



# Bayes Investments

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Q3 2021

The background of the slide is a teal-tinted photograph of a historic Italian street. The street is lined with multi-story buildings featuring classical architectural elements like arches and columns. A person is riding a bicycle in the foreground on the right side of the street.

## Made in Italy **Fund**

# 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 relevant market indices over the long term.
- The Fund normally holds around 30 stocks, selected across all economic sectors on the basis of a rigorous Value Investing approach.
- The Fund uses no leverage, has no short positions and will only use derivatives contracts for the purpose of hedging market risk.

# The Made in Italy Fund: Rationale

- The Italian stock market is small compared to the national economy and still largely neglected by international investors.
- Italy-focused funds are scarce and almost exclusively concentrated on large companies, comprising more than 3/4 of the Italian market index.
- Domestic institutional investors are index-driven, opportunistic and short-term oriented. Stable institutional shareholding of Italian smaller companies is largely confined to few foreign 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                | 62                  | 194,658        | 26%         | 40                  | 6,319          | 14%         |
| 4700 Utilities              | 25                  | 137,394        | 19%         | 14                  | 2,592          | 6%          |
| 1400 Consumer Durables      | 27                  | 110,827        | 15%         | 20                  | 2,577          | 6%          |
| 2100 Energy Minerals        | 2                   | 44,848         | 6%          | 1                   | 615            | 1%          |
| 2400 Consumer Non-Durables  | 21                  | 41,867         | 6%          | 16                  | 3,034          | 7%          |
| 4600 Transportation         | 9                   | 33,134         | 5%          | 6                   | 1,163          | 3%          |
| 4900 Communications         | 10                  | 15,679         | 2%          | 8                   | 1,147          | 2%          |
| 1200 Producer Manufacturing | 42                  | 33,746         | 5%          | 34                  | 6,288          | 14%         |
| 2300 Health Technology      | 15                  | 33,816         | 5%          | 12                  | 2,621          | 6%          |
| 3400 Consumer Services      | 33                  | 10,076         | 1%          | 30                  | 3,152          | 7%          |
| 3100 Industrial Services    | 9                   | 6,249          | 1%          | 6                   | 671            | 1%          |
| 1300 Electronic Technology  | 17                  | 8,925          | 1%          | 15                  | 3,803          | 8%          |
| 1100 Non-Energy Minerals    | 9                   | 19,382         | 3%          | 5                   | 1,058          | 2%          |
| 3500 Retail Trade           | 7                   | 775            | 0%          | 7                   | 775            | 2%          |
| 3200 Commercial Services    | 28                  | 10,469         | 1%          | 26                  | 2,481          | 5%          |
| 3300 Technology Services    | 39                  | 26,103         | 4%          | 36                  | 4,391          | 10%         |
| 3250 Distribution Services  | 7                   | 2,211          | 0%          | 6                   | 835            | 2%          |
| 2200 Process Industries     | 9                   | 5,057          | 1%          | 7                   | 1,713          | 4%          |
| 3350 Health Services        | 3                   | 620            | 0%          | 3                   | 620            | 1%          |
| 6000 Miscellaneous          | 4                   | 184            | 0%          | 4                   | 184            | 0%          |
| NA [Unassigned]             | 2                   | 152            | 0%          | 2                   | 152            | 0%          |
| <b>Total</b>                | <b>380</b>          | <b>736,171</b> | <b>100%</b> | <b>298</b>          | <b>46,192</b>  | <b>100%</b> |
| <b>Large Caps</b>           | <b>82</b>           | <b>689,979</b> | <b>22%</b>  | <b>78%</b>          | <b>6%</b>      |             |

↓ **66%** of the All Shares market is concentrated in only **4** sectors.

→ Small caps are **78%** of all companies, but only **6%** 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.

# The Made in Italy Fund: a bottom-up approach

- Italy has rarely looked like a particularly 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.

# 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 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](http://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.



