



100
ACRE
VENTURES



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Bringing institutional quality investing to an emerging asset class.

100 Acre Ventures is a technical investment firm founded by experienced institutional and digital asset investors, risk managers, operators, and technologists.



Institutional Background

Team has investment and risk management pedigree and top tier operators and technologists.



Experienced Team

Team has worked together for several years with direct experience at leading institutional investment and technology firms.



Disciplined, Risk-Forward Investing

Model-driven, systematic investment approach.



Focus on Liquid, Digital Assets

The Fund invests exclusively in liquid digital assets and maintains a portfolio that can be liquidated within 5 days.



Outline

- Thesis & Strategy Overview
- Macro Flow & Network Utilization
- Fundamental Adoption
- Market & Technical Observations



Thesis



Thesis



1

We believe we are at an inflection point in which **Digital Asset adoption** will become a **long-term secular trend.**

- Unprecedented monetary policy
- Availability of institutional infrastructure
- Increase in consumer awareness & accessibility
- Global citizens will “opt-in” to the “New Market Economy”



2

We believe the ecosystem is ripe with **inefficiencies** leading to **near-term opportunities.**

- Volatile, 24/7 market
- Limited institutional participation (retail-centric)
- Highly fragmented market (regulated & unregulated exchanges)
- New and evolving financial primitives



Investing in the market as it exists today



Present

The current market is driven by macro factors, trading flows, and reflexivity

- Bitcoin is currently the most investable asset and is the “base money” of the digital currency market
- The “digital gold” narrative underpins current institutional investment
- Growing understanding of the broader potential of the technology

Future

As the market matures, assets will increasingly be priced based on their adoption and native crypto economic models

- We see long-term promise in many of the financial primitives that underpin open-finance
- As the market matures, we expect assets to be priced on the basis of their “fundamentals” and the investable universe to expand
- While Bitcoin as a “base money” and digital gold may always be valued on supply/demand drivers, innovations on top of Bitcoin and layer two solutions may offer additional utility and associated valuation models/drivers



Macro



Macro Discussion

Institutional Investment Thesis

- Paul Tudor Jones - [The Great Monetary Inflation](#)
- [Grant Williams & Paul Singer \(Elliott Management\)](#)
- Morgan Stanley - Diversification Benefit (ex-post vs. ex-ante)
- Aker/Seetee - Macro/Diversification/Innovation

Institutional Allocation

- Corporate Treasury
- Insurance Companies
- Sovereign Wealth Funds
- Pension Funds/Endowments

Market Size

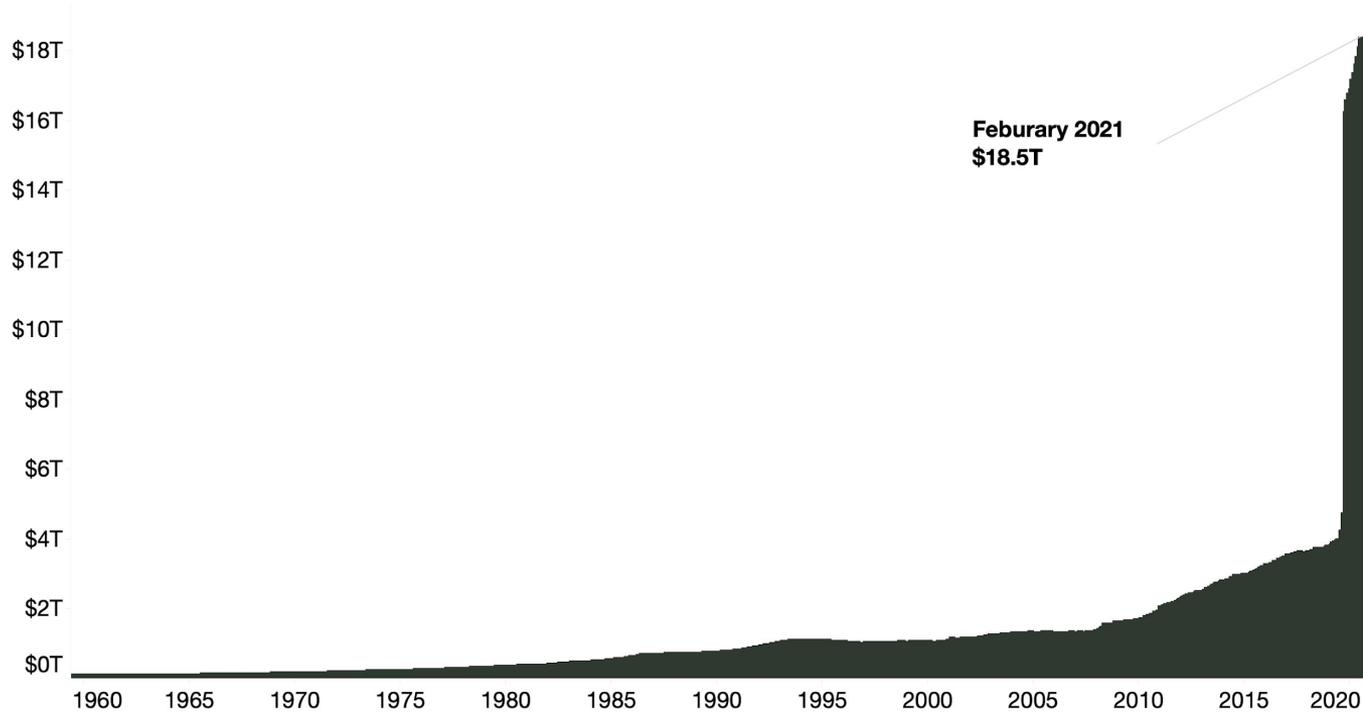
- Spot Volume
- Futures Open Interest: >\$25B, CME Open Interest ~\$3B (ranging between 10%-15% of total OI)
- Daily Settlement: \$17B - \$35B (LBMA settles ~\$25B in gold transactions per day)
- [Gold vs. Sovereign Debt Liquidity](#)

Source: Coinmetrics, Glassnode



Macro Overview

Monetary Base (M1)

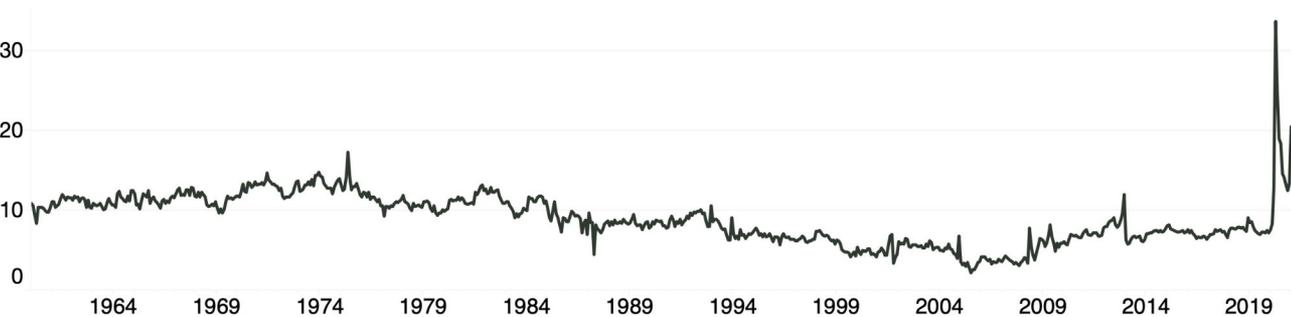


[FRED](#)

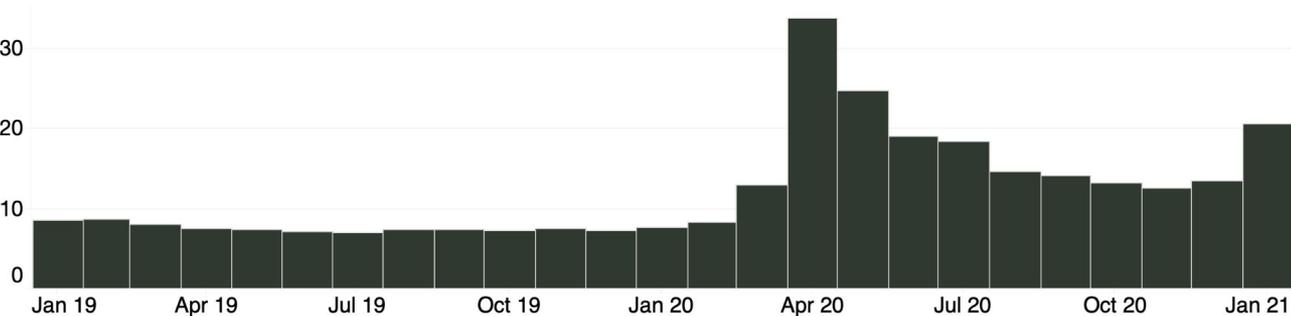


Macro Overview

Personal Savings Rate (1959-Present)



Personal Savings Rate (2019-Present)

