MOMentum
ALTERNATIVE INVESTMENTS SA

# Investor Newsletter, June 2020

MOMentum Alternative Investments SA is a regulated independent asset manager based in Lugano (Switzerland). It was incorporated in 2008 and was authorized in 2010 by FINMA (the Swiss financial market supervisory authority) as an Independent Asset Manager under LICol law (Swiss federal law on collective investment schemes - January 2007).

MOMentum Alternative Investments SA has been appointed as investment manager for "Multilabel SICAV - Artemide" and for "Multilabel SICAV - Lyra"

**Multilabel SICAV - Artemide** is a SICAV (UCITS IV) registered in Luxembourg. The Fund provides daily liquidity with 1 business day notice period.

***The Fund aims to generate solid risk-adjusted absolute returns, irrespective of the market environment, through a "bottom-up" research-driven approach ("stock-picking") and extensive use of derivatives (options and futures) to protect the "main" holdings. Strong focus on "capital protection". Much time and effort is devoted to managing the potential downside risk of the overall portfolio ("tail risk"): the main goal is to limit losses and preserve capital during severe market dislocations. Moreover, we try to smooth volatility in an effort to handle returns.***

**Multilabel SICAV - Lyra** is a SICAV (UCITS IV) registered in Luxembourg. The Fund provides daily liquidity with 6 business days notice period.

***The Fund aims to generate sustainable Alpha over a three-years period, with a strong focus on European small and mid caps. The Fund is directional, long bias, with net exposure from -20% to +70% and volatility target in the region of 10%.***

## MONTHLY COMMENTARY AND OUTLOOK

With the easing of restrictive measures, the global economy should have reached its bottom in 2Q20, but we believe it is still premature to think that it will soon be back to normal on the economic front. The recovery expected in 2H20 is in fact still only an expectation. For some, nothing more than hope. The latest warnings from Fed President Powell support the skeptics' view. We expect that it will take years to recover the losses caused by the coronavirus. Although surely we have overcome the zenith of the pandemic and we have touched the bottom of the economic depression. In recent weeks, European equities have outperformed the United States (NASDAQ aside). Perhaps the time has come to abandon the idea that the US economy, typically considered more flexible, will be able to get out of the crisis faster than Europe. The weakness of the USD in recent weeks is an element to support this hypothetical scenario. The Recovery Fund will help Europe to speed up its recovery path, with greater cooperation and greater fiscal and economic coordination. EU funds of € 2,400 billion not only give elements of hope for the future (such as the expected expenditure for climate protection and technology), but also express a strong component of solidarity. Macron and Merkel have managed to untie the Gordian knot of coronabonds (although details have yet to be agreed), ensuring that countries particularly affected by the pandemic will receive non-repayable funding from EU funds, as well as loans. Since not even the most powerful economic policies can completely prevent an increase in unemployment and / or a loss of income, consumers are likely to do everything to maintain a high level of savings. The dynamics of consumption will therefore probably be weakened. This also applies to investment activities, in light of expected rising defaults and increasing pressure on margins. The tail winds of economic policy will also weaken. In the medium term, the gradual reduction in stimulus is likely to turn into a headwind. Over time, doubts about the sustainability of public debt could grow too. The momentum of economic recovery is therefore likely to slow down towards the end of the year and further flatten out in 2021. It is very likely that it will take at least two to three years to recover the economic deep drop caused by the pandemic.

The outperformance of Europe with respect to the US is the consequence of the efforts put in place at community level to stem the emergency and at the same time to coordinate unprecedented fiscal and monetary stimulus plans. The imminent US elections and Trump's collapse in the latest polls due to poor pandemic management and recent social tensions are further elements of uncertainty. In this context, we think that the upside for equity markets will probably be limited, given that the valuations have been discounting a "V" recovery path as early as 2H2020. Any impetus for a positive market performance will therefore have to come from an upward revision of the estimates. However, such an outcome is likely to take some time to materialize. In this regard, companies will soon begin to publish 2Q2020 results, which will incorporate the most critical phase of the lock-down. On an aggregate level, we expect very poor results, even if the market reaction will be driven above all by the outlook that they will provide for the second half of the year. In fact, analysts are gradually shifting the focus on next year's estimates, losing sight of the very short-term events. And in our opinion, the visibility on the robust growth generally expected for next year remains very low today. Targets are unlikely to be able to provide medium-term projections and guidelines, given the uncertainty and volatility that characterize the current context. Consistent with the above, we have decided to maintain a very prudent approach in the construction of our Funds' portfolio. On the one hand, keeping the level of both gross and net exposure at fairly low levels. But above all, on the other, continuing to favor companies with very solid balance sheets, market leadership and operating in sectors that are poorly exposed to the recession that the global economies are going through. As for Artemide, some good news to highlight: 1) volatility finally is back and will probably remain on (or above) current levels also in the future. This allows to (try to) look at the market also with a tactical and short-medium term approach; 2) the risk-arb and special-sits components of the portfolio are steadily growing, coinciding with a series of "events" that have occurred in recent months (OPS of Intesa on UBI, Mediaset-Tele5 merger, Fiat-Peugeot merger). Among SMEs, we have selected some interesting targets. Touching iron, we therefore have ambitious goals for the months to come.

