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Why STRATO

Morgan Creek Digital invested in BlockApps, the team behind STRATO, during its 2021 Series A round, recognizing their expertise in enterprise blockchain. BlockApps has built infrastructure for Fortune 500 companies, including agricultural traceability for Bayer Crop Science and energy supply chain platforms for Chevron, ExxonMobil, and Repsol. This experience in tokenizing physical assets and operating production-grade financial systems now supports STRATO's expansion into a larger consumer market, DeFi for hard assets.

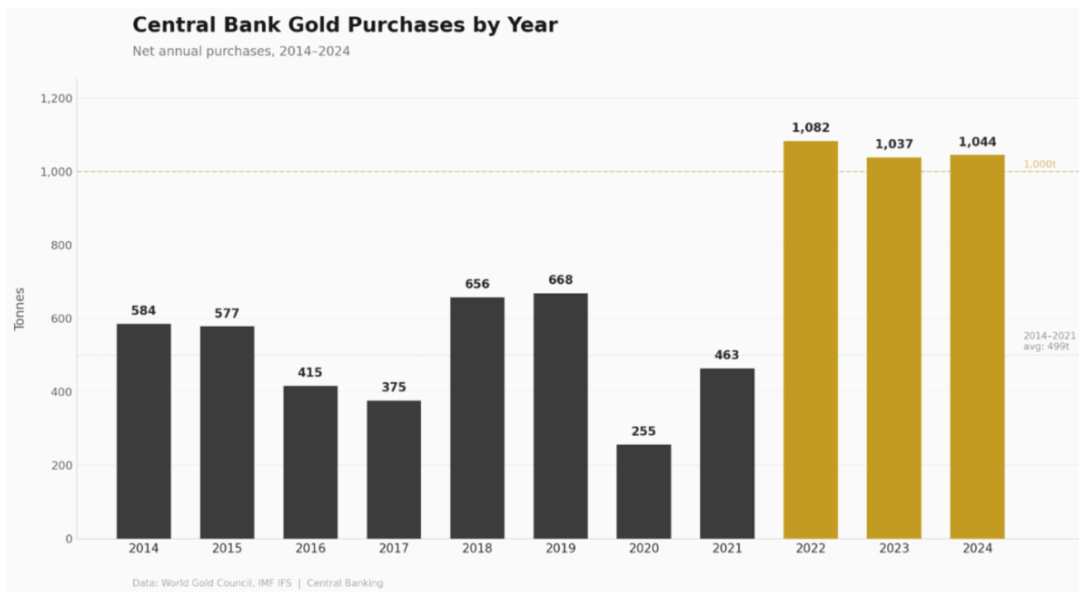
For their consumer platform, STRATO started by tokenizing gold and silver. These metals have served as stores of value for millennia. DeFi protocols have proved that on-chain lending, borrowing, and trading can be more efficient and transparent than traditional methods. STRATO now combines this technology with some of the oldest and most trusted assets in history.

As a result, we believe this approach will reshape how retail and institutional participants interact with real-world commodities. Since our initial investment, the macro tailwinds supporting this thesis have only strengthened.

Hard Assets, Powered by DeFi

We believe the macro backdrop makes this investment timely. Central banks purchased over 1,000 tonnes of gold annually in 2022, 2023, and 2024, driven by de-dollarization strategies and geopolitical hedging.¹ In particular, China continues strategic stockpiling; the People's Bank of China added 225 tonnes in 2023 alone, the highest annual increase since at least 1977.² Meanwhile, retail demand for precious metals has surged. For example, Costco has sold an estimated \$100 million to \$200 million in gold bars per month since launching the product in September 2023.³

Silver's trajectory reinforces these trends. Silver reached an all-time high of \$121.62 per ounce in January 2026, propelled by both safe-haven flows and industrial demand from electric vehicles, solar panels, and electronics manufacturing.⁴ The silver market has been in a structural supply deficit for five consecutive years, with a projected 67-million-ounce shortfall in 2026.⁵



Despite this growing demand, the infrastructure for accessing these assets remains stuck in the past. Buying physical gold means dealing with dealers, vaults, insurance, and settlement delays. The tokenized gold market has begun to address this, growing from approximately \$1.2 billion in early 2024 to \$5.9 billion by March 2026, but most products stop at tokenization.⁶ They allow users to hold metals on-chain without turning them into productive assets.

