

Wave Financial

Fundstrat Digital Assets Research



TL;DR

- Launched in 2018, Wave is an SEC registered investment advisor currently managing over \$1 billion in AUM
- Provides an innovative suite of crypto investment products
- Low cost and efficient exposure
- Highly experienced team in both finance and crypto
- **Risks:** Regulatory, hacking, cyber security, investment illiquidity

Key Statistics

Fund Performance	1M	YTD
Wave Select 5 Index Fund	23.6%	N/A
Wave Income & Growth Fund	16.7%	96.3%
Bitcoin	13.0%	62.7%

Performance as of 8/31/2021

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Bloomberg: [FSGA <<GO>>](#);
[Access Research Library](#)

Wave Financial: An Innovative Digital Asset Wealth Manager

Wave Financial (“Wave” or the “Company”) is an SEC registered digital asset wealth manager and fund provider for individual investors and crypto protocols with over \$1 billion in assets under management (AUM). Since its launch in 2018, Wave’s capabilities have expanded to include a full-service wealth management platform and a suite of in-house crypto investment funds. The Company is leveraging traditional investing and risk management strategies in innovative ways to offer solutions to crypto investors who desire differentiated strategies not currently offered by financial incumbents.

- **Wave focuses on product innovation.** While traditional asset managers have begun offering general crypto exposure funds (Level 1) ([Slide 4](#)) like those pioneered by Wave in 2018 ([Slide 9](#)), the Company has continued to innovate by developing Level 2 products such as the Wave Cash Yield Platform – a borrow-lend product that allows clients to generate mid-single-digit returns on custodied assets or provide USD loans by collateralizing their holdings. Wave’s Level 2 products also include derivatives-based strategies like the Wave BTC Income & Growth (WBIG) fund which aims to dampen the effects of Bitcoin’s volatility while preserving significant upside ([Slide 18](#)). Most recently, Wave has focused on introducing Level 3 products including tokenized asset funds such as the Wave Kentucky Whiskey 2021 Digital fund, which leverages blockchain tech to provide investors exposure to one of the fastest-growing spirits markets ([Slide 28](#)). Level 3 products currently in development include a staking fund to further support protocol clients and an NFT fund that will provide investors exposure to both NFT infrastructure and individual NFTs ([Slide 8](#)).
- **Wave offers low-cost, broad exposure to crypto through its in-house funds.** Competitors charge management fees upwards of 2.5% for broad crypto exposure, while the Wave Select 5 (WS5) fund provides exposure to 72% of the total crypto market for 1.0% per annum ([Slide 17](#)). Similarly, the Wave BTC Income & Growth Fund employs a covered call strategy that is 41-50% cheaper than competing strategies ([Slide 20](#)).
- **Wave’s SEC Registered RIA structure allows for wide range of crypto investment options.** Wirehouse financial advisors are limited to investing client assets in a small number of outsourced crypto fund managers and an even smaller number of digital assets ([Slide 5](#)). Given its independent RIA structure, Wave has the freedom and ability to act as a true fiduciary by investing client capital across the most accretive strategies and assets ([Slide 35](#)).
- **Experienced team combines traditional finance with deep crypto expertise.** Wave CEO David Siemer entered the crypto space in 2016 after spending over a decade in venture capital, while President Benjamin Tsai brings deep experience in traditional finance having worked as Head of Alternative Investments Asia at AllianceBernstein and Managing Director at Bank of America before founding LA Blockchain Labs. President (International) Matteo Dante Perruccio brings 30 years of experience in investment management, highlighted by his previous roles as Global Head of Key Clients & Strategic Partners at Jupiter Asset Management, CEO of Pioneer Investments, and CEO & Founder of Hermes BPK Partners ([Slide 10](#)).
- **Key Risks.** Investing in digital assets on your own or with a trusted advisor such as Wave comes with similar risks including government and regulatory risks, and hacking and cyber security risks, among others. Please refer to [Slide 36](#) for additional risks when investing in digital assets and investment funds.

Bottom line: Wave Financial’s suite of crypto investment products provides clients with differentiated options for exposure to digital assets while being supported by a deep bench of financial professionals with decades of combined crypto and traditional financial experience.

Executive Summary

Products Overview

Key Observations

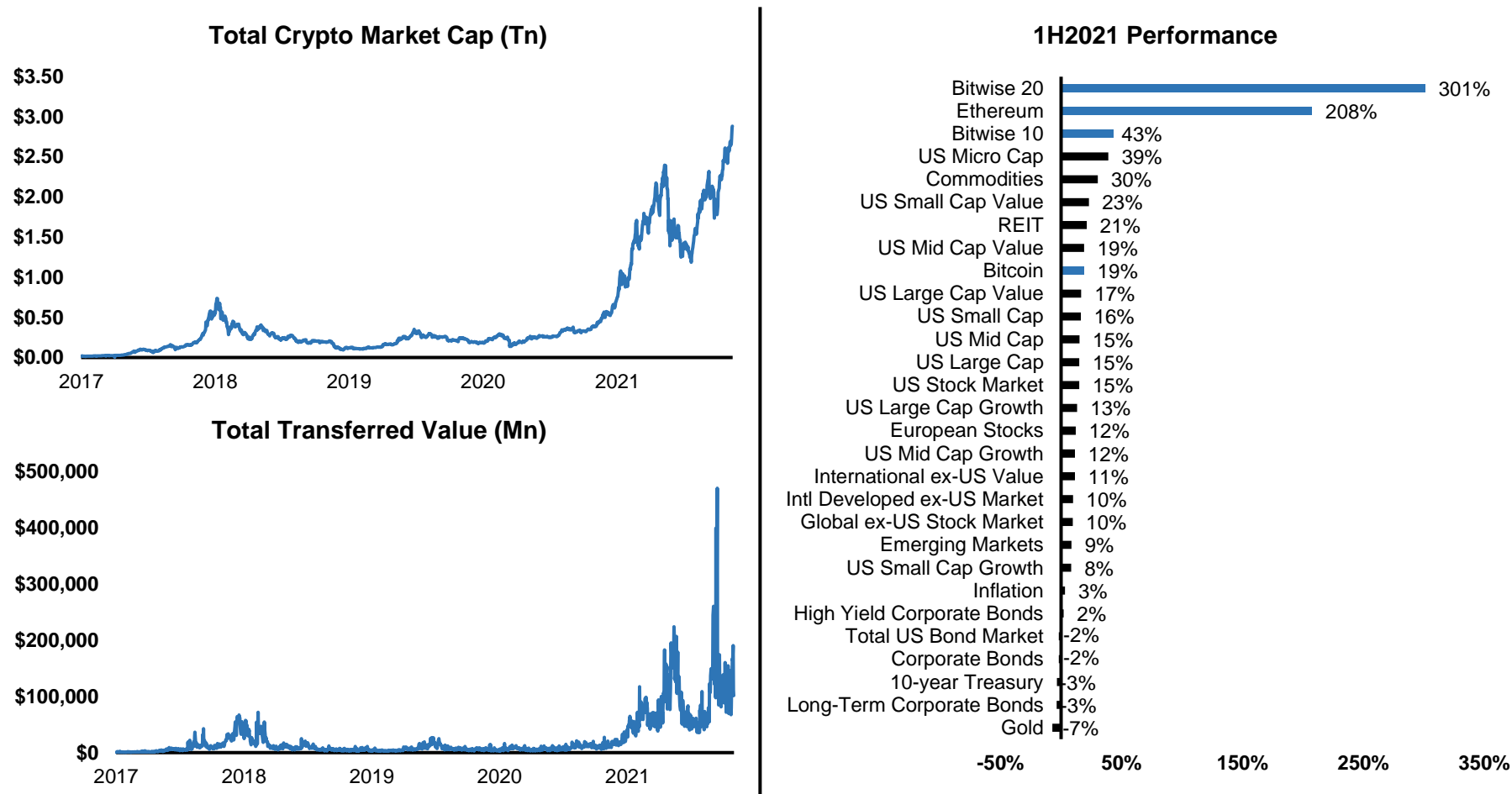
Appendix Information

Crypto Has Shifted from Fad to Emerging Asset Class

Growth in crypto market cap and users reflect mass adoption

- The global crypto market has crossed \$2.5 trillion in total value and over 100 million users – putting crypto on a similar growth trajectory as the internet in the mid '90s.
- In the first half of 2021 crypto assets outperformed traditional financial assets, highlighting diversification benefits.

Figures: Total Crypto Market Cap, Global Internet & Crypto Users, 1H2021 Asset Performance



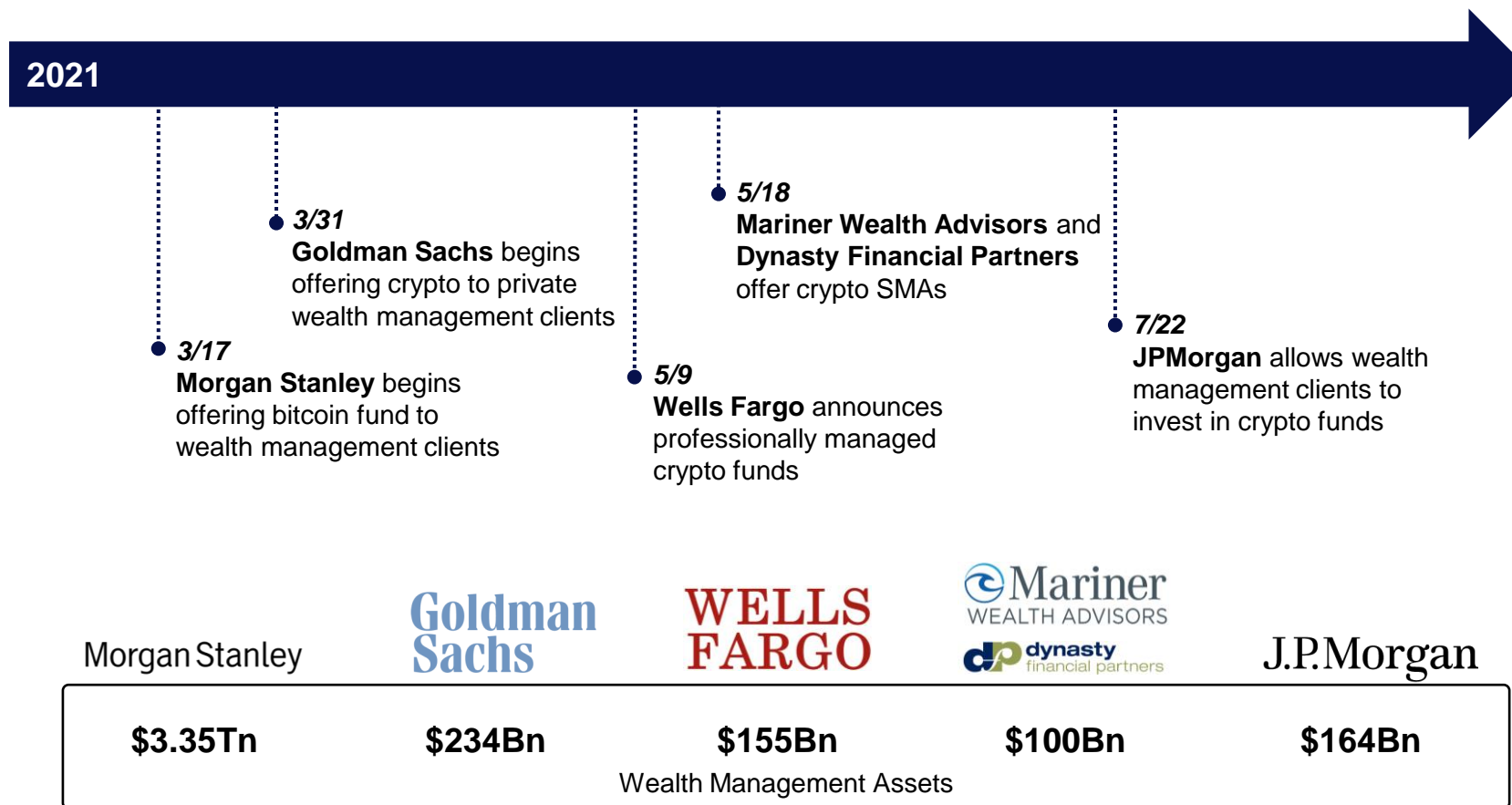
Source: Fundstrat, University of Cambridge, Statista, Bloomberg, CoinMarketCap, Coin Metrics

Traditional Advisors Are Finally Moving Into The Space

But will take time for them to get up to speed on the new asset class

- With several passive crypto funds having launched in the U.S., financial advisors and their clients are finally gaining access to digital assets as management gives them the green light to enter the space.
- With the continued adoption of digital assets, we expect crypto wealth management services to be in high demand while unlocking new capital flows into digital asset markets.

