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# Are markets discounting growth cryptocurrencies?

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The window to arbitrage a value or growth investment in the traditional stock market has pretty much closed. With so much information at the click of a button and an abundance of services purely focused on finding such stocks, the timeframe has become fairly short before Wall Street have put in their longs.

Cryptocurrency, although branded by many regulators and pessimists as a high-risk investment, are missing a trick. Crypto companies aren't recreating business management. There are principles that apply to crypto protocols.

In fact, anyone with a keen eye can understand whether a crypto platform has the correct branding for example. This is a key assessment for famed investor Warren Buffet who has piled Berkshire Hathaway's cash into Apple, Coca-Cola and others with a clear understanding that these have become quintessential icons of their category.

There are other key metrics that we can assess like any business. Teams, cash flows, growth, market size, user experience, and the list goes on. Crypto is not void of basic business principles.

In this new series, Copper looks at some potential cryptocurrencies that have ticked some key metrics and are worth consideration by investors. Much like being as good as dead on the second page of Google, crypto rankings under the Top 100 seldom get attention. Our research indicates plentiful growth, although certainly not an exhaustive list, as we followed some principles and guidelines that might help our readers conduct the very same scope of research on the thousands of tokens that are on the market. Our aim in this report is to simply identify where growth and valuations may be mismatched for cryptos under the Top 100. Investors should be able to replicate and assess such metrics on other cryptoassets.

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One can argue that Bitcoin stands on its own two feet at the top of the charts with a near trillion-dollar market valuation. Exchanges and access to buying Bitcoin has become embedded in practically every neo-bank application. In addition to trading on the world's largest futures exchange, Bitcoin trades on the stock market through companies like MicroStrategy and OTC trusts by Grayscale. It has become an iconic brand. Full stop.

Ethereum itself isn't far behind when looking at valuations that trail behind the top two cryptocurrencies. At the bottom of the Top 100 table, tokens are valued at under $1bn. The gap is massive. And maybe their valuations are already too much or perhaps even too little.

While investors will generally have a difficult time establishing a clear understanding of how to value networks and various protocols, public blockchains provide crystal clear transparency when looking at growth and usage.

And though valuations may be difficult, it's not impossible to find value. Copper's take is actually fairly straight-forward. We examined the growth of competing protocols and determined whether valuations followed or lagged behind the fundamentals.

This allows investors to find potential arbitrage opportunities where markets may have mispriced, or not yet even seen.

## No pain, no gain

Many of the digital assets mentioned in this report would require investors to go to further lengths to invest in via Decentralised Exchanges ,as a number are not listed on centralised exchanges.

Listings, while not a part of our measures, do carry a level of importance. Part of the risk would be that these tokens don't get listed on a centralised exchange. The reward though, should they get listed, would mean massive gains as placement earns protocols reputation points.

Currently, most protocols revolve around the DeFi space. And Total-Value-Locked (TVL) has been a key metric. It's important to understand that TVL is not a golden bullet when looking for valuations. More TVL doesn't mean the network should be valued higher. (Read our In-Depth here as to why we hold this position)

Valuations assessments have to be made in comparison to other protocols. TVL-to-Market Cap is the first metric that Copper looked at. The second, and most important, is whether or not protocols have exhibited sustainable growth. From these basic metrics, finding value becomes a fairly simple exercise that investors will be able to replicate in their own valuations.

## Raydium (RAY)

Solana's largest Decentralised Finance (DeFi) application Raydium has demonstrated steady growth in terms of available assets on its exchange. While Copper has indicated in the past that Total-Value-Locked (TVL) is a fairly basic metric, in the case of Decentralised Exchanges (DEX) which Raydium is, it proves to be a good starting point to assess potential available liquidity.

The token, which currently ranks **#227** on the leaderboard based on market capitalisation, earns its stakers 0.03% of the trading fees. Currently, this implies a whopping 20% APR which is nothing to scoff at considering volumes are a fraction compared to Ethereum's Uniswap.

