JAN 2022 | BOCCONI STUDENTS ASSET MANAGEMENT CLUB

INVESTOR PROSPECTUS

GAETANO VINCI - TEAM LEADER
TEODOR IOAN MATEI
CHLOE TCHELIKIDI

BSAMC
Bocconi Students Asset Management Club

INVESTOR'S PROFILE

Who is our Investor?

Our client is Dan Cohen, founder of MySpace, an angel investor and a passionate environmentalist who is on the board of GreenE. He was born in Israel but studied in London at LSE. Nowadays, he focuses his investments and interests in Israel and Europe.

Investor's Return Expectations

The main long term goal of Mr. Cohen is to build a retirement nest. He is looking at his financial future so wouldn’t care about current income which is important. That being said, he also has the short term goal of generating $50,000 by the end of December 2021 to become a small-level investor in the Israeli professional football club, Maccabi Tel Aviv. This will have to be considered in his investment strategy.
On the long term side, we have identified Dan’s preference for a geographically diversified portfolio and given his current European and Israeli exposures we will focus our investment strategy on US entrepreneurial companies who follow ESG principles and focus on innovation. In addition, for diversification purposes we aim to gain exposure to multiple asset classes via such as Equities and Fixed Income via ETFs.

Investors’ Risk Appetite

In terms of his risk profile, Mr. Cohen has been involved in startups, hedge funds and “disruptive businesses'' which shows he should be ready for risky investments in disruptive companies and industries. Evenwith Mr Cohen’s short term goal to make exactly $50,000 without incurring a loss, we have decided that a portfolio that seeks to exploit the maximum return by investing in ETFs that follow industries that are forecasted to growth exponentially could not only meet the liquidity constraint but at the same time give us the chance to deliver a higher return.

MACROECONOMIC SCENARIO

Macroeconomic environment and market overview (United States)

US 10-year yields: 1.49% as of day of meeting. Up 12 bp in the last month, up 53 bp over the last twelve months. The overall rate of inflation is 6.2% as of October 2021, considerably above the forecasted 5.8% and at the highest level since November 1990. The most important increases were in the energy sector (30%).

Recent macroeconomic analysis suggests that inflation is transitory but will be more persistent than initially foreseen. Potential future COVID outbreaks may contribute to relatively prolonged inflation, especially considering the correlation between COVID-induced supply chain stress and inflationary trends.

In the context of strong earnings results, however, stocks are performing better than in September and October.

Global Aggregate and US Aggregate bond prices are down between 2 and 3.7% over the last twelve months, in the context of increased rates on government bonds and investor fears of inflation. Commodities usually serve as inflation hedges in portfolios. The CRB(R) commodity index has a 41.97% YTD return. The Bloomberg Commodity Index (futures) has registered a 32.79% YTD return.

The Fed chairman’s mandate expires in February, but he was nominated for a second term. Three further seats will soon need to be filled. Biden nominated Lael Brainard as Vice Chair, and her views tend to favor the bank’s full employment mandate, which is slightly worrisome for investors. However, Democratic chairs and members have also historically delivered strong inflation policies, most notably Paul Volcker. Ms. Brainard is also concerned with how the Fed and Treasury can support the drive to environmental sustainability and social issues (equity, inequality etc.) Former Harvard President Lawrence Summers warned this is the wrong approach and will be very costly.

IMF's World Economic Outlook: Inflationary trends may slow down in 2022, but high prices may persist in emerging economies and developing countries. If new COVID variants appear and supply chains continue being disrupted, inflation may be more persistent.
As per the Global Financial Stability Report (Oct 2021), risks are contained, but there are some minor vulnerabilities in the non-bank financial sector.

Markets to consider
Financial services (banking sector): Record M&A activity, as well as a shift toward more stability and long-term profitability by increasing fee-based revenues, is making banks very attractive investments in the United States.
Pharmaceuticals: A number of pharma companies are moving away from generic & prescription drugs with very low profit margins to focus on developing medication and therapies for severe illnesses. GSK is looking to sell its consumer division, most probably to a group of PE companies (but a separate direct listing is also considered). J&J will also be separating its consumer unit.

PORTFOLIO MANAGEMENT DECISIONS

For our Allocation Strategy, our main goal is to achieve the short term liquidity constraint set by the client of $50,000 by december of 2021. In order to do so we will propose a portfolio made by mainly liquid equity instruments such as ETFs mainly that are exposed to the markets we think are going to be bullish in the upcoming months.

