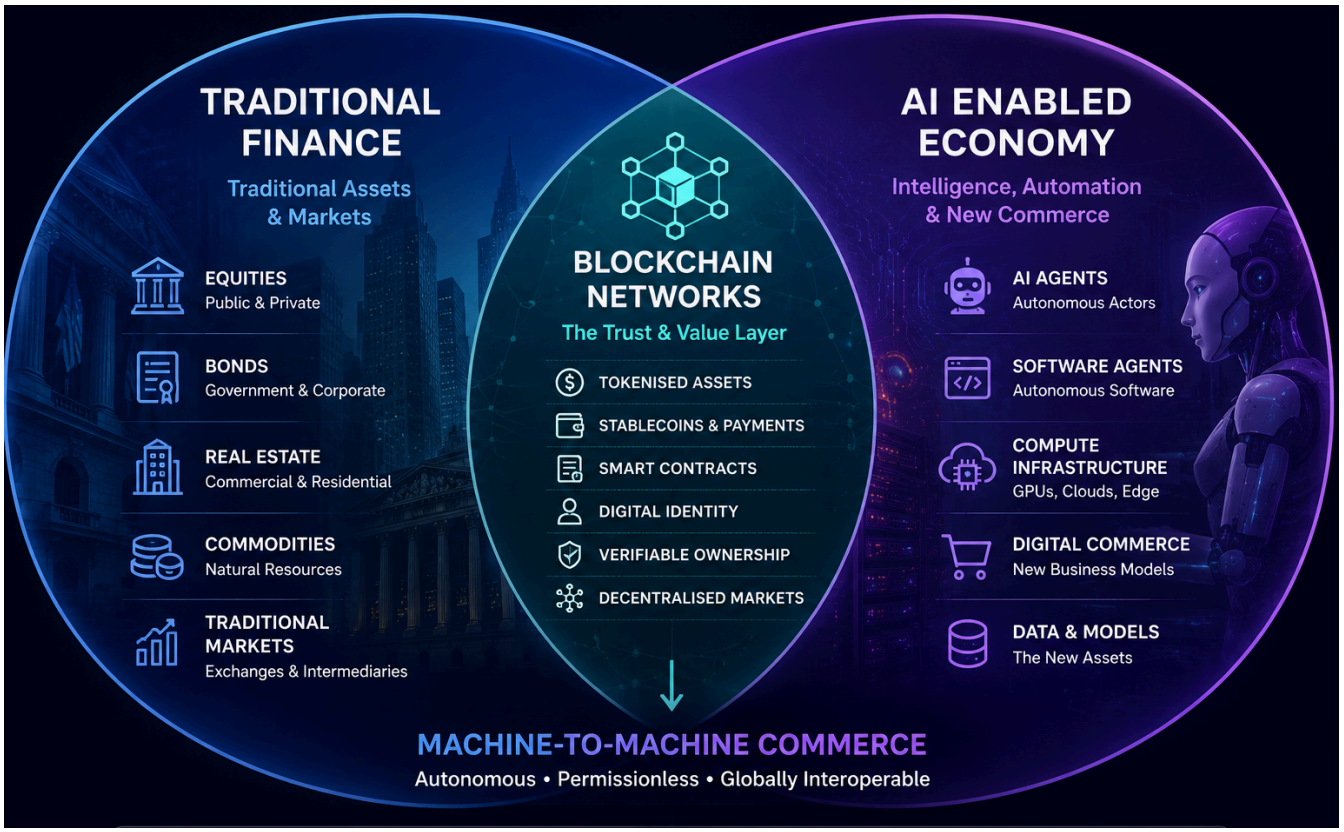
Blockchain Assets

CRYPTOASSET MANAGERS



Prompt to ChatGPT 'Please create a venn diagram graphic showing both the intersection of traditional finance and the AI enabled agentic economy'

Dear Investors,

AI is emerging as a multi-trillion dollar industry. In this newsletter, I set out how the emerging Agentic economy will integrate blockchain technology and how this will affect our assets.

