



Bayes Investments

Q1 2023



Made in Italy **Fund**

The Made in Italy Fund

- ❑ The **Made in Italy Fund** 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 relevant market indices over the long term.
- ❑ The Fund normally holds around 30 to 40 stocks, selected across all economic sectors on the basis of a rigorous bottom-up Value Investing approach.
- ❑ The Fund uses no leverage, has no short positions and will only use derivatives 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:	Link Fund Solutions 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

The Made in Italy Fund: The rationale

- ❑ Italy has never looked like a particularly attractive place to invest from a top-down, macro perspective. The Italian stock market is small compared to the national economy and is largely neglected by international as well as domestic investors. Italian Equities funds are scarce and mostly invested in large companies, comprising more than 3/4 of total market value. Most funds are index-driven, opportunistic and short-term oriented.
- ❑ However, 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.

The Italian stock market

	All Shares			Small Caps		
	Number of companies	Market cap (m)	% Weight	Number of companies	Market cap (m)	% Weight
4800 Finance	64	186,260	28%	45	5,202	11%
4700 Utilities	22	119,358	18%	12	1,834	4%
1400 Consumer Durables	32	116,102	17%	24	2,465	5%
2100 Energy Minerals	2	49,606	7%	0	0	0%
2400 Consumer Non-Durables	23	44,912	7%	16	1,518	3%
4600 Transportation	9	3,517	1%	8	1,378	3%
4900 Communications	9	17,206	3%	7	513	1%
1200 Producer Manufacturing	44	32,472	5%	38	7,934	17%
2300 Health Technology	19	17,077	3%	17	3,361	7%
3400 Consumer Services	33	7,484	1%	31	3,419	7%
3100 Industrial Services	15	7,223	1%	12	1,006	2%
1300 Electronic Technology	18	11,316	2%	16	3,725	8%
1100 Non-Energy Minerals	7	21,821	3%	4	1,117	2%
3500 Retail Trade	10	1,491	0%	10	1,491	3%
3200 Commercial Services	33	7,205	1%	31	1,957	4%
3300 Technology Services	43	14,445	2%	42	4,796	10%
3250 Distribution Services	8	10,946	2%	6	1,730	4%
2200 Process Industries	13	6,014	1%	11	2,021	4%
3350 Health Services	4	402	0%	4	402	1%
6000 Miscellaneous	1	24	0%	1	24	0%
Total	409	674,880	100%	335	45,892	100%
Large Caps	74	628,987	18%	82%	7%	

↓ **70%** of the All Shares market is concentrated in only **4** sectors.

→ Small caps are **82%** of all companies, but only **7%** of total market value.

↑ The total market value of the Small cap universe is **46bn**, of which about **1/3** is free-float.

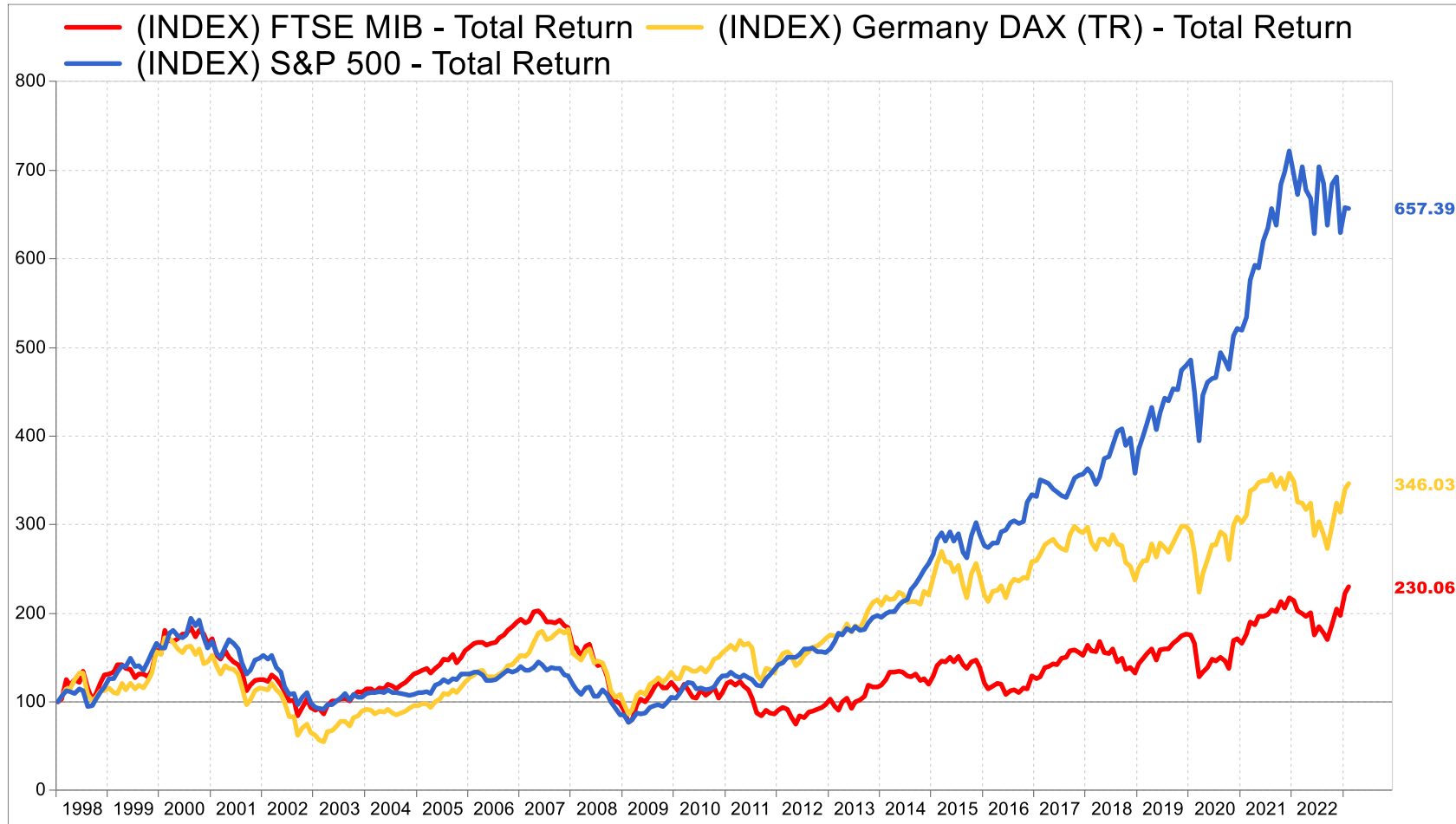
The Small cap universe is better diversified and is a **more accurate representation** of the backbone of the Italian economy.

