

UBS O'Connor Event Driven UCITS

Monthly Newsletter

iam

30 Nov 2023

Fund Overview

UBS O'Connor Event Driven UCITS Fund is a Global Event Driven Multi-Strategy fund with a US bias. The Fund actively allocates across Merger Arbitrage and Capital Structure Arbitrage sub-strategies.

UBS O'Connor has consistently been one of the top ranked Global Event Driven houses since 2004. The PMs Blake Hiltabrand and Joe Newell have been managing the strategy for over 15 years and the team have worked together for over 13 years.

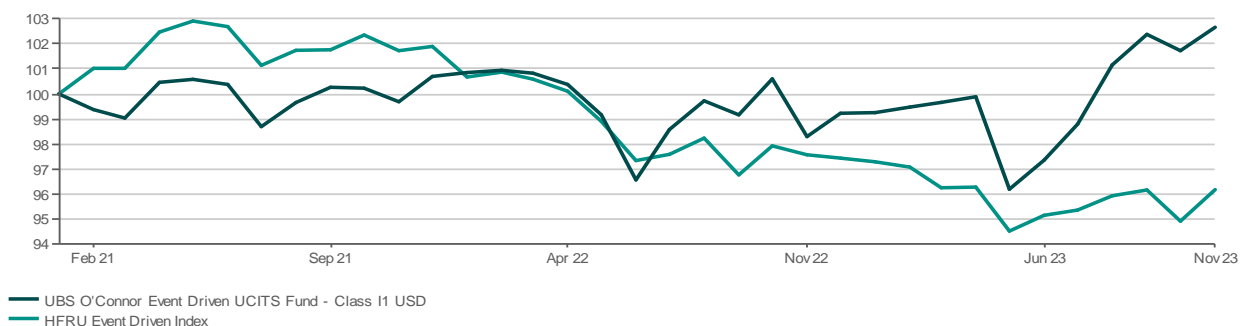
Manager Commentary

The Event Driven space was quiet for much of November until late in the month when Broadcom announced the much-anticipated closing of their USD 61B acquisition of VMWare, leading to a particularly Happy Thanksgiving for the risk arb community. As we wrote in last month's note, the transaction closing had been delayed awaiting final approval by the Chinese antitrust regulator, and it was unclear whether this was due to bureaucratic processing or political pressure. Earlier in the month all eyes were on the APEC conference looking for clues, particularly in the meeting between Presidents Biden and Xi as well as Xi's dinner with prominent business leaders. In the end the deal closed a week later, days before the termination date of November 26th. Despite the sudden close in VMW/AVGO, average spreads widened during the month, closing at 12% (source UBS Investment Bank). A number of other deals also closed through the month, notably Francisco Partners' USD 6.1B acquisition of performance measurement software company New Relic, and ExxonMobil completed their USD 4.9B purchase of "blue oil" E&P Denbury. New supply was muted after the record wave of October with USD 34B of new announcements, led by AbbVie's USD 8.3B bid for cancer specialist Immunogen, and Blackstone's USD 2B take private of pet services and former SPAC Rover Group.

O'Connor Event Driven UCITS Fund posted positive performance in November. Our position in VMW/AVGO provided the greatest attribution in the Fund; as we wrote last month, we had briefly upgraded the transaction to Grade 2 in early October but downgraded to Grade 3 on the news of the uncertainty with SAMR approval. We were relatively full on Grade 3 risk after the consideration election in late October and we held our elected shares into the deal closing. The Merger Arbitrage book also saw notable performance from CSCO/SPLK where somewhat surprisingly, the Hart Scott Rodino waiting period expired without a 2nd request for information from the US antitrust regulators. The spread narrowed significantly on the news, the attention has now shifted to the timing of their filing with the EC (expected in early Q1 2024) and whether the UK CMA will require a formal review. We upgraded to a Grade 2 on the incremental derisking and shifted our timing estimate from Q3 2024 to May 2024; we maintain our position. ABCM/DHR also rallied as the ABCM's founder ceased his dissident shareholder campaign and the shareholder vote passed, moving in the guidance to closing from mid-2024 to December. We maintained our position. On the losing side our dynamic beta hedge detracted in the market's sharp melt-up rally. CPRI/TPR also lost ground as the parties were issued a 2nd request by the FTC and the target close date was pushed out. While TPR posted in-line earnings, CPRI disappointed and the uncertainty around the unique nature of the FTC's review of the accessible luxury handbag market pushed the spread wider. Finally HES/CVX also detracted; here the spread had been relatively tight given the low premium (implying potentially less downside in a deal break), but the last week of the month saw saber-rattling by Venezuela, asserting their rights to territory in Western Guyana which have been disputed for some time. HES has significant oilfield operations off the coast of Guyana and this geopolitical rumbling introduced the potential for more significant downside to HES should the deal break. Our opinion is that Venezuela's rhetoric and subsequent referendum on annexation are largely symbolic, and we took advantage of weakness to add to our Grade 3 position.

