

BIMONTHLY REPORT
FEBRUARY EDITION
2023



MOONROCK CAPITAL

The TLDR

What Happened, Where Are We Now?

- AI & Liquid Staking Derivates led the market.
- The market is feeling a relief but we could experience an echo bubble.
- Despite a prolonged bear market, this time around many chains are seeing a much lower decline in DAUs than Ethereum in 2018-2019 (78%).
- Similarly to 2018/2019 you can see that although the overall marketcap has plummeted by 75%, developers are sticky and only slightly down.
- Ethereum is still the leader in terms of developer count, followed by Polkadot, Cosmos, and Solana.
- Despite criticisms, 37% of all ecosystems with more than 50 developers are EVM compatible. Starkware has seen the fastest growth in new developers after launch, putting pressure on other ZKEVMs.

The Verticals

- Infrastructure: LSDs in DeFi and protocols like Eigenlayer, which offer extra yield through restaking, are driving additional demand. A positive momentum could create a trickle-down effect with more MEV and tips flowing to validators, keeping stacking yield steady despite increased inflows.
- DeFi: Stablecoin issuers are profiting by backing stablecoins with low-risk loans, causing competition to offer higher returns. The total stablecoin supply decreases during times of rising yields, but may shift to bank deposits for interest. The first issuer to offer high returns will have a dominant advantage.
- GameFi: The aftermath of the Play2Earn bubble is still felt, but gaming, especially AAA games, has the potential to drive blockchain mass adoption. Immutable X-based games received over \$900 million in funding, making it the most funded Layer-2 Web3 gaming ecosystem in 2022. The number of Immutable X games grew from five to over 100 in the same year.

Overview

Projects we write about in this report and which we think are exciting:

Stader

Multichain liquid staking platform

Jito

MEV powered staking rewards on Solana

SSV

Distributed Validator Infrastructure for Developers

Ondo Finance

Institutional-Grade Finance on-chain

Illuvium

A fully decentralized RPG and collection game built on the Immutable X L2 network

Lens Protocol

A composable and decentralized social graph

Put It in Reverse

AI And LSDs Led The Market

"Hi ChatGPT, please explain me what liquid staking derivatives are."

Besides the macroeconomic influences, AI and liquid staking derivatives in particular have been the defining narratives of the past few months. LSDs like LIDO, Rocket Pool or Stader were and are still the talk of the town and gained up to 300% over the last 90 days. Congrats if you were early.

Same with AI token, where coins like FetchAI and SingularityNET soar over the last months.

The AI narrative, clearly driven by the huge success of ChatGPT is going back and forth, while LSD governance token can keep up their momentum. The next interesting date for LSDs will be end of March, when Ethereum withdrawals will finally be possible.

Some people predict a sell the news event while others believe, that the security of being able to withdraw Ethereum will bring even more people to liquid staking. Only time will tell, which side made the right call. Furthermore we saw a general relief in the market, people are getting more active again, hope is coming back and the first successes were celebrated again. This leads us to the next part of this bi-monthly report, the current market sentiment.



write a biblical verse in the style of Snoop Dogg what liquid staking derivatives are



"Yo, listen up y'all, it's all about Liquid Staking Derivatives,
Gotta trust in the word, and the knowledge it merges,
So let's turn to the Good Book, and what it states,
Verse Proverbs 11:14, it reads:

"Where no counsel is, the people fall: but in the multitude of counsellors there is safety."

Gotta stay informed, and keep our investments secure,
With Liquid Staking Derivatives, we'll weather any storm, that's for sure,
So trust in the word, and make that smart play,
Peace out y'all, Snoop D-O-Double-G, A-OK!"

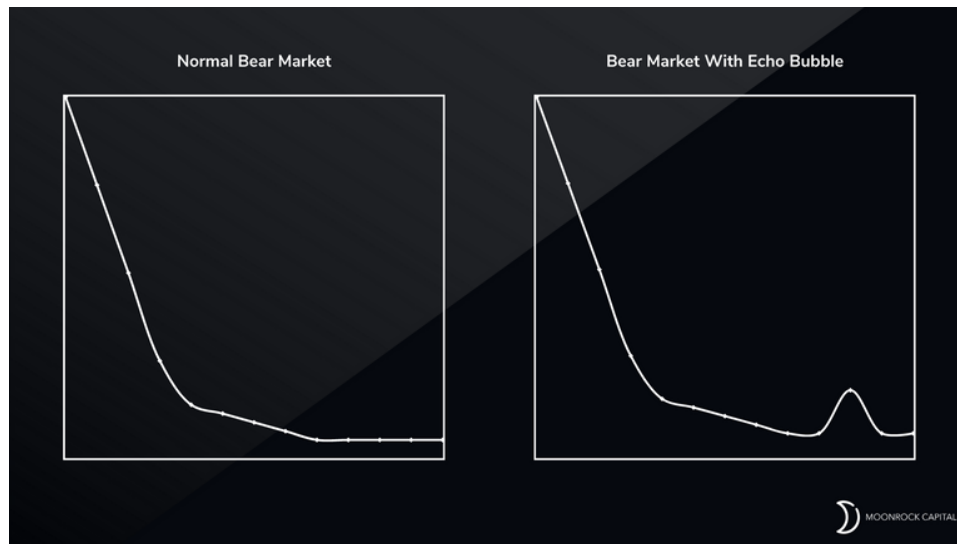
Sentiment

Bull Run Or Echo Bubble

The crypto markets have been on a rise for the past weeks and many are trying to understand why. Some explanations include the release of CPI data lower than expected, FTX liquidators finding more funds, and excitement for the Chinese "year of the rabbit."

The term "echo bubble" has been circulating on Crypto Twitter and could actually occur this year. So what is an echo bubble?

