



ALGEBRA DIGITAL STRATEGY FUND SLP

Monthly news and bulletin updates

Issue
#9
July
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.

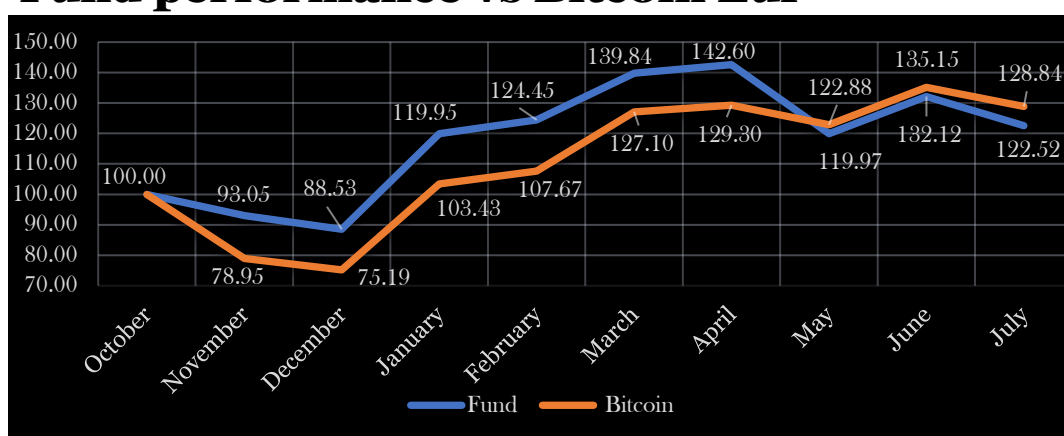
Fund performance

	Fund Performance	Bitcoin Performance	Extra Performance
Since Inception (31/10/ 2022)	22.52%	28.84%	-6.32%

Fund monthly performance

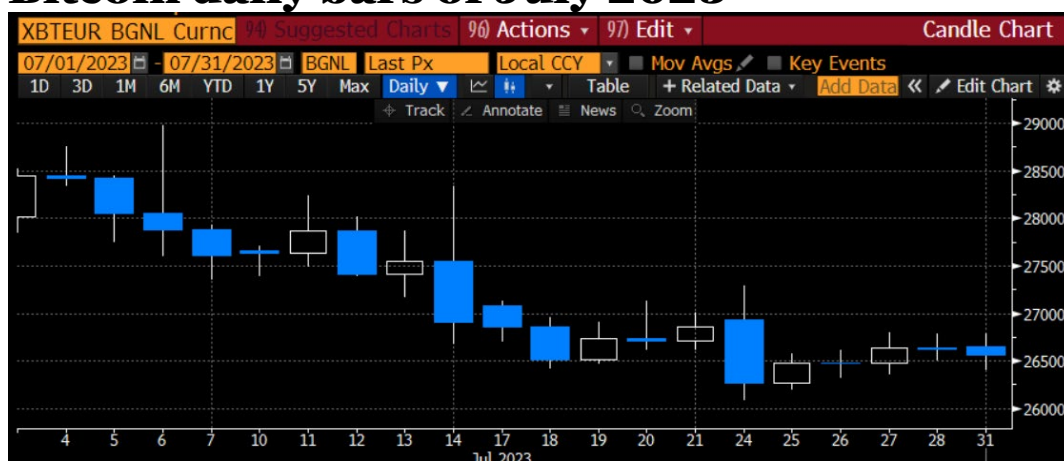
	Fund Performance	Bitcoin Performance	Extra Performance	Fund NAV	Bitcoin Eur	Fund Net Equity
July 2023	-7.27%	-4.66%	-2.61%	1'225.20	26'557.32	1'227'651.57
June 2023	10.13%	9.98%	0.15%	1'321.24	27'856.46	1'323'884.66
May 2023	-15.87%	-4.97%	-10.90%	1'199.67	25'327.75	1'202'071.92
April 2023	1.98%	1.73%	0.246%	1'425.98	26'651.12	1'428'833.98
March 2023	12.37%	18.05%	-5.682%	1'398.36	26'198.09	1'401'157.40
February 2023	3.75%	4.10%	-0.35%	1'244.45	22'192.34	1'246'941.95
January 2023	35.49%	37.56%	-2.07%	1'199.49	21'318.57	1'201'890.35
December 2022	-4.85%	-4.76%	-0.09%	885.33	15'498.18	887'099.19
November 2022	-6.96%	-21.05%	14.10%	930.45	16'272.13	932'312.26
October 2022	-	-	-	1'000.00	20'611.90	1'002'000.00

Fund performance vs Bitcoin Eur



Fund Performance vs Bitcoin 2023. Source: Internal elaboration

Bitcoin daily bars of July 2023



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

Fund moves

July starts with a long position due to the bullish market of the previous month. Just after the beginning, on 6th, concerns about USA markets and possible future FED rates further increases, push down Bitcoin market with a huge daily correction. In order to prevent a possible downtrend, the fund closes the long position. Following the reprise of the market, the position is taken back on 7th. During the following days the market fluctuates following the news about possible future investments from Blackrock and SEC involvement in regulating it. In the middle of the month another important correction is followed by a sudden reprise on 14th. Then a slow downtrend keeps on till the end of the month with a significant daily draw on 24th. The fund closes again the position to avoid possible increasing losses. In general, the market behaviour during July could be considered as not usual. Flows were very limited with a constant scarcity of liquidity. This led to quiet set followed by huge movements on single days. It is quite impossible to identify real trends in such a market, it forces the fund to act in a defensive way to avoid possible extensive losses. This led to a negative monthly performance of -7.27% that brought the overall performance to +22.52%.

