



INVESTING IN CRYPTO REPORT

BLOCKCHAIN SELECT AMC
Q1 & Q2 2024

VIRA
VENTURES

Our Investment Approach in the Current Macro Environment

The economic macro environment remains under tension, primarily due to the anticipated interest rate cuts by the FED. Global investment readiness is also strongly correlated with geopolitical tensions, which explains the prevailing focus on risk-off assets.

In response to these conditions, during the first half of 2024, we have placed a strong emphasis on less volatile assets within our portfolio, while expanding smaller positions through reinvested staking yields. Despite the significant decline in the crypto markets at the beginning of Q2, we are pleased to report a year-to-date performance of +40% and +145,8% since inception.

Looking ahead to the second half of 2024, we anticipate interest rate cuts from several central banks, monetary easing in the money markets, increased liquidity, and potential fiscal measures. Accordingly, we will further adjust our portfolio allocation throughout the liquidity cycle to capitalize on the increased volatility of smaller assets.

Moreover, the additional opening of crypto markets through the approvals of Bitcoin Spot ETFs and Ethereum Spot ETFs is significant. This development is leading to digital assets increasingly appearing on the balance sheets of renowned banks, investors, and pension funds, signaling a growing acceptance and integration of cryptocurrencies into mainstream financial portfolios. This shift not only enhances the legitimacy of digital assets but also broadens the scope for institutional investment, potentially driving further growth and stability in the market.

Interest Rate Decisions of Central Banks

Interest rate decisions made by central banks are pivotal in shaping global economic dynamics. These decisions strongly influence investment flows and overall economic growth.

Below is a summary of recent and anticipated interest rate changes by major central banks around the world:

SWITZERLAND: The Swiss National Bank cut its main interest rate by 25 basis points to 1.50%, which made it the first major central bank to dial back tighter monetary policy aimed at tackling inflation.

UNITED KINGDOM: The current rate is 5.25%, with a strong intention to cut by 50-75 basis points by the end of the year.

NORWAY: Analysts at Reuters forecast that Norges Bank will cut the cost of borrowing twice in the second half of 2024, reducing the rate to 4.0% by year-end.

EUROPE: The European Central Bank signals possible rate cuts starting from summer due to relatively low inflation.

JAPAN: The Bank of Japan keeps its short-term rate target steady at 0-0.1%, with potential further rate hikes expected later in 2024.

CHINA: The People's Bank of China cut rates from 4.2% to 3.95% to boost the economy, but it is presumed to stay at this level due to a weak Yuan.

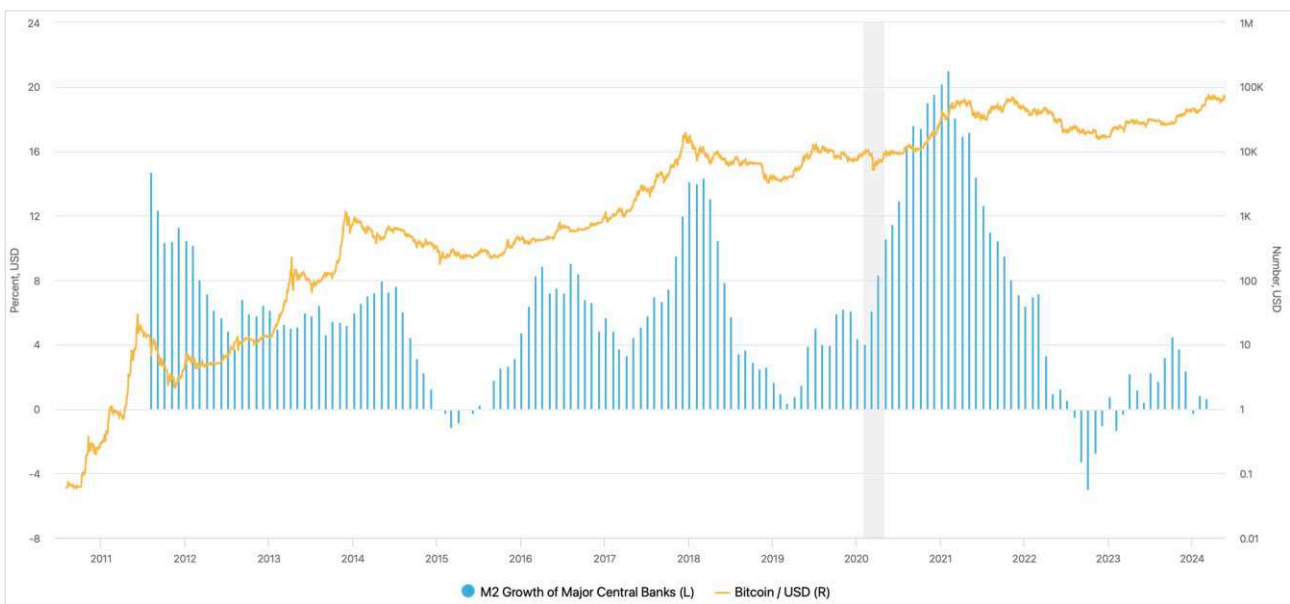
USA: Policymakers suggest that the U.S. central bank should wait several more months to ensure that inflation is truly back on track to its 2% target before cutting interest rates.

