



**B  
CAPITAL  
FUND**

**MONTHLY REPORT**  
**SEPTEMBER – OCTOBER 2023**

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## Letter to stakeholders

Dear B Capital Stakeholders,

B Capital is an investment fund run by Bocconi students that invest in stocks and obligations with an initial equity of 1 mln US dollars.

The main goal of the fund is to manage the money by diversifying the portfolio and to maximize the returns over the medium to long term.

We aim to achieve these numbers by adopting Macro investment strategies and analysis, combined with the experience and knowledge of the Portfolio Department.

Based on our knowledge we always aim to enrich our investment strategies and to grow experience by keeping informed and studying the market, in addition to the preparation that our university provides us.

Our team is composed by five different departments, each one with precise instructions and duties, and operates according to the rules of a specific statute.

If you want to get in touch with the fund, you can fill out the form on the website [www.bcapitalfund.com](http://www.bcapitalfund.com) or you can contact us directly on the various social accounts such as LinkedIn or Instagram.

We appreciate your confidence, and we are sure that we can increase the fund's investments.

Sincerely,

President

Roberto Restelli

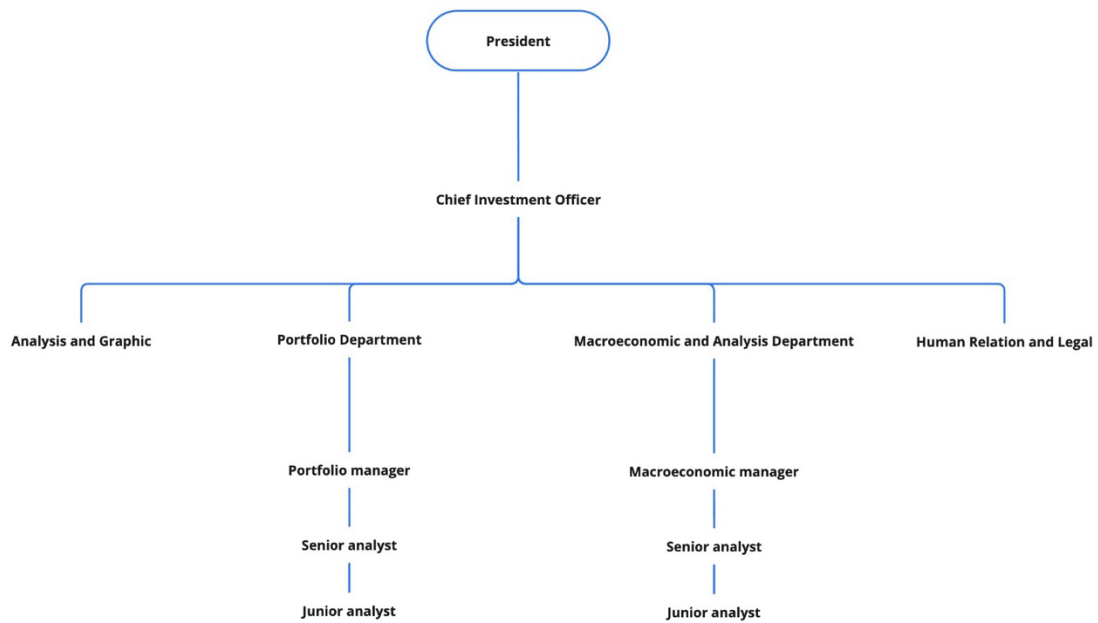
A blue ink signature of Roberto Restelli, written in a cursive style.

Vice-President

Eraldo Bausano

A blue ink signature of Eraldo Bausano, written in a cursive style.

## Organizational chart



miro

## Portfolio and Investment strategy

Kind investors,

Welcome back to our summer outlook about the development of B-Capital. It is our pleasure to guide you through our operations and explain the investment strategies we adopt and the results these will yield.

In July we reached a solid performance +3,88% after a positive +5% in June, then in August we registered a -0,07 due to the market fluctuations of the last of the month.

