



# DIGITAL ASSET MANAGEMENT REVIEW

JANUARY 2023

## About CryptoCompare

Compare is an FCA-authorised benchmark administrator and global leader in digital asset data, providing institutional and retail investors with high-quality real-time and historical data. Leveraging its track record of success in data expertise, CryptoCompare's thought-leadership reports and analytics offer objective insights into the digital asset industry.

## About This Report

Bitcoin has proven itself to be a viable asset class with which investors can diversify their portfolios. Over the last few years, it has attracted significant attention from investors in the traditional markets. With its limited supply schedule that cannot be manipulated by any central government, it has become a popular asset class for those concerned about inflation and monetary expansion in a post-Covid world.

On the whole, regulatory frameworks for exchanges and cryptocurrency are becoming clearer. However, compared to traditional asset classes, digital asset markets have a long way to go before more risk-averse investors are fully at ease.

Institutional investors looking to gain regulated exposure to digital assets are likely to turn to the growing number of crypto investment products, such as ETNs and ETFs, that have gained popularity over the last couple of years across Europe and the US. These products make crypto more accessible to investors because they can be traded on traditional stock exchanges, with the complexities of custody and storage abstracted away from the end user.

Given the rapid rise of available products and the lack of clarity around the size and characteristics of the major market players, CryptoCompare's Digital Asset Management Review aims to provide an overview of the global digital asset investment product landscape. Our review focuses on key developments across various product types and tracks the adoption of these products by analysing assets under management, trading volumes and price performance.

This review is conducted on a monthly basis and caters to institutional investors, analysts and regulators. For questions related to this research or any potential requests, feel free to contact CryptoCompare's research department at [research@cryptocompare.com](mailto:research@cryptocompare.com).

## Data Sources

*Financial Times, 21Shares, Coinshares, XBT Provider, Grayscale, OTC Markets, HanETF, Yahoo Finance, 3iQ, Purpose, VanEck, ByteTree, Nordic Growth Market, Bloomberg, CryptoCompare*

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## Key Market Insights

### **Digital Asset Investment Product AUM Increases Following Market Rally**

The total assets under management (AUM) for digital asset investment products increased 36.8% to \$26.9bn in January, recording the highest AUM since May 2022. The bullish sentiment was driven by a string of liquidated short positions and a favourable macro environment, as highlighted by the most recent CPI data, resulting in Bitcoin surpassing \$23,000 for the first time since August 2022. However, compared to January 2022, AUM has declined 38.7% due to a difficult year for crypto and other risk-on assets.

### **Grayscale Product Discount Continues as DCG Continues to Be Under Pressure**

Despite the growth in assets under management and trading volume, the discount of Grayscale's GBTC Trust has only slightly decreased. The situation remains delicate due to Grayscale's ongoing struggles following the bankruptcy announcement of its sister company, Genesis Trading, (due to exposure to FTX) in January, and the lawsuit against the SEC to convert its Bitcoin Trust into an ETF.

### **Solana-Based Products Saw a Comeback as The Underlying Asset Rallies**

In January 2023 weekly flows for Solana-based products surged from negative figures in December to \$0.7 million, driven partly by the price appreciation of SOL. The rise represented the highest net flow among all digital assets in January and the biggest increase for Solana-based products since July 2022. The increase influenced the products' AUM which increased 112% to \$36.4mn.

### **SEC Rejects Ark 21Shares Spot Bitcoin ETF for the Second Time**

The SEC rejected, for the second time, the ARK 21 Shares Bitcoin ETF proposed by ARK Investment and 21Shares for listing on the CBOE BZX Equities Exchange. The rejection came as the SEC argued that the exchange doesn't meet SEC requirements for preventing fraud. So far, no spot Bitcoin ETF has been approved by the SEC.

## Latest Digital Asset Investment News

COMPANY	STORY	DATE
CoinShares	<a href="#">CoinShares announces block transaction by shareholder and share buyback</a>	January 10
21Shares	<a href="#">21Shares launches world's first staked crypto-basket ETP</a>	January 18
BlackRock	<a href="#">BlackRock, Apollo Among Creditors Lending \$500 Million to Core Scientific</a>	January 23
Grayscale	<a href="#">Grayscale would appeal lawsuit against SEC if court rejects case, CEO says</a>	January 25
21Shares	<a href="#">SEC once again rejects ARK 21Shares Bitcoin ETF listing</a>	January 26
Valkyrie	<a href="#">Tiny Crypto ETF's 100% Surge Puts It Atop Best-Performers Race</a>	January 27

## Definitions

In the current review we have defined the major available products types as follows:

<b>ETF</b> - Exchange Traded Fund	Exchange traded open-ended fund that trades like an equity
<b>ETN</b> - Exchange Traded Note	Fully collateralised open-ended debt security
<b>Trust</b> - Listed/OTC-Traded Trust	Closed-ended investment fund established as a trust
<b>ETC</b> - Exchange Traded Certificate	Synthetic exchange traded bearer note

An **Exchange-Traded-Fund (ETF)** is a type of financial instrument consisting of a collection of securities (e.g. stocks) and is priced relative to the underlying assets on which it is based – usually via an index. In the case of Bitcoin, a Bitcoin ETF would consist of units of Bitcoin – valued based on a Bitcoin index (e.g., MVBTC). The units of this fund can be easily traded on exchanges like stocks can. It is usually passively managed and open-ended (i.e., there is no limit to the number of shares that can be created). Physical ETFs hold the underlying assets that the fund tracks.

An **Exchange Traded Note (ETN)** is similar to an ETF in the sense that it can be easily traded on exchanges. A major distinction between the two is that you don't own the underlying for an ETN - it is a debt security backed by a bank or institution and usually comes in the form of a bearer certificate. An investor can invest their cash in this product and is entitled to returns based on the changing value of the underlying assets on which it is based. These products generally have fewer regulatory collateral requirements compared to ETFs and can be fully collateralised or unsecured. In this case, we will define an ETN as a physically-backed (collateralised) debt security.

