MOMentum
ALTERNATIVE INVESTMENTS SA

Investor Newsletter, August 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

The strong liquidity support to the system provided by central banks and at the same time the expectations of expansive economic and fiscal policies decided by all governments continue to represent an irresistible attraction towards global equity markets. This explains the fact that in the month of August equity markets restarted to run rapidly again, towards new highs (US) or towards YTD contractions less conspicuous (Europe). Specifically, Global Equities recorded a recovery close to 6%, with new all-time highs for both the S&P 500 and the Nasdaq. While Europe continues to struggle in trying to keep up. The gradual recovery of economic activity - which in some geographic areas and/or sectors has returned to levels very close to pre-covid data - and the belief that in the coming months a vaccine effective in combating the spread of the virus will be marketed, represent the most relevant arguments by those who share a constructive approach towards the future dynamics expected for the stock markets. The 2Q2020 reporting season, and therefore related to the hard lock-down period, has on average delivered results that are better than expected. With an outlook – for the few who have been able to provide it - often characterized by a strong recovery expected in the second half of the year. While sharing much of the above considerations, we continue to maintain a more cautious attitude. Justified by the fact that: 1) contagions in Europe have started to grow again, in some cases exponentially. In addition, there are geographical areas (India, Russia, US, South America) where the situation still appears out of control. Not to mention the fact that for other areas (Africa) reliable data are lacking and therefore it is not possible to make predictions for the near future. The imminent opening of schools will probably make the contagion curve even steeper, forcing governments to take decisions; 2) economic activity has certainly returned to less compressed levels, but budgeting a strong expansion from now on appears optimistic, in our opinion. And anyway, the indicators remain well below the pre-covid levels; 3) The valuations expressed by the market today (P / E 2021 @ 13,4x for FTSEMIB and @ 15,5x for EUROSTOXX 50) are based on macro assumptions that are certainly not pessimistic for the next two-year period (2021-22) and that already incorporate a >10% premium compared to historical data.

The €750bn made available by the Recovery Fund is good news for all countries, but especially for the periphery of the Eurozone. The fact that part of that amount is distributed in the form of non-repayable contributions introduces for the first time the principle of mutualisation. It is therefore a key step to make the EU project irrevocable. Italy will probably be the country that will derive the greatest benefits, although in order to access this additional aid package it will be obliged to approve a structural reform plan and to get irrevocable commitments. And that is, in our view, the real good news. The Government, in fact, will lose autonomy and sovereignty, without this decision being attributable to any political party. In other words, there is the opportunity to implement necessary and mandatory reforms, without displeasing the voters and therefore finding very mild resistance from the political forces today in the government. As regards the investments of our Funds, we will continue to privilege companies operating in defensive sectors and above all exposed to the investment themes that will be financed by the European plans (Infrastructures, utilities, Telecom and digitalization). The BTP-Bund spread remains below 150 bp, with the ten-year yield always below the 1% threshold. The strengthening of the Euro against the $ (+ 6% YTD) confirms the return of interest vs the Eurozone, also shared by some noble macroeconomists. If the exchange rate were to strengthen further between now and the end of the year, the aggregate estimates of some sectors for 2021 will necessarily have to be revised. In our opinion, the success of the ISP offer on UBI will have significant repercussions on the domestic banking sector. The consolidation process appears inexorable and necessary, with the aim of creating at least one more player capable of competing with ISP and Unicredit. From this perspective, Banco BPM appears to be the most interesting target (relevant market share in Lombardy and valuation at almost 50% discount vs the sector). The tail-risk would be an integration with MPS, likely supported by the Treasury (the largest shareholder with a 68% stake). Lastly, SMEs continue to deliver better returns than large caps, and this confirms the fact that this niche is also populated by very dynamic targets, operating in sub-sectors characterized by exponential growth rates. And Italy remains a country that firmly rests its economic foundations on SMEs.

