

A decorative graphic consisting of a grid of squares. The grid is 5 squares wide and 8 squares high. The squares are arranged in a pattern that resembles a stylized 'S' or a series of connected lines. The colors of the squares are: Row 1: Gray, Gray; Row 2: Gray, Gray; Row 3: Gray, Gray; Row 4: Gray, Red, Blue; Row 5: Yellow, Orange, Gray, Gray, Gray; Row 6: Gray, Gray, Gray, Gray, Gray; Row 7: Gray, Gray, Gray, Gray, Gray; Row 8: Gray, Gray.

SIFT Monthly Report



SMART INVESTMENT FUND

Smart **Blockchain** Trading and Managed Investment Portfolio

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January 2018

Monthly Summary

Trading in the **January 2018** period saw a **profit of \$42,314.70 after tax**. As no fees are currently due this gives a distributable profit of \$21,157.35 and a **dividend-per-SIFT of 2.923 cents**. Those that hold SIFT in their own wallet (and not in EtherDelta) as of February 5th at 10:00 GMT will be eligible for dividend payments. The conversion rate will be based upon the value of ETHUSD at this time. Dividends will be paid over a 24-hour period and should all be paid by 10:00 GMT the following day.

This is a **profit of 2.81%** and was slightly lower than projections.

A YouTube **live stream** will take place at **20:00 GMT on Monday 12th February** to discuss this report. Questions can be submitted to ico@smartift.com before the stream. The link to the live stream will be made available shortly before it starts via the SIFT website and Telegram chat room.

January 2018 trading can be summarised as follows:

- A profit of \$38,321.63 was from cryptocurrency trading
- A profit of \$3,993.07 was from forex trading
- Position building has commenced, as voted on in December and market conditions have limited this
- Arbitrage and market making will commence once the RAIF is fully established – likely in Q2
- Automated trade entries will start in February and have been delayed pending a major Grail update
- James only returned to work at the end of January – significantly impacting trading
- Market conditions proved challenging in both forex and crypto in January and more details are described below – this has been exasperated by some further exchanges wanting full KYC policies in place before working with SIFT
- The Grail alpha has successfully launched and is now under active development. Once the alpha has completed in the next few months we will open testing to more SIFT users
- Gas concerns have continued to grow with the token. This has posed a problem for EtherDelta users. SIFT are working on their own in-

house, fee-free exchange, Zapple, that will permit an optional token swap.

- The RAIF has taken an extremely long time to get up and running, despite being incorporated the legal team are currently working through compliance issues with our bank.

Trading Report

This month saw turbulent markets after Christmas in both the forex and cryptocurrency. Significant amounts of movement have been news related in the cryptocurrency markets including regulatory changes, exchange issues and concerns about Tether. Forex has seen similar news-based concerns with concerns in US markets and US political news impacting USD-denominated currencies several times. News related movements can limit Smart VSA trading opportunities and we are now actively working at real-time news alert services and assessing how these can work in conjunction with the effectiveness of Smart VSA.

The fund started moves towards long-term accumulation in January as part of our position building. Some trades were closed early in January from position building whilst others remain open towards longer-term goals.

Automated trade entries, as voted upon in December, should be starting shortly to help the fund enter cryptocurrency trades more frequently. The main delay in starting this service has been a significant rewrite to the Grail backend systems upon which the automated-entry system is based. These systems are undergoing tests now.

We have had two exchanges push back against the KYC procedures that SIFT had in place during the ICO. This has also reduced some trading partners and required that we look at other alternatives. The fund still has several active trading accounts but this appears to be a trend across the industry. Depending on regulatory requirements it may be that SIFT must conduct KYC/AML procedures at a future date. We are currently looking at how best to proceed with this. We do not see any change in the short-term but may need to implement some additional forms of compliance checks in late 2018.

Fund Exposure Reporting

We have been asked to report overall fund exposure at points in time – including open trades. This was not originally part of the reporting strategy for SIFT as positions were always closed swiftly. With position, however, building this becomes more relevant.

To reduce an internal administrative overhead associated with additional reporting we are aiming to build this into our internal software “SIFT Trader”. We are planning on reporting the value of closed forex and cryptocurrency trades, current exposure to all open trades as well as our currency holdings in EUR, GBP and USD. This will then be able to be translated to a final USD-value for the fund.

We’ll be exposing this via our website and automatically pushing data to the blockchain. To manually provide all these updates adds a significant overhead at a time that we’re trying to heavily focus on technology development internally. As such rather than start this now and add another reporting stream we will aim to deliver this in the second quarter of 2018 after moving all investment activities to the RAIF has been completed and we’ve done further development work on SIFT Trader.

Token Gas Issues and Exchanges

It became apparent at the end of the ICO that transferring the SIFT token was expensive, in terms of gas, due to the design of the contract. A vote was held to consider re-deploying and voted down at the time primarily over concerns of the token swap and impact it would have immediately following the close of the ICO. Since this time, we have continued to see people struggling to transfer SIFT even with support in our Telegram chat room and on our website.

The token is currently only available on EtherDelta. The only other exchanges that have shown interest have been other distributed exchanges or those charging significant listing fees. Some token-holders have struggled with EtherDelta’s interface and trading engine. The inability to pay dividends to those holding SIFT at EtherDelta has also posed problems, especially with new token-holders who are then struck by gas problems during withdrawals.

We decided that we needed to address both these issues have come up with a proposed token-swap via our own in-house Exchange called Zapple.

A second SIFT token will be created (“new SIFT”) that co-exists with the current SIFT token (“old SIFT”). When a holder of old SIFT transfers it to Zapple an equal amount of new SIFT will be minted and the old SIFT will be destroyed. This ensures that the total supply of SIFT across both contracts will remain the same – preventing any dilution of SIFT. We will pay dividends to holders of both old and new SIFT. This process allows for a gradual swap of old SIFT for new SIFT without forcing token-holders to swap.

The new token will also be decimalised to six decimal places – allowing token-holders to transfer parts of a SIFT as the token price increases.

Rather than being a distributed exchange, Zapple is a traditional exchange with an order processing engine like all major exchanges such as Bitfinex, Bitstamp, Gemini, Kraken, etc. We will initially support the trade of SIFT-ETH but will also add BTC, BCH and LTC trading pairs for SIFT soon to give SIFT-holders more opportunities to trade SIFT.

Zapple will offer several advantages over EtherDelta and other potential exchanges:

- Trades involving SIFT will be fee-free (only minor fees for deposits and withdrawals to cover our gas costs)
- Dividends will be paid to those who hold SIFT in Zapple at the time that a dividend is declared
- It will be possible to trade SIFT against other digital currencies, not just BTC
- Old SIFT will be automatically exchanged for new SIFT at the point of deposit allowing for SIFT-holders to transfer it more cheaply

Those that just wish to exchange old SIFT for new SIFT will be able to simply deposit and then immediately withdraw SIFT.

Zapple is currently open for testing on the Ropsten test network. If you are interested in testing Zapple using test ETH and test SIFT then please contact ico@smartift.com or visit the [Telegram chat room](#). We expect to fully launch Zapple in February or March.

February Trading

February will see automated trade entries commence and James being back at work full-time. We would hope to meet the 4% monthly target in February.