

June 2018

Portfolio Manager's comments

The most awaited event for June was the launch of the EOS main net.

The timeline was completed in the following 5 phases:

- 1-Snapshot: was taken on June 2nd 23 hours after the freeze of the ERC-20 tokens
- 2-Boot: of chain to verify its contents and validation completed on June 4th
- 3-Test: on security and software completed on June 9th with GO-vote
- 4-Enable: main net open for Block Producer voting process on June 10th
- 5-Activation: 15% of tokens were staked to complete voting of Elected BPs on June 14th

The community and Block Producers successfully launched the Genesis block. It was extremely interesting to follow the community discussions, agreement on the snapshot of token holders and the whole voting procedure for the 21 initial Block Producers. After the launch of the EOS blockchain the tokens sold off with some heated debates over governance of the protocol. EOS gave us great results during the year however its underperformance during June hurt us and we slightly underperformed the TOP10 during June.. EOS remains our main overweight position and we believe the governance discussions will diminish going forward. We expect to see new DAPS being built on the EOS blockchain and receive a number of airdrops, one of them will be [Everipidea](#) (IQ) that will be a decentralized competitor to Wikipedia.

Bitcoins started the month at \$7,494 and traded between \$5,836 and \$7,651 closing the month at \$6,404, down 14.55% for the month. The volatility diminished substantially in the first 10 days of the month until a hack on Korea's Coinrail exchange caused a general selloff triggering a number of technical stops. On June 14th the [SEC](#) removed some uncertainty on the market when it confirmed that Ethereum is not a security and the market re-bounded from the lows. The fund was down 20.59%. We continued to trade the Gamma book with the BTCxBCH pair that traded with amplitude of 42% during the month, as it moved from over 0.15 to 0.11 we reduced our BCH underweight.

An event that we thought was very important but ignored by the market was Coinbase acquisition of [Keystone Capital](#) in a bid to become a regulated broker-dealer. It is still pending approval but this should be an important milestone for the ecosystem in the US to have the largest crypto exchange under the oversight of the SEC and FINRA.

As we wrote in previous letters, the tokenization of different assets could be potentially huge. We have been looking for decentralized investment alternatives that facilitate the process of launching Security tokens. During Consensus we met with the [Polymath](#) team. After careful consideration we bought a small amount of their tokens that have the potential to act as *middlemen* for the issuance of Security tokens. The tokens have yet to perform since we acquired them.

Interesting announcements/comments:

- [Fidelity](#) is quietly building a cryptocurrency exchange.
- [Japanese Corporation](#) begins offering loans secured by crypto currencies.
- [Microsoft](#) confirms it is acquiring [GitHub](#) for \$7.5 billion.
- [Coinbase](#) is coming to Japan.
- [Universities](#) are starting to invest in crypto.
- [China State TV](#) said Blockchain is 10 times more valuable than the internet.
- [South Korean Supreme Court](#) rules Bitcoin is an asset.
- [Susquehanna Int Group](#) started trading cryptocurrencies.
- [El-Erian](#) calls bitcoin a buy if its price falls below 5,000
- [Andreessen Horowitz](#) has launched a \$300mm Crypto Fund

Monthly estimated return

	Jan	Feb	Mar	Apr	May	Jun	YTD 2018
Genesis	-16.00%	-5.17%	-37.38%	57.20%	-20.19%	-20.59%	-50.30%
Bitcoin	-27.80%	1.73%	-32.93%	32.51%	-18.90%	-14.55%	-54.76%
TOP10	-21.20%	-12.40	-41.64%	53.12%	-20.90%	-19.41%	-60.68%

Tech corner

Sharding

To address the scalability problem the Ethereum team is working on a solution called Sharding. The idea of sharding is to split the space of possible accounts into subspaces, for example, based on first digits of their numerical addresses.

Each shard gets its own set of validators, and these validators will not normally need to validate all the shards. Transactions between the accounts within the same shard would work in the same way as they work today.

Contracts wishing to communicate across multiple shards will need to employ some special techniques, based on the concept of transaction receipts. The crucial difference between calling a contract directly and verifying the receipts is that for direct call one needs to run the code of the contract you're calling, but for verifying a receipt you only need to be sure that receipt cannot be produced by anything else than the transaction you want.

For example, if you want to accept a payment in tokens managed by a different shard, you would generate the payment ID, give it to the payer, ask the payer to pay in the remote shard (with payment ID), and 'bring you back' the receipt.

Sharding allows scaling Ethereum further, because not all nodes of the network will have to execute all of the transactions.

Fund Characteristics

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
Contact	genesis.block@blpasset.com.br

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