## STOCKS IN THE SPOTLIGHT

***GVS (GVS IM): I***n early June GVS went public with a 40% free float. We participated in the IPO as we like its attractive equity story, based on a resilient growth (mega trends of ageing population, chronic diseases, stricter safety regulations) with high entry barriers, a terrific trackrecord (+11% organic CAGR in the last 20 years, 40 years of topline growth, 14 successful acquisitions in the last 11 years) and a profitable, capital-light business model, protected by 52 patents (Ebitda margin > 30%, ROCE > 25%, FCF conversion > 60%, debt free by year-end). 2020 will be a record year, boosted by the non-recurrent impact of COVID-19 on revenues: sales will reach Eu280 / 300m (+22 / 39% YOY growth) and the Ebitda will be up at least 50% for a margin exceeding 31.5%. The GVS Group – headquartered in Bologna - is one of the world's leading manufacturers of a range of diversified, high-tech filter solutions for applications in highly regulated environments, which require extremely high quality standards: Healthcare & Life Sciences (c. 50% of sales among liquid, air & gas and laboratory divisions), Energy & Mobility (25%, powertrain & drivetrain, safety & electronics, sports & utility) and Health & Safety sectors (25%, personal safety or professional, reusable mask and air safety). More than 80% of sales are B2B, with North America accounting for 42%, Europe 28% (o/w Italy 5%), Asia 22% and RoW 8%. The key competitive advantages can be summed up in the focus on research, development and innovation (R&D accounts for c. 8% of annual revenues, and only 10% is capitalized); a streamlined, dynamic and flexible production process able to offer an extremely efficient and personalized service to meet its customers' needs; a vertical integrated structure, with 60% of membranes produced in-house; long-lasting relationship (97% of top clients for more than 10 years) and high switching costs reflected in a very high retention rate. GVS has a local-for-local approach, but with a global footprint thanks to 13 production plants in Italy, UK, Brazil, USA, China, Mexico and Romania, as well as 6 sales offices in Russia, Turkey, Argentina, Japan, China and Korea. OEM customers are closely supported by GVS network, offering a more effective and efficient assistance service. Moreover, proprietary products are developed in-house and feature innovations that are technically advanced in comparison to products on the international market.

***CY4GATE (CY4 IM):*** The Company was founded in 2014 as a joint venture between ELETTRONICA - the world leader in defense electronic security, that counts Leonardo and Thales among its shareholders - and Expert System - leader in solutions based on semantic intelligence. CY4Gate is active in the design, development and production of technologies, products, systems and services related to the needs of cyber intelligence and cyber security aimed mainly at Army, Police Forces, Intelligence Agencies as well as industrial companies. The company operates in the cyber sector and boasts a proprietary product portfolio that guarantees integrated solutions for its customers that are able to 1) guarantee cyber protection and big data analysis for companies and 2) cyber electronic walfare and intelligence for institutions. CY4G has a client portfolio that is currently highly concentrated in the government sector (90% of revenues), which thanks to the IPO will diversify adequately by taking advantage of the strong market demand in the field of security. In FY19 CY4G achieved revenues of €7.1m with an EBITDA of €3.1m (EBITDA% of 43%) and a negative NFP of €1m. The target is to reach €27m in 4 years, through both an organic and external growth strategy. Abroad, the goal is to take new opportunities especially in the government sector, thanks also its shareholders' network. In Italy, on the other hand, it is necessary to increase penetration in the corporate world - In FY20 the revenue target is 10m with an EBITDA of 3.5ml on which they currently have 90% visibility, thanks to the order backlog and existing maintenance contracts. From July 20, an agreement will be implemented with an operator that provides systems for wiretapping to Italian prosecutors thanks to which they will supply their products in 80 courts. The role of the shareholder Elettronica has a fundamental weight for the success of CY4G for two reasons: i) strong commercial synergies, as 40% of revenues originate from the relationship with Elettronica which offers the final customer the CY4G solutions in its projects; ii) the role of "government" shareholders such as Leonardo and Thales raises barriers to entry against competitors who are primarily US and Israeli. The growth strategy focuses on M&A: in Italy they target cyber security operators with complementary products and customers, while abroad they will invest in distribution capacity.

