



ALGEBRA DIGITAL STRATEGY FUND SLP

Monthly news and bulletin updates

Issue
#12
October
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.

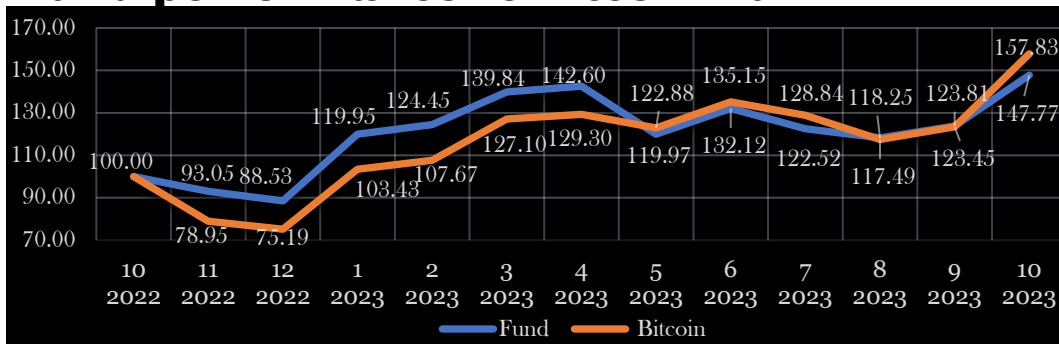
Fund performance

	Fund Performance	Bitcoin Performance	Extra Performance	Fund Annualized Volatility	Bitcoin Annualized Volatility	Volatility Delta
Since Inception (31/10/ 2022)	47.77%	57.83%	-10.06%	48.04%	56.69%	-8.66%

Fund monthly performance

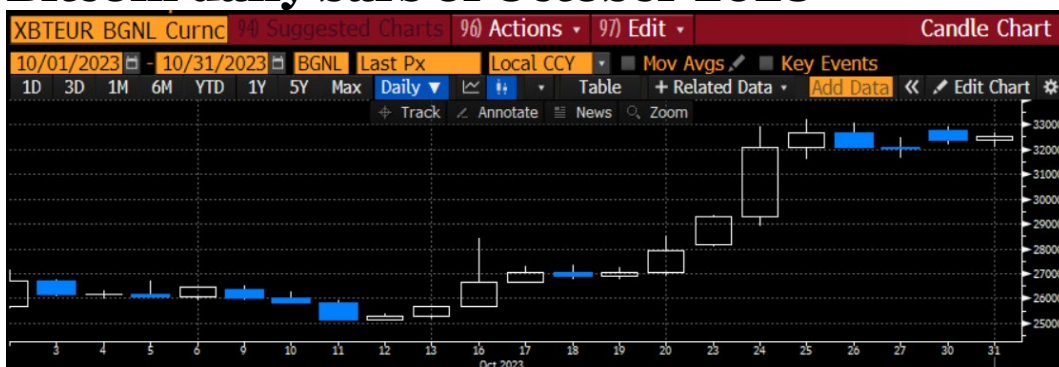
	Fund Performance	Bitcoin Performance	Extra Performance	Fund NAV	Bitcoin Eur	Fund Net Equity
October 2023	19.35%	27.85%	-8.50%	1'477.71	32'532.56	1'480'668.37
September 2023	4.70%	5.08%	-0.37%	1'238.11	25'445.72	1'240'588.84
August 2023	-3.48%	-8.81%	5.33%	1'182.53	24'216.71	1'184'892.15
July 2023	-7.27%	-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. Source: Internal elaboration

Bitcoin daily bars of October 2023



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

Fund moves

After a spike on the 1st, the following 10 days saw Bitcoin oscillate between 26,500 and 26,000. The Israeli-Palestinian crisis then causes a reversal which brings the value to 25'100. But in the following days, the rumours regarding the increasingly concrete approval of the Bitcoin ETF by Grayscale and BlackRock bring a new wave of optimism which pushes the price to the 26'560 area on the morning of the 16th. This rapid rise triggers an order of sales by the algorithm to protect against a possible decline. On the afternoon of the 16th, fake news was spread about the approval of the ETF. The price jumped to 28,500 in the space of a few minutes and then completely retraced after Blackrock's denial. Since then, the market has shown a bullish sentiment which, after several phases of buying and small correction, brought the price to a high of 28'550 on the 20th. During this rise the algorithm generates a new buy signal and takes back its position. In the following days, new news followed one another, all aimed at indicating a possible imminent approval of the ETFs which were already registered in advance on the clearing platforms. This news inflames the market, bringing Bitcoin to close at 32'532.56. The fund achieved a monthly performance of 19.35% and closed the first year with a performance of 47.77%.

October 31st also corresponds to the day on which the Bitcoin White Paper was published, which therefore celebrates 15 years today.

ETF Inflow Impact on Bitcoin Price

From Galaxy Research, Published October 2023, on Galaxy.com

Approval for a US-regulated spot Bitcoin ETF will be one of the most impactful catalysts for the adoption of Bitcoin (and crypto as an asset class).

