

Investor Report

July 2024

Digital Asset Fund Unit Price \$1.9863 (0.90%)	Market Neutral Fund Unit Price \$1.4124 (0.59%)
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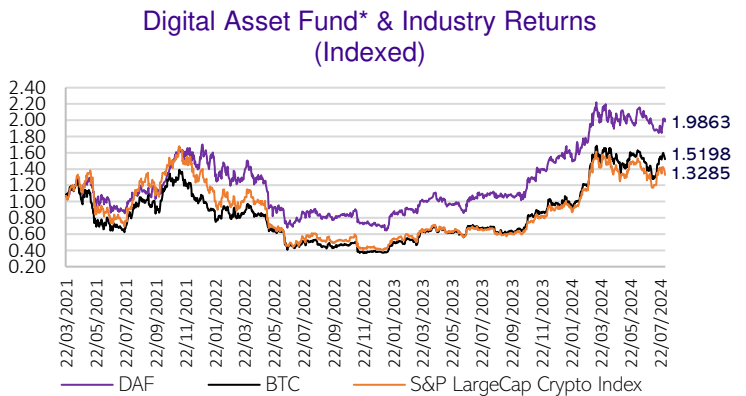
	Since Inception	6 months	3 months	1 month
Digital Asset Fund	98.63%	25.32%	2.42%	0.90%
Market Neutral Fund	41.24%	1.48%	(2.37%)	0.59%
Bitcoin	51.98%	53.28%	6.36%	10.53%
S&P Large Cap Crypto Index	32.85%	40.69%	6.38%	3.42%

Commentary & Performance

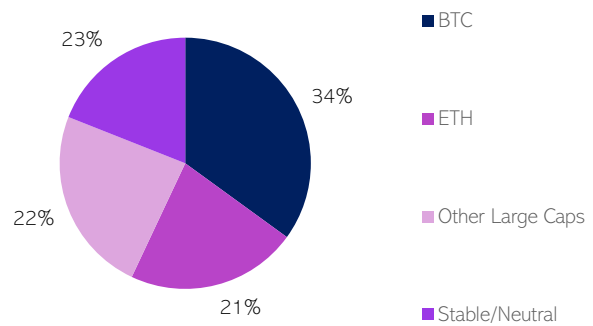
July was a volatile month in all markets with macro influences affecting asset prices dramatically; however, by month end the movement over the entire period was modest. The Digital Asset Fund saw gains of 0.90% and the Market Neutral Fund 0.59%. Bitcoin remained the strongest relative to the rest of the market with 10.53% gains whereas ETH was down -1.26%.

In this monthly report we want to focus on the market going forward rather than lay out a postmortem of the month that has passed, as we feel the risk-return in crypto is as good as we have seen for a very long time. As we have pointed out previously, we have been expecting wide sideways chops through the northern summer as the political landscape evolves in the USA and we get more clarity on the future path of interest rates around the world, as well as the size of liquidity injections from various central banks. As we approach the final quarter of 2024 and gain that clarity, we become more bullish. That picture is increasingly positive for the market and the longer we consolidate in the USD \$55K-70K range for Bitcoin, the more violent we expect the rally to be at the end of this year and into next.

Though this report is a summary of July, at the time of writing in the first week of August, we have seen a major sell-off in all risk assets partially due to investors unwinding the Japanese Yen carry trade, so wanted to include some color on that. With interest rates at zero or negative for 20 years in Japan, many investors have been borrowing in Yen and investing in the US in higher-yielding fixed income assets or tech stocks. On the 31st of July, the Bank of Japan decided to raise interest rates to stem domestic inflation.



Fund Allocations - July 2024



As a result, many sold the assets they were holding in the US and paid back the loans in Yen. The scale of this selling dramatically affected all risk-asset prices, including crypto. In the first week of August, we saw Bitcoin down 20%, and Ethereum and altcoins suffering more. We feel that a large portion of this selling pressure is behind us and have been buying the dip to establish a strong position going into Q4.

The selloff has reinforced our conviction in the market going forward. About 50% of the fall in prices has retraced over the last few days and we expect to see significant strength now that a large portion of the leverage that had been built up has been flushed out. We will continue to accumulate during dips in preparation for what we expect to be a very strong last quarter.

Our thesis for Q4 has not changed from that laid out last month

- Pivot from the FED
- Liquidity injection from Central Banks – which we believe will be more important
- Crypto becoming a part of the USA political debate. Trump is a strong advocate and Harris is now distancing herself from the adversarial stance of Biden
- USD\$12 billion in cash being returned to those who lost money in the FTX bankruptcy at 118c on the dollar, a large portion of which we expect to be reinvested – this is a significant amount, and the market is not focusing on it yet
- ETF flows accelerating
- Historically 4th Quarter is the strongest quarter for the market

Other events that have evolved this month and kept a cap on prices but are now behind us include;

Imminent selling pressure – We expect many sold into the market following the distribution of the Mount Gox coins which were seized 10 years ago and are worth much more now than when they were seized. Also, in July the German Government sold its stash of BTC that it had accumulated from illegal activities.

Unwind of the Trump trade as Kamala Harris catches up in the polls – Trump has been an aggressive proponent of crypto in recent months (including saying he will add BTC to USA's strategic reserves) and his probability of getting elected fell with Joe Biden stepping aside. Though a Trump presidency would be good for crypto, Harris has recognized that the crypto vote has become important for re-election and is softening her rhetoric against crypto.

Either way the election goes, it is becoming clear that the USA government's stance will be much more favorable to crypto than the Biden Administration has been. It is important to note, that even with major downwards pressure over the month of July, the market was still marginally positive from a price point of view. Now that some of the largest headwinds have been removed, asset valuations have become attractive in the first week of August and we are getting closer to the tail winds that are mapped out for the final 3 months of the year and into 2025.

If you have been hesitating about entering this market or adding to a current position, it is our current view that there has not been a better opportunity for some time to commit capital to crypto. Market conditions suggest that there may be favorable tailwinds on the horizon which could impact the market soon. We have long been pointing to late September/early October being the time that the market responds positively, and the recent sell-off has created a very attractive entry point.

As always, in the instance that you have any questions regarding our business offerings, we would very much like the opportunity to chat. Please do not hesitate to reach out.

Regards,

Andrew Palmer

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