

ASX ANNOUNCEMENT 15 FEBRUARY 2021

BITCOIN AND DIGITAL ASSET FUNDS MANAGEMENT UPDATE

DigitalX Limited (the **Company**), the first ASX-listed Bitcoin-related company is pleased to update the market on the Company's digital asset funds management business and the recent developments in the Bitcoin and digital asset market.

Highlights

- DigitalX continues to increase exposure to Bitcoin and the digital asset market via increasing funds under management and corporate treasury.
- Activation of new funds management marketing strategies in mid-January leads to a new record for monthly inflows in February.
- DigitalX is actively investigating evolving the Bitcoin Fund structure to broaden the accessibility and liquidity for current and prospective investors.
- DigitalX direct Bitcoin and digital asset exposure increased over 70% from 31 December 2020 (includes Corporate treasury and DigitalX units in the DigitalX Bitcoin Fund and DigitalX Digital Asset Fund).¹

Bitcoin and digital asset market update

The growth in adoption of Bitcoin and digital assets over the last few months has arguably been more impressive than its appreciation in price. Leading global payments companies Paypal and Mastercard recently recognised the growing importance of digital assets in the world of payments and have made announcements to accept digital assets in their ecosystems during 2021.² If the historical rate of adoption of Bitcoin continues, then 30% of the world's population will own Bitcoin by 2024.³

The world's largest transportation company by market capitalisation, Tesla, announced its intention to accept payments in Bitcoin and in a further show of confidence in the asset class, invested US\$1.5b into Bitcoin as part of the Company's corporate treasury and risk management strategy. The move by US public companies to acquire Bitcoin as part of their corporate treasury strategy has been led by technology businesses Square and Microstrategy prompting other companies to follow a similar strategy. Twitter has announced that it is currently considering the move and the potential impact on the market for Bitcoin is significant, particularly with \$1.9 trillion in cash and cash equivalents for S&P500 companies.⁴

DigitalX has held Bitcoin as part of its long term corporate treasury position **since 2017**.

The growing acceptance of Bitcoin by both global payment companies and US institutions highlights one of the key differences between the current market and the last bull market run in 2017 that saw

¹ Priced as at 12 February 2021.

² <https://www.mastercard.com/news/perspectives/2021/why-mastercard-is-bringing-crypto-onto-our-network>

³ <https://blockchain.news/news/bitcoin-adoption-rate-price-100000-2021-30-world-owning-btc>

⁴ <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/cash-rich-us-companies-may-take-cautious-approach-to-ramping-up-share-buybacks-61972981>

prices appreciate without the same levels of adoption. US investment banks such as JP Morgan and Citigroup have also recently shared their positive outlook for the asset class with price targets many multiples of the current trading price.⁵

Blockchain networks' revenue soaring from decentralised finance adoption

In addition to the growth of Bitcoin and digital assets from an investor base and payments perspective, digital asset networks have seen tremendous growth recently. The Ethereum network revenue fees generated in the first five weeks of the 2021 calendar year is already equivalent to 50% of the total generated in the entire 2020 calendar year and more than the entire fees generated between 2017 and 2019.⁶

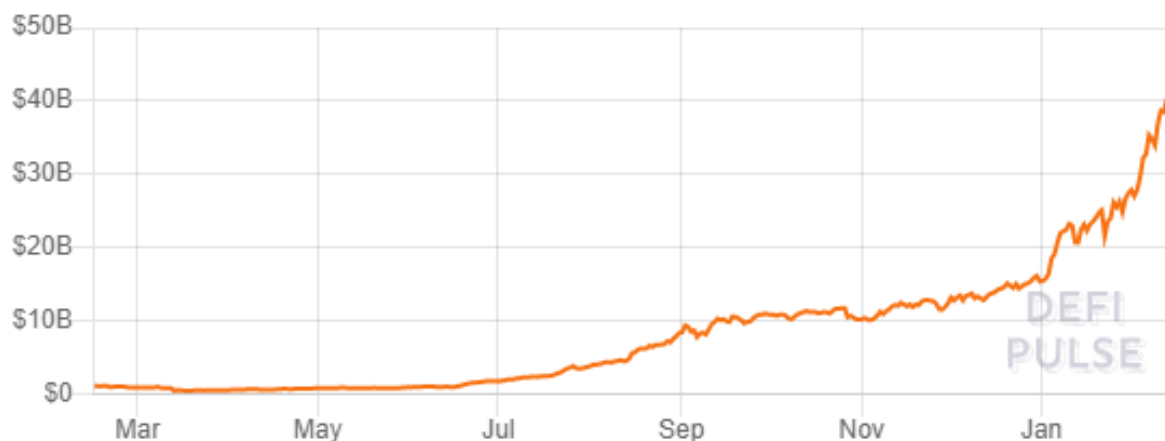
The growth in the use of this blockchain infrastructure has been driven by adoption of decentralised finance applications on top of the Ethereum network. This new financial infrastructure layer is being built-on in response to the barriers and issues arising from building new fintech applications on top of traditional infrastructure. These applications are often backed by institutional incumbents within existing licensing frameworks leading to well documented issues (e.g Robinhood). This new blockchain infrastructure is highly interoperable and designed for common integration of different financial services, unlike existing financial infrastructure.⁷