AI and blockchain technology are complementary technologies. They solve different problems and are not directly competitive. As AI systems become more autonomous, they will increasingly need the ability to establish identity, build reputation, prove credentials, own digital assets and make payments. These are the types of activities that blockchain networks facilitate.

But first the cryptomarkets and other news…

Our Fund ended the quarter at AUD 2.7736, down 20%. The last 6 months have been brutal for cryptoasset markets and our Fund. I am always attuned to the markets and assessing how our investment thesis is playing out. I share with you below my assessment of the current position.

Our Investment Thesis

Our thesis is that blockchain technology will become the administrative layer for entire economies. As assets, agreements, identity systems and payments become increasingly digital, both the traditional economy and the emerging AI enabled agentic economy will require trusted infrastructure to record ownership, transfer value and execute agreements. Public blockchains provide this infrastructure.

The native asset of a blockchain (Ether for example) is used to fund the operation and security of the network. Unlike traditional software, blockchains cannot operate without a native asset. As use of the network increases, demand for the native asset increases because it is required to access and operate the network. We therefore expect the native assets of successful blockchains to capture a portion of the value created by the growth of the network.

Not all blockchains are the same. The most important properties we look for are decentralisation, permissionless, censorship resistance, credible neutrality, sound cryptoeconomics and quantum-resistant cryptography (or at least a credible plan for Q Day).

We track the use of blockchains through a number of dashboards. In particular we monitor transaction activity, the value of assets held on-chain and the amount of economic activity occurring on the network.

The data continues to show that adoption is increasing and the use of these networks continues to grow.

Our Assets

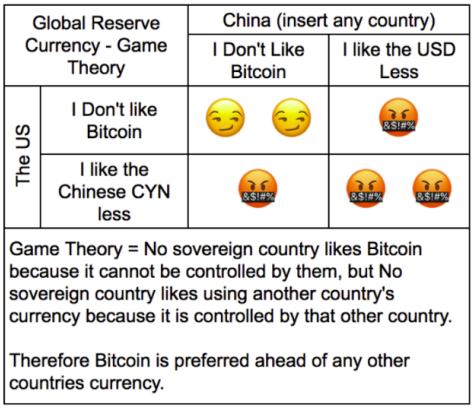
If we are satisfied that a particular network possesses the important characteristics outlined above, we invest in its native asset. Bitcoin for the Bitcoin blockchain and Ether for the Ethereum blockchain.

Bitcoin

Bitcoin possesses the strongest collection of monetary properties of any asset we have encountered. It is scarce, durable, portable, divisible, verifiable and resistant to confiscation. These characteristics make it attractive as a long-term savings technology.

The list of Bitcoin holders continues to grow. Corporations are increasingly adding Bitcoin to their balance sheets and nation states, including the US are recognising it as an important strategic asset (see here for a dashboard).

There is also a geopolitical game theory developing around Bitcoin adoption. Game theory is one of the most robust frameworks for understanding human behaviour and strategic decision making. The theory is set out below. Basically every sovereign nation does not want to use a currency controlled by another sovereign nation, so if there is an alternative, a supranational currency not controlled by any country, this will be preferred.



The game theory is beginning to play out. The US has announced the creation of a Strategic Bitcoin Reserve and enabling legislation is progressing through Congress. The US is already the largest nation state holder of Bitcoin with approximately 198,000 bitcoins. China is a close second with approximately 194,000.

We are still at the very beginning of Bitcoin adoption. Long-term valuation frameworks published by Fidelity Investments and ARK Invest suggest Bitcoin could ultimately be worth more than USD 1 million per coin if it continues to gain adoption as a global monetary asset.

These forecasts demonstrate that Bitcoin is now being analysed by mainstream financial institutions as a serious global monetary asset.

