



# WisdomTree Physical Cardano



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The WisdomTree Physical Cardano ETP (exchange-traded product) provides investors with a simple, secure and cost-efficient way to gain exposure to the price of Cardano (ADA), the coin used on the Cardano blockchain. The ETP generates a staking yield, paid by the Cardano blockchain.

Investing in Cardano via an ETP allows investors to experience the benefits of traditional financial infrastructure and product structuring. The ETP allows investors to access Cardano and receive staking rewards through a risk-managed approach without directly holding the crypto asset, storing private keys or interacting with the blockchain and crypto infrastructure in any way.

## Cardano: A decentralised software platform

Cardano was created in 2017 by technologists Charles Hoskinson and Jeremy Wood, both early contributors to Ethereum. One of a number of competing layer-1 smart contract blockchain networks, Cardano enables owners of its ADA crypto asset to operate its network and vote on changes to its software rules. Likewise, developers can use the Cardano blockchain for features including running custom programming logic (smart contracts), which allow for the development of decentralised applications.

Cardano differentiates itself from the other projects by emphasising its peer-reviewed, research-driven approach to design, which aims to achieve an academic rigour it believes will propel the eventual adoption of its technology.

## Why Invest in Cardano?

- + **The future of the internet:** Some investors think that there is likely to be a next phase of the internet revolution (sometimes termed Web3) and that blockchain networks like Cardano will form part of this evolution. If Cardano remains one of the main contenders in this nascent revolution, its coin value should ultimately be tied to the success of this platform and the ecosystem built on it.

	1.0	2.0	3.0
<b>Web</b>	Static web pages just delivering information	Mobile, social, interactive, cloud-based internet, user-generated content	Decentralised, transparent, AI-driven internet and data

- + **Diversifying crypto allocation:** Most institutional investors who have a crypto allocation are concentrated in bitcoin, and increasingly in ether. Cardano offers an alternative layer-1 decentralised software platform, with different technical features to Ethereum.

For example, Cardano uses proof-of-stake as its consensus mechanism, a system some deem more scalable and sustainable than the proof-of-work mechanism used by Bitcoin<sup>1</sup>. Similar to bitcoin, the supply of Cardano is capped though at a higher limit of 45 billion tokens. Its value should eventually be dictated by its supply-demand dynamics, mainly driven by the demand for the Cardano platform.

## Staking on Cardano

Cardano operates using a Proof of Stake (PoS) consensus mechanism, where participants can delegate (i.e. ‘stake’) ADA cryptocurrency to stake pools that help validate transactions and secure the network. A stake pool is a group of nodes running the Cardano software that helps maintain the blockchain.

In return for their participation, stake pools receive ADA rewards, which are then proportionally distributed to delegators. The probability of a stake pool earning rewards depends on the amount of ADA staked, as well as the pool’s performance and efficiency. Staking rewards fluctuate over time based on several factors, including Cardano’s declining inflation rate, stake pool fees, and overall network participation.

<sup>1</sup> “Proof of work” and “proof of stake” are the two major consensus mechanisms cryptocurrencies use to verify new transactions, add them to the blockchain, and create new tokens

## Key Information – Cardano staking

Staking reward (APY)	2-3% on average <sup>2</sup> (varies by stake pool)
ADA inflation rate*	2.5% per annum <sup>3</sup> (gradually decreasing)
Reward frequency	Every 5 days (1 epoch)
Unbonding time**	None (ADA remains liquid and can be moved anytime) <sup>4</sup>
Custodian	Coinbase
Slashing***	None (no automatic penalty for stake pool failure)

Notes: \* The % of new ADA added to the supply each year

\*\* Unbonding is the time taken to unlock the staked cryptocurrency from the smart contract with a validator node.

\*\*\* The penalty imposed on malicious nodes that attempt to approve false entries on the distributed ledger.

## Cardano in an ETP with WisdomTree

Investors look to the ETP structure to provide additional protection for their investments:



**SECURITY** – Safely storing digital assets is not only about protecting against hacks, but also protecting against the inadvertent loss of private keys. Investing in digital assets through an ETP structure could allow investors to transfer the expensive and time-consuming burden of managing private keys to the issuer and to benefit from institutional-grade safeguarding of assets in cold storage.



**TRANSPARENCY** – Transparency is a core component of the ETP structure. A digital assets ETP could offer a core measure of confidence for investors by enabling access to an audited website from the issuer, showing exactly how many coins are represented by the outstanding fund shares. This is already standard practice in physical gold ETP structures and provides an incomparable measure of transparency for investors.



**ETP STANDARDISATION** – Product standardisation is an aspect of the ETP wrapper that could benefit investors in digital assets. Trading, holding and accounting for investments in ETPs are well established and the provision of crypto exposure in this format could allow such investments to fit within an investor’s existing systems, processes and risk management. Additionally, providing crypto exposure in an ETP could deliver benefits from standard market features that many investors rely on. Centralised clearing, an exchange listing on a recognised venue and standard settlement practices all lower the operational and counterparty risk of making investments.

<sup>2</sup> <https://www.stakingrewards.com/earn/cardano/>

<sup>3</sup> <https://u.today/cardano-ada-inflation-lowest-amid-all-majors-community-says>

<sup>4</sup> <https://help.coinbase.com/en/prime/staking/ada>



**LIQUIDITY** – ETPs tend to bring a centralisation of liquidity to asset classes. This could be especially impactful in the crypto space as the current ecosystem is quite fragmented, with trading happening across many venues with no common settlement infrastructure. An investor would need to separately establish connectivity to several venues in order to access their liquidity. Investment in an ETP essentially outsources this responsibility to specialist market makers, with trading infrastructure to manage many exchange connections.

## Digital assets exposures by WisdomTree

WisdomTree looks to address the needs of investors within the digital assets landscape by delivering exposures to unique digital assets. WisdomTree’s Cardano ETP taps into WisdomTree’s tradition of innovation and leverages the firm’s deep expertise in physically-backed ETPs.

WisdomTree offers a wide variety of resources on the [WisdomTree’s Crypto Insight Centre](#).

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### Product Information: WisdomTree Physical Cardano

Ticker	Exchange	ISIN	Bloomberg Code	Listing Currency	Base currency	TER
ADAW	SIX	GB00BNGJ9J32	ADAW SW	USD	USD	0.50%
ADAW	SIX	GB00BNGJ9J32	ADAWCHF SW	CHF	USD	0.50%
ADAW	Euronext Amsterdam	GB00BNGJ9J32	ADAW NA	USD	USD	0.50%
ADAW	Euronext Paris	GB00BNGJ9J32	ADAW FP	EUR	USD	0.50%
WADA	Xetra	GB00BNGJ9J32	WADA GY	EUR	USD	0.50%

TER: Total expense ratio

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