B CAPITAL FUND

MONTHLY REPORT

FEBRUARY-MARCH 2023

WWW.BCAPITALFUND.COM

Table of contents

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.

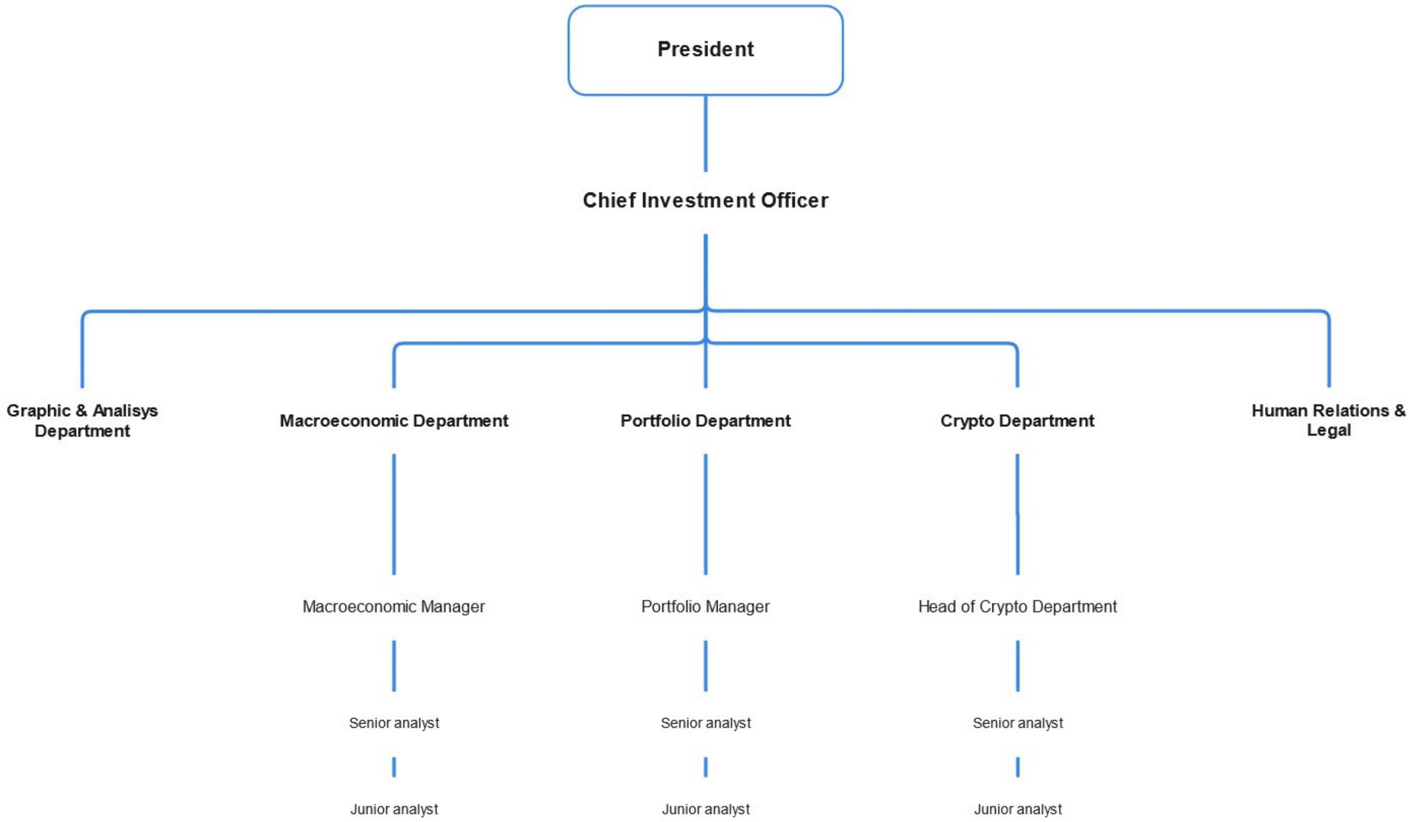
If you want to get in touch with the fund, you can fill out the form on the website www.bcapitalfund.com or you can contact us directly on the various social accounts such as LinkedIn or Instagram.

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

Sincerely,

President	Vice-President
Roberto Restelli	Eraldo Bausano

Organizational chart



Portfolio and Investment strategy

Kind investors,

Welcome back to our monthly report 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.

Between February and March, the fund has seen its first drop, caused by the SVB and Credit Suisse crisis that affected all the markets. In February we reached a very solid return of + 8,66% thanks to our holdings (*ISP, ENEL, INTEL, VERIZON*) with roughly 75% of cash liquidity.

In March we chose to place 200K in two banks (*UniCredit and Citigroup)* as we followed the investment strategy based on interest rates and to enrich our positions in banks. Regrettably the following week after the purchase, the SVB bank crisis erupted and affected the most Citigroup, and immediately after UniCredit, due also to the drop of Credit Suisse.

