

PROFESSIONAL INVESTORS ONLY

MONTHLY SUMMARY

- The GA-Courtenay Special Situations Fund USD I class delivered a broadly flat September, detracting by 20 basis points, albeit a month which encompassed a highly unusual development within our merger arbitrage book, detailed in this factsheet, and which handicapped our return.
- On an underlying basis, a stronger rate of progress is present, and one which should inevitably be evidenced in future periods. Following the re-securing of financing agreements in May this year, our equity book is fully invested. At the same time the fund is hedged using our positive carry structure encompassing merger arbitrage yield to finance our ongoing holding of protective S&P500 put options. Concurrently, tracking error risk is optimised, and closely monitored.
- Unit holders, alongside continuing high conviction management investment in the fund, should assess optimistically our upgraded structure in returning our progress rate to strong periods of performance.

The performance of the GA-Courtenay Special Situations Fund is based on the USD I share class. Past performance is not a reliable indicator of future results.

Source: GreenAsh Partners internal systems

FUND MANAGER COMMENTARY

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A highly unusual takeover outcome in September

September's primary detractor was our merger arbitrage holding in Integrum AB, where a deal break cost the fund -2.04%. Absent the extremely low probability characteristics of this takeover detraction occurring, the fund's underlying monthly progress clearly was considerably more positive and much more representative of the rate of return that our fund design is sustainably targeting.

With regard to Integrum, the probability characteristics of the takeover fail outcome occurring should reveal to our unitholders what continues to be – overall – the robustness of our merger arbitrage process, absent such a low odds event.

For this deal to fail required a co-incidence of two events, each with a probability I estimated at less than 5%. The takeover had minimal conditionality—only a 90% acceptance threshold—with the founder's 28% stake irrevocably committed. The 100%+ premium virtually guaranteed minority support, and indeed 97% of minorities voted in favour, validating our analysis.

The failure stemmed from, first, despite the founder's irrevocable commitment, an administrative error—his entering the wrong corporate account number on his tender form—invalidated his share submission. In over 20 years of merger arbitrage, I have never witnessed such an error, and neither are such errors present in our history systems which go back more than 20 years. Second, rather than simply extending the timeline to correct this technicality (the standard response), the acquirer walked away, apparently having developed buyer's remorse during the process. Unfortunately, while the founder was legally bound to tender, the acquirer was not obligated to extend.

The combined likelihood of this outcome I judged as below 0.25% (i.e. 5% x 5%) — an extraordinarily rare event. Importantly, our positive carry hedge calculations budget for 10 deal breaks annually; with only 2 in 2025, we remain well below our risk parameters.

Year-to-date fund performance and embedded run rate in performance

Year-to-date returns have been modest so far, following two single-digit performance years. This contrasts with our 2019-2021 period—when we achieved the highest return among UCITS hedge funds. However, every variable is again present today to empower the fund to capture our strongest outcomes.

The fund's structure today mirrors our 2019-2021 period: a fully invested merger arbitrage book generating yields to fund index put protection, creating positive carry, alongside a fully invested book of high-conviction equity investments. A key improvement from 2019-2021, however, is the evolution in our equity selection approach — targeting across holdings monopoly or duopoly business models with long-term growth tailwinds, which I discuss further in this factsheet.



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Prior to Green Ash, Adrian oversaw the fund at Odey Asset Management. Previously, Adrian was 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.

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Context also informs our more modest recent performance: following Odey Asset Management's disruptions in 2023, counterparties withdrew our financing and derivative agreements. These were not fully restored until May 2025—a surprisingly lengthy process. During this constrained period, the fund adapted by concentrating on merger arbitrage, whose low-beta, consistent returns could deliver absolute returns absent our full toolkit, while maintaining only a small handful of equity positions.

This interim period (2023 to mid-2025) produced adequate but below-potential single-digit returns. However, the time was not wasted—extensive foundational research (published in white papers) was carried out and sophisticated systems built that I believe give us leading-edge capabilities. With financing and derivatives now fully restored, the fund is equipped to uplift our performance outcomes.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	
2025	0.5	-1.6	-0.2	0.9	6.5	2.4	-3.5	-1.7	-0.2				2.8	Financing agreements re-gained mid-year, performance orientation returned
2024	1.5	1.5	0.7	-2.6	1.6	2.2	0.6	-0.7	0.1	0.6	-0.6	0.2	5.0	Deep dive analysis of approach, yet financing agreements lost
2023	7.6	-3.2	-5.4	0.6	-6.6	-4.1	1.0	-2.5	-2.4	-2.0	23.2	3.0	6.4	Detraction year
2022	-1.2	2.0	2.3	-3.1	-6.7	-6.1	1.5	7.7	1.0	-9.0	-0.2	-0.5	-12.8	Strong performance orientation
2021	7.7	4.2	-3.2	-0.3	0.5	-4.7	-1.9	2.5	3.0	17.6	-2.1	1.6	24.4	
2020	8.4	-2.5	-13.2	6.1	8.7	20.5	5.6	-5.1	5.7	-4.0	-2.7	13.2	42.8	
2019										0.6	4.0	4.4	9.1	

Note: Inception 17-Oct-2019; Performance figures are for share class USD I = the fund's base currency.

