



DIGITAL ASSET MANAGEMENT REVIEW

FEBRUARY 2023

About CryptoCompare

Compare is an FCA-authorized 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.

Data Sources

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

Content

About CryptoCompare	1
About This Report	1
Key Market Insights	3
Latest Digital Asset Investment News	4
Definitions	5
Disclaimer	5
AUM – Assets Under Management	6
Trading Volumes	12
Price Performance & Product Information	14
CryptoCompare Index Products	15

Key Market Insights

AUM Continues to Increase Despite SEC Enforcements and Macro Headwinds

In February, total assets under management (AUM) for digital asset investment products recorded an increase of 5.25% compared to January, reaching \$28.3bn and recording the third consecutive monthly increase. This was also the highest AUM recorded since May 2022. The growth occurred despite the recent worrying SEC enforcements and macroeconomic setbacks.

DCG Sells Shares in Grayscale Crypto Trust Amid Genesis Bankruptcy

Despite a slight recovery in January, the discount for Grayscale Trust Products continued to widen in February, following the parent company DCG's efforts to raise funds by selling its positions in the products. One of the most significant sales was approximately 25% of its Ethereum Trust (ETHE) at a discount of around 50% of the trust's price, as reported [by the Financial Times](#).

BTC Products Continue to Dominate Average Weekly Net Flows

During February, BTC-based products remained dominant in terms of weekly net flows, with both BTC-based products and Short BTC products recording positive flows of \$5.3mn and \$4.6mn, respectively. Solana-based products sustained their momentum with positive net flows, receiving \$0.6mn in inflows. On the other hand, Ethereum-based products experienced negative net flows of \$0.4mn as well as multi-asset products with negative net flows of \$2.1mn.

Latest Digital Asset Investment News

COMPANY	STORY	DATE
Grayscale	Osprey Funds Sues Grayscale for Misleading Advertising on Crypto Trust	January 30
Defiance	Defiance shuts world's first NFT-focused crypto industry ETF	February 2
Grayscale	DCG sells shares in Grayscale crypto trusts in push to raise funds	February 7
21Shares	CoinGecko and 21Shares propose global crypto classification standard	February 8
BlackRock	BlackRock Starts Metaverse-Themed ETF Despite Waning Investor Interest	February 22

Definitions

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

ETF - Exchange Traded Fund	Exchange traded open-ended fund that trades like an equity
ETN - Exchange Traded Note	Fully collateralised open-ended debt security
Trust – Listed/OTC-Traded Trust	Closed-ended investment fund established as a trust
ETC - 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.

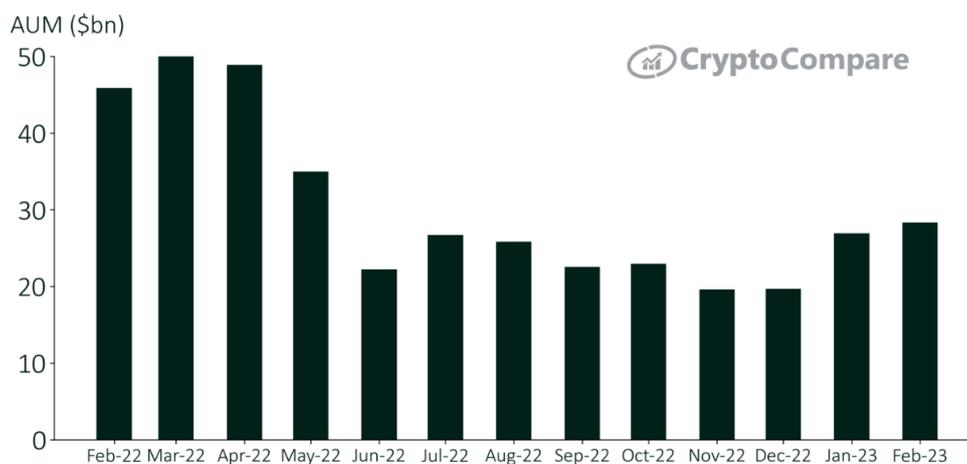
Disclaimer

Due to the nature of API endpoints and backfilling of data by exchanges, there may be discrepancies in data between previous reports. The data in this report is up to the 27th of February 2023.

