Blockchain Assets
CRYPTOASSET MANAGERS • EST 2017


Dear Investors,

Grayscale Investments LLC 'hodls' approximately 3% of all bitcoins issued. Today they are valued at ~ USD16b. The SEC has time and time again rejected Grayscale's application to list on the New York Stock Exchange as an Exchange Traded Fund (EFT). After their last rejection Grayscale took the SEC to court and won! This is big news.

Another interesting court action is Coinbase v SEC. In fact two cases. In one case Coinbase is taking action against the SEC and in another the SEC is taking action against Coinbase. Although they are independent cases they are related to the same subject matter. Crypto Securities.

The third SEC case I cover in this newsletter relates to a project called 'Stoner Cats'. In this case the SEC charged the creators of an animated TV show with issuing unregistered securities. This case draws out interesting use cases for NFT's and how they can be used to fund creative projects. But also it illustrates the difficulty of applying 1930's law to 2023 technology.

The summary is…

1. up to 8 spot bitcoin ETFs may be approved as a batch before March 2024;
2. there is a non-zero chance that a spot Ether ETF will also be approved;
3. the SEC itself is on trial relative to the Coinbase actions;
4. because of the above, our view is that the regulatory pendulum in the US will swing from crypto hostile to crypto favourable within the next 12 months;
5. novel use cases for NFT are challenging the application of 1930s securities law applied to 2023 technologies and business models.

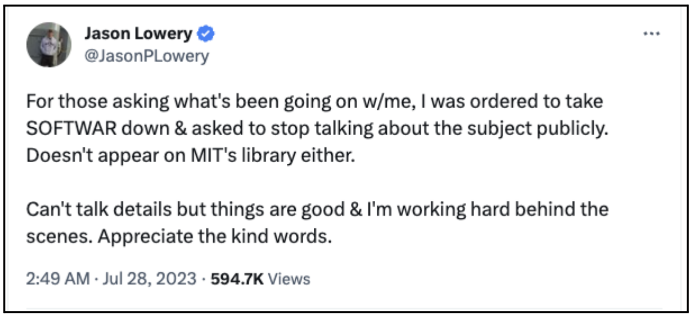
I feel that the blockages in the US regulatory environment are about to be unplugged and that this will usher in a new cohort of bitcoin 'hodlers'. A cohort made up of the biggest financial institutions in the world.

*But first the cryptomarkets and other news…*

The unit price finished at AUD 2.5963 down 8% for the quarter, but up 9% from the same time last year. The markets seemed eerily quiet over the last few months, single digit percentage movements are quite unusual. This is however the quiet before the storm. A good storm. As I outline below, there are a number of reasons to be optimistic of a swing to the up-side over the next 6-12 months, particularly with bitcoin, which, once it takes off, will lead the market.

In last quarter's newsletter (see here) I summarised a thesis prepared by **Major Jason Lowery** of the US Space Force on the topic : 'A Novel Theory of Power Projection and the National Strategic Significance of Bitcoin'. In my conclusion on the thesis I wrote that : *'We will have to have to wait and see the extent to which the ideas in this thesis gain traction within the US Military establishment. Apparently the Major is held in high regard and is well supported internally. But it is highly possible that incumbents will fail to act or will deride his thesis…'.*

Well! We have no idea how the thesis was received, but we do know that he has been abruptly censored. The tweet below from the Major is the last word anyone outside the military has heard. For me it never made sense that he would go public with his thesis before checking with his employer (the US Military). We will have to wait and see what happens next, the thesis may just be buried (along with the Majors' military career!).


Jason Lowery
@JasonPLowery

For those asking what's been going on w/me, I was ordered to take SOFTWAR down & asked to stop talking about the subject publicly. Doesn't appear on MIT's library either.

Can't talk details but things are good & I'm working hard behind the scenes. Appreciate the kind words.

2:49 AM · Jul 28, 2023 · 594.7K Views

**PayPal** is going all in on crypto. On 8 August PayPal announced the launch of a USD stable coin (PYUSD). They are using the Ethereum blockchain and an ERC-20 token for their PYUSD. Within their crypto wallet users are able to buy, swap and sell a number of crypto assets.

