

MORGAN CREEK

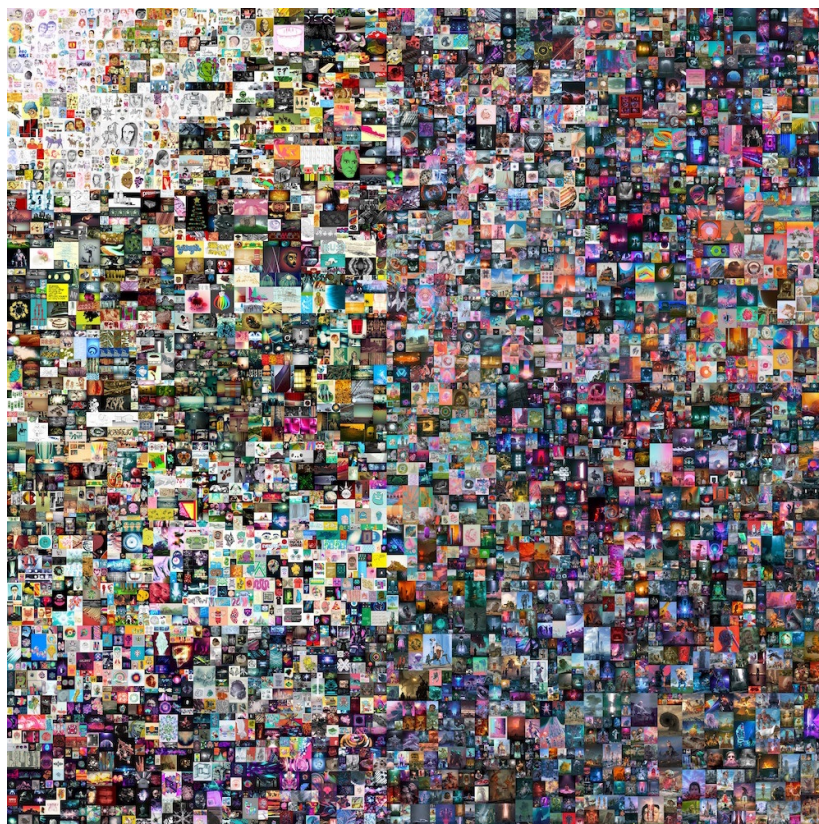
D I G I T A L

ALTERNATIVE THINKING ABOUT INVESTMENTS

Welcome to Morgan Creek Digital's weekly digital asset update. It is comprised of a thought piece from our team followed by a summary of what we consider the most compelling digital asset news during the last week. We hope you find this content interesting. Please let us know if you have any comments or questions or if you would like to speak to a member of the [Morgan Creek Digital team](#).

The NFT Phenomenon

“L’art pour l’art” (Art for art’s sake) is a French expression that suggests art has an inherent value independent of its subject matter and, therefore, need not have any social, political, or educational significance. Following this logic, many judge Beeple’s *Everdays: The First 5,000 Days* digital artwork (Non-Fungible Token or NFT) purely on its merit, according to whether or not it is beautiful and capable of inciting euphoria in the viewer through its qualities -- color, pattern, symmetry, and more. Therefore, purely from an artistic lens, the \$69 million price tag paid for this NFT, which is moved by the intrinsic valuations of its respective holders, may also be subject to the same convention¹. We'll leave the philosophical debate on NFT pricing to the free market, and focus instead on breaking through the noise to better understand the trends of the 2021 investor marketplace.

