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Please note that One River Digital, a subsidiary of One River Asset Management, was acquired by Coinbase as of March 3, 2023. Read more [here](#).

One River Digital Pulse



27 April 2023

One River Digital
Research

Weekly Pulse: Polygon Game Hunt

Polygon Game Hunt: The most gratifying revelations occur after things break. Value seekers carefully observe the unraveling of seemingly complex systems for hidden treasures. Polygon network activity on the [Digital Pulse](#) dropped by 17 points this past week, wiping out gains made this year. While at first glance it appears concerning, it highlights the inherent volatility of Polygon's gaming sector. At its peak, the Polygon-based game, Planet IX, [recorded](#) over 550k + unique players and 400+ million NFTs in only three months before its recent slump. New game favorites have emerged on Polygon, offering enticing strategies that provide sustainability in the incentive structure. But what is Polygon's appeal? Polygon satisfies gaming scalability needs and offers near-zero transaction fees. The introduction of the Polygon zkEVM last month enhances the appeal, exponentially improving transaction capabilities and driving marginal costs even lower. All roads now lead to onboarding the everyday user, and pieces are being set in place. Platforms like [Immutable X](#) have now introduced seamless passage to the Web3 gaming world while allowing users to retain and maximize digital assets earned. The Axie Infinity boom-bust might have exposed the flaws of blockchain gaming. But developers stayed to do their homework. X marks the spot, and the treasure is surely near.

coinbase ASSET MANAGEMENT

One River Digital Asset Management has been acquired by Coinbase and is now Coinbase Asset Management. Additional details on the transaction may be found on the [Coinbase blog](#). References to One River Asset Management and One River Digital Asset Management may be contained herein during the transition period but are subject to change.

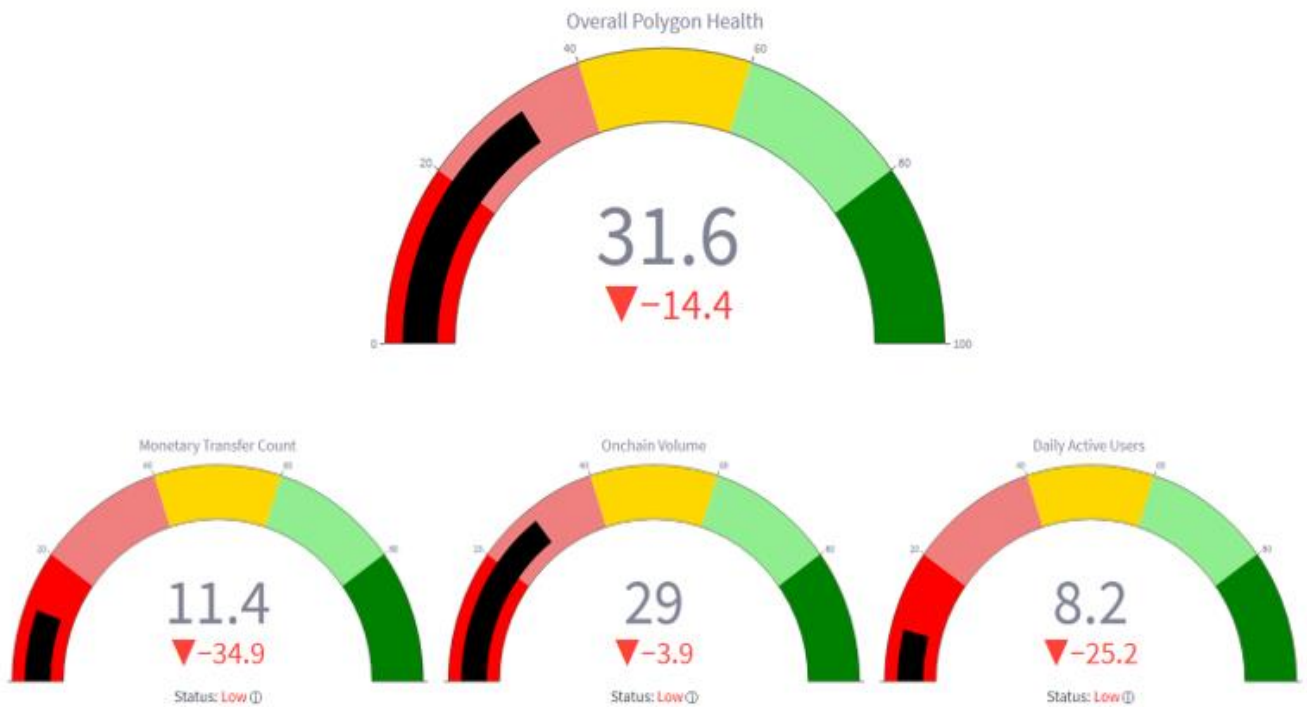
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WEEKLY BEATS

