

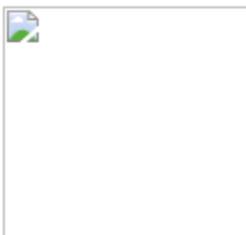
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**Subject:** Eagle's View Capital Management, LLC- September 2017 Performance Update...

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## Eagles View Capital Management, LLC September 2017 Performance Update

**October 22, 2017**

### **Artificial Intelligence, Cryptocurrencies, and Anger**

Dear Partners/Friends,

[Click here to view our most recently updated investor tearsheet](#)

Performance of Eagle's View Capital Partners, L.P. is estimated at +0.25% for Sept. with YTD performance estimated at +2.24% net of all fees and expenses.

Performance of Eagle's View Offshore Fund, Ltd. Class G is estimated at +0.30% for Sept. with YTD performance estimated at +2.54% net of all fees and expenses.

Performance of Eagle's View Offshore Fund, Ltd. Class B ("High Alpha") is estimated at +0.84% for Sept. with YTD performance estimated at +0.42% net of all fees and expenses. This Share Class seeks to generate substantially higher returns through a more concentrated portfolio of some of our historically higher return opportunities. Investors in this Class should have a willingness to accept increased volatility and risk in exchange for the potential for higher returns.

Eagle's View Dedicated Fund, L.P., our Insurance Dedicated Fund is estimated at +1.02% for Sept. with YTD performance estimated at +11.20% YTD net of all fees and expenses. Eagle's View Dedicated Fund, L.P. is a potentially appropriate investment for US taxable investors who have PPLI or PPVA insurance policies. Kindly contact me if you'd like more information regarding this product offering.

Performance of Eagle's View Partners, Ltd. is estimated at +0.10% for Sept. with YTD performance estimated at +1.33% net of all fees and expenses. Eagle's View Partners, Ltd. is our 'niche-oriented', multi-strategy hedge fund which is focused on strategies that have positive expectancy, lack correlation to broader markets, and, take advantage of the

structural alpha in terms of the efficiency of capital usage inherent within the multi-strategy hedge fund model.

Within many of our commentaries, in addition to our performance announcements, we attempt to articulate some of our thinking on various topics that we believe are timely and may impact investment opportunities ahead. We are by no means experts in everything we opine about, however, we attempt to put forth our own opinions as food for thought and to highlight our thinking on a variety of issues that may impact the world and/or opportunities within the market.

The title of this commentary is Artificial Intelligence, Cryptocurrencies, and, Anger. Naturally, this is a strange title, however, we believe these topics are potentially related and part of the same spectrum of what is happening in the world today. We will attempt to tie this together below.

### **Artificial Intelligence:**

Artificial Intelligence is changing the world each and every day. I don't think that this is a secret to those reading this commentary. It is part of the larger technological revolution that is happening around us and is broadly speaking part of the evolution of our society just as the industrial revolution was in its day.

Ultimately, we believe that the technological revolution will lead humans to a greater quality and more advanced way of life. There is a long and potentially painful process just as the industrial revolution was at the time. The technological revolution produces collateral damage hurting those in its path. Specifically, technology has and will continue to replace jobs that are currently held by human beings. This has the effect of improving efficiency, dampening inflation, and displacing millions of workers with robots and AI computers. Naturally, those displaced do not see this as society moving forward, rather, they are simply angry that their jobs are being replaced by machines.

Robots do not take holidays, do not have fights with their spouses, do not get sick and do not ask for raises. The disenfranchisement of workers in favor of robots naturally causes anger amongst those impacted. Future generations will study new subject matter in an effort to harness the power of the Bots and couple that with human creativity to elevate society. However today, people are simply losing jobs to robots and are suffering these initial impacts. The industrial revolution displaced humans in favor of machines, big box retailers replaced mom and pop stores, Amazon is now threatening big box retailers, and AI Bots and plain robots are displacing skilled workers. I'm told that the divide between the 'haves' and the 'have nots' is the greatest the planet has ever witnessed. This is a continuing trend that is unlikely to end soon and those impacted are very angry about it. When people are suffering, they often direct that anger toward the established governments and are much more receptive to alternative approaches and radical solutions offered by those promising the prospect of change to the suffering and disenfranchised.

As for markets, we believe it is naïve to think that there is such thing as a 'good trader' any longer. With Elon Musk's OpenAI having created an AI bot that defeated one of the world's best players in competitive eSports in the game Dota 2, Google's DeepMind having bested human players in the ancient game of Go, Facebook's AI Bots, "Alice and Bob" created their own language to communicate with each other because they came to the conclusion that English is not efficient enough for them, and with AI Bots beating the world's best poker players (who themselves are now seeking to learn how the Bots are thinking rather than vice versa), it is not a stretch to imagine that AI Bots are ruling

the trading world and "scoff" at their human competitors where billions of dollars are at stake. In addition to the human discretionary traders being dinosaurs, we believe more outdated systematic strategies run by computers such as systematic trend-following is also no match for AI Bots.

### **Cryptocurrencies:**

Roughly speaking, there are approximately 200 cryptocurrency hedge funds either currently running or in the pipeline of being launched. It's hard to read the industry press without wading through story after story on cryptocurrencies. I myself have had two successful forays buying and selling Bitcoin for my personal account starting as early as 4Q 2012. I have no opinion about the longevity or usage of cryptocurrencies and simply see the demand/supply equation as likely to continue to drive the price higher barring onerous regulatory action against them- which I believe is a possibility if governments start to feel fiat currency is being threatened by cryptocurrencies. We are likely a long way away from that in my opinion.

