GA-Courtenay Special Situations Fund

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Performance Orientation In Merger Arbitrage: For Consistent, Binding Success

September 30th, 2024

"We have practiced merger arbitrage on an opportunistic basis for decades and, to date, our results have averaged annual returns of at least 25% from arbitrage.

Merger arbitrage produces more steady absolute profits from year-to-year than the more general equity investments do. In years of market decline, it piles up to a big edge for us; during bull markets, it is a drag on performance."

Warren Buffett writing in 1987[1] and 1964[2]

"Smart investors focus on situations with limited conditions. These are the situations which are predictable. What you don't want is multiple conditions because it is harder to isolate that the Turkey scenario cannot be produced."

Nassim Nicholas Taleb, writing in 2018[3]

"Information has no meaning unless it leads to action. Analysis no meaning unless it is carried out for the purpose of action. Assets are dead assets unless there is the ability to energise them. Be courageous. And learn when not to conform."

Georges Doriot, Harvard Business School 1937-1966[4]

"When an active role is necessary to optimise the deployment of capital, you can be sure – we will not be standing in the wings."

Warren Buffett, writing in 1964[5]

Executive Summary

> *"Give a man a fish and you feed him for a day. Teach him merger arbitrage and you can feed him forever."*
>
> Warren Buffett, Berkshire Hathaway shareholder letter 1988[6]

The following white paper presents merger arbitrage as an investment approach that, well executed and in line with the principles laid out, delivers premium results that address many of the challenges faced by investors in today's complex and unpredictable financial landscape.

Merger arbitrage resolves a number of the limitations of conventional investment approaches, by offering disassociation from over-promotion, the delivery of binding returns, simplicity, and the objective assessment of prospective returns. Further advantages include the mitigation of unitholder adverse liquidity risk exposure, including through the delivery of de-correlated performance across a range of market conditions, and the delivery of a higher consistency of returns than other investment approaches.

However, it is the ability of the sophisticated merger arbitrageur to also orientate their portfolio toward strong performance that is necessary to transform the merger arbitrage portfolio into the premium investment product.

Figure 1: Merger arbitrage, well executed and in line with the principles laid out in this white paper, delivers premium outcomes that address a number of the key limitations of traditional investment approaches[7]

The white paper reviews the mode of operation required to deliver performance orientation in merger arbitrage. The foundational requirement is put forward as the building of multiple proprietary software systems to address the natural cognitive shortcomings of humans. Such systems organise the vastness of categorisable information relevant to the global universe of merger arbitrage opportunities and their long term historic structure.

These systems include search systems to maximise the discovery rate of live merger arbitrage opportunities, and antitrust litigation and mitigation history systems combined with enforcement history systems to de-risk antitrust variables. The systems also include historical arbitrage spread data to understand the full range of behaviours of merger arbitrages including through rarer, high amplitude market dislocation periods, and therefore allow the fund manager to use leverage intelligently.

Such systems are the essential foundation of the performance orientated merger arbitrageur even when operating with relatively modest pools of assets, such that the full range of opportunities can be assessed for allocation.

Additive to this, the performance orientated merger arbitrageur must also work to develop the skillset necessary to identify *special situations* in merger arbitrage.

These situations have a commonised form of payout profile: offering binding yield in the base case and the potential for significant profits in the high return scenario. Special situations case studies reviewed in this white paper include merger arbitrage opportunities that also offer a contingent value right, and merger arbitrage opportunities which also possess competitive bidding dynamics. The skillset requirement to capture these situations includes a knowledge base outside of the traditional merger arbitrage training path, for example the ability to assess fundamental valuations and strategic considerations with both agility and accuracy.

On top of the capture of *special situations* in merger arbitrage, the white paper argues with case studies that bold and successful shareholder activism in merger arbitrage is also necessary and significantly further lifts investment performance. Case studies are included and reveal the success rate possible by this fund's historic engagement in shareholder activism.

Overall, the white paper targets a valuable contribution towards understanding the path to performance orientation in merger arbitrage as a premium investment strategy. The low-risk profile of merger arbitrages, consistent returns, and low market beta, when successfully accreted with the performance mode of operation combine to make it the highly attractive strategy choice for investors seeking premium outcomes for consistent, binding success in the modern age.

1. Introduction to merger arbitrage

1.1 Merger arbitrages are securities with a timetable, and whose value depends on whether an announced corporate event occurs

> *"Charlie and I, fifty years ago, we used to do a lot of merger arbitrages. And Gus Levy did it at Goldman Sachs, and we spent a lot of time analysing the probability of announced deals going through. And we called them workouts, and now the term became merger arbitrage.*
>
> *The gross profits in many merger arbitrages appear quite small. A friend refers to this as getting the last nickel after the other fellow has made the first ninety-five cents.*
>
> *However, the predictability coupled with a short holding period produces quite decent annual rates of return."*
>
> Warren Buffett, writing in in 2022[8] and prior, in 1964[9]

Warren Buffett, speaking in 1964

Warren Buffett began his first investment fund partnerships from 1956, and his investor letters over the following three decades revealed that up to half of his portfolio was allocated to "workouts," now known as merger arbitrages[10].

The opportunity type arises from corporate activity, and is defined as specifically those situations where a definitive merger agreement establishes a legally binding price outcome for the securities of a company. The merger arbitrage definition also demands a regulatory-imposed timetable – playing out as the time taken from the announcement of the definitive merger agreement to the completion of the transaction.

The arbitrage exists when the pricing of the securities subject to the definitive merger agreement trade at a discount to the binding offer price to which they are entitled. As the timeline of the merger progresses, the discount tightens ultimately to zero at deal close, and an annualised return is realised by the arbitrageur.

1.2 The merger arbitrage opportunity type occurs consistently throughout market cycles

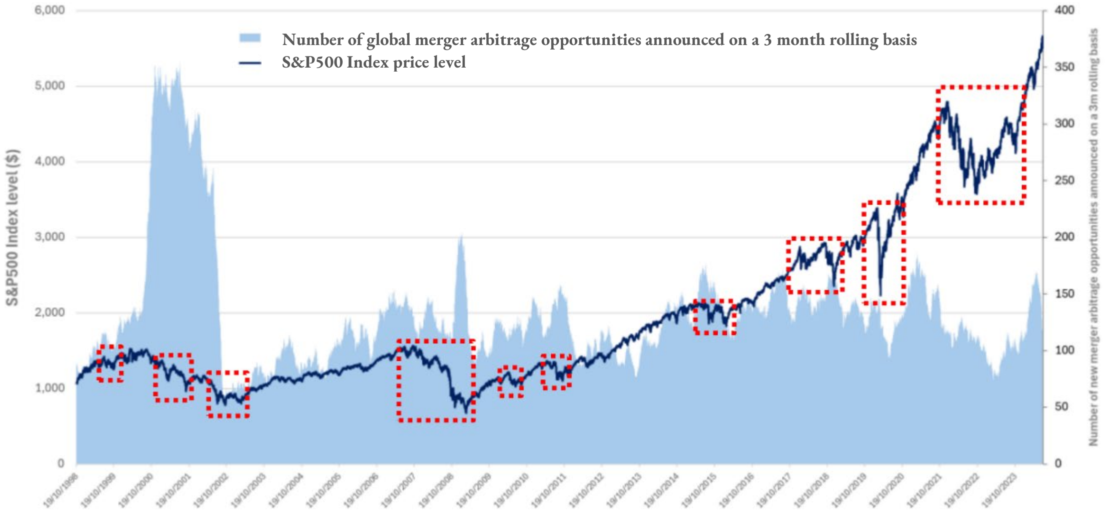
The frequency of merger arbitrage opportunities correlates with mergers and acquisitions or "M&A" activity. Industrial restructuring, driven by factors including company-specific variables, technological shifts, economic shifts, or political change, spurs M&A deals. Additionally, when low financing costs increase the profitability of takeovers, this can act as a further stimulant to M&A transaction frequency.

> *"I've probably participated in about 300 arbitrage situations at least in my life maybe more."*
>
> Warren Buffett talking to Florida State University students, 1998[11]

The range of precipitators of M&A activity results in a consistency of occurrence of merger arbitrages throughout the economic cycle. Figure 1 shows the S&P500 Index's 30-year performance (dark blue line), with bear markets also highlighted (red dotted squares). The light blue area represents the number of merger arbitrage opportunities announced in the preceding three months at each point. As can be seen, regardless of economic conditions over the past three decades, merger arbitrage opportunities have consistently remained at levels sufficient to support a viable and rewarding frequency of merger arbitrage deployments.

Figure 2: Regardless of market or economic conditions, global merger arbitrage volumes have remained at levels supporting viable strategies over the last thirty years [12]

Price history S&P500, relative to number of new global merger arbitrage opportunities announced on a 3 month rolling basis



1.3 The opportunity today for the prepared merger arbitrageur with a modest asset pool

Modern world conditions indicate the potential for elevated levels of corporate restructuring over the coming years. Ongoing technological disruption, set against the backdrop of high national debt levels and associated recession risks, widespread leveraged private equity ownership of corporates, and escalating geopolitical tensions, all contribute to enduring corporate restructuring scenarios.

However, the modern age has also precipitated an increasingly forceful ideological backdrop at some antitrust regulators. Mergers that propose dominant business structures are subject to government intervention (albeit the corresponding dominance of the regulator is claimed as unproblematic, despite instances of regulatory disenfranchisement over the longer arc of history)[13].

> *"Too often fewer and fewer companies are controlling more and more of the market. And what that means is companies can start ripping you off, hiking prices, stealing from you."*

Lina Khan, speaking to Fox News, September 2024[14]

Whilst the current regulatory stance may moderate over time, today's greater regulatory resistance to large M&A deals also defines the opportunity for the sophisticated merger arbitrageur operating with a modest asset pool and who can correspondingly a capture arbitrages across the full range of market capitalisations.

It is because the current era has resulted in a decrease in the volume of large M&A deals that a gap in the experience level of merger arbitrageurs is also developing: the lack of career continuation within scaled pools of merger arbitrage capital as a result of the decrease in the volume of large deals is also resulting in a mentorship deficit. Successful arbitrageurs, historically accustomed to operating within multi-billion dollar pools of capital, are now incentivised to retire rather than dedicating their time to training new entrants who can only capture high performance with considerably less scaled capital deployment.

As experienced arbitrageurs retire without passing on their expertise, and the most ambitious and talented young professionals focus on other market or business opportunities, a talent vacuum in merger arbitrage is forming. The result is that modern day circumstances present a considerable opportunity for the merger arbitrageur who retains high-level competency yet manages modest capital.

> *"The secret of life is weak competition.. [and] in securities markets, if you have an IQ of 100 and everybody else has an IQ of 80, you are way better off than if you have a 140 IQ and all the rest of them also have 140"*
>
> Warren Buffett, Berkshire Hathaway shareholder meeting, 1998[15]

The de-correlated performance attributes of merger arbitrages also sits within a broader market environment that has resulted in a cautious stance by thoughtful beta-exposed investors. Western government debt at all time highs demands future fiscal rebalancing, and whether through higher taxes or reduced government spending, this raises the probability of recessionary periods and below-average corporate profit growth. As Warren Buffett at Berkshire Hathaway's 2024 annual meeting hinted, an unsustainability is created, with Buffett himself stating "*something's gotta give*"[16] in explaining Berkshire Hathaway's reduction in equity holdings.

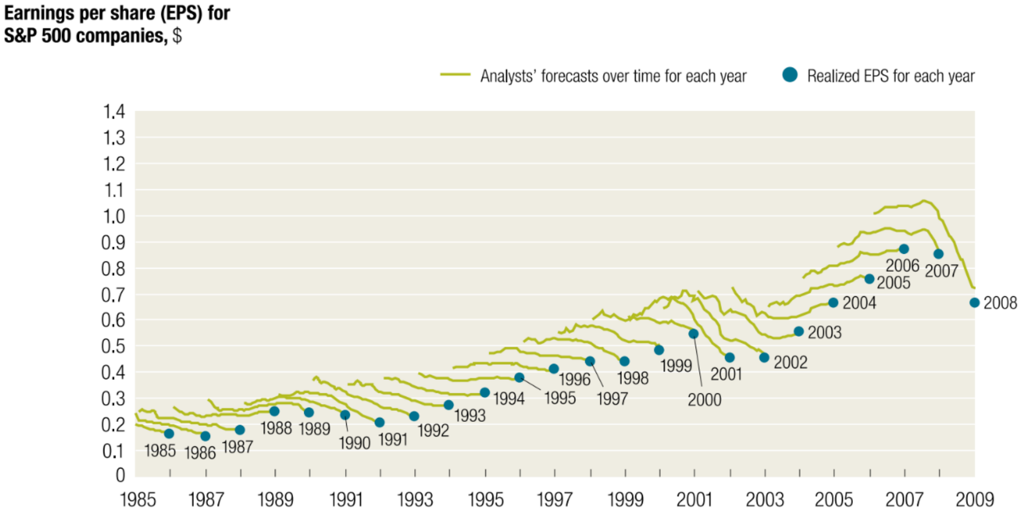
2. Merger arbitrage resolves a number of the limitations of conventional investment approaches

2.1 Merger arbitrage allows disassociation from the cycle of overpromotion then value disenfranchisement by issuers of securities

Most investment funds ultimately experience disappointing returns over time. For example, the average annualised return of all UCITS hedge funds since Oct 18th, 2019 (the inception date of the GA-Courtenay Special Situations Fund), has been just 2.7%, a period over which the MSCI World Total Return Index has delivered an annual return of 12.9%[17].

The handicapping of returns relative to the indices reveals the extent to which biased narratives are leading to an overweighting of disadvantageous decision making by the individual fund manager. Whilst other factors will also play a part, were biased narratives not present, the proportion of disadvantageous decision making would be greater matched by a corresponding level of advantageous decision making, and a lower level of underperformance would be present.

Figure 3: Bias in financial communication results in earnings guidance, with few exceptions, exceeding realised earnings per share[18]



The challenge for investors seeking superior performance extends beyond simply recognising that a conflict of interest exists between the issuers and the buyers of securities. The intelligent investor must also recognise that, for most investment situations, the structuring of securities handicaps their holders *relative to the position of the issuer*, because issuers have discretion over the quantum of payment made through the distribution routes over which buyers have enforcement rights. To put it another way, the structuring of most forms of securities allows their value disenfranchisement at the will of their issuer.

In the case of common stocks, the shareholder has an enforcement right to dividends, yet the issuer controls whether dividends are paid and how much to pay. Similarly, for corporate or government debt, the bondholder's enforcement right is to interest and principal, yet the issuer can choose to withhold interest or principal payments. And, whilst, in this latter case, the default scenario may trigger restructuring, the same scenario often does not replace issuer leadership, leaving those who elect to default still in receipt of their own remuneration streams.

The outcome is that issuers, and who serve in more than one role including as promoters, can at times elect to subject their security holders to varying levels of value disenfranchisement. The regular pattern observed: issuers overpromote whilst issuing securities (including exercising management stock options) and achieving *cash inflow*, through security subscriptions at a high multiple relative to their cash generation, and *yet then later exercise discretion to reduce their future cash distributions back to the same holders of the securities they have prior issued*.

> *"The biggest money made, you know, in Wall Street in recent years, has not been made by great performance, but it's been made by great promotion."*
>
> Warren Buffett, Berkshire Hathaway shareholder meeting, 2001[19]

Whilst a partial mitigation of this conflict from the perspective of the stock market participant can be achieved by adopting a disciplined approach to disregarding promotional narratives and applying *Buffettian* principles, this provides only an incomplete fix. We review the Buffettian approach more fully in our 2023 white paper, '*How Far Away to Berkshire Hathaway*[20]'.

The complete fix is achieved only when, either, the issuer's ability to disenfranchise its security holders is fully removed, or the security holder becomes the issuer themselves. The former only occurs in the merger arbitrage situation, and the latter only within a subset of those merger arbitrages where the arbitrageur successfully adopts an activist position and refuses to tender, or *issue*, its shares to the acquiring company unless a higher price expectation is met.

It is because in merger arbitrages that the acquiring company is bound by a legal agreement to pay a fixed cash price, enforceable through the courts, that the structure eliminates the issuer's ability to subject their security holders to value disenfranchisement.

Furthermore, in merger arbitrages, the normally observed behaviour pattern – overpromotion then value disenfranchisement by issuers – often reverses: issuers upon announcing the takeover often under-promote the company's value, attempting to convince shareholders that the deal price is already attractive enough relative to fair value, such that security holders vote in favour of an existing takeover proposal. Consequently, in takeovers, share prices may not fully reflect the true value of a company nor therefore the potential for competing bids, nor the ability of activists to advocate for improved offers, when initial takeover premiums are inadequate.

Figure 4: Well selected merger arbitrages remove the potential for value disenfranchisement that exists within equities and in fixed income instruments not subject to binding merger agreements[21]

In merger arbitrage opportunities, the fixed offer price for the stock becomes the legally binding variable that is enforced by the definitive merger agreement, and therefore, through the government courts.

This enforcement property allows carefully chosen merger arbitrage allocations to be considered de-risked to "government enforcement level risk", arguably superior to the "risk-free" rate on government bonds – bonds which the government in some circumstances may elect to default on. So long as all merger conditions are met and the government courts continue to operate, court enforcement of robust merger arbitrages denies scenarios of re-pricing of the arbitrage deal value, whereas even in the United States, the government is able, if it so desires, to re-price the principal on its debt.

The five-year credit default swap on US government debt implies a 3.4% probability of default[22]*. However, even if the US government defaulted on its debt, fixed merger arbitrage payment obligations would remain fully binding so long as the government courts continued to operate.*

2.2 Merger arbitrage operations are based upon simple principles, reducing the risk of the fund manager being subjected to information overload

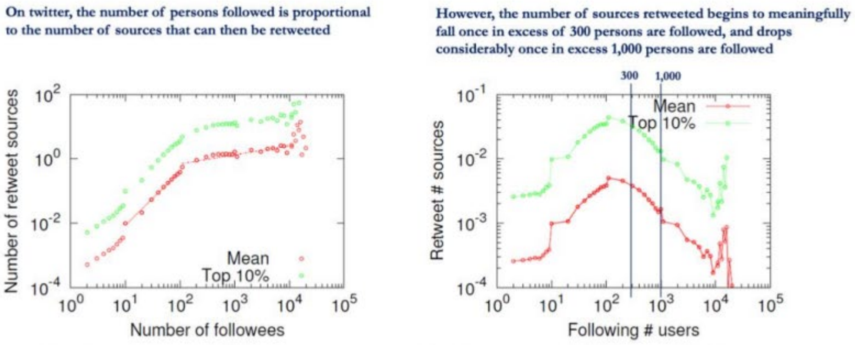
Merger arbitrages are based on simple principles: the arbitrageur allocates on the premise of a fixed remuneration over a specific timeline, and with a limited set of conditions to assess as the counter-case scenario.

