

One River Digital Pulse



1 MARCH 2023

One River Digital
Research

Weekly Pulse – Liquid Test

Yesterday, One River Digital successfully executed our fourth index reconstitution in the past year. The Pulse scores the fundamental strength of the index assets while monitoring more than 70 prospective assets. Over the course of recent reconstitutions, liquidity has become a sticking point for most projects with Stellar the latest removed for liquidity criteria. While Stellar's recent Soroban smart contract launch is primed to be a tipping point, it remains characterized by low trading and on-chain volume as indicated by the Pulse. The digital ecosystem is dynamic, and so is our process. The level of scrutiny applied to individual assets has been key to avoiding tail events and potential investor dilution, LUNA, and FTT being notable exclusions in our screening process. Trending assets may attract more capital, but there is no substitute for risk management. It involves assessing the capacity to withstand adverse price action and drawing towards minimal slippage in obtaining adequate liquidity for exposure. Given the infancy of the digital ecosystem, these metrics require even closer monitoring. Our team remains vigilant.

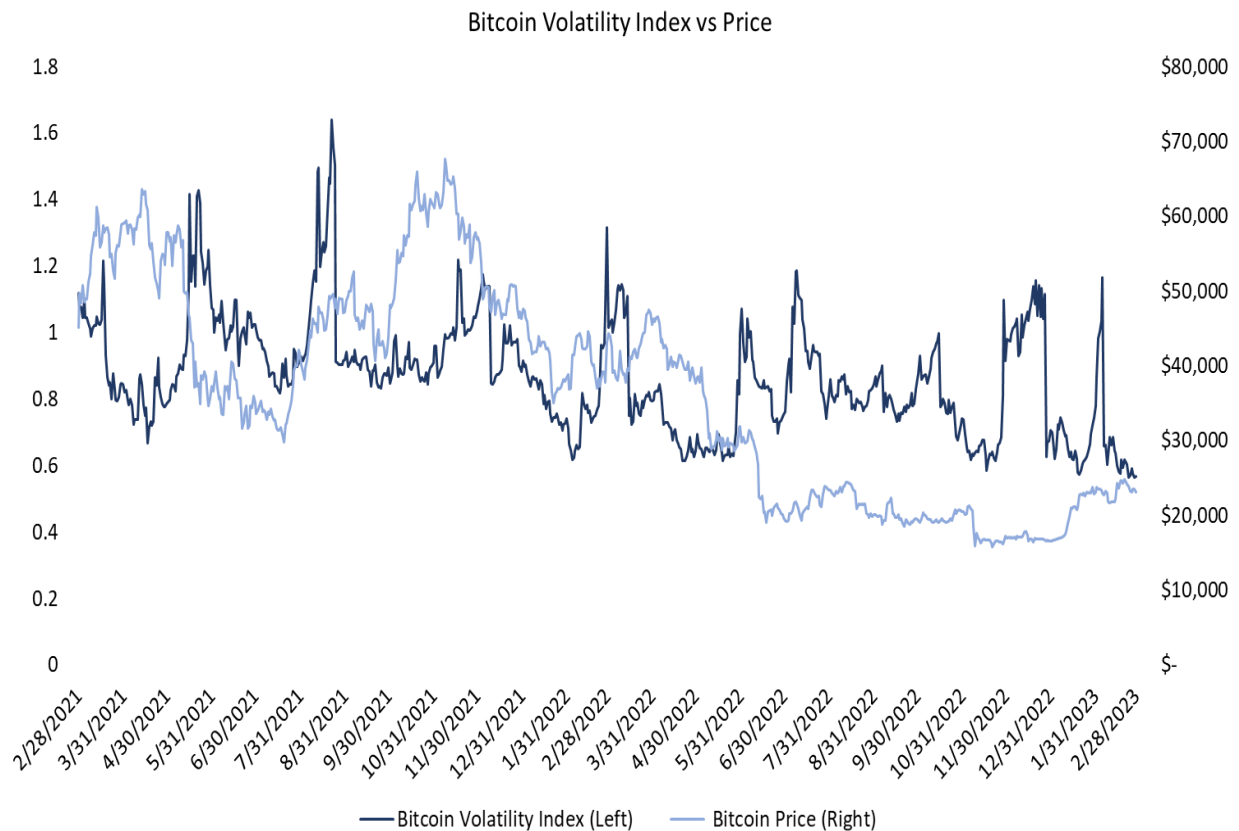
One River Digital is the Index Owner of the One River Digital Indices, having established the indices and their respective methodologies. Indices are rebalanced quarterly by a third-party index calculation agent. Investors cannot invest directly in an index. Comparisons to indices have limitations because indices have volatility and other material characteristics that may differ from the One River Digital Funds.

