



RedStone

Crypto Yield & Earn Products Report:

The Ultimate **Q1 2024**
Market Overview

* DeFi focused



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1 Key Takeaways

- ❖ Yield & Earn products within DeFi have gained immense popularity, providing users with opportunities to earn yields on their cryptocurrencies through various mechanisms like lending, staking, and liquidity provision. The DeFi ecosystem now offers a variety of products, each catering to users' distinct investment preferences and risk tolerances.
- ❖ More than two-thirds of the Total Value Locked (TVL) in DeFi is linked to projects specifically created to generate, maximize, and optimize yield.
- ❖ Investors often opt for Earn products because of their user-friendly nature. These projects typically employ strategies that users could undertake on their own, such as lending, staking, restaking, providing liquidity, among others. However, this requires a certain level of knowledge, time and effort to implement individually.
- ❖ The trajectory in the crypto space suggests the eventual emergence of mega-apps, where users can engage in various financial activities, from earning passive income to participating in governance.
- ❖ CeFi Earn products, including exchanges and custodial providers, offer conservative earn products such as staking, lending, and liquidity provisioning. However, decentralized alternatives in DeFi often outpace CeFi in terms of innovation, flexibility, rewards, and user appeal.
- ❖ Oracles play a fundamental role for DeFi Earn products by delivering accurate market prices of the utilized assets, for example in Sommelier or Enzyme vaults.
- ❖ Participating in DeFi Earn products presents unique advantages but comes with inherent risks. Users should be cautious about integrated protocol risks, market volatility, smart contract vulnerabilities, liquidation risks, and leverage exposure.

Featured Projects and Organizations

RedStone, as the author of the report, would like to express true gratitude to all the contributors, projects, and key opinion leaders who helped us create such a comprehensive piece on the LSTfi market. The depth and breadth of this report would not be possible without these individuals – thank you Luffy from CIAN, Seb & Samyak from Instadapp, 2 Nikolas from DeFiSaver :), Lucian from Summerfi, Simon & Theo from Morpho, Anton & Ken from Pendle, Jai from Definitive, Corn from Yearn, Weso & TBC from Beefy, Josh from Sommelier, Crews from Index Coop, James from Reserve, Henrik from dHedge & Toros, Maddie from Origin, Peter from DeltaPrime, Apoorv from Stella, Safak from Manta and many more!

Services	Yield	Yield Aggregators	Indexes	Leveraged Farming	Native Yield / Compliance Chains
Summer.fi	Convex Finance (cvx)	Yearn Finance (YFI)	Enzyme Finance (MNL)	Alpaca Finance (ALPACA)	Blast (BLAST)
Instadapp (INST) & Fluid	Pendle (PENDLE)	Beefy (BIFI)	Index Coop (INDEX)	DeltaPrime (PRIME)	Manta (MANTA)
DeFiSaver & ETHSaver	Amphor Protocol	Sommelier (SOMM)	Reserve (RSR) ETH+ & hyUSD	Gearbox Protocol (GEAR)	Kinto
CIAN & Staple DEX	Definitive		dHEDGE & Toros (DHT)	Extra Finance (EXTRA)	Avalanche Spruce (AVAX)
Morpho Optimizer & Morpho Blue (MORPHO)	Spark sDAI (SPK)		Origin (OGV) OETH & OUSD	Stella (ALPHA)	
Superform				Archi Finance (ARCHI)	

* Table presents projects in no particular order.

Coin tickers in brackets are governance or utility tokens of the project (if they exist).

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What Are Earn Products?

The emergence of blockchain technology unlocked the potential of peer-to-peer transactions as an alternative to centralized intermediaries. The popularity of non-custodial payments and earning products has accelerated rapidly since Ethereum's launch in 2015 (almost 10 years ago!) and smart contracts implementation. This technology gave birth to decentralized finance (DeFi) and provides an alternative to traditional finance services. Gradually, more institutions and individual investors consider DeFi and related instruments in their portfolio as a form of investment or to generate interest. In decentralized finance, earn products (also called yield products) refer to easy-to-use platforms or protocols that allow investors to earn yields on their cryptocurrencies through various mechanisms such as lending, staking, liquidity provision, and more. These products enable users to put their crypto assets to work and generate passive income. Protocols compete to provide the most attractive returns. The race for users' deposits and higher Total Value Locked (TVL) results in advanced and complex solutions. Various DeFi platforms utilize one another to deliver appealing APYs, leading to a codependent ecosystem. Nowadays, there is a push for liquid and leveraged products, which increase efficiency of the capital utilization. However, greater returns and liquidity are associated with higher risks. The report aims to characterize the earn products landscape and provide an overview of existing solutions. In short, crypto yield-generating instruments possess the following features:

1. Earn products utilizing blockchain technology and smart contracts rely on basic financial processes such as lending and borrowing, and new actions like staking and liquidity provisioning.
2. DeFi protocols offer non-custodial solutions where assets are managed by code.
3. Centralized exchanges and institutions act as proxies and integrate decentralized protocols to provide attractive returns on their platforms. It is convenient for the users, but in theory and practice, it introduces additional intermediaries' risks.
4. Smart contracts automate and enforce the terms of the agreement, providing transparency and trustlessness.
5. Crypto earn products involve various risk levels. Higher potential returns often come with higher risks, and users should be aware of the associated threats before participating.
6. DeFi works 24/7, users can deposit and withdraw their assets whenever they want, and services are generally accessible to a global audience.
7. Decentralized products strive for transparency, offering users visibility into the investment performance and the overall health of the platform. Blockchain technology makes all the transactions evident in the ledger.

In the ever-evolving landscape of cryptocurrency and DeFi, contemporary crypto earn products have transcended traditional notions, presenting users with all-encompassing solutions that combine diverse forms of yield generation. The prevailing trend involves platforms seamlessly integrating lending, liquid staking, liquidity provision, and other mechanisms within a singular application. This versatile approach capitalizes on the synergies between various yield-generating platforms and streamlines user experience. The trajectory in the crypto space suggests an eventual emergence of a mega-app. On this comprehensive platform, users can effortlessly navigate and engage in an abundance of financial activities, from earning passive income to participating in governance.

In DeFi nowadays, most protocols resemble on-chain asset managers already, like Enzyme or Sommelier, and multi-purpose services such as Instadapp, Summer.fi, and DeFiSaver. They offer comprehensive earning opportunities for users who wish to put their capital to work. Other products solely focus on yield aggregation, providing users with enhanced returns through automation. Leaders in the space include Yearn Finance and Beefy. There would not be enough days to describe them all, the market is plentiful. What readers can take away from this report is that the DeFi ecosystem can satisfy all of their needs regarding the selected cryptocurrencies and chains. In the case of new networks, it only takes days or less for dedicated protocols to emerge. This space does not tolerate a vacuum and adapts swiftly.



The CeFi Earn Products Landscape

Before we delve into the decentralized finance earning opportunities, let's take a quick overview of CeFi products. Centralized solutions include exchanges and custodial providers requiring accounts and KYC verification. Permissioned DeFi is worth mentioning here. Protocols practicing this approach impose verification and demand investor or institution details, but enable holding and managing assets via Web3 wallets.

Centralized institutions provide various earn products for their users. But compared to DeFi options, they offer conservative solutions. The largest exchanges run earning products based on the following operations: staking, lending, liquidity provisioning, occasionally on-chain initiatives, and launchpools. Staking is the most popular method to generate additional yield. It is also the least feared and most straightforward option for investors. In simple terms, staking works like an interest-bearing deposit account in a bank. Users supply cryptocurrencies and, in return, receive rewards denominated in the same tokens. Exchanges practice two different approaches: flexible and locked staking. Clients can decide how liquid they wish their capital to be. Understandably, flexible options bear smaller rewards. Due to the Ethereum staking popularity, exchanges offer dedicated products to address the demand. CEXes act as proxies, taking ETH from users and depositing it in on-chain staking wallets. There are two ways institutions navigate. They run their own validator nodes on the Ethereum network or use decentralized protocols like Lido. Once liquid staking erupted and dominated the crypto market, exchanges went so far as to launch their own derivatives. Hence, e.g., Binance or Coinbase offers BETH and cbETH, respectively. Crypto lending works analogically to the traditional equivalent. Users deposit or loan assets for a fixed term, and then either an exchange pays out interest or a user. Similarly to decentralized alternatives, CeFi provides the possibility to provide liquidity to the exchange. If users hold assets on the CEX (which is not advisable), they could capitalize additionally by supplying the order book. To incentivize users to keep crypto on the platform, exchanges prepare reward-bearing activities. One of the most popular forms are launchpools. Users can obtain new tokens of emerging projects by subscribing to particular pools. Sometimes these

pools accumulate assets worth billions of dollars for the more exciting projects. It is a highly popular option on Binance.

Last but not least, exchanges offer earn products directly connected with DeFi protocols occasionally. Out of the top CEXes, only OKX provides such a solution currently. OKX On-chain alternative facilitates user engagement through PoS staking and DeFi protocols. PoS staking rewards users for holding and staking their cryptocurrency, contributing to network security. In DeFi, users earn rewards by staking or providing liquidity. The yield in PoS staking is derived from block rewards and transaction fees obtained through active participation in the blockchain network's validation process. In DeFi protocols, users can earn rewards by staking or providing liquidity to lending pools or decentralized exchanges.

Apart from crypto exchanges, users can use centralized providers to earn yield. Such companies mostly deliver staking solutions. Most of them specialize in larger clients and institutions. Exemplary providers include Kiln and Figment. Still, there are many non-custodial enterprises, which provide validator addresses and guides to start staking. Staking Rewards is a fantastic explorer and data aggregator regarding all staking activities.

The advantages of centralized providers include zero transaction fees, an efficient and straightforward approach, a user-friendly experience, and a lack of Web3 wallet management. These are valuable points. However, the easy method does come with a price. The custodian, exchange, or staking provider handles and keeps user assets. You relinquish control of private keys. Because of intermediaries earned rewards are usually smaller than those provided directly on DeFi protocols or by proof-of-stake validators. Limited transparency exists, with unclear information on how rewards are calculated, the whereabouts of your crypto, and the custodian's utilization of it.

Before engaging in any custodian Crypto Earn product, a user should perform extensive research and assessment of yield feasibility. Bankruptcies of Celsius, Voyager, FTX, and millions of dollars lost in user funds should play as events to conclude from.

All assets 78 assets

Asset	Est. Reward Rate	Staking Market Cap	Action
Ethereum ETH	2.73% APY	£59.0B	Start Earning
Solana SOL	5.01% APY	£24.4B	Start Earning
Cardano ADA	2.04% APY	£9.7B	Start Earning
Polkadot DOT	6.92% APY	£4.0B	Start Earning

[Coinbase Earn offering](#)

The crypto space offers versatile earn products. DeFi, especially, is the cradle of financial innovations. Over 2/3 of DeFi TVL is associated with projects designed to generate, maximize, and optimize yield. There are protocol categories, dividing them based on their market scope. However, it is challenging to assign a particular project to the appropriate class sometimes. Nowadays, users get to experience multipurpose aggregating applications that fit several categories. We will try to characterize protocols within suitable groups. Crypto earn products offer a diverse range of opportunities for users to maximize their returns and actively participate in decentralized finance. These products span various categories, each catering to distinct investment preferences.

