

FUELARTS

FUELARTS ART+TECH & NFT STARTUPS REPORT **H1 2022**

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- INVESTMENTS IN ART+TECH STARTUPS
- NFT EXPANSION & PIVOTS
- EXITS & ACQUISITIONS
- TRENDS & OPPORTUNITIES
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FUELARTS ● FOREWORD

DEAR ART+TECH COLLEAGUES AND AFICIONADOS!

Our first annual report ended with the words “See you in 2023”. However, it has only been half a year and we are already back. To be honest, we didn’t expect to publish a separate H1 2022 report like we didn’t expect many other things. 2022 overwhelmed us with the unprecedented chain of world events, starting with Russian invasion of Ukraine, followed by global economic crisis and geopolitical instability, where even Bitcoin cannot guarantee any order and composure.

Today we want to hear words of encouragement and hope – from parents, friends, co-founders, business partners, opinion leaders, church ministers and celebrities. Traditionally industry reports play the role of opinion leaders as well. Through our work, we want to transmit that we deeply analyzed the market and it still has positive trends.

After the successful release of the first edition, creators are always striving to make the second one even better. Commenting and analyzing investments in the Art+Tech & NFT sector, we have also improved rubrication and method of calculating market data. We are proud of the Key Studies segment, where we included interviews with top opinion leaders: investors, market analysts and successful startups. May their experience not only be a source of inspiration, but also provide practical tools for success.

Our first report was literally created under fire: three members of the Fuelarts team (ethnic Ukrainians) found

themselves in the middle of these horrific events. The analytics, design, and SMM support for the publication were done from bunkers. Report’s presentation at one of the largest art conferences was canceled because the report couldn’t be presented in person. Nevertheless, we are sincerely grateful to everyone who helped to reunite the team in New York and to continue our work.

In the last six months, the Art+Tech & NFT market has been analyzed by many of our colleagues. The main market reports were NFT Market Report by NonFungible, NFT Art Market Report by ArtTactic and Art+Tech Report by Art Market Strategy Consulting. The new reports on the industry include: NFT Infrastructure by Web3 Studios and Metaverse Report by Globant. Moreover, today digital art has a significant place in the traditional Art Basel & UBS reports by Art Economics, Intelligence Report by Artprice and HISCOX Online Art Trade Report by ArtTactic.

We must remember that when an investor enters the new market, he is least interested in cumulative sales volumes. First and foremost, he looks at three main components: investment in infrastructure, research, and market reports. Together these segments can present him the real state of the ecosystem. Only by seeing positive trends in these segments, an investor makes a decision.

We are happy that in the Art+Tech & NFT ecosystem all three segments show positive trends!

DENIS BELKEVICH,
General Partner, Fuelarts

FUELARTS ● METHODOLOGY

Striving for maximum openness and transparency of the Art+Tech market, Fuelarts primarily focuses on public data recorded on Crunchbase and PitchBook. We are grateful to these sources, which for many years have been collecting and classifying legal, financial, and marketing data on startups in various industries. However, the Crunchbase classification of Art+Tech startups has been updated by us while preparing this report. So, for example, the adopted classification of 'Art Startups' included not only technology companies in the field of art, but also young companies that do not use technology in their work (except for the website, e-mail, and data storage services). These companies together with music, film, fashion, floristry, and sports companies were excluded from the Art+Tech list.

At the same time, we added to our list many startups that Crunchbase and PitchBook classify as 'Blockchain & Crypto'. We realized that the main reason for this confusion lies precisely with the founders of blockchain startups involved in art: often these founders did not add the 'art' tag to the classifier of their activities, limiting themselves to the technological sector only (thus confusing potential investors who are now looking for art companies for an extended list of their deal flow and subsequent financial investments). We also included companies that announced in 2022 the inclusion of the art segment in their current business or made such a transition. An example of this could be the renowned GameFi strategist Animoca Brands – creator of The Sandbox. In December 2021 Animoca Brands launched a \$200 million investment program in partnership with Binance that offered funding for blockchain games. Later Animoca Brands have made several important acquisitions and direct investments in the Art+Tech & NFT sector.

Another question regarding Animoca Brands: can it still be considered a startup? From 2018 to 2020, Animoca Brands was listed at Australian Securities exchange. However, since it became a private company again, Animoca Brands proposed the market a brunch of innovations – from launching its utility token (2020) to creating a sustainable ecosystem of 340 startups (2022). Also the company has returned to the round-by-round investment scheme. We consider Animoca Brands a startup because it is profit-oriented, has an innovative approach and professes a venture investment pattern. Perhaps, it is the perfect startup of today.

The segmentation of startups was taken from the classical business environment, which provides 4 stages of product support in the value chain: production, trade, management and analytics. The only addition we have made is breaking down «production» into 3 separate segments: R&D (creation, research, and development), visualization (tools for displaying art), and gamification (creation of gaming platforms). The segmentation of Art+Tech startups into separate groups was made based on a collective decision of the Fuelarts team. If the business model of an individual startup contained more than one direction, the decision was made in favor of the segment that has

the greatest practical value for the Art+Tech market. For example, automated digital asset management funds, known as DAOs, were classified by us as Management category, since the main component of the work of art funds is competent asset management. We do not exclude that in the coming years, individual segments (for example, trade) will be divided by us into marketplaces, payment systems, financial instruments, etc.

Below you may see the main terms that we use in this report. Despite a wide variety of interpretations (which is natural for an emerging market), we have deliberately simplified the definitions:

Startup – a company aiming to profiteer from realizing an innovative idea.

Art+Tech – the sphere of the intersection of the art market and technology. It offers solutions to the problems of the art market with the help of technology.

'Physical' Art+Tech Startup – a young company that uses modern technologies to work with the traditional assets of the art market - painting, sculpture, graphics, etc.

Digital & NFT Art+Tech Startup – a young company that uses modern technologies, working with digital art objects, including NFTs.

Metaverse – a virtual reality where people will be able to communicate, shop, and play by using their avatars. Metaverse combines augmented and virtual reality.

Web3 – a new generation of the Internet, that combines AI and blockchain technology. Metaverse, NFTs, and cryptocurrency play a key role in moving from Web2 to Web3.

For this report, we have classified the main players in the investment market (separately presented on p. 12).

In our next report, we would like to categorize metaverse startups differently. As companies that create and develop new technology, we assigned metaverse startups to the R&D category. However, today we see that many startups that previously dealt with visualization products have joined the development of the metaverses. In our 2023 annual report, we would like to consider this and upgrade our segmentation system.

SEE YOU IN 2023!

FUELA RTS ● KEY FINDINGS

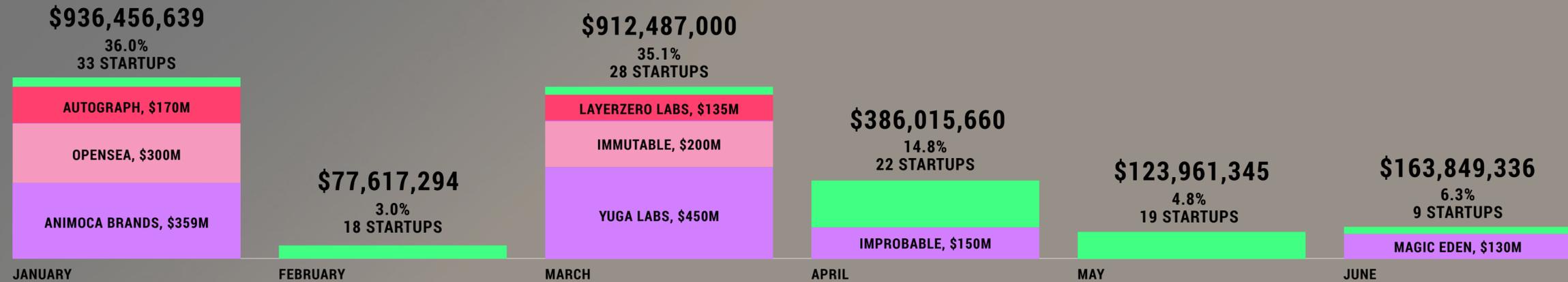
- In H1 2022, **123** Art+Tech startups received **\$2.600 billion** in total funding, which amounts to **237%** of the investments for the whole year of 2021 (**\$1.098 billion**). From the total of **801** startups – **15.2%** have received funding within the first 6 months of 2022.
- **12** startups from the «physical» Art Market received only **\$99.2 million (3.8%** of the total funding), while **111** startups from the Digital Art Market and NFT sector – **\$2.501 billion (96.2%)**.
- The percentage of startups that also received funding earlier, until 2022, was only **3.6%**. Only **5** startups that received funding both in H1 2022 and before 2022 represent the physical market (**20%**), and the remaining **20** startups (**80%**) represent Digital Art and NFT sector.
- In Digital Art Market segment, R&D (content production) startups received the highest number of investments in H1 2022, that amounted to **\$1.297 billion** for **36** companies. Startups in Trade received **\$516.2 million** for **22** companies. Less investments received GameFi (**\$494.1 million, 25** companies), asset management (**\$133.6 million, 23** companies) and data analytics startups (**\$60.3 million, 5** companies).
- In 'Physical' Art Market segment, R&D (content production, social networking) received the highest number of investments in H1 2022, that amounted to **\$54.4 million** for **6** companies. Less investments received asset management tools (**\$38.2 million, 4** companies), online marketplaces (**\$6.1 million, 1** company) and data analytics startups (**\$0.5 million, 1** company).
- Among the countries with incorporation of Art+Tech & NFT startups (that received investments in H1 2022), the United States leads with **47** companies. Second place take Decentral startups (**24** companies), while Singapore and United Kingdom share third place (**6** companies each).
- Art+Tech & NFT startups, founded in 2022, received a total funding of **\$63.7 million**, which amounted to **2.45%** of the H1 2022 funding of all companies in this sector created in different years.
- In H1 2022 the largest number of startups in the Art+Tech ecosystem were at Seed stage (**62** companies). They were followed by **30** startups in **Pre-Seed** stage and **18** startups in **Series A**.
- In terms of funding, **Series C** startups were the leaders, with a cumulative investment of **\$894 million**, followed by early-stage **Seed** startups (**\$770 million**).
- The highest cumulative total investment (the sum of all funding rounds) is retained by **Series C** startups – **\$1.442 billion**. In other words, in H1 2022 **Series C** startups received **62%** of their total funding.
- Within the first 6 months of 2022 there were **640** investors that participated in **766** rounds. **13.4%** of them have made more than one investment in various Art+Tech & NFT startups in H1 2022. Only **4.1%** of investors made three or more investments in this sector.
- **Traditional** (non-crypto) **VC investors** and **Private Individuals** (both fiat and crypto) were the most active in funding Art+Tech & NFT startups – with **33.6%** and **22.5%** of investments made accordingly.
- **86.6%** of investors deployed their money only in one Art+Tech & NFT startup.
- From June 2021 to August 2022, 33 specialized investment funds have announced raising funds for deployment in Web3 startups (including Art+Tech & NFT). The total amount of announced assets is **\$23.72 billion**, with only **\$1.5 billion (6.3%)** already invested.
- In H1 2022 the main source of finding new investors for startups was word of mouth (**67%**). Recommendations from friends (**44%**) and networking at conferences (**33%**) also played an important role. Some startups decided to separately mention the influence of mentors and current investors, without including these sources of acquaintances in the proposed items (**28%** each). Such significant professional tools as LinkedIn and Crunchbase / Pitchbook ('cold contacts') did not work during the crisis.
- **78%** of respondents ended up receiving funding in the last 6 months. **56%** of investors who had previously considered participation in the rounds, preferred to follow the market further. **11%** of startups were forced to reschedule their planned rounds. None of the 72 survey respondents received a direct refusal.
- **78%** of survey participants consider their current business models resilient in the face of a possible global crisis. **22%** found it difficult to answer, and none of the respondents gave a negative answer. Interestingly, the same **78%** got funding in H1 2022 – which was probably the best evidence of the sustainability of their business model.
- **83%** of strategists see the crypto recession as the biggest threat to the current Art+Tech & NFT market. At the same time, the threat of a global crisis in the fiat market worries only half of the respondents. None of the strategists indicated crisis-related trade restrictions as a threat, meaning that the market has already adapted to this during the COVID-19 pandemic.
- **83%** of the art market strategists that took part in the report's survey, consider it inevitable that the market will turn towards physical art, which behaves more predictably as an asset in times of economic crisis. This, in particular, may lead to an increasing role of fractional ownership and traditional art investment instruments offered by Art+Tech startups.

FUELARTS • CROSS-INDUSTRIES COMPARISON

• For clarity, we have placed three graphs: investments by months in H1 2022 in Art+Tech & NFT startups and parallel rates of the main financial indicators – the capitalization of the cryptocurrency market and the Dow Jones Index that dominates the physical market.

• The correlation of investment volume with market indicators turned out to be approximately the same: 0.63 with the crypto market, and 0.66 with the physical one.

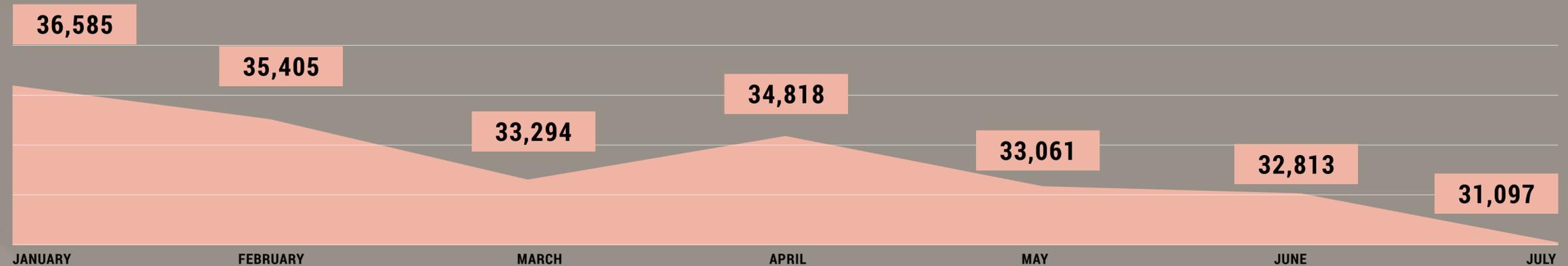
INVESTMENTS IN ART+TECH & NFT STARTUPS



CRYPTOCURRENCY MARKET CAP



DOW JONES INDUSTRIAL AVERAGE INDEX



FUELARTS ● H1 2022 IN REVIEW, OR WHAT IS WEB3?

Each new season in the tech world passes under a new term, as if under the zodiac sign. 2017 was marked by ICO, 2018 – by blockchain. 2021 seemed to be the year of NFT, but NFT was later replaced with Meta. From Meta the tech world jumped to even vaguer and undefined term – Web3.

We have been moving to the Web3 era for the past six months. Are all market players really ready for this?

H1 2022 started with the appearance of the first Decacorn – OpenSea at the Art+Tech market in January (valued \$13.6 billion), and ended with the BlackRock Capital and Coinbase collaboration early in August. What could we see in between?

The crypto-winter, which many people have been frightening with since the autumn of 2021, has finally been confirmed. True, a sharp decline in the digital economy had to be aggravated by additional factors – the war in Ukraine and inflation in a number of the world's largest economies. We rejoiced last year at the news when another traditional investor made a serious purchase of bitcoin. We saw the outcome in March, 2022: investors sold both hard assets and crypto savings in an effort to bail out the cash flow. In other words, the correlation between the fiat and crypto markets has become very high. And now neither bitcoin nor NFT can save us from the crisis, while previously it was the other way around.

However, this situation did not scare off investors of pre-planned rounds, who, following the OpenSea, went on disturbing media with high amounts of investments. Thus, the first 6 months of 2022 saw 8 rounds of Art+Tech & NFT startups exceeding \$100 million. The record one-time deal also fell on that period: Yuga Labs (Bored Ape Yacht Club) received \$450 million in March, i.e. 3 times more than Artsy since its foundation.

Another thing is that NFT sales volumes have significantly decreased at the same time, as the main news-making asset of today's market. It decreased from \$10.7 in Q1 to \$8.1 in Q2 2022 (-24.8%) in monetary terms according to NonFungible. Nevertheless, investment continued to flow into the sector.

To understand the secret, we offer to look at the events of H1 2022 from the perspective of an ordinary investor encountering the Art+Tech & NFT market for the first time. These are not sales volumes at marketplaces that matter for him or her, while stepping into a new territory, but completely different factors. Namely, 4 features of a healthy ecosystem:

- Infrastructure
- Reports
- Academic research
- Attention of strategists

Infrastructure. We see an ecosystem of 801 startups with public investment data, and several hundred more in the Bootstrap phase. All links of the Value Chain – R&D (creation), Trade, Management, and Analytics – are filled with young companies operating at the market. There are also at least 33 specialized investment funds having raised more than \$23.7 billion for startups that have moved to Web3 (see more on page 18 of the report).

Reports. Today, there are 7 specialized reports on the Art+Tech & NFT market (5 of which appeared in H1 2022). They cover all aspects of the market – from asset sales and the development of blockchains and metaverses to investments in infrastructure. In addition, at least 5 «traditional» art market reports have begun to include technology-related sections in their releases. In other words, the investor has something to focus on in terms of market movement.

Academic research. There are more than 20 institutional (at the level of academic papers or full-fledged Ph.D.) works exploring the Art+Tech & NFT market in 2022, e.g. the analysis of the behavior of the audience of buyers of digital assets, or the principles of building a career for NFT artists. Students' term papers at Sotheby's Institute of Art and Christie's Education, etc. are on their way.

Attention of strategists. We may have the greatest diversity here, even against the general optimistic background. Top players in the commercial sector, such as Kering (Puma, Gucci etc.), LVMH (Tiffany, TAG Heuer etc.), Nike, have joined the NFT operations. Attention to Art+Tech startups as investment objects was paid in 2022 by Microsoft Ventures and Samsung Ventures. The largest startup strategist Animoca Brands has announced the establishment of an ecosystem of 340 Web3 subsidiary startups. Such strategic ecosystems are currently established by the largest blockchains (Solana, Polygon etc.) and crypto exchanges (Binance, Uniswap etc.). Finally, the giant of the traditional art market, Christie's auction house, announced the establishment of a venture arm in July, 2022 to fund Art+Tech startups.

In other words, new Art+Tech & NFT infrastructure investors see all the signs of a healthy emerging market. And the next question for them is how ready they are to participate in it, given their own priorities in the current economic situation, but we will talk about it in the conclusions to the report on page 54.

We also consider it necessary to return to the main problem outlined by the participants of the previous Fuelarts survey (January, 2022). Namely, the link between the physical and digital markets at the level of collectors and artists from different (so far) parties. A certain work

was carried out in this regard in H1 2022: the physical spaces of the SuperRare marketplace and the Solana blockchain in New York were made operational against the backdrop of the slow work of auction houses with NFT. And, let the sales of branded sneakers and hoodies so far go better than those of pieces of art presented on the displays – but the first step into the physical world has already been taken.

Similarly, the attitude of traditional collectors towards digital art is gradually changing. According to HISCOX Online Art Trade Report, conducted by ArtTactic (April, 2022), 41% of the NFT art buyers prefer curated marketplaces – compared to 27% of adherents interested in the 'flea market' of NFT platforms. At the same time, 84% of traditional collectors said the digital shift in the Art Market would become permanent, up from 51% in 2020. As a quick snapshot, for the first 4 days of May, the total trading volume on the TOP-8 curated NFT marketplaces was exactly the same as for all 30 days of April (US\$102 million).

In other words, we see the growing recognition of the artistic value of digital art. This is not a quick process, which will be accompanied by a drop in NFT sales on the 'flea market' platforms – but these were the steps also taken by the traditional art market. Though the division into highly artistic and decorative art took place as early as the

16th century... but we are ready to wait, aren't we?

And now it is high time to return to Web3. Don't you think that this term seems to have been born in order to reconcile both sides of the same market, as an umbrella covering both physical and digital collectors? There will be no strife created by provocative questions – say, what kind of art are you an adept of? After all, there will be the only answer: "We are the Web3 era collectors."

And what about startups?

Startups put Web3 term to their presentations in 2022, without even knowing what stands behind Web1 – Web3 revolution. The desire to create an image of a progressive company leads them to a dead end, while simple questions from investors reveal their lack of knowledge. In media, Art+Tech has been also replaced by Web3 term, which unfortunately does not make the market more transparent for new investments.

Whatever happens, Art+Tech remains Art+Tech. However, we believe it will be divided in a short time into Web2 Art+Tech and Web3 Art+Tech depending on the level of technology that young startups will profess. This division will provoke founders to switch to the latest technologies, giving them higher chances in fundraising activities.

Let us make this move together.

FUELAARTS ● KEY H1 2022 EVENTS

We highlighted the main events on the timeline, which not only influenced the image of the Art+Tech ecosystem in H1 2022, but are very likely to determine the development of the market in the future.

- **LooksRare** platform, which was launched in early January, shows **\$2.25B** in monthly sales

- German artist **Niclas Castello** places a golden cube that is worth **\$11.7M** in Central Park, launching a cryptocurrency alongside his physical work

- **Animoca Brands KK** (NFT rights management, Japan) raises **\$10M**

- The startups' centers moving from the **CIS countries** to the **UAE** (Dubai), **Indonesia** (Bali) and **Lisbon** (Portugal)

- **Immutable** (Digital asset ownership company, Australia) raises **\$200M**

- The first major M&A event: **Yuga Labs**, the creator of the Bored Apes Yacht Club, acquires the rights to **Cryptopunks**

- **OpenSea** and **Sandbox** are listed among '100 most influential companies' according to **TIME**

- **Binance** cooperates with the French NFT startup accelerator **Station F**, investing **€100M** in its graduates

- London-based metaverse startup **Improbable** raises **\$150M**

- **OpenSea** sets a new daily trading record of **\$476M** in Ethereum

- **Tezos** blockchain's foundation launches **£1m** fund to collect NFTs by African and Asian artists

- **ArtTactic** releases **Fractional Ownership of Art**, the first comprehensive research on the subject

- **David Zwirner** unveils **Consignments**, the new online app that connects gallery experts with art owners

- **The Metropolitan Museum of Art** announces a **\$70M** digital upgrade

- **Guggenheim Museum** and **LG** unveil Art+Tech initiative

- **Christie's** announces **Christie's Ventures**, an investment arm for Web3 startups

- **Gucci x SuperRare** launch new NFT platform **Vault Art Space**

- **Solana** opens retail store and Web3 'embassy' in New York

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

JULY

- **OpenSea** receives 300M investment, becoming the 1st industry decacorn at 13.6B valuation

- "Physical Art Market" online marketplace of African Art **ANKA** from Côte d'Ivoire receives \$ 6.1 million

- **Weng Contemporary** launches its digital sales department, shrinking the gap between traditional art and NFT collectors

- **Pace Gallery** launches NFT marketplace **Pace Verso**

- **Geopolitical instability**, caused by war in **Ukraine**, provokes the decline on traditional & crypto markets

- **Yuga Labs** raises **\$450M** and \$4 billion valuation (a new absolute record among investments in Art+Tech startups)

- **Fuelarts** releases **Startup Investment Report 2022**, the first industry investment research

- **Tiffany & Co.'s** VP Alexandre Arnault converts his CryptoPunk into a Pendant

- **Coinbase** launches NFT marketplace

- **NonFungible** releases **NFT Market Report**, the first industry transaction research

- The Decentral Art Pavilion **Singularity** brings together digital artists at **Venice Biennale**

- **SuperRare** platform announced the opening of its own physical gallery in SoHo

- **NFT Museum** (first museum of this kind) opens in Seattle

- **Andreessen Horowitz** raises a **\$4.5B** fund to deploy in NFT infrastructural startups

- The first digital art fair **CADAF** launched its own NFT marketplace

- **Solana** NFT Marketplace **Magic Eden** raises **\$130M** at \$1.6B valuation

- **Uniswap Labs** acquires NFT startup **Genie**

- **eBay** Acquires NFT curated marketplace **KnownOrigin**

In early August **BlackRock Capital** (more than \$13 trillion under management) and the top crypto exchange **Coinbase** announced a cooperation. Though this news didn't have a direct connection with the Art+Tech ecosystem, it was considered by many as the epoch-making deal that could positively effect the current digital asset market.

FUELARTS ● CASE STUDY #1

Galaxy Labs positions itself as a startup studio that launches moonshot initiatives to build a more kind and equal society. So, how would you describe Galaxy Labs – is it an investment firm, an accelerator, an incubator, or a VC company builder?

Incubator that opportunistically notices areas of need or pain points for our society and then quickly reacts to form a team, ideate a solution, and to launch an initiative designed to combat the challenge at hand.

Your company has raised more than \$300M to deploy in startups representing different industries. How can you describe your investment strategy? What role does social responsibility play in decision making?

Most of the funding we have raised to date has been allocated to our Democracy Building and Criminal Justice Reform initiatives - funding has gone to mostly non-profit organizations and PACs that are actively combating these issues. Another primary vertical in Galaxy Labs is healing.

Overall, our investment strategy focuses on directly impacted individuals who have a personal appreciation for the challenge at hand and an intrinsic motivation to create systematic change.

Galaxy Labs started its Web3 expansion with investment in VR + mobile meditation platform Maloka, which helps people build and maintain a practice via gamification. What was the story behind this investment?

During the pandemic, our team identified the growing pain and concerns around the mental health epidemic we're currently in. Fast forward a couple of months and our CEO was in a room with two influential people in the mindfulness space and introduced them to VR technology. They were immediately amazed by the power of VR technology to disconnect one's mind from the body and help you feel a sense of presence. They were convinced that this technology could play a key role in bringing mindfulness to the next generation. We decided to team up with them and to launch Maloka.

In the direction of healing, Galaxy Labs also works with a couple of organizations, which provide in person healing retreats and a wide variety of mindfulness experiences. We invest in both digital and physical worlds in the direction of healing.

What were the key milestones for Maloka as a company? Where would you like to see Maloka in 5 years?

Our major milestones include:

- i. Our Oculus game launch which happened in December 2021
- ii. Our Mindfulness Manifesto launch which happened in May 2022
- iii. Securing key partnerships with content creators like Deepak Chopra, Sharon Salberg, amongst others.

What needs to be done to make VR mainstream adoption? What steps does Galaxy Labs take in this direction?

The biggest barrier to mainstream VR adoption is the current state of the hardware. The headsets are too bulky, and they offer solely a VR experience, the headsets or glasses of the future will seamlessly incorporate both AR and VR, allowing the user to toggle between the two. The hardware sizing and weight needs to be reduced to a level where users can spend all day wearing these devices. And battery power needs to grow to a level that can power such a device for extended periods of time. Galaxy Labs is not currently combating this issue as all the major tech giants including Apple, Meta, Google, and Microsoft are already working on this. Nonetheless, we are actively thinking about how we can build products that are best positioned to benefit from the

mass adoption of this technology when the shift does happen.

Is Galaxy Labs currently working on any other Art+Tech & NFT initiatives? Are there any projects you could reveal to our audience?

We have currently identified a couple of areas of opportunity and impact in this space. Most of the ideas we're working on are focused on leveraging the power of art and NFTs to build and connect communities. We're currently exploring opportunities in the psychedelics and sports markets but that's all I can say for now.

What is your vision on the future of NFTs after this bear market?

I personally believe that the bear market has been great for the space overall. There were way too many hype-only driven projects that were being spun up by founders who were in it for a quick buck. I am personally also not a fan of the PFP collections that took flight earlier this year. PFP projects inherently are about building community, which I like, but a lot of projects that I was seeing were just about peddling a certain meme or some crazy style of art.



MOHNISH MEHTA ●

Head of Finance and Operations at Galaxy Labs

FUELARTS ● CASE STUDY #1

From the investor's perspective, what niches in the NFT and Web3 sector do you consider promising? What does the ecosystem currently lack?