> *"Take a simple idea, and take it seriously"*
>
> Charlie Munger, writing in 2005[23]

Nevertheless, recognising the advantage from operating within a domain determined by a simple set of principles is not the base case orientation of the human condition. Human programming instead biases us to reject simplicity, a rejection which may have emerged as an advantageous evolutionary safeguard within the complex and dynamically changing conditions of human evolution.

However, our human attraction to complex explanations and drawn out narratives comes at a cost. When demand is placed on humans to process an unusually high volume of information, their otherwise competent decision making relating to their existing straightforward tasks declines, a type of 'information stun' reaction. The implication is that the popular acronym, *keep it simple, stupid*, might be more insightfully, yet perhaps counter-intuitively, worded: *only simple will be smart*.

Figure 5: Academic studies reveal that when humans are subjected to a high volume of information throughput demand, their prior competency of decision making declines, a type of "stun" reaction[24]



On twitter, the number of persons followed is proportional to the number of sources that can then be retweeted

However, the number of sources retweeted begins to meaningfully fall once in excess of 300 persons are followed, and drops considerably once in excess 1,000 persons are followed

(b) # sources vs # followees

(c) Source probability vs # followees

Restricting one's thinking to a simple set of principles takes conscious effort, and an operation within a discipline whose rules themselves both enforce and reward this restriction. Merger arbitrage's fundamental operating principles *are* simple. And as such, well selected merger arbitrages exist as one of the few allocation types that incentivise the capital allocator to act rationally without the risk of information overload.

> *"Not theorising is an act that takes effort.. our default is to theorise and it is barely under our control: it is largely anatomical, part of our biology, so fighting it requires fighting one's own self."*
>
> Nassim Nicholas Taleb, writing in The Black Swan, 2007[25]

Furthermore, *from the perspective of the fund unitholder*, and beyond the decorrelation, consistency, binding, and performance properties that are achievable from well selected merger arbitrages, a premium investment product should also offer its unitholders a level of comprehension that instills confidence and peace of mind.

It is the straightforward principles underpinning merger arbitrage that also provide its properties as an investment approach which can provide clear, understandable communication with unitholders. It is only through this form of clear communication from the fund manager that a stronger level of understanding and confidence is achieved at the unit holder level, and therefore that scaled allocations – to the benefit of all parties – can take place.

2.3 Merger arbitrage allows for the objective assessment of prospective annualised returns

> *The indefiniteness of finance can be bizarre.*
>
> Peter Thiel, Zero to One, Notes on Start Ups, 2015[26]

In merger arbitrage, each position possesses a binding yield to a fixed price, and a timeline, and therefore a quantified annualised return forecast is also outputted. The outcome is a higher precision and certainty in returns than for most other forms of investing, at both the level of the single position and in aggregate at the fund level. It is this seeking of determinism, the removal of the gamble element, that intelligent investors target.

The alternative is a form of capital allocation with greater reliance on a belief-based element – '*stocks will always over time rise, the financialised economy will always over time outperform*'. However, when we adopt belief-based systems, we become closer to gamblers on our belief being right, and this gambling-like mentality raises the risk of impairment. The intelligent investor seeks to be the house, not the gambler.

> *"You just want to make sure that you are on the side of the house when you bet rather than against the house.."*
>
> Warren Buffett, CNBC interview, 2019[27]

For example, whilst the *Buffettian approach* for common stock investments still exposes investors to broad fluctuations in the market, it can also be seen as an approach that targets a significantly lower error rate from such market allocation. Buffettian principles lower error in value appraisal by focusing on simple and understandable businesses, consistently profitable, and returning profits in cash to their shareholders.

Whilst the duration of Buffettian investments is longer than for merger arbitrages, the premise still remains the outlaying of cash today in return for a return of cash at a certain point or series of points in the future, and the investor's estimate of intrinsic value is based on the present value sum of all such future cash distributions.

> *The value of a business is the present value of the cash you can take out of it over.. say, 50 years.. you should think more about what you're paying versus what the business is worth, rather than what you are paying because of what they are going to earn next quarter."*
>
> Bill Ackman, CNBC interview, 2008[28]

However, even for businesses suited to a lower error rate in value appraisal, significant uncertainty remains in estimating future cash distributions. And this is only partially addressed by the Buffettian margin of safety between the estimated value and the share price[29]. Not only does uncertainty still remain but additionally market conditions may offer few suitable high-quality businesses at pricing providing the required safety margin. Moreover, the timeline for realising returns on such investments is also unclear, resulting in additional forecast error.

For well selected merger arbitrages by comparison the *gamble or uncertainty element* is more fully removed and replaced by objective criteria. The deal price, enforced by the merger agreement, provides an objective value target. The timeline to deal completion is deterministic based on regulated deadlines.

3. Merger arbitrages deliver de-correlated and consistent returns, mitigating unitholder adverse liquidity risk exposure

3.1 Merger arbitrages deliver de-correlated performance across a range of market conditions, removing reliance on a rewarding general stock market environment

The property of merger arbitrages of delivering de-correlated performance across a range of market conditions also removes unit holder reliance on a rewarding general stock market environment for productive outcomes to be realised, raising the quality of the investment product.

Although history reviews long-term stock market exposure as mainly yielding positive returns, there is no enforced guarantee this will remain the case. Whilst indices such as the S&P500 have performed well recently, they have also experienced long periods of stagnation prior; the S&P500 index price showed no improvement from 2000 to 2013. Similarly, the FTSE 100 barely exceeded 8,000 in 2024, from 7,000 in 2000 – a 24 year annualised index price increase of less than 1%. Even more striking, Japan's stock market took 35 years to recover from its 1989 peak[30].

Figure 6: From 2000 to 2013, the S&P500 index price showed no improvement[31]

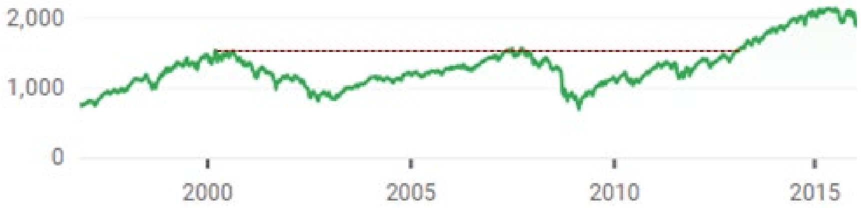


Figure 7: From 2000 to 2024, the FTSE100 index price increase was less than 1% annualised[32]

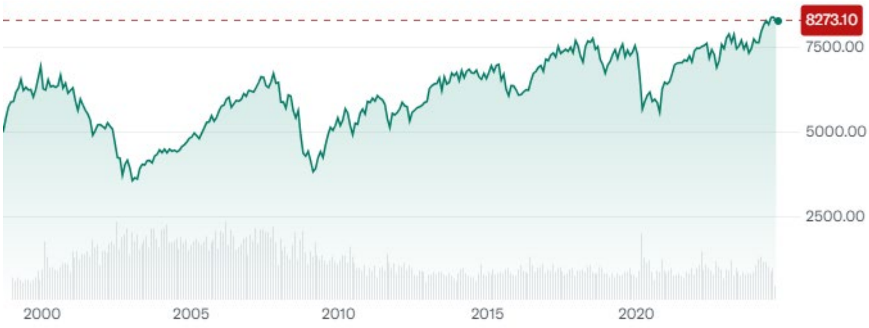
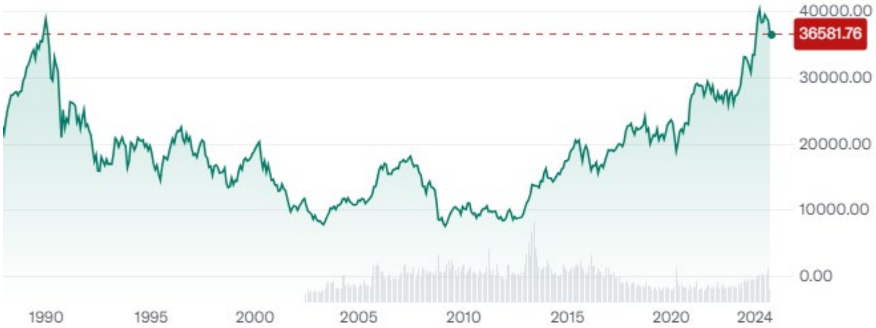


Figure 8: From its 1989 peak, the Japanese market took 35 years to recover to prior levels[33]



Furthermore, an investment allocation that relies on a rewarding future stock market forecast to deliver productive outcomes presents a product stance whose intellectual merit is unconvincing. The relationship between stock market performance, the general economy, consumer spending, and corporate profitability, includes multiple self-reference dimensions, undermining the case that reliable index forecasts can be put forward.

> *"I have never seen a rich forecaster."*
>
> Nassim Nichloas Taleb, speaking in September 2024[34]

3.2 Unit holder liquidity demands during market downturns enhances uncorrelated investment value

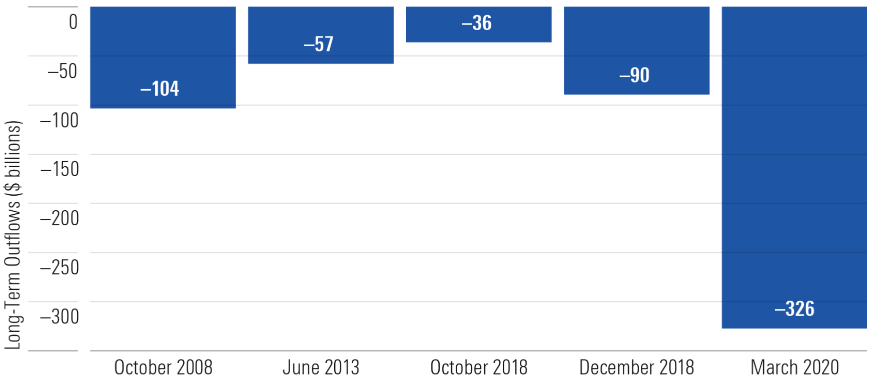
The de-correlation of merger arbitrage returns from the market indices also allows unit holders to mitigate the adverse liquidity demands that in a market-correlated product can result in the crystallisation of losses at precisely the wrong time.

Severe market declines themselves can exacerbate broader economic downturns, with the interconnectedness of the financial markets and the broader economy leading to layoffs and financial distress, and therefore the fund unit holder's need for capital can result in liquidity demands being placed upon their otherwise long-term investment holdings regardless of their original holding period premise.

The outcome is that whilst disciplined investors target a long-term holding period to avoid such loss crystallisation, market and economic reality often forces divergence from this ideal.

Consider as an example a long-term, private investor whose employer reduces bonuses during market downturns. Despite their long-term investment philosophy, the private investor at the market bottom may be forced to sell securities to cover expenses. Consequently, even long-term committed investors can have liquidity demands imposed upon them during bear markets, contrary to their preferred strategy, and forcing them to crystallise mark-to-market pricing at – for a holding in a market correlated product – precisely the wrong time.

Figure 9: Market downturn periods correlate with liquidity demands from long term investors; the five worst months of outflows from long-term investment funds are coincident with high magnitude bear market periods[35]



Source: Morningstar Direct. Data as of March 31, 2020.

The implication is that the intelligent approach to fund allocation should prioritise products that deliver strong performance at the same time as not correlating with market downturns, and products that therefore mitigate the risk of forced ill-timed sales by fund unit holders during such periods. This approach yields an additional benefit: holders of de-correlated funds such as merger arbitrage will also possess the option themselves to capitalise on market distress, their uncorrelated capital providing them with the ability to take advantage of forced selling by others, and further enhancing their financial position.

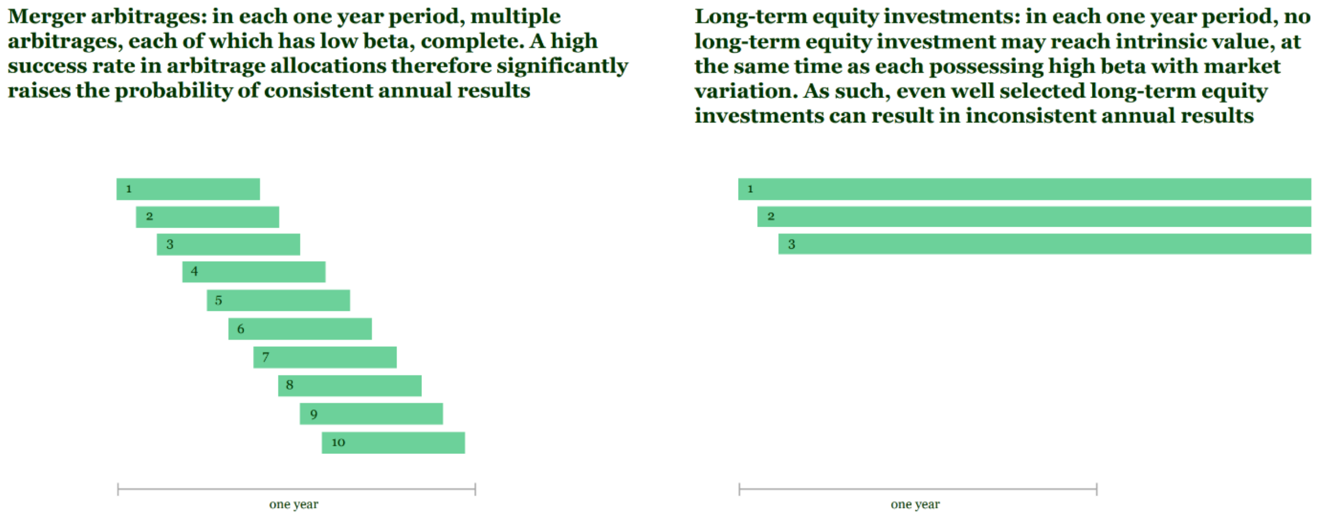
3.3 Merger arbitrages also deliver a higher consistency rate of returns than most other investment approaches

The superior qualities of merger arbitrages also extends to their higher rate of consistency in returns than other investment approaches.

A consistent return is superior to the same return delivered inconsistently. The statement is valid because even outside of market downturns, investors still face other uncertainties about when they may need to withdraw capital, and inconsistent performance generally increases the risk of forced withdrawals at unfavourable prices.

The higher rate of consistency in returns delivered by merger arbitrages results from the combination of their short duration (for current GA-Courtenay Special Situations Fund holdings, one to three months)[36] and legally binding nature. Multiple merger arbitrages conclude within each annual period, significantly enhancing return consistency compared to other investment forms.

Figure 10: The shorter duration of merger arbitrages, combined with their legally binding nature, raises the consistency of annual returns[37]



Merger arbitrages: in each one year period, multiple arbitrages, each of which has low beta, complete. A high success rate in arbitrage allocations therefore significantly raises the probability of consistent annual results

Long-term equity investments: in each one year period, no long-term equity investment may reach intrinsic value, at the same time as each possessing high beta with market variation. As such, even well selected long-term equity investments can result in inconsistent annual results

4. Merger arbitrage and the delivery of performance orientation

4.1 A path exists for the arbitrageur to orientate their mode of operation to deliver strong performance

The merger arbitrageur can orientate their activities to deliver strong performance. Yet this challenges the modern observation that many merger arbitrage strategies, known for their lower volatility, deliver only modest returns[38].

However, the ability of selected practitioners to performance orientate merger arbitrage is well evidenced as part of the long history of the category. As Warren Buffett notes below, for the 62 year period 1926 to 1988, the combination of Ben Graham's and Buffett's returns from merger arbitrage averaged over 20% per annum.

> *"While at Graham-Newman, I made a study of its returns from merger arbitrage during the entire 1926-1956 lifespan of the company. Unleveraged returns averaged 20% per year.*
>
> *Starting in 1956, I applied Ben Graham's merger arbitrage principles, first at Buffett Partnership and then Berkshire. Though I've not made an exact calculation, I have done enough work to know that the 1956-1988 returns averaged well over 20%."*
>
> Warren Buffett, Berkshire Hathaway shareholder letter 1988[39]

We also reveal below the GA-Courtenay Special Situations carved out track record in merger arbitrages since the fund's inception in October 2019, and our returns annualise at above 17% per annum, further evidencing the statement that the merger arbitrageur can orientate their mode of operation to deliver strong performance.

Figure 11: The GA-Courtenay Special Situations carved out track record in merger arbitrages is consistent with premium product attributes: *de-correlated and annually consistent*, possessing an *enforcement* aspect to the delivery of returns, *has delivered performance that significantly exceeds inflation*, and *is an understandable strategy that allows its unit holders piece of mind*[40]

2019										**Oct-19**	**Nov-19**	**Dec-19**	**Full year**
										-1.10%	0.40%	0.60%	-0.11%
2020	**Jan-20**	**Feb-20**	**Mar-20**	**Apr-20**	**May-20**	**Jun-20**	**Jul-20**	**Aug-20**	**Sep-20**	**Oct-20**	**Nov-20**	**Dec-20**	**Full year**
	0.00%	-1.00%	-8.60%	0.40%	3.30%	2.82%	1.52%	0.30%	7.60%	-1.20%	4.20%	9.60%	19.28%
2021	**Jan-21**	**Feb-21**	**Mar-21**	**Apr-21**	**May-21**	**Jun-21**	**Jul-21**	**Aug-21**	**Sep-21**	**Oct-21**	**Nov-21**	**Dec-21**	**Full year**
	2.30%	1.30%	0.20%	4.50%	0.90%	-0.90%	-1.30%	2.97%	1.85%	25.30%	-1.20%	4.30%	45.02%
2022	**Jan-22**	**Feb-22**	**Mar-22**	**Apr-22**	**May-22**	**Jun-22**	**Jul-22**	**Aug-22**	**Sep-22**	**Oct-22**	**Nov-22**	**Dec-22**	**Full year**
	-0.50%	0.10%	1.70%	0.40%	-5.42%	-0.29%	1.08%	3.92%	0.00%	1.42%	0.00%	0.82%	3.00%
2023	**Jan-23**	**Feb-23**	**Mar-23**	**Apr-23**	**May-23**	**Jun-23**	**Jul-23**	**Aug-23**	**Sep-23**	**Oct-23**	**Nov-23**	**Dec-23**	**Full year**
	1.75%	-2.52%	-2.48%	4.17%	-0.56%	0.20%	0.00%	0.00%	0.00%	0.00%	0.72%	4.66%	5.82%
2024	**Jan-24**	**Feb-24**	**Mar-24**	**Apr-24**	**May-24**	**Jun-24**	**Jul-24**	**Aug-24**	**Sep-24**				**Year-to-date**
	0.55%	-0.76%	2.85%	3.72%	1.06%	0.42%	1.35%	1.65%	0.94%				12.34%

Annualised since inception	17.4%
Monthly standard deviation	4.1%

Track record carve out represents the gross performance statistics for the merger arbitrage allocations of the GA-Courtenay Special Situations Fund, since inception. Returns are as a percent of gross exposure for the arbitrage book for periods where arbitage gross exposure fell below 100% of NAV. Data absent for Jul-Oct 2023 which was the period of transition from Odey Asset Management to Green Ash Partners and the fund maintained large cash balances to meet prospective redemption requirements.

