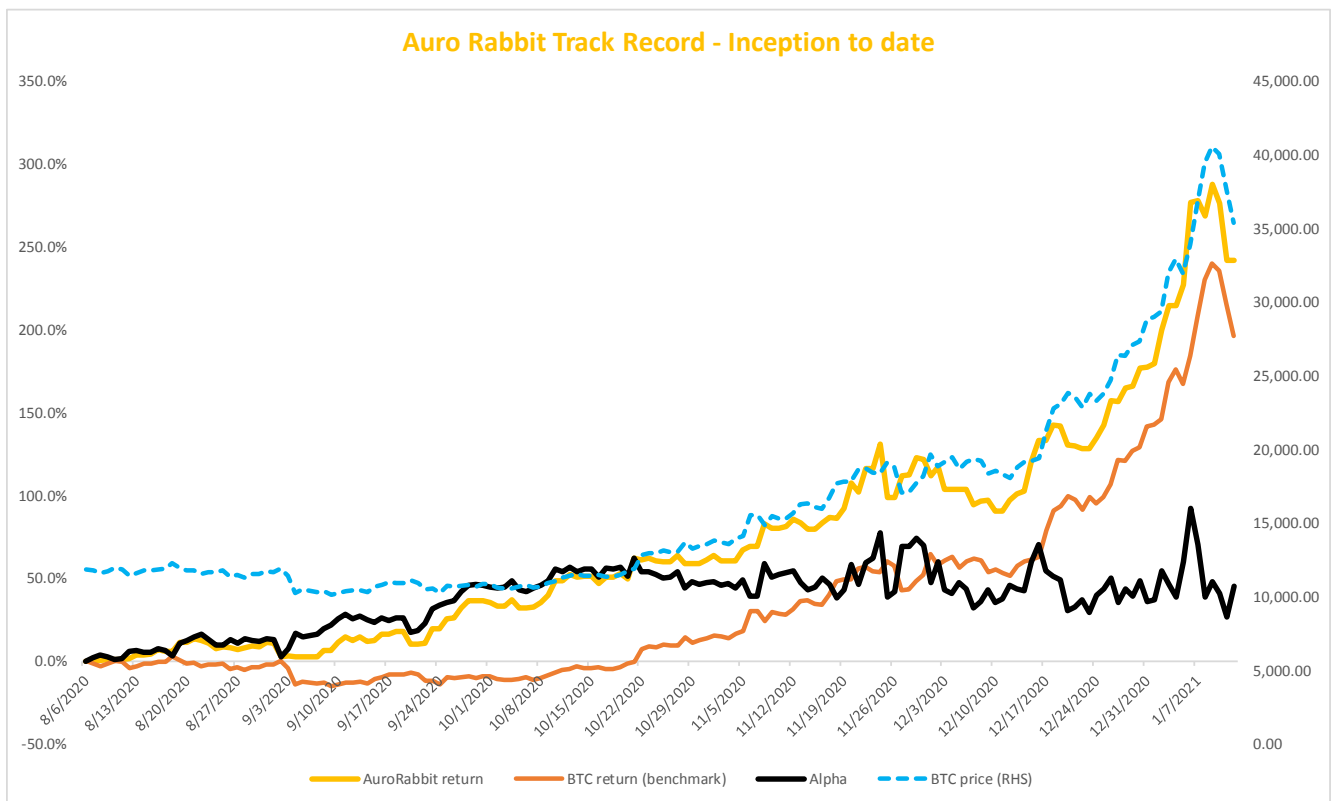


# AURO

## INVESTMENT MANAGEMENT

Dear Auro Rabbit Investor,

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 **+241.7%** up until January 12, 2021 which **annualizes to a return of +547%<sup>1</sup>**. We couldn't have asked for a better vintage as Bitcoin went up +197% during this period and the entire crypto-economy valuation is now over \$1 trillion mark as bitcoin jumped above the \$40k handle on January 14. In spite of this meteoric run that Bitcoin has had, our Auro Rabbit strategy handsomely outperformed our benchmark Bitcoin index (BTC) index during this period from Aug 6<sup>th</sup> 2020 to Jan 12, 2021 representing an **alpha generation by +45%**.

