

# MASSIMO TRABATTONI – 5TH IN EUROPEAN COUNTRY EQUITIES

## How to extract value from the inefficiencies of the Italian equity market

Despite its inefficiencies and dire economic prospects in terms of absolute value, the Italian equity market still manages to offer interesting investment opportunities.

“Today, you need an extremely active - but prudent - management approach when facing such a complex market scenario,” explained Massimo Trabattoni, Manager of the Kairos’s Italian Equities team with a Citywire Triple A rating.

He went on to clarify, “However, it must first be said that the factors to consider when choosing value are, after the classic evaluation of fundamentals, flows and open themes relating to banks. Movements on the Italian market are closely linked to opportunistic investment trends put in play by foreign investors, and this can distort prices. Furthermore, Europe is not very attractive to investors from countries outside the EU and Italy is seen as the weakest area, even if it is one of the most liquid. If we are to see a turnaround in confidence, steps must be taken to truly unite Europe: until then, it is unlikely that European indexes will be able to attract significant flows of private capital. On the financial side, we must be prudent: the hot topics among banks are, in the short term, cleaning up balance sheets and focusing on the business model in the long term.

In short, the critical areas in this sector will remain in place over the next few months with impact on the real economy as well,” he concluded.

Trabattoni explained that the secret of Luxembourg-based Kairos International Sicav’s KIS Italia fund in managing such a complex scenario is that “we constantly monitor the fundamentals of listed companies and sector trends in the market, trying to understand them rather than “anticipate” them. We increase our positions gradually as trends strengthen. Once we have created alpha, we also consider the market stage, the beta, to generate strong performance. Our approach is still local: we pick Italian stocks that we know well, with high visibility of earnings, which can perform over the medium term. KIS Italia is a long-short product with significant portfolio selection, led by common sense and the aim of at least halving market volatility.”

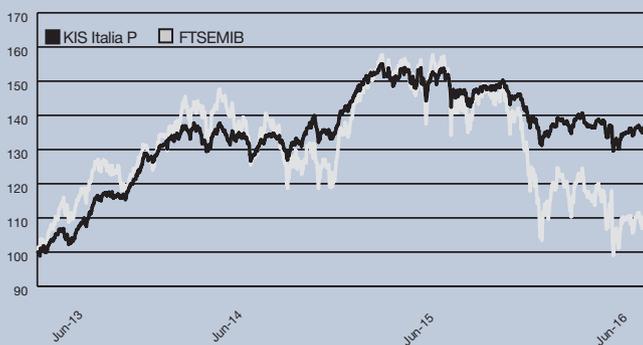
“We are convinced that, in the months to come, it is essential to stay prudent on an index like Italy’s, which presents not only uncertainties with respect to banks but also a series of issues tied to the political situation,” noted Trabattoni. “As for Italian banks, the market is still waiting for the sales of NPL portfolios and share capital increases, even from the larger banks. Furthermore, the stock market does not reflect



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Italy’s real economy, i.e., the small and medium-sized production companies that make up our country. So we are selecting stocks and sectors with high earnings visibility and companies whose revenues come mostly from exports, which are not dependent on trends in domestic demand, in addition to regulated businesses.”

### KIS ITALIA: PERFORMANCE SINCE INCEPTION



Past performance is not a guide to future performance.



### KIS ITALIA

KIS Italia is a fund of the Luxembourg-based Kairos International Sicav. The management team includes Vittorio Gugliotta, trader and Francesco Cavallo, analyst, and is led by Massimo Trabattoni, who has worked on the market for over twenty years. It has a dynamic management style in which the analysis of fundamentals flanks technical analysis and a search for market catalysts.

The strategy used by the management team, which started in July 31, 2008, has posted annualized returns of +6.38% (versus the FTSE MIB’s -6.16% in the same period) with annualized volatility of 10.57% (FTSE MIB in the same period: 23.77%).

The team also manages KIS Risorgimento, a long-only fund specializing in Italian equities and the Italian equity segment of one of the world’s major sovereign funds.

For more information about the fund, please contact [d.commercialesgr@kairospartners.com](mailto:d.commercialesgr@kairospartners.com)