



Deep Research

Swan Advisor Services

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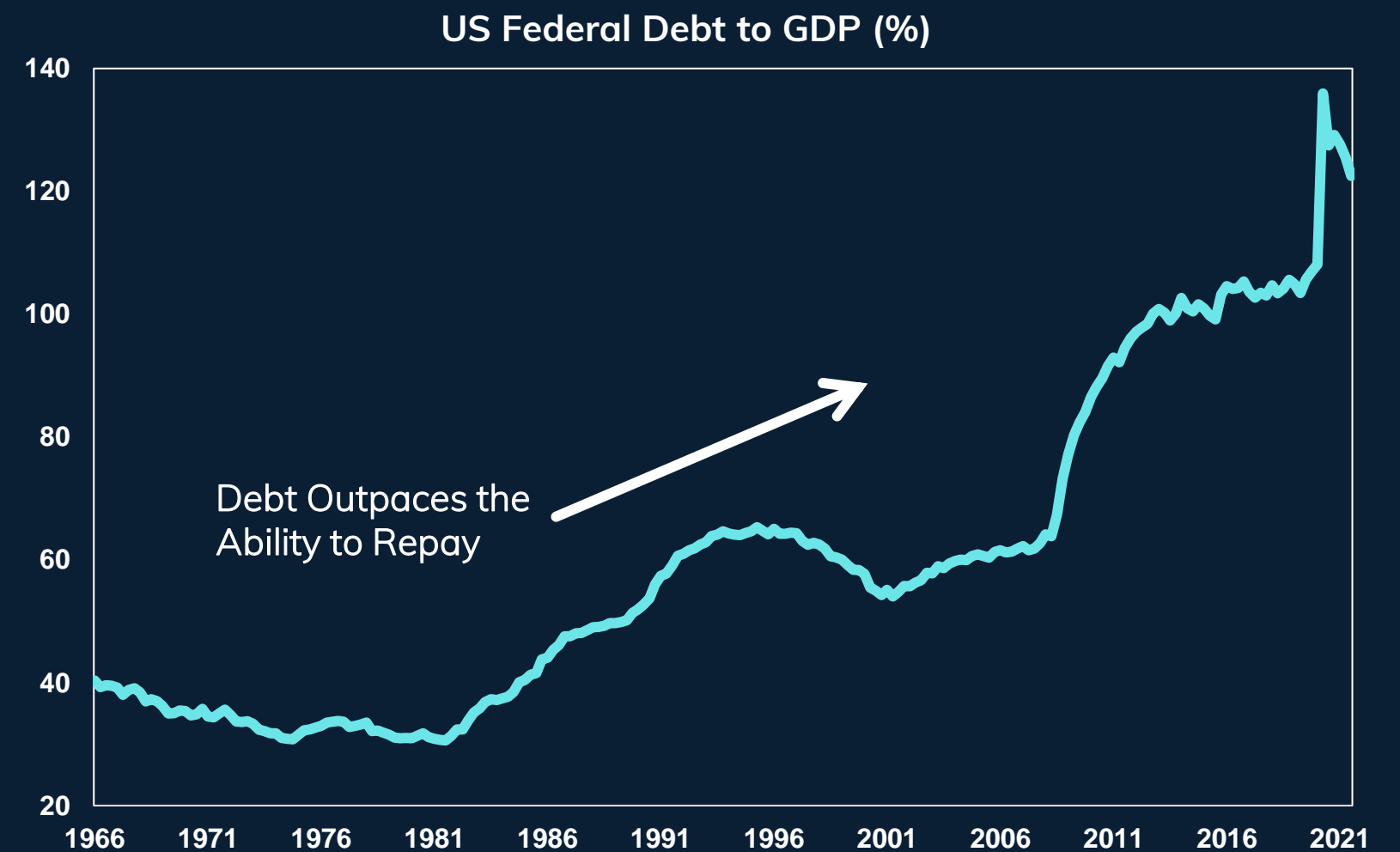
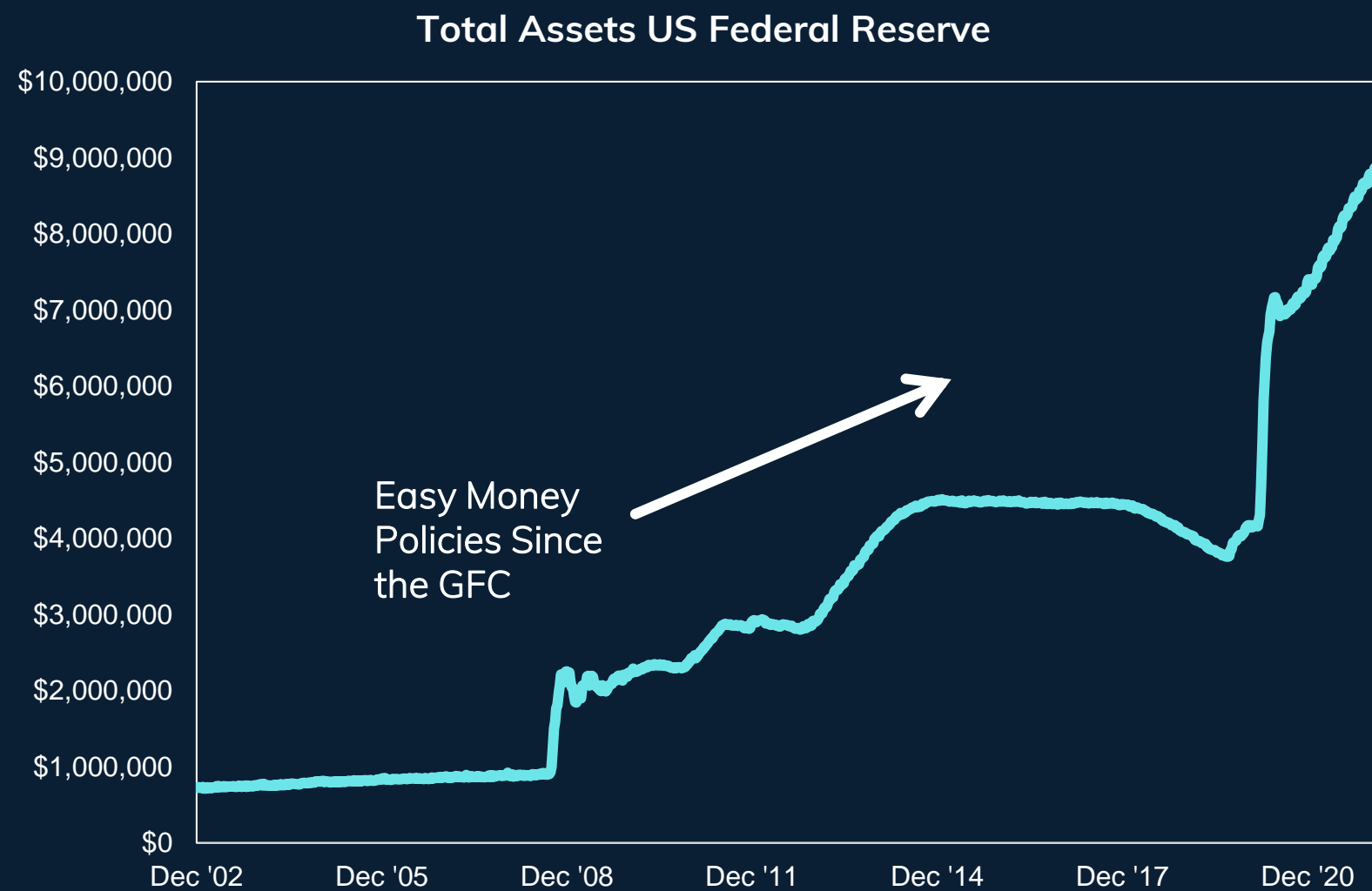
For important disclosures, see page 23

Table of Contents

- 1 Introduction
- 2 Company Overview
- 3 Swan Advisor Services
- 4 Risks & Disclosures

A Need For Immutable Money

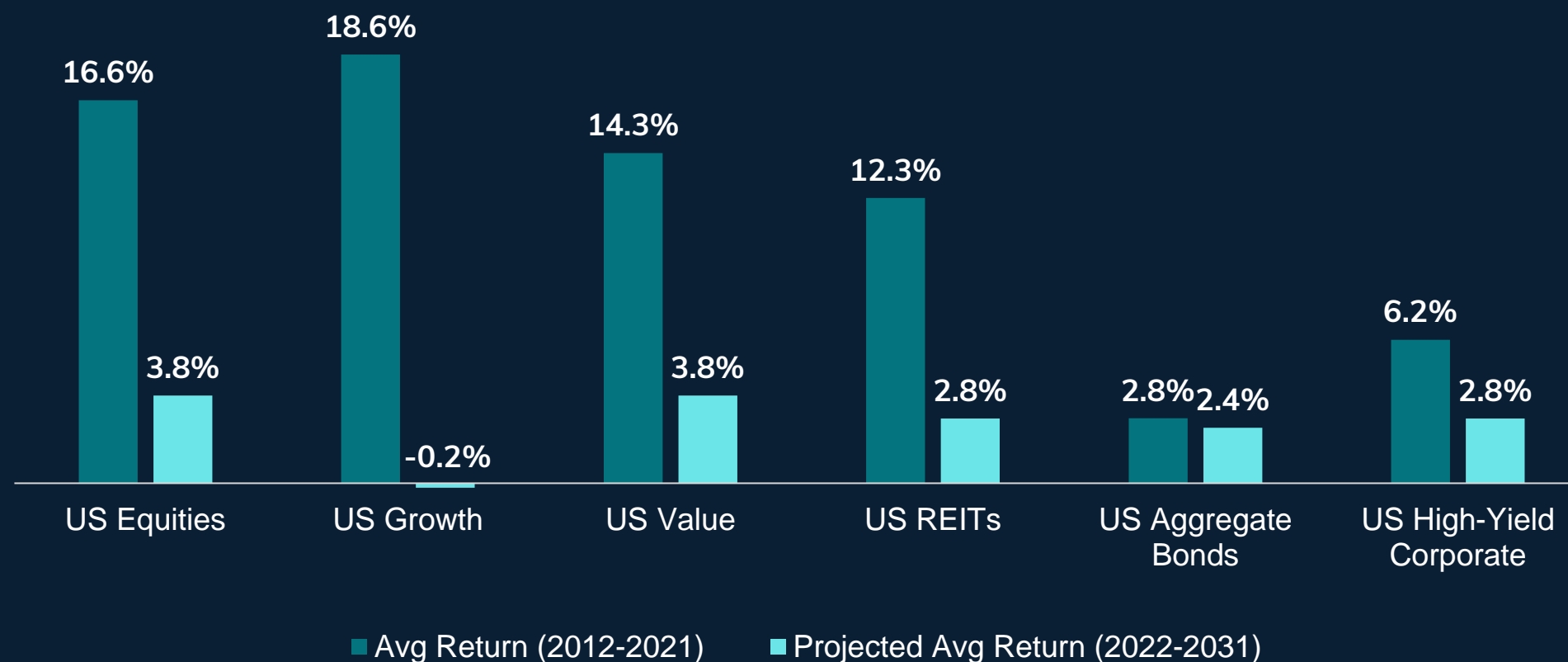
- The macro tailwinds for Bitcoin became clear following its launch, as the US Federal Reserve adopted loose monetary policies to support the economy following the GFC. Asset prices ballooned, and since that time, the central bank has been unable to dial back monetary supply without jeopardizing the 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.



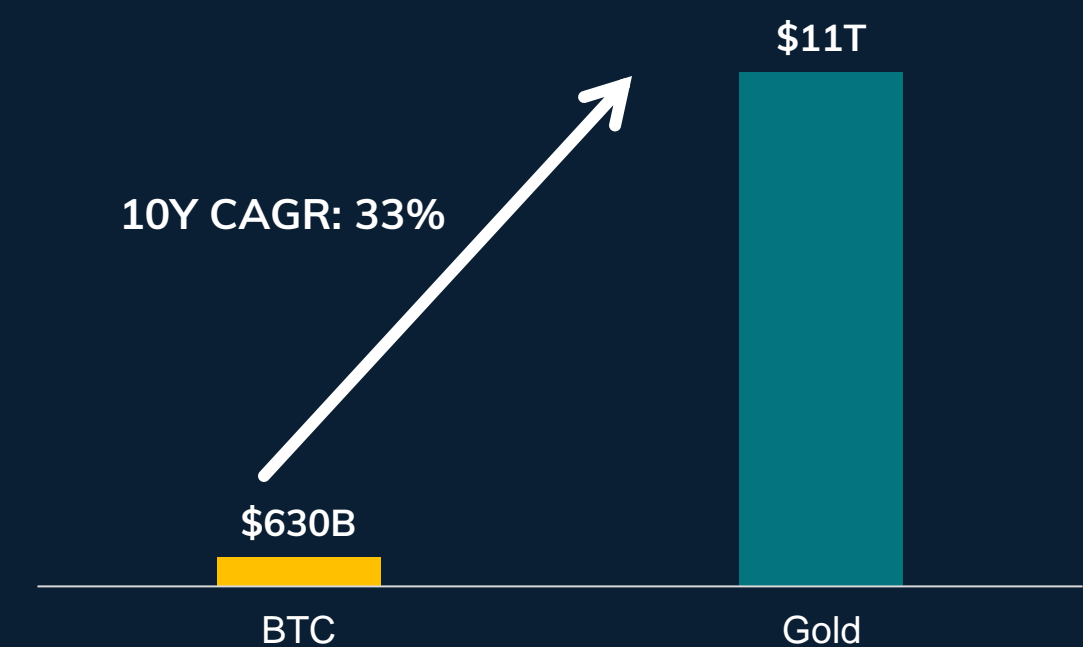
Why Bitcoin is a Financial Advisor's Best Friend

- Most financial advisors' core objective is *wealth preservation* and protection of client assets rather than outright *wealth generation*. For advisors, bitcoin largely remains a *wealth generation* opportunity causing many to overlook it for the perceived relative protection of stocks and bonds.
- However, given the current economic backdrop of negative real rates, declining corporate profit margins, and general macro uncertainty, stocks and bonds may fail to preserve wealth as successfully as they have in recent memory – opening the door for bitcoin to transition from a risk-on asset to a risk-off wealth preservation asset.

Historical vs Projected Asset Returns



Conservative Market Sizing: BTC vs Gold



Bitcoin is Different From Other Cryptoassets

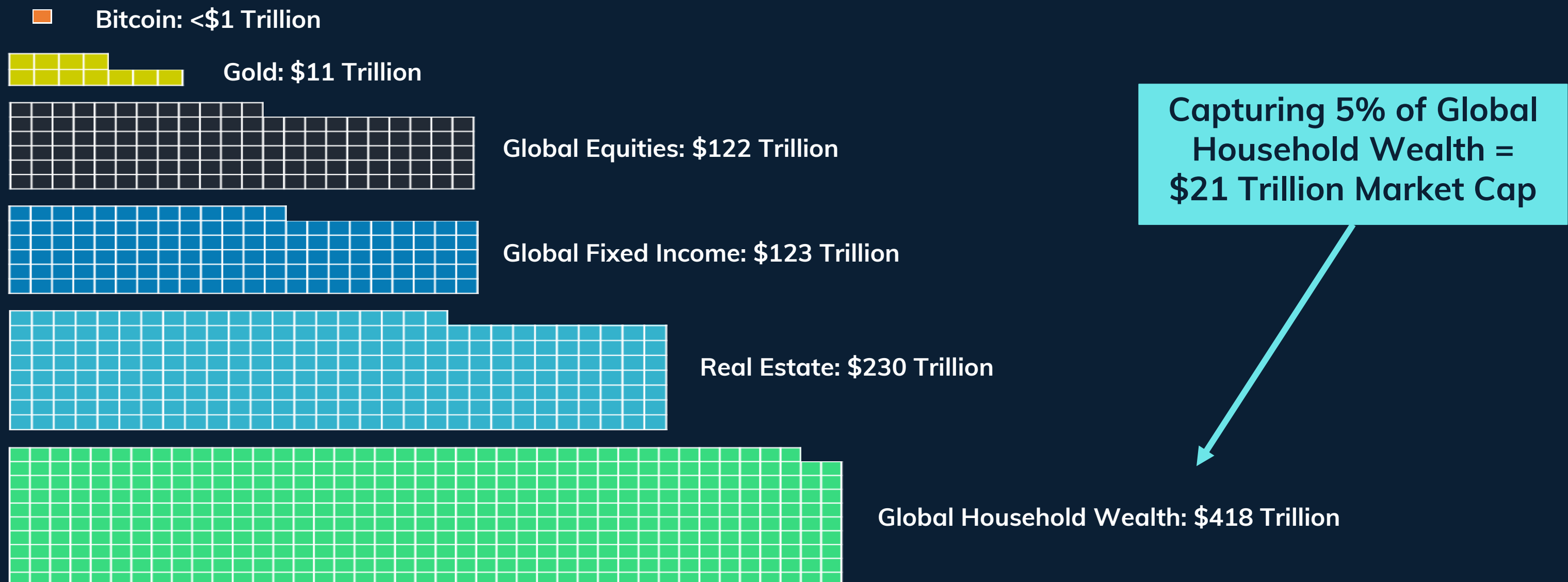
- Alternative crypto networks like smart contract platforms utilize blockchain for entirely different use cases than Bitcoin. Ethereum and other “alt layer 1s” lack key technical characteristics around centralization, consensus, and token supply that preclude them from competing with Bitcoin as a fixed 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

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.



Bitcoin's Contribution to Traditional Portfolios

- A small bitcoin allocation to the traditional 60/40 portfolio has a meaningful impact. Below we compared the performance of a traditional 60/40 portfolio with 58/40/2 and 55/40/5 portfolios. Portfolios are rebalanced quarterly.
- During the previous five years a 2% bitcoin allocation would've improved annual returns by 16.5% while a 5% allocation would've improved them by 32.7%.

Bitcoin in Traditional Portfolios

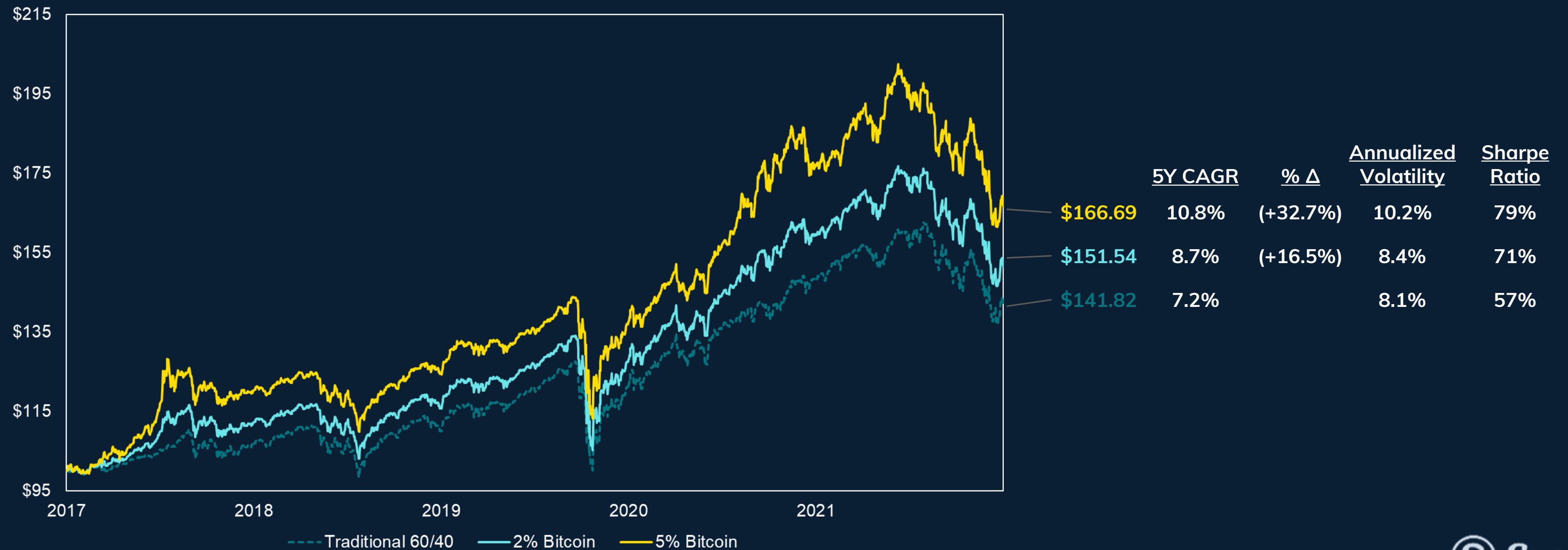


Table of Contents

-
- 1 Introduction
 - 2 Company Overview
 - 3 Swan Advisor Services
-
- 4 Risks & Disclosures
-

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's Product Offering

	Retail	Private Client	Business	Financial Advisors
Brokerage + custody	✓	✓	✓	✓
Recurring purchase plans	✓	✓	✓	✓
No-fee BTC withdrawals	✓	✓	✓	✓
Content + education	✓	✓	✓	✓
Large OTC trades		✓	✓	✓
Concierge service + support		✓	✓	✓
Retirement + trust + foundation		✓	✓	✓
Exclusive research + market insights		✓	✓	✓
Employee compensation plans			✓	✓
Portfolio management tools				✓
Client account creation				✓

Table of Contents

-
- 1 Introduction
 - 2 Company Overview
 - 3 Swan Advisor Services
 - 4 Risks & Disclosures
-

Swan Advisor Services Overview



Launched in 2022, Swan Advisor Services is a bitcoin-only private brokerage and custody platform built specifically for financial advisors and wealth managers.

The Problem & Landscape

- Financial advisors looking to provide clients with exposure to bitcoin must navigate structural differences across a landscape of distinct bitcoin investment products (spot, trust, ETF, etc.), investment platforms, and custody options to determine the best option for their clients and RIA.
- This challenge has only increased in difficulty over the past few years as advisor educational content has failed to keep up with the increasing complexity of digital asset investing.

The Solution

- Swan Advisor Services provides a comprehensive bitcoin investment platform for financial advisors – accompanied by educational content and an expert client service team to support advisors from initial onboarding through rebalancing and billing.

Products & Services

Client Onboarding	Position Management
Dashboard	Tax Loss Harvesting
Educational Content	Custody

Swan Advisor Services Team

- Combines traditional financial services and wealth management backgrounds with Bitcoin expertise – acting as a bridge for advisors to enter the emerging investment theme at their own pace.
- Clients will be supported by a 10-member Private Client Services team, a dedicated Client Support team (available via chat, phone, and email), and a Product team that is driving continuous product improvement based on advisor feedback.



Andy Edstrom
Managing Director
Advisor Services

- Financial advisor and investment committee at \$800m RIA
- Goldman Sachs; principal at hedge fund acquired by BlackRock
- CFA, CFP holder



Ryan Flynn
Managing Director
Private Client

- Operating partner, private placement broker-dealer
- M&A advisory, merchant banking
- Series 7, 24, 28, 63, 79 holder



Gui Gomes
Chief Revenue Officer

- Business development at Bridgewater Associates
- Founder, global experiential marketing business
- UCLA MBA



Cory Klippsten
Founder & CEO

- Angel & Advisor for 50+ VC-backed startups
- Google, McKinsey, Morgan Stanley, Microsoft
- University of Chicago MBA

