



bitazu

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Abstract

Developments in Blockchain Technology (Distributed Ledger Technology) have given rise to a whole new alternate ecosystem of trustless decentralized systems. The technology's basic aim is to help reduce middlemen from systems that involve trust and to make them more transparent and decentralized. This is done in a way that people holding the tokens are allowed to validate transactions using cryptography, cryptocurrencies and blockchain. All three are inseparable in the ecosystem and a comprehensive knowledge of these fields is needed to separate tokens with good fundamentals from vaporware.

However, most private investors do not have enough knowledge about cryptocurrency markets and find it difficult to make an optimal choice within the wide array of options available. There are enough high ROI (Return on Investment) opportunities if investments are managed well in this space. That's why we have launched Bitazu Capital.

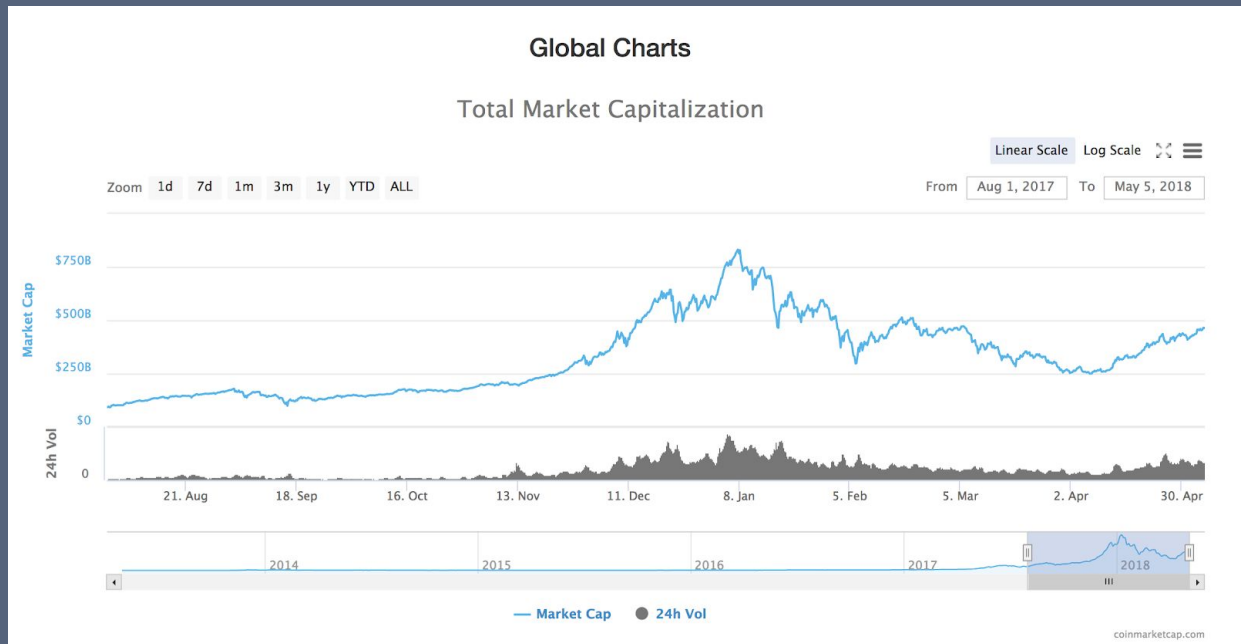
Introduction

The global aspect, wherein cryptocurrencies are free of relationships to nations that traditional currencies have, and lack of nationalistic barriers to entry make the cryptocurrency market attractive. Its pioneer Bitcoin is a successful case of a trustless, censorship-resistant store of value that is not controlled by any centralised institution. Bitcoin is adding value by serving as a hedge against the mismanaged fiat currencies by governments. And now that it has survived the tide of time for almost 10 years, institutions and people in general are exploring other domains where blockchain technology could be used.

Early adoption

2017 was a year of reckoning for the cryptocurrency space. There were new Initial Coin Offerings (ICOs) that led to more than 4,000 cryptocurrencies being traded daily. Many projects gained trust while others ended up being scams or pump and dump schemes. Proper analysis became a key forte to perform well in the market.

