



Prospectus | AVFF

# **Avareum Fundamental Fund**



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## Investment Objective

The Fund is designed to capitalize on the high-growth opportunities presented by digital assets, marking a new era in investment possibilities. The fund seeks capital appreciation by strategically balancing investments in Foundational Leaders and High Conviction Assets. Employing a risk-focused approach, it combines active management and rigorous risk mitigation strategies to optimize returns and maintain a resilient portfolio suitable for sophisticated investors.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy, hold or sell shares of the Fund. Investors may pay other fees, such as gas fees.

**Annual Fund Operating Expenses (Expenses that you pay each year as a percentage of the value of your investment)**

Management fee <sup>1</sup>	2%
Performance fee <sup>2</sup>	20%
Front-end fee <sup>3</sup>	3%

- (1) **“Management Fees”** are charges 2% annually from the investment.
- (2) **“Performance Fees”** are charges that are taken if a fund’s investment return is better than a specified level or benchmark. Avareum charges 20% from the investment profit by using High-Water Mark(4) to indicate the measurement position.
- (3) **“Front-end Fee”** are charges 3% from the initial deposit when purchasing shares.
- (4) **“High-Water Mark”** is the highest peak in value that an investment fund or account has reached.

## Performance fee calculation

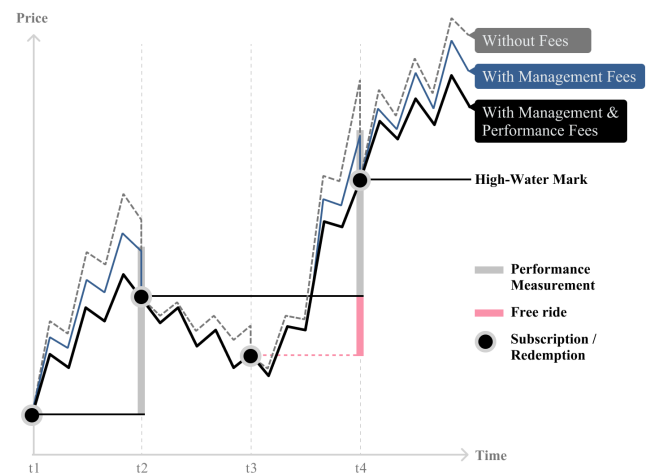


Figure 1: This chart illustrates the fund performance with and without fees, where t1, t2, t3, and t4 mark the points of subscription and redemption.

**t1** is the starting point where your money starts to invest in the protocol.

**t2** is the time your investment starts to gain some profit. We will calculate performance fees based on the increasing capital gain.

**t3** is the period where your investment losses in equity compared to t2. You don’t have to pay for the performance fees which means a free ride.

**t4** is where your investment earns the highest profit. We will calculate the performance fees based on the High-Water Mark. Therefore, we will calculate the investment profit compared between t2 and t4.

## Calculation example

This example is intended to help you compare the cost of investing in the Fund. This example assumes that you invest \$100,000 in the Fund for the periods indicated and then sell all of your Shares at the end of those periods. The example also assumes that your investment has a 20% return compounded each year and that the Fund’s operating expenses remain at current levels.



Although your actual costs may be higher or lower, your costs, based on these assumptions, would be:

Initial Deposit	\$100,000
Front-End Fee	\$3,000
<b>Invest</b>	<b>\$97,000</b>

	1 Year	3 Years
No fees	\$121,939.11	\$181,313.04
With Management fees	\$119,500.33	\$177,686.78
With Management and Performance fees	\$117,550.30	\$169,918.10

## Expected Return

The return of the Fund is expected estimated return average 50% annually comes from;

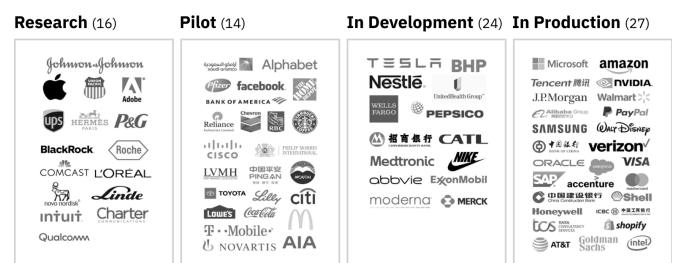
1. **Capital Gain** from selling digital assets higher than buy-in price.
2. **Asset Benefit** from holding asset "A" to get asset "B" and selling asset "B" at the market price. (special rights from holding digital assets).

