Regulation, not a government ban, is now prevalent

- Ethereum is seen to be the digital asset with the most compelling growth outlook.
- Digital assets weighting in portfolios declined for the second consecutive survey this year, Bitcoin and Ethereum remain the two largest holdings in portfolios.
- An increasing number of investors are purchasing digital assets for speculative purposes, while a nearly equal number are buying them because they perceive them as "good value."
- While regulatory concerns remain top of the risks list, we have seen a 7 percentage point fall in the perceived risk of a government ban.

Ethereum is seen to be the digital asset with the most compelling growth outlook. This is reflected in the recent large validator entry queue which indicated a high demand for its yield. Although this sentiment has not been reflected in our fund flows report, which indicates US$127m of outflows this year, taking the place as the most unloved altcoin.

Bitcoin, despite a more accommodative SEC, is little changed in terms of its outlook amongst the survey respondents.

Digital assets weighting in portfolios declined for the second consecutive survey this year, with the average weighting at just 0.4%, down from 1% in the July survey.

Looking in more detail we have seen little change in positions from family offices, with the reduction in positions coming from institutional funds and hedge funds.

If you would like to regularly contribute to the survey, please follow this link – survey window opens for 3 weeks at the end of every calendar quarter

James Butterfill – research@coinshares.com | coinshares.com
Bitcoin and Ethereum continue to be the two largest holdings in portfolios. Even with an overall decline in digital assets, there has been a slight increase in allocations to Bitcoin. Allocations to XRP have also seen a minor uptick, likely because investors view it more positively after its successful legal battles against the SEC.

The largest reduction in positions came from multi-asset positions, which fell by 6 percent. This is reflected in fund flows, where multi asset investment products have seen US$35m of outflows this year.

An increasing number of investors are purchasing digital assets for speculative purposes, while a nearly equal number are buying them because they perceive them as "good value."

By a wide margin, the main reason for investing is to gain access to distributed ledger technology.

Of those investors who responded to the survey but have not yet invested into digital assets, regulation remains the key reason why they have not. The survey highlights corporate restrictions are becoming less of a problem for them.

Reputational risk and volatility remain key problems, while accessibility, with the proliferation of ETPs are almost negligible now.
While regulatory concerns remain top of the risks list, we have seen a 7 percentage point fall in the perceived risk of a government ban.

The government ban point has been consistently falling in surveys this year as it is becoming apparent that regulation, not a ban, is going to be the preferred approach.

Our zeitgeist question asking if the US Federal Reserve has made a policy error highlights the majority (54%) of survey respondents believe they have. An increasing amount believe a policy error hasn’t been made yet though.

ABOUT OUR SURVEY: The October 2023 Survey drew 58 responses from investors who cover US$500bn of assets under management.
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