

February 2018

Portfolio Manager's comments

The key event for the month was the Cryptocurrency hearing at the [US Senate Banking Commission](#) with the presence of both heads of the CFTC and SEC on February 6th.

Market was apprehensive on the outcome of the hearing and Bitcoin which started the month at \$10,221 fell to a low of \$6,048 by February 6th. As the tone during the discussions was constructive, Bitcoins started recuperating and reached an intra-month high of \$11,958 closing the month at \$10,398.

February was another volatile month, but the fund again was able to navigate this kind of environment generating alpha for our clients. Being underweight in cryptos at the beginning of the month (higher cash balance) and the active trading in several coin pairs were responsible for most of our outperformance relative to the TOP10 highest market cap cryptos. During the second half of February the fund decreased the underweight Alts allocation and we are entering March with less relative risk in our portfolio. We have a relative value trade among the pair ETH and EOS that underperformed during February, but we are holding these positions for the time being. We continue to have an underweight position in some large cap alts like Ripple and NEM which fell 22% and 48% respectively during February.

On May 22, 2010 [Laszlo Hanyecz](#) bought two Papa John's Pizza for 10,000 Bitcoins (\$41 at that time) this was the first transaction made with Bitcoins so every May 22 Pizza Day is celebrated. Last month he entered history again by buying another time the *Italian favorite* but now using the [Lightning Network](#) to settle his Bitcoin transaction. For quite some time the community is discussing ways to solve the *Cup of coffee problem* or how can I use Bitcoin to buy my daily cup of coffee on my way to work if the transaction takes at least 10 minutes to settle and sometime costs more than the Coffee itself? Lightning Network may be the answer to this scalability problem since with this new technology, that's been headed by six different groups, Bitcoin transactions will settle instantly (using Side chains), with huge scalability and by a fraction of today's transaction cost. By doing the first transaction using a beta version of the Lightning Network Laszlo shows that we are closer to an important technological breakthrough and in our opinion, this could be a major driver for the currency during 2018.

Tokenization is challenging the old-style method of funding for early stage tech start-ups. [22x Fund](#), was announced and is close to finalizing their \$35mm raise for 30 start-ups that were chosen by Y Combinator's 500 Accelerator Program elected on the second half of 2017. This was not an ICO for our fund, given it is not the fund's mandate to invest in early stage start-ups but the potential of tokenization of assets via ICOs could radically change

capital markets in the future and third-generation tokens like EOS and Cardano, explained in January's investment letter, are well positioned to capture value in this process.

Interesting announcements:

- [Galaxy Holdings](#) raised \$250mm for their crypto merchant bank
- Andreessen Horowitz and Polychain Capital invest \$61mm on [Dfinity](#) protocol, they received tokens (instead of equity) that will power the giant decentralized computer as the internet's Cloud 3.0
- Boston headquartered [Circle](#), backed by Goldman Sachs and Baidu, announced the acquisition of Poloniex, 14th largest crypto exchange for \$400mm

Monthly estimated return

	Jan	Feb	Mar	Apr	May	Jun	YTD 2018
Genesis	-16.00%	-4.84%					-20.07%
Bitcoin	-27.80%	1.73%					-26.55%
TOP10	-21.20%	-12.40%					-31.00%

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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