



Blockchain Assets

· Cryptoasset Managers · Est. 2017 ·



Dear Investors,

For those of you who watch the short term price movements of our fund, you will have noticed that we are up over 227% in the 11 months since 1 January 2020 (the unit price having gone from \$0.39 to \$1.29). I do note however that we are still below our all time high of \$2.14, so I am not in a celebratory mood just yet!

The purpose of this bulletin is to share my thoughts on where I believe we are at from a market perspective, specifically in comparison to the bull market of 2017/18.

Some observations on the 2017/18 bull market

- The 2017/18 bull run began in late 2016, it culminated in a bubble in December 2017/January 2018
- The all time high of Bitcoin and Ethereum in January 2018 was USD 19,783 and USD 1,392 respectively
- The 2017/18 bubble was driven by retail speculators and the Initial Coin Offering boom
- In 2017/18 the 'on-ramps' to cryptoassets, particularly for institutions, were either non-existent or clunky and unreliable
- There were no custodial services available in 2017/18

- There was significant regulatory uncertainty around cryptoassets
- There was little or no investment in cryptoassets from the public company sector or financial institutions
- There were no yield opportunities for cryptoassets

The 2017/18 period brought Bitcoin and cryptoassets to the attention of regulators, institutional investors and others, this was a good thing, because since then we have seen an explosion of interest in this emerging asset class and a lot of clarification on the regulatory side.

Some observations on emerging the 2021/22 bull market

At this time I feel we are at the start of the next significant bull run. This time it will be the same, but also different.

- From a timing/cycle perspective I feel we are now again in late 2016/early 2017 period, when the price of Bitcoin was USD 1,000 and Ethereum was USD 10
- Unlike 2017/18, there are now a number of institutional grade 'on-ramps', including the New York Stock Exchange (Bakkt), the Chicago Mercantile Exchange, Fidelity Investments and newly licenced cryptoasset Banks like Kraken and Avante
- Other institutional infrastructure now accommodates Bitcoin and Crypto. Bloomberg for example now provides a price feed on Bitcoin and research/news across the crypto markets
- A number of traditional financial institutions are providing deep research material to their clients
- A number of traditional custodians are now offering crypto custody services and insurance companies provide cover to custody providers
- A number of public companies have announced that they are holding Bitcoin on their balance sheets
- Some of the world's most respected investors and largest fund managers are supporters of Bitcoin specifically and cryptoassets generally
- The regulatory environment is much clearer and secure, particularly in the US but elsewhere also
- Central banks are building their own currencies and payment channels around this new technology, including experimenting with Ethereum and I believe Hedera Hashgraph

- There are a number of yield opportunities for our cryptoassets
- Retail on-ramps such as PayPal and Facebook have or are preparing to offer cryptoasset services to their clients

We have seen the very beginnings of this new bull market already with public companies like MicroStrategy and Square buying Bitcoin as a Treasury Asset, we have seen the Head of Fixed Income at Blackrock (a fund manager with over USD 6.84 trillion AUM) state that Bitcoin will outperform gold and we have seen fund managers like Paul Tudor Jones and Stan Druckenmiller state that they have already allocated Bitcoin in the portfolios. These events and others are bullish sentiment for sure. However, underlying this sentiment are technology based developments which are driving the early stages of this bull market. I refer here to the Bitcoin halving event (which is still not fully priced into the value) and the up-grade of Ethereum to a Proof of Stake network, which happens tomorrow (1 December 2020).

At this time, the feeling is very different from 2017/18, altho the price recovery over the past 11 months is significant, there is far less hype and no feelings of Fear Of Missing Out (FOMO), Yet!

Our Strategy and Target Unit Price

When I started investing in cryptoassets and launched the Fund I had a simple strategy and target. Buy and hold for long term gains (over a 5-10 year period) assets that will give 10x return on capital. I knew at the time that there would be a number of bull/bear markets and few bubbles over that time, but I did not know when or for how long the cycles would last (hence the long only strategy).

We are now almost 3.5 years into this strategy and we have come through a long crypto winter safely. I am very happy with the assets in our portfolio and the allocations. We have had no major realised losses of capital, but we have had a couple of nice wins with some of our smaller allocation assets (Polkadot and Synthetics for example).

The strategy is largely still the same. However, with the emergence of yield opportunities on cryptoassets I am aiming to gradually turn our Fund into an Income Fund which at the same time maintains a capital growth focus.

Short term price predictions are a fools game. But I get a sense that FOMO (of the institutional variety) will kick in when Bitcoin is over USD 25,000 (currently USD 18,000) and Ethereum is over USD 800 (currently USD 580) and I would not be surprised to see this happen within the next 6-8 months.

I will write to you again early in the new year, in the meantime I wish you and your families a safe and happy festive season.

Best Regards



Ian Love

To the extent that any of the information which we have supplied to you may be deemed to be "general advice" within the meaning of the Corporations Act, we draw your attention to:- (a) in preparing, supplying or conveying such advice, we did not take into account your investment objectives, financial situation or specific needs; and (b) (before acting on the advice) the need to consider, with or without the assistance of an authorised representative, the appropriateness of the advice having regard to your investment objectives, financial situation or specific needs and any relevant Information Memorandum.