Wiston Capital

WHAT ARE CRYPTO TOKENS?

WHAT DO I OWN?

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Contents

Executive Summary

The central question this report addresses is one we have heard repeatedly since publishing *History Doesn't Repeat, But It Rhymes*. What exactly do you own when you buy a crypto token? Most investors assume the answer is that token ownership confers an equity-like claim on a protocol's success. This is wrong, but the correct answer is not "nothing." It is something more precise and, in several cases, more compelling.

Tokens are commodities. They are the operating currencies of decentralised systems, consumed by usage and governed by supply mechanics written into code. The investment case for each is therefore a commodity investment case: measurable demand, transparent supply, and a framework for determining future prospects.

This report introduces a four-archetype framework for understanding what a token holder owns and how to value it. Each archetype represents a distinct economic mechanism connecting protocol success to token value.

Archetype 1 — Infrastructure Tokens are the monetary bases of growing digital economies, consumed and burned by usage. Their value is a function of the economic activity they enable relative to the supply of the thing that activity cannot function without.

Archetype 2 — Coordination Mechanism Tokens make decentralised physical and software networks possible without a central company. Their value is rooted in the minimum tokens operators must hold for the network to function. A provable demand floor from on-chain data alone.

Archetype 3 — Revenue Buyback Tokens receive systematic open market buying from protocol revenue through mechanisms that, in the strongest cases, cannot be suspended or redirected. The rate at which supply is retired determines whether the mechanism is doing meaningful work.

Archetype 4 — Permanent Burn Tokens are destroyed by protocol revenue forever. No governance decision can reverse a burn. The investment case is the rate of permanent supply destruction and the proximity of the deflation crossover, the point at which annual burns exceed annual emissions.

We then apply each framework to a live example from our portfolio: ETH, WMTx, HYPE, and SKY. Across all four, the market is pricing the current state, while the investment case is the trajectory. This framework is designed to make that trajectory measurable.

What Are Crypto Tokens?

Our recent report, *History Doesn't Repeat, But It Rhymes: The Case for Crypto's Re-Rating*, elicited significant interest. Those with long memories recall the dotcom crash, and many have since kicked themselves for failing to identify the winners in the technology wreckage of the early 2000s.

In the report, we made a similar case for a select group of crypto protocols, presenting tokens we believe have a chance of following the trajectory of Amazon, Facebook, Netflix and Microsoft.

There has been understandable pushback on that thesis. Not on the growth of the underlying networks but on a more fundamental question: what exactly are investors buying? What are these tokens and coins, and in what way does ownership confer any legally binding claim on their success?

In truth, it does not. But if that question is properly understood, it is the wrong question to ask.

Tokens are best understood as the operating currency of the decentralised systems that they power. Demand for the usage of a blockchain must be paid for in that blockchain's representative token.

A useful analogy lies in the energy complex: aircraft use aviation fuel, tractors use diesel and ships use bunker oil. These use cases cannot be interchanged. The Ethereum blockchain demands that usage is paid for in Ether (ETH), not in Bitcoin, not in Solana (SOL), not in US dollar stablecoins. The same applies to all other decentralised networks. The investment equation is therefore: on one hand, demand (difficult to predict, but measurable through usage, fees and network effects), and on the other, supply (relatively straightforward, as it is written into the protocol's code and is verifiable on-chain).

In this sense, it is **right to think of tokens as commodities**. This is also the direction in which regulation is moving. The Digital Asset Market Clarity Act (which passed the United States House of Representatives on 17 July 2025 by 294 votes to 134 and is currently before the Senate) establishes the framework under which the token of a truly decentralised blockchain is to be treated as a commodity and regulated as such.

Understanding a token on its own terms - its relationship to the network it represents, and the supply, staking and burn dynamics that govern it - is non-negotiable for a serious investor. There are thousands of these instruments; most are to be avoided. But the projects that thrive, with tokens that have genuine utility and sound economic mechanics, could, in our view, be worth multiples of their current market value one day.

We set out a framework below, structured around four archetypes of token ownership. For each archetype, we provide both a clear statement of what the token holder actually owns and a valuation methodology grounded in commodity economics rather than equity analysis.

We then apply each framework to a live example from our portfolio.

The four archetypes are not arbitrary. They represent four fundamentally different economic relationships between a token and its protocol: tokens that function as the monetary base of a digital economy, tokens that coordinate independent operators, tokens that receive systematic open market buying from protocol revenue, and tokens that are permanently destroyed by it.

Each relationship requires a different valuation framework because the mechanism connecting protocol success to token value is different in each case.

Before setting out the four archetypes, it is worth noting that *many tokens serve more than one function simultaneously.*

In proof-of-stake blockchains, the native token is also the instrument by which the network secures itself: validators lock up tokens as collateral, process transactions, and earn rewards for doing so honestly and lose their stake if they behave dishonestly.

This staking mechanism appears across multiple archetypes. In Archetype 1, staking is the primary security mechanism of the network itself. In Archetype 2, operators stake tokens as collateral to participate in a decentralised physical or software network.