Correlation Between Liquidity Change and Bitcoin Price

The chart below illustrates the correlation between the M2 money supply growth of major central banks and the price of Bitcoin in USD from 2011 to 2024.

Observing the chart, we can see that periods of significant increases in the M2 growth rate often coincide with notable rises in the price of Bitcoin. For instance, between 2020 and 2021, a marked increase in M2 growth corresponds with a substantial rise in Bitcoin's price. This correlation suggests that as central banks expand the money supply, investors might seek alternative stores of value, such as Bitcoin, driving its price up.

Conversely, periods of reduced or negative M2 growth are often associated with declines or stabilization in Bitcoin's price. This pattern highlights the potential impact of monetary policy on the valuation of cryptocurrencies, with expansions in money supply potentially fueling demand for Bitcoin and other digital assets.

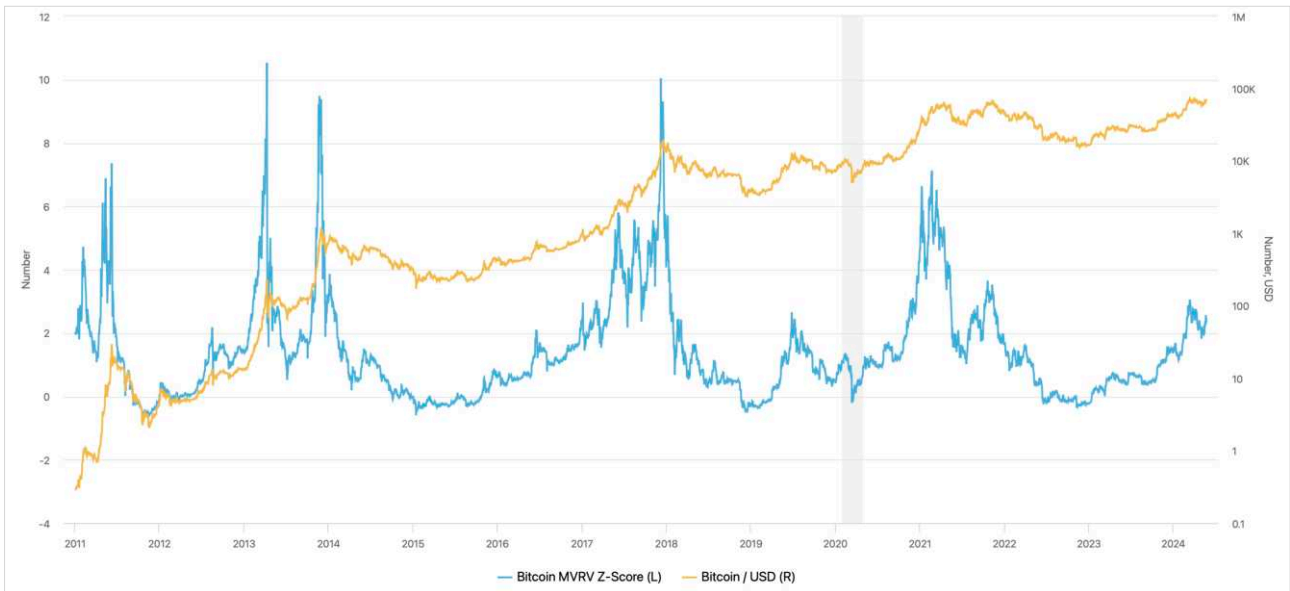


M2 Growth YoY vs Bitcoin Price (Source: MacroMicro)

Another crucial aspect we take into consideration is the U.S. Treasury's announcements to reintroduce debt buybacks as a tool for supporting liquidity in the Treasury market and to better achieve debt management objectives.