An important point about our positioning today: our current equity book, backtested, has historically delivered strong outperformance over time, but experiences periods—up to four to seven months—of underperformance. And just as we expanded our equity book at end H1 this year following restored financing (after the fund being up 8% in H1), we entered precisely such a period of temporary weakness.

This timing is frustrating but noise rather than signal. Holdings are selected based on business attributes and reasonable valuation, not trailing performance. Historical patterns show these lulls are temporary—fundamentals are extremely sound, and outperformance returns. The Q3 detraction represents the natural rhythm of our equity strategy in periods of lower contribution – my observation is that within recent market dynamics, price development in higher quality names has been more moderate.

Investment architecture as important as security selection

Consider the structural inequalities in financial markets: private equity conducts due diligence with inside information before acquiring equity through takeover offers, while public market investors must decide on equity investments without such access. Berkshire Hathaway employs non-margined leverage through its insurance operations, while hedge funds must rely on margined financing. And most mutual funds remain unhedged despite ever-present crash risks, accepting this vulnerability because put protection expenses on plain vanilla structuring results in long-term performance drag.

These disparities highlight a crucial insight: when evaluating investment vehicles, structural advantages matter as much as security selection. The optimal fund design must address these architectural disadvantages—finding ways to bridge the information gap, optimise leverage costs, and implement crash protection without sacrificing returns. Fund management success is fully optimised only through both superior fund architecture and superior stock picking operating concurrently.

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Our fund structure recognises this need and targets distinct advantages over traditional mutual funds and hedge funds. We maintain downside protection yet without the typical performance drag—our positive carry hedge over time contributes to returns. With our equity book at 1.3x NAV, we capture enhanced upside during broad market advances whilst still remaining protected during declines.

Risk control is embedded throughout. September's rare arbitrage break—a tail risk outcome—had an impact within defined limits. The alignment between our equity holdings (largely S&P500 members) and our hedge (S&P500 puts) minimises dislocation risk, with sophisticated systems monitoring these probabilities continuously. The fund's estimated resilience to market shock scenarios is also quantifiable: at month end our put options at 35% delta relative to NAV had a nominal value 178% of NAV albeit with strikes 11% below current index levels. This translates to meaningful protection—our models project a 3% gain in fund NAV during a 20% market decline, despite the fund's modest leverage.

Our imperative for monopoly or duopoly businesses

An equity selection philosophy must also be differentiated to meaningfully succeed—the average approach will not beat the average result. While most managers engage in sophisticated contest judging—analysing which companies will outperform within competitive domains—we focus on a different form of opportunity.

Consider this analogy: a boxing stadium, in which countless analysts handicap fights with advanced metrics, perhaps achieving 15% returns when their successful bets outperform failures. But many analyses will be unsuccessful and over multiple years almost no analysts may achieve consistent success. Yet there is another participant present with a far high return for each unit of work deployed, earning 20% with modest leverage—this individual is the stadium owner, and profits regardless of who wins each fight. Their returns are also enduring and illustrate the power of monopoly positioning.

This principle underpins our equity selections: the fund seeks to own stadium owners, not engage in a process of handicapping competitive outcomes between fighters. Our target is identifying companies with enduring monopoly or duopoly positions which generate returns independent of competitive outcomes. This works when there is one stadium (monopoly) or two (duopoly) but fails with ten stadiums are present or in markets remaining under construction where competitive outcomes remain unsettled.

By combining these structural winners with our leverage and hedging architecture, we create a powerful compounding engine—amplified returns from businesses with inherently higher certainty, within a fund protected against market disruptions.

Our portfolio exemplifies this philosophy: as examples, GE Aerospace and Safran control jet engines; Visa dominates a card payments duopoly; Formula One monopolises motor racing; Airbus dominates an aircraft manufacturing duopoly; Microsoft monopolises PC operating systems and duopolises cloud infrastructure; US railroads form regional duopolies; Aena operates all Spanish airports; and, in another example a new September addition to our portfolio, Waste Management, leads US waste collection as a duopolist.

