



Ethereum

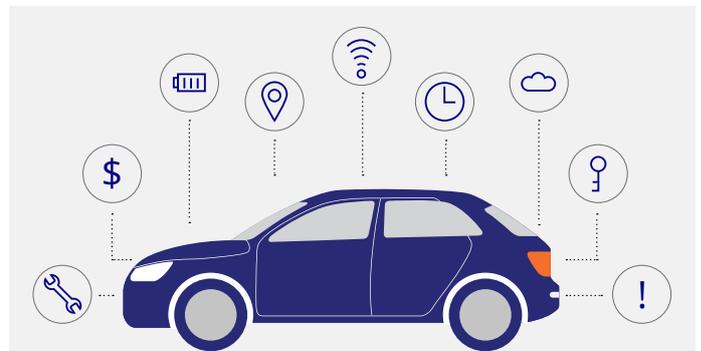
Ethereum is software similar to Bitcoin, but with a greater degree of functionality. Where Bitcoin only tracks payments, Ethereum tracks both applications and payments. This makes Ethereum a distributed software capable of running a variety of programs in a secure, decentralized, and transparent manner without intermediaries.

SMART CONTRACTS

A smart contract is useful when two parties must come to an agreement on contract terms and successfully execute the contract without necessarily trusting the other parties involved – as with digital payments. Ethereum allows anyone to create smart contracts as code that automatically runs as a result of conditions met on the blockchain.

SMART CONTRACT IN ACTION:

Imagine an autonomus car that can pay its own tolls, request its own repairs, and bill riders without a central company controlling the vehicle or taking a cut of the fees.



RISKS:

- Crypto currencies are a small fragmented market with excessive volatility compared to traditional financial markets.
- The parabolic price increase of cryptocurrencies is largely driven by speculation rather than by intrinsic value, meaning Ethereum could potentially lose a large portion or all of its value in a very short time span.
- Crypto markets are still largely unregulated, making them more prone to market manipulation. Ethereum exchanges facilitating trading could potentially be made illegal, or in worst case Ethereum could be made illegal.
- Crypto markets are very sensitive to cyber-attacks and hackers have managed to gain unauthorised access to digital wallets and cryptocurrency exchanges and caused major losses for investors.
- Ethereum is an open source technology meaning anyone can exploit a potential flaw in the system (e.g. exchanges and contracts) which could lead to an instant price crash.

EXPOSURE OFFERED BY SAXO BANK

Currently the SaxoTraderGO and SaxoTrader platform offers exposure to cryptocurrencies through exchange traded notes that track the underlying spot price of Ethereum. Investors can also invest in publicly traded companies or ETFs which have exposure to the cryptocurrency industry.

ICOs

Ethereum allows projects to raise capital via Initial Coin Offerings (ICOs). It works like crowdfunding in a decentralized and automated way. Investors send ether to a smart contract owned by the company, and the smart contract returns tokens to the investors. The new tokens can be shares in the company, digital items, or grant access to the firm's product. The popularity of ICOs, some of which have been scams, is one of the major price drivers for Ethereum.

Ethereum's Returns and Volatility

Year	2016	2017
YoY movement	739%	9162%
Daily volatility	6.9%	7.3%
Max daily loss	37%	34%

Source: coinmarketcap.com

DISCLAIMER

This investment research has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further it is not subject to any prohibition on dealing ahead of the dissemination of investment research. Saxo Bank Group, its affiliates or staff, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives), of any issuer mentioned herein.

None of the above information constitutes an offer (or solicitation of an offer) to buy or sell any currency, product or financial instrument, to make any investment, or to participate in any particular trading strategy. This material is produced for marketing and/or informational purposes only and Saxo Bank A/S and its owners, subsidiaries and affiliates whether acting directly or through branch offices ("Saxo Bank") make no representation or warranty, and assume no liability, for the accuracy or completeness of the information provided herein. The information and commentaries are not intended to be and do not constitute financial, investment or trading advice or advice of any sort offered, recommended or endorsed by Saxo Bank. In providing this material Saxo Bank has not taken into account any particular recipient's investment objectives, special investment goals, financial situation, and specific needs and demands and nothing herein is intended as a recommendation for any recipient to invest or divest in a particular manner and Saxo Bank assumes no liability for any recipient sustaining a loss from trading in accordance with a perceived recommendation. All investments entail a risk and may result in both profits and losses. In particular investments in leveraged products, such as but not limited to foreign exchange, derivatives and commodities can be very speculative and profits and losses may fluctuate both violently and rapidly. Speculative trading is not suitable for all investors and all recipients should carefully consider their financial situation and consult financial advisor(s) in order to understand the risks involved and ensure the suitability of their situation prior to making any investment, divestment or entering into any transaction. Any mentioning herein, if any, of any risk may not be, and should not be considered to be, neither a comprehensive disclosure or risks nor a comprehensive description such risks. Any expression of opinion may be personal to the author and may not reflect the opinion of Saxo Bank and all expressions of opinion are subject to change without notice (neither prior nor subsequent).

The information in this document refers to past performance. Past performance is not a reliable indicator of future performance. Indications of past performance displayed in this document will not necessarily be repeated in the future. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided. Statements contained in this document that are not historical facts and which may be simulated past performance or future performance data are based on current expectations, estimates, projections, opinions and beliefs of the Saxo Bank Group. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Additionally, this document may contain 'forward-looking statements'. Actual events or results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements.

This material is confidential and should not be copied, distributed, published or reproduced in whole or in part or disclosed by recipients to any other person.

Any information or opinions in this material are not intended for distribution to, or use by, any person in any jurisdiction or country where such distribution or use would be unlawful. The information in this document is not directed at or intended for "US Persons" within the meaning of the United States Securities Act of 1933, as amended and the United States Securities Exchange Act of 1934, as amended.

This disclaimer is subject to Saxo Bank's Full Disclaimer available at [home.saxo](https://www.saxo.com)