We have high expectations for **Hedera** (hBar), this is one of our smaller holdings which, if successful, could outperform bitcoin and ether in the next bull run. The Hedera Global Governing Council membership is impressive (see here) and we are starting to see some projects emerge. In particular the US FedNow payments system has partnered with Hedera based micro payments application

Dropp. The press release advised : *'Dropp has leveraged distributed ledger technology and regulated banking technology (Hedera) to build an extremely secure and cost-effective solution where merchants can accept payments as low as a cent.'* (my parenthesis)

In late August a group of nations comprising Brazil, Russia, India, China and South Africa (**BRICS**) met in Johannesburg to discuss '...an alternative world order…'. Top of the agenda was their desire to dedollarise the world economy and for this they are discussing a new supranational currency of some type. At this stage this is just a talking shop. I do not see anything long lasting coming out of this group because they have little in common other than their desire to break away from the US Dollar. But it is interesting to see that there are reports of the Saudis considering denominating some oil sales in Yuan. Bitcoin adoption via geopolitical game theory is a thing. It is happening in slow motion.

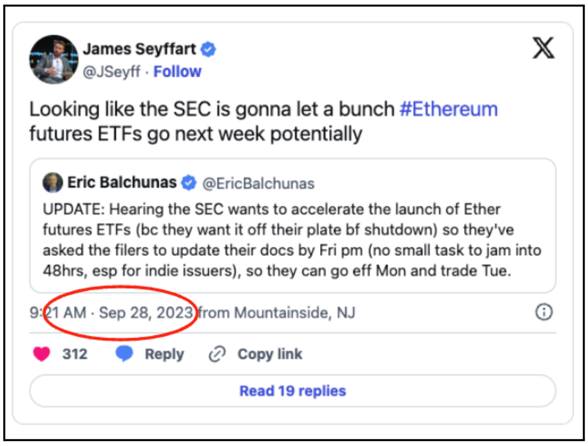

**Friends.tech** (see write up here) is the latest decentralised social media application rapidly building a network. We call this a Decentralised Social (DeSo) network application. There are many in the race to build the decentralised version of Facebook and indeed all the Web 2.0 apps. The benefit of a Web 3.0 app is that it connects individuals directly with the service providers and content creators. So for example Uber without Uber, Facebook without Meta and AirBNB without AirBNB. The admin and payments layer, which is centralised in Web 2.0 is decentralised and automated in Web 3.0, this increases the income of service providers and can also make users of the service equity holders of the service. All of this is being built on Base (I wrote about Base in this newsletter), which is a layer 2 Ethereum project, this is good for Ethereum adoption.

On 6 September the **Financial Accounting Standards Board** (FASB) approved a change to the accounting treatment for cryptoassets. Under previous rule any cryptoassets held by a reporting entity had to be held on the balance sheet at 'historical cost'. The amount paid for the asset. The historical cost could be adjusted downwards by putting an impairment charge through the P&L. But it was not possible to increase the value of the asset if the market value of the asset increased. This treatment caused not insignificant issues for companies like MicroStrategy (see newsletter here) as they had to mark down the value of their bitcoins but could not mark them back up when the price recovered. The net effect to them was a circa USD 2b hit to their P&L.

