



# Beefy

Quarterly Report

JUNE 2023



2020

2021

2022

2023



Beefy.com  
DAO

## Beefy DAO

### QUARTERLY REPORT – Q2 2023

To the community, users and tokenholders of Beefy:

It is exciting to welcome you back for the second instalment of Beefy's quarterly financial reporting. As with the [Q1 report](#), this document seeks to provide a snapshot of Beefy's ongoing performance against the current market conditions. It is hoped that this information and transparency will help all readers to better understand Beefy and its performance.

#### Second Quarter

The second quarter of 2023 has been a challenging one, as the ripple effects of last year continued and an onslaught of regulatory action in the US has left a noticeable chilling effect. Market prices for most "altcoins" dropped by c. 20% over the quarter, most noticeably following the SEC's lawsuit against Coinbase which named several key altcoins as examples of securities. Despite this, the global cryptocurrency market cap returned to one-year highs during the quarter – and ended with a slight overall increase – thanks to growing adoption of Bitcoin and Ether.

Regardless of market conditions, Beefy continues to march forward with building new products, growing our community and delivering value to thousands of users. Our efforts have remained focused on safely and indiscriminately delivering the best of opportunities from the latest and greatest chains and protocols. In that regard, Beefy's second quarter has been a success, with over 200 new vaults and 1 new blockchain – zkSync Era – [launched](#).

Readers of this report will notice that Beefy's financial performance has also been strong. Despite considerable fear, uncertainty and doubt in the market, Beefy has retained users, deposits and performance throughout the quarter. The result is a growing protocol revenues of \$817,628 in the second quarter, and a net profit for the second consecutive quarter of \$102,476 after adjustments to account for grant spending. In a market that is still decidedly bearish, Beefy tokenholders can rest easy in the knowledge that their project is thriving.

Beefy has also seen a large swing in its net asset position, thanks to its inclusion in the [Arbitrum DAO Airdrop](#) (the \$ARB airdrop). On 24 April, Beefy [received](#) a total of 1,802,783 \$ARB tokens, worth \$2.42 million at the time. Though prices have since fluctuated, the Beefy DAO promptly [voted](#) to rebalance the treasury's token allocation, which the Treasury Council executed by selling \$ARB for stablecoins. In total, Beefy's treasury grew by \$1.96 million as a result of the airdrop, leading to an overall increase in net assets of \$1.26 million over the quarter (after accounting for fluctuations in treasury asset prices).

#### Key Achievements

The second quarter saw a number of key achievements in all areas as Beefy continued to grow and refine its operations. Notable highlights include:

- deploying 220 new vaults
- hosting 24 launchpool boosts
- paying out \$124,399 in bribes
- introducing concentrated liquidity
- vaults with Gamma & Algebra
- launching on zkSync Era
- publishing our [DAOmeter report](#)
- adopting financial reporting
- sponsoring Consensus in Austin and speaking at AVAX Summit in Barcelona

## Beefy DAO

Last quarter, commentary in the report revolved around the theme of honing and refining Beefy's core strengths. This quarter, a suitable theme is the durability of the Beefy protocol and DAO under stress testing from difficult market conditions.

The combination of regulatory uncertain and significant technical exploits and failures has meant that markets behaved erratically throughout the quarter. The industry has endured insolvencies, wind downs, de-pegs and bridge failures aplenty. When these issues arise, Beefy's operations are typically stretched, as liquidity thins out, users take cover and the contributor team must adapt its plans. Through it all, Beefy has been quick to warn users, panic and pause our products and reallocate resources to address pressing needs.

At the same time, the challenges of operating as a decentralized and global organisation are also amplified in difficult times. The \$ARB airdrop, for example, demonstrated that effective decentralization means many competing viewpoints and disagreements as to how treasury should be managed in a bear market. Because of their nature, DAOs are necessarily harder to shepherd than traditional centralized organizations. Nonetheless, Beefy's community has risen to the occasion, repeatedly reaching consensus on governance, reiterating support for its core contributors and steadily holding positions on the protocol through it all.

As the industry marches slowly forwards towards mass adoption, it's clear that Beefy's share of challenges and struggles have helped to forge a strong and robust protocol and community that can withstand the test of time.

### Looking Forwards

At the time of publication, the third quarter is already well underway and appears to promise a similar level of opportunity and turbulence as the second quarter. Beefy has already expanded to Polygon zkEVM, with a number of other new chain deployments scheduled for summer or early autumn 2023. Ripple's victory in its lawsuit with the SEC provided new hope in the struggle against regulatory pressure, and sent prices temporarily soaring.

At the same time, further exploits to the Multichain bridge and Conic Finance continue to send shockwaves around the industry. This includes leaving Beefy's \$BIFI governance token in a delicate position, as the underlying native tokens held by Multichain on BNB chain (which supports bridged copies of \$BIFI) have become unobtainable. The Beefy Core team has promptly prepared and sought approval for a [detailed migration plan](#), which will see the \$BIFI token redeployed on Ethereum, with redesigned bridging and staking dynamics, and with the new token to be distributed to existing holders on every chain. The calm and conscientious response by the community has proven that Beefy continues to be sufficiently mature and decentralized to withstand intense and dramatic challenges to its operations.

### Reporting

Following the last report, Beefy's DAO [voted](#) in May to make financial reporting a permanent fixture, and to provide funding to expand its reach and automate these processes. For the second quarter, the report has been updated to include a balance sheet, actual vault revenue figures and governance pool incentives, and to begin automating data collection.

The success of the first report has also encouraged more volunteer contributors to get involved. It is fantastic to see more community members with a host of skillsets coming forward to contribute to Beefy. If you – the reader – like what you see in this report, you too can join us by reaching out to us on Discord, Telegram or Twitter.