Will the SEC regulate the whole Crypto Market?

The SEC wants to develop and implement a set of measures to control and regulate the crypto market as part of crypto trading on crypto exchanges

The SEC, one of the most influential and reputable financial regulators in the world, is now in the process of planning a package of effective measures that will allow the control of crypto companies that offer services for trading crypto assets. Given the fact that the SEC considers digital assets as securities, presumably the regulatory measures to control the crypto market will have to be based on federal securities laws.

The unexpected collapse of the Luna crypto coin in May 2022, and the equally famous bankruptcy of the FTX crypto exchange, which shocked the crypto industry, was a clear signal for regulators to pay close attention to the legality of digital asset transactions. For its part, the SEC has repeatedly shown its determination to do everything possible to ensure total control over all elements of the crypto market, without exception. Such an attitude will certainly have consequences, but it is not clear whether it will be positive or negative.

Different from the SEC's way of regulating securities exchanges, controlling crypto markets involves taking into account the fact that the crypto market is exceptionally dynamic and decentralized, which could be a difficult task in the way of total oversight. However, on the other hand, if the intentions are realized, the investment attractiveness of many crypto assets will likely decrease due to stricter oversight of financial transactions with their participation, which may provoke capital outflow from the cryptocurrency market and a sharp decline in quotations, which in theory may lead to the collapse of the entire crypto industry.

Tightening of norms of crypto sphere regulation, in particular, will help to improve security at all levels of both trading process and other activities related to circulation of crypto assets. At the same time, it will be possible to streamline and organize the procedures of passing the identification process and other tools that give access to trading on the crypto market with the help of an authentication system. Moreover, the probability of fraudulent actions and other types of cryptocurrencies will be almost completely eliminated.

Total regulation of the crypto market by the SEC could lead to drastic restrictions on the use of crypto products, whether it be staking, lending, crypto lending, or trading in futures contracts. Theoretically, it is likely that systems will emerge to assess the availability of a particular trading instrument to a certain investor by passing special tests or other evaluation systems, based on the results of which a decision will be made to allow them to trade. As of today, there is already unconfirmed information about the SEC's intentions to limit the use of staking by private investors. Today, the volume of crypto transactions per day for Bitcoin

alone, according to various estimates, fluctuates around 350,000 thousand, not to mention the total volume of transactions involving all digital currencies. Using the advanced technology of blockchain networks, crypto payment transactions have become a real salvation in trying to pay less fees and greatly accelerate the speed of transferring payments. The regulation policy of the SEC can significantly affect the volume level of daily crypto transactions, reducing the benefits of using the blockchain as previously noted.

Licensing is an important step in making a financial institution a trustworthy and legitimate provider of certain services. Since today the licensing system for cryptocurrency activities is underdeveloped due to the lack of aspects providing for the peculiarities of the crypto market, the SEC is likely to develop a special system that takes into account the full licensing process of financial institutions working with digital assets.

These regulatory requirements may affect both crypto-exchanges, which are the most popular crypto-organizations, and various companies involved in the development of software, programs, and applications for working with cryptocurrency assets, among which may be crypto-purses, instruments for investment portfolio control, asset managers, investment advisers and so on.

The SEC control zone is planned to include operations for exchanging traditional fiat currencies for cryptocurrencies, crypto exchanges, intermediaries providing access to crypto wallets and services, and any economic entities that accept payments in both conventional currencies and crypto. Payment systems will be standardized, and certification of transaction storage and clearing services providers will be introduced. Cryptocurrency mining will fall under separate control and, in several countries, under a ban. According to the SEC, regardless of the initial powers, all supervisory authorities of states, from central banks and financial and fiscal regulators to securities control authorities, should receive additional powers to regulate crypto assets and coordinate their actions at the international level to eliminate the risks arising from various types of use of cryptocurrencies and their derivatives.

The current concept of crypto market regulation is crude and needs to be fully understood in all aspects of its functioning. The SEC, in an attempt to bring the entire crypto infrastructure under its control, may begin to implement regulatory rules in the banking sector and end with restrictions on the use of crypto products, which in all likelihood, could lead either to capital outflow from the crypto sphere and its collapse, or, if the plans are not implemented, help to maintain market neutrality, but increase the security of work with crypto assets.

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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