

Candriam Equities L Risk Arbitrage Opportunities

Market Overview

M&A activity in January was intense to start off 2024, following on from last December. The number of new transactions was 22 (compared to 16 in December) - well above the average of the previous 24 months - of which five had an enterprise value of more than \$5 billion: Juniper Networks, Southwestern Energy, Ansys, Tricon Residential and Nustar Energy. The three themes identified in our December letter (pharma, IT and energy) represented nearly 60% of activity, with a predominance of the United States, with 16 announcements made in the US compared with 6 in Europe. In terms of average spreads, there was an easing and the expected yield increased by more than half a percent.

Portfolio Highlights & Strategy Review

On the M&A front, the regulatory environment was once again shaken by the opposition of the US and European authorities to the acquisition of iRobot by Amazon. Despite the fact that we significantly reduced our position, as explained in our November letter, this explains in part the slightly negative performance over the month. Nevertheless, the improvement in terms of Apollo's bid for Spanish company Applus Services helped the fund to outperform the competition, while the average gap in the M&A space widened significantly. Seven of our positions were paid in January: Telefonica Deutschland, Echostar, Engagement SMart, Restaurant Group, Dechra Pharma, Bluegreen Vacations and RPT Realty. However, the large number of new deals (22 in January alone) allowed us to take advantage of new investment opportunities. As a result, leverage increased significantly to 117.3% (94.5% at the end of December). We initiated 13 new positions, while seven deals were paid, three were reduced due to lower expected returns and one was completed. With 46 transactions in the portfolio (versus 44 at the end of December), the average size of our positions is once again increasing, but our diversification remains satisfactory with regard to our management objectives.

Performance in January was slightly negative, with iRobot being the main detractor and Applus Services and Nordic Waterproofing being the main contributors.

As part of the transaction between iRobot and Amazon, the parties finally gave in to pressure from regulators and announced on 29 January that they were calling off their planned merger in a friendly manner. As a reminder, we reduced our position by more than half in November following the publication of a favourable article by Reuters, which caused the share price to rise by more than 40%.

In June 2023, investment fund Apollo initiated a tender offer for €9.50 per share. Three months later, in September 2023, a private equity consortium composed of I Squared Capital Advisor and TDR Capital responded with a counter-offer at €9.75 per share. We felt both offerings undervalued the company, which is why we invested in Applus Services. On 24 January, all the necessary approvals to open the official offer period being obtained, Apollo announced an increase in the terms of its offer to €10.65 per share (+12%). A few days later, the media reported the rival consortium's intention to come back with a new bid. By taking a significant position in this issuer, we took full advantage of the 11.9% rise in the share price recorded in January.

As part of the mandatory offer launched by Kingspan for Nordic Waterproofing, the shareholders anticipated a negative recommendation from the target's board of directors based on the low premium offered (around 15%) and made this clear by increasing the share price by more than 5% above the price proposed by Kingspan. We had positioned ourselves to



benefit from a potential increase in the terms of the transaction and believe that Kingspan has every reason to want to pay up to 15% to 20% more to secure the majority of Nordic Waterproofing's shares and thus consolidate its operations. The offer remains open until 27 March 2024.

The aggregate performance of our investments in special situations was marginally negative, with 3 of our 11 positions in the green for January (including hedging). While the positions initiated in the healthcare sector performed well, we suffered from the end of negotiations between Swiss software developer SoftwareOne and Bain Capital.

Fund Outlook

While the regulatory environment unexpectedly tightened again in January, M&A momentum was very encouraging, with a remarkably high number of new deals announced and more to come, according to strategic and financial decision makers. Central banks reiterated their intention to ease funding conditions in 2024 - albeit a few months later than expected - which bodes well for our strategy. The widening of the average spread in our investment universe has given us the opportunity to increase our exposure and thus increase expected returns, while remaining attentive to the potential volatility of regulatory approvals in certain specific situations.

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Swiss paying agent: CACEIS Bank, Paris, succursale de Nyon/Suisse, Route de Signy, 35, CH-1260 Nyon. Place of performance: Route de Signy 35, CH-1260 Nyon. Place of jurisdiction: Route de Signy 35, CH-1260 Nyon.

