



## Investor Newsletter, April 2022

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 Finla 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

Global equity markets performed negatively in April (Global Equities -6%, YTD -11%), mostly due to fears of a deep slowdown in global economic growth, triggered by the increase in prices of energy and raw materials, the Russia-Ukraine conflict and the unexpected new lockdowns in China. US even reported a worse performance, with the S&P500 declining around -5% and the Nasdaq almost -9% after a bad reaction to the results reported by some tech giants. We believe that the most important headwind is still represented by the change in global monetary policy led by US. About FED, the market is already pricing 11 rate hikes this year, but it is increasingly factoring in a reversal in 2023 because of the new macro-context. The ECB is also increasingly expected to hike rates, as core inflation is almost close to 4% in the eurozone. The Ukraine war seems likely to drag on for longer than initially expected. We still do not consider escalation as a base-case scenario (even if tones of the statements released by Russian government are increasingly worrying), but a prolonged conflict could significantly dent the outlook for economic growth. Markets are already factoring-in significant interest rate hikes and pressure on fixed income could therefore ease, at least in the short term. We are in a phase of paradigm shift for central banks, combined with a geopolitical context that continues to prove extremely complex (in addition to the Russia-Ukraine conflict, the growing tension between China-USA), and this increases in our view the downside risks. It has become essential for central banks to fight inflation, with the markets already pricing in sharp rate hikes at this point, a potentially supportive element for equities. Our idea is that central banks do not want to stop the economic growth hardly re-established after the exit of the pandemic. There could be some steep market rebounds in the event of reduced geopolitical tension and/or indications from Central Banks that provide some relief. Our base-case scenario is that the Russia-Ukraine conflict will slow global economic growth in the short term and keep inflation at high levels for several months. The risk profile is continuing to rise, especially for the EU, given this area's greater exposure to inflationary pressures. We remain convinced that stagflationary pressure represents a significant threat for risky assets, and investors are underestimating this outcome.

The Italian market gave up around 3% in April in another volatile month, with YTD performance @ -12%. Utilities were among the best performers, as investors are looking for low-beta exposure. Italian macro environment worsened, with preliminary 1Q GDP at -0.2% QoQ, confirming that stagflation is putting economic growth under pressure. For FY22 estimates has been further cut, now converging to +2% (vs +3.5% just a couple of months ago). Italy and Germany are the 2 countries most exposed to the consequences of the Russia-Ukraine conflict. We have significantly reduced our estimates for various sectors (banks, industrials and retailers above all), while continuing to adjust expectations upwards for most of energy stocks. As of today, the Italian market remains cheap, trading just above 10x 2022 P/E. About 1Q earnings season, the better-than-expected results so far have not translated into significant stock rebounds, as the outlook for FY22 looks increasingly uncertain. Specifically, reassuring indications on pricing power curbing the negative impact of higher input costs will be crucial for some cyclical targets. Dividends to be paid in 2Q will be generous, and in some cases (Enel and ENI) could represent a floor, thus justifying overperformance in a bear market. The war is still likely to significantly weigh on growth this year, with anaemic consumption growth, slowing investment growth and slowing net exports. A ban on Russian gas remains an important downside risk to economists' forecasts, mainly in Europe. Inflation pressures continue to surprise to the upside and likely ECB will target first 25bp rate hike already in July, followed by rate rises in September and December. President Macron was re-elected in the run-off election against far-right candidate Marine Le Pen, and that's definitively positive for Europe, as it cannot afford to intensify nationalist pressures now, given the common battle it is fighting against Russian interference. As regards our Funds' positioning, we continue to maintain a very prudent approach and consequently net exposure remains well below historical data (slightly negative for Artemide and < 20% for Lyra). We'd be happy to walk away from here, but the outlook would need to improve significantly. And that's something we do not see in the next future, unfortunately.

