Investor Report

September 2024

Digital Asset Fund
Unit Price $1.8207 (4.51%)

Market Neutral Fund
Unit Price $1.4039 (-1.44%)

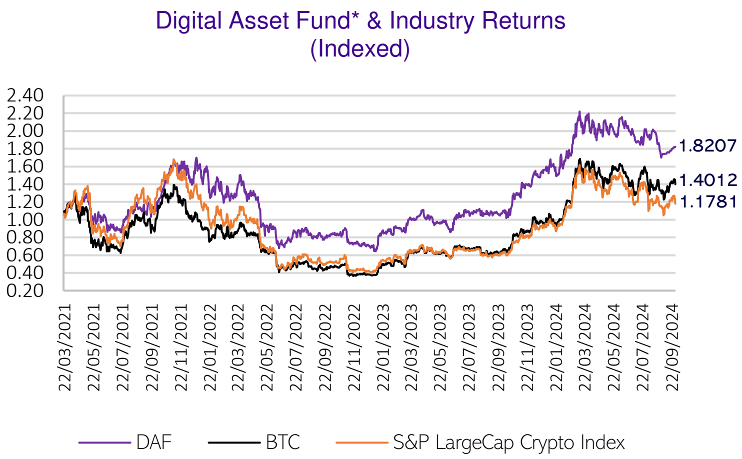
	Since Inception	6 months	3 months	1 month
Digital Asset Fund	82.07%	(14.21%)	(7.51%)	4.51%
Market Neutral Fund	40.39%	(3.31%)	(0.01%)	(1.44%)
Bitcoin	40.12%	(14.64%)	1.90%	5.66%
S&P Large Cap Crypto Index	17.81%	(19.33%)	(8.28%)	2.16%

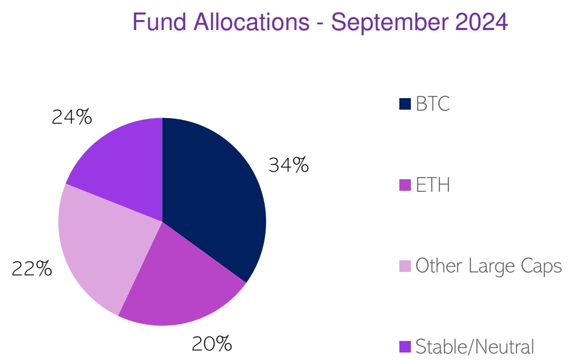
Commentary & Performance

September was a volatile yet positive month for both Bitcoin and the Digital Asset Fund, with BTC up 5.66%, ETH 1.19% and the Digital Asset Fund up 4.51%. Our Market Neutral Fund was down by 1.44% over the month. Historically, September is the worst month of the year for all risk assets and has only been positive in four years throughout Bitcoin's existence. Over September, Bitcoin remained within the range it has been trading in for the last seven months, setting it up nicely for the anticipated move higher in the final quarter of the year.

September was a month dominated by the macro environment. Weak data out of the USA at the beginning of the month prompted markets to build in an increased probability of a recession. This drove a selloff in all risk assets with Bitcoin reaching as low as US$52,000. Attention then shifted to the Fed's interest rate decision, with the probability of a 50bp rate cut increasing to 60% and risk returning appetite. When the Fed delivered, all risk assets, including Bitcoin, rallied significantly toward the month end. The altcoin portion of our portfolio outperformed Bitcoin dramatically, although Ethereum still lagged.

Although tensions in the Middle East have shaken markets, we hold strong our conviction of a positive final quarter. Close attention will be paid to any dramatic escalations within these war zones which may change our current outlook.





Past performance is not indicative of future performance.

1. Global liquidity is back on a strong uptrend with the two largest central banks in the world, the USA and China, dramatically increasing liquidity to support their economies. Bitcoin has historically had an 80% correlation with Global money supply with a small-time lag, making this development very supportive for the crypto market.

2. Central Banks around the world are now reducing interest rates, which is supportive of risk assets. The 50bp cut in the USA in September confirms the pivot. The fact that the cut was so large seems to indicate that unemployment is becoming more of a worry than inflation. Money market funds are awash with cash, and we expect to see some of that flow back into risk assets including crypto as the returns on cash fall with each reduction in interest rates.

3. With the U.S. election just a month away and the outcome currently a ‘coin-toss’, a Trump victory could trigger a significant rally in the crypto market due to his pro-crypto stance. Along with expected regulatory clarity, Trump has mentioned the possibility of holding Bitcoin as a reserve asset. If Harris were to prevail, we anticipate her position on crypto would be more lenient than Biden's, which could also foster a more favorable environment for the market.

4. The supply demand dynamic that has held back the crypto market is on the verge of reversing. The overhang of selling from Government seized crypto assets and last cycle’s bankruptcies is largely behind us. Additionally, the FTX estate will be paying out creditors in cash, and we expect a portion to go back into the crypto market. The schedule for payouts will be announced in the second week of October. Crypto has underperformed equities recently due to this selling pressure, and as that pressure subsides, we expect that to turn to outperformance

5. Now, 10 months after the launch of the major spot Bitcoin ETFs in the US, we anticipate increased institutional participation in the market. As investment committees complete their evaluations of the risks and legitimacy of this new asset class, we expect more capital to be allocated to Bitcoin as an approved investment option.

6. Retail investors are often influenced by media headlines, which is why we expect their interest to return once Bitcoin surpasses its all-time high. This year, retail activity in crypto has been minimal, with price growth over the past 12 months largely driven by institutional adoption rather than retail participation. However, one should not underestimate the power of retail capital allocation to start the flywheel, ultimately driving the underlying price.

We have consistently predicted that the last quarter of this year would be the strongest for market performance, and we stand that prediction. While turmoil in the Middle East has delayed this anticipated move, unless there is a dramatic escalation, we expect to see strong performance across risk-on markets including crypto, over the next 9-12 months. Andrew Palmer, one of our portfolio managers, has increased his allocation to the Digital Asset Fund for the first time since inception, demonstrating his confidence by putting his money where his mouth is.

Regards,

Andrew Palmer

CONTACT

ASIA

Andrew Palmer
Email: andrew@mhcdigitalfinance.com
Tel: +61425229277

EUROPE

Matt Milsom
Email: matt.milsom@mhcdigitalgroup.com
Tel: +447905218126

Contact us to learn more

ASIA

Andrew Palmer — Email: andrew@mhcdigitalfinance.com
Portfolio Manager — Tel: +61425229277 – Sydney, Australia

Liam Byrne — Email: liam@mhcdigitalfinance.com
Head Trader — Tel: +61448948229 – Sydney, Australia

EUROPE

Matt Milsom — Email: matt.milsom@mhcdigitalgroup.com
Portfolio Manager — Tel: +447905218126 – London, United Kingdom