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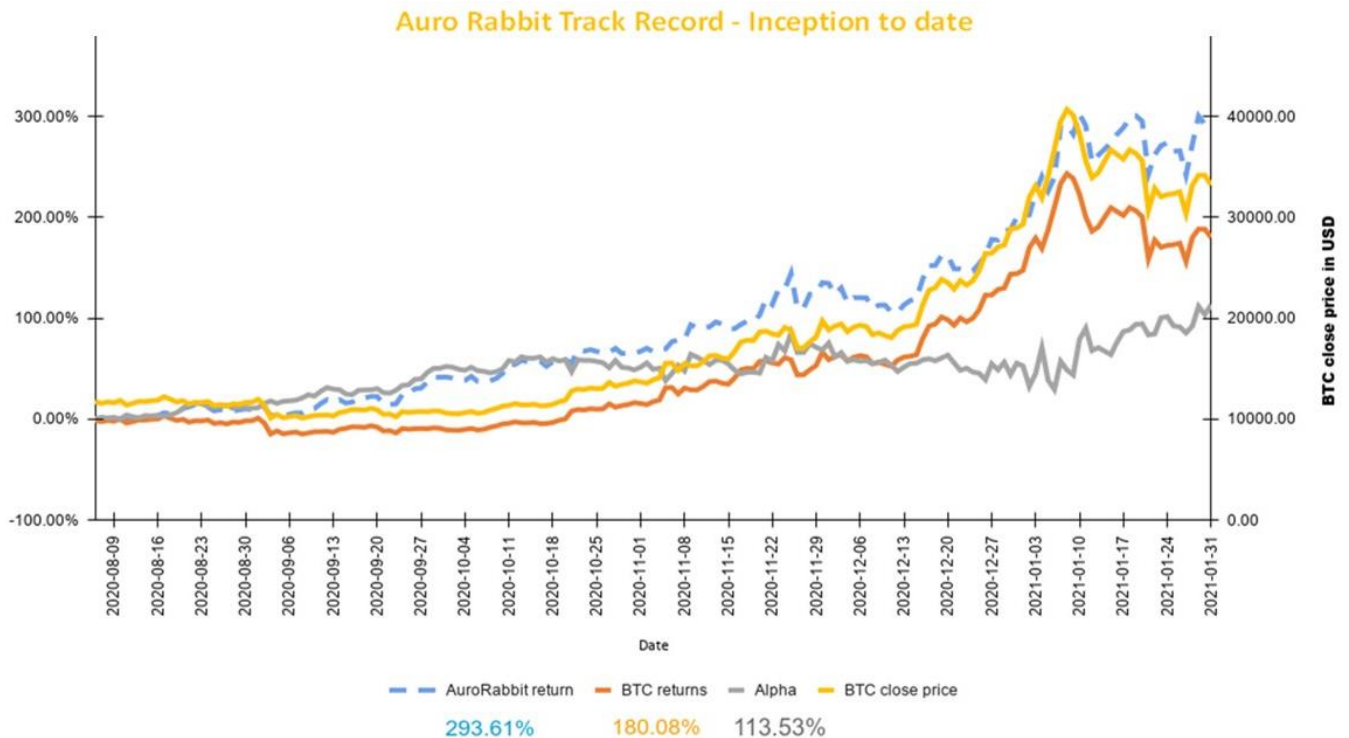
INVESTMENT MANAGEMENT

January 2021 Newsletter

Dear Auro Rabbit Investor,

We had a good January 2021 which was up **+38.22%**. This handsomely outperformed Bitcoin which was up **14.75%** which lead to an alpha generation of **+23.47%** during this period.

As you will recall, we launched our algorithmic neural network based cryptocurrency strategy on August 6, 2020. Delighted to report that this strategy has performed remarkably well, with an inception-to-date return of **+2293.6%** up until January 31, 2021 which **annualizes to a return of +605%**¹. During the same period Bitcoin was up +180.1% which annualizes to a return of +371%. In spite of this meteoric run that Bitcoin has had, our Auro Rabbit strategy materially outperformed our benchmark Bitcoin index (BTC) index during this period from Aug 6th 2020 to Jan 31, 2021 representing an **alpha generation by +113.5% (annualized +234%)**.