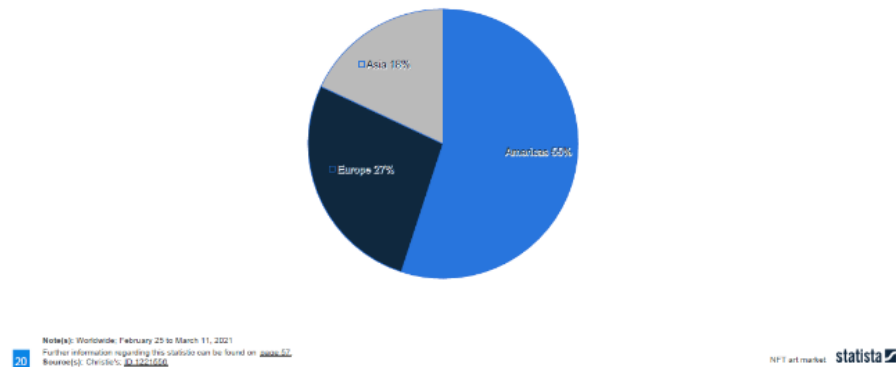


NFTs are a booming crypto trend with assets ranging from songs, pictures, videos, sports clips, and play-to-earn gaming tokens. Each asset is assigned a unique and non-exchangeable blockchain address, which can be bought, sold or traded similar to a

collectable. NFT artwork sales, like *The First 5000 Days*, can provide insights into market trends for curious investors. For example, the distribution of active bidders by region and age during its auction at Christie's between February 25 and March 11, 2021, could represent more significant market trends as 55% of active bidders were located in the Americas and 58% of active bidders were part of the Millennial age group¹. As disposable income increases in the Americas, so too could discretionary spending as the large Millennial age group enters its prime spending years.

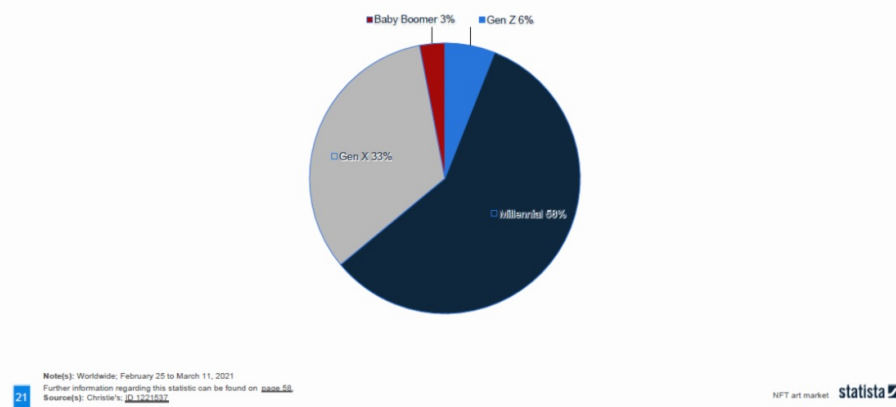
Distribution of active bidders at the Christie's auction of *Everydays: The First 5000 Days* by Beeple between February 25 and March 11, 2021, by region of origin

Bidders of the Christie's auction of *The First 5000 Days* by Beeple 2021, by region



Distribution of active bidders at the Christie's auction of *Everydays: The First 5000 Days* by Beeple between February 25 and March 11, 2021, by age group

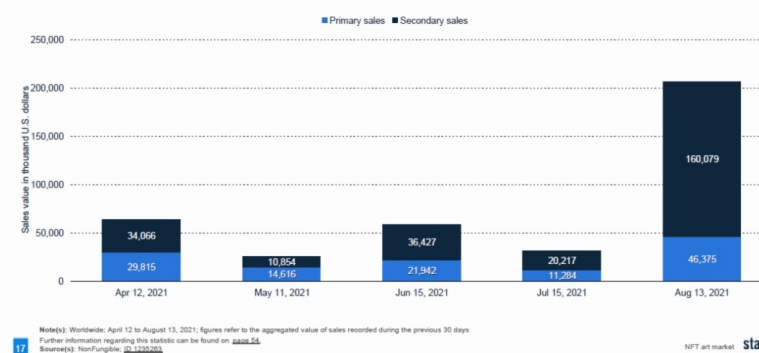
Bidders of the Christie's auction of *The First 5000 Days* by Beeple 2021, by age



