

LVRG STUDIO

LVRG INVESTMENT RESEARCH

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Say Bye to Rock 'n' Roll: New Era
of Web3 Fundraising Enters

PREPARED BY LVRG RESEARCH

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Introduction

The Web3 fundraising landscape has changed significantly from previous cycles categorized by intense volatility and speculative bubbles, transforming into a new era driven by institutional participation. Starting from last year, the crypto industry has built a new relationship with traditional finance (TradFi), seemingly to have saved it from low valuations and an industry-wide contraction. This relationship has taken over as the largest influence in fundraising as retail participants moved on from ICOs and TGEs to prediction market plays.

By early 2026, investors have shown that the most attractive crypto startups are ones that cater to institutions with compliant infrastructure, security and regulatory frameworks in place, and business models that showcase earning potential or replicate TradFi financial products and tools.

The transition into 2026 marked a clear shift in the Web3 fundraising landscape, characterized by strong overall capital growth alongside increasing concentration. According to RootData's 2025 Web3 Industry Annual Report, primary market financing in crypto reached \$22.73 billion in 2025, representing a 120.5% year-over-year increase.

However, this growth was highly concentrated as the report shows that the number of financing events fell 40.3% to 933 (a five-year low), with capital "converging toward the top" around a small number of leading projects. Consequently, the 2026 market cycle emphasizes the depth and scale of institutional integration more than the broad innovation seen in prior cycles.

That concentration has had especially serious consequences for younger companies still trying to secure their first meaningful institutional backing. As noted in VC discussions, this has created a challenging environment for early-stage startups, where many face acquisition by larger players or failure to raise at all. In practice, that dynamic has narrowed the path forward for many founders and reinforced the market's preference for scale, traction, and institutional alignment.

2026 Fundraising Outlook

The 2026 fundraising outlook points to stabilization in traditional venture capital alongside continued strong growth in institutional digital asset treasuries (DATs) and regulated exchange-traded products. In contrast to the retail-driven euphoria and overcapitalized seed rounds of the 2021–2022 cycle, VCs describe the current environment as one of institutional discipline.

This more selective posture has reset expectations for both founders and fund managers heading into the new cycle. According to The Block, venture deal counts fell roughly 60% year-over-year by the end of 2025; most investors expect only a modest rebound in 2026, with capital remaining focused on projects that demonstrate clear traction, fundamentals, and paths to liquidity. That outlook suggests that fundraising activity may stabilize, but not in a way that restores the broad-based risk appetite seen in earlier crypto bull markets.

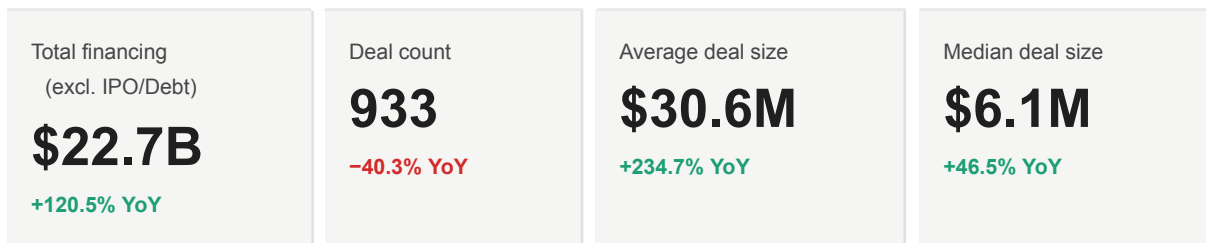
The transition into 2026 has been marked by the growing dominance of institutional-led deals. The average funding size surged 234.7% to \$30.6 million, while the median rose to \$6.1 million, according to RootData's 2025

Web3 Industry Annual Report. This wide gap highlights heavy concentration of capital in mega-rounds, particularly for infrastructure and CeFi projects. Traditional crypto-native VC funding from Seed to Series C accounted for just 8.8% of total capital (\$5.07 billion), according to RootData. In contrast, traditional institutions, strategic acquirers, debt financing, and related mechanisms made up the vast majority of the market.

