



DIGITAL ASSETS

DECODED

JULY 2021 IN REVIEW



GALAXY

FUND MANAGEMENT



MARKET COMMENTARY



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Digital assets rebounded in July, reversing the cycle of negative sentiment that weighed on the market from late spring to early summer. The market shook off months of regulatory uncertainty from east to west as investors poured capital into the asset class's public and private sectors. We saw bitcoin make a healthy gain, with Ethereum and the broader asset class largely following suit.

- Significant capital inflows were a bullish indicator for the crypto industry: Sam Bankman-Fried's trading giant FTX Exchange raised \$900M at \$18B valuation.
- Ecosystem company Circle continued in its plans to go public via SPAC merger with Conocord Acquisition Corp in a deal valued at \$4.5B.
- NFT platform OpenSea raised \$100M at a \$1.5B valuation.
- NFT platform Sorare raised \$532M at a potential \$3.8B valuation.
- Malta-based exchange Bullish did a SPAC deal led by former NYSE President Thomas Farley's Far Peak Acquisition Corp that could value the company as high as \$12B.



OTHER NOTABLE DEVELOPMENTS

- Goldman Sachs issued a report that Ethereum could overtake bitcoin as the market's most significant asset and replace it as the primary store of value asset in crypto. We interpret this to mean the investment bank believes that Ethereum has greater potential in terms of its versatility.
- While speaking at a conference with bitcoin bulls Jack Dorsey and Cathie Wood, Elon Musk revealed that his space exploration company SpaceX owns bitcoin. He also stated that Tesla was on the verge of accepting bitcoin again, following his understanding that the percentage of renewable energy used for mining is increasing.
- Rumors that Amazon was planning to accept bitcoin payments turned out to be false. In late July, the false headlines began swirling after the company posted a job opening for a digital asset and blockchain lead. Amazon then released a statement amid a market rally: "Notwithstanding our interest in the space, the speculation that has ensued around our specific plans for cryptocurrencies is not true."
- MicroStrategy CEO Michael Saylor said the company plans to purchase more bitcoin despite a \$424.8M loss in Q2.
- Global payments platform PayPal is looking to expand its crypto trading services to the U.K. The payment giant also revealed that it might be looking to embrace DeFi. CEO Dan Schulman suggested the company was researching "what the next generation of the financial system looks like" and how to possibly integrate smart contracts and decentralized applications for users of the platform.
- Regulation: The latest \$1 trillion bipartisan Infrastructure Bill proposed by Congress took the crypto industry by surprise by expanding the definition of a "broker" to those engaging in the cryptocurrency industry. Many



WE BELIEVE THAT REGULATION WILL ULTIMATELY BE GOOD FOR THE BROADER DIGITAL ASSET ECOSYSTEM.

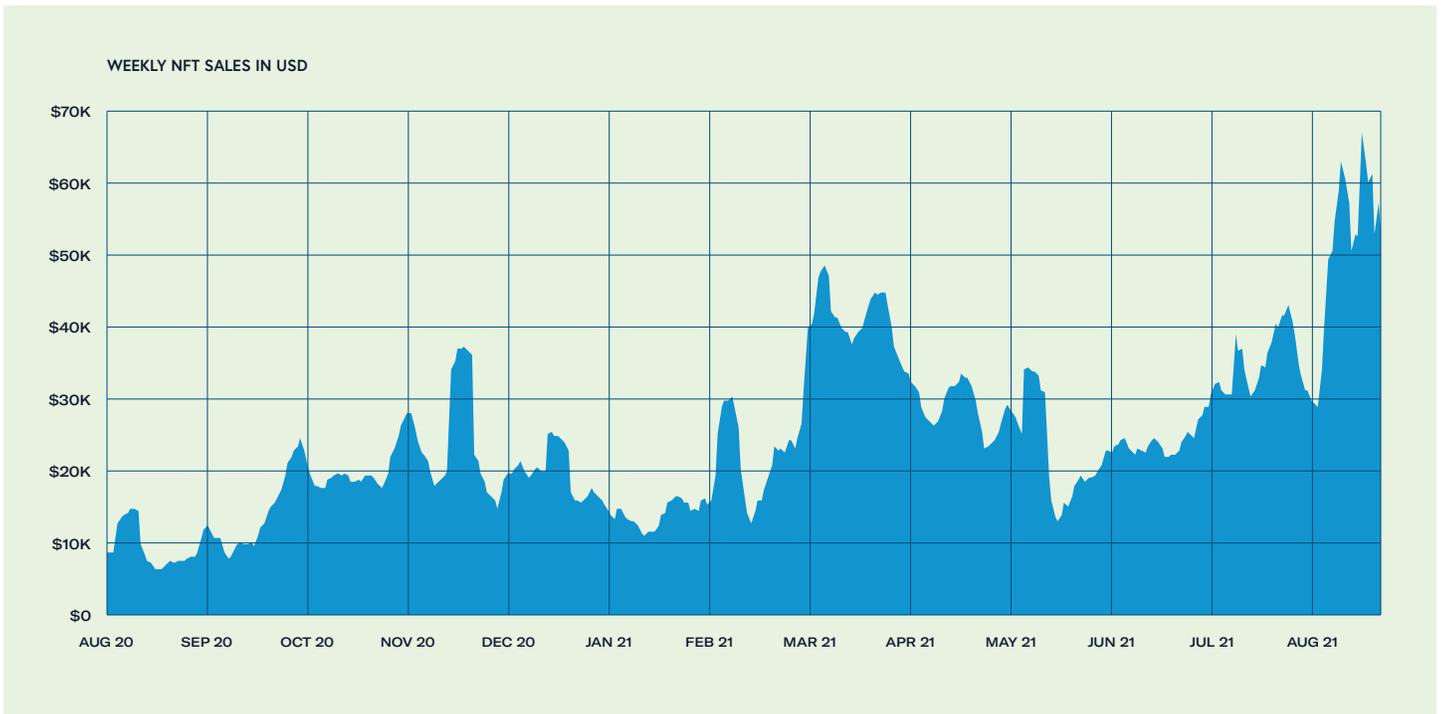


saw this as a blanket, unenforceable regulation that was hastily included without consulting industry experts. Compliance with the new rules as is would be nearly impossible for many crypto participants and would encourage crypto innovation and activity to move offshore. The infrastructure bill also cited an estimated cost of >\$1 trillion, and Congress cited that \$28 billion could be captured through collected tax revenue generated by the expansion of the broker definition. On August 9th, an amendment in the bipartisan infrastructure bill that would limit the proposal to increase federal regulation of cryptocurrencies was blocked. While the failure of the industry-backed amendments is a setback, cryptocurrency advocates made great strides throughout the process. We believe that regulation will ultimately be good for the broader digital asset ecosystem.



NFTS, GAMING, AND MORE

- The success of artists and content creators who have launched NFTs has demonstrated proof of concept.
- Trading volumes of top NFT collections such as CryptoPunks, Bored Ape Yacht Club, and Meebits have increased by more than 300% over the past month, according to DappRadar.
 - The surge in trading volume is mainly attributed to the success of play-to-earn games and the rise of NFTs as an accepted use-case and store of value.
- NFT market places, like OpenSea and ArtBlocks (focused on generative art), have exploded in volume and sales.
 - In July, NFTs raked in over \$1.2 billion in sales, indicating the growing adoption of NFTs and showing few signs of slowing down.



Source: Non Fungible



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