

Hello everyone!

As part of the Arbitrum Venture Initiative (AVI) pilot, we're sharing a series of posts and mini-theses that highlight our approach to strategically growing the Arbitrum ecosystem. You can explore these in the [Deliverables Hub](#), where we've also laid out how the published materials fit together within the broader AVI pilot.

In the process, we've noticed questions about how our approach differs from a "traditional" investment thesis. This post seeks to clarify those differences and shed light on the core principles driving the AVI Pilot Thesis.

TL;DR

Ecosystem investment theses go beyond traditional models by combining ROI with a focus on building strong networks, empowering builders, and aligning with DAO goals. This approach works best when investors act as resource enablers, supporting builders as the ecosystem's true leaders. Through the AVI pilot, valuable market insights have helped shape a vision for unlocking Arbitrum's greatest opportunities. Using proven models and real-world examples, strategic recommendations have been developed to bring this vision to life.

Expanding on these concepts, this discussion will explore:

1. The basics of a "Traditional" vs. Ecosystem Investment Thesis
2. The core ethos of AVI: Leaders vs. Feeders
3. Insights from proven models and real-world examples
4. How this approach relates with the deliverables and the overall pilot

What Is a "Traditional" Investment Thesis & Strategy?

A traditional investment thesis typically focuses on purely financial opportunities and strategy considerations:

- Profit Maximization:

ROI, time to exit, upside potential.

- Risk Assessment:

Market volatility, portfolio diversification, liquidity.

- Operational Involvement:

Investors may advise or support portfolio companies, but the end goal remains primarily financial returns.

These theses are often crafted by VCs, hedge funds, or institutional investors who evaluate opportunities from a risk-reward lens.

Ecosystem Investment Thesis: A Broader Mandate

In an Ecosystem Investment Thesis and Strategy, we focus on these considerations, while going well beyond simple ROI calculations. The emphasis is on building and sustaining a thriving network of projects, stakeholders, and market participants who collectively reinforce each other's growth. In the context of Arbitrum, this means:

1. Aligning Investment with DAO-Specific Goals
2. Supporting protocols that bring users, expand developer tooling, or foster on-chain liquidity.
3. Creating synergy with the likes of OpCo, AF, OCL, and other Arbitrum projects.
4. Stewarding Communities, Not Leading Them
5. Seeing ourselves—and all non-founder participants—as "feeders" rather than "leaders."
6. Empowering founders as the true leaders of new initiatives by providing the resources they need to succeed.
7. Investing and supporting programs in emerging narratives to help founders identify and build on successful trends, staying ahead of the market and supporting an active and engaged ecosystem of market participants.
8. Supporting Builders, Not Just Funding Them

9. Providing resources, networking, liquidity, and a sense of shared purpose.
10. Thinking holistically about a builder's journey and how each piece of the story fits together
11. Ensuring support for builders addresses all stages of development - from early-stage innovators to late-stage.
12. Ensuring that capital deployment aligns with Arbitrum's vision for a robust, user-driven L2 environment.
13. Decentralizing Expertise, Maintaining Oversight
14. Encourage specialized teams to execute, while the DAO offers a unifying strategy and governance via Arbitrum Ventures.
15. Avoid short-time horizons or top-down mandates that might stifle innovation.

In simpler terms: A traditional thesis

says, "What's the best place to put my money for risk-adjusted profit?" An ecosystem thesis

says, "What's the best way to nurture a vibrant, sustainable environment that will grow over time—and create returns for everyone involved, including the DAO?"

Leaders vs. Feeders: AVI's Core Ethos

In the Web3 space, some protocols prioritize short-term gains by aggressively pursuing partnerships and logos to drive immediate token value, leading to unsustainable growth models. While this approach can yield short-term market traction, it often misaligns with long-term value creation and ecosystem stability.

We embrace a different path where long-term success stems from building ecosystems that prioritize the empowering of founders solving real-world problems. Our focus is on creating sustainable demand for the network by prioritizing network value in a way that may not deliver instant market signals but is ultimately unbeatable in fostering a stable economy that attracts returning users and long-term investors.

