



SPiCE Venture Capital Fund Quarterly NAV Q4, 2019 Management Notes

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Executive Summary

SPiCE VC is a tokenized Venture Capital Fund focused on investments in Blockchain companies and in the tokenization ecosystem.

This document is an add-on to the quarterly Net Asset Value (**NAV**) per token calculation. The report reflects the NAV per token as assessed by Spice Venture Capital Fund (**SPiCE VC, the Fund or we**) management and fund managers as of December 31, 2019.

This document includes management and fund managers' discussion and analysis about portfolio companies and related trends.

Disclaimer

The information contained herein is confidential information regarding Spice VC (the "Fund"). By accepting this information the recipient agrees that it, and its officers, directors and employees will use the information only to evaluate its holdings and potential interest in the Fund and for no other purpose and will not divulge such information to any other party. Any reproduction of this information, in whole or in part, is prohibited. The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any securities or any interest in the Fund or any other Fund or to participate in any trading strategy. If any offer to purchase any interest in the Fund is made in due course it shall be made only pursuant to a definitive Offering Document prepared by or on behalf of the Fund which would contain material information not contained herein and which shall supersede this information in its entirety. Any decision to invest in the Fund should be made only in compliance with and subject to the limitations imposed by applicable laws applying to the ability to offer these securities to prospective investors in their relevant jurisdictions and after reviewing the definitive Offering Document, conducting investigations as deemed necessary by the investor and consulting the investor's own investment, legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the securities.

With the exception of approved Accredited Investors who have been directly approached under Rule 506 (c) of Regulation D of the United States Securities Act of 1933 the Fund will not accept investments from any US person and this presentation is not for use by any US person other than those who have been specifically approved by the Fund. No registration statement has been filed with the United States Securities and Exchange Commission or any U.S. State Securities Authority with respect to the shares of the Fund. None of the Shares in the Fund have been or will be registered under the United States Securities Act of 1933, as amended (the "1933 Act"). Except as noted above none of the Shares in the Fund may be offered, sold, transferred, assigned or delivered, directly or indirectly, in the United States of America, its territories and possessions, any State of the United States of America or the District of Columbia (the "United States"), or to any U.S. Person as defined herein. In addition, the Fund has not been and will not be registered under the United States Investment Fund Act of 1940, as amended (the "1940 Act"). None of the Shares in the Fund may be offered, sold, transferred, assigned or delivered, directly or indirectly, to any person in circumstances which might result in the Fund incurring any liability to taxation or suffering any other pecuniary disadvantages which they might not otherwise incur or suffer, or would result in them being required to register under the 1940 Act.

All performance, investment strategies, and risk targets contained herein are subject to change without notice. There can be no assurance that the Fund will achieve any targets or that there will be any return on capital. Historical returns are not predictive of future results. The Fund is intended to be a specialist vehicle for investment in the early stage technology sector and digital assets. Investments in early stage technology and digital assets carry greater risks and may be considered high risk and volatile. There is a risk of total loss of the principal and interest invested – please refer to the definitive Offering Document for a full list of risks.

Note that the Net Asset Value and related information discussed in this document is based on estimate and should not be treated as accurate facts.

The NAV report has not been audited or reviewed by the Company's auditor.

About the NAV calculation method

The **NAV Per Token** is calculated by dividing the total value of SPiCE VC's portfolio investments, plus cash and other assets (including crypto currencies and tokens) less any liabilities (including accrued expenses) (**Portfolio Value**), by total number of tokens outstanding (**Live Tokens**).

$$NAV_{per\ Token} = \frac{Portfolio\ Value}{Live\ Tokens}$$

The NAV Per Token is denominated in USD.

The NAV Per Token is calculated in accordance with the value of the Fund as provided and is consistent with the organizational documents and offering documents of the Fund, and were applied for calculating the NAV of each portfolio holding, as appropriate for each relevant asset class. Generally, we value the Fund's assets using market values when market quotations for those assets are "readily available" and, when a market quotation for an asset is not readily available, by using the fair value of that asset, as determined in good faith by the Manager of the Fund.

The Portfolio Value was calculated in USD. The defining rate for converting crypto currencies as of March 31, 2019, was based on the exchange rate to USD, on March 31, 2019, as published on coinmarketcap.com as "Close".

For early stage Venture Capital investments and non-traded (or traded with low frequency/volume) assets and tokens the valuation is based on various relevant methodologies that attempt to estimate the asset's fair value under current market conditions. However, the results of such valuations may not necessarily reflect the actual values of these assets that might be obtained had there been orderly transactions in these assets between market participants.

