

EVENT DRIVEN DEEP DIVE

12-month review to February 2021

Event driven funds performed exceptionally well in the 12 months to February 2021, generating an average return of 19.1%. Notably, the exception to this run of positive performance was March 2020, the worst month for the strategy as observed by Aurum's Hedge Fund Data Engine, with records dating back to 2000. However, the deeper the initial drawdown experienced by an event driven sub-strategy in March 2020, the better the sub-strategy's subsequent performance was.

Event driven is the third smallest strategy monitored by Aurum's Hedge Fund Data Engine by number of funds, consisting of 195 funds out of the ~ 3,500 funds monitored. It was the second strongest performing master strategy in the 12 months to February 2021 (outperformed only by equity L/S). All event driven sub-strategies delivered positive performance over the review period, although there was wide dispersion between the top and bottom performing sub-strategies. All event driven sub-strategies experienced investor outflows during the period too, but in all cases this was more than offset by AUM growth generated through positive performance.

As a strategy, event driven has attracted a lot of media attention over the past 12 months; a material driver of this has been a significant shift of many event driven funds towards allocating to SPACs (special purpose acquisition companies). SPACs raise capital from investors through a public listing and then use the proceeds with the express purpose of taking a private company public. The significant asset price dislocations and volatility of last March created a lucrative opportunity set for hedge funds, with many SPACs trading at or below their 'trust value'. In addition to this, there has not only been the tailwind of a huge supply of SPAC capital to the market, but this has been accompanied by enormous investor appetite, including that of insatiable retail investors. So far in just the first two months of 2021, 235 SPAC vehicles have raised US\$72bn, approaching the record-breaking 244 SPACs raising US\$78bn for the whole of 2020*, indicating that 2021 will be another record-busting year of capital raising for SPACs. The SPAC market is being seen as a convenient way for private companies to access public capital markets, without the additional burdens associated with a traditional IPO.

Activist was both the strongest performing event driven sub-strategy and the strongest sub-strategy of all those monitored by Aurum's Hedge Fund Data Engine, generating an average return of 41.8%. It also had the widest performance dispersion (10th-90th percentile 2.0% to 81.4%) and the highest volatility of the event driven sub-strategies – which is not unexpected for a strategy defined by the variety in managers' specific trades. Activist funds have typically exhibited high beta to equities, and the strong rebound in global equity markets after March 2020 will have benefited funds within the sub-strategy. While there were minor outflows, the strong positive performance resulted in sub-strategy AUM growth in aggregate.

Opportunistic is the second largest sub-strategy by AUM; it was also the second strongest performing sub-strategy of event driven, generating an average return of 20.1%. Opportunistic managers also had the second-widest dispersion (10th-90th percentile -4.1% to 45.5%) and the second highest volatility of the event driven sub-strategies, and suffered the second-worst drawdown in March 2020. However, the sub-strategy experienced the largest investor outflows across event driven and saw the second smallest net AUM growth.

Merger arbitrage generated an average return of 13.0%. It is the smallest event driven sub-strategy by assets, and had the tightest performance dispersion (10th-90th percentile -4.8% to 37.7%) over the period, as well as the lowest observed net AUM growth, totalling just \$1.64bn. The largest merger arbitrage funds outperformed their smaller counterparts. Merger arbitrage funds, which have less systemic risk than other event driven sub-strategies, weren't hit as badly as opportunistic/activist funds in March 2020. M&A activity dried up in the uncertainty that followed Q1 2020. New deal flow was practically non-existent until H2 2020, before rebounding strongly with more than \$2.3tn** of deals announced in the second half of the year. Q3 and Q4 2020 also marked only the second time since 2008 where deal flow exceeded \$1trn** in consecutive quarters. The momentum continued into the start of 2021, with a number of acquisitions targets seeing multiple counterbids and price bumps. A high degree of deal breaks were anticipated after March, however very few deals actually failed.

Multi-strategy is the largest event driven sub-strategy by AUM, yet it delivered the weakest performance, up 11.4% in the 12 months to February 2021. However, it had the lowest standard deviation, the smallest drawdown in March 2020 (-5.4%), and the second tightest performance dispersion (10th-90th percentile -3.9% to 43.3%), which is to be expected from funds with diversified underlying strategies.

Overall, funds within the observed event driven strategy generated US\$36.3bn net of fees to the benefit of investors over the past 12 months, in an exceptionally strong period for the strategy.

*Source: Financial Times, How hedge funds are fuelling the SPAC boom. **Source: Financial Times, M&A rebounds sharply to hit \$3.6tn in 2020

NET RETURN OF MASTER AND SUB-STRATEGIES

	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	YTD	1 YR
Event Driven	-7.9%	4.6%	2.4%	2.1%	2.0%	2.5%	0.0%	-0.1%	5.6%	3.7%	0.7%	2.6%	3.3%	19.1%
Activist	-11.3%	10.7%	5.9%	2.6%	3.6%	5.2%	-1.3%	-1.2%	13.3%	4.4%	0.4%	5.3%	5.7%	41.8%
Merger	-6.4%	4.0%	0.7%	1.2%	1.3%	0.6%	0.8%	0.6%	3.6%	2.9%	2.3%	1.2%	3.6%	13.0%
Multi-Strategy	-5.4%	2.1%	1.3%	2.0%	1.2%	1.5%	0.4%	0.1%	2.3%	2.8%	0.6%	2.0%	2.7%	11.4%
Opportunistic	-9.7%	5.1%	2.6%	2.2%	2.5%	3.0%	0.0%	-0.1%	6.2%	4.9%	0.6%	2.2%	2.8%	20.1%
HF Composite*	-8.2%	3.8%	2.3%	1.7%	2.3%	2.0%	-0.5%	-0.1%	4.2%	3.2%	-0.3%	2.0%	1.7%	12.6%

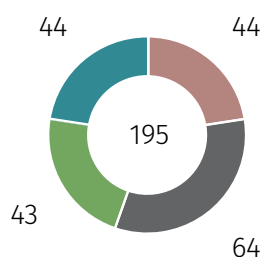
All figures and charts use asset weighted returns unless otherwise stated. All data is sourced from Aurum Hedge Fund Data Engine.

* Aurum Hedge Fund Data Engine Asset-Weighted Composite Index.

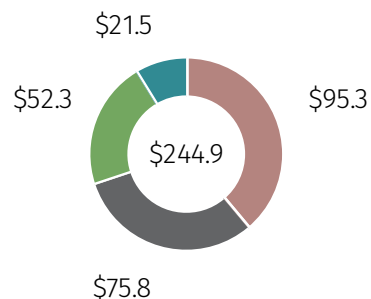
For definitions on how the Strategies and Sub-Strategies are defined please refer to <https://www.aurum.com/hedge-fund-strategy-definitions/>, and for information on index methodology, weighting and composition please refer to <https://www.aurum.com/aurum-strategy-engine/>

Key Numbers

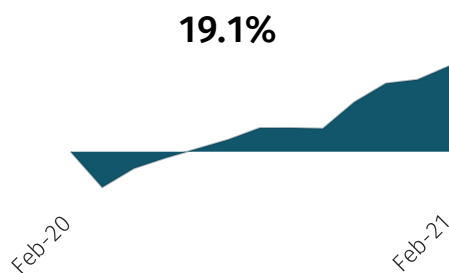
NUMBER OF FUNDS



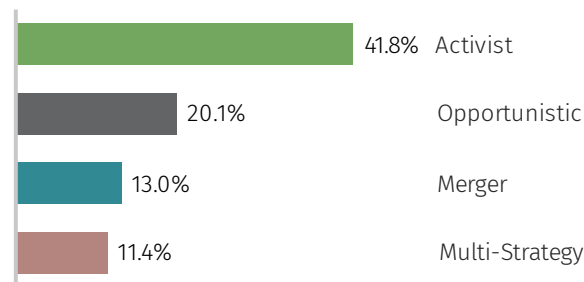
AUM (\$ BN)



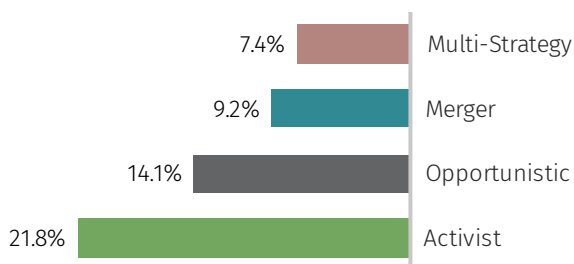
STRATEGY NET RETURN (1 YR)



