



A Bitcoin Capitalist Advisory Note



Saylor To The Moon

HOW MICROSTRATEGY'S *MACRO STRATEGY* WINS IN THE LONG RUN

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BACKGROUND

Founded by Michael Saylor in 1989, MicroStrategy (**Nasdaq: MSTR**) is a B2B SAAS (Software-as-a-Service) analytics vendor that serves major corporate clients across various sectors. Their core strength lies in building complete integrated product lines from scratch, which provides them with unparalleled control over functionality development.

Before delving into the company's individual components, it's important to highlight and keep in mind three recurring themes that contribute to MicroStrategy's future value. These themes are critical to why we see MSTR providing powerful growth versus not just their competitors, but the market as a whole. Without these three key differentiators, we would not entertain the idea of holding MSTR stock, but we think this is what sets them apart:

1. Saylor's world vision
2. HODL BTC
3. Lightning strategy

These ideas are fundamental to MicroStrategy's success and growth, both financially and operationally.

While MicroStrategy's legacy analytics business is valued at around \$500 million and offers ongoing stability, its performance and growth are overshadowed by the immense potential of combining it with their aligned Bitcoin and Lightning strategy.

As of the current writing, MicroStrategy holds 152,333 bitcoins, equivalent to \$4.6 billion. Between April 29 and June 27, they purchased an additional 12,333 BTC for \$347 million in cash [on August 1st, [they filed a shelf prospectus](#) to issue up to \$750 million USD in Class A shares for the purpose of buying still more Bitcoin - mark].

Clearly, Saylor is putting MicroStrategy's money where his mouth is.

As the CEO traditionally plays the key role in leading a company, it is interesting to note that Saylor is no longer serving as the CEO of MicroStrategy. He stepped down from the position in August 2022 but continues to hold the role of executive handing over the CEO reins to Phong Le, who previously served as the company president.

While such a change in leadership might typically be seen as a major event, in this case, it is more about day-to-day operational execution than a shift in direction.

In the context of MicroStrategy, Saylor is still top dog: his voice carries all the weight within the organization. Stepping down as CEO allows him to dedicate more time to focusing on Bitcoin acquisition and the implementation of Lightning technology platforms, rather than being heavily involved in legacy operations.

WHAT IS MSTR?

MicroStrategy stands as a respected enterprise business intelligence (BI) application software vendor.

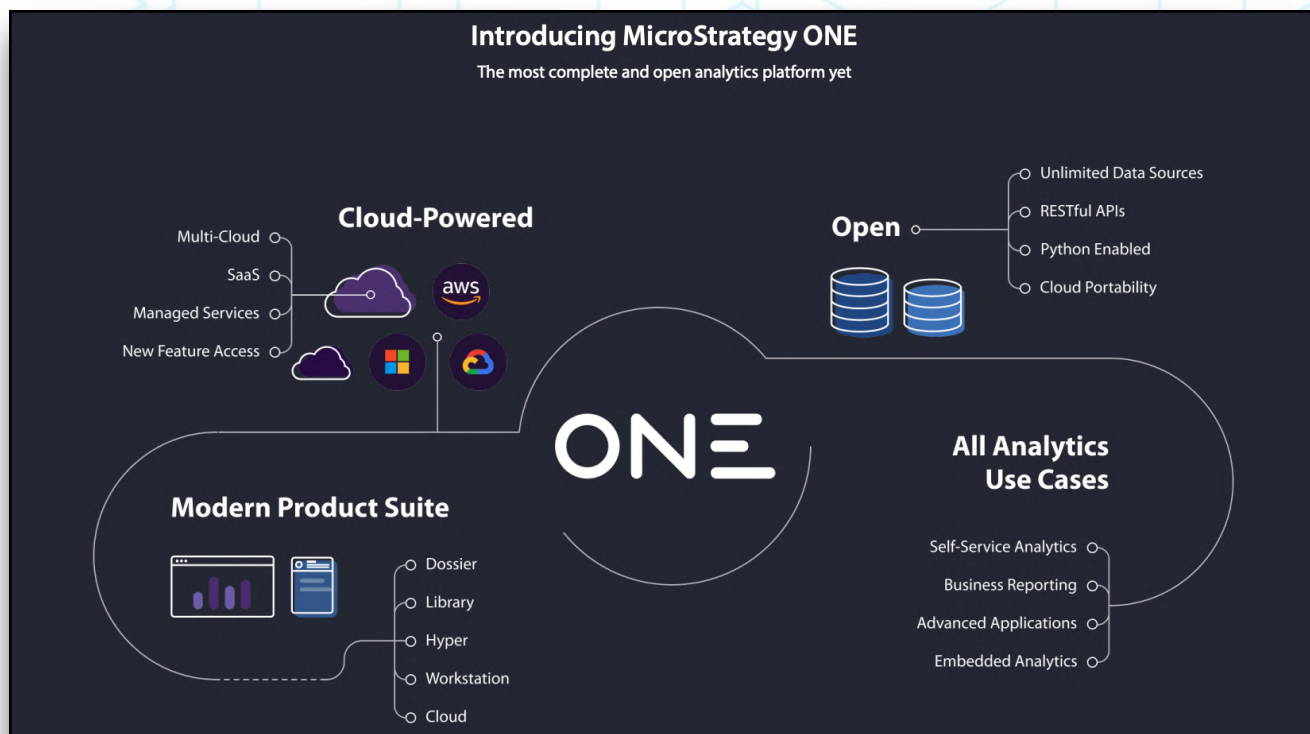
At the heart of their offerings lies their flagship platform (ONE), brimming with a diverse array of features designed to empower enterprises to make data-driven decisions and optimize their business processes.



Among the plethora of tools and capabilities available are interactive dashboards, scorecards, ad hoc queries, automated report distribution, highly formatted reports, and an assortment of thresholds and alerts.

