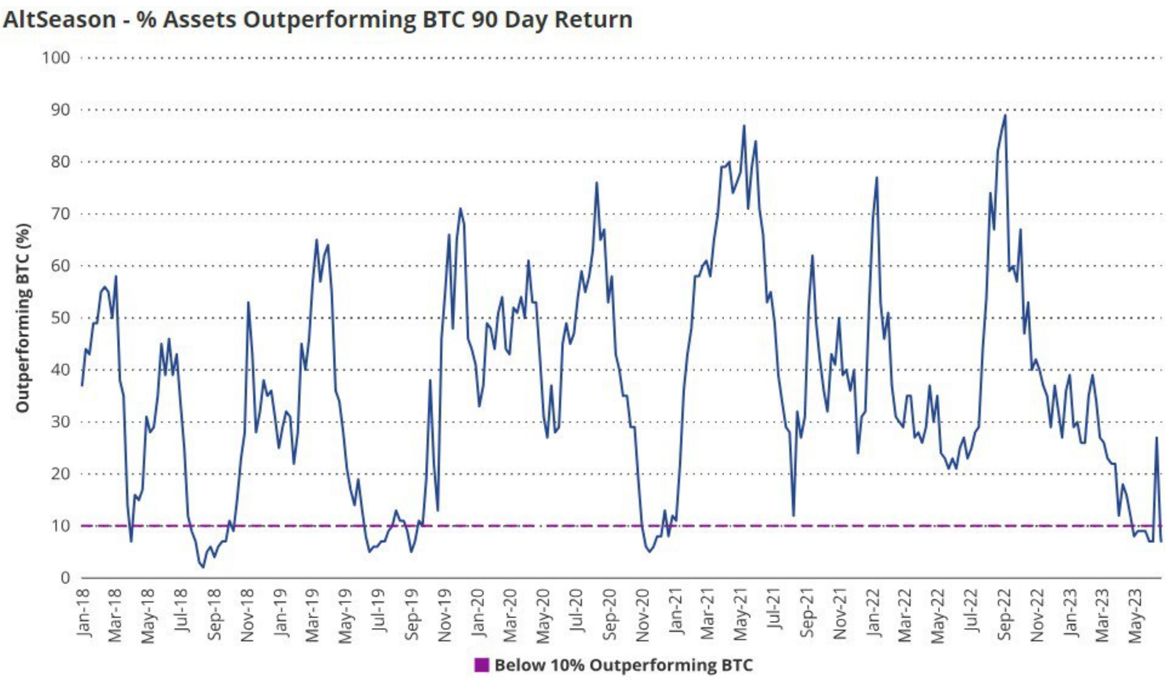
PORTAL
ASSET MANAGEMENT

Portal Market Commentary - June 2023

Market Update

June was a volatile month, as the cryptocurrency and digital assets ("crypto assets") market fell in the first half of the month by -20%, with altcoins down as much as 35% following the SEC's announcement of lawsuits against Binance and Coinbase. Some tokens recovered by month-end, but investors seem to have shifted their capital from altcoins to Bitcoin (BTC) after Blackrock, Wisdom Tree and Fidelity applied to the SEC for spot Bitcoin ETFs.

Bitcoin gained 11.9% in June as it represents a flight-to-quality / liquidity in the market. BTC's dominance has risen to 52% from 40% in December and from 46% at the beginning of June. We believe that June will mark the top of BTC dominance and the bottom of altcoin under- performance. Reversion to mean is one of the most powerful forces in the market as a rebalancing dynamic.



Source: Coingecko as of 6/30/2023. Past performance is no guarantee of future results. Not intended as a recommendation to buy or sell any securities named herein. Index performance is not representative of fund performance. It is not possible to invest directly in an index.

The Portal Digital Fund finished June up +0.7% net of fees vs the market as represented by the CCI30 Index UP1.4%% and Bitcoin up +11.9% respectively.

