BSAMC

Bocconi Students Asset Management Club

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LONG-SHORT FUND

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Introduction

The Long-Short Fund was launched in September 2023 and takes an active and innovative approach to managing investments. This report outlines the fund's recent activities and strategic updates, emphasizing its goal of achieving higher risk-adjusted returns while staying dedicated to ethical and sustainable investing.

Additionally, the goal of this report is to summarize the performance of the fund as well as the changes made to reach a higher performance, alongside an analysis of the current macroeconomic environment.

Fund Definition

The main objective of the Long-Short Fund is to obtain higher risk-adjusted returns through a strategy of going long on undervalued securities and short on overvalued ones. The fund targets a 60:40 allocation between long and short positions, respectively. This two-sided approach allows the fund to profit from both upward and downward market movements, taking advantage of inefficiencies in the equity market.

In this semester, the Long-Short Fund has introduced a quantitative signaling model based on a multi-factor framework. This model systematically evaluates stocks using a combination of factors such as value, quality, momentum, and volatility. By scoring securities across these dimensions, the model helps the fund identify under- and overvalued investment opportunities with greater precision. The multi-factor approach enhances the consistency and objectivity of our stock selection process, supporting more disciplined long and short position construction and improving the fund’s ability to exploit market inefficiencies.

The Long-Short Fund invests primarily in equity markets across developed regions, focusing on industries and companies that show strong growth potential, financial stability, or mispricing opportunities. It follows a thorough selection process to balance the weight of long and short positions, diversifying the portfolio across sectors and geographies such as technology, consumer discretionary, biotechnology, and energy.

The benchmark taken for this fund is the AQR Long-Short Equity Fund. This benchmark was taken because it aligns with the fund's strategic focus on market inefficiencies and delivering absolute return. The AQR Long-Short Equity Fund represents an established and respected industry standard. Therefore, it forms a robust framework for performance evaluation.

Consequently, and in conformity with the dedication of Bocconi Student Asset Management Club to responsible investing, our fund follows rigid ESG criteria. We as a team screen our investments in order to exclude companies engaged in unethical practices. It thereby reflects adherence to principles guiding sustainable, socially responsible investing of its management. To qualify for inclusion in the portfolio, companies must achieve a minimum ESG score of 55/100 according to FactSet. This approach testifies our dedication to ethical portfolio management while making profitable investments.

Portfolio Performance

The fund has shown a strong performance over the reported period, from January 2025 to the present. During this semester we were able to outperform our benchmark index (i.e., AQR Long-Short Equity Fund), achieving a total return of 10.09% compared to 9.77% of the benchmark. In order to maintain a fair comparison, we compare gross returns for both the fund and the benchmark.

Our best performing long positions were Palantir (52.97%), Mercado Libre (27.31%) and Uber (25.11%). Palantir rose on strong demand for its AI platforms, new government contracts, and expanding defense partnerships. Mercado Libre benefited from continued e-commerce and fintech growth in Latin America. Uber performed well due to record mobility bookings, improved profitability, and a share buyback announcement.

Our best performing short positions were Nikola (100.00%) and Beyond Meat (35.45%). Nikola's stock collapsed after the company filed for bankruptcy in February 2025, effectively closing the short position. As a result, the fund was no longer required to return the borrowed shares, locking in a full return of 100%. Beyond Meat's stock fell as competition in the plant-based market grew and demand for its products weakened.

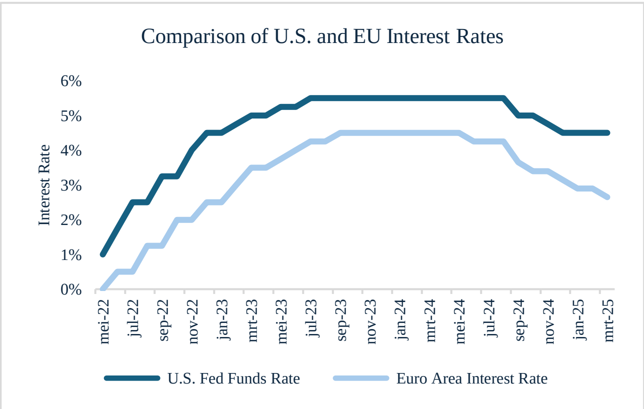
Our worst performing positions were Alphabet (-15.26%) and Kirkland´s (19.39%) which was a short position. Alphabet declined due to slowing growth in its cloud business, increased capital expenditures on AI infrastructure, and regulatory challenges. Kirkland's rose after reporting improved profitability, a strategic partnership with Beyond Inc. to revitalize the Bed Bath & Beyond brand, and a return to positive adjusted EBITDA, signaling progress in its turnaround efforts.