Figure: Crypto Wealth Management Adoption and Total Wealth Management Assets



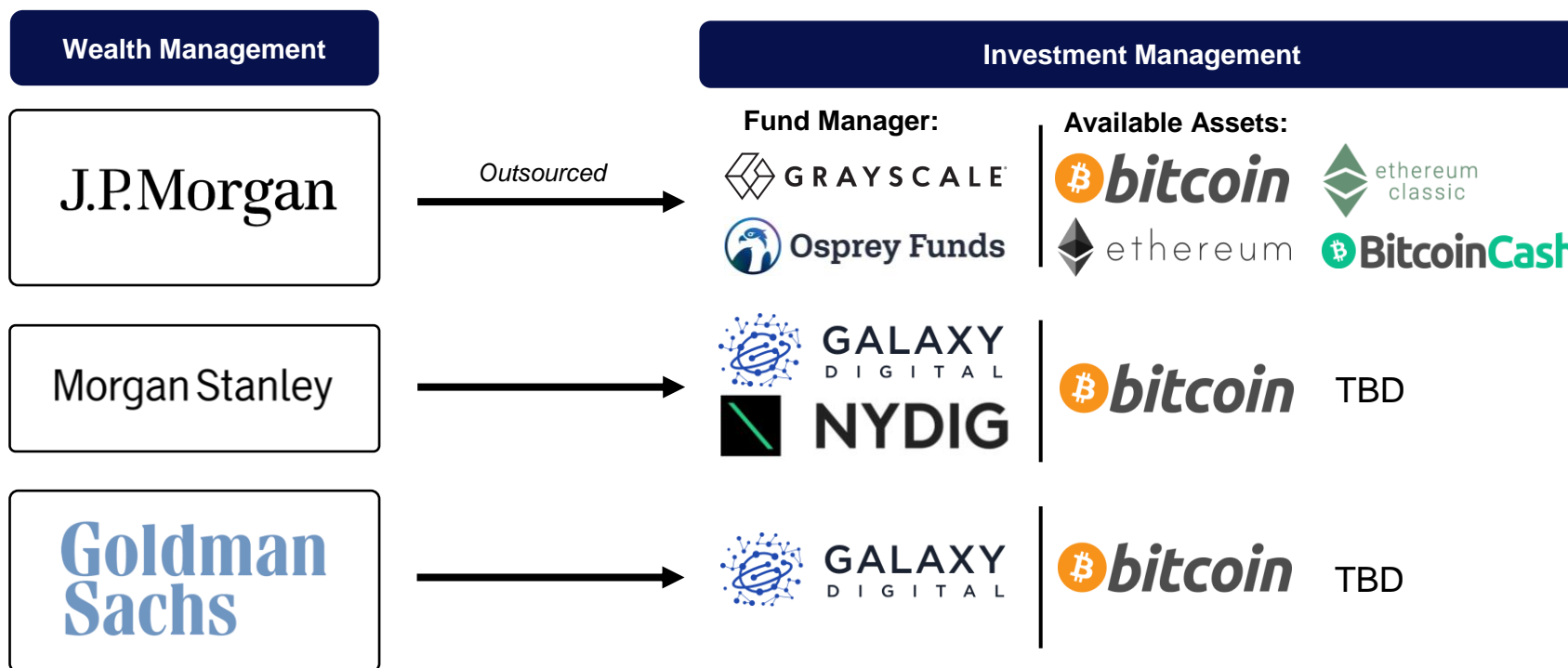
Source: Fundstrat, Wave Financial, Company Filings, Dynasty Financial Partners, Smart Asset

...Though Capabilities and Options Remain Slim

Firms outsource crypto investing, limiting investment options

- The legacy wirehouse structure utilized by traditional wealth management firms and their slow adoption of digital assets have resulted in a fragmented set of outsourced solutions for clients looking for crypto exposure.
- These factors have also resulted in limited client choice at traditional firms that offer only a handful of digital assets to their clients.

Figure: Overview of Crypto Investment Management Landscape



Source: Fundstrat, Wave Financial

Company Overview

**WAVE**
Financial

AUM:	Greater than \$1 Billion
Founded:	2018

Summary

- **Wave Financial**, a spin-off from the venture capital firm Wavemaker, is an innovative crypto wealth manager and fund provider for individual investors and crypto protocols with over \$1 billion in AUM.
- With the growing adoption of digital assets, the Company is well positioned to leverage traditional investment and risk management strategies to crypto investors who have been underserved by legacy financial institutions.

Company Objectives

- Provide crypto native investors and crypto protocols professional financial advisory services all under one roof through a Registered Investment Advisor (RIA) structure.
- Leverage experience in traditional asset management, as well as blockchain to create innovative new digital asset investment products.
- Apply traditional portfolio management techniques such as options strategies to dampen crypto volatility while preserving potential appreciation.

Value Proposition

- Low cost and professionally-managed channel for investing in the burgeoning crypto asset class.
- Deep bench of financial professionals with decades of combined crypto and traditional finance experience.
- White-glove service, tailoring custom investment strategies and catering to a wide range of client needs.

Source: Fundstrat, Wave Financial

Wave Financial: Full Service Crypto Investment Solution

Bridging the gap between traditional asset management and digital assets

- The Company provides crypto and digital asset investors and crypto protocols a suite of investment funds, strategies, and wealth management services for their digital asset holdings – managing over \$1 billion in total.

Figure: Overview of Products & Services

Investment Strategies & Funds

Index Funds

Broad tracking of digital assets by market cap

Income Funds

Dividend paying risk management strategies

Real Asset Funds

Tokenized exposure to real-world physical assets

Venture Capital

Private investment in crypto infrastructure firms

Wealth & Treasury Management

Portfolio & Yield Strategies

Lending, staking, and derivatives strategies

Liquidity Services

Asset disposal, liquidity management for concentrated positions

Separately Managed Accounts

Tailored portfolio strategies, tax-efficient structure

Risk Management

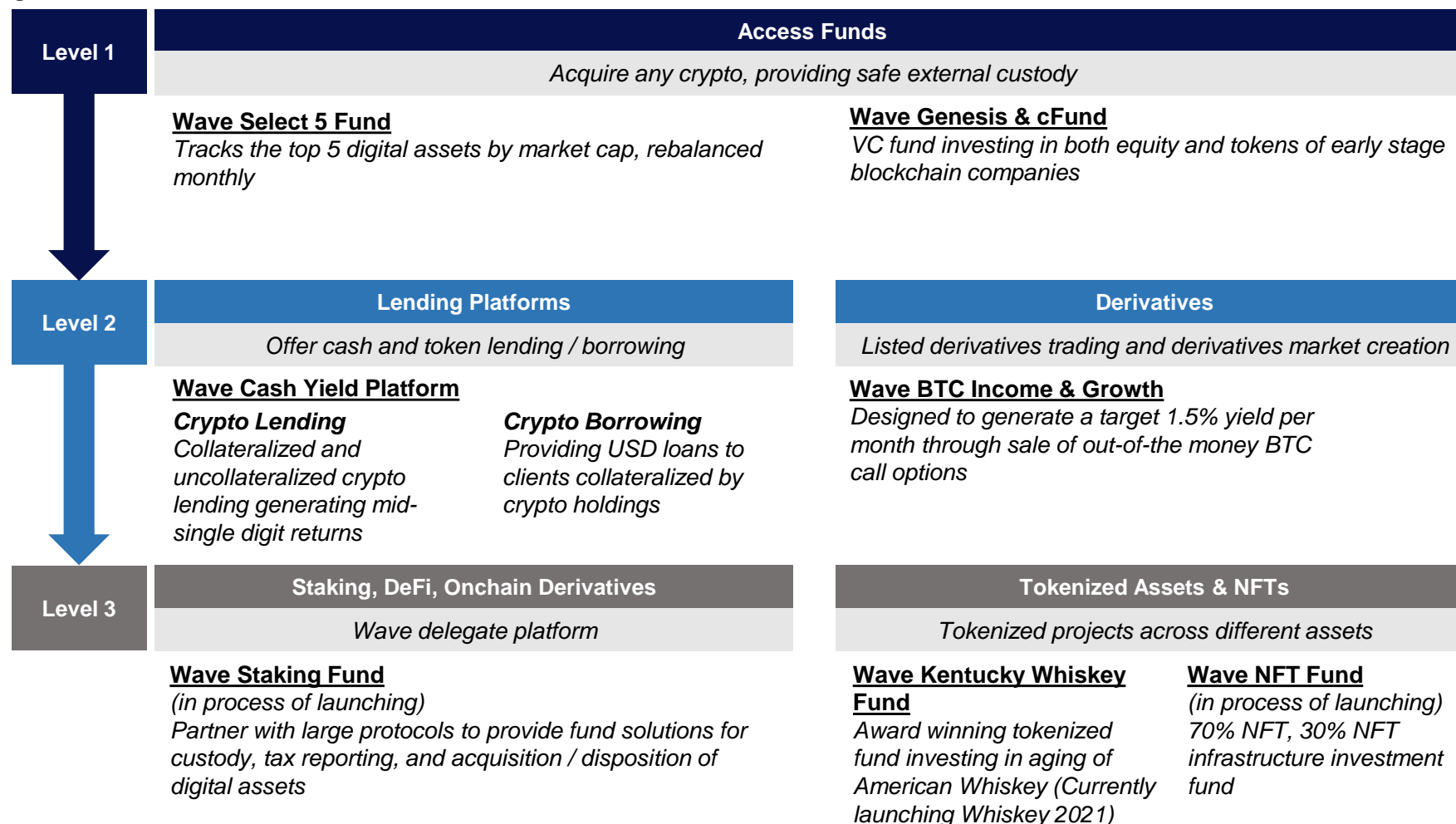
Constant monitoring and back-testing, cold wallet custody

Focused On Continued Product Innovation

Wave has differentiated itself by developing cutting-edge products

- While traditional asset managers have recently begun offering general crypto exposure (Level 1) Wave has continued to innovate by developing Level 2 products such as lending/borrowing platforms and derivatives-based strategies, as well as Level 3 products like tokenized asset funds, staking funds, and NFT funds.

