Monthly Newsletter - August

Decoding DAOs

Can you picture coordinating with individuals from all over the globe without knowing each other, forming your own rules, and making your own choices all encoded on a Blockchain? DAOs are making this a reality.

Till now, employee stock options ([ESOPs](#)) have been a powerful incentivization tool for attracting talented people to dedicate their skills to building start-ups. While this mechanism has been successful, it is exclusionary, constrained by geographies and demographics.
As a result, the major internet players' commercial interests are concentrated and frequently misaligned with its most important contributors, its users.
Now new technologies are reinventing the wheel by re-distributing work and value online, resulting in a new breed of platforms that rely on contributions from a permissionless and global talent pool. Ownership is a significant motivation for consumers to contribute, whether through ideas, computer resources, code, or community building. This approach helps to assure greater alignment with users over time, resulting in platforms that may be larger, more robust and innovative.

What is a DAO?

A decentralized autonomous organization (DAO) is a group of stakeholders working towards a common mission.
It entails individuals engaging with one another via a self-enforcing open-source protocol. Members of the DAO are awarded native network tokens for securing the network and completing other network duties.
Where shareholders control ownership in a company, token holders in a DAO drive governance in a network or product.

Different DAOs

DAOs can provide templates and tools to create other DAOs, make investments, offer grants, collect artworks, govern a project, offer services like legal, marketing, business development, treasury management, etc to other projects, run media houses or even just be a friend circle.

1- Uniswap holds [430mn](#) $UNI in its treasury; the token was priced at [US$ 26.84](#) at EOD 28th August, giving the total treasury a value of US$ 11.5bn. These tokens will be unlocked over 4 years.
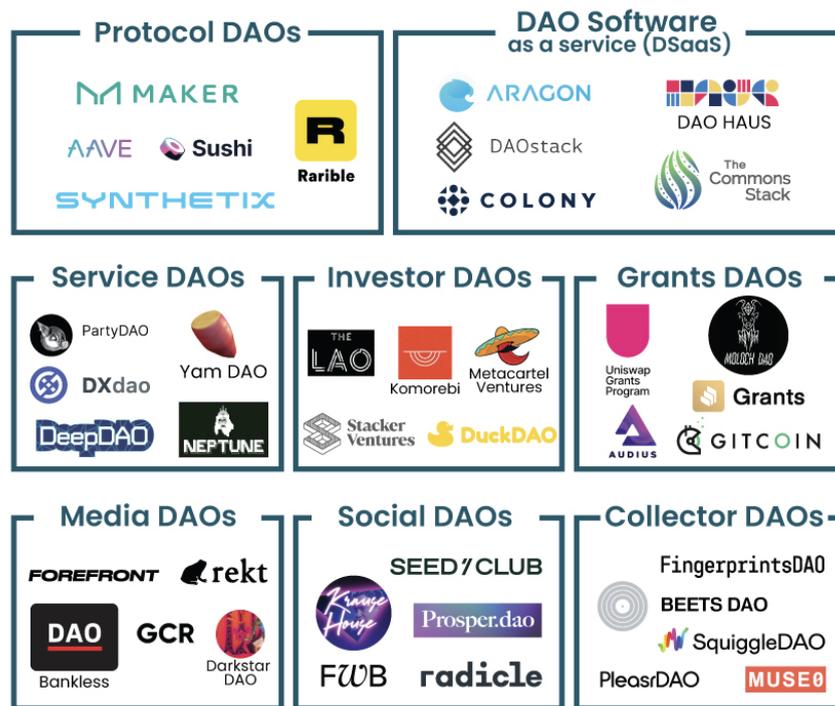
Source: Woodstock Research

The DAO Impact

The Uniswap DAO holds US$ 11.5bn[1] in its treasury and it has 266k+ members. Unlike Coinbase, which is a centralized digital assets exchange, Uniswap is governed by $UNI holders.

	UNISWAP	coinbase
Q1 '21 Trading Volume	US$ 192.8bn	US$ 462bn
Number of Employees ('21)	37	2100+
Valuation	US$ 26.8bn	US$ 67.8bn

Data as of EOD 28th August 2021

With just 1.76% of the employee strength, Uniswap is able to command 41.7% of Coinbase's trading volume and ~40% of the valuation.

As the blockchain ecosystem matures more and more organizations are exploring the decentralized route to project development. Currently, the top 20 DAOs hold US$ 15bn in their treasuries. The rise of DAOs will give rise to an inclusive economy wherein users across geographies and demographics can contribute to the growth journey of the project.

Why do DAOs matter?

- **Incorporate Resilience:** by involving stakeholders across nations and jurisdictions, DAOs promote resilience of protocols. This mitigates key-persons risk and ensures the longevity of the project.