And together, let's build the future of finance!



**Beefy DAO**  
**STATEMENT OF INCOME**  
(Unaudited)

|                                   | Notes | \$USD               |                     |
|-----------------------------------|-------|---------------------|---------------------|
|                                   |       | 2023 Q1*            | 2023 Q2             |
| <b>Revenues:</b>                  |       |                     |                     |
| Treasury Vault Income             | 3-4   | \$ 521,959          | \$ 539,422          |
| Validator Income                  | 5     | \$ 40,207           | \$ 39,746           |
| Bribe Income                      | 6     | \$ 3,769            | \$ 48,721           |
| Market Making Income              | 7     | \$ 8,831            | \$ -                |
| On Ramp Income                    |       | \$ 189              | \$ 96               |
| Grant Funding                     | 8     | \$ 120,274          | \$ 6,842            |
| <b>Gross Income</b>               |       | <b>\$ 695,229</b>   | <b>\$ 634,827</b>   |
| <b>Costs:</b>                     |       |                     |                     |
| Contributor Funding               | 9     | \$ (306,598)        | \$ (316,741)        |
| Operational Costs                 | 10    | \$ (103,398)        | \$ (171,190)        |
| Bribe Costs                       | 6     | \$ (124,399)        | \$ (111,853)        |
| Marketing & Events                | 11    | \$ (54,696)         | \$ (41,824)         |
| <b>Total Costs &amp; Expenses</b> |       | <b>\$ (589,091)</b> | <b>\$ (641,607)</b> |
| <b>Net Income</b>                 |       | <b>\$ 106,138</b>   | <b>\$ (6,780)</b>   |
| Grant Funding                     | 8     | \$ (120,274)        | \$ (6,842)          |
| Grant Spending                    | 8     | \$ 182,458          | \$ 116,099          |
| <b>Adjusted Net Income</b>        | 8     | <b>\$ 168,321</b>   | <b>\$ 102,476</b>   |

\*Restated Q1 figures following move to actual vault income data. See Note 4 for more information.

*See accompanying Notes to Financial Statements below.*

**Beefy DAO**  
**BALANCE SHEET**  
(Unaudited)

|                                    | Notes | \$USD               |                     |
|------------------------------------|-------|---------------------|---------------------|
|                                    |       | End of 2023 Q1      | End of 2023 Q2      |
| Ethereum Validator                 | 5     | \$ 60,264           | \$ 61,905           |
| Fantom Validator                   | 5     | \$ 249,310          | \$ 158,788          |
| Fuse Validator                     | 5     | \$ 8,390            | \$ 7,723            |
| <b>Non-current Assets</b>          |       | <b>\$ 317,964</b>   | <b>\$ 228,416</b>   |
| Market Maker Assets                | 7     | \$ 442,388          | \$ 384,646          |
| Protocol-owned Liquidity           | 12    | \$ 661,721          | \$ 484,497          |
| Other Investments                  | 12    | \$ 3,297            | \$ 32,977           |
| Other Tokens                       | 12    | \$ 921,411          | \$ 487,845          |
| BIFI                               |       | \$ 217,839          | \$ 201,361          |
| WBTC                               |       | \$ 228,353          | \$ 329,584          |
| ETH                                |       | \$ 27,629           | \$ 99,438           |
| Natives                            |       | \$ 231,729          | \$ 162,095          |
| <b>Current Assets</b>              |       | <b>\$ 2,734,368</b> | <b>\$ 2,182,442</b> |
| Stablecoin Investments             | 12    | \$ 406,718          | \$ 1,201,398        |
| Stablecoins                        |       | \$ 345,655          | \$ 1,453,926        |
| <b>Cash &amp; Cash Equivalents</b> |       | <b>\$ 752,373</b>   | <b>\$ 2,655,325</b> |
| <b>Total Assets</b>                |       | <b>\$ 3,804,706</b> | <b>\$ 5,066,182</b> |
| <b>Total Liabilities</b>           |       | <b>\$ -</b>         | <b>\$ -</b>         |
| <b>Net Assets</b>                  |       | <b>\$ 3,804,706</b> | <b>\$ 5,066,182</b> |
| Equity                             | 13    | \$ 3,804,706        | \$ 5,066,182        |

*See accompanying Notes to Financial Statements below.*

## Beefy DAO

### NOTES TO FINANCIAL STATEMENTS

#### Note 1. General

This report has been produced by Beefy contributors and not by external accountants or auditors. The figures provided have not been professionally audited, and are intended for informational purposes only.

Data in this report is primarily presented in terms of the US dollar, as the base accounting currency for the DAO. Beefy's treasury has deliberately chosen to operate primarily in USD-denominated stablecoins, to ensure stability and consistency in its financial activities.

Though stablecoins often do not maintain an exact 1:1 peg with their underlying currency, for the purpose of this report all stablecoins have been assumed to maintain an exact peg. This reflects Beefy's expectation that the peg for each stablecoin used as tender by its treasury will continue to fluctuate around that stable value

With the extension of reporting to include balance sheet assets, the availability of accurate pricing information has become a challenge. Beefy holds a variety of tokenized investments that are not currently marketed, which must therefore be valued on the basis of live data relating to the composition of underlying assets which constitute the investment.

In light of the limitations and assumptions arising from pricing data availability, this report also does not include a calculation of unrealized gains or losses in the value of treasury assets, or recognize this change as a line item in the income statement. It is intended that a methodology to grapple with unrealized gains or losses will be added in the future, once sufficient pricing data is available.

