VESTUN

CAPITALIZING ON THE CONVERGENCE OF AI IN CRYPTO

Catalysts for Outperformance Before 2025

KEY **TAKEAWAYS**

- Markets are looking to enter the expansion zone of the global liquidity cycle, but returns are likely to be widely dispersed and asset allocation even more critical than ever. TOTAL3 looks like it could be bottoming, BTC.d showing no sign of stopping.

- Two of the best performing sectors this year have been Memes, RWA and AI, it is likely they will outperform in 2025.

- Whilst enjoying high returns, the end user demand and revenue for AI protocols are low and extremely offside compared to valuations. Protocols with the best positioning are those who target institutional clients with high revenues while they are at attractive valuations compared to peers.

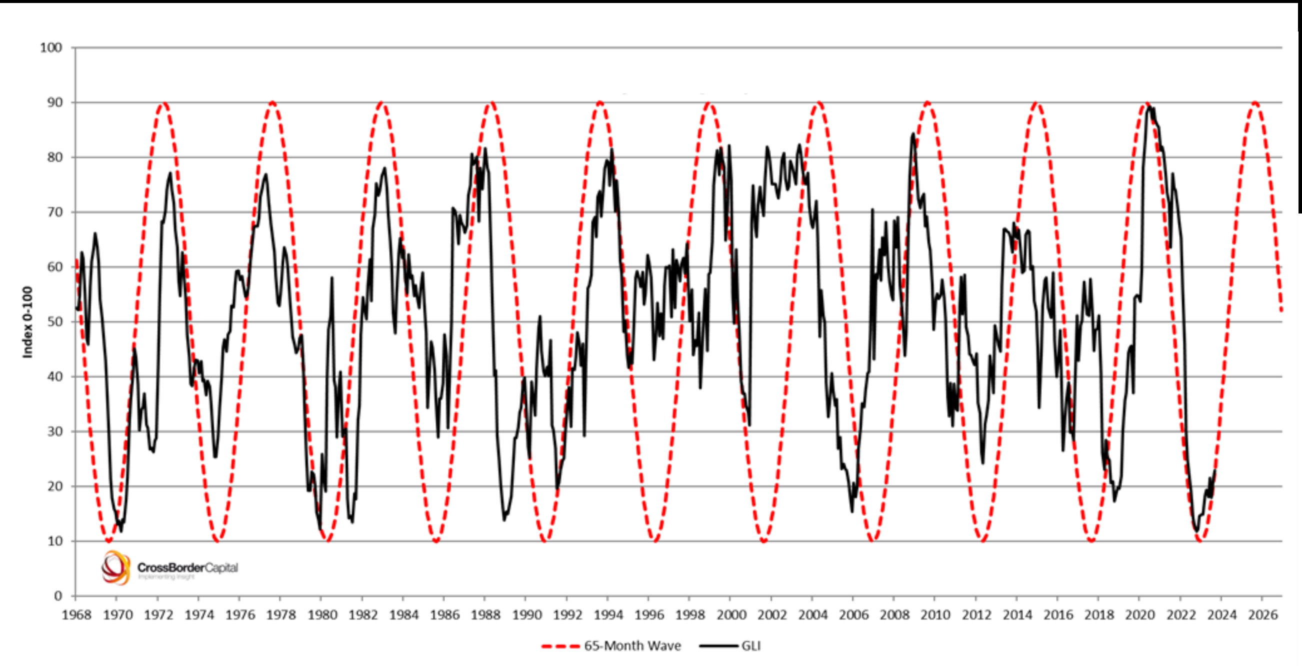
- Growing opportunity in the AI sector to invest in assets that have growing revenue and value accrual to the token compared to their valuations that are being underlooked by the market. These are likely to experience price discovery to new valuations once those metrics are understood.

