



Bayes Investments

Q1 2020

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The Made in Italy Fund

- The **Made in Italy Fund (MIF)** invests primarily in publicly quoted Italian companies with a market capitalisation below one billion euro.
- The Fund's objective is to obtain a positive return above market indices.
- The Fund normally holds around 30 stocks, selected across all sectors on the basis of a rigorous Value Investing approach.
- The Fund uses no leverage, has no short positions and will only use futures and option contracts for the purpose of hedging market risk.

Legal information

Fund Advisor	: Bayes Investments Limited
Domicile	: Luxembourg
Legal entity	: Sub-fund of Atomo Sicav, incorporated under the Law of December 2010
Investment Manager and Management Company	: Casa4Funds SA, Luxembourg
Custodian	: Banque de Luxembourg
Administrator and Transfer Agent	: European Fund Administration SA, Luxembourg
Auditor	: Deloitte Luxembourg
Liquidity	: Daily
Currency	: EUR
Inception date	: May 2016

Casa4Funds SA

- A Luxembourg-based independent authorised UCITS Management Company and AIFM, providing Governance, Compliance, Operations Oversight and Fund Operations Monitoring, Investment Management Monitoring and Risk Management.
- 2.7 billion euro Assets Under Management, 32 clients, 25 Funds, 78 Sub-Funds, 35 professionals, 2 offices in Luxembourg and Lugano.
- Casa4Funds is controlled by Banor Capital Ltd. The Management team holds 1/8 of the capital.

Massimo Fuggetta

Founder and Chief Investment Officer

Massimo started his career as a portfolio manager in 1988 at **JP Morgan Investment Management** in London, where he rose to become Head of the Global Balanced Group, with overall responsibility for international balanced portfolios. In 1999 he left JPMIM to become Chief Investment Officer and Director General at **Sanpaolo IMI Asset Management** in Milan, where in 2000 he became Chief Executive Officer. He left the company in 2001 to start **Horatius**, which was incorporated in 2004 as an advisory company and in 2007 became an asset management company. He was a founding shareholder, a Board member and the CIO of Horatius. In 2012 Massimo left Horatius and went back to London, where in 2014 he founded Bayes Investments.

Massimo graduated in Economics at **LUISS**, Rome and holds a Master's Degree (M.Phil.) and a Doctorate (D.Phil.) in Economics from the **University of Oxford**. Massimo also taught Behavioural Finance in the Master in Economics course at Bocconi University in Milan and served in the Editorial Board of the *Financial Analyst Journal*.

In 2012, Massimo started the **Bayes blog** at www.massimofuggetta.com, which has acquired popularity in the Value Investing community.



The Made in Italy Fund: Rationale

- The Italian stock market is small compared to the economy and still largely neglected by international investors.
- Italy-focused funds are scarce and almost exclusively concentrated on a small number of large companies, comprising 3/4 of the Italian index.
- Domestic institutional investors are index-driven, opportunistic and short-term oriented. Stable institutional shareholding of Italian smaller companies is largely confined to a few non-domestic investors.

The Made in Italy Fund: Rationale

	All Shares			Small Caps		
	Number of companies	Market cap (m)	% Weight	Number of companies	Market cap (m)	% Weight
4800 Finance	71	179,947	28%	52	10,654	24%
4700 Utilities	23	140,680	22%	13	1,982	4%
2100 Energy Minerals	3	50,295	8%	1	103	0%
2400 Consumer Non-Durables	24	29,676	5%	19	2,392	5%
4600 Transportation	10	39,807	6%	6	1,436	3%
4900 Communications	7	13,623	2%	5	445	1%
1200 Producer Manufacturing	39	23,755	4%	33	6,029	14%
1400 Consumer Durables	25	60,932	10%	20	3,091	7%
2300 Health Technology	13	22,050	3%	10	1,127	3%
3400 Consumer Services	33	11,897	2%	29	3,294	7%
3100 Industrial Services	11	6,810	1%	9	1,274	3%
1300 Electronic Technology	14	9,818	2%	12	2,343	5%
1100 Non-Energy Minerals	7	18,401	3%	3	569	1%
3500 Retail Trade	6	715	0%	6	715	2%
3200 Commercial Services	23	4,901	1%	22	2,032	5%
3300 Technology Services	30	12,262	2%	28	2,437	5%
3250 Distribution Services	6	2,150	0%	5	803	2%
2200 Process Industries	11	3,778	1%	10	2,581	6%
3350 Health Services	4	760	0%	4	760	2%
6000 Miscellaneous	3	219	0%	3	219	0%
NA [Unassigned]	3	170	0%	3	170	0%
Total	366	632,646	100%	293	44,455	100%
Large Caps	73	588,191				
	20%	93%		80%	7%	

↓ **63%** of the All Shares market is concentrated in only **4** sectors.

