

Dear HODL Partners,

As of January 25, 2019 the HODL Fund has returned negative 4.28%. In this same time, Bitcoin has returned negative 68%, and the Cryptocurrency Composite Index (weighted average of top 50 cryptocurrencies by market cap) has returned negative 71.5%. Several Crypto/Blockchain Funds have lost 50% or more in this bear market, so we consider this to be a strong result, despite the negative yield. Arbitrage has remained our most profitable strategy, while we have incurred a loss on our long positions.

Arbitrage

Arbitrage was by far the most successful trading strategy of Q4 and of 2018 as a whole. The arbitrage strategy and market discipline are the two main reasons for our over-performance. We have been able to take advantage of mispricings across different exchanges and currencies. The cryptocurrency market remains inefficient, and we have captured spreads as large as 3% across different exchanges.

We've isolated our 2018 Q4 arbitrage trades to examine the results of this strategy more closely.

Arbitrage Trading Strategy Results (Q4)

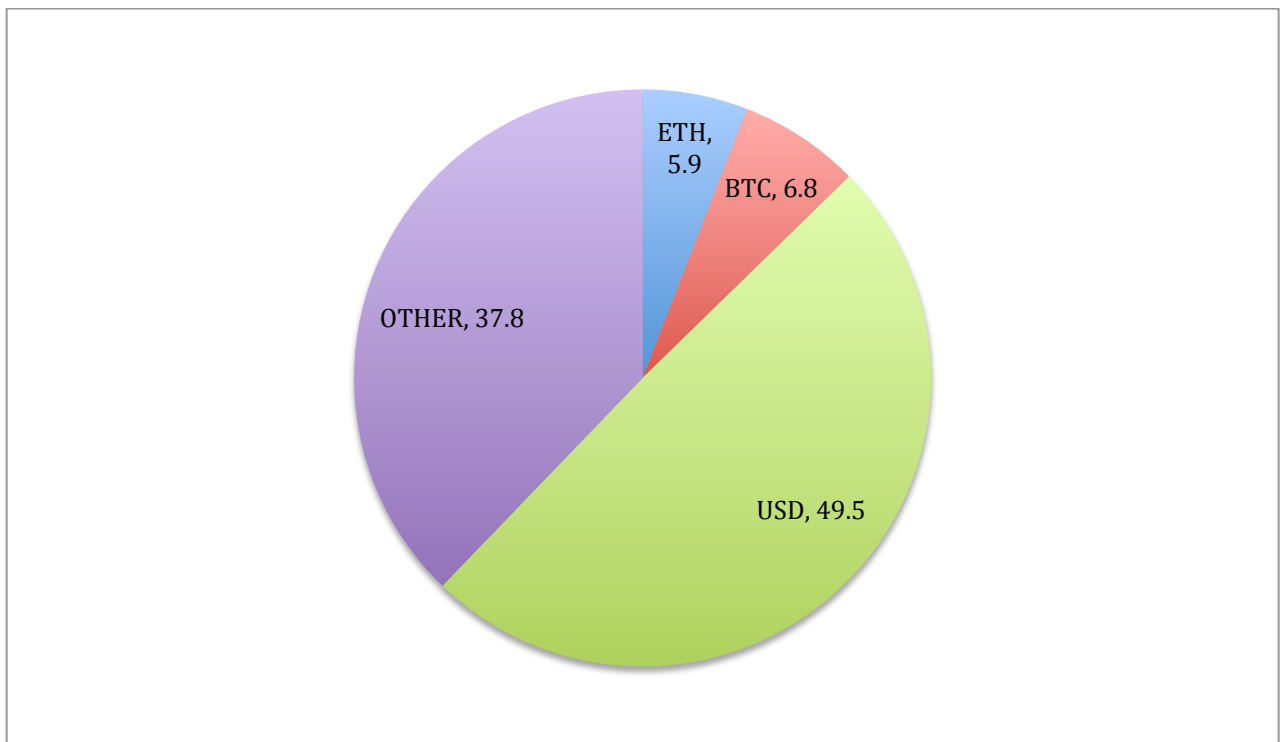
Average Return per Arb Trade	Percentage of Profitable Trades	Best Arbitrage Trade	Worst Arbitrage Trade	Net Arbitrage Return
1.27%	95%	2.9%	-1.2%	7.1%

Note that in calculating our average return per arbitrage trade, we use the amount of money invested in the position, which is distinct from the overall fund returns. For example, if we were to invest \$100 and the arbitrage trade returns \$1, the trade yields a 1% return, despite having virtually no impact on the HODL fund. Some arbitrage trades allow for large position size, but most of the time each trade is implemented with only a fraction of the overall fund. Note that the average return per trade is rather low (1.27%), but a very high percentage (95%) of arbitrage trades had a positive

return. This is to be expected in any good arbitrage system; arbitrage is inherently low risk low reward as you are simultaneously buying and selling the same underlying asset. One could argue that in an ideal arbitrage system, 100% of trades should be profitable. However, in practice this is not the case. Our worst arbitrage trade of Q4 lost 1.2%. This loss was due to a sudden drop on Korean exchanges, which closed the spread we were trying to capture. There are several other execution and liquidity risks that account for the 5% of losing arbitrage trades, but overall, this remained highly successful, returning over 7% for Q4 while incurring minimal risk. Moving forward, we plan to rely heavily on the arbitrage strategy, as it has remained by far our most consistent source of returns.

Market Discipline

The other reason for the HODL Fund's Q4 outperformance is market discipline. HODL has a substantial cash balance, and does not have more than 7% of holdings in any one asset. This is demonstrated in the chart below.



Currently HODL has 5.9% invested in Ethereum (ETH) and 6.8% invested in Bitcoin (BTC), which is significantly less than most funds. Note that this is still a substantial increase from Q3. As prices have dropped, HODL has added to these positions, and views these as solid long-term projects in the blockchain space. HODL has 49.5% of funds in cash, which is significantly higher than most funds. The first reason for this is to have capital available for arbitrage opportunities. In this bear market, arbitrage has been our most stable source of returns, so we are devoting more capital to this strategy. Additionally, there have been fewer opportunities in this market, so a conservative approach has been warranted. However, this is a substantial decrease from 59% USD holdings in Q3. We expect this trend to continue in the coming quarter as more opportunities arise and additional capital is invested. The other 37.8% is invested in a portfolio of blockchain projects, which we prefer not to disclose for competitive advantage purposes. This marks an increase from Q3. As prices have dropped, we have found more attractive blockchain investments, and have increased our net long positions.

Overall, the negative 4.28% ROI for the HODL Fund should be viewed as a success given that we have outperformed the market by over 60%. Moving into Q1 of 2019, we are optimistic that the HODL fund will outperform by heavily relying on our arbitrage strategy, while diversifying and investing more of our cash reserves into solid blockchain projects. Thank you for your support, and we will continue to work diligently on your behalf.

Sincerely,

Richard Tuhrim