A single-country fund? What's the point?

Common objections

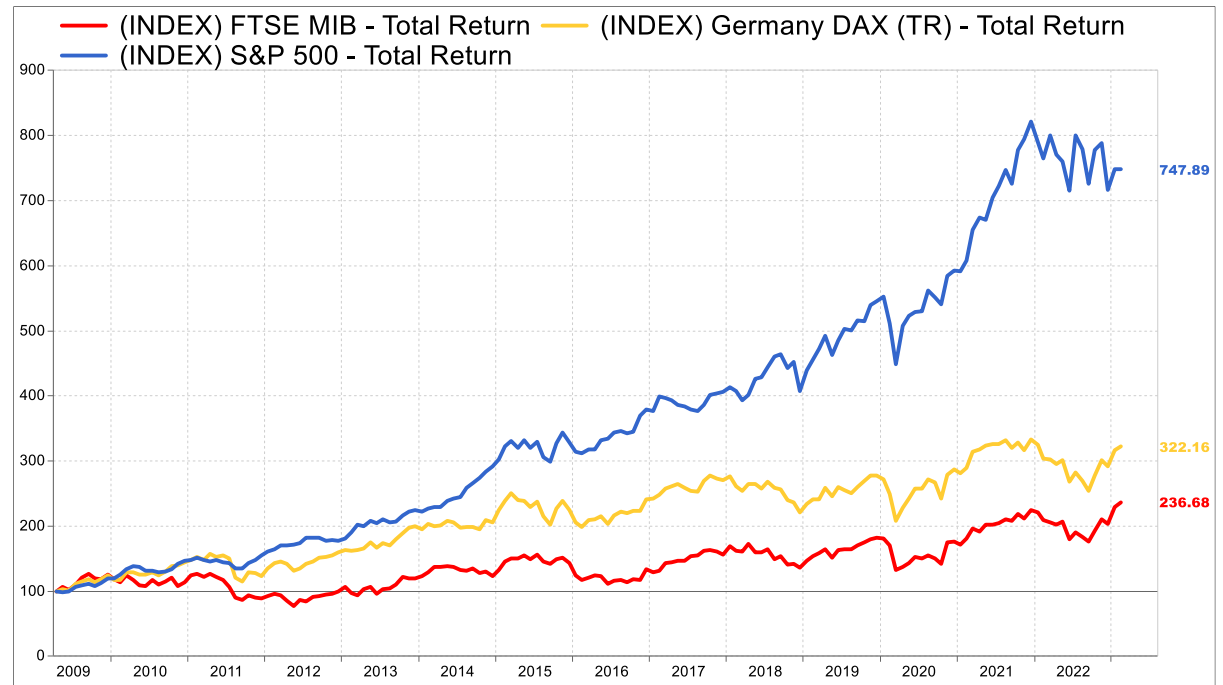
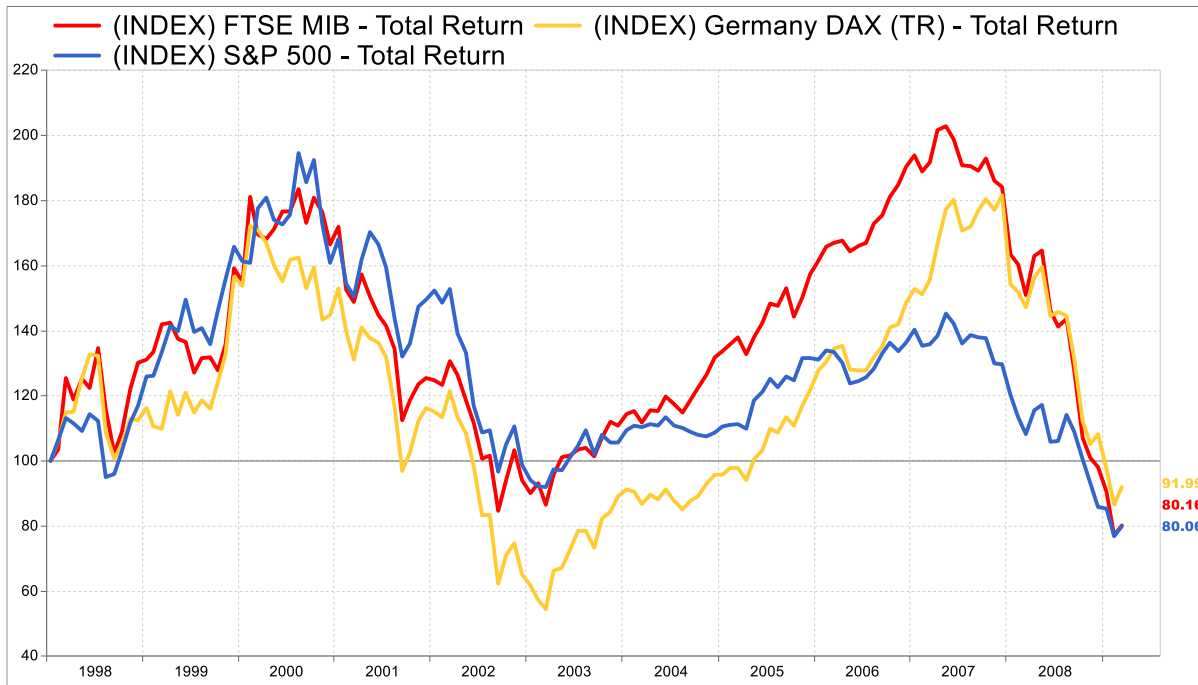
- ❑ Financial advisors: The Italian stock market is small and unexciting.
Go global
- ❑ Macroeconomists: Italy has long-standing structural problems.
Stay away
- ❑ Asset allocators: Italian equities are underperforming and unattractive.
Go Pan-Europe
- ❑ Value investors: Why restrict the universe of choice to one country?

