



DIGITAL ASSETS

DECODED

OCTOBER 2021 IN REVIEW



GALAXY

FUND MANAGEMENT



MARKET COMMENTARY



PAUL CAPPELLI
Portfolio Manager

Digital assets outperformed global markets in October, driven by futures-based bitcoin ETF approvals in the U.S. and concerns about inflation, which topped 5% for four consecutive months from July through October.

The U.S. Securities and Exchange Commission (the “SEC”) approved the launch of three futures-based bitcoin ETFs, including the ProShares Bitcoin Strategy ETF. It debuted as the fastest ETF to reach \$1B in AUM, achieved in two days. Another tailwind for bitcoin: interest rates are weighing on traditional markets, suggesting a slowdown into the end of the year, with many predicting that the Fed is looking to hike rates soon. The U.S. yield curve, as measured by the gap between two-year and ten-year Treasury yields, flattened the most in the last week of October since the summer of 2020. And bitcoin finished October with its highest monthly close ever. In the broader asset class, the decentralized finance (DeFi) space continued to show strong growth: Total Value Locked in DeFi apps reached the \$200B mark in October.

The [bitcoin white paper](#) was released 13 years ago, on October 31, 2008, by an anonymous person or entity named Satoshi Nakamoto. The white paper, titled *Bitcoin: A Peer-to-Peer Electronic Cash System*, defined a peer-to-peer online payment system that is self-governing, secure, and limited in quantity. The Bitcoin network launched on January 3, 2009.



Outside of finance, we continue to see the digital asset ethos gaining traction across industries. Most notably, Facebook announced during its Facebook Connect virtual reality conference that the company plans to change its name to Meta (Ticker: MVRB). The rebranding reflects its growing ambitions beyond social media. Meta plans to spend about \$10B over the next year building the technologies required for further developing the metaverse.

Universities, too, are taking note of the increased importance of the digital assets space. The Wharton School of the University of Pennsylvania is launching an executive education program around blockchain. In addition, they will let students pay for it in crypto—making it the second American college to accept bitcoin (the first being Massachusetts Institute of Technology Sloan School of Management, which launched online courses in blockchain and digital currency).

Turning to regulation, the President’s Working Group on Financial Markets released its anticipated [report on stablecoins](#). The report urged Congress to regulate issuers of stablecoins like banks and called upon financial agencies to assess whether the role of these fast-growing digital assets in the country’s payments system posed a systemic risk. In addition, the Republican Leader of the House Financial Services Committee, Patrick McHenry, introduced the “Clarity for Digital Tokens Act.”



DIGITAL ASSETS OUTPERFORMED GLOBAL MARKETS IN OCTOBER.





NOTABLE NEWS

- Ethereum’s Altair Upgrade went into effect. It added features to the Beacon chain, a proof-of-stake chain running on the mainnet parallel to the proof-of-work chain.
- The Financial Action Task Force (FATF) updated its 2019 crypto guidance. The update states that DeFi developers and maintainers can be considered Virtual Asset Service Providers (VASPs).
- A large investment firm, PIMCO, is exploring trading spot cryptocurrencies.
- U.S. Bank launched a cryptocurrency custody service.
- CBOE acquired the ErisX Exchange.
- The Houston Firefighters’ Relief & Retirement Fund made a \$25M investment in bitcoin and Ethereum.
- FTX.US launched a collectibles protocol on Solana.
- U.S. Senator and bitcoin bull Cynthia Lummis called bitcoin an “excellent store of value” and announced that she will be buying more.¹
- Tether and Bitfinex settled with the CFTC for \$42.5M.
- Eric Adams, the mayor-elect of NYC, will receive his first 3 paychecks in bitcoins, with the goal of making NYC the center of the cryptocurrency industry.

NOTABLE DEAL FLOW

- FTX raised \$420.69M from 69 investors at a \$25B valuation.
- Consensus’ most recent raise values the company at \$3B.
- Lender Celsius raised \$400M at a \$3B valuation.
- Tiger and Coatue led a \$400M round for MoonPay valuing the company at \$3.4B.
- CoinList’s Series A landed \$100M for a value of \$1.5B.
- SoftBank and Wells Fargo led a \$60M funding round for Elliptic.

1) Source: news.bitcoin.com



DISCLAIMERS

The information (Information) contained herein is being provided to you solely for informational purposes and may not be reproduced or redistributed in whole or in part, in any format, without the express written approval of Galaxy Digital Capital Management LP (GDCM). By accepting this document, you acknowledge and agree that all of the Information contained in this document is proprietary to GDCM. While not explicitly referenced within this piece, GDCM manages the Galaxy Bitcoin Funds, Galaxy Ethereum Funds and the Galaxy Crypto Index Master Fund LP (each a "Fund") which invest in bitcoin and/or Ethereum. The Information is not an offer to buy or sell, nor is it a solicitation of an offer to buy or sell, interests in the Fund or any advisory services or any other security or to participate in any advisory services or trading strategy. If any offer and sale of securities is made, it will be pursuant to the confidential offering memorandum of the Fund (the Offering Memorandum). Any decision to make an investment in the Fund should be made after reviewing such Offering Memorandum, conducting such investigations as the investor deems necessary and consulting the investor's own investment, legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment. Except where otherwise indicated, the Information is based on matters as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.

