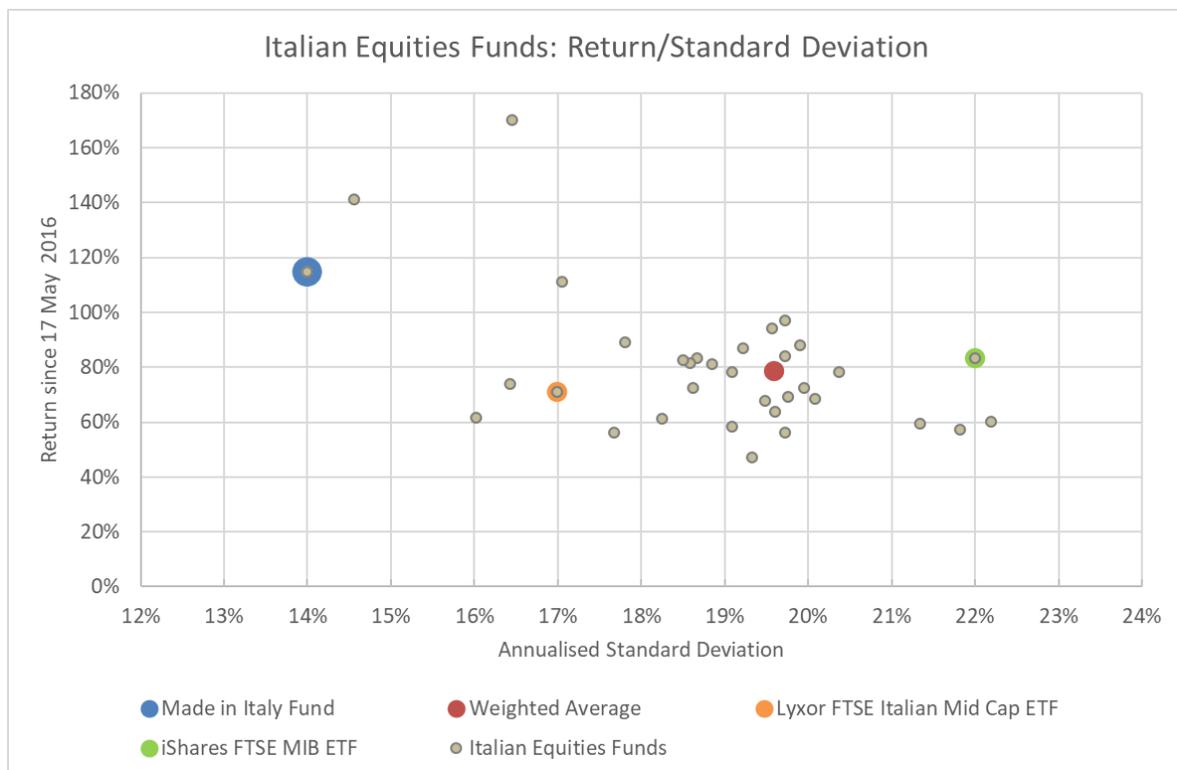


## Investor letter – Fourth Quarter 2021

Dear Fellow Investors,

The Made in Italy Fund (MIF) had a return of 2.0% in the fourth quarter of 2021. The return since inception (17 May 2016) is 114.6%. Returns are net of fees and all administration costs.

The MIF remained well ahead of the Italian Equities fund universe, whose weighted average return since our inception is 78.7%:



Source: Factset

The MIF return is significantly higher than the 70.9% return of the most comparable ETF – the Lyxor Mid Cap Fund – as well as the 83.4% return of the main Italian Equities ETF – the iShares FTSE MIB.

The MIF return continues to be accompanied by lower volatility. The annualised standard deviation of its daily returns is 14.0%, compared to 19.6% for the weighted average fund, 17.0% for the Lyxor ETF and 22.0% for the iShares ETF.

## Fourth Quarter 2021

Our 2.0% return for the quarter compares with a weighted average return of 6.0% for the Italian Equities universe, 4.2% for the Lyxor ETF and 7.6% for the iShares ETF.

The Fund had a small positive return in October, held down by some retracement in our top holdings after their strong Q3 performance, thus allowing some catch up from other funds and indices. November saw a small and relatively more contained loss – the first after twelve consecutive months of positive returns. This was promptly reversed in December by a new positive return, again lower than comparisons, summing up to a positive but underperforming quarter.