Whilst price discipline remains important, my assessment is this alone will not generate sustainable long-term outperformance when it is applied to non-monopoly/duopoly assets. Intrinsic valuation estimation has wide error bars when applied to companies whose market position cannot be reliably estimated over future years, and whose value estimate therefore becomes reliant on as much speculation as methodology.

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An important component of investment edge therefore lies in a greater focus on *investigation of business position*—a mission orientated to discover monopolies or duopolies which remain under-recognised by others. Great companies deliberately conceal their market dominance to reduce regulatory scrutiny, making their positions harder to identify. Hence, the opportunity for those willing to dig deeper.

Our merger arbitrage work provides unique insight here: anti-trust regulator reviews of takeovers consistently expose hidden monopoly or duopoly positions, giving us an information advantage. This synergy between our arbitrage and equity selection processes—where daily merger analysis helps isolate tomorrow's monopoly or duopoly investments—represents an enduring edge.

Barriers to entry anchor the framework within which we seek growth

Our approach targets monopolies or duopolies with proven barriers to entry in mature industries—barriers tested over time. However, by definition, these dominant businesses will also accumulate capital. The critical question: *can they reinvest that capital at the high and protected returns offered within their monopolised domain?*

Consider a toll bridge monopoly, yet in a no-growth region. Unable to reinvest within its protected market, it might deploy surplus capital into unrelated ventures—say, fish farming—where it lacks competitive advantage and risks capital destruction. The result: without growth tailwinds in their core domain, monopolies can destroy surplus capital.

This reveals why growth tailwinds are essential: *growth tailwinds enable monopolies to reinvest accumulated capital at high returns within their protected markets*. A growing market transforms a monopoly from a cash collector whose proceeds may be wasted, into a cash collector whose proceeds are re-deployed into a secure compounding machine. The implication is also that it is only when a monopoly or duopoly operates in an industry with growth tailwinds that intrinsic value is reliably calculated—the combination of enduring market dominance with growth opportunities creates far higher certainty of outcome of the corporate's capital reinvestment.

Our portfolio precisely reflects this philosophy—we avoid speculating on winners in atomised industries, or within industries subject to rapid evolution in their competitive dynamics. Instead we focus on established monopolies and duopolies backed by growth tailwinds. These tailwinds drive reinvestment opportunities within protected domains: commercial aviation growth (GE Aerospace, Safran, Airbus, Aena); cashless payment adoption (Visa, Mastercard, American Express); cloud computing expansion (Microsoft, Alphabet, Amazon); rail freight volumes (Norfolk Southern, Union Pacific, Canadian Pacific); waste ton miles (Waste Management); urbanisation (Ferrovia, Waste Management, Amazon); defense spending (GE Aerospace, Safran, Airbus); and mobile ecosystem growth (Apple, Spotify). Global population growth also underpins many fund holdings. With the fund's leverage amplifying these trajectories, a powerful compounding machine is created combining rewarding returns with institutional-grade robustness.

Conclusion

Since re-securing financing and derivative protection, the fund is now operating at far more optimal positioning: a fully invested equity book, put protection funded by merger arbitrage yields, and carefully managed tracking error. While our arbitrage portfolio will evolve with deal flow, our equity holdings represent long-term convictions with a higher bar for changes. Nevertheless, one additional enhancement with our prime brokers is forthcoming which should offer some further uplift to our capabilities and which I hope to detail by year end.

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The broad premise is that we are in the fund's next chapter. And at this time, with market multiples elevated—particularly in technology—the fund management industry's imperative for short term performance has also increased the rareness of our form of strategy possessing both upside participation and downside protection characteristics: the leverage aspect of our equity book captures tailwinds from rising markets, our positive carry hedge delivers returns in flat markets, and our put options provide both protection and dry powder for deployment during declines.

I think of our mode of operation as analogous to a reinforced vehicle, yet one which has the capability to move fast. A vehicle where protection enables performance, not constrains it. Safety features allow confidence at higher speed, but safety must also be built out fully first. The fund's current metrics illustrate we are at this position—the fund is operating at approximately half the S&P500's volatility despite our higher leverage.

After the period rebuilding our infrastructure and refining our approach, the result is that the fund is positioned to move forward with the form of performance which our structure promises and our unit holders deserve. Already, at the time of writing in October, the fund has identified an extremely promising new opportunity, likely to be scaled by the fund, and I look forward to updating investors with regard to this situation on our Q3 webinar, whose details will be announced following the publication of this factsheet. The fund is also hosting a breakfast update meeting for London investors at The Royal Automobile Club at 89 Pall Mall on October 16th – limited places remain, bookable using the following [link](#).

Adrian Courtenay

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