Reserve

BRINGING DIVERSIFIED
INVESTING ONCHAIN

THE NEXT INDEX REVOLUTION

REPORT

Reserve

Half a century after index funds transformed investing, DTFs are redefining diversified exposure in the digital age... empowering investors to participate in onchain markets with unprecedented ease, transparency, and confidence.

Reserve

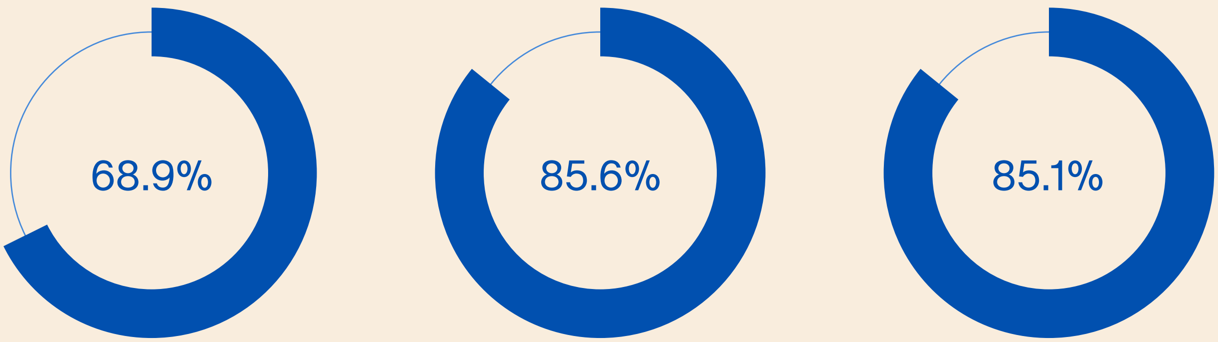
I.

Executive Summary & Key Insights

For decades, mutual funds and ETFs have transformed investing by making diversified exposure simple, accessible, and scalable. Today, a similar shift is underway in the digital asset ecosystem. As crypto markets evolve from a single-asset story into a $4 trillion, multi-sector market, investors are seeking efficient ways to **capture and capitalize on broader trends**, including DeFi, AI, and tokenized real-world assets, **without managing dozens of individual holdings**.

Decentralized Token Folios (DTFs) bring the logic of ETF-style index investing, onchain, into a programmable, transparent, and always-on environment. **It packages entire market segments or thematic strategies into single, easily traded products.** Unlike crypto ETFs, DTFs operate permissionlessly, offer real-time transparency, and integrate seamlessly with onchain financial infrastructure.

In partnership with Centiment, Reserve surveyed over 1,000 U.S. digital asset investors. The results highlight strong investor interest and a clear market opportunity:



68.9% of surveyed respondents *already* invest in ETFs

85.6% *would* invest in crypto ETFs

85.1% *would* invest in a diversified cryptocurrency index, such as a DTF-style product

The strong adoption of traditional ETFs, combined with growing interest in crypto ETFs, demonstrates that investors are ready for more advanced, digital-native index solutions.

This momentum sets the stage for decentralized products that can offer the same diversification and simplicity as ETFs, while leveraging the unique capabilities of blockchain technology.

Reserve is building the infrastructure to enable this shift, providing a platform where institutions and retail investors can design, launch, and govern DTFs. These products combine ETF-style diversification, governance, and simplicity with blockchain-native features — including real-time transparency, composability, and 24/7 liquidity. As more real-world and digital assets are tokenized, DTFs are poised to become a foundational tool for modern portfolio construction, providing efficient and exciting exposure to next-generation global innovations.

II.

A Familiar Pattern: Financial Innovation First, Acceptance Later

1976

Photos by Bill Cramer © 2007 Wonderful Machine Inc.

On August 31, 1976, John "Jack" Bogle, founder of The Vanguard Group, launched the first index mutual fund for individual investors. The Vanguard 500 Index Fund. The idea was groundbreaking: give everyday investors diversified exposure to the entire U.S. stock market at low cost. Yet at launch, the fund raised only $11 million of its $150 million goal and was dismissed by critics as "un-American" and "uninspired."

Over time, however, its success transformed diversification strategies for individual investors, having a cumulative return of over 4,000% and inspired financial giants like BlackRock, Fidelity, and Charles Schwab to follow suit with their own index-based solutions. Still, traditional mutual funds carried certain limitations, higher costs and operating expenses, limited trading flexibility, and lower tax efficiency. This left room for further evolution.

1993

Seventeen years later, State Street Global Advisors launched the Standard & Poor's Depositary Receipts (SPDR), introducing the SPDR S&P 500 ETF (SPY) — the first U.S. exchange-traded fund (ETF). However, prior to launch, many questioned whether investors would embrace a fund that traded like a stock, considering it had never been done before. Yet, much like the index fund before it, SPY proved to be a quiet revolution. By combining the diversification of mutual funds with the liquidity of individual stocks, ETFs redefined accessibility and transparency for everyday investors. They also became a gamechanger for tax efficiency, helping investors reduce capital gains distributions compared with traditional mutual funds.