To cater to various deployment requirements, the company offers flexible architecture options. Their platform can be deployed either on-premises using Windows or Linux servers, or as a cloud-based service via AWS or Microsoft Azure.

MicroStrategy takes accessibility seriously and ensures that their client interfaces facilitate easy access to their applications and services across a wide range of platforms, including the web, Windows, Mac, and mobile devices.



Moreover, in addition to a comprehensive suite of development and administrative tools, MicroStrategy goes the extra mile by providing a software developer kit (SDK) to enable application customization and seamless integration with other applications. Further enhancing its capabilities, the platform also includes APIs and gateways that foster integration with third-party analytics tools like Tableau and Power BI, as well as seamless Microsoft Office integration.

All of which give the client and end user immense flexibility to customize options tailored to the unique requirements of their business.

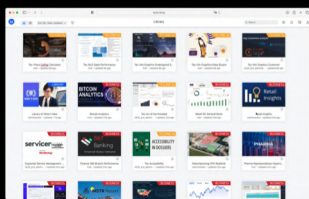
LEGACY PRODUCTS

As described earlier, MicroStrategy provides a suite of tools and services tailored for business intelligence (BI) purposes. Their lineup includes HyperIntelligence, Embedded Intelligence, Cloud, Consulting, Education, and BI and Analytics tools.

Innovation in Business Intelligence

MicroStrategy is investing in developing on its core BI capabilities to deliver analytics that is east, fast, and powerful

Empowered Self-Service

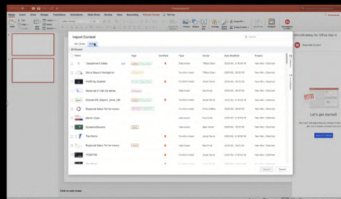


Governed Authoring: Create using preconfigured data-driven templates accelerate development without compromising accuracy

Reusable Assets: Combine metrics and viz into assets. Copy paste to speed development

Dossier Actions: Embed transactions into Dossiers to go from insight to action

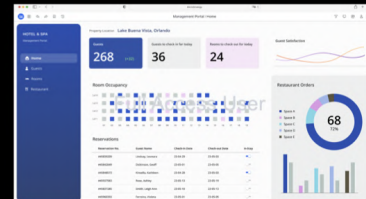
Productivity



Native PowerPoint Plug-in: Import and update visualizations, leverage asset collections, direct from Dossier

PDF Authoring: Create picture perfect PDF exports with unique layouts and rich content

Data Personalization



Data privacy: Mask or hide your sensitive data and audit via logged events

Conditional Display: Change what appears on canvas, alternative layouts or navigation

Rich Content Delivery: Advanced subscription authoring, bursting for Insights and visualizations, Embed Dossiers

The main focus is on creating a user-friendly and intuitive experience, catering to both end users and BI professionals. With these tools, users can effortlessly perform tasks like data discovery, data wrangling, data visualization, and advanced big data analytics.

Organizations can empower end users to build transaction-enabled analytics applications using code-free development tools.

This capability optimizes operations, enhances productivity, and ensures tools like HyperIntelligence are readily accessible in real-time across various devices and platforms.

MicroStrategy stands apart with its relational online analytical processing (ROLAP) architecture, which differs from traditional multidimensional online analytical processing

(MOLAP) architectures.

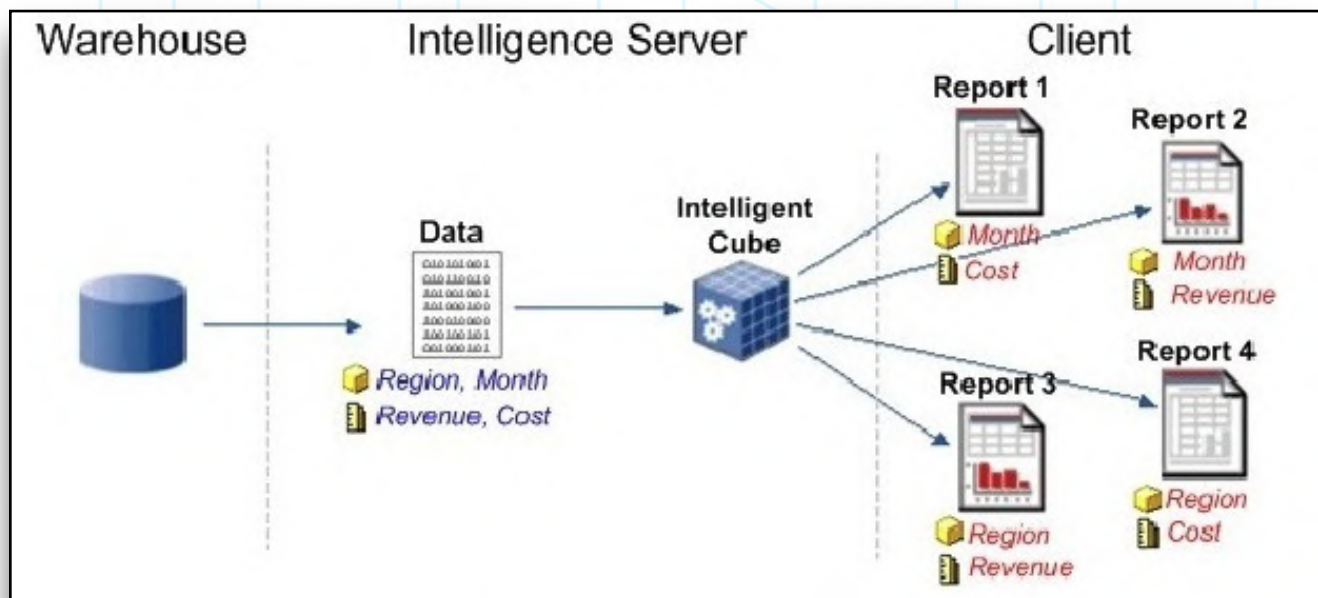
Unlike MOLAP, MicroStrategy's ROLAP architecture empowers users to "drill anywhere" in the relational database, even down to the granular transactional level.

