



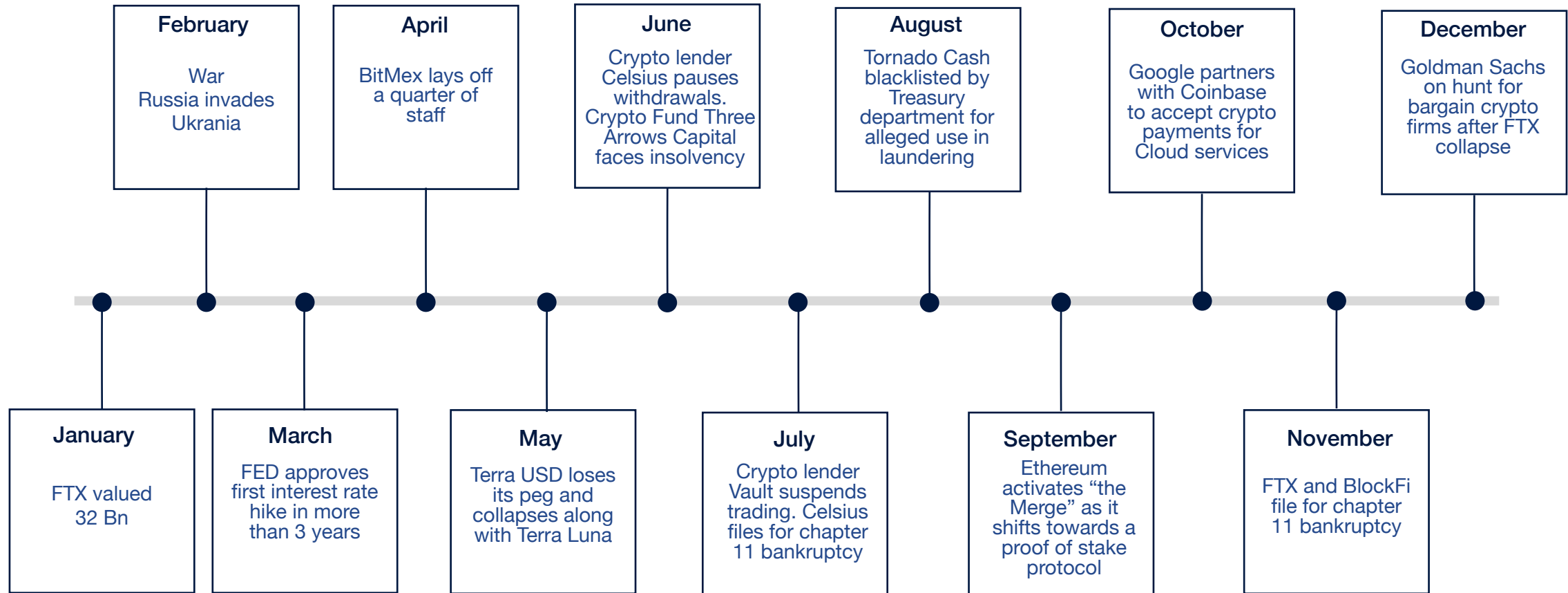
Where are we in the cycle?

