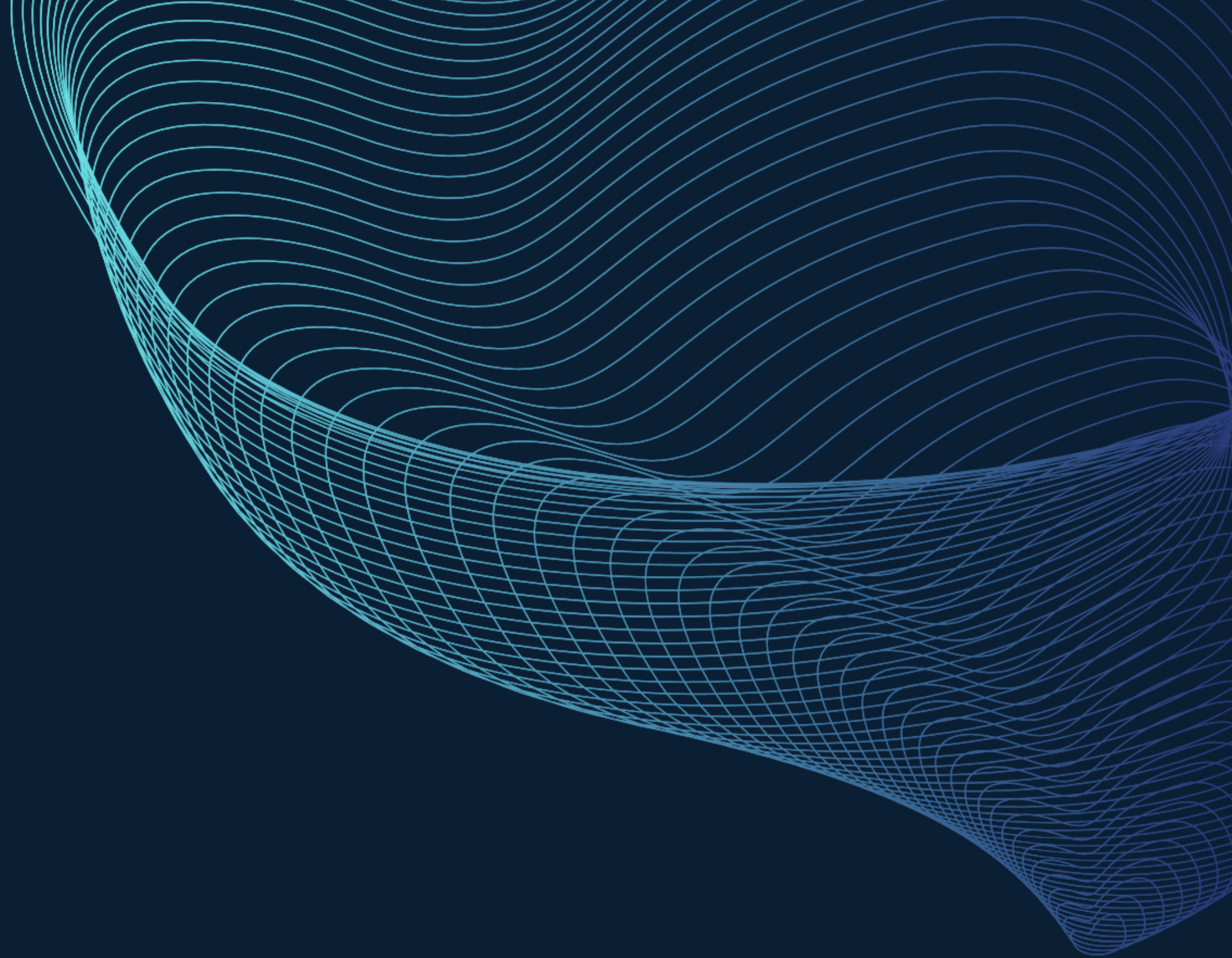




Deep Research



Swan Bitcoin

March 8, 2022

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Executive Summary

- The digital assets space has witnessed a Cambrian explosion of alternative crypto networks over the past few years, with many projects experimenting on concepts pioneered by Bitcoin. Despite the new options for crypto investors, we believe Bitcoin remains differentiated as the only sound monetary cryptoasset due to its unique technical characteristics around decentralization, consensus, and supply. Bitcoin is also fundamentally superior to other existing monetary assets such as the U.S. dollar and gold, its only weakness being its early stage of adoption.
- Swan Bitcoin (“Swan” or the “Company”) is a Bitcoin-only digital asset platform that recognizes bitcoin as the reserve asset of the future and wants to be the preeminent service provider around this asset as it transitions from a risk-on to a risk-off investment. By leveraging a Bitcoin-only focus, Swan is well-positioned to service a critically underserved cohort of potential and existing Bitcoin investors through a robust suite of products, services, and educational content.
- The Company’s current offerings primarily center around the procurement of bitcoin, such as instant buys, dollar-cost averaging solutions, and facilitating large OTC orders. But its product roadmap features consumption-related tools, including asset-backed loans, wallet services, and credit & debit cards.
- Importantly, Swan’s narrow focus allows it to build a trusted brand as the foremost expert on Bitcoin. This encourages more people to front-run Bitcoin’s maturation and helps the Company to establish a long-term relationship with its client base. From an operational perspective, a single-asset offering removes the need for expensive hardware and labor required to service multiple assets. This frees up capital to build out its content packages and allows the Company to offer lower fees at attractive margins.
- Risks – Any centralized entity whose success is centered on the performance of an objectively volatile asset is subject to market risk. Beyond volatility, risks center around the security of user funds and regulatory headwinds that could temper the pace of adoption.
- Bottom Line – In an industry seemingly always searching for the “next big trade,” Swan differentiates itself by focusing on the cryptoasset with the largest addressable market. Although early in its development, Swan has already established itself as a leading voice in Bitcoin circles and is positioned to guide individuals, advisors, and institutions on their journey with Bitcoin.

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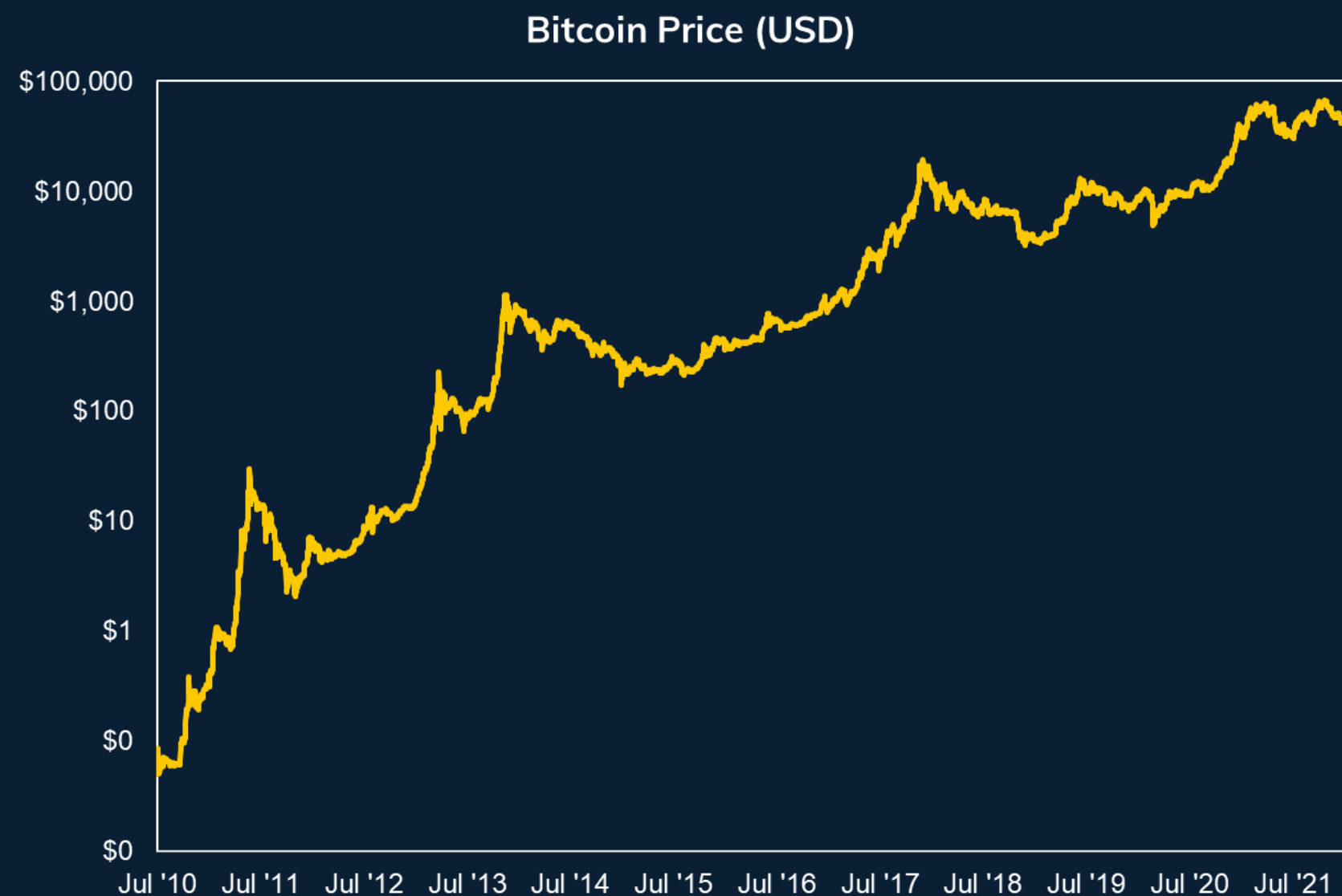
3 Product Suite

4 Value Proposition

5 Risks

Bitcoin Origins

- Bitcoin was launched in the wake of the Global Financial Crisis on January 3, 2009, by the pseudonymous Satoshi Nakamoto.
- The whitepaper released by Satoshi described a software program that would enable parties to transact online without the need for an intermediary. Transactions would be verified and processed by a decentralized network of computers running a proof-of-work (PoW) algorithm.



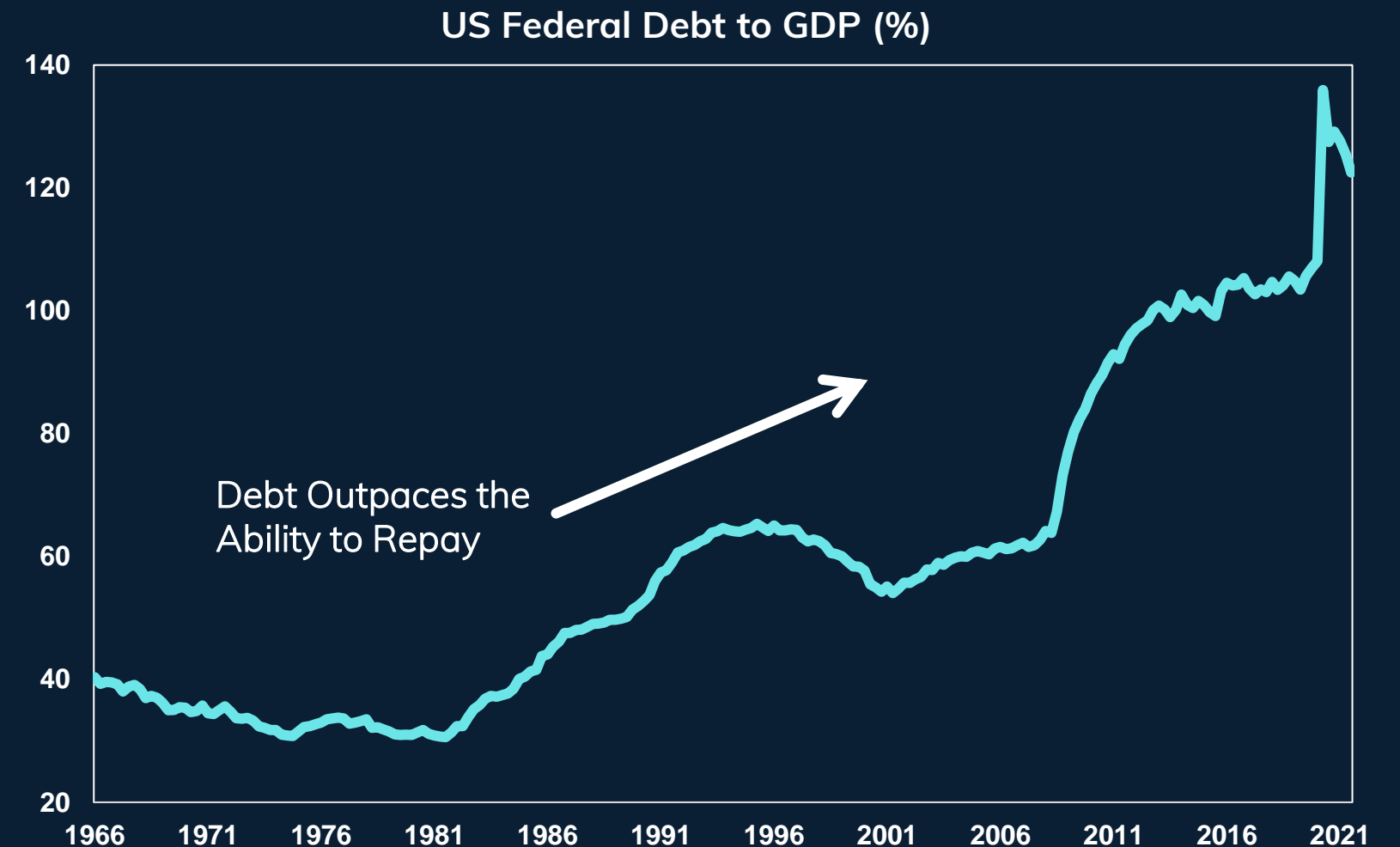
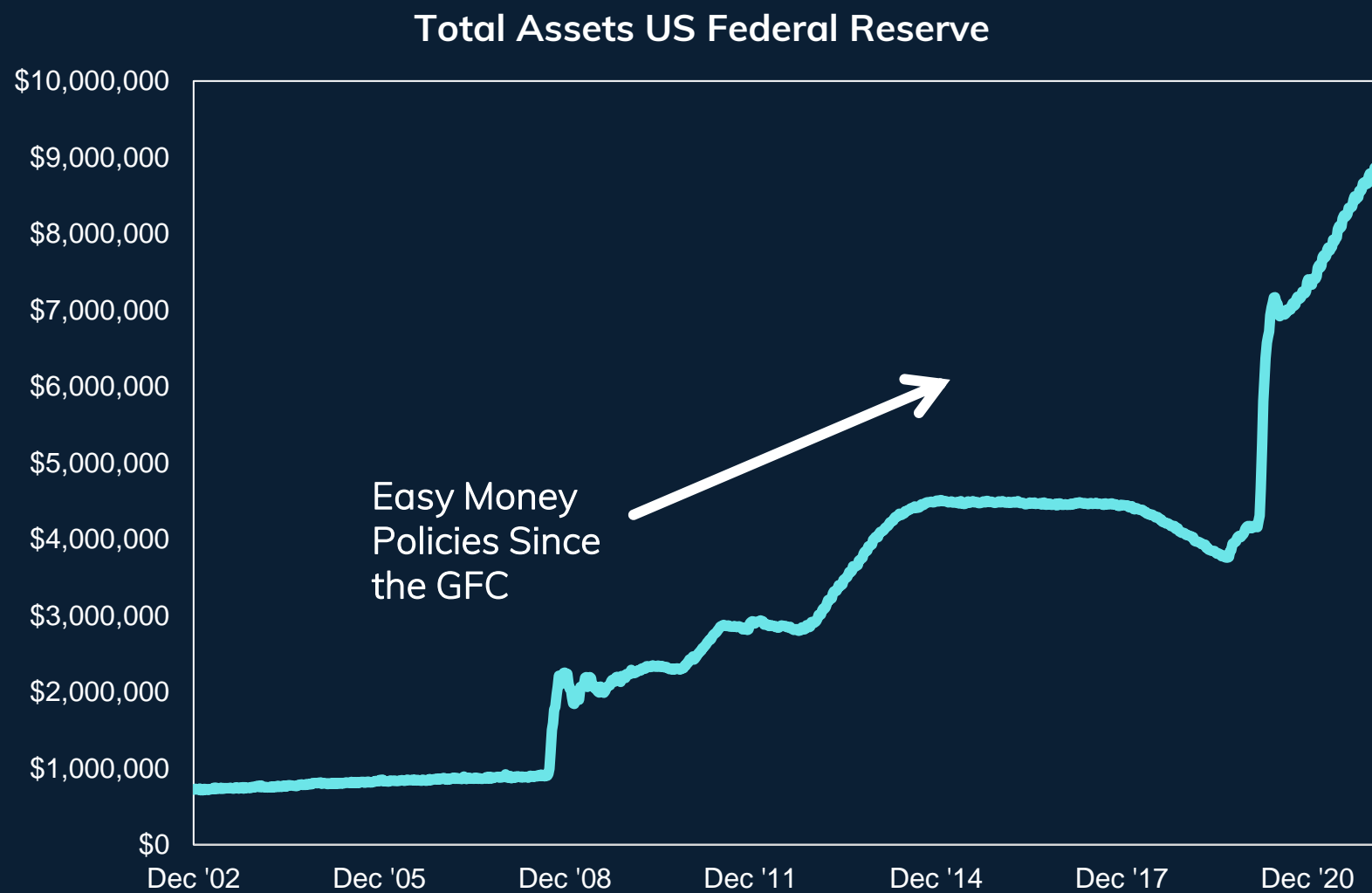
Bitcoin: A Peer-to-Peer Electronic Cash System

Satoshi Nakamoto
satoshin@gmx.com
www.bitcoin.org

Abstract. A purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without going through a financial institution. Digital signatures provide part of the solution, but the main benefits are lost if a trusted third party is still required to prevent double-spending. We propose a solution to the double-spending problem using a peer-to-peer network. The network timestamps transactions by hashing them into an ongoing chain of hash-based proof-of-work, forming a record that cannot be changed without redoing the proof-of-work. The longest chain not only serves as proof of the sequence of events witnessed, but proof that it came from the largest pool of CPU power. As long as a majority of CPU power is controlled by nodes that are not cooperating to attack the network, they'll generate the longest chain and outpace attackers. The network itself requires minimal structure. Messages are broadcast on a best effort basis, and nodes can leave and rejoin the network at will, accepting the longest proof-of-work chain as proof of what happened while they were gone.

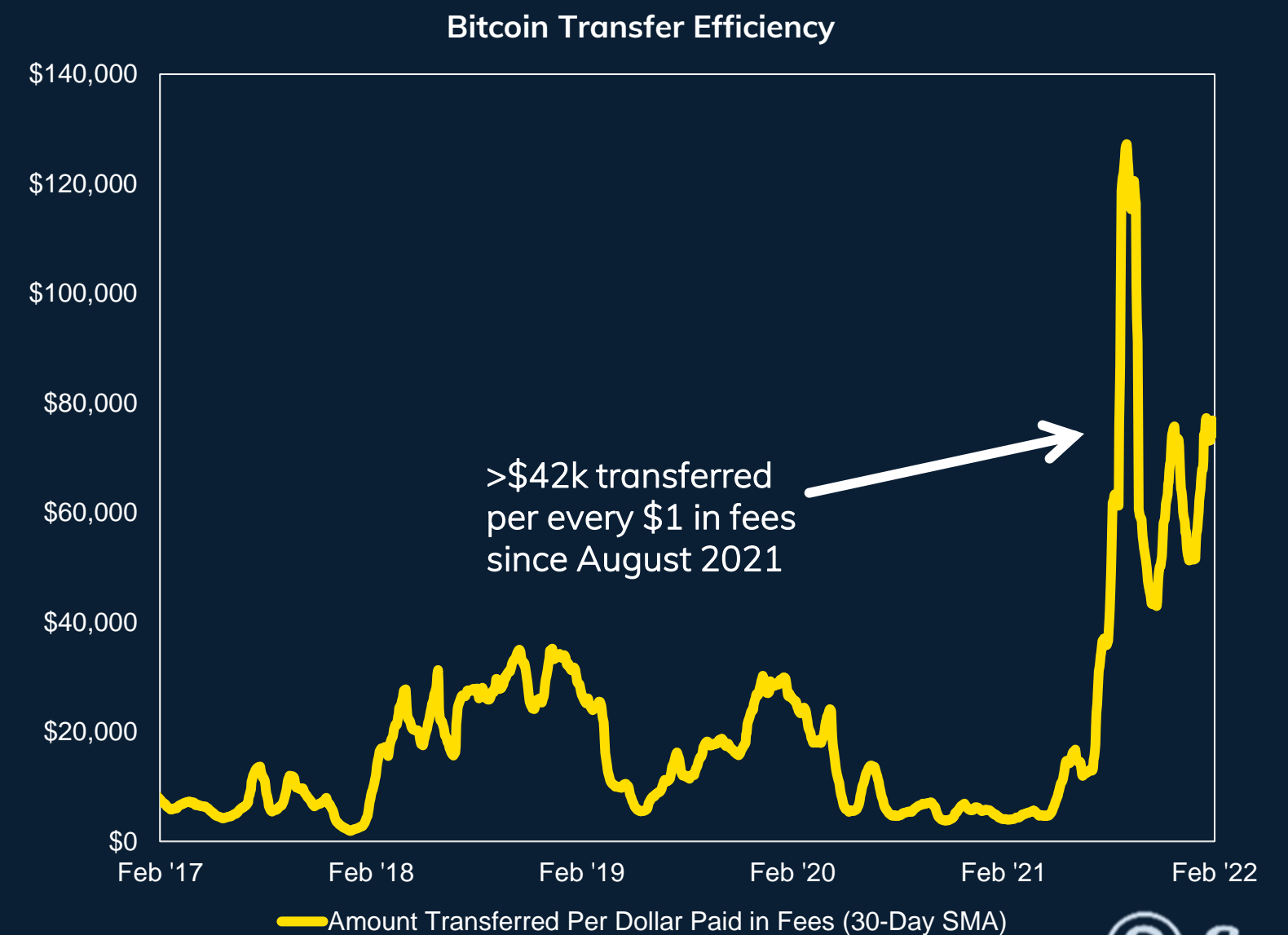
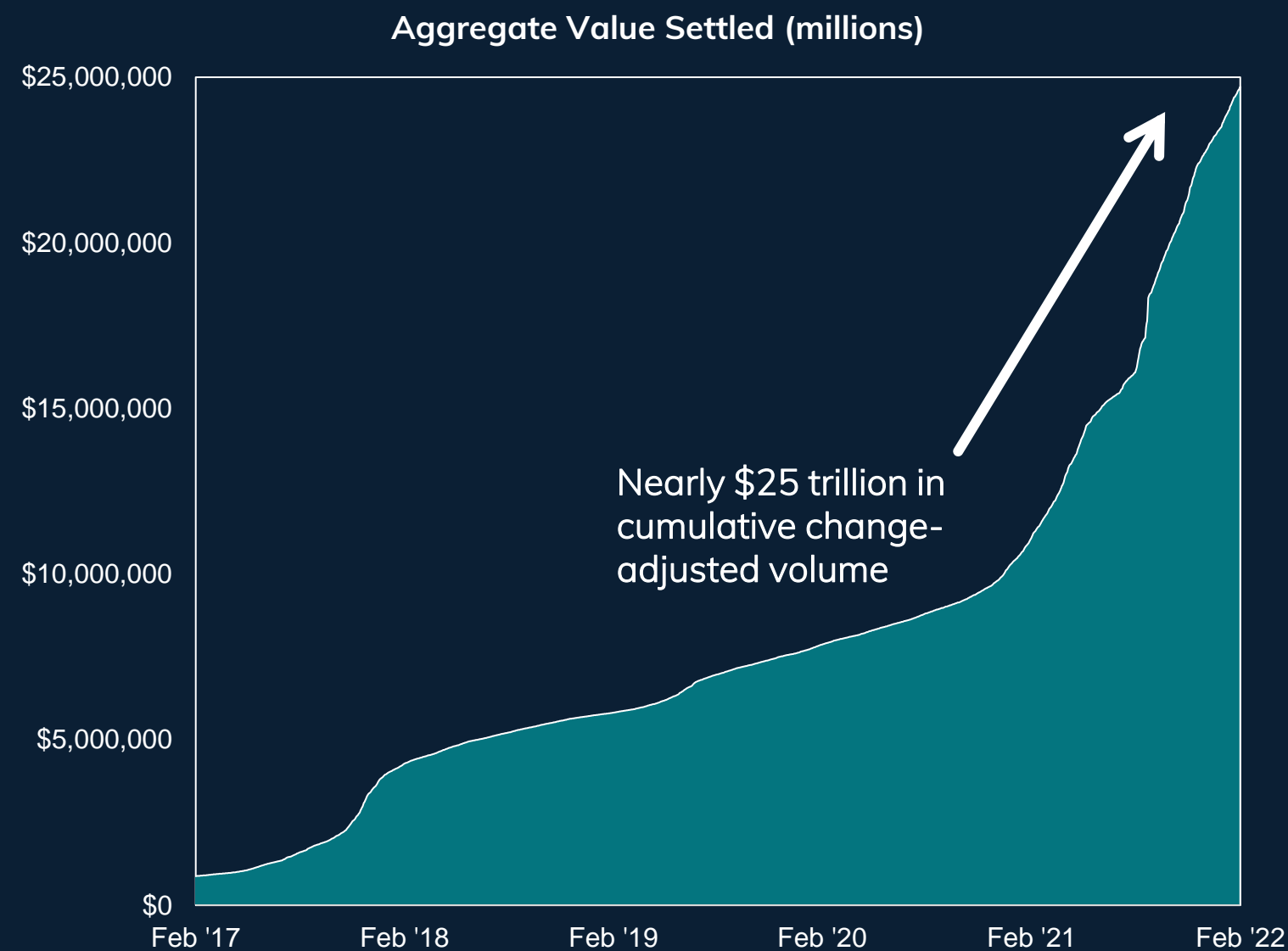
A Need For Immutable Money

- The macro tailwinds for Bitcoin became clear following its launch, as the US Federal Reserve adopted loose monetary policies to support the economy following the GFC. Asset prices ballooned, and since that time, the central bank has been unable to dial back monetary supply without jeopardizing the performance of financial markets.
- This dynamic has resulted in an unprecedented amount of federal debt relative to economic production and a wealth gap resulting from a divergence in wages and asset price inflation. Consequently, Bitcoin, which was once a passion project among hobbyists, has emerged as a competitor to global central banks.



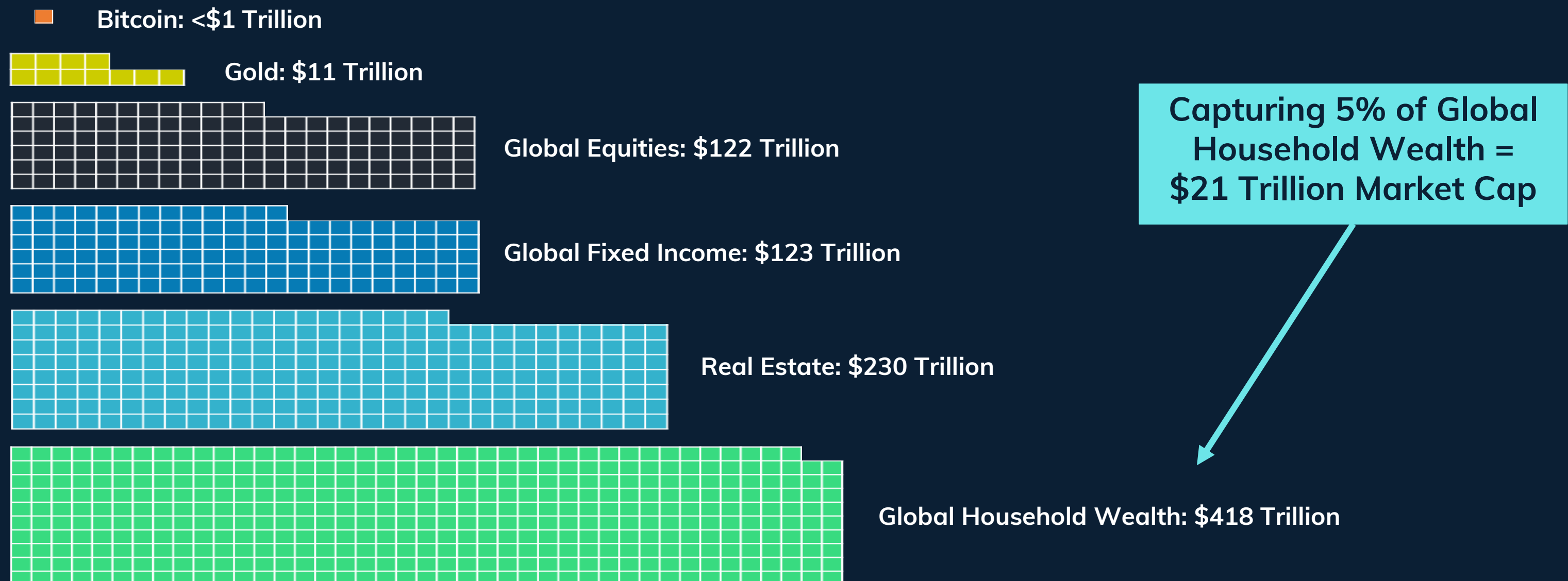
Bitcoin Provides a Global Settlement Layer

- Initially, Bitcoin was widely perceived as a payments network, like PayPal or Visa. However, constraints pertaining to block size and consensus, which are critical to keeping the network decentralized and immutable, were factors that limited the ability of the network to serve this function without the implementation of a layer 2 solution.
- Upon the proliferation of stablecoins and other payments-focused networks, it became clear that Bitcoin's core value proposition is for storing value. This evolution is reflected in the increased efficiencies of the Bitcoin network.



Bitcoin Market Sizing

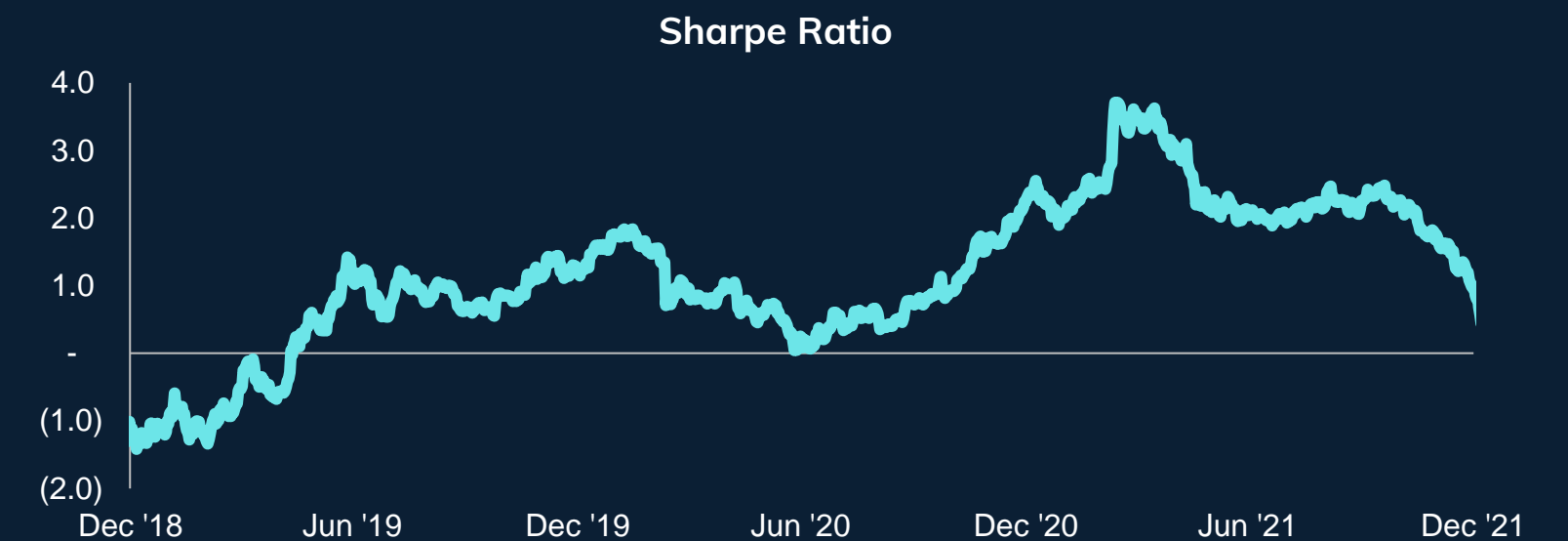
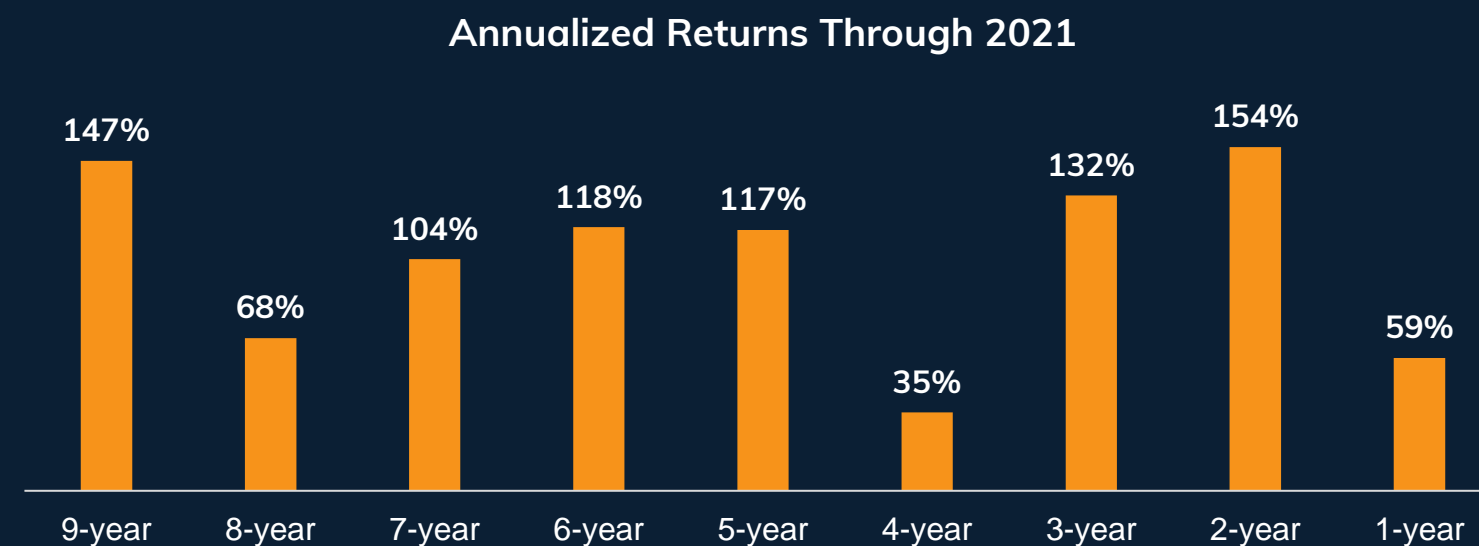
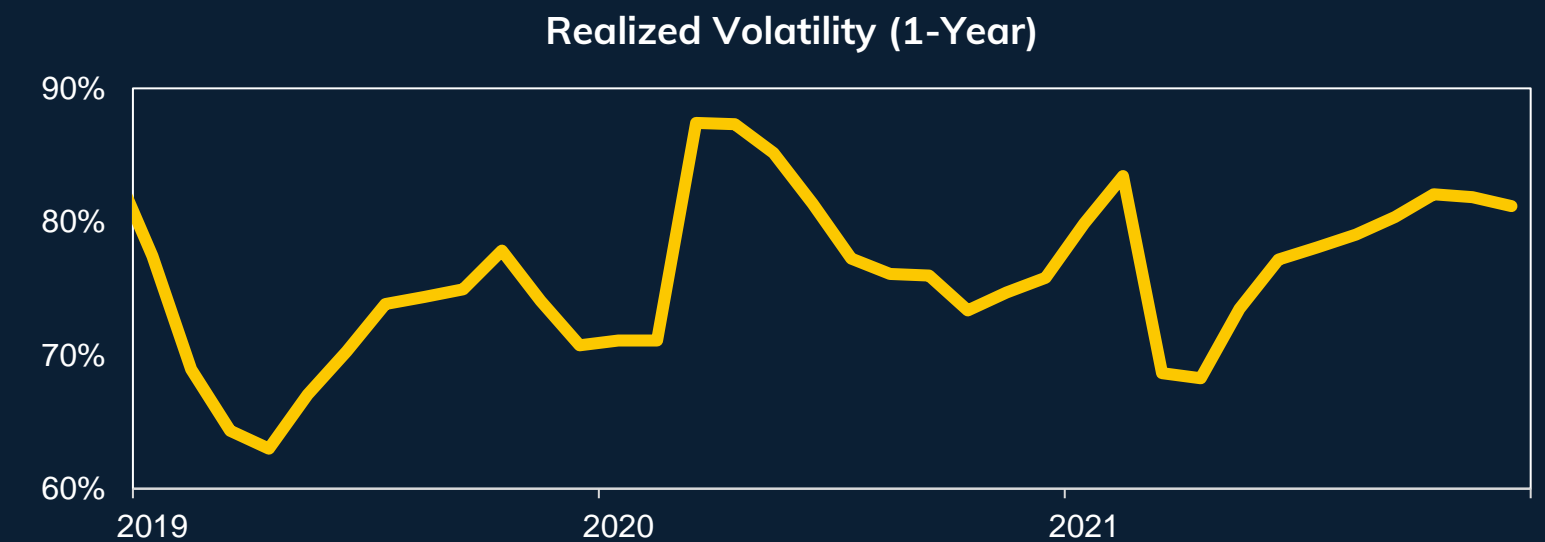
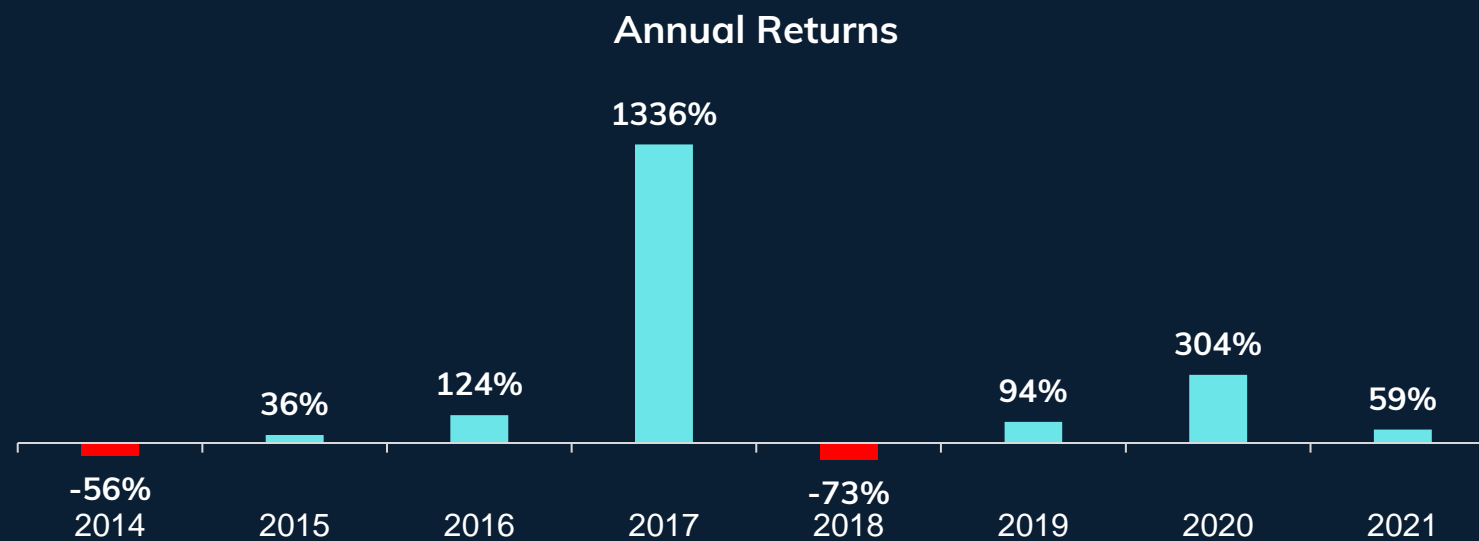
- Bitcoin is a trustless, P2P electronic payment system that is immune to asset confiscation via direct government seizure or fiat money inflation. Its transparent and immutable architecture coupled with its finite and fungible supply allows it to serve as a superior store of value (“SoV”) for investors. For this reason, many have dubbed Bitcoin as digital gold.
- We think that other short- and long-term stores of value such as real estate and bond markets present equally compelling market-sizing comparisons for Bitcoin.



Historical Asset Performance

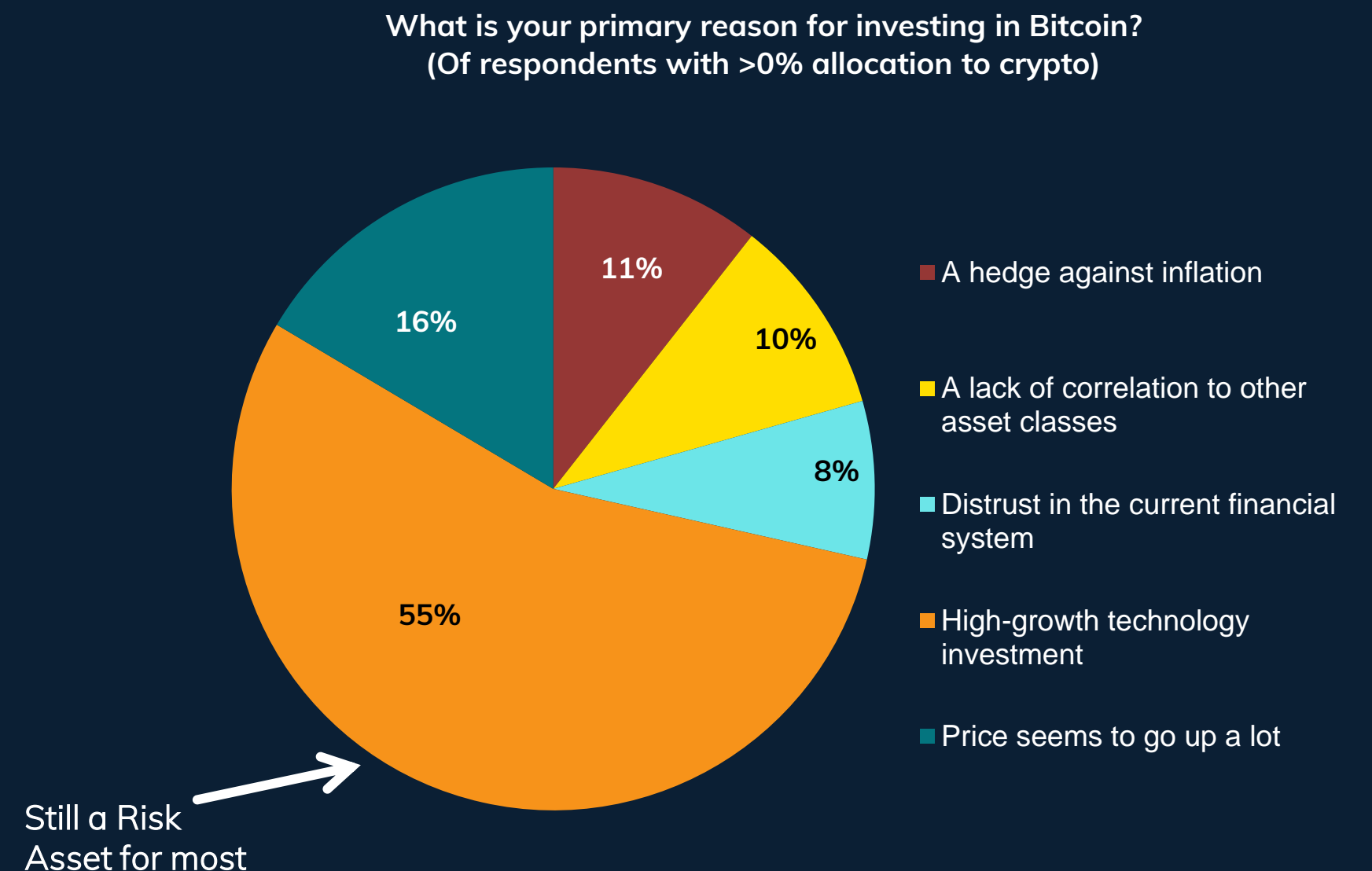
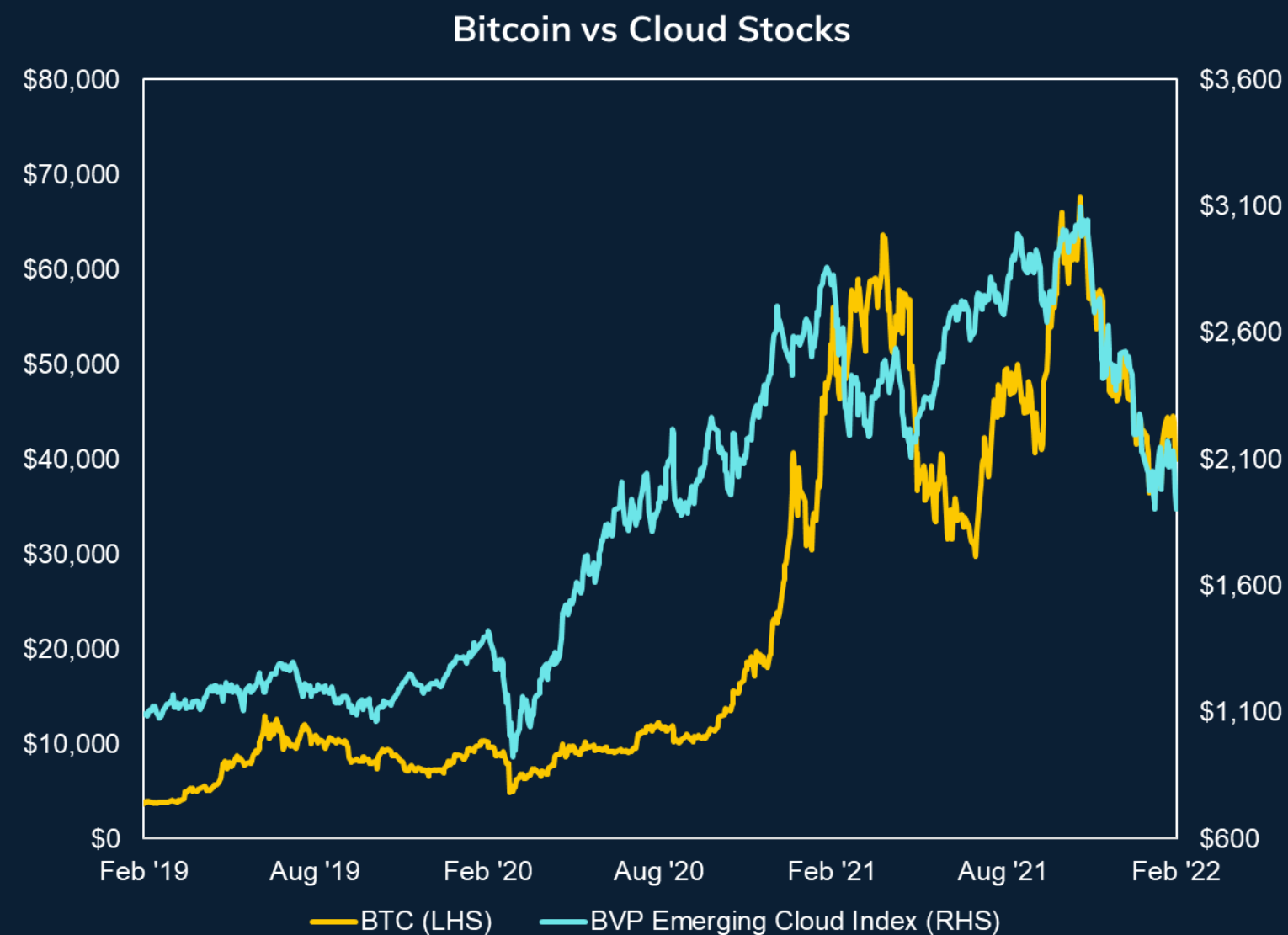
- Bitcoin has historically outperformed other macro asset classes, recording a 148% annualized return from 2013 through 2021.

- Despite a historical realized 1-year volatility that is often north of 80%, bitcoin has performed quite well on a risk-adjusted basis, at times recording a Sharpe ratio above 4.0.



Bitcoin's Current Role in a Typical Portfolio

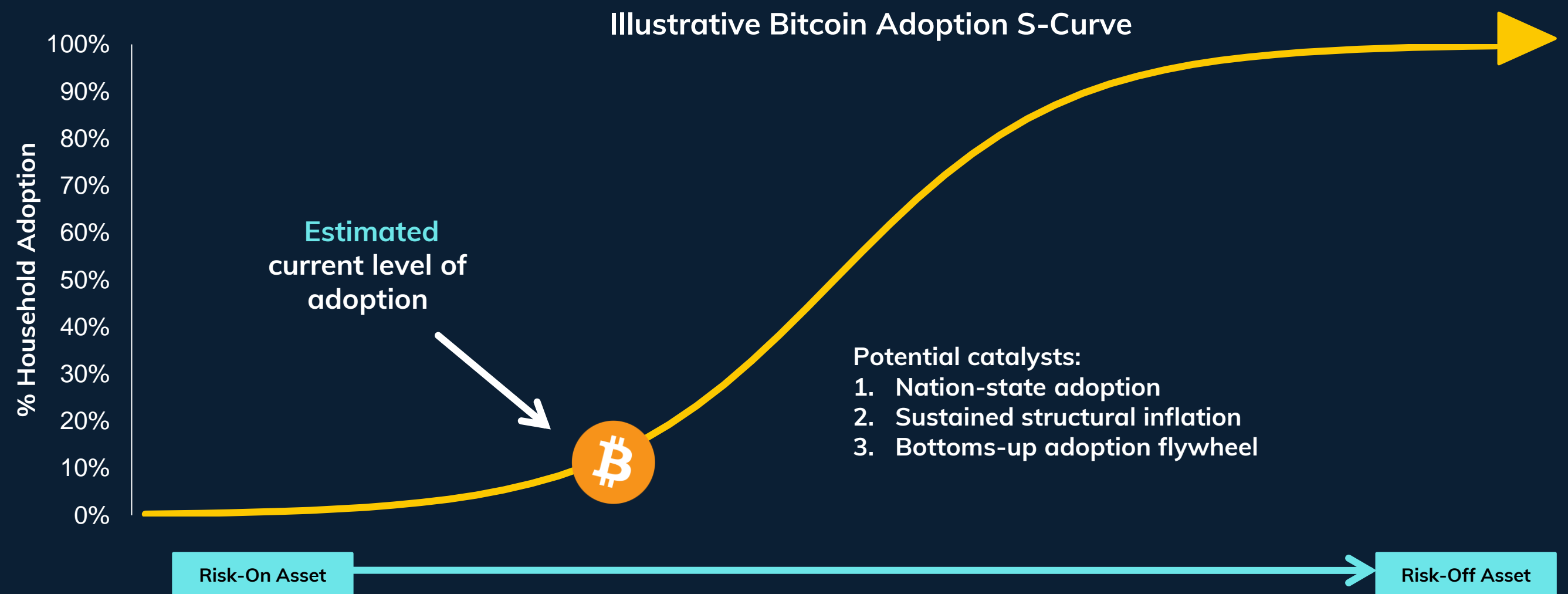
- Despite its ultimate use case, bitcoin performs like a risk asset in the developed world. Survey data is aligned with this viewpoint. We think that in the developing world, there is data that substantiates BTC already acting as a SoV.
- Over the past several years, Bitcoin has traded in a similar fashion to cloud stocks, considered to be farther out on the risk curve than defensive stocks or even large-cap tech.



Bitcoin's Eventual Role in a Typical Portfolio

- A recent survey commissioned by Grayscale and conducted by a third-party research firm found that 26% of respondents already own bitcoin. Respondents were comprised of US consumers between the ages of 25 and 64 and had primary or shared responsibility in financial decision-making.
- While impressive, we think it is likely that this figure is an overestimation of the total level of household adoption in the US, as there are few that have adopted BTC as their formal savings vehicle. The graphic below is a visual representation of how bitcoin is likely to transition from a **risk-on asset to a risk-off asset as adoption increases.**

- Bitcoin is a network. Like all networks, the value to participants increases exponentially with node growth. As Bitcoin gains global adoption, we think its inherent structure (decentralized, fixed supply, PoW consensus) will allow it to ultimately serve as a store of value.



Bitcoin Doesn't Compete With Other Crypto Networks

- Alternative crypto networks like smart contract platforms utilize blockchain for entirely different use cases than Bitcoin. Ethereum and other “alt layer 1s” lack key technical characteristics around centralization, consensus, and token supply that preclude them from competing with Bitcoin as a fixed supply, censorship-resistant monetary instrument.
- Many refer to these smart contract platforms as decentralized cloud services, as they allow for computation and storage without the closed and siloed architecture of AWS or Microsoft Azure. These platforms **serve a different use case and are functionally different than Bitcoin** and therefore should play a different role in an investment portfolio.

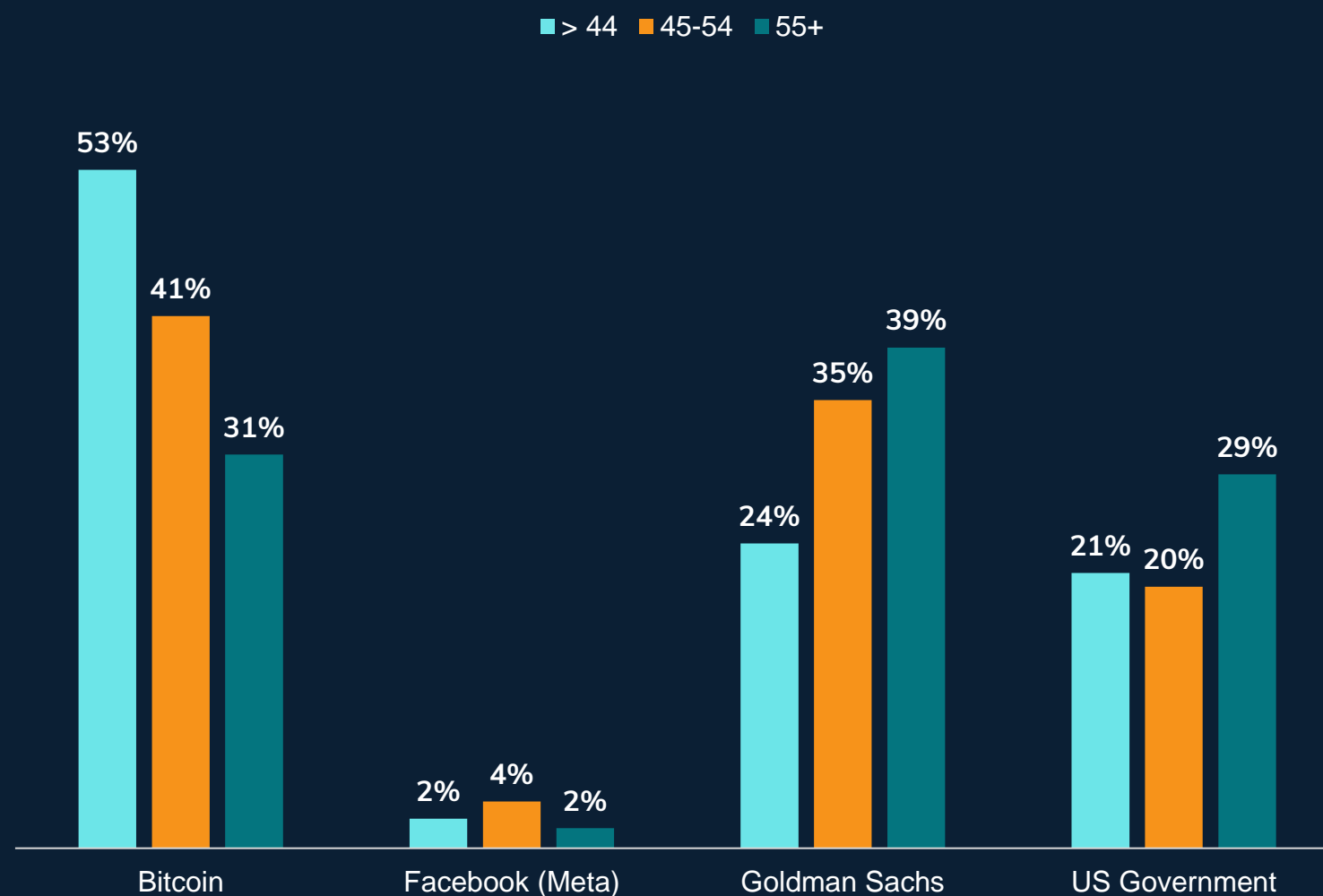
	BTC	ETH	Alt-L1's	
Centralization Risk	Low	Med	High	<ul style="list-style-type: none"> • Bitcoin's fair distribution, block size, and PoW model make centralization near-impossible • Ethereum's transition to PoS makes the platform inherently more centralized, adding attack vectors • Alt-Layer 1's vary, but many lack any semblance of immutable decentralization
Smart Contracts	Practical w/ L2	Yes	Yes	<ul style="list-style-type: none"> • Some developers are working on the development of layer 2 solutions for Bitcoin • Ethereum and other layer 1's are designed as decentralized computers as opposed to monetary networks
Inflationary Supply	None	Low	Low - High	<ul style="list-style-type: none"> • Bitcoin's inflation rate is currently around 1.7% and will asymptote to 0% • Ethereum's inflation rate varies due to a burn mechanism but oscillates between 3-5%, into perpetuity • Other Alt Layer-1's have much higher inflation rates depending on various factors that can be iterated on
Code	Very Difficult to Change	Easier to Change	Changed Quite Frequently	<ul style="list-style-type: none"> • Ethereum has undergone several updates to its monetary policy, amended its fee mechanisms, rolled back the chain • Some L1's can enact changes to the network quite easily given the centralization of certain nodes
Primary Use Case	Value Storage and Transfer	Decentralized Applications	Decentralized Applications	<ul style="list-style-type: none"> • Many decry Bitcoin's block size and lack of functionality, but the prioritization of decentralization over other features makes it an ideal monetary asset • Smart contract platforms' primary purpose is to serve as a decentralized computer and are often focused more on app-based user experience (i.e., composability and interoperability) rather than decentralization
Consensus Mechanism ⁽¹⁾	PoW	PoW Transitioning to PoS	Mostly PoS or Variations of PoS	<ul style="list-style-type: none"> • PoW consensus uniquely separates the owners of the network from those maintaining the network • PoS consensus is subject to centralization risk like traditional entity structures (i.e., equity)

(1) PoW = Proof of Work, PoS = Proof of Stake
Source: FSInsight

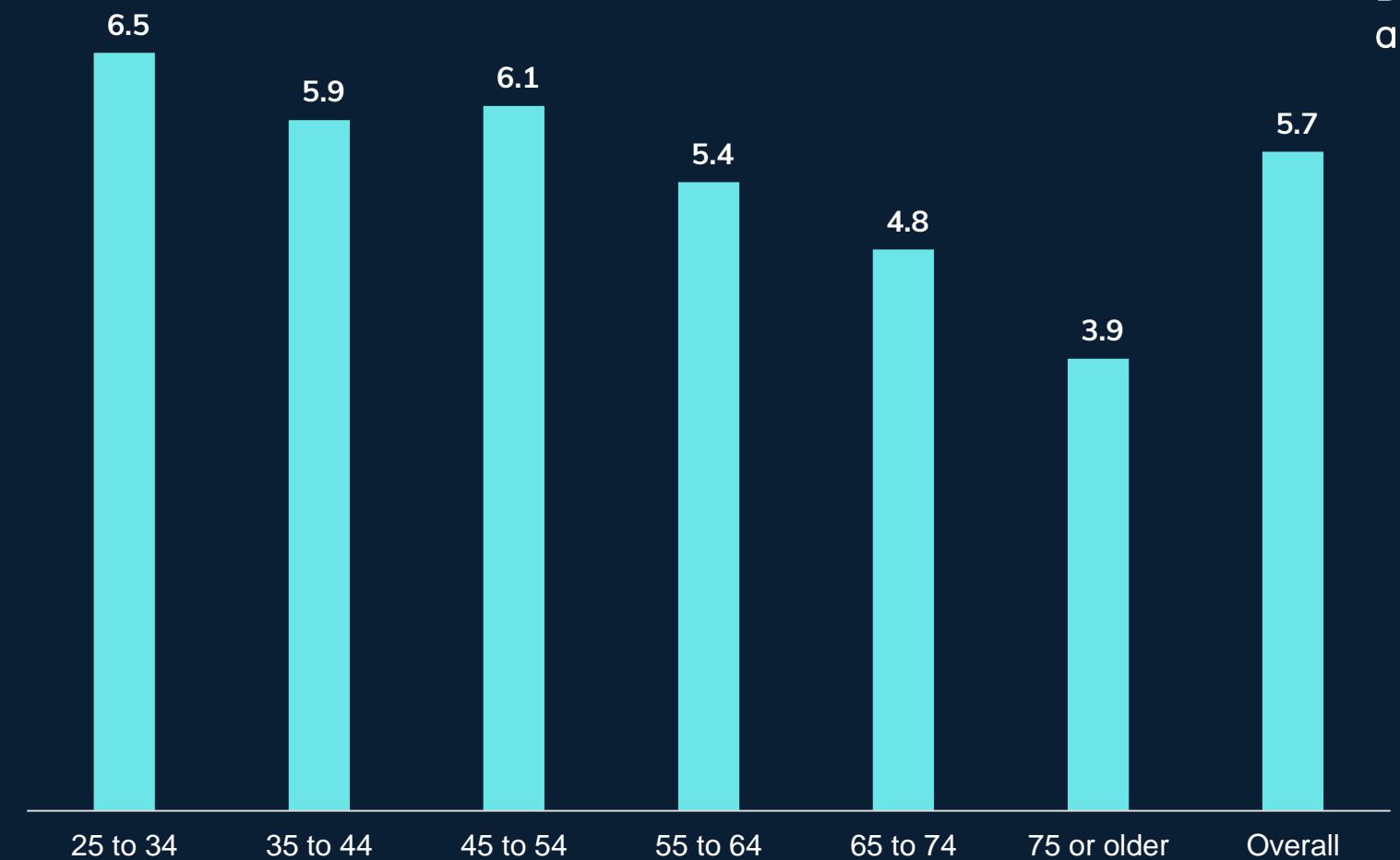
Demographics Might be Strongest Tailwind

- Internal survey data spanning digital assets and macro clients indicate a stronger preference for increased allocation to digital assets for younger cohorts.
- We think demographic trends are perhaps the most critical long-term tailwind for Bitcoin and digital assets. **As millennials age into more wealth, they will turn to digital assets and are likely to use Bitcoin as their new default store of value.**

Out of the Following Entities, which do you trust the most?
(By Age Group)



Average of "How likely are you to increase your allocation to crypto over the next 12 months?" (Segmented by Age Group)
(0 = Very Unlikely, 10 = Very Likely)



Bitcoin vs. Other Monetary Assets

- Mapping bitcoin against both gold and fiat currencies, we see that Bitcoin's only deficiency is its early stage of adoption.
- Banks serve fiat-denominated consumers, gold funds and depositories serve gold investors. If our predictions are true, and BTC is widely adopted, **who will serve consumers that decide to denominate or conserve their wealth in bitcoin?** Further, **how can a company get more people over the mental hurdle of being early?**

	BTC	Gold	USD	
Inflationary Supply?	No	At Times	Yes	<ul style="list-style-type: none"> • BTC is fixed at 21 million and will not change • Gold has low inflation, but it is difficult to forecast discovery • Modern fiat currencies frequently outpace economic growth
Easily Divisible?	Yes	No	Yes	<ul style="list-style-type: none"> • 1 BTC = 100,000,000 Satoshis • 1 Dollar = 100 Cents (other currencies with similar subunits)
Fungibility	High	Med	High	<ul style="list-style-type: none"> • Not all gold is created equal. Buyers and sellers commonly test the quality and characteristics to ensure gold is "investment-quality" (99.5% pure)
Holding/Transportation Costs	Low	High	Low	<ul style="list-style-type: none"> • Gold is very expensive to store and transport • Depending on location, USD and other fiats may be subject to negative interest rates when held in bank accounts
Transparency	High	Low	Low	<ul style="list-style-type: none"> • Bitcoin is a fully auditable ledger
Is it "Lindy?" ⁽¹⁾	Not Yet	Yes	Somewhat	<ul style="list-style-type: none"> • Fiat currencies are familiar concepts employed for >1,000 years but few have survived more than a century as the preeminent reserve currency
Seizure-resistance	High	Low	Low	<ul style="list-style-type: none"> • BTC is fully secured by remembering a 12-to-24-word phrase • Today and throughout history fiat and gold have been easily seized by criminals and governments

(1) The Lindy Effect theorizes that an entity's expected lifespan is proportional to its current age
Source: FSInsight, Inspired by Fidelity Digital Assets "Bitcoin First" report

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Company Overview



Founded in June 2019, Swan is a Bitcoin-only digital asset platform that aims to be the most trusted name, team, and company in Bitcoin.

The Problem & Landscape

- The Company understands that bitcoin is the reserve asset of the future and wants to be the preeminent service provider around this asset.
- Swan has identified several problems facing investors looking to allocate capital to bitcoin, namely a general lack of high-quality educational content, guidance, services, and products for the largest digital asset.
- With crypto's meteoric rise over the past few years, these problems have been exacerbated as large institutions like crypto exchanges are incentivized to shift marketing and educational focus away from Bitcoin and towards newer, more speculative digital assets.

The Solution

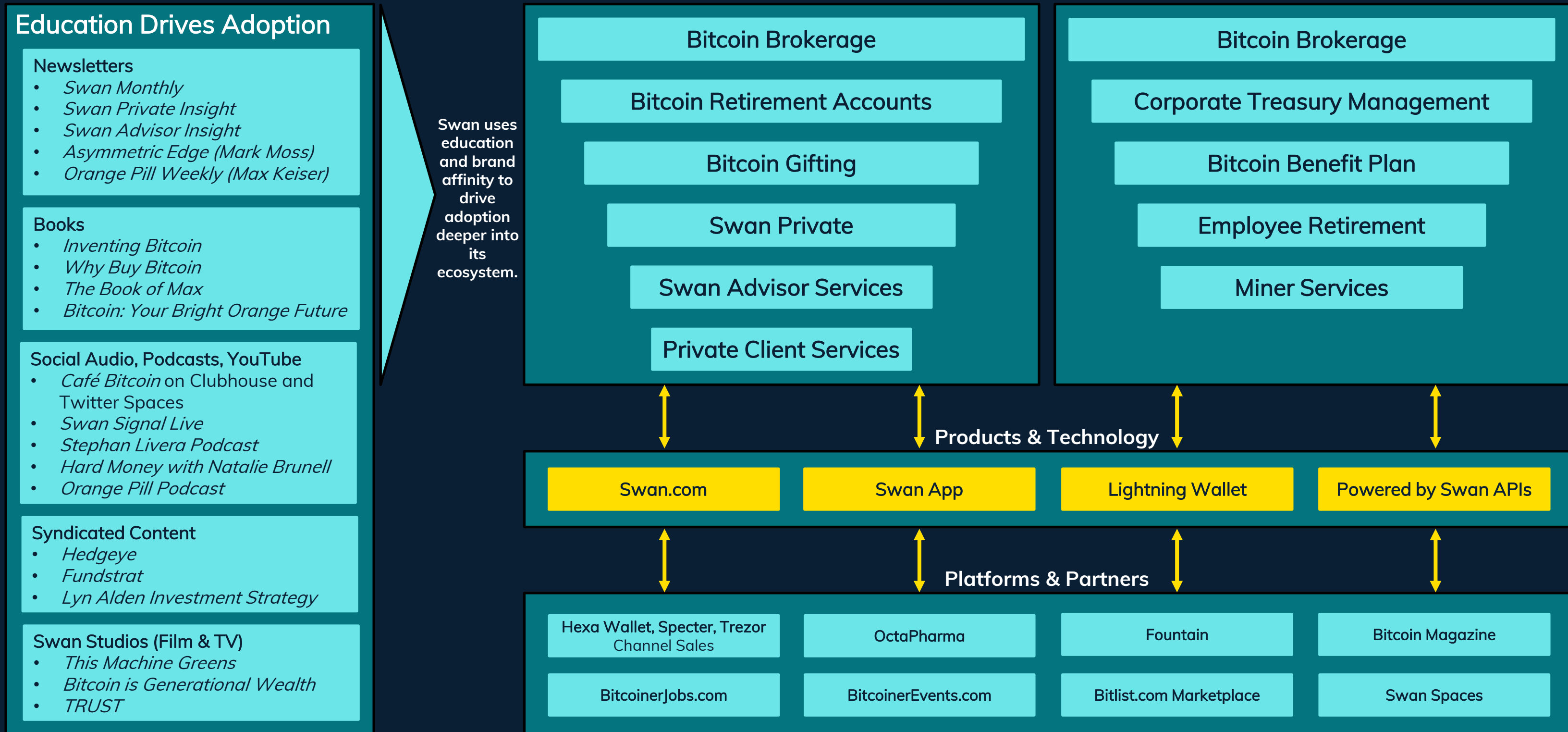
- By leveraging a Bitcoin-only focus, Swan is well-positioned to service a critically underserved cohort of potential and existing Bitcoin investors through a robust suite of products, services, and educational content.

Products & Services

Swan Bitcoin DCA &
Instant Buy
Bitcoin Gifting
Bitcoin Benefit Plan

Swan Private Client
Swan Advisor Services
Swan API

Swan Services Ecosystem



Swan Leadership

- Having previously developed expertise in crypto, tech, traditional financial services, and law, members of the Swan team have elected to focus their efforts entirely on Bitcoin – in turn creating a world-class team of Bitcoin experts.
- The Swan team is currently comprised of 50 people, with headcount having doubled over the past year.



Cory Klippsten
Founder & CEO

- Angel and advisor for 50+ VC-backed startups
- Google, McKinsey, Morgan Stanley, Microsoft, University of Chicago MBA
- Advisor to Riot Blockchain (NASDAQ: RIOT)
- Partner in The Bitcoin Venture Fund and El Zonte Capital
- Founder of Bitcoiner Ventures, BitcoinerJobs.com (now part of Swan), and Café Bitcoin social audio club (now part of Swan)



Yan Pritzker
Co-Founder & CTO

- Founding CTO of Reverb.com (acquired by Etsy for \$275M); engineering leader for 3 acquired startups
- Author of *Inventing Bitcoin*, “the best from-scratch introduction to Bitcoin” (per Nic Carter of Castle Island Ventures)
- Advisor to Riot Blockchain (NASDAQ: RIOT), Alpha Vertical, and The Bitcoin Venture Fund
- Partner in Bitcoiner Ventures

Swan’s senior management team brings experience from previous roles with:

Goldman Sachs

Google

McKinsey & Company

Morgan Stanley

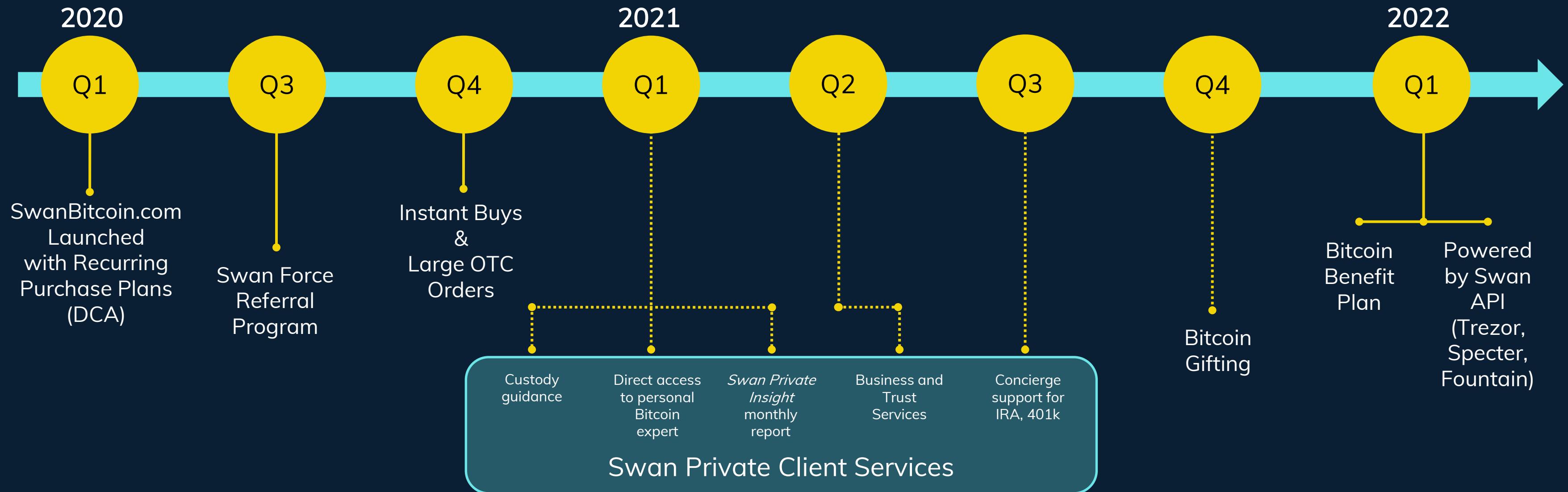
Microsoft

salesforce

BRIDGEWATER

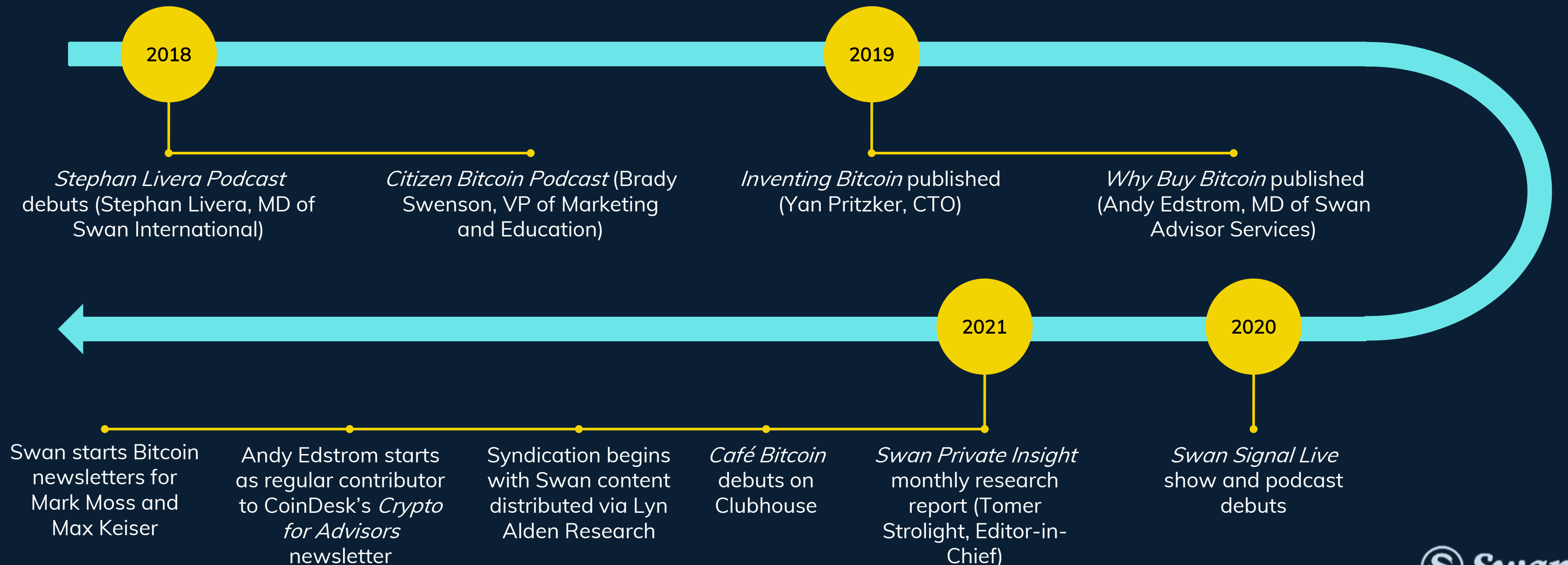
Historical Product Development

- Since launching SwanBitcoin.com in the first quarter of 2020, Swan has continued to ramp up the development of its suite of Bitcoin products & services.
- Notably, in the first quarter of 2021 Swan launched its Private Client Services platform which provides high net worth individuals tailored guidance and support around Bitcoin education, purchasing, and custody.



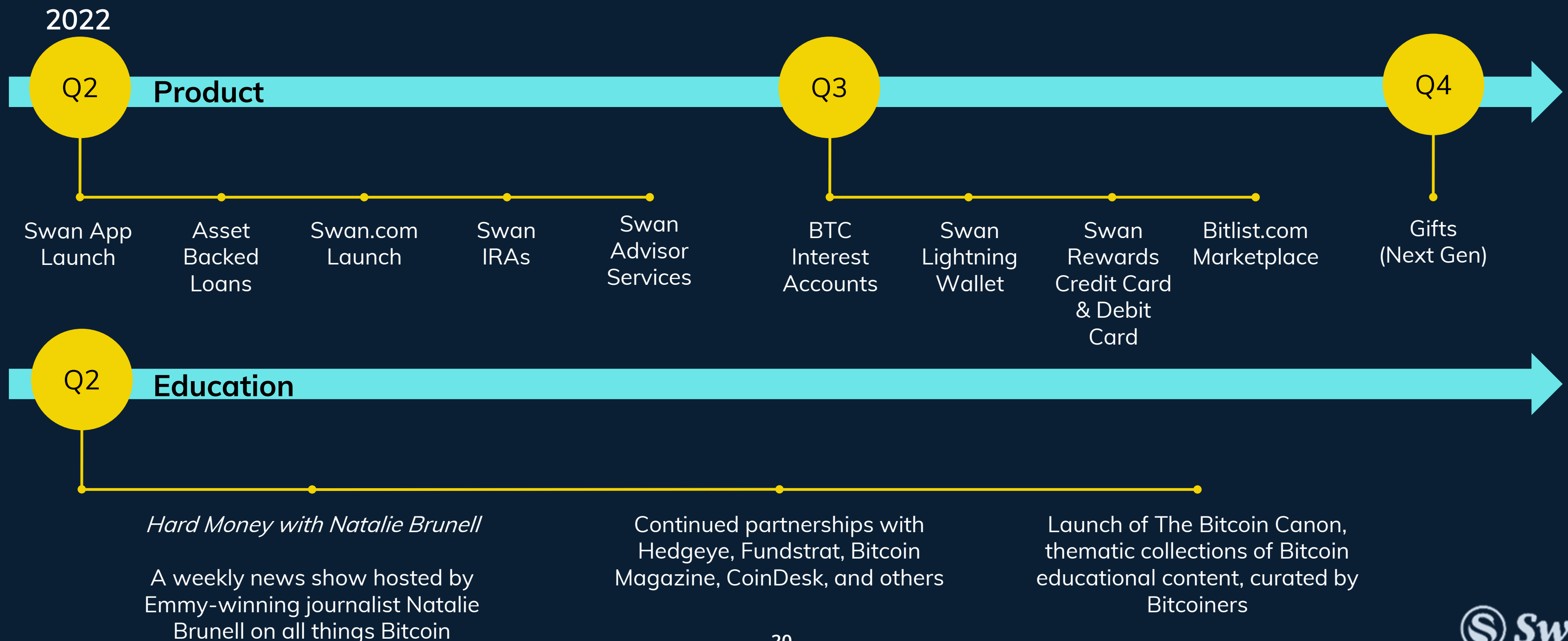
Commitment to Education and Community

- Investors who gain conviction on Bitcoin buy significantly more as a percentage of net worth than those who spread their attention across multiple cryptoassets – which is encouraged by the marketing and educational efforts of crypto exchanges.
- Because of this, Swan continues to focus heavily on accelerating Bitcoin education – which has resulted in Swan’s higher average fee revenue per user compared to many multi-asset crypto exchanges.



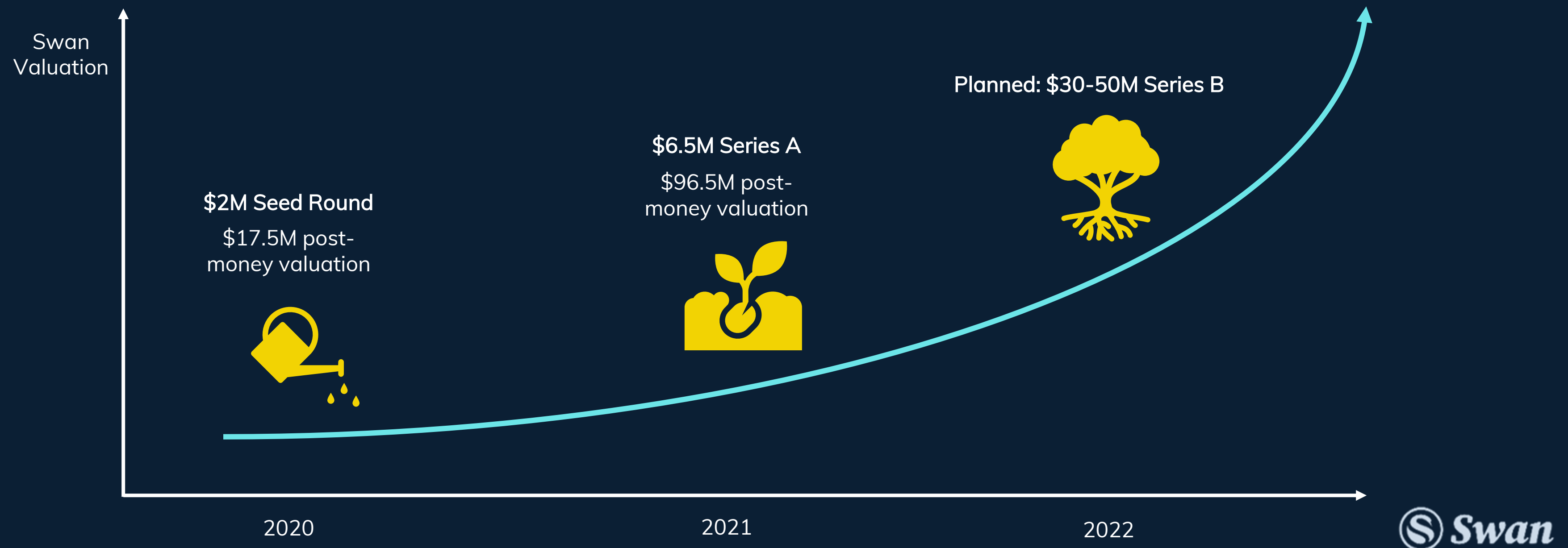
Moving From Savings to Consumption

- While Swan's primary function today is facilitating the purchase and custody of bitcoin, its future roadmap envisions a full suite of services that allow users to leverage their bitcoin in the real-world economy.
- Notable future product features include asset-backed loans, interest accounts, and credit & debit cards.



Financing History

- Swan has raised a cumulative \$8.5M through its Seed and Series A rounds and is planning a larger \$30-50M Series B in 2022.
- Lyn Alden joined the Board of Directors in 2021; Notable investors include HCM Capital, Xoogler Fund, SGH Capital, CJ Wilson, Matt Dellavedova, Baron Davis, Dan Matuszewski, Austin Hill, and our very own Tom Lee.



U.S. Competitive Landscape

	Major Crypto Exchange	Futures-Based ETF	Exchange-Traded Product (i.e., Trust)	Crypto Equities (B/S Holdings)	 Swan
Focus / Reliance	Rely on non-Bitcoin products (81% of trading volume ¹)	Rely on CME Bitcoin Futures which do not track BTC 1:1	Owens underlying BTC though unit price subject to investor redemptions, significantly influenced by spot arbitrage	Own Bitcoin for specific use-case (SoV, inflation hedge, etc.), rely on performance of underlying operating business, subject to shareholder demands	100% focused on Bitcoin, relying entirely on the merits of the asset and own execution
Tracking Error	None	Normal operation of rolling futures contracts causes underperformance vs spot	Premium/Discount determined by supply & demand of trust units	Generally, high-beta exposure due to company debt	None
Custody	Rely on management to safely custody	N/A	Rely on management to safely custody	Rely on management to safely custody	Fireblocks / Self-Custody
Example	Coinbase	ProShares Bitcoin-Linked ETF (BITO)	Grayscale Bitcoin Trust (GBTC)	MicroStrategy	Swan Private Client

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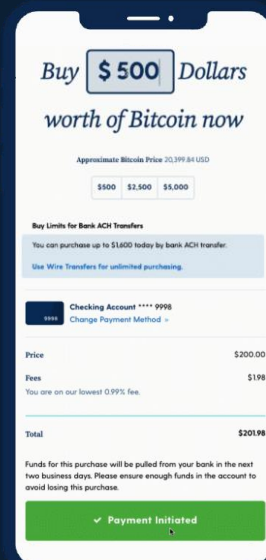
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Swan Retail Offerings

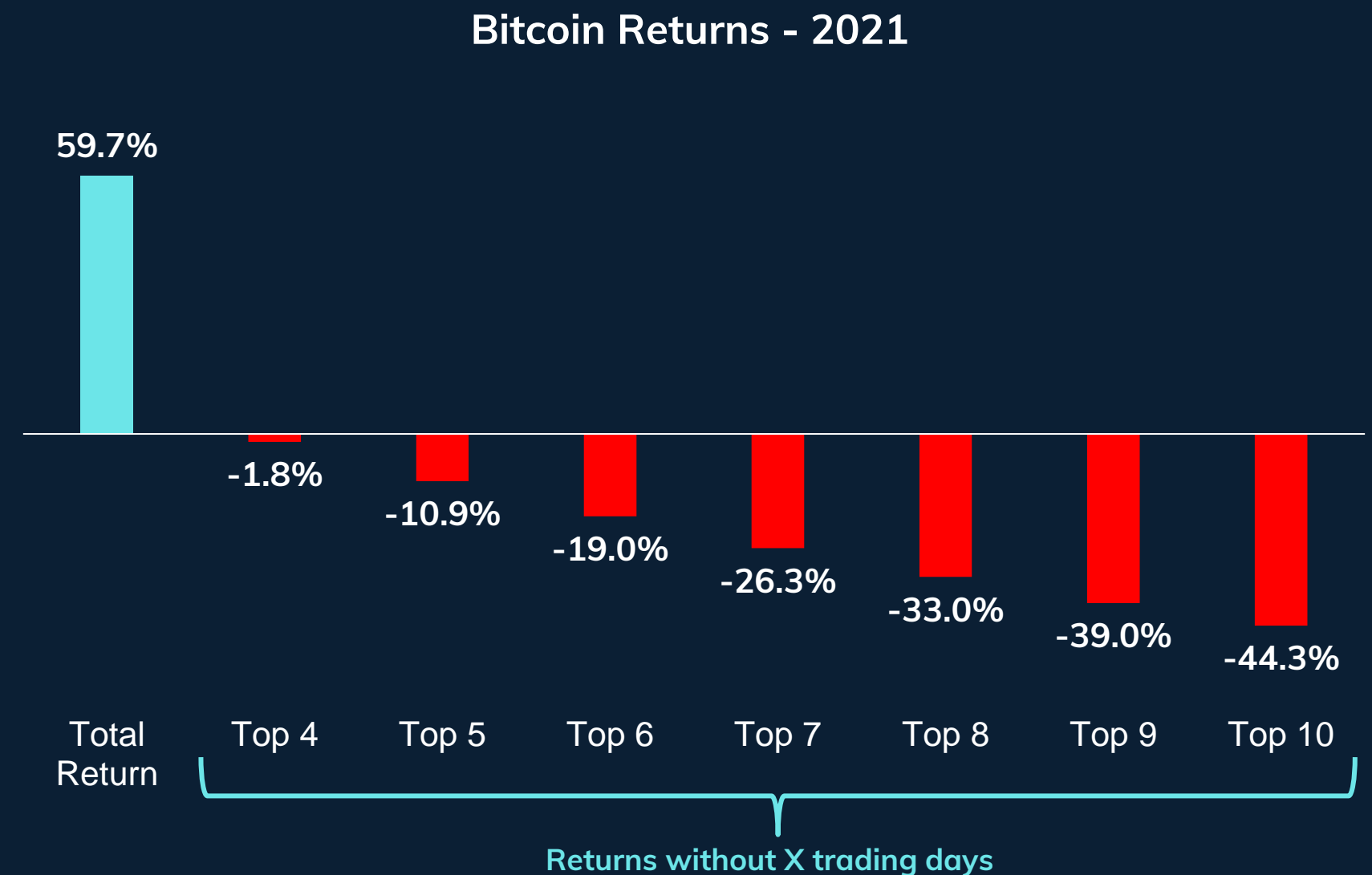
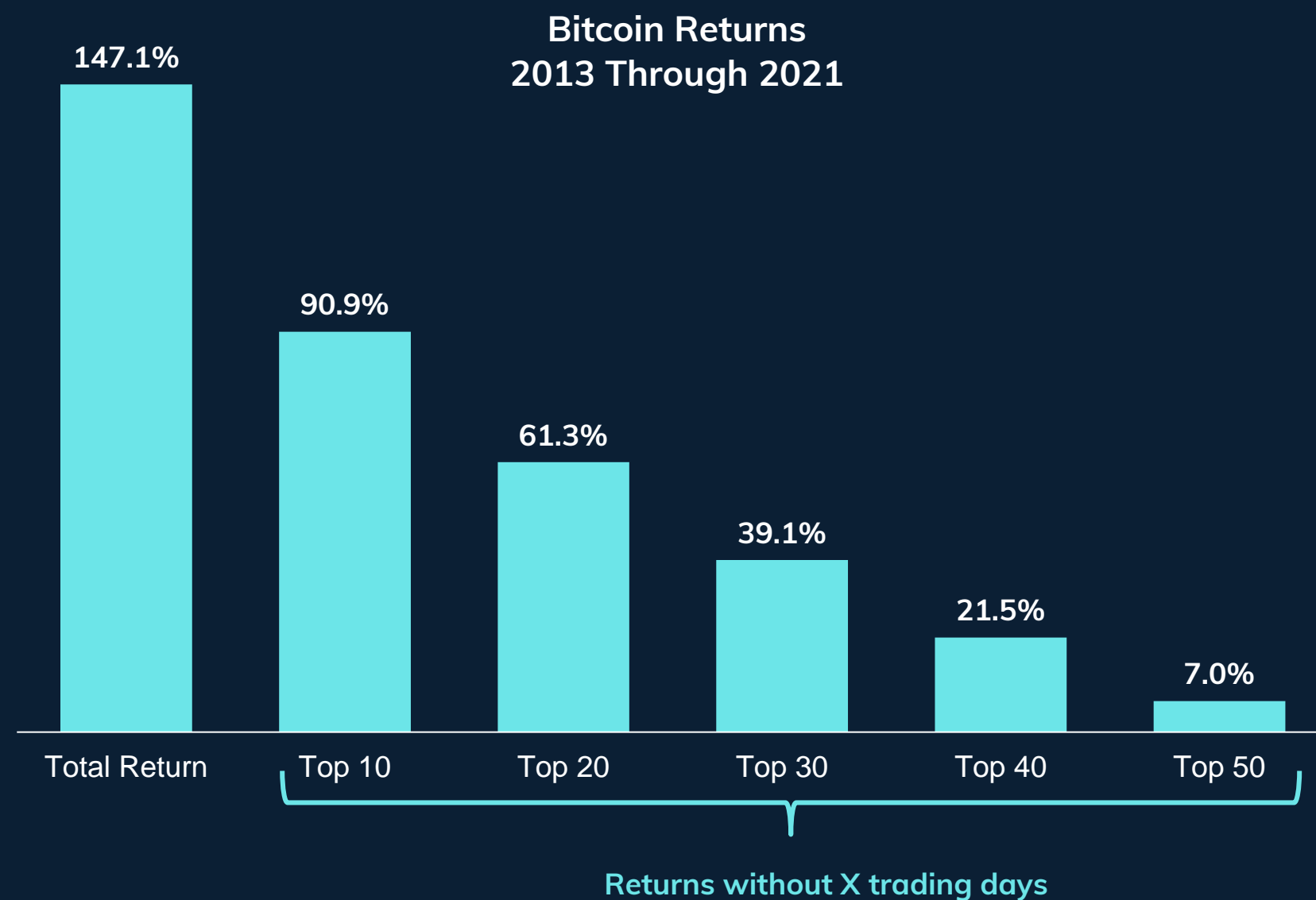
- Swan’s retail product lets users choose between One-time Buys and Recurring Buys, catering to retail participants with varying levels of conviction and differing preferences around capital deployment.
- Currently, users must contact Swan to place sell orders (no sell button on front-end), which so long as consumers are aware of this feature could lead to the advantageous selection of long-term oriented customers.



Product Offering	Description
<p style="text-align: center;">One-time Buys</p>	<ul style="list-style-type: none"> • Funding from bank account via instant Automated Clearing House (ACH) • Purchase limits <ul style="list-style-type: none"> ○ Minimum: \$20 / purchase ○ Maximum: \$10,000 / buy \$50,000 / day • Ability to bulk download deposits and purchases for tax reporting purposes via Cointracker.io
<p style="text-align: center;">Recurring Buys</p>	<ul style="list-style-type: none"> • Automatic funding from bank account via Automated Clearing House (ACH) • Purchase of Bitcoin on a daily, weekly, or monthly basis • Ability to choose day of the week on which purchases are executed • Minimum Purchase: \$10 • Maximum recurring plan sizes <ul style="list-style-type: none"> ○ Daily: \$1,428 / day ○ Weekly: \$10,000 / week ○ Monthly: \$10,000 / month • Ability to pause and reactivate recurring plans





Advantages of Dollar-Cost Averaging

- Sitting on the sidelines can be costly. If you missed the 10 best trading days of the past 10 years, your annualized returns would have shrunk from 147.1% to 90.9%. The results are even more pronounced when applying the “best trading days” exercise to last year. Missing the best 4 trading days would leave you with negative returns.
- Thus, the best approach for an investor is to adopt a dollar-cost average approach or a value-based investment approach with a long-term time horizon. Swan solves for this with reasonable fees on recurring purchases.



Swan Retail – Fee Tiers

- Swan operates a pay-as-you-go (small fee for every transaction) model. Unlike competing services, Swan does not charge a spread on purchases or sales.
- For all purchase tiers, Swan emerges as the most cost-effective platform to purchase Bitcoin for the retail investor.

Weekly Purchases	Coinbase 	Cash App 	Gemini 	Swan 
\$10	9.9%	2.3%	9.9%	0.99%
\$25	6.0%	2.3%	6.0%	0.99%
\$50	4.0%	2.3%	4.0%	0.99%
\$100	3.0%	2.3%	1.5%	0.99%
\$500	1.5%	1.9%	1.5%	0.99%
Spread/Convenience	~0.5%	Included in Fee	~0.5%	None

Swan Private

- For individuals intending to purchase \$100,000 of Bitcoin or more annually, Swan has a white-glove service called Swan Private, which gives High-Net-Worth-Individuals (HNWIs) the resources, advice, and support to safely purchase and store their bitcoin.
- Swan Private includes all the services of Swan Retail, in addition to the resources below.
- The Swan team places emphasis on a streamlined onboarding process that takes less than two business days on average.



Direct access to a Bitcoin expert
via text, email or phone



Guidance on custody options, including
IRA, Roth, 401k retirement accounts



Invitation-only Private Insight Sessions
with open Q&A



Dedicated support & 2-business-day
turnaround for entity accounts



Exclusive access to Swan Private
Insight and other research collateral



US-regulated SOC2 Type II custody
with \$45B AUM

Swan Advisor Services

- Launching to the public in Q2 2022, Swan Advisor Services leverages Swan's purchase and custody functionality to cater to financial advisors and wealth managers.
- The Advisor Services platform offers account management, reporting, and analytics to give advisors clear visibility into client positions.

Detailed position history by client

Swan Private Help FAQ

Advisor Services / My Clients / Edward Kertzmann

Edward Kertzmann #11235

edkertzm357@gmail.com Savings Plan Active
+1 617 248 3752 KYC Complete

+98.22% Performance YTD

31,000 USD Total Account Balance

43,843 USD Current Bitcoin Price

Print Statement Buy Bitcoin

History Type: Purchases

USD Amount	BTC Amount	Purchase Date	Fee
2,000 USD	0.049 BTC	12/30/2021	0.06 USD
2,000 USD	0.046 BTC	11/30/2021	0.08 USD
5,000 USD	0.140 BTC	10/29/2021	0.30 USD
20,000 USD	0.800 BTC	09/29/2021	0.10 USD