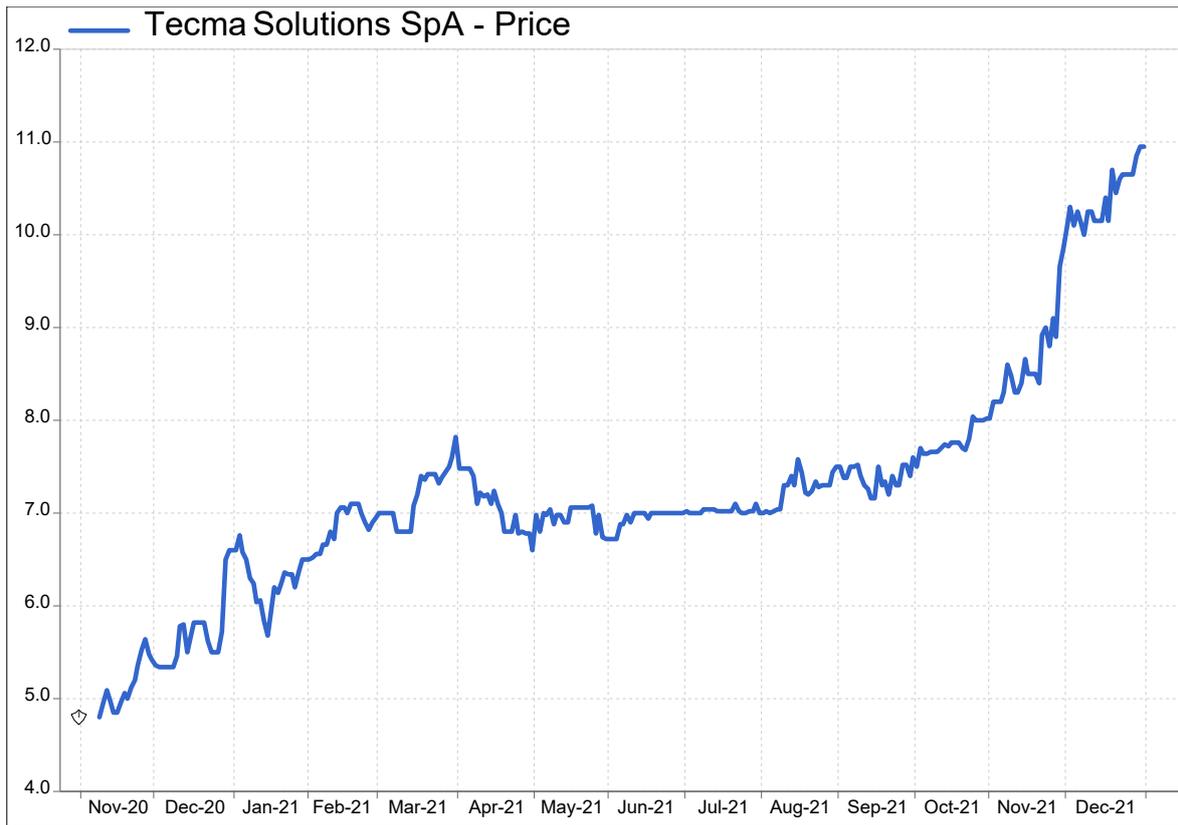
Our 2021 performance was nevertheless very strong, in both absolute and relative terms. The MIF annual return was 65.9%, versus 32.3% for the Italian Equities universe, 34.3% for the Lyxor ETF and 26.9% for the iShares ETF. Two other smaller ETFs, which we have not been reporting on as they started after our inception – the Lyxor FTSE Italia All Cap PIR and the iShares FTSE Italia Mid-Small Cap – had annual returns of 29.7% and 36.0% respectively.

Our index comparisons are likewise very favourable. As we had anticipated (yes, you've heard it before – last time, promise) the best performer in 2021 was the Italia Growth (ex AIM) index, with a return of 57.7%. Seeing our Fund return, net of all fees and costs, end the year above this index – which is not a viable investment but a costless theoretical construct – is particularly satisfying. [Remember](#) that the AIM index had massively underperformed all other indices for a long time: its performance since MIF inception to the end of 2020 was actually negative at -10.8%. After the 2021 rebound, it now stands at 40.6% – still well below all other indices and about one third of our performance. This goes to underline – if necessary – the imperative of careful selection within the highly heterogeneous universe of small caps stocks, which helped us outperform the Italia Growth index even in the year of its powerful recovery.