Blockchain Strategies Fund

World's First
Blockchain & Digital Assets
Fund of Funds

The year of the Black Swan

Terra Luna - Celsius - Three Arrows Capital - BlockFi - FTX's fall outs

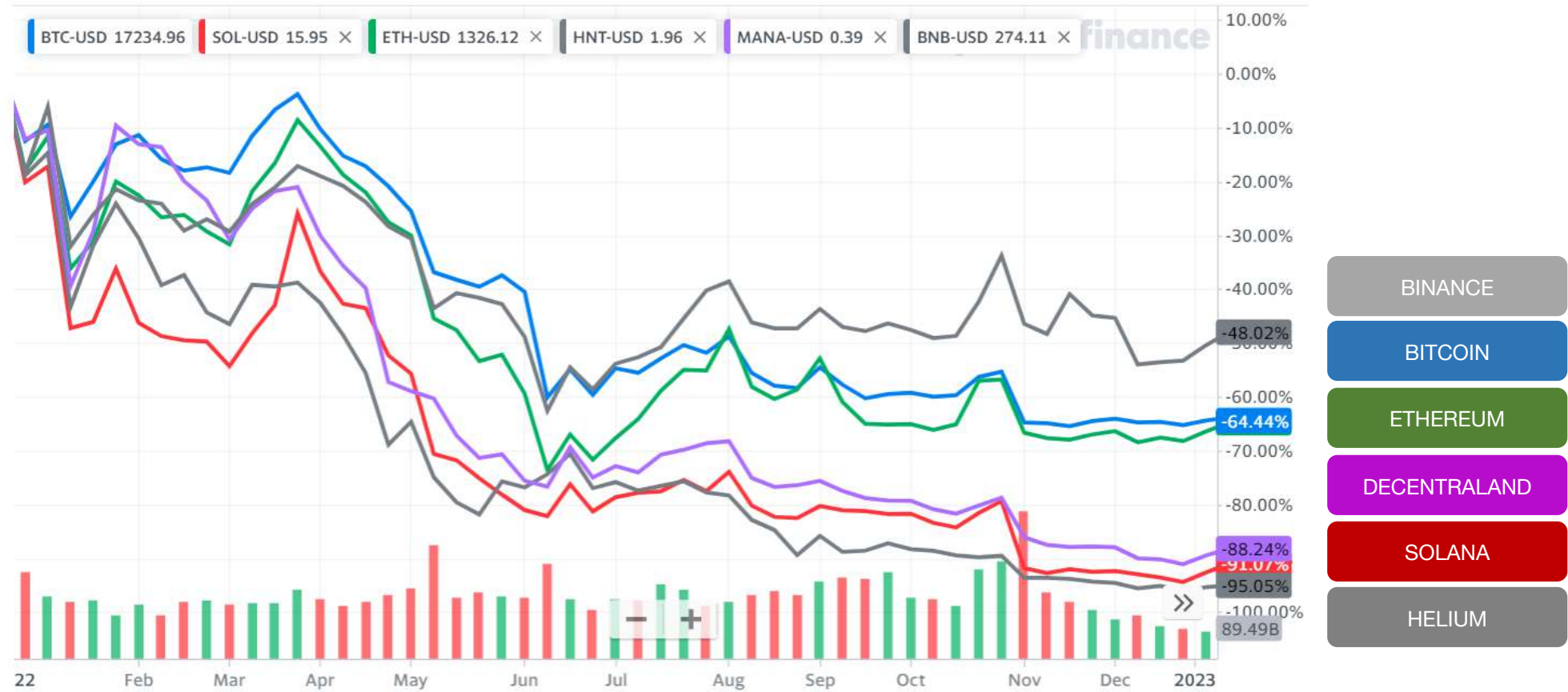


The asset class dropped from a \$3 tn peak to +/- \$800 bn (Dec 2022)
As a result, most of the gains from previous market peak were erased



Source : trading view

This was the 2nd worst annual return for Bitcoin since launch
 The wider market crashed even more (90% drawdown for many altcoins)



Note: the worst annual return for Bitcoin was -73% in 2018.

Despite setbacks, digital assets are here to stay

Increased institutional adoption, more use cases. DeFi remains in its infancy, hence the potential

- Transactions amounted to over +\$7 tn of value on chain

<p>Bitcoin</p> <p>Legal tender for emerging economies</p> 	<p>Stablecoins</p> <p>Settlement volumes rivaling incumbents</p> 	<p>Computing</p> <p>Web3 computing protocols re-decentralize the internet</p> 
<p>DeFi</p> <p>DeFi Marketcap is less than 1% of banks & yields are higher</p> 	<p>NFTs</p> <p>NFTs offer 10x creator incentives and user IP rights</p> 	<p>DAOs</p> <p>DAOs can scale entities at internet speed</p> 

