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CRYPTOCURRENCY 101 DIGITAL ASSET INVESTOR GUIDE

PREPARED BY SARSON FUNDS, LLC

GETTING TO KNOW CRYPTOCURRENCIES

Cryptocurrency and digital assets are here. Many investors have questions about this exciting new asset class.

Sarson Funds is pleased to provide this summary overview of digital assets.

Warm regards,



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PICTURED: SARSON FUNDS MANAGING PARTNERS JOHN SARSON (RIGHT) AND JAHON JAMALI (LEFT).

SARSON FUNDS Real. Clear. Crypto.™

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BACKGROUND BEHIND DIGITAL ASSETS

A cryptocurrency is a digital or virtual currency used to store or transfer value.

Cryptocurrencies are so named because they use "cryptography," algorithmically encrypted transmissions, to secure and verify transactions as well as to control the creation of new coins.

Essentially, cryptocurrencies are limited entries in a database that no one can change unless specific conditions are fulfilled.



WHAT IS CRYPTOCURRENCY?

Throughout the 1990's technology boom, there were many attempts at creating a viable digital currency. Some systems such as PayPal still survive today while most others such as DigiCash, Flooz and Beenz ultimately failed and ceased to exist. There were many different reasons for their failures, such as fraud, financial problems and even frictions between companies' employees and their bosses.

Notably, all of those systems utilized a "Trusted Third Party" approach, meaning that the companies behind the currencies verified and facilitated all transactions. Due to the failures of these companies, the creation of a digital cash system was seen as a lost cause for a long while.

Then, in early 2009, an anonymous programmer or a group of programmers under the alias **Satoshi Nakamoto** introduced Bitcoin. Bitcoin was the first "cryptocurrency", so named because it didn't rely on a third party but instead used "cryptography" to secure and verify transactions as well as to control the creation of new coins.

Bitcoin introduced the first widespread application of a computer-based consensus network wherein all network participants contributed to the validation of each transaction.

Satoshi described it as a 'peer-to-peer electronic cash system.' It is completely decentralized, meaning there are no servers involved and no central controlling authority.



ELIMINATING DOUBLE SPEND

One of the most important problems that any payment network must solve is the “double-spending” problem. With paper money, double-spending isn’t a problem. Once you hand a paper dollar bill to someone, there is no risk of you trying to spend that same dollar again - you don’t have it anymore!

BLOCKCHAIN TECHNOLOGY

Blockchain technology eliminates digital assets’ need for a central controlling authority.

When you send an ACH payment or mail someone a check, a trusted third party – Chase Bank, UBS, Wells Fargo, etc – keeps a record of your balance and reduces your account value by the amount of the transaction ensuring that you don’t spend the same money twice or spend more money than you have.

In the current system, “trusted” banks are in control of your funds and have all your personal details on hand.

In a decentralized network like Bitcoin, all account balances and transactions are recorded via a “Blockchain.”

A Blockchain is a public ledger that records all of the transactions that have happened within the network, making the information available to everyone.

Every transaction is a new entry on the Blockchain’s public ledger. The entry consists of the sender’s and recipient’s “public keys” (wallet addresses) and the amount of coins transferred.

The transaction needs to be validated by the sender providing their “private key” (password) and then confirmed by the entire network as to its validity.

Once the transaction is confirmed by the network as valid, the transaction becomes “immutable” (permanent) and that block is added to the blockchain’s ledger.

COMMON CRYPTOCURRENCIES

BITCOIN
(BTC)



THE FIRST AND LARGEST CRYPTOCURRENCY, BITCOIN WAS LAUNCHED IN 2009 AND HAS A CURRENT MARKET CAP OF \$80BILLION. BTC'S GLOBAL CONSENSUS NETWORK, WHICH IS POWERED BY ITS USERS, REQUIRES NO CENTRAL AUTHORITY TO OPERATE.

LITECOIN
(LTC)



THE 'DIGITAL SILVER' COMPARED TO BITCOIN'S 'DIGITAL GOLD,' IT WAS DESIGNED BY RESEARCHERS AT MIT TO BE 4X FASTER AND HAVE 4X TOTAL NUMBER OF COINS AS BITCOIN. IT IS CURRENTLY THE 5TH LARGEST COIN.

ETHEREUM
(ETH)



A CRYPTOCURRENCY AND A SMART CONTRACT PLATFORM, ETHEREUM ENABLES DEVELOPERS TO BUILD DECENTRALIZED APPLICATIONS (DAPPS) THAT RUN A "TURING COMPLETE" SCRIPTING LANGUAGE THAT WOULDN'T WORK WITH BITCOIN. ETHEREUM'S ROBUST PLATFORM CAPABILITIES ALONG WITH THE DEEP POCKETED SUPPORT OF THE ENTERPRISE ETHEREUM ALLIANCE HAS PROPELLED ETHEREUM TO THE NO. 2 POSITION IN THE MARKET WITH A MARKET CAP IN EXCESS OF \$15BILLION.