As of 9/30/23, the amount of BTC held in bitcoin investment products (incl. ETPs and closed-end funds) totaled 842k (around \$21.7 billion).

|| The US wealth management industry will likely be the most addressable and direct market that would have the most net new accessibility from an approved Bitcoin ETF. As of October 2023, assets managed by broker-dealers (\$27T), banks (\$11T) and RIAs (\$9T) collectively totaled \$48.3 trillion.

US Wealth Management - by Platform	AUM (\$ trillions)
Broker-Dealer	\$27.1
Bank	\$11.9
Registered Investment Advisor (RIA)	\$9.3
Bitcoin ETF - Baseline Addressable Market	\$48.3

Data: Dakota (October 2023); data excludes Family Office segment which has ~\$15T AUM.

We assume that the RIA channel will ramp up starting at 50% in Year 1 and increasing to 100% in Year 3. For the broker-dealers and bank channels, we assume a slower ramp starting at 25% in Year 1 with a steady increase to 75% in Year 3. Based on these assumptions, we estimate the addressable market size of a U.S. Bitcoin ETF to be ~\$14T in Year 1 after launch, \$26T in Year 2, and \$39T in Year 3.

Market Size by Wealth Platform (\$T)	Year 1	Year 2	Year 3
Broker-Dealer % access	\$6.8 25%	\$13.6 50%	\$20.3 75%
Bank % access	\$3.0 25%	\$6.0 50%	\$8.9 75%
RIA % access	\$4.7 50%	\$7.0 75%	\$9.3 100%
ETF Addressable Market via Wealth Channels % access (avg)	\$14.4T 30%	\$26.5T 55%	\$38.6T 80%

Bitcoin ETF Inflows	Year 1	Year 2	Year 3
Avg % of assets adding BTC exposure	10%	10%	10%
Avg % allocation to BTC	1%	1%	1%
Est. Inflows into Bitcoin ETF by Year (\$Bn)	\$14.4	\$26.5	\$38.6

Data: Dakota, Galaxy Research estimates

As of 9/30/23, Gold ETFs collectively hold about 3,282 tonnes (\$198bn in AUM) globally, representing about 1.7% of the gold supply, according to World Gold Council data.

As of 9/30/23, bitcoin held in investment products (incl. ETPs and closed-end funds) totaled 842k BTC (about \$21.7bn in

AUM), representing 4.3% of total issued supply. With gold having an estimated about 24x larger market capitalization and 36% less supply held in investment vehicles compared to bitcoin, we assume a dollar-equivalent amount of fund inflows having an 8.8x greater impact on bitcoin markets compared to gold markets. If we apply our year-one estimate of \$14.4bn in inflows (about \$1.2bn per month or about \$10.5bn on an adjusted-basis using our 8.8x multiplier) into the historical relationship between gold ETF fund flows & change in gold price, we estimate a +6.2% price impact for BTC in the first month.

Holding the inflows constant but adjusting the multiplier downwards each month for the change in the gold / BTC market cap ratio from BTC price increases, we could see monthly returns gradually ramping down from +6.2% in the first month to +3.7% by the last month of the first year, resulting in an estimated +74% increase in BTC in the first year of an ETF approval (using 9/30/23 BTC price \$26,920 as the starting point).

Month	Adjusted Inflows	Price Impact	BTC Cap	Gold/BTC	Multiplier
0	n/a	n/a	\$524.9	24.0x	8.7x
1	\$10,475,341,284	6.2%	\$557.5	22.6x	8.2x
2	\$9,863,303,128	5.8%	\$590.1	21.3x	7.8x
3	\$9,319,247,167	5.5%	\$622.6	20.2x	7.4x
4	\$8,832,442,815	5.2%	\$655.1	19.2x	7.0x
5	\$8,394,304,949	5.0%	\$687.6	18.3x	6.7x
6	\$7,997,883,231	4.7%	\$720.0	17.5x	6.4x
7	\$7,637,490,672	4.5%	\$752.4	16.7x	6.1x
8	\$7,308,429,062	4.3%	\$784.8	16.0x	5.8x
9	\$7,006,783,028	4.1%	\$817.2	15.4x	5.6x
10	\$6,729,263,503	4.0%	\$849.5	14.8x	5.4x
11	\$6,473,087,312	3.8%	\$881.8	14.3x	5.2x
12	\$6,235,883,508	3.7%	\$914.1	13.8x	5.0x
ETF 1st year BTC price impact (est)		74.1%			

Gold Market Cap	\$12,589bn
BTC Market Cap	\$525bn
Est 1st Year ETF Inflows	\$14.4bn
Avg Monthly ETF Inflows	\$1.2bn

Adjusted Inflows = (Avg monthly ETF inflows estimate) * (Gold/BTC Multiplier)
Data: World Gold Council, Galaxy Research estimates as of 9/30/23 with BTC price = \$26,920

|| In the near-term, we expect other global / international markets to follow the US in approving + offering similar bitcoin ETF.

|| Longer-term, the total addressable market (TAM) for bitcoin investment products could extend even further across all third-party managed assets (about \$126T in AUM according to McKinsey) and even more broadly across global wealth (\$454T according to UBS).

|| Inflows from ETFs, market narratives about the forthcoming Bitcoin halving (April 2024), and the possibility that rates have peaked or will peak in the near term, all suggest that 2024 could be a big year for Bitcoin.

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
