



P A N T E R A

WHY ETHEREUM IS UNDERVALUED

FEBRUARY 16, 2021



Why Ethereum is Undervalued

A discussion of why we believe Ethereum and DeFi assets built on top are undervalued relative to their long-term potential.



Joe Lubin

Agenda:

1. Pantera Presentation
2. Discussion with Joe Lubin

Co-founder



Founder





Protocol Evolution

BLOCKCHAIN TECHNOLOGY

Base layer protocols have evolved over the years.

Bitcoin excels at being a decentralized, store-of-value asset.

Smart contract platforms like Ethereum are better suited for decentralized applications (“DApp”) and enable an open financial system (a.k.a. “DeFi”).

| PROTOCOL | ENABLES | BREAKTHROUGH |
|--|--------------------------------------|--|
|  Bitcoin | Global Transactions & Store-of-value | Decentralized, trustless value transfer. Solved the double spend problem |
|  Ethereum | Smart Contracts | Self-enforcing contracts that allow for programmatic control over financial transactions |



What is Decentralized Finance?

Similar to how the internet was the underpinning of a new information infrastructure, blockchain tech and cryptocurrency are the underpinnings of a new financial infrastructure.



UNIT OF ACCOUNT

Stable currencies can be used for trade and commerce.



EXCHANGE

Decentralized exchanges allow for trading of assets with no intermediary.



LENDING & ISSUANCE

Globally-accessible lending products enabled through programmable tokenized debt.



MARGIN

Borrow cryptocurrencies on margin using other cryptocurrencies as collateral.



LEVERAGE

Smart contracts can be structured to allow for leverage.