Macroeconomic Analysis

The semester has been marked by slowed demand due to trade risks and tariffs in the United States, a surge in EU defense spending, and heavy global uncertainty.

Monetary Policy: Interest Rates and Inflation

The Fed has held the federal funds rate at 4.25-4.50% following three rate cuts in 2024, with no expected quantitative easing until 2026. As of April, markets expect merely two or three rate cuts in 2025, the first being in June and each only 25 basis points. Core PCE inflation in the U.S. remains high at 2.4% YoY. Consumer sentiment fell to 64.7 from 71.7 in February due to fear of reciprocal tariffs and general political uncertainty. Our funds' exposure in consumer discretionary was hardest hit by tariff uncertainty, as well as the China slowdown for European luxury goods producers which lagged -8%. Our healthcare exposure fared well due to defense-health synergies for EU firms which surged 15%. Decoupling strategies favored companies with onshoring plans, disrupting tech and automotive supply chains.



Economic Growth and Labor Markets

GDP growth in the U.S. slowed to +1.3% in Q1 2025, down from 2024's +2.8%, as tariff uncertainty dampened business investment and consumer demand. Prohibitive tariffs introduced in April 2025 (e.g., 50% on Chinese EVs) amplified supply chain disruptions, contributing to a 12.1% YoY drop in automotive sector jobs in the United States. The labor market remained resilient, with unemployment remaining around 4%, with primary job growth in healthcare and retail while automotive and construction lagged. Services inflation remained high due to+3.9% YoY wage growth outpacing productivity. In Europe, the €800 million Readiness Europe plan defense expenditure led to significant growth, boosting manufacturing output in Germany and France while Southern Europe outperformed with +2.2% employment growth due to flexible labor policies and high household spending.

Portfolio Updates

Over the course of the semester, the fund aimed to further diversify the portfolio both geographically and across sectors. Exposure to the APAC region and Latin America was increased, while U.S. exposure was selectively reduced. At the sector level, the allocation shifted towards more defensive industries to better navigate current market uncertainties.

The Fund had to close its short position in Nikola (NKLA) after its shares became untradeable following the company's bankruptcy filing on 19 February 2025. This outcome validated the fund's original thesis regarding Nikola's fundamental weaknesses, resulting in a theoretical return of 100%, as the position was effectively closed without the need to repurchase the shares.

Given rising market volatility and broader economic uncertainty, the fund increased exposure to defensive sectors such as Consumer Discretionary and Consumer Staples. As part of this strategy, positions in Mercado Libre (MELI) and Waste Management (WM) were expanded, and the short position on The Hershey Company (HSY) was decreased. These companies were selected for their strong cash flows, resilient business models, and pricing power in inflationary environments

The fund reduced its exposure to Palantir (PLTR) in light of declining U.S. government spending, a key revenue driver for the company, as well as to mitigate overall portfolio volatility. Although ASML (ASML) maintains a strong position in the semiconductor sector, reduced investments from key clients like Intel and Samsung raised concerns about future growth, leading to decrease the position in the fund´s portfolio.

Alphabet´s (GOOG) increased operational focus on Cloud Service, its big cash reserves and its latest acquisition of Wiz drove our decision to increase the position.

We further increased our position in GE Vernova (GEV) to benefit from the rising global demand for energy driven by industrial growth, urbanization, and increasing electricity consumption. GE Vernova is well-positioned to capture this trend through its strong presence in power generation and grid infrastructure solutions.

The fund reduced its short position in Boeing (BA) as signs of operational stabilization and improved cash flow generation suggested a more balanced risk-reward profile moving forward.

Conversely, the short position in Beyond Meat (BYND) was increased, making it one of the fund’s largest short positions. Beyond Meat´s looming debt crisis gives rise to assuming either costly re-financing or even bankruptcy in the future. Its sole finacing via one convertable loan with a conversion rate of 139.66 $ per share maturing in 2027 and its accumulated deficit of 1.24$B make it highly unlikely for Beyond Meat to survive without receiving further funding.

