

April 2018

Portfolio Manager's comments

After a difficult first quarter markets entered the second quarter on a much better mood. The crypto market had a strong April with the fund up 57.74% and Bitcoin up 32.51% fueled by a catch-up rally on Alt coins. The fund is currently outperforming both Bitcoin and the portfolio of the TOP10 highest market caps.

Historically the first quarter has been challenging for the crypto market as shown in the table below (data from the past 5 years when it became more tradable):

| YEAR | 1Q | 2Q | 3Q | 4Q |
|------|--------|--------|--------|--------|
| 2013 | | | 37,7% | 466,9% |
| 2014 | -39,4% | 40,0% | -39,5% | -17,3% |
| 2015 | -23,7% | 7,7% | -10,3% | 82,4% |
| 2016 | -3,2% | 61,6% | -9,4% | 58,1% |
| 2017 | 11,2% | 131,5% | 74,9% | 226,3% |
| 2018 | -50,7% | | | |

This year the crypto tax burden on Americans was very high due to the massive capital gains during 2017. It is estimated that approximately \$25 billion of *Crypto Tax* was paid on a base of approximately \$145 billion. The SEC is still discussing how to regulate this new frontier, but Uncle Sam is very happy.

During April we were very active trading BTC x Alts. As we diminished our Alts underweight during the March sell-off we started the month practically neutral. During the first 2 weeks we went overweight in Alts which paid off handsomely. During the last few days we reduced again our Alts overweight to lock in the gains which generated the bulk of the Alpha for the month. One can think about Alts as a higher Beta play so it is an important leverage mechanism to time the market. We continue to be overweight operational systems (via EOS) and underweight money movers (via Ripple). Due to market conditions we didn't trade our Gama Book but we decreased our cash position to capture the market improvement, we are currently 97% long. We also did a few intra Alts swaps that did quite well, to name a few: we reduced our overweight Litecoin position into Tron; we decreased our underweight IOTA position after their [partnership news](#) became public; we reduced our BCH position x BTC given the strong outperformance during the month.

This month we signed the SAFT (Simple Agreement for Future Tokens) for the KEEP ICO and settled the transaction. Tokens should be available late on 2Q and these will be marked at cost until they get listed on exchanges. We have been invited to participate on the second round of [Dfinity](#) ICO (another ICO that was led by Andreessen Horowitz and Polychain Capital) and are finalizing our analysis on their utility vis a vis valuation.

In May we will participate in the main crypto conference event of the year called [CONSENSUS](#), Last year they announced some great projects of which [EOS.IO](#) was an important one.

EOS is our largest overweight position since Day 1 of the fund. When we initially bought them, it wasn't even in the TOP10 highest market caps but slowly made its way to 5th position (overtaking Litecoin) with \$14.5 billion market cap after a 100% YTD nominal return and a staggering 193% return during April alone. [Block.one](#) is the company behind this protocol, which we follow closely since their initial equity raise in June 2017 to start development and build their roadmap. They have a well-known team and solid track record lead by their CEO [Brendan Blumer](#) and their CTO Dan Larimer. EOS structured their ICO very differently from the industry standard., for a 350-day period they are issuing tokens daily (ending in June 2018). They used this unique format to spread their tokens among a wide community and to avoid the notorious pump & dumps that unfortunately happen with many ICOs. They have raised an astonishing [\\$3 billion](#) so far. On April 5th they announced the latest version of their code, [Dawn 3.0](#) that was very well received by the developer community. This third-generation protocol is the foundation where developers can build Decentralized Applications (DAPS) with massive scalability. They have also announced several strategic JV Partnerships:

- \$325mm JV with Mike [Novogratz's Galaxy Digital](#) for EOS.IO Fund
- \$200mm JV fund with Michael Cao and Winnie Liu to Accelerate Asia-Focused EOS.IO Ecosystem Development, called [EOS Global](#)
- \$100mm [FinLab AG](#) JV to Accelerate Development of EOS.IO Projects in Europe
- JV with VC firm [Tomorrow Blockchain Opportunities](#) to form Blockchain Focused Fund

We continue to be very excited with this project. We will be following it closely as they are less than 5 weeks away from launching their blockchain.

This month we participated in a very interesting webinar organized by Cumberland with several crypto hedge fund managers and the main discussion was Institutional Investor participation in this ecosystem. It is becoming clearer everyday that it is no longer a question of *IF* but *WHEN* these investors will enter. The infrastructure to service these clients is being built, interesting [podcast](#) on this subject by an ex-State Street employee.