Ethereum

At the age of 19 Vitalik Buterin was an editor of Bitcoin Magazine and a contributor to the Bitcoin ecosystem. He recognised that blockchain technology could be used for much more than money and, after having failed to extend the capabilities of the Bitcoin blockchain, in 2015 he launched Ethereum as a general purpose public blockchain.

Ethereum satisfies all of the characteristics we look for in a blockchain. In particular, the Ethereum Foundation has recently placed significant emphasis on two important areas: credible neutrality and post-quantum cryptography.

The Ethereum Foundation describes credible neutrality as the principle that the network should not favour any individual, company or nation. Participants should be confident that the same rules apply equally to everyone and that the system operates for the benefit of the network as a whole.

The Foundation has also announced that it is actively researching post-quantum cryptography. While practical quantum computers capable of breaking today's encryption standards are widely regarded as many years away, Ethereum's development roadmap assumes the network must be capable of adapting.

Ethereum is today the dominant smart contract blockchain by most measures of economic activity, developer participation and institutional adoption.

Part of our thesis, which informs our portfolio weighting, is that Ethereum as a network may ultimately become more valuable than Bitcoin. This is commonly referred to as the Flippening Thesis.

Our view is that if blockchain technology becomes the administrative software of the digital economy, Ethereum is currently the best positioned network to become its settlement layer. The current valuation of Ether does not reflect that possibility.

Several institutional investors have published long-term valuation frameworks for Ether. Fidelity has highlighted Ethereum's strong network effects and growing economic activity. ARK Invest has outlined scenarios implying valuations well in excess of USD 100,000 per Ether. More conservative estimates from VanEck suggest Ether could be worth approximately USD 22,000 by 2030 if Ethereum continues to develop as a settlement layer for the digital economy.

These valuations appear extraordinary when compared with today's market price. I am not making these predictions. However, I do understand the logic behind them and accept that if Ethereum achieves its objectives, valuations of this magnitude are conceivable.

Other Assets

In addition to Bitcoin and Ethereum we maintain smaller positions in projects that we believe provide complementary infrastructure to the on-chain economy.

Chainlink links off-chain data to blockchain networks and also facilitates communication between blockchains. It is important infrastructure that is already being utilised by SWIFT and a number of major financial institutions.

Bittensor is a decentralised AI infrastructure network. It combines blockchain technology with artificial intelligence and provides an open marketplace for machine intelligence. I believe it has the potential to become one of the most important blockchain projects of the next decade.

AAVE is the leading decentralised finance protocol. It allows borrowing and lending using digital assets as collateral and has a good chance of becoming an important part of the future on-chain financial system.

Hedera takes a more enterprise-focused approach to distributed ledger technology. It utilises a different technical architecture to Bitcoin and Ethereum and is governed by a council made up of some of the world's leading organisations.

Unit Price and Market Sentiment

We are living through a period of significant change and that naturally creates uncertainty.

We have wars in Europe and the Middle East, rising nationalism, weakening democratic institutions, record debt levels, environmental challenges and continuing concerns around public health.

At the same time we are witnessing some of the largest capital raisings in history. SpaceX has started the process and over the coming months we are likely to see OpenAI, Anthropic and others raise enormous amounts of capital to fund AI infrastructure. AI has become a sinkhole for global risk capital and this is influencing capital allocation decisions and market sentiment across all asset classes.

Also, at the moment a lot of attention is being captured by the AI investment thesis.

The Bitcoin and Ethereum software itself is not impacted by these developments. In fact, blockchain technology may ultimately form part of the solution to many of the challenges associated with the AI-enabled economy.

The price of Bitcoin and Ether, however, are heavily influenced by short-term uncertainty and investor sentiment.

It is important to separate these two things.

The price is important because it determines investment returns. The technology is important because it determines whether we remain invested.

The technology is working exactly as intended. Adoption continues to increase. New users continue to arrive. New applications continue to be built. Increasingly, AI systems are becoming another source of demand for blockchain infrastructure.