I am very bullish on community driven projects. Projects that identify the community they are building for, then figure out what it is the community is looking for in terms of utility and value, and then create art that people from this community can empathize with are the ones that are going to be most successful this year.

If you would give 3 tips for aspiring Web3 investors today – what would they be?

- Invest in the platform, most of these projects are going to be built on either Ethereum or polygon, so invest in the chains.
- If you're only looking for profits, then look at the established and upcoming digital artists, don't get sucked into projects with utility and roadmap, etc. Look for the best artists and invest in them. Names that come to mind include Beppe and pplpleasr

- If you're open to being actively involved in community and are interested in participating in the ecosystem, look for the projects where you can actually participate, i.e., if you are a sports fan, look at projects like Krause House DAO or WAGMI United, where you can actually connect with like-minded people and have some fun

And vice versa – what would you recommend to the young startups in Art+Tech, as part of Web3? What should they obligatorily do or have to attract investors' attention?

- If you're an artist, look for a project / community that can appreciate your style or design, and work with them to elevate your art
- Recognize that it is not VCs or institutional investors that you're building for, you are building for collectors i.e. consumers, so build something for the masses
- Join communities like TIMEPieces if you're an artist or photographer as they are doing a lot to elevate the voices of the creatives within their community.

FUELARTS

1

INVESTORS

FUELARTS ● INVESTORS GLOSSARY

This classification was created by Fuelarts to clarify the data presented on the following pages. The terms have been simplified and are presented less formally than in a traditional financial classification. This was done intentionally to help startups understand and navigate the VC ecosystem.

TRADITIONAL

VC – Venture Capital – an investment company that accumulates funds and makes subsequent investments in fiat currencies. VC typically has short-term and medium-term investments in startups in the early rounds.

PRIVATE EQUITY – an investment company working with institutional capital trusted by Limited Partners (i.e. managing assets of large corporations). As a rule, applies a strategy of medium-term and longterm investments in equity securities and debt in mature businesses / later-stage startups.

HEDGE FUND – a mutual investment fund with an investment cycle, scope of investments and a set limit on the number of shareholders defined by the charter. Unlike VC, it must balance investments in risky assets with more solid assets, and unlike Private Equity, it works mainly with private capital.

INVESTMENT BANK – an investment company that is established under a large bank / affiliated with a bank. Large Investment Banks make advisory-based investments on behalf of individuals, corporations, and governments. Middle-market investments (including startups) are mainly made by smaller companies - Boutique Banks.

ANGEL GROUP – also known as Syndicate – a community of investors in the form of a closed club, whose members make collective investments in smaller checks (thus reducing the risk load when diversifying investments). Main feature is that they use personal net worth for investing.

FAMILY OFFICE – a management company dealing with the financial assets of one family. In fact, the Family Office plays the role of a lawyer, accountant, financial advisor, investor, and internal auditor of all family wealth management processes.

ACCELERATOR – an educational company that mentors startups to improve market survival. Often has a «venture arm» – an affiliated investment company to invest in the most promising graduates.

TECH STRATEGIST – a large technology company or a late-stage startup that invests in young startups with the goal of later adopting the technology (or team) to their business.

INDUSTRIAL STRATEGIST – a large industrial resource (plant, factory, international service provider) that invests in young start-ups in order to later adopt the technology (or team) in their business.

MEDIA STRATEGIST – a large media resource (Mass Media or video streaming service) that invests in young startups in order to later adopt the technology (or team) in their business.

ART STRATEGIST – a major player in the art market that invests in young start-ups in order to later adopt the technology (or team) in their business. Another possible reason for investment may be the desire to keep abreast of the market to monitor new trends and audience behavior. As a rule, it is represented by auction houses, large galleries, or media resources.

BRAND – a well-known trademark under the brand of which goods for the mass market are produced. It invests in young startups in order to later adopt the technology (or team) in its business, as well as increase the loyalty of its own audience by appealing to the latest trends.

CRYPTO

CRYPTO VC – an investment company that accumulates funds and subsequently invests in cryptocurrency assets.

DAO – Decentralized Autonomous Organization – a mutual investment fund on the blockchain, within the framework of which management key decisions are made by the shareholders themselves (or by the smart contract algorithm).

CRYPTO STRATEGIST – a large technology company or later stage startup that invests in young startups with the goal of later adopting the technology (or team) to their business.

BLOCKCHAIN – a technology company that created and manages its own blockchain ecosystem.

INDIVIDUALS

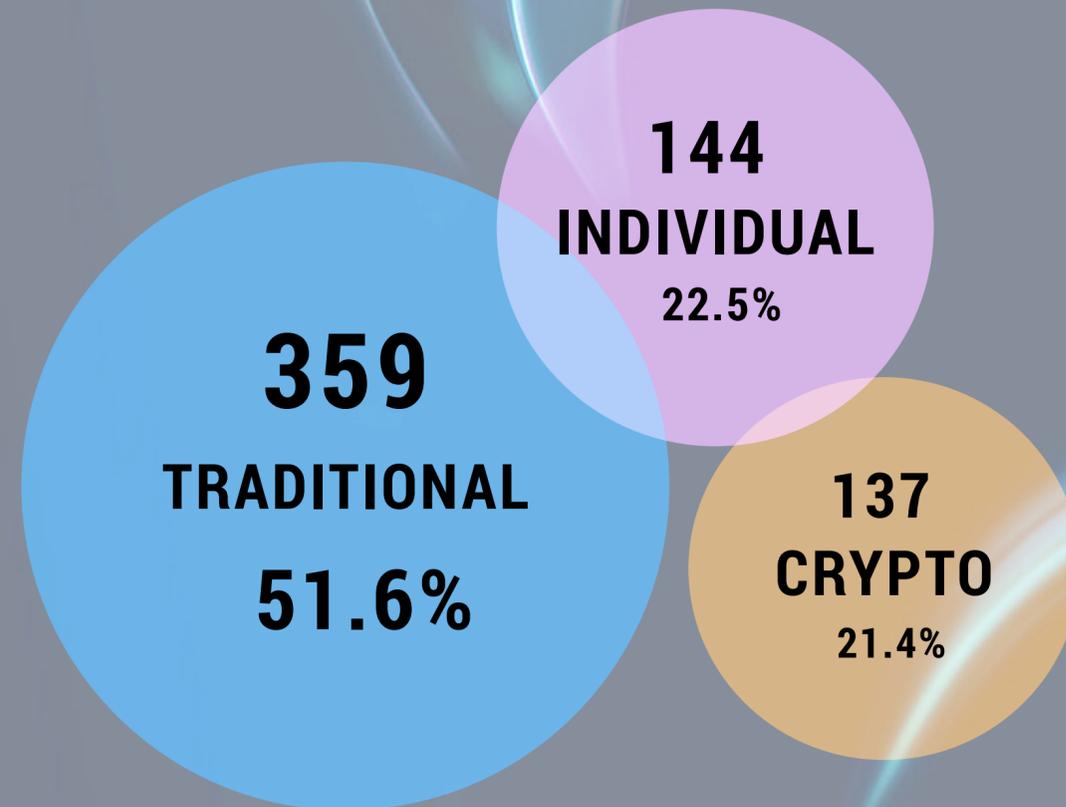
PRIVATE INVESTOR – an individual who invests their own or borrowed funds. Can invest in both fiat currencies and crypto assets.

FUELARTS ● KEY NUMBERS

- In H1 2022 **123** Art+Tech & NFT startups had **136** funding rounds or **1.1** round per startup.
- The total number of investors participating in all rounds amounted to **640**, **13.4%** of them have made more than one investment in various Art+Tech & NFT startups in H1 2022. Three or more investments were made only by **4.1%** of investors.
- **86.6%** of investors deployed their money only in one Art+Tech & NFT startup.
- The total number of investments made in H1 2022 was **766**, or **1.2** investment per investor involved.
- **Venture capitalists** and **individuals** were most active in funding Art+Tech and NFT startups, with **33.6%** and **22.5%** of investments made, respectively.

INVESTORS, WHO MADE AT LEAST 3 INVESTMENTS IN ART+TECH & NFT STARTUPS (H1 2022)

Nº	INVESTOR	INVESTMENTS IN ART+TECH & NFT IN H1 2022	TOTAL INVESTMENTS (ALL SECTORS, ALL YEARS)	% OF TOTAL INVESTMENTS	CLASSIFICATION	COUNTRY OF INCORPORATION
1	Animoca Brands	7	229	3.1	Crypto Strategist	Hong Kong (China)
2	Collab+Currency	6	43	14.0	VC	Undisclosed / Decentral
3	Shima Capital	6	144	4.2	Crypto VC	USA
4	Alameda Research	5	175	2.9	Crypto VC	Hong Kong (China)
5	Coinbase Ventures	5	272	1.8	Crypto Strategist	USA
6	Andreessen Horowitz	4	1258	0.3	VC	USA
7	Big Brain Holdings	4	24	16.7	VC	Undisclosed / Decentral
8	Paradigm	4	81	4.9	Crypto VC	USA
9	Polygon Studios	4	26	15.4	Blockchain	Undisclosed / Decentral
10	Redbeard Ventures	4	26	15.4	Angel Group	USA
11	The Spartan Group	4	86	4.7	Crypto VC	Singapore
12	6th Man Ventures	3	30	10.0	VC	USA
13	Andy Chorlian	3	4	75.0	Private Investor	Undisclosed / Decentral
14	Dapper Labs	3	55	5.5	Crypto Strategist	Canada
15	Electric Capital	3	66	4.5	VC	USA
16	FTX Ventures	3	31	9.7	Crypto VC	Undisclosed / Decentral
17	Genesis Block Ventures	3	98	3.1	Accelerator	Cayman Islands
18	Hashed	3	130	2.3	Crypto VC	South Korea
19	Infinity Ventures Crypto	3	57	5.3	Crypto VC	Undisclosed / Decentral
20	Lightspeed Venture	3	1169	0.3	VC	USA
21	Pantera Capital	3	200	1.5	Crypto VC	USA
22	Polygon	3	29	10.3	Blockchain	India
23	Sfermion	3	43	7.0	Crypto VC	USA
24	Solana Ventures	3	53	5.7	Blockchain	Undisclosed / Decentral
25	SV Angel	3	1346	0.2	VC	USA
26	VaynerFund	3	8	37.5	Angel Group	USA



THE TOTAL NUMBER OF INVESTMENTS / INVESTORS, INVOLVED IN H1 2022

INVESTMENTS MADE	INVESTORS INVOLVED	SHARE, %
7	1	0.2
6	2	0.2
5	2	0.3
4	6	0.9
3	15	2.3
2	60	9.4
1	554	86.6

FUELARTS • INVESTOR UNIVERSE

FIAT INVESTMENTS
359 | 56.1%

CRYPTO INVESTMENTS
137 | 21.4%

INSTITUTIONAL

19
ACCELERATOR
3.0%

46
PRIVATE EQUITY
7.2%

17
HEDGE FUND
2.7%

215
VC
33.6%

9
INVESTMENT BANK
1.4%

16
ANGEL GROUP
2.5%

10
FAMILY OFFICE
1.6%

144
PRIVATE INVESTOR
22.5%

STRATEGIC

18
TECH STRATEGIST
2.8%

5
MEDIA STRATEGIST
0.8%

2
ART STRATEGIST
0.3%

1
INDUSTRIAL STRATEGIST
0.2%

1
BRAND
0.2%

STRATEGIC

51
CRYPTO STRATEGIST
8.0%

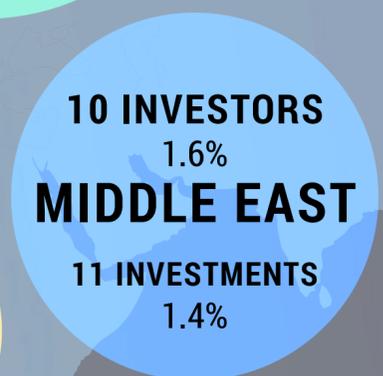
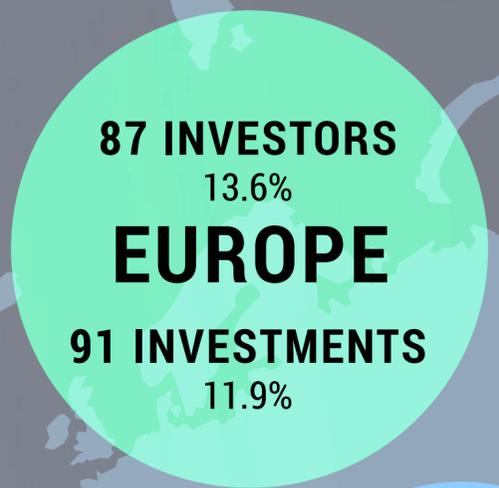
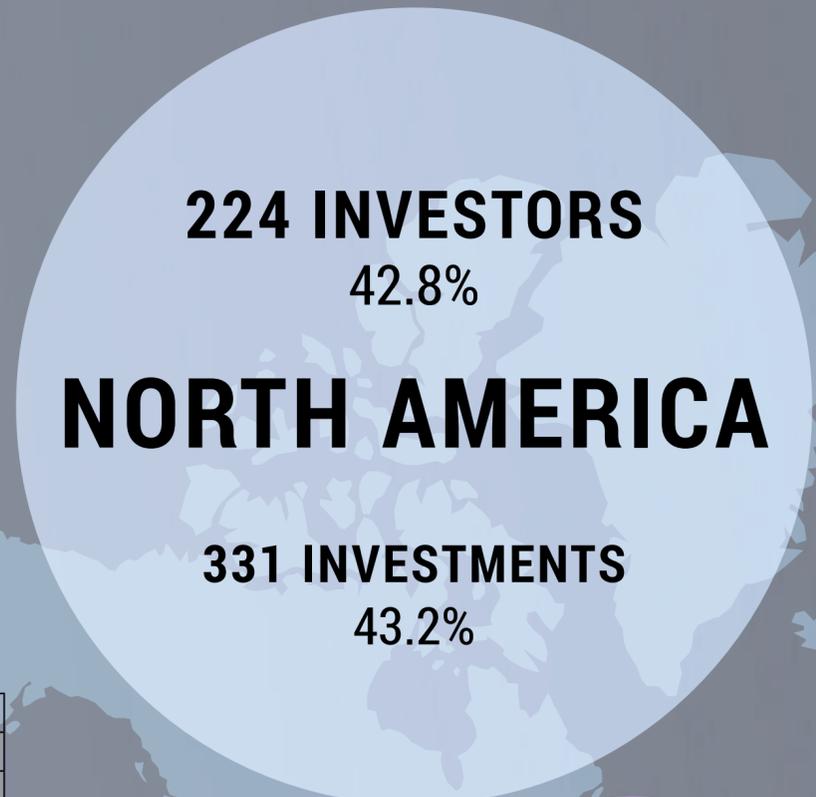
7
BLOCKCHAIN
1.1%

69
CRYPTO VC
10.8%

INSTITUTIONAL

10
DAO
1.6%

FUELARTS • GEOGRAPHICAL SPREAD



REGION	INVESTORS	% INVS	INVESTMENTS	% INVS
North America	274	42.8	331	43.2
Undisclosed / Decentral	162	25.3	197	25.7
Asia & Oceania	90	14.1	116	15.1
Europe	87	13.6	91	11.9
Offshore Tax Heavens	11	1.7	14	1.8
Middle East	10	1.6	11	1.4
South America	5	0.8	5	0.7
Africa	1	0.2	1	0.1

Nº	COUNTRY	INVESTORS	% INVS	INVESTMENTS	% INST
1	USA	267	41.7	321	41.9
2	Undisclosed / Decentral	162	25.3	197	25.7
3	UK	27	4.2	31	4
4	Singapore	18	2.8	24	3.1
5	Hong Kong (China)	16	2.5	28	3.7
6	France	14	2.2	14	1.8
7	Germany	14	2.2	14	1.8
8	South Korea	13	2	16	2.1
9	India	12	1.9	15	2
10	China (Mainland)	11	1.7	12	1.6
11	Cayman Islands	7	1.1	10	1.3
12	Spain	7	1.1	7	0.9
13	Canada	6	0.9	8	1
14	Japan	6	0.9	6	0.8
15	UAE	6	0.9	7	0.9
16	The Netherlands	5	0.8	5	0.7
17	Australia	4	0.6	4	0.5
18	Philippines	4	0.6	5	0.7
19	Switzerland	4	0.6	4	0.5
20	Belgium	3	0.5	3	0.4



FUELA R T S ● INVESTMENTS BY STAGES

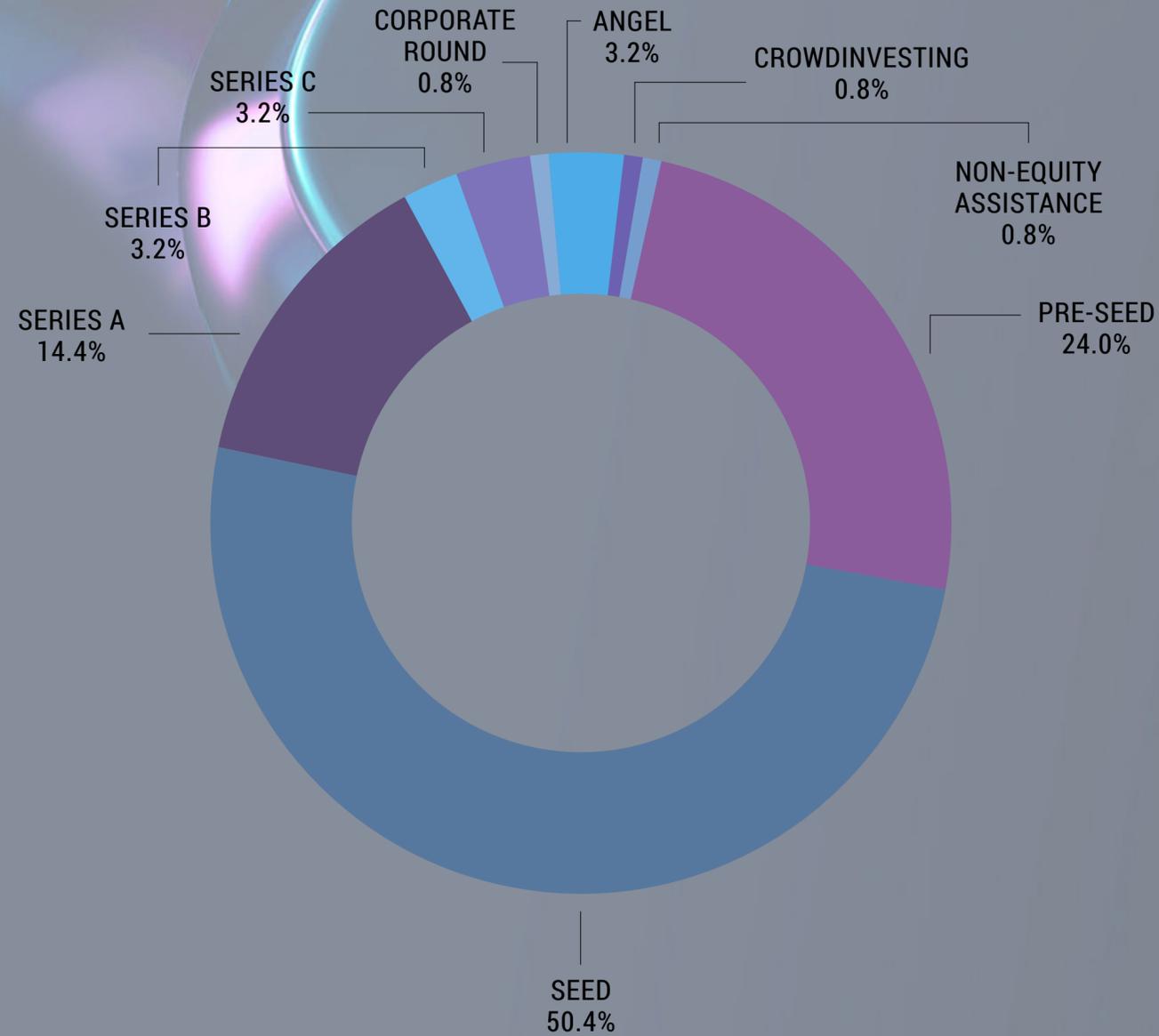
- In H1 2022 the largest number of startups in the Art+Tech ecosystem were at **Seed** stage (62 companies). They were followed by 30 startups in **Pre-Seed** stage and 18 startups in **Series A**.
- In terms of funding, **Series C** startups were the leaders, with a cumulative investment of \$894 million, followed by early-stage **Seed** startups (\$770 million).
- The highest cumulative total investment (the sum of all funding rounds) is retained by **Series C** startups – \$1.442 billion. In other words, in H1 2022 **Series C** startups received 62% of their total funding.
- The ratio of median fundings between **Seed** and upper rounds increases proportionally, keeping the ratio 1:2-1:5. At the same time, the ratio between **Pre-Seed** and **Seed** rounds has the 1:18 figure. This is due to the trend that we saw in 2021 and even more pronounced with the beginning of 2022: to quickly capture the hot market, investors are ready to invest much larger amounts in the Seed stage. At the same time (which is confirmed by our spot studies), this shows that startups have learned to spend the first money received (Angel and Pre-Seed) much more efficiently, creating ready-to-work MVPs. This, in turn, shows investors that in the next round they can invest much larger amounts with high reliability.
- 11% of startups do not disclose information regarding their funding. The most ‘undisclosed’ stage is **Pre-Seed** – 77% of market visibility.

ART+TECH & NFT STARTUPS BY INVESTMENT STAGE IN H1 2022

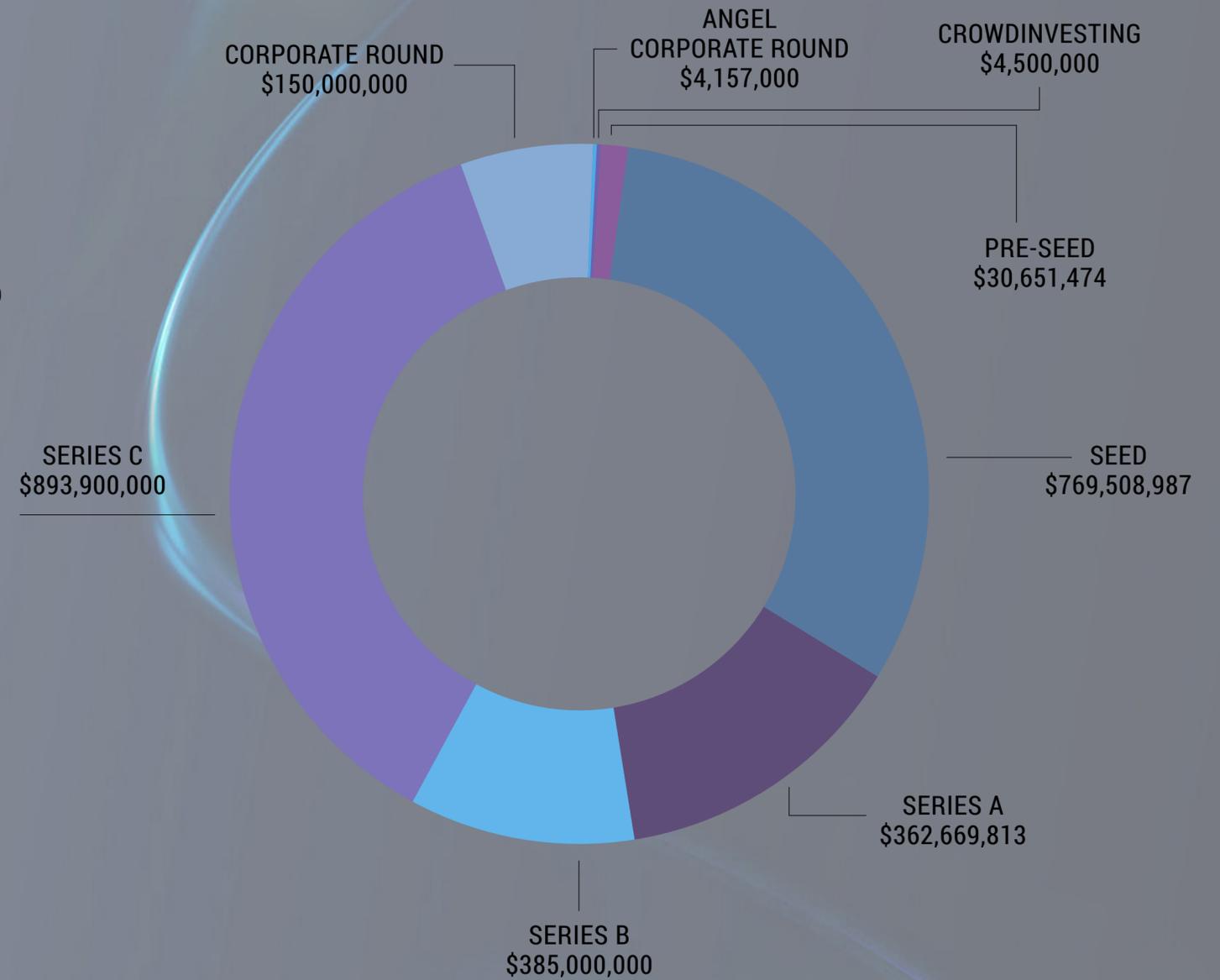
INVESTMENT STAGE	STARTUPS	H1 2022 FUNDING	TOTAL FUNDING	AVERAGE FUNDING	MEDIAN FUNDING	MARKET VISIBILITY, %
ANGEL	4	\$4,157,000	\$52,236,842	\$842,530	\$468,259	94
CROWDINVESTING	1	\$4,500,000	\$17,500,000	\$4,500,000	\$4,500,000	100
NON-EQUITY ASSISTANCE	1	–	–	–	–	0
PRE-SEED	30	\$30,651,474	\$31,226,476	\$1,332,673	\$250,000	77
SEED	62	\$769,508,987	\$776,342,639	\$13,042,525	\$4,500,000	95
SERIES A	18	\$362,669,813	\$363,603,960	\$21,333,518	\$10,000,000	94
SERIES B	4	\$385,000,000	\$461,560,094	\$96,250,000	\$50,000,000	100
SERIES C	4	\$893,900,000	\$1,441,718,975	\$223,475,000	\$250,000,000	100
CORPORATE ROUND	1	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000	100

FUELARTS ● INVESTMENTS BY STAGES

ART+TECH & NFT STARTUPS STAGE (VOLUME)

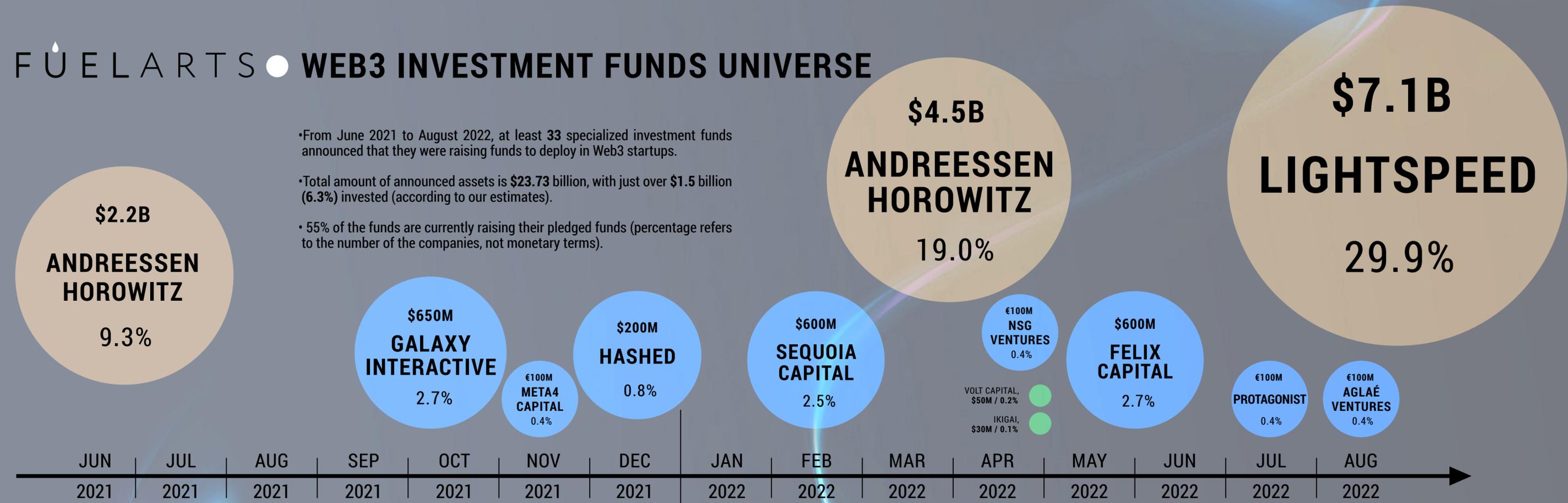


ART+TECH & NFT STARTUPS STAGE (INVESTMENT)

