The State of Crypto

Xtrackers by DWS × galaxy

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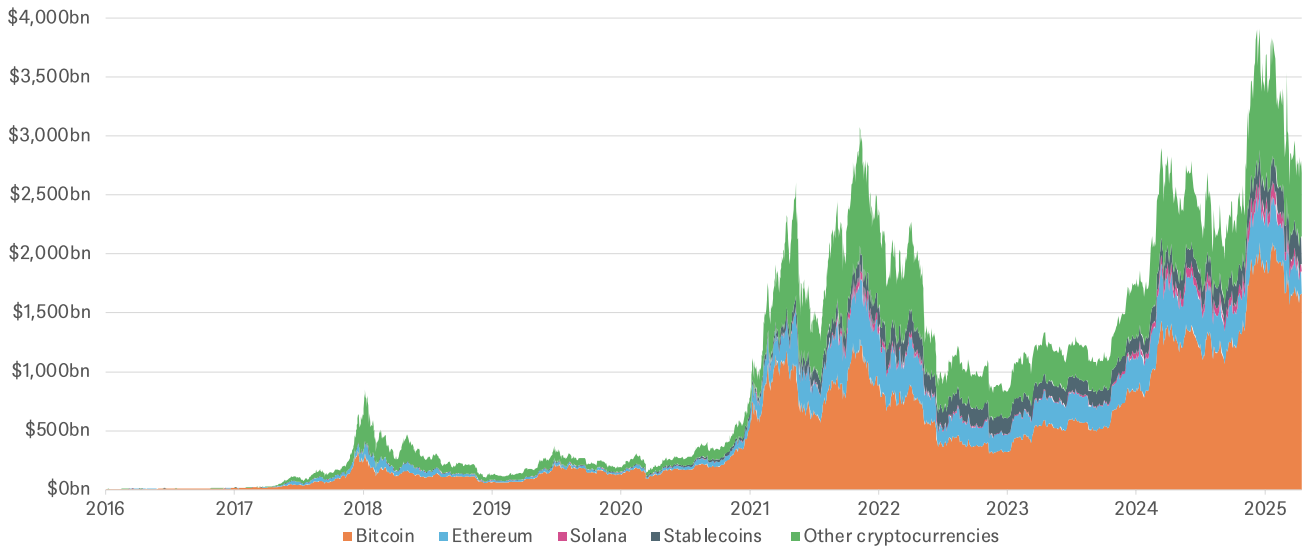
Crypto Market Overview

Over the past 16 years, the cryptocurrency industry has evolved significantly. Initially intended to operate independently of the traditional financial system, early adoption was driven primarily by cryptography enthusiasts, tech experts and cypherpunks. During the last few years, the institutionalization of cryptocurrencies has accelerated, leading to a deeper integration with traditional finance. The utility of cryptocurrencies has expanded beyond their early niche, with large institutions including banks, custodians, asset managers, institutional investors, and exchanges increasingly incorporating cryptocurrencies into their product and service offerings and portfolio allocations. Since Bitcoin's launch in 2009, the industry's total market capitalization has grown considerably, peaking in December 2024 at USD 3.9tn.[1]

Cryptocurrency market capitalization in bn USD



Source: CoinGecko, as of April 17, 2025. **Past performance is not a reliable indicator of future results.**

Though there are thousands of cryptocurrencies in existence, the market remains concentrated on a handful of protocols, namely Bitcoin, Ethereum, XRP, Binance and Solana. The multitude of cryptocurrencies can be grouped into different categories though no industry-wide categorization framework has emerged yet. Some cryptocurrencies fit into more than one category, for example, Binance Coin (BNB) is both an exchange-based coin and an infrastructure coin.

[1] Source: CoinGecko, as of April 29, 2025

Main categories	Description	Market share as of 29/04/2025	Prominent examples
Value transfer and store of value coins	Value transfer and store of value coins primarily serve to facilitate the transfer of value through on-chain payments or to function as a digital store of value. Value transfer coins aim to enable fast and scalable payments, including cross-border transactions. Bitcoin is the most prominent example for a store of value coin with its digital scarcity underpinning its utility.	~66.1%	BTC, XRP
Infrastructure coins	Infrastructure coins are the native cryptocurrencies of programmable blockchains on which decentralized applications are built. Through smart contracts, developers can build diverse applications and launch tokens, such as stablecoins, decentralized finance protocols and memecoins. Ethereum is the oldest and most well-known infrastructure blockchain. Launched in 2015, it considerably expanded blockchain utility beyond value transfer and store of value.	~12.3%	ETH, SOL
Exchange-based coins	Exchange-based coins are issued by centralized or decentralized exchanges. Some centralized exchanges offer discounts to users for using their exchange-based coin to facilitate trading on their platforms. Binance Coin BNB is the largest centralized exchange-based coin. Decentralized exchanges issue exchange-based coins to facilitate governance for their decentral protocols. An example is Uniswap's native coin UNI that entitles UNI investors to propose and vote on Uniswap protocol changes. UNI also functions as a DeFi coin.	~4.1%	BNB
Decentralized finance (DeFi) coins	DeFi coins power blockchain-based financial services that aim to replace traditional intermediaries with automated smart contracts. DeFi Total Value Locked (TVL), the value of assets committed to DeFi protocols, currently stands at USD 101bn. DeFi gained prominence in the DeFi summer between 2021 and 2022, and usage has recently resurged. Most DeFi applications are built on infrastructure blockchains, with Ethereum (51% market share), Solana (8%), and Binance Smart Chain (6%) leading the way.[2]	~3.1%	UNI, AAVE
Memecoins	Memecoins are frequently inspired by internet memes or trends, and may be associated with characters or visuals. Memecoins generally lack fundamental utility and are often particularly volatile. A prominent example is Dogecoin, the perhaps original memecoin, which was launched in 2013 as a satire of Bitcoin using a viral Shiba Inu image.	~1.9%	DOGE, SHIB
Stablecoins*	Stablecoins are pegged 1:1 to underlying assets, typically fiat currencies like the U.S. dollar. The largest stablecoins are USDT (Tether) and USDC (Circle), with market shares of 62% and 26%, respectively.[3] Originally developed to facilitate crypto trading and DeFi activities, stablecoins are now increasingly used for traditional finance use cases, particularly for savings and payments in emerging markets. Regulatory frameworks are evolving: The EU's MiCAR regulation, fully applicable since the beginning of 2025, already includes stablecoin provisions, while U.S. regulation is still in development.	~7.9%	USDT, USDC

Sources: "Value transfer and store of value coins" and "infrastructure coins" market shares estimated based on the market share of the top 20 coins with data from CoinGecko as of April 29, 2025 (representing >90% of total cryptocurrency market capitalization). "Stablecoins", "Exchange-based coins", "DeFi coins" and "Memecoins" market share data from CoinGecko as of April 29, 2025. Note: Category market shares do not add up to 100% and some cryptocurrencies may overlap across multiple categories. *Stablecoins are a form of tokenized money and are thus a distinct category of digital assets, that differ in their set up and value proposition from the other categories highlighted in the table.

Beyond categorization, it is important to highlight the global adoption trends of cryptocurrencies. North America and Western Europe are estimated to host the largest regional crypto markets, each assumed to account for more than 20% of global cryptocurrency transaction volume. While absolute cryptocurrency adoption is much lower in developing countries, their relative adoption weighted by GDP per capita on a purchasing power parity adjusted basis (PPP) is relatively high: 11 of the top 20 countries with the highest Chainalysis crypto adoption index are emerging and frontier markets.[4]

[2] Source: DefiLlama, as of April 27, 2025
[3] Source: DefiLlama, as of April 27, 2025
[4] Source: Chainalysis, 2024. MSCI emerging and frontier market classification as of April 2025. India, Indonesia, the Philippines, Turkey, Brazil, Mexico, Thailand, South Korea and China are classified as emerging markets, while Vietnam and Pakistan are classified as frontier markets.