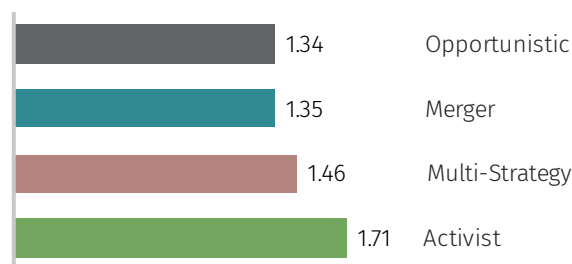
SUB-STRATEGY NET RETURN (1 YR)



STANDARD DEVIATION (1 YR)



SHARPE RATIO (1 YR)*



NET POSITIVE/NEGATIVE MONTHS (1 YR)

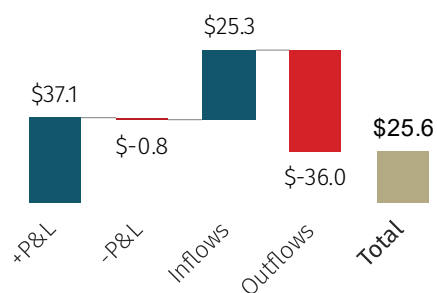


83.3%
positive
months



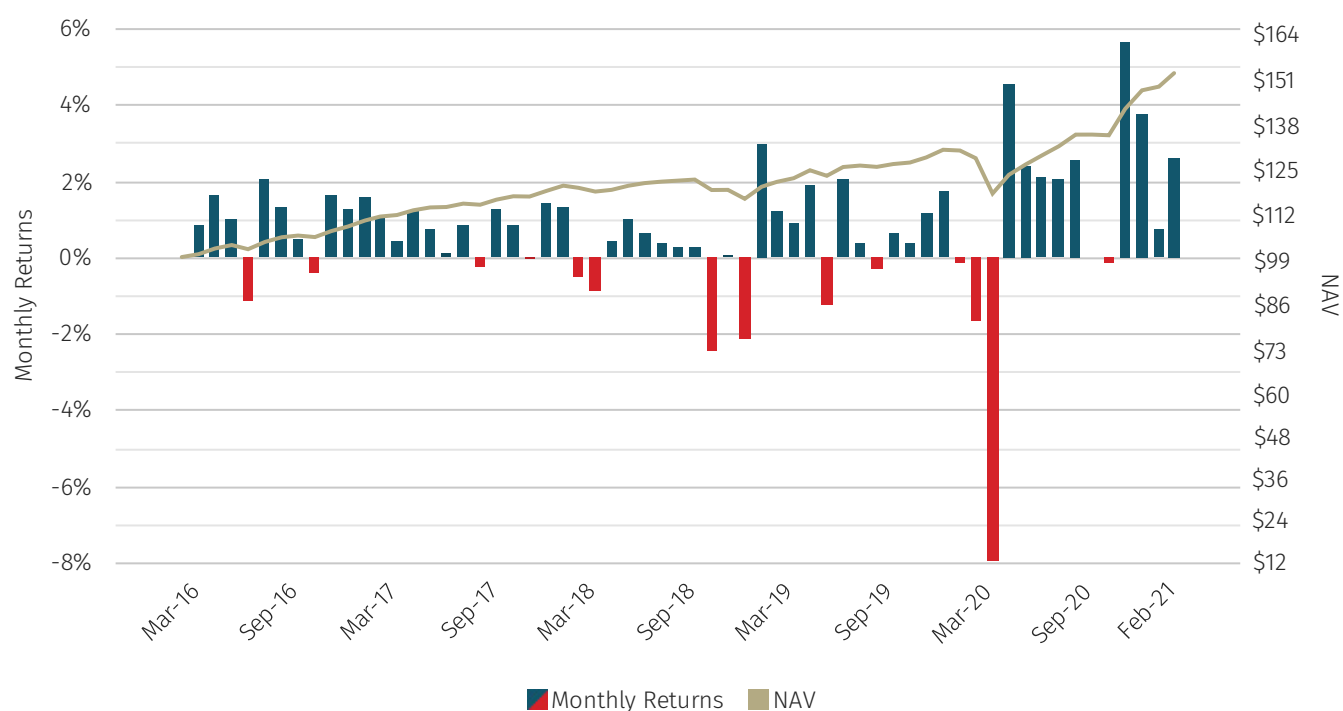
16.7%
negative
months

AUM CHANGE \$BN (1 YR)

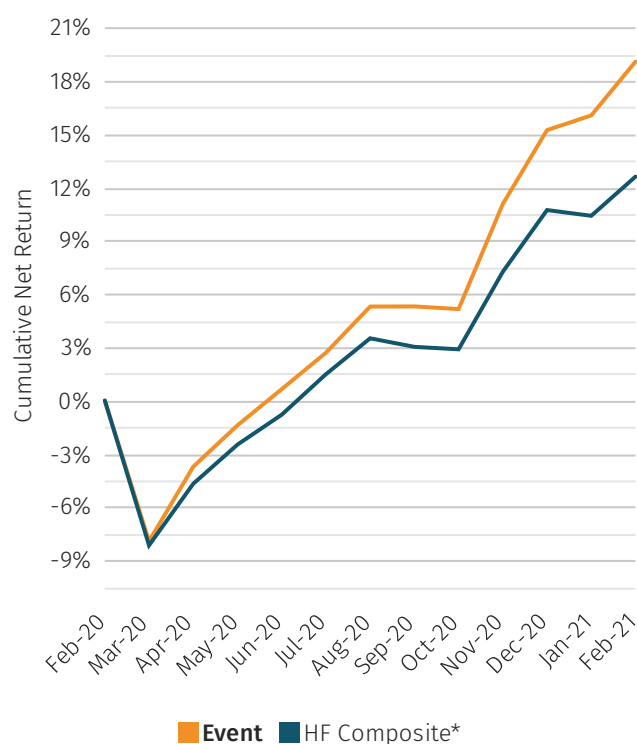


Master Strategy Performance

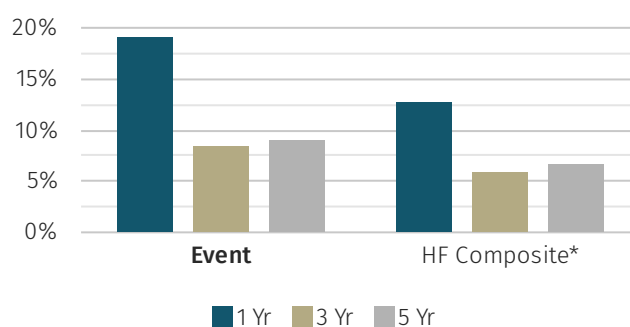
NET MONTHLY RETURN (5 YR)



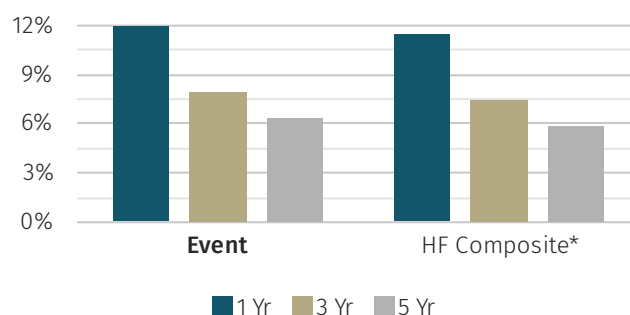
RELATIVE RETURN VS HF COMPOSITE (1 YR)