4.2 At the foundational layer of performance orientation sits the building of proprietary software systems to address the natural cognitive deficits of humans

The build of proprietary software systems is the first foundational layer for performance orientation in merger arbitrage and should be designed to organise the vastness of merger arbitrage-relevant information. Such systems encompass search systems to maximise the discovery rate of live opportunities, antitrust history systems, as well as systems capturing historical arbitrage spread data and allowing therefore an intelligent approach to fund leverage.

The first of these systems, software to maximise search for new merger arbitrage opportunities across global developed markets, should aim to both efficiently capture and monitor all of the more readily ascertainable arbitrage opportunities while also still capturing overlooked 'offbeat' opportunities. In the latter case, such opportunities may include those missed by others for various reasons, for example in lower capitalisation stocks, or those domiciled in a less-focused on market such as New Zealand or Japan, or even for intra-day announcements which sophisticated systems can detect before broker circulation the following day. The mission of merger arbitrage search software should be 100% M&A capture, that is – every merger arbitrage that exists, is captured instantaneously, and organised for efficient review by the fund manager.

> *"Work hard at it, and sift the world for a mispriced bet – and you can occasionally find one.*
>
> Charlie Munger, talking to students at USC Business School in 1994[41]

The competitive edge held by such search systems is extended when their capture of merger arbitrage opportunities surpasses those identifiable from standardised inputs such as news, financial information service providers or arbitrage brokers. Such search software must therefore also detect new merger arbitrage opportunities by analysing unconventional sources, such as abnormal trading volumes. In this instance, takeover announcements that escape standard detection methods, yet still trigger high stock turnover relative to outstanding shares, will often be amongst the most lucrative as a result of their lack of identification by most other arbitrageurs.

A further requirement from proprietary search software is *the isolation of merger arbitrage equivalent opportunities*. For equivalence, we demand other opportunity types as being those that also offer shareholders a binding contract for a fixed cash amount and a defined timeline.

What is not equivalent to merger arbitrage is the so called "pre-deal" or "soft event" type situations. These involve either rumoured binding offers or announced offers for only a division of a company, both of which retain uncertainty in share price outcomes combined with the potential for promotional incentives to interfere with the truth value of market narrative.

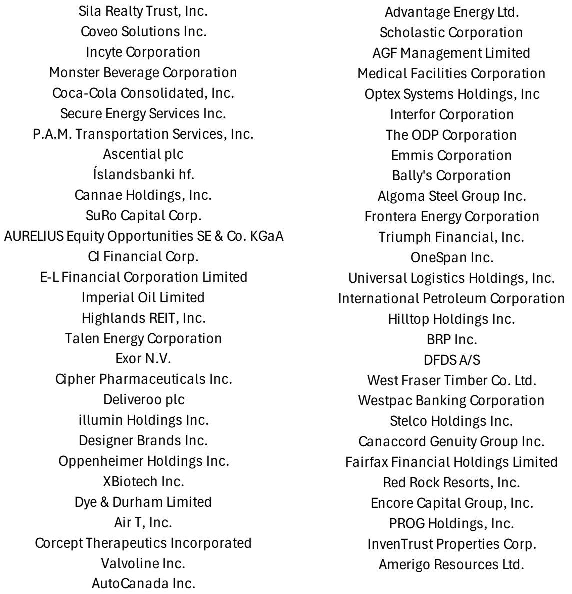
Instead, it is the Dutch auction tender offer that stands out as possessing equivalency to merger arbitrage opportunities. Search-based computing systems used by merger arbitrageurs should also identify this form of binding offer across global developed markets. It is notable that Warren Buffett's arbitrage operations, as shown in Figure 12, also pursued Dutch auction tender offers.

Figure 13 lists all Dutch auction tender offers within global developed markets over the past three years. Merger arbitrageurs should be able to deliver this form of output from their search systems, further expanding their capability to capture binding opportunities with merger arbitrage equivalence.

Figure 12: As part of his arbitrage strategies, Warren Buffett also focused on Dutch auction tenders

> "*For our General Dynamics purchase, the company announced it would repurchase about 30% of its shares by way of a Dutch tender. Seeing an arbitrage opportunity, I began buying the stock for Berkshire, expecting to tender our holdings for a small profit.*
>
> *We've made the same sort of commitment perhaps a half-dozen times in the last few years, reaping decent rates of return for the short periods our money has been tied up...*"
>
> Warren Buffett, Berkshire Hathaway shareholder letter 1988[42]

Figure 13: Over the last three years, there have been 60 Dutch auction tender offers, however, sophisticated systems are required for agile identification as these opportunities emerge[43]



Sila Realty Trust, Inc.
Coveo Solutions Inc.
Incyte Corporation
Monster Beverage Corporation
Coca-Cola Consolidated, Inc.
Secure Energy Services Inc.
P.A.M. Transportation Services, Inc.
Ascential plc
Íslandsbanki hf.
Cannae Holdings, Inc.
SuRo Capital Corp.
AURELIUS Equity Opportunities SE & Co. KGaA
CI Financial Corp.
E-L Financial Corporation Limited
Imperial Oil Limited
Highlands REIT, Inc.
Talen Energy Corporation
Exor N.V.
Cipher Pharmaceuticals Inc.
Deliveroo plc
illumin Holdings Inc.
Designer Brands Inc.
Oppenheimer Holdings Inc.
XBiotech Inc.
Dye & Durham Limited
Air T, Inc.
Corcept Therapeutics Incorporated
Valvoline Inc.
AutoCanada Inc.

Advantage Energy Ltd.
Scholastic Corporation
AGF Management Limited
Medical Facilities Corporation
Optex Systems Holdings, Inc
Interfor Corporation
The ODP Corporation
Emmis Corporation
Bally's Corporation
Algoma Steel Group Inc.
Frontera Energy Corporation
Triumph Financial, Inc.
OneSpan Inc.
Universal Logistics Holdings, Inc.
International Petroleum Corporation
Hilltop Holdings Inc.
BRP Inc.
DFDS A/S
West Fraser Timber Co. Ltd.
Westpac Banking Corporation
Stelco Holdings Inc.
Canaccord Genuity Group Inc.
Fairfax Financial Holdings Limited
Red Rock Resorts, Inc.
Encore Capital Group, Inc.
PROG Holdings, Inc.
InvenTrust Properties Corp.
Amerigo Resources Ltd.

(white paper continues on next page)

4.3 Merger arbitrage performance orientation also demands the development of antitrust history systems integrated with enforcement clause history systems

4.3 a) The development of antitrust history systems for high resolution understanding of legal precedent

The second form of system that must be prioritised for performance orientation in merger arbitrage is the antitrust history system, which delivers two critical advantages to the merger arbitrageur.

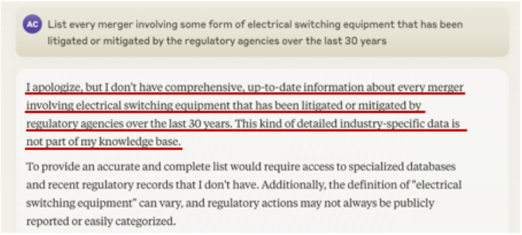
The first is that the *high resolution of information* held within an extensively sourced antitrust history system will give a significantly advantaged insight as to precedent with regard to the particular market definition and structure under consideration. These systems in our case cover more than 30 years and well over 1,000 mitigations (deal completes with changes enforced by regulators), and litigations (deal goes to the courts, and the merging parties either lose, or win, versus the antitrust regulator).

> *"A lack of information can be dangerous. Competitively it can be disastrous.*
>
> *Proper information at the right time – at proper cost – accurately evaluated and used correctly..*
> *is a tremendous competitive asset."*
>
> Georges Doriot, Manufacturing Class Notes, Harvard Business School 1937-1966[44]

For takeovers that are met with resistance from antitrust regulators, a path of mitigation or litigation will thereon take place. The antitrust history system should categorise the historic equivalents of these decisions based on actual court language, the market-definition-specific framework of each case, and how they interact with merger documentation enforcement provisions, offering deeper insights into the practicalities of how antitrust risk plays out in reality rather than from the perspective of the rigidities of legal theory alone.

Figure 14: Absent antitrust history data, public domain search or AI systems struggle to provide high resolution output as to case analysis demands. Yet when granted with access to our antitrust history data, such systems provide high resolution output[45]

Absent our antitrust data: Query as to US antitrust regulator mitigation or litigation in market definition of "electrical switching equipment" over last 30 years



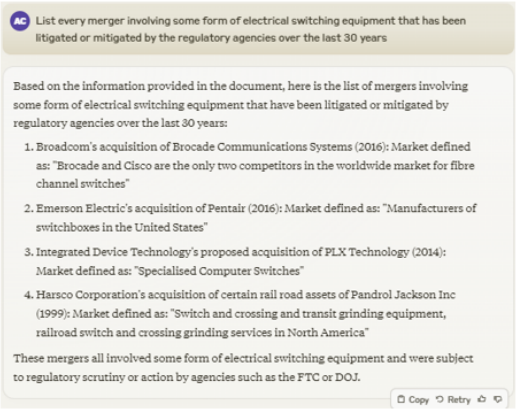
List every merger involving some form of electrical switching equipment that has been litigated or mitigated by the regulatory agencies over the last 30 years

I apologize, but I don't have comprehensive, up-to-date information about every merger involving electrical switching equipment that has been litigated or mitigated by regulatory agencies over the last 30 years. This kind of detailed industry-specific data is not part of my knowledge base.

To provide an accurate and complete list would require access to specialized databases and recent regulatory records that I don't have. Additionally, the definition of "electrical switching equipment" can vary, and regulatory actions may not always be publicly reported or easily categorized.

Source: Query entry into Claude AI, unassisted by GA-Courtenay proprietary data

With our antitrust data: Query as to US antitrust regulator mitigation or litigation in market definition of "electrical switching equipment" over last 30 years



List every merger involving some form of electrical switching equipment that has been litigated or mitigated by the regulatory agencies over the last 30 years

Based on the information provided in the document, here is the list of mergers involving some form of electrical switching equipment that have been litigated or mitigated by regulatory agencies over the last 30 years:

1. Broadcom's acquisition of Brocade Communications Systems (2016): Market defined as: "Brocade and Cisco are the only two competitors in the worldwide market for fibre channel switches"
2. Emerson Electric's acquisition of Pentair (2016): Market defined as: "Manufacturers of switchboxes in the United States"
3. Integrated Device Technology's proposed acquisition of PLX Technology (2014): Market defined as: "Specialised Computer Switches"
4. Harsco Corporation's acquisition of certain rail road assets of Pandrol Jackson Inc (1999): Market defined as: "Switch and crossing and transit grinding equipment, railroad switch and crossing grinding services in North America"

These mergers all involved some form of electrical switching equipment and were subject to regulatory scrutiny or action by agencies such as the FTC or DOJ.

Source: Output from upgraded Claude AI when given access to GA-Courtenay proprietary data

The second advantage delivered by antitrust history systems is that they reveal the extent of historical variance around that dictated by legal theory alone. The elevated level of variance emerges due to the human element within antitrust disputes.

An example is provided by the US Justice Department's clearance of the Live Nation / Ticketmaster merger in 2010[46], only for the same regulator to sue for the merged entity to be broken up in 2024[47]. Antitrust law did not change over the 14 year period, instead, the variance in regulator directives relating to the same set of circumstances is a result of the dualism aspects of human judgement, and human judgement error, leading to directives that may deviate from a singular interpretation of textbook legal theory.

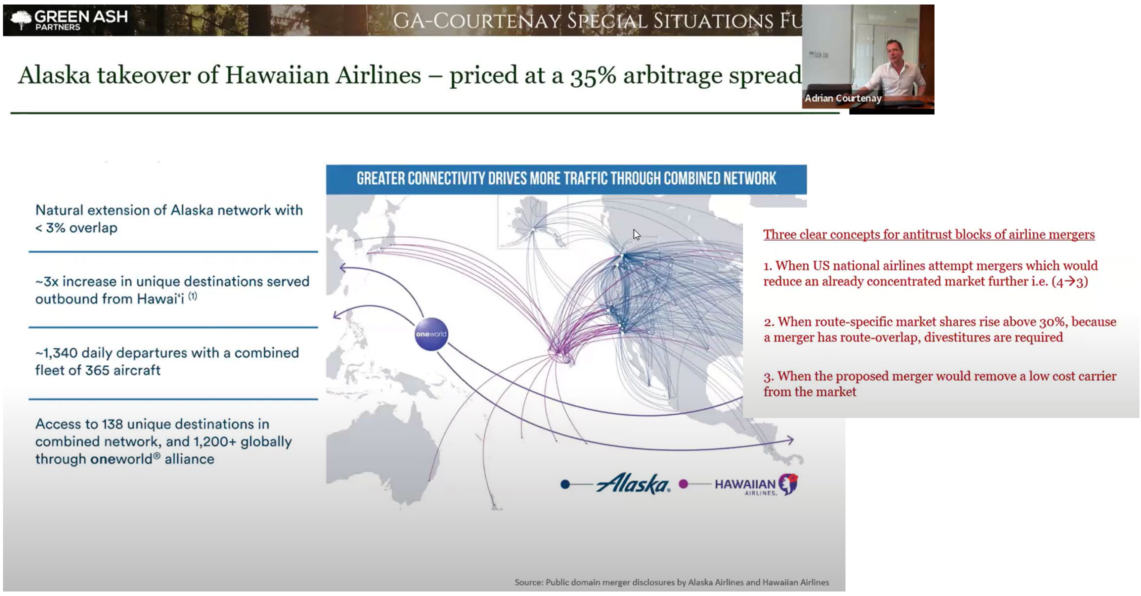
It is only with antitrust history systems, that possess decades of regulatory litigations and mitigations relating to market definitions within M&A transactions and across global developed markets, rather than simply strict interpretation of textbook theory, that the arbitrageur can achieve an optimised understanding of the variance risk within specific market definitions and antitrust outcomes.

Thereon, the merger arbitrageur in possession of the advantages delivered by antitrust history systems can more accurately identify instances where market participants have overestimated antitrust risk in merger transactions. This then leads to significant improvements in merger arbitrage investment performance.

A recent example is the merger arbitrage opportunity in Hawaiian Airlines, subject to a takeover by Alaska Airlines, which was reviewed on the GA-Courtenay Special Situations Fund's Q2 2024 webinar, a call which took place on the 25th of July[48].

Whilst a number of US airline mergers have historically been subjected to blocks by the US regulatory agencies, not all have, and our high resolution antitrust history system underpinned our competitive advantage in attaching probabilities to potential outcomes for the Hawaiian Airlines takeover, ranging from an outright block to mitigating actions such as route divestitures that would still allow the merger to proceed.

Figure 15: There are three clear concepts that have been present when US airline mergers have been blocked, however, market participants absent high resolution antitrust history databases can be naïve as to the correct judgement criteria, and price takeovers poised for successful completion at wide spreads[48]



Alaska takeover of Hawaiian Airlines – priced at a 35% arbitrage spread

GREATER CONNECTIVITY DRIVES MORE TRAFFIC THROUGH COMBINED NETWORK

Natural extension of Alaska network with < 3% overlap

~3x increase in unique destinations served outbound from Hawai'i (1)

~1,340 daily departures with a combined fleet of 365 aircraft

Access to 138 unique destinations in combined network, and 1,200+ globally through oneworld® alliance

Three clear concepts for antitrust blocks of airline mergers

1. When US national airlines attempt mergers which would reduce an already concentrated market further i.e. (4→3)

2. When route-specific market shares rise above 30%, because a merger has route-overlap, divestitures are required

3. When the proposed merger would remove a low cost carrier from the market

Source: Public domain merger disclosures by Alaska Airlines and Hawaiian Airlines

Three key factors typically lead to US airline merger blocks: 1) national airline mergers reducing competition in an already concentrated market (e.g., 4 to 3), 2) route-specific market shares exceeding 30% due to overlap, requiring divestitures sufficient to break the economic rationale for the merger, and 3) elimination of a low-cost carrier.

However, the Hawaiian-Alaska Airlines merger met none of these criteria. Yet, on our conference call date of July 25th, market participants, aware of general regulatory scrutiny of the airline sector but unfamiliar with the form of regulatory mitigations and litigations revealed by antitrust history systems, priced Hawaiian Airlines at a 35% discount to Alaska's cash offer. The deal closed less than two months later.

4.3 b) Antitrust history systems must also be integrated with a corresponding history system of merger enforcement clauses specific to each definitive merger agreement

Antitrust history systems must also be integrated with the corresponding enforcement clause history specific to each definitive merger agreement where an antitrust regulator antagonism occurred.

The informed arbitrageur recognises that each merger agreement, composed well before it is clear if the deal will face a regulatory litigation, often includes enforcement clauses that specify in advance the extent of divestitures that an acquirer must make to satisfy regulatory demands. These clauses range from specific monetary divestiture limits to subjective measures such as *material adverse effect*, or *even unlimited divestitures* to ensure completion.

The outcome is that regulatory opposition to a merger *will not always increase the deal completion risk for the target company and those merger arbitrageurs who have become its shareholders*. In many cases the consequences of antitrust divestiture demands are entirely the economic impact of divestitures, and which will be mandatorily borne by the acquirer and its shareholders.

For an illustrative example consider the 2021 merger agreement between Rogers Communications and Shaw Communications. The transaction included a *'hell or high water'* clause, obligating Rogers to divest up to all of its own assets if necessary to ensure deal clearance. Despite regulatory challenges, the deal was completed after the merging companies conducted significant divestitures.

Figure 16: Enforcement clauses in definitive merger agreements to varying degrees transfer the deal risk from the target company to the acquirer company's shareholders, and therefore, away from the shareholding position of the merger arbitrageur. In the figure, the 'hell or high water clause' within the 2021 definitive merger agreement of Rogers Communications and Shaw Communications[49].

> *"(d) Notwithstanding anything to the contrary herein, in fulfilling its obligations under this Section 4.5, the* ***Purchaser shall propose, negotiate, agree to and effect, by undertaking, commitment, consent agreement, trust, hold separate agreement, Contract, Order or otherwise*** *(and execute and deliver* ***any additional instruments necessary to allow the consummation of the Arrangement*** *and to fully carry out the intention of the Agreement) (A)* ***the sale, divestiture, licensing, holding separate or disposition of all or any part of the businesses or assets of the Purchaser****."*

Enforcement clauses also take various forms beyond divestitures. These clauses may include substantial break fees payable by the acquirer to the target if the deal fails due to regulatory demands. Some clauses in many cases also require the acquirer to accept unlimited monetary damages for deal failure, a condition known as *specific performance*.

