

PORTAL

DIGITAL FUND

October 2021 Monthly Performance

Description

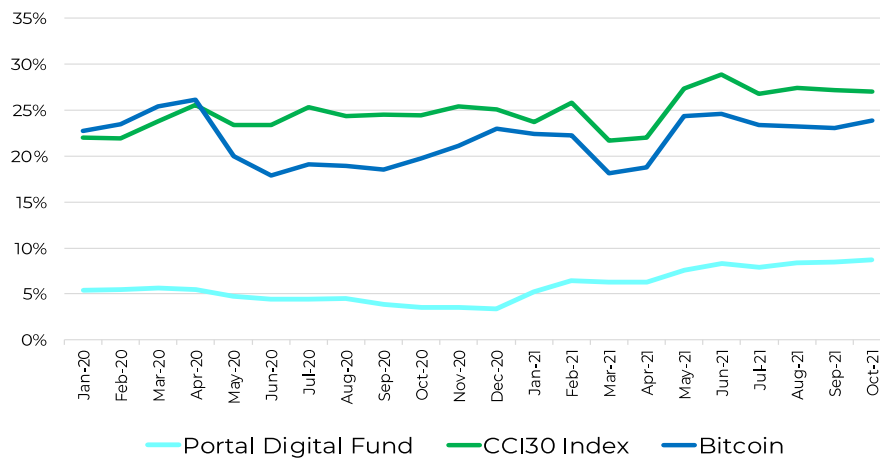
The Portal Digital Fund (the "Fund") is an actively managed Global Fund of Hedge Funds focused on the digital currency investment space. The Fund seeks to achieve medium to long-term growth through investing in a diversified portfolio of 8-10 specialist fund managers running uncorrelated digital currency trading strategies. The Fund is focused on absolute returns and expects to generate substantial outperformance with lower volatility versus the CCI 30 Index, the benchmark for digital currencies. The Fund's targeted returns are 25% p.a. over a rolling 5-year period net of fees.

Monthly Returns

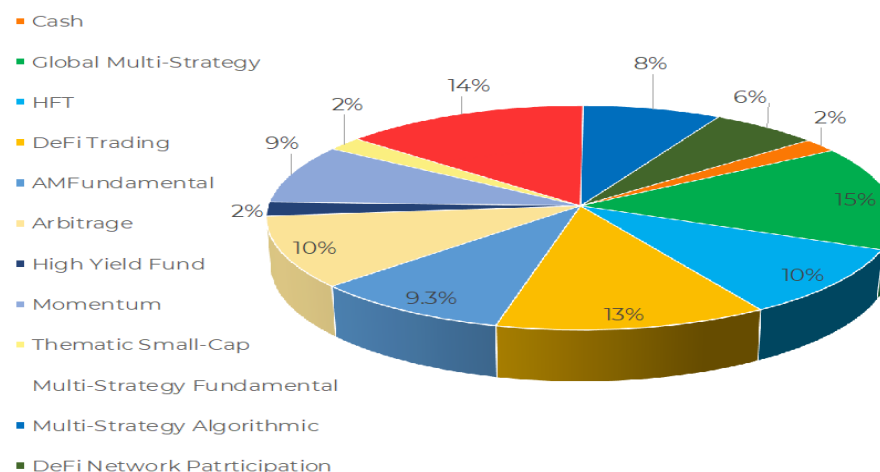
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2019							2.8	3.2	-5.2	8.1	6.4	-3.3	12.1
2020	7.8	1.5	-0.9	8.1	3.7	-0.3	1.9	0.5	0.3	2.6	6.2	8.1	46.6
2021	17.8	17.7	11.8	5.9	-8.6	-7.8	4.2	16.4	-1.5	11.7*			86.9

*The current month is an estimate based on the initial reporting of the various funds, subject to change once NAV is crystallised.