Some tokens exhibit characteristics of more than one archetype simultaneously. HyperLiquid's HYPE, for example, directs protocol revenue to open market buybacks as an Archetype 3 token whilst also securing a Layer 1 blockchain through validator staking in the manner of Archetype 1. Where this overlap exists, it is noted in the relevant example. The archetypes are a framework for understanding what you own, not a rigid taxonomy.

Archetype 1

Infrastructure Token (ETH, SOL, Canton)

What you own:

"When you own an infrastructure token, you own a hybrid of a commodity and the reserve currency of a growing digital economy. As a commodity, it is consumed and burned every time economic activity occurs on that network, and so the network's success directly destroys supply.

As a reserve currency, it is the mandatory unit of account for an entire ecosystem of capital and applications built on top of it. The enforcement behind both is not legal or political but mathematical: attacking the network requires acquiring enough of the token to overwhelm it, which simultaneously destroys the value of what you acquired. You own something that becomes scarcer as the economy it powers grows."

How we value it:

We value an infrastructure token by measuring the size of the economy that depends on it against the supply of the thing that the economy cannot function without.

Two inputs determine whether it is cheap or expensive.

1. The first is the **Network Reserve Ratio**:

Market Cap ($) Total Annualised Economic Activity Settling on the Network ($)

This is the commodity equivalent of a currency ratio. The US dollar money supply M2 (Cash and checking deposits (M1) + savings accounts, money market funds, and short-term deposits) represents 71% of US Gross Domestic Product (GDP). A reserve commodity in a growing digital economy should trade at a meaningful fraction of the economic output it enables. Where the current ratio sits relative to that benchmark tells you whether the market is pricing the token as a speculative asset or as genuine economic infrastructure.

2. The second is **Total Yield**:

Staking Yield (%) Net deflation/inflation (%)

When the network burns more than it issues, holders receive an implicit yield on top of their staking return. This is the risk-free rate of the network's own economy. When it exceeds comparable government bond yields, the token is offering a premium for holding the reserve asset of a growing economy.

Both inputs are driven by the same variable: network usage. More usage pushes the Network Reserve Ratio toward the currency benchmark and creates the deflationary pressure that lifts Total Yield above the risk-free rate. The wider the gap between current usage and current pricing, the greater the opportunity.

Example — Ethereum (ETH)

What you own:

"When you own ETH, you own a hybrid of a commodity and the reserve currency of a growing digital economy.

As a commodity, it is consumed and burned every time economic activity occurs on the Ethereum network, meaning the network's success directly destroys supply.

As a reserve currency, it is the mandatory unit of account for an ecosystem with over $120 billion in capital deployed across it. The enforcement behind both is not legal or political but mathematical: attacking the network requires acquiring enough ETH to overwhelm it, which simultaneously destroys the value of what you acquired. You own something that becomes scarcer as the economy it powers grows."

Valuation — the two inputs:

Input 1 — Network Reserve Ratio

The Network Reserve Ratio measures ETH's market cap against total annualised economic activity settling on the Ethereum network, the on-chain GDP equivalent.

On-chain settlement volume: $2.82 billion daily (7-day moving average, TheBlock, 26 May 2026). Annualised settlement volume: $2.82B × 365 = **$1,029.3 billion.** Current market cap: **$252,629,755,349** (CoinGecko, 26 May 2026) **Network Reserve Ratio: $252.6B ÷ $1,029.3B = 24.5%**

Benchmarks:

Reference Point	Ratio	Interpretation
US M2 money supply to GDP	71%	Mature reserve currency
Major industrial commodity producers to annual economic value of output	~5–8%	Industrial commodity

At 24.5%, ETH sits between the industrial commodity benchmark and the reserve currency benchmark. The market has partially recognised the reserve currency role but has not priced ETH as the full monetary base of the economy it powers. The gap between 24.5% and the currency benchmark represents the re-rating that occurs as the market transitions from pricing ETH as a commodity to pricing it as the reserve asset of the economy it enables.

The re-rating case and the growth case compound. If on-chain settlement volume grows as the Ethereum economy expands, the monetary base requirement rises at any given ratio. If the market simultaneously re-rates the ratio itself from commodity toward currency pricing, both forces move in the same direction. We would expect this to deepen over a 2–5 year horizon as institutional adoption normalises.

Input 2 — Total Yield

Total Yield combines the income earned by securing the network and the implicit return from supply dynamics.

Staking yield: **2.70%** (Beaconcha.in, 26 May 2026) Net inflation rate: **+0.84%** (ultrasound.money, 26 May 2026) Deflation premium: **−0.84%.**

Effective Total Yield for stakers: 2.70% − 0.84% = 1.86%

Effective Total Yield for non-stakers: −0.84%

Note: Ethereum is currently in a net inflationary state. The Dencun upgrade in March 2024 significantly reduced base-layer gas fees by routing activity to Layer-2 networks, which reduced the Ethereum Improvement Proposal 1559 (EIP-1559) burn rate below the rate of new issuance to validators. The network becomes net deflationary during periods of elevated mainnet activity. 39.3 million ETH (33% of total supply) is currently staked, reducing liquid float regardless of the yield calculation.

