THE HYPE FUND

INSIDE THIS GENERATIONS MOST DYNAMIC MARKET

The Hype Fund is streetwear's **first-ever hedge fund,** where we aim to democratize access to investment in this generation's most dynamic market. Viewing sneakers as assets, we bought and sold popular shoes that we anticipated to rise in resale value.

The fund's first batch was a six-month period, one that started on October 19, 2019 and ended on April 19, 2020. Due to this service's uniqueness, we opened investment spots exclusively to friends and family at the time. After closing applications on our website a week after launch, we were able to secure 15 clients, with investments ranging from $100 to $5000. Although we cannot disclose the exact investment amount, our total assets under management were upwards of five figures.

Our financial model consists of a simple fee structure: a flat management fee to cover the cost of operations and a performance fee that is variable depending on the growth of our investments.

ADDISON CHAN

AGE: 20

OCCUPATION: Student

INVESTMENT AMOUNT: $5000

RISK TOLERANCE:

CONSERVATIVE AGGRESSIVE

KELLY WANG

AGE: 51

OCCUPATION: Software Engineer

INVESTMENT AMOUNT: $500

RISK TOLERANCE:

CONSERVATIVE AGGRESSIVE

JOHN STRICKLEY

AGE: 20

OCCUPATION: Student

INVESTMENT AMOUNT: $100

RISK TOLERANCE:

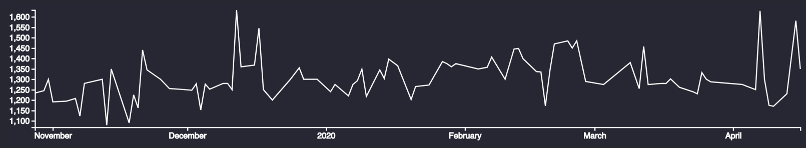
CONSERVATIVE AGGRESSIVE

“Throughout the six month period, our wealth management team leveraged a consistent **swing trading strategy**: we closely monitored investments on a daily basis and sold them once a specific preset return on investment was met. With this strategy, we ensured that our investors’ capital was not only always in circulation, but also allocated towards the sneakers with **the most future potential**. We also drew upon our team’s 10+ years of combined reselling experience, utilizing both qualitative and quantitative data to ensure that the upside outweighed the downside for every investment.

As with any investment, some did well, while others did not. On the following pages are our insights from two sneakers that performed well in our portfolio as well as two sneakers that performed poorly:

Most Profitable Assets

Jordan 1 Off-White UNC



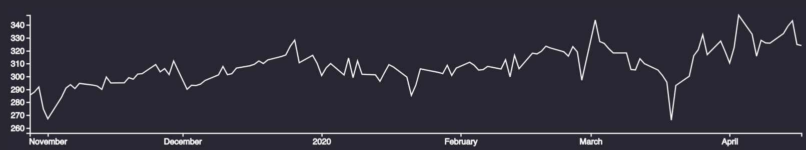
As one of the headliner shoes of our first batch, we had great expectations for the Jordan 1 Off-White UNC's growth within the six month time period. Needless to say, it did not disappoint.

Purchased for $1,250 from a large social media reseller, the blend of the iconic UNC colorway and eye-catching Off-White branding allowed the sneaker to outperform the majority of other sneakers picked up in our initial round of purchases.

The exclusivity and increased popularity of the Jordan 1 silhouette are a few of the factors that continued to drive the price of the sneaker higher, even 2 years after its release.

We believed that the exclusivity of the shoe would lead to the supply diminishing over time. Because these Jordans were expected to never restock again, consumers purchasing and wearing the shoe would bring down the number of deadstock pairs over time. Additionally, the demand for Off-White Nike was astronomical at the time. The two brands aggressively released different silhouettes, selling out within seconds each time and fetching high prices on the resell market. Due to the concept of **increasingly higher demand and lower supply**, we viewed the Jordan 1 Off-White UNC as one of our best investments despite its high price tag.

Yeezy Cream v2 350



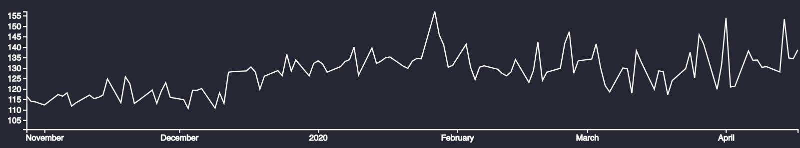
Being one of the best selling shoes of all time on any sneaker resale platform, this sneaker was a definitive purchase. With four pairs bought at a price of $265, we were confident that this would be one of our most profitable investments from the start.

Yeezy 350's are among the most popular sneakers to this date, especially the all-white colorway. Its simplicity and comfortability make it easy to wear as well as appealing to the eye.

Even though this shoe was restocked on a consistent basis, the price has always been able to rebound higher each time. This proves the growing popularity of both Kanye West as a fashion designer and Yeezy's as a staple sneaker line, and most importantly translates to a sign of **longevity**. Despite the high stock of over one million pairs, the demand was far higher. Therefore, the price of the shoe only increased during the time that we held it.

