

EDITED TRANSCRIPT

GLXY – Galaxy Digital Holdings Ltd.
Shareholder Update Conference Call

EVENT DATE/TIME: AUGUST 14, 2020

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Deepak Kaushal – *Stifel GMP*

Mitch Steves – *RBC Capital Markets*

PRESENTATION

Operator

Good morning. Welcome to today's Galaxy Digital Conference Call. Today's call is being recorded.

At this time, all participants are in a listen-only mode. Following the formal remarks, we'll conduct a question-and-answer session. Webcast participants can submit a question online directly through the webcast. Further instructions will be provided as Q&A begins.

At this time, I'd like to turn the conference over to the Investor Relations Team. Please go ahead.

Galaxy Digital Investor Relations

Thank you. Good morning, and welcome to Galaxy Digital's Shareholder Update Conference Call.

We're joined today by our Founder and CEO Mike Novogratz, President Chris Ferraro, and Chief Financial Officer Ash Prithipaul.

Before we begin, please note that our remarks today may include forward-looking statements. Actual results may differ materially from those indicated or implied by our forward-looking statements as a result of various factors, including those identified in our filings with the Canadian securities regulatory authorities on SEDAR, and available on our website. Forward-looking statements speak only as of today and will not be updated.

In addition, none of the information on this call constitutes a recommendation, solicitation or offer by Galaxy Digital or its affiliates to buy or sell any securities, including Galaxy Digital securities.

With that, I'll now turn it over to Mike Novogratz.

Mike Novogratz – *Galaxy Digital – Founder, CEO and Chairman*

Good morning, everyone. I hope it's a wonderful morning where you are. It certainly is here in Long Island.

Listen, this is going to be a more fun call than our last few. I think back to fourth quarter last year, early this year, and our mindset was, you know, tighten the belt, make sure costs are under control, and grind through till the space really started picking up. We had made this bet early on, on the institutionalization of crypto, that it would move from a broadly retail-driven market to more and more institutional adoption, and that was slow. I will tell you that the world's changed in the crypto space and in our space with COVID. COVID really accelerated both the digitalization of everything—Microsoft's CEO said they did in two months what they thought two years would take—but certainly in our space. So, you've got the digitalization of assets, but you also have the macro story, which has brought the adoption of Bitcoin as a proper inflation hedge, a proper risk hedge, a proper hard asset for many, many people. When things change, hopefully, smart companies change, and so our mindset, and certainly my mindset, has shifted dramatically into one of growth, into one of investment in the business, into one of really excitement about the opportunity ahead.

I'm going to kind of do macro and Chris Ferraro is going to then take over and go through the business lines in micro and talk about the quarter.

But, big picture, we had a very good second quarter. A lot of that was bitcoin going up, but it wasn't just bitcoin going up. It was our trading desk doing over a \$1 billion in OTC volume, by far our biggest month in OTC volume, Asset Management linking up partnerships, our Investment Banking Team having lots of mandates, you know, from being an idea to actually a real banking team, and I think you'll see in the next quarter real results of that, and our venture book, lots of the bets we had made in the last couple of years starting to really perform, and I think same thing in the future, you're going to see some, hopefully, good write-ups in that space. So, I'm sitting here today more optimistic than I've been any time in the last two years, ready to make investments in the business.

The overall outlook is bright, but I would also say, in both a tough scenario and in a good scenario, the competition is coming. We're not the only people that are investing in this business. The bright side of that is it really credentializes the whole space. You've got banks getting into the custody business, you've got other people hiring bright employees to get into the trading business, more money's going into venture, and so if there was doubt that blockchain, crypto, bitcoin was a business a year ago, that doubt is over, and now it's people investing in the space and the space growing.

There'll be moments where it grows and the prices go up too fast, and then you'll have some corrections, but, in general, I think we've crossed the Rubicon, we've crossed the bridge, that this might not happen, right? Bitcoin is now an

asset. Blockchains are being deployed all over the place. So, in a lot of ways, the last few months have been really the most important few months in the history of this space, because now it's established.

That leaves me excited, it leaves me excited for our team. We are increasing headcount, we're going to bring in more talent. We're doing good things here. We upgraded from the TSXV to the TSX. Our stock price has gone up significantly. We were buying stock at the end of last year, thinking this was really frustrating, our stock was constantly trading below book and trading with very little energy, and since then, I think the market's recognized the shift in the overall space and the shift in our Company.

I'm going to leave it there and pass it to Chris, but I would tell you I'm bullish, I'm optimistic. I think bitcoin has a long way to go. I think DeFi is just getting started. I think the rest of the projects have new energy in them, and so that's what I want you to take from my messages today, one of positive energy and excitement. Chris?

Christopher Ferraro – *Galaxy Digital – President*

Thanks Mike.

I'll start by confirming that we continue to monitor the COVID-19 situation daily and are managing the firm's response to the pandemic as such. To that end, we've announced a continuation of our primarily remote working environment, which we expect to continue with through at least the end of September. Is partial work from home effective for us? Yes. Is it as good as being together? No. We'd prefer to be back at our desks, as we as a team thrive working together in the trenches. That said, I continue to be proud of and impressed by the team's productivity, commitment and accomplishments in 2020.

