

One River Digital Pulse



7 December 2022

One River Digital
Research

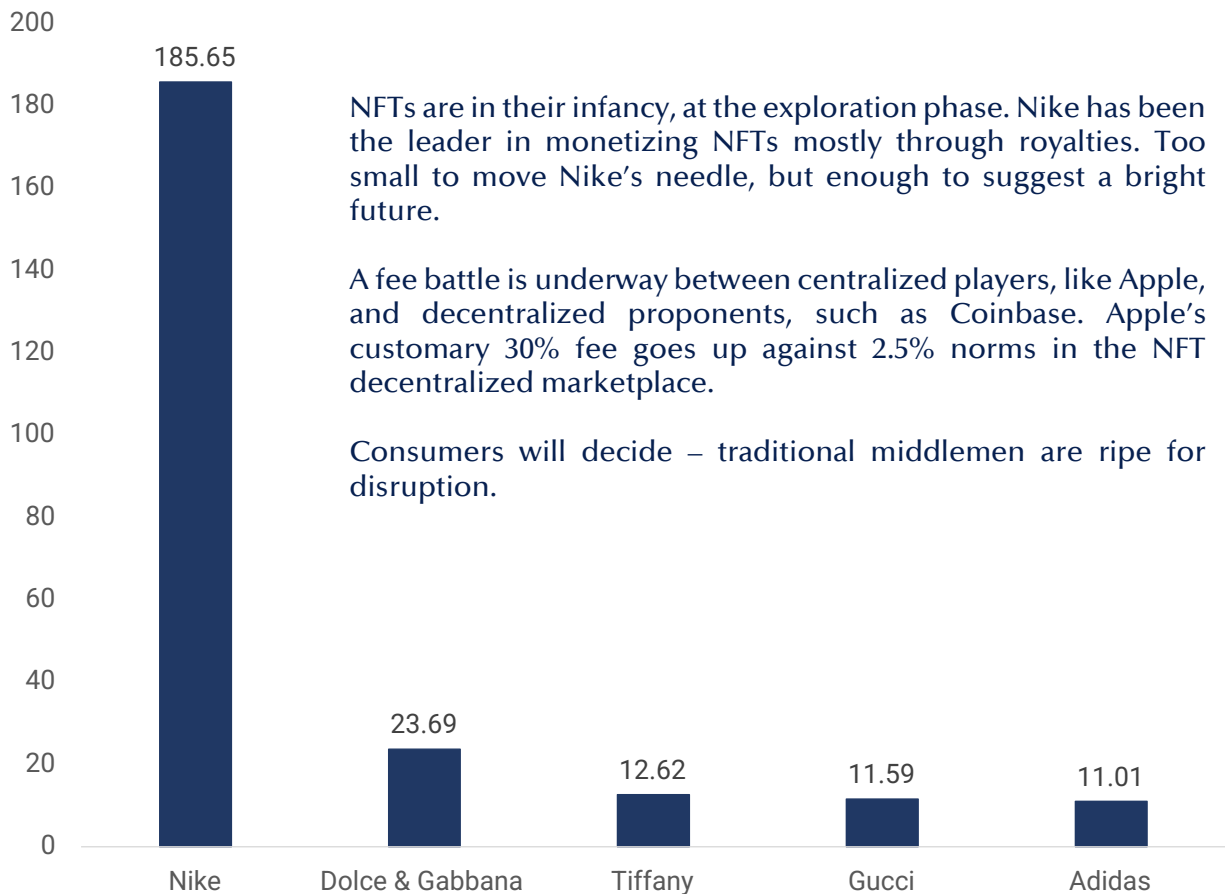
Weekly Pulse – NFT Brand Battles

Digital Pulse – NFT Brand Battles: The efficiency of digital asset technologies is disruptive to incumbent players. Much of the focus is on traditional finance and the tokenization of everything. Yet, realizing that disruption is a challenge – the stakes are high, and policymakers are rightly conservative in their willingness to risk the financial system. Native digital assets that integrate into the social mainstream may be a more natural disruptor with fewer barriers to entry. That’s where NFTs come in. Big fashion brands are alert to the threat. Nike is well ahead of the pack in terms of monetizing NFTs, approaching a total of \$200 million. But the battle runs deeper than brands. It is all about the middleman. Digital technologies bring users and providers of capital and experiences closer together. That should greatly trim intermediation fees. Apple thinks otherwise, sticking to their usual 30% in-app transaction fee for NFTs, including gas fees which are implausible to recover. This contrasts with the decentralized marketplace norm of 2.5%. That’s the price of admission into iOS – if you can’t meet those terms, your application isn’t welcomed. Winter has been particularly harsh on the NFT marketplaces. Volumes that were measured in the billions on a weekly basis are now in the tens of millions. But creative innovation continues. NFTs are a more natural battleground between old and new, incumbent and disruptor. Time to shake the apes of their boredom.