Blockchain Revenue

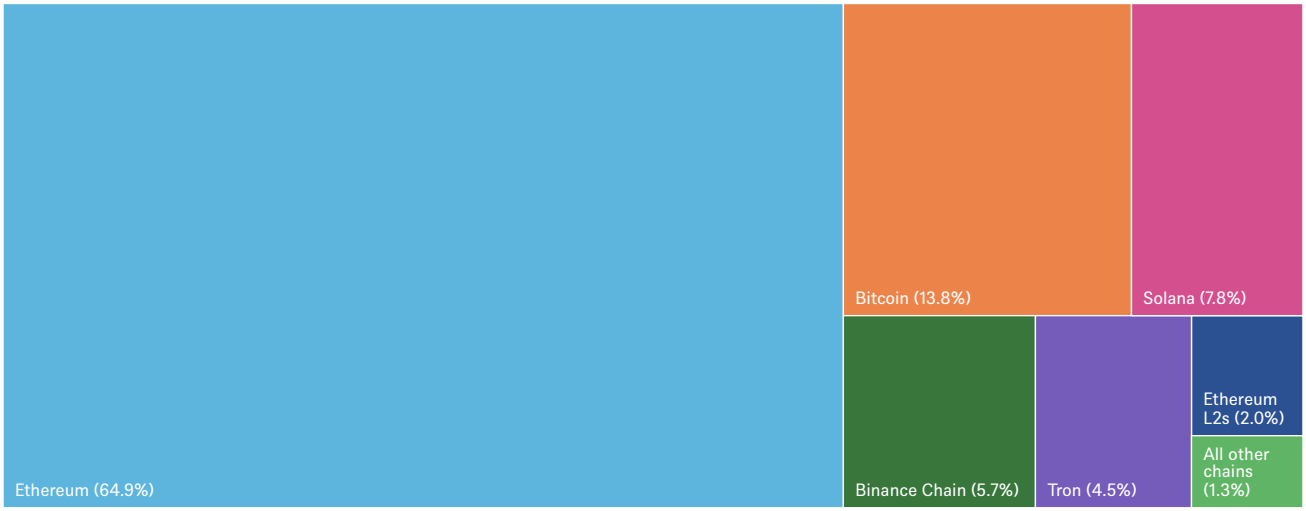
Blockchain revenue is a powerful indicator to evaluate a cryptocurrency network. Blockchains charge users a fee for each transaction. These transaction fees are essential for maintaining the functionality and security of the blockchain: They incentivize miners or validators to process valid transactions and prevent network spamming by imposing a cost on network usage. In many networks, users can also include priority fees (tips), i.e., additional payments to expedite the processing of their transactions. Fee mechanisms differ by blockchains, but fees are generally determined by transaction size and the current level of network congestion.

Aggregated fees retained by the blockchain represent its revenue. Analyzing blockchain revenue offers valuable insight into blockchain usage as fees measure actual user spending and are thus an indicator of a protocol's utility. High total fees may suggest high usage of the services a blockchain provides.

Up to April 2025, blockchains have collectively generated USD 31.1bn in revenue. Ethereum alone accounts for 65% of all cumulative fee revenues. Ethereum's revenues peaked during the DeFi summer between 2021 and 2022, which saw both high DeFi transaction volumes and high average fees, with users paying even more than USD 50 in transaction fees in November 2021.[5] Today, Ethereum generates revenue from a variety of sources, including DeFi activities, stablecoin- and NFT transactions, as well as emerging use cases such as tokenization.

Ranking second in cumulative revenue is Bitcoin, with a total revenue share of 14%. Bitcoin used to be the dominant fee generating blockchain in the early years, but its fee share has declined over time as the Bitcoin blockchain is not designed to be a smart-contract based protocol with high on-chain activity. In contrast, blockchains like Ethereum, Solana and Tron entail more on-chain activity.

Total blockchain revenue

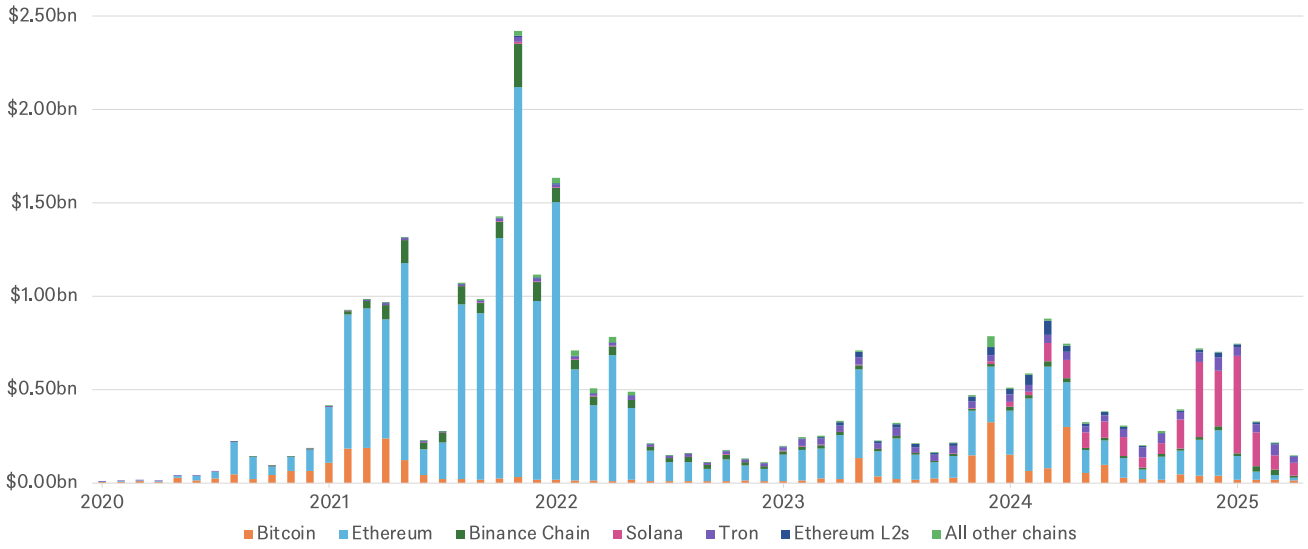


Sources: Galaxy Research, Dune, from July 26, 2010 to April 28, 2025. **Past performance is not a reliable indicator of future results.**
Ethereum L2s include Base, Arbitrum, OP Mainnet, Linea, Scroll, zkEVM, zkSync, Celo, Blast, Zora, and Mantle.
All other chains include Avalanche, Polygon, Fantom, Gnosis, Ronin, and Sei.

[5] Source: The Block, as of April 29, 2025

Recent blockchain revenue numbers show two interesting developments. First, in 2024 and 2025, Solana rapidly emerged as a top revenue-generating blockchain, driven by a surge in decentralized trading activity and memecoin speculation. Second, Ethereum layer 2s are gaining more prominence. Ethereum layer 2s, such as Base, are claiming a larger share of revenue and overtaking other layer 1s, highlighting the growing importance of scaling solutions. Although transaction fees on Ethereum layer 2s are considerably lower than on Ethereum mainnet, they successfully offset lower fees with higher transaction volumes, and thus capture economic value. The Ethereum section below discusses this interesting development further.

Monthly revenue by blockchain



Source: Galaxy Research, Dune, from January 1, 2020 to April 28, 2025. **Past performance is not a reliable indicator of future results.**
Ethereum L2s include Base, Arbitrum, OP Mainnet, Linea, Scroll, zkEVM, zkSync, Celo, Blast, Zora, and Mantle.
All other chains include Avalanche, Polygon, Fantom, Gnosis, Ronin, and Sei.

Core Cryptocurrencies: The State of Bitcoin and Ethereum

Bitcoin | BTC

What is Bitcoin?

Launched in 2009 by an anonymous entity known as Satoshi Nakamoto, Bitcoin is the oldest blockchain network. Bitcoin was originally conceptualized as a decentralized, peer-to-peer digital payment network and is today increasingly regarded as a digital store of value due to its inherent properties of scarcity and decentralization. Bitcoin (capital "B") refers to the network, while bitcoin (lowercase "b", also referred to as BTC) is the native cryptocurrency of the Bitcoin network.

