Bitwise®

The Investment Case for Avalanche

This document is intended for professional investors only. Capital at risk. The information provided in this report is for informative purposes only and does not constitute investment advice, a recommendation or solicitation to conclude a transaction or invest in a financial product.

Q3 2025

bitwiseinvestments.eu

Table of Contents

About the Authors

André Dragosch, PhD

Head of Research, Europe

André Dragosch leads Bitwise's research efforts in Europe. He was previously Head of Research for ETC Group, creator of Europe's largest physical Bitcoin ETP, prior to its acquisition by Bitwise in 2024. Prior to focusing full-time on institutional crypto asset management, André spent more than a decade focused on portfolio management and investment research in the German financial industry and has been gaining institutional crypto asset experience since 2018. He holds a PhD in financial history from the University of Southampton, UK.

Ayush Tripathi

Research Analyst

Ayush Tripathi is a digital assets strategist specializing in DeFi, institutional adoption, and on-chain analytics. He has been actively involved in the crypto space since his time at Bocconi University, where he founded a research startup focused on blockchain and digital assets.

At Bitwise, Ayush focuses on research into programmable blockchains and altcoins, analyzing infrastructure developments, investment trends, and market dynamics. He has also worked as a consultant for family offices and institutional investors, advising on digital asset strategies, treasury management, and on-chain analysis.

About Bitwise

Bitwise is one of the world's leading crypto specialist asset managers. Thousands of financial advisors, family offices, and institutional investors across the globe have partnered with us to understand and access opportunities in crypto.

Since 2017, Bitwise has established a track record of excellence managing a broad suite of index and active solutions across ETPs, separately managed accounts, private funds, and hedge fund strategies, spanning both the US and Europe.

In Europe, Bitwise (previously ETC Group) has developed an extensive and innovative suite of crypto ETPs, including Europe's largest and most liquid Bitcoin ETP. This family of crypto ETPs is domiciled in Germany and issued under a prospectus approved by BaFin. One hundred percent of the assets backing Bitwise's products are securely stored offline (in cold storage) through regulated custodians. Bitwise products are designed to seamlessly integrate into any professional portfolio, providing comprehensive exposure to crypto as an asset class.

Access is straightforward via major European stock exchanges, with primary listings on Xetra, the most liquid exchange for ETF trading in Europe. Retail investors benefit from easy access through numerous DIY/online brokers, coupled with our robust and secure physical ETP structure, which includes a redemption feature.

I Executive Summary

Avalanche is one of the most interesting experiments in blockchain design. Though it competes with programmable Layer 1 blockchains like Ethereum and Solana, it uses a fundamentally distinct architectural design with unique pros and cons.

At the core of this design is the concept of control and personalization.

Most Layer 1 blockchains require businesses, governments, institutions, or other individuals that want to interact with them in generalised terms. Blockchains like Ethereum and Solana operate in a certain way, and if you don't like it, tough.

By contrast, Avalanche operates more like an ecosystem. A more coordinated base layer provides security and network rules, while organizations can deploy their own blockchains beneath it ("L1s") that are tailored to their specific governance, compliance, and performance needs.

This design is attracting attention from traditional institutions: Entities that want to test blockchain solutions but on terms that give them confidence in the rules and environment they operate within. As more and more real-world entities begin experimenting with blockchain-based solutions, this customization may look increasingly attractive.

The recent wave of corporate blockchain launches validates this design. Stripe and Circle have chosen to build their own sovereign Layer 1s, rather than building on Ethereum, Solana, or other blockchains. The instinct is familiar: When the stakes are high, institutions want to control the full stack. They want compliance baked in, continuity guaranteed and, in many cases, the ability to launch a native token that captures upside if adoption scales.

But creating your own blockchain from scratch carries risk. Avalanche offers institutions a middle ground.

We've already seen institutions embrace this middle approach.

As of Q3 2024, Avalanche holds the the #8 position in RWA rankings, commanding $354 million in total value locked. The platform demonstrates broad-based institutional adoption with meaningful deployments spanning the entire financial services infrastructure stack. This spreads across tokenized treasuries with BlackRock and Franklin Templeton, private credit with Apollo, securitization with Intain, FX pilots with Citibank and JPMorganChase, payments with Visa and Mastercard, and consumer-scale experiments in gaming (Gunzilla's "MapleStory") and sports (FIFA, NBA). Growth has accelerated recently, as technological upgrades like the Etna Upgrade have lowered the cost of maintaining customized L1s.

The market has not yet recognized this accelerating growth. AVAX has lagged peers this year in terms of price performance despite the improvement of network metrics. One reason is that investors question whether activity on the L1s will translate into rising value for AVAX holders.

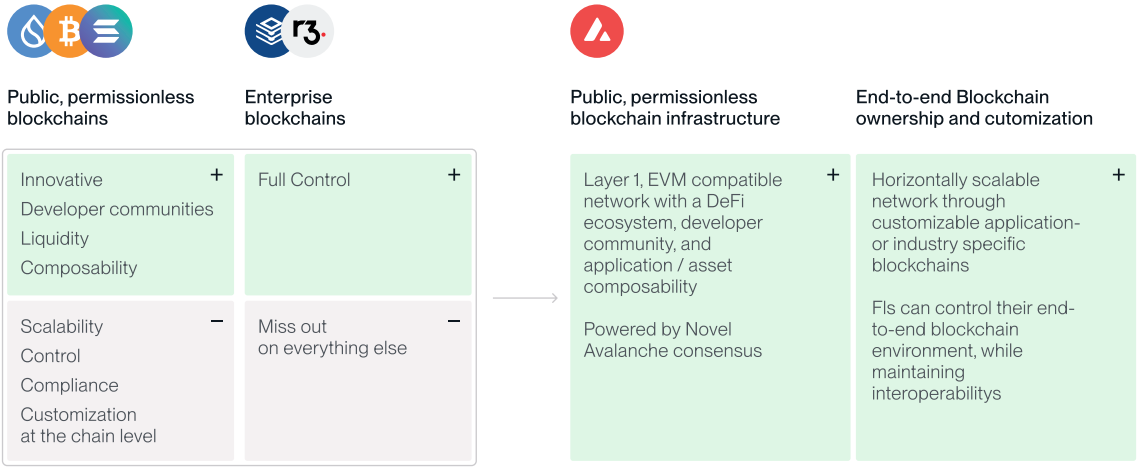
We believe it will. This paper lays out why.

II Understanding Avalanche (AVAX)

What Is Avalanche?

Avalanche emerged during the "ETH killer" era of 2018—2020, when new blockchains set out to challenge Ethereum's dominance. Unlike rivals that emphasized raw throughput, Avalanche pursued modularity.

Its aim was not just to be another smart-contract chain but to serve as infrastructure for sovereign blockchains. Instead of forcing all applications onto one network, Avalanche provides tools for launching fully customized Layer 1s with their own governance, validators, and token models—while still linking into shared liquidity and security.



Source: Bitwise Europe, Avalanche Foundation

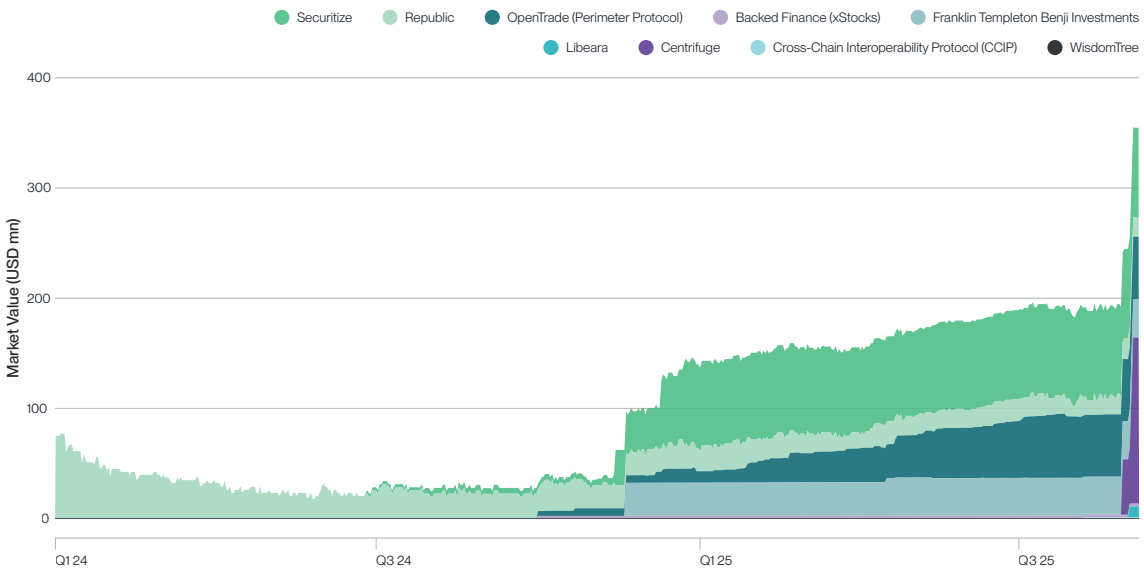
Avalanche's strategy stands out when compared to top competitors. Ethereum, for instance, has chosen a rollup-centric path. Its scaling strategy extends blockspace but leaves Layer 2s tethered to Ethereum's fee markets and security assumptions. Solana is a high-throughput monolith built for speed and retail activity but with little room for customization.

Avalanche offers an alternative.

In effect, it is not a single blockchain but rather a platform for building blockchains.

As a result, Avalanche now supports more than 39 tokenized products and roughly $354 million deployed across treasuries, credit, and alternatives. BlackRock's BUIDL, Franklin Templeton's BENJI, VanEck's VBILL, Apollo's ACRED, and KKR's Healthcare Growth Fund all run on Avalanche rails. In July 2025, Grove Finance announced plans to deploy up to $250 million in tokenized Collateralized Loan Obligations and Treasuries on Avalanche in partnership with Centrifuge and Janus Henderson, more than doubling its footprint in the sector.

Tokenized US Treasuries on Avalanche—Market Value by Protocol



Source: rwa.xyz; Bitwise Europe; Data as of 2025-09-07

The logic for this adoption is straightforward. Asset managers want predictable settlement, low fees, and infrastructure they can operate under regulatory standards. Building a blockchain from scratch is feasible only for the largest firms. Avalanche provides a ready-made framework for sovereign networks that enforce their own governance while remaining tied into a broader liquidity pool.

Technical Implementation: How It All Works

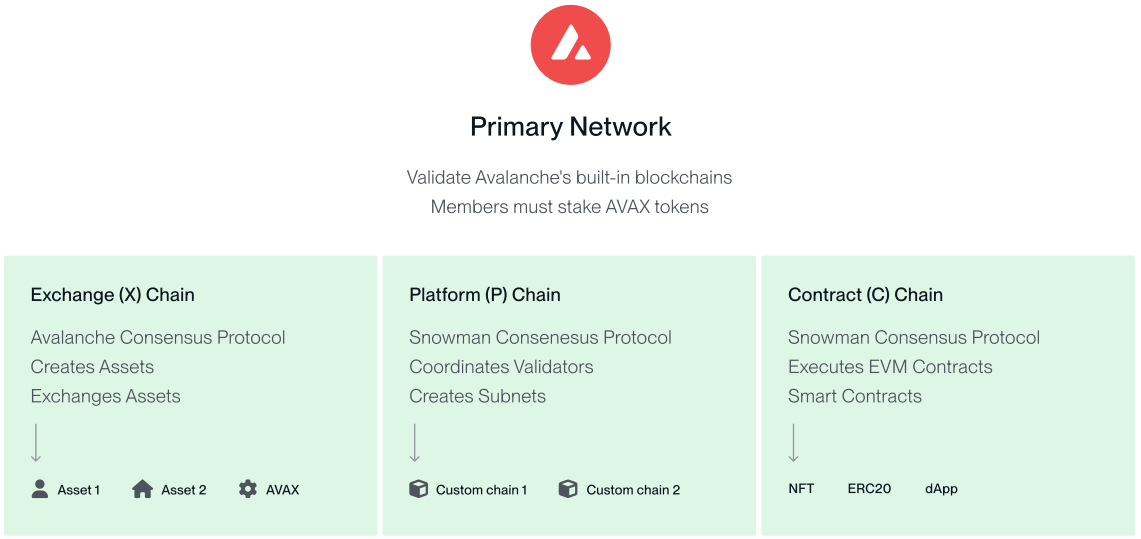
Most blockchains route all activity through a single execution layer, which eventually leads to congestion and high fees. Avalanche took a different approach. It distributes responsibilities across three specialized base chains and allows additional blockchains (Avalanche L1s) to be launched as needed.