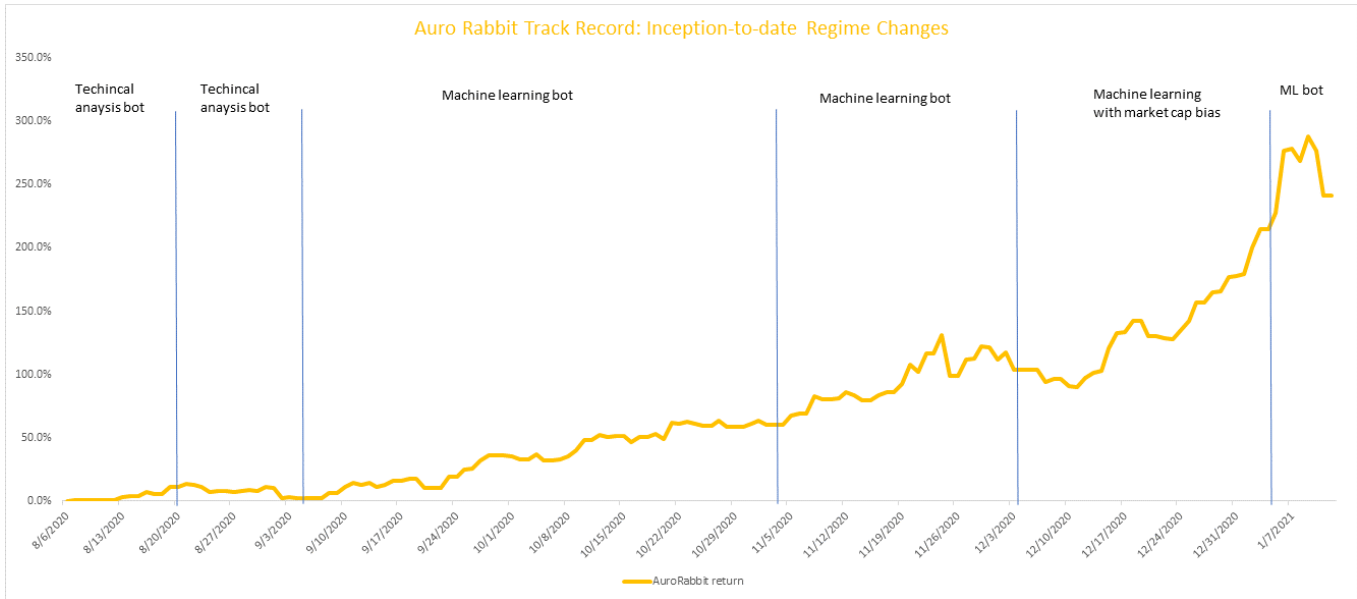


1. Returns above are net of transaction costs but gross of operating expenses, tax, management and incentive fees

Its 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:



- 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 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

Our Crypto journey started in 2017 when our data-science team started experimenting with the Bitcoin open-source software. I had first looked at Bitcoin in 2014 when I was heading up the Financial Services investment vertical at Tybourne Capital, and its price had gone from \$13 in 2013 to \$770 by 2014. “Don’t fight the Fed” was a time honored convention in the fiat investment world, and given the sharp backlash from Regulators (e.g. US authorities had just shut down Mt. Gox sighting FinCEN violations; PBOC had banned Chinese financial institutions from using bitcoin etc.), truth be told, I was skeptical of Bitcoin. The use-case of crypto currencies as a store-of-value and protection against hyperinflation from monetary debasement of fiat currencies — was not a problem that needed to be solved at the time — as most central banks in the western world were throwing the kitchen sink and even re-writing the lexicon with negative interest rates, operation twists, and forward guidance, to try and create an iota of inflation. I was also skeptical of the transactional use case of crypto currencies as there was a proliferation of mobile wallets from existing players (networks, banks, merchants etc.) and newcomers like Square (Square Cash) and PayPal (Venmo) were offering domestic digital peer-to-peer payments for free. We were, nonetheless, bullish on the need to reduce friction costs in cross-border payments where Swift had become a relic of a bygone era, and the likes of Western Union and Moneygram were charging usurious fees for facilitating transactions. We were also bullish on the underlying blockchain technology to reduce financial and friction costs while improving visibility, traceability, collaboration, and process efficiency for various applications.