AUM – Assets Under Management

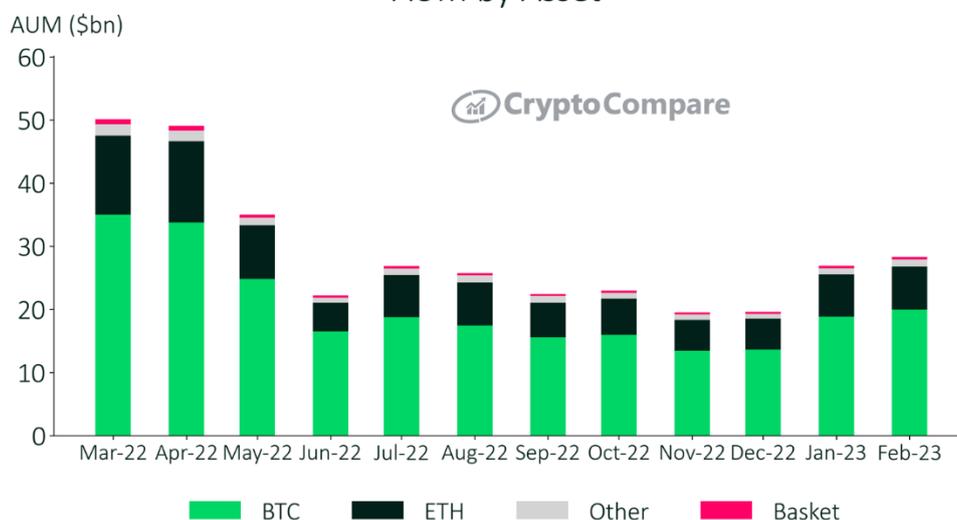
In February, the total assets under management (AUM) for digital asset investment products recorded an increase of 5.25% compared to January, reaching \$28.3bn. The recorded AUM, which is the third consecutive monthly increase and the highest AUM recorded since May 2022, signalled the bullish sentiment of investors and the increased appetite for digital assets. The growth occurred despite the recent SEC enforcements on multiple firms in the industry, including Paxos, Terraform Labs, and Robinhood, among others, as well as macroeconomic setbacks.

Monthly AUM - Aggregate Exchange and OTC-Traded Products



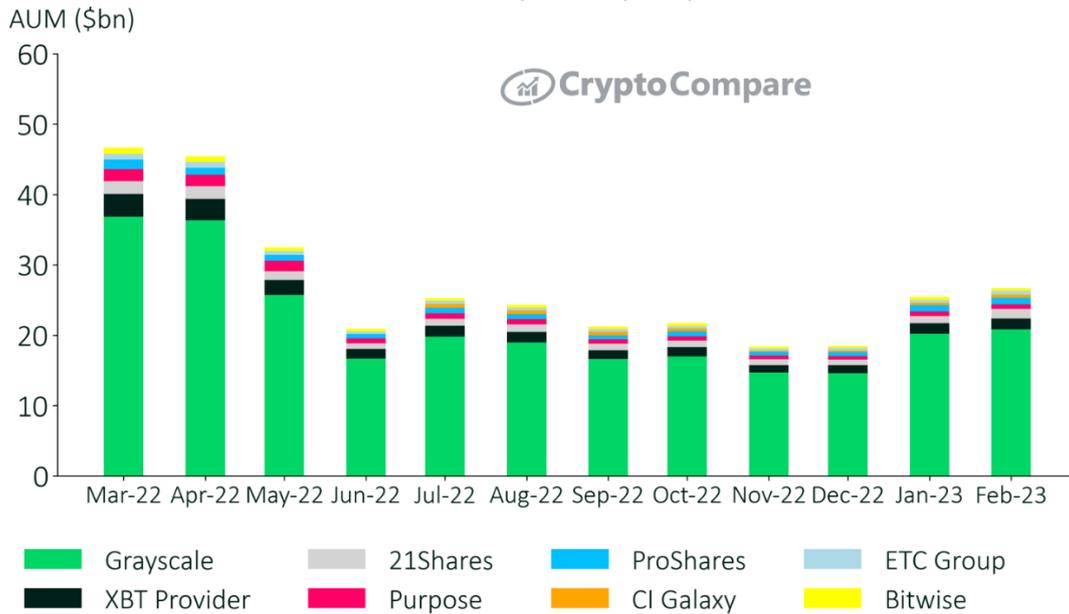
The assets under management (AUM) for Bitcoin and Ethereum-based products saw an increase of 6.06% and 1.72%, respectively, reaching \$20.0bn and \$6.80bn. As a result, these products now account for 70.5% and 24.0% of the total AUM market share. In addition, the AUM for "Other" and "Basket" assets also saw an increase of 14.7% to \$1.16bn and 2.33% to \$413mn, respectively. BTC-based products reached their highest market share since June 2022.