Monthly Volatility of the PDF vs BTC and CCI30 Index



Portal Digital Fund Strategy Allocation



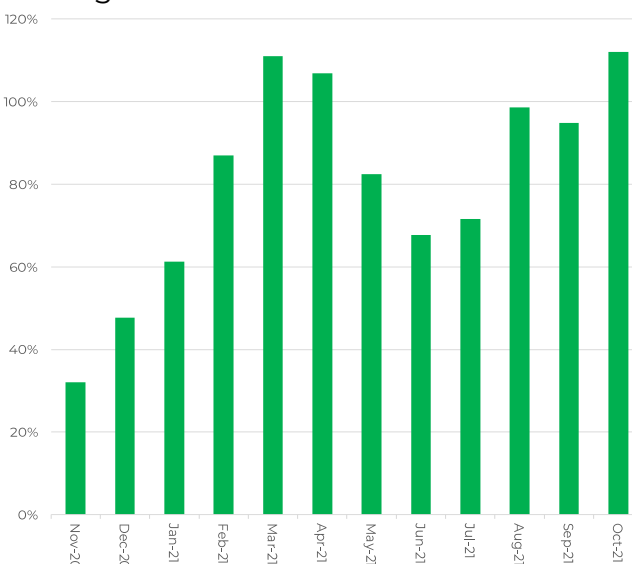
Key Highlights

Targeted Return	25% p.a. net of fees.
Investment Horizon	Medium term
Minimum Investment	AU\$50,000
Subscription & Redemptions	Monthly
ISIN Number	KYG7175A1040
Management Fee	2% p.a.
Performance Fee	20% above 5% benchmark, subject to HWM.
Investment Manager	Boutique Capital Pty Ltd
Advisor to the Investment Manager	Portal Asset Management Pte Ltd
Administrator	Boutique Capital Pty Ltd
Auditor	Cohen & Co

Performance Statistics

Returns & Ratios	1 month	3 month	6 month	1 Year	Return Since Inception
PDF Return	11.7%	28.0%	12.5%	112.1%	173.3%
CCI Index	25.9%	48.5%	-19.0%	415.9%	303.7%
Bitcoin (BTC)	39.9%	47.5%	6.2%	344.0%	310.1%
PDF Volatility				30.1%	22.7%
CCI30 Volatility				93.6%	90.9%
BTC Volatility				82.8%	75.5%
Beta				0.28	0.20
Sharpe Ratio				3.54	5.35
Monthly VaR (95% CI)				-8.46%	-7.80%
% Positive Months					78%
Best Month					17.8%
Worst Month					-8.3%
Correlation to Index				0.86	0.74

Rolling 12 Month Returns



Fund Characteristics:

- Uncorrelated to global equity, currency and debt markets.
- Access to best-in-class global fund managers specialising in digital currency-related strategies
- A rigorous and repeatable due diligence process.
- Absolute return investment objective with managed volatility
- A robust risk-management approach, with an unrelenting focus on capital preservation.
- High liquidity and low exposure to systematic market risk.
- Targeted volatility of 15%-17% p.a. with a targeted return of 25% p.a. net of fees.

Investment Strategy

Our core thesis is predicated on our firm belief that 'everything is about to change' as digital assets become the fourth superclass of assets. As the digital currency market formalises and becomes regulated, it continues to represent a new frontier for accredited investors to seek superior risk-adjusted returns that are uncorrelated with traditional equity and debt markets. These markets are inefficient and represent substantial sources of alpha for skilled investment managers.

Our experienced team brings an institutional-grade investment approach combining both quantitative and qualitative investment analysis with prudent portfolio construction to provide access to this uncharted space. We aim to consistently deliver positive performance with reduced volatility via uncorrelated strategies that achieve upside as the sector grows and which preserve capital in down-markets via diversification across differing systematic trading strategies.

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Portal Asset Management Pte Ltd is a Corporate Authorised Representative (CAR Number 001293080) of Boutique Capital Pty Ltd ACN 621 697 621 AFSL No.508011

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October 2021 Market Commentary

Market Overview

October proved to be a massive month for the cryptocurrency and digital asset markets. After a weak September, Bitcoin (BTC) jumped 10% on the 1st of October, sparked by Federal Reserve Chairman Jerome Powell testifying before Congress that he had *“no intention to ban cryptocurrencies, including stablecoins”*.

