

Portfolio Manager's comments

Bitcoin dominance started the month at 53.10%, reached a YTD high of 57.13% and ended the month at 51.30%.

After an initial uptick in the market during the first few days the trend reverted to the downside with news that Goldman Sachs postponed the launch of their crypto desk, which was later [denied](#). This alone would have been an embarrassing excuse for the initial selloff. Soon after the GS fake news, the main [gossip](#) in the market was that a large position of Bitcoins which were sitting stale (possibly in a Silk Road wallet) since 2014 started being moved to a few exchanges and that caused the next phase of panic selling which hurt the Alts markets in dramatic fashion with various large cryptos collapsing, ETH, BCH, Cardano to name a few.

Bitcoins started the month at \$7,037 and traded between \$6,197 and \$7,388 to close the month at \$6,625, down 5.85% for the month. Genesis Block Fund ended -9.00% while BLP Crypto Assets FIM ended -11.63%.

Early in the month before the large Alts selloff we exited our Cardano position and moved back into Monero. Since putting this new trade on, Monero has outperformed Cardano by 4.4%. Given the very poor performance of ETH and BCH we went slightly underweight both and moved closer to neutral on BTC as on down markets it is the asset that suffers the least, we had been debating this for a while and took this action during the second week of the month.

Our pair trade overweight EOS/underweight XRP, which was working very well until August, had a very negative performance during the month as another [marketing stunt](#) from Ripple caused a strong rally on the second half of the month, XRP outperformed EOS approximately 88% during September wiping away approximately half of the alpha against the TOP10 generated YTD.

With permission from Jonathan Cheesman, Partner at Distributed Global, we share this great article on [how to pitch Bitcoin to your Investment Committee](#).

[Switzerland](#) continues to be at the for front of the crypto space, watch this very interesting 10 minute video.

Interesting announcements/comments:

- [PWC](#) releases its Global Blockchain Survey for 2018
- [Bitcoin mutual fund](#) launches in Canada
- [Citigroup](#) rumored to have created a new access vehicle to Bitcoin exposure
- [Lloyd's of London](#) starts insuring cryptos for custodians
- [Fidelity](#) is about to dip its toes in the crypto business

Monthly estimated return

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD 2018
Genesis	-16.00%	-5.17%	-37.38%	57.20%	-20.19%	-20.59%	7.50%	-17.21%	-9.00%				-59.68%
BLP Crypto	-19.19%	-1.78%	-33.74%	61.16%	-14.11%	-17.57%	4.50%	-8.56%	-11.63%				-49.33%
Bitcoin	-27.80%	1.73%	-32.93%	32.51%	-18.90%	-14.55%	21.49%	-9.55%	-5.85%				-52.20%
TOP10	-21.20%	-12.40%	-41.64%	53.12%	-20.90%	-19.41%	8.70%	-17.59%	-2.89%				-65.80%
CDI	0.58%	0.46%	0.53%	0.52%	0.52%	0.52%	0.54%	0.57%	0.47%				4.81%

THE BITCOIN AND TOP10 ESTIMATED RETURNS STATED ON THE TABLE ABOVE ARE MERELY ECONOMIC REFERENCES AND SHALL NOT BE CONSTRUCTED AS A PERFORMANCE TARGET TO BE ACHIEVED BY THE FUNDS NOR A PERFORMANCE PARAMETER APPLICABLE TO THEM.

Tech corner

With the upcoming hard fork in BCH in mid-November, we wanted to explain the main differences between Soft and Hard forks in the cryptocurrency space.

A *fork* in programming terms, is an open-source code modification. Usually the forked code is similar to the original, but with important modifications, and the two *prongs* comfortably co-exist. Sometimes a fork is used to test a process, but with cryptocurrencies, it is more often used to implement a fundamental change, or to create a new asset with similar characteristics as the original. The majority of cryptocurrency forks are due to disagreements over embedded characteristics. Forks have a "shared history." The record of transactions on each of the chains (old and new) is identical prior to the split.

A hard fork is a change to a protocol that renders older versions invalid. If older versions continue running, they will end up with a different protocol and with different data than the newer version. This can lead to significant confusion and possible error.

With bitcoin, a hard fork would be necessary to change defining parameters such as the block size, the difficulty of the cryptographic puzzle that needs to be solved, limits to additional information that can be added, etc. A change to any of these rules would cause blocks to be accepted by the new protocol but rejected by older versions and could lead to serious problems – possibly even a loss of funds.

As an example, if the block size limit were to be increased from 1MB to 4MB, a 2MB block would be accepted by nodes running the new version, but rejected by nodes running the older version.

This is a hard fork, and it's potentially messy. It's also risky, as it's possible that bitcoins spent in a new block could then be spent again on an old block (since merchants, wallets and users running the previous code would not detect the spending on the new code, which they deem invalid).

The only solution is for one branch to be abandoned in favor of the other, which involves some miners losing out (the transactions themselves would not be lost, they'd just be re-allocated). Or, all nodes would need to switch to the newer version at the same time, which is difficult to achieve in a decentralized, widely spread system.

A soft fork can still work with older versions.

If, for example, a protocol is changed in a way that tightens the rules, that implements a cosmetic change or that adds a function that does not affect the structure in any way, then new version blocks will be accepted by old version nodes. Not the other way around, though: the newer, "tighter" version would reject old version blocks.

In bitcoin, ideally old-version miners would realize that their blocks were rejected, and would upgrade. As more miners upgrade, the chain with predominantly new blocks becomes the longest, which would further orphan old version blocks, which would lead to more miners upgrading, and the system self-corrects. Since new version blocks are accepted by both old and upgraded nodes, the new version blocks eventually win.

This is a soft fork, and it's already happened several times. Initially, Bitcoin didn't have a block size limit. Introducing the limit of 1MB was done through a soft fork, since the new rule was *stricter* than the old one. The pay-to-script-hash function, which enhances the code without changing the structure, was also successfully added through a soft fork. This type of amendment generally requires only the majority of miners to upgrade, which makes it more feasible and less disruptive.

Soft forks do not carry the double-spend risk that plagues hard forks, since merchants and users running old nodes will read both new and old version blocks.

Genesis Block Fund Ltd. Characteristics

Minimum Investment	\$100,000
Subscription	Monthly
Redemption	Monthly with 15 days pre-notice
Administration fee	2% p.a.
Performance fee	20% over 6M Libor with High Water Mark
Administrator	MG Stover
Auditor	Cohen & Co
Legal Counsel	Walkers Global and Freitas Leite
Contact	genesis.block@blpasset.com.br

BLP Crypto Assets FIM – Investimento no Exterior Characteristics

Minimum Investment	R\$100,000
Subscription	Monthly
Redemption	Monthly with 15 days pre-notice
Administration fee	2% p.a.
Performance fee	20% over CDI with High Water Mark (<i>come cotas</i>)
Administrator	Planner
Auditor	Crowe Horwath
Legal Counsel	Freitas Leite
Contact	contato@blpcrypto.com.br
Website	www.blpcrypto.com.br

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