



QUARTERLY REPORT

Q2 2019

INVICTUS

FOREWORD

The brutal winter following the December 2017 peak shattered the dreams and lofty aspirations of many a cryptocurrency project. 2018 was indeed a challenging year for the cryptocurrency market - we had to face off against an influx of bad actors, the wildly negative public perception after the correction that took BTC to the low \$3000 range and the rousing of the slow, traditional giants to the potential of decentralized currency.

But we survived. And your support for Hyperion, Invictus and our portfolio companies has been invaluable and highly appreciated. You are the reason that exposure to the opportunities early-stage venture capital can present are now accessible - no longer only to the select few able to write million-dollar cheques over lunch. What we are doing together is challenging the traditional financial system - a shift in power that we are all a part of.

Since the relative collapse of the ICO market, we have shifted to the time-proven approach of tranche-based equity stakes with hurdles based on company performance. This change in mandate has coincided with the re-negotiation of a number of our token positions to equity. This allows us to be properly aligned with the founding team and to participate in company performance without needing to force a token economy.

And for those that we feel have not lived up to their promises - we have held them accountable.

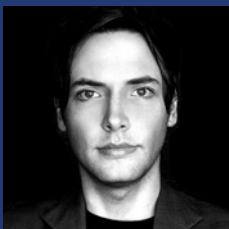
Institutional investment is flooding into the market and industry sentiment seems to be at a new high. Something is different this time around, though - industry events are much more poised and measured than the frenzied rush we saw in late 2017. Start-ups have substance, shady advisors have largely disappeared, and almost all serious projects are raising equity funding. Crypto is growing up.

Venture capital is a game of home runs, not averages, and we have some serious home run potential. Quantfury and NOIA, our two largest positions, have performed exceptionally well. Since Quantfury's public launch just over six months ago they have managed to exceed \$5 billion in 30-day trade volume across their iOS and Android app offering. That's billion with a B - 9 zeroes and a big deal. Dozens of upgrades and new features have been rolled out and their growth seems to be exponential. Congratulations to Lev and the Quantfury team for their amazing achievement so far - we are actively engaged in supporting the team and their ability to scale.

The rest of 2019 is set to be spectacularly interesting.

Kind regards,

Daniel Schwartzkopff, CEO



CONTENTS

- MARKET OVERVIEW 1

- HYPERION OVERVIEW 2
 - Strategy..... 2
 - Performance..... 2
 - Fees 4

- INVESTMENT UPDATES 5
 - Cryptobuyer 5
 - Quantfury 5
 - NOIA 6
 - Lightstreams 7
 - DAV 7
 - Ovex 7
 - Stackr 7
 - Equiti Games 7

