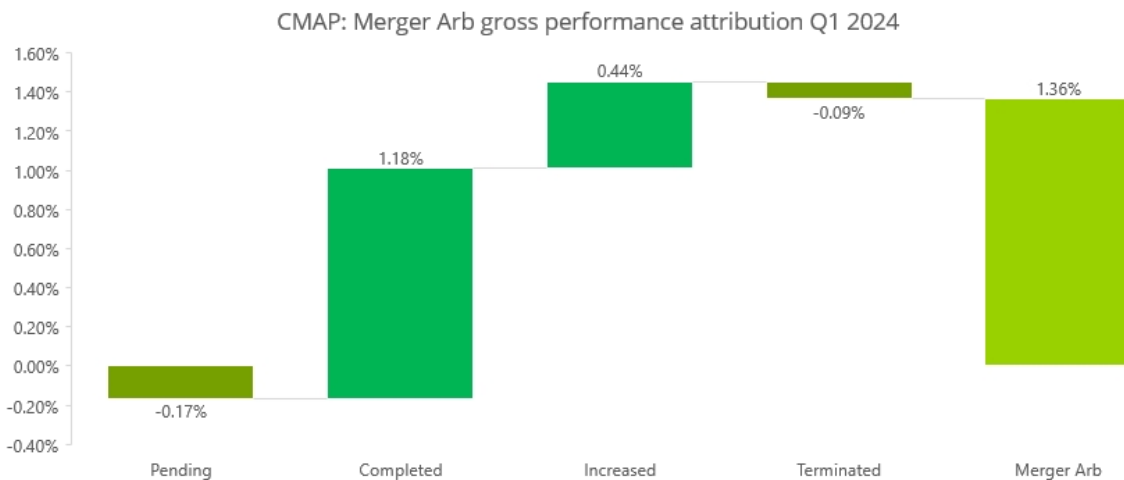


# CARMIGNAC MERGER ARBITRAGE: Q1 2024 - LETTER FROM THE PORTFOLIO MANAGERS

12/04/2024 | FABIENNE CRETIN-FUMERON, STÉPHANE DIEUDONNÉ

With the prospect of central banks cutting rates, equity markets continued their rally in the first quarter of 2024. The Eurostoxx and S&P 500 rose by 12.9% and 10.6% respectively. On the other hand, the start of the year was more mixed for bond markets, with the US High Yield segment (Iboxx Liquid HY) up 1.3% and the Investment Grade segment (Iboxx Liquid IG) down 0.7%. In terms of the Merger Arbitrage strategy, our CMA/CMAF funds returned respectively +0.92% and +0.89% in Q1 2024, while the Credit Suisse Merger Arbitrage Liquid index fell by 0.5% over the same period.

## PERFORMANCE REVIEW



Source: Carmignac, Q1 2024.

First of all, most of our quarterly performance was achieved in the last month. Indeed, while the first two months of the year showed no real trend for our strategy, March saw a good performance driver, with the finalization of a large number of transactions. Among the most important were Cisco's \$28 billion takeover of Splunk, Bristol-Myers Squibb's \$11 billion acquisition of Karuna Therapeutics, and Campbell Soup's \$3 billion purchase of Sovos Brands. Overall, nearly 21 deals were finalized in March, compared with just 7 in February. Once these deals had been closed and paid for, the capital redeployed on other deals still in progress resulted in a tightening of certain discounts, such as those on the Pioneer Natural Resources, Hess and Cerevel Therapeutics transactions.

At the start of this year, **antitrust risk was the main source of volatility** in Merger Arbitrage spreads.

In January, the American courts decided to block JetBlue Airways' takeover of Spirit Airlines for \$3.6 billion, leading to a 60% fall in the target's shares. In the same month, Amazon withdrew its bid for iRobot under pressure from antitrust authorities in Europe and the US, resulting in a 65% drop in the shares of the vacuum cleaner manufacturer. While we were not invested in the first transaction, given the high risk of capital loss, we did have a small exposure to the second, which, despite the risk of failure, offered a very attractive return.

The month of March, however, was more favorable for certain projects where antitrust risks were a concern. Brookfield AM finally obtained approval from the United Arab Emirates (UAE) for its acquisition of Network International. Thermo Fischer Scientific's takeover of Olink was approved by the Icelandic antitrust authority and the Swedish Ministry of Foreign Affairs. After many months of uncertainty, Japan Investment Corp was finally authorized to withdraw its application for approval from the Chinese antitrust agency, enabling it to officially launch its bid for JSR. This last operation was one of the main contributors to our quarterly performance.