IOTA
(MIOTA)



WITH AN EMPHASIS ON THE INTERNET OF THINGS AND HOW DEVICES MAY USE CRYPTOCURRENCIES WHEN TRANSACTING WITH ONE ANOTHER AND SHARING IMMUTABLE DATA, THIS JAPANESE PROJECT USES A NOVEL FORM OF BLOCKCHAIN CONSENSUS TO CREATE AN IMMUTABLE LEDGER CAPABLE OF HANDLING HIGH VOLUMES AND TRANSACTION SPEEDS.

BITCOIN CASH
(BCH)



A FORK OF BITCOIN THAT IS SUPPORTED BY BITMAIN, THE BIGGEST BITCOIN MINING COMPANY, AND A MANUFACTURER OF ASICS BITCOIN MINING CHIPS. ALL BITCOIN HOLDERS WERE GIVEN BITCOIN CASH FOR FREE DURING THE SPLIT.

RIPPLE
(XRP)



UNLIKE MOST CRYPTOCURRENCIES, RIPPLE UTILIZES ITERATIVE CONSENSUS RATHER THAN BLOCKCHAIN TO REACH NETWORK CONSENSUS FOR TRANSACTIONS. THIS DECREASES TRANSACTION TIME BUT RELIES ON DECENTRALIZATION AS A CORE FEATURE. A POSSIBLE REPLACEMENT FOR THE 'SWIFT' TRANSFER SYSTEM XRP HAS A LARGE AND GROWING NETWORK OF GLOBAL BANK PARTICIPANTS. IT IS CURRENTLY THE 3RD LARGEST CRYPTOCURRENCY BY MARKET CAP AT \$15BILLION.

EOS
(EOS)



CONSIDERED A "SECOND-GENERATION" SMART CONTRACT DECENTRALIZED OPERATING SYSTEM BOASTING LOWER FEES, FASTER TRANSACTION TIMES AND USER-FRIENDLY PROGRAMMING LANGUAGES, EOS RAISED \$4BILLION DOLLARS IN A YEARLONG "INITIAL COIN OFFERING" WHICH EXCLUDED RESIDENTS FROM THE UNITED STATES IN HOPE OF AVOIDING CONFLICT WITH THE SEC.

NEO
(NEO)



A SMART CONTRACT PLATFORM THAT HAS MANY OF THE SAME GOALS AS ETHEREUM, BUT DEVELOPED IN CHINA, WHICH COULD POTENTIALLY GIVE IT SOME ADVANTAGES DUE TO IMPROVED RELATIONSHIP WITH CHINESE REGULATORS AND LOCAL BUSINESSES. DUBBED BY SOME AS "CHINESE ETHEREUM."

CARDANO
(ADA)



CONSIDERED A "SECOND-GENERATION" SMART CONTRACT DECENTRALIZED OPERATING SYSTEM THAT EVOLVED OUT OF A SCIENTIFIC PHILOSOPHY AND A RESEARCH DRIVEN APPROACH. CARDANO USES A DEMOCRATIC GOVERNANCE SYSTEM THAT ALLOWS THE PROJECT TO EVOLVE OVER TIME AND SUSTAINABLY FUND ITSELF.

CAN CRYPTO BE HACKED?



CRYPTOGRAPHY ENSURES THE SECURITY OF DIGITAL ASSETS

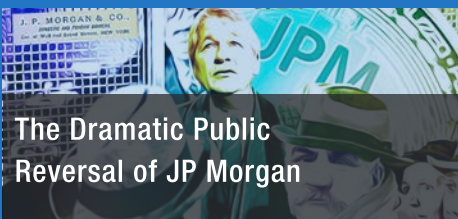
A private key that secures a Bitcoin wallet is an integer between one and about 10^{77} . That's a bigger number than the total number of ATOMS in the GALAXY!

This vast range of potential passwords (private keys) plays a fundamental role in securing the Bitcoin network. In 2018, the massive Bitcoin network was measured to be 11,000x faster than the world's top 500 supercomputers combined.

If you were somehow able to harness the power of the entire Bitcoin network and utilize it to try and guess a single private key, it is estimated that it would still take over one billion years to do so.

The consensus mechanism along with the robust encryption processes of the Bitcoin network has removed the "double spending" risk from digital currency and has removed the need for trusted third-party intermediaries.

Next Issue:



The Dramatic Public
Reversal of JP Morgan

Plus:



- Keeping Your Digital Assets Safe
- The 5 Categories of Cryptocurrencies
- Everyday Use Cases for Cryptocurrency