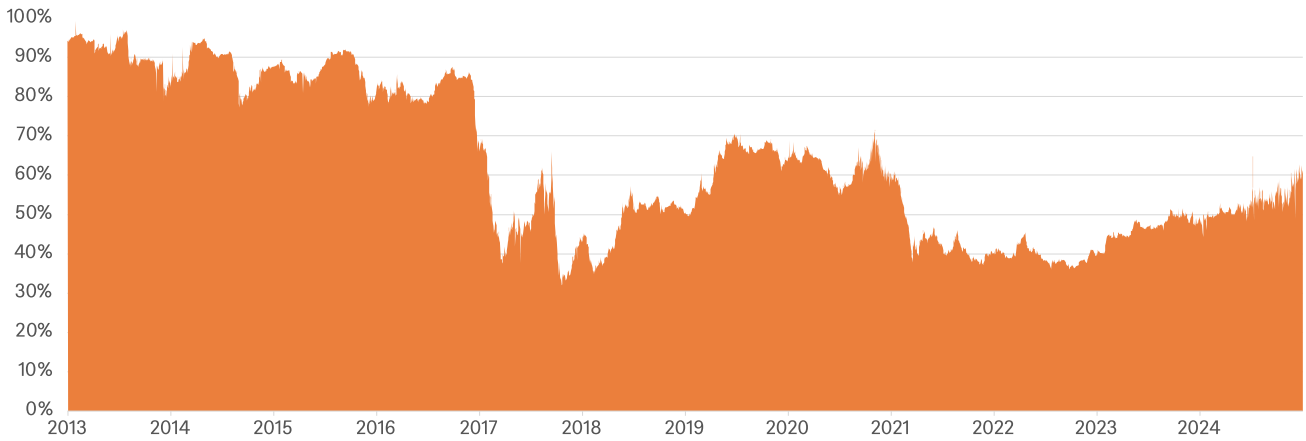
Key Information

- **Ticker:** BTC (general), XBT (Bloomberg)
- **Cryptocurrency category:** Value transfer and store of value coin
- **Consensus mechanism:** Proof of Work (PoW)
- **Circulating supply:** 19.85 million BTC[6]
- **Maximum supply:** 21 million BTC
- **Annualized inflation rate:** 0.84%[7]
- **Market capitalization:** USD 1,865.3 billion[8]
- **Dominance:** 63.6%[9]
- **Inventor(s):** Satoshi Nakamoto (anonymous)
- **Whitepaper published:** October 31, 2008
- **Launch date:** January 3, 2009
- **Block time:** Approximately 10 minutes
- **Average transaction fees (30-day average):** USD 1.24[10]

The State of Bitcoin

In 2025, BTC has continued to assert its dominance in the crypto ecosystem, reaching a market share of 63.6%, a level not seen since January 2021, remaining the most valuable cryptocurrency by market capitalization.

BTC market share



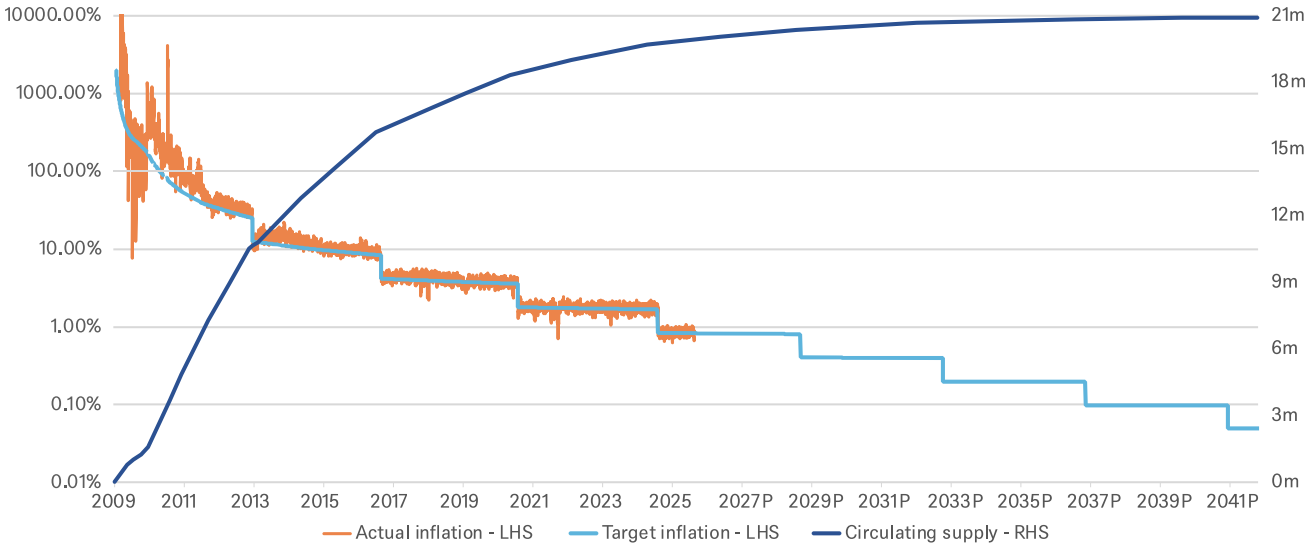
Source: CoinGecko, as of April 25, 2025. **Past performance is not a reliable indicator of future results.**

[6] Source: Coinmarketcap, as of April 23, 2025
[7] Source: Glassnode, as of April 28, 2025
[8] Source: Coinmarketcap, as of April 23, 2025
[9] Source: Coinmarketcap, as of April 23, 2025
[10] Source: Glassnode, as of April 28, 2025

Since its creation, BTC has gone through several phases of narrative evolution. BTC has increasingly been viewed as a store of value asset. Its evolving market perception is largely driven by the growing presence of institutional capital recognizing the scarcity embedded in its tokenomics design.

Bitcoin's supply – both its issuance schedule and ultimate total supply cap – is predetermined by its protocol. Specifically, new BTC is created when miners append a new block to the Bitcoin blockchain. Miners are rewarded with newly minted BTC as well as transaction fees paid by users. The issuance schedule decays by 50% every four years (known as *halvings*) and eventually terminates at a total supply of 21 million BTC. The last new BTC is expected to be mined in 2140. While Satoshi's issuance schedule design is arbitrary – indeed, other cryptocurrencies have vastly different issuance schedules, including many with perpetual or dynamic issuance – it is one of the most important features of Bitcoin. The chart below displays both the theoretical issuance schedule (model) as well as the actual inflation rate (real).

Bitcoin inflation and circulating supply

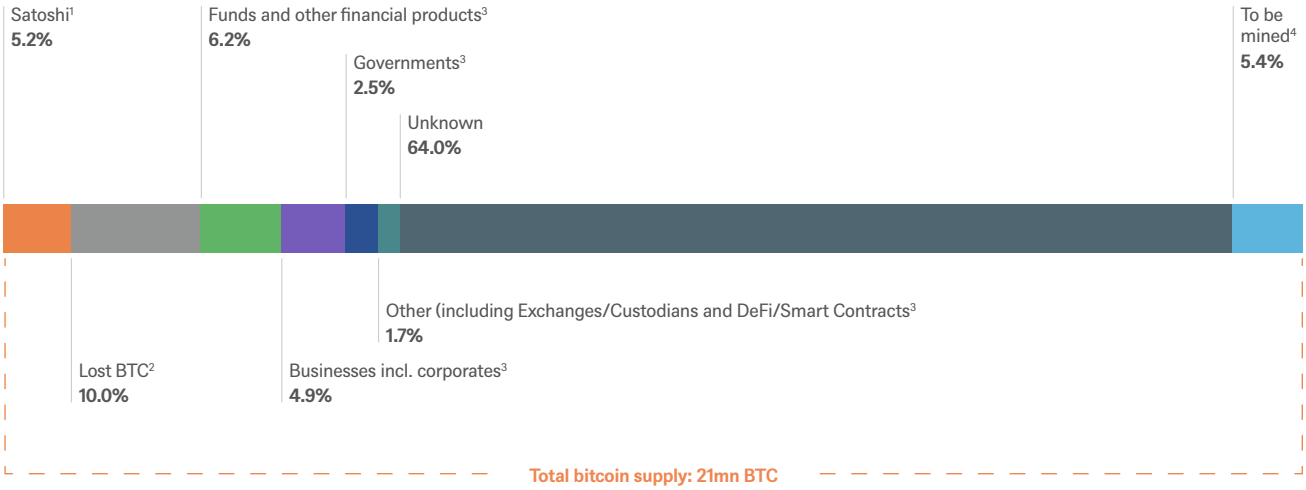


Source: Glassnode, as of April 25, 2025. **Past performance is not a reliable indicator of future results.**
Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

Bitcoin Holders

Today, more than 94% of all BTC are already in circulation, only 1.14mn new BTC will be mined in future. While the Bitcoin blockchain provides transparency on wallet distribution and on-chain transactions, the pseudonymous data protects holder information. Thus, BTC holder analysis is difficult and requires piecing together various data sources such as company filings, government disclosures and other publications. The chart below provides an overview of publicly available information on BTC's current ownership distribution. BTC ownership of two thirds (68%) of the circulating supply is unknown. Roughly 10.6% of BTC's circulating supply is estimated to be inaccessible due to private key loss, effectively further increasing BTC's scarcity. Furthermore, Bitcoin's anonymous founding entity Satoshi is estimated to own 5.5% of the circulating supply. As Satoshi has been inactive for many years, these BTC may also no longer be accessible, which would further decrease the available supply. Funds and other financial instruments have already accumulated 6.6% of the circulating supply, largely driven by the success of the U.S. spot BTC ETFs. Other holders include businesses (5.2% of circulating supply) and governments (2.6% of circulating supply).

