MOMentum
ALTERNATIVE INVESTMENTS SA

Investor Newsletter, September 2024

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

Global equities were slightly down in September, despite the booster from the FED's aggressive rate cut (50bp vs 25bp expected) and China's huge liquidity actions. Financial markets cheered the cut in interest rates by both the FED and the ECB and the comprehensive liquidity actions implemented by China to boost confidence, but at the same time some pain came through poor outlook published by a few companies, mainly in cyclical sectors. China stimuli provide relief for global growth after weaker momentum into the summer, while faster global central bank cutting cycles should help to stabilize risky assets. The macroeconomic framework does not show significant changes compared to the previous quarter and, as far as Europe is concerned, it remains characterized by limited growth. In recent months, a broad weakening of economic growth indicators has been observed, which likely will drive to a mild slowdown in the first half of next year. The recent weakness for brent is good news for inflation, leaving room for further declines in interest rates. European PMIs were broadly weaker and Euro area inflation was lower. Soft landing for both US and Europe economies on one side and inflation-data increasingly close to central banks' targets on the other, continue to represent the base-case scenario for most investors. In Europe, GDP in the third quarter is expected to be mildly positive (+0.8% YoY), penalized on the one hand by the harsh slowdown underway in some regions (Germany) and on the other by some sectors' weakness (automotive, consumer discretionary). We cannot exclude that macro-data will slightly improve in the next months, supported by monetary easing policies and measures such as those recently announced in China. Finally, it is worth noting the (for now) modest repricing for volatility, which could mean that Investors are facing some doubts about the sustainability of the never-ending run for global equity markets.

This month, investors will focus on implications from the upcoming US presidential elections as well as the evolution of Ukraine and Middle East conflicts. In this regard, we continue to be concerned about what is happening in the Middle East, as we foresee the concrete risk that recent events could drive to an escalation of the ongoing conflict, involving other neighbouring countries. In our view, earnings momentum is weak, especially for cyclical stocks, with further negative estimates revisions expected for sectors such as autos, energy and some consumers. Meaning that it is still preferable to focus on resilient sectors and targets that would benefit from declining interest rates. Our baseline scenario points to a soft landing in Europe, despite signs of a slowdown are very clear, and inflation that declines and converges towards the ECB target (2%). With central banks that, considering current level for interest rates, have ample room to get soon more accommodating, if it's necessary. In the financial sector, the move on Commerzbank by UniCredit represents an attempt to accelerate the creation of a new pan-European financial institution. We think the outcome of this potential integration could be pivotal for accelerating the consolidation process, with various potential new deals on the table. Despite this process likely will take time, we are convinced that more deals should come, with the main headwind being the unsupportive political landscape. It could also trigger domestic M&A, where Banco BPM and Monte Dei Paschi are the only 2 targets still available. Lastly, about the Italian market, we remind that the Government just started to discuss the new Budget Law. We see the concrete risk that Meloni-boys could ask companies/sectors that have benefited most from the context where they have operated in recent years (financials) for a one-off contribution. In any case, these should not be significant amounts and, therefore, would mildly hit the market cap for those unfortunate targets.

STOCKS IN THE SPOTLIGHT

TELECOM ITALIA (TIT IM): having definitively put NetCo disposal behind, management is now focused on the execution of the Industrial Plan. In the meantime, as anticipated, Inwit stake (3%, worth €250m) has been divested and last week Treasury and Asterion presented a new bid for Sparkle (EV close to €700m). We remind that €7.5bn NFP target at the end of 2024 does not consider extraordinary items. In this regard, the reimbursement of the concession fees should go through an extrajudicial agreement with the Italian Government. It is therefore likely that FY2024 (or at the latest FY2025) results will be impacted by a few positive items. The Italian government is firmly committed to incentivizing the merger between NetCo and Open Fiber, having realized that negative returns on investments and the consequent accumulated delays, put at risk a nationwide-network target. Wasting part of the PNRR funds dedicated to this infrastructure. The company will have to decide how to manage the huge amount of cash that will presumably be collected in the next two years, and that could exceed €3bn (almost 50% of the Group's market cap). Considering the generous remuneration guaranteed by the bylaw to saving shareholders, we share the idea expressed several times by the CEO (Pietro Labriola) to simplify the Group's capital structure. The proposal to convert saving shares into ordinary could sound too expensive, considering that 3Y cumulative dividend (8.25ct) is almost equal to 30% savings' market cap. It would be very reasonable for TIT to approve a buyback plan (close to 20% of capital) and execute it through a voluntary cah-offer for saving shares. In our opinion, it would be the most profitable way to invest part of the liquidity that the Group will soon cash-in. Conversely, the proposal for a mandatory conversion would unlikely be approved by the Special saving-shareholders Meeting, who are aware of the protection offered by the bylaw. Unless TIT is willing to propose very favourable terms (cash component > 10ct), fostering discontent among ordinary shareholders (Vivendi, 23.5%). This move would sterilize improvements in governance achieved in recent months. Lastly, the Regulator has finally shown a much more accommodating attitude towards telecom operators in Europe, having agreed that negative returns achieved through investing private money are not sustainable. This could also trigget M&A.

