CIAM Satellite Event Driven
Performance Report
EUR Share Class

JANUARY 2021 **MONTHLY RETURN -2.74%**

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 - JANUARY 2021

In January, markets vacillated between optimism regarding forthcoming vaccination campaigns and concerns over new variants of the virus. Most European countries decided to tighten their restrictive measures to continue fighting COVID 19. The Eurostoxx 50 index ended the month down -2%.

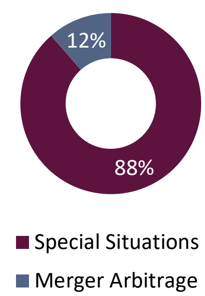
In Europe, retail investors own around 15% of the stock market, whereas in the United States they own between 35% to 40%. They are therefore weighted 12x more than Hedge Funds, which only hold 3% of the US equity market. Every day, massive volumes of equities are traded through platforms like Robinhood. Volumes on cash and derivatives on US markets hit record levels last week, boosted by retail trader activity. More than 93 billion shares traded in the US over the past week, including a record 24.4 billion on Wednesday January 27th alone. This continues to feed volatility in the markets and amplifies upward and downward movements on single stocks (market-makers trade options in order to hedge their gamma).

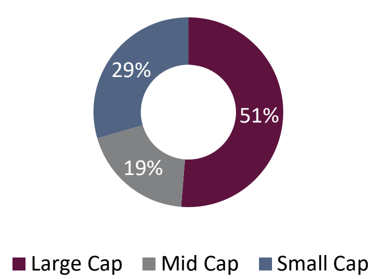
CIAM Satellite Event Driven UCITS Fund was down -2.74% net for the month of January. Half of this negative performance came from Ontex, with the remaining half split between Carrefour and Nexi. These were three idiosyncratic events - which are detailed below and on which we maintain a strong conviction. We note the rotation we operated last year (almost 50% of the portfolio rotated) showed good resistance in these markets on the other names of the portfolio. We also added new positions: Prosus in the Special Situations category and Recipharm, Signature Aviation in the Merger Arb category. We closed our position in Siltronics after the bid price was increased.

Carrefour and Couche-Tard ended the discussions of a proposed combination. The threat of a government veto is disappointing. Carrefour's shares were under some selling pressure afterwards. However, the two parties are entering a partnership to share best practices in a number of areas. Keeping the relationship alive is clearly a good thing as it may open the door to future transactions. The buying interest from Couche-Tard shows that a credible outsider sees value in Carrefour. This episode will put pressure on Carrefour to define more clearly some of its financial objectives from its Carrefour 2022 Plan. The group reports earnings (and Q4 trading) on Thursday 18th February in which we expect positive momentum into year-end which should benefit Carrefour sales, particularly as we saw more stay-cations and consumption geared towards in-house over the period.

Key data - end of month

Number of equity positions	29
European positions	97%
North American positions	3%
Long exposure	117%
AUM (€ mm)	102





Fund commentary - JANUARY 2021

Despite Goldman Sachs analyst report that pushed the stock lower, we remain positive on Ontex for the following reasons 1/ the new CEO, Esther Berrozpe Galindo, has no link with the precedent strategy based on acquisitions, but as a board member for the past two years, she already has a strong understanding of Ontex. The management is currently performing a review of all activities, and indicated that no options are taboo; 2/ We think the management will consider selling its own brands in Europe, as Ontex owns a small portfolio of them. We consider it is not relevant for Ontex to try and compete against P&G or Essity, all the more as growth in this area is quasi flat. We believe such a disposal would be well perceived by the market as it would reduce debt and make the company easier to sell; 3/ following the acquisition of Hypermarcas in 2017, the Brazilian subsidiary suffered market share losses as well as lower profitability. Given the fact that there are no synergies between Europe and South America, we believe this asset will attract a strong interest from potential buyers given its leading market share. Again, such asset sale would be a strong catalyst; 4/ At 7x Ebidta 2021, Ontex remains the cheapest stock in the HPC universe with a speculative appeal. Our actions enabled the change of management, opening the door to a sector consolidation that started in the US few weeks ago with the acquisition of Domtar Personnal Care by a Private Equity Investor. It is inevitable a similar consolidation will occur in Europe and Ontex will be part of it.