WEEKLY BEATS

1. Chart of the Week – NFT Brand Battles
2. Fundamental Pulse – Neutral
3. Excess Liquidity Detox Nearing Completion
4. Layer Two Network Utilization
5. Djed Stablecoin

1. NFT FASHION BRAND BATTLES – TOTAL NFT REVENUE (MN USD)



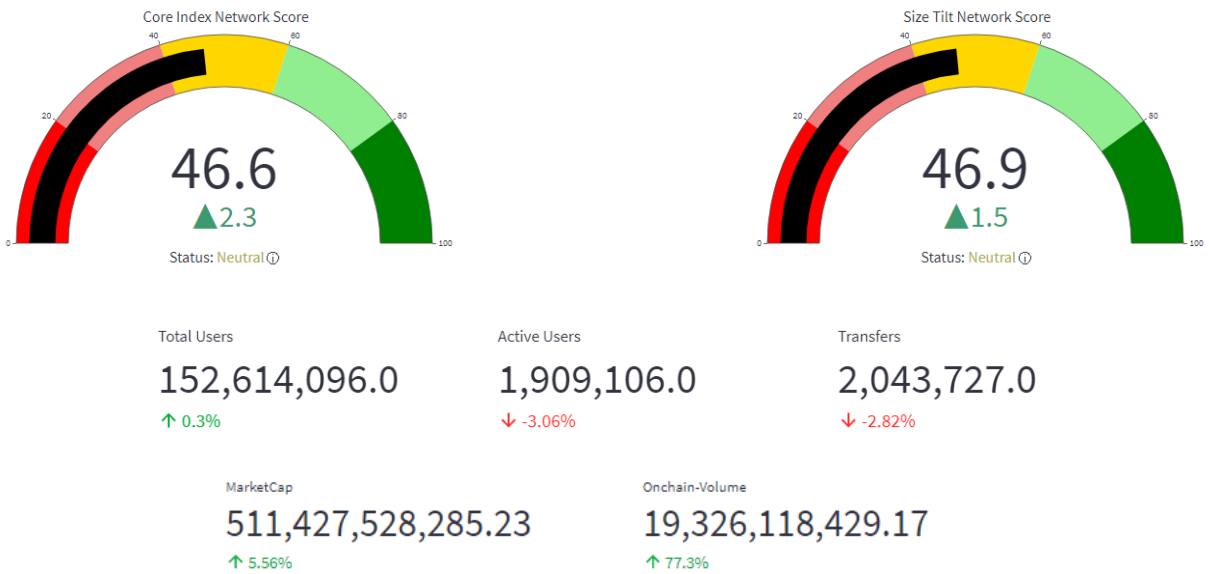
NFTs are in their infancy, at the exploration phase. Nike has been the leader in monetizing NFTs mostly through royalties. Too small to move Nike's needle, but enough to suggest a bright future.

A fee battle is underway between centralized players, like Apple, and decentralized proponents, such as Coinbase. Apple's customary 30% fee goes up against 2.5% norms in the NFT decentralized marketplace.

Consumers will decide – traditional middlemen are ripe for disruption.

MN UDS
Source: Dune Analytics

2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



The dust is settling as network scores for the Core and Size Tilt remain in the neutral regions. Aside from Cardano, scores across the board are almost unchanged.

Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Core	47	-8	-3	15	38	59	38	11	67	99
Size Tilt	47	-7	1	21	35	53	42	17	60	99
Bitcoin	50	4	-11	6	51	62	33	4	92	100
Ethereum	39	0	8	30	10	59	43	21	15	98
Cardano	54	-5	0	44	20	18	63	31	100	100
Polygon	57	1	3	39	70	62	62	36	31	99
Litecoin	47	2	-4	2	34	29	38	34	96	93
Stellar	40	2	4	42	27	38	47	25	0	100

*Snapshot on 12/6/2022. Seven-day change in the Core and Size-Tilt Index Scores.

Notes: Status- High > 60, Neutral 40 to 60, Low < 40. A score of 54.5 means the Index value is better than 54.5% of its values in the past 365 days. Index scores exclude Solana, Cosmos, and Polkadot due to incomplete data coverage. The December 1, 2022 Index rebalancing and reconstitution removed Bitcoin Cash from the Index scores, though the Pulse coverage is still available.