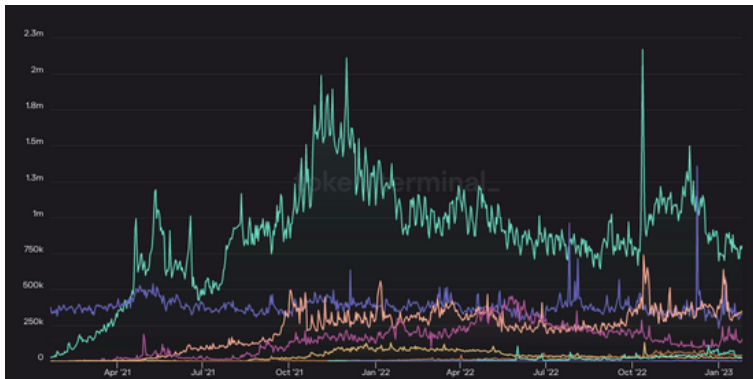
An echo bubble is a smaller bubble that emerges after a market bubble bursts. Last year, the crypto market experienced a bubble burst, ending a two-year bull run. Currently, we may be witnessing an echo bubble. The cause of an echo bubble is emotional buyers driving a rally before the contraction from the previous bubble has fully run its course. The speculative and economic factors that drove the initial bubble may still be present, but without a change in fundamental factors, the market may see a temporary boost in prices before a downturn.



There has not been any significant change in the macroeconomic environment or a significant increase in retail adoption in recent months. Therefore this is not to suggest that we are about to zoom back to fresh all-time highs...but perhaps we won't head straight-back to Goblin Town either.

Sentiment

Daily Active User



Despite a prolonged bear market, this time around many chains are seeing a much lower decline in DAUs than Ethereum in 2018-2019 (78%). While Ethereum itself has a pretty stable userbase by now, especially Polygon looks like the big winner of the bear market. The Swiss army knife of Ethereum scaling was able to shine with ATHs in user numbers even in the bear market.

For those who consistently talk about the similarities of Solana to Ethereum in 2018/19, you can even draw the parallels in the user counts. Solana topped out at around 420k and dropped to about 100k DAUs. Consequently, Solana is one of the bigger losers when it comes to relative user growth.

ORUs could note a constant growth throughout the bear market. At the end BSC still comes up with the highest number of users.

We often hear that this bear market feels different because you don't get the feeling that crypto is dead and will never come back, which is also confirmed by the number of users. While Ethereum was the only game in town in the last bear market, we now have a multitude of execution environments with the same DAUs or a multiple of it. Nonetheless, if you compare the numbers with the claims, that there are +420 million people holding crypto, there is still a long way to go even onboarding the current holder base into the on-chain economies.

Source: <https://tokenterminal.com>

Source: <https://triple-a.io/crypto-ownership-data/#:-:text=As%20of%202023,%20we%20estimated,420%20million%20crypto%20users%20worldwide>

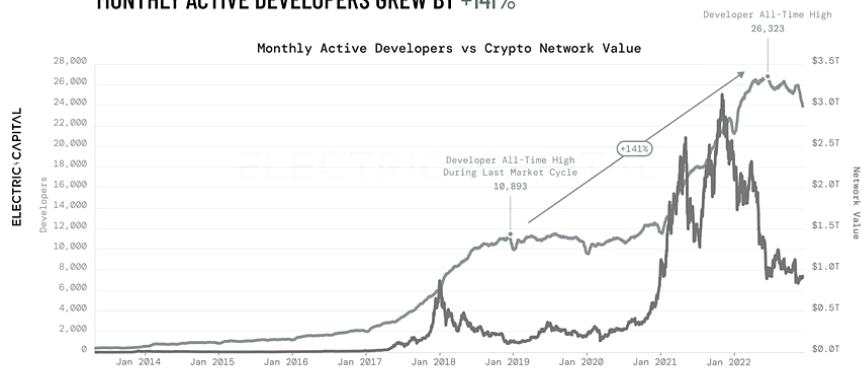
Sentiment

Devs Still Strong

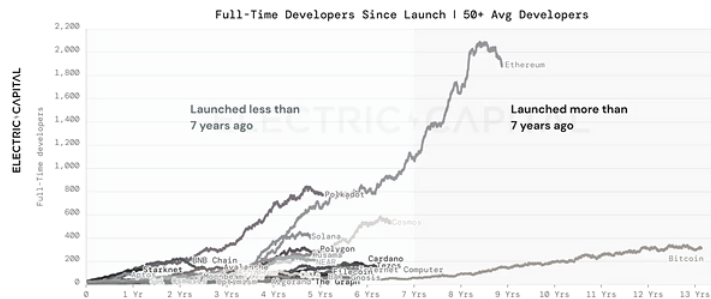
Similarly to 2018/2019 you can see that although the overall marketcap has plummeted by 75%, developers are sticky and only slightly down. If we assume that we are in a similar environment as in 2019, we would say that the DEV counts go sideways and we only see an expansion again as soon as the prices also reflect this.

Strong devs stay, build a better future and attract new devs by building cool stuffs which will accelerate prices. However, as an industry, we must work to create a proper developer environment, as the pull effects of AI in particular are stronger than ever.

**FROM LAST CYCLE'S DEVELOPER PEAK TO THIS CYCLE'S DEVELOPER PEAK:
MONTHLY ACTIVE DEVELOPERS GREW BY +141%**



**EXCLUDING BTC & ETH, ALL TOP 200 ECOSYSTEMS WITH 50+ FULL-TIME DEVS
LAUNCHED UNDER 7 YEARS AGO**



Ethereum is still the king in town in terms of devcount followed by Polkadot, Cosmos and Solana. The Polkadot ecosystem in particular still shows quite little adoption and use cases for the number of developers in the ecosystem.

Despite consistent criticism of the EVM, 37% of all ecosystems with +50 devs are EVM compatible. Although the EVM is far from perfect, the network effects are strong.