Importantly, these networks are self-funding. They are not dependent on equity raisings, debt markets or government support. They are financially robust systems that become stronger the more they are used.

There is currently very little bad technical news specific to our assets. In fact, there is a considerable amount of good news that is simply being drowned out by broader macroeconomic concerns.

Some good news includes :

- the US is moving closer to introducing clear rules for digital assets through the Clarity Act, potentially opening the door for many of the world's largest investors to invest in Bitcoin and Ether;

- the Ethereum Foundation has refreshed its leadership structure and strategic focus;

- Ethereum developers are actively working on post-quantum upgrades;

- Bitcoin is increasingly being recognised as one of the most secure computer networks ever created and a potential form of strategic digital infrastructure;

- the tokenisation of real world assets and the rollout of stablecoins continues to gain momentum amongst banks, payment companies, exchanges and governments; and

- as AI systems become more autonomous they will increasingly require identity systems, ownership systems and payment systems, creating a natural role for blockchain technology within the emerging AI-enabled economy.

Concluding Comments

Ethlabs, a non-profit R&D lab for Ethereum and ETH, recently posted that :

'Our mission is to make Ethereum the settlement layer of the global economy.

The internet became global because shared protocols created a common language between networks. Private systems remained useful, but bounded. Finance is approaching a similar moment. As value, assets, and markets become digital, the world needs shared settlement infrastructure.

Ethereum is uniquely positioned to become that shared base layer, the neutral foundation on which users, institutions, and agents can transact without intermediation.'

This is precisely what we observe to be happening with Ethereum. The current price of ether does not reflect the reality of what is actually happening with this project and where it is heading.

The investment case for Bitcoin continues to strengthen. The US has established a Strategic Bitcoin Reserve, treating Bitcoin as a national strategic asset. Increasingly, Bitcoin is being viewed not simply as digital gold, but as a highly secure piece of global digital infrastructure.

These two assets, together with our long tail smaller allocations are the robust future looking assets of the on-chain AI enabled economy.

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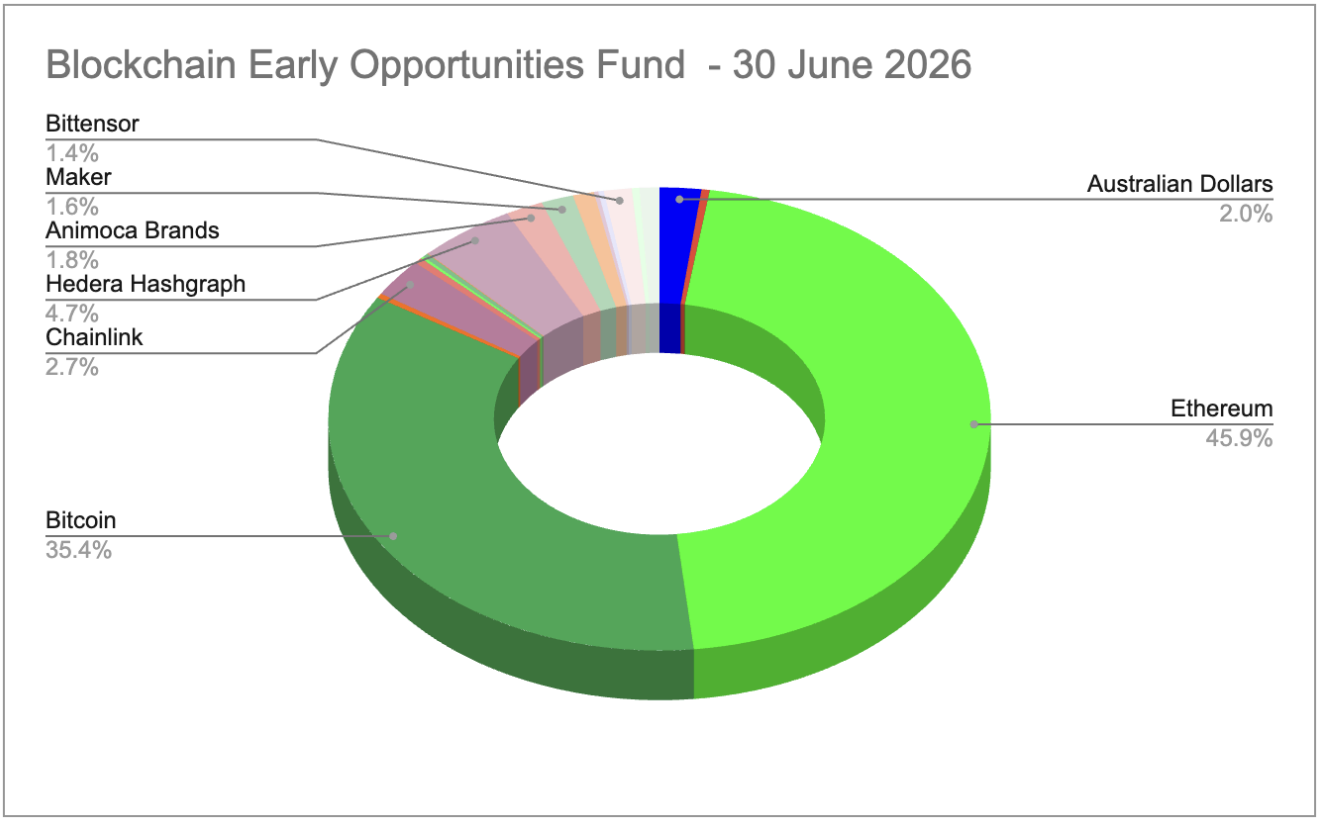
30 June 2026	Unit Price	Return for the Quarter	$100,000 invested on 1 July 2017 now worth	Annualised Return
	$2.7736	-20.26%	$277,360	12.90%


