



DIGITAL ASSET MANAGEMENT REVIEW

DECEMBER 2022

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.

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

Average Weekly Net Outflows Reach Highest Level Since June 2022

Due to the current state of panic in the market following the collapse of FTX, and rumours of similar problems at Binance, average weekly net outflows from digital asset investment products reached a record high of -\$9.5mn, the highest level recorded since June 2022. Bitcoin products were the only products that saw positive inflows, totalling \$0.1mn.

Grayscale Discount Continues to Hit Record Highs

In a letter to investors in December, Grayscale revealed that it is considering returning a portion of its GBTC funds to investors. The letter came after the Securities and Exchange Commission (SEC) denied Grayscale's request for approval of its Bitcoin exchange-traded fund (ETF). The fund currently has \$10.5 billion in assets under management and its discount to the price of Bitcoin has been increasing, reaching a high of 48.9% on December 13th.

Increased selling pressure and low demand for GBTC, particularly following the recent negative publicity surrounding Grayscale's parent company, Digital Currency Group (DCG), has caused Grayscale's GBTC Trust discount to widen.

Ethereum and Bitcoin-Based Products See Fair Gains in December.

Despite declining volumes and AUM, Ethereum-based products saw decent gains in December, led by 3IQ's QETH, XBTProvider's XETHONE and Purpose's ETHH, which reported particularly strong performances, returning 8.5%, 6.5%, and 6.2%, respectively. BTC-based products also saw strong returns, with 3IQ's QBTC and Purpose's BTCC leading the way, with returns of 7.6% and 5.4% respectively.

Latest Digital Asset Investment News

COMPANY	STORY	DATE
21Shares	CoinShares and 21Shares close FTX ETPs	December 8 th
BlackRock	BlackRock unveils metaverse and global SRI ETFs	December 9 th
ETC Group	ETC Group to shut four crypto ETPs amid low demand	December 14 th
CoinShares	Crypto investment firm CoinShares debuts trading on Nasdaq Stockholm	December 19 th
Grayscale	Grayscale Will Explore Returning Portion of Investor Capital if SEC Refuses Spot Bitcoin ETF	December 19 th

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.

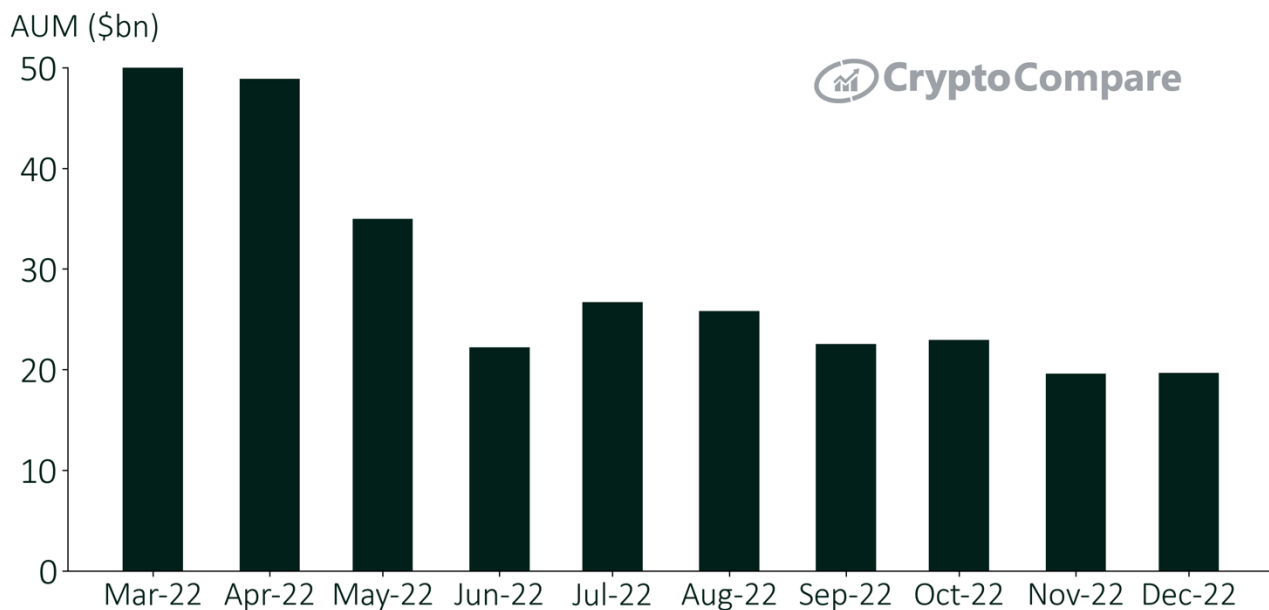
Disclaimer

Due to the nature of API endpoints and backfilling of data by exchanges, there may be discrepancies in data between previous reports. This data is correct up to the date of the current release of the report.

AUM – Assets Under Management

In December, the total assets under management (AUM) for digital asset investment products saw a slight increase of 0.35% to \$19.7bn (as of December 20th). This marks the second consecutive month that AUM has fallen to levels not seen since December 2020, indicating investor concern and expectations of further declines in 2023 due to market conditions and regulatory challenges. AUM is currently down 55.2% from its peak in January 2022.