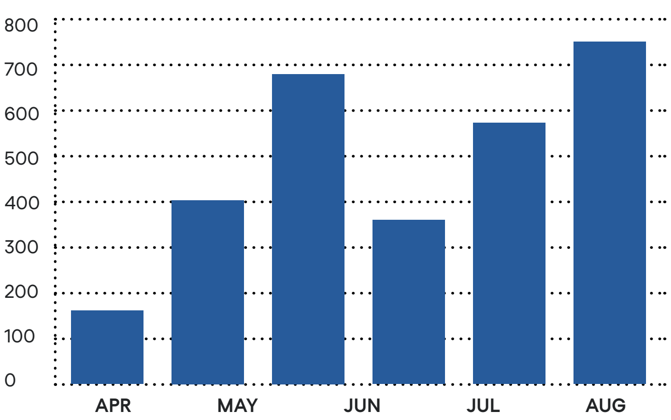
More importantly, at the time of writing, Raydium's daily trading volume would rank it in third place after Sushiswap, a protocol Solana's team is working to integrate. Relative to the TVL available on the DEX would indicate high churn, high liquidity making it fairly attractive for traders.

Which leads us to a key point not only important solely to Raydium, but cryptocurrency. The industry will inevitably become a multichain universe. Developers are looking at different layer 1 blockchains, all which have their benefits and downsides. It is important to realise that cross-chain capacity will allow for users to quickly opt into different protocols and networks.

Much like centralised exchanges that face loss of clients at a click of a button with blockchain transfers, decentralised exchanges will likely soon face the similar risk and reward of usurping liquidity from other DEXs.

A further opportunity is the fact that the cryptocurrency has yet to be listed on a US-based exchange.

Avg. Monthly Total-Value-Locked on Raydium DEX ($mn)




## Lido (LDO)

Tentatively, Ethereum is set to move into a Proof-of-Stake mechanism at the end of the year. This isn't guaranteed, however. Ethereum stakers are currently unable to withdraw their tokens until the full merge takes place. Even then, stakers would still be subject to an unbonding period that could be anywhere between a day and a month depending on the exit queue. Finally, with a minimum of 32ETH to run an Ethereum PoS node, the financial obstacle is not small.

But, this is crypto and when there is a problem, someone will find a solution, which is exactly what Lido has done.

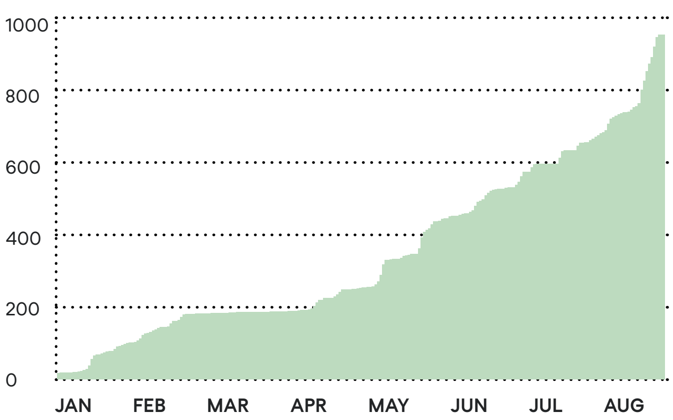
Lido allows users with as much Ether they like to stake into the network and earn the reward, currently at around 6%. The protocol gives investors a staked ETH token that should trade 1-to-1, though liquidity currently would mean some slippage cost.

Lido's token ranks at **#326** on the market cap table. It is also yet to be listed on a centralised exchange, but with Coinbase Ventures as one of their investors, it seems unlikely to stay like that for very long. And tokens jump on listings.

Considering that Lido is now close to staking 1mn Ether, north of 10% of the total staked ETH, the protocol might be fairly undervalued. Lido has nearly 25x in Assets under Management (AuM) in comparison to its market cap, one of the highest ratios on the market. Its closest competitor, Stakehound, has only 65k ETH in comparison.

