Dear Investors,

I am pleased to advise that we are starting to see two of our investment theses play out. These being: the adoption of the Ethereum network by a publicly listed company; and bitcoin being viewed as a safe place to hold long term wealth. This gives us a glimpse of the future.

Ethereum Adoption

On 11 November 2022 the ASX announced they had abandoned plans to move all share trading onto a permissioned blockchain system. On 23 February 2023 a Nasdaq listed cryptoasset exchange, Coinbase Global Inc. ('Coinbase') announced the launch of their own permissionless blockchain project. The name of the project is 'Base'.

The Base project is significant news for us for a few reasons :

1. Base will be built on Ethereum and they will use Ether as the currency for payment of blockchain transaction fees;

2. Coinbase is the first public company to adopt Ethereum as its primary settlement layer; and

3. Base will potentially bring 108 million Coinbase clients directly onto the Ethereum blockchain for the first time.

The questions I consider in this newsletter are: Will Coinbase's adoption of blockchain technology fail in the same way that it did for the ASX ? If not, why not ? and where is Australia heading with it's adoption of this technology?

But first… the cryptomarkets

The unit price of the Fund at the end of the quarter was AUD 2.7288 up 53% from the previous quarter. Bitcoin over the past few weeks has been particularly strong, it's up 41% over the past 15 days. We are starting to feel that the new bull market has commenced and that bitcoin is leading the charge. This is not surprising or unexpected. Bitcoin was built for these times.

On 3 January 2009 the Genesis block of the bitcoin blockchain was mined. The headline on the front page of The Times Newspaper that day was 'Chancellor on brink of second bailout for banks'. This headline was embedded in the Genesis block (below) as a cheeky doff of the hat to the failing financial system.

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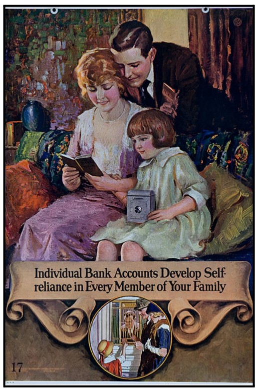
At that time, in the US alone, over USD 500 billion was poured into the system to keep it afloat. Here we are again, just 14 years later, contemplating another global banking financial crisis. In 2009 bitcoin offered up an alternative system. Now seems like a good time to check in and see how it's doing.

The first recorded price of bitcoin was on 22 May 2010 in a transaction involving the purchase of pizzas, the price agreed between the parties at that time was USD 0.004c/BTC. Today the bitcoin price is ~ USD 28,000. The markets for bitcoin are deep and wide, it is traded on hundreds of exchanges and the daily volumes are USD 14bn. The total value of all issued bitcoin is USD 538bn which makes it the 11th most valuable asset in the world. Not a bad scorecard for a young teenager.

This current slowly moving financial crisis in traditional markets is structural. In 2009 the banks looked to the central banks for assistance. This time around, largely due to the devaluation of bonds, the central banks themselves are insolvent. The RBA - one of the best central banks in the world - has AUD 12.4 billion in negative equity (see here). The only thing the central banks can do at this point is pass the cost of bailouts to the public by way of monetary inflation. The bind they are in is they need to raise rates to keep a lid on inflation but at the same time, by devaluing bank capital, they trigger liquidity issues.

It's possible that we are now in a central bank crisis. Fiat currencies are no longer a safe long term place to store wealth. Bitcoin has for the past 14 years, proved itself to be a store of value, it is a highly liquid asset which is easily accessible and can be purchased by anyone in the world with a smart phone connection. In the 1920's banks advertised the importance of savings and financial independence. This was a good idea back then and it's a good idea today. Today a bitcoin wallet is the bank account of yesterday.



The instability of the fractional reserve banking system and fiat is one thing driving the value of bitcoin. The other macro theme is the coordinated attack on the USD by China and Russia. [As reported] by CNN's Fareed Zakaria, one of the most important aspects of the Xi-Putin meeting this month was Putin's statement that 'We are in favor of using the Chinese yuan for settlements between Russia and the countries of Asia, Africa and Latin America.' Xi's parting words to Putin were 'Now there are changes that haven't happened in 100 years. When we are together, we drive these changes'. Even Fox News covered this story. The de-dollarisation of China/Russia world trade is likely to accelerate as geo-political tensions increase. Almost immediately after the Xi-Putin meeting the President of Kenya, William Ruto made a press statement advising his fellow citizens to convert their USD to Kenyan Shillings within the next two weeks (see here). More significant is the possibility that Saudi Arabia, for the first time in 48 years, could consider selling oil in currencies other than the USD. Saudi Arabia's Finance Minister, Mohammed Al-Jadaan, told reporters in Davos in January 'There are no issues with discussing how we settle our trade arrangements, whether it's in the U.S. dollar, the euro, or the Saudi riyal'. These comments are signals that some of the world's most powerful nations are considering de-dollarization of the global economy.