2024:

Market Flow and Positioning

The market this year has started strong, but has turned into a very choppy environment for altcoins since Q2. Not all altcoins have ran and even in October some are at 2024 lows. Looking at the global liquidity index, it appears we are still in the lower bounds of the range and yet to enter the expansion zone in 2025. This lines up with expectations of the rate cut cycle entering a shift towards lower interest rates and incentivizing money to flow into risk assets. Bitcoin has reached ATHs and is looking towards a strong 2025 with many tailwinds.

GLOBAL LIQUIDITY INDEX (GLI)
LONG-TERM 5-6 YEAR CYCLES



Source: CrossBorder Capital

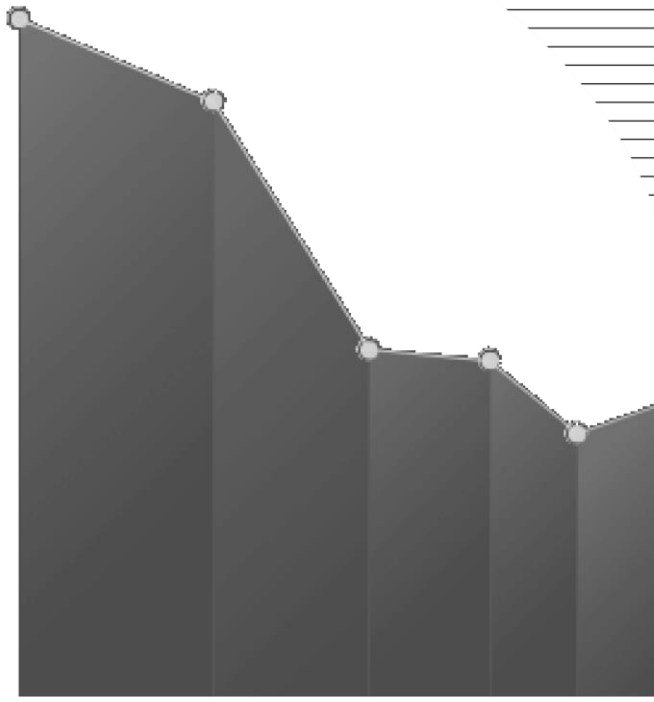
BTC Dominance has been rising since the market bottomed in 2022,

and has shown no sign of stopping. It is starting to get close to resistance levels, but it is likely that a strong reversal and lower high is what many are looking for to start to bid alts again. BTC has been driven by strong accumulation by ETF buyers, Saylor and institutions. Aside from a few select outperformers, few alts have been able to maintain any gains especially against BTC this year. BTC Dominance has continued to rise in October this year, and for now has not shown any sign of topping.

However, this does not mean that we cannot start to allocate into alts due to solely anticipating a reversal of BTC.d, it is possible that BTC.d can rise and alts can too as occurred late 2023 into early 2024.

TOTAL3

Has been chopping downwards,



and is getting closer towards a decisive moment of a break of trend to the downside or to trend upwards again, continuing the longer term uptrend started in late 2023. As of Mid October this year, **there are signs of a bottom forming in TOTAL3 which could result in a break to the upside. A break to the upside occurred in October** and some altcoins are breaking out to new highs.

The altcoin market has not seen any substantial gains since TOTAL3 last run from late 2023 to early 2024 and a resumption of this trend would likely have sidelined capital return to the market chasing outsized returns. **Whilst it is likely that risk assets will receive reprieve in Q4 and into 2025, asset selection will become more important than ever with growing dispersion of returns compared to previous cycles.**

Source: TradingView (29/10/24)

FUNDAMENTAL ANALYSIS:
BLOCKCHAIN ACTIVITY

One of the most utilized chains in 2024 has been **Solana,**

and has shown no sign of stopping. It is starting to get close to resistance levels, but it is likely that a strong reversal and lower high is what many are looking for to start to bid alts again. BTC has been driven by strong accumulation by ETF buyers, Saylor and institutions. Aside from a few select outperformers, few alts have been able to maintain any gains especially against BTC this year. BTC Dominance has continued to rise in October this year, and for now has not shown any sign of topping.