AUM by Asset



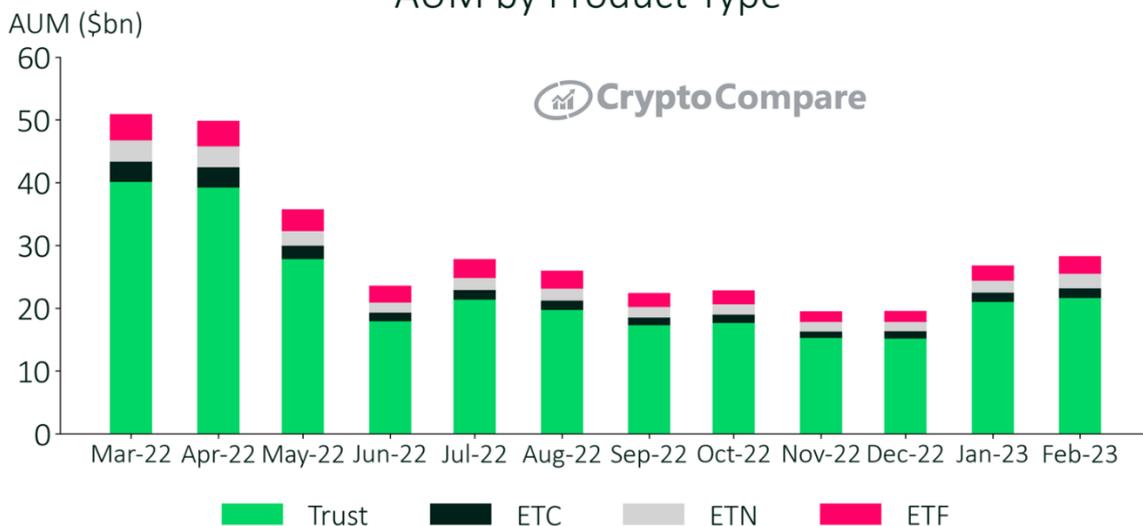
In February, CI Galaxy recorded the highest increase in AUM, rising 37.7% to \$460mn, followed by 21Shares with a 33.4% increase to \$1.38bn. Grayscale remained the dominant player with products recording a total AUM of \$20.8bn; a 3.02% increase compared to last month, followed by XBT Provider (\$1.54bn) and 21Shares (\$1.38bn).

AUM by Company



In terms of product type, AUM in trust products (dominated by Grayscale) rose by 2.94% to \$21.6bn (76.3% of total AUM). Trust products AUM dominance was followed by ETFs which saw a rise of 15.7% to \$2.82bn in February representing 9.96% of the total market share. ETNs also saw a rise of 24.1% recording a total AUM of \$2.36bn (8.33% of total AUM), ETCs followed with a rise of 3.23% to \$1.54bn, accounting for 5.45% of the total product AUM.

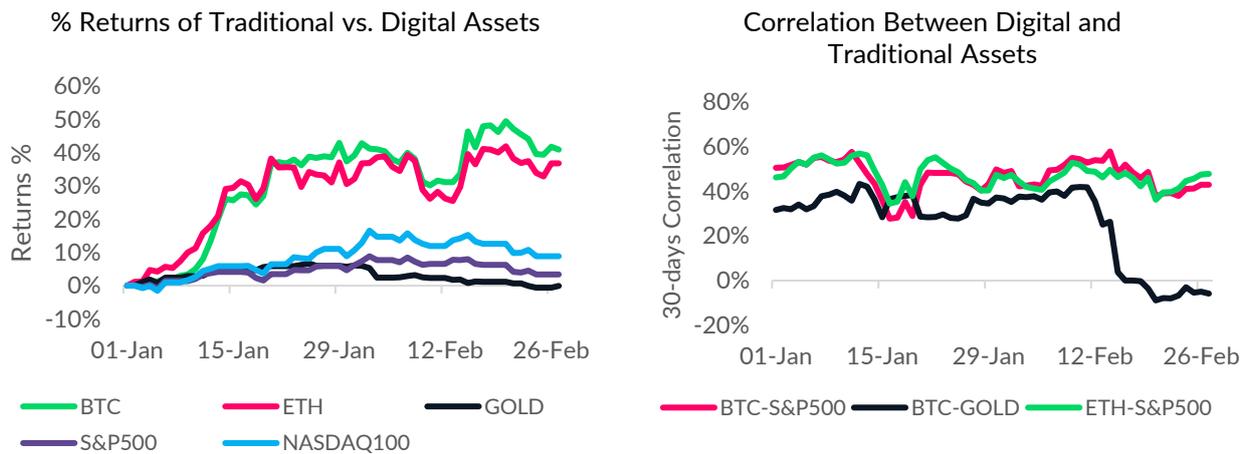
AUM by Product Type



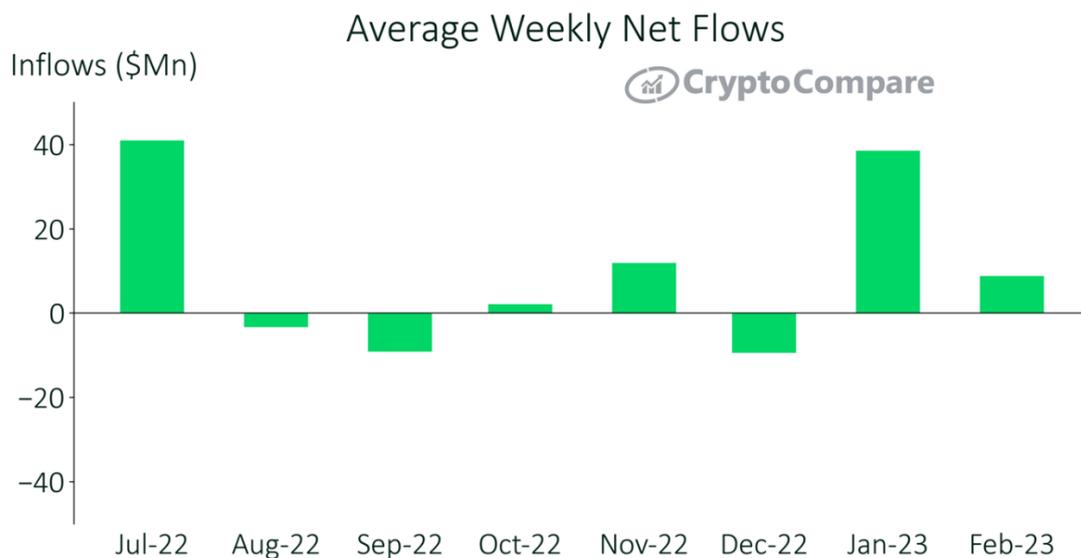
Digital Assets Continue to Outperform Traditional Counterparts

