

*Portfolio Manager's comments*

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Bitcoin dominance started the month at 66.64%, reached a high of 68.84% and ended the month at 68.31%.

It has been 2 years since we launched Genesis Block Fund. It has been a volatile ride, we are glad to be outperforming BGCi for a second consecutive year. The fund was up 34.91% for the year generating 28.83% Alpha versus BGCi (up 7.08%), but we wished the market overall would have done better, especially for our early investors. Our investment thesis remains un-altered, the crypto space may prove to be an exceptional asset class being un-correlated with other assets, but patience is needed until the world starts to understand the potential benefits of a decentralized economy. We continue to see ever growing improvements in the ecosystem, from new wallets, custodians, payment processors and the *DeFi* space taking off. Mainstream adoption has not yet happened as it takes time for people to get comfortable and participate in this new ecosystem. One of the key events of 2020 will be the next *Halving* of Bitcoin, expected around May 24<sup>th</sup>. Other important developments in the space, which we will be following closely, are Libra (Facebook's attempt to launch a stable-coin backed by a basket of fiat currencies) and Bakkt's (partnership of ICE - Inter Continental Exchange - Microsoft and Starbucks) launch of their consumer App using digital assets for day-to-day payments.

We liked the article entitled [4 Obstacles to Bitcoin Mass Adoption](#). Their main conclusions were: 1. Complexity of the concept of cryptocurrencies; 2. High volatility; 3. Scalability issues; 4. Speculative approach. The technology is barely 11 years old and has evolved but it takes time. How some of these issues are being tackled: 1. Continuous educational process of the ecosystem (one of the reasons we write the monthly Tech Corner and include various links to videos and other research on crypto currencies in general); 2. Volatility will remain until more users get on-boarded and this takes time, we saw the same with new internet companies like Amazon prior to the 2001 .com bust (it took more than a decade for these new tech companies to become mainstream); 3. Scalability issues are slowly being resolved as well with layer 2 solutions like *Lightning Network* which grew tremendously in the past year; 4. The speculative characteristic of the asset remains the main media argument so investors buy and hold rather than use it, this is clearly slowly changing as more and more interfaces between merchants and consumers appear in the market delivering better UX. Clearly challenges remain, but we continue to see great potential on what is being built behind the scenes for this asset class to blossom in the coming years.

Another factor which the investment community is not looking at is the generational aspect of investment decisions. There is a huge distinction on the investment preferences amongst Baby Boomers, Gen X, and Millennials. According to recent [Charles Schwab](#) report, Bitcoin Trust (GBTC) is one of the TOP 5 equity holdings amongst millennials. In the next few years, millennials will reach their peak earning years where they start to save and invest. In 10 years they will surpass 50% of the population in the US.

Interesting [report](#) from Deutsche Bank where they mention that crypto could replace cash by 2030 as fiat system looks 'fragile'. DB's full [Konzept report](#) about potential changes (with 24 contrarian ideas) for the next decade is an interesting read.

Bitcoin started the month at \$7,570 and traded between \$6,540 and \$7,564 to close at \$7,194 down 4.97% for the month. Genesis Block Fund ended down 8.66%. Even though the news that came out were mostly positive, Fidelity Europe, ING involved in crypto custody and State Street partnership with Gemini for pilot project (details below), the market traded consistently down and most blame the [Chinese Plus Token](#) scam. Investment firm Paradigm and Dragonfly invested \$27.5mm in [Maker](#), a token that we have been slowly accumulating. Andreessen Horowitz fund a16z also has an important stake in Maker. It will be interesting to follow how the DeFi space develops in the years to come, we are excited with the prospects of tBTC, expected to be launched on the KEEP network on 1Q20 where the fund has a position together with both Paradigm, a16z and other prominent funds. Tezos was our best performing asset for a second consecutive month.

ETH completed the much-awaited [Istanbul uncontentious Hard Fork](#) smoothly but no major price reaction thereafter; it actually underperformed BTC during the month. As they continue their stride to launch Ethereum 2.0, another uncontentious hard fork is expected during the first week of January 2020.

