CAPTUR RESEARCH

ALPHA BOOK

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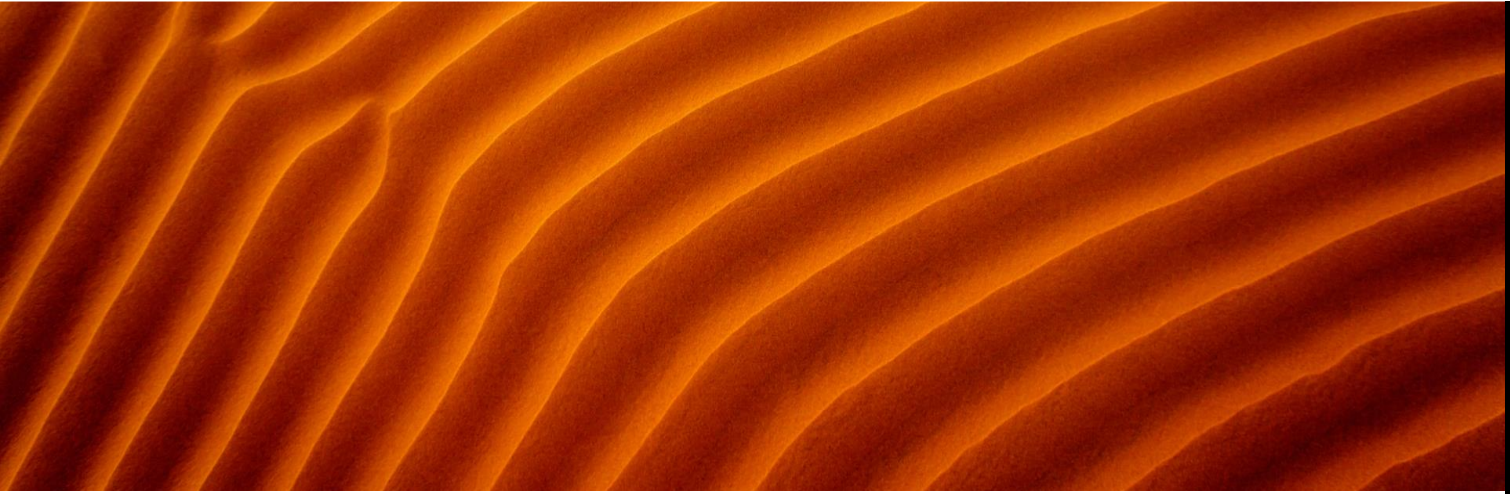

THIS IS ALPHA BOOK

We're Captur Research. We're veterans in crypto, and we're proud to share with you our first Alpha Book. 21 pages, littered with alpha.

Our analysts have spent countless hours researching the market, as well as projects they thought promising. Each issue will feature a new deep-dive. Risk assets are in a bear market – in case you hadn't notice looking at your portfolio – so, today even more than during the past years, investing in crypto is not for the faint-hearted. This goes double for investing in altcoins, due to their higher beta. The projects discussed in this report are no short term plays; we believe it's unwise to try and make quick gains in a market that moves on macro's erratic heartbeat. For the longer term – that's another story. After having lost over 90% in value, some altcoins begin to look juicy. The altcoin's goal, now, has become the same as yours: to survive. There will be a better time, for both the altcoin and you, and for anyone who moves slowly and deliberately. We are confident our publication will help you pick the right project(s) when the time is ripe.

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KEY INSIGHTS

- Crypto’s future remains bright in the long term, and prices will likely be higher in a few years. Product and adoption beat recession and destruction.

- At least the coming 12 months will be tough for bulls, as there is currently no indication of crypto markets decoupling from risk assets. Bulls will need to see the Fed pivot. Bitcoin also suffers from a lack of narrative, on a medium timeframe.

- Short term crypto is in for a bounce. We have seen capitulation. Risk/reward is skewed to the upside; panic, forced selling, and high open interest combined with high negative funding rate are other indications of BTC and ETH bottoming. Furthermore, the market has priced in a good part of the contagion risk still looming.

- Lending network Maple shows a relative lack of weakness compared to Aave, and might be a good long term buy below $8 for those who believe undercollateralized lending has a future in DeFi.

- NFT speculators with a far investment horizon might want to consider dollar-cost averaging into PLOTs, which give high risk, high reward exposure to ambitious NFT project Storyverse.

THE SMELL OF NAPALM IN THE MORNING

Monthly market report

These are trying times. Any crypto trader can't escape the feeling that, however sharp his edge, it's insignificant compared to knowing the truth about Three Arrows Capital, Celsius, Nexo, BlockFi, and FTX. Only insiders can make money without gambling here – you likely can't. However smart you are, however many hours you spend studying publicly available information, you can't know what's in store from Lady Fortune and Sam Bankman-Fried, who may be the same person.

It seems sensible to wait before taking big positions. Contagion is the word on everyone's lips, and if only insiders know what might happen, it may be best, in this case, to heed Wittgenstein's advice to remain silent of what we cannot speak; on the other hand we should at least *think* about what might come to pass. And, well, doing so we can hardly leave contagion risk out of the equation. It's real. It's here. It's also, I think, at least for a good part priced in. The following list came out a few days ago (Fig. 1). We have since learned BlockFi had loaned Three Arrows Capital $1 billion – one more smack in the face of eager bulls.

