

## The world's first crypto currency trading fund

### 2013 Return: **392%**

### Fund Information

**Strategy:** The Crypto Currency Fund (CCF) is the world's first crypto currency trading fund. It employs a variety of strategies in trading crypto currencies to maximize return and minimize risk, including event-driven, arbitrage (timing, exchange, inter-crypto currency, etc.), leverage, cyclic and volatility. From its initial focus on bitcoin, it is expanding to include "altcoins" (non-bitcoin crypto currencies) as they develop sufficient liquidity.

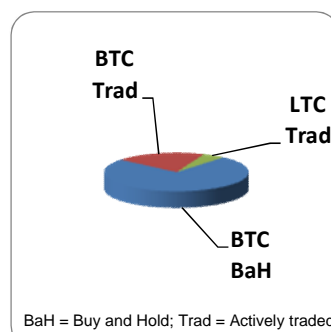
**Implementation:** Because crypto currency exchanges work 24/7, the Fund's traders have to monitor markets around the clock. To do so, Crypto Currency Fund has traders located in New York, Chicago, London and Moscow.

### Fund Information

<b>Date Formed/Renamed</b>	April 2005, strategy change and fund renamed April 2014
<b>Investment Advisor</b>	Enneking Asset Management
<b>Fund Size</b>	\$6.6 M
<b>Currency</b>	US dollar
<b>Current Price (NAV)</b>	\$318.8085
<b>Min. Investment</b>	\$10,000 (non-US); \$100,000 (US)
<b>Fees</b>	2% management, 20% success
<b>Subscription</b>	Monthly
<b>Redemption</b>	Monthly, with 30-days notice
<b>NAV</b>	Monthly
<b>Administrator</b>	Maples Fund Services
<b>Auditor</b>	Altschuler, Melvoin & Glasser
<b>Bank</b>	Bank of New York
<b>Legal Advisors</b>	US: Finn Dixon; non-US: Harneys
<b>FATCA Compliant</b>	Yes
<b>Lipper Tass/Thomson Reuters ID No.</b>	96695
<b>Eurekahedge ID No.</b>	15532
<b>CUSIP/ISIN</b>	G3164M 100/KYG3164M1006
<b>URL</b>	<a href="http://www.crypto-currency-fund.com">www.crypto-currency-fund.com</a>

### Sector Allocation

CCF has opened seven accounts with exchanges and funded two of them. As the exchanges are still developing, completing a due diligence on them and setting trader permissions, both of which would be quite straightforward dealing with established exchanges, is proving time-consuming. Three traders are currently active and doing well. One of them is trading litecoin, adding the first altcoin to CCF's portfolio. That trader was also the first to earn money for CCF by shorting a crypto currency.



### Pricing

Bitcoin prices were extremely stable during the first half of May – and then, once again, trading patterns changed. In five remarkably clear "stair step" functions, bitcoin prices increased by about \$50, fell back about \$15, stabilized and then moved up again. There were no specific major events that drove these moves, although there was a fair amount of positive news during the month. Our feeling is that "China fatigue" set in with

bitcoin traders and users deciding that the People's Bank of China had cried "wolf" one too many times, that Mt. Gox was far enough behind us to not matter any more and that all of the fundamental and positive developments since the beginning of 2014 warranted a higher price. Of course, the nature of the moves illustrate a bit of a "group think" mentality that is not all that reassuring, but the highly stable price after each move is very positive.

More importantly, these movements broke through several fundamental trading levels, in particular, the 50-day moving average, which bodes very well for prices in the near future.

### Performance (net of fees)

2014	J	F	M	A	M	J	J	A	S	O	N	D	YTD
				-1.7	31.6								27.8

May's performance by CCF was extremely positive, growing over 30%. As trading began only at the end of the month after accounts were opened and trader permissions set, it did not have a significant impact on performance. In fact, transferring a small portion of CCF assets in fiat (traditional) currency from the bitcoin index fund in which CCF had invested in its prior incarnation (first back to the Bank of New York, CCF's bank, and then to exchanges) resulted in those assets missing a portion of the bitcoin appreciation during the second half of the month. We will continue to face this issue while moving the assets out of the index fund, but the impact will diminish over time. (Of course, we try to schedule transfers to take place when the price of bitcoin drops, thereby benefitting from the time away from the markets, but this is not always possible.) Also, we fully expect the minor impact of these transfers to be more than offset by successful trading. The entire transfer process should be completed by the end of Q3.

