

DeFi: One of the Most Exciting Segments in Crypto

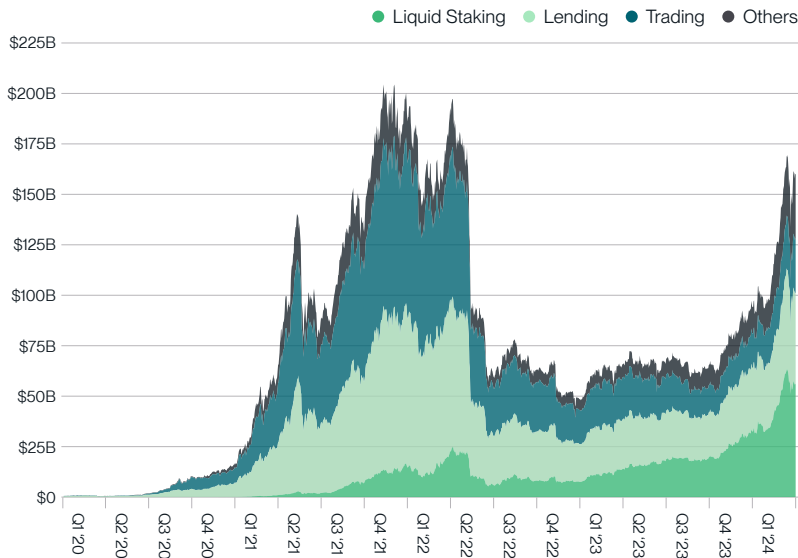
Decentralized finance (DeFi) is one of the most powerful applications of crypto assets

DeFi assets use software to disrupt and automate traditional financial services like market making, lending, asset management, and insurance. Powered by blockchains, these technologies can execute a broad range of financial services in a much more efficient, transparent, and accessible fashion, with little or no reliance on centralized institutions like banks, notaries, or auditors.

The capital locked in DeFi is substantial

DeFi is one of the most exciting areas of crypto: There is more than \$160 billion of capital allocated to DeFi applications today, up from less than \$30 billion in January 2021. This capital provides the base liquidity for DeFi services such as exchanges, lending/borrowing, derivatives, and asset management.

Leading Use Cases of Decentralized Finance (DeFi) Protocols by Total Value Locked (TVL) in USD Billions



Source: Bitwise Asset Management with data from The Block and DeFi Llama. Data from January 1, 2020 to March 31, 2024. The returns on this chart do not represent the returns of any fund or account managed by Bitwise or its affiliates. Please see important disclosures at the end of this document. Past performance does not guarantee future results.

Bitwise provides expert and targeted exposure to DeFi

The Bitwise Decentralized Finance Crypto Index includes the largest crypto assets dedicated to decentralized finance, weighted by market capitalization. The index builds upon the industry-leading methodology developed for previous Bitwise crypto indexes, and contains new criteria developed specifically for the decentralized finance industry. The Bitwise Decentralized Finance Crypto Index is supported by an advisory board that includes many of the most knowledgeable investors and data providers in the DeFi ecosystem.

ELECTRIC+CAPITAL

Avichal Garg



Ben Forman



DEFI PULSE

Scott Lewis

Framework

Michael Anderson

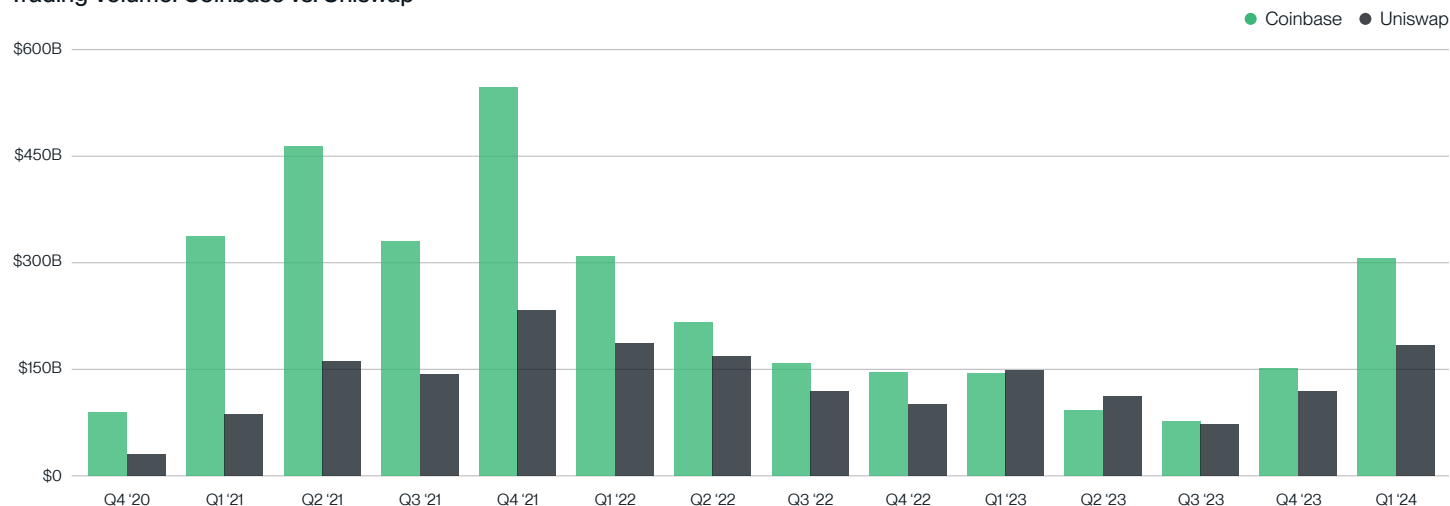


Aleks Larsen

The use of DeFi protocols already rivals many traditional financial services

DeFi isn't a promise for tomorrow; it's here today. Although DeFi gets almost no mainstream media coverage, many DeFi applications today rival their better-known centralized peers. For example, Uniswap—the largest decentralized exchange—now regularly supports close to \$2 billion in trading volume per day, challenging the largest centralized crypto exchanges.

Trading Volume: Coinbase vs. Uniswap



Source: Bitwise Asset Management with data from The Block, The Graph, and CoinGecko. Data from Q4 2020 to Q1 2024.

Risks and Important Information

No Advice on Investment; Risk of Loss: Prior to making any investment decision, each investor must undertake its own independent examination and investigation, including the merits and risks involved in an investment, and must base its investment decision—including a determination whether the investment would be a suitable investment for the investor—on such examination and investigation.

Crypto assets are digital representations of value that function as a medium of exchange, a unit of account, or a store of value, but they do not have legal tender status. Crypto assets are sometimes exchanged for U.S. dollars or other currencies around the world, but they are not currently backed nor supported by any government or central bank. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional currencies, stocks, or bonds.

Trading in crypto assets comes with significant risks, including volatile market price swings or flash crashes, market manipulation, and cybersecurity risks and risk of losing principal or all of your investment. In addition, crypto asset markets and exchanges are not regulated with the same controls or customer protections available in equity, option, futures, or foreign exchange investing.

Crypto asset trading requires knowledge of crypto asset markets. In attempting to profit through crypto asset trading, you must compete with traders worldwide. You should have appropriate knowledge and experience before engaging in substantial crypto asset trading. Crypto asset trading can lead to large and immediate financial losses. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price.

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