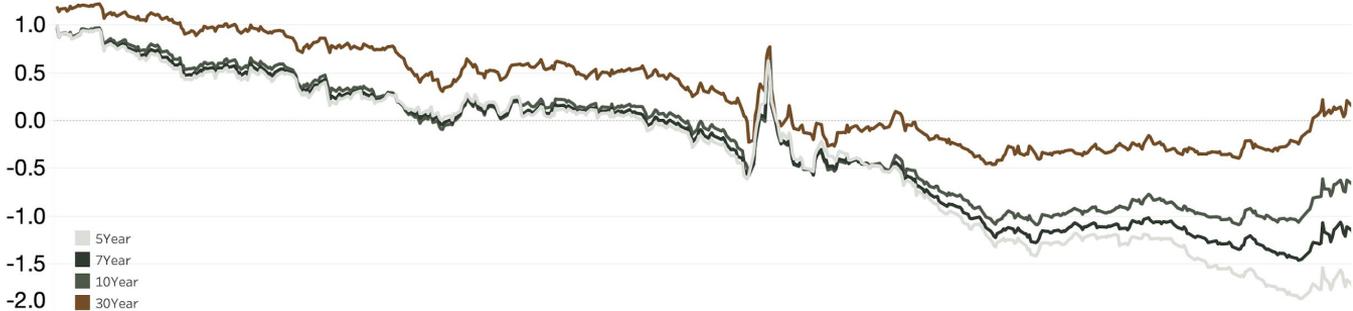


Source: [FRED](#)

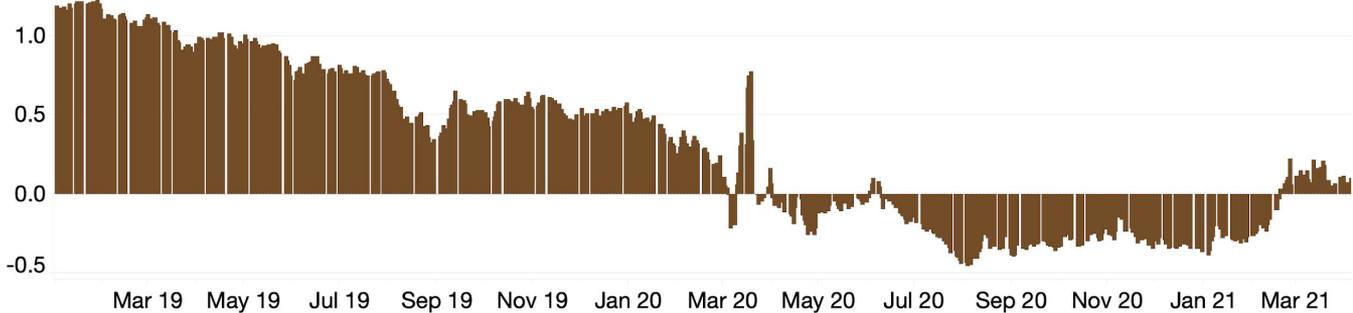


Macro

US Real Yields



30yr US Real Yield

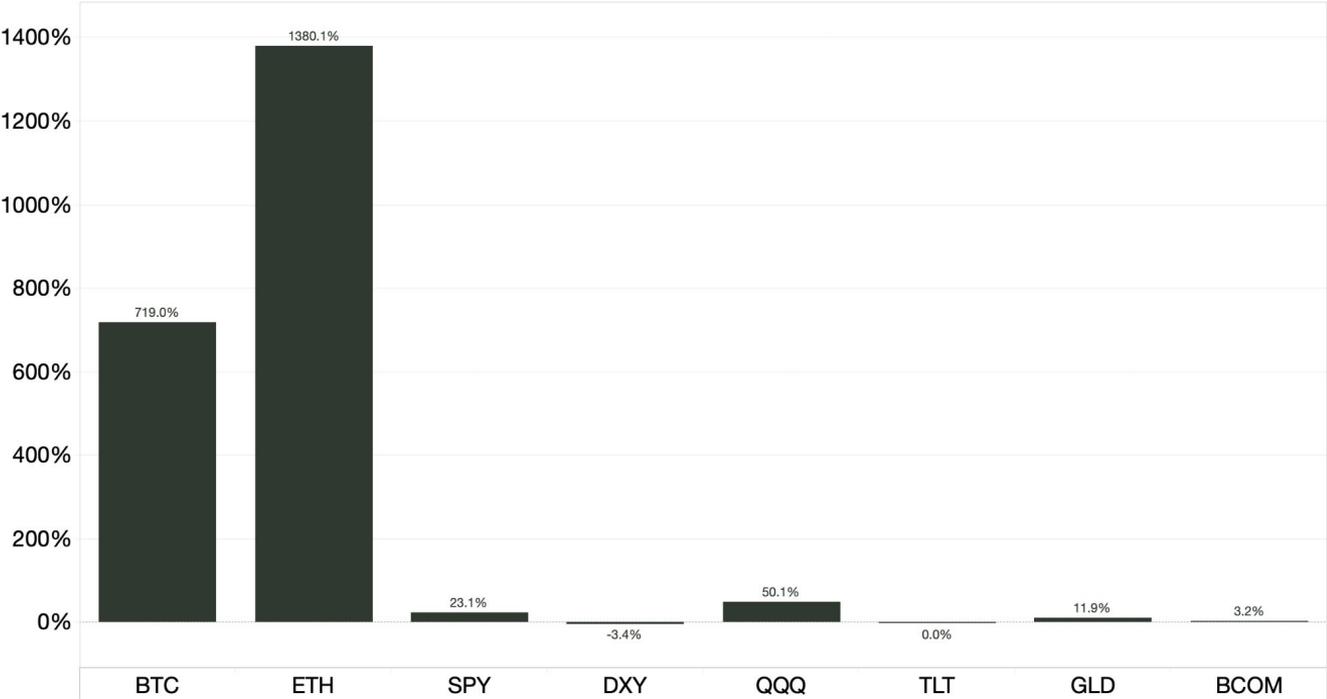


Source: [Treasury.gov](https://www.treasury.gov)



Realized Performance

Asset Class Performance (12/31/2019 - 3/31/2021)

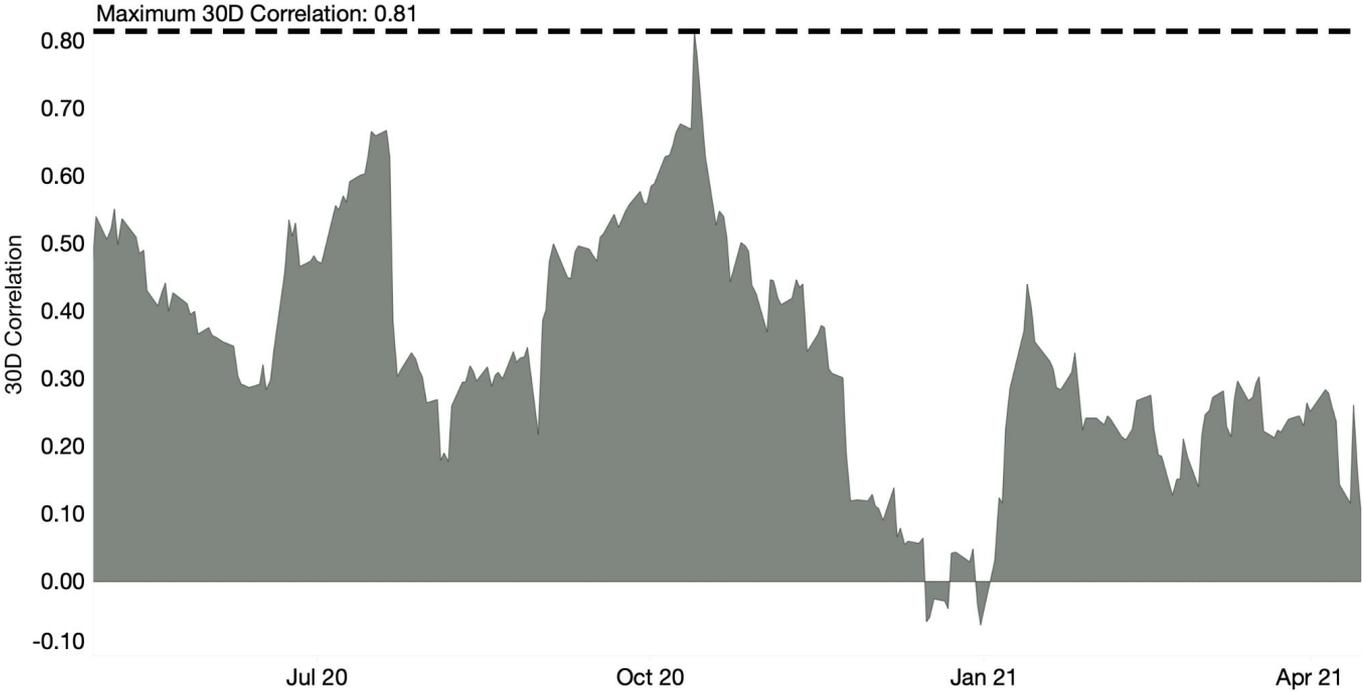


Source: TD Ameritrade, Coinmarketcap



Bitcoin vs. S&P (Short Term)

Daily Correlations (ES1 vs. BTC1)

