

CoinShares Blockchain Global Equity Index

PERFORMANCE DATA (TOTAL RETURN)

	Dec-23	2023 YTD	Since inception
BLOCK Index	21.6%	57.1%	128.7%
MSCI World Net Total Return Index	4.9%	23.8%	76.2%
Bitcoin	12.6%	157.0%	1159.9%

(Sources: Bloomberg, CoinShares) (Notes: All figures in USD. The Index launched on 11 December 2018)

INDEX DETAILS

Bloomberg ticker	BLOCK Index
Strategy AuM	US\$764.1m
ISIN	DE000SLA6ZB5
# of constituents	45
Inception date	11-Dec-18
Index manager	Alexandre Schmidt, CFA

PRODUCT DESCRIPTION

The Index aims to offer exposure to listed companies that participate or have the potential to participate in the blockchain or cryptocurrency ecosystem. The Index is calculated and distributed by Solactive and is rebalanced quarterly.

INVESTMENT PRODUCTS

Invesco have launched an exchange traded fund which aims to provide the performance of the Index.

Exchange	Currency	Ticker
London Stock Exchange	USD	BCHN LN
London Stock Exchange	GBP	BCHS LN
Borse Frankfurt	EUR	BNXG GY
Borsa Italiana	EUR	BCHN IM
SIX	USD	BCHE SW
Tel Aviv	ILS	INFF11 IT
BMV Mexico	MXN	BCHNN MM

MANAGER COMMENTARY

In December 2023, the CoinShares Blockchain Global Equity Index (“the Index”) had a positive performance of 21.6%, outperforming the MSCI World Net Total Return Index’s, which returned 4.9% and Bitcoin, which appreciated by 12.6% while also achieving the best risk-adjusted returns amidst major peers during the month. The index finished 2023 returning 57.1%, while the MSCI returned 23.8% and Bitcoin grew by 157%.

The outperformance of blockchain equities, particularly in contrast to the broader market, can largely be attributed to the growing anticipation of a spot Bitcoin ETF approval in the United States. Initial decision deadlines, particularly ARK’s ETF in January, have fuelled speculation that, if approved, the SEC may give assent to other ETF applications. Notably, this anticipation has boosted the performance of entities with substantial operating leverage, especially Bitcoin miners, whose enterprise value to forward sales (EV/Sales) doubled to 8x since the month’s onset. Within this sector, index constituents surged by an average of 60.1%, contributing 12% to the overall index performance. Coincidentally, this surge has spurred over US\$440 million in Bitcoin miner deals, equating to 29EH/s of mining capacity, crucial for public miner’s to sustain and expand their position in the Bitcoin network, especially with the upcoming Bitcoin halving in April 2024. Additionally, the payments sector, especially crypto-related entities like Coinbase and Galaxy Digital, also witnessed significant price appreciation. This surge could be attributed to the growing crypto trading volumes and activity on layer 1 & 2 networks, hinting at higher expected revenue for the sector.

Throughout December, MicroStrategy bought another 14,620 bitcoin at an average price of US\$42,110 and is now carrying an unrealised gain of approximately US\$2.1bn as of 31st December 2023. Monex Group announced plans to acquire a majority stake in Canada’s 3iQ Digital Holdings for US\$39.8 million, aiming to make 3iQ its subsidiaries via a Canadian acquisition arm. The move is driven by 3iQ’s pioneering role in crypto asset management, being licensed in Ontario with assets under management of CAD 795m as of November 30, 2023. Notably, 3iQ was the first in North America to launch regulated exchange-listed funds for Bitcoin and Ethereum and recently introduced staking capabilities within an Ethereum ETF.

Elsewhere in Japan, the government approved a 2024 tax revision that will exempt corporations holding cryptocurrencies in the long-term, from unrealized gains taxes. This change, pending January 2024 legislative approval, means that these companies will only be taxed on actual profits from crypto sales. This change follows a prior exemption in June 2023 where reforms were made for crypto issuers who now don’t need to pay a 35% capital gains tax on unrealized gains. Throughout the year, Prime Minister Fumio Kishida, has expressed a keen interest in the potential of Web3 to revolutionise the internet and society, affirming the government’s commitment to nurturing its development.

From a macroeconomic perspective, core PCE inflation fell to 2.6% in November, aligning with a decrease in unemployment to 3.7%. This movement brings the Federal Reserve closer to its sought-after soft landing. Although Federal Reserve Chair Jerome Powell refrained from committing to interest rate cuts for 2024, there is a prevailing expectation among market participants and committee members for reduced rates in the upcoming year. The latest Fed Dot Plot suggests a potential 75bps cut from the current levels. This development spurred positivity in bonds and equities, with the 10-year Treasury yields hitting 3.8%, a low unseen since summer, whilst the Nasdaq 100 broke through its previous all-time highs. Simultaneously, the S&P 500 inches toward a similar milestone, capturing the overall optimistic sentiment in both markets.

VOLATILITY METRICS

Realised volatility	Dec-23	2023 YTD	Since inception
BLOCK Index	43.1%	27.0%	26.8%
MSCI World Net Total Return Index	7.8%	15.0%	18.4%
Bitcoin	24.4%	36.9%	66.6%

(Sources: Bloomberg, CoinShares) (Notes: All figures in USD. The Index launched on 11 December 2018)

PERFORMANCE BY BLOCKCHAIN AREA

Performance	Dec-23	2023 YTD	Since inception
Blockchain financial services	14.5%	48.8%	69.4%
Blockchain payment systems	10.2%	34.6%	107.0%
Blockchain technology solutions	5.2%	8.6%	49.4%
Energy	16.5%	(4.0%)	136.9%
Mining hardware	9.2%	60.0%	230.4%
Mining operations	60.1%	330.0%	(0.7%)
Token investments	26.8%	346.2%	278.1%
Total	21.6%	57.1%	128.7%

(Sources: Bloomberg, CoinShares) (Notes: All figures in USD. The Index launched on 11 December 2018)

CONTRIBUTION BY BLOCKCHAIN AREA

Contribution	Dec-23	2023 YTD	Since inception
Blockchain financial services	4.5%	16.1%	19.3%
Blockchain payment systems	0.9%	2.8%	32.9%
Blockchain technology solutions	0.7%	1.6%	14.9%
Energy	0.6%	(0.6%)	8.8%
Mining hardware	1.3%	10.1%	37.1%
Mining operations	12.0%	21.2%	4.9%
Token investments	1.7%	8.6%	17.5%
Total	21.6%	57.1%	128.7%

(Sources: Bloomberg, CoinShares) (Notes: All figures in USD. The Index launched on 11 December 2018)

TOP CONSTITUENTS BY CONTRIBUTION (DEC-23)

Positive contributors	Total return	Contribution	Detractors	Total return	Contribution
CleanSpark	76.8%	5.1%	Nexon	(15.6%)	(0.3%)
Bitfarms	103.5%	2.7%	Oracle	(9.3%)	(0.1%)
Coinbase	39.5%	2.3%	Mercadolibre	(3.0%)	(0.1%)
Bit Digital	64.0%	1.9%	CME Group	(0.6%)	(0.0%)
MicroStrategy	26.8%	1.7%	TUL Corp.	(2.6%)	(0.0%)

(Sources: Bloomberg, CoinShares) (Note: All figures in USD)

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