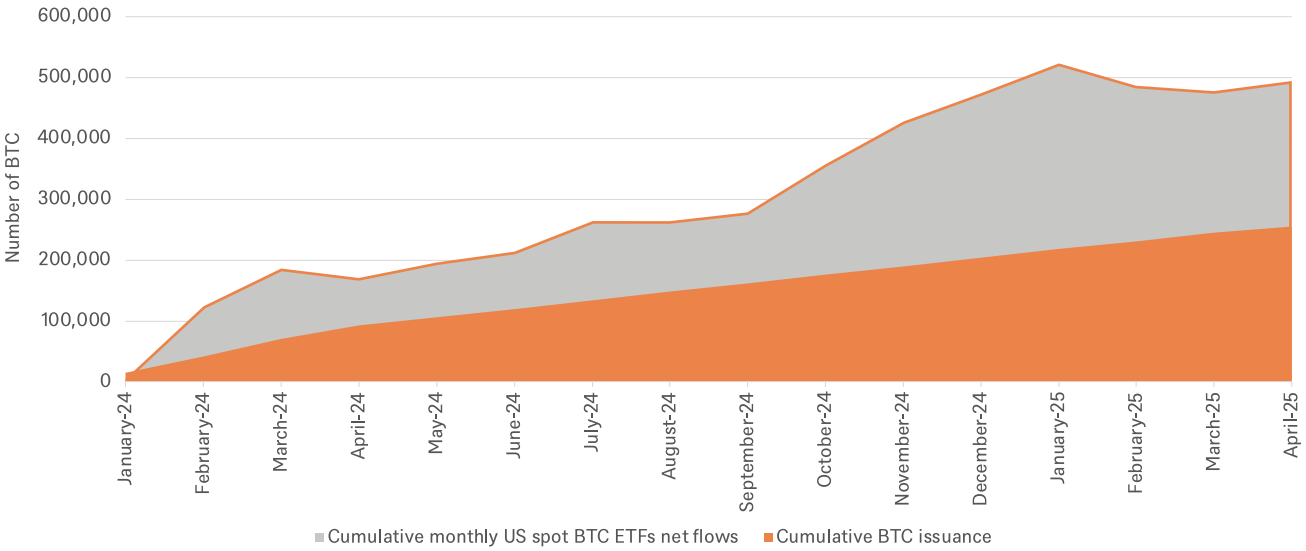
Bitcoin distribution by entities



Sources: 1) Arkham, as of April 25, 2025; 2) Estimate by Galaxy Digital, as of April 25, 2025; 3) Bitcointreasuries.net as of April 25, 2025; 4) Current supply from Coinmarketcap.com; calculation by DWS International GmbH as of April 25, 2025. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

U.S. spot BTC ETFs were first launched in January 2024 and have been collecting impressive inflows since then. Today, they already account for 5.8% of all BTC in circulation.[11] The U.S. spot BTC ETFs inflows alone have exceeded the issuance of new BTC demonstrating BTC's inelastic and predetermined supply schedule and its scarcity.

Cumulative monthly US spot BTC ETFs net flows vs. cumulative BTC issuance



Source: Glassnode, as of April 25, 2025. **Past performance is not a reliable indicator of future results.**

[11] Source: Glassnode for US spot BTC ETF balances and Coinmarketcap for Bitcoin circulating supply, as of April 28, 2025

BTC as a store of value vehicle has been reinforced by corporate treasury investors that leverage Bitcoin's scarcity and long-term upside potential. Strategy (previously MicroStrategy) pioneered this approach by not only allocating BTC to its balance sheet but also raising convertible debt to finance additional BTC purchases. Other firms, including more recent entrants like GameStop, have followed suit.

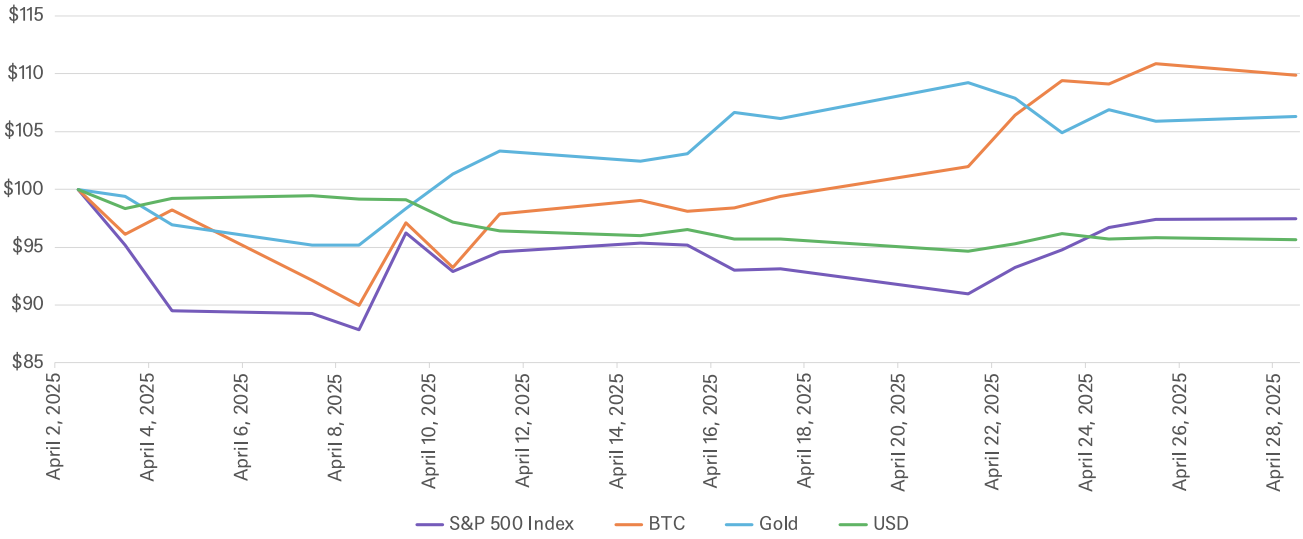
The introduction of the U.S. Strategic Bitcoin Reserve (SBR) in March 2025 added yet another layer of legitimacy. The SBR prohibits the sale of any BTC the U.S. government owns. It is estimated that the U.S. government currently holds ~198k BTC, of which 88k BTC are estimated to be finally forfeited and thus assumed to be available for the SBR.[12] Furthermore, the SBR allows for budget-neutral accumulation of additional BTC by the U.S. government. The SBR acknowledges BTC's unique role among cryptocurrencies: BTC was deliberately separated from other U.S. government owned cryptocurrencies held in the so-called *Digital Asset Stockpile*. This stockpile includes Ethereum, XRP, Cardano and Solana; its cryptocurrencies can be sold by the U.S. government, while the SBR cannot. The fact that BTC was deliberately separated from other cryptocurrencies within this reserve structure highlights its unique status.

BTC Performance in April 2025

In April 2025, global tariff developments and escalating geopolitical uncertainty led to significant volatility in the market. These events have put BTC's investment narrative as a store of value vehicle to the test. Gold has long served as a bulwark against market stress due to its limited supply and has strongly performed amid the current market turmoil, reaching new all-time highs. In contrast to gold, BTC's price initially dropped alongside U.S. equities, aligning more closely with risk-on tech assets. This pattern is supported by a sharp increase in the correlation between BTC and the S&P 500 index in early April, highlighting BTC's sensitivity during risk-off episodes.

However, the picture evolved by late April. Roughly one month after the tariff announcements, BTC and gold had both generated positive returns, even as U.S. equities remained under pressure. BTC's resilience was particularly notable in the second-to-last week of April, when it posted strong gains against the backdrop of a weakening U.S. dollar.