What is the meaning of the NAV Per Token

The NAV Per Token is a quarterly assessment of the underlying assets of the SPiCE VC Fund. As the Token grants each Token holder economic rights (based on their relative holding to the total live Tokens, as detailed in the SPiCE VC Information Memorandum dated October 18, 2017) related to the performance of the underlying portfolio, the NAV Per Token can be viewed as a guideline to the value of the Token at the date calculated.

However, it is important to remember that Token price (once the SPiCE VC Tokens commence trading on security Token exchanges(s)) will be set by market supply and demand and not by the calculated NAV Per Token.

The market may value the token at a premium or discount to the published NAV Per Token at any given time based on many variables.

Period Assessed

This report addresses NAV Per Token as of December 31, 2019.

Why do we not publish % holding in each investment?

Venture Capital funds invests in private companies, who are not required to publish reports (unlike public companies which are required to do so) and tend to keep significant information like valuation and performance data private for competitive business reasons.

We, at SPiCE VC, are trying to "hold the stick at both ends": on one hand to create a transparent report for our investors, while on the other hand, respecting the portfolio companies' need for keeping their performance and financial information private.

Disclosure of the % ownership in portfolio holdings may allow "reverse engineering" of such private valuation information, so we do not publish such information despite the interest some investors may have in obtaining the information.

SPiCE Investment Strategy

Domains we invest in

In 2017, SPiCE VC was one of the first funds in the world to seriously explore the world of digital securities by tokenizing its own securities on the blockchain. What started as an innovating approach to adding liquidity to an otherwise illiquid asset, ended up giving birth to an entire industry, an industry in which SPiCE VC is now considered a world-renowned leader, pioneer, and investor in early-stage companies.

Now in the third year of this new market, we see the market continue to develop, and even the name Security Tokens is being updated to Digital Securities. This name change reflects a transition the market is taking from looking at security tokens as a vehicle for raising money from the crowd, into a much more serious and ambitious effort to penetrate the professional investment markets – institutional investments, family

offices, high net worth individuals and so on. The transition is from a focus on the token as a tool, to a focus on the quality of the underlying assets being tokenized, the creation of institutional-grade infrastructure, and more sophisticated models of smart contracts. This ecosystem is becoming a fintech movement which is relevant to large portions of the vast securities markets worldwide.

As a result, we are seeing our portfolio companies focusing on such financial products for digital securities, and this is also where our investment sourcing process is focused. We see this as a natural maturing of this new market, and we see entities in the traditional securities space, such as exchanges and investment banks starting to take notice and become more interested in the potential of the industry.

SPiCE is now widely regarded in the industry as THE experts on security tokens / digital securities, and we continue to maximize our competitive advantage in this fast expanding market, and focus for the short and medium term on three investment categories:

1. Tokenization Infrastructure and ecosystem

Investing in the security token ecosystem, across value chain and verticals.

Examples: Primary issuers (e.g., Securitize), Security token Exchanges, Real estate tokenization (e.g., Slice), Commodity exchanges, Custodians, etc.

2. Companies and projects using Security Tokens as funding mechanism

Utilizing our unique access to projects in the market.

Examples: RNDR, GraphPath

3. Core Blockchain

Investing in the underlying core blockchain level, in the earliest stages.

Examples: Platforms capable of replacing Ethereum, adding services like KYC etc.

Other Factors

SPiCE is a VC fund and we invest for the longer run. We have a well defined and structured investment process that includes multiple parameters we consider when making an investment decision. Some of them include:

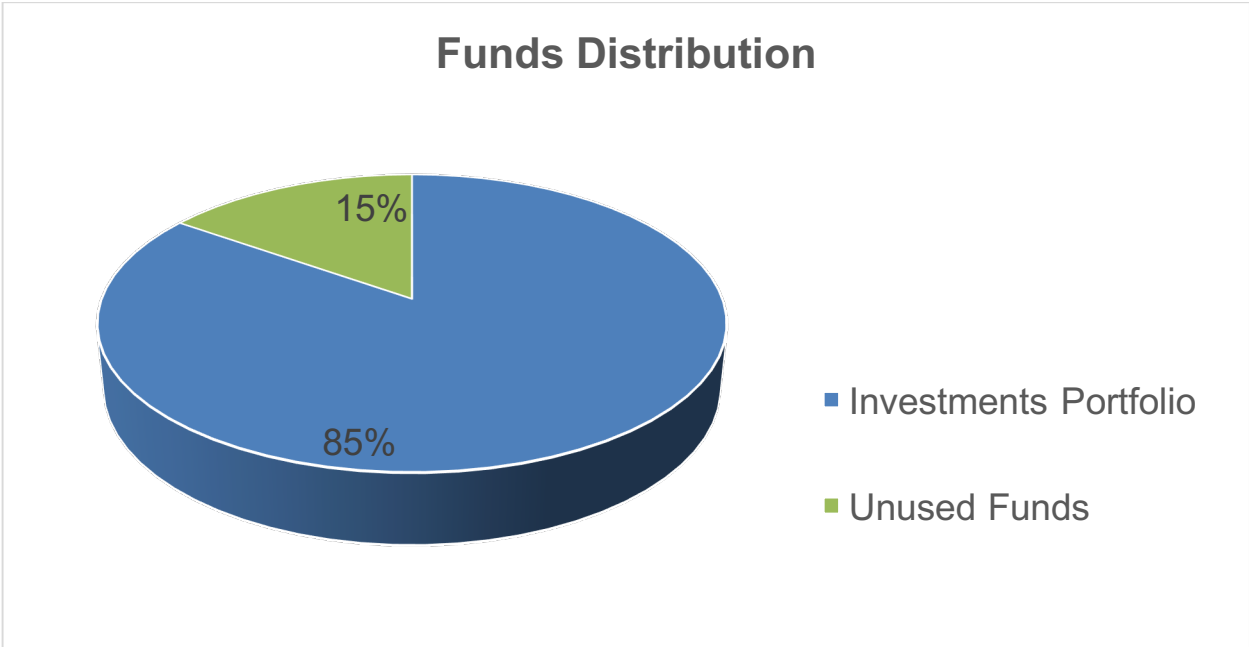
- The stage of the company
- Its leadership team
- The ability of the company to become a major player in the market
- Company's business model and it's assessed probability to generate major returns (exit or otherwise) within the fund's investment horizon (under 7 years)

Current Assets, Investment Portfolio and Management Discussion

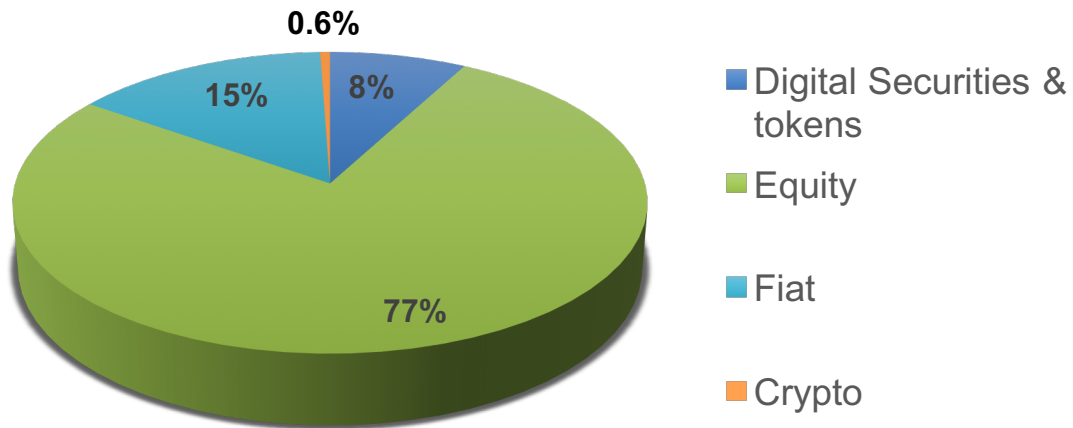
Net Assets Under Management (AUM) and Distribution

As of September 30, 2019, net Assets Under Management equaled \$15,162,821. The distribution between unused funds and the investment portfolio was as follows:

Overall distribution across asset classes was as follows:



AUM Distribution



Investment Portfolio



[Securitize](#) is the leading issuance and lifetime management company for digital securities.

Securitize delivers trusted global solutions for creating compliant digital securities. The Securitize compliance platform and protocol provide a proven, full-stack solution for issuing and managing digital securities (security tokens). Securitize's innovative DS Protocol has the highest adoption rate in the industry and enables seamless, fully compliant trading across multiple markets simultaneously. Multiple Securitize powered digital securities are already trading globally on public marketplaces with many more in the pipeline.

Securitize has signed over 50 customers with 11 digital securities issuances to date, 5 of which are trading on OpenFinance Network and SharesPost. The total value of all digital securities issued and managed on the Securitize platform is over \$200M with more than 1,500 investors from around the world.



