MOMentum ALTERNATIVE INVESTMENTS SA

Investor Newsletter, November 2021

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 FinIa Law (Federal Act on Financial Institutions - 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

During the month of November, global equity markets underwent generalized profit taking, with the EURO STOXX Index that lost more than 4%. Recent inflation data - no longer considered a "transitory" element by the FED chairman himself - are indeed starting to spread concerns among investors. These fears are confirmed by the flattening of the US interest rate curve, with the 2-year yield slightly rising (> 0.55%), while the longer-term part of the curve (> 10Y) was slightly down. In other words, market participants probably fear an increase in interest rates in the short term and that the liquidity drain by central banks could justify an economic slowdown. The stock of additional debt piled to tackle the pandemic will require central banks to be very careful in planning and sharing future moves to the market. In our opinion, in fact, in the current situation it is crucial to provide visibility to economic growth and a hasty tightening of monetary policies could have very negative effects for financial markets and therefore for the stability of the entire system. In fact, we must not forget that today equity represents by far the largest asset class within portfolios. We believe that these risks are clear in the eyes of those who will have to decide if/when to intervene. Our baseline scenario - which supports our positive view on equity markets - rests on the assumption that economic growth will remain robust also in 2022 (US real GDP + 4%, EU > + 4%) and real interest rates still negative, with fiscal policies that will remain accommodating and central banks very careful in planning future moves. The other risk factor not to be underestimated is the worrying increase in Covid cases and the new Omicron variant discovered in Africa. After the severe reaction that hit financial markets in conjunction with the announcement of the new discovery, the subsequent indications seem, however, to be much more comforting, given that the vaccines in circulation should be effective and the infection rate of the new variant does not make it particularly aggressive. Therefore, this new scenario could justify an acceleration in the vaccination campaign, with multiple positive effects both at a social level and for financial markets. The increase in Covid-19 cases will likely keep market volatility higher in the coming weeks and it remains a risk-factor to monitor, even if we consider it to be manageable.

Concerns stemming from the Omicron variant led to a violent, albeit brief, sell-off. This first immediate reaction was followed by a more prolonged derisking phase, probably also justified by the fact that we are approaching the end of the year. The most evident consequence was a generalized widening of most of the spreads related to holdings of the event-driven component of the portfolio (Unipol vs UnipolSai; Exor vs Stellantis, Ferrari and CNH), with also some consensus long-short targets that delivered very poor performance (Atlantia, Nexi, Banco BPM). Liquidity remains abundant, but the unexpected, albeit transitory for now, volatility-spike partially justifies a risk-off mood. We remain convinced that if real interest rates remain close to current levels - as long as global economic growth forecasts are met - portfolios will necessarily have to maintain an overexposure to equity (public and private), consequently accepting a volatility spike related to expected returns. The sectors most geared to the economic cycle (industrials and financials) should be those best positioned in this context, even if the PNRR Funds will leverage a strong acceleration in some areas (infrastructure, digitalisation, healthcare). And it should boost M&A in some market niches, fuelling speculative expectations for some companies potentially involved. This theme is obviously all the truer the more attention is paid to SMEs. Although KKR's recent expression of interest in Telecom Italia (see below for more details) confirms that these large players, with almost infinite firepower, are always looking for targets, preferably among companies characterized by harsh governance and/or management issues. During the month of November, Lyra's net exposure was slightly reduced and today stands close to 40%. As anticipated in the previous newsletter, PMs in fact considered appropriate to have room within the portfolio for new targets that have just landed on the public market. Indeed, the pipeline of new IPOs remains very rich, with some companies worthy of attention also because valuations are often consistent with our indications, incorporating significant IPO discounts.