The Go global slogan is largely the result of the persistent supremacy of US stocks...



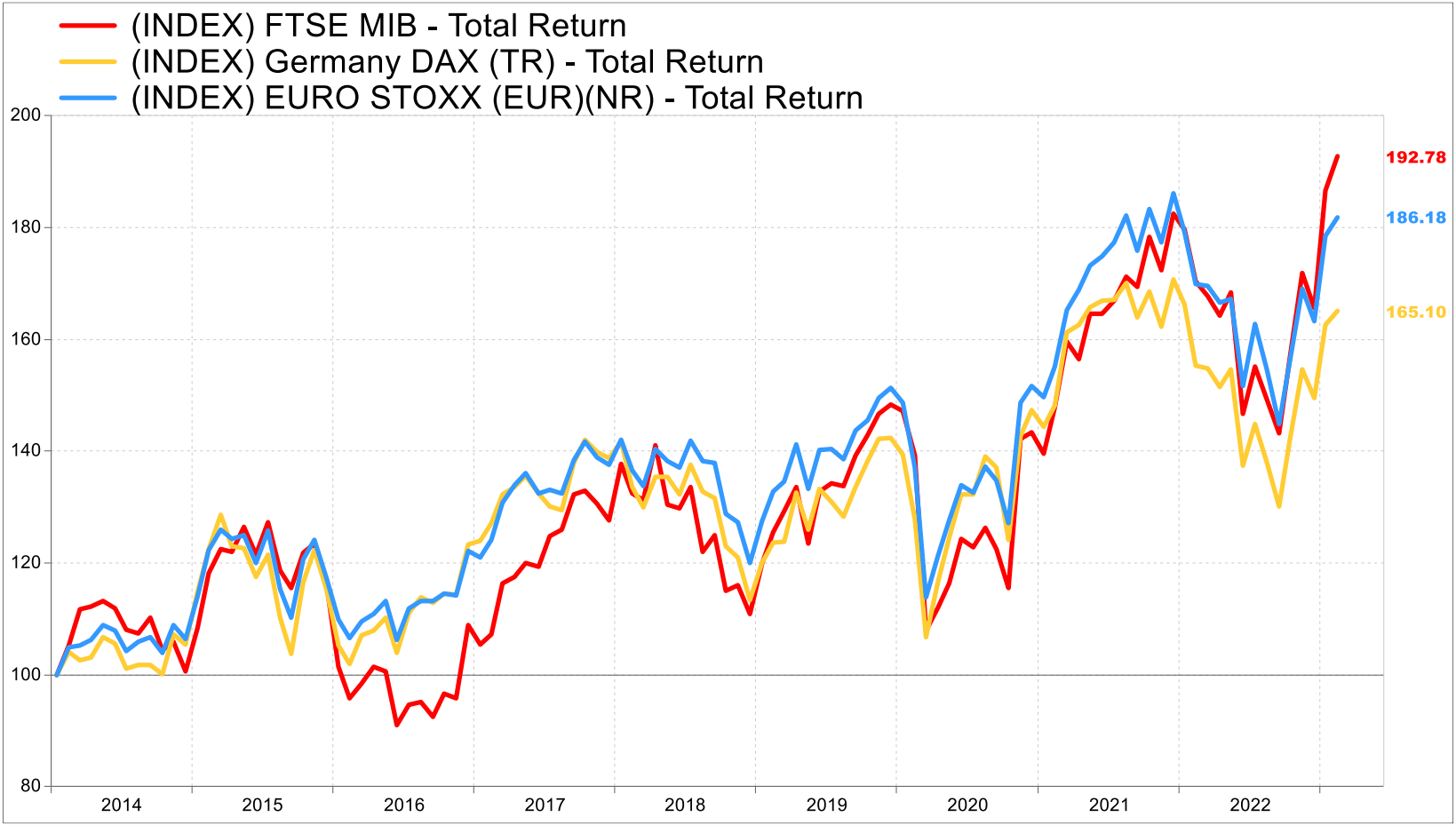
Source: Factset. Total returns in EUR