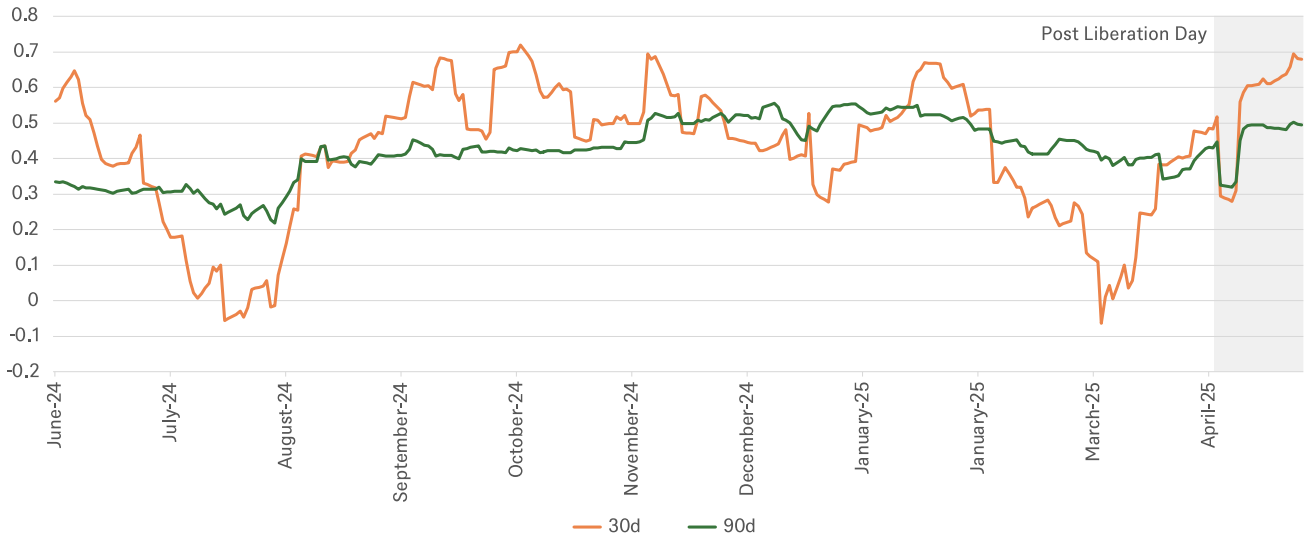
Post Liberation Day asset performance



Source: Bloomberg, as of April 25, 2025. **Past performance is not a reliable indicator of future results.**

[12] Source: Galaxy, as of April 29, 2025

BTC vs. S&P 500 index correlation



Source: Bloomberg, as of April 25, 2025. **Past performance is not a reliable indicator of future results.**

These dynamics highlight Bitcoin's hybrid behavior, oscillating between acting as a risk asset and a store of value. This pattern reflects Bitcoin's early stage of development compared to gold, which has served as a trusted store of value for centuries. In the near term, Bitcoin's price movements are likely to remain sensitive to broader macroeconomic drivers. Nevertheless, despite periodic co-movements with equities, gold, and the U.S. dollar, Bitcoin's long-term correlations with these assets remain relatively low.

Looking ahead, Bitcoin's fundamental characteristics, particularly its fixed supply and decentralized structure, could support its potential to mature into a more reliable store of value over time.[13]

[13] Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

Ethereum | ETH

What is Ethereum?

Ethereum is the second largest cryptocurrency network by market capitalization. Conceptualized by Vitalik Buterin and launched in 2015, Ethereum offers a decentralized programmable infrastructure that supports smart contracts and decentralized applications (DApps). Today, Ethereum is primarily used as an infrastructure for decentralized finance (DeFi) applications, non-fungible tokens (NFTs), and other blockchain-based innovations such as tokenized assets. While Ethereum refers to the network, Ether is Ethereum's native cryptocurrency.

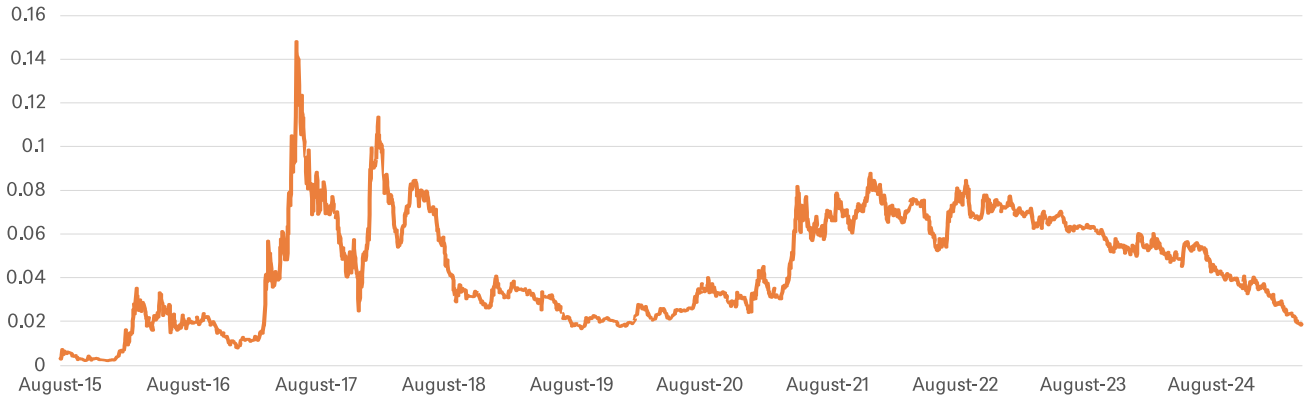
Key Information

- **Ticker:** ETH (general), XET (Bloomberg)
- **Cryptocurrency category:** Infrastructure coin
- **Consensus mechanism:** Proof of Stake (PoS) (since September 15, 2022)
- **Circulating supply:** 120.71 million ETH[14]
- **Maximum supply:** Unlimited (dynamic issuance model)
- **Annualized inflation rate:** 0.71%[15]
- **Market capitalization:** USD 218.3 billion[16]
- **Dominance:** 7.3%[17]
- **Inventor(s):** Conceived by Vitalik Buterin; developed together with others
- **Whitepaper published:** January 26, 2014 (officially published on ethereum.org)
- **Launch date:** July 30, 2015
- **Block time:** Approximately 12-14 seconds
- **Average transaction fees (30-day average):** USD 0.55 on mainnet[18]

The State of Ethereum

Year-to-date, Ethereum's price performance has been disappointing, with a return of -46%,[19] underperforming both BTC and several competing layer-1 platforms. The ETH/BTC ratio has continued its downtrend, recently falling to a five-year low.

ETH/BTC ratio



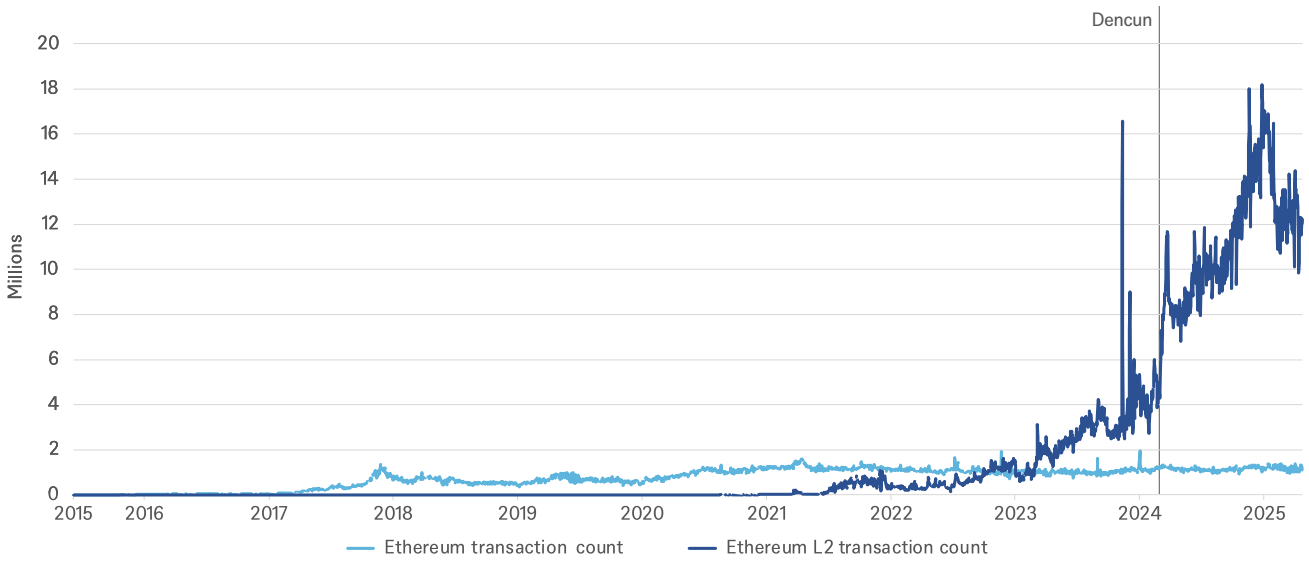
Source: Glassnode, from August 8, 2015 to Apil 24, 2025. **Past performance is not a reliable indicator of future results.**

[14] Source: Coinmarketcap, as of April 23, 2025
[15] Source: Glassnode, as of April 28, 2025
[16] Source: Coinmarketcap, as of April 23, 2025
[17] Source: Coinmarketcap, as of April 23, 2025
[18] Source: Glassnode as of April 28, 2025
[19] Source: Bloomberg, from December 31, 2024 to April 28, 2025

In spite of its recent poor price performance,[20] Ethereum has continued to evolve into a more mature and scalable platform. As Vitalik Buterin put it, *"Ethereum does useful things for people, at scale,"*[21] a reflection of how far the network has come from its experimental beginnings. The infrastructure and developer tooling around Ethereum have significantly improved, resulting in fewer exploits and more robust auditing tools. Transaction fees, once a major bottleneck for usability, have decreased and stabilized, now averaging around 90% lower than one year ago.[22]

Much of this transformation can be attributed to the successful implementation of the Dencun upgrade in March 2024. Dencun eased Ethereum's scalability issues by introducing blob space, a new data format that dramatically lowers costs for rollups and layer 2 networks. A layer 2 is a protocol built on top of an existing blockchain network, the layer 1. Layer 2s typically aim to increase transaction speed and solve scaling difficulties of layer 1 blockchain networks.