The Portfolio team understood that this crisis could lead to new opportunities, therefore we took the chance to diversify our portfolio and to balance it in order to equalize the asset and to minimize the loss of UniCredit and Citigroup.

ENEL

We solidified positions in Enel and ISP, due to the attractive price, we opened new positions in Buzzi Unicem Group and Oracle Corporation (100K each) and we maintained our long-term position in Intel to diversify our holdings.

The recent unfolding of events in the banking sector, with the collapse of Silicon Valley Bank and the subsequent demise of Credit Suisse, has substantially shifted expectations with regard to the yield curve and future monetary policy of the Federal Reserve. Interest rates are now expected to diminish in the medium term, given the likelihood of a recession and the stress that the banking sector has experienced. Lower interest rates should benefit utilities stock since their price usually moves in the opposite direction of interest rates. In fact, utility stocks are often chosen as an alternative to fixed income thanks to their dividend yield when bond yields are deemed not satisfactory. In addition, we expect future inflation to fall, which would help utilities stock to rise again, given that these companies are often not allowed to pass on to consumers rising prices caused by inflation due to regulatory constraints. We believe Enel to be both undervalued and well positioned to benefit from lower inflation and interest rates, offering a substantial dividend yield. We therefore further expanded our long position in Enel.

ISP, UNICREDIT, CITIGROUP

The fall in stock prices of banks caused by the turmoil that arose following the collapse of Silicon Valley Bank has created many interesting opportunities. Traditional lenders such as Intesa Sanpaolo should be well suited to benefit for a prolonged period of relatively high interest rates, which is why we expanded our position in the firm, making it our largest holding. In addition, we have added UniCredit and Citigroup to our portfolio at the beginning of March, which we believe are somehow undervalued and likely to perform decently in the near to medium term. Even if these two stocks have lost some ground recently, they do not appear to have entered a downward cycle, as we believe a rise of the bank sector in the following months, after the crisis produced by SVB and Credit Suisse in March.

ORACLE CORPORATION

Oracle was considered to be an "aging tech company" generating growth from software database and hardware products. Over the years, however, the company transformed its on-premises software intel into cloud-based services, and especially given the big acquisitions it enacted (notably NetSuite in 2016), Oracle was able to accelerate its own evolution.

Looking at data, the latest earnings report was impressive. For the second quarter of 2023, ending in Nov.30, revenues rose 18% year over year to $12.3 billion. Its adjusted earnings per share remained constant at $1.21 but also cleared the consensus forecast by 4 cents. The question we must ask ourselves now is whether or not Oracle is a good bear market buy.

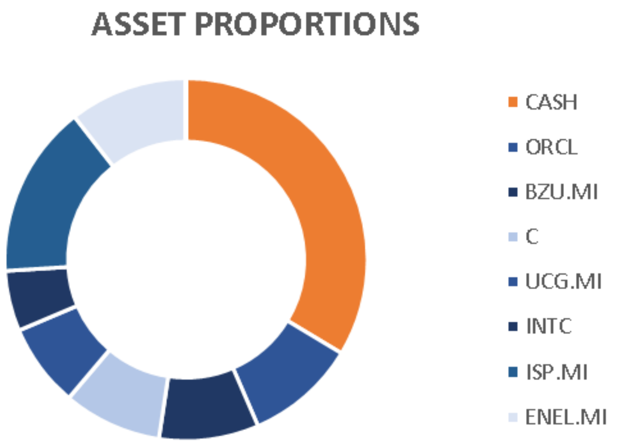
Although CEO Safra Catz's prediction of the fiscal 2023 year being a "trough years" for its operating margins, we cannot overlook the promising data of the closing year. Namely, Oracle's trailing 12-month free cash flow rose 18% year over year to $8.4 billion in the second quarter, easily covering the $3.4 billion in dividend payments over the past four years. In addition to the analyst predictions of reported revenue and adjusted EPS to increase 16% and 1% respectively in fiscal 2023.
We consider Oracle to be an attractive safe haven play as rising interest rates continue to punish unprofitable companies with poor liquidity, and to diversify our portfolio in tech to balance our asset.