- IMPAIRMENTS 7
 - Gamedex..... 7
 - Wemark..... 8
 - Menlo One 8

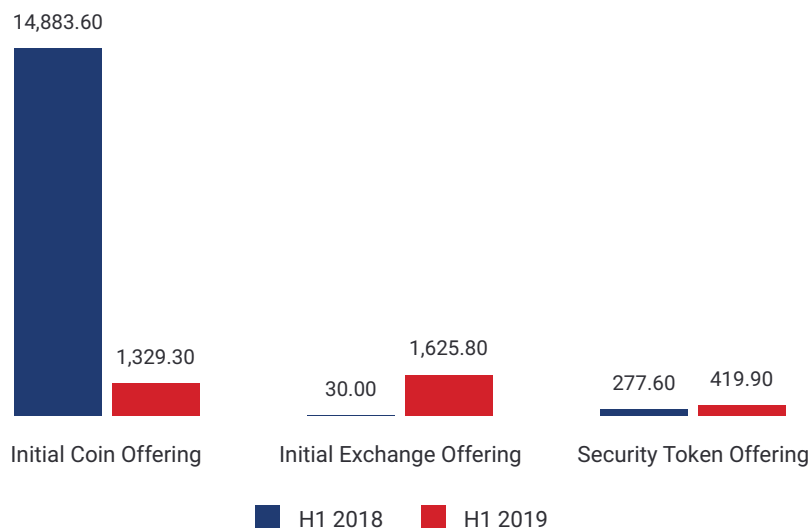
MARKET OVERVIEW

The ICO boom witnessed throughout 2017 and early 2018 coincided with significant price appreciation across most cryptoassets. In the second half of 2018, however, the total funding received by projects via initial token offerings was on a sharp decline. This directly correlated with the market downturn and waning price of Ether.

Large decreases in return on marketing spend for ICOs resulted in a dramatic decline in successful ICOs by the end of 2018. When successful, raising funds through a token issuance is great for a startup looking to retain full ownership and control over their entity, while generating much needed seed capital in an otherwise highly congested venture capital market. For the contributor however, there is very little to no claim over the product or company they have chosen to support and any misappropriation of funds by the issuer leaves the majority of ICO participants with little prospect of recovering their fund.

For this reason, a significant number of opportunists entered the market seeking to piggyback off of the market hype generated at the time. The returns witnessed early on in the boom gave investors a large degree of overconfidence in their ability to select assets that would yield high returns. Many retail participants and influencers with minimal traditional investment experience quickly became overnight 'experts' in the field of blockchain technology based cryptoassets - a seemingly far more complex asset class than traditional shares. This overconfidence produced a volatile and unhealthy market that unfortunately resulted in significant losses for the large majority. What followed was the extreme negative public perception of the market and the relative collapse of the ICO industry.

YOY Analysis of Token Offerings by Funds Raised (\$MM)

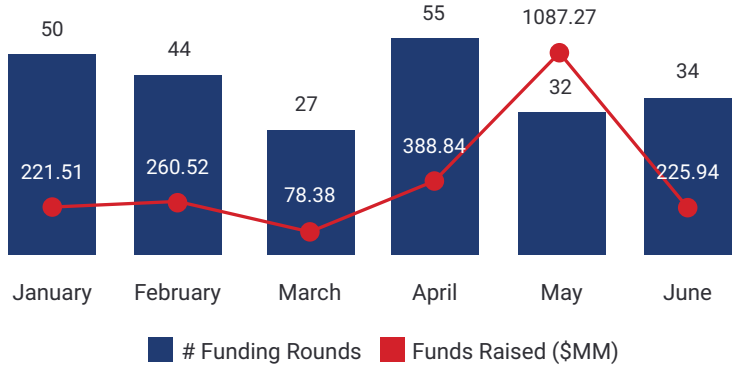


Source: InWara

This is certainly not to say that all ICOs were disingenuous or failed to deliver - there are in fact a substantial number of exceptional projects with real utility attached to their tokens. Unfortunately, a number of factors seemed to have compounded the challenges many of these later projects faced - including struggling with expensive exchange listings and the approximately 90% decline from the peak price of Ether. Treasury management was something not very familiar to many of the tech-heavy projects who failed to foresee the risk imposed by holding their entire raise in volatile cryptocurrency.

Initial Exchange Offerings (IEOs) came to the fore in early 2019 as a new method of crypto fundraising. At Invictus, we see this largely as a way for exchanges to diversify their revenue streams during the bear market, when volumes were decreasing and fees from new listings had all but dried up. Exchanges capitalized on the opportunity to provide companies who had already done all the groundwork for an ICO, with a cost-effective token issuance platform instead of paying the hefty fees associated with a public raise. Bitfinex raised \$1 billion in their IEO which accounts for most of the H1 2019 IEO figure in the above graph. This greatly skews the mean raise figures for the year so far. IEOs in their current incarnation offer no additional benefits in terms of accountability or rights versus that of traditional ICOs and as such we do not see them as a sustainable method of generating returns or raising capital going forward.

