

One River Digital Pulse



22 FEBRUARY 2023

One River Digital
Research

Weekly Pulse – Stellar Performance

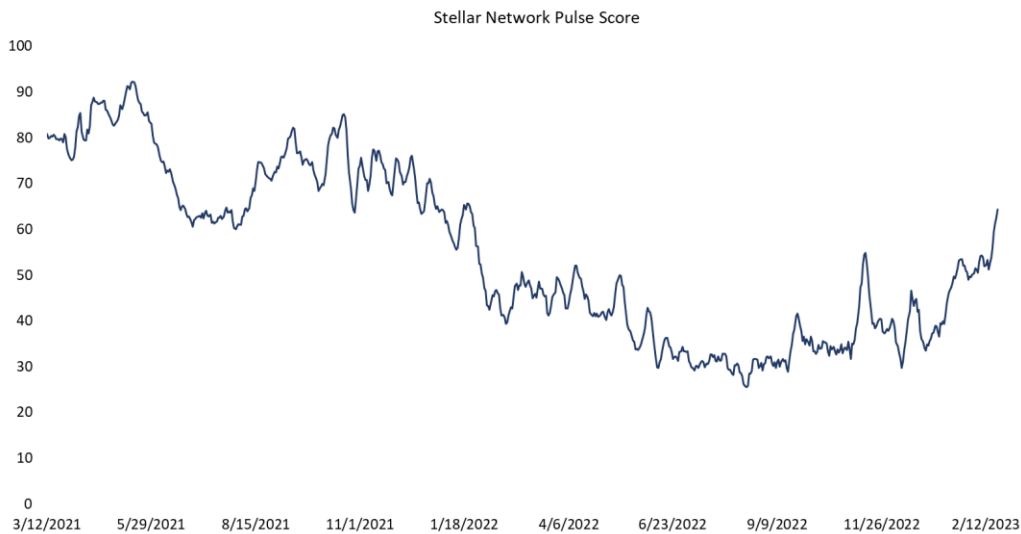
Stellar Performance: Stellar (XLM) leads this week's Pulse, reaching its one-year high score of 63. Despite the low media visibility, the asset has consistently ranked highly among the top digital assets since its fork from Ripple in 2014. Stellar has carved its own niche, enabling cross-border activity for the unbanked and underbanked. The network's backbone are [Anchors](#), who serve as cash-in and cash-out ramps with the Stellar network and fiat. These [Anchors](#) include Moneygram, Coinbase, and Bitpay. Stellar's network users have benefited from near-instant currency conversions, minimal fees, and high throughput. XLM suffered notable declines in transaction activity in 2022, like all asset markets. But positive developments still emerged. The Stellar Foundation partnered with the United Nations High Commissioner for Refugees (UNHCR) to offer USDC on the Stellar network as [cash assistance](#) to Ukrainian refugees last year. Real-world utility! The Foundation also launched a \$100mn fund in October to enable the development of financial services on its new smart contract platform, [Soroban](#). This year, Stellar has intensified its efforts to simplify the tokenization of assets, launching the [Asset Sandbox](#). Stellar's path is well suited to the institutional trends in the digital ecosystem space. XLM is the smallest asset in our indices – 0.33% in our Core Index, 2.44% in Size Tilt. But with its high-profile backing, the network cannot be overlooked.

WEEKLY BEATS

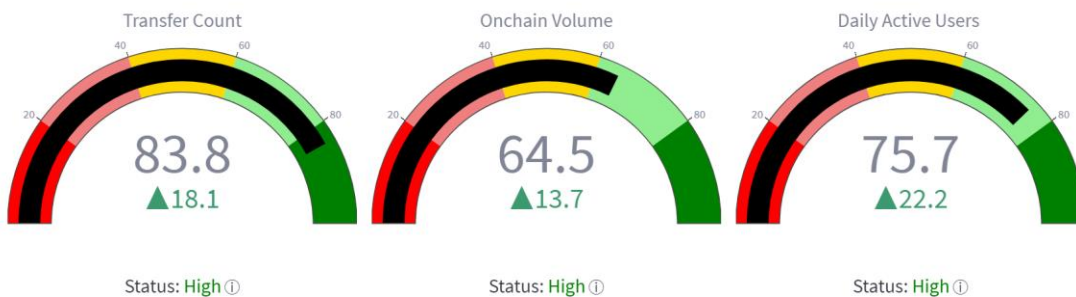
1. Chart of the Week – Stellar’s Sandbox
2. Fundamental Pulse – Down but still Neutral
3. The Stellar Stats
4. Value Transacted on Stellar
5. Stellar’s Valuation

1. STELLAR’S SANDBOX

The recent price gains on Stellar have been accompanied by a corresponding increase in network activity. Earlier this month, Stellar introduced the Stellar Asset Sandbox, where “users can issue, mint, and burn new assets on the Stellar testnet, no code required.”

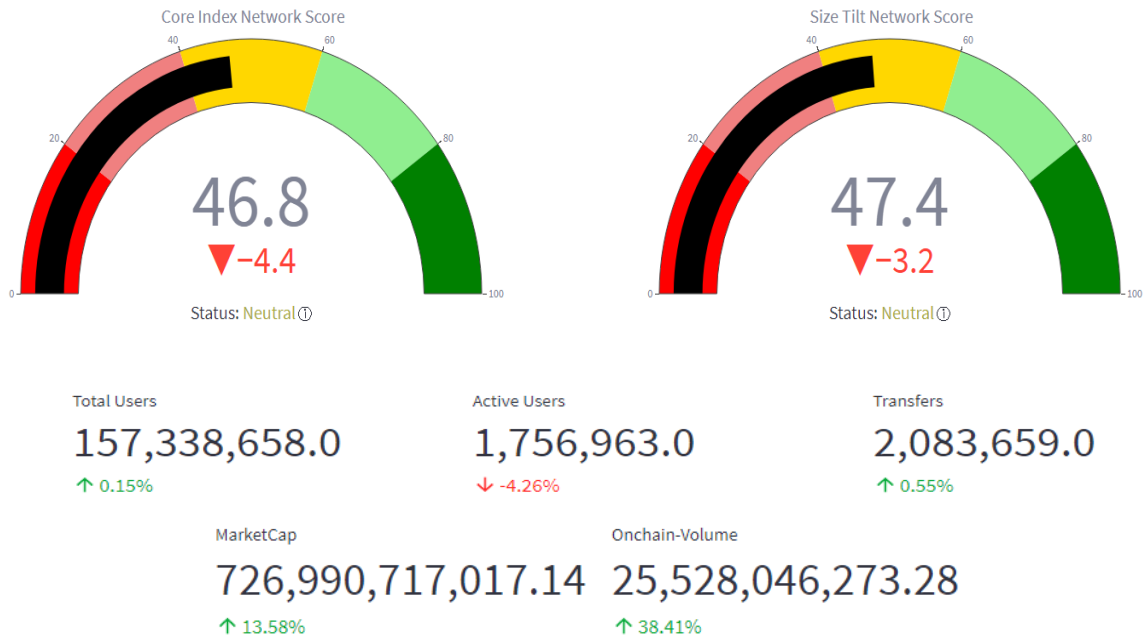


Stellar Network Scores



Source: One River Digital Pulse (Snapshot Date: 2/21/2023).

2. FUNDAMENTAL PULSE – NETWORK PERFORMANCE



Pulse scores are weaker this week with most assets suffering a drop in active users, despite increasing on-chain volume. Stellar is the bright spot this week alongside the ever present Polygon.

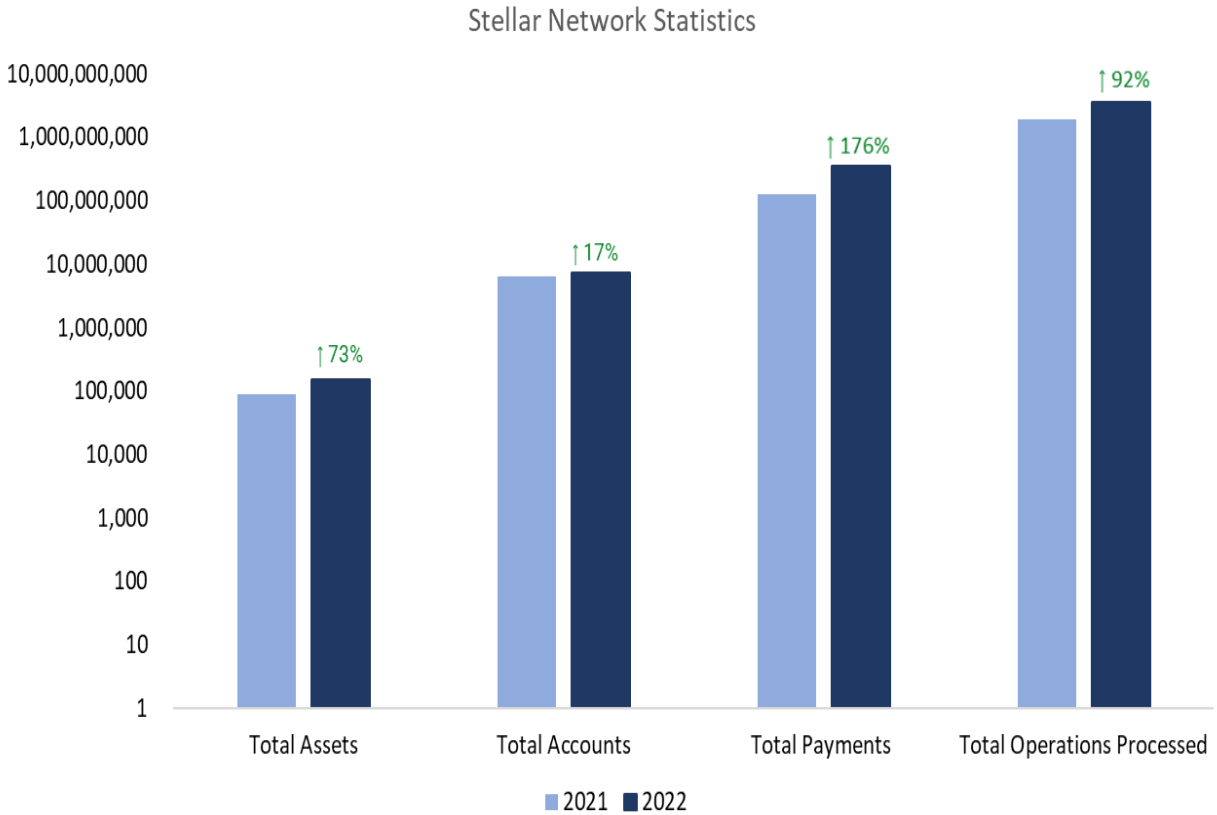
Assets	Asset Score	7d Change	30d Change	Volume	Transfers	Active Users	User Growth	Valuation	Velocity	Network Distribution
Core	47	-4	0	29	49	52	32	28	43	94
Size Tilt	47	-3	1	35	46	47	34	37	40	91
Bitcoin	51	-5	0	21	60	72	29	17	61	98
Ethereum	35	-4	-1	39	26	14	38	43	2	86
Cardano	57	-2	4	73	15	19	21	74	100	100
Polygon	57	5	10	60	71	66	37	69	2	97
Litecoin	38	-14	-6	9	30	30	29	40	75	50
Stellar	63	11	11	57	83	72	80	46	1	100

*Snapshot from the One River Digital Pulse on 2/20/2023. Seven-day change in the Core and Size-Tilt Index Scores.

Notes: Status- High > 60, Neutral 40 to 60, Low < 40. A score of 54.5 means the Index value is better than 54.5% of its values in the past 365 days. Index scores exclude Solana, Cosmos, and Polkadot due to incomplete data coverage.

3. THE STELLAR STATS

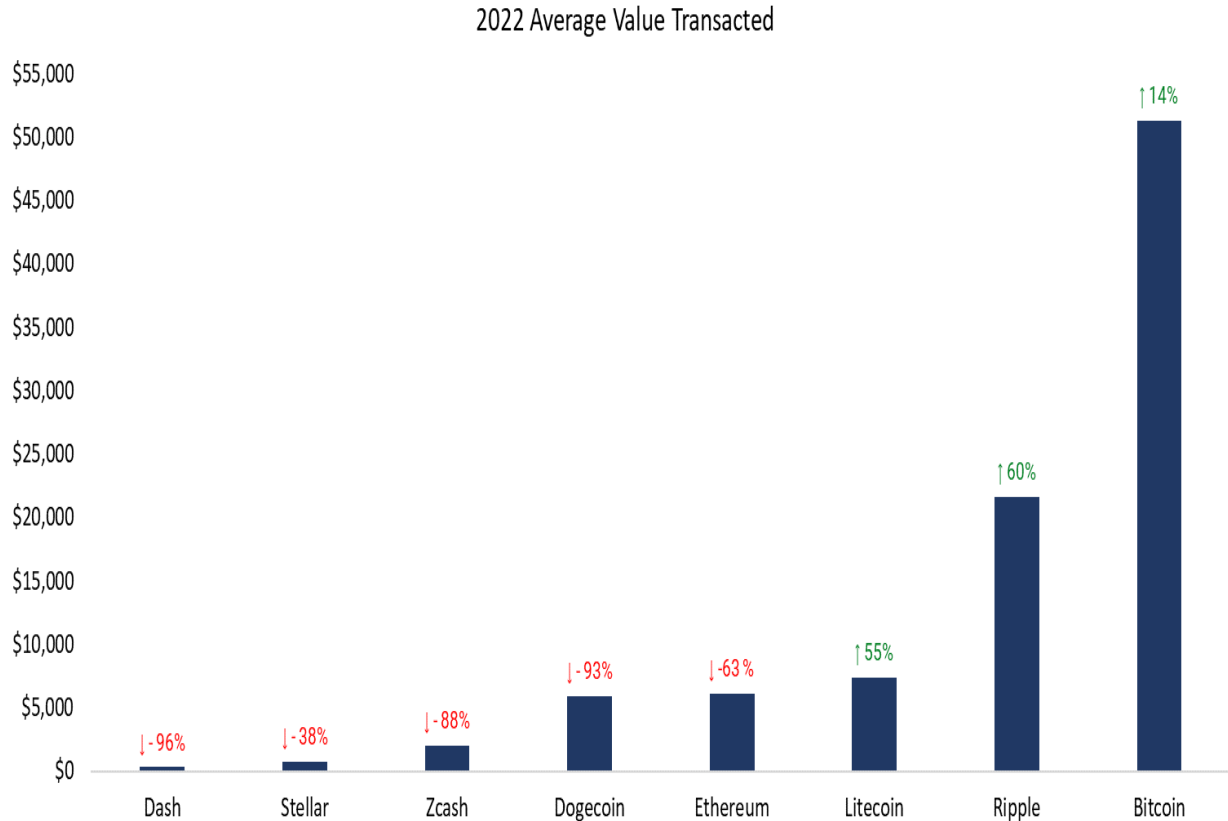
Despite asset price downturns of about 74%, Stellar showed consistent growth in key network metrics. The network continues to strengthen with [Anchors](#) (trusted bridges between Stellar Network and traditional rails) doubling count in 2022.



Source: Stellar.org (Date: December 2022)

4. VALUE TRANSACTED ON STELLAR

Stellar’s primary purpose remains as a payment currency. Among other payment currencies and major coins, its on-chain value transacted on the network remains relatively low at \$789 with a 38% decline in 2022.

