

BLOCKCHAINTRADERS LIQUIDITY FUND

INVESTING IN DECENTRALISED FINANCE THROUGH LIQUIDITY MINING*

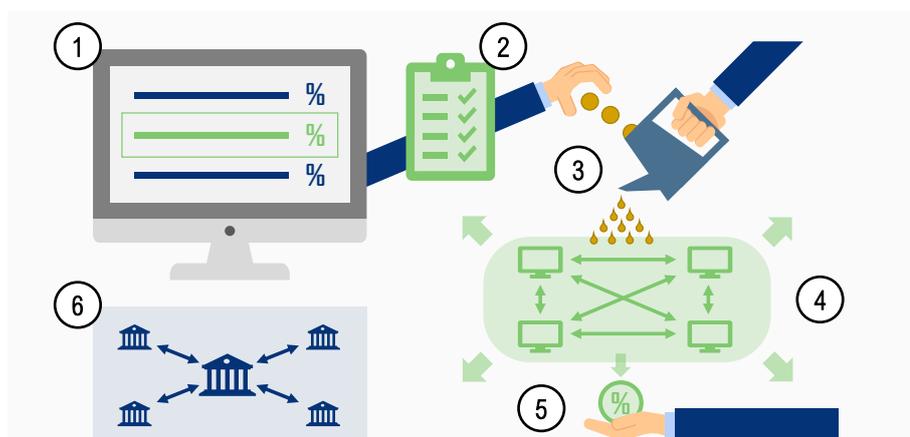


MANAGEMENT SUMMARY

WHAT KIND OF INVESTMENT IS IT*

- ◆ The BlockchainTraders Liquidity Fund provides liquidity ('a loan') to **Decentralised Finance (DeFi)** in exchange for a commission ('the yield'). DeFi offers a decentralised alternative for conventional central banking and financing services.
- ◆ That said the fund applies **Liquidity Mining**, sometimes also referred to as **Yield Farming**. It is a way of generating rewards with **cryptocurrency** holdings. In simple terms, it means locking up cryptocurrencies and getting rewards.
- ◆ **Liquidity Miners** or **Yield Farmers** use very complicated strategies. They move their cryptos around all the time between different lending marketplaces to maximize their returns.
- ◆ The fund minimizes risks by providing liquidity only in **Stable Coins** – they have a fixed exchange rate to FIAT currencies like the US dollar – which eliminates the risks of being exposed to cryptocurrency rate changes.
- ◆ In that perspective the fund offers a **market neutral** – meaning that on average it moves independently of market directions – alternative to a directional investment in cryptocurrencies.

FIGURE 1 | LIQUIDITY MINING IN DECENTRALISED FINANCE*



First (1) the DeFi-application is spotted and (2) selected after all necessary checks. Thereafter (3) liquidity is provided, facilitating (4) the growth of the DeFi-application. In exchange for providing this liquidity (5) the Liquidity Miner is being rewarded by a certain 'interest' on this 'loan'. To illustrate (6) a traditional central system as a comparison with a decentralised system (4).*

PERFORMANCE



RETURN PROJECTED¹
20% - 35%



RISK PROFILE²
LOWER THAN CRYPTO



INVESTMENT HORIZON
3 YEAR

STRATEGY



INVESTMENT EXPOSURE
DEFI-APPLICATIONS



INVESTMENT STRATEGY
LIQUIDITY MINING



CRYPTOMARKET
INDEPENDENT

FUND



TARGET AUM³
€ 20.000.000



MINIMAL SUBSCRIPTION
€ 250.000



REGISTRATION
AFM

WHY

OPPORTUNITY | BENEFITING FROM A REVOLUTION

- ★ **Unique access:** with the BlockchainTraders Liquidity Fund we offer an opportunity for investors to benefit from the revolutionary growth in Decentralised Finance.
- ★ **BlockchainTraders** possesses in-depth experience and knowledge of this market and a proven track record in managing cryptocurrencies.
- ★ The **strength** of the investment strategy lies in the **active management** of the Liquidity Mining activities in order to maximize return and minimize risks.