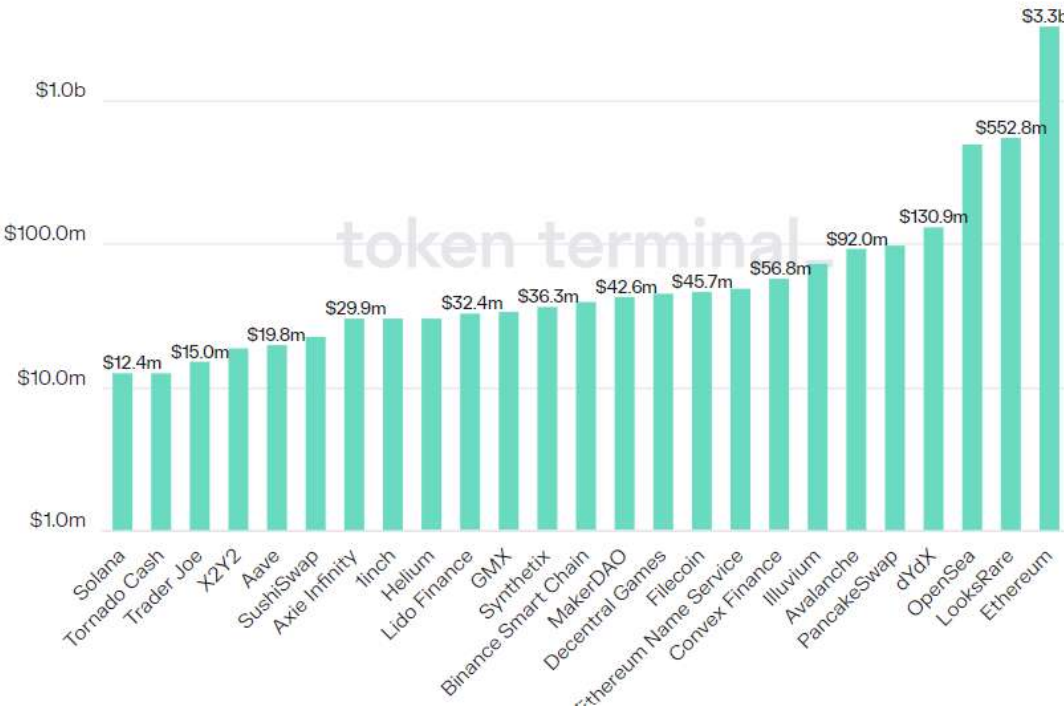
source: Messari, BAM

The digital assets ecosystem generates billions of annual revenues already

Those are real revenues produced by main blockchains & Dapps

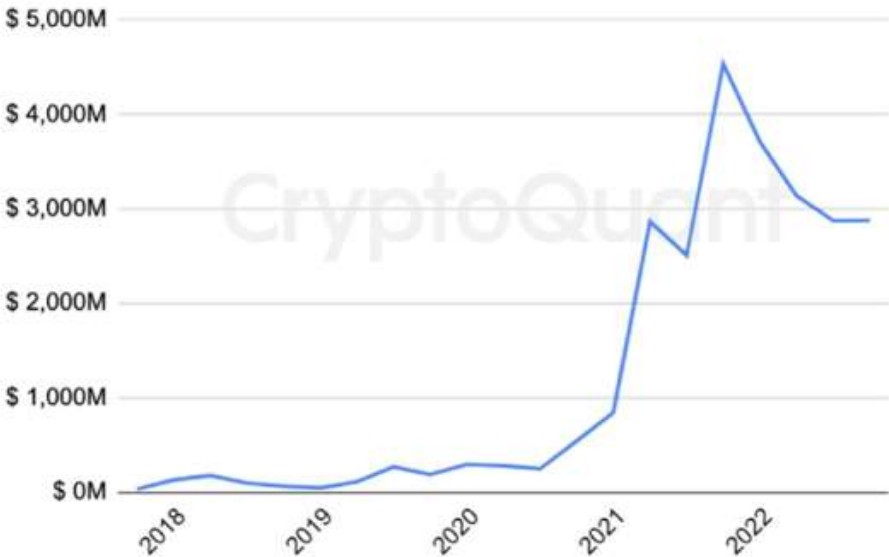
- Blockchain & Dapps annual revenues reached + \$5.2 bn in 2022
- Binance annual revenue reached + \$12 bn in 2022 (10x in 2 years) / +30 mn users

Annual revenues Blockchains & Dapps in 2022 (\$ bn)