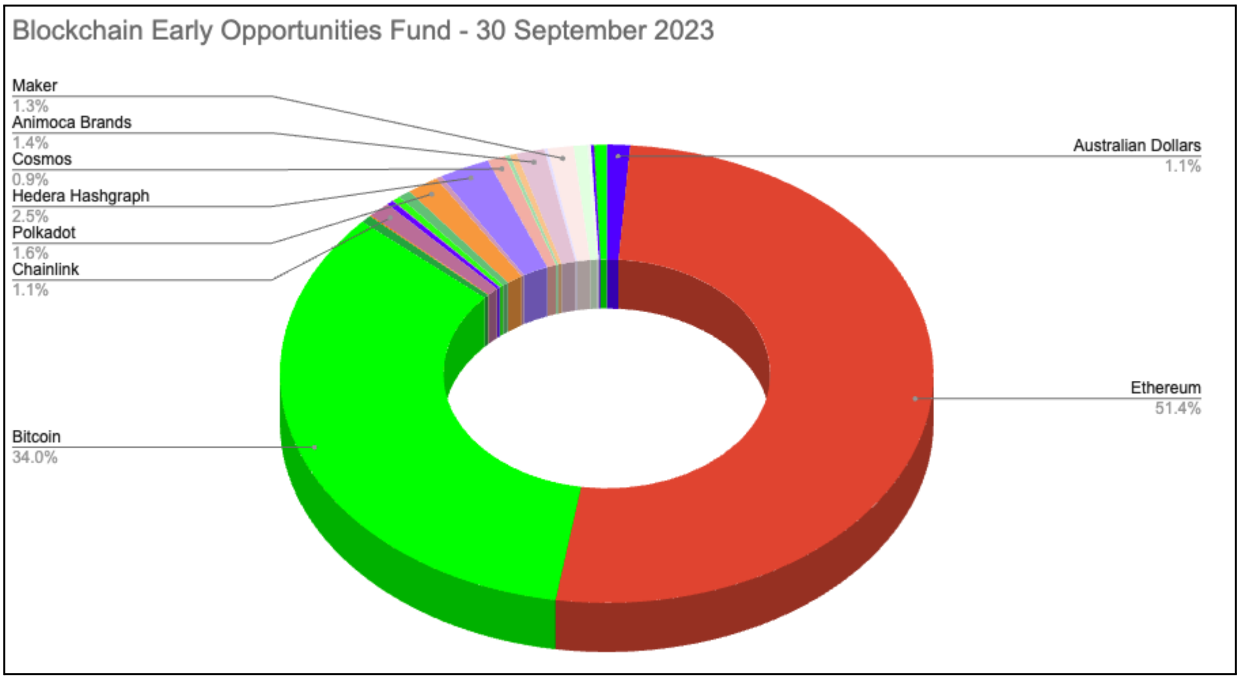
The revised accounting rules allows companies to use fair value accounting which allows for mark-to-market adjustments. This change removes a significant barrier to bitcoin adoption by corporates as they can now use the same accounting treatment that they have for assets such as equities.

We are always looking for signs of industry adoption of our assets, there are many. One I want to highlight is the announcement (see here) by **ANZ Bank** relative to their use of the Chainlink protocol. Chainlink, which is one of our small holdings, is a member of the Herera Governing Council and an ERC-20 token (runs on Ethereum). Chainlink is a critical piece of infrastructure for the whole ecosystem because it provides a link between real world data and events and blockchains. The ANZ Bank collaboration with Chainlink *'...sought to leverage existing Swift infrastructure and messaging implementation, in combination with Chainlink's Cross-Chain Interoperability Protocol (CCIP), a blockchain interoperability standard that provides a simple, secure and scalable way for financial institutions to connect to multiple types of blockchain....'.*

US asset manager **Fidelity** has over 43 million clients and USD 11.7 trillion assets under management. They have the same view/investment thesis on Ethereum as our fund. They released their thesis in August 2023, it can be found here. Meanwhile the SEC on 28 September 2023 approved the first futures Ether ETF (see here). Just like with bitcoin we expect a raft of spot ether ETF applications to follow. Things are moving fast!



| 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 | $2.8312 |
| Return Since Inception | 137.68% | 77.62% | 172.88% | 183.12% |
| **Metric** | **30 September 2023** | **31 December 2023** | **31 March 2024** | **30 June 2024** |
| Unit Price | $2.5963 | | | |
| Return for the Quarter | -8.30% | | | |
| Return for the past 12 months | 9.24% | | | |
| Return Since Inception | 159.63% | | | |
| Assets Under Management | $17,408,071.56 | | | |



# Spot Bitcoin ETF in the US

Is the approval of a spot bitcoin ETF in the US a big deal or a nothing burger? We will find out the answer to that question within the next 6-9 months, probably sooner.

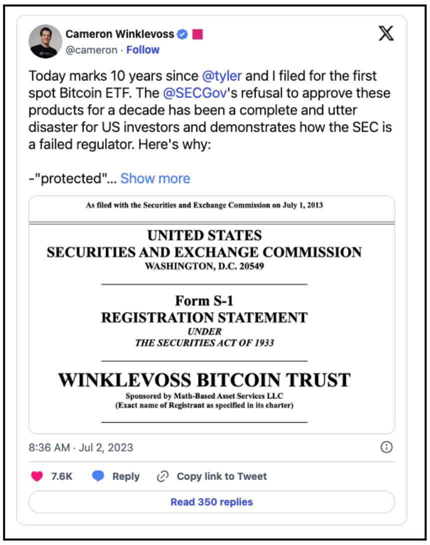
As the name suggests, an Exchange Traded Fund (ETF) is a fund traded on a regulated public securities exchange. ETFs started appearing around 2003 and have seen very significant growth since. The largest ETF market in the world is the US where the total value is in the trillions of dollars. The top ten ETF's alone have over USD 1.5 trillion assets under management.

