



FEARING STREET CAPITAL

A MULTI-STRATEGY CRYPTO ASSET FUND



Investment Thesis

In 2011 famed venture capitalist Marc Andreessen stated that “Software is eating the world”. Ten years later, five of the top six companies by market capitalization are software companies. Crypto assets are poised to dominate the financial industry in the same way.

- “Legacy” cryptocurrencies like Bitcoin are primed to capture huge market share from the \$10T gold market and \$100T global bond market as a superior store of value.
- Decentralized Finance (DeFi) protocols are already replacing traditional financial services by creating a global lending market with 10x improvements in cost and efficiency.
- NFTs and the Metaverse are setting the stage as the new commons for a generation that is spending an increasing amount of their time in the digital world.

Powered by the virtuous cycle instilled in crypto adopters, the network effect and value of the underlying crypto assets will continue to grow at an accelerating pace.



Generational Wealth Transfer



Millennials will inherit \$39T of wealth over the next 25 years. Majority report they would rather invest in Bitcoin than gold as a store of value.

This generation came of age in a period of financial turmoil that has sown distrust in the legacy financial system. This distrust is juxtaposed with the comfort that younger generations find in the digital world.

On average this cohort is more likely to have spent real money on digital goods such as video game tokens than to have transacted in gold. Their money will flow to assets they're familiar with.

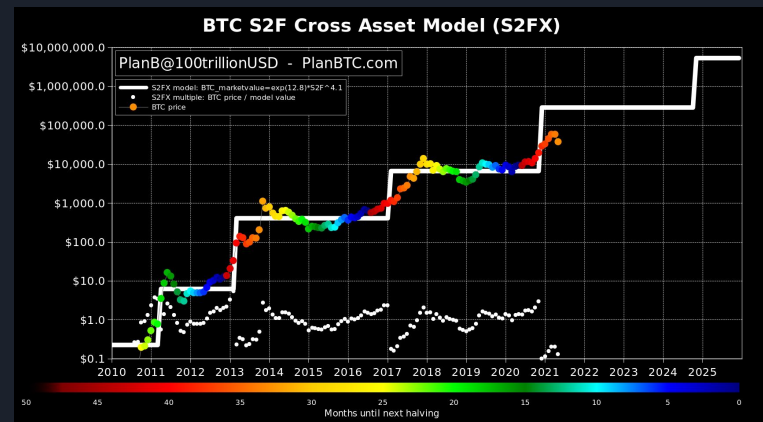
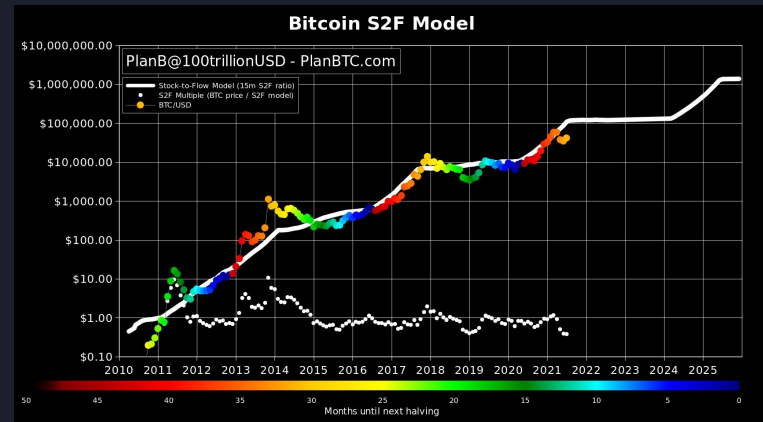
There's a massive wave of capital set to enter this space when these inheritances are handed down and we will be positioned to profit from this trend.

Stock-to-Flow Ratio

In 2019, pseudonymous investor PlanB published a paper showing the correlation between the price of assets such as gold, real estate and Bitcoin and their scarcity (known as the stock-to-flow ratio).

Their existing **stock** compared with the relatively low supply being introduced each year (**flow**) equates to the assets' ability to store value over time. While the traditional assets are reasonably scarce, Bitcoin is the only one that is **provably and perfectly scarce**.

Requiring only a limited, early data set, the model is able to predict Bitcoin's market value with 95% confidence almost a decade later. We expect the price to cross \$100k in 2021 and \$1M by 2025.