Roadshow and Conference Feedback

We are pleased to announce that Portal recently attended the Hedgeweek Hedge Fund European Digital Assets Summit in London and received an award as the *"Winner of the Best Sustained Absolute Performance Fund of Funds"* over three years.

The conference was the culmination of a two-week roadshow in Zurich, Geneva, London and Singapore where we met with various family offices, banks and accredited investors. The main feedback from the roadshow and conference was as follows:

- Institutional investors are still trying to manage exposure to the space as their compliance and risk management departments grapple with the complexity of custody and counterparty risk.
- All investors we met with had appetite for investing an entry level portion of their alternative's allocation to crypto assets and planned to do so in the next 6-12 months.
- Due to continued antagonism by the SEC and current US administration with Operation Chokepoint 2.0. and the lack of clarity around regulation, many crypto asset funds are seeking alternative domicile to the USA. Switzerland and Dubai are the main beneficiaries of this exodus. We see Singapore and Hong Kong also being favourably based to attract business.
- Although the price action has been negative over the past 18 months and the general media has published a mostly adverse perspective on the space, the underlying ecosystem is growing with a +39% increase in wallets in 2022, and many major financial institutions continue to roll out investment in infrastructure and operations in this space. (See below)
- England's FCA has stated their wish to release crypto regulations within the next 12 months with the hope to attract digital asset business to the UK.
- The Markets in Crypto Assets (MiCA) Regulation, which is the EU regulation governing issuance and provision of services related to crypto assets, is regarded as very favourable legislation for crypto assets in Europe which gives clear regulatory guidance to the crypto asset industry in Europe.
- VC funds in this space raised around $150bn between 2020-2022, and these funds have 5–7-year lockups, so they have enabled the continued roll out of new projects. The underlying pipeline of new tech and applications is very promising and healthy.

We continue to believe that if the crypto asset ecosystem was going to break it would have done so in November 2022 when all investors moved assets off all exchanges and into cold storage.

There are no bailouts in the crypto asset industry, and the past 18 months have ensured the ecosystem is a lot more resilient. The pruning of the industry was necessary to expose and remove bad actors such as FTX and 3AC, as well as weak hands and hot money.

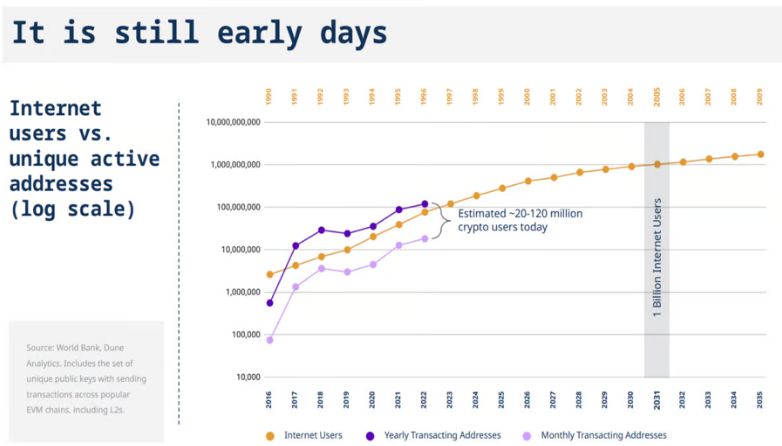
Focus on the Underlying Data - Facts Count, not Sentiment.

On-Chain Data

The following network facts support our positive outlook for the crypto asset space:[1]

- Cryptocurrency owners increased by 39% in 2022 – rising from 306 million in January to 425 million in December
- 18 of the top 20 nations using crypto currency are developing nations – the early adopters.
- In 2022, we saw $1.2 trillion in DeFi trading volume, up 12x from 2020 to 2022.
- In addition, a 52% increase in DeFi trading volume relative to total crypto trading volume after the FTX collapse.
- There were $9 trillion in on-chain stablecoin transfers, more than card networks Mastercard, Amex, and Discover combined in 2022.
- There were 5 million unique IDs issued across the Ethereum Name Service and Unstoppable Domains
- Record of $22 billion in annual NFT trading volume, up 15% in 2022.
- An additional 127 million in cumulative NFT creations.
- Major brands, including Starbucks, Adidas, Nike, Coca-cola, and the NBA, partnering with Web3 protocols.
- Major social platforms including Instagram, Twitter, Reddit launching NFT-powered capabilities.
- Bluesky, Mastodon, and Threads have all released decentralised social media platforms designed to compete with Twitter with Threads onboarding 100 million customers in a week.