In 2017 alone, the total market capitalization of all crypto assets increased from \$18 billion to an all-time high of \$800+ billion. 2018 experienced a continuous sell-off leading to market double-bottoming out at \$250 billion cap in March.



Source: CoinMarketCap - <https://coinmarketcap.com/charts/>

Entry of Institutional Investors

Since the start of Q2 2018, a trend reversal has been observed with healthy buying volumes. Institutional investors are entering the market and major banking institutions are opening crypto trading desks. These positive developments will serve as a catalyst for the next rally, which will take the blockchain economy one step closer to widespread adoption -

- Rockefeller-Backed Venture Capital Firm is set to enter cryptocurrency market^[1]
- Soros Fund Management will soon launch cryptocurrency trading^[2]
- Goldman Sachs set to launch its cryptocurrency trading operation^[3]

Keeping these trends in mind the market cap is expected to cross \$1 trillion in 2018, and sitting out of crypto market might not be a wise decision now. However, in order to outperform the market, thorough research of each token would be needed.

Mass adoption

On the tech front, some scaling problems still exist that are being solved by different developer teams all over the world. But looking forward, 2019 should be the year to mark mass adoption of cryptocurrencies with people using different DApps (Decentralized Apps) all over the world. Almost 99% of the currencies

available right now would cease to exist in a few years and hence, an investment strategy fueled by fundamentals and underlying value of tokens will go a long way.

Crypto acts as a natural hedge

Emergence of cryptocurrencies alongside the traditional global economy in the last few years legitimize it as a new asset class that can serve as an important investment option to diversify one's portfolio. Most cryptocurrencies have nearly zero correlation with the established market and among themselves. Hence, it acts as a natural hedge against the traditional market.

Why invest with us?

1. Diversified Portfolio

Bitazu Capital focuses on identifying undervalued projects with real world use cases. Today, 4,000+ cryptocurrencies exist and some 1,400 are actively traded. Some cryptocurrencies have gained trust, while others have turned out to be fly-by-night schemes. Also, not all cryptocurrencies have given humongous gains, as is the popular belief in this market. In 2017, Bitcoin grew by 1,400% and Ethereum by 38,000% and recently, Wanchain grew by 2,800% in just 2 months.

2. ICO investing

Initial Coin Offering (ICO) is a crowdsale mechanism in which coins/tokens of a project are issued to the public for the first time. The ICO space has become crowded and ICO allocations have shifted from public to fund managers. This makes it extremely difficult to research and participate in a solid project's ICO. Bitazu Capital has a separate **R&D department for vetting upcoming ICOs** thoroughly before getting an allocation for participation. Our team makes sure we don't miss out on allocation of a project that could be the next Ethereum or NEO.

3. Cryptocurrency markets are open 24/7

Trading of cryptocurrencies on exchanges can be done 24/7 unlike the traditional exchanges which have fixed opening and closing hours. So, **active management of funds is important** with someone monitoring global markets all the time to look out for any events that might open up new buying/selling opportunities.

4. Buying and safely storing cryptocurrencies

There are multiple ways to get hold of a token. Centralized exchanges remain the most preferred choice but it is not advisable to store your assets in a wallet of which you don't control the private keys. Managing different exchanges and wallet addresses for each token is a daunting task. We store most of our assets **securely in offline wallets as well as hardware wallets**.

Investment strategy

Investment strategy of the fund is concentrated on maximizing gains with a controlled risk structure. The blockchain economy is in its infancy and hence, the market is bound to be highly volatile. We make the best use of volatility by ample diversification, correct position sizing and regular portfolio rebalancing in this 24/7 non-stop market.

