



CryptAM's Monthly Newsletter

Dear Investors and followers,

We hereby present to you November newsletter. We aim to cover the following in this months newsletter:

1. Main drivers of pricing movements, including the market events happening the past month including the BCH hardfork
2. Examination of the hashrate for bitcoin
3. Quick review of the active fund relative to market performance
4. Regulatory Update

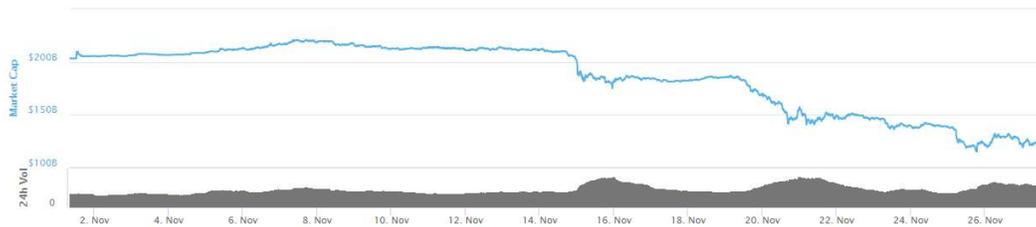
Finally a trend, but a downward one.

The lack of market volatility over the past quarter has finally come to an end. The month began with the market hovering above the US\$200Bn mark, a slight incline early in the month brought hope to the market. The movements towards the latter stages of the month were strong enough to pull the market strongly towards the camp of the bears.

This downward pull began in earnest in the earliest minutes of the 15th November, dropping US\$ 18Bn to US\$ 182Bn over four and a half hours. The following Monday and

Tuesday witnessed the market slump further to the US\$ 145Bn mark. The downward breakout continued with Bitcoin (BTC) bottoming out at around US\$ 3500, a new YTD. At the end of the month we saw a positive shift in the market and Bitcoin stabilized at US\$ 4,000.

Digital Asset Market Capitalisation (\$bn)



Source: Coinmarketcap.com, 27 November 2018

The most disruptive catalyst this month was the Bitcoin Cash (BTH) hardfork division into two distinct entities, Bitcoin ABC and Bitcoin SV. This was not an amicable breakup, with the two factions vying for superiority. Bitcoin ABC, supported by Roger Ver and Bitmain, has retained the 'Bitcoin Cash' ticker on most sites, including Coinmarketcap, with Bitcoin SV taking a new ticker.

A). A key theater of battle has been the hashrate dedicated to each individual fork's chain. The hashrate targeting ABC and SV has significantly declined from its peak of over 12,000 Pentahashes per second, 8700 pentahashes and 3600 pentahashes respectively, down towards the 3,000 pentahashes per second as at present.

This competition for hashrate dominance between the two assets served to establish the longest blockchain, as by doing so, asserting itself as the 'definitive' blockchain.

Concerns over fragmented market liquidity, community and computing power (hashrate) fed into some investors concerns as people reduced their positions, creating a negative feedback loop on miners and challenged technical indicators which caused a further drop of prices.

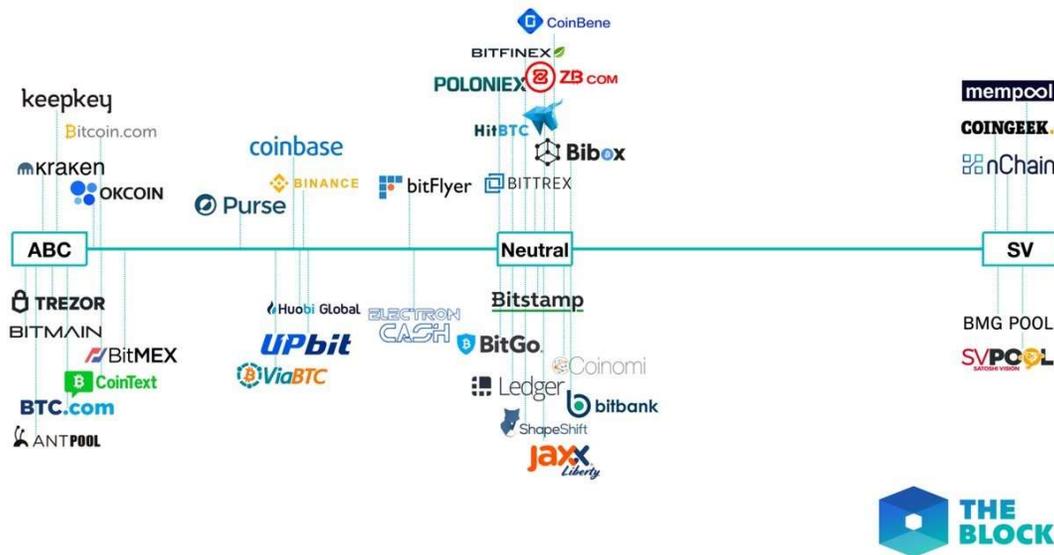
Bitcoin Cash ABC and SV's Hashrates (PH/S)



Source: cash.coin.dance, 28 November 2018

Of course, as the below chart shows, adoption is also particularly important, there has been a declaration from many firms as to their support for any particular chain. It seems at this stage that the brief skirmish looks to have swayed towards on the side of ABC with many supporters backing its adoption.

Bitcoin ABC has traded above Bitcoin SV since the fork and accounts for over 60% of the value of the two combined. However, ABC's share is down over the latter parts of the month with SV performing strongly in relative terms. This is ongoing and we carefully observe to make the best of it all.



