



# KPK ENS Investment Policy Statement

Updated June 2026



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# Introduction

This Investment Policy Statement ('IPS') governs the management of the ENS Endowment Fund (the 'Endowment') by the appointed Endowment Manager on behalf of ENS DAO. It defines the investment objectives, risk parameters, constraints, and governance mechanisms within which the Endowment Manager operates, and serves as the primary reference for investment governance, financial planning, and accountability.

This IPS is set forth by ENS DAO and KPK to: define and assign the responsibilities of all parties; establish clear investment goals, objectives, and constraints; provide guidance and limitations to the Endowment Manager; establish a basis for evaluating performance; and ensure Endowment assets are managed to prudent standards consistent with the ENS Constitution.

## Background

### History of ENS

Founded in 2017, Ethereum Name Service ('ENS') is a distributed, open, and extensible naming system built on Ethereum, mapping human-readable names to machine-readable identifiers including Ethereum addresses, content hashes, and metadata. It is a core piece of Ethereum's public infrastructure.

### Purpose of ENS

As stated in the ENS DAO Constitution, ENS is a decentralised public good. Income generated by the ENS treasury must be used first to ensure the long-term viability of ENS, and second to fund continuing development of the ENS system.

### History of the Endowment

The Endowment was first proposed in March 2022. KPK was selected as Endowment Manager in November 2022 ([EP2.2.5](#)), and the Endowment was formally established on March 7, 2023 with an initial 16,000 ETH tranche ([EP3.4](#)). A second tranche of 16,000 ETH followed in late 2023 ([EP4.2](#)) and a third tranche of 5,000 ETH was approved in late 2024 ([EP6.2](#)). Since inception, the Endowment has generated over \$8M in DeFi returns net of fees with no loss of principal, currently holding approximately \$93.4M in non-custodial AUM at ~99% capital utilisation<sup>1</sup>.

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<sup>1</sup> [https://app.synchrone.fi/public/ens?period=apr\\_2026](https://app.synchrone.fi/public/ens?period=apr_2026)

# Governance and Oversight

## Responsibilities of ENS DAO

ENS DAO, through the Meta-Governance Working Group, is responsible for:

- establishing and approving investment objectives and constraints via this IPS; formally adopting the IPS via Social Proposal;
- reviewing Endowment performance at least annually;
- communicating material changes affecting the Endowment;
- and appointing or terminating the Endowment Manager.

## Responsibilities of the Endowment Manager

KPK, as the established Endowment Manager, operates with discretion within the boundaries of this IPS. Responsibilities include:

- investment strategy implementation;
- monthly performance reporting via the governance forum and MetaGov meetings;
- ongoing risk monitoring;
- transparent communication with the DAO, including prompt disclosure of material changes;
- contributing to IPS reviews;
- ad hoc treasury support;
- maintaining a publicly accessible real-time dashboard reflecting asset allocation, constraint compliance, and benchmark performance; and
- executing routine funding transfers to the DAO timelock pursuant to the Zodiac module permission granted by the DAO, without requiring a separate governance proposal.

## IPS Adoption and Amendment Process

This IPS is adopted by Social Proposal: a 5-day Snapshot vote with 1% quorum and simple majority. The same process applies to amendments. All amendments require a minimum 7-day forum discussion period, during which KPK must publish a written rationale for each change with explicit reference to any relaxation of a prior constraint.

## IPS Review Schedule

The IPS should be reviewed annually by the Meta-Governance Working Group. Ad hoc reviews are triggered by:

- proposed changes to any IPS constraint or guideline;
- material changes to the DAO's purpose, governance, or financial situation;
- changes in liquidity needs or regulatory environment;
- appointment of a new Endowment Manager; or
- material underperformance relative to benchmark for two consecutive quarters under normal market conditions.

# Investment Objectives

## Primary and Secondary Objectives

The primary objective is long-term capital preservation and real return generation sufficient to support ENS's operating expenses without eroding principal, insulating the DAO from economic fluctuations so it can continue core operations regardless of wider market conditions. The secondary objective is to grow the Endowment to a scale where ENS can rely primarily on investment income for sustainability.

- **Medium-term (0–5 years):** capital growth and optimised deployment toward institutional-grade onchain strategies that enhance yield without compromising capital preservation, liquidity, or ENS's values.
- **Long-term (5+ years):** capital preservation as the dominant objective, with risk appetite shifting downward as the Endowment matures toward self-sustainability.

## Principal Definition

The Endowment principal is the combined USD and ETH value held in the Endowment, reflecting ENS's alignment with both Ethereum and operational stability. Under normal circumstances, principal must not be eroded.

