



# DIGITAL ASSET MANAGEMENT REVIEW

SEPTEMBER 2022

## About CryptoCompare

CryptoCompare is an FCA-authorised benchmark administrator and global leader in digital asset data, providing institutional-grade digital asset data and real-time and settlement indices. By aggregating and analysing tick data from globally recognised exchanges and seamlessly integrating multiple datasets, CryptoCompare provides a comprehensive and granular overview of the market across trade, derivatives, order book, historical, social and blockchain data. For more information, please visit <https://data.cryptocompare.com>.

## 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

In September, the markets continued to decline as the US Federal Reserve announced its decision to raise the interest rate by 75bps. This resulted in the price of crypto assets plummeting, with Bitcoin and Ethereum falling 4.77% and 15.9% in September (as of the 28<sup>th</sup>). Consequently, this had an adverse impact on the AUM of digital asset products, with the Merge catalyst proving to be of no support for the Ethereum-based ETPs.

### **Market Uncertainty Continues to Affect ETPs Volumes**

In September, the macro environment continued to weigh heavily on the crypto markets, with Bitcoin and Ethereum retracing below key support levels at \$19,000 and \$1,300. As central governments around the world announced more conservative measures to curb inflation, Exchange Traded Products (ETPs) followed the downward trend of the rest of the markets, with trading volumes dropping below \$100mn for the first time since September 2020. Average daily volumes have fallen 79.9% from this year's high recorded in Jan 2022.

### **Short Bitcoin Products Records New All-Time Highs**

Short Bitcoin Products, which correspond to the inverse (-1x) of the daily performance of the Bitcoin futures index, saw a rise in AUM this month. The ProShares Short Bitcoin Strategy ETF (BITI) saw its AUM rise 43.9% to \$98.8mn, while 21Shares Short Bitcoin ETP (SBTC) saw an increase of 25.4% in AUM to \$18.9mn. Both the Short Bitcoin products recorded their all-time high in September.

As macro-conditions worsen and the price of major crypto assets continues their downward trend, investors will likely move towards short bitcoin products to profit or to hedge their cryptocurrency holdings. 21Shares SBTC were the only exchange-traded product that saw positive 30-day returns this month, rising 5%.

### **Ethereum Products Experience Heavy Drawdown Following Merge Event**

Ethereum-based digital asset products witnessed one of their most challenging months, with all products dropping more than 10.0% in the last 30 days (as of 26th September), with Grayscale's ETHE, VanEck's VETH, 3IQ's QETH product leading the fall in monthly returns with 21.4%, 14.2% and 13.7% respectively. The fall came after the historical Merge catalyst with Ethereum transitioning from Proof of Work consensus to Proof of Stake. The Merge drove the asset to a recent high against Bitcoin earlier this month amid speculation and 'buy the rumour' activity from traders. However, the optimism quickly subsided as the price of ETH fell significantly after the Merge, reflecting the current economic downtrend.

## Latest Digital Asset Investment News

COMPANY	STORY	DATE
BlackRock	<a href="#">All Eyes Are on the BlackRock-Coinbase Partnership</a>	September 1 <sup>st</sup>
ETC Group	<a href="#">ETC Group to Launch New ETP for Ethereum Hard Fork</a>	September 7 <sup>th</sup>
3iQ	<a href="#">3iQ, Coinbase and Tetra Trust Joining Forces to Advance the Crypto ETP Space in Canada</a>	September 21 <sup>st</sup>
21Shares	<a href="#">21Shares unveils new suite of Ethereum ETPs</a>	September 23 <sup>rd</sup>
CoinShares	<a href="#">Institutional Investors Short Selling Bitcoin (BTC) at Highest Rate on Record: CoinShares</a>	September 26 <sup>th</sup>
Grayscale	<a href="#">Grayscale Bitcoin Trust Discount Widens to Record High</a>	September 27 <sup>h</sup>

## 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). It 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. 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 because it can be easily traded on exchanges. A significant distinction between the two is that you don't own the underlying for an ETN - it is 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 than 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 mainly uncollateralised.

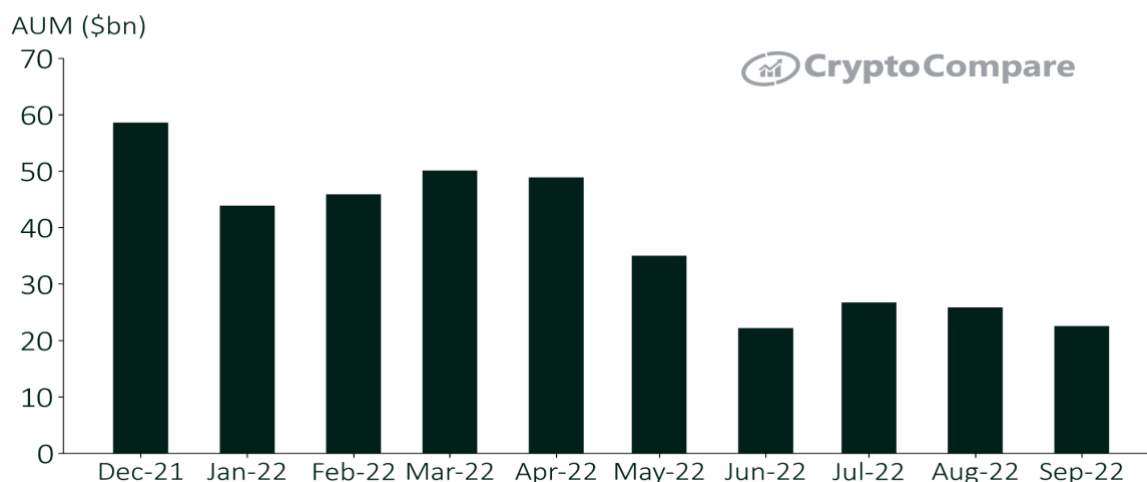
An **Investment Trust** is a type of closed-ended fund set up by a company, such that its shares can be bought and sold on an exchange or OTC market. This investment trust invests in a portfolio of assets; hence, the value of the company's share is tied to the value of the underlying assets it holds. 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 date of the current release of the report.

