GA-COURTENAY SPECIAL SITUATIONS FUND
JANUARY 2024 MONTHLY FACTSHEET

INVESTMENT OBJECTIVE

PROFESSIONAL INVESTORS ONLY

GA-Courtenay Special Situations Fund is a global equity strategy that targets competitive performance with modest-to-low correlation to the market at large, and with low leverage. Our investment approach pursues alpha capture through a repeatable and high transparency deep dive research process. The fund maintains a focused portfolio of high quality equity investments, and selected merger arbitrages.

KEY INFORMATION

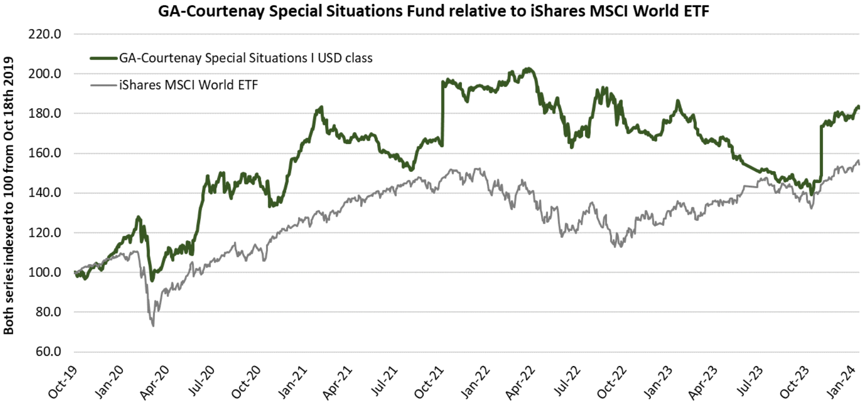
Fund Name	**GA-Courtenay Special Situations Fund**
Fund Manager	**Adrian Courtenay**
Fund Launch	**October 2019**
Fund Type	**Irish UCITS**
Liquidity	**Daily**
Fund Size	**$38m**
Share Classes	**USD, GBP, EUR, CHF**
USD I **GBP I** **EUR I** **CHF I** **USD R** **GBP R** **EUR R** **CHF R**	**IE00BK6GVB95** **IE00BK6GV757** **IE00BK6GVD10** **IE00BMCZLC50** **IE00BK6GVC03** **IE00BK6GV864** **IE00BK6GVF34** **IE00BMCZLD67**
Investment Manager	**Green Ash Partners LLP**
Fees	**Institutional share class:** **0.75% pa + 20% performance fee** **Retail share class:** **1.25% pa + 20% performance fee**

SUMMARY

- The GA-Courtenay Special Situations Fund USD I share class appreciated by +1.5% in January, compared to a +0.8% gain in the iShares MSCI World ETF.
- A pleasing development in the month was the fund's allocation to two competitive bidding situations within our merger arbitrage book, which are reviewed in more detail in this monthly letter.
- Toward the end of January, we hosted our Q4 2023 quarterly webinar and 2024 outlook call with investors, a replay of which is available on the fund's website. In the call, I highlighted both my confidence with regard to our core long term equity investment book holdings, and the re-emergence of competitive bidding situations, as reasons for continuing optimism for the year ahead.

PERFORMANCE

GA-Courtenay Special Situations Fund relative to iShares MSCI World ETF



GA-COURTENAY SPECIAL SITUATIONS FUND PERFORMANCE

Fund Performance by Year	2019 (3m)	2020	2021	2022	2023	2024	Inception to date	Annualised since inception
GA-Courtenay Special Situations Fund (USD I)	+9.1%	+42.8%	+24.4%	-12.8%	+6.4%	+1.5%	+82.7%	+15.1%

Fund Performance by Month (YTD)	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	YTD
GA-Courtenay Special Situations Fund (USD I)	+1.5%												+1.5%

The performance of the GA-Courtenay Special Situations Fund is based on the USD I share class.

