



CLEAR CHAIN CAPITAL

Alpha Strategies & AMA

Philosophy & Framework

First Principles Fundamental Research

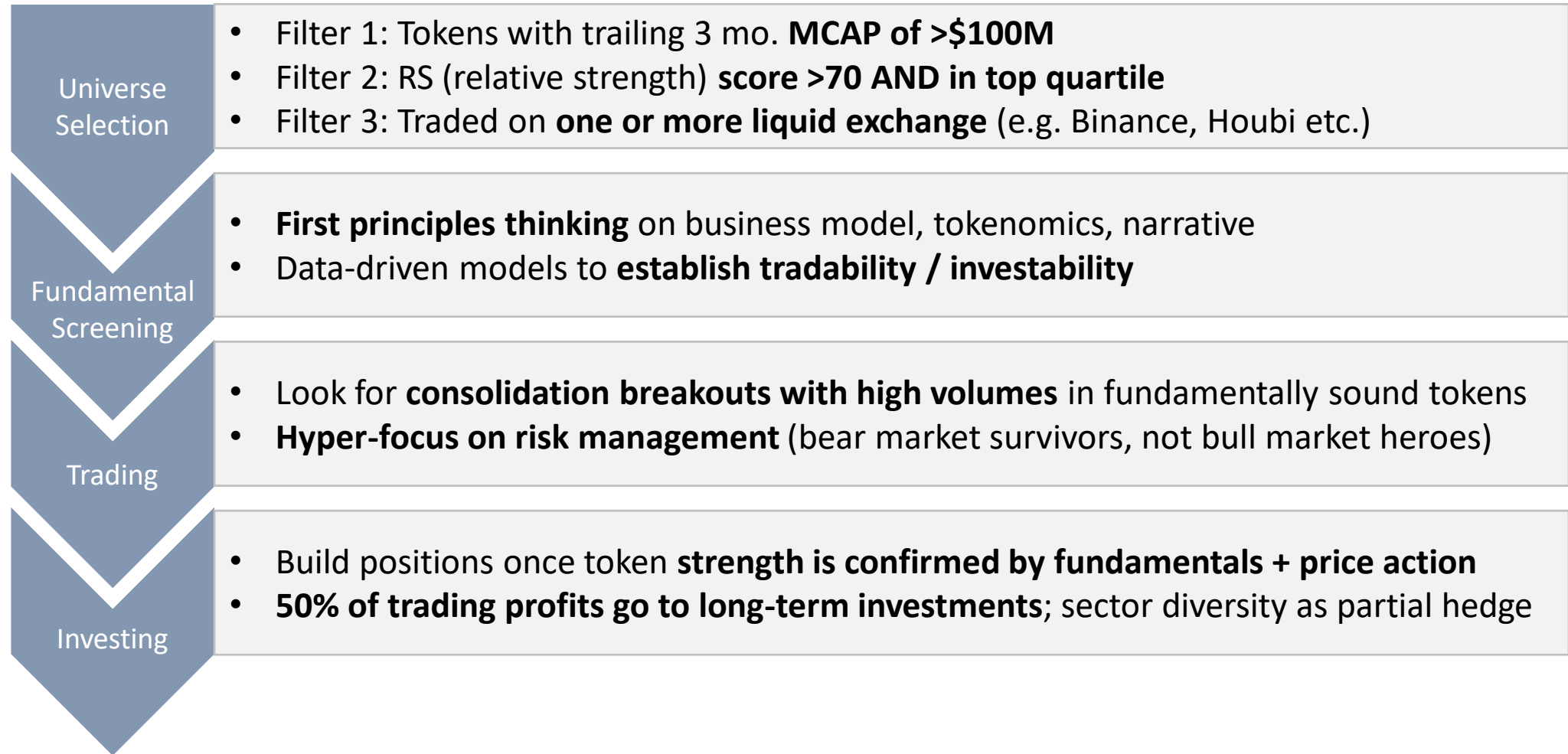
Risk Management based Trading & Investing