RAI WAI (RWAY IM): Rai Way (RWAY) is an infrastructure company that manages 2,300 broadcasting towers, to provide all services needed by RAI for TV and radio broadcasting. After the privatization, Raiway began to provide its services to third-parties, TLC operators and public administrations. The MSA with Rai is now worth above 85% of the group's revenues and provides for a CPI+ adjustment (+3% CAGR 2019-2023). RWAY guarantees an excellent FCF conversion (average FCF 2019-2023 €90 ml or >35% of sales); the 2024-27 industrial plan provides €100m CAPEX for the development of traditional activities, ensuring 3,5% EBITDA growth. In addition, €140m of capex is planned to finance revenue diversification (CDN, edge data centers and hyperscale data centres), targeting to generate €15m of additional EBITDA. Raiway's capital structure is currently inefficient (D/EBITDAaL equal to 0.4x) and the company is trying to scout a deal that would make sense from both an industrial and a financial point of view: the consolidation of the domestic broadcasting infrastructure through the integration with EiTower, the second national operator (F2i 60% and MFE-Mediaset 40%). At the beginning of 2024, MEF established that RAI (65% of Rai Way) can be diluted up to 30% of RWAY only if the deal is "*functional to aggregations between entities in the same sector*". Consequently, the way has finally been opened for an integration with Ei Towers. That merger should generate almost €30m cost-synergies (one-off costs €60m) and above all should allow Rai Way to optimize its leverage through the payment of an extraordinary dividend. That, according to analysts' estimates, would be > €1 per share (20% of the market cap). RAI could dispose a further 15% of RWAY to finance its industrial plan, while maintaining >30%. We think that negotiations could begin only after the renewal of RAI board of directors, that happened last weeks. As of today, it still requires ratification by the parliamentary commission. According to analysts' estimates, RWAY+EiTower would have a D/EBITDAaL of 3.4x, a RFCF close to €200m, which would allow the combined-entity to distribute rewarding dividends, with room for investments in data centres.

RENTOKIL (RTO LN): last month Rentokil (RTO) announced a trading update, downgrading its FY24 guidance to an adjusted PBT of £700 million, which was approximately 10% below consensus. The stock plunged by more than 20%. RTO said it invested in operating expenses (people and materials), anticipating an spike in growth. But it did not happen, resulting in a net profit reduction. Breaking down the profit warning (approximately £50m), around £20m is due to negative operating leverage, £5m or more is attributed to materials/consumables (which may reverse next year), and the balance comes from overestimating the labour resources required. The current valuation is cheap and has the potential to be re-rated significantly. Trading on 15x FY25 P/E (its close peer and competitor, the US Rollins, is > 40x), forward-looking investors may find the risk-reward ratio very attractive. Valuation is undemanding (˜30% discount to mid-cycle EV/EBITDA and P/E multiples, and one third of Rollins' multiples). This has attracted interest from activist investors (Trian has acquired a 2.3% stake and appointed a board member) and fuelled speculation (press reported that a few private equity firms were working on a takeover). In the meantime, the market will focus on execution. RTO is a high-quality stock, targeting a normalized 20% EBITDA margin and 80-90% cash conversion. It is the global leader in the defensive and GDP-resilient Pest Control market, that offers attractive through-the-cycle characteristics, with close to 5% annual growth. Following Terminix transformational acquisition —which increased its Net Debt-to-EBITDA ratio just below 3x—RTO became the largest player in the US. Pest Control is the main source of revenue, accounting for 80% of Group revenue and operating profit. Hygiene & Wellbeing makes up around 15% of revenue, and French Workwear represents the remaining 5%. Terminix acquisition is an opportunity to boost margins, by leveraging higher route-density synergies and potential revenue growth. The deal provides greater scale compared to RTO's standalone operation. This is expected to drive sustainably higher margins in the medium term through improved route network density. However, the main risks to the equity story revolve around Terminix integration (complex re-branding and branch optimization) and the successful delivery of previously announced operational synergies.

