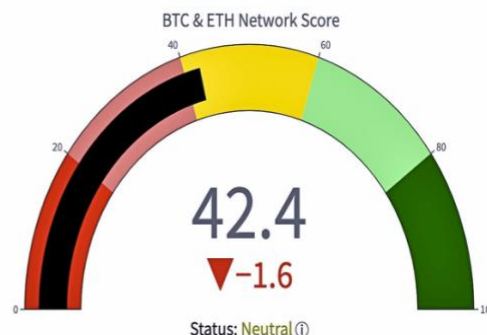
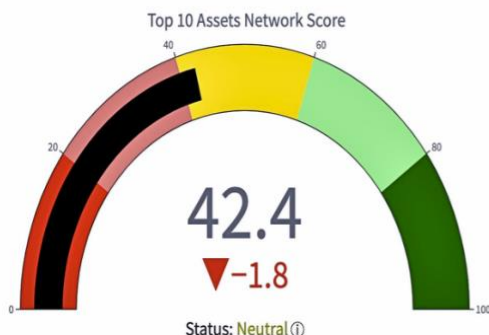


Digital **Pulse** Report: “The Market”

14 September 2023

Coinbase Asset Management

FUNDAMENTAL PULSE – WEEKLY NETWORK PERFORMANCE



Weekly Network Performance – Top 10 Assets

Total Users

209,402,100.0

0.2%

Active Users

2,264,148.0

21.81%

Transfers

3,449,916.0

18.69%

MarketCap

797,424,797,544.09

-0.89%

Onchain-Volume

22,715,725,120.08

-1.26%

Ripple is leading the decline of network activity. Bitcoin Cash is the week's best performer.

Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Top 10 Assets	42	-2	-2	26	69	52	34	30	10	76
BTC & ETH	42	-2	2	25	80	64	35	33	0	61
Bitcoin	52	-1	2	10	92	89	48	23	0	100
Ethereum	33	-2	3	40	68	39	22	42	0	21
Ripple	34	-14	-24	32	44	6	18	32	5	100
Dogecoin	36	-3	-17	17	69	3	23	19	19	100
Cardano	46	1	-4	46	15	4	21	34	100	100
Polygon	27	2	2	27	13	9	18	21	0	99
Litecoin	34	-2	-11	62	16	11	40	13	0	95
Bitcoin Cash	41	11	-3	15	90	83	58	34	0	6
Chainlink	46	1	-2	31	40	39	35	27	86	64
Stellar	57	3	0	34	95	82	25	50	12	100

*Snapshot from the Coinbase Asset Management Pulse on 9/13/2023. Pulse Report includes the top ten assets by market capitalization. More than 70 assets and risk management tools are available for demonstration on request.

Notes: The Scores are 12-month trailing percentile values. Changes on the gauge chart represent the seven-day change. "Top 10 Assets" are size-tilt weighted, the square root of market capitalization. "BTC & ETH" are equally weighted.

Status- High > 60, Neutral 40 to 60, Low < 40. A score of 44.1 means the score is better than 44.1% of its values in the past 365 days.

Please see metric descriptions endnotes for details.