1. Chart of the Week – Rise and ... of Polygon Pulse
2. Fundamental Pulse – Neutral
3. Polygon’s Place in the Gaming Sector
4. Gaming’s share of Polygon’s Transactions
5. Investment in Blockchain Games

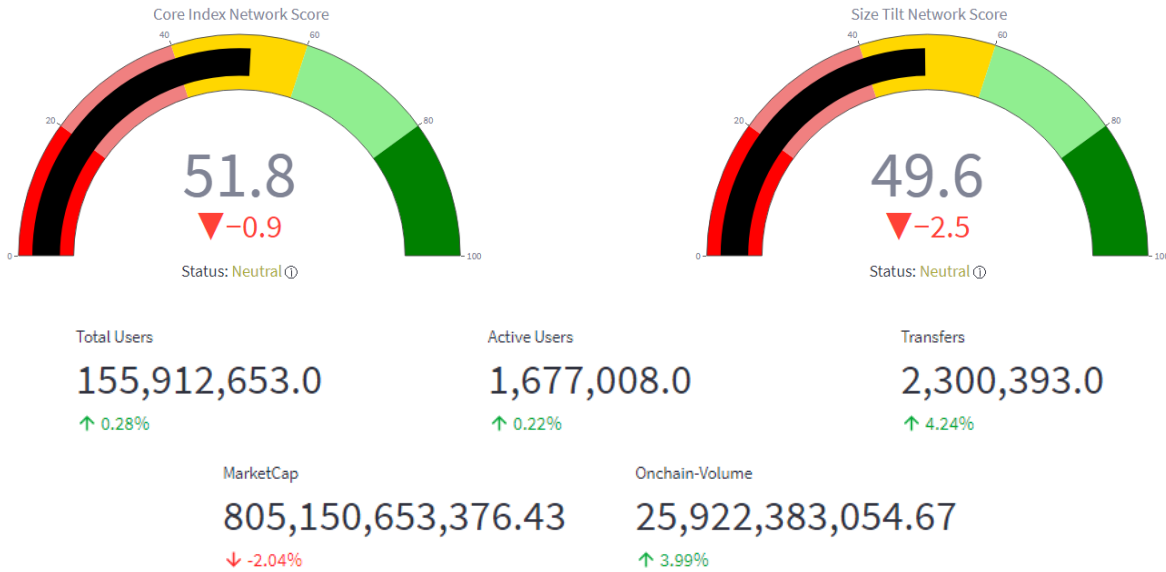
1. RISE AND ... OF POLYGON PULSE

Polygon grabs the spotlight this week, but this time for the wrong reasons. The decline of a volatile but dominant sector has led to Polygon’s Pulse scores resetting to levels seen at the start of the year.



Source: Coinbase Asset Management Pulse.

2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



Network activity on the Pulse this week is almost unchanged. Bitcoin remains consistent with highs in transfers and user activity.

Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Core	52	-1	-5	24	74	40	50	39	43	92
Size Tilt	50	-2	-7	31	59	35	44	45	44	89
Bitcoin	53	3	-3	14	90	50	55	30	33	100
Ethereum	50	-8	-12	44	45	19	45	58	66	74
Polygon	32	-14	-24	29	11	8	10	32	31	100
Litecoin	34	1	0	27	8	8	37	59	39	63
Cardano	55	-2	-2	81	17	47	12	80	45	98