ARTEMIDE - FUND DATA

TOP 5 "LONGS"	sector	% AUM
Telecom Italia saving	telecom	7,2%
Rai Way	infrastructure	4,9%
Nexi	financial services	2,6%
Azimut	asset gatherer	2,4%
ERG	renewables	2,3%

TOP 5 "SHORTS"	sector	% AUM
FTSEMIB Index	future	-13,5%
Euro Stoxx 50 Index	future	-7,8%
company1	defense	-2,9%
company2	asset gatherers	-2,5%
company3	automotive	-2,0%

"BEST"	sector	%
Telecom Italia saving	telecom	0,7%
Euro Stoxx 50 (hedging)	future	0,2%
Rai Way	infrastructure	0,2%
FTSEMIB Index (hedging)	future	0,2%
Anima	asset gatherer	0,1%

"WORST"	sector	%
company1 (short)	defense	-0,4%
company4 (short)	financial	-0,1%
company2 (short)	asset gatherers	-0,1%
company5 (short)	financial	-0,1%
Nexi	financial services	-0,1%

	Longs	Shorts	Gross exp.	Net exp.	Total
Exposure (% on NAV)	70%	-35%	105%	-5%	-
Number of holdings	22	9	-	-	31

ARTEMIDE - MONTHLY PERFORMANCE HISTORY

NAV (as of September 30, 2024):145,67

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%	-0,51%	-0,73%	-1,64%	0,58%	-0,23%	-0,26%	-0,14%	0,36%	**-2,00%**
2023	2,88%	-0,41%	-0,51%	1,83%	1,10%	-0,05%	1,44%	-0,40%	-0,70%	-0,85%	1,03%	1,54%	**7,03%**
2024	-0,66%	-0,33%	-0,21%	0,39%	1,95%	-1,06%	-0,43%	2,64%	0,38%				**2,64%**

(*) 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
45,7%	Total cumulative return	66,4%
3,9%	6-month rolling performance	-1,8%
2,7%	Compound annual return	3,7%
56,0%	% "up" months:	54,2%
44,0%	% "down" months:	45,8%
4,2%	1-year rolling volatility (daily)	13,8%

LYRA - FUND DATA

TOP 5 "LONGS"	sector	% AUM
Rexel SA	industrial	6,0%
Spie SA	services	6,0%
Acea	utilities	5,8%
BIC	consumer discretionary	5,3%
GVS	industrial	5,2%

TOP 5 "SHORTS"	sector	% AUM
FTSEMIB Index	future	-16,8%
Euro Stoxx 50 Index	future	-14,2%
Company1	food&beverage	-2,8%
Company2	chemical	-2,2%
Company3	industrial	-1,9%

"BEST"	sector	%
Rexel SA	industrial	0,7%
FTSEMIB Index (hedging)	future	0,4%
Euro Stoxx 50 (hedging)	future	0,3%
GVS	industrial	0,3%
Acea	utilities	0,3%

"WORST"	sector	%
Rentokil PLC	industrial	-1,0%
Aquafil	textile	-0,5%
Centrica PLC	utilities	-0,4%
Spie SA	services	-0,3%
Company4 (short)	renewables	-0,3%

	Longs	Shorts	Gross exp.	Net exp.	Total
Exposure (% on NAV)	97%	-52%	149%	45%	-
Number of holdings	35	21	-	-	56

LYRA - MONTHLY PERFORMANCE HISTORY

NAV (as of September 30, 2024):139,32

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%	-2,33%	-0,87%	-0,43%	0,46%	-1,53%	0,22%	-2,28%	0,54%	**-8,60%**
2023	2,22%	1,74%	1,06%	-0,35%	-0,04%	-0,28%	-1,92%	-2,25%	-4,41%	-5,82%	4,06%	3,11%	**-3,31%**
2024	-2,19%	-2,58%	3,64%	1,33%	3,54%	-3,34%	0,11%	-1,21%	-2,60%				**-3,53%**

LYRA	HISTORICAL PERFORMANCE (since March 2014)	Benchmark
39,3%	Total cumulative return	38,7%
-2,3%	6-month rolling performance	1,4%
3,2%	Compound annual return	3,1%
55,9%	% "up" months:	55,9%
44,1%	% "down" months:	44,1%
9,1%	1-year rolling volatility (daily)	6,6%

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 (€)** :*	43,000,000 (as of September 2024)	35,000,000 (as of September 2024)
***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** :*	1.75% per year (retail); 1.25% per year (institutional)	2.5% per year (retail); 2.0% per year (institutional)
***Performance fees** :*	None	None
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