The use of a virtual "multidimensional cube" structure simplifies complex relational databases, enhancing data comprehension and navigation for business users.

MSTR boasts optimization for major relational databases, data warehouse vendors, multidimensional databases, and flat files. This flexibility allows seamless connectivity and access to various data sources.

While many BI vendors offer feature-rich products, MicroStrategy's ROLAP architecture and integrated metadata stand out as crucial differentiators.

The platform revolves around a unified metadata concept, ensuring consistency and streamlined maintenance. Its 64-bit architecture supports in-memory analytics through their branded "Intelligent Cubes," which cache OLAP reports as data sets in memory.



Intelligent Cubes are multi-dimensional sets of data that allow you to use OLAP Services features on reports, as well as share sets of data among multiple reports. *Simply put*, instead of retrieving data from the data warehouse separately for each report, you can retrieve data sets from the warehouse and store them directly in the memory of the Intelligence Server. This brings tremendous time saving, efficiency and output improvements.

Metrics and attributes are created once and can be utilized across different report types. Making changes in one place automatically updates all related reports, reducing redundancy. Similarly, security permissions are managed centrally, minimizing administrative costs.

This framework is the crux of MicroStrategy's legacy business: they have a robust pipeline of:

B2B product -> Client -> User (employee), that has been perfected over the last 30 years.

As MSTR moves into the next frontier of building and selling new BTC-centric product lines, they are leveraging their skill, tech architecture and existing client relationships to their advantage.

CAPTAIN SAYLOR

"Money is dying, it's obviously dying in Venezuela, and it's obviously dying in Argentina, but it's dying everywhere in the world, even in the United States and Western Europe."

—Michael Saylor, 2023

Unequivocally the driving force behind MicroStrategy's quest is Michael Saylor, a man who needs no introduction in the Bitcoin world. His drive and avocation for BTC

adoption is courageous, contagious and admirable, but his career as a charismatic and enigmatic entrepreneur spans far beyond the last three years.

The macroeconomic views he avers and his analysis of the current financial system - which have led to a conviction that long term inflation will obliterate dollar value - are beliefs which align to our core mission: finding protection against the erosion of capital and the imposition of constraints, by centralized, financial power mongers who seek dominion in all corners of our lives.

Nowhere is this more apparent than in the current market for US government bonds. It continues to experience intense volatility and outpaces even Bitcoin, which has historically been notoriously volatile.

At the time of writing [mid-July - mark] the yield on the 2-year bond recently reached a peak of 5.11%. However, this morning, it plummeted to 4.92% and is currently trading at 4.76%. This rapid shift in yields emphasizes the importance of establishing a more stable policy anchor in order to address the ongoing data fluidity.



Saylor truly discovered Bitcoin and how it could change the world in 2020; in a period when time seemed to stand still, he swiftly embarked upon redirecting MicroStrategy to exploit his new-found vision.

Bitcoin has emerged as an increasingly compelling hedge against inflation and currency devaluation. As we've been covering here, even BlackRock CEO Larry Fink has pulled a full 180 on his views, to the point of just now calling Bitcoin "the new gold" - *staggering, yet undeniable.*

Saylor firmly believes that the purchasing power of the dollar and other fiat currencies is steadily

diminishing. This erosion is primarily attributed to the widespread implementation of expansive monetary policies and the excessive printing of money by central banks over the past decades, which has accelerated exponentially from crisis to crisis - *papering over the cracks with more imaginary paper money.*

Saylor asserts that this ongoing, increasing trend is contributing to the devaluation of currencies and consequently eroding the wealth of savers and investors.

Moreover, he argues that the officially reported rates fail to capture the full impact of inflation, leading to an underestimation of the erosion of wealth experienced by individuals and investors. *A view I have shared for many years, CPI and RPI have heavily selected malleable component parts and parameters.*

In light of these concerns, Saylor advocates for investment strategies that can preserve and potentially increase wealth in the current economic matrix. He posits that the most effective approach is to invest in assets that are both scarce and durable.

Sounds familiar... I have mentioned previously that the key attributes required are Portability, Divisibility, Resistance to counterfeiting and Durability.

In this regard, Saylor considers Bitcoin to be the ultimate store of value and form of digital property. He views Bitcoin as a unique asset with architecturally designed limited supply, making it resistant to the risks associated with traditional fiat currencies and the diabolical corruption which goes hand in hand with them.

Looking to the future, he envisions a new monetary paradigm centered around Bitcoin - a superior form of money that possesses true, individually democratizing attributes.

Decentralization, censorship resistance, programmability, verifiability, and immutability.

Championing Bitcoin's potential to reshape the existing financial landscape, and offer a decentralized alternative to the conventional monetary systems governed by central authorities.

As readers will know, we see Bitcoin as a unique opportunity for wealth preservation and unfathomable growth potential; a revolutionary force that has the ability to redefine the concept of money itself and the sovereign individual's relationship with it.

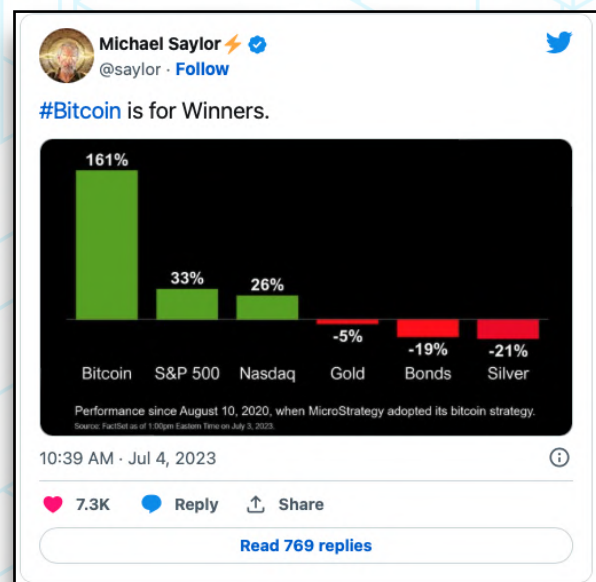
So it is no surprise that when a bastion of industry, such as Michael Saylor, goes all in with such an ambitious strategy for his company, we want to take a very close look.

