

# REPOLICO Investment Thesis



This Investment Thesis explains how Apollo Crypto approaches investing in crypto assets, aiming to capitalise on their unique properties to deliver substantial value for investors.

Apollo Crypto manages three funds. The Investment Thesis highlights how we think about making investments in crypto projects with long-term potential. In this regard, the Investment Thesis is more relevant for the Apollo Crypto Fund and the Apollo Crypto Frontier Fund rather than the Apollo Crypto Market Neutral Fund.

This is the fifth iteration of our investment thesis. While there are consistent themes throughout this and previous iterations, crypto assets continue to evolve at a rapid pace. Active management is the only way to keep on top of these developments.

As ever, we remain alert and continue to invest in crypto assets with an open-mind, excited about what the future may bring.





### Introduction

The first Bitcoin block was mined on January 3, 2009 by its creator, Satoshi Nakamoto. What started as a single asset has quickly evolved into an entire industry which is now on the front-pages of all financial news as well as the topic du-jour at the White House. Digital assets had an arduous journey with enormous volatility, but they have finally crossed the chasm with a strategic crypto stockpile in the US along with a deep ETF and options markets in several jurisdictions. 200+ public companies have also acquired Bitcoin as a treasury reserve strategy.

We strongly believe we are in the first-innings of greater institutional adoption and stand on firm ground to build this industry into the future. It is clear that the technology driving this revolution has found a market fit in five major categories:

- bitcoin
- stablecoins
- asset tokenisation
- decentralised finance
- smart contract platforms

Typically, crypto systems exhibit the following traits that make them distinctly different from earlier technologies:

- <u>Permissionless</u> Accessible to anyone. No gatekeepers. In the same way that the Internet made the world's information accessible at a click to anyone globally; open blockchains makes financial infrastructure available to everyone.
- <u>Trustless</u> Not dependent on a centralised third-party which creates bottlenecks but on auditable open source software. This trustless nature opens up completely new design spaces accelerating finance, capital markets, movement and capital efficiency of assets which were previously difficult to put to use.
- <u>Censorship Resistant</u> Millions of people are financially repressed globally. What was a third world problem is making inroads into developed economies as governments encumber more assets to sustain their debt loads. Crypto provides a life and wealth-saving technology for millions globally that is non-sovereign.
- 4. <u>Composable</u> Composability allows the creation of completely new business models and efficiencies as everything is public. Traditional financial systems are locked into systems siloed from the world. Crypto flips that on its head and aligns itself in the internet age allowing anyone to build on top of open protocols unlocking entirely new use cases. Composability will remain one of the drivers of innovation which allows crypto to outcompete traditional infrastructure over the next decade.



### Bitcoin

Bitcoin has unequivocally crossed the chasm in 2025. Born as a 'decentralised peer to peer currency' in the wake of the global financial crisis in 2008, it is now officially enshrined as a strategic reserve asset for the United States of America and increasingly accepted as digital gold globally.

Many investors think that the Bitcoin trade is over; at Apollo we believe we have just crossed *"the chasm"* and are in the early stages of mainstream adoption.



Technology Adoption Cycle (wikipedia)

Many intelligent people took years to realise the value of Bitcoin. In light of ever increasing debt loads, rampant inflation and currency devaluation, we are finally seeing public opinion turn a corner. In our judgement, it is still early as many still don't understand the concept of mining, proof-of-work and the infrastructure which makes Bitcoin the most computationally dense network in the world. For example, trillions of dollars in pension funds globally still cannot invest in Bitcoin because it hasn't been approved by their investment committees largely due to a lack of understanding.

Core to Apollo Crypto's investment thesis is a belief that Bitcoin's store of value properties will withstand the test of time. We believe that corporations and nation states across the globe will become more accustomed to Bitcoin's characteristics as a digital 'Store of Value' and will add this asset into their treasuries and reserves, legitimising it as a global reserve asset. The US has already done this with its strategic Bitcoin reserve, and we believe that other G20 countries will follow suit over the remainder of this decade.





### **Stablecoins**

Stablecoins are simply tokens on the internet which are backed by dollars in the bank. For example, 1 USDT (largest stablecoin) is backed by 1 US Dollar in a bank or liquid equivalents such as T-bills. The difference is, stablecoins can move at the speed of light around the world reaching settlement in a manner of seconds; versus the incumbent SWIFT based system rife with friction, fees, operational overheads and 20th century technology.