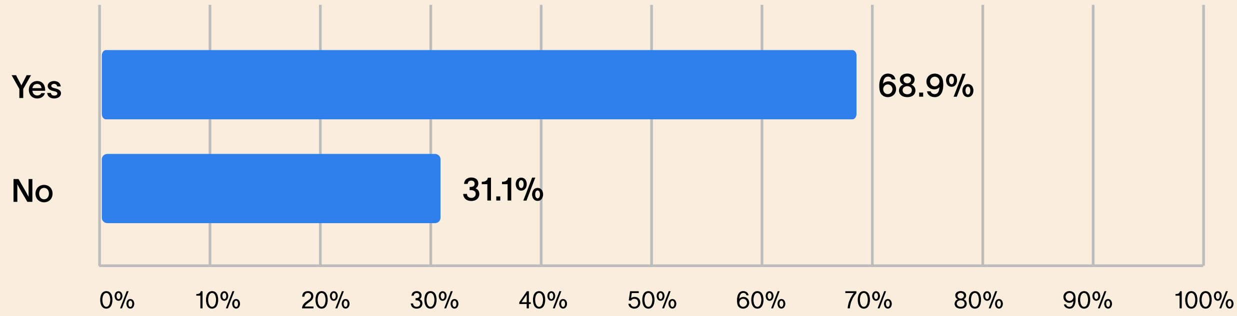
Today

ETFs fundamentally reshaped modern investing, democratizing access to the markets and paving the way for a new era of index-based investing. Today, the SPY ETF is the most liquid and most heavily traded ETF in the world, with an average trading volume of $29.3 billion each day.

According to a survey conducted by Reserve and Centiment, out of 1,050 U.S. digital asset investors, 68.9% already trade and or invest in ETFs.

Do you trade or invest in ETFs?

ETFs are "exchange-traded funds," tradeable funds that typically index multiple assets, such as baskets of stocks or bonds. Some common ETFs are SPY, VOO, QQQ, and VTI.



Society faces a similar resistance to financial innovation with the mainstream adoption of digital assets. Back in 2018, legendary investor Warren Buffett famously called Bitcoin "rat poison." Yet, in an ironic twist, Buffett's own Berkshire Hathaway has since invested millions in Nu Holdings Ltd., a Brazilian bank deeply involved in crypto, whose stock has climbed more than 30% year over year.

Digital assets are now gaining traction among major traditional financial institutions through the rise of crypto ETFs, signaling an inflection point for broader market adoption. While these products have helped bridge traditional and digital finance, crypto ETFs remain limited in how fully they can capture the potential of onchain markets.

Just as Vanguard simplified diversified investing decades ago, the market is now seeing growing demand for crypto-focused, ETF-style products. **The next evolution of diversified digital investing is here.**

III.

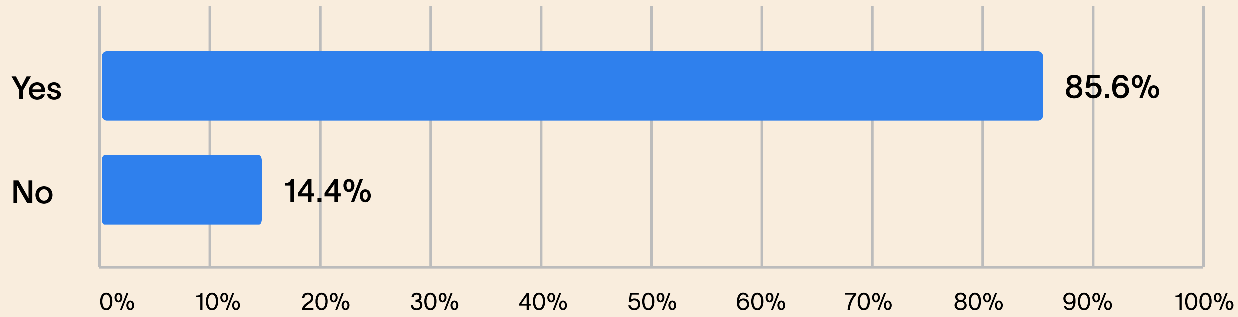
From Crypto ETFs to DTFs

The launch of crypto ETFs in 2021 not only generated excitement but also helped shape more favorable investor sentiment toward digital assets. The true turning point came with the approval of the first Spot Bitcoin ETFs in 2024, which marked a major step toward mainstream acceptance within traditional finance.

Shortly after, capitalizing on the momentum of Bitcoin ETFs, Spot Ethereum ETFs were approved and began trading. Since crypto ETFs have launched, they have generated billions of dollars, with BlackRock's IBIT ETF being the fastest growing ETF with over $100 billion in AUM since launching in October 2025.

Crypto ETFs offer three key benefits: simplified access, enhanced security with regulatory oversight, and seamless portfolio integration. Investors can "wet their toes" with crypto, without the perceived risk or steep learning curve of buying and storing the assets themselves.