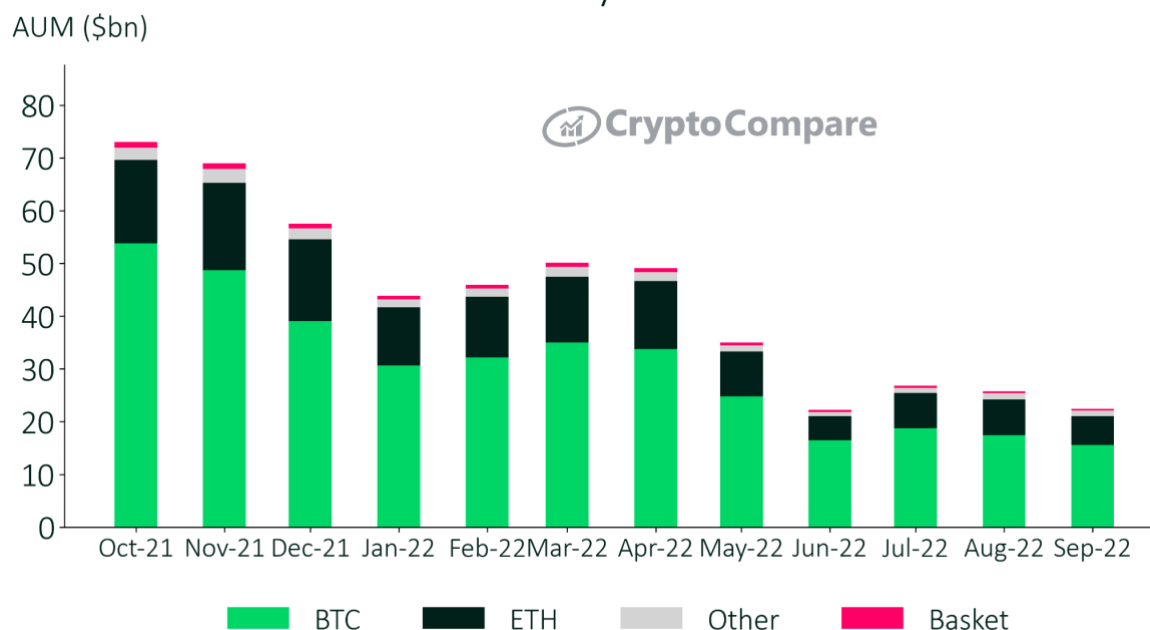
## AUM – Assets Under Management

### Monthly AUM - Aggregate Exchange and OTC-Traded Products



In September, the total AUM across all digital asset investment products fell 12.7% to \$22.5bn (as of the 26<sup>th</sup>). This is the fifth double-digit monthly decline this year, with a 48.6% drop from the beginning of 2022.

