

Investor Report

April 2024

Digital Asset Fund	Market Neutral Fund
Unit Price \$1.9393 (-8.62%)	Unit Price \$1.4467 (-0.36%)

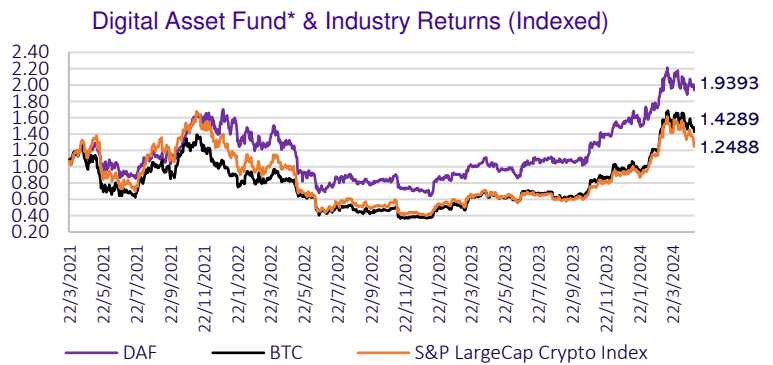
	Since Inception	6 months	3 months	1 month
Digital Asset Fund	93.93%	49.05%	22.36%	(8.62%)
Market Neutral Fund	44.67%	7.79%	3.94%	(0.36%)
Bitcoin	42.89%	71.86%	44.12%	(12.95%)
S&P Large Cap Crypto Index	24.88%	63.18%	32.25%	(14.49%)

Commentary & Performance

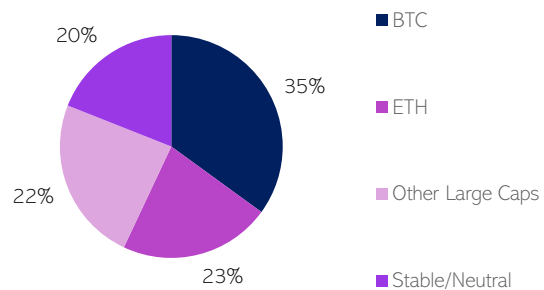
In a regressive month in crypto, the Digital Asset Fund gave back its gains from March losing 8.62% compared with a fall of 12.95% in Bitcoin, 13.94% in Ethereum and significant underperformance by Altcoins. The Digital Market Neutral Fund was slightly down on the month with a -0.36% return. We expect market pullbacks following periods of significant price appreciation, especially following Bitcoin breaking the all-time highs. Despite the recent move, our conviction of a higher Bitcoin price towards the back end of 2024 remains intact. The Bitcoin market capped out at \$72,500 USD on April 8th, a significant 8% above the previous all-time high. This was short lived and retraced back down, leaving it range bound between \$60-70K USD for most of the month, before breaking a strong support and accumulation level of \$60K USD. Notably, the market sell-off was exacerbated by excessive leverage in the system. We expect Bitcoin to reestablish the monthly range of \$60-70K USD in short order.

Bitcoin, and as such, the cryptocurrency market, performed in line with other risk-on assets, dramatically influenced by the macroeconomic landscape as well as crypto specific issues:

- Instability in the Middle East with Iranian retaliation and questions surrounding Israel's response.
- Inflows into the USA spot Bitcoin ETF turned negative for the first time. We feel the market overreacted to this news as market outflows are part of a product's normal market behaviour post launch and in line with the wider traditional market's softness.



Fund Allocations - April 2024



- Employment and inflation figures coming out of the USA reduced the number of expected rate cuts from four at the beginning of the year to just one at month end. We are even seeing the commentators now predicting the worst-case scenario of stagflation. Again, we think this movement in expectations has over-shot the mark. The Cleveland Fed, which has been the best predictor of inflation to date, agrees with us and sees this as a temporary blip.
- Miners begin to sell more coins post Bitcoin Halving. We frequently see a dip in the market immediately after the halving as miners must sell more coins than previously to compensate for the reduced income from significantly lower rewards. This tends to be a short-term phenomenon and is typically quashed by the increase in Bitcoin's price.
- Tax season selling in USA – as crypto holders have had significant gains over the financial year, typically assets are sold to pay the taxes that come due at the end of April, adding fuel to an already soft market. With Bitcoin having more than doubled over the period, those sales can be significant. The market had become over euphoric and leveraged.

Digital asset price movements as a result of the above news were significantly amplified due to the notable leverage in the system. Now that a large portion of this leverage has been flushed out of the market and sentiment has stabilised, the prospects for further appreciation are far better now than at the start of April.

Given the current market headwinds (some of which are temporary), a 15% pull back in the market is not unusual and it is a part of being in crypto. The wider Altcoin market significantly underperformed Bitcoin over the month – as we'd expect in a downward market – and is now at more attractive accumulation levels. We strongly believe that the longer-term upward trend is still intact, and though we may see some sideways chop through the northern hemisphere summer's illiquid months, we believe the market will be significantly higher by year end.

The anticipation of Hong Kong spot Bitcoin and Ethereum ETF listings added to the bullish sentiment in March, as it was anticipated that they would open the door for regulated BTC and ETH investment in mainland China. With a general slowdown in the Chinese economy and alternative investment avenues becoming more attractive, the potential for substantial inflows from this region is notable. However, the launch itself was disappointing, and we do not expect large flows until the ETFs are approved on Stock Connect - a mechanism for Mainland China to access listings on the Hong Kong stock exchange. This is something that we will be watching very closely.

Ethereum has under-performed over the month as the probability of the spot ETH ETF diminished, driven by the SEC's lack of responsiveness to applicants. With the deadline approaching, the softness was accentuated by speculation regarding a SEC probe into the Ethereum foundation. We feel these are short term headwinds, and ETH is showing good value relative to BTC at these levels.

As a fund, we did reduce our directional views selling BTC and reallocating to market neutral strategies when BTC broke the \$70K USD. We are currently redeploying that capital back into directional plays now that Bitcoin is below the \$60–70k USD range. We will continue to play this range until we see a significant catalyst in either direction or we approach the later stages of the third quarter. As we did last year, we expect significant tail winds in the fourth quarter and will be positioned accordingly. Until then, we will take advantage of having a higher allocation to market neutral assets – deploying funds during market selloffs.

For those thinking of entering the market or increasing their allocation, we believe the risk return is very favourable right now and recommend averaging in over the coming three months, so you are fully deployed by the time we get to September. Although we recommended October last year, we expect the market to front run the cycle this year following its dramatic rise in the last quarter of last year and its unprecedented move to all-time highs pre-halving.

As always, in the instance that you have any questions about our business offerings or the wider cryptocurrency market, we would love the opportunity to speak further.

Please do not hesitate to reach out with any questions or concerns.

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