At the core of this approach is our belief that ecosystems must be founder-led. Entrepreneurs, tirelessly innovating to serve users, are the true drivers of progress. Investors, service providers, and governance bodies should act as feeders to the efforts of these founders, providing resources—capital, mentorship, legal, and research—without overshadowing or directing from the top down. Founders are the leaders, and our role is to empower their success by removing barriers and providing the tools they need to scale.

• Ecosystem Leaders:

The entrepreneurs and builders immersed in their users' needs, focused on solutions, shipping products, and pushing boundaries.

• Ecosystem Feeders:

The ones who bring in resources—capital, legal, research, mentorship—to enable founder-driven innovation.

How These Principles Shape AVI's Thesis

Our vision forms the core of our investment thesis:

Arbitrum is the home of DeFi now. The next stage is Arbitrum as the home of the broader economy.

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To realize this vision, we need to create a flywheel. Bringing more assets on-chain enables the creation of innovative products, which attract more users. This growing demand incentivizes builders to onboard even more users into the ecosystem, driving innovation and adoption in a self-reinforcing cycle.

It all starts with bringing more real assets on-chain: DeFi, AI and Data, DePIN, Content and IP, Social and Attention.

This extends DeFi's reach beyond cryptocurrency, embedding it further into the mainstream financial system.

Imagine a future in which neobanks like Wise or Robinhood are offering high yield savings accounts powered by DeFi rails

where users are onboarded and can deposit assets on-chain in a couple of clicks. This is one of many examples for what the future holds, and Arbitrum should be at the forefront driving these innovations by fostering a thriving ecosystem.

Real innovation flourishes when founders are in the driver's seat, with a support ecosystem that helps them scale. Our role is to ensure the best founders receive what they need to grow their businesses and by extension Arbitrum's ecosystem long term.

Learning from Proven Models: CVC, SWFs, Endowments, and More

Ecosystem funds in Web3 often operate with blended motivations—part strategic (grow the ecosystem) and part financial (to create mechanisms for growth and value capture). This dual aim parallels Corporate Venture Capital (CVC), Sovereign Wealth Funds (SWFs), and university endowments, all of which combine long-term horizon investing with strategic or developmental goals.

While Arbitrum DAO is not a corporation, a DAO-led fund can draw strategic insights from the following examples, as they represent entities that often invest with goals beyond just financial returns. By leveraging lessons from past successes and failures, we can refine strategies to grow Arbitrum's ecosystem, drive innovation, and sidestep common pitfalls, ensuring progress without reinventing the wheel.

Some relevant examples include:

- CVCs

, dating back to the 1900s with DuPont's investment in General Motors, have demonstrated success when guided by clear long-term strategies, stable leadership, and alignment with overarching goals. For instance, Intel Capital effectively supported Wi-Fi adoption in the 2000s with a \$150M fund, bridging near-term strategic goals

(selling Centrino chips) with ecosystem-level impact

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- SWFs

(e.g., GIC or Temasek) often combine direct and fund-of-funds

investments, seeking both financial return and national-scale strategic outcomes.

- EIF (European Investment Fund)

is another instructive model: it invests across multiple VC funds

to catalyze Europe's startup ecosystems—often prioritizing strategic goals

like innovation capacity and regional development, not just short-term gains

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- University Endowments

, like those of Harvard and Yale, are known for patient capital, robust diversification, and ecosystem-building through research and talent pipelines

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Taking insights from the long history of proven models for funding ecosystem growth, we propose an [evergreen investment vehicle](#) with a multifaceted strategy featuring a portfolio of captive and non-captive investment programs.

- Captive:

The captive side entails a more direct approach to driving strategic benefits, akin economic development programs, sovereign wealth, or Corporate VC. This includes programs designed to boost founder engagement with Arbitrum, thereby strengthening our position as L2 leader.

- Non-Captive:

The non-captive side features a Fund of Funds approach for investing in venture and liquid funds as an LP extending Arbitrum's reach to new founders, use cases, and markets. The evergreen approach enhances the portfolio by facilitating uninterrupted and long-term execution of investment strategies, while providing the DAO with the flexibility to reinvest profits, or dissolve the fund as deemed necessary.