2019 Venture Funding in the Blockchain and Crypto Space



Source: InWara

The blockchain industry as a whole has certainly not slowed down, with consistent funding rounds being closed in the traditional equity venture capital space. Increased compliance with regulation may have placed a damper on cryptoassets over the short term, however it has created the foundation for a much healthier market in the long run. 2019 has seen a consistent increase in market sentiment which has been clearly reflected in the price of cryptoassets.

Massive amounts of funding and talent have poured into the space over the past two years, with large corporations such as Facebook, JP Morgan and Goldman Sachs all seeking to enter the market. This will undoubtedly bolster infrastructure and the number of fiat onramps for cryptoassets in general and hopefully result in much needed improvements in the field of user experience, providing seamless interaction for the retail market.

HYPERION OVERVIEW

Strategy

As mentioned in the previous Hyperion Quarterly report, the fund has maintained its strategy as an early-stage blockchain venture capital fund. The primary method of exposure however has shifted to equity based investments, with potential conversion options into tokens should the fund require short term liquidity.

Unfavourable market conditions, poor performance, lack of accountability and a dearth of quality projects taking the ICO route underpins the rationale to alter the fund mandate. Most early-stage blockchain projects have proven to be better suited to equity rather than establishing a forced token economy simply to raise capital. An equity mandate aligns the fund’s interests with that of the founding team. Equity is also preferable for governance and protective provisions and better allows for recourse to protect fund rights. This promotes a less volatile fund and holds founding teams accountable for their performance. Hyperion has subsequently re-negotiated equity agreements with numerous portfolio companies, which will be held at cost until a fair valuation via further equity rounds or until a sound financial position warrants an adjustment.

The Hyperion investment team is predominantly spending their time supporting existing investments, adding value where possible and assisting with scaling. Invictus Capital has its own internal Engineering, Business Development, Marketing and Analyst teams; which allows for Hyperion to assist portfolio companies across a range of key business areas crucial for the success of any startup. The fund is currently fully invested and is therefore not actively seeking new positions.

Performance

The Hyperion fund has performed well this quarter with a 154% increase in net asset value. This performance is attributable to significant gains made by particular equity positions held within the portfolio. We do not publish specific ownership details of equity holdings in Hyperion as these details may allow for sensitive information to be reverse engineered. Generally, however, it is accepted that ‘venture capital’ is defined as an equity stake of

between 10 and 30% and is often paired with an exit horizon of three to seven years.

Venture Capital funds invest in private companies which are not required to publish financial reports (unlike public companies which are required to do so) and tend to keep critical information like valuation and performance data private for competitive business reasons. We will, however, always strive to be as transparent as possible with IHF token holders.

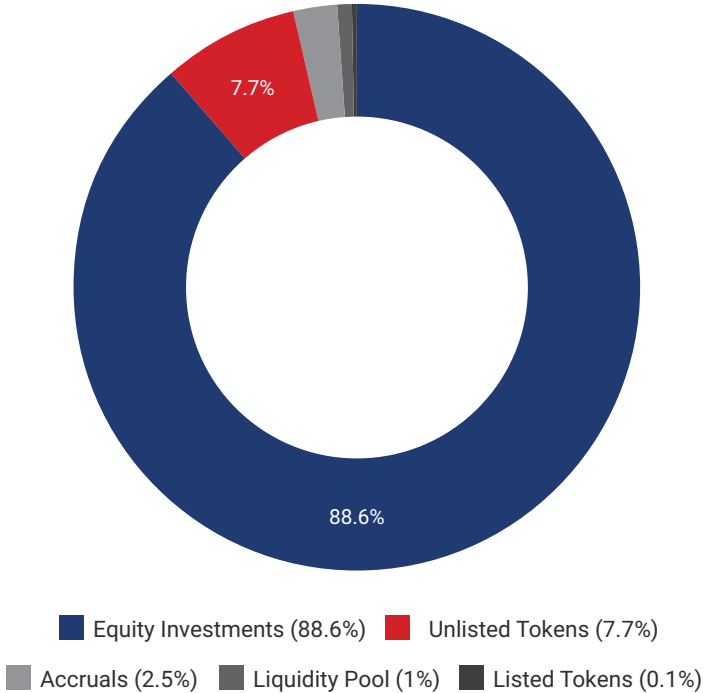
The stellar performance this quarter was marginally impacted by an impairment of \$762,400 (detailed below) and poor listed token performance by Menlo One, Wemark and DAV.