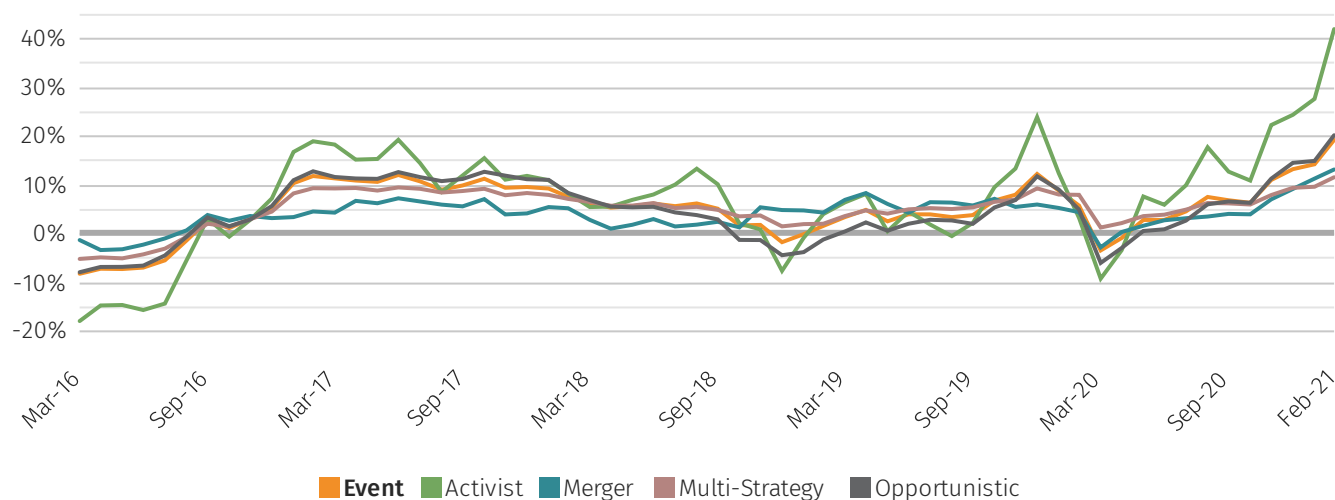
NET RETURN (ANNUALISED)



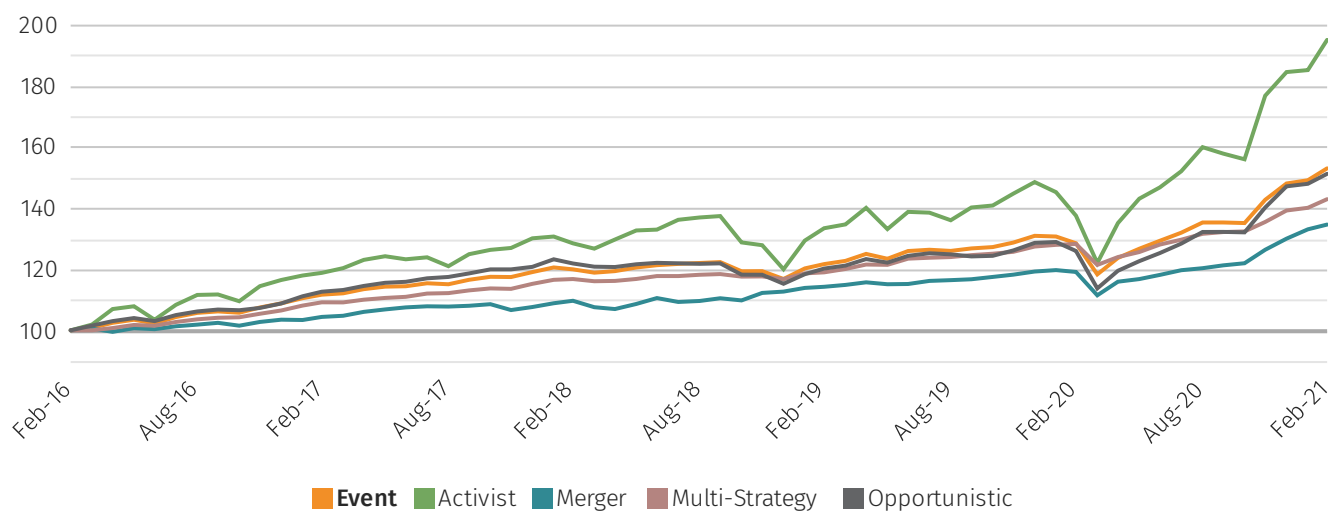
VOLATILITY (ANNUALISED)



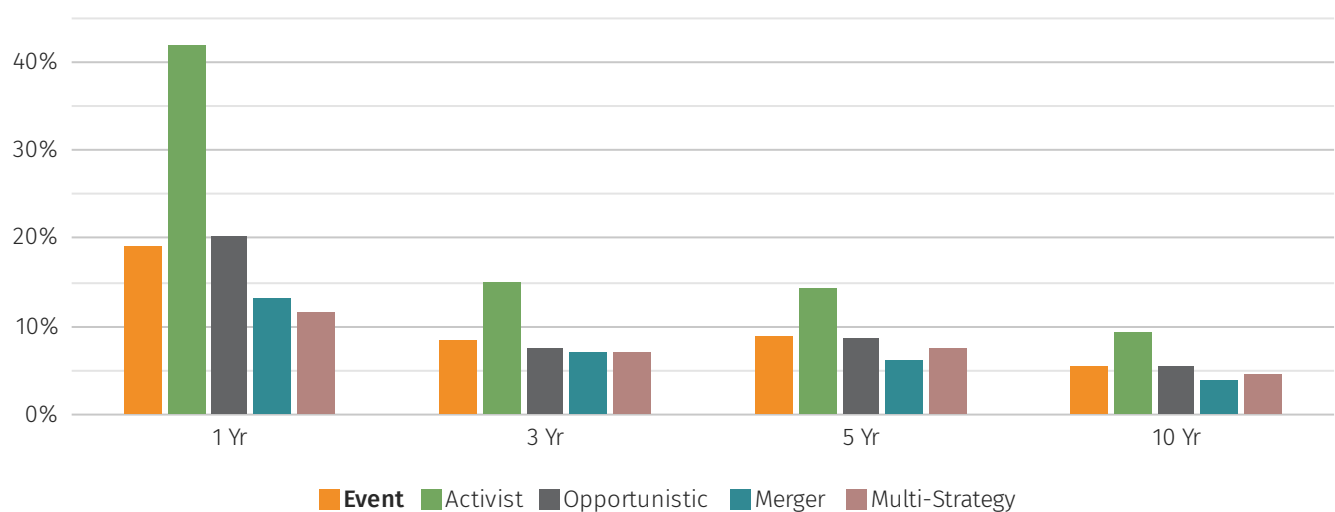
ROLLING 12 MONTH NET RETURN (5 YR)



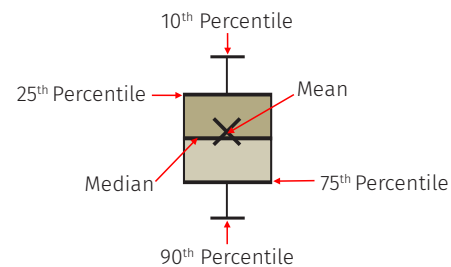
CUMULATIVE NET RETURN (5 YR)



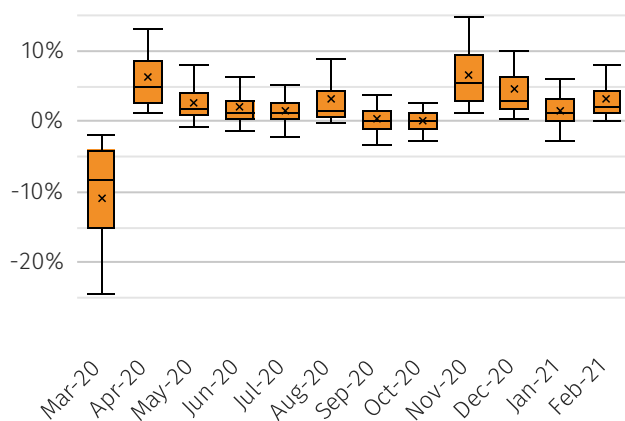
COMPOUND ANNUAL RETURN (ANNUALISED)



