

March 2018

Portfolio Manager's comments

According to [Amara's Law](#): "We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run". As tech investors we need to adjust to this pattern by separating tendency from noise.

March started with an announcement from Germany's Finance Ministry that for tax purposes it will regard Bitcoin as money when used as a means of payment, [on their words](#) "Virtual currencies (cryptocurrencies, e.g., Bitcoin) become the equivalent to legal means of payment, insofar as these so-called virtual currencies of those involved in the transaction as an alternative contractual and immediate means of payment have been accepted." That means no taxes on capital gain when purchasing goods with Bitcoin and with that Germany has gone almost as far as Japan in incorporating Crypto Assets as payment channels.

For the second consecutive month, Regulatory concerns were the main driver for prices with comments from SEC officials regarding ICOs causing a severe sell-off on Alt coins during the first 2 weeks of March dragging the whole market down. Fears of [G20](#) meeting in Argentina did not help market sentiment. Bitcoins started the month at \$10,397 and hit intra-month low of \$6,684 on March 31st to close the month at \$6,974.

We used this second leg sell off on the Alts to decrease our underweight Alt x BTC position to almost zero decreasing the overall risk of our portfolio. We kept most of our intra pair trades and we continue overweight currencies against operational systems.

We also started a trading book where we intend to keep a short Gama position trying to capture some of the current volatility, the size of the book was limited to 10% of the NAV and was able to generate some Alpha during March.

In the coming weeks we are concluding our first ICO investment, [Keep](#), a privacy layer for the Ethereum blockchain, which can be replicated on other blockchains as well. We participated on this pre-sale with some strategic investors such as [Andreessen Horowitz](#) fund and Polychain Capital, which were also lead investors. As early stage investors, we will need to run a full node staking our tokens on the *mainnet* that will generate some extra income for the fund.

Continuing on the [tokenization thesis](#) briefly commented on February's Investment letter, the debate of Security tokens X Utility tokens is heating up. There is clearly a massive pool of privately held assets, which could be tokenized. As the SEC and other governing bodies decide best practices a lot could change in the future.

We had some great feedback from our clients on the content of our monthly letter. Clearly there are several investors that want to learn more about the ecosystem as it develops so we decided to add a Tech Corner, which every month will go into more detail on some specific issues of the ecosystem. This month we start with a summary of the TOP10 market

cap tokens. We hope these will help educate everyone as we move along. In April we will explain the differences among Consensus algorithms and their impact on the different assets, this discussion is particularly important as Ethereum prepares to migrate from Proof of Work to Proof of Stake.

Interesting announcements/comments:

- [Japan announced](#) the creation of a Regulatory Body to prevent cryptocurrency exchange hacks
- Microsoft started accepting [Bitcoin Cash](#)
- Berkeley, CA, is considering instead of issuing municipal bonds to issue an ICO, which they are calling "[Initial Community Offering](#)" using blockchain technology to improve efficiency and save fees by removing the middleman, the banks.
- Twitter and Square CEO Jack Dorsey made a [comment](#) that Bitcoin will be the world's single currency within 10 years

Monthly estimated return

	Jan	Feb	Mar	Apr	May	Jun	YTD 2018
Genesis	-16.00%	-5.17%	-37.17%				-49.95%
Bitcoin	-27.80%	1.73%	-32.93%				-50.74%
TOP10	-21.20%	-12.40	-41.64%				-59.72%

Tech corner

<u>Token</u>	<u>Launch</u>	<u>Mkt Cap</u>	<u>Description</u>
Bitcoin	Jan 2009	\$118.71bn	Peer-to-peer global payment system. First decentralized digital currency where all transactions are verified by network nodes through cryptography and recorded on the public distributed ledger, called blockchain.
Ethereum	Jul 2015	\$39.14bn	Operating system featuring smart contract functionality. Currently the most popular platform for issuance of ICOs. Functions as a global computer where ETH is exchange for the computations performed.
Ripple	2012	\$20.09bn	Real-time gross settlement system, currency exchange and remittance network. Being adopted by banks and payment networks as settlement infrastructure technology.
Bitcoin Cash	Aug 2017	\$11.73bn	Peer-to-peer cryptocurrency with larger block size (4MB instead of 1MB). It is a fork from Bitcoin.
Litecoin	Oct 2011	\$6.5bn	Peer-to-peer cryptocurrency with shorter block times (2.5 minutes instead of 10). It is a fork from Bitcoin.
EOS	Jun 2017	\$4.58bn	Operating system via blockchain architecture designed to enable vertical and horizontal scaling of decentralized applications.
Cardano	Sept 2017	\$4.06bn	Distributed computing platform that aims to run smart contracts, decentralized applications, side chains, multi-party computation and metadata.
Stellar	2014	\$3.85bn	Open-source protocol for exchanging money. Payment platform for micropayments and reduced cost of remittances. It is a fork from Ripple.
NEO	Feb 2014	\$3.27bn	Blockchain platform and cryptocurrency which enables the development of digital asset and smart contracts in China.
Iota	Jun 2014	\$3.00bn	Cryptocurrency designed for Internet of Things, it enables secure sale and sharing of data streams for micropayments. It is not a blockchain but a Tangle which minimizes cost of energy from mining.

Fund Characteristics

Minimum Investment	\$100,000
Subscription	Monthly
Redemption	Monthly with 15 days pre-notice
Administration fee	2% p.a.
Performance fee	20% over 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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