RIVEMONT

Rivemont - Weekly Update #262

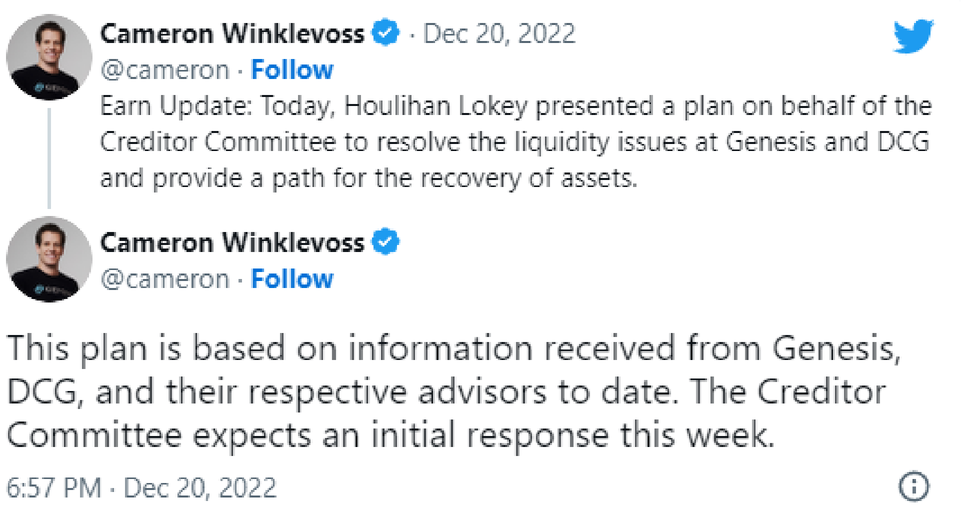
December 21st, 2022

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

The bearish trend on the US stock market indexes has definitely been reflected on the cryptocurrency market over the past week. Speculators remain uncertain about the future of Genesis, the solvency of the various exchanges, and inflationary macroeconomic trends.

Through this crisis, it is important to remember that it is not the blockchain that has failed, quite the contrary. Dan Morehead, CEO of Pantera Capital, agrees. He said that the collapse of FTX had nothing to do with the promise of blockchain technology. The stories that question decentralized technology and call it a failure because of the FTX collapse are simply not true. We are witnessing the collapse of unregulated centralized industry players. Technology, however, remains strong. In a letter to investors, Morehead pointed out that if crypto detractors and skeptical regulators want to pretend that a different approach is needed in blockchain trading, the solution is simple. He wrote, "There are exchanges like Coinbase, Kraken and Bitstamp that when a customer sends them money, they simply put it in a bank. The solution is pretty simple." According to Morehead, business in the blockchain space is flowing back to safe entities like these. The executive argued that FTX had nothing to do with the promise of blockchain, noting that "blockchain has not failed."

A committee of creditors, which includes the Gemini exchange used by the Rivemont Crypto Fund, has presented a plan to address the liquidity issues currently affecting Genesis and its parent company Digital Currency Group (DCG), and to "provide a pathway for asset recovery." Genesis and its parent company DCG would owe Gemini Earn users $900 million.