	Fund Inception 31/5/18	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Net Asset Value (\$)	\$9,400,335	\$6,106,223	\$5,733,195	\$5,505,875	\$13,963,585
IHF Total Supply*	122,852,180	122,852,180	122,852,180	122,852,180	122,852,180
IHF/USD	\$0.0765	\$0.0497	\$0.0467	\$0.0448	\$0.1137

*Supply remains fixed until buy and burn is implemented once fund value exceeds \$30 million.

This report reflects the NAV per token as assessed by the Hyperion management team and fund managers as of 30 June 2019. Note that this report has not been audited or reviewed by auditors and that the NAV calculation is determined internally using industry accepted standards. Equity positions are held at cost, unless further equity rounds or a change in the company financials justify a revaluation. Conservative valuation methods are always applied with discounts for lack of marketability of minority stakes. It is important to remember that these calculations are used only as a guideline to determine the underlying value of the IHF token at the date calculated. The market value of the token may trade at a discount or premium on exchanges subject to relative supply and demand forces.

Hyperion Fund Net Asset Value Breakdown



In the above chart we provide a breakdown of the net asset value of the Hyperion fund. 88.6% of the fund value is currently in equity positions. These will generally be longer term holdings with valuations at fair market value that are confirmed by investors in subsequent funding rounds or liquidity events. IHF token holders must be aware that there may be significant concentration risk in the fund whereby a small number of portfolio companies account

for a large portion of the fund value. This may result in large fluctuations in the fund value as these valuations change over time. Once the fund conducts successful exits, diversification will be implemented to reduce such risk.

Accruals in the fund are in the form of both receivables and payables due. The net position is reflected in the chart above which is a surplus of capital. Unlisted tokens are typically in the form of SAFT agreements that have yet to have their tokens distributed and listed. The fund is currently in talks to reduce this figure and convert our positions to equity. This figure also takes into account any impairments that have been recognised, which includes one impairment this quarter amounting to \$762,400, explained below. Listed tokens and the liquidity pool currently account for roughly 1% of the fund.

Fees

When the Hyperion fund was conceptualized at the start of 2018, the market for ICOs and crypto in general was exceptionally healthy. The fund strategy was to negotiate favourable terms with token issuers, not just by providing large injections of capital, but by leveraging our vast industry expertise. These commercials would serve as a hedge against price decline from public sale rates, but would also allow for far greater returns post-listing. Through this, Hyperion would have been able to cover its operational expenses via the performance fee generated from the realized gains in these short term holdings, as initial expected holding periods were not more than 3-12 months.

Given the change in fund mandate to equity-only investments (as explained above), it is necessary to align the Hyperion Fund's fee structure with the change in mandate. Equity investments may require up to 5 years before any position can be exited and performance is realized - although in the blockchain realm these timeframes are likely to be somewhat accelerated. This is in contrast with ICOs whereby a return could be realized in weeks. For this reason, the fund has opted to adopt a performance fee structure that is based on the appreciation of the token NAV (with reference to a high-water mark), which will be implemented from the start of the fourth quarter.

A high-water mark means that the fund will not incur performance fees until previous underperformance has been surpassed.

