

# RIVEMONT

## Rivemont - Weekly Update #202

*October 27th, 2021*

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

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After smashing its record high price exactly seven days ago, bitcoin - like the majority of high-cap cryptocurrencies for that matter - has begun a correction. After a near-constant rise since late September that took it from \$40,000 to its all-time high, it stands to reason that this distribution and profit taking is in order. The question now is whether the \$60,000 mark can be defended, as good buying volume has been seen below that threshold thus far. More on this at the end of the letter.

Another major breakthrough in the industry and the adoption of cryptocurrencies in our everyday lives. According to information obtained by

CNBC, MasterCard will allow all the thousands of banks and the millions of merchants on its payment network to integrate cryptocurrencies into its products. This includes bitcoin wallets, credit and debit cards that earn crypto rewards and allow spending of digital assets, as well as loyalty programs where airline or hotel points can be converted into bitcoin. To do this, the company is partnering with Bakkt, the cryptocurrency company recently founded by Intercontinental Exchange. The latter will be the custodian service provider.

“We want to offer all of our partners the ability to more easily add crypto services to whatever it is they’re doing,” Sherri Haymond, Mastercard’s executive vice president of digital partnerships, said in an interview. “Our partners, be they banks, fintechs or merchants, can offer their customers the ability to buy, sell and hold cryptocurrency through an integration with the Bakkt platform.”

After ProShares launched a first-ever bitcoin price-backed futures ETF last week, firm Valkyrie followed suit Friday with a similar product. The latter, not having the first-mover advantage, is already trying to differentiate itself in other ways. The investment firm indeed filed an application on Tuesday to offer a 1.25x leveraged bitcoin futures ETF to U.S. investors, seemingly testing the SEC's willingness to allow less conventional products.

Federal Deposit Insurance Corporation (FDIC) Chair Jelena McWilliams, one of the country's top financial regulators, believes it's time to allow banks to hold cryptocurrency, such as Bitcoin, for themselves and their clients. "I think that we need to allow banks in this space, while appropriately managing and mitigating risk," she said in an interview with Reuters at the Money20/20 conference in Las Vegas.

Cryptocurrencies pegged to the U.S. dollar fall under the authority of the SEC. That was indeed the decision of regulators. The Treasury Department and other agencies will specify in a highly-anticipated report -- expected to be published this week -- that the SEC has significant authority over tokens like Tether, said people familiar with the matter. The report will also urge Congress

to pass legislation specifying coins should be regulated similarly to bank deposits. The market for such tokens amounts to \$131 billion.

We remember all too well the saga surrounding the news that Tesla would accept bitcoin payments for its vehicles, and the subsequent turnaround on that decision. The markets reacted like a roller coaster! Now, it seems that the page is not entirely turned on the idea. Indeed, the electric car company said yesterday, in an SEC filing related to the company's recent earnings report, that it "may in the future revive the practice of cryptocurrency transactions for our products and services." Tesla has not sold any bitcoin from its treasury, by the way. In February, the company bought \$1.5 billion worth of assets and made \$1 billion in profits from the investment. "We believe in the long-term potential of digital assets both as an investment and also as a liquid alternative to cash," yesterday's SEC filing added.

One more step has been taken towards Ethereum 2.0 and the move to proof-of-stake consensus mode. The Altair update is indeed about to be implemented on the Ethereum "Beacon" chain, the 2.0 chain that will host the entire network in due course. Altair is an update to the Beacon Chain that brings support for light clients, pre-validator inactivity leak accounting, a rise in slashing severity, and clean-ups to validator rewards allowing for simplified stated management. This is the first scheduled upgrade to the Beacon Chain.

Still regarding Ethereum, the supply of tokens is expected to decrease over the next few months and years. There are currently over 118 million ETH in circulation. However, even though the supply of this cryptocurrency is not strictly capped like bitcoin, we should not expect this number to increase much. According to Ultrasound Money's simulations, after the switch to ETH 2.0, the supply of ETH is expected to decrease by 2% per year. If current rates continue, the blockchain will start burning more Ethereum than it produces with each new block.

Note that the ratio of ETH to bitcoin rebounded this week after hitting a low not visited since last July.

After several successful defenses of the \$60,000 level, bitcoin is trading below that threshold at the time of writing. After falling \$1,000 in just five minutes overnight, the price has hit a major buying wall between \$57,000 and \$58,000. However, the bullish picture remains intact with the 30-day moving average, which broke out to the upside on the very first day of the quarter, showing up today at \$56,000. In truth, the price could go as low as \$50,000 right now before we can talk about a trend reversal. So far, this week's action just looks like a natural consolidation in a continuing bull market.