Risk-free rate benchmarks (as of May 2026):

- UK 10-year gilt: **4.87%** (FT, 26 May 2026)
- US 10-year Treasury: **4.49%** (FT, 26 May 2026)

The staker yield of 1.86% is below the risk-free rate. The income case is not doing the heavy lifting for the ETH investment thesis at current activity levels. The ETH investment case at present rests

primarily on the Network Reserve Ratio argument. The yield becomes compelling when mainnet activity is high enough to push ETH into net deflation. We estimate this requires approximately two to three times the current mainnet base-layer transaction throughput to be sustained over an extended period.

The one-paragraph investment judgement:

ETH trades at 24.5% of its on-chain GDP, which is above the industrial commodity floor of 5–8% but well below the reserve currency benchmark of 77%. The staker yield of 1.86% is below the risk-free rate of 4.5–4.8%, meaning the income argument is secondary to the re-rating thesis at current activity levels. The core case is the Network Reserve Ratio: the market is pricing ETH as a commodity whose monetary base represents roughly one quarter of the economic activity it enables, rather than as the reserve currency of a growing on-chain economy. Closing that gap does not require network growth, only reclassification. If on-chain settlement volume also grows as the Ethereum economy expands, both forces compound. That re-rating is a 2–5 year institutional adoption story.

Archetype 2

Coordination Mechanism Token (WMTx, Aethir, Geodnet, Chainlink)

What you own:

"When you own a Coordination Mechanism Token, you own the instrument that makes a decentralised network possible without a central company behind it. The token is what gives independent operators around the world a reason to invest their own capital to build and maintain real infrastructure, ranging from physical telecoms equipment, GPU compute, precision GPS stations, or software oracle nodes. Without it, that coordination is impossible and replicating what token holders collectively own would require a traditional company to spend billions in capital expenditure. **You are not entitled to the network's revenues, but you own something without which those revenues cannot exist**. As the network grows, so does demand for the instrument that holds it together."

Note: Some Coordination Mechanism Tokens also permanently burn a portion of revenue, compounding the scarcity argument further. Geodnet, for example, burns 80% of all protocol revenue, making it simultaneously a coordination mechanism and a permanent burn instrument.

How we value it:

You value a Coordination Mechanism Token by measuring provable minimum demand against available supply, and asking whether the price reflects what the commodity actually does in the world.

Three inputs determine whether it is cheap or expensive.

The first is the **Provable Demand Floor**, the minimum quantity of the token that must be held for the network to function at its current scale, comprising operator locks (tokens staked by active network operators that cannot be sold without dismantling the network) and consumption demand (tokens

burned or consumed by network activity such as gas fees and transaction settlement). Together, these establish the minimum demand the network structurally requires at current scale.

The second is **Free Float Scarcity**, the portion of circulating supply that actually trades freely, after subtracting operator locks and staking commitments. This is the true size of the commodity market. A network with millions of users and meaningful revenue against a free float worth less than its annual revenue is a fundamental pricing signal.

The third is the **Supply Trajectory**, whether new token issuance is growing, declining, or has a scheduled end. The question is not whether the token is currently inflationary but whether provable demand is growing faster than new supply, and whether there is a defined point at which the token becomes a fixed supply commodity. A commodity with a known and near-term supply ceiling is valued differently from one with open-ended inflation.

The Coordination Mechanism Token is cheap when the free float market cap is low relative to the provable demand floor and supply trajectory is moving toward a fixed ceiling with demand growing beneath it.

Example — World Mobile (WMTx)

What you own:

"When you own WMTx, you own the coordination mechanism that makes a global telecommunications network possible without a central company behind it. The token is what gives 146,000 independent AirNode operators and 1,000 EarthNode validators around the world a reason to invest their own capital to build and maintain coverage. Without it, that coordination is impossible; replicating what WMTx holders collectively own would require a traditional telecoms company to spend billions in capital expenditure. You are not entitled to the network's revenues, but you own an asset without which those revenues cannot exist. As 3.5 million Daily Active Users (DAU) consume 2.6 petabytes of data every day through this network, demand for the instrument that holds it together grows with them."

Valuation — the three inputs:

Input 1 — Provable Demand Floor

The provable demand floor establishes the minimum quantity of WMTx the network requires to function at its current scale and, therefore, the minimum price consistent with the network continuing to operate.

Operator locks:

Every EarthNode operator must lock exactly 100,000 WMTx to participate in network validation. With 1,000 active EarthNodes, this creates a fixed and calculable minimum demand:

1,000 nodes × 100,000 WMTx = **100,000,000 WMTx permanently locked**

In addition, the World Mobile staking dashboard reports 53% of the total circulating supply of 851,874,782 WMTx is currently staked (CoinGecko, 26 May 2026):

851,874,782 × 53% = **451,493,634 WMTx in Core Staking**

EarthNode locks and Core Staking are separate mechanisms. EarthNode locks are permanent operational requirements enforced by smart contracts; Core Staking locks are voluntary 30-day epoch commitments that earn rewards.

