



Staked

The State of Staking

Q2 | 2021

\$450 BN (+151% Q/Q)

Market Capitalization

20% (+2.5% Q/Q)

PoS Share of Total Market Cap

26 (+1 Q/Q)

PoS Chains in Top 100

9.0% (-2% Q/Q)

Average Yield (weighted)

\$18.9 BN (+89% Q/Q)

Annual Staking Rewards Projected in 2021

INTRODUCTION

State of Staking, April 2021

“In every case, staking provided better returns than simply holding the asset: stakers earned an additional yield of between roughly 4% and 34% in one quarter.”

This marks the second edition of the State of Staking, and though only three months have passed since the last installment, that time has seen a number of significant updates. Most obvious is the continued growth of the overall market cap of staking assets, which more than doubled in only three months. Strong momentum elsewhere in the blockchain space, particularly around decentralized finance (DeFi), resulted in total proof-of-stake (PoS) dominance remaining roughly unchanged.

The crypto space continued to provide outsize returns in the first quarter across all six of the tokens surveyed.

In every case, staking provided better returns than simply holding the asset: stakers earned an additional yield of between roughly 4% and 34% in one quarter. This came amid a backdrop of strong growth and new milestones across the crypto space. In particular, activity around Web3 and DeFi assets caused the number of PoS tokens in the top 100 by market cap to drop slightly.

Meanwhile, a truly multi-chain world began to emerge, with the March approval of IBC transfers on Cosmos and with Polkadot’s parachain auctions soon to launch.

INTRODUCTION (CONTINUED)

Finally, the first quarter saw the launch of the Staked ETH Trust, the first and only fund that offers staking yields in addition to ordinary returns. The Trust will buy ETH on behalf of its investors and stake it in the ETH2 proof-of-stake consensus. This is expected to produce an incremental ETH yield of approximately 7.5% in year one. The Trust, which is open to accredited investors, represents a new form of investing compared to traditional vehicles as well as existing crypto asset trusts, which do not offer staking returns.

2021's Early Staking Trends

Proof-of-stake (PoS) adoption continued its trajectory of strong growth in the first quarter. The total market cap of PoS assets grew by 150% QoQ (not annualized). The projected value of annual staking rewards grew by 89% in the first three months of the year. And the universe of staking chains continued to expand, with the following new chain launches: [Solana](#), [Mina](#), [Injective](#), [Stacks](#), [Elrond](#)

Even statistics that do not appear, on their face, to show such rapid growth confirm the continued rapid expansion of staking.

Most notable is the slight increase in the number of PoS assets in the top 100 globally from 25 to 26 -- a figure explained by the emergence of several Web3 and DeFi tokens in recent months. The total market cap of PoS assets continued its rapid expansion -- and the proliferation of other assets is a sign of the health of the overall crypto space.

In fact, PoS dominance increased to approximately 20% as Bitcoin dominance fell to a two-year low of 55%.

Average weighted staking yields decreased by 2%, mainly due to the decrease ETH yields as a result of increased staking.

In just a single quarter, staking resulted in an extra gain ranging from \$3.87 to \$33.67 across the six assets surveyed, on the basis of a \$100 investment. This is further evidence of the clear benefit of staking over simply holding an asset.

Staking Returns on Select Top Assets: Power of Compounding

	ETH	DOT	ADA	ATOM	GRT	SOL
Total Q1 Return	175%	369%	649%	51%	409%	970%
Current Yield	7.9%	14.0%	4.5%	10.5%	15.0%	13.0%
Extra Staking Yield	5.4%	15.8%	8.3%	3.9%	18.4%	33.7%
Initial Investment	\$100	\$100	\$100	\$100	\$100	\$100
Value of Initial Investment after 1Q	\$275.20	\$468.55	\$748.65	\$151.36	\$509.45	\$1,069.54
Extra \$ Attributable Staking	\$5.40	\$15.84	\$8.33	\$3.87	\$18.41	\$33.67

**Assumptions: 1 quarter of staking at the average yield rate. Current Yield is as of 04/07/21. Return is price from 01/01/2021 to 04/01/2021.*

Staked ETH Trust

The past year has seen rapid growth in the number of crypto-related trusts and exchange-traded funds (ETFs) that exist across the asset management ecosystem. In Q1, Staked came to market with the first ever Trust to incorporate a staking yield component.