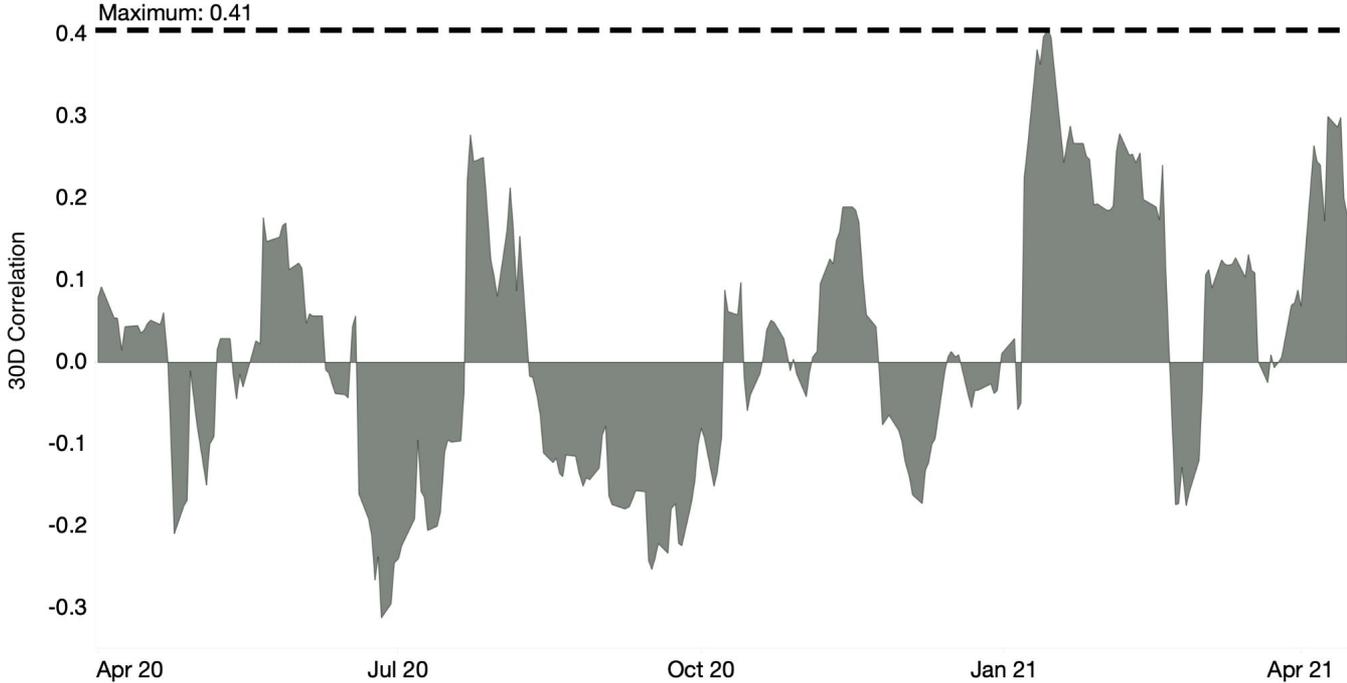


Source: TD Ameritrade, 100 Acre Ventures



Bitcoin vs. Gold (Short Term)

Daily Correlations (BTC1 vs. GC1)

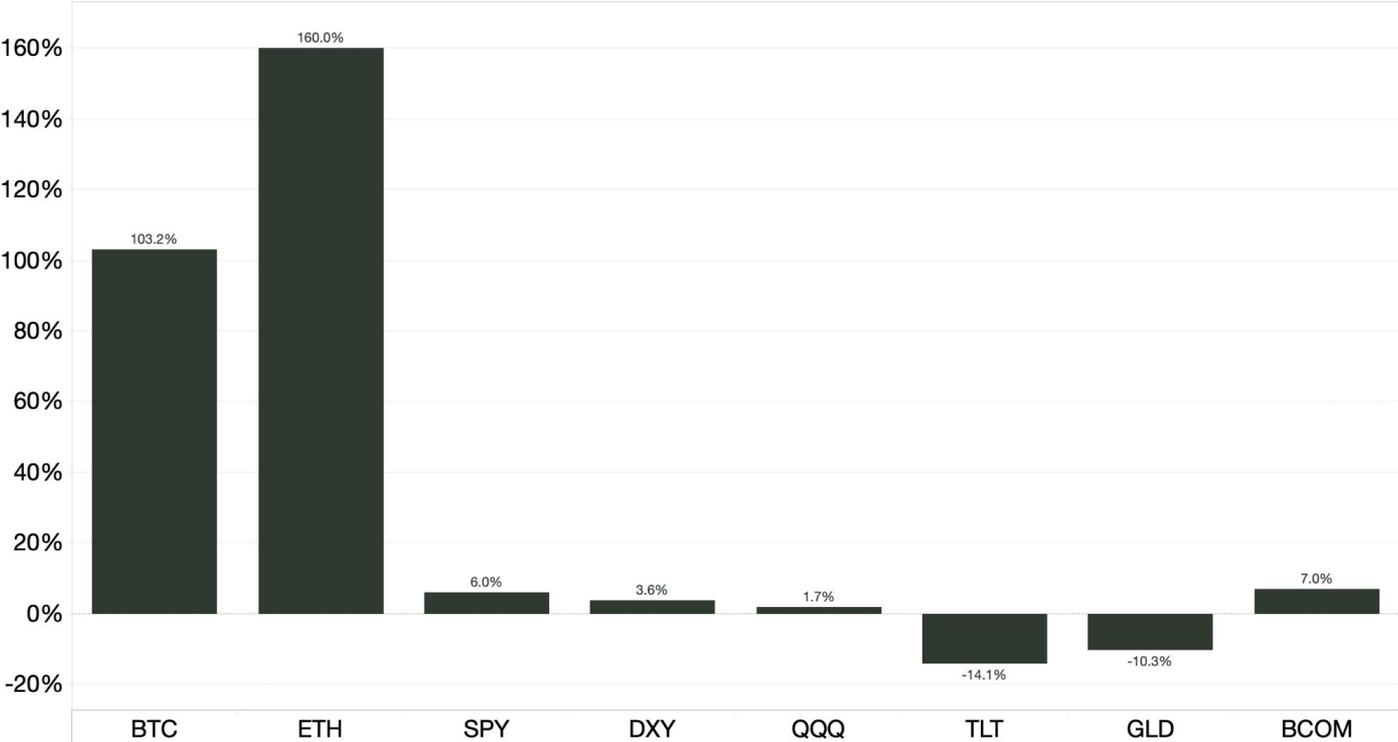


Source: TD Ameritrade, 100 Acre Ventures



Realized Performance vs. Narrative

Year To Date Performance (through 3/31/2021)



Source: TD Ameritrade, Coinmarketcap



Traditional Market Correlations

52 Weekly Correlations

	BTC	GLD	SPY	TLT	VIX	TIP	DXY	BCOM
BTC	1							
GLD	0.13	1						
SPY	0.23	0.08	1					
TLT	-0.36	0.35	-0.45	1				
VIX	-0.26	-0.10	-0.80	0.34	1			
TIP	-0.32	0.45	-0.09	0.66	0.01	1		
DXY	-0.32	-0.39	-0.48	0.25	0.30	0.14	1	
BCOM	0.34	0.04	0.58	-0.40	-0.37	-0.13	-0.41	1