### Market Developments

Over the past month, there has been a steady drumbeat of positive developments in the crypto currency market that certainly had a beneficial impact on prices, if only indirectly. In fact, there were so many, that we have divided them into three categories: commercial companies, governmental and regulator developments and crypto currency companies and put them in bullet points for easier reading and analysis. The geographic dispersion of the various items is noteworthy, as is the very short period of time during which they all appeared.

#### Commercial Companies

- © The CEO of **PayPal**, John Donahue, stated that "There's no doubt digital currency is going to play an important role going forward and, at PayPal, we're going to have to integrate digital currencies into our wallet".
- © **Expedia**, the on-line travel giant, announced that it will begin accepting bitcoin as payment for hotel reservations.
- © Almost immediately afterward, a **Holiday Inn** in New York City announced a pilot program to accept payments in bitcoin.
- © **Apple** announced that it would once again allow bitcoin applications on its hardware and, as of this writing, CoinPocket, a wallet app, had already been released.
- © **Digital River**, a \$30 billion software solutions provider, announced that it has added bitcoin as a payment option.
- © In the same vein, **TigerDirect**, which announced in January of this year that it would accept bitcoin, has now announced that it accepts bitcoin on its Canadian e-commerce portal and on all of its tablet and mobile websites.

☺ **Facebook** approved two new crypto currency tipping apps, including dogecoin.

☺ **Citibank** issued a report (relevant section attached) concluding that bitcoin could “challenge or even supplant” traditional payment services, including debit and credit cards.

☺ Equity research firm **Wedbush** issued an extremely insightful report (attached) which concluded that bitcoin-related technologies will disrupt payments markets and other trust-based markets within the next few years and for decades to come. The company also accepts bitcoins for its reports. It also has calculated that crypto currencies are the least correlated investment class in the world, effectively making them mandatory and ideal to create a truly diversified portfolio.

☺ **Great American Insurance**, a US insurance group with \$5 billion in annual revenue, announced that it would offer bitcoin theft insurance. (CCF is now in discussions with the Group regarding taking out such insurance.)

☺ South African energy management company **Invirohub** announced that its customers can now pay for prepaid electricity using bitcoin through its smart meters.

☺ **Rapper 50 Cent** announced that he will accept bitcoin as payment for music from his new album *Animal Ambition*.

☺ A report released by the **Institute of Economic Studies** in Prague concluded that speculation is not the primary driver of bitcoins prices, citing “unprecedented data availability” since all bitcoin transactions are recorded in the blockchain.

☺ US bank **Capital One** announced that it is looking for data scientists with the experience in assessing the impact of and potentially incorporate crypto currencies, specifically bitcoin.

☺ **Yahoo** and **Google** finance will now include bitcoin prices in their financial resource sites, following in **Bloomberg's** footsteps, which reached the same decision in April.

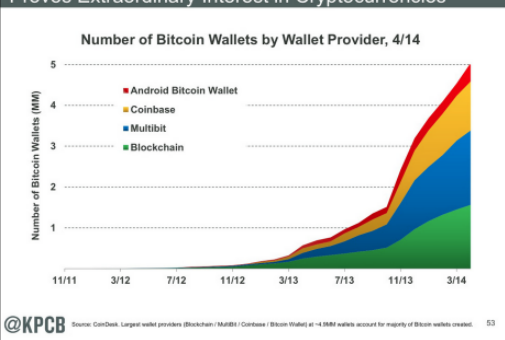
☺ **Dish Network**, the largest satellite cable provider in the US, announced that it will now accept bitcoin payments.

☺ One of the largest on-line retailers in Malaysia, **i-Pmart**, announced that it now accepts bitcoin as payment. Further, its CEO announced that, unlike other retailers and similar companies, it would not immediately convert bitcoin into ringgit, but would retain it as an investment.