...which has been largely a post-2008 phenomenon



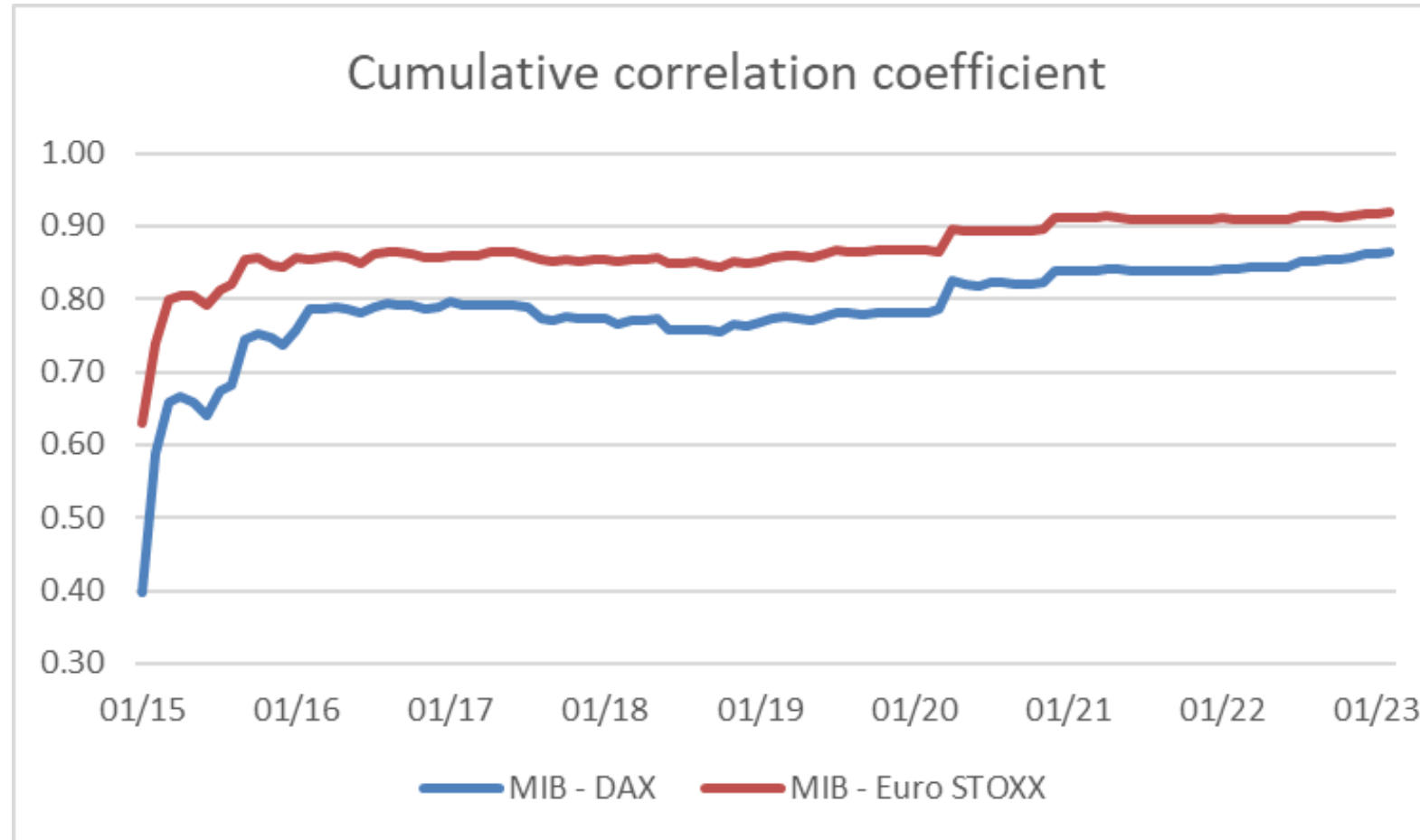
Source: Factset. Total returns in EUR

Since 2014 Italian equities have performed in line with other European stock markets