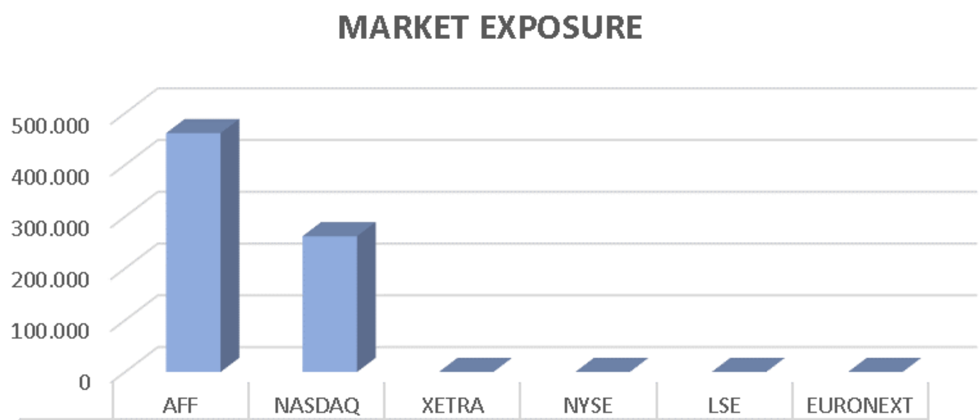
BUZZI UNICEM GROUP

Buzzi Unicem is an Italian company leader in the production of concrete and constructions aggregates, and it currently produces a consolidated revenue of 3.2 bln, expected to grow to 4 bln.
The investment team studied and analyzed Buzzi since December 2022, and the stock had a +54% performance in the last 8 months. We decided to invest in Buzzi for the solidity of the company and we expect a return in a mid-long-term view of the investment.

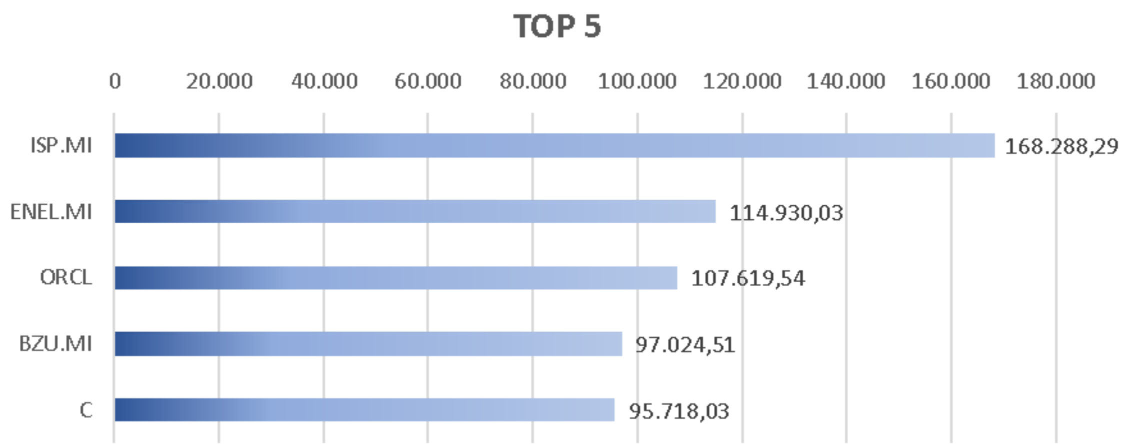
The performance of the fund is currently recovering the losses of the bank crisis that happened in March, and we expect to close the month in profit.
This crisis led to show the strength that our portfolio has so far, by remaining positive even with positions opened with losses of 10% each, thanks to its diversified investments.
For the following months the fund will maintain the new positions opened these two months, and they will consider putting the available cash holding in our assets or new ones by analyzing the future markets circumstances.