Source: token terminal

Quarterly Revenues Binance (\$ bn)

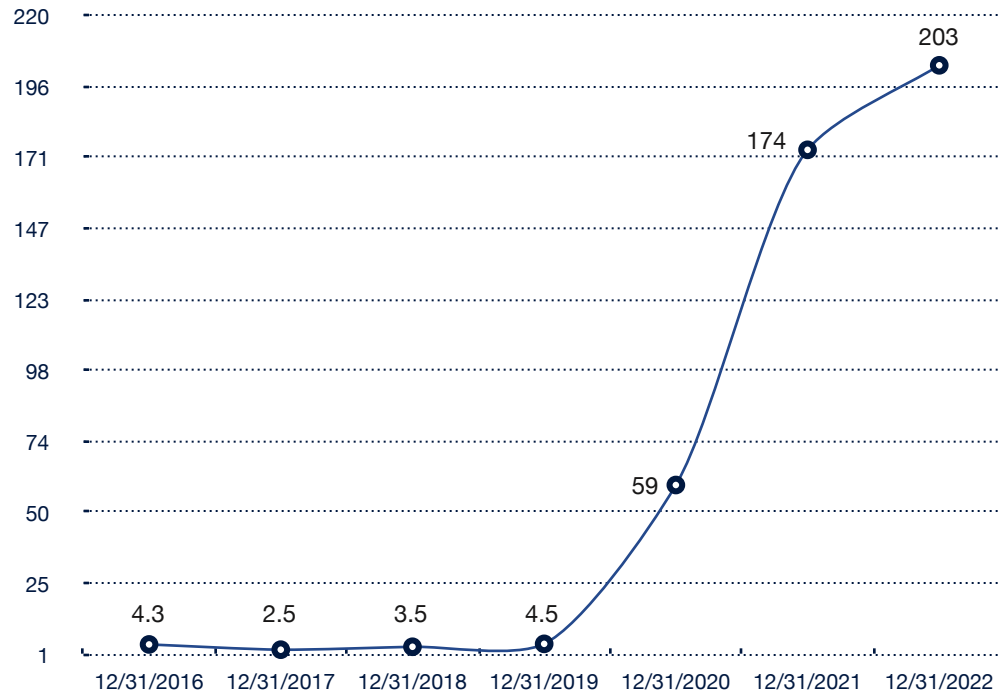


Source: Crypto Quant

Institutional investors are entering the asset class irrespectively of market volatility

- Number of M&A deals has sky rocketed and shows increasing interest
- In 2022, 49% of VC Dollars went towards DeFi, Scaling Solutions and alternative Layer 1 protocols

