

TREECAP ARBITRAGE FUND

Event-Driven Arbitrage with Active Trading

NEWSLETTER

OCTOBER 2024 +0.11%*

Monthly Update

The month turned out to be some sort of a rollercoaster. Mixed earnings reports and a renewed focus on inflation, caused a volatile week in which indexes were trading off its highs. With valuations at sky high levels, there is increased focus on whether companies are able to meet the growth forecasts. All eyes on next week's FED meeting, where the FED may decide on a rate cut. Obviously, next week's US presidential election is also taking a firm grip on markets. With no clear favourite, with just a matter of days to go, it is promising to become an interesting week next week. That is also why market volatility is on the rise again and may continue to rise as uncertainty has increased. With just 2 months to go until the end of the year, investors will likely have to reposition themselves as the environment can change swiftly.

Portfolio Strategy Update

The TreeCap Arbitrage Fund - Class C (TCAF) reported a preliminary profit of 0.11%, and now stands at 39.73% since its launch in February 2020.

Weakness across the strategy continued during October. A lack of activity and a slowdown of new deal inflow has had a negative impact on performance. This can most likely be attributed to the pending US presidential election. Companies are awaiting the outcome and will decide on their corporate strategy once the outcome is known. The signs look promising. There is a lot of talk about potential deals, balance sheets look healthy and private equity have amassed a war chest to enhance their investment portfolios. For these reasons, the outlook for the strategy looks promising, though it is still to be seen if this will materialise this year.

The month was primarily driven by a single event. The acquisition of Capri (CPRI) by Tapestry (TPY) had been blocked by the US regulator (FTC). TPY had made a \$57 per share cash offer in August last year. The companies had challenged this decision, and a judge has now ruled in favour of the FTC. Prior to this decision, CPRI shares had been trading higher over the past week as during the trial, the companies appeared to be much better positioned than the FTC. The stock was around \$43 before the decision, offering \$14 upside. This spread could be largely attributed to the deteriorating market environment for affordable luxury goods, implying a downside worse than the \$35 level where CPRI was trading just before the acquisition was announced. The market was pricing 60-40% that the companies would prevail, but when the judge ruled in favour of the FTC, CPRI stock collapsed and closed around \$20 for the month.

This event had an impact on many other situations across the board. Even though the fund didn't hold a position in the name, many other situations were impacted because of the unexpected twist in the outcome of the trial. Also, it needs to be seen if this ruling will have any bearing on any future deal activity, as companies may have to rethink their acquisition strategy now that the regulator has blocked a strategic deal that is of little importance.

Another deal that is still waiting to be approved is the pending acquisition of United States Steel (X) by Japanese Nippon Steel (5401). Both US presidential candidates have spoken out against this transaction. X is based in Pittsburgh, Pennsylvania, which is widely regarded as 1 of the battle states for the upcoming election. Also, 5401 and X agreed terms of their transaction back in December last year and if there had been no election this year, this would have been wrapped up before summer. Now this transaction is still pending and the market in general believes that it will ultimately be blocked. This will send another message to companies that regulators can have a political agenda. It is most likely that X will ultimately find a partner in Cleveland-Cliffs (CLF), which was already in the process of acquiring X before 5401 made a knockout offer of \$55 in cash per share.

CLF for itself has now completed the acquisition of Canadian Stelco (STLC), a transaction which has run a largely normal process. Under the terms of the transaction STLC shareholders have received a mix of cash and stock and an Investment Canada approval was among one of the required conditions that was obtained in a timely manner. The deal completed in a timeframe of slightly more than 100 days, which is rather normal for a deal like this. CLF has indicated already that it is willing to revisit its potential offer for X, once the 5401 transaction has been blocked. However, CLF stock has been trading down throughout the year and is now around \$13, where it was in the low \$20's in December last year when CLF was in the process of acquiring X.

With that said, there was still some notable action during October. Companies may be in a wait-and-see mode right now, but when the opportunity comes, they will still act. Siemens (SIE) announced the \$10.6 bn acquisition of Altair (ALTR), strengthening its position in the engineering and software space. During the conference call, SIE indicated it would look at multiple ways to finance the acquisition, which could include reducing their stake in Siemens Healthineers (SHL) in which SIE still holds a large majority stake. The transaction also has got a long timeline. The companies are using a 2nd half of 2025 completion timeframe, as many global regulators will have to look into the competitive effects of the proposed combination.

Another sizeable deal that was finally announced was the acquisition of German Covestro (ICOV) by Saudi Arabian Adnoc. The transaction has been in the making for months and the companies have now agreed terms of a recommended €62.00 per share cash offer. Again, numerous regulators will review this transaction, with the most important one the German Foreign Direct Investment authority. Indications are that this approval will eventually be obtained, though the process can be lengthy, and a Phase II approval can take as long as until after summer 2025. The offer document has now been released and the offer, which is conditioned on a majority acceptance, runs until November 27th.

Activity in Asia was largely impacted by the unexpected withdrawal of the offer for China Traditional Chinese Medicine Holdings (570). This transaction had been proceeding slowly through the Chinese regulatory process, though it had obtained a few important approvals. The buyer consortium was expected to extend the long stop date, and when they announced they had decided not to do so, it also meant that the transaction failed.