- **Faster Rate of Innovation:** by opening up the development of the protocol to the community, DAOs facilitate innovation from a much larger network than just the core team.
- **Socio-Economic Experiment:** COVID-19 pushed businesses to move to a distributed working set-up. However, organizations all over the world are struggling with employee engagement. DAOs have been working on building frameworks to increase stakeholder accountability, delegation mechanisms to counter voter fatigue and improve decision-making quality, and ideating about ways to divide tasks effectively.

Challenges in DAO governance

DAOs are closest to what a true democracy can be in the corporate sector. Hence it comes with its share of challenges and limitations.

Balancing stakeholder interests	Principal-agent issues	Conflict resolution	Long term sustainability

Do or DAO

In August '20, there were 2,200 DAO members. As of 29th August '21, that number stands at 751,500+. DAOs are spreading, growing, and multiplying. They are an innovative way to finance projects, govern communities, and share value in a bottom-up hierarchical structure.

As the ecosystem experiments with new building blocks, we believe DAOs will shape the way distributed organizations function both within and outside the blockchain world. Here is what we believe the future will look like:

- **Specialist DAOs:** specialized sub-units of DAOs (marketing team, community team etc) will emerge in larger protocols.
- **Treasury allocation:** will be a core focus of collective decision-making.
- **Improved voter engagement:** 'protocol politicians' will bring out an increased awareness about the impact of voting on proposals.
- **Institutional isomorphism:** corporates will act as a source of inspiration for DAOs. There will be increased emphasis on standardization and professionalism.

"Well designed web3 protocol does not solve every single thing, instead leaves room for the community to invent and build rest of the features" - Stani, Founder of Aave

Woodstock Articles

NFT: Unlocking Crypto for the Masses

The internet changed the way we transfer and share value, and now blockchain technology is changing how we transfer value and assets. These assets can be land deeds, audio recordings, design files, event tickets, photographs, in-game assets, collectibles and so much more. The lack of programmability had curbed the potential of these digital and real-world products. Nevertheless, blockchain technology is now unlocking supercharged utilities for these goods and we are excited to be a part of this growth journey. Read our article on NFTs here.

Quadratic Funding

Quadratic Funding is the mathematically optimal way to fund public goods in a democratic community. It amplifies the number of donations rather than the size of the donation itself. We deep dive into this democratic and innovative way of funding in this article.

Woodstock In News

1. We started a webinar series on "Demystifying Digital Assets" to bring you up to speed with this nascent asset class and explaining why you should consider adding exposure to this space. You can register for our next webinar by following this link.

2. We are excited to announce that we are now part of DeFi Alliance - an accelerator platform that helps startups source liquidity and support from a broad industry network.
3. Woodstock joined as investment partners for the NEAR Accelerator Program.
4. Pranav Sharma, Founding Partner of Woodstock Fund, was part of the jury at BLOCKROCKET monthly pitch event on August 18th.
5. Ishita Srivastava, Research Associate at Woodstock Fund, shared her insights on fund raising and investment pitching at the NEARProtocol's India Accelerator Bootcamp.

Market News

The quarter reports looked strong for the blockchain ecosystem. The global crypto users stood at 221mn in June '21. As of July '21, there are 161mn unique Ethereum addresses. Coinbase announced a US$ 500mn purchase of digital assets for its balance sheet and reported a total revenue of US$

2.23bn. Robinhood's revenue from digital assets trading accounted for 41% of the total revenue. Lastly, MicroStrategy bought Bitcoin worth US$ 177mn (again!)

DeFi

-Galaxy Digital and Bloomberg launched a new DeFi index.

-Avalanche announced a US$ 180mn DeFi fund and Celo introduced a US$ 100mn DeFi incentive program.

-Polygon acquired Hermez in a token merger worth US$ 250mn.

NFTs

-Visa bought a CryptoPunk worth US$ 150,000 and Budweiser bought the Beer.eth domain name for US$ 95,000.

-Axie Infinity hit US$ 1.65bn in all-time NFT trading volume.