3. EXCESS LIQUIDITY DETOX NEARING COMPLETION

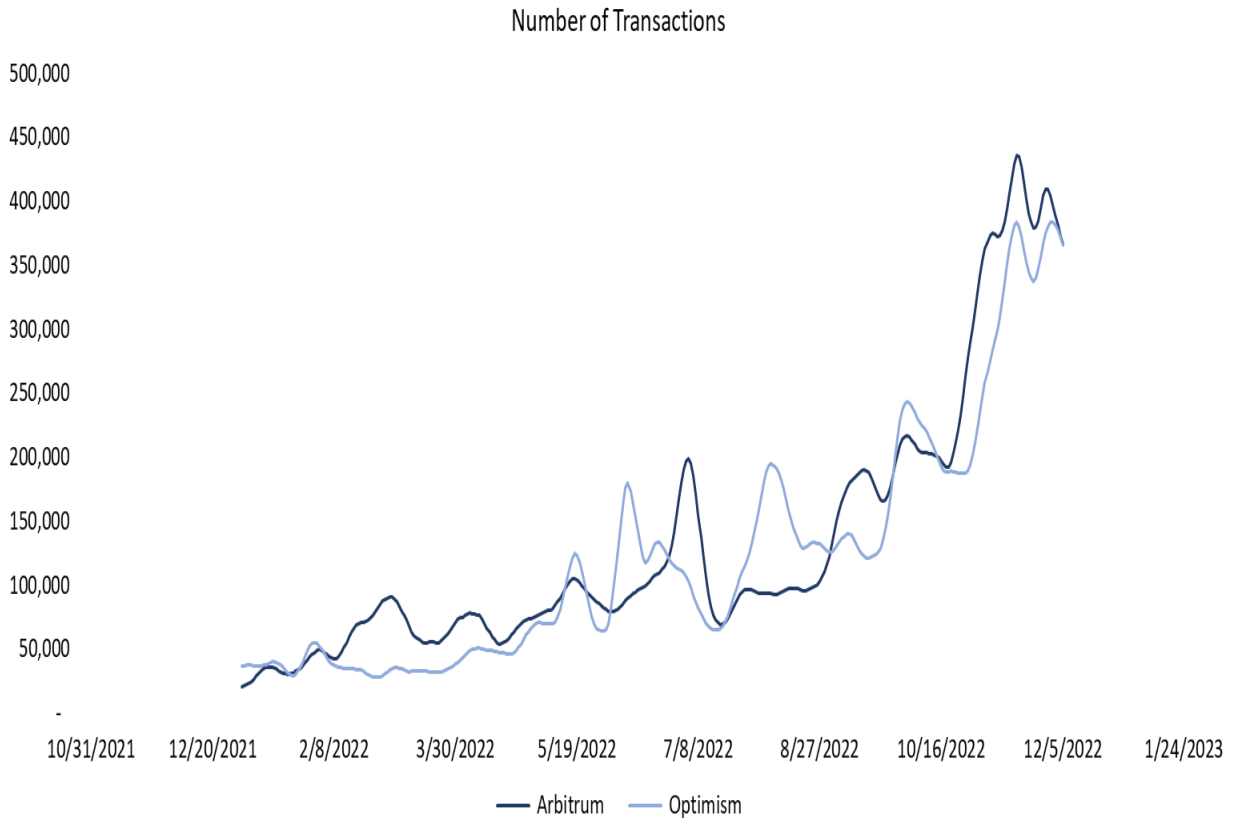
Glassnode's realized capitalization metric measures the net sum of the capital inflows and outflows on the network since inception. We have only retraced to the 2021 levels for bitcoin. The detox of excess liquidity is nearing its completion.



Source: Glassnode.com.

4. LAYER TWO NETWORK UTILIZATION

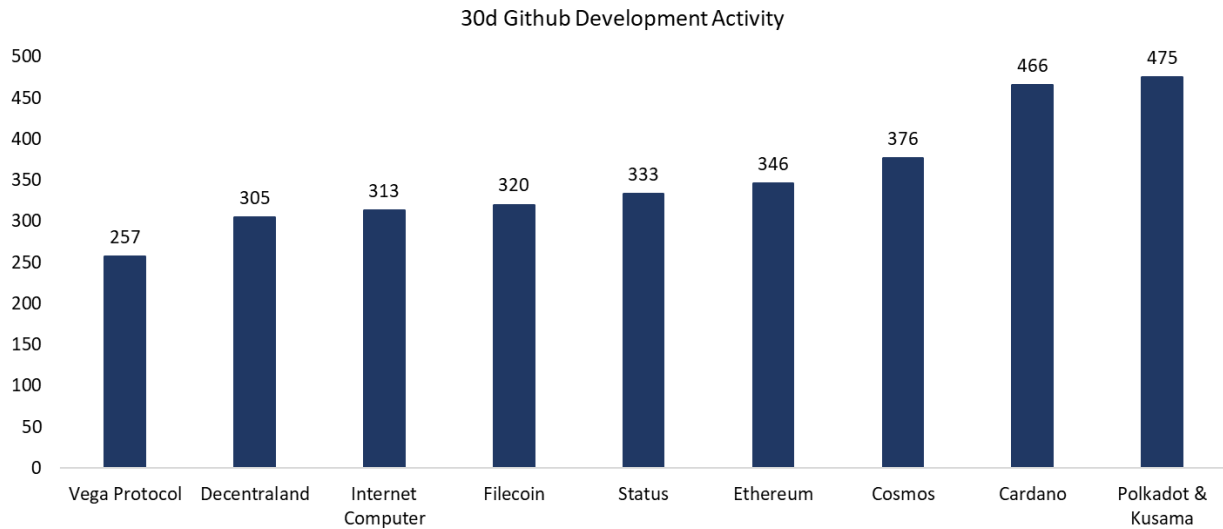
Known for cost efficiency, scalability, and speed, Layer 2's on Ethereum continue to garner utilization. Transactions on the leading layer 2's, Optimism and Arbitrum, have increased faster over the past two months.