An **Exchange Traded Certificate (ETC)** or Synthetic ETN is a type of non-interest-bearing debt instrument in the form of a bearer certificate that tracks the behaviour of an underlying asset class using derivatives 1: 1. The investor does not necessarily own or is entitled to the underlying asset on which the product is built, but is entitled to returns. These products are largely uncollateralised.

An **Investment Trust** is a type of closed-ended fund set up as a company, such that its shares can be bought and sold on an exchange or OTC market. This investment trust invests in a portfolio of assets, and hence the value of the share of the company is tied to the value of the underlying assets that it holds. Given that it is closed-ended, the NAV of each share can decouple from their market prices.

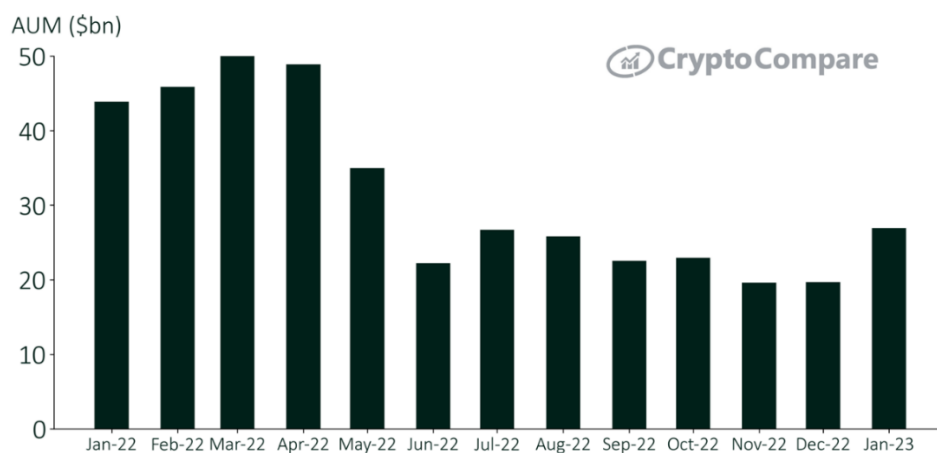
## Disclaimer

Due to the nature of API endpoints and backfilling of data by exchanges, there may be discrepancies in data between previous reports. This data is correct up to the 24<sup>th</sup> of January.

## AUM – Assets Under Management

The total assets under management (AUM) for digital asset investment products increased 36.8% to \$26.9bn in January; the highest recorded AUM since May 2022. The bullish sentiment was driven by liquidated short positions and a favourable macro environment, reflected in the most recent CPI announcement, which saw Bitcoin's price reach \$23,000; its highest level since August 2022. However, compared to January 2022, AUM has declined 38.7% due to a difficult year for Bitcoin, the wider cryptocurrency market, and traditional assets.

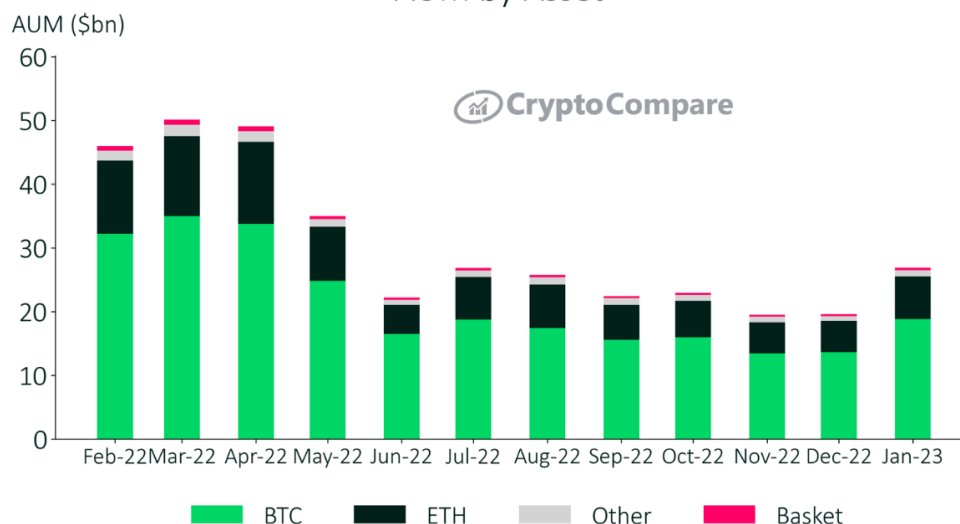
Monthly AUM - Aggregate Exchange and OTC-Traded Products



In line with their token prices, the assets under management for Bitcoin and Ethereum rose 38.0% and 36.8% to \$18.8bn and \$6.68bn, respectively, increasing their market share to 69.9% and 25.0% among analysed products. Despite the growth, both Bitcoin-based products and Ethereum-based products' AUMs are still down 38.7% and 39.2% compared to January 2022.

Similarly, the AUM for "Other" and "Basket" assets saw a rise of 33.3% to \$1.01bn, and 38.9% to \$404mn respectively.

