BLOCKCHAIN STRATEGIES FUND
World's First Blockchain Fund of Funds
The World’s First Blockchain Fund of Funds

Blockchain Strategies Fund (the ‘Fund’) is the world’s first fund of funds focusing on blockchain technology investment opportunities such as digital currencies.

The successful management of a Fund of Funds in the crypto asset space requires a significant technical expertise on both the underlying technology and sound asset management techniques.

Block Asset Management (BAM) has been established as a specialist investment manager focusing purely on the blockchain and crypto space and brings together a team of seasoned professionals with complementary skills and strong track records from those sectors.

Block Asset Management is the first Blockchain/Crypto focussed Alternative Investment Fund Manager (AIFM) registered with the regulator in Luxembourg (the CSSF).

The Fund has been designed to offer investors full access to the world’s fastest growing asset class with the benefits of sound risk management and portfolio diversification to reduce volatility.
A robust approach to an emerging asset class

Blockchain Strategies Fund has been created to offer a diverse and broad access to those looking to access the world’s fastest growing asset class.

The Fund bridges the gap between fiat and crypto asset classes by applying proven risk management techniques and customizing them to the crypto emerging asset class.

**EXPERTISE**
International team of hand-picked professionals with experience in crypto, risk management, banking and funds management

**DIVERSIFICATION**
A diversified multi-strategy approach that captures the sector’s exciting growth while reducing downside risk in what is still a volatile and complex sector

**REGULATION**
Set up using a well-established structure in Luxembourg. The Fund has an independent administrator, custodian and auditor and is registered with the CSSF

**RISK MANAGEMENT**
Fully developed risk management framework. Enhanced due diligence model customized for the unique characteristics of the crypto asset class

**SCALE**
As the Fund grows, investors benefit from higher scale rewards as opposed to an individual investment into any of the underlying instruments
**Diversified exposure**

By combining exposure to multiple cryptocurrencies together with Trading, Mining, Lending, Private Equity (ICO) and Blockchain related listed companies’ strategies, the Fund creates a better risk / return profile by reducing volatility.

- **INDEX TRACKING**
  Exposure to multiple crypto currencies offering capital appreciation

- **MINING**
  Exposure to crypto mining companies generating income

- **BLOCKCHAIN - RELATED LISTED COMPANIES**
  Global listed companies that are committing material resources seeking to transform practical business applications through the development and use of blockchain technology

- **ICO’s / STO’s**
  Exposure to Blockchain Funds with exposure to Initial Coin Offerings and Security Token Offerings: exposure to Private Equity type gains

- **LENDING**
  Exposure to crypto and fiat loans markets across crypto exchanges offering high yields

- **TRADING**
  Exposure to absolute return type strategies through cryptocurrency trading and exchange arbitrage

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* Fiat currency is legal tender whose value is backed by the government that issued it.*
Introduction to Blockchain
Blockchain technology is a new market opportunity

The blockchain is run by miners, who use powerful computers that verify transactions by solving difficult mathematical equations. Completed transactions are recorded onto the blockchain ledger. The first miner to solve the puzzle (verified by the network as proof of work) is paid in cryptocurrency.

Blockchain technology is an open, transparent, peer to peer, decentralised ledger system (or database) secured by cryptography. Transactions are recorded chronologically and publicly, creating a permanent, un-editable and un-hackable record of all transactions. This enables the digital transfer of value/assets on a trusted network.

Blockchain provides a protocol that for the first time enables financial transactions without the need for central verification, significantly reducing transaction costs and processing delays.

Blockchain assets are liquid, scarce, open source, and secured by cryptography.

Initially, investment was restricted to the tech community or some early stage VC tech investors. However, we have now seen the successful launch of dozens of investment funds focusing on the blockchain/crypto investment field.

Blockchain technologies represent one of the largest investment opportunities in a generation. The value created through these networks will eclipse both the PC and internet eras.
Applications of blockchain

Blockchain can revolutionise the world of finance by providing a way of simply recording and tracking.

