



## KLS Athos Event Driven Fund



### Objective

The KLS Athos Event Driven Fund is an equity biased, event driven fund with a primary focus on short dated and liquid hard catalyst events in the Asia Pacific region and beyond. Athos Capital was founded by Matthew Moskey and Fred Schulte Hillen, two seasoned event driven investors. Prior to launching Athos in 2012 both worked at large multinational asset managers and Asian focused funds. They have the unique combination of M&A banking, special situations trading, legal and operational experience. The team are based in Hong Kong from where they have built an excellent network of contacts across Asia and a very disciplined investment process to deliver good risk adjusted returns for their investors. The Fund is actively managed and not managed by reference to a benchmark.

### Commentary

October saw periods of pronounced volatility across several core markets for our strategy, with performance driven by a number of core positions with short term catalysts which was frustratingly offset by spread widening across the portfolio in the final days of the month in particular. M&A deal flow remains consistent across our core markets, seeing new exposure entering the portfolio, including some new short positions in areas where we see increased risk to deal closure currently. Overall spreads remain exceptionally wide in M&A in Asia in particular, with the risk premium for M&A deals elevated relative to the previous decade that we have been trading our strategy, which continues to make us believe that we should be in a position to outperform over time. We see significant opportunity in the portfolio over the coming weeks, albeit in the context of continued volatile markets and pockets of idiosyncratic risk in several jurisdictions.

Positive performance in October came from a special situations trade in Hong Kong that saw a suspended security relisted, as well as from several A/H Share arbitrage positions and a global M&A spread position that closed during the month. This was offset by a relative value trade that saw spreads widen as Chinese names came under pressure during the month among lingering uncertainty after the party congress, as well as from an ADR arbitrage position that widened towards the end of the month.

As we mentioned previously, we see the current spread environment in both Asia and the US as mispriced and attractive as many deal spreads are expanding not merely in line with the risk-free rate but with increased deal premium as well. While there are pockets of increased outcome risk around, for example, financing of transactions in Australia or emerging anti-trust regimes in the US, in many other deals in Asia in particular we find the wide spread environment a reflection of both misunderstood outcome risk and generally lower participation in merger arbitrage opportunities, as the pool of dedicated capital to our region decreased and global event portfolios concentrate especially on deals in the US. We expect long exposure to Asian risk arbitrage spreads to increase over the coming quarter as a large number of deals mature to the point where we typically find spreads and timing most attractive.

Outside of our core merger arbitrage strategy, we remain cautious on ECM and placement opportunities, bar a core set of jurisdiction-specific trades that have worked well over the past quarter. While the year has been a continuous exercise in reassessing strategy allocation along the various event opportunities available to us, we have increasingly concentrated our portfolio into exceptionally priced event opportunities with hard liquidity and timing outcomes. For example, the recent relisting of Brilliance Automotive in Hong Kong after a prolonged period of suspension following compliance issues has been a significant outperformer for the fund. We expect a material cash distribution to shareholders potentially approximating the current market capitalization of the company within the coming quarter. In the context of exceptionally tricky Greater China markets, these types of hard event opportunities provide the potential for outsized return opportunities with hard timing and liquidity outcomes that the market has broadly overlooked and therefore mispriced. By the same token, we remain cautious on other "well-priced" but longer term event opportunities in the Asian markets currently that are absent clear and measurable timelines and likely to be much more correlated to the market.

### Fund Details

|                               |   |
|-------------------------------|---|
| <b>Launch Date:</b>           | 15 <sup>th</sup> April 2021   |
| <b>Fund Size:</b>             | \$61m   |
| <b>Athos AUM:</b>             | \$1.1bn   |
| <b>Fund Structure:</b>        | UCITS   |
| <b>Domicile:</b>              | Ireland   |
| <b>Min Investment:</b>        | Class SI: \$50,000,000<br>Class I: \$1,000,000<br>Class R: \$10,000   |
| <b>Currencies:</b>            | USD (base); GBP, EUR, CHF (all hedged)  |
| <b>Management Fee:</b>        | Class F: 0.75% (Founders Only)<br>Class SI: 1.00%<br>Class I: 1.25%<br>Class R: 1.75%<br>Class SIF: 2.00%*<br>*no performance fee |
| <b>Pricing:</b>               | Daily   |
| <b>Liquidity:</b>             | Daily   |
| <b>Performance Fee:</b>       | 20% above one month SOFR hurdle and high watermark  |
| <b>Manager:</b>               | KBA Consulting Management Limited   |
| <b>Investment Manager:</b>    | Kepler Partners LLP   |
| <b>Sub Inv. Manager:</b>      | Athos Capital Ltd   |
| <b>Portfolio Managers:</b>    | Fred Schulte-Hillen<br>Matthew Moskey   |
| <b>Inv. Universe:</b>         | Global  |
| <b>UK Reporting Status</b>    | Yes   |
| <b>Country Registrations:</b> | Ireland<br>France<br>Germany<br>Spain<br>Switzerland (QI)<br>UK   |