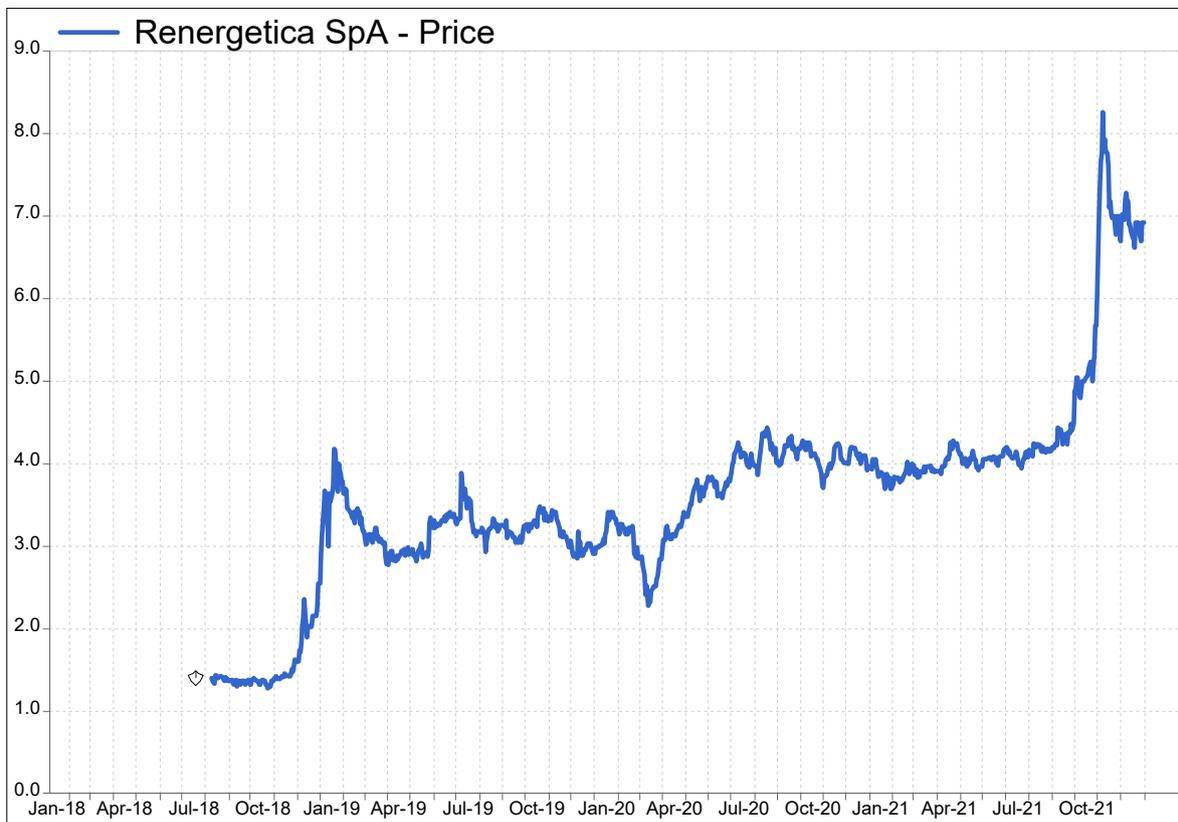
While we have been increasing our exposure to Italia Growth stocks in the last two years, mainly through IPO participation, our performance has also been helped by other small cap stocks included in the Small Cap index, which was the second best index performer in 2021, up 52.6%, followed by the STAR index at 47.1%, the Mid Cap index at 33.6%, and finally the main market MIB index, which closed the year with a 27.3% return – well ahead, by the way, of the 22.7% return of the Euro area STOXX index.

Many of our stocks had a strong performance in the quarter. As we have been doing in the last few quarterly letters, we highlight the top three.

The top performer was [Tecma Solutions](#), up 44% in the quarter and 66% in the year. We bought the stock at its IPO in [Q4 2020](#), paying 4 euro per share, and have been steadily increasing our position, lately in November and December. At the time of the IPO, the company – a provider of technological solutions for the real estate sector – had a valuation of 22 million, 8 million revenues and 2 million EBITDA. 2021 revenues are likely to be around 13 million and EBITDA more than 3 million. The current market cap is 90 million and the stock price ended the year at 10.95 euro.



