CIAM Satellite Event Driven

Performance Report

EUR Share Class

**NOVEMBER 2020** **MONTHLY RETURN 8.53%**

## 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 - NOVEMBER 2020

The strong rebound in the Euro zone equity markets, triggered by the positive results of clinical trials by Pfizer-BioNTech and Moderna laboratories on the Covid-19 vaccine, mainly benefited cyclical and financial stocks. The transfer of political power in the US, as well as the potential larger and more coordinated American stimulus plan with the appointment of Janet Yellen as Secretary of State for the Treasury, are all positive elements that are likely to continue to keep the VIX close to its low levels (around 21.0) over the coming months.

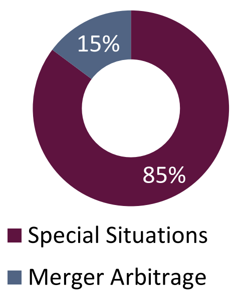
CIAM Satellite Event Driven Fund was up 8.53% net for the month of November. After the first results of the American elections, we decided to marginally reduce our hedge on the portfolio to return to a more normalized level. This month’s performance was primarily driven by Scor, Coface, Euskaltel. We also initiated a new position in Engie.

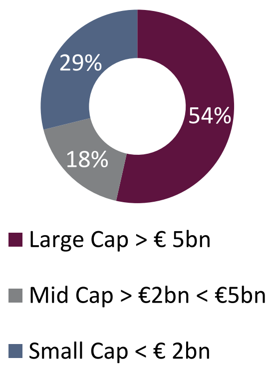
Scor released its Q3 2020 results ahead of expectation thanks to a higher than expected technical margin in life reinsurance. Scor will benefit from a strong growth and pricing environment in P&C in 2021. But governance has been a growing concern for investors. In particular, the fact that Denis Kessler has held the roles of Chairman and CEO for 18 years and has become a critical point from an ESG investment perspective: especially considering this kind of organisation is no longer compatible with current standards. Last July, the ACPR (French Insurance regulator) officially recommended splitting the two roles. Denis Kessler will turn 69 next March. We expect to have a clearer view on this issue in the next few weeks and we expect the future governance to be more consistent with current best practices.

Coface led by Xavier Durand should continue to show decent operating performance and maintain a strong solvency ratio. Coface reported its Q3 2020 results, which beat expectations. The net combined ratio came in at 77.4% in Q3 2020, well ahead of consensus of 90.4%. Coface announced the launch of a € 15m share buyback programme, in light of its solid operating performance in the current crisis environment. This share buyback programme is clearly a message of confidence on the strength of the group and its business model. As a reminder, on 25th February, Natixis sold 29.5% of Coface to Arch Capital group, a US speciality and mortgage insurance company based in Bermuda. Natixis has retained a 12.2% position as a financial participation. ACPR need to give its green light to the operation and we expect a statement by the end of this year at the latest.

**Key data - end of month**

| | |
|---|---|
| Number of equity positions | 26 |
| European positions | 100% |
| North American positions | 0% |
| Long exposure | 120% |
| AUM (€ mm) | 97 |



**Fund commentary - NOVEMBER 2020**

A local publication mentioned that Euskaltel is set to take non-binding offers (NBO) for a minority stake in its fibre network, with infrastructure funds likely to bid for the up to EUR 1.5bn deal. Euskaltel is looking for a financial investor that would also help it fund the replacement of slower coaxial cables with faster fibre-to-the-home (FTTH) technology. EQT Infrastructure and Macquarie Capital could be among the groups considering submitting NBOs, according to the same publication. EQT already owns Barcelona-headquartered fibre optic operator Adamo, which in September signed a deal to give Euskaltel access to its network. Many other infrastructure funds that invested or sought to invest in Spanish fibre have been approached, including Antin Infrastructure Partners, which owns wholesale fibre operator Lyntia, Asterion Industrial Partners, and InfraVia Capital Partners. Euskaltel plans to spin off at least part of its fixed network into a dedicated open-access company. It would keep a 51% stake and sell the remaining 49% to an investor. The telecom operator could then lease back access to the network. We estimate the asset monetization of Cable/Fiber assets can unlock 2,5€ per share, ie a Target Price of €13.5 per share.

