



DIGITAL ASSETS REAL IMPACT

Investor Appetite in 2025

The Platform that Connects the Alternative Investment Industry

Executive SUMMARY

While many headlines have focused on digital asset volatility and some of the more challenging episodes for the asset class in recent years, the ecosystem has also been undergoing rapid evolution, marked by increasing institutional adoption, regulatory developments, and technological innovation.

Whether it is President Donald Trump's establishment of a strategic reserve of cryptocurrencies by using tokens already owned by the government (as he did in March 2025), or Fidelity Investments announcing a plan to launch its own stablecoin—deepening the \$5 trillion asset manager's push into digital assets—there are multiple potential tailwinds shaping the next chapter of the asset class's evolution.

A **1Q2025 iConnections investor survey of over 700 global LPs** found that over half (55%) are either already invested in the asset class, or are looking to add exposure to the space. **Digital Assets, Real Impact: Investor Appetite in 2025** explores what's driving this interest, providing an overview of the current landscape, exploring key trends shaping the market, and offering insights into the challenges and opportunities ahead.

For many investors, cryptocurrencies, tokenized securities, and stablecoins have gained increased credibility as investable assets, driven by deepened institutional

participation, improved custody solutions, clearer compliance frameworks, and demand for portfolio diversification. Traditional financial institutions are launching crypto-focused services, signaling broader integration of digital assets into the mainstream economy. The launch of spot Bitcoin ETFs in early 2024 generated over \$12 billion in inflows in just the first two months, illustrating rising institutional appetite.

Yet the sector also has to navigate: market volatility, cybersecurity threats, evolving regulation, and reputational concerns. The ongoing challenges posed by digital asset hacking underscores the importance of robust security protocols. But these challenges are balanced by compelling opportunities in financial inclusion, cross-border payments, digital identity, and capital markets innovation. Firms that navigate these challenges strategically can unlock substantial value.

Digital assets are no longer a fringe innovation—they are becoming an integral part of the global financial system. As technologists and investors create new paths for exposure, risk management, and innovation, the ecosystem becomes too big to ignore—and institutional pathways are expanding accordingly.