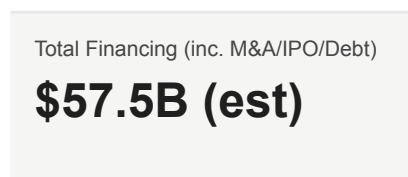
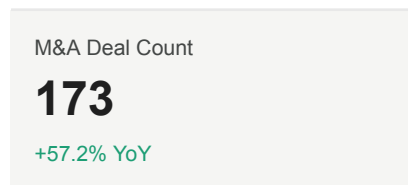
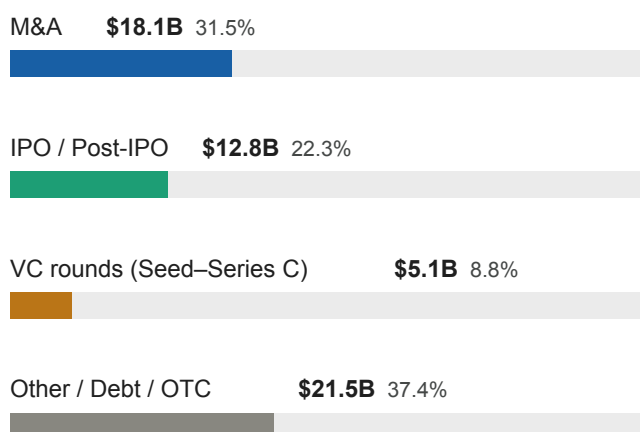
This concentration of capital has had a particularly pronounced impact on early-stage funding. According to The Block, one major reason for the decline in

early-stage funding in 2025 was that many crypto-native venture firms are “nearing the end of their runway” and have struggled to raise new capital after underperforming Bitcoin and other risk assets in prior years.

As a result, investors expect the bar for seed and pre-seed deals to remain “much higher” in 2026. Founders are now required to show clear traction and fundamentals, often including revenue progress and regulatory alignment, rather than relying on the narrative-first approach that characterized the previous decade.



CAPITAL COMPOSITION



Source: RootData, January 2026

Bullish Drivers and Market Catalysts

Key drivers for the 2026 market include the expected passage of bipartisan U.S. regulatory frameworks and the continued

expansion of crypto ETFs into altcoin exposures. As detailed in Grayscale's 2026 outlook, the GENIUS Act (on stablecoins) and the CLARITY Act together represent the first major federal

statutory frameworks for digital commodities and stablecoins. Grayscale notes that these developments should reduce regulatory uncertainty for institutions and enable "deeper integration between public blockchains and traditional finance."

Institutional demand is expected to accelerate through 2026. Grayscale Research's 2026 Digital Asset Outlook forecasts that Bitcoin could exceed its previous all-time high of approximately \$126,000 (set in October 2025) as part of this institutional momentum. The firm argues that 2026 will mark the end of the traditional "four-year cycle" theory, ushering in a sustained, adoption-led bull market in which Bitcoin and Ether function as scarce digital commodities and alternative monetary assets serving as a hedge against fiat currency debasement risks.

Risks: Big and Broad

Despite broader institutional momentum, this year has experienced significant macro-driven volatility that tested digital asset resilience. February was "one of the most challenging months for crypto markets since the FTX collapse," highlighted by an intraday crash on February 5 that pushed Bitcoin below \$63,000 and triggered over \$2.1 billion in liquidations, according to HashKey Capital's February 2026 report. Unlike previous crypto-native shocks, this deleveraging stemmed from external macro factors, including escalating U.S. tariff rhetoric and geopolitical tensions in the Middle East, prompting capital to rotate into safe havens such as gold, which surged past \$5,172/oz.