Ethereum vs. Ethereum L2 transaction count

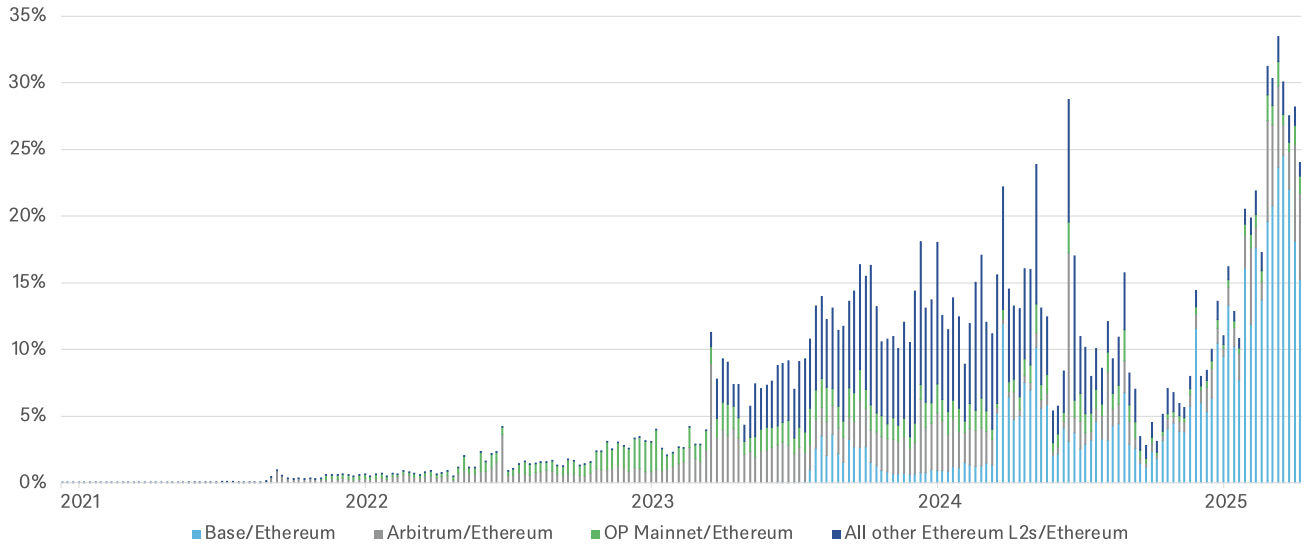


Source: Galaxy Research, corresponding blockchain scanners, from July 30, 2015 to April 28, 2025. **Past performance is not a reliable indicator of future results.** Ethereum L2s include Base, Arbitrum, OP Mainnet, Linea, Scroll, zkEVM, zkSync, Celo, Blast, Zora, and Mantle.

As a result of the successful Dencun upgrade, Ethereum's network dynamics have shifted substantially: Layer 2s are now handling more user activity and are generating 25% of Ethereum's layer 1 revenues. Layer 2s like Base thrive by offering low-cost, high-throughput environments built on Ethereum. The offloading of activity from the Ethereum mainnet has brought real scalability to Ethereum users, but not without trade-offs.

[20] Past performance is not a reliable indicator of future results.
[21] Source: Buterin, Scaling Ethereum L1 and L2s in 2025 and Beyond, January 23, 2025
[22] Source: Growthepie.xyz, as of April 29, 2025

Ethereum L2 revenues/Ethereum revenue

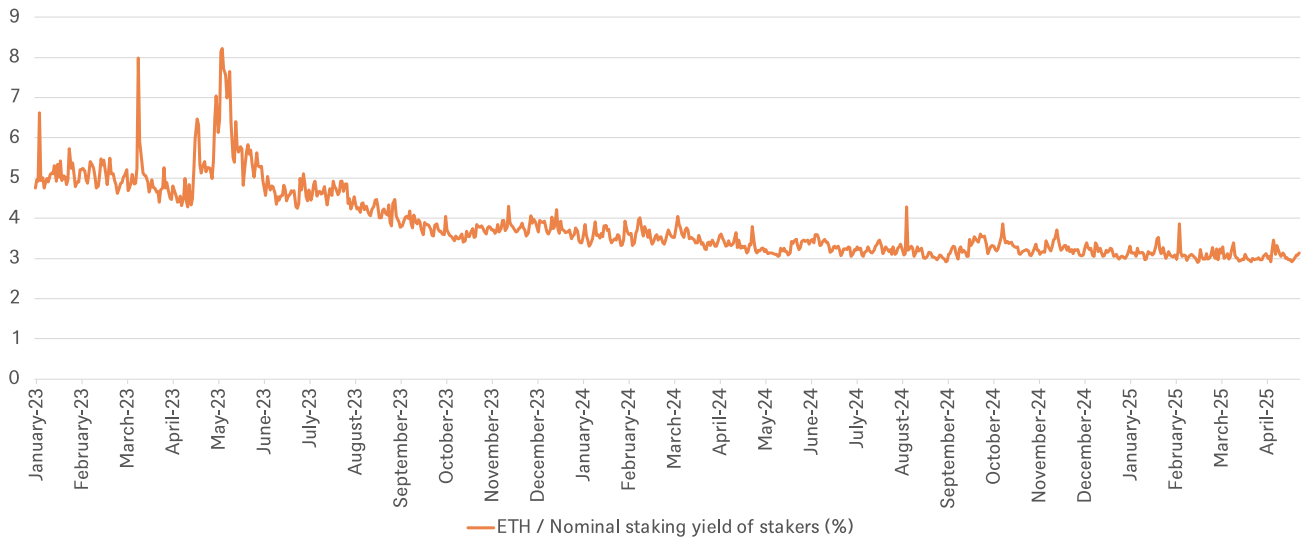


Source: Galaxy Research, Dune, as of April 7, 2025. Comparing weekly Ethereum layer 1 and Ethereum layer 2 revenues by dividing Ethereum layer 2 revenues by Ethereum layer 1 revenue. **Past performance is not a reliable indicator of future results.**

A key concern emerging from this shift is Ethereum's value accrual mechanism. With most transactions and fees now taking place on layer 2s rather than on the Ethereum mainnet, the fees paid in ETH on layer 1 have declined significantly. This has directly impacted ETH's price performance.

Ethereum staking yields have also fallen to roughly 3%. The decrease was mainly driven by reduced MEV opportunities, lower priority fees, and growing validator participation. This trend is likely to persist, as the staking ecosystem becomes more saturated and competition for rewards increases.