Though data has been sourced for every asset included in the balance sheet, this is not true of the value of every asset at the time of each relevant transaction. This remains an aspiration for the future, though for the time being this report adopts the average price of an asset over the quarter (i.e. the average of the start and end prices) as a proxy value to be applied to total inflows and outflows throughout the quarter. The balance sheet values are generally accurate to within one day either side of the end of the relevant quarter.

Readers should note throughout that the figures in this report are estimates prepared to the best of the authors' knowledge and available information at the time of reporting. Please refer to the disclaimer below for further details of its limitations.

This report has been prepared on the assumption of some prior knowledge on the part of the reader. For further questions about the content of this report or the operations of Beefy more generally, please consult [the documentation](#), or reach out via [Twitter](#), [Discord](#) or [Telegram](#).

#### Note 2. Data Sources & Methodology

The preparation of this report benefits from the vast majority of Beefy DAO's financial activities and data being recorded on public blockchains. In theory, most of the figures produced in this report should be reproducible independently by any party seeking to audit Beefy's finances. With that said, it is recognised that the complexity of the methodology and extent of reliance on manual review for categorization of transactions may still present a barrier to full auditability. More work remains to continue building the transparency of Beefy's finances.

## Beefy DAO

The key off-chain data sources for this report have been pricing data, which have primarily come from two categories of sources. The first – public cryptoasset price services, such as Coingecko – provide a convenient source of data on prices at the start and end of the quarter, which can be used to arrive at average prices. The second – Beefy's own application programming interfaces (APIs) – capture extensive data on the current value of Beefy's vaults, as well as the value of the underlying assets of each value, and the ratio between the two (the price per full share). Beefy uses a mixture of public and private APIs to power its web application, so some of this pricing data may not currently be available to users.

Otherwise, information on Beefy's market-making income is taken entirely from reports provided by Beefy's current market maker – System 9. As market-making activities often cover centralized exchanges, it is expected that some degree of market-making income will always remain off chain.

### Note 3. Protocol Vault Revenue

Protocol vault revenue is the revenue we recognise as being generated by the Beefy protocol through charging fees on Beefy vaults. Here, the Beefy protocol and the Beefy DAO are distinct, as not all fees generated by the protocol belong to or are controlled by the DAO. Instead, only the vault income figure is recognised on the income statement for Beefy DAO.

Protocol vault revenue is made up of two elements: (1) treasury vault income, which are fees passed on to the DAO's treasury; and (2) governance pool incentives, which are fees passed on directly to \$BIFI tokenholders through our \$BIFI Maxi vaults and \$BIFI Earnings Pools. In theory, protocol vault revenue reflects the aggregate fee structure of Beefy vaults, excluding the small allocations to strategists and harvest callers (which immediately exit the protocol and DAO). The breakdown between income and incentives is shown in Fig. 1 below.

**Fig. 1. Protocol Vault Revenue**

|                               | \$USD             |                   |
|-------------------------------|-------------------|-------------------|
|                               | 2023 Q1           | 2023 Q2           |
| Treasury Vault Income         | \$ 521,959        | \$ 539,422        |
| Governance Pool Incentives    | \$ 216,688        | \$ 275,599        |
| <b>Protocol Vault Revenue</b> | <b>\$ 738,647</b> | <b>\$ 817,628</b> |

Governance pool incentives reflect only the inflows of tokens into the Beefy governance pools on each chain. The amount of inflows depends on a number of factors, including when the governance pool was implemented (often sometime after launch on a new chain), the configuration of fee batching automation versus direct payments and the number of vaults still using an older fee structure. Figures in the below Fig. 2 show the total incentives paid out on each chain over the last two quarters

## Beefy DAO

|   | \$USD             |                   |
|---|-------------------|-------------------|
|   | 2023 Q1           | 2023 Q2           |
| Arbitrum                                | \$ 22,905         | \$ 22,662         |
| Aurora                                  | \$ 205            | \$ 107            |
| Avalanche                               | \$ 2,657          | \$ 2,791          |
| BNB chain                               | \$ 20,922         | \$ 13,069         |
| Canto                                   | \$ 26,875         | \$ 81,546         |
| Celo                                    | \$ 5              | \$ 170            |
| Cronos                                  | \$ 751            | \$ 890            |
| Ethereum                                | \$ 20,678         | \$ 21,067         |
| Fantom                                  | \$ 14,217         | \$ 10,338         |
| Fuse                                    | \$ 822            | \$ 840            |
| Kava                                    | \$ 2,260          | \$ 11,302         |
| Metis                                   | \$ 1,441          | \$ 2,348          |
| Moonbeam                                | \$ 7,104          | \$ 224            |
| Moonriver                               | \$ 2,037          | \$ 632            |
| Optimism                                | \$ 70,202         | \$ 68,034         |
| Polygon                                 | \$ 23,608         | \$ 39,578         |
| <b>Total Governance Pool Incentives</b> | <b>\$ 216,688</b> | <b>\$ 275,599</b> |

Note that governance pool incentives are not included in the calculation of gross or net income in Beefy's income statement. Instead, only the treasury vault income figure dealt with below is included to reflect income attributable to the DAO.

#### NOTE 4. Treasury Vault Income

Treasury vault income means the amount of Beefy treasury inflows arising from fees charged on Beefy's vaults. Protocol vault revenue, includes the portion allocated to governance pool incentives, which are attributable to the protocol and not the DAO. This includes fees charged for optional vault tooling such as Beefy's ZAP V2.

In the [Q1 report](#), income figures were estimated using a tested method revolving around our \$BIFI governance pools. For Q2, a new method has been developed to accurately measure treasury inflows across every chain, categorize them and then aggregate to total values. This method looks at transfer logs recorded on the blockchain for native and ERC-20 tokens.