Stablecoins are currently one of the largest priorities of the US government because they realise the power stablecoins hold in furthering US dollar dominance and demand for US debt worldwide by enabling users to permisionlessly gain access to US dollars anytime and anywhere.



Source: rwa.xyz

Apollo is confident that we are in the 1st innings of stablecoin growth and we expect supply to grow 100% YoY for the next decade. We believe stablecoins will be a multi trillion dollar asset type and could potentially grow to become as large as 10% of the M2 money supply over the next decade.

Today, Visa/Mastercard/Amex have a combined market cap of US \$1 trillion. Remittance companies and banks charge billions in fees for international wires and an entire army of service providers and back-office staff services these archaic systems. Stablecoins are a new paradigm that can compress existing fees and service costs by 99%.

The primary distribution mechanism for stablecoins are blockchains and today the majority of stablecoins are already put to use on Ethereum, Solana and various DeFi protocols like Aave which can provide far superior yields than traditional banks.

It is not far fetched that the entire financial services industry will be disrupted by this innovation and entirely new verticals, from on-chain banks, lending, insurance to asset management companies who will develop as trillions of dollars of stablecoins come online.





### **Asset Tokenisation**

Why is that we can send complex imagery around the globe at near the speed of light but transferring an Apple stock to someone else takes days and is mired in paperwork?

Asset tokenisation is a future where real world assets such as stocks, properties, bonds can be transferred on the internet like a WhatsApp message. Instant, free, frictionless, in under a second. Today, there are silos of capital spread over multiple countries, databases and registers. Assets, once parked in these structures have enormous inertia and it is often incredibly difficult for them to be used productively.



A simple example is an investor deploying \$1 million in the Apollo Crypto Market Neutral Fund. As the fund does not take directional risk, its value is expected to be stable and generate a ~1-2% return per month. It would be impossible today for the investor to redraw \$200,000 from this investment without selling and realizing gains.

With tokensation, the units in the fund can be placed as collateral in a decentralised lending market and a loan taken out in seconds in a permissionless manner. Instant collaterisation, loan provision and settlement. Tokenisation allows for assets to have higher velocity giving investors much greater liquidity, flexibility and capital efficiency.

The technology to achieve this has historically been mired in a pile of regulatory burden. We strongly believe this will accelerate at an exponential pace under the current US administration and the refreshed SEC who came out as staunch advocates of tokenisation as they see the enormous value and potential of this technology.

Real world asset tokenisation will be built on blockchains and various decentralised applications are poised to benefit greatly from this transition over the next decade.







### **Decentralised Finance**

Stablecoins and tokenised assets cannot operate in a vacuum. By design, they are not meant to be locked away in a gamut of different databases controlled by incumbents else they would reintroduce many of the failures of the current system.

These assets need a new system where transactions are governed by smart contracts operating on blockchains in a completely transparent, auditable, and frictionless way. The core innovation of smart contracts is that it can completely alleviate the billions financial institutions spend on audit, compliance, risk and onboarding every year. By lowering the cost of securing trust in transactions through open-source code it unlocks unprecedented levels of efficiency and speed within finance.



A key benefit of decentralised finance is a concept called "composability". In line with the previous examples, imagine you wanted to take out a loan and you were willing to pledge any of your crypto assets as collateral for a low-interest loan.

Today, you'd be stuck navigating paperwork, ads, and clunky online portals, likely settling for one of the first three lenders that pop into your head. With DeFi, a smart contract can instantly scan decentralised lending protocols globally, such as lending platforms Aave or Euler, to find the most competitive interest rate and deposit the loan directly into your wallet in minutes—all executed via smart contracts, with near-zero counterparty risk thanks to over-collateralisation and transparent on-chain logic.

Frictionless, permissionless finance without any intermediaries. Only possible via composability in decentralised finance.





### **Smart Contract Platforms**

Smart contract platforms represent a significant evolution over the Bitcoin blockchain by enabling programmability. Unlike Bitcoin, which is primarily designed for peer-to-peer transactions with limited scripting capabilities, platforms like Ethereum are built to execute complex smart contracts. This allows developers to create decentralized applications (dApps) with customizable logic on top of the smart contract platform, automating multi-step agreements, and supporting diverse use cases such as DeFi.

