

BLP ASSET MANAGEMENT

Genesis Block Fund Ltd.

BLP Crypto Assets FIM

BLP Criptoativos FIM

February 2020

Portfolio Manager's comments

Bitcoin dominance started the month at 66.10%, reached a high of 66.50% and ended the month at 64.00%.

[Jack Dorsey](#), Twitter's Co-Founder and CEO and [Square's](#) CEO, has been a big supporter of cryptocurrencies in general. This month he updated his Twitter profile and launched the first [Bitcoin emoji](#). Interesting [article](#) on Square's progress with Bitcoin in 2019.



A screenshot of Jack Dorsey's Twitter profile. At the top, there is a blue back arrow, the name 'jack' in bold, and three globe icons followed by a blue checkmark icon. Below this, it says '26.5K Tweets'. The profile picture is a circular image of Jack Dorsey's head in profile. The background of the header is a large image of a sunset over a field. To the right of the profile picture are three icons: a three-dot menu, an envelope, and a blue 'Following' button. Below the header, the name 'jack' is repeated with the same icons, followed by '@jack' and the hashtag '#bitcoin' with a Bitcoin symbol. Further down, it says 'Born November 19, 1976' with a calendar icon and 'Joined March 2006' with a calendar icon. At the bottom, it shows '4,278 Following' and '4.3M Followers'.

[Google trends](#) have picked up on the subject "Bitcoin Halving". As we have officially started the Halving countdown with less than 90 days for the inflation to be reduced from approximately 3.7% p.a. to slightly below 2% p.a. Brave New Coin put out some [scenarios](#) to the timing and price action from the previous two "halvings". Our Tech Corner below goes over more details on this topic.

Bitcoin started the month at \$9,351 and traded between \$8,493 and \$10,458 to close at \$8,600 down 8.03% for the month. Despite BTC correction in the second half of the month, Genesis Block Fund managed to end up 1.11% with some great asset rotations during the month. BTCs fight around the 200-day moving average just above the \$9k handle continued in the first days of the month. At the end of the first week of the month BTC was fighting to break the \$10k handle. There were numerous times that it broke \$10k and tested the Golden Cross (where 50-day EMA crosses the 200-day EMA); however, as it did not consolidate above these key technical levels, a significant selloff happened in the latter part of the month. With the corona virus situation quickly deteriorating and a major global markets rout during the second half of the month not even gold managed to act as a safe haven asset falling as much as 4% intra-day on the last days of the month. During the month we continued accumulating [LINK](#) protocol (up 45.7% MTD and 132% YTD), increased slightly our EOS overweight position with the upcoming launch of the [Voice](#) dApp (it underperformed BTC by 6% MTD), and went slightly overweight ETH which proved a great move (up 22% MTD and 70% YTD). After another big up-leg in XTZ (up 64.3% MTD and 104% YTD), we traded in and out of 1/3 of our position taking advantage of the volatility. Our small stake in [WAX](#) protocol which was underperforming recently rebounded nicely (up 81% MTD and 154% YTD) after rumors of a deal with Disney. These asset rotations were funded by slowly decreasing our overweight BTC position as we have been witnessing a small Alt season with BTC dominance decreasing slowly since the start of the year. When founder of Ripple ([XRP token](#)) Jed McCaleb, who controls a major position of the tokens and is constantly selling them in the market, we prefer to keep our structural underweight position on this centralized asset, it beats the whole purpose of blockchain technology. One of the great advantages of blockchain is that all this information is open and available to anyone so we can track what insiders are doing 24/7/365, as the old saying goes, "You can run but you cannot hide".

Interesting report from Deutsche Bank on ["The Future of Payments"](#) and the role of digital currencies. Brian Armstrong, Coinbase CEO, tweet comparing messages to payments was a very interesting [thread](#) worth a quick read, changes seem to be happening quicker than one would have thought.

TRON's founder, Justin Sun, finally had dinner with [Warren Buffett](#). He invited a few prominent participants in the crypto space as well. Summarizing, Buffett got a gift of 1 BTC and some TRX tokens...this time instead of calling Bitcoin "rat poison squared" he said "Crypto and blockchain are still at their infant stage" and he admitted that "blockchain has its value" and that "it will have a disruptive effect on the future of payments". Coming from Buffet we can all be proud of his remarks!