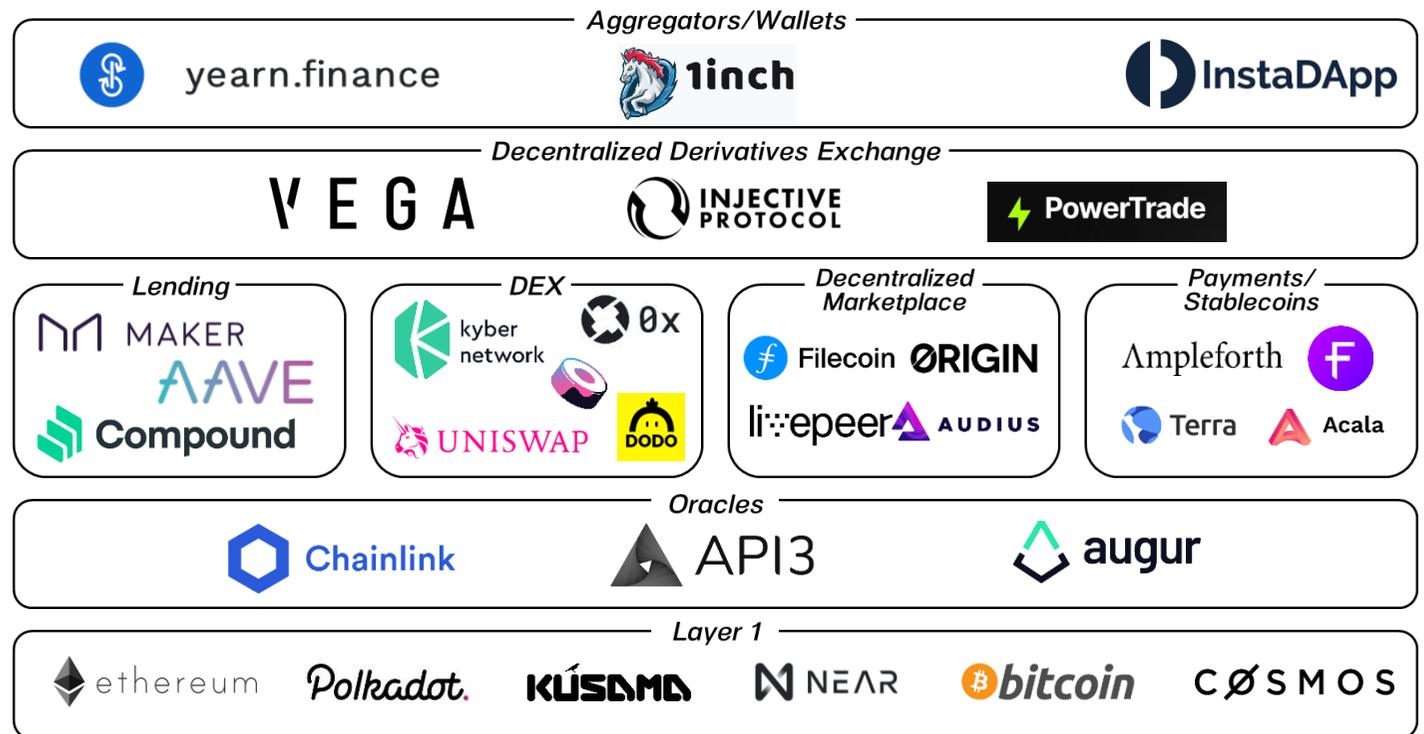


DeFi Landscape

OVERVIEW

The ecosystem for DeFi is rapidly expanding with new companies and protocols entering the space. The vast majority of activity and development is happening on Ethereum.

This is a snapshot of the various components of the DeFi stack, from base layer 1 blockchains to tools that help you interface with different protocols.





What GameStop Says About DeFi

The WallStreetBets, GameStop, Robinhood saga highlighted the value proposition of decentralized finance and open financial systems that are enabled by platforms like Ethereum.

Key Takeaways

1. “Free” trading apps like Robinhood aren’t free
2. In DeFi, the clearinghouse is just a smart contract
3. The trade is the settlement on Ethereum
4. DeFi is globally accessible and operates 24/7/365



Value Locked in DeFi

DEFI GROWTH METRICS

The amount of value locked up in DeFi protocols is now around \$40 billion – two years ago it was only a couple hundred million.