WHAT

FONDS | STRUCTURE AND REGISTRATION

- ★ The BlockchainTraders Liquidity Fund will be structured as a **fund for joint account ("fonds voor gemene rekening")** and **registered** with the Dutch Authority for Financial Markets (**AFM**).
- ★ The fund vehicles of BlockchainTraders do not have a license and are not subjected to the supervision of the AFM. The legal owner of the funds is Stichting Toezicht BlockchainTraders, by means of which your assets are separated and **safe**.

* For more background information, explanation of the terms used and other important information, refer to the latest page of this document.

¹ Estimate based on the projected returns of the various DeFi-applications, for more details refer to the explanation on the latest page of this document.

² Risk profile calculated by using simulated returns of a hypothetical fund portfolio, for more details refer to the explanation at the end of this document.

³ AUM refers to Assets Under Management.

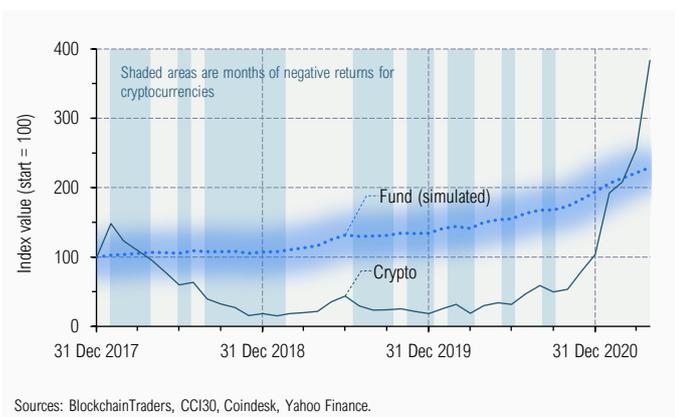
Attention! This investment falls outside AFM supervision. No license and no prospectus required for this activity.



OBJECTIVE | ABOVE AVERAGE RETURN WITH LOWER RISK

- **General:** higher return than traditional risk assets with significant lower risk than volatile cryptocurrencies (FIGURE 2.3).
- **Specific:** market neutral alternative versus directional crypto investment, independent of crypto market moves. FIGURES 2.1 and 2.2 demonstrate the fund pays little attention to (negative) crypto market moves.
- **Market neutrality** is achieved because the returns arising from the commissions earned for providing liquidity are the dominant factor.
- **Attractive investment stand alone** but it can also add value in terms of diversification to portfolios consisting of non-crypto assets because of its different (more conservative) behavior, see FIGURES 2.2 en 2.3.
- **Projected annual return between 20% and 35%** with a lower/comparable volatility of that of stocks, currencies or commodities (FIGURE 2.3).

FIGURE 2.1 | VALUE ADDED MONTHLY INDEX*



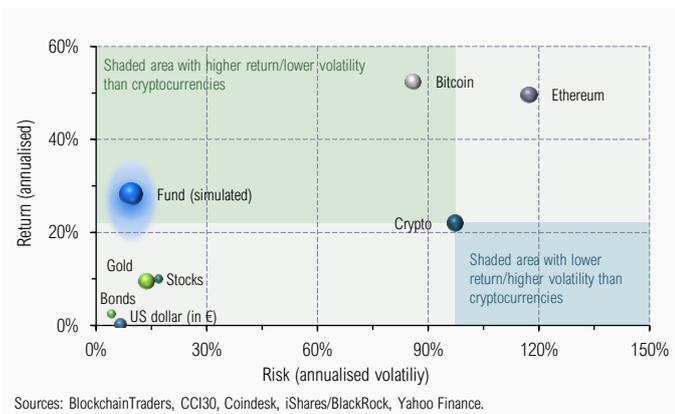
INVESTMENT PROCESS | ACTIVE BOTTOM-UP APPROACH

Active bottom-up process, consisting of the following steps that are continuously executed:

1. **Selection en Due Diligence** of the DeFi-applications;
2. **Portfolio construction** using the selected DeFi-applications;
3. **Monitoring and active reallocation** of the DeFi-applications;
4. **Risk management**, which is a very important component of each step. Risk checks are performed at every step.

Selection and Due Diligence of the DeFi-applications serves as the basis. Since this is the starting point, the process has a bottom-up approach.

FIGURE 2.3 | RISK VERSUS RETURN*



* For all details regarding the analyses and calculations, see the detailed explanation and disclaimer on the last page of this document.