That being said, his business strategy is not without risks: much of his BTC acquisition play has been made with leverage and loans, so should the price of BTC fall below certain thresholds, the company might need to liquidate holdings in order to service said debt.

While the house view is that the long run sees huge absolute price increases for BTC, the near and mid term are always much more challenging to predict. I will cover more on this later in the financial performance, but it is important to assess the risk across different timescales.

This is why parallel to the BTC acquisition and HODL play, Saylor is developing a comprehensive BI infrastructure product line. The new offering is similar to the legacy products MSTR already sells, but focuses on integrating with the Lightning network and has (micro)payments at its heart.

Using the expertise Microstrategy has honed over the last 30 years, he believes they are perfectly placed to become the plumbing for BTC transactional integration for legacy companies and brands. Normalizing the use of BTC and introducing new participants into the fold by offering analysis, insight and a UI framework which clients are already familiar with.



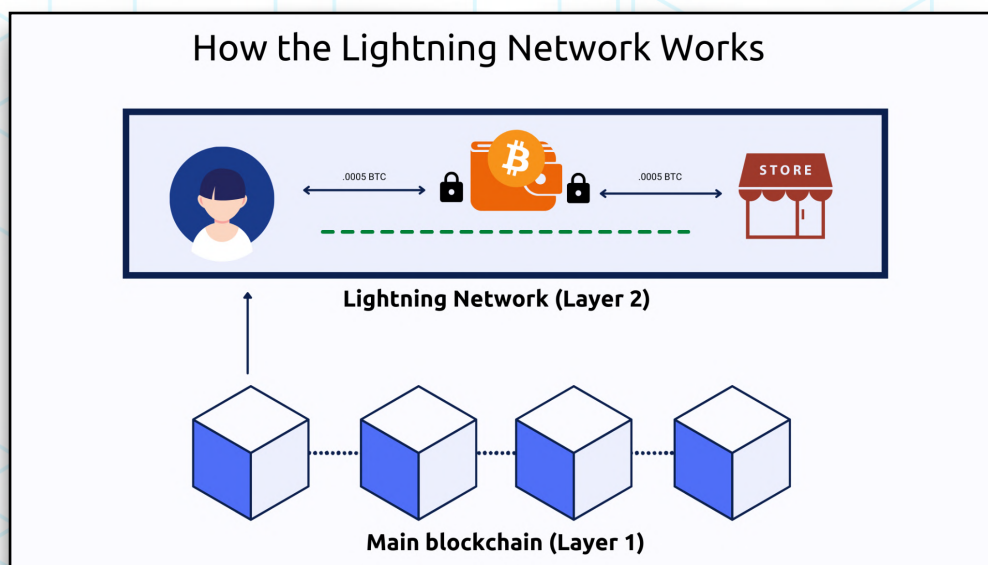
LIGHTNING PLATFORM

What is the Lightning network?

The Bitcoin Lightning Network is a layer 2 payment protocol built on top of the existing Bitcoin blockchain. It aims to enhance the use case for Bitcoin by addressing two significant challenges present in the original architecture: scalability and transaction fees.

The first main improvement offered by the Lightning Network is increased scalability. In the traditional Blockchain mechanism, each transaction needs to be recorded and validated by every participating node, which can lead to limitations in transaction throughput. *That's why there can be significant delays in validating transactions if miner traffic and demand is high* - which is highly problematic for allowing the high volumes of transactions we currently enjoy in everyday consumer life.

The Lightning Network solves this problem by enabling off-chain transactions. It establishes a network of payment channels between users, where transactions can occur instantly and without the need for every transaction to be recorded on the main blockchain. This greatly enhances the network's capacity to process a higher volume of transactions quickly.



The other main advantage of the Lightning Network is the reduction in transaction fees. Since transactions on the Lightning Network occur off-chain, they don't require the same level of computational resources and validation as on-chain transactions.

Consequently, the fees associated with Lightning Network transactions are typically much lower compared to traditional Bitcoin transactions. This makes microtransactions and frequent small-value transactions more feasible and cost-effective, opening up new possibilities for use cases such as micropayments, recurring payments, and instant transactions.

This isn't just a fix, it is a monumental improvement, opening up the ability to have internationally-reconciling, ultra low absolute value transactions - for specific use cases. This simply isn't possible - at the fee levels Lightning is capable of achieving - for the old skool finance networks of Visa, and Mastercard.

So Lightning is a major deal and potentially a land grab for first movers.