WEEKLY BEATS

1. Chart of the Week – Bitcoin’s Low Volatility
2. Fundamental Pulse –Neutral
3. Bitcoin’s Exchange Balance
4. Stellar’s Exit
5. Broader Network Activity Still Steady

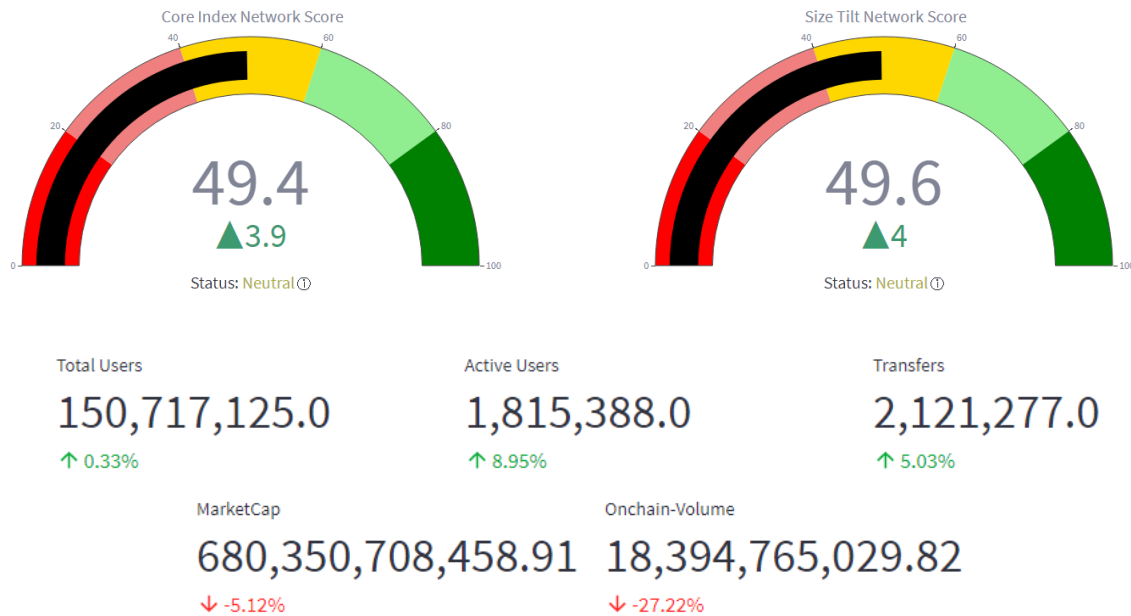
1. BITCOIN’S LOW VOLATILITY

The Bitcoin Volatility Index measures the implied or expected volatility over the next 30 days. We step into March at the lowest levels in over 2 years. Extended periods at these levels have often been followed by sharp swings in volatility.



Source: Glassnode.

2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



Pulse scores are stronger this week despite the exit of Stellar from the ORD Indices. The recent move has been led by Ethereum, with Blur NFT marketplace dominating activity.

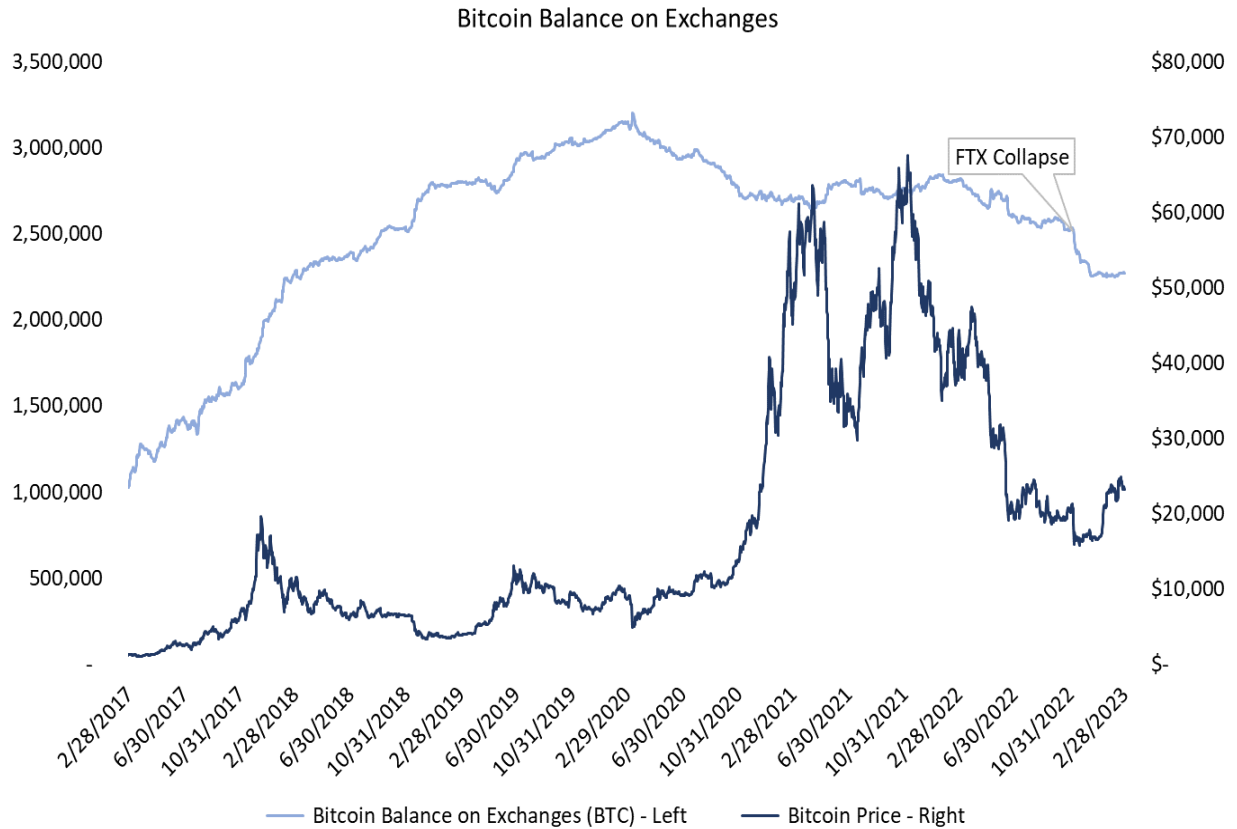
Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Core	50	4	6	28	54	57	45	27	42	94
Size Tilt	50	4	5	34	52	53	43	35	41	90
Bitcoin	51	0	2	21	54	63	40	17	57	98
Ethereum	35	15	15	39	56	48	60	43	4	87
Cardano	57	-5	1	62	6	6	27	62	100	100
Polygon	57	-4	-4	63	79	81	3	69	4	84
Litecoin	38	8	1	14	50	42	59	33	68	51