Long term thesis largely unchanged

With the charts of altcoins looking like snuff films, and BTC and ETH having given back nearly two years of bullish price action, it becomes reasonable to wonder if the long term crypto bull thesis is still valid. In my book, it still is. Yes, the Fed's response to inflation is a problem, and so is retail's lack of risk

Entity	Category	Founded	Founders	AUM	Recent Activity	Source
Voyager Digital	Prime Brokerage Firm	1993	Stephen Ehrlich Philip Eytan Gaspard de Dreuzy Oscar Salazar	$7,000,000,000+	Provided $720 million in uncollateralized loans to 3AC (15,250 BTC and $350 million USDC). Reduced daily withdrawal limit to $10,000 after securing $500,000,000 loan agreement with Alameda Research.	Cointelegraph
Three Arrows Capital	Hedge Fund	2012	Kyle Davies Su Zhu	$3,000,000,000+	Facing possible insolvency after incurring $400,000,000 in liquidations. In discussions with legal and financial advisors to work out a solution.	Coindesk
Genesis Global Trading	Prime Brokerage Firm	2013	Barry Silbert	$46,000,000,000+ (as of 09/02/2021)	Claims to have mitigated losses with unnamed counterparty by selling and/or hedging their liquid collateral to protect against downside.	Seeking Alpha
Bitmex	Centralized Exchange	2014	Arthur Hayes Ben Delo Samuel Reed	Undisclosed	Recently liquidated $6,000,000 position in 3AC.	Investing
Celsius	Lending / Savings Platform	2017	Alex Mashinsky Nuke Goldstein S. Daniel Leon	$12,000,000,000+	Paused withdrawals on 12 June 2022.	Investopedia
Nexo	Lending / Savings Platform	2017	Antoni Trenchev Georgi Shulev Kalin Metodiev Kosta Kantchev	$12,000,000,000+	Claims to have turned down partnership request by 3AC.	Coingape
Babel Finance	Asset Management / Lending Platform	2018	Flex Yang Del Wang	Undisclosed	Paused withdrawals on 17 June 2022. Claims to have reached preliminary agreements with major counterparties on debt repayment period.	The Block
CoinFLEX	Derivatives Exchange	2018	Mark Lamb Sudhu Arumugam	$100,000,000	Paused withdrawals and suspend FLEX trading on 24 June 2022. Claims to have paused activities due to extreme market conditions and uncertainty involving an unnamed counterparty.	Decrypt
Orthogonal Trading	Hedge Fund	2018	Joshua Green	Undisclosed	Provided $10 million in loans to Babel Finance from USDC pool on Maple Finance.	Investing
8 Blocks Capital	Trading Firm	2019	Danny Yuan	Undisclosed	Claims that 3AC took $1 million out of their trading accounts.	Twitter (Danny)
DeFiance Capital	Venture Capital Firm	2020	Arthur Cheong	$3,000,000,000+	Claims to have operated independently and is actively working with relevant parties to resolve the situation.	Coindesk
Maple Finance	Lending Platform	2020	Joe Flanagan Sidney Powell	Undisclosed	Surpassed $1,000,000,000 in loans and facing liquidity crisis due to Orthogonal loan. Claims to have minimal exposure to Celsius and no exposure to 3AC.	Maple Finance
Finblox	Savings Platform	2021	Dmitriy Paunin Peter Hoang	Undisclosed	Invested $3.6 million in 3AC. Paused all reward distributions, changed withdrawal limits, and disabled the creation of new accounts until further notice.	Finblox

Figure 1: Contagion risk (h/t ApeDigest)

appetite during a recession. But even with macro being a problem, web 3 product development will most likely continue as it did during the last bear market. So will adoption. In this respect it's good to remember that a surprising amount of web 2 giants – Airbnb, Uber, Snapchat, Instagram – started between 2008 and 2011, in the midst of the Global Financial Crisis. It seems product and adoption beat macro and destruction. This is not to say product and adoption always win, but it's not a bad bet if you have the time to let it play out. If you believe in crypto as a new product, as an invention that enables the transfer of ownership similar to how the Internet enabled the transfer of information, there is no reason to change that long term bull thesis.

Long term I am as bullish as ever – especially on projects' with proven utility and traction. This means Bitcoin, Ethereum, and to a lesser extent Solana, but also DeFi projects that have proven themselves amidst last month's carnage, such as Aave, which is now down 93%. As for DeFi, I believe it's a mistake to obsess with TVL at this point, which has predictably tanked as the market went risk-off, yields decreased, and the underlying collateral lost value. What matters is that these projects so far weathered the storm; they didn't break under tremendous market volatility. If liquidity flows back into the market, we can expect these projects to outperform – particularly the ones that made an effort to front-run potential regulatory bad news by building "pro" versions, such as Aave, and those who cater especially to institutions, such as Maple.

Relief

So, long term I'm bullish. How about short and medium term? Short term, I am also tentatively bullish. As before, much depends on the monthly inflation numbers and how they make Jerome Powell feel. What makes me feel bullish is mostly the weekly chart. We seem to have put in at least a temporary bottom, and going long here seems decent risk/reward at 3.75. It's high time for mean reversion. (See fig. 2. A weekly close within or below support would make me close the long.)

One element of the recent price action was particularly interesting. BTC broke its $20,000 support and ETH its $1000 support, leading to the expected cascading liquidations. But frankly, I had expected more. It's somewhat unusual seeing major technical support break without it leading to renewed downward momentum. But we saw no such thing. BTC and ETH

Figure 2: Decent risk/reward on the weekly chart

reclaimed their respective support levels after 35 hours. A much-needed sign of strength. Tentative strength, yes – not much may come from it until daily resistance at $22,000 is broken and stays broken for a prolonged period – but it's something. More than something. If macro does not break down – and in this respect it's good to see support having been bought on the S&P chart – we are in for some relief. Since crypto prices are known to exaggerate, also in bear market rallies, the relief might even be less short-lived than most expect. Also, during the last two weeks we saw early signs of the Fed not just worrying about inflation anymore, but also about the damage a recession would bring. The Fed may, in the medium term, tone it down a bit with the rate hikes and QT. This is definitely not something to count on, but also not something to discard.

