

## Portfolio Manager's comments

Bitcoin dominance started the month at 68.31%, reached a high of 69.25% and ended the month at 66.10%.

After a tough first day of the year with the crypto market down across the board, the assassination of Iran's Commander Qasem Soleimani helped Bitcoin to a quick recovery. During the first weeks of the month with the selloff in equities, spike in oil prices and gold, Bitcoin worked as a great geopolitical hedge. There was also the announcement of the [US budget deficit](#) topping \$1 trillion in 2019, highest in 7 years. Given we are still at the infancy of this ecosystem, it is still too early to define what is the narrative driving Bitcoin and other cryptocurrencies prices; however, the graph below is quite worrisome and maybe explains why investors may want to try something a bit different.



Bitcoin started the month at \$7,194 and traded between \$6,915 and \$9,553 to close at \$9,351 up 29.98% for the month. Genesis Block Fund ended up 33.90%. After a strong up move during the first half of the month, the second half of the month was a technical battle of BTC around the 200-day moving average just above the \$9k handle. After being denied on the first few attempts and retracing back to \$8k, the spread of the Coronavirus event (another un-expected tail-risk event) triggered another spike for cryptos in general as global equity markets took a beating on the last week of the month. During the month we started accumulating a small position in [LINK](#) protocol which provides provably secure access to data feeds, APIs and payments. There were some wild moves with some BTC forks

during the month, but we are hesitant to add these “shit” coins, main ones being Bitcoin SV and BTG (both with lowish liquidity and easily pumpable & dumpable). EOS was our best performing asset during the month (up 68.2%), followed by Litecoin (up 64.2%), and XMR (up 61.7%). It was a good start of the year for the larger Alt coins.

On Jan 2<sup>nd</sup> ETH successfully completed another uncontentious hard fork called [Muir Glacier](#) that dealt with changes to the algorithm of the mining difficulty. ETH was up 39% for the month outperforming BTC handsomely.

Interesting article entitled [Is Bitcoin in 2020 Really Like the Early Internet](#) comparing the early days of the internet and Bitcoin. Some other interesting recent articles worth a read: [Why 2020 will be a big year for crypto](#) by Peter Johnson, and [Andrew Keys: 20 Blockchain Prediction for 2020](#).

Larry Cermak’s [tweet](#) on NBA’s Spencer Dinwiddie is quite an interesting use case for cryptocurrencies, tokenization of sports contracts using smart contracts on the Ethereum Blockchain. More details below.

Interesting announcements/comments:

- [NBA’s Spencer Dinwiddie](#) set to roll out tokenized investment platform
- Bitcoin should be listed directly on [Korea Exchange](#), says a government committee
- [ECB President, Lagarde](#), pushes for Central Bank Digital Currency
- [Burger King Venezuela](#) starts Bitcoin payments in first of 40 stores
- [LinkedIn study](#) found that blockchain will be the most in-demand hard skill in 2020
- Quotes from some [famous people](#) about Bitcoin
- Biggest [Bitcoin Investment Trust](#) says hedge-fund demand booming
- Japanese consulting firm [Nomura Research Institute](#) launches crypto index
- [Municipality of Zermatt](#) in Switzerland now accepts payments in Bitcoin

### Monthly estimated return

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD	Since Fund Inception
2018 Genesis	-16.0%	-5.2%	-37.4%	57.2%	-20.2%	-20.4%	7.5%	-17.2%	-9.2%	-7.9%	-38.2%	-3.7%	-77.94%	
2019 Genesis	-11.5%	17.5%	7.2%	20.5%	58.6%	12.4%	-13.4%	-12.0%	-9.5%	7.1%	-16.5%	-8.7%	34.85%	
2020 Genesis	33.9%												33.90%	-60.17%
2018 Crypto Assets	-19.2%	-1.8%	-33.7%	61.2%	-14.1%	-17.6%	4.5%	-8.6%	-11.6%	-13.8%	-34.3%	-3.4%	-72.27%	
2019 Crypto Assets	-15.7%	18.4%	10.6%	20.9%	52.8%	8.7%	-14.6%	-3.6%	-8.8%	2.9%	-12.0%	-12.9%	31.28%	
2020 Crypto Assets	40.1%												40.07%	-49.01%
2018 Criptoativos											-7.1%	-0.5%	-7.53%	
2019 Criptoativos	-2.9%	4.1%	2.4%	4.1%	10.2%	1.6%	-2.8%	-0.4%	-1.5%	0.9%	-2.2%	-2.4%	10.80%	
2020 Criptoativos	8.3%												8.26%	10.93%
2018 BGCI	-15.8%	-10.7%	-43.5%	60.9%	-20.4%	-28.5%	13.7%	-21.7%	-0.2%	-12.2%	-36.8%	-1.7%	-80.88%	
2019 BGCI	-11.8%	15.5%	5.9%	13.4%	58.1%	17.2%	-24.2%	-16.1%	-6.2%	10.6%	-17.4%	-13.3%	7.08%	
2020 BGCI	40.3%												40.26%	-71.67%
2018 CDI	0.58%	0.46%	0.53%	0.52%	0.52%	0.52%	0.54%	0.57%	0.47%	0.54%	0.49%	0.49%	6.42%	
2019 CDI	0.54%	0.49%	0.47%	0.52%	0.54%	0.47%	0.57%	0.50%	0.47%	0.48%	0.40%	0.36%	5.97%	
2020 CDI	0.38%												0.38%	13.20%