The Portal Digital Fund gained 11.7% net of fees in October vs BTC's return of 39.9% while the broader market represented by the CCI30 Index gained 29.9%. We expected the outperformance of the CCI30 Index vs BTC over the past few months to revert and Layer 1 protocols to catch up their relative underperformance.

This rally was fuelled further by speculation that a BTC futures ETF would be approved, which was confirmed on the 19th of October, sending BTC to a new all-time intra-day high of \$67,000. The first BTC futures ETF by ProShares with its listing on the NY Stock Exchange attracted over \$1bn in inflows in the first two days! This was one of the most successful ETF launches in history and another step in for BTC to become a mainstream investment. More importantly, this now opens the door for many more BTC and other cryptocurrency and digital asset ETF's, and further cements our thesis of increased institutional participation in the space.



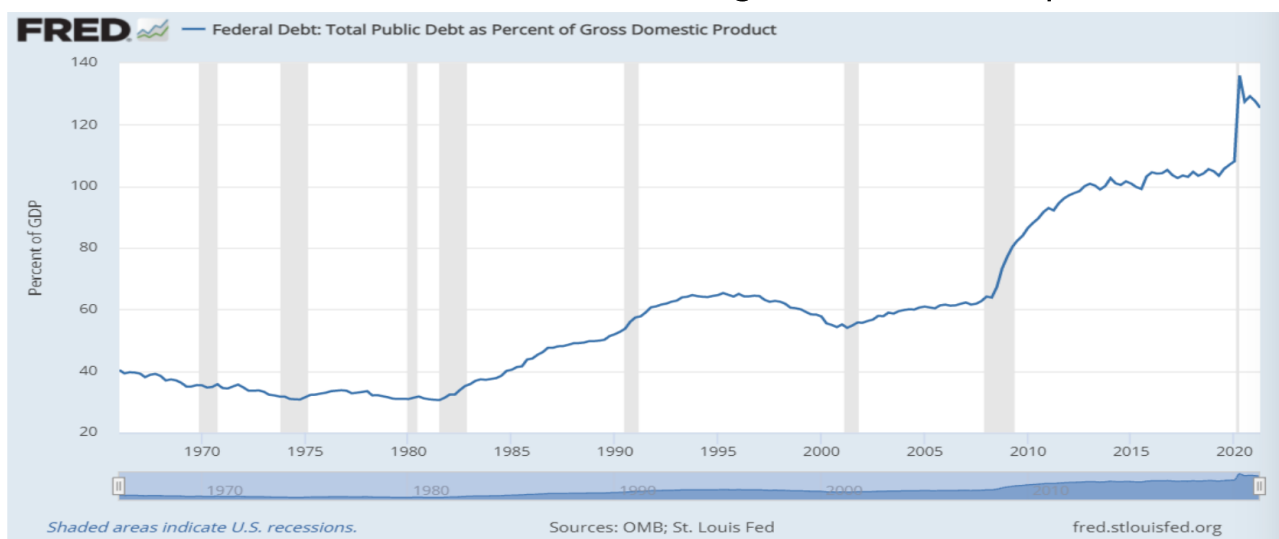
Source: Coin Metrics as of 10/27/2021. Arrows denote some of the major news over the past year.

Macroeconomic Analysis

A real concern for professional investors who are managing funds across multiple-asset classes and liquidity timelines is how will risk assets be impacted by the current inflationary pressures? We are seeing inflation building across both energy, soft and hard commodities, and wages. The main concern is whether this is a structural shift or just seasonal due to the lower base of 2020.

Currently there is \$28.5 trillion of US federal debt outstanding versus US GDP of \$22.7 trillion. We expect bond yields to rise meaningfully to accommodate higher expected inflation and funding rates will become stressed, as will consumers and by default banks. This does not bode well for consumers or providers of credit!