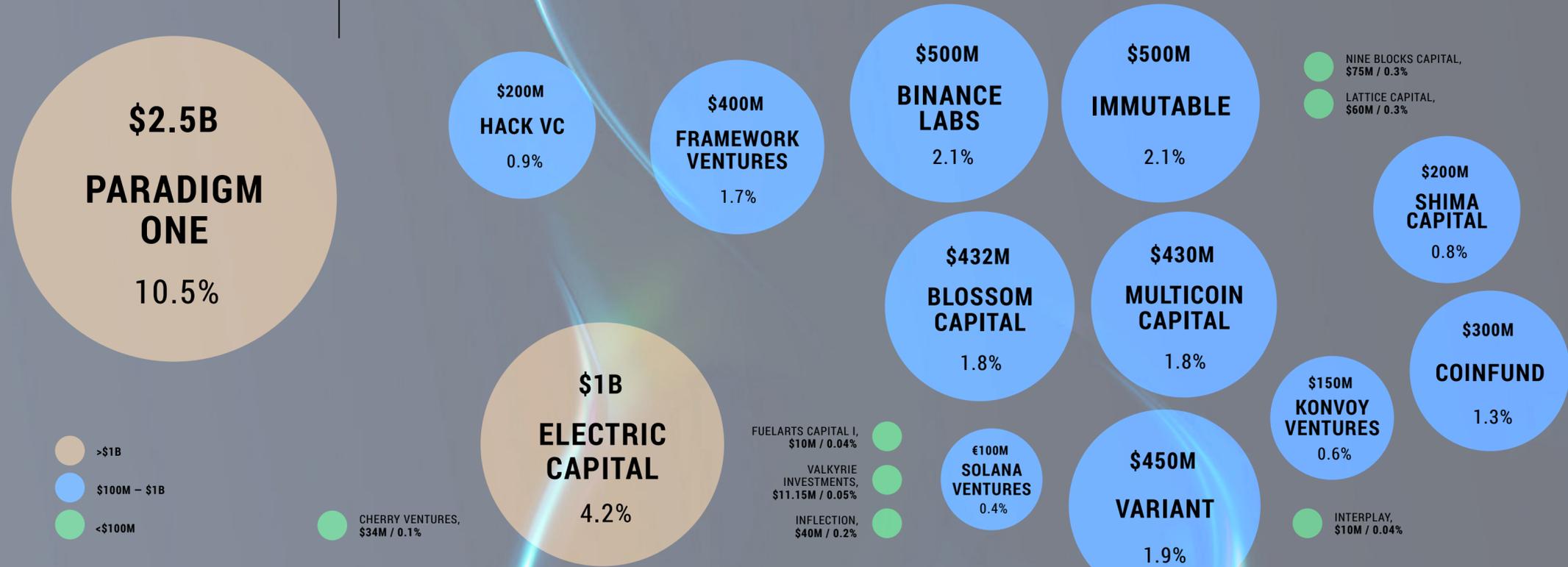


FUELARTS • WEB3 INVESTMENT FUNDS UNIVERSE

- From June 2021 to August 2022, at least **33** specialized investment funds announced that they were raising funds to deploy in Web3 startups.
- Total amount of announced assets is **\$23.73** billion, with just over **\$1.5** billion (**6.3%**) invested (according to our estimates).
- 55% of the funds are currently raising their pledged funds (percentage refers to the number of the companies, not monetary terms).



FUND / GP	TOTAL AMOUNT RAISED	MARKET SHARE, %
Lightspeed	\$7,100,000,000	29.9
Andreessen Horowitz	\$4,500,000,000	19.0
Paradigm One	\$2,500,000,000	11.1
Andreessen Horowitz	\$2,200,000,000	9.3
Electric Capital	\$1,000,000,000	4.2
Galaxy Interactive	\$650,000,000	2.7
Sequoia Capital	\$600,000,000	2.5
Felix Capital	\$600,000,000	2.5
Binance Labs	\$500,000,000	2.1
Immutable	\$500,000,000	2.1
Variant	\$450,000,000	1.9
Blossom Capital	\$432,000,000	1.8
Multicoïn Capital	\$430,000,000	1.8
Framework Ventures	\$400,000,000	1.7
CoinFund	\$300,000,000	1.3
Hashed	\$200,000,000	0.8
Hack VC	\$200,000,000	0.8
Shima Capital	\$200,000,000	0.8
Konvoy Ventures	\$150,000,000	0.6
Meta4 Capital	\$100,000,000	0.4
NGC Ventures	\$100,000,000	0.4
Solana Ventures	\$100,000,000	0.4
Protagonist	\$100,000,000	0.4
Aglaé Ventures	\$100,000,000	0.4
Nine Blocks Capital	\$75,000,000	0.3
Lattice Capital	\$60,000,000	0.3
Volt Capital	\$50,000,000	0.2
Inflection	\$40,000,000	0.2
Cherry Ventures	\$34,000,000	0.1
Ikigai	\$30,000,000	0.1
Valkyrie Investments	\$11,150,000	0.05
Interplay	\$10,000,000	0.04
Fuelarts Capital I	\$10,000,000	0.04



FUELARTS ● CASE STUDY #2

How did you get interested in cryptocurrency and Web3 space?

I was CEO of Brazilian renewables firm back in 2012. During that time, I was using bitcoin to send money home to Canada to pay my bills. My first company in crypto was Coinverse, which offered consumer and merchant solutions for Brazilians to transact in Bitcoin. I sold Coinverse just before Ethereum crowdfund and put that money into Ethereum crowdfund.

Taking your prior experience of a Principal and Venture Partner at Polychain, what would you say are the main success factors for investors in Web3?

It is important to invest in things that are necessarily Web3 native – tools, services, protocols, infrastructure that make up decentralized stack that we know as Web3. The idea of bringing the old-world things into Web3 is far less compelling investment thesis than things that are necessarily Web3 native.

There was this prevailing idea that value accrued down the stack to the protocol layer. I think at this point in the maturity of Web3 we have more of the self-referential cycle where apps being built on top of Web3 protocols are becoming just as valuable if not more valuable than protocols themselves. We can see this with a lot of DeFi apps that have reached very significant valuations

(Uniswap, OpenSea). What we are seeing is this maturation process of Web3 and it is opening the door for more people to participate. The areas that I have found to be most compelling in recent years have been less about infrastructure and more about things that real world users find compelling beyond the speculative use case.

The most interesting investments are in non-speculative use cases – I thought play-to-earn gaming was a very compelling one. I also found NFT art extremely interesting because it provided artistic and financial freedom to artists, who for many generations didn't have that freedom and were subjects to patronage. Today they can have this freedom of being able to commercialize their digital art.

How do you think VCs look at the ecosystem of NFT startups today? Why after 2021, which was ultra-successful year for NFT market, investors keep a strong interest towards NFT startups?

When we look at what happened with NFT valuations in comparison to crypto currency valuations – we note that they have stayed very strong. We are earlier on in the trajectory of NFTs that we have been in crypto currency (broadly crypto assets) because of that we are still very much in the infrastructure building stage and NFTs. As a result, there is a lot of interest around core infrastructure that will allow

people to lend, rent, and get debt on top of NFTs. There are so many components of this infrastructure set that need to be built – I see obvious opportunities here independent of market movements.

I think crypto native VCs will continue to pile money into NFT apps and infrastructure, even while traditional VCs will take a “wait and see” approach. They might take this approach because they look at this sphere as a whole – when NFTs should be looked at mutually exclusive from crypto currencies. Even within NFTs with the look of the taxonomy of the space one should decide very exclusively – because art is not the same as gaming assets and it is not the same as PFPs.

What is your take on NFT assets as a venture capitalist?

I look at NFTs as an important digital capital asset. Fine art, algorithmic art, PFP all represent different types of utility and are different types of capital asset. With fine art we should be able to get debt on that fine art. The PFPs (that seem to be more of a social club) is a fundamentally different asset, which I think will be part of gaming and art in the future.

I believe it is not about NFTs or DeFi – it is about where NFTs and DeFi crossover, that's where the magic happens.

You have an outstanding collection of

digital art, that includes works by Maxim Zhestkov, Federico Clapis, and Refik Anadol. How did you start collecting digital art and why?

I became very interested in how this space was emerging for a variety of use cases. Digital art is beautiful, complex, and fantastic. I find magnificent raw complexity of Maxim Zhestkov's works.

I have this thesis that I call the “proof of artwork”, where I think of value of the piece with respect of how much time, computation, artistic merit, and raw resources went into the piece. With Maxim Zhestkov, Refik Anadol and other technically complex digital artists, whose works I purchased – I had confidence that there is a base line floor of value because of how much work has gone into these pieces.

As things evolved my art collecting became more mission driven – now it is more about helping rewrite art canon to correctly include this class of digital artists. As I got more into the art world, I became very surprised with amount of rejection that digital artists face in traditional art. I think it is obvious that this generation of digital artists should be included and celebrated as a very legitimate part of art canon.



RYAN ZURRER

VC Investor,
Art Collector.
Founder & Director
at Dialectic AG
and Vine Ventures

FUELARTS ● CASE STUDY #2

We cannot miss a chance to ask you about the purchase of Beeple’s “Human One”. What makes this NFT piece so special to cost \$29 million? Why have you decided to buy it?

It is the only piece of art that I know that both baby boomers and generation Alpha can get excited about. I took my mother and my son to see “Human One” at Castello di Rivoli and it was the only piece of art in the entire exhibition that they both enjoyed.

Christie’s CEO Guillaume Cerutti described “Human One” as the most important piece of art that we have seen in the last 20 years. I agree with him, and I can’t think of a 21st century piece of art that is as generationally important.

Also, this was an investment in my relationship with Mike Winkelmann. It was more like venture capitalist making a bet on a founder or in this case an artist. I am sure it is going to be a great index piece for Mike’s career – so I am more making an investment because I think that Mike will become broadly known as Warhol of our generation. I think within our generation we will see digital art become a more prominent component of art broadly.

What is missing in the ecosystem of NFT startups today? Where can one find untapped opportunities?

I think startups will see a lot of experimentation around using the NFTs as capital assets for loaning and yielding, using them as a collateral for DeFi. I am personally very excited about the crossover of NFTs and DeFi. I think there

should be a lot more experimentation in that area.

I think another important aspect is display of NFTs – whether on iPhone display or digital display of walls. I think we need to improve display of digital art quite substantially.

Being in a bear market these days, we are especially curious to hear – what is your perspective on the future of NFT market?

I would like to think that we have not seen the winner emerge in NFT marketplaces and that we will see many more experiments that will capture market share relatively swiftly. I think NFT marketplaces should have substantially better tooling, spam protection and display functions. I think there are a lot of opportunities for someone new to emerge.

What would be your main tips and recommendations for startups and investors in Web3 space?

1. I would highlight that both investors and startups should lean to what crypto native requires. I would recommend leaning into tools and use cases that people who are already crypto native will use.

2. Building in a competitive environment for something that is happening today is probably not as interesting as looking forward and building something innovative in new fields.

3. The last one is to filter the signal from the noise. I would recommend betting on the communities that are legitimate, organic, and real and not to worry about short term cycles and hype.

FUELARTS

2

ECOSYSTEM

FUELAARTS ● KEY NUMBERS

H1 2022 has added **99** new startups (+14%) to the ecosystem of **702** Art+Tech & NFT startups that received funding in 2021.

In total, 123 startups received funding in H1 2022, 25 of which were already identified by us in 2021. The percentage of startups that received funding in the last 6 months amounted to 15.2%.

The percentage of startups that also received funding earlier, until 2022, was only **3.6%**.

Only **5** startups that received funding both in H1 2022 and before 2022 represent the physical market (**20%**), and the remaining **20** startups (**80%**) represent Digital Art and NFT sector.

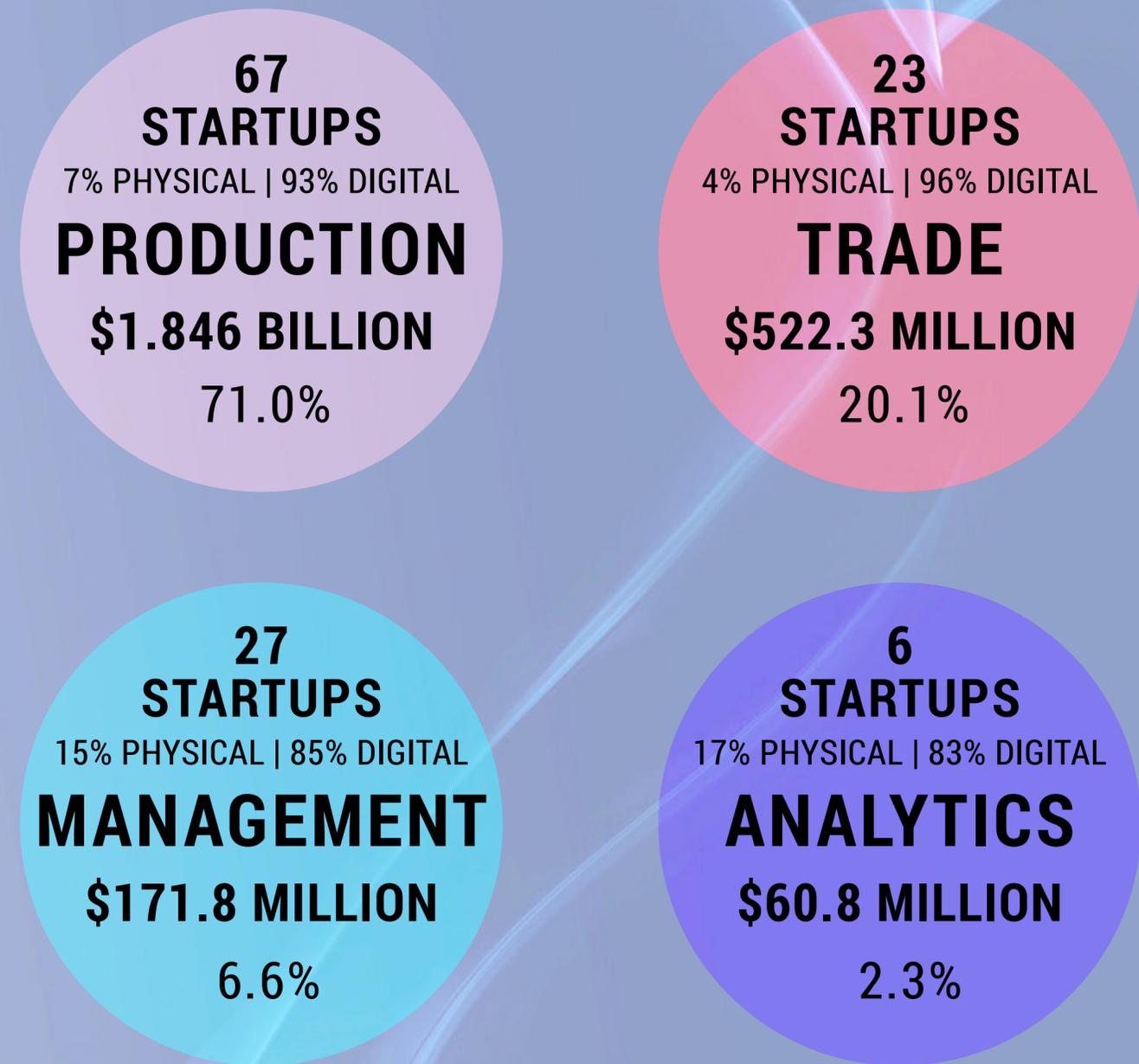
Today the Art+Tech & NFT ecosystem is represented by 801 startups:

- **326** (41%) represent 'Traditional' (Non-Digital) Art+Tech market
- **475** (59%) represent Digital & NFT Art+Tech market

In H1 2022, **123** Art+Tech startups received **\$2.600 billion** in total funding in following sectors:

- **Production** (R&D, Gamification): **\$1.85 billion** (71.0%) (Before 2022 – \$1.21 billion, 33.6%)
- **Trade**: **\$522.3 million** (20.1%) (Before 2022 - \$2.16 billion, 60.3%)
- **Management**: **\$171.8 million** (6.6%) (Before 2022 - \$177.5 million, 5.0%)
- **Analytics**: **\$60.8 million** (2.3%) (Before 2022 - \$38.1 million, 1.1%)

ART+TECH STARTUPS VALUE CHAIN



FUELARTS ● STARTUP UNIVERSE

Content Creation, Search & Marketing, Online Education, Social Networks, AI / ML

**42
STARTUPS**

14% PHYSICAL | 86% DIGITAL

R&D

34.1%

Marketplaces, Payment Systems, Exchanges, Wallets

**25
STARTUPS**

100% DIGITAL

GAMEFI

20.3%

Online Art Games, Blockchain Art Games

Databases, Provenance Trackers, Indices, Prediction Services

**6
STARTUPS**
17% PHYSICAL | 83% DIGITAL
ANALYTICS

4.9%

Collection Management, Copyright Management, Logistics & Storing, Expertise & Appraisal, DAOs

**23
STARTUPS**

5% PHYSICAL | 95% DIGITAL

TRADE

18.7%

**27
STARTUPS**
15% PHYSICAL | 85% DIGITAL
MANAGEMENT

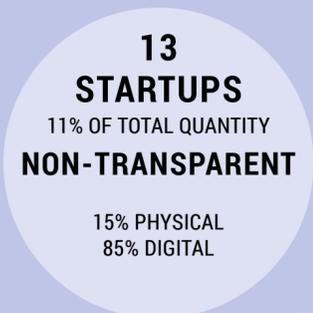
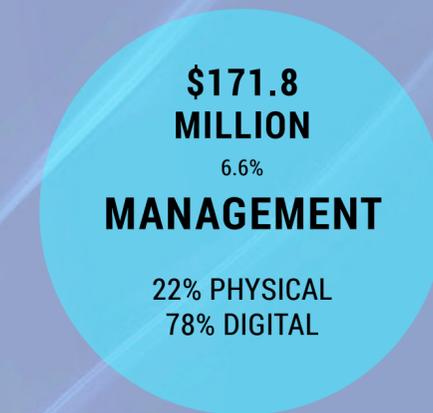
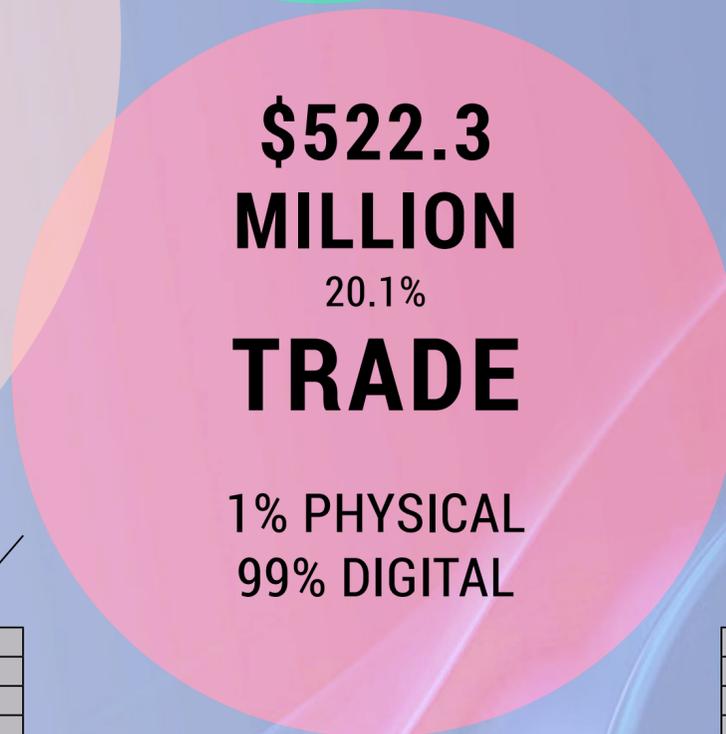
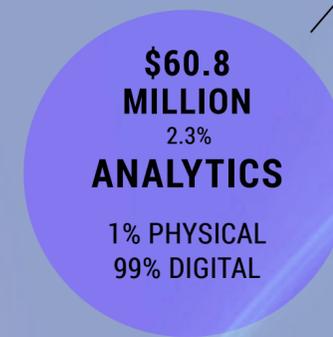
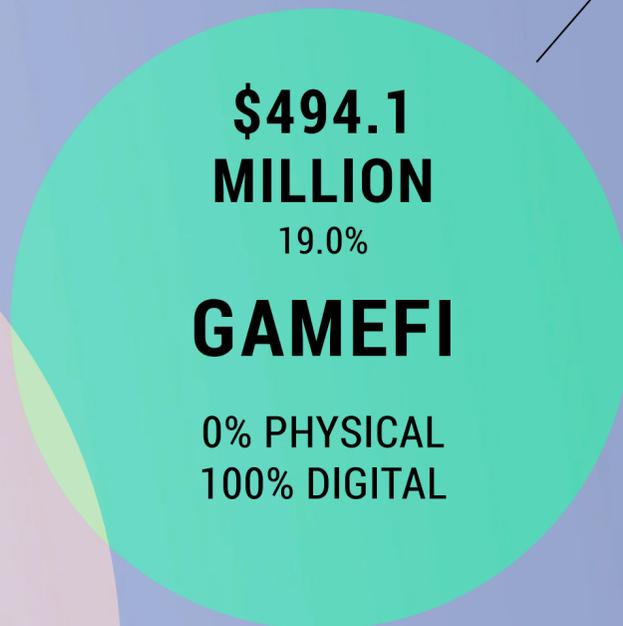
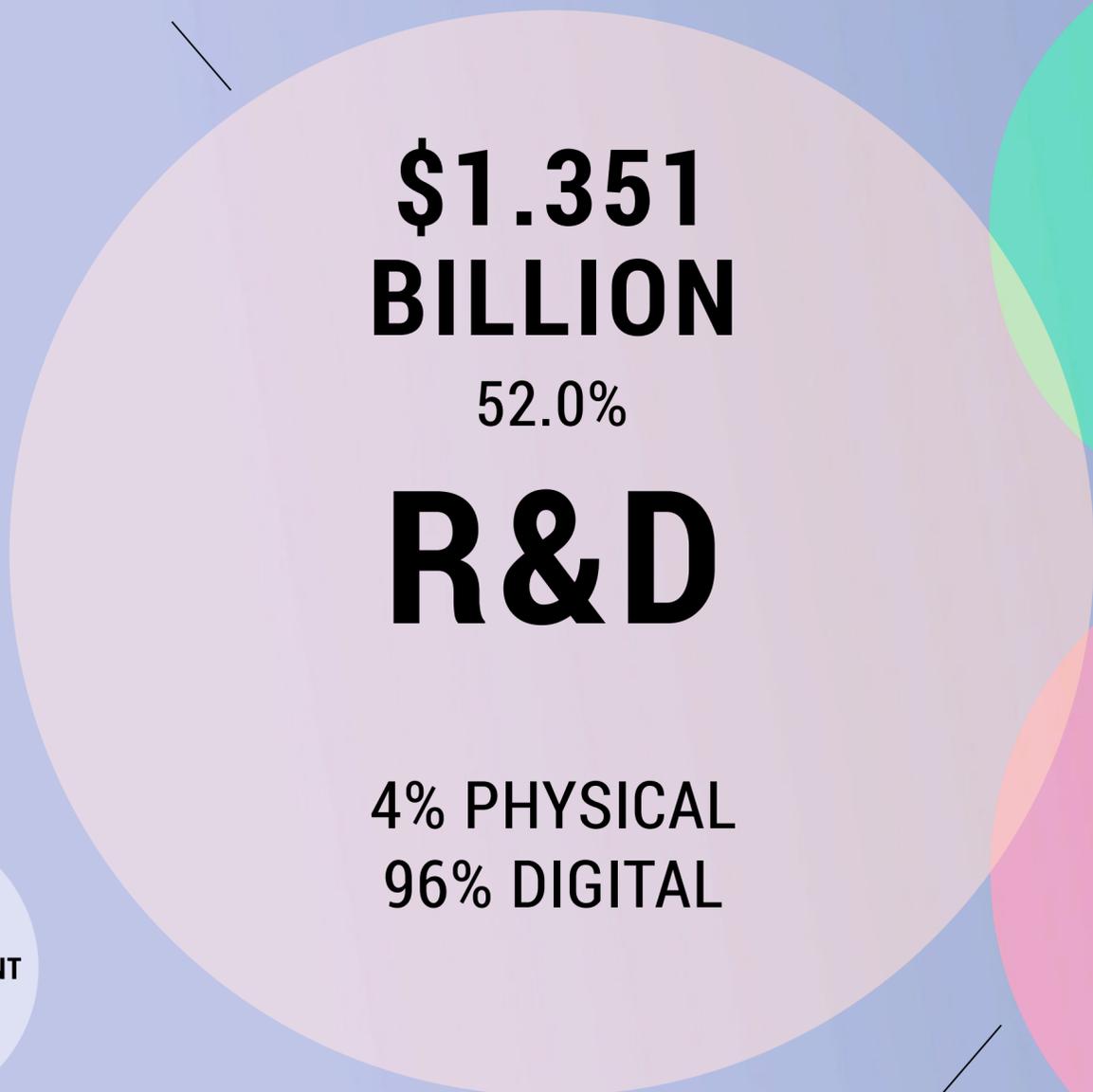
22.0%

FUELARTS ● INVESTMENTS BY SEGMENTS

RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	YUGA LABS	2021	USA	\$450,000,000	\$450,000,000
2	IMMUTABLE	2018	Australia	\$200,000,000	\$279,798,976
3	AUTOGRAPH	2021	USA	\$170,000,000	\$205,000,000
4	IMPROBABLE	2012	United	\$150,000,000	\$604,094,860
5	LAYERZERO LABS	2021	Canada	\$135,000,000	\$143,300,000

RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	ANIMOCA BRANDS	2014	Hong Kong	\$358,900,000	\$675,300,000
2	IRREVERENT LABS	2021	USA	\$40,000,000	\$45,000,000
3	APEIRON	2021	Singapore	\$17,500,000	\$17,500,000
4	POLEMOS	2021	Singapore	\$14,000,000	\$16,000,000
5	BANGER	2019	Spain	\$11,300,000	\$11,622,825

RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	COIN METRICS	2017	USA	\$35,000,000	\$59,399,999
2	FLOOR	2021	USA	\$8,000,000	\$8,000,000
3	NFTGO	2021	Singapore	\$6,750,000	\$6,750,000
4	FLIP	2021	USA	\$6,500,000	\$6,500,000
5	ORIGINS ANALYTICS	2021	Decentral	\$4,000,000	\$4,000,000