The DeFi Earn Products Categories

Most of the protocols fall into the following categories:

- **Services** – DeFi platforms often provide a suite of financial solutions, allowing users to seamlessly manage their assets. These services include lending, borrowing, staking, and other innovative financial instruments within a single application. This group involves protocols such as Instadapp and Summer.fi.
- **Yield** – One of the core categories within crypto. It involves yield generation through staking or LP. Users can deploy their crypto assets to earn passive income. Protocols build advanced reward-bearing mechanisms, providing a higher yield than the competition and attracting users. Convex Finance and Pendle represent this group of products.
- **Yield Aggregators** – They play a pivotal role in optimizing returns for users. These platforms intelligently allocate funds across multiple yield-generating opportunities, ensuring that users get the best possible returns on their invested capital. Yield aggregators utilize other decentralized protocols and manage the assets automatically. The category includes Yearn Finance, Beefy, and others.
- **Indexes** – Earn products also offer index-based investment options, where users can gain exposure to a diversified portfolio of assets. Index products provide a simplified way for users to invest in multiple cryptocurrencies simultaneously, reducing risk and enhancing portfolio stability. Indexes came back to life recently, thanks to the LSTs. The largest index providers include Enzyme Finance and Inxed Coop.
- **Leveraged Farming** – It is a more complex category that enables users to amplify their exposure to yield-generating strategies. Users can potentially enhance their returns by employing leverage, but it comes with increased risk and liquidation events, making it suitable for more experienced investors. One could point out that liquid staking derivatives or indexes are leveraged products already, and they would not be wrong. However, leveraged farming lets users borrow more than they possess. Gearbox and DeltaPrime offer such products.

These instruments empower users with the flexibility to choose from a spectrum of categories based on their risk tolerance, investment goals, and level of expertise. As the DeFi space continues to evolve, these categories are likely to expand and diversify, providing users with even more tailored options for optimizing their crypto earnings.

Earn Products Innovation Cases: Sommelier and DeltaPrime

Crypto earn products is a competitive industry, and protocols introduce innovative solutions to attract new users. The competition to attract investors led to the creation of various DeFi categories, each providing unique yield opportunities, utilizing different strategies, risk exposure, or leverage. The following protocols are only a humble representation of DeFi innovation. However, they showcase the diversity and potential of decentralized and permissionless yield generation. It is just a brief description of what is brewing in the industry, and you will find deeper breakdowns later in the report.

Sommelier distinguishes itself with a sophisticated yield-aggregating platform, introducing vaults and dynamic strategies. Leveraging Cosmos SDK for multichain access, Sommelier's vaults maximize interest through Aave and Compound leveraged staking, LST-ETH peg arbitrage, and Uniswap V3 liquidity provisioning. Sommelier's innovative approach ensures sustainable returns and flexibility in navigating the DeFi ecosystem. The process usually follows the path:

1. Strategist runs model off-chain and sends rebalance message
2. Sommelier blockchain reaches consensus on rebalance message
3. Rebalance message is transmitted to vault contract
4. Vault contract executes rebalance
5. Users are the only ones with the ability to deposit or withdraw

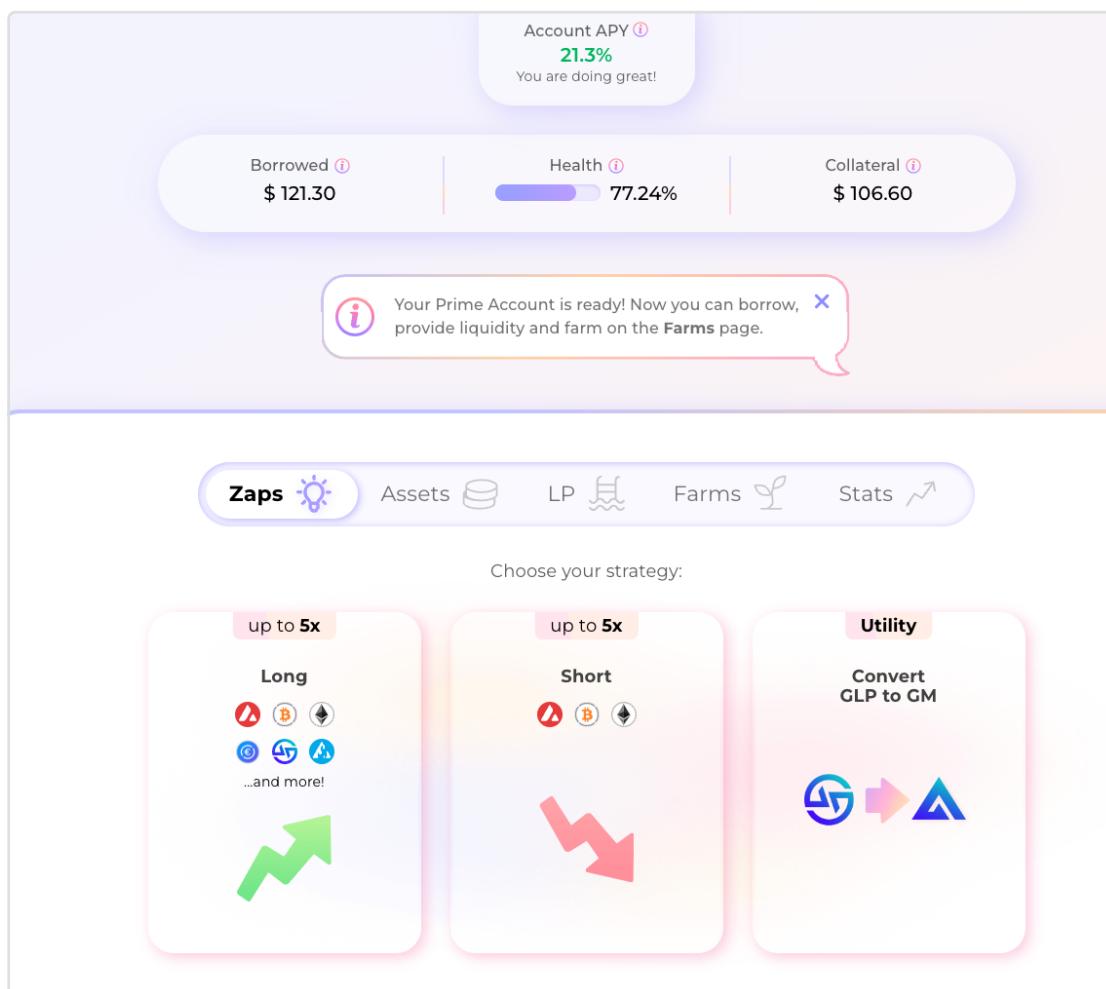
Sommelier vaults revolve around various crypto assets, but by far the most popular strategies include ETH as the centre. Especially in 2024 implementations around liquid staking and staking has been a big driver for the protocol.

Vault	TVL	Net APY
 Real Yield ETH Seven Seas · Yield	\$42.12M	11.26%
 Turbo stETH Seven Seas · Yield	\$35.84M	12.35%
 Real Yield BTC Seven Seas · Yield	\$13.76M	5.31%
 Turbo stETH Deposit stETH! Seven Seas · Yield	\$4.80M	10.35%

Top 4 Sommelier vaults by TVL

[DeltaPrime](#)'s ingenuity lies in its distinctive architecture, allowing the independent liquidation of funds irrespective of the active protocol. Through an escrow smart contract, DeFi positions created with borrowed tokens serve as collateral, presenting an innovative safeguarding mechanism and facilitating cross-margin functionality across diverse DeFi platforms. The liquidity pools on DeltaPrime are decentralized and are built for paramount capital efficiency. These pools enable depositors to lend assets only to escrow smart contracts deployed by the protocol for borrowers. In this secure and lucrative environment, deposited funds are protected from default risks while allowing borrowers to yield multiplied returns by using borrowed capital.

One of the key features, the marginal 20% collateral ratio, is possible thanks to the 10-second update interval of price feeds from RedStone Core (Pull) Oracle. The Prime Account holds both borrowed funds and collateral, creating a versatile hub for trading, farming, and providing liquidity across a spectrum of DeFi protocols.



[Prime Account panel at DeltaPrime on Avalanche network](#)

The sheer variety of where DeFi protocols are developing and innovating is astonishing. It becomes evident that the earn products space is brimming with intricacies and ingenuity. Let's delve deeper into this multifaceted realm to unravel the intricacies and nuances that shape the ever-evolving world of decentralized finance.

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The DeFi Earn Products Landscape in Q1 2024

In this comprehensive section, we will dive into each category, shedding light on various protocol examples that exemplify the sheer diversity and innovation within the DeFi landscape. The multitude of solutions available in the DeFi space is truly mind-boggling, illustrating an advantage over traditional finance. From lending and staking to yield farming and liquidity provision, each category unfolds with a spectrum of protocols showcasing the versatility and dynamism inherent in decentralized financial systems.

Services

Services incorporate a range of various earn products within a single platform. DeFi protocols follow this path and create applications encompassing a multitude of yield solutions. Such services include opportunities to stake, provide liquidity, lend, borrow, and farm, all in one neat packaging. This category is the only one, from all described in the report, that increased its TVL during the bear market. It is a fantastic achievement and represents the direction in which DeFi is heading. Users seek convenient solutions to utilize their cryptocurrencies, and services that provide a diversified approach have emerged victorious, so far.



There are two leaders in this category battling for first place regarding the TVL, Summer.fi and Instadapp. The first one, [Summer.fi](#), offers well-known yield-generating solutions, including single-asset earning strategies, leveraged products, and lending. The protocols focus on ETH, ETH liquid staking tokens, DAI, SDAI, and WBTC. In the earn module, Summer.fi provides different active strategies – Yield Loops. The mechanism opens a position with a DAI flash loan, borrows ETH until the desired multiple, and exchanges for stETH. Returns are boosted through increased ETH borrowing. Summer.fi Multiply allows users to instantly use borrowed tokens to acquire additional collateral, simplifying exposure adjustments to a single asset without multiple transactions. By depositing collateral, users can borrow tokens, such as DAI or USDC. Multiply positions results in a 1x to 5x leverage. Users can play long or short on the desired assets. Monitoring the loan-to-value ratio is crucial to avoid liquidation. The Borrow product is the entry point for users where they can lend their cryptocurrencies or borrow against different collateral. Summer.fi utilizes other DeFi protocols such as Aave, Maker, and Spark to generate interest.

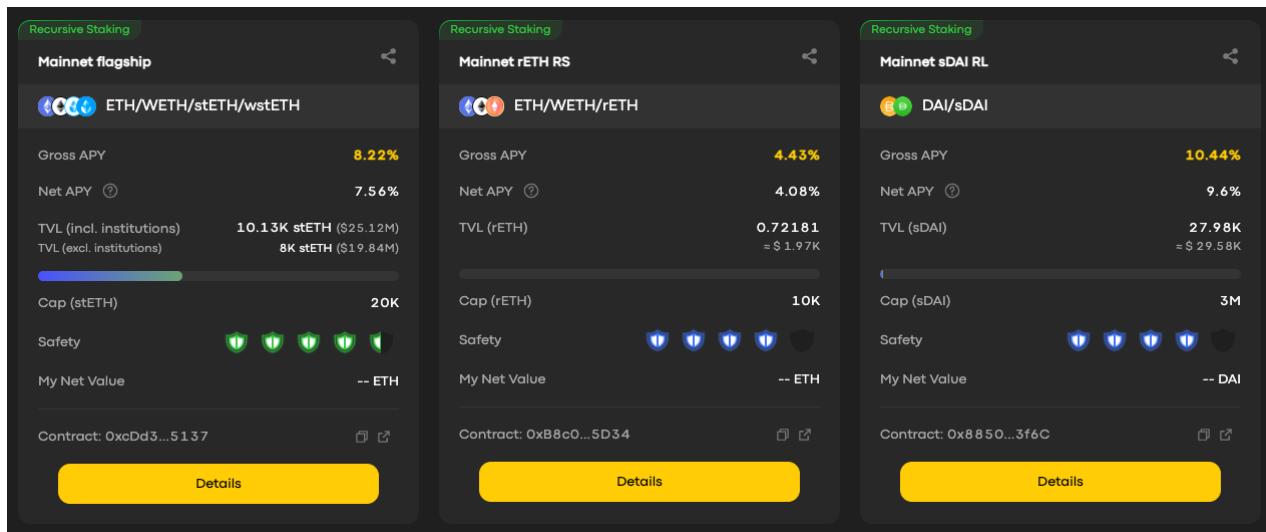
Instadapp is a comprehensive crypto earn platform for users and developers to harness the full potential of DeFi. The protocol allows building on top of it and serves as middleware, consolidating multiple DeFi applications into one upgradeable smart contract layer. Basically, Instadapp is a Swiss army knife of a service. It utilizes a range of DeFi protocols such as Compound, Aave, Morpho, Spark, Maker, and Liquity. Each earning method supports multiple cryptocurrencies. The platform offers leveraged products, position refinancing, and migration, which help users maintain asset liquidity and protocol flexibility. Instadapp introduced an enhanced Web3 wallet to facilitate DeFi navigation. The Avocado wallet utilizes account abstraction technology and a unified gas balance. Furthermore, Instadapp enables yield generating through ETH staking and reward mechanisms. Notably, the Instadapp Lite version simplified yield product built on stETH. All in all, Instadapp aims to become the financial layer for future DeFi protocols, resolving liquidity issues.