Value Locked in Decentralized Finance



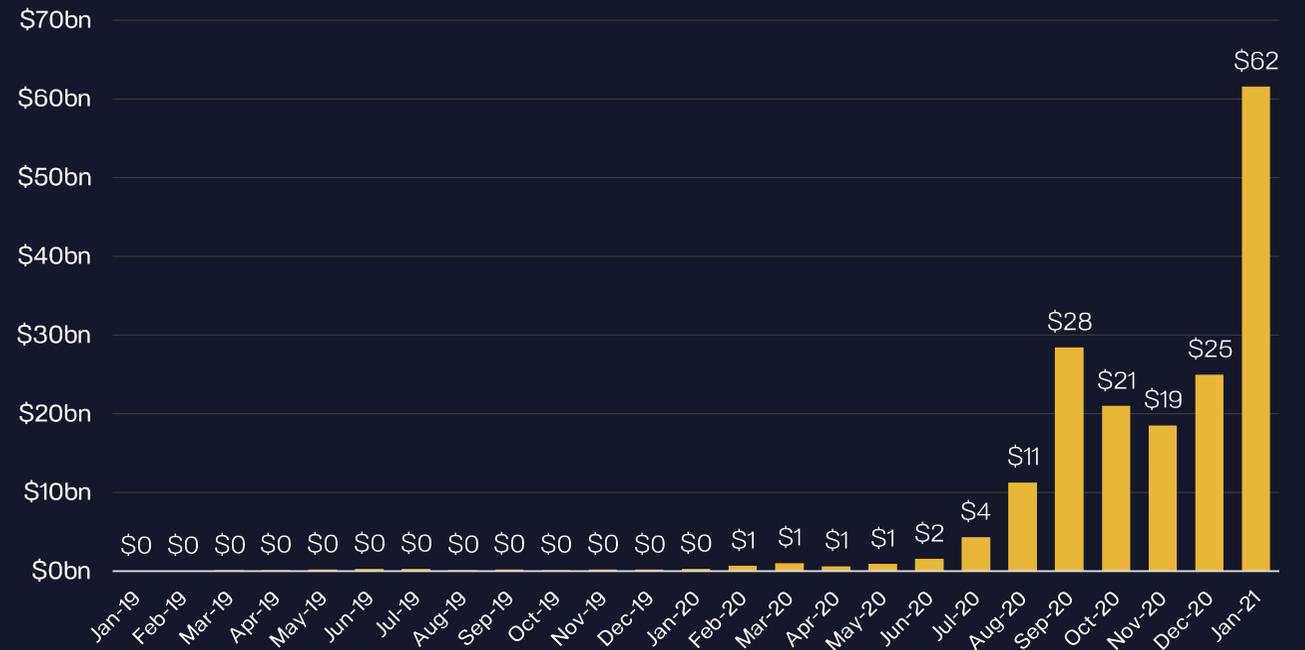


DEX Trading Volume

DEFI GROWTH METRICS

Decentralized exchange volume is skyrocketing with over \$60 billion in USD value traded on decentralized exchanges this January alone.

DEX Trading Volume Growth





Stablecoin Market

The overwhelming majority of stablecoins are issued on Ethereum. Stablecoins have rose to prominence due to the utility they provide in the decentralized finance ecosystem and payments sector.

In 2017, Tether (USDT) was the only stablecoin that existed and had any traction. **Today, there are dozens with over \$44bn in total market cap.**

Based on February 15
Source: Messari

| Stablecoin Market | | |
|-------------------|--|-----------------|
| Stablecoin | Ticker | Market Cap (bn) |
| Tether |  USDT | \$32.1 |
| USD Coin |  USDC | \$7.3 |
| Dai |  DAI | \$2.1 |
| Binance USD |  BUSD | \$1.8 |
| Paxos Standard |  PAX | \$0.7 |
| HUSD |  HUSD | \$0.5 |
| True USD |  TUSD | \$0.3 |
| sUSD |  SUSD | \$0.1 |
| Total | | \$44.9 |

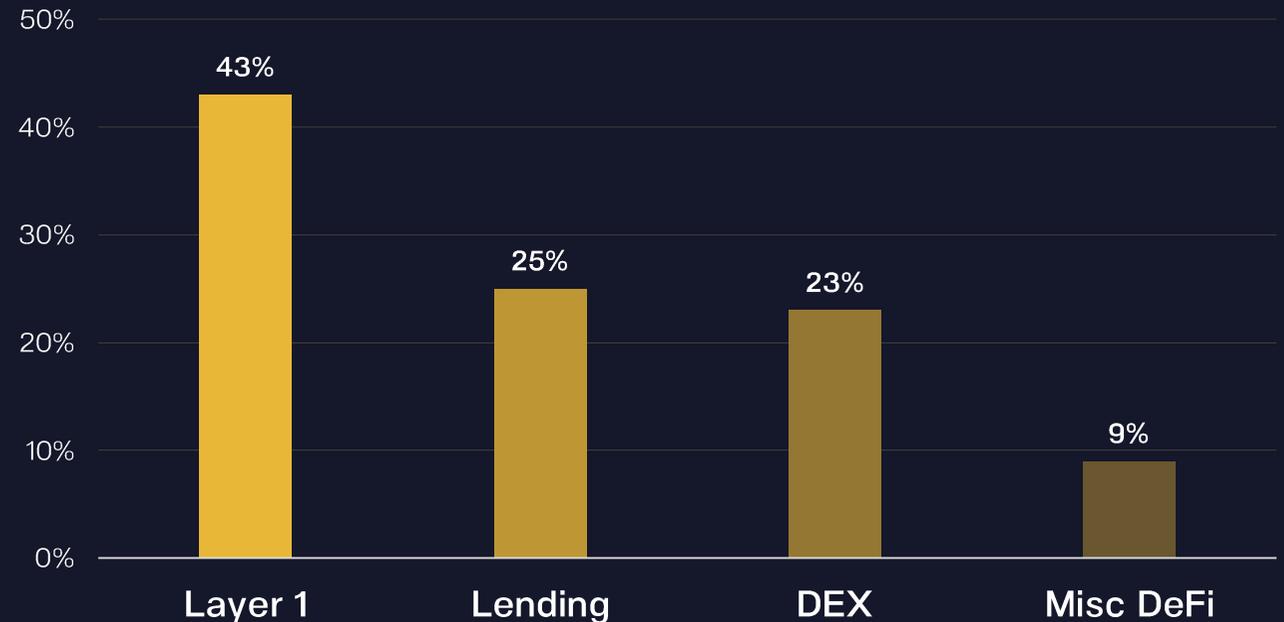


Liquid Token Fund Portfolio

Relative to the market, Liquid Token Fund is overweight assets in decentralized finance and smart contract platforms like Ethereum.

