



ALGEBRA DIGITAL STRATEGY FUND SLP

Monthly news and bulletin updates

Issue #4
February 2023

Fund objective

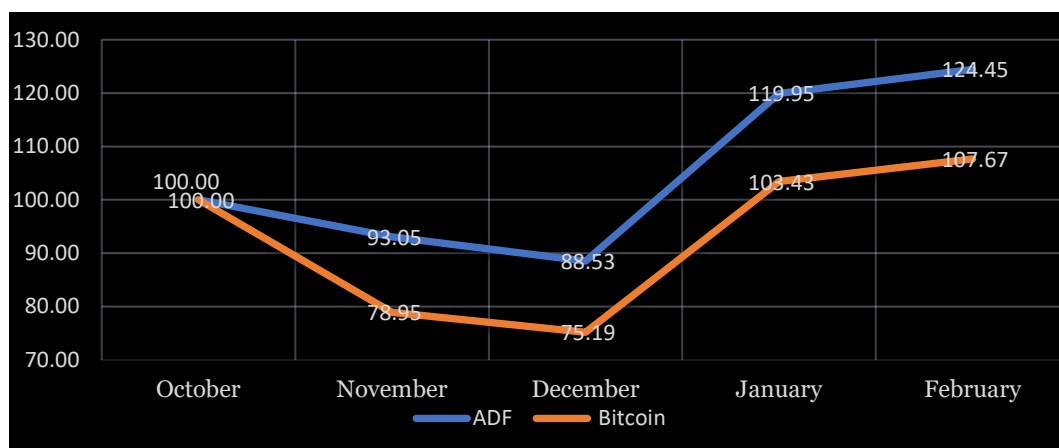
The Fund's investment objective is to provide capital growth, to outperform and decrease in volatility with respect the crypto currency Bitcoin over the medium to long term. The strategy is based on an in & out trading activity that operates rigorously following the signals that arrive from a trading 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

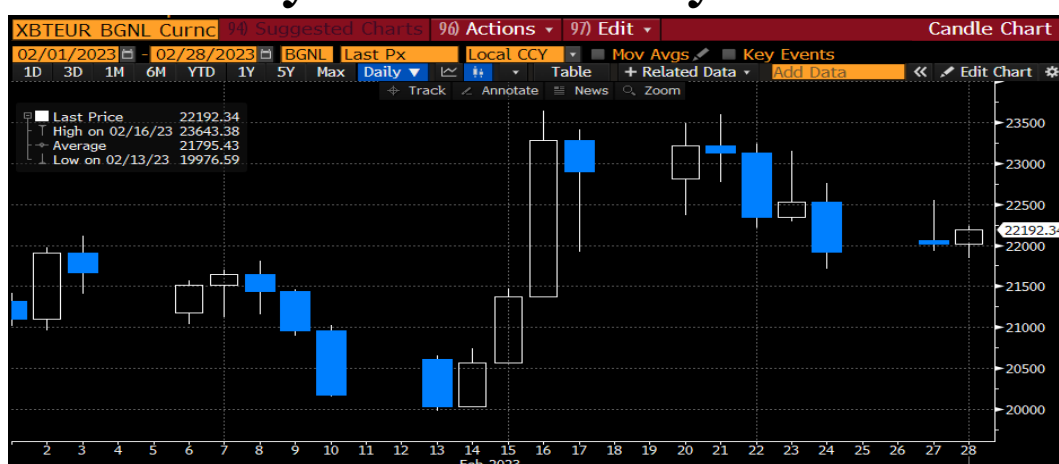
	ADSF Performance	Bitcoin Performance	Extra Performance
Since Inception (31/10/ 2022)	24.45%	7.67%	16.78%
	ADSF Monthly Performance	Bitcoin Monthly Performance	Extra Performance
February 2023	3.75%	4.10%	-0.35%
January 2023	35.49%	37.56%	-2.07%
December 2022	-4.85%	-4.76%	-0.09%
November 2022	-6.96%	-21.05%	14.10%
	ADSF NAV	Bitcoin Eur	ADSF Net Equity
28/02/2023	1'244.45	22'192.34	1'246'941.95
31/01/2023	1'199.49	21'318.57	1'201'890.35
31/12/2022	885.33	15'498.18	887'099.19
30/11/2022	930.45	16'272.13	932'312.26
31/10/2022	1'000.00	20'611.90	1'002'000.00

ADSF Performance vs Bitcoin Eur



Fund Performance vs Bitcoin 2023. Source: Internal elaboration

Bitcoin daily bars of February 2023



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

Fund moves

During the month of February, the fund maintained its "long" position on Bitcoin, recognizing the conditions for the continuation of the positive trend that started at the beginning of 2023. The month began with announcements from Fed and ECB on future rate hikes, welcomed with great optimism from financial markets. Bitcoin also went up, reaching the maximum for the period of 22,100 Eur. However, the following days saw the release of disappointing economic data from American IT sector. The SEC sanctioned Kraken operator for its staking activity and showed the willingness to severely limit it for the retail sector. Bitcoin began a correction that will last until the 13th of the month, bringing it to the 20,000 Eur area. Despite the retracement, Bitcoin consolidated its trend, and the downward pressures did not seem to find fertile ground. The fund therefore maintained the position believing that there were conditions for a rise. Indeed, the second half of the month was characterized by a new upward momentum that brought Bitcoin to the maximum of 23,500 Eur to then partially retrace and consolidate in the 22,200 area. The fund took fully profit from this additional performance bringing the overall result to +24.45% from inception versus a Bitcoin return of +7.67% during the same period.