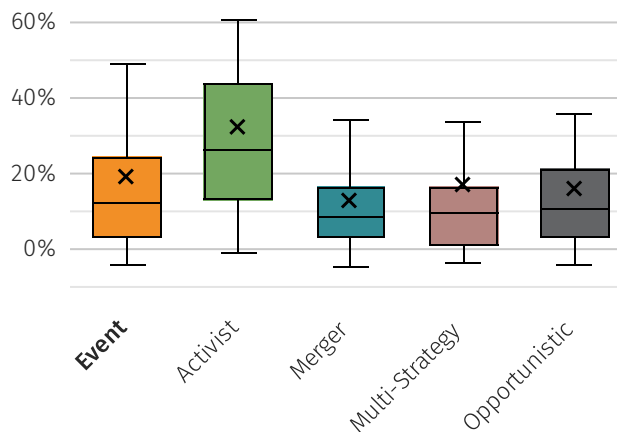
Monthly Performance Dispersion



MASTER STRATEGY NET RETURN DISTRIBUTION

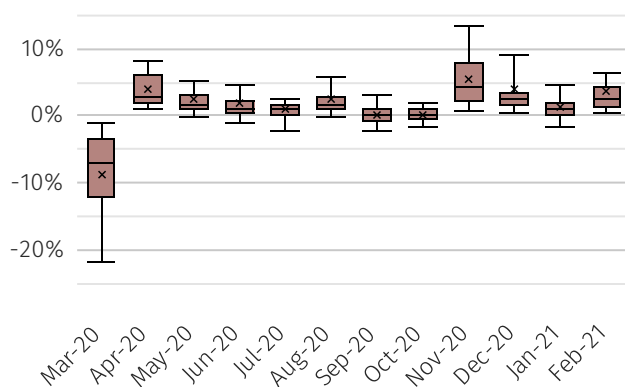


SUB-STRATEGY NET RETURN (1 YR)