One of the barriers to entry for institutional investors wishing to invest in bitcoin is the uncertain regulatory environment. The approval of a spot bitcoin ETF would remove that uncertainty. The ETF structure is well understood and ETF operators such as Blackrock, Fidelity, VanEck and others are well known. For these reasons many people are of the opinion that a spot bitcoin ETF will green light US institutional investor adoption of bitcoin.

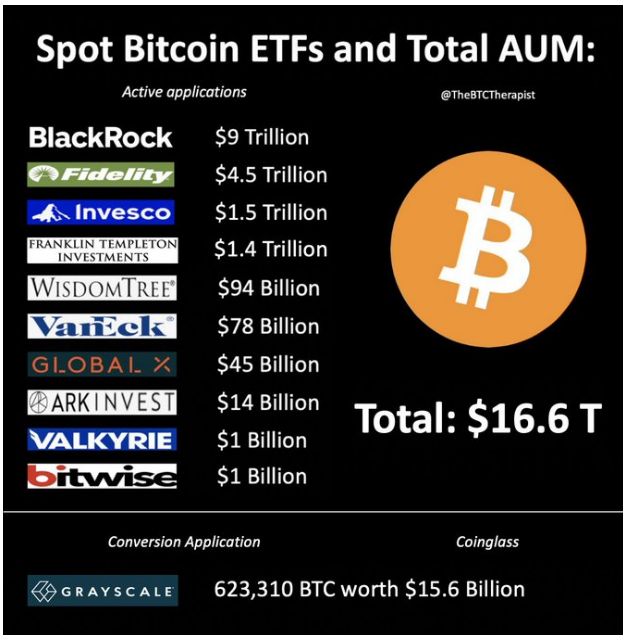
However, we are not there yet and it's a bit of a tangled web.

*The US Securities Exchange Commission*

The SEC is the regulator responsible for ETFs. One of the very first applications for an ETF came from Cameron and Tyler Winklevoss. They lodged their application over ten years ago, on 1 July 2013. Since then there have been dozens of applications.




The table below set out the most well known applications pending a decision (Note the amounts shown are the total assets under management - not the amount of bitcoin they intend to hold).




The SEC has 5 Commissioners, they have different views on crypto in general and bitcoin in particular. In relation to the rejection of spot bitcoin ETF applications Commissioner Hester Peirce has issued a dissenting opinion on a number of occasions, the most recent can be seen here.

Commissioner Peirce 2020 conclusion reads :

*'...The Commission's approach to these bitcoin exchange-traded products is frustrating because it evinces a stubborn stodginess in the face of innovation. The irony is that, in taking this approach, the Commission wanders into the unbounded, dangerous territory of merit regulation for which the Commission is ill-equipped. Because the Commission's order applies an inappropriate standard under Section 6(b)(5) of the Exchange Act, I respectfully dissent. …'*

There is an excellent podcast with Hester Peirce (aka Crypto Mum) here.

The main blockage to approval at this point seems to come from the attitude of the current chair of the SEC, Gary Gensler. Of course this is political.

In the US the politics around bitcoin are not (yet) partisan and many are working to make sure this remains the case. This said we do have some strong advocates for and against bitcoin and bitcoin politics is being used as leverage for other issues. On the naysayer side we have Senator Elizabeth Warren who is building an anti-crypto army. On the pro side we have people like Senators Cynthia Lummis and Ted Cruise who are so pro-bitcoin that they want the right to own it enshrined in the Constitution. Chairman Gensler's sponsors within Congress come mainly from the Democratic side of the house so he is no doubt under pressure from Senator Warren and others to not approve any of the spot bitcoin ETF applications.

*Case No. 22-1142 - Grayscale Investments, LLC v. Securities Exchange Commission*

The Grayscale suite of cryptoasset investment trusts is owned and managed by the Digital Currency Group (DCG), a company founded by Barry Silbert. DCG is in a boat load of trouble at the moment due to issues relating to the collapse of 3 Arrows Capital and other 2022 crypto collapses.