Would you invest in a crypto ETF if it was accessible to you?



Centiment's survey reveals that 85.6% of 1,049 respondents would invest in a crypto ETF.

Yet crypto ETFs have limitations. Most offer single-asset exposure, essentially wrappers for individual tokens. Multi-token ETFs face regulatory delays due to centralized custody structures. Centralized control, limited flexibility, and delayed transparency also restrict innovation in 24/7, global markets.

Core Innovations Revolutionize Thematic Investing

	Mutual Funds	ETFs	DTFs
Investibility			
Easy diversification	✓	✓	✓
Target exposure	✓	✓	✓
Thematic investing	✓	✓	✓
Accessibility			
Minimum investment	$1K	No	No
Trading times	Once a day	Market hours	24/7 on decentralized exchanges
Redemption delay	Up to a quarter	1-2 days	Instant
Holdings reporting	Quarterly (30+ day delay)	Daily to weekly	Real-time on the blockchain
Flexibility			
Composability with other products	Little/none	Leverage, lending, & derivatives primarily for institutional investors	Any token or smart contract
Permissionless creation	✕	✕	✓
Permissionless minting & redemption	✕	✕	✓
Governance	Centralized board; rare shareholder voting	Centralized board; rare shareholder voting	Customizable onchain decentralized governance

Crypto ETFs were a milestone and signal of market readiness, not the end game. Here's why.

Built for Wall Street Timelines

While digital assets trade around the clock, ETFs remain bound by market hours and settlement windows. Investors can only buy or sell during traditional exchange times, and redemption can take one to two days —introducing unnecessary friction and price gap risk into an otherwise always-on asset class.

Limited Flexibility and Composability

ETFs are closed products: they can't easily interact with other financial instruments, smart contracts, or DeFi protocols. This lack of composability limits innovation and prevents investors from building more dynamic, automated strategies that reflect the full potential of onchain finance.

Centralized and Permissioned by Design

ETF creation and redemption are permissioned processes controlled by a handful of authorized participants, and governance remains centralized in fund boards with rare shareholder voting. This means investors are largely passive participants, with little ability to shape or customize their exposure.

Delayed Transparency

Holdings are typically disclosed only daily or weekly, and often with reporting lags, leaving investors with limited real-time visibility into what they actually own. That’s a stark contrast to the transparency expected in the digital asset landscape.

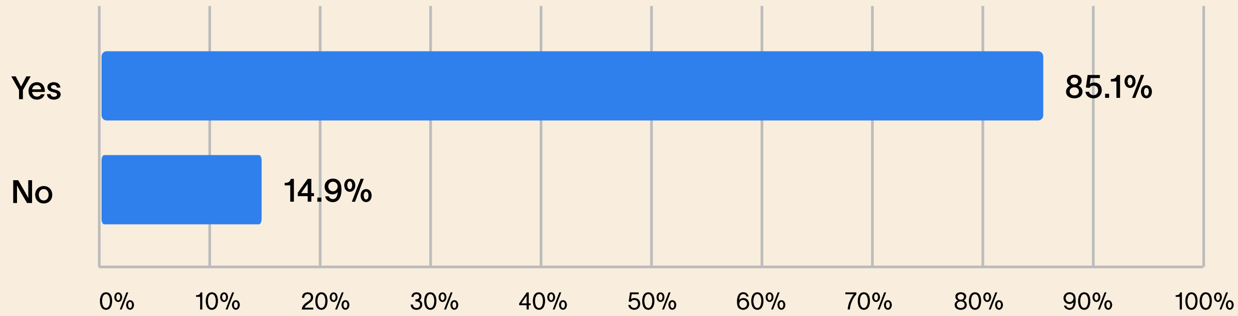
These structural constraints make ETFs a powerful bridge between traditional finance and digital assets, but they’re not the destination. As the industry matures and investor expectations evolve, **the next generation of index products needs to be as fast, open, programmable, and global as the assets they track.**

IV.

Applying the ETF Blueprint Onchain

Decentralized Token Folios (DTFs) build on the principles of index-style investing for a 24/7, blockchain-native world. DTFs broad diversification, thematic exposure and simplified access with a level of speed, transparency, and composability that traditional products simply cannot match.

Would you invest in an ETF - like diversified crypto index if it was accessible to you?



And demand is strong: **85.1% of 1,050 surveyed investors said they would invest in a decentralized index product if available,** highlighting the clear market opportunity that DTFs are designed to address.

In the sections below, we break down the fundamental ways DTFs are redefining what indexed investing looks like in the digital era —from how they're created and traded, to the kinds of exposure and innovation they enable.

Bridging Innovation and Simplicity

At their core, DTFs function much like ETFs: they bundle dozens or even hundreds of assets into a single, easily-traded asset. But unlike ETFs, they operate **permissionlessly onchain, combining the simplicity of passive investing with the innovation of decentralized finance** (DeFi). This allows users to invest in themes, not tokens, aligning portfolios with trending sectors like DeFi, gaming, AI, or the cryptocurrency market more broadly without having to identify individual winners.