1. Returns above are net of transaction costs but gross of operating expenses, tax, management and incentive fees

Auro Rabbit achieved this return with a realized volatility (annualized) of 68.4%. Given current US 10-year Treasury yield of 1.2% as the assumed risk-free rate, this yields a **Sharpe ratio of 8.84 versus Bitcoin's 5.65**. Auro Rabbit's volatility over this period was similar to Bitcoin's of 65.5% so **while taking similar risk, our strategy was still able to materially outperform Bitcoin on a risk-adjusted basis**. More pertinently, we only care about mitigating downside volatility, which in our case was 39% versus Bitcoin's 37% thereby yielding a **Sortino ratio of 15.5 for Auro Rabbit and 9.9 for Bitcoin**. A comparative analysis of a period-wise of volatilities across our Auro Rabbit bots, BTC, and the VIX (market's expectation of 30-day forward-looking volatility on S&P 500 index options) is presented on the next page.

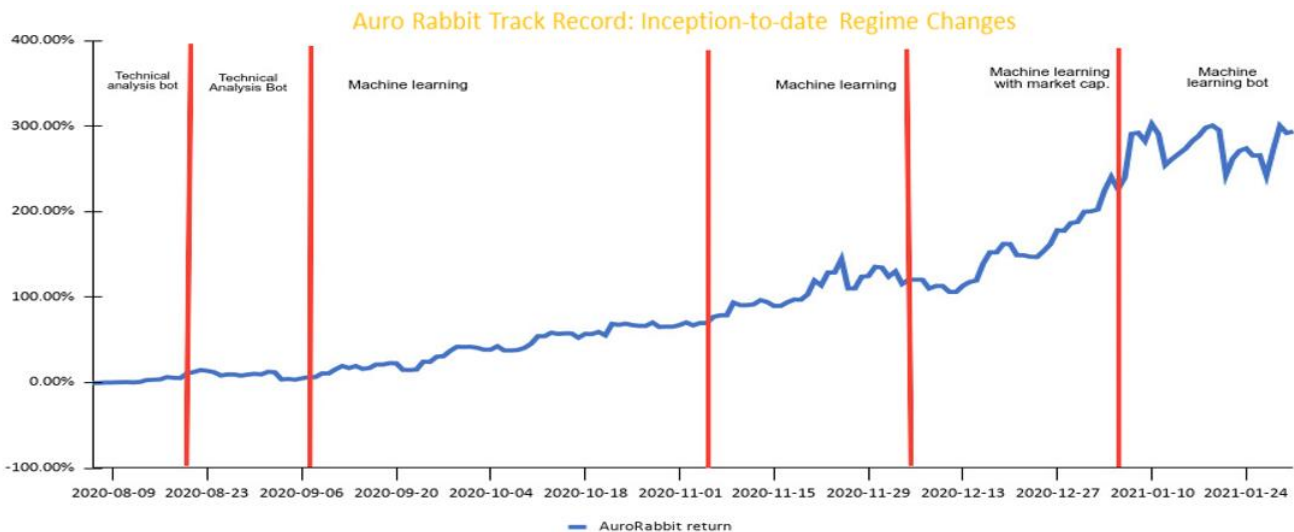
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Portfolio statistics	
Annualised returns	605.46%
Volatility	68.4%
Sharpe ratio	8.84
Max. single day return	15.07%
Min. single day return	-14.01%
Maximum drawdown	15.70%