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This is why we propose frameworks like Captive vs. Non-Captive Vehicles and Fund-in-a-Box. They give the DAO multiple avenues to deploy resources—captive for tight synergy or via external LP positions for diversification—mirroring how CVCs simultaneously invest in internal strategic initiatives and external partners.

Key focus areas in this approach include:

- Balancing Strategic & Financial Outcomes:

We're not ignoring financial returns; far from it. But pure profit is rarely the sole driver. Sometimes, the best "investment" might be an incubator that fosters developer talent or small pilot allocations that help new protocols reach critical mass. These investments cultivate a long-term ecosystem advantage—akin to how a CVC invests in a startup that bolsters its mother entity's near-term product lines and broader strategic goals.

- Builder-Centric Capital Strategies:

In a typical investment thesis, the main question is, "Will this return 10x?" In an ecosystem thesis, we also ask, "How does this capital support the builders who are actually making Arbitrum more valuable over time?"

- A Cluster-Focused Approach:

Around the world, we see how ecosystem clusters drive growth—think of Berlin's deeptech scene or Boston's life sciences corridor. If Arbitrum targets areas (e.g., DeFi 2.0, gaming, identity) and invests in complementary protocols, we can replicate the "innovation cluster" effect on-chain. Over time, more synergy means greater network effects and a stronger moat against competitor L2s.

The Value of This Approach:

This approach delivers value through the following key outcomes:

1. Ecosystem talent booster:

Building a comprehensive portfolio of investment programs to develop and support proprietary pipelines of Web2 and Web3 talent with deep domain expertise and real-world insights. The focus on founder-led ecosystem strategies aligns with Arbitrum's commitment to decentralization and empowerment. By supporting entrepreneurs who create meaningful products, we'll cultivate a thriving community, foster long-term value creation, and ensure the ecosystem's sustained growth.

1. Strategic alignment:

Investing in protocols that are strategically advantageous for Arbitrum to ensure all interests are aligned and to strengthen the relationships in the long term.

1. Capital-Driven Self-Sustainability:

Investing as an LP into existing funds to mobilize 2x to 5x the invested capital for deployment into and support of a more mature Arbitrum ecosystem. Capturing this ROI and reinvesting profits to scale successful initiatives and launch new programs can create a perpetual flywheel without exceeding the initial treasury allocation.

1. Transparent and Collaborative Environment:

Transparency and fairness are critical to fostering trust within the community. Our strategy aligns with Arbitrum's goal of creating a supportive, collaborative network. By focusing on building connections and providing resources, we enable contributors to work together effectively, fostering innovation and ecosystem growth.

1. Backed by the Fund of Funds (FoF):

Leveraging the carry from the Fund of Funds (FoF), we can allocate rewards to recognize and incentivize all contributors within the ecosystem. This approach ensures that every participant—from founders to community builders—feels valued

and motivated to contribute. Additionally, the real-world data collected enables more targeted grants and effective incentive programs, driving sustained growth and innovation.

How This Ethos Relates to Our Deliverables

Our deliverables are crafted to provide actionable insights and practical frameworks that bring the Ecosystem Investment Thesis to life. The information above outlines our foundational ethos, while our other posts (listed below) dive deeper into specific strategies and opportunities for how Arbitrum's DAO can strategically deploy its treasury to achieve this vision. We have an overarching ecosystem development approach, where strategic directions for the development of the Arbitrum ecosystem are interpreted by the AV team. At the ecosystem thesis level, we turn these evaluations into mini-theses and define impact frameworks and metrics that extend beyond financial outcomes. This provides a foundation for how we support, nudge, orchestrate, and compare progress toward achieving these broader goals.

The mini-theses, two of which already have pilot-level writeups, encapsulate strategic directions determined most beneficial for the ecosystem. Beyond the pilot, these will be evolving into numerous examples, iterated on, and expanded to include coverage of a variety of topics. These mini-theses also connect to specific strategic recommendations or requirements for both [captive and non-captive](#) programs.

The available mini-theses can be found below:

1. [Mini Thesis: "Plaid for Crypto"](#)
2. Demonstrates how Arbitrum could expand into web2 FinTech meets DeFi.
3. Reflects the principle of combining strategic capital with ecosystem synergy—"sticky liquidity," institutional user onboarding, etc.
4. Mini Thesis: "Token Tooling & Governance Stack"

(Coming Soon!)