We also took the opportunity to add to our portfolio STMicroelectronics, that we acquired for 42.9\$ a share, following our belief that it could be an important and profitable asset for the next few months, considering the important position of STM in the market.

We also cashed two out three positions in banks: Citigroup and UniCredit.

The Portfolio team decided to reduce our exposure to banks due to the non-performing loans situation in the US market. We took a loss of -6.15% in Citigroup, making it the first loss on a stock of the fund, although the decision to liquidate the position has shield us from further significant losses that C experienced in the weeks that followed.

Instead, Unicredit reached our price target, making +13%, and we sold the position to have more liquidity to expand our portfolio.

Lastly, in these two months, Buzzi Unicem took off, realizing near 30% in just only five months.

The fund is satisfied by the progress that has made this summer and will examine new investment opportunities thanks to the stored liquidity of nearly 650K, but we remain watchful on the markets trends towards the end of the year.

## **BUZZI UNICEM**

The stock performed pretty well during September and October reaching the lowest price of 24\$ and the maximum of 26\$ due to the repercussion of the market.

We continue to hold the asset as it is very important to balance the portfolio in periods like September, and for the good purchase price.

The company's net financial position continues to grow, in September it was positive for 673 mln, an improvement over the 288 mln compared to the beginning of the year, and they also reached out trade unions agreements with employees.

For these reasons we think that there will be upward trades and the price could reach a new max in the next months.

## **STM**

During the period of October, the stock was underperforming for a max of -16,56%, but we are not worried about this upset.

The company performed well during the summer, and it had also a massive buyback of 1.04 bln to gain the 4% of his own capital.

The data was slightly higher than expected forecasts for the fourth quarter could be considered conservative, but sufficient to keep the growth target for 2023 within the indicated range and for this main reason we will continue to study and analyze the company to consider our position in it.

## **MUFG**

In September we opened this new position to invest in a new market: Japan.

We started looking at Japan before the summer and we agreed to explore this market, and we decided to begin from Mitsubishi Financial Group, as we saw their growth and a new financial interest from others investor.

The company is a bank holding and financial services holding around 1.8 trillion dollars, and diversified industries.

It represents a little part of our portfolio, around the 5%, and we decided to exposure on this new market due to his growth and new possibilities.

We will continue to analyze this opportunity and decide the duration of the investment.



## **ISP**

Intesa Sanpaolo share price has been mostly muted during the months of September and October, the closing price on October 31 was practically identical to that on September 1, without any sudden drop or rise in the period in between. The stock still traded lower with respect to the level that it reached in August. We still deem a very favorable opinion about Intesa Sanpaolo. The company has greatly benefited from a higher interest rate environment, reporting a significant increase in Net Interest Income, which seems to be sustainable for the foreseeable future. We do not believe that the market has fully appreciated the extent of ISP's profits. Although we still think of ISP shares as undervalued, we are unlikely to increase our position, given that it still represents our largest single holding.

## **ENEL**

Enel stock seemed stable at the beginning of December and then embarked on a free-fall, with its share price moving from well over 6.20 to a low of 5.53 in a matter of two weeks. Most of the losses had been recouped by the end of October. We think that Enel is still well positioned to deliver good results. Initial worries of an unsustainable debt burden were soon eased by the publication of strong profits and of a plan to divest many of its noncore assets, a strategy that we always appreciate. We also think that the credit cycle is nearing a turning point, with yields unlikely to increase any further. If interest rates cut materialize next year, utilities companies should benefit greatly. In addition, we do not think that energy prices can spiral upwards, unless a military catastrophe should take place for the Ukrainian Army.