Combined:

Component	**WMTx**	**% of Circulating**
EarthNode locks	100,000,000	11.7%
Core Staking	451,493,634	53.0%
Total locked	**551,493,634**	**64.7%**

Consumption demand:

Every transaction on World Mobile Chain requires WMTx as the transaction fee (referred to in the crypto industry as "gas") to process and validate activity on the network. The network currently processes 170,000 transactions per day at an average cost of $0.00627 per transaction. To convert this into token terms: the daily dollar cost of gas ($1,065.90) is divided by the current WMTx price to give the number of tokens consumed daily. At $0.05514 per WMTx:

170,000 transactions × $0.00627 = $1,065.90 of gas per day $1,065.90 ÷ $0.05514 = 19,330 WMTx consumed per day 19,330 × 365 = **7,055,450 WMTx consumed annually in gas**

Gas consumption scales directly with transaction volume. As World Mobile Chain attracts both more mobile subscribers and third-party applications transaction volumes grow independently across both vectors.

In addition, the World Mobile Ecosystem Metrics dashboard records that 1,223,893 WMTx was bought from the open market and distributed to EarthNode operators and stakers as a buyback in March 2026, the most recent reported month. Using this as the forward monthly run rate:

1,223,893 × 12 = **14,686,716 WMTx purchased from the open market annually**

This figure is derived directly from the dashboard rather than estimated as a percentage of revenue. It represents WMTx purchased from open market sellers using network revenue, reducing the freely tradeable supply.

Component	WMTx/year
Gas consumption	7,055,450
Open market buyback	14,686,716
Total annual consumption demand	**21,742,166**

Minimum viable operator price:

EarthNode operators earn income from three sources. Understanding these is essential to establishing the price at which operating an EarthNode is economically rational.

1. First, network validation rewards: the World Mobile dashboard records a cumulative total of 47,160,900 WMTx paid to EarthNode operators since the reward programme began. EarthNode Non-Fungible Tokens (ENNFTs) were first reservable from 11 October 2021, with the auction opening on 31 May 2022, and ENNFTs becoming claimable on 4 January 2023. Network validation rewards began accruing when World Mobile Chain began processing live transactions. Using an operating window of approximately 2–2.5 years as a working estimate:

- At 2.0 years: 47,160,900 ÷ 2.0 = 23,580 WMTx per node per year
- At 2.5 years: 47,160,900 ÷ 2.5 = 18,864 WMTx per node per year

2. Second, a share of the programmatic buyback distribution: the 14,686,716 WMTx purchased annually from the open market is distributed to EarthNode operators and general stakers. EarthNodes hold 100,000,000 WMTx locked out of approximately 451,493,634 total staked, a share of approximately 22%. Applying this proportion:

   14,686,716 × 22% ÷ 1,000 nodes = **3,231 WMTx per node per year**

3. Third, Core Staking yield on the 100,000 WMTx locked per node, at the stated rate of up to 5% Annual Percentage Yield (APY): 100,000 × 5% = **5,000 WMTx per node per year**

Income Stream	WMTx/year per node (2yr)	WMTx/year per node (2.5yr)
Validation rewards	23,580	18,864
Buyback distribution share	3,231	3,231
Core Staking yield on locked WMTx	5,000	5,000
Total annual income per node	**31,811**	**27,095**

EarthNode NFTs (ENNFTs) trade on secondary markets for approximately $38,000.

For the minimum viable price calculation, total capital deployed per EarthNode includes the cost of the ENNFT plus the value of the 100,000 WMTx locked.

Required annual income for a 10% return on $38,000: $38,000 × 10% = **$3,800 per year**

Estimate	Annual income	Minimum viable WMTx price	vs Current $0.05514
2.0-year reward period	31,811 WMTx	**$0.119**	**+116%**
2.5-year reward period	27,095 WMTx	**$0.140**	**+154%**

All 1,000 EarthNode slots are filled. No operator exits have been reported and multiple businesses have now been built to be EarthNode operators. This confirms that operators are holding positions that imply anticipated price appreciation rather than satisfaction with current yield at spot prices.

Input 2 — Free Float Scarcity

Supply Component	WMTx	% of Circulating
Total circulating supply	851,874,782	100%
EarthNode locks	100,000,000	11.7%
Core Staking locked	451,493,634	53.0%
Total locked	**551,493,634**	**64.7%**
Free float	**300,381,148**	**35.3%**

Free float market cap at $0.05514: 300,381,148 × $0.05514 = **$16,562,011**

$607,132 (March 2026 network revenue) × 12 = $7,285,584

Free float to ARR ratio: $16.6M ÷ $7.3M = 2.27x

The entire freely tradeable market for WMTx is worth $16.6 million. The network it represents generates $7.3 million in annual network revenue and serves 3.5 million daily active users consuming 2.6 petabytes of data every day. Any institutional allocation of $1 million represents 6.0% of the entire liquid market. For a network of this operational scale, a freely tradeable market of $16.6 million implies the market has not yet engaged with the asset at all.