Some interesting developments on the regulatory front. Germany's Federal Financial Supervisory Authority (BaFin) is reportedly dealing with application from 40 banks that are hoping to become regulated crypto custodians. Belgium's Financial Services and Markets Authority (FSMA) is calling for the crypto space to be regulated.

Interesting announcements/comments:

- [JP Morgan](#) in talks to merge blockchain unit Quorum with startup ConsenSys
- [Fidelity International](#) invests \$14mm in Asian crypto exchange operator
- [Shopify](#) joins Libra Association
- [VISA](#) grants Coinbase power to issue Bitcoin debit cards
- [SEC Commissioner](#) proposes safe harbor for projects that raise funds to build decentralized networks
- [ConsenSys](#) acquires US Broker-Dealer in bid to tokenize trillion-dollar 'Muni' bond market
- [BAKKT](#) aims to turn your rewards points into a wallet you can spend anywhere
- [Lightning Labs](#) raises \$10mm Series A
- [Bank of Japan, ECB](#) and other central banks to discuss starting digital currencies
- [Circle](#) sells crypto investing App business to Voyager Digital

Monthly estimated return

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD	Since Fund Inception
2018 Genesis	-16.0%	-5.2%	-37.4%	57.2%	-20.2%	-20.4%	7.5%	-17.2%	-9.2%	-7.9%	-38.2%	-3.7%	-77.94%	
2019 Genesis	-11.5%	17.5%	7.2%	20.5%	58.6%	12.4%	-13.4%	-12.0%	-9.5%	7.1%	-16.5%	-8.7%	34.85%	
2020 Genesis	33.4%	1.1%											34.89%	-59.88%
2018 Crypto Assets	-19.2%	-1.8%	-33.7%	61.2%	-14.1%	-17.6%	4.5%	-8.6%	-11.6%	-13.8%	-34.3%	-3.4%	-72.27%	
2019 Crypto Assets	-15.7%	18.4%	10.6%	20.9%	52.8%	8.7%	-14.6%	-3.6%	-8.8%	2.9%	-12.0%	-12.9%	31.28%	
2020 Crypto Assets	40.1%	6.1%											48.56%	-45.92%
2018 Criptoativos											-7.1%	-0.5%	-7.53%	
2019 Criptoativos	-2.9%	4.1%	2.4%	4.1%	10.2%	1.6%	-2.8%	-0.4%	-1.5%	0.9%	-2.2%	-2.4%	10.80%	
2020 Criptoativos	8.3%	1.1%											9.40%	12.09%
2018 BGC	-15.8%	-10.7%	-43.5%	60.9%	-20.4%	-28.5%	13.7%	-21.7%	-0.2%	-12.2%	-36.8%	-1.7%	-81.14%	
2019 BGC	-11.8%	15.5%	5.9%	13.4%	58.1%	17.2%	-24.2%	-16.1%	-6.2%	10.6%	-17.4%	-13.3%	7.08%	
2020 BGC	40.3%	1.8%											42.79%	-71.16%
2018 CDI	0.58%	0.46%	0.53%	0.52%	0.52%	0.52%	0.54%	0.57%	0.47%	0.54%	0.49%	0.49%	6.42%	
2019 CDI	0.54%	0.49%	0.47%	0.52%	0.54%	0.47%	0.57%	0.50%	0.47%	0.48%	0.40%	0.36%	5.97%	
2020 CDI	0.38%	0.29%											0.67%	13.53%

THE BLOOMBERG GALAXY CRYPTO INDEX (BGCI) ESTIMATED RETURNS STATED ON THE TABLE ABOVE ARE MERELY ECONOMIC REFERENCES AND SHALL NOT BE CONSTRUCTED AS A PERFORMANCE TARGET TO BE ACHIEVED BY THE FUNDS NOR A PERFORMANCE PARAMETER APPLICABLE TO THEM (Note that the BGCI only prices during business days at 4pm Eastern time zone, which is different than Administrator marking of 0:00 UTC of the last day of the month).

Tech corner

Halving

The Bitcoin "halving" is quickly approaching, [countdown clock](#).