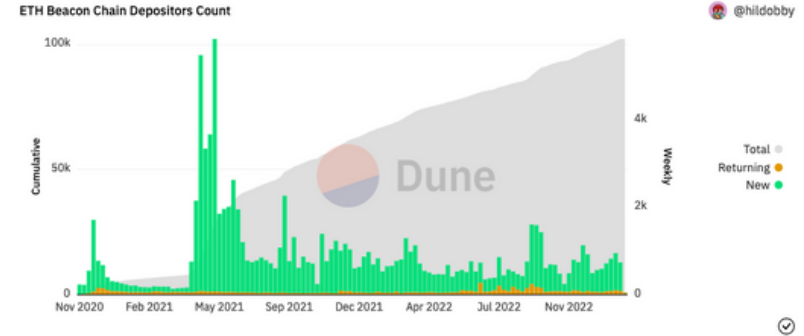
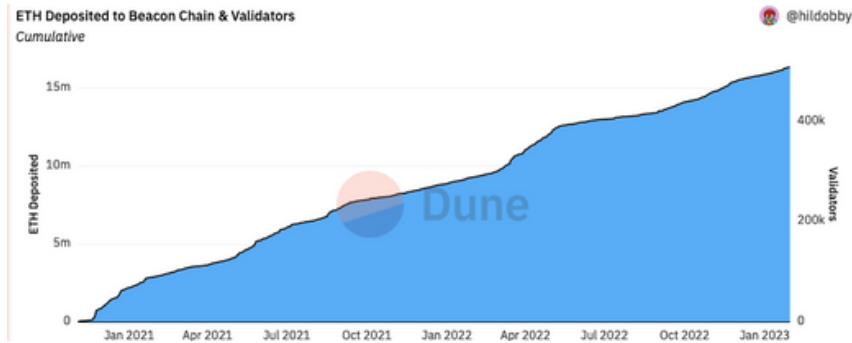
Starkware shows the fastest increase in new devs after launch despite obvious adoption tailwinds involving a new language with Cairo. In our eyes, the strong growth puts mainly pressure on the Type1&2 ZKEVMs whose value proposition is to simply bring dApps to their execution layer but accept performance losses compared to Starkware.

Infrastructure

Ethereum Staking

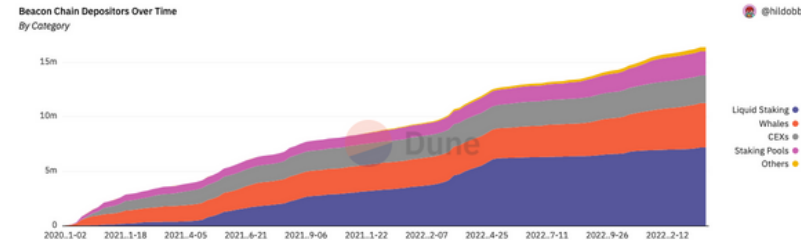
Ethereum staking and LSDs have dominated the discussions for weeks now leading up to the withdrawals. Opinions change every two weeks whether withdrawals are a bullish event which brings more confidence or a bearish event because validators can finally unstake their staked ETH and withdrawals.

Even though we expect a noticeable unstaking from the validators that have stacked pre September 21 and validators that have tax liabilities, we see the longterm trend of stacked ETH flattening out but continuing to increase until the ETH staking yield reaches a lower level where opportunity costs in DeFi come more into consideration again.



The possibility to use especially LSDs in DeFi and protocols like Eigenlayer which promise an extra yield through restaking bring additional demand.

A positive momentum swing could also drive the flywheel further by creating a trickle down effect through more MEV and tips flowing to the validators and therefore stacking yield falling less despite more inflows.



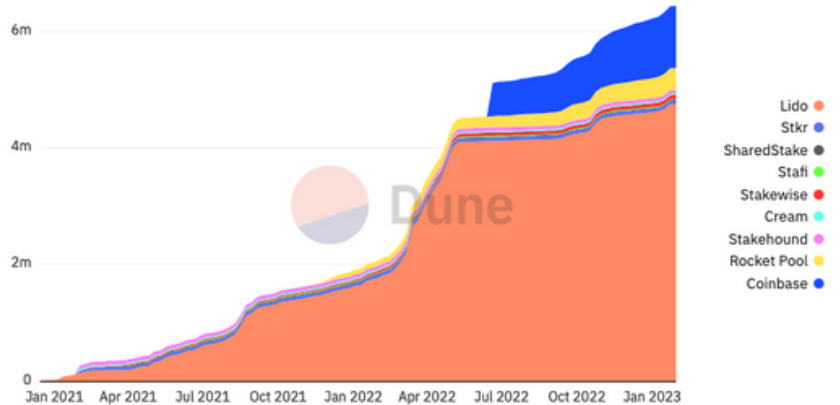
Infrastructure

Liquid Staking Derivates

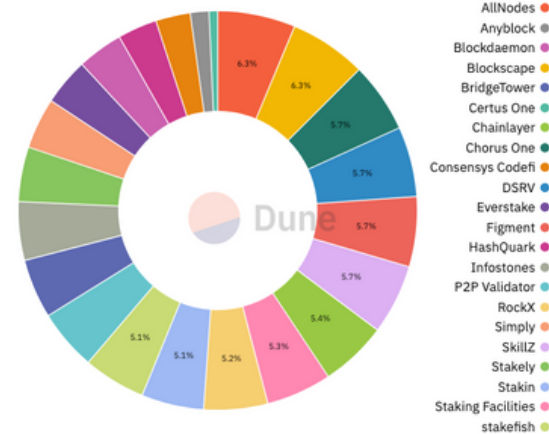
There is a social signaling in the Ethereum community that the marketshare of LSDs should be rebalanced as Lido dominates the market. While it can be seen that Rocketpool in particular is growing faster in relation to its market share, the other providers are taking very little marketshare away from Lido to date. But more and more LSDs are coming up, e.g. Stader will introduce Ethereum staking in a couple of months and other LSDs are following.

Lido's strong liquidity gives them a significant utility advantage especially for DeFi use cases and the ability to exit without slippage which will be difficult to offset. Although Lido has harmed itself by launching as a rebalance token as well as a wrapped version which splits the liquidity between two tokens.

Eth2 liquid staking balances (time series)



Source: <https://dune.com/ratedw3b/Eth2-Liquid-Staking>



For the fact that there is so much pressure on the topic of Lido, there is clearly too little pressure on the 28% of the tokenized ETH via CEXs.

While Lido consists of a large collective of mission aligned validators who pursue the goal of making Lido longterm decentralized, there are significantly higher risks of centralization with CEXs.