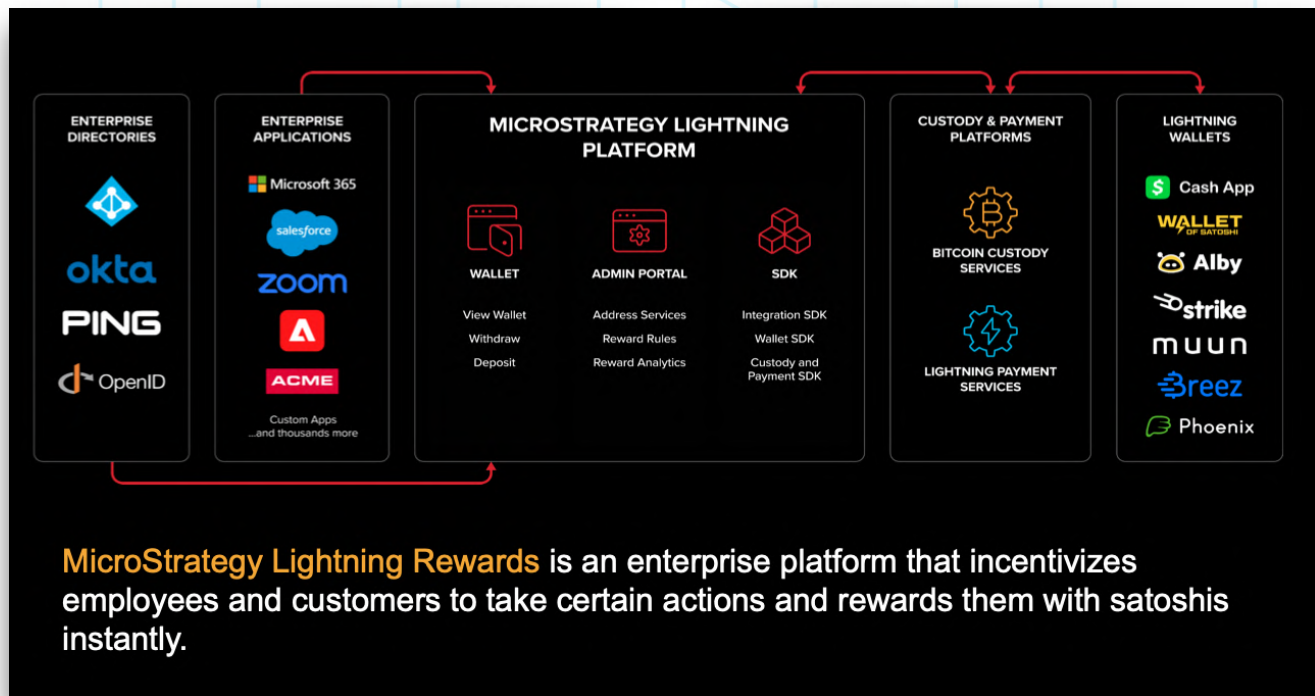
It enhances the network's capacity to handle a larger volume of transactions, fostering the growth of innovative applications that may have been prohibited by legacy limitations and making Bitcoin a more practical and efficient payment system for everyday transactions.

MicroStrategy is actively engaged in the development of software and products that leverage the Lightning network to cater to specific needs within the enterprise realm.

Using their expertise in enterprise software, they are creating seamless and ready-to-use solutions to address emerging ecommerce requirements and effectively tackle contemporary cybersecurity challenges.

Through these endeavors, MicroStrategy not only promotes the adoption and demand for Bitcoin, but also generates new revenue streams by offering robust solutions to both their current and prospective customers.

Existing clients include Visa (*irony*), Hilton, Lowe's, booking.com, Standard Chartered, Constellation Brands, Porsche, Pfizer (*chills*)... and many more industry leaders.



Being a company's conduit to the BTC revolution would certainly present an opportunity. Chief marketing officers could utilize the Lightning Network to incentivize customers, such as by offering satoshi rewards for engaging in activities like team building, reviews, engagement with company missions, completing surveys, or participating in internal educational tasks.

MicroStrategy aims to make Lightning infrastructure easily accessible to existing enterprises, allowing their customers to quickly implement it with minimal onboarding.

MICROPAYMENTS ARE A GAME CHANGER

Earlier, I touched on how lower fees with scale open up the door to endless new possibilities, one of which is verification and validation.

Identity verification has long plagued the digital world: fraud is rife, trust is low and ultimately both the individual and institution lose out.

Saylor has advocated the concept of a "Lightning wall" to address this from a cybersecurity perspective, a novel approach which involves implementing a Bitcoin-based paywall to safeguard websites from cyber attacks.

Visitors to these websites would be required to make a satoshi deposit to ensure secure access. The deposited funds would be promptly returned to the user upon completing their visit, a feature not offered by credit cards due to delays in fund retrieval.

Saylor believes that a dominant Lightning Network equivalent of the "Netscape browser" will inevitably emerge in the future. This Lightning version could potentially include a Lightning wallet capable of holding dollars and various cryptocurrencies. If developed in a non-custodial manner (to mitigate regulatory headaches), Saylor envisions it could quickly garner mass adoption.

Enterprise-grade capabilities for the fastest path to increase engagement



Lightning Address

Transform each company email into a Lightning address to receive Sat rewards.



Admin portal

Easily setup wallets, reward rules, integration, and many other wizardries from intuitive portal.



Lightning Reward

Define any reward rules from no code to full code with enterprise-grade rule engine.



SDKs

Robust set of SDKs for integration, wallet, custody and payment for ultimate customization.



Lightning wallet

Receive, send, and withdraw Sats to any Lightning wallets via web, mobile, or browser extension.



App integration

Integrate with most enterprise applications such as Salesforce, Zoom, Adobe in minutes.

He sees the Lightning Network as the "internet of money" building upon an already revolutionary concept in Bitcoin - and I'd have to go some way to agreeing with him.

Saylor is indivisible from MicroStrategy: it is his vision which charted their course, so any analysis of MSTR needs to fully understand what this man's world view is.

Yes, much of what he says is grandiose, yet it is rooted in sound analysis. If you share the view that the world will eventually move ever closer to a BTC standard, it makes sense to look at the ways in which individuals and companies alike would interact with said standard. While we cannot be sure Saylor will be the ultimate victor, he is undoubtedly choosing the right approach.

FINANCIAL PERFORMANCE

Andrew Kang has been CFO for MicroStrategy since May 2022, arriving from Greensky following their acquisition by the goblins at Goldman Sachs.

It's unclear as to what specific strategic financial control he has, other than executing Saylor's overarching vision. He joined well after Michael's 2020 Bitcoin epiphany and so presumably tows the line in the same way CEO Phong Le does. That aside, he is experienced and capable so there seems to be limited risk from a character perspective.