Estimates a 400x increase in the values stored on Blockchain by 2027 and that 10% of global GDP will be stored on Blockchain platforms.

80% of Banks expected to initiate Blockchain technology projects by the end of 2018.
Applications of blockchain

Blockchain technologies have already gone beyond digital payments and transfers. The security features of blockchain technology offer immense potential in the following fields:

- Custody
- Smart contracts
- Proof of ownership
- Government Services
- Identity Verification
- Electronic Voting
- Patient Health Records
- Anti counterfeit measures/Fraud minimalisation
- Energy Markets
- Supply Chains

“Algorithms that enable the creation of distributed ledgers are powerful, disruptive innovations that could transform the delivery of public and private services and enhance productivity through a wide range of applications”

Mark Walport
UK Government Chief Scientific Adviser
What are crypto currencies?

Digital currencies based on the blockchain technology

Cryptocurrencies like Bitcoin and Ether are digital, or virtual units/assets that are transacted across a blockchain database. Blockchain technology provides security and proof of ownership and therefore cryptocurrencies can be traded/exchanged for goods and services. Cryptography is used to verify transactions and control the creation of additional units of cryptocurrency.

Cryptocurrencies can transfer value/wealth freely, securely and virtually instantaneously over a global network without the need for a middleman/bank for verification thus creating a decentralised system for exchange of wealth.

There are over 3000 cryptocurrencies but Bitcoin is the most successful (largest by market cap and highest unit value).

There will be only a finite number of Bitcoins (21m) that can ever be mined, so inflation is not a problem of this currency.

The number of goods and services for which you can pay with digital currencies is constantly growing.
Despite the rapid growth of cryptocurrencies, massive potential remains.

Cryptocurrency market cap still remains less than 5% of gold.

- $80tr All Money
- $67tr Stock Markets
- $8tr Gold
- $0.7tr Apple
- $0.225tr Crypto Currencies
- $0.07tr Paypal Currencies

<5%
Blockchain / crypto assets

The early adopters phase. Much has been written about the adoption of new technology, specifically that it follows a predefined curve. This bell curve has 5 distinct areas of adoption volume, and as it applies to cryptocurrency world the prevailing theory is that we have just entered the beginning of the Early Adopters phase. It could potentially be many years before we reach Late Majority. For all of the noise in the media, the level of general public participation in cryptocurrency is still extremely low and subsequent investment opportunity.

Product Adoption Curve

“Bitcoin is a remarkable cryptographic achievement and the ability to create something that is not duplicable in the digital world has enormous Value”

StartFragment
Eric Schmidt, CEO of Google
Our solution - avoiding wild roller coasters

**SINGLE CRYPTO STRATEGY (BITCOIN)**
without Risk Management

**MULTI STRATEGIES FUND OF FUNDS**
*with Risk Management

*Graphs on examples for illustrative purposes only.*
Investment strategy overview

The investment objective of the Fund is to achieve a long term annualized return in line with the wider crypto market, but with less volatility, through a multi-strategy Fund of Funds approach. The Fund seeks to achieve its investment objective by investing in a diverse selection of Blockchain/Crypto Funds and other investment vehicles.

Blockchain Strategies Fund employs a six pronged strategy designed to achieve both high returns and diversification.

The investments selected within the Fund of fund will focus on:

- Cryptocurrency Index Tracking: exposure to a basket of crypto currencies offering capital appreciation.
- Cryptocurrency trading and exchange arbitrage
- Cryptocurrency / fiat lending: exposure to crypto loans markets offering high yields
- Cryptocurrency mining: exposure to crypto companies generating income
- Blockchain Funds with exposure to Initial Coin Offerings: exposure to Private Equity type gains
- Blockchain related listed companies

Deep research into the Funds, the teams behind them, and the technology they are built upon is not only imperative, it is the driving force behind Blockchain Strategies Fund decision to invest.