We added Engie to the portfolio in November as we believe their new strategy is to focus on its core activities to reinforce its position in renewables and infrastructure assets. In our view, this will improve the group's cash flow visibility by reducing its cyclical exposure, while simplifying its structure. Engie sold its stake in Suez to Veolia at an implicit multiple of around 31x P/E whereas sell-side analysts had valued this minority stake at 14x earnings (equivalent to a value creation of € 1.7bn). A number of activities of the client solutions division are no longer a good fit and are earmarked for sale. Options for disposals are under consideration (M&A or IPO) and we value this entity at 8x normalised EBITDA (i.e. € 4bn). With the divestment of 10% of the capital of GRT Gaz and the planned sale of GTT, in some quarters the group will have sold the equivalent of between € 8bn and € 10bn in peripheral assets. We think that this plan will create value for shareholders and the baseline of this scenario is evaluated at € 16 per share.

Lettre A (a French newspaper well informed on Telco/Utility sectors) is speculating Engie is becoming a prey from Total. The article said that one of the main hurdles for Total is Electrabel - Engie's subsidiary operating seven nuclear plants in Belgium - as Total does not want to get involved in nuclear. But recently Electrabel, has been considering closing all seven of the country's nuclear reactors by 2025, daily L'Echo reported. It could be a positive trigger for Total to bid on Engie.

## M&A Environment - NOVEMBER 2020

In the last quarter of this year, dealmakers have started to revisit the possibility of re-engaging in merger and acquisitions according to bankers and legal advisers. Executives are ready to take opportunities using cheap debt or cash stored during the crisis to carry out M&A.

Positive news of a Covid-19 vaccine and the conclusion of the US election have stimulated executives to take some decisions for future growth. Anu Aiyengar, co-head of global M&A at JPMorgan Chase, told the Financial Times's Dealmakers Summit that "M&A was being boosted by the victory of Joe Biden in this year's US presidential race. There is a significant correlation to uncertainty... and the dramatic reduction of uncertainty that we currently have bodes very well"

According to a report of Refinitiv, on global M&A, the second half of the year reached a record of $19trillion in deal activity. There was $345 billion worth of deals announced in November, which is the strongest since November 2015, Refinitiv said.

While Europe had its best November since 1999, the US has also seen major deal announcements in the past few weeks. In Europe, November recorded a resurgence of deals, including some competitive situations with multiple bidders. RSA Insurance Group Plc received a 7.2 billion-pound takeover proposal from Canada's Intact Financial Corp. and Danish insurer Tryg A/S, paving the way for the biggest acquisition of a U.K.-listed company this year. Credit Agricole launched a tender offer to acquire Credito Valtellinese, to consolidate its position in Italy for €737 million. The world's fourth largest wafer material maker Siltronic received a $4.5 billion offer from Taiwan's GlobalWafers. GardaWorld increased its hostile offer G4S by 24% (3.68 billion pounds), after the US player Allied Universal made a competing offer. Allied is also preparing a fresh offer, with a deadline on December 9th.

In the US, in mid-November, Home Depot, the biggest home improvement retailer, said that it would buy HD Supply Holdings in a deal valued at about $8 billion, setting itself up to regain control over the industrial materials wholesaler after spinning it off over a decade ago. On November 30, S&P Global has agreed to buy analytics group IHS market in a $44bn deal to create a data and information powerhouse able to complete with the market leader Bloomberg. Finally, few days ago, Salesforce.com Inc. agreed to buy Slack Technologies Inc. for $27.7 billion in cash and stock, giving the corporate software giant a popular workplace-communications platform in one of the biggest technology deals of the year. The transaction is Salesforce's largest-ever acquisition.

M&A activity has already hit record levels in 2020, as executives revisited deals put on hold, and there is still a month to go until the end of the year…

**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% | | -17.81% |

CIAM Satellite Event Driven

MONTHLY REPORT - NOVEMBER 2020



**Contact**

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

ISIN: LU1840467259