Looking ahead, expectations are that deal activity will pick up in the months ahead. Whether this will be the case in the coming months and before the end of this year, is still to be seen. However, with the macro-economic environment improving, inflation cooling and interest rates going down, it is very likely that corporate activity will pick up again.

*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)* | 1,397.2732 |
| 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 | Ottevanger Accountancy |
| Legal and Tax Counsel | Van Campen Liem |

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



FACTSHEET OCTOBER 2024

Thursday, 31 October 2024

General

| | |
|-----------------------------------|----------------------------|
| Fund Name | TreeCap Arbitrage Fund - C |
| ISIN Class C | NL0012430607 |
| Share Price Class C (Preliminary) | EUR 1,397.2732 |

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 |

Core Region



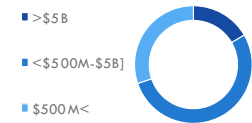
Core Strategies



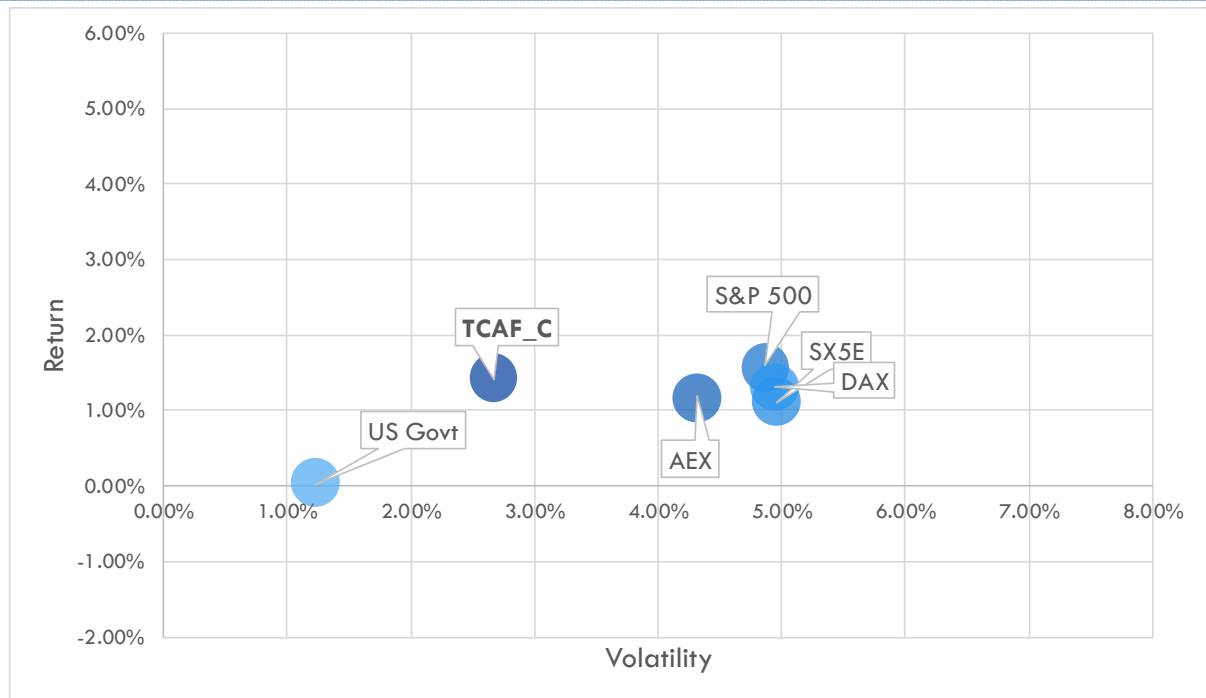
Core Security Type



Core Market Cap

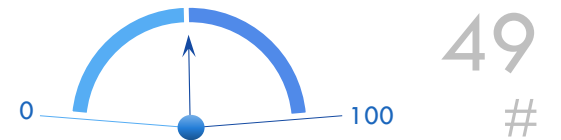


Visual representation Reward vs. Risk of TCAF_C (As of April 2020) on a monthly basis, in base currency.

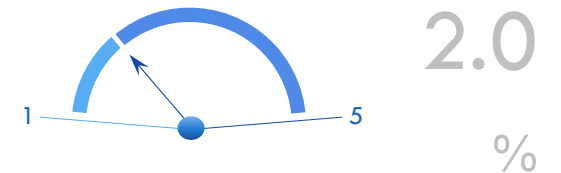


| Year | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | YTD | CUM |
|------|-------|-------|--------|-------|-------|------|------|------|-------|-------|-------|------|-------|-------|
| 2020 | | -2.17 | -33.38 | 7.23 | -4.82 | 9.35 | 0.37 | 4.51 | 3.47 | 7.64 | 12.08 | 3.43 | -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 | 0.20 | 1.08 | 1.25 | 0.51 | 0.14 | 1.19 | 1.48 | -0.84 | 0.11 | | | 5.36 | 39.73 |

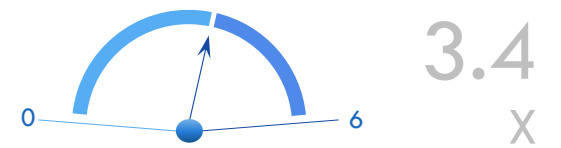
Number of Positions



Average Position Size



Gearing / Leverage



Portfolio Return MTD



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