Nevertheless, the Grayscale Bitcoin Trust (GBTC) is one of the largest 'hodlers' of bitcoin. They have ~USD 16b of bitcoin under management, this comprises circa ~3% of all issued bitcoins. After the SEC refused their latest application for an ETF they sought a review of the Commission's decision in the US Court of Appeals. The Court's 3 judges unanimously vacated the decision.

The case centred on the fundamental principle of treating cases alike.

The SEC had previously approved two bitcoin futures funds on national exchanges but had denied approval of Grayscale's bitcoin (spot) fund. Grayscale argued that there is no material difference between the futures exchange traded products and their application for a spot bitcoin product.

As far back as 2018 the Commission received and rejected numerous proposals to list bitcoin investment products. There is only one reason given for the rejections and it is the same reason each time, the reason being that the products were not *'...designed to prevent fraudulent and manipulative acts and practices…'*. Specifically the SEC found that protections inherent to bitcoin - like the blockchain and the size and liquidity of the bitcoin market - were insufficient to prevent fraud. Instead the Commission required a surveillance sharing agreement with a related and regulated market of sufficient size. But every applicant failed this *'significant market size'* test.

In October 2021 the SEC approved two futures ETFs. This was a bit strange given that the price of futures is linked to the price of the underlying assets. Still the approval meant that traders now also had the ability to more easily short bitcoin. At the time the SEC advised that the approval of the futures ETFs did not mean the approval of spot bitcoin ETF would follow.

The industry was disappointed but not surprised when in June 2022 the SEC denied Grayscale's latest application for a spot bitcoin ETF. Grayscale was so disappointed that they challenged the decision in the US Court of Appeals (CoA). Specifically Grayscale asked the CoA to consider if the SEC's decision was unlawful on the basis that it was *'...arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law…'* .

In their ruling the CoA judges considered if the Commission's decision was *'reasonable and reasonably explained…'* in finding that it was not, the judges made the following made the following ruling :

*'...To avoid arbitrariness and caprice, administrative adjudication must be consistent and predictable, following the basic principle that similar cases should be treated similarly. NYSE Arca presented substantial evidence that Grayscale is similar, across the relevant regulatory factors, to bitcoin futures ETPs. The Commission failed to adequately explain why it approved the listing of two bitcoin futures ETPs but not Grayscale's proposed bitcoin ETP. In the absence of a coherent explanation, this unlike regulatory treatment of like products is unlawful. We therefore grant Grayscale's petition for review and vacate the Commission's order…'.*

The SEC have 45 days to appeal this decision. No appeal has been made at the time of writing this newsletter.

In the meantime, five working days after this decision was handed down, Grayscale's lawyers wrote to the SEC (on 5 September 2023) requesting an urgent meeting *'...to discuss the way forward in view of recent developments in the Trust's ongoing effort to convert to an exchange-traded product…'.* Noting the urgency of the matter they point out that :

*'First, each day that passes without listing the Trust's shares on NYSE Arca is another day when the Trust's existing investors bear unjustified harm in the form of shares that trade at a substantial discount to net asset value…*

*Second, U.S. investors seeking access to regulated bitcoin investment products should not be forced into less efficient and more complicated product structures simply because these are the only product types yet to gain Commission approval…*

*Third, in the past few weeks the Commission has received Rule 19b-4 filings relating to several proposed spot bitcoin ETPs, each of which seeks to compete with the Trust…'*

