

# CRYPTO20

---

QUARTERLY REPORT

MARCH 2019



**INVICTUS**

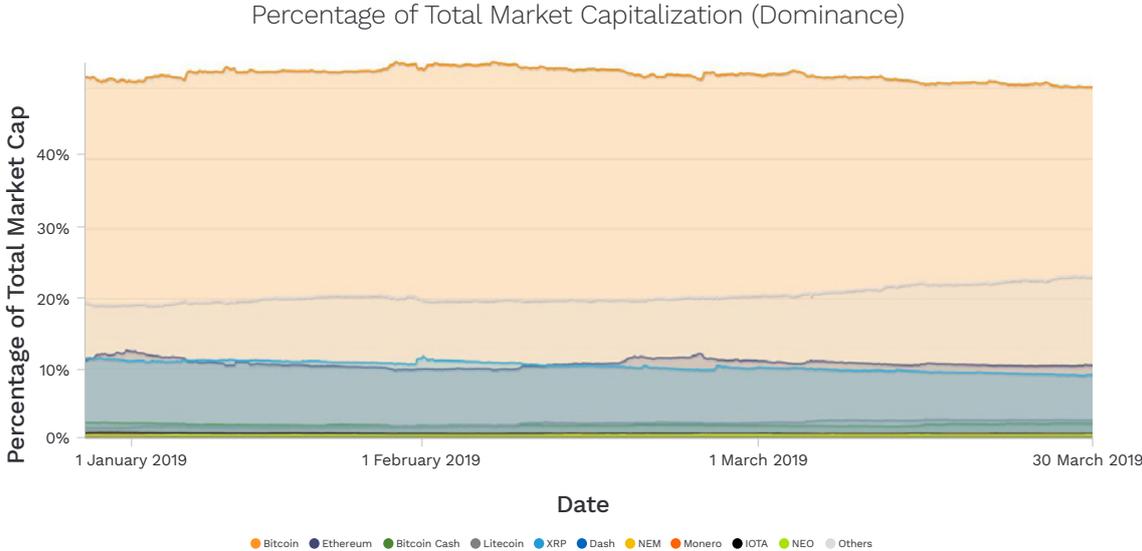
# Contents

1. Market Commentary .....	2
2. C20 in Review .....	4
Fund Performance.....	4
Analysis of Performance.....	4
3. Execution of Fund Rules .....	5
4. Year-end Predictive Analysis .....	7
Future outlook .....	7
References .....	9

# 1. Market Commentary

Following a large drop near the end of 2018, cryptocurrency prices remained in a depressed range for the rest of Q1 2019. We have to take note that Bitcoin experienced significant appreciation just after the close of the quarter in a short timeframe. Bitcoin dominance has been very stable and fluctuated between 50.1% and 53.5% of total market capitalization over the period. This period saw extremely high price correlations between most of the major pairs as the number of active market participants decreased and volatility stalled. Risk appetite appeared subdued as traders moved capital from riskier tokens and projects into less volatile assets such as Bitcoin and fiat currencies, keeping prices near the yearly low for the majority of the large-cap cryptocurrencies.

Figure 1



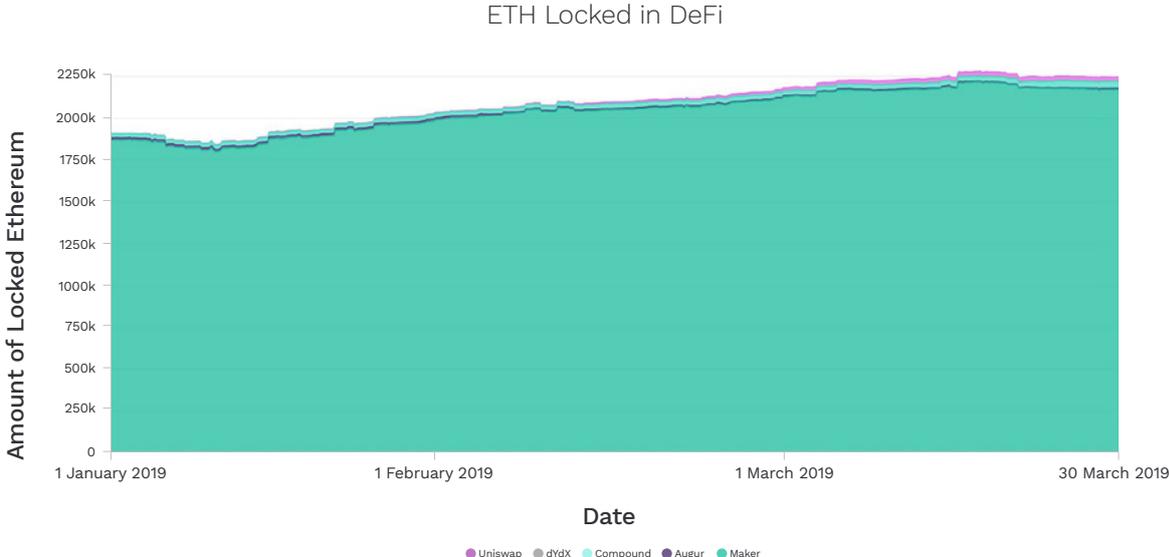
Source: <https://coinmarketcap.com/charts/#dominance-percentage>