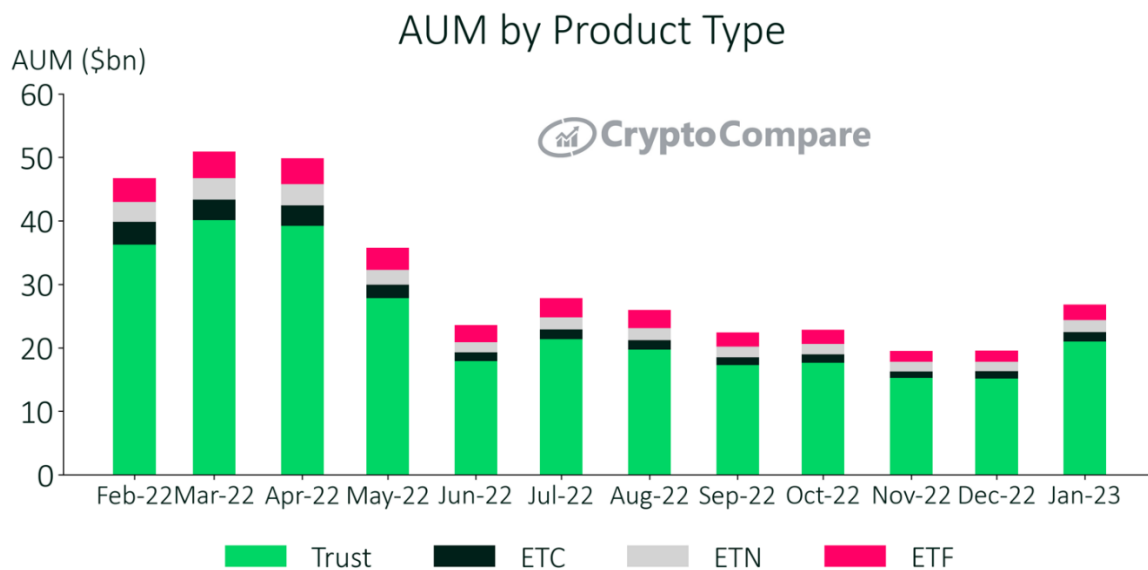
AUM by Asset



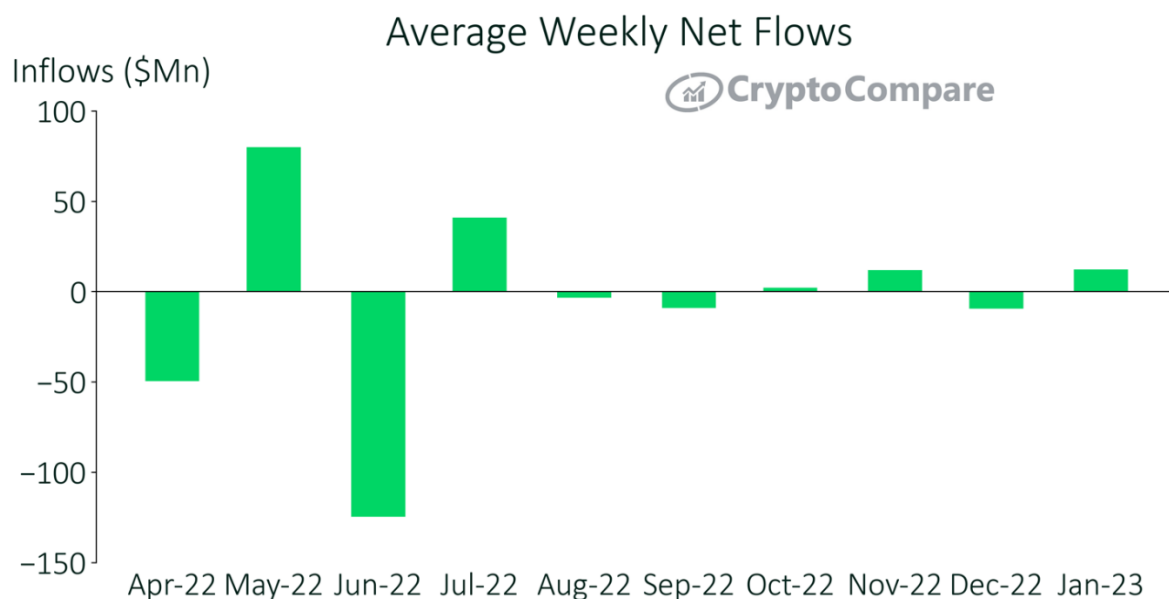
In January, ProShares recorded the highest increase in AUM, rising 57.4% to \$869mn, followed by CI Galaxy with a 38.8% increase to \$333mn. Grayscale remained the dominant player with products recording a total AUM of \$20.2bn; a 38.6% increase compared to last month, followed by XBT Provider and 21Shares.

In terms of product type, AUM in trust products (dominated by Grayscale) rose by 38.6% to \$21.0bn (78.2% of total AUM). Trust products AUM dominance was followed by ETFs which saw a decent rise of 36.7% to \$2.43bn in January, representing 9.09% of the total market share.

ETNs also saw a rise of 7.08% recording a total AUM of \$1.89bn (7.08% of total AUM), while ETCs saw a significant rise of 25.9% to \$1.49bn, accounting for 5.58% of the total products' AUM.



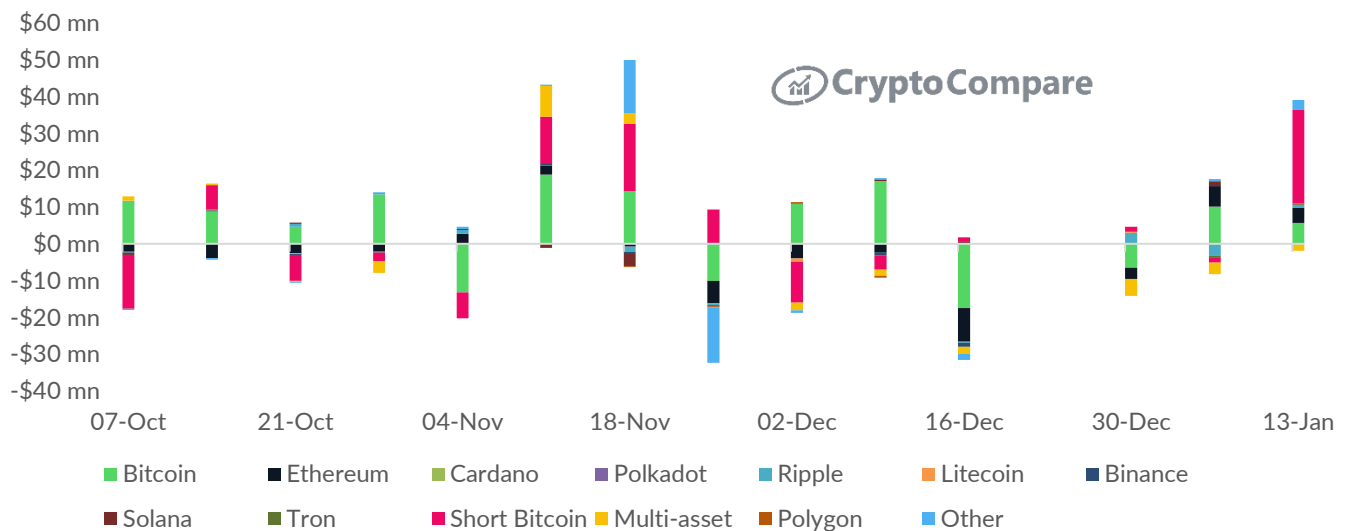
In January 2023, net flows saw a significant increase after months of continued worries about withdrawals due to the collapse of FTX. The increase came as the recent bull market restored investor confidence in the market and the digital asset investment universe. The total weekly net flows from investment products hit \$36.8 million, the highest inflows recorded since November 2022.