These markets are:

- **Metaverse Technology market**: Our investor is attracted by technological development and at the same time wants to be one of the first users (and may investor) when a new technology comes out. So an ETF exposed to this new game-changing technology could benefit the revenues of the client also in the short term.

- **Inflation-Linked Bonds**: Inflation is becoming a trendy theme in the newspapers and we will soon experience the transfer from a 0 to negative interest rates macroeconomic scenario to an expected inflation of about 2.00%. For this reason, we invested in Governmental and Corporate Bonds ETFs which are inflation-hedged. This is an efficient and cheap way to hedge our client from inflation risk.

- **Alternative Investment Strategies**: In order to reduce our exposure to systemic risk and to exploit opportunities that the market may offer, we invested a portion of our portfolio into alternative investments strategies ETFs.

Strategies:

  - Equity Long/Short Strategy ETFs: the pandemic crisis caused some companies to overperform and others to underperform. We aim to deploy value-driven strategies to exploit these divergences.
  - Equity Market Neutral Strategies ETFs: To perform also in bearish periods of the stock market.
  - Event Driven Strategies ETFs: we assume that M&A Operations will increase and a US government easing on the M&A operational process will boos this market

- **General Equities**: we are invested in markets we believe are going to be a big revenue opportunity such as:
  - CiberSecurity and Cloud Industry
  - Pharmaceuticals
  - Energy (also renewable)
  - ESG
  - Healthcare
  - Real Estate

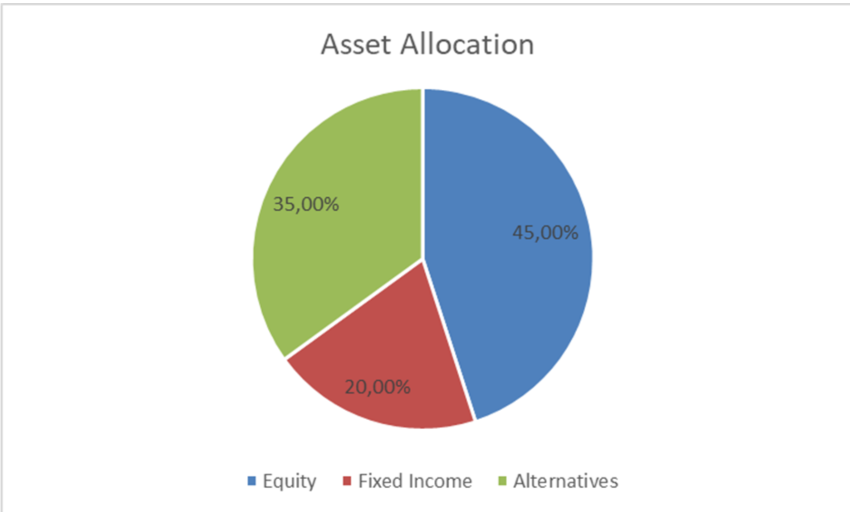
- **Private Equity ETFs**: The Client is mainly exposed to European and Israeli Provate Equities so we thought that an ETF investing in the main Provate Equity firms listed on US Markets could help our client to gain exposures to US PE Markets and fiversify its geographical exposure.We don’t want to overexpose our client to Venture capital risks. But we find it very useful in terms of diversification to use an ETF investing in more than one firm as an angel investor could do. This diversification will hedge the overall risk that our client is undergoing as he pursues his desire to be an angel investor.