** For further clarification, definitions/descriptions of various technical terms used can be found on the last page of this document.

3 Such as Certik, Quantstamp, PwC Switzerland, Slowmist, also refer to: <https://boxmining.com/top-blockchain-security-firms/>.

STRATEGY | SIMILAR TO MARKET MAKING

- **Return drivers:** Liquidity Mining and only for a small part long only holdings in Bitcoin and Ethereum (FIGURE 3.1).
- **Dominance** of the returns generated by Liquidity Mining, facilitating market neutrality relative to the crypto market.
- **Market Making** at central exchanges is similar to Liquidity Mining, with the difference that Market Makers 'normally' benefit from the difference between the bid and ask price (the 'fee' for providing 'liquidity') and a Liquidity Miner/Yield Farmer receives an interest ('yield') for providing liquidity.
- **Bottom-up selection and active management** of the Liquidity Mining activities in order to continuously achieve an optimal composition of the portfolio with the highest return potential and the lowest risk.

FIGURE 2.2 | ANNUAL RETURNS*



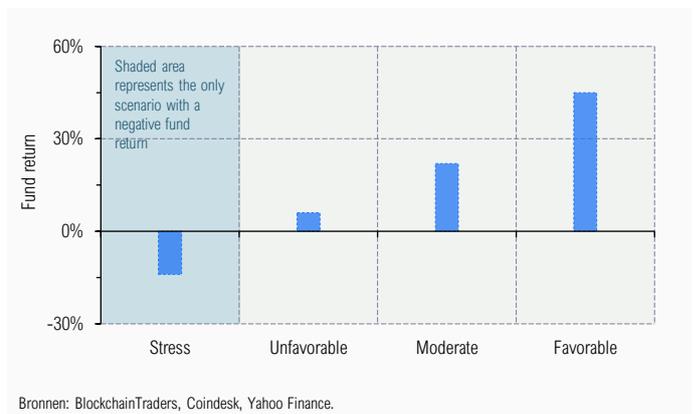
RISK MANAGEMENT | DUE DILIGENCE AND RISK MITIGATION

Risk management is crucial in the investment process. Particularly at the Due Diligence step of the DeFi-applications, taking into account**:

- **Liquidity** in the application and trading pair;
- Liquidity Mining **earning potential** and the **stability** thereof;
- **Popularity and growth** of the DeFi-application;
- **Smart-Contracts** must be **audited by renowned parties**;
- Only applications with **Stable Coins** (because of its fixed exchange rate).

Through continuous monitoring and active re-allocation of the DeFi-applications, the risks of Liquidity Mining are strongly mitigated (also see FIGURE 2.4).

FIGURE 2.4 | SCENARIO ANALYSIS*



PORTFOLIO | SAMPLE SNAPSHOT

Below a snapshot of a possible portfolio composition at any given time in FIGURES 3.1, 3.2 and 3.3. Viewed from a top-down approach, there is diversification across various return sources, blockchain platforms and DeFi-applications. TABLE 1 at the right provides information about which Stable Coin pairs we focus on, in relation to risk mitigation and minimizing the volatility of returns.