Just as importantly, we recognize the importance of our people and our culture and, therefore, have taken the opportunity during this unusual period of remote connectivity to engage as a team and help define and cultivate our culture, including recurring all-hands Zoom meetings, our first employee survey, teach-ins on industry topics, the formation of a Diversity and Inclusion Committee at the firm, monthly salons with external thought leaders on the topics of diversity, equity and inclusion, and also recurring Zoom breakfasts and happy hours with senior team leaders from around the firm.

Moving briefly on to markets, and this is largely Mike's category, but saying 2020 remains unique, I think would be quite the understatement of the year. I'm not sure, after witnessing the volatility in asset price declines in March, that any of us would have predicted Apple today at nearly \$2 trillion market cap, but what we did know in March and April was that the fundamental investment case for bitcoin for traditional investors was crystalizing at an extraordinary pace on the back of unprecedented global central bank balance sheet expansion. Everyone saw it happening, but few outside those of us focused on the supply side theory of money recognized the clear implications of these actions, and then the world started to wake up. So, now bitcoin is up 60% year to date and up 26% alone since the June 30 quarter end. Moreover, other cryptocurrencies, particularly Ethereum, has also experienced outsized price appreciation on the back of

incremental network technology developments and new and increased user engagement, particularly around DeFi, which you'll hear about. You can see that in the Bloomberg Galaxy Crypto Index's basket of cryptocurrencies, which is now up 89% year to date and 47% just since the quarter end.

The performance of the cryptocurrency markets in FY2020 should now be difficult to ignore by any global investors paying attention. It compares favorably by a significantly wide margin versus almost every other liquid asset class year to date. Markets can be fickle, but they tend to trend towards the truth in the long run, and we here at Galaxy have a long-term fundamental thesis, and thus far the trend is pointing in our direction.

With all this as a backdrop in Galaxy's ongoing maturation as an operating business, July, as Mike mentioned, was an opportune month for us to graduate from the TSX Venture Exchange to the main board of the TSX. The Canadian markets have been very supportive of innovation over the years, which is the primary reason why we chose to go public via an RTO on the TSX Venture Exchange back in 2018. Over the past year, we have met with public investors, conducted teach-ins for wealth advisors, discussed our business with equity analysts, and broadly committed to educating those interested in understanding and experimenting in the cryptocurrency digital asset and blockchain technology sector. This up-listing to the TSX is part of this evolution, not just with Galaxy Digital, but of the sector itself, and we take our mission of being the bridge between the institutional and crypto worlds seriously, especially as one of the most visible and active companies in this space.

We'd like to thank the TSX, our Canadian regulators and, most importantly, our growing base of investors for their support over the past two years, and we do look forward to advancing our business in the sector here for years to come.

Now, let me touch briefly on our second quarter performance. In Q2, Galaxy reported comprehensive income of \$38.5 million, which puts Galaxy ahead on the year now, with year-to-date comprehensive income through June 30 of \$10.8 million. This reflects both net realized and unrealized gains from digital assets and investing activities of \$28.3 million, as well as year-over-year operating revenue growth of just over 24% for the first half of this year versus last across all of our operating business lines, including Asset Management and advisory service fees, financing activities and derivative gains.

Turning to our Trading business, the second quarter of 2020 saw our OTC trading desk generate over \$1 billion of quarterly volume, our second largest quarter by volume in our operating history. Additionally, Q2 OTC volumes represented over 15% sequential quarterly growth over Q1 2020, and 46% sequential growth compared to Q4 2019. Even excluding OTC's spot-equivalent option volume, which is a business that we've gotten into pretty significantly this year, our spot OTC volumes were still up 2% sequentially, while industry spot exchange volumes were down 17%, which signals to us continued market share gains for the Galaxy Trading platform.

OTC desks that succeed and grow their volumes do so because they offer optimized outcomes for large bespoke trades that generic retail exchanges are unable to fulfill. For Galaxy's OTC desk, we believe our strong year-to-date volume growth continued to build in Q2 as a result of our sustained investments into key relationships in and around the space,

low-cost access to a global and diverse pool of liquidity, high-quality execution, as well as our differentiated profile as a trusted public and audited counterparty in the space. Institutions trade with Galaxy because we provide them with a knowledgeable and experienced team, low-cost market access, and a trusted counterparty who not only has the resources, but is committed to delivering on our promises in any market conditions.

To that end, in June, our Trading business and Bakkt, which is an Intercontinental Exchange's digital asset derivatives trading and custody platform, announced a partnership to launch a joint white-glove service for asset managers looking to acquire, build positions in and securely store bitcoin. Galaxy Trading is providing the market access, lending and financing, and a suite of bespoke structured products, while the Bakkt Warehouse, a qualified custodian of bitcoin regulated by the NYDFS, is safeguarding those digital assets for the clients. We already have counterparties live in this joint solution and we see this offering as a key point of differentiation and growth for the business going into the second half of 2020.

Turning to Asset Management, 2020 has been a period of increased market demand for bitcoin and cryptocurrencies generally. As we've said in previous quarters, our Galaxy Crypto Index Fund holds a basket of the largest, most liquid cryptocurrencies in order to provide broad-based exposure to the growth of the asset class, while our bitcoin funds meet the growing institutional and wealth demand for safe, simple, secured ownership of bitcoin as a store of value utility in what is now becoming a clearly inflationary market environment.