The Capital Structure Arbitrage portfolio had a modest loss for the month despite the broad melt-up in risk assets. On the positive side our positioning in Grubhub, Occidental Petroleum, Transocean and Mattel had notable positive attribution, but the lockstep grind higher with an associated decline in volatility was a headwind across the book. Our short position in Tesla was the largest detractor despite the relatively small position size and Lucid Motors also declined in sympathy. Spirit Airlines lost ground with the company's enterprise value continuing October's decline during the first week of November as the DoJ trial to block the SAVE/JBLU merger continued and SAVE convertible bonds underperforming before stabilizing later in the month. Our position in the ongoing bankruptcy workout of Endo International PLC also detracted.

November added to the Fund's performance after regulatory uncertainty and deal break that we saw earlier in the year. We were relieved to leave the limbo of the VMW/AVGO delay behind us and we are now reviewing the fact pattern around the deal's SAMR approval. The antitrust process in China has always been opaque and we will continue to work with our retained M&A attorneys and consultants to research whether there may be a shift towards greater sensitivity to political concerns in antitrust reviews as was hinted at in VMW/AVGO. Over the past 2 months a significant amount of cash has come back to the portfolio from large deals closing, and the duration of the book has extended. With this shift we took advantage of volatility through November to add to existing positions in Merger Arbitrage at levels we consider to be attractive, to trim in positions where we consider risk to be underpriced relative to timing, and to initiate positions in new transactions. In Capital Structure Arbitrage we increased gross exposures modestly over the month, primarily from adding to existing positions. We thank you for your support.



Historical Monthly Returns – UBS O'Connor Event Driven UCITS Class I1 USD (ACC) (%) (Net)

| Year | Historical Monthly Returns – UBS O'Connor Event Driven UCITS Class I1 USD (ACC) (%) (Net) | | | | | | | | | | | | | MSCI Wd (%) | HFRU ED (%) |
|------|---|------|-------|-------|-------|-------|-------|------|-------|-------|-------|------|-------|-------------|-------------|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD | YTD | YTD |
| 2023 | 0.03 | 0.22 | 0.19 | 0.23 | -3.69 | 1.20 | 1.47 | 2.40 | 1.21 | -0.64 | 0.92 | - | 3.46 | 16.17 | -1.26 |
| 2022 | 0.15 | 0.09 | -0.11 | -0.44 | -1.21 | -2.62 | 2.08 | 1.16 | -0.56 | 1.45 | -2.29 | 0.94 | -1.46 | -19.46 | -4.37 |
| 2021 | - | - | -0.34 | 1.44 | 0.12 | -0.20 | -1.68 | 0.97 | 0.61 | -0.04 | -0.54 | 1.01 | 0.70* | 18.04* | 0.84* |

*Since 3 February 2021. Past performance is not indicative of future returns. All data is net of fees.

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Performance – Share Classes

| Class | ISIN | NAV | MTD (%) | YTD (%) | Since Inc. (%) |
|--------------|---------------|----------|---------|---------|----------------|
| E EUR (ACC) | IE00BKX8M260 | 995.58 | 0.91 | 2.63 | -0.44 |
| E USD (ACC) | IE00BKX8M377 | 1,035.07 | 0.99 | 4.06 | 3.51 |
| I1 EUR (ACC) | IE00BMCFFJ106 | 98.78 | 0.80 | 2.03 | -1.22 |
| I1 USD (ACC) | IE00BMCFFJ213 | 102.66 | 0.92 | 3.46 | 2.66 |
| I3 EUR (ACC) | IE000UUESDD6 | 104.32 | 0.80 | 4.32 | 4.32 |