BSF will only invest in Funds with:

- Experienced management team and Viable Fund structure.
- Passed rigorous DD (must have sector recognised service providers, i.e. independent fund administrators, custodian & auditor)
- Good technology.
- Industry contacts & reputation.
- Extensive due diligence on Exchanges and have exposure limits within list of approved exchanges.
- Disaster recovery & business continuity plans.
A multi strategy diversifying into various markets, managers and blockchain investment styles

**SAMPLE PORTFOLIO BREAKDOWN BY STRATEGY**

- **Blockchain Related 5% Listed Companies**
- **Crypto currencies 30%**
- **Cash 10%**
- **Initial Coins Offerings 10%**
- **Mining 10%**
- **Lending 5%**
- **Trading & Arbitrage 30%**

**PORTFOLIO – BREAKDOWN BY LIQUIDITY**

- **Monthly 80%**
- **Weekly 10%**
- **Daily 10%**

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The investment committee follows a 5-step process to implement the fund’s investment strategy:

1. Strategic Asset Allocation
2. Tactical asset allocation amongst substrategies and markets
3. Due-diligence and Selection of Investments
4. Portfolio Implementation
5. Portfolio rebalancing
## Portfolio implementation

Portfolio construction based on risk / return and adjusting for liquidity criteria

### Risk / Reward assessed at position level and portfolio level

- Due-diligence and Quantitative data analysis
- Relative scoring in Portfolio context.
- Funds added when improving or removed when deteriorating the Portfolio risk / return ratio

### No stop loss but a systematic exit strategy based on trend indicators

- No systematic sale of Funds to avoid forced sales during volatility spikes.
- Underlying funds are invested as long as trend patterns remain positive.
- Underlying funds are exited in case of downward trends (to reduce drawdown).

### Liquidity is assessed at portfolio level

- Liquidity constraints are managed at underlying Fund level.
- 80% of underlying funds have monthly liquidity
- 10% of Blockchain Strategies Fund to be held as cash

### Position size is a function of the fund liquidity, strategy and volatility

- The higher the volatility, the lower the position.
- The lower the liquidity, the lower the position.
- Core strategies are Crypto currencies index participation, Arbitrage and trading.
Investment process

INVESTMENT
- Organisational structure
- Investment Team
- Investment Process
- Risk Management
- Investor Services Report
- References

OPERATIONAL
- Operating Systems
- Audited Accounts
- Service Providers
- Compliance / Legal
- BCP
- References

ON SITE INTERVIEWS
- Outstanding issues
- Risk controls
- Competitive edge
- Market environment
- Sustainability

INVESTOR COMMITTEE
- Accepted
- Monitor
- Rejected
“Well, I think it is working. There may be other currencies like it that may be even better. But in the meantime, there’s a big industry around Bitcoin.—People have made fortunes off Bitcoin, some have lost money. It is volatile, but people make money off of volatility too.”

Richard Branson - Founder of Virgin
The risks of buying crypto directly

**Difficulties in account opening, verification and withdrawals**

**High volatility and exposure to significant drawdowns**

**Future regulations may impact the demand for crypto currencies**

**Reliance on exchanges which may face disruptions, hacks and losses**

- **2009**: Several Crypto currency exchanges have been closed or experienced disruptions due to fraud, failure, security breaches or distributed denial of service attacks.

- **2014**: The largest bitcoin exchange at the time, Mt. Gox, filed for bankruptcy in Japan amid reports the exchange lost up to 850,000 bitcoin.

- **2016**: In August, Bitfinex, a bitcoin exchange located in Hong Kong, reported a security breach that resulted in the theft of bitcoin valued at approximately US$65m.