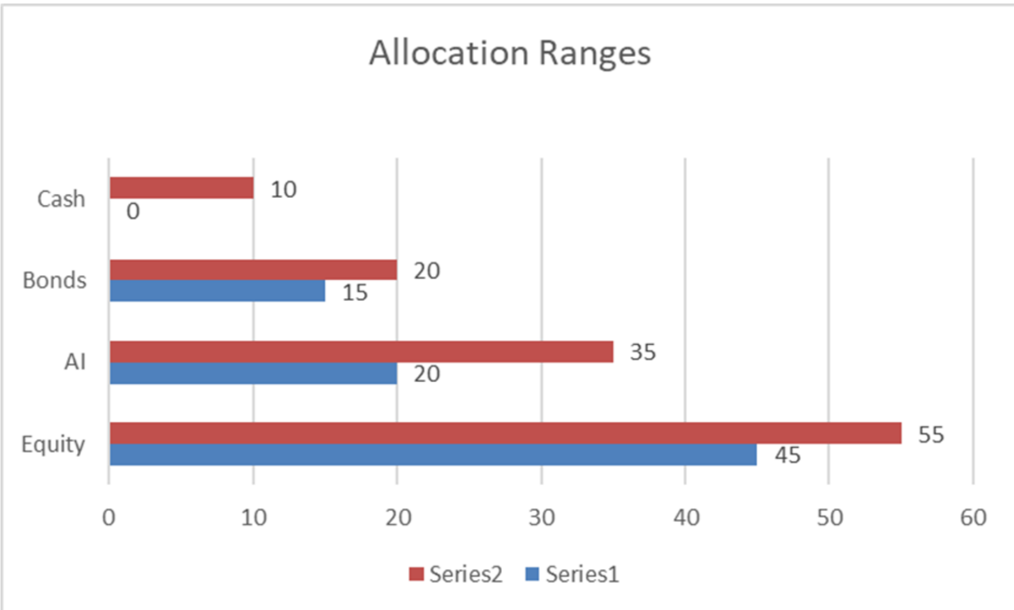
FINAL ASSET ALLOCATION

As our client has an investing budget of $1.000.000 we decided to offer him exposure to the equity, Fixed Income and Alternative markets by investing mainly in ETFS. This is justified by severe reasons. Firstly, we do not consider it useful to invest 50%+ of our budget in Hedge Funds which require big initial investments and high performance and maintenance fees.

ETFs and their high liquidity and low fees are the best suit for our clients' needs.

The client's risk appetite is quite high so instead of having a volatility-minimization strategy we built a return maximization strategy which gave the expected results.





Assets

Roundhill Ball Metaverse ETF (Long Term Exposure)

- Main Focus/Exposures: It is a passively-managed ETF investing in globally-listed equities spanning various industries, all relating to what it defines as a future iteration of the internet Metaverse.
- Main Composition: Stocks are selected by a committee and weighted in tiers. META holds equities, selected by a committee composed of subject matter experts, which fall under their definition of Metaverse, the next iteration of the internet. The committee uses information such as patent filings, third-party usage data and metrics, scientific and technology updates, executive presentations and consumer interviews in mapping out companies that interact or enable the Metaverse. The committee identified seven categories: Hardware, Compute, Networking, Virtual Platforms, Interchange Standards, Payments, and Content, Assets and Identity Services. These categories are capped at 25%. The index is tiered-weighted into Pure-play, Core and Non-Core, giving overweight to Pureplays wherein it receives 2.5x of Cores initial weight, Core companies receive 2x the initial weight of Non-cores. These weights are adjusted by the numbers of companies in each category during quarterly rebalance to ensure a 100% combined weight.

ProShares Inflation Expectations ETF (Long Term Exposure)

- Main Focus/Exposures: This ETF is designed to deliver a unique way for investors to protect their portfolios from the adverse impacts associated with an uptick in inflation. As such, RINF can be used in a number of different ways; it may have appeal as a core holding in long-term portfolios, or as a more tactical allocation when expectations for inflation increase. This ETF should be viewed as an alternative to traditional TIPS, which are generally the default tool for protecting against inflation. Despite their popularity, there are some significant drawbacks with TIPS—specifically, they are bonds that can be impacted by changes in interest rates. Because rising interest rates often accompany jumps in inflation, the ability of this asset class to protect against rising prices may be limited. RINF taks a unique approach; because it consists of long and short positions in assets with approximately equal durations, the interest rate component is removed. That essentially isolates inflation expectations as the source of returns; if the market's expectations for inflation rise, TIPS will outperform otherwise comparable Treasuries and RINF will appreciate. This is a relatively complex ETF, and may not be appropriate for all investors. But if you're interested in making a bet on increasing expectations for inflation, RINF offers a unique way to isolate these risk factors.

iShares Inflation Hedged Corporate Bond ETF (Long Term Exposure)

- Main Focus/Exposures: LQDI is an actively managed fund that holds an investment-grade corporate bond ETF while using swaps to hedge inflation risk. LQDI combines a long position in corporate bond ETF LQD with an overlay of inflation swaps. By entering these swaps, the fund agrees to give up a portion of the fixed payments it receives from LQDs bond portfolio in exchange for floating payments tied to the inflation rate. Because inflation is already priced into the market for corporate bonds, the fund effectively hedges inflation expectations, rather than the inflation rate itself. Even if inflation rises, LQDI will underperform LQD if the rise is less than expected. The fund will outperform (before costs) when inflation exceeds expectations. LQDI should appeal to investors who want the inflation protection of TIPS with the higher risk and return of corporate bonds.