☺ **Mary Meeker**, the well-known Wall Street analyst and

venture capitalist often referred to as the “Queen of the Internet”, noted that the number of bitcoin wallets had increased by 700% since the beginning of 2014, and stated that there was

Fact that ~5MM Bitcoin Wallets (+8x Y/Y) Exist Proves Extraordinary Interest in Cryptocurrencies



“extraordinary interest in bitcoin” in the most recent report by her firm, **Kleiner Perkins**.

☺ A **Yukon Canada gold mine** has been put up for sale for more than 3,000 bitcoin, or about \$2 million. If concluded, this would be the largest bitcoin purchase transaction to date.

☺ **Reeds Jewelers**, a large jewelry chain in the Eastern US, announced that it has begun accepting bitcoin as payment.

☺ **The King's College**, a private college in New York City, now accepts bitcoin for tuition and other expenses.

☺ **Delta Financial**, a Vancouver-based financial firm, now offers savings accounts denominated in bitcoin to allow savers to earn interest on their bitcoin deposits.

#### Governmental and Regulator Developments

☺ The minutes (relevant section attached) from a **US Federal Reserve** meeting held on May 9 were released and include a very positive assessment of bitcoin.

☺ The UK's **Financial Conduct Authority**, the primary financial regulatory body in the UK, announced Project Innovate, designed to promote innovation in the financial

sector. The FCA CEO specifically cited crypto currencies as a target for the Project.

☺ The **Isle of Man's Department of Economic Development** is introducing controls on crypto currencies to “provide an environment that enables companies operating within the space to flourish.” To assist in this effort, six companies announced the creation of a **crypto currency incubator**, to encourage crypto currency startups there.

☺ The **California Senate Banking and Financial Institutions Committee** voted 7-1 in favor of a bill recognizing digital currencies as lawful money.

☺ The **US IRS** announced that US taxpayers are not required to report crypto currencies in Form 114, the “Report of Foreign Bank and Financial Account”.

☺ **Italy's House of Parliament** will hold two hearings on the risks, promises and opportunities posed by bitcoin and other crypto currency technologies in June.

#### Crypto Currency Companies

☺ **BitFury**, a major bitcoin mining firm, announced that it had received \$20 million in new financing.

☺ **BitGo**, a Bitcoin security platform, secured \$12m in funding through several VC firms, bitcoin investors and an A-list actor.

☺ Through the end of May, 2014, \$115 million had been invested in crypto currency businesses, **30% more than in all of 2013** (\$88 million). In 2012, \$2.1 million was raised for such projects.

☺ **DigitalBTC**, an Australian multi-service bitcoin company, made history as the first crypto currency-focused company to trade on a major stock exchange, in this case, the Australian Securities Exchange (ASX).

☺ A former employee of the **Federal Reserve Bank of San Francisco** and the **FDIC** whose position for the past five years was as the **Visa** anti-money laundering and anti-terrorist financial officer, Tim Byun, will join **BitPay** as its chief compliance officer.

☺ Senior **Facebook** software engineer Ben Davenport, left the company to join bitcoin startup **BitGo**.

☺ **Ripple Labs** joined the **NACHA Payments Innovation Alliance**, part of the **ACH** which completes approximately 22 billion transactions totaling \$39 trillion annually.

☺ On the island of **Bali, Indonesia**, where the largest bitcoin transaction to date was completed (a villa was sold for US\$500,000 in bitcoin), **Bitisland** announced an initiative to have all local businesses accept bitcoin. This initiative has already received broad support and would vastly simplify life for bitcoin-literate tourists.

#### Fund Awards (prior to renaming)



**Most Innovative Funds of Funds**  
(for innovation and performance)



**No. 1 ranked fund of funds in the world, 2013**



**No 8 ranked fund of funds in the world for 2009**



**Most Innovative Funds of Funds**  
(for innovation and performance)



**No. 2 ranked fund of funds in the world for 2010**



**No 1 ranked fund of funds in the world for 2005**

#### Fund Information

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