Each of these blockchains can set its own governance, validator set, and economics, but all of them still connect back to the Primary Network for security and interoperability. In practice, that means enterprises can run their own sovereign infrastructure without being cut off from liquidity or settlement with the wider Avalanche ecosystem.

The Primary Network

At the heart of Avalanche is the Primary Network, the base layer that every validator must run. Validators are the system's auditors: They check and confirm every transaction. Unlike most blockchains, the Primary Network does not consist of a single chain. Instead, it is three specialized blockchains, each serving a distinct role.

- **C—Chain (Contract Chain):** The execution layer. It runs the Ethereum Virtual Machine (EVM), so Ethereum applications can be deployed on Avalanche with little to no rewriting. This lowers switching costs for developers and allocators alike.
- **P-Chain (Platform Chain):** The coordination layer. It manages staking and validator registration, and it is where new Avalanche blockchains are created. Enterprises or institutions that want their own sovereign networks launch them here.
- **X—Chain (Exchange Chain):** The asset layer. It is optimized for creating and transferring digital assets. AVAX is issued here; all fees across Avalanche are ultimately paid (and burned) in AVAX.



Source: Bitwise Europe, adapted from Avalanche Builder Documentation, "Primary Network"

This tri-chain structure delivers two advantages. First, developers can migrate existing Ethereum applications with minimal friction, bringing users and liquidity with them. Second, enterprises gain the option to evolve into their own sovereign blockchains through the P-Chain, maintaining compliance and governance independence without losing interoperability.

Consensus

Avalanche uses a different consensus mechanism than most competing blockchains. In a typical proof-of-stake system, a leader is chosen—similar to how Bitcoin chooses a miner—to propose the next block of transactions. That process tends to concentrate power in the largest participants, who win leadership roles most frequently.

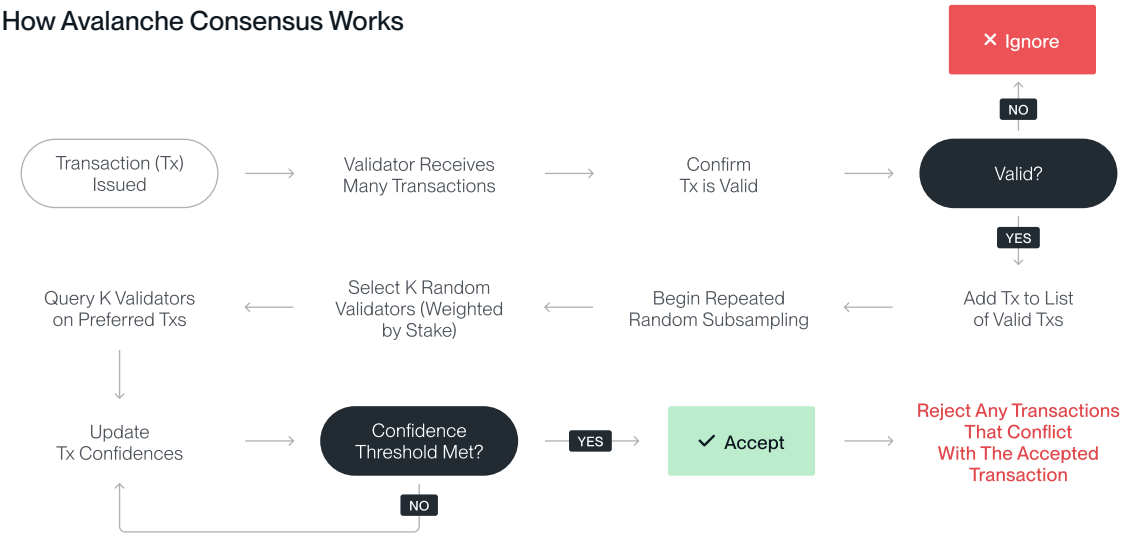
Avalanche rejects that model.

1970s	2009	2018
Classical Consensus Voting-Based	**Nakamoto Consensus** Longest-Chain	**Avalanche Consensus** Random Sampling
All network participants must vote to agree unanimously	Ability to scale globally beyond 100 participants	Scalable to millions of network participants
Does not scale well beyond 100 participants	Requires significant time and resources to reach consensus resulting in high gas fees	Sub-second finality and minimal energy consumption
Safety threshold of 33% for bad actors to take over	High 50% safety threshold	Low dynamic fee structure
		80% safety threshold

Source: Bitwise Europe, Avalanche Foundation

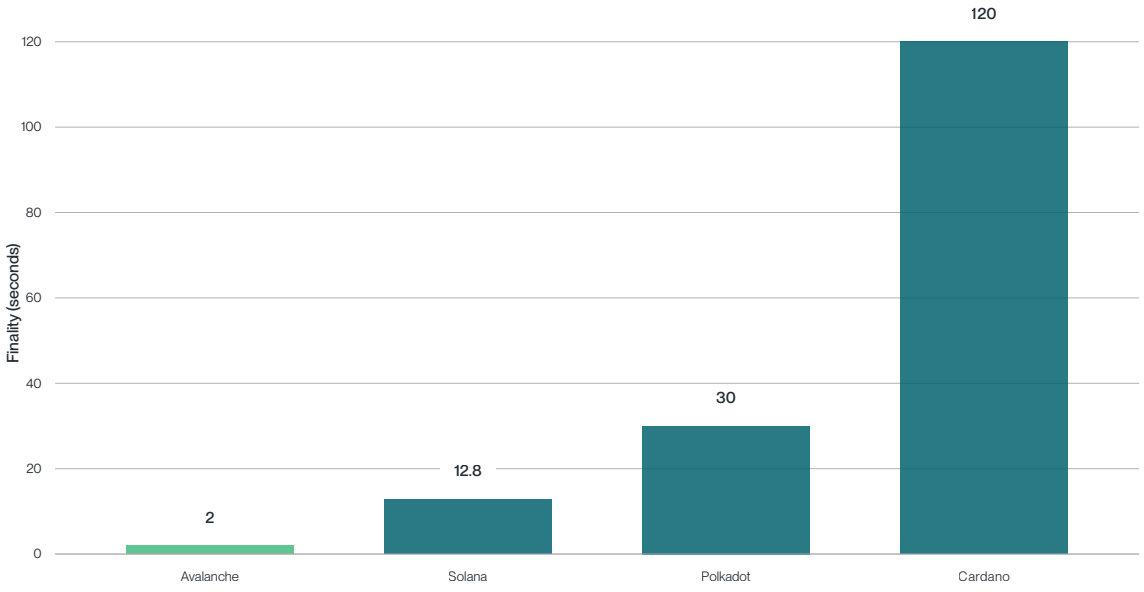
Instead of appointing a single leader to propose the next block, validators continuously poll small, random groups of peers until agreement emerges. The process works much like markets finding a clearing price: Repeated sampling quickly drives convergence. Just as order books tighten around a consensus price, validators rapidly align on which transactions are valid. Within two seconds, the entire network converges on the same answer, and the decision is final (i. e., it achieves finality).

How Avalanche Consensus Works



Source: Bitwise Europe, adapted from Avalanche Builder Hub, "Avalanche Consensus."

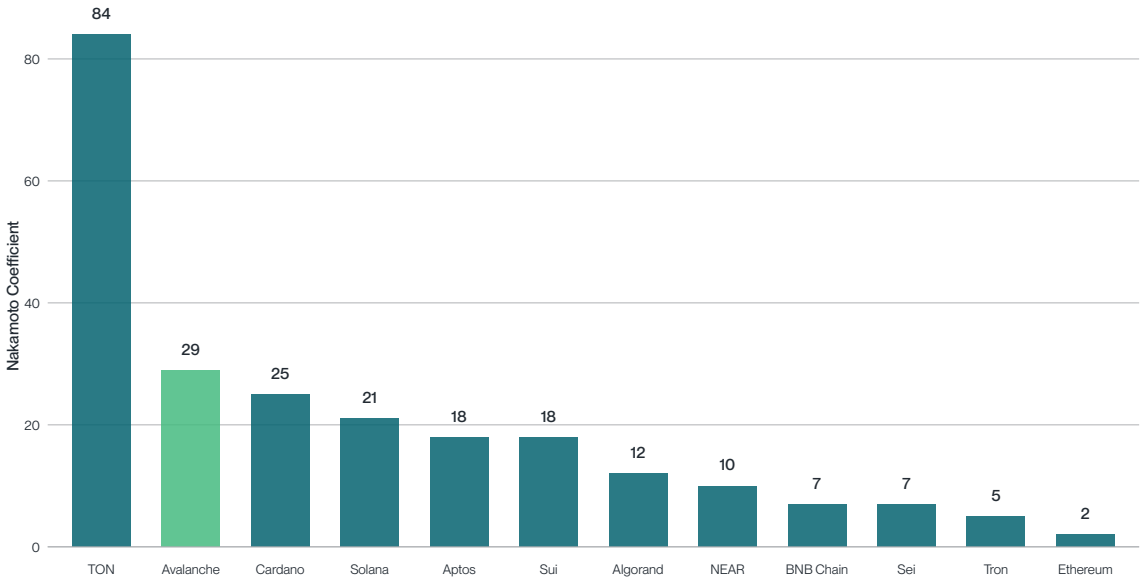
Finality Time—Avalanche vs Other Chains



Source: Bitwise Europe; finality approximations in seconds

For enterprises, this has two critical advantages. First, settlement is nearly instant, which is faster than most traditional payment rails like card networks or securities clearinghouses. Second, because Avalanche has no designated leader, there is no single point of failure or concentration of power. The system is more robust since no small group of validators can dominate block production. This is probably why Avalanche ranks as a protocol with one of the highest Nakamoto Coefficients. This coefficient is one of many decentralisation metrics that determine the minimum number of independent entities (validators, miners, etc.) that would need to collude to compromise the network.

Network Decentralization—Nakamoto Coefficient (Higher is More Decentralized)
Avalanche ranks among the most decentralized L1s by Nakamoto Coefficient



Source: Chainspect.app; Bitwise Europe
Note: NC is only one lens; decentralization also depends on validator distribution, client diversity, governance, MEV dynamics, and hardware requirements. A lower NC (e.g., Ethereum) does not automatically imply weaker resilience

This combination of speed, decentralization, and security makes Avalanche consensus a structural breakthrough relative to both older blockchains and traditional financial infrastructure.

Recent Upgrades

Avalanche has continued to evolve its technology to lower costs, improve efficiency, and make the network easier to use for enterprises. Two major upgrades—Etna (Avalanche 9000) in December 2024 and Octane in April 2025-represent turning points in that trajectory addressing critical frictions that once limited Avalanche's appeal to enterprises: high entry costs, unpredictable fees, and rigid infrastructure. Now, institutions can launch their own blockchains more cheaply, operate under regulatory constraints, and enjoy smoother, lower-cost execution.