The AUM of BTC and ETH-based products has been steadily increasing since the beginning of the year, as digital assets continue to outperform traditional assets in 2023. Although the correlation between digital assets and traditional assets has been rising, it has recently stabilized and is expected to decrease as innovation fuels interest for digital assets.

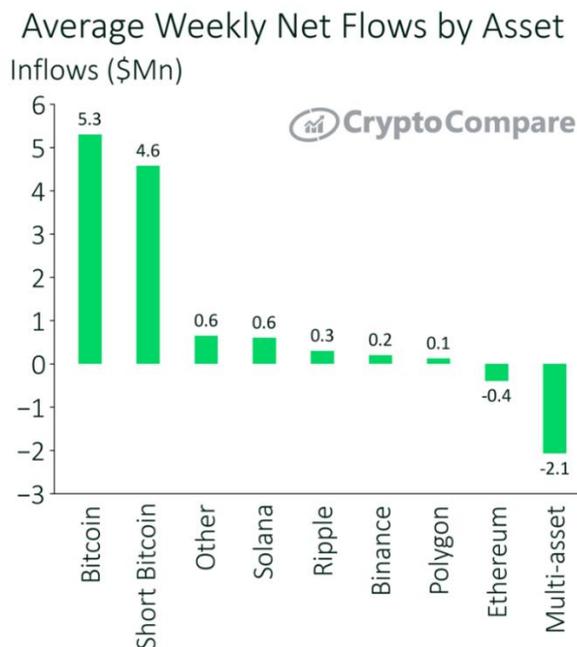
In February, this was seen as the correlation between BTC and traditional assets declined, with BTC-GOLD seeing the sharpest change in correlation out of the tracked assets.



With an average weekly net flow of \$8.80mn in February, net flows continue their upward trend thus far in 2023. Even though this month's figure pales in comparison to the \$38.5mn achieved in January, the numbers are still high when compared to 2022 flows in general.



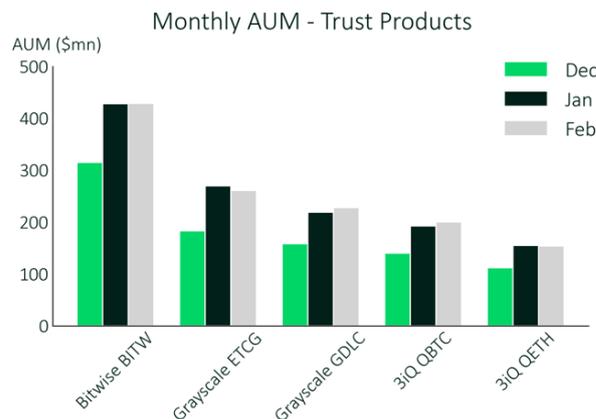
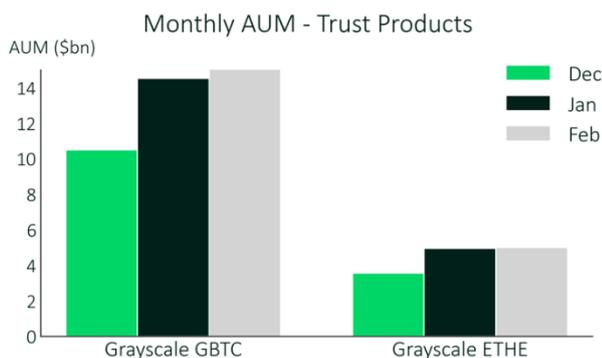
During February of 2023, BTC-based products remained dominant in terms of weekly net flows, with both BTC-based products and Short BTC products recording inflows of \$5.3mn and \$4.6mn, respectively. Solana-based products sustained their momentum with positive net flows, receiving \$0.6mn in inflows. On the other hand, Ethereum-based products experienced negative net flows of \$0.4mn as well as multi-asset products with negative net flows of \$2.1mn.



