

Welcome to Morgan Creek Digital's digital asset update. It is comprised of a thought piece from our team. We hope you find this content interesting. Please let us know if you have any comments or questions or if you would like to speak to a member of the [Morgan Creek Digital team](#).

As we open a new chapter in 2025, we pause to reflect on 2024, a year marked by transformative deal flow and shifting market dynamics that defined Morgan Creek Digital. Looking ahead, we believe the world is ripe with opportunity and long-term value creation, and more broadly, we are anticipating trends that could shape the private market landscape.

Investment Highlights

- **Equity Investments:** Completed 19 equity investments under the Morgan Creek Digital Strategy, with total commitments of ~\$12 million, reflecting a strong belief in the transformative potential of emerging technologies.
- **LATAM Base Camp :** Successfully launched a 12-week accelerator program tailored to Web3 startups in Latin America, offering specialized mentorship to drive Web3 innovation in the region, representing 5 equity investments and ~\$700K in capital.
- **Cryptocurrency Investments:** Demonstrated resilience and growth.

Select Portfolio Company Headlines

- **Niobium Technologies:** Achieved a significant milestone by taping out its first chip, delivering substantial performance gains over standard CPUs and setting the stage for potentially broader adoption in computing infrastructure. Niobium's Basalisc accelerator was recognized as one of Fast Company's "Next Big Things in Tech 2024" for its work in security and privacy.¹
- **Groq:** Partnered with Aramco Digital to establish one of KSA's largest inferencing data centers. GroqCloud, their AI inferencing platform, has also seen rapid adoption, with over 640,000 users onboarded since its launch in February 2024.²
- **Encharge AI:** Collaborated with Princeton University and DARPA on the development of advanced chips tailored for AI workloads, showcasing the strategic importance of cutting-edge technology in research and defense.
- **ProvLabs:** Partnered with Infineo to tokenize \$100 million in life insurance policies on the Provenance Blockchain, exemplifying the transformative potential of blockchain technology in the insurance sector.³

2024: A Year in Review

Q1: Setting the Stage for Transformation

The SEC's approval of the first U.S. Bitcoin spot ETF was a landmark event, unlocking significant institutional capital and reinforcing Bitcoin's legitimacy. In parallel, the European Union agreed on new anti-money laundering laws for crypto firms, providing much-needed regulatory clarity that balanced innovation with compliance. Meanwhile, Bitcoin prices remained under \$40,000, reflecting cautious optimism as the market awaited stronger catalysts.

Ethereum ecosystem upgraded to "Dencun" on March 13, 2024. This enhancement aimed to boost scalability and user-friendliness by incorporating nine Ethereum Improvement Proposals (EIPs), including EIP-4844, which introduced blob-carrying transactions to reduce gas fees on layer two (L2) transactions. In summary, the upgrade reduced costs for Ethereum's L2s by at least 10 times, enhancing Ethereum's scalability and encompassing improvements in liquidity and total value locked (TVL) within the ecosystem. With lower transaction fees on numerous Layer 2 networks and an improved user experience, the resulting scalability and adoption led to increased value locked on EVM-compatible networks in the short and long term. For example, leading up to the upgrade, Arbitrum's total value locked (TVL) had surpassed \$2.5 billion, cementing its role one of the dominant players in the DeFi ecosystem.

At the same time, European lawmakers made history by passing the AI Act, setting a global benchmark for ethical governance and regulatory oversight in artificial intelligence. These developments marked significant milestones in blockchain scalability and responsible AI development.

Q2: Milestones and Breakthroughs

April was an exciting month as Bitcoin underwent its fourth halving, reducing block rewards and sparking innovation within the Bitcoin ecosystem. The rise of BRC20 tokens, leveraging Ordinals and the Taproot upgrade, introduced tokenized assets and DeFi functionalities to Bitcoin, reshaping mining incentives and opening new speculative markets for rare "epic sats." This halving also triggered a competitive frenzy among mining pools to capture these high-value assets, prompting discussions about futures markets for sats.

On another front, Meta unveiled its LLaMA 3 AI model, setting new benchmarks for performance in open-source machine learning and inspiring innovation across AI research and development. Nvidia's meteoric rise continued as the company added over \$2 trillion in market value. Meanwhile, the House of Representatives rallied behind the Financial Innovation and Technology for the 21st Century Act (FIT21), illustrating what we believe is growing political alignment with technical innovation.

Honorable Mentions: Anthropic's release of Claude 3.5, which outpaced OpenAI's GPT-4 in key applications, was another important event in AI market competitiveness. In addition, creditors of the infamous Mt. Gox exchange finally began receiving long-overdue repayments, closing a significant chapter in crypto's history and restoring billions of dollars to investors.

Q3: Bold Moves

Senator Cynthia Lummis introduced the ambitious BITCOIN Act, proposing the U.S.

purchase one million Bitcoin over five years to create a strategic reserve. Lummis likened the proposal to the “Louisiana Purchase,” arguing that Bitcoin could strengthen the U.S. dollar and address national debt concerns. In the same quarter, Ripple secured a landmark legal victory, as a judge ruled that XRP sales on public exchanges did not violate federal securities laws. This decision sent XRP’s value soaring by 75%.