Long Positions

Nu Holdings (NU): As one of the largest and fastest growing digital financial services platforms in Latin America, Nu has demonstrated strong customer acquisition, reaching over 110 million customers, and robust revenue growth, driven by cross-selling, low-cost customer acquisition, and scalable technology infrastructure. While FY’24 revenues were up 58% YoY reaching $11.51 billion in FY’24, Net Income almost doubled to $1.97 billion, compared to $1.03 in FY’23

Schlumberger Ltd (SLB): To further diversify the portfolio across sectors the fund decided to increase exposure to the Energy & Utilities sector, investing in Schlumberger Ltd. Schlumberger Ltd is a global leader in oilfield services, offering technology-driven solutions across exploration, drilling, production, and digital services. The company is well-positioned with a strong global presence, a leading market position, solid free cash flow, and growing investments in digital technologies and low-carbon initiatives. Trading at ~14x forward earnings and below peer averages, SLB offers attractive valuation and a ~20% potential upside based on relative valuation models.

JD.com (JD): Within the Consumer Discretionary Sector, we have a bullish view on JD.com due to its strong financial performance, undervaluation, and strategic growth initiatives. The company holds over a quarter of China’s e-commerce market and reported 13.4% year-over-year revenue growth in Q4 2024. Despite consistent earnings beats over the last 20 quarters, its forward P/E of 9.15 remains significantly below industry peers, presenting a clear value opportunity. JD’s robust balance sheet, with $28.8B in cash, low leverage, and expanding free cash flow provides further certainty over the companies future outlook. Strategic expansion into lower-tier Chinese cities, food delivery, and overseas markets, along with investment in AI-driven logistics and supply chain optimization, enhances long-term operational efficiency and scalability.

Fincantieri (FNCNF): After abandoning the fund´s position in Lockheed Martin last semester, the fund decided to increase exposure again to the defence sector. The geopolitical developments regarding European military sovereignty and therefore, increased defence spendings have given rise to attractive return opportunities in this sector. Fincantieri is a prominent Italian shipbuilding company that specializes in a wide range of vessels, including commercial cruise ships, military ships, and offshore energy solutions. With a record volume of new orders and a substantial order backlog, Fincantieri has reported strong financial results, including a €27 million profit for FY 2024, driven by a 6.2% increase in revenues and a 28% rise in

EBITDA. In addition, with an ESG score of 60/100 (as of 16 April 2025) the investment aligns with the Fund´s guideline of sustainable and socially responsible investments.

Short Positions

Lucid (LCID): The fund has established a short position on Lucid Group, a luxury electric vehicle (EV) company based in the US, as the company faces significant challenges to scalability and profitability in coming years. Despite recent positive news and strong delivery, Lucid's inventory accumulation, weak profit margins, and cash burn make this strategy unsustainable. Despite a 71% year-over-year increase in deliveries and 36% revenue growth in 2024, Lucid continues to struggle with scaling and profitability. Its $3.02B operating loss and ongoing net losses highlight deep financial issues, while the delivery growth was largely driven by unsustainable inventory draw-downs rather than increased production. In a macro environment with high uncertainty and less focus on sustainability, market demand is unlikely to grow at projected rates.

Kirkland´s (KIRK): Kirkland's, Inc., a major player in the U.S. home décor and furnishings market, is facing substantial financial and operational challenges. For 2024, the company expects a projected EBITDA of ($9,762k) and net income of ($25,638k), both showing a decline from 2023. In 2025, the outlook remains weak, with expected EBITDA of ($1,714k) and net income of ($19,225k), suggesting the company will continue to struggle with profitability in the short term. The company also faces external headwinds, including the potential economic slowdown resulting from high inflation and President Trump's tariffs, which could suppress consumer spending.

Novavax (NVAX): Due to its deteriorating financial position, declining revenues, and limited product pipeline, we have a bearish outlook on Novavax, a biotechnology company specializing in vaccine development to prevent infectious diseases. Despite recent vaccine approvals, the company faces accumulated losses, high debt, and negative shareholder equity, with little chance of breaking even in the near term. Its reliance on protein-based technology in a market shifting toward mRNA and multi-antigen vaccines leaves it at a competitive disadvantage. Given geopolitical pressures and overvaluation relative to weak fundamentals, we believe that the stock presents a compelling short opportunity.