While the token itself is currently a governance token, it doesn't take a lot of imagination to see the potential dividend potential with Lido charging a 10% fee on staking rewards. And with staking becoming larger by the day, possible returns might be significant.

Staked ETH via Lido ('000)



## Enzyme Finance (MLN)

Prior to Enzyme's listing on Binance and Coinbase, Copper noted the protocol's potential as a significant player within the DeFi space for asset management.

Back in 2017, Enzyme which has rebranded from Melonport, was one of the handful of projects to conduct an Initial Coin Offering (ICO) and actually deliver. This in itself is an achievement for anyone who was party to the wild west days.

Ranking at **#285**, Enzyme's fundamentals might very well be the strongest in the industry. Enzyme's founders, one of whom a Goldman Sachs alumnus, looked to solve the cost problem of spinning up funds and delivering a provable track record.

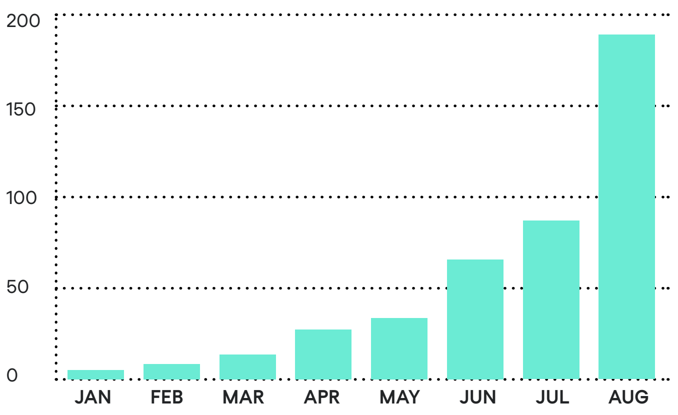
Since its relaunch as Enzyme, the protocol has attracted nearly 500 portfolio managers with a total of $250mn in AuM. Relative to its market cap, the protocol has 1.5x the AuM to its underlying network value.

In comparison to some of the other aforementioned tokens in this report, this may seem as small. There is a key difference, however. Enzyme managed to address its less than satisfactory user-experience, boosting the platform from under $200k in AuM at the start of the year to where it stands today at a near quarter billion dollars in less than 8 months.

The team, restructuring, self-evaluation is part and parcel of making an investment decision. And Enzyme has come through on promises made.

Importantly, new token economics are slated for 4Q21 that will allow portfolio managers to better estimate their costs and holders to see better value in the MLN token.

Monthly average Total-Value-Locked in Enzyme Finance ($mn)




## Cream Finance (CREAM)

A fork from popular DeFi protocol Compound, Cream has been able to make headway by adopting cross-chain capabilities on Ethereum, Polygon, Binance Chain, and plans for many others.

Across the multiple chains, the protocol has a total market size exceeding $1bn while the network is valued at just over $100mn, ranking it at **#358**.

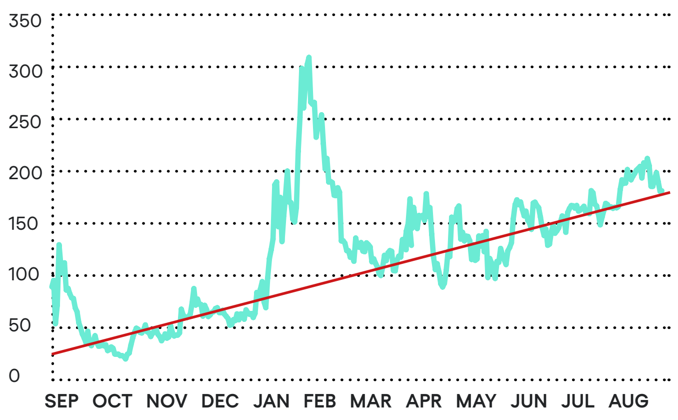
The protocol's latest upgrade, dubbed Iron Bank, allows for whitelisted protocol-to-protocol zero collateral lending. It's gained a great deal of momentum and addresses capital efficiency and overcollateralisation by using a credit system. This is a fairly unique development within the DeFi lending space.

