

October 2023

**ALPHA UCITS SICAV - AMBER EQUITY FUND**

A SUB-FUND OF ALPHA UCITS SICAV

**AMBER**  
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This letter reflects the views and opinions of Amber Capital. See Important Information for Investors.

**▶ INVESTMENT MANAGER COMMENTARY****The Alpha UCITS SICAV - Amber Equity Fund (AEF) returned -2.70% net of fees in October.<sup>1</sup>**

European equity markets continued to trend lower for a third consecutive month in October, with the MSCI Europe down -3.56%, Euro Stoxx Index -3.31% and the FTSEMIB down by -1.78%. As noted in our previous letter, we believe that the market is anticipating that inflation will remain stubborn and force the ECB to maintain higher rates for longer.

The market sell-off was far more violent for small and mid-caps, with no exception for Italy where the FTSE Italian Small cap index was down -12.3% YtD at the end of October and down -5.50% in October alone.

Our portfolio was down by -2.7% in the month, impacted by the move in real rates and the seemingly limitless selling pressure on Italian small and mid caps. We believe, though, that volatility and financial market dislocation are providing interesting opportunities to add to our book.

Yields on the US 10 year note reached new highs breaking 5% in October, levels not seen since 2007, and real interest rates have also risen significantly higher than pre-pandemic levels with an unexpected negative impact on long duration assets. Investors have endured a bumpy ride for the better part of this year amid soaring real interest rates, macro uncertainty and low visibility on the earnings cycle.

The Israeli-Hamas conflict added further complexity to an already very difficult macro environment. In the coming months we expect economic growth to slow down further as recent interest rate moves start to weigh on consumers and capital spending. On the corporate front, we expect a more prudent outlook for 2024 as volumes remain under pressure and pricing power fades with weakening demand. In this scenario we continue to prefer high visible and cash generative businesses with limited financial leverage and with limited exposure to cyclical businesses.

As previously noted, real interest rates have reached unprecedented levels, but we expect them to fall in the coming months in response to a weaker macroeconomic environment and softer labour market conditions. This would be a strong tail wind for Infrastructure assets (European towers in particular, which suffered immensely due to the move in real rates) and potential M&A activity as we may see strategic buyers approaching the listed market in search for take-out candidates.

**STRATEGY SUMMARY**

The Alpha UCITS SICAV – Amber Equity Fund (AEF) is a long/short equity UCITS compliant fund that invests primarily in European equities, with a focus on Italian investments using a fundamental value and bottom-up approach. AEF aims to achieve consistent absolute returns by focusing on corporate event-driven opportunities and special situations. The investment strategies employed may encompass, among other things, any or all of the following strategies:

- ▶ Directional long or short positions with or without a catalyst
- ▶ Long/short equity pairs with or without a catalyst
- ▶ Capital structure arbitrage
- ▶ Risk arbitrage
- ▶ Share class arbitrage
- ▶ Company holding discounts and
- ▶ Relative- and fundamental-value

**GENERAL INFORMATION**

<b>Investment Manager</b>	Amber Capital Italia SGR SpA
<b>Portfolio Manager</b>	Giorgio Martorelli
<b>Portfolio Risk Management</b>	Cameron Brown
<b>Fund AUM as of 31 October, 2023<sup>3</sup></b>	€38 M
<b>Fund Inception</b>	October 2013
<b>Base Currency</b>	Euro
<b>Structure</b>	SICAV Luxembourg, UCITS
<b>Managing Company</b>	Waystone Management Company (Lux) SA
<b>Administrator and Custodian</b>	CACEIS Investor Services Bank S.A.

<sup>1</sup> See Important Performance Information. Past performance is not indicative of future results.

<sup>2</sup> Total return, dividends reinvested in the index for the period of October 2023.

<sup>3</sup> Calculated by the applicable administrator or Amber Capital.

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## ► POSITION UPDATE

## NEXI (NEXI IM)

During the month of October, Nexi shares experienced high volatility on the back of press speculation of potential private equity interest as well as negative news flow on the payment sector following the profit warning of Worldline.

