



HTX VENTURES 2024H1 INVESTMENT REPORT

HTX Ventures Releases 2024 Half-Year Investment Report, Highlighting Six Key Investment Directions

2024 half-year portfolio update

A total of 23 projects has been invested during the first half of 2024, focus in 6 key areas: BTCFi, Multichain Future Infrastructure, Application Infrastructure, User Experience Enhancement, New Social and Community Applications, and Deep IN.

Infrastructure



User Experience Enhancement



DeFi



Funds



Foreword

Singapore / August 7, 2024 – The first half of 2024 has marked a period of significant growth and innovation in the cryptocurrency market. This report outlines HTX Ventures' key investment directions and maps out the investment outlook for the latter half of 2024.

“HTX Ventures had a great first-half of 2024. Following our objective of advancing blockchain technology and Web3 ecosystems, it was through active searching and curation that we found potential opportunities to invest in. These projects have been shortlisted as we believe that they offer innovations and infrastructure that will be essential to the development of Web3.”

Edward, the Managing Partner at HTX Ventures said. “For the rest of 2024, we remain optimistic despite the market slowdown, and will continue our lookout for more great projects to invest in by staying committed to the long-term game and supporting front-end development. We have observed a positive innovation flywheel. Triggered by one successful business model and ecosystem, it will inspire many entrepreneurs and lead to long-term innovations within the ecosystem.”

HTX Ventures, the global investment division of HTX, integrates investment, incubation, and research to identify the best and brightest teams worldwide. HTX Ventures currently backs over 300 projects spanning multiple blockchain sectors, with select high-quality initiatives already trading on the HTX exchange.



Market Context

Macro Market

The cryptocurrency market has experienced significant growth during the first half of 2024. The approval of Bitcoin ETFs has opened the door to traditional finance for cryptocurrencies, injecting substantial liquidity and stabilizing Bitcoin prices between \$60,000 and \$70,000 from an average of \$40,000.

Additionally, the approval of ETH ETFs by the U.S. Securities and Exchange Commission has ushered cryptocurrencies into the ETF era, greatly lowering the investment threshold. However it may also bring more regulation and artificial volatility.

As a major class of risky assets, cryptocurrency ETF price fluctuations will have a stronger positive correlation with other financial markets (such as stocks and bonds). This could cause crypto to be more easily manipulated by Wall Street.

The Federal Reserve's interest rate policies also have a significant impact on the cryptocurrency market. The Federal Reserve's interest rates directly affect the liquidity of the U.S. dollar and related pegged currencies, which in turn directly influence the volatility of Bitcoin and other major cryptocurrencies.

Comment on the August 5th Global Market Selloff

Triggered by Japan's interest rate hike, poor U.S. corporate earnings, and unfavorable U.S. unemployment data, the market experienced excessive pessimism and a global sell-off on August 5th in which investors exited risk assets and moved into safe havens. However, the U.S. economy has not actually entered a recession.

More economic data, such as July and August's CPI and PCE data, ISM manufacturing and non-manufacturing indexes, and PMI data, is needed to clarify the economic situation. Currently, the market's rate cut expectation is overly optimistic, with the market pricing in a total rate cut of about 100 basis points before the end of the year.

The Federal Reserve needs more evidence to make a drastic monetary policy decision. Additionally, market uncertainty has increased due to the U.S. election.

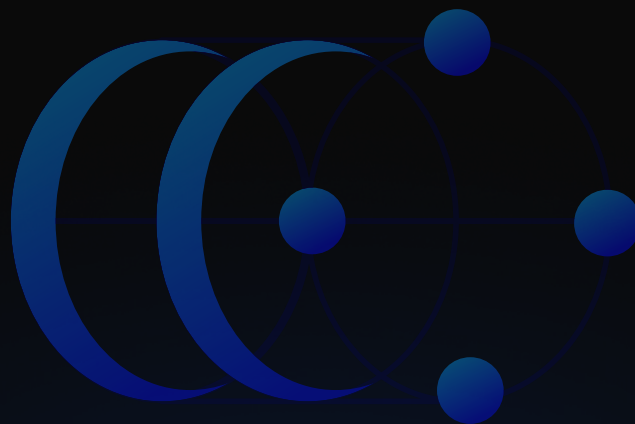
Based on the above assessments, we believe that at least until September, crypto investors should not be overly pessimistic and blindly cut positions, nor should they chase highs.

Project Building

On the business side, the Ethereum Dencun upgrade in early 2024 enhanced the ETH ecosystem, improved layer 2 usability and competitiveness, and opened up new opportunities for project chains. Eigen Layer's innovative business model has introduced new use cases and revenue streams for proof-of-stake coins, like Ether.

It is a good time to tap into cheap but high-quality business models. Position sizes should be moderate, leverage should be avoided, and investors should continuously update their understanding as new economic data is released to gain greater certainty.

This also prompted the exploration of new applications on Bitcoin. The combination of AI Agents with blockchain is also bringing transparency and automatic execution for service requesters, providing a glimpse into the future of AI integration.



HTX Ventures' Investment Focus in the First Half of 2024:

During this market cycle, HTX Ventures has been actively identifying and supporting innovative technologies and new business models. Committed to advancing blockchain technology, HTX Ventures offers comprehensive support to projects that expand the scope of Web3.

In the first half of 2024, HTX Ventures made 23 strategic investments across a wide range of areas, including infrastructure, DeFi, the Bitcoin ecosystem, AI, DePIN, SocialFi, and more, with a strong focus on foundational infrastructure and base layer models.

Impressed by the increasing talent in the Web3 builder community, particularly as experienced Web3 developers collaborate with Web2 professionals to address real user needs, HTX Ventures is excited to partner with passionate teams to build a more user-friendly Web3 ecosystem.

To illustrate HTX Ventures' investment directions in 2024, here are some key investments:

- We believe three main tracks will continue to flourish during the latter half of 2024. These include BTCFi, Multichain Future Infrastructure, and User Experience Enhancement.

I. BTCFi: Unlock the value within network security and token liquidity

Bitcoin decentralized finance, also called Bitcoin DeFi or BTCFi, introduces decentralized financial functions into the Bitcoin ecosystem. Bitcoin has long been the blockchain network with the most robust consensus and security.

However, due to its lack of smart contract capabilities, Bitcoin cannot host decentralized applications (DApps) like Ethereum or other public chains and is mostly used for “HODLing.” For Bitcoin holders, functionalities such as onchain lending, decentralized trading, and futures trading have largely been missing.

HTX Ventures focuses on Bitcoin ecosystem scaling solutions and token staking protocols. We believe these solutions can provide Bitcoin holders with more flexibility and use cases, thereby unlocking the value of Bitcoin that has been stored as “digital gold.”

In early 2024, Ordinals and Runes created new use cases for the Bitcoin ecosystem, demonstrating the market’s interest in Bitcoin’s general-purpose functionalities. However, we believe that Bitcoin’s potential in DeFi is still waiting to be unlocked. Currently, the total value locked (TVL) in BTCFi is close to \$1.2 billion, accounting for only 0.09% of Bitcoin’s total market cap.

By contrast, mainstream public chains with smart contract capabilities have much higher TVL-to-market cap ratios: 14% for Ethereum, 6% for Solana, and approximately 3% for Ton. Even at a 1% ratio, BTCFi has the potential for tenfold growth.

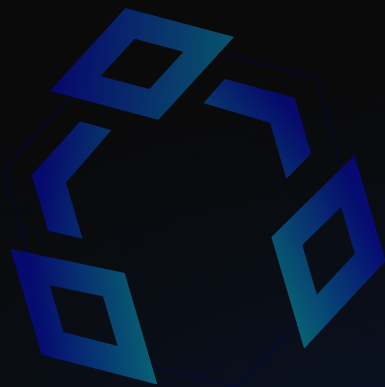
Babylon:

- Inspired by EigenLayer, Babylon builds infrastructure that allows proof-of-stake systems to obtain staking capital from Bitcoin to strengthen its network security. The platform uses a modular design and slashing functionality to let stake-based systems, such as blockchains, layer 2s, DA layers, and oracles, incorporate Bitcoin as a staking and restaking asset.

Babylon's ecosystem is simultaneously similar to and different from Eigenlayer's. The structural similarities lie in the fact that both will give rise to a multitude of projects like LRT, AVS, DA, etc. For instance, the LRT track alone has seen dozens of projects such as StakeStone, Uniport, Chakra, Lorenzo, Bedrock, and pSTAKE Finance, reminiscent of last year's Eigenlayer ecosystem boom with projects like Renzo and Puffer.

However, unlike the Ethereum ecosystem, which has seen successful narratives with DeFi, Layer2, and restaking, Babylon is a disruptive force on the Bitcoin layer, activating massive liquidity for the first time.

This is likely to simultaneously spur the development of the BTC DeFi sector, enhancing the efficiency of BTC capital utilization. Babylon's presence is crucial for revitalizing the BTC ecosystem; it becomes the founding layer of many other BTCFi protocols and brings BTC back to the spotlight of DeFi.



BounceBit:

- Different from Babylon, BounceBit is a centralized BTC restaking infrastructure that provides a foundational layer for different restaking products, secured by the regulated custody of Mainnet Digital and Ceffu.

The BounceBit chain, designed to showcase a restaking product within the BounceBit ecosystem, is a PoS layer 1 secured by validators staking both BTC and BounceBit's native token — a dual-token system leveraging native Bitcoin's security with full EVM compatibility.

It supports critical ecosystem infrastructure like bridges and oracles by providing its BTC restaking services. Through an innovative CeFi + DeFi framework, BounceBit empowers BTC holders to earn yield across multiple networks with good customer experiences.

COREx:

- HTX Ventures is one of the earliest ecosystem partners at Core. This Bitcoin-powered, EVM-compatible blockchain leverages the Bitcoin network's security to deliver efficient transaction processing speed (TPS) while maintaining sufficient decentralization. We believe that Core can provide one of the best environments for developing BTCFi, and we are working closely with the ecosystem to make this happen.

This leads us to invest in COREx, the flagship V3-style DEX built on top of the Core Ecosystem. As the future gateway and liquidity hub of the Core ecosystem, it is distinguished by its user-friendly design requiring a minimal learning curve, robust community social features, and advanced transaction monitoring and AI advisory functions.

II. Multichain Future Infrastructure

The competition between blockchains is very intense, especially between layer 1s. As the layer 1 chains developed in the previous cycle cannot communicate smoothly with each other, this always results in existing market competition. Once developers and users are tied to a chain, they cannot easily switch.

Since people cannot access other EVM-based primary or secondary blockchains, they have to rely on insecure cross-chain solutions (like cross-chain bridges). Besides the leading chains, most layer 1s face relatively low user activity, capital flow, and liquidity.

Monad:

- Monad is a layer 1 blockchain platform known for its unique re-architecture of the Ethereum Virtual Machine (EVM). It aims to address Ethereum's limited throughput problem, enabling decentralized applications (DApps) to scale for mass adoption.

Monad is a signature Parallel EVM layer 1; it is hyper scaling, allowing the network to process more transactions in less time with reduced fees and congestion, along with being leveraged on the existing user base and liquidity of Ethereum.

Ethereum is the leader in the layer 1 ecosystem, retaining most of the liquidity and users, but it has high transaction fees, low efficiency, and several technical bottlenecks.

New layer 1 developers embrace a multichain future. While being compatible with EVM or other layer 1s, they focus on addressing one or more of the existing layer 1 pain points or providing a deep focus and superior customer experience in one specific field. To some extent, they become complementary instead of substitutes for each other. This is leading to a more modular and efficient future with a smoother communication base layer.

It delivers Ethereum's flexibility alongside Solana's performance, boasting over 10,000 transactions per second, 1-second block times, and immediate finality while maintaining full backward compatibility with EVM and key Ethereum infrastructure.

Avail:

- Avail is building a unification layer to solve rollup fragmentation at scale. Avail DA, a foundational DA layer, implements the same technology planned for Ethereum's danksharding roadmap, including KZG Commitments and Data Availability Sampling (DAS).

