

SEVENS REPORT *alpha*

Webinar #12: Cryptocurrencies & Blockchain

Thursday, February 1, 2018

Presenter: Tom Essaye

**Guests: Erik Voorhees (ShapeShift) & Eric Ervin (Reality
Shares)**

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- Goals for Today's Webinar
 - Erik Voorhees (CEO of ShapeShift) and Eric Ervin (President of Reality Shares)
 - The crypto market (Bitcoin, Ethereum, and thousands of others)
 - Introduction to ShapeShift
 - Explaining blockchain (supporting technology behind cryptos) to your clients: How It Works, Analogies, Examples, and Its Future Potential
 - Analyzing the Reality Shares Nasdaq NexGen Economy ETF (BLCN)

The Raging Cryptocurrency Market: Bitcoin, Ethereum, Ripple, and Over a Thousand Others...

- Is the sky the limit?
- Any particular favorite cryptos right now?
- When will the first Bitcoin ETF hit the market?
- Will financial advisors ever get paid to play in this market?



ShapeShift's Goal: Be the Fastest, Most Private, and Most Convenient Way to Swap Digital Currencies...

- A platform to trade any leading blockchain asset for any other
- Exchange rate will always remain competitive
- Not required: account, email, password, lengthy signup, bid & ask orders (friction-free)



What is Blockchain?

“Blockchain technology is a decentralized database that stores a registry of assets and transactions across a peer-to-peer network. The transactions are secured through cryptography, and over time, that transaction history gets locked in blocks of data that are then cryptographically linked together and secured. This creates an immutable, unforgeable record of all of the transactions across this network. This record is replicated on every computer that uses the network.” -- Bettina Warburg, TED Summit.



Reduce the need
for trust between
stakeholders



Build a secure value
transfer system



Streamline business
processes across
multiple entities
(reconciliation)



Increase record
transparency and
ease of auditability

Blockchain Can Impact All Sectors of the Economy...



Blockchain Use Cases...



Australian stock exchange to move to blockchain

The Australian Securities Exchange (ASX), Australia's main stock exchange, will become the first global market to replace its current clearing system with blockchain technology clear and settle trades, aiming to cut the cost of transactions, and make them faster and more secure.



Walmart, Kroger & Nestle Team with IBM Blockchain to Fight Food Poisoning

The technology offers a more efficient way to figure out when and where food items are contaminated. The resulting efficiencies could not only reduce the revenue lost from unnecessarily pulling of safe food from shelves, but also spur a drop in the number of deaths blamed on toxic food in the first place.



Nasdaq Linq- Blockchain ledger technology

This technology completes and records private securities transactions for Chain.com—the inaugural Nasdaq Linq client. In May, Nasdaq and Citi announced an integrated payment solution using a distributed ledger to record and transmit payment instructions based on Chain's blockchain technology. The technology overcomes challenges of liquidity in private securities by streamlining payment transactions between multiple parties.



Vanguard looks to blockchain for index data

Closely-held Vanguard, the top mutual fund firm with nearly \$5 trillion under management, has successfully tested blockchain to automatically update data like the names and share prices of companies in index funds, processes that must currently be closely overseen by individuals, said Warren Pennington, principal in Vanguard's investment management group, in Pennsylvania.

Back to the Future Part IV: Doc Brown and Marty McFly (actually, Accenture Research) Look at Blockchain Adoption...

2015

Exploration & Investment

- Initial capability & use case assessments
- Early adoption likely for internal reconciliation

2016-2017

Early Adoption

- Leading-edge banks see the value of blockchain and begin deployments for asset classes that are bilaterally traded and/or have no central clearing authority
- Regulatory certainty drives adoption for external uses
- Regulatory authorities realize the benefits of blockchain for auditing and compliance, and rule-making begins