Furthermore, the Federal Reserve announced plans to slow the speed of its balance sheet drawdown (quantitative tightening) to ensure this process does not create undue stress in financial markets. This gives a sign of likely improving liquidity conditions and reducing the risk of market disruptions.

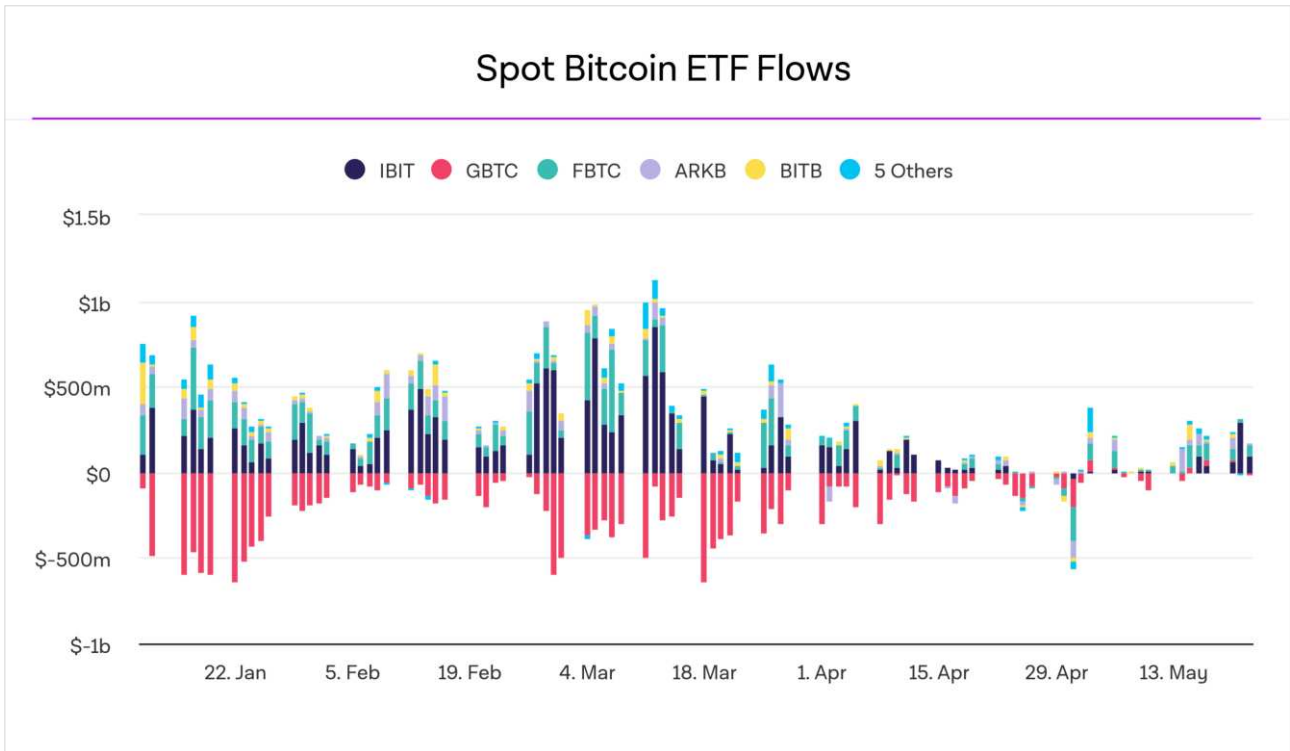
To manage this beginning liquidity cycle effectively, we closely monitor the interplay between macroeconomic indicators, such as the M2 money supply, and on-chain metrics like the MVRV Z-score, which provide us with a fundamental overview to carry out technical analysis and identify trends. The current landscape suggests a Bitcoin market that is becoming more resilient to volatility, with a potential for gradual upward trends rather than the explosive cycles of the past.



Bitcoin MVRV Z-Score (Source: MacroMicro)

Combined with the approvals of both Bitcoin and Ethereum Spot ETFs, this creates an environment with potentially better liquidity conditions and more opportunities for investors.