As per our last newsletter we reiterate that the adoption of crypto assets by users is moving in line with the adoption of internet in late 90's as per the graphic on the right. We are on track for 1 billion unique users by 2030.



[1] Sources: ARK Investment Management Report. LLC, 2023. The World Bank 2016; The Block, data as of 01/17/23; Johnson, P. 2022. – Annual Report, available upon request.

Institutional Participation and Adoption

There were many significant positive events that occurred in 2022 during the 'crypto winter' that went largely unreported due to the negative sentiment towards the space:

- In June 2022 BlackRock's Aladdin partnered with Coinbase Prime to provide institutional clients with direct access to crypto, starting with bitcoin. Connecting to Coinbase Prime, Blackrock's Aladdin could usher trillions of dollars into the asset class in the coming years.
- During October 2022 BNY Mellon launched a crypto asset custody platform to safeguard assets for institutional investors. Touching more than 20% of the world's investable assets, BNY Mellon could use bitcoin to scale financial services cost-effectively.
- Eaglebrook Advisors and ARK Investment Management partnered to offer financial advisors access to actively-managed crypto strategies, including direct crypto asset ownership, low minimums, and portfolio reporting integration.
- In November 2022 Fidelity officially launched retail bitcoin and ether trading accounts enabling investors to trade and custody them on its platform.

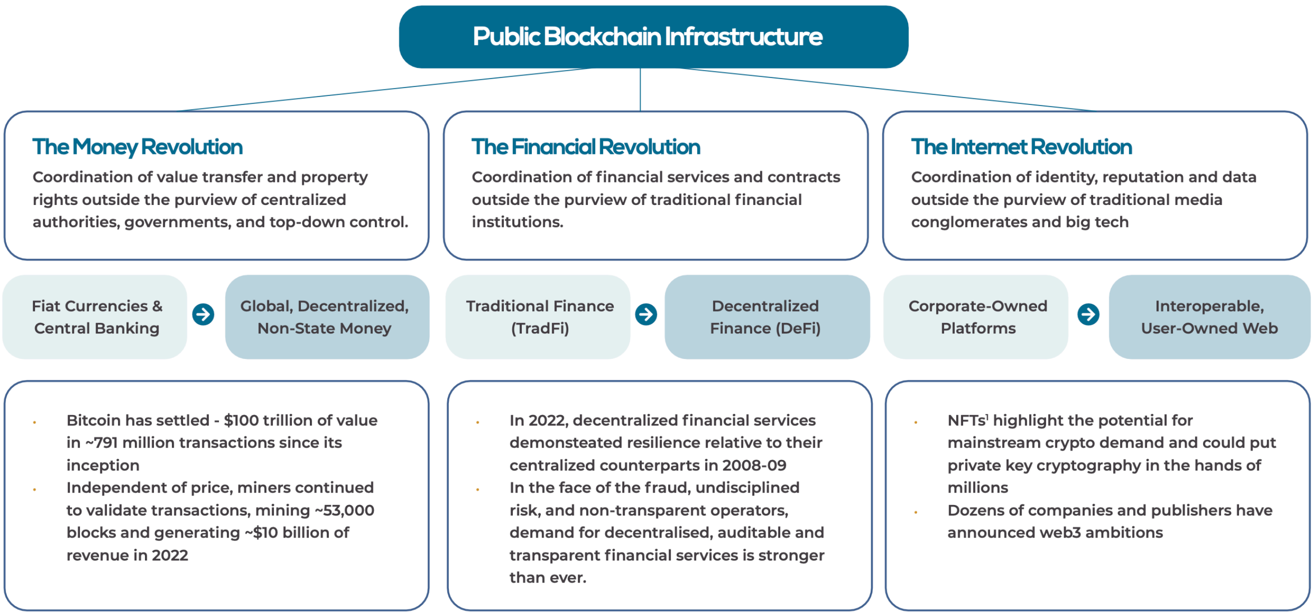
Other very notable headline in 2023 include:

- Deutsche Bank reportedly applies for digital asset custody license from BaFin
- HSBC and Standard Chartered pressed by Hong Kong regulator to take on crypto clients. Regulators are pushing for banks to accept more exchanges as clients in quest to develop digital assets industry.
- BlackRock Filed for Bitcoin ETF Application. BlackRock will be using Coinbase (COIN) Custody for the ETF and the crypto exchange's spot market data for pricing.
- Fidelity preparing to submit spot bitcoin ETF filing. BlackRock's June 15 filing has been followed by other asset managers looking to launch their own spot bitcoin funds including Invesco, WisdomTree and Bitwise.
- Crypto Exchange Backed by Citadel Securities, Fidelity, Schwab Starts Operations.
- $87 billion WisdomTree officially files for spot #Bitcoin ETF.
- Japan's Biggest Bank MUFG is in Talks to Issue Global Stablecoins.
- HSBC Hong Kong now lets customers easily trade Bitcoin and ether ETFs.

Despite the severe downturn in 2022, public blockchains continue to foster "The Monetary, Financial, and Internet Revolutions". The long-term opportunity for Bitcoin, DeFi, and Web3 is strengthening. As Fed Chair Powell recently commented: "Crypto Appears to Have Staying Power"

Cryptocurrencies and smart contracts could command $20 trillion and $5 trillion in market value, respectively, during the next ten years.

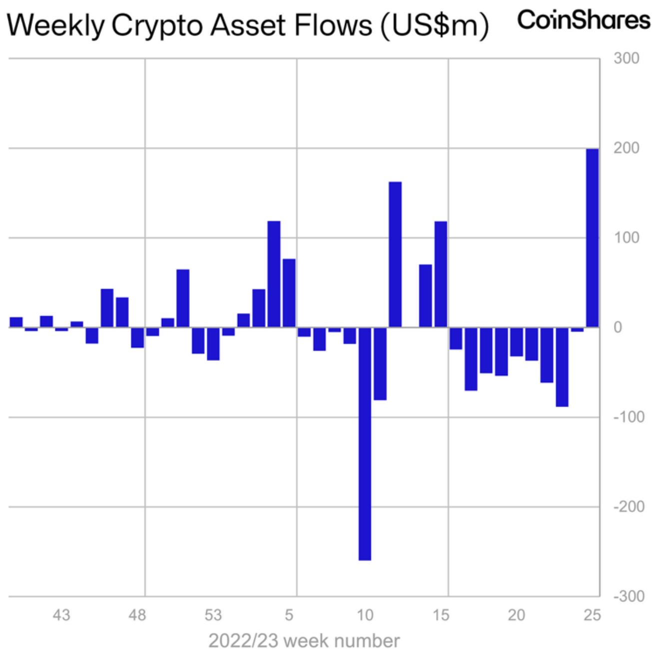
Despite A Severe Downturn, Public Blockchains Continue To Foster Multiple Revolutions



[1] Non-fungible token (NFT), a unique, programmable blockchain-based digial object that proves ownership of digital assets. Sources: ARK Investment Management LLC, 2023. Glass node, data as 01/20/23, figures not entity-adjusted. Forecasts are inherently limited and cannot be relied upon. For informational purposes only and not be considered investment advice or a recommendation to buy, sell, or hold any particular security or cryptocurrency. Past performance is not indicative of future results.

