

Mid-December 2021 Investor Update

ProChain in the News

New COVID variants 'multi-year issue' *Fox Business*; Dec 6

1. **Adoption** Cryptocurrency adoption, as an investment and as a currency, is growing quickly and widely
 - a. *Investment.*
 - **Visa (V)** is launching a consulting service that will advise banks on adoption and implementation of cryptocurrency.
 - **Visa**, the world's largest payment processor, was an early adopter of cryptocurrency and has invested heavily in the cryptoassets ecosystem. Visa's ability to contract with banks, big and small, to bring them into the crypto-economy, could be exponentially accretive to Visa's business and its power in the cryptocurrency and digital payment world.
 - This development is further validation of ProChain's diversified portfolio construction, which includes public equities, like Visa.
 - At the same time, **Mastercard (MA)**, is teaming up with a few startups to solve blockchain payment challenges.
 - Visa and Mastercard are competing fiercely for position in cryptocurrencies and digital payments. That competition is great for the consumer and the ecosystem. Furthermore, their girth enables them to exercise influence over regulators and legislators, worldwide.
 - **Jack Dorsey**, founder of **Block** (fka **Square; SQ**), has publicly frowned on Web3 (smart-contracts, **NFTs**, **Ethereum**, **Solana**) and continued his full-throated support of Bitcoin.
 - This sentiment by a founding member of the digital payment and blockchain sector, versus others that vehemently disagree with Dorsey, is VERY important for ProChain's strategy and portfolio composition
 - The fact that Dorsey is at odds with VC funds and their Web3 portfolio companies regarding "decentralization" and the creation of value, is validation of ProChain's approach to the crypto-ecosystem, and its preference for substance over form of investment (*i.e.*, cryptocurrency vs. enterprise)
 - Cryptocurrency is a generational phenomenon. 83% of millennial millionaires have the bulk of their wealth in crypto, and they're planning to add more in 2022; in contrast, only 4% of baby boomers own cryptocurrency.
 - In a recurring storyline, **MicroStrategy (MSTR)** has purchased an additional 1,434 Bitcoin, bringing its total holdings to 122,478 Bitcoin (~\$6B).
 - Although **Bitcoin** is the most widely held and highest valued cryptocurrency, it is still subject to holder concentration.
 - It's unclear whether the metrics and analysis can ever be valid, since the number of misplaced and "forfeited" keys and tokens can never be known.
 - Bitcoin mining power has recovered fully from the China crackdown on and outlawing of mining.
 - In May 2021, the cryptocurrency markets swooned in reaction to China's crackdown on Bitcoin mining. At the time, China was the *home for ~50% of the world's Bitcoin mining power*.

- Some industry analysts believe that up to 20% of Bitcoin mining remains in China, all underground.
 - In less than 6 months, the industry was able to migrate and fully recover from the world's 2nd largest economy immediately outlawing Bitcoin mining.
 - If the almost immediate pivot and resilience of cryptoassets that we've witness is not proof of the asset-class' power, we don't know what is.
- **NYDIG**, a provider of institutional cryptocurrency solutions, has raised \$1B in a funding round, valuing the company at \$7B.
 - \$1B capital raised, relative to a \$7B total valuation, is an incredible feat. This is evidence of the insatiable appetite by venture-capital for crypto investments.
- **FTX**, the cryptocurrency exchange, which already has a partnership with NBA **Golden State Warriors** player **Steph Curry** and sponsors the home of the NBA's **Miami Heat**, **FTX Arena** (f/k/a the American Airlines Arena), announced a broad, first-of-its-kind worldwide cryptocurrency partnership with the NBA's **Golden State Warriors**.
 - Steph Curry is already a high-profile crypto and NFT investor.
 - Steph, after breaking the NBA's all-time 3-point record, created and quickly sold-out sneaker NFTs that can be worn in the Metaverse, totaling the record-breaking number of 3-pointers (2,974)
 - Cryptocurrency's exposure through celebrities cannot be ignored and the power cannot be underestimated.
- **Russia** has barred its mutual funds from investing in cryptocurrency. The country continues to work on its CBDC.
- Market analysts foresee more institutional investment in **Bitcoin** upon the enactment of US regulation.

b. Currency and Use.