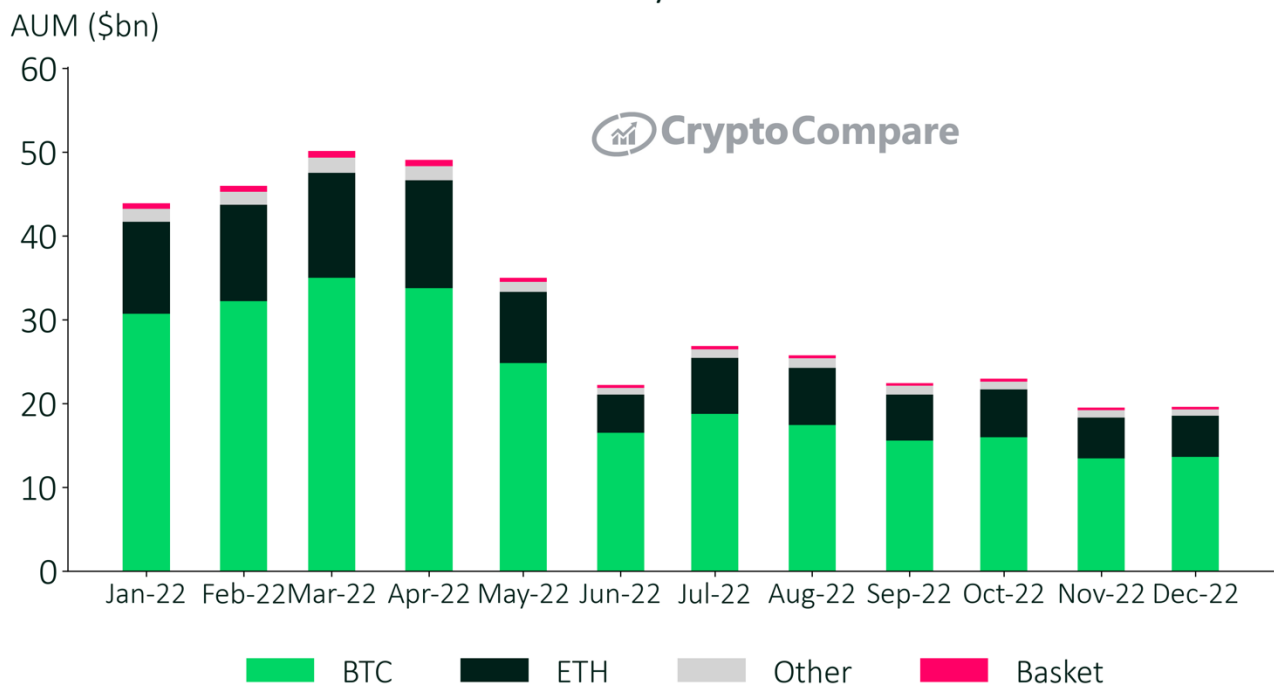
Monthly AUM - Aggregate Exchange and OTC-Traded Products



In December, AUM for Bitcoin and Ethereum increased by 1.52% and 0.65% to \$13.6bn and \$4.88bn, respectively. This led to a slight increase in market share for both assets, with Bitcoin products now holding a market share of 69.7% and Ethereum products holding a market share of 25.0% among the analysed products. Bitcoin and Ethereum product AUMs are currently down 61.0% and 62.1%, respectively, from their peaks in March and April 2022.

On the other hand, the AUM for "Other" assets saw a decline of 15.9% to \$757mn, decreasing market share to 38.7%. "Basket" assets also saw a decline of 1.19% to \$293mn, leading market share to decline to 1.50%.

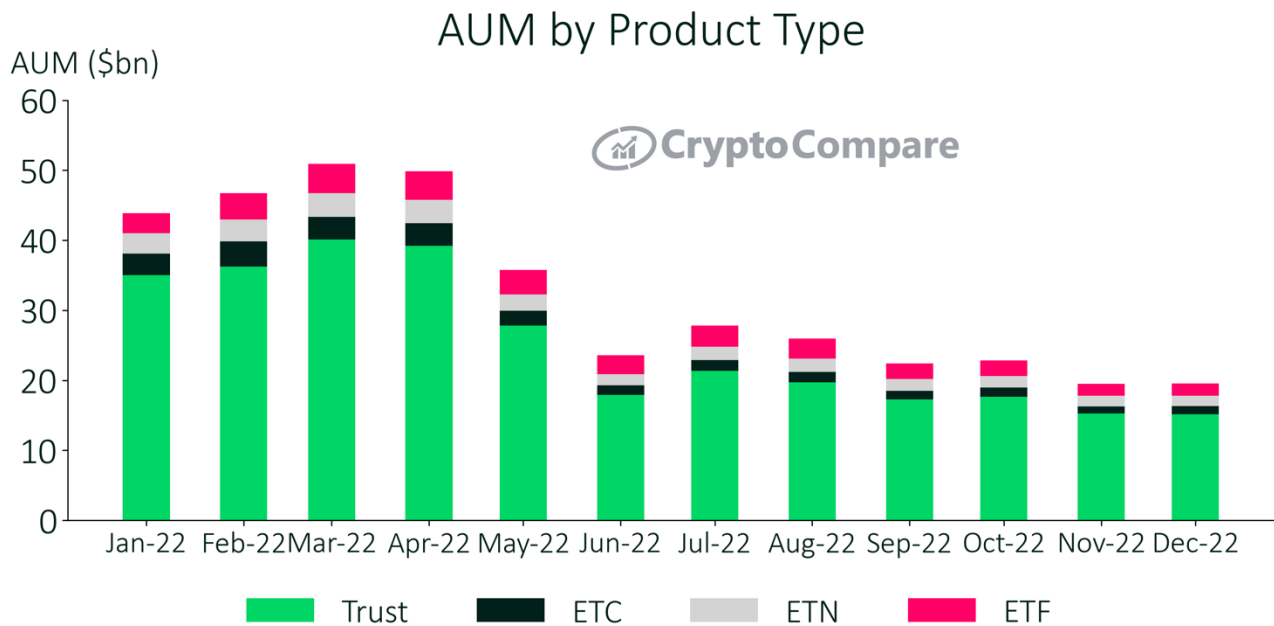
AUM by Asset



In December, CI Galaxy recorded the highest increase in AUM, rising 108% to \$240mn, followed by XBT Provider with a 15.6% increase to \$1.19bn. Grayscale remained the dominant player with products recording a total AUM of \$14.8bn; a 0.84% decline compared to last month, followed by XBT Provider and 21Shares.