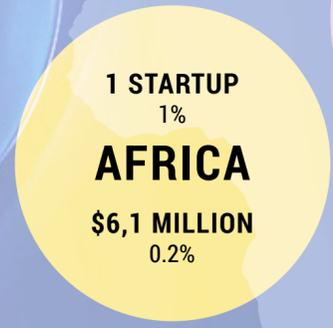
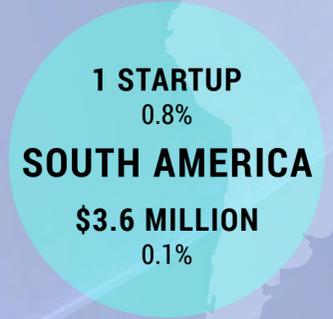
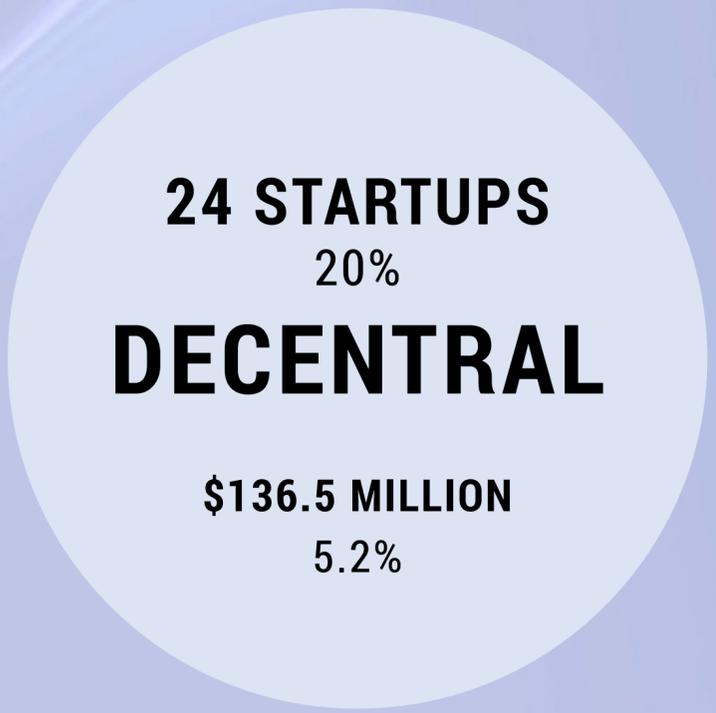
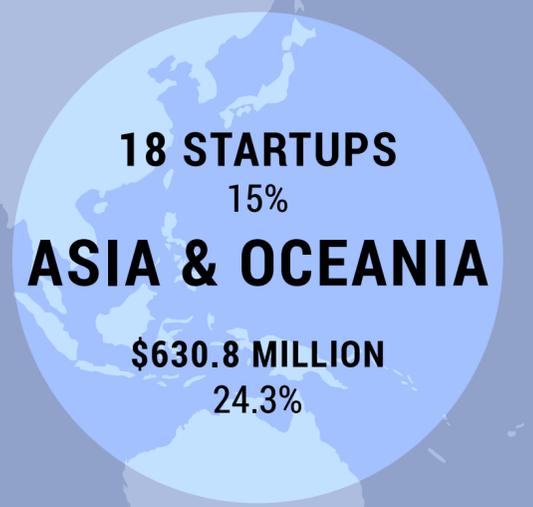
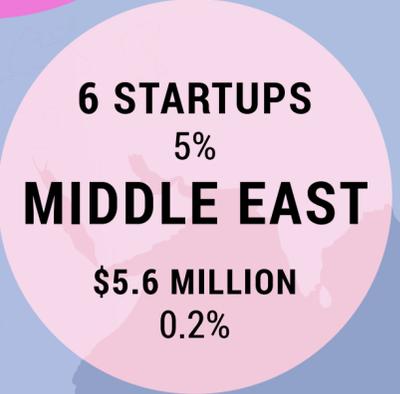
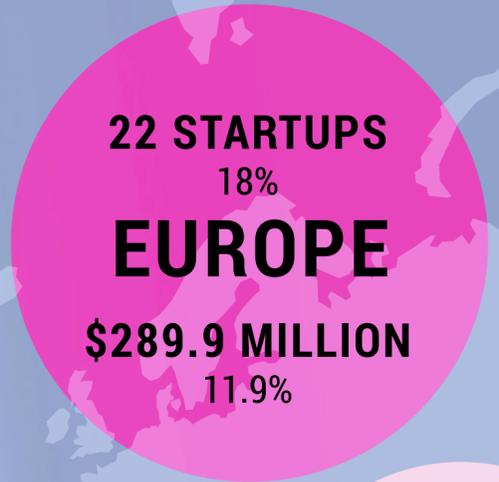
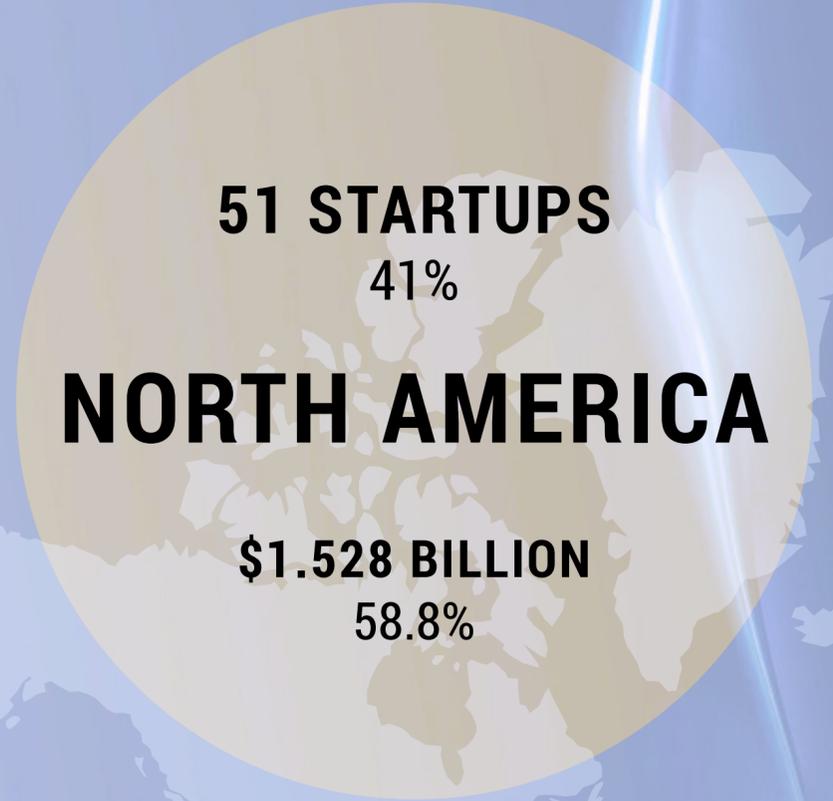
RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	OPENSEA	2017	USA	\$427,220,000	\$427,220,000
2	MAGIC EDEN	2021	USA	\$157,000,000	\$159,500,000
3	BLUR	2022	Decentral	\$11,000,000	\$11,000,000
4	LACOLLECTION	2021	France	\$9,977,420	\$10,377,420
5	QUANTUM ART	2019	USA	\$7,500,000	\$8,500,000

RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	BOBA NETWORK	2018	USA	\$45,000,000	\$45,000,000
2	CONVELIO	2017	France	\$35,000,000	\$47,060,094
3	VENLY	2018	Belgium	\$22,840,660	\$24,685,283
4	DFNS	2020	France	\$13,500,000	\$14,592,408
5	RARIFY	2021	Decentral	\$10,000,000	\$12,000,000

FUELARTS • GEOGRAPHICAL SPREAD

Nº	COUNTRY	STARTUPS	FUNDING	% OF TOTAL
1	USA	47	\$1,391,406,498	53.5
2	Hong Kong (China)	2	\$363,100,000	14.0
3	Australia	2	\$200,032,000	7.7
4	United Kingdom	6	\$157,489,838	6.1
5	Decentral	24	\$136,459,192	5.2
6	Canada	3	\$136,287,000	5.2
7	France	5	\$62,477,420	2.4
8	Singapore	6	\$52,250,000	2.0
9	Spain	3	\$23,191,789	0.9
10	Belgium	1	\$22,840,660	0.9
11	The Netherlands	3	\$10,500,000	0.4
12	Indonesia	3	\$9,615,238	0.4
13	Ireland	1	\$8,000,000	0.3
14	Cote d'Ivoire	1	\$6,137,639	0.2
15	South Korea	2	\$5,750,000	0.2
16	UAE	4	\$5,550,000	0.2
17	Lithuania	1	\$3,800,000	0.1
18	Nicaragua	1	\$3,600,000	0.1
19	Germany	1	\$1,700,000	0.1
20	Mexico	1	\$135,000	0.1

REGION	STARTUPS	FUNDING	AVG FUNDING	% OF TOTAL FUNDING
North America	51	\$1,527,828,498	\$29,957,422	58.8
Asia & Oceania	18	\$630,797,238	\$35,044,291	24.3
Europe	22	\$289,999,707	\$13,181,805	11.2
Decentral	24	\$136,459,192	\$5,685,800	5.2
Africa	1	\$6,137,639	\$6,137,639	0.2
Middle East	6	\$5,565,000	\$927,500	0.2
South America	1	\$3,600,000	\$3,600,000	0.1



FUELAARTS ● H1 2022 IN REVIEW

- In H1 2022, **123** Art+Tech startups received funding: **12** startups in «physical» Art Market and **111** companies in Digital Art Market & NFT.
- The total funding for **123** Art+Tech startups amounted to **\$2.600** billion in H1 2022, which compound to **67.5%** of the total funding received by these startups since their launch.
- Startups in the «physical» Art Market received **\$99.2** million (**3.8%** from the total funding), while startups, developing the Digital Art Market and NFT – **\$2.501** billion (**96.2%**).
- In Digital Art Market segment, R&D (content production) startups received the highest number of investments in H1 2022, that amounted to **\$1.297** billion for **36** companies. Startups in Trade received **\$516.2** million for **22** companies. Less investments received GameFi (**\$494.1** million, **25** companies), asset management (**\$133.6** million, **23** companies) and data analytics startups (**\$60.3** million, **5** companies).
- Visualization startups (AR, VR, MR, online showrooms etc.) were left behind investors' attention in H1 2022 in both 'Physical' and Digital parts of the Art+Tech & NFT market.
- Among the countries with incorporation of Art+Tech & NFT startups (that received investments in H1 2022), the United States leads with **47** companies. Second place take Decentral startups (**24** companies), while Singapore and United Kingdom share third place (**6** companies each).
- Art+Tech & NFT startups, founded in 2022, received a total funding of **\$63.7** million, which amounted to **2.45%** of the H1 2022 funding of all companies in this sector created in different years.
- Art+Tech & NFT startups that received highest investments in H1 2022 are in Series C (**4** companies, **\$893.9** million), followed by **62** companies in Seed stage (**\$769.5** million) and **4** companies in Series B (**\$385.0** million).
- Startups with highest total funding are in Series C (**4** companies, **\$1.44** billion), Seed stage (**62** companies, **\$776.3** million) and Corporate Round (**1** company, **\$754.1** million).
- **13** companies from the Art+Tech & NFT Market, which received funding in H1 2022, do not disclose any information regarding their financial sources. Thus, the investment «transparency» of this market is **89%**.

MARKET	FUNDING IN H1 2022	MARKET %	STARTUPS	INVESTMENTS MADE	TOTAL FUNDING, ALL YEARS	% OF FUNDING IN H1 2022	TRANSPARENCY, %	FUNDING RECEIVED BY STARTUPS (FOUNDED IN 2022), US\$	STARTUPS, FOUNDED IN 2022, %
Total	\$2,600,387,274	100	122	766	\$3,850,204,004	67.5	89	\$63,693,917	2.45
Physical	\$99,226,639	3.8	12	39	\$114,542,652	86.6	83	–	–
Digital	\$2,501,160,635	96.2	111	727	\$3,735,661,352	66.9	91	\$63,693,917	2.55

FUELA R T S ● H1 2022 IN REVIEW

TOP 15 ART+TECH & NFT STARTUPS BY INVESTMENT AMOUNT RECEIVED IN H1 2022

RANK	STARTUP	MARKET	SEGMENT	COUNTRY	FOUNDING YEAR	INVESTMENTS IN H1 2022	TOTAL INVESTMENTS	STAGE
1	Yuga Labs	Digital	R&D	USA	2021	\$450,000,000	\$450,000,000	Seed
2	Improbable	Digital	R&D	United Kingdom	2012	\$150,000,000	\$754,094,860	Corporate Round
3	Animoca Brands	Digital	GameFi	Hong Kong	2014	\$358,900,000	\$675,300,000	Series C
4	OpenSea	Digital	Trade	USA	2017	\$300,000,000	\$427,220,000	Series C
5	Immutable	Digital	R&D	Australia	2018	\$200,000,000	\$279,798,976	Series C
6	Autograph	Digital	R&D	USA	2021	\$170,000,000	\$205,000,000	Series B
7	Magic Eden	Digital	Trade	USA	2021	\$157,000,000	\$159,500,000	Series B
8	LayerZero Labs	Digital	R&D	Canada	2021	\$135,000,000	\$143,300,000	Series A
9	Coin Metrics	Digital	Data	USA	2017	\$35,000,000	\$59,399,999	Series C
10	Studio	Physical	R&D	USA	2017	\$50,000,000	\$50,000,000	Series B
11	Convelio	Physical	Management	France	2017	\$35,000,000	\$47,060,094	Series B
12	Boba Network	Digital	Management	USA	2018	\$45,000,000	\$45,000,000	Series A
13	Irreverent Labs	Digital	GameFi	USA	2021	\$40,000,000	\$45,000,000	Series A
14	Co-Create	Digital	R&D	Decentral	2017	\$25,000,000	\$25,000,000	Seed
15	Venly	Digital	Management	Belgium	2018	\$22,840,660	\$24,685,283	Series A

FUELARTS ● CASE STUDY #3

All successful NFT marketplaces differentiate themselves by offering unique features including drops, independent minting, exclusive works, or opportunity to become a co-author of NFT piece. Why did Art Blocks choose Generative Art as its unique offering?

That's an interesting approach to ask about the origins of Art Blocks that I haven't heard before! I'll start by saying that Art Blocks wasn't founded as a company looking for an angle to enter the NFT market. Art Blocks started as a hobby and personal project of our founder, Erick Calderon. Erick has a long-standing passion for generative art and he had a vision that blockchain technology might be a game changer in terms of providing a fair distribution system for outputs as well as establishing indisputable provenance and ownership rights for digital assets.

The generative minting idea was born out of a desire to create a system of fair distribution and a higher level of trust for artists. With Art Blocks' generative minting, artists don't get to hand select the works they want to sell, they have to put full trust in the algorithm to produce works they will be proud of. Similarly, customers don't get to cherry-pick from the generative outputs. The artist and

minted discover the art at the same time when it is minted.

Our focus is to provide a platform that provides access to high-quality art and the best generative artists in the world. Mints come in sets of a few hundred at a time, but we deploy multiple projects a week to give access to as many people and artists as possible. Anyone can join the Art Blocks discord channel to participate in ongoing conversations around our mints and communities, even if they aren't an Art Blocks NFT holder. When Art Blocks started, no one knew it would develop the reach, and amazing community of supporters it does today.

Art Blocks was launched in November 2020, when other curated marketplaces (SuperRare, NiftyGateway, KnownOrigin) already existed. How challenging was it to start working on a startup with strong competitors on the market? Have you learnt from strengths or mistakes of your competitors?

We're still very early in the evolution of the NFTs and the industries that are being built around that technology. Our focus has been to provide a platform that puts out high-quality curated art both for collectors and for artists.

What key moments would you highlight in early stages of Art Blocks; development? What can young startups learn from Art Blocks' example?

There's no doubt that last August 2021 was a watershed moment for Art Blocks. We did nearly \$600 million in sales that month, driven by a frenzy in the secondary sales market. That level of demand was a mirage, however, and we knew it wasn't sustainable. You don't need to be in crypto long to understand that large chunks of liquidity come and go looking for the next speculative opportunity. We've seen this with countless projects over the past few years and while Art Blocks was thrilled to see this spike, our team knew it was just a single highlight in the long-term plan for the company.

For me, the takeaway is not to over-index your business strategy on early successes (or failures) – they can be mirages.

In August 2021 Art Blocks' sales volume amounted to \$627 million (184 million ETH), which was 20 times more than sales volume of your competitors. What would say are the main success factors for the Art Blocks? Why did it work?

You did your research and know the exact number from last August! We had a vision

and enough foresight to build a platform, but really we were just in the right place at the right time. Other than having an early vision and doing a great job getting the platform started, I don't think we can take credit for the success of August 2021. In fact, the number of NFT platforms outperformed during that time.

Please tell us more about your work with the crypto community. Does the digital marketplace have to take interests of the crypto community into account? Or should it rather stay to its line determined by founders or curators? What have you learned from your customers/collectors in the last year?

Any business that hopes to be successful needs to listen to its customers; we're no different. Community is paramount to Art Blocks and we do our best to stay in touch with the crypto community, in general, through social media, conferences, and crypto events. We also have an active and vibrant relationship with our community through Art Blocks Discord. All of our employees are in our Discord and active community members often challenge us on our product decisions. We do our best to stay open to ideas and constructive criticism while also maintaining a focus on our long-term strategies that community members may not know about.



HUGH HESLEP

COO of Art Blocks

FUEL ARTS ● CASE STUDY #3

As someone who is responsible for strategic development at Art Blocks, what is your take on long-term planning in Web3? How can companies have long-term planning, when we are essentially seeing a birth of a new market? How does strategic planning in Web3 differ from the “physical” market?

Strategic planning is simply a process for goal setting and resource allocation. In that sense, Web 3 is not different from any other industry. However, you’re right, this is a new market that is in constant flux. Additionally, much of the development on Web3 platforms is typically composable open-source software. This means that technology is often stacked like legos, one platform dependent on the underlying activity of another. This phenomenon can lead to dependencies on technology stacks that are developed by other companies and, inevitably, “rug pulls” when teams stop supporting their platforms. The takeaway here is to be prepared to adapt and course correct at any given moment.

How did the Bear Market influence Art Blocks in recent months?

The Bear Market actually provided a bit of a respite from the frenzy of 2021. Secondary sales volume is definitely subdued. We’ve taken the opportunity to focus on our development goals, put our heads down and build. We hope to reward our community members with more products and functionality as the NFT / generative art industry matures.

Could you please elaborate on a recent collaboration between Art Blocks and Pace Gallery?

Earlier this year Art Blocks teamed up with

Pace for a first-of-its-kind partnership that aims to bring generative art to life through in-person and digital programming around NFT releases, exhibitions at Pace’s locations, presentations at international art fairs, community programming and more.

Pace has been an incredible friend to Art Blocks through the early days and it is a huge honor to create this long-term collaboration with a top-tier gallery with an incredible roster of artists who inspire many of us at Art Blocks.

The goal behind this partnership is to release boundary-pushing generative NFT projects that further cements generative art and NFT’s place in the art community. Over the coming year, and beyond, Pace and Art Blocks will be releasing projects such as the first work in our collaboration – Petro National by John Gerrard.

Together with Pace our hope is to drive forward conversations around art and NFTs, bringing both communities into the fold to create a better future.

Where would you like to see Art Blocks in 5 years - in terms of its market niche and the values the company will espouse?

My hope is that Art Blocks will help facilitate a market for generative content at scale. We recently launched a new product offering, AB Engine, that is a way for established brands to create generative content and products for their communities. Our belief is that when people are presented with two equally priced options, they’re more likely to choose personalized objects over impersonal ones. Like Art Blocks, I believe

this offering will help brands build culture, community, and reinforce individual identity. I imagine, in 5-years, you’ll find Art Blocks facilitating generative projects for products in fashion, media, sports, and gaming.

What would be your top 3 recommendations for aspiring founders in Art+Tech NFT space?

First, I would say follow your passion. Right now, the NFT space is full of exciting opportunities and a buzz, but it’s not always going to be up. It’s important to be here for the right reasons and because you genuinely believe in the technology and future potential. Art Blocks has been successful because we all deeply believe in the power of generative art and that has driven us through the ups and downs to get where we are today.

Second, understand the ecosystem. This is a new industry but there are a lot of well-known individuals and companies in the space. Even if you are set on using a specific blockchain or following a certain path, it’s worth it to understand the larger landscape, the top players across the board, and what values they deliver. Ultimately you want to make sure the NFT platform you choose matches your personal goals and interests and there is a lot to learn from those who have done it before you.

Lastly, my biggest piece of advice is to be flexible and adapt. The business is changing so quickly that the best-laid plans often need to be thrown out and you have to start over. You have to be ok with that because it’s inevitable.

FUELARTS

3

**PHYSICAL ART+TECH
UNIVERSE**

FUELA RTS ● KEY NUMBERS

To the ecosystem of **319** startups that represent Physical (Non-Digital) Art+Tech market and had received funding by the end of 2021, H1 2022 added **7** new startups (+2.2%). Thus, today the Art+Tech & NFT ecosystem is represented by **326** startups.

In total, **12** startups received funding in H1 2022, **5** of them were identified by us earlier in 2021. The percentage of startups that received funding in the last 6 months amounted to **3.7%**.

Only **5** startups received funding both before 2022 and in H1 2022 (**1.5%** of the total number / **41.6%** of the H1 number).

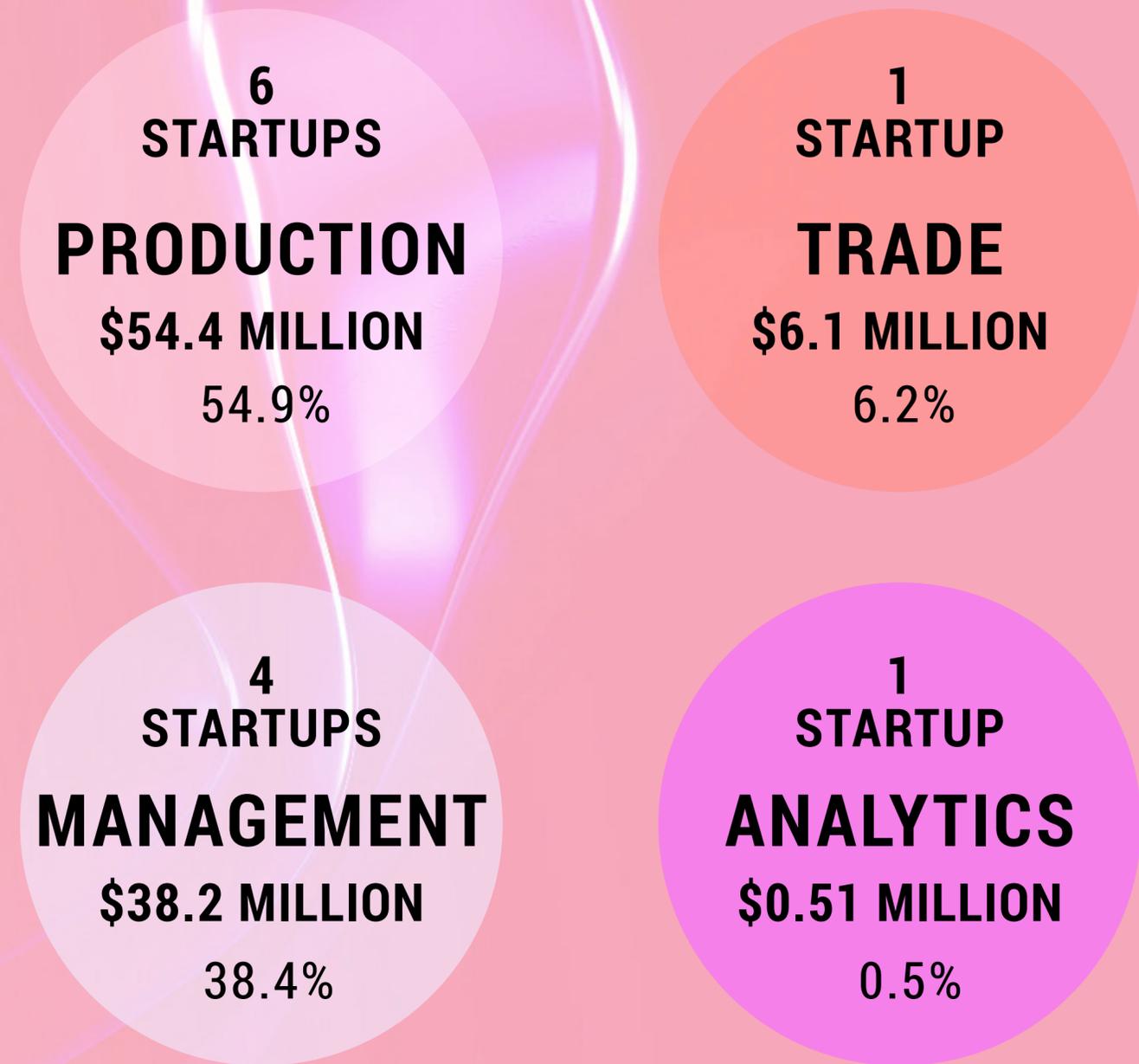
As of the number of founders in **12** Physical Art+Tech startups funded in H1 2022:

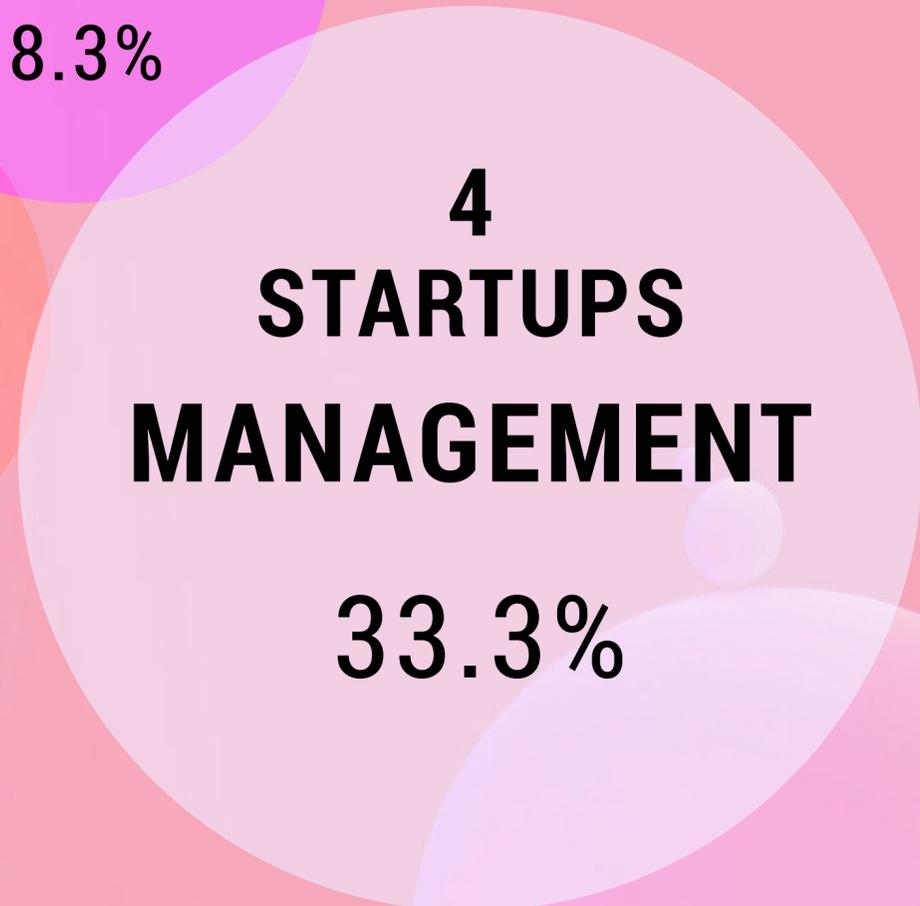
- **5** have two co-founders
- **3** have three co-founders
- **4** startups don't disclose information on this matter

