



Investment Thesis

Ethereum

ETH

Token type	Native Currency
Price	\$1,871.53
Sector	Smart Contract Platform
Market Cap	\$225B
ISIN	CH0454664027

Key Figures

52-Week Range	\$1,070 - \$2,141
Market Rank	#2
Market Capitalization	\$225 billion
Total Value Locked (TVL)	\$25.13 billion
365-Day Protocol Revenue	\$1.92 billion
Volume (24h)	\$5,195,194,248
Circulating Supply	120,516,423
ATH	\$4,878.26
ATH Date	November 10, 2021
Staking Yield (Annualized)	~5%

Source: CoinGecko, DeFi Llama, Token Terminal, Staking Rewards. Data as of July 27, 2023

Overview

The 21Shares Ethereum Staking ETP (**AETH**) seeks to track the investment results of Ethereum. AETH allows investors to earn **crypto-native yield through participation in staking**, a core energy-friendly feature of Proof-of-Stake (PoS) blockchains that contributes to the security of the network.

Fundamentals

Ethereum is the second-largest cryptoasset by market capitalization. Vitalik Buterin proposed the idea in 2014; **a blockchain with built-in general-purpose programmability that would enable anyone to write smart contracts and launch decentralized applications (dApps)**. Ethereum charges a “gas fee” for every transaction, paid in Ether, the native currency of the network. Ethereum has generated about **\$1.5 billion** in revenue in user transaction fees in the past year, showing that demand for its block space is unmatched. Since September 2022, Ethereum transitioned to a **Proof-of-Stake (PoS)** consensus mechanism, which means that validators contribute to the security of the network by committing a portion of their capital (the “stake”) denominated in Ether to attest that a block of transactions is valid. **PoS is much less computationally intensive and requires vastly less energy than Proof-of-Work (PoW)** networks like Bitcoin. **Ether's net issuance since The Merge has been negative since January 2023**, thanks to an increase in the amount of Ether burned, a sign that the cryptoasset's prospects as a deflationary asset depend heavily on network usage. Finally, Ethereum has the most vibrant developer ecosystem, with more than **5,700 monthly active developers** as of December 2022, a ~5x increase from 2018.

- On **July 30, 2015**, Ethereum came into existence as its **Genesis Block** was mined.
- On **August 5, 2021**, the **London upgrade** introduced EIP-1559, which reformed fees and has since turned Ether into a deflationary asset.
- On **September 15, 2022**, “**The Merge**” marked Ethereum's transition to Proof-of-Stake, reducing its energy consumption by ~99.95%.
- On **April 12, 2023**, the **Shanghai upgrade** closed the loop on staking liquidity by allowing investors to finally withdraw their locked Ether.

Key takeaways

- **Ethereum** is the second-largest cryptoasset by market cap and has the **most vibrant developer ecosystem** of all smart contract platforms.
- In September 2022, Ethereum's completed its **transition to Proof-of-Stake**, reducing the network's energy consumption by ~99.95%.
- **AETH** provides value for investors by using the ETP's assets to generate a **passive staking yield** that may offer additional returns by contributing to the network's security.

Risk factors

- **Macroeconomic and regulatory uncertainty.**
- **Smart contract risk** aggravates as DeFi matures and TVL grows.
- **Scaling risk**, as other smart contract platforms that offer higher throughput may take market share from Ethereum.

Figure 1:
Price Performance (3-years)



Figure 2:
Total Value Locked (TVL)



Disclaimer

This document is not an offer to sell or a solicitation of an offer to buy or subscribe for securities of 21Shares AG. Neither this document nor anything contained herein shall form the basis of, or be relied upon in connection with, any offer or commitment whatsoever in any jurisdiction. This document and the information contained herein are not for distribution in or into (directly or indirectly) the United States, Canada, Australia or Japan or any other jurisdiction in which the distribution or release would be unlawful. This document does not constitute an offer of securities for sale in or into the United States, Canada, Australia or Japan. The securities of 21Shares AG to which these materials relate have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will not be a public offering of securities in the United States. This document is only being distributed to and is only directed at: (i) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"); or (iv) persons who fall within Article 43(2) of the Order, including existing members and creditors of the Company or (v) any other persons to whom this document can be lawfully distributed in circumstances where section 21(1) of the FSMA does not apply. The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. In any EEA Member State (other than the Austria, Belgium, Croatia, Denmark, Finland, France, Germany, Great Britain, Hungary, Ireland, Italy, Liechtenstein, Luxembourg, Malta, The Netherlands, Norway, Poland, Romania, Slovakia, Spain and Sweden) that has implemented the Prospectus Regulation (EU) 2017/1129, together with any applicable implementing measures in any Member State, the "Prospectus Regulation" this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Regulation. Exclusively for potential investors in Austria, Belgium, Croatia, Denmark, Finland, France, Germany, Great Britain, Hungary, Ireland, Italy, Liechtenstein, Luxembourg, Malta, The Netherlands, Norway, Poland, Romania, Slovakia, Spain and Sweden the 2021 Base Prospectus (EU) is made available on the Issuer's website under www.21Shares.com. The approval of the 2021 Base Prospectus (EU) should not be understood as an endorsement by the SFSA of the securities offered or admitted to trading on a regulated market. Eligible potential investors should read the 2021 Base Prospectus (EU) and the relevant Final Terms before making an investment decision in order to understand the potential risks associated with the decision to invest in the securities. You are about to purchase a product that is not simple and may be difficult to understand. This document constitutes advertisement within the meaning of the Swiss Financial Services Act (the "FinSA") and not a prospectus. In accordance with article 109 of the Swiss Financial Services Ordinance, the Base Prospectus dated 12 November 2021, as supplemented from time to time and the final terms for any product issued have been prepared in compliance with articles 652a and 1156 of the Swiss Code of Obligations, as such articles were in effect immediately prior to the entry into effect of the FinSA, and the Listing Rules of the SIX Swiss Exchange in their version in force as of January 1, 2020. Consequently, the Prospectus has not been and will not be reviewed or approved by a Swiss review body pursuant to article 51 of the FinSA, and does not comply with the disclosure requirements applicable to a prospectus approved by such a review body under the FinSA.