It's notable that Auro Rabbit not only outperformed Bitcoin during the August to October 2020 period when Bitcoin was languishing going sideways to down in that \$13k to \$10K range, but Auro Rabbit was able to keep pace and continue to outperform Bitcoin during the massive bull run seen in Nov'20 to Jan'21. Outperformance was driven Auro Rabbit's ability to continuously trade our wallet across a set of 50 crypto currencies based on algorithmically generated price predictions and execute short and medium-term hold pair trading opportunities deep in the crypto ecosystem where inefficiency, limited liquidity and low trust prevail. We have several bots operating together at any given time, and a key performance indicator was also our ability to successfully navigate "regime changes" during this period and put forth the bot that was optimally suited for that regime. Please see below for the inception-to-date regime changes:



	2020-08-06	2020-08-21	2020-09-07	2020-11-04	2020-12-05	2021-01-05	6Aug'20-31Jan21	Negative Vol	Annizd Retrun	Risk-free rate	Sharpe Ratio	Sorino Ratio
Volatility - Bot	28.10%	44.67%	50.93%	83.44%	58.94%	106.56%	68.4%	39.0%	605%	1.2%	8.84	15.49
Volatility - BTC	34.82%	66.74%	36.15%	74.09%	64.42%	100.24%	65.5%	37.1%	371%	1.2%	5.65	9.98
VIX	22.2/22.7	22.6/30.8	30.6/35.6	36.8/21.3	21.1/27	26.9/33.09						

2. Returns above are in live trading (see Appendix for Technology stack and infrastructure diagram) except for ML with market bias which is both live trading and back-testing simulation.

Our Technical analysis bots continuously analyze various technical market indicators to calculate support and resistance levels for various crypto coin pairs and then look for market reversals from these thresholds to make



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profitable trades. In our second iteration of the Technical analysis bot, we refined the framework of how we were crystalizing take-profit and stop-loss trades, allowing a certain proportion of the trades to run with the momentum for longer, before closing them out as we found we were otherwise leaving money on the table.

Our machine learning bots leverage our IP in neural networks and various proprietary data assets. We continuously input 62 data inputs across pricing, sentiment, event, and chain analytics at 5-minute intervals to train our bots to make price predictions for every coin pair in our addressable market and then choose the best performing models. We use different neural networks with multiple layers for both directional prediction of the market, which is made first, and then a model to predict the quantum of the move. A separate selective differencing search is made on features to filter out features that don't need to be inserted in the models as change in quantity over time. The final direction model can be linear or deep learning based; deep learning weights are used as a part of transfer learning. A separate model is made to predict the absolute percent change in the value and these two are combined to yield an output. We have been continuously iterating and improving on our machine learning bots and also becoming better at identifying which bots work best in which regimes. Please see Appendix 2 for exhibit which lays out the Technology stack of Auro Rabbit.

Our Crypto Journey – Jan'21 key takeaways

In our last newsletter we had written about our Crypto journey which started in 2017. In this letter and in subsequent letters, we will continue to write about key developments in the world of Crypto during the reporting period. In Jan'21, we did see a sharp pull back in the price of Bitcoin from above \$40K to below \$30K before recovering to \$33K. The on-chain SOPR (Spent Output Profit Ratio) indicator reset to 1 intra-month after the price correction suggesting that weak hands were out of the market, a clear signal for upward movement. Subsequently, Bitcoin soared above \$36K after Elon Musk changes his Twitter bio to simply '#bitcoin'!

Coinbase, the largest cryptocurrency exchange (holds ~\$90 billion in digital AUM) in the U.S., announced plans to go public—but it will eschew the traditional initial public offering (IPO) process. Instead, it plans to post its shares straight on an exchange via a direct listing, a technique pioneered by big names like Spotify, Slack, and Palantir in recent years. Reports Indicate That Coinbase May Sell Shares via the Nasdaq Private Market Ahead of the IPO. Pre-IPO futures sees significant demand; our estimates show it could reach a \$50 billion valuation.

Intercontinental Exchange, parent of the New York Stock Exchange, launched a cryptocurrency venture, Bakkt, which is set to go public through a SPAC with a valuation of \$2.1 billion. Bakkt app is a tool for trading and making payments with digital assets including bitcoin, loyalty points and reward programs, like those offered by airlines, retail stores and virtual assets from videogames.