Avail DA is one of the fastest and most cost-effective data availability solutions on the market right now. By combining their data availability layer with cross-chain interoperability and the robust security provided by Avail Nexus and Avail Fusion, Avail is building the unification layer for Web3.

Avail Nexus addresses growing fragmentation concerns with permissionless interoperability, leveraging proof aggregation on Avail's scalable DA layer. Avail's security is reinforced with multi-asset staking through Avail Fusion.

Berachain:

- Berachain is an EVM-compatible layer 1 blockchain built on Cosmos SDK, launched at the end of 2021, dedicated to solving DeFi liquidity problems. It features a consensus mechanism called Proof of Liquidity (PoL) and employs a tri-token economic model to achieve long-term onchain liquidity.

Validators are incentivized to stake whitelisted assets such as BTC, ETH, and stablecoins in validator vaults. Similar to Delegated proof-of-stake (DPoS), users can delegate their deposits to specific validators, providing liquidity for onchain protocols and receiving a portion of DeFi protocol revenue and \$BERA as rewards.

The more deposits, the higher the rewards. This mechanism brings abundant liquidity to DeFi on Berachain.

Sophon:

- Sophon is a ZKsync “hyper chain” or layer 2 network being built using Matter Labs’ modular, open-source framework ZK Stack. It focuses on the pan-entertainment sector and targets fields such as entertainment, gaming, music, art, ticketing, and gambling. Sophon aims to become a high-performance modular public blockchain dedicated to the pan-entertainment industry.

Sophon uses the ZK Stack toolkit to quickly develop its modular blockchain. It functions as the execution layer, while Ethereum remains the settlement layer and (to be disclosed) as the data availability layer.

This combination allows for the rapid deployment of modular blockchains. It reduces development costs while benefiting from low transaction fees, high operational speed, and high scalability.



III. User Experience Enhancement:

No matter the use case or technology, it ultimately faces the user. In this field, Apple is the king of customer experience. Like Apple, being able to combine frontier technology with good use cases and user experience is crucial for the widespread adoption of Web3 technology. When investing, HTX Ventures considers project experience and product operations to be crucial points in our investment criteria.

Camp Network:

- Camp Network is a modular layer 2 blockchain aimed at large-scale Web3 adoption in fields such as culture, music, gaming, movies, social media, sports, and live events. It uses “digital backpacks” to leverage offline engagement data from social and streaming applications—where most users’ digital identities exist today—to help consumer applications better understand and incentivize valuable behaviors. Camp Network has a strong BD and operations team and has the potential to onboard high-quality user communities to Web3.

We also have a strong investment interest in projects that can bridge people into Web3. Currently, social interactions, fan communities, and gaming are key areas driving broader adoption. HTX Ventures invests in community, education, SocialFi, and GameFi to build a more user-friendly ecosystem:

Tomo:

- Tomo is an all-in-one Web3 social application that transforms users’ online presence into a universal social wallet, facilitating genuine, spam-free connections and financial incentives. Tomo allows users to interact directly with creators, participate in private discussions, and explore new-generation digital art through Tomoji. Tomo stands out by embedding financial incentives into social interactions, thus realigning the value distribution between creators and their audience.

ChainML:

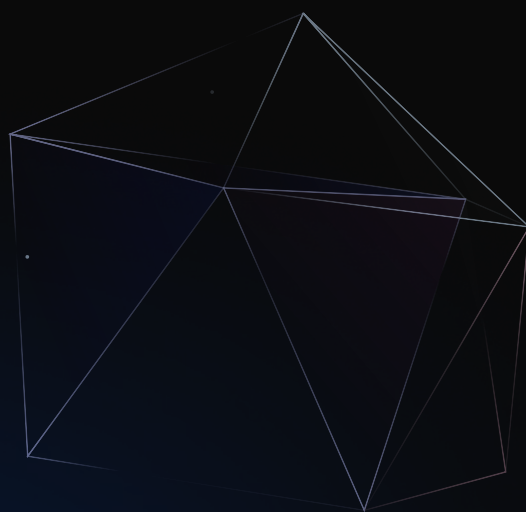
- ChainML is an AI and ML development lab that recently launched Theoriq, a platform based on composability, scalability, and community-driven governance. Theoriq's AI Agent foundational layer aims to combat the monopolistic control of AI Agent technology and integrate its capabilities into the emerging Web3 framework.