Total value held within decentralised finance applications on the Ethereum blockchain (USD)

Total Value Locked (USD) in DeFi

[TVL \(USD\)](#) | ETH | BTC

All | [1 Year](#) | 90 Day | 30 Day



Source: Defi Pulse <https://defipulse.com/>

⁵<https://www.nasdaq.com/articles/citibank-analyst-says-bitcoin-could-pass-%24300k-by-december-2021-2020-11-16>
<https://www.bloomberg.com/news/articles/2021-01-05/jpmorgan-sees-146-000-plus-bitcoin-price-as-long-term-target>

⁶ <https://twitter.com/AllanCassis/status/1355262284969484296?s=20>

⁷ <https://research.stlouisfed.org/publications/review/2021/02/05/decentralized-finance-on-blockchain-and-smart-contract-based-financial-markets>

Australian market presents a significant opportunity

While the growth in institutional adoption from US markets has been particularly impressive, Australia has been much slower to secure exposure.

Leigh Travers commented "The key driver to seeking alternatives from the current status is necessity. With a liquid and well-regulated ASX market enabling investor protections and reasonable returns, a robust and efficient domestic payments network and a range bound AUD currency, the key drivers which necessitated Bitcoin and digital asset adoption internationally haven't been present in Australia. That simply isn't the case for much of the world and Bitcoin and digital asset infrastructure represent highly attractive alternatives to many".

As more Australian investors become aware of this market opportunity, I am confident we will see a seismic shift in the investor interest in Australia. A multi-hundred billion dollar pool of capital is safeguarded in the Australian SMSF sector⁸, and DigitalX is well placed to offer the secure and trusted provider for Bitcoin and digital asset investment."

Bitcoin and Digital Asset Funds Management

The DigitalX Board held a strategy day in mid-January with participation from senior management and the Company's Corporate Advisor. A core focus of the strategy day was to consider opportunities to drive the growth of funds under management through various marketing, structuring and distribution alternatives.

Two key outcomes from the session were to expand the marketing strategy and improve the structure of the funds to broaden the potential investor base. As a result of this change DigitalX has increased direct to investor marketing and awareness programs which included direct advertisements in the publications such as the Australian Financial Review ('AFR'). Pleasingly, during the initial part of February, DigitalX has already seen a monthly record for new fund applications. The Company will still continue to target the traditional financial advisory networks through education and investor sessions, as well as listings on wealth management platforms as part of the longer term growth strategy.

The DigitalX funds are currently wholesale, unlisted traditional unit trusts which are not suitable for all segments of the Australian investor market. The Company currently is exploring the opportunity and potential to make the funds available to a broader investor base.

The DigitalX digital asset fund is benefitting from the increasing growth in the decentralised finance market place and has seen recent growth outpacing the performance of the Bitcoin fund. With the market outlook for the sector positive and the incredible growth of the US market for Bitcoin and digital assets, the Company is confident it can deliver positive results for shareholders over 2021.

-Ends-

Authorised by the Board of Directors of DigitalX Limited.

⁸ <https://www.superguide.com.au/smsfs/smsf-statistics>

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About DigitalX

DigitalX Limited (ASX: DCC) is a technology and investment company focused on blockchain consulting, digital asset funds management, and RegTech. DigitalX's consulting division designs and develops blockchain technology applications for business and enterprise organizations. Through its asset management division, DigitalX provides low-cost traditional asset management products for qualified investors looking to gain exposure to the growing alternative asset class of digital assets, including Bitcoin. DigitalX is currently commercialising Drawbridge, the Company's first RegTech solution that supports listed companies in better managing their compliance and corporate governance policies. With Drawbridge, companies can manage employee and director share trading approvals in order to safeguard their reputations.

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