Number of M&A transactions



Source: Architect Partners

Amount raised \$ mn

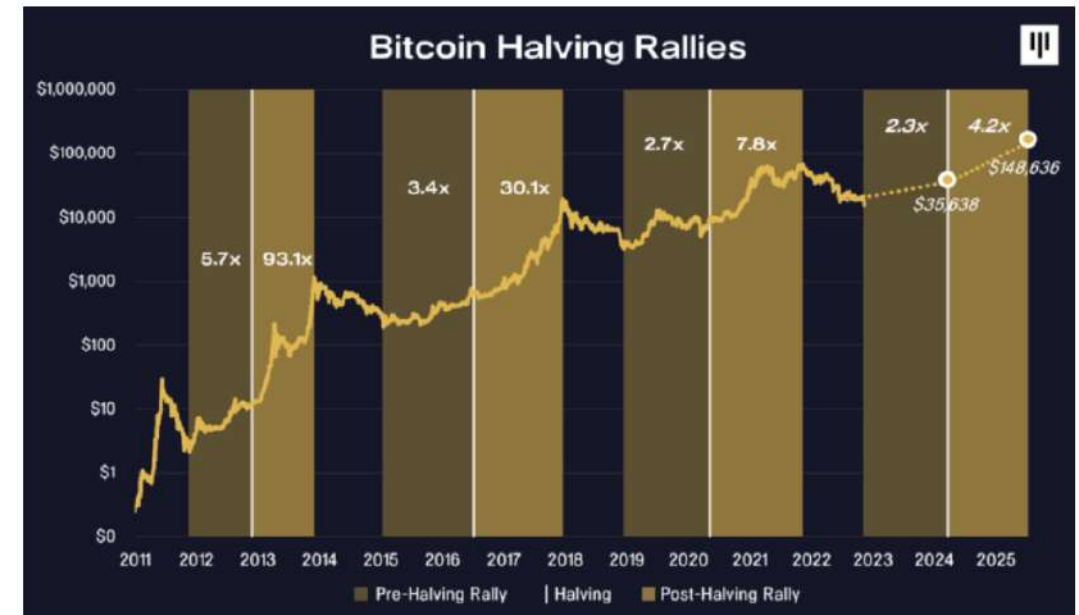
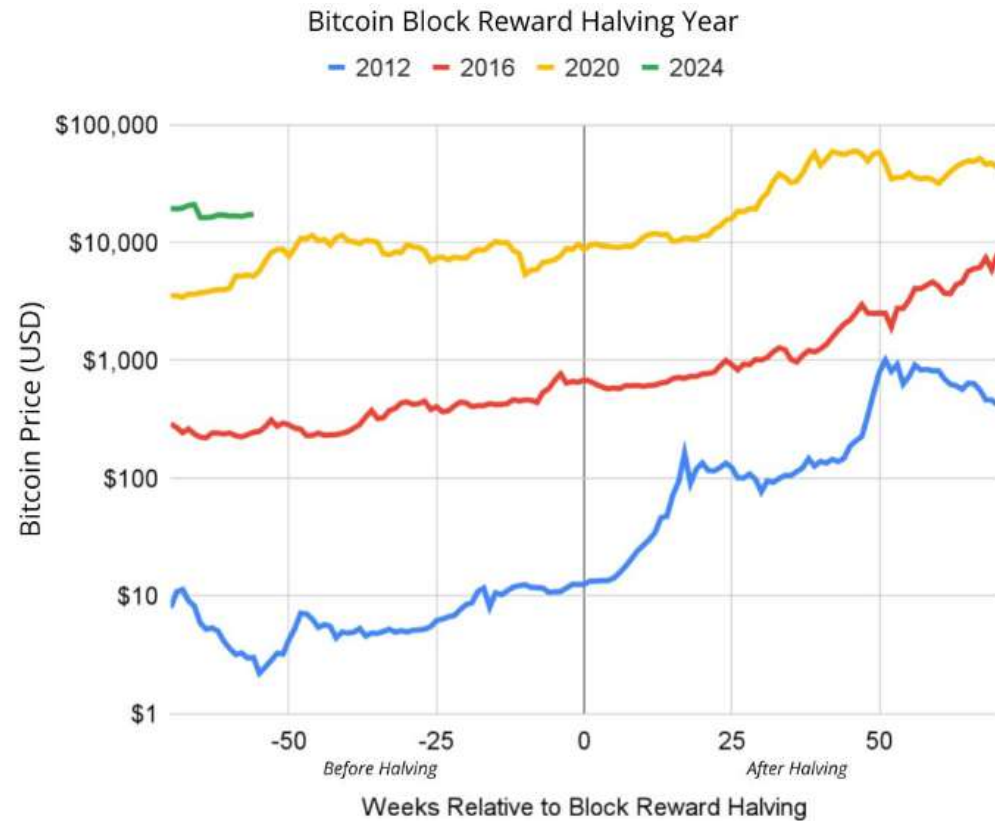
Category	\$ mn	N° Startups
DeFi	945	57
Scaling solution	550	2
Layer 1	456	7
Gaming	356	3
Development tool	352	7
Analytics	251	3
CEX	235	5
Zero Knowledge Industry	204	2
Smart Contract & Security	148	5
NFT	128	20
Social & Web 3.0	92	15
Storage, Hardware, Wallet	73	8
Data and ID	67	5
DAO	36	2
Cross-Chain	24	2
Insurance	14	1
DEX	10	2
Stablecoin	5	3
Social Platform	2	1

What indicators tell us about the current cycle

Bitcoin's scheduled block reward halving has historically provided a positive impact on price