Figure 3: The S&P is respecting monthly support – for now

Huge problem

One can further make the case that the contagion risk hanging over crypto should to some degree be priced in by now. We cannot be too confident as to how much is priced in, because at this point, as mentioned before, there is too little information available to anyone but a few insiders. If there was information galore and no uncertainty, the risk would be smaller and prices would likely be higher, unless of course we indeed get a 2008 style chain reaction, which is what everyone fears but may not happen, especially if Sam Bankman-Fried's rescue plan works. It very well may: why would the man spend hundreds of millions if the contagion could not be contained? On the other hand, the very fact that there is a rescue plan in which hundreds of millions are spent to protect us from contagion (and the regulatory hammer) means there is a huge problem. Maybe that should be our conclusion here. There is a huge problem, but there is a good chance it's solvable. And while there is a lot we cannot know, there is also a lot we can know, by virtue of blockchain transactions happening visibly on-chain. The very visibility of this blockchain data means the risk should be priced in to at least a decent degree – at least so far as to the amounts that were visible *plus* what people in the depths of their panic thought was still to come. When bad news starts dripping in the coming weeks, slowly at first and then faster, we may realize once more that humans, like markets, tend to exaggerate when put under pressure, and that the damage, though widespread, is still less terrible than what most in their panic were guessing. Put differently, we don't know the full scope of the contagion risk, but we do know, more or less, the scope of the market participants' fear, which was tremendous, and still is. Future contagion must be very nasty indeed to surpass what the market is already expecting. Hence: priced in, at least to a decent degree.

Panic

Sentiment, sometimes just a meme in crypto, is key here. We've seen actual panic, and large entities forced to sell at prices they were hoping to buy just months earlier. As I'm writing this piece, it seems I'm the only one leaning bullish. To me that means there is ample room for new bulls when prices don't come down as most feel they should under the specters of "contagion" and "macro". If BTC were to reclaim the $22,000 resistance, I expect a quick run-up towards $28,000 with sidelined bulls chasing price. This could be fueled by late shorts, which we've seen pile up over the past two weeks. Earlier I discussed the failed breakdown of the $20,000 level. The ranging that followed is not the best scenario for bulls; better would have been if late breakdown shorters would have been put offside by an unexpectedly fast

Figure 4: Open interested/market cap ratio is at all-time highs with exceptionally high negative funding rate

price rise, turning them into forced buyers higher up. But price did not go up quickly enough after the reclaim. Nevertheless I believe that even without it there is a good case for much of the late shorts getting trapped if BTC were to break out of the range unexpectedly, preferably after a new fake-out to the downside. This does not have to happen at the $20,000 level; it could be higher up in the range, for instance on July 13, when the latest inflation print comes out and prices fall at first, attracting new shorters who are then put offside when price makes a sudden U-turn, as price has reliably been doing lately. Point is, it's very easy to lose confidence as a bull these days, and correspondingly very easy to start shorting late, with price already down 74% for BTC and 82% for ETH. Bears should not forget that the open interest/market cap ratio is currently at all-time highs (the white dots in Figure 4), while high negative funding rates reveal exceptional bearishness (the red dots) – indeed, right at support. This screams buy. It's just very hard to hear, as the dark woods through which we wander are filled with screams of tortured bulls and gloating bears.

Risk curve

What I didn't like was altcoins going up tens of percent, while BTC and ETH kept ranging after their fall. For the market as a whole it would have been better had that money flowed into BTC and ETH, and from there further out on the risk curve into alts. That is the way it *should* go, historically speaking, and I see no reason why this time would be different. This is a little concerning, although not enough to make me go bearish, as I think the altcoin pumps we saw over the past weeks are mostly due to a potent combination of mean reversion and empty order books. It doesn't take a lot of money to move an altcoin around when the order book is a wasteland. Medium and longer term I'm very bearish on altcoins, with only one or two exceptions of which I will speak in another article. If it comes to bearish retests of broken support levels, shorting into bullishness from market participants who feel their high FDV altcoin is going to make it after all seems sensible, simply due to the bleak prospects of ultra risk-on assets in the face of the Fed's blunt tools to tackle inflation. Which is not to say one should necessarily short projects with working products that have proven themselves under extreme conditions, such as Aave, or projects that are currently in Lady Fortune's good graces, such as Solana. There are better shorts out there, most notably the high FDV ones with little to no developer activity.

Figure 5: SOL went up 67% in 10 days, before giving most back

Medium term outlook

My medium term outlook remains bearish. After mean reversion it's back to pain. If the Fed keeps adhering to its forward guidance principle, as it has so far, we have not seen the worst yet. Crypto will follow Nasdaq until further notice. There is no reason to expect a sustainable decoupling at this point in time. Bitcoin struggles with an additional problem: a lack of narrative. Up until recently we had lots of buy pressure from MicroStrategy, Grayscale's GBTC, Three Arrows Capital, Luna, and from the retail herd that followed in their tracks. With all of these unlikely or unable to buy in large quantities any time soon (or at all), why would the price go up? On the same medium timeframe, it seems safe to conclude the "bitcoin as inflation hedge" thesis is dead, or at the very least hibernating. While it is too soon to cross of bitcoin as an inflation hedge altogether – who knows, maybe one day markets remain risk-off but we see BTC rekindle that narrative by decoupling – I see no catalyst for this to happen anytime soon. BTC behaves as a risk asset, and as such we must treat it. On a medium timeframe ETH is the more interesting one. Yes, it was the weaker of the two as prices kept dropping mid-June, and betting on weakness rarely pays off, but I believe this was mainly caused by the Three Arrows liquidations and the immediate second order effects, causing more forced selling of ETH than of BTC. Of the two, ETH has an actual catalyst around the corner: the Merge, which is expected in September. If ETH would indeed go up in the coming months, we can expect alternative layer-1s such as Solana and Avalanche to follow suit, as speculators front-run other participants' comparative value trades. I might be thinking too much from a bull market mindset here, but the fact that we are in a bear market does not mean we can't have a prolonged bull-run. Let's just not forget to sell everything but our long term bags when we get the chance. ◆ Sander Kok