Bitcoin on rollercoaster

Crypto markets between a revamp of interest due to its huge potential and the fear of future regulatory restrictions

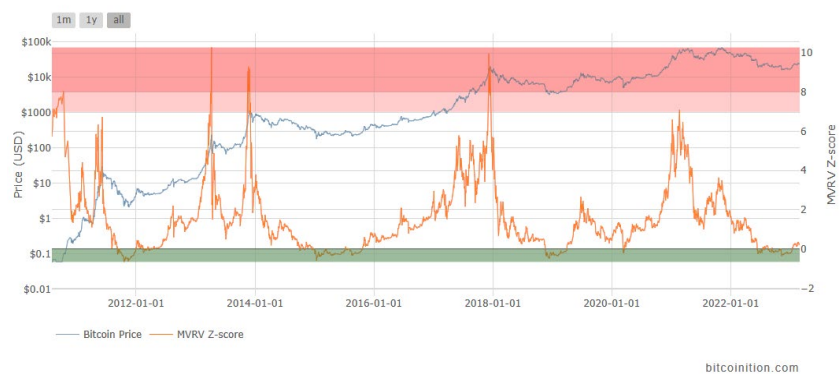
Uncertainty in traditional markets seems to be pushing several investors towards the crypto world, which has been showing decidedly higher returns since the beginning of the year. It can no longer be considered a sector unrelated to the equity markets, but at least, it certainly shows returns that are also influenced by other external factors. Among all, it has now become evident that the scale of the blockchain technological revolution is destined to bring a new set of services that will be further strengthened by the integration of AI technology within the sector. Although the US technological sector is going through a restructuring phase, the rate of innovation shows no sign of slowing down and the crypto world is certainly a major player on the scene. However, it should be considered that up to now the blockchain world has benefited from an almost total freedom given by the absence of a specific legislation. The world of cryptocurrencies based on smart contracts has evolved with the adoption of the more efficient and ecological "Proof of stake" but this has brought with it the problem of "staking" management. The trading platforms have started offering staking and lending services as an additional profit tool for their customers. The American administration already concerned by the FTX affair decided that the time had come to intervene.

In February the U.S. Securities and Exchange Commission (SEC) announced charges against crypto exchange Kraken, alleging its offering of a crypto staking-as-a-service program amounted to offering unregistered securities products in the U.S. To settle the charges, Kraken is paying \$30 million and shutting all of its U.S. staking services.

The action's raised the questions if SEC is going after all staking in the U.S., how crypto companies can actually offer staking services and whether the SEC would offer any guidance for companies hoping to offer services without drawing the agency's ire. An SEC official told reporters that the agency basically looks at the offering of a staking service as being similar to offering any other type of security. In other words, companies hoping to offer staking services would have to register as a securities platform with the regulator, get SEC Division of Corporation Finance approval to offer the product and file regular disclosures.

According to this view, trading platforms providing Ethereum-like crypto services would be under SEC approval. This would mean that only bitcoin trading would keep on being outside authority control. That is at the same time a huge concern for the crypto industry itself and a strong point for an increased Bitcoin strength. In light of this, looking at the current levels of the older cryptocurrency, actual valuations are still potentially very promising for the future. On-chain analysis shows that the current price of Bitcoin is still very close to the average load price

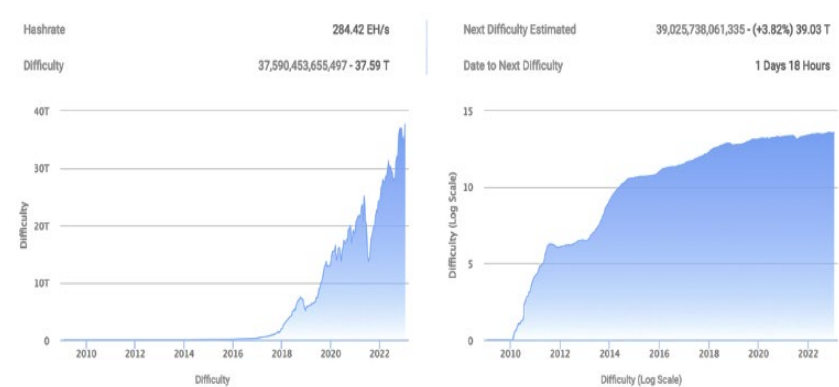
of the market. The statistical measure of this quantity is summarized by the Z-Score indicator which calculates the difference between the Market Cap of the entire Bitcoin market and its overall average price and divides it by the standard deviation of the Market Cap itself (see below figure from bitcoinion.com).



Historically when the Z-score is close to zero, the market starts a bullish phase, if vice versa the Z-score is above the level of 7, an imminent correction is likely. Currently the Z-score is in the 0.50 area, and this gives us a measure of how positive the expectations are for a significant growth in the future. However, the on-chain analysis does not only give bullish sentiment, other indicators, those related to mining, for example, show negative signals. The new all-time high in mining difficulty at 39 trillion hashes increases pressures on Bitcoin mining affecting its profitability (see picture below from bitcoin.com).

The confirmation comes from the valuations of the mining companies listed on the stock exchange which have suffered heavy declines in recent weeks.

Therefore, while the current level of Bitcoin keeps on being interesting, several clouds are looming on the horizon, and it is difficult to predict which trend will prevail in the next future.



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

General Partner (AIFM):

QIAM, Quality Investment Asset Management Sàrl

34, rue Notre-Dame

L-2240 Luxembourg

RCSL: B161288

Email: info@qi-am.eu

Phone: +352 24 84 68 21

Website

www.algebradigitalfund.com

Email

info@algebradigitalfund.com

Investment Advisor:

ALGEBRA DIGITAL SA

Via Geretta 18

CH-6900 Paradiso Switzerland

RCS: CHE-460.721.996

Directors:

Tommaso Primo

Marco Ottolino