- Crypto cycles last 4 years on average
- Cycle low occurs ahead of the event, historically approx. 15 months earlier (pre-halving rally)
- Investors positioning ahead of the halving have benefited historically from spectacular returns



Source: Pantera

Bitcoin is getting increasingly scarce

Stock-to-Flow model suggests Bitcoin should reach \$100,000 by 2024. Currently the most undervalued since 2013

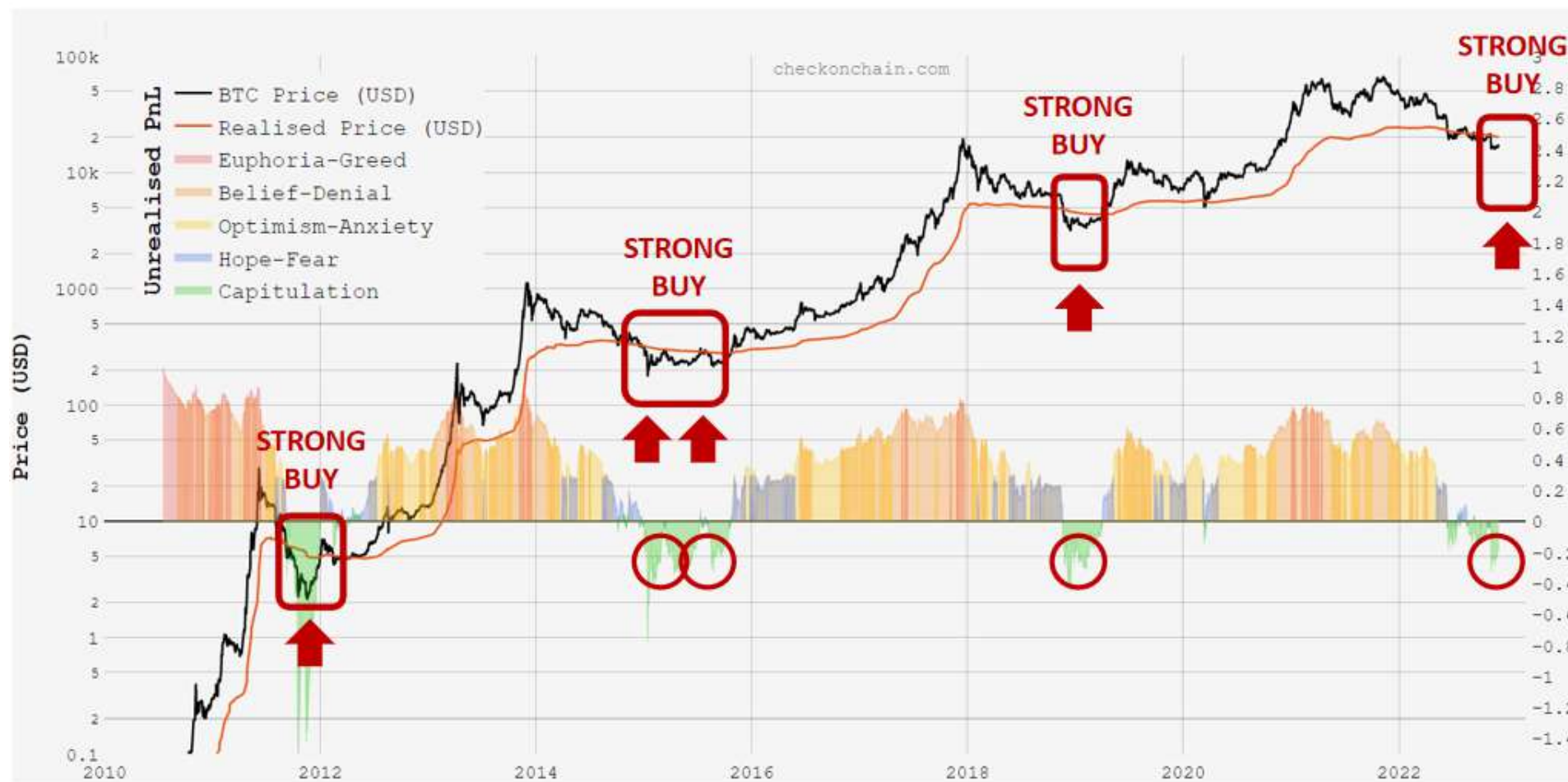
- The circulating supply of Bitcoin currently stands approx. at 19.3 mn (92% of the capped maximum supply of 21 mn coins)
- Now, there are only approx. 1.7 mn left to be mined before the limit of 21 mn Bitcoins is reached



Note: as the amount of bitcoins to be mined reduces over time, the stock to flow number increases, as supply coming onto the market is reducing. That is why this model is forecasting that the price of Bitcoin will increase in the future.