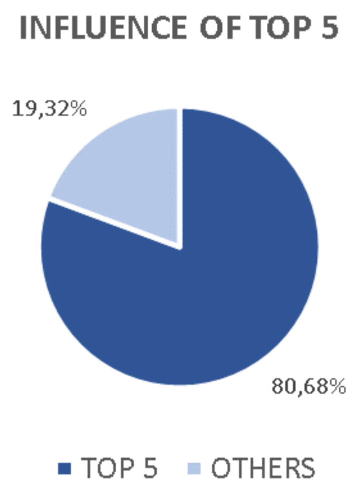
Portfolio analysis

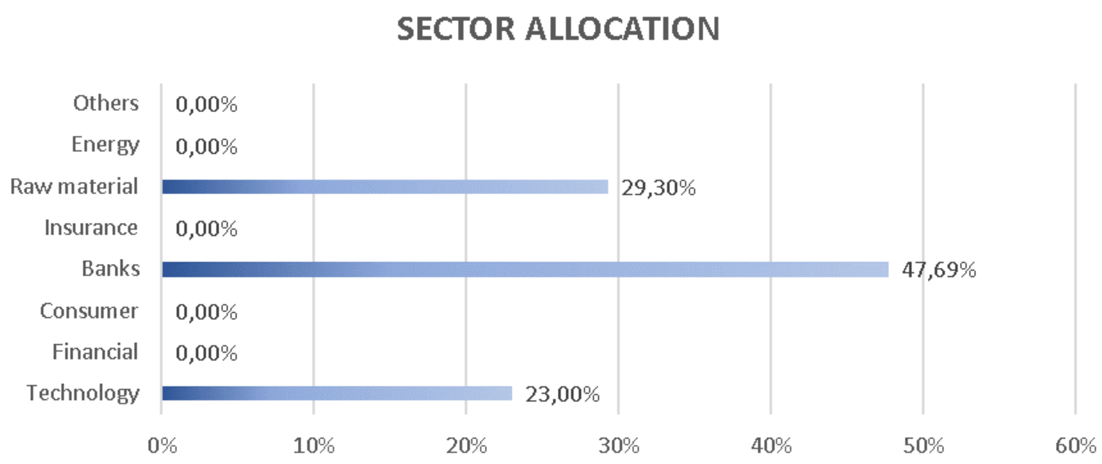




	AFF	NASDAQ	XETRA	NYSE	LSE	EURONEXT
VALUE	461.242,59	262.128,08	-	-	-	-


TOP 5
0
20.000
40.000
60.000
80.000
100.000
120.000
140.000
160.000
180.000
ISP.MI
168.288,29
ENEL.MI
114.930,03
ORCL
107.619,54
BZU.MI
97.024,51
C
95.718,03

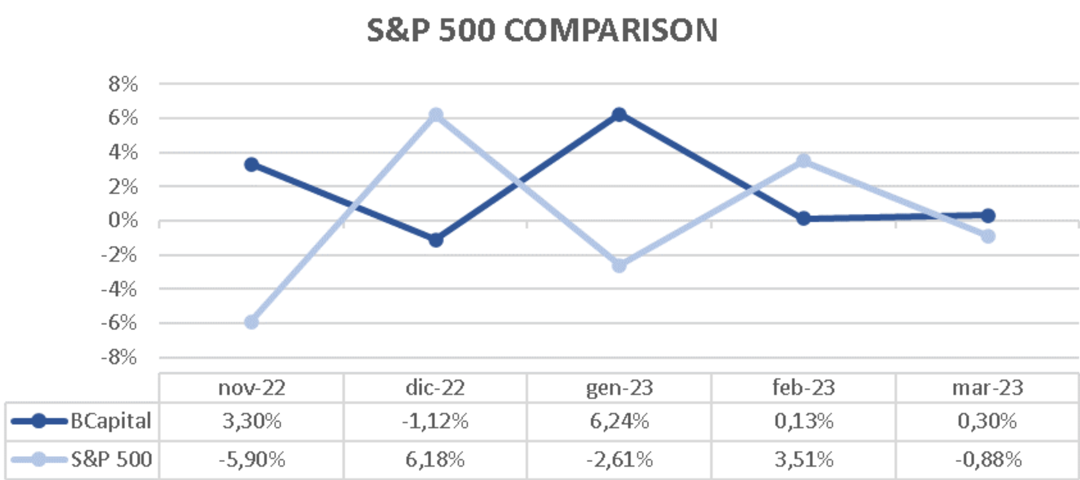

INFLUENCE OF TOP 5
19,32%
80,68%
TOP 5
OTHERS


SECTOR ALLOCATION
Others
0,00%
Energy
0,00%
Raw material
29,30%
Insurance
0,00%
Banks
47,69%
Consumer
0,00%
Financial
0,00%
Technology
23,00%
0%
10%
20%
30%
40%
50%
60%

CURRENT HOLDINGS	SECTOR	CURRENCY	MARKET	SHARES	OPEN PRICE	LAST PRICE	COST	MARKET VALUE	G/L	G/L %
ORCL	Technology	USD	NASDAQ	1159,57	88,05	92,81	102100,00	107619,54	5519,55	5,41%
BZU.MI	Raw material	USD	AFF	4339,20	21,45	22,36	93075,84	97024,51	3948,67	4,24%
C	Banks	USD	NASDAQ	2044,38	50,92	46,82	104100,00	95718,03	-8381,97	-8,05%
UCG.MI	Banks	USD	AFF	4657,30	19,12	17,39	89047,58	80999,76	-8047,81	-9,04%
INTC	Technology	USD	NASDAQ	1802,28	28,02	32,62	50500,00	58790,51	8290,51	16,42%
ISP.MI	Banks	USD	AFF	71085,70	2,11	2,37	150253,84	168288,29	18034,44	12,00%
ENEL.MI	Raw material	USD	AFF	20345,20	4,90	5,65	99650,79	114930,03	15279,25	15,33%

SOLD HOLDINGS	SECTOR	CURRENCY	MARKET	SHARES	OPEN PRICE	CLOSE PRICE	COST	MARKET VALUE	G/L	G/L %
VZ	Technology	USD	NASDAQ	1328,73	37,64	39,90	50013,29	53016,21	3002,92	6,00%
TSM	Technology	USD	NASDAQ	808,26	62,48	93,00	50500,00	75168,05	24668,05	48,85%

TOTAL G/L OF THE YEAR	BCapitalFund	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
8,99%	2022											3,30%	-1,12%
	2023	6,24%	0,13%	0,30%									