In June, Asset Management announced a strategic partnership with CAIS, a leading alternative investment platform, to provide financial advisors with streamlined access to Galaxy Digital's investment products, as well as educational resources spanning blockchain and digital assets. The CAIS platform offers financial advisors with over \$1 trillion of client reach direct access to complete end-to-end solutions, including a broad selection of alternative investment funds and products, independent due diligence from Mercer, tools and analytics, a streamlined investment process, and integration with custodians for greater reporting accuracy.

Galaxy Digital Capital Management is the only asset manager offering cryptocurrency and blockchain technology-related investment product on their platform, and as of today, we do expect to be live there and accepting subscriptions into our funds. We believe this speaks volumes to the long-term scalable infrastructure that we've worked so hard to put into place, and when paired with strategic relationships, like this with CAIS, we believe constitutes the right formula for strong, scalable growth for our platform going forward.

Finally, in the second quarter, our Galaxy Interactive venture capital team, who manage the Galaxy EOS VC Fund within the Asset Management group, continued to press their advantage in the interactive content space, investing \$21.8 million across five new investments and three follow-on investments during the quarter. As you all know, the positive trends in the gaming and interactive space have accelerated at an unprecedented pace, in part as a result of the pandemic's impact on consumer behavior, and so we cannot be more excited here at Galaxy about having a top-tier team focused on this correct sector at the right time.

Overall, in Asset Management, we ended the second quarter just above \$375 million of AUM.

Let me now proceed to Galaxy Digital Investment Banking, which has continued the hard work of establishing itself as the leading strategic advisory firm in the digital asset and blockchain sector. The team here deserves all the credit available to them. They've worked themselves into the center of many of the most interesting strategic conversations around the space, in mining, exchanges, consumer platform offerings, and they've built a strong and growing franchise here within Galaxy that the entire firm can truly be proud of.

In 2020, thus far, we've seen continued growth in our mandated backlog of engagements, a growing pipeline of expected future realized fee income, and the team is currently in the execution phase of multiple active M&A and financing mandates. This sustained positive momentum we expect will help Galaxy Digital in transitioning the leadership of our Investment Banking business in the fourth quarter, as our current Head of Investment Banking, Ian Taylor, will be departing back to Australia then. We wish Ian the best and we thank him for his significant contributions in establishing this business for Galaxy, particularly in assembling such a highly capable team around him of smart, experienced and trustworthy professionals, who have really become sector experts and key relationship builders here for the firm. We're excited to see this team drive our Investment Banking franchise here at Galaxy into its next phase of success.

Finally, in terms of our firm balance sheet and Principal Investments, our team has continued to selectively pursue compelling strategic opportunities across equity and debt financings. The team invested just over \$5.7 million of total new capital in the second quarter into two new and four follow-on investments in the second quarter.

With that, I'd now like to turn it back over to Ash, who's going to walk everyone through the specifics of our financial performance in the second quarter. Ash?

Ashwin Prithipaul – *Galaxy Digital – Chief Financial Officer*

Thanks, Chris. I will now provide some additional details regarding our financial results for the quarter.

Our comprehensive income for the three months ended June 30 totaled \$38.5 million, with the comprehensive income for the six months amounting to \$10.8 million. The current quarterly gain was largely a result of realized gains on digital assets. The second quarter 2020 figure includes \$3.3 million of equity-based compensation expense, which is a non-cash charge and has no net effect on equity. This brings our total equity or net book value to \$375 million as of June 30, or CAD\$1.82 of net book value per share, or US\$1.33 of net book value per share.

As of June 30, the number of compensatory costs per unit and stock options outstanding were \$17.2 million and \$22.1 million, respectively. The aggregate compensatory awards have a value of \$11.2 million remaining to be amortized over their life.

Operating expenses for three months ended June 30 were \$14.8 million, inclusive of equity-based compensation of \$3.3 million over the same period. Operating expenses were lower for the three and six months ended June 30, 2020, as compared to the three and six months ended June 30, 2019, due primarily to lower equity-based compensation and lower compensation expenses in 2020.

Regarding our balance sheet, \$7.2 million of new and follow-on investments during the second quarter brought the investment balance to \$177.8 million. As of June 30, we held 42 individual investment positions, excluding our cryptocurrency and pre-ICO holdings, with no investment position representing more than 7.8% of our net asset value.

We're pleased to report that we had \$135.8 million of liquidity as of quarter end. Our liquidity includes our working capital and net digital assets, which is then netted against forward commitments and projected future expenses. Our current liquidity is ample and will allow us to continue to operate the business and take advantage of market opportunities.

With that, I'll now turn the call back to the Operator, so that we can address questions from equity analysts and investors. Operator, any questions from our equity analysts?

Operator

Thank you. Our first question is coming from Deepak Kaushal with Stifel GMP. Please go ahead.

Deepak Kaushal

Hi, good morning, everyone. I've got a bunch of questions. I kind of hesitate dominating the call, but I'll ask a few and if it gets too long, I'll jump back in the queue.

Just on the operating business, I'm just trying to get a sense of how you guys performed on your principal book relative to the market. If we net out cash deployment, we're seeing a 37% return, versus the market up 50%. Did you guys outperform or did you underperform, or were you in line? How do you kind of rate yourself?