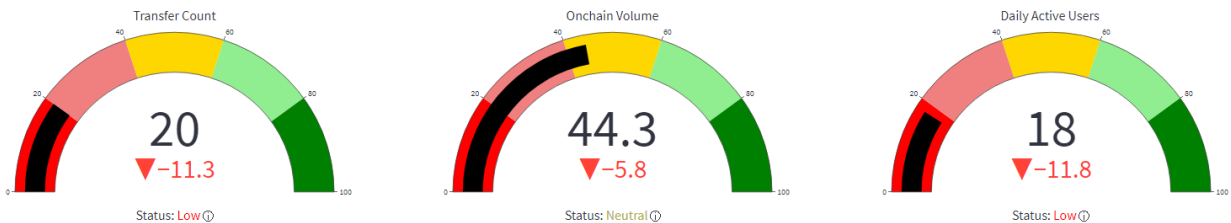
Source: The Block

5. DJED STABLECOIN

Cardano announced its release date for the first ADA-backed algorithmic stablecoin, Djed. The approach mirrors the overcollateralization requirements of Dai, the algorithmic stablecoin of MakerDAO, to ensuring the stability. With the January 2023 date fast approaching, Cardano remains in the lead in public development activity across blockchains over the last 30 days.



This stablecoin has strong potential to increase utility within the Cardano ecosystem. An uplift seeing its low user activity over the past year.



Source: Santiment, One River Digital Pulse.

Metric Definitions

1. Volume – The aggregated value of native units transferred between addresses on-chain.

2. Transfer Count – The sum count of transfers between addresses. It becomes more valuable when used in conjunction with Volume.

2.1 Low Transfer Count & High Volume: High volume but transferred by a few addresses.

2.2 High Transfer Count & Lower Volume - Indicates higher retail activity or exchanges amongst small accounts.

2.3 Lower Transfer Count & Lower Volume: Indicates slower network usage and low network demand.

2.4 High Transfer Count & Higher Volume- indicates high network usage. A persistent trend is substantial.

3. Active Users: Number of addresses active in the network as recipients or originators of ledger change. This includes value transfers, signing blocks, and other forms of ledger change activity.

3.1 High Value: High network usage and high demand.

3.2 Low Value: Low network usage and low demand.

4. User Growth Rate: The rate at which new addresses with non-zero balances are added to the network.

4.1 High Value: Indicates users being added to the network at an increasing rate.

4.2 Low Value: Indicates users being added to the network at a slower pace.

5. Valuation: This metric compares the on-chain volume to the realized capitalization representing the value of the network. Realized capitalization is a revised form of market capitalization that accounts for the value of the coin at the time the coin was last spent. A lower volume compared to the high value of the network indicates the network could be overvalued and vice versa.

5.1 High Value: Indicates the network is closer to its real value based on the on-chain volume.

5.2 Low Value: Indicates the network is very close to being overvalued considering the activity on the network.

5.3 Medium value: Asset is reasonably valued—sustainable demand for transactions.

6. Velocity –This indicator shows the turnover of coins in the network as measured by on-chain volume divided by active supply. The primary use of this metric in this instance is to help assess an asset's market-relevant supply.

6.1 High Value: There is greater circulation of coins in the network and use for payments.

6.2 Lower Value: There is lower circulation of coins in the network and use for payments.

7. Network distribution – The metric used, the SER ratio, compares the smallest accounts (sum held by accounts with a balance less than 0.00001% of the supply) against the richest accounts (sum held by the top 1% addresses).

7.1 High value: Signifies high distribution of supply and higher decentralization.

7.2 Low value: Low supply distribution and heavy concentration amongst a few wallets.

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