COMPARATIVE STRENGTH

Lending network Maple (MPL; yellow line) seems surprisingly strong in the face of all the bad news, especially considering the fact that contagion, indeed, hit them for at least $10 million. One key player in the network, Orthogonal Trading, had lent that amount to now blown-up Babel. Maple's price plummeted, as expected, but not deeper than comparable projects that weren't harmed. At the time of writing, it has dropped 80% from all-time high, while well-established lending platform Aave dropped 93%. (Meaning Aave's fall was not 13% deeper, but more than 65% deeper counting from -80%.) Why? Probably because $10 million is not disastrous – it's bad news, but it can be stomached. Besides that, investors may like transparency almost as much as they hate uncertainty. Knowing the full scope of the loss relatively early may have been helpful. Investors may also feel somewhat encouraged that Maple has been working as intended, even with a pool delegate running into trouble. MPL at below $8 could turn out a good buy if you believe undercollaterized loans have a future in DeFi. It would be great if they did have a future there, as undercollateralized loans seem to have no future in CeFi, considering the Celsius and BlockFi fiascos. More on Maple (which isn't fully DeFi, by the way) in a coming deep dive. ◆ Sander Kok

01

Maple calls itself an institutional crypto-capital network. It offers undercollateralized loans through so-called pool delegates.

02

More than $1.5 billion has flowed through Maple. It claims to have no outstanding loans to Three Arrows Capital or Celsius, but only to Babel through Orthogonal.

“SO HERE I AM, NO WAY BACK”

This piece was written by Evgeny Gaevoy, CEO at Wintermute, on his personal Twitter account, and is published with his permission.

I don’t know who wants to hear this, but looking at prices, graphs, rainbows, previous halvings etc. is all, very obviously, astrology for men. Ultimately it all comes down to macro and belief.

MACRO

Macro is all about big institutional players that don’t care about Bitcoin mission, whether AAVE is a better tech than COMP, whether SOL is fucking fast or whether it’s going to be Optimism or polygon that will scale Ethereum. They would be looking at interest rates and relative valuations.

That’s it. If Nasdaq goes up 100% tomorrow, defi will follow. Opposite is true as well. Institutions will show no bids if other growth is not going up (and some of them are already sophisticated enough to show offers).

Same with venture. Outside of pure crypto native venture firms (of which a good half is likely sitting way below the watermark, which is another fun thing for another time), we won’t see much action unless rest of growth sector picks up.

Maybe Paradigm will keep funding, maybe a16z will buy some tokens in secondary market. But it won’t move the needle enough. What will move the needle is belief.

BELIEF

Belief is what started this whole sector in the first place. On the very initial level, it started as a dream of another world. World where we would be free from the whims of governments and legacy financial systems. World where we move to a truly decentralized store of value.

Wintermute is one of crypto’s major market makers

It was followed by another sort of belief - belief that early adopters should reap most of the benefits, stacking the sats, issuing tokens, selling jpegs and plots of imaginary land. Parallel to that we also had rainbow graphs, halvings, “Bitcoin never drops lower than previous high” etc. Astrology, crystal gazing, divination. Dark magic or, more likely, superstition. But, like any superstition, these can make a very much self-fulfilling prophecy. These beliefs created the Internal bid. One that ignored all outside valuations. One that was ready to become independent of the outside world.

If only we could just move to one of decentralized metaverses, that dream could have been realized.

This cycle we managed to create opposing beliefs:

- one of crypto having an environmental impact. Hugely hypocritical (since crypto is singled out for some reason), but popular.

- one of crypto/nfts being only about speculation. Instead of focusing on the key feature – ownership.

And while esg part is a pretense for crypto hostile regulators, alienating a big part of population (who are, on top of that, gamers) is something that will take a lot of effort to fix.

OUR CURRENT PREDICAMENT

Our current predicament was caused by centralized institutions. Terra in itself was not dangerous - decentralized protocols declined to adopt it in masse as collateral. It was the centralized parties who jumped at the promise of 20% yield.

And I still believe the most plausible theory for the terra collapse being not a benevolent trading firm, but simply a big lender trying to be the first through the gate, setting the death spiral in motion. Same with Celsius. Whatever caused it to pause withdrawals could not have been decentralized in nature. And in combination with another, very much centralized, entity - 3AC, they were able to create much havoc. So much in fact that we still don't know how many lenders, trading shops, exchanges and god knows who else are underwater. It might take a week or two to see all the corpses washed up on the shore. In the meantime we can see a deleveraging of the system on unprecedented scale.

As long as we have centralized impostors among us, however nice and fuzzy they are (and Wintermute is, currently, a very much centralized entity, however much you believe in us being the good guys), we won't have transparent enough system to predict the events of the recent kind. Ultimately we have to accept that our sector will always be at the whim of the larger world. Unless of course, we make that sector so big that it becomes ungovernable. Unless our sector becomes the System.

THE PRESENT

Which brings us to the present. I recently thought that what we are facing today is the uncertainty of the order we never faced before. And on one hand it's correct. However, on the other hand it's certainly not the first time I personally felt these uncomfortable feelings.