Regional macroeconomic shocks have also created headwinds for digital assets. According to CoinEx Research's January

2026 report, Japan's 40-year bond yields hit a record 4.24% in January, reflecting "eroding faith in the Bank of Japan's tightening policy amid fiscal expansion." As yields rose, Japanese investors began repatriating capital from U.S. Treasuries, reducing global liquidity and creating what the report calls a "hidden headwind" for Bitcoin, forcing the asset to compete with risk-free returns exceeding 4%.

CoinEx Research's March 2026 report adds that crypto remained tightly bound to the global macro narrative in March, as inflationary pressure from the Strait of Hormuz disruption, a more restrictive Fed backdrop, and elevated geopolitical risk kept Bitcoin range-bound even while demand conditions improved.

Shaping Forces

Liquidity and exposure to crypto has increasingly become institutionalized as protocols and exchanges develop with Wall Street in mind. Digital asset treasuries, ETFs, tokenized real-world assets, and stablecoins are collectively redirecting capital away from speculative early-stage bets and toward vehicles that offer liquidity, transparency, operational utility, and compatibility with traditional financial infrastructure.

One of the most defining trends in the 2026 fundraising landscape has been the rise of Digital Asset Treasuries (DATs) as a preferred vehicle for institutional crypto exposure. According to The Block, DAT firms raised roughly \$29 billion in 2025, significantly outpacing the \$18.9 billion raised by traditional crypto venture investments. The Block notes that this shift gives institutional investors a simpler way to gain crypto exposure through public companies, which offer greater liquidity and transparency compared to the

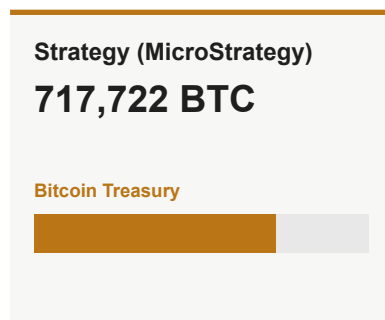
illiquidity and higher failure rates associated with early-stage startup bets.

Public companies, led by MicroStrategy (commonly referred to as Strategy), have helped reposition Bitcoin as a strategic reserve asset rather than a purely speculative one. Coinbase Bytes reports that by early 2026, Strategy's Bitcoin holdings exceeded \$60 billion in value. According to HashKey Capital, even during the February 2026 market dislocation, when retail sentiment collapsed, major players including Strategy, Mubadala Investment Company, and Al Warda Investments continued accumulating Bitcoin.

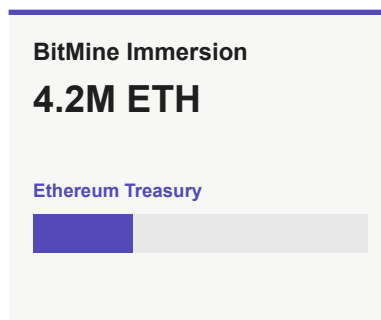
The DAT model is built around the "market Net Asset Value" (mNAV) metric, in which companies issue debt or equity to acquire

more digital assets when trading at a premium. Coinbase Bytes notes that this approach becomes challenging when shares trade at a discount to mNAV, as occurred after the October 2025 peak. Several treasury firms saw share prices drop nearly 50%, rendering new issuance "punitive" and limiting accumulation to only the strongest players.

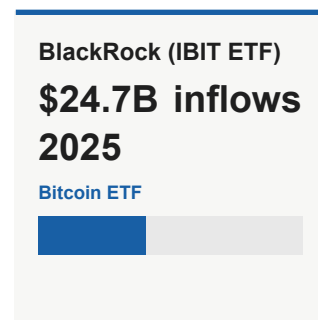
Despite these hurdles, corporate adoption continues to accelerate. In January 2026, Ripple President Monica Long projected that "roughly half of Fortune 500 companies will have formalized digital asset strategies" by year-end, treating crypto not just as an investment, but with "active participation across tokenized assets, digital asset treasuries, stablecoins, onchain T-bills and programmable financial instruments."