The Staked ETH Trust -- which is open to accredited investors -- offers exposure to both the price of Ethereum and staking rewards in a single vehicle. The trust will invest directly in ETH and stake it in the ETH2 proof-of-stake consensus -- which is expected to produce an incremental ETH yield of approximately 7.5% in year one. Compared to other ETH vehicles on the market, such as the Bitwise Ethereum Fund and the Grayscale Ethereum Trust, the Staked ETH Trust offers advantages in both pricing (1% management fee vs. 1.5% for Bitwise and 2.5% for Grayscale) and target performance due to the additional staking yield.

Interest in crypto assets among traditional investors has increased rapidly over the past several months, swelling demand for products like the Staked ETH Trust. In recent months, banking giants Morgan Stanley and Goldman Sachs have started to offer their Wealth Management clients crypto related products. Illustrative of crypto appetite across historically non-crypto focused investors, a recent Goldman Sachs survey found that fully 61% of their Wealth Management clients expected their crypto exposure to increase over the next 12 months.

But a major barrier for those looking to participate in staking centers around the complexity of buying, storing, and staking their own tokens. Now, the Staked ETH Trust offers a product structured in a familiar way, with a ‘white glove’ crypto investing service for this newer demographic of investors.

ETH as Ultra-Sound Money

The evolution and growth of the leading PoS-focused blockchain, Ethereum, continued in the first quarter, with potentially significant implications for the future. Specifically, the Ethereum Foundation is moving forward with two dramatic changes to the cryptocurrency's monetary policy.

1. EIP-1559 will be implemented, with a hard fork scheduled for July. This will burn most transaction fee revenue rather than sending it to the miner. Annualized fees are currently \$8 billion, meaning that 3-4% of the total Ethereum supply could be burned annually as a result.
2. The ETH1-ETH2 "Merge" has been proposed for late 2021. This will move Ethereum entirely away from Proof-of-Work to become the largest Proof-of-Stake chain. It is estimated that new supply totaling 1% of the total will be created as annual issuance to reward stakers.

Key Takeaway: The net impact of these developments is that the supply of ETH is likely to decline over time. Investors who support the "sound money" thesis of only 21 million BTC should therefore be interested in the "ultra-sound money" offered by ETH.

The Emerging Multi-Chain World

In addition to the developments around Ethereum and the launch of the Staked ETH Trust, the first quarter saw real movement toward a truly multi-chain landscape. In particular, Polkadot and Cosmos reached important milestones.

Polkadot Parachains Auction

Parachain auctions will soon launch on Polkadot -- and many investors appear ready to participate. The staking rate recently dropped from 66.4% to 60.0%, indicating that investors are unstaking as they prepare to put their tokens to work in these auctions.

Parachains compete for the right to participate by locking up DOT for one year. This offers a competing yield opportunity for DOT holders: they can stake their tokens, or they can lend them to a parachain to help them secure their spot. DOT holders are expected to be paid in the new token.

Cosmos IBC Transfers

The other major non-Ethereum development centers on Cosmos, which doesn't rely on a single root chain to facilitate data and asset transfers. Instead, it consists of various independent chains that build their base infrastructure using a modular toolkit called the Cosmos SDK.

EMERGING MULTI-CHAIN (CONTINUED)

One of the modules in the Cosmos SDK is the Inter-Blockchain Communication (IBC), a gateway for cross-chain communication that allows transfers between different Cosmos chains.