Blockchain Early Opportunities Fund - 30 June 2026
Bittensor
1.4%
Maker
1.6%
Animoca Brands
1.8%
Hedera Hashgraph
4.7%
Chainlink
2.7%
Bitcoin
35.4%
Australian Dollars
2.0%
Ethereum
45.9%

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The Agentic Economy

Most people first experience AI as a sophisticated google search engine. Prompts are typed into one of the dozen or so Large Language Models (LLMs), ChatGPT for example, and a response in the form of language, code or graphics is delivered to the chatbox. This form of AI is not agentic, it is an advanced way of presenting information.

AI Agents do more than answer prompts. Agents can pursue objectives, make decisions, use tools and perform tasks based on the agency instructions they have been given.

It's possible now to set-up an agent that can clone yourself or complete tasks that you would have otherwise given to an employee.

OpenClaw is a harness for agents. Or if you like a skeleton, that sits over the LLMs. A user can create on the harness (or skeleton) a virtual agent with a name and job description. The agent can then be given an email address, a X handle, indeed it can be given its own identity on all the on-line networks and communication tools.

In learning about this I set-up my own agent using OpenClaw. I have called her Marie Curie. Her email address is curie@bca.fund. I can email or send a text to Marie and ask her to do anything I would like an employee to do, but like a real employee, I have to give her a job description and do some employee training first. This is done by uploading all you want her to know about her job. So for example I asked her to read all my newsletters. I gave her a list of all the podcasts I listen to, the people I follow and the news sources I scan. This took me about 2 hours.

I then instructed Marie via email to 'Scan the news for the past 24 hours and send me an email at 8am each day setting out a summary of the matters that will be of interest for our portfolio.' Sure enough at 8am the report arrived. It was not perfect but certainly not a bad start for the first day on the job. From there I gave her written feedback and she improved day after day as I trained her up. In due course the report will be good enough to send externally.

Any number of agents with specialist jobs can be set-up on the OpenClaw harness. It's even possible to assign sub-agent employees to Marie. Marie could be the head of research with a number of underlings specialising in different verticals.