Michael Novogratz

Listen, I would break it into two halves, right? If you're thinking about our balance sheet, you could roughly think half of it has been in coins, you know, bitcoin and other coins, and half of it has been in venture investments. Those venture investments aren't nearly as fast to adjust in pricing to the moves of bitcoin itself, and so my sense is, on the quarter, there were not a whole lot of write-ups in the venture book, but I think coming down the pipe, a lot of those investments are doing much, much better, and you'll see those in Q3 and Q4.

When I think of it in terms of what beta should we have to the market, how have we done, I think we probably did very well. We outperformed a little bit of like what it would be if you just had purely held X amount of bitcoin, and I like our book. It's hard to—we don't have a great index. I think we (inaudible) added \$10 million of alpha versus just being on bitcoin, and we—in the venture book, we'll see over the next two quarters, but I feel pretty good about it.

Deepak Kaushal

Okay, and are there any—

Christopher Ferraro

(Inaudible)

Deepak Kaushal

Go ahead, sorry.

Christopher Ferraro

Sorry, Deepak, I was just going to back that up with emphasizing that in the illiquid part of our balance sheet, which is significant in terms of our investment portfolio, there is definitely a lag in terms of events and financial reporting in that book and, therefore, future gains or losses versus real-time market moves in our digital assets.

The other thing I'd say is I think we ended the year last year with \$106 million of cash. We still maintain a large cash balance. We are also—part of our balance sheet, we are dedicating towards financing companies and other folks in this space in terms of their trading. So, the character of where our balance sheet is exposed relative to the market, it's certainly never going to be one-to-one beta and is likely going to be dampened going forward, too.

Deepak Kaushal

Got it. If I think of your—and it may be a hard question to answer—if I think of the venture book or the illiquid book as a whole, what would be the vintage of that mark? Would it be a mark in the 2017 heydays or would it be an average mark during crypto winter? I mean, like, how should I think about the potential for a re-evaluation of that part of your book versus what we've seen in the public markets, or the trading markets, rather?

Christopher Ferraro

I'll try and answer that and then I'll pass it over to Ash or Mike to add color. I think what you're asking is—so, we re-mark all of the investments on a line item basis every quarter, based on new information of portfolio company performance, portfolio company financings, and also market conditions, so the positions are—some of them do maintain consistent and have not changed. They are re-evaluated every quarter. So, in general, I would say the vintage of our balance sheet should closely represent sort of the current times at all times. Now, there's some lag earlier and later in that, but, in general, it should move with it. So, I would think about current market conditions, what they were at the end of June, what they are today, should ultimately over the medium and the long term result in commensurate moves, if we're doing our job correctly in value of our illiquid investment portfolio.

Michael Novogratz

Deepak, let me take another crack at that, too. If you take a little time to go through our balance sheet, we break it down into—we have a bucket of investments in the interactive gaming space, which those things aren't going to get marked. They're going to trade more like classic venture investments. They'll get marked up with each new fundraising round, not with the real beta to the market. We have some investments that really have a high correlation to bitcoin itself, like claims in Mt. Gox's bankruptcy, some companies that we invest in that have a whole lot of bitcoin themselves, and so there's some where there's a pretty direct correlation to the overall market, and then we have a lot of investments in infrastructure, in custody and security, and those things will do better with a lag. The fact that this whole space is energized means if you're a good security company, good custody company, a good trading company, your business is a heck of a lot better than it was six months ago. You're not unnecessarily doing the financings around to mark yourself up right away, you're not necessarily selling yourself or have a real good way of marking it up. So, there's a real definitive lag in lots of the portfolio. Again, at the same price, you'd be so much happier to buy it today than you would have three months ago.

It's a hard way to answer. We're going to try, in the long run, get more specific about the bucketing the pieces of our book for guys like you, so you can have a better way of estimating, but I think you almost have to go through it specifically, and we do disclose, I think, our top ten investments. It's a mix, it's a mix.

Deepak Kaushal

We're still going through it. There's a lot of detail that you guys disclose, we're still going through it (inaudible).

Michael Novogratz

I would say, vintage-wise, you think what we originally contributed in '18, 2017 vintage stuff, the average is probably somewhere in '18, right? You had some investments that were contributed in '17, and then we've deployed capital over the last two-and-half years at a pretty steady state, to give you a sense of what vintage would be.

Deepak Kaushal

Just to kind of recap, if most of those were in 2018, during crypto winter, then there seems to be a lot of hidden value in the venture book on your balance sheet. Is that the conclusion here?

Michael Novogratz

I think our venture book is going to do well, yes.

Deepak Kaushal

Okay, great. Just skipping over to Asset Management, you're seeing like other things in the market get some AUM, and your AUM has kind of been controlled. I know you've got the partnership with CAIS. How big of a catalyst can CAIS be, what's the pipeline of those channel partners, and what's kind of the targeted AUM for the next 12 months?

Michael Novogratz

We're going to know a lot more if we make—listen, we've worked our butts off. We've got great partnerships. We are going after the wealth channel, not the retail channel, and, quite frankly, we'll go after some of the institutions, but they're not coming as fast as what we think the wealth channel will be, and we have set up, I think, the best product with great partnerships, and the checkered flag is just falling now. We had some inflows, we're over \$50 million in that fund, but nothing like what we expect. My expectation, my hope and my real belief is that come the end of the year we're going to be gaining assets at an accelerating rate with these partnerships and with these products that we've built.