[ROKK3R](#) (Rokk3r AI acquired GraphPath which SPiCE invested in). ROKK3R provides a platform and services to help enterprises get the most value out of their data by easily applying pre-built machine-learning models to their data, with a focus on extreme ease-of-use so non-technical users can get fast time-to-value.



[RNDR](#) is OTOY's token based render network. It will enable distributed GPU rendering on the blockchain, using OctaneRender which is the world's first and fastest GPU-accelerated, unbiased, physically correct renderer. Octane uses the graphics card in networked computers to render photo-realistic images super fast. With Octane's parallel compute capabilities, users will be able to render works in a fraction of the time, and at a better cost than centralized services. RNDR is currently the fund's only pure utility token investment - in a use case where the token is actually delivering utility in a network, using proven technology to deliver a service with a real and strong market.



[Saga](#) is an upcoming stable currency, supported by institutional and banking partners. We identified a stable coin as an important infrastructure piece in the growth of the security token market. Because while security tokens are held and managed "on-chain", currently, financial transactions, including investments and dividends are managed inefficiently with Fiat, because the cryptocurrencies are too volatile to be used in that way. Saga is aiming to solve this problem with a fiat currency backed token, based on a model developed with Jacob Frenkel chairman of JP Morgan Intl, and Noble Prize winner Myron Scholes. We intend to work with Saga to integrate their solutions into our other portfolio companies and partners.



[Slice](#) is a platform for the tokenization of real estate assets. Real estate is going to be, in our view, one of the most important verticals for security tokens, with hundreds of trillions of dollars worth of assets - the vast majority of which non-liquid. Like many companies in the space Slice is now transitioning from going after retail investors for real estate tokenized assets, into the providing tokenization tools to the world of real estate funds.



[INX](#) is building a fully-regulated digital asset and security token trading platform, targeted mainly at institutional investors.

INX's approach to regulation is unique because it is pursuing licensing from multiple regulatory bodies on parallel paths:

On one side, INX is working to become a FINRA-registered broker-dealer and seeks to register and comply with the regulations of the SEC and CFTC regarding the trading of digital assets and derivatives of digital assets.

On the other hand, INX was one of the first companies to submit a no-exemption F-1 Prospectus (similar to a S-1, but for non-U.S. based companies), for a registered offering of its INX security token. The aim is to launch the first security token offering registered with the SEC, which will be available to the general public, and not just accredited investors. This token will also serve as a utility token on the INX platform for fee payments, collateral, and rights to the distribution of the company's operating cash flows.



[ROX](#): RealOneX Financial is redefining one of the world's largest asset classes by empowering investment in exchange-traded, single-property commercial real estate.

ROX Financial, is bringing accessibility, transparency and liquidity to the single property commercial real estate (CRE) market with an innovative NYSE / Nasdaq-listed security

called ROX Exchange-Traded Properties, or ETPs.



[Bakkt](#) is a digital assets security exchange company created by ICE, owners of the New York Stock Exchange.

Bakkt was created in partnership with Starbucks and Microsoft with the intention of enabling consumers and institutions to buy, sell, store and spend digital assets with trust and efficiency. It will offer products such as a consumer digital wallet which would be integrated into Microsoft payment products as well as Starbucks shops, and an institutional grade custody vault.

The ICE heritage brings Bakkt a strong advantage on the regulatory side, with a history of working closely with the SEC, CFTC and US Department of Treasury.

We believe Bakkt will help many people and institutional investors into the space, and will inevitably come to deal in the future also with digital securities, which is where we will be able to provide added value and connectivity into the rest of our portfolio.



[Archax](#) is a forthcoming institutional-grade digital securities exchange based in London. Founded by experts from the regulated financial markets world and backed by an accomplished advisory board, Archax offers a credible bridge between the new blockchain-centric crypto community and the traditional investment space.

Archax is designed specifically for professional investors to trade in security tokens, and is built using existing, proven, resilient, scalable, high-performance exchange

infrastructure, hosted in top-tier datacentre space, and integrated into existing institutional trading workflow.



[IOB](#) is providing a complete record and analysis of all market activities to broker-dealers, market makers, funds, professional traders, financial market regulators, and other market participants in the stock, commodity and financial futures markets.

IOB is doing that through its PoET protocol, IOB Analytics products, and the the IOB Financial Market Compliance and Oversight Solutions.

We believe that IOB has significant growth potential with a set of products that is applicable to the Securities, Digital Assets, and Security Tokens industries. IOB token is likely to be the first BaFin (Germany) regulated public offering security token. The investment in IOB brings securities trading, regulatory knowledge, and BD capabilities in Germany, US and UK, into the SPiCE portfolio.



