



DIGITAL HEDGE CAPITAL

ANNUAL INVESTMENT REPORT
2020

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DIGITAL HEDGE CAPITAL

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#	NAME	PRICE	24H CHANGE	7D CHANGE	1M CHANGE	3M CHANGE	MARKET CAP ↓	24H VOLUME	C. SUPPLY
1	 BTC Bitcoin	\$29,173	0.70%	23.58%	55.49%	177.22%	\$542.24B	\$70.13B	18.59M
2	 ETH Ethereum	\$746.31	0.05%	22.25%	26.64%	115.75%	\$85.13B	\$29.21B	114.07M
3	 USDT Tether	\$1.00	0.06%	0.08%	-0.21%	0.08%	\$21.08B	\$48.32B	21.05B
4	 XRP XRP	\$0.235533	10.74%	-29.79%	-61.44%	0.94%	\$10.20B	\$11.24B	43.30B
5	 LTC Litecoin	\$130.72	3.81%	18.87%	50.88%	189.69%	\$8.66B	\$9.38B	66.21M
6	 DOT Polkadot	\$9.02	11.36%	76.27%	75.97%	122.03%	\$8.10B	\$2.63B	897.66M
7	 BCH Bitcoin Cash	\$349.41	-0.68%	16.66%	19.68%	59.15%	\$6.50B	\$3.61B	18.60M
8	 ADA Cardano	\$0.181732	1.41%	19.68%	17.71%	93.34%	\$5.72B	\$929.44M	31.46B
9	 BNB Binance Coin	\$37.73	0.60%	16.13%	24.49%	36.54%	\$5.45B	\$913.12M	144.41M
10	 LINK ChainLink	\$11.45	2.41%	1.99%	-14.95%	24.44%	\$4.56B	\$1.19B	398.51M

Cryptocurrencies by Market Capitalization
Historical Snapshot - December 31, 2020.

Contents in this report are intended to be used for information and education purposes only and do not constitute financial advice. Past performance is not indicative of future results. It is very important to do your own research before making any investment decision. Any comments about the contents of this report will be received by email at info@digitalhedge.com

INTRODUCTION

EXECUTIVE SUMMARY

2020 has been a spectacular year for Digital Hedge Capital and the cryptocurrency market in general. Investors who chose to include this asset class in their portfolios witnessed growth in market capitalization of 220% as the price of Bitcoin soared to over \$20,000 for the first time since 2017, making a new all-time high.

The organization improved its systems and developed new algorithmic strategies that follow trends, filter high volatility, diversify portfolios into uncorrelated currencies, and reduce risk without sacrificing performance.

The fund's returns outperformed those of the SP500 and the Nasdaq 100, while the hedge fund industry reports its worst year since the financial crisis of 2008 with an average loss of -4.61%, given the COVID-19 pandemic that caused the market crash of March this year.

Although this selloff also greatly affected cryptocurrency prices, our team of analysts reduced exposure through the rare event and afterward allocated its non-algorithmic cash reserves on event-driven positions around exogenous factors. Some actionable fundamental elements were the DeFi boom, which brought new technologies to the crypto space, and the launch of the Ethereum 2.0 network that will bring the scalability and security that the project needs to continue growing.

The team looks forward to increasing its assets under management for 2021, a year for which we are prepared and will likely yield even better returns than present 2020.



Jorge Ruiz Espín

Chief Investment Officer

Digital Hedge Capital

CRYPTO MARKET OVERVIEW

CRYPTOCURRENCY MARKET INSIGHTS

2020 radically changed the macroeconomic landscape as investors and hedge funds in all regions adopt cryptocurrencies as a shelter against the financial crisis.

- Market Dominance -

Bitcoin continues to be the most dominant cryptocurrency in the market, encompassing 70% of the entire crypto market capitalization; A 2% increase from 2019. On the other hand, older major alt-coins lost ground against newer decentralized finance (DeFi) tokens, whose boom opened the landscape for new technologies and wider adoption in mid august of this year with the creation of Yearn Finance and other protocols mounted on the Ethereum network.

- Market Capitalization -

The combination of emerging technologies, the launch of long-awaited projects and the economic crisis, caused the capitalization of cryptocurrencies to grow by 305% this year, going from \$191 billion to \$773 billion. This increase is also much higher than the growth of 2019, when the capitalization went from \$125 billion to \$193 billion, but still lower than the growth of 2017, when the capitalization went from \$17.6 billion to \$830 billion, showing how rapidly growing this market is, but also leaving room for similar exponential moves to be repeated in upcoming years.