Notably, the current utilisation of Cream's V2 Iron Bank (i.e. supply-to-loans) stands at a whopping 47%, exceeding both Compound and Aave which are both around 45%. Of course, the latter popular protocols have nearly $20bn in total assets.

Cream's low valuation is not by accident. The protocol has faced two exploits, one through a partner network . The other was a DNS attack alongside PancakeSwap that requested seed phrases. Neither hacks affected Cream user funds which is why the protocol continues to see month-on-month growth.

Despite the market crash and exploits, the token's price has been in a steady uphill trend since it first started trading. And it is yet to be listed on a US exchange. But the development team does have connections. Sitting on its advisory board is none other than Compound's own founder Robert Leshner. It's also worth noting that Compound was one of Coinbase Venture's first investments.

Price: CREAM/USD



## Yield Farming Aggregators

DeFi is likely to be one of the most innovative problem-solving industries ever to ramp up at such speed. It wasn't enough that MakerDAO and Compound led the charge into decentralised auto-adjusted lending rates based on supply and demand of different assets. The community felt the need to develop applications on top of other applications to address higher earning across multiple platform increasing yields. And it's been done so with phenomenal success.

Copper identifies three different protocols that have a growth-to-valuation mismatch for each of the popular chains on Ethereum, Binance and Solana.

## SolFarm (TULIP)

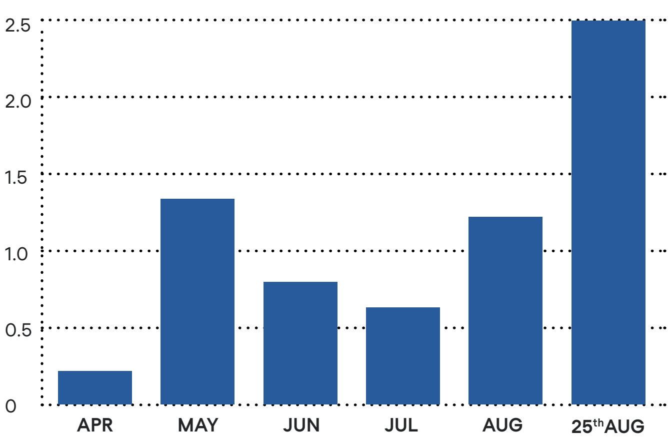
The lowest ranking token in this report, SolFarm's Tulip sits at **#1083**. Built on Solana as a yield aggregator, the protocol has mustered $260mn in AuM since its launch at the end of May this year. Its valuation totals a mere $7mn.

The protocol is in fact Solana's fourth largest. Lending utilisation averages an amazing 90%.

While we are indeed looking at protocols and applications under the radar, it's important to note that Solana, which recently entered the Top 10 in crypto rankings, has done so by seeing fundamental growth.

Across its various applications, of which there aren't many, TVL hit an all-time-high of $2.6bn this month. This number stood at less than $250mn at the start of April. The TVL figure doesn't include the $390mn of Tether issued on the network. Still a long way to go with Solana apps accounting for less than 2% of the DeFi space.

2021 Solana TVL ($bn)




## Convex Finance (CVX)

At **#323** Convex Finance might very well be a network whose valuation doesn't match up. The protocol is similar to Yearn Finance that ranks in at #74. There is a 10× difference in valuation.

Convex is a yield enhancer for investors who participate in the Curve network, allowing liquidity providers to earn a portion of trading fees and Curve tokens. The more Curve investors lock up, the more they earn. Convex, like Yearn, gives traders a higher potential of earnings with liquidity mining and increased flexibility from lock-up periods by depositing their Curve onto the platform.