Top 5 Long Stocks	Weight
Mercado Libre	12,29%
Eli Lilly and Company	9,78%
Nu Holdings	9,43%
AutoZone	8,12%
Fincantieri	8,10%

Top 5 Short Stocks	Weight
Boeing Group	-8,98%
The Hershey Company	-7,65%
Beyond Meat	-7,19%
Hormel Foods Corporation	-6,67%
Kirkland´s	-1,98%

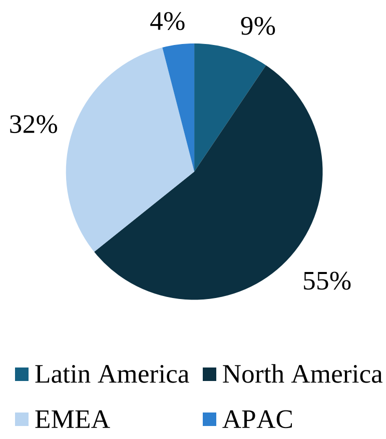
Risk Management

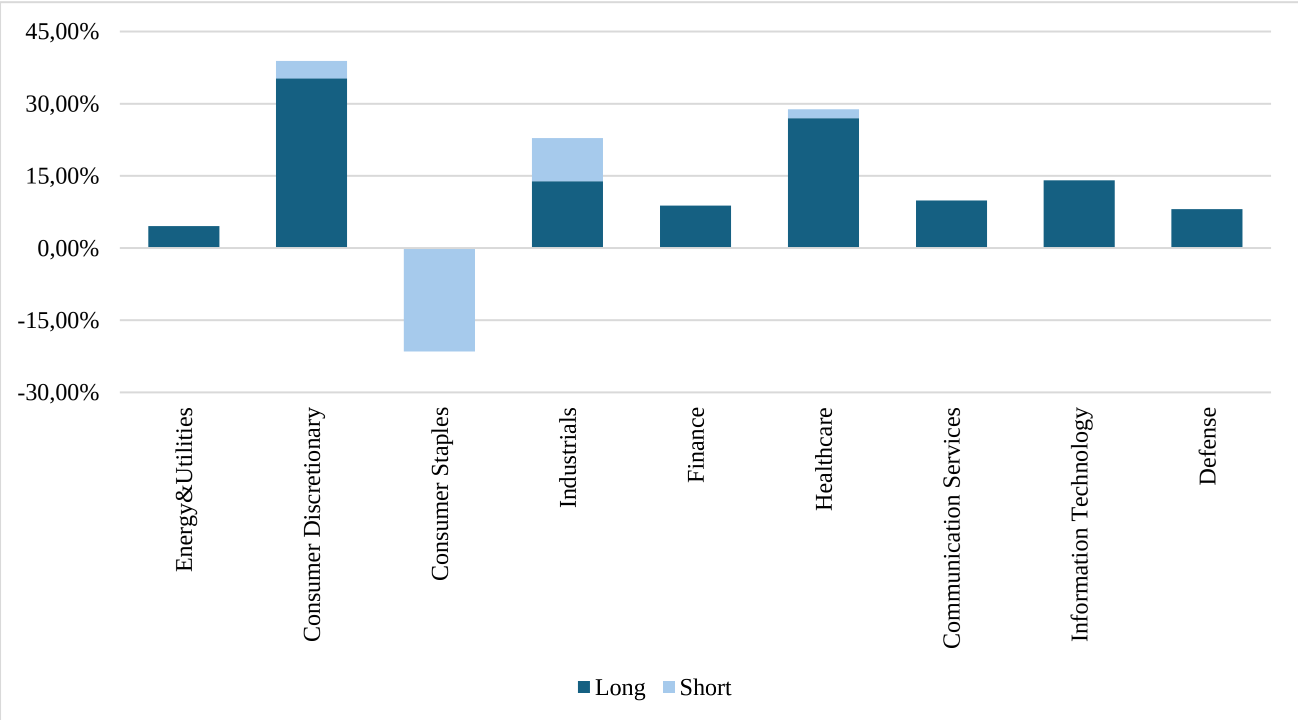
Diversification Analysis Industry Exposure