The protocol introduces a Web3-enabled consumer layer and an open AI Agent marketplace, effectively democratizing access to AI technology. Contrary to the centralized models of existing tech giants, this approach not only enhances transparency but also aligns with the fundamental principles of Web3.

Theoriq's core advantages include:

- Security (Calculation challenges through proofs, staking assets bound by a reputation system, multiparty game-theory security)
- Cost efficiency (significantly reduced performance overhead compared to zkML)
- Scalability.

In the future, it can provide a shared economy for deep learning applications by aggregating GPU computing resources worldwide and addressing the current GPU power shortage. Its proofs can ensure that AI inference is genuinely executed, further incentivizing all GPU computing power participation through a token economic model.



Other Trends HTX is Focusing On

IV. Application Infrastructure Projects

To establish a project ecosystem, it is essential to lay a solid foundation for technical infrastructure. Besides the Bitcoin ecosystem, the other two key infrastructure areas we are currently focusing on are Fully Homomorphic Encryption (FHE) and AI.

Fully Homomorphic Encryption (FHE)

FHE technology can be used in fields like transaction privacy encryption and AI privacy. Compared to competitors such as ZK and mixers, FHE naturally supports contracts and is compatible with the EVM. For AI privacy, FHE can secure data inputs used by AI products such as ChatGPT. With most countries focusing their AI regulations on data security and privacy, especially given the dominance of major AI companies in the United States, the need to ensure privacy without stifling AI's productivity potential is critical.

Several FHE projects are anticipated to launch by the end of this year and in Q1 next year, potentially enhancing AI data privacy protection, promoting the integration of AI and crypto, and offering privacy protection for transactions as an alternative to mixers. The main challenge restricting the FHE application is performance. To address this, companies such as ZAMA are introducing FHE hardware acceleration. Companies such as Fhenix and ZAMA are particularly promising in the FHE field.

AI

AI has become an important part of daily life and work. By integrating AI with blockchain technology, many existing pain points can be addressed, such as transaction black boxes and the need for human intervention. The combination of crypto and AI primarily tackles AI domain issues through a token incentive model, which encourages people across the globe to participate in data annotation, synthetic data creation, privacy protection via Fully Homomorphic Encryption (FHE), and decentralized computing networks.

For the second half of 2024, HTX Ventures believes the focus should be on the development of AI Agents, as highlighted by Vitalik Buterin. AI Agents can observe their surroundings, make independent decisions, and take action to achieve specific goals. Supported by advanced language models, these agents can understand natural language and plan and execute complex tasks.

They can act as virtual assistants, learning user preferences through interactions to provide personalized solutions. Even without explicit instructions, AI Agents can independently solve problems, improve efficiency, and create new value. This AI Agent direction is a sub-field that is closest to users, easiest to gain widespread adoption, and likely to drive significant traffic.

Another promising direction is breakthroughs at the data layer: IMO, or Initial Model Offering. Unlike the elusive ICO, IMO is tied to real-world AI models rather than being a scheme to raise money without substance. The current AI industry is mainly dominated by closed-source models, with many open-source AI models struggling to monetize. For open-source AI models to develop, the key is to raise more funds. The purpose of IMO is to provide a new asset issuance method, helping open-source AI model developers raise more funds to support their development.

V. New SocialFi and Community Applications

The current community-type projects (ecosystems) worth paying attention to can be categorized into four main areas: Blockchain Links (Blinks) and its project ecosystem led by Solana, the established social project FriendTech, the new Socialfi project Farcaster on Base, and the Ton ecosystem.

Farcaster and TON are showcasing their immense potential in the future crypto market through their unique ecosystems and robust technical support. Farcaster builds a strong social layer foundation with its decentralized social relationship graph and memecoin economics, while TON established its position in the SocialFi and GameFi sectors through strategic investments and technological deployments.