On March 29th, IBC transfers were approved for the first time -- a development expected to affect value accrual of ATOM tokens. ATOM stakers are now entitled to a proportion of fees generated by the network for routing information and tokens across different chains. In addition to inflation rewards, ATOM stakers can also capture fees.

Key Takeaway: Milestones envisioned 3 to 4 years ago are starting to be realized. Other staking chains are maturing in important ways, putting pressure on Ethereum's traditional dominance and possibly speeding its development timeline as a result. Nevertheless, the tremendous growth in staking is indicative of the likelihood that there is ample room for more than one "winner," particularly as increasing interoperability gives users real freedom of choice.

About Staked

Staked helps investors earn yield from staking and DeFi lending without taking custody of their crypto assets. Founded in 2018, the Company runs staking infrastructure for 40+ proof-of-stake blockchains and their RAY token delivers the highest yield in DeFi for ETH and stablecoins. Staked works on behalf of leading crypto funds and offers an API that allows custodians, exchanges and wallets to offer these tools to their customers.

Staked investors include Pantera Capital, Winklevoss Capital, Digital Currency Group, Parafi Capital, Coinbase Ventures, Fabric Ventures, and other leading blockchain investors.

For more information, please visit:

<https://staking.staked.us/ethereum-staking-options>

**Disclaimer: Staking on some blockchains may entail slashing risk, which can result in loss of principal. Please contact a Staked representative for more details on risk.*

Appendix

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Top 30 Staking Chains by Market Cap

PROJECT	TICKER	MARKET CAP	YIELD	STAKE RATE
Ethereum	ETH	275,721,540,644	7.9%	3.3%
Cardano	ADA	46,135,723,031	5.0%	47.0%
Polkadot	DOT	41,622,211,434	14.0%	60.0%
Tron	TRON	10,040,208,516	8.0%	27.0%
EOS	EOS	7,206,936,978	1.9%	46.9%
Solana	SOL	7,038,981,918	13.0%	61.0%
Terra	LUNA	6,092,898,446	5.0%	32.0%
Cosmos	ATOM	5,801,608,031	11.0%	66.0%
Tezos	XTZ	4,976,829,088	6.0%	79.0%
Avalanche	AVAX	4,561,784,976	5.4%	78.0%
Kusama	KSM	4,200,204,994	15.0%	52.0%
Elrond	EGLD	4,056,094,185	36.0%	52.1%
Algorand	ALGO	4,039,750,285	5.0%	64.0%
Thorchain	RUNE	3,513,144,436	14.3%	17.0%
Dash	DASH	3,026,297,505	6.0%	50.0%
Synthetix	SNX	2,979,592,608	38.0%	67.0%
Decred	DCR	2,666,641,554	5.2%	58.4%
Stacks	STX	2,572,235,005	10.0%	36.6%
The Graph	GRT	2,403,776,720	15.0%	20.0%
NEAR	NEAR	2,297,712,226	10.0%	39.0%
Polygon	MATIC	2,034,663,763	50.0%	24.3%
Harmony	ONE	1,360,391,222	11.0%	41.3%
Flow	FLOW	1,344,130,639	8.6%	93.0%
Helium	HNT	1,218,103,939	15.0%	50.0%
QTUM	QTUM	1,192,306,526	7.0%	13.0%
Livepeer	LPT	702,371,847	20.8%	53.0%

Appendix

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Top 30 Staking Chains by Market Cap

PROJECT	TICKER	MARKET CAP	YIELD	STAKE RATE
Kyber	KNC	687,579,390	10.0%	28.0%
Celo	CELO	449,705,402	6.0%	37.0%
Kava	KAVA	376,503,496	19.0%	54.0%
NuCypher	NU	203,106,618	48.0%	50.0%
Total		450,523,035,422		
Average		15,017,434,514	14.2%	46.7%

Sources:

- <https://staked.us/yields/>
- <https://www.coingecko.com/en>
- <http://stakingrewards.com>