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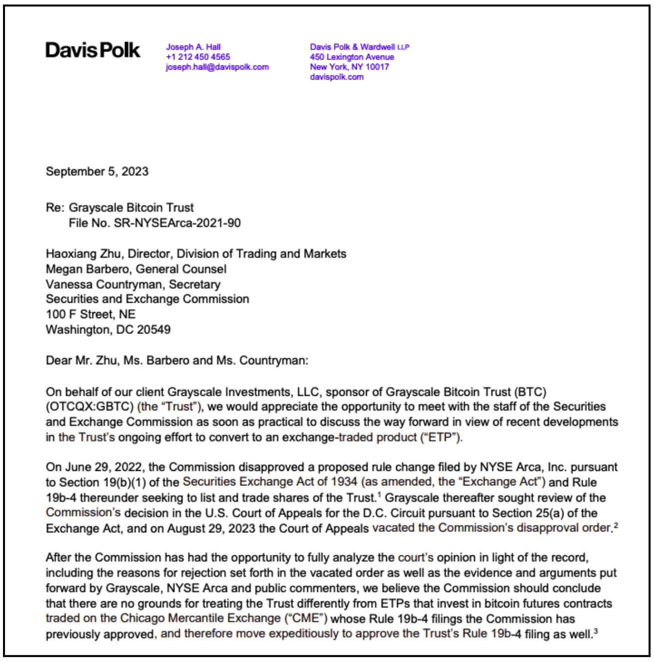

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Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017
davispolk.com

September 5, 2023

Re: Grayscale Bitcoin Trust
File No. SR-NYSEArca-2021-90

Haoxiang Zhu, Director, Division of Trading and Markets
Megan Barbero, General Counsel
Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Mr. Zhu, Ms. Barbero and Ms. Countryman:

On behalf of our client Grayscale Investments, LLC, sponsor of Grayscale Bitcoin Trust (BTC) (OTCQX:GBTC) (the "Trust"), we would appreciate the opportunity to meet with the staff of the Securities and Exchange Commission as soon as practical to discuss the way forward in view of recent developments in the Trust's ongoing effort to convert to an exchange-traded product ("ETP").

On June 29, 2022, the Commission disapproved a proposed rule change filed by NYSE Arca, Inc. pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (as amended, the "Exchange Act") and Rule 19b-4 thereunder seeking to list and trade shares of the Trust.[1] Grayscale thereafter sought review of the Commission's decision in the U.S. Court of Appeals for the D.C. Circuit pursuant to Section 25(a) of the Exchange Act, and on August 29, 2023 the Court of Appeals vacated the Commission's disapproval order.[2]

After the Commission has had the opportunity to fully analyze the court's opinion in light of the record, including the reasons for rejection set forth in the vacated order as well as the evidence and arguments put forward by Grayscale, NYSE Arca and public commenters, we believe the Commission should conclude that there are no grounds for treating the Trust differently from ETPs that invest in bitcoin futures contracts traded on the Chicago Mercantile Exchange ("CME") whose Rule 19b-4 filings the Commission has previously approved, and therefore move expeditiously to approve the Trust's Rule 19b-4 filing as well.[3]

At the time of writing this newsletter we have no further information about this letter or what the SEC are doing relative to this case.

## Coinbase vs SEC and SEC vs Coinbase

I have written before about blockchain technology being a clearing and settlement technology, a ledger keeping system. By using cryptography as a wrapper any and all of the world's assets are able to be tokenized and traded on a peer-to-peer basis. This can be done on decentralised exchanges, or via electronic wallets or via centralised exchanges.

One of the big honey pots is crypto securities. Again I have written about this before where I have highlighted existing exchanges like the NYSE and their Bakkt project (see here).

Coinbase Inc. (Coin) is the only publicly listed cryptoasset exchange in the US. It listed on 14 April 2021 after receiving approval to list from the SEC. The SEC fully understood Coin's business model (providing a marketplace for the trading of crypto assets) before they approved the listing. Coin does not offer crypto securities, but they would like to and indeed this is what these legal actions are all about.

There are two main legal actions. The first case was brought by Coin against the SEC.

In July 2022 Coin filed a partition to the SEC with 50+ questions seeking guidance from the SEC on two main topics :

1. Is there a reasonable path to registration as a crypto securities exchange? and

2. Will the SEC propose new rules for the offer, sale, registration, and trading of digital asset securities.

After more than 30 engagements with the SEC there has been no response at all to these questions. The non-response from the SEC prompted Coin to file, on 24 April 2023, a partition to the Court of Appeals (see here)

No. 23-____

IN THE UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

IN RE COINBASE, INC., PETITIONER

COINBASE, INC.'S PETITION FOR WRIT OF MANDAMUS TO THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION seeking an order from the Court forcing the SEC to provide answers.

On 6 June 2023 the Court instructed the SEC to respond to the Court within 7 days setting out the SEC's position with respect to the partition. We have no further information on this case at this time.

