Polychain Capital

Accelerating the Global Adoption of Cryptocurrency
The Investment Thesis

- Over the next decade, new and existing asset classes will be ported \textbf{natively onto the internet}, with all value transfer settling on blockchains.

- Financial services and marketplaces will become automated with self-executing software called \textbf{smart contracts}.

- This will lead to both \textbf{disintermediation} of existing financial services and \textbf{novel applications} uniquely enabled by crypto technologies.

- Deeply technical investors with massive networks and a participatory approach are best situated to \textbf{create and capture outlier value}.
Crypto Fund Overview

- **Launched 2016 to invest exclusively in blockchain protocols**: Long only, long term, fundamental value approach focused on extensible protocols that enable behavior not possible with existing systems.

- **$1B AUM, fully deployed in crypto** across more than 20 assets, from pre-launch SAFTs through liquid coins, our average position size is $20M+.

- Side pocket facilitates deployments into **illiquid pre-launch tokens** (SAFTs); roughly 50% in side pocketed SAFT agreement and 50% in liquid tokens.

- Earlier stage liquidity relative to traditional venture enables **unique risk / reward dynamic** given ability to re-balance liquid positions.
Team Overview

- **Deep domain and industry expertise:** Our research team hails from top research labs specializing in cryptography, p2p networking, game theory, and distributed networking and have contributed code or modelled security vulnerabilities for the most valuable blockchain protocols.

- **Information asymmetry:** Polychain’s global network has been built over the course of eight years in the industry and is supported by more than 50 inventors and entrepreneurs within the portfolio.

- **Proprietary deal flow:** Beyond comprehensive analysis, Polychain accesses proprietary deal flow for projects which are not yet publicly investable, and has been on the forefront of investment innovation in a rapidly emerging sector.

- **Uniquely cryptonative strategies:** Driving additional returns via day 1 staking on Proof of Stake chains, on-chain governance participation, and community leadership.
## Thematic Opportunities

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Venture Opportunities

Infrastructure

* Market platforms servicing the crypto industry
  - E.g. exchanges and custodians with staking and on-chain voting capabilities
  - Established markets, clear revenue models, and tailwind of expanding crypto industry
  - More traditional venture investments

Frontier Tech

* Novel behavior enabled by crypto breakthroughs
  - Novel products uniquely enabled by research breakthroughs and smart contracts
  - Unknown size of TAM with propensity for large network effects
  - Massive potential outlier returns
Segmentation of DeFi ecosystem on Ethereum

- Exchanges & Liquidity: 22.3%
- Asset Management: 18.7%
- Stablecoins: 10.8%
- Credit & Lending: 10.2%
- Infrastructure: 9.0%
- Banking & Payments: 7.2%
- Derivatives: 6.6%
- DAO: 4.8%
- Tokenized BTC: 4.2%
- DAO: 2.4%
- Marketplaces: 1.8%
- Insurance: 1.8%
Seeing the Future First: DeFi

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January 2017
Wired Magazine quotes Olaf: “...financial phenomena that have never existed before, what Carlson-Wee calls programmatic finance.” (Source)

July 2017
Jan 2017
Polychain seeds MakerDao at $4M network value

Dec 2017
Polychain seeds: • Dharma ($2M raised) • dYdX ($2M raised)

April 2018
Polychain seeds Compound ($5M raised)

August 2018
Term Decentralized Finance (DeFi) is popularized

March 2020
3 DeFi projects incubated via Polychain Genesis

January 2021
DeFi TVL surpasses $10 billion

September 2020
Total value locked in DeFi exceeds $10 billion

February 2020
Total value locked in DeFi exceeds $1 billion

August 2020
Over $500mn pools in multiple SCs < 24hrs after launch

June - July 2020
COMP trades at $3bn NV; DeFi TVL grows by ~4x

November 2020
Dharma raises $7M Series A

August 2019
Compound Series A ($95M valuation)

July 2019
MakerDao exceeds $500M network value

Source: Network Data, Dune Analytics, Polychain Research, Defi Pulse. Data as of September 30, 2020
Blockchain Investment in the United States (YoY)

Source: The Block, Pitchbook
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<td>LedgerX, Bakkt, Seed CX, ShapeShift, Bitrrex</td>
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<td>R3, Hedera Hashgraph, Digital Asset Brok, Factom</td>
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<td>Purse, Circle</td>
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<td>OpenBazaar, MyCrypto, Veem</td>
<td>Compound, Uniswap, 0x, Set</td>
<td>POLYCHAIN, Blocktower</td>
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<td>Lolli, Bitpay, Ripple</td>
<td>Celo, ABRA</td>
<td>Dharma, Chainalysis, MakerDAO</td>
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<tr>
<td>Asset Mgmt.</td>
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<td>Bitwise, Galaxy Digital, Arca, Grayscale</td>
<td>Blockstream, Thesis, Tezos, Protocol Labs</td>
<td>Fidelity Digital Assets, Digital Coin, CoinFund</td>
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<td>BlockFi, BlockFi, BlockFi, BlockFi</td>
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<td>Lightning, Gauntlet, Keep, Electric Coin Co.</td>
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Blockchain ecosystem in the United States
Mapping the Institutional Digital Asset Infrastructure
$2.1 billion in total Investment

120 investment deals involving blockchain firms building institutional infrastructure for Digital Assets

Source: The Block, Pitchbook, Crunchbase