## Return Objective and Benchmark

The return objective is to outperform a 60/40 (ETH/USD) weighted average of onchain reference rates:

- **ETH Benchmark (60%):** TVL-weighted average APY across the five largest staking vaults/pools ETH-denominated. Rebalanced bi-weekly.
- **USD Benchmark (40%):** TVL-weighted average lending APY across the five largest Stablecoin vaults/pool positions. Rebalanced bi-weekly.

Each component uses a 30-day trailing average APY, recalculated on the first business day of each month. The ETH benchmark excludes centralised exchange products, consistent with Section 6 deployment constraints.

## Earned and Unearned Income Treatment

Earned protocol income, meaning revenue ENS has already realised, is held in stablecoins so its value remains stable in dollar terms. Unearned income represents prepaid registrations and renewals that ENS is still obligated to service in future periods. This portion is held in ETH to retain ETH exposure, reflecting that it is a forward liability rather than fully realised treasury income.

## Ecosystem Objective

(See Section 6: Ecosystem Constraints.)

# Risk Framework

## Risk Tolerance

The DAO's risk tolerance is moderate-to-low. Risk is defined as:

- 1) the probability of failing to meet liquidity requirements or cash flow obligations; and
- 2) the probability of losing principal.

The allocation framework is:

- **Low-risk (minimum 90%):** strategies with established onchain track records (>12 months), audited contracts, high liquidity (redeemable within 7 days), and minimal counterparty concentration.
- **Moderate-risk (maximum 10%):** strategies offering enhanced yield at the cost of higher complexity, lower liquidity, or elevated smart contract risk, but still onchain, non-speculative, and reversible within 30 days.

All moderate-risk positions must be disclosed in the monthly report with rationale and size.

Hard constraints:

- no speculative trading (except ETH/stablecoin rebalancing);
- no deployment in high-risk venues; and
- ETH is classified as a low-risk asset.

## Risk Categories

| Risk Type      | Description                                                                                                                                        | Monitoring                                                                                     |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Market         | Price volatility of held assets                                                                                                                    | Daily mark-to-market; monthly drawdown report                                                  |
| Smart Contract | Protocol failure or exploit                                                                                                                        | Hypernative real-time alerts; war-room protocol; third-party audits for new strategies         |
| Liquidity      | Inability to meet short-term obligations                                                                                                           | Weekly runway check against 3-year stablecoin floor                                            |
| Governance     | Takeover or captured governance risk                                                                                                               | Security Council veto backstop; ongoing monitoring                                             |
| Operational    | Day-to-day treasury execution errors                                                                                                               | Zodiac Roles Modifier v2 scoped permissions; multi-sig controls; execution security guidelines |
| Regulatory     | Legal or compliance changes, including stablecoin, DeFi, and DAO regulation across key jurisdictions. KPK flags material developments to Meta-Gov. | Quarterly review; legal counsel as needed                                                      |

## Investment Guidelines and Constraints

### Liquidity Constraint

| Parameter               | Value                                                           |
|-------------------------|-----------------------------------------------------------------|
| 2025 operating expenses | \$16.4M (per Steakhouse financial reporting) <sup>2</sup>       |
| Minimum Runway          | ~\$49.34M (three years of operating expenses)                   |
| Runway review cadence   | Annually or at IPS revision using prior calendar year actuals   |
| Runway priority         | Unconditional. Supersedes the 60/40 target in all circumstances |

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<sup>2</sup> <https://drive.google.com/file/d/1PZ7sIOHovNfN6trzzq7qzHUUDC8-jCQQ/edit>

The runway is maintained across two layers. The Endowment holds stablecoins sufficient to meet the 3-year runway (~\$49.34M), calculated at the Endowment level. The DAO timelock (wallet.ensdao.eth) separately maintains a 6-month operational USDC buffer funded by KPK quarterly as a routine operational action without requiring a governance proposal. The 3-year runway is not reduced by the timelock buffer.

## Allowed Assets

These assets are permitted for primary exposure:

- **Stablecoins:** USDC, USDT, DAI, USDS, GHO, EURC. USDS is the primary deployment stablecoin; DAI is retained as a legacy position. Non-USD stablecoin exposure (EURC) is capped at 5% of total stablecoin allocation and reported separately.
- **ETH and LST equivalents:** stETH, rETH, eETH, osETH, ETHx, WETH, OETH and (wrapped) equivalents.
- **Yield-bearing assets** derived from the above (e.g. aUSDC, sDAI, cUSDC, sUSDS, sGHO).
- **Real-World Assets** (see RWA Framework below).

## Allowed Strategies

- Lending and borrowing (established, foundational blue-chip, non-custodial protocols for low-risk allocation).
- Liquidity provision (same-denominator pairs: stablecoin/stablecoin or ETH/LST).
- Liquid staking.
- Cash-and-carry trades (delta-neutral; ETH risk-neutral for unearned revenue positions).

