

TREECAP ARBITRAGE FUND

Event-Driven Arbitrage with Active Trading

NEWSLETTER

JANUARY 2024 +0.12%*

Monthly Update

Markets were trading lower into the close of the month, after the FED pushed back on expectations that interest rates would be cut by March. The FED indicated that it is not in a hurry to lower rates and that it does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably towards 2%. A similar situation has unfolded in the EU, where inflation slowed less than expected, reducing expectations that the European Central Bank will begin lowering interest rates as soon as the spring. Earnings reports didn't really help either, despite markets in general moving into positive territory in the second half of the month.

In Asia, markets traded lower throughout the month, continuing last year's trend. The government is stepping up its efforts to support the economy and mitigate the impact from the worst property downturn on record.

General

Fund Name	TreeCap Arbitrage Fund
Share Price (Class C)*	1,327.7422
Fund Manager	TreeCap B.V.
Fund Strategy	Event-Driven Arbitrage
Fund Structure	Fund for Joint Account (FGR)
Fund Tax Status	VBI
Fund Domicile	The Netherlands
Fund ISIN (Class C)	NL0012430607

Liquidity

Subscriptions	Monthly, 1 day notice period
Redemptions	Monthly, 1 day notice period
Lock-Up	No
Subscription Fee	No
Redemption Fee	No
Min. Initial Participation	EUR 100,000

Fees

Management Fee	1.80%
Performance Fee	20.0%
Hurdle Rate	N/A
High-Water Mark	Yes, Lifetime

Service Providers

Fund Administrator	Bolder Fund Services Netherlands
Fund Prime Broker	ABN AMRO Clearing Bank
Fund Clearing Broker	AK Jensen Ltd
Legal Owner	Stichting Juridisch Eigendom TCAF
Fund Auditor	Ernst & Young Accountants
Legal and Tax Counsel	Van Campen Liem

Portfolio Strategy Update

The TreeCap Arbitrage Fund - Class C (TCAF) reported a preliminary profit of 0.12%, and now stands at 32.77% since its launch in Februari 2020.

The start of the New Year was difficult for the fund. Despite plenty of news and new deal activity, it has been difficult to build a stable book that produces positive returns across all markets. Exposures were below the multi-year averages by the end of the year and it takes some time to build a stable portfolio again. Despite this, returns were mostly positive across the board. 2024 so far has delivered a healthy inflow of new deal activity. This is a continuation of the trend that we saw late last year. With economic confidence returning and as Central Banks have indicated that interest rates have peaked, corporate activity is widely expected to continue its resurgence.

Deal activity in the oil and gas sector has increased substantially. Last year's multibillion acquisitions of Hess (HES) by Chevron (CVX) and Pioneer Natural Resources (PXD) by Exxon Mobil (XOM), both all-stock transaction announced in October, where followed by more deals in January. Firstly, APA (APA) announced the \$4.5bn all-stock transaction to combine with Callon Petroleum (CPE), followed by the \$7.4bn deal that sees Southwestern Energy (SWN) merge with and into Chesapeake Energy (CHK). We expect to see further consolidation in the sector, though we don't expect to see any large cap deal activity any time soon. There have been many reports lately that BP (BP/) could become a target for Shell (SHEL), but we think this is unlikely to happen because of the sheer size of the combined company.

Also, deal activity in the pharma sector heated up. A flurry of new deals were announced, where large cap Pharma is adding to their drug pipelines. Merck (MRK) agreed terms of a \$23.00 per share cash offer for Harpoon Therapeutics (HARP), Johnson & Johnson (JNJ) announced a \$2bn cash offer for Ambrx Biopharma (AMAM) and Boston Scientific (BSC) agreed to pay \$71.00 in cash per share for Axonics (AXNX). In addition, after Cytokinetics (CYTK) reported positive results from the study of potential heart disease treatment late December, its stock rocketed from the high \$30s to as high as \$110, giving the company a market capitalisation of around \$10bn. All Pharma majors were mentioned to be queuing to make an offer for the company. Though this may still happen, the stock has dropped back and settled in at around the \$80 level.

