

PORTAL

DIGITAL FUND

Market Commentary - March 2022

Q1: A Tumultuous Start!

The Portal Digital Fund ("PDF") was up +6.1% in March compared to the CCI30 Index which was up +9.8% and Bitcoin up +5.4%. For Q1 2022, the PDF was down -8.2% versus the CCI30 Index down -13.0% and BTC down -1.5%.

The recent correction that started in November was around -55% from peak-to-trough and was driven by macro-economic and geopolitical tensions. This was unlike the previous -61% correction in May through July 2021 that was driven by crypto-specific factors, most notably China's banning of the BTC miners and regulatory uncertainty in the USA. The market has since consolidated and stabilised since mid-February and investors are once again focusing on the very positive fundamental outlook for cryptocurrencies and digital assets ("crypto assets") as evidenced by the news flow we highlight below.

A Stormy Global Outlook

Investors are facing a rising number of daunting challenges. These include the energy and fertiliser price shock from the Ukraine conflict, accelerating deglobalisation as the Emerging Markets led by BRICS split from the Developed World, tightening central banks combined with contracting US fiscal policy, and the probability of fresh socio-political instability globally driven by higher food prices and the resulting poverty and discontent. Together, these forces are fuelling inflation rates that are already the highest in a generation.

This all suggests a global economy in danger of shifting from the excess liquidity-driven inflationary boom of the last two years to an inflationary bust that triggers a global recession. This does not bode well for traditional assets.

The Great Reset and Crypto Assets in the New World Order

As with Covid in 2020, Western policymakers led by the USA have responded to Russia's invasion of Ukraine with ill-considered knee-jerk policy responses, particularly financial sanctions on private citizens and summarily ejecting Russia from SWIFT. This has put the US Petro-Dollar and their financial hegemony at risk and furthered the rise of the Asian Super Empire.

People in general only act out of inspiration or desperation. I expect we will look back at the events that took place in Q1 2022 as the catalysts that inspired or forced traditional investors to embrace crypto assets.

Government and bank overreach and severe sanctions, in some cases on their own citizens as we witnessed in Canada, has made the populace realise what sophisticated investors have always known - that fiat money is not an asset you own, but rather a liability owed to you by a bank or government that may or may not pay depending on your political or sovereign affiliations.

This was a watershed moment for the current and future adoption of digital assets as the 'master-slave' system is exposed for what it is, a system of financial control and if necessary, punitive enforcement. In addition, crypto assets have gone from relative obscurity to mainstream coverage as every major global bank and brokerage is now offering access to and publishing research on crypto assets.

The Hits Keep on Coming – Global Headlines

Some of the positive headlines over the past month include the UK and Dubai aiming to become crypto asset hubs along with Zurich, Singapore and the USA, and major established hedge funds such as Brevan Howard and Bridgewater finally entering the space:

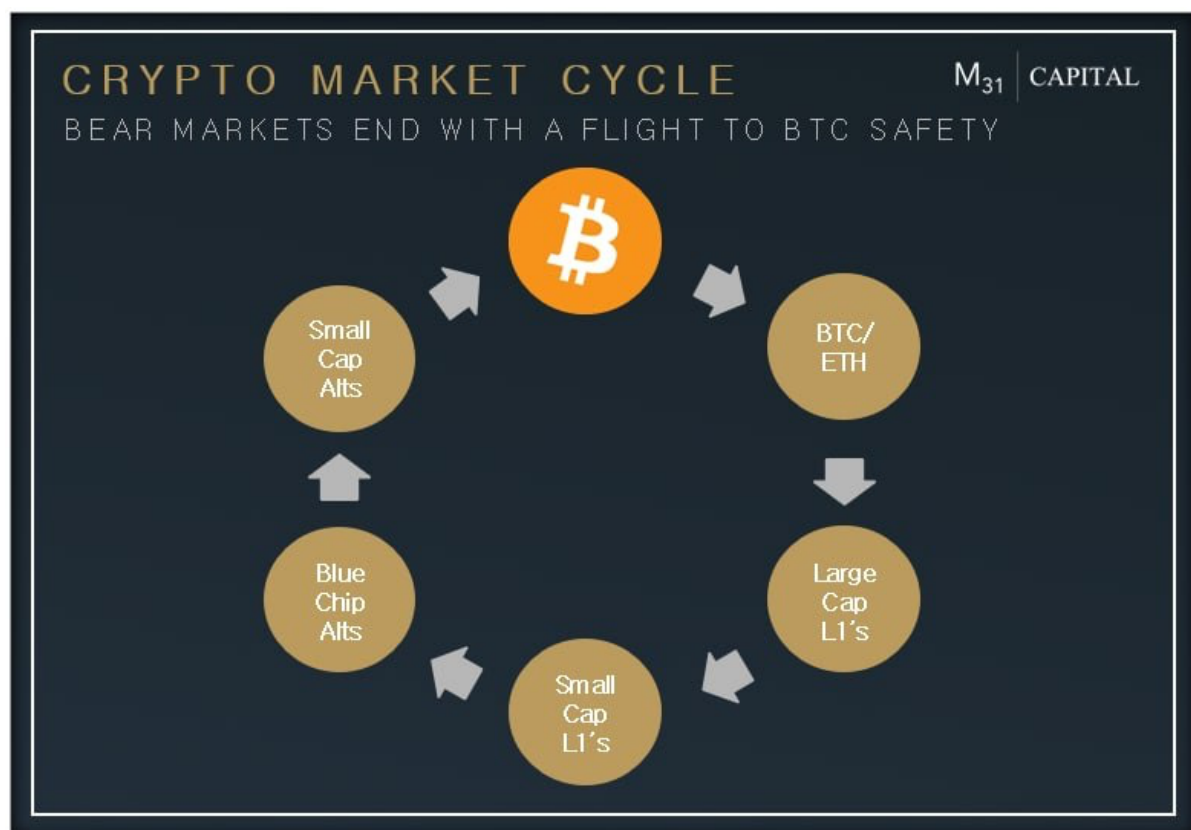
- [Citi Sees Metaverse Economy as Large as \\$13T by 2030](#)
- [UK Government sets out plan to make UK a global cryptoasset technology hub](#)
- [Dubai lures clutch of big crypto firms with tailored regulations](#)
- [BNY Mellon to Custody Assets Backing Circle's USDC Stablecoin](#)
- [\\$33bn of VC Money Went to Crypto Startups in 2021?](#)
- [CME goes live with 'micro' bitcoin and ether options](#)
- [Galaxy's OTC trade with GS in the form of a bitcoin non-deliverable option](#)
- [Brevan Howard Launches First Digital Assets Fund in 'Massive' Crypto Push](#)
- [Ray Dalio's Bridgewater Investing in Crypto Fund](#)
- [Blockchain.com raised a Series D round at a \\$14 billion valuation; lightspeed/Baillie Gifford](#)
- [HSBC launches metaverse portfolio for wealthy Asian clients](#)
- [SK Square, the investment company of one of the top ten South Korean consortiums, is launching its own cryptocurrency](#)
- [ANZ reveals cryptocurrency and DeFi plans](#)
- [Commonwealth Bank Says Crypto 'Already Mainstream'](#)

Conclusion and takeaways

As contrarian investors, we expect that the threat of a global recession, growing socio-political discontent and the Developed World's desperate need to protect household and pension fund balance sheets, as well as their inflated property prices, all provide a solid backdrop for a recovery in risk assets and as above, especially in the last of the "free-will" asset classes available – crypto assets.

Examining how the market reacted over the past month it is evident that investors are beginning to look through negative news flow and focus on the underlying opportunity that crypto assets represent given their continued positive headlines. Post the 50%+ drawdown and concerns around government intervention / overreach into fiat currencies, we believe that current valuations represent a very favourable risk vs reward opportunity for crypto assets.

We agree with the view put forward by M31 Capital in their monthly newsletter and depicted by the graphic below: "When everyone rushes back to BTC (as they are now) after the crypto market crashes (as it just did in Q1), it historically marks the end of the Bear and beginning of the Bull."



We end with the following quote by Dan Morehead, founder and CIO of Pantera: *"Blockchain is now being driven by all the excessive money-printing going on in the world,"* said Morehead,¹ *"Crypto is so much more compelling than any other trade out there."*

¹ <https://www.bloomberg.com/news/articles/2022-01-21/ex-goldman-bond-trader-builds-a-5-6-billion-crypto-behemoth>

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