Source: Coinmarketcap, TD Ameritrade, 100 Acre Ventures



Bitcoin vs. DXY

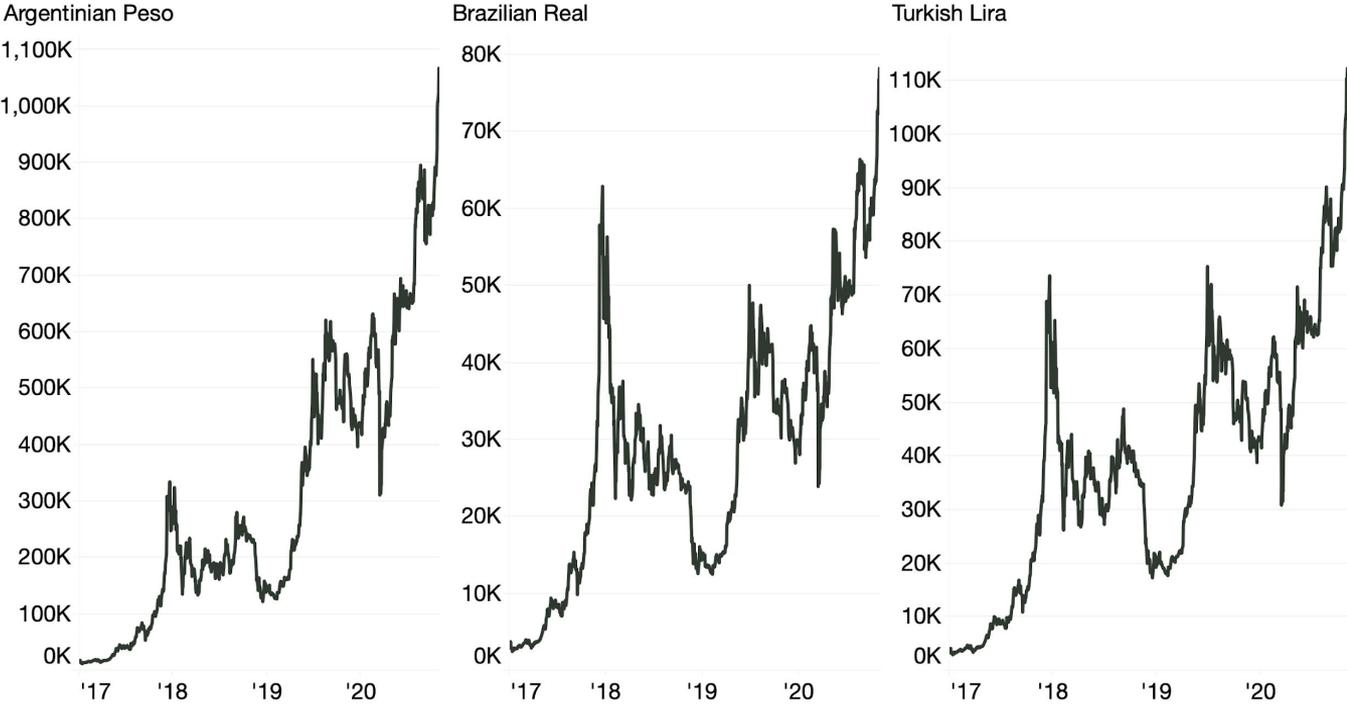


Source: TD Ameritrade, Coinmarketcap, 100 Acre Ventures



Bitcoin vs. Emerging Market Currencies

Bitcoin Continues to Make All-Time Highs vs. Emerging Market Currencies



Source: TD Ameritrade



Ownership

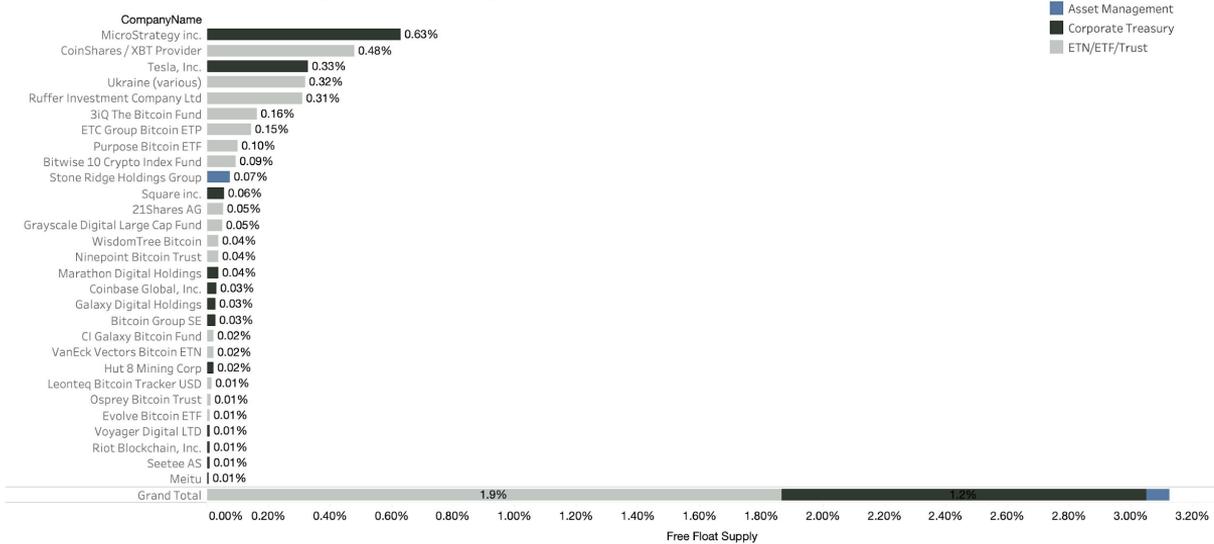


Bitcoin Ownership & Accessibility

Summary

GBTC	4.49%
Wrapped BTC (DeFi)	1.25%
ETN/ETF/Trust (ex GBTC)	1.87%
Corporate Treasury	1.22%
Square Cash (Aggregate Gross TX Volume)*	2.92%
Total	11.75%

Bitcoin Held In Treasury & Publically Traded Vehicles (ex GBTC)



Source: Bloomberg, Grayscale, bitcointreasuries.org



Bitcoin Ownership & Accessibility

Consumer Apps

- Square Cash: Averaged 55% q/q growth in gross transaction volume since in Q2 `18
- Venmo/PayPal: 300M users, have now enabled direct purchases
- Mobile Coin: 50M users, enabling p2p crypto payments (think venmo in a messenger application)

ETNs/Trusts

- GBTC Holds 4.49% of Bitcoin (float adjusted)
 - 35.64% increase in total units in Q4 (NAV ~ \$20B), representing 147% Q/Q growth
- ETNs/Trusts ex GBTC hold another ~1.87%

Corporate Treasury

- Hold 122bps of Bitcoin's total free float adjusted supply. MicroStrategy and Square now actively educating/advising other market participants on how to hold Bitcoin as part of their treasury management strategy

Insurance Companies

- Mass Mutual (\$100M Bitcoin purchase), Starr Insurance/Liberty Mutual (\$100M investment in NYDIG)

Sovereign Wealth Funds

- Temasek (investment in Anchorage), Norges (investment in MSTR, proximity to Seetee)

Source: Bloomberg, Grayscale, DeFi Pulse



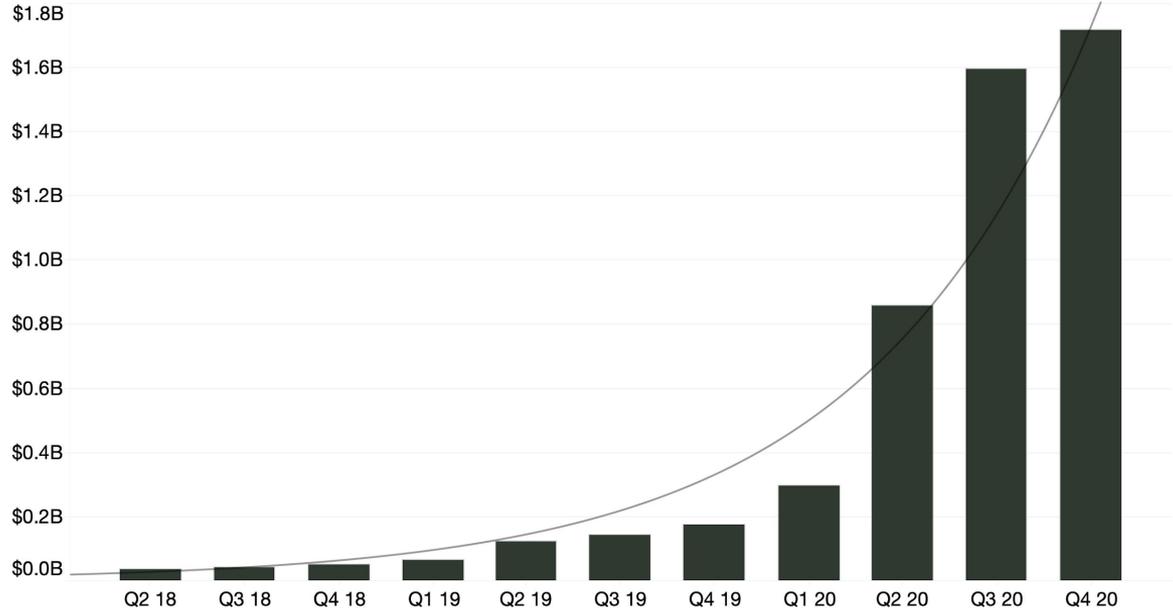
Square Cash App

Averaged 54.59% q/q growth in gross transaction volume since in Q2 `18

In-app gross transactions of Bitcoin in Q4 `20 were \$1.71B, representing 7.1% q/q growth, which represents ~251.11%* of total Bitcoin block rewards

Despite only modest q/q growth in Q4, y/y growth was a massive 773%

Square Cash Quarterly in App Transaction Volume



Source: Square Quarterly Earnings Reports



PayPal

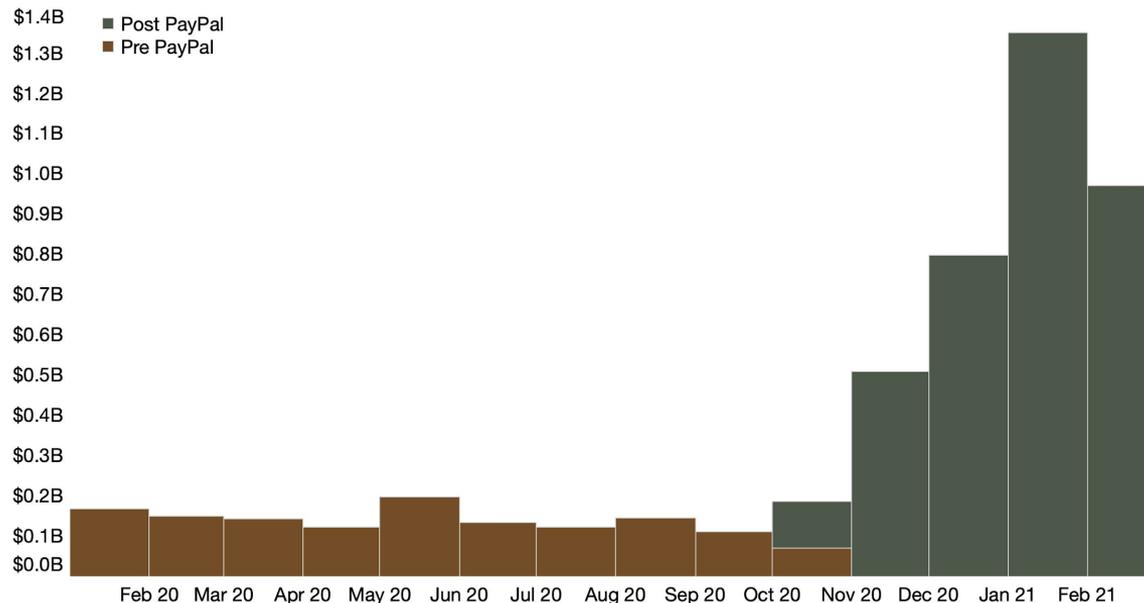
PayPal launched the Buy, Hold, and Sell experience in the U.S. on October 21st 2020

PayPal has 377M active accounts per their Q4 2020 earnings call

While they haven't reported on volume figures explicitly, PayPal routes volume through the itBit exchange