Equity investments

Long term equities	84.4% of NAV
Long term equity holdings	
Formula One	9.71%
Canada Goose	9.53%
Pershing Square Holdings	4.91%
A.G. Barr	4.71%
Lindt	4.65%
Mondelez	4.38%
Berkshire Hathaway	4.36%
McDonald's Corporation	4.28%
Coca-Cola Co	4.23%
Liberty Live	4.13%
TKO Group	3.93%
Apple	3.89%
Comcast	3.89%
Liberty Broadband	3.72%
Live Nation	3.71%
Charter Communications	3.65%
SoftBank Group	3.38%
Hershey	3.30%
Long equities position count	18

Yield-to-maturity securities

Merger arbitrages	32.6% of NAV
Merger arbitrages	
Applus Services, S.A.	9.22%
OreCorp Limited	8.60%
Probiotec Limited	2.92%
Karuna Therapeutics, Inc.	2.45%
Intervest Offices & Warehouses	2.35%
Lucas Bols N.V.	2.32%
Lithium Power International Limited	1.64%
Permascand Top Holding AB (publ)	1.63%
Shanta Gold Limited	0.78%
Millennium Services Group Limited	0.38%
MHM Automation Limited	0.33%
Yield creation securities position count	11

Special opportunites

Special Opportunities	0.0% of NAV
Pershing Square SPARC Holdings, warrants	0.00%

(SSF owns 387,285 SPAR warrants; each warrant contains a call on two stock units upon merger announcement)

Gross and net exposure summary

Gross exposure - total fund (% of NAV)	**117.0%**
Equity investments gross exposure	84.4%
Merger arbitrages gross exposure	32.6%
Equity usage	**100.7%**
Equity investments	84.4%
Merger arbitrages	16.3%
Net exposure - total fund (% of NAV)	**84.4%**
Equity investments net exposure	84.4%
Merger arbitrages (beta est)	0.0%

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FUND MANAGER COMMENTARY

Dear investors,

In January the fund gained +1.5% in a month which also saw the iShares MSCI World ETF rise by +0.8%. As I mentioned on our Q4 2023 quarterly webinar and 2024 outlook call, a replay of which is available on the fund's website, optimism for the year ahead is warranted not only as a consequence of our continual improvement process, but in particular from the re-emergence of competitive bidding situations.

Adrian Courtenay is the Fund Manager of the GA-Courtenay Special Situations Fund, established in 2019. Prior to Green Ash Partners, Adrian oversaw the fund at Odey Asset Management. Previously, Adrian was a Vice President in the Special Situations Group at D.E. Shaw & Co.

Adrian, who is also a recognised speaker at Sohn investment conferences, has completed the Chartered Financial Analyst Program and is a graduate of Oriel College, Oxford, where he graduated with a 1st class MA and was a scholar.

A re-emergence of competitive bidding opportunities in merger arbitrage

As longer term followers of the fund will be aware, one of the key drivers of the fund's strongest periods of performance has been competitive bidding situations, which are the rare type of merger arbitrage where multiple bidders compete for the takeover of a company.

These types of situation will continue to be, over the course of the business cycle, an important part of our compounding engine. However, the frequency of merger arbitrage opportunities varies over the business cycle, and this has also been true for competitive bidding situations.

In the 2022 downturn, competitive bidding situations were absent from the market, as the animal spirits of mergers and acquisitions "M&A" protagonists, which includes both industrial buyers and private equity groups, became preoccupied with weakening economic data. In 2023, whilst the market indices recovered, the participation was concentrated in large capitalisation companies and also in high growth sectors. As such, 2023 did not see the broad type of involvement in positive animal spirits that can lead to a higher frequency of competitive bidding situations.

As we progress through 2024, it is certainly not unreasonable to contend that there may be greater balance in performance across the range of both market capitalisations and sectors. In other words, that we may see a more typical year, and as such one also with a return of competitive bidding situation opportunities. In this context it is pleasing to see that two competitive bidding situations are already developing with promising characteristics.

An important point is that it is not *any* competitive bidding situation that will represent the allocation type targeted by this fund. Instead, we will target competitive situations which are: *1) objectively evidenced as competitive, 2) trading at or below an existing binding offer and 3) where our estimate of the intrinsic value of the company significantly exceeds the last binding offer.*

The competitive bidding situation in Spanish-listed Applus Services SA

The first competitive bidding allocation by the fund in January was Spanish-listed Applus Services SA, held at 9.2% of NAV at January month end. The company is a leader in the testing, inspection and certification sector, and has a market capitalisation of €1.4bn with a net-debt-to-market-cap ratio of 40%.