Listen, if it's March of next year and we haven't, we're going to really have to scratch our head and say what did we do wrong, but I don't think we've done anything wrong. We took a long time to build the right products, getting approved by Mercer, and a green light there is a big, big deal. We're the only fund that's got one of the consultants that have rated them, and that's a big deal for the institutional world and for the wealth world. Give us three to six months on that before you make judgment, and I think you'll be happy.

Deepak Kaushal

Okay.

Christopher Ferraro

CAIS' own platform has clients that reach \$1 trillion of assets under management. The wealth space is, I think, over a \$10 trillion market, and we're actually working across that entire space. Look, the Asset Management business, the strategy there, which we're—we've invested a lot in this business. This is the year we started turning on marketing. As I think you'll see in the FT, we have full spreads talking about bitcoin and talking about our Funds Management business. The strategy of the Asset Management platform is to build the pipes and an institutional-quality platform that investors can trust and invest in, and then launch product that we think makes sense over the long term, that are not going to be flashes in the pan, that are going to have longevity through markets, through changes in market structure. Those are the products that we launched, and we think they have long-term prospects, which differs, we think, from our competitors, regardless of current AUMs.

Deepak Kaushal

Excellent. I'm patient, so I'm looking forward to that. I've got one more question on the operating business and a couple of big-picture questions for Mike, but just on the advisory side, how should we read into Ian's departure? This isn't another pivot in that business, is it, or (inaudible)?

Michael Novogratz

Not at all. We are going to double-down on advisory. Listen, it's frustrating. Ian had his own reasons to go back to Australia. I like him a lot. He did a great job, he was entrepreneurial. He helped establish and build a great team. It's frustrating, but he's got reasons to go and I'm going to wish him well. We're going to double-down on this business. Hopefully, you'll see in the next quarter or two some great results that we have coming down the pipeline. But, it's a business that we spent a lot of time developing domain expertise in certain verticals. We've got guys that know more about mining than almost anyone in the space. It was always a long-lead business. You can't hire a banker and say, "Go bank something," they know nothing about. I've got guys that know so much about mining and guys that know a lot about the exchange business. So, as we build that expertise in the verticals, and as this overall business heats up, I just think there's lots to do there, and so we're going to be adding bodies, and wishing Ian well and thanking him for the good start he gave us.

Deepak Kaushal

Got it, got it. So, Mike, a big-picture question. Are we really seeing an institutional wave here in this latest rally? What specific signs are you seeing? Because, I'm seeing just a Robinhood retail rally in equities. Why is this different?

Michael Novogratz

No, listen, we are seeing an institutional wave. It can't come as fast as everybody wants, because if you look at Paul Tudor Jones, as an example, who got into—you've got to often change your fund documents, you've got to go to your investors, you've got to figure out where you're going to custody and who you're going to deal with. It's not as easy as saying I want to buy gold and I pick up the phone and call my broker. We are seeing tons of activity below the hood, and people buying, right? So, I would tell you almost every macro player either personally has a little desk participating in this and are working at looking, "Should I put it into my fund or not?" Some have put it in their fund, they just haven't been public about it. So, I think you're going to see hedge funds move in this space. But, more importantly, you're going to see, again, the wealth platforms, which are institutional in their nature. I've been on calls with heads of wealth management businesses at the major places, at the big banks, who are all saying, "How do we do this?" You saw the OCC news that banks can now be custodians.

When you look down the road, and it doesn't have to be 10 years down the road, three, four years down the road, with stable coins, which are on their way and growing fast, with Bitcoin becoming a bigger hedge, with Ethereum's platform growing, almost every single bank is going to have to participate in this. When you're a big client, if you're Barclays Bank and you're trading on an exchange and your big clients want to trade foreign exchange to a stablecoin or want to trade bitcoin and you say, "No, I can't do it," it's not a great answer. Like I said on my earlier calls, I think we've crossed the Rubicon and now everyone is scrambling to try to be in this business. I can just tell by the calls I'm on the level of a portfolio manager who's engaged in this, who's not asking first-level questions, but asking third-level questions, that we're a lot further along and we're starting to see adoption.

Listen, we were a 98% retail market, but we're not anymore, but we haven't gone to a 50% market. What's good about the institutional (inaudible) is they're less leveraged. It's hard to get leveraged institutionally in this space at this point, where a lot of retail get leveraged out on the Asian exchanges. So, in the long run, it will result in less volatility. If you think about bitcoin, there are only 21 million coins, there'll only ever be 21 million coins, and so when this public company buys \$250 million worth and puts them in their treasury, most likely they're not selling those in the next few weeks. You're just taking supply off the market. To me, this is an important migration of people, and the tailwind, it's not going away. I'd be much more nervous if I thought we're going to cure COVID and all of sudden everyone's going to be fiscally conservative, but there's not a political map that I can come up with that shows this huge wave of fiscal conservatism coming.

That's it.

Deepak Kaushal

I've got one more question, and again I thank you for all the airtime, I appreciate it a lot, and happy to have it. NASDAQ market, we've seen some penny stocks get—like crypto stocks get quite the bids. Coinbase is talking about listing. Is the window open, and what's the timing for you guys to look at that market for listing?

