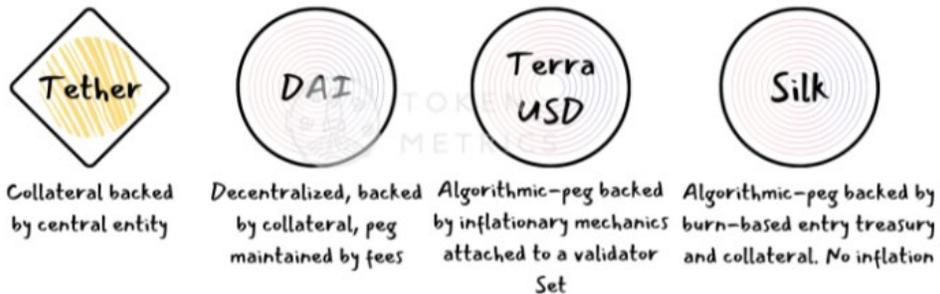


## Why I invested in Shade (\$SHD)

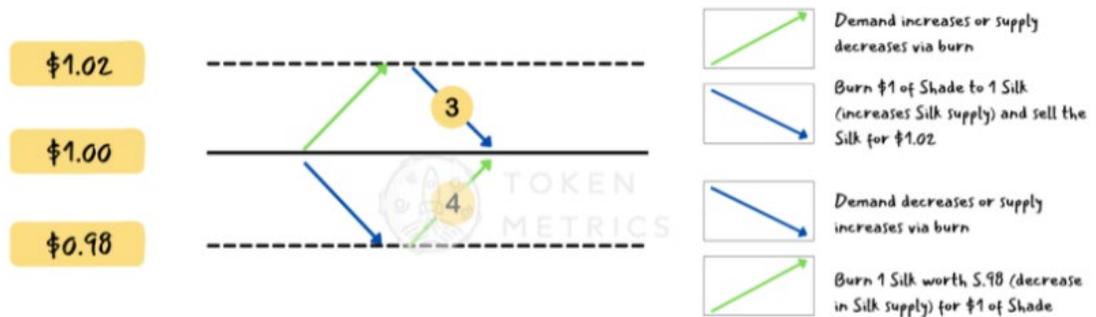
- Shade aims to create multiple DeFi applications that accrue value back to the \$SHD token. This array of connected applications will have privacy (as it is built on Secret Network) and excellent UI/UX experience as all applications will be under one dashboard.
- Aside from privacy, Secret Network is built on the Cosmos-SDK framework. This framework allows it to communicate and interoperate with all other blockchains built using the Cosmos-SDK framework (i.e., BinanceChain (BNB), Terra (LUNA), and Crypto.com Coin (CRO)). With this in mind, Shade will be able to interoperate with other blockchains within the Cosmos ecosystem in the future.
- Silk is the first DeFi primitive being built on Shade Protocol. Silk is an algorithmic stablecoin that maintains its peg to a basket of global currencies. The weight of each currency in Silk will be based on that nation's contribution to global GDP. This makes it resistant to isolated currency crisis that a single country may experience.

## Silk - 4th Generation of Algo Stable Coins

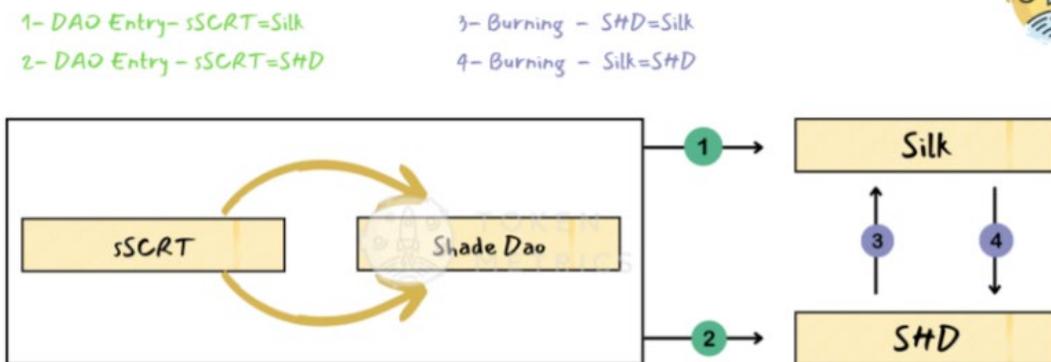


- The relationship between Silk and SHD is similar to UST – LUNA – where higher demand for Silk leads to SHD being burned. Innovation with privacy and usage of a basket of currency – in my books makes SHD even more innovative than LUNA. We all know how well LUNA did – it's currently in the top 10 coins by market cap.