Input 3 — Supply Trajectory

WMTx has a fixed maximum supply of 2,000,000,000 tokens. Of these, 29% (580,000,000 WMTx) is the dedicated rewards pool for EarthNode operators, delegators, and stakers, distributed over 20 years from 2021 on a decelerating schedule, tapering to zero around 2041. Separately, vesting unlock schedules for team, operations fund, community fund, and advisor allocations extend into 2028. These are two distinct mechanisms: vesting releases already-allocated tokens from lock-up, while reward emissions are new tokens minted from the 29% rewards pool.

Total tokens issued in the last 12 months: **121,800,000 WMTx**

This issuance reaches the free float at different rates depending on the nature of the recipient. Staking reward recipients have strong incentives to restake rather than sell, the 64.7% lock rate across the network and the absence of reported sell pressure support a conservative assumption that 70% of staking rewards are restaked. Non-staking recipients such as team, operations, and partnership allocations, are assumed to sell approximately 40%.

Source	Annual WMTx	Assumed sell rate	WMTx reaching float
EarthNode rewards (23,580,000/yr)	23,580,000	30%	7,074,000
Core Staking rewards (24,632,000/yr)	24,632,000	30%	7,390,000
Vesting and non-reward emissions	73,588,000	40%	29,435,000
Total estimated sell pressure			**43,899,200**

The EarthNode annual rewards rate of 23,580,000 WMTx and the Core Staking annual rate of 24,632,000 WMTx are each derived from cumulative reward totals reported on the World Mobile dashboard, divided by the estimated operating period. The restaking assumptions are estimates based on observed operator behaviour and should be treated as indicative rather than precise.

Annual demand absorption (gas plus open market buyback): 21,742,166 WMTx Net new supply reaching free float: 43,899,200 − 21,742,166 = 22,157,034 WMTx

Effective float dilution: 22,157,034 ÷ 300,381,148 = 7.4% annually

This net new supply has been a headwind for token appreciation. However, two forces will work simultaneously to reduce it over time.

The first is the decelerating emission model; the “rewards pool” issues fewer tokens each year by design, so sell pressure from emissions will fall regardless of network performance.

The second is growing demand absorption. When the network scales, both gas consumption and the revenue buyback grow.

Gas demand grows from two independent sources simultaneously:

1. Subscriber growth, which generates more on-chain transactions as data usage, payments and identity services settle on World Mobile Chain;
2. Third-party adoption, as external projects building on the EVM-compatible chain generate gas consumption independently of the telecoms business.

The total supply is permanently capped at 2,000,000,000 WMTx. Reward emissions reach zero around 2041, at which point WMTx becomes a permanently fixed supply asset with no further dilution of any kind.

Timeframe guidance: at the current monthly revenue trajectory of $607,132, ARR could approach $14–15 million within 12–18 months if the current growth rate is sustained, at which point the annual buyback approximately doubles from 14.7 million to around 29 million WMTx, and effective float dilution falls meaningfully below 7.4%.

The one-paragraph investment judgement:

WMTx is a coordination commodity with a freely tradeable market of $16.6 million for a network generating $7.3 million in annual revenue and serving 3.5 million daily active users. The spot price is 116–154% below the minimum price at which running an EarthNode generates a 10% return on capital, and all 1,000 EarthNode slots are filled with no operators exiting. The headwind is 7.4% annual effective float dilution, declining each year as emissions decelerate and as network growth increases gas consumption and buyback absorption. The token is priced as though the network does not exist at the scale it demonstrably does.

Archetype 3

Revenue Buyback Token (HYPE, SYRUP, Fluid, Aave, Pendle, Alkimi)

What you own:

"When you own a Revenue Buyback Token, you own a commodity that a profitable protocol is contractually obligated to purchase from the open market using its own revenue. You have no claim on that revenue, but the protocol has a structural obligation to deploy it in your token's favour. As the protocol grows and generates more revenue, the size of that structural buying obligation grows with it. You own something that an increasingly profitable system is increasingly compelled to buy."

Note: These mechanisms vary significantly across protocols, in the percentage of revenue allocated, whether tokens are removed permanently or held in treasury, and how consistently the mechanism is applied. Much like one company may run a more aggressive buyback programme than another, irrespective of the quality of the underlying business, the strength of the mechanism matters as much as the growth of the protocol itself.

How we value it:

Two inputs determine whether a Revenue Buyback Token is cheap or expensive.

The first is the **Circulating Supply Retirement Rate**, annual buyback spend divided by circulating market cap, measuring how fast the protocol is removing the commodity from open market circulation each year.

The second is the **Fully Diluted Supply Retirement Rate**, annual buyback spend divided by Fully Diluted Valuation (FDV). This is the honest version of the first metric. It accounts for tokens not yet in circulation that will eventually dilute the retirement rate. A large gap between the two rates signals compression risk as more tokens enter circulation. Both rates must be presented together, and the investor must understand the dilution schedule before relying on the circulating figure alone.

The token is cheap when the circulating retirement rate is materially high, the fully diluted rate remains reasonable, revenue is growing, and the mechanism is contractually locked rather than governance-dependent.

Example — HyperLiquid (HYPE)

What you own:

"When you own HYPE, you own a commodity that HyperLiquid's exchange is contractually obligated to purchase from the open market using its own trading revenue. Over 99% of all protocol fees are directed to the Assistance Fund, which uses them to buy HYPE in the open market continuously. You have no claim on those fees, but the exchange has no choice but to deploy them in your token's favour. As the exchange grows and generates more revenue, the obligation to buy grows with it. You own something that one of the most profitable exchanges ever built is structurally compelled to keep buying."

Note: Bought-back HYPE is held in the Assistance Fund rather than permanently destroyed or distributed to stakers. Tokens are removed from open market circulation but not sent to a dead wallet, distinguishing this from Archetype 4, where destruction is irreversible. The retirement is real and structural but not absolute.

Note on network security: HYPE also serves as the staking token for the HyperLiquid Layer 1 blockchain (HyperEVM), a proof-of-stake network where validators lock HYPE as collateral to participate in consensus and process transactions. This gives HYPE a structural demand floor beyond the buyback mechanism — validators must hold and stake HYPE to operate on the network, and risk losing their stake if they act dishonestly. The valuation framework below addresses the buyback mechanics as the primary value driver, but the validator staking requirement represents an additional and independent source of structural demand for the token

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Valuation — the two inputs:

Input 1 — Circulating Supply Retirement Rate

Revenue context:

HyperLiquid generated $910 million in protocol revenue over the trailing 365 days. Monthly revenue has moderated recently as the broader crypto market has moved into a bear phase, with April 2026 recording $39.88 million and May 2026 $35.82 million to date. Both the trailing and forward figures are presented, as the appropriate basis for valuation depends on a view about revenue recovery.

Period	Revenue	Implied ARR
Trailing 365 days	$910,000,000	—
April 2026 (most recent complete month)	$39,880,000	$478,560,000

Two recently launched products expand the addressable market meaningfully beyond the core perpetuals business that generated the trailing $910 million:

Hyperliquid Improvement Proposal 3 (HIP-3), launched 13 October 2025, enables permissionless perpetual futures markets. Any builder staking 500,000 HYPE can deploy custom perpetual markets covering tokenised stocks, commodities, foreign exchange, and Real-World Assets (RWAs). HIP-3 now

represent over 25% of all Hyperliquid trading volume, with Open Interest currently sitting at $2.67 billion.

Hyperliquid Improvement Proposal 4 (HIP-4), launched on mainnet in May 2026, introduces outcome contracts. These function as on-chain prediction markets, directly targeting Polymarket and Kalshi. The product was co-developed with Kalshi. Positions are fully collateralised in USDH (HyperLiquid's native stablecoin) and carry no liquidation risk. Fees feed directly into the existing HYPE buyback flywheel. Prediction markets generated $63.5 billion in combined trading volume in 2025 (+302.7% YoY), representing a large addressable market that HIP-4 is designed to capture on-chain.

Both HIP-3 and HIP-4 represent entirely new revenue streams beyond the core perpetuals business. When crypto market conditions improve and overall trading volumes recover, revenue from these three combined verticals could exceed prior peak levels. The revenue compression visible in recent monthly figures reflects reduced market activity, not a deterioration in the structural competitive position.

Annual buyback spend:

Trailing 365-day basis: $910,000,000 × 99% = **$900,900,000**

April forward basis: $478,560,000 × 99% = **$473,774,400**

Supply and market cap:

Current circulating supply: **238,000,000 HYPE**

Current circulating market cap: **$13,525,020,563** (CoinGecko, 26 May 2026)

Implied current price: $13,525M ÷ 238M = **$56.83 per HYPE**

Circulating supply retirement rate:

Basis	Annual Buyback	Circulating Retirement Rate
Trailing 365 days	$900,900,000	**6.66%**
April 2026 forward	$473,774,400	**3.50%**

HYPE tokens purchased from open market annually:

- Trailing basis: $900,900,000 ÷ $56.83 = **15,852,166 HYPE/year**
- Forward basis: $473,774,400 ÷ $56.83 = **8,337,066 HYPE/year**

Input 2 — Fully Diluted Supply Retirement Rate

Supply breakdown:

Allocation	**HYPE**	**% of Total**	**Status**
Genesis distribution (airdrop)	310,000,000	31.0%	Fully distributed
Core Contributors (team)	238,000,000	23.8%	24-month vesting from Jan 2026, ends Jan 2028
Hyper Foundation Budget	60,000,000	6.0%	Unlocked at Token Generation Event
Community Grants	3,000,000	0.3%	Distributed
Future Emissions and Community Rewards	388,900,000	38.9%	Released "as needed" — no fixed schedule
Burned (one-time event, Nov 2025)	−37,000,000	—	Permanently removed
Total maximum supply	**1,000,000,000**	**100%**	
Current circulating	**238,000,000**	**23.8%**	

The 388,900,000 Future Emissions allocation has no fixed release schedule, no evidence of meaningful draw-down at current revenue levels, and the protocol has previously burned significant token tranches voluntarily. These tokens may never enter circulation. We therefore present two FDV figures: the theoretical maximum including all tokens, and a realistic scenario excluding Future Emissions entirely.