Finally, there was more noteworthy activity. Hewlett Packard Enterprise (HPE) announced a \$40.00 cash offer for the shares of Juniper Networks (JNPR). The \$14bn transaction wasn't received well by HPE shareholders, as the stock fell sharply losing more than 10%. However, HPE shareholders don't have a vote on the transaction and that's why we believe that the transaction is likely going to complete, though the timeline might be on the longer side. In Europe, La Francaise des Jeux announced a recommended offer to acquire Swedish Kindred Group (KINDSDB) following a strategic review process that has lasted for the greater part of last year. With 27.9% of capital irrevocably committed to the transaction the structure looks solid. However, the regulatory path to completion may be lengthy due to both companies' dominant market positions in France.

Another interesting and developing situation is the acquisition of US Steel (X) by Nippon Steel (5401). 5401 has offered \$55.00 in cash per share, outbidding Cleveland-Cliffs by a small amount. In any year this would be relatively easy to get the required regulatory approvals in place, but as we are heading into the general elections in the US, this transactions is becoming increasingly politicized. The stock is trading at a \$8 discount to the offered terms and even though we still believe this will be approved eventually, it is getting increasingly more likely that this may not happen any time soon.

Amazon (AMZN) has terminated its \$1.4bn agreement to acquire iRobot (IRBT), a deal that had been announced in August 2022. The EC has blocked the transaction after a review that had commenced in June last year. Also, US regulatory approval was also still outstanding and as AMZN is facing a major antitrust case in the US, the deal wasn't expected to sail through that process easily. Moreover, the fundamentals of IRBT had deteriorated rapidly since the transaction had been announced and even though IRBT is entitled to receive a \$94mln termination fee, the company may well have to raise capital any time soon. The stock is now trading around \$14, well below the \$51.75 level AMZN had offered.

In terms of deals that completed successfully: Bristol-Myers (BMY) completed its acquisition of Mirati Therapeutics (MRTX), in which MRTX holders were offered \$59.00 in cash per share plus a CVR, potentially worth \$12.00 per share; Realty income (O) completed its all-stock offer for Spirit Realty Capital (SRC); Despite some shareholder opposition, SomaLogic (SLGC) and Standard BioTools (LAP) closed their proposed all-stock tie-up and finally Hilton Grand Vacations (HGV) and Bluegreen Vacations Holding (BVH) got the shareholder approval to finalize their all-cash transaction.

Lastly, a few noteworthy events include: the bidding war for Applus Services (APPS) is heating up, after Apollo raised its offer to €10.65 in cash. TDR and I squared are still in the process of formalizing their offer, but are said to consider raises their previous offer to at least €11.00 in cash per share. The tender offer for Olink (OLK) by Thermo Fisher (TMO) is taking much longer than expected. The tender offer launched late October and has now been extended multiple times. Six Flags Entertainment (SIX) and Cedar Fair (FUN) have set the shareholders vote for 12 March, while they are awaiting regulatory approval in the US.

*Preliminary Net. return and share price of Serie Class C and is subject to possible changes. Official Net. return and share price will be published as soon as the independent calculation of the administrator has been approved. No rights can be derived from this information.

Attention! This investment falls outside AFM supervision. No license and no prospectus required for this activity.



FACTSHEET JANUARY 2024

Wednesday, 31 January 2024

General

Fund Name	TreeCap Arbitrage Fund - C
ISIN Class C	NL0012430607
Share Price Class C (Preliminary)	EUR 1,327.7422

Liquidity

Fund Structure	Fund for Joint Account (FGR)
Fund Taks Status	VBI
Subscription	Monthly, 1 day notice period
Redemptions	Monthly, 1 day notice period
Management Fee (Annually)	1.80%
Performance Fee	20%
Hurdle	Yes, Lifetime High Watermark
Min. Initial Participation	EUR 100,000