Valuations for equity holdings may also stay static for significant periods of time and therefore no performance fee may accrue for months or years. The fund may also go through periods of underperformance whereby no fees are accrued. In order to ensure that operational expenses are covered, a small management fee will be implemented from the start of Q4 2019. In a [report](#) conducted by PriceWaterhouseCoopers, average and median management and performance fees were calculated across global Crypto Funds for the 2018 year:

	Average Management Fees	Average Performance Fees
All Funds	1.72%	23.50%
Fundamental Fund	1.75%	22.80%
Discretionary Fund	1.76%	23.20%
Quant Fund	1.57%	26.80%

	Median Crypto Fund Fees	Hyperion Fund Fees
Management Fees	2.00%	1.50%
Performance Fees	20.00%	12.50%

Invictus Hyperion plans to keep its original performance fee of 12.5%, which is significantly below the industry median of 20% and nearly half the industry average of 23.5% per annum. In order to keep fund operations running on a monthly basis, the management fee to be implemented will be 1.5% per year on net assets, accruing from Q4 2019. This is also far less than most venture and hedge funds globally. The Hyperion whitepaper will be updated to account for these fee changes along with the overall strategy change of the fund.

INVESTMENT UPDATES

Cryptobuyer

Cryptobuyer has added a new partnership to its long list of collaborations with the company LEDN of Toronto, Canada to offer loan and savings products using bitcoin as collateral, adding a new revenue stream to its portfolio of products and services. Additionally, Cryptobuyer has continued with the expansion of its ATMs with new locations such as the JW Marriott Hotel in Panama, and will soon be present in other recognized hotel chains with the goal to reach all of Central America, including Costa Rica and Puerto Rico.

With respect to its Point of Sale solution, Cryptobuyer has experienced a growth of more than 100% in monthly operations, mainly motivated by the uptake of large retail chains in Latin America, including Samsung Experience Stores and TRAKI of Venezuela with 46 superstores, consisting of more than 400 employees each. In this way Cryptobuyer continues to consolidate its user base by adding real-world companies to its payment solutions, while looking for new partners and opportunities.

The next planned launch is the start of operations in Mexico with the help of Mercado Libre (NASDAQ: MELI), a company with which an agreement has been signed for processing payments. Mercado Libre is the only Latin American firm to be part of the Libra Alliance, the new Facebook cryptocurrency. Cryptobuyer will work closely with Mercado Libre in the implementation of Libra across Latin America.

<https://cryptobuyer.io/>

Quantfury

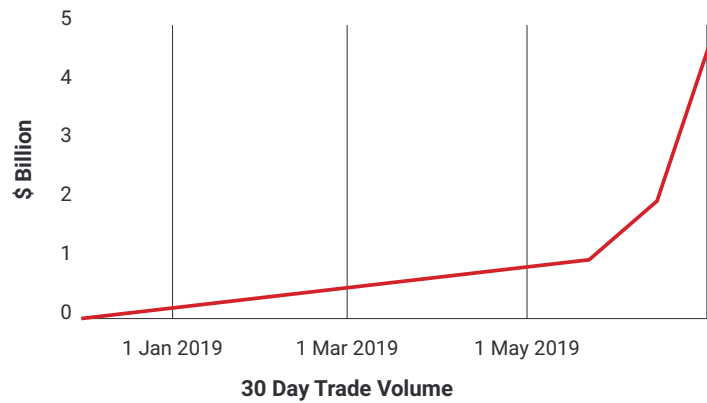
Quantfury has continued to experience exponential growth in both its user base, as well as trading volume. The Quantfury user base has grown by more than 800% from the start of the quarter and their trade volume has reached over \$200 million per day, and \$5 billion in the past month. Quantfury has further cemented its status as the new paradigm of brokerage that guarantees the execution of its users' trades without incurring any fees, whatsoever. After rolling out their trading app in early December 2018, considerable effort has been invested over the following 6 months with regards to their user experience and app refinement.

