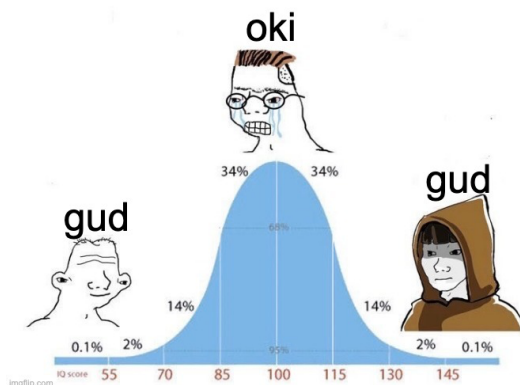


1. Intro

The purpose of this write up focuses on the digital assets yield category of DefAI (Defi+AI). The convergence of Defi and AI has many bridgepoints, including but not limited to, technical analysis (indicator based), memecoin sniping, socials or news driven triggers, arbitrage, and basis trading.

Yield focused DefAI for stablecoins and blue-chip assets, has found a niche advantage in this market. As avenues for generating yield have expanded, the introduction of AI to optimise yield across different protocols is proving to address an underexplored challenge: inefficient human limitations in continuously rebalancing positions for better yields.



As this also isn't narrative or cycle based, the belief is this segment will be used by all sides of the curve.

2. Why DeFAI Matters

- AI is driving smarter automation, risk assessment, and personalization
- DeFi provides open and composable infrastructure for a variety of financial instruments
- Together, they unlock more efficient, adaptive, and scalable financial systems

Stablecoin growth this cycle is unprecedented, with many different approaches and classifications emerging. Despite the different frameworks, the fundamental objectives remain the same: price stability, transparency, scalability, and capital efficiency.

Given their non-cyclical nature relative to the broader crypto market, the need and utility for stablecoins remain constant. Whether in tradfi or defi, idle cash shares a single purpose - pursuit of yield.

Of course it's a bit naïve to bundle both defi and tradfi yield, as we can't overlook the risks of depegs and protocol hacks. However, assuming an ideal defi environment, the web3 savvy enjoy an advantage of stretching their dollar farther compared to tradfiors.

Yield farming is not an easy feat and needs on-going management to avoid IL, optimize opportunity cost, ensuring risk parameters, and above all research for new incentives in the endless pipeline of launches.

The emergence of curated strategies or vaults on a few protocols has been a great unlock of complex yield to the average defi user. Moreover, composability of assets expanded well beyond last cycle's more siloed assets allocations; with the advent of autonomous yield agents.

3. Projects

	Giza		TVL: \$20m		XenoFi	
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- **Giza** – Provides infrastructure enabling AI integration with blockchain. Through granular permission management, users maintain asset custody while programmable transaction authorization are set for automated operations. A framework allowed by the ERC-7579 modular smart contract wallets standard. Currently integrated into 5 protocols.

	ZyfiAI		TVL: \$6.3m		Customisable YieldAI	
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- **ZyfiAI** – An AI-driven yield agent that allows you to customise the protocols you'd like the agent to farm across 10 different protocols. Developing omni accounts to allow the user to access multiple chains via the same evm address, allowing cross-chain rebalancing and asset allocation. Also provides 2 risk tiered options.

	Fungi		TVL: \$600k		Dynamic AI	
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- **Fungi** – novel approach to dynamic DeFi ecosystems with AI-powered adaptability, operating only on Base, integrated with Aave, Morpho, Moonwell, and Fluid.

	Tokemak		TVL: \$138m		LP AI	
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- **Tokemak** – A liquidity provision aggregator that autonomously optimises LP rebalancing across three main autopools – Ecosystem, agnostic, and institutional. Single-sided LP automation tool, used as an automated router to rebalance and optimize yield across different pools and vaults.

	Arcadia		TVL: \$13m		Agentic leveraged LP	
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- **Arcadia** – Onchain leveraged liquidity provision via Lending pools of BTC, ETH, and USDC. Pools are structured through yield bearing vaults, which allows for integrations across different protocols (vaultsfyi, superform, etc.) for scalable leveraged strategies.

	Almanak		TVL: \$55m		Custom Strategies	
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- **Almanak** – Provides vanilla yield bearing vaults using agentic deployment across different protocols on Ethereum. It also provides a variety of AI strategies that can be tweaked to a user's preference, based on TA indicators, LP parameters, arbitrage, and other custom templates depending on user needs.

4. Outlook

These projects are the latest iteration of DeFAI, where AI-informed strategies are unlocking new efficiencies and opportunities for the DeFi ecosystem. Through automated rebalancing, yield optimization, and cross-protocol allocation, these

platforms reduce human effort and bring sophisticated strategies within reach of more users.

As the industry continues to mature, we would expect increased innovation in autonomous agents, multi-asset vaults, and cross-chain integration. This kind of development holds the potential for replacing the inefficiencies of Web3 and traditional finance with more adaptive, scalable, and capital-efficient systems.

Long-term adoption will be biased towards projects that have good security practices and strong protocols with a Lindy effect. It will become synonymous with how swap and cross chain bridge aggregators grew to become.

5. Wrap-up

DeFAI yield optimization is one of the most valuable intersections of DeFi and AI, eliminating the bottleneck of manual monitoring and rebalancing, while enabling scalable strategies across vaults and protocols. The arena will mature into a fundamental financial primitive, just like swaps or bridges.

Security will ultimately dictate adoption. Beyond state-of-the-art strategy, projects will have to invest significantly in smart contract audits, real-time monitoring, continuous stress-testing, and well-funded bug bounty programs. Without these protections, user trust and capital cannot grow.

The opportunity is clear: those that pair adaptive AI-driven yield with robust, transparent risk management will build the foundation of the next on-chain finance generation.