Instadapp's advanced DeFi lending protocol – **Fluid**, introduces innovative solutions for a smoother experience. It consists of several building blocks, starting with the Liquidity Layer at its foundation, consolidating liquidity from various protocols. It addresses the challenge of liquidity fragmentation in the DeFi ecosystem and ensures seamless transitions between protocols without affecting liquidity or rates. Fluid adds Automated Limits and dynamically adjusts debt/collateral ceilings to prevent sudden whale movements and enhance security. The protocol introduces additional features, including a Lending Protocol with a simple UX, a Vault Protocol with improved capital efficiency and a unique liquidation mechanism, and a DEX Protocol empowering users with smart debt and smart collateral. Phased launch, starting with Lending and Vault Protocols, is scheduled for January, followed by the DEX. Fluid aims to become the financial layer for future DeFi protocols, resolving liquidity challenges.

DeFi Saver is another application that is characterized as an all-around crypto service. It serves as a comprehensive management solution for decentralized finance protocols. Users can experience an all-inclusive app with tools for tracking and managing their DeFi portfolio on Ethereum mainnet and currently most popular L2s, including Arbitrum, Optimism, and Base. DeFi Saver integrates several lending protocols allowing users to earn interest on deposits or collateralise their assets to borrow other tokens. Application's specialty has always been managing leveraged positions, with options to create or close them, as well as adjust leverage, in one transaction. Moreover, users can move active positions between different protocols ("loan shifting") and leverage a plethora of automation features for collateralized debt positions. Lately, the team introduced a separate app focused solely on leveraged staking called ETH Saver. It features protocols such as Aave, Compound & Morpho-Blue and provides a streamlined interface that enables simple position management for gaining that extra yield from liquid staking tokens such as those from Lido (wstETH), Rocketpool (rETH) & Coinbase (cbETH). The ETH Saver app is based on the same DeFi Saver architecture but features an alternative, performance-based fee model.

CIAN is a decentralized platform that prioritizes secure and efficient DeFi yield opportunities, particularly focusing on liquid staking tokens. With CIAN, users can seamlessly create, manage, and optimize multi-protocol strategies involving various cryptocurrencies like BTC, ETH, stablecoins, and popular LSTs such as stETH, MaticX, and sAVAX. The core of CIAN's operations revolves around liquid staking, allowing users to enhance rewards and safeguard against potential issues like liquidation and

impermanent loss. CIAN's strategies and tools are thoughtfully crafted to maximize returns while minimizing risks, all within a secure and transparent platform. The platform offers two earn products. The first is algorithmic strategy vaults executing LST-based strategies across four networks: Ethereum, Avalanche, Optimism, and Arbitrum. The vaults accept collateral in Ether and all major ETH derivatives, including WETH, stETH, wstETH, rETH, and BETH. This strategy targets holders, optimizing APY by recursively supplying (w)stETH and borrowing wETH from top lending platforms like AAVE V2, AAVE V3, Compound, and Morpho. While Layer 2 networks eliminate the possibility of depositing stETH, the overall process remains unaffected. The second rewards-bearing solution is automated strategies. To complete the protocol overview, CIAN provides automation tools for executing recursive staking plans, available on Ethereum, Polygon, or Avalanche, allowing users to deposit a wide range of cryptocurrencies from USDC and USDT to BTC and LSTs. CIAN utilizes smart wallets – special smart contracts triggering selected tasks to perform automated actions. In addition to recursive staking, CIAN allows leveraged arbitrage on stETH-ETH.



CIAN vaults on Ethereum

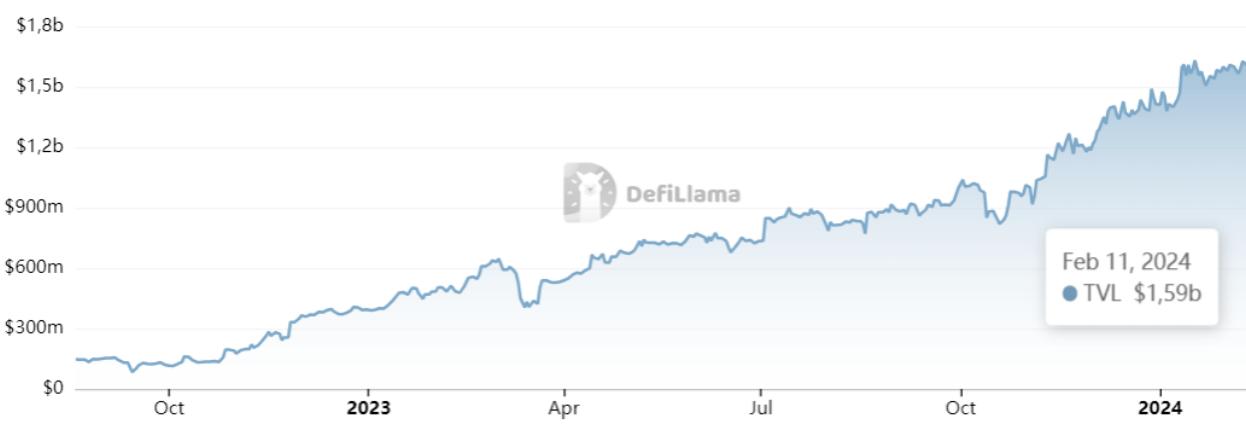
Superform is a marketplace for protocols to permissionlessly list vaults to get distribution to yield seekers across all chains at once. Protocols can use it as an out-of-the-box distribution platform for compliant vaults with just a contract address. Users can deposit into an arbitrary number of vaults on multiple chains from any asset and any token and similarly withdraw to anything in a single transaction. Protocols can choose to use Superform as an alternative or primary frontend, creating a profile page with metadata to allow for easier discovery. Those that have already been onboarded include Yearn, Morpho, Idle, PoolTogether, Gearbox, Sommelier, and multiple others with opportunities across 7 chains. At launch Superform only supports ERC-4626 vaults but protocols with additional requirements (async vaults, multiple underlying, native assets, etc.) will be supported as standards become finalized.

When a user wants to transact cross-chain they need both a message to be passed and for their tokens to be bridged. Superform solves this using three AMB (cross-chain messaging) solutions and two value transfer providers, respectively: LayerZero, Hyperlane, Wormhole & Socket, and Li.Fi. Superform's modularity allows for AMBs and liquidity sources to be added as security conditions and user preferences change

over time. Users additionally are minted composable SuperPositions on their source chain, a cross-chain LP token that can be used in DeFi applications without sending additional messages each time an action needs to be taken. These SuperPositions are viewable on NFT marketplaces in their ERC1155 form and can be transmuted into ERC20s for other use cases.

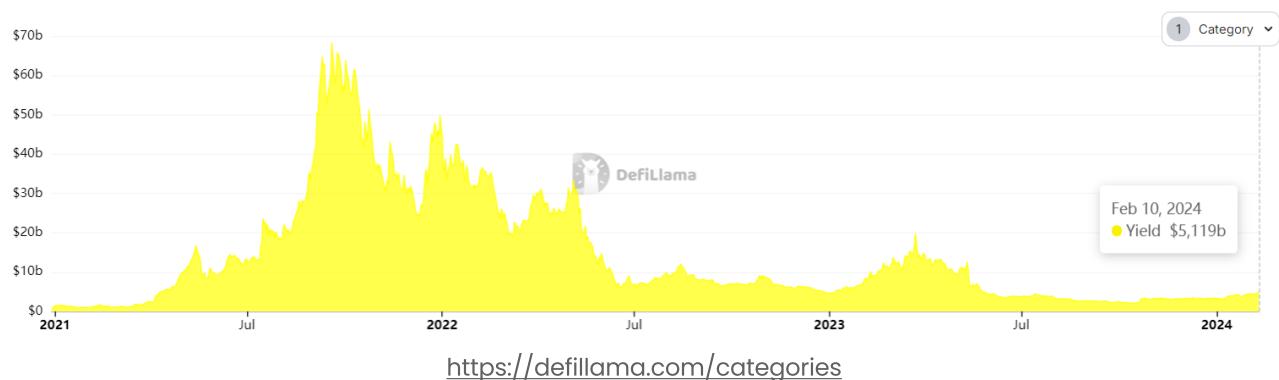
Morpho Optimizer is a novel lending protocol that improves the rates of underlying lending pools, Aave and Compound, by seamlessly matching users peer-to-peer. By design, Morpho Optimizer guarantees users receive better, or at worst, the same rates as Aave or Compound, with the same liquidity and risk parameters. As a result, Morpho Optimizers reached \$1.5B in total supply in a relatively short time.

Interestingly the team launched **Morpho Blue** at the beginning of 2024, which quickly attracted interest from investors. It is a completely independent protocol deployed on Ethereum. Morpho Blue is a simple and immutable primitive with permissionless market creation, enabling efficient lending of any asset. Notably, the protocol's flexibility has given rise to new lending markets for more diverse asset types, such as LRTs and RWAs, previously not supported by other lending platforms.



Yield

The following two categories sound similar. However, they differ fundamentally in yield generation. Yield protocols design and implement their own mechanisms to take advantage of the crypto market opportunities. Yield aggregators, on the other hand, combine strategies from various yield protocols under one roof and provide users with multiple options and enhanced interest. From all of the mentioned DeFi categories, this one took the biggest hit in terms of TVL decline. The bear market drained 93% of the value locked in yield protocols.



Convex Finance is the leading protocol of the yield category regarding the TVL, according to Defillama. It is a well-known project familiar to anyone who used Curve or heard about Curve-wars. In short, Convex is a yield-boosting protocol for CRV. Token holders can convert into cvxCRV and gain additional rewards. Furthermore, the Convex native token, CVX, once locked and staked, increases users' voting power, which comes in handy during Curve Gauge Weight Votes and Admin Proposals. Hence, Curve-wars emerged, where people were utilizing protocols like Convex to boost rewards on their pools on Curve.

Amphor Protocol is one of the yield projects that flies under the radar. Their application provides high interest for USDC, ETH, and WBTC. Amphor utilizes and replicates Uniswap V3 while shielding against impermanent loss. The vaults are set up for a specific period, similar to options. Amphor distinguishes itself in DeFi by adhering to institutional finance principles, emphasizing rigorous risk assessment, continuous monitoring, and resilient processes. It leverages traditional financial tools and expertise, incorporating concepts like options and leverage. Amphor stands out in the DeFi space for its sophisticated and innovative strategies, aiming to deliver competitive returns to users.