The Vanguard Short-Term Inflation Protected Securities ETF (Short Term Exposure)

- Main Focus/Exposures: tracks an index of inflation-protected securities backed by the U.S. government. The fund invests in debt with a remaining maturity of less than five years. The mix of short- and medium-term duration also gives the fund some protection against rising interest rates, which tend to put a larger dent in the value of longer-dated Treasuries. The tradeoff is that shorter-dated Treasuries provide lower returns. VTIP may be a good choice for investors who want the safety of U.S.-backed government debt, but are also worried that a sudden surge in inflation — and the likelihood of a resulting interest rate hike will drag down the value of longer-dated Treasuries. The fund has substantial assets and daily liquidity, and at the low price investors expect from Vanguard.

ProShares Merger ETF (Short and Long Depending on the Date of M&A Deals)

- Main Focus/Exposures: MRGR tracks an index of developed-market equities involved in merger deals, with long exposure to target firms and short exposure to acquiring firms. The fund is net long and hedges FX risk. MRGR employs a straightforward merger arbitrage strategy, which capitalizes on the spread between the target company's current market stock price and the merger deal price. The fund tracks an S&P index that bets on the performance of stocks from developed countries that are in active pending merger deals based on a risk arbitrage strategy. Up to 40 target companies represent the long positions in the index, and up to 40 acquiring companies for the same merger deals represent short positions. MRGR gets additional long exposure, and all of its short exposure, with swaps. The funds long and short position have an initial 120% maximum exposure each, but its net exposure is limited to 0-100% range. Treasury bill components constitute the remainder of the portfolio when net exposure is less than 100%. The fund hedges out its exposure relative to the US dollar.

LHA Market State Alpha Seeker ETF (Short Term Exposure)

- Main Focus/Exposures: MSVX is an actively managed portfolio that can take long or short positions on derivative instruments based on the implied volatility of the S&P 500 Index and the CBOE Volatility Index. MSVX pursues its objective by estimating the direction of the US equity market. Based on these estimates, the funds manager will take long or short positions in the S&P 500 Index and CBOE Volatility Index futures and options. The strategy relies on proprietary statistical models to quantify market risk by comparing 30-day and 90-day implied volatility indexes and VIX futures. Daily net portfolio exposure to the S&P 500 Index and/or the VIX Index will be long or short, or in cash. The exposure will be based on estimates for the direction and strength of discretionary market signals.

ProShares RAFI Long/Short ETF (Long Term Exposure)

- Main Focus/Exposures: This ETF offers a unique twist on market neutral exposure, offering both long and short positions to U.S. stocks within a single portfolio. Given this objective, RALS can be expected to exhibit a low correlation with traditional asset classes, and as such can be a useful tool for investors looking to smooth overall volatility and who believe that the underlying methodology is capable of generating positive returns over the long run regardless of overall market direction.
- Why investing in it?: RALS should be appealing to those who believe that market capitalization weighting is inherently flawed, and that the fundamentals-based RAFI strategy offers a more rational way to achieve exposure to U.S. equities (essentially, that cap weighting has a tendency to overweight overvalued stocks and underweight undervalued companies). RALS essentially calculates the weight of various stocks based on multiple fundamental factors, and establishes long positions in those with a “RAFI weight” greater than their market cap weight (and vice versa). The methodology is sound, making RALS a useful tool for exploiting potential inefficiencies in cap weighted indexes. Investors shouldn’t expect huge returns in either direction; as a long/short fund, RALS is unlikely to make significant moves in either direction. One potential drawback is the expense ratio, which creates a material breakeven hurdle, especially considering the nature of the fund’s strategy.

IQ Hedge Market Neutral Tracker ETF (Long Term Exposure)

- Main Focus/Exposures: QMN tracks an index that aims for positive returns with minimal systematic or equity market risk. It uses long and short positions in various assets and asset classes. QMN aims to hedge out equity risk while maintaining some upside. Its underlying index seeks to replicate the returns of hedge funds pursuing a market neutral strategy a strategy that typically use both long and short positions in stocks (and may incude ETFs) while minimizing exposure to the systematic components of risk.
- Why investing in it?: Market neutral strategies shoots for zero beta no equity market risk using large fixed income and cash stakes, but without the use of short exposure. This feature allows the fund to avoid the cost drag from short equity positions that would otherwise show up in its total fee. It is important to note that any high correlations to equity and fixed income reduces the funds appeal as a long/short market neutral strategy. The fund and the index does not include hedge funds as components.