Visa, the world's largest payment network, dedicated a section to crypto during its Q1 2021 earnings call on 28 Jan'21. CEO Alfred Kelly said Visa is poised to make crypto payments safer and more widely used and plans to work with wallets and exchanges to enable Visa users to purchase crypto-assets, and to allow users to cash out and make fiat purchases with their crypto. Visa sees two classes of digital assets, 1) new assets, like bitcoin, that act as "digital



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gold," and those that are fiat-backed, including stable coins and central bank digital currencies. Visa is open to enabling crypto as a payment itself, rather than converting crypto to fiat for payments.

BlockFi, a major hub for crypto lending, registered a Bitcoin Trust with SEC in an apparent move to court institutional bitcoin, going up against Grayscale's behemoth bitcoin trust. The fund's status as a Rule 506(c) exempt offering gives BlockFi room to market the trust publicly. VanEck, a NYC-based investment firm filed with SEC for a Digital Assets ETF that will track the price and yield performance of the MVIS Global Digital Assets Equity Index. The fund will invest in companies that generate at least 50% of their revenue from current or future digital asset projects.

While Crypto continues to become increasingly mainstream as evidenced by all these developments, the rhetoric from global regulators continues to be mixed. Joe Biden's pick for the U.S. Treasury Secretary, Janet Yellen, stated that cryptocurrencies are mainly used for illicit financing. She later softened her stance slightly and promised to work with the Fed and other regulators to implement an "effective" crypto regulation. A week prior, the president of the ECB, Christine Lagarde, called on countries to regulate bitcoin, claiming that the crypto has "conducted some funny business" and some "totally reprehensible money laundering activity." Meanwhile, India's parliament is mulling a law to ban private cryptocurrencies such as bitcoin and put in place a framework for an official digital currency to be issued by the Central Bank. Despite regulators' belief, an industry report found that in 2020 crime accounted for only 0.34% of all crypto transactions.

JP Morgan issued an interesting report outlining benefits of hedging with Bitcoin. "Small allocations to cryptocurrencies improve portfolio efficiency due to high returns and moderate correlations." They forecast the price of bitcoin will reach \$146K as competition between the cryptocurrency and gold heats up as the firm sees \$600 billion demand from global institutional investors for bitcoin.

Our own high conviction view has been that cryptocurrencies are likely to replace gold as a store of value given more aligned to Millennial value systems. Especially in the backdrop of the recent COVID-19 induced economic downturn, which was 5x the intensity of the average recession, in 25% of the time, where the policy response via the Cares Act raised the deficit by more than the last 5 recessions (1975, 82, early 90s, TMT/01, GFC/08) combined. Where the Fed in 6 weeks bought more Treasuries than it did in 10 years under Bernanke/Yellen QE, which many thought was excessive at the time. Where corporate borrowing which usually go down in recessions, have gone up by \$400bn. All of this massive increase in liquidity, has created a big asset price bubble and debased the USD which augurs well for the price of a finite asset like Cypots. And we're not close to done with the Fed still printing \$120bn per month in QE stimulus. It is not surprising then that Bitcoin has already achieved the fastest-ever price appreciation of any must-have asset to which it is often compared, such as gold in 1970s, Japanese equities in 1980s, U.S. tech stocks in 1990s, Chinese equities in 2000s, commodities in 2000s, and FANG stocks in 2010s (see Appendix 3). With Equity and Credit valuations looking record-rich and conventional hedges like DM bonds barely serving as insurance with US 10Y near 1% and negative in Japan and Europe, we still think you can play both defense and offence with Crypto.