As per Figure 1, the auction for Applus commenced from May to mid-June 2023 when the company disclosed it had received non-binding offers from Apollo and Apax[1], and thereon a separate announcement from infrastructure fund I Squared Capital disclosed that they were also evaluating making a takeover proposal for Applus[2].

At end June 2023, Apollo announced a binding and recommended takeover offer for Applus at €9.50 a share[3], and no meaningful further announcements occurred until September 14th.

As can be seen from Figure 1 on the following page, in the first two weeks of September, the Applus share price traded below the value of the Apollo offer, despite evidence that the process was already competitive. Naturally this is an encouraging observation that the market inefficiency in selected competitive takeover situations remains, as when an arbitrageur is able to allocate to a competitive bidding situation below an existing binding offer they face no risk above normal arbitrage risks (i.e. antitrust, albeit the Applus situation has no discernible antitrust risk) despite the materially higher returns potentially available from competitive bidding situations.

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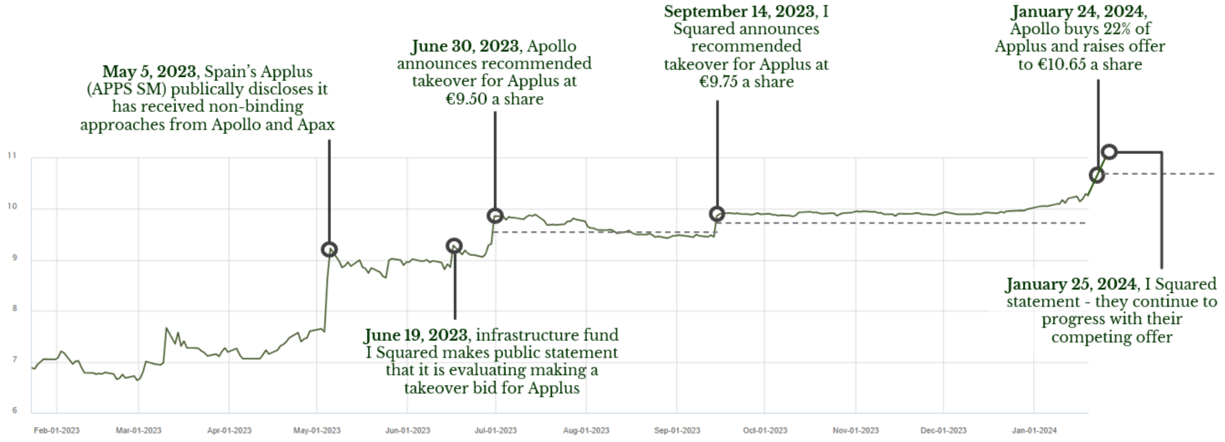
FUND MANAGER COMMENTARY

Figure 1: in early September, for a period of approximately two weeks, the Applus share price traded below the value of the Apollo offer, despite evidence that the process was already competitive[4]



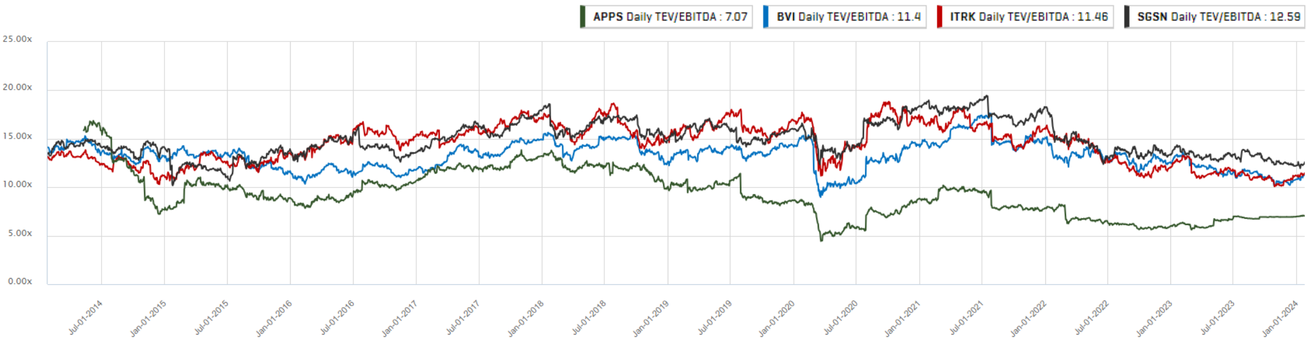
On September 14th, infrastructure fund I Squared announced a €9.75 per share recommended takeover for Applus[5], and on January 22nd 2024, Apollo returned with a higher, €10.65 per share offer for the company[6]. This fund acquired its current stake in Applus paying €10.80 a share, or a 1.4% premium to the offer from Apollo that preceded our allocation. At the sizing of our position, at 9.2% of NAV, we have therefore risked approximately 13 basis points of the fund, which still results in a highly attractive asymmetry of outcomes as the competitive bidding process continues.