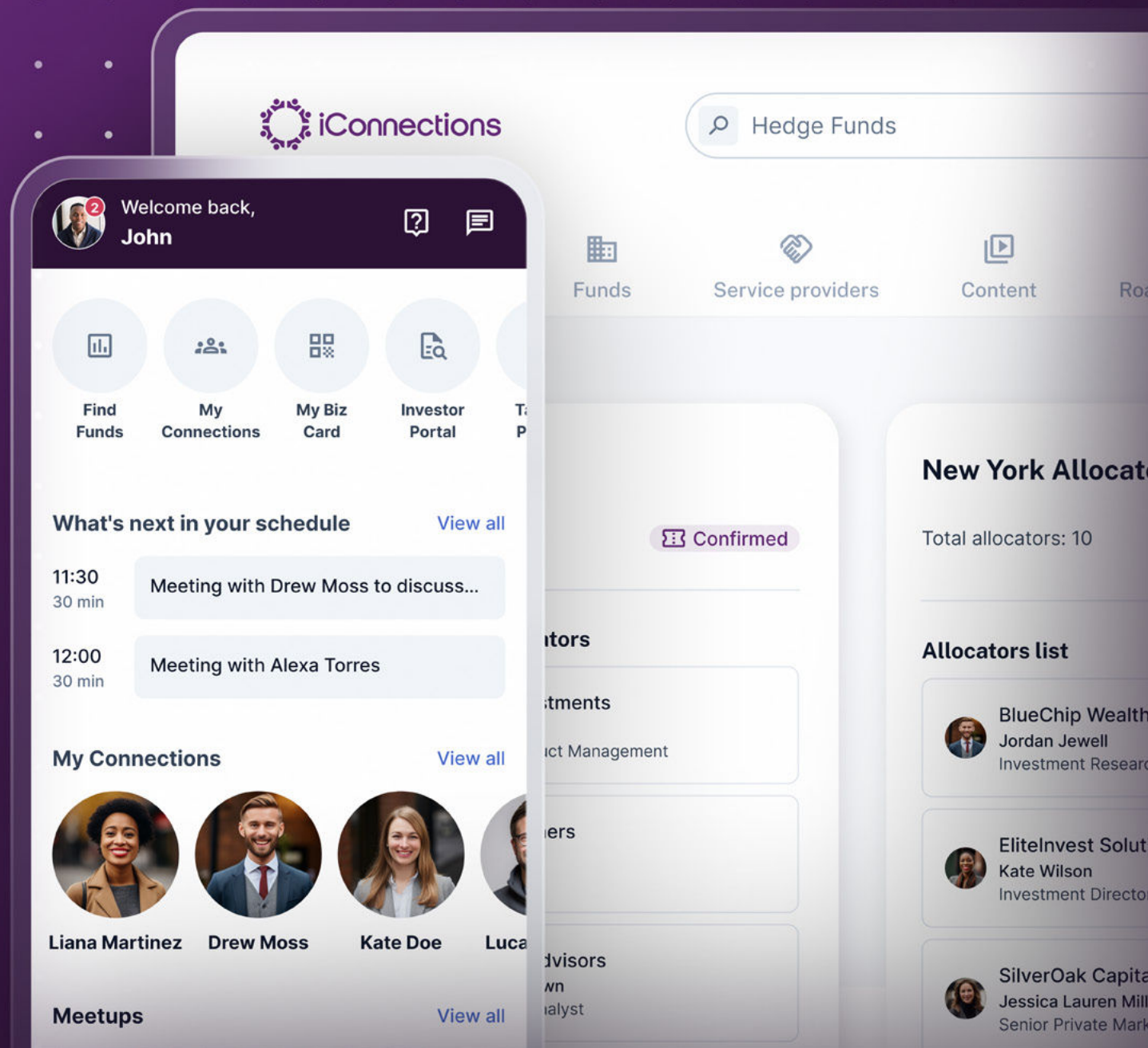


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The Current State of Play INVESTOR APPETITE FOR DIGITAL ASSETS IN 2025

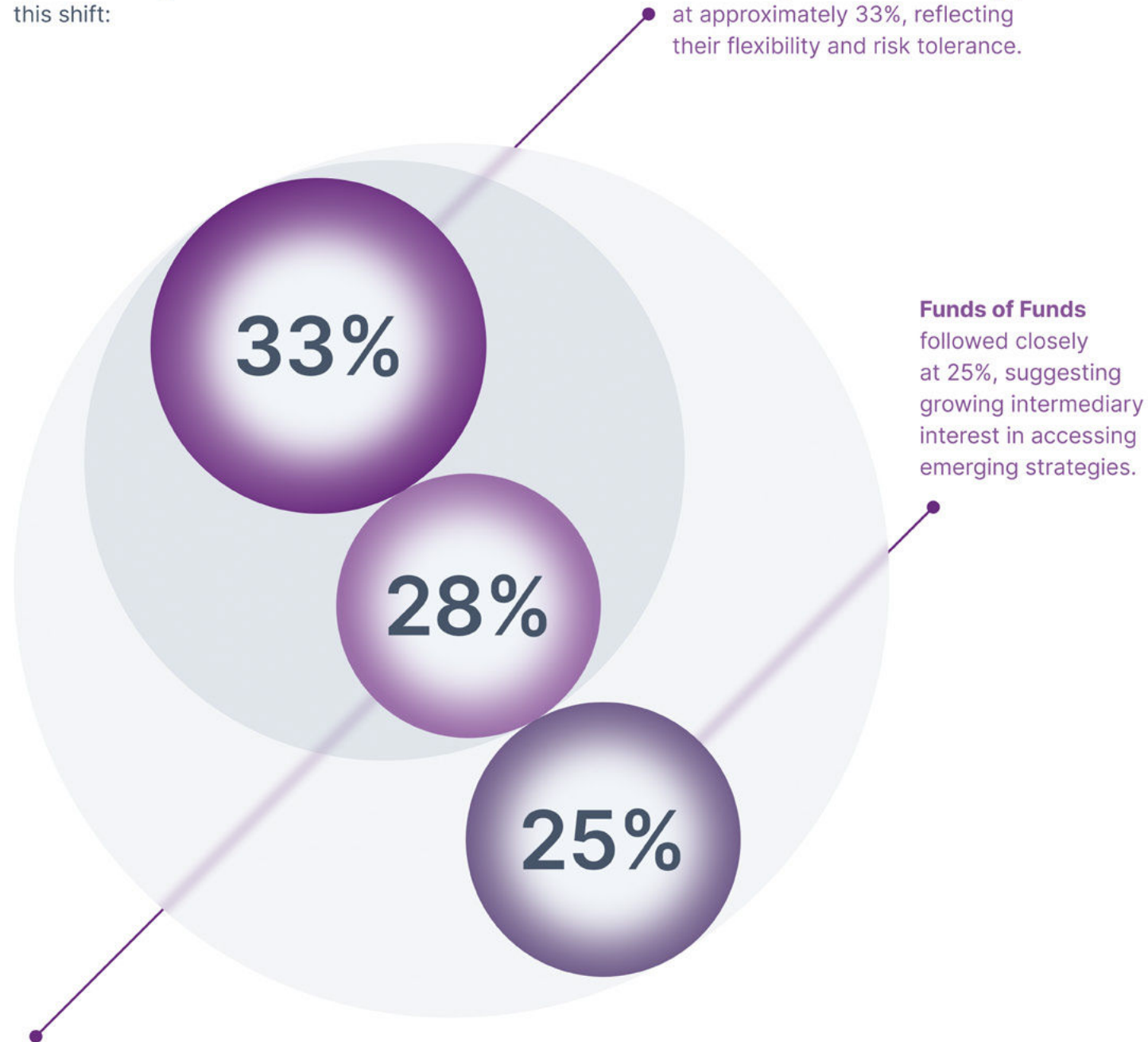
The digital asset space has experienced dramatic highs and lows over the past several years. From headline-grabbing volatility to breakthrough innovations in blockchain infrastructure, the asset class has matured significantly—yet perceptions remain mixed. Some investors still view crypto as too volatile or unproven for institutional portfolios, while others increasingly regard it as a necessary component of a forward-looking, diversified allocation strategy.