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

Goldman Sachs

Google

McKinsey & Company

Morgan Stanley

Microsoft

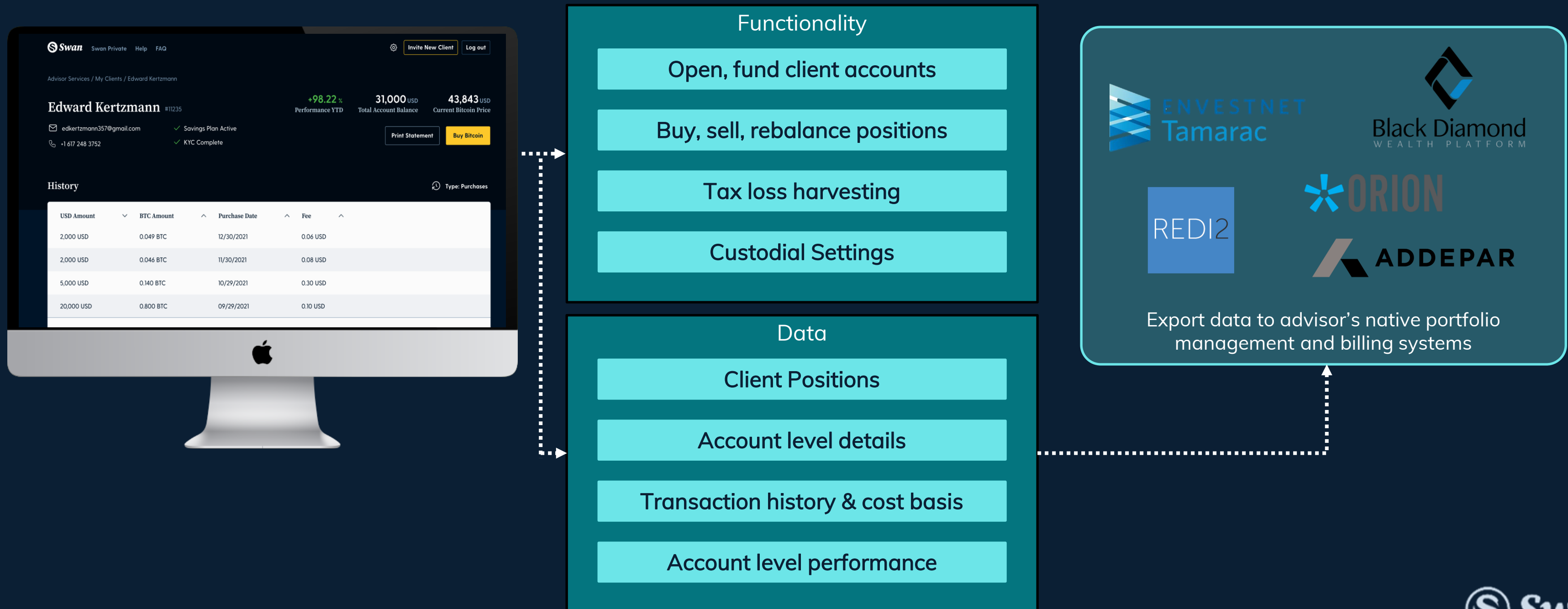
salesforce

BRIDGEWATER



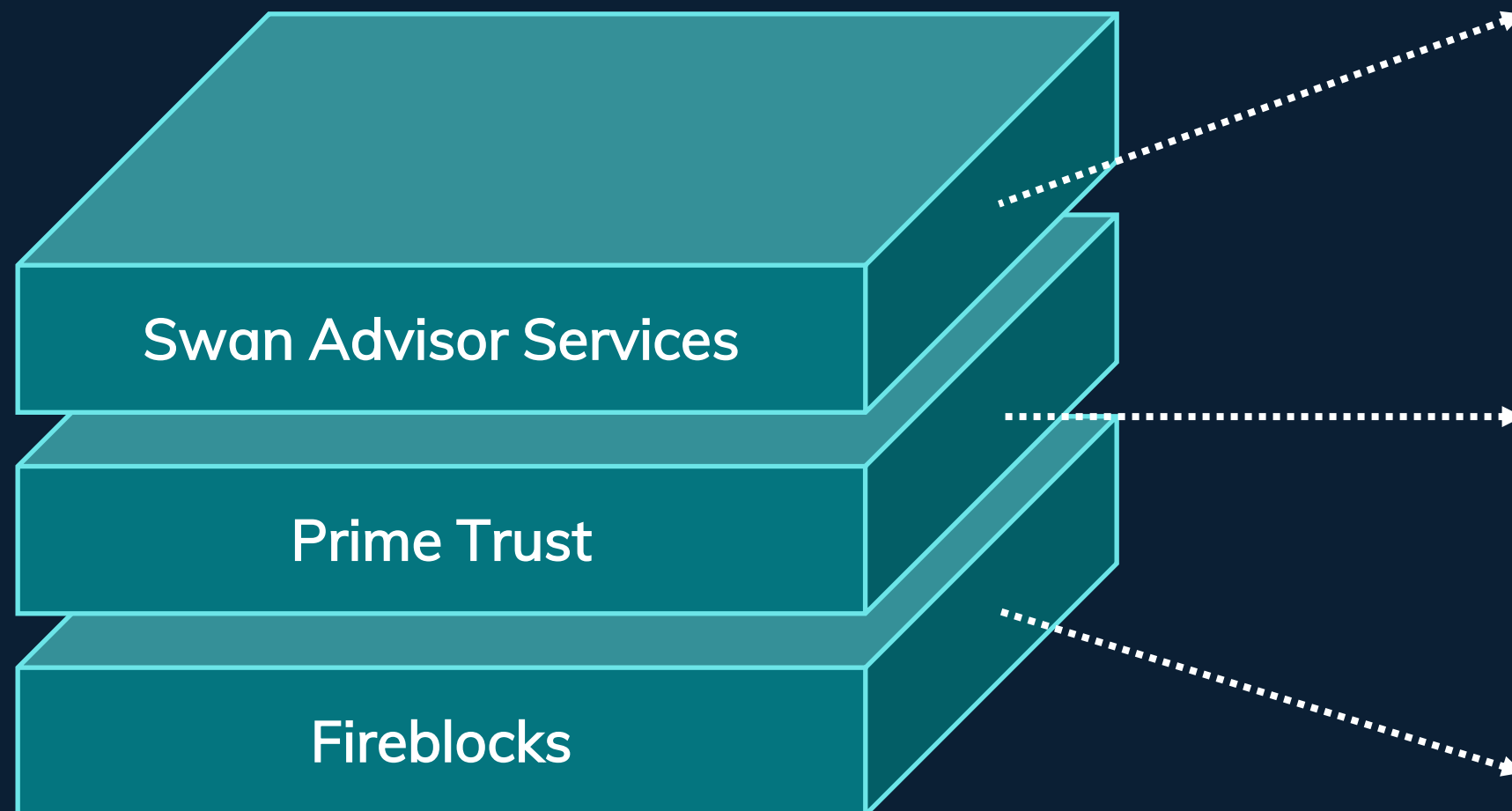
Swan Advisor Services Dashboard

- Advisors leverage the Swan Advisor Services dashboard for initial client onboarding, buying and selling bitcoin positions, tax-loss harvesting, and viewing critical client data. Clients can review portfolio performance and transaction history.
- Product demo: [Part 1](#) and [Part 2](#)



The Advisor Platform Stack

- Swan Advisor Services leverages a three-part tech stack with its proprietary advisor portal integrated with Prime Trust for liquidity and trade execution, and Fireblocks' top-tier custody platform.



- Expert client service team and Bitcoin-specific research
- Seamless onboarding and user experience
- Self custodial support or on-platform custody
- Rebalancing and tax loss harvesting
- Data export to billing and reporting systems

- State-chartered trust company
- API liquidity, trade execution, and custody infrastructure
- Segregated, named client accounts
- \$2.3B transacted and settled per month
- Raised \$100 million in June 2022 to expand digital assets business

- Cold storage hardware and key management platform
- Raised \$550 million at an \$8 billion valuation in January 2022
- Enterprise-grade multi-layer security
- MPC-CMP private key protection
- SGC encrypted chip isolation

Advisor Education and Insights

Newsletters

- *Swan Monthly*
- *Swan Private Insight*
- *Swan Market Commentary*
- *The Daily Bitcoiner*

Social Audio, Podcasts, YouTube

- *Swan Signal Live*
- *Café Bitcoin* on Clubhouse and Twitter Spaces
- *Stephan Livera Podcast*
- *Hard Money with Natalie Brunell*

Books

- *Inventing Bitcoin*
- *Why Buy Bitcoin*
- *Why Bitcoin?*
- *Bitcoin: Your Bright Orange Future (pending publication)*

Syndicated Content


- *Hedgeye*
- *Fundstrat*
- *Lyn Alden Investment Strategy*

Swan Studios (Film & TV)

- *This Machine Greens*
- *Bitcoin is Generational Wealth*
- *TRUST*



Bitcoin Options for Financial Advisors

	Competing Advisor Platform	Bitcoin Equities	Exchange-Traded Product (i.e., Trust)	Futures-Based ETF	 Swan
Structure / Exposure	Spot	Indirect exposure via equity	Trust Units	Bitcoin Futures	Spot
Custody	Exchange Custodied	Rely on management to safely custody	Rely on management to safely custody	N/A	Fireblocks / Self-Custody
Tracking Error	None	Generally, high-beta exposure due to corporate debt	Premium/Discount determined by supply & demand of trust units	Normal operation of rolling futures contracts causes underperformance vs spot	None
Annual Fee <i>(including custody)</i>	1.3%	N/A	2.0%	0.95%	1.0%
Example	Eaglebrook Advisors	MicroStrategy (MSTR)	Grayscale Bitcoin Trust (GBTC)	ProShares Bitcoin-Linked ETF (BITO)	Swan Advisor Services

Terms

Structure	Spot Bitcoin
Custodian	Prime Trust / FireBlocks
Ownership	Direct ownership of actual bitcoin within a segregated, named account held at custodian. Available for withdrawal to self-custody.
Liquidity	Daily
Minimum	None
Trading Fees	0.30%
Administrative Fees	1.00%, billed quarterly in arrears
Withdrawal Fees	0.00%, optional self and collaborative custody capabilities
Account Funding	Wire, ACH

Table of Contents

-
- 1** Introduction

 - 2** Company Overview

 - 3** Swan Advisor Services

 - 4** Risks & Disclosures

Volatility & Pace of Market Adoption

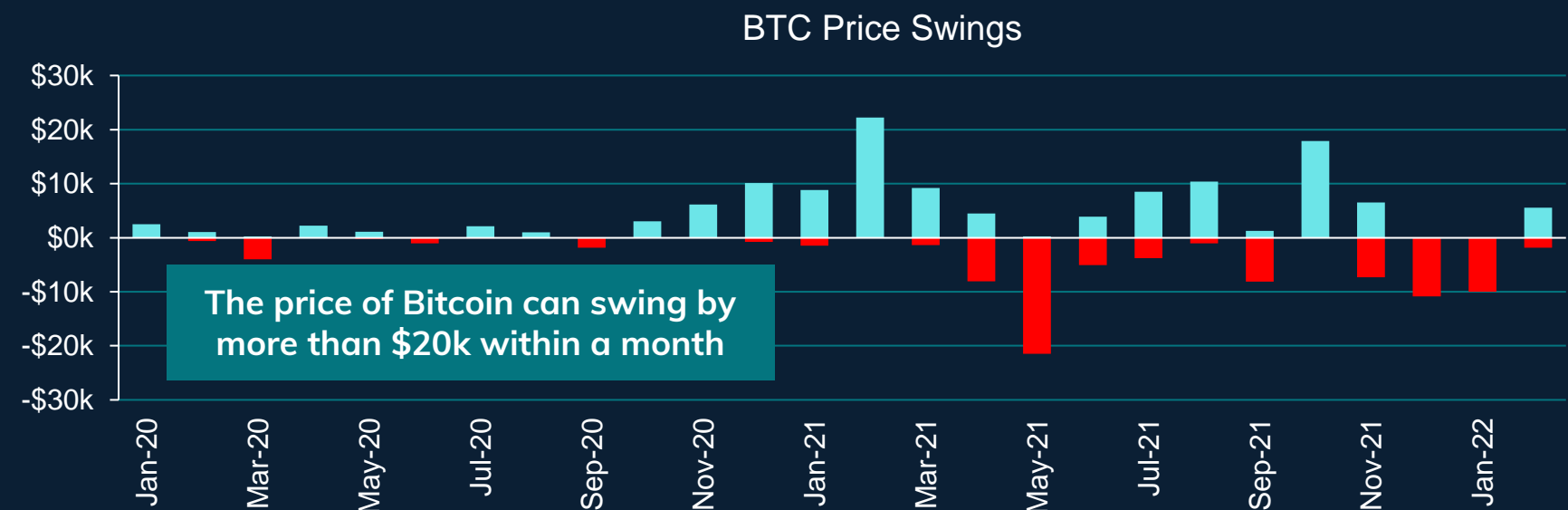
- Bitcoin and the overall crypto market are notoriously volatile, creating very choppy waters for investors to find a comfortable entry point into the space.
- Many of Swan's products are built around long-term Bitcoin investing strategies that mitigate the potential volatility of Bitcoin, particularly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