Investing in financial markets involves a substantial degree of risk. There can be no assurance that the investment objectives described herein will be achieved. Any investment in the Fund may result in a loss of the entire amount invested. Investment losses may occur, and investors could lose some or all of their investment. No guarantee or representation is made that GDCM's investment strategy, including, without limitation, its business and investment objectives, diversification strategies or risk monitoring goals, will be successful, and investment results may vary substantially over time. Nothing herein is intended to imply that the GDCM's investment methodology may be considered "conservative", "safe", "risk free", or "risk averse." Neither historical returns nor economic, market or other performance is an indication of future results. Investment in the Fund is different from the Bloomberg Galaxy Crypto Index. The performance of the Fund will vary from the performance of the Bloomberg Galaxy Crypto Index.

Market index information shown herein, such as that of the Bloomberg Galaxy Crypto Index, is included to show relative market performance for the periods indicated and not as standards of comparison, since these are unmanaged, broadly based indices which differ in numerous respects from the portfolio composition of the Fund. Market index information was compiled from sources that GDCM believes to be reliable. No representation or guarantee is made hereby with respect to the accuracy or completeness of such data. The information contained herein is provided for informational purposes only, is not complete, and does not contain certain material information about the Fund, including important disclosures and risk factors associated with an investment in the Fund, and is subject to change without notice. This document is not intended to be, nor should it be construed or used as an offer to sell, or a solicitation of any offer to buy, shares or limited partnership interests in the Fund. Securities transactions are effected through Galaxy Digital Partners LLC, a member of FINRA and SIPC.

Certain statements reflect GDCM's views, estimates, opinions or predictions (which may be based on proprietary models and assumptions, including, in particular, GDCM's views on the current and future market for digital assets), and there is no guarantee that these views, estimates, opinions or predictions are currently accurate or that they will be ultimately realized. To the extent these assumptions or models are not correct or circumstances change, the actual performance of GDCM and the BGCI may vary substantially from,

and be less than, the estimated performance. None of GDCM, the Fund nor any of their respective affiliates, shareholders, partners, members, directors, officers, management, employees or representatives makes any representation or warranty, express or implied, as to the accuracy or completeness of any of the Information or any other information (whether communicated in written or oral form) transmitted or made available to you. Each of the aforementioned parties expressly disclaims any and all liability relating to or resulting from the use of the Information or such other information. GDCM does not provide tax, accounting or legal advice. Notwithstanding anything to the contrary, each recipient of this Information, and each employee, representative or other agent of such recipient may disclose to any and all persons, without limitation of any kind, the U.S. income and franchise tax treatment and the U.S. income and franchise tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to such recipient relating to such tax treatment and tax structure insofar as such treatment and/or structure relates to a U.S. income or franchise tax strategy provided to such recipient by GDCM.

Certain information contained herein constitutes forward-looking statements, which can be identified by the use of terms such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "intend", "continue" or "believe" (or the negatives thereof) or other variations thereof. Due to various risks and uncertainties, including those discussed above, actual events or results, the ultimate business or activities of GDCM or the Fund or the actual performance of GDCM or the Fund may differ materially from those reflected or contemplated in such forward-looking statements. As a result, investors should not rely on such forward-looking statements in making their investment decisions. None of the Information has been filed with the U.S. Securities and Exchange Commission, any securities administrator under any state securities laws or any other governmental or self-regulatory authority. No governmental authority has opined on the merits of the offering of any securities by the Fund, or the adequacy of the information contained herein. Any representation to the contrary is a criminal offense in the United States.

Certain information contained herein (including financial information) has been obtained from published and non-published sources. Such information has not been independently verified by GDCM, and GDCM does not assume responsibility for the accuracy of such information. Affiliates of GDCM own investments in some of the digital assets, protocols and companies discussed in this newsletter.

BLOOMBERG is a trademark or service mark of Bloomberg Finance L.P. GALAXY is a trademark of GDCM. Bloomberg Finance L.P. and its affiliates (collectively, Bloomberg) are not affiliated with GDCM, the Fund and their respective affiliates (collectively, Galaxy). Bloomberg's association with Galaxy is to act as the administrator and calculation agent of the Index, which is the property of Bloomberg. Neither Bloomberg nor Galaxy guarantee the timeliness, accurateness, or completeness of any data or information relating to the Index or results to be obtained. Neither Bloomberg nor Galaxy make any warranty, express or implied, as to the Index, any data or values relating thereto or any financial product or instrument linked to, using as a component thereof or based on the Index (Products) or results to be obtained therefrom, and expressly disclaims all warranties of merchantability and fitness for a particular purpose with respect thereto. To the maximum extent allowed by law, Bloomberg, Galaxy and its or their licensors, and its and their respective employees, contractors, agents, suppliers, and vendors shall have no liability or responsibility whatsoever for any injury or damages—whether direct, indirect, consequential, incidental, punitive, or otherwise—arising in connection with the Index, any data or values relating thereto or any Products—whether arising from their negligence or otherwise.