

TREECAP ARBITRAGE FUND

Event-Driven Arbitrage with Active Trading

NEWSLETTER

FEBRUARY 2024 +0.20%*

Monthly Update

Positive earnings reports have pushed markets to all-time highs. The S&P Index closed at an all-time high well above the 5,000 mark. The AI-induced rally also pushed the Nasdaq index to new record highs. This was mainly fuelled by a continued rally in semi stocks, helped after Nvidia posted much better than expected results. As the outlook for corporate earnings remains optimistic, it could indicate that markets can continue their upward momentum. Volatility remains weak and interest rates have moved gradually lower, as markets have started to price in rate cuts later this year.

Portfolio Strategy Update

The TreeCap Arbitrage Fund - Class C (TCAF) reported a preliminary profit of 0.20%, and now stands at 33.04% since its launch in February 2020.

Despite a flurry of new deal announcements, trading activity has been subdued. This can largely be explained by tight spreads and reduced volatility. New deals tend to trade close to their offered terms on announcement and spreads often start to drift and trade wider after a couple of days. With increased funding costs, the emphasis is on research, making sure that deal timelines are calculated correctly. However, with the deal universe as it is, coupled with increased activity in the Asian region (see below), the strategy looks extremely active and lively and heading into the final month of the first quarter, the books are well positioned.

New deal announcements continue to gain momentum throughout the month. Gilead (GILD) announced a recommended \$4.3bn offer for CymaBay Therapeutics (CBAY). This deal is expected to close by the end of the first quarter, and can be seen as another roll up of a promising drug by a large cap biotech company. The same holds for Morphosys (MOR) that agreed to be acquired by Swiss Novartis (NOVN). NOVN offers €68.00 cash per share tender offer, valuing the company at €2.7bn. The offer represents a hefty 89% premium versus the undisturbed share price. These kind of deals have been the main drivers behind the strategy and it is also widely expected that these will continue.

This also implies that in terms of deal completions, the sector also saw a number of deals that closed during the month. To start with, Abbvie (ABBV) completed its purchase of Immunogen (IMGN), a deal that was announced late November and took 74 days to complete. The announced premium of 94% has been the main reason why the stock traded at a relatively wide spread until the very last approval was obtained. Another example is the acquisition of Harpoon Therapeutics (HARP) by Merck (MRK). MRK has offered \$23.00, which equates to a premium of about 118%, in cash per share or about \$680mln in total. The transaction was approved by the regulatory agency during the month and is now likely to close early March, following approval by the HARP EGM. With the premium offered, shareholder approval is likely a given. Bristol-Myers Squibb (BMY) completed its tender offer for Rayzebio (RYZB) a \$3.8bn tender offer that was announced over Christmas and took 61 days to complete.

Another very active sector is the oil sector. A flurry of deals have been announced over the past months, as oil majors aim to bolster their operations. Despite all these deals, trading activity has been modest unfortunately, which comes down to the fact that spreads have traded tight due to the low perceived risk of these kind of transactions. However, a few deals stand out. Exxon Mobil (XOM) all-stock offer for Pioneer Natural Resources (PXD) closed a little wider for the month, after taking into account the quarterly dividend that was paid by XOM. The sheer size of the transaction (\$68bn) and huge average daily trading volumes, make the spread a little volatile. Also, talks that the regulatory review could be more difficult than initially expected has resulted in a spread that is wider than anticipated. Another deal that has grabbed headlines is Chevron's (CVX) pending acquisition of HESS (HES). This also is an all-stock transaction and is all about the Stabroek offshore oil field in Guyana. This oil field is operated by Exxon Mobil Corporation (XOM), China National Offshore Oil Corporation (CNOOC) and HESS (HES), and following the announcement of the transaction, XOM and CNOOC have claimed a right of first refusal provision. The spread recorded huge swings during the month and despite coming in at the end of the month, still closed wider after taking into account the CVX dividend that went ex.