Nexi ended the month down -5.50% compared to -1.78% of the FTSE MIB. Moreover, on the 18<sup>th</sup> of October Bloomberg reported that CVC Capital was considering an offer for Nexi, although conversations were still in a preliminary phase. In the following days, several Italian newspapers reported that other private equity funds (Blackstone, Brookfield, Silverlake) were evaluating the dossier. The interest by PEs in the payment sector is not new as in July 2023 Canadian fund Brookfield acquired UK player Network International for £2.2bn. Nexi shares performed positively and were up c.+15.0%, before paring back gains after a profit warning by Worldline. The Paris-based company downgraded net income and free cash-flow guidance by -12.0% and -38.0% respectively, stoking fears among investors that a slowdown was also to be expected for Nexi in the near future.

Despite the recent turmoil, our conviction in Nexi's equity story remains strong and in our view is supported by:

- i. the speculative appeal with a high chance of a hard catalyst on the stock, given the depressed valuations, fragmented shareholder base and recent PE interest in the payment sector;
- ii. an attractive valuation with the stock trading at 6.5x EV/Ebitda 24E and 10% FCFE yield, limiting downside and more than capturing the risk of an economic downturn in 2024;
- iii. the debt-reduction potential with Nexi that should reach a 1.6x Net Debt / Ebitda in 2025 from 3.0x by year-end 2023, increasing the likelihood of a renewed shareholder remuneration policy.

In addition, Nexi could be looking to dispose of some non-core assets (for example, Nets DBS, Ratepay, Rete Interbancaria) to further accelerate a deleveraging and support a rerating of the shares.

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**CLASS A EUR SHARES****HISTORICAL MONTHLY RETURNS, NET OF FEES AND EXPENSES**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FY
<b>2023</b>	-0.11%	1.05%	0.10%	1.98%	-0.80%	1.45%	-0.98%	1.68%	-0.33%	-2.70%			1.26%
<b>2022</b>	-1.03%	2.36%	0.40%	-0.14%	1.13%	-1.32%	-1.77%	-1.26%	-1.21%	-0.62%	-0.46%	0.40%	-3.55%
<b>2021</b>	-4.25%	3.75%	3.08%	1.89%	0.59%	-1.30%	-0.23%	1.82%	0.67%	1.26%	-1.81%	0.96%	6.33%
<b>2020</b>	-2.05%	-0.47%	-5.54%	8.20%	-1.64%	0.95%	-0.63%	2.33%	3.36%	-2.97%	6.43%	4.54%	12.24%
<b>2019</b>	-1.05%	0.66%	-0.71%	0.96%	-0.53%	-0.77%	-0.06%	-3.08%	-1.23%	0.06%	0.87%	-0.17%	-5.00%
<b>2018</b>	-0.09%	-1.20%	-1.85%	0.59%	0.85%	-0.36%	0.18%	0.39%	-1.39%	-2.57%	-1.55%	0.24%	-6.62%
<b>2017</b>	1.27%	0.46%	2.52%	1.82%	-0.60%	-2.38%	1.26%	-0.80%	0.11%	1.59%	0.71%	0.01%	6.03%
<b>2016</b>	-2.02%	0.84%	1.51%	1.31%	1.03%	-1.91%	0.73%	0.69%	0.38%	-0.26%	-0.33%	5.16%	7.17%
<b>2015</b>	3.00%	4.75%	1.65%	-0.22%	-0.37%	0.29%	1.19%	-0.39%	-1.38%	3.07%	1.82%	0.06%	14.13%
<b>2014</b>	0.69%	1.17%	2.27%	-1.21%	0.50%	-1.68%	-0.53%	0.60%	-0.03%	-2.58%	1.36%	-0.08%	0.37%
<b>2013</b>										2.17%	1.31%	0.75%	4.28%

**ANNUALIZED RETURN, NET OF FEES AND EXPENSES, SINCE INCEPTION**

AEF	<b>3.42%</b>
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Reflects returns since 2 October, 2013.

**IMPORTANT PERFORMANCE INFORMATION**

Alpha UCITS SICAV - Amber Equity Fund ("AEF") performance represents the performance of a specific class of shares (Class A), which is Euro denominated and subject to the deduction of a 1.5% management fee and a 20% incentive fee. AEF's NAV per share is determined daily by AEF's administrator, RBC Investor Services Bank S.A. (RBC).