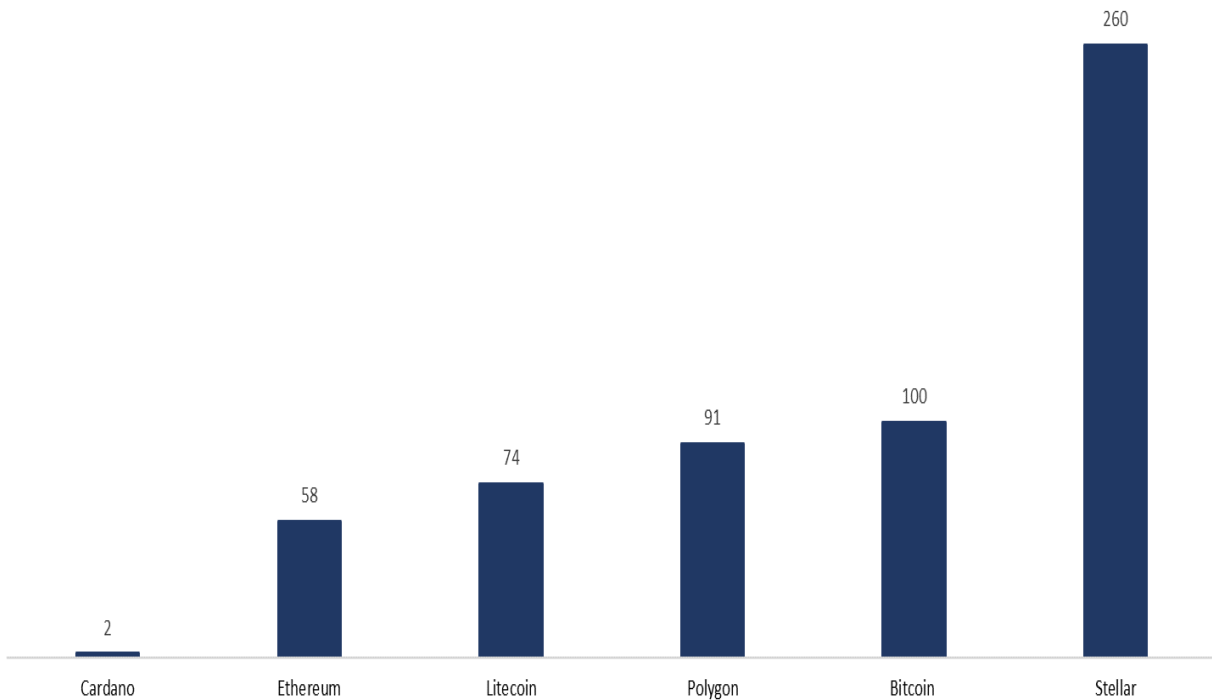


Source: Coin Metrics. Change figures (e.g ↑ 55%) represent value changes from 2021 to 2022.

5. STELLAR'S VALUATION

Akin to the Price-to-Earnings Ratio, the ratio of Realized Capitalization to Transfer Value provides clues to asset valuation. Compared to other major assets, Stellar's valuation is high. This is likely tied to a strong expectation about future growth – with higher growth expectations comes higher volatility.

Realized Market Capitalization to Transfer Volume



Source: One River Digital Pulse. Coin Metrics. (Snapshot Date: 2/21/2023)

Metric Definitions

1. Volume – The aggregated value of native units transferred between addresses on-chain.

2. Transfer Count – The sum count of transfers between addresses. It becomes more valuable when used in conjunction with Volume.

2.1 Low Transfer Count & High Volume: High volume but transferred by a few addresses.

2.2 High Transfer Count & Lower Volume - Indicates higher retail activity or exchanges amongst small accounts.

2.3 Lower Transfer Count & Lower Volume: Indicates slower network usage and low network demand.

2.4 High Transfer Count & Higher Volume- indicates high network usage. A persistent trend is substantial.

3. Active Users: Number of addresses active in the network as recipients or originators of ledger change. This includes value transfers, signing blocks, and other forms of ledger change activity.

3.1 High Value: High network usage and high demand.

3.2 Low Value: Low network usage and low demand.

4. User Growth Rate: The rate at which new addresses with non-zero balances are added to the network.

4.1 High Value: Indicates users being added to the network at an increasing rate.

4.2 Low Value: Indicates users being added to the network at a slower pace.

5. Valuation: This metric compares the on-chain volume to the realized capitalization representing the value of the network. Realized capitalization is a revised form of market capitalization that accounts for the value of the coin at the time the coin was last spent. A lower volume compared to the high value of the network indicates the network could be overvalued and vice versa.

5.1 High Value: Indicates the network is closer to its real value based on the on-chain volume.

5.2 Low Value: Indicates the network is very close to being overvalued considering the activity on the network.

5.3 Medium value: Asset is reasonably valued—sustainable demand for transactions.

6. Velocity –This indicator shows the turnover of coins in the network as measured by on-chain volume divided by active supply. The primary use of this metric in this instance is to help assess an asset’s market-relevant supply.

6.1 High Value: There is greater circulation of coins in the network and use for payments.

6.2 Lower Value: There is lower circulation of coins in the network and use for payments.

7. Network distribution – The metric used, the SER ratio, compares the smallest accounts (sum held by accounts with a balance less than 0.00001% of the supply) against the richest accounts (sum held by the top 1% addresses).

7.1 High value: Signifies high distribution of supply and higher decentralization.

7.2 Low value: Low supply distribution and heavy concentration amongst a few wallets.

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