***UBI-INTESA SANPAOLO (UBI IM; ISP IM):*** the ISP OPS on UBI (exchange ratio: 1.7 ISP shares for each UBI share) has received CONSOB green light and the acceptance period for the offer will end on July 28th. The probability of a hostile counter bid by another player - Unicredit or a French bank - is in our opinion very low, given the strong commitment by Intesa to complete the deal. The minimum acceptance threshold has been reduced to 50% + 1 of the voting rights, thus exposing ISP to the risk of a taking the control of the target, without however being able to proceed promptly with the merger. And therefore having to waste part of the cost synergies, quantified in € 545m per year in the event of a merger, vs € 455m in the "stand alone" version. But even more relevant is the issue of branches that the Antitust has ordered to sell, to prevent the new Group from having a dominant position in some geographical areas. It is clear that ISP in those areas would prefer to proceed with the sale (to the BPER Group) of the redundant UBI branches, but UBI's lawyers argue that this is not possible until the merger has been completed. The need for ISP to reach at least 67% acceptance therefore appears evident, but this objective is not obvious today. Retail owns approximately 30% of the bank, and over two thirds of these shares are attributable to customers of the bank itself. In addition, there is a shareholders' pact (CAR) that holds 19% of UBI. These subjects have recently declared themselves against the offer. While acknowledging the industrial value of the deal, they considered inadequate the economics of the OPS. Adding the retail to the CAR stake, there is a real risk that ISP will not be able to reach the 67% threshold, to proceed promptly with the merger, since the control of the EGM that will have to deliberate is at risk. In our opinion, the only solution to eliminate this risk is to improve the offer, bringing it to a level that will shift the stake held by CAR in favor of the deal. The hypothetical bump would be easily arguable, for example by referring to the cost synergies that would be lost. The OPS will end in 2 weeks, and therefore a possible revision of the terms should be announced in the coming days.

## ARTEMIDE - FUND DATA

| TOP 5 "LONGS" | sector | % AUM |
|---|---|---|
| Mediaset Espana | media | 6,3% |
| Euro Stoxx Banks | future | 4,8% |
| UBI | bank | 4,6% |
| Unipol | holding | 3,5% |
| Inwit | infrastructure | 2,7% |

| TOP 5 "SHORTS" | sector | % AUM |
|---|---|---|
| FTSEMIB Index | future | -20,3% |
| Company1 | bank | -2,6% |
| Company2 | insurance | -1,5% |
| Euro Stoxx Insurance | future | -1,5% |
| Euro Stoxx Automotive | automotive | -1,3% |

| "BEST" | sector | % |
|---|---|---|
| Aquafil | textile | 0,4% |
| Enel | utility | 0,4% |
| Unipol | holding | 0,3% |
| FCA | automotive | 0,3% |
| Mediaset Espana | media | 0,2% |

| "WORST" | sector | % |
|---|---|---|
| EuroStoxx 50 Ind. (short) | future | -0,5% |
| Company3 (short) | construction | -0,3% |
| Company2 (short) | insurance | -0,3% |
| Company4 (short) | automotive | -0,1% |
| Company5 (short) | luxury | -0,1% |

| | Longs | Shorts | Gross exp. | Net exp. | Total |
|---|---|---|---|---|---|
| Exposure (% on NAV) | 100% | 48% | 148% | 4% | - |
| Number of holdings | 36 | 10 | - | - | 46 |