Improvements rolled out during the last quarter include the following:

- Trading history improvement
- General performance improvement (due to the rapid scaling of users)
- Addition of limit order functionality
- Improvements in prices streaming
- Improvements in connectivity while switching from Wi-Fi to cellular connection
- Qtum, Dash, Litecoin and Dai tokens collateral support
- Visibility of pre-market and after-market price changes for USA equities
- Users can do partial withdrawals as their trading continues
- Users can increase their trading power as their trading continues
- Improvement to stop and target orders
- Scanning your wallet QR codes for fund withdrawals

From the beginning of May 2019, trade volumes have increased exponentially with **\$1 billion in 30 day trade volume** being reached on 22 May. This growth has been largely organic with very little marketing spend being used, but fueled to a large extent by the end of the crypto winter and an unrivalled trading experience. We do not anticipate a slowdown in growth any time soon.

Growth in Quantfury Trade Volume



Source: <https://quantfury.com/>

Quantfury has an extremely active and supportive community which includes a number of unofficial foreign language communities across Telegram and Twitter. The team are always available to answer any questions from their valued members.

Platform	Name	Language
Telegram	Quantfurians by Quantfury	English
Telegram	Quantfury News	English
Telegram	Quantfury Türkiye Official	Turkish
Telegram	Quantfurianos	Spanish
Telegram	Quantfury	Russian
Telegram	Quantfurianer	German
Twitter	Quantfury	English

We wish Quantfury all the best going forward and to keep up the incredible success they have achieved over 2019 thus far.

<https://quantfury.com/>

NOIA

NOIA signed multiple partnerships with different infrastructure providers such as 100TB, Cherry Servers, Cloudvisor, Whitebit and others. The NOIA Network Backbone has been enhanced by adding 4 providers with EU/ USA locations. The backbone is already being used for the development environment with the software on top of it. The first implementations with proof-of-concept customers are already well underway.

The team recently had an exciting addition as William B. Norton, co-founder of Equinix, joined NOIA full-time as a late stage co-founder. Today Equinix leads in global colocation data center market share, with 200 data centers, in 24 countries, on five continents and is currently valued at \$43.29 billion.

NOIA Network will officially start trading on the 22nd of July on KuCoin exchange after finalizing the launchpad sale on Cobak in Korea which sold out within the first few seconds after launch.

Weekly development updates are available on their blog: <https://medium.com/noia>

<https://noia.network/>

Lightstreams

Lightstreams has been working hard to build a fast, privacy-preserving blockchain network that enables a new generation of applications. Their goal is to transform the way humans collaborate with technology - a way that puts people and companies in control of their data, money, and assets. In twelve months, they have built an innovative new network with vast improvements over Ethereum (approximately 100x faster settlement times) and with a unique private distributed storage system (the Smart Vault) that is controlled by smart contracts.

Their main network went live as of March 31st 2019 and the distribution of tokens will follow shortly. The team is currently working to integrate with exchanges and other key partners. After listing, their focus will turn to network adoption and growth. For Lightstreams to be successful, they need to see projects and companies build great Dapps on the network. To that end, Lightstreams will be launching bounty campaigns and other incentives for partnership. They have also finalized the governance model and will be publishing it within the coming weeks.

<https://www.lightstreams.network/>

DAV

A formal update will be provided by DAV in the coming weeks.

<https://dav.network/>

Ovex

Over the last few months, OVEX has been working hard to optimise their exchange product in preparation to scale. In addition, the team has made significant improvements to the original platform UI, and have been working on some exciting new products and features that are soon to be launched. The major development for the quarter has been the release of their app for iOS and Android.

Additional developments include user portfolio and wallet analytics, new coin listings and integrations, as well as additional KYC options for users. The team has been working closely with TrustToken to pilot a TrueUSD Faucet on the OVEX Exchange. The TrueUSD Faucet will be offered in addition to the existing CRYPTO20 Faucet, which has been generating significant volume for the exchange.