The details and data below are taken from MicroStrategy's first quarter results, and so do not fully reflect the 12,333 BTC purchased between April 29 and June 27.

MICROSTRATEGY INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended	
	March 31,	
	2023	2022
	(unaudited)	(unaudited)
Revenues:		
Product licenses	\$ 17,412	\$ 16,513
Subscription services	18,810	12,845
Total product licenses and subscription services	36,222	29,358
Product support	65,481	67,151
Other services	20,212	22,768
Total revenues	121,915	119,277
Cost of revenues:		
Product licenses	534	477
Subscription services	7,856	5,410
Total product licenses and subscription services	8,390	5,887
Product support	5,768	5,191
Other services	13,783	14,599
Total cost of revenues	27,941	25,677
Gross profit	93,974	93,600
Operating expenses:		
Sales and marketing	36,106	33,240
Research and development	31,358	33,523
General and administrative	27,906	26,706
Digital asset impairment losses	18,911	170,091
Total operating expenses	114,281	263,560
Loss from operations	(20,307)	(169,960)
Interest expense, net	(14,930)	(11,039)
Gain on debt extinguishment	44,686	0
Other (expense) income, net	(1,443)	2,225
Income (loss) before income taxes	8,006	(178,774)
Benefit from income taxes	(453,187)	(48,023)
Net income (loss)	\$ 461,193	\$ (130,751)
Basic earnings (loss) per share (1)	\$ 38.97	\$ (11.58)
Weighted average shares outstanding used in computing basic earnings (loss) per share	11,834	11,289
Diluted earnings (loss) per share (1)	\$ 31.79	\$ (11.58)
Weighted average shares outstanding used in computing diluted earnings (loss) per share	14,575	11,289

(1) Basic and fully diluted earnings (loss) per share for class A and class B common stock are the same.

MicroStrategy posted improved financial highlights for the first quarter of 2023, much of which stemmed from the rise in BTC absolute prices and subscriptions.

They experienced a 2.2% increase in total revenues, reaching \$121.9 million, compared to the same period in 2022.

Product licenses and subscription services revenues saw a significant boost of 23.4%, amounting to \$36.2 million.

However, product support revenues decreased by 2.5% to \$65.5 million, and other services revenues dropped by 11.2% to \$20.2 million.

MICROSTRATEGY INCORPORATED
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
CONSTANT CURRENCY
(in thousands)

	Three Months Ended March 31, (unaudited)					
	GAAP	Foreign Currency Exchange Rate Impact (1)	Non-GAAP Constant Currency (2)	GAAP	GAAP % Change	Non-GAAP Constant Currency % Change (3)
	2023	2023	2023	2022	2023	2023
Revenues						
Product licenses	\$ 17,412	\$ (1,057)	\$ 18,469	\$ 16,513	5.4%	11.8%
Subscription services	18,810	(734)	19,544	12,845	46.4%	52.2%
Total product licenses and subscription services	36,222	(1,791)	38,013	29,358	23.4%	29.5%
Product support	65,481	(1,492)	66,973	67,151	-2.5%	-0.3%
Other services	20,212	(839)	21,051	22,768	-11.2%	-7.5%
Total revenues	121,915	(4,122)	126,037	119,277	2.2%	5.7%

The gross profit for the first quarter of 2023 was \$94.0 million, resulting in a gross margin of 77.1%. In comparison, the gross profit for the same period in 2022 was \$93.6 million, with a gross margin of 78.5%.

Operating expenses decreased significantly by 56.6% in the first quarter of 2023, amounting to \$114.3 million.

This reduction includes impairment losses on the company's digital assets buoyed by the rise in absolute BTC price. It totaled \$18.9 million in the first quarter of 2023, down from \$170.1 million in the first quarter of 2022.

MicroStrategy reduced the loss from operations to \$20.3 million in the first quarter of 2023, a significant improvement compared to the loss of \$170.0 million in the same period of the previous year.

The company achieved a net income of \$461.2 million for the first quarter of 2023, equivalent to \$31.79 per share on a diluted basis.

In contrast, the net loss for the first quarter of 2022 was \$130.8 million, or \$(11.58) per share on a diluted basis.

The net income also benefited from income tax gains of \$453.2 million and \$48.0 million for the first quarters of 2023 and 2022, respectively, as well as a gain of \$44.7 million from debt extinguishment in the first quarter of 2023.

MicroStrategy's cash and cash equivalents stood at \$94.3 million as of March 31, 2023, reflecting an increase of \$50.5 million compared to December 31, 2022, which had \$43.8 million.

The company's digital assets, primarily comprising approximately 140,000 bitcoins, had a carrying value of \$2.000 billion as of March 31, 2023.

As I mentioned in my introduction, this total now stands at 152,333 bitcoins, after having added 12333 BTC April-June

This value incorporates cumulative impairment losses of \$2.172 billion since acquisition, resulting in an average carrying amount per bitcoin of \$14,289. The original cost basis and market value of MicroStrategy's bitcoins were \$4.172 billion and \$3.986 billion, respectively, as of March 31, 2023.

This corresponds to an average cost per bitcoin of approximately \$29,803 and a market price per bitcoin of \$28,468.44. *Again, not factoring the most recent transactions.*

On March 24, 2023, MicroStrategy voluntarily repaid approximately \$161.0 million to Silvergate Bank, fully satisfying the 2025 Secured Term Loan ahead of time. Silvergate released its security interest in approximately 34,619 bitcoins held as collateral.

This is a **VERY** important statement, because much of the purchase of Bitcoin has been from leverage via loans, share sales or bonds in one form or another.

As the price rises, they will presumably move to continue to pay down loans ahead of time, which are due to mature in the next four years. All while maintaining their steady

accumulation of BTC, this strategy heavily de-risks the most obvious vulnerability to the business.