Nexi suffered from the political instability in Italy due to the prime minister's resignation and loss of majority in Senate. In addition, the headwinds in the Tech sector in the US put pressure on the European technology sector. But above all, the markets are awaiting an update on the merger with Nets and Sia to get more confident on the combined entity. On our side, we remain confident on Nexi, as it offers an attractive profile for the coming years with solid organic growth and margin prospects on a standalone basis, and a large potential value creation from the acquisitions of both Nets and SIA. Basically, if management executes the integrations of Nets and SIA well, the share price could double by 2025.

Prosus is the only European listed vehicle to take advantage of two long-term structural trends that have accelerated since the COVID-19 crisis: the digitization of the global economy and China's economic outperformance of world economic players. Prosus' main asset is its 31% stake in the Chinese group Tencent (valuation of $270bn, or 88% of the value of its assets). It also has a portfolio of "e-commerce" assets consolidated around 4 branches: Food Delivery, Classifieds, Payment and E-commerce. They represent around 10% of the value of the assets. After 3 years of "lock-up", Prosus will have the possibility to reduce its stake in Tencent from the end of March 2021. In order to reduce the discount on the share compared to Tencent (Prosus is now trading at a discount of 39% vs. current NAV and 45% vs. target NAV), we are counting on a placement transaction in 2021 allowing the group to consider a new share buyback plan (8% of Prosus capital after 1% announced in October) and possibly new acquisitions.

As we disclosed in December, we had initiated a position in Siltronic, as we were convinced that several factors could lead GlobalWafers to increase its EUR 125 offer. On January 22, 2021, the offer price was increased to EUR 140 as the acquirer bought some shares in the market at this price. We took the opportunity that the spread traded through the new terms to exit the position. We don't think the acquirer is willing to increase the price much more at this time. Indeed, on January 25, 2020 GlobalWafer disclosed a "best and final" offer at EUR 145 (not binding in Germany).

We took a position in Recipharm, being bought by EQT partners as we believed that the price may need to be increased. Indeed, given the scarcity of production capacity for Covid-19 vaccine, the announcement in December to produce a portion of Moderna vaccine (among other announcements) will trigger incremental value. Even if the company still does not disclose what these contracts can bring to the company, EQT recently increased the offer price by 5.3%.

We initiated a position in Signature Aviation, a UK aviation services company. The downside being limited to the recommended offer from Global Infrastructure and we believe that Blackstone as well as Cascade (current shareholder – Bill gates) might come back with a new improved offer. The company also confirmed being approached by Carlyle for a potential takeover.

M&A Environment - JANUARY 2021

Even with lower volumes due to the COVID-19 situation in 2020, the trend of M&A in the payments sector is likely to continue this year, as the shift to digital payments ushered in by the pandemic makes payments fintech's attractive targets.

According to Ms Griggs, partner and global co-head of fintech at Linklaters, companies will be taking a "longer-term view" and will be thinking about the importance of technology and innovation. For many banks, card networks and other financial institutions, M&A will still look like an attractive way to broaden their geographic coverage and unlock potential benefits of scale, she said.

During the last quarter of 2020, we have seen the creation of one of Europe's largest payment firms with Italy's Nexi bought Danish rival Nets for €7.8billion. This deal followed the €15 billion acquisition by Nexi of state-owned Italian rival Sia.

The demand for payment services is improving and new ways of making payments have brought other small players with high potential growth opportunities into the market. James Brocklebank, managing partner at Advent adds the economies of scales make sense as the marginal cost is close to zero when transacting a million extra transactions once you have scale.

The payment industry will be subject to innovation around two major themes in the coming year: Account-to-account payment and B2B payments. The first will have to offer cheaper, faster and safer alternatives to traditional debit cards. The second is about new platforms that can offer new experiences to business customers. Their B2B sphere weighs more than 100,000 billion euros, still highly dominated by paper. There are plenty of opportunities from the marketplace to cash management. The fast development of cloud-based accounting solutions and productivity software, along with the wave of innovation triggered by the PSD2 directive has enabled fintechs to innovate across all layers of financial management – payment being the largest opportunity in terms of market size.

The approval and commencement of vaccination programs for COVID-19 in many countries post December 2020 led to cautious optimism, but the inevitable change in the way of life for many people (social distancing, remote transactions, etc…) also means the need for innovation becomes inevitable. Many investors, most likely PE who have availability of capital, will be keen to seek out those FinTech companies that offer the most promising outlook in the new world.

With interest rates remaining at low levels, significant funds raised to be spent, more M&A from PE funds may be expected for 2021.

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%												-2.74%

CIAM

CIAM Satellite Event Driven

MONTHLY REPORT - JANUARY 2021

Contact

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

ISIN: LU1840467259