Interesting announcements/comments:

- Japanese giant [SoftBank Group](#) launches crypto wallet card
- [Switzerland](#) strives to consolidate its place as the most crypto-friendly nation
- [Ex-Italy's Economy Minister](#) on 'Transition from old coins to new coins'
- [Bakkt](#) goes live with Bitcoin options and cash-settled future products
- [Jack Dorsey](#) eyes African market
- [ING](#) working on digital assets custody technology – sources
- [Fidelity](#) moves to establish new digital assets business supporting European Institutional Investors.
- [State Street](#) and Gemini launch digital asset pilot
- Japan's Amazon [Rakuten](#) now allows users to convert loyalty points to Bitcoin, Ether and Bitcoin Cash
- Chinese internet giant [Tencent](#) to launch digital currency research team
- [UEFA](#) tickets to be sold on the Ethereum blockchain

## 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%	34.91%	-70.24%
2018 BLP 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 BLP 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%	-63.60%
2018 BLP Criptoativos											-7.1%	-0.5%	-7.53%	
2019 BLP 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%	2.46%
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%	-79.80%
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%	12.77%

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).

## Tech corner

### tBTC

tBTC is Bitcoin on the Ethereum network. To summarize, users wishing to mint tBTC deposit Bitcoin into an address trustlessly created and controlled by a group of bonded signers. The bonds keep the system participants honest by incentivizing good behavior and punishing dishonesty. At the moment, deposits are only possible in fixed-sized lots of 1 Bitcoin and all signer bonds are denominated in ETH.

The depositor puts down a bond and sends a deposit request transaction to the tBTC smart contract on Ethereum. Sending a deposit request transaction signals to the smart contract that you would like to mint new tBTC by depositing Bitcoin. The depositor must put down a bond in the form of ETH to initiate this process. The bond serves as a form of anti-spam mechanism and is returned to the user when the deposit is completed.

A signing group is selected and the BTC wallet / deposit address they create is returned by the Ethereum contract. When creating the deposit address, the system randomly selects a group of signers which generate the Bitcoin wallet together. And so, this new Bitcoin wallet requires M of N signatures to generate valid Bitcoin transactions. In order to keep signers honest, those who wish to become a signer must put down a bond of ETH proportional to the risk they pose to the system. For example, if the BTC wallet requires 3 out of 5 signatures, the signers must each have a bond of ETH equal to 0.33 BTC.

The depositor sends the BTC to the deposit address and then sends a transaction with proof of the deposit to the tBTC smart contract. The depositor takes the deposit BTC address returned by the smart contract and sends it 1 BTC. After the transaction is confirmed, the

depositor submits a transaction including a proof which is verified on-chain by the signers with a simple payment verification (SPV) system.

The contract mints tBTC and a beneficiary token both of which are issued to the depositor. The signing group verifies the proof of deposit and issues the tBTC tokens to the depositor. The tBTC smart contract keeps 0.0005 TBTC of every deposit as a beneficiary bond. Additionally, the depositor receives an ERC-721 token which signifies the beneficiary or who receives this bond in the future.

Redeeming tBTC for Bitcoin is pretty straightforward. However, it's worth noting that the underlying Bitcoin can only be redeemed after 6 months have elapsed since the initial deposit. After which point, it's possible for anyone to redeem the deposit. Submit a redemption request transaction to the smart contract which includes your desired recipient Bitcoin address. During which you'll repay the outstanding TBTC deposit amount, signer fees, and 0.0005 beneficiary bond. The beneficiary receives their 0.0005 TBTC and little bit extra back. And, the rest of the tokens are burned, including the ERC-721. Next, the signers wait for the transaction to be confirmed on the Ethereum blockchain. Finally, the signers produce a signature which can be submitted to the Bitcoin network to send your BTC to the address you specified.

Ethereum's known for being the leading programmable blockchain with a wildly active developer community. Effectively tokenizing BTC without a middleman opens up a world of possibilities for users and developers alike. tBTC makes it possible for Bitcoin holders to tap into Ethereum's growing list of decentralized finance (DeFi) DApps. For example, smart contract developers could integrate tBTC into their DApps as collateral enabling Bitcoin holders to be able to borrow against their BTC. Or, even something as simple as Bitcoin can now be trustlessly listed on decentralized exchanges (DEXes).

tBTC is expected to launch in early 2020 on the KEEP network. Genesis Block Fund owns a small position of KEEP tokens in its portfolio with some other prominent investors such as Andreessen Horowitz (a16z), Polychain Capital, Paradigm, Draper Associates and others.

### *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., Uniletra Inv., 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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