Indeed, Digital asset investment products saw the largest single weekly inflows since July 2022, totalling US$199m, correcting almost half of the prior 9 consecutive weeks of outflows.

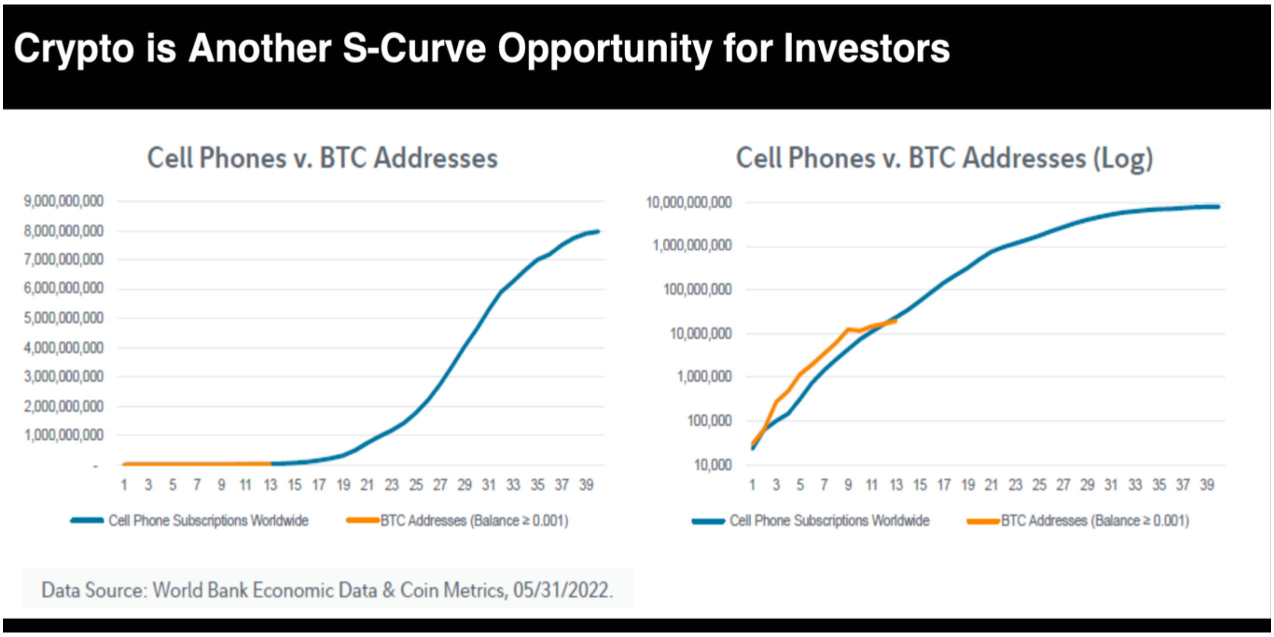
Bitcoin was the primary beneficiary, seeing US$187m inflows last week, representing 94% of the total flows. Short-bitcoin saw outflows for the 9th consecutive week totalling US$4.9m.



Source: Bloomberg, CoinShares, data available as of close 23 June 2023

The Investment Case for Crypto

We reiterate that we believe we are at the tipping point of a very rapid surge in adoption of Crypto Assets, and this is underpinned by the actual growth in both institutions and government as detailed in past newsletters, combined with the private sector seeking independent alternatives for everything from money transfers to loans being enabled by DeFi alternatives and the further potential provided in Web3.0.