Why is everyone so focused on cryptocurrencies at the moment? Simply put, in my opinion, there isn't much else going on in markets and cryptos are one of the few markets that are actually moving with volatility.

More relevant, what are all of these cryptocurrency hedge funds going to do? We see the following non-exhaustive list as their most likely strategies:

- Buy various cryptos and pray they continue to go higher. This is likely going to be the most prevalent strategy in our opinion.
- Attempt to apply traditional trading techniques such as trend following and traditional technical indicators in an attempt to time the movements of the cryptocurrency market. We do not believe this is a good strategy for numerous reasons including the fact that the crypto market is too illiquid and susceptible to air pockets of zero liquidity. Furthermore, due to the fact that cryptos are a tightly controlled market with few players holding vast sums of certain cryptos, the market is highly sensitive to the movements and activity of those relatively few participants.
- Cross exchange arbitrage- There are hundreds of exchanges around the globe where one can trade cryptocurrencies. There are only a few exchanges that have established some level of credibility and some form of regulation such as Coinbase, Gemini and Kraken. Many other exchanges are completely unregulated, operating on a shoestring capital base, and are largely part of the 'Wild West' which is a phrase that has been used to describe the current crypto market. With few rare exceptions during chaos in the world, we do not believe that cross-exchange arbitrage truly exists among those exchanges that are currently deemed to be credible. There are plenty of price disparities between the more established crypto exchanges and the less established, or, those exchanges that have previously been the victims of hacking or have a higher risk of fraud. We do not believe that it is an arbitrage to buy on a 'credible' exchange and sell on a lesser known exchange and hope to get your money out. This so-called arbitrage exists due to the risk of a loss of principal on the lesser known exchanges due to hacking or outright fraud which we've certainly witnessed in the past (see Mt. Gox for example).
- Crypto relative value trading- Just as there are hundreds of exchanges for crypto currencies, there are hundreds of individual crypto currencies. These range from Bitcoin with a \$100 Billion market cap to CaliphCoin with an \$83 market cap.

For some of the same reasons mentioned above regarding applying traditional trading techniques to trade outright cryptocurrencies, we do not believe there is positive expectancy or any arbitrage opportunities to engage in relative value cryptocurrency trading.

- ICOs- ICOs have gotten a ton of press recently as the 'hot new thing'. Simply put, we view ICOs as similar to IPOs except for Angel level start-ups. To be sure, there will be some companies that will emerge as credible and sustainable who have raised their initial funding via an ICO. We think those will be more the exception than the norm. ICOs should be evaluated in much the same way that any Angel investment is evaluated. What is the underlying business, how likely is it to survive, what is the need in the world for this business, market size, profit potential, risks, etc. Certainly, there will be a few opportunities to 'flip' hot ICOs in much the same way that IPOs are flipped, however, we do not view that as a scalable or sustainable business. As an example of where we currently sit in the ICO market, please see the UET ("Useless Ethereum Token") that raised \$100k+ in an ICO and directly stated that the token has no purpose at all, no usage, and that the promoter would utilize the proceeds of the ICO to purchase flat panel TVs and or a car. Caveat Emptor.

In sum, we believe the success of these many cryptocurrency hedge funds that are coming to market will almost entirely depend upon the price of cryptos continuing to rise. If one wants to make this bet, it is easy enough to do it directly without the need to pay hedge fund fees to make a bet on higher prices for Bitcoin and other cryptos. Eagle's View has looked at the space fairly extensively and has decided to pass for now on the opportunity to become more involved as we are not in the business of making a directional bet on cryptocurrencies despite my personal feeling that they are likely to continue to rise ahead due to demand/supply dynamics.

For those individuals who are 'believers' in the long-term usage and possible replacement of fiat currencies with cryptocurrencies, we believe this is part of the anti-government sentiment that has increasingly become pervasive in a society where the economic divide is high and people are suffering. We view those who are crypto believers (versus those simply in it for a buck) as seeking to send a big 'F U' to the fiat currency system and to government intervention in our lives by controlling the money supply and currency.

### **Anger:**

If you've read this far, you probably see where I'm going here. When people are suffering economically, they tend not to be philosophical and they are not interested in examining the big picture of the changes that are happening in the world. Rather, they tend to simply get angry. That anger is often directed toward those who they perceive to be in power both politically and economically. Nobody wants to hear about the technological revolution and how it may improve society in future generations, rather, they want jobs and they want food on the table for their families. They want to blame the politically and economically powerful. They are willing to try anything to improve their situation. They want a piece of the dream that they read about when stories that are written about the obscene wealth that has been created for a small segment of the population.

We are seeing this anger manifest itself by an uprising of the Alt. Right movement both in the US and abroad. As I'm penning this piece, I'm reading the headline "Czech Donald Trump Andrej Babis set to become Prime Minister after election victory". Two

days ago, leader of the People's Party in Austria, 31-year-old Sebastian Kurz was just elected chancellor, and the Alt. Right movement is gaining ground in the US and abroad. We believe these election victories, uprisings in various cities and States, and, a seeming blindness to any roadblocks that stand in the way of this movement are largely ignored due to an underlying anger and the growing marginalization of workers in certain industries.

As for investing, Eagle's View will continue to remain disciplined in its approach of providing investors with a truly non-correlated source of alpha largely devoid of directional broader market movements. We are very pleased with the changes we have implemented within our portfolio this year and we are starting to see those changes bear fruit. Although we were modestly positive during September, October is shaping up to be a much more substantially positive month, although, anything can happen between now and month-end so we are reticent to draw definitive conclusions as of yet.

We feel that our performance is on an upswing and that this is an opportune time to consider investing with us, or, adding to your existing allocation. We are optimistic about our future performance prospects.

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Kindest regards,

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