→ Small caps are **80%** of all companies, but only **7%** of total market value.

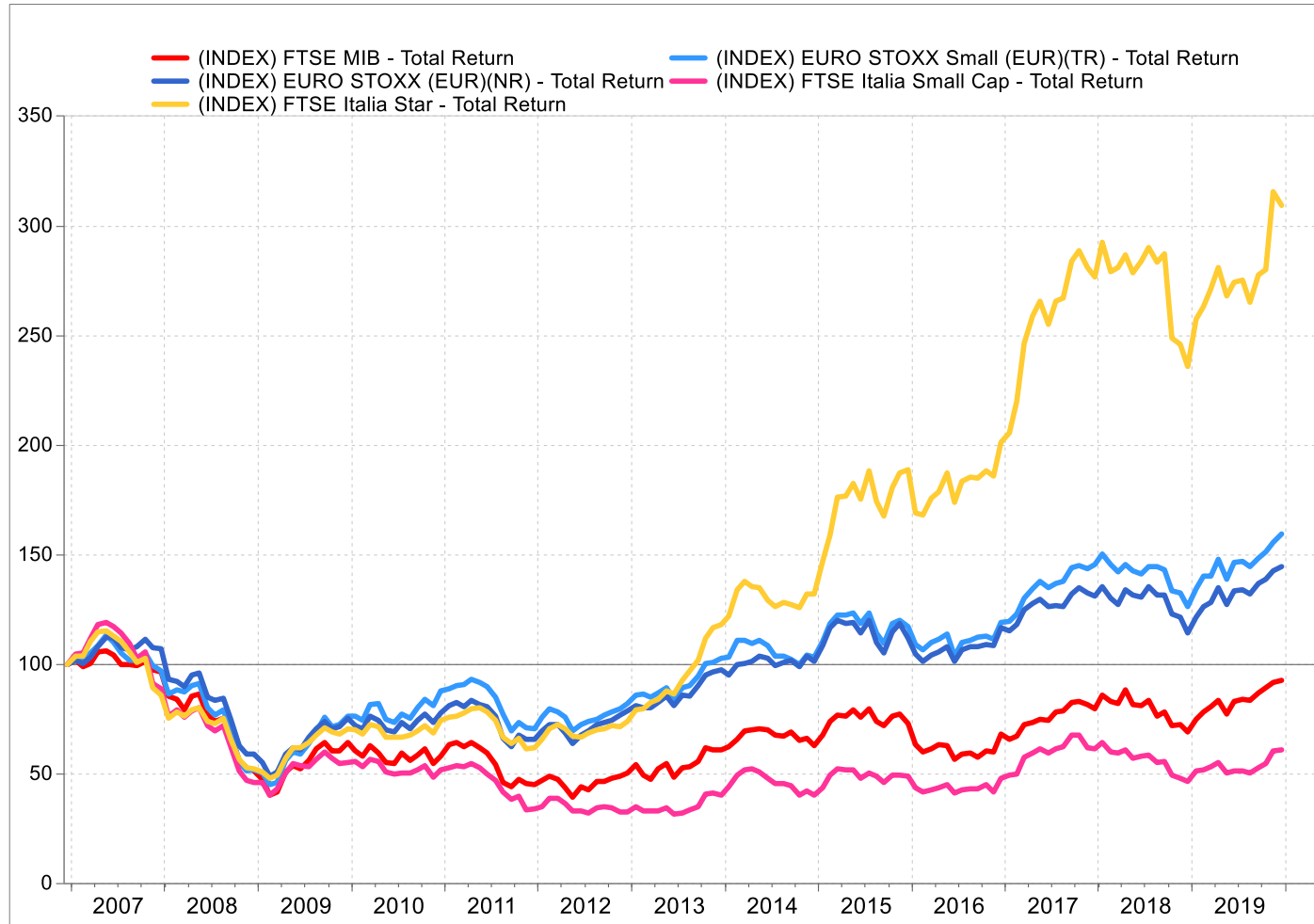
↑ The total market value of the Small cap universe is **44bn**, of which about **1/3** is free-float.