Over the quarter we saw a select few of larger cryptocurrencies outperform Bitcoin, the noteworthy ones are Binance’s BNB coin<sup>1</sup>, smart contract platform Cardano<sup>2</sup>, and cryptocurrency Litecoin<sup>3</sup>. It is interesting to note that BNB has almost completely detached itself from market correlation and is an indication of how growth in utility for a cryptoasset affects price action.

What seems to mark the depression phase of the bear cycle for traders is evidence of increased urgency by developers and companies to build out their products and services. The 2017 bull market was detrimental to several new market participants but allowed for growth in terms of development opportunity and as a result attracted a wave of new talent and innovation to the industry<sup>4</sup>. It remains to be seen which handful of pioneers will emerge as industry leaders as the wider market matures, but we remain confident that there will be no shortage of exciting developments.

One of the most prominent developments in the blockchain-based distributed computing sub-sector has surely been the growth of decentralized finance (DeFi)<sup>5</sup> on the Ethereum platform. Ethereum has received considerable criticism following the growth and decline of the ICO market, the commentary is based on the principle that the network does not have utility beyond asset creation and that further utility of smart contracts is not practical. Decentralized finance essentially is the creation of decentralized applications that offer users the ability to access financial and investment services in an automated and trustless manner. Such services include lending, asset exchange and derivative products.

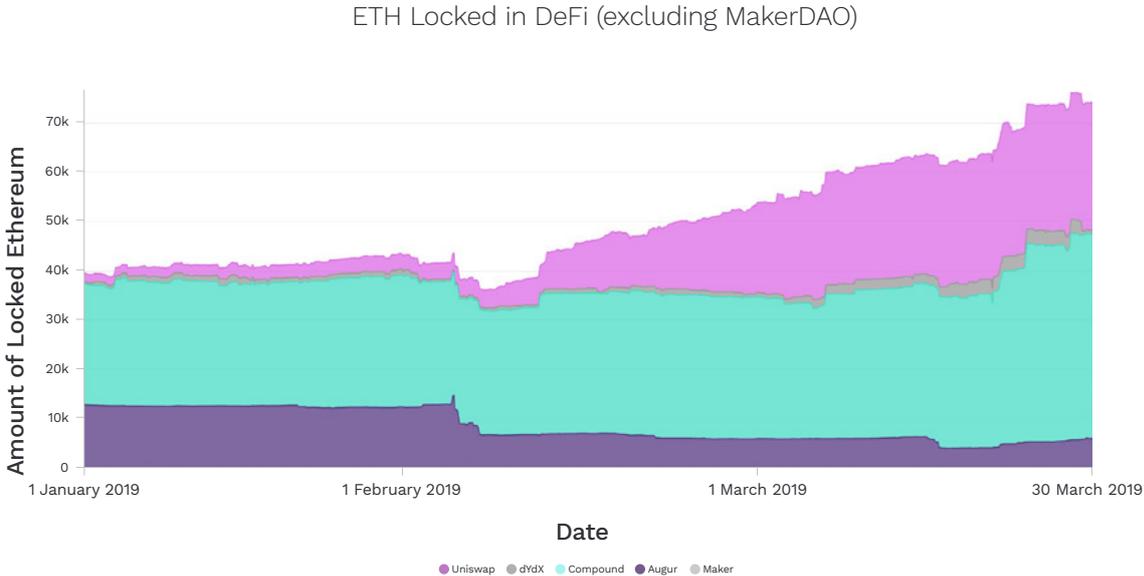
Figure 2



Source: <https://mikemcdonald.github.io/eth-defi/>

The MakerDAO lending platform is currently by far the largest protocol in terms of open interest with more than 2,000,000 ETH locked<sup>6</sup> in collateralized debt positions for creation of the native stable coin - DAI. The project has been available to the market for more than a year and currently has a considerable first mover advantage. The project has also received its own fair share of criticism which is based on the assumption that ETH is collateralized to only buy more ETH and thus the protocol merely functions as a leverage trading vehicle. The development and adoption of other DeFi applications have proven the growth of the space, as illustrated in the following graph that indicates ETH locked in applications, excluding MakeDAO.