Flashback to 2008-2009. I remember quite well that a lot of people were talking about Great Depression style collapse. A global lost decade, eurozone breaking down from the PIGS. It did feel scary. But in hindsight it was obviously nothing compared to the last 2.5 years. And I see a lot of capitulation among people who have been in the space for a while. But I don't feel it. I got into crypto in 2017 as I was enticed by trading something that moves 10x traditional eu stonks. Over last 5 years I slowly but steadily realized that it is much more. And no, I don't think it's 100% certainty that crypto will succeed and maybe all we'll see is Bitcoin becoming digital gold, stored in custody just like the physical one is. But I'm here to try to help build an alternative reality. I want it, because it is a more exciting reality and also because it is a reality infinitely more resilient compared to the centralized system we live in now. We can fail collectively, sure, but I'm here for the ride. Journey *and* the destination.

But also, if I became completely disillusioned by crypto or my perceived probability of it succeeding became too low - what else would I possibly do? Outside world is a barren desert, save for the promise of space travel. Go work in a bank? In a corporation? No thank you. I've worked at Optiver for 10 years, making that journey from hungry junior trader to senior trader facing existential crisis. Journey so well described in every finance fiction book I just had to live it. No point repeating that though.

And so here I am. No way back, only forward. My bid is not size, but that doesn’t matter. Billions of AuM come and go. Bids become offers. Real impact, meanwhile, is building and influencing others. And that is what we are going to do. ◆

DEEP DIVE | NFT PROJECT STORYVERSE

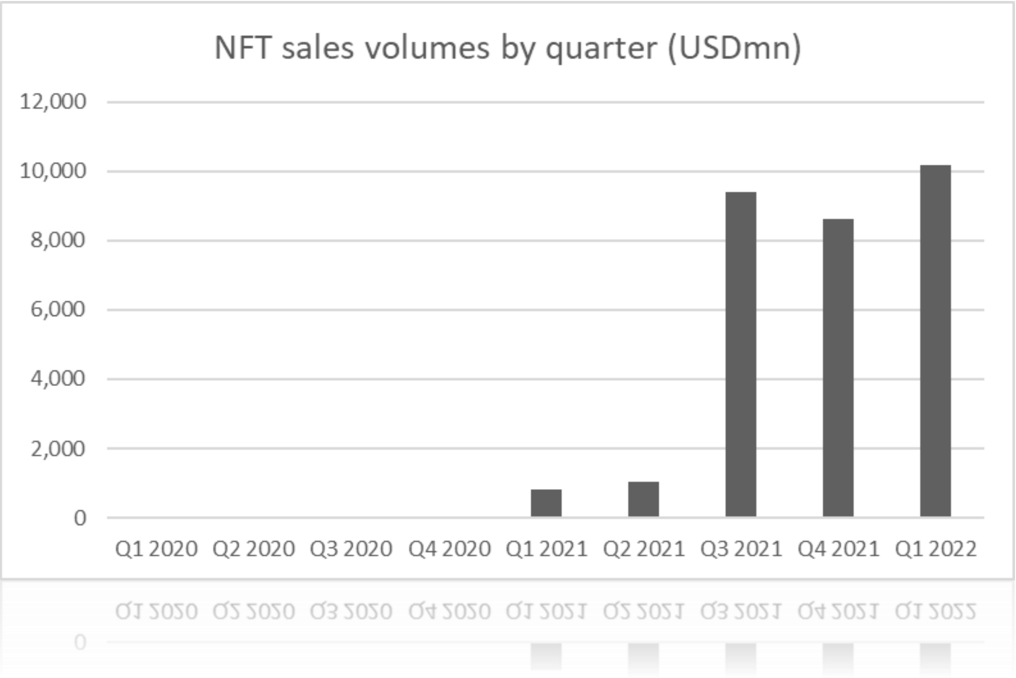
By TokenTurtle

In 2021, NFTs burst into the public's consciousness. The total volume of NFT sales as per data from Cryptoslam rose from $64mn at the end of 2020 to $37bn at the end of May 2022. While growth in NFT volumes has slowed (seven out the last nine months have seen negative m/m growth) as per Cryptoslam, volumes still remain high with May 2022 volumes at $3bn, constituting y/y growth of 577%. 2021 also saw the rise of PFPs, profile pictures designed to be used as avatars on social media. The big success of CryptoPunks and Bored Apes spawned a huge array of similar PFP projects, and as can be seen in the chart below, PFP projects make up the largest subsegment of NFT projects based on market capitalization.

PFP ownership represents a new, unique brand of community membership

As noted in Storyverse's white paper, "PFPs ownership represents a new, unique brand of community membership… and have emerged as a high-profile representation of Web3 ethos by cultivating passionate communities who support creators, decentralized ownership principles, and community participation."