Investors' P&L for Bitcoin is in capitulation territory

Historically, those were the best moments to invest, on a contrarian basis



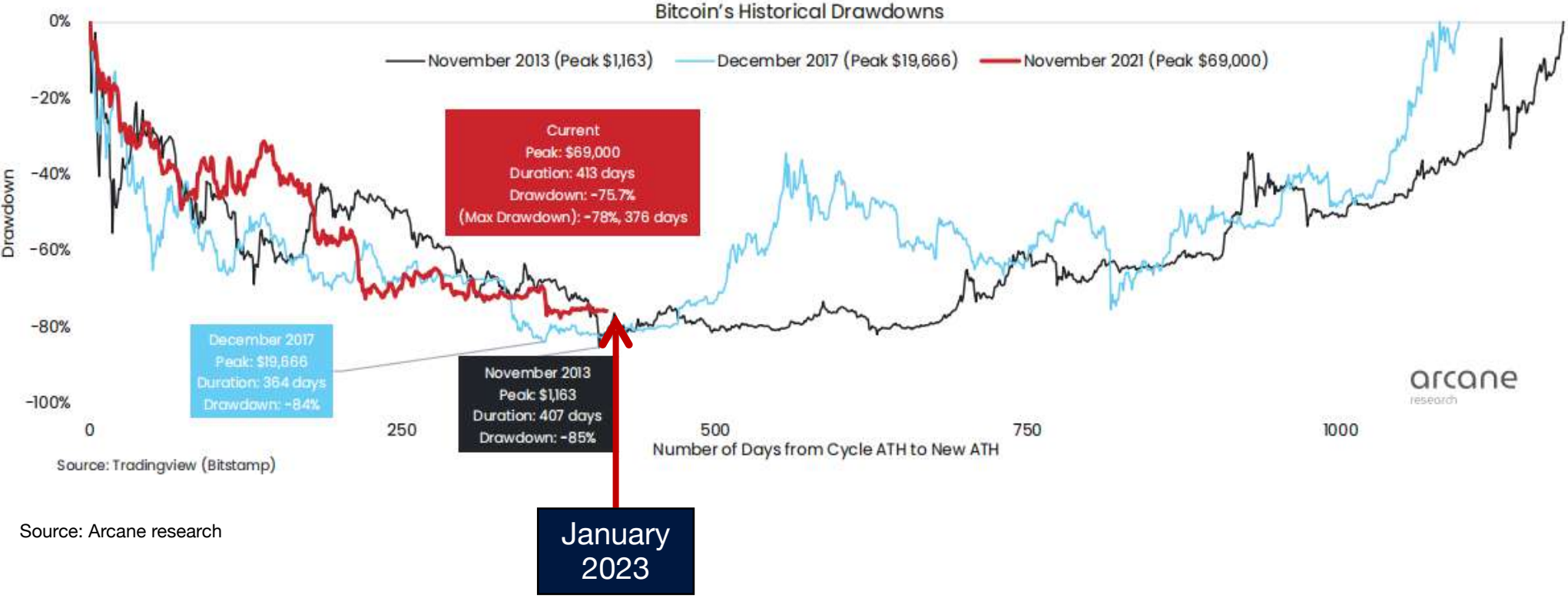
Bitcoin Reserve Risk currently at lowest level ever, which is bullish
Suggests a high conviction among long term holders



Source: Glassnode, BAM

Note: Reserve Risk allows us to visualise the confidence amongst long-term Bitcoin holders relative to the price of Bitcoin at a given moment in time. When confidence is high and price is low then there is an attractive risk/reward to invest in Bitcoin at that time (green zone). When confidence is low and price is high then risk/reward is unattractive (red zone). Investing in Bitcoin during periods where Reserve Risk is in the green zone has produced outsized returns over time.

