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CRYPTOCURRENCY 101

DIGITAL ASSET INVESTOR GUIDE

AN INTRODUCTION TO BLOCKCHAIN TECHNOLOGY, CRYPTOCURRENCIES, AND THE FUTURE OF FINANCE.

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GETTING TO KNOW CRYPTOCURRENCIES

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

As a leading cryptocurrency investment educator, our goal is to provide transparent resources for you to decide how digital assets fit into the financial goals for you and your clients.

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

Sarson Funds is pleased to provide this guide to help investors begin their digital asset discovery.

Warm regards,

JOHN R. SARSON
MANAGING PARTNER

JAHON JAMALI
MANAGING PARTNER

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DIGITAL ASSETS & CRYPTOCURRENCIES

cryp-to-cur-ren-cy
/ˈkriptōˌkərənsē/

A digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank. - Oxford Dictionary

Decentralized cryptocurrencies such as bitcoin now provide an outlet for personal wealth that is beyond restriction and confiscation.

In 2009, an anonymous programmer under the alias Satoshi Nakamoto introdauced Bitcoin as a "peer-to-peer" electronic cash system.

A BRIEF HISTORY

Bitcoin was the first “cryptocurrency." Instead of relying on a third party, it was created to use “cryptography” to secure and verify transactions as well as to control the creation of new coins.

Bitcoin introduced the first widespread application of blockchain technology, a computer-based consensus network, where all participants contribute to the validation of each transaction with no servers involved and no central controlling authority.

BLOCKCHAIN TECHNOLOGY

In a bank system, “trusted” intermediaries 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.”

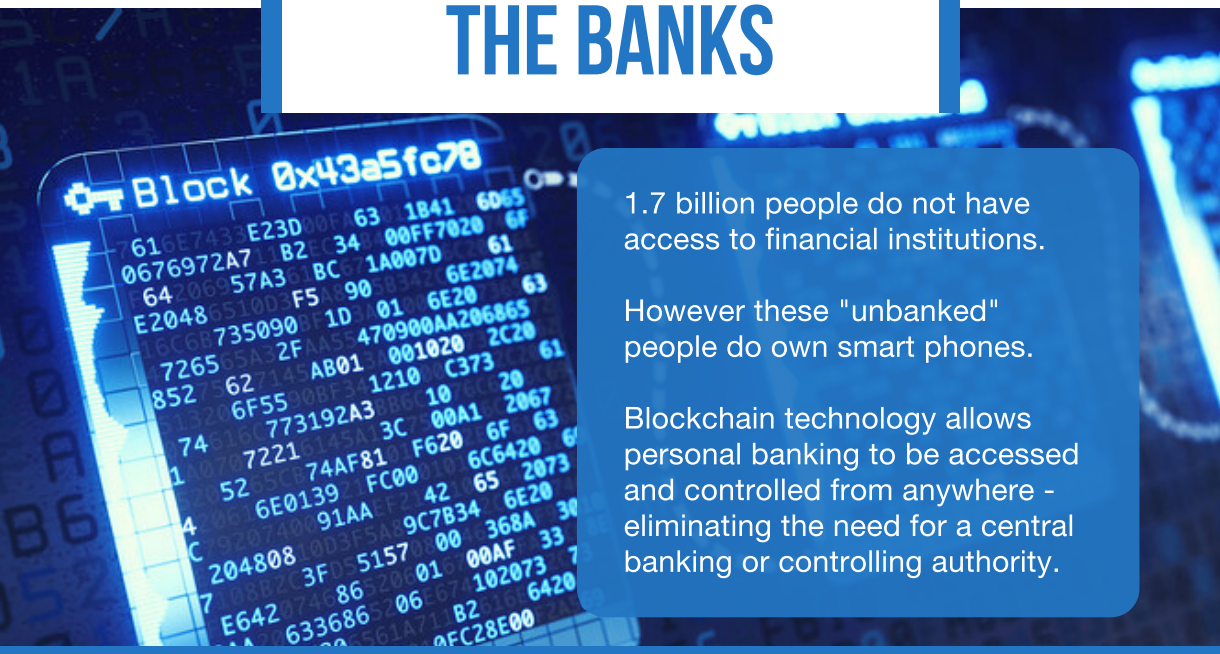
A Blockchain is a public ledger that records all of the transactions that have happened within the network, making the information available to everyone.

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, thereby eliminating "double-spending."

BLOCKCHAIN VS THE BANKS



1.7 billion people do not have access to financial institutions.

However these "unbanked" people do own smart phones.

Blockchain technology allows personal banking to be accessed and controlled from anywhere - eliminating the need for a central banking or controlling authority.

CRYPTOCURRENCIES YOU SHOULD KNOW

BITCOIN (BTC)

Launched in 2008, BTC is the first and largest cryptocurrency. Its market cap is over $100 BN and it requires no central authority to operate. 18 Million of the max 21 Million BTC are in circulation.

LITECOIN (LTC)

Designed by MIT researchers, Litecoin transacts 4X faster and has a 4X larger coin supply than BTC, with a circulating supply of 64 Million coins and max supply of 84 Million.

ETHEREUM (ETH)

A cryptocurrency and smart contract platform, Ethereum supports enterprise-grade decentralized applications (dapps). With a market cap over $18 BN, it is the second largest coin.

IOTA (MIOTA)

An open-source platform designed to power the Internet of Things, MIOTA empowers feeless micro-transactions through a "Tangle" consensus mechanism, rather than true blockchain.

RIPPLE (XRP)

XRP uses an iterative process, not blockchain, for network transactional consensus. With a market cap near $20 BN, global bank partners may use XRP to replace "SWIFT" system.

BITCOIN CASH (BCH)

A "fork" (a split) of Bitcoin's code, Bitcoin Cash increases the size of network transaction blocks, allowing more transactions to be processed. It is supported by the Bitmain mining company.

EOS (EOS)

EOS is a smart contract blockchain project aiming to operate without transaction fees with a high volume of transactions per second. It currently processes 3,000 transactions per second.

CRYPTOCURRENCY SAFETY & SECURITY

Can cryptocurrency be hacked?

Cryptography ensures the security of digital assets.

10^77

Integer range of a Bitcoin "private key" or password.

The number of possible combinations is greater than the number of atoms in the galaxy.

11,000 X

Faster than the world's top 500 supercomputers.

The total speed of the Bitcoin network as measured in 2018.

This vast range of potential passwords (private keys) plays a fundamental role in securing the Bitcoin network.

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.