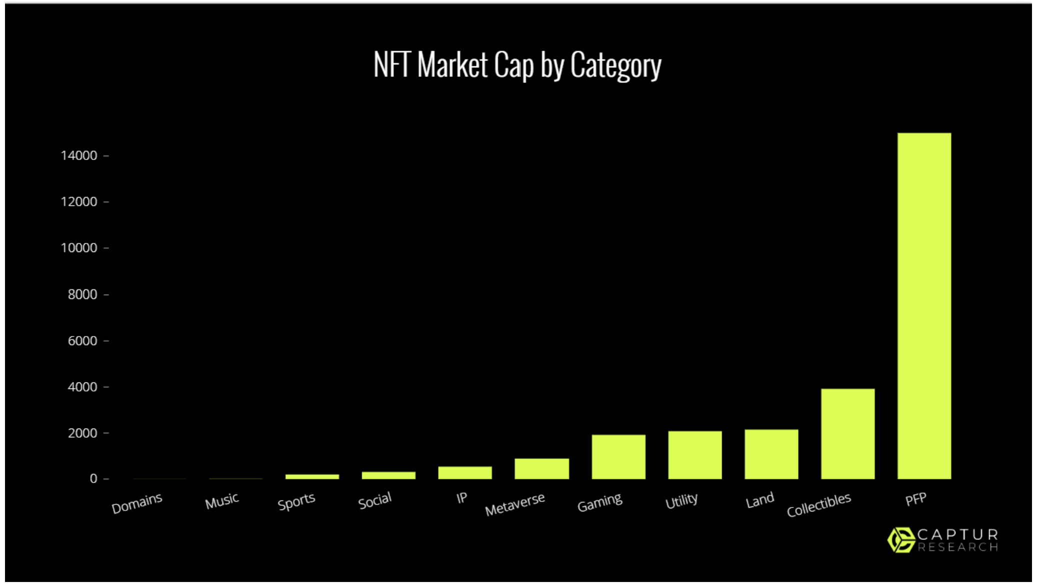
The objective of many of these PFP projects is to build a brand from the bottom up, with incentives correctly aligned between community members and project owners. Each PFP owner benefits from growth of the community and brand. Given this translates into greater demand for PFP assets and thus a higher valuation, they are incentivized to evangelize the project.



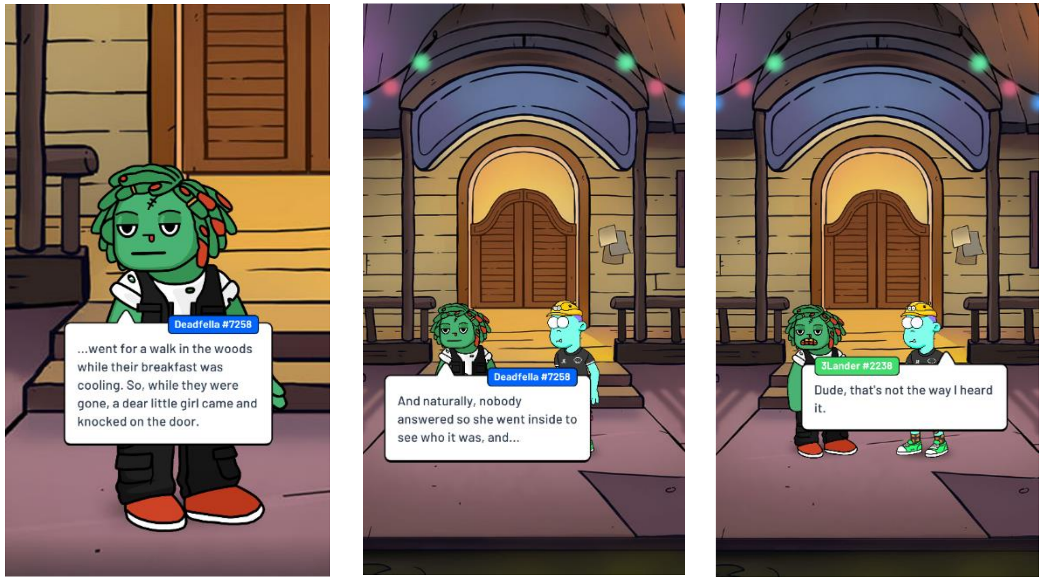
Source: Cryptoslam

With increasing competition comes increasing expectation

There are now thousands of PFP projects, each with its own community and some showcasing fantastic art. In an increasingly crowded market, it is difficult to stand out and garner the attention of potential buyers. With increased competition and people spending large amounts of money on these assets, people are expecting more and more utility.



Storyverse is a no-code, storytelling content publishing platform built for PFP communities. Using the story builder tool, content creators can create animated, personalized stories using PFP NFTs, therefore adding layers of complexity and depth to their characters. They can then post links to this content anywhere on the web, thus helping to increase awareness of PFP projects and helping to build the community and brand.



Screen shot of parts of a story created using the story builder

Good possibility of finding product market fit

While not guaranteed given the early stages of the project, we are of the view that there is a good chance that Storyverse achieves product market fit. Below we highlight the potential value that can be created for each of the different stakeholders. Note, some people will be members of multiple stakeholders; for example, a PFP NFT holder may also create content that includes their NFT.

Value to PFP projects owners

- Given the significant number of PFP projects competing for the same eyeballs, this publishing platform gives project owners a tool to help them gain attention and attract new members to their community
- Given buyers of PFP NFTs are spending large amounts of money on assets, they are increasingly expecting their assets to evolve, deliver increasing utility and demonstrate price appreciation. This publishing tool can help project owners to deliver this.
- Stories are a powerful low-friction vehicle for PFP brand expansion into mass market audiences
- Revenue opportunities for PFP project treasuries.

Value to PFP NFT holders

- The publishing tools lets NFT owners express a personalized vision for who their PFP is and how it interacts in the world around it, thereby strengthening the bond with their own PFP.
- As discussed above, this tool gives PFP holders a further use case for their NFT.
- A stronger brand as a result stories involving PFP NFT characters going viral will likely increase interest in the project, thus driving up the price of the asset.

Value to content creators

- Ability to create content with a fully engaged audience of PFP owners who are highly incentivized to disseminate the content to as broad an audience as possible
- Revenue opportunities for content creators.

Value to content viewers

- Storytelling is a fundamental part of being human and lets us share information in a way that creates an emotional connection.

Sizeable addressable market with multiple types of buyers of PLOTS

The total addressable market is likely to correlate to the number of PFP NFT owners as well as brands that want to make use of the power of NFTs. As per Chainalysis, it is estimated there are 360k NFT owners, and given the market is dominated by PFP projects, it is likely the majority of these own at least one PFP. And this number is likely to grow at a rapid rate. Social media giants Meta announced this year that users will be able to display and share NFTs on Instagram, thus exposing the 1 billion active users on the platform to NFTs.