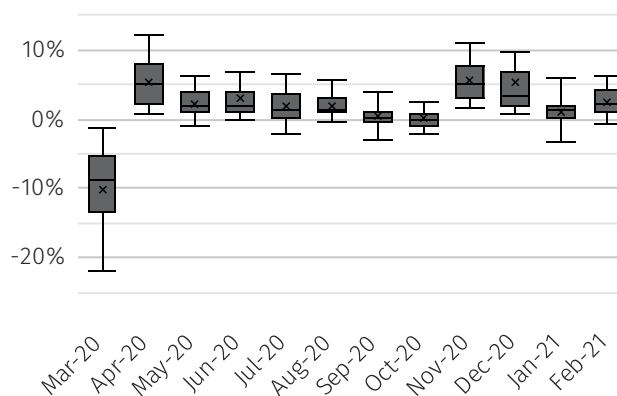


SUB-STRATEGIES NET MONTHLY RETURN DISTRIBUTION

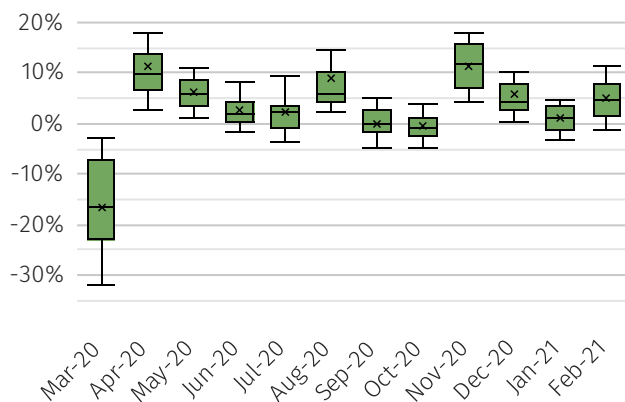
Multi-Strategy



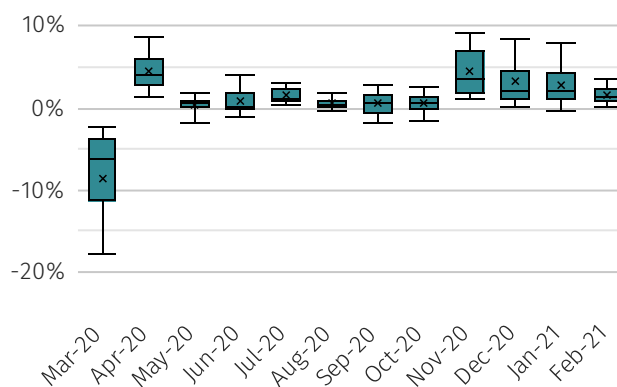
Opportunistic



Activist

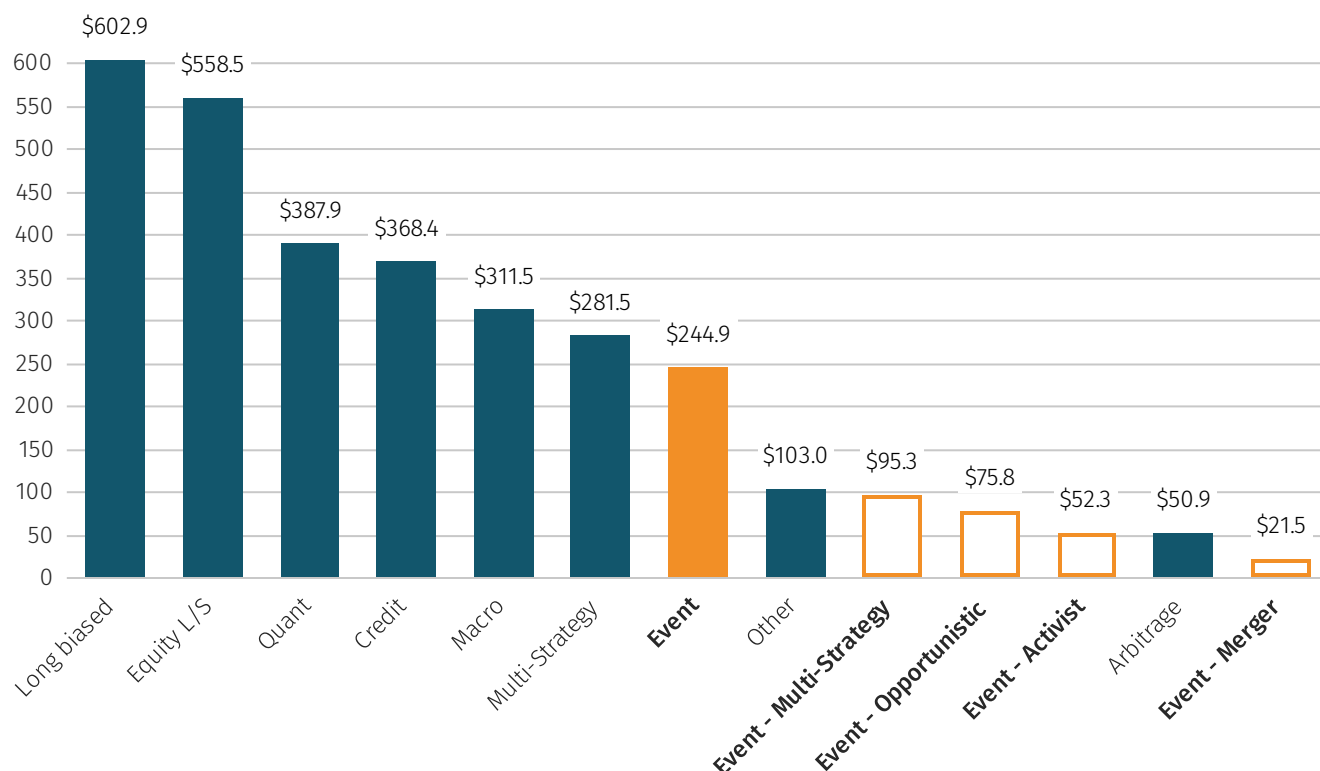


Merger



Master Strategy Overview

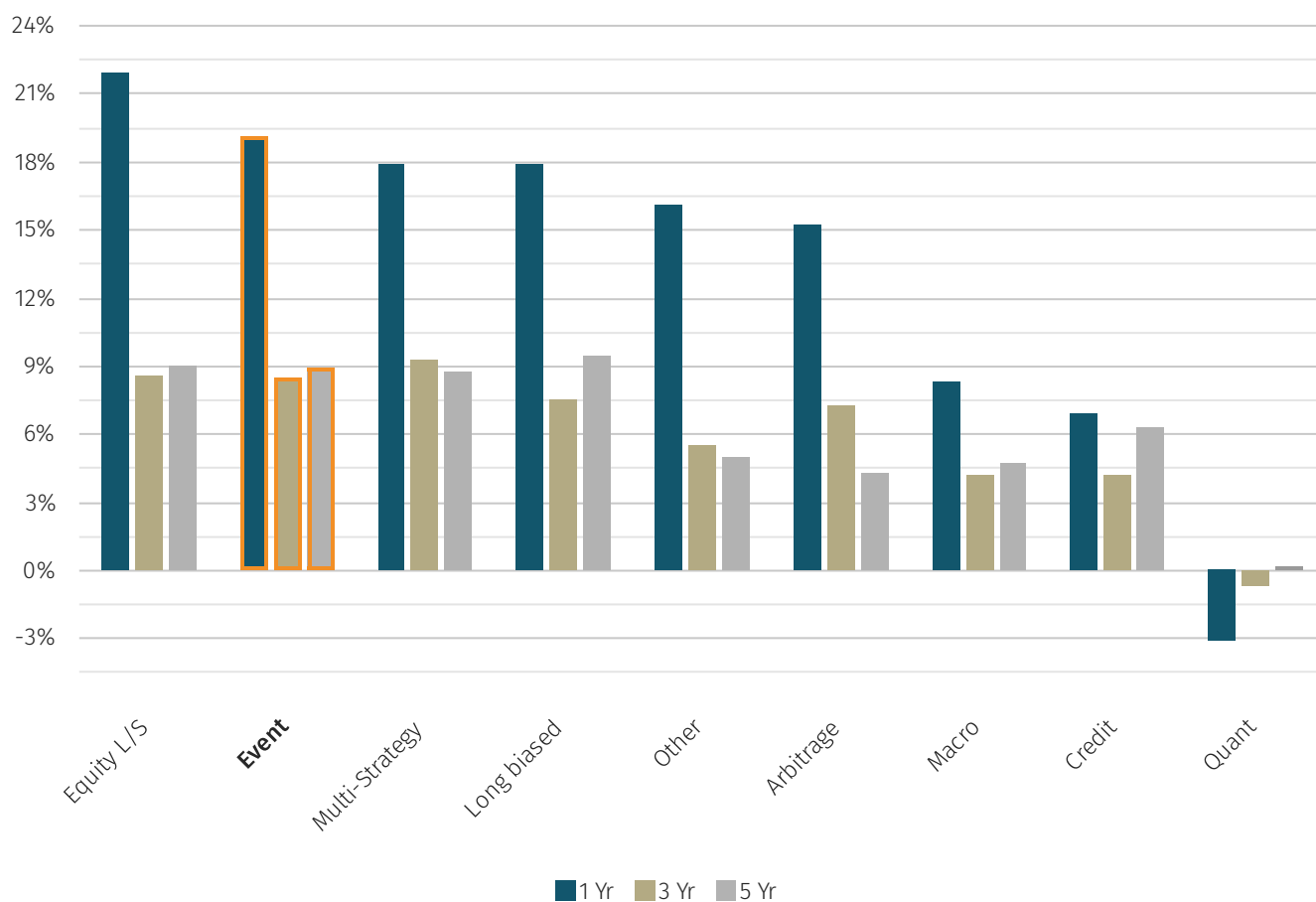
AUM OF MASTER STRATEGY – FEBRUARY 2021 (\$ BN)



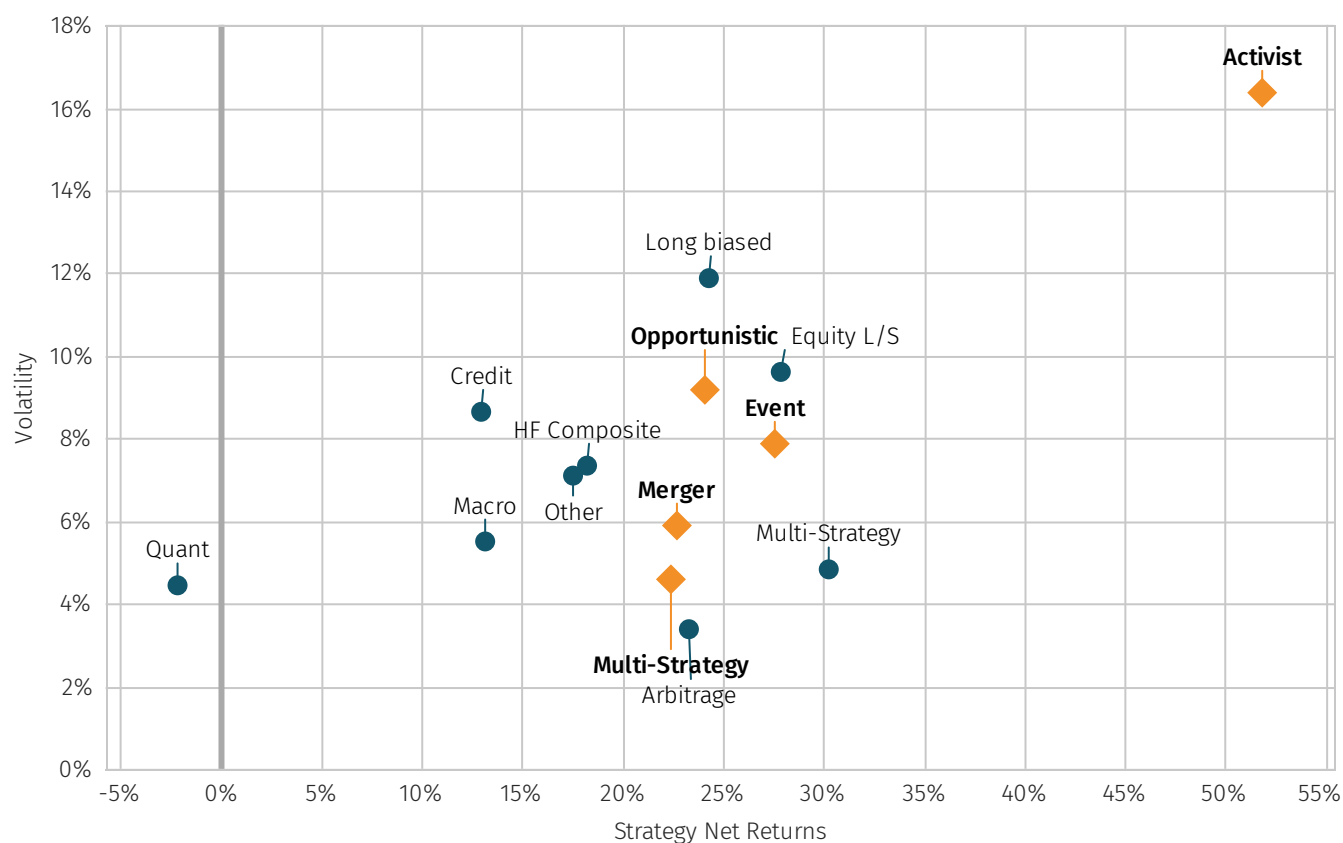
MULTIPLE PERIOD – HIERARCHICAL ANNUALISED NET RETURN

1 YEAR	3 YEAR	5 YEAR	10 YEAR
Equity L/S 21.9%	Multi-Strategy 9.2%	Long biased 9.5%	Multi-Strategy 7.5%
Event Driven 19.1%	Equity L/S 8.6%	Equity L/S 9.0%	Equity L/S 6.1%
Multi-Strategy 17.9%	Event Driven 8.5%	Event Driven 8.9%	Long biased 5.6%
Long biased 17.9%	Long biased 7.5%	Multi-Strategy 8.7%	Event Driven 5.5%
Other 16.1%	Arbitrage 7.2%	Credit 6.3%	Credit 4.9%
Arbitrage 15.2%	Other 5.5%	Other 5.0%	Other 4.3%
Macro 8.3%	Macro 4.2%	Macro 4.7%	Macro 3.3%
Credit 6.9%	Credit 4.1%	Arbitrage 4.3%	Arbitrage 2.4%
Quant -3.2%	Quant -0.7%	Quant 0.1%	Quant 1.8%