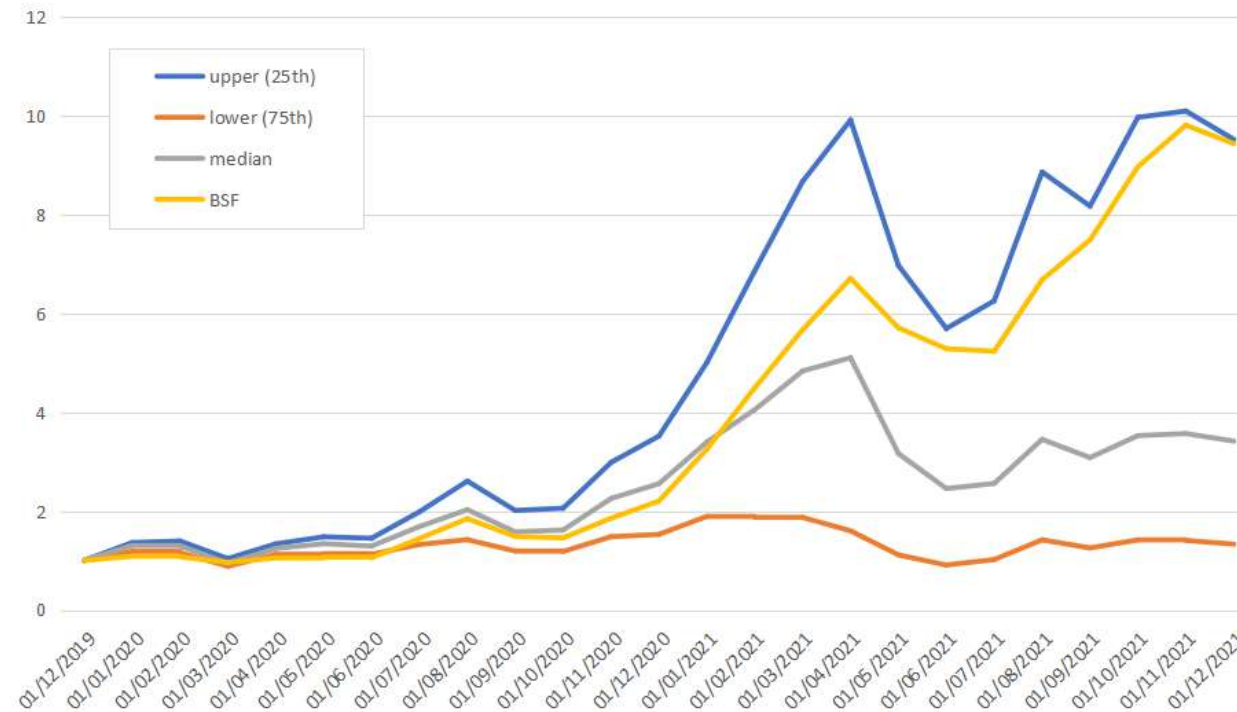
We are now entering the best part of the cycle to invest
Based on past cycles, the window of opportunity is now



What happened the last time we experienced a cycle low?

Block Asset Management delivered x10 return

- Significant outperformance on the upside as the best funds greatly outperform the average
- Average funds delivered less than half the return of the best funds
- The worst performing funds captured a fraction of the recovery



Note: using the Nillson Hedge database of crypto funds, we found out that Blockchain Strategies Fund (BSF) performance was highly correlated with the 1st quartile of the best funds (all strategies). Reason is there was a high dispersion of returns amongst fund managers during the last bull market, and therefore more room to outperform picking the best ones.

Summary to conclude

- 2022 was a terrible year for digital assets but has created an overwhelming investment opportunity
- Valuation, cycle and price indicators suggest that we are now entering the most favourable investment period for investors
- 2023 is expected to be a recovery year, the low might be already in!
- Due-diligence, diversification and liquidity remain key requirements of an investment strategy in digital assets



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