FIGURE 3.1 | RETURN SOURCES DISTRIBUTION

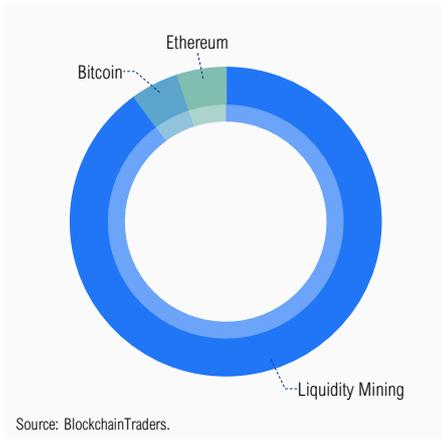


FIGURE 3.2 | BLOCKCHAIN PLATFORM DISTRIBUTION

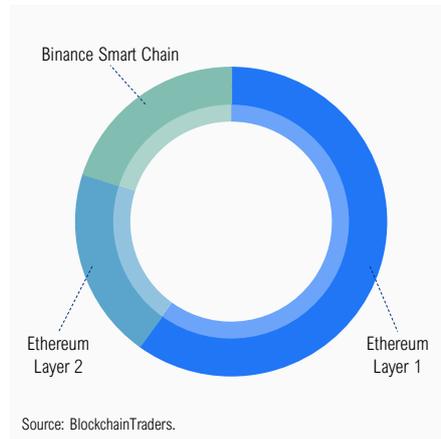
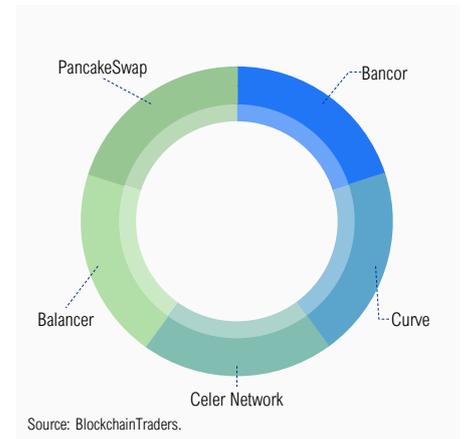


FIGURE 3.3 | DEFI-APPLICATION DISTRIBUTION



BLOCKCHAINTRADERS | ABOUT US

BlockchainTraders was founded in February 2018 by Michiel van der Steeg and Justin Kool. Both have been active in cryptocurrencies and the underlying blockchain technology since 2014. After jointly gaining a lot of experience in trading cryptocurrencies, participating in ICOs and mining cryptocurrencies from 2017 on, they decided to join forces. Since mid-2018, several investment funds have been managed with a focus on the fast-developing cryptocurrency market, building a successful track record. This has led to the creation of the new fund.

TEAM | OUR PEOPLE



JUSTIN KOOL – PORTFOLIO MANAGER

- ◆ **Experience:** Portfolio Manager/Trader, Miner and Consultant in Cryptocurrencies
- ◆ **Education:** Universidad Rey Juan Carlos, Hanzehogeschool Groningen
- ◆ **Contact:** ☎ +31 6 28 25 57 95 | ✉ j.kool@blockchaintraders.nl



MICHEL VAN DER STEEG – CO-PORTFOLIO MANAGER

- ◆ **Experience:** Crypto Consultant, KnoWork (prize for best Startup), ComplianceWise
- ◆ **Education:** Universiteit Leiden/Utrecht, UvA, Rijksuniversiteit Groningen
- ◆ **Contact:** ☎ +31 6 21 97 17 38 | ✉ m.vandersteeg@blockchaintraders.nl



JERDEN CREMER – COMPLIANCE ADVISOR & BUSINESS DEVELOPMENT

- ◆ **Experience:** Commercial Director ComplianceWise, Director of Legal owner
- ◆ **Education:** Nijenrode Business University, Hogeschool van Utrecht
- ◆ **Contact:** ☎ +31 6 20 11 79 08 | ✉ j.cremer@blockchaintraders.nl

CONTACT | MORE INFORMATION

If you are interested in learning more, you can contact us for more information and/or questions by e-mail at info@blockchaintraders.nl or by telephone on our number **+31 55 30 20 102**. Of course, you can also contact one of the two team members Jeroen or Justin directly. If you would like to stay informed, you can sign up for the monthly newsletter as well via our website www.blockchaintraders.nl.

TABLE 1 | TOP 5 FOCUS PAIRS

Stable Coin pair 1	USDC/USDT
Stable Coin pair 2	USDC/DAI
Stable Coin pair 3	USDT/BUSD
Stable Coin pair 4	DAI/USDT
Stable Coin pair 5	USDT Vault

TABLE 2.1 | FUND INFORMATION

Legal structure	Fund for joint account
Fiscal status	Untaxed
Transferability	Limited (under conditions) ⁴
Minimal subscription	€ 250.000
Lock-up	1 year
Dealing frequency	Monthly

TABLE 2.2 | FUND FEES

Setup fee	€ 985 (one-off)
Management fee	0,4% (charged quarterly)
Performance fee	15% (lifetime HWM) ⁵
Other	1% maximum