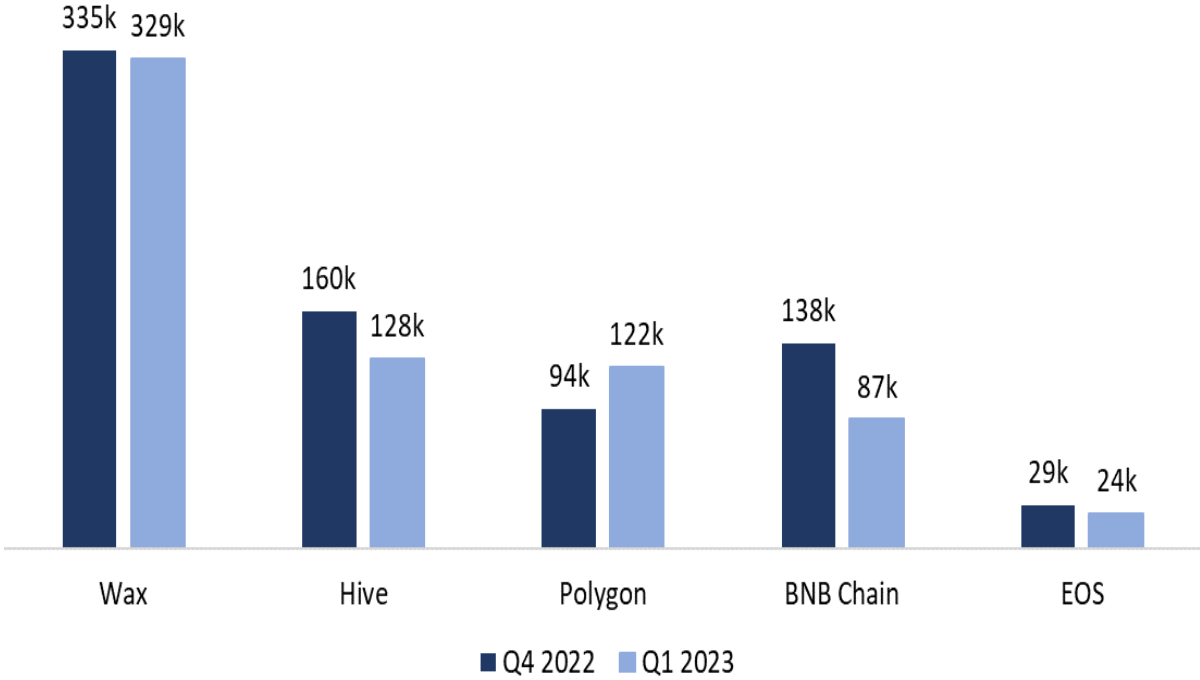
*Snapshot from the One River Digital Pulse on 4/27/2023. Seven-day change in the Core and Size-Tilt Index Scores.

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. POLYGON'S PLACE IN THE GAMING SECTOR

Polygon, a blockchain majorly known for its dominance as a DeFi and NFT hub rose in significance in the gaming sector. At the end of 2022 it had seen a 338.37% increase in unique active gaming wallets.

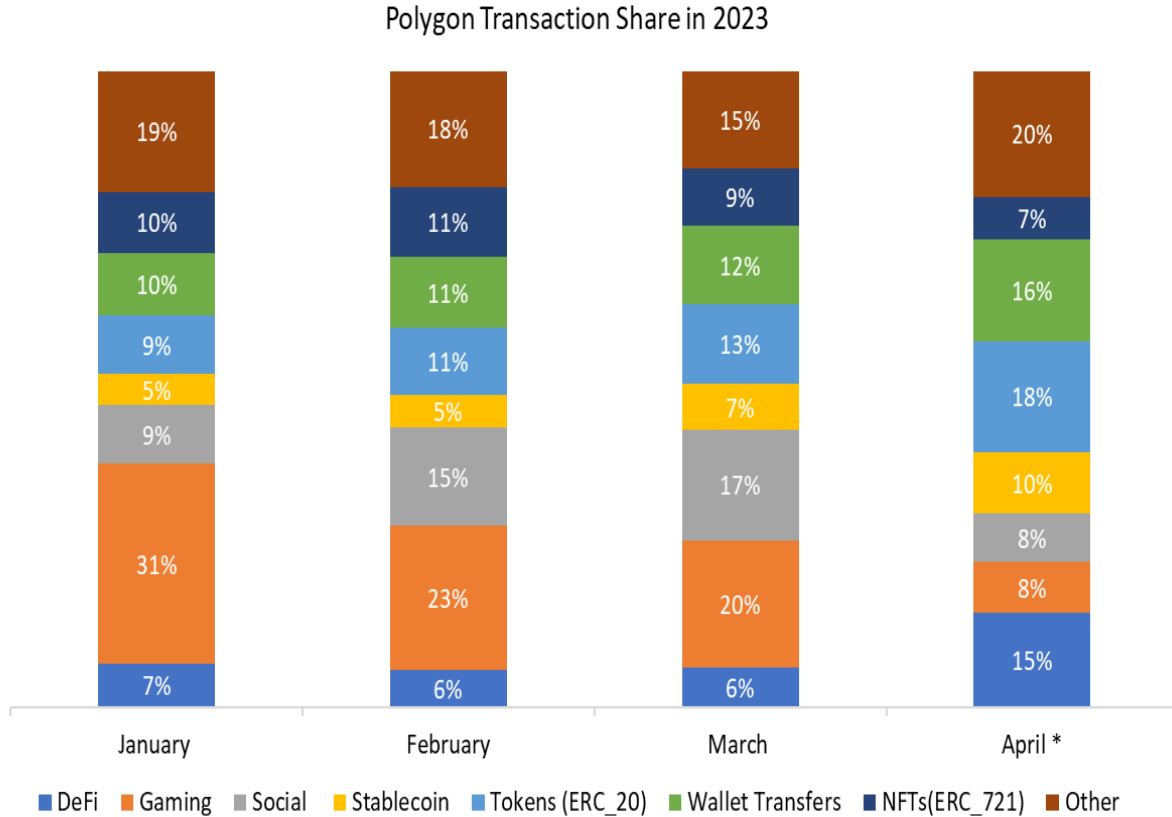
Top Blockchain Gaming Protocols by Unique Active Wallets



Source: DappRadar.

