



# ALGEBRA DIGITAL STRATEGY FUND SLP

Monthly news and bulletin updates

Issue  
#2  
December  
2022

## Fund objective

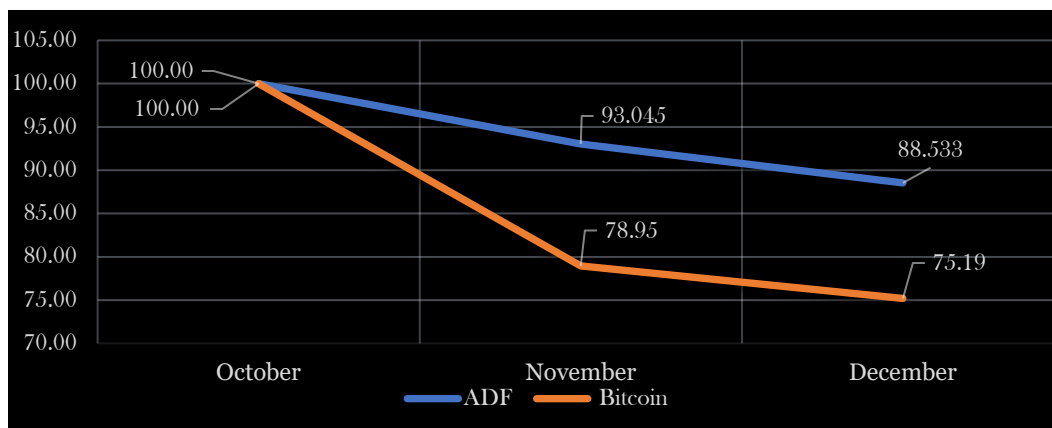
The Fund's investment objective is to provide capital growth, to outperform and decrease in volatility with respect the crypto currency Bitcoin over the medium to long term. The strategy is based on an in & out trading activity that operates rigorously following the signals that arrive from a trading algorithm. The strategy itself, is the result of an empirical analysis of the underlying observation over a period of 5 years. The fund is Euro based currency, it will not use derivatives, and it will not perform leveraged investments.

## Fund performance

### Algebra Digital Strategy Fund (ADSF) vs Bitcoin

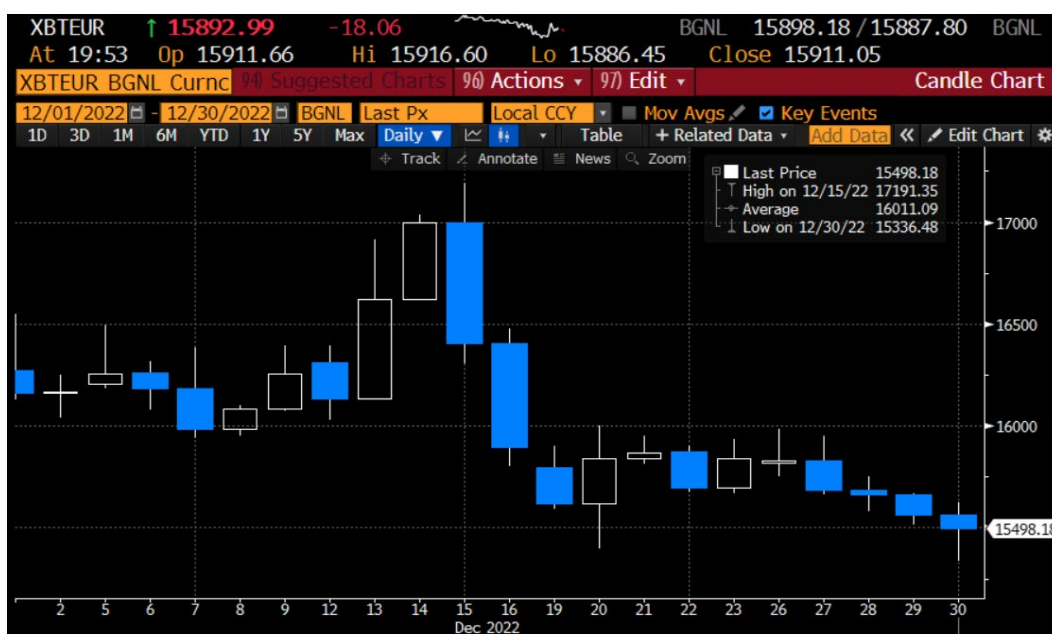
	ADSF NAV	Bitcoin Eur	ADSF Net Equity
31/10/2022	1'000.00	20'611.90	1'002'000.00
30/11/2022	930.45	16'272.13	932'312.26
31/12/2022	885.33	15'498.18	887'099.19
	ADSF Monthly Performance	Bitcoin Monthly Performance	Extra Performance
November 2022	-6.96%	-21.05%	14.10%
December 2022	-4.85%	-4.76%	-0.09%
	ADSF Performance	Bitcoin Performance	Extra Performance
Since Inception	-11.47%	-24.81%	13.34%

### ADSF Performance vs Bitcoin Eur



Fund Performance vs Bitcoin 2022. Source: Internal elaboration

### Bitcoin daily bars of December 2022



Source: Bloomberg graph of Bitcoin/Eur BGNL daily data.