At **Global Alts Miami 2025**, the tone from some investor corners was constructive. More than **230 global limited partners (LPs)** took meetings with digital asset managers to explore the current opportunity set.

These discussions spanned a wide range of strategies—from direct spot Bitcoin exposure to more complex approaches involving derivatives, decentralized finance (DeFi), and digital infrastructure such as mining.

Critically, many of these meetings highlighted the growing **institutional toolkit** available to investors. The development of regulated derivatives, spot ETFs, and on-chain structured products has improved liquidity, transparency, and hedging options. As a result, digital assets are no longer viewed solely through a speculative lens but increasingly as part of a sophisticated capital markets allocation.

The **breakdown of meeting interest by allocator type** further underscores this shift:



Single Family Offices accounted for the largest share of meetings, at approximately 33%, reflecting their flexibility and risk tolerance.

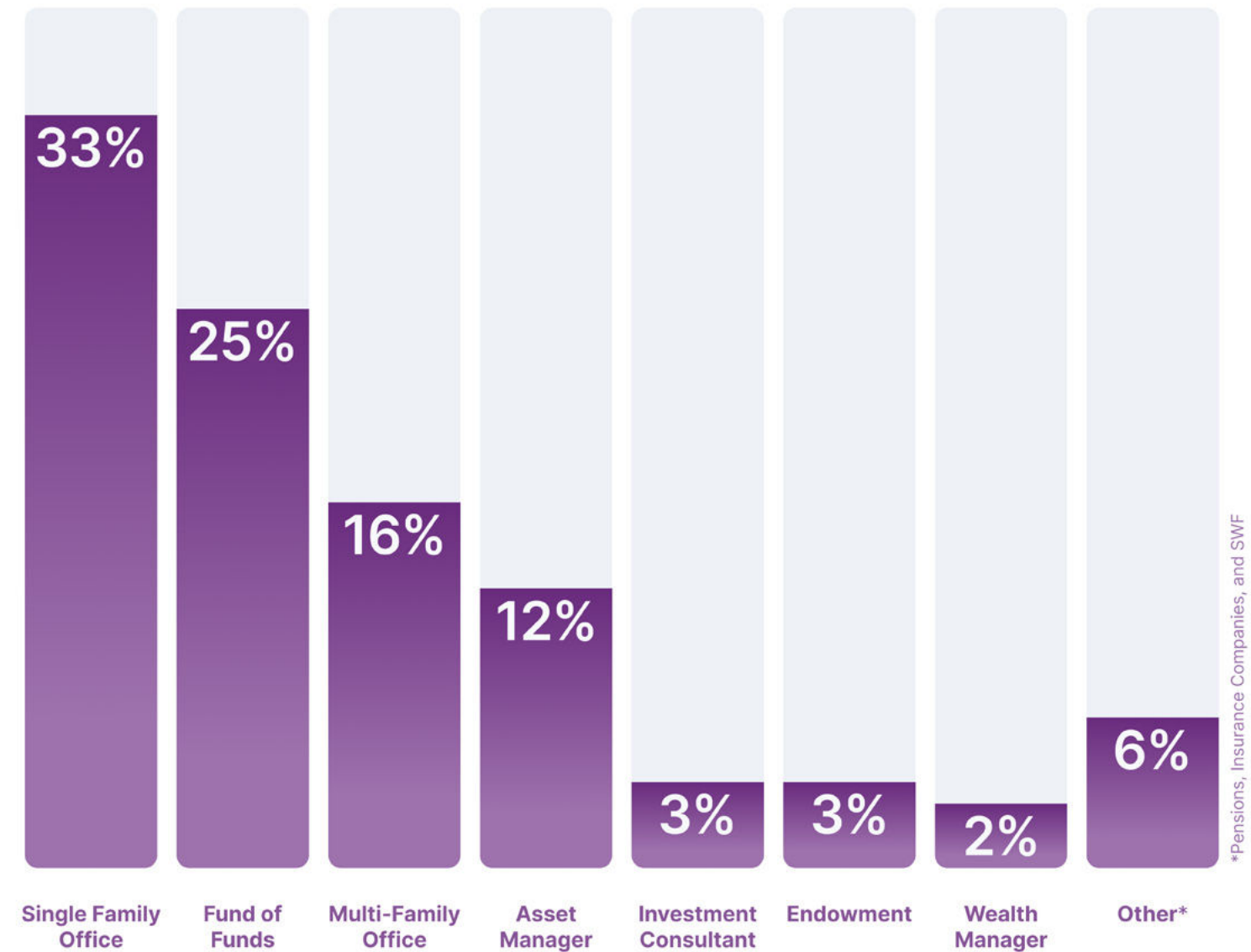
Funds of Funds followed closely at 25%, suggesting growing intermediary interest in accessing emerging strategies.