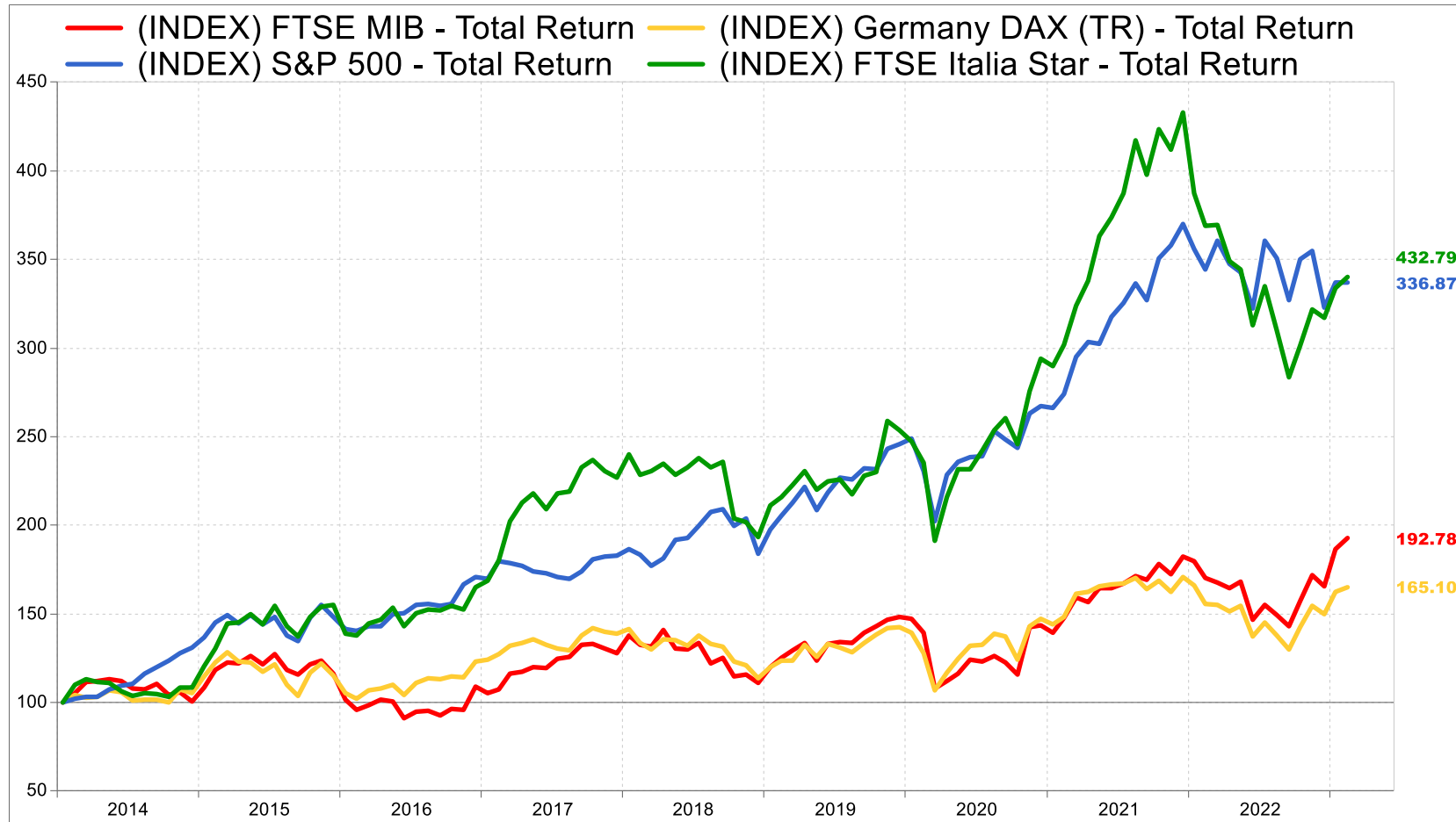
Source: Factset. Total returns in EUR

The illusion of European geographical diversification



Source: Factset. Our calculations

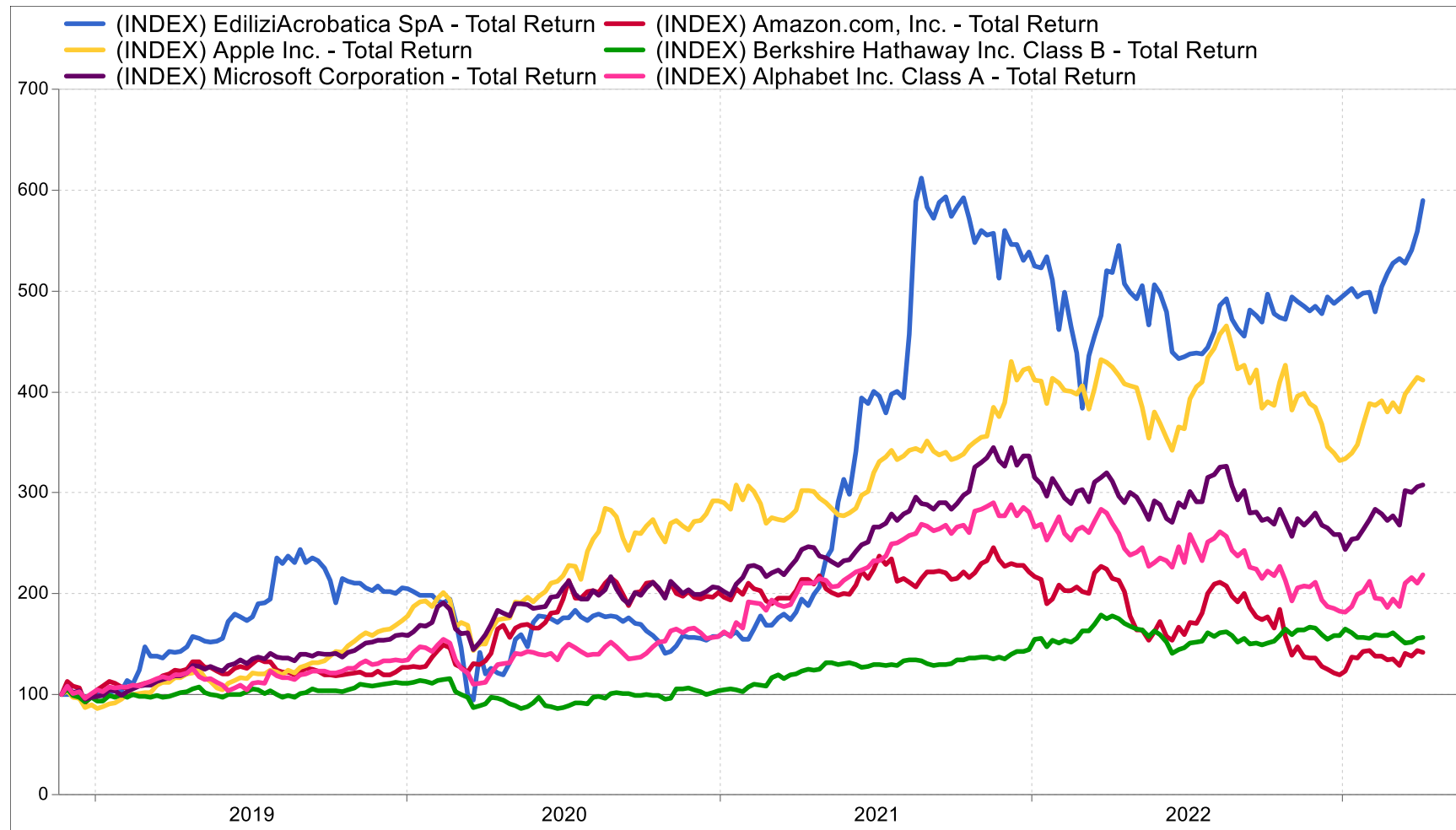
Investors buy companies, not countries



Source: Factset. Total returns in EUR

Why a single-country fund?

Width vs. Depth. Extension vs. Intension. Renown vs. Obscurity.



Source: Factset. Total returns in EUR

Massimo Fuggetta

Chairman and Chief Investment Officer

Massimo is the founder, Chairman and Chief Investment Officer of Bayes Investments.

He started his investment management career in 1988 at JP Morgan Investment Management in London, where he rose to become Head of the Global Balanced Group, with responsibility for international balanced portfolios. In 1999 he left JPMIM to become Chief Investment Officer, Director General and then CEO at Sanpaolo IMI Asset Management in Milan. He left the company in 2001 to start Horatius, an investment advisory company incorporated in 2004, which in 2007 became an asset management company. He left Horatius in 2012 to go back to London, where in 2014 he founded Bayes Investments.

Massimo holds a Doctorate (DPhil, 1991) and a Master's Degree (MPhil, 1987) in Economics from the University of Oxford (Trinity College). He graduated in Economics at LUISS, Rome in 1984. He taught Behavioural Finance in the Master in Economics course at Bocconi University in Milan in 2000-2002 and in the same period served in the Editorial Board of the *Financial Analysts Journal*.

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



Antongiulio Marti

MIF co-manager and SCM relationship manager

Antongiulio is the founder and CEO of HOOP, a company specialized in majority and minority investment operations in Italian SMEs, listed and unlisted, through the Club Deal formula. HOOP's mission is the extraction of medium term value from the Italian entrepreneurial fabric.

From 2015 to 2020 Antongiulio worked at SCM SIM as equity portfolio manager and Head of Corporate Advisory & Club Deals.

Over the last few years, he has completed several activist operations on companies listed in Italy, starting corporate turnaround processes through changes of governance.

Antongiulio graduated in Economics and Finance at Bocconi University in Milan.

He is also a founding member and Chairman of AIEDA – Italian Association for the Exercise of Shareholders' Rights – a non-profit association aimed at promoting and encouraging shareholders activism in Italian listed companies and presenting lists of candidates for the election of members of corporate bodies.



Bayes Investments Board of Directors

Massimo Fuggetta, Chairman

Guido Manca, Board Member

Guido 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

Alexandros 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 Ltd in October 2015 mainly focusing on compliance and business development.



Strategic Advisors

Alessandro Ciravegna

Alessandro has more than 30 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.

