CLIENT: Lutetia Capital
SOURCE: hedgeweek
DATE: 28 September 2015
MEDIA: Online

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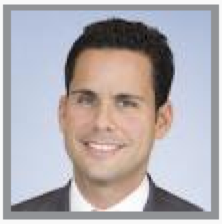

Lyxor Lutetia Merger Arbitrage triples assets in two months

Mon, 28/09/2015 - 13:39

Fund Links

Lutetia Capital's Lyxor Lutetia Merger Arbitrage (UCITS) fund increased its assets to USD125 million in the two months since becoming available on the Lyxor UCITS platform, on 7 July.

The fund launched with initial commitments of USD40 million and also serves as a dedicated managed account for the SGI Merger Arbitrage II flagship Index from Société Générale.

The strategy pursued is pure merger arbitrage, which focuses on large cap equities in Europe and North America subject to friendly takeover bids. The strategy seeks to deliver regular absolute returns while preserving capital in all market conditions, through a detailed quantitative and qualitative analysis of M&A transactions. The portfolio typically comprises of 50-70 positions with a limited risk budget per deal (1-2 per cent objective). The SGI Merger Arbitrage Index from Société Générale, managed by Lutetia Capital on this strategy, has delivered an annualised performance of +6.23 per cent since January 2013 with only four negative months, and is up +4.47 per cent YTD.

In a low yield environment, Lutetia's pure merger arbitrage strategy has three key benefits: it is uncorrelated to the markets with a beta of 0.08 and 0.09 versus the EuroStoxx50 and S&P500 respectively; it's highly liquid; it offers predictable returns with a known duration (average annualized spread of approximately 7 per cent on North American deals over USD400m, on an unlevered basis).

Fabrice Seiman (pictured), Managing Partner of Lutetia Capital, says: "Today is probably one of the best times to be invested in pure merger arbitrage, with global M&A on track to hit the highest level since 1980. If the current pace of activity continues, takeover-deal announcements could reach USD4.6 trillion this year. Three trends are responsible for these excellent deal-making conditions: the need for external growth to fuel earnings expectations, the return of corporate confidence and increased availability of cheap financing.

"This successful launch is proof that investors are looking for predictable yield while preserving their capital and we are happy to see, with our partner Société Générale, more interest coming from different geographies. For two years now we have continually highlighted the consistent outperformance of merger arbitrage as a yield strategy versus bonds over time, for the exact same volatility. This outperformance is likely to accelerate in the next few years due to the rise in interest rates, which will likely hurt bond returns and benefit pure merger arbitrage strategies."