Ethereum continues to dominate in volumes, but Solana has consistently been able to take first place at times when the market is hot. Whilst it launched late 2023, **Base started to see high growth in 2024** with trading volume and active addresses.

It is now competing with and overtaking Arbitrum in consistently higher volume and addresses. Base was fueled by a strong memecoin ecosystem, and Aerodrome spearheading its burgeoning DeFi ecosystem. As of September 2024, Coinbase launched cbBTC, a competitor of wBTC and it is quickly gaining market share. Base is also growing in metrics such as ETH/WETH/cbBTC/USDC issuance and trading activity and is **on track to have some of the deepest liquidity available in major assets** onchain.

Source: TradingView (29/10/24)

Application Layer Market Insights:

Solana maintains high activity, alongside leading Ethereum L2s

Solana has the most daily active users, **mostly driven by DEX trading.**

A large reason for this is the memecoin culture, which was elevated even further by the launch of pump.fun. Over half a million tokens were launched, and while most never made it to DEX the frenzy and success of some memecoins like POPCAT, BONK and NEIRO ensured that Solana remained the blockchain of interest for memes. However, Ethereum also received a surge of meme outperformers such as SPX and MOG.

Solana tops the list for DEX volume, but not by any considerable margin as the average user on ETH takes larger trades and it is still the chain with the most TVL and onchain whales. **Base has been enjoying consistent growth,** overtaking Arbitrum to become the most used Ethereum Layer 2 by active users and DEX volume. It has also seen revenue growth, but substantially lower than its next competitor in Solana.

This year saw the success of RWA, AI and DePIN protocols who prominently deployed on Ethereum and Solana. Major RWA protocols were built on Ethereum, and **76% of the total RWA TVL of these protocols stays on mainnet Ethereum.**

DePIN tokens were more chain agnostic, with the top 10 DePIN by market capitalization including tokens with their own chain, some on EVM and some on Solana.

Top AI protocols were predominantly decentralized compute platforms, which were also fairly chain agnostic with no one chain being extremely dominant over the others.

Top ranked AI protocols also preferred to have their own chains, with Render Network being the exception based on Solana.

It would be amiss to not mention the success of memes this year, with some of the strongest outperformers being memes on primarily the Ethereum and Solana blockchains. Ethereum memes including MOG, SPX and JOE skyrocketed, while Solana had winners such as WIF, BONK and POPCAT. The “memecoin supercycle” also reflected significant interest in onchain activity in the speculative end, with dog and cat derivatives

and more recently “AI Agent Memes” while utility onchain altcoins continue to bleed, indicating the hot ball of money has only kept up chasing this trend.

The recent AI agent craze was also heavily based on Solana, with the frontrunner **Goatseus Maximus reaching highs of over $1B MC.** Others like Zerebro hit $500M, LUNA by Virtuals hit $230M MC whilst being predominantly on Base, and supported by Jesse Pollak and Brian Armstrong. Marc Andressen even interacted with an AI agent dubbed “AI61z” built on Solana that soared to $70M on its first day. Other onchain coins ran to 8 figure market caps before pulling back.

The market is bullish on the idea of AI agents utilizing their abilities to speak to the community and make decisions on investments that everyone could follow on social media and onchain, which ties into a longer term belief that as AI agents grow and increase their capabilities they will become the primary users of crypto rails and grow the crypto economy.

The AI Agentic Rise

Solana leads the way in performance, others building infrastructure

AI Agents **have dominated in onchain activity and has produced some the best performing tokens in October.**

The top performers include GOAT (96,000%+), ZEREBRO (14,000%+) and FARTCOIN (30,000%+) all on the Solana blockchain. What these tokens have in common is an autonomous AI agent and a twitter account, with fartcoin being a memecoin launched due to truth_terminal (X account of GOAT) talking about farts in a tweet.