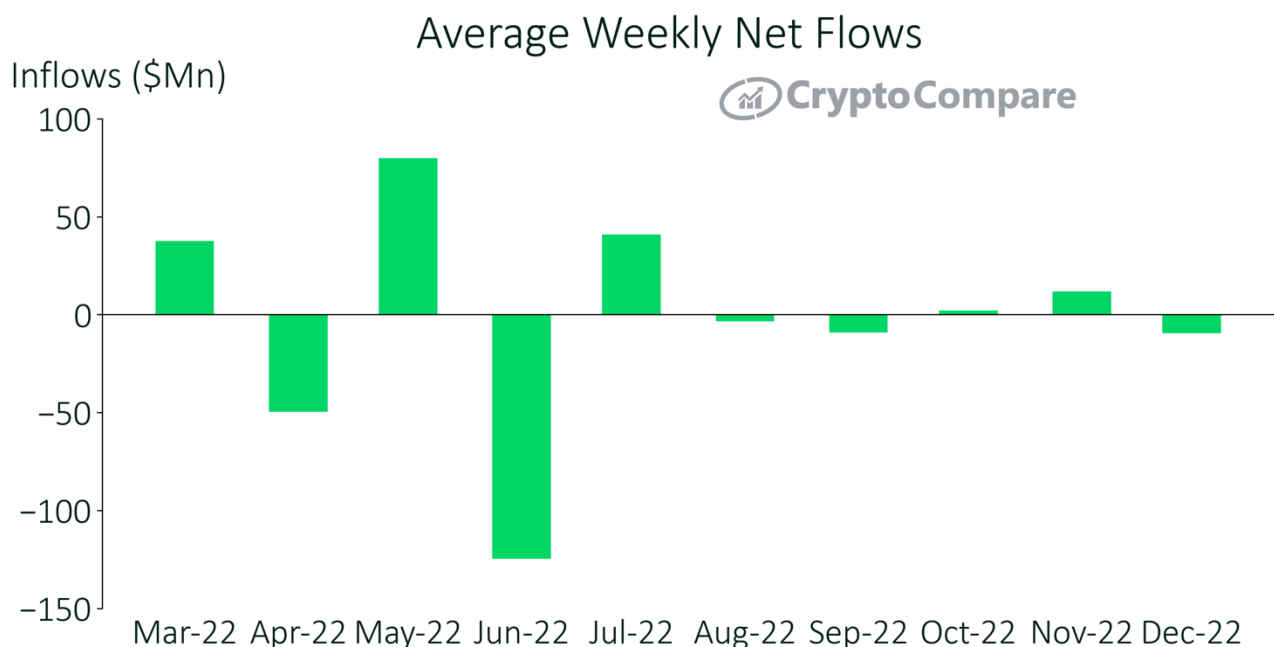
In terms of product type, AUM in trust products (dominated by Grayscale) fell by 0.78% to \$15.1bn (77.4% of total AUM). ETNs also saw a decline of 3.56% recording a total AUM of \$1.45bn (7.43% of total AUM)

AUM represented by ETFs saw a decent rise of 5.96% to \$1.78bn in December, representing 9.11% of the total market share, while ETCs saw a significant rise of 15.6% to \$1.19bn, accounting for 6.07% of total products' AUM.