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

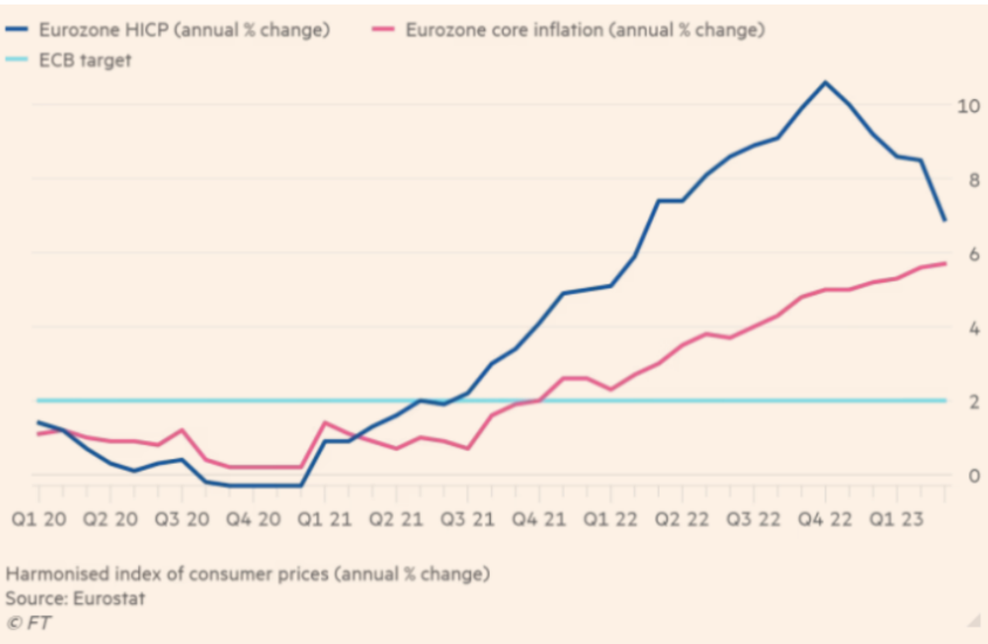
Macroeconomic analysis

INFLATION HAS FALLEN TO A ONE YEAR LOW

Despite a rough month for capital markets and the financial system, last week's falls in inflation on both sides of the Atlantic have shown and given central bankers hope that their rate hiking programmes are starting to work.

In the US, the personal consumption expenditures price index slowed to 0.3% in February (from a previous 0.5%) making the annual rate 4.6% whilst headline inflation fell to 5% from 5.3%. Looking at the Eurozone data released last week there has been a sharp fall in inflation from 8.5% to 6.9% in the year to March, mainly thanks to plunging energy costs.

However, an increase in core inflation to a new high (5.7%) will most likely keep worrying and not stop the ECB contractionary monetary policy activity.



The United Kingdom at this point becomes the only outlier, given the last week reporting of an “unexpected acceleration” to 10.4% from the previous 10.1%. The BoE in response has raised rates for the 11th consecutive month in a row to 4.25%.

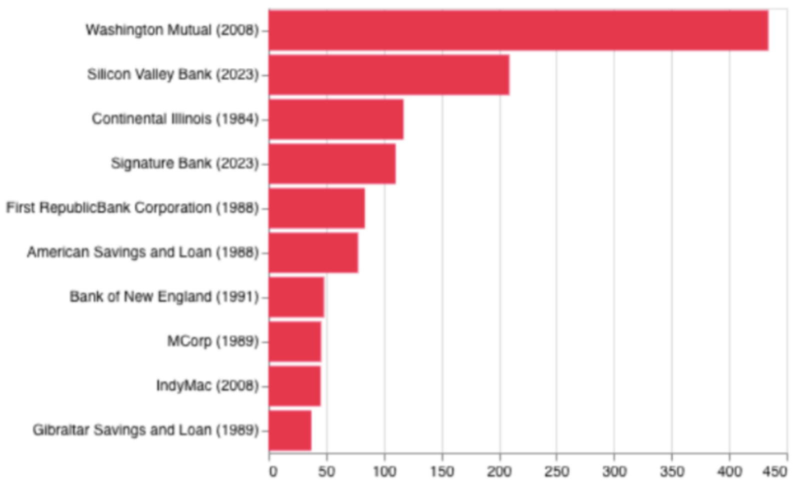
The story is much different on the other side of the world, with the Reserve Bank of Australia action of halting the ascent of interest rates to 3.6% (after a run of 10 consecutive hikes) on Tuesday, becoming the first western economy to halt rates and adding to the growing bets that policymakers worldwide will soon ease their fight against inflation. This said the RBA has not ruled out a resumption of rates as financial markets stabilize in the future.

GLOBAL BANKING CRISIS: WHAT HAPPENED IN FINANCIAL MARKETS

<u>The timeline:</u>

In the past month, on the 10th of March, the FDIC took control of Silicon Valley Bank after the biggest banking collapse since 2008, on the 12th of March, it also shut down Signature Bank following a run on its deposits. On the 15th of March the Swiss authorities announced a backstop for Credit Suisse and later organized a takeover by UBS, Switzerland’s largest bank. Finally on March 16th, First Republic Bank was also rescued through an agreement with a group of American lenders to deposit tens of millions of dollars of cash into the bank.