STOCKS IN THE SPOTLIGHT

ATLANTIA (ATL IM): at the beginning of December, the shareholders' meeting approved a buyback plan up to a maximum of 125m shares, to be executed through purchases on the market or through a partial takeover bid. This amount represents > 15% of the outstanding shares and about 22% of the free float, considering that Edizione Holding (main shareholder, with a stake just above 30%) has declared that it will not participate in the proposed purchase program. We also expect other stable and long-term shareholders to decide not be diluted through the buyback. Given the size of this plan, in our opinion it is likely that it will be implemented through a partial takeover bid, which will therefore have to incorporate a premium vs market price to be considered attractive by minority shareholders. It is not unrealistic to assume that about 30% of tendered shares will be withdrawn. The company has already stated that those shares will subsequently be cancelled. Furthermore, in spring 2022 shareholders will receive a minimum dividend of €600m related to 2021 financial year (yield between 4.5% and 5.5%, depending on the fact that the buyback plan will have been completed. or less) and an upfront payment equal to €300m on 2022 profit (> 2% dividend yield) in late autumn. For 2023-24 the company confirmed that €600m per year will be distributed. Therefore, in three years, shareholders will be reimbursed at least 35% of today's equity value. The resolution of the shareholders' meeting and the prospective future dividends are in any case subject to the closing of ASPI disposal, which must necessarily materialize by March 2022. In this regard, the management is confident that it will take place at least 1 month in advance of the deadline. The disappointing performance of Atlantia could depend on the fact that likely investors currently associate risks with the closing of ASPI sale. On this issue, on the other hand, we feel very confident and therefore the cash-in (approximately € 8bn) expected by next spring should not be considered a hard-catalyst. On the ESG front, however, it is possible that Atlantia is currently considered “uninvestable”, given the well-known problems relating to the collapse of the Morandi Bridge (August 2018). In other words, the deconsolidation of ASPI would lead investors to consider Atlantia from a different angle, making the aforementioned remuneration plan much more attractive.

TELECOM ITALIA (TIT IM): On November 21st, TIM Board of Directors announced that it received a "non-binding" offer from KKR for a possible takeover bid on 100% of ordinary and saving shares and at an indicative price of Eur 0.505, with the aim of delisting. The "friendly" offer would be conditional on: 1) minimum participation of 51% of both ordinary and saving shares; 2) approval by BOD and management; 3) confirmatory due diligence; 4) institutional approval (Golden Power). The offer has generated divergent reactions: the Government has welcomed the interest of KKR, but will carefully follow any plan concerning the network; VIV (23.9% of the capital) would seem not to support KKR's offer, given that it has a book value for that is almost 2x vs the offered price; CDP (9.8%) would look with interest at the break-up of the network, to ease the merger with Open Fiber. The €10.9bn offer implies an EV / EBITDA 2021-2022 multiple of 5.7-5.3x, EV / (EBITDA-CAPEX) of 14-12x and Adj. PE 13-11x, above sell-side consensus. By separating TIM Brasil (66%, €3.5bn) and INWIT (15%, €1.6bn), the price offered would lead to a 50% re-rating for the domestic stub. KKR has invested €1.8 bn for 37.5% of FiberCop and the acquisition of TIM could facilitate the break-up of the Group's assets (in particular ServCo and NetCo) and accelerate plans on the single network with CDP. KKR could try to monetize the remaining assets (Inwit, Noovle, TIM Brasil). Assuming to finance the €10.9bn for 50-50% with equity and debt and valuing NetCo with a multiple in line with regulated businesses (10x EV / EBITDA) and ServCo 5x EV / EBITDA, sold the "other assets" at market price, KKR would achieve an IRR> 20%. The success of the proposed deal could go through an agreement with CDP + VIV about TIM governance, to provide strong guarantees on network ownership, investments and job protection. We remind that under Article 109 of the TUF it would seem plausible that VIV and CDP sign a shareholders’ agreement without incurring in the obligations of a public tender offer, thus creating a blocking minority (33.7%) that cannot be beaten by KKR. The domestic press has repeatedly reported the hypothesis of an alternative consortium, urged by Vivendi, that could promote a counter-offer. Given the generous IRR of the investment, this scenario would be plausible, even if it would require the institutional approval.

UNICREDIT (UCG IM): on December 9, new CEO (Andrea Orcel) unveiled the new 2022-24 strategic plan. The main topic is the target to remunerate shareholders with €16bn (62% of market cap) in four years as a mix of cash dividends and share buybacks, starting with EUR3.7bn in 2022 (14% of market cap) and a similar amount in 2023. Meanwhile, FY24 profit target of > €4.5bn (c.10% ROTE) is c.20% above consensus. The targeted CET1 ratio fully loaded is 12.5-13%. The net profit target (net of coupons on AT1 and cashes) is in excess of €4.5bn in 2024 (10% ROTE). In 2022 the net profit target is €3.3bn, hence c. €3.8bn as reported, well above our and consensus' €3.4bn estimate. And it’s also important to underline that those targets do not depend solely on higher revenue growth, but also on further absolute reduction in costs. Revenues CAGR is projected at +2% with net fees playing a relevant role (from 38% to 40% of revenues), on top of €1.5bn gross cost saving (€0.5bn absolute cost reduction), net of €0.6 bn investments (Digital & Data and Business) and of €0.5bn inflation, by 2024. Gross NPE ratio expected to improve close to 3.5% and net NPE ratio likely to remain stable at some 1.8% in 2024. We expected initial reaction to be positive, given undemanding valuation at <0.5x P/TNAV 2021 and ample room for a significant rerating for the bank. About M&A, Orcel confirmed that an acquisition could happen in Italy to accelerate growth and that the bank wants to select 2-3 insurance partners for the Group out of the current five. In our opinion, MPS and Banco BPM remain the only 2 targets in the event of an aggregation. After the recent and unexpected interruption of negotiations with the Draghi government with reference to the announced possible aggregation with MPS, we consider unlikely any negotiation to restart in the next future. The road that leads to Banco BPM is much more viable, especially considering that CEO Castagna has been looking for a combination for some time. We confirm that in our opinion the deal would have a strong strategic rationale, even without considering cost-synergies that anyway would be welcomed. The new plan makes UCG closer to ISP with a strong organic capital generation and materially increased and growing shareholder remuneration.

