

DIGITAL ASSET FUND

AN INSTITUTIONAL APPROACH TO
DIGITAL ASSET MARKETS

March 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 March, Bitcoin's upward trend resumed after relatively flat price action in February, with prices rising 20%. The correlation between Bitcoin and equities continued to decline, with the one-month correlation to the S&P 500 falling to its lowest level since August 2021 at just 0.09. Interest in Bitcoin received a boost amidst the banking crisis due to its status as a non-sovereign digital reserve currency. Moreover, the Fed's new Bank Term Funding Program is viewed as a stealth form of quantitative easing that supports Bitcoin narratives. Functionally Bitcoin proved its resilience again, settling \$650 billion and facilitating around 9 million transactions, while issuing around 26,000 new BTC. This was all done at a steady and predictable 1.8% inflation rate and generated approximately \$700 million for miners, securing the network. Perhaps the most noteworthy news event of the month was when Balaji Srinivasan, former Coinbase CTO, placed a \$1 million bet that the price of Bitcoin would reach \$1 million within 90 days, driven by the US banking crisis and resulting hyperinflation, by June 17th.

While Ethereum underperformed Bitcoin in March, it still gained a credible 14%. On-chain activity remained elevated, and the total ETH supply decreased by nearly 35,000, breaking the monthly supply reduction record for the third consecutive month.

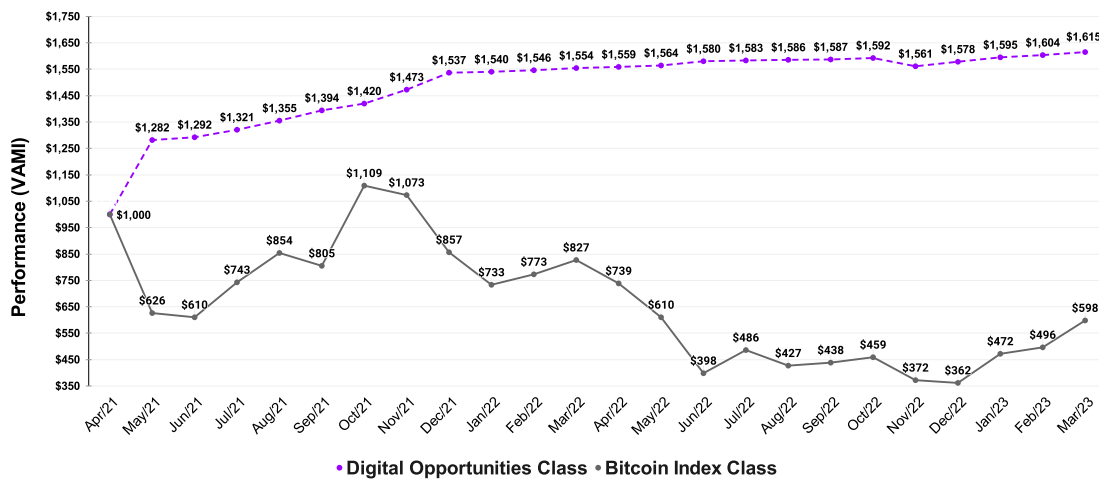
Key market observations from the trading desk

A similar trading environment to February as market participants that left the market post FTX are slow in returning. This increased illiquidity is generally a positive for the DAFM strategy and we'd be happy for it to persist. The main opportunities we see remain in the CME vs crypto native exchanges where different types of market participants reside. Institutional vs retail predominantly. Development work continues, we aim to integrate stablecoin denominated and margined futures into the trading system in the coming months.

Additionally, we're in the beta testing program for the Deribit/Fireblocks third party escrow custody solution that's being rolled out. We believe this will be the model in the future for exchanges holding collateral from clients and would go a significant way to addressing the counterparty credit issues that FTX highlighted.

Please note that there has been a restatement of the February 2023 NAV. Investors have been issued with revised contract notes and the performance reported in this newsletter reflects the revision.

Performance Chart



• Digital Opportunities Class • Bitcoin Index Class

Performance overview

Style: Market-Neutral/Arbitrage

Funds under Management: \$25m

1 month +0.71%
3 months +2.31%
6 months +1.77%
Since inception +61.49%

+0.71%

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										+2.31

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.

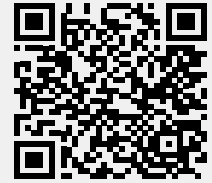


Style: Long only Bitcoin Tracker
Funds under Management: \$0.59m

1 month +20.51%
 3 months +65.41%
 6 months +36.44%
 Since inception -40.18%

	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										+65.41

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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