4. GAMING'S SHARE OF POLYGON'S TOTAL TRANSACTIONS

In recent months, [Planet IX](#) game has been the driving force in Polygon's gaming ecosystem. Polygon's gaming industry experienced a decrease in its portion of total transactions as a result of the [decrease](#) in user activity on Planet IX. The month of April witnessed the most significant drop in this regard.

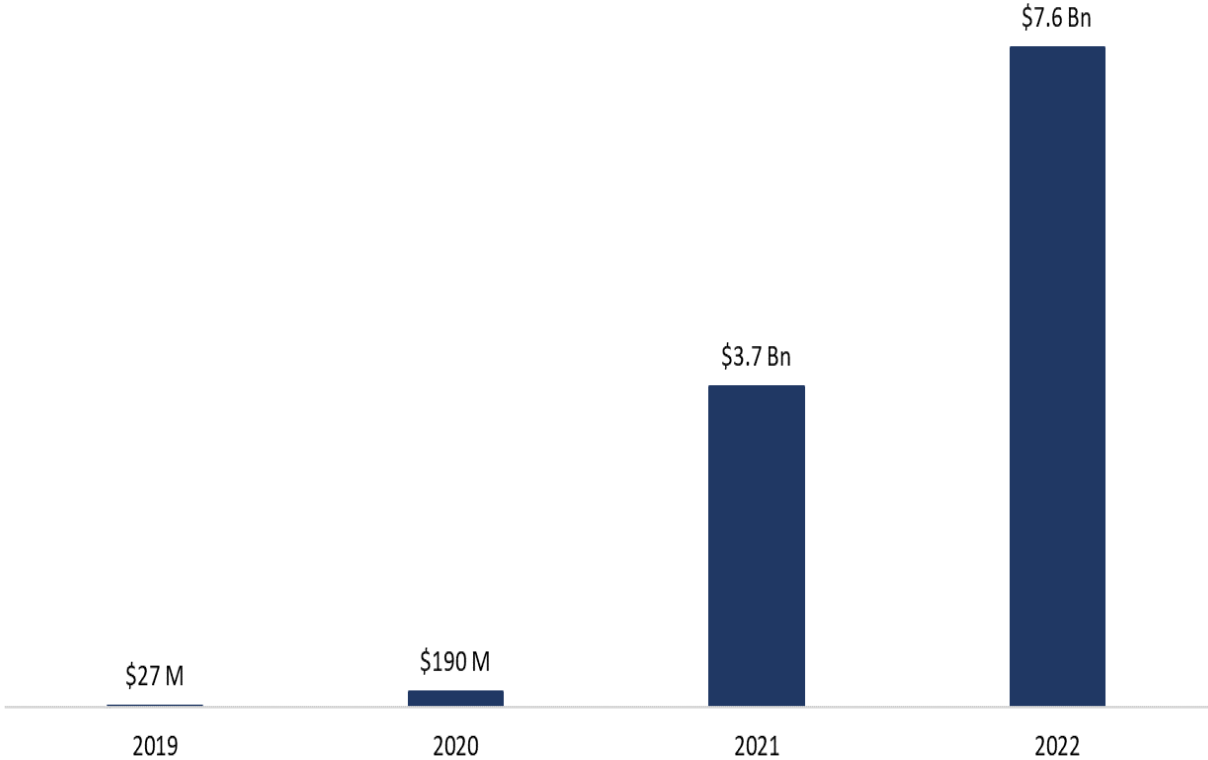


Source: Artemis. "Other" represents categories like Tokens (ERC_1175), Bridges, and NFT Apps. Dates – end of the month.

5. INVESTMENT IN BLOCKCHAIN GAMES

Investments in the blockchain gaming continue to surge as the sector solidifies its position as a dominant force in the industry. By the end of the 2022, blockchain gaming had accounted for **49%** of all blockchain activity. Ongoing improvements in the token incentive structure, coupled with its increasing popularity, are driving further investment.

Venture Capitalist Investment in Blockchain Games



Source: DappRadar.

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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ONERIVERDIGITAL

ASSET MANAGEMENT

w: oneriveram.com | e: info@oneriveram.com

2200 Atlantic Street, Suite 310, Stamford, CT 06902

NFA ID: 0461647 | FINRA: 167835