

CF CRYPTO FUND RESEARCH

2021 Q1

Crypto Fund Quarterly Report



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Introduction

Crypto Fund Quarterly Report Q1 2020

Purpose

Crypto Fund Research's quarterly crypto fund reports provide a snapshot of the industry at quarter's end, as well as a detailed look at industry trends across time. We hope the quantitative data and related insights provided by these reports play a positive role in continuing to improve the crypto fund industry's transparency and provide useful metrics for crypto funds and other participants to benchmark their growth, operations, and best-practices.

In the interest of providing the broadest possible coverage, the report covers crypto hedge funds, venture funds, hybrid funds, private equity funds, fund of funds, and passive funds. Where not otherwise noted, the term "crypto fund" is used in a manner inclusive of this wide variety of fund types.

Market Overview

As of the end of Q1, 2021 there are more than 828 crypto funds across the globe with primary offices in more than 80 countries. While several funds closed in the first quarter, this was eclipsed by more new funds launching amidst rising cryptocurrency prices.

Though crypto funds slightly underperformed Bitcoin in Q1, their 98.6% average performance was quite impressive. In fact, during periods of rapidly increasing cryptocurrency prices, crypto funds often lag behind BTC and other cryptocurrencies. However, in Q1 crypto funds captured nearly 96% of Bitcoin's upside.

In the News

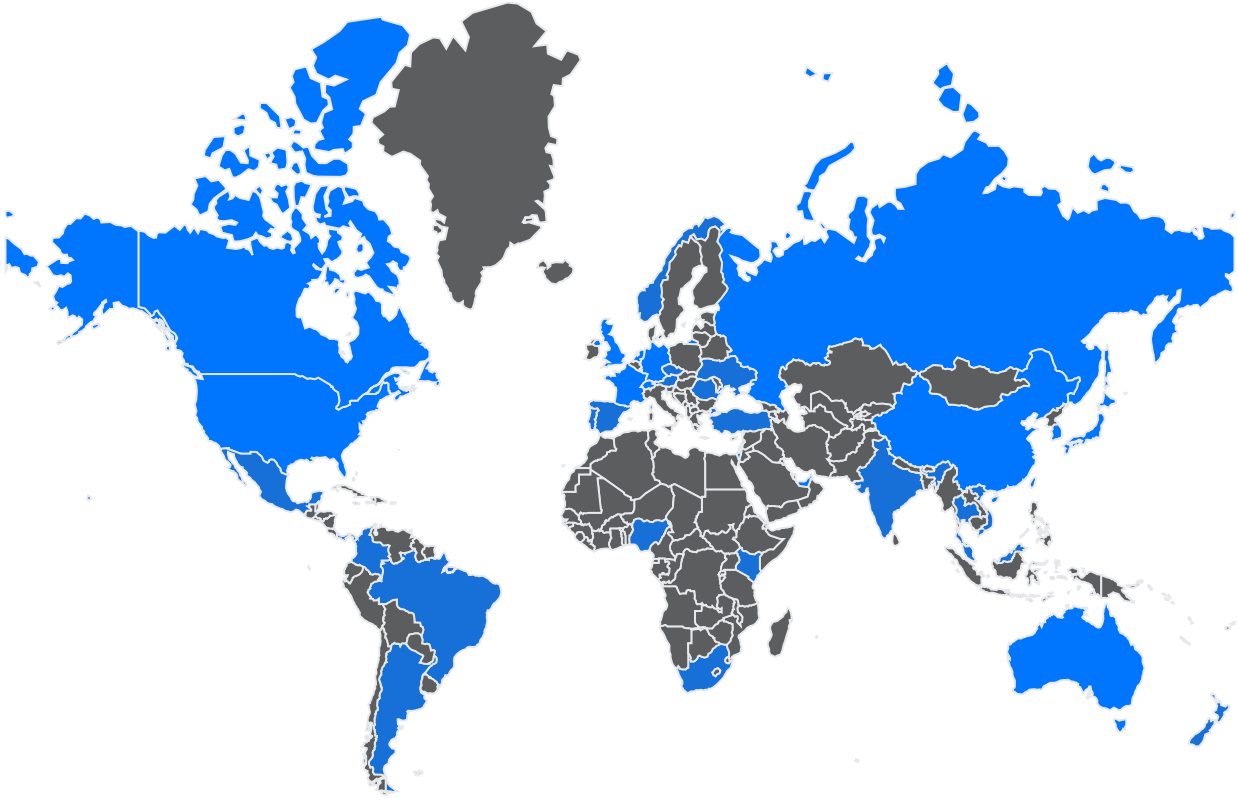
The Bad

- Crypto fund Virgil Capital admits to \$100 million fraud

The Good

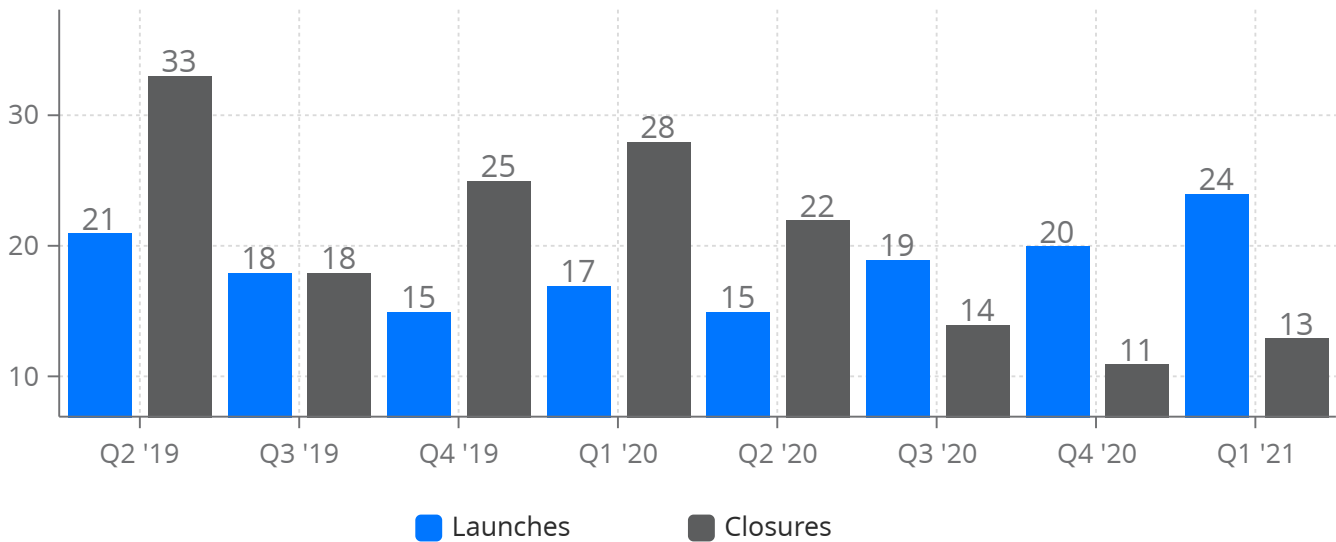
- Morgan Stanley began offering clients access to Galaxy Digital funds
- Anthony Scaramucci's SkyBridge Capital launched a Bitcoin fund
- Twitter's Jack Dorsey and artist Jay Z announced a Bitcoin fund

Crypto Fund Industry Overview



For the third consecutive quarter, the number of new crypto fund launches exceeded the number of funds closing down. We expect this trend to continue as long as prices in cryptocurrencies remain strong.