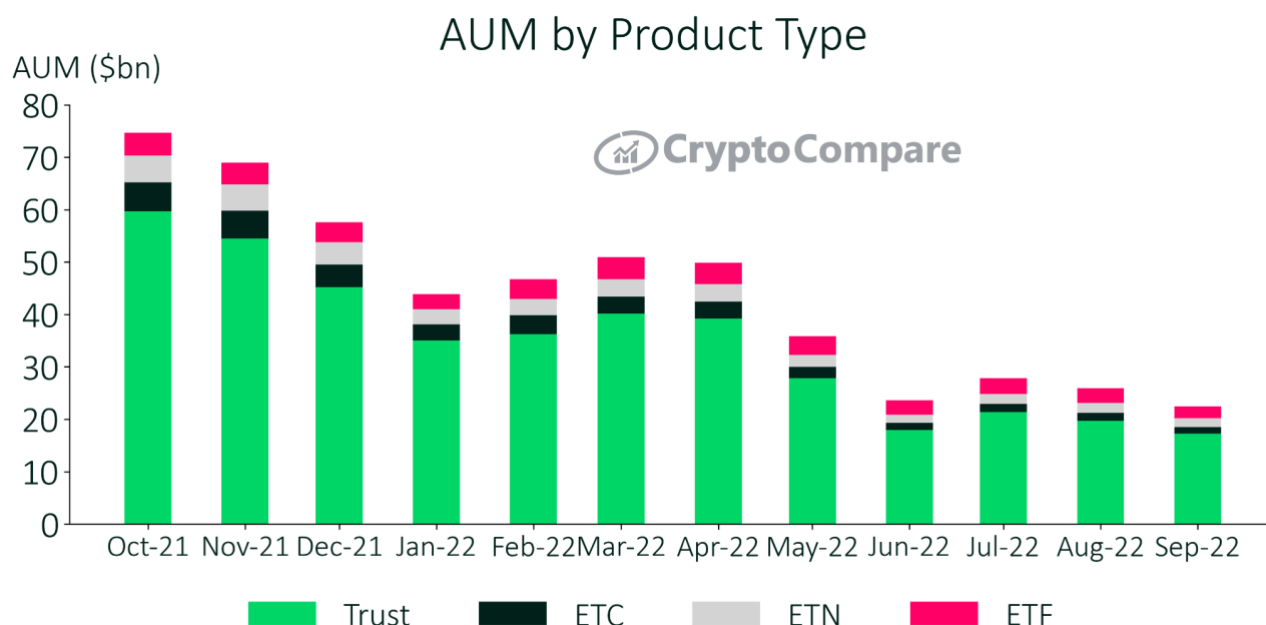
### AUM by Asset



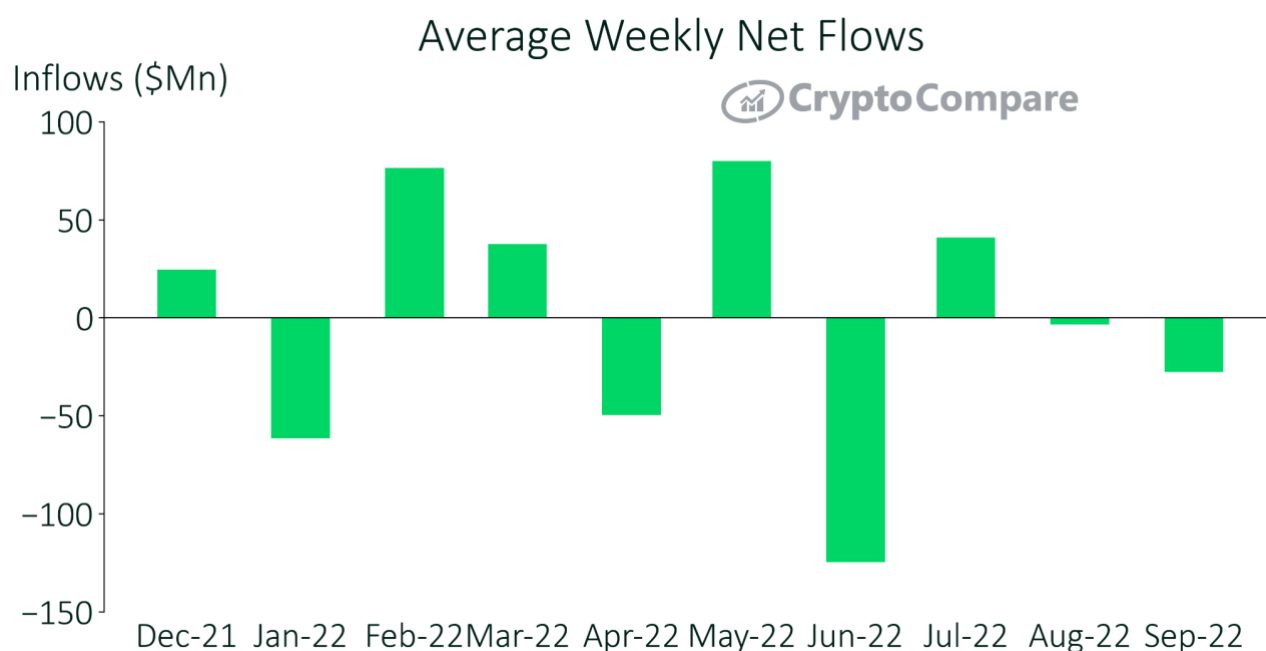
In September, the AUM of Bitcoin-based digital asset products fell 10.7% to \$15.6bn, declining its market share to 69.4%. Meanwhile, the AUM of Ethereum based digital asset products fell 19.3% to \$5.49bn, now accounting for 24.5% of total AUM. The AUM of Other and Basket based products fell 8.48% and 12.8% to \$1.03bn and \$343mn, respectively. It is noteworthy that Ethereum based products performed the worst among the four during the month of its historical merge catalyst.

Grayscale products continue to represent the vast majority of AUM at \$16.6bn (74.0% of total), followed by those of XBT Provider at \$1.24bn (5.54% of total) and 21Shares at \$942mn (4.20% of total).

Regarding the product type, AUM in trust products (dominated by Grayscale) fell 12.5% to \$17.3bn (76.9% of total AUM). AUM represented by ETFs also dropped in September, down 21.1% to \$2.25bn. Digital Asset ETFs now account for 10.0% of the market share, continuing the decline from its high of 11.5% in June. ETNs and ETCs followed in terms of market share, with two experiencing a fall of 10.5% and 16.5% to \$1.24bn and \$1.69bn.