Figure: Overview of Product Innovation



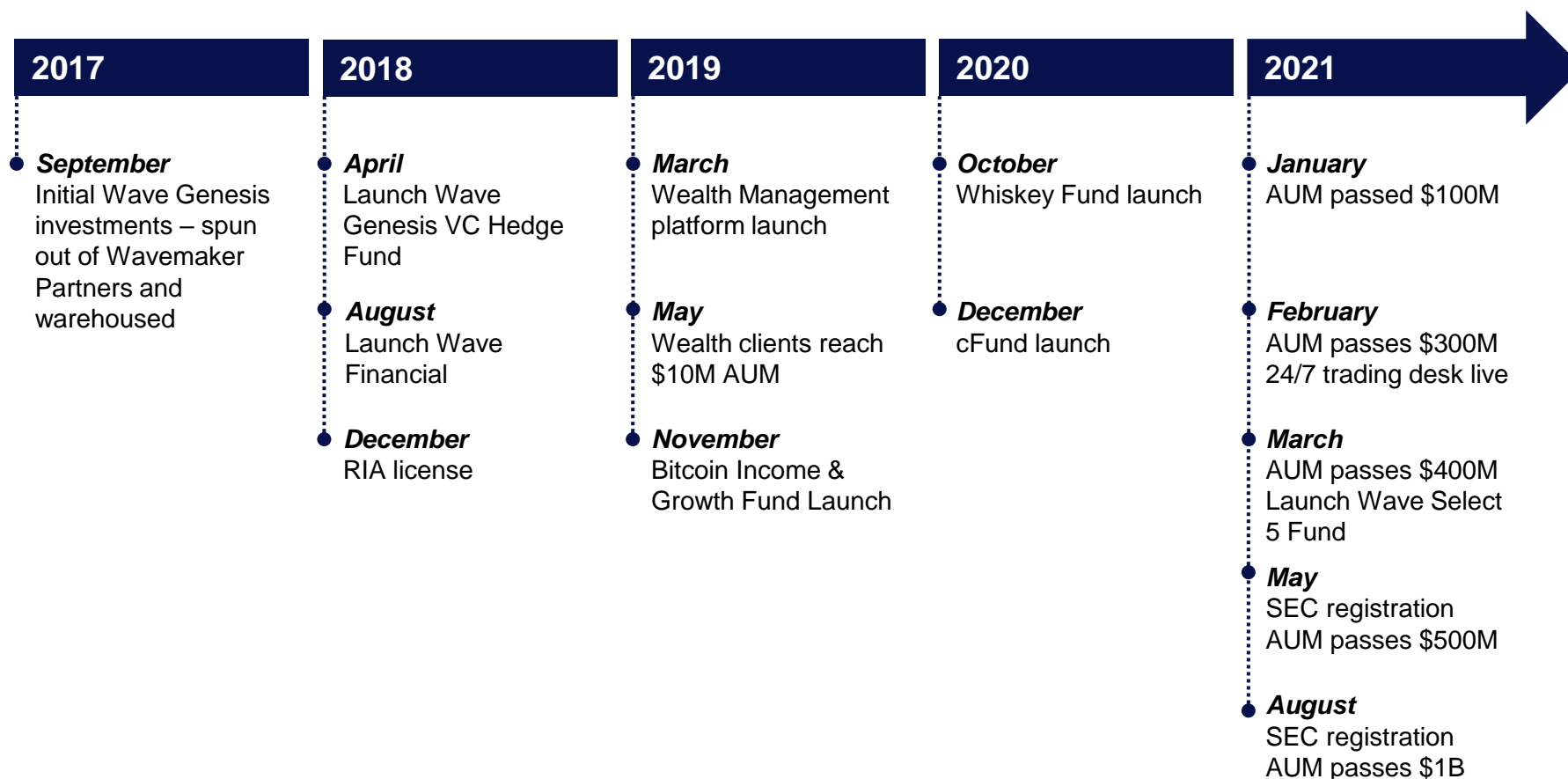
Source: Fundstrat, Wave Financial

Innovation Since Inception

Wave is an innovative and market-leading digital asset manager

- Wave’s focus on innovation has manifested in promising early growth, having achieved AUM of over \$1 billion in less than four years.

Figure: Historical Milestones



Source: Fundstrat, Wave Financial

Wave Financial Team Exhibits Wide Range of Expertise

Combining traditional finance with deep crypto experience

Figure: Wave Financial Key Team Members



David Siemer	Benjamin Tsai	Matteo Dante Perruccio
<i>Chief Executive Officer</i>	<i>President, Portfolio Manager</i>	<i>President, International</i>

- Founder of Wavemaker Partners, an early-stage Venture Capital firm with various funds with AUM of \$325M
- Founder of Siemer and Associates, a technology focused investment bank which provided M&A, capital raising and financial advisory services in-house
- Partner at Desco Capital, an industry agnostic Private Equity firm

- Head of Alternative Investments Asia at AllianceBernstein, a global asset management firm servicing high-net-worth and retail investors worldwide
- Previous Managing Director at Bank of America serving as the CEO of Merrill Lynch Singapore Commodities, Co-Head of Structured Solutions, and Head of Equity Structured Solutions
- Crypto Finance Professor at UCLA Anderson School of Management

- Global Head of Key Clients & Strategic Partners at Jupiter Asset Management, former board member, Jupiter Asset Management
- CEO & Founder, Hermes BPK Partners, an alternative hedge fund multi-management advisory boutique
- CEO, Pioneer Investments
- Chairman, Secofind Multi-family Office



ALLIANCEBERNSTEIN®



Source: Fundstrat, Wave Financial

Wave Financial Team Exhibits Wide Range of Expertise

Combining traditional finance with deep crypto experience

Figure: Wave Financial Key Team Members



Les Borsai	Jennifer Wilde Anderson	Heidi Pease	Henry Elder	Michael Jones
<i>Chief Strategy Officer</i>	<i>Chief Operating Officer</i>	<i>Head of Investment Products</i>	<i>Managing Director, Head of Treasury & Wealth</i>	<i>Head of Business Development</i>
<ul style="list-style-type: none"> Partner at Wavemaker Genesis Advisor to Ripple, RightMesh, and YouNow Early investor in Ethereum, Filecoin, Tezos, and Stellar 	<ul style="list-style-type: none"> Director at Wavemaker Genesis Former Vice President at Siemer & Associates Received BA from Yale University and JD from University of Chicago 	<ul style="list-style-type: none"> CEO and Co-Founder of LA Blockchain Lab Blockchain and Crypto Consultant for Panasonic and Lamborghini Received MBA from UCLA Anderson School of Management 	<ul style="list-style-type: none"> President of International Blockchain Real Estate Association Co-Founder and former Head of Real Estate at Digital Asset Advisors Received Bachelor's Degree from Pepperdine University 	<ul style="list-style-type: none"> Over a decade of Institutional, Family Office and Non-Profit Asset Management Experience Former Investment Management at Goldman Sachs Received MBA from Vanderbilt University



Source: Fundstrat, Wave Financial

Executive Summary

Products Overview

Key Observations

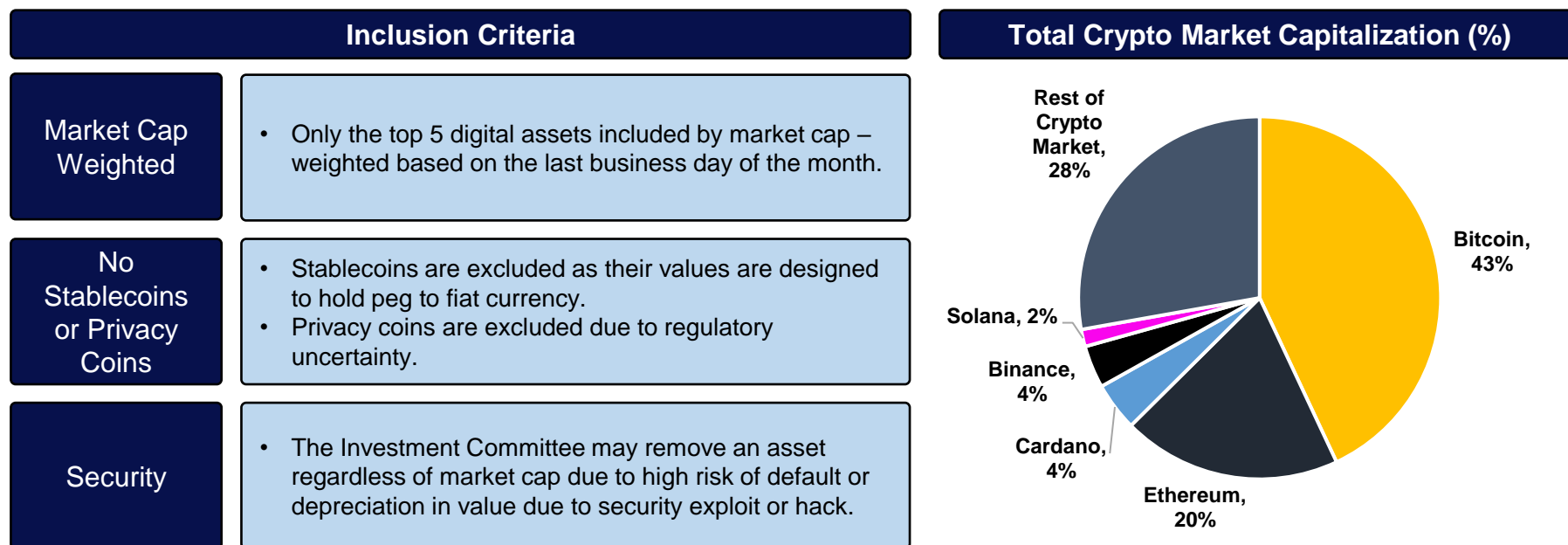
Appendix Information

Wave Select 5 Index Fund (WS5)

Providing exposure to 72% of the total crypto market

- The Wave Select 5 Index Fund provides low-cost and convenient crypto exposure through the top five largest digital assets by market cap.
- The Fund is designed to outperform the benchmark through lending out a portion of its assets to generate yield.

Figure: WS5 Inclusion Criteria, Holdings as Percent of Total Crypto Market (As of August 2021)



Source: Fundstrat, Wave Financial

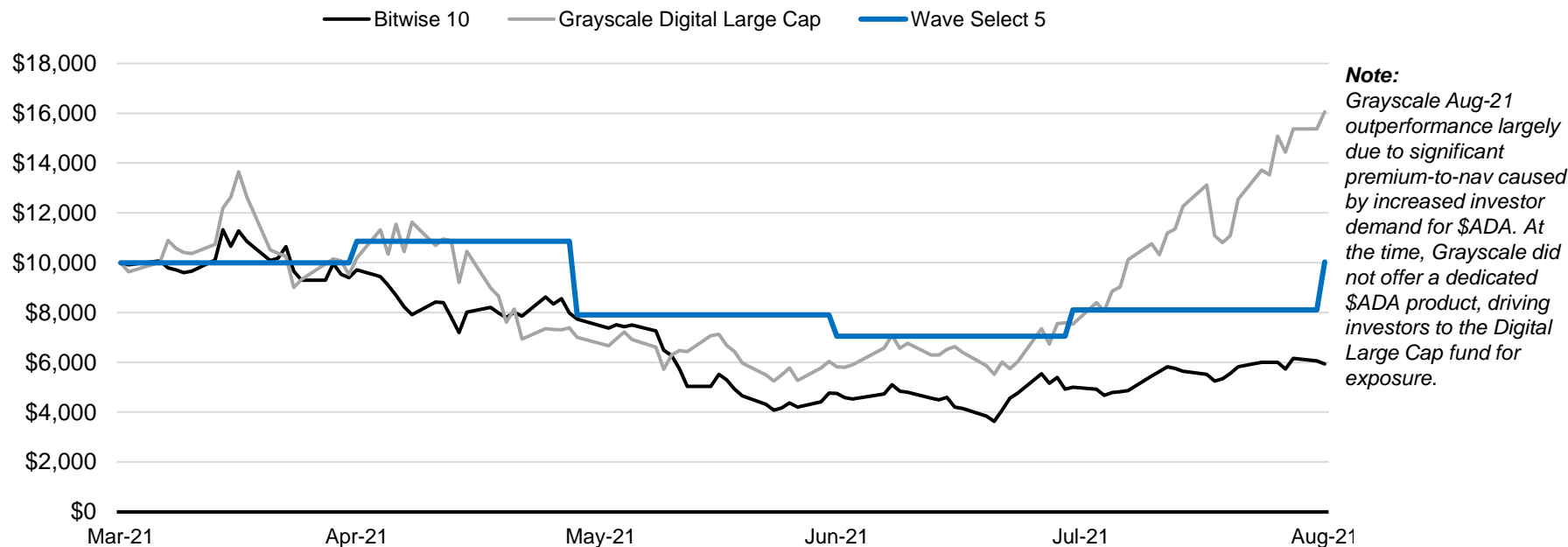
Wave Select 5 Index Fund (WS5)

Outperforming competition during weak market periods

- Since its launch March 2021, the Fund has outperformed Bitcoin and the comparable Bitwise 10 fund.
- The Fund also outperformed both Bitwise 10 and Grayscale Digital Large Cap as crypto markets sold off in May and June.

Figure: Wave Select 5 Historical Performance and performance versus comparable funds

Historical Performance						
2021	Apr	May	Jun	Jul	Aug	5M Return
Wave Select 5	8.6%	-27.2%	-10.8%	15.0%	23.6%	0.2%
Bitwise 10	-2.8%	-20.4%	-38.5%	5.1%	18.8%	-40.6%
Grayscale Digital Large Cap	1.9%	-31.2%	-16.9%	29.2%	113.3%	60.6%
Bitcoin	-1.8%	-35.4%	-6.0%	19.2%	13.0%	-19.7%



Source: Fundstrat, Wave Financial, Bloomberg

Wave Select 5 Index Fund (WS5)

Fund Details & Service Providers

Figures: Fund Details, Service Providers

Fund	Wave Select 5 Index Fund (WS5)
Investment Strategy	Beta Exposure with Yield Generation
Benchmark Index	Wave Select 5 Index
Investment Manager	Wave Financial LLC
Index Calculation Agent	Wave Financial LLC
Subscription	Twice a month
Redemption	Monthly at the month end NAV
Deadline	5 business days before subscription and redemption dates
Minimum Investment	\$50,000
Management Fee	1%
Performance Fee	N/A

Service Providers

Custodian



Fiat Bank



Administration



Legal



Auditor



Wave Select 5 Index Fund (WS5)

Diverse crypto exposure has resulted in promising returns

- Since the Fund launched earlier this year it has outperformed Bitcoin by 19.9% highlighting the benefits of diversified crypto exposure.
- Most recently, the Fund was rebalanced to include Solana which has grown significantly over the past two months and now resides in the top 5 assets by market cap. Solana's position was previously held by Polkadot.

