

Investor Report

December 2024

Digital Asset Fund Unit Price \$2.3995 (-1.95%)	Market Neutral Fund Unit Price \$1.3930 (1.21%)
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	Since Inception	6 months	3 months	1 month
Digital Asset Fund	139.95%	21.89%	31.79%	(1.95%)
Market Neutral Fund	39.30%	(0.79%)	(0.78%)	1.21%
Bitcoin	131.64%	68.46%	65.32%	1.73%
S&P Large Cap Crypto Index	96.20%	52.74%	66.54%	0.94%

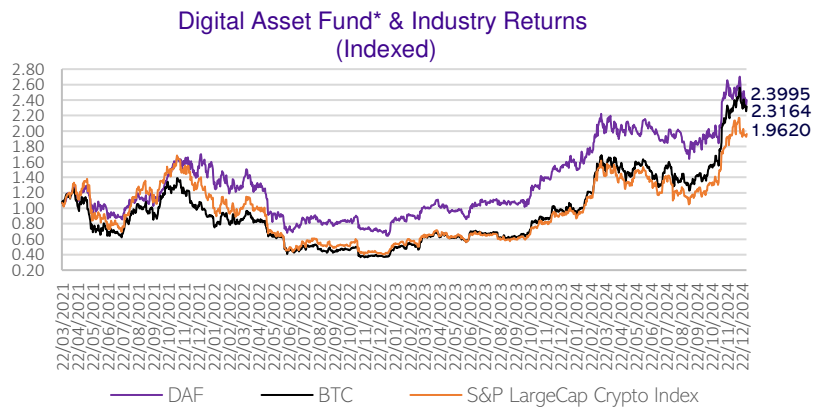
Commentary & Performance

December was a month of consolidation after the dramatic rise through the previous two months. The digital asset fund was down 1.95%, while BTC gained marginally by 1.73%, and ETH declined by 1.34%. We do not feel this is an indication that the rally is over, but rather as the market taking a breather to absorb the change in political backdrop and the surge in institutional adoption seen during the second half of October and November.

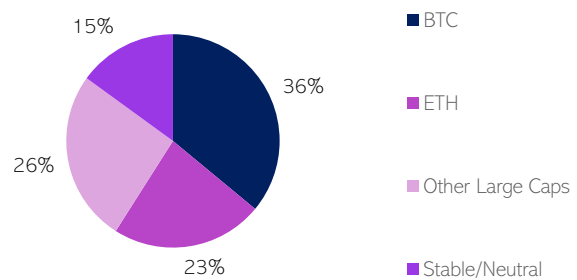
Crypto Industry in 2024: A Transformative Year

The year 2024 has been transformative for the cryptocurrency industry, marked by unprecedented milestones and accelerated institutional adoption. The launch of the Bitcoin and Ethereum spot exchange-traded funds (ETF) by leading asset managers significantly broadened access to cryptocurrencies, symbolising a shift toward mainstream acceptance. Despite regulatory hurdles, particularly from the U.S. Securities and Exchange Commission (SEC), the industry achieved multiple critical victories against the regulator with the courts saying the SEC was overreaching. Emerging markets in South America, Africa, and Southeast Asia experienced robust adoption, with stablecoins gaining traction as preferred payment mechanisms for cross-border transactions.

The election of Donald Trump as U.S. President provided a boost to the industry, with expectations of favorable policies further supporting adoption. We have already seen Gary Gensler replaced as head of the SEC with a much more crypto friendly leader.



Fund Allocations - December 2024



Trump has said that he would add Bitcoin to the US Strategic Reserve and has already set up an advisory committee for digital assets populated with crypto experts. By the year's end, Bitcoin had established itself as a global financial asset with only gold, Apple, NVIDIA, Google, Microsoft and Amazon holding a larger market cap.

The first week of December 2024 marked a historic moment as Bitcoin surpassed the \$100,000 threshold. Reflecting on its 14-year journey from trading at \$0.05, Bitcoin's evolution highlights the changing risk-reward dynamics. Early investments carried substantial risk but unmatched potential. Today, mainstream adoption, institutional backing, and the rapid rise of spot ETFs have reduced investment risks. While we are unlikely to see years when Bitcoin's price increases tenfold, the probability of it going to zero is now very remote.