Deal activity in Asia has also been on the rise lately. Notable activity includes: Sinopharm's (1099) offer to privatize China TCM (570). This looks to be a plain vanilla offer process that could be completed within a 5 month timeline. Renesas (6723) agreed terms to acquire Altium (ALU) via a scheme of arrangement valuing ALU at A\$68.50 in cash per share or \$9.1bn. This is the biggest takeover proposal of an Australian company by a Japanese company. Saint-Gobain (SGO) announced an offer for CSR (CSR), valuing each share at A\$9.00 in cash. This represents a transaction value of about A\$4.4bn. The companies don't believe that there are any regulatory obstacles to complete the deal, and are guiding towards a June closing for their transaction. And finally, KDDI (9433) announced a tender offer for Lawson (2651), offering ¥10,360 in cash for each share.

Other interesting new transactions include: Walmart (WMT) purchase of Vizio (VZIO); the bidding contest for Wincanton (WIN), where a 480p per share cash offer by CMA CGM was countered by GXO Logistics (GXO) with a 605p cash offer. With the share trading well above the latest offer, the market is pricing some optionality that CMA CGM may return with a higher offer. Unipol (UNI) has commenced a voluntary tender offer for the minorities of UnipolSai (US).

Looking ahead, we expect further clarification on the regulatory process of Adevinta (ADE). The tender offer was successfully completed during February, with 93.7% of the shares accepted. The deal still requires a number of regulatory approvals and the companies have indicated they expect the transaction to close in early Q2. Also, the tender offer for Euronav (EURN) is finally set to complete. CMB has indicated that it intends to keep EURN listed, so an additional tender offer is not expected there. That said, the additional tender offer for Intervest offices & Warehouses (INTO) has now commenced following the initial tender offer in which almost 90% of the shares were tendered.

*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.

General

| | |
|------------------------|------------------------------|
| Fund Name | TreeCap Arbitrage Fund |
| Share Price (Class C)* | 1,330.4010 |
| 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 |

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

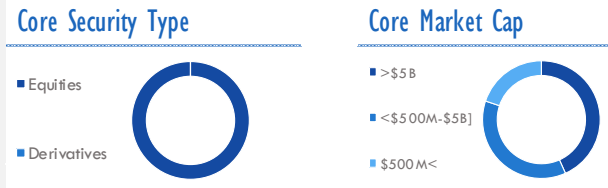
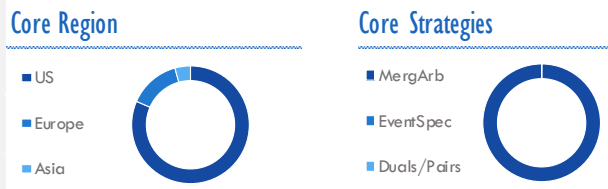


