
PORTAL

ASSET MANAGEMENT

Portal Market Commentary – May 2024

Market Update

Cryptocurrency and Digital Assets (“Crypto Assets”) markets had a solid recovery in May. There was once again a risk on sentiment as markets surged following the approval of Ethereum ETFs.

On May 23rd, the United States Securities and Exchange Commission (SEC) gave regulatory approval to eight spot Ethereum ETFs. Hype, expectation, and the inevitable green light for the ETFs sent the price of Ethereum (ETH) up 26% in May and led a market-wide rally.

Global digital asset investment products witnessed net inflows for four consecutive weeks, and May saw inflows of \$2 billion, pushing year-to-date net inflows above the \$15 billion mark.

Bitcoin (BTC) gained +11% in May and the market as represented by the CCI30 Index was up +12%. The Portal Digital Fund finished May up +8% with the Radiance Multi-Strategy Fund up +14%.

ETH ETF's Approved- The Inexorable Adoption Continues

In the last week of May, the SEC finally approved Ethereum (ETH) ETF applications from Blackrock, Fidelity, Grayscale, Van Eck, Franklin Templeton, Ark21 Shares, Invesco, and Bitwise.

The spot Ethereum (ETH) ETFs are long anticipated and is a pivotal moment in the evolution of the crypto assets market as it enables easier price exposure to ETH for institutional and retail investors. ETF investors won't need to worry about custody or securing ETH in digital wallets. For institutional investors, an ETF provides the deep liquidity needed to exit and enter positions without going through potentially messy over-the-counter (OTC) services.

The State of the Industry¹

The start of 2024 was exciting for macro traders and crypto enthusiasts. The total cryptocurrency market capitalization at the end of the quarter reached \$2.75tn up from \$1.77tn at year-end in 2023. The liquid token market reached its local height of \$2.89tn in mid-March as Bitcoin climbed above \$70k. Days after February month-end, Bitcoin reached a new all-time high for the first time since November 2021 as steady ETF inflows continued the historical streak of Bitcoin dominance.

Key takeaways from the report:

- The total crypto-dedicated hedge fund market grew from \$16.3bn in December 2023 to \$21.0bn in value for the first time since October 2022.
- Liquid Strategies continue to grow: Fundamental strategies grew from \$12.5bn to \$16.1bn in total AUM. Market Neutral funds jumped from \$1.7bn in total AUM to \$2.1bn in total AUM and Quant Directional strategies grew from \$2.0bn to \$2.8bn in Q1 2024.
- VC is recovering: Venture Firms raised \$1.19bn in Q1 2024 across 22 funds. Considering historical quarterly totals, Q1 2024 was on average for the total number of funds raised. Through Q1 2024, \$2.62bn was invested across 631 deals.

The Next Wave

Up until now, crypto, particularly DeFi, has predominantly operated in a world of its own. Although there is a lot of activity, such as Lending and Staking, Interoperability and trading on Decentralized Exchanges or DEX's, most of it remains within the confines of the crypto asset ecosystem. We are now poised for this technology to break into the world outside of blockchain as "The World's Largest Asset Manager Integrates With DeFi"²

BlackRock has recently launched their first on-chain fund called BUIDL ("The BlackRock USD Institutional Digital Liquidity Fund") represented as a token on Ethereum and backed by U.S. Treasuries.