STOCKS IN THE SPOTLIGHT

IMA (IMA IM): At the end of July, the Vacchi family - main shareholder of the Group, with a stake of 51.6% of the capital and 67% of the voting rights - announced the signing of an agreement for the sale of a 20% stake in the Holding to BC Partners Private Equity Fund. The target of the deal is to find a financial partner, able to accelerate the Group's growth process by external lines, both in the packaging and in the processing sectors. The deal forces the players to launch a takeover bid for the minorities, and the price has been set at €68 per share. This price incorporates a premium >20% compared to the valuation expressed by the market in the months prior to the announcement. In terms of multiples (12xEV/EBITDA and 23xAdj P/E on the 2021 estimates), the valuation appears to be consistent with the 5-year historical averages. The deal should be completed by the end of the year, and the target is the delisting of the company. Also achievable through a possible reverse-merger with the unlisted vehicle that will be set up for the transaction. A similar deal was orchestrated last year by the Recordati family with CVC, even if in that case the delisting was not successful and the market is sharing the development projects agreed by the family with the new shareholder. Back to IMA, Alberto Vacchi will remain at the head of the Group. If it were to reach the delisting, the Vacchi family would hold 55% of IMA and BC Partners the remaining 45%. Therefore, the market would remain dry-mouthed, forced to sell (or to remain invested for years in an unlisted vehicle), without being able to participate in the likely value-creation, deriving from a strong acceleration of growth through M&A. Where the track record of IMA's management is excellent and therefore the execution risk all in all modest. We will therefore be forced to hand over our participation in the promoted offer, even if we do not at all agree with the decision of the controlling shareholder to forcibly exclude minorities from the new path that the company is preparing to undertake. It is in fact probable that the Group will reappear on the market in a few years, with BC Partners that will use the market itself to monetize substantial capital gains.

MARR (MARR IM): MARR is the Italian leader in the distribution of food products for non-domestic catering (mkt share of 16%), has more than 45,000 customers including restaurants, hotels (street markets) and canteens (national accounts), which also serves with private-label products. The sales network has more than 850 technicians and covers the whole country through 35 distribution-centers. The breadth of the assortment, the competence of the sales force, the logistical efficiency and the capacity for product innovation allow MARR to have a high competitive advantage over other operators in a market worth around € 16.0 bn, which is still very fragmented today and could offer interesting opportunities for M&A. MARR is one of the groups most affected by the pandemic, as the limitations on the movement of the population and the absence of tourist flows from abroad are still penalizing consumption today. In 1H20, revenues were € 447ml (-44% YOY) with an EBITDA of € 1ml (-99%), a net loss of € 14ml and an NFP of € -262ml. Although the visibility on the recovery of the sector is still poor, we highlight a gradual recovery in sales from the lows of the lock-down to date: in July 2020, revenues fell by 27% YOY, compared to an 80% decrease in April. The data show a stronger recovery in holiday resorts than in art cities, the latter being more impacted by the absence of foreign tourism. To cope with the collapse in volumes and prices, the company carried out an effective action on operating costs and stated that in June the EPS turned positive; the exact definition of the credit risk remains open as the provisions made up to now have been accounted for with a flat rate method. By the end of the year the NFP could decrease to EUR250m (equal to 4.5x EV / EBITDA). In FY21, expectations are for a strong recovery in revenues (+ 30%) with an EBITDA of € 100ml (+ 108%) and an NFP of -180ml (1.8x EV / EBITDA). In terms of valuation, if we consider that the FY22 estimates foresee an EBITDA 8% below the final 2019 and a net profit -13%, the stock trades at a strong discount compared to the average of the historical multiples 2005-'19: P / E 2022e 14x (-18%), EV / EBITDA 2022e 8.3x (-20%) with a FCF Yield of 9% vs a historical average of 4.9%.

SESA (SES IM): Sesa is a key player in the digital transformation of the Italian economy, acting as solution partner in the innovative areas of IT, such as collaboration, cloud, security, Internet-of-Things and so on. The current COVID-19 emergency has further highlighted the importance of accelerating the digital transformation process, a goal also sustained by the EU Next Generation Plan. We consider Sesa to be well positioned to continue its double-digit growth trajectory and to seize further opportunities from M&A thanks to a very strong cash position (more than Eur50m or Eur75m pre IFRS adjustments) and to a clear and forward-looking governance. We also believe that the recent board proposal to the shareholder meeting to introduce a loyalty share mechanism suggests that it opens up options for more ambitious M&A, possibly for growth in Europe. Management – who enjoys a very good reputation after regularly over-delivering over the last several years - provided a bullish outlook for fiscal year 2021. Positively, revenues and orders recorded double-digit growth in May and June 2020. The company guidance calls for FY2021 revenues and profitability to grow in line with the group historical track record of 10-15% CAGR. A contribution will come from acquisitions, where the group has a solid track record. In the VAD business, Sesa has recently signed new distribution agreements for the Italian market with important vendors such as Fortinet and Red Hat. It has also entered the growing market of energy efficiency and saving solutions, which is characterized by convergence towards digital technologies and it is sensitive to the macro-trends of environmental sustainability, energy saving and e-mobility. The focus is on value-added segments in the IT sector, such as enterprise software, networking, collaboration, cloud, security and analytics. Sesa has already closed twelve deals since the beginning of 2020, adding annual revenues well in excess of Eu100mn with an expected average EBITDA margin >10%. All the deals are carried out on the basis of a price in line with the reference EV/Ebitda ratio normally applied by Sesa Group (4.75x EV/Ebitda) and are usually paid in part at closing and in part in the following 36 months, under earn-out mechanisms and on the basis of an alignment plan of interest with the founders of the targets, who remain involved in the management and ownership for a multi-year period.