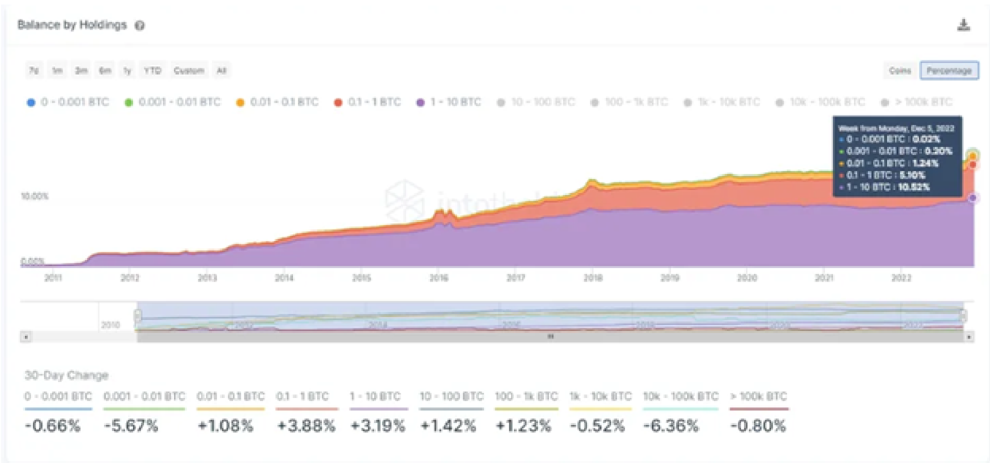
The Grayscale Bitcoin Trust, a popular fund that gives investors exposure to bitcoin without having to own or hold the asset, has reached historic discounts to the underlying asset. The fund is trading at a 47.54% discount to bitcoin. To that end, the company's CEO is currently exploring new options to support investors if the trust fails to convert to a Bitcoin ETF. "If we are unsuccessful in our legal challenge in all applicable courts - and we conclude that there is no possibility of legislative or regulatory clarity that would allow for the conversion of GBTC to an ETF in a reasonable timeframe - we will explore other options to return a portion of GBTC's principal to shareholders," Grayscale CEO Michael Sonnenshein wrote in a year-end letter to investors Monday. Grayscale is currently considering whether to launch a tender offer for 20 percent of the outstanding shares of the Grayscale Bitcoin Trust (GBTC). In order to make such an offer, Grayscale would need shareholder approval to amend the GBTC trust agreement, which currently does not allow for the buyout of GBTC. It would also need the SEC to waive certain requirements relating to the execution of tender offers. If these approvals are obtained, Grayscale plans to "continue to operate GBTC without an ongoing buyback program until we successfully convert it to a cash bitcoin ETF."

In that same year-end letter, Grayscale also insists that the saga surrounding FTX's failure had nothing to do with a failure of blockchain technology. "FTX Was a Failure of People, Not a Failure of Crypto: Too many investors were harmed. From crypto to traditional finance, mainstream media, and D.C. – it seems few were spared from deception through false narratives and false documentation. We should not, however, conflate the actions of a few individuals and organizations with Bitcoin or Ethereum, the underlying blockchain technology, or smart contracts and decentralized finance applications."

Speaking of FTX, Sam Bankman-Fried may be back in the United States as early as today. While he initially sought to oppose his extradition, the conditions of his incarceration in the Bahamas may have caused him to change his mind. As NBC News reports, Bankman-Fried signed the necessary documents for his extradition to the United States to proceed. A Tuesday report from ABC News corroborated the development, adding the man did not appear in court as scheduled that day, after a "confusing" appearance Monday was deemed "a waste of time."

Despite a disastrous year in the industry to say the least, the public is not turning its back on cryptocurrencies. According to Accenture's 2022 Global Consumer Payments report, while many consumers still prefer traditional payment methods such as cash or credit card, one in five consumers surveyed now own cryptocurrencies. Of those who own cryptocurrencies, 28% say the choice to enter the crypto space is due to a long-term investment. This is followed by 22% of consumers who say their choice to enter crypto is due to "curiosity" about the space.

Similarly, according to a recent report from analytics firm Glassnode, about 17% of the total supply of bitcoin in circulation is now held by retail investors. " Not perfect yet, but solid for a 12-year-old asset and definitely trending in the right direction," tweeted Will Clemente, an analyst at Reflexivity Research, in response to the data. “Bitcoin's supply disperses over time.” A chart from Glassnode shared by Clemente shows that the percentage of bitcoin supply held by retail investors has been steadily increasing since 2011. Glassnode defines "retail" as holding less than 10 BTC in a portfolio.



Need we remind you that there will never be more than 21M bitcoins in circulation? Are you part of the 21M club?

In the short term, after a disappointing rejection of the 50-day moving average following a sharp decline in the NASDAQ index, bitcoin is struggling to stay on the right side of its 30-day average. The Fund quickly moved into a defensive position once last week's uptrend was broken.

Rivemont Investments, manager of the Rivemont Crypto Fund.

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