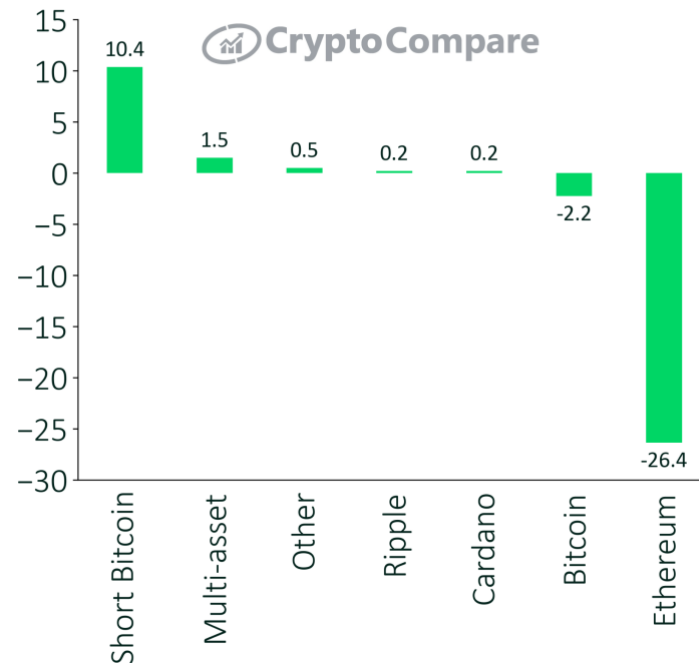
Average weekly net flows continued to decline in September (as of the 26<sup>th</sup>). Weekly outflows recorded an average of \$27.7mn compared to average weekly outflows of \$3.35mn in August.





Weekly net flows for Bitcoin-based products continued to record outflows, averaging \$2.23mn in September. Ethereum products, on the other hand, recorded the largest negative net flows of \$26.4mn, the largest out of any asset. This comes after the Merge was a “buy the rumour, sell the news” event, with ETH recording a significant decline in price this month. Multi-asset-based products saw inflows averaging \$1.5mn, and other altcoins saw inflows of \$500k.

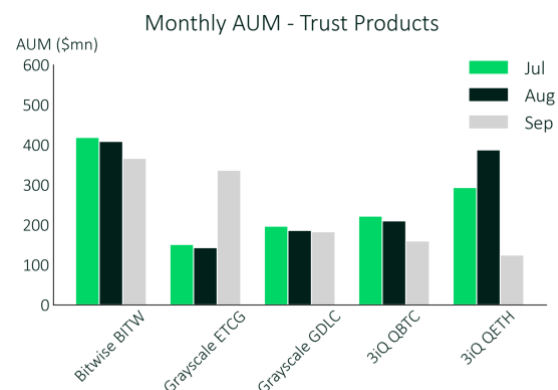
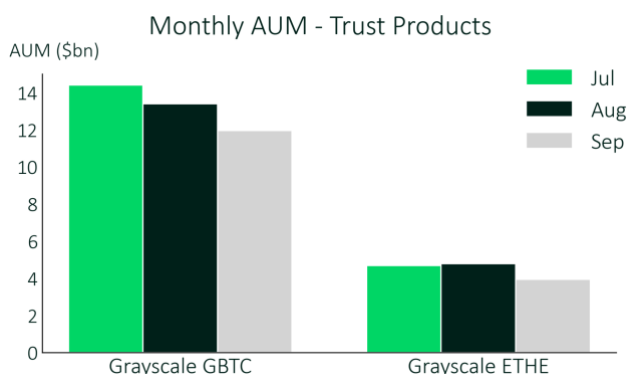
Average Weekly Net Flows by Asset  
Inflows (\$Mn)



## Trust Products

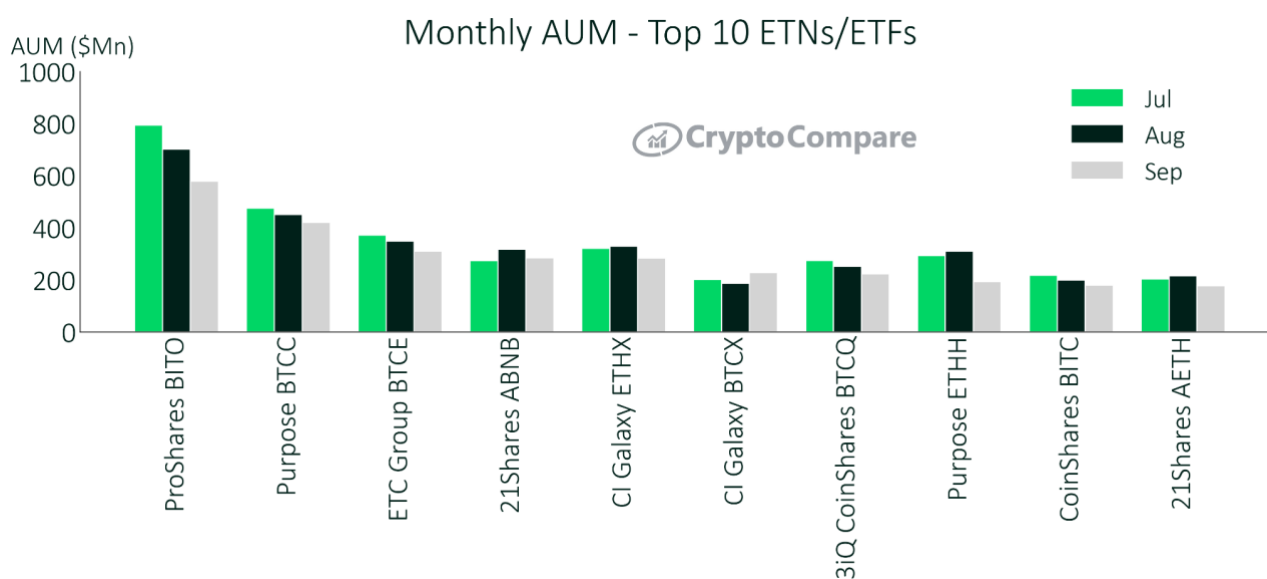
The majority of AUM in trust products continued to reside in Grayscale’s Bitcoin product (GBTC), with a market share of 69.3%. The trust product saw its AUM decline 10.7% to \$12.0bn. Meanwhile, the AUM of Grayscale ETHE, which accounts for 22.9% of the market share, fell 17.6% to \$3.95bn.