Ethereum staking yield



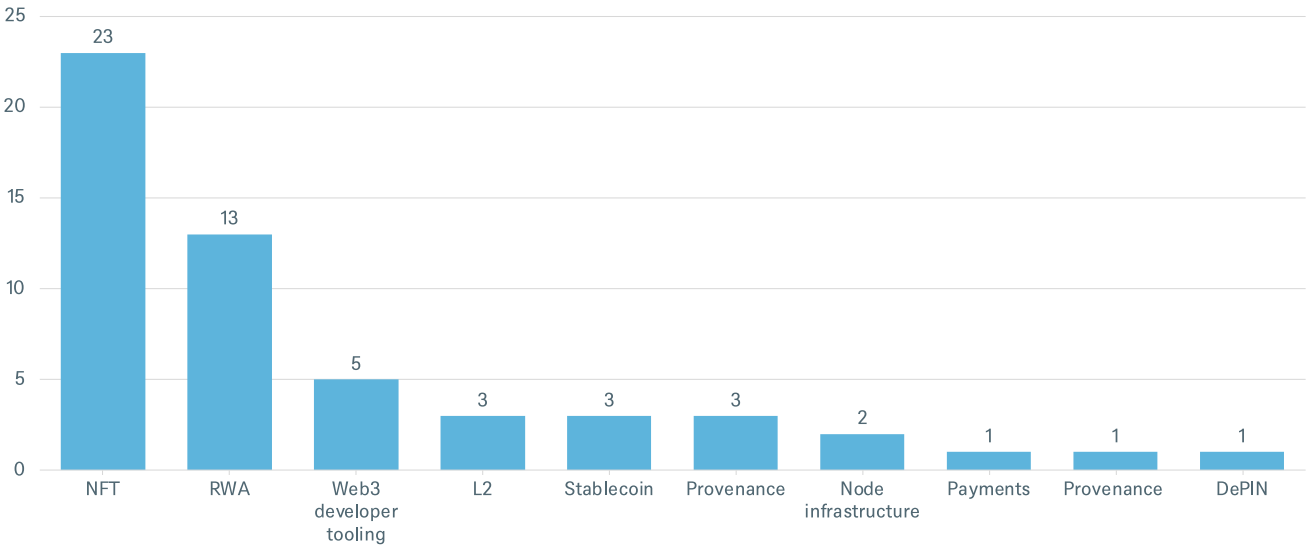
Source: CoinMetrics, as of April 25, 2025. **Past performance is not a reliable indicator of future results.**

Despite the above challenges, Ethereum's central strength lies in its adoption across various use cases and its positive network effects, which help defend its market position.

DeFi continues to be Ethereum's most active sector, with protocols like Uniswap and Aave maintaining dominant positions in decentralized exchange trading and decentralized lending. Ethereum accounts for more than 52% of DeFi total value locked (TVL), or approximately USD 51bn, compared to only USD 8bn on Solana.[23] These figures reflect Ethereum's continued lead in security and liquidity, even as newer chains compete for market share.

Ethereum's role as the institutional blockchain of choice has also become more defined in recent years.[24] Many institutions continue to build applications on Ethereum and Ethereum layer 2s, including use cases in NFTs, tokenization, Web3 developer tooling, and new layer 2s. Ethereum's credibility with enterprises is strengthened by its long-term focus on security, uptime, decentralization and its wide adoption among crypto-native users. Two use cases rapidly finding their product-market fit are stablecoins and tokenization, where Ethereum remains the dominant blockchain. Approximately 52% of all stablecoin market capitalization[25] and 56% of total RWA (real world asset) value[26] reside on Ethereum.

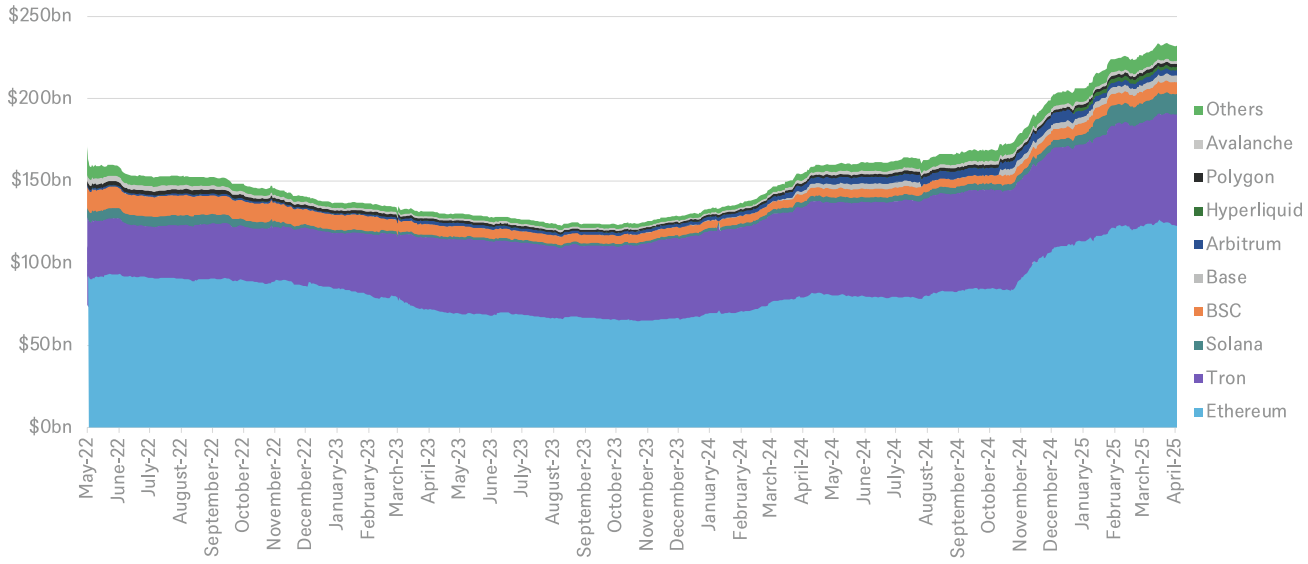
Number of non-crypto companies building on Ethereum/Ethereum L2s by product



Source: Galaxy report: What Big Companies Are Building on Ethereum, as of February 13, 2025. **Past performance is not a reliable indicator of future results.**

[23] Source: Defillama, as of April 25th, 2025
[24] Source: Galaxy, What Big Companies Are Building on Ethereum, February 13, 2025
[25] Source: Defillama, as of April 28, 2025
[26] Source: rwa.xyz, as of April 28, 2025

Total USD value of stablecoins by protocol



Source: Defillama, as of April 6, 2025. **Past performance is not a reliable indicator of future results.**

Looking ahead, Ethereum's roadmap reflects a continued commitment to scalability and modularity. Still, there is recognition that Ethereum's layer 1 is losing some of its centrality. Vitalik's recent emphasis of ETH as a *"triple-point asset"*, i.e., a capital asset, a transformable/consumable asset and a store of value asset, is part of a broader attempt to redefine how ETH fits into the layer 1 and layer 2 economy. However, if and how this model will translate into sustained price appreciation remains an open question.

While Ethereum has clearly succeeded in scaling and expanding its ecosystem, aligning those developments with strong value capture for ETH remains a difficult challenge. As the network continues to push towards a rollup-centric future, the focus will likely shift to ensuring ETH remains indispensable in that broader modular ecosystem. Thus, Ethereum's strategic direction is ultimately a balancing act between future-proofing the Ethereum platform through enhanced scalability while also ensuring that its layer 1 and its native cryptocurrency ETH continue to attract sufficient economic value in the short- to medium-term.

Conclusion and Outlook[27]

Over the past 16 years, cryptocurrencies have transitioned from a niche innovation to a globally recognized asset class. A growing number of institutional investors such as corporates and even governments are now investing in and holding cryptocurrencies, particularly BTC. While BTC has traded like a risk-on asset in the short term, it nevertheless has the potential to develop into a store of value in the long term, driven by its fundamental properties - scarcity and decentralization.

Ethereum, the leading infrastructure platform for decentralized finance, stablecoins, and tokenization, is also seeing greater adoption among large institutions, exemplifying the expanding utility and integration of blockchain technology across industries. The successful implementation of the Dencun upgrade has significantly improved Ethereum's scalability. However, the increased reliance on layer 2 solutions has caused value accrual challenges in Ethereum's native cryptocurrency, ETH. Ethereum will need to balance focusing on its long-term competitiveness through continued scalability improvements with ensuring short- to medium-term value capture on its layer 1 level.

Looking ahead, the cryptocurrency market appears poised for further maturation, supported by increasing institutional participation, ongoing technological innovation, and increasing regulatory clarity on both sides of the pond. In Europe, the Markets in Crypto-Assets Regulation (MiCAR) fully applies since 2025, providing a comprehensive and EU-harmonized regulatory environment. In the United States, more regulatory clarity is likely to be developed swiftly under the new and crypto-friendly Trump administration.

[27] Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

Appendix

In 2023, Xtrackers by DWS, a large and established provider of high-quality exchange-traded products, and Galaxy, a financial services innovator in the digital asset and blockchain technology sectors have formed a strategic alliance to advance European digital asset adoption. Both allies are focused on an education-first approach to digital assets and provide simple, efficient and reliable access to selected cryptocurrencies.

The strategic alliance leverages the combined expertise and track record of two leading players in investing and digital assets. Xtrackers by DWS is a large and established provider of high-quality exchange traded funds (ETFs) and exchange traded commodities (ETCs). Providing efficient 'passive' exposure to diversified indices or to single commodities, Xtrackers ETFs and ETCs provide a comprehensive set of dependable investment tools for effective portfolio allocation.