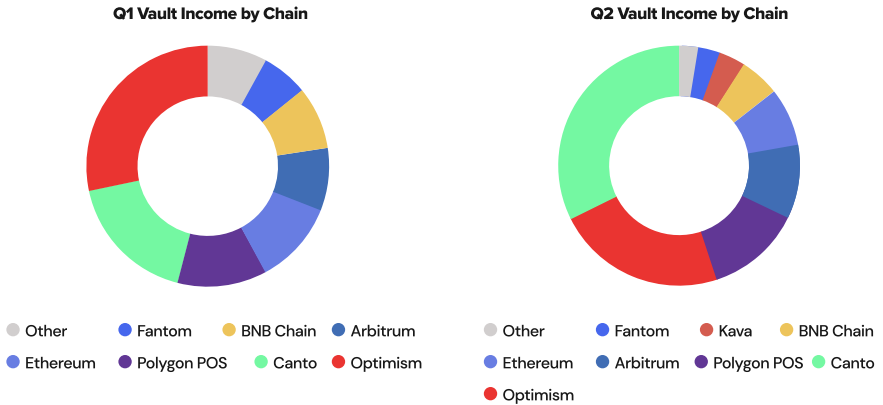
Given that previous figures were only estimates, the decision has been taken to restate the Q1 income figures, and provide adjusted totals in line with the restatement, Though the details of some other forms of income, costs and expenses have not changed, this means the Q1 figures in this report appear entirely different to the Q1 report.

The figures for the second quarter reveal an ever-moving feast of activity across Beefy's 20 chains. By far the largest chain in terms of treasury vault income was Canto, Beefy's eighteenth chain which arrived in February. Kava – which was added towards the end of 2022 – also burst into the top seven chains, more than doubling treasury vault income this quarter.



## Beefy DAO

Fig. 3. Treasury Vault Income by Chain



By comparison with the position during the first quarter, many of Beefy's smaller chains shrunk in income contribution over the quarter, whilst the top six mostly retained or consolidated their grasp. This dynamic perhaps reflects the overarching concerns for altcoins during the second quarter in light of ongoing regulatory activity.

Fig. 4. Treasury Vault Income by Chain

|                                    | <u>\$USD</u>      |                   |
|------------------------------------|-------------------|-------------------|
|                                    | <u>2023 Q1</u>    | <u>2023 Q2</u>    |
| Arbitrum                           | \$ 41,963         | \$ 49,542         |
| Aurora                             | \$ 33             | \$ 17             |
| Avalanche                          | \$ 5,673          | \$ 507            |
| BNB chain                          | \$ 40,702         | \$ 25,076         |
| Canto                              | \$ 99,394         | \$ 175,498        |
| Celo                               | \$ 1              | \$ 31             |
| Cronos                             | \$ 1,806          | \$ 1,589          |
| Ethereum                           | \$ 65,219         | \$ 42,801         |
| Fantom                             | \$ 30,773         | \$ 18,199         |
| Fuse                               | \$ 134            | \$ 137            |
| Kava                               | \$ 8,688          | \$ 19,945         |
| Metis                              | \$ 3,626          | \$ 4,433          |
| Moonbeam                           | \$ 12,629         | \$ 413            |
| Moonriver                          | \$ 3,848          | \$ 1,056          |
| Optimism                           | \$ 137,842        | \$ 120,817        |
| Polygon                            | \$ 69,630         | \$ 68,975         |
| zkSync                             | \$ -              | \$ 5,701          |
| <b>Total Treasury Vault Income</b> | <b>\$ 521,959</b> | <b>\$ 539,422</b> |

## Beefy DAO

### Note 5. Validator Activities

Validator income means the estimated earnings from operating blockchain validators to help secure some of the networks that Beefy operates on. The precise arrangements for payment to validators varies from chain to chain, but as income is often tied to the frequency of blocks which a validator has had the opportunity to propose (and these opportunities are somewhat random in nature), validator income can vary significantly on the same chain and over the same time period. These figures do not include any of the ongoing costs associated with operating validators, or the capital cost of setting up a validator in the first place.

As of the end of the second quarter, Beefy operates validators for three blockchains: Fantom, Fuse and Ethereum. Each operates in a slightly different manner, with different tooling available for the relevant network. As a result, calculating validator income requires slightly different methodologies for each validator. The net figures for the second quarter are as detailed in Fig. 5 below.

**Fig. 5. Validator Income**

|              | \$USD            |                  |
|--------------|------------------|------------------|
|              | 2023 Q1          | 2023 Q2          |
| Fantom       | \$ 38,271        | \$ 37,859        |
| Fuse         | \$ 1,406         | \$ 1,287         |
| Ethereum     | \$ 529           | \$ 600           |
| <b>Total</b> | <b>\$ 40,207</b> | <b>\$ 39,746</b> |

|          | 2023 Q1       | 2023 Q2 |
|----------|---------------|---------|
| Fantom   | \$WBTC 1.70   | 1.28    |
| Fuse     | \$FUSE 21,187 | 19,755  |
| Ethereum | \$ETH 0.35    | 0.32    |

For the Beefy Fantom validator, earnings paid in \$FTM tokens are automatically claimed on a weekly basis, and immediately transferred into Wrapped Bitcoin (\$WBTC), before being sent to Beefy's Fantom treasury. Every so often, accumulated \$WBTC earnings are bridged to the Beefy Ethereum treasury for safekeeping, in light of the quantity and quality of liquidity options for Bitcoin and \$WBTC on the chain. Fantom validator income is calculated as the aggregated value of \$WBTC treasury deposits, converted at the average \$WBTC price over the quarter.