## Why Are Digital Assets a Big Opportunity?

The advent of the digital age has had a profound impact on multiple sectors, catalyzing a fundamental transition from conventional to digital systems. Revolutionary technological advancements such as blockchain technology and smart contracts have redefined conventional operational and transactional practices in the financial technology (fintech) sector, providing more secure and efficient digital experiences for customers. Financial institutions have been able to streamline their operations through the utilization of these cutting-edge technologies.

The adoption of blockchain technology and smart contracts in the fintech industry has been greatly accelerated by the COVID-19 pandemic. Additionally, the current state of the US banking sector has also contributed to the rise of digital assets and DeFi. The traditional banking system has encountered numerous difficulties, including dwindling trust among customers and businesses, heightened competition from fintech companies, and regulatory obstacles. As a result, digital assets and DeFi are increasingly being viewed as appealing alternative financial solutions that offer greater transparency and decentralization for conducting financial transactions.

### Blockchain Adoption Stage of Top Institutions



Source: Block Data

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Figure 2: Blockchain adoption from top institutions 2021

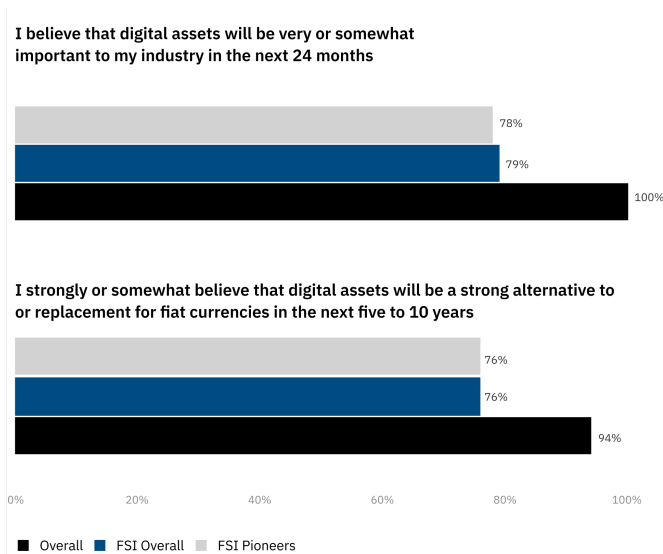


Figure 3: shows a survey of Deloitte's Global Blockchain 2021

According to Deloitte's 2021 Global Blockchain survey, approximately 76% of top-tier financial services industry professionals believe that digital assets, or electronic data units, will emerge as a strong substitute for fiat currencies or even replace them entirely in the next 5-10 years. Through blockchain technology, digital assets enhance transparency and traceability, resulting in greater multifunctionality in various sectors, including financial services. Decentralized Finance (DeFi) disrupts the centralized financial system, providing individuals with access to P2P digital transactions, staking, NFT marketplaces, liquidity mining, and synthetic assets.

Investing in digital assets is an enticing opportunity for investors, although it requires substantial time and effort to differentiate viable investment currencies from fraudulent ones. Avareum fundamental funds present an entryway for investors to invest in novel asset classes. Digital assets have a growing market size and increasing adoption, representing a promising investment opportunity that investors should consider adding to their portfolios.

Our fundamental funds evaluate each digital asset's performance by leveraging on-chain data and a practical valuation model aimed at investing in high-potential digital assets. Investors can confidently capitalize on digital assets without struggling to select the "winners" of each sector and diversify their exposure to blockchain technology.



## Principal Investment Strategies

The Avareum Fundamental Fund is a diversified investment portfolio that focuses primarily on digital assets, engineered to capitalize on the distinctive attributes of both Foundational Leaders and High Conviction Assets. By maintaining a dynamic balance between these asset classes, this investment strategy delivers robust risk-adjusted returns, optimizing stability and growth potential in the inherently volatile digital asset markets.

Foundational Leaders enhance the Fund's stability through their established market presence and reliability. Recognized as safer investments, these assets often lead their categories through technological innovation, significant market share, or rigorous regulatory compliance.

High Conviction Assets act as the Fund's growth catalysts. These less-established assets are characterized by their innovative technologies and market potential, offering significant upside despite higher volatility.