Etna (Avalanche 9000)

The Etna upgrade bundled several community-approved proposals, each with direct implications for institutions:

- **ACP-77 (Reinventing Subnets):** In the past, anyone who wanted to launch their own blockchain on Avalanche also had to help run the core network, posting a large collateral of 2,000 AVAX. This was expensive and excluded many institutions that cannot participate in open, permissionless networks for regulatory reasons. Etna removed this requirement. New blockchains—now called Avalanche L1s—can operate independently, while still paying an ongoing AVAX fee that ties them economically to the broader system. This lowers the barrier to entry and makes it easier for financial firms, corporations, and governments to launch compliant blockchains.
- **ACP-103 (Dynamic Fees on the P-Chain):** The P-Chain is the coordination layer where staking and network launches take place. Before Etna, it relied on fixed fees: Simple and predictable but set at relatively high levels to deter spam and denial-of-service attacks. These fees did not adapt to actual demand, often too high during periods of low activity and not sufficiently responsive when usage spiked. Etna introduced a dynamic fee mechanism, allowing costs to adjust automatically with network conditions. The result is a system that is more predictable, efficient, and fair, lowering average costs in quiet periods while scaling robustly during times of heavy demand.
- **ACP-125 (Lower C—Chain Base Fee):** On Avalanche's main execution chain (the C—Chain), Etna lowered the minimum fee for processing transactions. This means that costs fall sharply during quiet periods, while in busy times, the system still raises fees automatically to balance demand. For users and developers, it makes transactions cheaper and more predictable.

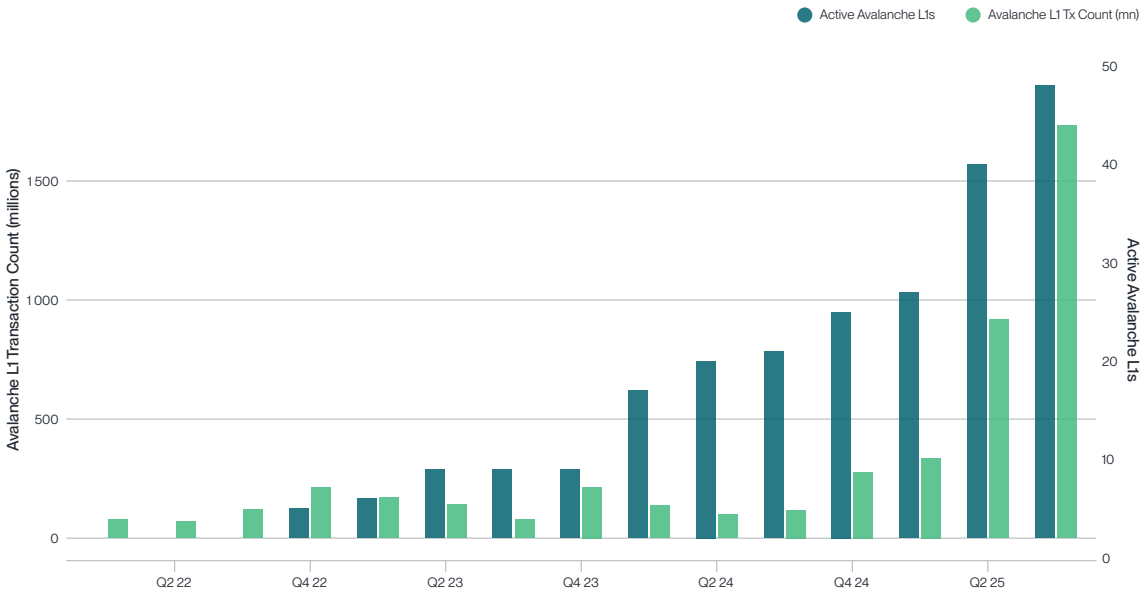
Octane (ACP-176)

Octane, launched in April 2025, focused specifically on Avalanche's C—Chain, which runs Ethereum-compatible applications:

- **Stabilizing fees:** Previously, large bursts of activity could push transaction costs higher and keep them elevated even after demand subsided. Octane changed how base fees are calculated, so they respond more smoothly to actual usage, cutting down on volatility and lowering average costs.
- **Flexible capacity management:** Before Octane, increasing the C—Chain's capacity required a full network upgrade, which was disruptive and slow. Octane introduced a mechanism for validators—the participants who process transactions—to vote on how much capacity the network should handle. This makes the system more adaptable to hardware improvements and market conditions without requiring major interventions.

We can see the benefits of these upgrades paying off in recent on-chain statistics.

Avalanche Lis: Transaction Count vs Active Chains (Quarterly)
Bars show quarterly L1 transaction counts (left axis, millions) and active Avalanche L1s (right axis)



Source: Bitwise Europe; Blockworks Research

Competitive Positioning

Avalanche's role in the Layer-1 landscape is best understood relative to its peers:

- **Ethereum** has become the settlement layer of choice, extending blockspace through rollups (secondary networks that package transactions and settle back to Ethereum). It has deep traction in tokenization and regulated finance, with unrivalled liquidity.
- **Solana** follows a monolithic design, processing all activity on one very fast chain. This approach delivers high throughput and has resonated with retail applications and consumer ecosystems.
- **Cosmos and Celestia** enable a do-it-yourself model where developers build application-specific chains. These frameworks offer flexibility but require more technical expertise, and the lack of strong shared security creates hurdles for institutions.
- **BNB Chain** prioritizes scale and efficiency, but its centralization makes it less neutral and, therefore, less attractive to some regulated enterprises.

Avalanche's niche is clear: turnkey sovereign L1s. This model maximizes enterprise control.

Why an institution might prefer sovereignty (Avalanche L1s) over shared scaling (Ethereum L2s)

01 / Strength

Ease of deployment

Enterprises can launch their own blockchains with configurable governance, fees, and privacy, while still being connected to Avalanche's validator base and liquidity.

Resilient consensus

Avalanche's consensus achieves sub-second settlement and avoids single points of failure, offering a comfort point for institutions.

EVM compatibility

Because the C—Chain runs Ethereum's Virtual Machine, developers can migrate applications easily, lowering switching costs.

Sector traction

Gaming (FIFA, MapleStory, Gunzilla) validates the "own your chain" model, while tokenization makes Avalanche a leading venue for on-chain finance.

Narrative alignment

Stripe and Circle launching their own blockchains shows a broader instinct: Large firms want to control their rails. Avalanche offers a cheaper, faster way to reach sovereignty than building from scratch.

02 / Opportunities

Institutional de-risking via sovereignty

Large firms worry about tying mission-critical systems to Ethereum alone. By running their own Avalanche L1s, they avoid being exposed to Ethereum's governance changes, fee volatility, or outages. In simpler terms: if Ethereum has a problem, their chain can keep running. This makes sovereignty a hedge against dependence on a single ecosystem.

Tokenization economics at scale

As funds, credit products, and FX markets move onchain, Avalanche L1s allow enterprises to align transaction fees and governance with their own business models. In practice, that means fee structures can be set to maximize profitability, ensuring economic flows accrue to the enterprise chain itself—something not possible when sharing blockspace with Ethereum rollups.

Graduation path from L2s to L1s

Avalanche predicts many Layer-2 (L2) projects will transition to sovereign Layer-1 (L1) blockchains for control over fees, MEV, validators, and tokenomics. The Etna upgrade (December 2024) cuts L1 creation costs by more than 99%, enabling this shift.

Brand and compliance primitives

Avalanche can offer permissioned or permissionless configurations, privacy controls, and auditability—all critical differentiators for regulated institutions.

Cost curve advantage

With improvements like the Etna upgrade (ACP-77), the cost and time to launch an enterprise L1 on Avalanche can be competitive with Cosmos or Celestia, and more efficient than bespoke infrastructure.

03 / Weaknesses

Value capture gap

Activity on enterprise L1s may accrue at the app or chain level rather than to AVAX itself. This creates uncertainty about how much value ultimately flows back to the base asset.

“Pilot optics” skepticism

Institutional deployments are often discounted by markets as incentive-driven pilots rather than durable adoption. Until usage scales beyond proofs of concept, skepticism will linger.

Messaging complexity

Avalanche’s terminology has evolved. Originally, enterprises built “subnets” that were secured by Primary Network validators. With the Etna upgrade (ACP-77), enterprises can now launch sovereign L1s with their own validator sets, paying a flat monthly fee instead of staking AVAX. This is a meaningful shift: It reduces reliance on the Primary Network and makes running a sovereign chain more accessible. But the distinction—subnets vs. L1s, staking vs. monthly fees—adds complexity to Avalanche’s enterprise pitch compared to Ethereum’s simpler “settlement layer plus rollups” story.

Ecosystem concentration risk

So far, successful use cases cluster in gaming and tokenization. Broader developer adoption still trails Ethereum’s institutional gravity and Solana’s retail momentum.

04 / Threats

Ethereum and Solana gravity.

Deep liquidity, developer mindshare, and network effects on Ethereum and Solana could limit Avalanche's growth flywheel.

Vertical integration by incumbents.

Firms like Stripe, Circle, or Hyperliquid may build and retain their own L1s, capturing the sovereignty segment Avalanche is targeting.

Residual dependency risks

Even sovereign Avalanche L1s still rely on the P-Chain to sync validator sets and enable cross-chain messaging. While not a direct security risk, any prolonged disruption could delay coordination or interoperability—an operational concern for institutions.

Unproven at internet scale

Avalanche has yet to face the stress of Ethereum- or Solana-level throughput across multiple active L1s. A bottleneck during a marquee launch would test confidence.

Asset Layer

Underlying Assets:

- Cash & Cash Equivalents
- Public Equities
- Private Funds (PE, VC); Private Credit/Loans
- Real Estate
- Reinsurance
- Culturally Relevant Assets (e.g., sports, film)

Sample Asset Issuers:

- Circle, Agora, Franklin Templeton
- KKR, ParaFi, Wellington Management, Republic, Banxa
- Lemonade
- Pressman Films, Watford Football Club

Infrastructure Layer

Custodians & Wallets:

- BitGo, Coinbase, Fireblocks, Aegis, Copper, MetaMask

Oracles:

- Chainlink, Redstone, Pyth, Jiritsu

DeFi Apps:

- Term Finance, August, Benqi, Aave

Compliance:

- Quadrata, Chainalysis, TRM

Generalist Tokenization Platforms:

- Securitize, Kaleido, Tokeny, Republic, Fireblocks, Oasis Pro, Xalts

Specialty Tokenization Platforms:

- Clearpool, Re, Trips, ProfitR, Fizi, Innovo, Mogul, Homium, Intain

Avalanche Network

Layer 1 Transaction & Settlement Layer

Tokenization

Republic

Brought profit-sharing from venture deals to Avalanche with $30M in subscriptions from 3M+ retail, accredited, and institutional investors.

re

Building a global decentralized reinsurance marketplace on Avalanche. Recently launched a reinsurance fund backed by $15M from Nexus Mutual and Avalanche Vista.

Pressman®

Using Avalanche to tokenize film financing: investors can buy into film slates and trade their positions on secondary markets after 12 months.

Fund Tokenization

DIAMOND STANDARD

Tokenized the Diamond Standard Fund on Avalanche via Oasis Pro, giving institutions access to the $1.2T diamond market.

BlackRock

Launched the BUIDL fund on Avalanche, offering instant settlement, daily dividends, composability, and collateral mobility.

APOLLO

Introduced the Apollo Diversified Credit Fund (ACRED), giving accredited investors on-chain access to private credit markets.

FRANKLIN TEMPLETON

Brought its $1.6T AUM OnChain U.S. Government Money Fund (FOBXX) to Avalanche — the only SEC-registered mutual fund on a public blockchain.

