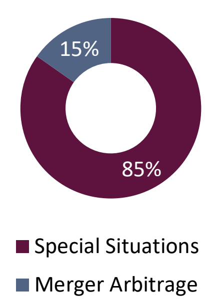
The progress of the vaccination rollout, coupled with support from central banks and governments, has led to a rapid rise in long rates. Long duration defensive stocks significantly underperformed cyclicals, financials and beneficiaries of the reopening of the economy. Despite the rise in bond yields, we believe markets should remain resilient with the current economic momentum. Higher yields should limit the rise of the aggregate market and foster performance disparities at the sector level. The publishing season continues to be on a record trend, with weighted average EPS 17% above expectations.

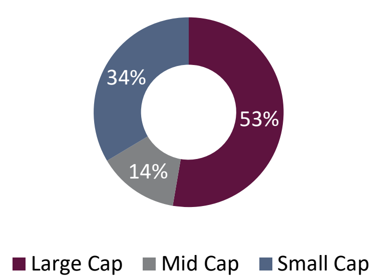
CIAM Satellite Event Driven UCITS Fund was up 1.21% net for the month of February. Natixis and Vivendi contributed to the positive performance. Ontex and Euskaltel underperformed. We also invested in new positions: Orange Belgium and Dialog Semiconductor in the Merger Arb category.

Natixis' parent BPCE announced its intention to buy-out the 29% minority of Natixis at €4 per share. We took a position in August 2020 after Francois Riahi left the bank due to differences regarding the options of Natixis's future plan. The FT cited two people familiar with the situation said it was linked to a disagreement over a plan from BPCE to buy out the minorities. BPCE intends to squeeze out the minorities if it obtains more than 90% ownership. Natixis's Board of Directors acknowledged BPCE's intention and has established an ad hoc committee comprising all the independent members sitting on the Board of Directors. The Board of Directors of Natixis, on proposal of its independent members, has positively welcomed the proposed offer by BPCE. The management confirmed an AMF approval early April and a closing of the transaction in the summer. We met the independent expert in February to explain our valuation methodology and to explain the reasons why BPCE can pay up to €4.50 per share. The bank presenting the offer, JP Morgan, did not take into account the method of past transactions. We believe the independent expert should take into account the Sum of the Parts valuation of the various Natixis activities on transaction multiples, particularly in the Asset Management and Payments divisions.

Key data - end of month

Number of equity positions	28
European positions	97%
North American positions	3%
Long exposure	115%
AUM (€ mm)	104





26 bd Malesherbes - 75008 Paris - France / 11 Hill Street - London W1 J 5LF - UK
info@ci-am.com - www.ci-am.com

Fund commentary - FEBRUARY 2021

Vivendi's announcement that it is considering a direct distribution of Universal Music to its shareholders gives investors a high level of visibility on the future structure of the group. Vivendi shareholders will receive shares in a new company (NewCo) comprising a 60% stake in Universal Music plus the ~4% stake in Spotify, and €2.2bn of net debt. Vivendi will retain 20% stake in Universal Music. We believe that, up to now, many investors have simply valued Universal Music in line with the price paid by the Tencent-led consortium, i.e. €30bn. However, we think this may be too low, given it implies a 2021 EV/EBITDA multiple of only 17.7x, which we would argue does not adequately reflect the strong structural growth of the business (9% CAGR in revenue, 12% CAGR in EBITDA), and we note this is also at a steep 23% discount to its close listed peer, Warner Music Group.

Ontex reported weak like-for-like growth of -3.7% (cons -3.5%) and Adj. EBITDA margins of 10% down 230bps (broadly in line with cons.) reflecting both weaker European demand and business operational challenges with total FX headwinds of €74mn. While we welcomed CEO Esther Berrozpe's clear sense of urgency to restore topline, profitability and cash generation, we are pushing the company to reduce its financial leverage by selling some assets. Management has laid out new strategic priorities targeting to restore growth and value creation. The details of this plan will be presented in the middle of the year. We also asked Management to set long-term goals and roadmaps with an aim for carbon neutral operations, progression towards a circular business model as well as responsible and sustainable sourcing.