## Real-World Asset Framework

RWAs are permitted subject to all of the following constraints being satisfied simultaneously:

- Maximum allocation: 5% of total Endowment value.
- Instruments: tokenised money market funds or government bonds only. No real estate, private credit, or equity.
- Custody: regulated, onchain tokenisation wrapper with full onchain redemption rights; no off-chain settlement.
- Counterparty: regulated issuer in a FATF-compliant jurisdiction with public audit or attestation reports.

- **Liquidity:** redeemable within 7 business days under normal conditions.
- **Disclosure:** each RWA position reported as a distinct line item in monthly reports with issuer, instrument, jurisdiction, and redemption terms.

## Ecosystem Constraints

- **LSD consensus threshold:** The Endowment shall not allocate to any LSD protocol holding more than 20% of Ethereum validator consensus.
  - **Exception:** *The Endowment may hold up to 10% of its entire portfolio in LSD protocols with majority DVT adoption, provided the protocol's consensus share does not exceed 25%. This effectively allows a 5% buffer above the 20% limit for protocols meeting the DVT condition.*
- **LSD decentralisation preference:** Among LSTs below the threshold, the Endowment prefers protocols operating via permissionless node operators.
- **Permissioned provider cap:** Total exposure to permissioned service providers shall not exceed 10% of total Endowment value.
- **CEX exclusion:** ETH shall not be allocated to or via centralised exchanges under any circumstances.
- **Single protocol cap:** No more than 30% of the Endowment may be deployed in any single protocol. Concentration reports are published monthly.
- **Chain restriction:** All assets must be held and/or deployed on Ethereum mainnet only.
- **Non-custodial preference:** The Endowment prioritises non-custodial, onchain mechanisms that allow administration of funds without the fund administrator having custody.
- **Delta neutrality:** Unearned revenue incorporated into the Endowment is held in ETH to retain ETH exposure, consistent with the treatment in Section 4.

## LSD Consensus Threshold Deviation

Protocols with majority DVT adoption may hold up to 10% of Endowment allocation as an exception, provided their consensus share does not exceed 25%. Above 25%, no allocation is permitted regardless of DVT status.

## Bluechip Protocol Definition

KPK considers any protocol demonstrating sufficient liquidity depth and operational reliability to serve as foundational infrastructure as “blue-chip.”

Qualifying criteria:

- deep onchain liquidity (>\$50M) across trading venues sufficient for large positions without material slippage;
- at least one professional security audit with no unresolved critical findings;
- transparent governance and incident response history;
- and demonstrated and strong operational track record.

Assessment is conducted at the market level, accounting for oracle design, liquidity depth, and protocol dependencies, not the underlying asset in isolation.

# Asset Allocation and Rebalancing

## Target Portfolio

| Parameter         | Value                                                                                                                     |
|-------------------|---------------------------------------------------------------------------------------------------------------------------|
| Target allocation | 60% ETH / 40% stablecoins (by market value)                                                                               |
| Minimum Runway    | Three year runway. ~\$49.3M (2025 reference) across all ENS DAO wallets including the Endowment.                          |
| Runway Priorities | Unconditional. Supersedes the 60/40 target. If the floor is at risk, KPK initiates rebalancing within approved timelines. |

## Rebalancing Rules

| Parameter         | Value                                                                                                                       |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Cadence           | Bi-weekly, to maintain the 60/40 target and stablecoin floor                                                                |
| Tranche size      | 1,500 ETH per rebalancing event                                                                                             |
| Emergency trigger | If the stablecoin floor is breached or at material risk, KPK may execute off-cycle rebalancing up to 3,000 ETH per tranche. |

Portfolio rebalancing is a portfolio management function distinct from the operational funding process. KPK evaluates the timelock's USDC balance quarterly and transfers stablecoins from the Endowment to the timelock if the balance falls below the 6-month floor. These two processes operate independently.

## Endowment Revenue

ENS protocol revenue flows directly from registrar controllers to the Endowment via the Registrar Manager contract (Treasury Flow Automation proposal). Up to 100% of protocol revenue routes to the Endowment, superseding the prior 33% transfer mechanism. KPK ensures incoming revenue is deployed in accordance with the target allocation and investment guidelines.

