

# Investor Report

February 2024

|   |   |
|---|---|
| <b>Digital Asset Fund</b><br>Unit Price \$1.9520 (23.16%) | <b>Market Neutral Fund</b><br>Unit Price \$1.4184 (1.17%) |
|---|---|

|                            | Since Inception | 6 months | 3 months | 1 month |
|----------------------------|-----------------|----------|----------|---------|
| Digital Asset Fund         | 95.20%          | 84.08%   | 42.42%   | 23.16%  |
| Market Neutral Fund        | 41.84%          | 10.23%   | 2.46%    | 1.17%   |
| Bitcoin                    | 44.17%          | 136.08%  | 65.57%   | 45.40%  |
| S&P Large Cap Crypto Index | 38.48%          | 136.77%  | 66.62%   | 46.65%  |

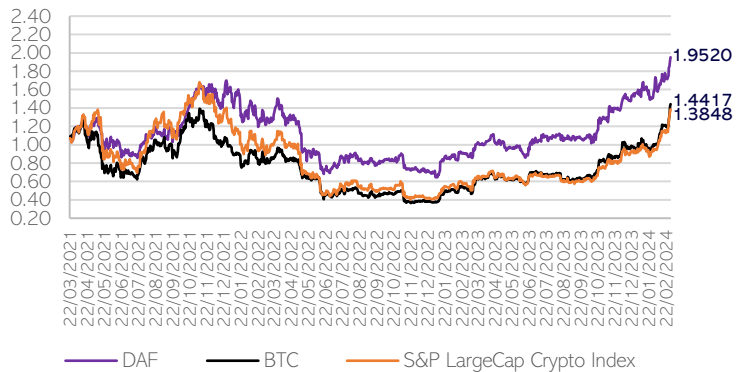
## Commentary & Performance

February was a very strong month for our funds and for crypto as a whole. The Digital Asset Fund was up 23.16%, and the Market Neutral was up 1.17%. For context, Bitcoin was up 45.40%, and Ethereum was up 47.52%. The Digital Asset Fund was recently recognised by Preqin Pro as the second-best performing Crypto Fund in Asia in the 4th quarter of 2023.

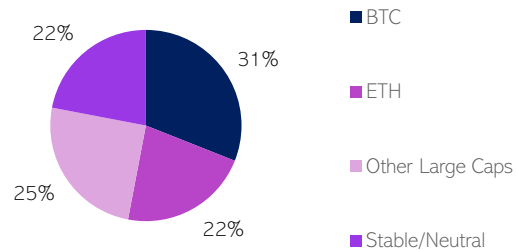
The size of the outperformance of crypto compared with other risk assets has surprised us a little over the last few months. We expected Bitcoin to challenge its all-time high in the second half of the year, and certainly a couple of months after the halving. It looks like it will reach that level well ahead of our expectations. The question then becomes: Will history repeat itself with a continued rally post halving, or is this the peak? We believe that the ETF is the driver of outperformance against expectations, and if the flows continue to materialise as we have seen, then we can expect a stronger, longer and sooner rally in crypto than we had previously built into our models. We still believe the Halving, interest rate pivots around the world, US elections and the Artificial Intelligence led stock rally will create significant tailwinds for the market, but the boost from increased demand for BTC from larger than expected flows into the ETF could add significant upward pricing pressure. Of course, if the flows subside, it could have the opposite effect.

Throughout January, we observed mixed messaging surrounding the success of the ETF launch, with new issuers taking time to ramp up their marketing machines and Greyscale maintaining very high fees.

Digital Asset Fund\* & Industry Returns (Indexed)



Fund Allocations - February 2024



This led to high volumes in sales of the ETF, which had previously been a trust selling at a significant discount. As we moved into February, the supply and demand dynamics became much clearer, and the demand side of the equation grew stronger. The demand for BTC to support the appetite created by the ETFs led to significant price appreciation through the month. With the addition of a significant and permanent reduction in supply following the bitcoin halving, we expect the price of BTC to continue its appreciation. While we recognise that the price is approaching all time high levels, and we may see some resistance at that level, we feel confident that as long as the ETF demand continues, it will not have too much difficulty breaching the psychological levels.

Ethereum also had a strong month, with optimism increasing that an ETH ETF will be approved in May. The success of the Bitcoin ETF increases the impact of such an approval, and the price has responded accordingly. We feel optimistic about ETH as an asset and expect it to outperform BTC in the short to medium term, as liquidity is much tighter in ETH than BTC - with so much of the asset staked and not sitting on exchange available for sale. Any increase in demand from newly approved ETFs will have a much greater impact on price than we saw for BTC.

Regarding Alt coins, the performance of Nvidia has focused attention on Artificial Intelligence and the shortage of computing power and storage. To us, the allocation and sale of both seem to be among the most obvious applications of crypto. We have been building positions in protocols which are doing this and have seen outperformance from Render, Filecoin, Arweave and Akash in the portfolio. With the 'Dencun' upgrade of Ethereum (which reduces the gas fees charged to layer 2s tenfold) occurring in March, we have also been positioning in Ethereum Layer 2s. Although this trade has not yet played out, we are confident that if the upgrade goes smoothly, we will see a significant impact on these coins.

Though we anticipate some resistance in the market as BTC approaches its all-time high, we expect the rally in crypto to continue, and believe we are still in the early innings of this crypto cycle. The rebound has come sooner and stronger than we expected due to the success to the Bitcoin ETF. However, this merely adds a strong bid to a market that is maturing and has significant tailwinds over the coming 18 months.

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