

DIGITAL ASSET FUND

AN INSTITUTIONAL APPROACH TO
DIGITAL ASSET MARKETS

January 2022 Newsletter

Bitcoin fell 14% in January, its worst start to a year since 2018. Correlations increased with traditional risk assets as investor sentiment around the uncertainties of geopolitical tensions, Omicron worries, and supply chain disruptions found its way into the digital asset world. Yields across crypto fell well into the negative on many coins, and low single digits as far into the future as yields are priced. News in general was bearish with net outflows from funds by institutions, negative institutional research reports from JP Morgan who lowered their fair value estimate of Bitcoin to US\$38,000, and UBS who warned about the impact of tightening monetary policy on the Digital Asset space. Outside of market conditions, the American Banker reported that 300 US community banks will start offering bitcoin trading services in the first half of this year, and Bitcoin Total Hash Rate (computational power being used to process transactions) hit a new record during the month.

Ethereum underperformed Bitcoin for the month falling 25% in January. Outside of macro factors, the Ethereum Foundation retired the term "Ethereum 2.0" in favor of "Consensus layer" to better reflect that the coming upgrade is not an entirely new network.

Beyond the 2 largest coins, the pain was far more evident. The Layer 1's, which were last year's winners, were all down in excess of 35% for the month.

Key market observations from the trading desk

Volumes across all the exchanges were well down, 50% from December for example. Add to that yields across the curve with a maximum value of 5% APY, and little interest in budging irrespective of considerable underlying moves, made for a lacklustre month of active trading. Conversely to the usual trading conditions that suit DAF, we may well need a rally to stimulate some trading interest.

Performance overview

+0.23%

Digital
Opportunities
Class

Style: Market-Neutral/Arbitrage

Funds under Management: \$69.5m

1 month	+0.23%
3 months	+8.49%
6 months	+16.63%
Since inception	+54.03%

	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												+0.23

-14.39%

Bitcoin
Index
Class

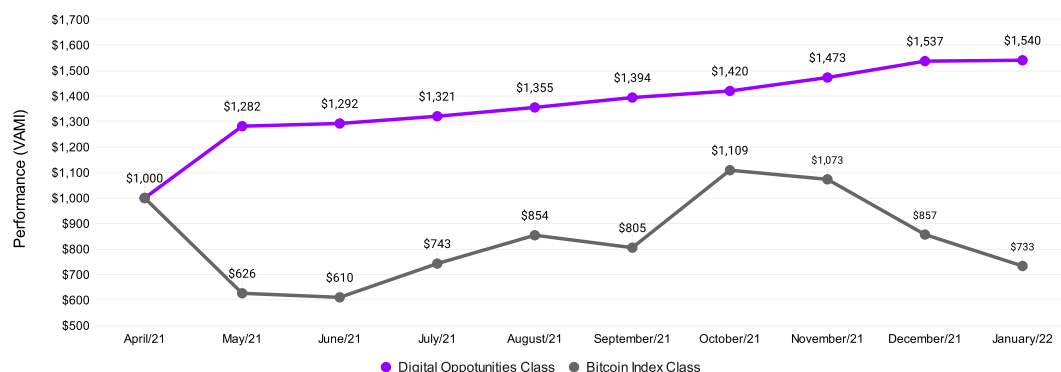
Style: Long only Bitcoin Tracker

Funds under Management: \$0.68m

1 month	-14.39%
3 months	-33.88%
6 months	-1.26%
Since inception	-26.67%

	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												-14.39

Performance Chart



All performance figures are net of fees and relate to the Lead series. Investors will receive an emailed statement directly from Ascent Fund Services with their unit holdings and valuations



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)

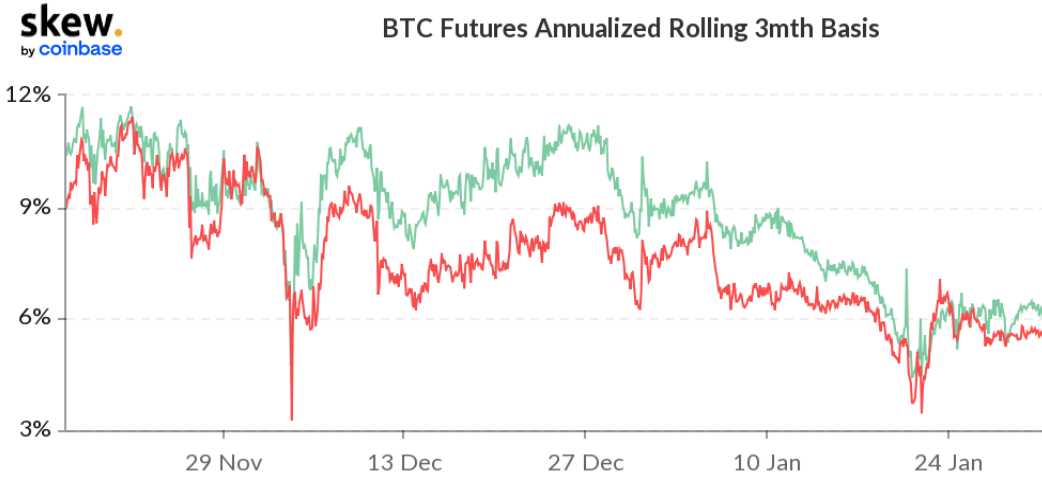
Fund Administrator and Registry

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



Key Chart

The concepts of contango and backwardation refer to whether the basis is at a premium or discount. A market is in contango when the futures price is higher than the spot price (premium). On the contrary, a market in backwardation has the futures price below the spot price (discount). In either case, the spot and futures prices should converge - driving the basis towards zero as the contract approaches expiration. The chart below of the annualised basis for Bitcoin on 2 of the larger exchanges paints a clear picture that leverage, for the time being, has left the big end of the crypto derivatives markets.



Fund Terms

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

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