Crypto Fund Launches vs. Closures
Q2 '19 - Q1 '21



Crypto Fund Industry Overview

Nearly half of all crypto funds have their primary office based in the United States (49%). Europe and Asia are each home to around 20% of funds.

However, it's important to note that crypto funds tend to be more likely to have "distributed" workforces than traditional funds.

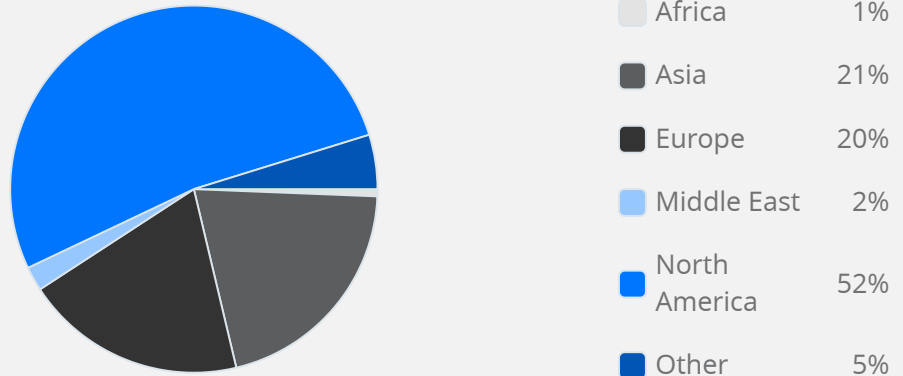
A 2020 [survey of crypto funds](#) by Crypto Fund Research found that rather than maintaining one or more physical offices, 43% of funds do not rely on a physical office and instead have employees working from home or other locations around the world.

While the majority of crypto funds have a primary office location in the US, less than 20% are

technically domiciled there (as a Delaware company, for example). For a variety of tax, legal, and regulatory reasons, the Cayman Islands and the British Virgin Islands are the predominant legal domiciles for crypto funds. Together these offshore locales are the domicile for 43% of crypto funds. This is relatively consistent with studies of traditional hedge funds that have found about one third are domiciled offshore with only 20% domiciled in the US.