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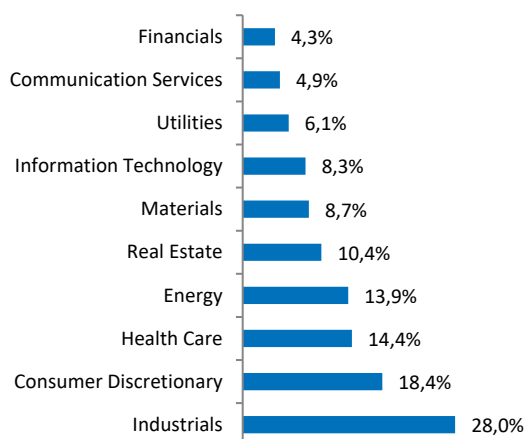
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I Share class	2021 (since march*)	2022	2023	YTD
Candriam Equities L Risk Arbitrage Opportunities	1.51%	-3.27%	-1.39%	-0.29%
€STR	-0.39%	-0.01%	3.29%	0.35%
Excess Return	1.90%	-3.26%	-4.68%	-0.64%

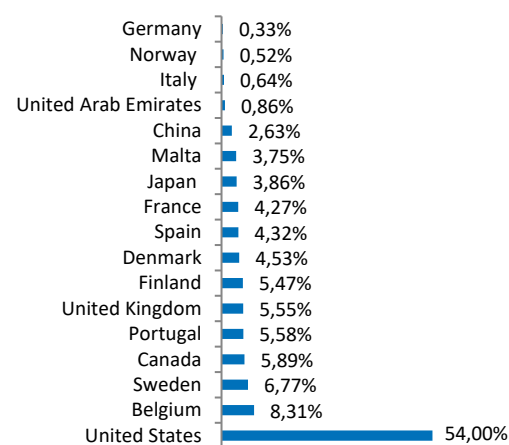
* Launch of the fund: 03/15/2021

PORTFOLIO EXPOSURES

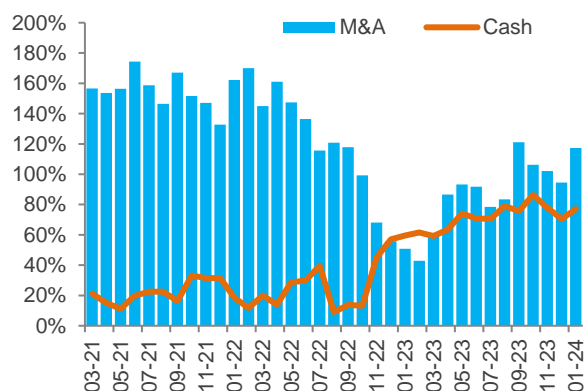
SECTOR BREAKDOWN



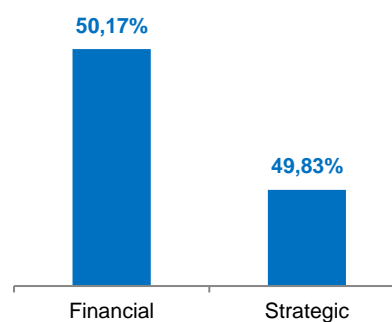
GEOGRAPHICAL BREAKDOWN OF RISK



HISTORICAL EXPOSURE BY STRATEGY



EXPOSURE BY ACQUIRER TYPE



PORTFOLIO UPDATE

Main Positions Entered		Main Positions Sold	
PGT INNOVATIONS INC	5.91%	TELEFONICA DEUTSCHLAND HOLDI	5.47%
TRICON RESIDENTIAL INC	5.89%	ECHOSTAR CORP-A	4.41%
CARROLS RESTAURANT GROUP INC	4.61%	ENGAGESMART INC	3.78%
CHR HANSEN HOLDING A/S	4.53%	RESTAURANT GROUP PLC	2.67%
KINDRED GROUP PLC	3.75%	RPT REALTY	0.74%

AUM(€M)	49
NUMBER OF STRATEGIES	46
GROSS INVESTMENT	117%