Targeted Exposure to Emerging Trends

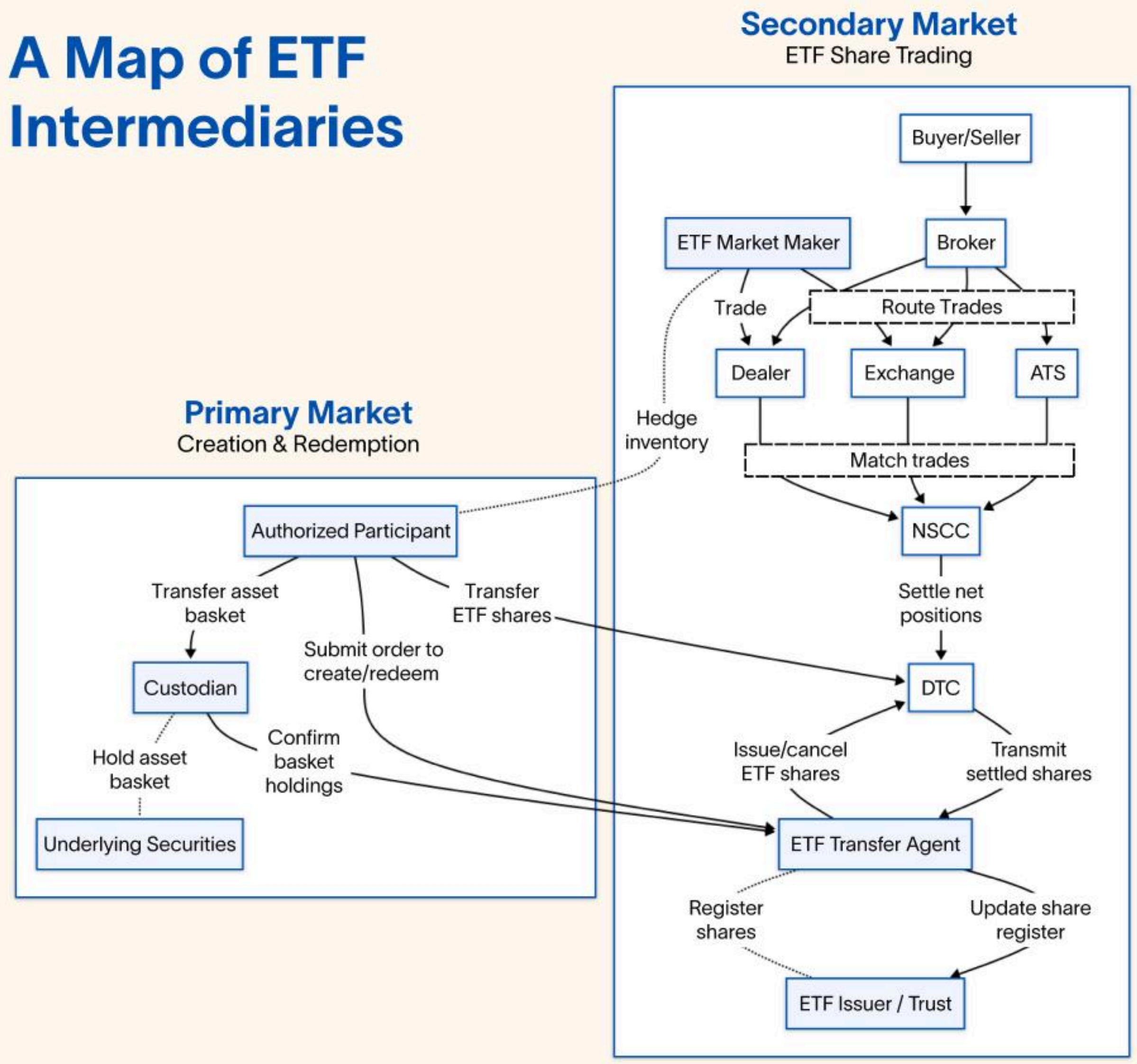
The digital asset market has evolved into a vast and rapidly diversifying ecosystem, spanning everything from base-layer blockchains to niche sub-sectors like liquid staking, RWAs, and decentralized computing.

The number of tokens have grown exponentially from around 500,000 in 2021 to approximately 18 million in 2025. This massive surge in token creation is driven by easier-to-use development tools, increased interest in DeFi, and the rise of community-driven projects.

DTFs cut through this complexity by offering streamlined, thematic exposure to the ideas shaping the next wave of digital growth. They allow investors to position themselves ahead of emerging trends, and to do so quickly, with new folios capable of launching in near-real time as narratives take shape.