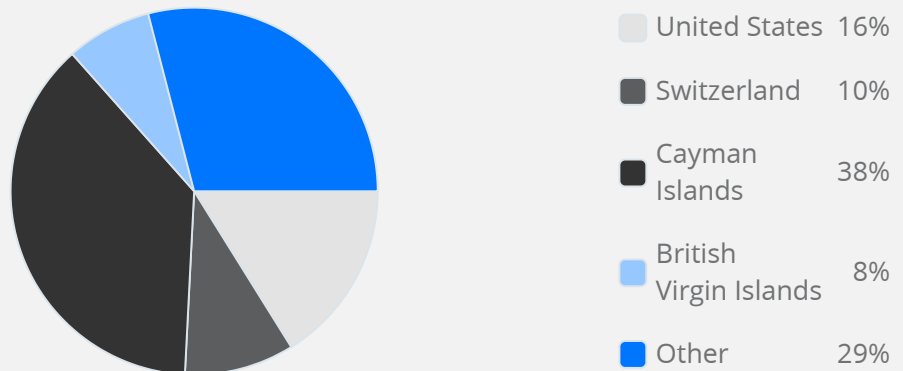
Crypto Funds by Continent

Primary Office Q1 '21



Crypto Funds by Legal Domicile

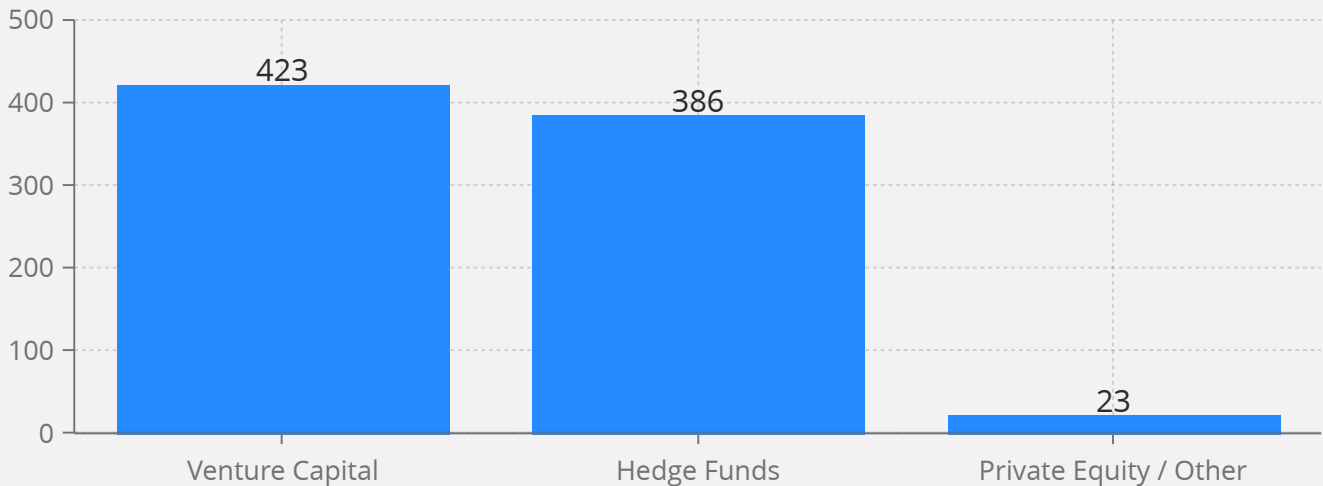
Q1 '21



Crypto Fund Industry Overview

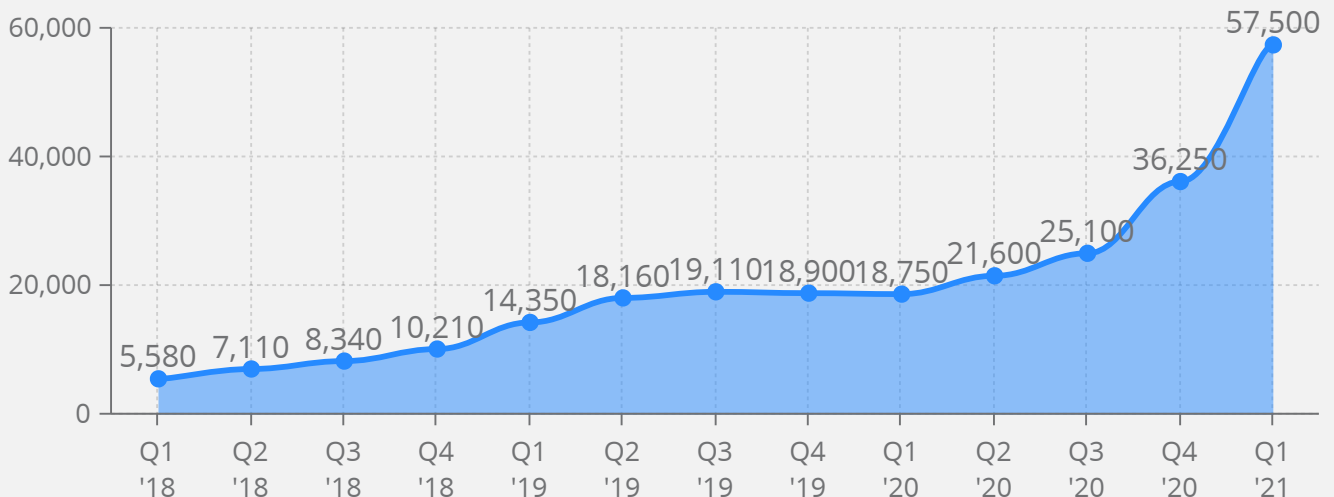
The majority of crypto funds can be broadly categorized as venture funds, followed closely by crypto hedge funds.

Crypto Funds by Type
Q1 '21



Crypto fund assets under management (AUM) surpassed \$50 billion in Q1 2021, growing by over \$20 billion in the quarter. Much of this growth was a direct result of extremely strong fund performance even as interest in tracking funds like Grayscale's GBTC began to wane.

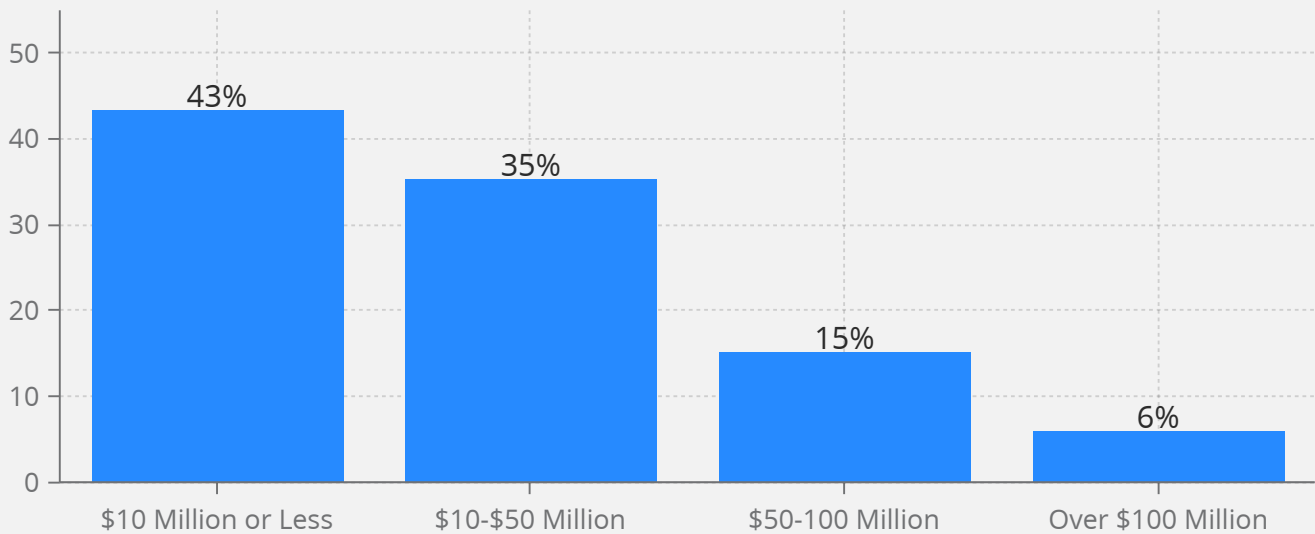
Cumulative Crypto Funds' AUM
Q1 '18 - Q1 '21 (Millions USD)



Crypto Fund Industry Overview

Though crypto fund AUM has continued to grow, assets remain highly concentrated in the hands of a couple dozen funds. However the recent trend has been one of growing size of crypto funds. This is primarily due to strong performance as well as attrition by some smaller funds.

Crypto Fund Asset Size
By Fund AUM Q1 2021



\$57.50 Billion

Crypto Fund Research estimates that as of the end of Q1 2021, crypto funds collectively managed approximately \$57.5 billion. This includes crypto hedge funds, venture funds, and index funds and represents the highest ever level of assets under management for crypto funds.

43.4%

While most crypto funds remain relatively small, the number managing less than \$10 million continues to shrink as funds continue to attract new funds and grow their AUM through positive fund performance.

Crypto Fund Industry Overview (cont.)

Due to the variation in size and vintage between crypto funds, it can be useful to look at median figures for some key operational metrics as shown below:



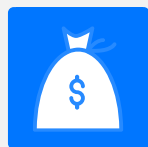
Median Fund AUM

Crypto fund assets are quite top-heavy and highly concentrated in the hands of a couple dozen funds. In fact, a quarter of all assets are managed by the 5 largest crypto funds. 43% of crypto funds manage USD 10 million or less in crypto assets.



Median Number of Employees

Though some crypto funds have a dozen or more employees, most funds are relatively small. The median number of full-time employees in non-advisory roles is six.



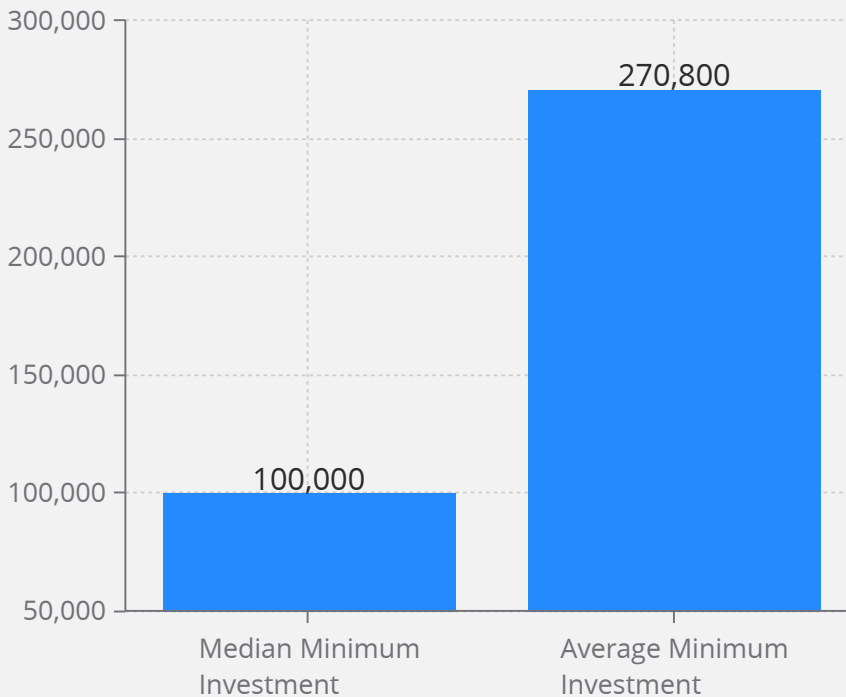
Median Number of Investments

Among crypto/blockchain-only venture funds, the median number of investments made since inception is 15. Most of these investments are early-stage investments and older vintage funds tend to have made a greater number of total investments.

Crypto Fund Industry Overview

Crypto Fund Minimum Investments

All Fund Types



24%

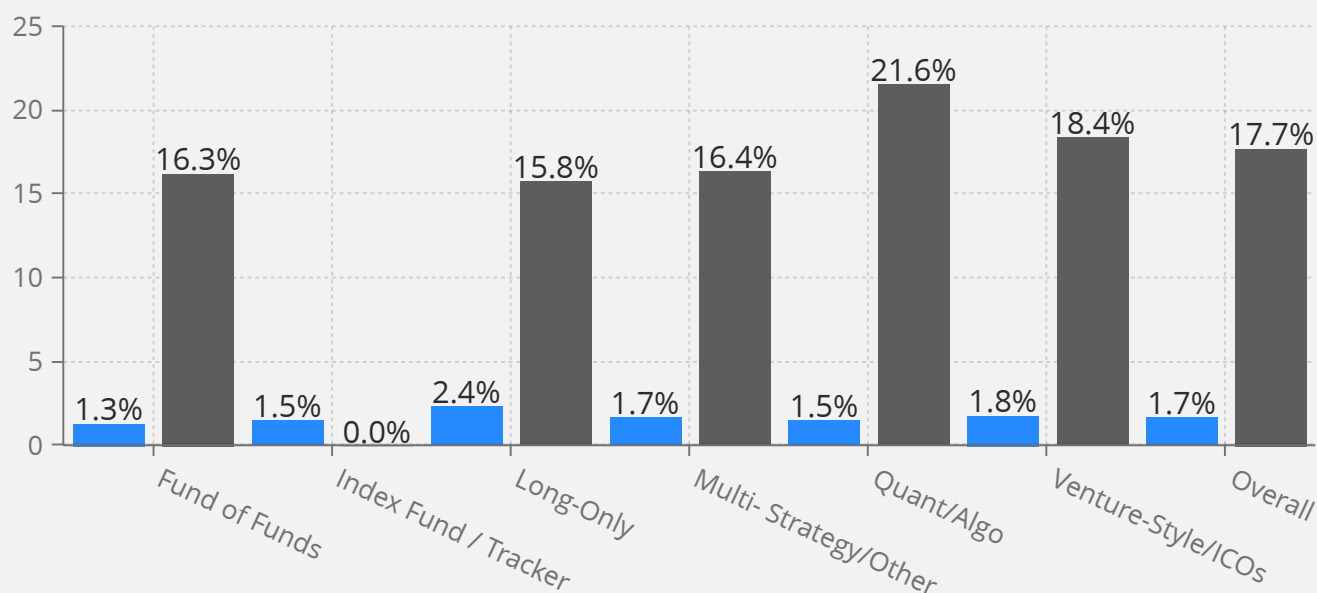
24% of crypto hedge funds have a minimum investment of \$500,000 USD or more

Minimum investments in crypto funds vary significantly across fund types. Crypto hedge funds and fund of funds typically have the highest minimum investment, while tokenized funds have low or non-existent minimums.

Type	Median Min. Investment	Average Min. Investment
Fund of Funds	\$125,000	\$184,375
Hedge Fund	\$100,000	\$270,800
Index Fund	\$50,000	\$290,625
Investment Trust	\$37,500	\$37,500
Managed Account Platform	\$6,250	\$6,250
Mutual Fund Trust	\$1,000	\$1,000
Tokenized Fund	\$0	\$5,000
TOTAL	\$100,000	\$270,800

Crypto Fund Industry Overview

Crypto Fund Average Fees
By Fund Category Q1 '21



A typical 2% management fee and 20% incentive/performance fee (2/20) is the most common fee structure among crypto funds. However, the average fees across all funds tend to be lower and vary slightly between fund types. Index and other passive strategies often don't charge a performance fee, while funds with more active investment strategies tend to have higher performance fees (and sometimes lower management fees).

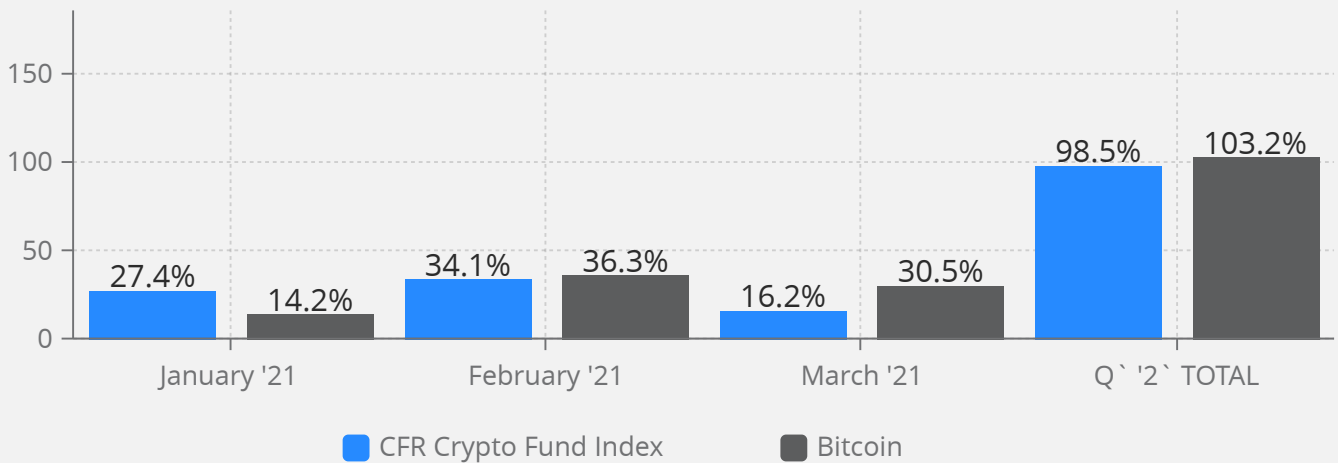
Fund Type	Average Perf. Fee	Average Mgmt. Fee
Fund of Funds	16.25%	1.34%
Index Fund / Tracker	0.00%	1.54%
Long-Only	15.80%	2.37%
Multi-Strategy/Other	16.39%	1.72%
Quantitative/Algorithmic	21.58%	1.53%
Venture-Style/ICOs	18.43%	1.80%
TOTAL	17.73%	1.73%

Crypto Fund Performance Data and Metrics

The CFR Crypto Fund Index, which measures the mean return, net of fees, of around 75 actively managed crypto funds, returned 98.5% in Q1 2021, its best return since early 2018. Crypto funds slightly underperformed bitcoin in the quarter (98.5% vs 103.2%)

CFR Crypto Fund Index vs. Bitcoin

Q1 2021



98.5%

The CFR Crypto Fund Index returned 98.5% in Q1, 2021. Crypto funds were outperforming Bitcoin through February, but lagged in March.

34.7%

About one third of crypto funds outperformed Bitcoin in Q1 2021. It's typical for crypto funds to underperform Bitcoin during very bullish market conditions.

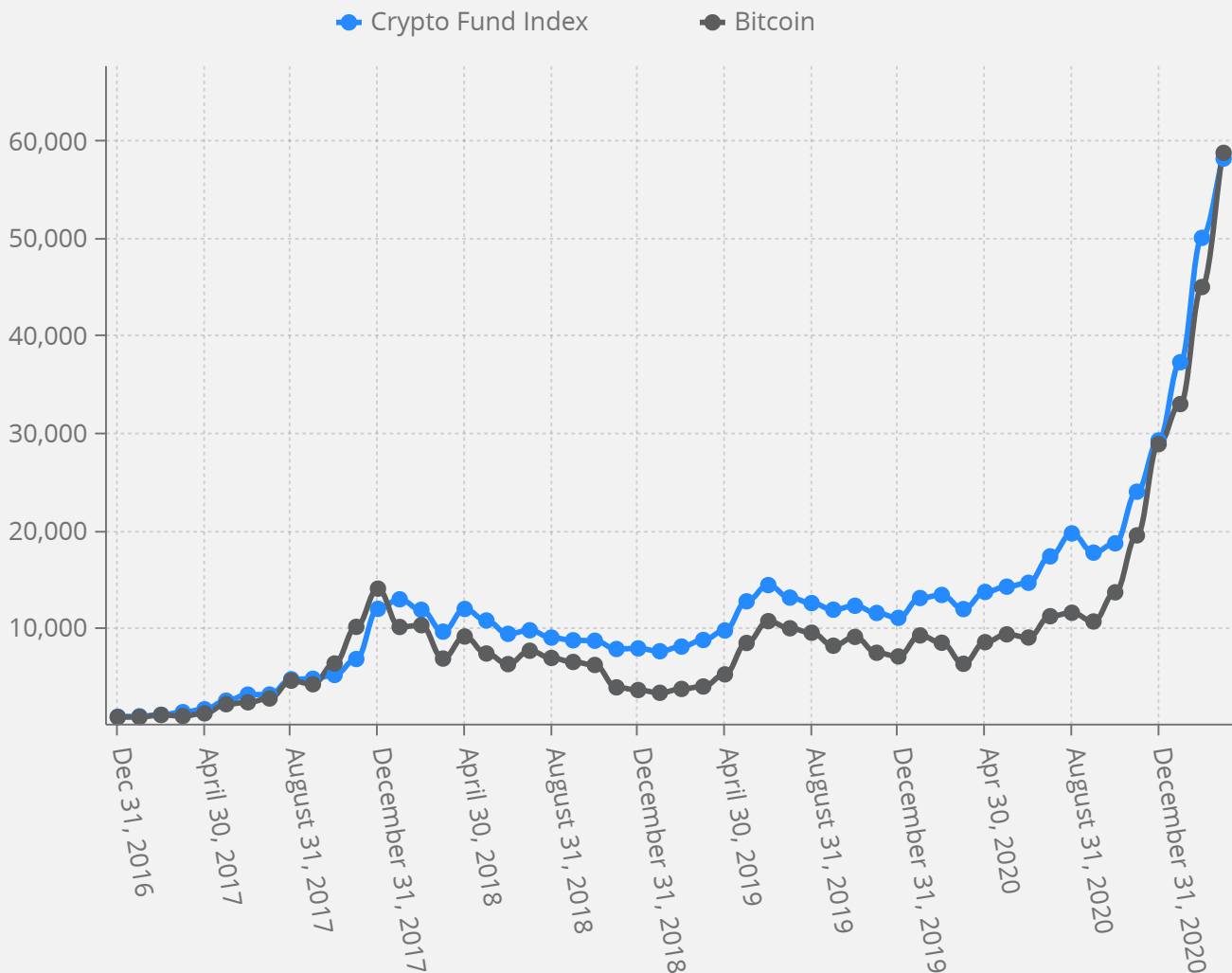
For the latest results from the CFR Crypto Fund Index please visit:
<https://cryptofundresearch.com/cfr-crypto-fund-index/>

Crypto Fund Performance Data and Metrics

Between inception in January of 2017 and the end of Q1 2021, the CFR Crypto Fund Index, has returned 5733%. Bitcoin gained 5792% during this same period, fueled largely by significant gains for both in Q1. Much of the index's historical outperformance occurred during bearish market conditions, particularly during the "crypto winter" of early 2018.

