CIAM Satellite Event Driven

Performance Report

EUR Share Class

MARCH 2021 **MONTHLY RETURN +3.45%**

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 - MARCH 2021

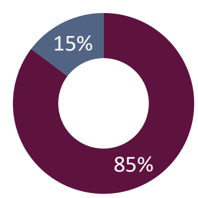
Despite fears of a rise in inflation in the United States, the proactive policies of the central banks have enabled the indices to move up (Eurostoxx 50 up by 7.7% in March). Additionally, Joe Biden unveiled his $2.25tr infrastructure plan. The measure, called the “American Jobs Plan”, intends to improve US competitiveness, fight climate change and create jobs. Around 45% of the plan is set to be financed through higher corporate taxes (from 21% to 28%) over the next 15 years. A meaningful pickup in Europe's vaccine rates over the next two quarters will enable the largest four Eurozone countries to vaccinate 70% of their population by the end of the summer, allowing reopening from May or June. Evidence from Israel and the US show how quickly a vigorous vaccine roll-out can lead to improved health outcomes and, hence, a lifting of restrictions. Reopening in combination with the boost from a powerful US recovery should lift the Euro area PMI from 53 currently to 61 by August (the highest level since April 2000), according to Bank of America's economists.

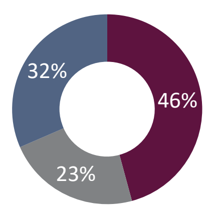
CIAM Satellite Event Driven UCITS Fund was up 3.45% net for the month of March. Euskaltel contributed positively to the performance of the fund this month. After the announcement last month of the acquisition of minority interests in Natixis and the announcement of the spin-off of Universal Music Group by Vivendi, we had another event this month with the offer by Masmovil for Euskaltel. After a dynamic Q1 in terms of M&A activity, we are anticipating more events on the stocks in our portfolio in Q2.

Our investment case in Euskaltel was based on 3 pillars: 1 / the national expansion strategy, 2 / the monetization of the infrastructure and 3 / a strategic asset for a player like Orange Spain or Masmovil. We had a lot of constructive discussions with the management of the company, and also with the main shareholder, Zegona Communication, in order to put forward our points of view on each of those 3 pillars. Masmovil launched at the end of March a €2.1Bn friendly bid for Euskaltel with a €11.17 cash takeover bid. As a reminder, Masmovil is now owned by a combination of PE funds including Cinven, KKR and Providence. The offer has already been accepted by Euskaltel’s top 3 shareholders, who combined represent 52% of the share capital. According to the terms of the irrevocables, Masmovil may not unilaterally withdraw the offer unless a competing offer has been submitted at a higher price (15% higher than the Masmovil bid, ie €12.85 per share). The offer price implies an EV of €3.4bn or 9.8x EV/EBITDA. We estimate the NPV of cost synergies at €1.4bn which would lower the take-out multiple to 5.9x EV/EBITDA.

Key data - end of month

Number of equity positions	28
European positions	97%
North American positions	3%
Long exposure	121%
AUM (€ mm)	107





Fund commentary - MARCH 2021

The main synergies could come on revenues as Virgin Telco was becoming an increasing threat to Masmovil. Past transactions in telco cable deals were done in average at 11.3x EV/EBITDA which implied a €12.9 per share. Orange made an approach to buy Euskaltel in 2019, so the interest was there two years ago. Today, this Masmovil/Euskaltel combination is negative for Orange as they face losing wholesale revenues from Euskaltel. These may dent future wholesale growth expectations for Orange Spain. As Euskaltel did not run a full auction process, Orange could decide to make a counter-offer on Euskaltel.

This offer puts pressure on two players in Spain who will have to activate their other options in Europe. We have been saying for several months that the Telecoms sector was inevitably going to consolidate, mainly the cable operators. Before Masmovil moved on Euskaltel, they were in discussions to buy Vodafone Spain. Vodafone will have to focus on other opportunities in Europe to deleverage its balance sheet. Their 50% stake in VodafoneZiggo would make sense to be sold to make way to a combination between Telenet and VodafoneZiggo. This would create a cross-border champion in the Benelux. As the other shareholder of VodafoneZiggo, Liberty Global, is the same as the majority shareholder of Telenet, discussions could be facilitated. The transaction multiples of Euskaltel / Masmovil as well as the synergies expected from a Telenet / VodafoneZiggo merger means Telenet can be valued at more than € 50 per share, i.e. an upside of 42% from here.