- Following **Eric Adams'** NYC mayoral election win, the Mayor-elect has reached out to the most Bitcoin supportive Mayor in the US, **Francis Suarez** of Miami, for advice on navigating Bitcoin and Twitter.
- **Bill Gates** and **Microsoft (MSFT)** are squarely focused on the value of and product surrounding the Metaverse and related NFTs.
- **CNET** published a coherent explanation of the current NFT market, which is largely comprised of collectibles and assets lacking traditional valuation support.
- In contrast to conventional wisdom and to the message that Congressional Democrats have pushed, the DOJ has been able to recover \$150mm embezzled from Sony BECAUSE it was converted into Bitcoin.

2. **Regulation and Legal**

- Switzerland's largest online bank, **Swissquote**, is planning to launch an online crypto exchange.
 - Some developed nations, including Germany, Canada and Switzerland have embraced cryptocurrency and are out in front of the US in terms of adoption and innovation.
 - In Germany, **BCB Group**, a London-based crypto-payment services company, is in the process of purchasing **Sutor Bank**, a federally licensed, regulated bank.
 - US legislators have voiced concern that US regulators, through hostile actions toward the industry and a failure to formulate clear and navigable regulations, will drive talent and jobs out of the US and into the arms of more aggressive developed economies.
- In a win for the crypto industry in the US, **Saule Omarova**, Pres Biden's pick to be Comptroller of the Currency, withdrew her nomination, following a Senate confirmation, in which her thoughts and writings were criticized by lawmakers from both sides of the aisle.

- In contrast, **Elad Roisman**, a Republican Commissioner of the SEC, will be stepping down from the SEC. Roisman has been generally aligned with the other Republican Commissioner on the SEC, Hester Peirce, who has been a strong advocate for cryptocurrency.
- In contrast to the US, **Australia** is confronting cryptocurrency head-on, updating years' old regulations to include cryptocurrencies.
- The **Bank of England** has joined the chorus of voices looking for cryptocurrency regulation.

3. Public Companies

As a multi-strategy crypto-focused fund, **ProChain Capital**, *invests in securities* (equity and debt) of publicly traded companies that have exposure to cryptoassets and other forms of digital payments.

- The NFT rage continues to pick up steam with collectibles and team sports
 - **DraftKings (DKNG)**, the largest sports betting company, has partnered with the NFL Players Association to create gamified NFTs based on NFL players.
- **Instagram (FB)** CEO, Adam Mosseri, stated that the company is focused on making NFTs more accessible to its user base.
 - NFTs, largely visual, fit neatly within Instagram's visual platform.
- **The Weeknd**, one of the hottest recording artists, released seven NFTs on Tom Brady's Autograph platform of autographed footage from its recording-breaking single, Blinding Lights.
- **Nike (NKE)** has made a big jump into investing in the **Metaverse**, through its purchase of RTFKT ("artifact"), a startup that designs and sells virtual sneakers, which are "worn" in the Metaverse.
 - This follows Nike's recent launch of "Nikeland," a free, 3-D space inside the **Roblox** gaming platform. In 2019, Nike secured a patent to tokenize ownership of shoes on the Ethereum network.
 - Similarly, **Adidas** this month teamed up with prominent NFT market players, including the **Bored Ape Yacht Club** founder. Other consumer brands like **Ralph Lauren (RL)** and **Disney (DIS)** are also pushing into the digital world.
- **Getty Images (GETY)**, with one of the world's largest image libraries, which can be converted into NFTs, is planning to list its shares publicly.
- In a similar move to Steph Curry and Golden State Warriors (story above), **Kevin Durant** of the NBA's **Brooklyn Nets** has signed a promotion deal with Coinbase (COIN).
 - Even **FTX** is in the game. By signing a partnership agreement with the NBA's **Washington Wizards** and the NHL's **Washington Capitals**, FTX is getting more public exposure and doing so in the most important city (Washington D.C.) for crypto regulation.
- The well-known retail trading platform, **Robinhood (HOOD)**, has purchased a crypto trading platform, Cove Markets, to add to its crypto trading power.
- Another cryptocurrency miner, **TeraWulf (WULF)**, has listed its shares publicly. WULF represents that it is an environmentally-conscious miner.
 - WULF has joined other public miners, including, HIVE, SDIG, RIOT, MARA, CAN, BTCM, BTBT, BITF, GREE, HUT,



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