While there was a universal increase in exchange volume in Q4, itBit had flat/decreasing volume the entire year prior to the PayPal partnership and subsequent launch. In Q4, volumes more than tripled q/q (compared to Coinbase where volumes only doubled from Q3 to Q4)

itBit BTC/USD Trading Volume (pre/post PayPal)



Source: [PayPal Q4 2020 Earnings Release](#), CryptoCompare



Aker/Seetee

Corporate Treasury/Sovereign Wealth Funds

- A Norwegian industrial giant Aker ASA has established a new firm called Seetee to invest in the Bitcoin ecosystem
- They purchased 1,170 BTC worth ~\$58 million for its treasury with plans to add more. Norges and the Norwegian Sovereign Wealth Fund (the largest in the world), with ~>\$1.1T in assets, was established to reinvest excess revenue from Norway's oil industry into a diverse set of assets. For context, they own 1.3% of all global equities. This move by Aker could be a leading indicator of a direct investment by Norway into Bitcoin. Here is a brief excerpt from their recent shareholder letter announcing the formation of Seetee:

“Not investing is the riskiest decision. Risk is not an obvious concept. What’s commonly considered risky is frequently not. And vice versa. We are used to thinking that cash is risk free. But it’s not. It’s implicitly taxed by inflation at a small rate every year. It adds up. Central bankers have magically agreed that they should target two percent inflation, which implies that one third of your money’s worth is taxed away every twenty years. If it was three percent, almost half of it would be gone in that time. Now you should ask, why is it two, and not one or three? What’s special about two percent? The Federal Reserve has recently said it will target an average rate of two percent over time, which implies they will allow inflation to run 5% above the target for some years. Inflation is very good for debtors. And the U.S. is the world’s largest debtor. They owe the bond owners. And they owe pensions. Both groups may be out of luck in the long term”.

Source: [Seetee Shareholder Letter](#)



Network Utilization

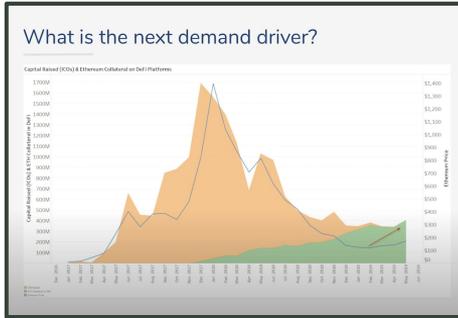


Decentralized Finance Growth

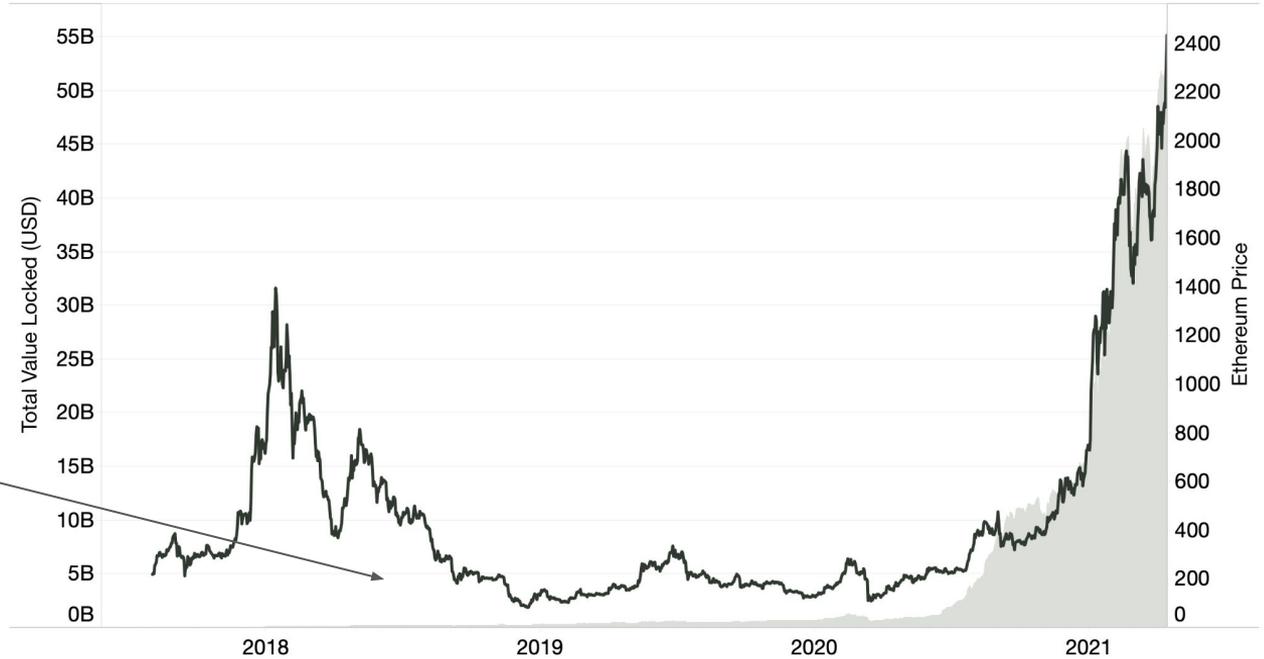
The previous price run up was driven by the ICO boom

Decentralized Finance is one of the top demand drivers today

Current aggregate value locked > \$55B...



Total Value Locked in Decentralized Finance Applications



Source: DeFi Pulse, [Bridge Alternatives Presentation](#) - 35:45



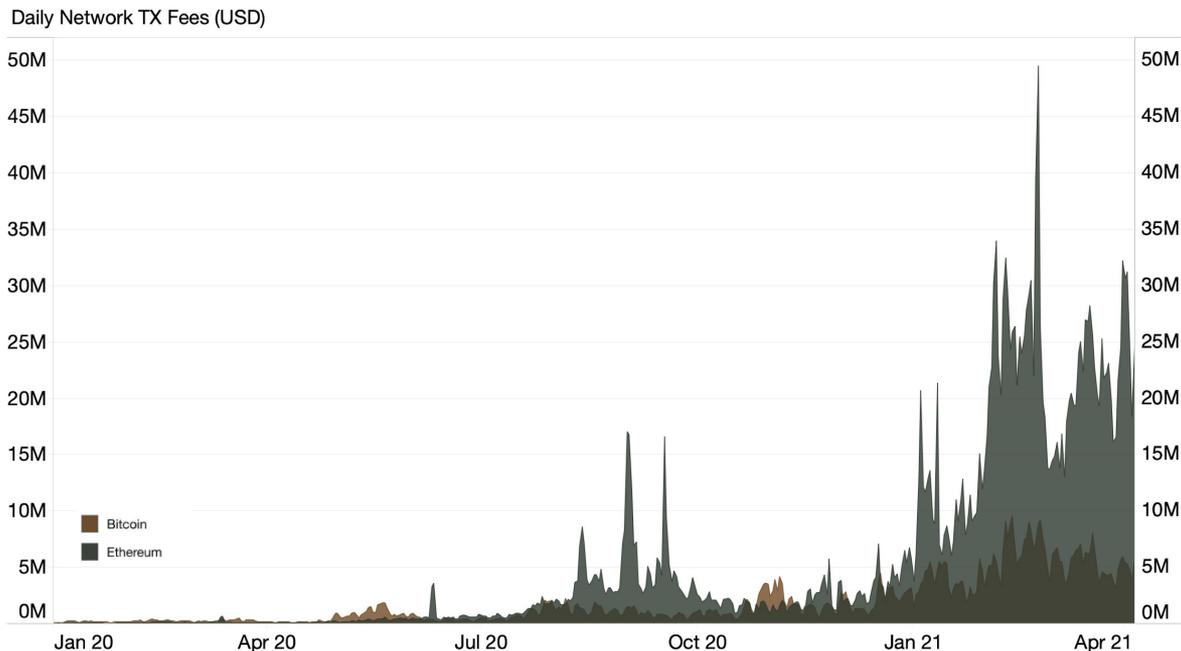
Network Transaction Fees

The surge in activity we saw in September became the norm in December and January and only accelerated in the second half of Q1 2021

Ethereum network fees are often 4-5x the fees paid to the Bitcoin network

If you use network fees as a proxy for earnings, Ethereum is trading at

- 91.0x earnings on a TTW basis
- 31.7x on a FTM basis (linear extrapolation of YTD fees)



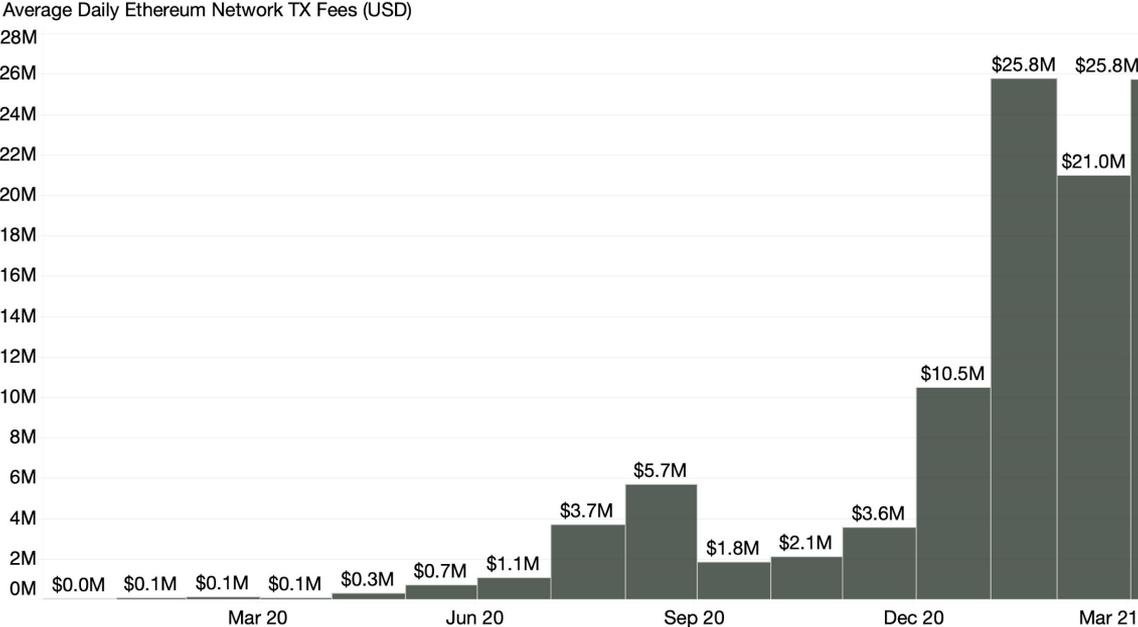
Source: CoinMetrics



Network Transaction Fees

Average daily network fees in February and March where >2x the levels seen in January and pacing at a similar level for the start of April