In H1 2022, 12 Physical Art+Tech startups received \$1.806 billion in following sectors:

- **Production** (R&D only): **\$54.4** million (54.9%) (Before 2022 – \$685.5 million, 38.0%)
- **Trade**: **\$6.1** million (6.2%) (Before 2022 – \$1.09 billion, 60.3%)
- **Management**: **\$38.2** million (38.2%) (Before 2022 – \$29.6 million, 1.6%)
- **Analytics**: **\$0.51** million (0.5%) (Before 2022 – \$1.2 million, 0.1%)

PHYSICAL ART+TECH STARTUPS VALUE CHAIN





FUELARTS ● INVESTMENTS BY SEGMENTS

RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	STUDIO	2017	USA	\$50,000,000	\$50,000,000
2	LAGO	2021	USA	\$4,200,000	\$4,200,000
3	ANIME UNIVERSE	2013	Canada	\$187,000	\$187,000
4	ARTMEET	2021	Malaysia	\$40,000	\$40,000

RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	ARTBNK	2016	USA	\$512,000	\$512,000

RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	CONVELIO	2017	France	\$35,000,000	\$47,060,094
2	CONSERV	2018	USA	\$3,000,000	\$4,040,000
3	CONSIGNA	2021	Mexico	\$135,000	\$135,000
4	KLORAH	2021	USA	\$15,000	\$15,000

**\$54.4
MILLION
R&D
54.9%**

**\$0.51
MILLION
ANALYTICS
0.5%**

**\$6.1
MILLION
TRADE
6.2%**

**\$38.2
MILLION
MANAGEMENT
38.4%**

**2
STARTUPS
NON-TRANSPARENT**

17% OF TOTAL
QUANTITY

RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	ANKA	2016	Cote d'Ivoire	\$6,137,639	\$8,353,558

FUELARTS ● GEOGRAPHICAL SPREAD

Nº	COUNTRY	STARTUPS	FUNDING	% OF TOTAL
1	USA	6	\$57,727,000	58.2
2	France	1	\$35,000,000	35.3
3	Cote d'Ivoire	1	\$6,137,639	6.2
4	Canada	1	\$187,000	0.2
5	Mexico	1	\$135,000	0.1
6	Malaysia	1	\$40,000	0.04
7	The Netherlands	1	-	-

REGION	STARTUPS	FUNDING	AVG FUNDING	% OF TOTAL FUNDING
North America	8	\$58,049,000	\$7,256,125	58.5
Europe	2	\$35,000,000	\$17,500,000	35.3
Africa	1	\$6,137,639	\$6,137,639	6.2
Asia & Oceania	1	\$40,000	\$40,000	0.04

8 STARTUPS
67%
NORTH AMERICA
\$58.0 MILLION
58.5%

2 STARTUPS
17%
EUROPE
\$35.0 MILLION
35.3%

1 STARTUP
8%
AFRICA
\$6,1 MILLION
6.2%

1 STARTUP
8%
ASIA & OCEANIA
\$0.04 MILLION
0.04%

Australia
Azerbaijan
Belgium
Decentral
Germany
Hong Kong
India
Indonesia
Ireland
Lithuania
Nicaragua
Singapore
South Korea
Spain
Sweden
Turkey
UAE
United Kingdom
Vietnam

**NOT IN PHYSICAL
ART+TECH, BUT
IN DIGITAL & NFT
MARKET**

FUELA RTS ● H1 2022 IN REVIEW

- 12 startups in the «physical» Art Market received **\$99.2 million** in H1 2022 (3.8% from the total funding of Art+Tech & NFT ecosystem).
- R&D startups (content production, social networking) received the highest number of investments in H1 2022, that amounted to **\$54.4 million** for **6** companies. Less investments received asset management tools (**\$38.2 million, 4** companies), online marketplaces (**\$6.1 million, 1** company) and data analytics startups (**\$0.5 million, 1** company).
- Physical Art+Tech startups in GameFi and Visualization haven't received any investment in H1 2022.
- Among the countries with incorporation of Physical Art+Tech startups (that received investments in H1 2022), the **United States** leads with **6** companies (50% of the total quantity). Canada, Mexico, Cote d'Ivoire, France, The Netherlands and Malaysia each have **1** company in the list.
- None of the Physical Art+Tech startups that received investment in H1 2022 were founded in 2022.
- Physical Art+Tech startups that received highest investments in H1 2022 are in Series B (2 companies, **\$85.0 million**), followed by 3 companies in Seed stage (**\$6.7 million**) and 5 companies in Pre-Seed stage (**\$4.5 million**).
- Startups with highest total funding are in Series B (2 companies, \$97.1 million), Seed stage (3 companies, \$8.9 million) and Pre-Seed stage (5 companies, \$4.5 million).
- 2 companies, which received investments in H1 2022, do not disclose any information regarding their financial sources. Thus, the investment «transparency» of this market is **83%**.

MARKET	FUNDING IN H1 2022	MARKET %	STARTUPS	INVESTORS INVOLVED	TOTAL FUNDING, ALL YEARS	% OF FUNDING IN H1 2022	TRANSPARENCY, %	FUNDING RECEIVED BY STARTUPS (FOUNDED IN 2022), US\$	STARTUPS, FOUNDED IN 2022, %
Total	\$2,600,387,274	100	122	766	\$3,850,204,004	67.5	89	\$63,693,917	2.45
Physical	\$99,226,639	3.8	12	39	\$114,542,652	86.6	83	–	–

TOP 10 CLASSIC ART+TECH STARTUPS BY INVESTMENT AMOUNT RECEIVED IN H1 2022

RANK	STARTUP	SEGMENT	COUNTRY	FOUNDING YEAR	INVESTMENTS IN 2021	TOTAL INVESTMENTS	STAGE
1	Studio	R&D	USA	2017	\$50,000,000	\$50,000,000	Series B
2	Convelio	Management	France	2017	\$35,000,000	\$47,060,094	Series B
3	ANKA	Trade	Cote d'Ivoire	2016	\$6,137,639	\$8,353,558	Seed
4	LAGO	R&D	USA	2021	\$4,200,000	\$4,200,000	Pre-Seed
5	Conserv	Management	USA	2018	\$3,000,000	\$4,040,000	Series A
6	ARTBnk	Data	USA	2016	\$512,000	\$512,000	Seed
7	Anime Universe	R&D	Canada	2013	\$187,000	\$187,000	Pre-Seed
8	Consigna	Management	Mexico	2021	\$135,000	\$135,000	Pre-Seed
9	Artmeet	R&D	Malaysia	2021	\$40,000	\$40,000	Seed
10	Klorah	Management	USA	2021	\$15,000	\$15,000	Pre-Seed

FUELARTS ● CASE STUDY #4

Prior to Limna, you created a unique portal for artists' academic activity ArtFacts. That was back in 2001, and for a long time you collected information virtually by hand. ArtFacts became the #1 platform in the Art Market during pandemic when collectors switched from Artnet's auction results to ArtFacts' artist exhibition history. What are the main driving factors behind your successful project?

I thought that studying exhibition history may provide a fascinating route into art history. I believed that by analysing exhibitions you can learn a lot about an artist's network – not only where an artist is located geographically, but also professionally. I noticed that exhibition history was left out and not considered by professionals.

At the beginning when we launched the ranking system, we had a hard time defending what we were doing. However, over the years and especially more recently, we've received more acceptance and more understanding from the community. Today people demand facts and quick access to proven information, and our service offers that.

Throughout the years, we have collected by hand around 1 million exhibitions. Each exhibition has a timestamp and a source. While collecting data, we stuck to the

academic approach with all the academic scrutiny that was required.

Do you see Limna as a parallel project (that uses the existing database and clients of ArtFacts), or as a strategic development of ArtFacts?

Limna was designed with the desire to help art lovers make knowledgeable and confident decisions. To summarise it best, we should check Limna's slogan – "The AI-powered art advisor in your pocket".

ArtFacts has a slightly different audience – it was created for art professionals. It was designed as a research tool that would make the gallery market more transparent, which Limna is also achieving.

Could you, using the example of a collector visiting Art Basel, present the Limna user case. How can a collector get the most out of visiting Art Basel?

I would say that collectors would still get the most out of an art fair by speaking with gallerists; Limna is the prompt for many new visitors to do so. Prior to building Limna I heard an interesting fact from gallerists: art collectors usually stop asking for prices after visiting the third booth. To be clear, I will give a general context – in many cases galleries don't show the prices and one must go through a long

process of asking for prices. Having these conversations is quite intimidating for the majority of people, especially for those who are not coming from the art market.

Limna wants to help these people to have a general idea about the artist – the app provides information about the artist's career and a new work estimation price. Thus, giving this art lover more information about pieces within his/her budget. This saves time for both art lovers and gallerists, who don't need to dive into conversations about art pieces that are not going to be purchased.

Limna's slogan is "AI-powered Art Advisor in your Pocket". This is an example of a brilliant precise slogan that reflects the company's mission. How have you come up with this slogan? Were there any other slogan ideas for Limna?

When we were creating Limna, we were striving to engage art lovers in a discussion with the galleries. At the same time, we were aiming to build an app that gives qualified leads to the gallerists. The main idea was to create a product that would empower everybody.

This phrase "Art advisor in your pocket" came naturally to us, as we provide a free art advisory service to everyone with an iOS device. According to our research,

around 80% believe that Limna is integral in the buying process.

Could you tell us more about the role of artificial intelligence for Limna? How did you create it and how does it operate today?

In Limna we apply machine learning, which is a part of artificial intelligence. In our case we also use artificial intelligence for choosing an artwork for a user's art collection. We train the computer to correlate a specific exhibition career pattern and a price list of a gallery with an artwork by a similar artist and a similar career pattern.

First, we train AI to recognize career patterns. Once we understood that artistic careers correlate with artwork prices (reflecting that career), we were able to enter any artist name into the system and get an indicative price estimation. During COVID-19 pandemic, we collected prices mainly from OVRs (online viewing rooms) and now we collect prices from galleries who supply them to us.

Nowadays Limna has more than 800 000 artists in the database and can give an estimation for any of them - whether they've had 1 exhibition, or 1 000+. The estimation might not be precise, but it gives a general understanding of a price category and a price range.



MAREK CLAASSEN

Co-Founder
at Artfacts and Limna

FUELARTS ● CASE STUDY #4

Limna combined the partnership of two major strategists: ArtFacts and Artnet. How difficult was it to incorporate the interests of two big companies into one startup? What lessons from this experience can you share with our audience?

I must clarify that we are not one startup – we have a data partnership. I must say this process was difficult because Artnet is very protective of their data and ArtFacts is as well, but completely valuable for both parties.

I believe that in business it's mandatory to be fully transparent with your partners and with the audience. It is important to aspire for a win-win outcome for all parties involved. Having clarity, understanding and honesty about your strengths and weaknesses is essential for effective collaborations.

According to Crunchbase, Limna had 2 rounds of investments. In 2020 the company raised \$145K, and a year later – a significant amount of \$2.5M. What have you achieved with the first investment that attracted the attention of bigger investors?

The first investment was to prove that the prediction model works. Our lead investor said that when we were able to predict two thirds of prices at Frieze Art Fair (New York, 2020) – then he would

invest in Limna. We used the money to build a simple algorithm that can predict these two thirds (and more). That was enough to gain sufficient investment to hire a data scientist, marketing specialist, CTO, and other members of the team. The follow-up investment has been placed to build the app and to scale it.

What is the current number of downloads of Limna app? What is the geographical distribution of your customers?

The soft launch of Limna's app was a year ago and then we presented Limna to journalists at Art Basel in September 2021. Since then, we have over 100 000 downloads (June 2022). Regarding geographical distribution – most of our users are coming from the USA, UK, Germany, France, and Italy.

Where do you see Limna in 5 years?

We are envisioning more than 3 million Limna users within the next 5 years. If we compare it to other companies, Artsy and Artnet has a similar or even higher traffic in a much longer period.

One of the key investors in Limna was the largest online gallery Weng Fine Art. How would you define the approaches of a VC investor and an investor from the art world?

I would describe them as two polarised

worlds that go together. Our main VC investor has a strong growth perspective for the business, whereas art world investors are interested in strategic integration of the business into its market category

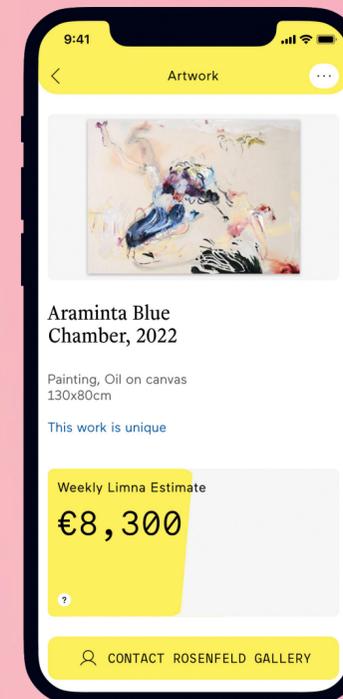
Having experience with both, the VC investor and an art world investor, I must admit that as different as both approaches could be, they are equal in their desire to establish a successful product market fit for Limna.

In terms of academic recognition, many NFT artists today have an absolutely unimpressive record. Beeple, for example, only had 2 group exhibitions when he sold his work for \$69M in 2021. What do you think will happen with NFT art in the future?

I believe NFTs will be institutionalised – because institutions play a role of an arena, where the artists are playing against each other. NFT artists will end up in institutions, whether these institutions will be in a physical world or in the metaverse.

Can you please share 3 tips for aspiring Art+Tech startup founders?

- 1). Mix technologies in an unorthodox way to create new solutions.
- 2). Be committed to a long-term vision.
- 3). Work in teams that complement each other.



[Download for free on iOS devices here](#)

FUELARTS

4

**DIGITAL & NFT
UNIVERSE**

FUEARTS ● KEY NUMBERS

To the ecosystem of **383** startups that represent Digital & NFT Art+Tech market and had received funding by the end of 2021, H1 2022 added **92** new startups (+**24.0%**). Thus, today the Art+Tech & NFT ecosystem is represented by **475** startups.

In total, **111** startups received funding in H1 2022, **19** of them were identified by us earlier in 2021. The percentage of startups that received funding in the last 6 months amounts to **23.4%**.

Only **20** startups received funding both before 2022 and in H1 2022 (**4.2%** of the total number / **18.2%** of the H1 number).

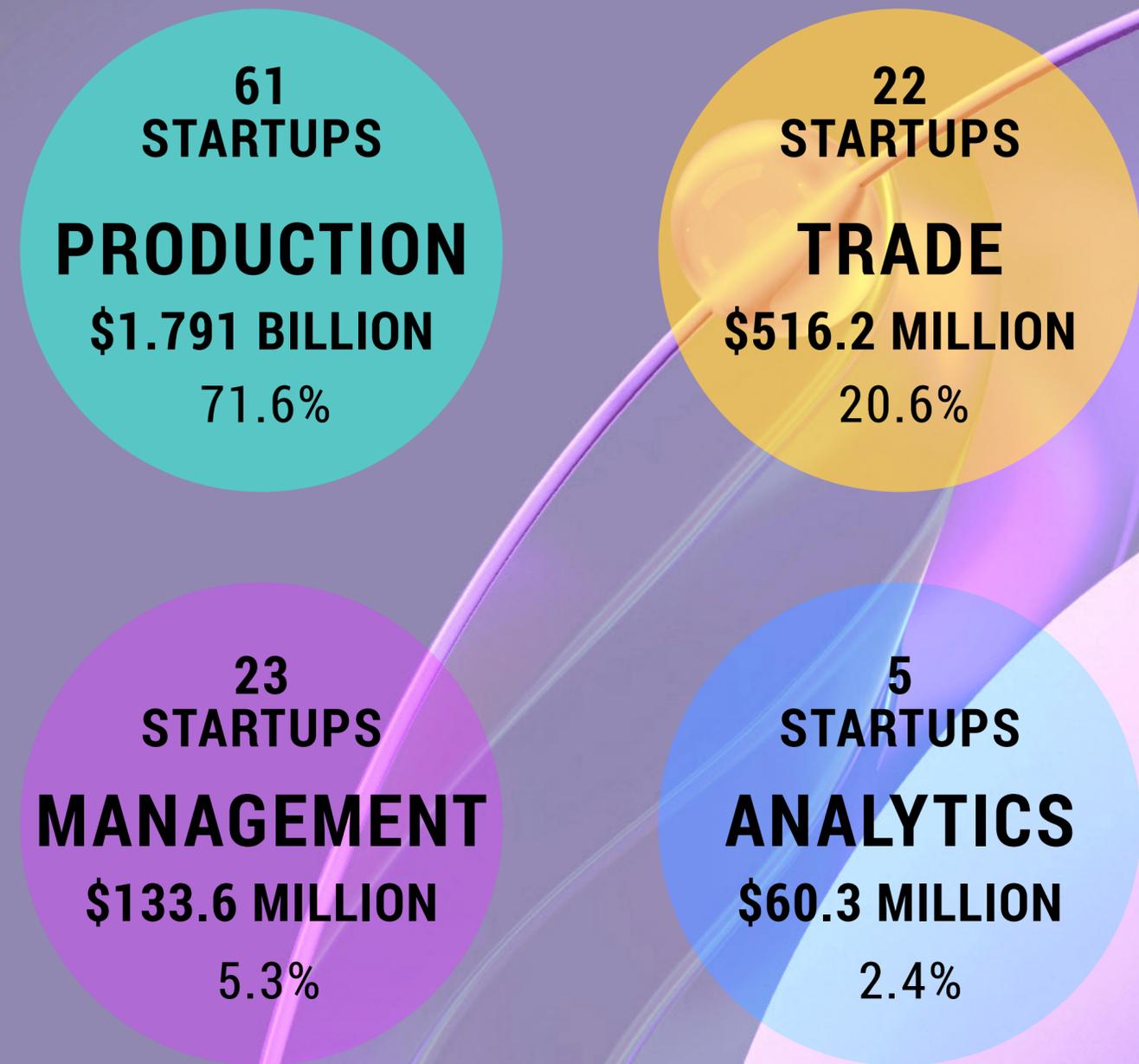
As of the number of founders in **111** Digital & NFT startups funded in H1 2022:

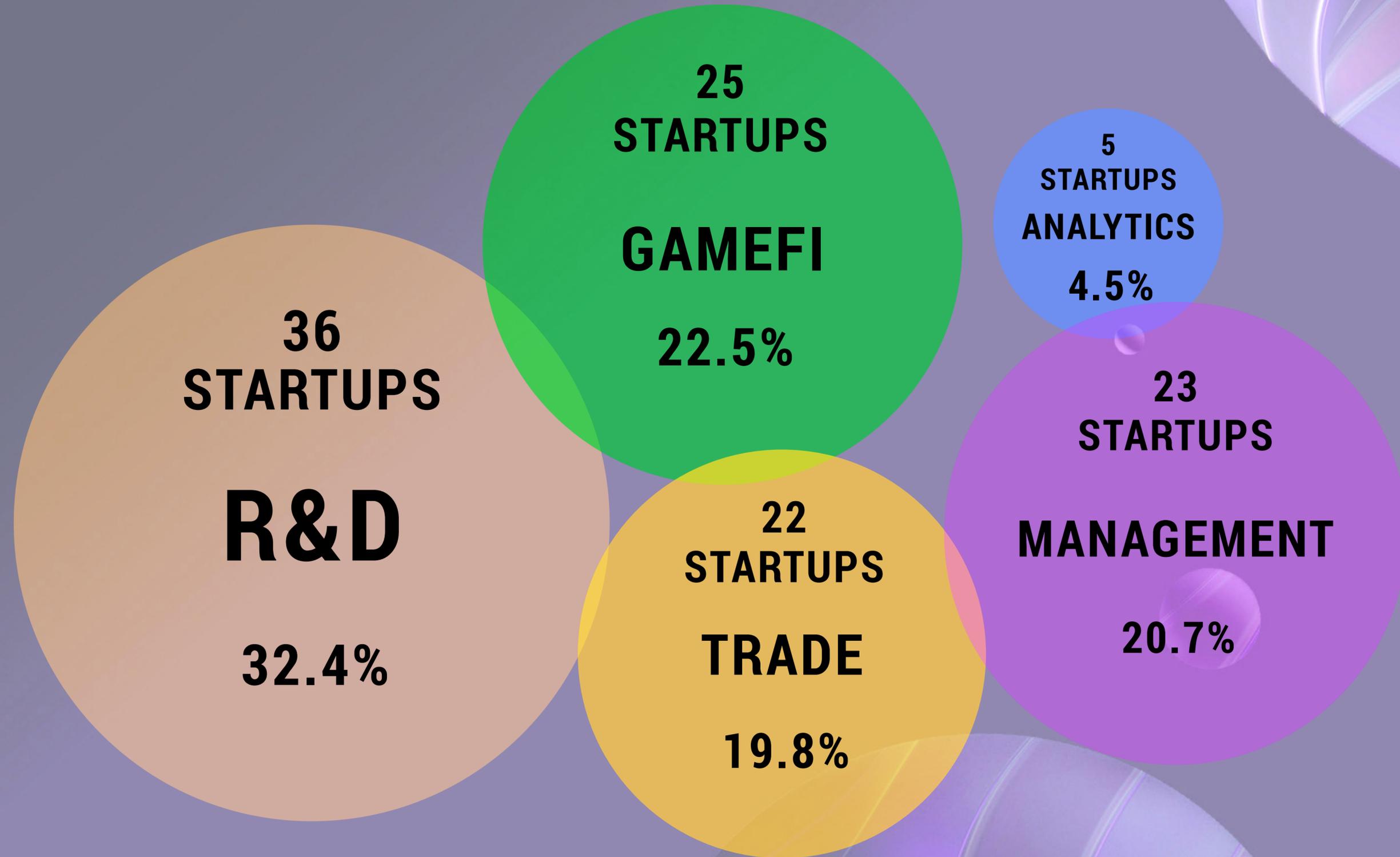
- **28** have mono founders
- **19** have two co-founders
- **15** have three co-founders
- **9** have four to eight co-founders
- **40** startups don't disclose information on this matter

In H1 2022, **111** Digital & NFT startups received **\$2.501** billion of funding in following sectors:

- **Production** (R&D, Gamification): **\$1.791** billion (71.6%) (Before 2022 – \$520.8 million, 29.3%)
- **Trade**: **\$516.2** million (20.6%) (Before 2022 – \$1.07 billion, 60.3%)
- **Management**: **\$133.6** million (5.3%) (Before 2022 – \$147.9 million, 8.9%)
- **Analytics**: **\$60.3** million (2.4%) (Before 2022 – **\$36.9** million, 2.1%)

DIGITAL & NFT STARTUPS VALUE CHAIN



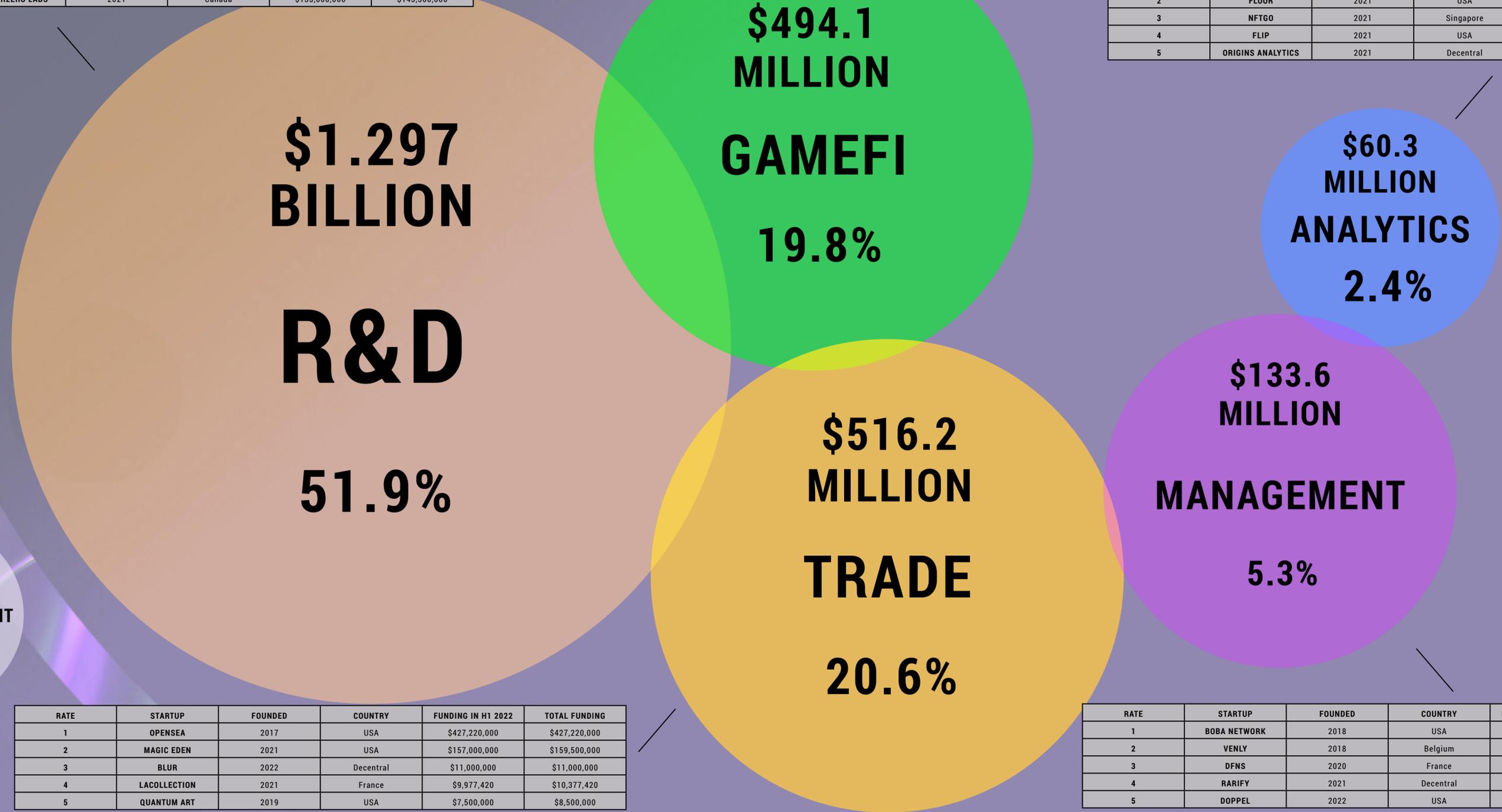


FUELARTS ● INVESTMENTS BY SEGMENTS

RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	YUGA LABS	2021	USA	\$450,000,000	\$450,000,000
2	IMMUTABLE	2018	Australia	\$200,000,000	\$279,798,976
3	AUTOGRAPH	2021	USA	\$170,000,000	\$205,000,000
4	IMPROBABLE	2012	United	\$150,000,000	\$604,094,860
5	LAYERZERO LABS	2021	Canada	\$135,000,000	\$143,300,000

RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	ANIMOCA BRANDS	2014	Hong Kong	\$358,900,000	\$675,300,000
2	IRREVERENT LABS	2021	USA	\$40,000,000	\$45,000,000
3	APEIRON	2021	Singapore	\$17,500,000	\$17,500,000
4	POLEMOS	2021	Singapore	\$14,000,000	\$16,000,000
5	BANGER	2019	Spain	\$11,300,000	\$11,622,825

RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	COIN METRICS	2017	USA	\$35,000,000	\$59,399,999
2	FLOOR	2021	USA	\$8,000,000	\$8,000,000
3	NFTGO	2021	Singapore	\$6,750,000	\$6,750,000
4	FLIP	2021	USA	\$6,500,000	\$6,500,000
5	ORIGINS ANALYTICS	2021	Decentral	\$4,000,000	\$4,000,000



