



Blockchain Assets

Blockchain Early Opportunities Fund

30 September 2018 - Investor Report

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Fund Performance and Quarterly Highlights

The bearish sentiment continued in the September quarter, this is being driven mainly by regulatory uncertainty but also by the retail investors (who drove the market up) who are feeling the pain of a market correction and are now a little gun shy. The Fund finished the quarter at AUD 0.7480.

The news on the technology front continues very steadily. News on institutional adoption is also positive, in particular we have seen the following developments:

1. the New York Stock Exchange and (separately) NASDAQ advised that they are launching a crypto exchange;
2. Goldman Sachs and Northern Trust Company have advised they will be offering custodial services to institutional clients.

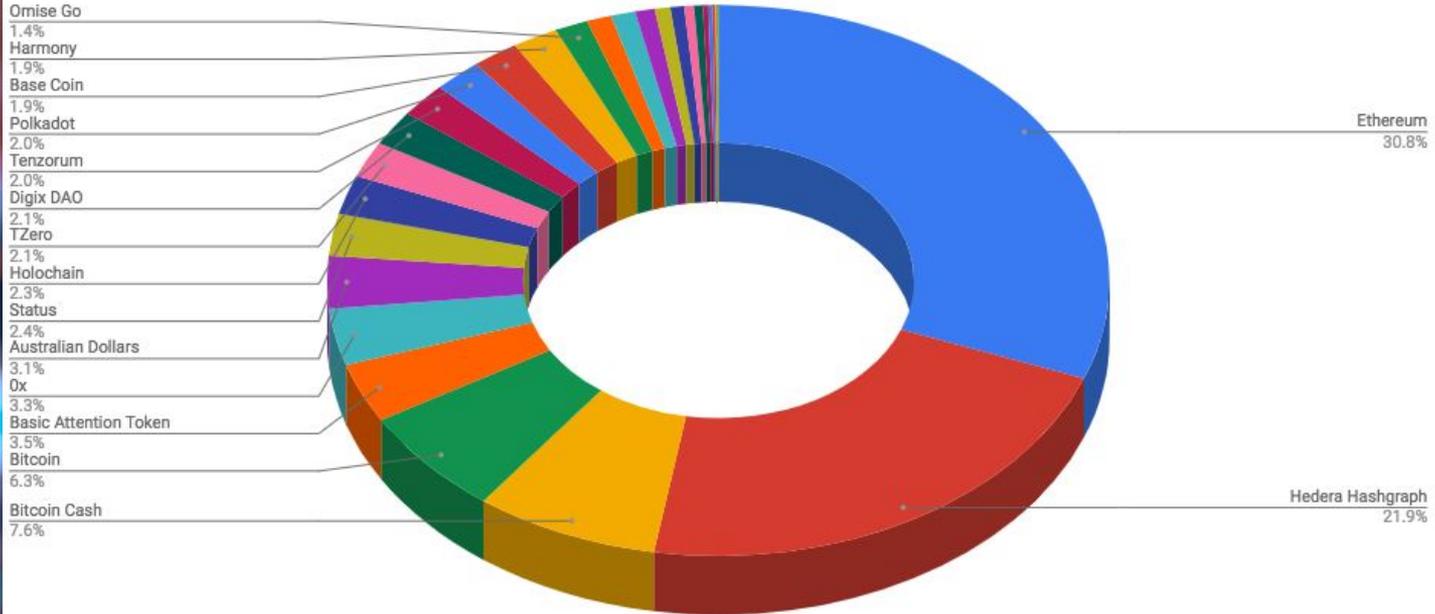
These two events (and there are others) are hugely significant as they foreshadow the emergence of crypto capital markets. I have written and spoken about the development of crypto securities and capital markets before, it is impossible to underestimate how significant these developments will be to the rearrangement of global financial markets.

The first stage in this will be crypto adoption by institutions (for example the NYSE offering Bitcoin, Ethereum and other crypto assets to their clients).

The second stage will be the migration of existing capital market products (stock/bonds etc) to crypto asset exchanges.

We expect stage one to commence before the end of the year and stage two to commence in 2019 but continue to build for many years.

Asset Allocation - 30 September 2018



Metric	1 July 2017	30 September 2017	31 December 2017	31 January 2018	31 March 2018	30 June 2018	30 September 2018
Unit Price	\$1.00	\$0.93	\$2.14	\$2.36	\$1.18	\$1.09	\$0.7480
Return Since Last Valuation	0	-7.00%	130.11%	10.28%	-50.00%	-7.63%	-31.38%
Return Since Inception	0	-7.00%	114.00%	136.00%	18.00%	9.00%	-25.20%
Assets Under Management	\$1,255,000.00	\$1,166,062.70	\$3,459,592.39	\$5,028,329.29	\$2,417,802.58	\$2,516,518.55	\$1,768,920.85