# 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.



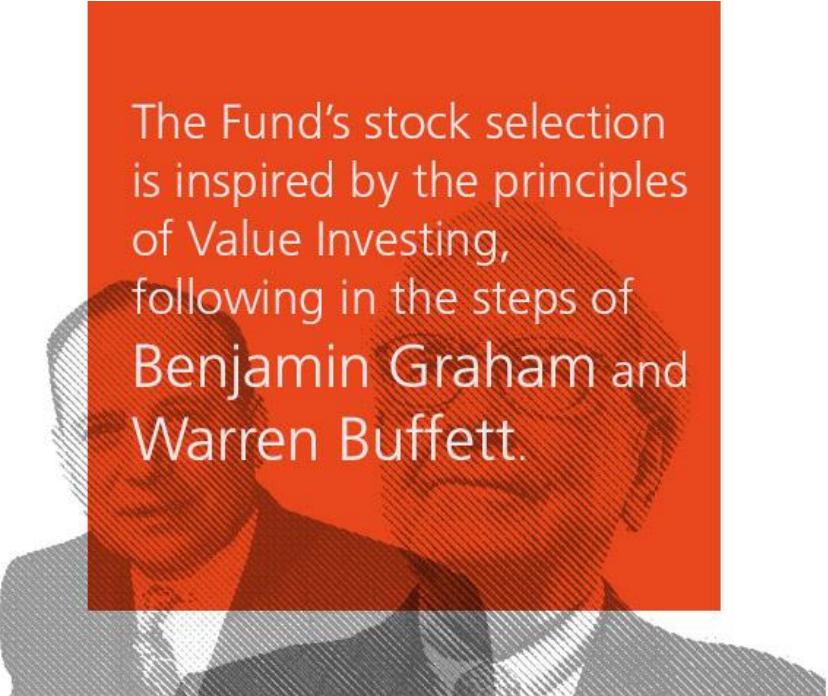
## **Kevin Tempestini**

Kevin is the founder and CEO of KT&Partners, an independent financial advisory firm based in Milan. He has more than 20 years experience in the investment banking industry, both in Milan and London. Prior to that, he ran the global equity business of UniCredit for almost 10 years. In this role, he managed more than 15 IPOs. Earlier in his career, he worked as a research analyst at Euromobiliare in Milan and at Salomon Brothers in London.

Kevin holds a BA degree in Economics from the University of Florence and is a founding member of YPO Italy (Young Presidents' Organization), which he led in 2006.