## Withdrawal Guidelines

- **Minimum stablecoin runway:** at least ~\$49.3M (2025 reference) must be maintained at the Endowment level at all times. Withdrawals that would breach this floor require a separate DAO vote.
- **Preferred asset:** withdrawals for operational expenses should be made in stablecoins. ETH liquidations should be avoided except where stablecoin reserves are insufficient.
- **Withdrawal sizing:** individual withdrawals should cover a minimum of 6 months of projected expenses (~\$8.2M at current H1 2026 run-rate) to reduce governance overhead.
- **Rebalancing:** following any single withdrawal to timelock, KPK shall assess and where necessary restore the 60/40 target allocation.
- **Withdrawal authority:** directed by the Meta-Governance Working Group and executed by KPK. Routine quarterly timelock top-ups are executed by KPK without a separate proposal. Meta-Gov shall not direct an execution that would breach any IPS constraint or DAO mandate unless resolved by a DAO vote.

# Reporting and Performance Review

## Reporting Requirements

| Report                     | Cadence                                           | Contents                                                                                                                                                                                                                                                                                                                                             |
|----------------------------|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Monthly performance report | Monthly, via governance forum and MetaGov meeting | Portfolio NAV, benchmark comparison, strategy allocation, and constraint compliance across key parameters including LSD consensus exposure, protocol concentration, RWA exposure, and permissioned provider percentage. Flags any moderate-risk positions and outlines upcoming rebalancing actions. Content flexible based on DAO feedback/request. |
| Annual strategic review    | Annually                                          | Market analysis, DAO financial position, benchmark methodology review, proposed IPS amendments, operating expense projection for floor update                                                                                                                                                                                                        |
| Dashboard                  | Continuous                                        | On-chain portfolio tracker showing current asset allocation versus target, stablecoin floor status, DeFi position exposure by protocol, and period-over-period performance                                                                                                                                                                           |

## Performance Review

The DAO evaluates Endowment performance over a one-year rolling period against: net return relative to the 60/40 benchmark; capital preservation; constraint compliance; and reporting and communication obligations. The DAO reserves the right to terminate the Endowment Manager at any time, including for: net performance materially below benchmark for two consecutive quarters without adequate justification; breach of any IPS constraint; or failure to meet reporting requirements.

## Termination and Transition

Termination authority resides with ENS DAO per Section 3. Upon notice of termination, KPK continues to manage the Endowment under this IPS until a successor is appointed or the DAO directs an orderly wind-down, for a period not

exceeding six months from the date of notice. During this period, KPK cooperates in good faith on the handover of processes and unwinding of positions.

## Key Definitions

| Term                     | Definition                                                                                                                                                                                                                                                                        |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Endowment                | The ENS Endowment Fund managed by KPK on behalf of ENS DAO (endowment.ensdao.eth)                                                                                                                                                                                                 |
| Principal                | The combined USD and ETH value held in the Endowment, on a dual-denomination basis                                                                                                                                                                                                |
| Low-risk strategy        | Onchain strategy with >12 months track record, audited contracts, liquidity redeemable within 7 days, and no novel mechanisms                                                                                                                                                     |
| Moderate-risk strategy   | Onchain strategy exceeding one or more low-risk thresholds but non-speculative and reversible within 30 days. Maximum 10% of Endowment.                                                                                                                                           |
| LSD / LST                | Liquid Staking Derivative / Token: tokenised staked ETH (e.g. stETH, rETH, eETH)                                                                                                                                                                                                  |
| DVT                      | Distributed Validator Technology: decentralises validator key management, reducing single-point-of-failure risk for LSD protocols                                                                                                                                                 |
| RWA                      | Real-World Asset: tokenised traditional financial instrument, governed by Section 6 RWA Framework                                                                                                                                                                                 |
| 60/40 Target             | Target portfolio: 60% ETH and LST equivalents / 40% stablecoins by market value, subject to the stablecoin floor constraint                                                                                                                                                       |
| Timelock                 | ENS DAO governance timelock (wallet.ensdao.eth) holds the 6-month operational USDC buffer                                                                                                                                                                                         |
| Registrar Manager        | Permissionless contract routing registrar controller revenue directly to the Endowment (Treasury Flow Automation proposal)                                                                                                                                                        |
| Normal Market Conditions | Periods when major crypto markets are functioning without unusual stress. Conditions considered abnormal or under strain include a sharp decline in ETH or BTC, a stablecoin losing its peg, or material difficulty buying, selling, or redeeming the assets the Endowment holds. |

# Adoption

This IPS is adopted by ENS DAO via Social Proposal in accordance with the governance process. Upon adoption, it supersedes the previous Investment Policy Statement from 2025. The final version will be uploaded to Pinata and Github.

| Proposed by    | KPK (governance.karpatkey.eth)         |
|----------------|----------------------------------------|
| Oversight body | Meta-Governance Working Group, ENS DAO |
| Effective date | Upon successful Social Proposal vote   |

*ENS Investment Policy Statement v2.0 · KPK · June 2026*