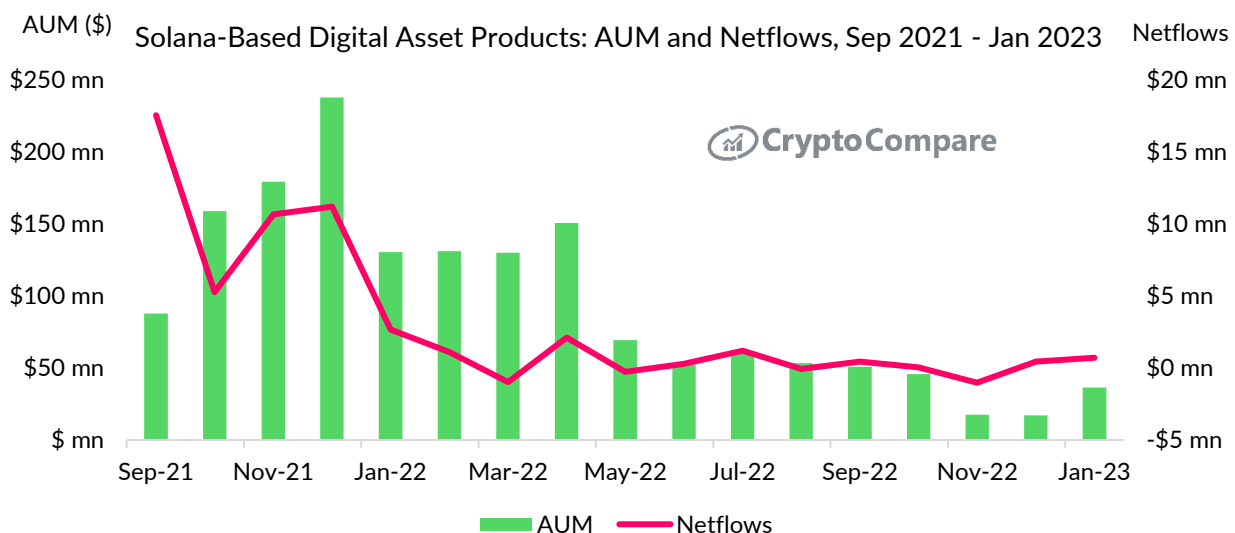
In January 2023, the weekly net flows varied widely, with Short Bitcoin-based products reporting total net flows of \$24mn followed by Bitcoin and Ethereum-based products which recorded \$15.8mn and \$9.8mn respectively.

### Weekly ETP Flows by Asset



### Solana-Based Products Bounce Back as the Underlying Asset Rallies

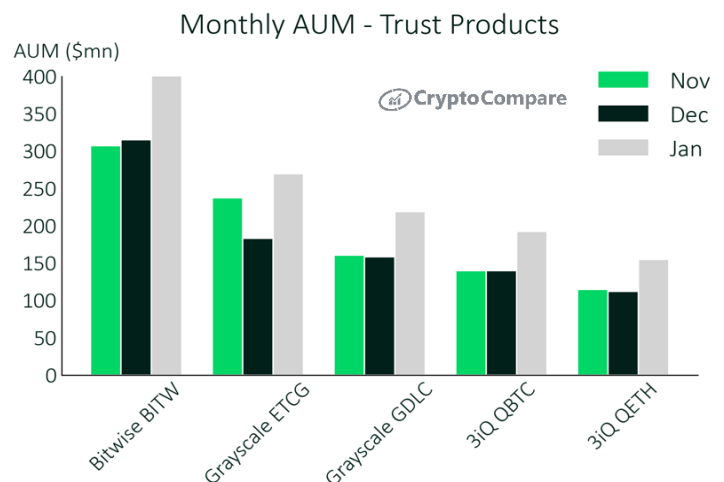
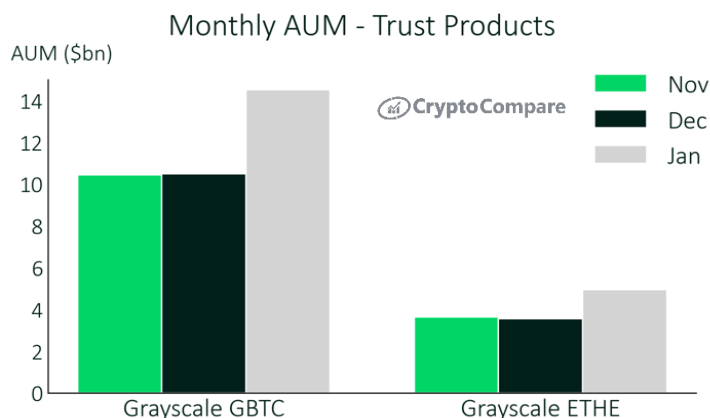
In January 2023, weekly flows for Solana-based products recovered from negative figures in December to \$0.7 million, driven by the rally for SOL. The rise represented the highest net flow among all digital assets in January and the biggest increase for Solana-based products since July 2022. The increase influenced the products' AUM which increased 112% to \$36.4mn.



## Trust Products

In January, Grayscale's Bitcoin Trust (GBTC) continued to be the dominant trust product in terms of assets under management (AUM), with a market share of 69.3%. The product recorded an increase of 38.4% to \$14.5bn (compared to December). Similarly, Grayscale's Ethereum Trust (ETHE) saw a positive return of 38.7%, with AUM increasing to \$4.95bn (with a market share of 23.6%).