<https://www.ovex.io/>

Stackr

Due to the lacklustre ICO environment in H2 2018 and early 2019, the Stackr team decided to pivot away from a public token sale and token economy. The direction of the company remains with the stated aim of merging both crypto and capital markets investment products but it is taking a more regulated, traditional route to market.

There has been a formal rebranding and as soon as licenses are approved and information becomes public, Hyperion will make a formal announcement. The contribution made by Hyperion has thus been converted into an equity position in the venture.

Equiti Games

In September last year, Equiti Games won the \$2 million prize for their first place finish in the [Founders World 2018](#), a global competition consisting of 20 startups competing from the United States, Canada and China. See one of the articles [here](#).

The competition was hosted by [F50](#), a well-recognized Silicon Valley venture platform. After receiving global press coverage for their win, F50 has subsequently ignored Equiti Games's claim for their winnings. Despite Equiti Games, along with all the other entrants, having to pay significant entry fees to take part in the Founder World competition, F50 has refused to pay the prize money that they were contractually obligated to provide.

This has been deleterious to Equiti Games's position both financially and in terms of founder time and effort. Top-tier legal counsel has been retained and we hope to see a full recovery.

IMPAIRMENTS

Gamedex

Gamedex has called off their public sale due to a lack of funding. In order to mitigate as much risk as possible for IHF token holders, Invictus Hyperion ensures that where possible, we have sound legal agreements in place with clauses that protect investor interests. Towards the end of 2018, Gamedex had not delivered as per their agreement with Hyperion and were legally obligated to return the capital they had received. Unfortunately, Gamedex refused to accept this, despite numerous attempts and extensive legal consultation. After requesting

account information and fund reconciliations, we have come to the unfortunate conclusion of having to proceed with a legal claim due to the remainder of Gamedex’s company funds having been placed in personal bank accounts. We have therefore engaged with our counsel who will be proceeding with a lawsuit against Henno Fourie, Cameron Garvie, Chris Porter and the other founders/advisors in order to retrieve value attributable to the Hyperion fund. The full value of the Gamedex SAFT amounting to \$762,400 has been impaired and is therefore not contributing towards the net asset value of the Hyperion fund.

Wemark

Wemark is not an impairment in the traditional sense, however the listed token price has depreciated to a negligible value. It therefore has little to no contribution towards the net asset value of the Hyperion fund. Wemark has unfortunately released an [official update](#) regarding the discontinuation of the project.

<https://www.wemark.com/>

Menlo One

Similar to Wemark, Menlo One is not a traditional impairment as the token has been listed for some time. The value, however, has been reduced to the point whereby there is no contribution to the Hyperion fund net asset value. Excessive expenditure by the team with little in the way of product development has resulted in the Hyperion fund taking legal action. A formal lawsuit has been filed against Menlo One in an attempt to recover the contribution made by Hyperion. The Invictus community will be kept updated on any progress made in this regard.

<https://www.menlo.one/>

HYPERION TIMELINE



Disclaimer

This report does not constitute investment, legal, tax or other advice and is supplied for information purposes only. The information, data, analyses, and opinions presented herein are provided as of the date written and are subject to change without notice. Every effort has been made to ensure the accuracy of the information provided, but Invictus Hyperion makes no warranty, express or implied, regarding such information. The information presented herein will be deemed to be superseded by any subsequent versions of this commentary. Except as otherwise required by law, Invictus Hyperion shall not be responsible for any trading decisions, damages or losses resulting from, or related to, the information, data, analyses or opinions or their use. Past performance is not a guide to future returns. The value of investments within the Hyperion fund, as well as the IHF token, may go down as well as up and IHF token holders may not get back their value purchased. Reference to any specific security or token is not a recommendation to buy or sell that security or token. This document contains certain forward-looking statements. We use words such as “expects”, “anticipates”, “believes”, “estimates”, “forecasts”, and similar expressions to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially and/or substantially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason.