

DeFi Pulse Index Monthly Update

December 2020



Performance

	3-Months	December	November	October	Since Inception*	Standard Deviation**
DPI	14.6%	10.9%	66.8%	-38.0%	-7.6%	5.5%
BTC	169.4%	48.0%	42.3%	27.9%	172.2%	
ETH	105.4%	20.6%	58.7%	7.3%	96.2%	3.8%

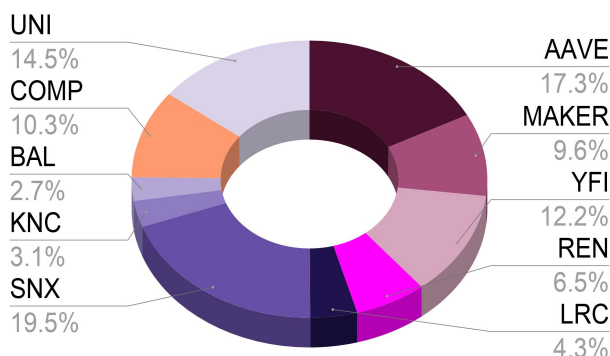
* Cumulative performance. Inception on September 14, 2020

** Standard deviation of daily returns since inception

MoM Holdings Change

Token	Dec-20	Jan-21	Change
AAVE	18.3%	17.3%	-0.9%
MAKER	10.0%	9.6%	-0.4%
YFI	17.8%	12.2%	-5.6%
REN	5.8%	6.5%	0.7%
LRC	5.7%	4.3%	-0.3%
SNX	12.6%	19.5%	6.8%
KNC	4.0%	3.1%	-0.9%
BAL	2.3%	2.7%	0.5%
COMP	9.0%	10.3%	1.3%
UNI	15.7%	14.5%	-1.2%
Total	100%	100%	

Current Weightings



Correlation & Beta

DPI with BTC	0.42
DPI with ETH	0.63
DPI beta to BTC	0.22
DPI beta to ETH	0.44

Upside & Downside Capture

Upside capture of BTC	50.1%
Downside capture of BTC	118.5%
Upside capture of ETH	81.6%
Downside capture of ETH	124.1%

DeFi Pulse Index Monthly Update

December 2020



Estimated Contribution To Performance

Token	Weight	Performance	Contribution*
AAVE	18.3%	16.4%	3.0%
MAKER	10.0%	3.5%	0.3%
YFI	17.8%	-13.0%	-2.3%
REN	5.8%	-4.5%	-0.3%
LRC	5.7%	-15.3%	-0.7%
SNX	12.6%	53.0%	6.7%
KNC	4.0%	-24.0%	-1.0%
BAL	2.3%	-8.4%	-0.2%
COMP	9.0%	34.8%	3.1%
UNI	15.7%	37.9%	5.9%

* Contribution measures the degree of each individual token's contribution to the performance of the DPI over a given period. This is an estimate only. At this point in time, we are not able to account for the constant changes in the weight of the underlying tokens in the portfolio. As such, contribution is calculated based on the beginning portfolio weights post monthly rebalance, assuming they stay static during the month.

Performance for DPI wasn't as strong as last month but it was positive nonetheless, with a 10.9% gain during December. The underlying tokens saw a mixed bag of results as the market continued to reprice DeFi projects after the recent bottom. Bitcoin continued to dominate the crypto space - up 48% for the month. The gains came with little volatility as bidding remained strong due to institutional demand, with large wallets (>10BTC) continuing to build their allocation.

DPI Performance Contributors

SNX: The top performer of December was Synthetix, up 53% and contributing 6.7% to DPI overall. With 2 major upgrades (Adhara and Shaula) mainly focused on the trading experience, the team also deployed a brand new app for managing SNX staking. That's not all though, the Layer 2 testnet continues in earnest with rewards being deployed to SNX stakers who used the network, and a Futures product due to launch on testnet in January.

UNI: Uniswap saw the second highest monthly volume in December at \$12b, beaten only by September at nearly \$16b during the height of DeFi summer. Despite a strong challenge from Sushiswap, Uni still has over \$2b locked liquidity and remains the dominant decentralised exchange (DEX) on Ethereum. The strength was reflected in token price with a 37.9% gain over the month.

DeFi Pulse Index Monthly Update

December 2020



Interestingly, on 17th December Coinbase announced it had filed a form S-1 with the SEC, an action normally taken by companies seeking to go public. Speculation immediately began around valuation with crypto research firm Messari putting forward a figure of \$28b. Centralised exchange FTX listed a pre-IPO Coinbase futures contract which traded around \$240/share putting the market cap at \$58b. At times this year Uniswap has seen higher 24hr volume than Coinbase, and yet Uniswap trades at \$4-5b market cap. UNI's December performance could be due in part to the market repricing the protocol based on it's centralised cousin trading at 10x higher valuation.

Performance Detractors

KNC: Kyber Network, much like DEX competitor Uniswap, saw an extremely strong end of year performance hitting all time high volume at \$411m. This wasn't reflected in the price of the token however and it slumped, down 24%. According to Token Terminal, KNC trades at 17x Price to Sales (P/S), whereas Uniswap, even after a stellar month is still at just 12x P/S. With valuation methods much easier to come by in crypto, it seems the market is starting to price protocols more realistically and seemingly found Kyber to be overvalued.

LRC: Loopring was also a drag on DPI performance this month, down 15.3% contributing -0.7% to the index overall. If we continue the theme of looking at P/S then perhaps Loopring trading at over 1000x could be a reason the token struggled to keep up with the other DeFi projects in DPI.