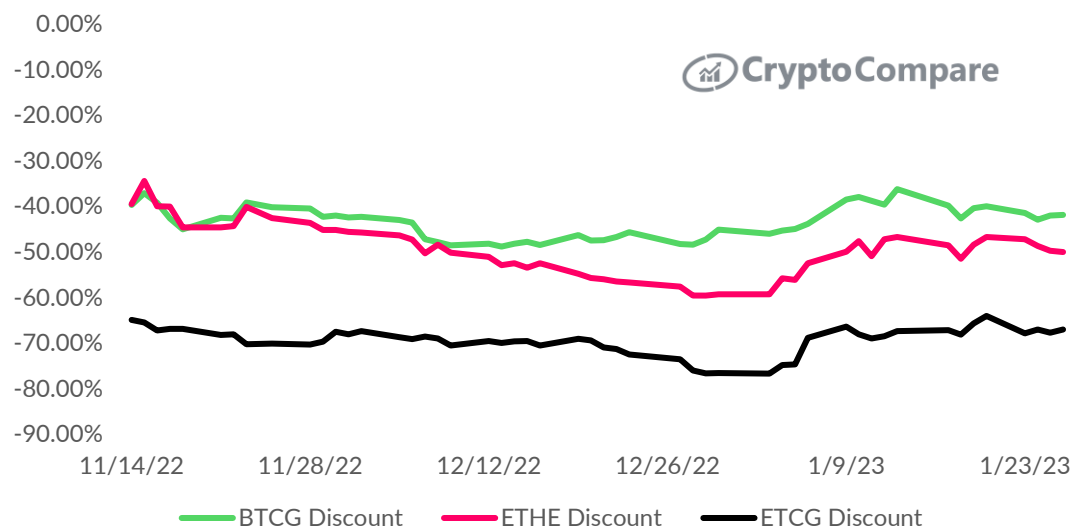
Other high AUM trust products included Bitwise's index product (BITW), which increased 36.0% to \$428mn, and Grayscale's ETCG, which saw a significant increase of 47.5% to \$269mn.



## Grayscale Product Discount Continues as DCG Continues to Be Under Pressure

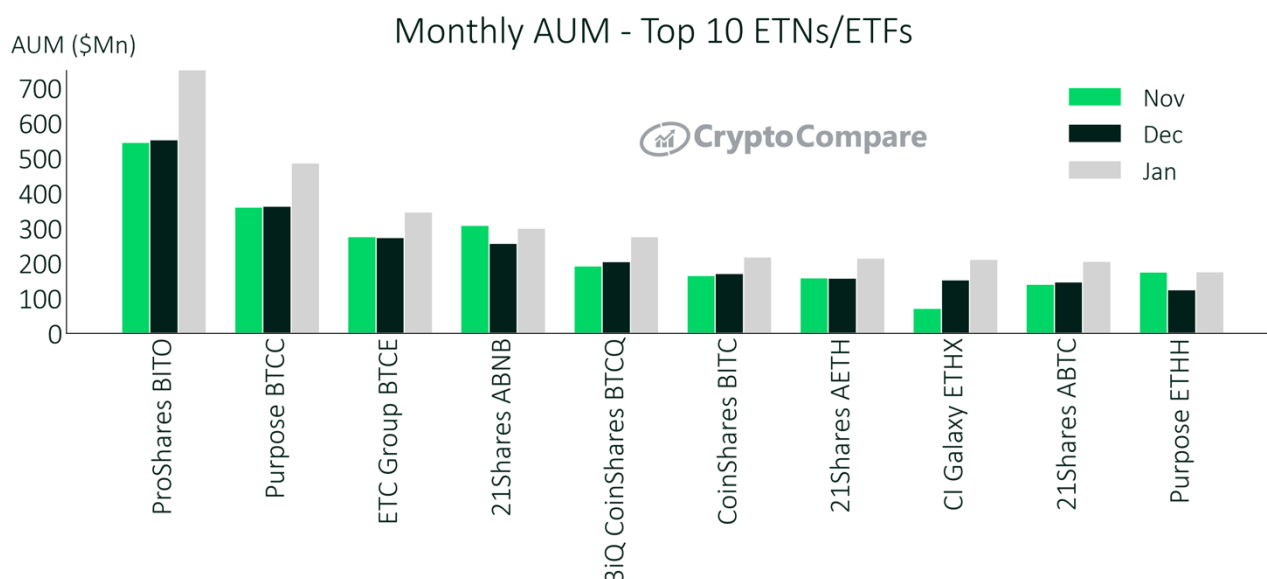
Despite the growth in assets under management and trading volume, the discount associated with Grayscale's GBTC Trust has only slightly narrowed. The situation remains delicate, as Grayscale faced challenges with the bankruptcy announcement of its sister company Genesis due to exposure to FTX in January, and the ongoing lawsuit against the SEC to convert its Bitcoin Trust into an ETF.

Grayscale Product Discount



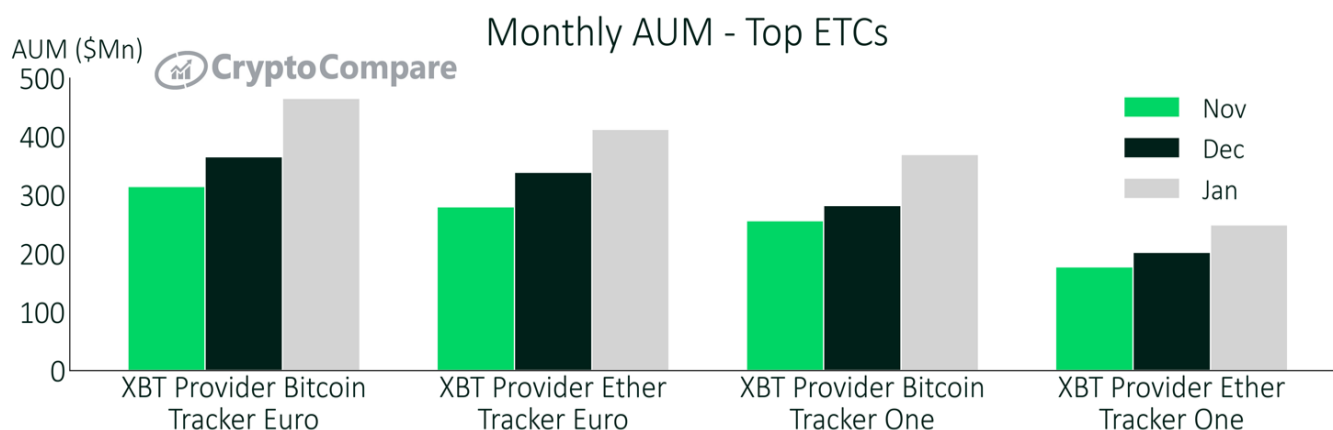
## Exchange Traded Notes (ETNs) and Exchange Traded Funds (ETFs)