More simply you can think of smart contract platforms as the base layer that is required to run stablecoins, tokenised assets and DeFi on top of. It is the base layer blockchain in which houses the data, rules and security enforcing the execution of smart contracts allowing for a diverse range of use cases.



Various smart contract platforms exist with the most popular being Ethereum and Solana. As with Apple's iPhone and Google's Android; different smart contract platforms take a different approach to the technology stack. Some prefer Ethereum's approach and some prefer Solana's. Both have birthed deca-billion dollar app ecosystems and continue to evolve pursuing different scaling roadmaps which will bring the next billion people into the on-chain ecosystem.

People dismiss this as a two-horse race, but just like the phone wars between Apple, Google, Nokia, Blackberry, Microsoft and Palm; the smart contract space is dynamic and requires active management.

We strongly believe that crypto too will see its own version of the Magnificent 7 as the industry matures; akin to the Magnificent 7 in the United States (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla). The road there will be volatile with several booms and busts (akin to the dot-com bust), but quality smart contract platforms and decentralised apps built on top of them should produce returns akin to the Mag7 technology heavyweights if invested in the early 2000s.





## **How We Value Crypto Assets**

Many pundits often describe crypto-assets as impossible to value due to a lack of "intrinsic value". It reminds us of valuing the internet in its infancy. In 2000, a Forbes article suggested that "Internet may be just a passing fad as millions give up on it". Today, the Mag7 has a larger market cap than the GDP of many developed countries.



Source: Daily Mail (2000)

Like all nascent, fast moving industries, there is no single valuation framework which works across timeframes. Apollo's approach to valuing crypto has been refined over 7 years and is a mix of top-down and bottom-up depending on the sector we are valuing. By way of example; smart contract platforms are best valued using metrics such as daily transactions, gas used and burnt, inflation and TVL, whilst DeFi applications (where revenue is passed back to token holders) are better valued using more traditional DCF models combined with crypto-native data and a deep understanding of technical architecture.

A great degree of nuance comes from experience. Whilst blockchains can't lie and all information is public, there is an ample amount of fake (bot) data, wash trading and inconsistent data standards. Apollo's experience allows us to distil this noise and consider a mix of qualitative and quantitative on-chain factors to arrive to a fair valuation relative to its peers in the sector.

The investment team's long term crypto experience and focus on being at the forefront of understanding market innovation makes Apollo well placed to assess investments in this rapidly evolving asset class. To put it another way, if one had tried to historically invest in crypto markets based purely off traditional valuation metrics they would have failed miserably, a deeper understanding of the underlying architecture, market structure and relationships is required.





### **Managing Risk**

The investment team at Apollo is uniquely positioned to navigate the next decade of investing in this asset class with its tenured TradFi and crypto-native experience. As more institutions lean into crypto the style of investing will evolve and a mix of both traditional and crypto experience will be best positioned to capture opportunities whilst managing downside risks.

#### Clearly defining an assets risk profile and adhering to risk buckets

Apollo's investment team splits risk into 4 buckets. High, medium, low risk and moonshots. Each investment is vetted against a range of qualitative criteria such as team experience, equity vs token value accrual, and, quantitative metrics such as tokenomics, value accrue, on-chain transactions, TVL and more before arriving to a risk bucket for the asset. This limits are periodically reviewed and adjusted as the asset or sector matures.

#### Comprehensive red-flagging framework

All nascent technologies come with idiosyncratic risks. Apollo has devised a comprehensive red-flagging framework learning from past crypto catastrophes such as unsecured borrowing, algorithmic stablecoins with paper backing, smart contracts without audits, and pseudonymous teams operating with no clear legal jurisdiction. Apollo evaluates all investments within this framework to effectively manage risk.

#### Institutional grade custodian support

Crypto is uniquely targeted by bad actors and cybersecurity threats due to its non-custodial, no-recourse nature. Apollo takes security incredibly seriously and uses industry leading custodians such as Coinbase, Fordefi and Fireblocks. All transactions are approved via multi-factor authentication with transaction simulations used and secure approval methods required by the investment team over certain limits.

#### Deep understanding of traditional and macro risks

As crypto matures, the impact from global macro and public markets (especially with the rise of large crypto treasury companies) increasingly impacts the returns of crypto assets. Apollo's investment team brings extensive experience from traditional Wall St. banks to overlay macro and public company risk into digital assets.