The increase in network activity and fees make the pending London hard fork and EIP 1559 even more relevant

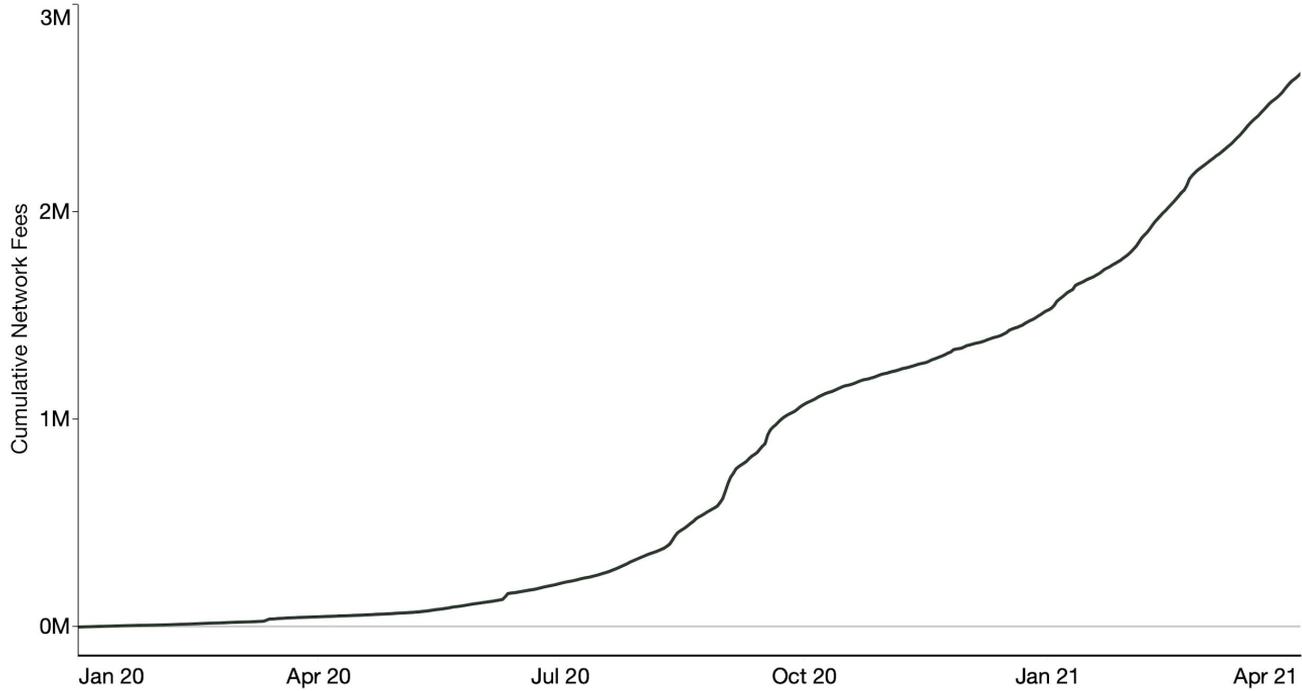


Source: CoinMetrics



Ethereum EIP 1559 Simulation

Ethereum Cumulative Network Fees (ETH)



Source: CoinMetrics

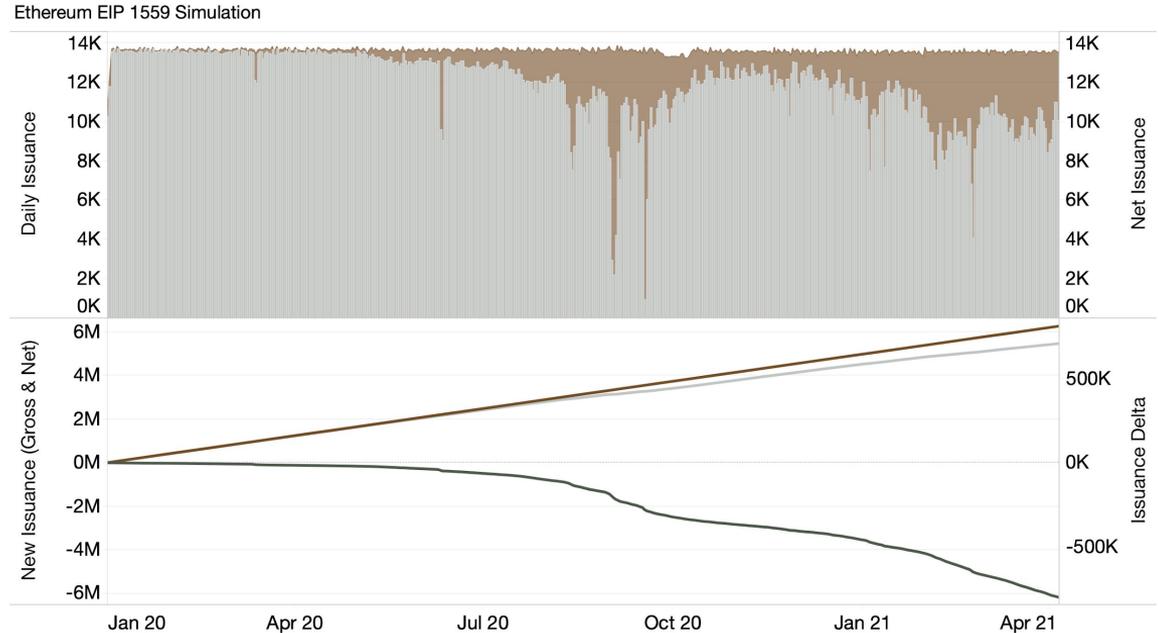


Ethereum EIP 1559 Simulation

2021 Network Inflation would be reduced by ~1% (currently expected to be ~4.3%), assuming straight line extrapolation of Q1 network fees for '21 and 30% miner revenue reduction

While not explicitly targeting scalability, EIP 1559 should reduce network congestion and exacerbated network fees driven by the current design whereby the first-price auction is the primary mechanism in determining network fees

Following EIP 1559, the protocol will determine the “base fee” level with first-price auctions being a secondary factor



Source: CoinMetrics, 100 Acre Ventures



Network External Calls

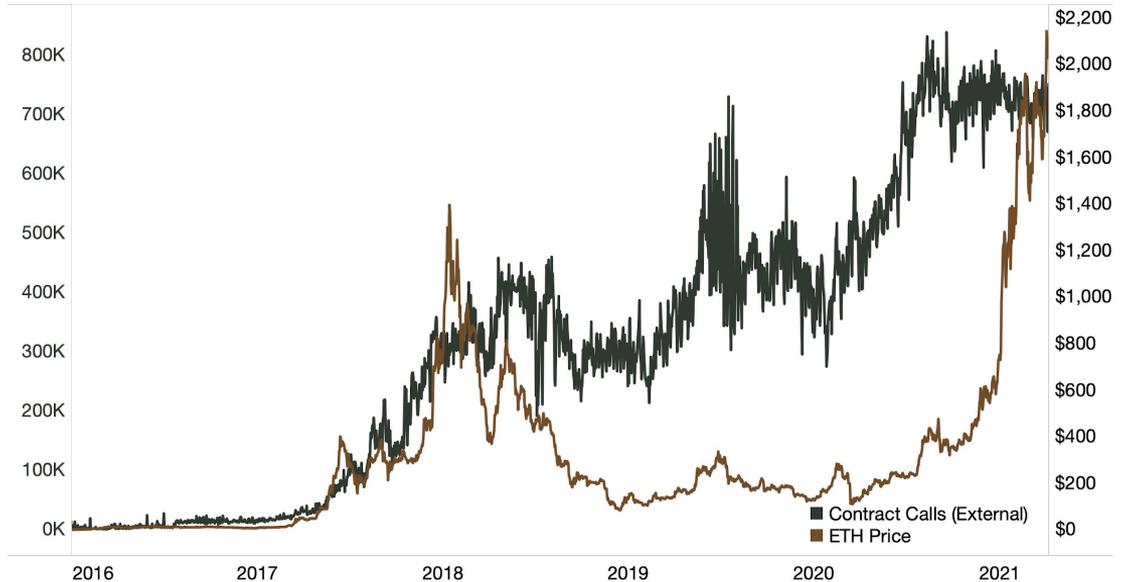
The number of network external calls quantifies the number of times decentralized applications (aka DAPPS) are performing an action on Ethereum