TABLE 2.3 | SERVICE PROVIDERS

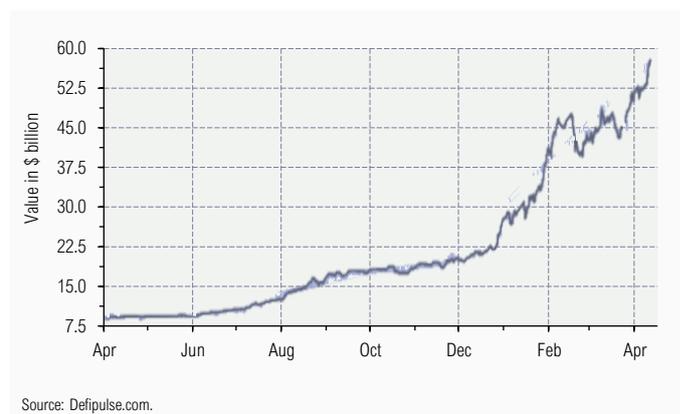
Fund manager	BlockchainTraders B.V.
Legal owner	Stichting Toezicht BlockchTrad ⁶
Accountant	Verseput B.V.
Bank	Bunq B.V.

⁴ Subject to limited transferability, consult your advisor.
⁵ HWM refers to High Water Mark
⁶ Full name is Stichting Toezicht BlockchainTraders.

BACKGROUND | UNDERLYING DEVELOPMENTS

The start of Bitcoin and subsequent blockchain technologies such as Smart-Contracts have fueled the rise of Decentralized Finance (DeFi). DeFi is currently driving tremendous innovation in the application of blockchains. DeFi-applications are unique in the way that anyone with an internet connection can interact with them. Moreover, there is no need to rely on intermediaries or custodians: in other words, they are 'trustless'. DeFi provides a decentralised alternative to conventional banking and financing services systems, and it can function independently of this traditional financial industry and the political system. This will allow for a more open financial system and prevent potential cases of censorship and discrimination around the world. The DeFi-industry is growing fast, and the amount of liquidity needed in the market is increasing at the same rate. The total locked value within DeFi-applications today exceeds \$55 billion. At the beginning of 2019, this was only \$40 million and last February it was about \$40 billion. The idea that DeFi is booming therefore seems to be an understatement.

FIGUUR 4 | 'TOTAL LOCKED VALUE' WITHIN DECENTRALISED FINANCE



CALCULATIONS | EXPLANATION

The analyses and calculations for this document are based on realized monthly returns from January 2018 through April 2021 obtained through the sources mentioned. The simulated returns for the fund are largely based on these same returns. For equities, bonds and gold, iShares MSCI World EUR Hedged UCITS ETF (Acc) in EUR, iShares Core € Govt Bond UCITS ETF in EUR, and iShares Physical Gold ETC (USD) are used, respectively. For cryptos/cryptocurrencies, the CryptoCurrencies Index 30 and Bitcoin, Ethereum in USD are used. The fund's returns are in EUR and based on a hypothetical constant composition such as in FIGURE 3.1, using the 'yield' percentages of 3 DeFi-applications. As a result, the volatility is mainly caused by the volatility of the positions in Bitcoin, Ethereum and the US dollar.