Figure: Actual Historical Performance Comparison to Index & Bitcoin, Fund Holdings as of 8/31/2021

Historical Performance						
2021	Apr	May	Jun	Jul	Aug	5M Return
Fund Performance	8.6%	-27.2%	-10.8%	15.0%	23.6%	0.2%
Index Performance	9.3%	-28.2%	-9.9%	11.8%	24.2%	-1.9%
Bitcoin	-1.8%	-35.4%	6.0%	19.2%	13.0%	-19.7%
Fund vs Bitcoin	10.4%	8.2%	-16.8%	-4.2%	10.6%	19.9%

Fund Holdings			
Crypto Asset	Fund Allocation	Market Capitalization	% Total Crypto Market Cap
Bitcoin	61%	\$886,869,903,603	43%
Ethereum	26%	\$402,902,770,210	20%
Cardano	6%	\$89,122,172,069	4%
Binance	5%	\$78,085,988,883	4%
Solana	2%	\$31,578,154,529	2%
Total Fund Exposure		\$1,488,558,989,294	72%
Total Crypto Market Capitalization		\$2,061,533,766,282	

*As of 8/31/2021

Source: Fundstrat, Wave Financial

Wave Select 5 Index Fund (WS5)

Providing cost-effective exposure to digital asset markets

- The Wave Select 5 Index Fund provides broad crypto exposure for less than half the cost of comparable products from Bitwise and Grayscale.

Figure: Comparison of Funds

Fund	Wave Select 5	Bitwise 10	Grayscale Digital Large Cap
AUM (As of May 2021)	\$2.5M	\$790.0M	\$403.2M
Primary Investment Strategy	Beta exposure to top 5 assets by market cap excluding stablecoins and privacy coins	Beta exposure to top 10 assets by market cap	Beta exposure to upper 70% of digital asset market excluding stablecoins
Secondary Investment Strategy	Yield generation by lending up to 50% of AUM	N/A	N/A
Identifier	WS5	BITW	GDLC
Rebalance Review	Monthly	Monthly	Quarterly
Management Fee	1%	2.5%	2.5%
Performance Fee	0%	0%	0%
Minimum Investment	\$50,000	\$25,000 (private placement, no minimum for shares traded on secondary markets)	\$50,000 (private placement, no minimum for shares traded on secondary markets)
Current Holdings	Bitcoin, Ethereum, Cardano, Binance, Polkadot	Bitcoin, Ethereum, Cardano, Bitcoin Cash, Litecoin, Solana, Chainlink, Polygon, Cosmos, Uniswap	Bitcoin, Ethereum, Cardano, Bitcoin Cash, Litecoin, Chainlink, Solana, Uniswap

Source: Fundstrat, Wave Financial

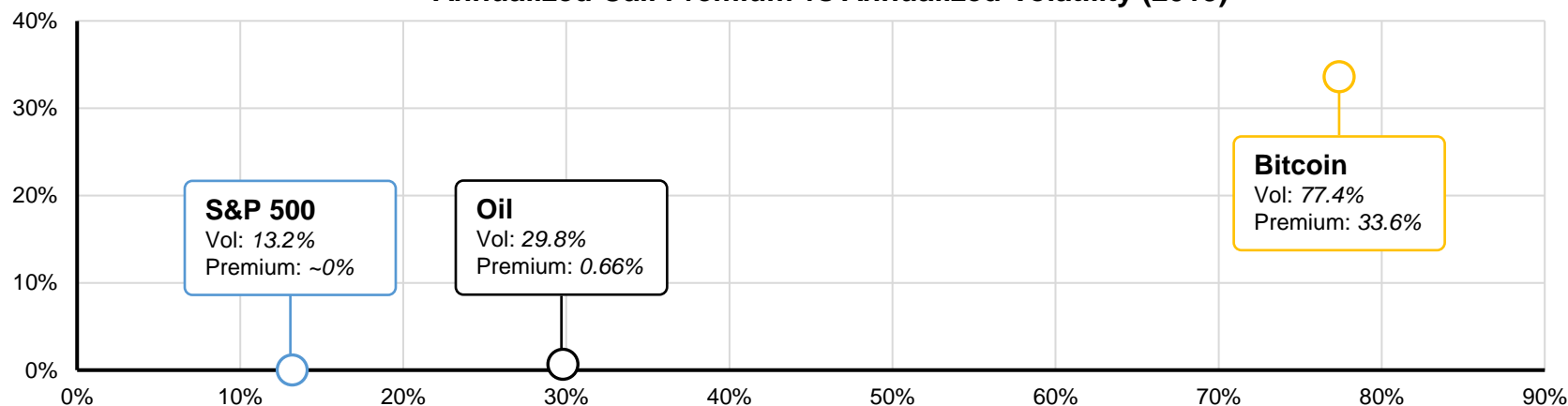
Wave BTC Income & Growth Fund (WBIG)

Bitcoin's high volatility presents opportunity for derivatives strategies

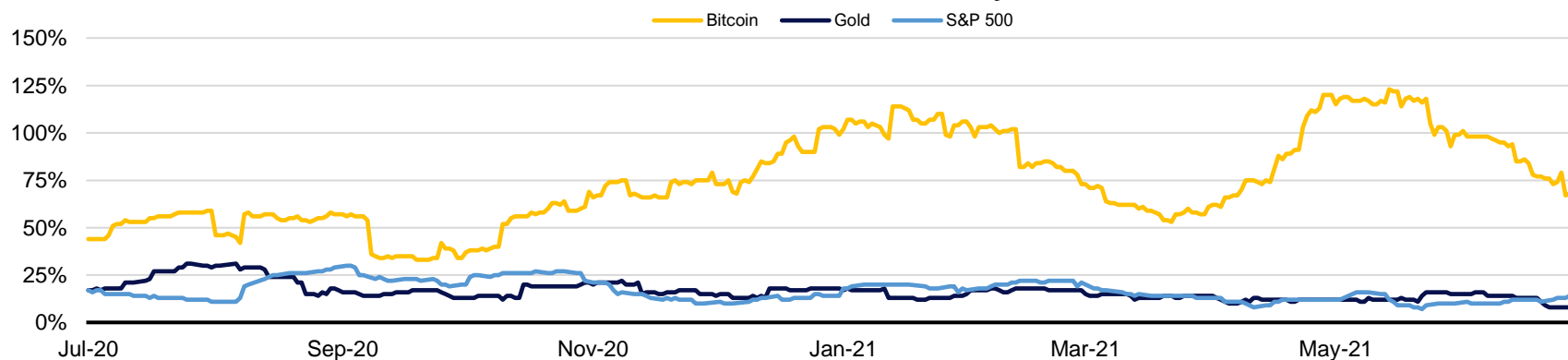
- Bitcoin's realized volatility is significantly higher than that of traditional assets like equities or gold – presenting an opportunity to capture premium through options strategies while maintaining upside exposure.
- While option strategies can be used to generate premium, they can also be used to dampen volatility exposure.

Figure: Annualized Call Premium vs Annualized Volatility

Annualized Call Premium vs Annualized Volatility (2019)



1Month Realized Volatility



Source: Fundstrat, Wave Financial

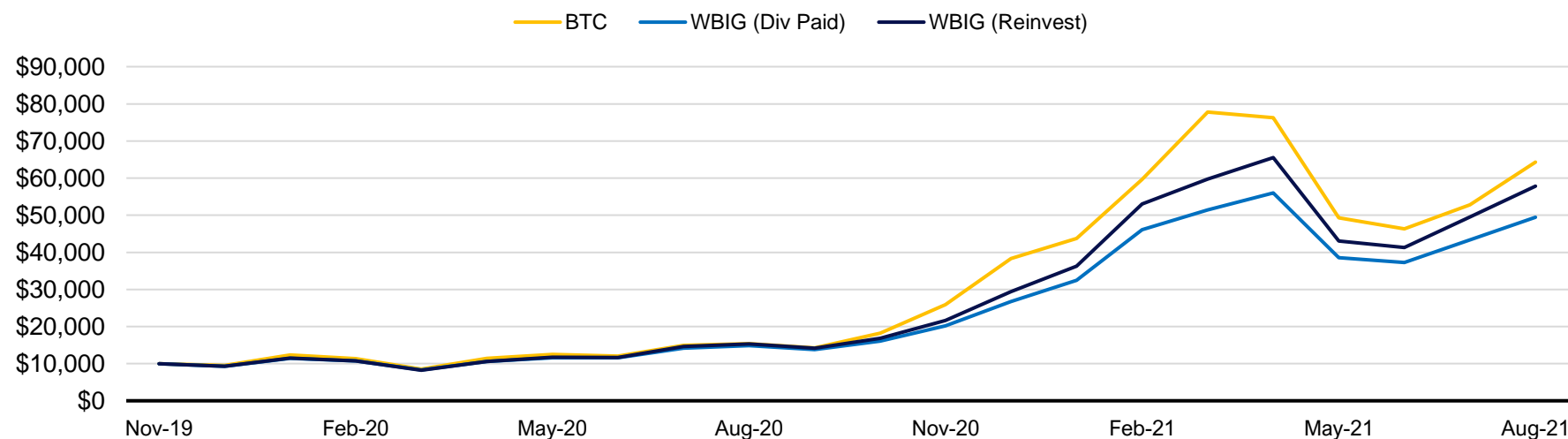
Wave BTC Income & Growth Fund (WBIG)

Capturing options premium and dampening volatility

- By selling one-month call options and collecting premium the Fund aims to generate 1.5% of AUM in dividends per month (18% per annum) - excluding any appreciation or depreciation in the underlying bitcoin value. Investors have the option of receiving or reinvesting the dividend.

Figures: Wave BTC Income & Growth Fund Details and Historical Performance

Hypothetical Growth of \$10,000



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Annual
2020 Total Performance														
Income (Dividend)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	2.00%	-	-
w/ Dividend Paid	22.63%	-6.15%	-22.54%	26.98%	9.86%	-0.40%	22.72%	4.54%	-6.78%	16.45%	25.40%	32.65%	-	189.98%
w/ Dividend Reinvested	23.00%	-6.31%	-23.54%	29.11%	10.59%	-0.43%	24.95%	4.96%	-7.48%	18.58%	28.54%	36.21%	-	215.57%
2021 Total Performance														
Income (Dividend)	2.26%	2.50%	1.66%	1.68%	1.66%	1.64%	1.83%	1.50%					-	-
w/ Dividend Paid	21.10%	42.20%	11.60%	8.86%	-31.17%	-3.35%	17.52%	14.73%					92.72%	-
w/ Dividend Reinvested	23.13%	46.35%	12.59%	9.68%	-34.32%	-3.97%	19.90%	16.65%					96.30%	-

Source: Fundstrat, Wave Financial

Wave BTC Income & Growth Fund (WBIG)

Like WS5, WBIG beats competing strategies on price

- In comparing management fees, Wave's BTC Income & Growth Fund is 50% cheaper than competing income strategies and 41% cheaper than competing managed volatility strategies.