This is a measure of network utilization

This number has steadily grown over the last 3 years, first with the growth in initial coin offerings (ICOs) and now with the growth in decentralized finance application usage

Aggregate value locked in “DeFi” is in excess of \$55B

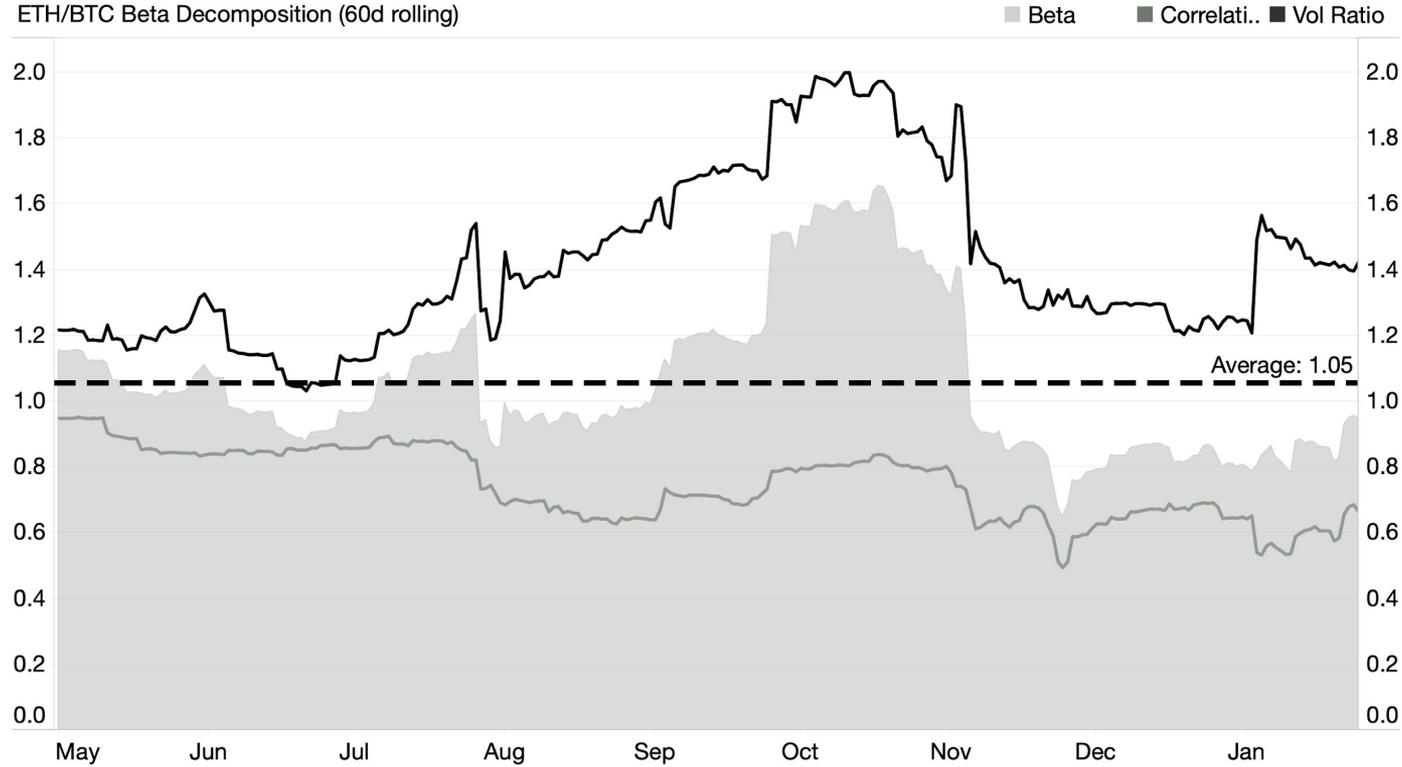
Ethereum Contract Calls (External)



Source: Glassnode, DeFi Pulse



ETH vs BTC (Beta Decomposition)



Source: TD Ameritrade, 100 Acre Ventures



Fundamental



Coinbase

In front of the Coinbase (COIN) direct listing, they provided estimates of their Q1 metrics:

Consumer & Institutional Onramp

Revenue

- \$1.8B Q1 Revenue, \$7.4B revenue run-rate
- \$1.13B in transaction revenue on \$335B in trading volume
- \$1.1B adjusted EBITDA, \$4.4B run rate
- \$730-\$800M in net income, \$3.0B net income run rate

Users

- Verified Users: 56M
- Monthly transacting users
 - Q1 2017: 2.7M
 - ...
 - Q3 2020: 2.1M
 - Q4 2020: 2.8M
 - Q1 2021: 6.1M

Source: [Coinbase S-1](#), [Coinbase First Quarter 2021 Earnings Call](#)



Uniswap Overview

Trading volumes in January are pacing at \$750M/day (Q1 call) - finished at \$835M/day

Average daily volume in February and March exceeded \$1B at \$1.13 and \$1.07B respectively

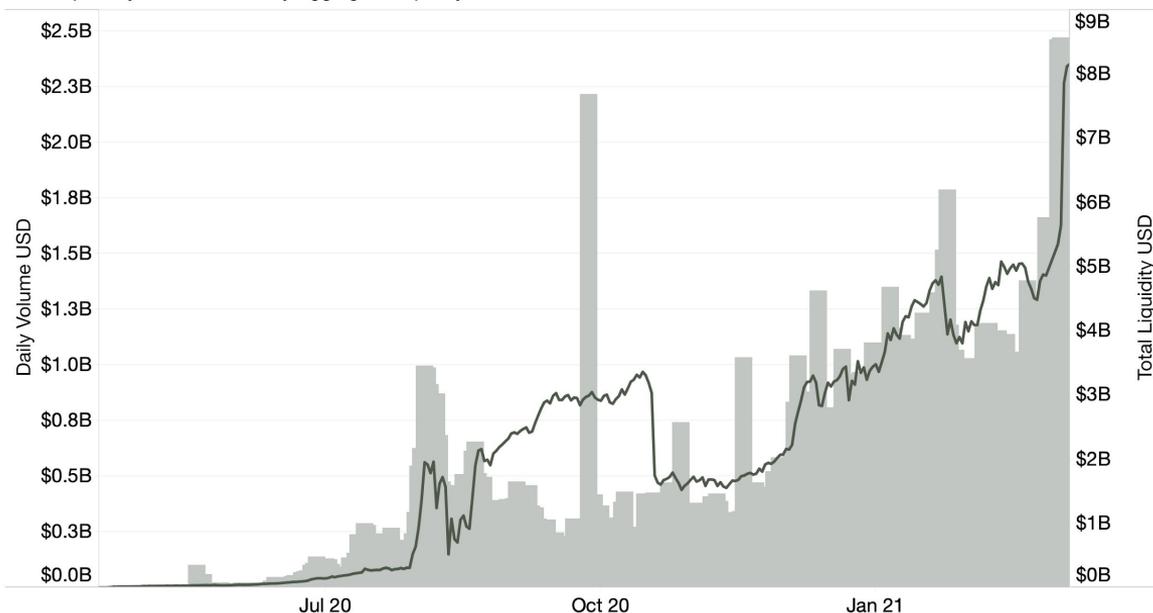
Total liquidity on Uniswap is now in excess of \$8B

Strong alignment of incentives for users and liquidity providers

Still room for improvement in the underlying mechanics

V3 release scheduled for May 2021

Uniswap: Daily Volume and Daily Aggregate Liquidity



Source: Uniswap, Disclaimer: 100 Acre Ventures Currently Holds a Position in Uniswap



Uniswap Valuation

Uniswap is a decentralized exchange (DEX). Exchange is the foundation of decentralized finance.

In Q1 2021, the average daily trading volume (ADV) was ~\$1B which translates to ~\$365B in annual volume and \$1.1B in annual revenue

Uniswap liquidity providers (LPs) receive a pro-rata share of the 30bps swap fee. It has been proposed that UNI token holders receive 5bps (of the 30bps) for governance participation. Given there is no “middle man”, revenue = earnings.

Current network valuation (EOY) is ~\$13.8B. Fully diluted network valuation ~\$29.5B

On a 12mo forward basis using the current price of UNI (\$29.5), the P/E ratio is:

- 12.2 from the perspective of liquidity providers
- 73.2 from the perspective of UNI token holders (*assumes 5bps distribute to UNI token holders*)

Assumptions

- Distribution of 5bps swap fee, distribution of fees to circulating token supply, no volume growth in the remainder of calendar 2021, nor does it account for the v3 feature set



Terra (LUNA)

Terra is a blockchain that supports pegged, algorithmic stable coins (UST, KRT, etc.) and a growing number of applications spanning consumer payments (CHAI), decentralised finance (Anchor), and investing (Mirror)

Experienced team of ecommerce founders, crypto forward market, adoption drives stability

Tracking (Macro)

- Growth in UST, averaging 1.4%/day over trailing 14 days
- Contraction in LUNA supply (which supports the growth in UST), averaging -.30%/day over trailing 14 days

Tracking (Micro)

