

For Qualified Investors Only

L1D

L1 Digital

Sourcing the best **blockchain** and
digital asset investments globally

L1 Digital AG (L1D)

- **FINMA regulated** asset manager focused on **blockchain industry**
- Operated by **experienced investment team** that built up \$6b Harcourt
- L1D started in 2018, team active in the space since **2015** with audited track-record
- **Headquartered in Zurich** with global presence in both the US and Europe

Client base

- **\$365m AuM** across **Layer1 Multi Manager Fund** and the two **L1D Blockchain Venture Funds**
- Trusted by over **300 investors** with 75% coming from the largest and most sophisticated allocators in Switzerland and EMEA
- Managing the digital asset allocation for **6 Swiss Pension Funds**



Ray Hindi
Managing partner



Dr. Philipp Cottier
Managing partner



Julien Godat
Managing partner



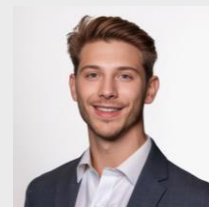
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Investment Research



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Mario Karimovic
Full Stack Developer



Daniel Fischmann
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Tech Lead



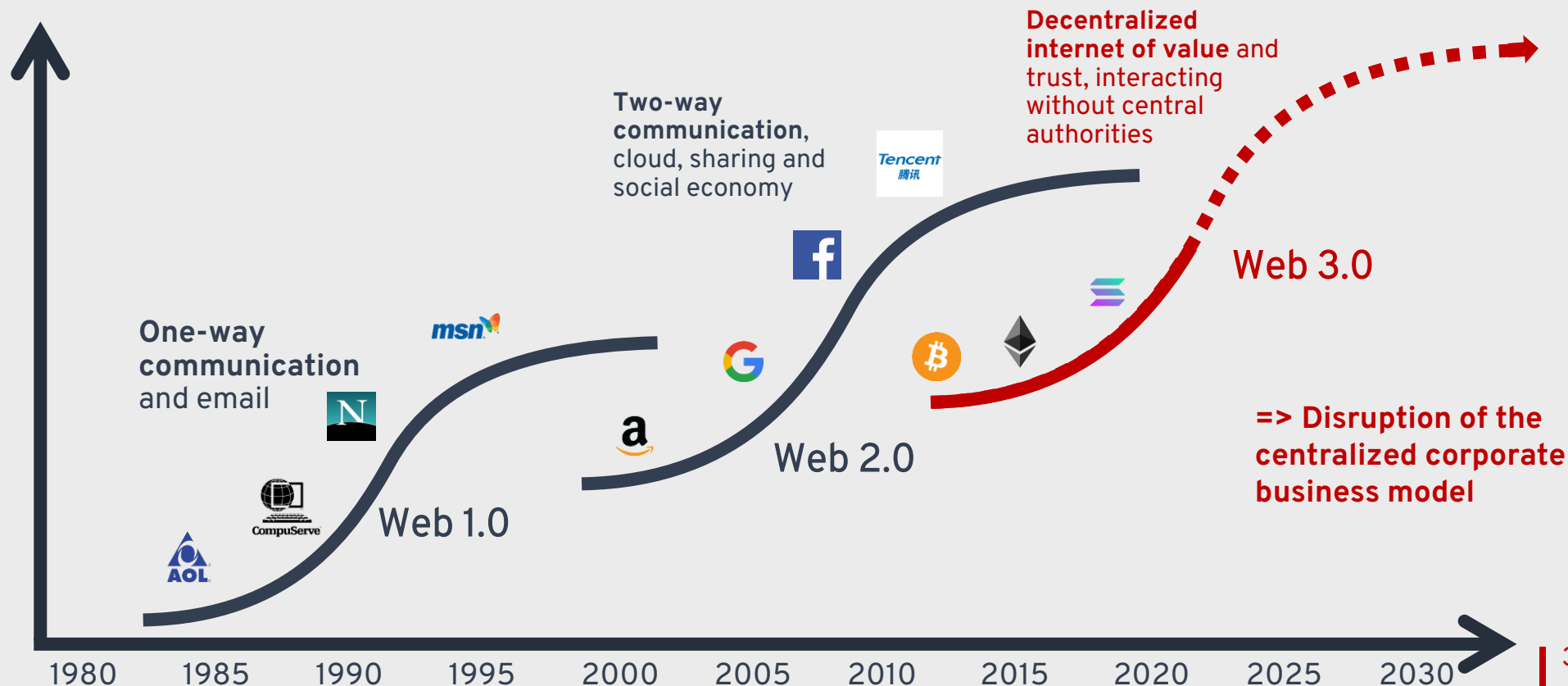
Armand van Houten
Sr. Adviser Operations

Web 3.0: Internet of value, decentralized business models

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Web 1.0/2.0 Internet of information is about sharing information eg emails, docs, pictures; transactions involving value require a centralized party to validate buyer and seller, resulting in costs, delays and a central point of failure

Web 3.0 Internet of value: Blockchain is engineered to enable direct peer-to-peer transactions between parties that don't fully trust one another, and mathematically validate valuable and/or private transactions