Figure 1: Top ten largest US bank failures



The impact of the failures:

This rescue procedure has come to a $400b cost so far in direct support. Of which the US Fed has had to spend $140b to guarantee SVB deposits; $54b were added to this from the Swiss National Bank offered to Credit Suisse in form of emergency loans and finally $209b were offered to UBS (by the Swiss National Bank) in form of loans as a hedge against potential losses after the merger.

Additionally, the Fed has agreed to a record amount of loans to other banks during the past weeks, offering more than $153b in credit, a level that wasn't even reached during the GFC. The banking industry (including JP Morgan, Citi and BofA) have also supplied billions of dollars through a $30b capital infusion program to restore trust in First Republic Bank. Finally, this adds up to the $2b committed by HSBC, which bought SVB's UK business for 1 pound a share.

Bank	Proportion of uninsured deposits (%)	Loans + HTM securities / total deposits (%)
Bank of New York Mellon	96.5	31.2
Silicon Valley Bank	93.9	94.4
State Street Bank and Trust Co	91.2	40.1
Signature Bank	89.7	93.3
Northern Trust Co	83.1	54.5
Citibank	77.0	64.6
CIBC Bank USA	73.2	87.1
HSBC Bank USA NA	72.5	47.4
City National Bank	70.4	93.6
First Republic Bank	67.7	110.6

Source: S&P Global

SVB's deposits were uninsured and it had the second highest ratio among US banks. Because of this, SVB took its new deposits, which grew from $65b to $189b by the end of 2021 and invested them in long dates fixed securities such as US government bonds and mortgage-backed securities issued by government agencies. Because of this SVB basically locked away its assets for 10 years or longer by investing in these hold-to-maturity securities.

Secondly, SVB held 94.4% of its deposits in these HTM securities and loans meaning that it did not leave itself room for maneuver should deposit outflow eventually increase. This meant that once the tech boom started to come to an end with the Fed rate hike and inflation, and more depositors started asking for their deposits back, the bank had to start selling its HTM securities at a massive loss given the lower value of the bonds, due to the higher cost of debt.

These two vulnerabilities created the perfect storm as tech companies that had more than $250,000 of deposits rank the bank to get their uninsured deposits out. This runs on SVB and Signature (later) meant they quickly ran out of capital and had to declare bankruptcy.

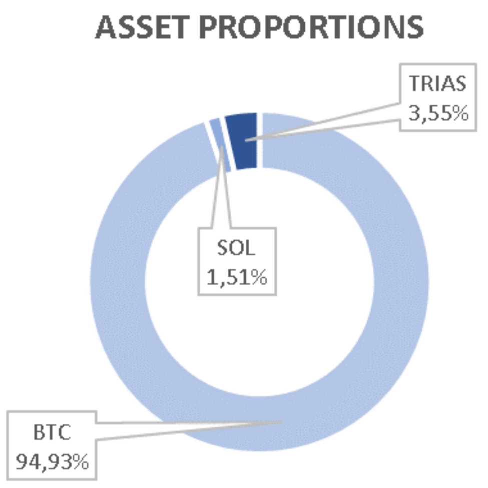
There is a fear that rates increase will cause depositors to withdraw more money than expected forcing banks not to go illiquid but to book big losses on selling HTM securities at a much lower price given the higher cost of debt therefore fueling the banking crisis.

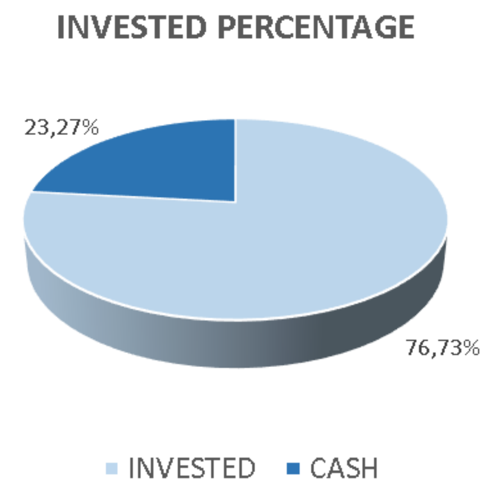
In Europe the situation is different and more under control as banks are under stricter capital and liquidity ratios compared to US banks, given that in the US there are much more organizations competing for liquidity (asset managers…) whilst in Europe banks are dominant. For example, Deutsche Bank has a liquidity/coverage ratio 30 percentage points higher than JP Morgan, US' biggest and most solid bank.

Crypto analysis

INVESTMENT STRATEGY

The investment approach focuses on trading cryptocurrencies, with a primary emphasis on Bitcoin (BTC). We aim for Bitcoin to make up 60% of my open positions, with 20% comprised of Ethereum and the remaining 20% split between other standard cryptocurrencies and high-risk cryptocurrencies. The department decided to keep 10% of our portfolio liquid in USDT. We have established profit targets before opening each position to reduce the influence of market sentiment on our decisions.