Galaxy is a global digital asset financial services institution that offers a broad range of financial services across its three business units, global markets, asset management and digital infrastructure solutions. As of December 31, 2024, Galaxy's Asset Management has USD 10bn assets on its platform.[28]

[28] This represents Galaxy Asset Management AUM and the total notional value of assets bonded and staked to Galaxy validators, based on prices as of December 31, 2024. AUM is preliminary and unaudited. AUM is inclusive of sub-advised funds, committed capital closed-end vehicles, seed investments by affiliates, affiliated and unaffiliated separately managed accounts, and fund of fund products. Changes in AUM are generally the result of performance, contributions, withdrawals, and acquisitions. Preliminary AUM associated with GVH Multi-Strategy FOF LP is based on management's most recent estimate. AUM for committed capital closed-end vehicles that have completed their investment period is reported as NAV plus unfunded commitment. AUM for quarterly close vehicles is reported as of the most recent quarter available for the applicable period. AUM for affiliated separately managed accounts is reported as NAV as of the most recently available estimate for the applicable period.

Glossary

Aave: Aave is a decentralized finance (DeFi) protocol that allows users to borrow and lend cryptocurrencies.

Bitcoin: The first and largest digital asset, enabling decentralized peer-to-peer transactions. Bitcoin with a capital B refers to the blockchain network, while bitcoin with a lower-case b refers to the cryptocurrency.

Block: A block is a data structure where digital transactions are stored. They are the basic building block of blockchains.

Blockchain: A blockchain is a chain of blocks of data that are immutably chained together via cryptography and stored on a distributed and decentralized database.

Blockchain layers: A layer 1 blockchain is the foundational level of blockchain architecture, operating as the primary chain on which transactions are directly executed. A layer 2 is a protocol built on top of an existing layer 1 blockchain. Layer 2s typically aim to increase transaction speed and solve scaling difficulties of layer 1 blockchain networks.

Blockchain transaction costs: Blockchain transaction costs, also known as transaction fees, are fees paid by users for the processing and validating of their transactions on a blockchain network. These fees are typically paid in the native cryptocurrency of a network and serve as an incentive for miners or validators to include transactions in a block and secure the network. Transaction costs vary and depend on factors such as network congestion, transaction size, and priority set by users. For Ethereum, fees can be split into base fees, which are the minimum fees required for the inclusion of a transaction in a block, and priority fees, which are an optional additional fee, similar to a tip, users can include to incentivize faster processing of their transactions.

Blob space: A dedicated data storage area within blocks introduced to Ethereum to temporarily store substantial amounts of data, called "blobs", which primarily benefits layer 2 rollups.

BNB Chain: BNB Chain is a layer 1 blockchain that supports the development and deployment of decentralized applications (dApps). The native cryptocurrency is called BNB.

Coin: A coin is a cryptocurrency, which is native to a specific blockchain and an integral part of it (e.g., as payment for transaction fees). A coin is independent of any other platform. For example, Ether on the Ethereum blockchain.

Core protocol: The core protocol of a blockchain network is the set of rules and procedures that define how the network operates, achieves consensus, validates transactions, and adds new blocks to the blockchain. It defines the foundational aspects that ensure the proper functioning and security of a blockchain network.

Cryptocurrency: A digital asset recorded on a Blockchain that is often neither issued nor controlled by any centralized authority.

DeFi (Decentralized Finance): DeFi provides blockchain-based financial services in which intermediaries are (to some extent) replaced by automated protocols.

Ethereum: A decentralized, public blockchain network that supports composable smart contracts which can be used to create decentralized applications and tokens and facilitate peer-to-peer transfers. Ether is the native cryptocurrency of the Ethereum network.

Fiat currency: Fiat currencies are issued and backed by central banks, such as the U.S. dollar and the Euro.

MEV (Maximal Extractable Value): A strategy used by block producers (either miners or validators) to maximize profit by reordering, including, or omitting transactions within a block. MEV is most commonly associated with smart contract-enabled blockchains, where transactions entail more complex information.

Miner: A participant in the consensus of a proof-of-work blockchain, adding blocks to the blockchain for rewards.

Mining: Mining is the process of creating valid new blocks containing transactions for proof-of-work based blockchains. To link a new block to the last one, a computationally intense mathematical puzzle must be solved.

Native cryptocurrency: In the context of cryptocurrencies, native to a blockchain refers to the primary and original cryptocurrency of a specific blockchain. A native cryptocurrency typically plays a central role in the consensus mechanism of its blockchain and is used for paying transaction fees in the network.

Node: A node is a participant in a blockchain network that maintains a copy of the distributed ledger. Nodes verify transactions and maintain the integrity of a blockchain, which makes them an essential part of the network.

Non-fungible token (NFT): NFTs are non-fungible tokens, meaning that no one unit is identical and equally tradeable for another. Non-fungible tokens represent unique digital property, including collectibles, artworks, and intellectual property. NFTs are not inherently exchangeable 1:1 with another unit.

Open-source: Open-source refers to software, where the code is made publicly accessible. Anyone has access to the code and the right to use it.

Peer-to-peer: A peer-to-peer network is a decentralized system of computers. The computers, also called nodes, perform the same tasks and have the same power. Nodes are connected to each other and can exchange information without an intermediary or central server.

Peer-to-peer payments: A peer-to-peer payment refers to the direct transfer of assets between two parties without an intermediary.

Proof-of-stake (PoS): A blockchain consensus mechanism, where validators stake a certain minimum number of their cryptocurrencies and are then randomly selected to validate transactions and create new blocks.

Proof-of-work (PoW): A blockchain consensus mechanism, where miners compete to solve computationally intensive puzzles to validate transactions and create new blocks.

Public blockchains: A public blockchain is a decentralized, open, and permissionless database, where anybody can join the network, establish a node, and view the history of the blockchain.

Rollup: A scaling solution that executes transactions off-chain and posts compressed data to the main blockchain, thereby enabling increased throughput and lower fees.

Solana: Solana is a layer 1 blockchain that supports the development and deployment of decentralized applications (dApps). The native cryptocurrency is called SOL.

Stablecoin: A stablecoin is a digital token that is pegged to an asset, like a national currency or gold.

Staking: Staking is a process in which cryptocurrency holders voluntarily lock up their coins to participate in the consensus mechanism of a proof-of-stake blockchain. These consensus participants are called validators. In exchange for validating transactions on the blockchain network, validators receive a reward referred to as staking yield.

Staking rate: Staking rate is a proof-of-stake metric, which shows the percentage of supply participating in the consensus mechanism by staking.

Staking yield: Staking yield is a proof-of-stake metric, which shows the annualized yield or reward validators get in exchange for staking.

Token: A token is any digital asset built using blockchain technology, including cryptocurrencies, stablecoins, security tokens, and NFTs.

Tokenization: The process of transforming assets, rights, and obligations into a digital, tradeable token on a blockchain.

Tokenomics: Tokenomics, short for “token economics”, is a term that describes the economic design and incentive structure of a token, including aspects such as token supply, distribution, issuance schedule, utility, and mechanisms for value accrual or deflation.

Tron: Tron is a layer 1 blockchain that supports the development and deployment of decentralized applications (dApps). The native cryptocurrency is called TRX.

Uniswap: Uniswap is a large decentralized exchange (DEX) built on the Ethereum blockchain. UNI is the native governance token of Uniswap.

Validator: A participant in the consensus of a proof-of-stake blockchain, involved in validating blocks for rewards.

Wallet: A (crypto) wallet is a hardware device or software that safeguards public and private keys. It allows users to store, send and receive crypto assets.

Blockchain and cryptocurrency risks

Cryptocurrency price volatility: High intra-day price volatility of cryptocurrencies may result in potential losses for investors.

Blockchain technology risk: Nascent blockchain technology may result in system disruptions, cyber security risks, source code risks, hacking attempts, forks, problems relating to activity peaks, etc.

Regulatory and policy risk: Ongoing changes in regulations and policies in relation to cryptocurrencies may lead to adverse impacts for investors.

Counterparty risk: Crypto brokers and counterparties (e.g., cryptocurrency custodians) may be less established compared to traditional counterparties.

Liquidity risk: Instability in cryptocurrency markets may lead to (temporary) illiquidity of underlying assets.

Adverse Environmental and Social Impacts (ESG): Certain cryptocurrency features such as the consensus mechanism may lead to adverse environmental and social impacts.

Fraud risks: Cryptocurrencies may be used for criminal activities (e.g., ransom software, money laundering, terrorism financing).

Operational disruption: Immature processes in combination with above general risks (e.g., blockchain technology risk) may lead to operational disruption and risks.

Disclaimer

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