

Sommelier's Real Yield ETH (YieldETH), an index of LST yields, has exceeded the 15k ETH TVL threshold and wishes to be considered for the next round of LST onboarding on Eigenlayer.

Summary

Sommelier's Real Yield ETH (YieldETH) is one of the fastest-growing and highest-yielding LST tokens within the Ethereum staking ecosystem. As someone who is an active contributor to the Sommelier protocol and also a believer in the restaking movement that Eigenlayer is pioneering, including a new restaking market for Real Yield ETH (YieldETH) would be mutually beneficial to both protocols. Specifically, adding a YieldETH market will not only increase Eigenlayer TVL, and therefore usage, but it will also increase the utility for YieldETH due to the restaking yield.

YieldETH Asset Exposure: (w)stETH, rETH, cbETH

YieldETH Protocol Exposure: Uniswap v3, Aave, Morpho

YieldETH TVL: ~\$40M (18k ETH)

YieldETH Launch: April 12, 2023

About Sommelier

Sommelier is an innovative asset management protocol that enables intelligent vaults to ingest real-time market information and dynamically adapt to market conditions, providing enhanced opportunities and risk mitigation for users. All vaults are enabled by audited smart contracts and controlled by protocol governance, ensuring transparency and security.

Sommelier has experienced rapid growth in 2023, growing from \$1M to nearly \$65M in TVL. It is the 4th largest yield aggregator on Ethereum and plans to go multichain in 2024. It is also quickly becoming an LST liquidity hub for assets like (w)stETH and swETH with additional LST vaults in the pipeline.

Sommelier was founded by Zaki Manian and Kristi Poldsam and backed by Polychain, Multicoins Capital, Standard Crypto and others.

Sommelier Governance

The Sommelier protocol is governed by SOMM token holders. A number of items must be voted on and approved by the community including strategist onboarding, Vault (Cellar) activations, community spend proposals (which allocate funding from the SOMM community pool), protocol upgrades, and parameter changes.

About Real Yield ETH (YieldETH)

Sommelier's flagship vault is a LST DeFi vault called Real Yield ETH. The vault optimally allocates across w/stETH, cbETH and rETH and uses those assets in leveraged staking positions on Aave and Morpho and concentrated LPing on Uniswap V3. Other blue chip protocol integrations are in development.

YieldETH is ERC-4626 compliant and follows a c-Token model. As a result, the relative value of YieldETH to ETH increases. While the number of YieldETH tokens remains consistent (considering no new deposits into or withdrawals out of YieldETH), the underlying value of the ETH rises due to these rewards, prompting its value increase.

There are no lockups with YieldETH and users can withdraw from the vault at any time. Future LSTs, yield strategies and DeFi protocols can be added to YieldETH through Sommelier token governance.

Growth and Performance

The vault has approximately ~\$40M of TVL (18k ETH) and has generated ~8% organic annualized yield since launching in April. The exceptional yield performance has been driven by dynamic, monitored leveraged staking and efficient liquidity provision on Uniswap v3 (over 130 ETH in fees). The high yield performance and ERC-4626 compatibility are two factors that should drive continued growth of the vault making it an increasingly relevant TVL funnel for Eigenlayer.

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Oracles and Pricing

The YieldETH token itself does not have an oracle, but the preview functions in the smart contract report the share token price based on on-chain conditions. So, if you are wanting to determine how much WETH you would receive for 1 YieldETH, you would use `previewRedeem(1e18)` function.

Potential Risks and Mitigation

While there are synergies between Sommelier's YieldETH and Eigenlayer, including a YieldETH restaking market does come with some risks.

Smart Contract Risk

Sommelier places a strong emphasis on security. However, there is still risk in the smart contracts that YieldETH uses to interact with various DeFi protocols (e.g., the Sommelier DeFi adapter to interact with Uniswap) and the underlying DeFi protocols themselves (e.g., Uniswap).

To mitigate this risk, YieldETH's smart contracts have been audited by [Macro](#) and only takes exposure to battle-tested protocols (such as Uniswap V3, Aave, Morpho) with extensive audits, large bug bounty programs, and histories of securing hundreds of millions of dollars.

Underlying Asset Risk

YieldETH takes exposure to a basket of LSTs (such as (w)stETH, cbETH and rETH). However, since restaking markets already exist for these assets on Eigenlayer, it is assumed that the network is not taking any incremental risk on this dimension.

References/Useful Links

Sommelier Resources

Sommelier Website: <https://www.sommelier.finance/>

Dapp: <https://app.sommelier.finance/>

Sommelier Protocol Docs: <https://sommelier.finance.gitbook.io/sommelier-documentation/introduction/what-is-sommelier>

Github: <https://github.com/PeggyJV>

Audits: <https://www.sommelier.finance/audits>

Bug Bounty: <https://immunefi.com/bounty/sommelier/>

Twitter: <https://twitter.com/sommfinance>

Telegram: <https://t.me/getsomm>

Discord: <https://discord.com/invite/ZcAYgSBxvY>

Real Yield ETH (YieldETH) Resources

YieldETH Dapp Page: <https://app.sommelier.finance/strategies/Real-Yield-ETH/manage>

YieldETH Blog Explainer: <https://medium.com/@sommelier.finance/real-yield-eth-is-here-to-optimize-your-eth-liquid-staking-tokens-c52f686e18ef>

Token Contract: <https://etherscan.io/token/0xb5b29320d2Dde5BA5BAFA1EbcD270052070483ec>

Audits: <https://docs.oeth.com/security-and-risks/audits>

Bug Bounty: <https://immunefi.com/bounty/sommelier/>

Dashboard: <https://ryeth.sevenseas.capital/>