

HGC

INVESTMENT MANAGEMENT INC.

The HGC Arbitrage Fund

Extremely Focused. Uniquely Disciplined.

January 2019

HGC Investment Management

About HGC Investment Management

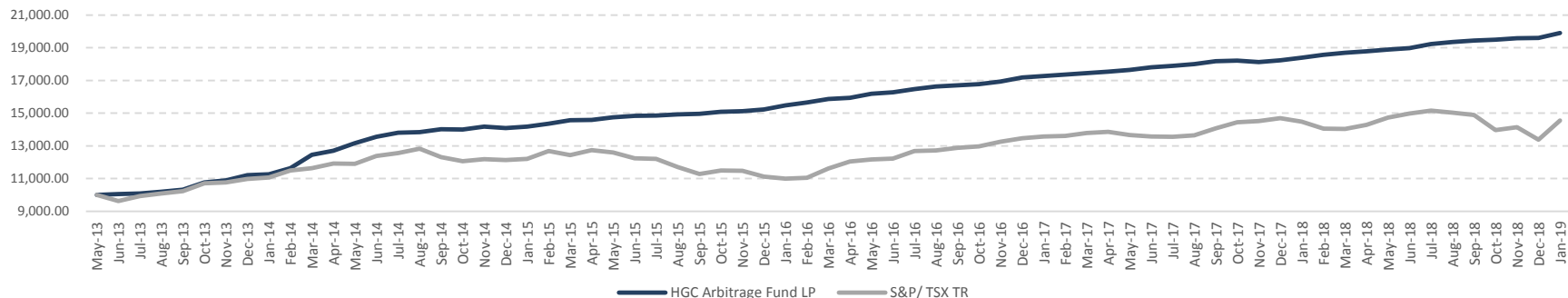
- HGC Investment Management Inc. ("HGC") is an employee-owned, alternative asset management firm based in Toronto. The firm specializes in low volatility, highly liquid, event-driven mandates that produce uncorrelated returns. HGC currently manages the HGC Arbitrage Fund and the HGC Credit Opportunities Fund LP.
- HGC is registered with the Ontario Securities Commission as a portfolio manager, exempt market dealer and investment manager.

About HGC Arbitrage Fund

- The HGC Arbitrage Fund is an Arbitrage strategy that has assets in excess of \$300 million and specializes in the North American small and mid-cap market.
- Strategies within the Fund include Special Purpose Acquisition Corporations (SPAC), Traditional Merger Arbitrage, and Subscription Receipt Arbitrage.
- The Fund seeks to provide a low volatility return profile while producing superior risk adjusted returns.
- The Fund has a +5 year track record with a maximum drawdown of -0.59% and 3 negative months since inception.
- Target return of 6-8% net of fees over a period of time.
- Recent winner of both the best 5 year Return and best 5 year Sharpe Ratio in the Market Neutral category at the 2018 Canadian Hedge Fund Awards.

Performance

HGC vs. TSX Total Return – Growth of \$10,000



	YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD *	INCEP**
HGC LP ++	2019	1.52%												1.52%	99.01%
HGC LP++	2018	0.90%	0.96%	0.67%	0.50%	0.57%	0.47%	1.28%	0.68%	0.46%	0.21%	0.46%	0.14%	7.55%	
HGC LP++	2017	0.56%	0.51%	0.46%	0.51%	0.61%	0.88%	0.49%	0.60%	1.07%	0.12%	-0.42%	0.54%	6.09%	
HGC LP++	2016	1.67%	1.19%	1.32%	0.43%	1.56%	0.64%	1.13%	0.96%	0.46%	0.46%	0.88%	1.50%	12.90%	
HGC LP++	2015	0.71%	1.14%	1.59%	0.09%	1.14%	0.58%	0.11%	0.47%	0.28%	0.79%	0.26%	0.61%	8.03%	
HGC LP	2014	0.54%	3.19%	7.14%	1.97%	3.68%	2.95%	1.75%	0.30%	1.28%	-0.11%	1.19%	-0.59%	25.66%	
HGC LP	2013						0.52%	0.39%	1.09%	1.23%	4.29%	1.19%	2.86%	12.10%	
HFRI****	2019	1.36%												1.36%	22.35%
TSX ***	2019	8.74%												8.87%	45.54%