Lastly and one to keep an eye on, MicroStrategy's Sales Agreement with Cowen and Company LLC and BTIG, LLC, *initiated on September 9, 2022*, allowed the company to issue and sell shares of its class A common stock up to \$500.0 million.

In the first quarter of 2023, MicroStrategy sold 1,348,855 shares, generating around \$339.0 million in net proceeds, all of which presumably was used to buy BTC, as MSTR spent \$347M on Bitcoin in May and June. As of March 31, 2023, a remaining \$112.3 million of class A common stock was available for issuance and sale under the agreement.

At the time of writing, they have no plans to create and issue any more shares, but it is worth paying close attention should dilution become a present danger.

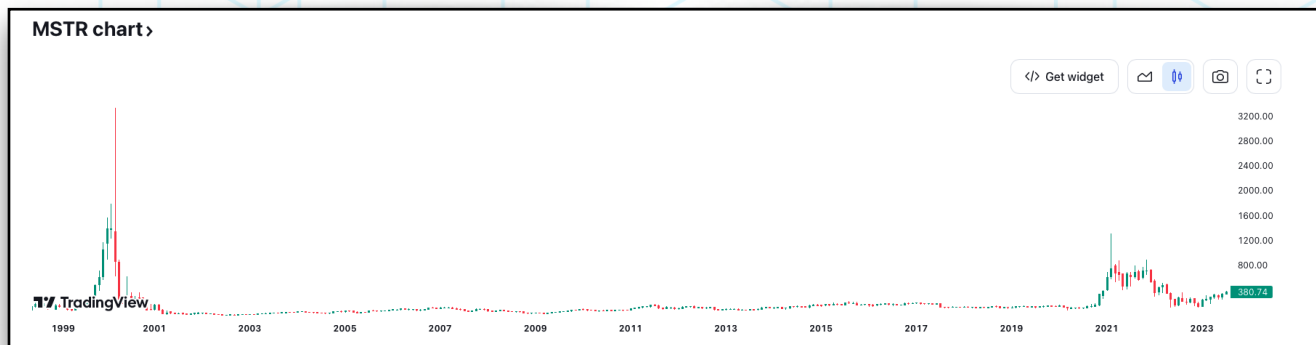
MICROSTRATEGY INCORPORATED
DIGITAL ASSETS – ADDITIONAL INFORMATION
ROLLFORWARD OF BITCOIN HOLDINGS
(unaudited)

	Source of Capital Used to Purchase Bitcoin	Digital Asset Original Cost Basis (in thousands)	Digital Asset Impairment Losses (in thousands)	Digital Asset Carrying Value (in thousands)	Approximate Number of Bitcoins Held (Disposed) *	Approximate Average Purchase or Sale Price Per Bitcoin
Balance at December 31, 2021		\$ 3,751,529	\$ (901,319)	\$ 2,850,210	124,391	\$ 30,159
Digital asset purchases	(a)	215,500		215,500	4,827	44,645
Digital asset impairment losses			(170,091)	(170,091)		
Balance at March 31, 2022		\$ 3,967,029	\$ (1,071,410)	\$ 2,895,619	129,218	\$ 30,700
Digital asset purchases	(b)	10,000		10,000	481	20,790
Digital asset impairment losses			(917,838)	(917,838)		
Balance at June 30, 2022		\$ 3,977,029	\$ (1,989,248)	\$ 1,987,781	129,699	\$ 30,664
Digital asset purchases	(c)	5,978		5,978	301	19,860
Digital asset impairment losses			(727)	(727)		
Balance at September 30, 2022		\$ 3,983,007	\$ (1,989,975)	\$ 1,993,032	130,000	\$ 30,639
Digital asset purchases	(d)	56,443		56,443	3,204	17,616
Digital asset impairment losses			(198,557)	(198,557)		
Digital asset sales **		(46,260)	35,370	(10,890)	(704)	16,786
Balance at December 31, 2022		\$ 3,993,190	\$ (2,153,162)	\$ 1,840,028	132,500	\$ 30,137
Digital asset purchases	(e)	179,275		179,275	7,500	23,903
Digital asset impairment losses			(18,911)	(18,911)		
Balance at March 31, 2023		\$ 4,172,465	\$ (2,172,073)	\$ 2,000,392	140,000	\$ 29,803

Chart is accurate as per Q1 2023 - most recent release to date Does not reflect BTC purchase mentioned in the notes introduction

OUR TRADE POSITION AND PRICE PERFORMANCE

Admittedly, MSTR has had a rather dispiriting history when it comes to its stock price performance. Since its IPO in 1997 and the subsequent dotcom bust, it can hardly be described as an impressive performer; in fact, at times it has more closely resembled some altcoins from 2017. However, it's important to note that MSTR is a legitimate and viable business.



