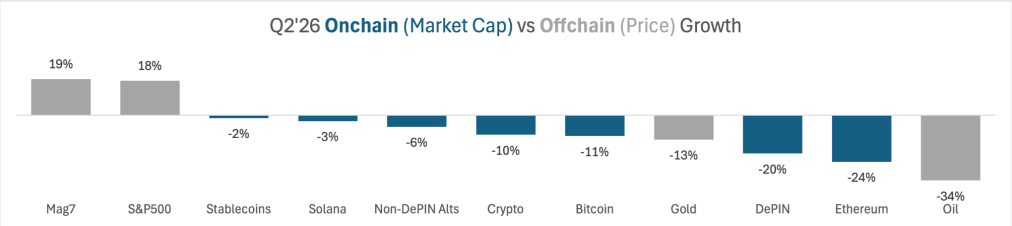
Crypto market cap fell -10% QoQ to $2.2T, lagging equities by a significant margin but outperforming commodities. The last time that crypto market cap fell for three consecutive quarters was in 2022 when several of the biggest players in the industry became forced sellers. Today, rumours of sovereigns selling Bitcoin to help fund deficits and wars, combined with many of the industry's earliest and most vocal champions expanding their scope beyond crypto, make for a challenging dynamic for token markets.




*Source: Coingecko, Farside, Blockworks*

DATs were once again the largest institutional inflows, buying +$20B of crypto, most of it Bitcoin, onto their balance sheets during the quarter vs only +$3B for ETFs. MicroStrategy's STRC, which we've written to you about before, fell below $99 in late May and traded to an all-time low of $72 last week, raising yields on the Bitcoin-backed preferred stock as high as 16% vs an 11.5% coupon. Given they are unable to issue new STRC when the instrument is trading below par on secondary markets, the company recently began testing the market's appetite for selling Bitcoin to fund dividends to preferred holders. Over the following three trading sessions, Microstrategy's common stock fell -20% vs BTC's -11% move.

Our view is that the market's reaction to the news is largely behind us, and that the reaction to future Bitcoin sales to fund preferred dividends will be relatively muted to the downside in the equity markets, whereas the reaction from credit markets will come later but will ultimately be more impactful and durable. This is beginning to play out this week, with both Microstrategy's common and preferred shares rallying +15% and +20%, respectively, after Saylor gained approval to sell another $1.25B of Bitcoin and raised the coupon on STRC by 50bps. So-called "Digital Credit" has become a $10B+ asset class in only a year, paying double-digit yields with the promise of near-term liquidity, but (to skeptics) no real evidence of being anything more than a ponzi—until a few weeks ago, all coupons were funded through issuances of common stock. Outside crypto, private credit funds saw $20B of redemption requests in Q1, of which only half was disbursed; $10B remains gated for upcoming quarters. As MicroStrategy builds a track record of funding preferred coupons via Bitcoin sales, its $50B Bitcoin treasury (vs $10B of preferred equity) will start to look like a highly-attractive collateral base for savers seeking short-term liquidity with double-digit yields. A few billion dollars of inflows would likely be enough to bring STRC back to par and catalyze a new cycle of reflexivity across Microstrategy's common equity, its Bitcoin purchases, and $BTC price.

There are other sources of flows that could surprise to the upside. One of the highest-valued companies in the world now holds ~2% of its balance sheet in Bitcoin; as SpaceX dominates indices and mindshare, other publicly-traded corporates could be fast to follow the now-sensible capital allocation pioneered by Elon (S&P 500 companies, excluding financials, hold $3T in cash). With the tightening of capital controls, billions of savers across Asia could bring another structural bid for crypto-assets. Americans, too, could soon be able to invest their $14T held in tax-advantaged retirement accounts into crypto. The likelihood, timing, and magnitude of these flows is unclear today, but are clearly upside to the market's expectations.

Overall, however, we think the risks in BTC skew to the downside. Early Bitcoiners spooked by quantum risks, sovereigns facing near-term liquidity needs and/or evading sanctions, and cyber-attackers targeting exchanges, wallets, and protocols with increasingly-sophisticated AI-powered capabilities all represent net sellers of potentially tens of billions of dollars worth of Bitcoin over the coming years. If one or several of these sellers materialize at scale, the flows would likely surmount even the most bullish of outcomes for Digital Credit before the next reflexive cycle begins. For this reason, our liquid token exposure [redacted] is concentrated into a handful of protocols with cash-flowing businesses building durable, compounding moats in growing markets where crypto provides a structural advantage.

