

CoinShares Blockchain Global Equity Index

PERFORMANCE DATA (TOTAL RETURN)

	Mar-24	2024 YTD	Since inception
BLOCK Index	10.8%	19.8%	173.9%
MSCI World Net Total Return Index	3.2%	8.9%	91.8%
Bitcoin	15.3%	66.7%	2000%

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

INDEX DETAILS

Bloomberg ticker	BLOCK Index
Strategy AuM	US\$877.3m
ISIN	DE000SLA6ZB5
# of constituents	43
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

During March 2024, the CoinShares Global Blockchain Index (“the Index”) achieved a total return of 10.8%. The MSCI World Net Total Return Index, the benchmark, returned 3.2%, whilst Bitcoin appreciated by 15.3%. All sectors were positive with Token Investments performing the strongest, led by MicroStrategy. Throughout the month, there was notable divergence in mining performance. CleanSpark and Cipher Mining stood out as the top contributors, whereas Bitfarms, Riot Platforms, and Marathon Digital saw declines, acting as detractors from overall performance.

Core PCE and headline inflation held steady at 2.5% and 3.2%, respectively, while the unemployment rate experienced a modest uptick to 3.9%, compared to the previous month’s 3.7%. Fed Chair Powell’s press conference in March struck a dovish tone, with no change in the median dot plot. This suggests three rate cuts are priced in for the year, along with a reduction in the pace of balance sheet runoff set to begin soon. The narrative emerging from the FOMC indicates a pre-emptive shift towards looser monetary policy, likely influenced by the upcoming US elections and the possibility of the economy nearing full employment. This shift occurs despite recent indications of inflation remaining persistent in a robust labour market. Despite this, the two-year US Treasury note, often a harbinger of future monetary policy, remained relatively flat for the month at 4.69%, appreciating by 10.5% year-to-date. This presents a mixed message between the Fed’s projections and the signals from the bond market. So far this year, US macro considerations had largely sat on the sidelines of the Bitcoin debate, with ETF flows dominating the narrative. However, due to the mispricing in the market, equities and cryptocurrencies are likely to react more sensitively with incoming economic data.

Coinbase’s layer two solution, Base, saw a surge in trading volumes in March, fuelled by the listing of various projects on the platform. This growth has enabled Base to outperform and capture market share from competitors such as Arbitrum and Optimism. According to Dune Analytics, this uptick is projected to contribute approximately US\$20.8 million in net profit to Coinbase between the platform’s inception, in July 2023, and April 3rd 2024, serving as a diversification from their transaction-based business. The market capitalisation of USDC also experienced a notable increase of 14.6% in March and 33.3% year-to-date, following effective promotion by Coinbase and the elimination of fees for trading. Additionally, Coincheck, a subsidiary of Monex Group, announced a partnership with Circle to provide access to the stablecoin in Japan. Despite that, Coinbase’s valuation multiples appear stretched in the near term, with current price-to-sales of 18.6x and price-to-earnings of 132.4x. It’s worth noting that current year revenues are anticipated to be 40% lower than those in 2021, raising concerns about the sustainability of these valuations.

In March, MicroStrategy’s Bitcoin holdings grew to 214,246, followed by an expansion of its premium to approximately US\$10 billion, based on a US\$2 billion valuation for its software business. This has somewhat declined after a short report from Kerrisdale Capital implying the size of their premium has grown too large. Meanwhile, the decision regarding the spot-based Ethereum ETF in the US may face postponement until Q3 or later due to unresolved issues with staking regulations by the SEC. Fidelity’s proposal for staking within a grantor trust offers a potential solution, although SEC approval remains uncertain. Given the SEC’s track record of delays with entities like Grayscale and Blackrock, further postponements are anticipated.

During March, the CoinShares team visited Japan to meet portfolio companies and their management teams to evaluate their longer-term strategy and assess prospective industry names. The team also visited portfolio company Bit Digital’s mining and AI sites in Iceland which gave a clear insight into the similarities and differences regarding operations and infrastructure between Bitcoin mining and high-performance computing. In doing so, we continue to analyse the feasibility of each miner delving into the AI compute space from a fundamental and operational perspective.

VOLATILITY METRICS

Realised volatility	Mar-24	2024 YTD	Since inception
BLOCK Index	49.6%	41.9%	27.7%
MSCI World Net Total Return Index	6.8%	8.6%	18.1%
Bitcoin	47.3%	45.6%	66.3%

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

PERFORMANCE BY BLOCKCHAIN AREA

Performance	Mar-24	2024 YTD	Since inception
Blockchain financial services	8.1%	19.4%	102.3%
Blockchain payment systems	3.9%	6.4%	120.3%
Blockchain technology solutions	1.2%	8.0%	61.3%
Energy	6.7%	(17.2%)	96.2%
Mining hardware	4.7%	7.4%	255.0%
Mining operations	7.2%	7.2%	6.5%
Token investments	66.7%	169.9%	920.7%
Total	10.8%	19.8%	173.9%

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

CONTRIBUTION BY BLOCKCHAIN AREA

Contribution	Mar-24	2024 YTD	Since inception
Blockchain financial services	2.3%	5.1%	29.7%
Blockchain payment systems	0.3%	0.5%	37.4%
Blockchain technology solutions	0.2%	1.2%	18.4%
Energy	0.1%	(0.6%)	8.8%
Mining hardware	0.6%	1.1%	43.0%
Mining operations	2.0%	3.8%	11.5%
Token investments	5.4%	8.7%	33.3%
Total	10.8%	19.8%	173.9%

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

TOP CONSTITUENTS BY CONTRIBUTION (MAR-24)

Positive contributors	Total return	Contribution	Detractors	Total return	Contribution
MicroStrategy	66.7%	5.4%	Bitfarms	(21.8%)	(1.1%)
CleanSpark	26.9%	2.4%	Riot Platforms	(13.3%)	(0.7%)
Cipher Mining	74.0%	1.9%	Marathon Digital	(12.8%)	(0.5%)
Coinbase	30.2%	1.9%	Monex Group	(5.1%)	(0.3%)
TSMC	12.1%	0.6%	Hive Digital	(11.6%)	(0.2%)

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

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