Additionally, Solana's newly launched Blink also got strong social traction, with this trend expected to strengthen in the second half of 2024.

These projects offer new opportunities and directions for investors.

HTX Ventures is optimistic about SocialFi and GameFi projects built on strong social ecosystems like Farcaster and TON. These projects can leverage existing social networks to provide a good user experience and achieve rapid expansion.

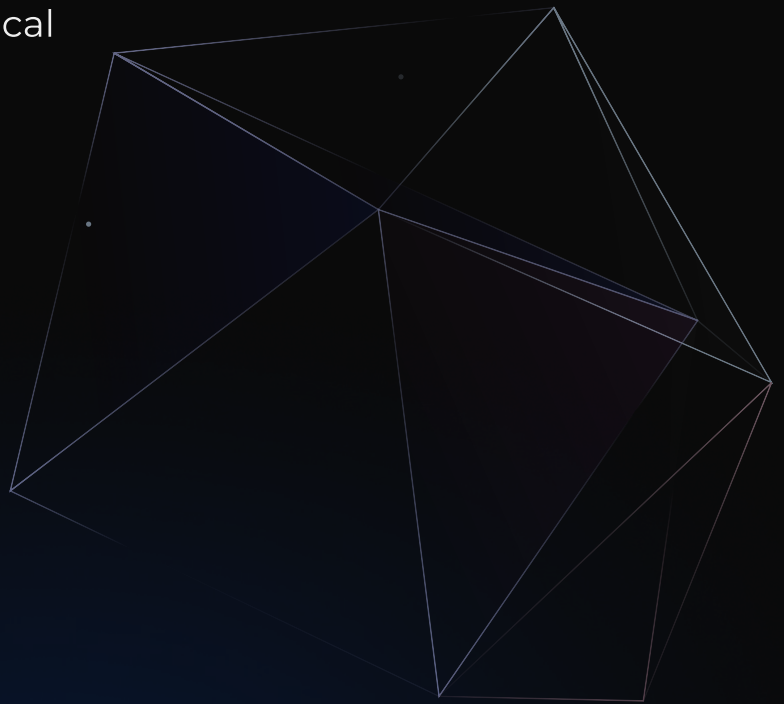


VI. DePIN

Decentralized Physical Infrastructure Networks (DePIN) are revolutionizing the blockchain field through innovative use of existing infrastructure and data-centric business models. DePIN goes beyond traditional IoT frameworks by standing out for its decentralized efficiency and cost-effectiveness. It plays a key role in integrating technologies such as privacy enhancement, zero-knowledge proofs, and artificial intelligence.

As a leading DePIN platform, Solana demonstrates the integration of high-performance blockchain technology with physical networks, promising significant economic returns and pioneering new ways to merge technology with practical applications.

In the latter half of 2024, HTX Ventures will continue to explore high-quality projects, empower cutting-edge technology, critical infrastructure, and applications that significantly improve usability and user experience, and increase the Web3 user base. This includes AI Agents, SocialFi, GameFi, Decentralized Physical Infrastructure Networks (DePIN), Ethereum, layer 1 and 2 solutions, the Bitcoin ecosystem, and more.



About HTX Ventures

HTX Ventures, the global investment division of HTX, integrates investment, incubation, and research to identify the best and brightest teams worldwide. With more than decade-long history as an industry pioneer, HTX Ventures excels at identifying cutting-edge technologies and emerging business models within the sector. To foster growth within the blockchain ecosystem, we provide comprehensive support to projects, including financing, resources, and strategic advice.

HTX Ventures currently backs over 300 projects spanning multiple blockchain sectors, with select high-quality initiatives already trading on the HTX exchange. Furthermore, as one of the most active FOF (Fund of Funds) funds, HTX Ventures invests in 30 top global funds and collaborates with leading blockchain funds such as Polychain, Dragonfly, Bankless, Gitcoin, Figment, Nomad, Animoca, and Hack VC to jointly build a blockchain ecosystem.

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