**Hyperliquid**, which we've written about in our prior letters and research with Harvard Business School, was a notable outperformer. $HYPE was up +79% QoQ amidst relatively flat trading volumes, re-rating from 10x to 17x multiples of (very high margin) revenues. Hyperliquid has become the consensus winner in the growing perpetual futures market, with many of the largest funds in crypto making it a top position and currently sitting on tens of millions of dollars in unrealized gains. The last time a token was so widely-owned was when Solana became the consensus winner of the high-throughput blockchain race in 2024 and $SOL traded above $200, i.e. a $100B+ market cap, before declining 70%+ over the next 18 months. Hyperliquid feels like a crowded trade in the short-term, but has something Solana still has yet to develop: a business with structurally high-margins that supports re-investing into compounded growth.[1] Having earned the spot as the dominant derivatives exchange for crypto-assets, Hyperliquid's growth is being driven by derivatives on equities, commodities, and indices, where it currently does $2.5B of daily trading volume. We expect downside volatility in $HYPE near-term as large funds rebalance portfolios and lock-in unrealized gains going into year-end, but nevertheless remain constructive long-term on Hyperliquid's ability to translate its lead in crypto perps into a durable and diversified exchange business. Even after the run-up, Hyperliquid trades at a discount to Coinbase and Robinhood's 25-35x EBITDA multiples.

**DePIN** was a notable underperformer, namely Helium ($HNT) which fell -77% to levels last seen in 2020. Part of the move was the market digesting three things we knew and have written about before: 1) consumer MVNOs like Helium Mobile operate at negative margins, at least until reaching a scale of a few million paying subscribers, 2) Helium's enterprise revenues were overstated by a factor of 3-5x onchain, because pricing was based on legacy rates (50¢ per GB for CBRS) rather than the market it currently operates in (10-15¢ per GB for WiFi), and 3) $HNT's supply cap would need to be lifted to compensate Nova Labs shareholders for aligning behind the token, i.e. cap table cleanup. In June, all three issues came to light: the consumer business was acquired for an undisclosed sum, data pricing was updated to reflect market realities, and the supply cap of $HNT rose by two-thirds. Unfortunately, that wasn't all.

The same week, the CEOs of Nova Labs (Helium's development company) and the Helium Foundation announced they are stepping down from their day-to-day roles, with Mario Di Dio, a former telco engineer and executive at Helium since 2022, stepping up to lead the business. Since the announcement, $HNT's slide has roughly matched the implied dilution from raising the supply cap, suggesting the market is pricing in the next 3 years of inflation without changing its view of Helium's growth prospects or multiples. While leadership transitions always bring uncertainty, our current view is that Helium's business is stronger today than anytime in the past two years. Hemorrhaging cash to acquire low-margin MVNO subscribers was a necessary step to derisk the technology in the eyes of large telco customers, but the scale and performance of Helium's offload network now stands on its own two feet. $HNT has become a pure-play bet on the fragmentation of the mobile services market, building towards a future where consumers have the choice of buying their cell phone plans from hundreds of different providers.

[1] To illustrate the point: $1,000 traded on Hyperliquid generates $0.25 in fees, and those fees are returned directly to $HYPE holders in the form of token buybacks. $1,000 traded on Solana generates $4.5 in fees, of which $4.2 goes to the exchange, and $0.25 goes to validators who stake $SOL, but their demand for $SOL is (still) subsidized by inflationary rewards from the Solana Foundation.