* Performance returns for 2013-2014 are of the lead series of Class A units

++ 2015 – Present. Performance returns are of the lead series of Class F units

+++ Month Estimate

** Inception June 12, 2013

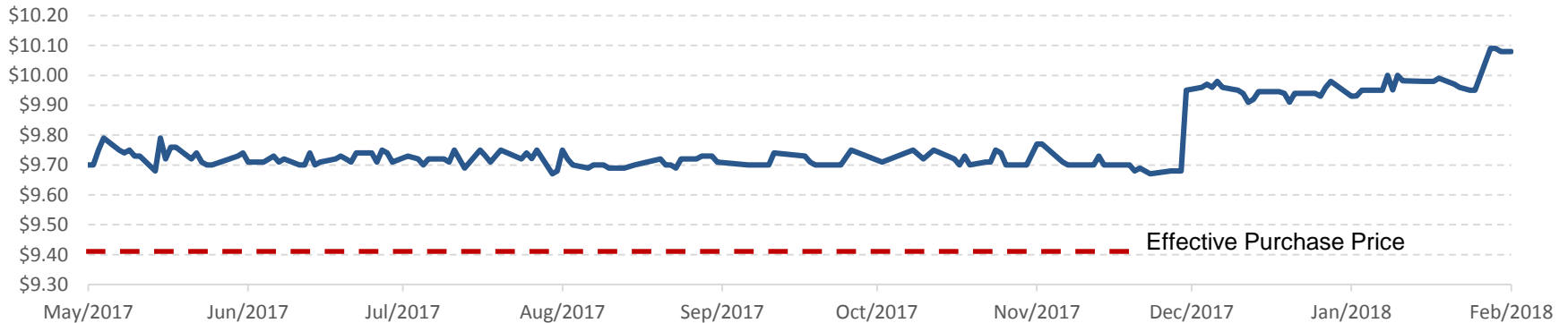
*** S&P/TSX Comp Total Return Index - The TSX Total Return Index is a widely-known equity index of Canadian large-cap companies. Investing in US and Canadian equities long and short is the primary strategy for HGC as part of the merger arbitrage strategy but HGC does not invest in all or necessarily any of the securities that compose the market indexes. Reference to the indexes does not imply that HGC will achieve returns similar to the indexes.

**** Hedge Fund Research Inc. : Merger Arbitrage Index - Performance is subject to minor variances due to independent Manager trailing reporting

+ Please see disclaimer at end of presentation for further information on performance.

Special Purpose Acquisition Corp.