11
STARTUPS
NON-TRANSPARENT

10% OF TOTAL
QUANTITY

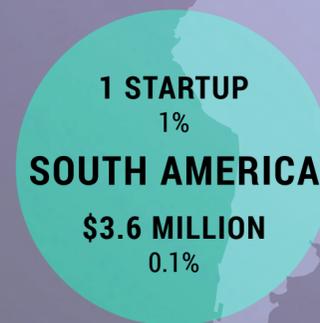
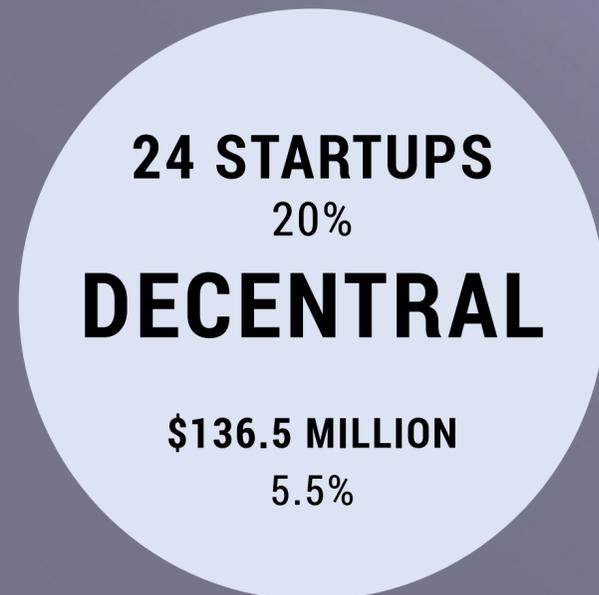
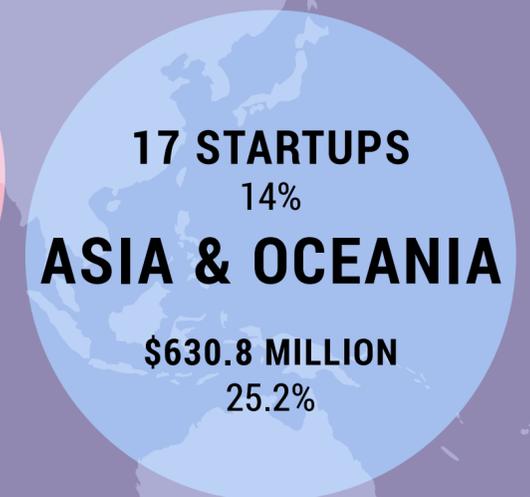
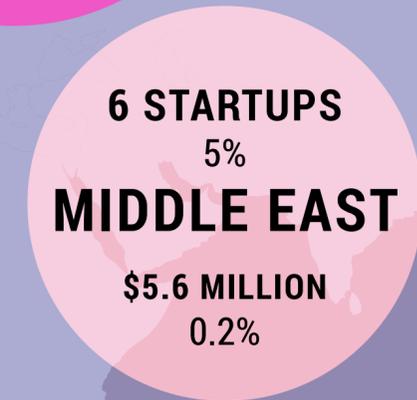
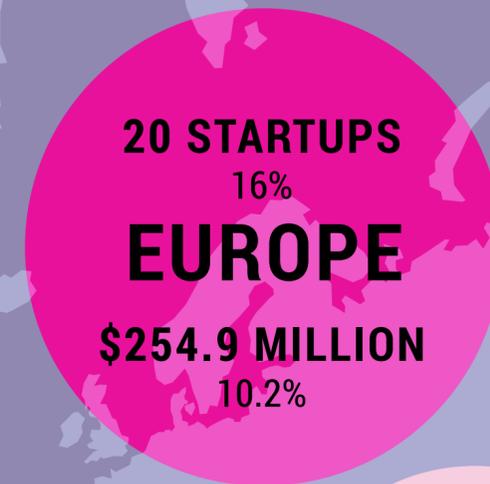
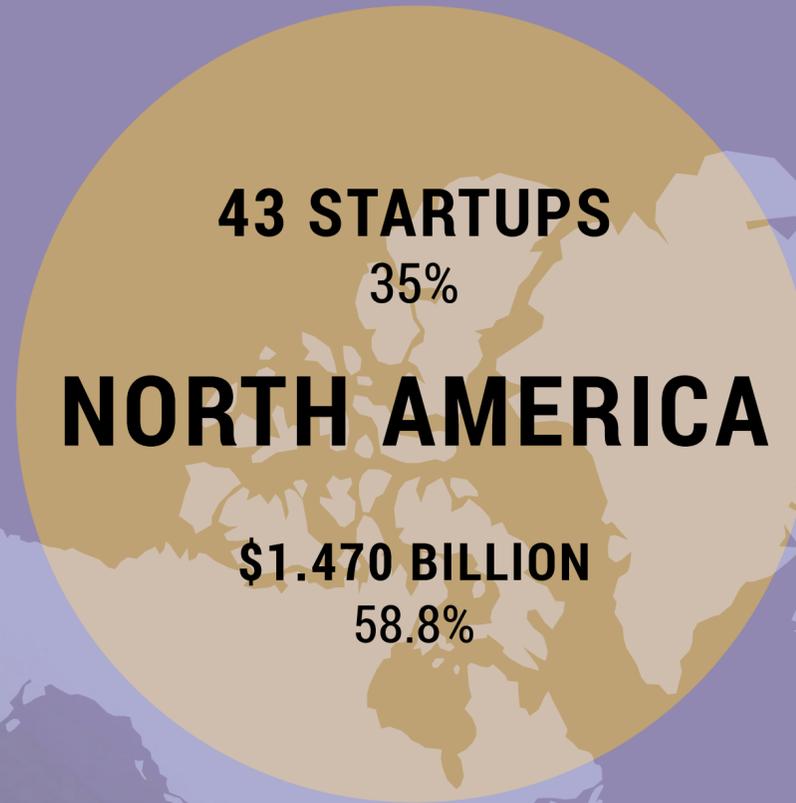
RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	OPENSEA	2017	USA	\$427,220,000	\$427,220,000
2	MAGIC EDEN	2021	USA	\$157,000,000	\$159,500,000
3	BLUR	2022	Decentral	\$11,000,000	\$11,000,000
4	LACOLLECTION	2021	France	\$9,977,420	\$10,377,420
5	QUANTUM ART	2019	USA	\$7,500,000	\$8,500,000

RATE	STARTUP	FOUNDED	COUNTRY	FUNDING IN H1 2022	TOTAL FUNDING
1	BOBA NETWORK	2018	USA	\$45,000,000	\$45,000,000
2	VENLY	2018	Belgium	\$22,840,660	\$24,685,283
3	DFNS	2020	France	\$13,500,000	\$14,592,408
4	RARIFY	2021	Decentral	\$10,000,000	\$12,000,000
5	DOPPEL	2022	USA	\$5,000,000	\$5,000,000

FUELARTS • GEOGRAPHICAL SPREAD

Nº	COUNTRY	STARTUPS	FUNDING	% OF TOTAL
1	USA	41	\$1,333,679,498	53.3
2	Hong Kong	2	\$363,100,000	14.5
3	Australia	2	\$200,032,000	8.0
4	United Kingdom	6	\$157,489,838	6.3
5	Decentral	24	\$136,459,192	5.5
6	Canada	2	\$136,100,000	5.4
7	Singapore	6	\$52,250,000	2.1
8	France	4	\$27,477,420	1.1
9	Spain	3	\$23,191,789	0.9
10	Belgium	1	\$22,840,660	0.9
11	The Netherlands	2	\$10,500,000	0.4
12	Indonesia	3	\$9,615,238	0.4
13	Ireland	1	\$8,000,000	0.3
14	South Korea	1	\$5,750,000	0.2
15	UAE	2	\$5,550,000	0.2
16	Lithuania	4	\$3,800,000	0.2
17	Nicaragua	1	\$3,600,000	0.2
18	Germany	1	\$1,700,000	0.1
19	Azerbaijan	1	\$15,000	0.0006
20	India	1	\$10,000	0.0004

REGION	STARTUPS	FUNDING	AVG FUNDING	% OF TOTAL FUNDING
North America	43	\$1,469,779,498	\$34,180,919	58.8
Asia & Oceania	17	\$630,797,238	\$37,103,367	25.2
Europe	20	\$289,999,707	\$12,749,985	10.2
Decentral	24	\$136,459,192	\$5,685,800	5.5
Middle East	6	\$5,565,000	\$927,500	0.2
South America	1	\$3,600,000	\$3,600,000	0.1



NOT IN DIGITAL & NFT,
BUT IN CLASSIC ART+TECH

Cote d'Ivoire
Malaysia
Mexico

FUELA R T S ● H1 2022 IN REVIEW

- **111** startups developing the Digital & NFT sector received **\$2.501** billion (**96.2%** from the total funding of Art+Tech & NFT ecosystem).
- In Digital Art Market segment, R&D (content production) startups received the highest number of investments in H1 2022, that amounted to **\$1.297** billion for **36** companies. Startups in Trade received **\$516.2** million for **22** companies. Less investment received GameFi (**\$494.1** million, **25** companies), asset management (**\$133.6** million, **23** companies) and data analytics startups (**\$60.3** million, **5** companies).
- Among the countries with incorporation of Digital & NFT startups (that received investments in H1 2022), the **United States** leads with **41** companies. Second place take Decentral startups (**24** companies), while the United Kingdom and Singapore share third place (**6** companies each).
- Digital & NFT startups (founded in 2022) received a total funding of **\$63.7** million, which amounted to **2.6%** of the total funding of all companies in this sector founded in different years.
- Digital & NFT startups that received highest investments in H1 2022 are in Series C (**4** companies, **\$893.9** million), followed by **58** companies in Seed stage (**\$762.8** million) and **16** companies in Series A (**\$359.7** million).
- Digital & NFT startups with highest total funding are in Series C (**4** companies, **\$1.442** billion), Corporate Round (**1** company, **\$765.7** million) and Seed stage (**58** companies, **\$773.4** million).
- **13** companies from the Digital & NFT Market, which came to the market in H1 2022, do not disclose any information regarding their financing sources. Thus, the investment «transparency» of this market is amounted to **91%**.

MARKET	FUNDING IN H1 2022	MARKET %	STARTUPS	INVESTORS INVOLVED	TOTAL FUNDING, ALL YEARS	% OF FUNDING IN H1 2022	TRANSPARENCY, %	FUNDING RECEIVED BY STARTUPS (FOUNDED IN 2022), US\$	STARTUPS, FOUNDED IN 2022, %
Total	\$2,600,387,274	100	122	766	\$3,850,204,004	67.5	89	\$63,693,917	2.45
Digital	\$2,501,160,635	96.2	111	727	\$3,735,661,352	66.9	91	\$63,693,917	2.55

TOP 20 DIGITAL & NFT STARTUPS BY INVESTMENT AMOUNT RECEIVED IN H1 2022

RANK	STARTUP	SEGMENT	COUNTRY	FOUNDING YEAR	INVESTMENTS IN H1 2022	TOTAL INVESTMENTS	STAGE
1	Yuga Labs	R&D	USA	2021	\$450,000,000	\$450,000,000	Seed
2	Improbable	R&D	United Kingdom	2012	\$150,000,000	\$754,094,860	Corporate Round
3	Animoca Brands	GameFi	Hong Kong	2014	\$358,900,000	\$675,300,000	Series C
4	OpenSea	Trade	USA	2017	\$300,000,000	\$427,220,000	Series C
5	Immutable	R&D	Australia	2018	\$200,000,000	\$279,798,976	Series C
6	Autograph	R&D	USA	2021	\$170,000,000	\$205,000,000	Series B
7	Magic Eden	Trade	USA	2021	\$157,000,000	\$159,500,000	Series B
8	LayerZero Labs	R&D	Canada	2021	\$135,000,000	\$143,300,000	Series A
9	Coin Metrics	Data	USA	2017	\$35,000,000	\$59,399,999	Series C
10	Boba Network	Management	USA	2018	\$45,000,000	\$45,000,000	Series A
11	Irreverent Labs	GameFi	USA	2021	\$40,000,000	\$45,000,000	Series A
12	Co-Create	R&D	Decentral	2017	\$25,000,000	\$25,000,000	Seed
13	Venly	Management	Belgium	2018	\$22,840,660	\$24,685,283	Series A
14	Eternal Labs	R&D	Decentral	2022	\$20,000,000	\$20,000,000	Seed
15	Apeiron	GameFi	Singapore	2021	\$17,500,000	\$17,500,000	Seed
16	Polemos	GameFi	Singapore	2021	\$14,000,000	\$16,000,000	Seed
17	Proof of Learn	R&D	USA	2021	\$15,000,000	\$15,000,000	Seed
18	Monaverse	R&D	Decentral	2021	\$14,600,000	\$14,600,000	Series A
19	Dfns	Management	France	2020	\$13,500,000	\$14,592,408	Seed
20	Burnt Finance	R&D	USA	2021	\$8,000,000	\$14,000,000	Series A

FUELARTS ● CASE STUDY #5

According to Artnet “Pace has been moving into the tech sector more aggressively than any other mega-gallery”. What steps did the gallery take to move into tech? What key initiatives and projects could you highlight?

Throughout its 60-year history, Pace Gallery has prioritized supporting our artists and following them as they explore new territory. Whether that’s video art in the 1970s or performance art in the 2000s, where the artists go, we figure out how to follow and support. In the last ten years, we recognized a new wave of artists working with immersive, interactive digital technology to create experiential installations. We saw that there wasn’t an existing place in the commercial art world for artists working in that way, so we created one. We learned how to build installations that use new technology, and started working with teamLab, Studio DRIFT, Random International, A.A. Murakami, and others. From that history, getting into web3 came very naturally, with the same principles underlying this transition: the idea that our artists are interested in using these new tools and it is our job to figure out how to support them in doing so.

When did Pace gallery see the potential in NFT and NFT artists? What were the first NFT projects of the gallery?

We started exploring the space in early 2021, when our artists began coming to us with questions and curiosity about NFTs. We knew we would want to support them in their explorations, and we launched Pace Verso, our web3 hub, in November 2021. An early project was with Studio DRIFT, which was founded in 2007 by artists Lonneke Gordijn and Ralph Nauta. They created an interactive NFT project that we had on our booth at Art Basel Miami in 2021. It was sold as an NFT but had a sculptural component as well. We had a fantastic response to it on our booth, and it sold for \$550,000, which is a significant price for an NFT. It showed us the breadth of possibilities in the space – bringing in sculptural elements, activating traditional art world spaces, etc. – and we’ve done numerous projects since, and have many upcoming projects this fall.

Why did Pace Gallery decide to launch its custom-built NFT platform? Why was it launched particularly in November 2021?

When I first started researching the space and how we would participate in it, I assumed we would form a partnership with one of the existing platforms. Quickly, though, I saw that none of those platforms had a “look and feel” that felt appropriate for our artists. It made me realize that we need to present

artists’ NFTs with the same elegance and care that we present physical art at the gallery. Our digital presence should feel like a seamless extension of our physical presence. Most of the projects we produce are outside the bounds of a “platform” – they are custom end to end, like our exhibitions. They have custom smart contracts, custom webpages, custom points of sale.

What exactly is Pace Verso?

I call Pace Verso a hub for our web3 activity. It’s a “hub” because, as I described, very little of what we do fits into a conventional “platform” – it is mostly standalone, custom projects. And “web3,” versus “NFT,” because we believe NFTs are just the tip of the iceberg of what we’ll do in this space.

Could you reveal the details of the recent partnership of Pace Verso & Art Blocks?

We are very excited about and proud of this partnership. We really believe in what Art Blocks is doing and the quality of the work they are releasing. We are excited to meet their community, welcome them into Pace, and be part of the dialogues they inspire. Likewise, Art Blocks was happy to have the opportunity for their work to be brought into the traditional art world context. So, it was a natural, mutually beneficial partnership.

The cornerstone of the partnership is a series of projects on Art Blocks by Pace artists. The first one was Petro National by John Gerrard, which was released in June. In September we’ll release Floating World by the duo A.A. Murakami, and we have several more projects coming this fall. With all of them, we’ll do AMAs on the Pace and Art Blocks Discords and Twitters, and we host events and presentations at our international galleries and at global art fairs to bring together the worlds of contemporary art and web3.

For example, we celebrated John Gerrard’s project with an art preview and party in Basel during Art Basel and will preview A.A. Murakami’s new NFTs at our gallery in Seoul during Frieze Seoul. We have plans to show future Art Blocks projects at art fairs in the coming months. We also organized a big happy hour for the Art Blocks community during the Coindesk Consensus conference in Austin, and we hosted a talk at Pace gallery with our CEO Marc Glimcher and Art Blocks Founder and CEO Erick Calderon, where we invited both communities. For us, it is all about finding many opportunities to get to know each other and bring two communities together.



ARIEL HUDES

Head of Pace
Verso

FUELARTS ● CASE STUDY #3

How have buyers and artists responded to Pace Verso?

We continue to see a lot of curiosity and interest from artists. Even artists who have not worked in digital mediums previously are getting excited about the opportunities web3 provides to explore new tools and interact with a new community in a direct way. When it comes to collectors, some have no interest at all, and that is fine. Not all collectors collect sculpture, or photography, or painting – we wouldn't expect all of them to collect NFTs. But there are many who are interested, and they are asking great questions and starting to dip toes in. We're introducing new tools and processes to make these early explorations easier for them.

What knowledge and skills from working with traditional collectors have you transferred to dealing with crypto collectors?

Our specialty at Pace is working one-on-one with collectors to understand what their interests are and help them find art that delivers on those interests. That is exactly what we are doing for collectors in the web3 space. When I think about how I am talking to the major DAOs, it is the same as talking to traditional art collectors: I get to know them, understand their interests and how they are building their collections, and then, as artworks

come up that are good fits, we have a dialogue about them.

Where would like to see Pace Verso in 5 years?

More of our artists working with the tools web3 provides. More of our clients comfortably onboarded into web3. More of our new web3 audience merging into our broader Pace audience.

How do you assess the current bear market in crypto space and its impact on NFT art? What will be your forecast for the rest of 2022?

We saw two things decline simultaneously: the crypto market and the NFT market. They are related but not the same. For the crypto market, I think Ethereum will come back, and this bear market will be another in a series of declines this market has already seen but has always recovered from. For NFTs, I think there will be a permanent impact from this decline, and it is the best thing that could have happened for Pace Verso: the interest in speculative NFTs will be replaced by interest in buying art that holds its value.

What do you think needs to be done to narrow the gap between: (1) classical and digital art; (2) traditional and digital collectors?

I think more people will get into web3 in general as more tools become accessible to lower the barriers to entry. I believe artists will start figuring things out for themselves. Today, the barriers to entry into web3 are high for traditional collectors and artists. For collectors, it is time-consuming and technically challenging just to get a wallet. For artists, it is time-consuming and technically challenging to figure out how to customize a smart contract, how to upload art to IPFS, how to launch a project on OpenSea. As new tools are rolled out that make all of that easier, more people on both sides will get onboarded into the space, and artists, especially, will play with the tools and teach us about what is possible in the space.

We're also interested in onboarding clients in the opposite direction – NFT collectors who want to start collecting physical art. At its core, the issue is the same on that side: the intimidation factor. People from the web3 world are intimidated about entering traditional art establishment spaces. We are looking for every opportunity to break down that barrier. For example, we hold events at our spaces directly targeted to new community members from the web3 space – like our NFT.NYC event at our New York gallery this year – and, on our Discord, we invite everyone to all our global openings.

FUELARTS

5

WHAT'S NEXT?

FUELARTS SURVEY. OVERVIEW

For this report, a global survey of founders of Art+Tech startups and market representatives – strategists, analysts, and main functionaries of the sector – was conducted.

The two main objectives of the survey were:

- Identify the main issues that investors are starting to work on within H1 2022
- Learn how startups and strategists in the Art+Tech & NFT ecosystem see ways to mitigate the effects of the current bear market

We compiled and sent two questionnaires – the Startup Survey (801 startups + 254 startups at the bootstrap stage) and the Strategist Survey (154 specialists). The results for these Fuelarts surveys can be considered satisfactory: we received 72 responses from startups (7% of responses). The group of early-stage companies (40 startups, 56%) responded more actively than their adult counterparts (32 startups, 44%).

Compared to the previous Fuelarts report, the ratio between young and adult startups responding to the questionnaire has leveled off – from 3.2:1 to 1.3:1. We attribute this fact to the increased confidence in our report and our work in general from large companies. In general, the percentage of those who answered the questionnaire in August 2022 was half as much, primarily due to holidays and market turbulence. The latest fact is very alarming: in January, when the market was close to a possible crisis, the startups were more responsive. One way to solve this problem is to work with the psychological stability of young founders. Among the 154 participants in the Strategist Survey, we received 18 responses (12%).

General information on the survey participants:

- The average age of a startup is 3 years (2019)
- 88% of startups are in the active phase of work, and 12% have just been launched
- Participants represent 8 countries with a majority of US startups (33%)
- The most frequently encountered teams have 3-5 and 10-20 employees (33% – each group)
- The total number of startups working with physical art, as well as simultaneously with physical and digital art, is 89%

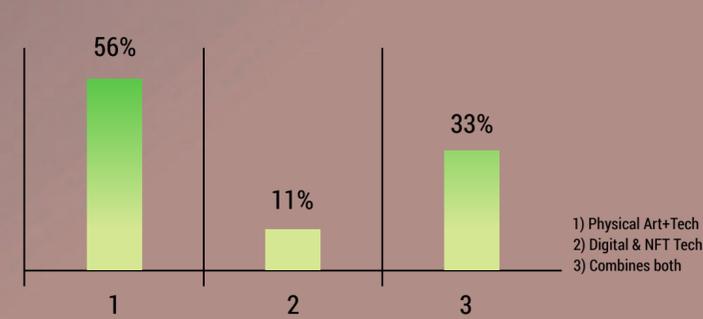
Most common challenges in H1 2022:

- 31% – Expanding sales channels
- 23% – Managing investor relations
- 15% – Fundraising, Strategic & Team issues

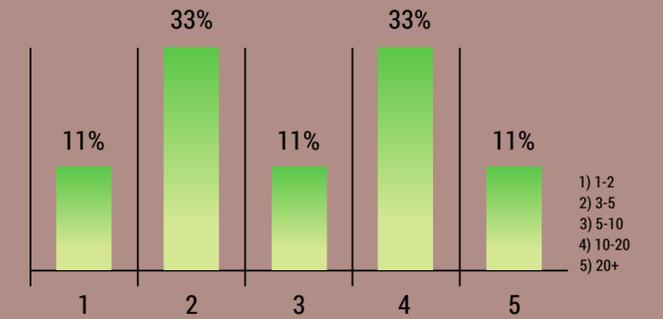
Faced with a crisis in H1 2022 (this applies equally to startups at all stages of development), startups, first of all, took care of market indicators – sales channels that provide cash flow and did not rush to seek additional funding to strengthen their position. Also, the obvious difficulty was the strengthening of relations with current investors and not the search for new ones. As a result, 89% of the surveyed companies received investments in the last 6 months, while the percentage of new investors was 64%.

■ Responses

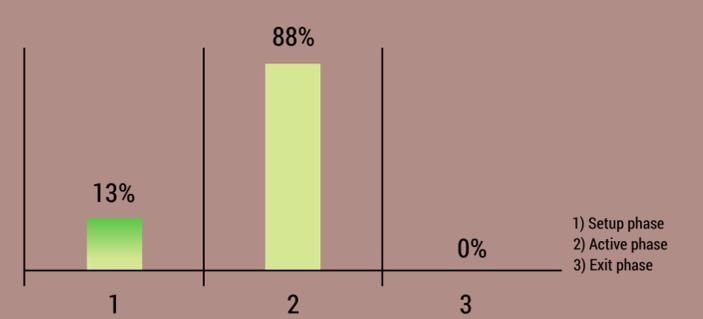
COMPANY REPRESENTS:



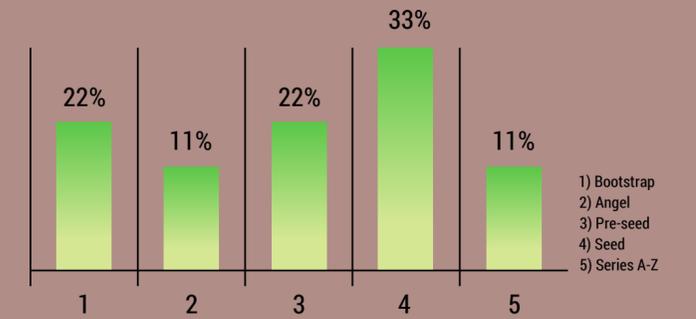
NUMBER OF EMPLOYEES:



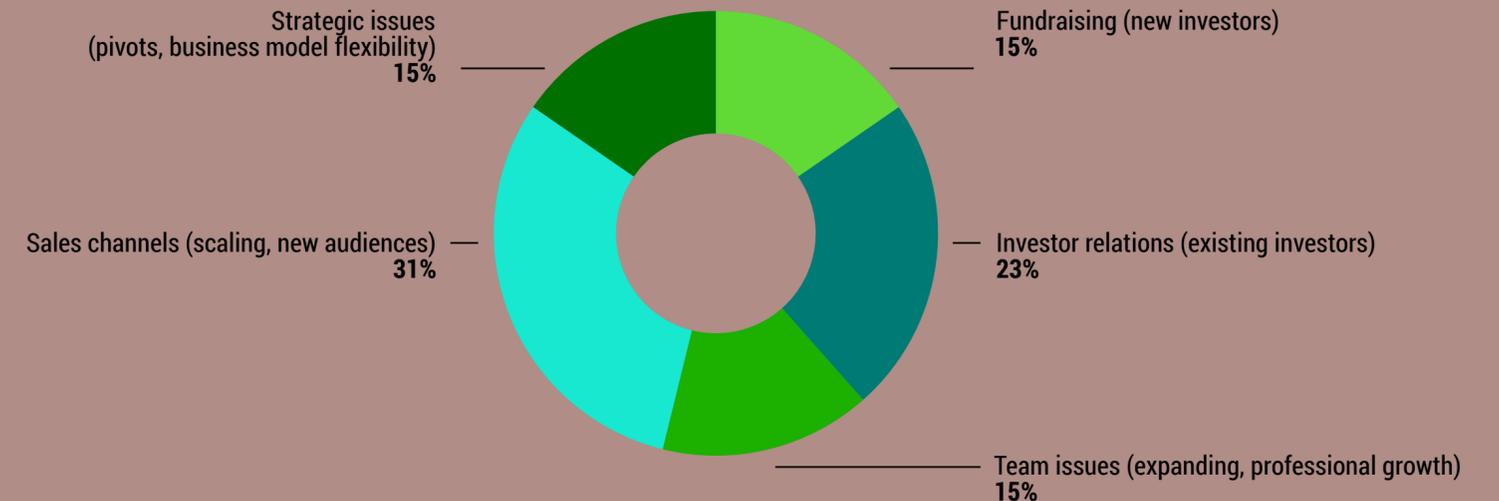
OPERATING STATUS:



INVESTMENT STAGE:



WHAT WERE THE MAIN CHALLENGES YOU FACED RUNNING YOUR STARTUP IN H1 2022?



FUELARTS • SURVEY. INVESTMENT RELATIONS (STARTUPS)

In H1 2022 the main source of finding new investors for startups was word of mouth (67%). Recommendations from friends (44%) and networking at conferences (33%) also played an important role. Some startups decided to separately mention the influence of mentors and current investors, without including these sources of acquaintances in the proposed items (28% each). Such significant professional tools as LinkedIn and Crunchbase / Pitchbook ('cold contacts') did not work during the crisis.