As at the time of writing, I Squared has been leaked as planning to submit a new competing offer at €11.00 a share[7], therefore prospectively locking in our profit. However, the important point is also that the timeline of the competitive bidding process has now entered a phase where its duration is controlled by the Spanish stock market regulator, CNMV, and each bidder has subsequent 10 day periods to submit a new competing offer or withdraw from the auction[8]. As such, there is now an accelerated timeline to reach the clearing price of the auction.

A crucial aspect of my role in assessing these situations is to ensure that the third condition – *3) our estimate of the intrinsic value of the company should significantly exceed the last binding offer* – is also satisfied when we make our allocation. When met, this condition results in our allocation being exposed to a significant asymmetry of outcomes in our favour, but it also impacts the probability of continuing competing bids from the takeover protagonists who require the profit motive – created by the continuing large discount of the takeover target – to continue.

In the case of Applus, this condition continues to be met. As per Figure 2, the Enterprise Value of Applus trades at a multiple of its EBITDA (earnings before interest, tax, depreciation and amortisation) of 7.1x[9]. This compares to the peers of Applus, companies such as Bureau Veritas, Intertek and SGS, trading on EV/EBITDA multiples of 11.4x, 11.5x and 12.6x respectively[10].

Figure 2: The EV/EBITDA multiple of Applus at 7.1x compares to its peers Bureau Veritas, Intertek and SGS, trading at comparable multiples of 11.4x, 11.5x and 12.6x respectively[11]



FUND MANAGER COMMENTARY

Whilst the EV/EBITDA valuation approach is simplistic, and as such can only be a rough guide, the discounted multiple of Applus relative to the mid-point of its peers using this valuation measure suggests 67% upside in Enterprise Value to the peer group average. And adjusted for the net-debt-to-market-cap ratio at Applus of 40%[12], the equity upside rises to 112%.

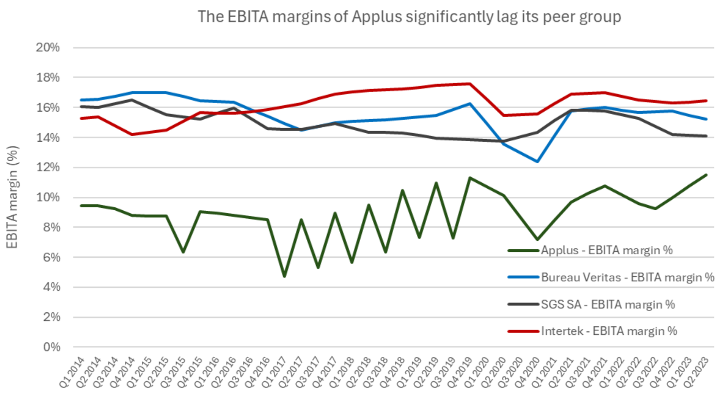
Digging deeper begins to uncover why Applus may have suffered from its discounted valuation. As per Figure 3, the margins of Applus have persistently underperformed its peer group. Applus, over the last 10 years, has averaged a 10% EBITA margin, relative to its peer group averaging a 15% EBITA margin[13].

However, the margins of Applus have also been on an improving trajectory since 2020, and by Q3 2023 had reached 12%[14], matching the uplift targeted by the company at its 2021 investor day.

What is interesting is that to the extent that Applus is already on a trajectory to normalise margins with its peer group, its equity upside may already also be on the same path of normalisation, not solely in line with the 112% output above, but additionally accreted by the further 25% upside to EBITA margin normalisation to the 15% of the peer group, and therefore offering a path to equity upside of 140%.