CFR Crypto Fund Index vs. Bitcoin

December 31, 2016 - March 31, 2021

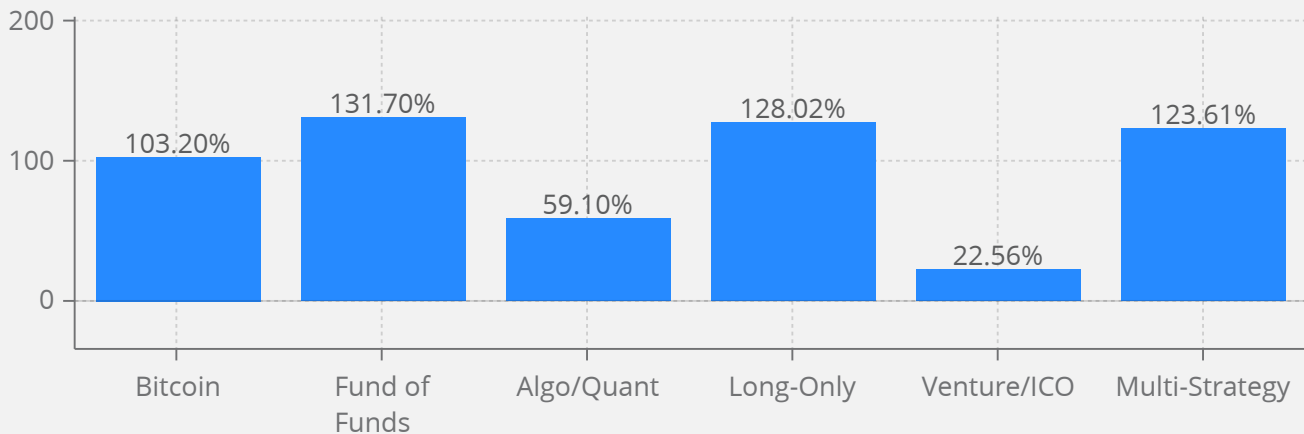


For more information on the CFR Crypto Fund Index, including methodology, monthly returns, and other performance metrics, please visit <https://cryptofundresearch.com/cfr-crypto-fund-index/>

Crypto Fund Performance Data and Metrics

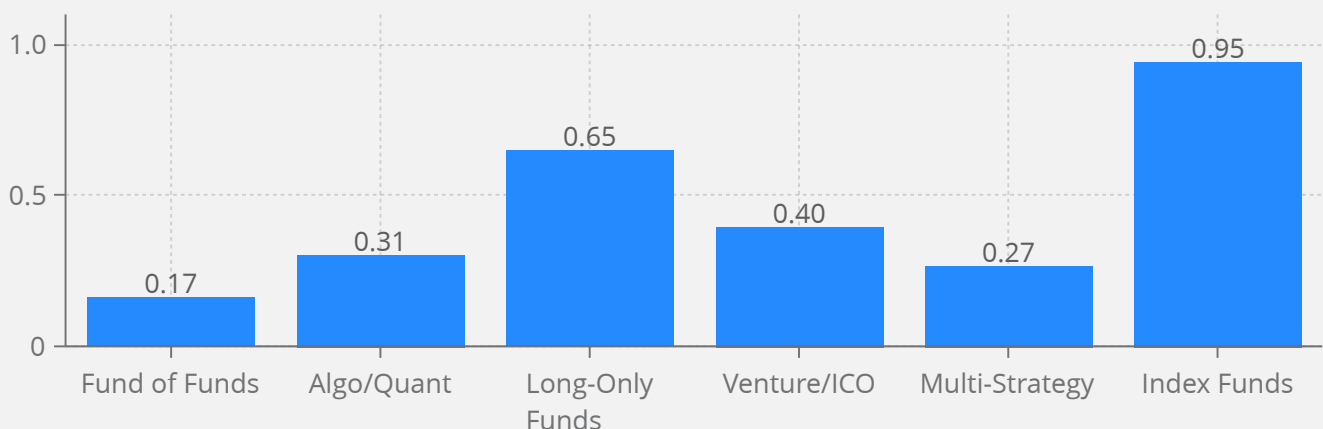
Q1 2021 was the fifth consecutive positive quarter for crypto funds and the strongest since Q1 2018. Fund of funds were the top performing strategy in the quarter, followed by long-only and multi-strategy funds.

Q1 2021 Crypto Fund Performance
By Fund Strategy



Beta is used in traditional finance to measure market based risk and, by using Bitcoin as a proxy for market returns, beta allows us to determine how much of a given fund strategy's returns could be simply due to market exposure to Bitcoin. Index funds and long-only funds tend to have the highest betas as a result of having the most exposure to Bitcoin. Fund of funds, multi-strategy funds, and quantitative/algo funds have historically had the lowest betas.

Beta / Relationship to the market
Q1 '17 - Q1 '21 by Fund Strategy

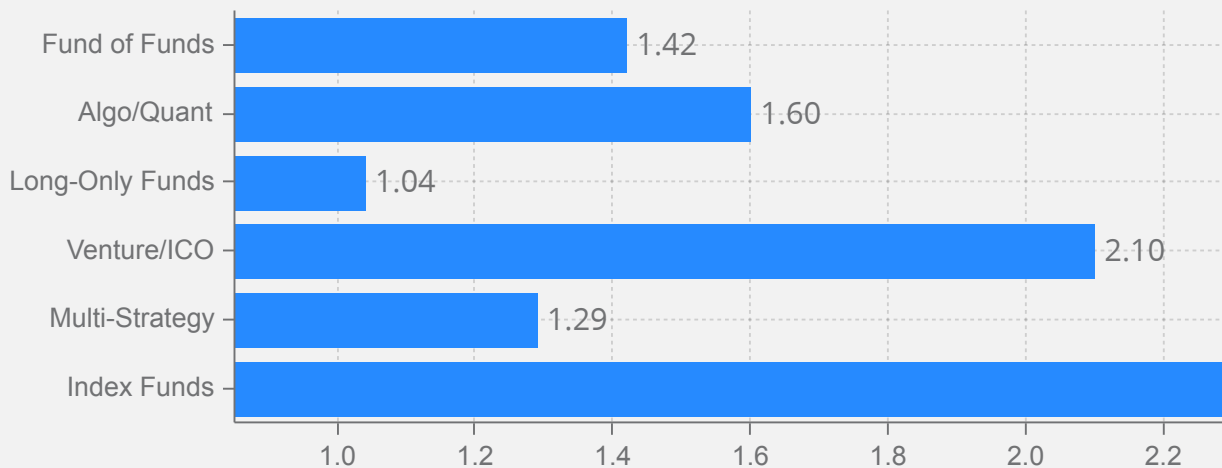


Crypto Fund Performance Data and Metrics

"Skew" captures the shape of the distribution of returns and can be defined as the extent to which returns vary from a normal distribution. Most crypto fund strategies demonstrate a positive skew, or a longer or fatter tail on the right. It's important to keep in mind that the accuracy of skew calculations depend on large quantities of return data, which are not necessarily available for most crypto funds.