Cryptocurrency Market Capitalization Growth 2020
coinmarketcap.com

- Bitcoin Technical Analysis-

Bitcoin started the year at \$7,200 and closed at a price of \$29,300. After a steady climb through the first months of the year, Bitcoin plummeted along with the rest of the markets, reaching a price of \$3,998 on March 13. This marked the bottom of the year, and the lowest point for the cryptocurrency since 2019.



BTC/USD on the Weekly Timeframe
Support and resistance analysis from September 28th, 2020.

Despite this, Bitcoin immediately resumed its uptrend with added volatility left by strong downside movements, until June when the price returned to \$10,350, consolidating for over two months before breaking out towards all time highs. It is clear that a range around \$10,000 was one of the most important marked levels in blue as the price retested it multiple time from both sides before continuing it's rally reaching today's levels.

The overall return for Bitcoin in 2020 was 306.9%, becoming known by the media as the "best performing asset of the year", surpassing gold by 276% and the S&P 500 by 287.6%.

CRYPTO MARKET OVERVIEW

KEY FUNDAMENTAL FORCES

This year not only did the market capitalization grow enormously, but the fundamentals also improved to push the price even higher in 2021.

- DeFi Boom & Ethereum-

Among the main takeaways, the DeFi boom that attracted the eyes of millions of new users with new technologies and methods of distribution such as Yield Farming, helped accelerate adoption and opened the field to new uses of blockchain technology and cryptocurrencies in general.

The upcoming Ethereum 2.0 release was also launched on December 1st, which will give the network the scalability and security it needs to continue growing through discarding the Proof of Work (POW) to avoid relying on miners and electricity, replacing them with validators through the use of Proof of Stake (POS).

- Bitcoin Halving-

On the 11th of May, Bitcoin's blockchain went through a historic process called the block reward halving. Once halvings pass, the network rewards miners with 50% fewer bitcoins for verifying blocks and securing the Bitcoin's decentralized network. Due to reduced supply, halvings generally result in price surges which could explain part of this year's bull run.

- Institutional Adoption-

Adoption from big corporations such as PayPal and the acceptance of hedge funds to incorporate the asset class, brought new awareness and new users to the space just like in 2017. Sentiment is influenced by fundamentals that surround regulation, security and education, all of which improve with institutional adoption to increase in-societal awareness, making the everyday investor feel more comfortable with cryptocurrencies as well.

DIGITAL HEDGE CAPITAL

COMPARATIVE BENCHMARKS

- Traditional Indexes-

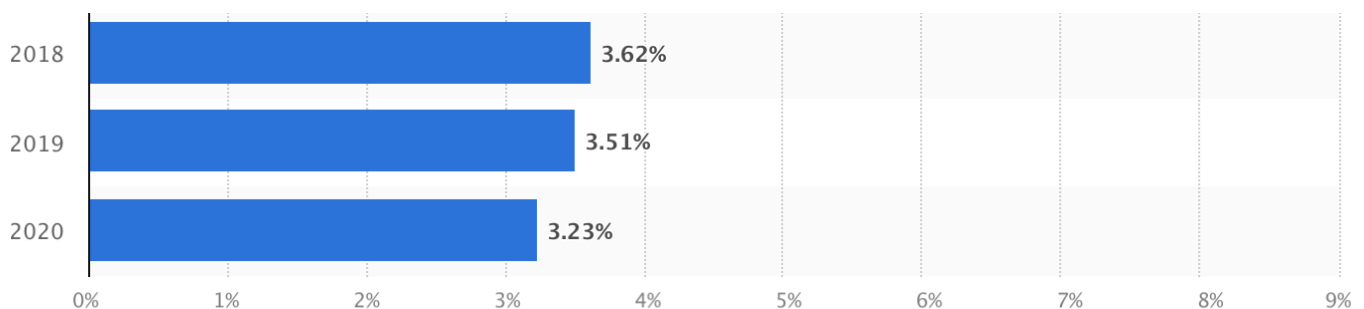
Digital Hedge Capital uses the S&P 500 and the Nasdaq 100 as benchmarks because we seek to outperform traditional indexes with less volatility than the cryptocurrency market, allowing investors to diversify their portfolios into digital assets without undertaking the same levels of risk.

- Global Hedge Funds-

According to Eurekahedge, the world's largest hedge fund and private equity database, global hedge funds returned an average of 11.89% in 2020 ¹, failing to outperform the benchmark of traditional indexes. This can be attributed to the losses many funds incurred in early on this year during the collapse of markets in March.