## Higher Demand for Silk is deflationary for SHD



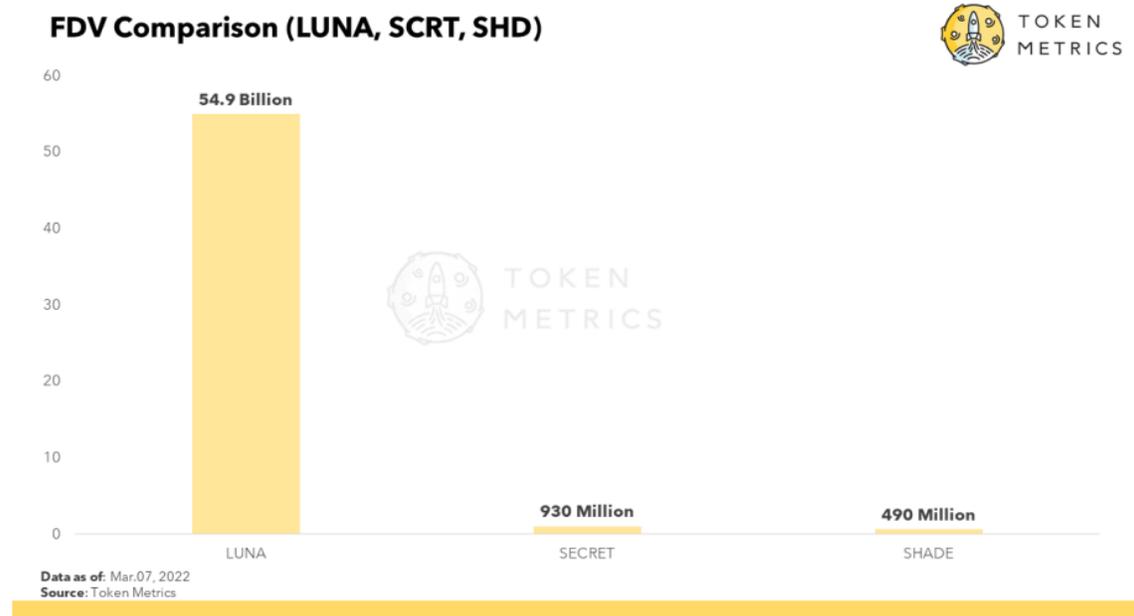
- Both Shade and Silk can be minted two ways: DAO entry minting and conversion minting. Entry minting is a process where users can deposit funds (either SCRT, LUNA, or ATOM) directly into the Shade DAO and receive an equal value of SHD or Silk in return, while some fees accrue to treasury of Shade DAO. Conversion minting is based on the burn mechanism where users can burn SHD in return for Silk or burn Silk in return for SHD, while some fees are accrued to Shade Treasury.



- Shade protocol will have a Synthetics, Insurance. Lending and borrowing, Decentralised Exchanges (DEXs), and liquid staking, all the value will accrue to \$SHD token. Shade Protocol, will accrue value in multiple ways namely: Silk transaction fees, conversion minting fees, staking rewards (12.36% of the token supply is allocated to staking rewards), Shade treasury, lending/borrowing products (interest accrued from lending and borrowing will go to Shade stakers), DEX transaction fees, synthetics conversion, and minting fees, and staking derivatives.

- Valuation is sexy af! If it reaches 20% off LUNA FDV that leads to 20X ROI – I will take it!

## Valuation



## Potential Risks

- Secret Network struggles with throughput and transaction finality for the time being - this issue was apparent during the initial airdrop claim process - Secret Network became congested and unusable for a few days. I think they are better of launching their own L1 in future!
- The development team says that the congestion issue should not happen again during the second airdrop claim, but this is impossible to tell until it happens. Also, specific risks like the rate of growth of demand for privacy?
- Heavy use of oracle involvement for currency pricing. How will there be rebalanced weights of underlying baskets creating target price? Will oracle track GDP?
- Ability to diversify treasury collateral (ATOM, LUNA, SCRT, BTC, etc.)

- Shade wants all future apps in the Shade ecosystem not to have native app tokens and instead have value accrue back to Shade (don't think this design has been proven in the past). How would the respective Dapps compete against others that offer more substantial token incentives?

## **Conclusion**

Future looks bright for Shade - as long as the team executes and Secret can handle all the traffic. I like the asymmetry in risk-reward of the project, although a lot of the elements are an experiment. I also like the narrative of ShadeDAO becoming the world's first privacy-preserving decentralized balance sheet and SHD accruing much value with multiple demands sinks. Token utility at least on paper is even better than UST/LUNA as a suite of interconnected, privacy-preserving dApps revenue goes back to \$SHD holders missing in \$LUNA.

## **Need detailed Deep Dive**

- 1) Subscribe to TM – we have 20 page DD on it
- 2) Watch my 100X episode with founder of Shade  
[https://www.youtube.com/watch?v=JCIntm\\_EWlQ&t=2528s](https://www.youtube.com/watch?v=JCIntm_EWlQ&t=2528s)