For the Fuse validator, earnings are paid in \$FUSE tokens to the validator consistently at the time when blocks are validated. The available tooling for Fuse is the most limited of the three, necessitating a simplified method. The calculation uses the difference between the quantity of \$FUSE tokens staked by the validator at the start and end of the quarter to calculate the quantity of \$FUSE earnings, and applies the average price of \$FUSE over the quarter to that quantity to calculate earnings in USD.

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For the Ethereum validator, the explorer provides granular data on validator performance. The calculation aggregates the daily income in \$ETH over the quarter, and converts at the average \$ETH price over the quarter. With Ethereum's Shanghai/Capella upgrade in April 2023, staking withdrawals under EIP-4985 have been adopted. Beefy has implemented partial withdrawals, meaning earnings over and above the required 32 ETH are frequently withdrawn and sent to the Beefy Ethereum treasury.

The assets held by each validator at the end of each quarter are shown in Fig. 6.

**Fig. 6. Validator Assets**

|              | \$USD                |                      |
|--------------|----------------------|----------------------|
|              | 2023 Q1              | 2023 Q2              |
| Fantom       | \$ 249,309.90        | \$ 158,788.01        |
| Fuse         | \$ 8,390.43          | \$ 7,722.69          |
| Ethereum     | \$ 60,264.11         | \$ 61,905.43         |
| <b>Total</b> | <b>\$ 317,964.44</b> | <b>\$ 228,416.13</b> |

|                   | 2023 Q1 |         | 2023 Q2  |  |
|-------------------|---------|---------|----------|--|
|                   |         |         |          |  |
| Fantom            | \$FTM   | 522,093 | 522,094  |  |
| Fuse              | \$FUSE  | 115,019 | 134,774  |  |
| Ethereum          | \$ETH   | 33.04   | 32.01    |  |
| \$ETH Withdrawals | \$ETH   | 0       | 1.350533 |  |

In line with a general move towards valuing assets at the average price over the quarter (taken as the average of the starting and end price for the quarter), figures for the first quarter have been restated above. An error has also been corrected whereby the total amount staked by the Beefy Fantom validator has been replaced by the total amount staked in the validator by Beefy. The change does not impact upon the validator income figures, but has a dramatic effect on the previous ROIC figures, which were a significant understatement.

Using the quantity of tokens staked in the validator at the start of the quarter, the return on invested capital (ROIC) of each validator can be estimated on a quarterly and annualized basis as shown in Fig. 7 below.

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Fig. 7. Validator ROIC

|                         | Quarterly ROIC |               |
|-------------------------|----------------|---------------|
|                         | 2023 Q1        | 2023 Q2       |
| Fantom                  | 36.71%         | 15.19%        |
| Fuse                    | 25.02%         | 15.33%        |
| Ethereum                | 1.35%          | 1.00%         |
| <b>Weighted Average</b> | <b>26.98%</b>  | <b>12.50%</b> |

|                         | Annualised ROIC |               |
|-------------------------|-----------------|---------------|
|                         | 2023 Q1         | 2023 Q2       |
| Fantom                  | 249.26%         | 76.03%        |
| Fuse                    | 144.32%         | 76.94%        |
| Ethereum                | 5.53%           | 4.05%         |
| <b>Weighted Average</b> | <b>202.40%</b>  | <b>74.20%</b> |

## Note 6. Bribe Activities

Bribes refer to payments from and to Beefy through third-party decentralized exchange protocols, used to incentivize votes towards preferred pools in liquidity incentive gauge votes. By targeting timely votes and bribes through partner exchanges, Beefy can achieve outsized returns in terms of the value of incentives paid on its liquidity pools (when compared with the net cost of bribe activities). This rewards Beefy liquidity providers and encourages greater liquidity for \$BIFI token pools on the targeted exchanges.

In the second quarter, Beefy continued its existing bribe programmes with Velodrome (Optimism), Thena (BNB chain), Equalizer (Fantom), Equilibre (Kava), Satin (Polygon) and Ramses (Arbitrum). In addition, it added programmes for Chronos (Arbitrum), Solisnek (Avalanche), Velocore (zkSync), and also received a vesting/vote escrow non-fungible token (veNFT) for Velocimeter (Canto). During the quarter, Beefy's programmes with Equalizer and Satin were brought to an end.

Where Beefy holds a veNFT, in some cases it receives regular bribe payments from the relevant exchange protocol in a variety of currencies for voting in a given epoch. Some exchanges do not provide any such payments, so Beefy prioritizes bribe programmes with those that do. Bribes are generally paid out in stablecoins, though Beefy has used other native tokens in some instances, and pays all bribes on Velodrome out of its Optimism Governance Fund grant. In the second quarter, the net inflow from bribe income and costs (after excluding Velodrome grant-funded bribes) was some \$2,028. That figure also does not account for the thousands of dollars in incentive emissions paid out to liquidity providers each week throughout the quarter.



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The total value of bribes over the second quarter are detailed in Fig. 8 below. The comparable figures for the first quarter totalled \$177,515 in bribes, of which Velodrome accounted for \$111,399.

|                          | <u>\$USD</u>     |                   |
|--------------------------|------------------|-------------------|
|                          | <u>Q2 Income</u> | <u>Q2 Costs</u>   |
| Ramses                   | \$ 10,089        | \$ 8,059          |
| Chronos                  | \$ 2,740         | \$ 3,140          |
| Solisnek                 | \$ 9,554         | \$ 16,500         |
| Thena                    | \$ 5,162         | \$ 6,500          |
| Velocimeter              | \$ 2,360         | \$ -              |
| Equalizer                | \$ -             | \$ 4,000          |
| Equilibre                | \$ 16,898        | \$ 6,500          |
| Satin                    | \$ 488           | \$ -              |
| Velodrome (Grant Funded) | \$ -             | \$ 65,160         |
| Velocore                 | \$ 1,430         | \$ 1,994          |
| <b>Total</b>             | <b>\$ 48,721</b> | <b>\$ 111,853</b> |

### Note 7. Market Making Activities

Market making income refers to earnings derived from buying and selling Beefy's \$BIFI token in public markets, to maintain liquidity and provide a counterparty to external trades.

