

[View this email in your browser](#)

RIVEMONT

Rivemont - Weekly Update - Week 177

May 5th, 2021

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

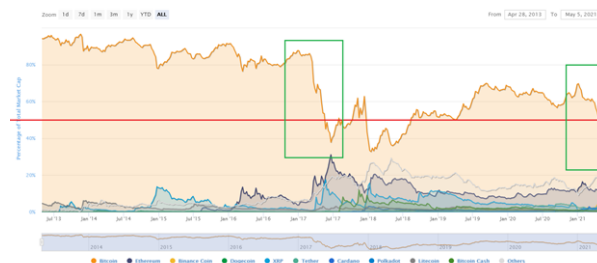
The trend that has been going on for several weeks now has once again accelerated in the last few days, namely that of an altcoin season that has seen bitcoin's dominance of the total cryptocurrency market capitalization decline. Bitcoin's capitalization is now well below 50%, standing at exactly 45% at the time of writing. This level has not been seen since 2018.

Ethereum is partly responsible for this rise in altcoins, with its share of the crypto market now reaching 15%. It was in fact an absolutely mind-blowing week for ETH. The ratio of one ETH per bitcoin went from 0.05 to 0.06 in the blink of an eye, a sudden rise of 20%. The U.S. dollar price of the asset reached an all-time high, touching \$3,500 a piece. While bitcoin lost 3.5% of its value in the week ending yesterday, Ethereum gained 21%. The trend is so strong that talk of "flipping," the idea that Ethereum would exceed bitcoin in terms of capitalization, came to the forefront again this week. That reversal almost happened in June 2017, with market dominance reaching 37% for BTC versus 31% for ETH. If we're still a long way from those thresholds, is that where the trend is taking us?

One thing is certain, with the Rivemont Crypto Fund being about 70% invested in ETH, it was a particularly positive week for investors.

The creator of Ethereum, the Russo-Canadian Vitalik Buterin, has by the same token become the latest crypto billionaire. The latter has indeed one billion worth in a unique portfolio of ETH. Buterin had sold some ETH in August 2020, but he has not since repeated the experience. The 27-year-old programmer's main wallet contains 333,520 ETH. He also reportedly has some secondary wallets.

Let's revisit this trend of altcoins versus bitcoin. While the past is never a guarantee of the future, we have to admit that there are several similarities between the bull market of 2017 and the one we are currently experiencing. If we look at the long-term trend in the capitalization of the various cryptocurrencies, we see that in 2017 bitcoin had also consolidated for several months while altcoins were rising. Its dominance dropped dramatically from more than 90% to 37% during this period. If we were to repeat the same drop in the bitcoin's dominance, with the initial peak being lower, we could see bitcoin's share of the crypto market drop below 30% (from 45% currently). We also notice that this dominance of bitcoin has gone south of a support held for several years.



We also notice that the capitalization of altcoins has just passed an all-time

high. The last time this happened in 2017 (surpassing the 2014 peak), it was a 27,000% increase that followed. While we're certainly not going to go so far as to say that this is what's in store for the markets, these indicators do tend to suggest that this altcoin advance could be in its infancy in the current bull cycle.



If you had told us that this weekly letter would be the subject of a DOGE analysis in the past, we would probably have brushed it off with a smile. Yet, today it is impossible to ignore the inconceivable growth in popularity of this cryptocurrency that was born as a joke. The price of one DOGE was \$0.06 on April 5th, while it currently sits at \$0.65. DOGE has surpassed XRP as the 4th largest capitalized virtual currency, reaching \$85 billion. With 1,000% gains in one month, even if the initial idea is just a joke, the profits for some are very real. We mentioned some red flags in our most recent communication and we could list them all. We could point out that DOGE is a fork of a fork of a fork (bitcoin à litecoin à Luckycoin à DOGE) or that its ownership is dangerously centralized, with more than [40% of all tokens in just ten wallets](#). In fact, the whole fundamental logic behind this currency is questionable at best. However, stopping at these elements does a disservice to understanding a potentially more important phenomenon and even the intrinsic nature of cryptocurrencies, namely the network effect.