The second top performer was [Renergetica](#), up 42% in the quarter and 75% in the year:



The company – a renewable energy operator – has been in the portfolio since its IPO in August 2018, as highlighted in our [Q4 2018 letter](#) after a 92% appreciation in that quarter. The IPO price was 1.5 euro, which became 1.36 after the distribution of 1 bonus share every 10 owned in November 2020 (just like last quarter’s top performer Websolute). It then hovered in a range around 3 and 4 euro until last August, when it started a rapid ascent, closing the year at 6.9 euro, with a 57 million market cap – another stark reminder of the importance of patient investing.

The third top performer was [Pattern](#), up 40% in the quarter and 71% in the year:



We bought the stock at its IPO price of 3.25 euro per share in [Q3 2019](#) and increased our position through time, most recently last July and October. At the time of the IPO, the company – a producer of clothing prototypes for the luxury fashion industry – had a market cap of 48 million, with revenues which at the end of that year were 56 million, and an EBITDA of 5.8 million. Despite the 2020 setback, 2021 revenues are in the region of 63 million, with EBITDA around 7 million. The current market cap is 93 million and the stock ended the year at 6.8 euro.

**Matica Fintec** again did well, up 39% in the quarter, on top of its 40% return in Q3, closing the year up 87%. Two of our long-term holdings, **Be Shaping The Future** and **Cembre** – in the portfolio since inception – were also strongly up, 27% and 24% respectively in the quarter and 93% and 88% in the year. Many other stocks ended the quarter in positive territory. As mentioned, however, our return was held down by retracements in some of our best performing stocks, such as **EdiliziAcrobatica**, down -8%, **Vantea Smart** and **Reti**, down -9%, **Sebino**, down -10%, and **Websolute**, down -17% after its remarkable 131% jump in Q3. Particularly disappointing was **Labomar**, down a further -14% after falling -22% in Q3. Nonetheless, the stock ended the year up 50%.

We regard these as physiological adjustments and remain invested in all stocks, as we believe their valuation has increased in line with their market price, leaving the gap between the two large enough to warrant further appreciation.

Contrary to our stated intention to reduce the number of positions in the portfolio, in the fourth quarter we added 8 new stocks, 7 of which via IPOs.

The new IPOs are:

**Medica**. The company designs and produces medical devices and electro-medical machinery for blood filtration, own-branded and for third parties, as well as water treatment. It operates three main divisions: 1) The Medical division produces and distributes electro-medical devices and related disposables for blood purification and other medical uses. 2) The Water division produces membranes and filters for microbiological water purification. 3) The Assembly Technology division constructs custom and standard machinery for the automation of production lines of medical devices. The company has a market value of 160 million euro, with expected 2021 revenues of 45 million (70% outside Italy), EBITDA of 10 million with high cash flow conversion, expected to grow at a fast pace in the coming years as the company increases its production capacity through internal investments and external acquisitions. We paid 27 euro per share at the IPO in early November. The stock closed the year at 40.3 euro, up 49%.

**Soluzione Tasse**. The company offers accounting and tax planning services to small and micro companies around Italy, through an automated and scalable software-based process able to disrupt and replace the traditional business of individual tax advisors with a more advanced and efficient solution. It has a market value of 35 million euro, with about 26 million 2021 revenues, expected to double in the next few years as the company scales up its operations and upsells a variety of related services at an increasing profit margin. We paid 2.7 euro per share at the IPO in early November. The stock closed the year at 2.3 euro, but we expect a substantial appreciation in the new year, in line with our fundamental valuation.

**Cofle**. The company is an OEM and After Market manufacturer of control cables, brake cables and remote-control systems for agricultural machines, luxury cars and commercial vehicles. It has a market value of 85 million euro, with expected 2021 revenues around 50 million and EBITDA of 13 million, both set to grow at a healthy pace in the coming years through new customer acquisition in high-growth emerging markets, external expansion through acquisitions and more efficient logistics to reduce time to market. We paid 13 euro per share at the IPO in mid-November, and the stock closed the year up 25% at 16.2 euro.

**Racing Force**. The company is a world leader in the manufacturing and distribution of safety components and protection equipment for the Motorsport industry, mainly through its OMP and Bell Helmets brands. It has a market value of 140 million euro, with expected 2021 revenues of around 50 million and 12 million EBITDA, which we see on a path of strong future growth, driven by a clear strategy and capable management. We bought the stock at its IPO in mid-November, paying 4.5 euro per share and subsequently increasing our position by the end of the month. The stock ended the year up 33% at 5.99 euro.