- **2017**: In September, Chinese policy makers announced plans to end exchange trading in China. China accounts for about 23% of bitcoin trades.
Risk Management

CRYPTO DIVERSIFICATION
Diversification by holding multiple funds investing in multiple blockchain-based assets, focused on maximizing upside while controlling exposure to higher risk assets. Rebalancing occurs quarterly based on a risk and upside reassessment of each individual asset in the portfolio.

CYBER SECURITY/HACKING AND SOCIAL ENGINEERING (I.E. MALWARE; PHISHING)
Active security implementation as advised by crypto security experts, as well as redundant two-factor authentication and multi-signature wallet technology requiring multiple sign-offs from the partners for transfer and trade executions.

COUNTERPARTY RISK
Due diligence carried out on exchanges. Only assets in float during re-balancing or assets that are not yet supported by multi-signature digital wallets will be held on exchanges. All assets that are forced to be held on exchanges will be diversified between multiple exchanges to limit counterparty risk. Deep Cold wallet storage Protection – Crypto assets kept in Deep Cold storage are maximized Multi-signature wallets stored in safety deposit boxes. Deployment of coins requires access to secure facilities and multi-layer identification of more than one person.

REGULATORY RISKS
Regulation of Crypto currencies continues to evolve particularly in the USA and China and can impact demand/value. Constant monitoring of media sources and knowledgeable contacts in each high-impact jurisdiction helps us manage these risks.
Why invest in Blockchain Strategies Fund?
The blockchain/crypto asset class offers a high potential for capital appreciation but risks are high too!

As with any early stage technologies, mainstream adoption has been delayed by a lack of understanding on how to use the technology, higher than average price volatility and some skepticism from the media. There are signs that this is now changing. Initially investment was restricted to the tech community or some early stage VC tech investors.

However, we have now seen the successful launch of several investment funds focusing on niche market crypto currency strategies and the emergence of an institutional market.

With a number of new specialized crypto funds currently in the pipeline and further developments to be expected on the underlying technology, the blockchain technology asset class will gain even further importance in the future and will become a must have alternative investment diversification to be held in a balanced portfolio.

However, investment professionals such as HNWI, Asset Managers, Family Offices and Private Banks had the same issues: one of wanting exposure to this exciting new market (comparable only with the .com boom) but not quite understanding the asset class.

The fear that each fund is:

Too niche? Which is the right Cryptocurrency to invest? How can we achieve diversified exposure to this new Asset Class
Blockchain Strategies Fund offers

- Unique diversification investing in the 6 blockchain strategies
- Benefits from active risk management
- No single manager risk
- Negates the risk of assets being hacked/stolen
- Reduced exposure to exchanges (maximum holdings in place)
- Benefits from applying mature market/fiat style a due diligence process and fund selection monitoring
- Underlying funds with accumulated AUM of over USD 1Bn
- Underlying funds managed by industry experts
Diversifying outside precious metals improves the risk/return profile of an equity risk portfolio

A mere 5% exposure of Bitcoin (as a proxy to crypto assets) would have allowed a 55% / 40% / 5% Bitcoin diversified portfolio outperform a traditional 60% equities / 40% equities (without Bitcoin) by a staggering 9.4% annual return since May 2011.

<table>
<thead>
<tr>
<th>Portfolio Configuration</th>
<th>Maximal Drawdown</th>
<th>Return</th>
<th>Volatility</th>
<th>Sharpe Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% equities</td>
<td>-20.6%</td>
<td>8.1%</td>
<td>12.7%</td>
<td>0.63</td>
</tr>
<tr>
<td>60% equities / 40% bonds</td>
<td>-11.1%</td>
<td>5.9%</td>
<td>7.7%</td>
<td>0.76</td>
</tr>
<tr>
<td>55% equities / 40% bonds / 5% Bitcoin</td>
<td>-14.5%</td>
<td>15.3%</td>
<td>25.6%</td>
<td>0.60</td>
</tr>
</tbody>
</table>

Note: monthly rebalancing, returns and volatility are annualized based on monthly prices. Equities are represented by the Vanguard Total World Stock ETF and Bonds are represented by the Vanguard Total Bond Market Fund. Calculation period: 31/05/11 - 31/05/18.