## **TSMC**

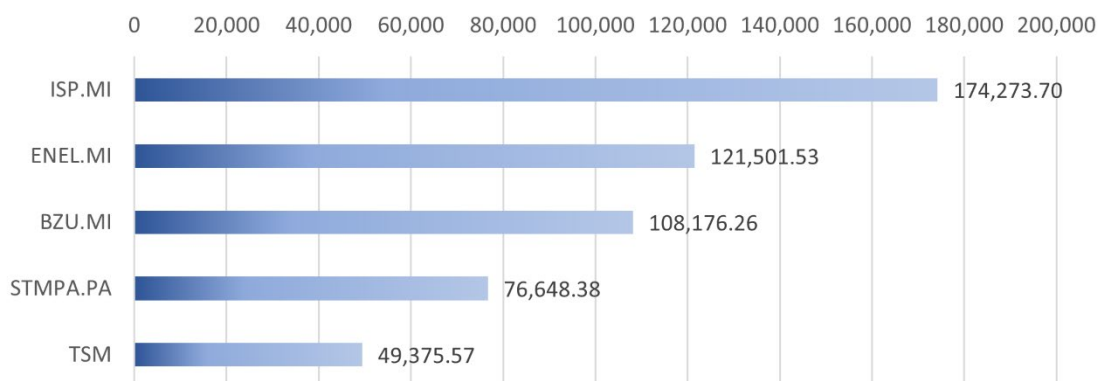
TSMC has had a muted month so far both in September and October. Its share price has only oscillated slightly. We think that TSMC can benefit from a sizable moat in the industry, with prospects for increasing profit if the current period of low demand for the sector as a whole comes to an end. There has been some signs that such period may actually be coming to an end, with several firms in the sector expecting an uptick in 2024. We think that we paid a somewhat bargain price for TSMC, getting good value in return for money. We remain on hold for the moment.

## Portfolio analysis

ASSET PROPORTIONS



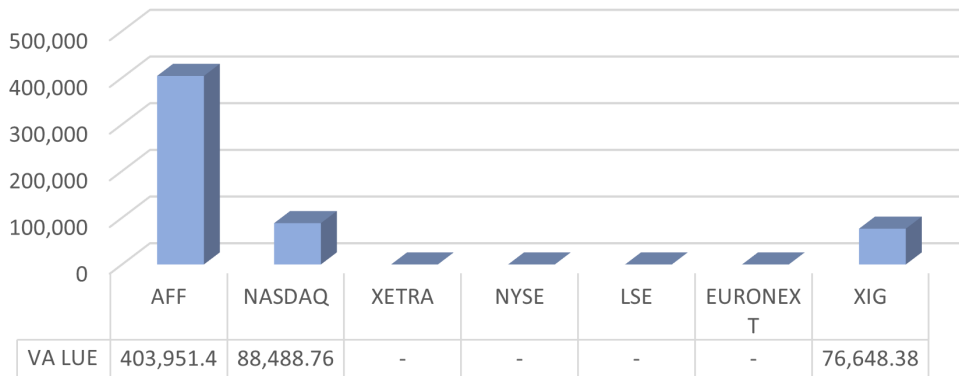
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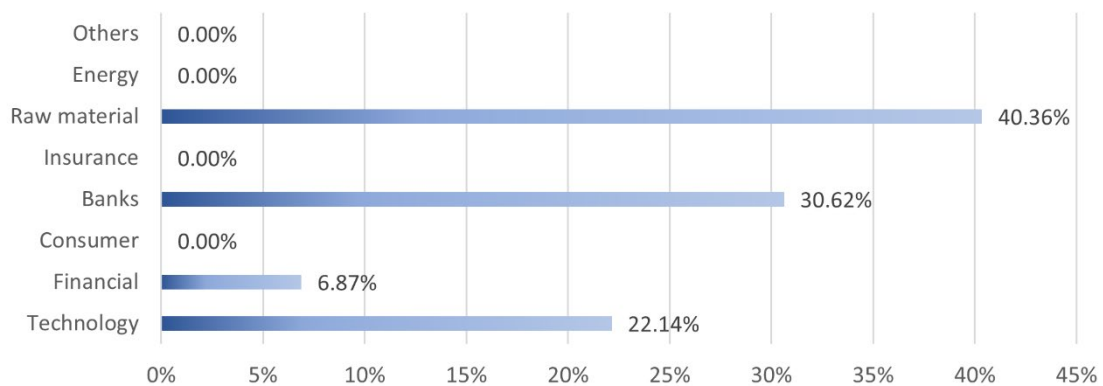
**This report shows the development of B Capital Fund, the distribution is not authorized.**