KKR

Tokenized part of its $4B Healthcare Growth Fund on Avalanche, lowering investment minimums and enabling digital onboarding for a broader investor base.

ParaFi

Tokenized interests in one of its venture funds via Securitize on Avalanche, highlighting institutional alternative asset use cases.

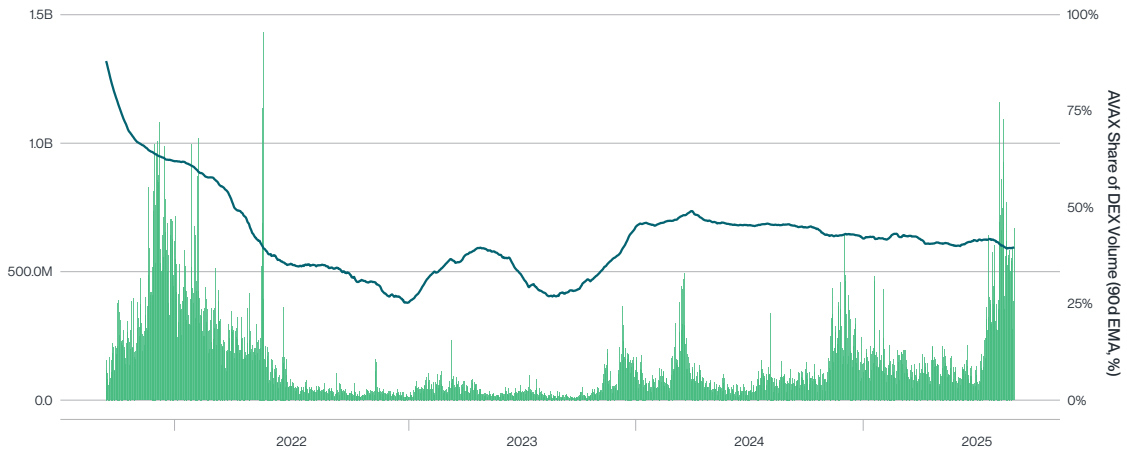
III Where Avalanche Is Winning

Avalanche is growing. Unique addresses grew 29% between Q4 2024 and Q2 2025, while new addresses surged 239%—placing Avalanche among the most actively used public blockchains. Its ecosystem has scaled to more than 300 chains, including 75+ sovereign Avalanche L1s live mid-year with targets to surpass 100 by year-end. These deployments span decentralized finance (DeFi), gaming, tokenization, payments, and enterprise-grade workflows.

DeFi

DeFi remains a cornerstone of Avalanche's usage. Aave, LFG (previously Trader Joe), and BENQI continue to anchor liquidity, while newer entrants like Blackhole DEX have grown rapidly, surpassing $250 million in total value locked within months. Stablecoin supply and DEX activity directly tie to AVAX's burn mechanism, providing a tangible link between ecosystem activity and tokenholder value.

Avalanche DEX Liquidity: Total Volume vs AVAX Share
Line shows AVAX share of total DEX volume (90-day EMA), bars show total DEX volume in USD



Bitwise Europe, Blockworks Research

Gaming and Consumer Apps

Avalanche has differentiated in gaming, with Gunzilla's AAA shooter Off the Grid and Nexon's MapleStory Universe leveraging Avalanche L1 infrastructure to bring millions of players onchain. South Korea's SK Planet integrated Avalanche into its Okay Cashback loyalty platform, embedding blockchain ticketing across 21 million users. Shopify merchants now access Avalanche-powered loyalty programs via Tib, while FIFA Collect and Sports Illustrated Tickets highlight sports and entertainment adoption. Here, Avalanche's appeal is clear: customizable infrastructure, fast settlement, and lower costs than Ethereum rollups.

Real-World Assets (RWA)

Avalanche has become one of the most active venues for tokenized assets, with ~$354 million deployed across treasuries, credit, and alternatives. BlackRock's BUIDL, Franklin Templeton's BENJI, VanEck's VBILL, and WisdomTree's MMFs all run on Avalanche. Apollo's ACRED fund brought private credit strategies onchain, Intain launched structured finance products, and Fence automated debt administration. Grove, a MakerDAO subDAO, is targeting $250M in CLO deployments. These use cases favor Avalanche over alternatives because enterprises can enforce governance and compliance rules while retaining interoperability with broader liquidity.

FX and Payments

Institutional payments are emerging as another stronghold. Nonco, backed by VanEck, launched FX trading starting with USDMXN. Lynq, built by Arca and Tassat, enables real-time settlement using tokenized Treasuries. Rain, a Visa principal member, issues stablecoin cards usable through Apple Pay and Google Pay. Agora (AUSD) and StraitsX (XSGD) extend regulated stablecoins to institutional and regional markets, while Trensi/Axiym provides a solution designed to fund global cross-border payments by assisting companies with their pre-funding, thereby enhancing speed and reducing capital intensity of global cross-border payments. These deployments highlight Avalanche's strength in compliance and interoperability—traits not easily replicated on Solana or Ethereum rollups.

Enterprise Workflows

Avalanche is embedding in institutional workflows. Blockticity has issued over $1.2B in authenticated supply-chain certificates on an Avalanche L1. On the institutional side, the Spruce testnet includes T. Rowe Price, WisdomTree, Wellington, and Cumberland, with Citi and DTCC Digital Assets later joining to pilot fund administration, settlement, and secondary trading. Under MAS Project Guardian, Citi built three Evergreen Avalanche L1s and an app for bilateral spot FX pricing and execution. J. P. Morgan's Kinexys used AvaCloud privacy and identity solutions in Project EPIC, and in a separate MAS pilot linked Onyx Digital Assets to funds tokenized on Avalanche via LayerZero. Evergreen subnets are permissioned Avalanche L1s for regulated, customizable deployments. ANZ demonstrated cross-chain AUD/NZD stablecoin transfers between Avalanche and Ethereum using Chainlink CCIP.

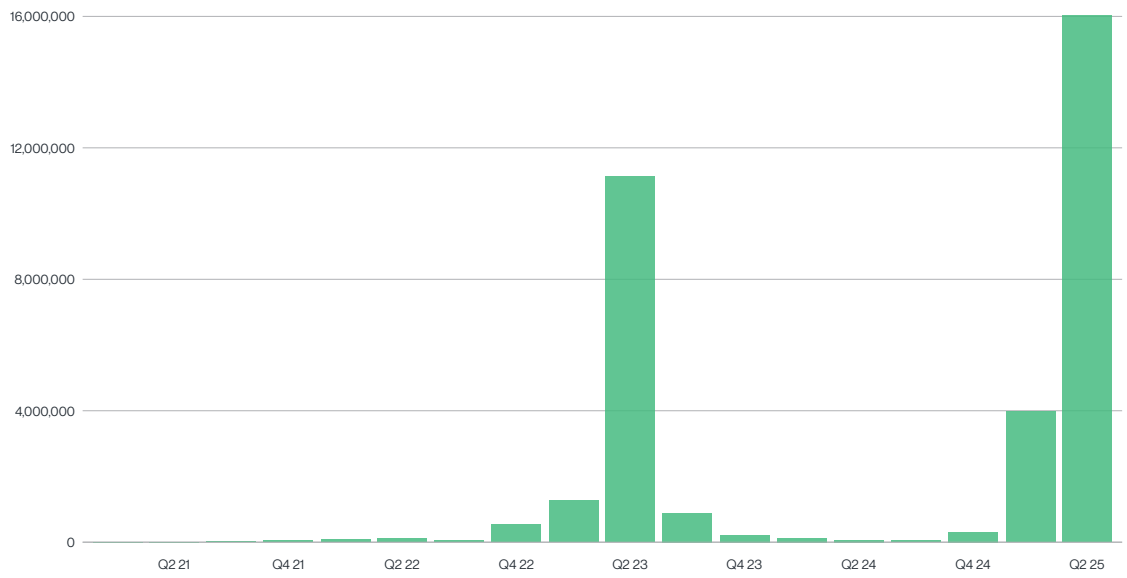
Stablecoins as a Catalyst

Stablecoins may be Avalanche's most powerful driver of adoption. Visa already settles transactions in USDC, PYUSD, USDG, and EURC directly on Avalanche. In August 2025, Wyoming launched the Frontier Stable Token (FRNT), the first state-issued digital dollar, backed 102% by Treasuries and dollars. Unlike pilots, FRNT is designed for production: Through Rain, it will be spendable anywhere Visa is accepted. Early use cases—such as contractor payment transaction times reduced from 45 days to seconds—underscore Avalanche's potential as the backbone of regulated digital money.

These experiments reinforce Avalanche's positioning as a middle lane between Ethereum's settlement dominance and Solana's retail liquidity.

Furthermore, we see signs of momentum building across the board. Contract deployments on Avalanche have accelerated steadily, a signal that developer activity and network effects are beginning to take hold. Enterprises are not just piloting but moving toward production in RWAs, payments, and gaming.

Avalanche — Contracts Deployed per Quarter



Source: Blockworks Research; Bitwise Europe

The question is whether that distinction can compound into network effects strong enough to rival Ethereum's settlement gravity and Solana's retail liquidity.

IV Valuing AVAX

AVAX Tokenomics

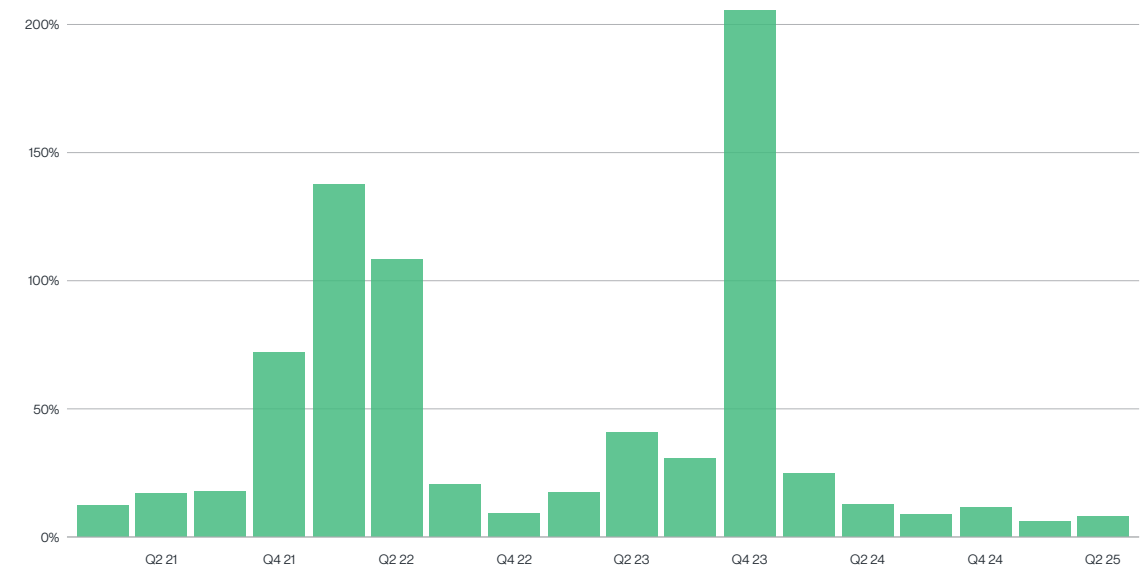
AVAX is the native utility token of the Avalanche network, designed to secure the protocol, coordinate validator incentives, and serve as the unit of account across Avalanche L1.

Its design combines three features investors will recognize: a hard supply cap, a built-in "buyback" mechanism through fee burns, and a staking model that issues rewards to participants who secure the network.