While Convex and Yearn are indeed attempting to attract more Curve tokens into their platforms, they're not competitors per se. Yearn has implemented Convex strategies and other DeFi protocols are likely to follow.

And yet there is a large disparity in terms of TVL-to-MarketCap. Convex, which now ranks in the Top 10 DeFi applications by TVL, has overtaken Yearn in a few short months since launching.

Whilst Yearn is listed on practically every centralized exchange, Convex has yet to make an appearance given just how fast they've grown. This could help account for the heavy discount.

Convex vs Yearn TVL ($bn)


## Alpaca Finance (ALPACA)

Binance chain's answer to yield farming is Alpaca which currently ranks in at **#271**. The protocol now manages over $1.7bn in assets, triple the number from the start of June.

After Convex and Yearn, Alpaca sits in third place for yield farming protocols. While the protocol is very Binance Chain focused, it does have other chains in its eyesight for 4Q21.

## TrueFi (TRU)

With over $1bn in TVL, lending protocol TrueFi is carving out a difficult niche in the cryptocurrency DeFi space by offering uncollateralised loans with on-chain credit scores.

Since its V2 launch this year, TrueFi has originated over half a billion in loans. And it's likely to see its growth in large chunks as already seen, rather than a steady incline. This is due to the fact that the protocol has a legally binding onboarding process that approves borrowers. TrueFi's approach is one of the first protocols to bridge global liquidity providers with legal action and courts in case of borrowers defaulting on their loans.

This does means that lenders are still at risk should legal action go in favor of the borrower.

Ranking in at **#428**, the cryptocurrency still has a long way to go to prove this methodology works and find the institutional level audience consistently. But it's off to a fairly respectable start.

Currently, there are 19 approved borrowers with an average loan size of $8mn. Interest rates paid averaged not a small 12%. Over half the loans were on 90 day terms.

TrustToken, which is the key operator of TrueFi has landed itself investments from a16z, BlockTower, and Alameda Research, the latter being the largest borrower on the network.

| Borrower | Total tUSD |
|---|---:|
| Alameda Research Ltd. | 200,070,001 |
| Amber Group | 106,015,000 |
| Wintermute Trading | 81,276,000 |
| Nibbio | 28,234,000 |
| Invictus Capital | 20,000,000 |
| Folkvang | 15,199,000 |
| mgnr.io | 11,893,000 |
| Grapefruit Trading | 10,000,000 |
| Bastion Trading | 9,000,000 |
| Blockwater Technologies | 5,438,000 |
| Kbit | 3,000,000 |
| Ovex | 2,500,000 |
| Subspace Capital | 2,500,000 |
| Poloniex | 2,000,000 |
| Wavebridge | 1,626,000 |
| FBG Group | 1,259,000 |
| Nascent | 590,000 |
| Chater Legend | 500,000 |
| Plutus Lending LLC | 500,000 |

## Balancer (BAL)

Ranking at **#196**, Balancer's position in the table seems to fairly misplaced when looking at its AuM and month-on-month growth trajectory.

Balancer allows users to build Exchange Traded Fund (ETF) like structures, and has billions on the platform. Its automated portfolio rebalancing feature certainly makes investment pools much easier to manage. The protocol also allows for bootstrapped fundraising of new tokens that to date have raised over $200mn.

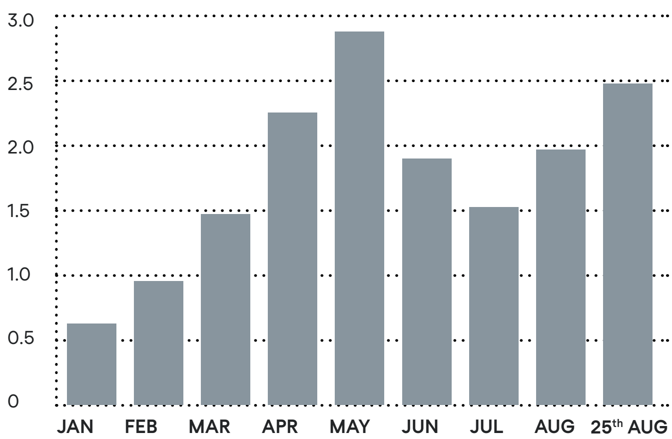
And despite the market downturn, year-to-date the platform's AuM has grown by over 300% with a peak over $3bn. Its AuM-to-Market Cap is 17x, by no means a small disparity within the cryptocurrency world.