Examining the flows of the Bitcoin Spot ETFs, it is evident that there has been a significant reduction in outflows and a consistent pattern of net inflows. This trend reflects increasing investor confidence and heightened interest in Bitcoin as a viable asset class.



Spot Bitcoin ETF Flows (Source: The Block)

These recent approvals of Bitcoin and Ethereum Spot ETFs have provided investors with more opportunities, contributing to the overall stability and expansion of the digital asset market. This positive momentum underscores the maturing landscape of cryptocurrency investments and their integration into mainstream financial portfolios.

Blockchain Infrastructure Networks

According to our investment thesis, Layer-1 blockchains, or public blockchains, will form a fundamental pillar of our digital economy. Increasingly, developers are turning to these blockchains to create a wide variety of applications used daily by billions of people.

Various use cases and potential killer applications are being intensively developed, contributing to the mass adoption of these networks. This generates substantial economic value at the protocol level for Layer-1 blockchains.

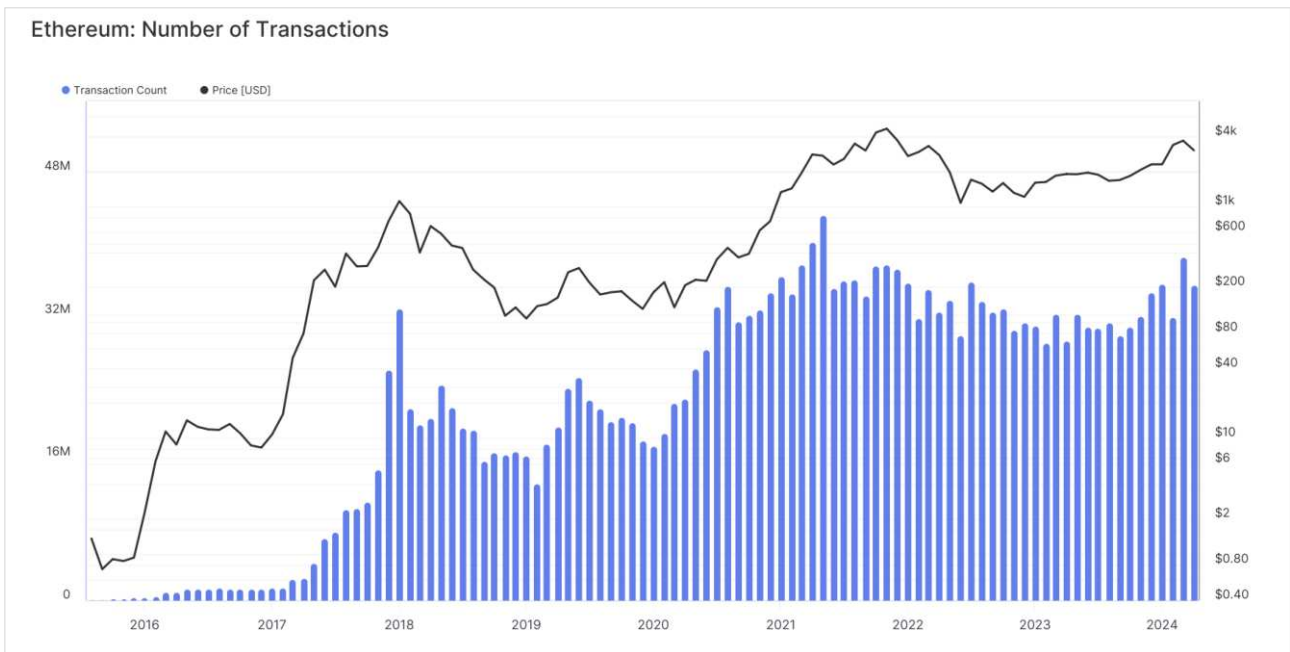
A significant factor is the tokenization of traditional assets such as bonds, stocks, real estate, and more, which are being transferred to the blockchain. This makes the underlying network more useful and consequently more valuable: the higher the value traded on a blockchain, the more valuable the blockchain becomes.

The most prominent example of this is Blackrock's decision to launch a tokenized money-market fund on the Ethereum blockchain.

"We believe the next step forward will be the tokenization of financial assets."