Case Study: Forum Merger Corporation

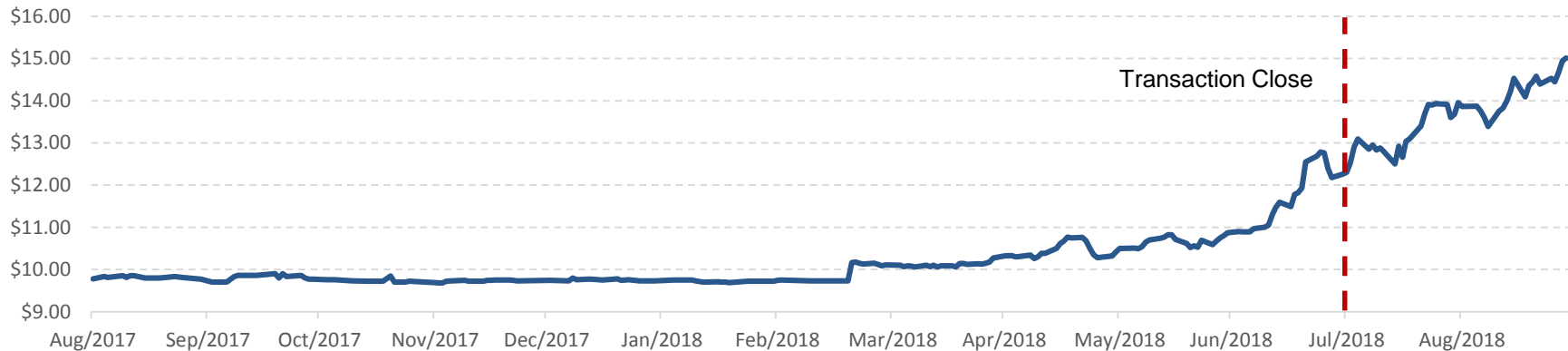


Overview

- On April 12, 2017 Forum Merger Corporation (FMCI) announced the completion of a \$150 Million dollar IPO, issuing units consisting of one common shares, $\frac{1}{2}$ warrant, and one right, priced at \$10.00.
- On May 2, 2017 the units were able to be split into their respective parts. Holders of units were able to split the unit and receive 1 common shares, $\frac{1}{2}$ warrant and 1 right.
- FMCI had 24 months to bring shareholders a deal to which shareholders had the right to participate as shareholders of the operating company, or the right to redeem their shares for cash (\$10.10 plus accumulated interest). Proceeds from the IPO issuance are held in a trust and invested in US Treasury Bills.
- HGC split the unit and simultaneously sold warrants at a price of \$0.37 and rights at a price of \$0.38. By selling the parts of the unit, HGC was able to recreate the purchase of FMCI common at a purchase price of \$9.44 representing a base case return of just under 4% annualized, in addition to the interest accruing in the trust.
- On December 1, 2017 FMCI announced their qualifying transaction to combine with ConvergeOne in a \$1.2 billion business combination. This transaction closed on February 23, 2018, over a year earlier than the allotted time period given to FMCI earning the fund an annualized return of 8.6%. Shares were redeemed at \$10.15.

Special Purpose Acquisition Corp.

Case Study: TPG Pace Energy Holdings Corp.



Overview

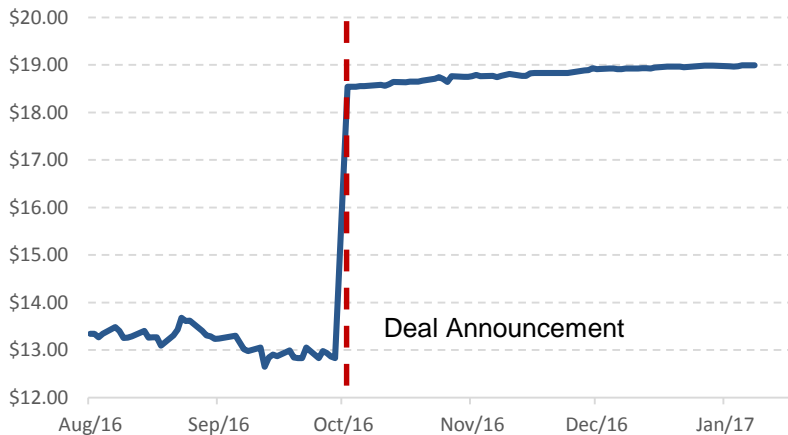
- On May 10, 2017 TPG Pace Energy Holdings Corp. (TPGE) announced the completion of a \$650 Million dollar IPO, issuing units consisting of one common shares and 1/3 warrant, priced at \$10.00.
- TPGE had 24 months to bring shareholders a deal, to which holders have the right to participate as shareholders of the operating company, or the right to redeem their shares for cash (\$10.00 plus accumulated interest). Proceeds from the IPO issuance are held in a trust and invested in US Treasury Bills.
- This structure essentially provided an option with a base case return of 2-3% annualized with optionality to be much higher on an attractive acquisition.
- On March 20, 2018 TPGE announced their qualifying transaction to combine with EnerVest's South Texas Division in a \$2.66 Billion business combination.
- At transaction closing on July 31, 2018 TPGE shares closed at \$12.30.

Traditional Merger Arbitrage

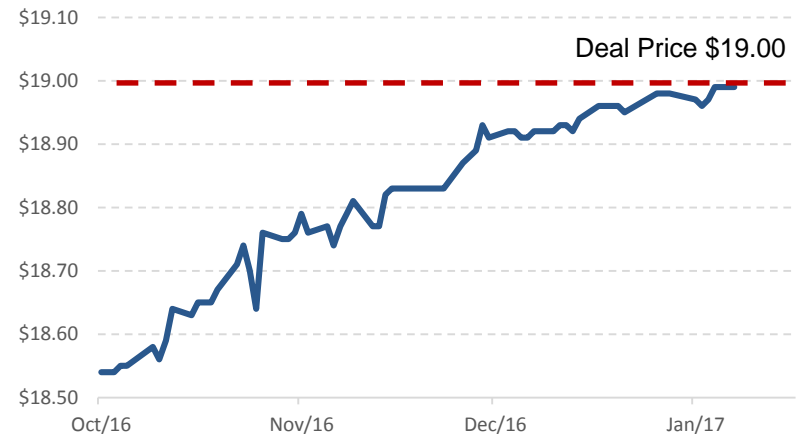
Case Study: DirectCash Payments Inc. Acquisition by Cardtronics plc