## ARTEMIDE - MONTHLY PERFORMANCE HISTORY

**NAV (as of June 30, 2020) : 127,50**

| YEAR | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2009 (*) | na | na | na | na | na | na | na | na | na | na | *0,78%* | *0,52%* | **1,30%** |
| 2010 (*) | *3,21%* | *0,50%* | *1,41%* | *0,64%* | *1,25%* | *-0,84%* | *-0,52%* | *0,04%* | *0,43%* | 0,89% | 0,21% | -0,35% | **7,01%** |
| 2011 | 0,42% | 0,57% | -0,09% | 0,75% | -0,20% | -0,53% | 1,47% | -0,15% | 0,61% | 1,21% | -0,74% | 0,13% | **3,48%** |
| 2012 | 2,22% | 1,45% | 0,04% | 0,53% | -0,73% | 0,06% | 1,35% | 0,75% | 2,87% | -0,43% | -0,19% | 0,75% | **8,96%** |
| 2013 | 2,37% | 1,07% | 1,16% | 2,28% | 0,58% | 0,74% | 0,07% | -0,06% | 0,56% | 2,28% | 0,10% | 0,25% | **11,95%** |
| 2014 | 2,11% | -0,19% | 1,57% | 0,23% | -0,23% | -0,67% | -0,33% | 0,21% | 0,60% | -0,88% | 1,12% | 0,20% | **3,75%** |
| 2015 | 2,63% | 1,50% | 0,20% | 0,25% | 0,56% | -0,29% | 0,32% | 0,03% | -1,54% | -0,04% | 0,02% | -0,43% | **3,20%** |
| 2016 | -0,36% | -0,79% | 0,33% | 0,38% | -0,48% | -1,94% | 1,52% | 0,31% | -1,27% | 0,11% | -1,36% | 0,54% | **-3,03%** |
| 2017 | 1,62% | -0,71% | 2,43% | 1,05% | 0,82% | 0,77% | -0,66% | -0,62% | 0,15% | -0,35% | -0,88% | 0,39% | **4,02%** |
| 2018 | 0,41% | 0,58% | -0,66% | -1,19% | -1,69% | -0,04% | 0,07% | -0,17% | 0,24% | -1,39% | -3,75% | -1,31% | **-8,61%** |
| 2019 | -0,80% | -0,06% | 1,88% | -0,61% | -0,70% | 0,74% | -0,18% | 0,14% | 0,79% | -0,38% | 1,11% | -0,55% | **1,36%** |
| 2020 | -1,37% | 3,08% | -2,88% | 0,52% | 0,45% | 0,50% | | | | | | | **0,20%** |

(*) Performance from Nov. '09 to Sept. '10 was achieved through "Pegasus Fund Limited", our first fund investing in Artemide's same strategy.

| ARTEMIDE | HISTORICAL PERFORMANCE (since Oct. 2010) | FTSEMIB Index |
|---|---|---|
| 27,5% | Total cumulative return | -5,5% |
| 0,2% | 6-month rolling performance | -17,5% |
| 2,5% | Compound annual return | -0,6% |
| 59,8% | % "up" months: | 55,6% |
| 40,2% | % "down" months: | 44,4% |
| 5,4% | 1-year rolling volatility (daily) | 35,5% |

## LYRA - FUND DATA

| TOP 5 "LONGS" | sector | % AUM |
|---|---|---|
| ASTM | infrastructure | 4,2% |
| Aquafil | textile | 3,8% |
| Sesa | software | 3,8% |
| Avio | aerospace | 3,7% |
| ERG | renewables | 3,6% |

| TOP 5 "SHORTS" | sector | % AUM |
|---|---|---|
| FTSEMIB Index | future | -6,0% |
| Company2 | software | -1,2% |
| Company1 | automotive | -1,2% |
| Company3 | industrial | -0,8% |
| Company4 | services | -0,8% |

| "BEST" | sector | % |
|---|---|---|
| Aquafil | textile | 0,9% |
| GVS | industrial | 0,5% |
| ASTM | infrastructure | 0,4% |
| Dovalue | financial services | 0,4% |
| Cy4gate | software | 0,2% |

| "WORST" | sector | % |
|---|---|---|
| FTSEMIB Index (short) | future | -0,4% |
| Company2 (short) | software | -0,2% |
| Amplifon | health care | -0,2% |
| Inwit | infrastructure | -0,1% |
| ERG | renewables | -0,1% |

| | Longs | Shorts | Gross exp. | Net exp. | Total |
|---|---|---|---|---|---|
| Exposure (% on NAV) | 88% | 17% | 105% | 59% | - |
| Number of holdings | 51 | 8 | - | - | 59 |