# 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.

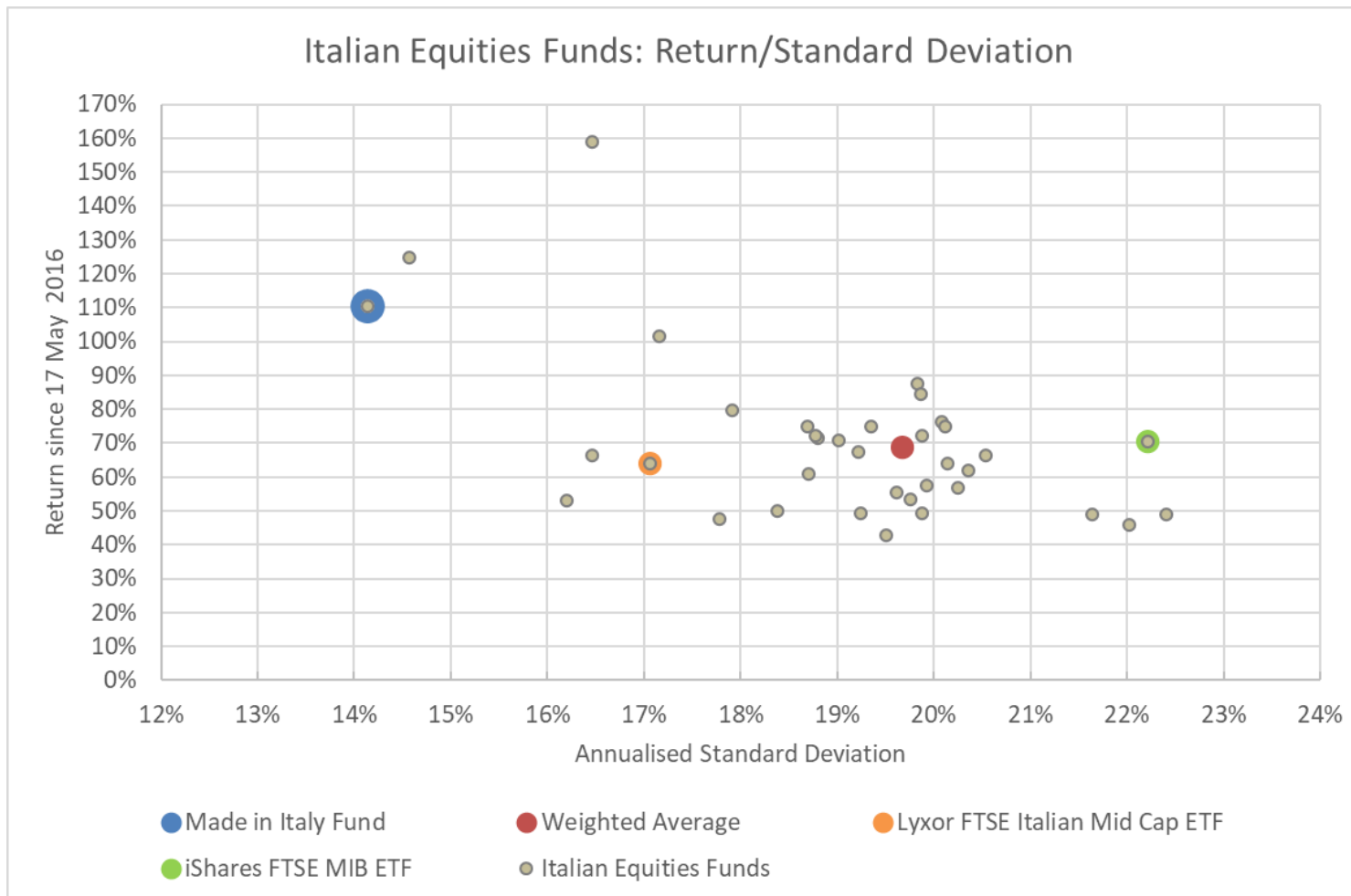
➤ **Diversification**

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 track record: Higher return, lower volatility



