

DeFi Investment Suggestions 2025Q4

Section 1: Executive Summary

- **1.1 Why DeFi?:**
 - DeFi is the source and beginning of all on-chain activities.
 - Guaranteed Yield (Excluding smart contract risk and rugs)
 - Token Farming with 100% upside
 - With the right set of monitoring and tracking with tools such as Etherscan, Defillama, Dune, Arkham, DeBank, Nansen, Messari, Coinglass - you can spot market momentum shifts and trend changes before events occur on exchanges
 - For instance, Justin Sun withdrawing ETH from Aave caused a spike in ETH usage and borrowing rates, making Lido loop traders unprofitable. If monitored it can be intel to short.
 - **1.2 Types of DeFi activities:**
 - Liquidity Provision (Protocol level deal) for guaranteed yield (\$1M and above)
 - Provide liquidity to protocols growing and seeking TVL secured. Private deals. (Or look at liquidity.land, Merkle)
 - AMM Liquidity Provision (Pools to earn swap fees)
 - Curve, Fluid, Uniswap, Pendle
 - LP tokens are available to borrow more to loop on Aave, Morpho, Silo
 - Airdrop farming - Choice between hype vs underfarmed protocols (less dilution)
 - Stablecoins, usdF, Converge ecosystem and HyperEVM ecosystem
 - Yield Farming - Chase high APY/APR with/without looping or carry trade
 - Easiest way is to look for Pendle PTs which are often at >10% APY
 - Can be looped on Aave, Morpho, Euler, TermMax, Silo
 - Leverage/Looping (Toros, F(X), Contango, Euler, Gearbox)
 - Toros - Pegged to multiplier looping
 - FX - No liquidations, no funding fees
 - Euler - collateral is rehypothecated and earns interest (good for looping)
Upside can be 50% - 100%
 - Boros - New Pendle initiative to hedge funding rates
 - Pure deposit/stake to earn
 - Not recommended.
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Section 2: The Foundational Concepts

- **2.1 Chase the Meta:**
 - 2024 was the restaking , DePin and RWA meta
 - 2025 is the Wallstreet and stablecoins meta
- **2.1 Types of tokens:**

- Major Assets (BTC/ETH)
 - Chain tokens(Eth, Sol, Hype, Bera, S)
 - Yield bearing tokens
 - Stablecoins
 - Governance tokens
 - **2.1 Evaluation Criteria:**
 - Potential returns (Yield, airdrop and underlying value increase)
 - Duration
 - Venture Capital
 - Team experience
 - Meta
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Section 3: Risk Assessment and Mitigation

- **3.1 Comprehensive Risk Framework:**
 - **Smart Contract Risk:** The risk that a bug or exploit in the code could lead to a loss of funds.
 - *Inherent for every single protocol. Majority of funds should be allocated to protocols with a track record of at least 1 year without exploits.*
 - **Financial/Economic Risk:** The risk of poor tokenomics, flash loans, or oracle manipulation leading to a loss of funds or de-pegging of assets.
 - **Market Risk:** The risk of general crypto market volatility affecting the value of assets held.
 - *Mitigation:* Use stablecoins for a portion of the portfolio, and diversify across different assets and protocols.
 - **Impermanent Loss:** The specific risk for liquidity providers where the value of their deposited assets diverges from a simple "buy and hold" strategy.
 - *Mitigation:* Use stablecoin-to-stablecoin pools or pools with correlated assets.
 - **Regulatory Risk:** The risk of new regulations impacting DeFi protocols or your ability to use them.
 - *Mitigation:* Stay informed, and understand that the regulatory landscape is constantly changing.
 - **Custodial Risk (User Error):** The risk of losing your private keys, sending funds to the wrong address, or falling for a phishing scam.
 - *Mitigation:* This is the most critical risk. Emphasize the importance of cold storage, multi-factor authentication, and double-checking all transactions.
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Section 4: Investment Strategies by Strategies

The following options are suggested for a 1 year, \$300k investment that retains flexibility to exit after 6 months. (Assuming end of Feb 2026)

To minimize risk and complexity, investment strategies will focus ONLY on the Ethereum mainnet with established protocols.

Note that DeFi moves at a relatively quick pace so each investment typically does not last more than 3 months.

All airdrop farming options are discarded too. (Timing uncertainty, uncertain valuation)

Investment Options: NEXT DOCUMENT.

Section 5: Final Considerations and Next Steps

- **5.1 On-Chain vs. Off-Chain:**
- **5.2 Tools and Resources:**
 - Provide a list of essential resources for a new investor:
 - **Wallets:** Rabby, Gnosis Safe, Ledger
 - **Analytics:** Dune Analytics, DeFi Llama, Coinglass, Nansen and Messari if available
 - **News & Education:**
 - **Security:** How to use a hardware wallet and set up multi-signature wallets.