Figure: Comparison of Income Funds

Fund	Wave BTC Income & Growth	Sarson Crypto & Income	CBOE Vest BTC Strategy Managed Volatility Fund
Target Annual Yield Generation	18%	20%	N/A
Primary Investment Strategy	Bitcoin Covered Call	Large Cap Crypto Covered Call	Dynamic Bitcoin Futures
Secondary Investment Strategy	N/A	Staking & Lending	N/A
Identifier	WBIG	N/A	BTCVX
Management Fee	1%	2%	1.7%
Performance Fee	5% of option premium	20% incentive allocation	N/A
Minimum Investment	\$50,000	\$50,000	N/A
Assets	Bitcoin	U.S. Listed Crypto Assets	Bitcoin Futures

Source: Fundstrat, Wave Financial, Sarson Funds, Cboe Vest

Wave BTC Income & Growth Fund (WBIG)


Fund Details & Service Providers

Figures: Fund Details, Service Providers


Fund	Wave BTC Income & Growth Fund (WBIG)
Investment Strategy	Covered call strategy through sale of out-of-the-money Bitcoin covered call options
Investment Objective	Deliver monthly USD dividends of 1.5% as target while still capturing significant upside
Investment Manager	Wave Financial LLC
Upfront Fee	3%
Management Fee	1%
Performance Fee	5% of option premium
Investment Minimum	\$50,000
Offering schedule	Monthly subscription, up to 5 days before last Friday of every month

Service Providers


Custodian




Fiat Bank




Administration




Legal




Auditor



Custodian



Legal



Source: Fundstrat, Wave Financial

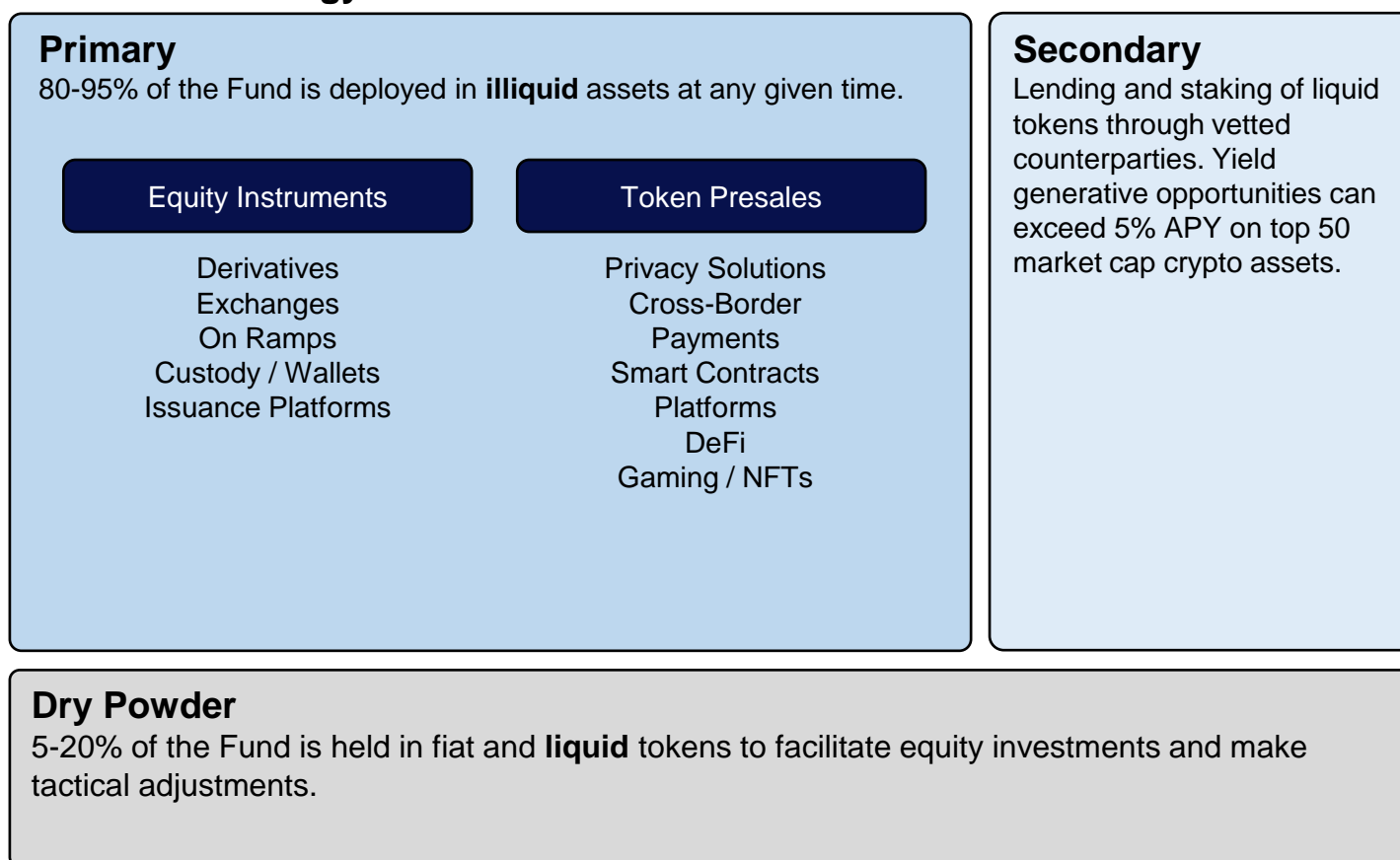
Wave Genesis Venture Fund

Overview and Investment Strategy

- Early-stage venture fund making investments in blockchain and crypto companies through traditional equity vehicles and token presales that has posted a total net return of 174% since inception in May 2018.
- Wave’s edge comes from the General Partner’s and Team’s decades of experience in VC and crypto.

Figure: Wave Genesis Venture Fund Investment Strategy Overview

Investment Strategy



Source: Fundstrat, Wave Financial

Wave Genesis Venture Fund

Investing in digital asset infrastructure and next gen financial services

- 53% of Fund assets have been deployed into digital asset infrastructure such as layer 1 smart contracts platforms and centralized crypto exchanges.
- 27% of Fund assets have been deployed into next generation financial services companies building robust digital asset offerings.

Figure: VC Investments by Theme and Select Holdings

Infrastructure

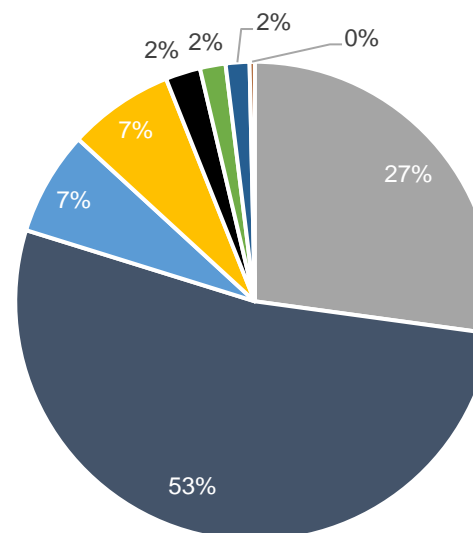


Financial Services



Investments by Theme

- Financial Services
- Infrastructure
- Gaming
- dApps & Other
- Identity
- Tokenization
- DeFi
- Enterprise



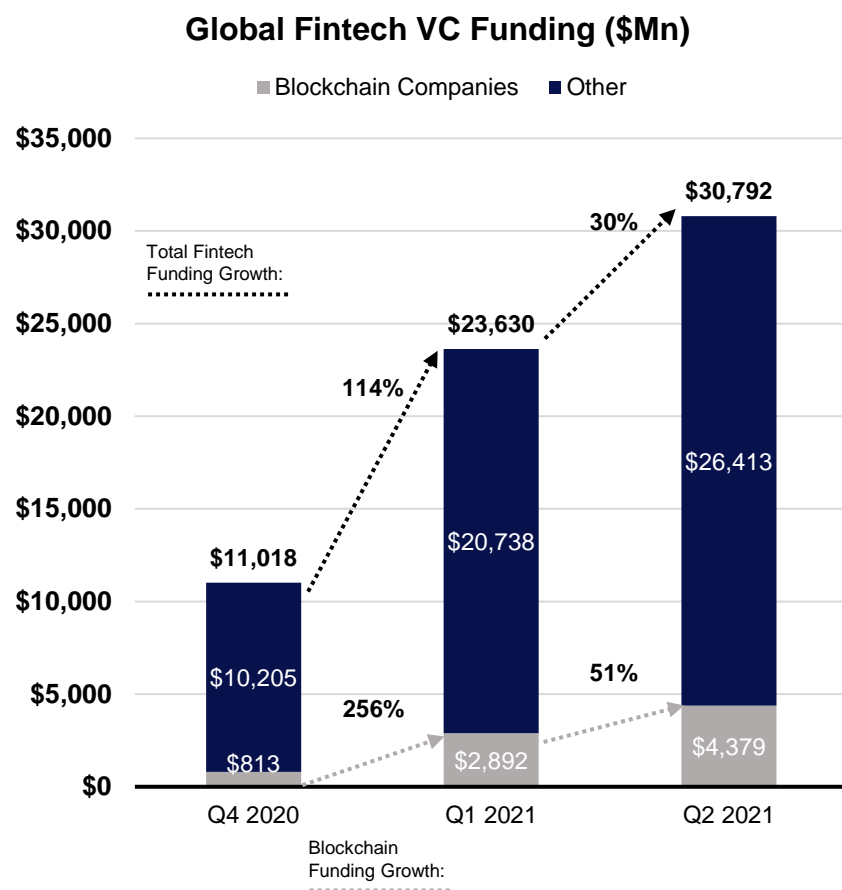
Source: Fundstrat, Wave Financial

Wave Genesis Venture Fund





Blockchain Infrastructure funding outpacing total VC growth

- Blockchain infrastructure VC deal funding grew 256% from Q4 2020 to Q1 2021 and 51% from Q1 2021 to Q2 2021, outpacing the growth across all Fintech VC funding (114% and 30% respectively).

Figure: Global Fintech VC Funding, Top 5 Blockchain VC Deals 2Q21



Top 5 Blockchain VC Deals 2Q21

Company	Deal date // Amount raised	Description
 CIRCLE	May-21 // \$440M	Circle helps businesses accept and send payments through blockchain infrastructure.
 Ledger	June-21 // \$380M	Ledger leverages encrypted chip technology to build security solutions & hardware wallets for crypto & blockchain.
 PAXOS	Apr-21 // \$300M	Paxos delivers blockchain solutions for global financial institutions and investors.
block.one	May-21 // \$300M	Block.one's open source blockchain software provides developers and businesses with tools to build blockchain infrastructure.
 BITSO	May-21 // \$250M	Bitso is a regulated Mexico-based crypto exchange.

Source: Fundstrat, CBInsights

Wave Genesis Venture Fund

Summary of Terms & Service Providers

Figures: Fund Terms and Service Providers

Fund	Wave Genesis Venture Fund
Typical Investment Size	\$100,000 to \$1,000,000
Target Valuations	Equity or token investments less than \$20,000,000 pre-money, currency investments at market, generally
Sectors	Payments, Decentralized Software and Applications, Decentralized Platforms, Derivatives, Digital Securities, Cryptocurrency Exchanges and Crypto Infrastructure
Geography	Global
Traction	Seeking established team, business partnerships, and functional product
Stage	Equity at Seed and Series A, tokens at first round of crowd sale
Investment Terms	
Current Status	Completed first close: first 30 investments made
GP Investment	Approx. \$1.5M
Management Fee	2%
Performance Fee	20%
Fund Withdrawals	3-year lock-up; annual redemptions thereafter
Jurisdiction	Cayman Islands master, US and Cayman Islands feeder

Service Providers

Custodian 	Fiat Bank 	Administration 	Legal 	Legal 	Auditor 
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Source: Fundstrat, Wave Financial

cFund

Venture capital fund investing in the Cardano ecosystem

- cFund is an early-stage, sector agnostic venture fund that invests in companies that accelerate Cardano and its ecosystem. The Fund is a collaboration between Wave and IOHK – the development team behind Cardano.
- See slides 39-41 for additional color on Cardano.

Figure: Fund overview, IOHK and current investments

Fund Strategy



- Equity of token investments less than \$20 million pre-money
- 5% - 20% of the funds held in dry powder (fiat currency and liquid tokens)
- Facilitates equity investments and strategic risk management
- Liquid positions managed via lending, staking, and derivatives strategies to maximize yield

In Partnership with IOHK

- **Founders:** Charles Hoskinson and Jeremy Wood
- Driving development of Cardano and its ecosystem
- Goal of building high-assurance blockchain infrastructure solutions for public and private sector clients

Current Investments



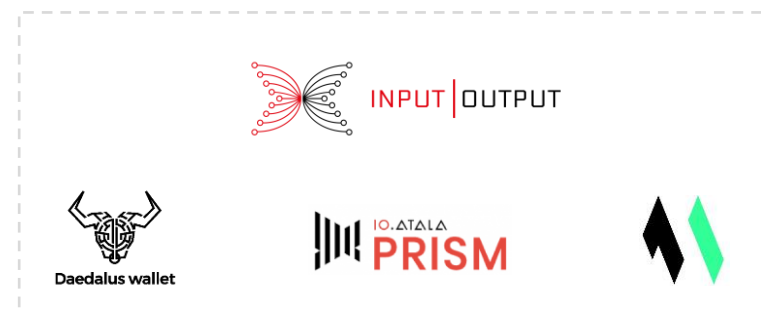
coti
A decentralized and scalable payments network for the global e-commerce market



BlockSwap Network
An automated liquidity protocol for the PoS chains that allows users to restake staked assets



Occam.Fi
Suite of DeFi solutions tailored for the Cardano blockchain. DeFi applications will be able to raise capital using the launchpad.