The Small cap universe is better diversified and is a **more accurate representation** of the backbone of the Italian economy.

The Made in Italy Fund is not a country fund

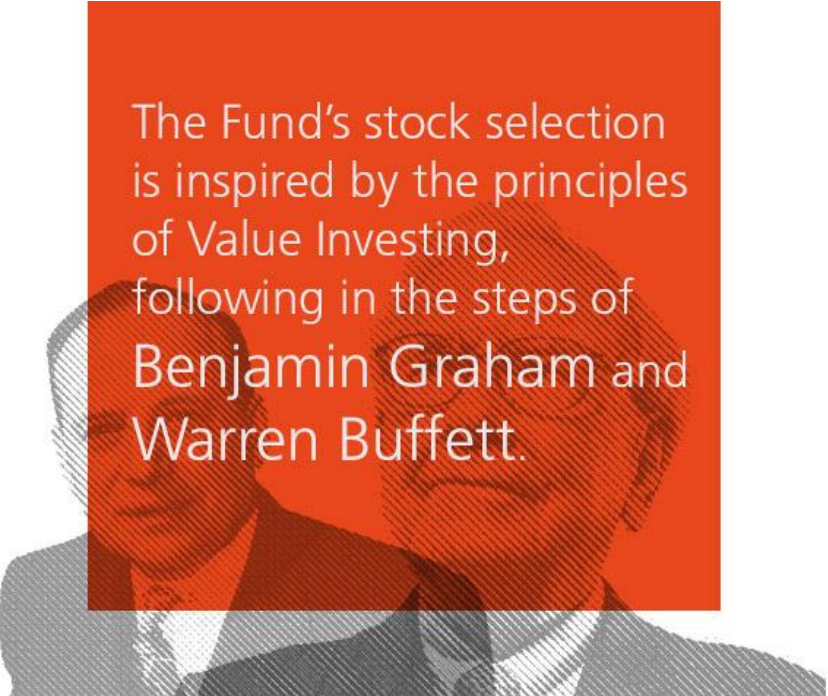
- Italy has hardly ever looked like an attractive place to invest from a top-down, macro perspective.
- But the Italian stock market has always been a good place for bottom-up stock picking aimed at finding great companies with high growth prospects, strong and sustainable profitability and attractive valuations.
- We invest in smaller companies which are leaders in specific market niches and where good management and Italian flair allow them to build and maintain a solid competitive advantage.

Italian stocks are better seen from a bottom-up perspective



Source: Factset

Investment Philosophy: Value Investing



The Fund's stock selection is inspired by the principles of Value Investing, following in the steps of Benjamin Graham and Warren Buffett.

- Markets are not efficient, but continually offer attractive opportunities to active investors who can take advantage of them through diligent analysis of intrinsic value.
- Stocks are not bits of paper in a trading game, but represent a fractional ownership of a company, allowing investors to share in the company's profits.
- The Fund selects stocks with the mind-set of a long term investor, who wants to participate in the success of the companies he owns. Its aim is to be a stable shareholder and a point of reference for the best companies in the dynamic Italian Small cap universe.

Stock selection: a 6-step process

Step 1: Company screening

Constant search for attractive investment opportunities, through a **systematic screening** of the Small Cap universe based on quantitative and qualitative rules, as well as through taking advantage of bargains offered by market volatility.

Step 2: Fundamental analysis

Selection is based on the history of financial reports and valuation, with emphasis on corporate governance and share ownership. Analyses are centred on a **direct relationship** with top management and **regular visits** to company headquarters.

Step 3: Valuation

The aim of the valuation work is to estimate the company's profitability and growth prospects in order to arrive at a reasonable assessment of its **intrinsic value**.



Stock selection: a 6-step process

Step 4: Selection decision

The Fund selects companies where there is a considerable gap between intrinsic value and market price. The magnitude of such **margin of safety** determines the size of the position.