It's estimated that within five years there will be 50–100 billion AI agents interacting with one another while increasingly engaging with humans and the real-world economy.

AI Infrastructure Spend

The capital being raised to build the AI infrastructure is at a level never seen before in human history. It's worthy of a Churchillian type quote along the lines of…'never before in the history of capital markets have so many invested so much in so few..'. Note also that it has been raised very quickly and also for just one industry.

I set out below just some of the main projects.

The Terafab Project

On 7 April 2026 Elon Musk announced the launch of the Terafab Project, in Texas (see here).

One objective of this project is to build an integrated chip fabrication factory (a 'Fab') with 1 Terawatt scale computer infrastructure.

To give you an idea of the size of the project. The entire electricity grid in the US is a 1 terrawatt system. A project of this size and complexity has never been attempted and does not exist on earth today.

The costs are beyond my imagination. The estimated cost for the prototype (a trial factory) is USD 3 billion. The stage 2 prototype is USD 20 billion and the full project is estimated to cost USD 15 trillion.

The Stargate Project - OpenAI et al

Stargate LLC. is a joint venture company involving Softbank, OpenAI, Oracle and the United Arab Emirates AI investment fund (MGX).

At an initial estimated cost of USD 500 billion, Donald Trump has called it the largest AI infrastructure project in history.

The project aims to do for AI what railroads, electricity grids and fibre-optic networks did for earlier technological revolutions.

Prometheus and Hyperion projects - Meta

Meta does not want to rely on cloud service providers or have other dependencies. They are therefore building their own fully self-reliant AI infrastructure hub.

Initial costs are estimated to be over USD 60 billion. Mark Zuckerberg has said that '...Meta intends to spend 'hundreds of billions' on AI infrastructure over time…'. Meta's strategy is to have control over compute capacity as this will become as strategically important as ownership of oil fields, telecom networks or semiconductor fabs were in previous eras.

The war for AI talent is incredible. Meta was recently reported as offering compensation packages of USD 100 million to well over USD 200 million for elite AI researchers.

One example was the 'hire' of Alexandr Wang by Meta Platforms in 2025. Mr Wang, the founder of Scale AI (and once the world's youngest self-made billionaire), was effectively 'acqui-hired' by Meta through a USD 14.3 billion investment for a 49% stake in Scale AI.

A very interesting detour here is to look at one of Scale AI's projects which is called Humanities Last Exam, which is an exam sat by the LLMs and used to rank their performance (explore HLE here and here if you wish).

Project Rainier - Amazon + Anthropic

Amazon has not disclosed an official total cost for this project. They disclosed capex expenditure of over USD 100 billion in 2025 and have indicated an even higher level of investment going forward.

Anthropic alone has committed to spend more than USD 100 billion on AWS infrastructure over the next decade as part of the partnership.

As an interesting side note which gives an indication of the urgent demand for compute

power, Anthropic recently signed a deal with SpaceX for renting datacenter space for USD 1 billion/month. Google have just done a similar deal with SpaceX.

Other Projects

The estimated cost of AI infrastructure projects currently underway in the US exceeds USD 725 billion. To put that in perspective, the Pilbara region in Western Australia took more than 50 years to become one of humanity's greatest mining complexes. The AI industry is attracting a comparable amount of capital in little more than a single year.

Blockchains and AI

Technologies do not develop in siloes. The emergence of one technology creates a demand for another. Need is the mother of all inventions.

The internet created demand for fibre optic networks. Fibre optic networks created demand for datacentres. Datacentres created demand for cloud computing. Each layer of technology created the need for another.

As AI systems become more autonomous they will increasingly need the ability to own digital assets, establish identity, enter into agreements and make payments.

These are the types of problems blockchain networks were designed to solve. Blockchains provide a neutral and globally accessible system for recording ownership, transferring value and executing agreements without requiring a central intermediary.

Just as blockchain technology is increasingly being adopted in the traditional world of commerce, we are also seeing it emerge as a key component of the economic infrastructure required for the agentic economy.