First Trust Long/Short Equity ETF: First Trust Long/Short Equity ETF (Long Term Exposure)

- Main Focus/Exposures: FTLS takes both long and short position in US-listed equity with US and foreign exposure. The actively managed funds will typically be 90-100% long and 0-50% short. FTLS is actively-managed to invest in 90-100% long equity positions, partially offset by 0-50% short positions. It may also include investments in ETFs. The fund will avoid leverage from short sale proceeds and can take defensive cash positions. The funds active managers an internal team from First Trust, have broad discretion in long/short allocation and stock selection. The selection process will include fundamental, market-related, technical and statistical attributes to screen eligible securities. The funds active managers will use an earnings quality model ranking with long high quality, short low quality, as a primary signal but will also aim to balance factor exposure and market risk for the overall portfolio.

Simplify Volt Cloud and Cybersecurity Disruption ETF (Long/Short Term Exposure)

- Main Focus/Exposures: VCLO actively selects a narrow portfolio of companies globally that focus on cloud technology and cybersecurity. The fund may also use options to leverage performance. VCLO provides a concentrated portfolio of stocks globally that derive a significant portion of their revenue or market value from cloud or cybersecurity disruption. Companies selected by the fund advisor are those that are expected to benefit from technology infrastructure shifting from hardware and software to the cloud and increased use of shared technology. Such companies include streaming media or cloud storage, innovative payment methodologies, internet-of-things, big data, innovative data management or cybersecurity companies. VCLOs strategy focuses on conviction in the holdings. The fund advisor will also use put and call options to potentially leverage the performance of the underlying.

iShares U.S. Healthcare ETF (Short Term Exposure)

- Main Focus/Exposure:This ETF is one of several funds that offers exposure to the U.S. health care sector, a corner of the domestic stock market that has historically exhibited relatively low volatility and can occasionally offer attractive dividend yields.
- Why investing in it As a sector-specific fund, IYH probably doesn't have much use for those constructing a long-term, buy-and-hold portfolio; this ETF is a more useful tool for those looking to establish a tactical tilt towards health care or for use in a sector rotation strategy. Beware the significant concentration in this fund; though IYH has more than 100 stocks in the underlying portfolio, a relatively small handful account for a big portion of total assets.

VanEck Pharmaceutical ETF (Short/Long Term Exposure)

- Main Focus/Exposures: This ETF is one of several options for achieving exposure to the pharma industry, a corner of the health care market that is capable of delivering big returns but that also comes with some unique risk factors. Given this investment objective, PPH is probably more useful for those looking to achieve tactical exposure to this specific corner of the market; the appeal to buy-and-holders will be limited since many of the components are included in more broad-based funds.
- Why investing in it: A couple aspects of PPH are noteworthy. First, though PPH is now structured as a true ETF, it used to be one of the HOLDRS products offered by Merrill Lynch. Some of the concentration that was characteristic of those products remains in PPH; the portfolio is relatively shallow and concentration in the top allocations is significant. Further, PPH includes only U.S. stocks, meaning that some of the biggest players in the pharmaceutical industry are excluded from the underlying portfolio.PPH is a decent option for pharma exposure, but there are probably some better ETFs out there for tapping into this segment of the market. IHE offers better depth of holdings, while DRGS may be appealing to those looking to achieve truly global exposure.

The Invesco S&P 500 Equal Weight Real Estate ETF (Long Term Exposure)

- Main Focus/Exposure: This ETF tracks an index of U.S. companies that are classified as real estate stocks, then equal weights those holdings. Adherents of equal weighting argue that it eliminates the market-cap bias built into traditional indexes, while critics say equal-weighting is just another way of tilting toward smaller companies in a portfolio. Like most sector ETFs, EWRE is too targeted for most buy-and-hold investors.
- Reasons for investing in it: For those who want to overweight an industry, or for advisers engaged in tactical sector rotation strategies, EWRE could be a good choice. It's worth noting that EWRE is more expensive and less liquid than the popular SPDR sector ETF, a market-cap weighted ETF focusing on the same sector, so investors should compare fees, performance and liquidity.

Invesco Global Listed Private Equity ETF (Long Term Exposure)

- Main Focus/Exposures: This ETF is among the more unique exchange-traded products available to U.S. investors; it offers a way to invest in publicly-traded private equity firms.
- Reasons for investing in it:This sector of the market likely receives little allocation in most portfolios, and as such PSP can offer access to an asset class that most investors generally overlook. It should be noted that private equity firms can exhibit significant volatility, and the downside risks in unfavorable environments can be significant. However, the opportunity to gain indirect exposure to hundreds of private companies that may maintain promising growth characteristics has obvious appeal, and as such PSP may be worth a closer look for risk tolerant investors. There are some other similar options out there; BDCS, structured as an ETN, has some overlap but is different in several ways as well.