As a reminder in our Merger Arbitrage book, 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. Orange announced in its latest results, the creation of a TowerCo of their assets. The towers in Belgium represent 8% of Orange's sites overall and Orange, not owning all of Orange Belgium, will not be able to transfer the towers in Belgium to the TowerCo entity until they have bought out the minority interests. Even if Belgium remains small in Orange's portfolio, the valuation of towers in Belgium represents 30% of the potential valuation of Orange Belgium. The logical sequence of the creation of this TowerCo at Orange following the IPO of the Vodafone towers shows that the incumbent operators need to show the creation of value for their shareholders and that we have a good probability that the offer on Orange Belgium is raised.

ION group offered 36% premium at EUR 9.5 per share to Cerved shareholders which translates to a forward Ebitda multiple of 10.5x. This offer was unsolicited and the Board has not expressed its opinion yet. We believe that there is potential for further upside as 1/ ION came as a surprise bidder and could be facing counter bids coming from the previously-rumoured interested parties like Advent, Blackstone or PAI Partners. All of them are deep-pocketed PE's that are already invested in other data providers and hence could also extract synergies. Rival bids could come for the whole company or for the Credit Management unit alone, positioning Cerved as a pure play Credit Information provider that could then become a perfect target for a strategic bidder too. 2/ ION might not be able to get Board recommendation and/or reach the required minimum acceptance rate of 90% at this price but would definitely be in a position to improve the offer in light of potential synergies worth EUR 1.2 per share. Besides, ION group is a strong buyer and a consolidator in the sector that has already fought hard for similar assets like in 2017 when they managed to take away the £1.5bn service provider Fidessa in a 3-way battle against Temenos and SS&C.

Also in Merger Arbitrage, the risk / reward of ASTM is very attractive and we expect an increased offer from the bidder. ASTM's second-largest shareholder Lazard Asset Management has said that the pricing of a public offer launched by the Gavio family and private equity firm Ardian via the Nuova Argo Finanziari vehicle is not fair. Lazard AM, which holds 5.5% of ASTM, said that a fair price for the Italian infrastructure company was EUR 35 a share, as opposed to the EUR 25.6 a share for the public offer.

We continue to increase our Merger Arbitrage allocation in the portfolio, which now represents 30% of the NAV.

CIAM Satellite Event Driven

MONTHLY REPORT - MARCH 2021

M&A Environment - MARCH 2021

As traditional European M&A volumes have officially reached their highest levels since 2008 with close to $800bn in deal value having been announced over the last six months, spurned by cheap financing and recovering profits, activity in other corporate events is gently picking up too. One of them is spinoffs.

As a matter of fact, European corporates had put their simplification plans on hold in 2020 with zero $500m+ spinoff announced last year. Understandably, executives refrained from pulling the trigger in the middle of a market turmoil as the Covid-19 crisis destructed value and created uncertainties around the future of their businesses. Now that vaccine campaigns are rolling out worldwide and stock prices are rallying, they are looking to reorient their business for a post-Covid world.

The first announcements came from Vivendi, Daimler and Technip that respectively unveiled plans to spin off participation in Universal Music Group, Daimler Truck division and Technip Energies unit. These should all become effective by the end of the year and bankers are expecting a wave of similar transactions to be made public in the coming months.

Indeed, there should be plenty of other simplification opportunities in light of the complex structures that characterize European companies. In this regards, public filings show that nearly half of the Stoxx 600 constituents have more than fifty subsidiaries while average Return on Equity falls from 15% to less than 10% when they have more than twenty. Similarly, historic data show that the sum of market values for parent and spinoff together is typically about 15% larger than the parent company alone before listing, with better results observed for larger-sized spinoffs. Hence, these numbers should greatly support the spinoff trend.

Sell-side reports have also shown that Industrials, Consumer Discretionary and Staples are the sectors that see most spinoffs in Europe. We are therefore closely monitoring all potential spinoff candidates and their respective sum-of-the-part valuations with a strong belief that current macro environment should bring some of the managers to act sooner than later.

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%	3.45%										1.82%

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