Figure 3



Source: <https://mikemcdonald.github.io/eth-defi/>

In summary, the quarter can be characterized by technology slowly catching up to the hype-driven price appreciation of 2017 and the decline that followed in 2018. Investors often overestimate the disruptive nature of technology in the short run and underestimate the potential in the long run<sup>7</sup>, as famously said by Roy Amara.

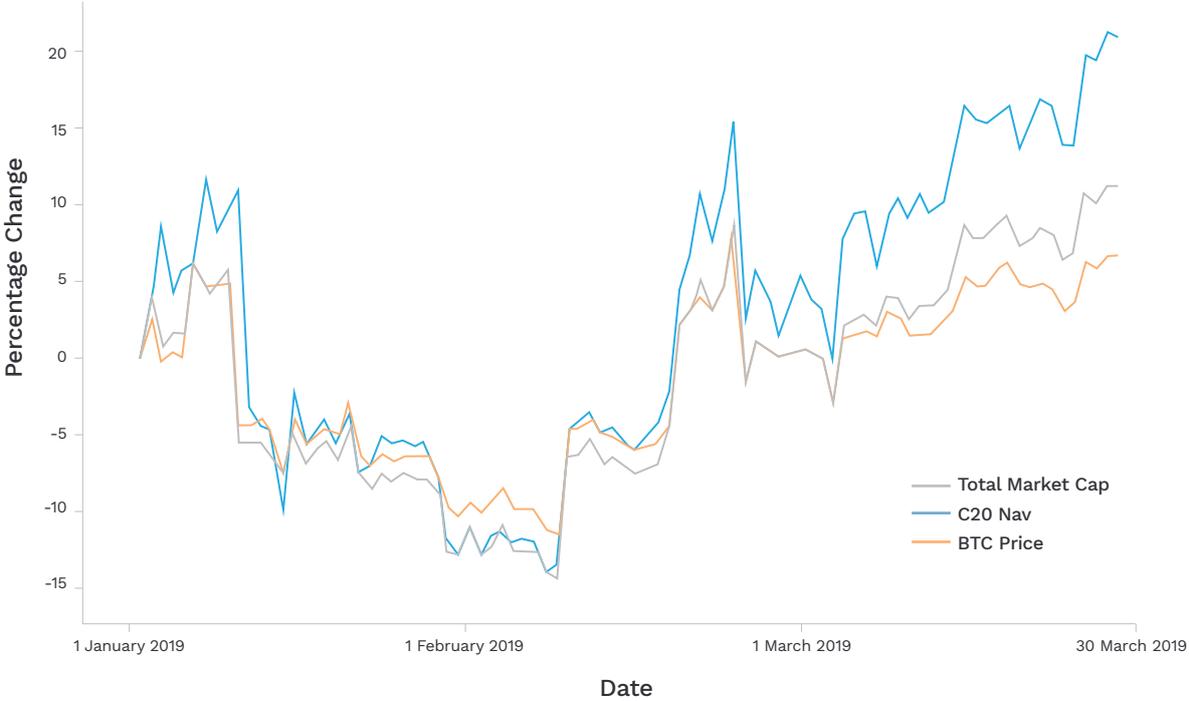
## 2. C20 in Review

### Fund Performance

1 Jan 2019 to 31 March 2019

Figure 4

C20 vs Total Market Cap vs BTC Performance



Source: Invictus Capital

	Jan 2019	Feb 2019	Mar 2019	Q1 2019
% Total Crypto-currency market Asset Cap	-13.31	15.12	10.97	10.75
% BTC	-10.56	11.48	6.53	6.21
% C20	-13.11	15.53	17.74	18.19

Source: Invictus Capital

### Analysis of Performance

For portions of time since the inception of the C20 fund, each of C20 and the comparative benchmarks BTC and Total Market Cap have outperformed each other. The percentage of time over the last quarter that each have outperformed is set out below:

Asset	Days (top performer)	Percentage time (top performer)
C20	68	75.55%
BTC	2	2.22%
Total Market Cap	20	22.22%
Total	90	100.00%

Source: Invictus Capital

The above statistics demonstrate that C20 is an extremely effective passive investment vehicle for exposure to the cryptocurrency market. It is not practical for an investor to hold all crypto assets, but C20 provides an excellent and cost effective proxy, outperforming Bitcoin the majority of the time and providing risk diversification from holding any single asset.