The Synthetic LP IL-hedged vault operates by using options to replicate an LP position on volatile asset pairs (ETH/USDC, BTC/USDC) while hedging impermanent loss within predetermined bands. Lasting from 1 to 6 weeks, the strategy generates fixed daily coupons as long as the underlying asset price stays within a specified range. Users can redeem principal and accrued coupons at maturity or upon early termination, occurring weekly. The vault employs a dynamic band for bullish or bearish bias and adjusts early termination levels weekly. Leverage, APR, and duration are key parameters. Three presented vaults—Synthetic LP IL-hedged USDC, ETH, and wBTC—hedge against IL while providing fixed yields for users with various asset preferences. Each vault has specific risk management measures, including leverage limits, early termination triggers, and restructuring options. The Synthetic LP IL-hedged ETH Vault utilizes wstETH as the underlying asset and benefits from Ethereum's native staking yield. The Synthetic LP IL-hedged wBTC Vault replicates a Uniswap v3 position on BTC/USD while hedging against impermanent loss and offers directional exposure on BTC. Each vault aims to provide fixed daily yields based on the price movements of the respective underlying assets within specified bands and mitigates risks through systematic risk management and restructuring strategies.

Pendle is another leading yield protocol in DeFi. It is an innovative asset management protocol that enables users to tokenize future interest from assets using the SY (Standardized Yield) token standard (EIP-5115). Users mint both future yield tokens (YT) and principal tokens (PT) by depositing liquid staking tokens and stablecoin derivatives. PT represents the underlying staked asset, and YT encapsulates future rewards. Pendle offers sophisticated trading strategies, including longing and shorting, with results tracked on a leaderboard. Its focus on yield tokenization, AMM, and vote-escrowed tokenomics sets it apart. Pendle Earn caters to less experienced users with fixed APY, and both Pendle Earn and Trade operate on shared contracts.



Pendle's TVL since 2023, crossing \$1 Billion in February 2024

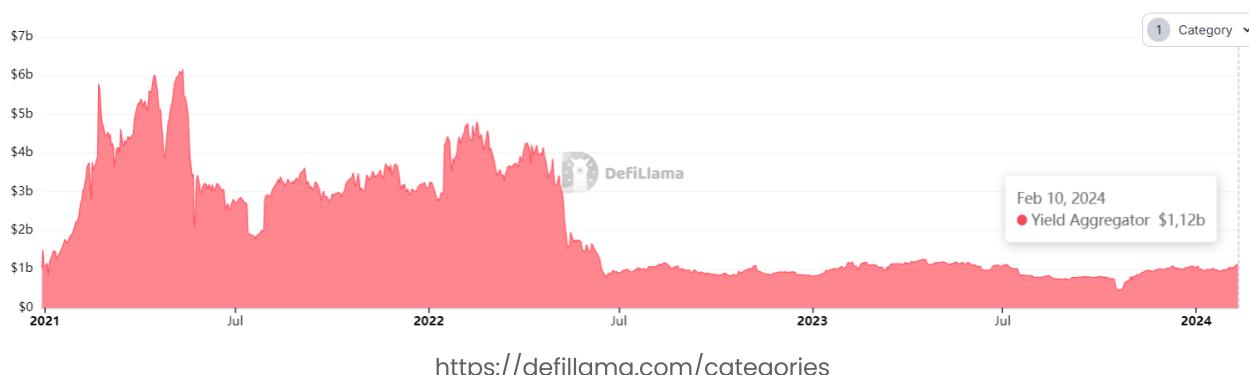
Definitive is another fascinating protocol, drawing from institutional finance and combining it with DeFi. It operates as an execution platform and API for decentralized finance, providing non-custodial smart contracts and automation services across various DeFi protocols. Definitive smart contracts work in tandem to streamline DeFi execution, catering to complex yield strategies and high-frequency trading algorithms. Clients can access two flagship products: Advanced Yield, offering simplified access to institutional-grade DeFi strategies, and Trade Execution, facilitating the execution of advanced order types on all DeFi trading venues. Definitive's unique features include non-custodial control, automated low-latency engine, configurability, and auditable on-chain activity history. The Advanced Yield product enables users to access curated DeFi yield strategies across multiple chains and protocols. Definitive develops Hyperstaking and LPStaking as their flagship earn products.

Definitive's Hyperstaking strategies yield 2x–5x more than ETH staking through maximal capital efficiency and refined execution. The methodology involves staking ETH at Lido and generating approximately 4% APR via wstETH rebasing. This token can be collateralized at lending protocols like Aave and Compound, allowing users to borrow additional ETH, thereby maximizing collateralized wstETH to achieve staking yield multiplication. Definitive addresses two key risks: elevated ETH borrow rates and depeg in wstETH/ETH price. The Effective APR and Leverage LTV Monitor mitigate these risks by automatically unwinding or rebalancing the position based on risk configurations. Definitive's execution edge lies in efficient entry and exit, minimizing slippage and price impact, full utilization of on-chain liquidity, real-time economic monitors, and a configurable risk model providing users a competitive advantage in the DeFi space. The platform's integration of flash loans reduces gas costs and potential errors associated with manual execution, making Hyperstaking more accessible and cost-effective for users.

Spark Protocol is a decentralized, non-custodial protocol featuring one of the fastest-growing Lending and Earn products. The latter is centered around saving DAI or sDAI, an ERC-4626 representation/wrapper of DAI in the Dai Savings Rate (DSR) module. In practice, sDAI allows users to deposit DAI to receive the yield generated by the Maker protocol while still being able to transfer, stake, lend, and use it in DeFi. Swapping between DAI and sDAI does not need to be done via a DEX but can be achieved by depositing and withdrawing from the DSR module. Although Spark Protocol launched only in May 2023, it grew its TVL consistently, which currently sits at above \$2.2 Billion.

Yield Aggregators

Yield aggregators put all earn products together and serve automated solutions under the single platform UI. They provide enhanced returns, juggling assets between different protocols and applications. Yield aggregators utilize all kinds of protocols executing proprietary methods in various categories, including lending, liquid staking, and liquidity provisioning. This group is over four times smaller than the yield category regarding total value locked, but the growth potential is considerable given the fact that users seek optimized dapps with facilitated yield acquisition. Since Q2 2022, the yield aggregators category holds a steady capitalization, and despite small business traffic, its representatives develop and introduce updated products.



[Yearn Finance](#) stands out as the leading DeFi yield-aggregating platform, boasting the highest TVL in the industry with over \$6 billion in deposits in 2022. In essence, Yearn serves as a platform where users can deposit their digital assets to earn lucrative yields. Governed by YFI token holders and supported by a diverse group of independent developers, the protocol introduces Yearn Vaults. These vaults are meticulously crafted pools designed to autonomously generate interest by leveraging prevailing market opportunities. Investors benefit from shared gas costs, automated yield generation, and rebalancing, as well as capital optimization, all achieved without the need for an in-depth understanding of underlying protocols or the intricacies of DeFi, thereby providing a seamless and passive investment strategy.

Yearn provides over 200 vaults spanning five blockchains. Users can deposit single tokens or LP tokens from various decentralized protocols like Curve and Velodrome. In addition, Yearn allows deploying new auto-compounding vaults permissionlessly through the Factory. It supports all active Curve LP pools and will enable Balancer in the future. In Yearn Finance, Factory strategies introduce a key change by enabling permissionless harvests, separating swap logic from the strategy to protect against MEV attacks. Importantly, Yearn Vaults V3 is modular, and built with automation in mind. For example, Yearn is creating new primitives for lending projects such as Ajna using V3 allocators. Some of the V3 features include:

- Composability: ERC-4626 means V3 is more composable with DeFi as a whole, and also with the yearn suite of products. ERC-4626 is co-authored by the Yearn Vaults V2 product lead.
- Decentralization: V3 introduces “Roles”. Each permissioned function now has its own role, that can be held by an EOA, a multisig, a smart contract, or any combination.

- Customization: Roles and periphery add-ons such as “Accountants” mean that while the base remains immutable and secure, management can continue to iterate with new ideas and implementations.
- Efficiency: Both debt updates and profit reporting have been entirely redesigned to both increase capital efficiency as well as reduce gas costs.
- Profit Locking: V3 introduces a new profit locking mechanism that will allow users to continuously earn yield slowly over time rather than just at specific post “harvest” intervals, while also allowing the full capital to always remain deployed.

Yearn also provides structured yToken products such as yCRV, yPRISMA, and yETH. These products leverage Yearn’s expertise and active involvement in crypto governance, enhancing user participation and yield through locking, voting, and other mechanisms.

Beyond Yearn Vaults, contributors from Yearn have also assisted in the development of various software tools such as Ape-Safe, Apeworx, Allowlist (used by Metamask), Disperse (\$1 billion in volume), Vyper, Brownie, Gnosis, Robowoofy, ERC-4626, Weiroll-py, yPriceMagic, and Serpentor. Yearn also contributes as a whitehat to [SEAL 911](#), an experimental Telegram bot created by samczsun which anyone can use to seek help during a hack. Lastly, Yearn contributors have gone on to create the audit education program yAcademy and security services firm yAudit.

Beefy the leading yield aggregator by user count, operates as a decentralized yield optimizer, enabling users to earn and compound interest on their cryptocurrencies. Utilizing smart contracts, Beefy maximizes rewards from liquidity pools, automated market-making projects, and various DeFi yield farming protocols. Beefy Vaults automatically compounds arbitrary farm reward tokens into the initially deposited asset, offering flexibility without a locking period. While participating in a vault, users maintain complete control over their funds, aligning with the permissionless and trustless nature of DeFi. Governed by the decentralized autonomous organization (DAO), Beefy stands out for its safety protocols, single asset vaults, and seamless integration across multiple blockchains, supporting 20 networks, including Layer 1s and Layer 2s. Users can choose from over 500 active vaults.

Beefy distinguishes itself in the DeFi landscape by focusing on single-strategy vaults and liquidity pools. Additionally, ZAPs let users participate in liquidity provisioning by providing a single token. Beefy facilitates the entire process of exchanging, supplying, and staking in one transaction. The platform prioritizes user security, distributes platform revenue to BIFI stakers, and pioneers unique yield farming strategies. With a commitment to decentralization, Beefy extends its auto-compounding capabilities beyond Ethereum, exploring opportunities on alternative chains. The abundance of available collateral tokens is even more spectacular. Beefy utilizes LP tokens from a multitude of protocols, including Curve, Balancer, Stargate, Aura, and more. The overarching goal is to democratize access to DeFi opportunities, leveling the financial playing field and making decentralized financial technologies accessible to users of all sizes and backgrounds.

Sommelier stands out as a sophisticated yield-aggregating platform, introducing automated vaults equipped with asset pools designed to thrive amidst the dynamic landscape of DeFi. These vaults are engineered to anticipate future base yields, respond to market shifts, optimize capital efficiency, and adapt to emerging yield opportunities.

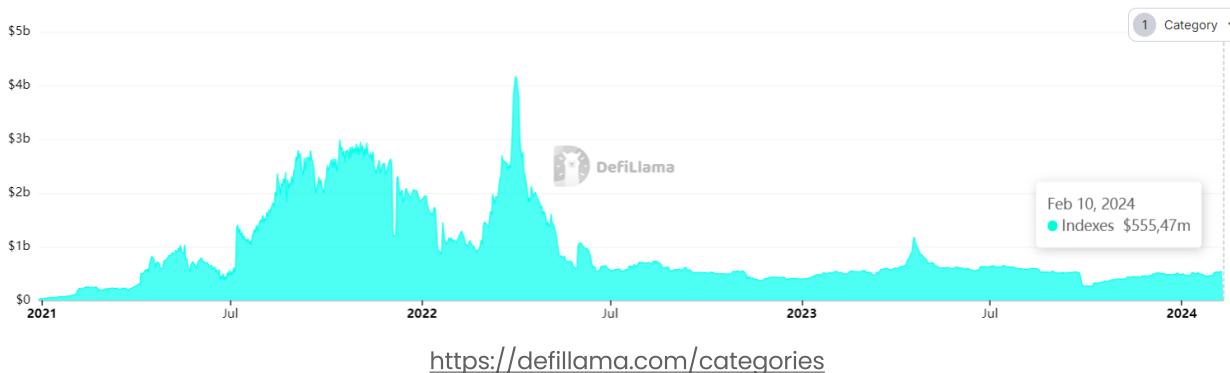
What sets Sommelier apart from other asset management platforms is its distinctive feature of mid-frequency strategy execution on a secure validator set. Leveraging the Cosmos SDK, Sommelier ensures multichain access without relying on bridged assets, offering efficient transaction processing. The protocol seamlessly integrates off-chain computation for privacy and a decentralized governance mechanism, prioritizing user fund security within a non-custodial, user-governed, and censorship-resistant framework.