Our portfolio, including only currently open positions, reflects a strategic approach that balances conviction in high-growth sectors with a nuanced understanding of industry-specific dynamics. The significant exposure to consumer discretionaries highlights our shift towards more defensive industries to better navigate current market uncertainties. Our strategy in Pharma, with both long and short positions, showcases a thoughtful and differentiated approach. While the long positions focus on companies with strong pipelines and solid fundamentals, the short positions hedge against firms facing challenges such as regulatory pressures or weaker growth prospects. This dual exposure demonstrates our ability to navigate the complexities within the sector and adapt to varying market conditions.

The high short exposure in the Food sector reflects a strategic expectation of underperformance, likely driven by challenges such as evolving consumer trends, cost pressures, or industry-specific headwinds. A complete overview of our industry exposure by long and short positions is illustrated in the graph below.

In addition to further diversifying the fund's industry exposure, the geographical exposure was also broadened, with increased allocations to emerging markets and underrepresented regions to enhance global balance and reduce concentration risk. A complete overview of our geographical exposure can be seen in the graph below.





Diversification Ratio

With a diversification ratio of 1.59, the portfolio demonstrates a moderate level of diversification, suggesting that the asset allocation effectively reduces some of the inherent risks through low correlations among holdings. While this level of diversification helps mitigate risk, it also highlights the potential to further enhance the portfolio's risk-adjusted returns by refining the asset mix and seeking additional uncorrelated opportunities. This analysis underlines the importance of continuously evaluating and optimizing the portfolio's composition to achieve a more efficient balance between risk and return.

Risk Metrics

The portfolio's metrics provide a comprehensive insight into the effectiveness of the strategy implemented. With a beta of 0.9 and an adjusted beta of 0.94, the portfolio demonstrates a moderate sensitivity to the market, reflecting a deliberate approach to minimize market-related risks and focus on uncorrelated assets. This aligns with the strategic goal of reducing dependence on broader market movements while emphasizing stability. With a daily Value at Risk (VaR) at the 95% confidence interval level of 1.97%, the fund indicates that there is a 95% chance that the portfolio will not lose more than 1.97% of its value on any given day under normal market conditions. This highlights the fund's ability to manage daily risk effectively. The portfolio's daily and annual return variance of 0.02% and 5.01%, respectively, highlight increased return variability compared to last semester, driven by the recent market turbulence. However, when compared to industry standards, the fund continues to demonstrate stability, thanks to its careful diversification strategy and deliberate allocation to less volatile assets. The annualized Sharpe ratio of 1.77 underscores the strategy's potential to deliver improved performance over the long term, indicating consistent returns relative to risk when viewed from a broader perspective. The annulized Treynor ratio of 0.44 illustrates that the portfolio delivers high excess returns per unit of market risk. These figures align with the portfolio's moderate beta and further validate the strategy's focus on controlled market exposure. Meanwhile, the maximum drawdown of -11.72% reflects the significant market impact during the Trump tariff announcement, a period of heightened volatility. Despite this, the fund's strong downside risk management helped limit losses during these challenging market conditions.

This analysis suggests that the portfolio strategy successfully achieves its objectives of maintaining stability, managing risks, and delivering moderate risk-adjusted returns.

Conclusion

The Long-Short Fund's performance during this reporting period has demonstrated a well-executed strategy marked by strong risk-adjusted returns, outperforming the AQR Long-Short Equity Fund benchmark. The team's ability to identify high-growth opportunities in Consumer Discretionary and Utilities, while prudently managing underperforming sectors through short positions, underscores a deep understanding of market dynamics and macroeconomic influences. Notable achievements, such as securing substantial gains from Nikola and Palantir and navigating the challenges posed by weaker positions like Alphabet, reflect the fund's agility and robust decision-making.

Moving forward, the fund's commitment to ethical investing through ESG criteria, coupled with its diversification efforts and focus on low- beta strategies, positions it well to weather market volatility and capitalize on evolving trends like AI integration and shifts in trade policy. While there is room for optimization in risk metrics and sector allocation, the portfolio's disciplined approach and consistent alignment with its strategic objectives lay a strong foundation for sustained growth and resilience in future market conditions.