MOMentum
ALTERNATIVE INVESTMENTS SA

Investor Newsletter, October 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

From mid-October onwards, most European countries found themselves forced to suddenly reintroduce more or less severe forms of lock-down. Unfortunately, the speed with which the virus has returned to spread is much faster than forecasts by virologists and politicians. This is probably also due to the fact that, compared to the situation experienced last spring, today the spread over the territory appears much more homogeneous and therefore it is not enough to isolate single well-defined geographically outbreaks. Furthermore, it was realized that no government took advantage of the period in which the emergency seemed to have vanished (June-September) to create new facilities (new specialized hospitals, digitization of schools and public infrastructure) valid in case of a (likely) second wave. And therefore, today we find ourselves in a health situation very similar to that experienced last March. Recently, also Italy has been forced to reintroduce significant restrictions, although fortunately not in a homogeneous manner throughout the national territory. Uncertainties about the outcome of the US elections, due to Trump's recovery in the two weeks prior to the vote, contributed to increase investors' concerns. In this partly unexpected context, it is not surprising that equity markets have been characterized by generalized profit taking, that affected every geographical area without distinction. The reaction was however composed and the sell-off mostly concerned the companies / sectors that traded at higher multiples. Some investors, in this climate of uncertainty, bought protection (VIX) for their portfolios. And this justifies the spike of the volatility index, whose current level still appears very far from the peaks reached last spring. Meanwhile, central banks continue undaunted in their purchase programs, avoiding any form of tension / stress in government spreads. On this point, we reiterate what we have already shared with you in previous newsletters: the “periphery risk” is increasingly thinning, probably creating the conditions for a (at least partial) recovery of the historical under-performance for equity markets.

In the last few days, 2 news have suddenly helped to restore optimism among financial players: 1) after a couple of days of uncertainty in conjunction with the electoral count in some key-states, Biden came out the winner in the ballot to preside over the White House. It is possible that this will be followed by a long legal battle over the count of votes, but the outcome will not be questioned. His election will probably help to remove uncertainties on the US-Europe trade-war and accelerate investment plans towards the green economy. Europe should benefit from both; 2) Pfizer's CEO declared that the company tested an anti-Covid vaccine on a large scale and in 90% of cases it was effective. By 2021, over 1.3bn doses of the vaccine should be available, and therefore it is likely that Western countries by the summer will be able to be “back to normal”. It is clear that if the effectiveness of the vaccine were confirmed, the consequences for the financial markets would be bullish: 2021 would be a year of strong economic recovery, to which the super-expansionary monetary and fiscal policies introduced to fight the pandemic must be added. The portfolios of both of our Funds are structured to face a phase of uncertainty and therefore have favoured companies operating in defensive sectors and in any case not very exposed to the pandemic risk. The few companies operating in high-growth sectors today trade at disproportionate multiples and are therefore at great risk in the event of the short-term availability of an effective vaccine. In this case, in fact, growth would no longer represent a "scarce resource" and therefore available only at expensive prices. There would be serious impacts on the whole “value” space and on the banking sector in particular. In this regard, we took advantage of the capital increase to purchase (5% of the NAV) a stake in BPER Banca (see below for more details). It is a well-managed bank, with a more than adequate capital buffer, NPE ratio that will be below 8% by 1H2021 and which in our opinion has been excessively penalized by the capital increase (€ 800m) just completed to finance the acquisition of the UBI branches sold by ISP. Furthermore, robust growth from 2021 onwards would also be very positive for all targets focused on NPLs and UTPs, Illimity Bank (3% of NAV) above all..