## **Apollo's Value Proposition**

The team at Apollo Crypto have a unique skill set to manage institutional portfolios of crypto assets. The following sets out why we believe Apollo Crypto are well placed to continue to deliver exceptional returns to investors:

#### 1. Traditional financial services and crypto experience

The Apollo Crypto team blends extensive traditional markets expertise with deep crypto knowledge, a rare combination in Australia and globally. Henrik Andersson, CIO, brings nearly two decades of traditional financial services experience, including a decade on Wall Street, and has been actively investing in crypto since 2013. Pratik Kala, Head of Research, offers over a decade in traditional finance and has been engaged in crypto since 2016, playing a key role in launching Australia's first Bitcoin ETF on the ASX. This unique blend of skills allows us to leverage traditional market insights while navigating the complexities of a new asset class.

#### 2. Deal Flow

Apollo Crypto has established strong networks over its seven years of operation and is a well-known name within the crypto community globally. Our network includes other crypto founders, funds, ETF issuers, legal experts and broader market participants. This provides Apollo access to deals that are inaccessible to many other funds and general investors. Apollo Crypto's deal flow is particularly strong in APAC.

Apollo Crypto is also a foundational member of <u>Upside DAO</u>, an Australian based collective of some of the most successful crypto founders in Australia.

#### 3. Operators

The team at Apollo Crypto have experience as operators of crypto projects. Henrik Andersson is the co-founder and advisor to successful DeFi projects. Henrik's experience as an operator has led Apollo to further strengthen our networks and brand. Beyond this, the team at Apollo Crypto are active participants in portfolio projects and focus on accruing value over the long term, rather than just riding short term momentum swings in the market. We believe this approach will further strengthen our brand, deal flow and outperform over the longer term.

#### 4. Track Record

Crypto asset markets are new and developing. With a seven year track record, the team at Apollo Crypto are veterans of the crypto industry. The funds have delivered strong performance to our investors on both an absolute and relative basis. Apollo Crypto continues to outperform both our peers and relevant benchmarks.

### **An Experienced Team**



Henrik Andersson Chief Investment Officer

Henrik has over 17 years experience in global financial markets, with almost a decade on Wall Street. Henrik has extensive experience across three continents as a quantitative analyst, senior research analyst and in institutional equity sales.



Marc Woodward Investment Partner

Marc has 25 years of experience as a software entrepreneur and technology venture capitalist, and has directed successful investments for top-tier funds in Silicon Valley and Australia including Battery Ventures, Macquarie Funds, and Roc Partners.



Pratik Kala Head of Research & Portfolio Manager

Pratik brings over 13 years of experience in capital markets, with expertise spanning multiple asset classes across the APAC region. He has previously held analyst roles at the likes of JP Morgan and NAB and has resided over top performing funds (#1 and #3)



Brad Sewell Investment Partner

Brad holds a MBA with bachelor degrees in Commerce and Sports Management. After completing a successful career as an AFL player for Hawthorn Football Club, he has extended his business acumen through sitting on multiple boards and working with the ABC over the past 7 years.



Wan Ying Ng Portfolio Manager

Wan holds a Bachelor of Commerce (Honours) from the University of Melbourne, majoring in Accounting and Finance. Wan has 6 years of experience in financial accounting and project management and has been an active contributor to DeFi's largest DAOs.



Matt Harry Investment Partner

Matt has 20 years experience across traditional financial markets. Commencing his career as a wholesale currency trader in the Australian banking sector; and moving through corporate and institutional fx risk management. Matt made the move into the crypto industry in 2017 when he launched a small private digital asset Fund.



Quinn Papworth Analyst

Quinn holds a Bachelor of Business from RMIT, majoring in Finance & Blockchain Enabled Business. Quinn has 4 years experience actively investing in crypto markets and is deeply passionate about crypto research & onboarding.



Zu Shen Ng Operations

Zu Shen holds a Bachelor of Computer Science from Monash University where he also served as a tutor, helping students navigate complex technical concepts. With a strong foundation in technology and a keen interest in financial markets, Zu Shen has developed a passion for the rapidly evolving crypto space.

#### Reach out via email investors@apollocrypto.com



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