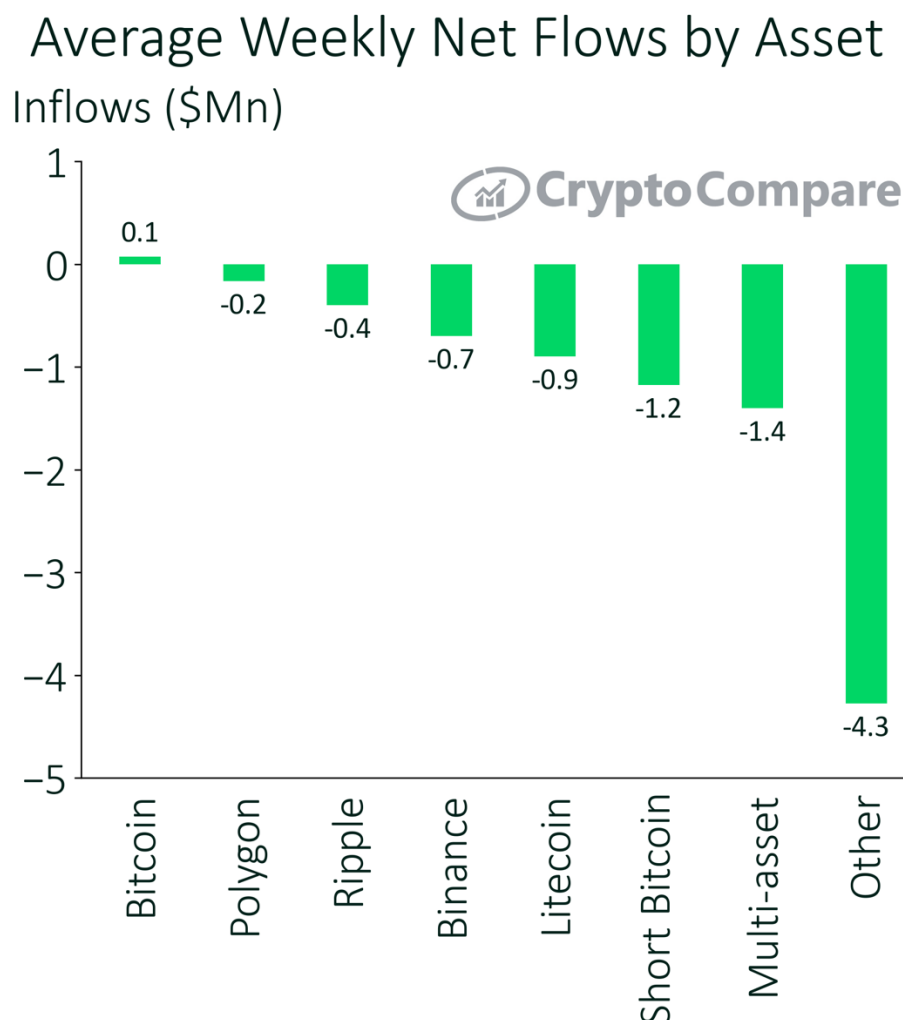


In December, there was a significant increase in the amount of funds being withdrawn from investment products. This is likely due to the issues surrounding FTX and concerns about the security of centralised exchanges like Binance, leading to investors reducing exposure to cryptocurrencies.

The average weekly net outflows from investment products reached -\$9.5mn, the highest recorded outflows since June 2022. We expect continued outflows in 2023 given the increased scrutiny on the industry and macroeconomic headwinds.



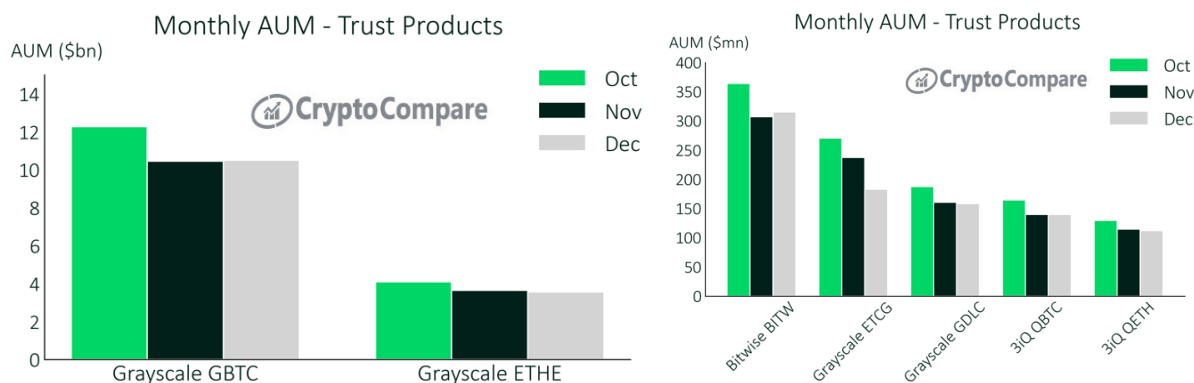
Weekly flows for Bitcoin-based products continued to be positive for the fourth month in a row, averaging \$0.1mn in December. Ethereum products, on the other hand, recorded net outflows of \$5.17mn, continuing the asset's streak of negative net flows which started in September following the Ethereum Merge. Polygon, Ripple, and Binance also experienced net outflows of \$0.2mn, \$0.4mn, and \$0.7mn, respectively, along with other asset products.



Trust Products

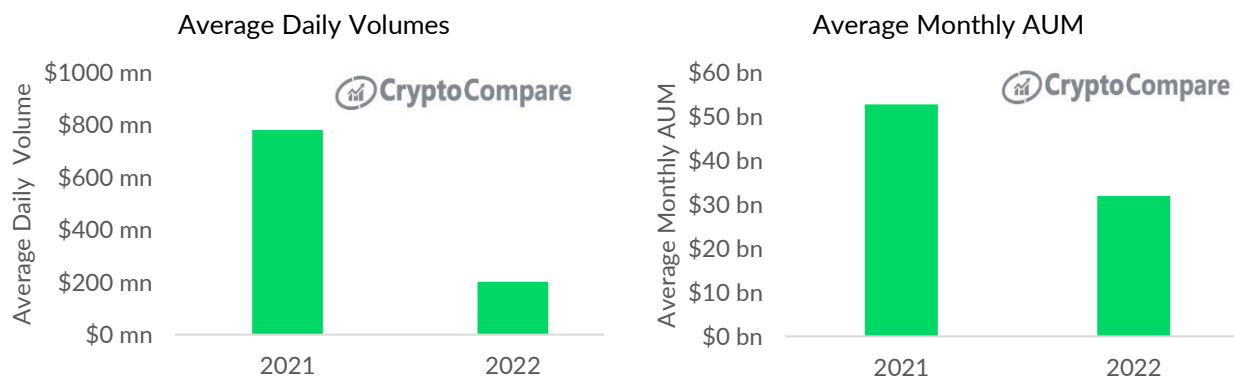
In December, Grayscale's Bitcoin Trust (GBTC) continued to be the dominant trust product in terms of assets under management (AUM), with a market share of 69.3%, an increase of 1.13% compared to November. The product's AUM increased by 0.34% to \$10bn.

In contrast, Grayscale's Ethereum Trust (ETHE) saw a negative return of 2.11%, with its AUM declining to \$3.57bn and its market share decreasing to 23.6%. Other high AUM trust products included Bitwise's index product (BITW), which increased 2.61% to \$3.15mn, and Grayscale's ETCG, which saw a significant decrease of 22.9% to \$182mn.



