



## Investment Thesis

# Ethereum

# ETH

Token type	Native Currency
Price	\$1,626.44
Sector	Smart Contract Platform
Market Cap	\$197B
ISIN	CH0454664027

### Key Figures

52-Week Range	\$1,070 - \$2,141
Market Rank	#2
Market Capitalization	\$225 billion
Total Value Locked (TVL)	\$21.23 billion
365-Day Protocol Revenue	\$2.02 billion
Volume (24h)	\$2,798,021,884
Circulating Supply	120,176,270
ATH	\$4,878.26
ATH Date	November 10, 2021
Staking Yield (Annualized)	~4%

Source: CoinGecko, DeFi Llama, Token Terminal, Staking Rewards. Data as of September 15, 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 **\$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 **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)



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