In January, the ProShares BITO product maintained the top spot among ETN/ETF products, with AUM increasing 40.5% to \$776mn. Its market share also increased from 16.5% in December to 17.5% in January as a result. This was followed by Purpose's BTCC which saw an increase of 33.9% to \$486mn, and ETC Group's BTCE which increased 26.9% to \$346mn and recorded a market share of 11.0% and 7.82% respectively.



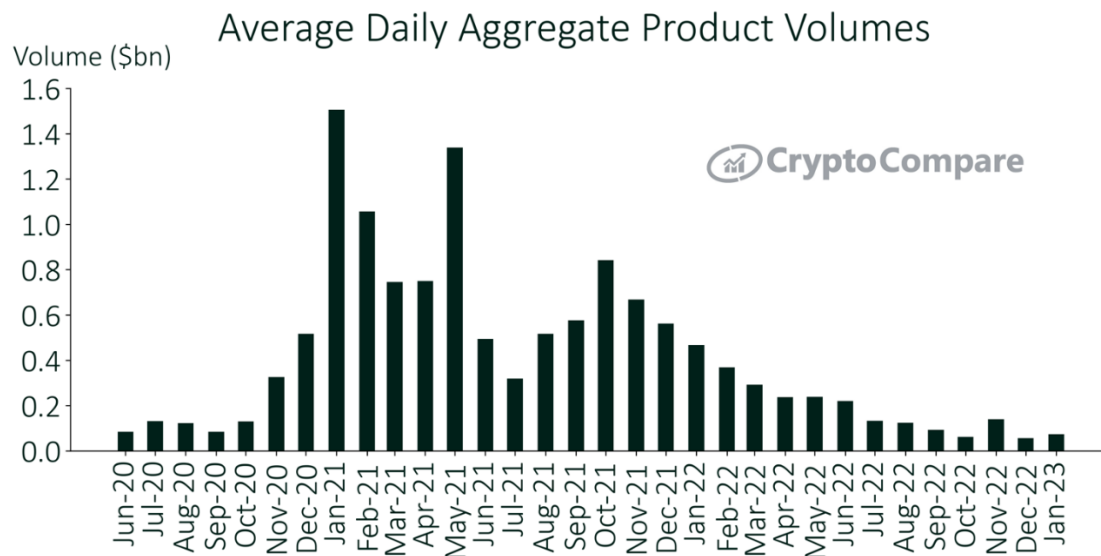
## Exchange Traded Certificates (ETCs)

XBT Provider by CoinShares continued to represent the majority of AUM across all ETCs. In January, Its Bitcoin Tracker Euro product held the top spot for highest AUM amongst ETCs after rising 27.3% to \$465mn. This was followed by the Ether Tracker Euro product which saw an increase of 21.8% to \$412mn.



## Trading Volumes

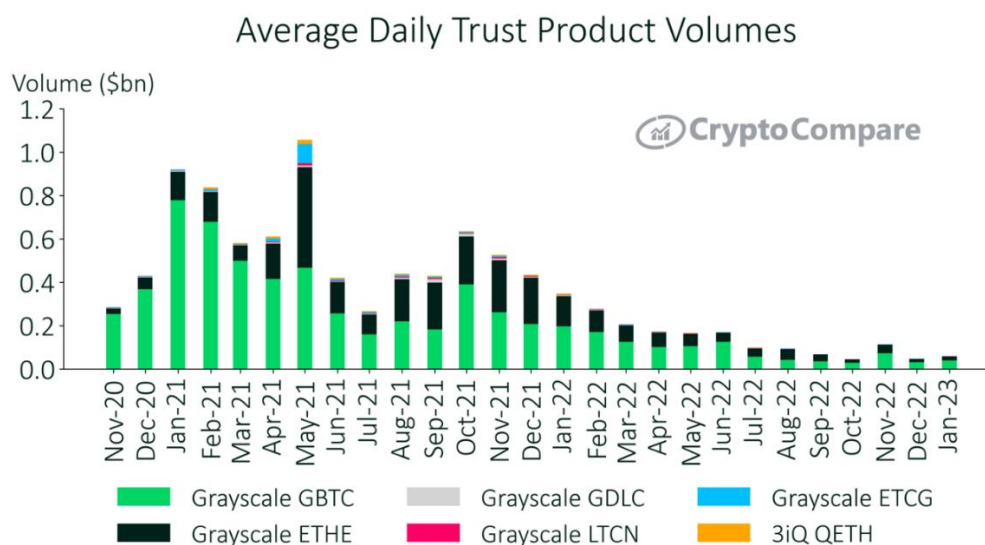
In January 2023, average daily aggregate product volumes across all digital asset investment products saw a decent recovery, rising 30.0% to \$72.5mn. Despite the slight recovery, volumes are still 84.4% lower compared to January 2022 and 95.2% lower than its all-time high recorded in January 2021.



## Trust Products

Grayscale's Bitcoin Trust product GBTC maintained its dominance in the trust product market with a 64.6% market share, down 1.9% from 66.5% in December 2022. This decline can partly be attributed to the discount attached to the GBTC Trust and Genesis' bankruptcy.