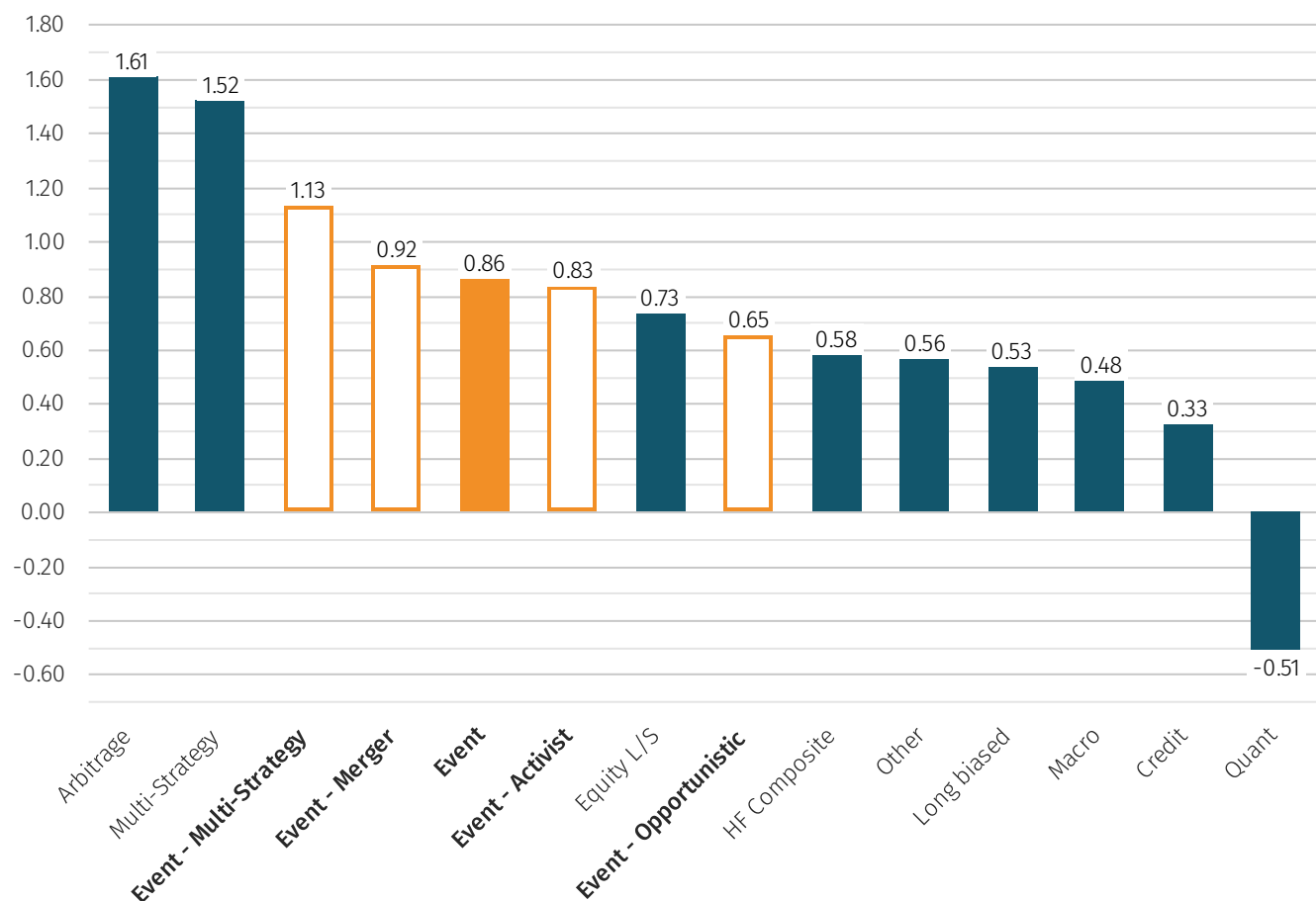
MASTER STRATEGY NET ANNUALISED RETURNS



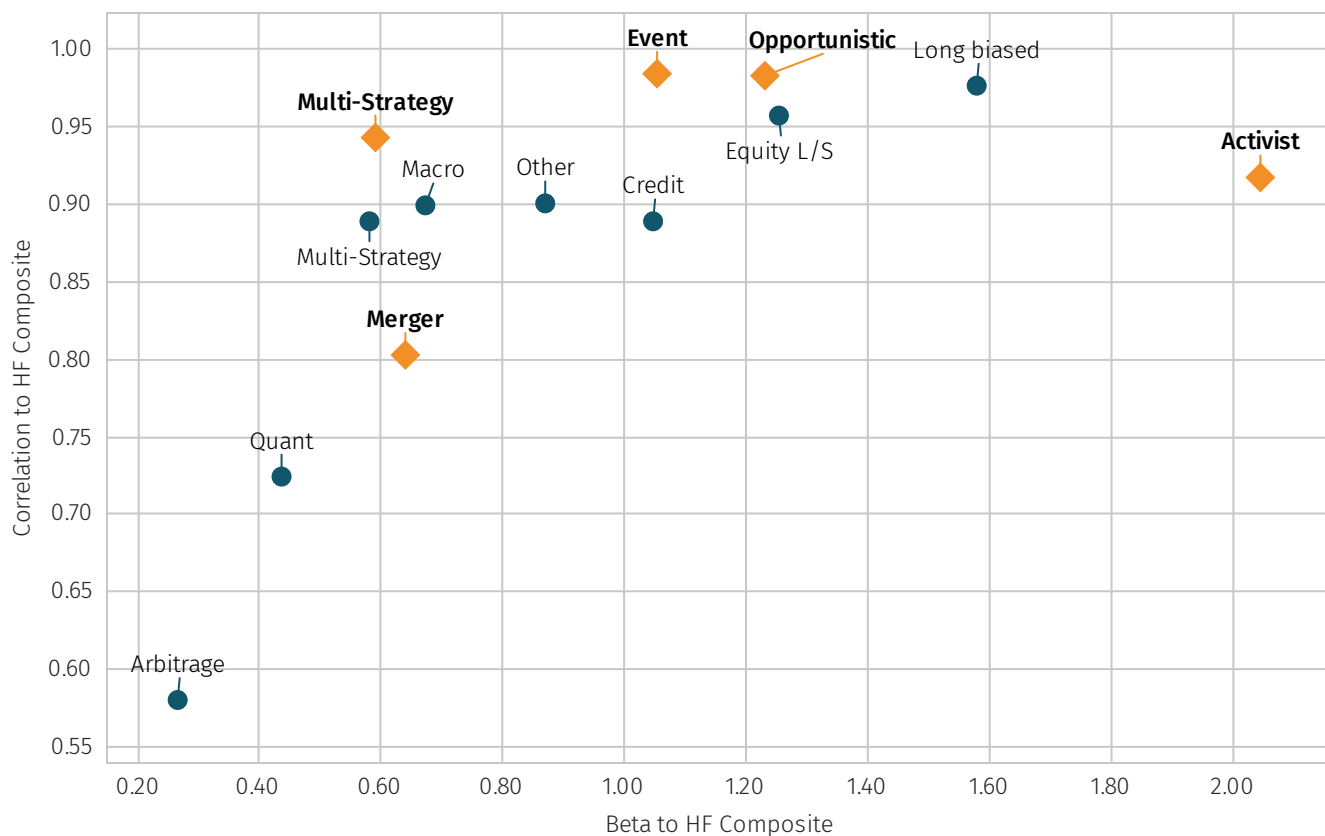
STRATEGY NET TOTAL RETURN VS ANNUALISED VOL (3 YR)