Trust Products

In February, Grayscale's Bitcoin Trust (GBTC) continued to be the dominant trust product in terms of assets under management (AUM), with a market share of 69.8% across all trust products. The product recorded an increase of 3.82% to \$15.1bn AUM (compared to January). Similarly, Grayscale's Ethereum Trust (ETHE) saw a positive return of 0.88%, with AUM increasing to \$5.00bn (with a market share of 23.2%).

Other high AUM trust products included Bitwise's index product (BITW), which saw a slight increase of 0.05% to \$429mn, and Grayscale's ETCG, which saw a decrease of 3.36% to \$261mn.



Grayscale Trust Product Discount Widens as DCG Pressure Continues

After the bankruptcy of Genesis Trading, Digital Currency Group (DCG) and its subsidiary, Grayscale, have faced a challenging situation with debts exceeding \$3 billion to more than 50 creditors. This has led to pressure on the group, represented in a public dispute between the CEO of DCG and the Winklevoss twins, owners of the Gemini exchange (Gemini is one the most significant creditors for Genesis, owed approximately \$1 billion.)

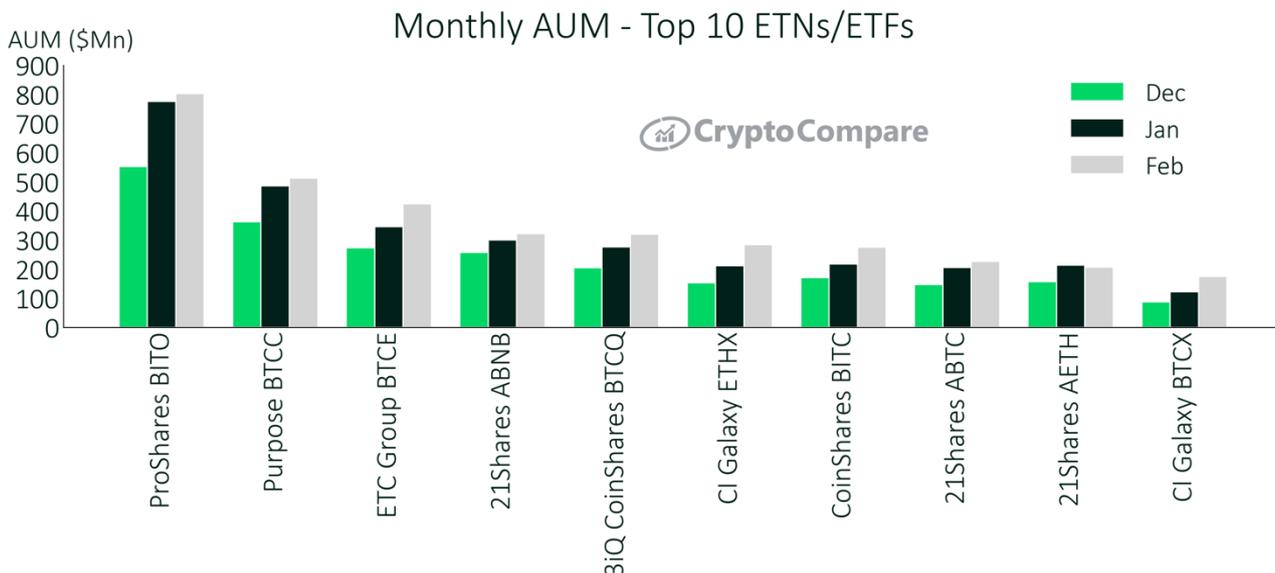
To raise the required funds, DCG has sold various positions in different Grayscale funds. The most substantial sale was approximately 25% of the Grayscale Ethereum Trust ETHE at a discount of around 50% of the trust’s price, according to the Financial Times. Following the sales, the Grayscale Ethereum Trust's discount has continued to decrease, reaching 54.2% on the 24th of February after a slight recovery from 59.6% in December to 46.8% in January.

GBTC & ETHE Discount



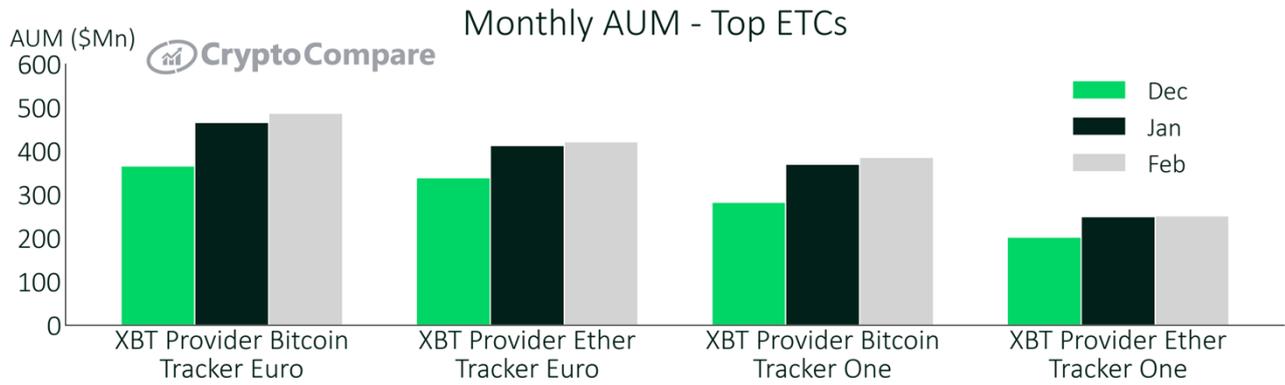
Exchange Traded Notes (ETNs) and Exchange Traded Funds (ETFs)

In February, ProShares BITO product maintained the top spot among ETN/ETF products, with AUM increasing 3.42% to \$803mn, resulting in a market share of 15.5%. This was followed by Purpose’s BTCC which saw an increase of 5.59% to \$513mn and ETC Group’s BTCE which increased 22.5% to \$425mn, recording a market share of 9.91% and 8.20% respectively.



Exchange Traded Certificates (ETCs)

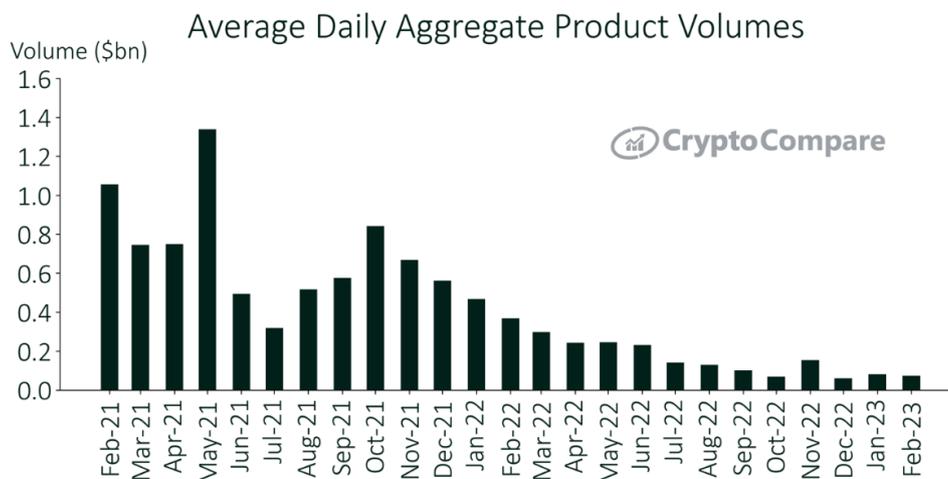
XBT Provider by CoinShares continued to represent the majority of AUM across all ETCs. In February, its Bitcoin Tracker Euro product XBTCEUR held the top spot for the highest AUM amongst ETCs after rising 4.62% to \$487mn. This was followed by the Ether Tracker Euro product XETHEUR which saw an increase of 2.12% to \$421mn.



Trading Volumes

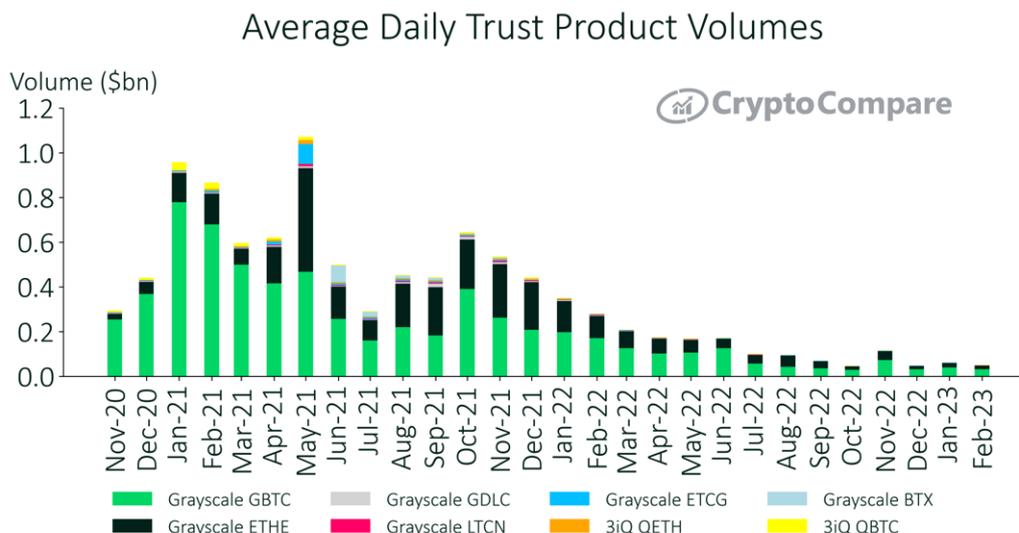
In February 2023, average daily aggregate product volumes across all digital asset investment products saw a slight decline of 9.39% to \$73.3mn. The decrease in volumes exemplifies a general downward trend in activity among crypto products.