It's important to note that the project did have to deal with a $500k exploit in 2020. Having learnt the hard way, the development team offered a $2m bounty prize to hackers in 2021 for the second iteration of the protocol that is now live.

The product itself proves to be more powerful during an upbeat market place as positions gear towards the buy-and-hold strategy. Investors who are liquidity providers have seen cumulative revenues of over $600mn since the launch of the protocol.

The project has raised capital by industry leaders such as Pantera, Fenbushi, Alameda, and Three Arrows. In its effort to further extend its network, which has well over 50 DeFi integrations, Balancer has also introduced a grants program for developers voted on by the community.

2021 Balancer Total-Value-Locked ($bn)



## Rounding up

There are protocols with competitors, and there are protocols with unique ideas.

While valuations currently in cryptocurrency are difficult due to the understanding of usage, growth is a factor that can be well established and assessed.

And just like with any business, crypto protocols will need to address every area, not just token economics. This will only go so far.

On a wider scope, looking at where industry investors have put their money is certainly a helpful starting point. After all, they're key in helping drive growth and there is plenty of money being splashed around.

Ultimetly, investors must look for value, rather than fair valuations at this point in time. And hopefully this report can be used as a starting point in investors' own reserach.

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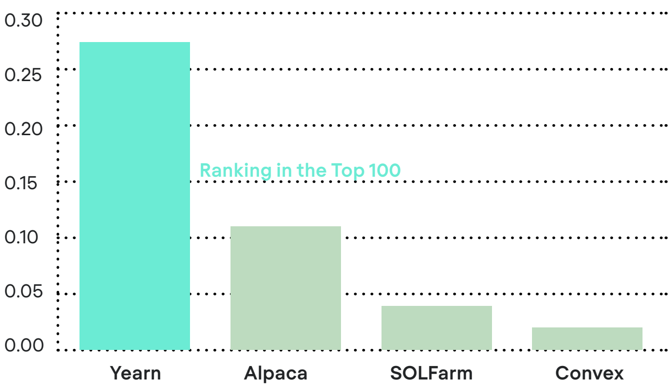
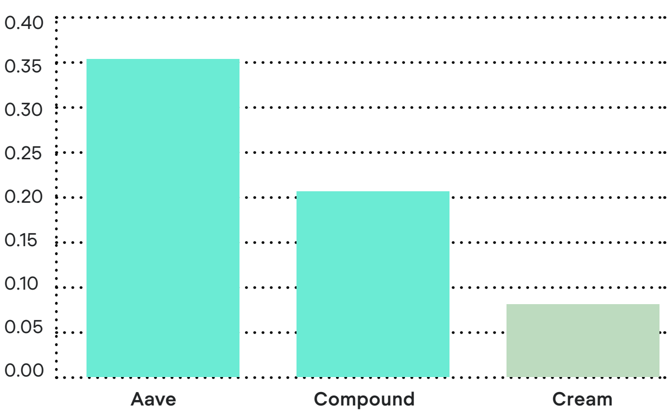
Market Cap-to-TVL Ratio

The higher the number, the further the gap between TVL and valuation

Yield Farming Protocols




Lending Protocols

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There were few metrics for DeFi, so we created some

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### Analyst Retrospective

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Market data cues trend back into optimism?

