

Bitcoin (BTC) / Ethereum (ETH) / Solana (SOL) - Investment Memo

Category: Layer-1 Infrastructure

Sector: Settlement Layer

Position Type: Core Allocation (Target: 20 to 25%)

Allocation Breakdown: BTC (8%), ETH (~8%), SOL (~7.25%)

Current Prices: BTC \$104,750 (Market Cap: \$2.08T) | ETH \$2,510 (Market Cap: \$303B) | SOL \$148 (Market Cap: \$78.3B) (June 16, 2025)

Overview

Our settlement layer allocation represents the foundational infrastructure that enables all higher-order crypto applications. Bitcoin provides a sovereign, commodity-grade store of value; Ethereum serves as the dominant smart contract settlement layer for DeFi and institutional applications; and Solana offers high-performance infrastructure optimized for AI, DePIN, and consumer-scale applications. Together, these three assets capture the full spectrum of crypto's value proposition: digital gold, programmable money, and scalable infrastructure.

This 20-25% allocation anchors the portfolio with liquid, battle-tested assets while providing exposure to distinct but complementary investment themes: macro hedging (BTC), DeFi dominance (ETH), and next-generation infrastructure (SOL).

Bitcoin (8% Target Allocation)

Investment Thesis

1. **Institutional adoption acceleration** via ETFs has driven unprecedented adoption, with IBIT becoming the fastest ETF in history to reach \$70B AUM in just 341 days (5x faster than gold ETF GLD). BlackRock's IBIT alone now manages \$70.7B and holds over 680,000 Bitcoin, making BlackRock the world's largest institutional Bitcoin holder ahead of Binance.
2. **Supply shock dynamics** as institutional accumulation coincides with reduced daily issuance following the 2024 halving, while an estimated 3-4M BTC remain permanently lost, creating structural supply/demand imbalances in an increasingly liquid market.
3. **Bedrock layer of crypto legitimacy** serving as the foundation asset for the broader digital economy, commanding disproportionate capital flows in a fragmented market where

liquidity is diluted across 250+ digital assets.

4. **Strategic portfolio allocation recognition** by traditional financial institutions as a technological hedge against obsolescence of legacy financial systems, with total Bitcoin ETF AUM across all issuers now exceeding \$130B and collectively holding over 1.2M Bitcoin, representing meaningful institutional validation while maintaining asymmetric upside potential.
5. **Political and regulatory tailwinds** create a supportive environment for continued adoption, with pro-crypto policies, growing recognition of Bitcoin's commodity status, and the likely passage of comprehensive stablecoin legislation like the Genius Act providing institutional confidence and driving ecosystem-wide growth through expanded user onboarding and wallet adoption.

Key Catalysts

- Strategic bitcoin reserves by additional nation-states or US government
- Corporate treasury adoptions following MicroStrategy/Tesla playbook
- Bitcoin-backed financial products (options ETFs, structured products)

Ethereum (7-8% Target Allocation)

Investment Thesis

1. **DeFi settlement dominance** with ~65% of total value locked across lending, DEXs, and derivatives, creating powerful network effects and switching costs for institutional users. ETH recently beat Solana on daily fees and DEX volume for the first time since September 2024, demonstrating renewed network strength.
2. **Institutional infrastructure maturation** through ETF approval, with BlackRock alone moving \$400M+ to ETHA wallet this week, enterprise validation via JPMorgan's JPM Coin, and regulatory clarity under frameworks like MiCA and potential US legislation.
3. **Extreme supply shock mechanics** with 57% of total supply now locked between staking (35M ETH, 28% of supply at all-time highs), whale accumulation (22.8M ETH held by accumulation addresses at ATH), and ETF inflows. June 12 saw 871K ETH accumulated in a single day—the largest inflow since 2018—with sustained 800K+ daily accumulation for

nearly a week straight.

4. **Stablecoin infrastructure expansion** drives real-world utility, with Shopify connecting 700M customers to USDC payments and Coinbase USDC jumping 12x to \$12B as merchants save 300 basis points on fees, demonstrating Ethereum's role as the backbone of digital commerce.
5. **Layer 2 scaling ecosystem** captures transaction fees while settling to Ethereum mainnet, positioning ETH as the ultimate settlement asset for a multi-chain rollup-centric architecture.

Key Catalysts

- Layer 2 transaction volume growth driving mainnet settlement demand
 - RWA tokenization expansion beyond pilot programs
 - Ethereum ETF institutional adoption acceleration
 - Proto-danksharding and scaling roadmap execution
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Solana (7-8% Target Allocation)

Investment Thesis

1. **High-performance infrastructure** enables consumer-scale applications impossible on other chains, with 65,000+ TPS capacity and sub-400ms finality supporting AI inference, high-frequency trading, and real-time applications.
2. **AI and DePIN infrastructure leadership** with protocols like Akash, Render, and Helium migrating to or building on Solana, positioning it as the preferred settlement layer for compute-intensive and IoT applications.
3. **Institutional validation** through PayPal's PYUSD stablecoin, Shopify payment integrations, and growing enterprise adoption in payments and loyalty programs demonstrates real-world utility.
4. **Developer momentum and ecosystem growth** with fastest-growing developer count among major chains, supported by strong tooling, low transaction costs (\$0.00025 average),

and composable programming model.