Nevertheless, compared to December, volumes increased by 21.5%, indicating a noteworthy improvement in activity within a short period. However, there is a significant gap between the current market and the markets at the beginning of 2022 and the market peak in 2021, with volumes down by 80.1% compared to a year ago (February 2022).



Trust Products

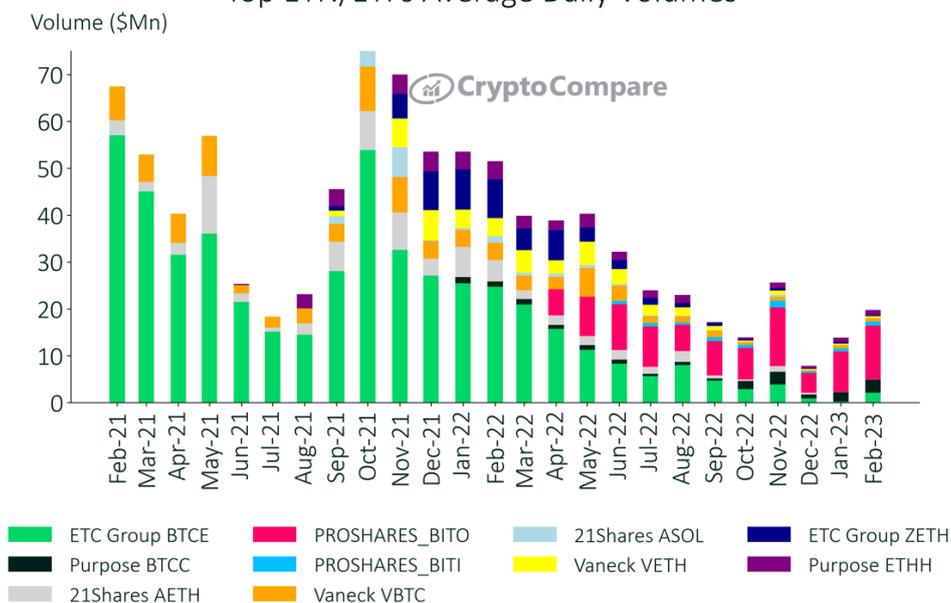
Grayscale's Bitcoin Trust product GBTC maintained its dominance in the trust product market with a 63.5% volume market share, down from 64.2% in January 2022. The decline in market share is a byproduct of falling volumes, which declined 21.1% to \$31.4mn. Grayscale's Ethereum product saw a similar trend recording a 21.1% decline in volume to \$15.8mn, which put the product at a 32.0% market share compared to 32.4% in January.



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

In February, ETNs and ETFs saw a rise of 44.6% to \$23.0mn with Bitcoin-based products continuing to dominate volumes. Proshares’s (BITO) saw the highest trading volumes followed by Purpose’s Bitcoin product (BTCC) and ETC Group’s (BTCE), trading \$11.5mn (up 33.1%), \$2.85mn (up 41.6%), and \$2.09mn (up 803%) respectively.

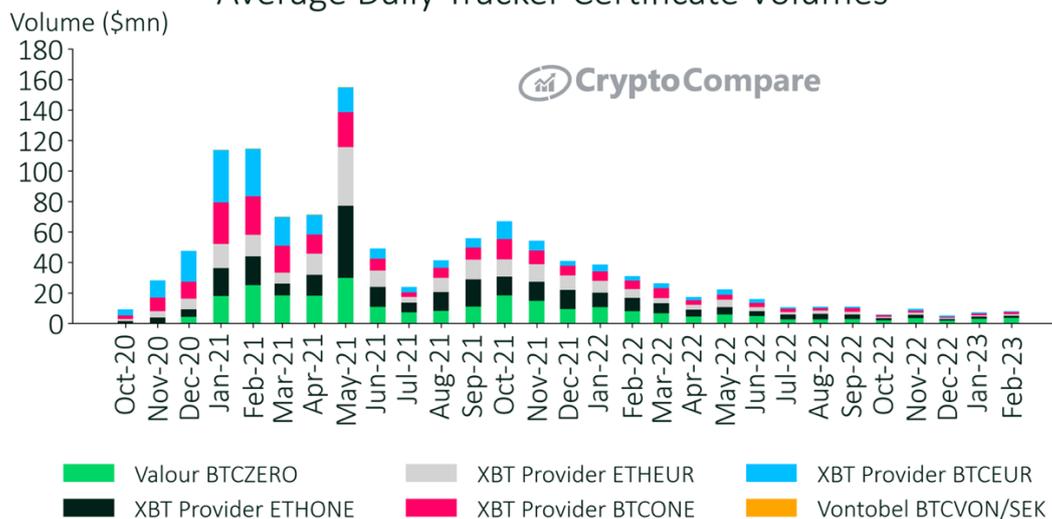
Top ETN/ETFs Average Daily Volumes



Exchange Traded Certificates (ETCs)

Valour’s Bitcoin product (BTCZERO) continued to dominate ETCs’ average daily volumes, leaving XBT’s Bitcoin Tracker One (BTCONE) and XBT Tracker’s Ether Tracker One (ETHONE) in second and third place. ETCs recorded volumes of \$3.70mn (up 18.3%), \$1.46mn (up 10.4%), and \$1.40mn (up 0.35%), respectively.