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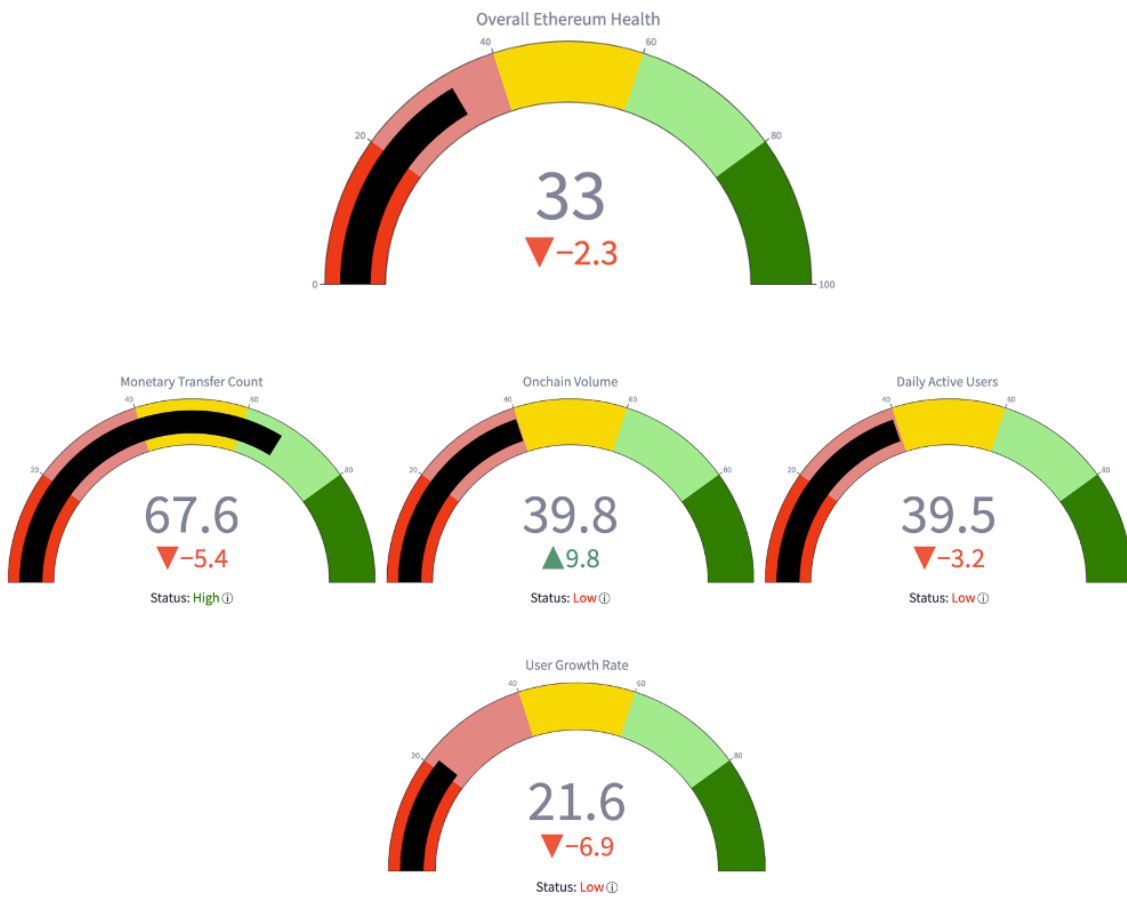
The Market. How many times have you heard “the market is wrong,” often by somebody who is exceptionally smart. Emotions. “The market” is an organism built to deliver one and only one thing - an agreeable price between buyers and sellers. Feelings don’t matter. Every price is right. It’s just that emotional beings don’t necessarily like it. When do people make that determination? Well after the fact, of course. If an investor is reluctantly persuaded to buy an asset that doubles in value, you are more likely to hear “thank you” than “the market is wrong.” What any investor must do is look beyond the current price. Imagine the future. Draw a distribution of outcomes. And make a judgment. We’re all speculators in the end. Whether buying a home or an ether. Quantitative easing made imaginations of that future lazy. Driving rates lower pushed investors into longer investments, including crypto. Many didn’t make it through the crash. The ones that did matter. Crypto assets shone relative to traditional ones by leaving “the market” to decide winners and losers, not centralized agencies. And the price signals along the way planted seeds for the next wave of creative growth. Green shoots are sprouting. Like scaling solutions. Layers built on Ethereum allow for more transactions at a lower cost. Their entry into Ethereum’s ecosystem is replacing Mainnet activity. Ethereum’s Pulse score is flashing red in response. But that’s for now, not forever. Demand will catch up to supply as higher throughput opens the door for new user experiences. The Pulse is just a tool in the kit to force you to dig deeper. Ethereum is a good red - let’s see if “the market” agrees.