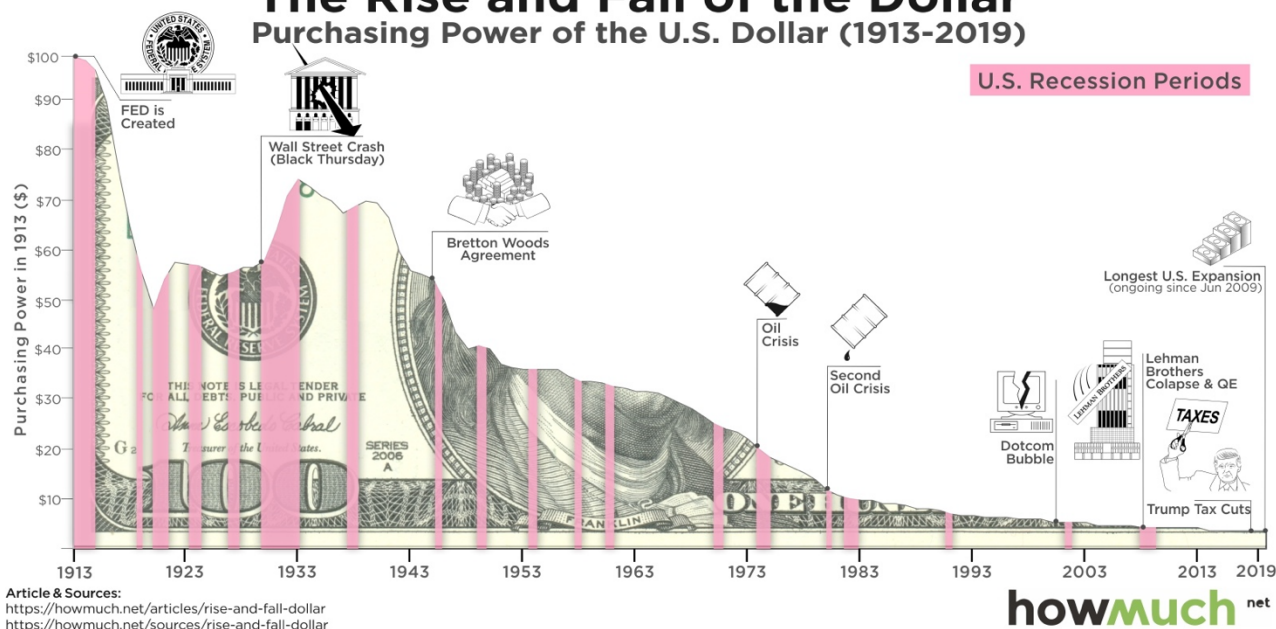
US Federal Debt to GDP - 125%, not including household or corporate debt



We perceive that investors are buying BTC as a store of value due to the continuing loss of their fiat-based purchasing power as per the graphic below. Debasement combined with excess liquidity leads to overheating in real asset prices, especially real estate. This is forcing investors to diversify into cryptocurrencies and digital assets which are perceived as uncorrelated with traditional asset classes.

The Rise and Fall of the Dollar

Purchasing Power of the U.S. Dollar (1913-2019)



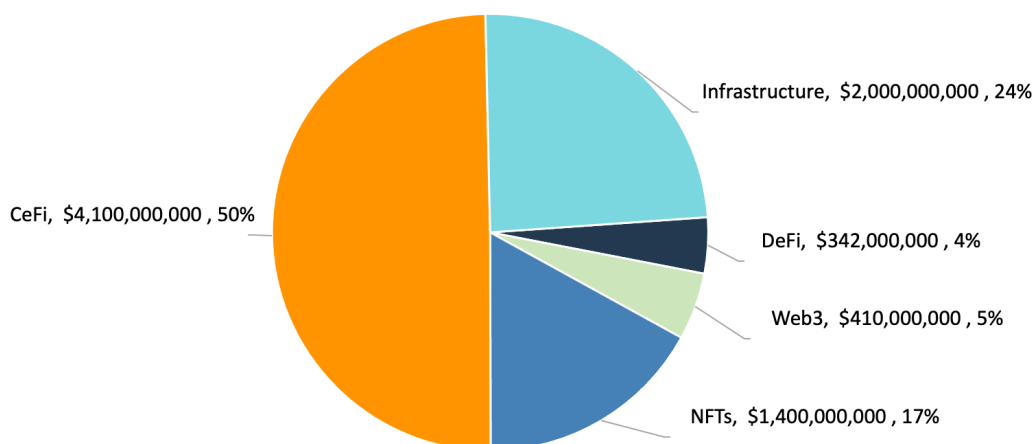
Implication for the Crypto Markets

The search for outsized returns and higher yields continues and nowhere is this more evident than in the land of crypto fundraising. According to recent research by Messari; in Q3 crypto total company fundraising surpassed over 300 funding rounds accounting for \$8.2 billion dollars. CeFi companies raised 50% of the Q3 capital while Infrastructure and NFTs also raised a significant amount. Surprisingly, DeFi protocols and companies raised the least amount of funds throughout Q3.¹