Average Daily Tracker Certificate Volumes



Price Performance & Product Information

PRODUCT	PRODUCT TYPE	TRADING TYPE	AVG DAILY VOLUME (\$) 30-DAY	% AVG DAILY VOLUME CHANGE	30-DAY RETURNS
PROSHARES BITO	ETF	EXCHANGE-TRADED	15117847.49	33.10%	2.9%
GRAYSCALE GBTC	T	OTC-TRADED	31353333.66	-21.1%	-1.3%
PROSHARES BITI	ETF	EXCHANGE-TRADED	2086699.354	21.90%	-5.2%
GRAYSCALE ETHE	T	OTC-TRADED	15806825.25	-21.1%	4.2%
PURPOSE BTCC	ETF	EXCHANGE-TRADED	2865182.643	41.9%	4.5%
ETCGROUP BTCE	ETN	EXCHANGE-TRADED	2155647.875	827.8%	3.8%
PURPOSE ETHH	ETF	EXCHANGE-TRADED	1075150.993	18.5%	6.6%
WISDOMTREE BTCW	ETN	EXCHANGE-TRADED	896100.0271	67.4%	3.0%
XBTPROVIDER XETHEUR	ETC	EXCHANGE-TRADED	881092.7247	33.9%	8.0%
VANECK VBTC	ETN	EXCHANGE-TRADED	754941.7314	8.0%	4.0%
XBTPROVIDER XBTCEUR	ETC	EXCHANGE-TRADED	604809.8728	-15.9%	6.4%
3IQ QBTC	T	EXCHANGE-TRADED	536134.9698	36.3%	7.0%
GRAYSCALE LTCN	T	OTC-TRADED	498923.9592	18.8%	13.0%
21SHARES SBTC	ETN	EXCHANGE-TRADED	451339.0659	66.9%	-0.3%
GRAYSCALE ETCG	T	OTC-TRADED	373477.8147	-28.6%	21.9%
GRAYSCALE GDLC	T	OTC-TRADED	365380.1895	-12.1%	2.9%
VANECK VETH	ETN	EXCHANGE-TRADED	360368.056	13.8%	7.9%
3IQ QETH	T	EXCHANGE-TRADED	349222.2617	29.9%	12.7%
ETCGROUP ZETH	ETN	EXCHANGE-TRADED	284971.6931	-19.1%	7.5%
21SHARES HODL	ETN	EXCHANGE-TRADED	261780.9117	16.6%	4.8%
BTC/USD	CCCAGG INDEX	CRYPTOCOMPARE	---	---	1.52%
ETH/USD	CCCAGG INDEX	CRYPTOCOMPARE	---	---	-3.90%
MVDA Index	MVIS INDEX	MVIS	---	---	3.80%

In February, asset management products generally had positive returns, with Grayscale's ETCG and LTCN and 3IQ's QETH leading the way with returns of 21.9%, 13.0% and 12.7% respectively. Proshares's Short Bitcoin ETF recorded the highest negative returns among analysed digital products with returns of -5.2% followed by Grayscale's GBTC which recorded -1.3% in returns.

The MVDA index experienced a rise of 3.80%. 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	FUNDS ANALYZED
Grayscale	2.00% - 3.00%	<i>Grayscale® Bitcoin Trust</i>	17	16
21Shares	1.49% - 2.50%	<i>21Shares Bitcoin ETP, Ethereum ETP</i>	39	23
XBTPProvider	2.50%	<i>Tracker Products</i>	4	4
ETC Group	1.49% - 2.00%	<i>Ethereum ETC</i>	14	3
Valour	0.00% - 1.90%	<i>Bitcoin Zero, Ethereum Zero</i>	12	1
Purpose	1.00%	<i>Purpose Bitcoin ETF</i>	5	2
3IQ	0.75% - 1.95%	<i>3iQ Global Cryptoasset Fund</i>	6	4
VanEck	1.00%	<i>VanEck Bitcoin ETN</i>	13	5
WisdomTree	0.95%	<i>WisdomTree Bitcoin ETF</i>	7	2
Bitwise	0.85% - 2.00%	<i>Bitwise Crypto Industry Innovators ETF</i>	12	1

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

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
Exchange Review	Captures key developments within the cryptocurrency exchange market – providing readers with an in-depth analysis of exchange volumes, trading activity, and derivatives open interest.
Digital Asset Management Review	Tracks and analyses the most innovative institutional products in the industry, assessing volumes, assets under management (AUM), and product flow trends.
Exchange Benchmark	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.
Asset Report	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.
Market Outlooks	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
Liquidity Report	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.
UST’s Fall From Grace	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.