Multi-Family Offices and **Asset Managers** made up a combined 28%, with investment consultants, endowments, and wealth managers representing smaller but notable slices of engagement.

Some firms are at the forefront of exploring new exposures—ranging from yield-generating options strategies to tokenized fixed-income products.

While not every institutional segment is engaging equally, the trend is clear: digital asset investing is moving from niche to mainstream, with increasing allocator interest, expanded risk management tools, and maturing market infrastructure. As the ecosystem becomes more accessible and regulation advances, appetite is likely to broaden even further.

Breakdown of Digital Asset Meetings by Type of Global Allocator



*Pensions, Insurance Companies, and SWF

In addition to these meetings, a survey of 700 global LPs revealed appetite for digital strategies remains robust, with **55% indicating existing exposure or the desire to add exposure to the asset class.**

45%

"We are not currently invested and have no plans to invest in this space in the future"

24%

"We are not invested but are considering entering this space"

"We are invested but are not planning to increase our exposure"

20%

"We are invested and plan to increase our exposure"

11%

Market Maturation & INSTITUTIONAL ADOPTION

What is driving interest?

Over the past few years, digital assets have transitioned from speculative instruments discussed in niche online communities to a more legitimate and increasingly institutionalized segment of the global financial system.

While early narratives around crypto were dominated by retail investors, volatility, and regulatory ambiguity, the current landscape tells a very different story—one shaped by growing adoption among institutional investors, regulatory engagement, and sophisticated financial infrastructure.

From Fringe to More Foundational Asset Class

Bitcoin's launch in 2009 marked the beginning of digital assets, but for much of its early life, it was considered a high-risk, high-reward gamble. Today, however, digital assets like Bitcoin, Ethereum, stablecoins, and tokenized securities are gaining traction as part of broader portfolio strategies.

One of the biggest signals of this shift came in January 2024, when the U.S. Securities and Exchange Commission approved the first **spot Bitcoin ETFs**, opening the floodgates to institutional investors who previously could not or would not hold crypto directly. In just two months

post-launch, these ETFs saw **over \$12 billion in net inflows**, with BlackRock's iShares Bitcoin Trust (IBIT) then emerging as one of the fastest-growing ETFs in history.

As digital assets continue their evolution from a speculative niche to a mature asset class, capital markets infrastructure has rapidly evolved in parallel. The expansion of derivatives, the emergence of tokenized real-world assets, and the integration of institutional trading mechanisms signal a new phase in the digital asset lifecycle—one where traditional financial sophistication meets decentralized innovation.