## Return (17/05/2016 - 30/09/2021)

**Made in Italy Fund: 110.4%**

Weighted Average: 68.8%

Lyxor ETF: 64.0%

iShares ETF: 70.4%

## Standard Deviation (annualised)

**Made in Italy Fund: 14.1%**

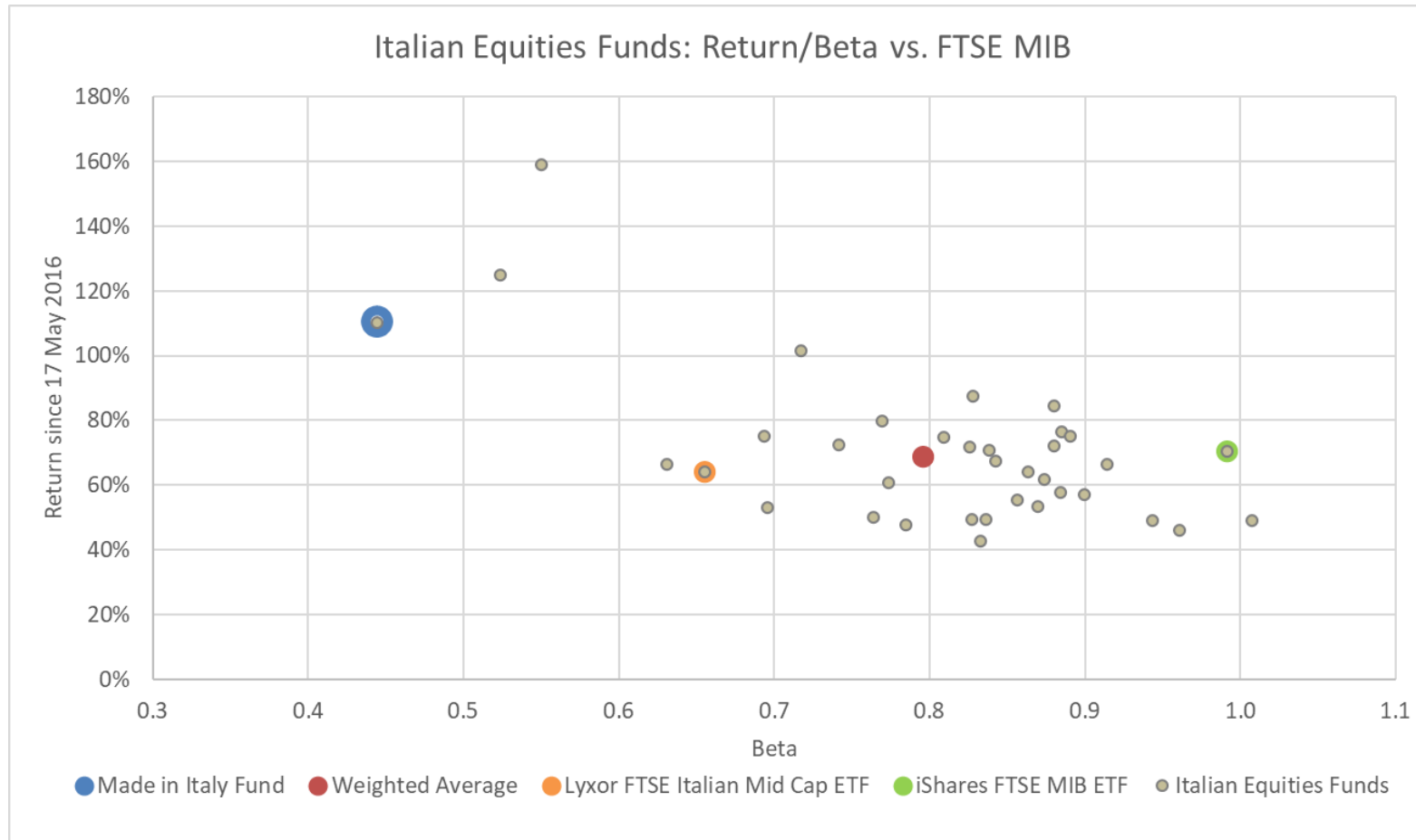
Weighted Average: 19.7%

Lyxor ETF: 17.1%

iShares ETF: 22.2%

Universe: Italian Equities Funds, Morningstar Italy

# Our track record: Higher return, lower Beta



## Return (17/05/2016 - 30/09/2021)

**Made in Italy Fund: 110.4%**

Weighted Average: 68.8%

Lyxor ETF: 64.0%

iShares ETF: 70.4%

## Beta vs. FTSE MIB index

**Made in Italy Fund: 0.44**

Weighted Average: 0.80

Lyxor ETF: 0.66

iShares ETF: 0.99

Universe: Italian Equities Funds, Morningstar Italy

# Fund classes

| Fund Class   | Class IX     | Class A<br>All Investors | Class L<br>Listed | Class R<br>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<br>% of annual return if<br>above 4%, with HWM | 9%           | 15%                      | 15%               | 15%                |

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



# Legal information

|   |  |
|---|--|
| Fund Advisor                              | : <b>Bayes Investments Limited</b>                                     |
| 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   |

# 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](http://www.bayesinvestments.com)
- Our quarterly letters: <https://bayesinvestments.com/quarterly-letters/>
- Our Media page: [www.bayesinvestments.com/media](http://www.bayesinvestments.com/media)
- Our Atomo Sicav page: <http://www.atomosicav.com/made-in-italy/>

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