What the world needs is a supranational currency that is : not designed by any country; not controlled or issued by any country; cannot be censored by any country; has a clear and fixed monetary policy; is accessible to all citizens of the world; and is easy to store and transport. I believe we are at the early stages of bitcoin geopolitical game theory playing out. To be clear, I am not saying the USD will become less relevant in the medium term. What I am saying is the USD has probably seen its peak as a reserve currency, change is afoot and bitcoin will be a part of that change.

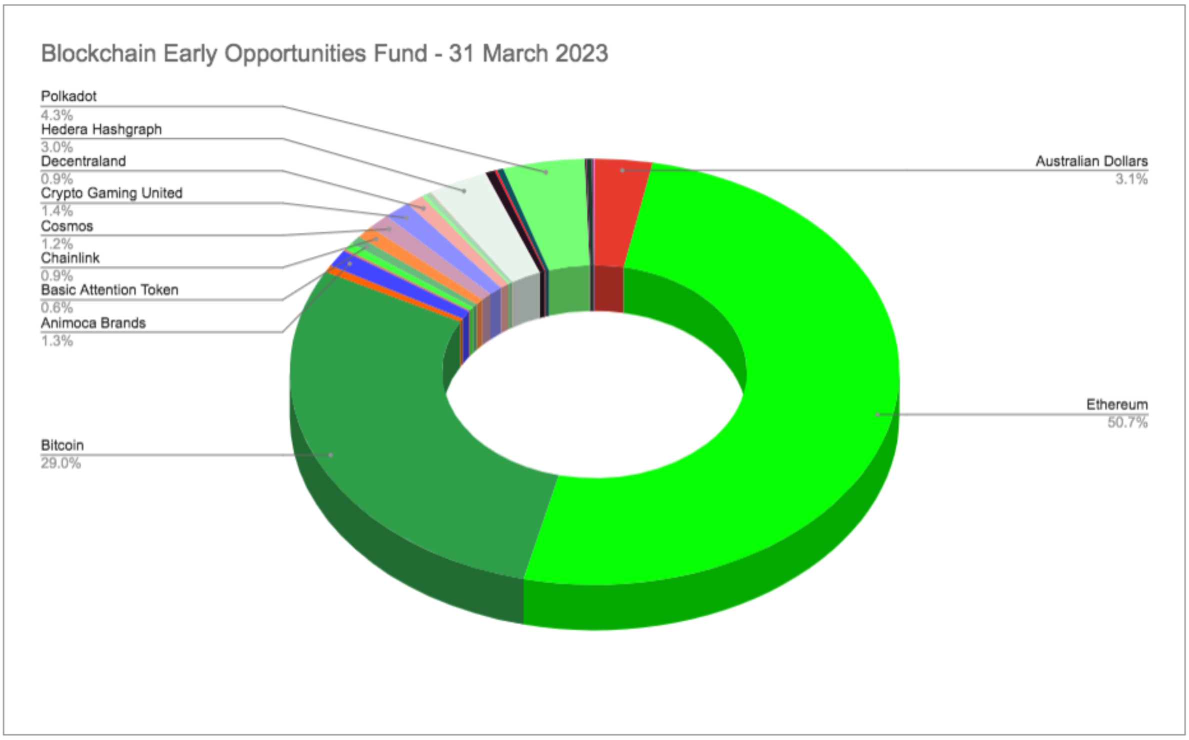
Global Reserve Currency - Game Theory		China (insert any country)	
		I Don't Like Bitcoin	I like the USD Less
The US	I Don't like Bitcoin	😏 😏	🤬
	I like the Chinese CYN less	🤬	🤬 🤬

Game Theory = No sovereign country likes Bitcoin because it cannot be controlled by them, but No sovereign country likes using another country's currency because it is controlled by that other country.

Therefore Bitcoin is preferred ahead of any other countries currency.