Of the \$8.2 Billion in Capital Raised in Q3, CeFi Accounted for 50%

Fundraising by category



Data as of: Oct. 26, 2021
Source: Dovemetrics

Zooming in, several individual companies raised massive rounds including; FTX (\$900m), Revolut (\$800m), Fireblocks (\$443m), Sorare (\$680m), Dapper Labs (\$250m) and OpenSea (\$100m). These six firms collectively raised just over \$3.1 billion in funding, showing the rapidly maturing market of CeFi and continued demand for NFT exposure. Notably, NFT gaming including Dapper and Sorare collectible raised over \$1 billion while NFT marketplaces raised \$250 million. The promise of gaming and crypto's eventual symbiotic relationship has produced a sizable appetite for fundraising in this sub-category of NFTs.

The year and a half crypto bull market has brought traditional venture funds into the space. U.S early-stage venture capital fundraising surpassed \$15 billion across nearly 1,600 deals. With excess capital sloshing around and the ever-expanding crypto market, crypto companies are raising money in one of the most opportune times imaginable.

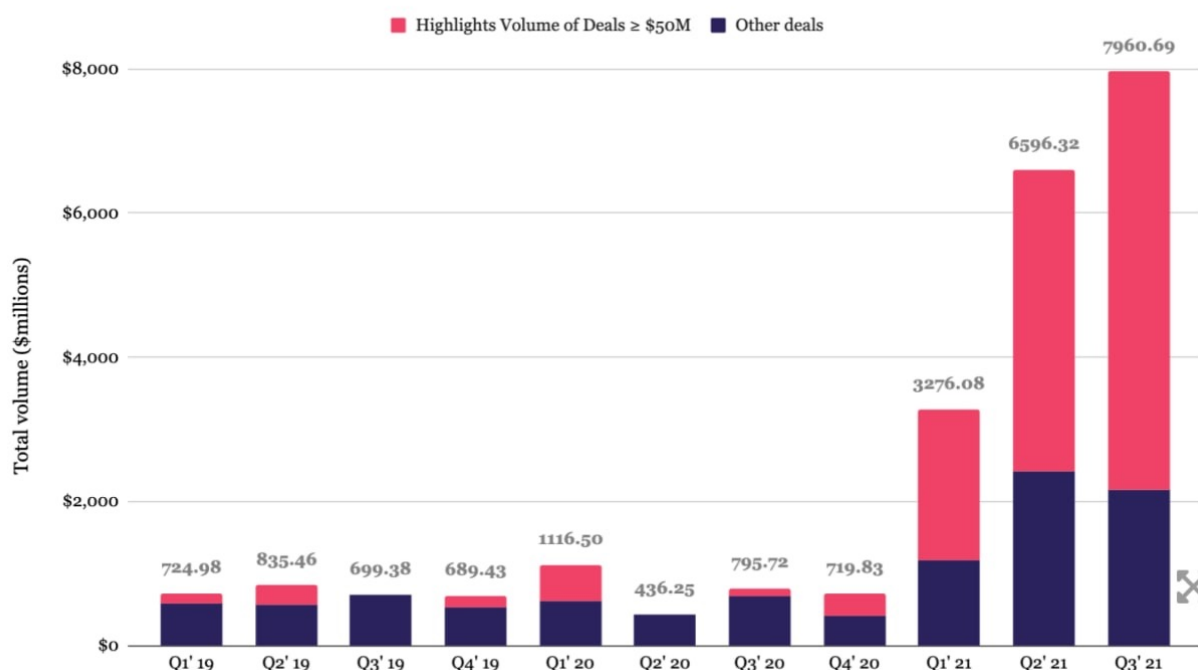
The size of the crypto market will continue to grow across all the above categories as well as within new emergent categories including DAOs, the Metaverse, social networks, and more. The only question remaining is will Q4 crypto fundraising outpace the previous quarter. We expect it will.