As a sanity check, the free cashflow yield to equity ratio of Applus at its current 12% EBITA margin is 10%; at a 15% EBITA margin the free cashflow yield rises to 12%.

Figure 3: The EBITA margins of Applus have also been on an improving trajectory since 2020, and by Q3 2023 had reached 12%, in line with the guidance historically provided at the 2021 investor day of the company[15]



Naturally, these types of upside measure are only starting points in a comprehensive valuation appraisal, and it is of course also the case that the bidders for Applus will be targeting a transaction price that delivers a large part of any upside to them, rather than to minority shareholders. However, the high amplitude of the upside ranges still indicates that a pleasing outcome for minority shareholders may be probable, assuming, for example, a 50% split of the upside between minority shareholders and the private equity bidders at the clearing price of the auction.

The competitive bidding situation in Australian-listed OreCorp Limited

The second competitive bidding situation that the fund allocated to in January is Australian-listed OreCorp Limited, currently held by the fund at 8.6% of NAV. OreCorp is a development stage gold miner, listed in Australia, yet with assets in Tanzania, Africa.

The initial offer for OreCorp occurred in the summer of 2023, when Canadian-listed Silvercorp announced a takeover by binding scheme of arrangement for the company[16]. However, in the case of OreCorp, it was not until November 2023 that the takeover process became objectively evidenced as competitive when Perseus Mining, a peer company similar with African expertise, acquired a 20% stake in OreCorp[17], co-incident with Silvercorp also raising its offer price[18].

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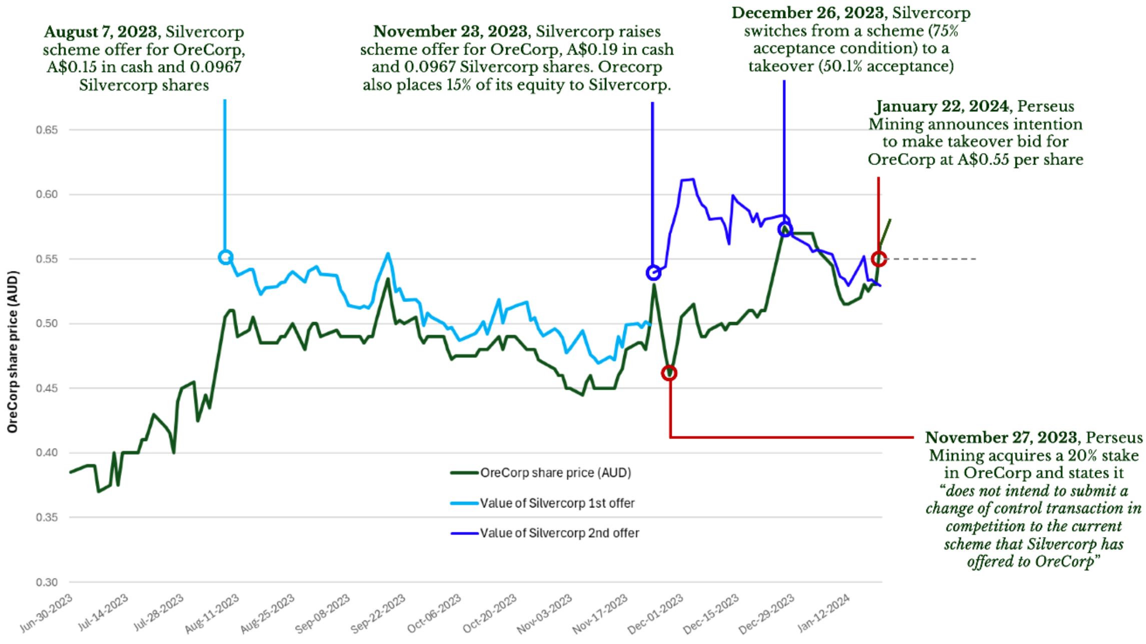
Similar to the Applus situation, the competitive bidding opportunity in OreCorp also evidences attractive levels of market inefficiency. As per Figure 4 below, following the acquisition by Perseus Mining of the competing 20% stake in Orecorp in November, the share price of OreCorp in January 2024 traded below the already revised Silvercorp offer[19]. This as such presented the opportunity for an arbitrageur to allocate to OreCorp at positive binding returns and at no higher risk above normal risks (i.e. antitrust, albeit this situation notably has no discernible antitrust risk) despite the materially higher returns potentially available from competitive bidding situations.