Sommelier's offerings extend to vaults utilizing liquid staking tokens, stablecoins, and cryptocurrencies such as BTC, LINK, and UNI, providing users the ability to increase yield in corresponding vaults. Sommelier introduces the Real Yield ETH vault and other LST Ether pools, maximizing interest through Aave and Compound leveraged staking, LST-ETH peg arbitrage, and Uniswap V3 liquidity provisioning for LSTs. Simply by depositing ETH as collateral, users can capitalize on a basket of derivatives, including stETH, swETH, eETH, and wrapped alternatives. The Real Yield ETH vault is a real hit from Sommelier and a leading earn product. Furthermore, the protocol encourages BTC holders to employ their assets in DeFi. Users have the opportunity to supply WBTC and maximize yield. The Real Yield BTC aims to provide sustainable returns through a set of dynamic and evolving strategies. Initially, the vault leverages Morpho for efficient ETH staking against WBTC collateral with the potential to borrow ETH for deposit into Real Yield ETH. Sommelier future enhancements may involve integrating other protocols or utilizing vaults for further capabilities expansion.

[Origin DeFi](#) offers Origin USD (OUSD) and Origin Ether (OETH), which are yield aggregation alternatives for stablecoins and liquid staking tokens respectively. OUSD and OETH are boosting APYs through DeFi strategies, the latter also leverages the liquid staking yield. Both products provide an elegant solution, offering exposure to various DeFi Protocols.

Indexes

Crypto indexes, akin to traditional ETFs or index funds, provide investors with a streamlined avenue to access a diverse range of cryptocurrencies through a single asset within the DeFi ecosystem. These indexes consist of carefully curated token selections, each assigned specific weightings and strategies. Protocols issuing such earn products focus on similar details as their TradFi counterparts, including index methodology, maintenance, rebalancing, and fees. Investing in crypto indexes offers advantages such as risk mitigation through diversification, fostering decentralization within the network, and simplifying investment distribution across multiple tokens. Despite these merits, it is noteworthy that the adoption of indexes within the crypto market remains modest. While they offer diversification benefits, investors must acknowledge the unique risk profile of each underlying asset and conduct thorough due diligence. Additionally, smart contract risk should be considered when incorporating structured products in the DeFi space into an investment strategy.



Enzyme Finance presents an on-chain asset management system that streamlines access to crypto and DeFi through a unified and user-friendly application. This platform offers a front-to-back execution and order management system, automating reporting, risk management, and operational/administrative requirements. Users can establish trading roles, enforce smart contract permissions, define stop-loss limits, and implement configurable KYC capabilities. Enzyme Finance offers versatile applications such as treasury management, on-chain DeFi fund setup, and easy creation of customized indexes. The protocol boasts over 1300 vaults. Users can invest in existing products or create their own. Each vault offers distinctive strategies and includes different cryptocurrencies. There are single-asset vaults, liquid staking positions, and diversified portfolios consisting of DeFi tokens. Enzyme supports native cryptocurrencies and derivatives, e.g., LP tokens.

Enzyme Finance's versatile approach made it the leading index DeFi protocol. One of the standout features includes robust crypto index creation and management support. Users can effortlessly build custom indexes within minutes, and Enzyme ensures seamless on-chain or off-chain automatic rebalancing. This functionality empowers individuals and organizations to tailor their investment portfolios, optimizing exposure to different assets while maintaining transparency and security. With Enzyme Finance, the process of crypto index creation and management becomes user-friendly, efficient, and highly customizable.

Index Coop, a prominent player in the DeFi landscape, stands at the forefront of crypto index product innovation with a dual focus on increasing adoption and aspiring to become market leaders. At the core of their governance structure is the INDEX token, empowering the community to vote on crucial decisions ranging from product launches to treasury allocations. Index Coop fosters a collaborative approach, leveraging a diverse community to create a spectrum of indices that simplify the portfolio allocation process for digital asset holders. Upholding principles of innovation and performance, the platform is committed to offering indices that streamline user experience while maximizing choice. The data-driven, community-governed ethos ensures informed decision-making, placing Index Coop in a competitive position within the rapidly evolving DeFi sector. With a comprehensive suite of sector, leverage, and yield indices, Index Coop provides diversified and efficient solutions for crypto enthusiasts and traders.

Index Coop provides indices encompassing different DeFi and crypto industries. Under the Sector Index Products, the Index Coop Large Cap Index stands out, incorporating 21.co wrapped assets and featuring the most successful crypto projects. The DeFi Pulse Index (DPI) is a capitalization-weighted index tracking major decentralized finance

protocols. The Bankless BED Index provides equal-weight exposure to BTC, ETH, and DPI, aligning with promising digital asset themes. The Metaverse Index captures the rise of virtual economies driven by NFTs and blockchain in entertainment, social activity, and business. In the Leverage Products category, offerings like the Bitcoin and Ethereum Flexible Leverage Indices provide 2x leveraged exposure to the underlying asset with automated rebalancing. The Yield Generating category features indices like Gitcoin Staked ETH Index and Diversified Staked ETH Index. At the same time, the Interest Compounding ETH Index enhances ETH staking returns through a leveraged liquid staking strategy. Finally, the Automated Strategies category introduces the Index Coop CoinDesk ETH Trend Index, employing an automated strategy powered by CoinDesk Indices' Ether Trend Indicator to capitalize on ETH's price momentum. These comprehensive offerings highlight Index Coop's commitment to providing diversified, efficient, and cutting-edge solutions for the crypto community.

Reserve Protocol is revolutionizing the cryptocurrency landscape with its innovative approach to stable and secure monetary systems. At its core, Reserve seeks to create a currency that transcends the volatility of traditional fiat and the unpredictability of popular digital assets like Bitcoin. Through the creation of RTokens, users can effortlessly generate derivative tokens backed 1:1 by diverse collections of other cryptocurrencies, essentially allowing for the easy creation of custom crypto indices. Reserve deployed on Ethereum's Layer 1 and Base L2. It enables seamless issuance by depositing the defined basket of collateral tokens and permissionless redemption of assets, providing flexibility in the DeFi space, which is so desirable. The protocol's focus on overcollateralization, coupled with the active involvement of RSR holders, ensures a resilient and secure environment, creating a foundation for a global financial ecosystem with RTokens backed by diverse baskets of assets akin to an index of the entire crypto economy.

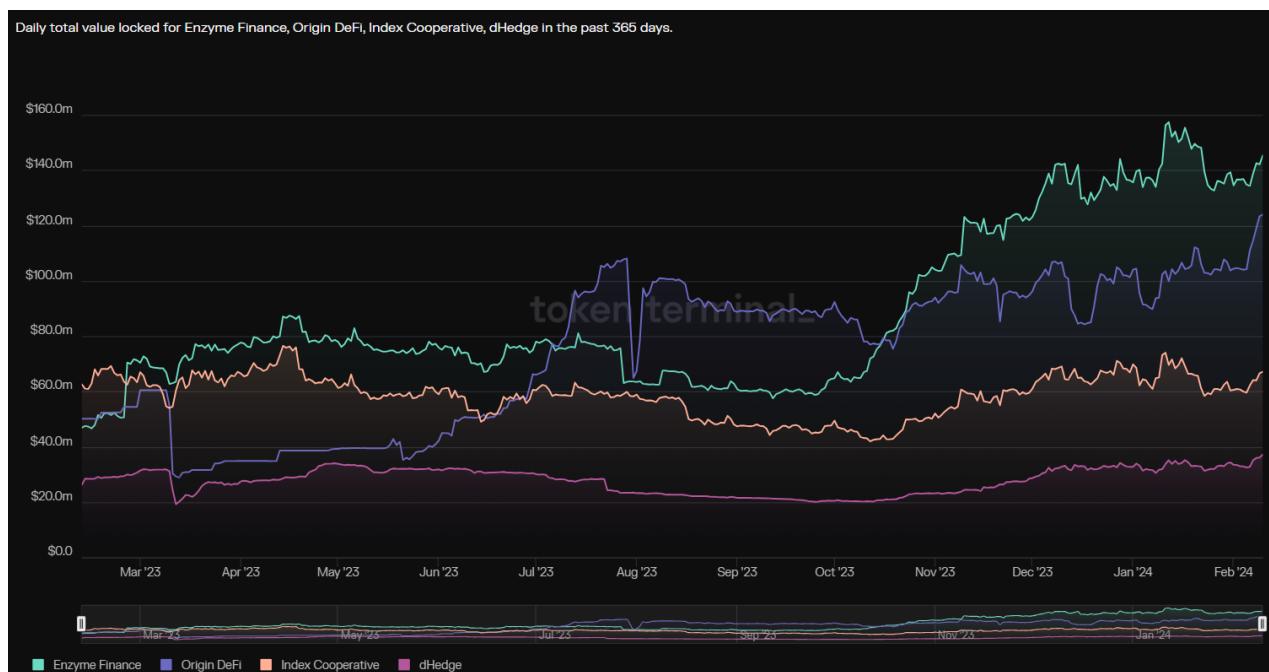
The platform to mint, stake, and manage RTokens is called **Register**. It is the first UI application utilizing Reserve's technology. More protocols are welcome to build on top of it. RTokens are designed for 24/7 accessibility, allowing holders to redeem and investors to create them at any time. Register offers six featured and over 1,000 unlisted RTokens. Two examples include ETH PLUS (ETH+), a safety-first diversified ETH LST index with up to 4% APY to holders, and High Yield USD (hyUSD) an over-collateralized DeFi savings flatcoin with up to 8% APY to holders. RTokens that are currently featured exhibit distinct methodologies and utilize various collateral assets, ranging from stablecoin and LST-backed to LP token collateralization. Reserve Protocol envisions a future where RTokens, representing an index of the entire crypto economy, provide stability and accessibility in the DeFi space.

dHEDGE concludes this section, a tokenized vault provider and asset management platform. It is a decentralized non-custodial asset management protocol running on Optimism, Polygon, Base, and Arbitrum. Through the dHEDGE app, users easily connect wallets, allowing trust-minimized vault token transactions and creating a user-friendly experience for on-chain fund management and non-custodial capital deployment. Users maintain control over their funds at all times and benefit from decreased transaction costs on Ethereum's scaling networks.

dHEDGE accommodates diverse vault types, each functioning as an independent smart contract. These vaults are designed with specific trading and deposit restrictions based on whitelisted assets and protocols. The dHEDGE app simplifies the complexities of smart contracts, offering up to 10 assets per vault and facilitating LP token inclusion. The

protocol extends its capabilities through [Toros Finance](#), an automated strategies platform built on dHEDGE, providing investors and asset managers with a versatile and decentralized ecosystem for transparent and secure asset management. Toros has a mixture of yield, leverage tokens, and index products like the Flat Money Early Depositors Vault.

Mentioned indices had a successful Q4 of 2023 and the beginning of 2024 regarding TVL growth. There was a significant increase in index interest. One of the possible reasons for acquiring more capital could be the prolonged decision on BTC spot ETF. Crypto indices represent a similar design as traditional funds. They offer exposure to a diversified asset portfolio.