2018-2024

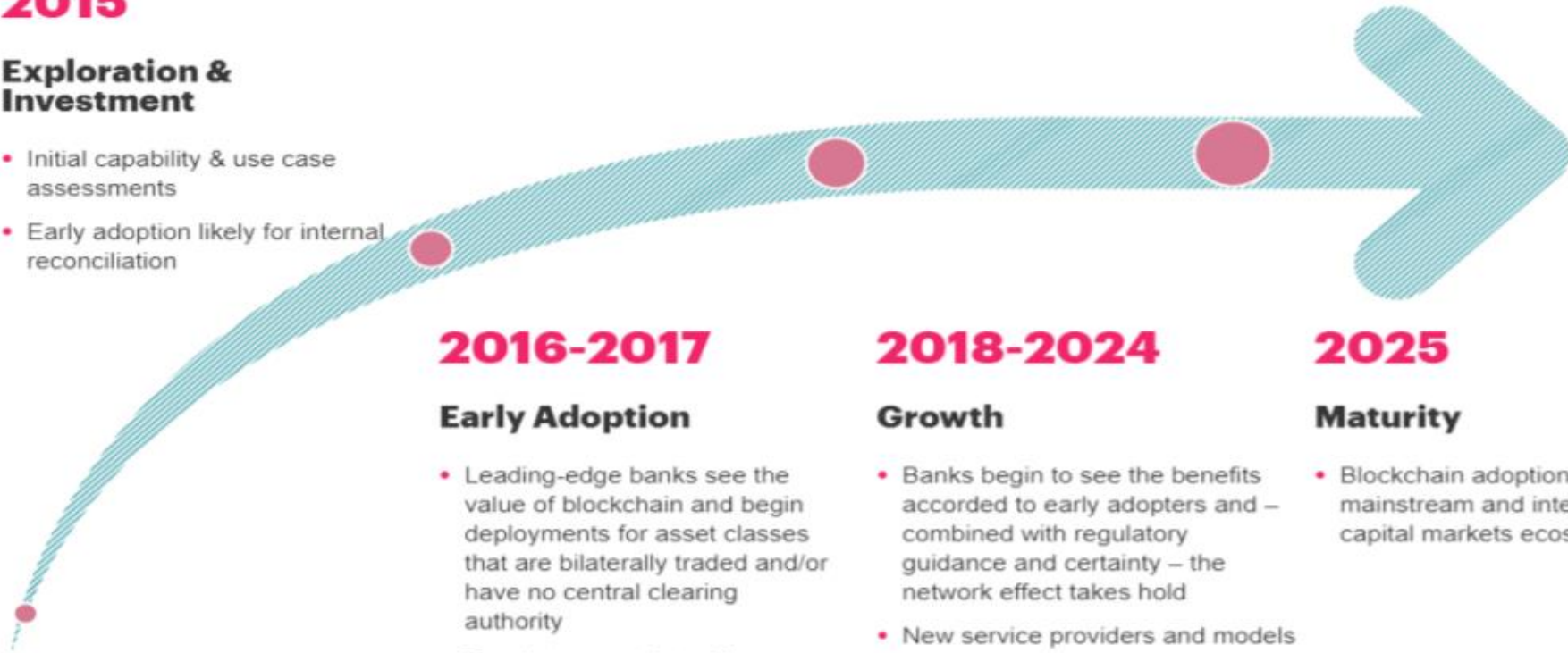
Growth

- Banks begin to see the benefits accorded to early adopters and – combined with regulatory guidance and certainty – the network effect takes hold
- New service providers and models emerge
- Deployments go viral across numerous asset classes
- New products and services are created; incumbent processes and services are discarded

2025

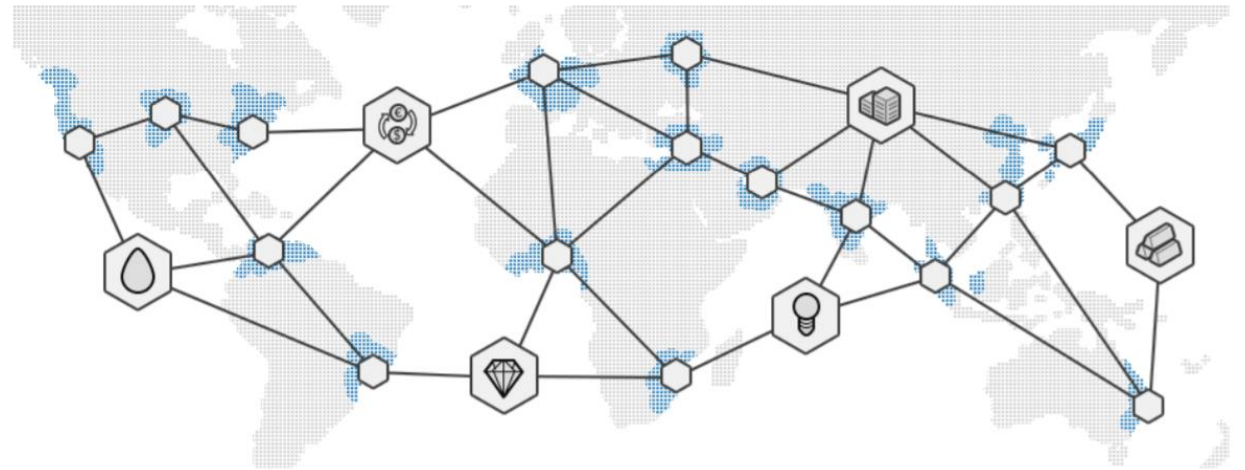
Maturity

- Blockchain adoption is considered mainstream and integral to the capital markets ecosystem



The Reality Shares Nasdaq NexGen Economy ETF (BLCN)...