[InvestaX](#) (Formerly InvestaCrowd) is the leading Singapore investment platform for digital security investment offerings and is licensed by the Monetary Authority of Singapore (MAS) for dealing in securities.

InvestaX brings together a global team of experts across finance, technology, legal, and private equity investing, to offer key infrastructure platforms to build out the digital age of private securities. InvestaX will offer both primary issuance + secondary trading solutions for digital securities.

InvestaX is set to be one of the fastest growing platforms in the region. We believe digital securities is going to be a global market, but with strong local players with

connections to local investor communities - Singapore is one of the major financial hubs in Asia, which SPiCE will gain exposure to via this investment.



[Lottery.com](https://www.lottery.com) is a domain leader in taking officially sanctioned games mobile.

Utilizing the experience and technology of the company's mobile lottery platform, the company is revolutionizing impact investing and legacy fundraising models into a platform capable of raising billions for charities and humanitarian needs.

Lottery's vision is to raise significant funds to help solve the most pressing humanitarian needs across the globe using impact raffles, sweepstakes, and other games of chance.

Lottery.com is one of the pioneers of the security token space with an innovative revenue shared security token.

Fund Updates

As Stipulated in the Information Memorandum, SPiCE is embarking on another fundraising round, the second closing of the fund. The purpose is to increase the amount of funds available for investment, so we can continue making investments and potentially increase the size of the right investments.

The funds that will be raised are going into the same fund, rather than into a new fund. In order not to dilute existing investors, the price of new SPiCE tokens will be derived from the last published NAV per token before a new investment in the second closing of SPiCE is made by an investor.

There is a minimum ticket of \$250,000 required for investing in the second closing, except for existing investors, where the minimum is \$50,000.

The Information Memorandum was modified to reflect the details of the second closing, as well as some other updates, as it has been two years since the original Information Memorandum was published. The updated Information Memorandum will be placed on the site in a few days.

Investment Portfolio Updates

Below are updates from some of the portfolio companies:



INX is preparing for launching its IPO which will be the first SEC regulated IPO to be issued as a digital security.

- <https://www.coindesk.com/inxs-130m-ipo-to-launch-next-month-as-exchange-seeks-ny-bitlicense>
- <https://www.coinspeaker.com/inx-130-million-ipo-new-york/>
- <https://www.cryptopolitan.com/inx-ipo-new-york-april-2020/>



Sony Financial Ventures joined the last investment round of Securitize:

- <https://cointelegraph.com/news/sony-financial-ventures-joins-big-banks-investing-in-securitize>
- <https://bitcoinist.com/sony-invests-in-security-token-platform-securitize/>
- <https://thetokenist.io/sony-enters-security-token-industry-with-investment-in-securitize/>



On December 10, 2019, Saga launched SGA, a virtual currency tied to a basket of currencies (the SDR) in order to maintain a stable value (a stable coin). SGA is backed by bank deposits in the same group of currencies that form the International Monetary Fund's special drawing rights (SDR) — these are international reserve assets held by central banks to supplement their official reserves. The basket is heavily weighted in dollars, as well as the euro, Chinese yuan, Japanese yen and British pound.

- <https://www.cnbc.com/2019/12/10/saga-launches-sga-token-to-rival-facebooks-libra-cryptocurrency.html>
- <https://www.coindesk.com/basket-backed-saga-stablecoin-goes-live-in-the-uk>
- <https://www.finextra.com/newsarticle/34932/saga-launches-global-stabilised-digital-currency>

Calculated NAV Results (Unaudited)

As of December 31, 2019, not all of the funds invested in SPiCE VC were invested in portfolio companies. The calculated NAV Per Token reflects the net appreciation in the portfolio assets, as well as the changes in the value of currencies in which funds are held, less any fees, expenses and dilutions.

During the fourth quarter of 2019, SPiCE has made another investment in INX, as part of a small round of funding, in order to keep its pro rata share in INX.

The calculated NAV Per Token as of December 31, 2019 is **\$1.32**

Note that the above NAV Per Token is based on the NAV calculation principals in accordance with the organizational documents and offering documents of the Fund, and were applied for calculating the NAV of each portfolio holding, as appropriate for each relevant asset class, and are not necessarily equivalent to generally accepted accounting principles and is considered a non-gaap measure.

Changes in the valuation of investment portfolio, which is mainly investments in companies, tends to happen typically based on external events to the company (like an additional investment round creating a new valuation) or major change in the company's financials, etc. Or in the case of tokens, a distinct change in token value range.

Note that the change in NAV per Token Vs. the offering price of the SPiCE token is not an indication for similar performance in the future.