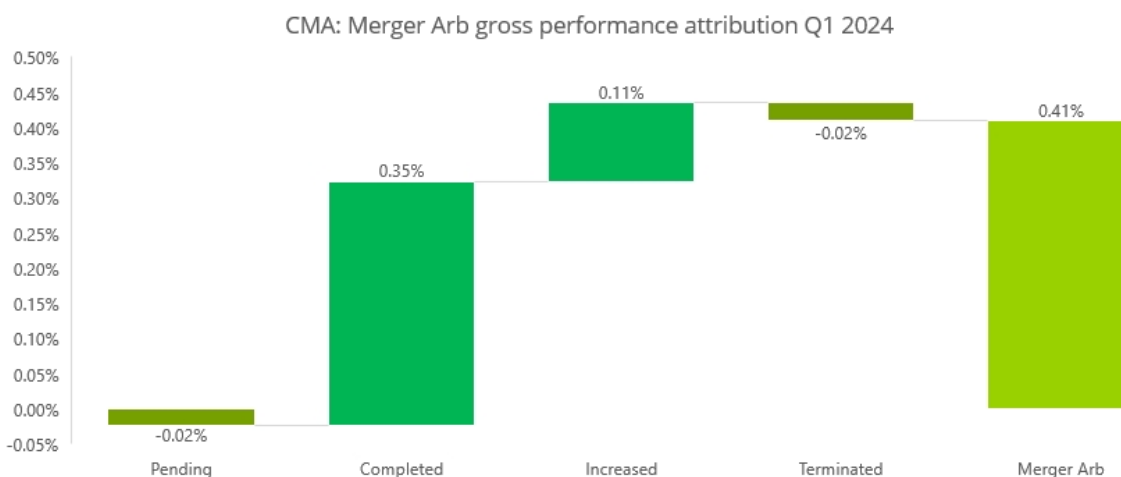
**There were several notable increased bids during the 1<sup>st</sup> quarter.**

In January, the Swedish IT services company Pagero Group was the subject of a battle between three players in the sector (Avalara, Thomson Reuters, Vertex), which resulted in the terms of the offer being improved by almost 39%. In February, the shipping company CMA CGM saw its bid for the British logistics services company Wincanton countered by a 37% higher offer from the American GXO Logistics. Finally, still in the UK, equipment manufacturer Spirent Communications is being targeted by two industry players, Keysight Technologies and Viavi Solutions. The target's shares climbed 12% compared with the terms of the initial offer in March. Our investment process enabled us to identify Pagero Group and Spirent Communications as potential situations of increased bids. These two positions thus made a positive contribution to our funds' performance in Q1 2024.

Another way of breaking down fund performance is to look at the status of the transaction at the end of the period. A takeover bid can be either:

- Pending: the operation has not yet been finalized, as all conditions precedent have not yet been lifted.
- Completed: the transaction has been finalized according to the initial terms.
- Increased: the buyer has increased its price or a third party has come in with a higher offer.
- Terminated: the operation has failed.

Using this methodology, we obtain the following table showing the local gross performance of the fund's Merger Arbitrage exposure (before management fees):



Source: Carmignac, Q1 2024.

In this performance attribution, we note that the main driver of performance was the finalization of a large number of portfolio transactions during March. Given the high volatility of certain antitrust-risk spreads such as Capri and Olink, the "Pending" category made a negative contribution to performance over the quarter. We also noted a good contribution from the increased bids situations (Pagero Group and Spirent Communications), as well as a small impact from the iRobot failure.

## M&A ENVIRONMENT

**The good news at the start of this year is the continuation of the good momentum in M&A activity observed since Q4 2023.**

In fact, 92 new operations eligible for our portfolio were announced during Q1 2024, representing a 10% increase on the previous quarter and a 48% increase over the same period last year.

Two important facts stand out:

- Firstly, and rather unexpectedly, **Europe is the main driver of this growth: 29 deals were announced in Europe, up 93% on the same period last year.** The UK alone accounted for more than half of the deals announced in Europe in Q1 2024. The weakness of the local currency combined with the attractive valuation of the equity market make the UK particularly attractive to foreign investors.
- Secondly, the **return of mega-deals is confirmed, with 8 new deals worth over \$10 billion announced during the quarter,** up 33% on the previous quarter and the same period last year. This recovery concerns all sectors of the economy, from technology to financial services, healthcare, consumer goods and energy. For both the target and the acquirer, mega-deals always represent a major strategic and financial risk, due to the difficulty of implementing them. That's why we believe that the return of this type of structuring deal is a real sign of renewed confidence on the part of business leaders, which should be one of the driving forces behind the recovery of the M&A business cycle in the medium term.

We believe that **2024 should be a good year for M&A activity.** Indeed, a historical study of M&A activity shows that, while there is a certain cyclicity, downturns in activity tend to be short-lived on average and, for the current year, the engines of recovery are already in place:

- Approaching the end of the rate hike cycle, which should provide some visibility for business leaders.
- Return of mega-deals in most economic sectors.
- Sectoral shift in M&A activity towards the "old economy", driven in particular by the energy transition.
- New stock exchange regulations in Japan, aimed at opening up the market to M&A activity.
- A greater proportion of strategic players than financial players, who until now have been penalized by high interest rates.
- In certain sectors, such as Technology and Healthcare, external growth is structurally an integral part of development models.