Euskaltel weighted on the performance of this month due to an article in Expansion saying the sale of a minority stake in its fibre network unit has slowed down due to moderate interest in the asset, without citing sources. At the end of February, the company announced during its annual results that Euskaltel plans to create a FiberCo, and added that investor discussions to sell less than 50% are "well advanced" and that “it anticipates being able to make a formal announcement within the coming weeks."

In December 2020, Orange offered €22 per share in its voluntary conditional public takeover bid for all the shares of Orange Belgium that it does not yet own. The French firm owns a 52.9% stake in Orange Belgium. We took a stake in Orange Belgium this month as we are convinced Orange will offer a higher price to the shareholders. Polygon European Equity Opportunity Master Fund, a shareholder of Orange Belgium with 5.29% of the capital, has valued the share price of the telecom company at €32-36 each as it had asked investment bank Ondra to carry out a valuation of Orange Belgium.

In February, Renesas launched an offer on Dialog Semiconductor at €67.50 per share, or €4.9B in an all-cash offer, which was approved by both boards, and which is expected to close by the end of 2021 subject to customary regulatory conditions. Given Dialog Semiconductor is European-based and has expertise across a number of core mixed-signal verticals (Bluetooth, Bluetooth low-energy, WiFi, DECT, rapid charging, PMICs, power conversion, LD backlighting, custom mixed-signal, audio, low-power specialty memory) we believe the portfolio fits well under the Renesas' umbrella. We invested in this position at a positive spread and we would not exclude a possible counter offer given that the semiconductor market has seen a lot of M&A and Dialog remains a relatively cheap target for many larger suitors.

M&A Environment - FEBRUARY 2021

All the elements are in place for an active M&A market in 2021, from corporations looking for scale and growth to private equity firms and SPACs looking to invest capital," says Rob Kindler, Global Head of M&A at Morgan Stanley.

More specifically, it is expected that the semiconductor sector will be among the top M&A sector in 2021. In the third quarter of 2020 alone, we saw another round of mega-deals including the merger of Analog Devices and Maxim Integrated, AMD's acquisition of Xilinx, and Nvidia's acquisition of ARM.

It has become more and more difficult for semiconductor companies to find traditional organic growth these past few years. At first, with the design cost by technology node increasing dramatically, companies are searching for a solution to not only stay current, but expand R&D to cover broader product portfolios. Also, the sector experiences a more demanding, diverse customer base. Intelligent machines and the Internet of Things (IoT) have increased the demands placed on chips. Customers expect more diverse, sophisticated applications, from smart vehicles to connected homes, as Accenture explained in a recent research piece.

Private equity capital is increasingly turning its eye to the semiconductor middle-market as well, attracted by the prospects of rising profitability and looking to participate in the benefits of the economies of scale that consolidation brings.

By deal value, 2020 was the busiest year in semiconductor M&A in history. This activity is not expected to diminish any time soon.

Despite already high valuation, there are many factors that will drive this trend: demand for chips with the roll-out of 5G smartphones and infrastructure, very strong demand of semiconductor and component in automobiles, the consumer demand reinforced by the Covid crisis and the "work-from-home economy".

Finally, the chip shortage could lead to a cyclical upturn for larger fabless and IDM companies, resulting in higher revenue growth and operating margins in 2021.

The semiconductor sector grew by 45% in 2020, and the sector continued to perform by 15% since the beginning of the year. Given semiconductor companies have growth, visibility (reinforced by the context of scarcity), high margins and a cost of debt close to zero (which easily makes all operations accretive), the conditions are favorable for continued M&A in the sector.

Monthly returns

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2018							-1.13%	0.38%	-0.72%	-0.31%	0.55%	-3.75%	-4.94%
2019	2.15%	2.10%	0.32%	5.50%	-4.26%	0.71%	-0.31%	-0.91%	-1.00%	-3.00%	3.58%	1.38%	6.03%
2020	-3.93%	-10.31%	-21.10%	10.45%	-2.87%	3.62%	-6.90%	4.08%	1.82%	1.56%	8.53%	2.90%	-15.43%
2021	-2.74%	1.21%											-1.57%

Contact

Mathieu Dubicq
mathieu.dubicq@ci-am.com
+33 1 84 25 82 52

ISIN: LU1840467259