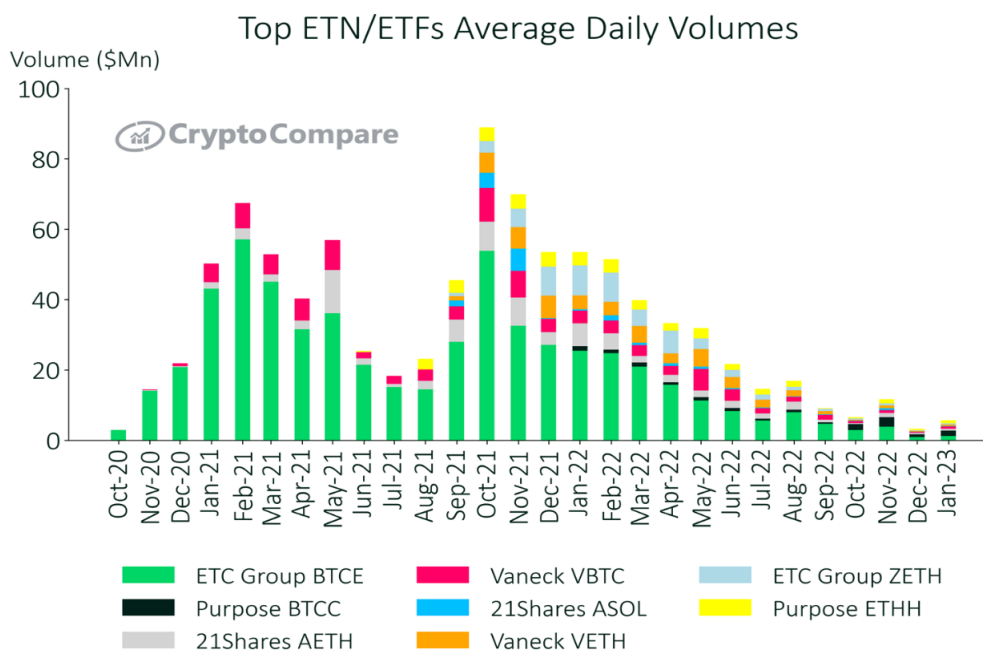
GBTC's average daily volume in January was \$38.9mn, a 23.3% increase from December. Grayscale's Ethereum product had an average daily volume of \$19.1mn, a 34.2% increase from December and recorded a 31.9% market share.



## Exchange Traded Notes (ETNs) and Exchange Traded Funds (ETFs)

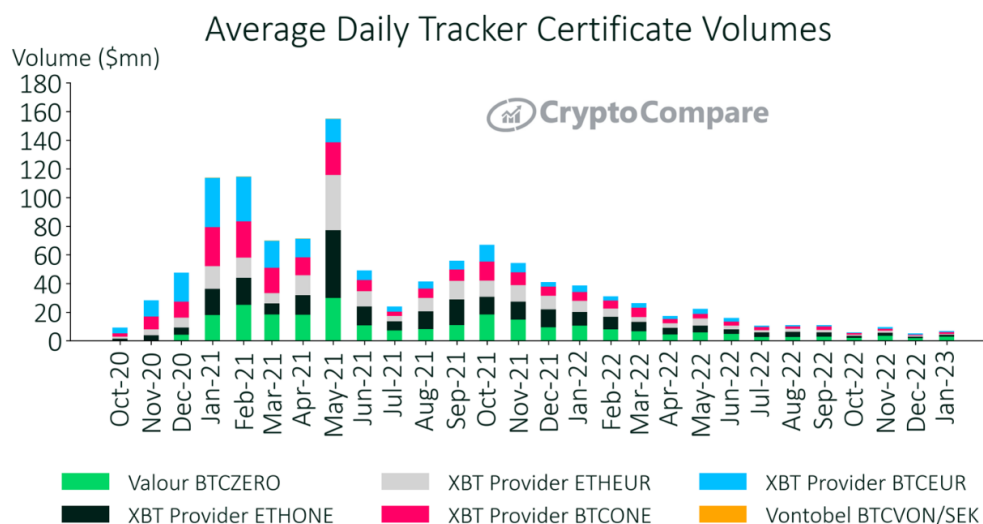
In January, ETNs and ETFs saw a slight recovery after recording the lowest trading volumes since October 2020 in December 2022, rising 67.1% to \$8.97mn. Despite the recovery, ETNs and ETFs volumes are still at their second-lowest figures since November 2020 (after December 2022).

Bitcoin trading dominated volumes, with Purpose's Bitcoin product (BTCC) trading \$1.49mn (up 80.9%), followed by ETC Group's BTCE product trading \$1.25mn (up 38.3%). This was the first time for Purpose's Bitcoin product (BTCC) to exceed its counterpart and dominate ETNs and ETFs volumes.



## Exchange Traded Certificates (ETCs)

Valour's Bitcoin product (BTCZERO) continued to dominate ETCs average daily volumes, leaving XBT Tracker's Ether Tracker One (ETHONE) in second place. The ETCs recorded volumes of \$2.92mn (up 54.5%) and \$1.37mn (up 39.0%), respectively.