Current Scenario

Clear Chain Cap Philosophy

- We believe digital assets are in a **multi-decade bull market**; strong tailwinds of **growing adoption and fiat money flow**
- Hence we want to be **bear market survivors, not bull market heroes**
- Achieve this with our unique **investment + trading framework**

Investment Framework



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Approach to Fundamental Research

- **First principles thinking**
 - Does this token represent a **currency, commodity or a business**?
 - What drives value and **how is this value transferred to token holders**?
 - What could **impact demand-supply** dynamics? (Current / upcoming initiatives)
- **Quantitative approach**
 - Tailor traditional **investment banking + due diligence models** to frame thinking
 - DCFs, dividend discount models etc. help frame a **range of outcomes for token holders**
- **Ultimate goal**
 - Models **can't be a single source of truth, but give us bookends** to answer our main question
 - **Main question:** does a token meet the minimum criteria to be considered investable?

Hyper-focus on Demand-Supply Dynamics

Demand Drivers

Drivers

- **Transaction growth** over time
- Actual / est. treasury **funds collected** (similar to equity cash flows)
- **Cross-protocol collabs** that increase token utility
- **Narrative + momentum**

Indicators

- **Development activity** on GitHub
- For **gov. tokens**: **number of votes cast** on recent proposals vs. tokens in supply

Supply Drivers



- High % of **tokens staked** (holders get rewarded by the platform for locking tokens)
- **Buy-back-burn programs** (e.g. FTX)



- Planned **airdrops** (tokens distributed to community to incentive participation)
- **Investor tokens vesting schedule**

Using Equity Tools in First Principles: \$FTT

Estimated Price of FTX's \$FTT Token

		Near Term Growth Rate				
		100%	150%	210%	250%	300%
Long-run Growth	11%	\$22.4	\$31.7	\$42.8	\$50.2	\$59.5
	13%	\$28.5	\$40.4	\$54.7	\$64.2	\$76.2
	15%	\$39.4	\$56.1	\$76.0	\$89.5	\$106.2
	17%	\$64.8	\$92.7	\$125.9	\$148.3	\$176.2
	19%	\$192.1	\$275.6	\$375.4	\$442.6	\$526.1
Time (t)	3	\$23.1	\$30.3	\$38.9	\$44.6	\$51.8
	5	\$31.3	\$43.2	\$57.4	\$67.0	\$79.0
	7	\$39.4	\$56.1	\$76.0	\$89.5	\$106.2
	9	\$47.5	\$69.0	\$94.6	\$111.9	\$133.4
	11	\$55.6	\$81.8	\$113.2	\$134.3	\$160.6
Risk-free Rate	16%	\$196.8	\$280.3	\$380.2	\$447.4	\$530.9
	18%	\$65.6	\$93.4	\$126.7	\$149.1	\$177.0
	20%	\$39.4	\$56.1	\$76.0	\$89.5	\$106.2
	22%	\$28.1	\$40.0	\$54.3	\$63.9	\$75.8
	24%	\$21.9	\$31.1	\$42.2	\$49.7	\$59.0

Price of the \$FTT token at the time of evaluation was ~\$51

- FTX is a centralized exchange for crypto derivatives
- \$FTT tokens can be used on the platform for discounts on trading fees + governance votes
- FTX uses ~33% of weekly fees collected to buy-and-burn tokens on the open market
- Recently, this has more than offset the token release schedule (deflationary for supply)
- Based on trajectory of buybacks (~280% in 1Q21) + platform utilization, we can use a traditional H-model to estimate token value