Step 5: Selection monitoring

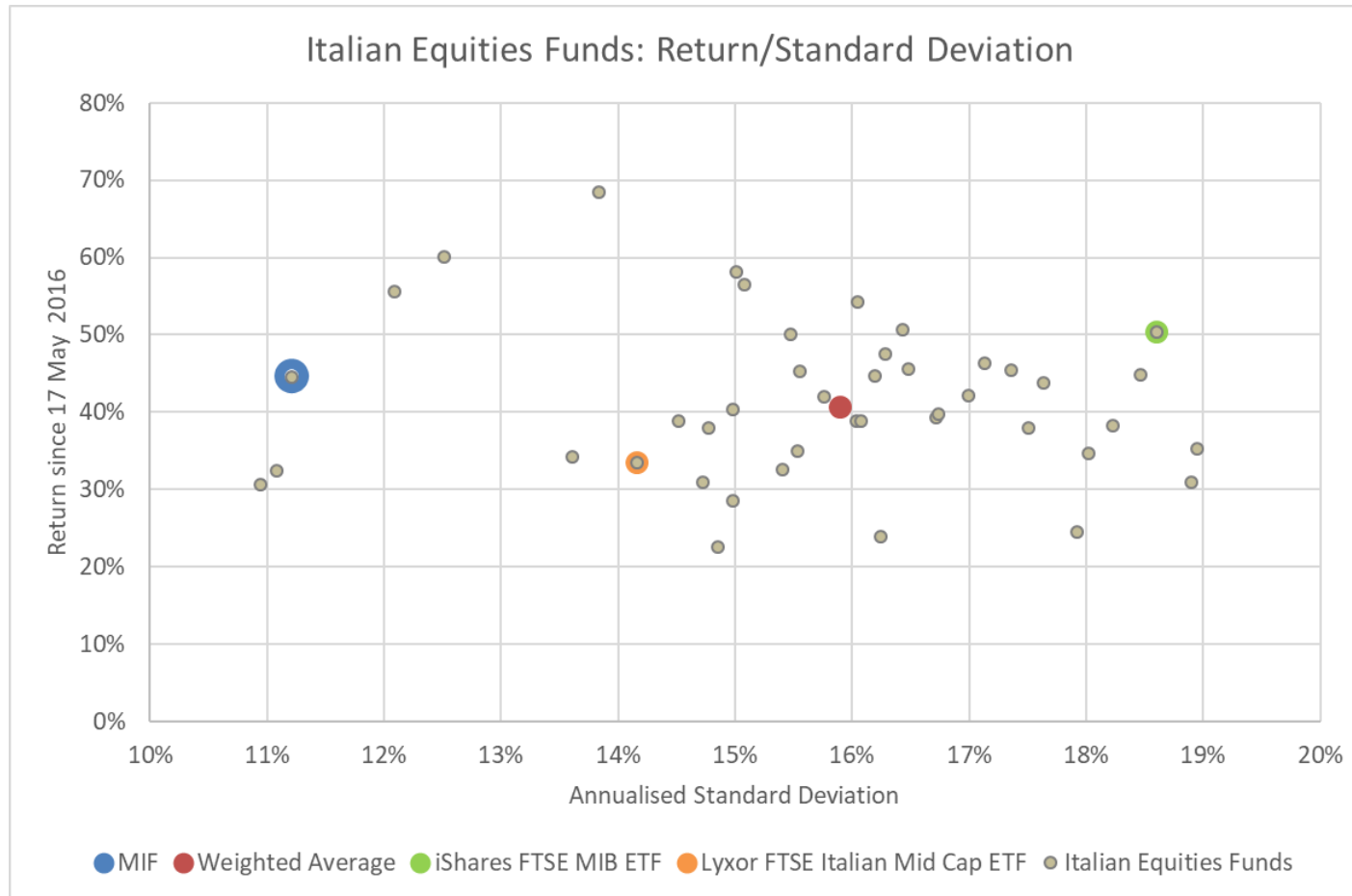
Once in the portfolio, companies are **constantly monitored** to ensure the validity of the selection thesis. Position weights are adjusted accordingly.

Step 6: Deselection decision

The Fund has a **low turnover**. Positions exit the portfolio once they close their value gap through appreciation, or in order to leave space to more attractive alternatives.