- **Hard cap:** AVAX supply is fixed at 720 million tokens. Roughly half was minted at launch and distributed to early backers and the Avalanche Foundation, with the remainder reserved for staking rewards through 2030. About 422 million AVAX are in circulation today, ~48% of which is staked (~$5.3 billion).
- **Fee burn:** Every transaction on Avalanche requires AVAX. Unlike Ethereum, where part of the fee goes to validators, Avalanche permanently burns 100% of both base and priority fees. This functions like an automatic share buyback: higher usage reduces supply. During December 2023's activity spike, 1.26 million AVAX were destroyed ($50 million at that month's price of $39.90).
- **Staking rewards:** Validators earn newly minted AVAX, with yields dependenting on stake size and lockup period (longer commitments can boost returns by ~11%). Inflation averaged ~3.8% in Q2 2025, partially offset by fees burned.

Another key point is that unlike Ethereum, Avalanche does not slash validators (penalize them by seizing stake). Instead, underperformance simply results in lost rewards. This lowers operational risk for institutions but raises the question of whether security incentives are as strong as in slashing-based systems.

Avalanche—Burn Rate as % of Issuance (Quarterly Avg)



Source: Blockworks Research; Bitwise Europe

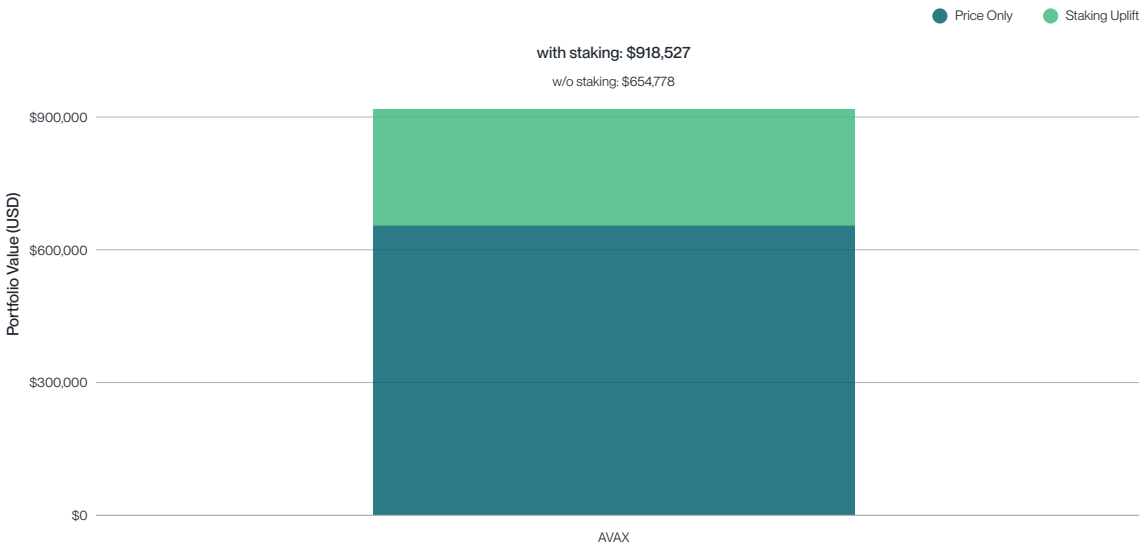
Staking boosts total-return performance vs. price-only

AVAX—Price vs. Total Return with Staking (Indexed)

Source: Bitwise Europe; Glassnode

Compounding staking rewards increases terminal value vs. price-only

AVAX—$100k Allocation: Price + Staking Uplift (Stacked)



Bitwise Europe; Blockwroks Research. Bar reefelcts a $100k allocation over AVAX's available period.
Dataset availability—2020-10 to 2025-09

From a supply perspective, 90% of genesis tokens are already liquid, with the remainder unlocking steadily through 2030. The fixed cap of 720 million AVAX ensures long-term scarcity, but the balance between new issuance for staking and fee-driven burn will determine whether AVAX becomes a deflationary asset or remains inflationary in practice.

Recent upgrades have further refined the asset's tokenomics. For instance, ACP-77 (Avalanche9000/Etna) introduced a pay-as-you-go (PAYG) model for new Avalanche L1s, replacing the 2,000 AVAX validator stake with a modest recurring fee. This dramatically cut launch costs. It is estimated that launching on Avalanche is now cheaper than creating a Celestia rollup or Cosmos appchain. In practice, this has lowered barriers for sectors like gaming and consumer apps, where budgets are tighter.

Network Health

Several metrics provide insight into Avalanche's current performance:

Market and Fee Dynamics

Price performance YTD was modestly negative, with AVAX declining 28.9% and market capitalization falling to about $11.3 bn as of 10/09/2025. Importantly, volatility compressed relative to prior cycles, suggesting the token is maturing into a mid-tier infrastructure asset rather than a speculative high-beta trade.

Certain network fundamentals, however, moved in the opposite direction. Total transaction counts, for instance, rose by 83.4%, although transaction fees fell 35.4% in Q2 2025 due to the new tokenomics.

On the network health side, Avalanche L1s saw aggregate transaction counts surge by 172.9% to more than 900 million, while total active addresses more than tripled from 15.1 million at the start of the year to 47.2 million in Q2 2025.

Validator Security and Staking

Network security has remained stable through 2025. By Q2, Avalanche recorded 1,437 active validators and roughly 217.5 million AVAX staked, equal to a 46.7% stake rate (~$6 billion at current prices). While its validator set remains smaller than Ethereum's million-plus, the trajectory is constructive, helped by Avalanche's pay-as-you-go staking model, which reduces entry barriers.

DeFi and Liquidity Profile

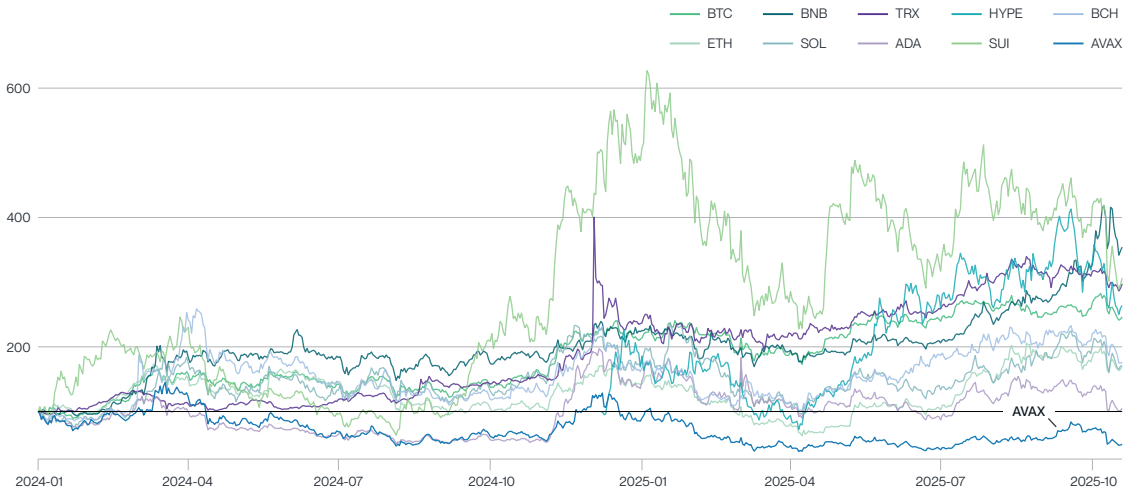
DeFi regained momentum in Q2. Total value locked rose by 16.1% to ~$1.536 billion, with both Aave and BENQIi remaining dominant, and Euler Finance joining as a new top-three protocol. Aggregate DEX volumes declined in line with broader market trends, yet market share shifted dramatically: Pharaoh Exchange quadrupled volumes to capture nearly half of C—Chain liquidity, while incumbents like LFJ lost ground. This fluidity highlights Avalanche's competitiveness but also the absence of entrenched liquidity moats.

Stablecoins and Institutional Anchors

Stablecoin supply on Avalanche contracted by 28.5% to roughly $1.38 billion in Q2 2025 compared to the start of the year. Within that, USDC overtook USDT as the largest stablecoin on the network.

V Investing in AVAX

AVAX Lags Layer-1 Peers Despite Strong Enterprise Adoption and Improving Network Metrics
Price Performance Index (Base: Jan 1, 2024 = 100)



Source: Glassnode; Bitwise Europe; Data as of 2025-10-03

Investment Rationale

The investment case for Avalanche is unlike its Layer-1 peers. With Bitcoin, the math is straightforward: Scarcity meets demand for digital gold. With Ethereum, the model is increasingly tied to rollup activity and data availability fees flowing back to ETH. With Solana, throughput and consumer adoption are the key levers.

Avalanche, by contrast, sits in the "middle lane": An enterprise-oriented protocol designed to host sovereign blockchains.

This model creates a structural paradox.

Sovereign chains allow firms like Toyota to coordinate data for autonomous mobility, SkyBridge Capital to tokenize $300 million in hedge fund assets, and Bowmore or EXIT Festival to experiment with consumer products like whisky and onchain ticketing. Yet, while every chain pays ongoing fees to the P-Chai, n and some activity drives fee burns, the majority of economics remain with the enterprises themselves.

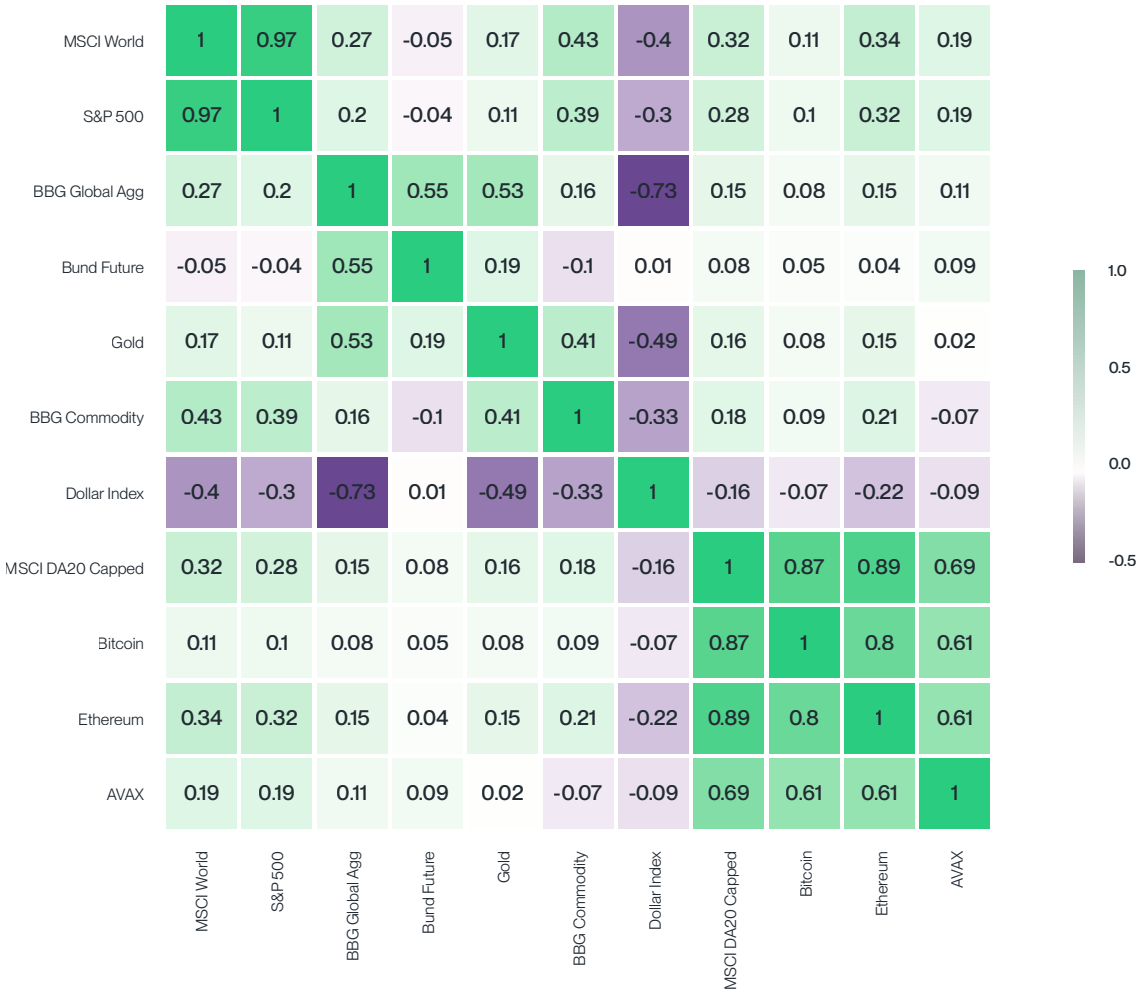
In practice, Avalanche may be running a freemium model: Keeping costs low today to maximize network breadth, with the expectation that sustained usage will ultimately deepen demand for AVAX.