Based on Dividend Discount H-Model

Using Equity tools in first principles: \$AAVE

Estimated Price of the \$AAVE Token

Active Case	Mid Case	2021A Q1	2022P Q1	2031P Q1
Revenue Distribution				
<u>Spread</u>				
% of Spread that goes to Reserves		100%	100%	100%
Reserve Revenue from Spread		\$126	\$217	\$4,336
<u>Fee from Borrowings</u>				
% to Desposit Integrators		20%	20%	20%
% to Reserves		80%	80%	80%
Reserve Revenue from Borrowing Fees			\$0.00006	\$0.00073
<u>Fee from Flash Loans</u>				
% to Depositors		70%	70%	70%
% to Desposit Integrators		6%	6%	6%
% to Reserves		24%	24%	24%
Reserve Revenue from Borrowing Fees			\$1	\$3
Total			\$219	\$4,339
Present Value				
Terminal Multiple		10X		
Discount Rate		30%		
Terminal Value				\$43,386
Reserve Cash Flows with Terminal Value			\$219	\$47,725
Present Value		\$6,039		
Token Distribution				
Total Tokens		1,60,00,000		
Tokens in Circulation		1,24,90,208		
Implied Value per Token		\$484		

Based on a traditional DCF model; Price of the token when evaluated was ~\$420

- AAVE is a DeFi lending platform that issues its native \$AAVE token
- The \$AAVE token has two use cases: 1) governance, 2) staking for backup liquidity
- Most governance tokens eventually allocate cash back to token holders
- Therefore, we can get bookends for intrinsic value based on est. treasury cash flows
- Cash flows have three components: lending spread, borrowing fees, flash loans fees