*Snapshot from the One River Digital Pulse on 2/28/2023. 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.

3. BITCOIN EXCHANGE BALANCE

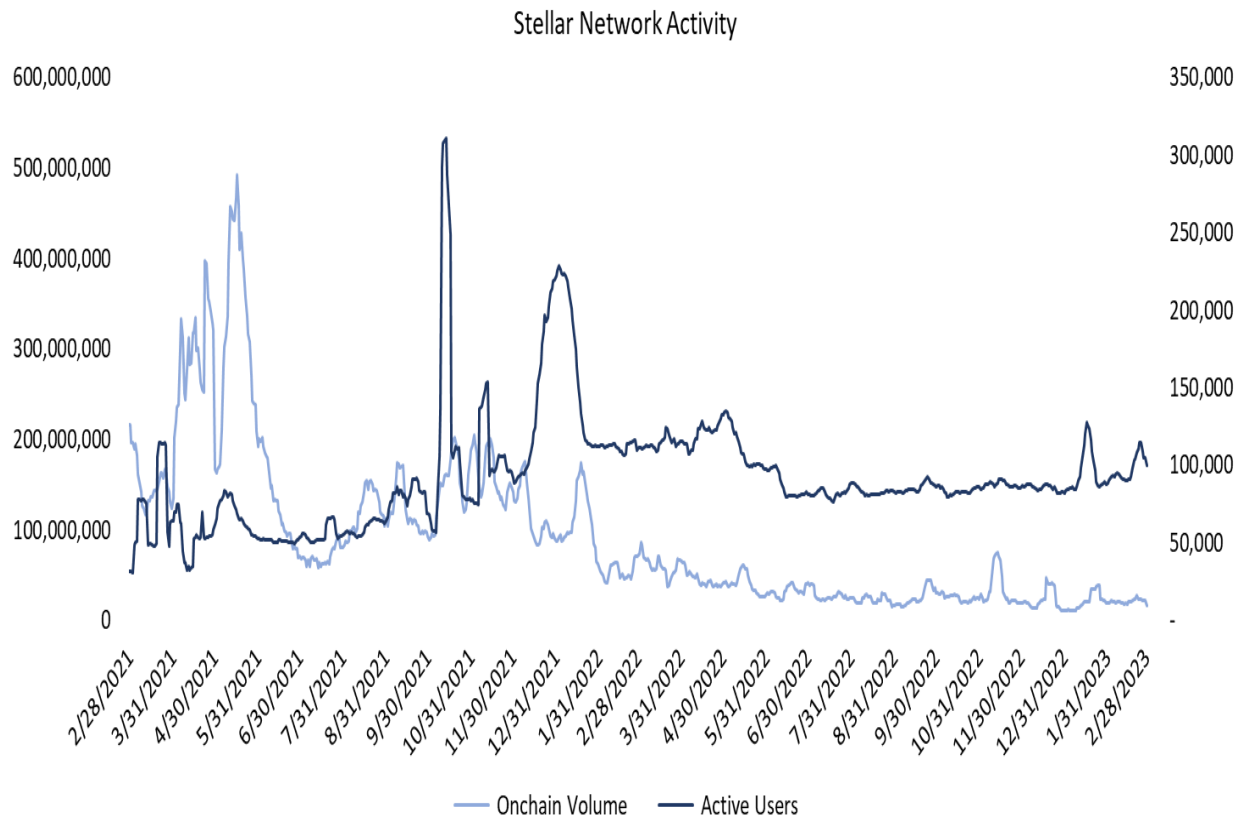
Bitcoin left on exchanges sits at 11% of the total bitcoin supply, a multi-year low. This figure drastically dropped in the wake of the FTX collapse, with more supply moving to cold storage. It remains almost unchanged despite the recent price rally.