DEFINITIONS | TERMS USED

- ◆ **Decentralised Finance** (or simply **DeFi**): refers to an ecosystem of financial applications that are built on top of blockchain networks. More specifically, the term Decentralised Finance may refer to a movement that aims to create an open-source, permissionless, and transparent financial service ecosystem that is available to everyone and operates without any central authority. The users would maintain full control over their assets and interact with this ecosystem through decentralised applications.
- ◆ **DeFi applications**: Decentralized Applications (DApps) are applications that run on a distributed computing system, that is, a blockchain network. While there are various ways of defining a DApp, they are usually described as applications that have the following characteristics. Open source; the source code is intentionally made available to the public, meaning that anyone is able to verify, use, copy, and modify the code. Decentralised; since DApps run on blockchain networks, they are not controlled by a single entity or authority. Instead, they are maintained by multiple users (or nodes). Cryptographically secure: the application is protected by cryptography, meaning that all the data is recorded and maintained in a public blockchain. There is no single point of failure.
- ◆ **Smart-Contract**: Nick Szabo first described smart contracts in the 1990s. Back then, he defined a smart contract as a tool that formalizes and secures computer networks by combining protocols with user interfaces. Szabo discussed the potential use of smart contracts in various fields that involve contractual agreements - such as credit systems, payment processing, and content rights management. In the world of cryptocurrencies, we may define a smart contract as an application or program that runs on a blockchain. Typically, they work as a digital agreement that is enforced by a specific set of rules. These rules are predefined by computer code, which is replicated and executed by all network nodes.
- ◆ **Stable Coin**: Stable Coins are digital assets designed to mimic the value of fiat currencies like the dollar or the euro. They allow users to cheaply and rapidly transfer value around the globe while maintaining price stability. These assets see negligible price movement and closely track the value of the underlying asset or fiat currency that they emulate. As such, they serve as reliable safe-haven assets amid volatile markets.
- ◆ **Market Making**: providing liquidity on a defined asset by submitting both bid and ask limit orders on an exchange. Market makers make a profit by spreading the bid-ask over multiple trades. Fast and stable technology and good risk management are essential to make this successful.
- ◆ **Liquidity Mining / Yield Farming**: Liquidity Mining, sometimes also referred to as Yield Farming, is a way to generate rewards with cryptocurrency holdings. In simple terms, it means locking up cryptocurrencies and getting rewards. Liquidity miners/yield farmers will use very complicated strategies. They move their cryptos around all the time between different lending marketplaces to maximize their returns.

Source: Binance, for more and detailed information refer to: <https://academy.binance.com/nl/start-here>.

DISCLAIMER | IMPORTANT INFORMATION

Blockchain Traders B.V. ("BlockchainTraders") has compiled the information in this document with care. This information is only intended for qualified investors and/or professional investors as referred to in the "Wet op het financieel toezicht" ("Wft", the "Law on financial supervision"). This document is or contains (i) no offer or invitation to buy, sell or trade financial instruments (within the meaning of 1:1 Wft), (ii) no investment recommendation or investment advice (within the meaning of 1:1 Wft), and (iii) no legal or tax advice. In such cases, consult a legal or tax adviser. BlockchainTraders advises against basing any (investment) decision solely on the information contained in this document. BlockchainTraders is not liable for damage resulting from such an (investment) decision. The information in this document is (partly) based on information that BlockchainTraders has obtained from information sources that are considered reliable. BlockchainTraders does not guarantee the reliability of those sources and the accuracy and completeness of the information obtained from those sources. The information in this document is purely informative and you cannot derive any rights from it. All information is a snapshot, unless expressly stated otherwise. Providing this document after its original publication date is not a guarantee that the information contained herein is accurate and complete as of such subsequent date. BlockchainTraders has the right to change this information without notice. Mentioning the returns on investments in this document is for explanation only. BlockchainTraders therefore does not express any expectations about the return or price movements of those investments. The value of your investment may fluctuate and past performance is no guarantee of future performance. The information in this document is based on assumptions made by BlockchainTraders. It is possible that different assumptions are made than the assumptions made by BlockchainTraders. The conclusions drawn by BlockchainTraders are therefore not necessarily correct and/or complete. You may copy the information in this document for your own personal use only. You may not copy, reproduce, distribute or disclose the information without the written permission of BlockchainTraders. All information (texts, photos, illustrations, graphic material, trade names, logos, word and image marks) remains the property of or licensed to BlockchainTraders and is protected by copyright, trademark law and/or intellectual property law. No rights or licenses are transferred in the use of or access to this information. Issued by: BlockchainTraders B.V., with its registered office in Deventer and its principal place of business in Deventer (Trade register no. 70864640). The funds of BlockchainTraders are not licensed and are not subjected to the supervision of the Dutch Authority for the Financial Markets ("AFM").



BlockchainTraders

FUND MANAGER

BlockchainTraders B.V.
CoC: 70864640
Bank: Bunq B.V.
BIC: BUNQNL2A
IBAN: NL95 BUNQ 2042 3306 39

CUSTODIAN FUND ASSETS

Stichting Toezicht BlockchainTraders
CoC: 71065547
Bank: Bunq B.V.
BIC: BUNQNL2A
IBAN: NL02 BUNQ 2042 7927 72

CONTACT FUND MANAGER/CUSTODIAN

Visiting and statutory address:
Deventerstraat 101c
7322 JM Apeldoorn
Email: info@blockchaintraders.nl
Tel: +31 55 30 20 102