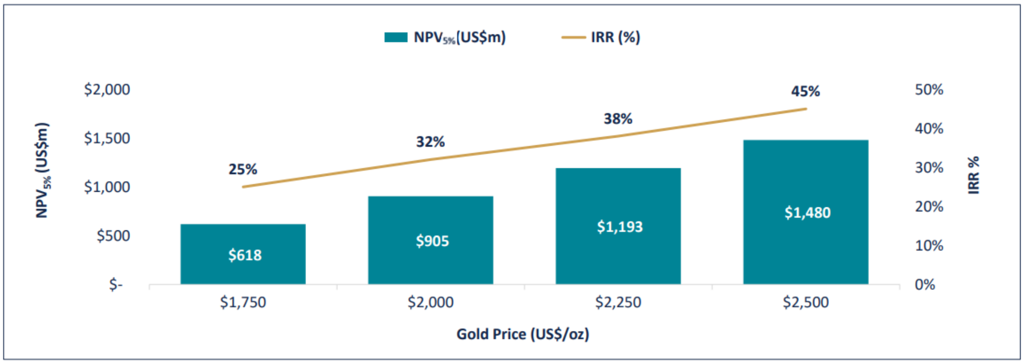
Figure 4: Following Perseus Mining acquiring a competing 20% stake in Orecorp on November 27th 2023, the share price of OreCorp traded below the existing Silvercorp offer valuation during January 2024[20]



The OreCorp situation also fulfils the crucial valuation condition, that – *3) our estimate of the intrinsic value of the company should significantly exceed the last binding offer*.

As per Figure 5 below, disclosures from OreCorp which summarise the company's 2022 feasibility study[21] reveal a post-tax, 5% discount rate, net present value of its core development asset at US$905m[22] – more than five times the value of the currently highest existing takeover offer for the company at US$170m[23] (announced on January 22nd 2024, from Perseus Mining).

Figure 5: Disclosures from OreCorp which summarise the company's 2022 feasibility study reveal a post tax net present value of its core development asset at more than five times the value of the US$170m takeover offer from Perseus Mining[24]



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There is additional signalling that the current market capitalisation of OreCorp appears to under-price its asset value. In November 2022, OreCorp disclosed that it had received expressions of interest from European, African and Tanzanian banks for debt of more than US$400m[25]. Assuming up to 50% loan-to-value, this would also imply an asset value estimate by its banks at US$800m or more, also close to 5x the current takeover value.

When we examine cashflow estimates from the mine under development, these similarly indicate high valuation. The mine plan, following development costs of US$474m, and at below current gold prices of US$1,750, outputs US$1,964m in cumulative net cashflow (pre-tax) over ten years[26].

Finally, I would highlight as a peer group transaction the Australian-listed yet Africa-focused development stage gold mine takeover of Cardinal Resources, the competitive bidding situation of which this fund benefitted from in 2020[27]. The reserves estimate for the development at Cardinal Resources were measured at a cut off grade of 0.5 g/t and this outputted 5.1m oz of gold reserves[28]. In this regard the mine in development at OreCorp is similar, outputting 5.2m oz of gold reserves at the same cut off grade[29]. The auction of Cardinal Resources resulted in a clearing price of US$410m[30], and in a moderately lower gold price environment than is observed today[31].

For the OreCorp situation and where both bidders have also amassed an equity stake in the target company[32], a concern by market participants may be that the auction process does not result in a clearing price close to the net asset value, and that instead, the bidders aggregate their equity stakes into a consortium entity to put a price ceiling on the competitive auction.

However, when an asset such OreCorp is being auctioned at a significant discount to its intrinsic value, consortium forming by bidders is not rational. Consortium forming is only rational when the additional cost of the raised offer sufficient to win the auction would exceed 50% of the development profit available from the project at the otherwise nil-additional-premium consortium forming price (i.e. consortium formation achieves a price ceiling but only by splitting profits 50:50).

Furthermore, consortium forming at a deeply discounted price also introduces a significant additional risk factor – that the bidders lose the entirety of the prospective acquisition opportunity by provoking shareholder activism which seeks to introduce a new bidder into the auction process. Such a third bidder would be identified by the shareholder activist as one showing greater willingness to offer a takeover consideration closer to fair value, and I would note that this fund has acted in a shareholder activist capacity in takeover situations in the past[33].