For those who are interested there is a great 5-episode documentary from 2013 called [The Ascent of Money](#) by Niall Ferguson, which is a great lesson on financial history.

Interesting announcements/comments:

- [Nasdaq](#) is considering becoming a digital currency exchange
- [Reuters survey](#) shows 56 Finance Firms preparing to get involved in cryptos
- Bitcoin becomes [Shariah Law compliant](#)
- [Samsung](#) starts building ASIC chips for mining
- [Germany's](#) second biggest stock exchange unveils crypto trading app
- [Soros and Rockefeller](#) funds prepare to start trading crypto currencies
- [Andreessen Horowitz](#) is preparing to launch a separate fund for crypto investments
- [Monex Group](#), Japanese online brokerage in Japan takes over Coincheck
- [Russian Hotels](#) will accept Bitcoin payments during World Cup
- [European](#) countries join Blockchain Partnership

Monthly estimated return

| | Jan | Feb | Mar | Apr | May | Jun | YTD 2018 |
|----------------|---------|--------|---------|--------|-----|-----|----------|
| Genesis | -16.00% | -5.17% | -37.38% | 57.74% | | | -21.31% |
| Bitcoin | -27.80% | 1.73% | -32.93% | 32.51% | | | -34.73% |
| TOP10 | -21.20% | -12.40 | -41.64% | 53.12% | | | -38.32% |

Tech corner

When analyzing different protocols one often comes with the discussion of which Consensus Algorithm it uses. No consensus algorithm is perfect, but they each have their strengths. In the world of crypto, consensus algorithms exist to prevent *double spending*.

There are many different Consensus Algorithms and we will try to briefly explain the most used ones in today's crypto community.

| Consensus Algorithms | Description | Pros | Cons | Protocols |
|-----------------------------|---|--|-------------------------------------|-------------------|
| POW (Poof-of-Work) | Is the first blockchain consensus algorithm. In PoW, miners solve hard, useless problems to create blocks. PoW runs on a system of "the longest chain wins." So assuming most miners are working on the same chain, that one will grow fastest will be the longest and most trustworthy. | It works | Slow throughput, energy inefficient | BTC, ETH (*), LTC |
| POS (Proof-of-stake) | The blocks aren't created by miners doing work, but by minters staking their tokens to "bet" on which blocks are valid. In the case of a fork, minters spend their tokens voting on which fork to support. Assuming most people vote on the correct fork, validators who voted on the wrong fork would "lose their stake" in the correct one. | Energy efficient, attacks more expensive, more decentralized | Nothing at stake | DCR |

| | | | | |
|--|--|--|----------------------------------|-----------------------------|
| DPOS (Delegated Proof-of-Stake) | Token holders don't vote on the validity of the blocks themselves, but vote to elect delegates to do the validation on their behalf. There are generally between 21-100 elected delegates in a DPoS system. The delegates are shuffled periodically and given an order to deliver their blocks in. Having few delegates allows them to organize themselves efficiently and create designated time slots for each delegate to publish their block. If delegates continually miss their blocks or publish invalid transactions, the stakers vote them out and replace them with a better delegate. | Cheap transactions, scalable, energy efficient | Partially centralized | EOS Steemit BitShares |
| POA (Proof-of-Authority) | Transactions are validated by approved accounts, kind of like the "admins" of the system. These accounts are the authority that other nodes receive their truth from. PoA has high throughput, and is optimized for private networks. You're unlikely to see PoA running on a public chain due to its centralized nature. | High throughput, scalable | Centralized | POA Network |
| PoWeight (Proof-of-Weight) | Is a broad classification of consensus algorithms based around the Algorand consensus model. The general idea is that where in PoS, your percentage of tokens owned in the network represents your probability of "discovering" the next block, in a PoWeight system, some other relatively weighted value is used. | Customizable, scalable | Incentivation can be challenging | Filecoin |

| | | | | |
|--|--|--|---------------------|---------------------------------|
| BFT (Byzantine Fault Tolerance) | <p>There's this classic problem is distributed computing that's usually explained with Byzantine generals. The problem is that several Byzantine generals and their respective portions of the Byzantine army and have surrounded a city. They must decide in unison whether or not to attack. If some generals attack without the others, their siege will end in tragedy. The generals are usually separated by distance and have to pass messages to communicate. Several cryptocurrency protocols use some version of BFT to come to consensus, each with their own pros and cons.</p> | <p>High throughput, low cost, scalable</p> | <p>Semi-trusted</p> | <p>XLM XRP Hyper-ledger</p> |
|--|--|--|---------------------|---------------------------------|

(*) ETH is in the process of changing from POW to POS in the coming months.
Next month we will explain Lightning Network and the impact that it may have.