[redacted] Despite recent price action, we remain convinced that Helium has a uniquely defensible asset that becomes more and more valuable each day: the world's densest network of wireless routers. Today, only a handful of viable customers can spend $10M/yr on wireless offload (Verizon, AT&T, T-Mobile in the US), and Helium's razor-thin margins reflect that. Soon consumers will buy phone plans from their bank, or their car, or their grocery store, expecting the same ubiquitous connectivity they get from telcos. Fintechs and retailers won't deploy and operate their own wireless infrastructure, they'll rent capacity from established networks like telcos, Helium, and SpaceX. When it comes to dense urban environments, no one can deliver connectivity at lower costs than Helium. With the core structural issues (i.e., consumer margins, enterprise pricing, split cap table) now behind it, we continue to see $HNT as a misunderstood asset with $100B+ potential. In Q2, we spent time with both the prior and current management teams to understand the perspectives and motivations for the moves. We also spent time studying great investors who've fallen in love with a losing position, asking ourselves if we've made a similar mistake on Helium. The work is never done, and we continue to re-underwrite and keep a close eye on the company's execution, but so far our view has not changed: $HNT's crown jewel assets - its wireless infrastructure, and the global community surrounding it - are both difficult to replicate and increasingly-valuable to the rapidly-growing cohort of enterprises that resell connectivity products.

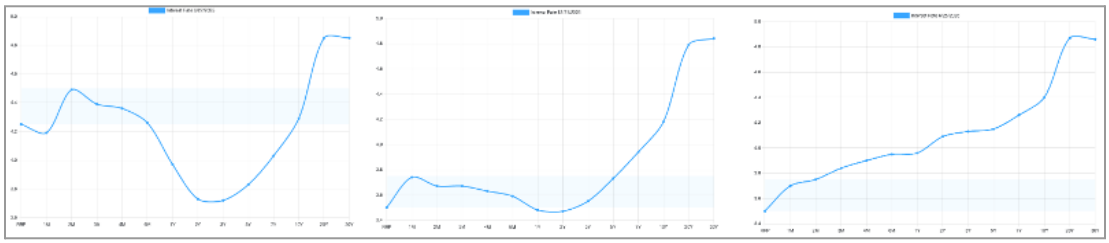
**Stablecoin** float fell -2% in Q2, the first quarterly decline since mid-2023. The print would have been worse if not for new stablecoin launches like Polymarket's pUSD, which grew to $0.5B+ in two months. Given both the biggest and the fastest-growing stablecoin issuers are privately-traded with no token, the emerging consensus among token investors is betting on lending markets like Morpho (+47% QoQ) or Pendle (+32% QoQ) whose growth is levered to both stablecoin issuance and rising interest rates. Across our two venture funds, we've bet on companies like Daylight, Dawn, CreatorFi and Drill (in stealth) that we believe are even more asymmetrically levered to those same trends. These companies originate asset-backed credit in sectors where capital is structurally scarce today, controlling the firehose of high-quality collateral available to high-yield, semi-liquid investment products and strategies.

Two protocols with similar business models launched tokens in Q2: USDai finances GPU buildouts with 3-year amortizing debt, and Re.xyz writes 12-month reinsurance contracts. Both generate 10-15% asset yields and have paid out tens of millions of dollars in yield to stablecoin depositors prior to launching a token. Both $CHIP and $RE traded up to $1B FDV in their first week but have since declined by -70% and -40%, respectively. For a sense of where the market is valuing these businesses: USDai has $300M in yield-bearing deposits (liabilities), of which $185M is deployed into GPU loans and the remainder in tokenized US treasuries. The assets generate $2-2.5M in monthly interest, USDai takes a 10% admin fee, representing $2.5-3M in run-rate revenues, and at current prices is valued at a 20-25x multiple based on circulating market cap (100-120x FDV). Re.xyz has a similar-sized balance sheet and, while monetization rate is not yet clear, trades at double the valuation of USDai. Multiples will compress significantly as these protocols scale originations, insiders sell their vesting token positions, and competing real-world yield products launch tokens; ultimately we think they will be valued like high-growth originators, circa 15-25x cash flow, and trade at a premium to DeFi money market protocols with single-digit multiples. That said, markets like GPUs, reinsurance, renewable energy, and wireless infrastructure approach if not surpass $1T in global annual capital expenditures; the pace of (safe) originations growth is a more pertinent driver of long-term returns than run-rate entry multiples, at least at the stage we invest. The founders of these businesses are becoming increasingly sophisticated about underwriting and risk management, and we believe investors broadly are underestimating the advantages of lenders that are able to navigate both TradFi and crypto capital markets to optimize their balance sheets and funding cost. It wasn't so long ago that investors doubted "tech" firms like Affirm and Nubank's ability to originate credit—today, it's crypto.