SHARPE RATIO BY HEDGE FUND STRATEGY (3 YR)*

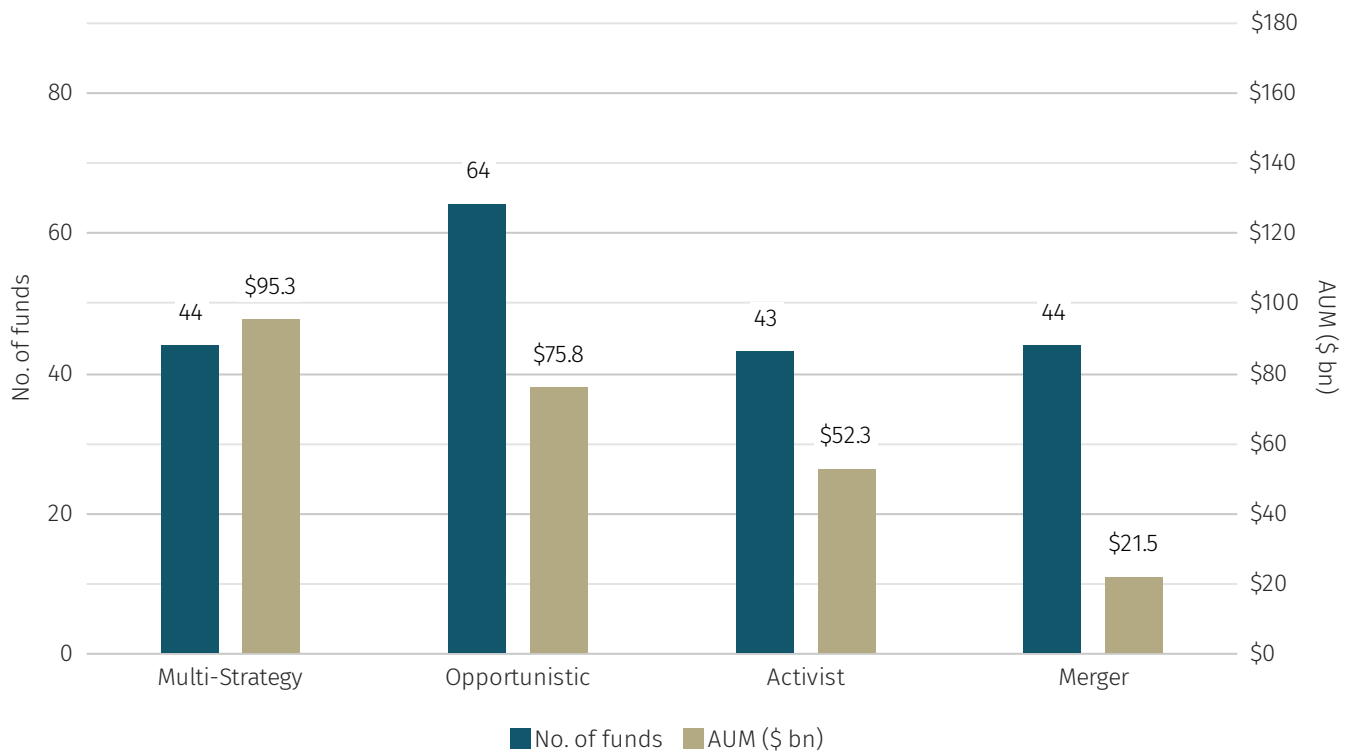


STRATEGY CORRELATION AND BETA TO HF COMPOSITE (3 YR)