STOCKS IN THE SPOTLIGHT

NEXI (NEXI IM): On November 2nd, Nexi has agreed an exclusivity period (deadline November 16th) with Nets to reach a potential binding agreement. After the announced merger with SIA a few weeks ago, the rationale of the new combination between Nexi and Nets would be similar: the consolidation of the European and global digital payments sector. We appreciate the three-party deal, and – as far as the new one with Nets is concerned - believe it is both cash EPS and value accretive because based on the same multiples but generates Eu150m additional synergies. Moreover, it would address some weakness of Nexi thanks to a more diversified geographic reach, a broader product and services portfolio, an enhanced exposure to fast-growing eCommerce and lower customer concentration. The main issues are the execution risk and the management distraction to carry out such complex transactions. Another good news is that no debt will be added to Nexi's balance sheet and there is no paper overhang. The potential combination would create the leading European player in the digital payments landscape, with unparalleled scale, technology, capabilities and product portfolio, to serve as a "one-stop-shop" to a wide range of customers. The agreed principles envisage a merger of Nets into Nexi on the basis of equivalent 2020 EBITDA multiples. The transaction will be executed as an "all-share" merger, with long-term lock-up commitments provided by Nets' current shareholders. This framework would allow both companies' shareholders to fully benefit from substantial industrial synergies, leading to a significant cash EPS accretion. Nets is a leading integrated Pan-European PayTech player, active in 20 countries, with a leadership position in advanced digital payments markets, as well as in underpenetrated markets with significant growth potential. Nets is focused on merchant services, with a strong eCommerce exposure and proposition, and on issuing processing and innovative digital payments solutions. In 2019 Nets generated revenues of c. eur1 billion and adjusted EBITDA of c. Eur0.4 billion, with a growth profile over the medium term broadly in line with the one of Nexi. In light of the significant industrial benefits resulting from the strategic combination, the transaction carries the support of Nexi's and Nets' reference shareholders, which will remain fully invested in the combined group.

BUZZI UNICEM (BZU IM): quite unexpectedly, on 10 October the Company announced the project to convert the savings shares. The good news is that the Board of Directors finally decided to seize the opportunity offered by the market, given the strong discount (about 44%) at which savings shares were trading. The bad news, on the other hand, is that the terms proposed, although at a significant (about 20%) premium compared to market prices, are not to be considered particularly attractive. The savings shareholder, in fact, would have to give up 33% of the shares held, in order to obtain ordinary shares in exchange. In other words, he would undergo significant dilution vs worthless voting right, since the Buzzi family would continue to control >50% of the voting rights. To be clear, we argue that in a company with the characteristics (governance and financial structure) of Buzzi, the savings shares should theoretically have a higher value than ordinary ones. The surcharge and 3Y-protection on dividends worth more than the voting right. In terms of capital structure, however, there is no doubt that the conversion would create value. As a result of the cancellation of approximately 13.5 million shares, the deal would be 8% EPS accretive. Furthermore, the veto-power held by saving shareholders would be eliminated in the event of a corporate action requiring their prior approval. And that could force the Company to make much more generous offers, to eliminate an otherwise insurmountable obstacle. It is therefore not surprising that the CEO (Pietro Buzzi), also in light of the recent rejection of a similar deal proposed by Danieli, has decided to take action and buy savings shares in the market, with the aim of moving the outcome of the EGM in favor of the proposal. While sharing the effectiveness of this move, we still consider it to be disrespectful of the autonomy and efficiency of the markets, given the distorting effect that follows. Savings shares has in fact been almost neglected over the years, to return instead to the spotlight in conjunction with an event capable of creatingextra- value especially for ordinary shareholders. In light of the elements mentioned above, we believe that the shareholders' meeting will approve the project and that the savings shareholders will have to settle for the premium recognized compared to market prices. No room to obtain an improvement of the terms, therefore.

BPER BABCA (BPE IM): During the month of October, in conjunction with the 800ml capital increase, we purchased a stake in the bank (5% of the NAV). BPER acquired 532 UBI branches following the closing of the acquisition of UBI Banca by ISP, with the aim of significantly increasing the market share in the North-West of the country. Through this acquisition, the loan portfolio will increase by almost 50% and even more in terms of direct deposits from customers. Lombardy represents more than half of the branches acquired and the North-West regions will account for 24% of BPER branches (vs 10% at present). Since when BPER announced the UBI transaction, the pandemic has significantly impacted the outlook for the sector's profits, allowing for the renegotiation of the terms of the agreement with ISP (0.33x the common equity Tier1 of the business unit acquired); nevertheless, the acquisition was dilutive, since the issue price of the new shares in the capital increase was significantly lower than it would have been before COVID. However, during the first 9M 2020, the bank reported solid results, despite the macro scenario heavily impacted by the lock-down and above all a cost of credit under control. The results were above expectations due to lower costs, as well as NII up 5% QoQ thanks to the TLTRO. Good indications also came from the improvement in the defualt rate (QoQ from 1.9% to <1% - due to the moratoria and the structural improvement of the portfolio risk profile). For FY20 a CoR of 110bps (vs estimate 117bps) and an NPE ratio <8% post acquisition of UBI branches was confirmed. Likely BPE will accelerate derisking in 2021. CET1 reached 13% thanks to earnings generation and further improvements are expected in Q4. It is therefore possible that BPER will distribute the dividend already on the 2020 financial year, subject to ECB greenlight. The technical effect of the capital increase amplified the underperformance of BPER vs the sector (-60% YTD; -49% vs FTMIB 40; -30% vs SX7E Index, -20% / - 40% vs Italian peers) and we believe that the current multiples are not justified, as BPER trades on FY21 @ 0.24xTBV (vs 0.45x of the average of Italian banks), 6.5x P / E (vs 8x), with a ROTE of 4.6% (vs 5.5%) and a DVD Yield >5%.