“Estimated leverage ratio is about to hit a year-high. It seems obvious that the market is over-leveraged now,” Ki Young Ju, CEO of data analytics firm CryptoQuant said. “We’ll see some volatility with huge liquidations shortly”. The leverage ratio currently stands at 0.19, the highest since November 2020.

Some indicators are less technical than others. When tokens with different dog names start climbing and appearing all over social media, it is historically means that we are at the highs of speculative phases. Each of these must be resolved before a new bullish push can begin.

Nevertheless, one particularly positive short-term indicator is that the supply of bitcoin on exchanges is at an all-time low. After a short wave of profit taking, this suggests that the appetite for selling at current levels is slim. "Relative to the supply in circulation, the balance of bitcoins on exchanges is at levels not seen since January 2018," reads the most recent communication from Arcane Research.



Let's finalize our weekly letter by sharing that the September edition of Canadian Hedge Watch was just released. Among the hedge funds tracked by the organization, we are pleased to observe that the Rivemont Crypto Fund is at the top of the list of funds with the best return, for both the one-year and three-year periods. It is worth noting that the Rivemont Microcap fund, another particularly popular product at Rivemont, also makes this ranking!

Highest Return (1 Year)			
Fund Name	Ann. Return	Ann. Std. Dev.	# of Negative Months
Rivemont Crypto Return Fund Class B	256.99	63.99	4
Rivemont Crypto Return Fund Class F	251.23	63.24	4
Rivemont Crypto Return Fund Class A	245.71	62.37	4
Goodwood Fund Class A	97.30	42.20	3
AlphaNorth Partners Fund Class A	66.50	39.23	5
Anson Investments Master Fund LP	58.96	14.13	0
Northern Rivers Conservative Growth Fund LP	55.32	18.98	2
LOGIQ Select Equity Fund Class F	54.80	17.18	2
LOGIQ Select Equity Fund Class A	51.79	16.55	2
Lynwood Opportunities Fund	51.16	19.80	4
Vertex Managed Value Portfolio Class A	50.59	21.87	4
Polar Micro-Cap Fund	49.97	20.53	3
LionGuard Opportunities Fund	47.75	13.63	2
JC Clark Opportunity Fund Class A	45.18	17.08	3
Primevestfund	41.84	21.21	6
Palos Income Fund, L.P.	40.31	13.61	1
DKAM Capital Ideas Fund LP	39.56	17.99	5
Peregrine Fund	37.24	15.91	3
Barometer Global Macro Pool	36.72	25.80	4
Dynamic Power Hedge Fund Series FC	36.48	9.59	2
JC Clark Preservation Trust (Class B)	36.16	12.12	3

Highest Return (3 Year)			
Fund Name	Ann. Return	Ann. Std. Dev.	# of Negative Months
Rivemont Crypto Return Fund Class F	60.35	65.40	19
Rivemont Crypto Return Fund Class B	59.32	65.22	19
Rivemont Crypto Return Fund Class A	56.53	64.63	19
Lynwood Opportunities Fund	51.45	22.82	10
AlphaNorth Partners Fund Class A	41.72	40.81	16
Goodwood Fund Class A	28.34	28.39	13
Dynamic Power Hedge Fund Series FC	27.57	24.28	13
Rosalind Capital Partners L.P.	27.29	26.81	13
Anson Investments Master Fund LP	27.03	14.20	11
Majestic Global Diversified Fund Series A	22.06	24.66	15
LionGuard Opportunities Fund	20.74	16.10	14
Rivemont Microcap Fund Class B	20.08	26.08	13
Rivemont Microcap Fund Class A	19.89	26.02	13
Peregrine Fund	19.61	18.40	14
HGC Arbitrage Fund LP Class F	17.43	11.68	7
WARATAH Income Fund Class A	16.80	10.84	9
Arrow Canadian Advantage Alternative Class F	16.40	9.39	9
LOGIQ Select Equity Fund Class F	15.96	22.51	14
Arrow Canadian Advantage Alternative Class A	15.37	9.47	9
EHP Select Alternative Fund	15.02	13.40	11
Primevestfund	15.01	26.92	18

Rivemont Investments, manager of the Rivemont Crypto Fund.

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