The blockchain universe

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Layer 1 protocols	Layer 2 technologies	Decentralized Apps	Asset tokenization / NFTs	Private blockchains (enterprise, govt)	Services & infrastructure
<ul style="list-style-type: none"> ▪ Store of value (BTC, Monero, ZCash) ▪ Smart contract platforms (ETH, Solana, Flow, Polkadot, Near, Avalanche, Concordium, Spacemesh) 	<ul style="list-style-type: none"> ▪ Scalability (lightning, Plasma, Raiden, state channels, sidechains, Arbitrum, Polygon Matic, Matter Labs, Optimism) ▪ Inter-operability (interchain bridges) ▪ Privacy (zkp, StarkWare) ▪ Decentralized internet (NuCypher, Oasis Labs, Aragon) 	<ul style="list-style-type: none"> ▪ Payments (Flexa) ▪ Remittances (Celo) ▪ DeFi (MakerDao, Compound, YFI) ▪ Dec. exchanges (UniSwap, Serum, Curve) ▪ Prediction markets (Augur, ChainLink, Polymarkets) ▪ Storage/computation (Arweave, IPFS) ▪ Digital identity (Civic) ▪ Fundmgt (SET, Melonport) ▪ Video (Stream, LPeer) ▪ Music (Audius) ▪ Telecom (Helium) ▪ Social media (Brave) 	<ul style="list-style-type: none"> ▪ Digital blockchain art ▪ Collectibles (NBA TopShot, Sorare, Sandbox) ▪ Gaming (play-to-earn, Axie Infinity) ▪ Metaverse ▪ Social tokens ▪ Tokenized music, royalties, IP, DeSci ▪ Tokenized stocks, loans, real estate ▪ Stable coins (USDT, USDC) 	<ul style="list-style-type: none"> ▪ Private blockchains (Hyperledger, Ripple, R3 Corda, Stellar) ▪ Supply chain mgt ▪ Bank settlements ▪ Trade finance ▪ Authentication ▪ KYC & compliance & digital identity ▪ Insurance ▪ Autonomous cars ▪ Medical data ▪ Distributed electricity ▪ E-Government & voting ▪ Digital central bank currencies 	<ul style="list-style-type: none"> ▪ Exchanges (Deribit, Coinbase, Binance, Kraken, Bakkt) ▪ Brokerage/lending/short-selling (Amber, Copper, CryptoBroker) ▪ Market making (Wintermute, Jump) ▪ Storage & wallets (Coinbase, Anchorage, Ledger, BitGo) ▪ Mining & ASICs (BitMain, BitFury) ▪ Staking (Figment) ▪ Fiat on-ramps ▪ Asset mgmt. ▪ Blockchain-as-a-Service ▪ Tokenization ▪ Staking ▪ Chain analytics ▪ Security tools ▪ KYC & compliance
					
Payment coins	Utility Tokens	Utility tokens	Asset tokens & stable coins	Private tokens	Venture equity & hybrids

The blockchain universe

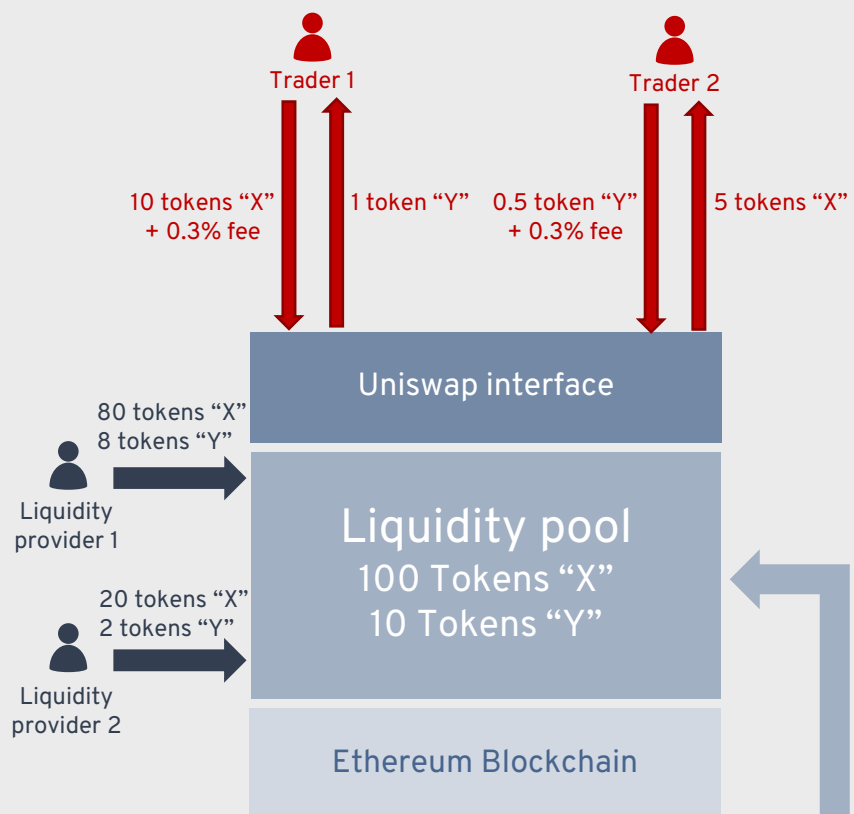
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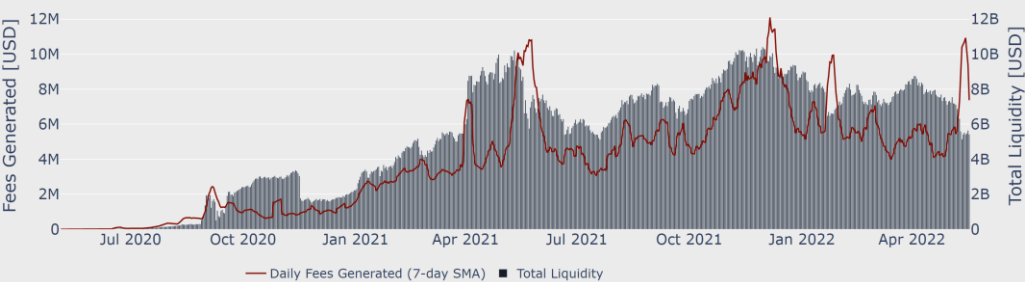
Digital assets
(tokens)

