

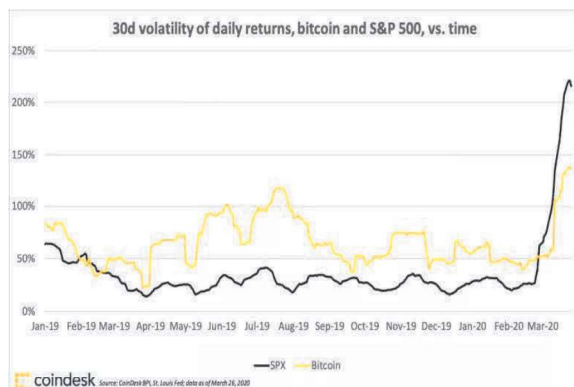


### Portfolio Manager's comments

The month of March 2020 can be summarized as “what a month”...our kids our parents and grandparents will remember this for the rest of their lives...who would have thought that the Covid-10 pandemic would not only lead to some cities but entire countries going into full lockdown, major international borders would close for an undetermined period of time, it still feels more like a movie then reality, but it is REAL and all of us need to protect and prepare ourselves as best as possible to stay SAFE!

Bitcoin dominance started the month at 64.00%, reached a high of 66.02% and ended the month at 65.00%.

Threat of the global Covid-19 pandemic with the rapid spread of the coronavirus sent global markets into a tailspin and S&P500 30-day volatility spiked to levels not seen since the 2008 global financial crisis, with daily circuit-breakers becoming the norm. Markets were so out of whack that the G7 cavalry was called and brought significant easing across the board with a surprise 50 bps cut on the Fed funds announced on March 3<sup>rd</sup>, later followed by other major Central Banks. As this wasn't enough stimulus, on Sunday March 15<sup>th</sup> the Fed went further cutting rates to 0% and announcing further liquidity injections to keep the markets functional. This was the third time ever the Fed called an Emergency meeting (9/11 terrorist attacks being the first and the 2008 financial crisis being the second). This sent 10-yr Treasury yields to fall below 0.50% for the first time ever. As Covid-19 fears weren't enough, on March 8<sup>th</sup> after a frustrated OPEC meeting an oil price war between the Saudis and Russia ignited a 30% overnight drop in oil prices (not seen since the 1991 Gulf war) to add further fuel to the fire. Crude oil fell to an 18-year low falling almost 60% during March alone.



Some quotes that will not be forgotten soon:

Neel Kashkari, President of the Fed of Minneapolis: “Fed has *infinite* cash to support the financial system.”, CBS's interview on *60 minutes*.

Steven Mnuchin, US Treasury Secretary: “We'll have up to **\$4 trillion** of liquidity that we can use to support the economy.”, Fox News interview.

Lots of interesting discussions on why have individual income, payroll and corporate taxes if the governments can simply print as much cash as they feel fit. Some mind-boggling graphs below:

Federal Tax Revenue FY2021 Estimate in USD Billions

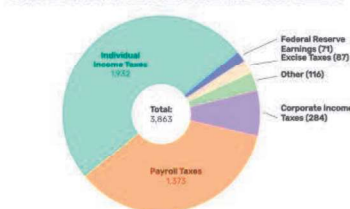
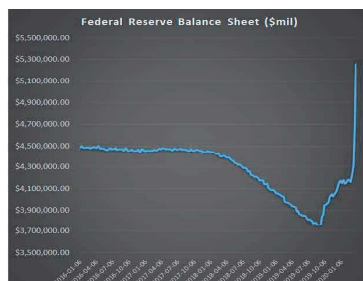
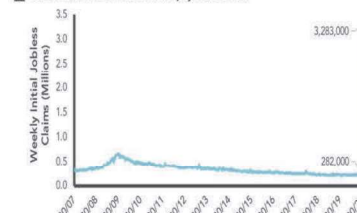


Chart: The Balance - Source: The Office of Management and Budget



Over 3 million Americans filed for unemployment last week



Source: Bloomberg

The first week of the month started on a strong note as some great progress was made on the regulation front during March. India had banned banks from dealing with crypto related companies since April 2018. On March 4<sup>th</sup>, [India's Supreme Court](#) strikes down RBI's banking ban against crypto, declaring the ban unconstitutional with its 180-page ruling document. India is a big market for crypto so it will be interesting to follow how the local ecosystem grows there with over 1 billion people. [South Korean Parliament](#) with the National Assembly passed a landmark crypto bill. It has classified cryptocurrency as an asset class where players now



March 2020

have a clear law on how to operate in the country, bringing further legitimacy in the space. The bill was largely based on G7's FATF guidelines.

Bitcoin started the month at \$8,600 and traded between \$4,107 and \$9,168 to close at \$6,439 down 25.13% for the month. Genesis Block Fund was down 31.65%. During the month we increased our XMR position. After studying the Basic Attention Token (BAT) for the past 6 months we started building a position on it. Their proposition is to change the way digital advertising works and to do so they launched the [Brave](#) browser for better privacy and security. We again traded in and out of Tezos taking advantage of the volatility. Our slightly overweight ETH position hurt us as it underperformed BTC during the month.

No hedge, other than US Treasuries, worked during the panic selling in global markets, cash was King. Neither Bitcoin nor Gold did well in the initial days of fear (similar to the 2008 global financial crisis – see graph below), again cash was king! However, it was great to see that the crypto market remained functional throughout the rout, there was no need for circuit breakers or intervention by any entity, this is what the blockchain and cryptos were made for, censorship resistant and decentralized platforms. The toughest day was on March 12<sup>th</sup> when [Bitmex](#), an exchange that offers leverage of up to 99x liquidated practically all of the long-levered clients. When that leverage was cleaned out the market quickly rebounded over 50% from the month's lows. Once the dust in global markets hopefully settles, the coming months will be key to observe Bitcoins performance if it truly decouples from the equity markets. The trillion-dollar question is, will the world see the crypto ecosystem as an alternative against the fiat-based economy we live in where unprecedented amounts of money can be printed overnight out of thin air with no control? Will we see a monetary debasement of the economy? Only time will tell if the investment thesis of this asset class materializes.