The Role of Derivatives in Market Maturity

Derivatives have become a key on-ramp for institutional exposure to digital assets. Products such as futures and options enable market participants to hedge positions, express directional views, and manage portfolio risk in a way that aligns with conventional investment strategies. The development of derivatives in the cryptocurrency market has advanced significantly since Bitcoin's introduction in 2009. Initially, trading activity was limited to spot markets, where users bought and sold actual digital assets. However, as the market matured and institutional interest increased,

there was growing demand for more sophisticated financial instruments. A major turning point came in 2017 when established U.S. exchanges such as the CME and CBOE launched regulated Bitcoin futures. These products offered traditional investors a familiar and compliant way to gain exposure to Bitcoin, contributing to broader market legitimacy and deeper liquidity.

Simultaneously, crypto-native platforms like BitMEX were pioneering innovative products tailored to digital assets, most notably the perpetual swap—a derivative unique to crypto

that allows for leveraged trading without an expiry date. These products quickly gained traction among active traders due to their flexibility and high potential for returns. Since then, the crypto derivatives market has rapidly expanded, with a wide range of futures, options, and structured products

now available across exchanges like Binance, Deribit, and OKX. Despite challenges, including the high-profile collapse of FTX, derivatives have become a fundamental part of the crypto trading ecosystem, playing a critical role in hedging, price discovery, and market efficiency.

The Impact of Spot Bitcoin ETFs and TradFi Onboarding

The January 2024 approval of U.S. spot Bitcoin ETFs marked another watershed moment for the asset class. In just two months, these ETFs attracted:

Over \$12 billion in net inflows

representing one of the most successful ETF launches in U.S. history.

This move has not only expanded access for retail and institutional investors alike but has also created a robust options market tied to these ETFs. According to the Options Clearing Corporation (OCC), trading in Bitcoin ETF options has surged, enabling sophisticated hedging and exposure strategies using familiar instruments.

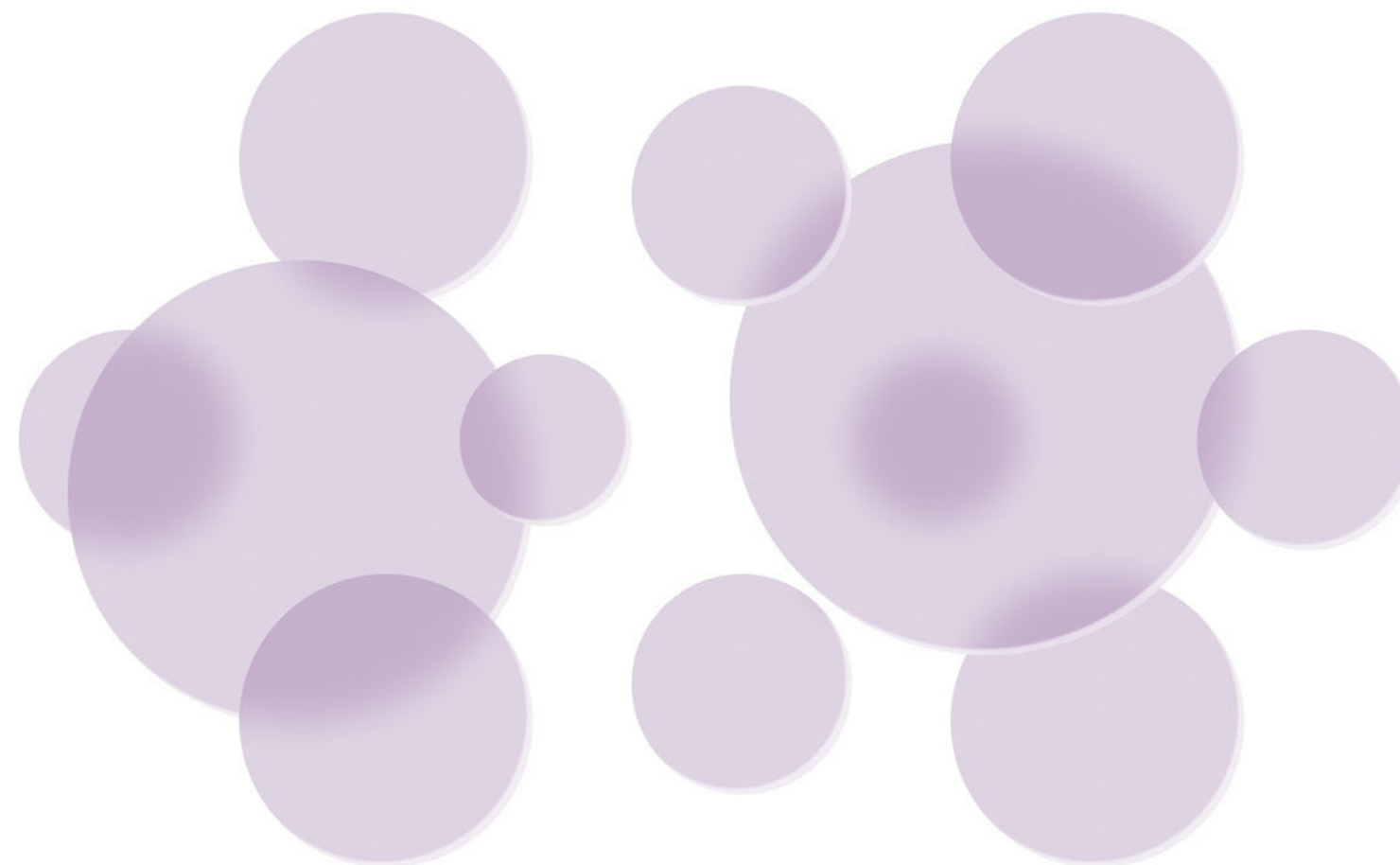
Tokenization and the Rise of On-Chain Assets