Equities
(venture capital)

Adoption: Uniswap (decentralized exchange)



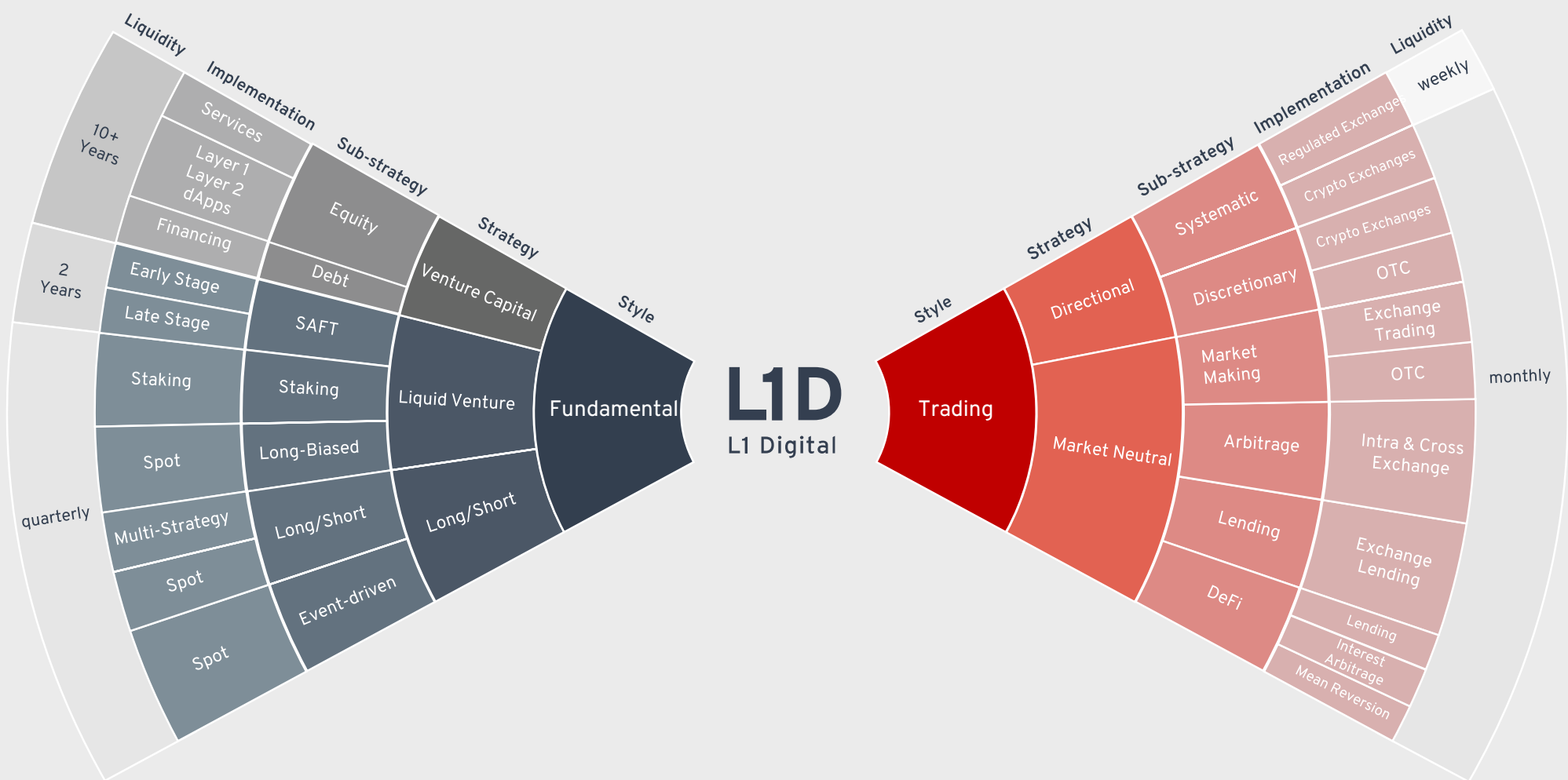
Total liquidity locked and daily transaction fees