ARTEMIDE - FUND DATA

TOP 5 "LONGS"	sector	% AUM
BPER Banca	bank	5,3%
IMA	industrial	5,1%
FCA	automotive	3,1%
Unipol	holding	3,0%
Illimity	bank	3,0%

TOP 5 "SHORTS"	sector	% AUM
FTSEMIB Index	future	-25,8%
Euro Stoxx Index	future	-2,7%
Company1	utility	-2,4%
Euro Stoxx Insurance	future	-1,8%
Company2	insurance	-1,6%

"BEST"	sector	%
Buzzi ord (short)	cement	0,3%
Buzzi saving	cement	0,3%
Banco BPM	bank	0,2%
Labomar	pharma	0,1%
Danieli saving	industrial	0,1%

"WORST"	sector	%
Unipol	holding	-0,6%
NEXI	tech services	-0,5%
Illimity	bank	-0,5%
BPER Banca	bank	-0,3%
Enel	utility	-0,3%

	Longs	Shorts	Gross exp.	Net exp.	Total
Exposure (% on NAV)	69%	48%	117%	3%	-
Number of holdings	31	14	-	-	45

ARTEMIDE - MONTHLY PERFORMANCE HISTORY

NAV (as of October 30, 2020) : 126,30

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%	1,32%	-1,18%			**-0,74%**

(*) 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
26,3%	Total cumulative return	-12,5%
0,0%	6-month rolling performance	1,4%
2,3%	Compound annual return	-1,3%
59,5%	% "up" months:	54,5%
40,5%	% "down" months:	45,5%
5,9%	1-year rolling volatility (daily)	36,9%

LYRA - FUND DATA

TOP 5 "LONGS"	sector	% AUM
Sesa	software	4,2%
IMA	industrial	3,9%
Inwit	infrastructure	3,7%
ERG	renewables	3,4%
BPER Banca	bank	3,4%

TOP 5 "SHORTS"	sector	% AUM
FTSEMIB Index	future	-24,1%
Euro Stoxx banks	future	-1,8%
Company1	IT servicer	-1,3%
Company2	industrial	-1,0%
Company3	industrial	-0,9%

"BEST"	sector	%
FTSEMIB Index (short)	future	1,2%
Buzzi saving	cement	0,4%
Company1 (short)	IT servicer	0,3%
Tinexta	software	0,2%
Banco BPM	bank	0,2%

"WORST"	sector	%
NEXI	tech services	-0,6%
Illimity	bank	-0,4%
Aquafil	textile	-0,4%
ERG	renewables	-0,3%
BPER Banca	bank	-0,3%

	Longs	Shorts	Gross exp.	Net exp.	Total
Exposure (% on NAV)	80%	31%	111%	43%	-
Number of holdings	51	9	-	-	60

LYRA - MONTHLY PERFORMANCE HISTORY

NAV (as of October 30, 2020) : 119,37

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%	2,13%	-2,80%			**-1,89%**

LYRA	HISTORICAL PERFORMANCE (since March 2014)	Benchmark
19,4%	Total cumulative return	9,3%
7,6%	6-month rolling performance	1,2%
2,7%	Compound annual return	1,3%
56,3%	% "up" months:	55,0%
43,7%	% "down" months:	45,0%
11,9%	1-year rolling volatility (daily)	12,7%

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 (€) *:*	60,000,000 (as of October 2020)	25,000,000 (as of October 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