STRATO goes further. Unlike standalone tokenized commodity products, these assets plug directly into a full DeFi stack, allowing users to supply on-chain gold as collateral, borrow USDST (STRATO's native stablecoin) against it, provide liquidity in precious metal trading pairs, and earn yield on assets that have historically been non-yielding. A gold holder on STRATO can borrow at up to 80% loan-to-value, rotate into crypto or other metals, and manage their entire position from a single interface.

On STRATO, tokenized gold and silver (GOLDST and SILVST) are vault-backed by physical reserves, audited monthly, with one-to-one backing verified on-chain.⁷

This is a new approach that we think has significant opportunities. For example, in 2025, tokenized gold traded \$178 billion in volume, surpassing every major gold ETF except GLD and making it the world's second-largest gold investment product by volume.⁸ Meanwhile, the commodity tokenization market as a whole grew 4x in one year, from \$1.9 billion in early 2025 to \$7.13 billion by February 2026.⁹ Building on this momentum, STRATO is developing the DeFi layer for gold tokenization.

The DeFi-TradFi Convergence

We believe the boundary between traditional and decentralized finance is dissolving faster than most market participants appreciate. Stablecoin settlement volumes now rival those of major payment networks. Meanwhile, institutional players from BlackRock to Fidelity are building on-chain products, and regulatory frameworks in the US and Europe continue moving toward greater clarity.

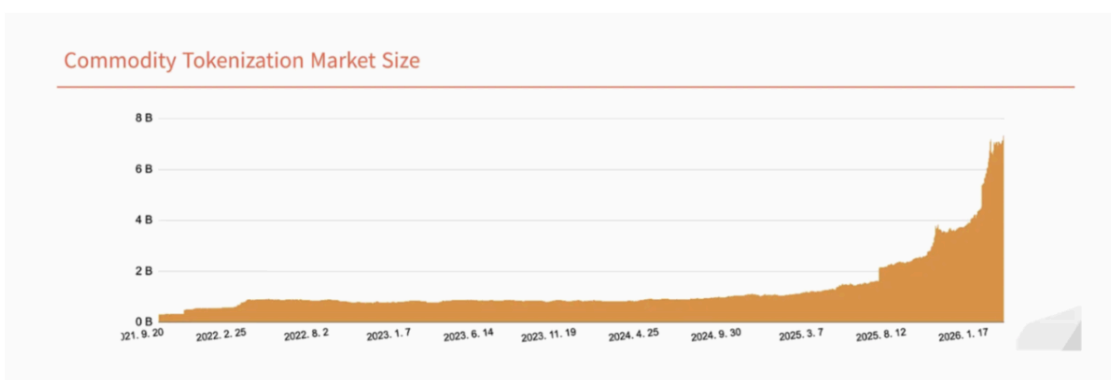
Within this environment, STRATO sits at a strategic intersection. The platform supports crypto assets (ETH, WBTC), precious metals (gold, silver), and stablecoins as collateral within a unified lending, borrowing, and trading system. Few DeFi platforms offer both crypto and tokenized commodity collateral side by side. This multi-asset architecture lets users build diversified, risk-managed positions across asset classes

that behave differently in various market environments. A user can hold ETH for upside exposure, gold for downside protection, and stablecoins for yield, all within one protocol, collateralizing and rebalancing as conditions shift.