Source: Uniswap / The Graph

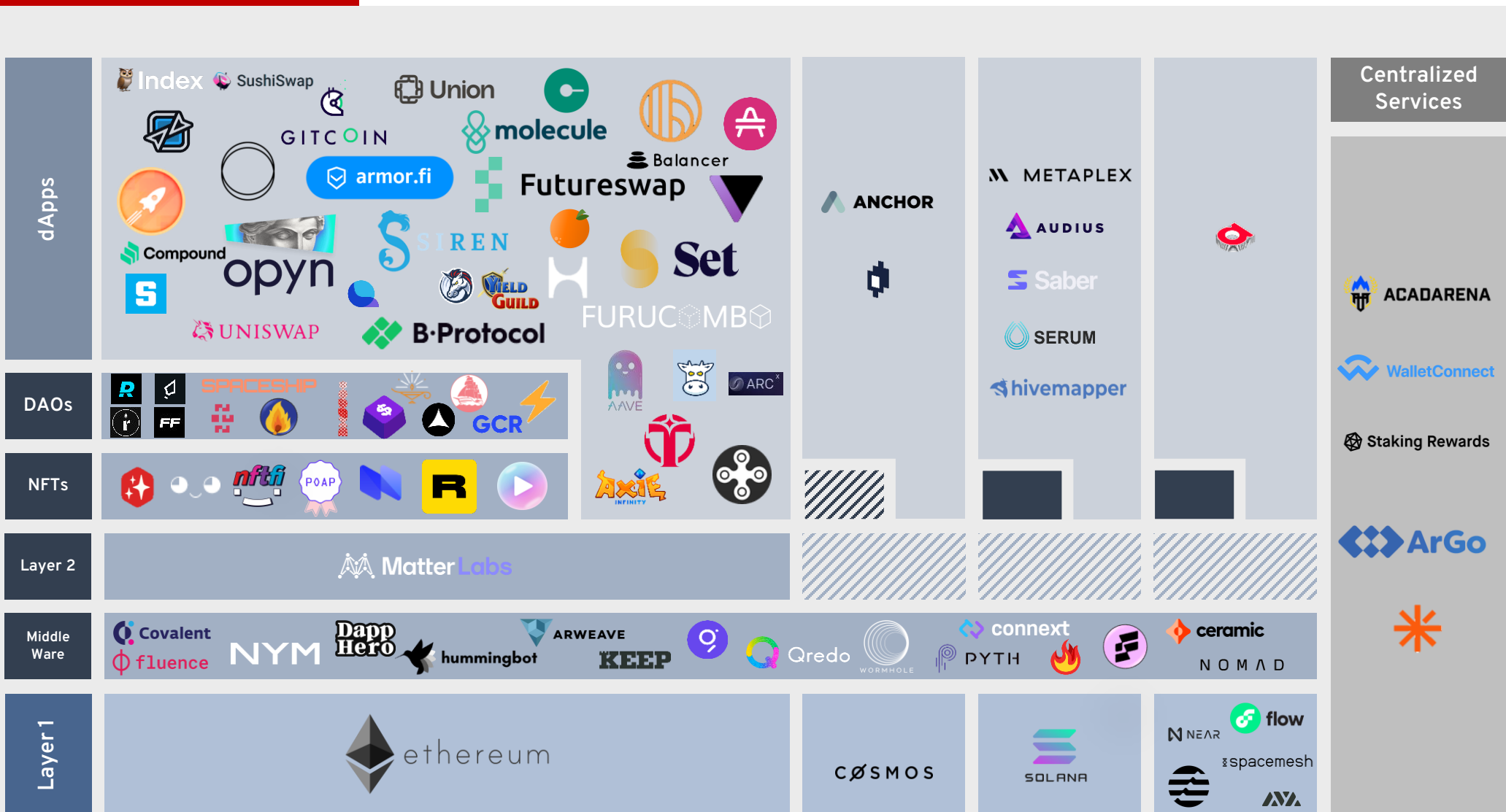
UNI token (Governance token)
UNI token holders can vote on the strategic development of the underlying protocol.

Strategy framework: Fundamental vs Trading managers



Portfolio construction Web 3

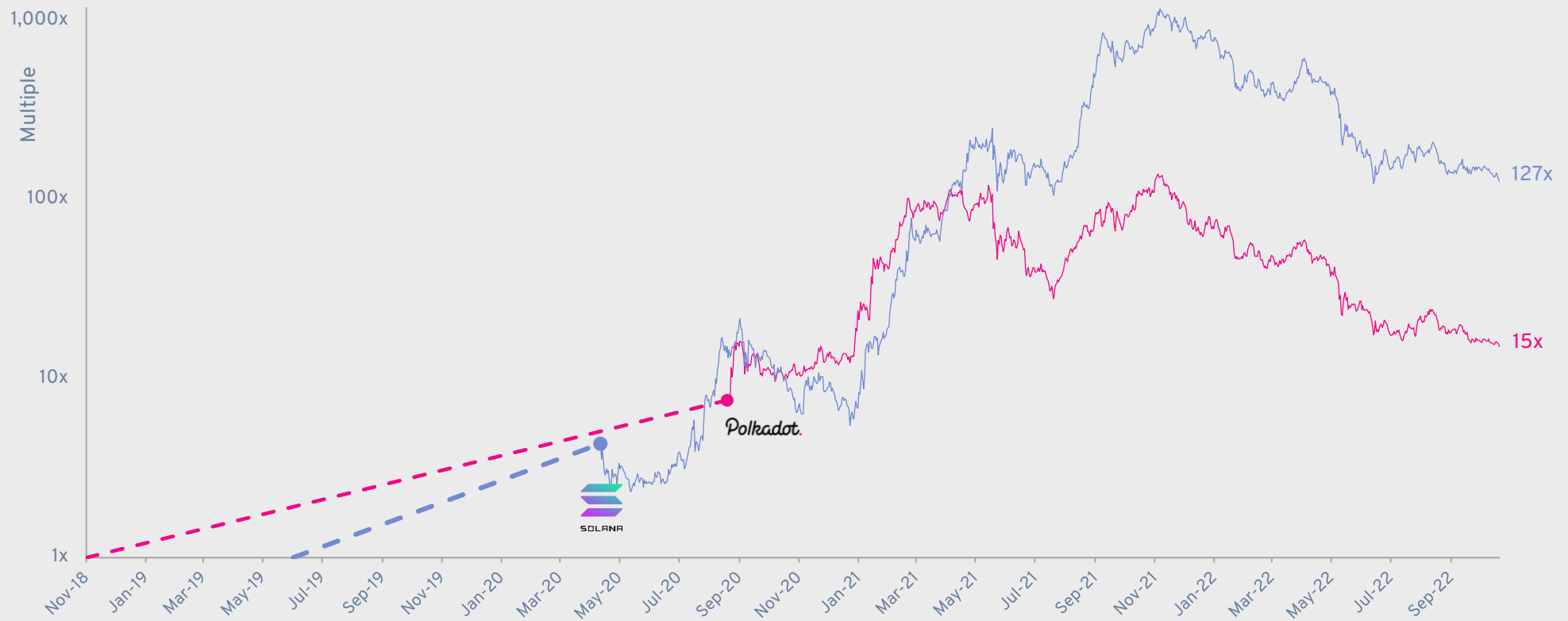
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Venture marking-to-market