Fund Assets and Key Metrics

Metric	30 September 2017	31 December 2017	31 March 2018	30 June 2018
Unit Price	$0.93	$2.14	$1.18	$1.09
Return Since Inception	-7.00%	114.00%	18.00%	9.00%
Metric	**30 September 2018**	**31 December 2018**	**31 March 2019**	**30 June 2019**
Unit Price	$0.7480	$0.5178	$0.5507	$0.9501
Return Since Inception	-25.20%	-48.22%	-44.93%	-4.99%
Metric	**30 September 2019**	**31 December 2019**	**31 March 2020**	**30 June 2020**
Unit Price	$0.5270	$0.3937	$0.4408	$0.6034
Return Since Inception	-47.30%	-60.63%	-55.92%	-39.66%
Metric	**30 September 2020**	**31 December 2020**	**31 March 2021**	**30 June 2021**
Unit Price	$0.9449	$1.6575	$4.5682	$3.4543
Return Since Inception	-5.51%	65.75%	356.82%	245.43%
Metric	**30 September 2021**	**31 December 2021**	**31 March 2022**	**30 June 2022**
Unit Price	$4.9905	$5.7599	$5.3393	$2.1182
Return Since Inception	399.05%	475.99%	433.93%	111.82%
Metric	**30 September 2022**	**31 December 2022**	**31 March 2023**	**30 June 2023**
Unit Price	$2.3768	$1.7762	$2.7288	
Return for the Quarter	12.21%	-25.27%	53.63%	
Return for the past 12 months	-52.37%	-69.16%	-48.89%	
Return Since Inception	137.68%	77.62%	172.88%	
Assets Under Management	$17,184,558.72	$12,741,156.24	$19,747,631.13	



Digital Asset Markets of the Future

Blockchain technology is a clearing, settlement and record keeping technology. Crypto is a cryptographically secured wrapper/container that can contain any type of asset. We use the word Cryptoasset to indicate the generic nature of the technology. We have to then dive into the properties of each asset to determine its nature.

One of the most important aspects of this new settlement system is that it enables individuals direct access to markets and direct settlement of trades globally on a 24/7/365 basis.

The first marketplace providers to take advantage of this new system have been crypto exchanges. These centralised exchanges are able to on-board clients (direct access) who are then able to trade all manner of cryptoassets. They are then able to withdraw the assets and take self-custody of the assets (direct settlement).

Traditional securities exchanges have been quick to recognise the importance of this technology and a number of adoption strategies have emerged.

I call these strategies :

1. Build, Lift and Shift;
2. Create and Capture; and
3. Back to the Future.

Build, Lift and Shift

In 2018 the owner of the NYSE, Intercontinental Exchange Group (NYSE : ICE), established a bitcoin exchange called Bakkt, (NYSE : BKKT). I expect that ICE's strategy is to build out crypto technology and services via Bakkt and when the moment is right, lift and shift the NYSE listings to the new platform in the form of crypto securities.

In the meantime, the Bakkt products provide tools for businesses to on-board their clients to crypto. I can see how in time their products will on-board millions of users who will trade all manner of assets 24/7/365 using their smartphone. This will be like having the NYSE, in your pocket.

I like the ICE/BKKT/NYSE approach, but I'm not sure it will be the winner.

Create and Capture

The ASX are in the enviable position of being in an almost monopolistic position when it comes to clearing and settlement of securities. Their approach has been to preserve this position but enjoy the efficiency benefits of blockchain. The way they chose to do this was by creating a private/permissioned network of market participants. Essentially their approach was to create a toll bridge to an island. This strategy has not been successful.

Private/Permissioned blockchains are the intranet of Web 3.0, they will be useful in some cases but they will not flourish in the way the internet has done. I believe the future is permissionless blockchains.

Back to the Future

Under this strategy entrepreneurs will start with a blank piece of paper and create digital marketplaces from the very beginning as if existing rules and regulations did not restrict the application of the technology.

To be successful they will need to adopt the very best corporate governance standards, consumer protection and other compliance standards. This is the approach adopted by crypto service companies like Coinbase.

A little bit about Coinbase

Founded in June 2012 by software engineer Brian Armstrong, Coinbase started life as an easy place for people to buy, sell and hold Bitcoin. Today Coinbase has 110 million users and handles USD 7 bn of transactions per day.