Past performance is not indicative of future returns.
Low correlation with other traditional assets.

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Our Fund of Funds strategy: back-testing and subsequent returns (NAV based)

“Our fund of funds strategy aims at providing exposure to crypto assets at a lower risk, by implementing an effective diversification of investment through the selection and active monitoring of best-of-class managers across a number of different strategies”

Manuel de Luque, CEO BAM

<table>
<thead>
<tr>
<th></th>
<th>Model Portfolio with BAM’s flagship fund as from 2018</th>
<th>Bitcoin</th>
</tr>
</thead>
<tbody>
<tr>
<td>06 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>07 2017*</td>
<td>45.1%</td>
<td>16.2%</td>
</tr>
<tr>
<td>08 2017*</td>
<td>91.9%</td>
<td>64.2%</td>
</tr>
<tr>
<td>09 2017*</td>
<td>-14.0%</td>
<td>-7.9%</td>
</tr>
<tr>
<td>10 2017*</td>
<td>10.8%</td>
<td>47.9%</td>
</tr>
<tr>
<td>11 2017*</td>
<td>23.8%</td>
<td>54.2%</td>
</tr>
<tr>
<td>12 2017*</td>
<td>66.4%</td>
<td>39.2%</td>
</tr>
<tr>
<td>01 2018</td>
<td>-0.3%</td>
<td>-26.2%</td>
</tr>
<tr>
<td>02 2018</td>
<td>-5.7%</td>
<td>1.0%</td>
</tr>
<tr>
<td>03 2018</td>
<td>-20.3%</td>
<td>-32.8%</td>
</tr>
<tr>
<td>04 2018</td>
<td>17.2%</td>
<td>33.2%</td>
</tr>
<tr>
<td>05 2018</td>
<td>-6.5%</td>
<td>-18.9%</td>
</tr>
</tbody>
</table>

Note: we have performed for information purposes a backtesting (blue line) using a model portfolio based on the core funds currently included in Block Asset Management’s flagship fund of funds. We have then linked the simulated historical return to the return achieved by the fund since inception in January 2018 (red line, based on the fund’s NAV). We have also added Bitcoin’s performance as a market reference - even if Block Asset Management’s flagship fund of funds does not intend to outperform Bitcoin and rather aims at providing exposure to the larger blockchain & crypto asset class (while reducing performance drawdowns and smoothing month-to-month volatility).

Source: Block Asset Management, Cryptocompare
**FUND STRUCTURE**

**BLOCKCHAIN STRATEGIES FUND**

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**General Partner/Investment Manager**

**Fund Administrator**

**Bank**

**Legal Advisor**

**Auditor**

**Registration**

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**INVESTORS**

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**KEY FACTS**

- **Jurisdiction:** Luxembourg
- **Registered Office:** 30, bd Royal, L-2449, Luxembourg
- **Legal Form:** Special Partnership
- **Regulation:** Registered AIFM with CSSF
- **Type Of Fund:** Open Ended Fund of Funds
- **Initial Subscription:** USD/EUR 25,000 minimum
- **Target Fund size:** $ 100 Million
- **Investment Strategy:** To deliver capital appreciation through the active management of a diverse portfolio of Blockchain/Crypto Asset funds.
- **NAV:** Monthly
- **Management fees:** 2.5%
- **Performance fees:** 25%
- **Hurdle:** 10%
- **Redemption Fee:** 5% Year 1
- **ISIN USD:** LU1738364063
- **ISIN EUR:** LU1738363925
- **Bloomberg Ticker USD:** BLCSUSD LX
- **Bloomberg Ticker EUR:** BLCSEUR LX
- **Lipper ID:** 68478095
Executive Board Block Asset Management

A team of seasoned professionals with experience in crypto, risk management, banking and investment funds

Manuel E. De Luque Muntaner
Founder & CEO
More than two decades’ experience across all fields of private banking, asset management, institutional fund distribution, marketing, investment research and manager selection.
Over 8 years as director of a regulated Equity Long/Short Fund of Hedge Funds, responsible for fund due diligence and selection.
Has worked as VP and Director at Private Banks such as Citibank, Lloyds TSB and Credit Suisse in Monaco, Isle of Man and Spain.
Co-Founder of Wealthics Global Partners.
Holds a Master Degree in Banking and Finance and an MBA.