At the start of 2022, Beefy partnered with System 9 – a professional market making service provider – to engage in market making activities and bolster liquidity for the \$BIFI token. In exchange for Beefy providing the required seed capital, System 9 handles all market making operations, and both organizations share in any profits generated by these activities. The assets held by System 9 on Beefy's behalf at quarter end are shown in Fig. 9 below.

### Fig. 9. Market Making Assets

| <u>2023 Q1</u>      | <u>\$USD</u>      | <u>2023 Q1</u>      | <u>\$USD</u>      |
|---------------------|-------------------|---------------------|-------------------|
| BIFI                | \$ 145,708        | BIFI                | \$ 139,502        |
| Stablecoins         | \$ 256,738        | Stablecoins         | \$ 218,517        |
| FTM                 | \$ 39,943         | FTM                 | \$ 26,627         |
| <b>Total Assets</b> | <b>\$ 442,388</b> | <b>Total Assets</b> | <b>\$ 384,646</b> |



## Beefy DAO

Market making profits do not necessarily correlate with market conditions. Though times of high activity and trading give rise to lots of transactions, trades in either direction can give rise to profits or losses where Beefy's assets are being traded for more or less than their value.

Profits on marking making activities are only paid out to Beefy and System 9 where the addition of the current monthly net profit causes the total net profit across all previous months to exceed the aggregate amount of profits paid out over all previous months. The monthly income over the previous two quarters is as shown in Fig. 10 below

**Fig. 10. Market Making Monthly Income**

|                | \$USD              |                | \$USD       |
|----------------|--------------------|----------------|-------------|
| Jan-23         | \$ 8,831.24        | Apr-23         | \$ -        |
| Feb-23         | \$ -               | May-23         | \$ -        |
| Mar-23         | \$ -               | Jun-23         | \$ -        |
| <b>Q1 2023</b> | <b>\$ 8,831.24</b> | <b>Q2 2023</b> | <b>\$ -</b> |

### Note 8. Grants

Grants refer to income and expenditure arising from external grants provided to Beefy by third parties. Where appropriate grant funding is available to support DeFi projects to develop and expand, Beefy always seeks to participate to bolster its range of activities and potential reach. As income and spend relating to Beefy's grants are exceptional, this report adopts total grant funding and total grant spending in each quarter as an adjustment to Beefy's Net Income figure, to reach an accurate picture of profitability without the grant.

As described in the [Q1 report](#), Beefy received an Optimism ecosystem development grant in 2022, for 650,000 \$OP tokens. In particular, Beefy's grant focused on incentivizing liquidity on Optimism through Beefy and new development activities. Beefy's use of the Optimism grant in the second quarter are shown in Fig. 11.

**Fig. 11. OP Grant Spend by Use**

|                     | OP Grant Spend (\$OP) |               | OP Grant Spend (\$USD) |                   |
|---------------------|-----------------------|---------------|------------------------|-------------------|
|                     | 2023 Q1               | 2023 Q2       | 2023 Q1                | 2023 Q2           |
| Contributor Funding | 666                   | 0             | \$ 1,798               | \$ 0              |
| Operations          | 27,765                | 28,143        | \$ 60,581              | \$ 50,939         |
| Bribes              | 49,375                | 36,000        | \$ 111,399             | \$ 65,160         |
| Marketing           | 7,000                 | 0             | \$ 8,680               | \$ 0              |
| <b>Total</b>        | <b>84,806</b>         | <b>64,143</b> | <b>\$ 182,458</b>      | <b>\$ 116,099</b> |

In the second quarter, Beefy also started receiving grant funding from Kava Labs – the team behind the Kava blockchain. The primary intention of the Kava funding is to market Kava vaults on Beefy through Beefy's Boost programme. Because of this, grant funds are sent occasionally from Kava to one of Beefy's operational wallets, so that the necessary contract interactions for a boost can be undertaken.



## Beefy DAO

In most instances, the Kava funding will be split across more than one use case, meaning the funds are not all immediately put to use. In the second quarter, some residual funding totalling \$6,842 was [returned](#) to Beefy's Kava treasury, for safekeeping while awaiting use. As the Kava funding arrangements are new and developing, we expect best practices and accounting treatment to evolve in the coming quarters.

Beefy has also previously [received](#) grant funding from Stargate DAO of 75,000 \$OP tokens in the first quarter, to be used for the development of new bridging technology and solutions. This funding is recognised at a value of \$120,274 in the first quarter income statement. At the end of the second quarter, these funds remain unspent and awaiting use in Beefy's Optimism treasury, though their value has fluctuated throughout the quarter.

### Note 9. Contributor Funding

The agreed amount of core contributor funding for the quarter was \$366,400 (\$104,400 for [April](#) and \$131,000 for [May and June](#)), not including additional compensation for things like strategist development work, copywriting and financial reporting. However, in practice the outflows varied somewhat, due to factors like adjustments to individuals' funding, not paying out the budgeted amounts, and treasury outflows being denominated in non-stable tokens.