Returns are computed and stated in Euros to reflect the base currency of AEF. However, investors owning shares classes denominated in other currencies may achieve performance returns different than those of Euro denominated share classes. In addition, an individual investor might have experienced different results for the period in question had it subscribed or redeemed on an intra-year basis. Net performance includes the reinvestment of all dividends, interest, and capital gains. The returns shown are net of actual fees and expenses charged to AEF that are in addition to management and incentive fees charged by Amber Capital. Such fees vary, but typically include certain administrative, audit, tax, custodial and investment-related fees and expenses described in the Prospectus. When required, Amber Capital must withhold taxes on dividends and income. Performance shown is net of any taxes withheld.

These figures are unaudited and may be subject to change. Amber Capital's policies for valuing portfolios, calculating performance, and preparing presentations are available upon request. PAST PERFORMANCE IS NOT INDICATIVE OF, OR A GUARANTEE OF, FUTURE PERFORMANCE. AN INVESTMENT IN AEF INVOLVES SUBSTANTIAL RISKS AND WILL BE VOLATILE. BEFORE DECIDING TO INVEST IN AEF, PROSPECTIVE INVESTORS SHOULD CAREFULLY REVIEW AEF'S PROSPECTUS, INCLUDING THE DESCRIPTION OF THE RISKS, FEES, EXPENSES, LIQUIDITY RESTRICTIONS AND OTHER TERMS OF INVESTING IN THE FUND.

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## LARGEST POSITIONS

Long		Long/NAV	Short/NAV	Net/NAV	Gross/NAV
1 Fila Spa	Equity <sup>1</sup>	75.1%	-35.6%	39.5%	110.7%
2 Rai Way	Equity Risk Arbitrage	-	-	-	-
3 Vivendi	Non-Financials Credit	-	-	-	-
4 Lottomatica	Financials Credit	-	-	-	-
5 Edison	Hedges Credit Indices <sup>2</sup>	-	-3.3%	-3.3%	3.3%
	Hedges Sovereign <sup>3</sup>	40.3%	-35.1%	5.2%	75.4%

<sup>1</sup> Short/NAV includes Equity Index Hedges (index notional and options' delta adjusted value) -12.7%.<sup>2</sup> Long protection iTraxx Subordinated Financial Indices -3.3% in Hedges Credit Indices are excluded from Non-Financials / Financials Credit.<sup>3</sup> Includes Long German Bond Futures (Schatz) 40.3% versus Short Italian Bond (BTP) Futures -35.1%.

## TERMS &amp; CONDITIONS

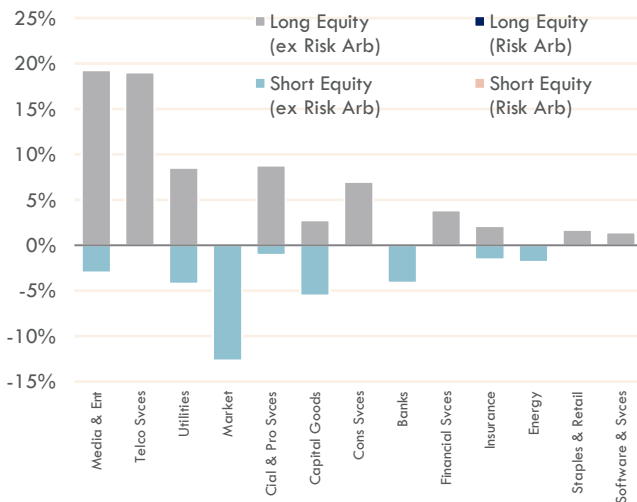
Management Fee	1.5% p.a. 2.3% (Class N €) p.a. 0.9% (Class O €) p.a.
Performance Fee	20% p.a. with equalization (except for A2 €) 25% p.a. with equalization (Class O €, max 1.6% NAV)
Liquidity	Weekly (Wednesday) with 2 days' notice
Minimum Subscription	€/\$ 500,000 €100,000 (Class D €) €10,000 (Class N €) €20 M (Class O €)

Share classes may have different minimum investments and different fee structures depending on the investor category they are open to. For more information on which investor category can subscribe to each share class, please refer to the Fund Prospectus or the offering documents.