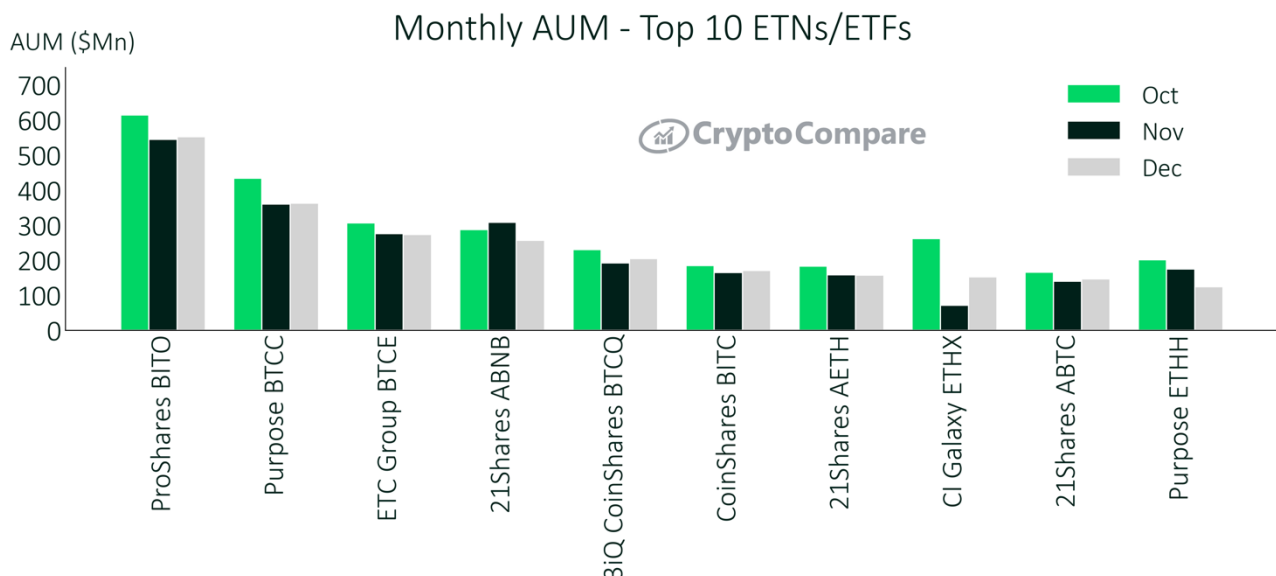
Average Daily Volumes and Asset Under Management (AUM) Saw A Sharp Decline in 2022

In 2022, AUM and average daily volumes saw a significant decline due to various macroeconomic headwinds and major systematic events that affected the entire industry. In 2022, average daily volumes fell by 74.1% to \$203mn, compared to \$781mn in 2021. Average monthly AUM also saw a similar decline of 39.5% to \$31.9bn, compared to \$52.8bn in 2021.



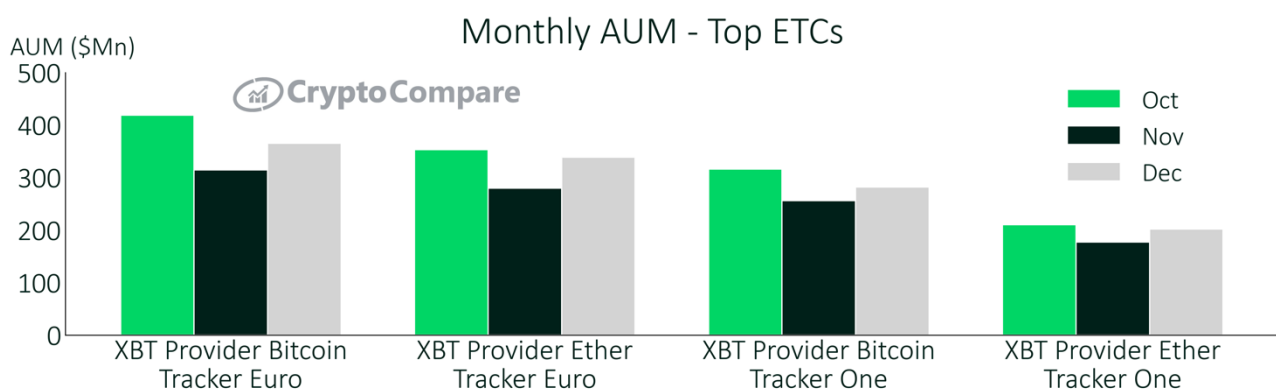
Exchange Traded Notes (ETNs) and Exchange Traded Funds (ETFs)

In December, ProShares BITO product maintained the highest AUM in an ETN/ ETF product, with \$552mn and a market share of 16.5%. This was followed by Purpose's BTCC which saw an increase of 0.77% to \$363mn, and ETC Group's BTCE which declined 1.06% to \$273mn. 21Shares's ABNB saw a significant decline of 16.5%, causing it to drop to fourth place after surpassing ETC's BTCE product in November.