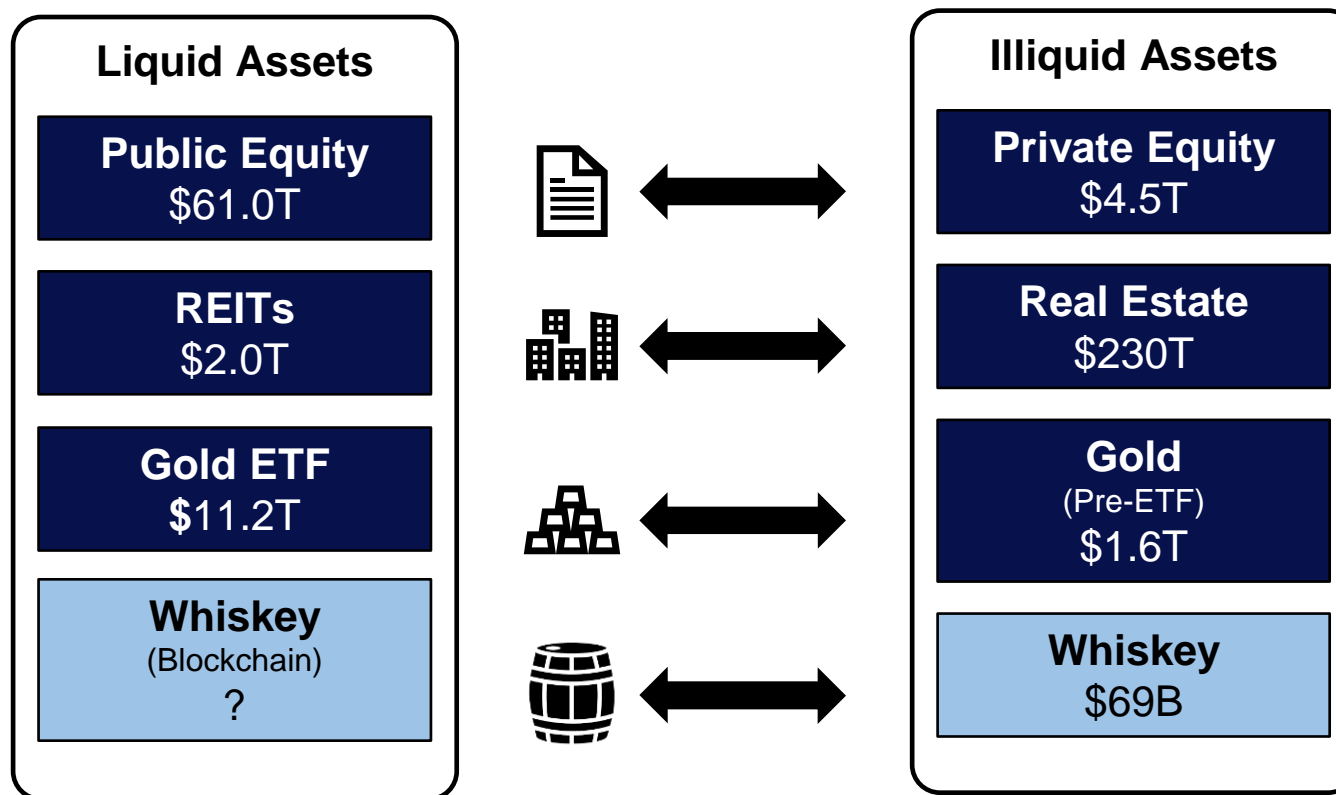
Source: Fundstrat, Wave Financial

Wave Kentucky Whiskey 2021 Digital Fund

Blockchain Offers a Solution For Non-Fungible Asset Market

- Introduced in 1967, Instinet was the first major institutional electronic trading system for securities – a technological innovation that drastically increased market efficiency and the liquidity for fungible assets like stocks and bonds. While this revolutionized fungible asset markets it did little to improve markets for non-fungible assets like real estate and art which to this day are transacted with much higher friction.
- With this in mind, we have been closely following innovative blockchain-based solutions like tokenization that create efficient markets for non-fungible assets. If implemented, these solutions could unlock massive liquidity for otherwise illiquid assets.

Figures: Illiquid and Liquid Assets



Source: Fundstrat, Bloomberg, World Bank, Green Street, Deloitte, Statista

Wave Kentucky Whiskey 2021 Digital Fund

Leveraging blockchain to tokenize a physical alternative asset

- Wave is partnering with Wilderness Trail Distillery and leveraging blockchain to tokenize physical whiskey assets into a digital security available to investors. This is Wave’s second whiskey-related product since launching the existing Wave Kentucky Whiskey 2020 Digital Fund which won the “Best of Class: Asset-backed Token” during the Tokenized Assets & Digital Securities Awards (TADS).
- The Fund intends to oversee selection of whiskey type and recipe for production, coordinate storage, and facilitate sale of inventory while updating clients on inventory status throughout the life of the fund.

Figure: Tokenization Benefits

Tokenization Benefits	
Lower costs	<ul style="list-style-type: none"> • Blockchain removes the need for intermediaries like banks and brokers thus reducing associated costs.
Fractional ownership	<ul style="list-style-type: none"> • Investors can purchase partial quantities of whiskey assets rather than whole barrels.
Programmability	<ul style="list-style-type: none"> • Smart contracts enable efficient management of rights, corporate actions, and compliance.
Increase liquidity	<ul style="list-style-type: none"> • Digital securities representing illiquid assets like aging Whiskey can be easily traded and transferred.
Potential for faster settlement	<ul style="list-style-type: none"> • While traditional Whiskey asset transfers require bonded notes and extensive legal contracts, token trading may offer the capacity to settle almost instantly.
Immutable proof of ownership	<ul style="list-style-type: none"> • Blockchain secures traceability of every transaction at fund level.

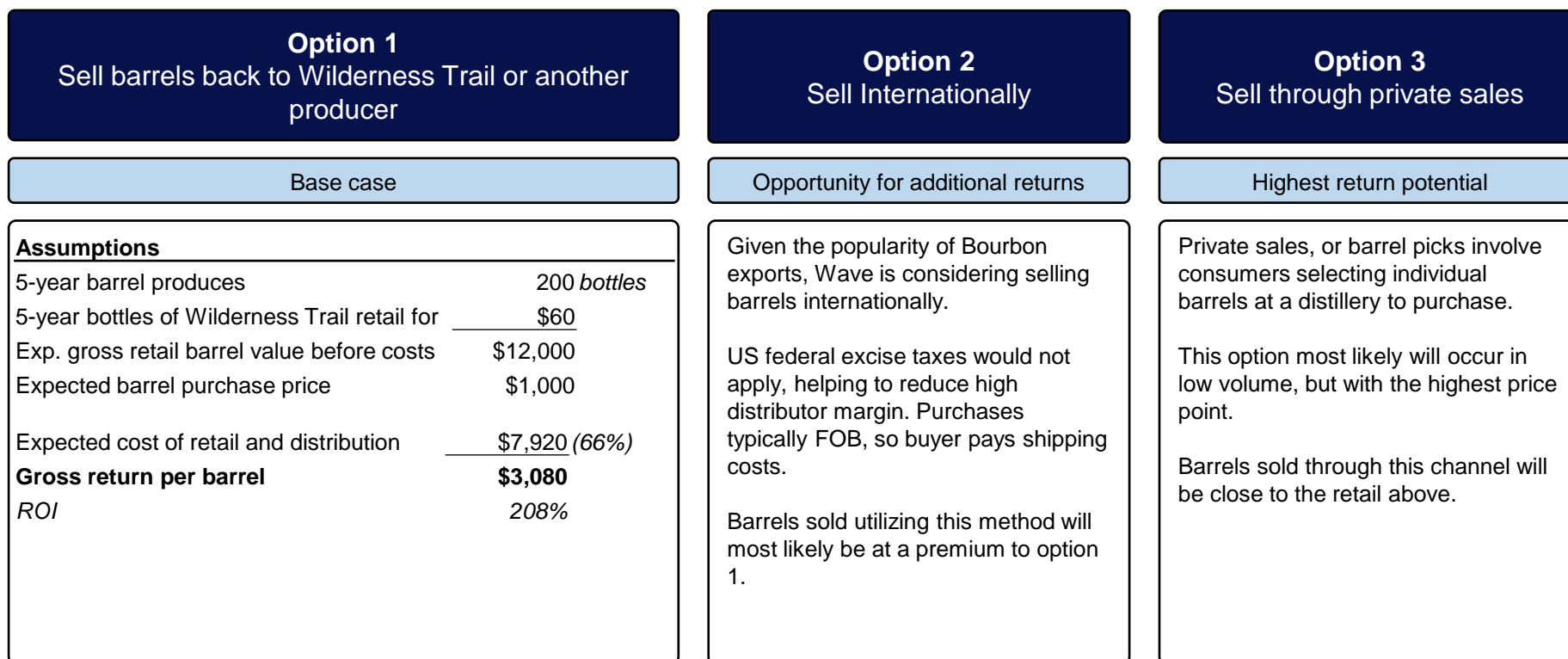
Source: Fundstrat, Wave Financial

Wave Kentucky Whiskey 2021 Digital Fund

Wave is exploring selling fund assets through three channels

- At the end of the aging period Wave will facilitate the sale of the Fund’s whiskey barrels. Based on Wave’s estimates, the base case entails selling back to the producer or to other producers and could return 208% after considering down stream costs associated with retail and distribution.
- Wave is exploring two other sale options which would partially or fully remove retail and distribution costs.