Running hot on the heels of this case, the SEC commenced actions against Coin. Firstly they issued Coin with notice of their intention to take legal action, this so called 'Wells Notice' was lodged with Coin on 22 March 2023. The Chief Legal Officer of Coin had this to say at the time :

*'...the SEC gave Coinbase a "Wells notice" regarding an undefined portion of our listed digital assets, our staking service Coinbase Earn, Coinbase Prime, and Coinbase Wallet after a cursory investigation. We are prepared for this disappointing development. We are confident in the legality of our assets and services, and if needed, we welcome a legal process to provide the clarity we have been advocating for and to demonstrate that the SEC simply has not been fair or reasonable when it comes to its engagement on digital assets. Rest assured, Coinbase products and services continue to operate as usual - today's news does not require any changes to our current products or services.*

Then on 6 June 2023 the SEC announced that they had charged Coin for '...*operating its crypto asset trading platform as an unregistered national securities exchange, broker, and clearing agency. The SEC also charged Coinbase for failing to register the offer and sale of its crypto asset staking-as-a-service program…'*. (see here). Coin is vigorously defending the charges and have applied to the Court for the charges to be dismissed. The case at this stage is due to be heard in October.

*The SEC on Trial?*

Many commentators have stated bluntly that the SEC have completely messed-up their handling of this new technology. They have acted like a deer in the headlights, sometimes saying they have all they need to regulate crypto and at other times saying they have no jurisdiction. They have refused to answer reasonable questions from responsible players like Coin but held numerous meetings with fraudsters like Sam Bankman-Fried (FTX exchange operator).

Thankfully in jurisdictions like the US we have the power of Courts to hold regulators to account and we are seeing this play out before our very eyes.

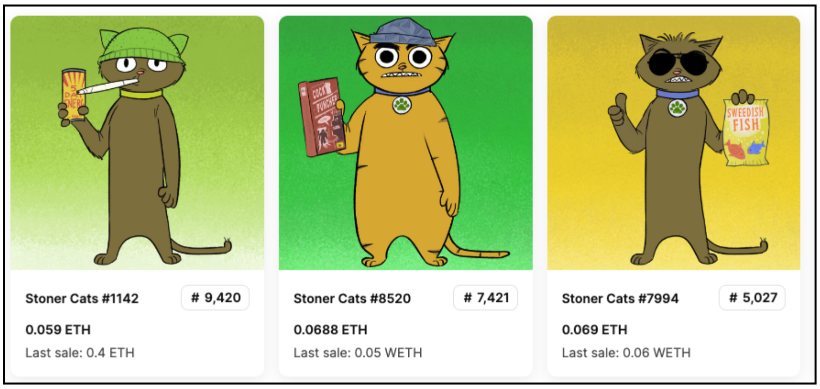
## Cartoon series funded from NFT sales is an issuance of a security according to the SEC

This project experimented with a novel but fairly simple approach to funding an animated cartoon series. It worked as follow :

1. The series was called Stoner Cats and as the name suggests it is a story about a group of cats who are stoners.

2. The creators minted 10,420 Stoner Cats (sample below) which they sold for USD 800 each. They sold out in 38 minutes and raised USD 8mio.

3. 6 episodes of Stoner Cats were produced, accessible only to those holding the NFT digital collectibles.




4. Stoner Cats NFTs gave holders access to the content creators of the show, making it one of the first projects to use NFTs to create a community of holders who get to see behind the curtain as an animated series is made and interact directly with top-level Hollywood talent.

5. The creators of Stoner Cats (Stoner Cats 2 LLC) are remunerated based on sales of the Stoner Cats in the secondary market. Specifically, each time a Stoner Cat is sold 2.5% of the sale price is paid to the creators.

So in short the creators raised USD 8 mio to prepare the first six episodes. Thereafter they get 2.5% of each sale of the NFT. The holders of the NFT get streaming rights for the Stoner Cat episodes.

On 13 September 2023 the SEC charged Stoner Cats 2 LLC with issuing an unregistered security. Stoner Cats, without admitting anything, agreed to the cease operation and pay a USD 1 mio fine. Case closed.

This business model, which is only possible because of blockchain technology (Ethereum in particular), could develop as a way for content creators to fund and monetise their work directly with their audience. It is one of a number of models that are emerging.

