Hey guys,

So after a couple months' research into DAO treasury management there's one primary problem that one consistently runs into when looking to diversify and mobilise treasury value, a problem I will here refer to as 'illiquidity 101.'

It looks something like this:

Either;

Sell governance tokens to market, instantly acquiring liquid assets but dumping on holders.

Or

Don't sell, and leave the treasury undiversified and significantly sub-optimised.

At the time of writing, AaveDAO holds 1.66m $Aave in the treasury at a market value of $135m, roughly 83.3% of the total treasury value.

This post proposes that 5% of the Aave token held in the treasury is deployed and used as 1:1 collateral for bonds, available on the open market, yielding 5% a year.

Assuming a full sellout, this will result in $6.75m of liquid assets being made available to the DAO, which can be utilised to secure a runaway or deploy to yield bearing strategies.

There are a couple of teams working on providing the infrastructure for this kind of product at the minute and it makes a degree of sense given that bonds have been such a staple primitive for web2 fundraising; a web3 adaptation of the underlying idea seems inevitable and potentially a way to circumvent the illiquidity 101 problem.

Would love to get some feedback on this idea - what is the community sentiment on this? Is 5% not degen enough?