The allocation between Foundational Leaders and High Conviction Assets dynamically adjusts based on the fund manager's strategic perspective, focusing on risk contribution to maintain an optimal balance between stability and growth potential.

The fund management team monitors projects in key areas such as Computing, Decentralized Finance (DeFi), Culture & Entertainment, and Smart Contract Platforms, following the standardized DACS methodology. The universe is scoped through stringent criteria to ensure quality and scalability, focusing on liquidity. Assets, chosen from the DACS 500 index by CoinDesk, must conform to the scoring system, which emphasizes market cap and liquidity. Additional exclusions based on asset characteristics and categories ensure only the most promising digital assets are included.

Through a comprehensive top-down approach, the fund management team evaluates macroeconomic indicators and microeconomic fundamentals to identify high-growth sectors with tangible real-world applications. The evaluation encompasses a thorough assessment of project integrity, the team's expertise, and the underlying token economics, aiming to ascertain long-term investment viability.

Individual assets within the portfolio are allocated using a clustering-based algorithm designed to balance risk contributions across all components. This strategic allocation adheres to predefined constraints, including specific limits on asset and group exposures, ensuring optimal risk management and compliance.

As a final point, the Avareum Fundamental Fund is designed for investors who familiar with the complexities and volatilities of digital markets. It provides a balanced portfolio that combines stability with high growth potential through strategic asset allocation, making it an optimal choice for those seeking high-return investment opportunities.

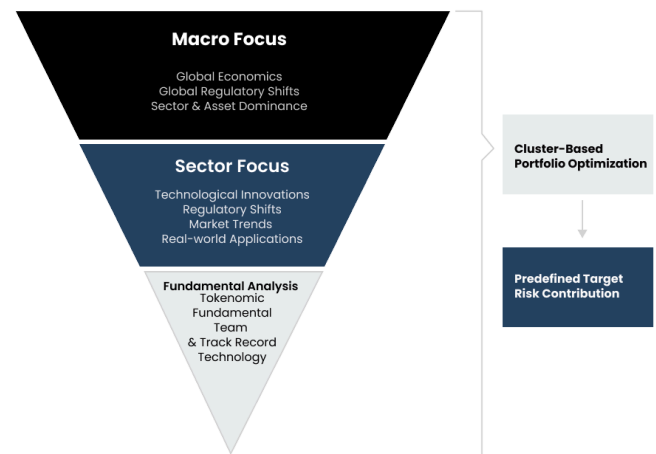


Figure 4: Strategy of Avareum Fundamental Fund

## Fund Structure

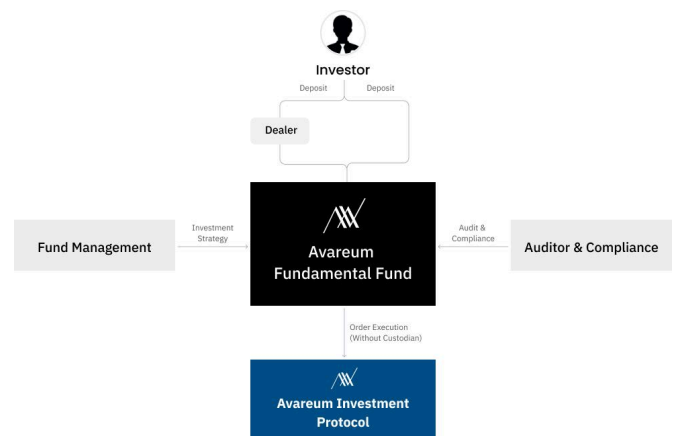


Figure 5: Strategy of Avareum Fundamental Fund



# Performance



Figure 6:Strategy of Avareum Fundamental Fund

# Investment Theme\*

Note: (\*) Investment themes are categorized using The DACS framework for digital asset classification.



Figure 7: Investing Theme

# Fund Subscription

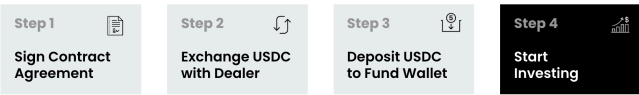


Figure 8: Fund Subscription

# Fund Redemption

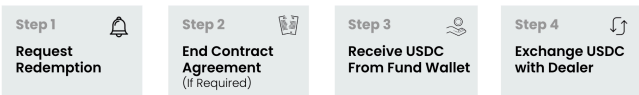


Figure 9: Fund Redemption





## Risk Summary

Prospective investors should recognize that investing in the Fund carries a significant level of risk. There is no guarantee that the Fund's investment objectives will be met, nor that Shareholders will recover their capital; they could potentially lose their entire investment. It's essential to thoroughly evaluate these factors before investing in the Fund. However, this summary below does not encompass all potential risks associated with the Fund. Investors should carefully assess these risks and seek guidance from their professional advisors as needed.