Our track record: Higher return, lower volatility



Return (17/05/2016 - 31/12/2019)

MIF: **44.6%**

Universe Average: 40.7%

Lyxor ETF: 33.4%

iShares ETF: 50.4%

Standard Deviation (annualised)

MIF: **11.2%**

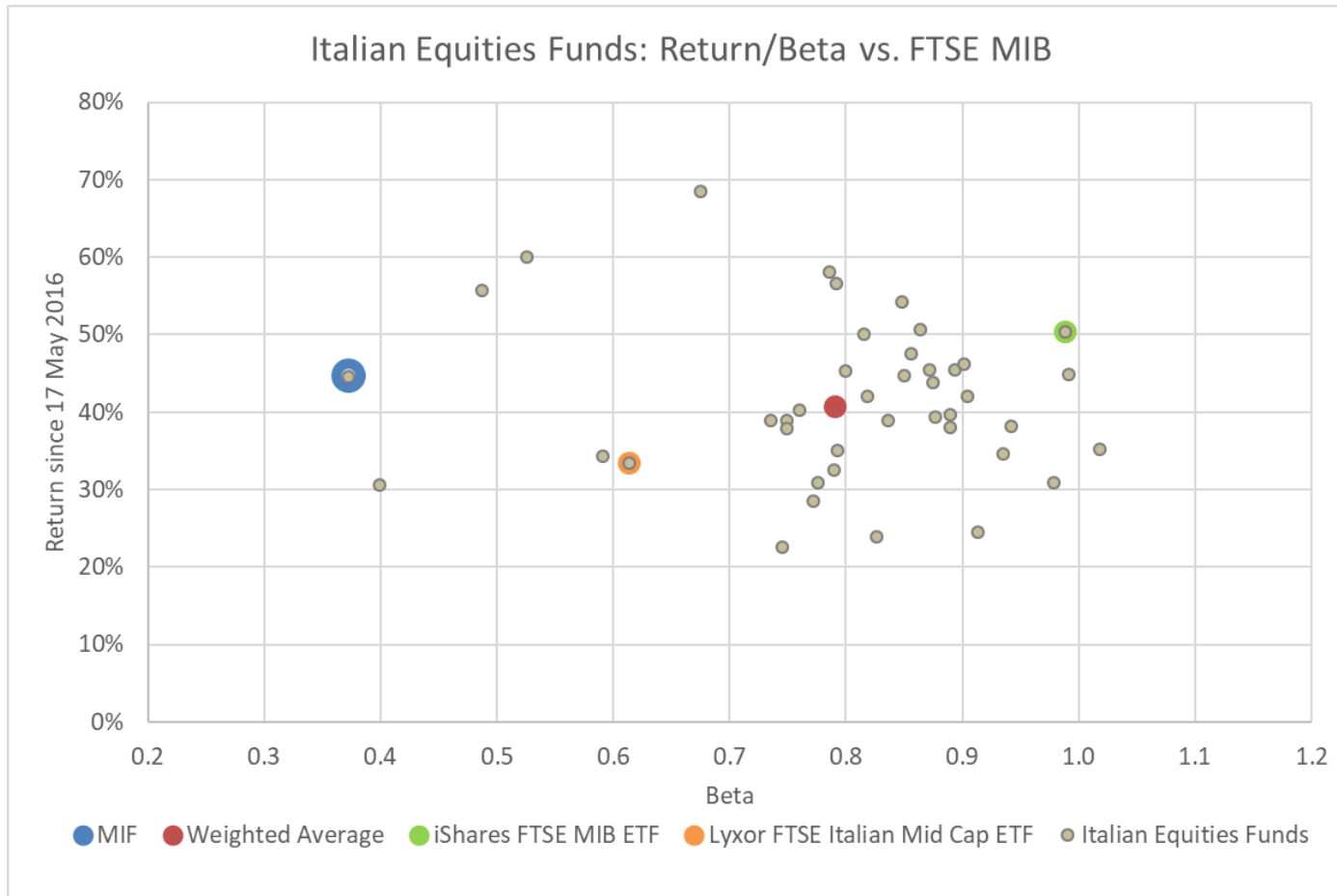
Universe Average: 15.9%

Lyxor ETF: 14.2%

iShares ETF: 18.6%

Universe: Italian Equities Funds, Morningstar Italy

Our track record: Higher return, lower Beta



Return (17/05/2016 - 31/12/2019)