We believe these categories will outperform Bitcoin in the long run.

Portfolio Weightings By Category



Based on January month end.

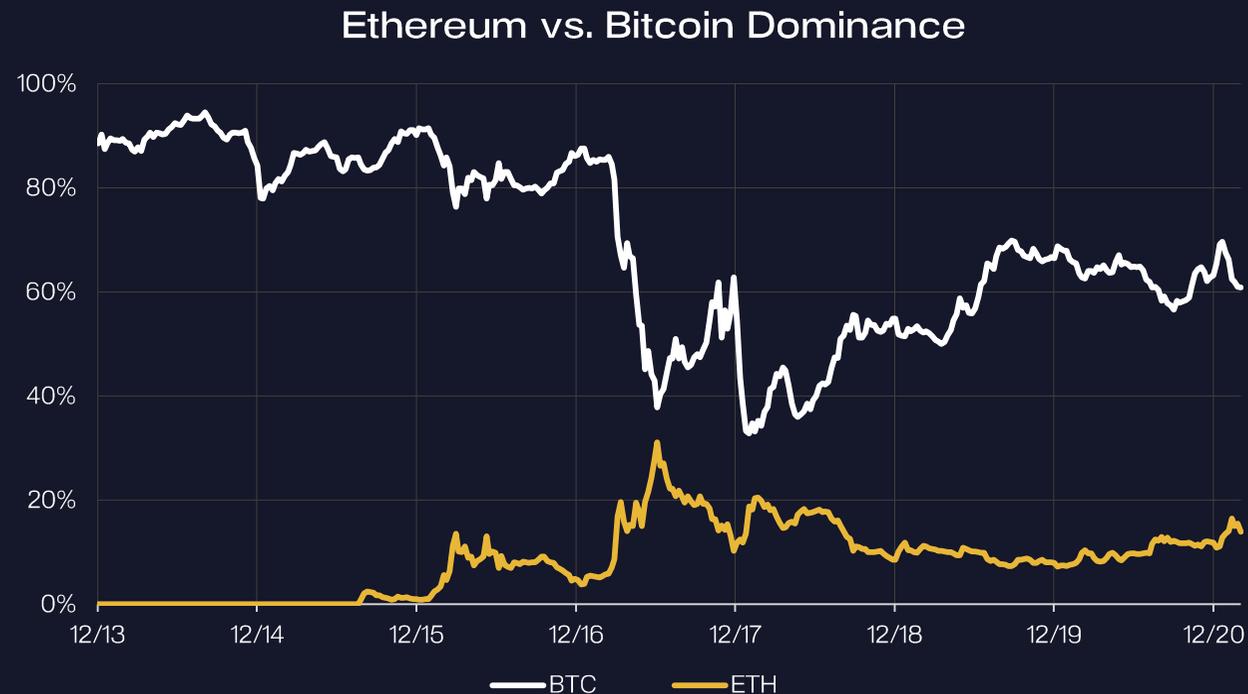


Ethereum vs. Bitcoin Dominance

During the 2017 bull market, Ethereum and Bitcoin dominance converged, almost flipping each other for the number one position in market cap.

We anticipate a similar trend to happen as this bull cycle develops where Bitcoin dominance falls and Ethereum + DeFi assets built on top rise in market share.

Source: coinmarketcap





In Summary

The growth of Ethereum and the amount of innovation happening on the platform is promising for ETH's long-term value. Decentralized finance will be the primary driver of value to the space.