However, in recent years as we saw the level of money printing and quantitative easing (QE) moving into another orbit – balance sheet expansion of the US Fed has gone from \$17bn per week during Aug’08-Mar’10 GFC (QE1) to now \$70bn per week (QE Infinity) – pushing the entire term structure of interest rates lower with the Fed joining its Western peers at 0% bound and likely staying there for the foreseeable future. U.S. debt to GDP has nearly doubled since 2008, while the velocity of M2 money supply has declined as newly distributed money has made its way into financial assets rather than the real economy. We expect USD to remain in a bear markets which continues to augur well for cryptocurrencies which remains a high conviction bet for us. Because of Bitcoin’s unique qualities – such as its verifiable scarcity and a supply that can’t be controlled by a central authority – we believe it can be leveraged as a store of value and as a way to escape this great monetary inflation. The growing rift between China and US and the need for an alternative transactional ecosystem, outside of the dollarized pro-sanction system, also augurs well for cryptos. That’s what propelled us to join the crypto-currency ecosystem and launch Auro Rabbit.

And the timing couldn’t have been better! It has coincided with an inflection point in Crypto which has gone from Fringe to Mainstream, with various institutional investors like Blackrock, Fidelity, Massmutual, Ruffer, and Skybridge investing in it. Microstrategy was the first major public company to make Bitcoin its primary reserve asset – at current BTC price its bitcoin stash is worth ~\$3bn. Even the banks have jumped in. Morgan Stanley has significantly increased its exposure to bitcoin via a 10.9% stake in Microstrategy. Please see Appendix 3 for an exhibit that lays out the BTC holdings of public, private and ETF companies, which together amounts to ~\$46bn or ~6% of bitcoin’s total market cap. Both JP Morgan and Goldman Sachs have issued RFIs to enter crypto market via digital asset custody solutions.

Several hallowed investors of our times have also joined the bandwagon. Oaktree Capital co-founder and former Crypto skeptic, Howard Marks, is now thankful that his son, Andrew, owns a meaningful amount of Bitcoin for their



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family! In Nov'20, Bridgewater founder Ray Dalio, admitted that he may be wrong about bitcoin and has since gained a better understanding of the cryptocurrency. Economist David Rosenberg pleaded "ignorance on bitcoin," admitting that the cryptocurrency exceeded his expectation.

Similar mea culpas have come from the Payments industry. Most notable is PayPal — when former CEO Bill Harris, described Bitcoin as "the greatest scam in history" it was unfathomable that his successor, Dan Schulman would become one of the protagonists in its global adoption: "The shift to digital forms of currencies is inevitable, bringing with it clear advantages in terms of financial inclusion and access; efficiency, speed and resilience of the payments system; and the ability for governments to disburse funds to citizens quickly." On October 21, 2020, PayPal, announced that it would enable US customers to buy cryptos, initially featuring Bitcoin, Ethereum, Bitcoin Cash and Litecoin, directly within the PayPal digital wallet. Its 350m active users (3 to 1 higher than today's number of Bitcoin addresses) will be able to instantly convert their cryptocurrencies to fiat currency, with certainty of value and no incremental fees. PayPal merchants will have no additional integrations or fees, as all transactions will be settled with fiat currency at their current PayPal rates. In effect, cryptocurrency simply becomes another funding source inside the PayPal digital wallet, adding enhanced utility to cryptocurrency holders, while addressing previous concerns surrounding volatility, cost and speed of cryptocurrency-based transactions. Our analysts estimate that Paypal could earn up to \$2bn in revenue from its bitcoin business by 2023 as we've seen a dramatic increase in engagement due to crypto (50% of Paypal crypto users open the app daily).

Square has also been an early adopter of crypto from a product leadership and legal innovation perspective with CashApp. It recently also put its money where its mouth is, by investing \$50m in Bitcoin. The increase in itBit volume in 4Q20 suggests that PayPal bought 70% and CashApp 40% of all newly-issued bitcoins, thereby generating a shortage of 10% of all newly mined coins, which was a factor in driving up Bitcoin's price. Visa has been working closely with licensed and regulated digital currency platforms like Coinbase and Fold to provide a bridge between digital currencies and its existing global network of 61 million merchants. Over 25 digital currency wallets have linked their services to Visa, giving users an easy way to spend from their digital currency balance using a Visa debit or prepaid credential. Other companies like eToro and Robinhood are not far behind in providing retail investors easy access to Crypto.