## STOCKS IN THE SPOTLIGHT

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**ATLANTIA (ATL IM):** in line with guidelines, on May 5th Atlantia announced that it had completed the sale of the entire stake held in ASPI (88.06% of the share capital) in favour of the Consortium consisting of CDP Equity (51%), Blackstone Infrastructure Partners (24.5%) and Macquarie Asset Management (24.5%). Atlantia received a total sale consideration equal to €8.2bn, including the ticking fee accrued and net of minor price adjustments recognised under the terms of the sale agreement. Positive news for Atlantia as the closing of the sale of the entire stake held in ASPI was one of the conditions precedents to the validity of the tender offer, for which the offer document was filed with Consob at the beginning of May. The authorization process, which also involves Bank of Italy for the indirect acquisition of a controlling interest in Telepass could last up to 3 months. The Italian Government may also have a say on the acquisition of Aeroporti di Roma (ADR). We'd expect the takeover bid to start somewhere in August and to be completed by the end of September. We consider the cash-bid to be very safe and disagree with the street, that is worried because of the MAC wording about Russia-Ukraine conflict. We remind investors that the €23 per share offered by BidCo is ex-dividend (€0,74 per share, to be paid on May 23). Indeed, the stock keeps trading at 4% discount (almost 10% annualized return). On the other side, it's true that a counterbid by ACS&Co can definitively be excluded as of today. We consider more likely that when the company is private, a negotiation considering the disposal of 50%+1 of Abertis will start, as that's the asset considered strategic by Florentino Perez. A bump can almost be excluded too. The price that BidCo is offering is fair (and above sell-side analysts' target prices), considering that Edizione already owns more than 30% of Atlantia. On top of it, the outlook for equity markets is rapidly worsening, and this certainly represents a deterrent with reference to an improvement of the initial offer. To summarize, game is over, in our view.

**ITALMOBILIARE (ITM IM):** ITM is a listed company controlled by the Pesenti family which in 2016, following Italcementi disposal, became a holding company targeting investments in Italian SMEs operating in resilient sectors. The goal is to create a diversified portfolio of targets in the industrial, services and consumption sectors, with a flexible and long-term approach. The NAV (€2.1bn) is split as follows: 65% portfolio company, 15% cash, 9% private equity, 8% real estate, 3% listed company (0.2% of MB's capital and 0.3% of Heidelberg). Core assets in the portfolio are: 1) Caffè Borbone (30% of NAV), producer and distributor of coffee in compostable pods and compatible capsules. In FY21 sales +15% YoY at €253m, 32.9% EBITDA margin (equal to €83m) and very high FCF (€48m), despite the sharp spike in coffee price. 2) Tecnica (15% of NAV), leader in outdoor footwear and ski equipment, thanks to historical brands in the sector (Tecnica, Nordica, Moon Boot®, LOWA, Blizzard and Rollerblade). In FY22, the solid order book should guarantee revenues up +15% YoY and EBITDA up +28% YoY. 3) SM Novella (9% of NAV): active in the production and distribution of luxury cosmetics. It almost returned to pre-pandemic sales, with an > 27% EBITDA margin (€8.2m). New openings and strengthening of the business abroad should ensure good visibility for further growth. Minor investments include Italgel, which operates in Italy as a producer and distributor of electricity from 100% renewable sources; Casa della Salute, which is a network of specialist outpatient clinics; Capitelli, active in the production and sale of artisanal cooked and smoked cured meats; AGN Energia, a distributor of LPG throughout the national territory; Clessidra, one of the main operators in the Italian private equity market. Since 2016, the total return of the PS NAV has been above 70%, thanks to the disposal of listed shareholdings, Caffè Borbone strong performance and Tecnica relaunch. The NAV discount remains very high (> 40%), probably due to the lack of a solid track record of a successful full investment cycle. Given the overperformance of ITM's main assets and considering that Tecnica IPO is under discussion, this discount should converge close to 20%.

