

Arca Investor Q&A

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Disclaimer

Nothing stated on this Q&A should be taken as investment advice, which would require a thorough assessment of each investor's personal financial profile and risk tolerance.

Statements regarding past performance are not necessarily indicative of future returns.

How do you expect the crypto asset class to perform in a global risk off environment?

- Correlation is near 0 now, but risk assets approach correlation 1.0 in large sell-off
- Short-term, crypto may be correlated with other assets
- Long-term, crypto is a hedge against systemic risks
- Crypto is borderless - we've never had something like this to shield us before

How do you invest in anything other than BTC if correlation between digital assets is so high?

- Correlation doesn't measure magnitude of returns
- BTC offers the best “probability-weighted” return, but not necessarily the best absolute return
- Early-stage technologies mean “haves” will start to separate from “have-nots”
- Variety of sub-strategies available for institutional investors

What are you seeing as the biggest hurdle for institutional investors right now?

- Previously, lack of infrastructure in the digital assets ecosystem served as a huge barrier
- Now, it continues to be lack of proper education tailored for institutional investors
- There is a lack of investable products that meets the standards required by institutional investors

Institutional Investors have recently publicly invested in digital assets, what are some reasons for this?

- Crypto offers the most asymmetric return profile of any asset
- Improvement in the infrastructure in the digital assets space including: custody, security and regulated exchanges
- Established firms entering the digital assets space: Fidelity, Nasdaq, TD Ameritrade, JP Morgan, Facebook, Samsung, Square

What are some details of trading action in April including: level, catalysts, etc?

- Crypto shares more similarities with High Yield/Emerging Market bonds than with Equities/Commodities
- Easy to “Gap” when supply/demand is unbalanced
- Market makers feel the pressure when there are large buyers

Do you believe that "the bottom is in" if so, do you believe that we are likely to see another cycle "top" before the onset of a US recession?

- It's hard, and not productive, to call tops and bottoms
- Currently, the floor is higher, but this space moves quickly
- 1 BTC = 1 BTC: purchasing power changes are equally speculation on upside as they are a reflection of other currency debasements

What's your take on the current issues of price discovery in the space?

- Price discovery is poor, but this is a navigable problem
- Expectations are the problem - poor price discovery exists in HY, EM but investors have accepted and adapted to it
- Similarly, these markets are largely invested by institutional investors

What "keeps you up at night" with respect to crypto investing?

- What if crypto enthusiasts are **too** right?
- Inflation, debt, fractional banking, trade wars are all good reasons to own digital assets
- But do we want to be right at the expense of collapse of the banking system? No.

If I'm reasonably versed in crypto, what benefit would I get from using you?

- This asset class is too volatile and needs strict risk management that focuses on the downside
- Like anything, teams with 24/7 focus are likely to spot shifts faster and gain access to opportunities
- This space is evolving so rapidly, it will be extremely difficult to stay abreast

Thank you!

To continue the conversation from today or to ask any further questions, please email ir@ar.ca to schedule time to speak with Jeff or the Arca team.