Other high AUM trust products include Bitwise’s index product (BITW) which fell 10.4% to \$366mn in September.



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

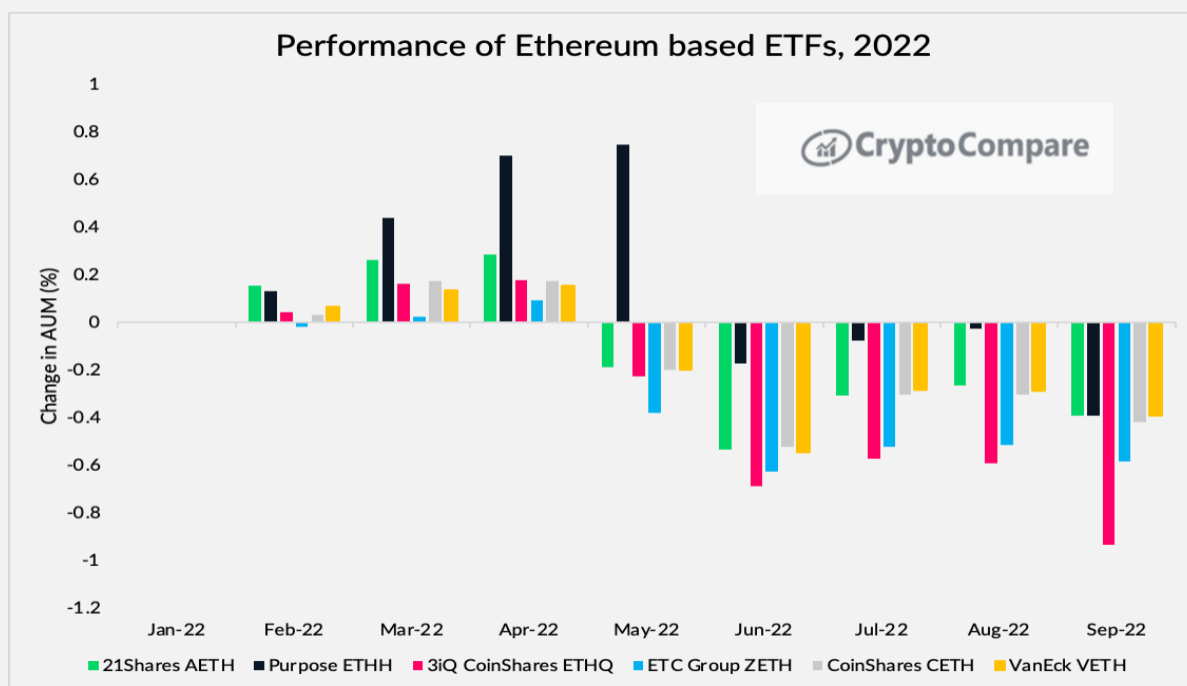
In September, the ProShares BITO product continued to hold the highest AUM in an ETN/ ETF product with \$580mn. This was followed by Purpose's BTCC and ETC Group's BTCE products, with both the products recording a fall of 6.80% and 11.3% to \$421mn and \$310mn. The most notable effect was 3iQ CoinShares ETHQ, which dropped 83.9% in September, an unprecedented drop during this year.



### The Sharp Decline in Ethereum ETNs/ETFs Products

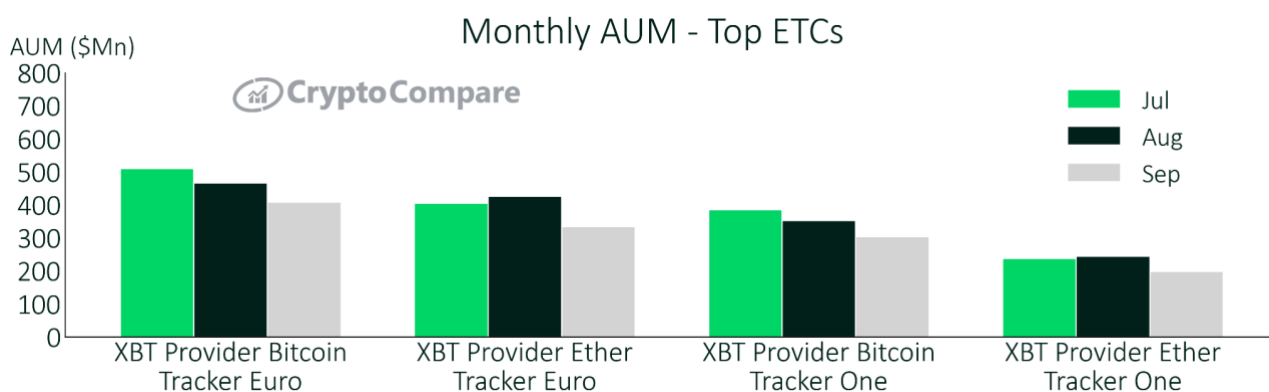
Amid the current bear market and poor sentiment across all assets and products, September proved more difficult for the Ethereum digital asset products. All the Ethereum based exchange-traded products (ETPs) tracked in this report have seen a major breakdown, led by 3iQ CoinShares ETHQ, which lost 83.9% of its AUM, declining its market share from 1.89% in August to only 0.35% in September.