# CARMIGNAC PORTFOLIO MERGER ARBITRAGE PLUS I EUR ACC

(ISIN: LU2585801330)

SFDR - Fund Classification\*\* :

Article **8**



Recommended  
minimum  
investment horizon



## MAIN RISKS OF THE FUND

**EQUITY:** The Fund may be affected by stock price variations, the scale of which is dependent on external factors, stock trading volumes or market capitalization. **ARBITRAGE:** Arbitrage seeks to benefit from such price differences (e.g. in markets, sectors, securities, currencies). If arbitrage performs unfavorably, an investment may lose its value and generate a loss for the Sub-Fund. **RISK ASSOCIATED WITH THE LONG/SHORT STRATEGY:** This risk is linked to long and/or short positions designed to adjust net market exposure. The Fund may suffer high losses if its long and short positions undergo simultaneous unfavourable development in opposite directions. **LIQUIDITY:** Temporary market distortions may have an impact on the pricing conditions under which the Fund might be caused to liquidate, initiate or modify its positions.

**The Fund presents a risk of loss of capital.**

\*Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. \*\*The Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 is a European regulation that requires asset managers to classify their funds as either 'Article 8' funds, which promote environmental and social characteristics, 'Article 9' funds, which make sustainable investments with measurable objectives, or 'Article 6' funds, which do not necessarily have a sustainability objective. For more information please refer to <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>.

## FEES

**Entry costs :** We do not charge an entry fee.

**Exit costs :** We do not charge an exit fee for this product.

**Management fees and other administrative or operating costs :** 1,11% of the value of your investment per year. This estimate is based on actual costs over the past year.

**Performance fees :** 20,00% max. of the outperformance if the performance is positive and the net asset value exceeds the high-water mark. The actual amount will vary depending on how well your investment performs. The aggregated cost estimation above includes the average over the last 5 years, or since the product creation if it is less than 5 years.

**Transaction Cost :** 0,45% of the value of your investment per year. This is an estimate of the costs incurred when we buy and sell the investments underlying the product. The actual amount varies depending on the quantity we buy and sell.

## PERFORMANCE (ISIN: LU2585801330)

Calendar Year Performance (as %)	2023	2024	2025 (YTD)
Carmignac Portfolio Merger Arbitrage Plus	+3.2 %	+3.7 %	+1.0 %

Annualised Performance	1 Year	3 Years	Since launch
Carmignac Portfolio Merger Arbitrage Plus	+3.8 %	- %	+4.0 %

Source: Carmignac at Mar 31, 2025.

Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).

## CARMIGNAC PORTFOLIO MERGER ARBITRAGE I EUR ACC

(ISIN: LU2585801090)

SFDR - Fund Classification\*\* :

Article **8**



Recommended  
minimum  
investment horizon



### MAIN RISKS OF THE FUND

**EQUITY:** The Fund may be affected by stock price variations, the scale of which is dependent on external factors, stock trading volumes or market capitalization. **ARBITRAGE:** Arbitrage seeks to benefit from such price differences (e.g. in markets, sectors, securities, currencies). If arbitrage performs unfavorably, an investment may lose its value and generate a loss for the Sub-Fund. **RISK ASSOCIATED WITH THE LONG/SHORT STRATEGY:** This risk is linked to long and/or short positions designed to adjust net market exposure. The Fund may suffer high losses if its long and short positions undergo simultaneous unfavourable development in opposite directions. **LIQUIDITY:** Temporary market distortions may have an impact on the pricing conditions under which the Fund might be caused to liquidate, initiate or modify its positions.

**The Fund presents a risk of loss of capital.**

\*Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. \*\*The Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 is a European regulation that requires asset managers to classify their funds as either 'Article 8' funds, which promote environmental and social characteristics, 'Article 9' funds, which make sustainable investments with measurable objectives, or 'Article 6' funds, which do not necessarily have a sustainability objective. For more information please refer to <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>.

### FEES

**Entry costs :** We do not charge an entry fee.

**Exit costs :** We do not charge an exit fee for this product.

**Management fees and other administrative or operating costs :** 0,61% of the value of your investment per year. This estimate is based on actual costs over the past year.

**Performance fees** : 20,00% when the share class overperforms the Reference indicator during the performance period. It will be payable also in case the share class has overperformed the reference indicator but had a negative performance. Underperformance is clawed back for 5 years. The actual amount will vary depending on how well your investment performs. The aggregated cost estimation above includes the average over the last 5 years, or since the product creation if it is less than 5 years.

**Transaction Cost** : 0,19% of the value of your investment per year. This is an estimate of the costs incurred when we buy and sell the investments underlying the product. The actual amount varies depending on the quantity we buy and sell.

## PERFORMANCE (ISIN: LU2585801090)

Calendar Year Performance (as %)	2023	2024	2025 (YTD)
Carmignac Portfolio Merger Arbitrage	+2.7 %	+3.8 %	+0.8 %

Annualised Performance	1 Year	3 Years	Since launch
Carmignac Portfolio Merger Arbitrage	+3.7 %	- %	+3.7 %

Source: Carmignac at Mar 31, 2025.

Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).

**Marketing communication. Please refer to the KID/KIID, prospectus of the fund before making any final investment decisions. This document is intended for professional clients.**

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