Bitcoin's supply is fixed, only 21 million coins will be mined, once that is done the network will stop producing more. That is one of the main reasons Bitcoin is often referred to as "digital gold" given its scarcity factor. Today there are around 18.5 million BTC in circulation, which is roughly 86% of the total cap. Since the creation of the protocol, which has been coded into the blockchain from the very start, after every 210,000 blocks it performs the so-called Bitcoin "halving" and producing new coins becomes more difficult

over time. More specifically, the protocol cuts the block reward in half. So, every time a Bitcoin halving occurs, miners begin receiving 50% fewer BTC for verifying transactions.

A block reward is the amount of cryptocurrency that miners receive when they successfully validate/mine a new block by solving highly complex mathematical problems with their mining hardware. It is a reward for their hard work and to keep the ledger updated at all times. The block rewards started at 50 BTC every approximately 10 minutes, this was reduced in 2012 to 25 BTC, then again in 2016 to 12.5 BTC and in May it will go down to 6.25 BTC per block. The very last halving is expected to occur sometime in the year 2140 as the 21-millionth BTC is mined. Once that happens, miners will stop receiving block rewards, but will keep receiving transaction fee.

At this point, the majority of Bitcoin mining is performed by giants like Bitmain which validates blocks with thousands of loud, extremely powerful and high-energy-consuming machines called ASIC (application specific integrated circuit) chips, which are much more efficient. Question now is if the smaller miners will remain profitable mining with half of the rewards. As the block reward becomes less significant, mining rigs that are barely covering production costs will be forced to quit the market. There will still be firms willing to mine Bitcoin at the reduced rate, but the market might become less decentralized as a result.

Essentially, Bitcoin halving cuts down the supply of BTC, making the asset scarcer. If the demand is constant, the price is likely to increase. There are also some historical precedents. On Nov. 28, 2012, the day of Bitcoin's first halving, the cryptocurrency's price rose from \$11 to \$12, and continued to climb up throughout the next year, reaching \$1038 on Nov. 28, 2013. Roughly four years later, a month before the second halving, Bitcoin's price started to follow a similar, bullish pattern. It surged from \$576 on June 9 to \$650 on July 9, 2016 — the day the block's reward was reduced by half for the second time in the asset's history. Again, BTC continued to accelerate through the next year, albeit with occasional turbulence, and traded at \$2526 on 9 July 2017.

One would think that with Efficient Market Hypothesis, this should be fully priced, but only time will tell. Moreover, the industry has drastically changed over the last four years, as cryptocurrencies became an essential part of mainstream media coverage. Still, some people might be tempted to take the chance, especially given the previous patterns exhibited around Bitcoin halvings. Consequently, if history repeats itself and the Bitcoin price starts going up in April 2020, even more traders might start buying the asset out of FOMO (fear of missing out) thus stimulating the demand, and, ultimately, the price. This is not trading advice, trade at your own risk.

Genesis Block Fund Ltd. Characteristics

Minimum Investment	\$100,000
Subscription	Monthly
Redemption	Monthly with 15 days pre-notice
Administration fee	2% p.a.
Performance fee	20% over 6M Libor with High Water Mark
Administrator	MG Stover
Auditor	Cohen & Co
Legal Counsel	Walkers Global and Freitas Leite
Custodian	Coinbase Custody
ISIN Number	KYG3832A1085
Bloomberg Ticker	GENBLOC KY
Website	www.blpcrypto.com.br/en/

BLP Crypto Assets FIM – Investimento no Exterior Characteristics

Minimum Investment	R\$100,000
Subscription	Monthly
Redemption	Monthly with 15 days pre-notice
Administration fee	2% p.a.
Performance fee	20% over CDI with High Water Mark
Administrator	Planner
Auditor	UHY Bendoraytes & Cia
Legal Counsel	Freitas Leite
ISIN Number	BR010YCTF009
Website	www.blpcrypto.com.br

BLP Criptoativos FIM – Investimento no Exterior Characteristics

Minimum Investment	R\$1,000
Subscription	Monthly until the last business day of the month
Redemption	Monthly until the last business day of the month
Administration fee	1.50% p.a.
Performance fee	20% over CDI with High Water Mark
Administrator	Brasil Plural
Distributor	Genial Inv., Órama, Daycoval Inv, HUB Capital e Necton
Auditor	UHY Bendoraytes & Cia
Legal Counsel	Freitas Leite
ISIN Number	BR026OCTF003
Website	www.blpcrypto.com.br



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