Asset Summary

Asset	Allocation	Oneliner
Ethereum	30.79%	Protocol layer blockchain enabling smart contracts and decentralized applications
Hedera Hashgraph	21.85%	Hashgraph is a distributed ledger technology considered an alternative to blockchain.
Bitcoin Cash	7.60%	Digital cash for 6 billion people (Bitcoin fork of 1 August 2017)
Bitcoin	6.30%	The original
Basic Attention Token	3.48%	Online digital marketing disrupting Google and Facebook etc.
0x	3.33%	Decentralized peer to peer exchange for ERC20 tokens
Australian Dollars	3.09%	Cash
Status	2.45%	Interactive social media platform disrupting Wechat and other mobile social apps.
Holochain	2.31%	Holochain enables a distributed web with user autonomy built directly into its architecture and protocols.
TZero	2.11%	Crypto Securities Platform - Blockchain innovation for capital markets.
Digix DAO	2.05%	Distributed Autonomous Organisation supporting Digital Gold (Digix) gold backed coins
Tenzorum	2.01%	User Interface Developer - Tenzorum is the portal to use the web of the future in your devices, today.
Polkadot	1.99%	A multi-tier blockchain system designed to address unsolved questions of scalability, privacy, and interoperability in blockchains
Base Coin	1.94%	A stable cryptocurrency with an algorithmic central bank
Harmony	1.88%	An open infrastructure platform with revolutionary high-throughput, low-latency, and low-fee consensus platform.
Omise Go	1.36%	Mainstream digital wallet providing peer to peer exchange of crypto and fiat, plus payment channels enabling mass adoption of crypto.
ZCash	1.03%	Privacy coin - private cash transfers
Decentraland	1.00%	A virtual reality platform powered by the Ethereum blockchain. Users can create, experience, and monetize content and applications
Mobile Coin	0.81%	MobileCoin is centered around a target user experience for integrating crypto-currency into mobile messaging apps like WhatsApp
Stellar	0.65%	Stellar is a platform that connects banks, payments systems, and people. Integrate to move money quickly, reliably, and at almost no cost
Transmute	0.56%	A trading card market place (games and sports cards etc)
FunFair	0.40%	Revolutionise the online casino industry
Golem	0.36%	Peer to peer computer power sharing - Air BnB for computer power
NEO	0.22%	NEO is a blockchain project that utilizes blockchain technology and digital identity to digitize assets,automate the management of digital assets
IOT Chain	0.17%	High security Internet of Things operating system
AION	0.13%	Protocol layer blockchain interoperability and communications
Havven	0.07%	A decentralized network and stable coin
Kyber Networks	0.05%	Peer to peer exchange and conversion of digital assets

Asset Lending and Staking

The market is developing services for people who hold cryptoassets. In particular, a service has developed whereby holders of Ethereum, Bitcoin and other assets are able to lend/deposit these assets in much the same way that cash is able to be lent to banks in the form of interest bearing term deposits.

Given that our Fund holds a significant amount of Ethereum we have to consider, as Managers, whether to put our Ethereum on deposit. The expected interest rate is 8% -10%.

In considering this we reviewed a facility provided by Genesis Global Trading Inc.. Genesis has over USD 361 million in assets and is fully owned by the Digital Currency Group (DCG), one of the largest investment organisations in the crypto space. DCG is owned by Barry Silbert, a early Bitcoin investor and entrepreneur, he and DCG are based in New York.

At this stage we have decided to not lend our Ethereum. There are risks associated with lending and we feel that the return is insignificant compared to the the capital gains we are expecting to make over the next few years. This said we remain open to the possibility of lending our assets in the future, we would in any case seek input/feedback from unit holders before such a decision was made.

Aside from outright lending we will in due course need to consider if we should participate in a 'staking pool' for our Ethereum and indeed our Hedera Hashgraph assets as Proof of Stake gets rolled out in both ecosystems. More to come on this is due course.

Blockchain Adoptive v Blockchain Native

We are seeing more and more existing businesses announcing that they have or are in the process of adopting some form of blockchain technology into their business.

Some are intending to use public blockchains, most notably Ethereum (refer to the Ethereum Enterprise Alliance). Others are intending to use private blockchains, Hyperledger, R3-Corda being examples (In brief, the difference between a public and private blockchain is similar to the difference between an intranet and the internet).

We consider that businesses who adopt blockchain (either private or public) will have the opportunity to improve their economics. We consider these types of organisations to be Blockchain Adoptive.

Blockchain Native projects are those that have been built/launched at their outset directly on a Blockchain or are indeed part of the technology stack.

Our Fund invests only in Blockchain Native assets. We use the word asset (as opposed to businesses) as some of our investments are akin to a foreign exchange investment (Bitcoin, Bitcoin Cash), some are like a commodity investment (Ethereum, Hedera Hashgraph) and others are like an equity (DigixDAO). What they all have in common however is they are Blockchain Native.

Our thesis is that in the fullness of time the protocols and cryptoassets that underpin this new Blockchain Native ecosystem will be very valuable.

Aside from protocol investments we are interested in businesses that are natively enabled by this technology, for example Decentraland. Decentraland is a virtual real estate project, most of the available land in this virtual world has already been released and is in the stage of being developed and traded. Investment exposure to this project comes from holding MANA (the crypto currency for Decentraland) or holding some land in the project. Decentraland is the #1 token on the non-fungible token list (non-fungible tokens (NFT) is a new type of crypto asset and will be covered in next quarters newsletter).

Blockchain Assets Administration

1. The Fund has lodged its income tax return for the year ended 30 June 2018. The return disclosed a small tax loss, there is no tax distribution for the 2017/18 year and therefore nothing that investors need to disclose in their tax returns. Investors can obtain a copy of the tax return and the Fund's financial statements by contacting Ian at ian@bca.fund
2. We are in the process of an external legal review of the Constitution/Trust Deed which governs the administration of the Fund.
3. Co-Founder of Blockchain Assets, Calvin Ngo has moved to Singapore where he has taken up a position with blockchain consultancy and investment company Consensus. Consensus was founded by Joseph Lubin (a co-founder of Ethereum) and is a very significant organisation. Calvin continues as a Director on the Board of Blockchain Assets Pty Ltd and is an investor in the Fund. Singapore is one of the world's leading blockchain development centers and Calvin's position and networking there are a huge benefit to Blockchain Assets.



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