4.4 Finally, only by the development of systems capturing historical merger arbitrage spread behaviour is a path provided for a merger arbitrageur to operate with higher leverage levels *intelligently*

> *"If you go back early in my career, I used leverage on my way up, and so did Warren, by the way.*
>
> *The Buffett Partnership used leverage every year of its life.*
>
> *What Warren would do is, he would buy into these arbitrages, liquidations, mergers and so forth. And they did not go up and down with the market, so that was like an independent banking business.*
>
> *Warren used leverage to buy these on the way up and it worked fine for him.*
>
> *I think most people should avoid leverage, but maybe not everybody needs to play by those rules.*
>
> *I have a friend who says, the young man knows the rules, and the old man knows the exceptions."*
>
> Charlie Munger, Daily Journal conference call, 2023[50]

> *"Charlie Munger did enormous trades with borrowed money like British Columbia Power, which was selling at $19 and being taken over by the Canadian government at more than $22.*
>
> *Munger put not just his whole partnership, but all the money he had, and all that he could borrow into an arbitrage on this single stock—but only because there was almost no chance that this deal would fall apart."*
>
> Alice Schroeder, The Snowball: Buffett and the Business of Life[51]

4.4 a) The general suitability of merger arbitrages for leverage results from their low beta, and, in most market conditions, the absence of systematic risk factors

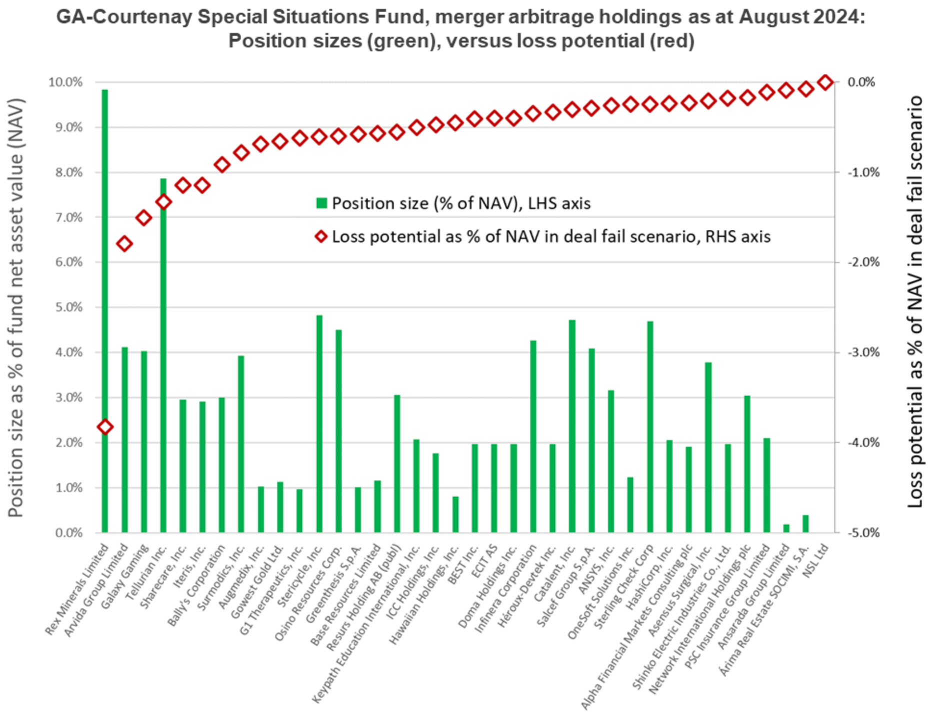
The general suitability of merger arbitrages for leverage results from the fact that they "*do not go up and down with the market*", notes Charlie Munger, making similar comments to Warren Buffett who describes merger arbitrages as having a high degree of safety in terms of their "*immediate market behaviour*." In modern terminology, we would describe merger arbitrages as having *low beta*.

> *"I believe in using borrowed money to offset a portion of our work-out [merger arbitrage] portfolio, since there is a high degree of safety in this category in terms of both eventual results and immediate market behaviour.*
>
> Warren Buffett, Buffett Partnership letter, 1963[52]

An additional characteristic of merger arbitrages that results in their suitability for leverage is that the risk factors for each arbitrage position are not, in most market conditions, correlated to the risk factors of other arbitrage positions. In other words, a merger arbitrage portfolio does not, in most market conditions, possess *systematic risk* in the same way that a portfolio of common stocks does (where each position despite differentiated business models will still be correlated to certain macro risks, for example, to recession risk).

This merger arbitrage property of non-systematic risk, combined with the merger arbitrage property of position-specific downside, means that a merger arbitrage portfolio can be structured such that its absolute downside potential in most market conditions is both objectively defined and even in stress test estimates, controlled to specific levels, and leverage can therefore be limited to a wide margin of safety below this level.

Figure 17: The suitability of merger arbitrage portfolios for leverage includes its properties of non-systematic risk and per position limits in terms of maximum loss potential[53]



4.4 b) However, portfolio construction at higher leverage levels must be informed by systems capturing historical merger arbitrage spread behaviour through rare, higher amplitude market dislocation events

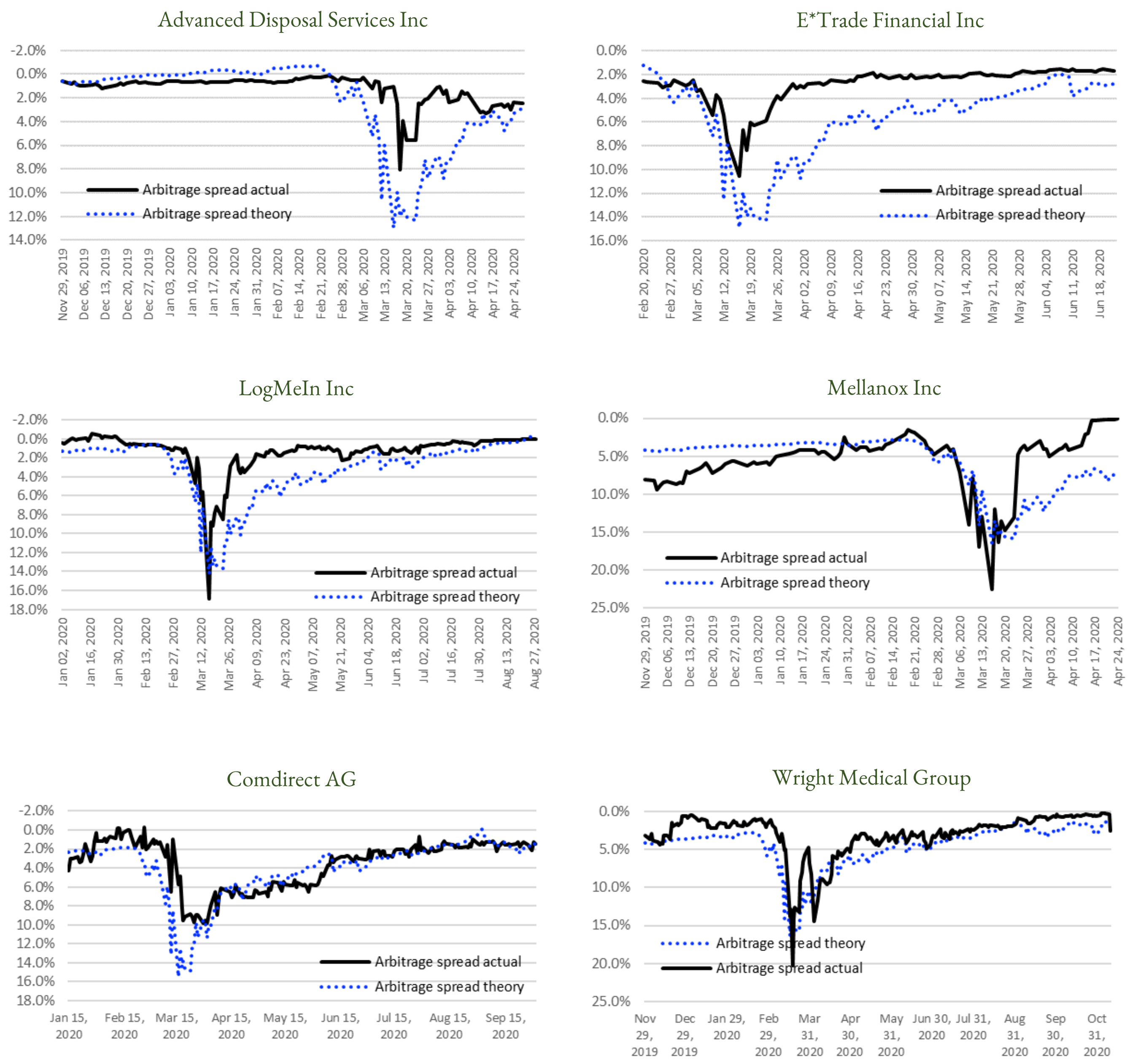
Whilst it is true that in most market conditions the merger arbitrage portfolio does not possess *systematic risk* in the same way that a portfolio of common stocks does, this statement can cease to be true in rare high amplitude market dislocations. As such it is critical for the arbitrageur to possess a sophisticated understanding of the full range of behaviours of merger arbitrages through such periods in order to achieve the intelligent use of leverage.

> *"What I learned from Black Monday was that these things happen.*
>
> *They are not outliers. They are a part of the financial system."*
>
> Nassim Nicholas Taleb,
> Bloomberg interview, 2017[55]

> *"You never know whether it will be next week, next year, next decade, but it will not be a century from now, that is for sure. The more intertwined and sophisticated the world financial situation gets, the more vulnerable it gets. It solves a lot of small problems but it also leaves the system more vulnerable to large problems."*
>
> Warren Buffett, Berkshire Hathaway annual meeting 2024[54]

During the most volatile form of dislocations, merger arbitrage spread behaviour *can* become both systematic and disorderly, to the extent that all market holdings become a source of capital for sellers. Fundamentally, whilst well selected merger arbitrages will remain binding across such market conditions, this does not disallow acquirers of companies – with newly found buyer's remorse following the highest amplitude form of dislocation – from threatening to enter years of litigation in order to break from their binding agreements. And, whilst precedent reveals no examples of success of such efforts, the scenario still introduces unpalatable time delay onto target company shareholders, justifying on a time delay basis alone an element of the merger arbitrage spread widening.

Figure 18: The behaviour of selected merger arbitrage spreads through the high amplitude covid-19 market dislocation is the most recent example of merger arbitrage disorder during rare, high amplitude market dislocation events. The figure also reveals the accuracy of our proprietary theory in matching arbitrage behaviour during through market dislocations[56]



Advanced Disposal Services Inc

E*Trade Financial Inc

LogMeIn Inc

Mellanox Inc

Comdirect AG

Wright Medical Group

The implication is therefore also that – by threatening such timeline delay – *corporate acquirers do have some deal re-pricing force in their favour* during the highest amplitude market dislocation events – because, if a price cut is not agreed, delays in deal duration are a scenario that the buyer can elect to pursue. As such, there *is also some fundamental aspect to merger arbitrage spread widening during high amplitude market dislocation events*.

The use of leverage in merger arbitrage therefore needs to be *intelligent*. Warren Buffett's approach, as per his quote below, was that *intelligent means conservative*, with gearing limited to 25% of net assets, outside of exceptional circumstances.

> *"My self-imposed standard limit regarding borrowing is 25% of partnership net worth, although something extraordinary could result in modifying this for a limited period of time."*
>
> Warren Buffett,
> Buffett Partnership letter, 1963[57]

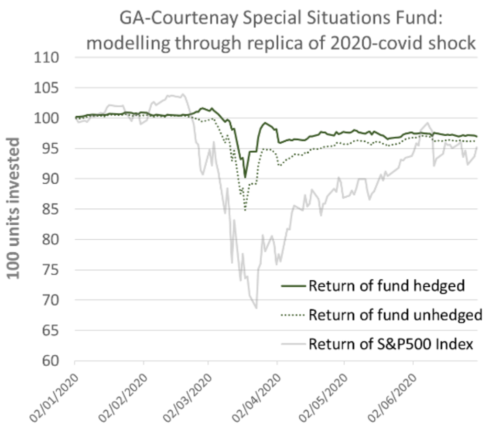
However, for an arbitrageur in possession of history systems capturing merger arbitrage spread behaviour through these highest amplitude market dislocation events, a greater understanding of systematic spread widening behaviour can be achieved, and therefore a more intelligent form of protection strategies can be deployed.

As per Figure 18, we determine that a theory structure can be established to accurately predict arbitrage spread widening relative to the severity of the market dislocation event. Possessing such a framework allows the merger arbitrage manager to more precisely define the efficient level of market index put option purchases required to limit a portfolio's exposure to the hypothetical market dislocation.

The conclusion of our work is that, should leverage levels raised to 40% gearing, for example, our fund's maximum intermittent loss potential can be limited to 10% of equity, should it be modelled through a replica of the covid-2020 shock, by a single digit percentage expenditure of our monthly profitability on market put option purchases.

However, absent our understanding of spreads through market dislocation events, leveraged arbitrage funds risk loss crystallisation at disadvantageous pricing during rare yet highly volatile market dislocations. Conversely, those arbitrageurs who do combine their leveraged strategies with put option purchases, yet who are also absent our level of understanding of spreads through market dislocation events, risk over-spending on put options throughout the market cycle, handicapping long term performance and counter to the interests of fund unit holders.

Figure 19: We determine that a theory structure can be established to accurately predict arbitrage spread widening relative to the magnitude of the market dislocation event, allowing the intelligent use of both leverage and market index put option purchases to limit a merger arbitrage fund's maximum loss potential during replicas of such dislocation events[58]



4.5 The complete set of systems that drive performance orientation must be fully developed at modest fund size, such that the pool of merger arbitrages that can be considered are also maximised

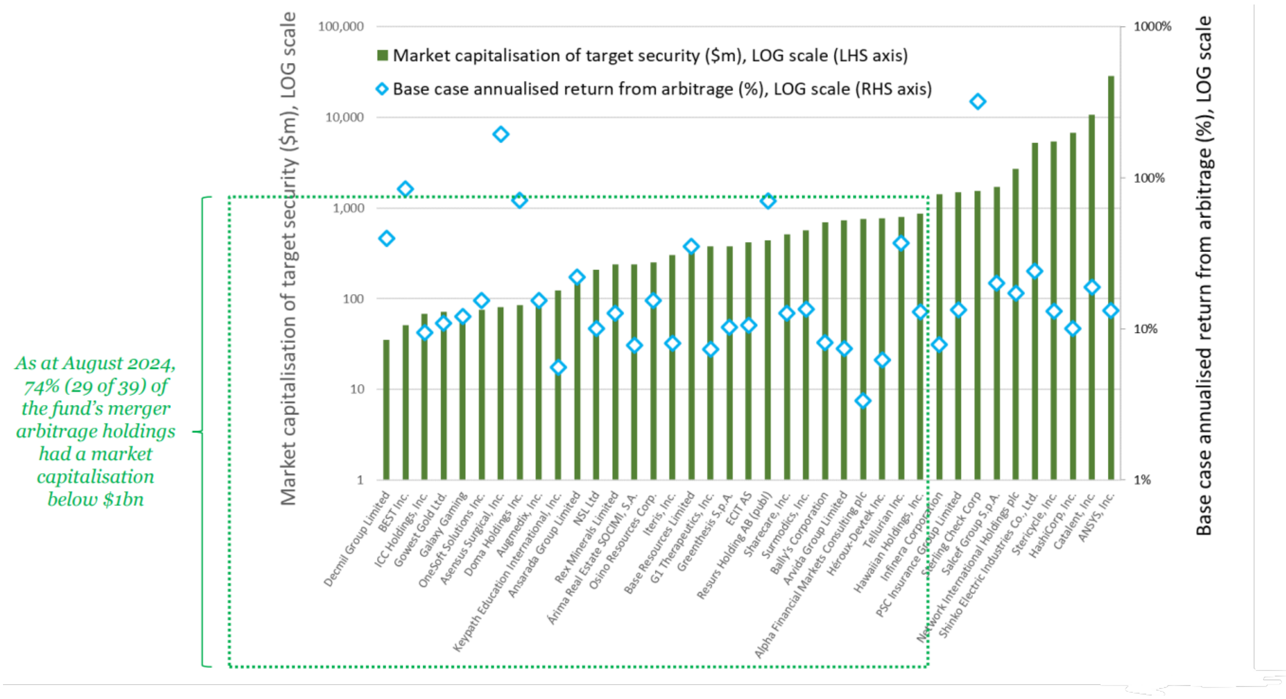
An additional criteria in order that such proprietary software systems and their learnings are deployed to their fullest potential requires a modest fund size, combined with a global mandate, such that the full breadth of merger arbitrages at a wide range of market capitalisations can be considered as allocation candidates.

Illustratively, the GA-Courtenay Special Situations fund's merger arbitrage holdings as of August 2024 consist of 39 stocks across global developed markets, yet 29 of these holdings have a market capitalisation below $1.0bn and 10 of them have a market capitalisation at or below $100m[59].

However, most dedicated merger arbitrage funds, ranging from $500m to $1.5bn in size, cannot consider opportunities below $200m market cap due to practicality limits. A $500m fund would need to own 25% of a $200m company for a 10% position, which is not feasible – the price impact of accumulating such a large stake within the short duration of merger arbitrage timelines would remove the arbitrage spread and profit opportunity.

The implication is that for arbitrages with a market cap below $200m or below $100m, a modest sized pool of capital such as GA-Courtenay Special Situations will often have few serious arbitrage competitors. And yet at our fund size these smaller market capitalisation arbitrages can be up to one third of our capital.

Figure 20: Of the 39 merger arbitrage holdings, which span across global developed markets, of the GA-Courtenay Special Situations fund as at August 2024, 29 have a market capitalisation below $1.0bn and 10 have a market capitalisation at or below $100m[60]



As at August 2024, 74% (29 of 39) of the fund's merger arbitrage holdings had a market capitalisation below $1bn

It is notable furthermore, that unlike for typical small-cap investing, merger arbitrages at smaller capitalisations do not suffer from the normal lack of forcing function to intrinsic value and corporate governance deficits. Regardless of size, merger arbitrage opportunities are bound by the same contractual obligations and legal enforcement.

5. Special situations in merger arbitrage for significant performance uplift: the contingent value right or "CVR"

> *"Be very aggressive when you can gain exposure to asymmetry.*
>
> *In these circumstances, you then want the maximum volatility [because the asymmetry of the volatility means it is only in your favour]."*
>
> Nassim Nicholas Taleb, Bloomberg interview, 2017[74]

> *"It's not whether you are right or wrong that should matter.*
>
> *What matters is that when you are right, you [should have been able to design your portfolio in a way that you] have the maximum position."*
>
> Stanley Druckenmiller, comments made in 1994[73]

Once the foundations for performance orientation are in place, the successful merger arbitrageur must thereon target further accretion by identifying highly profitable *special situations*. There are two types: the first is the contingent value right or "CVR", and the second is the competitive bidding situation. The payout profile possesses the same highly asymmetric form across both: a binding yield in the base case and the potential for significant profits in the high return case.