### Fund Holdings

Asset	Rank Movement for quarter	Amount	\$ Equivalent as at 31/03/2019	%
ETH	1	14,427	2,041,544	11.79
EOS	1	425,475	1,778,486	10.27
BTC	0	406	1,665,889	9.62
LTC	3	27,079	1,645,327	9.50
XRP	-1	5,261,763	1,627,090	9.39
BCH	-2	8,245	1,392,887	8.04
BNB	6	66,680	1,160,232	6.70
XLM	-2	9,189,227	989,229	5.71
ADA	1	12,318,190	859,144	4.96
TRX	-1	31,586,390	743,007	4.29
BSV	-3	8,325	540,936	3.12
XMR	1	8,058	450,349	2.60
DASH	1	4,106	444,158	2.56
MIOTA	-3	1,269,792	390,480	2.25
MKR	3	470	332,488	1.92
NEO	0	31,034	309,103	1.78
ONT	12	233,172	303,123	1.75
ETC	-3	51,158	246,581	1.42
XEM	-5	4,223,048	233,387	1.35
ZEC	-2	2,893	169,258	0.98

Source: *Invictus Capital*

### Management fees

Management fees of 0.5% per annum are charged to the fund. Fund values are recorded daily at 12PM UTC. Average fund values are then recorded for each month. Management fees paid by the fund for the year are as follows:

Month	Average fund Value (USD)	Management Fee (USD)
January	13,686,956.32	5,702.90
February	13,873,242.61	5,780.52
March	15,903,446.19	6,626.44

Source: *Invictus Capital*

## 3. Execution of Fund Rules

The fund was rebalanced on a weekly basis throughout the quarter in adherence with the fund rules. As contemplated by the white paper, management decisions listed below were made to exclude a coin/token from the index. Where a coin is excluded, the next in line coin in terms of market capitalization is included in the index.

Coin/Token	Context
Maker	Due to very low liquidity, this project has previously not been included in the C20 portfolio. Maker has been included in the fund holdings with effect from 18 February 2019.
Tezos	Due to governance and regulatory issues associated with this project, it was previously excluded from the index. These concerns have been mitigated with the listing of the project on Coinbase, a respected and regulated exchange. Tezos has been included in the fund holdings with effect from 1 April 2019.
Tether	Due to the nature of the project, this was never included in the C20 portfolio.

**Source: Invictus Capital**

We have focussed on minimizing slippage in the weekly rebalancing via the following strategies:

We rebalance automatically across all exchanges with best prices being executed first.

Trades are executed across multiple exchanges in order to minimize the impact on market prices.

Reporting of rebalance portfolio after completion of rebalance trades in order to prevent front-running.

Fund assets have been maintained in bank level secure cold storage facilities with deposits and withdrawals limited to that required to facilitate the weekly rebalance process. KPMG verified fund assets post-ICO in terms of an agreed upon procedure. No exceptions were noted.

Operational Statistics	Data
Rebalances performed during the quarter	12
New coins included for the quarter	MKR, ONT
Coins falling out of the index during the quarter	DOGE, WAVES
Best performing coins - change in market capitalisation rank	ONT (+12), BNB (+6), LTC (+3), MKR (+3)
Worst performing coin - change in market capitalisation rank	XEM (-5), BSV (-3), ETC (-3), MIOTA (-3)
Total trade volume for the quarter (USD)	14,922,883
Average daily volume (USD)	165,810

Number of assets in index capped by 10% weighting rule  
 4 at the beginning of the quarter  
 5 at the end of the quarter

Proceeds of staking and airdrops	Amount	USD value
GAS	337.87	868.37
DASH*	38.50	4,164.55
XLM / Stellar**	12,085.15	1,300.98
BTT***	629,456.78	481.53

\* DASH proceeds are added to the fund, the USD value shown is the staked return valued as at 31 March 2019

\*\* Stellar is staked to earn approximately 1% pa, the USD value shown is the staked return valued as at 31 March 2019

\*\*\*Bittorrent airdrop proceeds were received as a result of the C20 fund holding of TRON (TRX). The USD value is the airdrop proceeds valued as at 31 March 2019

**C20 Tokens liquidated**

- Where elected by the token holder, tokens are liquidated at NAV at the point of liquidation
- Liquidated tokens are resold on exchange. To date liquidated tokens have been resold at a premium to NAV

**Source: Invictus Capital**

## 4. Year-end Predictive Analysis

### Future outlook

We look forward to further positive market movement in 2019. The crypto-asset world will continue to build the foundations for future wide scale adoption. Invictus will be very much part of this with our plan to bring a world first crypto ETF to the market in Q3. We will share more details in due course.