Figure: Whiskey Fund Economics



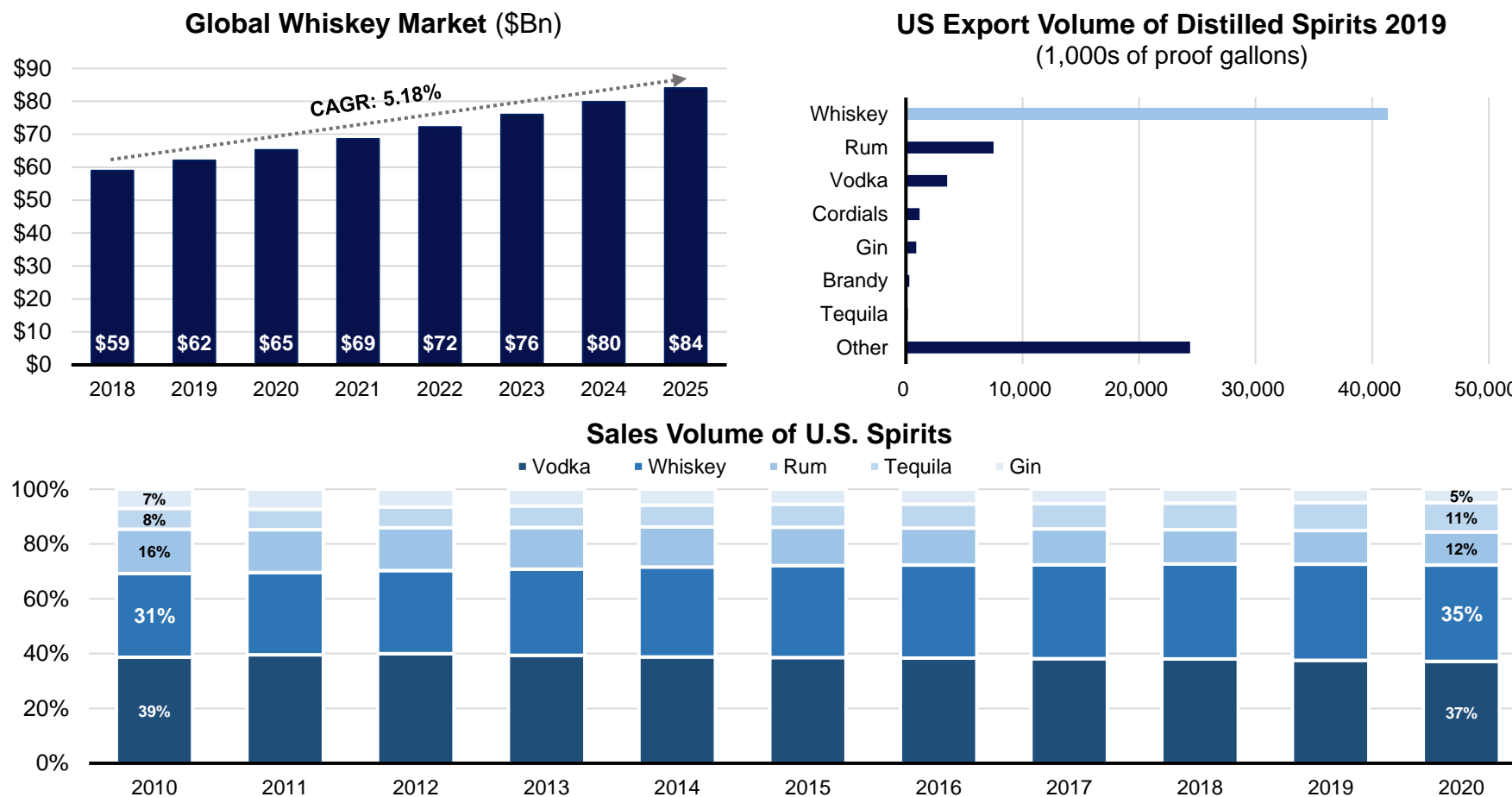
Source: Fundstrat, Wave Financial

Wave Kentucky Whiskey 2021 Digital Fund

Whiskey market overview

- The high-end cocktail craze and production of new whiskey flavors have introduced new consumers among Millennials, GenZ, Women, and Hispanic demographic groups to whiskey which has resulted in increased demand and decreased demand for other spirits.
- The global whiskey market is expected to grow at a 5.18% annual rate through 2025.

Figure: Global Whiskey Market Size, US Exports of Distilled Spirits, Sales Volume of U.S. Spirits



Source: Fundstrat, Wave Financial, High Spirits Marketing, Statista

Wave Kentucky Whiskey 2021 Digital Fund

Summary of Terms & Service Providers

Figures: Fund Terms and Service Providers

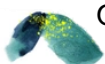
Fund	Wave Kentucky Whiskey 2021 Digital Fund
Portfolio	Newly filled Kentucky Whiskey, sourced from the Wilderness Trail Distillery and Wave Financial reserves the right to allocate some of the portfolio to barrels from other distilleries for diversification and risk management purposes
Investment Manager	Wave Financial LLC
Fees	5% upfront acquisition fee, 1% annual management fee, 15% performance fee on sold barrels after operating costs
Fundraise Timeline	First close – July 30; Second close – September 31; Final close – December 31
Investment Minimum	\$100,000

Service Providers

US Legal

**Bull
Blockchain
Law** LLP


Offshore Legal



M A R F I R E
CONSULTING | LEGAL | GOVERNANCE
EST. 2000


HARNEYS

Administration



STONEGATE
GLOBAL FUND ADMINISTRATION

Auditor



**RICHEY
MAY & CO**

Source: Fundstrat, Wave Financial

Wealth & Treasury Management Services

Wave is a crypto-native Registered Investment Advisor

- While many traditional wealth managers have been slow to incorporate crypto into their practice, Wave has built a full-service wealth management businesses for individuals whose net worth is largely invested in digital assets.
- The same suite of financial advisory services are provided to crypto protocols to support treasury management.

Figure: Overview of Wealth & Treasury Management Offering

Portfolio & Yield Strategies

Lending, staking, and derivatives strategies

- Digital asset lending program are used to generate additional yield without losing exposure to potential appreciation.
- Staking assets to secure underlying protocols is another source of yield unique to crypto assets that Wave captures for clients.
- Given the volatility of crypto assets Wave deploys covered call and other derivatives strategies.

Liquidity Services

Asset disposal, liquidity management for concentrated positions

- Wave assists clients confidentially liquidate large crypto positions over a 1–5-day timeline with low fees than OTC desks.
- Wave manages the trading process to ensure optimal timing and sales volume to maximize market efficiency and privacy.
- Structured liquidations of larger volumes can be completed over a multi week timeline while generating yield.

Separately Managed Accounts

Tailored portfolio strategies, tax-efficient structure

- Tailored portfolio strategies for each investor considering their overall financial picture.
- Wave works trading, lending, custody, and other counterparties to execute client positions.

Risk Management

Constant monitoring and back-testing, cold wallet custody

- Wave back-tests all portfolio strategies and monitors client positions regularly to keep clients apprised of performance and potential risks
- By leveraging Copper’s custody platform Wave can actively trade client assets across multiple exchanges without having to transfer assets outside of the secure custodial environment.

Fees

1 to 1.50% per annum on AUM | 15% of option premiums generated through derivatives strategies | 0.10% of futures contracts

Executive Summary

Products Overview

Key Observations

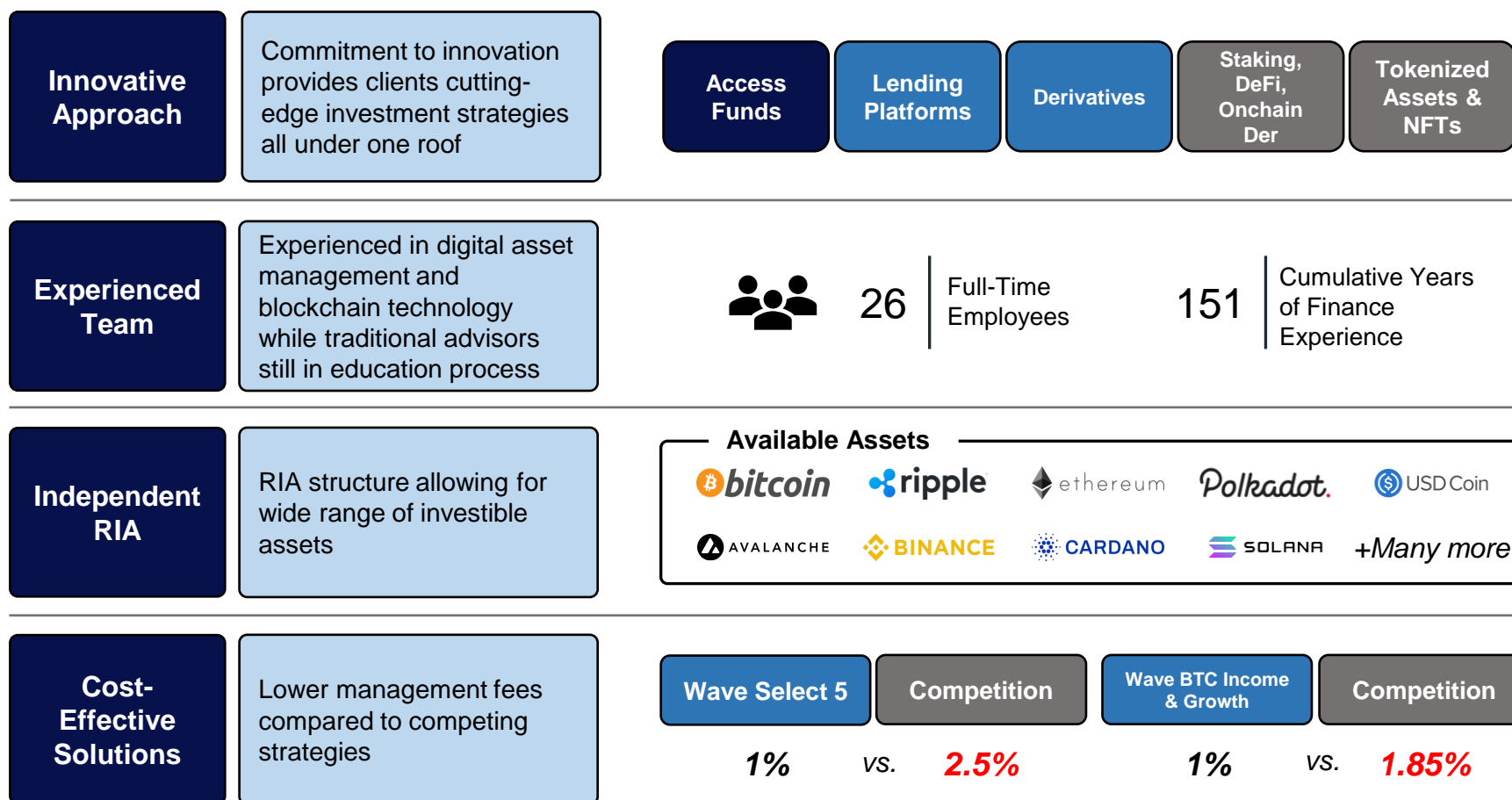
Appendix Information

Key Observations

Wave has built the capabilities and team to properly service clients

- Wave's commitment to innovation, coupled with their team's deep crypto expertise has resulted in a single source for digital asset management and financial advisory. The same can't be said about traditional wealth management firms that have been slower to offer clients a similar solution.

Figure: Overview of Key Take-Aways



Source: Fundstrat, Wave Financial

Risks to Consider

- Shares in Wave Index Funds could have a NAV premium that falls short of expectations or possible trades at a discount to NAV.
- Given the illiquid nature of investments within Wave VC funds, the investment management team may not be able to sell any or all of a position regardless of price appreciation.
- Shifts in government policy or regulatory agency stance could negatively impact crypto assets. For example, new regulatory guidance from the Securities and Exchange Commission (SEC) around the securities classification of crypto assets could force some assets to be registered as securities which could further impact how and where crypto assets are traded.
- Crypto assets are subject to hack risk, could be deemed securities, could face AML/KYC enforcement, some projects could be shut down.
- Performance results of Wave Funds may differ from the underlying price of crypto assets for unforeseen reasons.
- Crypto assets are a highly volatile asset class with the possibility for any asset to quickly lose a significant portion of its value.
- In covered call strategies asset appreciation is capped at the strike price of the call option sold. In times of heightened volatility this strategy has the potential to significantly underperform compared to holding the underlying asset outright.
- Competition from established industry players could encroach on Wave's competitive advantage and market share of structured crypto investment products.

Executive Summary

Products Overview

Key Observations

Appendix Information

Digital Assets: A New Asset Class, The Floodgates Open

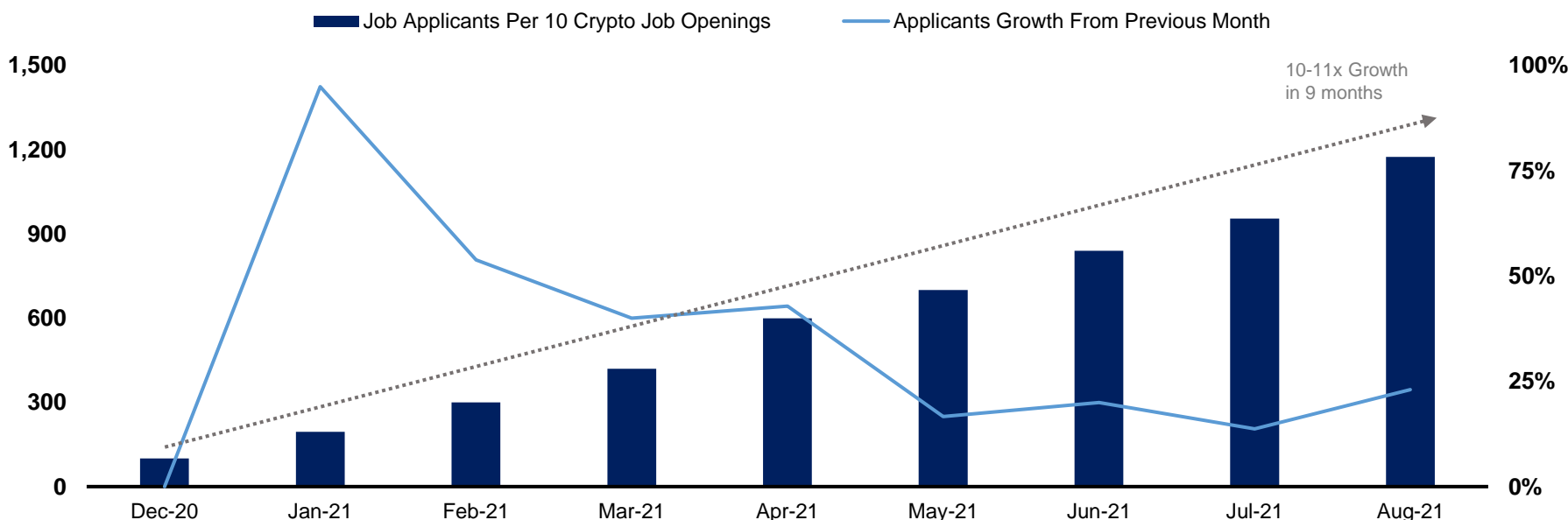
Traditional finance and tech companies rush to hire crypto talent

- A boom in digital assets interest has companies struggling to find top relevant experienced candidates. In order to be competitive and attract talent, companies are increasing salaries and offering additional company perks.
- In nine months, the applicants for crypto jobs has skyrocketed 10-11x, with January-April being the busiest months.