1. Illustrates how specialized tools for governance and token management can reinforce the entire ecosystem.
2. Another example of an ecosystem bet that might not yield returns overnight, but hugely benefits Arbitrum's infrastructure in the long run.

For a more granular breakdown of our release process, the purpose of each deliverable, and to stay updated check out our [Deliverables Hub](#).

AVI can grant fund managers the autonomy to operate as they see fit, provided they make measurable progress on one or more of the mini-theses. At the same time, we can support multiple funds engaged in this work, fostering a diverse and aligned ecosystem. For captive programs, a more hands-on approach will be needed, leveraging our strategic resources to provide clearer direction and ensure focused execution on key priorities.

A simplified example might be:

Non-captive:

- We back 5 established VCs with \$5-10m each
- They are required to invest at least an equivalent amount of their overall funds into Arbitrum-specific deals that align with one or more of these thesis cases.
- This is done in accordance with their profit-oriented thesis

Captive:

- We have specific investment programs that focus on the strategic ecosystem-related benefits from investments and define the approach to meeting the corresponding ROI targets. E.g. We could have an Arbitrum Specific Accelerator program that invests \$2-3m / y and we set specific expectations of what themes need to be covered in the cohorts to feed adequate pipelines for receiving follow-on investments.
- Separately we might have university incubators with much smaller budgets that are tasked with feeding raw talent and fresh new blood in the ecosystem even if the expected ROI is circa 50% of the invested capital in the first place. Which is compensated by the fact that we can capture the value of such proprietary pipelines in other places.

How This Relates to the AVI Pilot & Proposal

As outlined in our [Tally proposal](#), two key deliverables for the AVI Pilot are:

Thesis and Strategy Report for Investment and Venture Fund

- Types of funds, instruments, and initiatives to target (venture funds, accelerators, incubators, venture studios, etc.)
- Development of foundational hypothesis for key strategic sectors for growth, investee profiles across multiple stages of maturity, and which markets and trends to focus on (integrated with active work of other working groups)
- Portfolio construction
- Evaluation frameworks for funds and initiatives (initial version)
- Evaluation frameworks for Ecosystem Fund's - Impact on the Arbitrum ecosystem and long-term value creation (initial version)

Set of Strategic Recommendations

- Roadmap for the next AVI phases (considering emerging constraints and synergetic structures and work groups)
- Analysis of strategic investment priorities and steps for fund deployment (building on Areta's M&A Pilot)
- Specific analyzed target deals

As explained, we have released mini-theses and strategic recommendation articles in the [Deliverables Hub](#). This post aims to explain the foundational principles that informed the development of the more detailed recommendations in those articles, such as ["Plaid for Crypto"](#) and [FiB \(Fund-in-a-Box\)](#), which dive into specific verticals and structural approaches.

Through these articles, the AVI pilot ultimately seeks to demonstrate how a DAO-led Ecosystem Fund can effectively deploy capital in a way that's not just profitable, but also accelerates Arbitrum's network expansion—all while staying true to the principles of decentralized governance.

Final Thoughts

A traditional investment thesis aims for maximized returns over a set period. An ecosystem investment thesis aims to empower founders and drive compounding network effects for the broader ecosystem. Drawing lessons from CVC programs, SWFs, EIF, and endowments, we're orchestrating a diverse, long-term strategy that places entrepreneurs at the center—while the DAO, as "feeder," sets them up for success.

If you want to help shape this vision:

- Explore the Hub:

Check out the [Deliverables Hub](#) to gather context and to explore our mini-theses ("Plaid for Crypto" has been published and more are on the way)

- Join the Conversation:

If you're an entrepreneur building on Arbitrum—or a DAO delegate with ideas—please share feedback and suggestions.

We're co-creating an approach that keeps founders at the helm, while the DAO orchestrates capital and resources to scale Arbitrum sustainably. Let's make sure we foster an ecosystem where everyone—from power users to brand-new devs—benefits from the synergies we create.

Together, we can ensure Arbitrum remains at the forefront of L2 innovation for years to come.

Onward,

The AVI Team