**ENCE ENERGIA Y CELULOSA (ENC SM):** ENCE operates in the field of eucalyptus pulp and is leader in renewable energy generation from biomass in Spain. Ence is firmly committed to respecting the environment (no chlorine compound is used in the process, but hydrogen peroxide as a bleaching agent) and developing a circular economy, based on maximum reuse of resources to take care of the natural environment. It is an ESG leader with the highest Sustainability score in the pulp and paper sector globally. Ence is the leading company in Europe in eucalyptus pulp production (over 1m tonnes a year, 12% market share), with a high penetration in the tissue paper segment, which is the one with the highest growth rate, accounting for ~60% of ENCE sales, as well as in the segment of special qualities (~30%). Ence also generates renewable energy with low emission agricultural and forestry biomass. The recently announced Iberian government interventions in the electricity markets has de-risked this unit: electricity prices would be capped at EUR160-170/MWh for the next 12 months, with a positive net impact on 2022 FCF. Legal issues around one of its two pulp mills have led to a significantly depressed valuation. Indeed, the land concession issue in Pontevedra (~33% of the adj. pulp EBITDA, and ~25% of group's) puts Ence's pulp mill at risk of being closed. However, in March 2022 Ence presented its strategic roadmap, with attractive alternatives depending on the outcome of the Supreme Court on the case, able to offset the potential EBITDA loss. Ence plans to invest EUR105m in the pulp division in 2022-24E, aimed at diversifying towards higher value-added pulps, and EUR230m in two energy biomass plants in 2024-26E (140MW). Ence maintains a projects pipeline to develop 373MW photovoltaics (for sale) and another 300MW in more initial phases and is also analysing several options to store energy. Out of a market capitalization of ~EUR850m, the company expects to generate a cumulated FCF of EUR725m in 2022-27E, before the EUR335m expansion capex. If Pontevedra's plant is finally closed, such FCF should be reduced by EUR200m (however, a potential compensation for the EUR130m capex invested in the plant since the extension of the concession was granted). The stock trades at ~6x EV/Ebitda, ~8% Dividend Yield (100% payout) and > 10% Free Cash Flow Yield.

## ARTEMIDE - FUND DATA

TOP 5 "LONGS"			TOP 5 "SHORTS"		
	sector	% AUM		sector	% AUM
Atlantia	infrastructure	7,0%	FTSEMIB Index	future	-34,4%
Unipol	holding	5,3%	Euro Stoxx 50 Index	future	-13,1%
ENI	oil&gas	3,5%	Company1	insurance	-8,7%
Exor	holding	3,5%	Euro Stoxx Insurance	future	-2,8%
Mediaset Espana	media	2,4%	Company2	insurance	-2,2%
"BEST"			"WORST"		
	sector	%		sector	%
Atlantia	infrastructure	0,8%	Telecom Italia saving	telecom	-0,4%
Company1 (short)	insurance	0,6%	Aquafil	textile	-0,2%
Autogrill	food&beverage	0,3%	Mediaset Espana	media	-0,2%
Anima	asset gatherer	0,3%	Exor	holding	-0,1%
Unipol	holding	0,2%	Unicredit	bank	-0,1%

	Longs	Shorts	Gross exp.	Net exp.	Total
Exposure (% on NAV)	74%	-63%	137%	-7%	-
Number of holdings	28	10	-	-	38

## ARTEMIDE - MONTHLY PERFORMANCE HISTORY

NAV (as of April 29, 2022) : 136,07

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%	-0,29%	3,96%
2022	-0,77%	0,72%	-0,80%	1,42%									0,56%

(\*) 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
36,1%	Total cumulative return	17,9%
-0,9%	6-month rolling performance	-5,3%
2,7%	Compound annual return	1,4%
59,0%	% "up" months:	54,0%
41,0%	% "down" months:	46,0%
3,7%	1-year rolling volatility (daily)	22,1%