### Risk Related To Digital Assets And Market

The value of the Fund is closely linked to the fluctuating value of the digital assets held by the Fund, which can be highly volatile and potentially lead to the Shares losing much or all of their value. Over the medium to long term, the value of these shares will depend on how blockchain technology evolves and the fundamental investment characteristics of digital assets. The concentration of digital asset ownership means that large transactions by a few owners can negatively impact the market. Additionally, recent events have caused extreme market fluctuations, and issues such as a fork in the blockchain, along with the unregulated and opaque nature of exchanges, further contribute to the uncertainty and risks associated with investing in these assets.

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### Risks Related To Investment Activity

The Fund's value may be significantly impacted by its concentration in Bitcoin and Ethereum, with losses in these digital assets potentially causing shareholder investment losses.

If the Fund decides to pursue staking activities, it might face challenges in rebalancing its portfolio due to the assets being locked for a specific period in protocols. Staking activities

within the Fund are tightly controlled, with only a few authorized personnel able to manage the Portfolio Crypto Assets. Once these assets are transferred for trading or staking, they become susceptible to security risks, including hacking or unauthorized internal access, potentially leading to loss.

Additionally, the Fund may need to engage with DeFi protocols for governance, staking, lending, and liquidity provision could result in holding dilution if not participated in, while the regulatory landscape for DeFi and staking remains in flux, posing challenges for integration and compliance.

### Risk Related To The Fund

The Fund's reliance on third-party service providers for crucial operations poses risks to both the safety of its digital assets and its overall functioning, especially if these providers need to be replaced. Share values may decline over time due to ongoing fees and expenses, and several factors unrelated to the Fund's digital assets can also influence share value.

Operational challenges are anticipated due to the unique mechanisms and procedures developed for managing the Fund and its assets, including potential technical difficulties, security vulnerabilities, and the complex nature of updating or expanding the Fund's infrastructure. Additionally, security breaches could halt operations and lead to asset losses, damaging the Fund's reputation and reducing share value. Irreversible digital asset transactions mean that errors can have a significant negative impact, and unexpected expenses or the need to indemnify managers or service providers under Fund agreements could further harm share value.

### Risk Related To The Regulation

The SEC's perspective that some digital assets held by the Fund may be securities has already negatively impacted, and could further impact, their value and the price of the Shares, possibly leading to extraordinary expenses or the Fund's termination. Regulatory concerns are heightened for DeFi protocols and digital assets on smart contract platforms, beyond those faced by networks. Additionally, changes in SEC policy could adversely affect the Shares' value. Engaging in activities such as Staking or digital assets lending may expose the Fund to potential income tax liabilities on generated income.





## Management Team



### Niran Pravithana

Fund Manager

10+ years of expertise in the cryptocurrency and traditional financial markets as a speaker on the topics of AI, Macroeconomics, Cryptocurrency and Investment.

- Responsible for identifying fresh possibilities in the cryptocurrency market with evaluating fund strategy and overseen for Avareum and other companies under **AVA Advisory**.
- Formerly the CEO and Co-Founder of **Market Anyware**, a financial intelligence company that applies Big Data and Artificial Intelligence to investing decisions.



### Theerawat Songyot

Chief AI Scientist

8+ years of experience using natural language processing and deep reinforcement learning for asset management to develop machine learning solutions for financial businesses.

- Responsible for designing and implementing fund operation and building a connecting mechanism between fund operations and fund managers.
- Formerly Chief AI Scientist of **Market Anyware**, a financial intelligence company that applies Big Data and Artificial Intelligence to investing decisions.



### Napat Vitthayanuwat

Risk Manager

8+ years of asset management experience in the traditional financial, investing, and technology sectors.

- Responsible for discovering new coin project opportunities and providing fund strategy advice in order to maximize fund performance.
- Formerly Assistant Fund Manager at **AEC Securities**
- Formerly Senior Investment Planner at **Apple Wealth Securities**



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