CRYPTO HOLDINGS	MARKET	SHARES	OPEN PRICE	LAST PRICE	COST	MARKET VALUE	G/L	G/L %
BTC	AFF	1,49	23335,43	28053,70	34782,36	41815,12	7032,76	20,22%
SOL	NYSE	31,88	24,42	20,91	778,40	666,54	-111,86	-14,37%
TRIAS	NASDAQ	506,54	2,49	3,09	1260,00	1564,69	304,69	24,18%

Our trading strategy is based on market sentiment, but we use AI tools to make our approach as objective as possible and minimize the impact of biased judgement. We make use of tools such as Look into Bitcoin and Augmento AI to gain insight into market sentiment and make data-driven decisions. The market sentiment strategy involves analyzing market emotions to gain insight into the current state of the market and make informed investment decisions. Market sentiment can be influenced by various factors such as economic data releases, news events, and investor behavior, and it can have a significant impact on the direction of asset prices.
The Bitcoin Fear and Greed Index, for example, provides a simple way to understand the market's emotions by ranking them on a scale from 0 to 100, with 0 being extreme fear and 100 being extreme greed. Similarly, Augmento AI uses natural language processing and machine learning to analyze news articles and social media posts to determine market sentiment.
This contributes to stay focused on my investment goals and reduces the risk of making impulsive decisions based on market sensationalism.

SENTIMENT ANALYSIS LIMITS

- Lack of diversification: *By focusing exclusively on market sentiment, an investor may overlook other important factors, such as diversification and asset allocation, leading to an unbalanced portfolio.*
- Emotional reactions: *Market sentiment can be volatile, and it's easy to become emotional and make impulsive decisions based on short-term market movements.*
- Short-term focus*: The market sentiment strategy is focused on short-term market movements, which can lead to missed opportunities for long-term growth.*
- Lack of fundamentals: *The market sentiment strategy relies on market sentiment but overlooks the fundamental factors that drive the cryptocurrency market, such as the technology, adoption, and regulatory environment.*
- Market noise: *Market sentiment can be influenced by market noise, such as news events and rumours, which can lead to irrational market movements.*
- Lack of data quality control: *There may be a lack of quality control for the market sentiment data used in the market sentiment strategy, leading to incorrect investment decisions.*
- Unforeseen events: *The market sentiment strategy may not consider unforeseen events that can impact the cryptocurrency market, such as regulatory changes, security breaches, and economic downturns.*

- Timing risk: *The market sentiment strategy involves making investment decisions based on short-term market movements, which can result in timing risk and missed opportunities for long-term growth.*
- Overconfidence: *The market sentiment strategy can lead to overconfidence in one's investment decisions, leading to missed opportunities for diversification and risk management.*
- Confirmation bias: *The market sentiment strategy may lead to confirmation bias, where an investor focuses on data that supports their investment decisions and disregards information that contradicts their beliefs.*
- Misinterpretation of market sentiment: *The market sentiment data used in the market sentiment strategy may be misinterpreted, leading to incorrect investment decisions.*

CORE-SATELLITE

In addition to the market sentiment strategy, we also employ a "core-satellite" investing approach. This involves dividing our investment portfolio into two parts: a "core" and a "satellite." The core portfolio consists of a larger, more stable portion of my investments, typically composed of well-established cryptocurrencies, such as BTC or ETH The satellite portfolio, on the other hand, is a smaller portion of investments that are more volatile and higher risk.

In our case, the portfolio consists of 60% Bitcoin, 20% Ethereum, while the satellite positions consist of high-risk cryptocurrencies. This approach allows the fund to benefit from the stability and security of our core portfolio while also taking advantage of the potential for higher returns in the satellite portfolio. These well-established cryptocurrencies have a proven track record and a large user base, making them less vulnerable to market volatility. By holding a significant portion in these stable cryptocurrencies, we are able to reduce our overall investment risk.

OVERALL PERSPECTIVE

The market sentiment strategy and the "core-satellite" strategy complement each other and work well together to achieve our investment goals. By combining these two strategies, the department can make informed investment decisions that are based on both market sentiment and market conditions.

The market sentiment strategy provides valuable insight into the current state of the market, allowing us to align our investment decisions with market emotions. The "core-satellite" strategy, on the other hand, provides a framework for dividing the portfolio into stable and high-risk investments, reducing our overall investment risk.

For example, if the market sentiment is positive, the team may choose to invest a larger portion of the portfolio in high-risk cryptocurrencies. On the other hand, if the market sentiment is negative, we may choose to reduce our exposure to high-risk cryptocurrencies and focus on our core portfolio.

By using these strategies together, we are able to maximize returns in the long-term.
While the market sentiment strategy and the "core-satellite" strategy have many benefits, they also have some potential drawbacks.