## LYRA - MONTHLY PERFORMANCE HISTORY

**NAV (as of June 30, 2020) : 117,65**

| YEAR | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2014** | na | na | 3,48% | -0,19% | -0,86% | -3,56% | -2,91% | -0,54% | -2,02% | -3,03% | 1,89% | 0,63% | **-7,11%** |
| **2015** | 5,54% | 5,85% | 4,21% | 0,02% | 0,04% | -1,96% | 3,94% | -2,14% | -1,71% | 0,46% | 0,42% | -0,63% | **14,47%** |
| **2016** | -4,78% | -2,36% | 0,15% | 2,07% | 0,15% | -4,62% | 1,02% | 1,21% | 0,37% | 2,90% | -4,79% | 4,51% | **-4,61%** |
| **2017** | 1,43% | 0,74% | 10,50% | 5,27% | 4,94% | 0,37% | 0,39% | 2,39% | 1,52% | 0,73% | 0,42% | -0,21% | **31,86%** |
| **2018** | 1,20% | -1,51% | -0,28% | -0,45% | -3,26% | 1,03% | -0,28% | -2,93% | -0,81% | -3,51% | -4,88% | -0,82% | **-15,47%** |
| **2019** | -0,25% | 0,40% | 2,30% | 0,44% | -1,87% | 1,38% | 0,30% | -1,86% | 2,62% | 1,51% | 3,40% | -0,84% | **7,62%** |
| **2020** | -0,77% | -2,71% | -9,72% | 4,67% | 3,41% | 2,50% | | | | | | | **-3,30%** |

| LYRA | HISTORICAL PERFORMANCE (since March 2014) | Benchmark |
|---|---|---|
| 17,7% | Total cumulative return | 11,3% |
| -3,3% | 6-month rolling performance | -7,9% |
| 2,6% | Compound annual return | 1,7% |
| 56,6% | % "up" months: | 55,3% |
| 43,4% | % "down" months: | 44,7% |
| 11,3% | 1-year rolling volatility (daily) | 12,4% |

## FUNDS MAIN FEATURES

| | ARTEMIDE | LYRA |
|---|---|---|
| ***Name:*** | Multilabel SICAV - Artemide | Multilabel SICAV - Lyra |
| ***Inception*** : | October 2010 | March 2014 |
| ***Isin Code*** : | LU0515666294 (retail);<br>LU0515666377 (institutional) | LU1012189707 (retail);<br>LU1012189889 (institutional) |
| ***Bloomberg*** : | JBMARBE LX (retail);<br>JBMARCE LX (institutional) | LYRABEU LX (retail);<br>LYRACEU LX (institutional) |
| ***AUM (€)*** : | 65,000,000 (as of June 2020) | 26,000,000 (as of June 2020) |
| ***Strategy*** : | Equity, Market-Neutral&Multi-Strategy | Equity, European small cap |
| ***Liquidity*** : | Daily | Daily |
| ***Lock-up*** : | None | None |
| ***Notice period:*** | 1 business day | 6 business days |
| ***Management fees*** : | 1.5% per year (retail);<br>1.0% per year (institutional) | 2.0% per year (retail);<br>1.5% per year (institutional) |
| ***Performance fees*** : | 10% | 15% |
| ***Hurdle rale*** | Eonia | 25% FTSE Italia Mid Cap Index<br>25% MSCI Small Cap Index<br>50% Eonia |
| ***High watermark*** : | Yearly | Yearly |
| ***Minimum investment (€):*** | 25,000 (retail);<br>250,000 (institutional) | na (retail);<br>100,000 (institutional) |
| ***Currency*** : | Euro | Euro |
| ***Administrator*** : | State Street Bank (Luxembourg) | State Street Bank (Luxembourg) |
| ***Custodian*** : | State Street Bank (Luxembourg) | State Street Bank (Luxembourg) |
| ***Auditors*** : | PriceWaterHouseCoopers | PriceWaterHouseCoopers |
| ***Investment Manager*** : | MOMentum Alternative Investments SA<br>Via Delle Scuole 3<br>6900, Paradiso (CH)<br>Phone: + 41 91 960 19 00<br>Fax: + 41 91 960 19 01<br>Email: info@mominvest.com | MOMentum Alternative Investments SA<br>Via Delle Scuole 3 6900,<br>Paradiso (CH)<br>Phone: + 41 91 960 19 00<br>Fax: + 41 91 960 19 01<br>Email: info@mominvest.com |

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