Average Skew Across Fund Style

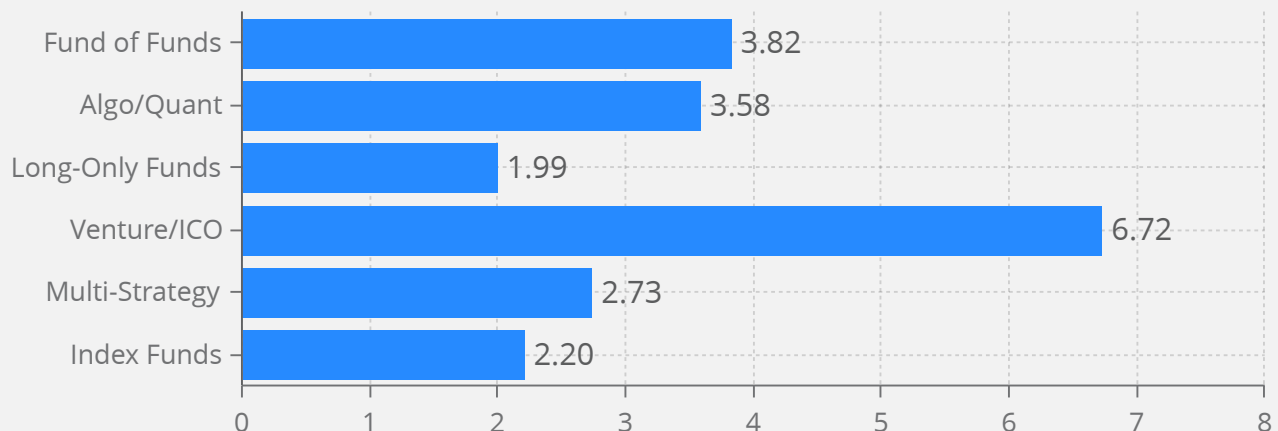
Q1 '17 - Q1 '21 by Fund Strategy



Like skew, kurtosis is a measure of returns relative to a normal distribution. Kurtosis measures the size of extreme returns compared to a normal distribution of returns with a positive kurtosis captures the size of these extreme gains. The kurtosis of a normal distribution is 3.

Average Kurtosis Across Fund Style

Q1 '17 - Q1 '21 by Fund Strategy



Crypto Fund Performance Data and Metrics

Q1 '21 Crypto Fund Research Performance Awards

Crypto Fund Research tracks the performance of more than 100 crypto funds - primarily crypto hedge funds, fund of funds, and hybrid funds. At the end of each quarter and year, we announce awards for the top performing funds in each period, net of fees.

Below are the Crypto Fund Research Performance Award winners for Q1, 2021:

Top Performing Crypto Funds Overall, Q1 2021



Top Performing Crypto Funds by Strategy, Q1 2021



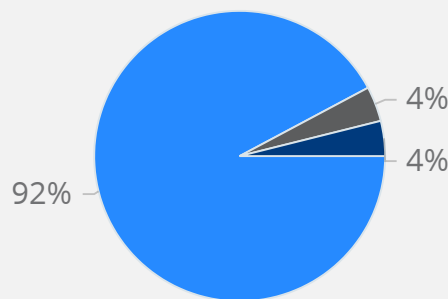
For additional award winners please visit: <https://cryptofundresearch.com/crypto-fund-performance-awards/>

Crypto Fund Survey

A recent survey of over 75 crypto funds was conducted to gauge investor sentiment and provide further insight into the crypto industry. The survey covers crypto venture funds, hedge funds, hybrid funds, index funds, and fund of funds and was conducted between June 30 and July 15, 2020. Full survey results here: <https://cryptofundresearch.com/2020-crypto-fund-survey/>

Do You Anticipate Your Fund Will Increase AUM in 2020?

All Fund Types

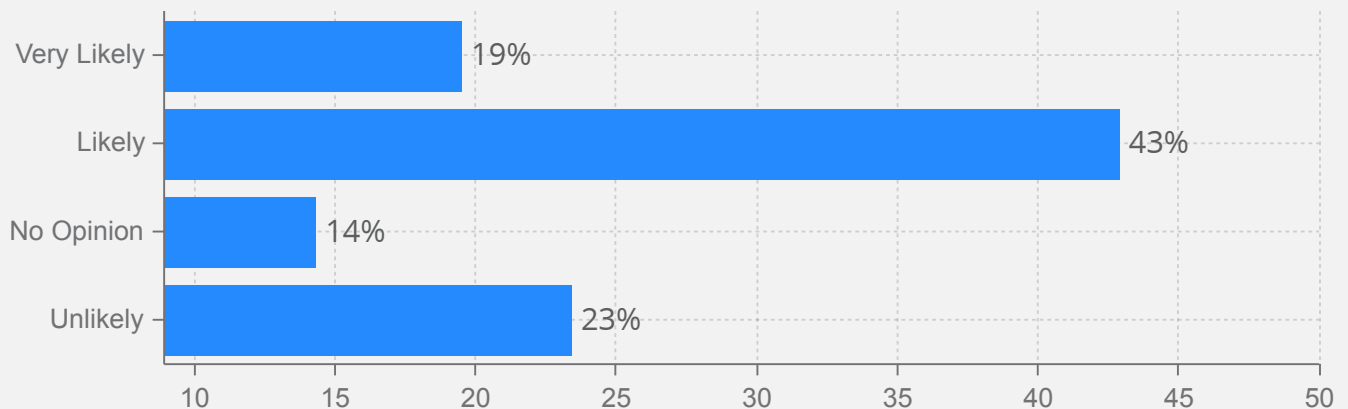


Crypto Fund AUM has continually grown since 2018. Irrespective of the fund strategy or fund size, the majority of the crypto funds surveyed expect AUM to increase in 2020. Only about 4% of funds do not anticipate an increase in AUM in 2020, with an equal amount unsure.

Amid ongoing speculation and projections about bitcoin’s price trend, the survey revealed that about 62% of crypto funds believe that bitcoin will surpass its all time-high price of \$19,891 in the next 12 months (mean price during the survey period was \$9,225). Less than 1/4 of funds find this scenario unlikely.

Will Bitcoin Reach All-Time High by June 30, 2021?

All Fund Types

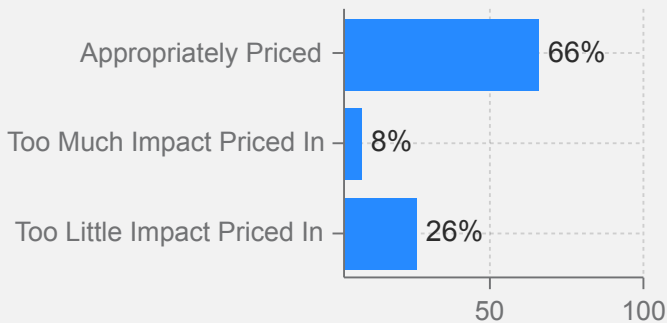


Crypto Fund Survey (cont.)

Covid-19 has greatly impacted major economies and financial markets, including the blockchain and cryptocurrency market. In terms of blockchain company valuations, nearly 2/3 of crypto funds believe that current valuations are appropriately factoring in the long-term impact of the coronavirus pandemic on the sector.