Infrastructure

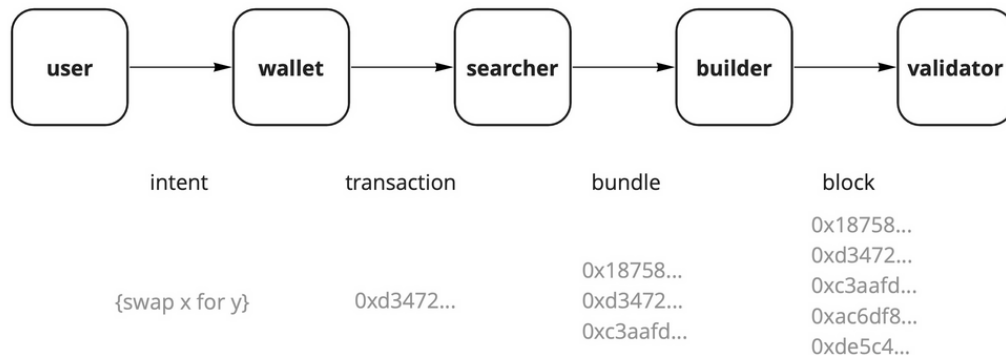
Jito

MEV Distributing LSDs

Projects like Jito in the Solana ecosystem enable LSD holders to get rewarded a certain part of the MEV.

MEV has actually been one of the main topics core devs have been focusing on for some time especially in the Ethereum ecosystem.

MEV Supply Chain



Flashbots as an open market has created a standard for the extracting side of the MEV debate. Since other networks have to deal with the problem/opportunity as well it didn't take long to see approaches there as well.

Jito has launched a new innovation in Solana that merges the MEV extracting and LSD side. In this way, the often expressed goal of returning MEV to the users/validators can be pursued as best as possible by also giving the delegators a part of the MEV with the holding of the LSD.

Furthermore, the LSD is best prepared to gain the largest market share in the ecosystem, as it generates more demand through higher yield alone.

For those who like dashboards, Jito has also built an [overview](#) for MEV in the Solana Ecosystem.

However, Jito or basically the Solana ecosystem are not the only ones who recognize this symbiosis for themselves. Fast Lane for example wants to become the pendant in the Polygon ecosystem.

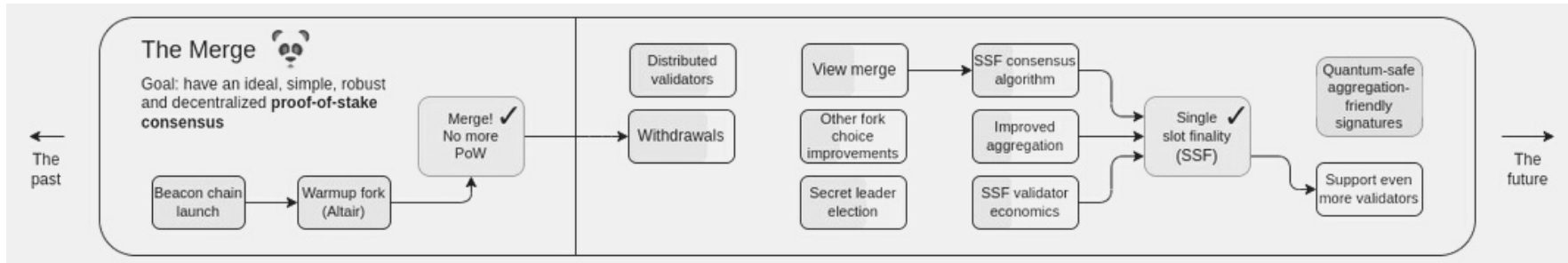
Infrastructure

Distributed Validator Technology



We've written about DVTs before but to recap: With DVTs clusters of nodes operated by different entities or individuals can act together as one validator on Ethereum. This means that a staking service such as Lido, a homestaker or a centralized exchange can split their validator key over several instances and thus improve uptime and minimize the risk of being blasted.

Besides the economic incentives behind DVTs, the decentralization, fault tolerance and security of the entire network is improved.



Obol Network which has just announced its \$12.5 million Series A raise and SSV.Network are the two biggest players.

Both projects are already testing with Lido in pilot projects and are individually testing with other LSD staking services.

Due to the high share of LSD providers in the overall staked ETH, DVTs, among others, could experience a very rapid adoption of the the technology as soon as they are starting to use it. The kingmaker at the moment would definitely be Lido with its large marketshare in the overall staked market.

With SSV.Network staker have to keep a minimum of \$SSV to avoid potential liquidations, that creates natural bid going hand in hand with new adoption of SSV.

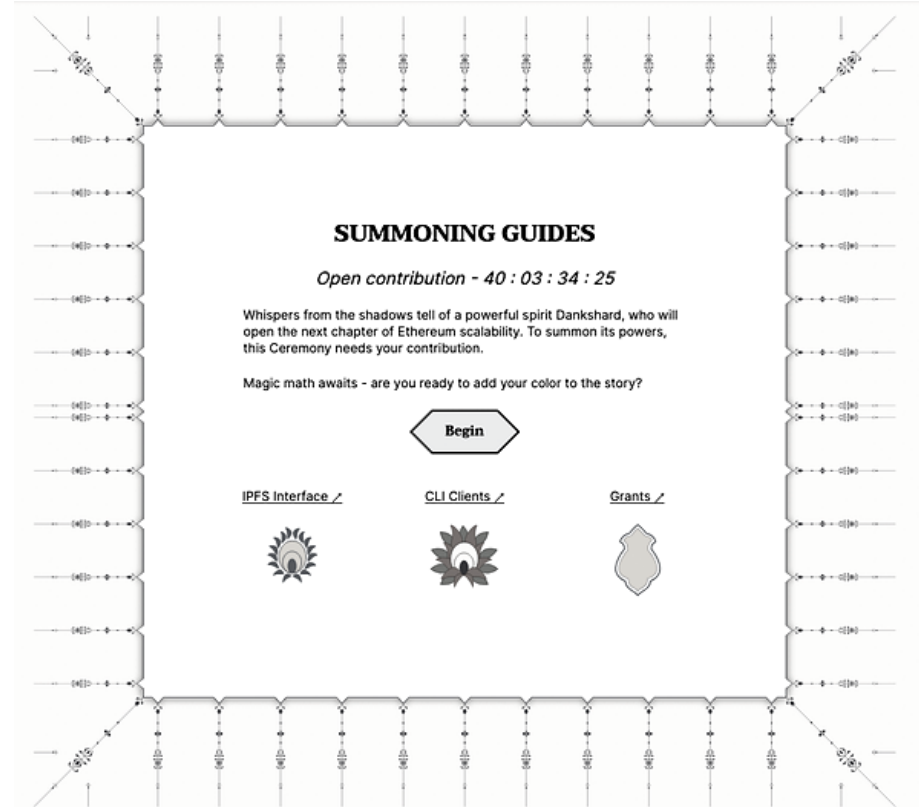
Infrastructure

KZG Ceremony

Proto-danksharding will enable 10-100x cheaper transactions for rollups through blob transactions, but it requires a new commitment scheme for the underlying data. In the KZG ceremony, Ethereum community members will set up KZG commitments. Therefore, the ceremony is necessary to enable EIP-4844. Participating in the ceremony is relatively easy and we would encourage everyone to attend. We are already over 28,000 contributors in the ceremony so far and since this is a so called trusted setup only one person out of the whole pool has to be honest for the ceremony to be secure. Increasing the number of participants in the ceremony increases the chance of it being performed safely.