Invictus has developed a partnership with [Ovex.io](#) whereby the exchange will sell C20 tokens at the prevailing fund NAV plus 1%. Through the introduction of this “C20 Faucet”, liquidity concerns for C20 investors are significantly reduced as C20 tokens can be redeemed by direct interaction with the smart contract and purchased at NAV via the [C20 Faucet](#).

Invictus has established relationships with a number of top cryptocurrency foundations. We have been engaged by one of these foundations who has allocated a budget of \$150,000 to develop and promote educational course material with a focus on the foundation's project. The Invictus community will be offered access to this educational material with participants who successfully complete the course receiving a reward.

Performance - C20 should perform well as the market recovery continues.

Participation - Nick Hill is participating in a Swiss incubator program. We will share further details of the innovative project that he is developing in due course. We will continue to participate in relevant international crypto conferences.

Team - The C20 fund management team is comprised of the following 7 team members. The broader Invictus Capital Team has a strong data science and technology emphasis.



**Daniel Schwartzkopff**  
CEO

Serial digital entrepreneur Schwartzkopff is a South African business executive with firm start-up experience and a proven background in the technology and finance sectors.

He founded BetVIP, the world's first licensed bitcoin-only sportsbook and casino and DataProphet, a VC backed machine learning company with a global client base, and has been featured in everything from CNBC to the Wall Street Journal.

Schwartzkopff is a graduate of the University of Cape Town, where he studied Chemical Engineering.



**Bobby Jonker**  
Fund Manager

Experienced fund manager with a demonstrated history of working in the financial services industry.

Specialising in insurance and investment management mainly focused on core audit & assurance. He has gained significant exposure to Hedge funds, Asset management, private equity, structured finance, alternative finance transactions and special purpose vehicles.



**Steven Williams**  
Strategy and Operations Director

Chartered accountant with 20 years executive experience in scaling businesses in financial services, healthcare, real estate and NGO sectors.

In addition to core financial skills, has extensive operational experience in all functional areas.



**Nick Hill**  
Business Development Manager

Experienced financial services professional with a background in financial engineering and finTech. Nick's skills and expertise include financial instrument valuation, financial modelling, and start-up valuation. Nick is a chartered accountant and a Chartered Financial Analyst. He holds a Masters in Finance from the University of the Witwatersrand.



**Dorian Marz**  
Accountant

Experienced accountant with a demonstrated history of working in the financial services industry. Strong accounting background with a Bachelor of Commerce (BCom) focused in Financial Management, from the University of the Western Cape. Formerly a team leader at a large fund administration company, focusing on local hedge funds.



**Hugo May**  
Investment Analyst

Former automation engineer that has a variety of experience in alternative investments. Longtime decentralized contributor to the cryptocurrency investment community in terms of thought leadership and project analysis.

## References

1. Binance Coin Spiked 75% in 1 Month While Crypto Market Snoozed; What's Driving its Rally?  
<https://www.ccn.com/binance-coin-surged-75-in-1-month-crypto-market-snooze-why> (2019)
2. Cardano market update: ADA/USD bulls outperform themselves  
<https://www.fxstreet.com/cryptocurrencies/news/cardano-market-update-ada-usd-bulls-outperform-themselves-201903221146> (2019)
3. Litecoin Has Climbed More Than 200% This Year  
<https://www.forbes.com/sites/cbovaird/2019/04/05/litecoin-has-climbed-more-than-200-this-year/#73d62c771c72> (2019)
4. Crypto Industry Execs: This Bitcoin Bear Market Is The Best Yet  
<https://www.newsbtc.com/2019/03/26/crypto-industry-execs-this-bitcoin-bear-market-is-the-best-yet/> (2019)
5. Decentralized Finance Emerges as Banner Topic at Ethereum Denver Conference  
<https://www.coindesk.com/decentralized-finance-emerges-as-banner-topic-at-ethereum-denver-conference> (2019)
6. \$300 Million ETH Now Locked in Dapps  
<https://www.trustnodes.com/2019/02/27/300-million-eth-now-locked-in-dapps> (2019)
7. We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run - Roy Amara  
<http://www.oxfordreference.com/view/10.1093/acref/9780191826719.001.0001/q-oro-ed4-00018679> (2006)