Great article from Lyn Alden Schwartz on Seeking Alpha on [Why this is unlike the Great Depression](#). It brings some interesting similarities and differences of what happened then and what might happen now. Discusses the potential of deflation vs inflation after big economic slowdowns, difference of debtor vs creditor nations, wealth concentration, rise of populism, and how the governments lead with the growing debt burdens inflating their way out of it.

Interesting announcements/comments:

- [Lloyd's of London](#) makes quiet entrance into crypto insurance market
- [Microsoft, EY and ConsenSys](#) to make the public Ethereum blockchain safe for enterprises
- [Italian bank](#) opens Bitcoin trading to 1.2 million during lockdown
- The [Monetary Authority of Singapore](#) (MAS) announces new AML rules for crypto businesses



*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%	1.02%	-31.6%										-7.88%	-72.60%
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%	-20.5%										18.08%	-57.02%
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%	-3.7%										5.31%	7.90%
2018 BGCI	-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 BGCI	-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 BGCI	40.3%	1.8%	-31.0%										-1.49%	-80.10%
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%	0.34%										1.01%	13.91%

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*

**ETH 2.0**

ETH 2.0 is considered crucial for the future of the second largest blockchain. There is hardly a blockchain where so much happens as on Ethereum. The home of most smart contracts, the blockchain that has the greatest appeal to developers and companies. However, Ethereum does not yet officially have its true, intended shape. This is to be achieved by taking the step to “Serenity” (engl.: wisdom). The transition to Serenity was planned by a simple hard fork. Since it is more complicated than initially expected, this transformation will now take place in a lengthy process that could take 4-5 years.

Ethereum, as it is today, is slow. The blockchain only manages 15 transactions per second, and any complex application that scales up will be extremely expensive. Ethereum is slow because it is decentralized and must remain decentralized. Simple solutions would compromise decentralization and its censorship resistance quality. The good old blockchain trilemma of decentralization, scalability, and security. ETH 2.0 is not just an upgrade, it reinvents blockchain. It is designed to make Ethereum more secure, scalable, improve programmability — all without compromising decentralization.

ETH 2.0 will solve the classic blockchain trilemma by three main achievements: sharding, proof of stake and a new virtual machine. Sharding is a method of splitting databases across multiple servers, in other words, partitioning them. The security of a “splitter” (“shard”) should be as high as that of the entire system. Proof of Stake means that there are no more miners that form blocks by using energy, they are replaced by Stakers, nodes that prove that they have a certain amount of ETH. With Proof of Stake, Ethereum transactions should be finalized in seconds, while the blockchain is resistant to 51% attacks. Finally, the new virtual machine should allow developers to create their own execution environment. This allows the rules of other blockchains, for example BTC, to be introduced on a shard. Ethereum should thus become a universal construct of different blockchains.

Phase 0 (expected 2 half 2020) will be the Beacon Chain. This new blockchain to be created can initially coordinate up to 64 shard chains. It will be ‘a kind of command and control center’ for the entire ETH2 network. The Beacon Chain manages the “Caspar Proof of Stake” protocol. It notes validators and their stakes, randomly selects block validators and assigns them a random shard chain. The Beacon Chain applies the consensus rules, executes sanctions for dishonest validators and serves as a link between the shards. As a reward for their work, the validators receive ETH 2.0. This is the native coin on the beacon chain. In the long run, it will replace ETH and will be distributed without a fixed limit to guarantee the security of the blockchain in the long run. If phase 0 is successful, there will be two Ethereum blockchains: eth1 and eth2.

Phase 1, presumably from 2021, the first Shard Chains will go live. These shards will initially store the data in raw form where they are not able to process data according to certain consensus rules or even display ac-



count balances of users or addresses. They are only used as a laboratory to test the shard architecture. The focus of Phase 1 is on the work of the beacon chain: It now starts to reference the states of the shards by cross-links and thus finalize them. In this phase, the eth1 and eth2 blockchains will continue to work in parallel.

Phase 2 (2021/2022) according to the roadmap, will “fulfill the true vision of ETH 2.0”, the shards will be able to process transactions. From this phase on, the ETH 2.0 network should also be usable for real applications. In the further course of the project, smart contracts will also be activated on the shards. Then it will allow activating own rules on the shards, which for example emulate other blockchains like Bitcoin or others. Phase 2 “combines the functionality of all chains.” The shard chains, formerly pure data stores, are now becoming structured chains that link the states of smart contracts with a consensus process. Developers can form their DApp on a shard, Ethereum becomes a multi-chain system governed by the Beacon chain.

The remaining phases 3-6 are so far out that we won’t explain in detail now. Phase 3 The Light Client State Protocol, Phase 4 Cross-Shared Transaction, Phase 5 Tight coupling with main chain security, Phase 6 Super-quadratic or exponential sharding.





*Genesis Block Fund Ltd. Characteristics*

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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	<a href="http://www.blpcrypto.com.br/en/">www.blpcrypto.com.br/en/</a>

*BLP Crypto Assets FIM – Investimento no Exterior Characteristics*

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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	BR01OYCTF009

*BLP Criptoativos FIM Characteristics*

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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
Digital Platforms	Genial Inv., Órama, Daycoval Inv, HUB Capital e Necton
Auditor	UHY Bendoraytes & Cia
Legal Counsel	Freitas Leite
ISIN Number	BR026OCTF003



**March 2020**

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