## BLOOMBERG TICKER/ISIN

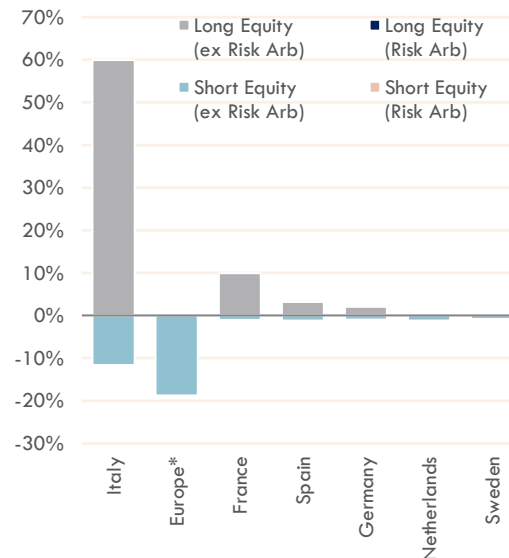
Class A €	AMBEFAE LX / LU0968832344
Class A \$	AMBEFAU LX / LU0968832427
Class A2 €	AMBEA2E LX / LU0968833078
Class B €	AMBEFBE LX / LU0968833151
Class D €	AMBEFDE LX / LU0968833821
Class N €	AMBEFNE LX / LU1528992628
Class O €	AMBEFOE LX / LU1807158354

## LONG/SHORT EQUITY EXPOSURE BY INDUSTRY, AS % OF NAV



Largest exposures listed, contact Amber Capital for complete list of industries.

## LONG/SHORT EQUITY EXPOSURE BY COUNTRY, AS % OF NAV



Country of incorporation/risk where appropriate.

\* Including Index Hedges.

## LIQUIDITY FOR THE EQUITY PORTFOLIO, AS % OF NAV

		Long Equity (ex Risk Arb)	Short Equity (ex Risk Arb)	Long Equity (Risk Arb)	Short Equity (Risk Arb)
Liquidity Days (25% of 6M ADV)	> 90	2.6%	-	-	-
	60 – 90	1.0%	-	-	-
	20 – 60	8.6%	-	-	-
	5 – 20	15.1%	-	-	-
	1 – 5	13.4%	-1.3%	-	-
	Single Day	34.4%	-34.3%	-	-
	Total	75.1%	-35.6%	-	-

Calculation assumes the active liquidation of every equity position in the portfolio assuming 25% of average daily trading volume over a six-month period. Boxed positions will be netted down for reporting purposes.

This information is presented for illustrative purposes only. Holdings and allocations are subject to change. For information about the risks of this product please refer to the Key Investor Information Document ("KIID") available at [www.waystone.com](http://www.waystone.com) or the Fund Prospectus. Data is internal and unaudited and was calculated by Amber Capital as of 31 October 2023. Rounding may cause differences.

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fundamentals or valuation measures change, AEF may re-evaluate its holdings and may sell or cover part or all of its position. The investment cases chosen for review in this presentation was not chosen on the basis of profitability, but rather because they are new investments, there are topical or noteworthy events affecting the underlying investments, or the cases otherwise reflect the types of investment opportunities that are common to AEF.

Exposure and liquidity data are internal and unaudited and were calculated by Amber Capital as of the last trading day of the most recent month. "NAV" as presented herein is calculated by Amber Capital and used internally for portfolio risk monitoring purposes. It is an estimate only and differs from the official net asset value calculated by the Administrator for a variety of reasons. For example, it is based upon internal pricing sources that may differ from those applied by the Administrator.

Certain investors have access to certain information regarding AEF that may not be available to other investors. For example, an investor may request and may receive additional information and reports in connection with its initial and ongoing due diligence reviews, which may not be provided to other investors unless specifically requested by such other investors. Such investors may make investment decisions with respect to their investment in AEF based on such information. At the request of certain investors, Amber Capital may provide summary level exposure information to third-party risk vendors, who produce certain reports in connection therewith. Amber Capital will have such reports provided to any investor upon request. Investors are not generally provided with periodic pricing or valuation information with respect to AEF's individual investments; however, Amber Capital may provide position-level transparency reports to any investor upon request, such as for regulatory reporting obligations. Any such information will only be provided on a historical basis and after the relevant dealing day to which the information relates.

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