Some users believe they are farming an airdrop, which may explain the high participation of the ceremony. It is important to dampen expectations here since Ethereum Foundation will not airdrop ETH.

It may also be a criterion used by vision-aligned dApps or execution environments. In our opinion it would even be a net benefit because it could lead to high participation in possible new trusted setups which would improve security. We are always in favor of the idea to channel the degenerative DNA of crypto users for net positive effects for the whole ecosystem.



Infrastructure



Eigenlayer

Eigenlayer is already the talk of the town so we don't want to rephrase what others have written consistently over the last few months. Nevertheless, for those who live under a stone, a short TLDR.

Eigenlayer is a middleware layer on top of Ethereum that "restakes" ETH. Restaking means that LSDs or homestakers can use their staked ETH as collateral for other dApps, middleware or chains for economic security. Most of the discussion focuses on Eigenlayer's scalability or the DA Layer's impact on rollup scalability, but we think the implications for Ethereum are less discussed.

With restaking, Ethereum gets in principle ICS without putting it in the core protocol. The only difference is that you get several magnitudes higher economic security by ETH restaking in contrast to ICS of the Cosmos Hub. A higher yield through restaking incentivizes a higher percentage of ETH to be staked, resulting in greater economic security. As Eigenlayer makes the market more competitive again for middleware developers who need their own node network, we expect a golden age of innovation in that sector resulting in a trickle down effect to ETH.

More innovation on the middleware side leads to new consumer innovation, dApps lead to more usage and we all know that this eventually comes down to more ETH being burned. Even though Eigenlayer as a single product is, very exciting. We are most bullish on the impact it will have on ETH.



Circle

The Cosmos ecosystem has felt like it was getting its spotlight for ages. IBC connected chains will finally come to life when US dollar denominated liquidity is introduced. Stablecoins have emerged as a cornerstone for DeFi ecosystems. Therefore the USDC consumer chain brings native USDC into the ecosystem and could offer a new beginning after the boom and bust of UST.

The launch of new chains such as DYDX, Sei and Canto provide strong demand for the asset. If the demand for DYDX appchains matches that of Starkex L2, it could result in a stablecoin TVL of \$386 for the IBC ecosystem. In October 22 Circle has set the timeline for this to happen to "early 2023".

Furthermore, Circle has announced their Crosschain Transfer Protocol (CCTP). It removes the fragmentation of USDC by wrapped versions issued as synthetic assets on other chains and enables native USDC bridging. While other protocols like Chainlink with CCIP work on general cross-chain messaging and its use cases, CCTP for example enables USDC based cross-chain swaps.

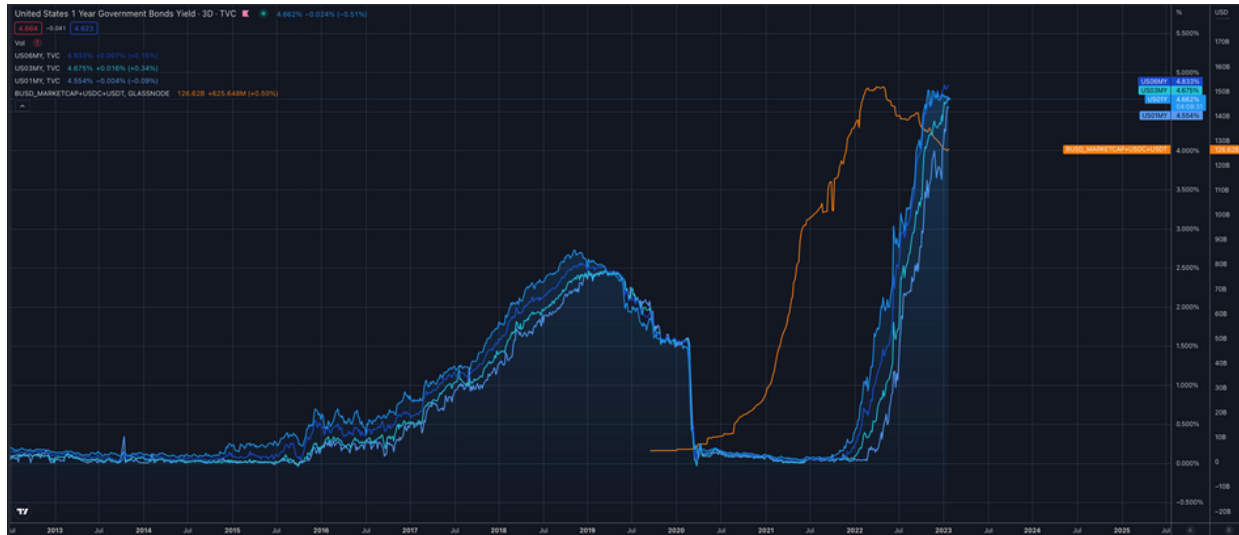
DeFi

Custodial Stablecoins

With the sharp increase in the short end of the yield curve, stablecoin issuers are establishing an ultra-profitable business model without going to the end of the risk curve by backing stables on crappy commercial loans.

Since the crypto market top we saw a drop of the total stablecoins in circulation during times when yields are going up only. On one hand, Circle, Tether, and others have essentially created a virtual printing press. However, eventually, a pull effect is likely to occur where users will opt to deposit their dollars in bank accounts to earn interest, rather than holding them as stablecoins on-chain.

This is when the stablecoin issuers will start a PVP over how much return they will be able to give their users. The first one who positions themselves accordingly, delivers a strong USP to expand their dominance.