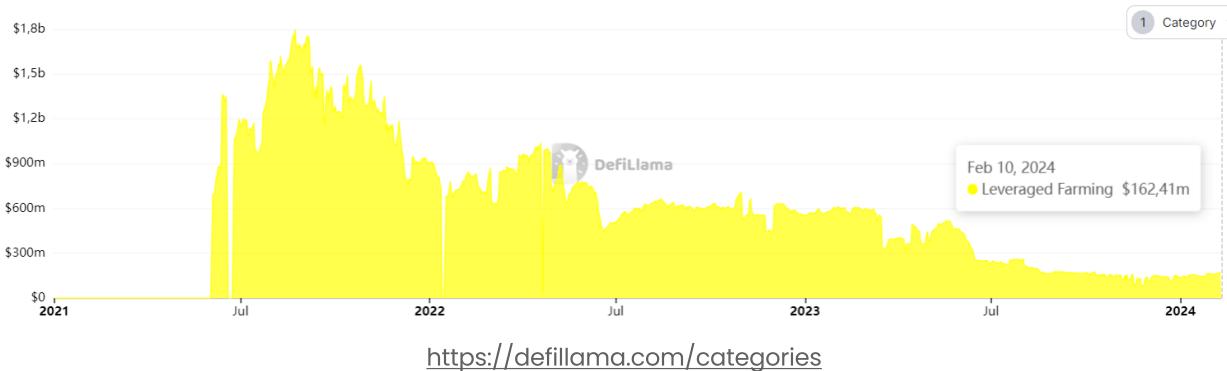


Leveraged Farming

Leveraged yield farming in DeFi has gained popularity among experienced participants seeking to maximize profits. The concept is straightforward: if traditional yield farming yields X returns, leveraged yield farming multiplies returns 2X, 3X, 5X times by using borrowed funds to amplify the position. This capital-efficient strategy allows users to borrow more than their collateral, overcoming the capital efficiency limitations often seen in traditional lending platforms. Unlike overcollateralized lending, leveraged yield farming permits undercollateralized loans, resulting in significantly higher annual percentage yields (APYs) for farmers and lenders.

Leveraged farming involves lenders depositing tokens into lending pools and farmers borrowing these tokens to farm with leverage. The unique undercollateralized model ensures higher utilization rates. Lenders benefit from the increased utilization, receiving higher borrowing interest, while farmers capture additional yields by borrowing tokens to enhance their farming positions. Leveraged yield farming, characterized by capital efficiency, appeals to a diverse user base, offering a wide range of strategies. As one of the most profitable segments within DeFi, leveraged yield farming is poised to continue growing as a fundamental building block in the decentralized finance ecosystem. However,

higher returns are associated with higher risk. Leverage works both ways, and poor position control or insufficient collateral can result in liquidation. To avoid such events, users must monitor their exposure, keep an eye on the collateral, or farm less volatile assets. The leveraged farming market developed quickly, and its TVL peaked in Q3 2021, like the entire crypto market. The chart below presents the decline of leveraged farming. However, the next bull cycle might revive this DeFi category once new users enter crypto.



[**Alpaca Finance**](#) stands as the leading lending protocol facilitating leveraged farming. Catering to both lenders seeking secure yields and borrowers in pursuit of undercollateralized loans for amplified yield farming, Alpaca serves as a crucial building block in the DeFi ecosystem. Alpaca enhances the liquidity layer of integrated exchanges, boosts capital efficiency, and connects LP borrowers with lenders. Alpaca Finance products align with users' financial goals, promising higher yields on less capital while providing a user-friendly experience.

Alpaca Finance provides lending, leveraged farming, automated vaults, and a perpetual futures exchange. Participation in leveraged yield farming is open to users through three distinct roles. In the lender role, users can securely deposit their base assets into lending vaults, earning stable returns. Yield farmers borrow base assets from the lending vaults, allowing them to open leveraged farming positions and potentially multiply their farming annual percentage rate by up to 6x, accounting for borrowing interest. However, it is crucial to recognize that this strategy, while offering higher yields, comes with increased risks, including liquidation and impermanent loss. Furthermore, liquidators, automated bots only, play a vital role in monitoring leveraged farming positions, especially when Safety Buffers approach zero, indicating elevated default risks. Their responsibility involves liquidating positions to mitigate potential losses.

Automated strategies optimize yields for users. The platform simplifies the process with flexible deposit options, allowing users to deposit assets without manual conversions. It automatically stakes LP tokens and ensures continuous auto-compounding by converting DEX rewards into LP tokens, maximizing APY. A bot executes periodic reinvestment, enhancing user rewards. Participating in leveraged yield farming on Alpaca Finance entails risks such as potential price impact when entering or exiting a position, impermanent loss from asset rebalancing, the risk of negative APY when borrowing interest rates exceed farming gains, and the possibility of liquidation if the borrowed asset's price appreciates against the farming token pair. Moreover, there are smart contract risks, although Alpaca Finance mitigates them through third-party audits, a bug bounty program, and careful screening of integrated platforms for security.

DeltaPrime disrupts the lending and borrowing landscape with its trustless, undercollateralized borrowing architecture across Arbitrum and Avalanche. It empowers users with a minimum collateral ratio of 20%, allowing them to invest, and actively manage, leveraged positions across a range of DeFi protocols. The protocol's ingenuity lies in its distinctive architecture, utilizing escrow smart contracts and Pull-based RedStone Oracles, allowing independent liquidation of funds across diverse DeFi platforms. Funds deposited into DeltaPrime are utilized to provide liquidity and farm on platforms such as GMX, Trader Joe, Pangolin, SushiSwap, Beefy, and more. The operational brilliance of DeltaPrime lies in its modular architecture and composability.

Gearbox Protocol pioneers composable leverage, providing a decentralized avenue for margin trading on Uniswap, leverage farming on Curve, and liquid staking on Lido. Being the first to bring the Prime Brokerage solution on-chain, Gearbox allows users to harness 10X more capital across DeFi, the highest spot-leverage available on-chain. With Credit Account abstraction, the protocol accommodates both lenders seeking passive yields with minimal risk and leverage users crafting versatile spot leverage positions, spanning activities from margin trading to farming and beyond.

Beyond traditional pools, Gearbox presents a network of plug-and-play smart contracts adaptable to diverse use cases and risk profiles. The protocol's leverage is not confined to derivative positions but leverages assets on external protocols, eliminating the need for funding rates. This Leverage-as-a-Service model extends permissionless opportunities to other protocols, allowing them to integrate Gearbox seamlessly, enhance their offerings, and participate in Gauge Wars. Gearbox's unique multicall features simplify complex strategies, offering users a customizable and powerful leveraging experience. The protocol strives to be inclusive, catering to passive lenders seeking yield and active borrowers looking to amplify their positions, all while ensuring open-source integration with various protocols and mitigating risks through segmentation and personalized mechanisms. Gearbox Protocol reshapes how users interact with and benefit from decentralized leverage. However, as with any leverage, users must watch out for health factors and prepare positions properly to avoid liquidations.

Extra Finance introduces a revolutionary approach to DeFi with its leveraged yield farming protocol, built on Optimism. By offering up to 7x leverage, the protocol empowers users to customize farming strategies across various pools while functioning as a lending platform for those seeking passive income. The protocol's innovative features include flexible leveraged liquidity provision, lending to earn passive income, and optimized leveraged yield farming for stablecoins and LST assets.

Users on Extra Finance can seamlessly execute tailored farming strategies or earn lending interest by depositing assets into lending pools. Leveraged farming is a central service that enables users to amplify returns by borrowing additional funds and strategically investing in liquidity pools. The protocol's key benefits include increased APR for liquidity providers, diverse strategy implementation through borrowing different assets, and low-risk yield amplification for stablecoins and LSTs. However, users must be mindful of risks, such as impermanent loss and potential liquidation, underscoring the importance of monitoring debt ratios for a secure leveraging experience. In addition to leveraged farming, Extra Finance offers lending. It involves depositing assets to the lending pool, which are then borrowed by leveraged yield farmers.

[Stella](#) emerges as a groundbreaking leveraged strategies protocol with a distinctive advantage, a 0% cost to borrow. Borrowers can leverage supported DeFi strategies without incurring any borrowing costs, while lenders stand to earn interest, shared by borrowers in the form of lending APY. The unique Pay-As-You-Earn (PAYE) model forms the backbone of Stella, ensuring that the interests of both borrowers and lenders are aligned, fostering an environment of fair and genuine DeFi yields. Stella aims to position itself as the premier destination for those seeking maximum yield potential, supporting on-chain strategies at zero borrowing costs, a strategic move poised to address the evolving landscape of the DeFi market.

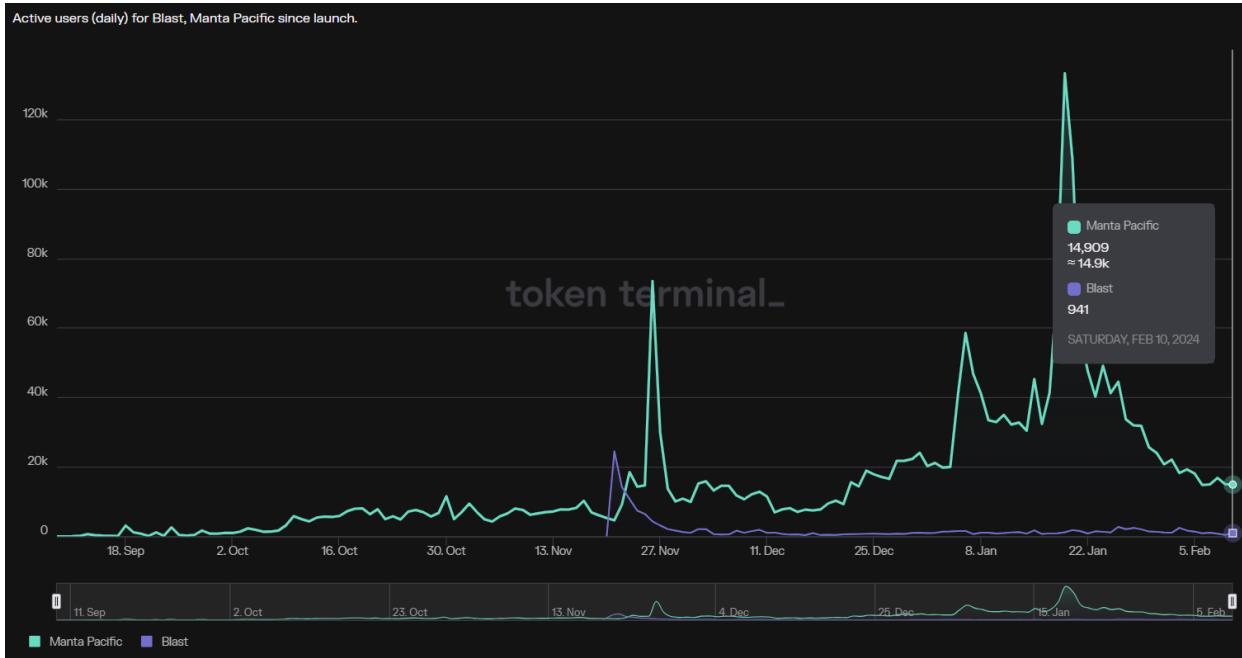
In a departure from conventional Interest Rate Models (IRM), Stella introduces the PAYE Graph, a dynamic curve determining the proportion of generated yields allocated to lenders. This innovative approach sets a new standard for DeFi. As a leveraged strategies protocol utilizing the PAYE Model, Stella offers borrowers a diverse range of leveraged strategies across various DeFi protocols. The PAYE model's key principle ensures that borrowers share their earned yield when closing a position, eliminating the need for borrowing interest. In simple terms, it means that with no accrued and realized gains, there is no borrowing fee. Lenders, in turn, can participate by lending assets to Stella's pools, earning returns shared by borrowers, with no upper limit on lending APY. Leveraged strategies are supported by well-known DeFi protocols, including Uniswap V3, Trader Joe V2, Camelot V3, and Penpie. Stella places a strong emphasis on risk management. Despite this, users should be aware of potential risks, including vulnerabilities in underlying smart contracts, potential impact on lenders in case of issues, and differentiation between higher-risk (Hyper) and conservative (Standard) lending pools. Additionally, any losses incurred due to bad debt are shared collectively among all lenders in the pool, reinforcing the concept of loss socialization.