These agents reflect the market sentiment of memecoin dominance, which is arguably a reflection on the failure of utility coins last cycle to deliver any long-term gains or value accrual to their token holders. **Nonetheless, the market has shown its appetite to bid these tokens to 9-10 figure valuations on a cult community.** The success of these tokens coincidentally also reflects in a selloff of the cult meme onchain tokens like POPCAT, MOG, SPX6900 that were formerly market darlings only a month or two before.

The AI agent space is not just memes though, many builders are working on agents that can provide valuable information about the markets and trading, as well as building infrastructure for others to launch their own agents. Even protocols that were not agent based pivoted to launching their own agents to take advantage of this trend.

AI Agents have already started to use crypto rails to make transactions simply by interacting with you. The security, infrastructure layer and composability with other applications is only going to accelerate in the future.

The Coinbase team and other projects such as MASA are promoting this use case and are openly calling for more development in this space on Base. It is likely as the AI Agent mania continues to develop, there will be **many potential great AI Agent products and simultaneously tokens** that could become the focus of a sector driven rally. The main blockchains that are building AI Agents are Solana, Base and Ethereum. We are actively watching this space for developments and believe there will be multiple winners here.

THE CONVERGENCE OF AI AND CRYPTO

Artificial Intelligence has become the focus of the world this year, and has even eclipsed crypto in funding, mindshare and mainstream adoption. However, some crypto protocols have applied decentralization and blockchain rails to create marketplaces for AI models, decentralized computing using DePIN models of token emissions and payment mechanisms to attract users, and compete with each other and their Web2 counterparts.

Overall, the **AI sector has seen a strong performance over a 1 year timeline**, and the AI tokens in our basket originally averaged higher 1Y returns than Bitcoin and TOTAL3 respectively, with the exception of Aethir. BTC has stormed ahead and has outperformed over a 1Y mark. The majority of these protocols are in decentralized computing, and are at the stage where they have acquired end-user demand and are competing in a variety of metrics. The 14 day timeframe provides glimpses of AI outperformance vs BTC with the exception of TAO.

	1 Day	7 Days	14 Days	30 Days	1 Year
TAO	-3.5%	-13.3%	-9.0%	-17.2%	+59.3%
AKT	-6.5%	+27.4%	+66.1%	+55.1%	+123.5%
RENDER	+0.2%	+16.6%	+62.1%	+49.3%	+119.4%
ATH	-8.2%	-0.9%	+27.0%	+9.8%	+57.38%
IO	+4.0%	+5.0%	+37.7%	+25.9%	+27.61%
BTC	**+1.7%**	**+6.6%**	**+25.9%**	**+37.2%**	**+151.7%**
TOTAL3	+0.52%	+9.49%	N/A	+29.83%	+101.7%

Source: CoinGecko and TradingView

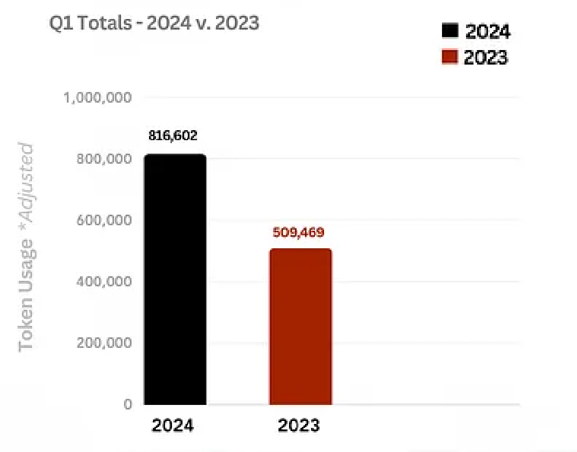
Decentralized Computing:

Utilizing the DePIN model for Crypto x AI, an analysis of the competitive scene

The decentralized compute sub-sector has experienced high growth since Render Network pioneered the “Decentralized GPU” platform in 2020. The common use case of utilizing GPU/CPUs are training AI models, machine learning and generative AI.