THE BLOOMBERG GALAXY CRYPTO INDEX (BGCI) ESTIMATED RETURNS STATED ON THE TABLE ABOVE ARE MERELY ECONOMIC REFERENCES AND SHALL NOT BE CONSTRUCTED AS A PERFORMANCE TARGET TO BE ACHIEVED BY THE FUNDS NOR A PERFORMANCE PARAMETER APPLICABLE TO THEM (Note that the BGCI only prices during business days at 4pm Eastern time zone, which is different than Administrator marking of 0:00 UTC of the last day of the month).



## **Taproot BIP Proposal**

The proposal for Taproot, a long-anticipated technological change to bitcoin, is “nearly ready”, a notable update that comes nearly two years after its introduction.

Taproot offers a new degree of privacy by making all transactions – no matter how complicated – appear the same to observers of blockchain data. The code adds what supporters call a much-needed feature to the network, and brings significant implications for scaling, fungibility and script innovation. Taproot is expected to be bundled together with Schnorr, a related upgrade that seeks to enable signature aggregation and make Taproot’s implementation possible. Right now, the Taproot/Schnorr soft fork is moving through the ecosystem feedback phase as developers recommend and review possible changes to the draft. The proposal moving forward is designed to save 30% to 75% in fee use and accelerate block validation by up to 2.5 times. It’s a process that has attracted interest and excitement from different quarters of the crypto ecosystem.

Bitcoin relies on public-key cryptography to validate transactions. The current Elliptic Curve Digital Signature Algorithm has several shortcomings when it comes to privacy and fungibility, and the Taproot/Schnorr soft fork aims to fix them by hiding specific payment types from outside observers. Taproot is best explained using an example. Suppose there's an exchange featuring a hot key, a trusted 3rd party key, and a cold wallet emergency backup key. Conventionally, participants would need to broadcast all three keys as well as the two signatures used to spend the coins. The proposed upgrade will aggregate these keys into a single Schnorr signature, which would then be used to validate a Taproot output key that represents all the complexities involved. As a result, observers of the blockchain would simply see a single output without knowing which two keys were deployed to validate the transaction. This would reduce transaction size, save fees, and improve privacy. You can have a Lightning channel open or closed, a simple payment between two people, or a very sophisticated smart contract, and they suddenly became indistinguishable by spending Bitcoin using Taproot.

Taproot also opens the door for inscription innovation, as it allows for complicated arrangements of signatures and keys and eliminates limitations for how many scripts can be used to spend coins. The Taproot/Schnorr upgrade was the third-most popular write-in topic that industry participants said they are most excited to see in 2020. It will not only save fees and blockspace, but also enable new features and generate more interests to the network. It is also expected that Taproot will be incorporated by more wallets and more interesting features built for those who are securing their Bitcoin.

Now that it has been included as a Bitcoin Improvement Proposal (BIP), next step will be to make a request to Bitcoin Core with the proposed consensus rule changes, which will likely bring in another round of reviews around Taproot’s implementation. If that goes well, it will be merged, and discussion will start about how to activate it on the network. Finally, a release with the activation will be published, and if the conditions to activate it are met, it will go live.

### *Genesis Block Fund Ltd. Characteristics*

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Minimum Investment	\$100,000
Subscription	Monthly
Redemption	Monthly with 15 days pre-notice
Administration fee	2% p.a.
Performance fee	20% over 6M Libor with High Water Mark
Administrator	MG Stover
Auditor	Cohen & Co
Legal Counsel	Walkers Global and Freitas Leite
Custodian	Coinbase Custody
ISIN Number	KYG3832A1085
Bloomberg Ticker	GENBLOC KY
Website	<a href="http://www.blpcrypto.com.br/en/">www.blpcrypto.com.br/en/</a>

### *BLP Crypto Assets FIM – Investimento no Exterior Characteristics*

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Minimum Investment	R\$100,000
Subscription	Monthly
Redemption	Monthly with 15 days pre-notice
Administration fee	2% p.a.
Performance fee	20% over CDI with High Water Mark
Administrator	Planner
Auditor	UHY Bendoraytes & Cia
Legal Counsel	Freitas Leite
ISIN Number	BR010YCTF009
Website	<a href="http://www.blpcrypto.com.br">www.blpcrypto.com.br</a>

### *BLP Criptoativos FIM – Investimento no Exterior Characteristics*

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Minimum Investment	R\$1,000
Subscription	Monthly until the last business day of the month
Redemption	Monthly until the last business day of the month
Administration fee	1.50% p.a.
Performance fee	20% over CDI with High Water Mark
Administrator	Brasil Plural
Distributor	Genial Inv., Órama, Daycoval Inv, HUB Capital e Necton
Auditor	UHY Bendoraytes & Cia
Legal Counsel	Freitas Leite
ISIN Number	BR026OCTF003
Website	<a href="http://www.blpcrypto.com.br">www.blpcrypto.com.br</a>



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