3.71%

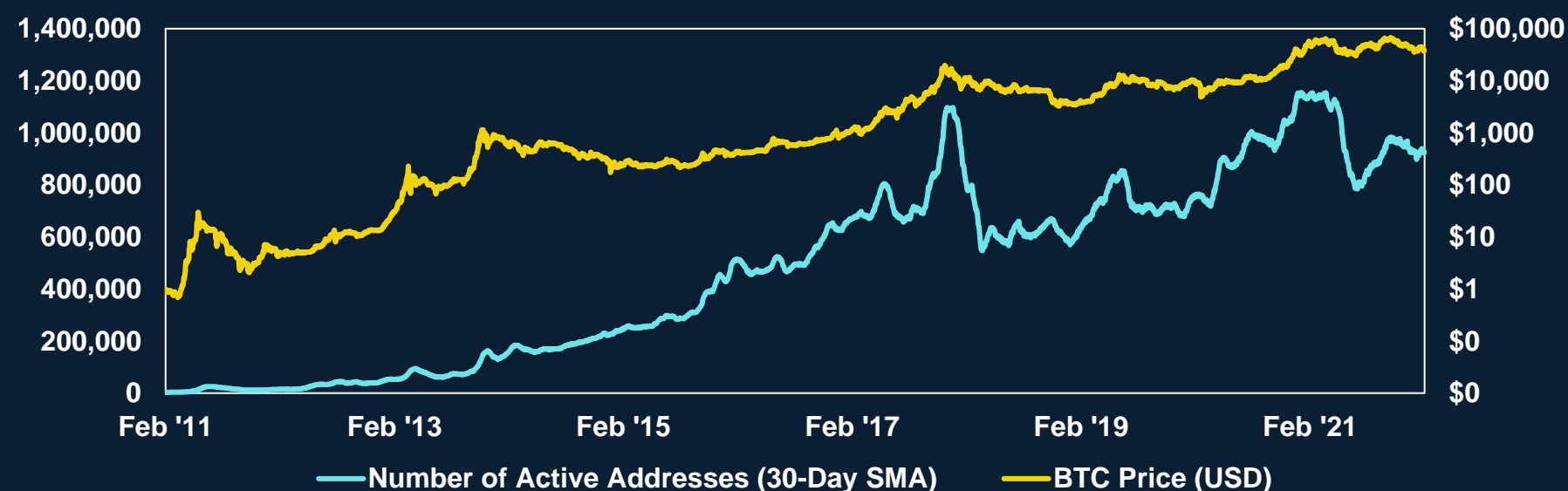
Bitcoin Average
Daily Price
Movement

0.83%

NASDAQ Average
Daily Price
Movement



Wallet Growth vs. Price



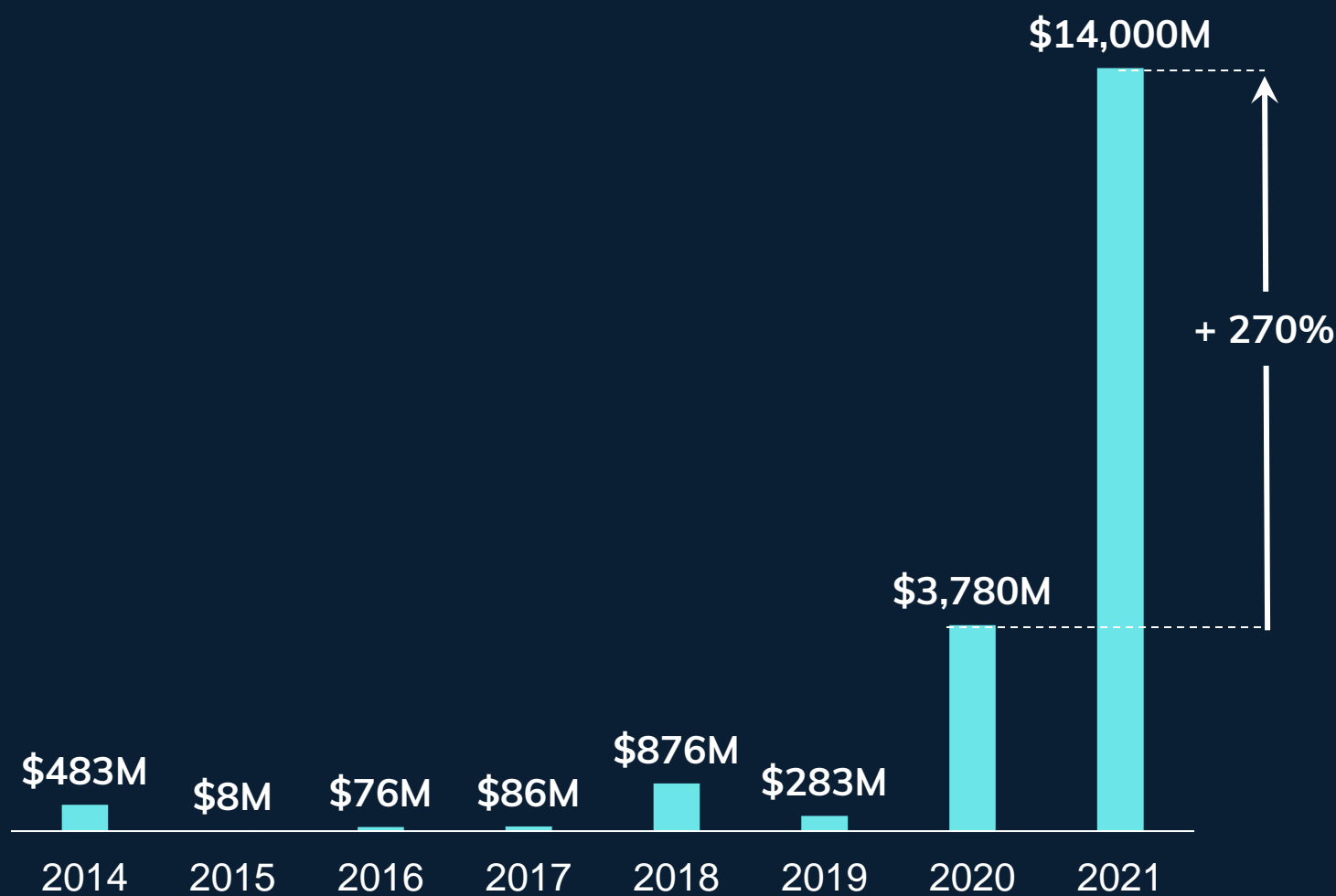
- We believe that BTC may reach \$200k this year and will achieve mainstream adoption over the long term due to its superior technological attributes. However, one must consider that the pace of adoption often waxes and wanes with price, which could affect Swan's growth trajectory.
- It is common for 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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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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Thomas Lee is a minority investor in Swan.

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

This research contains the views, opinions, and recommendations of FSInsight. This report is intended for research and educational purposes.

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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