It is very disappointing that this innovation has been closed down by the SEC. But all is not lost. Two of the five SEC Commissioners wrote dissenting views (see here) in this case and in time their view will become the dominant view because their logic is so strong. I set out below some of their most persuasive arguments :

*'This enforcement action involves activity that we believe constitutes fan crowdfunding—a common phenomenon in the world of artists, creators, and entertainers.'*

*'...the Stoner Cats NFTs are not that different from Star Wars collectibles sold in the 1970s. On the heels of the very successful release of Star Wars in 1977, fan excitement was high. To the delight of millions of children that holiday season, the toy company Kenner sold "Early Bird Certificate Packages," redeemable for future Luke Skywalker, Princess Leia, and R2-D2 action figures and membership in the Star Wars fan club. The sales of these certificates helped to build a die-hard community of Star Wars fans. Would those I.O.U. certificates, which could be re-sold, constitute investment contracts? Using the analysis of today's enforcement action, the SEC should have parachuted in to save those kids from Star Wars mania…'*

*'...the Commission must take care to preserve the ability of artists to sell their work, build a fan base, and involve that fan base in future creative endeavours. That is what was happening in the 1970s with Star Wars, and that is what was happening here with Stoner Cats. The Stoner Cats NFT purchasers received*

*what they paid for -- a still image of a character from the series, access to all six episodes of the Stoner Cat series, and the excitement of being part of a popular phenomenon. The Commission's application of the securities laws here makes little sense and discourages content creators from exploring ways to harness social networks to create and distribute content…'.*

## Concluding Comments

There is a bigger picture here. It's fairly obvious that there is a jurisdictional battle over crypto regulation between the SEC, the CFTC, both the Federal and State Banking regulators and others. All are seeking to capture ground.

There is a high probability that the SEC will approve all reasonable bitcoin ETF applications as a batch. They may do this before the end of the year, perhaps in late December. This will take some of the pressure out of the balloon.

The SEC will use easy to win cases like Stoner Cats to boost up their track record of compliance wins.

The SEC, with some regulatory approvals (spot bitcoin ETFs) and regulatory enforcement wins (Stoner Cats) under their belt, may push for more resources and authority from Congress. If they lose the Coinbase case they may have an argument for legislative intervention. If they win the Coinbase case they have an argument for more resources.

Whatever the short term outcomes are, the mid term outcome is clear, the world is moving towards a tokenized future. Regulators/Legislators will fall in line with this direction and will themselves be using the same technology to help them discharge their regulatory function. The US in particular has a history of being early adopters (indeed the inventors) of technologies. This time is no different. Change is difficult and it takes time. We are in that period of change.

In November 2020 I predicted the start of the 2020/21 bull market. I advised at the time that :

*'...Short term price predictions are a fool's 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…'.*

Short term price predictions are still a fool's game but I am prepared to have a go. November 2023 is just around the corner and I feel very much the same way as I did in November 2020. The all time high for the markets was in mid November 2021 when bitcoin hit USD 63k and Ether hit USD 4.7k. The next all time high will see bitcoin reach over USD 100k and Ether over USD 8k. I expect this will be within the next 12 months but possibly before June 2024.

Some of the reasons for my optimism are :

1. The US regulatory climate, with the approval of spot bitcoin ETFs, will swing in favour of crypto;

2. Binance and DCG seem to have survived the worst conditions and circumstances and altho not out of the woods will most likely survive into the next bull market;

3. The bitcoin halvening event in March 2024 will reduce supply flows at the same time as demand shock from US institutions hits the markets;

4. The adoption of Fair Value accounting treatment removes a significant barrier to entry for corporations;

5. USD stable coins (which are ERC-20 tokens) will explode, this will be led by Circle and PayPal;

6. Several crypto native projects are on-boarding billions of new users to crypto, including the Friends.Tech and WorldCoin projects;

7. The SEC's actions on projects like Stoner Cats are ridiculous. Their position will change as more and more of these projects emerge; and

8. Projects like Chainlink are bringing on-chain Banks who will become some of the biggest users of blockchains such as Ethereum.

*************

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

Blockchain Assets Pty Ltd

*The content of this newsletter has primarily been prepared by a human, Ian Love. Artificial intelligence has been utilised for some fact-checking and for providing explanations of some specific words and concepts.*

*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.*