

DIGITAL ASSET FUND

AN INSTITUTIONAL APPROACH TO
DIGITAL ASSET MARKETS

August 2023 Newsletter



DAFM

DIGITAL ASSET
FUNDS MANAGEMENT

WWW.DAFM.IO

Fund Characteristics

- > Australian based Investment manager
- > Australian unit trust
- > Australian Dollar denominated units
- > Two separate unit classes

Digital Opportunities Class

- > Uncorrelated to traditional markets
- > Market neutral approach
- > Absolute return focused

Bitcoin Index Class

- > Bitcoin tracker
- > Enhanced yield
- > Directional, long only exposure

Investment Manager and Trustee

Digital Asset Funds Management Pty Ltd
Corporate Authorised Representative
(No. 001285765) of Quay Wholesale
Fund Services Pty Ltd (AFSL No. 528526)

Fund Administrator and Registry

Ascent Fund Services (Singapore) Pte. Ltd
www.ascentfundservices.com



In August, Bitcoin's value dropped by 7%, marking the worst monthly performance of the year. The first half of the month saw relatively stagnant price action until August 18th when Bitcoin experienced a sudden drop of over 7%. This significant decline was attributed to multiple factors, including the liquidation of around \$860 million worth of crypto long positions in the largest daily liquidation of the year. Contributing to the uncertainty were various elements such as a Wall Street Journal article suggesting that Elon Musk's SpaceX had sold its Bitcoin holdings, a volatile macroeconomic landscape, and low liquidity. Bitcoin briefly rebounded on August 29th following a favourable court ruling in favor of Grayscale's bid to convert GBTC into an ETF. This rally was short-lived, as gains were reversed in the final two days of the month.

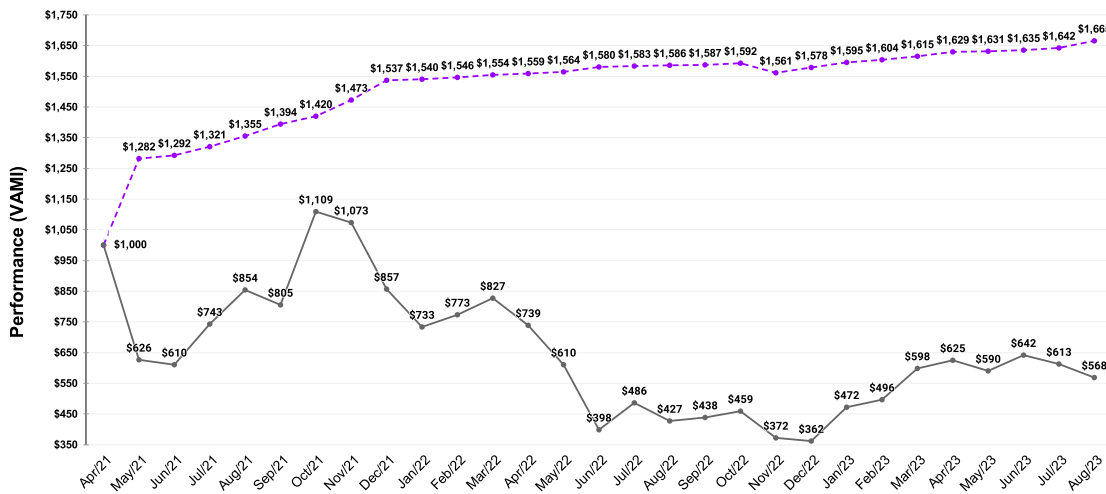
In a parallel trend, Ethereum also experienced a 7% decrease in value during August. Ethereum's performance closely mirrored that of Bitcoin. Surprisingly, demand for ETH staking remained strong despite Ethereum's weakness, leading to significant growth in the validator set during the month. However, the activation queue saw its first notable decline, reducing to approximately 45,000 validators with an average wait time of around 19 days. Ethereum's total supply decreased by approximately 5,300 during the month, marking the eighth consecutive monthly decline, albeit the smallest one this year. The month also witnessed notable developments in Ethereum ETF offerings, including new filings for spot and futures-based products.

Key market observations from the trading desk

Overall a busier month than we've encountered for some time. Whilst overall movements in spot and basis were range bound, we did enjoy a particularly violent sell off on the 18th. This occurred during the period where the CME Futures were closed in early Asian trade, a generally illiquid time. We were able to capture many of the opportunities that presented themselves in that 30 minute period, and this episode contributed to over half the monthly return. The move itself was largely driven by technical actors in the options market and we saw all the futures dislocations in Deribit, the principal options trading venue.

We continue to work on adding additional instruments into the strategy, and are back testing a mean reversion strategy that we'd like to get into production in the coming months.

Performance Chart



• Digital Opportunities Class • Bitcoin Index Class

Performance overview

Style: Market-Neutral/Arbitrage

Funds under Management: \$19m

1 month	+1.42%
3 months	+2.09%
6 months	+3.86%
Since inception	+66.54%

+1.42%

Digital Opportunities Class

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-	-	-	-	+28.16	+0.83	+2.19	+2.62	+2.86	+1.85	+3.72	+4.36	+53.68
2022	+0.23	+0.38	+0.53	+0.28	+0.35	+1.03	+0.19	+0.15	+0.08	+0.35	-1.96	+1.10	+2.71
2023	+1.05	+0.54	+0.71	+0.90	+0.11	+0.23	+0.44	+1.42					+5.51

Please Note: All performance figures are net of fees and relate to the Lead series. Investors who held units in the Digital Opportunities Class as at the 1st of November 2022 had exposure to FTX. As a result, 12.96% of assets in the Digital Opportunities Class were segregated and placed in a separate unit class. As these assets are frozen and their realisation is uncertain in both amount and time, no impairment is reflected in the performance figures above. It should be noted that performance fees are still being charged by the manager with respect to the Digital Opportunities Class. Investors will receive an emailed statement directly from Ascent Fund Services with their unit holdings and valuations.

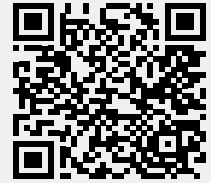


Style: Long only Bitcoin Tracker
Funds under Management: \$0.56m

1 month -7.20%
 3 months -3.68%
 6 months +14.52%
 Since inception -43.15%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-	-	-	-	-37.37	-2.55	+21.69	+14.98	-5.71	+37.73	-3.23	-20.19	-14.34
2022	-14.39	+5.41	+7.02	-10.71	-17.37	-34.73	+22.04	-12.14	+2.65	+4.69	-18.94	-2.80	-57.78
2023	+30.49	+5.19	+20.51	+4.44	-5.54	+8.70	-4.51	-7.20					+57.19

APPLY



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Fund Terms

	Digital Opportunities Class	Bitcoin Index Class
Minimum Applications	AUD 100,000	AUD 100,000
Redemptions	Monthly	Monthly
Lock up period	Monthly (45 days notice)	Monthly
Management Fee	90 Days	None
Performance Fee	2% plus GST	2% plus GST
Highwater mark	25% plus GST	None
	Yes	N/A

CONTACT

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