At a **macro-level**, our view is that geopolitics is pulling the world towards (physical) de-globalization, while simultaneously driving capital markets towards hyper-globalization by pushing (pseudo-)sovereign individuals and corporations to hedge out nation-specific risks. Tokenization enables money to move around the world faster than ever before, creating both an ever-expanding menu of assets to invest in, and an ever-greater opportunity cost to locking up capital for the long-term. The fleeing of capital out of poorly-designed monies - whether in the form of investment products (see: private credit) or central bank currencies (see: Indonesia) - will be as violent as the inflows of capital into assets that provide a novel combination of risk, yield, and liquidity (see: Ethena in 2025, or STRC in 2026). The result of rapid capital velocity is a structural steepening of the yield curve, as the opportunity cost of duration needs to account for not just the assets that investors have access to today, but those that they may gain access to tomorrow.

The ongoing **hyper-globalization of capital markets** is undisputable: savers in almost every jurisdiction have access to more cross-border deal-flow than ever. Hyperscalers are on track to raise $50B in EUR-denominated bonds this year, more than most individual EU countries. Amazon and Alphabet raised $16B in CAD-denominated bonds last quarter alone. Last week, Brazil became the fifth sovereign to issue its first RMB-denominated bonds in the past year. Next week, a Korean memory business could raise $29B in a US IPO. Borders are increasingly fading as an impediment to capital flows, to the benefit of issuers.

At the same time as savers have more options than ever, savers themselves are disappearing, becoming either *traders* or *spenders*. Last week, the single biggest holder of US treasuries announced a plan to invest $2.3T into their domestic economy over the next fourteen years. Japanese savers hold $1.2T US treasuries, and the BoJ's borrowing costs recently hit the highest level since 1996; bond markets will force Takaichi's government to either offload US treasuries or temper its spending ambitions. Hyperscalers held $0.5T of US treasuries in early 2023, but have since sold more than half of it (and borrowed a lot more) to fund AI-related capex; ahead of Japan, they transitioned from savers to *spenders*. Americans, on the other hand, are transitioning from savers to *traders*: either trading zero-day options in their brokerage accounts, or putting their 401Ks into crypto and actively-managed strategies. Even universities, facing declining enrollment and employment, are becoming net sellers of duration as the financially-stressed ones realize long-term survival is not necessarily guaranteed. Across these channels, almost a tenth of the US federal debt is held by structural net sellers of treasuries for the foreseeable future. The tail-end of the curve will get squeezed by sovereigns like Japan, China, and Taiwan with ambitious multi-decade domestic investment plans, and endowments and pensions facing demographic headwinds that could prove existential. The middle of the curve will get squeezed out by AI-related capex from corporations looking to maximize profits over a multi-year horizon. The front-end will compete with new asset-backed credit products offering 800+ bps spreads over treasury bills without sacrificing (much) liquidity. As savers go extinct and those that remain hedge their country and currency risks, we expect a steady rising and steepening of yield curves, which indeed is the case for US borrowing costs today vs 6 or 12 months ago.



*US yield curve at end of Q2'25, Q4'25, and Q2'26, respectively. Source: USTreasuryYieldCurve.com*

Finally, this section would be incomplete without discussion of the **shifting regulatory outlook** for crypto. Bitcoin is trading at $60K for the first time since the November 2024 elections that saw the first openly and adamantly pro-crypto administration take control of the US government. The administration's first crypto legislative priority - the GENIUS act, regulating the issuance of (non yield-bearing) stablecoins - became law in July 2025 and will become effective by January 2027. Its second priority - the CLARITY act, which designates regulatory agencies (SEC vs CFTC) for different types of crypto-assets - passed the House but has so far fallen short of the 60 votes needed for Senate confirmation. Until CLARITY is enacted, token issuers remain in limbo as to their US regulatory status and therefore susceptible to the same regulation-by-enforcement by overzealous agencies that characterized 2022-2023. What could a worst-case scenario look like for the US crypto industry in 2028-2030 from a regulatory perspective?

Polymarket odds imply Democrats have an >80% chance of winning the Senate (and >40% chance of winning both the Senate and House) in the upcoming November midterms. Despite being relatively inert the past two years, the party has found one issue it can unilaterally rally behind: regulating, and arguably suppressing, the crypto industry. In Washington, Democratic leaders spend their time impeding legislation that would allow Americans to invest their retirement accounts into crypto, investigating the Trump family's crypto-linked activities, banning elected officials from issuing or promoting digital assets, and, most importantly, an all-hands-on-deck effort to delay, defang, and defeat the two landmark crypto bills. Given the upcoming congressional recess in August and midterms in November, the odds of CLARITY becoming law in 2026 are now worse than a coin flip. Last year, we expected such legislation to pave the way for a resurgence of retail interest in long-tail crypto-assets, driven by listings on regulated fintech platforms like Robinhood. Now, it's clear we missed the mark: CLARITY is unlikely to pass in 2026, and fintechs are focused on offering users access to prediction markets and VC funds rather than crypto alts.

> This dynamic is set to change over the next eighteen months. The Trump administration's top crypto priority is stablecoin legislation, with the GENIUS act passing the Senate in June. Their second priority is market structure, i.e. the CLARITY act, which defines the parameters by which tokens are categorized as SEC-regulated securities vs CFTC-regulated commodities. Both bills are up for vote in the House this week. Assuming they pass, we expect platforms like Robinhood to begin spot listings for crypto-assets that fall under CFTC's jurisdiction in 2026, followed by derivative products in 2027. We believe the majority of networks EV3 has exposure to will be deemed CFTC-regulated commodities under CLARITY.

*EV3 Q2'25 investor letter*

The worst-case scenario is not just about crypto being inaccessible to US retail. With control of the White House, Senate, and potentially House, leading Democrats - many of whom are among the most vocal critics of crypto - would be in a position to use the same powers expanded by president Trump to kneecap the industry at a more fundamental level. Under heavy regulation, the industry would split into two siloes - "onshore" crypto, dominated by incumbents with existing financial licenses, and "offshore" crypto, served primarily by crypto-native institutions - with liquidity fragmented between them to the detriment of users. Like in 2022-2023, American crypto founders would look to relocate to Dubai or Singapore to start their companies without risking falling afoul of securities laws. Counterintuitively, this future would be bullish for the small number of crypto-assets like Bitcoin and Ethereum that are sufficiently decentralized (i.e., the most difficult target for regulators), DeFi category-leaders like Hyperliquid, Morpho, or Sky whose users and teams are primarily offshore (and would face less competition from US peers), and privacy-focused protocols like ZCash, Tornado Cash, or P2P.me whose core *raison d'état* is evading financial surveillance. The outlook for the other 99.99% of the 53 million onchain assets in existence, if they are cut off from the biggest pool of wealthy users and most liquid capital markets in the world, would likely be far less rosy.

But that's enough doom and gloom. Now back to the regular programming.

In short, we believe tokenization is pushing capital markets into a world where:

1. **Capital moves faster around the world**, raising and steepening sovereign yields globally. Credit markets become allergic to duration, while equity markets embrace ever-bigger moonshot bets.

2. **Savers disappear.** They either become *spenders* (typically to fund AI capex), or *traders* (as large pools shift from passive, to active, to *hyper*-active management). This contributes to point #1.

3. The biggest new businesses that emerge serve the needs of ***spenders***, i.e. the AI supply chain, or those of ***traders***, i.e. offering access to a unique combination of liquidity + leverage + yield.

While we'll leave a full explanation for a later discussion, we believe the **global market for attention** features similar dynamics to the market for capital. The proliferation of computing devices - smart phones, TVs, cameras, speakers, glasses, cameras, drones, etc - have made it possible to measure the ways humans spend their time in increasingly-granular ways. The long-term trend is towards more and more of our **attention being *tokenized* into *'attention units'*** and sold to the top bidder in a programmatic ad auction. More granular units means better price discovery, deeper liquidity, more impressions, and better margins for the auctioneer. Today, when you search on Google, scroll on Instagram, or shop on Amazon, your *attention units* are tokenized and auctioned off to dozens of qualified bidders - selected from millions to specifically address your specific query or feed - with the winning ad appearing on your screen in as little as 200-300 milliseconds. The *attention units* when you watch TV, or drive by a billboard, or listen to the radio are less granular, and the auctions slower, than search or social media today, but the prevailing trend is unquestionably towards tokenization of attention, i.e. programmatic advertising. So, what do we mean when we say *tokenization* is having a similar impact on the markets for capital and attention?