Kevin Ballard
Founder & CCO
15 years experience in the asset management sector in a number of different asset classes.
4 years global sales manager for a UK Strategic Land Fund.
3 years as Intermediary Business Development Manager for Lloyds TSB International.
International Financial Advisor (CII FAIQ) in Latin America.
Co-founder and CCO of Wealthics Global Partners.

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3 years as Intermediary Business Development Manager for Lloyds TSB International.
International Financial Advisor (CII FAIQ) in Latin America.
Co-founder and CCO of Wealthics Global Partners.

Yannis Georgandelis
Advisor
15 years’ experience in portfolio management and investment related activities within several leading institutions such as Societe Generale, UBS Wealth Management.
In depth knowledge of the Luxembourg funds industry.
Holds a Master EDHEC – Grande Ecole, with a specialization in Finance.
Speaks English, Spanish, French and Greek.

Antonio Llabrés
Partner
Over 15 years experience in Private Banking with Banco Popular and HypoVereinsbank.
5 years as International sales manager.
Holds a Business Management Degree and Postgraduate in Private Banking
Speaks Spanish and English.

Kevin Ballard
Founder & CCO
15 years experience in the asset management sector in a number of different asset classes.
4 years global sales manager for a UK Strategic Land Fund.
3 years as Intermediary Business Development Manager for Lloyds TSB International.
International Financial Advisor (CII FAIQ) in Latin America.
Co-founder and CCO of Wealthics Global Partners.

Daniel Vegue
Partner & Strategic Advisor
Over 20 years experience across Private Banking, Wealth Management and intermediary relationships. (B2B).
Has worked as Head of EAM for Julius Baer, Credit Suisse and Team Head for Lloyds TSB in Zürich, Panama, Montevideo, Bahamas, Miami and Buenos Aires.
Holds a Certified Wealth Management Advisor (CWMA). BS, MIS and BBA from Saint Louis University, MO, USA.
Oxford Said University Fintech Program.

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Advisory Board Block Asset Management
Team of leaders in the industry of crypto, blockchain and management to provide a sound direction and advise to this new asset class.

Manuel E. De Luque Muntaner
Investment Advisor/Selection & Due Diligence
Over 8 years as director of a regulated Equity Long/Short Fund of Hedge Funds, responsible for fund due diligence and selection.
Co-founder of Wealthics Global Partners.
Holds a Master Degree in Banking and Finance and an MBA.
www.blockassetmanagement.com

Ryan Radloff
Blockchain/Crypto Advisor
Board Member XBT Shares.
CEO Coinshares.
Formerly MD Fireapps & Sageworks.
Graduated at Duke University.
www.coinshares.com

Marco Abele
Blockchain & ICO Advisor
Former Chief Digital Officer at Credit Suisse with 18 years track record of delivering innovation. Voted top 100 bankers and top 100 Digital Shapers of Switzerland.
AIC Abele Innovation Consulting & CEO of TEND.SWISS
www.marcoabele.com
www.tend.swiss

Peter Kambolin
Trading & Investment Advisor
CEO and COO of Systematic Alpha Management, LLC.
B.A. in Finance from Baruch College Magna Cum Laude.
Systematic Alpha has been awarded with the highest awards in future market Pinacle Awards, CTA Intelligence 2014, 2016. HFR 2016. HFM winner 2009.
www.systematicalpha.com
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