### MARKET EXPOSURE



### SECTOR ALLOCATION

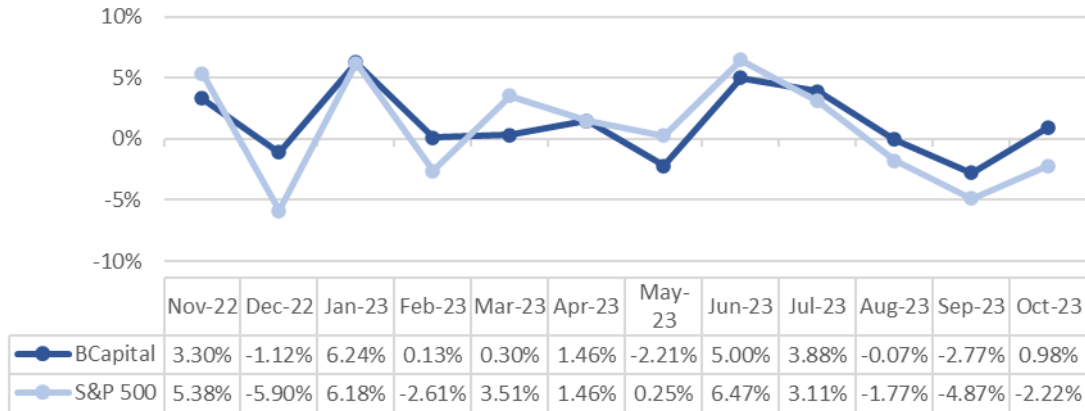


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CURRENT HOLDINGS	SECTOR	CURRENCY	MARKET	SHARES	OPEN PRICE	LAST PRICE	COST	MARKET VALUE	G/L	G/L %
BZU.MI	Raw material	USD	AFF	4339.20	21.45	24.93	93075.84	108176.26	15100.42	16.22%
ISP.MI	Banks	USD	AFF	71085.70	2.11	2.45	150253.84	174273.70	24019.86	15.99%
ENEL.MI	Raw material	USD	AFF	20345.20	4.90	5.97	99650.79	121501.53	21850.74	21.93%
STMPA.PA	Technology	USD	XIG	2140.00	42.93	35.82	91859.50	76648.38	-15211.12	-16.56%
TSM	Technology	USD	NASDAQ	572.87	87.28	86.19	50000.00	49375.57	-624.43	-1.25%
MUFG	Financial	USD	NASDAQ	4667.44	8.57	8.38	40000.00	39113.19	-886.81	-2.22%

TOTAL G/L OF THE YEAR	BCapitalFund	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
15.72%	2022											3.30%	-1.12%
	2023	6.24%	0.13%	0.30%	1.46%	-2.21%	5.00%	3.88%	-0.07%	-2.77%	0.98%		

### S&P 500 COMPARISON



The fund's performance is compared to S&P 500 index as it is the main benchmark in financial markets.

## Macroeconomic analysis

### JAPAN

Japan, a hub of technological innovation and scientific progress, is currently facing challenges that could reshape its economic landscape. In brief, this monthly report will first delve into the monetary policy and key macroeconomic indicators, such as the Q3 GDP contraction of 2.1%. Then, it will explore the implications for the vibrant Technology and Electronics industry in Japan that has been a global leader in innovation for a long time.