Coinbase's market cap is currently USD 16.4 bn and their 2022 annual revenue was USD 3.1 bn. In 2021 it had a Price/Earning ratio of 14.7 (in 2022 it made a loss). Although Coinbase is not a securities exchange, they are currently under review by the SEC.

Coinbase's mission is to '...increase economic freedom in the world…'. Their approach to this technology is the opposite of the ASX and further down the road from ICE/BKKT/NYSE.

By developing Base, Coinbase has essentially taken itself out of the clearing and settlement business and created open infrastructure. Anyone can use this infrastructure to build their own version of Coinbase or indeed any other type of service that needs clearing and settlement. They see clearing and settlement not as a business but as an essential public good.

The focus of their business is client interfacing, they view themselves as a bridge to the Web 3 economy, not an island. A full interview with Brian Armstrong is set out here.

Blockchain Assets
CRYPTOASSET MANAGERS • EST 2017

What is Base and Why is it good for Ethereum?

Founded in 1939 Pershing LLC is often referred to as the plumbing of Wall Street. Ethereum is the plumbing of Web 3.0 and Base is a specialist plumber for cryptoasset marketplaces.

The formal explanation is : 'Base (https://base.org/) is...a secure, low-cost, developer-friendly Ethereum L2 built to bring the next billion users to web3…'.

What does all this mean? Well first up it is built on Ethereum, so if Ethereum is the land, Base is a significant building being built on the land (this is called Layer 2 or L2).

It is 'secure'. Can the security of Base be trusted, can someone break into the building, alter transactions and change the records? Buildings built on Ethereum can use the security of the Ethereum as their protection against hackers and cyber attacks. Base has the same level of security as Ethereum.

It is 'low-cost' because transactions can be batch processed in 'bar bill' style settlements. The bar being Ethereum and the table tab being Base. Base will collect fees (in Ether) for each transaction and some part of the fee is collected as 'tax' which is contributed to the running and development of Base.

It is 'developer-friendly'. This is open source software. The blueprints for the building, the engineering drawings, survey maps and all council approvals are all publicly available. If anyone wants to fit out one of the floors in the buildings to start a business they can do so without asking permission or needing any approvals.

Going 'on-chain', is the new 'going on-line'. In the first decades of the 21 century everyone was going on-line. Today 4.6 billion people are on-line. Many many companies made fortunes helping people go on-line. The next wave will be going on-chain. Coinbase is the first public company to help people go on-chain and Base is a part of this process.

The value of Ether the asset is directly tied to the adoption of the Ethereum network, essentially people and organisations going on-chain. Coinbase's Base project will bring millions of new people on-chain. It is a significant case of adoption. This project sets an example for how public companies can utilise Ethereum for business transactions and records of all types.

Where is Australia heading with the adoption of this technology?

Like everywhere else, Australia is a mixed bag when it comes to adoption of this technology in the financial services sector.

We have companies like Computershare, Link and Austraclear which were engaged with the now failed ASX blockchain project. There are a number of competitors emerging and indeed the Government is increasingly receptive to the idea of issuing new clearing and settlement licences. But there is a long way to go.

The regulatory focus at the moment is on two main projects. Firstly the Treasury's Token Mapping exercise and secondly on the RBA's digital AUD pilot program. It is not expected that there will be anything in terms of legislation or regulations coming out of these projects for at least 12 months. This I feel is a good approach. Better to get the policy setting right and be a slow mover than to rush in 'red flag' laws which do harm.

There are a number of crypto native or markets oriented businesses that are involved with the RBA's pilot digital dollar program. Imperium Markets is a fixed income securities market, Canvas Connect is a fully integrated digital asset trading platform and Fame Capital a digital asset trading and custody service provider. These are all interesting projects.

Aside from Government initiatives we are seeing banks like NAB and ANZ launching or planning to launch AUD stable coins. The Australian Financial Review reported in January that the NAB had launched a AUD stable coin on Ethereum. We presume this would be an ERC-20 token backed by Australian dollars, but details have not been released.

Concluding Comments

In hindsight, it was inevitable that the internet would redirect the 'rivers of revenue' (advertising) from old school media to the new. History is rhyming. The financial services industry is on the cusp of a period of great change. Over the next few years we will witness the adoption of permissionless blockchain clearing and settlement technology for securities exchanges.

The value in financial services is in origination, execution and advice. This new technology brings significant opportunities for those who add value. Client relationships will be of paramount importance as financial advisors will have a much wider range of assets to advise on and their services will be in greater demand.