Recent Market Performance

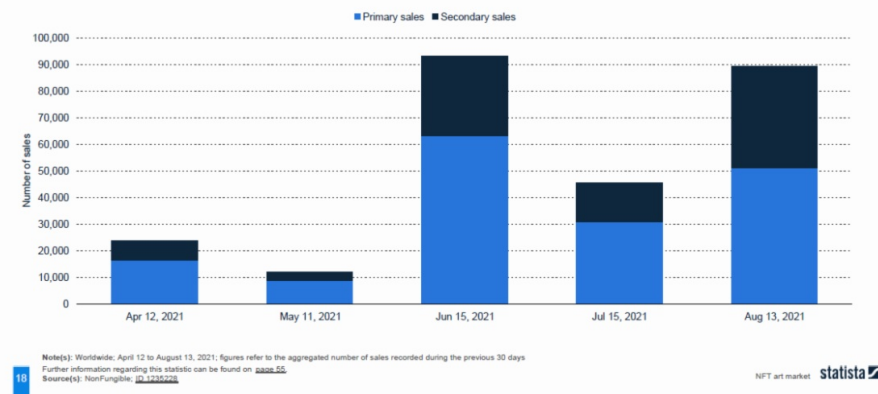
Total value of sales involving a non-fungible tokens (NFT) in the art sector worldwide over the previous 30 days from April 12 to August 13, 2021 (in 1,000 U.S. dollars)

NFT sales value in the art segment worldwide in the last 30 days August 2021



Total number of sales involving a non-fungible tokens (NFT) in the art sector worldwide over the previous 30 days from April 12 to August 13, 2021, by type

NFT sales in the art segment worldwide in the last 30 days April-August 2021, by type



Select Market Drivers

Leading NFT collections like Axie Infinity, CryptoPunks and ArtBlocks have experienced trading volume growth north of 300% in the past month, according to CoinMarketCap². The recent uptick occurred as the NFT market appeared to be cooling down from its peak sales volumes of \$1.5 billion in Q2 of 2021³. In July alone, NFTs realized over \$1.2 billion in sales, nearly 50% of the \$2.5 billion cumulative sales volume in the first half of 2021³. The more recent surge of interest in NFTs can be attributed to the growth of gaming collections like Axie Infinity, an Ethereum blockchain-based game that rewards gamers with tokens for collecting, raising, and battling their digital fantasy creatures⁴. The collection reached more than \$1 billion in all-time trading volume and \$200 million in the last seven days². During the latter half of July, Axie Infinity generated protocol revenue of \$35.8 million, according to Messari.io⁵. In addition to Axie Infinity, Binance Smart Chain (BSC) play-to-earn counterparts have also experienced tremendous volume and revenue traction.

Marketplace Investment

With demand for collectables surging, venture capitalists are leaning in and investing in NFT marketplaces, believing that NFTs are here to stay. NFT marketplaces range from traditional exchanges, connecting buyers and sellers to more differentiated models specializing in a particular asset type. NFT marketplaces have been attracting capital, with OpenSea recently raising \$100 million at a valuation of \$1.5 billion⁶. SuperRare, a more specialized digital art platform, recently raised \$9M in a Series A round⁷. Furthermore, on the heels of the most active month in NFT history, DraftKings debuted its sports collectibles platform with top tier athletes Tom Brady, Tiger Woods, Wayne Gretzky, Naomi Osaka and others⁸.

Conclusion

NFTs create additional liquidity vehicles for sellers who can auction specific ownership rights of an asset without granting complete ownership. They also democratize access to art and collectables that might have previously limited distribution. In the future, we expect other NFT use cases to emerge within logistics and finance, where tokenized property titles and deeds may enable the movement of highly illiquid items (like a house or land) onto the blockchain. We believe that numerous marketplaces will emerge for NFTs and that there will be no singular “winner take all” effect. Instead, the service offerings will continue to expand beyond existing assets, and we are actively monitoring market trends in anticipation.