## LYRA - FUND DATA

TOP 5 "LONGS"	sector	% AUM	TOP 5 "SHORTS"	sector	% AUM
Aquafil	textile	6,0%	FTSEMIB Index	future	-9,9%
Ence Energia&Celulosa	energy	4,6%	Euro Stoxx 50 Index	future	-9,7%
Carrefour SA	consumer staples	4,2%	Company1	industrial	-3,3%
Repsol SA	oil&gas	3,3%	Company2	tyre	-2,8%
Carel	industrial	3,2%	Company3	automotive	-2,7%

"BEST"	sector	%	"WORST"	sector	%
Repsol SA	oil&gas	0,7%	Company1 (short)	industrial	-0,6%
Ence Energia&Celulosa	energy	0,5%	Aquafil	textile	-0,5%
Company4 (short)	retail	0,5%	Seri	industrial	-0,4%
Company5 (short)	industrial	0,4%	Company7 (short)	consumer staples	-0,3%
Company6 (short)	IT servicer	0,4%	Befisa	industrial	-0,2%

	Longs	Shorts	Gross exp.	Net exp.	Total
Exposure (% on NAV)	77%	-62%	139%	14%	-
Number of holdings	43	27	-	-	70

## LYRA - MONTHLY PERFORMANCE HISTORY

NAV (as of April 29, 2022) : 159,09

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%	1,90%	23,06%
2022	-3,95%	-0,63%	1,13%	0,84%									-2,66%

LYRA	HISTORICAL PERFORMANCE (since March 2014)	Benchmark
59,1%	Total cumulative return	28,4%
-3,3%	6-month rolling performance	-5,6%
5,9%	Compound annual return	3,1%
60,2%	% "up" months:	56,1%
39,8%	% "down" months:	43,9%
8,9%	1-year rolling volatility (daily)	9,5%

## FUNDS MAIN FEATURES

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	<b>ARTEMIDE</b>	<b>LYRA</b>
<b>Name:</b>	Multilabel SICAV - Artemide	Multilabel SICAV - Lyra
<b>Inception :</b>	October 2010	March 2014
<b>Isin Code :</b>	LU0515666294 (retail); LU0515666377 (institutional)	LU1012189707 (retail); LU1012189889 (institutional)
<b>Bloomberg :</b>	JBMARBE LX (retail); JBMARCE LX (institutional)	LYRABEU LX (retail); LYRACEU LX (institutional)
<b>AUM (€) :</b>	58,000,000 (as of April 2022)	43,000,000 (as of April 2022)
<b>Strategy :</b>	Equity, Market-Neutral&Multi-Strategy	Equity, European small cap
<b>Liquidity :</b>	Daily	Daily
<b>Lock-up :</b>	None	None
<b>Notice period:</b>	1 business day	6 business days
<b>Management fees :</b>	1.5% per year (retail); 1.0% per year (institutional)	2.0% per year (retail); 1.5% per year (institutional)
<b>Performance fees :</b>	10%	15%
<b>Hurdle rate</b>	Eonia	25% FTSE Italia Mid Cap Index 25% MSCI Small Cap Index 50% Eonia
<b>High watermark :</b>	Yearly	Yearly
<b>Minimum investment (€):</b>	25,000 (retail); 250,000 (institutional)	na (retail); 100,000 (institutional)
<b>Currency :</b>	Euro	Euro
<b>Administrator :</b>	State Street Bank (Luxembourg)	State Street Bank (Luxembourg)
<b>Custodian :</b>	State Street Bank (Luxembourg)	State Street Bank (Luxembourg)
<b>Auditors :</b>	PriceWaterHouseCoopers	PriceWaterHouseCoopers
<b>Investment Manager :</b>	MOMentum Alternative Investments SA Via Delle Scuole 3 6900, Paradiso (CH) Phone: + 41 91 960 19 00 Fax: + 41 91 960 19 01 <a href="mailto:info@mominvest.com">Email: info@mominvest.com</a>	MOMentum Alternative Investments SA Via Delle Scuole 3 Paradiso (CH) 6900, Phone: + 41 91 960 19 00 Fax: + 41 91 960 19 01 <a href="mailto:info@mominvest.com">Email: info@mominvest.com</a>

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