[Archi Finance](#) is a composable leveraged yield farming protocol, catering to both passive liquidity providers and adventurous degen farmers. Passive providers contribute single-asset liquidity to earn low-risk APY, similar to participating in lending platforms like Compound. Degen farmers, on the other hand, seek higher returns by borrowing assets from the protocol at multiples of their collateral, allowing up to 10x leverage in Archi's integrated platform, GMX.

As a passive liquidity provider, users supply assets to Archi, earning APY while enabling degen farmers to borrow for leverage. Risks involve liquidation concerns, a common consideration in the broader DeFi space. Archi Finance mitigates these risks by implementing a liquidation bot, enhancing user confidence. Degen farmers benefit from up to 10x leverage, employing a delta-hedged strategy to safeguard collateral assets against market volatility. The platform introduces a novel approach to leverage farming with a focus on risk management and innovative yield generation.

Chains With Built-In Yield: Blast & Manta

A new class of earn products emerged with an embedded yield generation. Two leading projects include Blast and New Paradigm by Manta. Bridging to those Layer 2s brings all sorts of additional incentives. They crank up yield farming to a whole new level, integrating various interest-bearing mechanisms into the protocols. Blast and Manta provide two or more yield sources for ETH and stablecoins, scooping up users from other Ethereum scaling solutions that do not offer native yield.



<https://tokenterminal.com/terminal/metrics/user-dau>

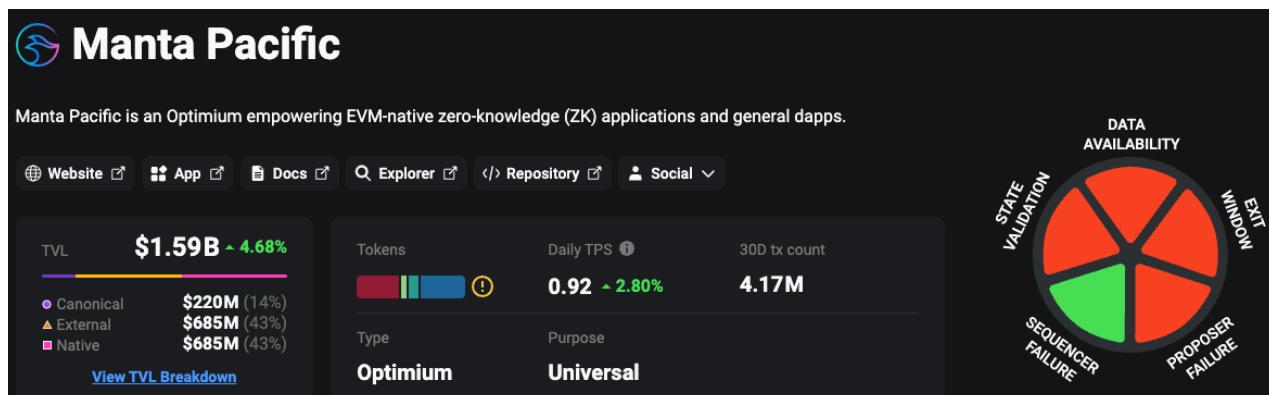
Blast is a unique Ethereum Layer 2 solution that offers native yield for ETH and stablecoins, providing users with automatic returns from ETH staking, real world assets, and on-chain T-Bill protocols, unlike other L2s with a default interest rate of 0%. Blast's innovative approach involves auto-rebasing ETH and USDB (its native stablecoin) balances, allowing users to transact in ETH and build dapps around ETH. Additionally, Blast incorporates L1 staking rewards into its ecosystem, automatically transferring them to users. Moreover, Blast shares gas revenue with developers, enabling them to keep the revenue or subsidize gas fees for users. This approach aims to raise the baseline yield for users and developers while maintaining compatibility with the Ethereum Virtual Machine and facilitating experience for crypto users. With Blast, users can bridge stablecoins to receive USDB, which is auto-rebasing and redeemable for USDC when bridging back to Ethereum.

Overall, Blast's introduction signifies a shift towards higher yields and new business models for DeFi, addressing the need for interest generation on existing scaling solution networks. Blast conducts the community airdrop for early members and developers, incentivizing the initial network launch. The strategy bore fruits, attracting almost 130k users and growing the TVL to around \$1.5B. In addition to astonishing numbers, the timeframe in which Blast gained its position is impressive.

Manta Network is a multifaceted ecosystem designed for zero-knowledge applications, comprising two networks: Manta Pacific (Layer 2) and Manta Atlantic (Layer 1). Manta Pacific stands out as an Ethereum scaling solution, building an ecosystem specifically tailored for EVM-native ZK dapps, providing an environment conducive to scalable and cost-effective protocol deployment. It leverages Celestia for data availability and the zkEVM for scalability, offering high scalability and low transaction fees. Additionally, it streamlines development, facilitating ZK features integration zero-knowledge into existing Solidity smart contracts. RedStone provides reliable data feeds for dApps on Manta Pacific, offering gas-optimized solutions and unique price feeds to enhance scalability and flexibility.

Manta Pacific introduces composability for yield-bearing tokens, enhancing efficiency and rewards for users. Manta Pacific launched the New Paradigm, revolutionizing native yield for ETH and stablecoins. It has five earning sources within the Manta Ecosystem, enabling interaction with over 150+ projects, including fixed yield on ETH and stablecoins, incentives like Box Pieces/NFTs, liquid tokens, and additional returns through DeFi. It also offers incentives from Manta Pacific ecosystem projects and restaking stETH. Users can immediately utilize tokens on the Manta Pacific network in several protocols and dapps. Strong partners like StakeStone and Mountain Protocol facilitate incentives, with StakeStone offering STONE (Stone Ether) for ETH deposits and Mountain Protocol providing wUSDM for USDC deposits, yielding from staking and US Treasury Bills, respectively.

New Paradigm represents an evolution beyond Blast, offering enhanced speed and a wider array of opportunities for users. While Blast provides two sources of earning and yield, New Paradigm introduces five. Overall, New Paradigm expands upon Blast's foundation, offering greater flexibility, earning potential, and immediate access to a thriving ecosystem of projects. The campaign attracted hundreds of thousands of users through native yield generation and an airdrop. MANTA token launch and DeFi integrations took Manta Pacific to third place among Layer 2s regarding the total value locked. Both projects have many active users, although Blast numbers are a little bit squashed by Manta. However, Manta has already launched, and Blast is in preparation. Keep an eye out for a similar spike in daily active users for Blast.



Manta Pacific was one of the fastest growing L2s by TVL in Q4 2023 and Q1 2024 (L2Beat)

5 Where Should I Earn On My Assets?

The mentioned earn product categories can be referred to as the second layer, but not in blockchain architecture. They represent the next level in DeFi Lego. As you have probably noticed, several included protocols utilize other decentralized and permissionless projects to generate yield. This second layer draws from the fundamental protocols, which constitute such categories as lending and DEXes. A few of the described projects incorporate DeFi heavy-weights like Aave, Maker, Uniswap, Curve, and Morpho in their interest-bearing strategies. The table below presents a comprehensive overview of DeFi earn products and demonstrates achievable rewards and leverage. Keep in mind that rewards and leverage are constantly changing due to the market conditions, supply and demand, and number of users.

Where should I earn on my assets?				
Category	Protocol	Max Reward*	Max Leverage	Year of first mainnet launch
Services	Summer.fi	11.7%	463x	2021
	Instadapp	7.3%	-	2020
	DeFi & ETH Saver	30%	18x	2019
	CIAN	15%	2.5x	2022
Yield	Convex Finance	76.2%	-	2021
	Pendle	32%	-	2021
	Amphor Protocol	22.8%	-	2023
Yield Aggregators	Yearn Finance	570%	-	2020
	Beefy	606%	-	2021
	Sommelier	84%	-	2021
Indexes	Enzyme Finance	Variable	-	2019
	Index Coop	4.3%**	-	2021
	Reserve Protocol	7.9%	-	2022
	dHEDGE	183%	3x	2021
Leveraged Farming	Alpaca Finance	40.9%	4.5x	2021
	DeltaPrime	20.8%	5x	2022
	Gearbox Protocol	11%	10x	2022
	Extra Finance	735%	7x	2023
	Stella	157%	10x	2022
	Archi Finance	7.2%	10x	2023

* Provided rewards refer to APY and unleveraged products as of February 2024

** Rewards for Yield Generating products

6 Oracles: What Part Do They Play In Earn Products?

Blockchain oracles are responsible for delivering accurate and robust data feeds to dApps and smart contracts. Various implementations differ in capabilities, risks, availability, and other verticals. Over the years two most popularized Oracle models have ironed out:

- 1. Push Oracle** - data feeds are pushed on the destination chain. The update happens usually upon one of the two conditions: Specified time interval i.e. 24 hours or Deviation threshold i.e. if the price off-chain deviated by at least 0.5% from the last on-chain update. The Push model has been popularized by Chainlink and is widely used across Lending, CDP, Yield, and other protocol types. Advantages include simplicity of integration by dApps and regular on-chain storage. However, that model is not scalable, since an Oracle has to push the same data to many chains and each update costs gas.
- 2. Pull Oracle** - data feeds are delivered upon user interaction with a dApp. It means that data is served on-demand, only when a transaction for a dApp is triggered. There are two distinct implementations of the Pull model.
 - a. Bridge dependent:** The on-chain update is done by the user via a bridge. Such implementation is usually easier to scale across different VMs. However, it adds reliance on the bridge (if a bridge is down, oracle stops reporting price feeds) and additional gas overhead (verification of bridge signatures).
 - b. Atomic transaction:** The on-chain update is done by attaching a signed price feed to the user transaction. This solution requires tailored implementations across various VMs. On the flip side, such an approach allows for gas optimization and native support for supported VMs, i.e. supporting all EVM chains.

Earn Products x Oracles Case Studies: Enzyme, Sommelier, Gearbox, Staple

Many Earn protocols utilize Oracle as the backbone of the market price feed delivery system. In that section, we investigate four various Oracle implementations. Firstly, let us look into Push Oracle use cases.

Enzyme, the on-chain asset management system, reads the on-chain Oracle data to price assets that are used in its Vaults. For example, the Super swETH vault allows users to deposit stETH from Lido, which is then unstaked and swapped into swETH from Swell to earn boosted yield. Oracle price feed from Chainlink and RedStone on the mentioned assets is used to calculate the accurate value of assets under management and repay the proper amount in case of user redemption.

Sommelier, the decentralized asset management protocol built on the Cosmos SDK, with a bridge EVM, has a very similar flow. For example, Turbo ETHx vault allows users to deposit WETH or ETHx from Stader, which then dynamically rebalances between ETHx LP opportunities and ETHx leverage staking on platforms like Uniswap V3, Curve, Morpho Blue, Convex. Here too, oracle price feed from Chainlink and RedStone on the mentioned

assets is used to calculate the accurate value of assets under management and repay the proper amount in case of user redemption.