This has parallels in other markets: Ethereum is pursuing a parallel trade-off—its rollup road map lowers transaction costs for end users while monetizing the backend through data availability and settlement fees. In both cases, the ecosystem subsidizes growth now in anticipation of stronger value accrual later.

It is also important to note that Avalanche's usage profile is not purely enterprise driven. DeFi protocols such as Aave, BENQI, and Blackhole DEX, along with gaming titles like MapleStory Universe and Gunzilla's Off the Grid, continue to generate transactions, liquidity, and fee burn. Retail activity provides a consistent baseline, even as enterprise adoption scales.

For allocators, this makes AVAX a diversification play. It offers differentiated exposure to sovereign blockchains, institutional tokenization, and retail-scale applications—areas not fully covered by ETH's settlement model or SOL's consumer flywheel. The question is whether Avalanche can tighten the link between ecosystem adoption and token holder value. If it can, AVAX becomes the clearest instrument for the sovereign blockchain thesis.

Cross Asset Correlation Matrix with AVAX



Correlations of weekly returns; Source: Bloomberg (macro), Glassnode (AVAX), Bitwise Europe Earliest data start: 2011-01-03; data as of 2025-10-06

AVAX's Long-term Performance Outlook

To model AVAX's long-term value accrual, we begin with the core strategic question: Will Avalanche's unique selling proposition (Avalanche L1 blockchains with independent economics) ultimately accrue value back to the AVAX token?

Unlike Ethereum, where rollups are tethered to ETH through settlement and data availability costs, Avalanche L1s can operate with their own validator sets, tokenomics, and execution logic. This design maximizes flexibility for enterprises and developers but introduces a challenge for investors: Adoption does not automatically guarantee value capture at the base token.

The starting point, therefore, is to distinguish ecosystem activity from token holder accrual. An Avalanche L1 may thrive as an application-specific chain, but if its fees are denominated solely in its native token, the direct link to AVAX could be minimal. The relevant flows to token holders come only where AVAX is the unit of account: transaction fees on the native chains, validator registration fees for L1s, and the balance between issuance and operator costs.

Our valuation assumes that Avalanche is following a freemium strategy that prioritizes rapid expansion of sovereign L1s today in order to establish ecosystem dependency on shared infrastructure. As these L1s mature, they will require common services for coordination, interoperability, settlement verification, and identity, and those services can be standardized and priced in AVAX through governance. The expectation is that once network effects take hold, Avalanche can migrate value-accruing volume onto AVAX-denominated surfaces at the platform layer. Under this path, most meaningful economic activity that matters to token holders becomes AVAX-settled even if early execution on sovereign L1s uses local gas. Breadth of adoption comes first. Dependency comes second. AVAX pricing power comes third. This is the fundamental monetization sequence our valuation is built on.

Avalanche's Economic Layers

Avalanche's financial system is broader than a single chain. It consists of:

1. **Primary Network Activity (REV):** Real Economic Value (REV)[1] measures the aggregate demand for Avalanche block space across its native chains (the C—Chain (EVM execution), P-Chain (validator coordination), and X—Chain (asset issuance)). REV is defined as all in-protocol fees (base and priority) paid in AVAX. Importantly, 100% of these fees are burned, creating a direct and permanent value sink for token holders. In contrast to Ethereum's EIP-1559 design, which burns only base fees while routing tips to validators, Avalanche captures the entirety of transaction fees as deflationary pressure on supply.

2. **Avalanche L1 Service Fees (PAYG):** Under ACP-77, developers launching sovereign Avalanche L1 must pay continuous Pay-As-You-Go (PAYG) fees to the P-Chain for validator registration. These payments are denominated in AVAX and burned. PAYG does not represent general-purpose block space demand in the same way as REV, but it functions as a recurring service revenue stream tied to the proliferation of Avalanche L1. As institutional and gaming deployments scale, PAYG becomes an increasingly important contributor to token holder value.

1 Avalanche: Financials—Analytics Dashboard—Blockworks

Bringing these elements together, we define the fundamental valuation equation for Avalanche:

Token Holder Net Income = REV + PAYG − Operator Payments

REV: In-protocol transaction fees across the C-, P-, and X—Chains, 100% burned.

PAYG: Continuous validator registration fees from Avalanche L1s, denominated in AVAX and burned.

Operator Payments: The share of issuance that pays for real-world validator costs—hardware, bandwidth, and commissions—representing the system's true expense. Any remaining issuance simply redistributes value from non-stakers to stakers rather than reducing overall token holder value.

Our analysis breaks down Avalanche's income opportunity by category, as each category monetizes differently in the Avalanche model.

Avalanche L1 Service Fees (PAYG)

The Pay-As-You-Go (PAYG) fee system introduced under ACP-77 is the most distinctive element of Avalanche's design. It turns Avalanche into something akin to a SaaS platform for blockchains: Every sovereign L1 must register its validator set through the P-Chain and pay recurring fees in AVAX. Unlike C—Chain fees, which scale with usage, PAYG monetizes existence—even low-activity chains generate predictable demand for AVAX.

Today, Avalanche counts roughly 75 active sovereign L1s. Forty chains generated about $42,000 in PAYG fees in Q2 2025, equal to roughly $1,050 per chain for the quarter, or ~$4,200 when annualized. These figures reflect deployments that are far from peak usage—much like cloud servers, fees are owed regardless of workload. For conservative modeling, however, we anchor our estimates to this run rate.

Projecting forward to 2030, the number of sovereign chains becomes the critical variable. In the bear case, Avalanche reaches ~50,000 chains, producing ~$210 million annually. In the base case, scale rises toward ~100,000 chains, driving ~$420 million. In the max case, adoption accelerates toward ~500,000 chains—still only a fraction of the ~350 million companies globally, but a transformative leap from ~75 million today—generating $2.1 billion annually. Even these scenarios remain conservative: Most future L1s will likely operate closer to peak demand, raising their per-chain contributions above today's averages.

This mechanism is the linchpin of the Avalanche thesis. The sector opportunities that follow—gaming, institutional finance, DeFi, and enterprise applications—are the drivers that make sovereign chains proliferate. Each vertical provides the rationale for enterprises, governments, and platforms to deploy sovereign L1s, while PAYG ensures that their existence alone accrues recurring value to AVAX holders.

Gaming

Avalanche's gaming TAM sits at roughly $6.4 billion in 2025, edging down to $5.4 billion by 2030 (Statista). This is where Avalanche's "platform for platforms" design is most visible: Gunzilla, MapleStory, and FIFA Collect chose Avalanche precisely because they could launch sovereign chains that tailor gas fees, validator economics, and gameplay logic rather than compete in a congested execution layer.

By 2030, we estimate that up to 30% of global gaming revenue could move onchain, reflecting the strong fit between blockchain rails and digital game economies. In the bear case, Avalanche captures around 5% of that flow as most studios favor lower-cost retail ecosystems. In the base case, it captures closer to 10%, becoming the venue of choice for AAA developers seeking sovereignty without isolation. In the max case, capture rates climb toward 15% as sovereign economies prove structurally superior for complex design and recurring franchises.

Institutional

When we refer to the institutional market, we mean financial institutions and capital markets activity—asset managers, banks, and exchanges deploying blockchain for trading, settlement, and fund administration. This includes both the tokenization of assets (Treasuries, credit, funds) and the broader use of blockchain in capital markets (real-time settlement, collateral management, FX rails). Tokenization is about representing assets onchain; blockchain in capital markets is about embedding distributed ledgers into the workflows that govern how those assets move.

By 2030, we assume that 10% to 30% of relevant financial assets will be represented or processed on-chain. This is not a cap on tokenization—we expect the long-term trajectory to approach full adoption—but rather a near-term milestone reflecting regulatory cycles, institutional risk appetite, and the time it takes to rewire market infrastructure. Avalanche's role is then modeled as a share of that onchain segment, not of the entire market.

In the bear case, 10% of assets are tokenized by 2030, with Avalanche capturing about 3% of that slice—roughly 0.3% of the total market. In the base case, 20% of assets move onchain, with Avalanche capturing 7% of that flow, or ~1.4% of the total market. In the max case, 30% of assets are tokenized, with Avalanche securing 10% of that on-chain activity—~3% of the total market. In that outcome, recurring PAYG fees and C—Chain demand scale in tandem, and Avalanche's "sovereignty without isolation" thesis plays out at production scale.

DeFi & Stablecoins

Avalanche's DeFi and stablecoin opportunity is underpinned by two trends: $14.0 billion in projected DeFi revenues in 2025 (Statista) and a stablecoin market that could exceed $3 trillion by 2030. Unlike gaming or enterprise pilots, DeFi on the C—Chain directly burns AVAX, creating a clean mechanism for value accrual. Stablecoins reinforce this link: Every transaction denominated in USDC, PYUSD, or regulated issuers like StraitsX requires AVAX for fees, permanently reducing supply. Since 2022, Avalanche has averaged ~1.2% stablecoin market share (Artemis), a foothold now supported by Visa, Agora, and regional settlement integrations.

By 2030, we assume 20% to 40% of stablecoin supply circulates actively onchain, and Avalanche captures a portion of that flow. In the bear case, with 20% circulation, Avalanche holds 1% of the onchain share—roughly 0.2% of the total stablecoin market. In the base case, 30% of supply is active, with Avalanche doubling to 2% of that share (~0.6% of the total). In the max case, 40% of supply circulates and Avalanche grows to 6%—about 2.4% of the total market—reflecting its positioning as a preferred venue for enterprise-grade settlement and compliance-focused issuers.

Enterprise & Consumer Applications

Enterprise blockchain is one of the fastest-growing segments of digital infrastructure. The TAM is projected to expand from $14.1 billion in 2024 to over $213 billion by 2031 (Kings Research). For modeling, we apply the 2031 projection as a proxy for 2030, recognizing this slightly overstates the base but keeps growth directionally consistent). For consistency, we model adoption on a 2030 horizon, recognizing that enterprise workflows—from insurance to supply chains to loyalty programs—are already testing sovereign chains on Avalanche. Early pilots include Deloitte for FEMA relief rails, Lemonade for crop insurance, FIFA for collectibles, and Shopify for merchants through Avalanche-powered loyalty platforms. These cases highlight the "platform for platforms" thesis: Enterprises want rails they can own and control but that still interoperate with a wider liquidity base.