Information Flow: The Power of Community



Clubhouse

Quantitative analysis takes a back seat to qualitative analysis when valuing crypto assets. Value in this space follows a Pareto distribution and is more tied to network effects and the psychology of market participants than to traditional measures like cash flow and P/E ratios.

Asset appreciation follows information flow. By operating as nodes within these networks we're able to understand and profit from market trends at their inception. Once the flywheel of the network effect picks up, value rapidly accrues to the winners in the space.

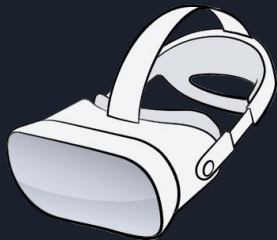


Case Study: Trading through Volatility

It's **January** and the Lunar New Year holiday is being extended for companies and schools out of caution. One of our trusted sources began to sound the alarm. The exponential increase in cases of a mysterious pathogen was sure to wreak havoc on our fragile supply chain. It wasn't until **March 11, 2020** that the WHO declared COVID-19 a global pandemic.

Traditional media outlets and the algorithms that rely on them are losing ground to the real time communication happening on social media. This information asymmetry enabled us to position ourselves in a trade that generated over a 200% return in 14 days.

While this trade took place in the traditional markets, it exemplifies our ability to leverage our information flow and profit from opportunities regardless of market direction.



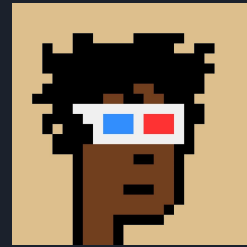
Journey into the Metaverse

Every year people are spending more of their time in the digital realm. Covid-19 has only accelerated this trend. People spend money to elevate their experiences no matter where they take place (in physical or digital space).

Humans are social animals and there's a natural desire we have to status signal to peers. Why signal with a fancy watch or car that you can only take out once a month when you can signal in the digital world 24/7, especially as the attention of your peers moves there.

The metaverse is the encapsulating term that describes the online universe that people are spending more time inhabiting. Current internet channels are a precursor to the 3D world that younger generations are already immersing themselves in. Supported by innovation in the AR and VR spaces, the demand for digitally scarce status items is on the rise.

Case Study: CryptoPunks NFTs



Shown above is my Cryptopunk. [Cryptopunks](#) are a collection of 10,000 algorithmically generated images (“punks”) that trade on the Ethereum blockchain. As one of the earliest NFT projects they have gained notoriety as a “blue-chip” investment in the space.

Even with that status, price discovery for this project and NFTs as an asset class is still underway. I purchased my punk in April for a price in the middle of the range (\$149k). As of this writing four months later, the cheapest comparable punk is priced at \$291k. The mid-range where mine is valued is around \$620k representing a 316% gain.

Just like the abundant number of cryptocurrencies, many of which are now worthless, there has been an explosion of new NFT projects. Being embedded in the space enables me to identify outliers such as CryptoPunks which can deliver outsized returns, at scale.



Risk Management



There are currently over 6,000 crypto assets listed on coinmarketcap.com

Fringe NFT projects and DeFi protocols tease high returns but often at too high of a risk. New protocols are often not battle-tested enough, resulting in software exploits and potential loss of funds.

We intend to focus on the top 10% of assets (by market cap.) only. The crypto asset class is likely to outperform all others over the next decade. Investing in higher-risk assets within the already risky asset class is imprudent and would likely result in lower risk-adjusted returns.



Portfolio Manager



Christopher Scott

- Over \$1M Crypto AUM
- 4 years experience trading cryptocurrencies (+74% YTD, +293% 12-mo performance)
- 8 years experience trading derivatives
- 12 years experience trading equities
- 10 years software engineering experience (technical background)



Fund Overview

- Fund Size: \$25M Target Capital Raise
- Minimum Investment: \$50K
- Management (AUM) Fee: None
- Performance Fee:
 - 8% pref to LPs, 2% catch-up to GP
 - 20% of net profit up to 20% return
 - 50% of net profit above 20% return
- Lockup: 1 Year
- Redemptions: Quarterly, with 45-day notice
- Investor Qualifications: Accredited investors, as defined in Regulation D under the Securities Act of 1933

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