Aggregate analytics per wealth advisor

Swan Private Help FAQ

Advisor Services / My Clients

Edstrom & Flynn Financial #11235 | 120 Clients under Management

1,245,350 USD Total Assets under Management

43,843 USD Current Bitcoin Price

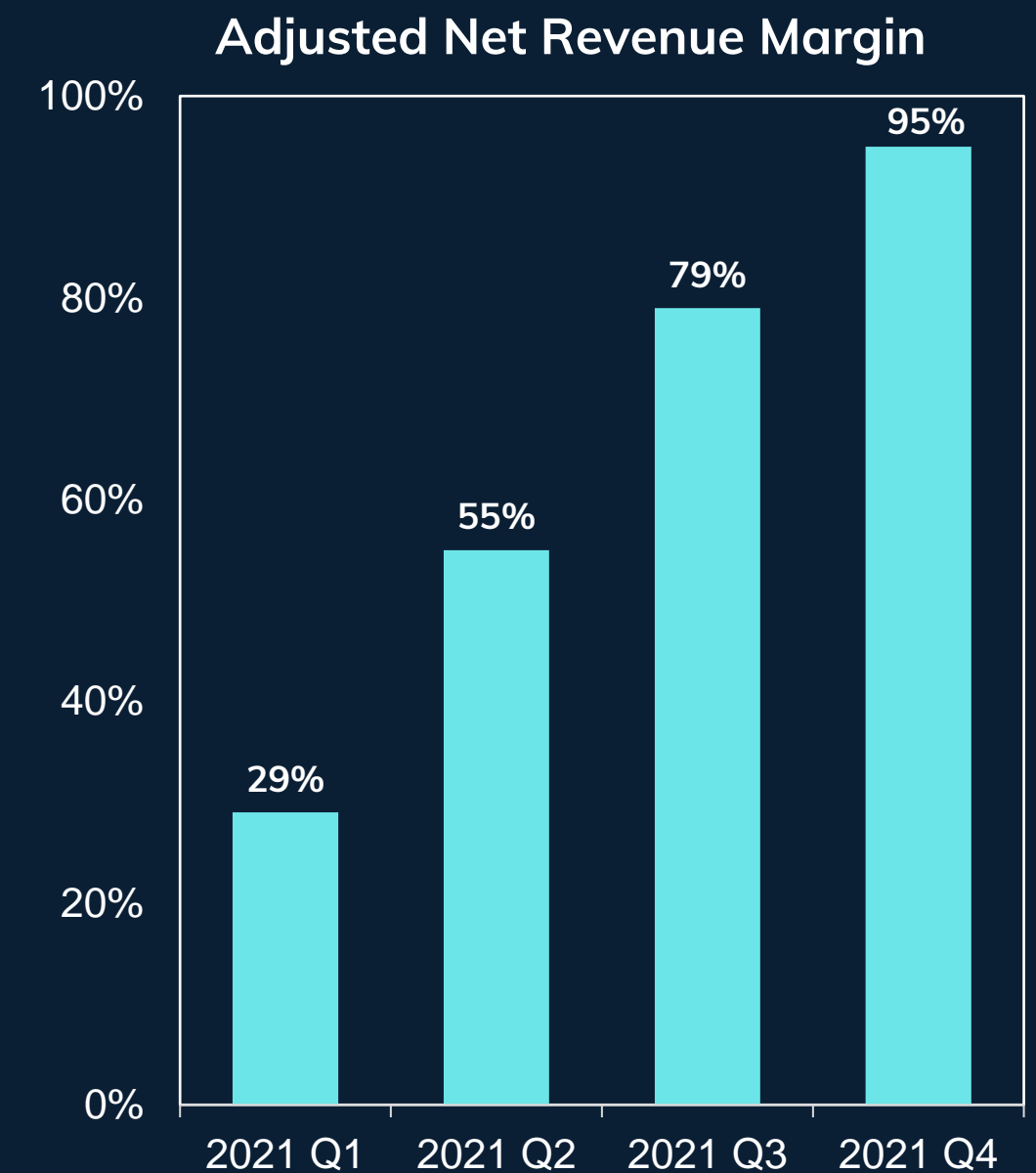
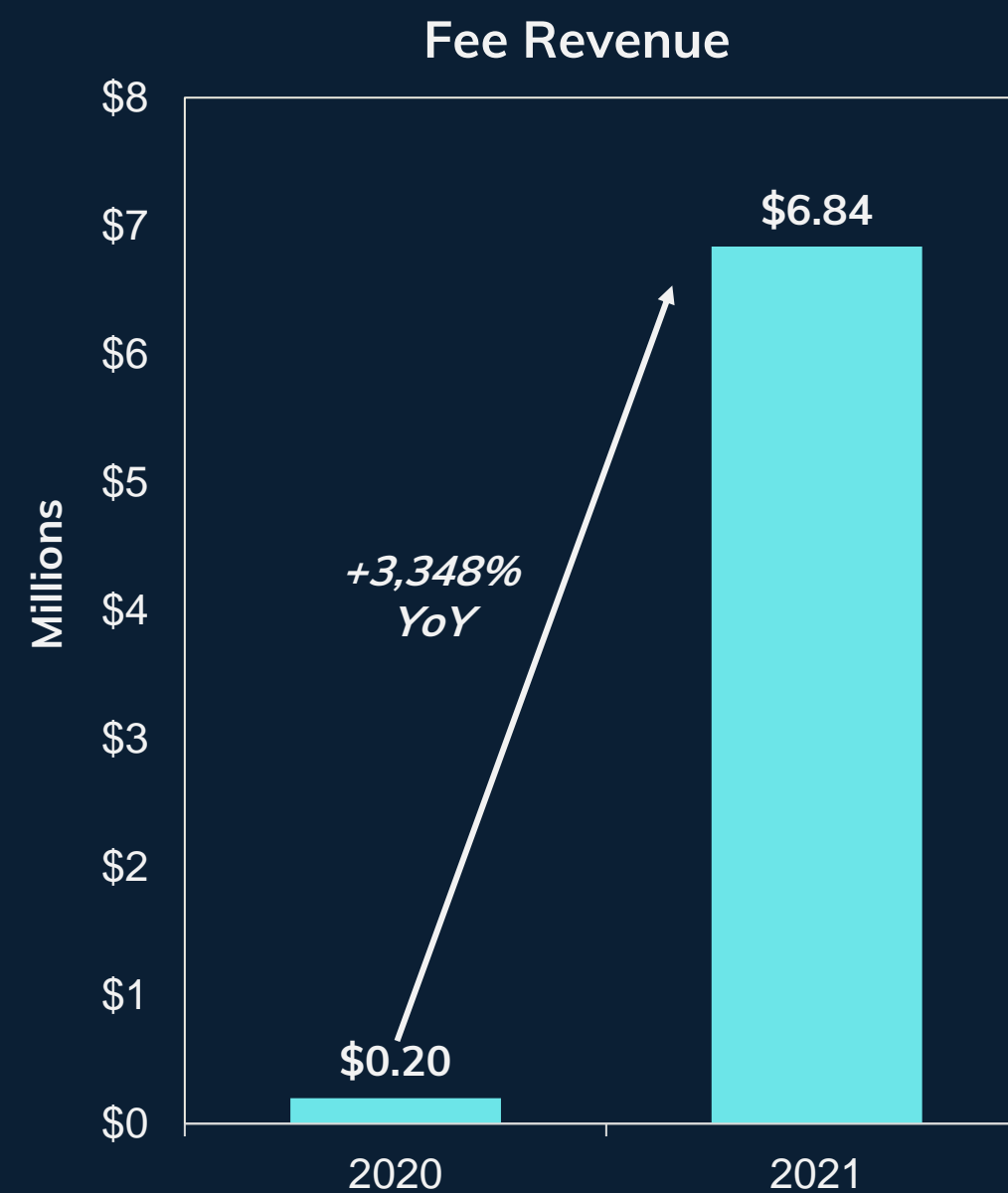
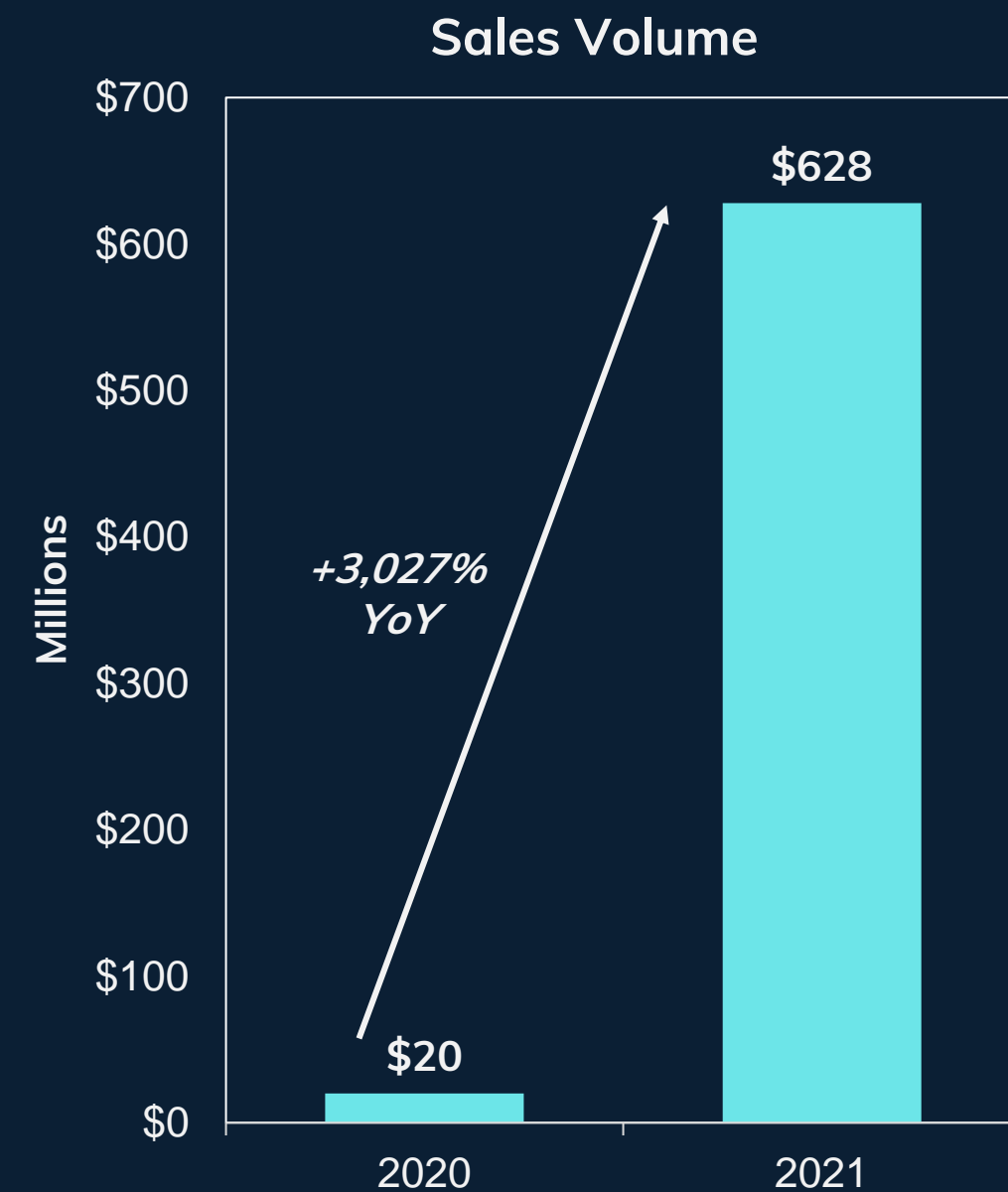
Bulk Buy

My Clients Search for a client by name Table View Balance: in USD

Name	Account Number	Performance YTD	Total Balance	Savings Plan	KYC
April Hanages	12332	+ 95.1%	41,432 USD	✗	✓
Benjamin Mills	23467	+ 13.1%	142,220 USD	✓	✓
Charlie Watsica	12332	+ 95.1%	41,432 USD	✗	✓
Edward Kertzmann	23452	+ 93.1%	31,000 USD	✓	✓
Frederick Poulos	75324	+ 14.2 %	100,000 USD	✓	✓
Hannah Bartell	98753	+ 87.8 %	23,000 USD	✓	✓
Jameson Dicki	55532	+ 99.9 %	112,000 USD	✗	✓

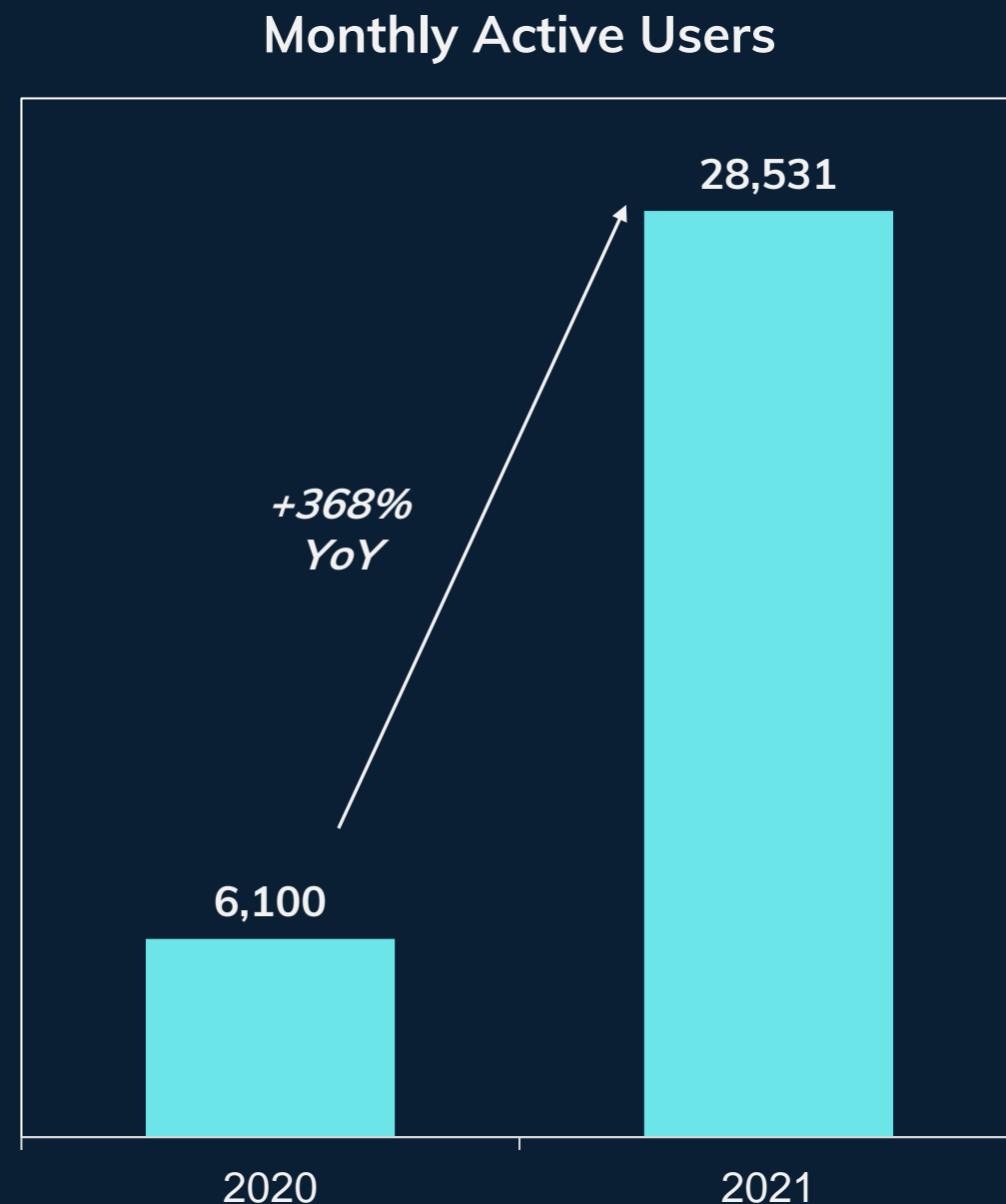
Encouraging Early Growth

- Swan has exhibited notable growth to date, increasing sales and fee revenues by >30x to \$628m and \$6.8m, respectively.
- On the back of increased sales volumes, Swan negotiated better pricing with vendors and liquidity providers to improve trading operations and pricing. This is reflected in Adjusted Net Revenue Margin, which increased from 29% in Q1 '21 to 95% in Q4 '21.



...Supported by Organic User Growth

- The financial metrics noted in the previous slide are supported by organic user growth, including > 4x monthly active users FY 2021. Swan customers who onboard on the platform also have good retention metrics, with 75% of them having positive contribution after 1 year.



> 30,000

Active Users

\$251

Revenue per Active User

75%

Customers w/ Positive
Contribution Margin
after 1y

\$20,933

Trading Volume per
Active User

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Focus = Strong Brand

- Having an entire company focused solely on Bitcoin allows Swan to provide investment and savings strategies that are specifically tailored to a pure monetary asset such as bitcoin.
- The Company's focus enables a unique go-to-market approach that leverages engaging content and a fervent Bitcoin culture to attract new users and keep them around for the long term.
- The research team often writes about Bitcoin, covering everything from decentralization philosophy to market updates to evolving trends and narratives underlying price action, all with the intent of becoming a person's "one-stop-shop" for everything bitcoin-related.

Building an Educational Brand around "The King of Crypto"

The collage features three main elements:

- Article 1:** "How Bitcoin Challenges Keynesian Economics" by Brady Swenson. The image shows a large group of fluffy, brown chicks. The text discusses the Keynesian ideal of central control of money being challenged by Bitcoin.
- Article 2:** "What is Bitcoin?" by Yan Pritzker. The image shows rows of server racks with green lights. The text explains why Satoshi Nakamoto invented Bitcoin to solve modern financial system problems.
- Video Playlist:** "Swan Studios PLAY ALL" featuring two videos:
 - "Bitcoin is Generational Wealth - A Short Film by Ma..." (14:43) with 180K views, 4 months ago.
 - "This Machine Greens" - Bitcoin Documentary - Onlin..." (38:05) with 64K views, 5 months ago.

Leveraging Swan's Vast Reach

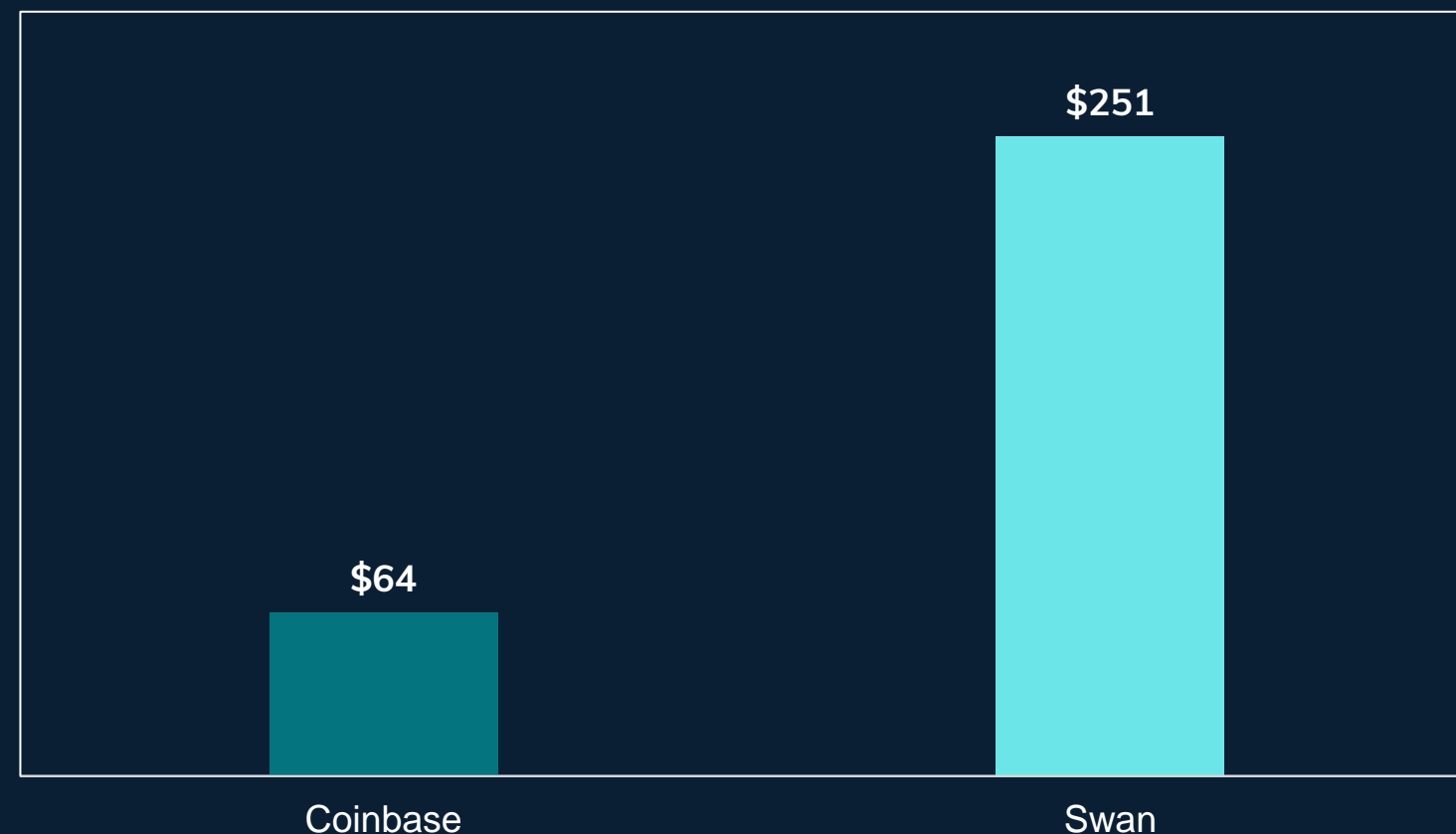
The statistics are presented in two teal-colored boxes:

- Twitter:** 4.4M Twitter followers. Across the Swan team, active investors, and advisors.
- Email:** 350k people w/ +1M openings monthly. For email distribution list.