Source: GeckoTerminal

Permissionless Creation and Redemption



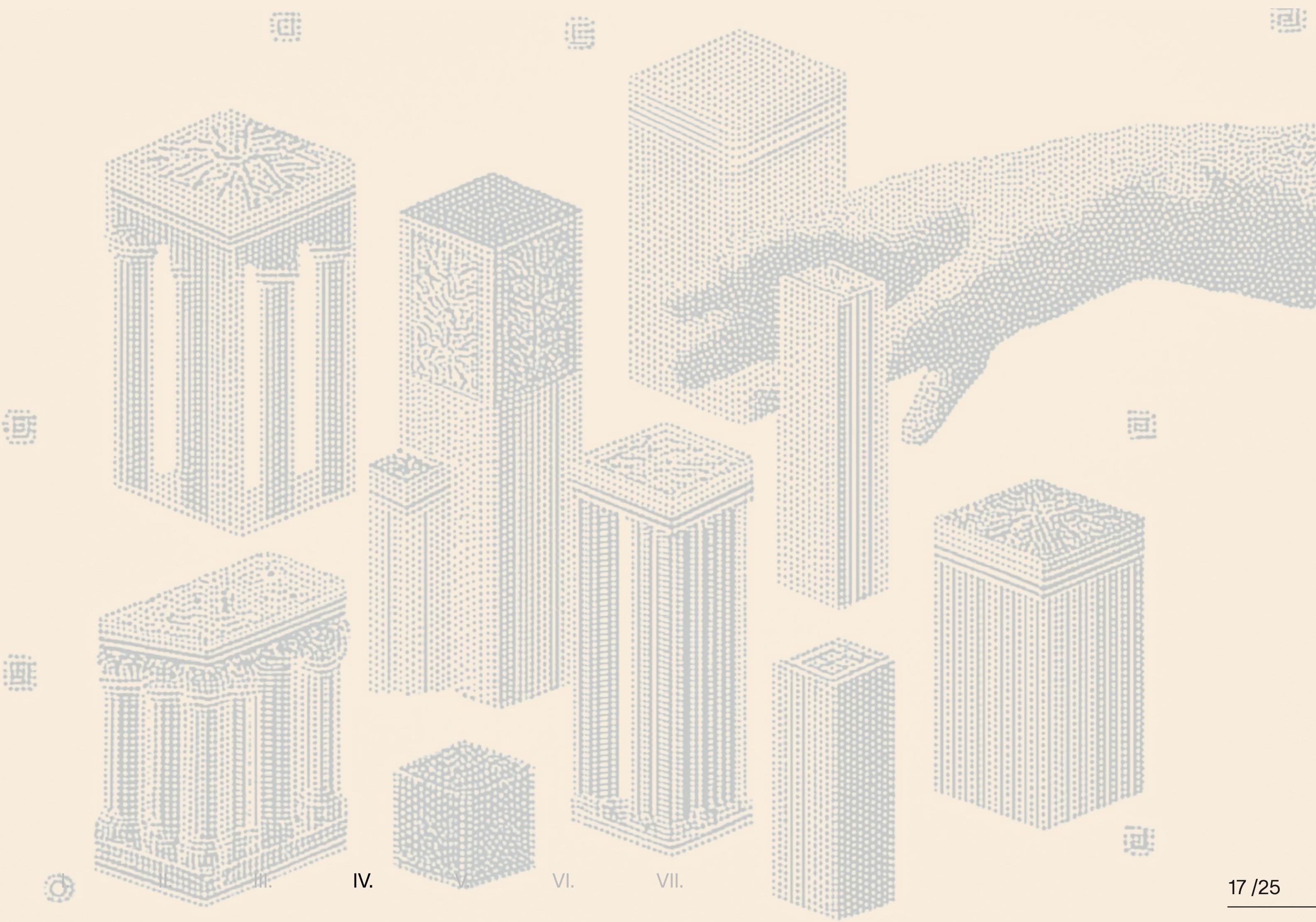
Traditional ETFs are created and redeemed only by a handful of authorized participants, whereas DTFs are accessible to everyone. Anyone can launch a new folio or mint and redeem existing ones without relying on large financial institutions or middlemen, which also increases liquidity for users by giving them direct access to the primary liquidity of the underlying assets. This shift lowers barriers to innovation, democratizes access to sophisticated strategies, and lets individuals and small teams bring new investment ideas to market on a global scale.

Real-Time Insights

Legacy index products disclose holdings only daily or weekly, a pace that feels archaic in the digital asset world. DTFs, by contrast, offer instant, onchain transparency, allowing anyone to verify allocations, track performance, or see how often rebalancing occurs in real time. This level of visibility builds trust and provides investors with a clear, up-to-date picture of what they own.

Composability: The Building Blocks of Onchain Finance

Perhaps the most powerful innovation of DTFs is their composability. Because they exist natively on blockchains, DTFs can interact directly with lending markets, liquidity pools, and other DeFi protocols. They can hold yield-bearing tokens, collateralize assets, or even integrate hedging strategies, all without leaving the chain. This “mix-and-match” capability unlocks a new universe of programmable portfolio construction that traditional funds can’t offer.



V.