The primary investment focus of the fund's portfolio is diversifying into projects that enable the immutable, trustless infrastructure for the blockchain economy:

- privacy coins
- smart contract frameworks
- decentralized exchanges
- interoperability protocols
- distributed financial infrastructure
- identity protocols
- cross-chain settlement systems
- decentralized computation, data storage and communications

Bitazu Capital diversifies its portfolio through the following strategies:

Medium-to-long term investment portfolio:

Time in the market outweighs timing the market. We swear by this strategy to reap benefits of the power of compounding in the long term. This is a slightly passive portion of the portfolio for which **monthly** rebalancing rules are defined. The focus here is

- to take long position in early stage infrastructure projects (as listed in previous section) that are working to solve major problems of blockchain economy.
- to own assets that are in early real world adoption stages.

For example: one of our long-term picks AION will enable interoperability between multiple blockchains. The AION token acts as the fuel/gas needed to build DApps on AION virtual machine. AION has already launched their first mainnet (a main network wherein actual transactions take place in a distributed ledger) called Kilimanjaro, while more rollouts are scheduled till the end of 2019. Price of AION will start gaining momentum once developers and enterprises start using the platform. This according to our analysis is expected to pick up pace in later half of 2018 and early 2019. Getting an entry into AION right now is similar to entering NEO (a smart contract framework similar to Ethereum but with a dual token engine) in early 2017 while it was still under development and pretty much off the radar.



ICO investments:

ICO investment is the epitome of an asymmetrical bet in this new digital economy. The reason less than 40% of Bitazu Capital assets are allocated to ICOs is that we believe not a lot of capital is needed to turn a \$1,000 investment into a five-figure number. ICO vetting is a process that needs analysis of various factors such as the strength of the team and the tech involved, the scalability and the hype, the value-addition and the perceived token value, the token metrics and competition analysis. After being involved in multiple ICOs and closely being part of several early stage private sale rounds, the understanding of the ICO ecosystem gives us an edge to make higher returns in the cryptocurrencies market. Being a cryptocurrency fund gives us access to private token sales that are otherwise inaccessible to the public.



Short-term investment and trading portfolio:

This strategy is particularly useful when the market moves sideways and stays 'flat' for a considerable period of time. **Daily** rebalancing rules are defined for this portion of fund portfolio. Cryptocurrencies still are speculative markets wherein if you know what to speculate with a small part of portfolio, it is a good strategy to buy low and sell high in the short term using Technical Analysis (TA). Being involved in the ecosystem closely, like we have been, sentiment analysis coupled with major project release dates and partnership announcements can be used to gauge R:R (Risk to Reward) in the short term.



Due to its early stages cryptocurrency market is quite dynamic and like other traditional investments it too goes through cycles. This requires us to continuously evaluate and adapt our strategy to market conditions at a given time. Hence, percentage allocation of funds across our 3 main investment strategies (as seen in the above graph) varies with market conditions.

Bitazu units

Bitazu units represent unit ownership in Bitazu Capital. The value of Bitazu unit was chosen to be \$1 when the fund started on 22nd May, 2018. Supply of Bitazu units depends on the incomes and outcomes of the fund's capital.

Bitazu Unit Price = (Total Net Assets Value / Total Supply of Bitazu units)

For e.g., let's assume the fund holds 2 BTC worth \$5,000 each and 2 ETH worth \$500 each. So, Total NAV of the fund is \$11,000. Let's assume the total Bitazu units are 1,100. So, the value of each Bitazu unit is \$10.

Let's say, in a month BTC and ETH rise to \$6000 and \$600 each. The total NAV now becomes \$13,200. Since, the number of Bitazu units is still 1,100, the Bitazu unit is now worth \$12. Hence, value of a Bitazu unit is backed by the Total Net Asset Value (NAV) of Bitazu Capital.

Every time a purchaser sends BTC or ETH to Bitazu Capital's BTC or ETH address, Bitazu Capital issues Bitazu units on the purchaser's name based on the unit price at that point of time. *So, Bitazu unit price does not change when a new investor enters the fund.*

Purchaser's Bitazu units = (Amount Invested / Bitazu unit Price)

Every time a Bitazu unit holder withdraws his/her investment from Bitazu Capital, the account's Bitazu units are destroyed. Payout is calculated based on the Bitazu unit price at that point of time. *Bitazu unit price does not change when an investor withdraws their funds.*

Investments = (Bitazu units owned X Bitazu unit Price)

In simple terms, the value of one unit in Bitazu Capital behaves exactly as that of one unit in a traditional mutual fund.