Conclusion

In conclusion, whilst it has been some time since the fund has had the opportunity to scale two competitive bidding situations in a co-incident manner, investors can rest assured that we are in familiar territory, and territory that has led to pleasing outcomes in prior years.

It is also notable that, as we scale arbitrage exposure, our long equity book exposure also comes down, ensuring the fund remains well within its guided risk limits of a maximum gearing of 30% (it is only against our merger arbitrage holdings that debt leverage is permitted), and maximum gross exposure of 130% of the fund's equity[34].

Our competitive bidding allocations in merger arbitrage are held alongside a continuation of our scaled long-term equity investment positions in Canada Goose and Formula One, aggregate scaled weightings in Pershing Square SPAR warrants both in terms of our underlying warrant possession and our allocation to Pershing Square Holdings, and a continuing scaling of the fund's exposure to the US cable sector, through positions in Charter, Liberty Broadband, and Comcast. All of these allocations we place in the "perfect pitch" category for our long equity investment allocations[35].

As always, fund investors and prospects should not hesitate to contact me directly if you would like to learn more about our investment approach and prospective outlook,

Adrian Courtenay

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Footnotes

1. Applus draws takeover interest from Apollo and Apax, Reuters [link], 2. Disclosure by infrastructure fund I Squared Capital Advisors, evaluating a takeover proposal for Applus [link], 3. Apollo offers €9.50 per share for Applus [link], 4. Graph source: Capital IQ, GA-Courtenay research, 5. Infrastructure fund I Squared announces €9.75 per share takeover for Applus [link], 6. Apollo offers €10.65 per share for Applus [link], 7. I Squared and TDR prepare to raise their takeover bid for Applus to €11.00 per share, Expansion [link], 8. Until when may a competing offer by submitted, Uria Menendez [link], 9., 10., 11. EV/EBITDA metrics are based on current EV and trailing 12 month EBITDA, source: corporate disclosures, Capital IQ, GA-Courtenay research, 12. Net-debt-to-market-cap ratio at Applus based on net debt reported Q3 2023, and current market capitalisation, 13., 14. Source: corporate disclosures of Applus and peer group, 15. Source: corporate disclosures, GA-Courtenay research, Applus strategic plan 2022-2024 [link], 16. Silvercorp Metals to acquire Australia's OreCorp, August 2023 [link], 17. Perseus Mining acquires a 20% stake in OreCorp, November 2023 [link], 18. Recommended Takeover Offer for OreCorp by Silvercorp to replace Scheme [link], 19., 20. Source: Bloomberg, Capital IQ pricing data, 21. OreCorp, Definitive Feasibility Study, August 2022 [link] 22., 24. OreCorp investor presentation May 2023, slide 7 [link], 23. The offer by Perseus Mining for OreCorp, announced on January 22nd 2024, values the company at A$258m or US$170m [link] [link], 25. OreCorp presentation December 2022, slide 4 [link], 26. See: OreCorp, Definitive Feasibility Study, August 2022, page 28 [link], 27. The ultimately successful takeover offer for Cardinal Resources came in at A$1.075 per share, significantly higher than its initial offer of 60c in June 2020 [link], 28. The mine in development at Cardinal Resources was measured at a cut off grade of 0.5 g/t and possessed 5.1m oz of gold reserves [link], 29. See: OreCorp, Definitive Feasibility Study, August 2022, page 22, at a 0.5 g/t cut-off grade, OreCorp's Nyanzaga Gold Project possesses 5.2m oz of gold reserves [link], 30. Cardinal Resources had 500m shares outstanding [link] and the successful offer for the company was at A$1.075 per share [link], implying a valuation of A$538m or US$410m, 31. The average gold price in 2020 was US$1,700, or 17% below the current gold price of US$2,040, source: Bloomberg, 32. Silvercorp has acquired a 15% stake in OreCorp [link], Perseus Mining has acquired a 20% stake in OreCorp [link], 33. Shareholder calls on IGO Ltd to either raise the Western Areas takeover deal value, or disband the Joint Venture [link], 34. For fund risk limit guidance, see our 2023 annual letter [link], 35. See our deep diver opportunities conference call, Five Stocks for Five Years [link]