Render Network does not actively disclose the amount of GPU/CPU on its platform, and leads the pack at a $2.9B FDV. It tracks its usage metrics uniquely with “Frames Rendered” and indicates that there is growing demand for the platform's GPUs, and corresponding token usage. Whilst this growth is consistent, as expected from a leading protocol like Render it is in the analysis of its tokenomics that show where its issues lie.

RENDER NETWORK
TOKEN USAGE

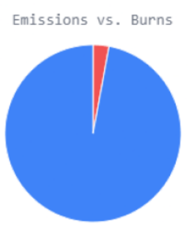


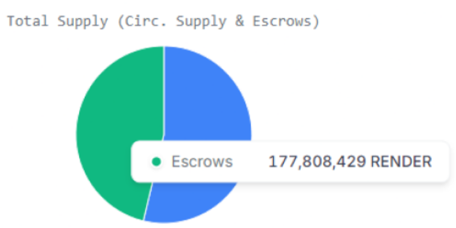
The Render Network's token $RNDR is a utility token, and is required to use the network. It has a theoretically infinite supply, and new tokens can be minted.

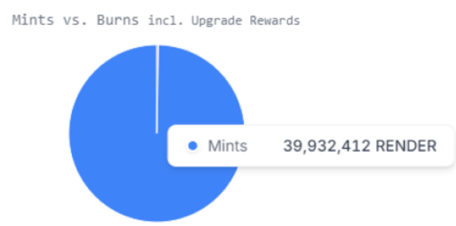
The circulating supply is slightly less than half the current supply of tokens and **the emissions dwarf the burn amount. If you include the burns vs mints it is even more comically one sided.**

Source: Render Network & Render Dashboard

The Render Network's token $RNDR is a utility token and is required to use the network. It has a theoretically infinite supply, and new tokens can be minted. At the current state of the protocol, Render is a long way away from becoming fair value yet alone undervalued based on its metrics.