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 |

IMPORTANT DISCLOSURE AND DISCLAIMER

THIS LETTER IS INTENDED ONLY FOR THE USE OF THE RECIPIENTS HEREOF, AND CONTAINS CONFIDENTIAL INFORMATION. THIS LETTER MAY NOT BE REPRODUCED, DISTRIBUTED OR PUBLISHED BY ANY SUCH RECIPIENT HEREOF FOR ANY PURPOSE, WITHOUT PRIOR WRITTEN AUTHORIZATION OF BLP GESTORA DE RECURSOS LTDA.

THIS LETTER IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT INTENDED TO PROVIDE SPECIFIC INVESTMENT ADVICE FOR YOU AND SHOULD NOT BE RELIED UPON FOR THAT PURPOSE. YOU SHOULD NOT ACT OR RELY ON ANY INFORMATION PROVIDED HEREIN WITHOUT SEEKING THE ADVICE OF A PROFESSIONAL.

NO INFORMATION PROVIDED IN THIS DOCUMENT CONSTITUTES A SOLICITATION, OFFER OR RECOMMENDATION TO BUY OR SELL SHARES OF ANY INVESTMENT FUND TO BE MANAGED OR SPONSORED BY BLP GESTORA DE RECURSOS LTDA. OR ITS AFFILIATES NOR SHOULD IT BE CONSTRUED AS SUCH IN ANY JURISDICTION WHERE SUCH A SOLICITATION, OFFER OR RECOMMENDATION WOULD BE ILLEGAL.

THIS LETTER MAY CONTAIN ASSUMPTIONS, ESTIMATES, ILLUSTRATIONS AND INDICATIVE VALUES (THE "INFORMATION") WHICH MAY BE AMENDED AT ANYTIME THEREBY IMPACTING ON THE OUTCOME OF THE PRESENTED BUSINESS. ALTHOUGH COLLECTED FROM RELIABLE AND SELECTED SOURCES, BLP GESTORA DE RECURSOS LTDA. DOES NOT ENSURE THE ACCURACY, UPDATING, PRECISION, ADEQUACY OR VERACITY OF THE INFORMATION PROVIDED HEREIN. NO REPRESENTATION IS MADE THAT ANY TRANSACTION CAN BE AFFECTED AT THE VALUES PROVIDED HEREIN AND NEITHER BLP GESTORA DE RECURSOS LTDA. NOR ANY OF ITS DIRECTORS, OFFICERS OR EMPLOYEES ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY DIRECT OR CONSEQUENTIAL LOSS ARISING FROM ANY USE OF ANY INFORMATION CONTAINED HEREIN.

THE PAST IS NOT A GUARANTEE FOR FUTURE PERFORMANCE. ANY PERFORMANCE FIGURES PRESENTED HEREIN ARE GROSS OF TAXES.

INVESTMENT FUNDS PERFORMANCE IS NOT GUARANTEED BY FUND ADMINISTRATORS OR FUND MANAGERS, OR BY ANY CAPITAL PROTECTION MECHANISM.

THE FUNDS REFERRED HEREIN HAVE LESS THAN TWELVE (12) MONTHS OF OPERATION. AN ANALYSIS OF AT LEAST 12 (TWELVE) MONTHS IS RECOMMENDED WHEN EVALUATING INVESTMENT FUNDS' PERFORMANCE.

INVESTORS MUST NOTE THAT AN INVESTMENT IN ANY INVESTMENT FUND TO BE MANAGED OR SPONSORED BY BLP GESTORA DE RECURSOS LTDA. WILL BE SUBJECT TO RISKS. THE VALUE OF INVESTMENTS MAY FALL AS WELL AS RISE AND INVESTORS MAY NOT GET BACK THE AMOUNTS INVESTED.

BEFORE MAKING AN INVESTMENT DECISION, PLEASE READ THE RELEVANT OFFERING DOCUMENTS, THE FUNDS' BYLAWS AND OTHER OFFERING MATERIALS IN THEIR ENTIRETY.