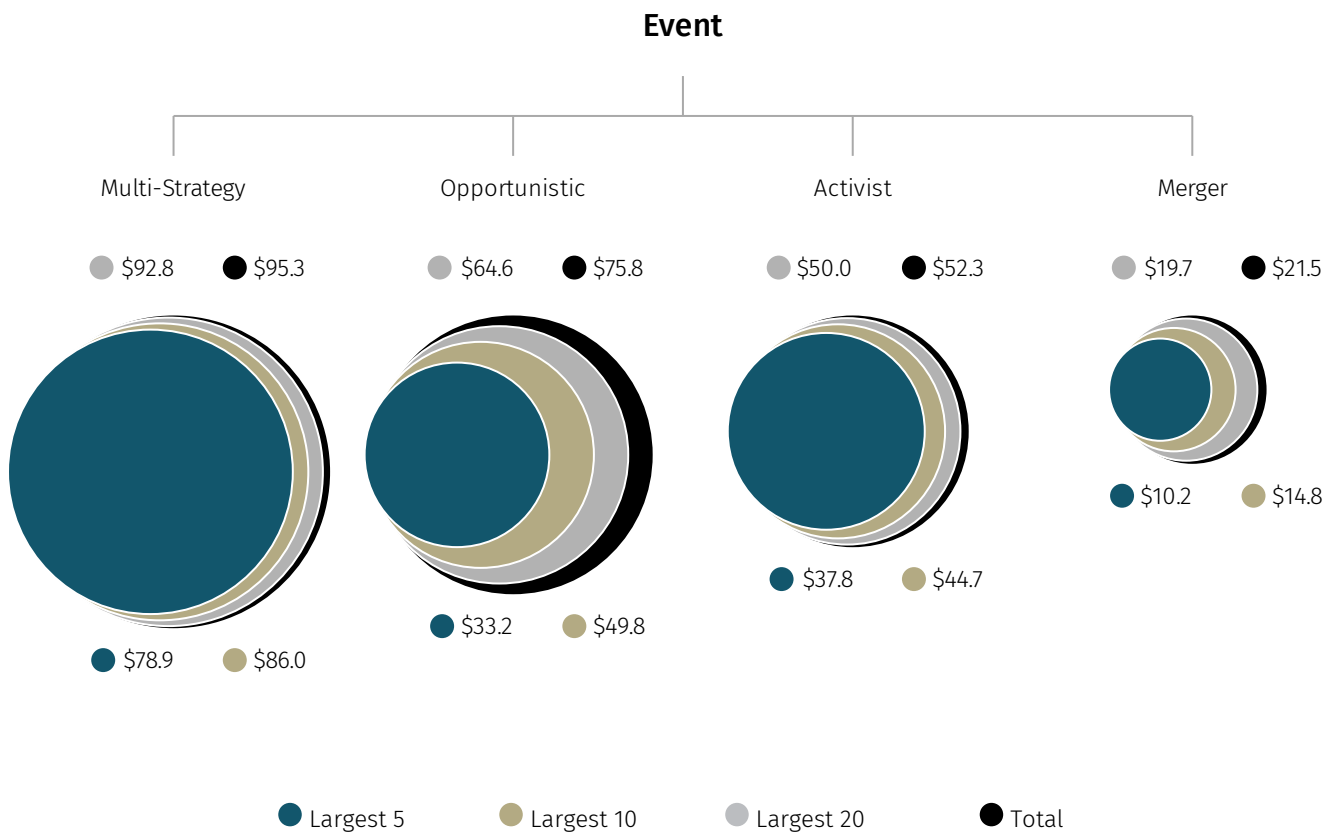


Event Universe

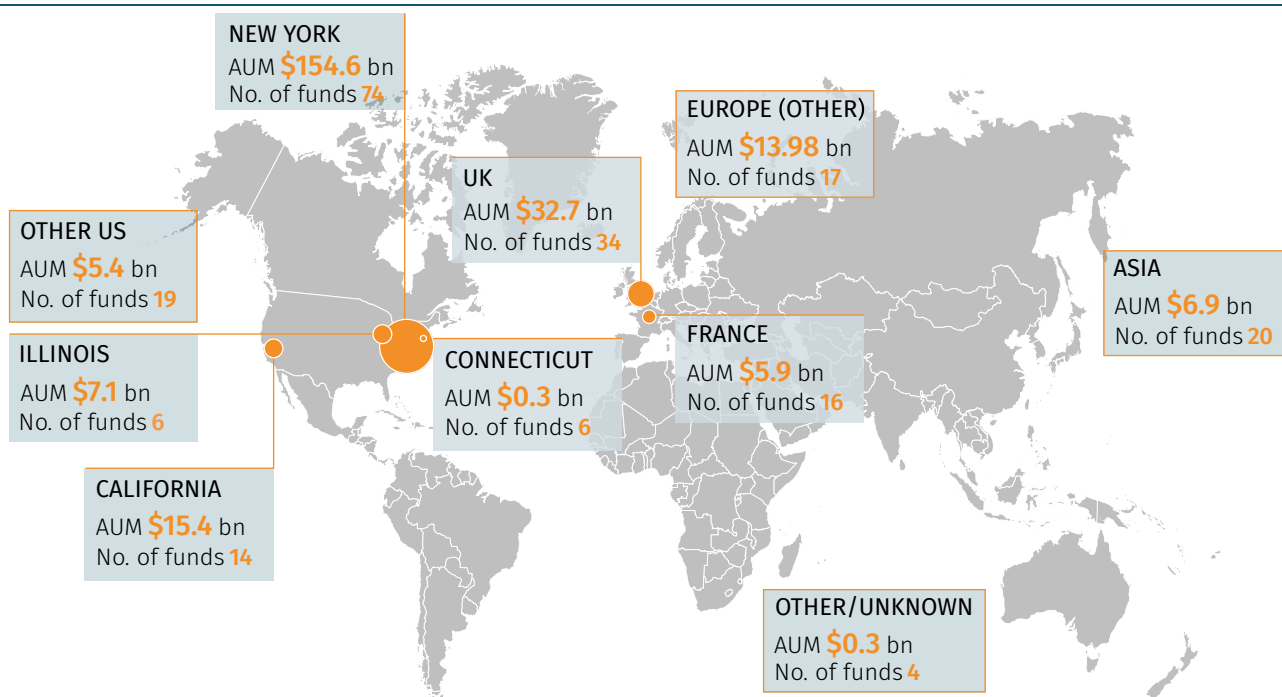
NUMBER OF FUNDS AND AUM BY SUB-STRATEGY



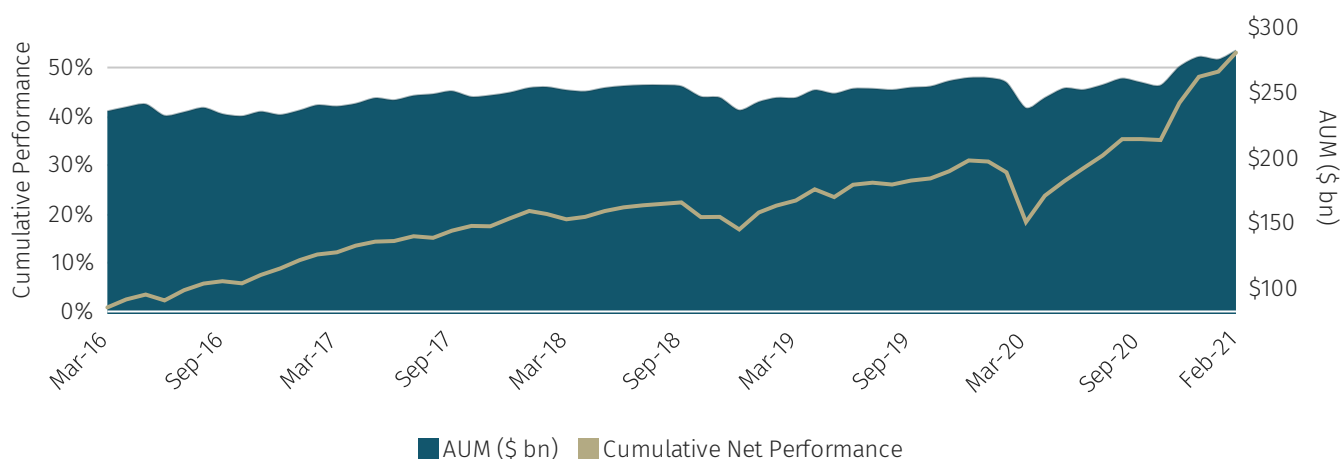
SUB-STRATEGY FUND CONCENTRATION (\$ BN)



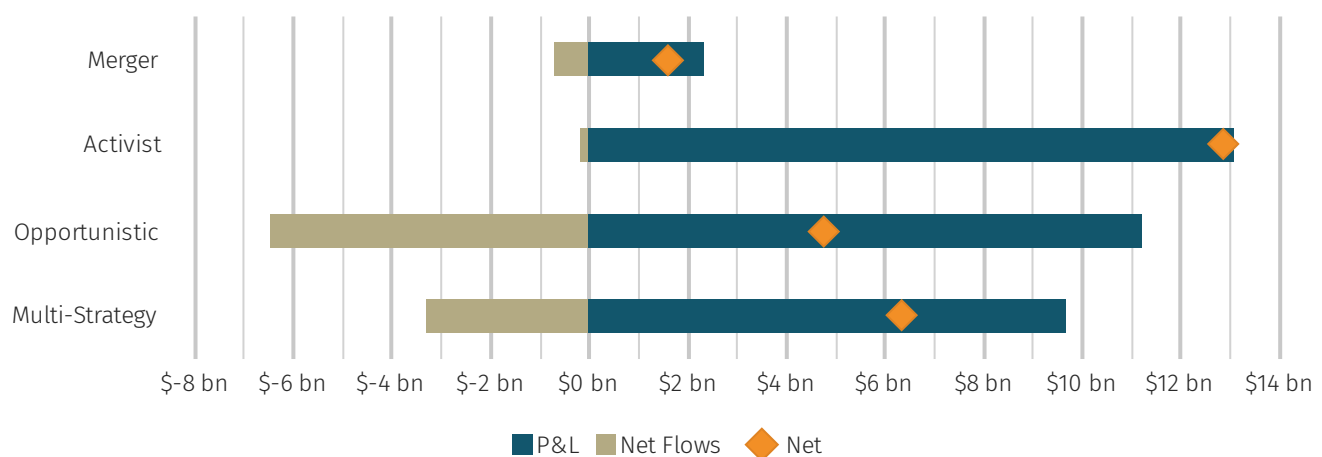
ASSETS UNDER MANAGEMENT BY LOCATION



MASTER STRATEGY ASSETS (5 YR)*



12-MONTH CHANGE IN AUM BY SUB-STRATEGY



TERMS AND CONDITIONS

	Median Redemption Notice (Days)	Median Redemption Frequency	Weighted Avg. Redemption Total (Days)*	Weighted Avg. Management Fee	Weighted Avg. Performance Fee
Event Driven	60	Quarterly	179	1.60%	19.34%
Activist	90	Quarterly	144	1.54%	18.95%
Merger Arbitrage	30	Monthly	63	1.22%	16.60%
Multi-strategy	60	Quarterly	226	1.74%	19.91%
Opportunistic	60	Quarterly	161	1.55%	19.56%

*Weighted Avg. Redemption Total (Days) is the weighted Avg. of both redemptions notice days and redemption frequency days.

Definitions

EVENT DRIVEN

Broad strategy category covering funds that invest in securities of companies facing announced and anticipated corporate events. This includes, but is not limited to: M&A, Spin-offs, Company restructurings, some distressed situations (although if this is the dominating part of the strategy it will be classified as 'credit-distressed'). The strategy identifies mispriced securities with favourable risk/reward characteristics based upon differentiated views of value-unlocking catalysts, event-probabilities and post-event valuations.

Activist:

Activist hedge funds invest in companies that they feel are undervalued and the managers then attempt to drive the value creation process by influencing corporate management to undertake initiatives that they feel will benefit shareholders. This can include a number of activities, including but not limited to: capital structure restructuring, change in operating strategy/capital allocation, change in the board/management, change in corporate governance or the outright sale of the enterprise. Funds typically own large stakes in the companies they invest in as investors need to be a large enough shareholder to influence management.

Merger Arbitrage:

Strategy typically involves taking positions in the securities of a company being acquired in a merger or acquisition. Due to the risk of a deal-break as well as time value of money, the securities typically trade at a discount to the deal-price/value (deal-spread). Primary risk is when deals break, which can lead to asymmetric losses to the downside. Funds will typically trade cash deals and also share-for-share deals, where the fund will short the securities they expect to receive upon deal closure (locking in the deal spread). In addition to M&A, managers may also invest in other situations that involve process driven catalysts.

Multi-strategy:

Whilst these are funds investing across multiple strategies, they are characterised by their overwhelming focus on the broad event-driven space and therefore placed in their own category. Such funds consistently generate a significant portion of their P&L from the primary event-driven investing categories: merger arbitrage, soft-catalyst event-driven situations (spin-offs, spin-outs, share- class arbitrage, non-mandatory shareholder elections, index-rebalancing, holdco/subsidiary relative value trade, high probability potential merger 'targets', etc.) and/or activist investing. Some funds may also allocate a portion of their capital to Distressed (which can fall under the category of event- driven investing), however, if the majority of the risk is in consistently in the distressed arena, it falls under the 'credit/distressed' categorisation.

Opportunistic:

Has some similarities to the event-driven 'multi-strategy' classification however, as the name suggests, these funds tend to be very opportunistic and dynamically adjust their capital allocation between various event-driven trades. These funds tend to also be more value and soft catalyst oriented. Such funds may also place 'special situations' trades, looking to unlock value taking various positions in the capital structure (i.e., could be debt or equity). Opportunistic funds have the flexibility to trade all areas of the event space (M&A, Activist, soft catalyst and distressed investing) but will do so on an opportunistic basis, they also may concentrate a large portion (or even at times all) of the risk in a specific area, unlike event driven - multi-strategy funds, which are typically always allocated across multiple sub-strategies at all times.

AURUM

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References to Aurum Hedge Fund Data Engine refer to Aurum's proprietary Hedge Fund Data Engine database maintained by Aurum Research Limited ("ARL") containing data on just under 4,000 hedge funds representing in excess of \$2.9bn trillion of assets as at December 2020. Information in the database is derived from multiple sources including Aurum's own research, regulatory filings, public registers and other database providers. Performance in the charts using Aurum Hedge Fund Data Engine data are asset weighted unless otherwise stated.

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