Basis	**FDV**	**Trailing retirement rate**	**Forward retirement rate**
Full FDV (all tokens)	$56,830,000,000	1.58%	0.83%
Realistic FDV (excl. Future Emissions)	$34,700,000,000	**2.59%**	**1.36%**

Known annual supply flows:

The only confirmed new supply entering circulation is Core Contributors vesting: 238,000,000 HYPE released over 24 months from November 2025 to November 2027, giving approximately **119,000,000 HYPE per year**.

Against this, the buyback removes 15,852,166 HYPE annually on a trailing basis and 8,337,066 on a forward basis.

Two important qualifications apply to the dilution this represents. First, team allocations are not sold at the same rate as tokens distributed to the broader market. Insiders typically hold a meaningful proportion of their vested tokens, meaning actual sell pressure reaching the open market is lower than the headline figure implies. Second, this dilution is strictly time-limited: Core Contributors' vesting ends November 2027. After that date, the only remaining known supply flow is the Future Emissions pool, which, at current revenue levels, shows no sign of being drawn upon. From November 2027 onwards, the buyback operates against a near-static supply base and removes a growing percentage of available tokens with nothing material entering circulation to offset it.

The one-paragraph investment judgement:

HYPE is a commodity that HyperLiquid is contractually and immutably obligated to purchase from the open market using over 99% of protocol revenue. The mechanism currently retires 6.66% of the circulating supply on a trailing basis. HIP-3 permissionless perpetuals and HIP-4 outcome contracts are now live, expanding the addressable market well beyond core perpetuals and positioning the protocol to recover and potentially exceed prior revenue peaks as conditions improve. The near-term headwind is 119 million tokens annually from Core Contributors' vesting until November 2027. From that point, the buyback operates against a near-static supply base, with the only remaining overhang being a 388.9 million token pool that the protocol has previously demonstrated willingness to burn rather than release.

Archetype 4

Token with Permanent Burn (Geodnet, SKY)

What you own:

"When you own a token with a permanent burn mechanism, you own a fixed share of a permanently shrinking supply, where the shrinking is driven entirely by the commercial success of the underlying protocol. Revenue is used to buy tokens from the open market and destroy them forever. No one can reverse this. You own scarcity that compounds with revenue."

How we value it:

Two inputs determine whether a permanent burn token is cheap or expensive.

The first is the **Permanent Burn Yield**: annual tokens permanently destroyed divided by circulating supply, expressed as a percentage of supply retired annually. This metric is expressed in token terms rather than dollar terms, making it price-independent and directly comparable across protocols

regardless of token price. The destruction is irreversible: each token burned can never return to circulation under any governance decision or management action.

The second is the **Deflation Crossover**: the point at which annual tokens burned permanently exceeds annual new tokens issued. Before this point, the token is net inflationary despite the burn. After it, the token is net deflationary and every additional unit of revenue accelerates the deflation. The proximity to this crossover and the certainty with which it can be dated determines how much of the deflation argument is mechanically locked in versus dependent on further revenue growth.

The token is cheap when the permanent burn yield is high, the deflation crossover is near and mechanically certain, and the protocol generating the revenue has a durable competitive position.

Example — Sky Protocol (SKY)

What you own:

"When you own SKY, you own a commodity that one of Decentralised Finance's most profitable protocols permanently destroys using its own revenue. A defined portion of the surplus generated by the USDS stablecoin ecosystem (Sky's stablecoin) is used to buy SKY from the open market and incinerate it forever. Every token purchased is permanently gone, it can never return to circulation. You own scarcity that compounds with revenue."

Note: SKY's burn rate is set by DAO governance vote rather than automated protocol mechanics, distinguishing it from Geodnet where destruction executes automatically from revenue. In March 2026, governance temporarily reduced the daily burn from $300,000 to $37,600 to build a solvency reserve. This was a precautionary decision validated by the KelpDAO exploit five weeks later. Buybacks restore once reserves reach $125 million.

Sky Protocol is not a single product but a modular financial ecosystem built around USDS, the world's largest yield-bearing decentralised stablecoin with $11.05 billion in supply. Revenue flows from three sources simultaneously: overcollateralised crypto lending fees, real-world asset yields from tokenised US Treasuries and structured credit, and a network of independent Sky Agents (Spark, Grove, Keel, and Obex) that deploy USDS reserves across DeFi and earn yield that returns to the protocol.

Spark alone holds $9.4 billion in Total Value Locked as of May 2026, growing sharply as capital sought safety following the KelpDAO exploit. Real-world asset revenue is structurally less correlated to crypto market conditions than pure DeFi lending, providing a revenue floor that persists through bear markets.

It is this diversified revenue base, not a single product cycle, that funds the Smart Burn Engine. SKY token holders govern the entire ecosystem and receive the economic benefit of that governance through permanent supply destruction

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Valuation — the three inputs:

Input 1 — Permanent Burn Yield

The permanent burn yield measures what percentage of circulating supply is permanently destroyed each year by protocol activity. It is expressed in SKY terms making it price-independent and directly comparable across protocols regardless of token price.

