

RIVEMONT

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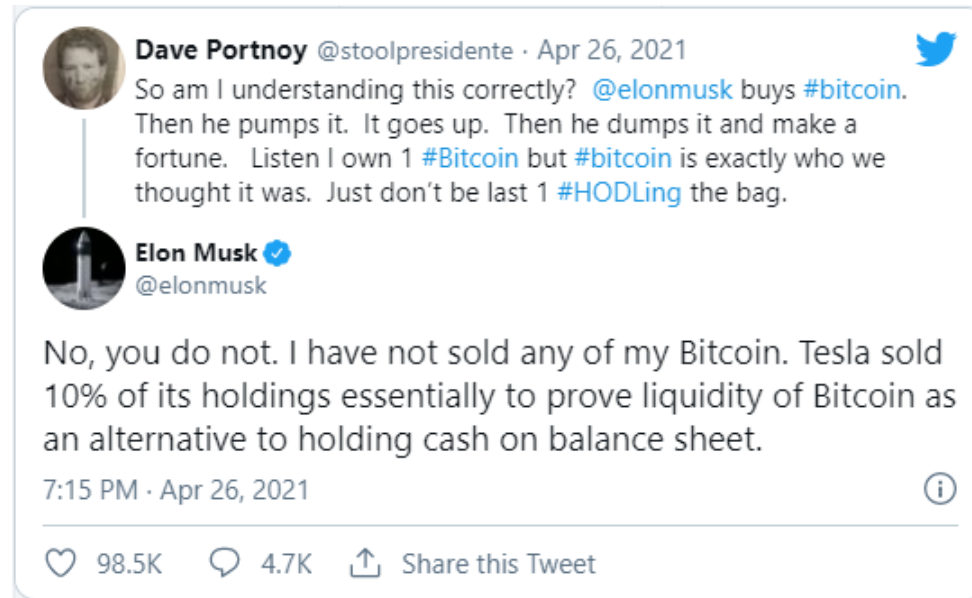
Rivemont is the portfolio manager responsible for the investment decisions of the Rivemont Crypto Fund.

The week began with the Tesla's first quarter earnings call. What does this have to do with cryptocurrencies? In fact, quite a lot, since the company announced that it had converted some of its treasury into bitcoin, as well as it is now accepting payments in cryptos for the sale of its vehicles. So what have we learned?

First of all, that the company had \$2.48B USD in bitcoins on its balance sheet as of March 31st, 2021. In addition, Tesla recorded a net gain of \$101 million on its digital assets during the quarter, composed of \$128 million realized gains from sales and \$27 million in unrealized losses on its bitcoin investment during

the same period. Bitcoin is the only digital asset held by the company.

Tesla sold \$272M in bitcoins, or 10% of its holdings. That was all it took for some bitcoin detractors to claim that the company is "pumping" the crypto asset and then "dumping" it at a profit to make a fortune. All, of course, at the expense of other investors. Elon Musk was likely stung by these claims, responding personally:



Now that's interesting. Indeed, Tesla's sale had no tangible impact that would demonstrate any problem with the network's liquidity. Not that experts doubted it! More interestingly, we learn by the same token that Musk personally holds crypto assets, a previously unknown information.

Speaking of companies adding bitcoin to their balance sheets, Japanese video game giant Nexon is following suit. The company has indeed announced that it has proceeded with the purchase 1,717 BTC for \$100M. Owen Mahoney, Nexon's president and CEO, said, "Our purchase of Bitcoin reflects a disciplined strategy for protecting shareholder value and for maintaining the purchasing power of our cash assets."

While its CEO was publicly expressing disdain for bitcoin just a few years ago, JP Morgan is now about to launch an actively managed cryptocurrency fund. If you can't beat them, join them! The fund could accept its first investments as early as this summer.

Visa also held its quarterly earnings call yesterday. CEO Al Kelly emphasized that the company was getting ready to enter the cryptocurrency industry in a big way. "So our focus is on five different opportunities that we see in this space and I would say that this is space that we are leaning into in a very big way and I think are extremely well-positioned," Kelly said during the call. He adds that: "We're talking to central banks about the criticality of public/private partnership and in particular the criticality of acceptance because for these central bank digital currencies to have value, they're going to have to both be secure in the minds of consumers, and that's something we have a long track record with and could help. And then secondly, obviously they have to have some form of utility,"

Speaking of credit cards, Gemini Exchange is about to launch its own in partnership with Mastercard. The company will offer a 3% cashback in the form of cryptocurrencies. The credit card will be issued by the online banking institution WebBank. It is expected to be released this coming summer and has reportedly received over 140,000 sign-ups from waiting customers already.

What was the action on the markets over the past seven days? Another week led by Ethereum among the largest-cap cryptocurrencies. Indeed, while bitcoin improved by 2.6% in the week ending yesterday, it was a performance of over 14% that ETH recorded. Investors in the Rivemont crypto fund benefited strongly again this week, with the majority of capital exposed to it.

If the development of countless decentralized applications is certainly enough to explain this craze, let's nevertheless highlight the interesting news that the European Investment Bank has just issued digital bonds programmed on the ETH network. The EIB is issuing a two-year 100-million-euro (\$120.8 million)

digital bond, with the sale to be led by Goldman Sachs, Banco Santander and Societe Generale, according to analysts at Bloomberg.

With respect to bitcoin finally, the asset has moved back north of the trillion-cap mark after losing that threshold for about 72 hours. We believe the asset is in a zone of uncertainty and will remain so as long as the price consolidates between this week's low and the two key moving averages around \$57,500. If we can stay in this channel for a while, the next big move should be decisive for the medium-term price trend.

As with every month-end, the next few days could see increased volatility in the markets. Indeed, \$4.2 billion in bitcoin options expire on Friday. The point of "maximum pain" is around \$54,000; the price at which option holders lose the most to sellers of those same derivatives.

Rivemont Investments, manager of the Rivemont Crypto Fund.

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