



## Investment Thesis

# Polkadot DOT

Token type	Cryptocurrency
Price	\$6.84
Sector	Interoperability Protocol (Layer 0)
Market Cap	\$6.73B

## Key Figures

52-Week Range	\$6.35 - \$55
Market Rank	#11
Market Capitalization	\$6.73 billion
Volume (24h)	\$349,978,893
Volume / Market Cap	0.0435
Circulating Supply	987,579,315
Circ. Supply Locked in Parachains	11%
Annualized Protocol Revenue	\$410,300
ATH	\$55.08
ATH Date	November 4, 2021

## Overview

Polkadot is a protocol on which independent blockchains – dubbed "**parachains**" – are built and connected into **one unified network**. Dr. Gavin Wood, one of the co-founders of Ethereum, introduced it as a more scalable alternative to existing smart contract platforms. To launch a parachain, one must win a **slot auction denominated in DOT**. Projects may gather tokens for this auction in various ways, such as self-funding, venture capital, or a community-driven "**Crowdloan**". Once live, all parachain transactions are settled in the main Polkadot blockchain, known as the **Relay Chain**, a design that enables the network to process up to 1,000 transactions per second. In addition, Polkadot employs a **Nominated Proof-of-Stake (NPoS)** consensus mechanism, allowing anyone to lock DOT in a special contract to act as a validator or delegate to one. A critical component of Polkadot is **Substrate**, a developer framework to efficiently build custom parachains. For instance, Acala Network is a parachain designed for decentralized finance (DeFi) applications. Finally, to reinforce the security of Polkadot, core developers use a "**canary**" network called **Kusama** that is independent of Polkadot but runs on the same software as a proving ground for new code and bleeding-edge innovations.

- In October 2016, **Dr. Gavin Wood** released the first draft of the Polkadot white paper.
- In 2017, Dr. Wood and Peter Czaban founded the **Web3 Foundation**, a non-profit entity established to support Polkadot's development and funding efforts.
- In August 2019, the project's first significant release came with the public launch of Kusama.
- Polkadot adopted a staged rollout strategy for its launch that culminated on August 18, 2020.

## Key takeaways

- Layer 1 blockchains such as Ethereum and Solana operate in isolation. In contrast, **Polkadot operates at a level below (Layer 0)**, supporting a growing ecosystem of specialized blockchains called parachains.
- Polkadot's native asset (DOT) is used to secure the network and participate in parachain auctions.

## Risk factors

- **Adoption risk.** Competing Layer 0 protocols such as Cosmos' IBC and, to a lesser extent, Avalanche Subnets, have more vibrant ecosystems.
- Parachain auctions and **shared security via DOT** token may defer projects which prioritize **self-sovereignty** and are looking to ship faster.

Figure 1:  
Price Performance (1-year)



Figure 2:  
Total Value Locked (TVL) Across all  
Parachains



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