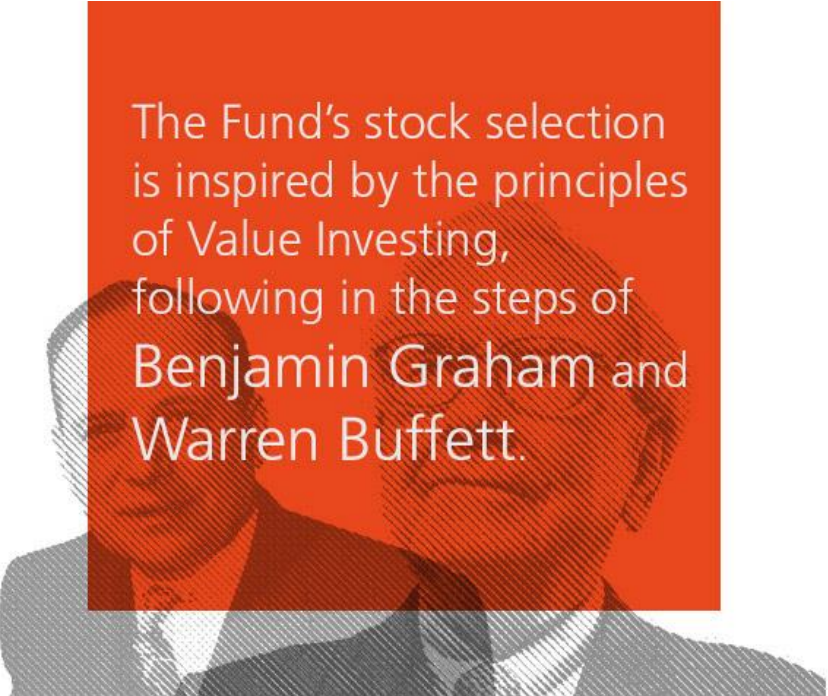


Martin Mellish

Martin is the founding director of Aspen Advisory Services Ltd., a London-based private office overseeing investments in North America, Europe, and Asia. He is a non-executive chairman or director of seven companies. From 1984 to 1992 he was Financial Controller and Chief Financial Officer of Alturki Holding, an industrial investment company based in Saudi Arabia. He holds an SM (Management) from the Massachusetts Institute of Technology, an M.Sc. (Accounting) from Northeastern University and an A.B. (Political Science) from Amherst College.



Our 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.



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.

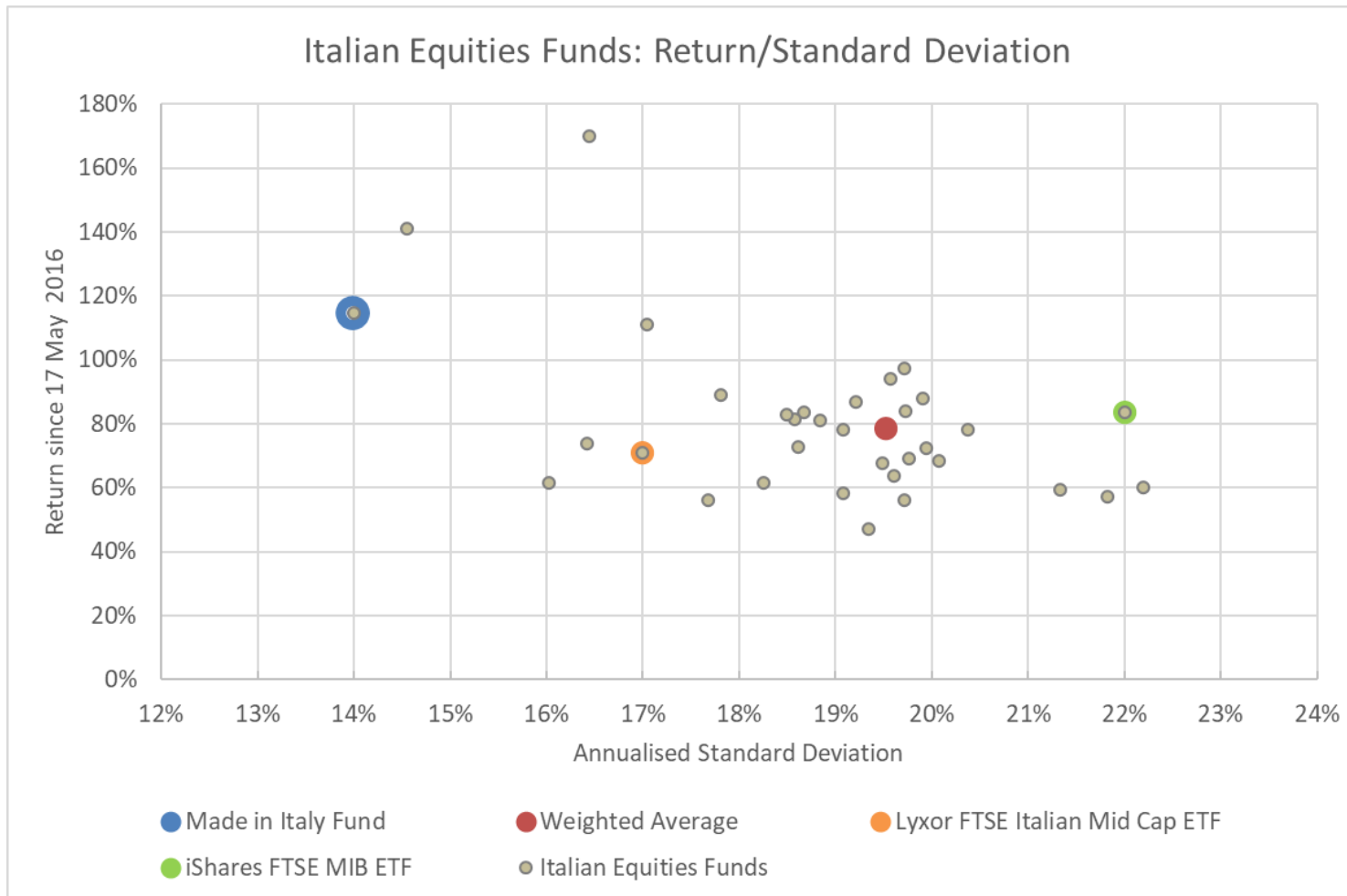
- ❑ **Diversification**

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 derivatives contracts for the purpose of hedging market risk.