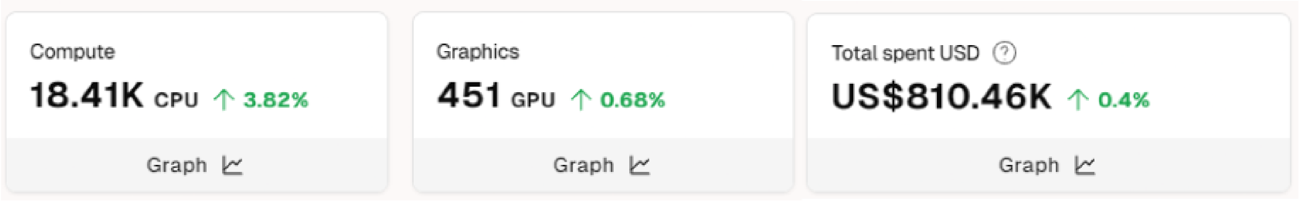




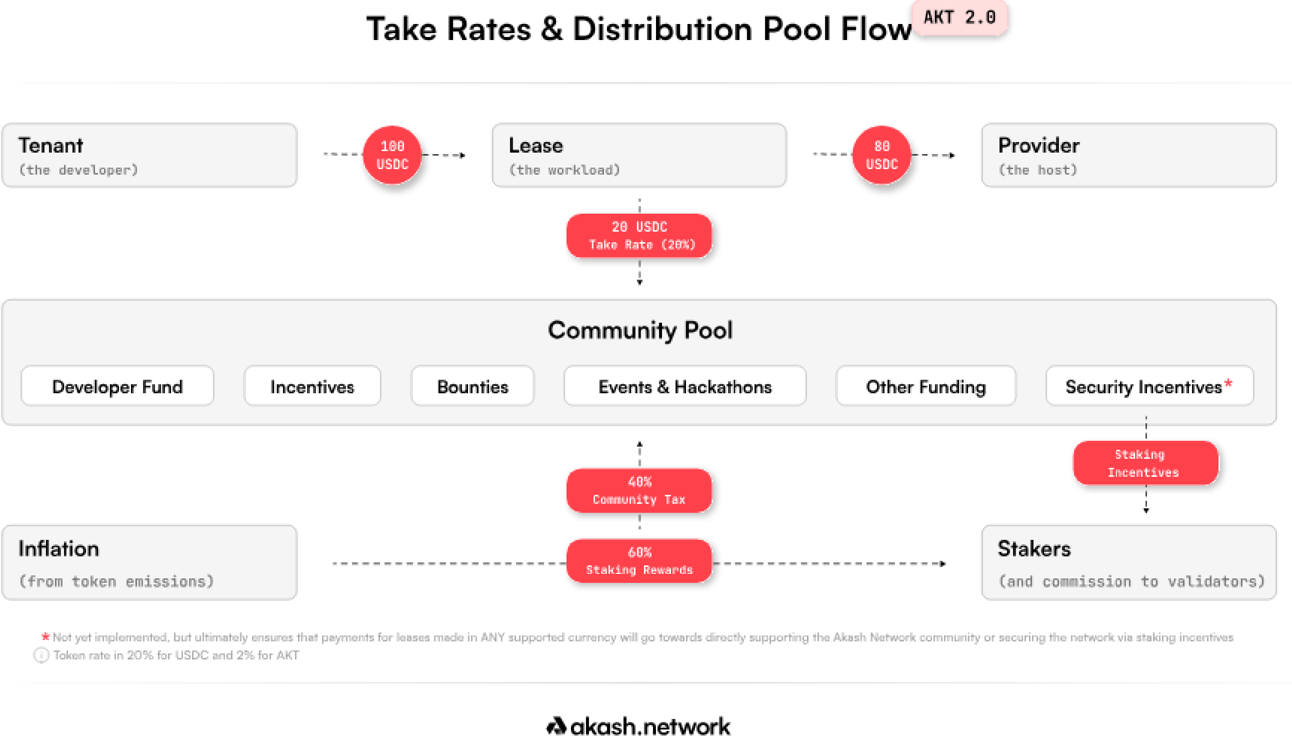
More positively for the protocol, the ratio of mints/burns is increasing, with snapshots of January 2024 to August 2024 indicating an **improvement of around 500%**. However, **this ratio is still incredibly one sided** and it is unlikely that $RNDR holders will see a positive mint/burn ratio in favor of the burns anytime soon, which does not help the supply overhang and a very high FDV.

Mints	Burns	Ratio(Burns)	Date
36,887,372 RENDER	17,628.75 RENDER	0.05%	1/8/2024
36,887,372 RENDER	21,590.75 RENDER	0.06%	1/16/2024
36,887,372 RENDER	23,339.48 RENDER	0.06%	1/18/2024
37,647,936 RENDER	23,339.48 RENDER	0.06%	1/23/2024
39,932,412 RENDER	95,887.34 RENDER	0.24%	8/8/2024
39,932,412 RENDER	97,104.9 RENDER	0.24%	8/9/2024
39,932,412 RENDER	97,749.38 RENDER	0.24%	8/13/2024
39,932,412 RENDER	97,777.69 RENDER	0.24%	8/14/2024

Akash Network is another major player in the decentralized compute space, and boasts a strong host of GPU/CPU on its network. It utilizes DePIN incentives to attract users to join its network, and transparently shares how much AKT (in USD) is spent to rent computing power on the network since its inception. **This transparency is a topic of criticism because it is very apparent that this level of revenue makes it difficult to justify its $624M FDV.** Its competitors are more opaque with their revenue, and do not disclose it so openly.