MIF: 44.6%

Universe Average: 40.7%

Lyxor ETF: 33.4%

iShares ETF: 50.4%

Beta vs. FTSE MIB index

MIF: 0.37

Universe Average: 0.79

Lyxor ETF: 0.61

iShares ETF: 0.99

Universe: Italian Equities Funds, Morningstar Italy

Fund classes

Fund Class	Class IX	Class A All Investors	Class L Listed	Class R Retail*
ISIN Code	LU1883913037	LU1391064745	LU1391064828	LU1391064661
Liquidity	Daily			
Currency	Euro			
Minimum Initial Investment	€900,000	€100,000	1 share	€1,000
Minimum Subsequent Investment	€90,000	€25,000	1 share	€1,000
Investment Management Fee	0.90%	1.25%	1.50%	2.00%
Performance Fee % of annual return if above 4%, with HWM	9%	15%	15%	15%

* The Retail class is reported for illustration only. This presentation is not intended for retail distribution.

Risk Management

We take advantage of price volatility and are pleased with the low volatility of our return. However, we do not regard volatility as a reliable measure of risk. We look at risk as the danger of a permanent loss of capital. The Fund minimizes it by investing in companies where there is a substantial **Margin of Safety** between intrinsic value and market price.

We mitigate risk by:

➤ **Position monitoring**

The Fund continually ensures that the rationale of each stock selection is still valid, and stands ready to change its stance if, following new adverse developments, this is no longer the case.

➤ **Diversification**

Following UCITS rules, individual positions are capped at 10% of Fund value, and positions above 5% are collectively capped at 40% of Fund value. Adequate sectoral diversification is also pursued.

➤ **Hedging**

While the Fund is normally fully invested, it reserves the occasional possibility to use futures and option contracts to hedge market risk.

General risks and recommendations

Being invested in small stocks, with limited free float and daily liquidity, the Fund can be subjected to periods of heightened volatility.

Price volatility can be used to the Fund's advantage, as it gives an opportunity to accumulate positions at particularly convenient prices. However, the Fund may be adversely affected by periods of extensive and prolonged equity market downturns, which may trigger a wave of redemptions that may be difficult to meet in an ordinary fashion.

Therefore:

- Investing in the Fund requires a **long term orientation**
- The Fund is **unsuitable for highly risk-averse investors**
- The Fund should account for a **limited portion** of an investor's overall financial wealth

Board of Directors

Massimo Fuggetta, Chairman

Guido Manca

is the Chief Executive Officer at Independent Strategy Ltd. in London. He runs the company and looks after global marketing and distribution of the firm's products. He started his career at Salomon Brothers (fixed income) followed by Morgan Stanley (equities). He co-founded Independent Strategy in 1994. He holds an Honours degree in Economics from Trinity College, Cambridge.

Alexandros Rammos, Secretary

has 20 years experience in financial markets. In 1990, his family founded Pegasus Securities in Athens, a brokerage company which rose to prominence by eventually becoming one of the largest privately-owned retail brokerage houses in Greece. Alexandros was the company CEO between 2009 and 2011. In 2014 he became Managing Partner of Versal Investment Services, an independent investment advisor in Athens. He joined New College Capital in October 2015 mainly focusing on compliance and business development.