5.1 The capture of contingent value rights in arbitrage can lead to significant performance uplifts

The contingent value right itself arises to cure negotiation friction in circumstances when a takeover target's valuation is uncertain due to the recognition of potential high-profit future events with uncertain probabilities. An example might be a pending regulatory approval for a promising drug. In such cases, the purchase consideration agreed between the merging parties may include both a cash consideration and a CVR, with the ultimate payout received by the holder of the CVR contingent on defined future events.

Arbitrage spreads containing CVRs are often co-incident with market inefficiency due to the illiquidity of the CVR itself. Post-merger, CVRs are typically unlisted and often are also non-transferable, leading many investors, especially those with mandates restricting such investments, to place little value on them. Consequently, CVRs may be priced at a significant discount or even at negative value within the arbitrage spread.

The significant profit impact from efficiently capturing contingent value rights in merger arbitrage has also been revealed within Warren Buffett's track record. One example is Berkshire Hathaway's investment in the Arcata Corp merger arbitrage in September 1981, which is also detailed in Figure 21.

The takeover price for the company was $37.00, and Berkshire bought at $33.50, offering a base case arbitrage annualised return of 40% according to Warren's initial estimate when he made the allocation. However, the deal consideration also included a CVR which was contingent on the value of a claim on any additional amounts paid by the US government relating to dispute relating to land acreages in the Redwood National Park.

Whilst the cash element of the deal was delayed, the deal ultimately closed at a modestly raised offer price of $37.50 in June 1982, delivering Berkshire a return of 15% annualised.

Figure 21: Warren Buffett's 1988 shareholder letter revealed his highly accretive allocation to the Arcata merger arbitrage, whose windfall profits were delivered from an attached contingent value right

> *"On September 28, 1981 the directors of Arcata agreed in principle to sell the company to Kohlberg, Kravis, Roberts & Co. (KKR), then and now a major leveraged-buy out firm. Arcata was in the printing and forest products businesses and had one other thing going for it: In 1978 the U.S. Government had taken title to 10,700 acres of Arcata timber, primarily old-growth redwood, to expand Redwood National Park. The government had paid $97.9 million, in several installments, for this acreage, a sum Arcata was contesting as grossly inadequate. The parties also disputed the interest rate that should apply to the period between the taking of the property and final payment for it. The enabling legislation stipulated 6% simple interest; Arcata argued for a much higher and compounded rate.*
>
> *KKR offered $37.00 per Arcata share plus two-thirds of any additional amounts paid by the government for the redwood lands.*
>
> *Appraising this arbitrage opportunity, we had to ask ourselves whether KKR would consummate the transaction since, among other things, its offer was contingent upon its obtaining "satisfactory financing." A clause of this kind is always dangerous for the seller: It offers an easy exit for a suitor whose ardor fades between proposal and marriage. However, we were not particularly worried about this possibility because KKR's past record for closing had been good.*
>
> *We also had to ask ourselves what would happen if the KKR deal did fall through, and here we also felt reasonably comfortable: Arcata's management and directors had been shopping the company for some time and were clearly determined to sell. If KKR went away, Arcata would likely find another buyer, though of course, the price might be lower.*
>
> *Finally, we had to ask ourselves what the redwood claim might be worth. Your Chairman, who can't tell an elm from an oak, had no trouble with that one: He coolly evaluated the claim at somewhere between zero and a whole lot.*
>
> *We started buying Arcata stock, then around $33.50, on September 30 and in eight weeks purchased about 400,000 shares, or 5% of the company. The initial announcement said that the $37.00 would be paid in January, 1982. Therefore, if everything had gone perfectly, we would have achieved an annual rate of return of about 40% - not counting the redwood claim, which would have been frosting.*
>
> *All did not go perfectly. In December it was announced that the closing would be delayed a bit. Nevertheless, a definitive agreement was signed on January 4. Encouraged, we raised our stake, buying at around $38.00 per share and increasing our holdings to 655,000 shares, or over 7% of the company. Our willingness to pay up - even though the closing had been postponed - reflected our leaning toward "a whole lot" rather than "zero" for the redwoods.*
>
> *Then, on February 25 the lenders said they were taking a "second look" at financing terms " in view of the severely depressed housing industry and its impact on Arcata's outlook." The stockholders' meeting was postponed again, to April. An Arcata spokesman said he "did not think the fate of the acquisition itself was imperiled." When arbitrageurs hear such reassurances, their minds flash to the old saying: "He lied like a finance minister on the eve of devaluation."*
>
> *On March 12 KKR said its earlier deal wouldn't work, first cutting its offer to $33.50, then two days later raising it to $35.00. On March 15, however, the directors turned this bid down and accepted another group's offer of $37.50 plus one-half of any redwood recovery. The shareholders okayed the deal, and the $37.50 was paid on June 4.*
>
> *We received $24.6 million versus our cost of $22.9 million; our average holding period was close to six months. Considering the trouble this transaction encountered, our 15% annual rate of return excluding any value for the redwood claim - was more than satisfactory.*
>
> *But the best was yet to come. The trial judge appointed two commissions, one to look at the timber's value, the other to consider the interest rate questions. In January 1987, the first commission said the redwoods were worth $275.7 million and the second commission recommended a compounded, blended rate of return working out to about 14%.*
>
> *In August 1987 the judge upheld these conclusions, which meant a net amount of about $600 million would be due Arcata. The government then appealed. In 1988, though, before this appeal was heard, the claim was settled for $519 million. Consequently, we received an additional $29.48 per share, or about $19.3 million. We will get another $800,000 or so in 1989.."*
>
> Warren Buffett, Berkshire Hathaway shareholder letter 1988[62]

However, for the CVR aspect of Berkshire's renumeration greater patience was required. Whilst it was not until seven years later that Berkshire was paid out, the amount was considerable – an additional $19.3m or $29.48 per share in 1988, and thereon a further $1.22 per share in 1989. The total result, cash plus CVR proceeds, was more than twice Berkshire's original purchase price at $33.50.

> *During 1988 we made unusually large profits from arbitrage, measured both by absolute dollars and rate of return. Our pre-tax gain was about $78 million on average invested funds of about $147 million…"*
>
> Warren Buffett, Berkshire Hathaway shareholder letter 1988[61]

5.1 a) Prospectively large gains are on track to be realised by current holders of the CVR relating to Pershing Square SPARC Holdings

A more recent and prospectively high-impact example of a CVR opportunity is that offered as part of the arbitrage provided by the liquidation of Pershing Square Tontine, a special purpose acquisition company (SPAC).

Pershing Square Tontine, listed in August 2020, raised $4 billion to invest in a future merger partner's shares while facilitating the prospective partner's stock market listing[63]. As a SPAC, it offered unit holders the right to redeem their investment at $20.00 per share if they were dissatisfied with the merger partner, once announced.

In June 2021, Pershing Square Tontine attempted an innovative transaction structure albeit one that, had it have been consummated, would have violated SEC rules. The SPAC had proposed to invest in a private company without a merger and then use additional capital for similar investments. Although the transaction was abandoned in July 2021, as a result of the proposed violations, Pershing Square Tontine in November 2021 thereon faced a lawsuit relating to the deal proposal, creating a lingering litigation liability that compromised its ability to attract its future new merger partner. Consequently, Pershing Square Capital Management "PSCM", the sponsor, announced the liquidation of Pershing Square Tontine in July 2022.

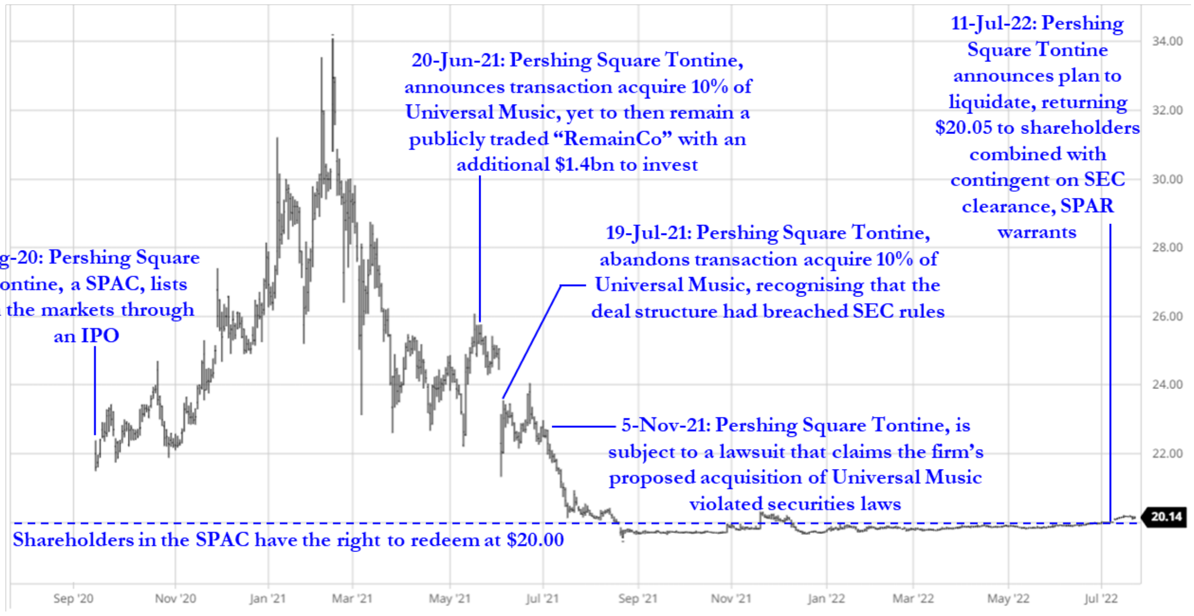
The SPAC's redemption right was at that stage valued at $20.05 per share. However, PSCM additionally included contingent rights to a new acquisition vehicle named Pershing Square SPARC Holdings, and which had associated SPAR warrants[64]. These rights, contingent on SEC clearance of the new structure, were therefore a form of CVR.

As shown in Figure 22, the arbitrage opportunity arose in Pershing Square Tontine when its shares traded below the SPAC's $20.00 redemption value for several months in 2021 and 2022. This allowed arbitrageurs to secure a guaranteed positive yield to at least $20.00, while also retaining the significant potential upside from the CVR.

The SEC in October 2023 thereon cleared the CVR structure, which now exists as SPAR warrants distributed to former Pershing Square Tontine shareholders, including the GA-Courtenay Special Situations Fund. Our fund holds 387,285 Pershing Square SPAR warrants (0.64% of the total outstanding), with each warrant granting rights to two stock units in the future merger entity, and therefore 774,570 potential stock units[66].

Whilst we hold these SPAR warrants valued conservatively – at zero – Bill Ackman's public disclosures and the prospectus for Pershing Square SPARC Holdings[67] indicate potentially significant profit outcomes.

Figure 22: In June 2021 Pershing Square Tontine (a SPAC) attempted an innovative transaction structure that was not allowed by SEC rules. The rule breach ultimately forced the liquidation of the SPAC, however, liquidation proceeds included both cash proceeds of $20.05 and – SPAR warrants – contingent on SEC clearance and therefore defining them as contingent value rights or CVRs[65].



Aug-20: Pershing Square Tontine, a SPAC, lists on the markets through an IPO

20-Jun-21: Pershing Square Tontine, announces transaction acquire 10% of Universal Music, yet to then remain a publicly traded "RemainCo" with an additional $1.4bn to invest

19-Jul-21: Pershing Square Tontine, abandons transaction acquire 10% of Universal Music, recognising that the deal structure had breached SEC rules

5-Nov-21: Pershing Square Tontine, is subject to a lawsuit that claims the firm's proposed acquisition of Universal Music violated securities laws

11-Jul-22: Pershing Square Tontine announces plan to liquidate, returning $20.05 to shareholders combined with contingent on SEC clearance, SPAR warrants

Shareholders in the SPAC have the right to redeem at $20.00

Figure 23: Bill Ackman publicly reiterates the $12-13bn deal size targets contained in the prospectus of Pershing Square SPARC[68]

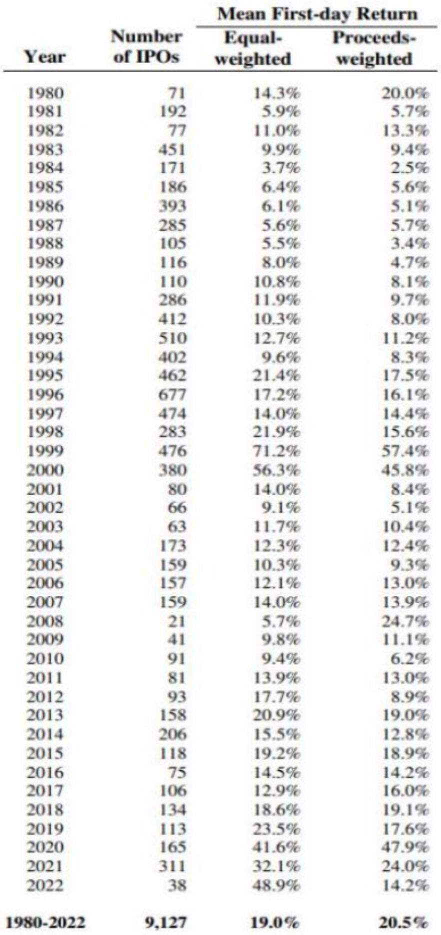
Nasdaq
SQUAWK BOX
ACKMAN "SPARC" GETS REGULATORY OK
BILLIONAIRE INVESTOR JOINS SQUAWK
Subtitles/closed captions (c)
NBC

"It would be hard to do a $13bn IPO let's say to pay down debt. What is interesting here, is that **we could commit – Pershing Square, $2bn to a transaction – set the rights price, there are 121m shares, so set the rights price at $100 a share**, and announce a transaction, the seller knows he is going public, he knows he is raising $2bn which certainly helps. And then we tell the story, and then the rights holders have a chance to decide whether to invest.

As long as the rights have positive value, they are trading in the market for a dollar, they are all going to get exercised, and the IPO raises $13bn. And the investors, just look at the 13F list of Pershing Square Tontine Holdings, it is a who's who of institutions and family offices."

Bill Ackman, announcing SEC clearance of Pershing Square SPARC Holdings, 2nd Oct 2023

Figure 24: The liquidity premium inherent in public markets – an average 20% valuation uplift for IPOs over the last 40 years[69]

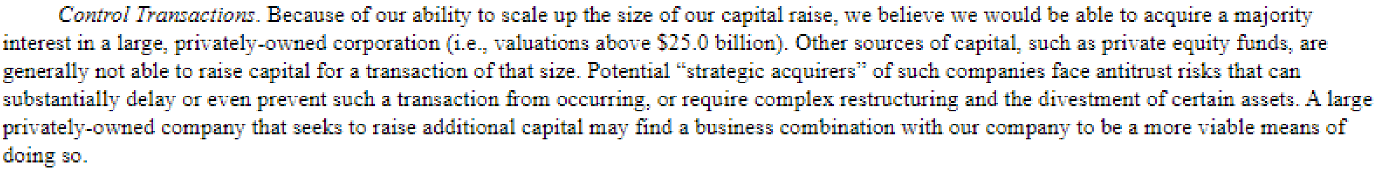


		Mean First-day Return	
Year	Number of IPOs	Equal-weighted	Proceeds-weighted
1980	71	14.3%	20.0%
1981	192	5.9%	5.7%
1982	77	11.0%	13.3%
1983	451	9.9%	9.4%
1984	171	3.7%	2.5%
1985	186	6.4%	5.6%
1986	393	6.1%	5.1%
1987	285	5.6%	5.7%
1988	105	5.5%	3.4%
1989	116	8.0%	4.7%
1990	110	10.8%	8.1%
1991	286	11.9%	9.7%
1992	412	10.3%	8.0%
1993	510	12.7%	11.2%
1994	402	9.6%	8.3%
1995	462	21.4%	17.5%
1996	677	17.2%	16.1%
1997	474	14.0%	14.4%
1998	283	21.9%	15.6%
1999	476	71.2%	57.4%
2000	380	56.3%	45.8%
2001	80	14.0%	8.4%
2002	66	9.1%	5.1%
2003	63	11.7%	10.4%
2004	173	12.3%	12.4%
2005	159	10.3%	9.3%
2006	157	12.1%	13.0%
2007	159	14.0%	13.9%
2008	21	5.7%	24.7%
2009	41	9.8%	11.1%
2010	91	9.4%	6.2%
2011	81	13.9%	13.0%
2012	93	17.7%	8.9%
2013	158	20.9%	19.0%
2014	206	15.5%	12.8%
2015	118	19.2%	18.9%
2016	75	14.5%	14.2%
2017	106	12.9%	16.0%
2018	134	18.6%	19.1%
2019	113	23.5%	17.6%
2020	165	41.6%	47.9%
2021	311	32.1%	24.0%
2022	38	48.9%	14.2%
1980-2022	**9,127**	**19.0%**	**20.5%**

Unlike a SPAC, which raises money up front and then offers shareholders dissatisfied with the choice of merger partner the option to redeem, a SPARC is an *opt-in* structure, which identifies its merger partner first and then offers the owners of its SPAR warrants the option to subscribe monies to the merger listing at the same price that its sponsor Pershing Square Capital Management has also subscribed.

There are a fixed number of SPARC stock units – 121 million[70] – and therefore the strike of the SPAR warrant is calculated as the amount of capital that the merger partner seeks to raise as part of its listing transaction divided by the number of stock units. So, for example, if the merger partner seeks to raise $12.1bn – within the $12-13bn transaction value range indicated by Bill Ackman in his public comments in Figure 23, as well as within the SPARC prospectus in Figure 25, the strike of the SPAR stock units is $100.

Figure 25: The prospectus for Pershing Square SPARC Holdings reveals its target transaction as a majority position in a business valued at more than $25bn, implying a deal size at more than $12.5bn[71]



Control Transactions. Because of our ability to scale up the size of our capital raise, we believe we would be able to acquire a majority interest in a large, privately-owned corporation (i.e., valuations above $25.0 billion). Other sources of capital, such as private equity funds, are generally not able to raise capital for a transaction of that size. Potential "strategic acquirers" of such companies face antitrust risks that can substantially delay or even prevent such a transaction from occurring, or require complex restructuring and the divestment of certain assets. A large privately-owned company that seeks to raise additional capital may find a business combination with our company to be a more viable means of doing so.

As per Figure 24, the liquidity premium inherent in public markets has historically resulted in an average 20% valuation uplift for initial public offerings in the United States, an uplift figure that has shown a high consistency level in over the last 40 years. The implication is that a base case valuation for each SPARC stock unit can be put forward as their strike multiplied by the uplift upon listing, or $100 x 20% = $20. For rights to 774,570 stock units, a base case profit outcome can therefore be contended at $15.5m (i.e. 774,570 x $20)[72].