Agent to Agent Commerce

I mentioned earlier that I have set-up my own AI agent, Marie Curie, as a Crypto Research Analysts. I asked her to prepare for me a '...24 hour crypto report…' setting out key things that have happened over the past 24 hours and to send the report to me by email at 8am each day.

For Marie to do her job properly she will need to pay for services, such as subscribing to media platforms. If I want her to build a profile on social media, she may need to pay for advertising. If she wants to employ subagents she will need to pay for those agents.

Any of these payments would be agent to agent transactions and part of the agentic economy.

This is just my little company. Can you imagine how companies like Amazon, SpaceX and others will use agents within their businesses. It is anticipated that within 5 years there will be more AI Agents than there are humans.

As the wages line item in corporate P&Ls decreases the Token Costs line item increases. This has many implications. Corporate analysts need to consider new performance metrics like Wages/Token as a measure of efficiency. Tax authorities are concerned that declining revenue from salaries and wages will not be covered by taxes payable on tokens.

Agents, Money and Payments

The creation of AI Agents alone will not enable the agentic economy. An AI agent cannot easily open a bank account. It cannot wire money internationally. It cannot obtain a corporate credit card or onboard through a traditional compliance department.

For the agentic economy to grow AI Agents require the things blockchains are good at providing: native internet money, programmable payments, digital property rights, identity systems and globally accessible financial rails.

Internet Standard 402 - Payment Required

When the Internet was being developed a number of standards and protocols were developed in order to keep the internet running smoothly. One such standard is the Hypertext Transfer Protocol (HTTP) Status Codes. I am sure readers will be familiar with the error code 404 which pops up whenever a website is 'Not Found'.

When the Status Codes were developed code 402 was reserved for 'Payment Required' but it has never been used as there was (until now) no practical way for software to make instant, low-cost payments over the internet.

On 6 May 2025, Coinbase released an open sourced protocol - x402 (see here). This protocol allows agents to request and make payments over the internet directly. So for example an AI Agent could make a subscription payment to a website in order to obtain some content which is behind a paywall.

The payments, because they are low cost, can be micro-payments. So for example instead of having to subscribe for a whole newspaper, it is possible to pay for just one article or for one section of the newspaper.

A marketplace for x402 payment enabled services has already developed. See this website as an example. Amazon Web Services have already embedded x402 into their payments network. They have published a great explanatory and operations piece on it here.

Bitcoin and Ethereum - The Gold and Oil of the Agentic Economy

Blockchain technology is fundamentally an administrative layer for an economy. The real world economy is going on-chain with real world asset tokenisation and crypto payment channels. The AI enable and AI Agentic economy is a natural adopter of on-chain record keeping and transactions.

Bitcoin is emerging as a form of digital reserve collateral for the on-chain economy.

The characteristics that historically made gold attractive to central banks - scarcity, neutrality, durability and resistance to political manipulation - are the same characteristics that make Bitcoin attractive. If an AI Agents need to put up collateral as surety for a particular transaction Bitcoin is a good form of collateral as not only does it have the good characteristics of gold but it is easily

transportable, easily stored, easily sold and it can be locked up in a self executing contract.

Ethereum is emerging as the financial operating layer for the on-chain economy.

Ethereum enables programmable value transfer. It allows developers to build stablecoins, exchanges, lending systems, tokenised assets, insurance markets and increasingly AI-integrated economic systems.

Every transaction that settles to the Ethereum blockchain needs to pay Gas (in the form of Ether) to settle the transaction. This is why Ether could be viewed as the Oil of the on-chain economy.

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As always, please do not hesitate to contact me on 04 5090 0151 or at ian@bca.fund if you have any questions.

Best Regards

Ian Love
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Blockchain Assets Pty Ltd

The content of this newsletter has primarily been prepared by a human, Ian Love. Artificial intelligence may have been utilised for some fact-checking and for providing explanations of some specific words and concepts.

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