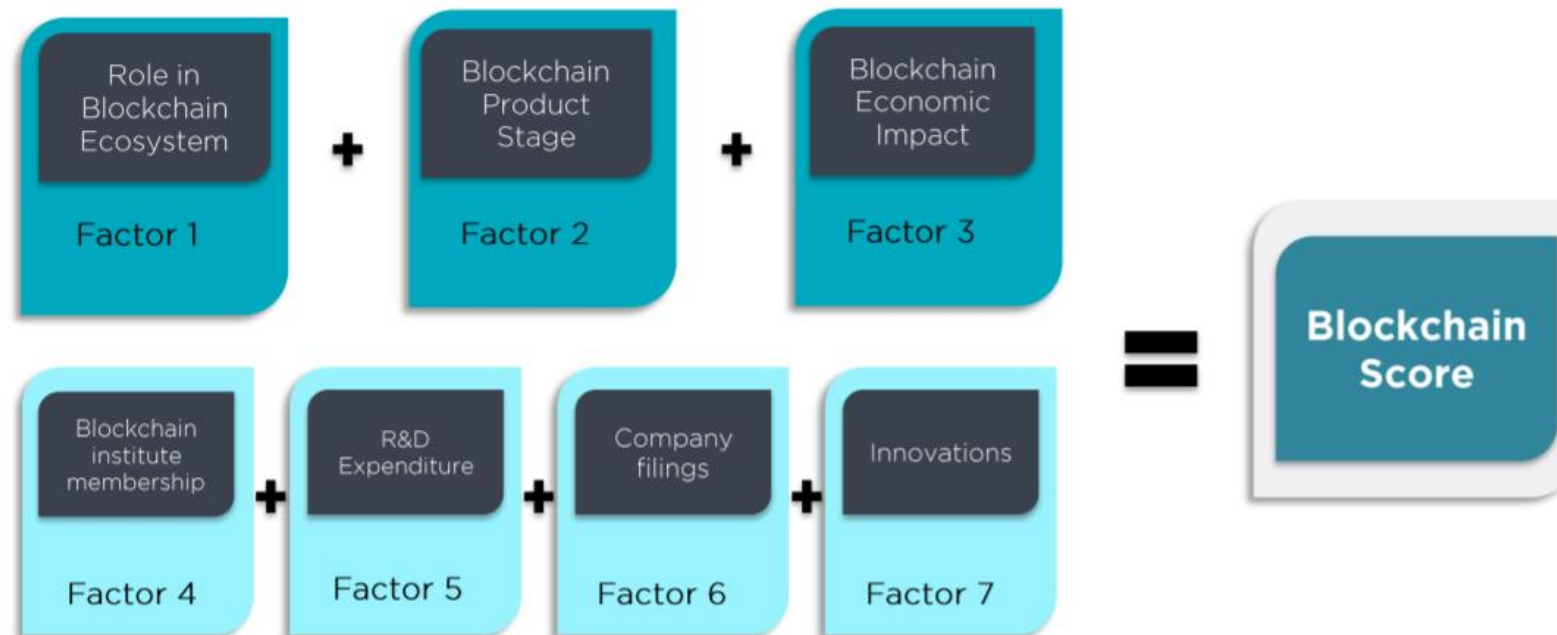
- Methodology: Passive, rules-based
- Inception date: 1/17/18
- Assets: Over \$100 million
- Expenses: 0.68%
- Distribution yield: 1.7% (index)
- Rebalanced: Semi-annually
- # of holdings: 59
- Sector weights: 55% technology, 32% financials, 9% consumer discretionary, 3% industrials
- Continent weights: 46% North America, 29% Asia, 25% Europe



The Reality Shares Nasdaq Blockchain Economy Index Scoring Methodology...

Blockchain Score™

The Index component weights are determined by the Index Committee based their blockchain exposure as represented by the Reality Shares proprietary Blockchain Score. The Blockchain Score is calculated based on relevant economic and technical factors, and it ranges from 0 to 100.



Examples of Blockchain Scoring System...

Company	Country	Weight	Blockchain Scores	Role in Blockchain Ecosystem	Blockchain Product Stage	Blockchain Economic Impact	Institute Member	# Last 5Y Filings on Blockchain	# Patents on Blockchain	R&D Expenses-to-Revenue %
International Business Machine	United States	2.43%	90	Developer	Growing	5	Premier	22	10	7.2
Intel Corp	United States	2.37%	88	Developer	Growing	8	Premier	0	2	21.5
Cisco Systems	United States	2.26%	84	Developer	Growing	6	Premier	0	1	12.6
Hitachi Ltd	Japan	2.21%	82	Developer	Growing	5	Premier	1	2	3.5
SAP SE	Germany	2.21%	82	Developer	Growing	5	Premier	9	0	13.8
Microsoft Corp	United States	2.18%	81	Developer	Growing	7	General	0	1	14.5
Hive Blockchain Technologies	Canada	2.16%	80	Developer	Growing	10	-	24	0	0.2
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Toronto-Dominion Bank	Canada	1.37%	51	Adopter	Testing	5	General	1	7	0.0
Goldman Sachs Group	United States	1.37%	51	Very Active Investor	-	8	General	0	1	0.0
Visa Inc	United States	1.35%	50	Adopter	Growing	5	-	4	0	0.0
Airbus SE	France	1.35%	50	Adopter	Testing	3	Premier	0	0	4.5
Intuit Inc	United States	1.35%	50	Adopter	Growing	4	-	0	0	19.3