However, the aspect of the SPAR warrants that potentially provides their highest level of accretion is their evergreen nature. Warrant holders who subscribe to each listing transaction are issued successor warrants with a subscription right to the next transaction. The implication is that multiple listing transactions, and multiple accretions of a comparable magnitude, is the logically forecast business result over a number of years.

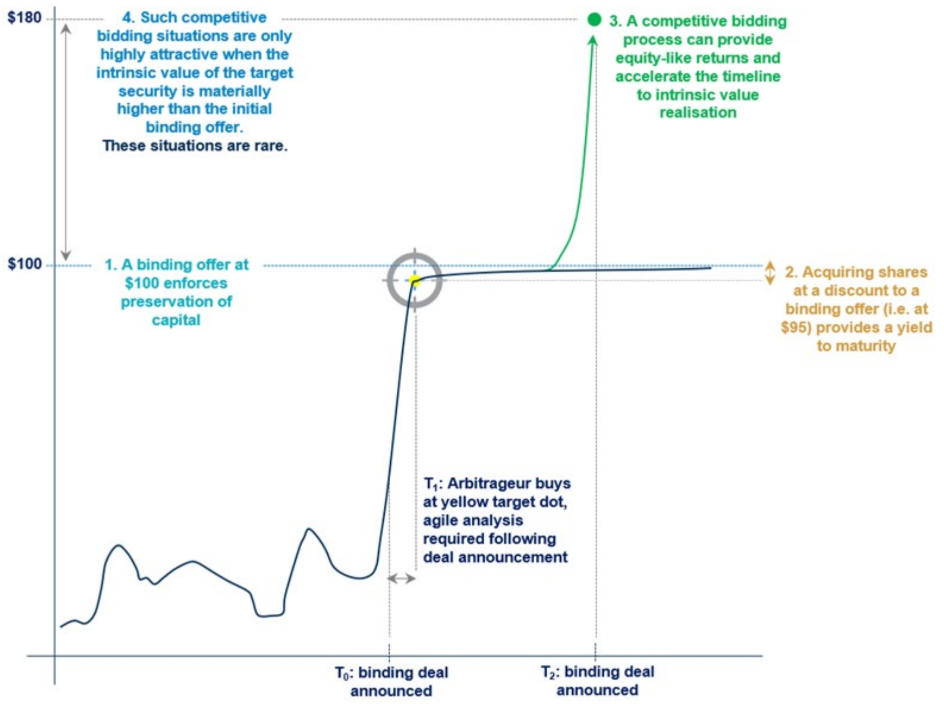
6. Special situations in merger arbitrage for significant performance uplift: the competitive bidding situation

6.1 Capturing the competitive bidding situation in arbitrage is also a significant performance enhancer

Competitive bidding situations in merger arbitrage also present a unique set of advantageous characteristics, significantly uplifting investment performance when successfully captured.

Crucial is the agile identification of the takeover that is becoming competitive. The merger arbitrageur who swiftly recognises the opportunity type can in selected cases deploy capital at a discount to an existing binding offer. This approach results in the asymmetric outcomes desired: if competitive bidding materialises, substantial gains can be captured; if not, capital preservation and a yield to maturity are still achieved in the base case scenario.

Figure 26: The experienced practitioner, using agility to identify the situation, can make deployments to competitive bidding arbitrages at a discount to an existing binding offer, whilst still retaining optionality for prospectively large profitability from continuing competing bids for the company[75]



To identify the most accretive form of competitive bidding situation early the arbitrageur must also leverage a fundamental value skillset within a short duration timeline to determine whether the target company under auction remains deeply undervalued and as such whether the closing price of the competitive bidding auction is likely to occur at a significant premium to the current offer. As such the capture of the competitive bidding situation also requires the arbitrageur to have a sophisticated and agile competency in business valuation (see our white papers – *How Far Away to Berkshire Hathaway*, and *A Venture Framework for the Intelligent Investor*[76]).

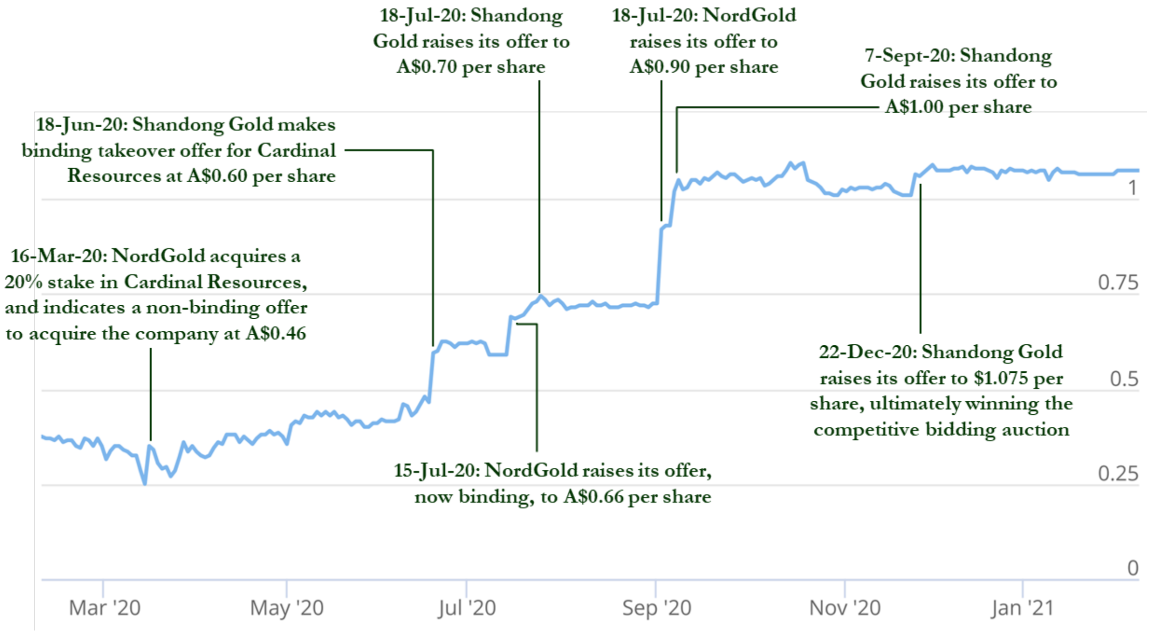
However, thereon the competitive bidding situation delivers an accelerated timeline to realising intrinsic value, the timeline itself driven by regulatory rules governing stock market takeovers. This time-bound acceleration to intrinsic value, particularly in deeply discounted situations, offers very significant performance benefits and is rarely found in other investment strategies.

The 2020 takeover of gold miner Cardinal Resources exemplified a successful capture of a competitive bidding situation by this fund and possessed the described qualities of both deep discount and timeline acceleration.

NordGold's non-binding offer in March 2020 initiated the auction, but it was only following Shandong Gold's binding offer in June 2020 that arbitrageurs had the opportunity to acquire shares below a binding offer price co-incident with objective evidence of both deep undervaluation and that the takeover process remained competitive.

As such, the circumstances created an opportunity offering positive binding yield in the base case and the potential for windfall profits in the high return case. The auction concluded six months later at nearly twice the level of Shandong's initial binding offer in June, demonstrating the potential for significant yet still asymmetric returns in well-identified competitive bidding situations.

Figure 27: Competitive bidding situations, such as Cardinal Resources in 2020, a situation historically captured this fund, offer positive, binding yields in the base case, yet meaningful returns on top when fundamental value is correctly appraised and competitive bidding developments continue to play out[77]



16-Mar-20: NordGold acquires a 20% stake in Cardinal Resources, and indicates a non-binding offer to acquire the company at A$0.46

18-Jun-20: Shandong Gold makes binding takeover offer for Cardinal Resources at A$0.60 per share

15-Jul-20: NordGold raises its offer, now binding, to A$0.66 per share

18-Jul-20: Shandong Gold raises its offer to A$0.70 per share

18-Jul-20: NordGold raises its offer to A$0.90 per share

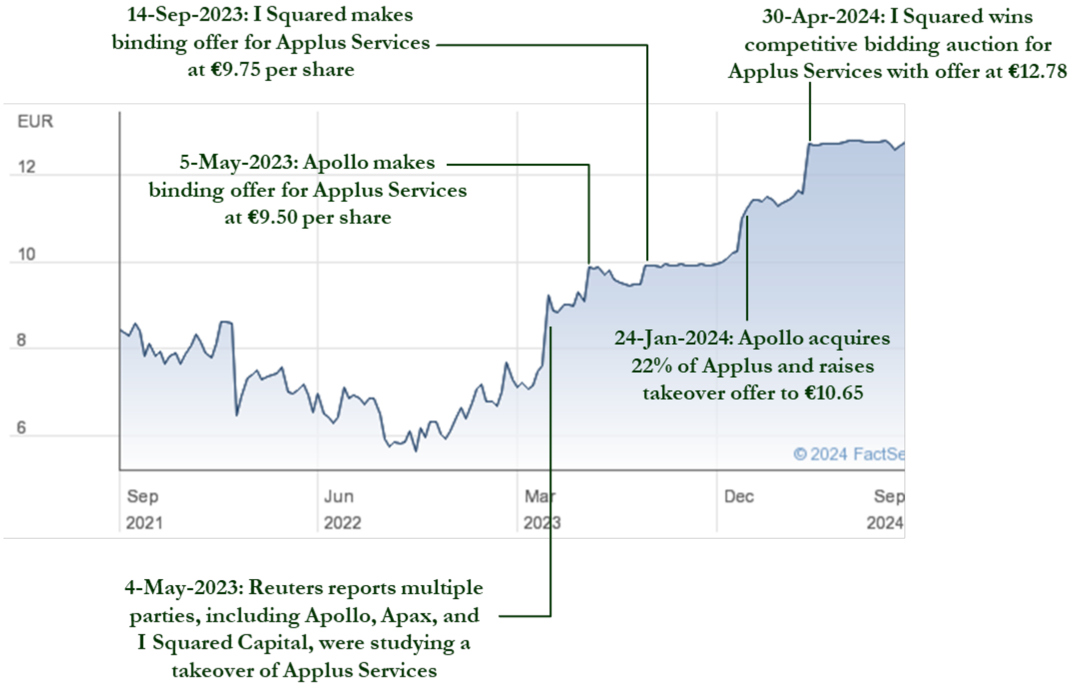
7-Sept-20: Shandong Gold raises its offer to A$1.00 per share

22-Dec-20: Shandong Gold raises its offer to $1.075 per share, ultimately winning the competitive bidding auction

A more recent competitive bidding situation also captured by this fund was the takeover of Applus Services. In this case the competitive bidding process became evident in May 2023 when Reuters reported multiple potential bidders circling the company including Apax, Apollo and I Squared Capital. Crucially for arbitrageurs seeking asymmetry, following the first binding offer, by Apollo at €9.50 per share, a period followed with Applus shares trading below this level.

The discount of the shares to the binding offer price resulted in the same opportunity form: a binding yield in the base case and the potential for significant profits in the high return case. The competitive process concluded in April 2024 with I Squared's winning bid at €12.78 per share, a 35% premium over Apollo's initial offer.

Figure 28: In 2024, the GA-Courtenay Special Situations Fund captured the Applus Services competitive bidding situation, resulting in a 35% return relative to a prior binding offer price[78]



14-Sep-2023: I Squared makes binding offer for Applus Services at €9.75 per share

30-Apr-2024: I Squared wins competitive bidding auction for Applus Services with offer at €12.78

5-May-2023: Apollo makes binding offer for Applus Services at €9.50 per share

24-Jan-2024: Apollo acquires 22% of Applus and raises takeover offer to €10.65

4-May-2023: Reuters reports multiple parties, including Apollo, Apax, and I Squared Capital, were studying a takeover of Applus Services

In an inflationary environment, such as that which has characterised the recent period, and which may continue to characterise an era where sovereign government debt levels continue to rise, there is rationale for the frequency of competitive bidding situations to increase.

For asset classes experiencing steeper inflation, such as mining resources or real estate securities, net asset values can rise in some cases to significantly exceed the market capitalisation of their corporate owners. This disparity not only makes takeovers probable, but provides the economic incentive for multiple bidders.

Consequently, the merger arbitrageur with a competency for and focus on identifying emerging competitive bidding situations can accrete their base merger arbitrage yield with frequent and rewarding uplifts, even in a cautious overall equity market environment.

(white paper continues on next page)

7. The high performance merger arbitrageur must also prepare for activism

7.1 Successful, and where necessary bold, shareholder activism in merger arbitrage must also be used to further lift investment performance beyond that otherwise achievable

> *"When an active role is necessary to optimise the deployment of capital, you can be sure – we will not be standing in the wings."*
>
> Warren Buffett, writing in 1964[79]

> *"Information has no meaning unless it leads to action. Analysis no meaning unless it is carried out for the purpose of action.*
>
> *Assets are dead assets unless there is the ability to energise them.*
>
> *Be courageous. And learn when not to conform."*
>
> Georges Doriot, Manufacturing Class Notes, Harvard Business School 1937-1966[80]

7.1 a) The use of voting power as a tool to effect shareholder activism

Activism in merger arbitrage is perhaps most straightforward in its form of a large shareholder using their voting right to impose their will on certain outcomes during a takeover.

For this form of activism, consider first the more collaborative example between the target company and the activist – assume a scenario where a takeover via tender offer requires 50% of the shares to be tendered to proceed. If the acquiring company extends the offer period after receiving only 48% of the shares tendered, an activist fund can at this stage purchase 2% or more of the shares and tender them. The share purchases by the activist shifts the deal's probability from uncertain to certain, allowing the activist to profit at high certainty as the deal spread closes.

However, the use of voting rights to achieve shareholder activism in arbitrage situations also takes the form of the activist opposing the company's recommendation. For example if a large shareholder during an arbitrage situation demands a higher deal price else they indicate they would refuse to tender their shares. This may result in the activist achieving a price "bump" from the bidder, or precipitating a higher offer from a third party. If management resists, activists can call special meetings proposing to over-rule management.

This form of activism, requiring significant voting power, becomes more viable as the merger arbitrageur's pool of capital under management increases.

Consequently, merger arbitrageurs that are prepared for and willing to engage in activism can leverage their growing assets under management to strengthen their advantage over competitors, and resulting in a long term path of business growth in favour of both merger arbitrageur and fund unit holder.

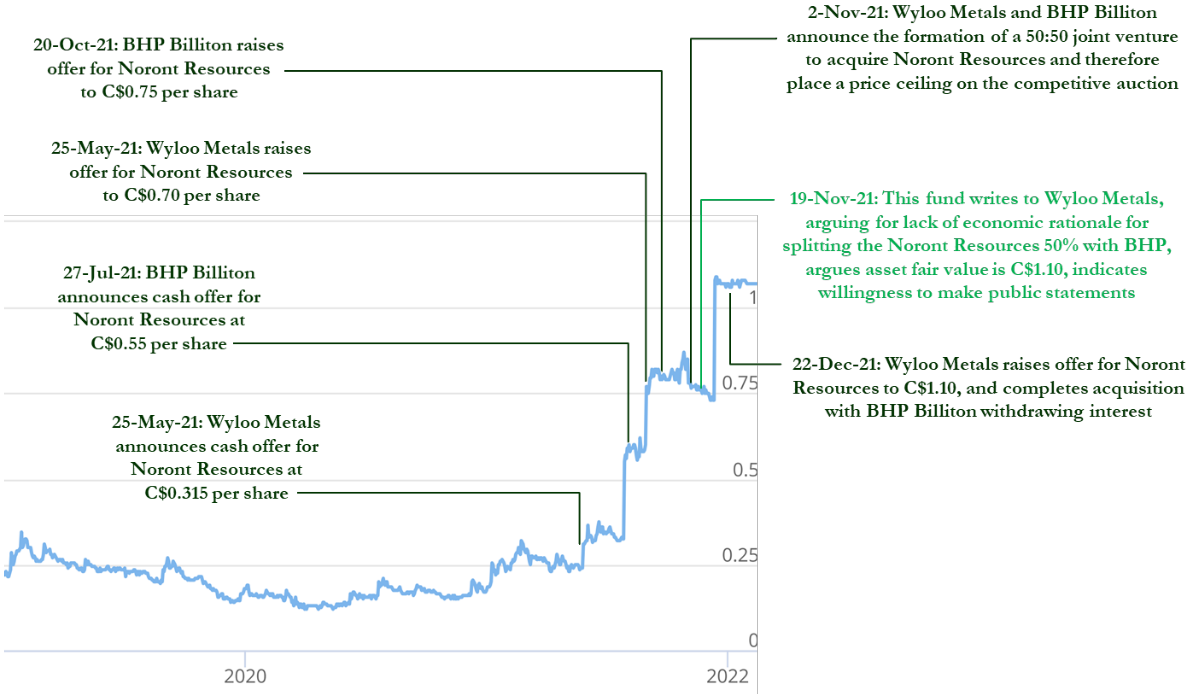
7.1 b) Activism through persuasion, public statements, and expertise in corporations law

The alternative form of activism does not prioritise shareholder voting thresholds and instead targets activism through persuasion, public statements, and expertise in corporations law. These approaches can be equally powerful and also are suitable for merger arbitrageurs with a lower volume of assets.

In 2021, this fund employed an approach using persuasion, combined with the indicating of our willingness for public statements, to address a proposed 50:50 joint venture[81], within a takeover situation between two otherwise competing bidders Wyloo Metals and BHP Billiton. The JV aimed to impose a price ceiling in the competitive bidding auction for target company Noront Resources, where this fund held a 2.0% stake. Our letter on November 19, 2021 to Wyloo Metals, disclosed in Figure 30, argued against the JV's rationale.

The letter also contended that the fair value of Noront Resources was at least C$1.10 per share, a value 47% higher than the JV's proposed deal value at C$0.75 per share[82]. On December 22, Wyloo Metals increased their takeover offer for Noront Resources to match our fair value at C$1.10 per share, whilst BHP Billiton withdrew from both the JV and the bidding process. Both outcomes were advocated for by our letter[83].

Figure 29: In 2021, this fund successfully advocated for a 47% increase in the takeover consideration for Noront Resources, from C$0.75 per share to C$1.10 per share[84].