Capital markets innovation is not limited to derivatives. Tokenization—the process of issuing real-world assets like bonds or Treasuries on blockchain platforms—has advanced rapidly. The evolution of tokenization has transformed how assets are created, owned, and transferred in the digital era.

Originally emerging with the rise of cryptocurrencies like Bitcoin, tokenization began as a way to represent native digital assets on a blockchain. Over time, this concept expanded to include real-world assets—such as real estate, art, equities, and even intellectual property—by converting them into digital tokens

that can be traded and managed on decentralized networks.

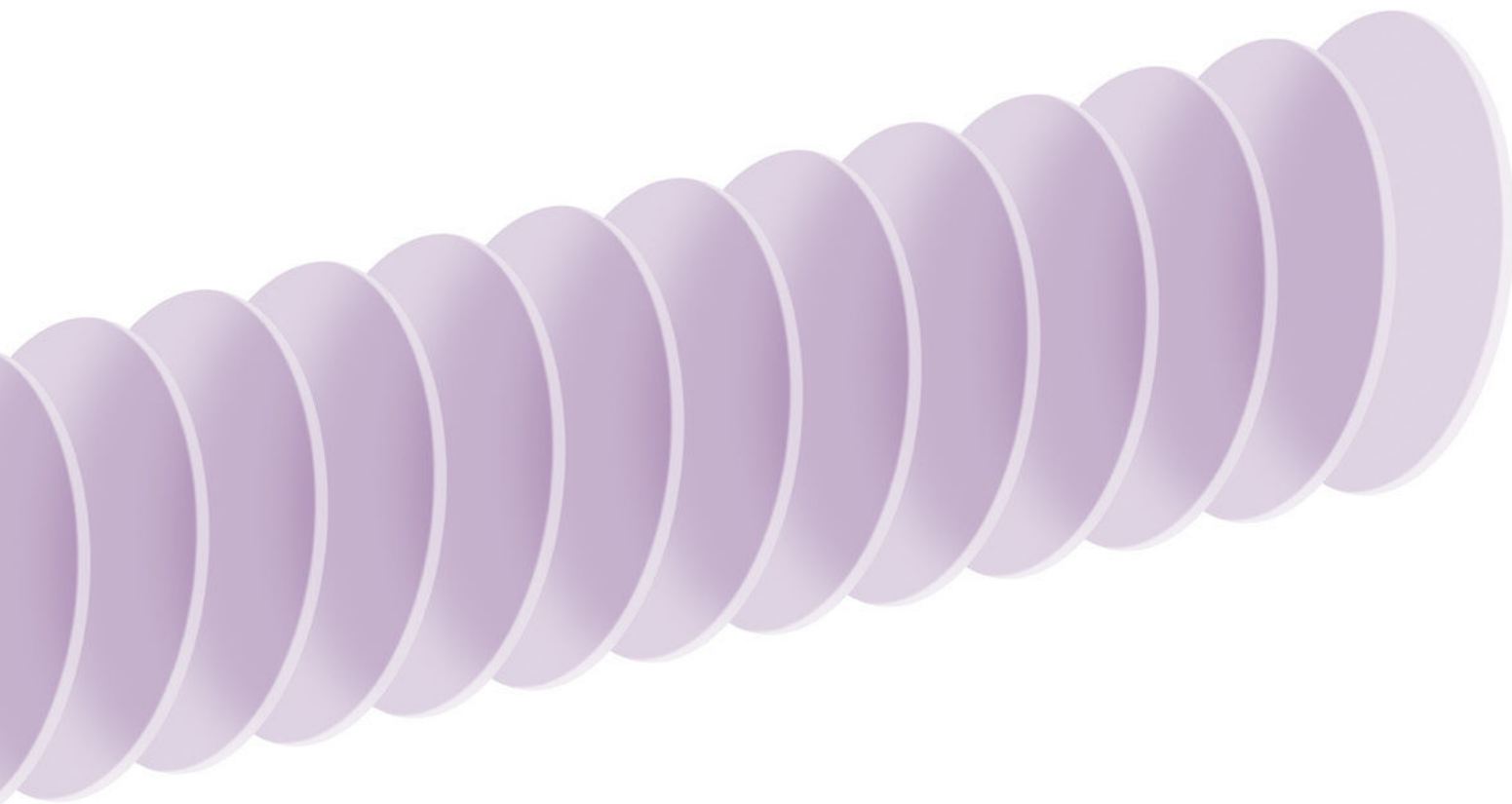
This shift has opened up new possibilities for fractional ownership, improved liquidity, and broader market access. The introduction of standards like Ethereum's ERC-20 and ERC-721 enabled the creation of fungible and non-fungible tokens, respectively, laying the foundation for decentralized finance (DeFi) and the NFT movement. As regulatory frameworks continue to evolve, tokenization is increasingly seen as a bridge between traditional finance and blockchain technology, offering a more efficient, transparent, and inclusive financial system.