The current 3-month annualised net surplus is $101.16 million, distorted by an anomalously expensive March in which income held steady but expenses spiked. April recovered strongly to $12.55 million net surplus. We use the Sky Foundation's 2026 full-year forecast of $157.8 million net surplus as the primary forward planning figure, as it reflects the protocol's demonstrated capacity across a broader period.

Total SKY permanently burned to date: **1,900,000,000 tokens** — 8.2% of circulating supply permanently removed since February 2025

Current circulating supply: **23,200,000,000 SKY** | Annual emissions: **600,000,000 tokens** Current price: **$0.07049** | Market cap: **$1,628,461,063** (CoinGecko, 26 May 2026) Sky Reserves: **$75,180,000** | Restoration trigger: **$125,000,000**

State	SKY Burned/year	Burn Yield
Trough ($37,600/day)	194,693,575	**0.84%**
Restored (25% of 2026 forecast $157.8M)	559,652,291	**2.41%**
January run rate sustained ($216M annualised)	766,067,528	**3.30%**

Commentary: The trough yield of 0.84% reflects the temporary reserve-building period. At the restored rate, the protocol permanently retires 2.41% of the circulating supply annually, on a track record that has already removed 8.2% of the supply in 14 months. April's recovery toward January levels is the trend to watch.

Input 2 — Deflation Crossover

Annual burn spend required to exceed 600 million annual emissions: 600,000,000 × $0.07049 = **$42,294,000/year**

Annual surplus required at 25% allocation: $42,294,000 ÷ 25% = **$169,176,000**

Scenario	Net Surplus	vs Threshold	Deflation?
3-month annualised (March-distorted)	$101,160,000	$68.0M short	No
2026 Foundation forecast	$157,800,000	$11.4M short	No
January run rate sustained	$216,000,000	$46.8M above	**Yes — 3.30%/yr**

The crossover is not yet achieved, but it is close. The 2026 forecast surplus sits $11.4 million below the threshold. Governance can also close the gap with a 1.8 percentage point increase in the burn allocation from 25% to 26.8%, requiring no revenue growth at all.

Input 3 — Supply Trajectory

Supply Component	SKY	Notes
Maximum supply	23,460,000,000	Hard cap
Currently circulating	23,200,000,000	98.9% in circulation
Permanently burned to date	1,900,000,000	8.2% permanently gone
DAO treasury holdings	218,500,000	Available for future governance deployment
Annual emissions	600,000,000	Only ongoing supply addition
Remaining to enter circulation	~260,000,000	1.1% of maximum — negligible

With 98.9% of the maximum supply already circulating, there is no meaningful dilution overhang. The only supply pressure is the fixed 600 million annual staking emissions.

Scenario	Net Surplus	SKY Burned/year	Net Annual Supply Change
2026 Foundation forecast	$157,800,000	559,652,291	**+40,347,709 (+0.17%)**
Crossover threshold	$169,176,000	600,000,000	**Zero**
January run rate	$216,000,000	766,067,528	**−166,067,528 (−0.72%)**
Further growth	$350,000,000	1,241,312,611	**−641,312,611 (−2.76%)**

Commentary: With 98.9% of supply circulating and no dilution overhang, whether the token is net inflationary or deflationary depends entirely on one variable: whether net surplus is sustained above $169.2 million. January showed that the protocol can reach that level. April showed it is recovering toward it. The 2026 forecast sits $11.4 million short.

The one-paragraph investment judgement:

SKY is a permanent burn commodity that has already destroyed 8.2% of its circulating supply in 14 months of operation, with 98.9% of the maximum supply already in circulation and no meaningful dilution overhang. April 2026 net surplus recovered to $12.55 million following an anomalously expensive March, tracking back toward January's $18 million. Sky Reserves stand at $75 million, pointing to buyback restoration in Q3 2026. The market is pricing a protocol in a temporary trough. It is not pricing the recovery April and May have already begun.

Conclusion

The framework in this report does not fabricate equity-like claims, depend on regulatory tailwinds, or require a bull market to function. It asks one question: given what this token actually does in the world and the supply dynamics governing it, is the current price consistent with reality?

In each of the four live examples, the answer is the same: it is not.

ETH is the monetary base of a digital economy transacting over a trillion dollars annually, priced at a fraction of what comparable monetary bases represent relative to the economies they serve.

WMTx coordinates a telecoms network serving 3.5 million daily active users, yet its entire freely tradeable market is worth just $16.6 million, only 2.3 times the annual revenue currently generated by the network.

HYPE is being systematically purchased by an immutable mechanism that cannot be cancelled, retiring 6.66% of circulating supply annually on a trailing basis, with two new product verticals expanding the revenue base beyond what generated those figures.

SKY has permanently destroyed 8.2% of its circulating supply in 14 months, with the deflation crossover looking for 12-18 months' time.

None of these is a speculative argument. Each is grounded in on-chain data, verifiable economics, and mechanics that operate regardless of sentiment. The gap between what these networks are and what the market currently prices them at remains, in our view, as wide as it has ever been.

This report is for informational purposes only and does not constitute investment advice. Wiston Capital and its principals hold positions in the tokens discussed. Digital assets carry significant risk, including the potential for total loss of capital.

Jake Anderson

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