#### Monetary Policy Highlights

The Japanese economy is expected to recover moderately from the slowdown of overseas economies and global monetary tightening, because of the support of the improvement in employment and income. The government aims to shift the economy towards growth, by sustaining wage increases and active investment. Private consumption and business investment are increasing, while housing construction remains weak. Additionally, corporate profits, as well as consumer prices, are improving, while the attention of financial institutions is given to global economic conditions and financial market fluctuations.

Overall, Japan's post-pandemic recovery has shown resilience, with real GDP surpassing its pre-pandemic peak in the second quarter of 2023. However, future growth and monetary policy will be influenced by the Bank of Japan's decisions, domestic demand challenges, and the trajectory of wage growth.

### TECHNOLOGY AND ELECTRONICS, JAPAN

The technology industry includes software development, hardware manufacturing, telecommunications, and IT services. This sector is often a dynamic and rapidly evolving part of the business landscape.

The electronics industry includes businesses engaged in the design, manufacturing, and distribution of electronic components and devices. It covers a wide range of products, from semiconductors to consumer electronics.

## **LOOKING AHEAD**

The technology and electronics industry in Japan is continuously growing, driven by innovations in robotics, artificial intelligence, and sustainable technologies. However, recent macroeconomic indicators suggest that some challenges may impact the industry.

### **KEY MACROECONOMIC INDICATORS**

#### **GDP:**

Japan's real GDP has finally exceeded its pre-pandemic levels, contracting 0.5% in the third quarter from the previous, after growing by 1.2% in the second quarter of 2023. While external demand has been a significant contributor, domestic demand remains in a declining trajectory, marked by a 1.4% year-on-year fall in real household spending in August. The economic growth is expected to slow down in the following months, influenced by both external and domestic factors. Overall, it has exceeded the expectations from a year ago.

#### **INFLATION:**

Despite inflation persistently running above the Bank of Japan's 2% target, the central bank is not forcing the hand, trying to reduce it. In fact, in August the inflation was 3.1%, and the central bank seemed cautious about an eventual tightening policy, carefully waiting for the increase in the prices of services, other than goods inflation, currently flying around 4.2%.

#### **UNEMPLOYMENT:**

The unemployment rate was at 2.7% in July, remaining slightly higher than pre-pandemic levels. The total number of employed persons is still slightly lower than in January 2019. A possible reason lies in the fact that job openings to applications are decreasing, indicating a potential downsizing in labor demand.

#### **INTEREST RATES:**

The Bank of Japan is maintaining its highly accommodative monetary policy, with the policy rate slightly below zero and the yield curve control fixing the 10-year yield at zero percent. The central bank's cautious approach is influenced by the need for sustained services inflation and stronger wage growth.

## **INDUSTRY FOCUS – TECHNOLOGY AND ELECTRONICS**

Technology and electronics industry in Japan have long been at the forefront of global innovation. In Japan, known for its cutting-edge advancements, there are major players in robotics, consumer electronics, and automotive. However, recent challenges in the macroeconomic environment, such as a contraction in the gross domestic product, and concerns about a recession, are the causes of potential risks to the industry's growth. Moreover, the sector's growth heavily relies on external demand supported by a weakening yen, and contributes to the export growth.

### **MAJOR DEALS**

One recent major deal in the Japanese technology sector is the collaboration between Sony Corporation and Honda Motor Company Ltd. The partnership's aim is to develop next generation electric vehicles, which integrate advanced entertainment and connectivity features.

Renesas Electronics Stake Sale by INCJ: Japanese fund INCJ, in part backed by the government, recently sold a substantial stake in Renesas Electronics, marking a significant move in the semiconductor market. The sale, valued at \$1.84 billion, reflects the dynamicity of the market, with continuous changes in the ownerships.

Kokusai Electric's successful IPO: Kokusai Electric, a chip equipment maker owned by KKR, achieved an impressive \$724.4 million IPO, leaving nothing on the table. The oversubscribed offering demonstrates strong investor confidence in Japan's semiconductor manufacturing capabilities.

