



SPiCE Venture Capital Fund Quarterly NAV Q4, 2018 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, 2018.

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.

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 December 31, 2018, was based on the exchange rate to USD, on December 31, 2018, 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, 2018.

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 second 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

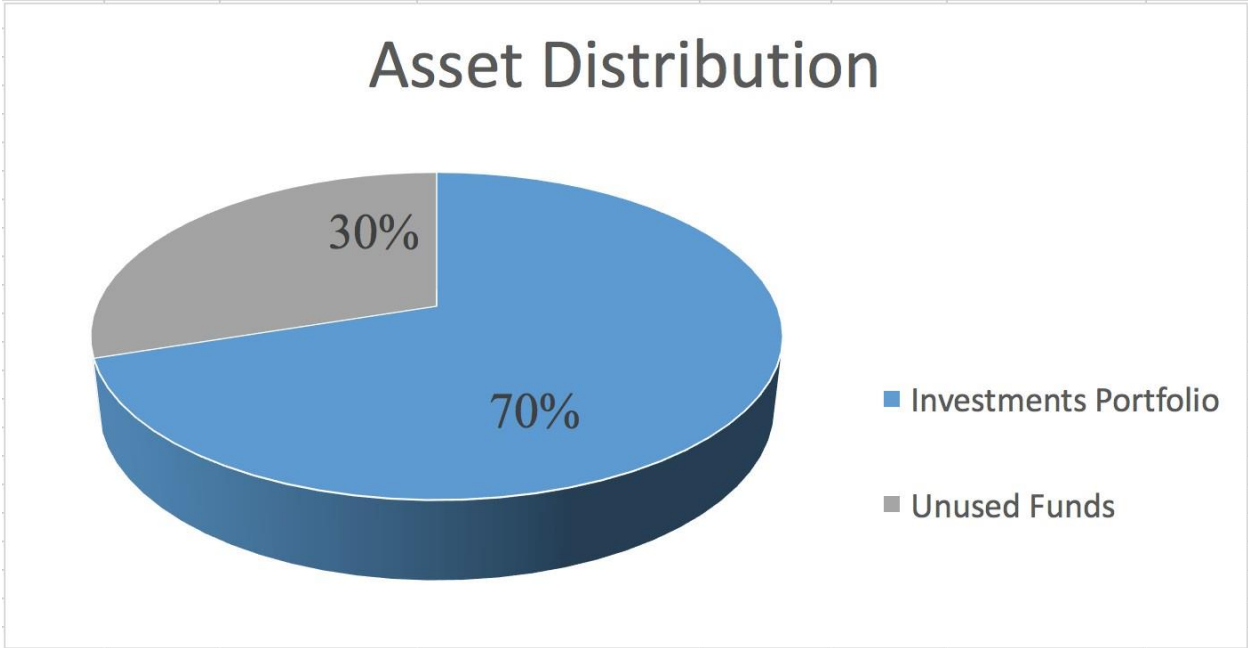
SPiCE is a VC fund and we invest for the longer run. We have a well defined and structured investment process that includes multiple parameters we consider when making an investment decision. Some of them include:

- 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 December 31, 2018, net Assets Under Management equaled \$ \$14,639,987. The distribution between unused funds and the investment portfolio was as follows:



Investment Portfolio



[Securitize](#): Securitize is the leading issuance and lifetime management company for security tokens. The company caters to large projects, and provides a high-end full service, from the protocol level with the DS Protocol, to management of the sale, to issuance of tokens, and then lifetime management of the tokens. The DS protocol published by Securitize, is one of the most comprehensive protocols in the market, and the company has already multiple signed projects which are being rolled out. Securitize is a major player in the ecosystem, and during Q4 it has successfully raised a financing round from a group of some of the best investors in the space. In addition Securitize has joined IBM in developing a new product for the corporate debt market.



GRAPHPATH

[GraphPath](#): Graphpath aims at democratizing the development and management of knowledge graphs at scale. Knowledge graphs enable companies to turn big data to knowledge and insights, much like Facebook is doing internally with its own graph. GraphPath is developing GraphOS, which aims to put knowledge graphs on the blockchain. GraphPath is gearing up to raise funds via security token in the near future.

Note: Investment in GraphPath was made in Q2, but some additional investment was made in Q3, and our terms were further improved.



[RNDR](#): 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](#): 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](#): 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](#): 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, SEC, and CFTC-regulated broker-dealer and ATS for digital assets and their derivatives.

On the other hand, INX was the first company to submit a no-exemption F-1 Prospectus (similar to a S-1, but for non-U.S. based companies), for a regulated coin offering (RCO) of its INX security token. The aim is to launch the first regulated security token, approved by 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 dividend rights.



[ROX](#): RealOneX is building an exchange for real estate security tokens, targeting the institutional market. ROX is in process for a full exchange license with the SEC, to become the first real estate dedicated security token exchange.

Over the last few months ROX have been working with significant partners on a new and exciting new product, which we can not yet disclose.

Calculated NAV Results (Unaudited)

As of December 31, 2018, 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 2018, SPiCE VC participated in the Series A funding round of Securitize, alongside investors such as Blockchain Capital, Ripple Xpring, GlobalBrains, and Coinbase Ventures. This was a strategic investment round and priced accordingly. With the extra capital invested in Securitize, the pipeline of signed deals, new partnerships, and new product lines in development and live token deployments, we believe the company is now in a better position than ever to continue leading the market.

Given the above, and given the fact that the Series A investment round was priced as a strategic round, we chose to keep the previous externally generated valuation of Securitize as is for NAV calculation purposes rather than use the Series A valuation, as we believe it more accurately reflects the current value of Securitize. We continue to monitor the valuation and expect to update the valuation of Securitize in the next external funding round which likely to occur in a range of 12-18 months.

The calculated NAV Per Token as of December 31, 2018 is **\$1.31**

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.