By 2030, we assume that 3% to 10% of this TAM will have migrated onchain, with Avalanche capturing a portion of that activity. In the bear case, 3% of the market is tokenized, with Avalanche at 1% of that slice—about 0.03% of the total market. In the base case, 5% of TAM is onchain, with Avalanche securing 2% of that flow (~0.1% of the total). In the max case, 10% of TAM moves onchain, with Avalanche at 4% of that activity (~0.4% of the total).

The adoption curve is cautious because enterprise IT budgets and regulatory sign-offs move slowly. But as pilots turn into production systems, particularly in supply chains, payments, and loyalty, the opportunity compounds. Even small shares of a $200 billion-plus market translate into meaningful AVAX demand—and if adoption moves faster, enterprise use cases could become a structural growth pillar alongside DeFi, stablecoins, and tokenization.

Operator Payments (Cost)

Operator payments are the expense side of Avalanche's tokenholder equation. They represent the portion of staking issuance that does not stay within the tokenholder base, but flows out to infrastructure providers who run validators. Issuance itself is neutral—it shifts value from non-stakers to stakers. The true economic leakage occurs in validator commissions, the margin operators retain to cover hardware, bandwidth, and profit.

From Q1 to Q2 2025, operator leakage was roughly ~$3.48 million. As of September 29, 2025, Blockworks projects full-year leakage of ~$5.4 million, and Network Revenue to be ~$6.4 million reflecting validator growth and stable commission rates. The scale of operator costs is driven by three variables:

- **Staking participation:** Higher staking raises issuance, but most of it is recycled within token holders.
- **Commission rates:** Higher rates amplify leakage to operators.
- **Validator efficiency:** As networks mature, competition compresses margins, reducing operator capture over time.

To benchmark, we model operator payments as a ratio of total issuance and network revenue under different market regimes.

- **Bear Case** (~84% ratio, 2025 forecast levels): Operator leakage remains high. Avalanche is still in its laggard phase, with limited sustainable revenue streams. A larger slice of issuance goes to operators, weighing on net token holder income.
- **Bull Case** (~11% ratio, 2024 levels): Leakage moderates as adoption expands and validator competition squeezes margins. More issuance circulates back to stakers, improving net accrual.
- **Max Case** (~4% ratio, 2022 levels): At peak network activity, commissions represent a smaller share of overall revenues. Token holder net income flows more cleanly, with operator costs a manageable drag.

The framing is straightforward: Operator payments are a structural cost, not a growth driver. Investors are rooting for lower leakage ratios over time, either because validator markets become more competitive, or because Avalanche achieves enough scale that operator margins compress.

Bear Case

Price Target: $17.42 (–38%)

In the bear outcome, Avalanche's architecture functions as designed, but adoption generates little value for token holders.

- Gaming: ~30% of the $5.4 billion 2030 TAM moves on-chain, with Avalanche capturing ~5% of that segment—equal to ~1.5% of the total market and roughly ~$81 million in activity
- Institutional: ~10% of tokenization markets migrate onchain, and Avalanche captures ~3% of that activity—roughly 0.3% of the total market. Ethereum retains institutional liquidity, while Solana consolidates retail flows.
- Stablecoins & DeFi: ~20% of stablecoin supply circulates actively, with Avalanche holding ~1% of that—equal to just 0.2% of the total market. Flows tied to AVAX burn remain too small to offset issuance.
- Enterprise: ~3% of the enterprise TAM is onchain, with Avalanche securing ~1% of that activity—just 0.03% of the total market.

— PAYG: Even with ~50,000 sovereign chains by 2030, fees total only ~$210 million annually, leaving PAYG immaterial at system scale.

— Operator Payments: Leakage remains high (~84%), absorbing most of what little accrual exists.

Together, these inputs yield net token-holder income of roughly $1.24 billion by 2030. Applying a conservative 10× multiple reflects the assumption that Avalanche's pricing power remains limited: most sovereign L1s can operate their own tokens and fee structures, transacting in AVAX only for P-Chain PAYG fees rather than for ongoing execution on the C—Chain. As a result, total token-holder value reaches ~$12.4 billion, or $17.42 per AVAX, reflecting a scenario where Avalanche captures a smaller share of industry growth as competing Layer-1s expand their value propositions and enterprise chains retain more of their own economics.

Bull Case

Price Target: $379.23 (+1,246%)

The bull case assumes Avalanche succeeds in its "middle-lane" role: Not the category leader, but the preferred chain for enterprises seeking sovereignty with interoperability.

— Gaming: ~30% of the $5.4 billion 2030 TAM moves onchain, with Avalanche capturing ~10% of that flow—equivalent to ~0.3% of total industry revenues, as major studios and publishers standardize on sovereign Avalanche L1s.

— Institutional: ~20% of tokenization markets are onchain, with Avalanche capturing between ~7%—~1.4% of the total market. Evergreen L1s establish themselves as credible frameworks for compliant rails.

— Stablecoins & DeFi: ~30% of stablecoin supply circulates actively, and Avalanche captures ~2% of that—~0.6% of the total market. This brings burn dynamics close to deflationary balance.

— Enterprise: ~5% of the $213 billion 2031 TAM is on-chain, with Avalanche securing ~2% of that activity—about 0.1% of the total market. Pilots in insurance, loyalty, and payments expand into production systems.

— PAYG: Scales meaningfully with ~100,000 sovereign chains, generating ~$420 million annually as a predictable AVAX sink.

— Operator Payments: Leakage moderates ~11% as validator markets become more competitive.

Together, these inputs deliver net token-holder income of roughly $18.1 billion by 2030. Applying a 15× multiple implies ~$271.2 billion in token-holder value, or ~$379.23 per AVAX, representing ~1246%. This scenario assumes Avalanche consolidates its position as the dominant platform for sovereign chains—balancing enterprise control with shared liquidity—while improving its pricing power.

Max Case

Price Target: $1,583.17 (+5,520%)

The max case assumes Avalanche becomes the default platform for sovereign blockchains, with adoption across gaming, finance, stablecoins, and enterprise reaching critical mass by 2030.

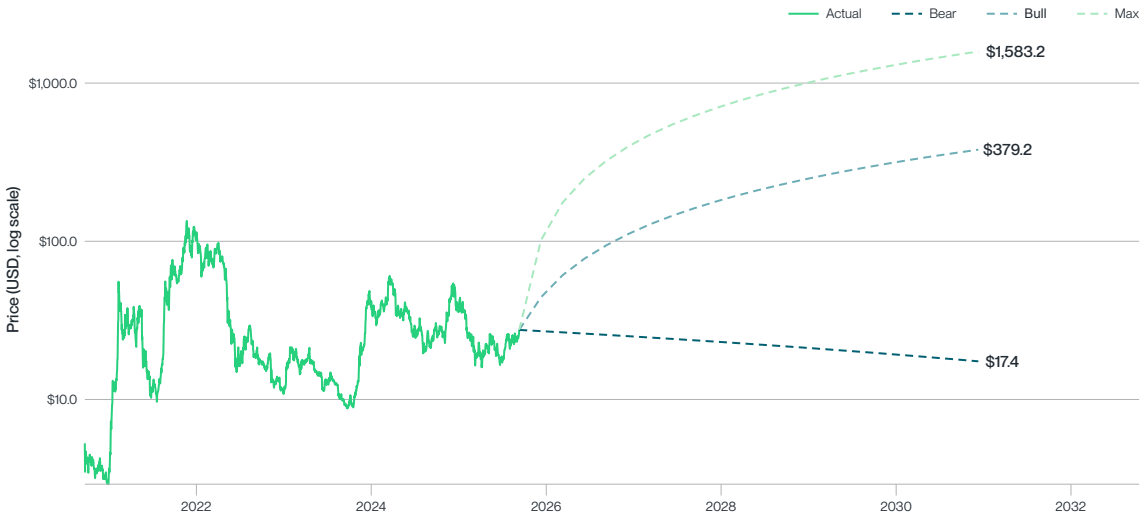
- Gaming: ~30% of the $5.4 billion 2030 gaming TAM moves on-chain, with Avalanche capturing ~15% of that flow—equivalent to ~4.5% of total industry value, or roughly $243 million in on-chain activity settled through Avalanche L1s.
- Institutional: ~30% of tokenization markets migrate on-chain, with Avalanche capturing ~10% of that activity—about 3% of the total market. Major banks and asset managers standardize tokenized credit, funds, and settlement rails on Avalanche Evergreen L1s.
- Stablecoins & DeFi: ~40% of stablecoin supply circulates actively, with Avalanche holding ~6%—~2.4% of the total market. Persistent C—Chain fee burns from DeFi and settlement usage push AVAX supply toward structural deflation.
- Enterprise: ~10% of the $213 billion 2030 TAM is on-chain, with Avalanche capturing ~4%—~0.4% of the total market. Adoption broadens into ABS issuance, insurance, and cross-border payments.
- PAYG: Scales with ~500 000 sovereign chains by 2030, producing ~$2.1 billion annually in recurring AVAX demand through the P-Chain.

Operator Payments: Leakage compresses toward ~4%, reflecting a fully competitive validator market where most issuance recycles within token holders.

Together, these inputs yield net token-holder income of ~$75.4 billion by 2030. Applying a 15× multiple implies token-holder value of ~$1,131.9 billion, or ~$1,583.17 per AVAX—around a 5,520% increase from current levels. This represents full realization of Avalanche's thesis: sovereignty at scale, with AVAX acting as a structurally deflationary settlement asset anchored by sustained C—Chain burns and large-scale PAYG adoption.

AVAX Valuation Projections: Bear, Bull, and Max Scenarios

A Forward-Looking Model Grounded in Usage-Driven Protocol Revenue and Tokenholder Accrual



Source: Bitwise Europe, Artemis; Last obs: 2025-09-10

VI Conclusion

Avalanche's objective is ambitious and will take time to reach full maturity. But the market is overlooking the progress already made.

Rather than competing as a general purpose Layer 1, it is designed as a foundational platform for sovereign Layer 1s, where enterprises, asset managers, and governments can build and operate their own networks with control over governance, compliance, and economics while coordinating through the Primary Network.

As institutions begin to issue, trade, and settle digital assets at scale, the demand for programmable, compliant, and independently governed infrastructure will grow. Avalanche's architecture aligns with how financial systems will transact. Each Avalanche L1 operates as a sovereign environment that enforces its own rules and coordinates validator registration and network operations through the P Chain, while preserving a path to interoperate where required.

The data supports this view. Avalanche now supports more than 300 active blockchains, including over 75 sovereign Layer 1s, and anchors deployments across tokenized treasuries and credit, enterprise payments, FX pilots, and consumer-scale use cases in gaming and loyalty. Recent upgrades, including Etna and Octane, lowered costs, stabilized fees, and simplified operations for regulated users. Fee burns and pay-as-you-go service fees using AVAX create a direct economic sink that strengthens the link between network usage and the AVAX asset.

Avalanche is not a single blockchain competing for users. It is a platform that allows institutions to build, operate, and scale digital economies under their own rules.

As global markets transition from experimentation to production, Avalanche provides the infrastructure for that shift, built for speed, programmability, and institutional readiness.

VII Investment Opportunity

Bitwise Avalanche Staking ETP (AVNB GR Equity)

Investment Objective

The Bitwise Avalanche Staking ETP (AVAX) offers investors exposure to the performance of AVAX, while capturing additional staking rewards that are accumulated in the ETP. AVNB is an institutional-grade, low cost, and liquid ETP that is fully backed with AVAX held in cold-storage custody. The ETP is benchmarked to the Compass AVAX Total Return 90% Index, after fees and expenses.

Institutional-Grade Quality and Efficiency

The NEAR ETP has been designed to prioritise investor outcomes and meet the requirements of institutional investors. Anchored by a real benchmark, investors can accurately evaluate NEAR staking opportunities and clearly assess performance against industry standards.

