



Investment Thesis

Ethereum ETH

Token type	Native Currency
Price	\$3,695
GCCS Classification	Smart Contract Platform, Infrastructure, Native Currency
Sector	Smart Contract Platform

Key Figures

52-Week Range	\$1,678 - \$4,008
Market Rank	#2
Market Capitalization	\$477B
Volume (24h)	\$29.82B
Circulating Supply	120,085,821
Total Value Locked (TVL)	\$57.95B
Annualized Protocol Revenue	\$4.86B
Annualized Staking Yield	~4%
ATH	\$4,878
ATH Date	November 10, 2021

Source: CoinGecko, DeFi Llama, Token Terminal, Staking Rewards. Data as of April 8, 2024

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 **\$2 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 **7,800 monthly active developers** as of December 2023, a ~6x 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 POS, 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.
- On **March 13, 2024**, The **Dencun Upgrade** was activated, reducing Ethereum scaling solutions fees by close to **90%**.

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 POS**, 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



Figure 2:
Total Value Locked (TVL)



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