THE RUNDOWN:

Bridgewater, Citadel, Even Tennessee's Treasury Among Coinbase COIN Whales: Some of the biggest names on Wall Street and even a handful of U.S. states ended Q2 with multimillion-dollar bets on Coinbase, possibly the ultimate crypto proxy stock. A review of regulatory documents reveals that a parade of megabanks, including Goldman Sachs, JPMorgan, CitiGroup and Bank of America; asset managers such as Millennium Management, BlackRock, Miller Value Partners and Bridgewater; and even states such as Tennessee's Treasury, have told securities regulators they held COIN on June 30. [Read more.](#)

UK Police Recover \$22M in Stolen Crypto From Scammers: U.K. police have seized \$22.2 million in cryptocurrency and made two arrests after specialist officers learned of a scheme in Greater Manchester that led to the discovery of USB sticks containing significant amounts of ethereum. The police allege that victims were tricked into depositing their savings into what they thought was an online savings and trading service using Binance Smart Chain. [Read more.](#)

US Mortgage Lender UWM Plans to Accept Bitcoin Payments: United Wholesale Mortgage plans to accept cryptocurrency payments – likely bitcoin – later this year in an apparent first for the U.S. mortgage industry, according to the Detroit Free Press. The Michigan-based lender will start by taking bitcoin but is looking into ether and other cryptocurrencies as well, CEO Mat Ishbia told the paper. “We’re going to walk before we run,” he said while emphasizing UWM wanted its crypto service to be first to market. [Read more.](#)

Ex-Goldman Sachs Traders Raise \$4M for DeFi Risk Management Startup: Ondo Finance, a protocol meant to accelerate decentralized finance adoption among institutional investors by minimizing risk, has raised \$4 million in a funding round led by Pantera Capital. CoinFund, Protoscale Capital, The LAO and Digital Currency Group (the parent company of CoinDesk) also participated in the round. [Read more.](#)

Steve Aoki Has Secured Funding to Pilot His NFT TV Show: DJ Steve Aoki is doubling down on his stop-motion short “Dominion X” after the non-fungible token (NFT) project’s near-instant sellout earlier this month. The festival staple has secured financing for a “proper pilot” episode of his trippy, music-infused collaboration with Stoopid Buddy Stoodios, the Seth Green production company best known for Robot Chicken, according to his publicist Mike Jones. He declined to provide details of the financing. [Read more.](#)

¹ RESULTS: Beeple's purely DIGITAL Nft-based work of art ACHIEVES \$69.3 million at Christie's. Christie's Auctions & Private Sales. (2021, March 11). <https://www.christies.com/about-us/press-archive/details?PressReleaseID=9970&lid=1>.

² NFT protocols listed by market capitalization. CoinMarketCap. (n.d.). <https://coinmarketcap.com/view/collectibles-nfts/>.

³ Bambysheva, N. (2021, August 4). NFT sales TOP \$1.2 billion In July as demand for Blockchain Games Soars. Forbes. <https://www.forbes.com/sites/ninabambysheva/2021/08/04/nft-sales-top-12-billion-in-july-as-demand-for-blockchain-games-soars/?sh=427743457497>.

⁴ Hollerith, D. (2021, August 18). Data: Blockchain-based gaming booms with help from AXIE Infinity, OUTPACING NFTs, DEFI. Yahoo! Finance. <https://finance.yahoo.com/news/data-blockchain-based-gaming-booms-outpacing-nf-ts-de-fi-174617791.html>.

⁵ Crypto research, data, and tools. Messari Crypto News. (n.d.). <https://messari.io/asset/axie-infinity>.

⁶ Nelson, D. (2021, July 20). NFT marketplace Opensea valued at \$1.5B in \$100m funding round led by a16z. CoinDesk. <https://www.coindesk.com/nft-marketplace-opensea-valued-at-1-5b-in-100m-funding-round-led-by-a16z>.

⁷ Kehoe, L., & Twainy, Z. (2021, June 22). Venture capital investment In NFT Marketplaces. BNY Mellon. <https://www.bnymellon.com/us/en/insights/all-insights/venture-capital-investment-in-nft-marketplace.html>.

⁸ More, S. (2021, August 10). DraftKings launches NFT marketplace with first drop featuring Tom Brady. The Block. <https://www.theblockcrypto.com/linked/114064/draftkings-launches-nft-marketplace-with-first-drop-featuring-tom-brady>.

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