Early Traction and Market Validation

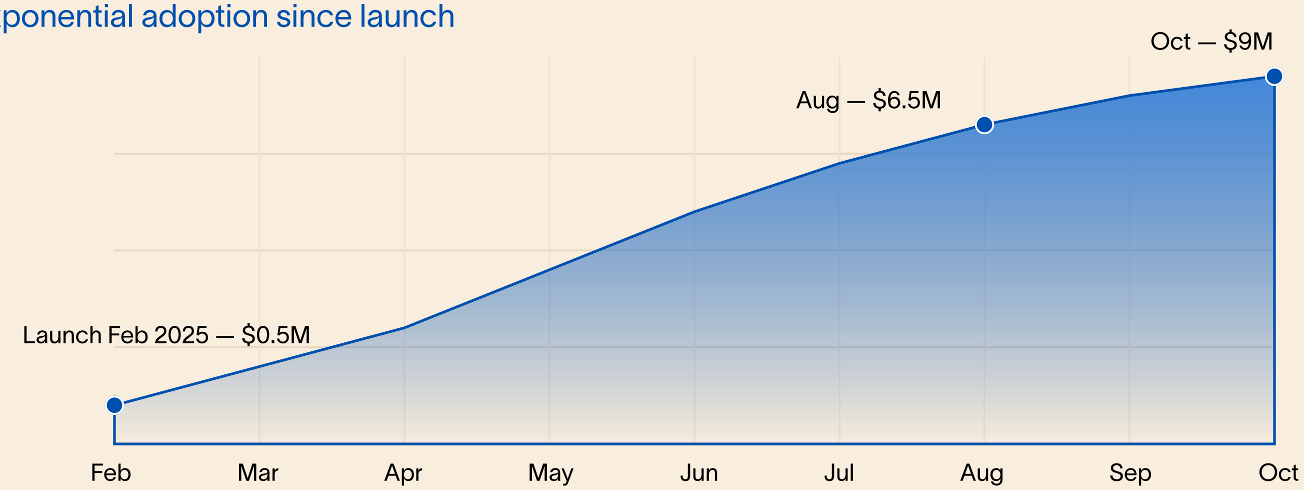
Since their launch in February 2025, Index DTFs have demonstrated strong adoption and market interest. The total market capitalization of Index DTFs has grown to over $9 million. On average, market cap has expanded 30% month-over-month, underscoring both sustained demand and the scalability of decentralized token folios (DTFs).

This early growth signals, not just interest in DTFs, but the readiness of the market for sophisticated, onchain index products. Investors are increasingly drawn to the combination of broad thematic exposure, real-time transparency, and programmable flexibility that DTFs offer.

The performance of DTFs also demonstrates a familiar pattern in financial innovation: what begins as a novel concept can quickly gain traction when it addresses a tangible market need. Just as index funds and ETFs reshaped investing decades ago, DTFs are establishing themselves as a viable and growing segment of the digital asset ecosystem.

Index DTF Adoption Momentum

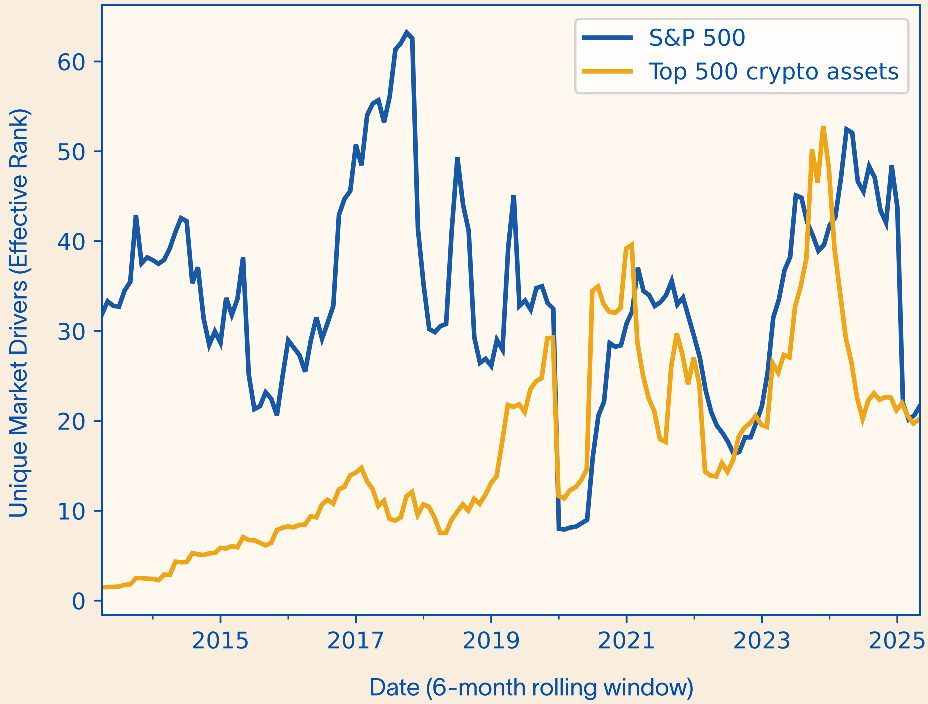
Exponential adoption since launch



VI.