WEEKLY BEATS

- Ethereum Mainnet Network Activity Slowdown.
- Ethereum and Layer 2s.

1. ETHEREUM MAINNET NETWORK ACTIVITY SLOWDOWN

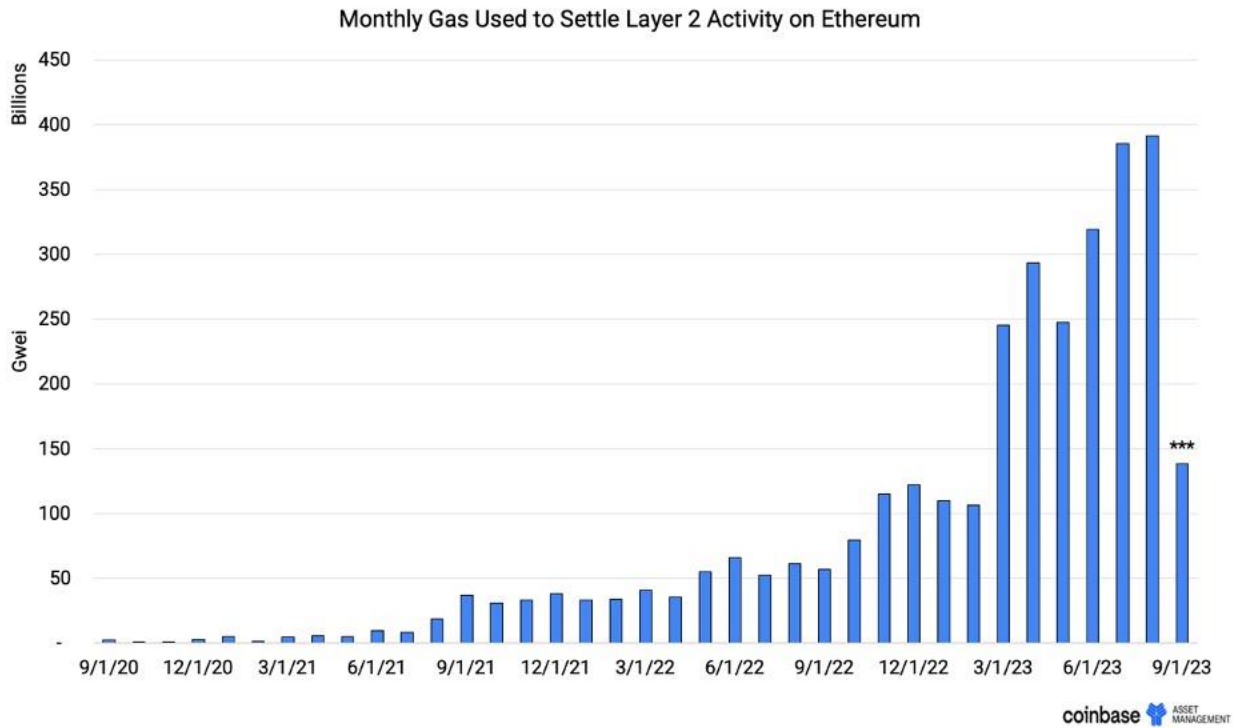
The Ethereum network has steadily declined in activity over the past three months. Key metrics such as on-chain volume, daily active users, and user growth rate have all decreased. A red flag as the Pulse enters the Red Zone? Hardly. Quiet markets lead to quiet activity. The Pulse is a tool in an investor kit. It can't be used only as a hammer, though we do enjoy hammertime.



Source: Coinbase Asset Management Pulse.

2. Ethereum & Layer 2s

One of the biggest themes of the year is the integration of Layer-2 scaling solutions with Ethereum. Layer 2 usage continues to rise, and their transactions are becoming increasingly important for revenues. Gas fees paid to Ethereum by Layer 2 protocols is up nearly 4-times in the past year. And we're still in the early stages.



Source: Dune Analytics. *** - Incomplete data for the month of September 2023.

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.

Disclaimer

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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