¹ <https://messari.io/article/q3-crypto-fundraising-trends?referrer=grid-view>

Record VC Funding in Q3 2021

THE BLOCK | Research

Crypto/Blockchain Venture Funding by Quarter: Q1' 19 - Q3' 21



Conclusion

We continue to remain structurally bullish on the longer-term adoption and growth of the digital asset and cryptocurrency space. We are witnessing many institutions, both financial and tech-related, beginning to mobilise resources to participate in this space. This has both positive and negative aspects to it.

We expect benefits such as increased liquidity, price discovery, market stability, an increase in product offerings and investment opportunities. On the other hand, the Cambrian explosion in new products and service providers will also attract many fraudulent (such as the recent Squid token fiasco) and / or incompetent participants, causing massive losses for inexperienced investors. This is a large opportunity but also risk for the industry to gain acceptance as a mainstream asset class and also not become unduly regulated in the process.

Here in Australia we have seen a remarkable turnaround in the [CBA's approach](#) to the space with them now offering their 6.5 million customers the ability to both buy and hold BTC and other cryptocurrencies. This move will make CBA the first Australian bank – and one of just a handful of banks worldwide – to offer customers access to cryptocurrencies and is a real first for Australians.

Finally, we believe we will continue to see many investors' seeking to diversify their portfolios and either protect returns against rising inflation and interest rates, as well as extremely high valuations in equities and real estate, by increasing allocations to this space. The lead steers in this space such as KKR, PIMCO and more recently Blackrock, have already made small investments in the space, via their investment in a publicly listed cryptocurrency mining companies. Soon the rest will follow.

We remain well positioned to offer a real risk-adjusted, diversified, low-volatility solution to this exciting space.

News and Headline

The following news dominated headlines and is worth noting:

- [Goldman Sachs launches](#) coverage on DeFi (Decentralized Finance).
- [U.S. Bank, the fifth largest bank in the U.S.](#) by assets, announces cryptocurrency custody services.
- [Bank of America launches digital asset research with a 141-page report](#) on digital assets, noting “too big to ignore” and “only the first inning.”
- [Investment bank JPMorgan Chase & Co.](#) strategists note bitcoin’s allure as an inflation hedge is returning.
- [Pimco, one of the largest fixed-income managers.](#) plans to invest more in digital assets.
- [The Houston Texas firefighters pension fund announced](#) it has purchased bitcoin and ether for the plan’s portfolio.
- According to Fidelity, [the USA is now the largest miner of Bitcoin, surpassing China.](#)
- [Morgan Stanley initiates](#) coverage on crypto.
- Banks tried to kill crypto and failed. [Now they’re embracing it \(slowly\).](#)
- [Mastercard to allow](#) any merchant or bank to offer Bitcoin and crypto services.
- [Facebook’s rebrand to “Meta”](#) sent metaverse-related cryptoassets to new heights.
- [Digital Currency Group Valued at \\$10B, Raises \\$700 Million](#) from Google and Others.
- [Bitcoin Mining Difficulty Increases for 8th Time](#) Since China’s Crypto Ban.
- [BTC and \\$ETH Accepted As Payment](#) Methods for Blockchain Course by a Top Business School, The Wharton School of the University of Pennsylvania.
- [Rolling Stone drops a Bored Ape cover](#) as nft.nyc takes over New York this week.

If you have any queries please contact me as per below.

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***Disclaimer:** This document does not constitute an offer of Participating Shares in the Fund. The offer of Participating Shares is made solely pursuant to the Offering Memorandum for the Fund dated 10 February 2020 (the “Offering Memorandum”), and an application for subscription for Participating Shares may only be made by completing and returning the subscription agreement issued by the Fund (the “Subscription Agreement”). Copies of the Offering Memorandum and the Subscription Agreement may be obtained from First Degree Global Asset Management Pte. Ltd., the Investment Manager of the Fund.*