Key Product Details

Primary Ticker	AVNB GR Equity
ISIN	DE000A4APQX6
TER	0.85%
Asset Class	Digital Assets
Underlying Exposure	Avalanche (AVAX)
Strategy	Staking, Total Return
Benchmark	CF AVAX Staked Return Index
Replication Method	Physically allocated (100% fully backed)
WKN	A4APQX
Primary Listing Date	01/10/2025

The Risks

- Investors' capital is at risk, and investors may not get back the amount originally invested and should obtain independent advice before making a decision.
- Any decision to invest should be based on the information contained in the relevant prospectus.
- ETC securities are structured as debt securities, not as equity.
- ETCs trade on exchanges like securities. They are bought/sold at market prices, which may be different to the net asset value of the ETC.

Please note, this is not an exhaustive list, and other risks may apply. Please consult the KIID and Prospectus for more details

References

Ava Labs. (2024, July 18). AvaCloud selected to participate in Kinexys by J.P. Morgan's Project Guardian exploring privacy and identity solutions for institutions. Avalanche Blog. Retrieved September 30, 2025, from https://www.avax.network/about/blog/avacloud-selected-to-participate-in-kinexys-by-j-p-morgans-project-epic-exploring-privacy-and-identity-solutions-for-institutions

Ava Labs. Avalanche whitepapers. Retrieved September 30, 2025, from https://www.avalabs.org/whitepapers

Avalanche. (2024, May 5). FIFA selects Avalanche to power its FIFA blockchain for football's Web3. Avalanche Blog. Retrieved September 30, 2025, from https://www.avax.network/about/blog/fifa-selects-avalanche-to-power-its-fifa-blockchain-for-footballs-web3

Avalanche. (2024, March 15). Franklin Templeton launches tokenized money market fund Benji on Avalanche. Avalanche Blog. Retrieved September 30, 2025, from https://www.avax.network/about/blog/franklin-templeton-launches-tokenized-money-market-fund-benji-avalanche

Avalanche. (2024, August 12). Nonco brings institutional FX liquidity on-chain powered by Avalanche. Avalanche Blog. Retrieved September 30, 2025, from https://www.avax.network/about/blog/nonco-brings-institutional-fx-liquidity-on-chain-powered-by-avalanche

Avalanche Foundation. (2023, November 2). Citi tests benefits of private markets tokenization with Avalanche Evergreen Subnet Spruce. Avalanche Blog. Retrieved September 30, 2025, from https://www.avax.network/about/blog/citi-tests-benefits-of-private-markets-tokenization-with-avalanche-evergreen-subnet-spruce

Avalanche Foundation. ACP-77: Reinventing subnets. GitHub Technical Documentation. Retrieved September 30, 2025, from https://github.com/avalanche-foundation/ACPs/blob/main/ACPs/77-reinventing-subnets/README.md

Avalanche Foundation. ACP-103: Dynamic fees. GitHub Technical Documentation. Retrieved September 30, 2025, from https://github.com/avalanche-foundation/ACPs/blob/main/ACPs/103-dynamic-fees/README.md

Avalanche Foundation. ACP-125: Basefee reduction. GitHub Technical Documentation. Retrieved September 30, 2025, from https://github.com/avalanche-foundation/ACPs/blob/main/ACPs/125-basefee-reduction/README.md

AvaCloud. How SK Planet revolutionized customer lotalty. AvaCloud Blog. Retrieved September 30, 2025, from https://avacloud.io/blog/how-sk-planet-revolutionized-customer-lotalty

BlackRock. (2024, February 15). BlackRock launches digital liquidity fund BUIDL on Avalanche via Securitize. Avalanche Press Release. Retrieved September 30, 2025, from https://www.avax.network/about/press/blackrock-launches-digital-liquidity-fund-buidl-on-avalanche-via-securitize/

Blockworks. (2024, June 18). Avalanche, Sports Illustrated bring NFT ticketing on-chain. Blockworks News. Retrieved September 30, 2025, from https://blockworks.co/news/avalanche-sports-illustrated-nft-ticketing

Blockworks. (2024, July 9). WisdomTree Connect expands chain-based tokenization. Blockworks News. Retrieved September 30, 2025, from https://blockworks.co/news/wisdomtree-connect-expands-chain-base-tokenization

Build. Primary Network. Build.AVAX Documentation. Retrieved September 30, 2025, from https://build.avax.network/docs/quick-start/primary-network

Circle. (2024, June 13). Introducing ARC: An open Layer-1 blockchain purpose-built for stablecoin finance. Circle Blog. Retrieved September 30, 2025, from https://www.circle.com/blog/introducing-arc-an-open-layer-1-blockchain-purpose-built-for-stablecoin-finance

Crowdfund Insider. (2023, March 18). Web 3.0 adoption: TYB, Shopify bring Web3 loyalty platform to consumer brands supported by Avalanche. Crowdfund Insider. Retrieved September 30, 2025, from https://www.crowdfundinsider.com/2023/03/204165-web-3-0-adoption-tyb-shopify-bring-web3-loyalty-platform-to-consumer-brands-supported-by-avalanche/

Gaming on AVAX. Off the Grid. Retrieved September 30, 2025, from https://www.gamingonavax.com/games/off-the-grid

Koch, J. (2025, July 23). State of Avalanche Q2 2025. Messari. Retrieved September 30, 2025, from https://messari.io/report/state-of-avalanche-q2-2025

Messari. Ava Labs fundraising. Messari Avalanche. Retrieved September 30, 2025, from https://avalanche.messari.io/fundraising/ava-labs

PR Newswire. (2024, April 19). VanEck launches first tokenized fund VBILL on Securitize. PR Newswire. Retrieved September 30, 2025, from https://www.prnewswire.com/news-releases/vaneck-launches-first-tokenized-fund-vbill-on-securitize-302453863.html

RedStone. (2025, June 5). Sacred goes DeFi: The first private credit fund earning on-chain yield. RedStone Blog. Retrieved September 30, 2025, from https://blog.redstone.finance/2025/06/05/sacred-goes-defi-the-first-private-credit-fund-earning-onchain-yield/

RWA.xyz. Avalanche network dashboard. RWA.xyz. Retrieved September 30, 2025, from https://app.rwa.xyz/networks/avalanche

Tempo. Tempo. Retrieved September 30, 2025, from https://tempo.xyz/

X (Twitter). (2025). Post on institutional FX liquidity announcement. Retrieved September 30, 2025, from https://x.com/avax/status/1914741748330360947

Important Information

The information provided in this material is for informative purposes only and does not constitute investment advice, a recommendation or solicitation to conclude a transaction.

This document (which may be in the form of a presentation, press release, social media post, blog post, broadcast communication or similar instrument—we refer to this category of communications generally as a "document" for purposes of this disclaimer) is issued by Bitwise Europe GmbH ("BEU" or "the Issuer"). This document has been prepared in accordance with applicable laws and regulations (including those relating to financial promotions). This document does not constitute investment advice, a recommendation or solicitation of an offer to buy any product or to make any investment. It is provided for illustrative, educational or information purposes only and may be subject to change.

Bitwise Europe GmbH, incorporated under the laws of Germany, is the issuer of Exchange Traded Products ("ETPs") described in this document under a base prospectus and final terms, which may be supplemented from time to time, and which are approved by BaFin. If you are considering investing in products issued by BEU you should check with your broker or bank that such products are available in your jurisdiction and suitable for your investment profile. A decision to invest any amount in an ETPs offered by BEU should take into consideration your specific circumstances after seeking independent investment, tax and legal advice.

You should read the relevant base prospectus and final terms before investing and, in particular, the section entitled "Risk Factors" for further details of risks associated with an investment. The prospectuses, final terms and other documents relevant to BEU's ETPs are available under the "Resources" section at www.etcgroup.com. When visiting this website, you will need to self-certify as to your jurisdiction and investor type in order to access these documents, and in so doing you may be subject to other disclaimers and important information.

IF YOU ARE IN THE UK, US, OR CANADA

Information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering in the United States or Canada, or any state, province or territory thereof, where neither the Issuer nor its products are authorised or registered for distribution or sale and where no prospectus of the Issuer has been filed with any securities regulator. Neither this document nor information in it should be taken, transmitted or distributed (directly or indirectly) into the United States.

This document does not constitute an invitation or inducement to engage in investment activity. In the UK, this document is provided for information purposes and directed only at investment professionals (as defined under the Financial Services and Markets Act 200 (Financial Promotion) Order 2005 as amended from time to time). It is not intended for use by, or directed at, retail customers or any person who does not have professional experience in matters relating to investment in cryptocurrencies and crypto-backed ETPs. Neither the Issuer nor its products are authorised or regulated by the UK Financial Conduct Authority.

PUBLICATIONS & SOCIAL MEDIA DISCLOSURE

Social media posts (including, but not limited to, LinkedIn and X) ("Social Media") are not, and should not be considered to be recommendations, solicitations or offers by BEU to buy or sell any securities, futures, options or other financial instruments or other assets or provide any investment advice or service. BEU makes all reasonable efforts to ensure that the information contained in documents and on Social Media is accurate and reliable, however, errors sometimes occur. All documents and any materials available on Social Media are provided "as is" without any express or implied warranties. Bitwise Europe does not guarantee, warrant or represent that documents and any materials on Social Media are accurate, valid, timely or complete. Any comments expressed by members of the online community represent those persons' own views and are not endorsed by Bitwise Europe.

RISKS OF ETPS & CRYPTOCURRENCIES

An investment in an ETP backed by one or more cryptocurrencies, such as those issued by BEU, is dependent on the performance of the underlying cryptocurrency, less costs, but it is not expected to match the performance of the underlying asset precisely. Investing in ETPs also involves numerous risks including general market risks relating to underlying, adverse price movements, currency, liquidity, operational, legal and regulatory risks and investors should be prepared to lose some or all of the amount invested.

ETPs backed by cryptocurrencies are highly volatile assets and performance is unpredictable. Past performance is not a reliable indicator of future performance. The market price of ETPs will vary and they do not offer a fixed income. The value of any ETP may be affected by exchange rates and the price movement of its underlying cryptocurrency (ies). Documents may contain forward-looking statements including statements regarding Bitwise Europe's belief or current expectations with regard to the performance of certain asset classes. Forward-looking statements are subject to certain risks, uncertainties and assumptions, and there can be no assurance that such statements will be accurate and actual results could differ materially. You must not place undue reliance on forward-looking statements or any information contained in documents.

Cryptocurrencies are highly volatile and are known for their extreme and rapid fluctuations in prices. While there may be potential for significant gains, you are at risk of losing part of or your entire capital invested. The price of cryptocurrencies can fluctuate widely and, for example, may be impacted by global and regional political, economic or financial events, regulatory events or statements by regulators, investment trading, hedging or other activities by a wide range of market participants, forks in underlying protocols, or disruptions to the infrastructure or means by which crypto assets are produced, distributed, stored and traded. Characteristics of cryptocurrencies and divergence of applicable regulatory standards create the potential for market abuse. The price of cryptocurrencies may also change due to shifting investor confidence in the future outlook of the asset class.

For a detailed overview of risks associated with cryptocurrencies and specifically associated with BEU's products, please refer to the prospectus and final terms available on the Bitwise Europe website: www.bitwiseinvestments.com/eu.

Bitwise®

Contacts

europe@bitwiseinvestments.com
linkedin.com/company/bitwise-europe
bitwiseinvestments.eu

Product materials, analysis, and due diligence collateral including SFDR information are available upon request.

Issuer
Bitwise Europe GmbH
Thurn-und-Taxis-Platz 6,
60313 Frankfurt am Main
Germany

Bitwise Europe Head Office
Bitwise Europe Management Ltd.
MYO, 3 New Street Square,
London, EC4A 3BF, UK