The Convergence of the S&P 500 and the Top 500 Digital Assets

Over the past decade, the cryptocurrency ecosystem has transformed from a single-asset story into a complex, multidimensional market with dozens of unique drivers. Data on the effective number of independent market forces illustrates this evolution. Examining how prices move together provides a correlation-based estimate of market dimensionality ("effective rank"), the effective number of independent factors driving the market.



- **S&P 500 (blue line):** Historically, U.S. equities have exhibited between 20 and 60 distinct market drivers, reflecting the diverse forces shaping corporate earnings, macro trends, and sector performance. In recent decades, that diversity has slightly declined, likely due to the rise of passive investing and increased correlation between stocks.

- **Top 500 Cryptocurrency Assets (orange line):** Digital asset markets began with far fewer independent drivers, often less than 10, because most assets largely tracked Bitcoin. As new sectors emerged (DeFi, infrastructure, gaming, AI, real-world assets), that number has steadily climbed.

Since 2020, the two have converged. Today, the top 500 cryptocurrency assets consistently show around 20–25 independent market drivers, roughly on par with the S&P 500. This convergence signals that digital asset markets have matured into a true, multifaceted ecosystem shaped by diverse economic, technological, cultural, and behavioral forces.

Why This Matters for DTFs

As crypto markets have entered the mainstream consciousness and grown in complexity, the implications for DTFs are profound:

- **Diversification now yields real value:** Digital assets are no longer a monolith. Tokens respond to different narratives, catalysts, and macro factors. Sector-based and thematic investing can now deliver meaningful diversification, much like investors rely on the S&P 500 for exposure to a broad range of drivers.

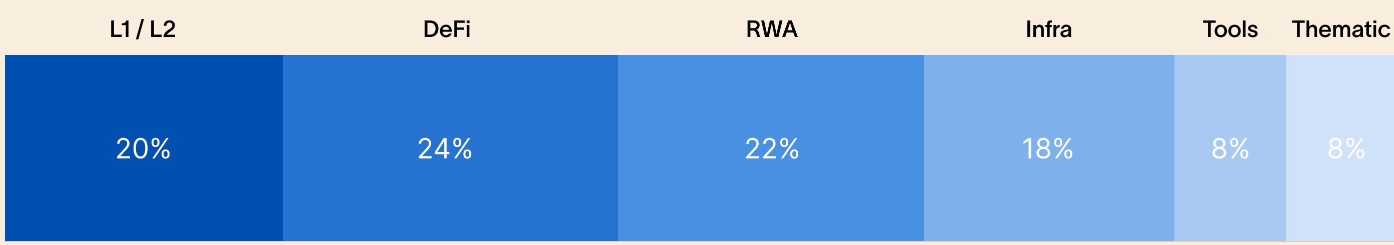
- **Index methodologies translate onchain:** With structural complexity comparable to traditional markets, approaches such as sector weighting, factor tilts, and thematic baskets are now as relevant for digital assets as they are in equities.

- **The infrastructure is ready:** With digital asset markets maturing and key market drivers increasingly independent, the environment is primed for sophisticated index products. DTFs offer one of the most effective vehicles to capitalize on this rare moment in time.

In essence, the diversification revolution Jack Bogle ignited half a century ago has finally reached digital assets... and it's happening right now. Decentralized, programmable index products are set to become the default way investors gain exposure to the next generation of financial innovation.

Diversification Across Crypto Sectors

Index DTFs deliver meaningful diversification across maturing digital asset categories



Index DTF Sector Allocation

Sector-based and thematic investing now deliver real diversification across digital assets.