- On October 3rd it was announced that Cardtronics plc (CATM US) agreed to buy DirectCash Payments Inc. (DCI CN) for \$600 Million, \$19 a share in cash
- HGC spoke directly to DirectCash Payments management about the strategic rationale of the deal, performed downside risk analysis, and conducted due diligence on the transaction
- The deal closed on January 10th 2017, resulting in a 2.4% nominal return which equated to a 8.5% annualized return

Deal Announcement:



Closing of the Spread:



Why HGC Outperforms

Canadian Exposure and Expertise:

- Historically 35-50% of our Traditional Merger Arbitrage portfolio is Canadian
- Spreads are less followed with returns 200 – 400 bps wider

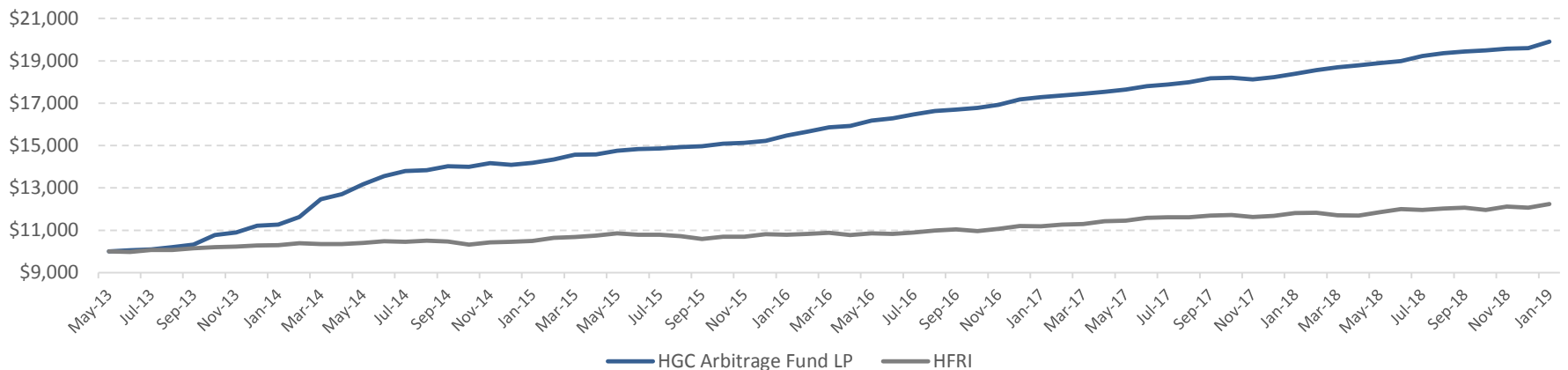
Responsible Risk Metrics to Reduce Volatility:

- Downside (max 2.5%)
- Leverage (averages 65%)
- Traditional Merger Arbitrage Duration (30-60 days)
- 100% Definitive deals – No “pre-arbing”

Participation in Oversubscribed Financings and IPO's

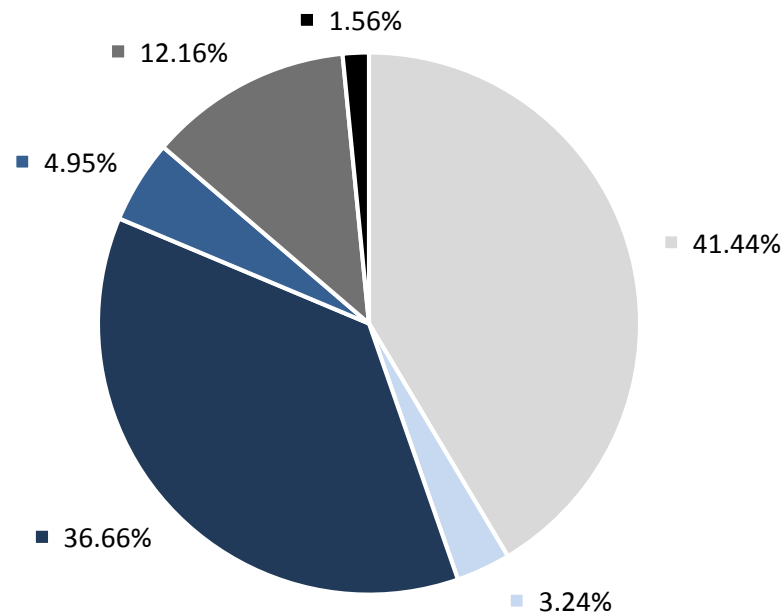
- Short term trading event to enhance returns