DeFi

Decentralized vs Custodial

Crypto backed, algorithmic and partially RWA backed stablecoins will have strong tailwinds coming if custodial backed stablecoin eventually flip the feeswitch and issue a yield to holders. The global user base that would prefer a permissionless censorship resistant stablecoin over a yielding stablecoin is only a fraction of crypto native users.

Decentralized stablecoins will need to compete on a yield basis with the custodial variants to have sufficient demand in the long term. To counteract the yielding issue, users must be able to put T-Bills as a collateral in AAVE or MakerDAO and take out a loan against it. This way users could return a higher yield than the centralized versions. In case the decentralized version decide to bring back a yield to the users.

If we do some quick maths and assume a 4,7% yield on U.S. 1 Year Treasuries, Tether generates around \$3.2bn and Circle around \$1.6bn on T-Bills per year.

After Terra collapsed, the overcollateralized models like DAI, RAI as well as semi algorithmic like FRAX offer at least enough security even in times when collateral is falling fast. With crvUSD and GHO, Curve and AAVE are launching new decentralized, overcollateralized stablecoins similar to existing products. Unfortunately, at present, there is no means for decentralized stablecoins to offer comparable yields and liquidity to custodial versions.

This disadvantage is particularly prevalent among the most decentralized stablecoins, which are backed only by \$ETH, and poses a major obstacle in terms of competitiveness. MakerDAO chooses a path where up to 25% of the collateral consists of RWAs which leads to revenue growth but still can't compete on the yield level without going to the end of the risk curve with loans. The path to scalability in stablecoins still clearly lies in centralization and the best bet in our opinion lies in the opportunity finding a way for users to put T-Bills in those protocols in a non KYC'd way.



WEEKLY USDC RESERVES BREAKDOWN		
Balances		
	January 12th, 2023	January 19th, 2023
USDC in circulation	\$43.9B	\$43.1B
USDC reserves	\$44.0B	\$43.2B
Cash in Reserve Banks	\$10.3B	\$9.5B
Short dated U.S. Treasury portfolio	\$33.7B	\$33.7B

Source: <https://www.circle.com/en/usdc>



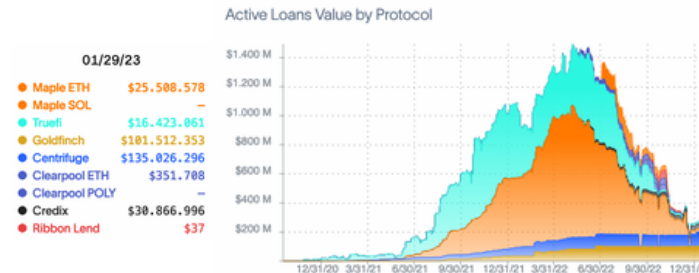
Real World Assets

For us, one of the most exciting product launch is Ondo Finance. It aims to bring popular investment funds tokenized on chain. Ondo starts among others with the US Government Bond Fund (OUSG) which invests exclusively in Blackrock issued short term US-Treasuries ETFs.

Ondo thereby provides a solution for stablecoin holders to generate a risk free yield without having to redeem or sell their USDC. Even if it is a KYC'd product for issuing and redeeming new funds, Ondo can prevent stablecoin outflows and should gain over proportionally due to the fact that stablecoin issuers do not pass on yield to their users. As mentioned before, it is important to get treasuries on-chain and to have the possibility to deposit them into money markets or CDPs in the long run.

We would like to see a future where we can use ZK technology to prove identity when issuing and redeeming new funds and to be able to deposit treasuries permissionlessly in protocols such as MakerDAO or AAVE against a DAI or GHO loan. We also have a close eye on other protocols e.g. backedFi, which brought the first variants of a physical backed token by the S&P 500 on-chain and made it tradeable on Uniswap without KYC

Looking at the subsector of off-chain collateralized or undercollateralized loans, the two protocols Goldfinch and Centrifuge seem to be unaffected by the bear market since they only deal with creditors outside the blockchain ecosystem. The active loans of other protocols like Maple were lent massively to market maker in crypto. Therefore, their active outstanding loans fluctuate strongly with the market and have imploded over the year.



The Ondo fund tokens are not fully permissionless and are described by the team as follows:

"Investors can transfer these tokens between each other to effect changes in fund ownership. Investors can also use smart contracts to facilitate their financial arrangements such as by engaging in lending and trading activities with each other. The tokens themselves have transfer restrictions that will ensure they do not end up in the hands of anyone not appropriately qualified as an investor in the fund. Smart contracts that investors wish to use will also need to be approved by the fund through a compliance review to make sure they are not being used to subvert these transfer restrictions. Ondo Finance Inc. will manage the tokenization as a technology services provider."

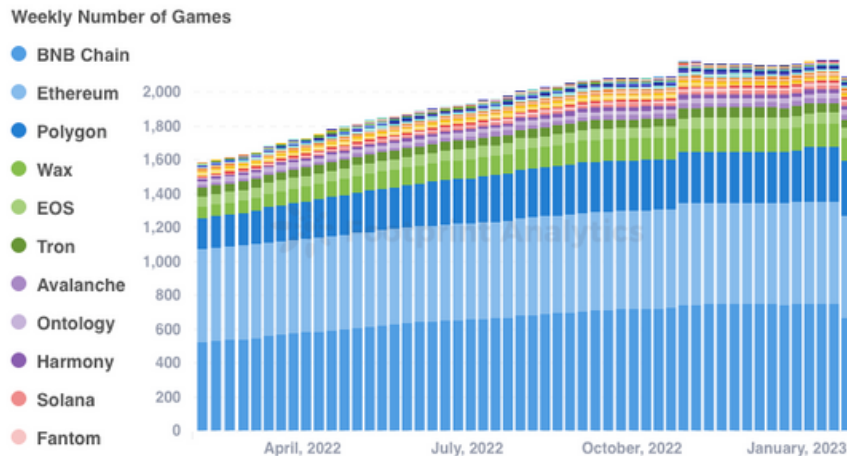
GameFi

Brace Yourself - AAAs Are Coming

The state of games

The bursted Play2Earn bubble still reverberates. Nevertheless we still believe, that gaming and especially AAA games can be a key factor for blockchain mass adoption. Of course, these games have to meet certain criteria in order to do that. In our opinion there are seven very important key pillars for a successful blockchain game:

- *An excellent frictionless on-boarding flow*
- *Easy intro to Web3*
- *Free-to-play*
- *Free-to-own*
- *Multi-platform (mobile/desktop)*
- *Gameplay focused*
- *Fun to play*



Even though games like Axie deserve an honorable mention since they have laid the foundation for blockchain gaming, we are excited what's to come. This year could be the first, where we see some games that combine all of the above mentioned elements.