This is most likely related to the Merge and the fact that investors can benefit from staking their ETH and earning a yield on their investment, a property that ETNs and ETFs do not provide.



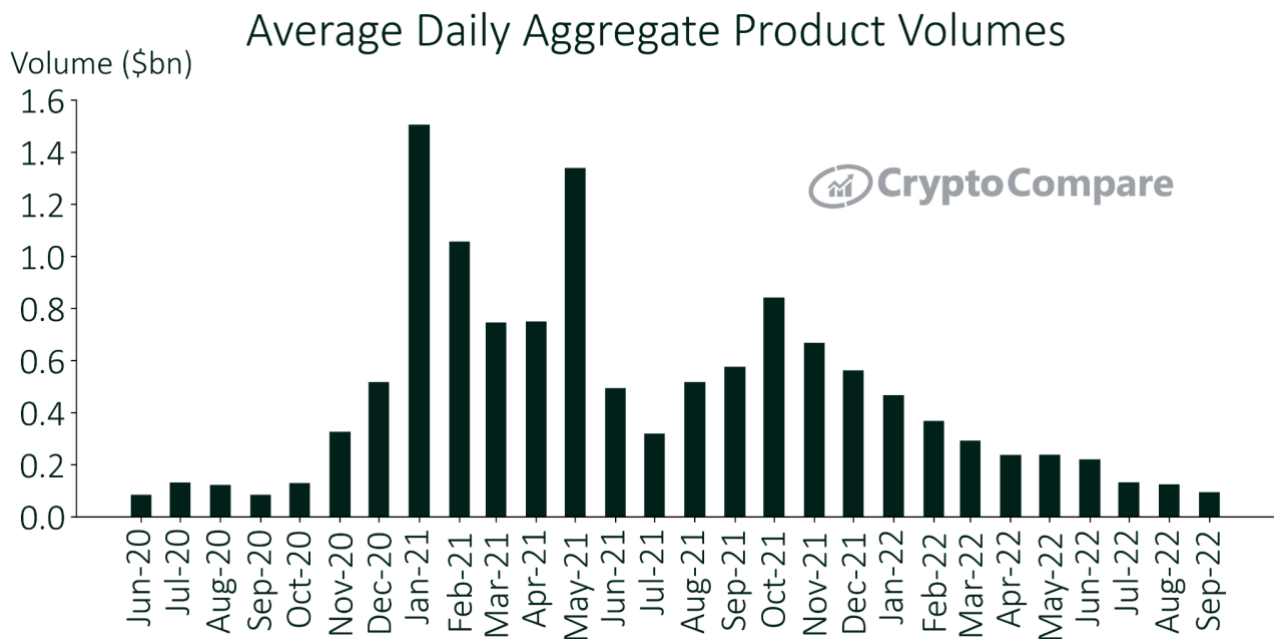
### Exchange Traded Certificates (ETCs)

XBT Provider by CoinShares represents the majority of AUM across all ETCs. Its Bitcoin Tracker Euro retained the top spot for highest AUM amongst ETCs in September, despite a 12.5% fall to \$407mn. This was followed by the Ether Tracker Euro product, which rose 21.6% to \$333mn.



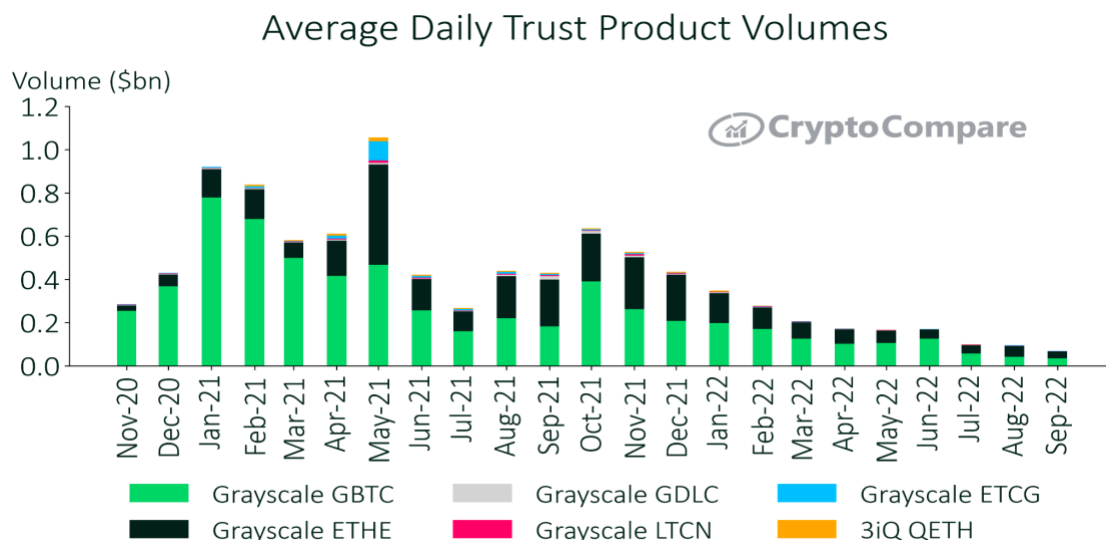
## Trading Volumes

Average daily aggregate product volumes across all digital asset investment products fell 24.1% to \$939mn in September, continuing a downward trend in volumes observed since November 2021 (except for a slight rise of 0.39% in May). It also recorded the first month since September 2020 where average daily volumes have fallen under \$100mn.