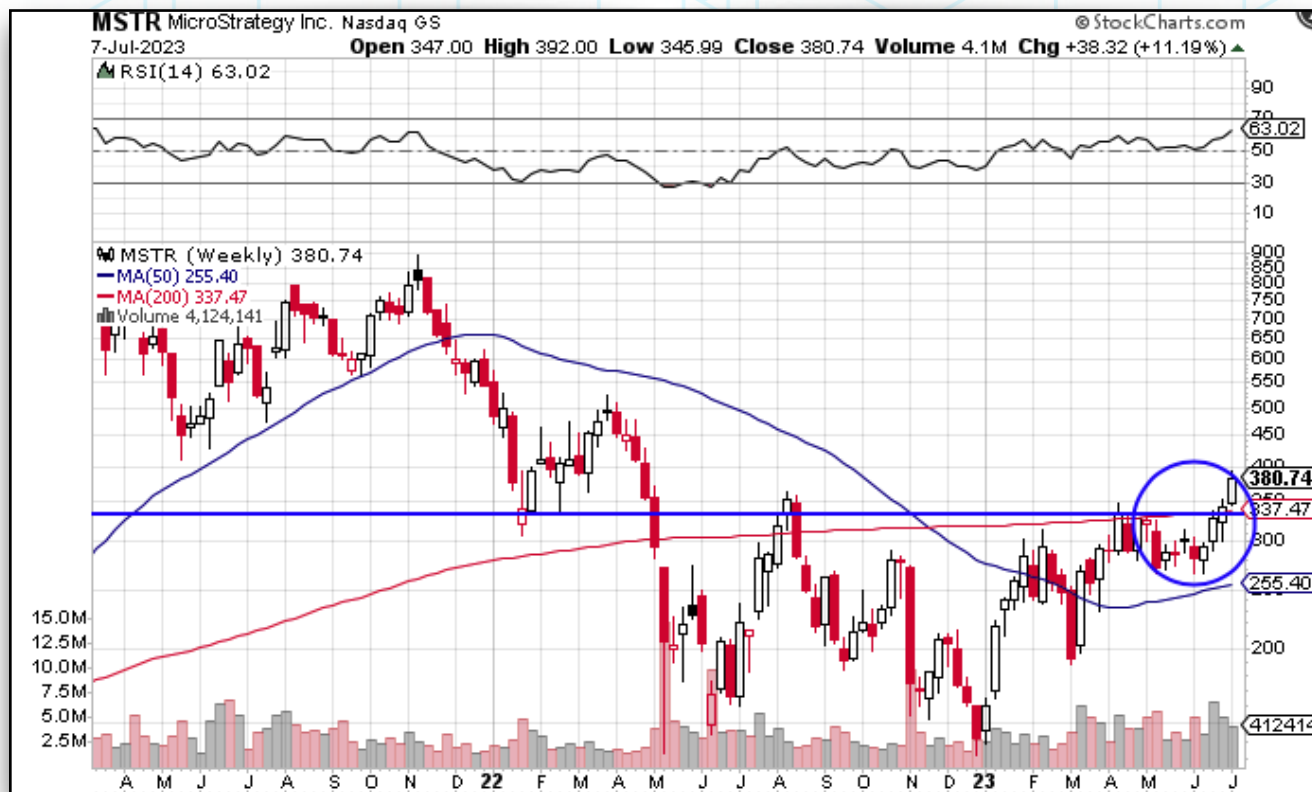
The turning point for price action came in 2020 when the company's activity started gaining momentum. This was when Saylor shifted the company's focus towards embracing the Bitcoin ecosystem for growth, at the same time as the Covid retail investor boom.

Analyzing the stock chart performance prior to 2018 can be a somewhat ungratifying task. Instead, it is more beneficial to focus on the period post-2020, as the market has shown a genuine appetite for MSTR due to the strategy change.

Closing at \$380.74 at the time of writing, it has cleared to end the week through the barrier of \$337, with the next short term target just north of \$500 [trading at \$384.31 as of Aug 13 - mark].

In the medium term if the Bitcoin price continues its resurgence, we can expect to see MSTR challenge a return to the range of \$700-\$800, which it last visited at the tail end of 2021.

As with all heavily BTC-centric companies, since the Blackrock ETF pump we have seen an uptick and if favorable regulatory news comes our way, this will no doubt continue.



ENTERING THE TRADE

We're currently allocating Microstrategy at 5% of the portfolio, with an eye toward taking that higher. In keeping with our standard three tranche formula - if you have no position, enter at the current price with your first tranche. If you've already been in the portfolio and have all three tranches in the other allocations (see "Quickstart" section in most recent portfolio update), allocate cash or convert some of the drops (like BTCS) into MSTR.

If you're fully committed at the specified allocations, trim some HIVE, WNDR to roll into MSTR, or in a pinch, some HUT (mainly because its a larger allocation).

CLOSING REMARKS

Saylor's vision for MicroStrategy is inextricably linked with the long-term future of Bitcoin. It encompasses not only its value as an asset, but also extends to becoming incumbent in the broader financial ecosystem and infrastructure surrounding it.

MicroStrategy's combination of legacy analytics expertise, Bitcoin accrual and Lightning strategy platform makes them unique in the traditional business world, with the potential to reshape the financial landscape and offer innovative BTC-focused solutions to their enterprise clients.

In order to achieve this, MicroStrategy needs to promote corporate adoption. The process of migrating existing clients to their Lightning platform will not happen overnight: established brands tend to change their direction slowly, much like an oil tanker.

Additionally, widespread acceptance of cryptocurrencies still has a considerable distance to cover. The timeframe for these developments, as always, will heavily rely on the ever-changing and complex regulatory landscape, which often presents itself as an arcane, toxic mess.

That said, I feel there is genuine reason to be optimistic here: the weight of Blackrock, Fidelity and others in time will become too great for Gensler, despite his protestations.

If Saylor's vision materializes flawlessly, it could create a perfect storm of success. However, if his assumptions falter - taking too long while the Bitcoin price remains stagnant or declines in the near/mid future - then servicing the debt incurred for BTC purchases and operational funds could leave them in a precarious situation.

From my perspective, the potential rewards outweigh the risks. As I have mentioned repeatedly, it appears that we are on the verge of another bullish market cycle.

In numerous ways, MSTR is setting an example for how all global enterprises should approach this unique technological and financial opportunity, which arises once in a generation.

That requires risk and execution, but as we know, risk brings reward. Catch you next time.

RM

ABOUT RICHARD MCNALLY



Richard McNally was Head of Investment for a prestigious Venture Capital fund in London, UK. He has a background in economics with a focus on technology.

A former professional futures trader at a private wealth management firm, he was responsible for trading various securities with large allocations spanning various asset classes. Trading contracts at size required him to analyze huge data sets and model future performance.

He operates out of London, UK and Vancouver, Canada. He has been involved in Bitcoin since 2013. An avid believer in the Sovereign Individual thesis, Richard's outlook aligns with our core thesis, while offering distinctive viewpoints that provide balance and contrast in ever shifting times.