### **TREND**

The trend suggests that the Bank of Japan is likely to maintain its cautious position in the short term, holding down the value of the domestic coin, thus supporting Japanese export growth. The central bank may decide to raise rates in the first half of the next year, influenced by factors such as stronger services inflation and wage growth, but uncertainties remain regarding the tightness of the labor market.

EXHIBITS AND TABLES

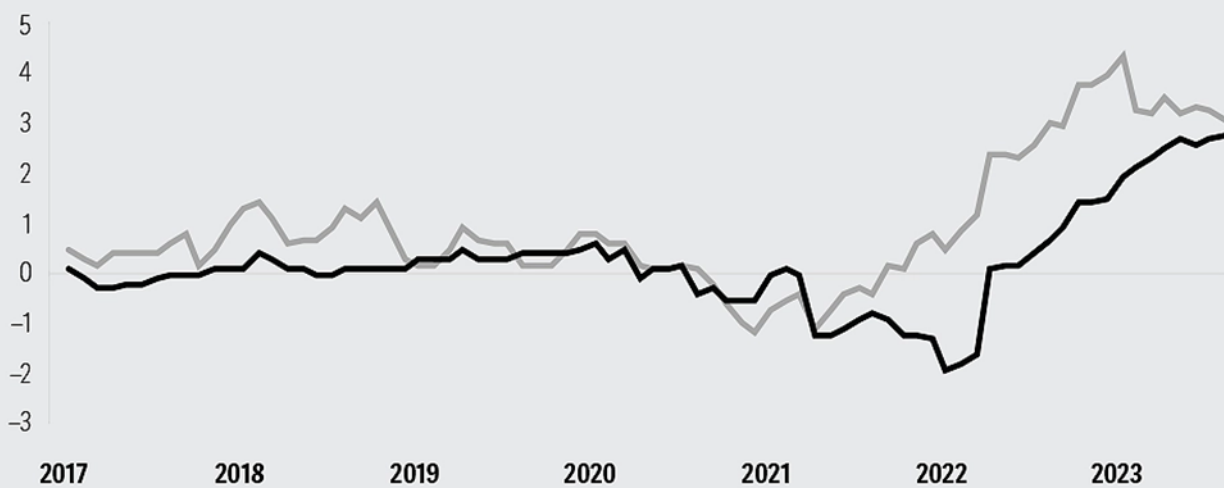
Figure 1

**Western core inflation in Japan has accelerated and has been above the Bank of Japan's 2% target for seven consecutive months**

Consumer price index

● Headline ● Western core

YoY percentage change



Source: Ministry of Internal Affairs and Communications via Haver Analytics.

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Figure 3

### The Bank of Japan's cautious stance has enabled the yen's dramatic depreciation to just below 150 per US dollar

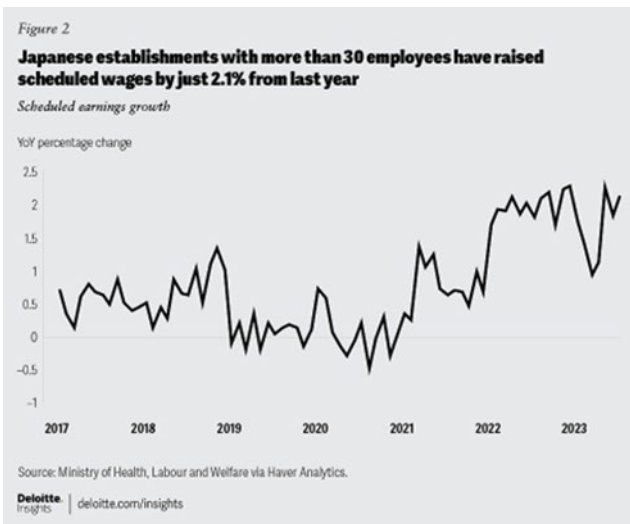
*Japanese yen exchange rate*



Source: Bank of Japan via Haver Analytics.