A landmark event during the month was MicroStrategy's inclusion in the Nasdaq 100 index. The company's balance sheet is dominated by Bitcoin holdings, and it has been borrowing money to increase those holdings at a dramatic rate. In fact, MicroStrategy's purchases over the last two months equates to 1.9 years of the asset's increased supply from all mining activities. Now that the company is included in the index, all index tracking investors, totaling over \$550 billion in assets under management, must own it, and by doing so, are taking exposure to Bitcoin. The inclusion of MicroStrategy in the index also underscored Bitcoin's growing legitimacy as an institutional asset.

The end of December brought increased volatility. Bitcoin hit a new peak of \$108,268 before retracing to \$92,175 following the FOMC meeting. As anticipated, the Fed announced a 25-basis-point rate cut but adopted a cautious tone regarding the pace of further cuts in 2025. Chair Jerome Powell's remarks signaled a measured approach to monetary policy, tempering market exuberance in both equities and crypto. The U.S. Dollar Index remained strong, buoyed by higher yields and the U.S. economy's relative strength, further pressuring all risk asset prices into year end. Altcoins experienced a particularly sharp downturn with total crypto market capitalisation dropping from \$3.73 trillion to \$3.05 trillion.

Looking Ahead: 2025 and Beyond

December 2024 concluded a transformative year for the cryptocurrency market, marked by historic price levels, regulatory advancements, and growing institutional participation. The rapid adoption of Bitcoin spot ETFs, combined with increasing interest from corporates and sovereign entities, solidified Bitcoin's position as a cornerstone asset in global finance. While many altcoins faced challenges, they continued to attract attention from investors seeking diversification. As the industry enters 2025, several key themes are expected to shape its trajectory:

1. **Institutional Adoption:** Capital flows into Bitcoin through ETFs and treasury allocations by major corporations are likely to accelerate with more accommodative accounting regime commencing in the new year. If Trump follows through with an allocation to the strategic reserve, the impact will have a much larger impact beyond the size of the allocation itself, as it gives the green light to other Government agencies, both domestically and abroad, to do likewise.
2. **Regulatory Clarity:** Continued legal victories and pro-crypto policies in the U.S. may pave the way for broader adoption and innovation. The industry has faced huge regulatory headwinds over the last four years. While a change of regime was expected to reduce these headwinds, the way the new regime is repopulating regulatory bodies may well turn these headwinds into tailwinds. This impact, especially for cryptocurrencies other than Bitcoin, should not be underestimated.
3. **Macroeconomic Tailwinds:** Having gone through a period of contractionary monetary and fiscal policies across the globe, we expect increased Government spending and lower interest rates over the coming 24 months. This environment is very supportive for risk assets. The question is whether markets have been over aggressive in pricing in both fiscal and monetary support, especially in the US where Trump's tariff and tax policies could have inflationary impacts and may constrain the Fed's ability to reduce rates at a speed the market has priced in right now.
4. **Technological Advancements:** The maturation of blockchain infrastructure and the rise of decentralised finance (DeFi) will further bolster Ethereum and other altcoins. We are seeing the start of digitisation of traditional assets, and we expect this to accelerate in the coming 12 months, with traditional banks joining the likes of Blackrock in pushing forward the process. Additionally, the development of AI and crypto's roll in its growth is expected to be a huge driver of the market, and we are only just seeing the infancy of that impact.

With Bitcoin leading the charge, the cryptocurrency market stands poised for another pivotal year, driven by innovation, adoption, and the growing recognition of digital assets as integral to the global financial landscape. 2024 laid the groundwork and set the stage for crypto moving to new levels of acceptance as a legitimate investment alternative and adoption in real world applications in 2025. We are very excited about the market prospects for the coming year and believe that investors in the space are well positioned to be favorably rewarded for the uncorrelated risks associated with cryptocurrencies when considered as part of a diversified portfolio.

Regards,

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