Evolution of Decentralized Finance (DeFi)

The evolution of decentralized finance (DeFi) marks one of the most significant shifts in the crypto space, offering an alternative to traditional financial systems by removing intermediaries like banks and brokers. DeFi began gaining traction around 2018 with the launch of platforms such as MakerDAO, which introduced decentralized lending using crypto collateral. The movement accelerated with the growth of Ethereum, whose smart contract capabilities enabled the development of decentralized exchanges, lending protocols, stablecoins, and

yield farming strategies. In 2020, often referred to as “DeFi Summer,” user activity and innovation surged, bringing billions of dollars into decentralized protocols. What sets DeFi apart is its open, permissionless nature—anyone with an internet connection can participate, and developers can build on existing protocols without needing approval. While challenges remain around security, scalability, and regulation, DeFi continues to push the boundaries of what financial services can look like in a digital, decentralized world.



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*Covering Token Fundamentals
since 2018*



**FRANKLIN
TEMPLETON**

Feature Article

The New Era of DIGITAL ASSET FUNDAMENTALS

Real Data, Real Cash Flow, & the Potential for Real Alpha

Leveraging institutional-grade on-chain metrics and value-accruing token designs, Franklin Templeton's actively managed digital asset strategies analyze crypto projects using traditional finance (TradFi) best practices, and capture mis-pricings passive vehicles can't.

The Data Leap

Five years ago, “crypto fundamentals” meant hand-counting wallets on Etherscan, offering limited insights into the true economic activity of crypto projects.

Today, modern crypto data platforms standardize key performance indicators (KPIs)—revenues, fees, free cash flow (FCF) yield, developer activity—**for hundreds of protocols across 40-plus chains.**¹ Demand for raw on-chain data is exploding too: according to **Messari, The Graph served 5.9 billion queries in Q4 2024, a 13% jump from the prior quarter and double the volume six months earlier.**²

With those richer datasets in hand, it's now easier to quantify just how much economic value these crypto-enabled businesses are generating. According to Token Terminal's year-to-date fee data (Jan 1 – Apr 28, 2025), **nineteen** separate protocols are on pace to earn more than US \$100 million each in annualized fees.

WHY IT MATTERS

Consistent, high-resolution datasets give discretionary managers the raw material to build discounted cash-flow and EV/Sales screens, rank projects on margin potential, and monitor KPI inflections in real time.

¹ <https://docs.tokenterminal.com/docs/getting-started> and <https://docs.artemis.xyz/docs>

² <https://messari.io/report/state-of-the-graph-q4-2024>

Changes in Tokenomic Design – Enhanced Value Accrual

Better data would be academic if tokens still lacked value-capture. That, too, is changing.