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## CHINA

The Evergrande Group is a Chinese property developer, the second largest in China by sales. It is incorporated in the Cayman Islands and headquartered in the Houhai Financial Center in Nanshan District, Shenzhen, Guangdong Province, China.

It was founded in 1996 by Hui Ka Yan, during those years China’s economy was facing a massive growth due to the reforms wanted by Deng Xiaoping, the paramount leader of the PRC during the 90s, which led to an open-market environment. This growth occurred in most of the economic sectors but mainly in the real estate one which as of now represents roughly 30% of the Chinese GDP.

China was dismantling its system of state-provided housing and urbanizing fast, local authorities had an incentive to favor housing development by companies like Evergrande. By 2009, Evergrande had expanded to more than 20 cities and raised the equivalent of 729 million dollars when Hui listed its stock in Hong Kong; in 2017 its market capitalization reached 50 billion dollars thanks to the company’s expansion into other businesses ranging from plastic surgery to electric vehicles.

Surprisingly on the 17th of August 2021 Evergrande filed for bankruptcy in New York.

It happened because the company defaulted on making interest payments on more than 300 billion dollars of debt. The company’s arc also traces the fortunes of China’s broader property

market, a key driver of growth of the world's second-biggest economy, but is now an anchor tugging that economy down.

Companies accounting for 40% of Chinese home sales have defaulted since mid-2021; homes have been left unfinished; suppliers haven't been paid; and some of the millions of Chinese people who put their savings in property-linked wealth management products face the prospect of not getting their money back.

### **3 RED LINES**

After Evergrande failed to pay its debtors, the Chinese government introduced "The three red lines" which are financial regulatory guidelines that allow a company to increase its debt just if: the Liability to asset ratio is less than 70%; the Net gearing ratio is less than 100%; and the Cash to short-term debt ratio is at least 1. If all three criteria are passed, the company can increase its debt up to 15%.

### **CHINA IN BRIEF**

The reality is that aside from the debt crisis, China's economy has struggled to rebound since Covid. Consumer prices have fallen for the first time in two years in July, prompting fears of deflation; the Chinese yuan has slumped in value, and house sales have fallen 6.5% in 2023; the unemployment rate for young Chinese workers hit a 21.3% high in June, after that, the Chinese government stopped sharing the figures.

The fate of Evergrande, once a symbol of China's economic prowess, now serves as a cautionary tale, prompting a reevaluation of the risks associated with rapid expansion and debt accumulation in the pursuit of growth.

The ultimate success or failure of Evergrande's restructuring plan will undoubtedly shape not only the future of the company but also influence broader economic policies in China, providing valuable lessons for sustainable development in the face of economic challenge.

## Risks

### **FOREIGN EXCHANGE MARKETS RISK**

Restrictions imposed on trading limits or restrictions on the amount by which the price of certain Foreign Exchange rates may vary during a given period, the volume which may be traded, or restrictions or penalties for carrying positions in certain foreign currencies over time may prevent trades from being executed during a given trading period. Such restrictions or limits could prevent the Portfolio Manager from promptly liquidating unfavorable positions and therefore could subject the Fund to substantial losses.

### **SECURITIES RISK**

Investments in securities involves the following risks: Market Price Risk, Currency Risk - Investments in non-listed securities may expose the Fund to the following additional risks: Lack of Regulatory Framework, Lack of a Formal Market, Pricing and Liquidity Risks, Difficulty to realize Profits.

### **OTHER RISKS**

Investors are to refer to the risk warnings made under the section titled Specific Risk Factors in the Offering Supplement. These risks also include Allocation of Assets, Derivatives, Futures, Options, Leveraging using derivatives, Investment Vehicles and Funds, Insolvency, Volatile Markets, Illiquidity, Sector, Counterparty, Service Providers' Limitation of Liability and Indemnity and Conflict of Interest.

**Please note B Capital is run by students and not by a professional trader team, so our lack of knowledge and experience could affect our performance and our current holdings. We are not responsible for any copy trading and their consequences.**