Our long-term track record: Higher returns, lower volatility



Return (17/05/2016 - 31/12/2021)

Made in Italy Fund: 114.6%

Lyxor ETF: 70.9%

Weighted Average: 74.6%

iShares ETF: 83.4%

Standard Deviation (daily, annualised)

Made in Italy Fund: 14.0%

Lyxor ETF: 17.0%

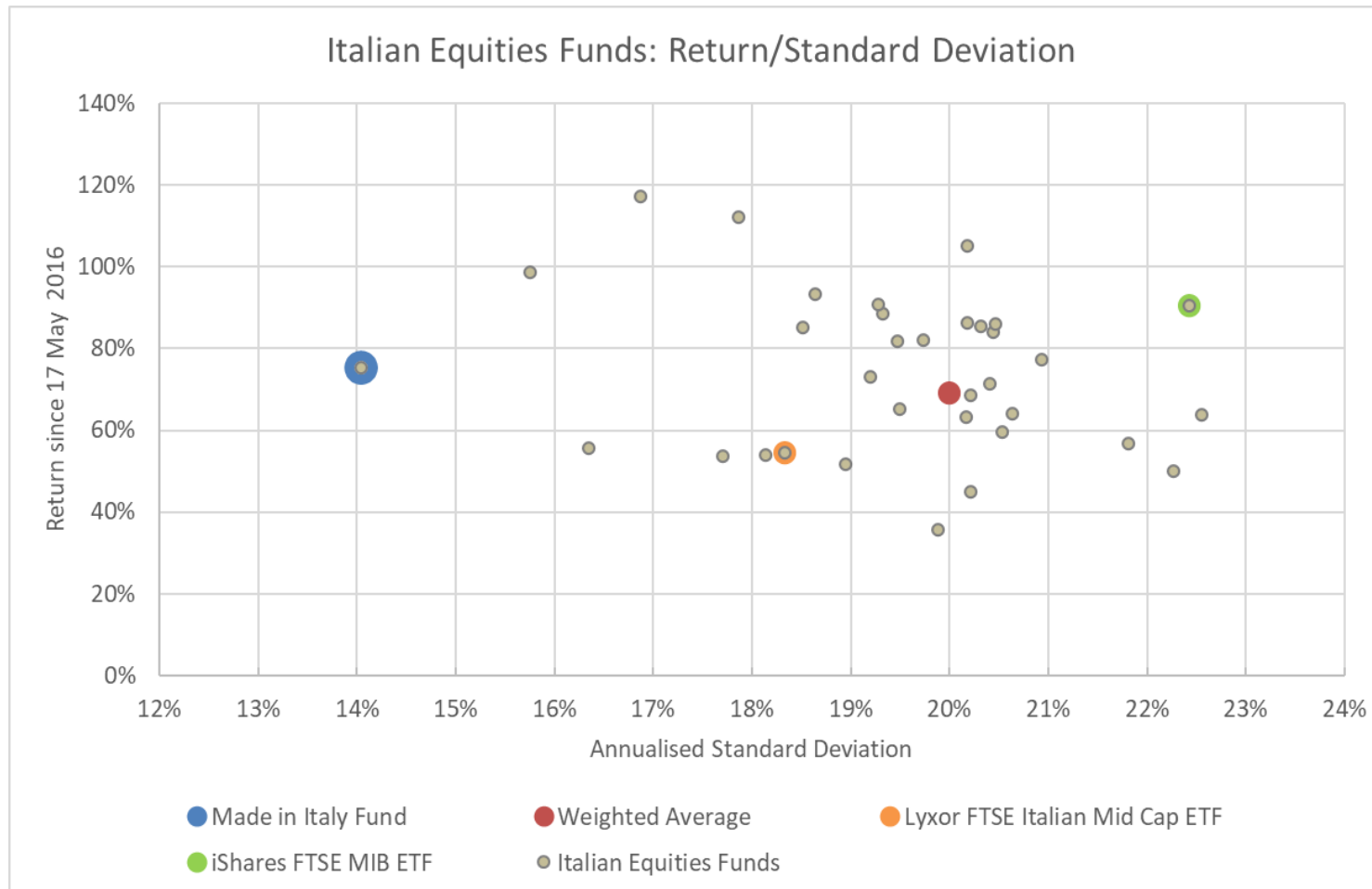
Weighted Average: 19.6%

iShares ETF: 22.0%

Universe: Italian Equities Funds, Morningstar Italy

Source: Factset

Temporarily impacted by the 2022 market turmoil



Return (17/05/2016 - 31/03/2023)

Made in Italy Fund: 75.2%

Lyxor ETF: 54.6%

Weighted Average: 69.0%

iShares ETF: 90.5%

Standard Deviation (daily, annualised)

Made in Italy Fund: 14.0%

Lyxor ETF: 18.3%

Weighted Average: 20.0%

iShares ETF: 22.4%

Universe: Italian Equities Funds, Morningstar Italy

Source: Factset

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.

Link Fund Solutions 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, 30 clients, 21 Funds, 78 Sub-Funds, 35 professionals, 2 offices in Luxembourg and Lugano.
- ❑ Link Fund Solutions, which in 2021 acquired Casa4Funds, is one of the largest third-party ManCos in Europe. Link Fund Solutions is part of Link Group, a global, digitally enabled business connecting millions of people with their financial assets.

Further information

- ❑ Our website: www.bayesinvestments.com
- ❑ Our quarterly letters: <https://bayesinvestments.com/quarterly-letters/>
- ❑ Our Media page: www.bayesinvestments.com/media
- ❑ Our Atomo Sicav page: <http://www.atomosicav.com/made-in-italy/>

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