Portfolio Analysis*

| Sector Exposure (% Net) | Total |
|-------------------------|-------------|
| Consumer Discretionary | 16.2 |
| Industrials | 15.8 |
| Health Care | 14.9 |
| Energy | 13.8 |
| Financials | 9.8 |
| Information Technology | 9.7 |
| Communication Services | 5.4 |
| Materials | 1.1 |
| Utilities | 0.2 |
| Real Estate | 0.0 |
| Other | -0.9 |
| Consumer Discretionary | 16.2 |
| Total | 86.0 |

| Region Exposure (% Net) | Total |
|-------------------------|-------------|
| AM America | 67.2 |
| Europe | 14.5 |
| Other | 4.3 |
| Total | 86.0 |

| Strategy (%) | Long | Short | Gross | Net |
|-----------------------------|----------------|----------------|----------------|---------------|
| Merger Arbitrage | 62.15% | -29.12% | 91.27% | 33.03% |
| Capital Structure Arbitrage | 70.47% | -17.47% | 87.94% | 53.00% |
| Total | 132.62% | -46.59% | 179.20% | 86.03% |

Top Long Holdings*

| Merger Arbitrage | Exp. | Capital Structure Arbitrage | Exp. Net |
|-----------------------|-------|-----------------------------|----------|
| PIONEER NAT RESOURCES | 7.56% | AMERICAN AIRLINES | 8.68% |
| SEAGEN | 6.67% | OCCIDENTAL PETROLEUM | 2.32% |
| SPLUNK INC | 4.81% | CARNIVAL | 3.32% |
| ABCAM PLC | 4.64% | MATTEL | 4.33% |
| CHORUS AVIATION | 4.57% | CAESARS ENTERTAINMENT | 3.71% |

Fund Information

| | |
|-------------------------------------|------------------------------------|
| Fund Inception | 3 February 2021 |
| Investment Manager/Distributor | International Asset Management Ltd |
| Sub-Investment Manager | UBS O'Connor |
| UBS O'Connor Event Driven UCITS AuM | USD 262m |
| UBS O'Connor Firm AuM | USD 9.2bn |
| Subscriptions | Daily, T-1 Notice, T+3 Settlement |
| Redemptions | Daily, T-1 Notice, T+3 Settlement |

Portfolio Manager Biographies

Blake Hiltabrand (Global Head of UBS O'Connor)

Global Head and Head of Event-Driven Strategies at UBS O'Connor, based in Chicago. Prior to joining UBS O'Connor in 2007, he was an Assistant Portfolio Manager at Deep haven Capital and Amaranth Advisors LLP. Blake was also previously an Associate and Senior Analyst at Goldman Sachs in their equity division primarily focusing on event driven research. Blake holds a BA in Economics from Wake Forest University and is a CFA Charter holder.

Joe Newell (Head of Merger Arbitrage)

Managing Director and Head of Merger Arbitrage at UBS O'Connor, based in Chicago. He also is a member of the Capital Allocation Committee for the UBS O'Connor Global Multi-Strategy Alpha Fund. Previously, Joe was a trader on the US risk arbitrage desk at UBS Investment Bank. Joe's trading career began on the floor of the Chicago Board Options Exchange. Joe holds a BS in Business Administration from the Haas School of Business at the University of California, Berkeley.

Chris Brezski (Portfolio Manager Opportunistic)

Portfolio Manager on the Global Event-Driven team at UBS O'Connor, based in Boston. Prior to joining UBS O'Connor in 2018, Chris built an alternatives business at T. Rowe Price in their Asset Allocation division. Prior to T. Rowe, he managed both the Equities Special Situations desk and a proprietary trading business at Barclays Capital. Previously, he was a Partner and Portfolio Manager at Tenor Capital Management and a distressed analyst at Lehman Brothers. Chris began his career as a consultant to derivatives dealers at PricewaterhouseCoopers. Chris holds an Accounting Degree from Lehigh University, an MBA from Harvard Business School, and is a CFA Charter holder.

Gurpreet Ottal (Portfolio Manager Merger Arbitrage)

Managing Director and Portfolio Manager on the Global Event-Driven team at UBS O'Connor, based in London. Prior to joining UBS O'Connor in 2015, he was a Portfolio Manager at TT International, in London, managing a Global Event-Driven strategy within the firm's hedge fund business. Prior to TT International, Gurpreet worked at CR Intrinsic (a unit of SAC Capital), in London, focusing on European and US event-driven situations. Gurpreet began his career at Lehman Brothers, in London, within the firm's Global Trading Strategies group, an internal hedge fund focused on event-driven situations across equity and debt. Gurpreet holds an M.A. in Economics from Cambridge University.

*Merger Arbitrage exposure doesn't consider offsetting exposure for cash deals

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