1. **Attention shifts faster around the world**, raising and steepening the *attention curve* globally. With more content than ever to consume, people rarely dedicate significant time to any one thing.

2. **Focus disappears.** People either become *creators*, focused on growing and monetizing their own audience, or *clickers*, mindlessly scrolling or watching whatever the algorithm feeds them.

3. The biggest new businesses that emerge serve the needs of ***creators***, by helping them grow, engage, and monetize audiences, or of ***clickers***, by measuring their attention more granularly.

Some of this is clearly already consensus. Public equity markets over the past two years have cycled thematically between semis, datacenters, energy, memory, minerals, and so on, progressively working their way through the key bottlenecks and points of economic leverage in the AI supply chain; in other words, investors are betting on the *spenders*. Exchanges like Robinhood and Coinbase are trading near all-time high EBITDA multiples despite the emergence of well-funded new competitors, Polymarket and Kalshi, raising $4B in private markets—investors are betting on the *traders.* In the markets for attention, the emerging consensus is to bid the few scarce *attention assets* that have proven capable of retaining users' attention over extended periods of time. Sports franchises and stadiums are trading at record prices and volumes after private equity investors poured $55B+ into the asset class. A music catalogue can issue 50-year debt at an 80 bps spread to treasuries—a borrowing cost lower than the governments of Brazil, Mexico, or India. The world's two biggest advertising businesses, Google and Meta, generated $100B more revenue in 2025 than consensus two-year forward analyst estimates made in 2023, adding $4T of market cap along the way. Even the old-school billboard companies are trading at all time highs!

Simultaneously, markets have shunned any advertising business whose *attention units* are on the long-end of the *attention curve*. Fox, a business that controls what 130M Americans watch on TV, paid >80% of its own enterprise value to acquire Roku, a business that controls the remote control and TV operating system in 100M homes, valuing Roku at 40x+ EBITDA vs Fox's 8x multiple. The transaction suggests Fox management believes controlling how users *switch channels* is worth 5x+ more than controlling what users watch *on any single channel*—they feel the *attention curve* steepening. Companies that produce and distribute long-form content, whether its educational videos, movies, or news, are seeing shares hit all-time-lows and racing to consolidate with competitors. Netflix shares are down -60% over the past year despite meeting or beating estimates every quarter, a move entirely attributable to multiple compression. Meanwhile, the largest and fastest-growing consumer apps globally are shifting focus to short-form video.

The same is true in the capital markets: companies levered to duration are getting crushed. Wealthfront, a robo-advisory business focused on passive long-term strategies that went public in December, manages 1/3rd of Robinhood's AUM but is valued at 1/33rd of Robinhood's market cap. Shares in non-agency REITs, which use short-term debt to finance long-term mortgages, are down -16% over the past twelve months, while shares in credit card companies, which use sticky deposits and long-term debt to finance short-term revolving loans, are up +4%. The trade is most visible in software, where multiples for SaaS businesses with long-term or recurring contracts (implicitly long duration) are at 15-year lows, while a business that has proven it can generate positive gross margins on a token-based consumption model is worth $1T in the private markets. These trends - the **increasing velocity of both capital and attention**, and the subsequent **steepening of their respective duration curves** - are already visible in the data, and we believe their structural shifts will persist for a decade. Some sectors that most strongly benefit from these trends, like AI supply chains and sports franchises, are already consensus bets. Others, like the **creator economy** and **asset-backed credit**, that remain non-consensus are where we focus our time and capital.

Across Fund I and II, we've backed companies that **give creators superpowers** by helping them grow and monetize audiences, accept payment for their work, and borrow money to re-invest in their business. The creator economy in aggregate is approaching $500B, but the pervasive view is that startups serving creators are uninvestable due to a combination of challenging unit economics (the "unholy trinity" of high CAC, low ARPU, high churn)[2] and platform dependencies on Meta, YouTube, Spotify, etc. It's true that very few creator economy businesses, outside gaming, have sold or exited for $1B+ in the past decade. Our view is these businesses were appropriately valued at low multiples because they ***serve* creators rather than *coordinate* them**, and lack network effects. For reasons we'll elaborate on below, we think the creator economy will grow to become one of the biggest winners of the steepening *attention curve*.