Core Region



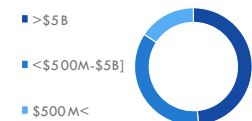
Core Strategies



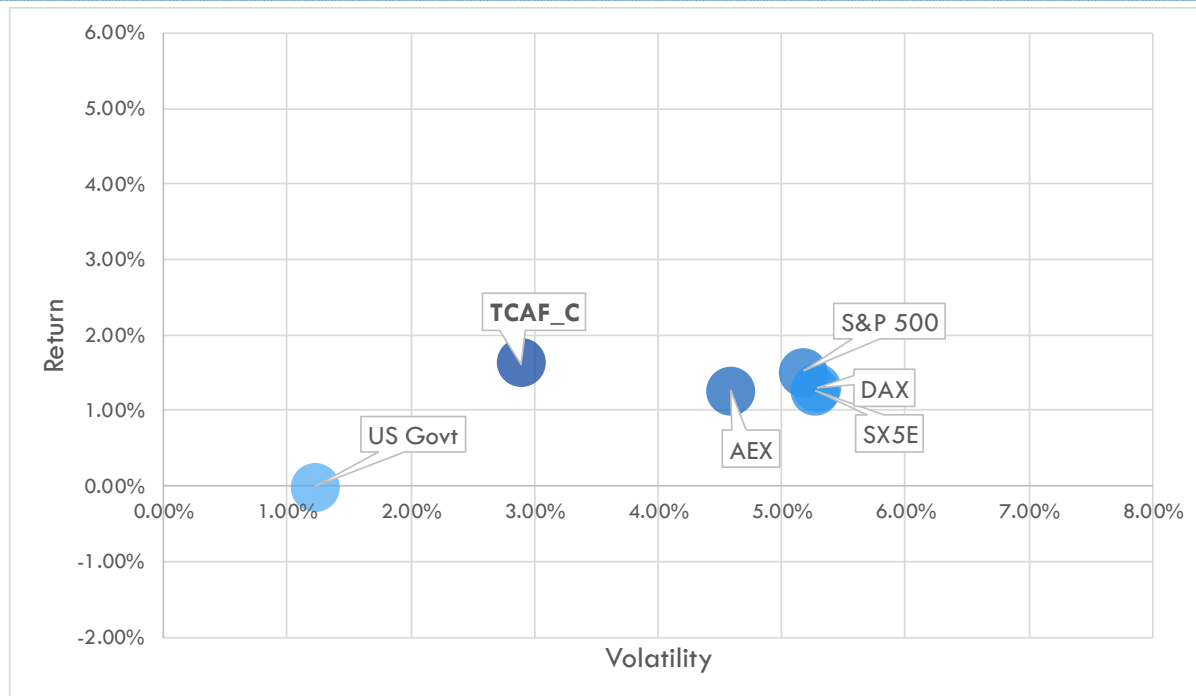
Core Security Type



Core Market Cap



Visual representation Reward vs. Risk of TCAF_C (As of April 2020) on a monthly basis, in base currency.

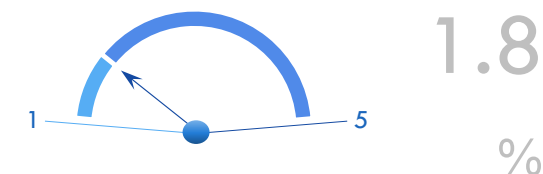


Year	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	CUM
2020		-2.17	-33.38	7.23	-4.82	9.35	0.37	4.51	3.47	7.64	12.08	3.43	-1.50	-1.50
2021	0.62	4.82	3.10	3.44	0.94	0.28	2.10	1.67	1.03	-1.05	2.68	0.27	21.65	19.83
2022	1.04	0.21	0.30	-0.17	0.07	0.39	0.62	0.56	0.09	1.26	0.45	0.22	5.16	26.01
2023	-0.94	0.04	-2.68	1.21	0.29	0.99	1.29	1.41	1.35	0.56	0.31	1.37	5.24	32.61
2024	0.12												0.12	32.77

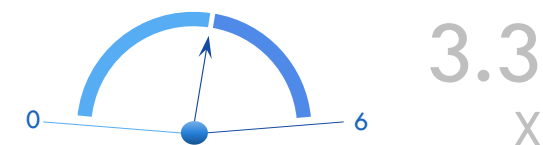
Number of Positions



Average Position Size



Gearing / Leverage



Portfolio Return MTD



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