The screenshot shows the Enzyme Super swETH vault dashboard. At the top, it displays the vault's name, "Super swETH", and a subtext: "Deposit stETH to diversify Ethereum and earn supercharged rewards". Below this are two buttons: "Long only" and "Passive (ETFs and Indices)". The main navigation bar includes links for Overview, Portfolio, Financials, Fees, Policies, Depositors, Activity, and My Deposit. The Overview section features four key metrics: Assets Under Management (\$15,413,520.69), Depositors (683), Average Monthly Return (+30.66%), and Denomination Asset (stETH). The Vault Details section provides detailed information about the vault's chain (Ethereum), vault type (Yield), strategy provider (Seven Seas), protocols (Uniswap V3, Curve, Convex, Balancer, Morpho Blue), fees (Platform Fee: 1.00%, Performance Fee: 20.00%, Exit Fees: 0.00%), and strategy assets. A link to the contract address for Turbo ETHx is also present.

Enzyme's Super swETH vault & Sommelier's [Turbo ETHx vault](#)

The use cases of Pull Oracles usually differ from the Push model. For example, we can observe a purely Pull Oracle flow at Staple DEX that has been developed by the CIAN team. Staple is an interesting spot DEX that tackles the top 3 issues in the spot DEX field that the team identified to be its largest limiting factors in challenging CEXs:

1. AMM price discovery mechanism is costly, incurring unnecessary impermanent loss
2. Limited stablecoin liquidity for volatile tokens, liquidity is provided primarily in ETH
3. Token and liquidity are fragmented across numerous L1s and L2s.

Through solving the above issues and abstracting complex on-chain and cross-chain operations, the team aims to provide CEX-level user experience, liquidity depth, and token accessibility in a DEX. Staple features a couple of interesting innovations that significantly increase the capital efficiency of LPs and liquidity builders (up to 10x):

- The novel pricing mechanism that performs the price without impermanent loss using Redstone Core (Pull) Oracle supplemented by a curve designed for both price adjustments and re-balancing,
- The 2-layer LP architecture that consists of single token liquidity pool and virtual asymmetric trading pair,
- The liquidity hyper-allocation mechanism that allows the physical liquidity to be time-shared across multiple virtual trading pairs for a 3x -4x capital efficiency increase.
- The main DEX and satellite DEX architecture that achieves cross-chain liquidity unification and seamless native token trading

The team focuses initially on the booming LST and LRT trading, especially between stablecoins and these assets. Staple V1 beta is expected to be launched on the Ethereum mainnet in February 2024.

Interestingly, some protocols started with the Push Oracle and with time decided to enhance its capabilities with the Pull model, as a result utilizing a hybrid approach. Gearbox V3 is a good example of such an approach. The platform utilizes Chainlink's Push Oracle for a few most popular assets that are available on Ethereum. To keep a competitive edge and add trending and higher-return assets to the protocol the team decided to expand with the RedStone Core model, which can be utilized for LRTs, LSTs, and long-tail assets.

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What Can We Expect Next in The Earn Products Space?

Decentralized finance is growing fast, and developers deliver new solutions regularly. Therefore, it would be better to ask what we can not expect in terms of new earn products in DeFi. There is a space for experiments and innovative protocols, as well as institutional-grade projects.

First and foremost, the analysis of TVL growth for the mentioned categories suggests that DeFi applications providing comprehensive yield solutions appeal to users. Protocols offering diversified reward opportunities with simple UI will attract many users, especially newcomers, facilitating the DeFi onboarding process. Such dapps will still utilize lending, staking, and DEX protocols to deliver the most competitive returns. DeFi protocols are likely to continue integrating to provide users with more complex and seamless solutions. User experience is a critical factor for the mass adoption of DeFi. Projects will likely focus on improving the user interface, reducing complexity, and enhancing accessibility to attract a broader audience. This trend moves toward a versatile mega-app or several, that will crank up mind-blowing user numbers. Combining it with Layer 2 networks and decreased transaction fees will result in DeFi renaissance.

One of the main narratives in the following months will revolve around restaking. It is a burgeoning concept in DeFi that focuses on enhancing capital efficiency by allowing users to stake the same tokens across various protocols and the main blockchain concurrently. This strategy enables users to secure multiple networks simultaneously, presenting an opportunity for additional rewards with a pinch of elevated slashing risks. Node operators who run the infrastructure and hardware already could employ their nodes to conduct extra calculations, not limiting themselves to a single network. Restaking began on Ethereum but could work on other proof-of-stake blockchains, and it is a matter of time before we get such a solution on Cosmos, Solana, or Avalanche.

Users stake tokens on the main blockchain and diverse protocols, enhancing overall network security. While this approach introduces increased slashing risks, restakers are rewarded with higher staking returns for undertaking additional risk. Restaking is a concept pioneered by EigenLayer. It transforms staked assets into flexible resources,

rentable by diverse systems, offering improved rewards for stakers and validators. EigenLayer introduces the idea of an open marketplace that offers pooled security provided by validators and used by actively validated services (AVS). Restaking benefits include bootstrapping security for new protocols and scalable security based on protocol needs. The evolving narrative of restaking prompts various projects to explore effective ways of utilizing restaking resources and participating as restaking resource providers.

The trend started in June 2023 when EigenLayer launched with its phased roadmap. Since then, restaking and liquid restaking have grown massively. It is a young subcategory of DeFi, but it has amassed around \$6.24B in TVL already. On just yield generation level, restaking presents itself as a more sexy alternative to liquid staking and expands the capabilities of LSTs. EigenLayer utilizes stETH, swETH, rETH, OETH, and more.

Another interesting angle in the future is creating native yield on chains dedicated to institutions. For example, blockchains that create a tailored environment for banks like Avalanche Spruce Subnet or Kinto L2 could implement a similar flow of assets as Blast or Manta. As a result, entities that are not comfortable with DeFi on public chains could still have exposure to the yield and Earn products.

8 Risks

Participating in DeFi offers unique advantages but comes with inherent risks that users must consider carefully. Security audits, although crucial, do not eliminate all risks. Users are urged never to invest life savings or assets they cannot afford to lose. Presented earn products are a novelty and some might even say experimental solutions.

- Integrated Protocol Risks - The mentioned platforms integrate with other protocols, and potential breaches in these integrated protocols could lead to fund losses for users.
- Market Risks and Cryptocurrency Volatility - The volatile nature of cryptocurrencies poses risks, as the value of assets within a DeFi platform may vary significantly due to market fluctuations. The broader market conditions, such as bullish, bearish, or volatile trends, can impact the value of underlying assets. Users may face partial or total capital loss. Understanding and managing market risks are crucial when participating in DeFi yield protocols.
- Network Performance - DeFi platforms built on various blockchains may experience limitations and congestion failures during extreme market conditions, impacting user interactions and potentially leading to fund loss.
- Smart Contract Risks - Despite audits, smart contracts may have vulnerabilities, and automation is not guaranteed to work flawlessly. Vulnerabilities in smart contracts, arising from interactions with lending protocols, AMMs, leverage-enabling protocols, and other DeFi components, pose technological risks.

- Liquidation Risk – Challenges in supplying collateral, withdrawing assets during emergencies, and debt position mismanagement can lead to potential liquidations impacting overall yield. Users must monitor the health of their leveraged positions to ensure capital safety.
- Governance Risks – Governance decisions and concentration of voting power pose risks that users should monitor. Governance changes in underlying protocols may impact yield.
- Automation Risks – Automation success is influenced by factors like liquidity, volatility, and gas, and positions must be sufficiently collateralized to avoid liquidations.
- Multiple Protocol Usage Risks – Utilizing multiple protocols increases inherent risks, including smart contract bugs, market volatility, and dependencies. It is a technological leverage that additionally decreases asset security.
- Asset De-Pegging Risk – Pegged assets, like derivatives, may face de-pegging events due to insufficient backing or external influences. De-pegging can lead to significant financial losses. Users should be aware of the risks associated with de-pegging events and how protocols address and mitigate such occurrences.
- Custody Risk – Deposited assets within protocols are subject to custody risks. Protocols use various solutions, such as multi-signature wallets, to secure assets during specific epochs. Users must understand and assess the custody measures implemented by DeFi protocols to mitigate potential risks.
- Impermanent Loss – Changes in token prices within liquidity pools may result in impermanent losses for liquidity providers, reducing the overall yield.

In conclusion, users engaging in DeFi services should perform due diligence, understand the protocols they use, and be aware of the dynamic risks associated with the decentralized nature of these platforms. Additionally, monitoring collateral levels, loan utilization, governance decisions, and staying informed about protocol changes are crucial to managing risks effectively.

9 Conclusions

To sum the report up, DeFi is a rapidly evolving industry, and crypto earn products have emerged as sophisticated solutions, integrating diverse yield-generation mechanisms into comprehensive platforms. This evolution, exemplified by presented protocols, underscores the trend of combining lending, staking, liquidity provision, farming, and more within user-friendly dapps.

It is crucial to acknowledge the presence of centralized finance products, particularly those offered by exchanges and custodial providers. While CeFi solutions provide user-friendly interfaces, they introduce unnecessary intermediaries and relinquish control over private keys, resulting in comparatively lower rewards.

In the DeFi space, earn products facilitate passive income by allowing users to leverage their crypto assets through lending, staking, and other mechanisms. The competition for higher total value locked has driven the development of advanced and interdependent

solutions. However, the report emphasizes the associated risks, ranging from market volatility to smart contract vulnerabilities.

Within the expansive ecosystem of decentralized finance, earn products are dynamically grouped into distinct categories, each representing a unique facet of crypto interest generation. Platforms like Instadapp and Summer.fi in the Services category stand out by seamlessly integrating multiple solutions, encompassing lending, borrowing, staking, and farming within a unified and user-friendly interface. Yield protocols, embodied by Convex Finance and Pendle, focus on crafting advanced mechanisms that bear lucrative yields through strategies like staking and liquidity provision. Yield Aggregators, with notable representatives such as Yearn Finance and Beefy, is characterized by platforms that optimize returns by intelligently managing funds across diverse yield-generating opportunities, offering users enhanced automation. Index-based earn products, exemplified by Enzyme Finance and Indexed Coop, provide investors with a streamlined avenue to access a diversified portfolio of cryptocurrencies, simplifying investment distribution. Lastly, Leveraged Farming introduces a more complex category, appealing to experienced investors seeking to maximize profits through strategies that amplify exposure to yield generation.

As DeFi continues to evolve, these categories will expand, offering users more tailored options for optimizing crypto earnings. However, users must navigate associated risks diligently, considering market volatility, smart contract vulnerabilities, and custody concerns. Risks encompass potential fund losses due to integrated protocol breaches, network limitations during extreme conditions, liquidation risks in leveraged positions, governance uncertainties, automation challenges, asset de-pegging events, and impermanent losses in liquidity pools. Effective risk management involves due diligence, understanding protocol intricacies, and staying informed about dynamic risks associated with the decentralized nature of DeFi platforms. Monitoring collateral levels, loan utilization, governance decisions, and protocol changes are essential for users engaging in DeFi services.

In summary, the DeFi ecosystem is witnessing a shift towards comprehensive solutions that cater to diverse investment preferences. Users can explore various earn products, each offering unique features within the decentralized financial landscape. As the space continues to mature, the emergence of mega-apps and further innovations is anticipated, providing users with unprecedented opportunities to engage in decentralized finance comprehensively.

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About Authors

RedStone is a modular oracle delivering diverse, high-frequency data feeds to all EVM Layer1, Layer2, Rollup-as-a-Service networks, and beyond, i.e., Starknet, Fuel Network, or TON. By responding to market trends and developer needs, RedStone can support assets not available elsewhere. The modular design allows for data consumption models adjusted to specific use cases, i.e., capital-efficient LSTfi. RedStone raised almost \$8M from Lemniscap, Blockchain Capital, Maven11, Coinbase Ventures, Stani Kulechov, Sandeep Nailwal, Alex Gluchovski, Emin Gun Sirer, and other top VCs & Angels.

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