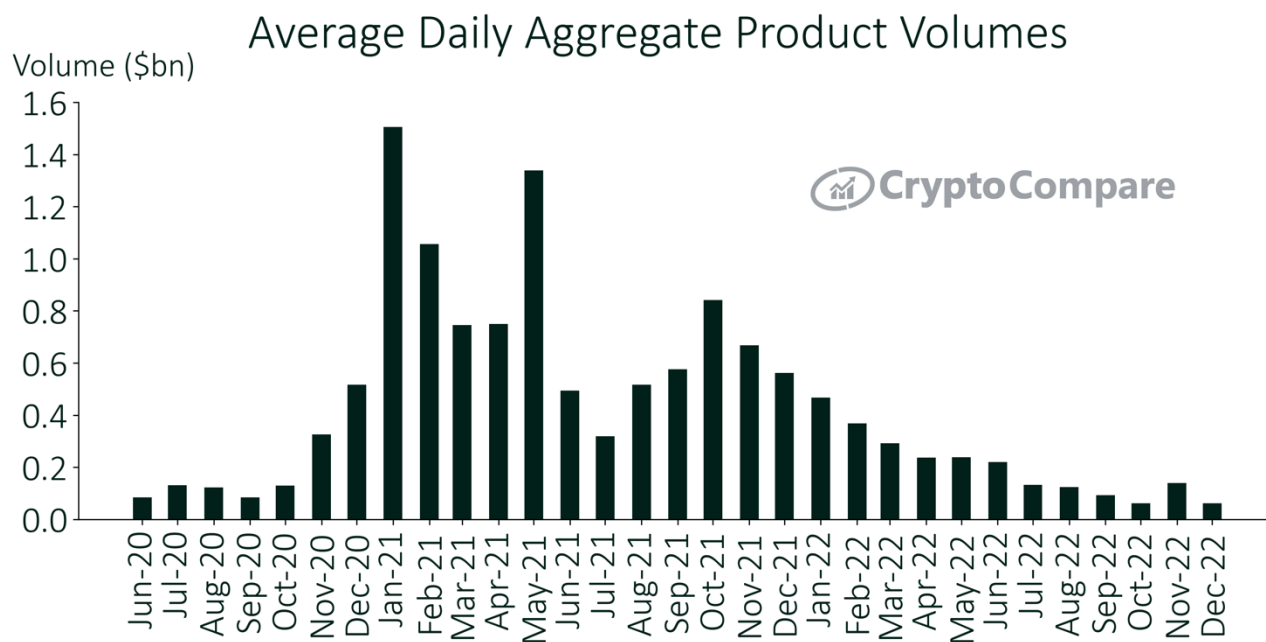
Exchange Traded Certificates (ETCs)

XBT Provider by CoinShares continued to represent the majority of AUM across all ETCs. In December, Its Bitcoin Tracker Euro product held the top spot for highest AUM amongst ETCs after rising 16.3% to \$366mn. This was followed by the Ether Tracker Euro product which saw a significant gain of 21.0% to \$338mn.



Trading Volumes

Average daily aggregate product volumes across all digital asset investment products continued to fall in December after a slight recovery in November, declining 56.1% to 61.1mn (up to the 20th of December). Aggregate product volume is currently 87.0% lower than its peak in January 2021, indicating the continuation of the bear market that is expected to persist into 2023.



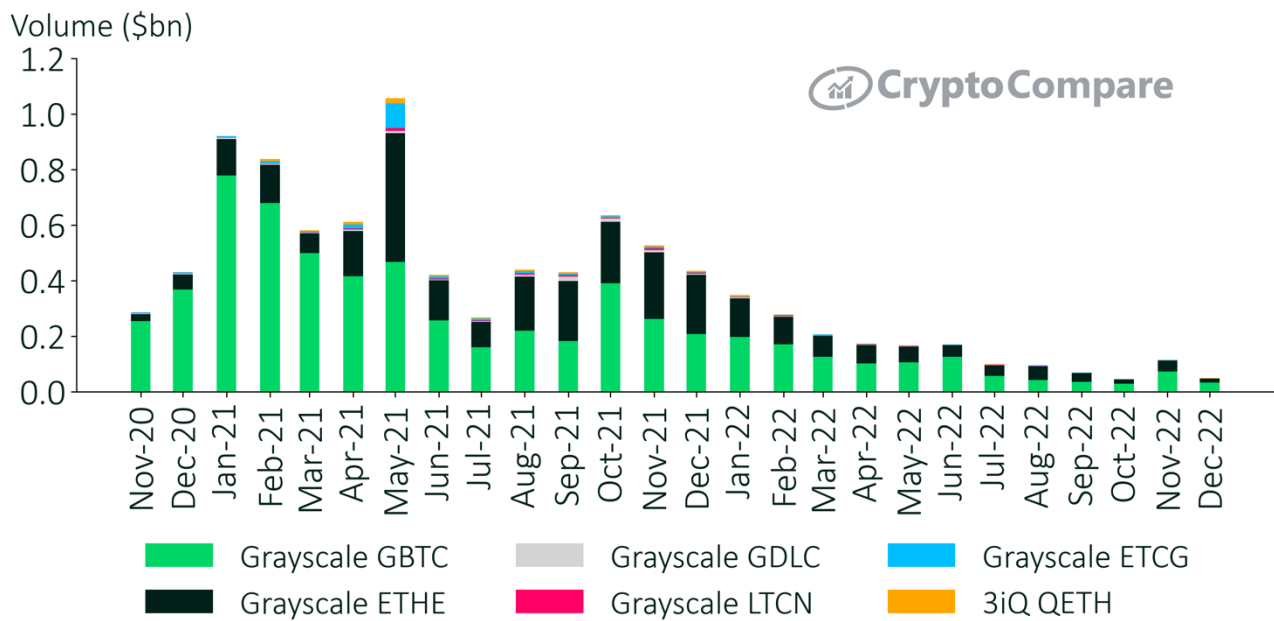
Trust Products

Grayscale's Bitcoin trust product (GBTC) continued to dominate the Trust Product market with a market share of 67.0%; the highest market share since June 2022. This comes despite a sharp decline in volumes of 55.3% and the GBTC discount hitting record highs. In December, the average daily volume of the fund recorded \$32.6mn; the second lowest volume record in 2022 after October.

