

PORTAL

ASSET MANAGEMENT

Market Commentary - January 2023

Market Overview

Crypto currencies and digital assets ("crypto assets") had a solid start to 2023, bouncing back from one of the worst years across all asset classes in global financial markets since the turn of the century. Bitcoin (BTC) was up +39.8% in January, whilst the overall market as represented by the CCI30 Index finished up +38.8%. The Portal Digital Fund finished January up +9.2%.

According to a [recent report by Fidelity](#): *"This has also been the strongest January since 2013 when Bitcoin was up 44%. While the reasons for the price move are always myriad, it is interesting that there was not one single event or catalyst to point to with the move."*

We believe the reason was simple, there were no sellers left and the great deleveraging that we witnessed throughout 2022 was and is complete.

Portals Investment Strategy

One of my favourite investment books is "Education of a Speculator" by Victor Niederhoffer, first published in 1997. The main underlying message of this book is to think for yourself and treat all investment advice with scepticism.

The theme is summed up well in the following [quote](#) from the book: *"What, then, is the lesson of Delphi? Oracles, forecasts, and prophecies are a business. They should be evaluated with the same scepticism that would be applied to a used-car dealership."*

Trying to predict markets and time bull-runs or bear-crashes is not only an unproductive use of our most valuable resource - time, but also adds a lot of emotional stress to investing by forcing you to constantly adjust your exposure in anticipation of market movements, and then reacting when things don't play out as expected. Financial capital is easier measured than emotional capital.

At Portal we don't attempt to time the markets. We focus on consistently following an investment process that analyses both top-down macro-economic data, momentum in the thematic, quantitative analysis and then deep-dive bottom-up fundamental research and valuation. We therefore focus on investing through the cycle and on managing the things we can control, such as the exposure, risk and volatility within our Funds.

Investment Outlook

As stated in our last newsletter, we believe the Crypto Asset market bottomed in December and is poised for its next bull run. As above, the strong recovery in January confirms our belief that both selling and the over-leverage built up in the last bull market have been exhausted. If history is any guide, then this cycle will last around two years and the Crypto Asset market capitalisation should at least triple and will see BTC at \$88,000+ from the current \$22,000.

Unfortunately, we don't expect that most large institutions such as pension/provident funds, endowments and insurance funds will participate in the first part of this cycle as they remain fixated on the negative media publicity and an antagonistic regulatory environment, leading to their continuing vacillation.

This is not important. What is important is that the next bull run will provide more astute global investors with an opportunity to gain an understanding of how Crypto Assets, and particularly DeFi, will disintermediate all aspects of centralised finance and commercial banking, insurance and lending.

In addition, distributed ledger technology (DLT) and digitisation will continue to make headway in the real economy because global manufacturers, merchants and consumers will be able to fund and exchange goods and services cheaper, safer and quicker without the need for a central clearing agent (banking system), and because they'll be able to exchange their over-levered, failing currencies for new ones.

The technological adoption is inevitable and due to DLT being decentralised, its insidious nature ensures that it cannot be "controlled" like current fiat currencies and banks via central banks. It's not just about liberty or anonymity or debasement of currency, it's about technological progress and the new supplanting the old.

Conclusion

We once again reiterate that we continue to believe that crypto assets provide the best long-term opportunity of all asset classes and will outperform significantly as their exponential applications are better understood and adopted.

Regulation is now becoming a controversial issue, but the USA has lost much of its influence and stature given the disastrous ways it has handled both foreign and domestic geopolitics, monetary and fiscal policy and especially regulation of its own institutions, FTX being a prime example. The balance of power is shifting and we believe Europe and Asia (ex-China) represent the next frontier of growth and adoption by institutions in this space

In conclusion, we continue to believe that this represents an incredible buying opportunity and accordingly, we have begun to slowly increase our exposure to some of the medium and higher volatility funds in the Portal Digital Fund, as well as increase our net exposure in the Portal Radiance Multi-Strategy fund to 70% net long with a view to capturing the expected upside and perpetual call option on the Crypto Asset market on a 12–18-month view.

Please feel free to contact me should you have any enquiries.

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