

Dear Investors,

We wanted to communicate to you given the high volatility in Digital Assets markets this month.

Many of you may have read in the news about the stable coin UST losing its peg over the past few days. (Please refer to the Bloomberg article below where Treasury Secretary Janet Yellen makes mention of this in testimony to a Senate banking Committee).

We can confirm we have no exposure to UST or the Terra/Luna ecosystem. We evaluated the project early on but decided the risks were unacceptable despite the 18%-20% yields on offer. Our stable coin exposure, via the DeFi protocols to which we provide liquidity, is currently around 95% USDC.

USDC is a stablecoin issued by CENTRE – a joint venture between Coinbase and Circle. The cryptocurrency is backed by U.S. dollar-denominated assets held at regulated and audited U.S. financial institutions.

Since the beginning of May, the fund has held around 10% exposure directly in ETH. Given ETH has declined in price over 34% at time of writing, this will have an adverse impact on the fund's month to date performance. But in the context of the performance of global equity markets and digital assets in general, we are comfortable with our current risk profile.

This month we are publishing a note on ETH. Comparing our expectations of the project with its current trajectory, clearly from a price perspective it's not where we hope but that's being driven by the external backdrop of inflation and the interest rate hiking cycle. Ultimately value is driven by utility as well as the broader sentiment, the sentiment as always remains cyclical and the utility wins out.

We are happy to talk through the current market dynamics with each of you. Right now we continue to expect volatility and we remain patently aware that we in a capital preservation stance for the immediate future.

Best regards

Nathan and Rob

<https://www.bloomberg.com/news/articles/2022-05-10/yellen-cites-usd-breakdown-while-calling-for-stablecoin-rules?sref=sBpKRMsk>

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