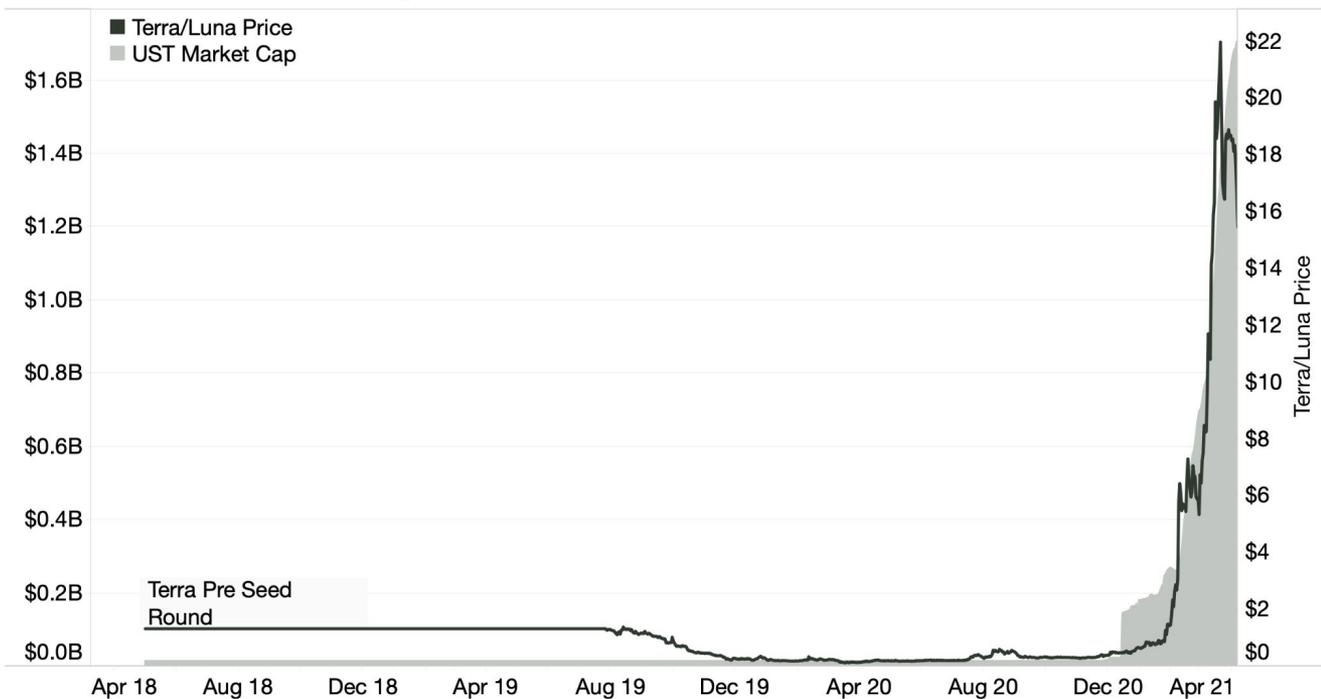
- Anchor
 - Deposits: \$162M
 - Collateral: \$347M
- Mirror
 - Total Value Locked: \$1.91B (liquidity + collateral + mirror)
 - Liquidity: \$958.7M
- CHAI Payments
 - Users, Transaction Volume, Fees

Source: <https://anchorprotocol.com/dashboard>, <https://mirror.finance/>, Disclaimer: 100 Acre Ventures Currently Holds a Position in LUNA



Terra (LUNA): UST Growth

Terra UST Stable Coin Units Outstanding



Source: Coinmarketcap.com, Disclaimer: 100 Acre Ventures Currently Holds a Position in LUNA

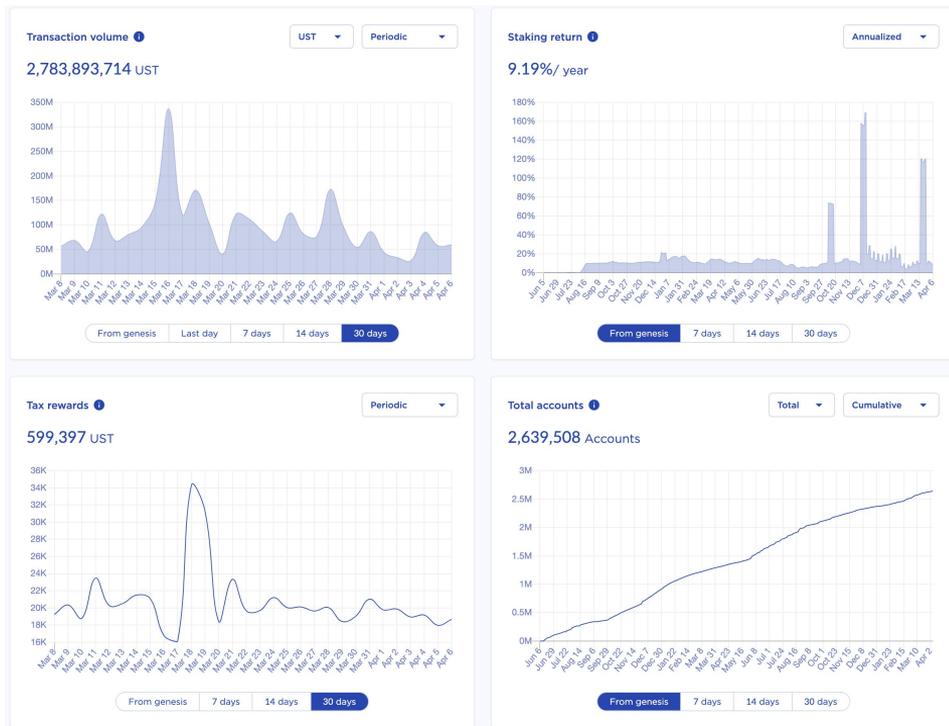


Terra Station

Trailing 30d UST transaction volume
~\$100M/day

Trailing 30 day network fees (~\$600k)
(for CHAI), which implies about \$131M
in transaction volume given current tax
rate

>2.6M Accounts



Source: station.terra.money, Disclaimer: 100 Acre Ventures Currently Holds a Position in LUNA



Mobile Coin

MobileCoin (MOB) is a cryptocurrency purpose-built and optimized for mobile environments

Signal Integration

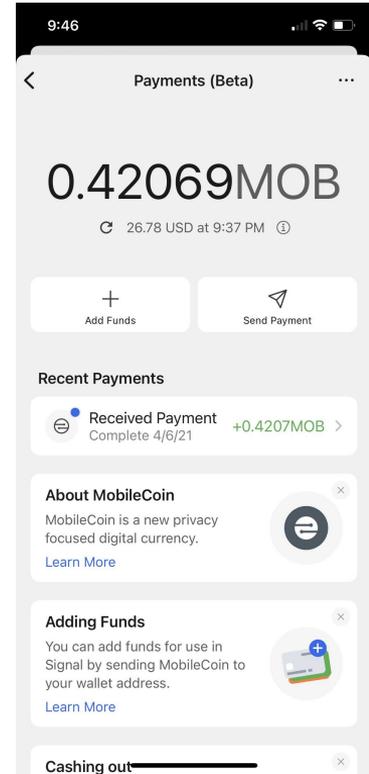
- Two year exclusive payments partnership with Signal Messenger
- Mobile SDK released on March 16th
- Complete end to end privacy
- Signal currently has 100M+ active users today
- Expectations are that it will again another 100M-200M new users in the coming months with WhatsApp's upcoming deadline for users to accept its new terms of service
- Over 42M users joined Signal following WhatsApp's previous update of its terms of service

“Telegram failed, FaceBook failed, Signal is the first mainstream messenger app to integrate a crypto payments solution.”

Simple UI/UX will propel adoption

Signal/Mobile Coin announcement - [Wired Magazine](#)

Disclaimer: 100 Acre Ventures Currently Holds a Position in MOB



Maturing Use Cases

Open/Decentralized Finance

- Borrowing/Lending
- Stable Coins
- Insurance
- Synthetic Assets

Payments

Non-Fungible Tokens

- Collectibles (Crypto Punks, NBA Top Shot)
- Virtual Economies/In-Game Items

Edge Storage

- FileCoin
- Sia
- Areweave
- Storj



Protocol Correlation

As protocols mature, we should see a continued drop in realized correlation. There is no reason a distributed storage protocol, an NFT marketplace, a decentralized exchange, and Bitcoin should be highly correlated

Average pairwise correlation of portfolio positions .26

Asset	USD-AR	USD-ATOM	USD-BTC	USD-DOT	USD-ETH	USD-HNS	USD-KSM	USD-LUNA	USD-MOB	USD-UNI
USD-AR										
USD-ATOM	0.180									
USD-BTC	0.169	0.277								
USD-DOT	0.112	0.442	0.650							
USD-ETH	0.215	0.398	0.731	0.612						
USD-HNS	0.032	0.184	0.311	0.230	0.247					
USD-KSM	0.144	0.388	0.380	0.368	0.195	0.092				
USD-LUNA	0.069	0.192	0.560	0.359	0.330	0.090	0.378			
USD-MOB	-0.018	0.122	0.101	0.110	0.194	0.171	0.130	-0.062		
USD-UNI	0.149	0.124	0.288	0.557	0.370	0.128	0.136	0.101	0.071	
USD-WNXM	0.198	0.237	0.496	0.448	0.675	0.159	0.209	0.155	0.209	0.244

Disclaimer: 100 Acre Ventures Currently Holds all of the above mentioned positions



Headline News



Suggested Reading & Listening

- Reading
 - [The Great Monetary Inflation](#) - Paul Tudor Jones
 - [Seetee Shareholder Investor Letter](#)
 - [Stone Ridge 2020 Investor Letter](#)
- Listening
 - Grant Williams: [Both Sides of the Coin, a Civilized Bitcoin Debate](#)
 - [A World Without Bitcoin](#) - Alex Gladstein, Chief Strategy Officer for the Human Rights Foundation



Q&A



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