We remain confident about a global economic recovery in 2021 – forecasting a global real GDP growth of 5%. Fundamentals are supportive given negative real interest rates (~25% of global bond market cap outstanding is now negative-yielding), low equity risk premiums, rising commodity prices and higher inflation which should cause the yield curve to steepen (now at a higher pace given Democrats winning majority in the Senate leading to more up-front fiscal stimulus) and rotation out of bonds to higher yielding assets. This presents a compelling backdrop to explore how Cryptocurrencies can be a part of your portfolio, if nothing else as defense in case inflation comes back again as it did in the 1970s. You could also play offense, as the recent rally in Bitcoin may be just the beginning of a multi-year bull run — JPMorgan has predicted that the price of Bitcoin could reach \$146,000 while Guggenheim sees bitcoin's value at \$400,000 and our own estimates lie in the middle of that range.

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 Tatra Data, which leverages the partner’s combined IP in AI and asset management. An overview of Auro Rabbit’s “Fee terms” is provided below

AUR  		
INVESTMENT MANAGEMENT		
	Comingled Type 9 licensed fund	Separate Managed Account
Capacity	\$1 billion	\$1 million
<b>Fees</b>		
Management fee	1.5%	2.0%
Performance fee	15% (on absolute return)	20% (on absolute return)
<b>Subscription</b>		
Subscription Frequency	Monthly	Monthly
Minimum Investment	\$100K	\$50K
Minimum Subsequent Investment	\$100k	\$20k
Initial commitment period (soft lock)	1 Year	1 Year
<b>Redemption</b>		
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 3<sup>rd</sup> 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



