

# UBS O'Connor Event Driven UCITS

Monthly Newsletter

iam

31 Mar 2021

For professional investors only

## Fund Overview

UBS O'Connor Event Driven UCITS Fund is a Global Event Driven Multi-Strategy with a US bias and a focus on merger arbitrage. 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 been together for over 13 years.

The UCITS Fund actively allocates to M&A, Capital Structure Arbitrage and SPACs. The UBS O'Connor Merger Arbitrage strategy returned in excess of +14% in 2020, and has achieved in excess of a +10% annualised return plus a 1.13 Sharpe ratio over the past 15+ years.

## Fund Characteristics

### Strategy split

- Merger Arbitrage: 60% - 80%
- Capital Structure Arbitrage: 20% - 40%

### Typical Exposure

- 150% - 200% Gross
- 65% - 150% Net

## Manager Commentary

### Market

March brought a respite from a volatile February in the Merger Arbitrage space, with some significant idiosyncratic moves in single situations but overall spreads remained unchanged at an average of 6.8% (source UBS Investment Bank). Only a handful of transactions completed during the month, including Morgan Stanley's USD 7B acquisition of Eaton Vance, Caixa's USD 5.2B deal for Bankia in Spain, and Cisco's USD 4.5B acquisition of Acacia Communications. New deals remained robust with USD 81B of announced transactions. Transportation led the way with Canadian Pacific's USD 25B announcement for regional railway Kansas City Southern; in Telecom, Canadian wireless provider Rogers Communications offered USD 15.6B for rival Shaw Communications; and Private Equity showed increased activity with Apollo announcing 2 deals: their USD 7.2B offer for insurer Athene Holdings, and USD 3.2B for hobby retailer Michaels, while Blackstone and Starwood joined forces to yet again take hotel company Extended Stay America private.

### Portfolio

O'Connor's Merger Arbitrage strategy had negative performance in March despite the relatively calm environment. The majority of merger positions had modestly positive performance, with one significant outlier in WLTW/AON, where the spread tightened after having moved wider in the first two months of the year. Reports of a number of potential divestitures suggested that AON is now considering selling business lines to accommodate regulators and the companies appear to be focusing on EU approval first as regulatory review is paused and reports suggest that they are discussing potential solutions with the EU body. The transaction's closing now appears to be slipping into the third quarter, but the companies seem to be making progress and we retain our position. On the other side of the ledger CLGX/CSGP was a significant detractor, as CSGP abruptly dropped their competitive bid for CLGX leaving the prior all-cash offer from a private equity buyer as the winner. While it was disappointing to give up the gains made in previous months' overbid drama, the position remains firmly profitable from inception and the private equity bid does have a high degree of certainty to closing; as such we retain the position and expect the deal to close in the next couple of months. Our SPAC portfolio also lost ground on broad weakness in the space, and while no individual position had material impact, nearly every issue fell during the month as premium to trust value evaporated leaving much of the universe now trading at a discount to trust value. As we have mentioned over the past couple of months we have actively traded the portfolio looking to de-risk our exposure, booking gains on positions trading at more extreme premiums and rotating into more defensive SPACs trading closer to trust value, and the book remains nicely profitable year-to-date.

In Capital Structure positive returns continued to represent greater diversity than the first few months of 2020 as we have continued to reduce some positioning in reopening themes based on valuations. Our mixed credit and equity positioning in airlines was the only meaningful negative. Risk did not meaningfully change over the course of the month and we continue to operate at a relatively low level of leverage.

### Outlook

We're never happy with losing performance, but in context of a both the surprise of the CLGX/CSGP overbid reversal and significant negative volatility in the SPAC market in March we believe that the portfolio navigated the month well. Our exposure to the CLGX/CSGP loss was limited thanks to our risk management process of deal grading. In SPACs we view the return to rational behaviour from the prior exuberance positively as prices now appear much more attractive both to trust value and to the potential upside optionality around potential deal announcements. Oversupply concerns seem to be abating as new issuance has slowed and at current levels there is positive return to redemption in many issues which in our view suggests limited downside. Elsewhere, new supply of transactions continues to build and we are gradually adding new positions to the book at spreads that we consider to be attractive.