- Inflation Rates-

According to Statista, the inflation rate worldwide amounted to approximately 3.23% in 2020². Taking this into account, the proportional upside generated by global hedge funds is reduced against other indexes, in what nets an average 8.66% return.



Global inflation rate compared to previous year from 2018 to 2020.

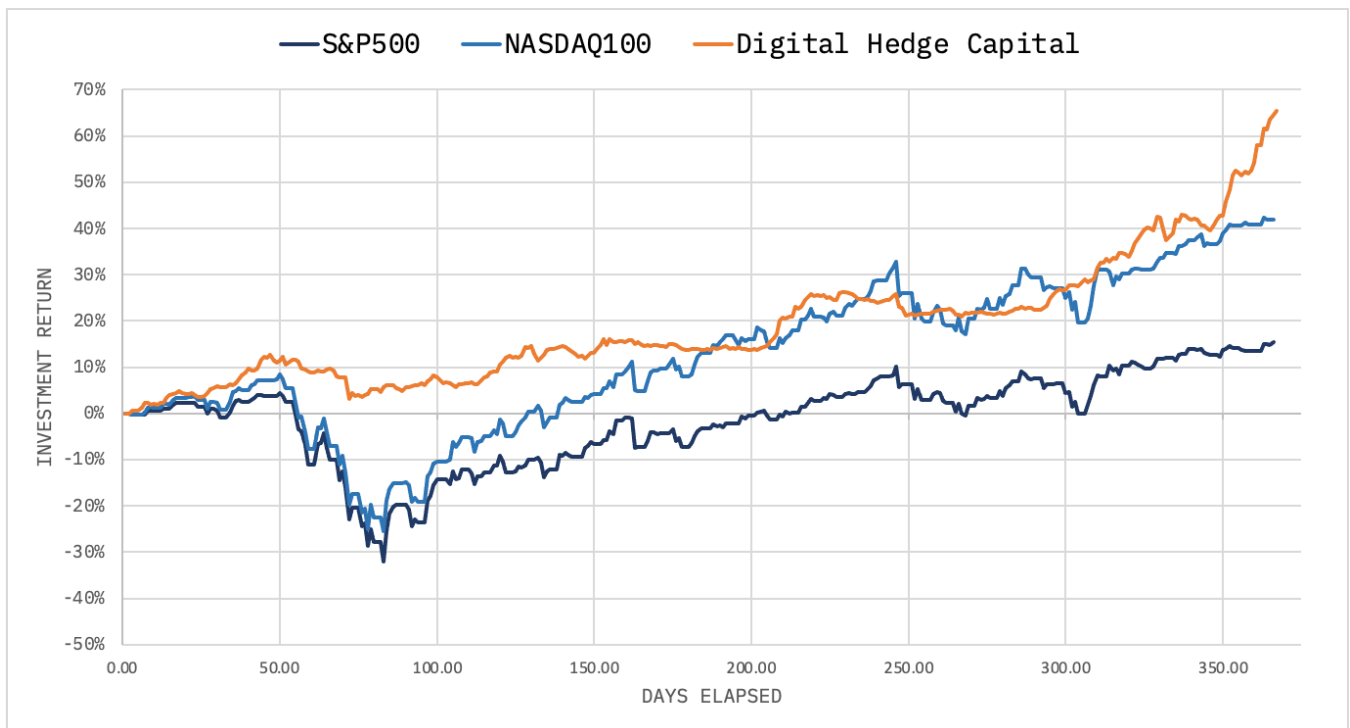
¹ <https://www.asianinvestor.net/article/market-views-will-2021-be-another-big-year-for-hedge-funds/466289>

² <https://www.statista.com/statistics/256598/global-inflation-rate-compared-to-previous-year/>

DIGITAL HEDGE CAPITAL FUND PERFORMANCE 2020

Digital Hedge Capital generated a net return of 65.93% after success and management fees, successfully outperforming the S&P 500 (13.55%) and the Nasdaq 100 (42.24%) over the same time period.

Net Investment Returns 2020



The outperform of 52.38% against the S&P 500 and 23.69% against the Nasdaq 100 positions Digital Hedge Capital as an attractive alternative to investing in digital assets with a lower level of risk accomplished through a multi-strategic approach.

With all things said, the team looks forward to increasing its assets under management for 2021, a year for which we are prepared for and that will very likely yield even better returns than those of present 2020.