

Introduction

DigitalX looks to identify and target the highest quality digital asset projects that will power the next generation of computing infrastructure. By doing so it is our objective to provide our investors with the type of exponential returns uniquely associated with high growth networks and early-stage technologies. DigitalX believes that digital asset adoption will be led by digital native millennials, accelerated by continued instability in the global financial system, and backed by continued institutional adoption. We believe this investment class will provide unparalleled returns for DigitalX, as manager and as a significant investor in our Funds, as well as our investors who are placing their trust in our expertise.

The DigitalX Digital Asset Fund invests in the sector leaders of the industry. The investment mandate is focussed on highly liquid, well-funded assets that are experiencing real organic demand. Executing on this thesis, DigitalX has been recognised as a top cryptocurrency Fund performer in 2021 by the AFR and Morningstar and is positioned well for the future.

Global Digital Platforms have “Network Effects”

Digital assets and distributed ledger technologies will refashion old, less efficient business models into digital, 24/7, peer to peer modern day versions. This change will bring with it enormous investment potential. Digital assets, unlike traditional assets, are not subject to diminishing marginal returns and benefit from extraordinary network effects. For this reason, we believe they have the ability to create global markets of a size and level of accessibility previously unattainable with legacy markets and facilitate the emergence of new industries. With total global asset markets being in the hundreds of trillions of dollars and “digital” currently sitting below US\$2trillion, we see huge potential for growth and disruption in coming decades.

Demographic Changes Transforming the Financial Landscape

Millennials are now the highest income generating demographic and stand to benefit from up to US\$68 trillion in wealth transfers from older generations over the next 10 years. Millennials grew up in the shadow of the GFC and have a general mistrust for financial institutions. They are also often referred to as the “crowdsourced generation” or “digital natives”, and they are comfortable doing business and exchanging value peer-to-peer in a digital environment. We believe that this demographic change will continue to provide strong demand for the digital asset class in coming years. (Sources - [CNBC Financial Advisor](#), [Wealth transfers and their economic effects, Research Paper, In The Black](#)).

Web 3.0, the Next Generation of the Internet

Web 3.0 replaces central intermediaries with community owned platforms, giving investors the opportunity to own the infrastructure that will power the future. Web 3.0 provides the unique benefit of being able to accelerate innovation by allowing developers to leverage the functionality of existing digital protocols to create new peer to peer business models. This allows developers to engage more readily in the digital ecosystem, helping break the stranglehold that monopoly institutions have over the internet. We believe that this will increase the demand for Web 3.0 applications in coming years and create significant investment opportunities for the DigitalX Funds.

QE and Financial Instability

Between 2020/21 trillions of dollars have been pumped into the global economy, risking inflation and the debasement of traditional currencies. Digital assets, being decentralized and disintermediated, are beyond the hands of government control and cannot be over-supplied by any central authority. Thus, they offer an attractive solution to those trying to safeguard their wealth against inflationary monetary policy and unbridled central bank spending. We consider Bitcoin to be 'digital gold', being the first asset of its kind with a fixed and completely forecastable supply. This was recognised in 2021 by a small Central American country becoming the first country to adopt Bitcoin as legal tender and as its dominant reserve, ahead of gold. We believe that in the coming years continued financial instability in the global market will accelerate the speed at which Bitcoin replaces gold as the preferred inflation hedge, disrupting a US\$11 trillion market.

Continued Institutional Adoption

Institutions have recently begun to deploy billions of dollars of capital into the digital asset markets to capture these opportunities. In 2020/21 leading investment banks like Morgan Stanley, Goldman Sachs and JP Morgan started buying digital assets and providing access to their high-net-worth clients. Bitcoin ETFs have slowly gained regulatory approval in smaller markets around the world and notable public companies now hold Bitcoin as an inflation hedge on their balance sheet. As digital assets continue to become more mainstream, we forecast that their adoption by institutions will develop at an increasingly rapid rate.

DigitalX's digital asset investment funds have been designed specifically to capture the growth from these market forces over coming years.

For further information, please contact:

DigitalX Limited

E: clients@digitalx.com

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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