Coinbase January 2026



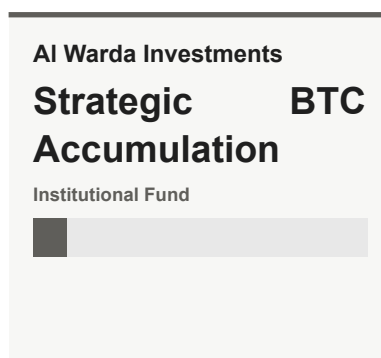
Coinbase January 2026



Cointelegraph January 2026



HashKey Capital (February/March 2026)



HashKey Capital (February/March 2026)

Feb 2026 context

While retail sentiment fell sharply during the Feb 2026 dislocation, all five entities continued active accumulation, signalling institutional conviction diverging from market price. HashKey Capital (February/March 2026)

ETFs and ETPs have emerged as the primary on-ramp for institutional capital into crypto. According to The Block, U.S. spot Bitcoin ETFs recorded about \$22 billion in net inflows in 2025, even as

Bitcoin's price fluctuated between roughly \$80,000 and \$126,000. Ether ETFs saw inflows estimated around \$10 billion; at points in August 2025 they briefly outpaced Bitcoin products amid growing

institutional acceptance of Ethereum as a settlement layer for stablecoins.



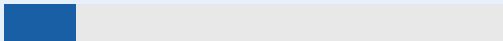

By early 2026, approved crypto ETFs had expanded to cover major altcoins including Solana, XRP, Dogecoin, and Chainlink. However, as noted in The Block's early 2026 analysis, the market continued to show signs of "internal fatigue" beneath the surface. While ETFs offered surface-level support through inflows, on-chain metrics such as realized capitalization turned negative in late 2025, indicating that sustained price upside would require genuine on-chain capital formation rather than reliance on secondary market demand alone.

Meanwhile, **real-world asset (RWA) tokenization** has become one of the dominant themes for institutional liquidity in 2026. As of early 2026, tokenized RWAs reached approximately \$23.6–24 billion in value (per InvestaX, RWA.xyz,

and DeFiLlama), reflecting substantial growth from the start of the year.

The data also shows the sector remains dominated by tokenized funds, primarily U.S. Treasury bills and money market products, which account for roughly 44.5% of the market (~\$10.5 billion), while tokenized gold and commodities represent about \$6.5 billion, and tokenized equities have grown to nearly \$4 billion.

Growth is driven by demand for 24/7 trading and always-on settlement capabilities. Institutions are incorporating tokenized RWAs selectively to enhance collateral mobility and enable fractional participation while working within existing regulated frameworks. For instance, Aave Labs' Horizon platform enables qualified institutions to borrow stablecoins against tokenized assets as collateral, allowing those assets to remain productive on-chain.

Asset Category	Value (Apr 2026)	Key Platforms / Issuers
Tokenized Funds <i>T-Bills / Money Market Funds</i>	\$13.4B 	Key platforms BlackRock (BUIDL), Ondo Finance
Gold & Commodities <i>Precious metals & commodity tokens</i>	\$7.3B 	Key platforms Paxos, Tether Gold
Tokenized Equities <i>On-chain stocks & ETFs</i>	\$1.0B 	Key platforms xStocks, Robinhood, Coinbase
Private Credit <i>Loans, trade finance & receivables</i>	\$6.1B (distributed) 	Key platforms Centrifuge

Total tracked (distributed RWAs, excl. stablecoins): **~\$29.1B** · Source: RWA.xyz, Apr 2026

Stablecoins have transitioned from primarily crypto-native trading tools to core financial infrastructure. According to Morph Network's 2026 stablecoin report, annual transaction volumes reached \$33 trillion in 2025 (with some broader estimates higher), surpassing networks like PayPal and rivaling major card networks such as Visa.