Grayscale's Ethereum product recorded an average daily volume of \$14.4mn; a 63.5% decline compared to October. The product also recorded a market share of 29.6%; its lowest share since June 2022.

Other major trust products, such as 3iQ's Bitcoin product (QBTC), saw average daily volumes decline by 54.7% to \$450k. Similarly, their Ethereum product (QETH) saw average daily volumes decline to \$301k; a 45.4% decrease.

Average Daily Trust Product Volumes

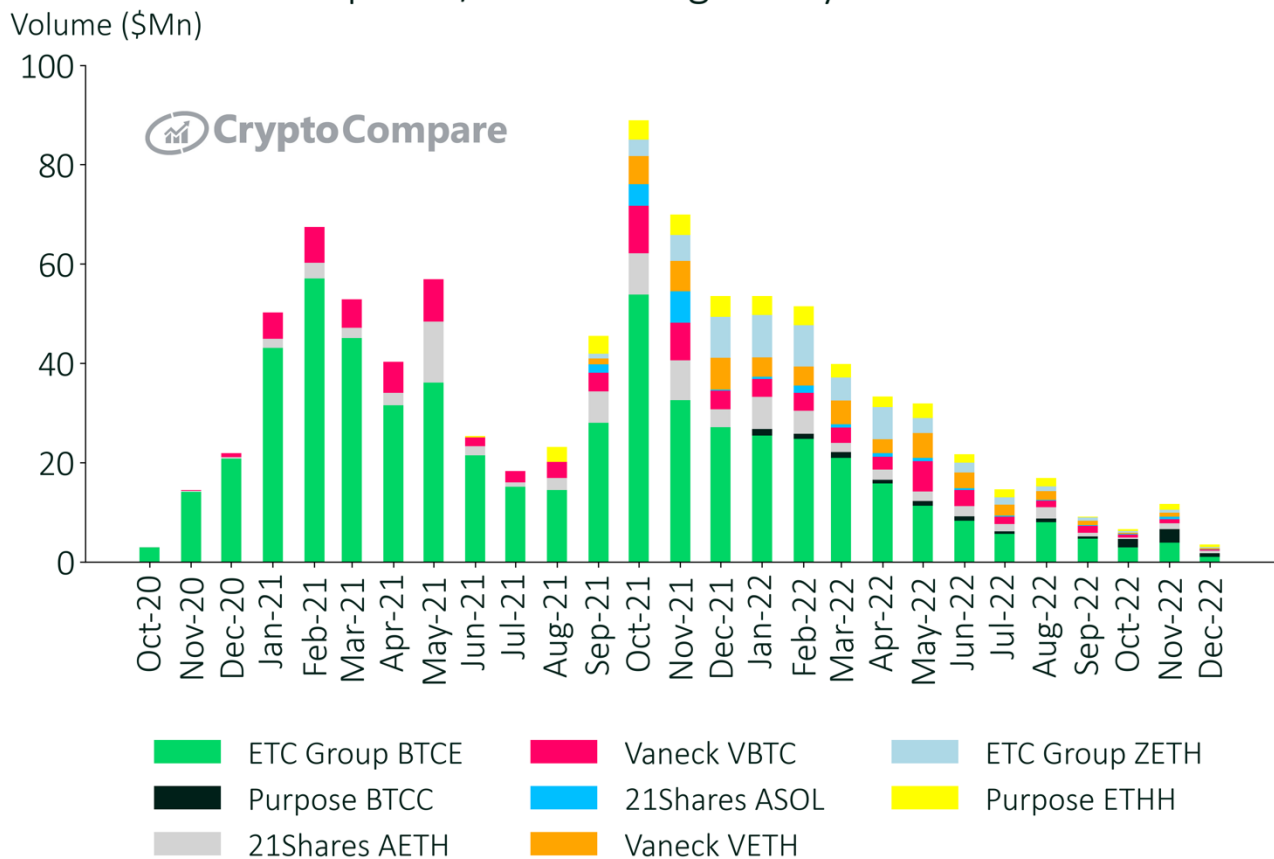


Exchange Traded Notes (ETNs) and Exchange Traded Funds (ETFs)

In December, ETNs and ETFs recorded the lowest trading volumes since October 2020 after a significant decline of 66.2% to \$5.80mn. This is the first time since November 2020 that ETNs and ETFs recorded volumes below \$10mn.

Bitcoin trading dominated volumes, with ETC Group's BTCE product trading \$1.01mn (down 74.3%), followed by Purpose's Bitcoin product (BTCC) trading \$701k (down 73.5%), and Purpose's Ethereum product (ETHH) at \$577k (down 51.2%).