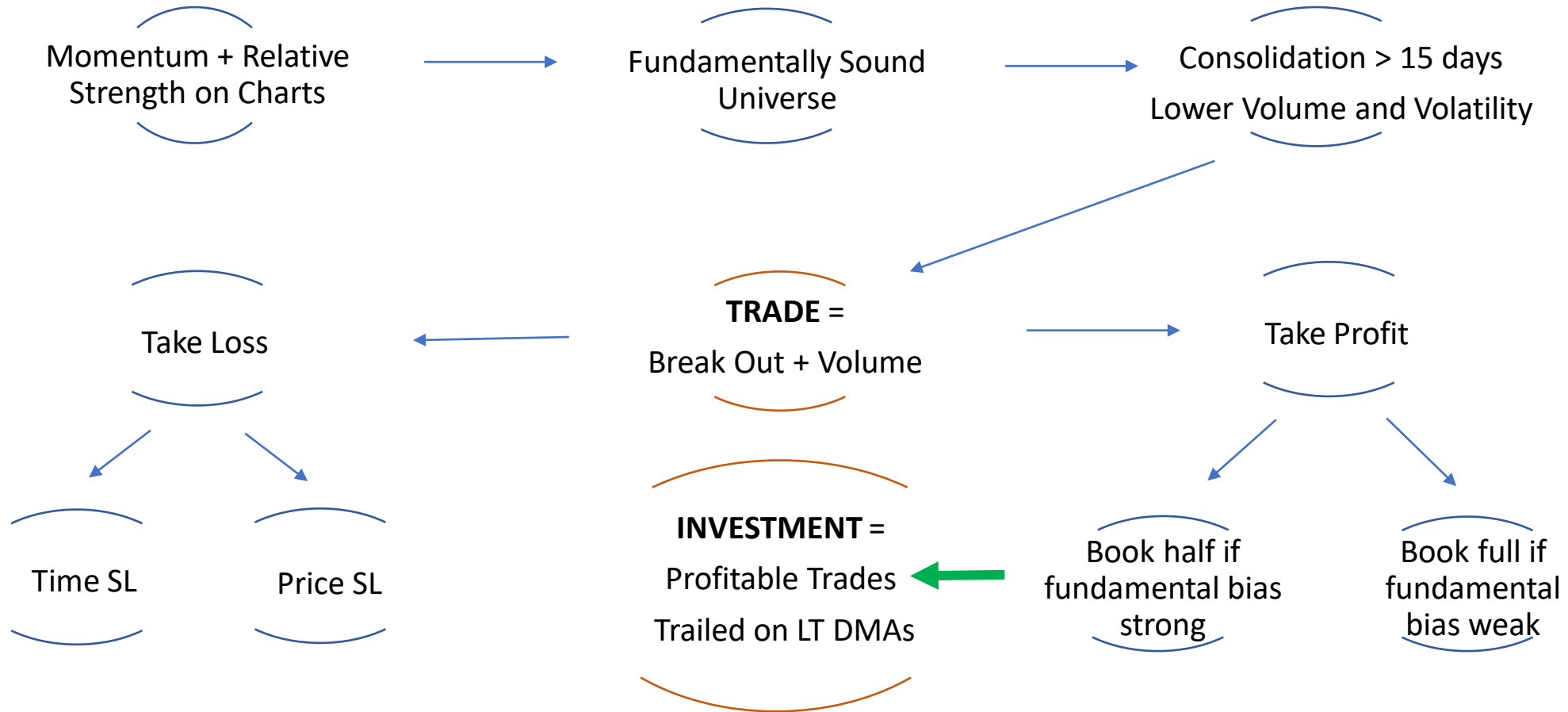
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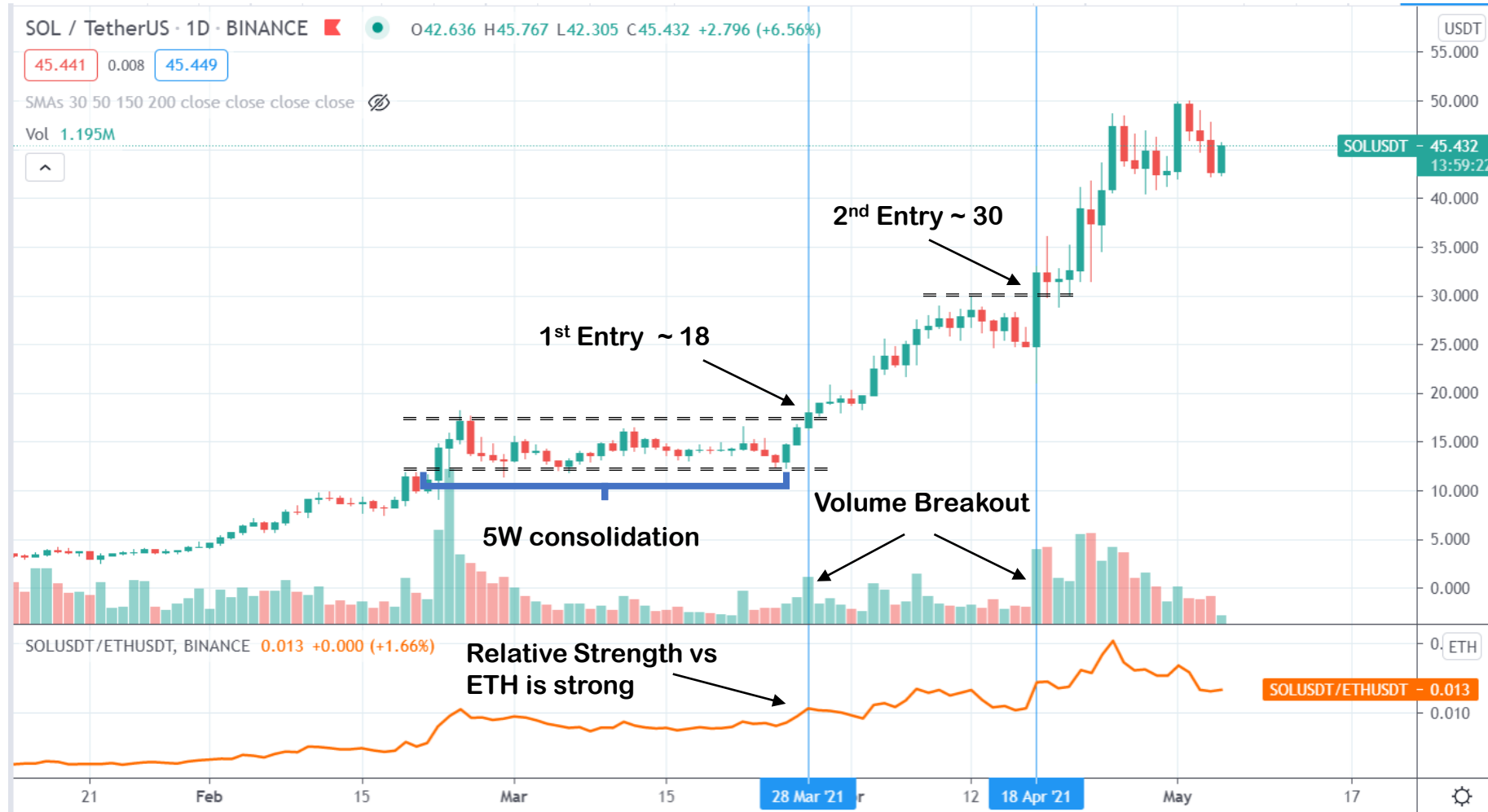
Trading Style