Strategic Advisors

Alessandro Ciravegna

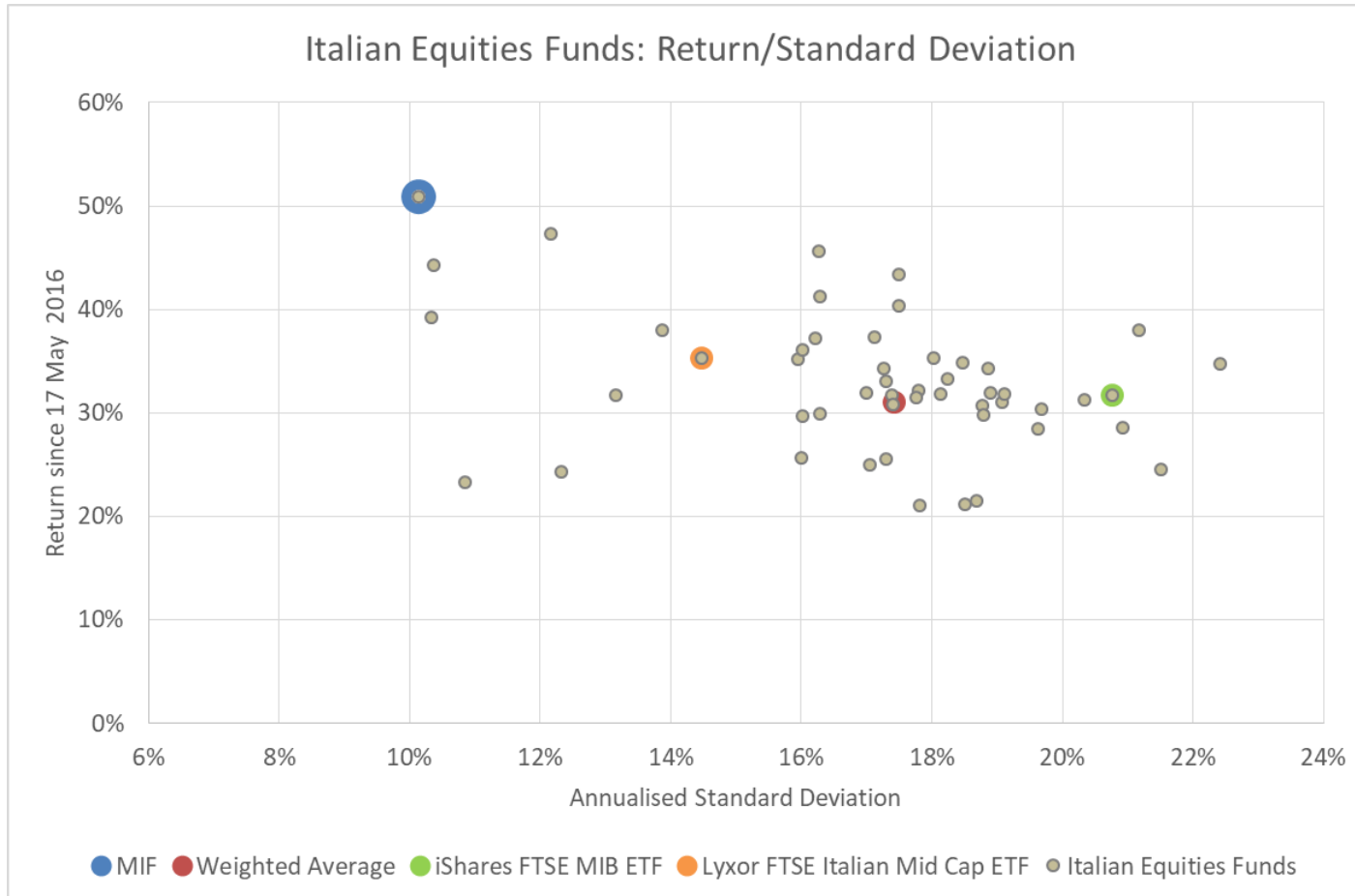
has 31 years experience in financial markets. He began his career at Merrill Lynch in London and subsequently joined Citigroup in various investment advisory and business management functions in London, Milan, Athens and New York. In 2002, he founded New College Capital Ltd to provide specialist investment advice to European investors.

Giulio Antonello

started working in New York in 1990 as an investment banker for Credit Agricole. In 1993, he joined Société Suisse de Ciment Portland in Switzerland. Soon after, he was instrumental to the creation of the IBI Group, an advisory and merchant banking boutique with offices in Milan, Zurich and Lugano. From 1997 to 2005, he led several advisory and investment projects. In 2006 he became CEO of Alerion, with the objective of focusing the company on the renewable energy sector. He left Alerion in 2015 and currently operates as an independent investor. His family holding company, Financière Phone 1690, has stakes in a number of listed and private companies in the real estate, industrial, energy and agricultural sectors.