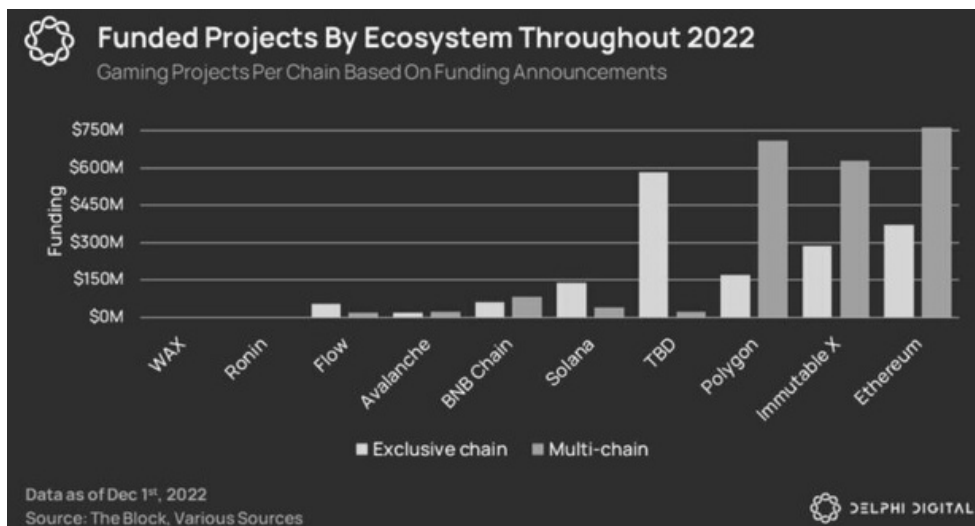
At present BSC, Ethereum, Polygon and Wax are leading the GameFi landscape with over 80% on chain games are deployed on top. However, we are looking more into one specific chain, on which not only one of the most anticipated games of the year will launch, but also focuses on gaming in particular: Immutable X.

GameFi



Immutable X

Immutable X exclusive games and Immutable X-based multi-chain games received roughly \$300 million and over \$600 million in funding, respectively. With these investments, Immutable X passed Solana and Polygon to become the most funded Layer-2 Web3 game ecosystem in 2022. Immutable X grew from five games to over 100 throughout the year.



Polygon followed Immutable X as a close second with a combined \$850 million in funding. Polygon's multi-chain gaming collected almost \$750 million — nearly \$150 million more than Immutable X's multi-chain equivalent.

However, Polygon-exclusive games performed relatively poorly, collecting just over \$150 million the entire year.

The cost of executing transactions on the Ethereum network is currently one of the main challenges facing NFT projects. Users on the Ethereum network have bid up gas prices in order to ensure their transactions settle quickly due to the limitations on the number of transactions Ethereum can handle. In 2022 the average cost of transferring an NFT is \$15, which has resulted in lower trading volumes.



Immutable X

The Immutable X platform solves this problem by allowing users to trade NFTs without having to pay gas fees. Apart from saving on gas fees, it also offers a variety of other benefits:

- You maintain self-custody of your NFTs with the same level of security as mainchain Ethereum, something not seen in alternative scaling solutions like Matic and xDai.
- Transactions are instant, and bridging back to Ethereum is trustless and verifiable.
- Unlike other solutions, there is no need to own a native L2 token to buy, sell, send, or receive NFTs.
- Immutable X will provide turing-complete general computation in the near future thanks to Cairo, technology developed by their partner StarkWare.
- Immutable engine supports over 9000 transactions per second

Immutable X also focuses on improving NFT liquidity. This is done in a couple of ways:

- They've created what is known as a "metadata order", or the ability for buyers to quickly and easily purchase assets (single, or in bulk) based on an NFTs underlying properties (or "metadata"). This is a major advancement over today's high-friction trading. Users are often forced to sort through thousands of NFTs that differ ever so slightly to find what they're looking for at the best available price.
- Immutable X offers pooled liquidity, allowing assets to be listed instantly on every exchange that supports Immutable X.

There are not many playable games on Immutable at the moment, because most game development started last year. Therefore 2023 will be an exciting year for the chain, as some of the most anticipated games will launch their beta or even full playable versions This will potentially lead to a growing user base and more traction to Immutable. One of the games we are most excited about is Illuvium. Let's go down the rabbit hole...



Illuvium

Illuvium is an upcoming open-world exploration, NFT creature collector, and auto battler game in a graphically-rich sci-fi adventure where you conquer the wilderness, explore alien landscapes and uncover the cataclysmic events that shattered Illuvium.

The funding behind Illuvium has come primarily from token issuance and a massively successful NFT land sale. In March 2021, the project raised approximately \$5.5 million in a seed round, and \$38 million at TGE. In June 2022, Illuvium raised \$72 million (amid a bear market) in a land sale of nearly 20,000 NFTs representing plots of land in the game environment.

Let's see if it ticks all the boxes we are looking for in a successful blockchain game.

We are expecting a frictionless onboarding flow and an easy web3 entry as the Co-founder Kieran Warwick currently stated: *"No talk of NFTs. No talk of crypto. No talk of Bitcoin. No talk of any of the lingo that all of us love. You onboard the players because it's a fun game that they want to play. Then after a little while, once they've gone through the journey. They start collecting these Illuvials. Then you give them a button that says hey by the way you've been collecting these Illuvials and they're very very valuable. You now press a button to seamlessly create a wallet and now all of a sudden someone who had no idea they were even playing a crypto game is onboarded into crypto."*

There's also a free-to-play aspect in the game, which is described in the FAQ: "You begin our game with a free-to-play experience that immerses you in our richly-detailed world, lets you enjoy some action, and helps you understand how the game works. The free-to-play experience of the Tier 0 regions will familiarize you with Illuvium, and won't feel like an "abridged" version of the game.

