



## January 2024 Investor Update

ProChain Capital decreased in value -1.12% in January.  
Year-to-date, ProChain has lost -1.12%.

Attached is ProChain's month-end summary sheet.

*Cryptocurrency investment is a MUST in every portfolio.*

ProChain's ordinary investor class has just a **\$100,000** initial investment minimum.  
To schedule a discussion, please reply at your convenience.

### ProChain in the News

[Real estate market stands 'frozen and is going to crack'; Fox Business News](#), Feb 5

You can hear David Tawil on **X (Twitter)** daily at **8am ET**.

He is the co-host of **#FinanceDaily**, the most listened-to live daily finance program on **X**.

You can find **#FinanceDaily** on **X Spaces** on a mobile device and **Live on X** on a desktop.

One of *ProChain's* earliest private investments, **Gryphon Digital Mining (GRYP)**, [has gone public via a reverse-merger with Akerna Corp. \(KERN\)](#).

ProChain's investment dates to 2021 (a challenged moment for Bitcoin mining), showing ProChain's grit to capitalize on value in a difficult moment.

As we've previously highlighted, Gryphon is carbon negative, which is an important feature in light of the US Government's recent efforts regarding the mining industry's power usage (more on that below).

### 1. Adoption

*Investment.*

- Since its ETF launch (Jan 11), [Bitcoin has immediately overtaken in size \(>\\$30B\) every commodity ETF complex](#), even silver (\$11B), other than gold (\$95B).
  - Unsurprisingly, [Fidelity and BlackRock are the leaders among the ten spot Bitcoin ETFs](#).

- Also unsurprisingly, because of its expensive fee structure and limited investor reach, [Grayscale's GBTC has been bleeding assets](#).
  - With the approval of Bitcoin ETFs, **Larry Fink**, Chairman of **BlackRock**, the world's largest asset management company, has [launched himself as a proselytizer for tokenizing all financial assets](#). This is amazing for the cryptocurrency world. Fink's influence and reach are vast.
  - Only 17 days after its launch, the BlackRock iShares Bitcoin Trust (**IBIT**) [became one of the top five ETFs of 2024 based on inflows](#).
- Concurrent with the Bitcoin ETF launch, [the FTX bankruptcy estate sold \\$1B of Grayscale's GBTC](#), which resulted in price pressure during the first days after the ETFs' launch.
  - **ProChain**- Despite initial price pressure, we expect that 2024 will be a fantastic year for Bitcoin price appreciation. BlackRock, Fidelity and others are only getting started with educating its salesforce on the merits of Bitcoin (uncorrelated, permissionless, store of value), which will then begin discussions with millions of wealth-management clients.
- The SEC is not ready to approve an **Ethereum** ETF, [delaying its decision on BlackRock's application](#).
  - **Franklin Templeton** has just [filed an Ethereum ETF application](#).
  - **ProChain**- This is a good thing. The market will need some time (12-18 months) to substantially digest and value the recent Bitcoin ETF approval. An Ethereum ETF approval will provide a solid, although not unanimously supported among crypto enthusiasts, second wind to a long rally.

#### *Currency and Use.*

- Despite initial excitement about becoming a Bitcoin-fueled transactional economy, [El Salvador has not seen adoption of Bitcoin in transactional use](#).

## 2. Regulation and Legal

- A federal judge pushed the **SEC** to clearly state [which cryptocurrencies are NOT securities](#).
  - This was an important moment. The SEC's Chairman, **Gary Gensler**, has been repeatedly pressed by various members of Congress on the parameters of its regulatory scope over cryptoassets. Gensler has evaded answering the question and has stated that existing regulations are sufficient to regulate cryptoassets. Gensler's responses to Congress have frustrated many in the crypto industry and the lawmakers that support the industry. With the recent grilling, it's clear that [the judiciary is also getting frustrated with the SEC's game of hide-and-seek and enforcement through litigation](#).
- The **US Dept of Energy**, through its **Energy Information Administration (EIA)**, [on an "emergency" basis, is collecting information from selected Bitcoin miners on their use of electricity](#).
  - **ProChain**- This initiative can only be seen as a hostile move by the executive branch against the crypto industry. The only question is whether it is in reaction to the approval of the Bitcoin ETF, or whether it is an independent initiative. The crypto industry is already fighting back. However, we believe that the data will be collected, and the crypto industry's best opportunity to counteract this effort will come after the data is collected and the crypto industry will undermine the DOE's narrative with a more

informed and substantiated narrative about how crypto mining is actually good for US electric grids (see Texas).

### 3. **Public Companies**

- **ProChain** recently substantially reduced its position in **PayPal (PYPL)**, which we have held for a long time. We successfully traded the position over the past few months to make up for all of the losses that we sustained previously (2021, \$300+/share; today, \$55/share). CEO Alex Chriss recently highlighted the first innovations PayPal and Venmo are piloting and bringing to market during 2024. The innovations were underwhelming. More importantly, the task of returning the company to consistent and profitable revenue growth seems to be a multiyear initiative. The company's Q4 results exceeded estimates, however, the company's guidance confirmed our decision to sell.
- Unsurprisingly, **MicroStrategy (MSTR)** has continued its Bitcoin buying (total >\$8B; \$2B profit).
  - **ProChain**- The approval of Bitcoin ETFs poses an existential issue to MicroStrategy, as a levered Bitcoin accumulator. Although away from holding Bitcoin, MSTR develops and sells software and touts itself as a "Bitcoin development company," we don't believe that it has yet earned that title. We have previously been holders of MSTR; we have exited our holdings in MSTR with a percentage gain greater than the appreciation of Bitcoin over the same period.
- In contrast to the new-age payment players, PayPal and Block, **Visa (V)** recorded impressive results in its first-quarter and remains a holding in **ProChain**'s portfolio.



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