This quarter, contributor funding was also delivered by bridging accumulated treasury funds on non-native chains, where they were not being put to use (e.g. non-native stables on Fantom, Canto) back to other core chains. This resulted in large returns of funds back to treasury, and native and bridged withdrawals, swapped funds and treasury wallet balances being combined to reach the required amount of funding each month. The figures in this report represent only the net change in the balance of treasury wallets owing to contributor funding payments, hence its difference from the budgeted amount stated above.

### Note 10. Operational Costs

Operational costs means all payments relating to procurement of core services and products required to facilitate Beefy's ordinary operations. This can be further broken down into: (i) Gelato automation; (ii) Beefy's Cowlector automation; (iii) Beefy's fee batching automation; (iv) development, operational transactions and gas; and (v) other types of costs, including external contractor fees, fees for infrastructure, SaaS, servers and hosting, and paid bounties, among other things.

The breakdown between these separate categories for the last two quarters is shown in Fig. 12 below, with a visualization in Fig. 13.

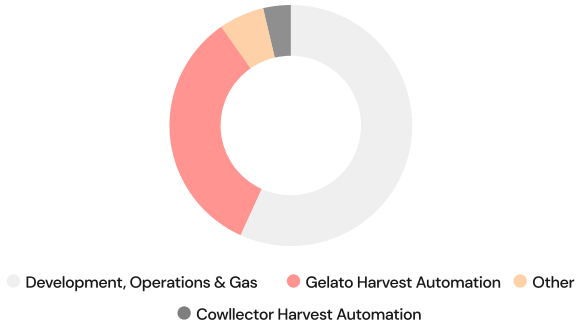
**Fig. 12. Operational Costs by Use**

|                                | Spend on Operations (\$) |                   |
|--------------------------------|--------------------------|-------------------|
|                                | 2023 Q1                  | 2023 Q2           |
| Gelato Harvest Automation      | \$ 30,323                | \$ 50,721         |
| Cowlector Harvest Automation   | \$ 11,863                | \$ 5,173          |
| Fee Batching Automation        | \$ 98                    | \$ 114            |
| Development, Operations & Gas  | \$ 29,886                | \$ 91,791         |
| Other                          | \$ 31,228                | \$ 9,005          |
| <b>Total Operational Costs</b> | <b>\$ 103,398</b>        | <b>\$ 156,805</b> |



### Beefy DAO

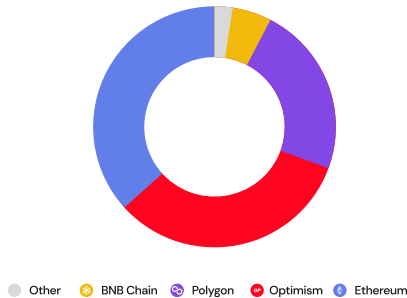
Fig. 13. Operational Costs by Use



Notably, the second quarter witnessed a growing divergence between automation costs for the Beefy cowllector and our Gelato infrastructure. As the rollout of Gelato across more of Beefy’s chains continues, and more and more use cases for Gelato automation arise, it is to be expected that reliance on the cowllector will continue to diminish for the bulk of Beefy’s volume. One example of the change is the heavy reliance on Gelato tooling to automate swaps of treasury assets throughout the quarter, which enabled a dramatic improvement in time costs and swap efficiency for the treasury.

The changing approaches to automation are also reflected in the allocation of operational assets by chain, with Ethereum and Polygon continuing to account for a majority of operational costs. This also reflects the continuing demand for payments on these chains by external parties, over and above most of Beefy’s other chains. Beefy’s Optimism grant was also used to fund development costs relating to new products and services, including the cost of auditing.

Fig. 14. Operational Costs by Chain





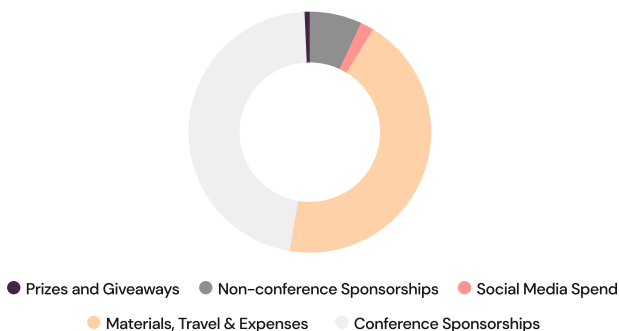
## Beefy DAO

### Note 11. Marketing & Events

Events refers to the costs (i.e. sponsorship and materials) and expenses (i.e. travel and travel expenses) associated with Beefy attending and exhibiting at industry events and conventions.

In the second quarter, Beefy attended Consensus 2023 in Austin, Texas, and Avalanche Summit in Barcelona, Spain. Sponsorship was paid for the ETHArgentina conference in Buenos Aires, Argentina in August, and the team will also be at Ethereum Community Conference 6 in Paris, France during July. In May, a [further conference budget](#) for the second half of 2023 was approved, meaning expenses will continue in a similar fashion for the rest of the year.

Fig. 15. Marketing & Events by Use



Events were by far the largest category of marketing costs for Beefy in the second quarter, though costs were also incurred on social media assets and prizes for marketing competitions. Total spend on marketing and events during the quarter was \$41,824.

### Note 12. Protocol-owned Liquidity & Other Investments and Assets

In addition to the operating capital needed for day-to-day operations, Beefy's treasury also houses other tokenized assets or investments. This includes both strategic investments and capital deployed for protocol-owned liquidity (PoL).