Larry Fink, CEO Blackrock

As an infrastructural first mover in the blockchain ecosystem, Ethereum plays a crucial role in the maturation of the entire ecosystem. Looking at the chart, we see a relatively consistent number of transactions since around 2021. This indicates that Ethereum has managed to attract a substantial number of users and applications, regardless of price and investor interest. With the continued advancement of tokenization and the emergence of new applications, we will see further progress toward mass adoption and value allocation towards Ethereum and Layer-1 blockchains in general.



Monthly Numbers of Transactions on Ethereum (Source: Glassnode)

Layer-1 protocols and blockchain infrastructure networks form the core of our Blockchain Select AMC, as we firmly believe that significant acceptance and high activity can be expected in this area. These Layer-1 networks provide the foundation for a multitude of applications and services by offering a robust and scalable infrastructure for the seamless operation of blockchain ecosystems. By making targeted investments in this sector, we can capitalize on the opportunities that arise from the continuous development and integration of Layer-1 technologies.

Blockchain Select AMC

An actively managed certificate for a diversified investment in blockchain infrastructure protocols.



Only projects with a high rating according to our due diligence process.



Investing in promising protocols that will disrupt various industries.



Maximizing revenues for investors through cashflow generating strategies.

About

Since the emergence of the blockchain technology, digital assets and especially cryptocurrencies establish themselves as a new investment sector. Get access to this new asset class through a spot only investment AMC and benefit from the mass adaption of blockchain technology in the coming years. Visit our website for more information. www.vira.ventures

traditional
banking

emerging
technologies

21

years of
combined
experience in
blockchain assets

+40% YTD

+145,8% SINCE INCEPTION

with a diversified
crypto basket

Request more information about our **Blockchain Select AMC**: [Blockchain AMC](#)

What to expect from Q3 & Q4

Despite the increased adoption by large professional investors and the maturation of the crypto market, we expect heightened volatility during the upcoming period along the bull run, similar to what has occurred in previous bull runs.

During crypto bull runs, significant drawdowns are a common occurrence, as illustrated by the chart. Even in the midst of strong upward trends, the market experiences notable corrections, often ranging between 30% and 40%.



BTC Drawdowns during 2016-2018 Bull Run (Source: VIRA Ventures)

These drawdowns can be attributed to various factors including profit-taking by early investors, shifts in market sentiment, and macroeconomic influences.

These drawdowns, while significant, did not derail the overall upward trajectory of the market. Instead, they represent natural market cycles where periods of rapid gains are followed by corrections. This pattern helps to consolidate gains, weed out speculative excess, and establish stronger foundations for continued growth.

We aim to take advantage of these market pullbacks for strategic portfolio reallocations, allowing us to benefit from these opportunities.

Conclusio

As previously discussed, our exponential investment thesis for blockchain assets is based on the expectation that an emerging liquidity cycle is imminent. Additionally, we believe that nations and central banks will eventually be compelled to implement easing measures, leading to a gradual appreciation of assets, particularly cryptocurrencies. Furthermore, we see enormous potential in terms of market relevance and investor returns driven by the exponential adoption cycle of new technologies. Multifunctional blockchain networks play a crucial role in this, enabling the creation of numerous new applications.

Moreover, with increased liquidity and more opportunities for investors, we observe that the market is becoming more accessible and attractive to a broader range of participants. As central banks and nations introduce easing measures, the influx of liquidity into the financial system creates a more favorable environment for investments in blockchain assets. This increased liquidity not only supports higher trading volumes but also stabilizes the market, reducing the impact of volatility and making it easier for investors to enter and exit positions.

Investors are also becoming better informed about the blockchain sector. With more educational resources, research, and data available, they are gaining a deeper understanding of the underlying technologies and the potential benefits of investing in cryptocurrencies and blockchain-based assets. This growing knowledge base allows investors to make more strategic and informed decisions, recognizing the long-term value and opportunities presented by the exponential adoption of blockchain technologies.

In summary, the combination of increased liquidity, more investment opportunities, and a better-informed investor base is creating a robust and dynamic environment for blockchain assets. Investors are now more capable of identifying and capitalizing on emerging opportunities, leading to strategic portfolio allocations that can significantly benefit from the growth and maturation of the blockchain sector. This positive feedback loop of education, investment, and innovation is poised to drive substantial long-term returns for those engaged in the blockchain market.

If you would like to learn more about our services and investment opportunities, please visit us at www.vira.ventures.



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