Michael Novogratz

Listen, we are certainly—we always consider all the capital market options we have. We have a specific issue in we have a big balance sheet. We need to grow our franchise businesses big enough, through organic growth or acquisition, to qualify under the 40 Act to be a U.S. listed company. I would love to be on the NASDAQ today, only in that there's a lot more liquidity there and there's more excitement there and I think our stock would trade higher. We're commercial people at our core and getting there is certainly an agenda item at one point, but we still have a big balance sheet, and so it's a question of growing the rest of our business so the balance sheet isn't as big as it is relative to—and it's interesting. Bitcoin, since it's not a security doesn't count, so that's a big plus, but it's certainly something on our mind.

Deepak Kaushal

Okay, well, hopefully, you can solve the 40 Act issues soon and you get a (inaudible). But, thanks again for taking all my questions, I appreciate the time.

Michael Novogratz

Yes.

Operator

Thank you. Our next question on the line is coming from Mitch Steves of RBC Capital Markets.

Mitch Steves— RBC Capital Markets

Yes, thanks for taking my questions, guys. I kind of want to start on the Investment Banking comments you made there, talking about doubling down. So, what does that kind of look like, in your view, in six months? What I mean by that is are you looking at basically more crypto mining companies going public, are you talking about Special Purpose Acquisition

companies? I think that SPACs are probably the more likely here, that's kind of the message I'm getting, but maybe can you just walk me through what you think that landscape looks like in, call it, six to 12 months.

Christopher Ferraro

Sure, and just to clarify the question, do you mean for us or do you mean also for the market broadly, for sort of advisory opportunities?

Mitch Steves

(Inaudible) see what the differences are.

Christopher Ferraro

Yes, I mean, hopefully, they're the same. We want to be pursuing where the action is. Look, I think this year started in earnest what we thought was coming, which was consolidation and M&A opportunity, and so there have been a handful of smaller trades, a couple big trades. We're actively working mandates at the moment that will likely conclude this year. We see the pipeline for that activity continuing and growing, and that's just on the back of having a really fragmented landscape, various degrees of success, or not so much success, some companies running out of funding runway, but great teams, great technology, and so you're going to see M&A activity, from a consolidation standpoint, within the industry, is a trend that is now and we think will be here six months and 12 months from now.

I believe you'll also see external M&A activity or, at the very least, investment from non-crypto blockchain companies investing capital and/or buying technology into the space as a way of getting involved, which I think one example, you've seen a bunch of articles around JPMorgan investing in ConsenSys, one of the largest Ethereum-based developer shops and technology businesses in our space. That's an example of a part of the market, I think you'll see growth quite substantially six months, 12 months from now.

The mining side, really big opportunity in mining. We've said that now for the last couple of months. We've done the work, we've done the math. The economics are solid and sound. If you understand bitcoin and you understand the thesis and you understand how mining economics work, then it looks like attractive return on capital, way better—significantly better than alternative forms of infrastructure investment. So, as a piece of a portfolio, we're very focused on the opportunity set for infrastructure funds, for yield-seeking infrastructure investors to look at bitcoin mining, because the math is there, the capacity is moving towards jurisdictions where investment is a lot easier, like North America, and the U.S., in particular, and so that is a—I think you'll see a lot of project financing. I'm not sure if you'll see a lot of public activity, but you'll definitely see a lot of project-style financing activity in bitcoin mining, we believe.

Then, you mentioned SPACs. I could say, for sure, we have had an inbound—a number of inbound SPAC sponsors, SPAC opportunities, SPACs looking for acquisition targets, into our space very recently, which is probably no surprise given the amount of capital that's been raised into the SPAC space. I have a very specific example of a company we're invested in who has been thinking about it, and their perspective has been, "First, we're going to make the decision about whether we want to be a public company, and then if we want to be a public company, let's make a decision around whether a SPAC gets us there faster, more efficiently, or not." Whether that converts into a bunch of actual converted SPAC acquisitions, maybe, I'm not sure.

Mitch Steves

Okay, helpful. The second one I had is just—changing gears here—is just your guys' advertising campaign and talking about the higher institutional demand, so I'm just wondering how you guys measure or see the value in your own ad campaigns versus just more people being interested in the space by themselves. I'm just curious as to how you guys can bifurcate the value you're getting there, if there's any interest from that, or is it really just primarily people coming to their own conclusions by themselves.

Michael Novogratz

You know, I think there's—certainly, in the wealth space, which is what those ads are targeting, right, is there's an education process that us and CAIS are doing, that we've been doing for a long time on our own and now we're doing it jointly with them in that space, of getting the wealth managers, the registered investment advisors comfortable with how the whole thing works, how mining fits into the bitcoin system, what custody actually means, and so that education piece is, I think, important.

Listen, the ad itself and marketing is to try to build our brand (audio interference) go on TV, and we think everyone knows about Galaxy, but our original surveys, we weren't as well known as we thought, and so we've done a really good job through a small advertising budget, really, between online targeted ads, marketing, and now some of these ads, to get the name recognition and the brand recognition way up. I think that's the first piece of building a sustainable, big asset management business.

(inaudible) answer. A lot of infrastructure investment, now it's time to start harvesting.