## Performance

|      | JAN    | FEB    | MAR    | APR    | MAY    | JUN    | JUL    | AUG    | SEP    | OCT    | NOV   | DEC   | YTD    |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|--------|
| 2022 | -0.11% | -1.67% | -2.08% | -1.14% | -1.58% | -0.31% | 1.39%  | -0.24% | -1.67% | -0.05% |       |       | -7.25% |
| 2021 |        |        |        | -0.29% | 0.65%  | -1.16% | -2.59% | 2.76%  | -0.93% | 0.91%  | 0.11% | 1.10% | 0.47%  |

\*Fund performance is net return of USD F Class. Return figures are since inception on 15<sup>th</sup> April 2021. All figures as at 28<sup>th</sup> October 2022. Past performance is not necessarily a guide to future performance. The value of investments and the income from them may fall as well as rise and you may not get back the amount of your original investment

## Top 10 Positions (Long)

|                             | COUNTRY        | SECTOR                 | WEIGHT       |
|-----------------------------|----------------|------------------------|--------------|
| Osram Licht                 | Germany        | Industrials            | 6.3%         |
| Brilliance China Automotive | China          | Consumer Discretionary | 5.9%         |
| Toshiba                     | Japan          | Industrials            | 5.2%         |
| Swedish Match               | Sweden         | Consumer Staples       | 4.8%         |
| Hitachi Transport System    | Japan          | Industrials            | 3.8%         |
| Prosus                      | Netherlands    | Consumer Discretionary | 3.7%         |
| Shaw Communications         | Canada         | Communication Services | 3.7%         |
| Aveva Group                 | United Kingdom | Information Technology | 3.6%         |
| Activision Blizzard         | United States  | Communication Services | 3.2%         |
| Pendal Group                | Australia      | Financials             | 3.0%         |
|                             | <b>Total</b>   |                        | <b>43.2%</b> |

## Top 10 Positions (Short)

|                                      | COUNTRY        | SECTOR                 | WEIGHT        |
|--------------------------------------|----------------|------------------------|---------------|
| Tencent Holdings                     | China          | Communication Services | -3.1%         |
| Perpetual Limited                    | Australia      | Financials             | -2.1%         |
| LVMH                                 | France         | Consumer Discretionary | -1.8%         |
| Rio Tinto                            | United Kingdom | Materials              | -1.5%         |
| Haier Smart Home                     | China          | Consumer Discretionary | -0.9%         |
| Pharmaron Beijing                    | China          | Health Care            | -0.8%         |
| Japan Post Bank                      | Japan          | Financials             | -0.8%         |
| Softbank Group                       | Japan          | Communication Services | -0.7%         |
| Unimicron Technology                 | Taiwan         | Information Technology | -0.7%         |
| Vanguard International Semiconductor | Taiwan         | Information Technology | -0.6%         |
|                                      | <b>Total</b>   |                        | <b>-13.0%</b> |



## Regional Exposure

|                | LONG          | SHORT         | NET          | GROSS         |
|----------------|---------------|---------------|--------------|---------------|
| Developed Asia | 18.5%         | -9.2%         | 9.3%         | 27.7%         |
| Emerging Asia  | 28.2%         | -25.4%        | 2.9%         | 53.6%         |
| Eastern Europe | 0.9%          | 0.0%          | 0.9%         | 0.9%          |
| Western Europe | 44.0%         | -5.6%         | 38.4%        | 49.6%         |
| North America  | 31.6%         | -1.9%         | 29.6%        | 33.5%         |
| Oceania        | 7.7%          | -3.8%         | 3.9%         | 11.4%         |
| MEA            | 1.3%          | 0.0%          | 1.3%         | 1.3%          |
| <b>Total</b>   | <b>132.2%</b> | <b>-45.9%</b> | <b>86.3%</b> | <b>178.1%</b> |

## Sector Exposure

|                     | LONG          | SHORT         | NET          | GROSS         |
|---------------------|---------------|---------------|--------------|---------------|
| Comm. Services      | 10.4%         | -5.3%         | 5.1%         | 15.7%         |
| Cons. Discretionary | 17.2%         | -4.7%         | 12.5%        | 21.9%         |
| Consumer Staples    | 6.1%          | -1.0%         | 5.1%         | 7.1%          |
| Energy              | 4.3%          | -1.3%         | 3.0%         | 5.6%          |
| Financials          | 12.7%         | -4.3%         | 8.3%         | 17.0%         |
| Health Care         | 12.7%         | -5.9%         | 6.8%         | 18.5%         |
| Index               | 0.0%          | -4.7%         | -4.7%        | 4.7%          |
| Industrials         | 32.9%         | -4.8%         | 28.0%        | 37.7%         |
| IT                  | 22.0%         | -5.0%         | 16.9%        | 27.0%         |
| Materials           | 8.3%          | -7.7%         | 0.6%         | 16.0%         |
| Real Estate         | 3.2%          | -0.7%         | 2.4%         | 3.9%          |
| Utilities           | 2.6%          | -0.4%         | 2.1%         | 3.0%          |
| <b>Total</b>        | <b>132.2%</b> | <b>-45.9%</b> | <b>86.3%</b> | <b>178.1%</b> |