There are multiple actors who might want to acquire a PLOT:

- Individual content creators that want to monetize their ability to create compelling stories
- Any brand that wants to utilize PFP NFTs
- Investors that either don’t have the desire or skills to create compelling content can buy a PLOT and then pay an artist to create the content for a fee
- Speculators

Well-capitalized company is vital given recession fears and risk of liquidity drying up

Playco is the company that has created the Storyverse. As per a TechCrunch article, in 2020 Playco raised $100mn in Series A funding at valuation of just over

$1bn. The round was led by Sequoia and Josh Buckley with participation from Sozo Ventures, Raymond Tonsing's Caffeinated Capital, Keisuke Honda's KSK Angel Fund, Taizo Son's Mistletoe Singapore, Digital Garage, Will Smith's Dreamers, Makers Fund and others. With the current uncertain macroeconomic environment, a well-capitalized company is incredibly important particularly as liquidity within financial markets is expected to dry up.

Highly experienced gaming and technology founders – important in determining chances of success

In our view, one of the most important variables when assessing a project in its early stages is the caliber of the team. Given the fast moving nature of the startup world (even more pronounced in the digital asset space), it is virtually impossible to predict with any great accuracy where the market is going, what customers want and how the competition evolves. Thus, having a strong team with a proven track record becomes invaluable as it increases the likelihood that they will be able to successfully navigate this ever-changing environment.

Our assessment of the team behind Playco and Storyverse suggests that there is an extremely strong team driving the project forward. Justin Waldron, Playco President with majority of time spent on Storyverse, was the co-founder of social gaming industry pioneer Zynga, where he was SVP of Product. Zynga's most popular games include FarmVille, CityVille, Zynga Poker, Mafia Wars, Words with Friends, and CSR Racing 2. Justin is also an active angel investor and has invested in or advised companies including Immutable, Decentraland and Dapper Labs.

Michael Carter, CEO of Playco, is a highly experienced tech entrepreneur and co-founded Game Closure, a company focused on building post-app store technology. Michael is the inventor of the HTML 5 WebSocket, an integral part of existing internet communication infrastructure that is used by over 2 billion devices daily including all major mobile and desktop browsers.

High level connections to largest social media companies could help facilitate distribution

One further point to highlight is that the co-founders' past experience means that there are high level connections with the largest social media companies, and therefore potentially provides an avenue to partner with companies such as Meta for distributing content, and thus reaching a huge non-crypto native audience.

MAIN PUSHBACKS

What about copyright and licensing issues?

Storyverse has considered licensing issues in great detail. Most PFP projects follow one of two licensing models. One is called cc0 (Creative Commons) where anyone anywhere can copy, modify and distribute any PFP in the collection even for commercial purposes without asking for permission. Examples of these types of projects include mfers, CryptToadz and Nouns Dao. Thus, there is no licensing issue for PFP projects with this type of model.

The other licensing model is where the owners of each PFP NFT own the IP rights to that particular character. Examples of this type of model include BAYC, MAYC, Azuki and Moonbirds. For these types of projects, Storyverse has purchased a selection of NFTs and sublicensed the use of the IP for each plot.

But what about the ability to use characters from PFP projects that Storyverse has not acquired or are not cc0?

As per the Storyverse whitepaper, PFP owners will be able to grant or mint and sell usage licenses to creators so that owners can easily allow creators to publish and create materials with the likeness of those characters. Owners will also have the flexibility to attach usage rights to PLOTs they sell.

What about the issue of squatters that seems to afflict metaverse projects with a land component?

A big issue for metaverse projects with a land component is that many of the owners of land are speculators that have no intention to make use of the asset, thus hindering the growth of the project. In a similar vein, what if many PLOT owners are not utilizing their plots to create content and are just speculating? Storyverse plans to add functionality such that PLOT owners can rent out their PLOTs to other creators. This allows the PLOT owner to monetize their PLOT if they aren't interested in creating their own content.

Easiest way to get exposure to Storyverse is to buy a PLOT

The easiest way to get exposure to the Storyverse would be to buy a PLOT on an NFT market place such as OpenSea. Those PLOTs that contain characters from highly valued projects such as BAYC trade at higher prices than those with perceived lower value character.

A high risk play but huge upside on a long time horizon – size appropriately!

This is not a short term play. It will take time to build out their vision. But if the team delivers on it, then the upside is huge and thus we see the risk reward skewed to the upside. At the current time of writing, the floor price of a plot is ETH0.06, and while it can go lower as the bear market continues, a sensible way to play this is to DCA over the coming months. Do note only a small portion of the maximum amount of PLOTs have been minted so far.

In a bear market, conventional wisdom suggests to focus on projects which have teams that are consistently shipping, have experience in building successful companies/projects and are well funded. This has all three. ◆

APPENDIX

Background to the Storyverse

Playco, founded in 2020 and headquartered in Tokyo, Japan, develops near-console quality games in web-based HTML5 which load instantly with no download required and played inside any browser on any smartphone or PC. The company partners closely with social media platforms such as Facebook and SNAP.

Storyverse is a project that sits within Playco and, of Playco's c.150 employees, there are 20+ fully focused on this project.

How does the Storyverse work?

At the time of writing, 3,000 NFTs called PLOTs have been minted and each of these plots comes with a selection of three characters from three different PFP projects that have been purchased by Storyverse and only those characters attached to your plot can be used to create stories using the story builder.

Current PFP NFTs projects that can be used in the Storyverse

CrypToadz, Chain Runners, Mfers, Cool Cats, World of Women, BAYC, MAYC, Lazy Lions, 3Lander, Gutter Cats, Azuki, CryptoMories, alien frens, DeadFellaz, CyberKongz, BAKC and Moonbirds.