Ethereum fundamentals bullish but market pressures persist

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Overnight & weekend risk

Bollinger Bands

Relative Strength Index

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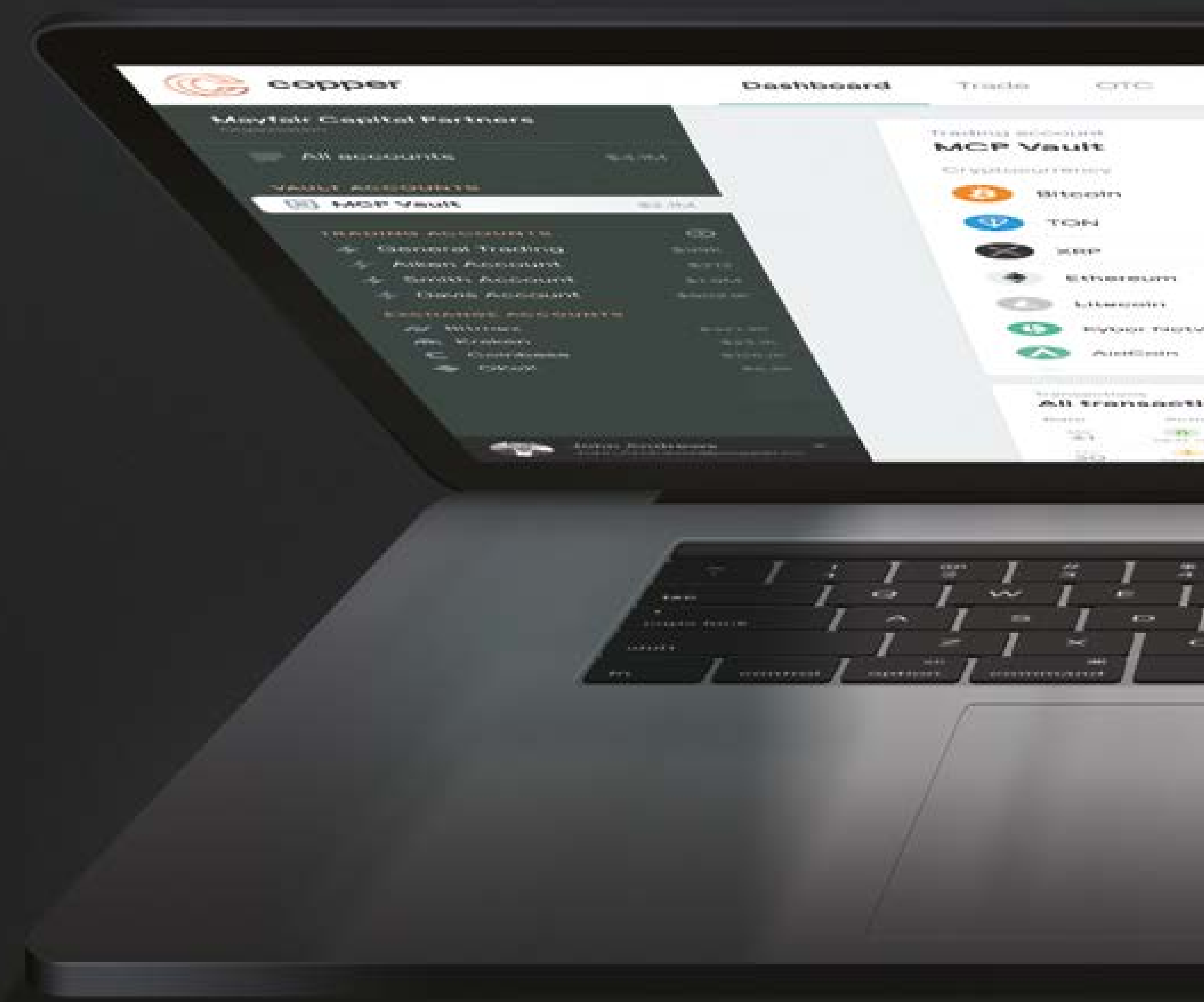


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