Furthermore, $AKT has a fairly high APY in staking rewards of (13-14%). This is primarily based on emissions. Akash released “AKT 2.0” outlining a roadmap for a sustainable model for long term staking rewards. The reality is that Akash Network requires more usage and revenue in order to sustain attractive APY levels long term once emissions run out and the supply is fully circulating. **For now, Akash Network will depend on its emissions to help grow its revenue** and in the long run it will need to find serious customer acquisition to sustain its valuation.



Source: Akash Network

Fully Diluted Value	909,181,278.72	USD
Circulating supply	247,443,076.71	AKT
Max supply	388,539,008.00	AKT
	63.69%	

Source: Token Unblocks

Aethir Network is one of the newer protocols to enter the decentralized compute space, and focuses on enterprise grade "GPUaaS" with over 41K GPUs onboarded to the network. Its focus is on B2B end users, and signed a contract with Well Link Gaming which has 200M+ users. **Aethir also claims to have had an ARR of $36M+ as of July 2024, which would make it one of the highest revenue generating decentralized computing protocols.**

Aethir's strategy is quite clear, it uses Tier 3 and 4 data centers to source its GPU capacity and can be up to 60% less expensive than AWS. It has successfully onboarded institutional clients, and is one of the few protocols with the **"Platform as a Service" offering** where users can access a suite of tools and services to help them train AI models. This is likely more appealing to institutions, which drive far more revenue than B2C as can be compared to Akash.

GPU Type	Quantity
NVIDIA H100	4000
Rockchip RK3588	31,280
NVIDIA Tesla T4	440
Qualcomm Snapdragon 865	6088
Adeon Radeon Pro WX 5100	80
Total	41,888

Source: Aethir Earth

Aethir has not yet created a public dashboard as of 17/09/2024 and it is not yet as transparent as Render and Akash as to pushing the revenue it reports onchain. If this is done successfully, and it can be proven that Aethir's ARR is onchain and paid in $ATH, it will be bullish for the platform and likely will show the highest onchain revenue for this subsector. To date, Aethir's GPU network and cloud solutions have an Annual Recurring Revenue of over $36m.

As the protocol approaches the final steps of product mainnet deployment, this revenue will be converted into ATH, as all business is converted to the new protocolized format. In support of Web3's transparency, Aethir will publish a Proof of Revenue alongside Aethir's Public Dashboard, which is slated to be unveiled at the end of August. Purchase of existing compute orders in ATH will begin on July 25th.

Source: Aethir Blog

Nonetheless, Aethir's FDV is still $2.4B and less than 10% of the supply is circulating. The token has utility in the form of staking, governance and the medium of exchange within the platform but it is difficult to consider Aethir's current valuation as attractive, even if we believe the ARR.

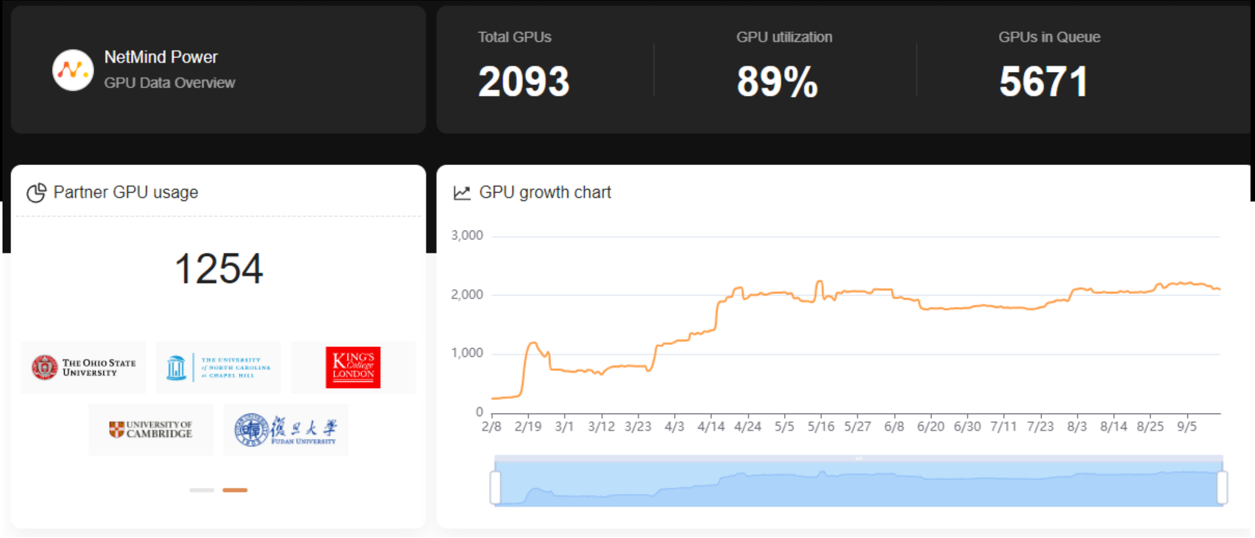
The emissions will still vastly outpace ARR, but it is likely there will be an eventual equilibrium with the market as Aethir attempts to grow their revenue and emissions eventually cease.

