

# Investor Report

May 2024

<b>Digital Asset Fund</b> Unit Price \$2.0396 (5.17%)	<b>Market Neutral Fund</b> Unit Price \$1.3855 (-4.23%)
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	Since Inception	6 months	3 months	1 month
Digital Asset Fund	103.96%	48.80%	4.26%	5.17%
Market Neutral Fund	38.55%	0.30%	(1.52%)	(4.23%)
Bitcoin	55.32%	78.38%	7.74%	8.70%
S&P Large Cap Crypto Index	48.11%	78.21%	6.96%	18.61%

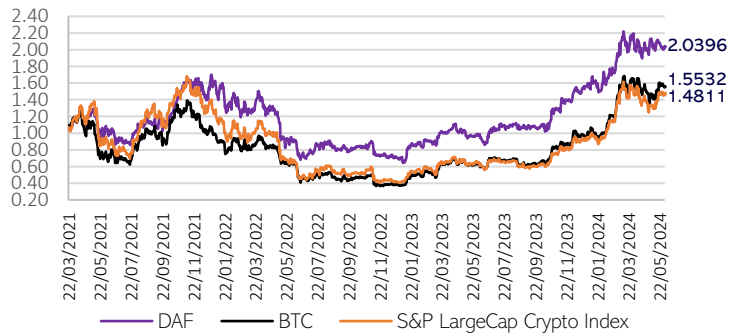
## Commentary & Performance

May was another strong month for cryptocurrencies, with the Digital Asset fund up 5.17% and the Market Neutral fund was down 4.23%. The news over the month in crypto was far more favorable than the price action which has been range bound between USD60K and USD70k for the last three months. Following the strong start to the year, prices are now consolidating at these elevated levels before what we believe will be a continued push higher.

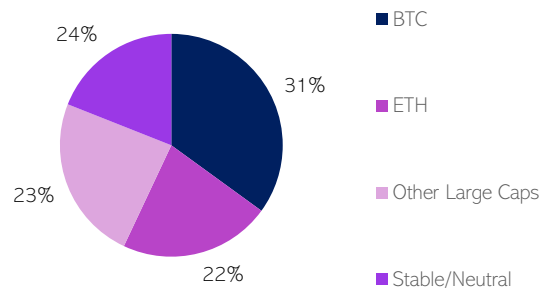
### Macro – Headwind turning to tailwind

On the macro front, USA inflation figures came in higher than expected and the timeline for rate cuts there was again pushed out. This was good for the US Dollar which rallied strongly through the month against other major currencies, but bad for risk assets. Although current sentiment is for one rate cut in USA later this year, we expect other central banks around the world to start much sooner. The process of refinancing central bank debt is under way and the liquidity cycle has turned as central banks around the world inject liquidity to fund the refinancing of maturing debt. This is augmented by the US Government handing out incentives in the lead up to their election, while Europe and China increase spending to stimulate their ailing economies. The change in global money supply turned positive in May and the trend is for that to increase through the remainder of the year and into the next. This is very positive for risk assets, including crypto. Additionally, we believe the US will have started cutting rates by the final quarter of this year and the macro environment should be much more accommodating.

Digital Asset Fund\* & Industry Returns (Indexed)



Fund Allocations - May 2024



## Crypto

The continuation of Bitcoin's price rise has stalled, and though it has maintained strong levels, it has not been able to break the March (2024) all-time high. A significant contributor has been the lack of inflows into the ETFs in USA and Hong Kong over the month, disappointing the market. We believe this is a temporary phenomenon as we move to a second and more significant wave of demand for the product.

The first wave of demand came from those who had been wanting to get into the market but could not, and subsequently bought in as soon as the product became available. Any institutions involved at this early stage merely dipped their toes in to test the product's place in their portfolios. Larger institutions have long and drawn-out approval processes for adding new asset classes to their investment mix. These approvals can take months.

We believe we will start seeing those approvals coming through over the coming months and significant new investors adding Bitcoin ETFs to their portfolios. If we are correct, the second wave of demand will in fact be larger than the first and commence over the northern hemisphere summer months. This will reignite the tailwind for Bitcoin's price that we saw in the first quarter.

**Crypto Becomes Bipartisan:** In May, as predicted, crypto became a part of the presidential political debate leading up to the November election when Donald Trump proclaimed his support for the ecosystem and its importance in "Making America Great Again". The Democrats suddenly had to recognize that the crypto community may become very important in what looks to be a very tight election race, and their anti-crypto stance may well damage their chances come November. Their change in stance was highlighted in the SEC's approval of the spot Ethereum ETF. It will be interesting to see how the respective stances change as the election approaches, but one thing we do know is that it can only be good for crypto.

As mentioned above, a major positive surprise for the market was the SEC's approval of the spot Ethereum ETF. The probability of approval had fallen from over 70% in March to less than 20% in early May. Then out of the blue, just a week after Trump's pro crypto comments, the Democrat sponsored SEC approved the ETF for the second largest cryptocurrency (Ethereum). This was of greater significance to the crypto market as a whole, as Ethereum had previously been declared a security by the SEC – a significant pivot to its now 'commodity' status, representing a major softening in the SEC's stance. Ethereum rallied 20% on the news but still lags bitcoin on longer time horizons.

## Conclusion

With May containing much positive news for the cryptocurrency market, it was surprising not to see a stronger breakout, but the macro picture kept a cap on all risk assets. We expect this to change relatively quickly over the coming months with the US election looming, and crypto becoming a part of the political debate as well as the US government increasing spending to buy votes. Add the liquidity being injected into the global economy as central banks refinance cheap debt issued four years ago, mixed with a pivot in interest rates, and the macro backdrop becomes much more accommodating.

The crypto market itself is in very good shape with very low leverage by historical standards, increasing demand coming to both BTC and ETH ETFs and many altcoins looking oversold. We once again are looking for a very strong performance in the fourth quarter of this year with a non-zero chance that the summer months will front run that view. If you are considering investing in this market, you should consider being positioned before the end of September.

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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