Growth of HGC vs. HFRI – Growth of \$10,000



Investor Base

Current HGC Investor Base As of December 31, 2018



■ Retail 41.44% ■ High Net Worth 3.24% ■ Institutional 36.66% ■ Fund of Funds 4.95% ■ Family Office 12.16% ■ Management 1.56%

OM Details

OM provides for strict limits:

- 15% Concentration limit per security
- 100% Maximum Debt/Equity
 - We report leverage to investors monthly
- 20% Financing Conditions
 - There cannot be more than a total of 20% net asset exposure to M&A transactions with financing conditions

Other OM highlights:

- Perpetual High Water Mark
- 15 days redemption notice period
- Portfolio viewing option

FundSERV:

- Available in both A Class (Trailer) and F Class Units
- 25k minimum per accredited account

Appendix

Fund Details

Inception Date:	June, 2013
Minimum Subscription:	\$100,000 (Direct) \$25,000 (FundSERV)
Base Currency:	CAD
Management Fee:	2% A Class / 1% F Class
Profit Allocation:	20%
High Watermark:	Perpetual
Subscriptions:	Monthly
Redemptions:	15 Day Notice
Prime Broker:	CIBC/BMO
Auditor:	KPMG
Fund Administrator:	Apex
Legal Advisors:	BLG

Team

David Heden – CEO

- Prior to founding HGC, Dave was a Managing Partner at K2 Investment Management Inc, a Toronto based hedge fund. At K2 Dave developed significant expertise in merger arbitrage, participating in thousands of merger arb and spin-off situations, with a primary focus on the energy sector. This energy expertise led Dave to build a complete energy investment group within K2, opening offices in Calgary, and expanding energy investments to include mezz lending, distressed debt, and activist situations. Dave has served on several private and public company boards.

Brett Lindros – Executive Vice President

- In the role of Executive Vice President, Brett manages the business aspects of HGC including internal finance and service providers such as fund administration, legal and audit. Brett brings 20 years of investing experience in Canadian Hedge Funds and 8 years of experience in Operations and Marketing.

Sean Kallir, CIO – Portfolio Manager

- Sean began his investment career in 2011 as a merger arbitrage and special situations Analyst at a Toronto-based hedge fund. With over 7 years of experience Sean has been involved in hundreds of SPAC and merger arb positions, and has become well versed in nuances of special situations. Sean holds an Honors BA in Economics from the University of Western Ontario.

Chris Callahan, CFA – Associate Portfolio Manager

- Chris began his investment career in 2015 as a merger arbitrage Analyst at HGC. Prior to joining HGC, Chris worked as an Institutional Equity Sales Associate at a Canadian brokerage. Chris received a Bachelor of Arts (Honours) in Applied Economics from Queen's University and is a CFA Charterholder.

Team

Donald K. Charter – Chairman of the Board

- Don is an experienced business executive having been successful in a number of executive leadership roles in a variety of businesses. Don is currently an active corporate director serving on four public company boards: IAMGold, Lundin Mining, Dundee REIT and Adriana.
- He began his career in Toronto where he built a successful commercial and M&A business law practice, becoming a partner in a national law firm. Mr. Charter joined the Dundee group of companies in 1996 as an Executive Vice President with a number of capital markets related responsibilities. He became the founding Chairman and CEO of the Dundee Securities group of companies in 1998 while remaining EVP of Dundee Corp and Dundee Wealth Management, and oversaw its growth from a start up to a major independent full service financial services company with \$28 billion of assets under administration, a national advisor group with over 2,500 financial advisors, a full intuitional business, an insurance MGA, a mortgage broker and a Canadian chartered bank.

Stuart Grant – Chief Compliance Officer

- Prior to joining HGC, Stuart was the Canadian Chief Compliance Officer of an international electronic broker dealer. Previous to that, he worked in risk and compliance for two Canadian prime brokers. He has over 10 year of finance experience in both Canada and the UK. Stuart received a Bachelor of Business Administration from Belmont University and is currently working towards a Master of Science in Finance from Boston University.

Contact

HGC Investment Management Inc.

366 Adelaide St West, Suite 601

Toronto, ON, M5V 1R9

647.776.2200

blindros@hgcinvest.com

Disclaimer

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