The Federal Reserve injected markets with a significant 50-basis-point rate cut, stirring optimism into global markets. Groq raised \$640 million, accelerating the adoption of its tensor-processing units (TPUs) and cloud services. Developers flocked to GroqCloud to build AI applications. Nvidia set new benchmarks in European supercomputing with its GH2000 chips, demonstrating its continued dominance in AI hardware.

Q4: The Grand Finale

OpenAI’s valuation reached \$157 billion following a \$6.6 billion funding round, showcasing the explosive growth and investor enthusiasm in AI. Stripe acquired Bridge for \$1.1 billion, strengthening its position in financial infrastructure. Coatue Management launched a \$1 billion AI-focused fund, signaling interest in transformative technology investments.

Bitcoin and Ethereum ETFs each posted record monthly net inflows in November, \$6.5 billion and \$1.1 billion, respectively, according to data compiled by Bloomberg, highlighting growing institutional confidence in crypto. Further, the BRICS nations (named after the first five member states—Brazil, Russia, India, China, and South Africa) announced plans for a digital currency to reduce reliance on the U.S. dollar in international trade, signaling a potential global financial power dynamics shift. According to the State of Crypto report, three in four crypto owners indicated that policy would influence their US election votes. Crypto regulation became a point of discussion across political parties, with over \$160M in donations from cryptocurrency firms and executives. Generally, many industry executives grew optimistic that further clarity would emerge after the election. Bitcoin’s price broke through \$100,000, peaking at \$107,000, fueled by speculation about the U.S. government creating a Bitcoin reserve.

Other developments included Databricks achieving a \$62 billion valuation with a record-breaking \$10 billion funding round, emphasizing the enduring appeal of data-driven businesses. In the quantum computing realm, Google unveiled results from its Willow Quantum Computer, confirming key advancements in quantum error correction and signaling performance that would take high-performance computing an estimated 10^{25} years to complete the same, exceeding the age of the universe.

Looking Ahead: Trends Shaping 2025 and Beyond

As we enter 2025, we think the venture ecosystem is poised for continued momentum, driven by market stabilization, legislative advancements, and operational resilience across industries. Following the market recalibrations of 2023-2024, private market valuations align more closely with historical averages. We believe this creates a favorable environment for investors seeking long-term appreciation, with early-stage investments offering potentially attractive opportunities in a normalized pricing landscape.

Companies that weathered the lean years (post-2022 trough) have emerged more resilient, having prioritized operations and extended runways. Encouragingly, we believe the IPO market, which saw a resurgence in 2024, is expected to gain further traction in 2025. High-profile tech and AI companies have either gone public or are preparing to do so, signaling potentially improved liquidity and investor confidence. Several companies in the blockchain and AI sectors are generating significant anticipation for potential initial public offerings

(IPOs) in 2025. In AI, CoreWeave plans a U.S. IPO with a valuation exceeding \$35 billion⁴, aiming to raise over \$3 billion; Cerebras Systems filed for an IPO in September 2024⁵, with a previous valuation of over \$4 billion; and Databricks, valued at \$62 billion⁶, is a strong IPO candidate after raising \$10 billion in Series J funding. In blockchain, Circle, behind the USDC stablecoin, and fintech company Klarna, valued at \$6.7 billion, are also expected to go public.^{7,8} Further, Fortune 500 companies are leveraging strategic technologies such as AI and blockchain to enhance productivity, optimize costs, and bolster free cash flow—factors we think will drive robust M&A activity in the coming years.

On the regulatory front, we believe advancements in key markets create a more favorable environment for innovation. In the United States, potential crypto-friendly reforms, such as eliminating capital gains taxes on digital assets, combined with energy deregulation, could encourage investment in digital assets and AI data centers. Meanwhile, the European Union is solidifying its position as a governance leader by finalizing the AI Act and implementing MiCA regulations. These measures emphasize transparency, privacy, and ethical practices, which could foster trust and harmonization across global markets.

Looking ahead, we believe 2025 offers a landscape rich with opportunities for investors and entrepreneurs alike. By prioritizing quality, operational discipline, and alignment with emerging technological and regulatory trends, we think stakeholders can position themselves to thrive in this evolving landscape.

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¹[Niobium's Basalisc Accelerator Named one of 2024's "Next Big Things in Tech."](#)

²https://groq.com/news_press/aramco-digital-and-groq-announce-progress-in-building-the-worlds-largest-inferencing-data-center-in-saudi-arabia-following-leap-mou-signing/

³<https://content.infineo.ai/press-releases/infineo-mints-100m-in-tokenized-life-insurance-on-provenance-blockchain>

⁴<https://www.reuters.com/technology/artificial-intelligence/coreweave-targets-valuation-over-35-billion-2025-us-ipo-sources-say-2024-11-22/>

⁵<https://www.cnbc.com/2024/09/30/cerebras-files-for-ipo.html>

⁶<https://www.cnbc.com/2024/12/17/databricks-valued-at-62-billion-from-10-billion-financing.html>

⁷<https://www.reuters.com/technology/crypto-firm-circle-move-headquarters-new-york-city-ahead-planned-ipo-2024-09-13/>

⁸<https://www.cnbc.com/2025/01/14/klarna-scores-global-payment-deal-with-stripe-ahead-of-blockbuster-ipo.html>

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