

RIVEMONT

Rivemont - Weekly Update #269

February 8th, 2023

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

At the time of our most recent communication, we were awaiting the U.S. Fed's decision on raising interest rates and the effect that the decision, as well as Jerome Powell's subsequent comments, would have on the overall markets. They ultimately climbed slightly on the quarter-point hike decision, with bitcoin remaining in its consolidation channel of the past two weeks. Some weakness in the cryptocurrency market at the beginning of the week, however, looks like it will be resolved.

In the saga between Gemini, its Earn program and Genesis, some good news finally came out on Monday. It was Cameron Winklevoss who made the

announcement via his Twitter account. "Today, Gemini reached an agreement in principle with Genesis Global Capital, LLC (Genesis), DCG, and other creditors on a plan that provides a path for Earn users to recover their assets," Winklevoss tweeted. "This agreement was announced in bankruptcy court today."

Gemini announced its commitment to inject up to \$100 million in additional funding for Earn users. According to the press release, the terms of the agreement with Digital Currency Group (DCG) include the sale of Genesis Global Trading. DCG, meanwhile, will exchange its \$1.1 billion bill due 2032 for convertible preferred stock, and refinance its existing 2023 term loans in two tranches to creditors for a total estimated amount of about \$500 million. In short, while nothing has been finalized, it does appear that a solid framework is now in place to eventually repay investors who have their money tied up in the Earn program.

There is no such positive news to report from FTX, however. John J. Ray III, who was tasked with overseeing FTX after its collapse and previously handled the liquidation of Enron, made chilling comments in Delaware bankruptcy court on Monday. "Literally one of the founders could come into this environment, download half a billion dollars' worth of wallets onto a thumb drive, and walk off with them," he said, adding, "And there would be no accounting for it whatsoever."

The picture doesn't look much rosier on the Three Arrows Capital side. Founder Kyle Davies refused to comply with a subpoena for the books and records of his former hedge fund, a New York court heard Tuesday night. Davies was accused of obstructing an investigation into the company, which managed up to \$3 billion in assets before collapsing last year, while "shamelessly" promoting new cryptocurrency ventures. Davies and co-founder Su Zhu "refused to engage in any meaningful way," said a filing on behalf of Russell Crumpler and Christopher Farmer, who now represent the bankrupt company. Davies and Zhu "have made only selective and piecemeal disclosures" and "their refusal to cooperate violates their duties to Three Arrows," the filing added.

The good start to the year for cryptocurrencies is obviously reflected with a rebound in stock market shares related to the industry. It must be said that the latter had been particularly affected by the various bankruptcies of 2022. Shares of Coinbase jumped more than 26% on Thursday after a federal judge in New York dismissed a class-action lawsuit against the San Francisco-based company, before stabilizing at around 17%. The exchange's stock price has recently rallied, more than doubling since the start of the trading year, rising from \$33.60 to more than \$71 per share, a gain of 111% in just over a month. The same is true of MicroStrategy stock, which has also more than doubled since January.

Will there be cryptocurrency-related ads during the Super Bowl? What a difference a year can make! It will be remembered that these ads stole the show during the 2022 edition of the championship, including promotions for the now bankrupt FTX, as well as companies like Coinbase and Crypto.com. Binance sent a very clear message to that effect, once again attempting to instill confidence in the company. "A few months ago, it wasn't easy to say no to Super Bowl ads, stadium naming rights and big sponsorship deals, but we did. Today, we are recruiting for 2,000 open positions at Binance." In short, it is already a given that the industry's companies will be much less present, if not absent, this year. Of note, however, is that Web3 Limit Break will be running an ad during the first commercial break of the big game, where they plan to give away thousands of their Dragon Series NFTs to showcase their free NFT model designed for gaming.

Cathie Wood of ARK Invest is an avowed advocate of bitcoin. She demonstrates this via several investments in the industry for her funds. She added another layer this week, maintaining her bitcoin price target at \$1 million, believing the asset presents wealth preservation opportunities for rich and poor alike. "There's hyperinflation all over the world because their currencies have fallen apart" Wood said in an interview with Yahoo Finance on Thursday. "These populations need a fallback - an insurance policy like bitcoin". She added that with as little as your seed phrase, you can cross borders and get your wealth

back, no matter where you are.

On the technical side, on-chain indicators point to positive sentiment for bitcoin. The supply of bitcoins "in profit," the percentage of existing tokens whose price at the time of their last move was lower than their current price, has increased since the beginning of the year, according to data from Glassnode. The indicator has risen more than 20 percent since the beginning of January. "This implies that larger, longer-term investors are currently holding profitable spot positions on paper," Bitfinex analysts wrote in a report. "This is a healthy trend for the second half of a bear market, as a sustained 30-day uptrend after an extended downtrend on this indicator has historically provided a good buy signal for the following two years," the report added.

The price has also just created a golden cross, a historically bullish phenomenon that occurs when the 50-day moving average crosses the 200-day moving average to the upside. This is a momentum indicator and represents a buy signal for many trend following investors. This cross in 2019 had preceded a major bullish push. The same was true in 2020. The effect of this indicator should become apparent in the coming weeks.



Rivemont Investments, manager of the Rivemont Crypto Fund.

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