Deeper Wallet-Share & Cost-Effectiveness

- Swan's thesis is that investors who are well-educated in Bitcoin and focus their crypto investments almost entirely on Bitcoin tend to purchase more. Beyond Swan's early traction, we think that this idea is supported by the percentage of coins owned by long-term holders on the Bitcoin network.
- Current revenue per user metrics compare favorably to leading U.S. crypto exchange Coinbase.
- From an operational perspective, a single-asset offering removes the need for expensive hardware and labor required to service multiple assets. This frees up capital to build out its content packages and allows the Company to offer lower fees at attractive margins.

2021 Transaction Revenue Per User



Long-Term Holder vs Short-Term Holders (BTC, millions)

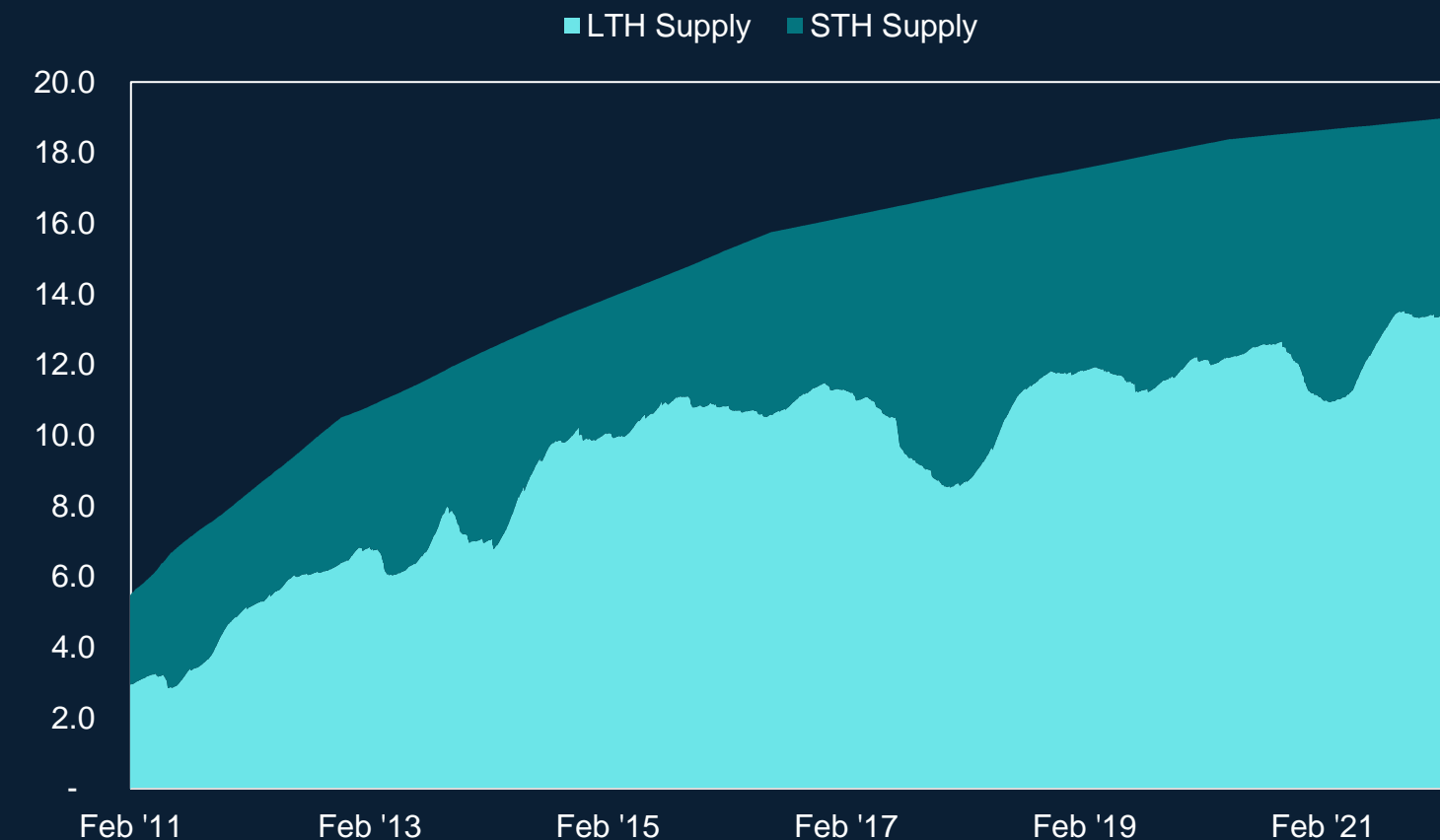


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Volatility & Pace of Market Adoption

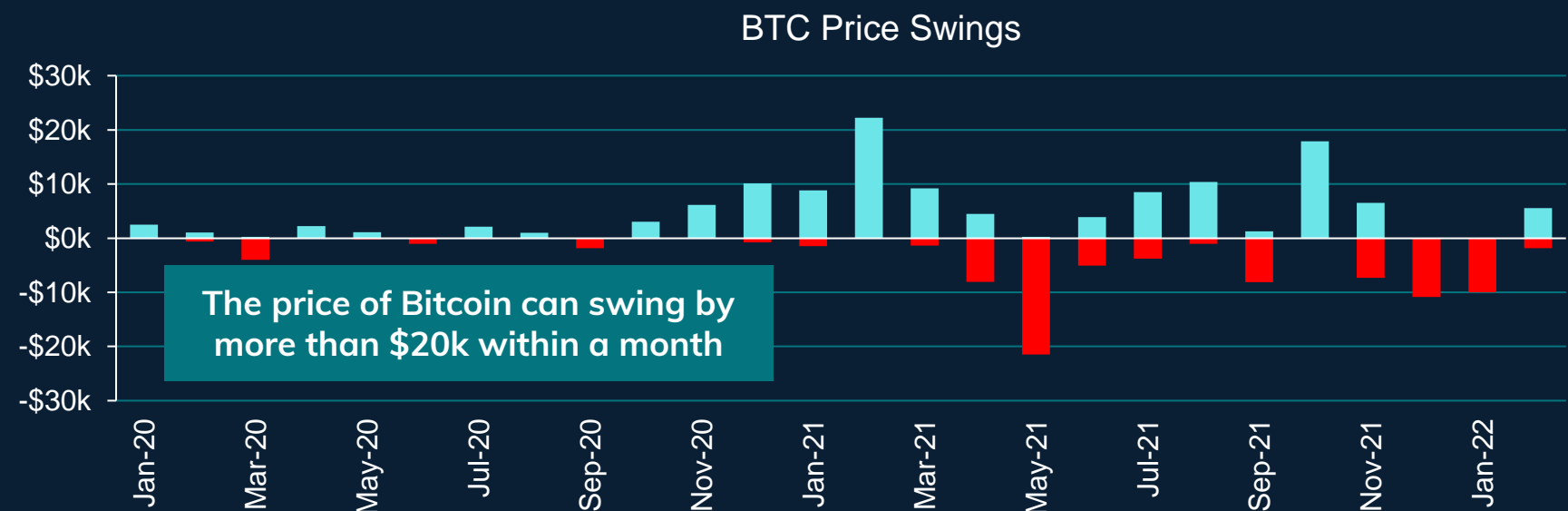
- Bitcoin and the overall crypto market are notoriously volatile, creating very choppy waters for investors to find a comfortable entry point into the space.
- Many of Swan's products are built around long-term Bitcoin investing strategies that mitigate the potential volatility of Bitcoin, particularly the dollar-cost-averaging methodology for retail investors.

3.71%

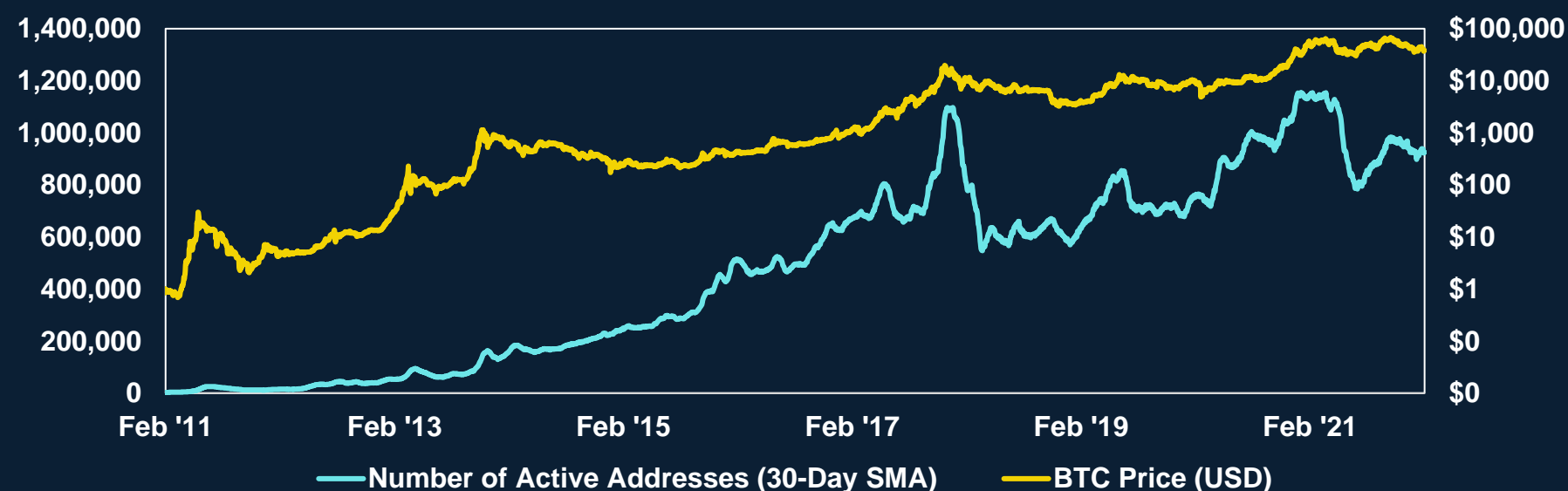
Bitcoin Average
Daily Price
Movement

0.83%

NASDAQ Average
Daily Price
Movement



Wallet Growth vs. Price



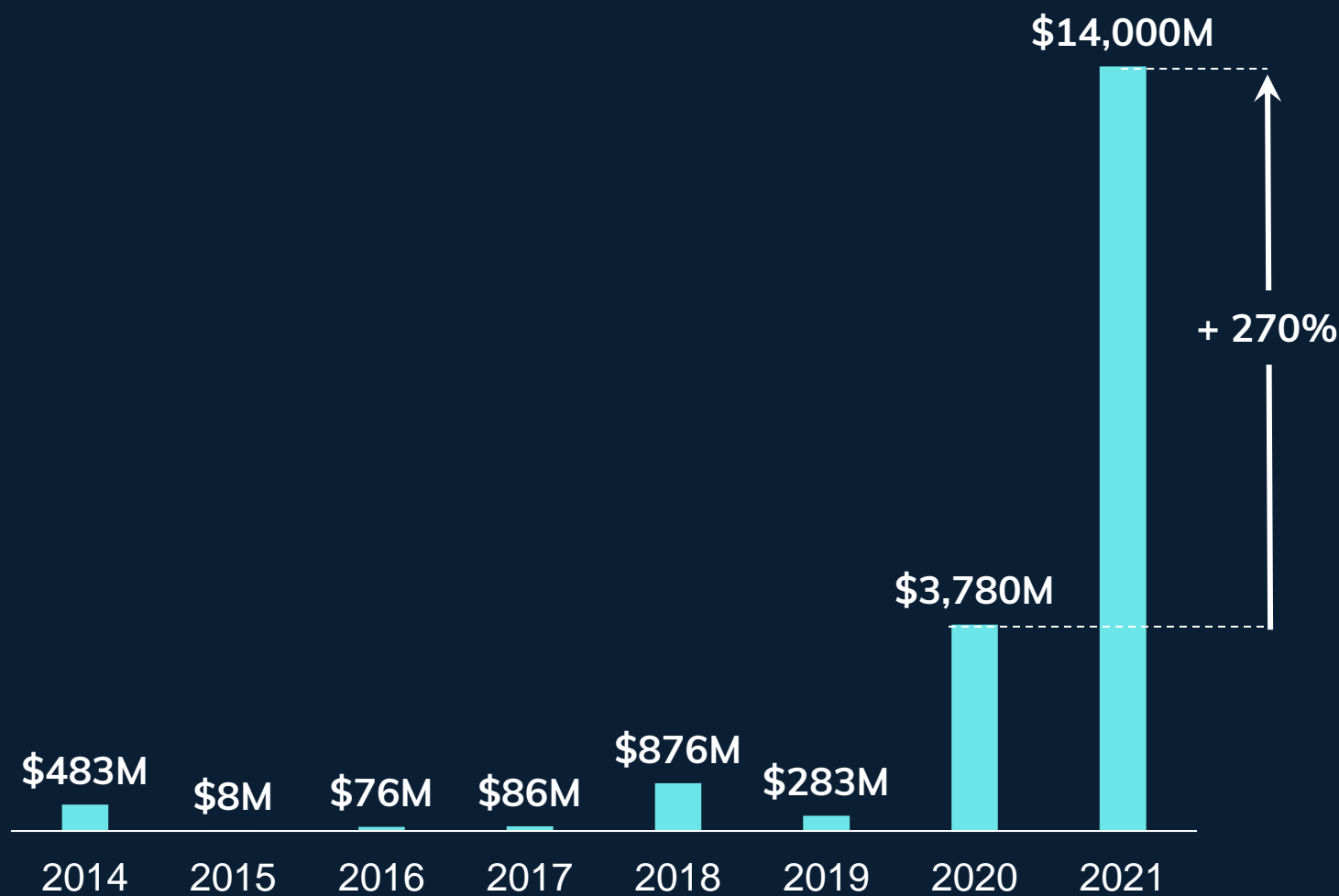
- We believe that BTC may reach \$200k this year and will achieve mainstream adoption over the long term due to its superior technological attributes. However, one must consider that the pace of adoption often waxes and wanes with price, which could affect Swan's growth trajectory.
- It is common for Bitcoin-focused companies to hold a portion of their treasuries in BTC. Should Swan consider employing this strategy, near-term liquidity could be negatively affected.



Bitcoin Is “Unhackable,” Swan Bitcoin Is Not

- Funds lost to malicious actors have grown in lockstep with the overall crypto market, making the risk posed by these actors a constant and growing factor in determining where to place investments in the crypto space.
- Hackers tend to target CeFi projects for vulnerabilities instead of actual blockchains because they tend to be more assailable; Swan has taken steps to protect and insure users’ funds to minimize the risk of cyber threats.

Total Crypto Stolen by Hackers YOY



Asset Security

- Swan does not hold users’ investments and has partnered with Fireblocks for its custody services
- Fireblocks
 - Custodies billions of dollars of assets for major crypto exchanges such as Coinbase, Binance, Gemini, etc.
 - Only custody provider with an insurance policy on digital assets in storage and in transit
 - Regular external security testing
 - SOC 2 Type II certified



Account Protection

- Individual accounts are secured with two-factor authentication
- Email-based login prevents leaked passwords
- Biometric authentication for added security with high-value accounts

KYC and AML Service Providers

- Prime Trust
 - Full KYC and AML provider
 - Automated monitoring and transaction screening is performed on high-risk transactions
- Persona
 - Compliance partner
 - GDPR/CCPA Compliant & SOC Type II Certified



Regulatory Uncertainty

- Bitcoin's digital nature makes it cheap and easy to transfer across the globe, but being a financial asset brings a lot of regulatory scrutiny that, as of yet, has produced very few regions with favorable and effective regulatory structures for the fair and free adoption of Bitcoin.
- While it remains the only digital asset to be definitively labeled as a non-security, there are still ways in which governments could stifle innovation around the Bitcoin ecosystem. Regulation will not be able to kill Bitcoin, but it might slow it down or shift it to other jurisdictions.
- As is already happening, crypto regulation could be made using broad strokes as opposed to acutely addressing specific verticals in crypto, like Bitcoin vs. Layer 1s overall, DeFi, NFTs, etc. Regulation of Bitcoin and Bitcoin-related entities could potentially be burdened by these misappropriated regulations.
- That said, we think that the digital asset class has reached critical mass and will continue to attract investors long-term. Countries that adopt crypto and create favorable and effective regulation could potentially become financial hubs in their regions and globally.
- As cited in our research, we think that **game-theoretical competition** between countries will eventually create universal clarity around regulation and ultimately encourage mass adoption.

Disclosures

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Analyst Certification (Reg AC)

Sean Farrell, the research analyst denoted by an “AC” on the cover of this report, hereby certifies that all of the views expressed in this report accurately reflect my personal views, which have not been influenced by considerations of the firm’s business or client relationships.

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Note that due to Swan’s early stage of development, only select excerpts of Swan’s full financial statements were included in this report.

Conflicts of Interest

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Thomas Lee is a minority investor in Swan.

Analyst Industry/Sector Views

Positive (+): The analyst expects the performance of his industry/sector coverage universe over the next 6-18 months to be attractive vs. the relevant broad market benchmark, being the S&P 500 for North America.

Neutral (N): The analyst expects the performance of his or her industry/sector coverage universe over the next 6-18 months to be in line with the relevant broad market benchmark, being the S&P 500 for North America.

Negative (-): The analyst expects his or her industry coverage universe over the next 6-18 months to underperform vs. the relevant broad market benchmark, being the S&P 500 for North America.

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