**Datrix**. The company offers Augmented Analytics applications to provide technological solutions to corporations in the areas of Marketing and Sales, Fintech, Data Monetization and Machine Learning Model Serving. It has a market value of 37 million euro and 2021 revenues of about 11 million. It is currently loss making but expected to reach healthy profitability by 2023. We bought the stock at its IPO in early December at 4.1 euro per share. It ended the year at 4.3 euro.

**Estrima.** The company produces and markets electric quadricycle vehicles for urban use under the Birò brand, today mainly in Milan and Amsterdam, but with an ambitious plan to expand in more than 20 European cities. It has a current market cap of 13 million and 2021 revenues of around 31 million. It is also loss making, but we expect it to rapidly grow its business into good profitability in the next few years as its expansion plans come to fruition. We paid 3.5 euro per share at the company IPO in mid-December and the stock closed the year at 2.8 euro.

**ISCC.** Integrated System Credit Consulting is a credit management company. It analyses and buys portfolios of small personal non-performing and unlikely-to-pay loans via an internally developed technological platform, managing credit recovery and collection in and out of court. It has market value of 68 million and a portfolio of NPL which in 2022 may reach a nominal value close to 1 billion euro, expected to generate close to 20 million EBITDA by 2024. We participated in the IPO of the company in mid-December, paying 5 euro per share. The stock closed the year up 10% at 5.5 euro.

Finally, earlier in October we bought a position in **Abitare In**, a real estate developer active in the Milan area. The company has a 200 million euro market cap, with 2021 revenues of about 125 million and a 15% operating margin, both of which we expect to grow at a healthy pace in the next few years. The company came to the market in April 2016, a month before the inception of our fund, at a price of 138 euro per share, i.e. 1.38 after two 10 for 1 share splits in 2018 and 2021. It is one of the investment opportunities we unfortunately missed over the years, until we had the chance to buy shares at a discount in an ABB at 6.7 euro per share. The stock ended the year 23% above our purchase price, at 8.3 euro.

The welcome relaxation of travel restriction in the last quarter finally allowed us to resume our company visits at their headquarters – a key component of our investment process. In the space of a week in late November we saw 11 companies, in many cases meeting the management team in person for the first time after several video calls. You can see pictures from some of our visits on our [Instagram profile](#).

The sector composition of the Fund at the end of the year was the following:

	Number of companies	% Weight
Producer Manufacturing	8	16.5%
Electronic Technology	2	4.5%
Process Industries	2	3.7%
Consumer Non-Durables	1	2.3%
Consumer Durables	2	3.4%
Industrial Services	2	5.7%
Commercial Services	7	13.4%
Consumer Services	3	6.1%
Technology Services	10	21.1%
Health Technology	2	5.6%
Retail Trade	1	2.9%
Communications	1	2.6%
Finance	2	3.3%
Utilities	2	4.2%
Total	45	95.4%
Warrants		2.1%
Cash		2.4%

The flurry of new and interesting IPOs in Q4 led us to postpone the planned reduction in the number of positions in the portfolio towards our target of around 30. But in the new year we have already started the process and we will gradually carry on in the months ahead.

## On to the next five years

2021 has been an important year for the Made in Italy Fund. [At the end of 2020](#), when we announced our SCM alliance, the Fund was worth 3.8 million euro, having touched a nadir of 2.8 million in the throes of the first pandemic wave in March. By the end of 2021, value tripled to 11.4 million. About 40% of the increase was due to performance, while the rest came from inflows, mainly from SCM, which launched its [Alternative PIR line](#) in mid-February and has been investing 20% of it, and 30% since November, directly into the Fund. The rest of the line is invested in most of the same stocks included in the Fund. Its 2021 return since inception has been 44.3%.

Our partnership with SCM will continue in 2022. Investors who opened a PIR line in 2021 are expected to renew their investment – up to 300,000 euro – in the new year. New investors will join. In addition, the company has recently launched a new version of the PIR line, wrapped in an insurance contract.