Appendix

2017 High Water Mark



Return (17/5/2016 - 31/12/2017)

MIF: **50.9%**

Universe Average: 31.1%

iShares ETF: 31.8%

Lyxor ETF: 35.4%

Standard Deviation (annualised)

MIF: **10.1%**

Universe Average: 17.4%

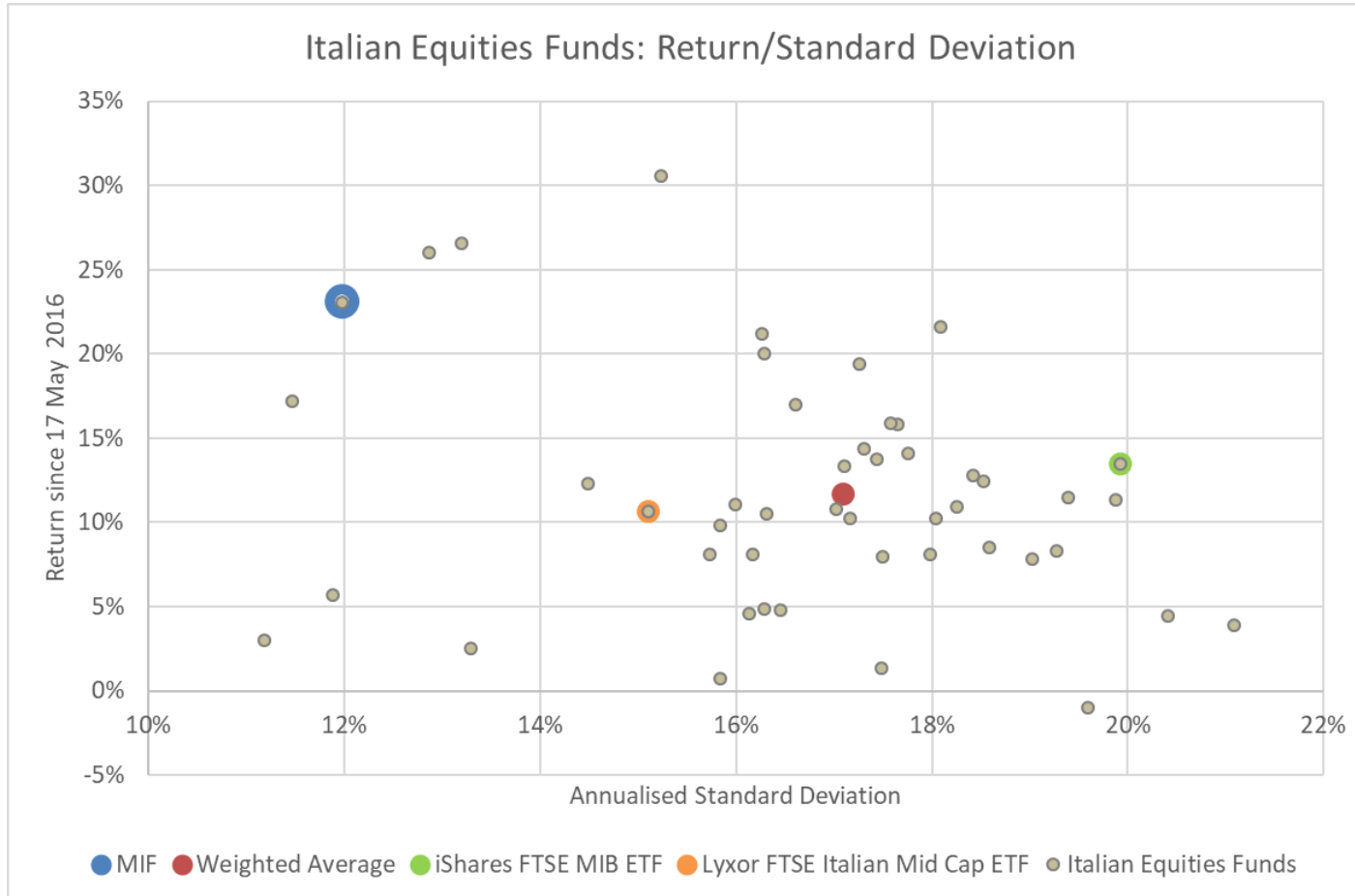
iShares ETF: 20.8%

Lyxor ETF: 14.5%

Universe: Italian Equities Funds, Morningstar Italy

Appendix

2018 global stock market decline



Return (17/5/2016 - 31/12/2018)

MIF: 23.1%

Universe Average: 11.7%

Lyxor ETF: 10.6%

iShares ETF: 13.5%

Standard Deviation (annualised)

MIF: 12.0%

Universe Average: 17.1%

Lyxor ETF: 15.1%

iShares ETF: 19.9%

Universe: Italian Equities Funds, Morningstar Italy

Contacts

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Made in Italy
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