Tyler Winklevoss summed up DOGE's value proposition admirably well in his Gemini exchange press release yesterday, as he adds the asset to the exchange:

"Dogecoin is the people's money. It's organic, irreverent, and fun. It's not forced on us by a government or some other central authority, it's chosen by us, for us — by the people, for the people. Wow.

For many, the idea of emergent money that is not mandated by fiat is hard to grok. We're used to being told what money is. For most of our lives, paternalistic money is all we've ever known...until Bitcoin.

Dogecoin continues Bitcoin's tradition of giving the control of money back to the people. Yes, it's a meme coin, but all money is a meme. And all money is both an idea and a matter of faith or belief in it. Over the multi-millennia history of money, the majority of money (be it shells, beads, precious metals, etc.) has been what we the people say it is and believe it is.

Dogecoin is the perfect vehicle to lay bare this fundamental truth about money. And in serving this purpose, DOGE has a legitimate claim to some value. It reflects the true history and nature of money. It turns the idea of money being something that's issued by an authority — a conceit — on its head. They say there's some truth in every joke. Dogecoin's value is its punchline."

This is the heart of the idea. Is DOGE the best technology, an ambitious, developed, innovative project? Not in the least. If an expert had to choose the best cryptocurrency to adopt at the transactional level, DOGE would be far, far down the list. But that's it. It's not for the experts to decide. Cryptocurrency is a P2P principle. It is the community that adopts it that creates its value. As the adoption of a network grows, its value multiplies. This is [Metcalf's law](#) demonstrated live before our eyes.

Now, we must also be circumspect and objective. Are we witnessing a monetary revolution or a speculative madness? Are the people who are rushing to DOGE right now doing so for philosophical reasons or for a quick profit? Are exchanges taking advantage of this madness to dangle dangerous mirages in front of novice investors? Most certainly. If you are a regular reader of this weekly newsletter, you already know which side we are on. We urge caution, not exuberance. The fact remains that the phenomenon observed is not alien to the very concept of cryptocurrencies. The idea is not to take sides, but to

Let's conclude this update with a few words about bitcoin, which is still the market leader despite the current trends. It remains in a strong area of uncertainty, on either side of its 50-day moving average. Its value decreased a lot yesterday following the remarks of Janet Ellen, Secretary of the Treasury of Joe Biden. She stated that an interest rate hike was possibly inevitable in order to avoid overheating the economy. Obviously, such an increase would mean a decrease in inflation, and therefore a less important role for bitcoin at the macroeconomic level. Bitcoin has since backtracked on her comments. Coincidentally or not, the price is on a strong rebound today, rising from a low of \$52,900 to over \$57,000 apiece at the time of writing. In short, the logic that was being put forward in the last few weeks still holds today.

As of April 30th 2021, the Fund exposure was of 63% Ethereum, 31% Bitcoin, 3% Litecoin, 2% ZCash and 1% cash.

Rivemont Investments, manager of the Rivemont Crypto Fund.

The presented information is as of May 5th, 2021, unless otherwise indicated and is provided for information purposes only. The information comes from sources that we believe are reliable, but not guaranteed. This statement does not provide financial, legal or tax advice. Rivemont Investments are not responsible for any errors or omissions in the information or for any loss or damage suffered.

//////////////////////////////////// //////////////////////////////////////
Martin Lalonde
President
160, boul. de l'Hôpital, suite 202
Gatineau, Quebec, J8T 8J1
Tel: 819-246-8800 or 1-844-318-8800
martin.lalonde@rivemont.ca

www.rivemont.ca

Jean Lamontagne
Vice President and Portfolio Manager
465, rue Saint-Jean, suite 509
Montréal, Québec, H2Y 2R6
Tel: 438-387-3300
jean.lamontagne@rivemont.ca

[Aimez-nous sur Facebook / Like us on Facebook](#)

Copyright © 2021 Rivemont, all rights reserved.

Want to change how you receive these emails?
You can [update your preferences](#) or [unsubscribe from this list](#).