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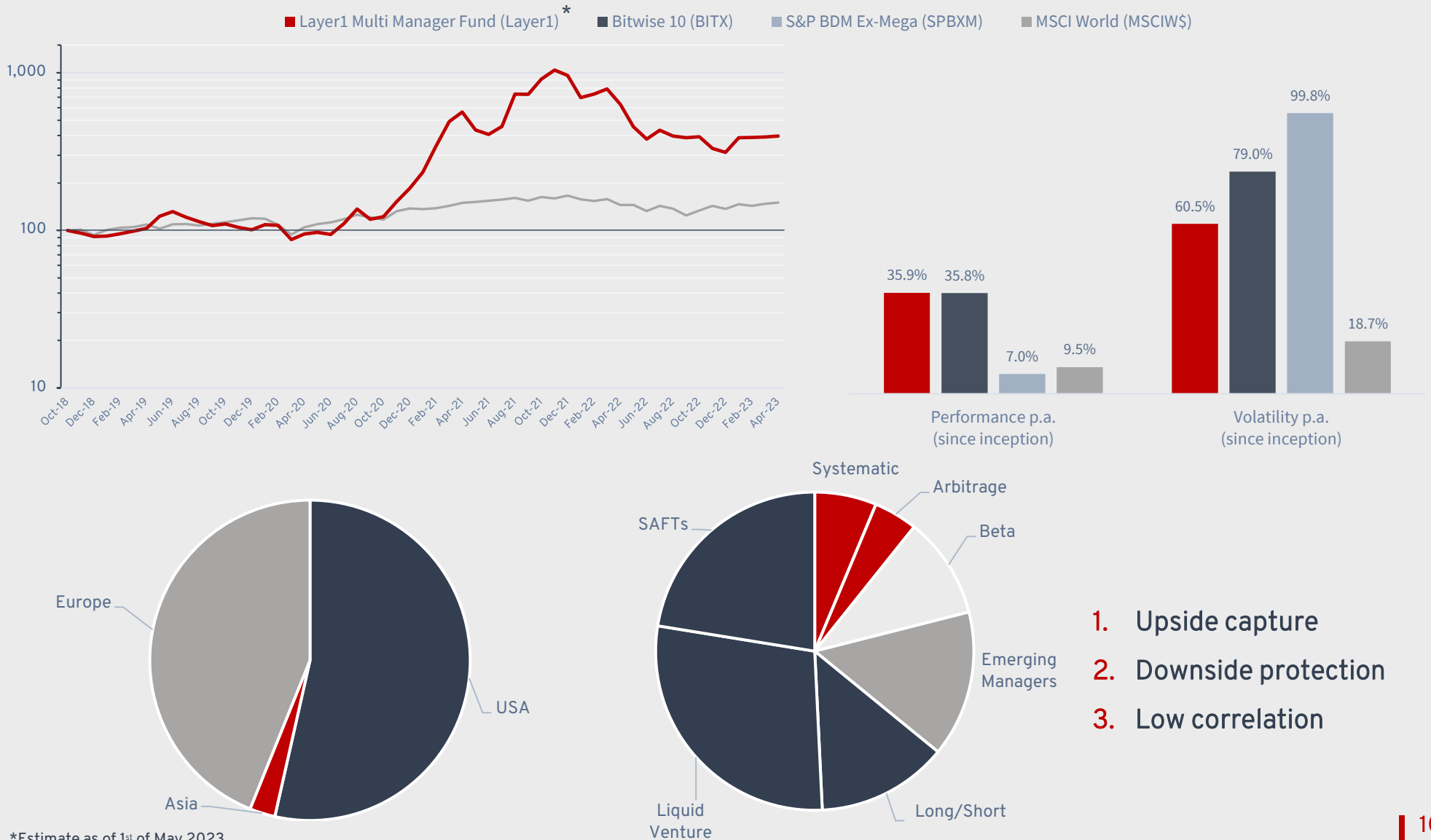
- SAFTs typically go live on average within 12-24 months.
- As soon as a SAFT goes live, the token becomes liquid and may be traded at several multiples.
- This results in P&L volatility increase which needs to be absorbed by the fund to capture the long-term potential.