\*All data as at 28<sup>th</sup> October 2022. Source: Kepler Partners LLP

## Gross Attribution Data

| STRATEGY                | JAN          | FEB          | MAR          | APR          | MAY          | JUN          | JUL         | AUG          | SEP         | OCT          | NOV | DEC | YTD          |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|-------------|--------------|-----|-----|--------------|
| AH Arb                  | 0.1%         | 0.0%         | -0.2%        | 0.2%         | 0.0%         | 0.2%         | 0.1%        | -0.1%        | 0.4%        | -0.2%        |     |     | 0.6%         |
| Announced M&A           | 0.5%         | 0.4%         | 1.3%         | 0.3%         | -0.5%        | 0.0%         | 0.0%        | 0.2%         | -1.2%       | 0.3%         |     |     | 1.0%         |
| ECM                     | 1.3%         | -1.3%        | -0.4%        | -0.4%        | -0.6%        | 1.0%         | 0.2%        | -0.3%        | 0.0%        | 0.2%         |     |     | -0.4%        |
| Event                   | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%        | 0.0%         | 0.0%        | 0.0%         |     |     | 0.0%         |
| Global M&A              | -0.5%        | -0.3%        | -0.3%        | -0.5%        | -0.4%        | -0.4%        | 0.6%        | 1.2%         | -0.1%       | 0.4%         |     |     | -0.5%        |
| Hedge                   | 0.1%         | 0.0%         | -0.2%        | 0.2%         | 0.0%         | 0.1%         | -0.0%       | 0.1%         | 0.3%        | 0.1%         |     |     | 0.4%         |
| Partially announced M&A | 0.0%         | -0.1%        | 0.1%         | 0.3%         | 0.2%         | -0.1%        | 0.0%        | -0.3%        | 0.1%        | -0.1%        |     |     | 0.2%         |
| PNL Ccy                 | -0.4%        | -0.3%        | -0.8%        | -0.2%        | 0.3%         | -0.4%        | 0.1%        | -0.2%        | -0.2%       | 0.1%         |     |     | -2.2%        |
| Pre-bid M&A             | -0.2%        | -0.3%        | -0.4%        | -0.1%        | 0.0%         | 0.0%         | 0.2%        | -0.1%        | -0.3%       | 0.0%         |     |     | -1.2%        |
| Relative Value          | -0.6%        | 0.3%         | -0.7%        | -0.1%        | -0.1%        | 0.5%         | 0.2%        | -0.4%        | 0.1%        | -1.1%        |     |     | -0.7%        |
| Rights Arb              | 0.0%         | 0.0%         | 0.0%         | -0.1%        | 0.0%         | -0.2%        | -0.1%       | 0.2%         | 0.3%        | 0.0%         |     |     | 0.0%         |
| Share Class Arb         | 0.0%         | 0.4%         | -0.2%        | -0.5%        | -0.1%        | 0.0%         | 0.2%        | -0.4%        | -0.5%       | 0.1%         |     |     | -1.0%        |
| Tactical                | -0.3%        | -0.3%        | -0.2%        | 0.2%         | -0.1%        | -0.9%        | 0.1%        | -0.2%        | -0.3%       | 0.0%         |     |     | -1.9%        |
| <b>Total</b>            | <b>-0.1%</b> | <b>-1.4%</b> | <b>-1.8%</b> | <b>-0.9%</b> | <b>-1.3%</b> | <b>-0.3%</b> | <b>1.7%</b> | <b>-0.2%</b> | <b>1.4%</b> | <b>-0.1%</b> |     |     | <b>-5.6%</b> |

\*Gross attribution data as at 28<sup>th</sup> October 2022, taken from the F-USD share class. Fees, costs and the categorisations can lead to variations in the attribution data and this should only be used as a guide. Past performance is not necessarily a guide to future performance.



## Share Classes\*

|               | NAV PER SHARE | ISIN         | INCEPTION DATE |
|---------------|---------------|--------------|----------------|
| Class F USD   | 93.19         | IE00BN7J4Q47 | 15/04/2021     |
| Class F GBP   | 92.42         | IE00BN7J4S60 | 15/04/2021     |
| Class F EUR   | 90.87         | IE00BN7J4R53 | 15/04/2021     |
| Class SIF USD | 91.56         | IE00BMQC6P09 | 15/04/2021     |
| Class I CHF   | 90.50         | IE00BN7J4Y21 | 04/05/2021     |
| Class I EUR   | 92.10         | IE00BN7J4W07 | 07/10/2021     |
| Class SI USD  | 100.09        | IE00BN7J5383 | 07/06/2022     |
| Class SI GBP  | 97.79         | IE00BN7J5508 | 02/08/2022     |
| Class SI EUR  | 96.42         | IE00BN7J5490 | 19/08/2022     |

\*As at 28<sup>th</sup> October 2022. Source: Kepler Partners LLP

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