- 88% of startups in H1 2022 received money from private investors in fiat (traditional) currency. The second and third places are shared by fiat institutionalists and physical market strategists (75% and 63% respectively). Crypto investors participated in the investment rounds of respondents weakly. Interestingly, the most common combinations are institutional investor + physical market strategist, as well as private fiat investor + private crypto investor. Institutional investors/strategists + private investors rarely participated in the same rounds.

- 78% of respondents ended up receiving funding in the last 6 months. 56% of investors who had previously considered participation in the rounds, preferred to follow the market further. 11% of startups were forced to reschedule their planned rounds. None of the 72 survey respondents received a direct refusal.

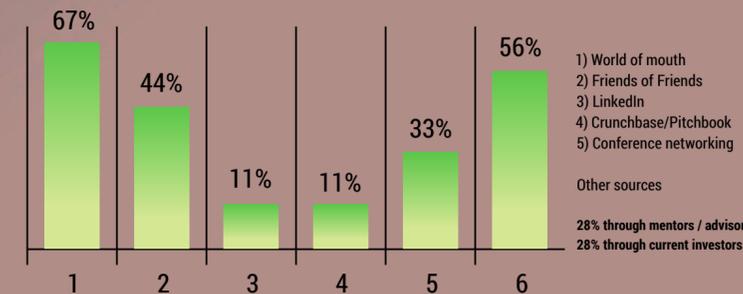
- 67% of survey participants expressed hope that investors' activity will increase by the end of 2022. 22% believe that it will remain at the same level (mainly startups that did not receive the expected investments in H1 2022). None of the respondents gave a negative outlook.

- Since the beginning of 2022, only 22% of survey participants (startups) have received an offer to be bought by strategists. However, none of these transactions were proceeded.

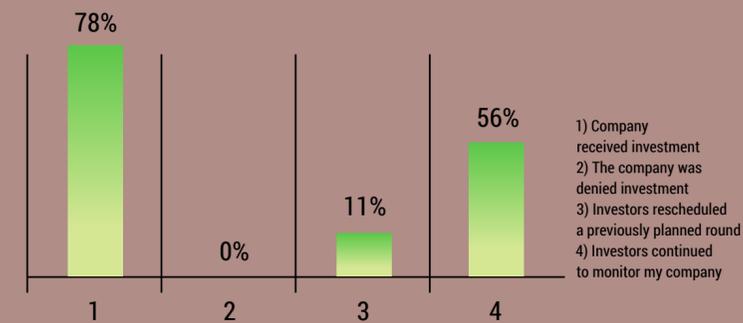
- 4% of startups would reject an offer to be bought at half the current market value, and 11% would enter into negotiations, trying to improve the offer. Others would attempt to use this opportunity to establish a long-term relationship with the strategist.

■ Responses

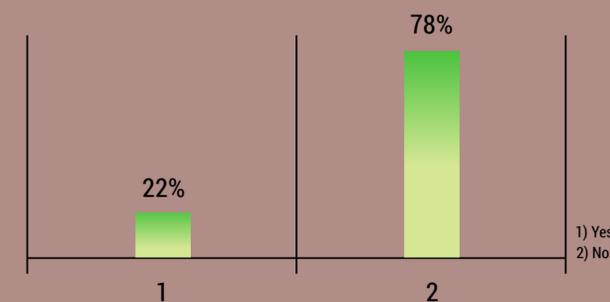
HOW DID YOU FIND NEW INVESTORS IN H1 2022?



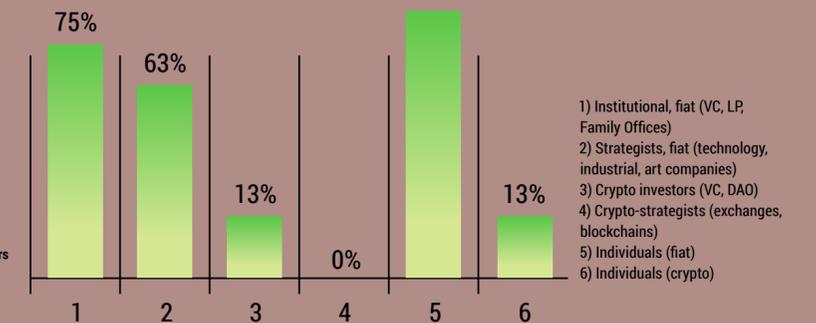
WHAT DESCRIBED YOUR RELATIONSHIP WITH INVESTORS IN H1 2022:



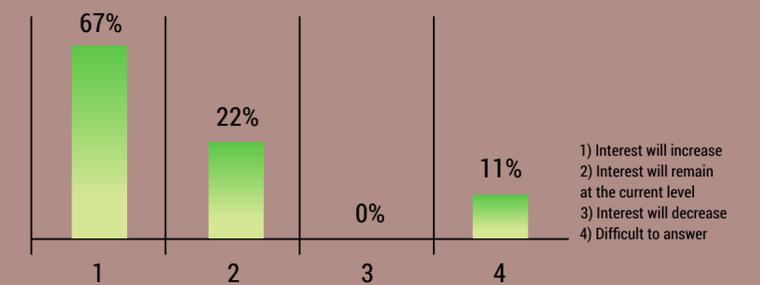
HAVE YOU BEEN PROPOSED TO BE ACQUIRED IN H1 2022?



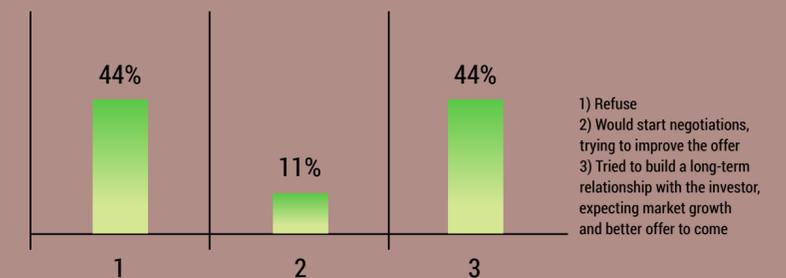
WHAT TYPE OF INVESTORS WERE YOU ABLE TO CONNECT WITH IN H1 2022?



YOUR 6 MONTHS PREDICTION ON INVESTOR INTEREST IN YOUR COMPANY:



IF YOUR COMPANY WERE OFFERED TO BUY TODAY AT A 50% DISCOUNT FROM ITS CURRENT VALUATION, WOULD YOU:



FUELARTS ● SURVEY. OPPORTUNITIES (STRATEGISTS)

• In 2022 **67%** of respondents did not plan to pivot from physical art to digital, or vice versa. The remaining **33%** have pivoted – transitioning into metaverse / NFT art (out of 24 young companies – 6 have made such a pivot during the pandemic, before 2022).

• **78%** of survey participants consider their current business models resilient in the face of a possible global crisis. **22%** found it difficult to answer, and none of the respondents gave a negative answer. Interestingly, the same **78%** got funding in H1 2022 – which was probably the best evidence of the sustainability of their business model.

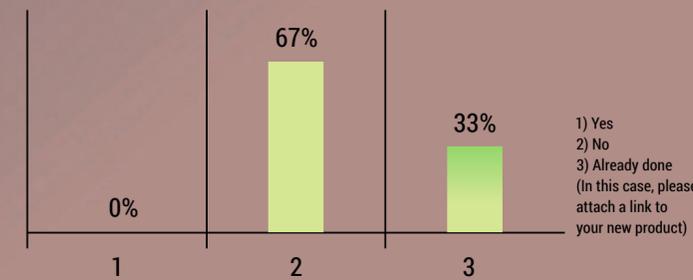
• **67%** of participants named a flexible business model and trusting relationships with current investors as the main factors that would help to overcome the crisis. **56%** of respondents believe stress resistance of the team and experienced mentors would be the main factors in overcoming the crisis. Only **11%** of respondents thought that having enough financial resources to survive the crisis would be essential.

• In the survey for the previous Fuelarts report, many respondents didn't recognize the help of experienced mentors as a vital success factor for startups. During a crisis, startups think about mentors more often due to these factors: (1) recent months have shown that mentors are highly useful in fundraising; (2) the average stage of development of the startups participating in the Fuelarts H1 report is higher than in the first edition; (3) when early-stage bravado fades, professional mentoring becomes even more appreciated.

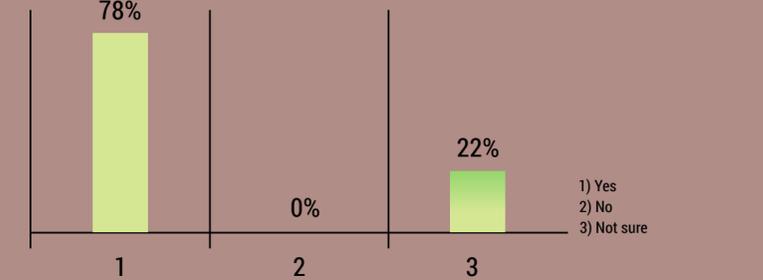
• **67%** of respondents plan to develop the current audience funnel by the end of 2022 – in other words, they are confident that the market fit has been found and needs to be scaled up. But only **22%** of startups are going to solve the main resource problem of the art market – to make traditional and digital collectors/artists interact. In all likelihood, this is because during the crisis there is no time to solve universal problems.

• The most frequently used industry reports were HISCOX Online Art Trade Report (**22%**) and NFT Art Market Report (**19%**). These reports were created by the British analytics company ArtTactic. **7%** of startups (5 of the 72 companies) didn't read any reports – more in-depth analysis showed that these companies represent the traditional Art+Tech market (these reports don't respond to their interests).

AS OF EARLY 2022, HAVE YOU PLANNED A SHARP PIVOT INTO YOUR COMPANY'S OPPOSITE FIELD (FROM PHYSICAL ART TO DIGITAL, OR VICE VERSA)?



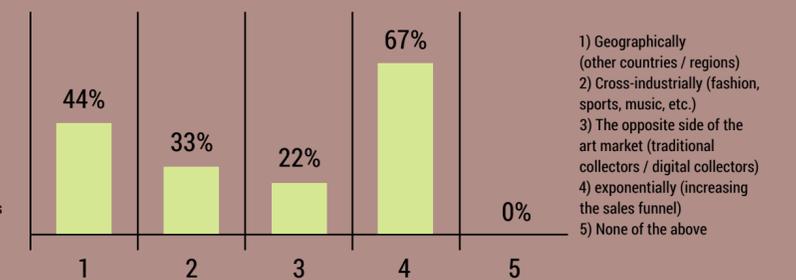
DO YOU CONSIDER YOUR BUSINESS MODEL TO BE SUSTAINABLE AMID THE POSSIBLE GLOBAL ECONOMIC CRISIS?



WHAT IS YOUR COMPANY'S GREATEST STRENGTH TO WITHSTAND CRISES?

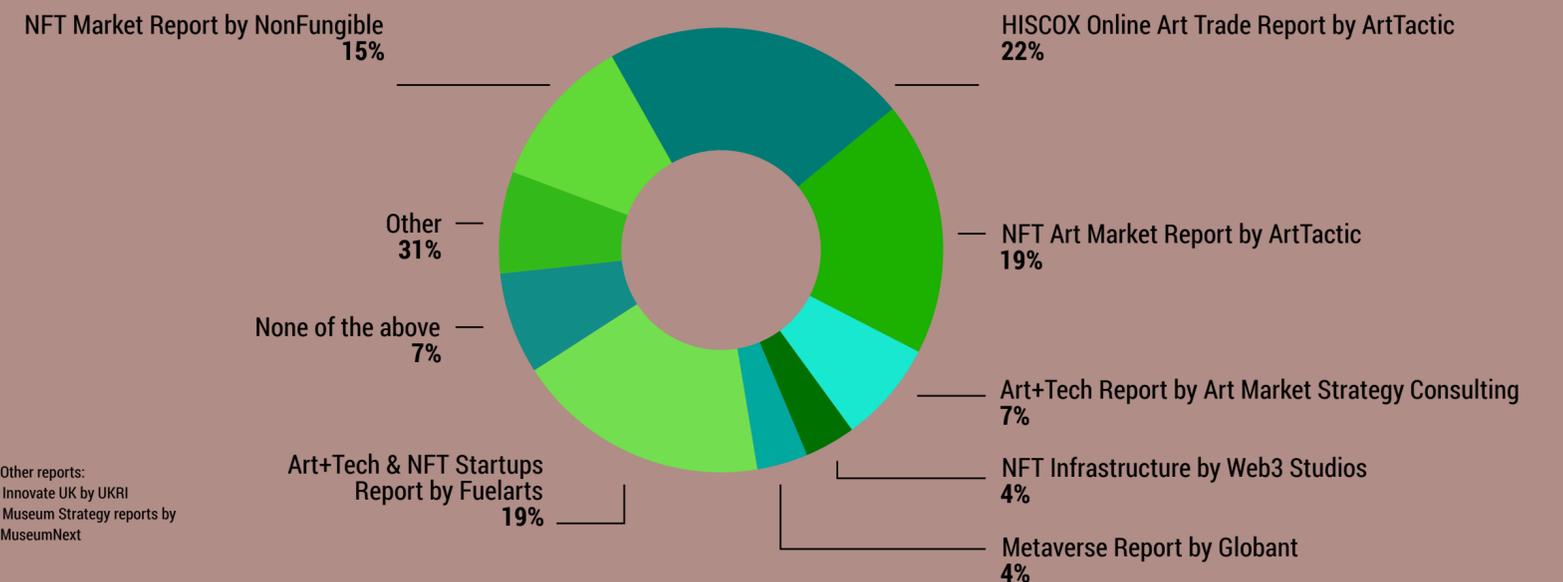


DO YOU PLAN TO ENLARGE YOUR AUDIENCE IN THE NEXT SIX MONTHS?



Other strengths:
 • 2%: diversification of digital art formats
 • 4%: trusted community (including crowdfunding opportunities)
 • 5%: sustainability of the current business model

WHAT REPORTS DO YOU USE TO KEEP UP WITH THE ART+TECH & NFT MARKET?



Other reports:
 • Innovate UK by UKRI
 • Museum Strategy reports by MuseumNext

FUEL ARTS • SURVEY. INVESTMENT RELATIONS (STARTUPS)

Among **18** people (12% of all respondents) that participated in the Art Strategist Survey are:

- 7 art collectors (traditional art and NFT)
- 4 art dealers
- 3 senior lecturers at art institutes
- 2 strategists from top art galleries
- 2 art market analysts

Representatives of auction houses, art fairs, and managers of art insurance/logistics companies haven't participated in this survey.

- **83%** of strategists see the crypto recession as the biggest threat to the current Art+Tech & NFT market. At the same time, the threat of a global crisis in the fiat market worries only half of the respondents. None of the strategists indicated crisis-related trade restrictions as a threat, meaning that the market has already adapted to this during the COVID-19 pandemic.

- Among all the links in the value chain of the Art+Tech & NFT ecosystem, strategists called the **Management sector**, which is underdeveloped with A-Class startups. Interestingly, it is the management link that suggests the development of utilities to the greatest extent – which several strategists highlighted in the previous question.

- In the same way, the strategists called the Management sector the most capacious for filling with new young startups. At the same time, in their opinion, R&D (production studios) and Visualization (until 2021 known as online showrooms, from 2022 – metaverse developers) are ready to accept new companies to increase competition. According to the respondents, GameFi has the smallest potential in terms of new startups.

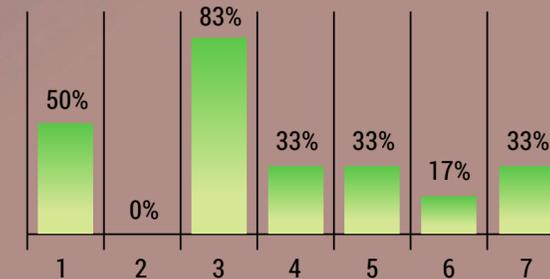
- All markers of a healthy market (proposed to the respondents of the report) received approximately the same number of votes in terms of importance. Interestingly, strategists working in the field of the «physical» art market more often mentioned presence of big names and academic research, while adherents of digital assets – an expanded startup ecosystem and legislative framework. Although this section encourages us to refrain from evaluations, we noticed an overall trend: every participant chose those factors that he/she is used to in daily work.

- Top event of H1 2022 was the collaboration between the investment giant **BlackRock** and the crypto exchange **Coinbase**. These news were followed by the announcement that **Christie's** auction house launched venture arm.

- Exactly half of the strategists are confident that sales volumes in the NFT market will return to pre-crisis levels before the end of 2022. Only **17%** believe that NFT will be reborn under a new name before the new conquest of the art Olympus.

■ Responses

WHAT ARE THE MAJOR CHALLENGES IN THE ART+TECH & NFT MARKET TODAY:

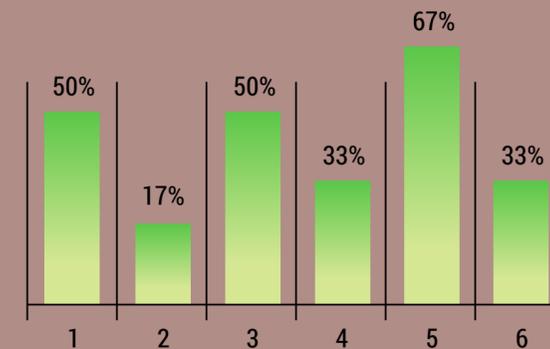


- 1) Threat of a global economic crisis
- 2) Geopolitical instability leading to trade restrictions
- 3) Bear market in the crypto-economy
- 4) Non-acceptance of digital art by traditional collectors
- 5) Mindless use of the term Web3 / Meta by startups to increase relevance
- 6) Unreasonable transition of artists from physical art to NFT for the sake of attention
- 7) Other (please specify)

Other challenges:

- 11%: non-acceptance of traditional art / artists by NFT collectors
- 11%: imperfection of the legal framework regarding digital assets
- 11%: utility issues (supply / demand balance, insufficient market development)

WHICH AREA OF THE ART+TECH & NFT ECOSYSTEM TODAY NEEDS TO BE FILLED WITH MORE DIVERSE STARTUPS?



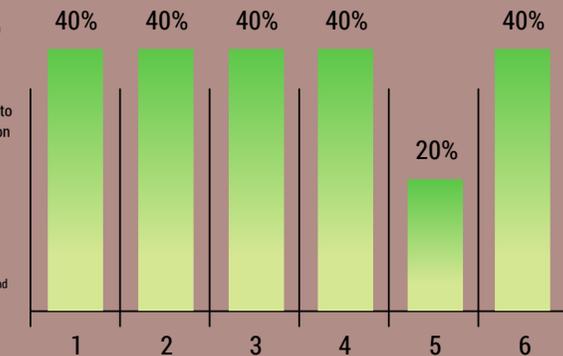
- 1) R&D (creation studios, communities)
- 2) GameFi (gaming platforms)
- 3) Visualization (online showrooms, AR / VR / MR)
- 4) Trade (marketplaces, payment systems)
- 5) Management (logistics, storing, rights management)
- 6) Analytics (data mining, trading signals)

WHICH EVENT HAS THE POTENTIAL TO POSITIVELY INFLUENCE INVESTORS IN THE ART+TECH & NFT ECOSYSTEM? (IN ORDER OF IMPORTANCE FROM 1 TO 5)



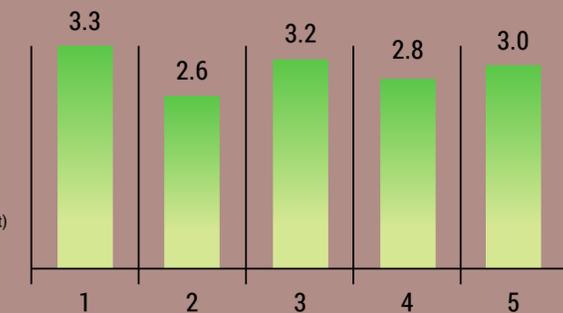
- 1) OpenSea's Series C valuation (\$13.6B, the first Decacorn)
- 2) eBay acquiring marketplace KnownOrigin
- 3) Launch of Christie's Ventures
- 4) Integration of NFT by Kering brands
- 5) Collaboration between BlackRock Capital and Coinbase

WHICH AREA OF THE ART+TECH & NFT ECOSYSTEM IS CURRENTLY FILLED WITH THE HIGH-QUALITY STARTUPS? (STARTUPS THAT SOLVE THE HIGHEST NUMBER OF CUSTOMERS' PROBLEMS)



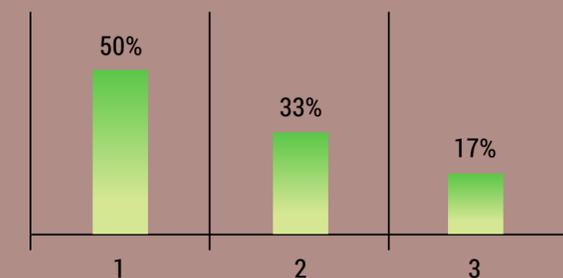
- 1) R&D (creation studios, communities)
- 2) GameFi (gaming platforms)
- 3) Visualization (online showrooms, AR / VR / MR)
- 4) Trade (marketplaces, payment systems)
- 5) Management (logistics, storing, rights management)
- 6) Analytics (data mining, trading signals)

WHICH MARKERS OF A HEALTHY ECOSYSTEM ARE MOST IMPORTANT TO INVESTORS IN THE INDUSTRY? (IN ORDER OF IMPORTANCE FROM 1 TO 5)



- 1) Presence of emerging startups in the four main links of the value chain (production, trade, management, analytics)
- 2) Presence of full-fledged industry reports in the market
- 3) Development of academic research (market analytics, institutional recognition of NFT)
- 4) Improvement of legislation that would regulate the market
- 5) Big names among pioneer investors

YOUR EXPECTATION THAT IN THE SHORT TERM, WILL NFT SALES RECOVER TO THE LEVEL OF 2021?



- 1) Yes
- 2) No
- 3) NFT will be reborn under another name

FUELARTS • SURVEY. OPPORTUNITIES (STRATEGISTS)

- **83%** of the respondents consider it inevitable that the market will turn towards physical art, which behaves more predictably as an asset in times of crisis. No one voted against this thesis, and the remaining **17%** abstained.

- Strategies believe that the key problem of adapting services that offer fractional ownership of art objects (**50%**) is the lack of a specialized exchange. In other words – the secondary market, i.e. a single marketplace where the owners of shares will sell their assets purchased on different sites. Interestingly, **33%** of respondents voted for the desire of a physical collector to own an entire piece of art, and **0%** for the unwillingness of crypto-millennials to own Picasso and Cezanne. Perhaps these are two sides of the same coin.

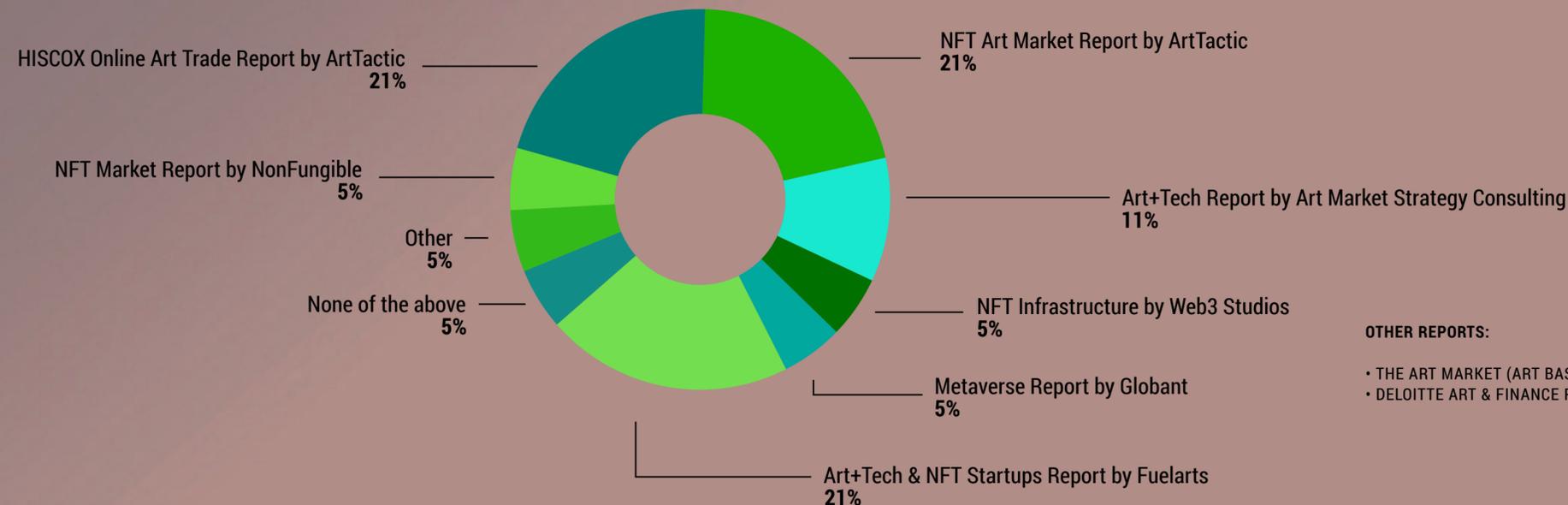
- The importance of a curatorial approach in the promotion and acceptance of NFTs by traditional collectors was noted by exactly half of the respondents. Together with those who admit such possibility, this is **67%** in total. **33%** of strategists remained firmly convinced that curators will not help digital art.

- An equal number of strategists (**33%** each) believe that «synthetic NFTs» will replace the classic art NFTs – both in the 1,5 years and in the longer term. **17%** of the respondents answered negatively, or found it difficult to give a clear answer.

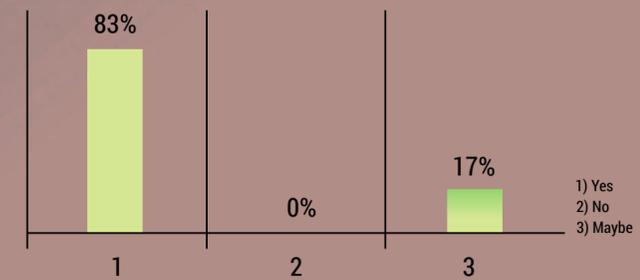
- Half of the survey participants do not see an urgent need to clarify the terminology and segmentation of Web3 market. **33%** believe that putting things in order is necessary, and **17%** believe that the market should settle down, later prompting development options.

- The most frequently used industry reports by art strategists were HISCOX Online Art Trade Report (**21%**) and NFT Art Market Report (**21%**) by ArtTactic. None of the reports were used only by **5%** of strategists (in-depth analysis showed that they represent the traditional Art+Tech market, that is not covered by these reports).

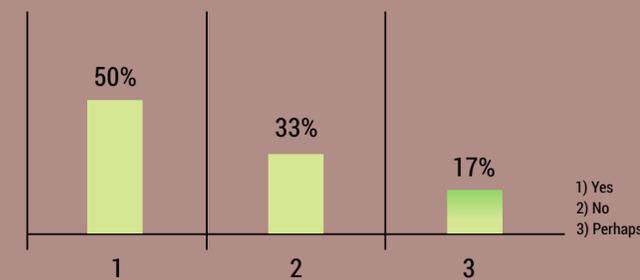
WHAT REPORTS DO YOU USE TO KEEP UP WITH THE ART+TECH & NFT MARKET?



DO YOU THINK THAT ATTENTION WILL BE SHIFTED SOON TO THE PHYSICAL ART AMID AN ECONOMIC RECESSION (AS AN ASSET TO BETTER HEDGE RISK)?