20-Oct-21: BHP Billiton raises offer for Noront Resources to C$0.75 per share

25-May-21: Wyloo Metals raises offer for Noront Resources to C$0.70 per share

27-Jul-21: BHP Billiton announces cash offer for Noront Resources at C$0.55 per share

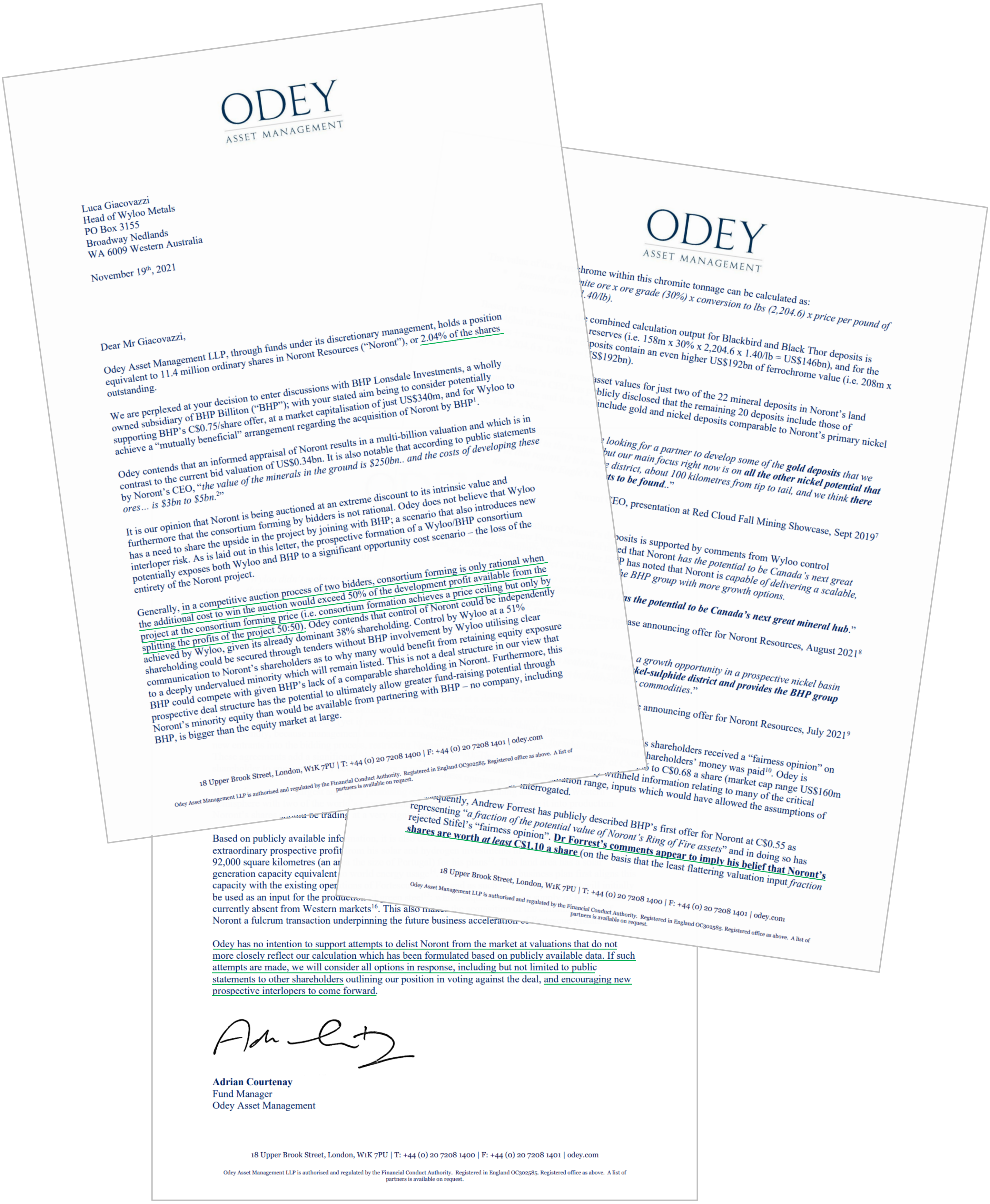
25-May-21: Wyloo Metals announces cash offer for Noront Resources at C$0.315 per share

2-Nov-21: Wyloo Metals and BHP Billiton announce the formation of a 50:50 joint venture to acquire Noront Resources and therefore place a price ceiling on the competitive auction

19-Nov-21: This fund writes to Wyloo Metals, arguing for lack of economic rationale for splitting the Noront Resources 50% with BHP, argues asset fair value is C$1.10, indicates willingness to make public statements

22-Dec-21: Wyloo Metals raises offer for Noront Resources to C$1.10, and completes acquisition with BHP Billiton withdrawing interest

Figure 30: The proposed 50:50 joint venture between competing bidders Wyloo Metals and BHP Billiton in our appraisal lacked economic rational in favour of Wyloo; this fund indicated our willingness to make public our argument and successfully advocated for a 47% increase in offer price to C$1.10[85].



ODEY
ASSET MANAGEMENT

Luca Giacovazzi
Head of Wyloo Metals
PO Box 3155
Broadway Nedlands
WA 6009 Western Australia

November 19th, 2021

Dear Mr Giacovazzi,

Odey Asset Management LLP, through funds under its discretionary management, holds a position equivalent to 11.4 million ordinary shares in Noront Resources ("Noront"), or 2.04% of the shares outstanding.

We are perplexed at your decision to enter discussions with BHP Lonsdale Investments, a wholly owned subsidiary of BHP Billiton ("BHP"); with your stated aim being to consider potentially supporting BHP's C$0.75/share offer, at a market capitalisation of just US$340m, and for Wyloo to achieve a "mutually beneficial" arrangement regarding the acquisition of Noront by BHP[1].

Odey contends that an informed appraisal of Noront results in a multi-billion valuation and which is in contrast to the current bid valuation of US$0.34bn. It is also notable that according to public statements by Noront's CEO, "*the value of the minerals in the ground is $250bn.. and the costs of developing these ores… is $3bn to $5bn.*[2]"

It is our opinion that Noront is being auctioned at an extreme discount to its intrinsic value and furthermore that the consortium forming by bidders is not rational. Odey does not believe that Wyloo has a need to share the upside in the project by joining with BHP; a scenario that also introduces new interloper risk. As is laid out in this letter, the prospective formation of a Wyloo/BHP consortium potentially exposes both Wyloo and BHP to a significant opportunity cost scenario – the loss of the entirety of the Noront project.

Generally, in a competitive auction process of two bidders, consortium forming is only rational when the additional cost to win the auction would exceed 50% of the development profit available from the project at the consortium forming price (i.e. consortium formation achieves a price ceiling but only by splitting the profits of the project 50:50). Odey contends that control of Noront could be independently achieved by Wyloo, given its already dominant 38% shareholding. Control by Wyloo at a 51% shareholding could be secured through tenders without BHP involvement by Wyloo utilising clear communication to Noront's shareholders as to why many would benefit from retaining equity exposure to a deeply undervalued minority which will remain listed. This is not a deal structure in our view that BHP could compete with given BHP's lack of a comparable shareholding in Noront. Furthermore, this prospective deal structure has the potential to ultimately allow greater fund-raising potential through Noront's minority equity than would be available from partnering with BHP – no company, including BHP, is bigger than the equity market at large.

18 Upper Brook Street, London, W1K 7PU | T: +44 (0) 20 7208 1400 | F: +44 (0) 20 7208 1401 | odey.com

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hrome within this chromite tonnage can be calculated as:
nite ore x ore grade (30%) x conversion to lbs (2,204.6) x price per pound of
.40/lb).

combined calculation output for Blackbird and Black Thor deposits is
reserves (i.e. 158m x 30% x 2,204.6 x 1.40/lb = US$146bn), and for the
posits contain an even higher US$192bn of ferrochrome value (i.e. 208m x
S$192bn).

asset values for just two of the 22 mineral deposits in Noront's land
blicly disclosed that the remaining 20 deposits include those of
include gold and nickel deposits comparable to Noront's primary nickel

looking for a partner to develop some of the ***gold deposits*** *that we*
but our main focus right now is on ***all the other nickel potential that***
district, about 100 kilometres from tip to tail, and we think ***there***
ts to be found.."

EO, presentation at Red Cloud Fall Mining Showcase, Sept 2019[7]

posits is supported by comments from Wyloo control
ed that Noront *has the potential to be Canada's next great*
P has noted that Noront is *capable of delivering a scalable,*
he BHP group with more growth options.

s the potential to be Canada's next great mineral hub."

ase announcing offer for Noront Resources, August 2021[8]

a growth opportunity in a prospective nickel basin
kel-sulphide district and provides the BHP group
commodities."

announcing offer for Noront Resources, July 2021[9]

s shareholders received a "fairness opinion" on
hareholders' money was paid[10]. Odey is
to C$0.68 a share (market cap range US$160m
withheld information relating to many of the critical
ation range, inputs which would have allowed the assumptions of
interrogated.

quently, Andrew Forrest has publicly described BHP's first offer for Noront at C$0.55 as representing "*a fraction of the potential value of Noront's Ring of Fire assets*" and in doing so has rejected Stifel's "fairness opinion". **Dr Forrest's comments appear to imply his belief that Noront's shares are worth *at least* C$1.10 a share** (on the basis that the least flattering valuation input *fraction*

18 Upper Brook Street, London, W1K 7PU | T: +44 (0) 20 7208 1400 | F: +44 (0) 20 7208 1401 | odey.com

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be trading

Based on publicly available info
extraordinary prospective profit
92,000 square kilometres (an ar
generation capacity equivalent
capacity with the existing oper
be used as an input for the produc
currently absent from Western markets[16]. This also ma
Noront a fulcrum transaction underpinning the future business acceleration

Odey has no intention to support attempts to delist Noront from the market at valuations that do not more closely reflect our calculation which has been formulated based on publicly available data. If such attempts are made, we will consider all options in response, including but not limited to public statements to other shareholders outlining our position in voting against the deal, and encouraging new prospective interlopers to come forward.

Adrian Courtenay
Fund Manager
Odey Asset Management

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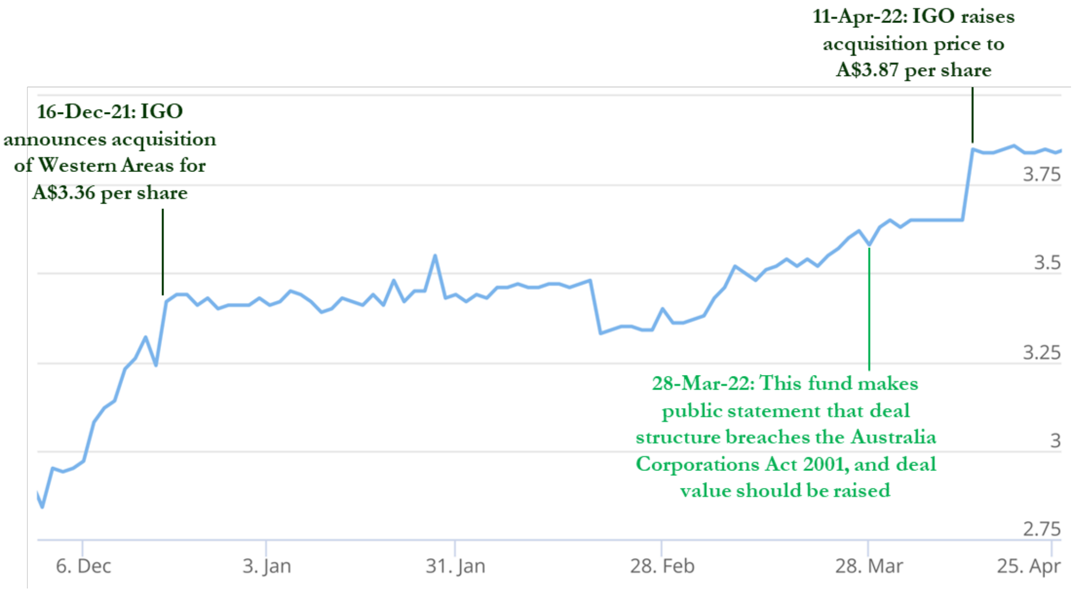
In a comparable activist engagement, in 2022, this fund used expertise in the Australia Corporations Act 2001 and a public statement, disclosed in Figure 32, to successfully advocate for a raised deal price during the takeover of Australian nickel miner Western Areas. Our advocacy for a raised price outcome was successful despite our shareholding of just 1.0% in the target company.

Figure 31: In 2022, this fund used expertise in the Australia Corporations Act 2001 to successfully advocate for a raised deal value during the takeover of Australian nickel miner Western Areas. The raised price outcome was achieved despite our shareholding of just 1.0% in Western Areas[86].

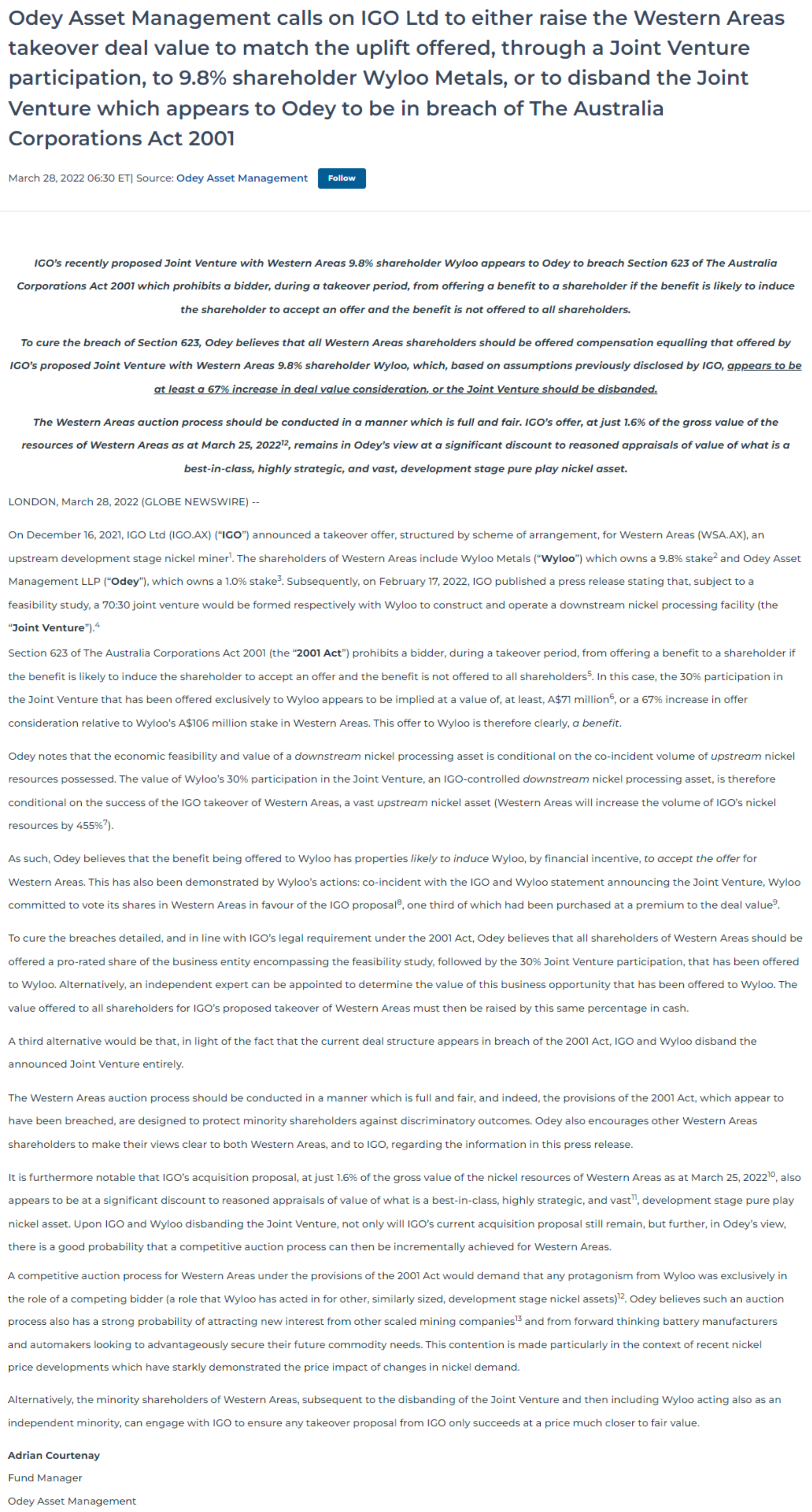


Overall, is only by preparedness for the full palette of activism options, through both voting thresholds at larger fund scales, or through other activist expertise such as through persuasion, or through public statements or expertise in corporations law, that the merger arbitrage fund manager will maximise their competitive advantage.

The significance of the economic gains that the activist may achieve from such campaigns result from a combination of the share price implication of their activism and their own exclusive knowledge of their activist intent in advance, such that they can position themselves with a scaled allocation before their intent is more widely disclosed. It is because only the activist possesses the advance knowledge of their activist intent that the scaled profit opportunity is exclusive to them, and as such delivers a significant competitive advantage in performance.

> *"If you really want to separate your results from those of everyone else, every time you come to a Y in the road, automatically take the toughest route.*
>
> *Pretty soon you're off some place of your own, and no one else's rules apply.*
>
> *Everybody else is taking the easiest one."*
>
> Chuck Close, American painter and visual artist, writing in 2003[87]

Figure 32: The Western Areas deal structure, our public statement contended, included an inducement offered to a 9.8% shareholder, a breach of the Australia Corporations Act 2001. The outcome was a raised deal value in favour of the outcome we advocated for[88].



Odey Asset Management calls on IGO Ltd to either raise the Western Areas takeover deal value to match the uplift offered, through a Joint Venture participation, to 9.8% shareholder Wyloo Metals, or to disband the Joint Venture which appears to Odey to be in breach of The Australia Corporations Act 2001

March 28, 2022 06:30 ET| Source: Odey Asset Management Follow

IGO's recently proposed Joint Venture with Western Areas 9.8% shareholder Wyloo appears to Odey to breach Section 623 of The Australia Corporations Act 2001 which prohibits a bidder, during a takeover period, from offering a benefit to a shareholder if the benefit is likely to induce the shareholder to accept an offer and the benefit is not offered to all shareholders.

To cure the breach of Section 623, Odey believes that all Western Areas shareholders should be offered compensation equalling that offered by IGO's proposed Joint Venture with Western Areas 9.8% shareholder Wyloo, which, based on assumptions previously disclosed by IGO, appears to be at least a 67% increase in deal value consideration, or the Joint Venture should be disbanded.

The Western Areas auction process should be conducted in a manner which is full and fair. IGO's offer, at just 1.6% of the gross value of the resources of Western Areas as at March 25, 2022[12], remains in Odey's view at a significant discount to reasoned appraisals of value of what is a best-in-class, highly strategic, and vast, development stage pure play nickel asset.

LONDON, March 28, 2022 (GLOBE NEWSWIRE) --

On December 16, 2021, IGO Ltd (IGO.AX) ("**IGO**") announced a takeover offer, structured by scheme of arrangement, for Western Areas (WSA.AX), an upstream development stage nickel miner[1]. The shareholders of Western Areas include Wyloo Metals ("**Wyloo**") which owns a 9.8% stake[2] and Odey Asset Management LLP ("**Odey**"), which owns a 1.0% stake[3]. Subsequently, on February 17, 2022, IGO published a press release stating that, subject to a feasibility study, a 70:30 joint venture would be formed respectively with Wyloo to construct and operate a downstream nickel processing facility (the "**Joint Venture**").[4]

Section 623 of The Australia Corporations Act 2001 (the "**2001 Act**") prohibits a bidder, during a takeover period, from offering a benefit to a shareholder if the benefit is likely to induce the shareholder to accept an offer and the benefit is not offered to all shareholders[5]. In this case, the 30% participation in the Joint Venture that has been offered exclusively to Wyloo appears to be implied at a value of, at least, A$71 million[6], or a 67% increase in offer consideration relative to Wyloo's A$106 million stake in Western Areas. This offer to Wyloo is therefore clearly, *a benefit*.