Christopher Ferraro

Yes, specifically, to one of the parts of your question, we've done surveys on Galaxy brand awareness. The numbers are, we began the year at 2% brand awareness through the RIA channel for Galaxy, and as of the beginning of August, we're at 40% new brand awareness in the RIA channel now, after the marketing push this year. There's quantitative data that

drives our—that at least has validated the marketing effort thus far, and so from there, once we build brand, our thesis in all aspects of the business, is build brand first, have good product, and AUM follows.

Mitch Steves

Okay, understood. I'm going to shift gears again. You guys have a lot of crypto assets, whether it's bitcoin and some of the alts, that maybe you can't disclose specifically what you own, so I'm curious about how this works in terms of the regulatory framework and legal frameworks. As you guys know, there's a very popular way of earning money in the crypto space now called farming and Decentralized Finance. If I think about where you're positioned now, is there any—I guess any plays and are you able to participate in that market to help generate additional returns? Then, secondly, do you have a view on Coinbase's recent entry to allow customers to put up their crypto as collateral and take out loans? Is that something you guys can participate on? I'm just wondering how it works for you guys, if either of those are interesting avenues to you.

Michael Novogratz

I'm going to let Chris take—listen, we've had a big investment in a financing company. I'll let Chris talk about that space and I'll chime in at the end.

Christopher Ferraro

Yes, sure. We've had a team inside of Galaxy spending a lot of time on DeFi from the protocol level up, to use your example. Look, we've done the work. We understand all the projects. We have them in rank order as to what we think is interesting and what we think is not. We, unlike some of our non-regulated smaller competitors, do have today issues with some DeFi projects. The reality is we've done the analysis and dealing with a decentralized contract, it's not clear, at the very least, as to whether or not you're satisfying a proper AML/KYC procedures in not knowing who your potential counterparty could be. So, we're coming at the space a little differently. We have a handful of initiatives internally where we have—we're making investments in technology around implementing into DeFi, as opposed to necessarily interacting with the DeFi protocols ourselves. They're still pretty small. The entire flow and space of DeFi in terms of scalability versus our balance sheet makes it such that to date, you know, I don't think we've missed a whole lot from not participating in yield-generating stuff in DeFi. Look, we're close to it. I think, for us, in terms of actual participation, there's a little bit of wait-and-see, to see how the regulatory framework evolves, how it scales, and whether it makes sense to us to really be involved directly.

Turn to the other side, CFI, Centralized Finance, which I think Coinbase's launch of crypto-backed loans is a great example of that. We partnered with Zac Prince and Flori over at BlockFi two years ago, when BlockFi created, I think, the first crypto-backed loan, and so we've been partnered with them and originally were helping them finance all of their

crypto-backed loans from the very beginning. So, we're definitely big believers of it, we think it's a great product. I think Coinbase has sort of just come to the party in that regard. That's an activity we've been doing. BlockFi's been in in a big way. There are couple of other players who have done that, Unchained Capital, for example. That is all fair game for us. It's all, we think, very interesting. We think the risk-adjusted yields and returns in those kinds of products are far better than traditional markets, because there isn't a lot of capital chasing it and there's not a lot of people focused on it. That's an area where we put a lot of (audio interference), we put our balance sheet behind, and we're pretty bullish on it.

Mitch Steves

Okay, and then just last one for me. You guys, obviously, talked about educating people on the space and you mentioned bitcoin several times in this conversation and maybe only Ethereum once, so I'm just curious, maybe you can walk me through from a high level how educated the average investor is. I don't expect you to give me ultra amounts of detail, but I'm just trying to get an idea of what the range is. I mean, people still really don't understand what bitcoin is. I mean, are they educated to the point where they know what zk-SNARKs are, they know what sharding is, do they know what the different types of items are? I'm just curious where people are at.

Michael Novogratz

I think the average institutional investor understands bitcoin as digital gold and has bought into the identity, the social construct, that enough people believe bitcoin is digital gold, therefore it is digital gold, and they understand how it's mined and how a bitcoin ledger works, but I would bet you 80% of the institutional investors buying bitcoin don't know what zk-SNARKs are, or lots of the broader ecosystem and how it works.

Now, listen, the core crypto native community, and a lot of the retail community, believe it or not, that has fueled so much of kind of the crypto revolution over the last four years, they're very educated. It's interesting, right? You could have a much more sophisticated conversation with smaller scale investors than you would with the big-scale investors, because, quite frankly, those projects are too risky for them or too small in liquidity for them. Some institutions are also buying Ethereum, and they use the silver/gold analogy as opposed to—I mean, my view of Ethereum is very bullish, but it's very different than bitcoin is. Ethereum is still in the venture space, right? It's a big, big bet on building a backbone, a trust level, a trust layer, that lots of stuff get built on, like the Decentralized Finance, like stablecoins, and so if Ethereum works, it could be very, very valuable.

The entire non-bitcoin part of crypto still is venture, it's still a big sandbox, and it's proof of concepts, it's things that are starting to work, but it's not ready for primetime for the rest of the world, where bitcoin is a finished product, it's ready for primetime for the rest of the world. So, I think it's a lot easier to have a conversation with a serious wealth manager about putting some of their portfolio in bitcoin to be a hedge, and they understand that, a hedge versus central banks printing on stock, than it is to get them to try to understand, "Well, do I have need to have a bet on DeFi because it's

going to at one point disintermediate JPMorgan and everyone else?” So, I kind of split those into the macro bet and the venture bet. Make sense?