Source: www.theblockcrypto.com, 31 October 2018

If there was a silver lining for Bitcoin holders this year until the recent downturn, it was the fact that the hash power of Bitcoin had shown a secular uptrend for a majority of the year despite plummeting prices. The upward trajectory in hash power underpinned miners' bullishness on the long-term prospects of Bitcoin, as the hash power had more than quadrupled since the beginning of this year. Hash rate regards the computational power applied to mine blocks under Bitcoin's native proof of work consensus mechanism. As hash power increases, the Bitcoin network becomes more secure, through more distributed computers running and maintaining the full blockchain of transactions.

As hashing power came online throughout the year, the marginal computing power was provided at higher costs. As there was still significant growth in the profitability of mining Bitcoin, with new technology increasing cost competitiveness for some. However, from its high in Sept, Bitcoin hash rate has dropped by more than 24%. Miners, given lower prices, are no longer able to meet the ongoing variable costs: energy to run and cool the computers and tightening economic rents.

The hardest hit by the hash rate drop would be the mining equipment manufacturers, such as Bitmain, given the significant supply of second hand mining equipment available in the

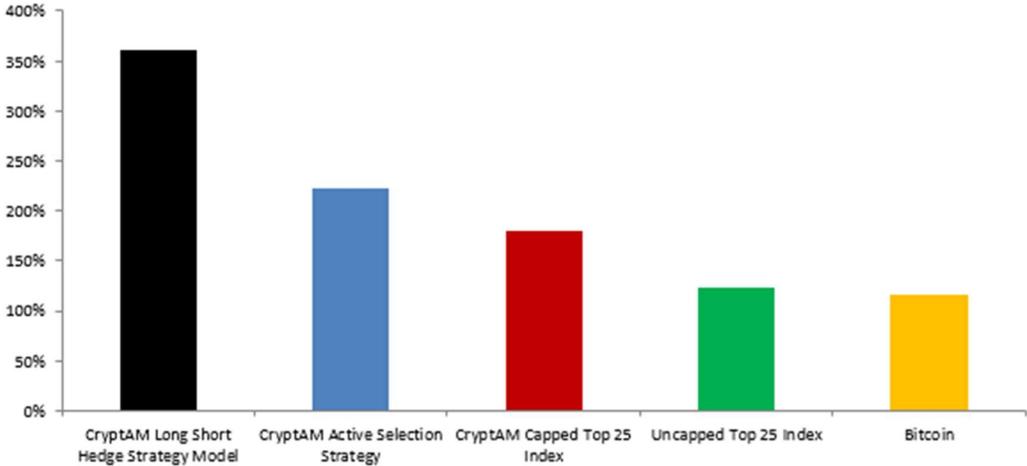
market at present. The subsequent adjustment in mining difficulty should bring back the surviving miners to profits again in the medium term, provided BTC doesn't lose too much value in the interim.

Bitcoin Hashrate (TH/s)



Source: Blockchain.com, 28 November 2018

CryptAM Active Selection Performance Update



Source: CryptAM, November 2018. CryptAM Active Selection Strategy includes blended backtest performance since Jan-2017 and actual performance from Dec-2017 to Nov-2018.

The month of November has been a challenging one for the market which has sank further amid a year long decline, however, we're happy to show that the fund and model signals outperforms.

Through our inhouse developed Long/Short momentum model signal, shown on the left hand side, we have been able to deliver balance against the losses accruing to the market and performing an order of magnitude significantly better than market indicators, Ethereum and Bitcoin.

Our active fund endeavors to protect client wealth in such downswings whilst benefiting most from upswings.

Global Regulatory Update

The regulatory environment changes this month have been somewhat significant, the bearish markets have belied a broadly positive month for regulatory and institutional change.

Following the recent announcements from the SFC (Securities and Futures Commission) in Hong Kong; Singapore's monetary authority, not one to be outdone in the realms of digital assets, introduced a provision in the new Payment and Services Bill, to regulate digital asset payment services in a similar manner to those which provide remittance and exchange type activities.

This is sure to facilitate the movement towards greater levels of adoption in the industry. The alignment of legislations such as these provide the framework required for adoption and institution of digital asset trading and investing

In the States, the SEC has declared, at the tail end of DC's Fintech Week (an apparent

watershed for regulatory announcements these days), they will release a 'plain English' text which will provide more clarity to those launching and investing in token and coin offerings, many of such offerings have hitherto relied upon intuition and interpretation to determine their exposure to the US SEC legislative structures. This new guidance will provide further clarity and more firmly establish certainty in an industry severely lacking in both. It is doubtless that other national authorities, cut from a similar cloth, will act in tandem.

In the USA, the state of Ohio will be the first state to accept Bitcoin as a medium for payment of taxes. However, this convenience is only open to 23 different types of business-related taxes. These payments will be converted by Bitpay immediately into USD. Whilst a small step, it is one which signals the firm intention to provide an attractive destination for companies engaged in digital asset related industries.

Whilst the news has been broadly positive, the introduction of Bakkt, an international regulated market backed by Intercontinental Exchange with holistic services inclusive of buying, selling, storing and spending digital assets, will be pushed back to January 2019 from its intended launch in December. However, Bakkt's launch in conjunction with the proposed NASDAQ bitcoin futures listing in Q1 2019 suggests there is strong scope for an the current bear market to be short-lived.

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