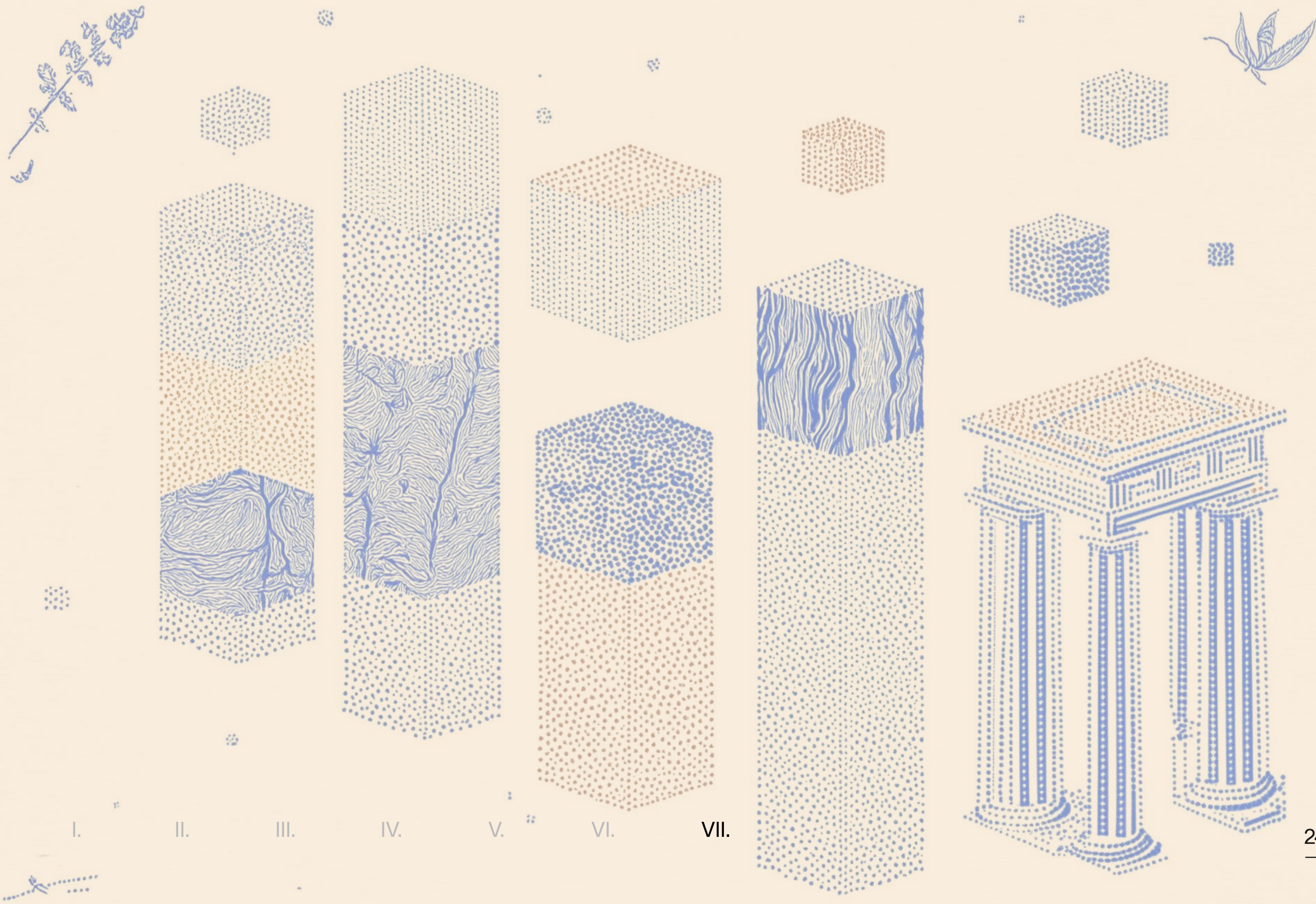
VII.

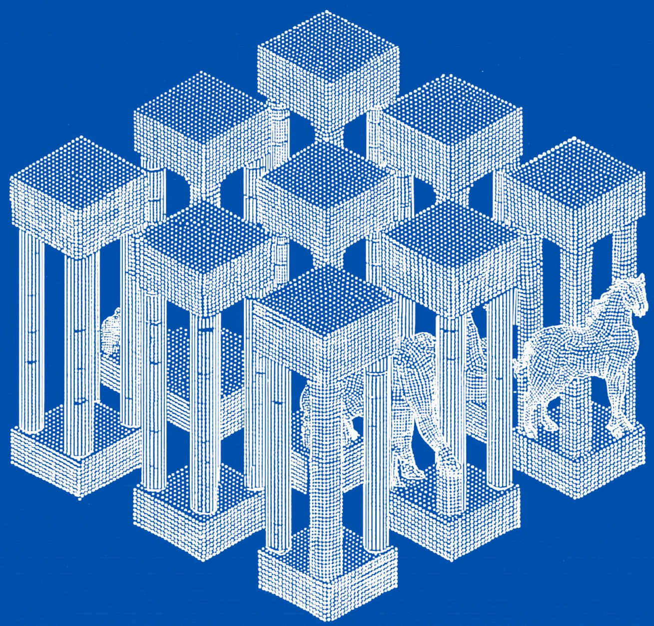
Conclusion

Onchain indexes are no longer theoretical or intangible. They are a functional layer of financial infrastructure that are already transforming how diversified exposure is built, managed, and delivered. Decentralized Token Folios (DTFs) bring the principles of index investing onchain in a programmable, transparent, and always-on format, operating at the speed and scale of today's global markets.

For institutions, DTFs offer more than a new asset class. They provide a new set of tools. Reserve's open, audited platform allows users to design and manage index-like portfolios onchain, by combining the diversification and simplicity of traditional ETFs with real-time transparency, continuous liquidity, and composability. Portfolios can be minted or redeemed directly onchain, which reduces friction, improves operational efficiency, and gives investors greater control.

As more real-world assets are tokenized, DTFs are poised to become a foundational component of modern portfolio construction, offering a standard way to package exposure across sectors, strategies, and themes in a single, verifiable product. By replacing slow, closed systems with infrastructure that's transparent, efficient, and globally accessible, DTFs will redefine how institutions build, allocate, and manage diversified exposure in the digital era... all while ushering in a new era of inspired investors.





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