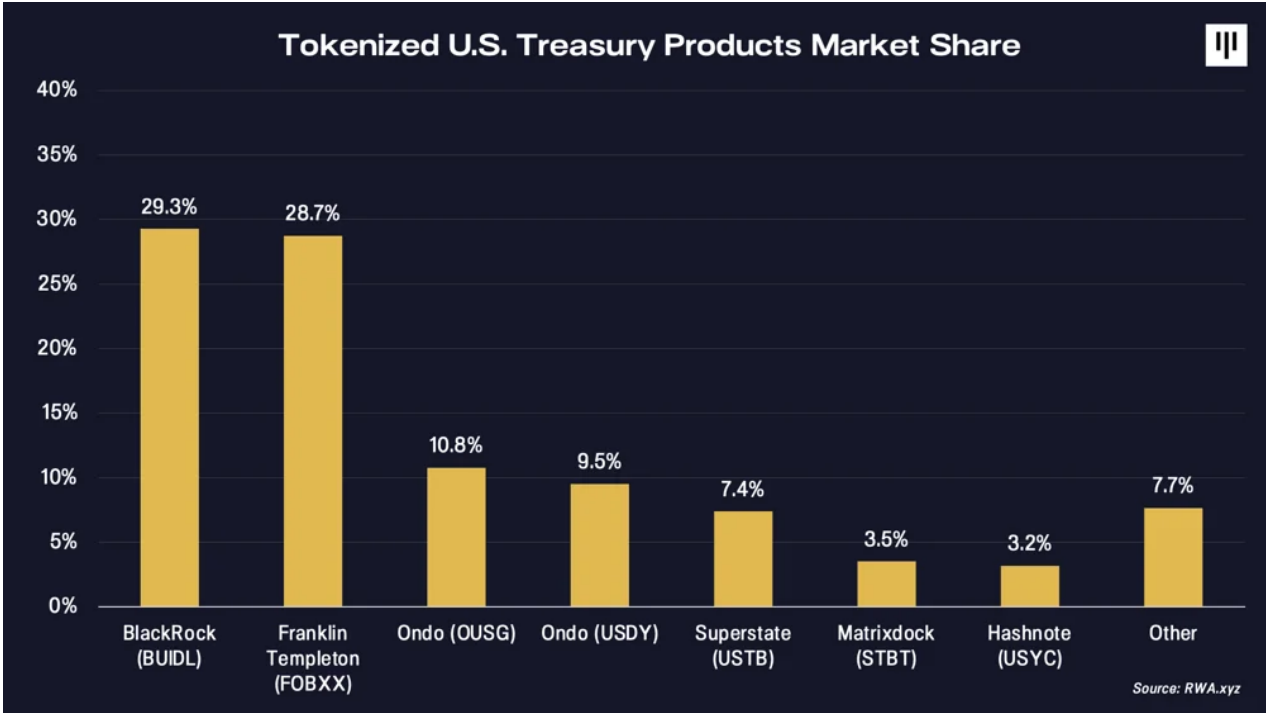
BUIDL seeks to offer a stable value of \$1 per token and pays daily accrued dividends directly to investors' wallets as new tokens each month. The Fund invests 100% of its total assets in cash, U.S. Treasury bills, and repurchase agreements, allowing investors to earn yield while holding the token on the blockchain. Fund participants will

¹ VisionTrack Galaxy - Q1 2024 Institutional Crypto Hedge Fund & Venture Report , MAY 2024

² Pantera Blockchain Letter, 8th May 2024.

also have flexible custody options allowing them to choose how to hold their tokens.⁴

Since launching on March 21, BUIDL has amassed \$375 million of assets representing nearly 30% of the tokenized U.S. treasury market. BlackRock and Franklin Templeton are leading the charge in the tokenized U.S. treasury market, bringing RWAs (“real-world assets”) front and center. The world of centralized finance is integrating with decentralized finance.



Larry Fink in a recent interview on Bloomberg Television on 12th January 2024 stated:

“We believe the next step going forward will be the tokenization of financial assets. And that means every stock, every bond will have its own, basically, CUSIP. They’ll be on one general ledger. Every investor will have their own identification number.

“We could rid ourselves of all issues around illicit activities around bonds and stocks through tokenization. But the most important thing is that we can customize strategies with tokenization that fits every individual...”

“We believe this is a technological transformation for financial assets.”

The practical benefits of tokenization cannot be ignored which is why we believe more legacy incumbents will follow. Benefits include 24/7/365 liquidity, instant transaction settlement, and reduced operational friction, characteristics that are seldom realized in traditional systems. This is not just a technical upgrade of financial operations but also a strategic expansion which may ultimately enhance financial inclusivity and deepen the market.

Portfolio Positioning

As stated in our recent newsletters, we remain bullish on the current market outlook and believe that we are facing the start of this industry's third multi-year bull run. The fundamental difference in this cycle is that the institutions will continue to increase exposure as discussed above. Both funds remain strategically positioned to take advantage of this and the rotation from larger assets like Bitcoin and Ethereum to Alt coins.

Conclusion

We reiterate our view from mid-2023 that this is the beginning of a multi-year secular bull market. This is **not** a cyclical bull market driven by changing interest rate expectations and sector rotation, but rather a secular bull market.

Declining supply, rising demand, political support, regulatory approval and the inevitable Fed pivot are all coinciding in 2024. Not to mention tail risks like multiple global wars and unlimited QE driving demand for the stability BTC represents. We further believe we are at the tipping point of a very rapid surge in the adoption of Crypto Assets which is now underpinned by institutions and investors using and investing in this new asset class.

Importantly we believe that from a regulatory perspective and investment diversification strategy, the safest way to invest is through a dedicated, regulated fund with independent administrators and a fully audited track record such as the Portal Digital Fund or the Radiance Multi-Strategy Fund.

Feel free to contact me should you have any enquiries.

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