*SAFTs = Simple Agreement for Future Tokens

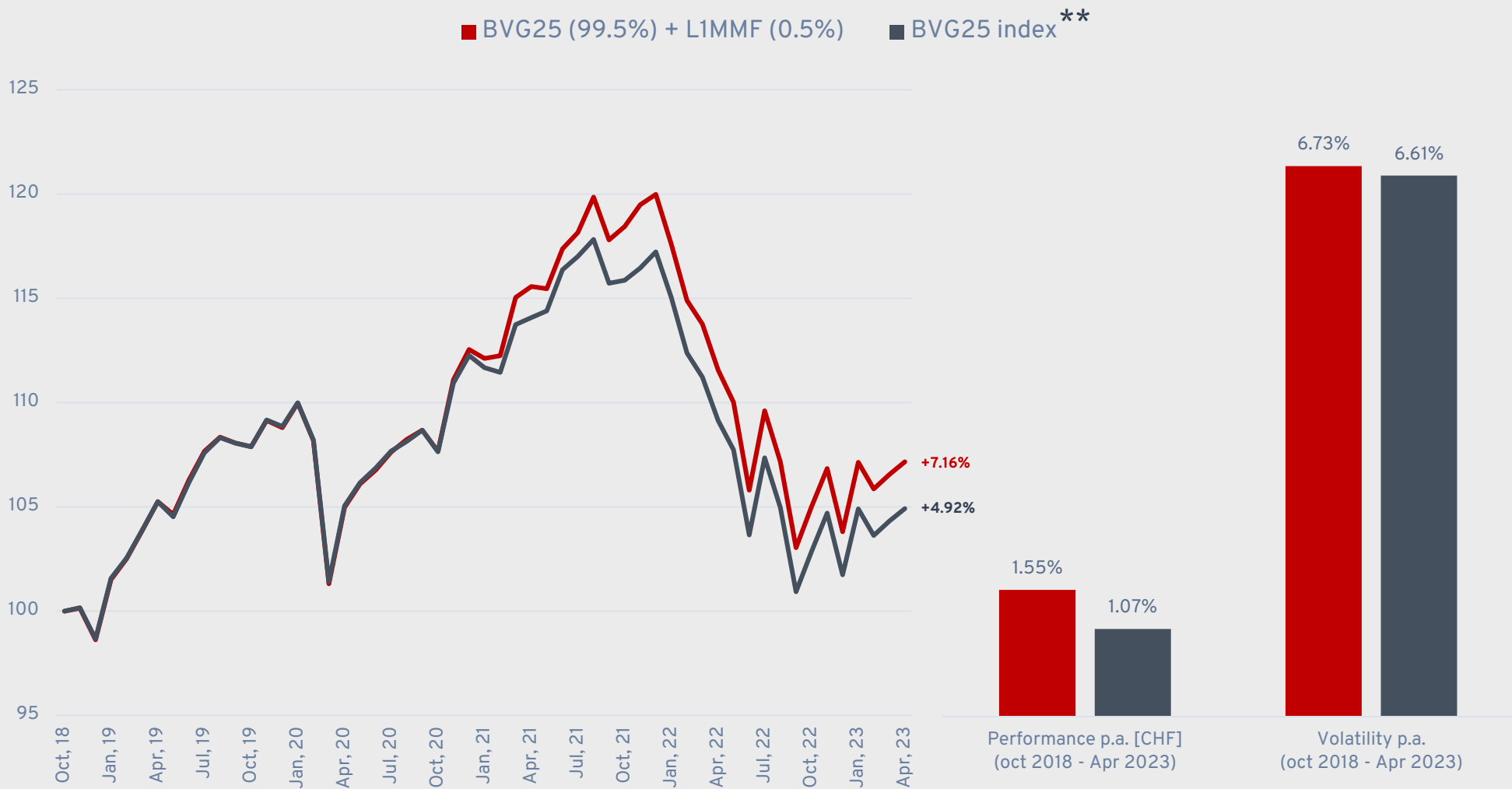
Diversification across geographies, strategies, managers

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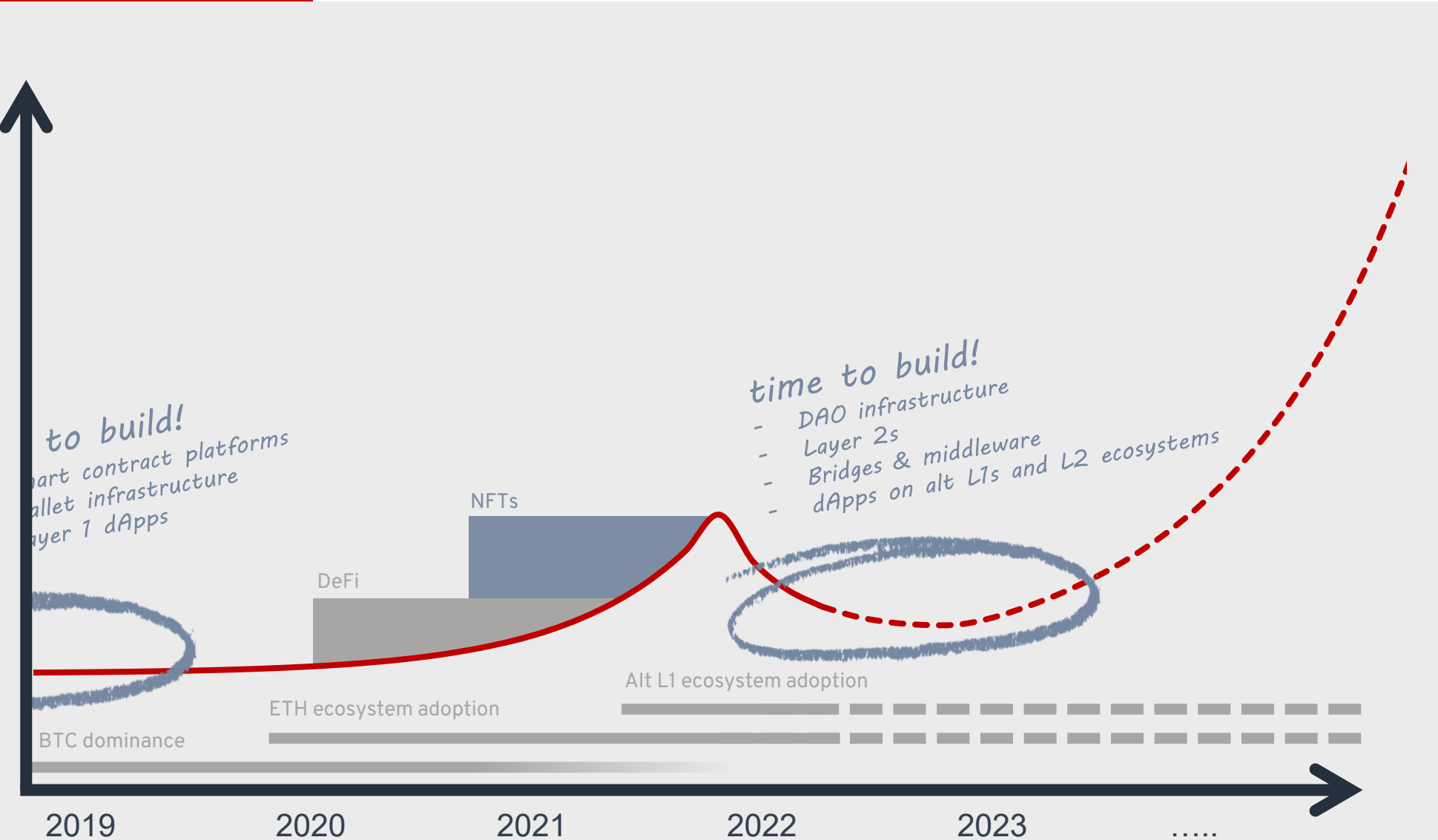
*Estimate as of 1st of May 2023
Source: L1 Digital AG