Sincerely,

Amar Singh Anand


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Appendix 1 – Auro Rabbit Fee Terms

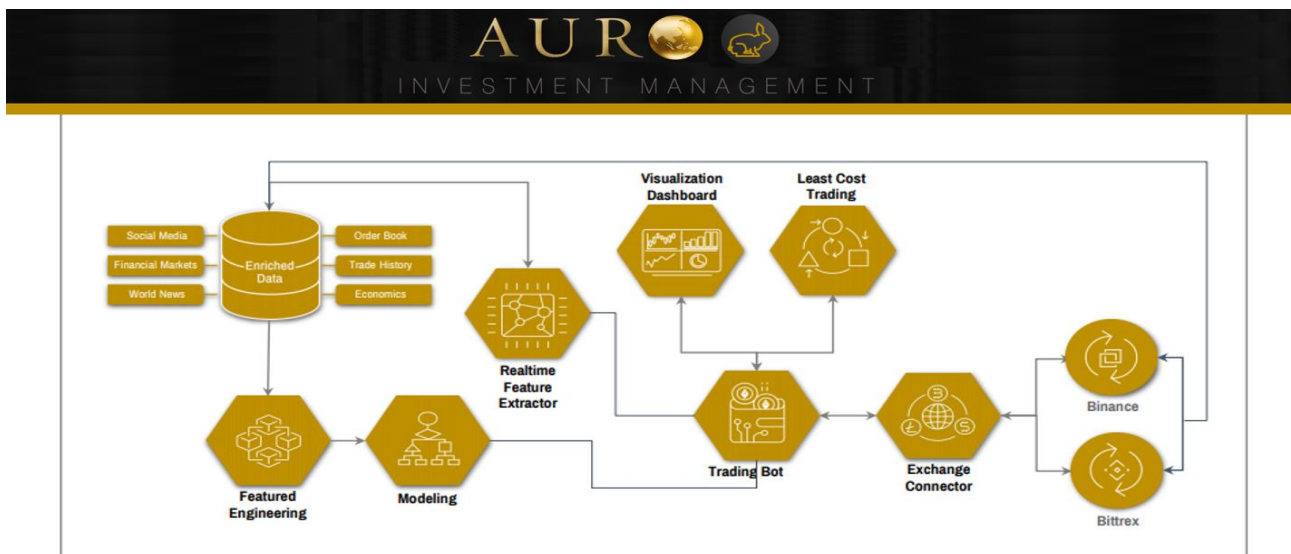
Auro Rabbit is a blockchain and artificial intelligence venture owned by Auro.Ai, a Cayman Islands based Company, which is a joint venture between Auroville and Tatras Data, which leverages the partner’s combined IP in AI and asset management. An overview of Auro Rabbit’s “Fee terms” is provided below:

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	Comingled Type 9 licensed fund	Separate Managed Account
Capacity	\$1 billion	\$1 million
Fees		
Management fee	1.5%	2.0%
Performance fee	15% (on absolute return)	20% (on absolute return)
Subscription		
Subscription Frequency	Monthly	Monthly
Minimum Investment	\$100K	\$50K
Minimum Subsequent Investment	\$100k	\$20k
Initial commitment period (soft lock)	1 Year	1 Year
Redemption		
Redemption Frequency	Quarterly	Quarterly
Redemption Notice Period	60 days	60 days
Redemption Fees*	2%	2%

Note 1: As per the Hong Kong Securities and Futures Commission new regulations governing Type 9 HK licensed portfolio managers and distributors of virtual asset funds, announced on November 1, 2020, only up to 10% of the gross asset value (GAV) of the portfolio can be invested in virtual assets ("de minimis threshold").

Note 2: Separately Managed Account product is offered via a 3rd party institutional managed account platform where Auro Rabbit, has an SLA to provide sub-advisory services to manage the separate account while the managed account provides KYC/AML, and independent custody and reporting.

Appendix 2 – Auro Rabbit Technology Framework



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Appendix 3 – Bitcoin ascent has been steeper than any other financial innovation or asset bubble of past 50 years

Asset values indexed to 100 in Year 1 of regime change, chosen approximately as 1970 for gold, 1985 for Nikkei, 1995 for Nasdaq, 2001 for Chinese Equities & Commodities, 2012 for Bitcoin and 2014 for FANGs.