ARTEMIDE - FUND DATA

TOP 5 "LONGS"	sector	% AUM
UBI	bank	9,3%
Unipol	holding	4,2%
Illimity	bank	3,1%
Atlantia	infrastructure	3,0%
FCA	automotive	2,7%

TOP 5 "SHORTS"	sector	% AUM
FTSEMIB Index	future	-15,4%
Company1	bank	-5,2%
Company2	insurance	-1,8%
Euro Stoxx Insurance	future	-1,5%
Euro Stoxx Automotive	future	-1,5%

"BEST"	sector	%
Unipol	holding	0,5%
Illimity	bank	0,4%
Company1 (short)	bank	0,3%
Mediobanca	bank	0,3%
FCA	automotive	0,2%

"WORST"	sector	%
FTSEMIB Index (short)	future	-0,5%
EuroStoxx 50 Index (short)	future	-0,3%
Company2 (short)	insurance	-0,2%
Atlantia	infrastructure	-0,1%
Inwit	infrastructure	-0,1%

	Longs	Shorts	Gross exp.	Net exp.	Total
Exposure (% on NAV)	76%	29%	105%	5%	-
Number of holdings	28	9	-	-	37

ARTEMIDE - MONTHLY PERFORMANCE HISTORY

NAV (as of August 31, 2020) : 126,14

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%	-1,35%	0,29%					**-0,86%**

(*) 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
26,1%	Total cumulative return	-0,5%
-2,5%	6-month rolling performance	-10,7%
2,4%	Compound annual return	-0,1%
59,7%	% "up" months:	55,5%
40,3%	% "down" months:	44,5%
5,8%	1-year rolling volatility (daily)	35,8%

LYRA - FUND DATA

TOP 5 "LONGS"	sector	% AUM
Sesa	software	5,2%
ERG	renewables	4,1%
IMA	industrial	3,7%
Aquafil	textile	3,6%
Amplifon	health care	3,4%

TOP 5 "SHORTS"	sector	% AUM
FTSEMIB Index	future	-14,5%
Company1	IT servicer	-1,1%
Company2	industrial	-1,0%
Company3	industrial	-0,9%
Company4	shipbuilding	-0,8%

"BEST"	sector	%
Sesa	software	0,8%
Illimity	bank	0,4%
Tinexta	software	0,4%
ERG	renewables	0,3%
Piteco	software	0,3%

"WORST"	sector	%
FTSEMIB Index (short)	future	-0,8%
ASTM	infrastructure	-0,2%
Inwit	infrastructure	-0,2%
Company2 (short)	industrial	-0,1%
Amplifon	health care	-0,1%

	Longs	Shorts	Gross exp.	Net exp.	Total
Exposure (% on NAV)	88%	20%	108%	61%	-
Number of holdings	52	8	-	-	60

LYRA - MONTHLY PERFORMANCE HISTORY

NAV (as of August 31, 2020) : 120,25

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%	-0,25%	2,46%					**-1,17%**

LYRA	HISTORICAL PERFORMANCE (since March 2014)	Benchmark
20,3%	Total cumulative return	13,8%
2,4%	6-month rolling performance	-1,7%
2,9%	Compound annual return	2,0%
56,4%	% "up" months:	56,4%
43,6%	% "down" months:	43,6%
11,5%	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); LU0515666377 (institutional)	LU1012189707 (retail); LU1012189889 (institutional)
Bloomberg *:*	JBMARBE LX (retail); JBMARCE LX (institutional)	LYRABEU LX (retail); LYRACEU LX (institutional)
AUM (€) *:*	63,000,000 (as of August 2020)	26,000,000 (as of August 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); 1.0% per year (institutional)	2.0% per year (retail); 1.5% per year (institutional)
Performance fees *:*	10%	15%
Hurdle rale	Eonia	25% FTSE Italia Mid Cap Index 25% MSCI Small Cap Index 50% Eonia
High watermark *:*	Yearly	Yearly
Minimum investment (€):	25,000 (retail); 250,000 (institutional)	na (retail); 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
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Investors' disclaimer