ARTEMIDE - FUND DATA

TOP 5 "LONGS"	sector	% AUM
Atlantia	infrastructure	6,2%
Exor	holding	5,8%
Unipol	holding	4,4%
Unicredit	bank	4,4%
Banco BPM	bank	3,4%

TOP 5 "SHORTS"	sector	% AUM
FTSEMIB Index	future	-30,6%
Euro Stoxx 50 Index	future	-5,3%
Euro Stoxx Insurance	future	-2,5%
Company1	insurance	-1,9%
Company2	insurance	-1,8%

"BEST"	sector	%
FTSEMIB Index (short)	future	0,9%
Euro Stoxx Index (short)	future	0,3%
Euro Stoxx Ins. (short)	future	0,3%
Moncler (short)	luxury	0,1%
Inwit	infrastructure	0,1%

"WORST"	sector	%
Exor	holding	-0,4%
Unipol	holding	-0,3%
Euro Stoxx banks	future	-0,3%
Nexi	financial services	-0,2%
Anima	asset gatherers	-0,2%

	Longs	Shorts	Gross exp.	Net exp.	Total
Exposure (% on NAV)	66%	-44%	110%	7%	-
Number of holdings	25	9	-	-	34

ARTEMIDE - MONTHLY PERFORMANCE HISTORY

NAV (as of November 30, 2021) : 135,71

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%	1,73%	1,30%	**2,30%**
2021	-0,91%	4,40%	-0,34%	0,33%	2,08%	0,33%	0,13%	-0,30%	1,25%	-1,52%	-1,11%		**4,26%**

(*) 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
35,7%	Total cumulative return	25,9%
-1,3%	6-month rolling performance	2,6%
2,8%	Compound annual return	2,1%
59,7%	% "up" months:	55,2%
40,3%	% "down" months:	44,4%
4,2%	1-year rolling volatility (daily)	15,9%

LYRA - FUND DATA

TOP 5 "LONGS"	sector	% AUM
Aquafil	textile	7,8%
Salcef	industrial	6,0%
Seri	electrical components	4,2%
Inpost	services	3,6%
Luve	industrial	3,3%

TOP 5 "SHORTS"	sector	% AUM
FTSEMIB Index	future	-17,1%
Euro Stoxx 50 Index	future	-9,4%
Company1	renewables	-3,9%
Company2	IT servicer	-2,8%
Company3	industrial	-2,6%

"BEST"	sector	%
FTSEMIB Index (short)	future	0,6%
Medica	healthcare	0,5%
Salcef	industrial	0,5%
Euro Stoxx Index (short)	future	0,4%
Company3 (short)	industrial	0,4%

"WORST"	sector	%
Inpost	services	-0,8%
Fila	consumer	-0,6%
Company1 (short)	renewables	-0,5%
Aquafil	textile	-0,4%
GVS	industrial	-0,3%

	Longs	Shorts	Gross exp.	Net exp.	Total
Exposure (% on NAV)	101%	-60%	161%	39%	-
Number of holdings	45	18	-	-	63

LYRA - MONTHLY PERFORMANCE HISTORY

NAV (as of November 30, 2021) : 160,38

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%	6,90%	4,07%	**9,16%**
2021	0,33%	4,38%	1,34%	3,66%	4,65%	2,29%	1,41%	1,26%	-0,86%	3,35%	-2,55%		**20,76%**

LYRA	HISTORICAL PERFORMANCE (since March 2014)	Benchmark
60,4%	Total cumulative return	33,2%
4,9%	6-month rolling performance	0,2%
6,3%	Compound annual return	3,8%
60,2%	% "up" months:	57,0%
39,8%	% "down" months:	43,0%
8,8%	1-year rolling volatility (daily)	6,2%

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 (€) *:*	61,000,000 (as of November 2021)	47,000,000 (as of November 2021)
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