### Appendix 3 — BTC holdings of Public, Private and ETF companies

Company Name	Symbol	Market Cap	% BTC	Purchases/Filings	Basis Price USD	Today's Value	Bitcoin	%
MicroStrategy inc.	US NADQ:MSTR	\$5,356,967,821	47%	250M Aug.175M Sep.2020. Learn Hc	✓\$1,125,000,000	\$2,528,407,224	70,470 BTC	.336%
Galaxy Digital Holdings	CA TSE:GLXY	\$883,605,511	67%	\$134M on Jun-30-2020	✓\$134,000,000	\$588,490,638	16,402 BTC	.078%
Square inc.	US NADQ:SQ	\$102,700,856,200	0.2%	50M.Bitcoin Investment Whitepaper	✓\$50,000,000	\$168,955,153	4,709 BTC	.022%
Hut 8 Mining Corp	CA TSX:Hut-8	\$595,869,105	17%	Q2.2020	✓\$36,788,573	\$102,291,599	2,851 BTC	.014%
Voyager Digital LTD	CA CSE:VYGR	\$318,461,000	14.0%	March 31 2020	✓\$7,927,182	\$44,454,329	1,239 BTC	.006%
Riot Blockchain, Inc.	US NADQ:RIOT	\$1,740,923,446	2.4%	\$7.2M on Jun-30-2020	✓\$7,200,000	\$42,158,060	1,175 BTC	.006%
Coin Citadel Inc	US OTCMKTS:CTCL	Not on G.F. ↘	-	December 2015 report	✓\$184,390	\$18,406,030	513.0 BTC	.002%
Cypherpunk Holdings Inc.	CA CSE:HODL	\$23,861,915	42%	\$1.63M on Jun-30-2020 +60BTC	✓\$1,630,000	\$9,919,845	276.5 BTC	.001%
Pub. Grad. Advanced Bitcoin Technolog	DE ABT:GR	Not on G.F. ↘	-	Q1 2018	✓\$2,117,978	\$9,107,720	253.8 BTC	.001%
DigitalX	AU ASX:DCC	\$51,394,318	15%	215 BTC 2019	✓\$874,835	\$7,714,028	215.0 BTC	.001%
Hive Blockchain	CA CVE:HIVE	\$985,162,317	1%	Report	? \$7,585,939	\$7,585,939	211.4 BTC	.001%
Argo Blockchain PLC	US OTCPK:ARBKF	\$345,733,491	2.2%	December 2020	✓\$1,340,000	\$7,498,753	209.0 BTC	.001%
BIGG Digital Assets Inc.	CA CNSX:BIGG	\$70,128,050	10%	SEDAR Reports	✓\$1,909,259	\$6,799,108	189.5 BTC	.001%
Fortress Blockchain	CA TSXV:FORT	Not on G.F. ↘	-	Q3 2020	? \$5,855,485	\$5,855,485	163.2 BTC	.001%
NexTech AR	CA CSE:NTAR	Not on G.F. ↘	-	Ann	✓\$4,000,000	\$4,670,682	130.2 BTC	.001%
Neptune Digital Assets Corp	CA TSXV:DASH	Not on G.F. ↘	-	Q3 2020	? \$2,690,940	\$2,690,940	75.0 BTC	.000%
FRMO Corp.	US OTCMKTS:FRMO	\$564,720,395	0.4%	March 21. 2020	? \$2,254,649	\$2,254,649	62.8 BTC	.000%
MTGOX K.K.	JP private	private	-	Report	✓\$68,576,024	\$5,083,580,331	141,686 BTC	.675%
Priv. Block.one	US private	private	-	Profile	? \$5,023,088,000	\$5,023,088,000	140,000 BTC	.667%
The Tezos Foundation	CH private	private	-	Sep 2020	? \$890,091,194	\$890,091,194	24,808 BTC	.118%
Stone Ridge Holdings Grou	US private	private	80%	Oct 2020 Ann. BTC @ NYDIG	✓\$115,000,000	\$390,688,609	10,889 BTC	.052%
Grayscale Bitcoin Trust	US OTCQX:GBTC	\$25,134,601,477	82%	Info on AUM and Reports OCT 9th	\$20,546,008,605	\$20,546,008,605	572,644 BTC	2.73%
CoinShares / XBT Provider	EU COINXB:SS	Not on G.F.	-	Info on NAV and Reports OCT 9th	\$770,170,932	\$2,501,856,616	69,730 BTC	.332%
Ruffer Investment Company	UK LON:RICA	Not on G.F. ↘	-	11/1/2020 £550M	\$744,260,000	\$1,614,564,000	45,000 BTC	.214%
3iQ The Bitcoin Fund	CA TSX:QBTC.U	\$802,371,500	74%	Info on NAV and Reports OCT 9th	\$91,189,025	\$590,356,357	16,454 BTC	.078%
CI Galaxy Bitcoin Fund	CA TSX:BTCG.U	Not on G.F.	-	Info on ETF	\$565,097,400	\$565,097,400	15,750 BTC	.075%
ETF Like Grayscale Digital Large Cap	US OTCMKTS:GDLC	Not on G.F.	-	Info on AUM	\$252,446,051	\$252,446,051	7,036 BTC	.034%
Bitwise 10 Crypto Index Fur	US OTCQX:BITW	Not on G.F.	-	Info on AUM and Reports	\$45,370,629	\$236,443,928	6,590 BTC	.023%
21Shares AG	CH multiple	Not on G.F.	-	ABBA.SW. ABTC.SW. HODL.SW. KE	\$214,192,976	\$214,192,976	5,970 BTC	.023%
WisdomTree Bitcoin	CH BTCW:SW	Not on G.F.	-	Info on ETP	\$204,505,647	\$204,505,647	5,700 BTC	.027%
ETC Group Bitcoin ETP	DE BTCE:GR	Not on G.F.	-	Info on NAV and Reports SEP 4th	\$187,115,733	\$187,115,733	5,215 BTC	.025%
Bitcoin Group SE	DE ADE:GR	Not on G.F. ↘	-	Info on this AUM	\$122,250,000	\$122,250,000	3,407 BTC	.025%
Leonteq Bitcoin Tracker	US CH UBCTQ	Not on G.F. ↘	-	Info on this AUM	\$77,987,029	\$77,987,029	2,174 BTC	.025%
BitcoinTreasuries.org by @NVK					\$30,183,708,474	\$42,057,532,658	1,172,198 BTC	5.58%