NetMind is a decentralized computing protocol with a relatively low valuation, and its platform is highly competitive to its peers in terms of pricing and service. It has a very high GPU utilization, and this is likely due to 60% of its GPUs being used by its institutional partners.

NetMind's disclosed revenue is $250,000 in the month of July 2024, extrapolated to mean $3M yearly assuming no changes.

NetMind focuses on B2B, and has already acquired several institutional clients. Furthermore, **NetMind's "Model as a Service" is unique to its product offering, as the AI ecosystem and models offered should make it a more appealing platform.**

NetMind's several other products are more early stage than Power but offer decentralized alternatives to chatbots and branch into DeSci, with NetMind Life and its AI-analyzed roadmap for individuals' health.



The decentralized computing space has evolved enough to the point where most of the major protocols have some level of transparent data on devices, revenue and usage.

The usage of the DePIN model to incentivize growth is good, but the issue comes from extremely low revenue in comparison to valuations. Whilst this subsector is still in a growth stage, it is apparent that B2C focused platforms are not showing the revenue required to be attractive investments.

We are interested in accumulating a position in $NMT as of October 2024, due to being undervalued for a variety of reasons,

which we believe will not remain this way in the future. The team understands the importance of B2B revenue generation and improving the tokenomics flywheel. The team also knows that their marketing and crypto native positioning needs to be improved to gain mindshare.

Its MaaS offering is something not seen in its peers, but similar value is found in marketplace platforms like SingularityNET or built on Bittensor subnets, which underpin a significant amount of their valuations yet none of this seems to be baked into the valuation of NetMind.

Source: Netmind Power

In traditional markets, the cost of computing is steadily declining over the long term. Projects that compete solely on price are unlikely to thrive.

Other protocols should take note, and unless revenue increases exponentially investors are likely to become more alarmed at the emissions > revenue ratios and high FDVs in a flat market. Strong outperformance and dispersion in protocols with high revenue over others is the likely possibility. The protocols that branch out from this such as NetMind also being an inference network are better positioned to the ones competing solely on price. Those that provide additional value beyond cost efficiency are the ones with the greatest potential for success.

1 The major protocols in this subsector utilize high emissions under a DePIN model to incentivize growth. For now the revenues overall are far lower than emissions.

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2 B2B revenue drivers are substantially higher value than B2C, Aethir leads the pack in this case but needs to transparently show this onchain.

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3 Very high valuations across the board, with circulating supply generally many years off coming close to fully diluted. Hard to place value here unless belief in AI narrative boom again or high revenue drivers showing consistent exponential growth.

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4 The space is still in relatively early days, but beyond just an idea. It is time for protocols to scale and user acquisition, particularly B2B to be able to ascertain which of these are likely to succeed long term.

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