Blockchain Assets
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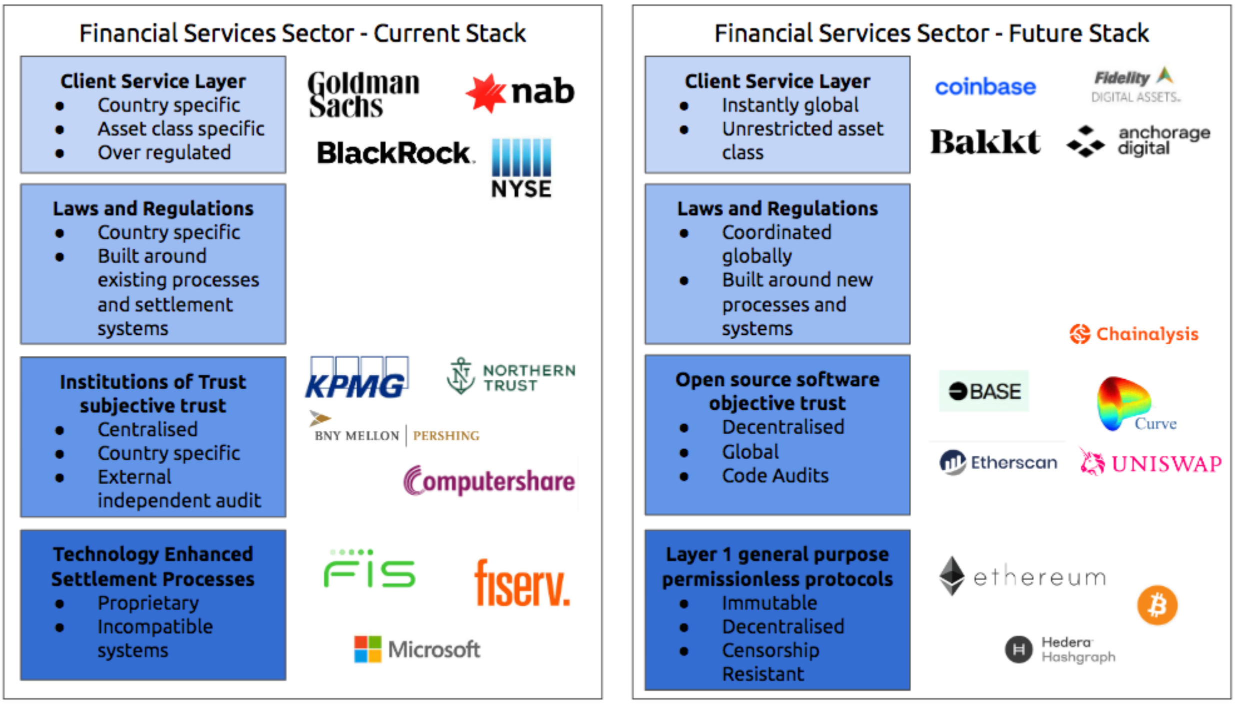

The illustration above may help with the explanation…it's complicated!

Coinbase sees value is in its client relationships and what they can bring to their clients as a bridge to Web 3.0. There is a good chance that the model of the future is close to what Coinbase has developed. Coinbase has over 100 million clients, they are deeply experienced in developing and operating this new technology and they have straddled the fence between the old and new worlds. All that Coinbase lacks is a licence to operate a securities market.

On the other hand, the NYSE, ASX and others have the licences, but do they have the ability to adopt the technology? The barrier to entry, which is a licence, can stave off the competition for only so long and time is racing past.

The Australian Government is clearly losing patience with ASX. Where the ASX go next is anyone's guess, but more nimble competitors with a better handle on the implications of the technology are chipping away and could become significant threats to their dominance.

In the US there is healthy regulatory competition between the SEC, CFTC, the Fed, the Office of the Comptroller of the Currency and others. There is competition between exchanges such as the NYSE, Nasdaq and Cboe and indeed Coinbase. In

Congress also there are competing opinions on how to best move forward with this technology.

Blockchain technology cannot be un-invented. The role it will play is not yet certain. But it's here, it's happening and it's a fascinating time to have a front row seat to see how it unfolds. As we are watching it is reassuring to know that we are well invested in the very best assets to capture value as the new systems are adopted.

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As always, please do not hesitate to contact me on 04 5090 0151 or at ian@bca.fund if you have any questions.

Best Regards

Ian Love
Founder and CEO

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.