The total stablecoin market capitalization hit \$312 billion by January 2026 with reports projecting continued strong growth in circulation over the coming years. This expansion is driven less by speculation and more by practical utility in payments, lending, and cross-border settlement, areas where stablecoins can significantly reduce costs compared to traditional rails (often from several percent down to under 1%).

The convergence of stablecoins and artificial intelligence is opening new economic models. **Agentic commerce** is emerging, in which AI agents use stablecoins to make instant, permissionless payments to one another for services such as data, GPU compute, or API calls. Standards like the x402 protocol enable programmable and reactive settlement, allowing agents to detect needs and complete transactions autonomously in real time.

McKinsey estimates that agentic commerce could orchestrate \$900 billion to \$1 trillion in U.S. retail revenue by 2030. Visa has already executed hundreds of agent-initiated transactions and expects millions of agent-completed purchases by the 2026 holiday season. Many observers

view this evolution as a major milestone for the payments industry, positioning stablecoins as a foundational settlement layer for internet-native, machine-driven commerce.

Rising Stars

The 2026 fundraising environment has concentrated capital in a small number of high-conviction sectors. The majority of venture and strategic funding has flowed toward cash-flow-positive DeFi protocols and projects at the intersection of AI and Web3.

DeFi has matured significantly in 2026, shifting its focus from aggressive leverage and capital-efficiency experiments toward sustainable balance-sheet management and predictable returns. According to DeFiLlama, total DeFi TVL exceeded \$100 billion in early 2026 and demonstrated notable resilience during the February market downturn, recovering after dipping to around \$95 billion. The growing involvement of traditional finance (TradFi) players is further blurring the lines between decentralized and traditional financial services, creating integrated ecosystems that can support areas such as insurance, pensions, and mortgage products.

The artificial intelligence sector experienced explosive funding growth in 2025, surpassing \$76 billion according to TechCrunch, which stated that this momentum carried into 2026, with nearly 20 U.S. startups raising rounds of \$100 million or more in just the first two months of the year.

Company	Round Amount	Valuation	Date
OpenAI	\$110B	\$840B	Feb 2026
Anthropic	\$30B	\$380B	Feb 2026
xAI (Elon Musk)	\$20B	—	Jan 2026*
Runway	\$315M	\$5.3B	Feb 2026
SkildAI	\$1.4B	\$14B	Jan 2026
ElevenLabs	\$500M	\$11B	Feb 2026

* xAI valuation not publicly disclosed. Source: TechCrunch (February 17, 2026), company announcements.

The merging of AI and Web3 centers on the development of autonomous multi-agent systems and trading-related bots. Emerging standards such as x402 and ERC-8004 are helping integrate AI agents into Web3 ecosystems. In particular, ERC-8004 introduces a verifiable reputation system that allows users to track and evaluate agents operating as independent participants on-chain. These agents can interact with DeFi protocols, pay fees autonomously, and adapt to market conditions, gradually evolving into self-sustaining economic entities.

Regulatory and Macro Influences

The digital asset market in 2026 operates under the most comprehensive regulatory framework to date in the industry's history. The GENIUS Act of 2025 and the Digital Asset Market CLARITY Act of 2026 have largely resolved long-standing jurisdictional overlaps between the SEC and CFTC.

The CLARITY Act draws a clearer line between the regulatory responsibilities of the SEC and CFTC, moving away from the previous regulation-by-enforcement approach toward a more predictable statutory framework. The legislation seeks to protect software developers and peer-to-peer activity while imposing cybersecurity and compliance requirements on centralized intermediaries interacting with DeFi protocols.

However, the bill has drawn criticism for shortcomings in investor protection. Former SEC Chief Accountant Lynn Turner warned that the current draft lacks Sarbanes-Oxley-level safeguards, including mandatory audited financial statements and robust internal controls for digital asset service providers. Traditional banks have also lobbied strongly against allowing stablecoins to offer competitive rewards, arguing that such yields could trigger deposit outflows from conventional savings accounts.