Note: We have used the term Bitazu units, and not tokens as we want to specifically bring out the fact that Bitazu units are not tradeable. These represent your ownership in the fund.

Economic model

For running the fund effectively, Bitazu Capital takes income through the following rule:

1. Management fee: 1% of the total value of portfolio half-yearly. This fee is first taken upfront, and then every half year from the date of investment.
2. Performance fee: Bitazu Capital takes a performance fee equal to 25% of profits if returns are over 20%. The fund takes this fee half-yearly or when units are redeemed by an investor, whichever occurs earlier.

For example: Say an investor subscribes for Bitazu units worth \$10,000 and let's assume that over the next 6 months the NAV (Net Asset Value) of the fund increases by 50% taking the investor's Bitazu units value to \$15,000. In this increase of \$5000 a 25% performance fee (\$1250) will be paid to Bitazu, thereby reducing the NAV of Bitazu by the same amount, leaving the investor's units worth \$13,750 giving a return of 37.50%.

Please note: The fee structure is subject to change every 6 months. Investors have the right to withdraw their funds if they do not approve the change.

How to invest

The minimum investment amount is 1 ETH

1. Sign up at our [website](#)
2. You will then receive an email with instructions on how to submit KYC documents.
3. If you already own ETH/BTC, skip to step 5. For those who do not own any ETH/BTC continue reading step 4.
4. Buy ETH or BTC to invest in the fund. For doing so
 - a. You can use Fiat exchanges such as [Zebpay](#), [Koinex](#), [Bitbns](#)
 - b. Or other P2P platforms such as [Localbitcoins](#) and [Localethereum](#)

5. After KYC approval, we will share with you the BTC/ETH address of Bitazu Capital.
6. Transfer the required funds (min. 1 ETH) to the address given by us.
7. Once we receive the funds, you will receive a confirmation email with details of the transaction and the Bitazu units allocated to you.

If you face difficulty at any point, just write to us at contact@bitazu.com and we'll sort it out.

Team

Mohit Sorout^[4]

A DTU alumni and ex-Growth Hacker at Vokal (one of 8 startups selected by Google for their 'Solve for India' program). Mohit has been researching blockchain tech since 2016. He is involved with the Blockchain project Mainframe - The web3 communications layer helping them grow in India. He started investing in cryptocurrencies in early 2017 and has grown his portfolio over 2,500%. He has expertise in identifying early stage projects (& ICOs).

Ankit Aggarwal^[5]

A BITS-Pilani and ISB graduate, Ankit has experience in developing India-centric products such as Rydo (an Indian BlaBlaCar competitor) and Vokal. He's a product manager and a developer. He started investing in cryptocurrencies in mid-2017 and has grown his portfolio 1500%. His understanding of crypto-patterns and algorithms for trading helps lower risks and multiply returns.

Risks

- The Fund is not registered with the Securities and Exchange Commission (SEC) as a Broker-Dealer.
- There is no assurance of investment return.
- 50% of your invested funds have a lock-in period of 6 months from the date of purchase. Investors are free to redeem those 50% units upon expiration of the lock-in period. ICO investments take considerable time to become liquid assets hence it is important for us keep this lock-in period.

- Cryptocurrencies are not regulated and regulations might arrive that would make running a crypto fund extremely difficult, if not impossible.
- Tax risks are to be borne by the token holders themselves.
- The Issuer does not intend to register with the CFTC as a “commodity pool operator” or as a “commodity trading advisor.”
- Substantially all of the Issuer’s computer and communications hardware is located at a single facility, which leaves us vulnerable.
- The fundamental value of BTC, ETH, and other cryptocurrencies is volatile and sensitive to subjective perception.
- The performance of the prior investments of the members of the Issuer’s executive team may not be indicative of the Issuer’s future results.

By sending BTC or ETH to our address the purchaser agrees that he or she understands and accepts these risks and potential losses of all funds without a possibility to restore. Fund managers do not hold any risks except for risk of losing personal investments.

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