Maintaining PoL is necessary to support the \$BIFI token, both to enable new users to access the token and to provide existing holders with an option to exit their position if needed. PoL also provides the liquidity needed for BIFI Maxi vaults to repurchase \$BIFI for distribution to stakers. As such, separate PoL is generally needed on any chain where \$BIFI is deployed and actively in use. Other Beefy-issued tokens like \$beFTM and \$binSPIRIT also require liquidity to be maintained.

## Beefy DAO

**Fig. 16. Protocol-owned Liquidity**

|                                       |           | \$USD             |                   |
|---------------------------------------|-----------|-------------------|-------------------|
|                                       |           | End of 2023 Q1    | End of 2023 Q2    |
| Sushi BIFI-ETH                        | Arbitrum  | \$ 36,963         | \$ -              |
| Trisolaris BIFI-ETH                   | Aurora    | \$ 35,975         | \$ 32,657         |
| Beefy Solisnek AVAX-BIFI              | Avalanche | \$ -              | \$ 17,165         |
| TraderJoe WAVAX-BIFI                  | Avalanche | \$ 19,616         | \$ 14,772         |
| Beefy Thena BNB-BIFI                  | BNB Chain | \$ 50,141         | \$ -              |
| Beefy Thena Gamma BNB-BIFI            | BNB Chain | \$ -              | \$ 39,169         |
| Beefy Velocimeter BIFI-CANTO          | Canto     | \$ 40,446         | \$ 20,827         |
| Sushi BIFI-CELO                       | Celo      | \$ 18,946         | \$ 13,771         |
| VVS WCRO-BIFI                         | Cronos    | \$ 30,899         | \$ 24,699         |
| Beefy Monolith BIFI-ETH               | Ethereum  | \$ 55,148         | \$ 49,388         |
| Beefy beFTM                           | Fantom    | \$ 6,723          | \$ 5,042          |
| Beefy binSPIRIT                       | Fantom    | \$ 5,081          | \$ 2,484          |
| Uniswap BIFI-WFUSE                    | Fuse      | \$ 9,182          | \$ 7,263          |
| Beefy Equilibre BIFI-KAVA K           | Kava      | \$ 49,391         | \$ 44,883         |
| NetSwap BIFI-METIS                    | Metis     | \$ 16,911         | \$ 13,566         |
| BeamSwap BIFI-GLMR                    | Moonbeam  | \$ 12,176         | \$ 8,711          |
| Sushi WMOVR-BIFI                      | Moonriver | \$ 8,991          | \$ 6,458          |
| Beefy Velodrome BIFI-ETH              | Optimism  | \$ 32,772         | \$ 29,338         |
| Beefy Velodrome BIFI-OP               | Optimism  | \$ 232,363        | \$ 154,305        |
| <b>Total Protocol-owned Liquidity</b> |           | <b>\$ 661,721</b> | <b>\$ 484,497</b> |

Beyond PoL, Beefy's range of investment assets can be broken into three categories: (1) "stablecoin investments", reflecting positions in liquidity pools which include only bluechip stablecoins like \$USDC and \$USD; (2) "other investments", reflecting other liquidity pool positions not only including stablecoins; and (3) "other tokens", reflecting any other tokens held but not actively invested by the treasury. The latter category primarily consists of grant funds, together with some small amount of other tokens airdropped or otherwise distributed to the Beefy's treasury.

**Fig. 17. Other Investments & Assets**

|   |  | \$USD                  |                        |
|---|--|------------------------|------------------------|
|   |  | End of 2023 Q1         | End of 2023 Q2         |
| Stablecoin Investments                      |  | \$ 406,718.48          | \$ 1,201,398.12        |
| Other Investments                           |  | \$ 3,297.19            | \$ 32,976.62           |
| Other Tokens                                |  | \$ 921,410.83          | \$ 487,844.64          |
| <b>Total Other Investments &amp; Assets</b> |  | <b>\$ 1,331,426.51</b> | <b>\$ 1,722,219.38</b> |

## Beefy DAO

For accounting purposes, all investments and PoL are considered current assets in so far as Beefy maintains the ability to close the position and return to the underlying assets in a relatively short space of time. By contrast to validators, where funds are locked until an unlock or withdrawal is initiated, all of Beefy's PoL and investment positions are relatively easy to exit under normal market conditions.

As mentioned in Note 1 above, the unrealized change in value of PoL and other treasury assets over the quarter have not been included as a line item for the income statement. Though this kind of accounting treatment is common in some major jurisdictions, there is a common concern that recognising unrealized profits or losses in each financial statement can distort the underlying economic picture, as the current market position becomes the primary driver of whether or not the business is recognized as profitable, even where it is clearly generating more than it is spending.

Instead, this second quarter report prefers to recognise profits and losses on treasury assets only where transactions realize these values. At this stage, all such disposals of treasury assets are captured in the reporting, although given the limitations of available pricing data, quarterly average pricing may further distort efforts to recognise the change in treasury asset values over the quarter with any accuracy. For the time being, a more detailed methodology around the changing value of treasury assets remains an action point, pending better access to pricing data.

### Note 13. Equity

Equity is intended to represent the net book value of an organization, which is equivalent to the amount of assets that would be returned to stakeholders in the event that operations were efficiently and completely wound down at a given moment in time. It reflects the proportion of an organisation's total assets which are attributable to the investment of stakeholders' time and resources, as opposed to those attributable to debt financing.

Beefy carries no debt, and so all assets are recognised in its equity figure. Beefy has also not received paid in capital, as the \$BIFI governance token was [distributed](#) near immediately after its fair launch. No par value is recognised for the \$BIFI token. Generally speaking, Beefy's operations have been able to continue only because of the loyal and committed support of its contributors, and as a result of the protocol becoming both revenue-generating and profitable over the course of its history.





## Quarterly Report

JUNE 2023

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