Impact of a Crypto Allocation on Diversified Investment Portfolios

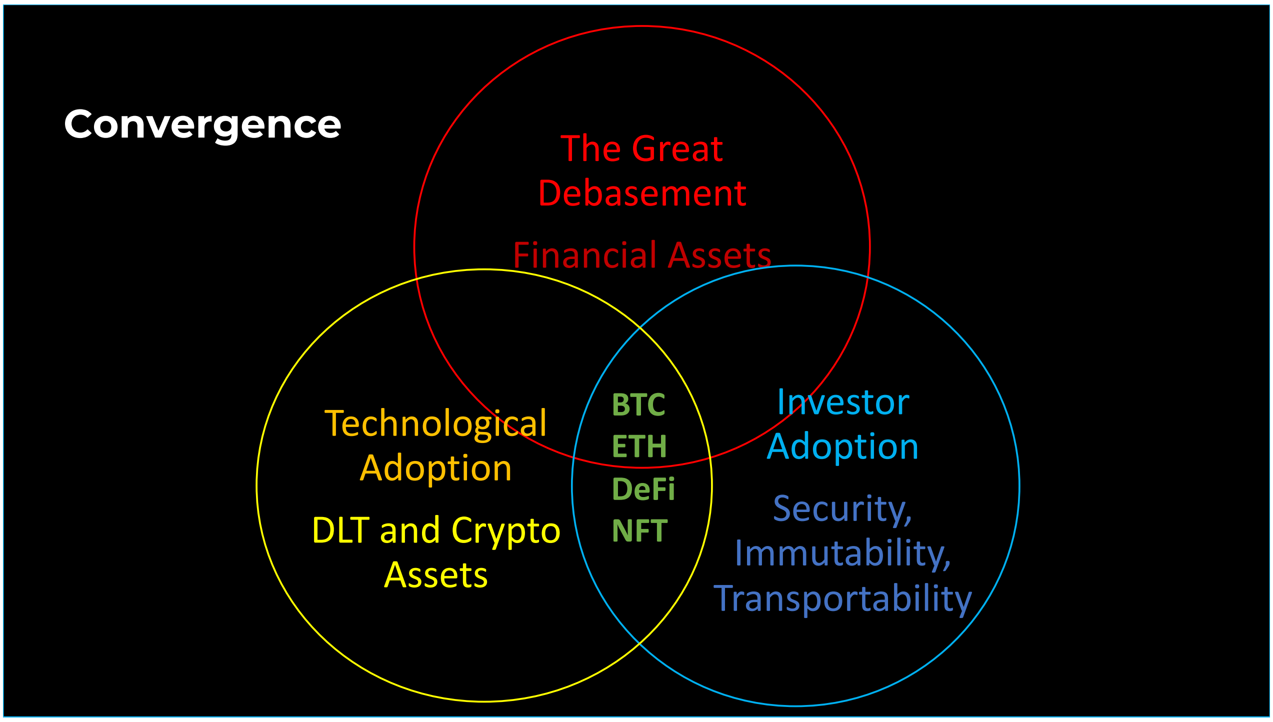
The crypto market is effectively long-term "VC-like" investing with real-time, public market pricing and liquidity. The biggest positive in allocating to the market is the ability to own liquid assets that can generate returns far superior to those in other markets. The obvious negative is the potential to lose all of one's investment via direct token investment.

The risk of total loss can be mitigated by allocating across various digital asset sectors by use case and time horizons and by limiting one's allocation to the digital asset class to a smaller position, around 2%-5% of a portfolio. This small allocation to the crypto market that could rise by 10x or 20x in the next bull market would likely be a meaningful wealth creator.

Crypto assets are well worth an allocation, especially given their significant upside potential in the form of a perpetual call option on the technology and asset class which we discussed in our last market commentary.

Conclusion

We reaffirm that the three trends we identified and discussed in 2022 as per the graphic below continue to gather pace and will result in continued adoption and growth in the crypto asset space.



We continue to believe that this is the greatest opportunity for wealth creation and democratisation of access to capital and participation in the global economy and that this will give rise to the next unicorns, regardless of governments attempts to stifle it.

From a regulatory perspective, the safest way for allocating in a compliant and efficient manner to the public crypto market is through a dedicated, regulated, financial service license-compliant cryptocurrency and digital asset focused fund with independent administrators and a fully audited track record that accepts suitable investors only.

Please feel free to contact me should you have any enquiries.

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