Odey notes that the economic feasibility and value of a *downstream* nickel processing asset is conditional on the co-incident volume of *upstream* nickel resources possessed. The value of Wyloo's 30% participation in the Joint Venture, an IGO-controlled *downstream* nickel processing asset, is therefore conditional on the success of the IGO takeover of Western Areas, a vast *upstream* nickel asset (Western Areas will increase the volume of IGO's nickel resources by 455%[7]).

As such, Odey believes that the benefit being offered to Wyloo has properties *likely to induce* Wyloo, by financial incentive, *to accept the offer* for Western Areas. This has also been demonstrated by Wyloo's actions: co-incident with the IGO and Wyloo statement announcing the Joint Venture, Wyloo committed to vote its shares in Western Areas in favour of the IGO proposal[8], one third of which had been purchased at a premium to the deal value[9].

To cure the breaches detailed, and in line with IGO's legal requirement under the 2001 Act, Odey believes that all shareholders of Western Areas should be offered a pro-rated share of the business entity encompassing the feasibility study, followed by the 30% Joint Venture participation, that has been offered to Wyloo. Alternatively, an independent expert can be appointed to determine the value of this business opportunity that has been offered to Wyloo. The value offered to all shareholders for IGO's proposed takeover of Western Areas must then be raised by this same percentage in cash.

A third alternative would be that, in light of the fact that the current deal structure appears in breach of the 2001 Act, IGO and Wyloo disband the announced Joint Venture entirely.

The Western Areas auction process should be conducted in a manner which is full and fair, and indeed, the provisions of the 2001 Act, which appear to have been breached, are designed to protect minority shareholders against discriminatory outcomes. Odey also encourages other Western Areas shareholders to make their views clear to both Western Areas, and to IGO, regarding the information in this press release.

It is furthermore notable that IGO's acquisition proposal, at just 1.6% of the gross value of the nickel resources of Western Areas as at March 25, 2022[10], also appears to be at a significant discount to reasoned appraisals of value of what is a best-in-class, highly strategic, and vast[11], development stage pure play nickel asset. Upon IGO and Wyloo disbanding the Joint Venture, not only will IGO's current acquisition proposal still remain, but further, in Odey's view, there is a good probability that a competitive auction process can then be incrementally achieved for Western Areas.

A competitive auction process for Western Areas under the provisions of the 2001 Act would demand that any protagonism from Wyloo was exclusively in the role of a competing bidder (a role that Wyloo has acted in for other, similarly sized, development stage nickel assets)[12]. Odey believes such an auction process also has a strong probability of attracting new interest from other scaled mining companies[13] and from forward thinking battery manufacturers and automakers looking to advantageously secure their future commodity needs. This contention is made particularly in the context of recent nickel price developments which have starkly demonstrated the price impact of changes in nickel demand.

Alternatively, the minority shareholders of Western Areas, subsequent to the disbanding of the Joint Venture and then including Wyloo acting also as an independent minority, can engage with IGO to ensure any takeover proposal from IGO only succeeds at a price much closer to fair value.

Adrian Courtenay
Fund Manager
Odey Asset Management

8. Conclusion

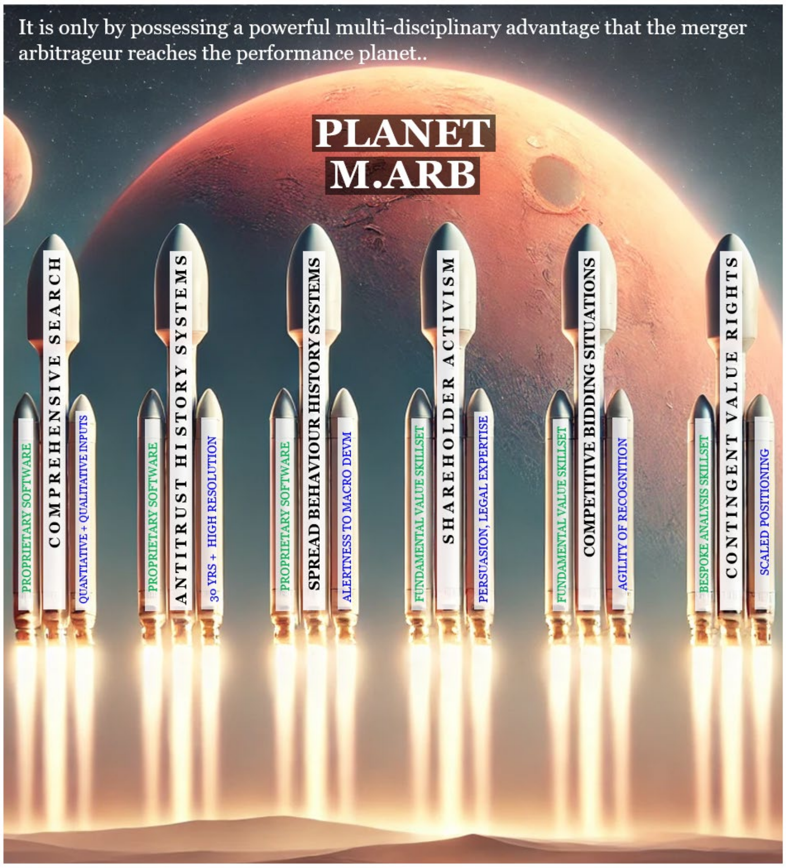
Merger arbitrage has been reviewed in this white paper as an investment strategy with highly attractive characteristics. The paper has laid out how merger arbitrage resolves a number of the limitations of conventional investment approaches, including the disassociation from over-promotion, the delivery of binding returns, simplicity, and the objective assessment of prospective returns.

Furthermore, the advantages of merger arbitrage have also been reviewed through its properties allowing mitigation of unitholder adverse liquidity risk exposure, including its the delivery of de-correlated performance across a range of market conditions, and a higher consistency of returns than other investment approaches.

However, whilst the above attributes are favourable, each of them are also true of short term US Treasuries. The implication is that the thoughtful fund allocator must demand *that the above attributes are also combined with strong investment performance* in order to deliver the premium investment product.

Our contention is that such performance orientation in merger arbitrage is achieved only through decisively boosting its mode of operation, building on all of the fund manager's level of foundational experience, computing systems expertise and advantaged competency across the remaining multiple disciplines that this white paper has reviewed.

Figure 33: Only the powerful multi-disciplinary advantage will deliver a decisive performance outcome in merger arbitrage[89]


It is only by possessing a powerful multi-disciplinary advantage that the merger arbitrageur reaches the performance planet..
PLANET
M.ARB
PROPRIETARY SOFTWARE
COMPREHENSIVE SEARCH
QUANTIATIVE + QUALITATIVE INPUTS
PROPRIETARY SOFTWARE
ANTITRUST HISTORY SYSTEMS
30 YRS + HIGH RESOLUTION
PROPRIETARY SOFTWARE
SPREAD BEHAVIOUR HISTORY SYSTEMS
ALERTNESS TO MACRO DEVM
FUNDAMENTAL VALUE SKILLSET
SHAREHOLDER ACTIVISM
PERSUASION, LEGAL EXPERTISE
FUNDAMENTAL VALUE SKILLSET
COMPETITIVE BIDDING SITUATIONS
AGILITY OF RECOGNITION
BESPOKE ANALYSIS SKILLSET
CONTINGENT VALUE RIGHTS
SCALED POSITIONING

Achieving the multi-disciplinary advantage by definition will not be part of the normal career learning trajectory of most merger arbitrageurs; their average is *the average*.

Instead, an impactful foundational positioning is required across fields ranging from human psychology, computing system design and its use to augment search competency, and high level antitrust expertise and antitrust history systems development and maintenance.

Knowledge of merger arbitrage spread histories through market dislocation events including the ability to derive mathematical representations of such behaviour is also required, combined with an understanding of the macro conditions themselves that result in such market developments[90]. It is only with such a knowledge set that leveraged capital can be deployed intelligently.

The multi-disciplinary approach also requires a strong competency in fundamental valuation, and at a level that allows value appraisals to be carried out with sufficient agility to capture competitive bidding situations, or make judgements relating to activist opportunities, all within the limited durations of the early stages of merger arbitrages. The performance orientated merger arbitrageur must also possess the ability for dynamic analyses to address contingent value right opportunities, whose properties will not be known in advance, and which also must be judged within short duration timelines.

It is this series of competencies that lifts off the merger arbitrage strategy to performance orientation. These performance drivers in combination are not only rare within the learning path within most career trajectories, but will be particularly uncommon during periods such as the current where merger arbitrage mentorship is in decline.

However, a plan for decisive advantage, as Georges Doriot writes, must also *be courageous, and learn when not to conform – assets are dead assets unless there is the ability to energise them*[91]. His statement we demand should also be combined with the Kelly ratio principles, which require asymmetry of outcomes for scaled position sizes.

Our plan, and as also revealed as realistic by its successful presence within our track record and by the case studies in this white paper, embraces both boldness and asymmetry and includes our intent to further uplift our merger arbitrage results by selected use of shareholder activism in merger arbitrage. Such activism will be targeted when the asymmetry criteria of special situations in merger arbitrage is also met, that is: a binding yield in the base case and the potential for significant profits in the case when shareholder activism by this fund continues to be successful.

> *"Making small changes to things that already exist might lead you to a local maximum, but it won't help you find the global maximum. Iteration without a bold plan won't take you from Zero to One. Why should you expect your business to succeed without your own bold plan to make it happen?"*
>
> Peter Thiel, Zero to One, Notes on Start Ups[92]

Within our case studies we have also revealed the versatility of our skillset with regard to successful activism. Our approaches have included through the use of persuasion, public statements, and expertise in corporations law to achieve activism rather than exclusively relying on the scale of capital dictating our voting power. This versatility also creates more options for our activism in the future, as our prospective capital growth also empowers our ability to greater use our voting rights for the same purpose.

Activism in merger arbitrage also hands to the manager greater influence on their results. The merger arbitrage manager cannot know in advance what the average arbitrage spread of the future will be, nor how many instances of accretive *special situations* within merger arbitrage the market will contain. As such, a deterministic path to capture the powerful performance outcome will not be achieved by solely *riding the wave* – instead, the successful merger arbitrageur's demand must be that that they themselves are willing to *make the wave*.

Allocators appraising the GA-Courtenay Special Situations Fund will note the difference in the fund's overall track record since inception (to end September 2024, at 13.7% *net* returns annualised[93]) and the carve out of our merger arbitrage activities, historically averaging around half of the fund's deployments (to end September 2024, at 17.4% *gross* returns annualised, as per Figure 11).

Whilst, adjusting for our fee structure, the annualised return figures are not materially dissimilar, the de-correlation and far higher consistency rate in returns delivered by our merger arbitrage allocations in combination clearly adds a further confirmation of the superiority, in our hands, of the merger arbitrage category.

The outcome for this fund, and our unit holders, is a unique opportunity. Within our forward path we are dedicated to merger arbitrage, and by this path we will not only resolve a number of the limitations of conventional investment approaches, and additionally deliver de-correlated and consistent returns as well as mitigating unitholder adverse liquidity risk exposure. We also, in our appraisal, have the opportunity to deliver a decisive performance advantage. We welcome you to join us.

Footnotes

[1] Berkshire Hathaway shareholder letter 1987 [link]

[2] Buffett Partnership, shareholder letter 1964 [link]

[3] Nassim Nicholas Taleb, Skin in the Game, 2018 [link]

[4] Georges Doriot, Manufacturing Class Notes, Harvard Business School 1937-1966 [link]

[5] Buffett Partnership, shareholder letter 1964 [link]

[6] Berkshire Hathaway shareholder letter 1988 [link]

[7] Figure source: GA-Courtenay research, ChatGPT

[8] Warren Buffett, speaking at the 2022 Berkshire Hathaway annual meeting [link]

[9] Buffett Partnership, shareholder letter 1964 [link]

[10] Buffett Partnership letters, all [link]

[11] Warren Buffett, talking to MBA Students at Florida University 1998 [link]

[12] Figure source: GA-Courtenay research and systems, Bloomberg, Capital IQ

[13] Source: The Regulatory Revolution at the FTC [link], The FTC's Antitrust Overreach Is Hurting U.S. Competitiveness and Destroying Value [link]

[14] FTC Chair Lina Khan defends merger and acquisition crackdown [link]

[15] Warren Buffett, speaking at the 1998 Berkshire Hathaway annual meeting [link]

[16] Buffett: "with the present fiscal policies, I think that something has to give, and I think that higher taxes are quite likely." [link]

[17] Average UCITS hedge fund, performance data from Kepler Absolute Hedge [link]. Index return is MSCI World US Total Return Index.

[18] Figure source: McKinsey [link]

[19] Warren Buffett, speaking at the 2001 Berkshire Hathaway annual meeting [link]

[20] GA-Courtenay white paper, How Far Away to Berkshire Hathaway [link]

[21] Figure source: reasoning is by GA-Courtenay research

[22] As at 25th September 2024, the CDS on the US government was priced at 38 bps. Assuming a 40% recovery rate on default, the implied probability of default over the next 5 years is 3.4%.

[23] 'Take a simple idea and take it seriously': Charlie Munger in his own words, Financial Times profile [link]

[24] Quantifying Information Overload in Social Media and its Impact on Social Contagions, Max Planck Institute, 2014 [link]

[25] Nassim Nicholas Taleb, writing in The Black Swan, 2007 [link]

[26] Peter Thiel, Zero to One, Notes on Start Ups, 2015 [link]

[27] Warren Buffett, CNBC interview, 2019 [link]

[28] Bill Ackman, CNBC interview, 2008 [link]

[29] GA-Courtenay white paper, How Far Away to Berkshire Hathaway [link]

[30] Source: Bloomberg. Also note, including dividends, and measured from calendar year end to calendar year end, from 31-12-1999 to 31-12-23, the S&P500 Total Return Index delivered 3.6% per annum, price return was 1.65%. Including dividends, from 31-12-1999 to 30-09-2024, the FTSE100 Total Return Index delivered 4.2% per annum, price return was 0.7%.

31., 32. 33. Figure sources: Dow Jones MarketWatch, Google Finance

[34] Nassim Nichloas Taleb, interviewed by Joseph Noel Walker September 2024 [link]

[35] Source: Morningstar Direct

[36] Based on GA-Courtenay Special Situations Fund holdings, average merger arbitrage durations

[37] Source: GA-Courtenay research

[38] Source: HSBC merger arbitrage funds database reveals typical single digit percentage annualised returns for the strategy

[39] Berkshire Hathaway shareholder letter 1988 [link]

[40] Source: GreenAsh Partners

[41] Charlie Munger, talking to students at USC Business School in 1994

[42] Warren Buffett, Berkshire Hathaway shareholder letter 1988 [link]

[43] Figure source: GA-Courtenay research and systems

[44] Georges Doriot, Manufacturing Class Notes, Harvard Business School 1937-1966 [link]

[45] Figure source: GA-Courtenay research and systems, antitrust history database loaded into Claude AI

[46] DoJ clears Live Nation / Ticketmaster merger, 2010 [link]

[47] DoJ sues Live Nation-Ticketmaster for monopolizing markets across the live concert industry [link]

[48] Alaska Airlines and Hawaiian Airlines to Combine [link], Alaska Airlines completes acquisition of Hawaiian Airlines [link], GA-Courtenay Special Situations Fund, Q2 2024 webinar [link]

[49] Purchase of Shaw Communications by Rogers Communications, definitive merger agreement [link]

[50] Charlie Munger, Daily Journal conference call, 2023. Source: Capital IQ transcripts

[51] The Snowball: Warren Buffett and the Business of Life [link]

[52] Buffett Partnership, shareholder letter 1963 [link]

[53] GA-Courtenay Special Situations Fund merger arbitrage holdings as at August 2024

[54] Warren Buffett, speaking at the 2024 Berkshire Hathaway annual meeting [link]

[55] Nassim Nicholas Taleb, interview with Bloomberg, October 2017 [link]

[56] Figure source: GA-Courtenay research and systems

[57] Buffett Partnership, shareholder letter 1963 [link]

[58] Source: GA-Courtenay research

[59] Source: Green Ash Partners, GA-Courtenay as at August 2024

[60] GA-Courtenay Special Situations Fund merger arbitrage holdings as at August 2024

[61] Berkshire Hathaway shareholder letter 1988 [link]

[62] Berkshire Hathaway shareholder letter 1988 [link]

[63] Bill Ackman's blank check company raises $4 bln in U.S. IPO [link]

[64] Pershing Square SPARC Holdings, Ltd. Announces Launch and SPAR Distribution [link]

[65] Source: GA-Courtenay research, public disclosures

[66] Source: Green Ash Partners, GA-Courtenay disclosures. For more information see the fund's monthly factsheets

[67] Pershing Square SPARC Holdings, Ltd, prospectus [link]

[68] Bill Ackman on new SPARC structure, CNBC [link]

[69] Initial Public Offerings statistics, University of Florida [link]

[70] Pershing Square SPARC Holdings, Ltd website [link]

[71] Pershing Square SPARC Holdings, Ltd, prospectus [link]

[72] Source: GA-Courtenay research calculations based on Pershing Square SPARC Holdings, Ltd, prospectus [link] disclosures

[73] Stanley Druckenmiller interview, 1994 [link]

[74] Nassim Nicholas Taleb, interview with Bloomberg, 2017 [link]

[75] Source: GA-Courtenay research

[76] GA-Courtenay white papers, How Far Away to Berkshire Hathaway [link], A Venture Framework for the Intelligent Investor [link]

[77] Source: GA-Courtenay research, public disclosures

78. Source: GA-Courtenay research, public disclosures
79. Buffett Partnership, shareholder letter 1964 [link]
80. Georges Doriot, Manufacturing Class Notes, Harvard Business School 1937-1966 [link]
81., 82., 85. Source: Adrian Courtenay disclosure of letter to Noront Resources
83. Wyloo Metals Strongly Improves Offer For Noront [link], BHP announces it will not match Wyloos proposal to acquire Noront [link]
84. Source: GA-Courtenay research
86. Source: GA-Courtenay research
87. Chuck Close, American painter and visual artist, writing in 2003 [link]
88. March 2022 press release regarding Western Areas takeover [link]
89. Source: GA-Courtenay research reasoning
90. GA-Courtenay white papers, Macro Protection within a Unified Framework for Capital Allocation [link]
91. Georges Doriot, Manufacturing Class Notes, Harvard Business School 1937-1966 [link]
92. Peter Thiel, Zero to One, Notes on Start Ups, 2015 [link]
93. Performance statistics for the GA-Courtenay Special Situations Fund [link]

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