Source: Glassnode.

4. STELLAR'S EXIT

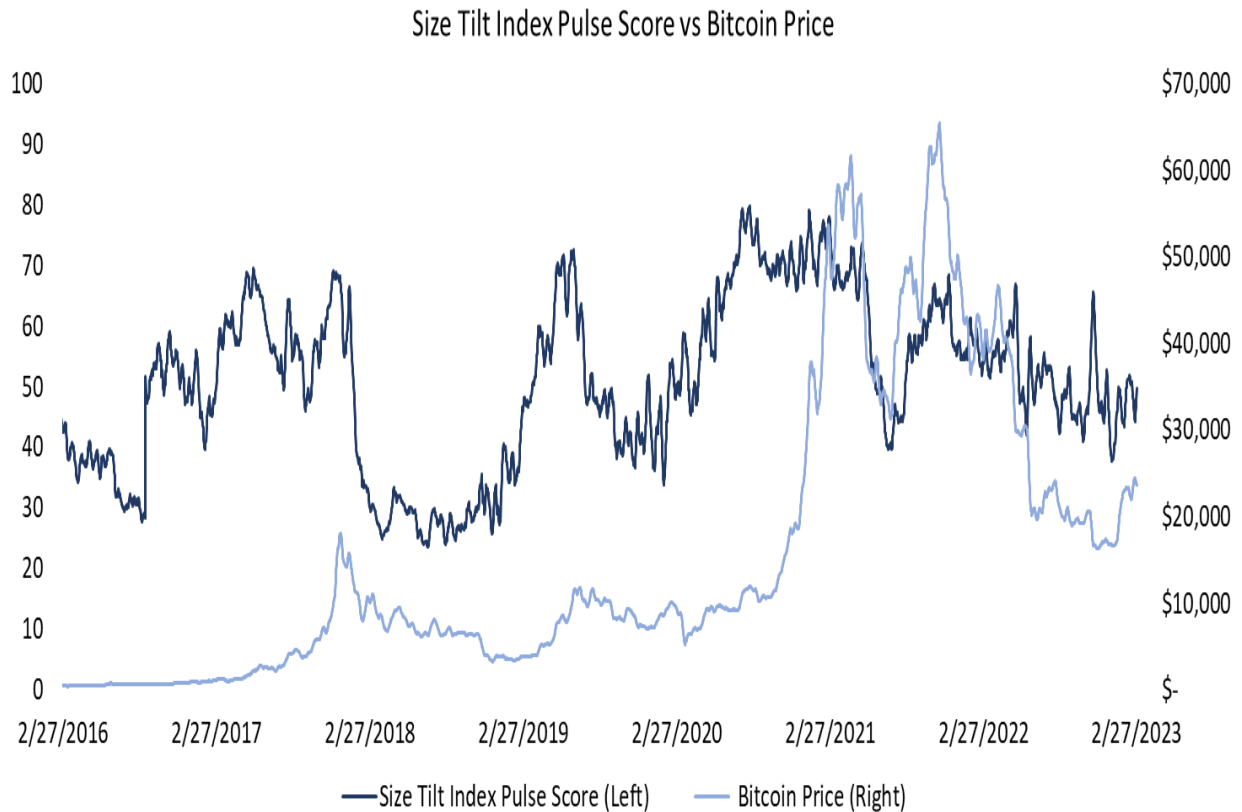
Stellar was removed from the One River Digital Indices for failing to meet the liquidity criteria. While Stellar's active users remained steady for the second half of 2022, trusted spot and onchain volume continued on its decline. The average value per transaction dropped to \$789, a 38% decline in 2022.



Source: Coin Metrics.

5. BROADER NETWORK ACTIVITY HIGHER THAN PAST CYCLES

Despite the asset price downturn, network activity still remains higher than previous cycle lows. On-chain volume might have dropped for the top coins, but transaction activity has been steady for the Pulse assets.



Source: One River Digital Pulse. Coin Metrics.

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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