### Fund moves

December was dominated by lateral trading except for mid-month local spikes due to macroeconomics news. The circumstance generated an upward movement on December 13th in Bitcoin price which broke the channel. It was analyzed as a potential strong entry signal from the algorithm. Indeed, it could have been the case for a loosening of monetary policies. Therefore, a long position was taken on Bitcoin at 16,790 euros. However, a few days later, Bitcoin started to sink because of hawkish FED's and ECB's speeches. Fund's volatility reduction stop-orders went in action and position was closed in order to avoid a too large rebound on fund's position.

Bitcoin continued with a very slow decline that leads it to settle at around 15,498 euros at the end of the year.

The month therefore ended with a loss of 4.85% while Bitcoin went down by 4.76%. This led to a monthly extra-performance against Bitcoin of -0.09%.

Date	Bitcoin Eur	Date	Bitcoin Eur
31/01/2022	34332.50	31/07/2022	23312.40
28/02/2022	36856.11	31/08/2022	19938.50
31/03/2022	41236.35	30/09/2022	19817.21
30/04/2022	36385.20	31/10/2022	20611.90
31/05/2022	29982.84	30/11/2022	16272.13
30/06/2022	18243.38	31/12/2022	15490.90

Source: Bloomberg BGNL monthly data

## An end of year driven by resilience

### Bitcoin on the barricades

The last month of 2022 witnessed a lateral trend of Bitcoin on the lows of the year. The fear of a possible contagion of large players, following the bankruptcy of FTX at the end of November, leads operators to keep their risk aversion high. The contagion spreads in a limited way to Genesis (crypto lending company linked to FTX), to BlockFi (linked to FTX by failed bailout agreements), and Core Scientific (one of the largest miners in the world). While both Crypto.com and Binance hold up quite well to the wave of withdrawals due to fears that they too are not backed by sufficient reserves, shares of Greyscale Bitcoin Trust hit an all-time low of 50% off the Bitcoin it claims to own.

Looking at on-chain indicators, the hash rate sunk at the minimum levels of 185M (TH/s), a sign that many miners do not consider profitable enough decrypting at these Bitcoin price levels. Indeed on 21st of December, cryptocurrency miner Core Scientific Inc. filed for chapter 11 to hand control to creditors. A further indication of the squeeze on mining companies from declining bitcoin prices and rising electricity costs.



Bitcoin Hash Rate, source: lookintobitcoin.com



Bitcoin daily bars of 2022. Source: Bloomberg graph of Bitcoin/Eur BGNL daily data.

## The huge influence of monetary policies

### Looking for Fed's point of turn

Considering the large number of institutional investors who have entered the Bitcoin market during last 2 years, it is not surprising that Bitcoin market is largely driven by US interest rate policies and equity market sentiment. The behavior of IT sector seems obviously to be quite relevant as well. Higher rates affect valuation of forthcoming flows and the blockchain industry is widely based on projection of future returns. Therefore, monetary policies have a huge impact on Bitcoin price.

The unexpected Ukrainian war on February, after two years of Covid restrictions, led to a persistent shortage of commodities and resources worldwide. This fueled an exogen inflation in US e EU. Central banks were forced to rise rates to stop levitating prices. We are now in the middle of this new era and now market is guessing when Fed will stop rising rates.

In this context the long-awaited data on US inflation on 12th December, showing a lower-than-expected result, positively surprised all financial markets, generating upward movements based on expectations of a less restrictive monetary policy for the next months. Equity markets reacted with a strong rebound and cryptos as well.

Indeed, the positive mood didn't last very much. A few days later, both FED and ECB released speeches about future tightening. They left no doubt about their intentions to continue with a tough restrictive monetary policy to fight inflation.

Obviously, the reaction on Equity market was huge: SPX index lost more than 6% in 5 days. Bitcoin (vs Usd) fell of 7.6%.

## Risk Considerations

An investment in the Fund involves certain risk factors and considerations relating to the Fund's structure and investment objective that prospective investors should evaluate before making a decision to subscribe for Shares. No assurance can be given that the Fund will succeed in meeting its investment objective. Moreover, past performance is not a guarantee of future results. The risks referred to in the Fund's issuing document are neither specific nor exhaustive, and a financial advisor or other appropriate professional should be consulted for additional advice.

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**Class A Share:** ISIN LU2507354137

**Category:** Capitalization of income

**Currency:** EUR

**Minimum initial investment:** EUR 125.000,00

**Minimum subsequent investment:** EUR 1.000,00

**Lock-up period:** Open-ended fund, no Lock-up period

**Class B Share:** ISIN LU2507354210

**Category:** Capitalization of income

**Currency:** EUR

**Minimum initial investment:** EUR 125.000,00

**Minimum subsequent investment:** EUR 1.000,00

**Lock-up period:** Open-ended fund, no Lock-up period

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