Risk Management: Five Commandments

1. Buy the dip, sell the top is a suboptimal strategy (**law of large numbers**)
2. Enter **with momentum, not against it**
3. Every trade must have a **Stop Loss. Eliminate Risk of Ruin**
4. At Profit Target, **take 50% profit , let 50% run as investment** above 50 DMA
5. **Don't be afraid to take losses; we can always re-enter, especially when entry price is above recent stop loss price**

Successful Trade: \$SOL



Successful Trade: \$MATIC



Unsuccessful Trade: \$BAT



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Crash was not unpredictable!



1/ We have been focusing heavily on risk management for the past week, given market conditions

A prevalent narrative during this time has been around buying the dip, particularly for **\$BTC**

While the price decline may be FUD-related, dip buying could be dangerous

Thread below 📌



11:06 AM · May 17, 2021 · Twitter Web App

- Technical Analysis help us risk manage
- **Head and Shoulder Pattern formed in BTC before crash!**
- Helped us to **create cash reserves** and take more conservative trades

What next? (1 of 2)

- History is the **best indicator of psychology**; we have seen **similar drawdowns from ATH in the past**
- While participants may not be the same, we expect the **general behaviour to be roughly similar**













What next? (2 of 2)

- Historical consolidations have **lasted ~3 months each time**, before testing lows for the last time in that run
- A V-shaped **recovery to new ATH** is **relatively unlikely**, but this is a great time to **build long-term positions**



Our Watchlist (5/27/21)

Protocol / Platform	Token Ticker	Segment	Market Cap	Rank by MCAP
 bitcoin	\$BTC	Currencies	\$745.44B	#1
 ethereum	\$ETH	Layer 1 / Dev Tool	\$328.12B	#2
 BINANCE	\$BNB	CEX	\$58.04B	#4
 polygon	\$MATIC	Layer 2 Scaling	\$14.36B	#11
 UNISWAP	\$UNI	DEX	\$13.98B	#13
 SOLANA	\$SOL	Layer 1 / Dev Tool	\$9.84B	#18
 THETA	\$THETA	Content Delivery	\$7.54B	#21
 A AVE	\$AAVE	DeFi Lending	\$4.93B	#26
 FTX	\$FTT	CEX (Derivatives)	\$3.19B	#43
 yearn.finance	\$YFI	Automated Yield Agg.	\$1.79B	#65

Open Research

- Our goal is to share all of our research openly and give back to the crypto community
- Our daily research can be found on Twitter [@clearchaincap](https://twitter.com/clearchaincap)
- Our in-depth research can be found on [Global Coin Research](#)
- You can also reach out to us directly
 - rishabh@clearchaincapital.com
 - shanav@clearchaincapital.com