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

MSCI (%)

HFRU ED (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	YTD	YTD
2021	-	-	-0.34	-	-	-	-	-	-	-	-	-	-0.34	3.11	0.00

## 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 98m
UBS O'Connor Firm AuM	USD 8bn
Subscriptions	Weekly, T-1 Notice, T+3 Settlement
Redemptions	Weekly, T-3 Notice, T+3 Settlement

## Performance – Share Classes

Class	ISIN	NAV	MTD (%)	YTD (%)	Since Inc. (%)
E EUR (ACC)	IE00BKX8M260	989.63	-0.41	-1.04	-1.04
E USD (ACC)	IE00BKX8M377	990.78	-0.31	-0.92	-0.92
I1 EUR (ACC)	IE00BMCFJ106	98.91	-0.44	-1.09	-1.09
I1 USD (ACC)	IE00BMCFJ213	99.04	-0.34	-0.96	-0.96

Source: IAM as at 31 Mar 2021. All data is net of fees.

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## Portfolio Analysis

Sector Exposure (% Net)	Merger Arbitrage & SPACs	Capital Structure Arbitrage	Total
Communication Services	1.4	0.0	1.4
Consumer Discretionary	2.9	2.1	5.0
Consumer Staples	1.9		1.9
Energy	-0.1	3.7	3.6
Financials	-3.3		-3.3
Health Care	13.1	0.2	13.3
Industrials	14.2	8.5	22.6
Information Technology	12.5		12.5
Materials	-0.1	0.2	0.1
Other	6.3	0.3	6.6
Real Estate	1.6		1.6
Utilities	1.3		1.3
	<b>51.7</b>	<b>14.9</b>	<b>66.6</b>

Region Exposure (% Net)	Merger Arbitrage & SPACs	Capital Structure Arbitrage	Total
North America	35.2	14.3	49.5
Europe	13.9	0.2	14.1
Other	2.6	0.4	3.1
	<b>51.7</b>	<b>14.9</b>	<b>66.6</b>

Strategy (%)	Long	Short	Gross	Net
Merger Arbitrage & SPAC	96.9	-45.2	142.1	51.7
Capital Structure Arbitrage	18.7	-3.7	22.4	14.9
	<b>115.6</b>	<b>-48.9</b>	<b>164.5</b>	<b>66.6</b>

## Top 5 Long Holdings

Trade (% Net)	Sector	Total
Slack Technology	Merger Arbitrage	7.0
American Airlines	Capital Structure Arbitrage	6.6
Varian Medical Systems	Merger Arbitrage	6.6
IHS Markit	Merger Arbitrage	6.2
Real Page	Merger Arbitrage	4.8

## Portfolio Managers' Background

### Joe Newell (Head of Merger Arbitrage)

Joe Newell is a 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.

### Blake Hiltbrand (Head of Event-Driven Strategies)

Blake Hiltbrand is a Managing Director and Head of Event-Driven Strategies on the Global Event-Driven team 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.

### Chris Brezski (Portfolio Manager Opportunistic)

Chris Brezski is a 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)

Gurpreet Ottal is an Executive 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.

Source: IAM as at 31 Mar 2021.

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### Important information

The performance figures outlined in the table above reflect the performance of the identified share class of the Fund. Funds may have multiple share classes with differing fees which will affect performance differently.

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The fund has been authorised by the Central Bank of Ireland. The full name of the fund is: O'Connor Event Driven UCITS Fund (the aforementioned being a sub-fund of the IAM Investments ICAV and complying with Directive 2009/65/EC). The publication of the Fund Documentation relating to the funds do not imply any judgment by the Central Bank of Ireland.

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