It is a full-fledged gameplay experience! If you like it, you can then decide to opt in to the paid experience, start collecting NFTs from higher tiered regions, and delve into deeper adventures to explore the mysteries of the game where the NFTs you gather start to hold more value as well."



Illuvium

In combination with the free-to-play aspect in the game there's also a free-to-own aspect. The Tier 0 Illuvials and resources you obtain in the free regions are NFTs. Once you capture them, they are yours and therefore you own them. If this will be worth the effort depends on the player base. The Illuvials will each have their own unique stats and there is also a leveling process to them. So who knows? If you own Tier 0 Illuvials, which have been leveled up, it's possible other players who don't have the time to level them up will buy them.

In the beginning Illuvium will only be playable on PC but further down the road there are plans to build a modified mobile and even a console version. So we can also tick off this box.

Illuvium aims for a "game first, earn second" approach. To achieve this goal, the developers have tried their best to offer a deep and enjoyable gameplay experience with immersive graphics. When it comes to fun we eventually have to trust the reviews and gameplay videos we saw so far (give beta access ser). But from our perspective, Illuvium combines everything you loved during your childhood days playing Pokemon on your Nintendo Gameboy with the modern day auto-battler genre inspired by DOTA Autochess and Riot Games' Teamfight Tactics. With every update on the development progress, our confidence in Illuvium spearheading web3 gaming grows tremendously as it showcases the quality of games we need to get accustomed to and use as prominent examples of the direction of our industry.

What Else?

Shiba Inu's Layer 2 Network



Wen? "Soon" - Crypto is degen and degen is crypto, that's exactly why we love this space so much. So why is a VC writing about a meme coin? Because it's working. Shiba Inu is currently ranked number 15 overall when it comes to market cap and has one of the most engaged communities in the industry.

So why are we excited about Shiba Inu's layer 2 network?

A Shiba Inu blog post describes Shibarium as, *"a powerful Layer 2 blockchain and a transitional evolution to the Shiba Ecosystem. Shibarium's layer 2 is a collective blockchain that scales and invites solutions, innovation, and security to the Decentralized Finance Space"*.

From a technological perspective the L2 aims to provide the benefits of scalability, faster transaction times, lower fees, and an expanded development framework. The main goal from any L2 out there. Beyond the cost and speed benefits, the development framework for Shibarium provides robust functionality to allow the community to build their vision into the blockchain. Decentralized Applications, programs that exist and run on a blockchain, are a critical component to the expansion of Web 3. Gaming, Social Media, Education, and Supply Chains are just a few of the nearly endless uses for dApps. So to be honest we are not that excited about the technology, but rather about the token, which will be the official gas token: \$BONE



Since its birth in July 2021 \$BONE has been linked to governance functions and is now going to be the native token to pay for gas transactions and reward validators and delegators within the Shibarium protocol. Also confirmed is that all transactions on the network will have an implicit burn amount for \$SHIB token. Even though it might not be the most exciting technology we definitely keep an eye on the Shiba Inu ecosystem and the release of the test net as this could trigger a decent increase in prices.

What Else?

Web3 Social / Lens



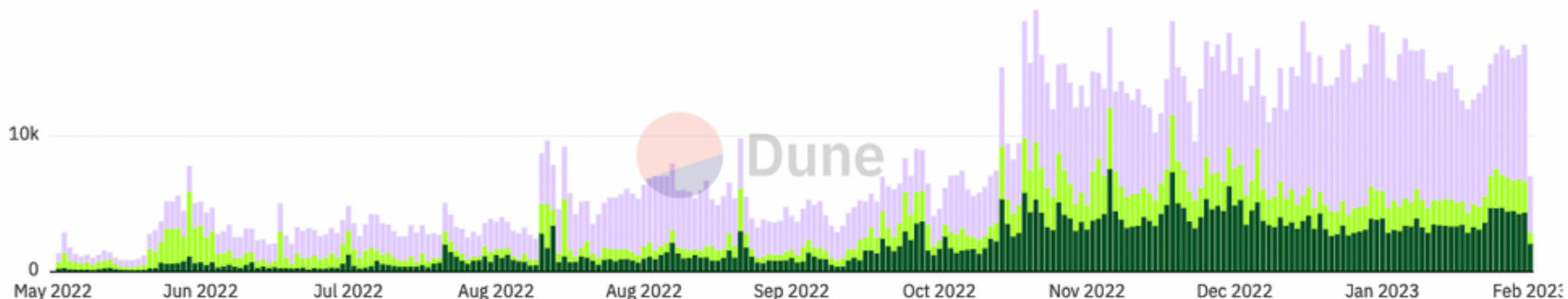
In our initial blog post, we discussed our views on the potential of Lens and Web3 as a means to advance towards self-sovereign individuals and by that enhance the network effects of our crypto financial rails. Identity is one of the clearest use cases for decentralized network systems besides money and we are excited to see that the Lens Ecosystem has steady usage till now.

The number of MAUs has decreased over the last two months from 3,9540 to 2,9015 which probably goes hand in hand by the fact, that close to zero profiles can be generated. On average, however, more than 100 profiles are still being bought on NFT marketplaces at a floor price of 68 USDC, which shows a clear demand from early pioneers.

Similar to web2 we expect a social layer to emerge after a period of boom and bust. New ideas of communication with social networks brought an incredible change to how people are interacting nowadays. Right now we are in the phase where experiments are started which try to leverage the new possibilities of a common state and create intersections e.g. between finance and social. We are still waiting for the one application that, like Uniswap, will bring the aha moment where crypto natives see the clear PMF of web3 social and prefer to live in an account centric world rather than being locked in social silos.

Daily Lens Owners Actions

@rustamov



Source: <https://dune.com/rustamov/lens>

Good Reads

Moonrock Library

- From 'Bitcoin Billionaires' to SEC Charges: [A brief history of the Winklevoss Twins](#)
- Building the everything app: [Fat Applications vs Fat Protocols](#)
- [Generating secure randomness on Ethereum using SNARKs](#)
- [SUAVE economic security model](#)
- [When is decentralizing on a blockchain valuable?](#)
- [Cross-Chain Order Flow Auctions](#)
- [Does your product need a token?](#)
- [Ethereum model](#)
- [Ark Invest - Big Ideas 2023](#)
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Soon



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Disclaimer

- We have not been compensated for this report
- We have been in contact with some of the mentioned projects
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