5. **Mobile and consumer adoption** through Saga phone initiative and consumer-focused applications (DePIN, social, gaming) that require low-latency, low-cost infrastructure.
6. **Political and regulatory tailwinds** create a supportive environment for continued adoption, with pro-crypto policies and growing recognition of Bitcoin's commodity status providing institutional confidence.

Key Catalysts

- Continued AI/DePIN protocol migrations and adoption
 - Consumer application breakthrough (payments, social, gaming)
 - Institutional stablecoin adoption beyond PYUSD
 - Firedancer client launch improving network reliability
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Portfolio Synergies and Risk Management

Complementary Value Drivers: BTC provides macro hedging and store of value; ETH captures DeFi and institutional adoption; SOL offers exposure to next-generation infrastructure and consumer applications.

Diversified Technical Risk: Different consensus mechanisms (PoW vs PoS), virtual machines (EVM vs SVM), and design philosophies reduce single-point-of-failure risk while maintaining crypto beta exposure.

Liquidity and Correlation Management: All three maintain deep liquidity across spot and derivatives markets, while correlation patterns vary across market cycles (BTC often leads, ETH follows DeFi adoption, SOL driven by infrastructure usage).

Regulatory Coverage: Bitcoin's commodity status provides clarity; Ethereum's post-Merge transition and ETF approval signal regulatory acceptance; Solana benefits from payments utility and clear use case differentiation.

Key Risks

1. **Macroeconomic correlation** challenges the "uncorrelated hedge" narrative, as Bitcoin has shown significant correlation with risk assets during periods of economic uncertainty, potentially limiting portfolio diversification benefits.
2. **Regulatory uncertainty** persists despite ETF approvals, with evolving global regulations potentially restricting access, liquidity, or institutional participation across key jurisdictions.
3. **Competition and technological obsolescence** from CBDCs, regulated stablecoins, or next-generation cryptocurrencies with superior scalability and efficiency could diminish Bitcoin's market dominance and utility.
4. **Market concentration and infrastructure risks** from whale holdings, exchange vulnerabilities, and custody solutions create potential price manipulation and counterparty risks, while quantum computing advances pose long-term cryptographic threats.
5. **Adoption plateau risk** if mainstream utility fails to materialize beyond speculation and store of value use cases, potentially limiting long-term growth trajectories.

Valuation Framework

Bitcoin: \$300,000-\$1,000,000+ long-term based on gold market cap displacement scenarios. At 30% of gold's \$19.8T market cap, Bitcoin reaches ~\$312,700 per coin; full parity implies ~\$1,040,000 per BTC. This framework reflects Bitcoin's role as superior digital gold with 24/7 tradability, divisibility, and programmable scarcity.

Ethereum: \$6,000-\$12,000 by 2030 driven by DeFi TVL growth, L2 ecosystem expansion, and deflationary supply mechanics during high usage periods.

Solana: \$600-\$800 by 2030 reflecting infrastructure adoption, AI/DePIN settlement demand, and consumer application growth, with higher volatility given earlier adoption curve.

These targets assume continued crypto market maturation, regulatory clarity, and successful execution of technical roadmaps, while accounting for the distinct risk/return profiles of each asset.

Positioning Rationale

The 20-25% settlement layer allocation serves as our portfolio's foundation, providing liquid exposure to crypto's core value propositions while enabling tactical allocation to higher-conviction

infrastructure and application plays. This weighting reflects our belief that blockchain infrastructure will capture significant value as it matures, while maintaining diversification across distinct but complementary technological approaches.

The allocation sizes reflect our conviction in distinct value drivers: Ethereum receives the highest weight given its DeFi settlement dominance and institutional adoption trajectory; Solana commands significant allocation (6-7%) due to its infrastructure leadership in AI/DePIN and higher growth potential; while Bitcoin maintains meaningful exposure (7-8%) as a proven macro hedge and digital commodity, though sized more conservatively given our focus on infrastructure and application layer opportunities.

This foundation enables us to confidently allocate 15-20% to infrastructure verticals (oracles, compute, storage) and 10-15% to DeFi applications, knowing our base layer exposure captures the fundamental value creation of blockchain adoption across macro, institutional, and technological adoption curves.

Disclaimer: *This memo provides investment analysis for informational purposes only and does not constitute financial advice. Cryptocurrency markets are volatile and subject to regulatory and technological changes. All projections are estimates based on current conditions. Please conduct your own research and consult financial advisors before investing.*