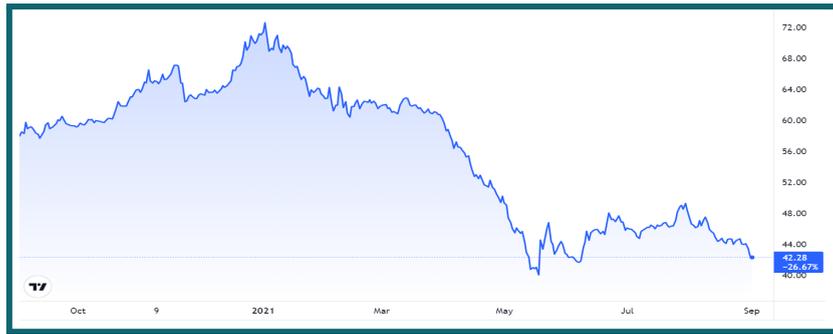-TikTok partnered with Audius as a music streaming partner.
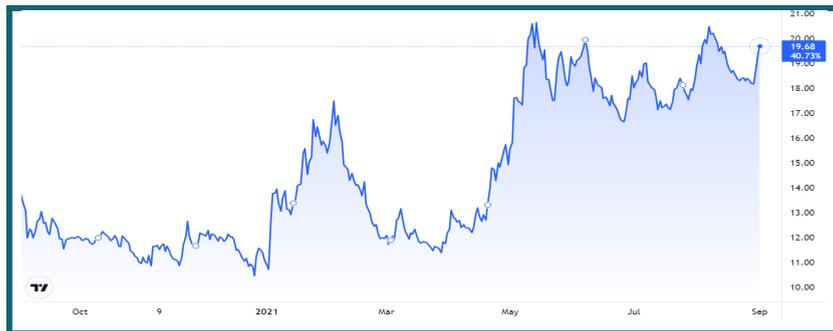
Market Dashboard -

*Updated on 1st September'21

	Value	MoM Gr%	YoY Gr%
Total Market Cap	**US $2.11 Trillion**	**29.8%**	**451%**
BTC Dominance	42.3%	-12.1%	-26.7%
ETH Dominance	19.7%	7.1%	40.7%
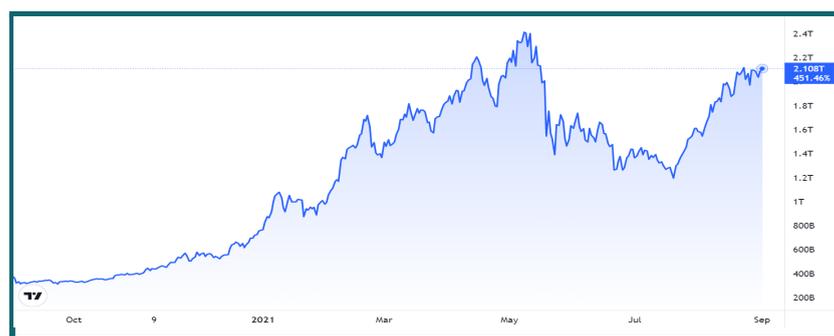
Total Market Cap (1 Yr)

BTC Dominance (1 Yr)

ETH Dominance (1 Yr)

Key Market Assets/Indices

Assets/Index	Value	MoM%	YoY%
S&P 500	4,523	2.48%	29.21%
FTSE 100	7,187	2.05%	22.55%
Gold	1,811	−0.19%	−8.05%
Sensex	57,517	8.80%	47.85%
FAANG Index	7,339	2.44%	29.19%
Bitcoin	47,548	14.15%	**298.88%**
Ethereum	3,550	39.11%	**646.54%**

	Value	MoM Gr%	YoY Gr%
DeFi Market Cap	**US $130.4 Billion**	**38%**	**579%**
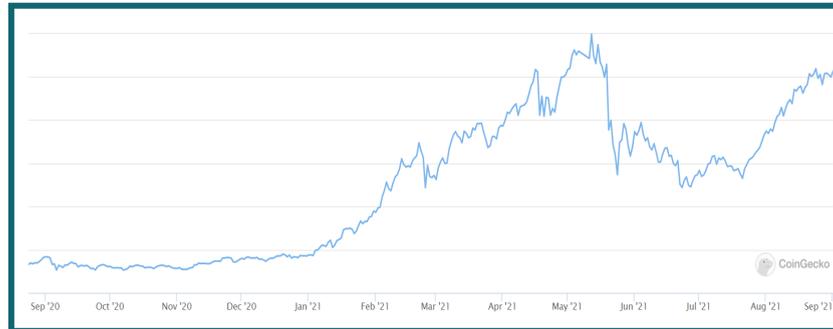
Source – Coingecko

	Value	MoM Gr%	YoY Gr%
NFT Sales US $ (30-Day)	**US$ 1.9 Billion**	**497%**	**42100%**

Source – Non-Fungible

Market Movers

Top 5 Gainers*	MoM		Top 5 Losers*	MoM	
Arweave (AR)	407.59%	▲	Amp (AMP)	-22.80%	▼
Revain (REV)	246.31%	▲	Celsius (CEL)	-7.09%	▼
Avalanche (AVAX)	235.73%	▲	UNUS SED LEO (LEO)	-4.67%	▼
Fantom (FTM)	222.59%	▲	Dai (DAI)	-0.11%	▼
Solana (SOL)	220.33%	▲	USD Coin (USDC)	-0.04%	▼

*Top 100 coins by market cap

You can find the previous month's newsletter here.

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Questions? Feedback? We'd love to hear from you! Simply reach out to us at contact@woodstockfund.com

Warm Regards,

Woodstock Team