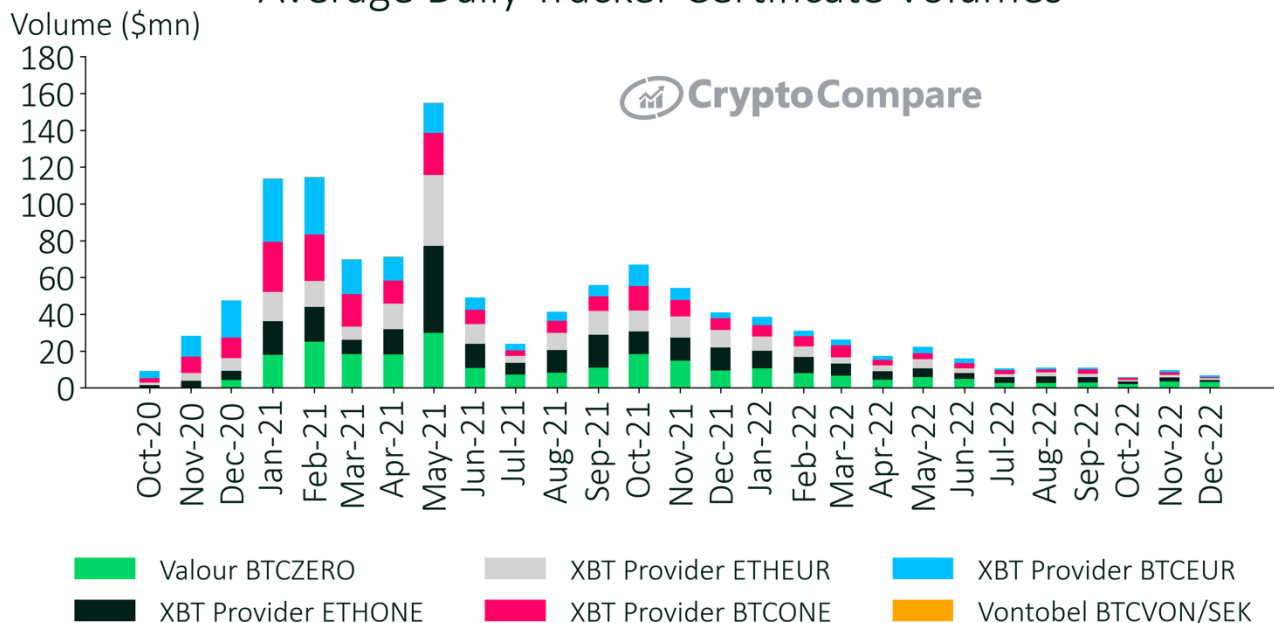
Top ETN/ETFs Average Daily Volumes



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 \$3.16mn (down 6.56%) and \$1.14mn (down 49.2%), 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
GRAYSCALE GBTC	T	OTC-TRADED	32597448.36	-53.9%	-1.8%
GRAYSCALE ETHE	T	OTC-TRADED	14406759.93	-62.1%	-13.3%
XBTPROVIDER XETHONE	ETC	EXCHANGE-TRADED	1146553.358	-47.4%	6.5%
ETCGROUP BTCE	ETN	EXCHANGE-TRADED	1005929.252	-73.5%	1.2%
XBTPROVIDER XBTCEUR	ETC	EXCHANGE-TRADED	952120.0575	-14.7%	-0.2%
XBTPROVIDER XETHEUR	ETC	EXCHANGE-TRADED	853929.9437	-40.7%	4.2%
PURPOSE BTCC	ETF	EXCHANGE-TRADED	701954.6905	-71.8%	5.2%
21SHARES SBTC	ETN	EXCHANGE-TRADED	636297.1567	-39.1%	-7.1%
XBTPROVIDER XBTCONE	ETC	EXCHANGE-TRADED	628087.484	-50.4%	1.4%
PURPOSE ETHH	ETF	EXCHANGE-TRADED	577089.1271	-48.5%	6.2%
21SHARES AETH	ETN	EXCHANGE-TRADED	515490.7609	-61.6%	6.0%
3IQ QBTC	T	EXCHANGE-TRADED	450031.0391	-53.1%	7.6%
21SHARES ABTC	ETN	EXCHANGE-TRADED	438509.4935	-30.0%	3.0%
3IQ QETH	T	EXCHANGE-TRADED	301137.9111	-42.3%	8.5%
GRAYSCALE ETCG	T	OTC-TRADED	292213.0286	-66.1%	-16.4%
VANECK VBTC	ETN	EXCHANGE-TRADED	281117.0804	-63.7%	1.5%
GRAYSCALE GDLC	T	OTC-TRADED	271088.6143	-59.5%	-11.4%
GRAYSCALE LTCN	T	OTC-TRADED	270502.6071	-43.1%	-12.3%
VANECK VETH	ETN	EXCHANGE-TRADED	211445.1363	-74.5%	5.5%
WISDOMTREE BTCW	ETN	EXCHANGE-TRADED	179728.064	-61.4%	3.8%
BTC/USD	CCCAGG INDEX	CRYPTOCOMPARE	---	---	-1.52%
ETH/USD	CCCAGG INDEX	CRYPTOCOMPARE	---	---	-6.02%
MVDA Index	MVIS INDEX	MVIS	---	---	-5.17%

In December, the performance of asset management products varied widely, with returns ranging from 8.5% to -16.4%. Products based on ETH generally saw good gains, with the exception of Grayscale's ETHE, which had a return of -13.3%. 3IQ's QETH, XBTPProvider's XETHONE, and Purpose's ETHH had particularly strong performances, with returns of 8.5%, 6.5%, and 6.2% respectively. Products based on BTC also saw strong returns, with 3IQ's QBTC and Purpose's BTCC leading the way with returns of 7.6% and 5.4% respectively.

The MVDA index experienced a decline of 5.17%. 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%	Grayscale® Bitcoin Trust	17
21Shares	1.49% - 2.50%	21Shares Bitcoin ETP, Ethereum ETP	39
XBTPProvider	2.50%	Tracker Products	4
ETC Group	1.49% - 2.00%	Ethereum ETC	14
Valour	0.00% - 1.90%	Bitcoin Zero, Ethereum Zero	12
Purpose	1.00%	Purpose Bitcoin ETF	5
3IQ	0.75% - 1.95%	3iQ Global Cryptoasset Fund	6
VanEck	1.00%	VanEck Bitcoin ETN	13
WisdomTree	0.95%	WisdomTree Bitcoin ETF	7
Bitwise	0.85% - 2.00%	Bitwise Crypto Industry Innovators ETF	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

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.