

# Investor Report

June 2024

<b>Digital Asset Fund</b> Unit Price \$1.9686 (-3.48%)	<b>Market Neutral Fund</b> Unit Price \$1.4041 (1.34%)
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	Since Inception	6 months	3 months	1 month
Digital Asset Fund	96.86%	25.60%	(7.24%)	(3.48%)
Market Neutral Fund	40.41%	1.65%	(3.29%)	1.34%
Bitcoin	37.50%	40.99%	(16.23%)	(11.47%)
S&P Large Cap Crypto Index	28.45%	34.18%	(12.04%)	(13.28%)

## Commentary & Performance

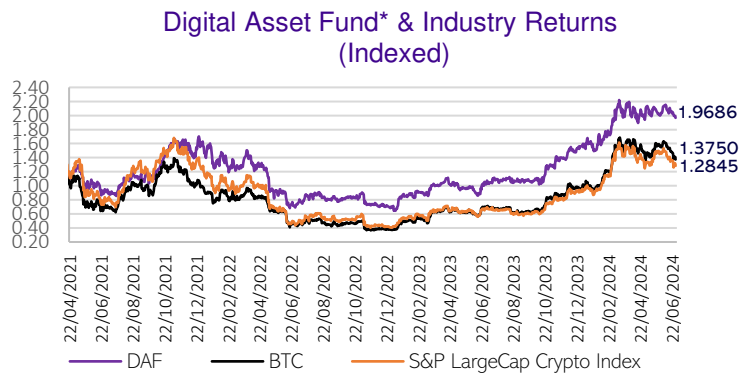
The crypto markets saw a weak month with Bitcoin down 11.47% and Ethereum down 11.05%. In keeping with our priority for capital preservation and our view that the market would be volatile, but range bound, our funds outperformed the majors with the Digital Asset Fund down 3.48% and the Market Neutral Fund up 1.34%.

The month started with strong US economic data, particularly the Non-Farm Payroll (NFP) figures, which exceeded expectations. This led to a surge in the US dollar and a spike in US Treasury yields. The robust US data, though seemingly like good news, pushed back the expected timing of rate cuts in the USA, which is bad for risk assets including crypto. This was reflected in both market sentiment and prices.

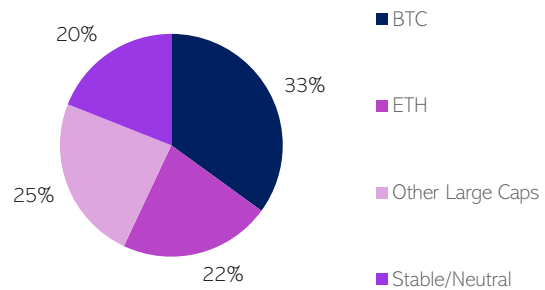
Through the illiquid summer months, as predicted, we are seeing the market range-bound with each month of appreciation followed by a month of decline, and Bitcoin remaining in the range of US\$60k to US\$70k. This trend has now persisted for 4 months, and even with crypto specific tailwinds on the horizon, we have not been able to shake this range. The longer the price consolidation period, the more positive we feel for the fourth quarter of this year.

In summary, we expect the choppy market to continue in the short term with the potential for further downwards movements due to crypto specific news, particularly the repayment of Mt Gox creditors.

Nevertheless, our conviction leading into the final quarter of the year remains strong, with lower prices providing what we believe to be fantastic buying opportunities.



## Fund Allocations - June 2024



## Supply and demand dynamics

### Supply side negativity in the short term

- Bitcoin miners selling to cover costs post halving is normal for the first few months after the event as revenues have decreased significantly while costs have not changed. This tends to dry up 3-6 months after the halving.
- Mount Gox, a crypto exchange that was hacked in 2015, will begin distributing recovered coins to those affected. This amounts to some US\$9bn in value, and some of those who receive the windfall gain will sell their assets into the market. Given the hack occurred approximately 10 years ago (2014), and the significant appreciation in Bitcoin's price since then, we expect a large portion of creditors will liquidate their holdings once received, resulting in downward price pressure.
- German Government has started liquidating seized Bitcoin into the market and has approximately \$US 3bn to sell.

While these numbers seem very large and will have a negative impact on the market in the short term, this is in the context of approximately \$US 40bn daily volume traded in the asset.

### Demand side offsets a little further out

- ETF Flows – following some of the largest inflow in ETF history, the spot Bitcoin ETF flows have now stabilised. We expect there to be a second round of inflows as institutional investors get the asset class approved by their investment committees and start putting money to work. We are seeing institutional demand start to ramp up again and expect this process to continue well into next year.
- FTX creditors are to be paid out approximately US\$16.5bn in cash for the losses incurred when the exchange collapsed in late 2022. The coins that were held on the exchange have already been sold and the losses will be returned in cash at a 118% recovery rate. This may seem strange, but the assets that were held by the exchange have appreciated in price a lot more than 18% between the time of the bankruptcy and the time the coins were sold. The creditors in this situation are people who were previously involved in the crypto market, and as such, we expect a portion of them to reinvest in the market. This injection of demand into the market is not yet priced in.

### Macroeconomic Tailwinds

- Rates are expected to fall starting in September in the US with other countries already pivoting.
- The debt cycle is expected to inject significant liquidity into the market as it does every 4 years.
- The USA election is nearing, and the incumbent Government will be handing out incentives to entice voters to vote for them. Crypto has now become an election issue and Trump has become very vocal about his support for the wider crypto community. The higher the probability of Trump getting elected, the better for crypto. He is even speaking at a Bitcoin conference in August.

- With the news of Mt Gox and German Government liquidations hitting the market, crypto has temporarily decoupled from the Tech Rally but we expect a catch-up trade once the backlog is cleared over the coming weeks.

In summary, supply-side pressure is expected to keep a lid on the market in the short-term, but once that has cleared, we believe the buy side pressures will fast dominate as the FTX cash recipients and ETF buyers chase limited supply. Coupled with a favourable macroeconomic environment, and the increased potential for a Trump win, we expect to see significant appreciation in value for crypto in the fourth quarter. Our recommendation is to make sure you are positioned by September to capture this potential value appreciation.

As always, if 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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