In the future, more NFT characters will be acquired, therefore expanding the number of characters that can be used to create stories. The ultimate goal is likely to be the ability to use any PFP character as long as the licensing rights are adhered to.

In addition to the PLOTs that are a unique destination in the Storyverse that acts as a mini-publishing application which people use to create stories, INK and CHOICE are two further digital assets on the roadmap to be rolled out.

- **$INK** will be the Storyverse's currency used to drive transactions and interactions. Expected to be rolled out in summer of 2022 and likely to involve an airdrop to existing PLOT holders.
- **$CHOICE** - Story writers can create unique story experiences, mint these and sell them to third parties as an NFT called a CHOICE, enabling the content to be monetised.

No known competitors building a no code, content publishing tool for NFTs

The Storyverse team are not aware of any projects building this kind of tool, although there are several projects working on the interoperability of NFTs across different projects.

Number of PLOTS

200,000 PLOTS in total with 3,000 minted thus far. No date announced for the next batch of PLOTS.

We are at the early stages of the project but roadmap looks exciting

The Alpha version of the Storyverse Creator tool has just been released and feedback is being gathered from community users. Improvements to the tool are being made on an almost daily basis.

ROADMAP

The following roadmap has been obtained from the Storyverse Discord channel:

- Mintable Choice NFTs
- INK integration
- NFT boxes - give NFTs to your readers
- Wallet logic - change the story based on what's in the reader's wallet
- Additional animations for characters
- Background NFTs
- Music soundtracks NFTs
- Licensing for additional character NFTs
- Camera movement
- Scene transitions
- Improved character movement / blocking
- More ways to share to social networks

KEY LINKS

White paper: https://whitepaper.storyverse.xyz/

Collection on OpenSea: https://opensea.io/collection/storyverse-plots

UPCOMING EVENT RISK FOR JULY

July 6

FOMC

Federal Open Market Committee's Meeting Minutes

July 8

UNEMPLOYMENT

US Unemployment Rate Released

July 13

CPI

US Consumer Price Index Print

July 21

ECB

European Central Bank Press Conference

July 27

FOMC

Federal Open Market Committee: Statement, Rate, and Press Conference

CRYPTO TWITTER SAYS

Critics say crypto has "no intrinsic value".

DeFi was abused, but it still represents innovation: transparent programmable financial services.

NFTs were abused, but still represent innovation: proof of digital ownership.

Bitcoin crashed, but it still is uncensorable money.

Equally important, crypto assets offer real-time settlement. A vast improvement over the T+2 we see in FX and most securities.

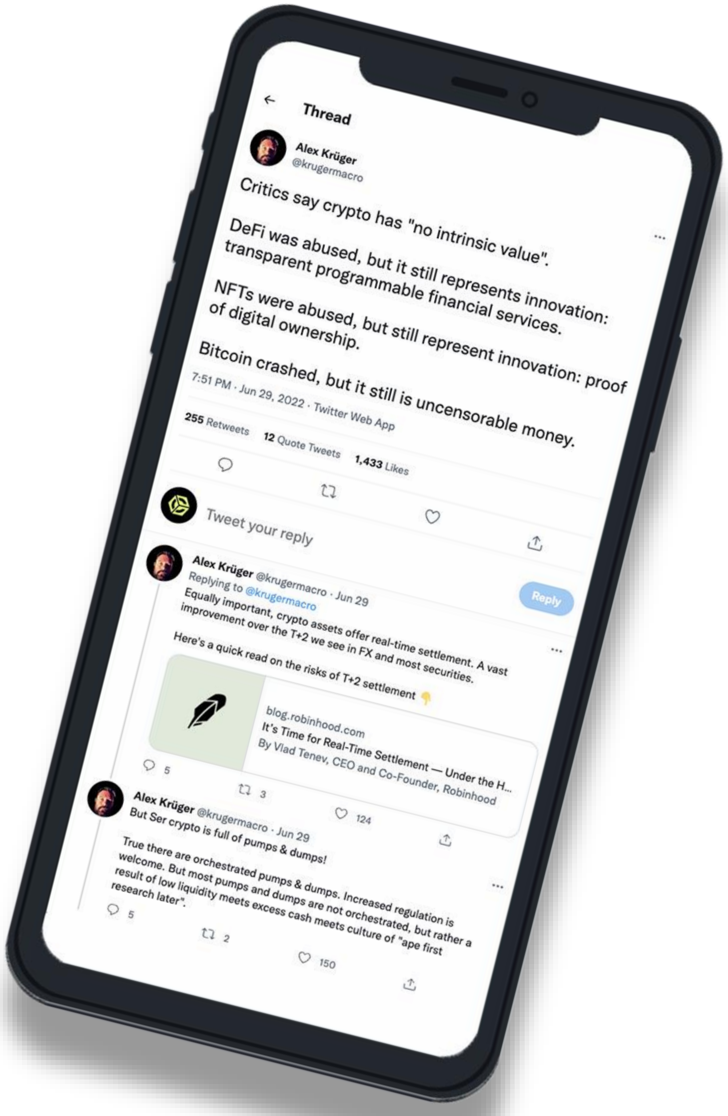
[...]

But Ser crypto is full of pumps & dumps! True there are orchestrated pumps & dumps. Increased regulation is welcome. But most pumps and dumps are not orchestrated, but rather a result of low liquidity meets excess cash meets culture of "ape first research later".

"no intrinsic value!" "no product!" "no service!" "no cash flows!" "useless!" "it's all a pump & dump!" "it's all a scam!"

So many similar yet uninformed critical statements.

—Alex Krüger (@krugermacro)



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