Mitch Steves

Yes, it does, and just a quick follow-up, just to kind of wrap this up. Just out of curiosity—so you said 80% are kind of familiar with bitcoin. To me, in my world, once you understand bitcoin, the next step is understanding a basic smart contract. So, what percent, would you say, of your kind of larger cohorts of institutional investors understand what a smart contract is?

Michael Novogratz

Listen, I think they all understand it. Their desire to go down the rabbit hole is probably less, but I think they (inaudible). A lot of that is just like “What can I justify, what feels right for my investors or for the bet I’m willing to make?” Again, if you think of everything, other than bitcoin, as a venture bet, it’s a very different mindset than who might be buying bitcoin.

Christopher Ferraro

Yes, we’ve seen—we’ve actually seen tangible examples of traditional asset managers, who we trade with, who have purchased bitcoin through us, who have shifted their—in the last two months shifted some of their research efforts—and as you point out, that is the natural place to go—on to smart contracts, and Ethereum specifically, and so it’s now a process of our team spending time walking through all the information that we have, our research pieces on Ethereum. That’s the next focus. That sort of opens up the world, I think, to everything else. The next stop is Ethereum and smart contracts, and Ethereum is the obvious asset for them to look at for that, because of its relative size.

Mitch Steves

Okay, thank you for taking all my questions.

Operator

Thank you. We will now move to online questions.

Galaxy Digital Investor Relations

Great, thanks, and thank you, Mitch and Deepak. Our first question is, “Can you go through the strategy for your Trading business and what are the components of it?”

Christopher Ferraro

Sure. I’ll take this one, Mike, if that’s okay. The strategy for our Trading business is—it’s been a long build for us, and it will continue to be a long build and heavy investment. For us, the Trading business starts with liquidity connectivity and liquidity access, and so we’ve poured a lot of resources into ensuring that our platform has access to the deepest pools of liquidity on a global basis, and that we can access them quickly, efficiently and at low cost. With that as a foundation, the idea is to take that access and turn it around and offer it to other market participants. So, fundamental there, market access and connectivity, and then from there offering market participants spot trading and execution. That can be either principally with our OTC desk or, relatively soon, through agency execution. They can interact with the markets our connectivity via voice and chat, as we’ve done historically, more recently through our electronic platform, where traders can access markets either via our GUI that we built or directly via our connectivity API.

Then, in addition—from there, from spot connectivity, then we, ourselves, maintain inventory and have an active lending desk, which is meant to provide lending and borrowing for counterparties and allow short-sale facilitation and working capital finance for some of the big trading shops, and so our desk offers that.

We do bespoke financing and bespoke leverage, in that we will finance, on a secured basis, coin, and I think you’ll see us, over time, productize that into what ultimately becomes everything what traditional investors think about as margin financing and prime brokerage.

Then, we’ve made a big push into providing—being a market maker and providing liquidity to the derivatives market, and whether that’s exchange for physical, from futures into spot, it’s the bitcoin/Ethereum options market, and really pricing and trading volatility.

Then, wrapping it all together in structured products and solutions for miners and for market participants who want synthetic access to a specific trend or a specific metric, without necessarily want to own the physical. So, our structured products line up. It’s something that we’re actively cultivating and also going to be offering on the platform.

That’s the strategy for our Trading business. It is meant to be a full-service sell-side suite of trading offers to the marketplace, and there’ll be a very heavy push on the trade financing, margin financing, portfolio-based cross-margining prime services offering for us on a go-forward basis to help facilitate market participation.

Galaxy Digital Investor Relations

Great, thank you. It looks like we've got time for one more question. Our last question will be, "The OCC issued a letter allowing banks to offer cryptocurrency custody services. How does this affect your Asset Management strategy?"

Christopher Ferraro

I think the OCC announcement makes our business better. Not just our Asset Management business, it makes our Asset Management, our Trading business and our future prime service offering, it makes that all better. We've said from the beginning we're focused on value-added products sitting on top of custody. We, ourselves, we're not going to invest in being a custodian. So, having a service provider for us, a custodian get—the custodian role be pushed into larger validated institutions with big balance sheets, who are going to give comfort to investors to hold their assets there, all that does is make our business stronger, because our business is meant to focus on building products to sit on top of that layer. We welcome the banks to start providing custody solutions. We're in active dialogue with a number of them today, as it stands, for us to be the service provider on top of the custody layer, that the OCC has now said they're comfortable with banks providing, and so across the board, it makes our business better, I think is the easy answer.

Galaxy Digital Investor Relations

Great, thank you, and I'll turn it back to Mike for some closing remarks.

Michael Novogratz

All right, guys, I hope you heard our enthusiasm for what we see in our own business and the landscape going forward. We're looking forward to, I hope, a very productive third quarter call in the next three months. We're off to a great start in the quarter and couldn't be more excited about the opportunity set. So, thanks for your time, and have a great end of summer, if you can call COVID summer, summer.

Operator

Ladies and gentlemen, thank you for your participation. This concludes today's event. You may disconnect your lines and log off the webcast at this time, and have a wonderful day.