Least Profitable Assets

<u>Shattered Backboard Mid</u>

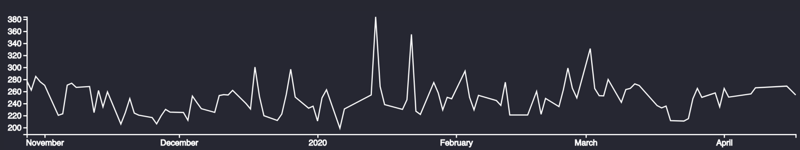


Following a number of high profile Jordan 1 Mid releases last year, the Shattered Backboard Mid was supposed to be a hot commodity for sneakerheads balling on a budget. The undeniably iconic colorway was made famous by its predecessors, the Jordan 1 High Shattered Backboard and Jordan 1 Shattered Backboard Satin. As a result, the cut-down mid release was met with great demand by both the sneaker community and ourselves. We purchased pairs from retail stores and resellers at an average price of $130 a pair.

However, we overlooked a crucial aspect associated with general releases: this sneaker, especially with its popular colorway, was going to be leveraged by Nike to **maximize its profits** from one release. To do this, Nike restocked this sneaker in full size runs multiple times a day on websites and in stores, making the sneaker highly accessible to anybody who wanted it.

As we watched the restocks continue for months, we saw the price of the sneaker continue to fall. We decided to sell off half of our pairs early and reinvest our investors' money, as we still saw potential in the release after the restocks stopped. Sure enough, a couple of months after the restocks came to an end, the price of the shoe began to climb again, and today they are sitting at an average price of $180.

<u>Sacai Blazer</u>



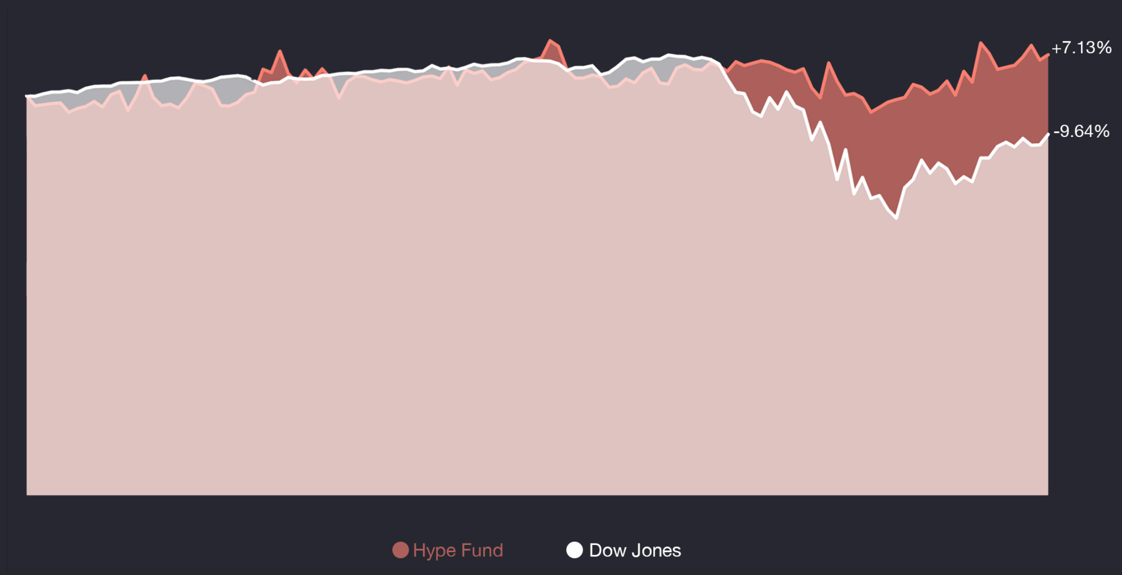
After the great success of the first collaboration between Sacai and Nike, the two brands released a second capsule containing the same silhouette, but in an all-white and black/gray colorway.

We, along with other analysts in the sneaker community, expected this to be yet another successful release.

At the time of purchase, the price was extremely inflated upon release due to the hype surrounding the collaboration. We bought at the sneaker's peak price, where a lot of people were purchasing them primarily for personal wear. However, Nike's saturation of the Sacai Blazers with more and more colorways, which we could not possibly foresee, drove demand down. We reacted quickly, making a pivotal decision early on in the batch to sell our pairs and minimize our losses. Although prices rebounded back to our purchase price after the 6-month period, our reinvestment of the money elsewhere paid off and more than covered our losses.

During the six-month period, all investors were notified of their current investments via email, with a graphic detailing the full itemization and their investment's net worth at the time of email. One of such graphics can be seen here.

After all such investments, our first batch ended with a **10.39%** absolute return, equating to **7.13%** after our management and performance fees. To put this number into perspective, the Dow Jones fell -9.64% during the same time period.



All capital was returned within two weeks of the closure of our service's first full period. Our team is exceptionally proud of The Hype Fund's success, and we are incredibly excited to soon begin the second batch. This time launching nationwide.

JOIN THE HYPE

NATIONWIDE LAUNCH

8.1.2020