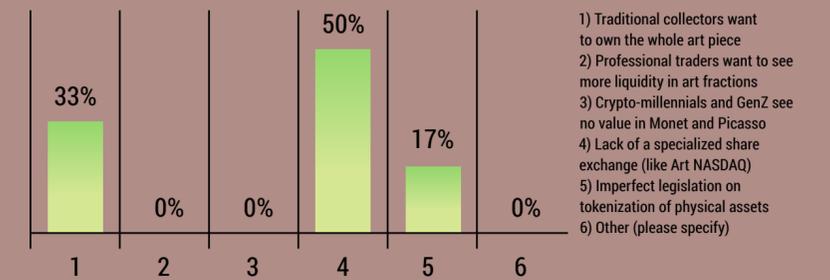
DO YOU BELIEVE THAT THE CURATORIAL APPROACH TO NFT SELECTION WILL LEAD TO WIDESPREAD ACCEPTANCE OF DIGITAL ART BY TRADITIONAL COLLECTORS?



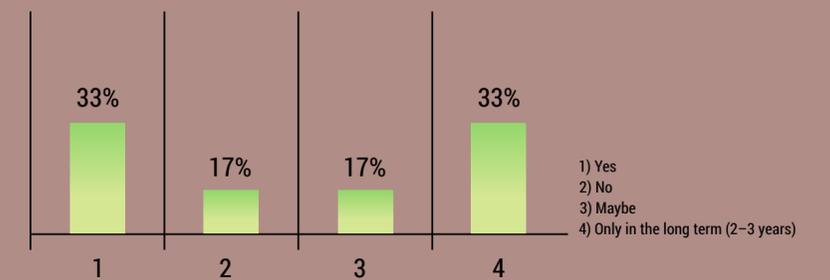
OTHER REPORTS:

- THE ART MARKET (ART BASEL & UBS REPORT) BY ART ECONOMICS
- DELOITTE ART & FINANCE REPORT BY DELOITTE / ARTTACTIC

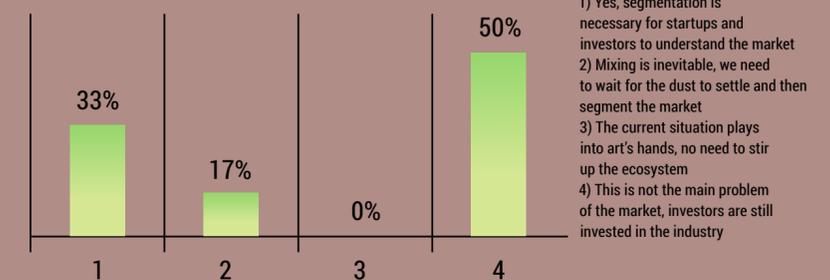
WHAT IS THE MAIN PROBLEM HINDERING THE WIDESPREAD INTRODUCTION OF FRACTIONALIZED ART?



DO YOU THINK THAT IN THE MEDIUM TERM (6-18 MONTHS) THE 'SYNTHETIC' NFTS – ART+FASHION, ART+MUSIC, ART+FILM ETC. WILL GET THE MOST ATTENTION AND VISIBILITY?



DO YOU THINK THAT THE MIXING OF DISCIPLINES/MOVEMENTS IN WEB3 (ART, GAMES, SPORTS, FASHION) REQUIRES A MORE CLEAR DEFINITION OF WHAT ART+TECH IS?



FUELARTS ● CASE STUDY #6

Let's start with the basic fundraising rules for startups. Textbooks say: talk less, listen more. How would you comment it and how does it work in practice?

"Talk less listen more" is good advice. A lot of entrepreneurs and startup founders are more focused on themselves versus understanding the potential investor or fund. I would recommend focusing on the investors, and funds by understanding what they are looking for, and checking what they have previously invested in.

Before reaching an investor or a fund, I would advise making research on previous investments, rounds, and preferable industries. I think startups should focus on how they can help fund/investor with his portfolio and what fund/investor is looking to achieve.

In your career you have raised different amounts for different funds. Would you say it is less challenging to get a small funding or a large investment?

I think getting big funding would be less challenging because asking big funds with bigger amounts for a funding usually doesn't seem like asking for a lot. Prior to reaching investors/funds, I would recommend finding out what their experiences on the amount of investment checks that they've done (investing small/big). I think it is crucial to find which fund you can sell your particular story the best and the one that you will actually help out the most.

What are the key mistakes that young startups make when communicating with

investors, and which mistakes are more common for late-stage startups?

One of the biggest mistakes for investors and startup founders is not knowing the other side. Startup founders often undervalue listening to what the other side is saying. I find this issue especially common among young unexperienced startups.

For late-stage startups one of the key mistakes is getting complacent and not maintaining strong relationships with investors. I also believe that many founders should become better at listening and accepting criticism.

How can startups survive through low market?

I believe if a startup has many great established relationships with investors, it will be easier to go through a low market and continue fundraising.

What is your take on crypto and Web3 market? How stable is it, what are the main pros and cons?

Web3 market is interesting with crypto market and blockchain technology having high chances of being accepted. The main question is: will it be adopted by general public, who is not yet interested in Web3?

The main factors here are: (1) acceptance of Web3, (2) whether Web3 will make life easier or not.

You've seen the data of the report: over 22B was accumulated by specialized

Web3 funds, but no more than 10% was invested. What are investors waiting for and what should startups prepare for?

Even though capital raises are hitting record levels, it all goes to very few select funds and investments. A lot of these big companies that are raising capital are only giving it to the companies that already has most of the money, so new startups and emerging funds are having trouble raising capital.

The best thing a startup founder can do is work on the relationships with investors and continue reaching out in any environment and conditions.

How will the BlackRock-Coinbase alliance affect the Web3 investment market?

With BlackRock being the world's biggest asset manager, I think this event positively shocked the market. This alliance validates blockchain, crypto and obviously Coinbase. It is a big event that will raise the floor of support of Web3 overall.

Web3 generally lacks two main factors: (1) institutional support, (2) regulation. With BlackRock being the biggest institutional investor, I believe this alliance will change the overall perception of Web3 by other investors.

Many investors in Art+Tech & NFT sooner or later come to collecting whether that's physical or digital art. On the one hand, this way they better immerse themselves in the subject of their investments (infrastructure startups), on the other hand, many simply cannot resist being

carried away by art on an emotional level. What needs to happen to you to buy art?

I personally like art that looks nice and that has a certain message. In terms of style, I prefer Pop art, because I can follow up on its history and get more understanding of this style. I like that many Pop art pieces have a political message and can be controversial. I buy pieces that I like to look at.

Living in Miami Beach, you probably noticed that since the pandemic, many traditional collectors have moved to South Florida, where in the last couple of years many branches of top galleries have opened and more art-related services have appeared. What advantages do you see in physical over digital art in the perspective of a (possible) global economic downturn?

The biggest advantage of physical art is its tangibility. When people are investing in art, they prefer to see and feel the objects that seem promising for them. So, tangibility would always be number one factor for physical market. Second crucial factor is history, meaning that physical art market is a mature market for maintaining wealth and storing capital. While the digital market cannot offer this confidence neither historical proof.

What are the professional ways of monitoring the market for investors and startups?

I would say that following industry specific newsletters and reports can provide one with a lot of necessary information. These tools will give understanding of key trends and biggest players in the industry.



JEFF ESHLEMAN

VC expert, fundraiser,
Managing Director
of Amadeo Global

FUELARTS ● CONCLUSIONS

As you have already read the whole report, let us try to sum up the key findings in 10 statements:

1. It is all about Labs

In terms of investment amounts in H1 2022, R&D startups were leading by a significant margin (34.9%), those were mainly design studios creating content. The same growth (only in terms of emergence, not investments) we can see in the segment of the earliest startups. Everyone wants to be the next Lavra /Yuga/ Dapper/LayerZero Labs. The investor interest in content creators is not surprising – the marketplace market is well-stocked, but further sales growth requires fresh ideas and high-quality assets. While the number of young startups sticking the word ‘Labs’ to their name, but at the same time consisting of a designer and a marketing manager, leaves much to be desired.

2. The Best and the Rest

The funding situation for Art+Tech & NFT startups is similar to the art market in general: there are ‘blue chips’ and others. There is a growing gap between them. The total amount of investments received by 8 companies at the level exceeding \$100 million in H1 2022 was \$1.921 billion, or 74% of the total. The remaining \$679 million (24%) are distributed among 115 startups – an average of \$5.9 million per company. And, although five million is also a formidable amount, which early rounds Art+Tech startups could not even dream about 5 years ago, the difference is still impressive. We may only hope that unicorns to be will master this funding with due diligence, without looking back at more successful colleagues.

3. Crypto vs. Ratio

Despite the obvious advantage of Digital & NFT startups over representatives of ‘Physical’ Art+Tech (111 vs. 12 in number or 96.2% vs. 3.8% in financial terms), the main investors in H1 2022 were traditional players – classic VCs (33.6%) and individuals (22.5%). According to our calculations, 8 out of 10 individual investors made investments in fiat currency. In other words, the vast majority of crypto startups were funded in traditional currency.

This can be explained by two factors. First, traditional VCs did not want to miss the ‘hot digital market’ by paying with the assets they had at the time of the transaction. Second, crypto-investors decided to hold their funds, expecting for the capitalization of the main crypto currencies to grow. But we can state that the NFT ecosystem has been more interesting to the traditional market over the past 6 months, both in quantitative and monetary terms.

4. Investors are testing water

At the same time, investors were in no hurry to plunge headlong into the digital economy – 86.6% of 640 companies/personalities in H1 2022 made only one investment into infrastructure startups. This could be assessed positively if the market is supported by the global economy – i.e., when these investments would lead startups to quickly and successfully start working with their users. However, there are few chances for startups to quickly occupy their niche (and show the result of disbursing funds at the level of cash flow/company valuation growth) in the face of a decline in key indicators of the traditional market, as well as a recession at the crypto market. This could have a negative impact on the trial investment experience for more than 600 investors. Are they ready to wait for the new growth of the digital economy and the inevitable expansion of Web3?

5. Investment Portraits: Preplanned, Last Minute, Postponed

What is the record H1 2022 investment of \$2.600 billion? This is a combination of several factors. It must be understood that most of the later rounds (Series A+) are planned many months in advance, including prior arrangements with participating investors. Consequently, the startups in our ecosystem received about \$2.2 billion regardless of the economic crisis, the bear market of crypto assets, and hostilities in Ukraine. About \$400 million more investments were dictated by the desire of investors to be in time to place money in a rather risky, but promising area before the crisis began. But one can only guess how much the Art+Tech & NFT industry lost in H1 2022. After all, as we remember,

specialized funds have reserved more than \$22.7 billion for the entire Web3, of which only \$1.5 billion have been disbursed. The rest of the funds are waiting for a state of certainty: either the market will grow and investments will continue, or its further recession and mass M&A procedures with a discount favorable for investors.

After all, not only you and me, but investors also understand that digital assets have come into our lives forever. The only point is the most profitable (forecasted) investment cycles. And certainly the outcomes.

6. Investment Relations is Key Point

“Relations” is the key word in the phrase ‘Investment Relations’. And they are built up over a long period of time. A startup must understand that this can take years, while an investor studies your psychological profile as founders, reactions to success and failure, stress resistance, etc. This is no less important than determining the ability of a startup to work with money (traction) and find a market fit. It is good that most Art+Tech startups have realized by mid-2022 that it is extremely difficult to conquer an investor with a bare idea, even the most progressive and unique one. Those who jump into the last car of the train leaving for success are the first to jump off. And a real investor is your mentor for many years, in fact, another co-founder.

7. Blockchain Wars

Considering that the capitalization of any blockchain (and the crypto currency of the same name associated with it) depends on the number and amount of transactions carried out within its ecosystem, back in early 2022 we predicted ‘Blockchain Wars’ – competition in this market area. This was partly confirmed – the largest blockchains became more active in terms of grants for startups using their technologies, as well as targeted funding at the level of investment funds. At the same time, other market participants who need new users, in particular, crypto exchanges, are also drawn into such competitive wars. The number of ‘multiverse’ startups nurtured by strategists is on the rise. Today Animoca

Brands (GameFi) and Galaxy Labs (R&D / VC), and Christie’s (classic art market) join them.

8. BlackRock has not impacted the market... Yet?

The positive effect (predicted by many people) from the epoch-making deal between the largest fund of our time BlackRock Capital (more than US\$13 trillion under management) and the top crypto exchange Coinbase is in no hurry to become influential. The capitalization of the leading crypto currencies slightly (11%) recovered after that message in August, 2022, but then again returned to the low levels of the previous summer. Elon Musk has managed the digital market more efficiently with his tweets. Either the main holders of crypto currencies do not know what BlackRock is (which is hard to believe), or it is no longer possible to reset the sagging market with such news. And, perhaps, the whole thing is in August – the traditional month of vacations and preparation for the autumn spurt?

9. More utilities, please!

We observe a certain fatigue in the crypto community as the main audience for Digital & NFT startups. So, unexpectedly for many people, the giant of the gaming world Minecraft abandoned the idea to introduce NFT for its users. It followed by bringing the issue of digitizing traditional audiences to the attention of some GameFi strategists at the NFT.NYC summit last June. And this is a very alarming call, since the game industry has been considered the main channel for the supply of adherents of crypto-assets. The main reason for such a division into NFT supporters and opponents among gamers was the understanding by a part of the audience that, apart from additional costs, crypto assets in games do not have actual, tangible benefits. And here we come to a term that has been lost in white papers and smart contracts since 2018 – utilities. It is the actual benefit of owning NFTs that, in our opinion, will determine the success of startups in the sphere. We have to admit: the new generation is fed up with the ephemeral benefits of the crypto world, which can be retold by the national motto of France – ‘Liberté, égalité, fraternité’ (Liberty, equality, fraternity).

‘Utilité, utilité, utilité’ is the new slogan for the next 6 months, and, most likely, for the next decade.

10. Physical Market on Parade?

83% of strategists who consider it inevitable to switch attention over to physical market assets amid the crisis – is an extremely high figure to ignore. We are not saying that CoinTelegraph or Decrypt will start writing about the sales of Basquiat and Rauschenberg. The main thing (if it happens) is to keep the weight taken, i.e., to provide users of ‘physical’ Art+Tech services with a quality product. And here, given the poor ecosystem of startups working with classical art, questions arise. The online offices of auction houses and large galleries (those who will have crowds of clients) will seize the initiative at best, and we will return to the time of the pandemic. In the worst case scenario, fractional ownership platforms may not be ready to provide users with the expected benefits, e.g., liquidity at the secondary market. It is no coincidence that the appearance at the market of a specialized exchange of the NASDAQ type for shares of art has long been actively discussed behind the scenes. However, first of all, it is necessary to unite the existing market players for this. But who is ready to become a new leader?

So, H2 2022 is ahead. With what thoughts are we going to enter it?

We would be happy to be wrong, but there will have been less highprofile investments in the Art+Tech & NFT area by the end of 2022. Everything planned before the start of the crypto winter has already happened, and the rest of the funds will follow the market. However, the crisis is a time of opportunities for Fuelarts. We must not forget that today’s unicorns were founded just during the previous crisis periods – the bearish trend of 2018–2020 and the pandemic. A crisis is the best time to gather, inspire, and retain the community, test the team, and show investors your resilience. Then, success awaits you at the end.

Remember that your startup glass is half full, not half empty.

FUELARTS

6

ABOUT FUELARTS

FUELARTS • ABOUT FUELARTS

FUELARTS is the first dedicated accelerator (NYC) that uncovers the potential of Art+Tech & NFT startups, helping them to adapt their business models to shifting market demands.

In 2019 FUELARTS was founded in New York by serial entrepreneur Denis Belkevich and former COO of Christie's Americas, ex-Senior VP of Artnet Roxanna Zarnegar.

Accelerator's mission is to make the Art Market more efficient, transparent, and accessible to Web3 demands. FUELARTS provides tools to support founders of Art+Tech startups. First, it provides mentorship from the professionals experienced in finance, development, supply chain and go-to-market strategy. Then, thanks to FUELARTS' investment partner Amadeo Global, the accelerator presents startups to a wide network of investors.

FUELARTS was first presented at the Deloitte Art & Finance Event in 2019. Having raised \$500K in 2021, the accelerator scaled its activities after the pandemic. FUELARTS worked with four Art+Tech startups in a private acceleration mode - the results of this extensive work were presented at FUELARTS' Digital Demo Day (October 28th, 2021). After Fuelarts' acceleration, total investments in four startups amounted to \$750K.

With scaling its operations and expanding its reach, Fuelarts today has a diverse international team of Art Market, Public relations, Venture capital and Blockchain & NFT professionals. The team includes experts from Ukraine, China, United States, France, Switzerland and Ecuador.

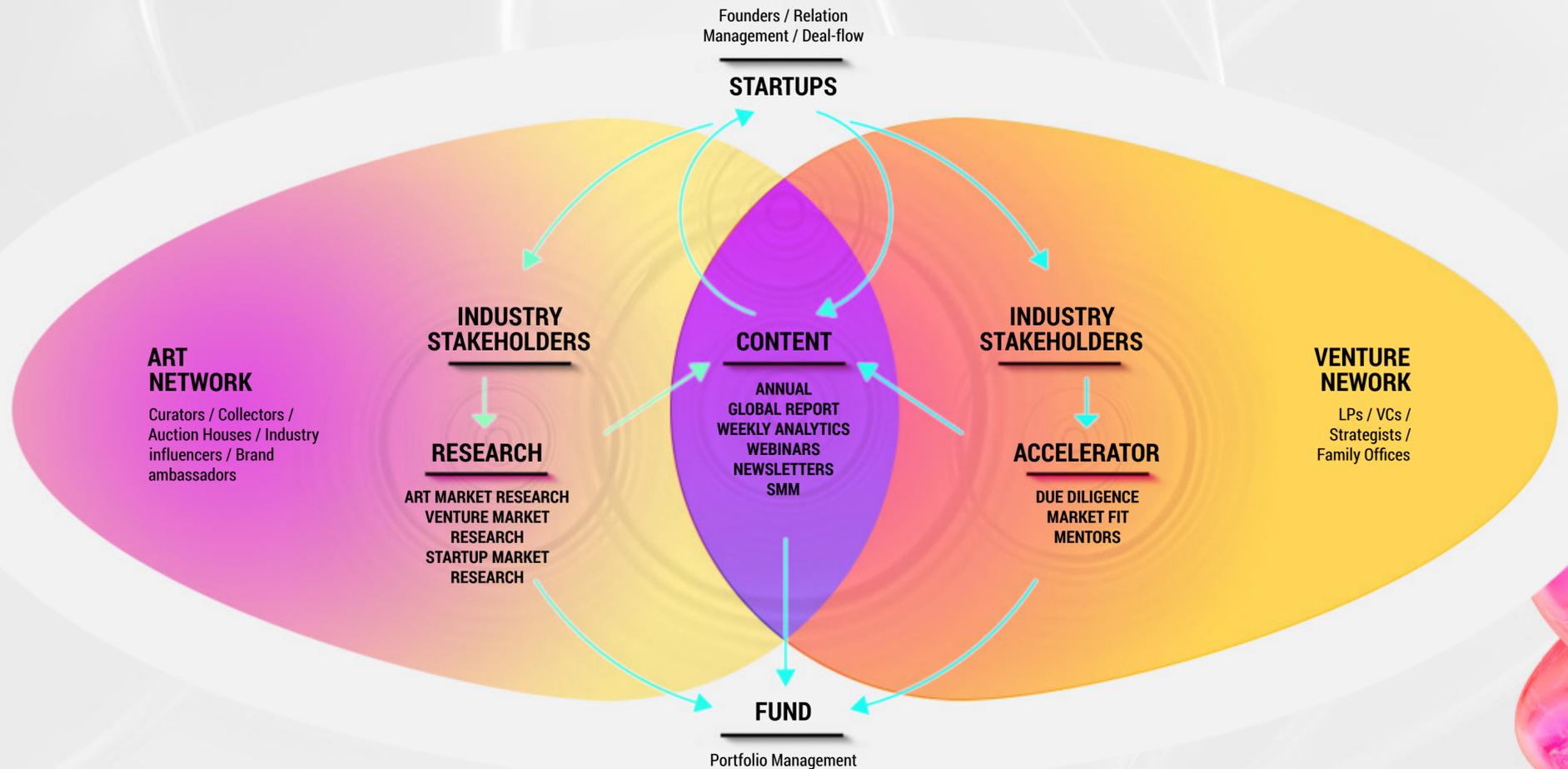
In late March 2022 FUELARTS published the first edition of the Art+Tech & NFT Startups Report. The inaugural report included analytics of already existing startups, current funding opportunities, forecasts for the upcoming year, and interviews with industry leaders.

As a part of FUELARTS' mission, the accelerator runs a series of online webinars, featuring the most active players and thought leaders in the Art+Tech and NFT space as well as promising startup founders and investors.

In May 2022, FUELARTS launched two online pre-acceleration programs: Classic Art+Tech startups and Digital & NFT startups. These programs gave 36 early-stage founders the knowledge to fundraise and launch their Art+Tech / NFT startups 3 times faster and with a minimum budget. The team of 22 professional mentors provided young founders with practical tools while networking opened them a wide variety of business opportunities.

In June 2022, FUELARTS announced raising a \$10 million VC fund to back promising startups, building products and services along the value chain of Art NFTs.

From 2023, the objective of FUELARTS is to become a company builder VC, with the purpose of helping startups in the NFT and blockchain tech space to build a business model that can shift focus as demands in the market change.



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FUELARTS ● ACCELERATION PROGRAMS

PRE-ACCELERATION

(Idea Stage)

This 6-week program is designed for startups at the very early stage. It gives early-stage founders the knowledge to fundraise and launch their Art+Tech & NFT startups 3 times faster and with a minimum budget. The team of professional mentors provides entrepreneurs with practical tools while networking opens a wide variety of business opportunities.

After completing the pre-acceleration program entrepreneurs will be ready to answer the following questions:

- How to create revolutionary products?
- How to build and implement a business with a high potential for exponential revenue?
- How to practice entrepreneurship with a minimal risk and to go into business full-time?

GENERAL ACCELERATION

(MVP Stage)

This 10-week program is designed for startups at the MVP+ stages, having incorporation and market traction. It is a perfect fit for MVP stage startups with a focus on product-market fit, traction, GMT, and fundraising. General Acceleration is an equity-based program.

General Acceleration ends up with a Demo Day, assembling investors from the Art+Tech & NFT industry.

STRATEGIC ADVISORY

(Later Stage)

Fuelarts offers online Strategic Advisory acceleration. This program helps founders create a professional advisory board and uncover scaling opportunities, revise its business model for the needs of later stage institutional investors. Strategic advisory acceleration is an equity-based program.

Moreover, Fuelarts offers startups a detailed and personal approach in the Private Acceleration program. In this program, Fuelarts privately works with a startup based on its goals and plans.

“THE ART MARKET ECOSYSTEM IS PRETTY COMPLICATED, BUT IT GIVES A GREAT OPPORTUNITY TO FIND ALTERNATIVE ASSETS WITH LOW VOLATILITY FOR YOUR PORTFOLIO. KEEP EXPERTISE ON ART BUSINESS AT YOUR FINGERTIPS WITH FUELARTS – THE FIRST DEDICATED ACCELERATOR FOR ART+TECH & NFT”

DENIS BELKEVICH, GENERAL PARTNER, FUELARTS



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FUEARTS • FULEARTS CAPITAL I

The NFT revolution needs infrastructure to keep its momentum, and the infrastructure needs capital. Today more than 400 startups are currently building value chain behind the NFT scene. This is a great environment for venture capital to develop the space. What is more important – there is already a proof of concept in this space.

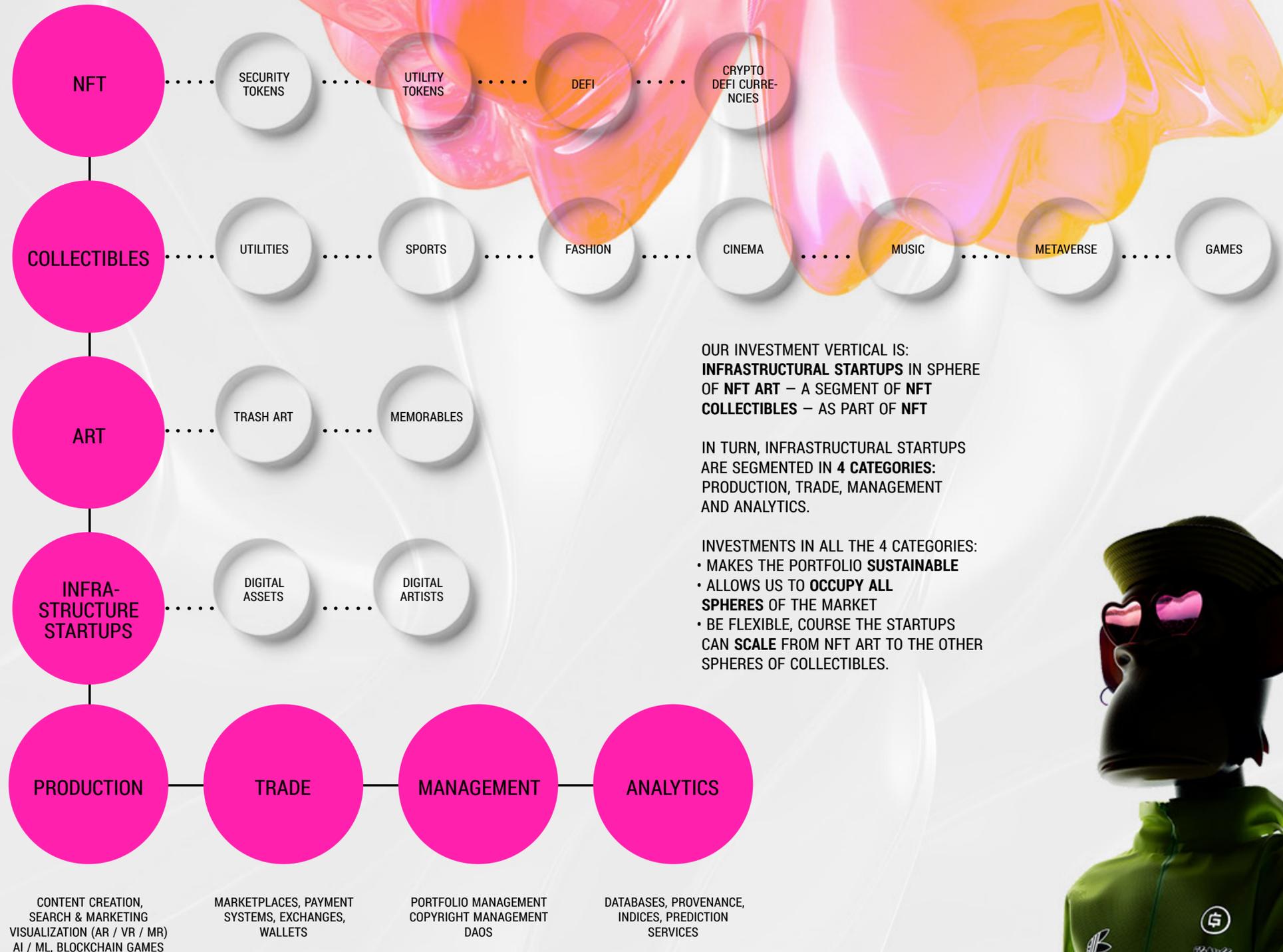
Latter motivated Fuelarts to develop a VC fund to back promising startups, building products and services along the value chain of Art NFTs.

Fuelarts Capital Fund I shall not invest in digital assets since there is too much volatility and speculation but will invest in the industry enablers. We call them infrastructure builders – the startups that produce, trade, manage, and analyse digital assets.

We consider ourselves in the best position to back the future winners, and we have already identified them. To bring the most promising startups to the Fund we created a 5-step funnel – starting from research of the Art+Tech ecosystem to business & financial due diligence processes.

Among the first backers, Fuelarts Capital Fund I has tech entrepreneurs, art collectors and strategists. Stay tuned to enjoy the safest way to play with the NFT craziness!

fuelartscapital.com



FUELARTS

FUELARTS ART+TECH & NFT STARTUPS REPORT H1 2022

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