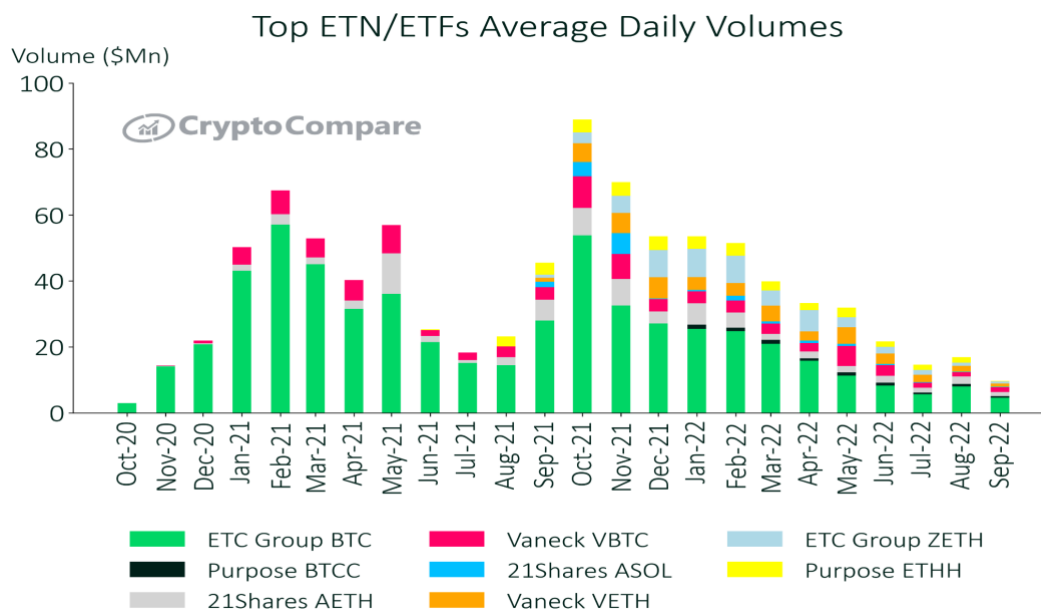
## Trust Products

In September, Grayscale's Bitcoin trust product (GBTC) regained its position as the most traded Trust Product, with an average daily volume of \$34.7mn (down 18.1%). Grayscale's Ethereum product (ETHE) followed, recording an average daily volume of \$31.4mn (down 35.6%). Other major trust products, such as 3iQ's Bitcoin product (QBTC), saw average daily volumes fall 9.52% to 418k, whilst their Ethereum product (QETH) saw average daily volumes rise to \$562k (up 22.9%). The Grayscale Digital Large Cap Fund recorded the highest fall against all products, with a 45.9% decline to \$253k.



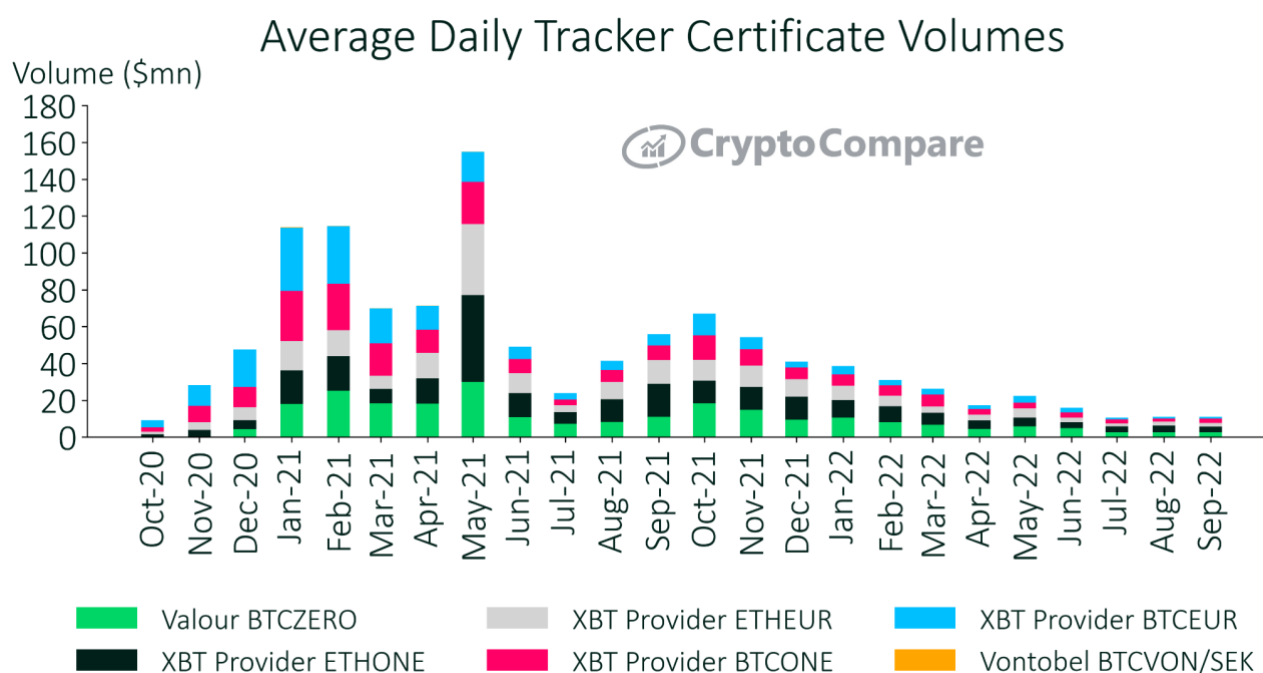
## Exchange Traded Notes (ETNs) and Exchange Traded Funds (ETFs)