FACTSHEET FEBRUARY 2024

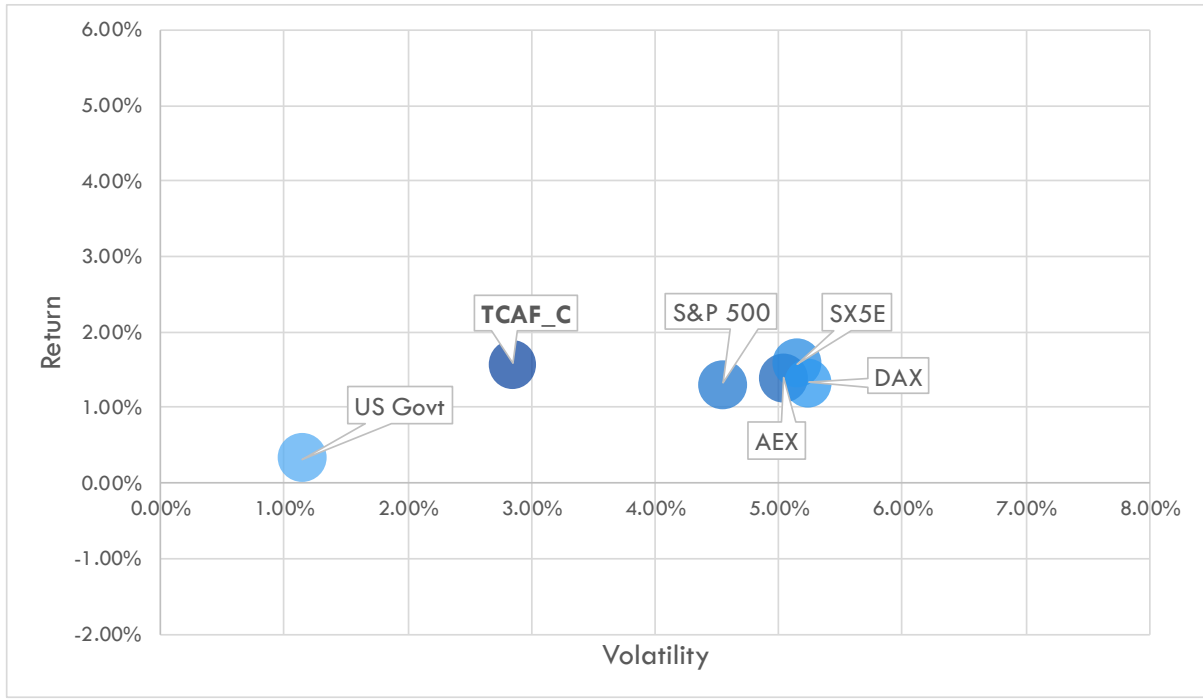
Thursday, 29 February 2024

| General | |
|-----------------------------------|----------------------------|
| Fund Name | TreeCap Arbitrage Fund - C |
| ISIN Class C | NL0012430607 |
| Share Price Class C (Preliminary) | EUR 1,330.4010 |

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

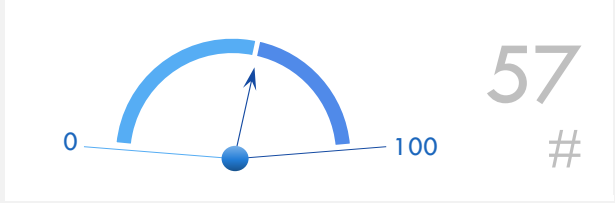


Visual representation Reward vs. Risk of TCAF_C (As of April 2020) on a monthly basis, in base currency.

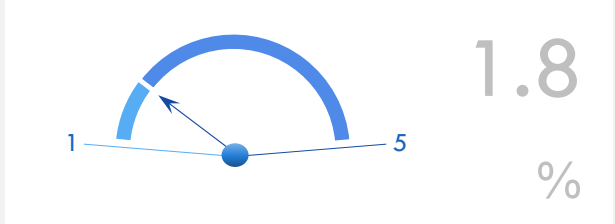


| Year | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YTD | CUM |
|------|-------|-------|--------|-------|-------|------|------|------|------|-------|-------|------|-------|-------|
| 2020 | | -2.17 | -33.38 | 7.23 | -4.82 | 9.35 | 0.37 | 4.51 | 3.47 | 7.64 | 12.08 | 3.43 | -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 | 0.20 | | | | | | | | | | | 0.32 | 33.04 |

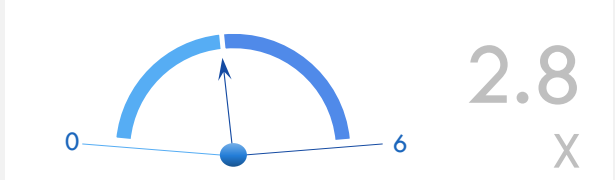
Number of Positions



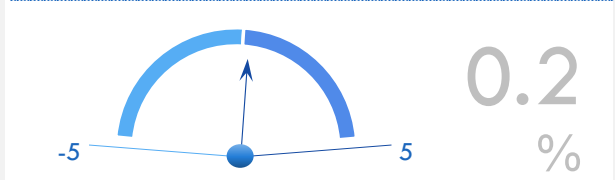
Average Position Size



Gearing / Leverage



Portfolio Return MTD



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