PENDING PROPOSALS	DESCRIPTION	WHY THIS MAY BE PIVOTAL
Uniswap fee-switch revival	Governance proposal (Feb 23, 2024) to direct a portion of fees to Uniswap stakers; token price rallied 60% intraday	Signals that the decentralized exchange (DEX) giant (Uniswap) may be able to share its ~\$30m monthly revenue with token holders
Lido revenue-share model	Governance proposal (Feb 26, 2024) to buy back Lido tokens with 20-50% of staked ETH revenue, then distribute to Lido stakers	Would turn the largest liquid-staking token (Lido) into a yield bearing asset

POTENTIAL INVESTOR TAKEAWAY

Enhanced value accrual mechanisms such as fee switches or token buy-backs convert “utility tokens” into cash-flowing capital assets with governance rights. Because each mechanism is subject to governance votes, approval latency may become a pricing factor – one that active managers can analyze and, through delegated voting, actively shape.

What we as an active, long-only manager do differently

- **Model cash flows** – Emphasize fundamental analysis with financial models and metrics including intrinsic and relative valuation screens to surface undervalued projects and tokens with clear catalysts on the horizon.
- **Price governance risk and advocate for token holders** – Qualitative assessments of governance approval latency and historical quorum success to better price risk combined with ability to leverage voice (and delegated voting power) to accelerate capital distributions or prevent dilutive supply changes.
- **Rotate capital** – Able to agilely adjust asset weightings as on-chain KPIs inflect;

in contrast, beta trackers are forced to hold waning names in an asset class whose top 100 market cap projects have exhibited historically high turnover.

Our approach aims to achieve substantial capital appreciation through token selection backed by fundamental analysis. Tokens offer ripe opportunities in alternative digital assets, providing unique growth potential and diversification. Liquid token exposure combined with active management allows for quick pivots to new trends. Supported by 60+ experts in blockchain technologies, Franklin Templeton’s investment team conducts detailed fundamental analysis for each token, ensuring informed decision-making and high-potential investments.

Conclusion

Critics have claimed crypto has “no fundamentals.” In 2025, more than 200 protocols publish real revenue, chains disclose nine-figure annual fee run-rates, and token designs increasingly share that value with holders. **When data clarity meets cash-flow utility, fundamentals exist—and active management becomes the decisive edge.**

GLOSSARY

Etherscan: blockchain explorer that allows users to view various data and activities on the Ethereum blockchain.

KPIs: measurable values that determine how effectively an organization is achieving its key business objectives.

Free Cash Flow Yield: financial metric that assess how much cash a company (or in this case protocol) generates relative to its market value.

Decentralized Exchange: a cryptocurrency exchange that operates without a central authority.

Uniswap: a decentralized exchange primarily used for swapping cryptocurrency tokens on Ethereum and other blockchains.

Lido: a decentralized finance protocol that provides liquid staking services.

The Road AHEAD

The expansion of derivatives, the rise of ETF-linked products, and the growing adoption of tokenized real-world assets signal a pivotal moment in the institutionalization of digital assets. As these instruments mature and regulatory frameworks become more defined, capital markets participants—from hedge funds to family offices and funds of funds—are steadily integrating digital assets into core portfolios.

One of the key enablers of this institutional shift has been the evolution of supporting infrastructure. Custody, once a significant vulnerability in crypto markets, has advanced considerably. Regulated custodians such as Fidelity Digital Assets, Anchorage Digital, and BitGo now offer secure, insured, and compliant storage solutions. Notably, Fidelity's 2025 entry into stablecoin development underscores its deepening conviction in the digital asset space, highlighting a broader trend among large asset managers seeking long-term exposure to the ecosystem.

Although regulatory regimes remain fragmented across jurisdictions, progress toward greater clarity is accelerating. The European Union and the United States continue to shape global standards around the issuance, trading, and safeguarding of digital assets. In 2024 alone, over 40 jurisdictions introduced or refined their regulatory frameworks—a clear move toward policy alignment. Regulatory clarity remains critical for unlocking the next wave of institutional investment, even as it introduces new legal and operational considerations that firms must navigate.

The interest of allocators in digital assets products was on display at Global Alts Miami 2025 – and while there are still considerable skepticism around the space from some corners of the global LP community—we expect the ongoing institutionalization to facilitate a growing opportunity set for those interested in increasing or initiating exposure to the asset class.

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