

JANUARY 2021

January was a boom month in DeFi with every transactional metric breaking records. The total volume of transactions executed on DEXs (decentralised exchanges) grew by 120% month-on-month and the widely followed Total Value Locked (TVL) increased by 55% m-o-m for all DEX and borrowing/lending protocols. Amazing growth numbers that were reinforced with an upward revaluation of a number of the DeFi protocol tokens as the sector continues to gather increased investor participation. The growth in transactional volumes allowed the Fort Stable Fund to produce a return of +3.3% for the month of January. A fantastic start to our first full month of investing.

At our last investment meeting of 2020 we talked at length about the “right” forecast for expected growth in TVL for 2021. We “compromised” at \$100bn which was growth of close to 7 times the value locked at that time. The conservative amongst us were fearful we may need to eat humble pie at some stage this year, but certainly not in our January newsletter. At the time of writing TVL sits at \$35bn with daily growth of \$2bn the year end forecast may soon need to be revisited. While this is a fantastic validation of the ecosystem it is also a double edged sword and has seen gas (transaction) costs and block processing

times increase. Scaling solutions on the Ethereum blockchain are underway but they will need to step up a gear given increased competition from blockchains offering interoperability and faster transaction times and less fees.

The biggest news in traditional finance for the month was the narrative of the gamification of markets driven by the noise around Robin Hood, GameStop, limitations of T+2 settlement and questions around the financial plumbing of US equity markets. The story has been widely reported in the financial media with most concluding poor risk management and outdated centralized infrastructure was at the core of the problem. The DeFi community seized the opportunity to reiterate the benefits of a decentralised, permissionless trading infrastructure that allows instantaneous cost effective settlement powered by the internet. Incidents such as this strengthen the narrative that DeFi offers genuine solutions to these traditional financial system problems.

For those looking to learn more, the attached podcast with Jeremy Allaire, co-founder and CEO of Circle, the firm behind stablecoin USDC provides good insight into the current state of the stable coin market.

<http://podcast.banklessHQ.com/jeremy-podcast>

1 MONTH NET RETURN + 3.3%
(post performance fees)

WE THANK YOU FOR THE OPPORTUNITY TO STEWARD YOUR CAPITAL INTO THE FUTURE OF FINANCE