CoinEx Research's March 2026 report noted that U.S. regulatory clarity improved meaningfully through a joint SEC-CFTC digital-commodity framework, describing it as one of the clearest market-structure signals the sector had received in years even if immediate market reaction was muted by the March FOMC meeting. The same report also argued that spot ETF inflows, renewed dip-buying from institutional allocators and digital-asset treasuries, and approximately \$2.7 billion in stablecoin net inflows pointed to a market that remained structurally constructive despite difficult macro conditions.

In early 2026, the U.S. administration established a national digital asset stockpile, fulfilling a key policy objective. The reserve, consisting primarily of Bitcoin and other cryptocurrencies already held by the federal government, was valued at more than \$23 billion according to BitcoinTreasuries.net. This move signals a significant policy shift, treating Bitcoin as a strategic national asset rather than the speculative or valueless novelty it was often viewed as in prior administrations.

Challenges and Headwinds

As the crypto industry matures, valuations are increasingly tied to underlying fundamentals rather than speculative hype. This shift has made the environment particularly difficult for early-stage and

small-to-mid-sized projects. With capital heavily concentrated in Digital Asset Treasuries (DATs), ETFs, and later-stage rounds, many smaller initiatives now face a binary outcome: secure acquisition or struggle to survive.

Sectors such as NFTs and social entertainment have seen their share of industry financing drop below 1%, according to RootData, as capital continues to favor regulated, cash-flow-positive projects. This concentration raises longer-term concerns about reduced diversity in innovation, as funding increasingly flows toward models that align closely with traditional finance preferences.

With IPO activity remaining highly selective, mergers and acquisitions have become the primary exit route for most projects. Industry leaders and established players are increasingly opting to "buy rather than build," resulting in record M&A value of \$18.11 billion in 2025 as this trend continued into Q1 2026, according to RootData's annual report. Acquirers are prioritizing startups that are already generating revenue, backed by reputable teams and major venture capital firms. The current market conditions have also led to an increase in down-round exits, where venture-backed companies are being acquired or marked to market at significantly lower valuations.

Deal Type	Deal	Value	Date
Acquisition	CIMG (Nasdaq) → iZUMi Finance <i>Strategic asset acquisition of DeFi protocol by listed Nasdaq company.</i>	Undisclosed	Mar 2026
OTC / Asset Sale	Ethereum Foundation → BitMine <i>5,000 ETH transferred for \$10 million in an over-the-counter transaction.</i>	\$10M	Mar 2026
Strategic Pivot	SpaceX → xAI (Elon Musk) <i>Strategic infrastructure pivot consolidating AI and space ventures under one entity.</i>	Undisclosed	Jan 2026
Down-Round Exit	Capital One → Brex <i>Exit at 58% discount from its 2022 peak valuation.</i>	-58% discount	Q1 2026

Source: Company announcements, CoinDesk, TechCrunch, Reuters (January–March 2026)

To Sum Up

The Web3 fundraising landscape in 2026 looks notably different from previous cycles. The industry is transitioning from the periphery toward becoming a more integrated part of global finance. The period of hype-driven speculative bubbles has given way to an era focused on execution, where liquidity, institutional integration, and real-world utility serve as the main benchmarks of success.

Tailwinds such as U.S. federal legislation, the rise of sovereign-level tokenization, and the convergence of AI with commerce are supporting longer-term, adoption-driven growth for digital assets. While early-stage venture activity remains subdued and capital concentration raises

risks of reduced innovation diversity, the core infrastructure needed for broader institutional participation continues to develop.

Successful builders in 2026 are those delivering compliant, revenue-generating models that can scale to meet the needs of traditional finance institutions. For investors, the emphasis has shifted from pure wealth preservation to wealth accumulation, as digital assets establish themselves as a permanent, mid-sized component of global portfolios. Rather than another short-lived speculative cycle, the current environment favors projects and teams committed to building reliable, sustainable infrastructure within the global financial system.

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