- Overreliance on a single investment: *The core-satellite strategy involves investing a large portion of one's portfolio in a single, "core" investment, which can be risky if the core investment performs poorly.*
- Market volatility*: Cryptocurrency markets are known for their volatility, and the core-satellite strategy may be less effective in managing risk in a volatile market.*
- *Timing risk: The core-satellite strategy involves making investment decisions based on market conditions, which can result in timing risk and missed opportunities for long-term growth.*
- Inadequate risk management: *The core-satellite strategy may not adequately address risk management, leading to higher exposure to market downturns and other risks.*
- *Another potential drawback of the "core-satellite" strategy is that it requires careful monitoring and rebalancing. The "core-satellite" approach involves dividing your portfolio into two parts, which means that the relative proportions of each part may change over time. For example, if the high-risk investments in the satellite portfolio outperform the stable investments in the core portfolio, the satellite portfolio may grow relative to the core portfolio. This may result in an unbalanced portfolio that is too heavily weighted towards high-risk investments, increasing the overall investment risk.*
- *Finally, the "core-satellite" strategy also assumes that the distinction between stable and high-risk investments is clear. However, in the cryptocurrency market, it can be challenging to accurately distinguish between stable and high-risk investments, leading to investment mistakes.*

There is no one-size-fits-all answer to what the most successful strategy in trading cryptocurrencies is, as the success of a strategy can depend on various factors, including market conditions, investment goals, and individual risk tolerance.
However, one strategy that has proven to be successful for many cryptocurrency traders is the "buy and hold" strategy.

The "buy and hold" strategy involves purchasing cryptocurrency with a long-term investment horizon and holding onto it for an extended period of time, regardless of short-term market movements. This strategy is based on the belief that the long-term potential for growth in the cryptocurrency market is significant, and that short-term market fluctuations should be disregarded.

One of the key advantages of the "buy and hold" strategy is that it takes emotion out of the equation. When trading cryptocurrencies, it's easy to become emotional and make impulsive decisions based on short-term market movements.
Another advantage of the "buy and hold" strategy is that it can reduce overall trading costs. When you engage in frequent trading, you may incur significant transaction fees and other trading costs that can erode your investment returns. By holding onto your investments for an extended period, you can minimize these costs and maximize your investment returns.

In conclusion, the "buy and hold" strategy has proven to be a successful approach for many cryptocurrency traders and the fund will follow these steps. This strategy offers the benefits of reducing the influence of emotion and reducing overall trading costs, making it a suitable option for those with a long-term investment horizon and a low risk tolerance. However, it's important to note that this strategy may not be suitable for all traders, and it's always important to consider your individual investment goals, risk tolerance, and market conditions before making any investment decisions.

OVERVIEW

Since the opening of all positions in January, BCapital's Cryptocurrencies' Portfolio is at a 19.62% unrealized profit. It can be deduced that Bitcoin has passed a major credit bubble burst and bank stress test.
The recent rally of Bitcoin and other cryptocurrencies is due to the current banking crisis, during which Bitcoin has been perceived as a safe haven. The recent collapse of three US banks has highlighted the fragility of the current financial system and underscored the need for a decentralized alternative like Bitcoin. The return to the decentralization banking thesis to combat

the 2008 Global Financial Crisis (GFC) narrative appears to be the main driver. Although Bitcoin is considered a "safety bet" or hedge, this narrative may only resonate with the inner circle of crypto enthusiasts.
Bitcoin broke above the February 2023 highs of $25,200 due to market expectations regarding inflation data and as a non-correlated global hedging instrument similar to gold. Whales, wallets holding between 10 BTC and 10,000 BTC, have not participated in the current rally, and it appears that retail investors are mainly driving the uptrend. The divergence between whale and retail investment could cause a short-term pullback in Bitcoin prices, and the investment team is strongly considering taking profits.
While Trias has followed the BTC trend pulled by market inertia, Solana (a more established cryptocurrencies held by the fund) has not performed as brilliantly. We believe this might actually be an optimistic signal, and our interpretation is that investors in the space are shifting from altcoins into BTC strengthening the asset's dominance in the crypto market.

FUTURE PERSPECTIVE

<u>XMR – Monero:</u>

Monero is a privacy-focused cryptocurrency that offers untraceable transactions to its users. It is important for those who prioritize privacy and anonymity in their transactions, as it offers features such as stealth addresses and ring signatures that make it difficult to trace transactions back to their source.

The European Central Bank (ECB) has announced its plan to launch a digital euro, which would be a central bank digital currency (CBDC) issued by the ECB. Monero offers untraceable transactions, which could be considered more private and secure than a digital euro. Monero's privacy features make it difficult to trace transactions back to their source, which could be important for those who want to keep their financial transactions private. We believe that in case the ECB decides to implement or even force the CBDC, Monero's demand would skyrocket due to major issues with tracking and financial control by the ECB.
It is important to approach this market with caution and implement risk management strategies and thorough analysis in order to assess and optimize long-term risk-adjusted gains.

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.