Our performance has been receiving some [media coverage](#). We highlight the two most recent articles (in Italian). The [first](#) shows our Fund as the best performer in the Equity PIR category on a year-to-date and 1 year periods (as of 14 December), with a large gap on the second-placed and a much larger one on the rest of the group:

LA CLASSIFICA DEI FONDI PIR PER CATEGORIA: GLI AZIONARI						
Fondo	Società	Categoria Fida	Rend. % da inizio 2021	Rend. % 1 anno	Rend. % 3 anni	Comm. di gestione %
<b>AZIONARI ITALIA</b>						
Atomo Made in Italy L euro	Casa4Funds	Az. Italia - Mid & Small Cap	62,35%	65,38%	69,81%	1,5
Arca Economia Reale Equity Italia P	Arca Sgr	Az. Italia - Mid & Small Cap	43,73%	51,14%	98,02%	2
Anthilia Small Cap Italia A	Anthilia Sgr	Az. Italia - Mid & Small Cap	42,44%	53,56%	145,72%	1,75
AcomeA PMItalia ESG A2	AcomeA Sgr	Az. Italia - Large & Mid Cap	40,54%	43,60%	67,69%	0,8
KIS - Italia PIR C - euro	Kairos Partners Sgr	Az. Italia - Large & Mid Cap	35,75%	41,52%	-	1
Amundi Sviluppo Italia B Cap euro	Amundi Sgr	Az. Italia - Large & Mid Cap	32,43%	36,36%	50,76%	2,1
Anima Iniziativa Italia AD Dis	Anima Sgr	Az. Italia - Mid & Small Cap	32,34%	36,10%	55,52%	2
Fidelity Italy Y Dis EUR	Fidelity Inv. Man.	Az. Italia - Large & Mid C. Value	32,24%	35,05%	65,39%	0,8
Symphonia Azionario Small Cap Italia	Symphonia Sgr	Az. Italia - Mid & Small Cap	30,77%	36,81%	78,42%	1,8
EurizonAM MITO 95 N	Eurizon Capital Sgr	Az. Italia - Mid & Small Cap	29,23%	33,02%	50,72%	1,8
Arca Azioni Italia P	Arca Sgr	Az. Italia - Large & Mid C. Value	28,25%	31,06%	46,34%	1,8
Amundi Dividendo Italia B Dis	Amundi Sgr	Az. Italia - Large & Mid Cap	28,20%	31,35%	49,41%	1,85
Fideuram Piano Azioni Italia A (PIR)	Fideuram Am Sgr	Az. Italia - Large & Mid Cap	27,75%	30,56%	49,20%	2
Allianz Azioni Italia All Stars P	Allianz Global Inv.	Az. Italia - Large & Mid Cap	27,26%	30,77%	47,17%	1,8
Mediobanca Mid & Small Cap Italy C	Mediobanca Sgr	Az. Italia - Mid & Small Cap	27,26%	30,25%	39,75%	1,5
Oyster Italian Opport. C euro PR	iM Global Partner Am	Az. Italia - Large & Mid Cap	27,22%	31,33%	56,59%	1,75
Mediobanca Mid & Small Cap Italy E PIR	Mediobanca Sgr	Az. Italia - Mid & Small Cap	27,19%	30,15%	38,65%	1,8
Eurizon PIR Italia Azioni PIR	Eurizon Capital Sgr	Az. Italia - Large & Mid Cap	27,16%	30,03%	54,48%	1,8
CS (Lux) Copernicus Italy Equity B Cap euro	Credit Suisse Fund Man.	Az. Italia - Large & Mid Cap	26,92%	32,22%	-	1,6
SISF Italian Equity C Cap. EUR	Schroders	Az. Italia - Large & Mid Cap	26,19%	31,11%	61,16%	0,75
Euromobiliare PIR Italia Azionario A	Euromobiliare Am Sgr	Az. Italia - Large & Mid Cap	24,87%	27,92%	44,87%	1,8
Zenit Pianeta Italia I	Zenit Sgr	Az. Italia - Large & Mid Cap	24,64%	28,11%	43,20%	0,9
Sella Investimenti Azionari Italia C	Sella Sgr	Az. Italia - Large & Mid Cap	24,19%	27,94%	47,53%	0,7
AXA WF Framlington Italy F Cap euro	Axa Funds Management	Az. Italia - Large & Mid Cap	18,03%	21,45%	45,63%	0,75

Fonte: Fida. Classi retail in euro, dati disponibili al 14 dicembre 2021

Notice that, despite the underperformance in 2019 and 2020, our 3-year return is among the highest. And, as we know, so is our return since inception, as reported in our graph on the first page, which shows all Italian Equities funds which were there when we started in May 2016 and are still in existence today – 17 of them out of 60 have since then been closed. As we first noticed on our [Q2 2017 letter](#), the only two funds with a higher return are managed close to the STAR index – the only index which, [since early days](#), we have been trailing.