Bitcoin-based products continued to dominate the ETNs/ETFs trading in September, with ETC Group's BTCE product recording the highest daily volume at \$4.63mn (down 42.2%), followed by Vaneck's Bitcoin product (VBTC) at \$1.46mn (up 10.3%) and 21Shares's Ethereum product (AETH) at \$1.25mn (down 45.7%).



## Exchange Traded Certificates (ETCs)

XBT Tracker's Ether Tracker One (BTC/SEK) took over the top spot in terms of the average daily volume of ETC products, ahead of Valour's Bitcoin product (BTCZERO). The two products recorded an average daily volume of \$2.93mn (down 15.0%) and \$2.74mn (up 0.71%) 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	34652107.06	-13.0%	-11.1%
GRAYSCALE ETHE	T	OTC-TRADED	31372483.83	-35.0%	-21.4%
ETCGROUP BTCE	ETN	EXCHANGE-TRADED	4633674.283	-33.7%	-1.9%
XBTPROVIDER XETHONE	ETC	EXCHANGE-TRADED	2926685.266	-14.5%	-10.0%
VALOUR BTCZERO	ETC	EXCHANGE-TRADED	2742100.801	10.2%	-2.0%
XBTPROVIDER XBTCONE	ETC	EXCHANGE-TRADED	2401835.158	56.1%	-0.5%
XBTPROVIDER XETHEUR	ETC	EXCHANGE-TRADED	1901606.354	-4.7%	-12.6%
GRAYSCALE ETCG	T	OTC-TRADED	1526022.944	-36.3%	-37.4%
VANECK VBTC	ETN	EXCHANGE-TRADED	1458954.063	15.8%	-2.3%
21SHARES AETH	ETN	EXCHANGE-TRADED	1254909.724	-40.5%	-12.6%
XBTPROVIDER XBTCEUR	ETC	EXCHANGE-TRADED	975319.5305	24.3%	-2.9%
VANECK VETH	ETN	EXCHANGE-TRADED	942312.5736	-37.8%	-11.0%
21SHARES SBTC	ETN	EXCHANGE-TRADED	792236.0633	-13.0%	5.0%
WISDOMTREE BTCW	ETN	EXCHANGE-TRADED	733133.6177	44.7%	-5.2%
ETCGROUP ZETH	ETN	EXCHANGE-TRADED	725869.0768	-10.1%	-14.2%
3IQ QETH	T	EXCHANGE-TRADED	561661.9074	20.7%	-13.7%
21SHARES ABTC	ETN	EXCHANGE-TRADED	493685.0488	25.5%	-5.4%
COINSHARES CETH	ETF	EXCHANGE-TRADED	434926.272	760.3%	-10.4%
3IQ QBTC	T	EXCHANGE-TRADED	417723.3812	-29.8%	-4.1%
COINSHARES BITC	ETF	EXCHANGE-TRADED	388584.8962	653.1%	-3.6%
BTC/USD	CCCAGG INDEX	CRYPTOCOMPARE	---	---	-5.81%
ETH/USD	CCCAGG INDEX	CRYPTOCOMPARE	---	---	2.11%
MVDA Index	MVIS INDEX	MVIS	---	---	1.34%

BTC-based products had a significant drop in the last 30 days, with losses up to -11.1%, with only one product (21Shares' SBTC) achieving gains of 5.0%. ETH-based products saw even larger negative returns, ranging from -10.0% to -21.4%. Grayscale's ETCG Trust product was the worst performer of the month, dropping 37.4%.

The MVDA index experienced a marginal rise of 1.34%. 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.

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>	29
XBTPProvider	2.50%	<i>Tracker Products</i>	4
ETC Group	1.49% - 2.00%	<i>Ethereum ETC</i>	9
Valour	0.00% - 1.90%	<i>Bitcoin Zero, Ethereum Zero</i>	8
Purpose	1.00%	<i>Purpose Bitcoin ETF</i>	3
3IQ	0.75% - 1.95%	<i>3iQ Global Cryptoasset Fund</i>	6
VanEck	1.00%	<i>VanEck Bitcoin ETN</i>	6
WisdomTree	0.95%	<i>WisdomTree Bitcoin ETF</i>	7
Bitwise	0.85% - 2.00%	<i>Bitwise Crypto Industry Innovators ETF</i>	11

## 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** which enable 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.