For institutional allocators, this infrastructure makes on-chain finance practical rather than theoretical. Just as traditional prime brokers allow qualified clients to hold a hedge (gold) and a growth asset (ETH) in the same collateral vault and borrow against the combined position, STRATO now brings that capability to anyone with a wallet.

Recent market forecasts further underscore the need for such infrastructure. J.P. Morgan forecasts gold could reach \$5,000 per ounce by year-end 2026, with central bank demand expected to remain elevated at approximately 755 tonnes.¹⁰ Gold prices surged 66% in 2025, the best annual gain since 1979.¹¹ These trends strengthen the case for infrastructure that lets users hold gold while still putting the asset to work in the market.

Figure 2: Commodity Tokenization Market Size Sourced by Tiger Research¹²



A Decade of Building

The team behind STRATO is why we have conviction beyond the thesis. Kieren James-Lubin (CEO), Jim Hormuzdiar (CTO), and Victor Wong (CPO) are among the earliest builders in the Ethereum ecosystem. For example, Jim wrote the first commits on the STRATO Haskell Ethereum client in September 2014, before the Ethereum mainnet launched. The team presented at DEVCON1 in November 2015, then partnered with Microsoft to launch the first Blockchain-as-a-Service offering on Azure that same year. They also co-founded the Enterprise Ethereum Alliance.

Throughout this period, the team operated as BlockApps, shipping production blockchain software to Fortune 500 companies, governments, and enterprise consortia. They ran supply chain networks, settled real transactions, and learned what it takes to build infrastructure in this sector.

This background stands out in DeFi, where many teams can write smart contracts but few have operated production financial infrastructure under load. The STRATO team has done both, now bringing enterprise-grade reliability to consumer DeFi and emphasizing accessibility from day one.

UX as a Competitive Moat

This emphasis on accessibility also informs STRATO's approach to user experience. Victor Wong has spoken publicly about STRATO's design principle: a beginner should be able to deposit funds and earn yield without understanding gas fees, health factors,

or collateralization ratios.¹³ The platform's Easy Savings product is a direct expression of that principle.

Transactions on STRATO settle in one to two seconds and cost less than \$0.10. For users familiar with Ethereum mainnet fees, this significantly expands the range of viable strategies.

Our Conviction

We invested in STRATO because we believe HardFi is a category with enormous potential and no clear incumbent. The global gold market reached \$30 trillion in market capitalization in 2025, while the tokenized gold market is roughly \$5.9 billion.¹⁴ We think STRATO's approach of combining physical backing with full DeFi composability positions it to capture a meaningful share as both gold adoption and DeFi adoption accelerate simultaneously. Further, the team has weathered multiple crypto cycles, delivered production software for over a decade, and built a platform with measurable traction: \$25 million secured on-chain and \$1.7 million in loans originated.¹⁵ Morgan Creek Digital looks forward to working with Kieren, Victor, Jim, and the STRATO team as they build the financial infrastructure for on-chain hard assets.

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Risks of Investments in Emerging Technology Companies

The legal uncertainties associated with the Artificial Intelligence (AI) marketplace described above, as well as the novel nature of AI technology itself, also present special risks for companies such as Armilla that could materially and adversely affect the Fund. For example:

AI technology companies such as Armilla are generally young, private technology companies with insufficient historical financial or operating performance information to predict the profitability and returns of the company.

Compared with start-up companies in other more traditional industries, Armilla or its related persons and agents, may be more likely to face investigations, claims, or findings that its involvement in the development or use of the AI technologies, or its participation in the AI marketplace, violates applicable law.

Compared with other companies, Armilla may be more attractive targets for malicious hacking or other cyberattacks, and thus be subject to greater cybersecurity risks (including misappropriation of personal data or other property or technological sabotage).

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Armilla’s business is subject to numerous regulatory risks. There are proposals before various federal, state and local legislative bodies and various regulatory entities regarding issues related to AI technology companies. If certain proposals are adopted, Armilla’s business, financial condition and results of operations could be materially adversely affected.

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