Investor Report

November 2024

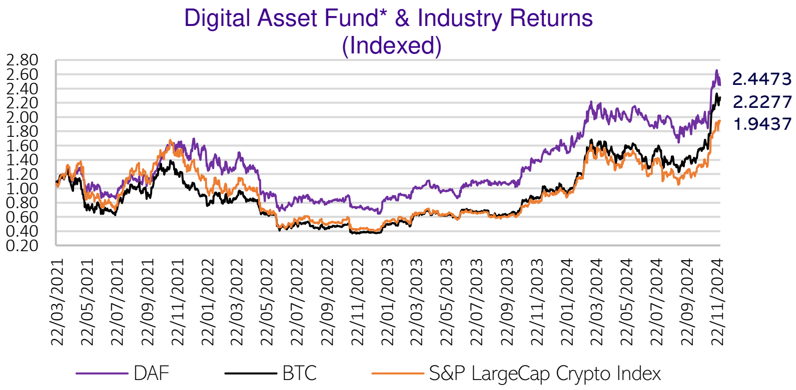
Digital Asset Fund	Market Neutral Fund
Unit Price $2.4473 (25.72%)	Unit Price $1.3763 (0.59%)

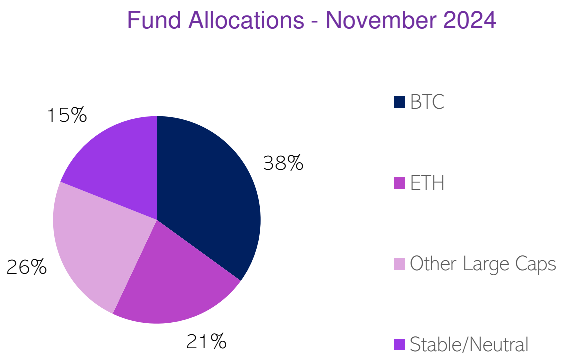
	Since Inception	6 months	3 months	1 month
Digital Asset Fund	144.73%	19.99%	40.47%	25.72%
Market Neutral Fund	37.63%	(0.66%)	(3.38%)	0.59%
Bitcoin	127.71%	46.60%	71.71%	40.33%
S&P Large Cap Crypto Index	94.37%	31.23%	68.55%	44.58%

Commentary & Performance

The month of November was a very strong month for the Digital Asset Fund which was up over 25% on the month. The Market Neutral Fund was up 0.59% for the month. Not only was it a strong month from an asset value point of view but more importantly it was a transformational month for crypto as an asset class. While we had predicted the strength of the last quarter of 2024 for months, we believe that the regulatory and macro environment shifts accompanying Trump's victory are still not fully priced in. We feel that even with the increase in valuations, the risk return profile of the crypto market is now more favourable than it was under the previous administration, even when Bitcoin was sitting at US$60k. Back in September we anticipated that the administration might shift the regulatory environment from negative and combative to neutral at best. However, what has eventuated over the last month has been a move not just to neutral but to an accommodative and even proactively positive stance.

Having lived through the current administration's "Project Chokepoint" where banking rails were constrained for crypto participants and the SEC provided no clarity, instead regulating by enforcement through the courts, we now have a political will to encourage the development of AI and crypto as strategic priorities in the USA. The replacement of a combative Gary Gensler as the Head of the SEC with a crypto friendly Paul Atkins should not be underestimated.





Past performance is not indicative of future performance.

The expected about turn in regulatory stance in the USA, we believe, will lead to a regulatory land grab across the world as other governments become more proactive in encouraging the sector, which is dominated by geographically mobile players looking for the most regulatory accommodative countries in which to build their businesses. We are already seeing this with Brazil introducing a bill to establish a Bitcoin reserve and Hong Kong announcing tax exemptions for crypto gains, signaling its ambition to become a global crypto hub. Meanwhile, the UK has already announced plans to publish a comprehensive cryptocurrency regulatory framework by 2026, reflecting the growing global focus on digital asset governance.

The victory of Donald Trump in the U.S. presidential election was a pivotal catalyst for the cryptocurrency market. The Trump administration's pro-crypto stance, evidenced by the creation of a Cryptocurrency Advisory Committee and nominations of crypto advocates for key financial roles has set the stage for broader adoption. The administration's signaling of pro-crypto policies—such as the proposed "Strategic Bitcoin Reserve" by the U.S. Treasury is a game changer. This ambitious proposal aims to acquire one million BTC over five years to hedge against the risks of dollar debasement and ballooning national debt. The prospect of this reserve also highlights a potential shift in U.S. economic strategy, aligning digital assets with national policy objectives. The numbers are big, the signal is bigger. If the U.S. Federal Government holds the asset as a strategic reserve, it gives the green light for other agencies around the world, both at the National and State levels, to follow suit - creating a far greater impact and causing a squeeze on the very limited supply.

Acceptance and encouragement from central authorities will give institutional investors and Central Banks the reassurance they have been looking for to add crypto assets to their holdings, bringing new demand into the market on a scale we have not seen before. The demand for US ETFs has been a leading indicator of this shift, with record inflows since the election surpassing $500 billion in cumulative trading volume within their first year. The BlackRock Bitcoin ETF became one of the top 1% of ETFs by assets held, highlighting the institutional appetite for exposure to digital assets. Ethereum also saw increased interest, as evidenced by record inflows into spot Ether ETFs, which outperformed Bitcoin-focused ETFs in both daily and weekly performance during the latter part of the month. This shift reflects growing confidence in Ethereum's role within the decentralised finance (DeFi) ecosystem and its broader utility compared to Bitcoin's narrative as "digital gold."

The spot market for Bitcoin demonstrated extraordinary strength throughout the month pushing its market capitalisation beyond $1.8 trillion. This growth positioned Bitcoin as the world's eighth-largest asset, overtaking silver and narrowing the valuation gap with gold, which has a market cap of $18 trillion.

Retail investors are only now starting to pay attention to the market after the traumas of 2021 and 2022.

It seems that having worked through those times to retain as much value as possible and nobody wanting to talk crypto, we are now getting asked about the asset class everywhere we go. The renewed interest, however, has so far driven asset values primarily in coins that performed well in the previous cycle and are available on all platforms, even if they have not progressed in adoption or technological capability over the last four years. Retail investors are entering the market by buying what they are familiar with, rather than coins with the most upside potential. That trend is unlikely to continue once these entrants spend time getting to know the new market landscape and understanding how the market has changed in their absence.

To summarize our view: November has been a great month for crypto, driven more from a change in the potential upside than by an appreciation in value. While we see some volatility as the market adjusts to this new backdrop and regulatory clarity emerges, we believe the transformation of the market environment is currently underpriced right. We expect 2025 to be very favorable for crypto assets as a whole. The supply demand dynamics look particularly strong for Bitcoin and Ethereum, with the regulatory tailwind being of greater importance for those coins that have historically suffered from a lack of regulatory clarity.

Regards,

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