Why Ethereum is Undervalued

1. ETH trades at a P/S ratio of 40x, which will become earnings for ETH stakers when value switches to Ethereum 2.0
2. Revenue on Ethereum has grown 400x since Jan 2020
3. Ethereum is at the forefront of DeFi – majority of value in DeFi is transacting on smart contracts written on Ethereum
4. Ethereum 2.0's launch will bring further scalability to network, enabling a more robust DeFi ecosystem



Panel Discussion



Joe Lubin

Co-founder



Founder





Pantera Funds



Fund Performance

PANTERA FUND STRATEGIES

Pantera strategies out-performed most other asset classes in the year 2020, providing substantial returns for investors.

2021 has continued to show strong growth in the space, particularly DeFi-related assets.

| Pantera Fund Performance 1/1/20-Present | Return |
|---|---------|
| Liquid Token Fund | +1,066% |
| Early-Stage Token Fund | +1,460% |
| Bitcoin Fund | +553% |

| Pantera Fund Performance Year-To-Date | Return |
|---------------------------------------|--------|
| Liquid Token Fund | +198% |
| Early-Stage Token Fund | +135% |
| Bitcoin Fund | +65% |

Estimated performance as of February 14



Liquid Token Fund

FUND OVERVIEW

Actively-managed hedge fund that trades the entire spectrum of publicly-traded digital assets.

OBJECTIVE

Provide investors exposure to a diversified portfolio of high quality digital assets

INVESTMENT APPROACH

A multi-strategy vehicle that typically invests in 10-15 liquid tokens at any point in time. The Fund is predominantly driven by a discretionary strategy focused on decentralized finance and adjacent assets. The remainder of the Fund uses a quantitative strategy, trading on an hourly frequency.

PORTFOLIO MANAGERS

Dan Morehead

Joey Krug

William Fan (Director of Quantitative Strategies)



Early-Stage Token Fund

FUND OVERVIEW

Discretionary investing in early-stage blockchain protocols at the private sale stage.

OBJECTIVE

Provide investors exposure to new developing protocols and token projects

INVESTMENT APPROACH

Invest in early-stage tokens with liquidity horizons of 1-3 years. The Fund invests in teams building new protocols in the blockchain ecosystem and follows an early-stage, venture-style model.

PORTFOLIO MANAGERS

Dan Morehead

Joey Krug

Paul Veradittakit



Pantera Bitcoin Fund

FUND OVERVIEW

Passive tracker of Bitcoin, offering daily liquidity and a low fee structure.

OBJECTIVE

Provide institutions and high-net-worth individuals quick, secure access to large quantities of bitcoin – without the burdens of buying and safekeeping them

INVESTMENT APPROACH

Non-discretionary tracker of bitcoin

PORTFOLIO MANAGERS

Dan Morehead



Pantera Funds

| PROGRAM | PASSIVE | HEDGE | |
|--------------------------|---|---|---|
| Fund | Bitcoin Fund | Early-Stage Token Fund | Liquid Token Fund |
| Strategy | ETF-like tracker | Discretionary | Discretionary/Quantitative |
| Assets | Bitcoin | Token investments pre-launch | Publicly traded, liquid digital assets |
| Return Profile | Bitcoin market returns | Very speculative, potentially highest absolute return | Potentially highest risk-adjusted return |
| Pantera Edge | Low cost Mid-market execution No premium to NAV | Early access Technical knowledge Widest deal flow | Information flow Knowledge of latest developments for main projects in the space Fundamental analysis of underlying protocols |
| Long-Only vs. Long/Short | Long-Only | Long-Only | Long/Short |
| Holding Period | Indefinitely | Typically over one year | Hours to years |
| Investors | Global | Global | U.S. Investors |
| Subscriptions | Daily | Monthly | Monthly |
| Redemptions | Daily | Quarterly, 12 months' notice | Quarterly, 65 days' notice |
| Lockup | No Lockup | No Lockup | No Lockup |

PANTERA

pan terra (Latin), 'spanning the earth'
pantera (Italian and Spanish), 'panther'
pan era, 'spanning eras'



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