Figure: Companies are on a hiring spree, the fight to hire talent



Crypto Job Market Landscape



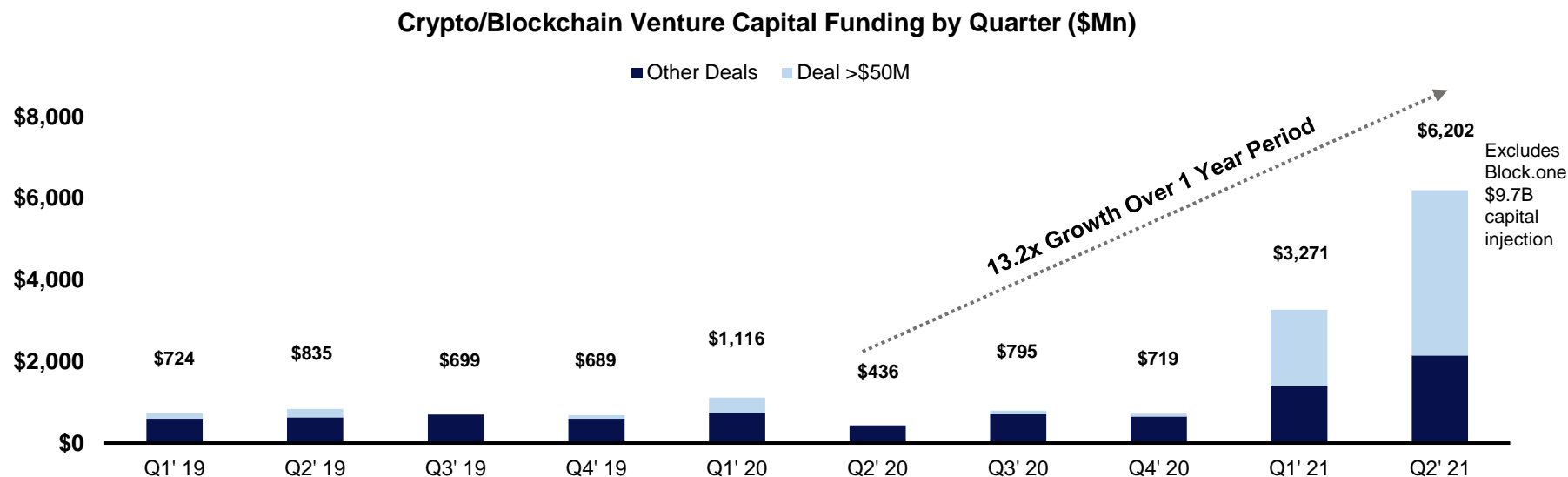
Source: Fundstrat, Crypto Recruiting Firms, LinkedIn, Indeed, Monster.com, Company Career Sites, Crypto.jobs

Venture Capital Rushes to Provide Capital to Crypto

Crypto assets under management (“AUM”) continue to grow

- An outstanding 497 venture capital deals took place during 2Q21, totaling \$6.2 billion in aggregate value. Highlighting the demand for private capital to enter the crypto/blockchain space. Crypto financial service companies, infrastructure-focused companies, and tokens gained the most venture capital interest in 2021.

Figure: Crypto/Blockchain VC funding by quarter, since 2019



5 Largest Regulated U.S. Digital Asset Managers Hold over \$55B of Crypto



~\$50B AUM

~\$3.8B AUM

~\$1.1B AUM

~\$1.3B AUM

~\$1.0B AUM

Source: Fundstrat, Bloomberg, Yahoo Finance, The Block, Grayscale, Pantera Capital, Bitwise, Galaxy Digital and Wave Financial

Cardano (“ADA”) – A New Smart Contract Solution

Layer 1 protocol allows other blockchains to build and benefit

- ADA is a third-generation public blockchain and Dapp development platform. Its layered architecture aims to improve scalability, security and sustainability relative to other smart contract platforms

Figure: Scalability Provides Liquidity and Usability, Cardano’s (“ADA”) Investment Case

Scalability:



Cardano offers the ability to scale thousands of transactions per second



Liquidity:



Volatility and asset liquidity create barriers to mass adoption. Fiat-collateral; asset/crypto-backed token grant consensus and improvements



Interoperability:



Supports scalability by removing throughput burden from one main chain to an “ecosystem of blockchains”



ID, Privacy and Reputation:



Token solutions that grant user privacy and allow their information to be safeguarded







Source: Fundstrat, Cardano

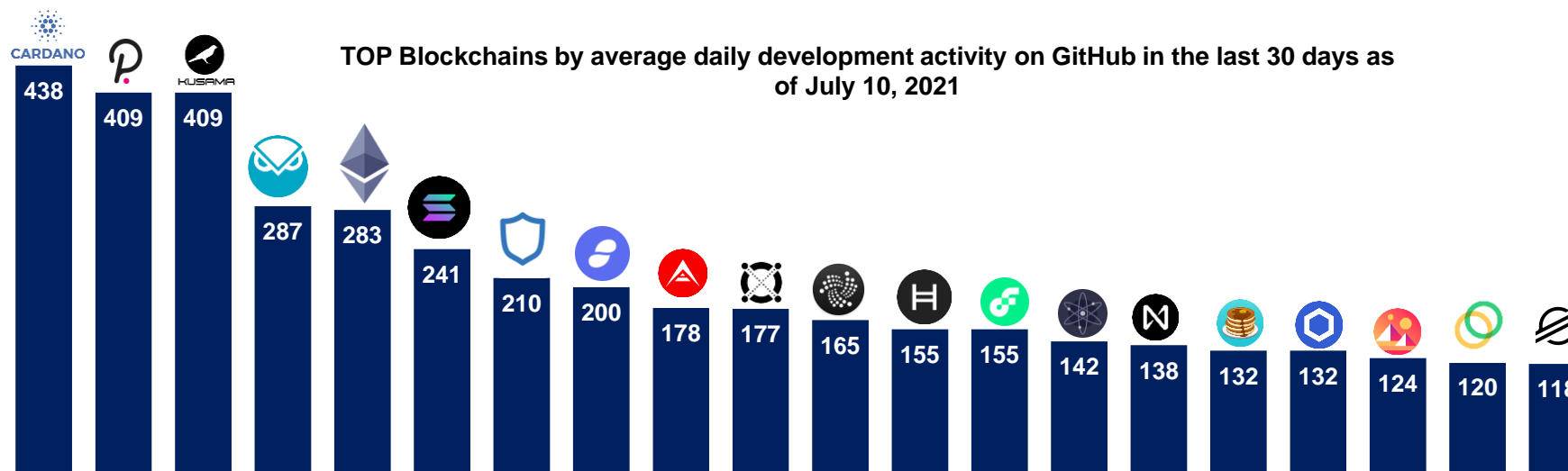
Most Active Blockchain Community Driven Development

Blockchain Protocols head-to-head comparison alongside Cardano

- Based on Github activity data, Cardano (“ADA”) is the most active project as of July 2021.
- When compared to other blockchains, Cardano is competitive in speed, costs-effectiveness, and staking rewards.

Figure: Blockchain platform comparison and Github project development activity

	 CARDANO PoS	 PoW, PoS ETH 2.0	 NPoS	 Avalanche PoS
Consensus	PoS	PoW, PoS ETH 2.0	NPoS	Avalanche PoS
Block Time (Seconds)	20	13	6	3
Number of Validators	2,763	200,000	297	971
Staking Rewards	6.5%	6.0%	14.0%	10.5%
Security (Settlement Sec)	TBD	120	60	2
Transaction Costs	\$0.2	\$8.96	\$0.0001	\$0.46
Max Transaction Per Second	2,000	15	1,000	4,500
Layer Security	Settlement Layer + Computational Layer	Layer 1 + Layer 2	Relay Chain	X Chain + P Chain + C Chain



Source: Fundstrat, Github, Santiment.net, CryptoQuant, Coinmetrics

Cardano Continues to Buildout its Global Presence

Resilience, expansion, investments and additional positive news

- The Cardano ecosystem matures via strategic opportunities. ADA will now be available as an investment vehicle in IRA and 401K accounts, additionally, Cardano is listed on Japanese crypto exchanges, granting it access to a new market. Finally, several interoperability cross-chain bridges have been developed for ADA to accompany the launch of smart contracts, which occurred in September.

Figure: Cardano Developments and Performance Worth Highlighting



iTrustCapital, the crypto IRA platform will introduce Cardano (“ADA”) to its list of available assets. Cardano blockchain will be accessible for IRA and 401K account investors



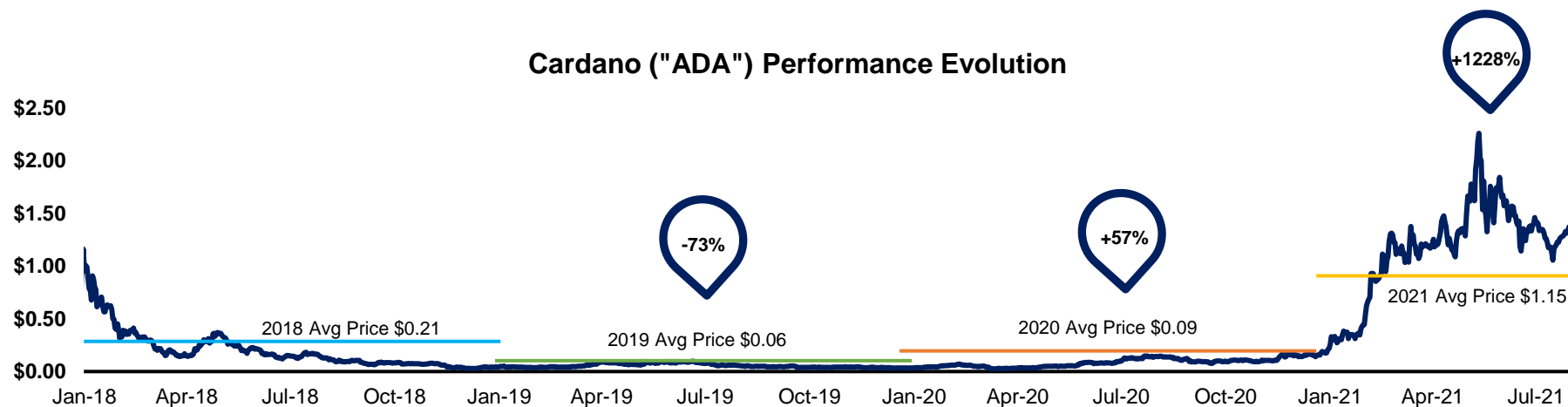
One of the hardest listing requirements in the world comes out of Japan. Cardano has been listed on Japanese crypto exchanges.



Creating interoperability across blockchain platforms. Cross-chain bridges:

- Nervos Network (“CKB”) and Cardano bridging between the two platforms
- ADAmatic, Carnado and Matic (Polygon), a two-way bridge to convert assets
- Occam.fi reveals the first-ever Ethereum-to-Cardano liquidity bridge

Cardano ("ADA") Performance Evolution



Source: Fundstrat, Cardano Foundation, CoinMetrics

Returns versus previous year average price

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Neutral (N): The analyst expects the performance of his or her industry/sector coverage universe over the next 6-18 months to be in line with the relevant broad market benchmark, being the S&P 500 for North America.

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