Impact of a 0.5% allocation to digital assets*



The asymmetrical risk-return profile of digital assets improves the **Sharpe Ratio**

*0.5% allocation to Layer1 Multi Manager Fund with yearly rebalancing
** BVG(2015)-25 Index is the Swiss pension fund index for an allocation of 25% stocks and 75% bonds etc
Source: L1 Digital



Appendix

Q&A

Fund name:	Layer1 Multi Manager Fund
Legal structure:	Alternative Investment Fund (AIF)
Regulator:	Liechtenstein FMA
AIFM / administrator:	1741 Fund Management AG, Vaduz
Asset manager:	L1 Digital AG, Zurich
Custodian:	Liechtensteinische Landesbank AG
Auditor:	PWC
Swiss representative / paying agent:	1741 Fund Solutions AG; Tellco AG
Subscriptions:	Monthly; 7 business days prior to month-end
Liquidity:	Quarterly with 65 days notice; 12-month initial lock up
Minimum investment:	USD 100,000; qualified investors only
Management fee:	Institutional class: 0.80% pa (> USD 1.0m) Regular class: 1.00% pa (< USD 1.0m)
Performance fee:	10% with high watermark
Launch:	31 October 2018
Bloomberg / ISIN code:	L1MMSS1 LE / LI0443398438

Everyone talks about Bitcoin but there are 30,000 other projects

Top 20 cryptos by market cap (\$m)

1 Bitcoin	523'846
2 Ethereum	219'418
3 Tether	82'832
4 BNB	48'531
5 USD Coin	29'663
6 XRP	22'882
7 Cardano	12'820
8 Lido Staked ETH	12'149
9 Dogecoin	10'137
10 Solana	8'181
11 Polygon	7'825
12 Wrapped TRON	7'150
13 Litecoin	6'554
14 TRON	6'379
15 Polkadot	6'276
16 Binance USD	5'555
17 HEX	5'514
18 Shiba Inu	5'171
19 Avalanche	4'965
20 Dai	4'858

Source: Coinmarketcap, May 2023

BTC USD price



Source: CoinGecko

Four catalyzers to watch – Fundamentals are still very positive



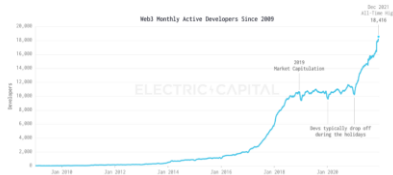
Technology

Main challenges on the tech side:

- 1) **Scalability**
- 2) **ZK proofs**
- 3) **Security**
- 4) **Governance**

- **Ethereum merge:** Shapella upgrade full success, CO2 reduced by 2000x
- **Competitor L1s** growing fast (Solana, Near, Flow)
- **Live L2s:** Polygon, Arbitrum, Optimism, dYdX, zkSync, Immutable

THERE ARE NOW 18,416 MONTHLY ACTIVE DEVELOPERS IN WEB3



Regulation

Regulatory environment :

- **US:** Regulation by enforcement, Operation Chokepoint 2.0; regulated exchanges (CoinBase, CME, Bakkt) and custodians; CFTC and SEC internal struggle; bi-partisan movement needed to draft proper legislation
- **EU:** MiCA regulation in 2024
- **Switzerland:** Very positive DLT law, implementation a bit slow
- **China:** Prohibited cryptos and mining; first CBDC



Institutionalization

Adoption by institutional investors :

- **US banks** eg JPM, GS, DBS
- **Intermediaries** eg S&P, PayPal, Visa, Mastercard, Stripe, Dt Börse
- **Asset managers** eg Blackrock, hedge funds, ETFs
- **Custodians:** State Street, Fidelity, Coinbase
- **Google:** crypto payments
- **Family offices** and entrepreneurs
- **Pension funds**
- **Pharma and biotech VCs leading rounds in DeSci and investing in DAOs**