Separately, we've backed companies focused on **originating high-yield, asset-backed credit** across verticals like wireless, consumer, energy, of course, creators. As *savers* become *traders* with access to millions of new tokenized financial products, the killer exposure is a double-digit coupon, secured by liquid or low-duration collateral, wrapped in a vehicle with (relatively) deep secondary liquidity. This is evident from the dozen semi-liquid credit products that scaled to $10B+ of assets. The challenge, and opportunity, is originating and servicing assets that fit that box by finding creative ways to shorten duration, boost yields, and drive secondary liquidity: e.g. by monetizing federal tax credits, like Daylight, or by getting paid directly from creators' Youtube / Roblox accounts, like CreatorFi, or from employees' payroll, like EarniFi. The exchange business model - aggregating liquidity and earning fees on every trade - has become the consensus bet across public, private, and token markets. Our non-consensus bet is that **controlling the origination pipes** for high-quality assets is as valuable as controlling secondary or derivative liquidity in a world of rapidly-increasing capital velocity and rising and steepening yield curves.

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[2] For a long time, VCs overlooked SMB software businesses for similar reasons… until Shopify and Toast built $10B+ companies.

**** Post-Script: What About DePIN? ****

Dear Partners,

If you've been reading our letters to the end (thank you!), you may have noticed a change in our lexicon. We used the acronym "DePIN" exactly twice so far in this letter, compared to 10 times in our prior letter, 25 times in the one before that, and 65 times in the one before that. DePIN's revenues and market cap have been in decline for almost two years, and its bellwether project - Helium - is trading at prices we last saw when we were deploying some of the network's first few thousand hotspots back in 2020.

The problems with global infrastructure, however, continue unabated. As we're writing this, a record heat wave is straining energy grids to the point that the New York government is asking its constituents to shut down their air conditioners and datacenters. Telcos, even in the US, still suffer from widespread outages, and elsewhere they still censor users. But these are problems, not solutions. When it comes to investing in DePINs operating in these markets, these are the most important things we've learned over the years:

- **Capital markets are more than half the battle.** Equity, and equity-like tokens, are an incredibly expensive and unsustainable way of financing infrastructure. There was a period of time when the speculative premium of tokens was large enough to mask this fact and support the hyper-growth, but the scale and speed of hardware buildouts like Helium are no longer replicable. Many of the DePIN founders we backed pivoted their core focus to lowering the cost of capital of infrastructure financing by becoming *asset-backed credit originators*, like Daylight and Dawn, deploying and operating infrastructure in a centralized manner, but enabling onchain access to the capital stack.

- **Don't fight the technology trends.** Coordinating a global network buildout is hard enough as it is—doing it while betting on a technology whose future is not *obvious* is a fool's errand. All the DePIN businesses that generate meaningful revenues today are based on technologies that are tried and tested: Geodnet relies on GPS technology developed since the '90s, while Helium's bet on emerging wireless tech (CBRS) failed and its success came from the most ubiquitous wireless standard on earth (WiFi). We are now much more cognizant about betting on businesses levered to powerful technology tailwinds, like the declining cost curves of solar, batteries, and cameras.

- **Only so many people care about tokens.** DePINs hit a scale, far earlier than we or they expected, where tokens are no longer an effective driver of growth. Helium Mobile acquired 100K+ mobile subscribers through token incentives, but growth stalled out thereafter. Grass recently switched to rewarding its miners in stablecoins, and we expect other DePINs will follow. Tokens have proven less important to the operation of physical networks than we thought, but even more important for the financing of them.

What does this mean for EV3's investments going forward? We will continue to invest in entrepreneurs solving the world's **toughest coordination problems**, of which infrastructure is a particularly interesting category. That said, you're unlikely to hear us use the term "DePIN" much in the future. We will invest in *liquidity basins* that finance infrastructure assets, and *machine maps* that create digital representations of them, but not in "DePINs" per se. Some of these businesses will launch tokens, some will use stablecoins and/or issue tokenized equity. We will also continue to invest aggressively in *attention basins* and *creator coalitions*, which are unrelated to physical infrastructure but share the characteristics of being $1T+ global markets left for dead by the vast majority of early-stage investors. Above all, we will continue backing founders who are crazy and dedicated enough to believe they can solve the world's biggest problems.