## Price Performance & Product Information

PRODUCT	PRODUCT TYPE	TRADING TYPE	AVG DAILY VOLUME (\$) 30-DAY	% AVG DAILY VOLUME CHANGE	30-DAY RETURNS
GRAYSCALE GBTC	T	OTC-TRADED	38857453	23.3%	56.2%
GRAYSCALE ETHE	T	OTC-TRADED	19073756	34.1%	68.3%
PURPOSE BTCC	ETF	EXCHANGE-TRADED	1492364	80.9%	38.8%
XBTPROVIDER XETHONE	ETC	EXCHANGE-TRADED	1367446	39.0%	36.2%
ETCGROUP BTCE	ETN	EXCHANGE-TRADED	1250469	38.3%	35.3%
XBTPROVIDER XBTCONE	ETC	EXCHANGE-TRADED	1162947	91.4%	40.8%
PURPOSE ETHH	ETF	EXCHANGE-TRADED	898395.6	80.4%	37.1%
XBTPROVIDER XBTCEUR	ETC	EXCHANGE-TRADED	735480.8	-25.5%	40.8%
VANECK VBTC	ETN	EXCHANGE-TRADED	686383.1	143.0%	34.1%
21SHARES ABTC	ETN	EXCHANGE-TRADED	620624.5	104.8%	34.2%
21SHARES SBTC	ETN	EXCHANGE-TRADED	601710.5	22.4%	-29.8%
XBTPROVIDER XETHEUR	ETC	EXCHANGE-TRADED	572740.7	-23.7%	36.2%
WISDOMTREE BTCW	ETN	EXCHANGE-TRADED	563891.6	288.2%	34.5%
21SHARES AETH	ETN	EXCHANGE-TRADED	529836	29.7%	32.6%
GRAYSCALE ETCG	T	OTC-TRADED	525625.1	91.6%	76.6%
GRAYSCALE GDLC	T	OTC-TRADED	402571.2	8.0%	60.7%
GRAYSCALE LTCN	T	OTC-TRADED	391171.7	60.0%	56.2%
ETCGROUP ZETH	ETN	EXCHANGE-TRADED	390675.7	168.8%	29.8%
VANECK VETH	ETN	EXCHANGE-TRADED	342329.8	74.6%	31.6%
COINSHARES BITC	ETF	EXCHANGE-TRADED	327572.6	1331.3%	34.1%
BTC/USD	CCCAGG INDEX	CRYPTOCOMPARE	---	---	43.7% <sup>1</sup>
ETH/USD	CCCAGG INDEX	CRYPTOCOMPARE	---	---	37.7%
MVDA Index	MVIS INDEX	MVIS	---	---	35.2%

In January, asset management products generally had positive returns, with Grayscale's ETCG and ETHE leading the way with returns of 76.6% and 68.3% respectively. Grayscale GDLC also saw a strong performance with 60.7% returns. The only exception was 21Shares Short Bitcoin ETP SBTC, which had a negative return of 29.8%.

The MVDA index experienced a rise of 35.2%. The MVDA index is a market cap-weighted index that tracks the performance of a basket of the 100 largest digital assets. The index serves as a benchmark and universe for the other MVIS CryptoCompare Digital Assets Indices.

<sup>1</sup> Returns for BTC/USD, ETH/USD and MVDA Index are till the 29<sup>th</sup> of January 2023

PROVIDER	FEE RANGE	CHEAPEST FUND AVAILABLE	FUNDS AVAILABLE
Grayscale	2.00% - 3.00%	<i>Grayscale® Bitcoin Trust</i>	17
21Shares	1.49% - 2.50%	<i>21Shares Bitcoin ETP, Ethereum ETP</i>	39
XBTPProvider	2.50%	<i>Tracker Products</i>	4
ETC Group	1.49% - 2.00%	<i>Ethereum ETC</i>	14
Valour	0.00% - 1.90%	<i>Bitcoin Zero, Ethereum Zero</i>	12
Purpose	1.00%	<i>Purpose Bitcoin ETF</i>	5
3IQ	0.75% - 1.95%	<i>3iQ Global Cryptoasset Fund</i>	6
VanEck	1.00%	<i>VanEck Bitcoin ETN</i>	13
WisdomTree	0.95%	<i>WisdomTree Bitcoin ETF</i>	7
Bitwise	0.85% - 2.00%	<i>Bitwise Crypto Industry Innovators ETF</i>	12

## CryptoCompare Index Products

The MVIS CryptoCompare Digital Assets Indices track the financial performance of the largest and most liquid digital assets and serve as the underlying platform for financial products globally. See all available indices [here](#). Get in touch to learn more about how our indices can help you build innovative products. The MVIS CryptoCompare Digital Assets Indices can be licensed to clients for a variety of purposes, including:

- Performance measurement and attribution
- Investment product development, is the basis for structured products such as ETNs and futures contracts.
- Asset Allocation
- Research

## CryptoCompare Indices in the News

On September 28, CryptoCompare and Blockdaemon, the leading institutional-grade blockchain infrastructure company for node management and staking, announced the **launch of their industry-first family of Staking Yield Indices, enabling** more informed and sophisticated investment strategies in a regulated and secure environment.

The **CryptoCompare Blockdaemon Staking Yield Index Family** is designed to measure the annualised daily staking yield generated by the digital asset, allowing institutional investors to create total return and yield swap products, benchmark portfolios, conduct research, and more. The Index Family will initially feature five regulated indices that capture the annualised daily staking yield of the top-performing PoS digital assets: Avalanche, Cardano, Cosmos, Polkadot, and Solana. Learn more [here](#).

## Access More of Our Research and Insights

As the digital asset markets continue to grow, so does the need for high-quality research that brings greater clarity and transparency to this rapidly evolving industry. CryptoCompare's suite of research reports provides market participants with trusted, high-quality data and analysis.

### Recurring Reports:

Report	Description
<b>Exchange Review</b>	Captures key developments within the cryptocurrency exchange market – providing readers with an in-depth analysis of exchange volumes, trading activity, and derivatives open interest.
<b>Digital Asset Management Review</b>	Tracks and analyses the most innovative institutional products in the industry, assessing volumes, assets under management (AUM), and product flow trends.
<b>Exchange Benchmark</b>	Brings clarity to the crypto asset exchange sector. Two years on, it has become the industry standard for assessing and evaluating cryptocurrency exchanges, with the methodology and rankings now being utilised to help create financial products and indices.
<b>Asset Report</b>	Provides professionals in the financial services space, particularly the investment management industry, with a summarised analysis of the latest movements in five of the largest cryptocurrencies.
<b>Market Outlooks</b>	A quarterly report that identifies the most important developments of the last quarter, which may thereafter set the tone for key trends to look out for in the following months. This includes references to the macroeconomic environment, DeFi, NFTs, stablecoins, and more.

### Topic Deep Dives:

Report	Description
<b>Liquidity Report</b>	Created in collaboration with Bitstamp – a first of its kind report – it examines the intricacies of digital asset liquidity and compares it across top-tier exchanges to find the true liquidity of digital asset exchanges.
<b>UST's Fall From Grace</b>	Summarises the depegging of UST and the subsequent debacle of LUNA and the Terra ecosystem, including an analysis of the ripple effects of the event and where it situates the digital asset industry.