User adoption

Better UI/UX; dApps more accessible to mainstream users:

- **Ethereum:** >200m wallets
- **DeFi:** USD 50bn TVL
- **Helium:** 1m hotspots
- **NFTs:** wider spectrum of innovation (gaming, art, music, IP, creator monetization)
- **DeSci:** new use cases of blockchain technology (Molecule)
- **Saga:** Solana android phone will benefit both developers and users with web3 mobile apps and better UX
- **CBDCs**

Adoption metrics in 2022

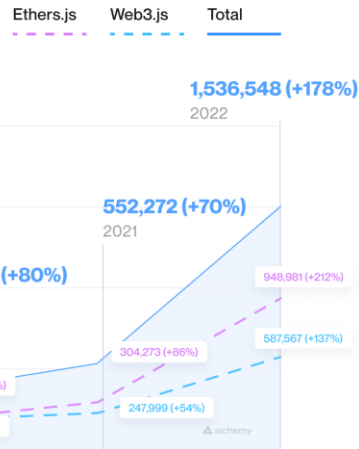
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Fundamentals are very solid despite of the market correction

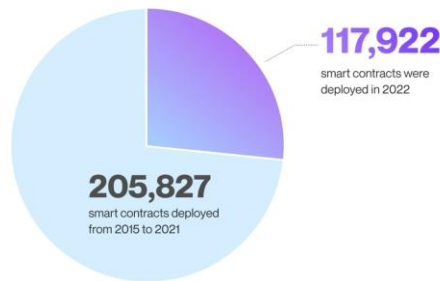
Web3 Development Report

Weekly downloads

Ethers.js, Web3.js, and Combined



Web3 Development Report



36% of all verified smart contracts were deployed just this year, making 2022 the biggest year ever

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MOST ACTIVE INVESTORS IN BLOCKCHAIN COMPANIES BY THE TOP 100 PUBLIC COMPANIES (SEPTEMBER 2021 - JUNE 2022)

BLOCKDATA

COMPANY	SIZE OF FUNDING ROUND AS A PROXY OF INVESTMENT	# OF ROUNDS	BLOCKCHAIN COMPANIES INVESTED IN
Alphabet	\$1,506M	4	Fireblocks, Dapper Labs, VULTAGE, DIGITAL CURRENCY GROUP
BlackRock	\$1,170.7M	3	CIRCLE, FTX, ANCHORAGE DIGITAL
Morgan Stanley	\$1,110M	2	Figment, NYDIG
SAMSUNG	\$979.26M	13	Flowcarbon, SACA, DANK BANK, YUGALABS, Atomic Form, M88, FanCraze, SKY MAVIS, Aleo, ramper, METRIKA, animoca BRANDS
Goldman Sachs	\$698M	5	CERTIK, COINMETRICS, ELWOOD, BLOCKDAEMON, ANCHORAGE DIGITAL
BNY MELLON	\$690M	3	TALOS, COINMETRICS, Fireblocks
PayPal	\$650M	4	TALOS, LayerZero, TRM, ANCHORAGE DIGITAL
Microsoft	\$477M	2	palm, CONSENSYS
Commonwealth Bank	\$421M	4	Lygon, Xpansiv, GEMINI
prosus	\$260M	2	IMMUTABLE
Tencent 腾讯	\$224.5M	4	OXALIS, etherbase, 秀合同 SHOWCON, IMMUTABLE
citi	\$215M	6	TALOS, TRM, CONTOUR, BLOCKDAEMON, amberdata
UOB 大华银行	\$204M	7	KYRO, 8vrynet, WELD GUILD, assembly, ADDX, JAMBO, Digital Asset
WELLS FARGO	\$165M	2	TALOS, ELLIPTIC
LG Life's Good	\$129M	2	1, SANDBOX
ANZ BANK	\$115M	2	TRM, abra

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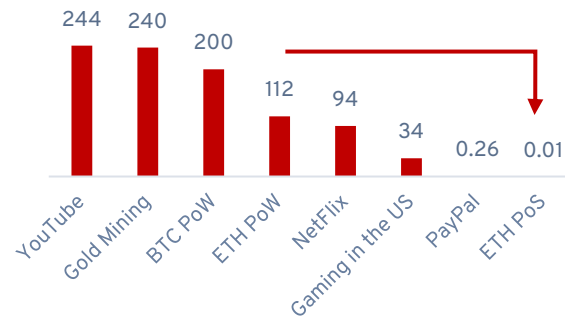


Environmental impact

Proof-of-stake protocols

- Much higher energy efficiency than physical centralized businesses

Annual Energy Consumption in TW/yr



Renewable energy

- Certification
- Trading

Supply chain authentication

- Food and agriculture
- Mining
- Consumer products



Social impact

Financial inclusion

- Cheaper remittances in emerging markets
- Savings and loans for everyone
- Gold 2.0 as inflation hedge in high inflation countries
- Gold 2.0 as savings-of-last-resort in failed states and dictatorships

Inclusion of developers, artists and other freelancers

- Freelancer developers
- NFT artists, disintermediation of music industry etc

New employments

- Play-to-earn
- Social tokens
- Permission-less contributions by anyone



Governance impact

Data and IP protection

- Privacy focus in general (eg privacy chains, zk proofs)
- Social media with data protection (eg Brave)
- Digital ID
- IP protection through NFTs

Decentralization and democratization

- Open source
- Permission-less open platforms
- Democratic (everyone can validate, operate, participate, stake, vote)

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