The [second article](#) presents our Fund as one of ‘the best equity products available for distribution to retail investors in 2021’. It reports a [link](#) to the following Table, which shows the 1, 3, 5-year and since inception returns of the Fund’s L Class (the latter number is incorrectly presented as a 10-year return, whereas the L Class started on 22 September 2016):

Nome	ISIN	Valuta	Categoria FIDA	Performance				Volatilità		Max Draw Down	
				1Y	3Y	5Y	10Y	3Y	10Y	3Y	10Y
Atomo Made in Italy L EUR	LU1391064828	EUR	Azionari Italia - Mid & Small Cap	65,68%	73,30%	91,06%	108,46%	20,52%	19,61%	36,92%	39,40%
SISF Global Energy C Cap. \$	LU0256331728	USD	Azionari Settoriali - Energia	60,42%	0,13%	-34,94%	-52,80%	54,00%	37,09%	73,41%	86,78%
GS North Am. Ener. & En. Infr. Eq. Ptf Base Cap \$	LU1046545411	USD	Azionari Master Limited Partner	53,45%	22,44%	-9,79%	-25,67%	34,66%	27,64%	58,92%	72,78%
BGF World Energy AI2 Cap EUR	LU1960223417	EUR	Azionari Settoriali - Energia	52,64%	-	-	-	38,58%	-	56,75%	-
Aberd.Stand.I Listed Private Capital A \$	LU1834168475	USD	Azionari Globali (Mercati Emergenti e Sviluppati) - Large & Mid Cap Value	52,42%	119,69%	97,69%	-	20,80%	-	43,42%	-
Neu.Berman US Real Estate Securities A Cap \$	IE008070G085	USD	Azionari Settoriali - Immobiliare (America)	51,92%	76,83%	66,59%	195,53%	16,46%	14,65%	38,15%	38,15%
MSIF Us Property Fund A \$	LU0073233958	USD	Azionari Settoriali - Immobiliare (America)	51,72%	32,61%	11,37%	106,84%	23,84%	18,25%	46,06%	46,06%
Tlux Global Technology ZU \$	LU0957808578	USD	Azionari Settoriali - Informatica e Tecnologia (Globale)	50,15%	211,55%	252,38%	432,29%	21,08%	19,50%	37,60%	37,60%
T.Rowe Frontier Markets Equity Q Cap \$	LU1079764939	USD	Azionari Globali (Mercati Emergenti) - Frontier Markets	49,61%	-57,03%	51,32%	83,96%	19,13%	14,97%	31,80%	34,55%
NAT. Vaughan Nelson US Sel Eq R Cap. \$	LU0183517498	USD	Azionari Usa - Mid & Small Cap	49,53%	105,07%	86,37%	340,94%	17,16%	14,78%	33,16%	33,16%

The interview gave us the opportunity to talk about the Fund and its investment process, the best performing stocks in 2021 and our outlook for 2022, where it is easy to say that our performance will not be as formidable – a forecast we would gladly miss – but nevertheless we see a positive return ahead of us, in the new year and beyond.

We hope more investors will participate in it. Despite tripling its size in 2021, our Fund is still small. SCM has been one of a few institutional investors who have had the resolve to participate in the Fund’s growth, rather than wait and see it grow from a distance. A number of determined individual investors have joined in. We warmly thank them all and take pride in their results. Our larger size should make potential investors more comfortable and help them overcome their hesitation. In this respect, we are taking an important step in our effort to win over new investors and will make an announcement shortly.

When we launched the Made in Italy Fund in 2016, we aspired to make it available to all interested investors. That is why we configured it as an open-end mutual fund with daily liquidity and why, a few months later, we created the L Class and listed it on the Borsa Italiana market dedicated to the trading of open-end funds, later named [ATFund](#). The platform allows any investor to buy units of listed mutual funds, much like he can buy shares and ETFs. Easy in principle but, as it turned out, nearly impossible in practice, as very few intermediaries have made ATFund accessible to their clients. This is a market failure, requiring government intervention that Euronext, the new home of Borsa Italiana, should promote and advocate. An open market for mutual fund investment, ideally extended to all seven Euronext markets, would create a clear positive externality, in the interest of all investors, companies and society at large.

Investing in the Made in Italy Fund should be an easy choice, rationally and operationally. In the new year we shall redouble our effort to make it a reality.

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