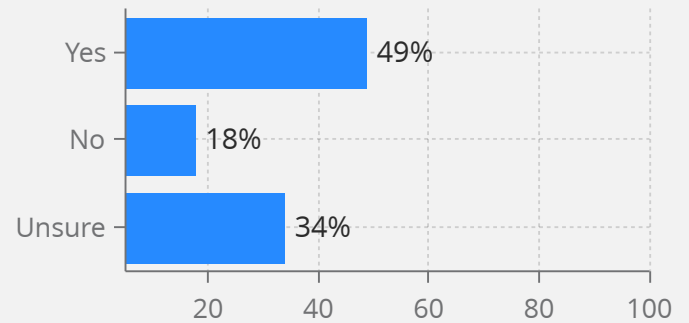
Crypto Fund Blockchain Co. Investments

Valuations Appropriately Pricing Covid-19 Impact



Crypto Fund Blockchain Co. Investments

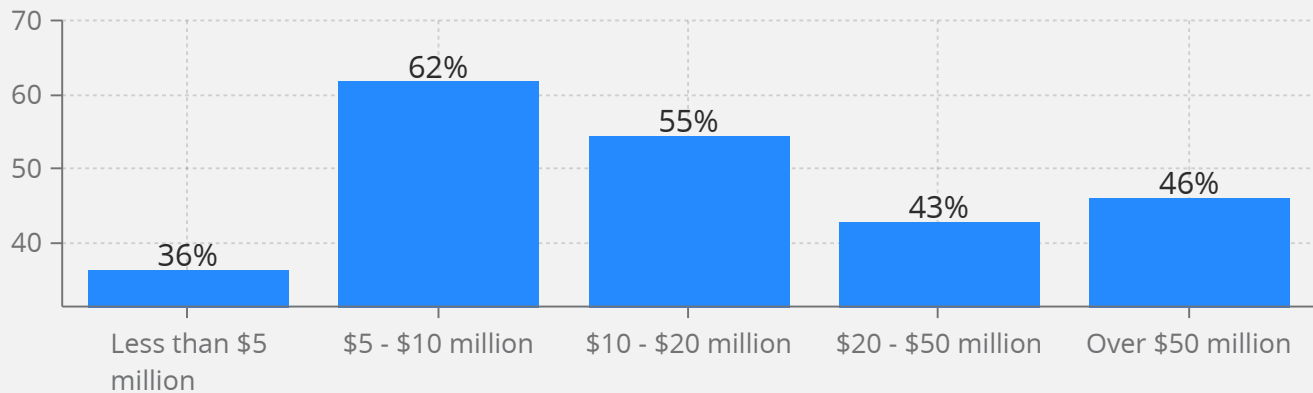
Anticipate Increase in Inv., '20 vs '19



Given many funds' view that Covid-related info is adequately priced in, it's perhaps unsurprising that almost half of surveyed funds anticipate making more investments in blockchain companies in 2020 than they did in 2019. Around one-third of crypto funds are uncertain of the prospect of more blockchain company investments in 2020 versus 2019.

Crypto Fund Blockchain Co. Investments

Anticipate Increase in Inv., 2020 vs 2019, by Fund Size



Mid-size funds with between \$5 and \$50 million in assets were most likely to anticipate making more blockchain investments in 2020 vs. 2019. Small funds, with \$5 million or less in AUM, were the most cautious about 2020 prospects,

Crypto Fund Survey (cont.)

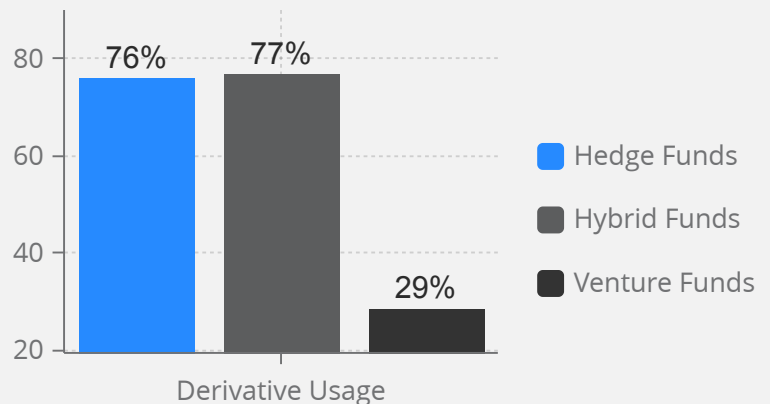
The majority of crypto hedge funds and hybrid funds use some sort of derivative product either for risk management, leveraged exposure, or other purpose. A little over three quarters of both crypto hedge funds and hybrid funds use derivatives, with hedge funds more likely to use futures and hybrid funds more likely to use options or other derivatives.

Less than one quarter of venture funds trade any derivative products, likely because they are not generally part of VCs' investment mandates.

Across all fund types, we observe that funds managing over \$50 million are least likely to trade futures while the smallest funds are least likely to trade options. Funds managing between \$5 and \$50 million were more likely to trade some form of derivative than either very small or very large funds.

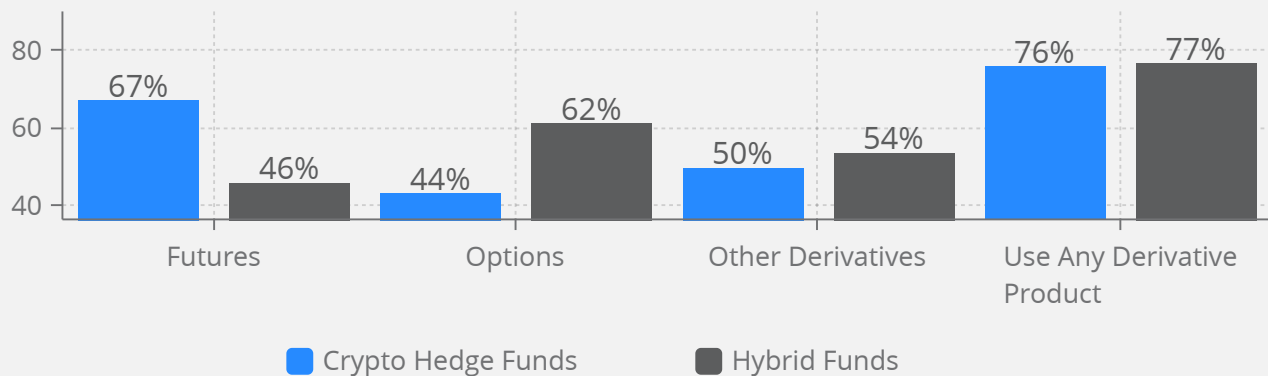
Does Your Fund Utilize Derivative Products?

By Fund Type



Does Your Fund Utilize Derivative Products?

By Fund Type



Fund Size	Futures	Options	Other Derivative Products
Less than \$5 million	48%	22%	22%
\$5 - \$10 million	57%	48%	57%
\$10 - \$20 million	45%	27%	18%
\$20 - \$50 million	57%	57%	57%
Over \$50 million	38%	31%	38%

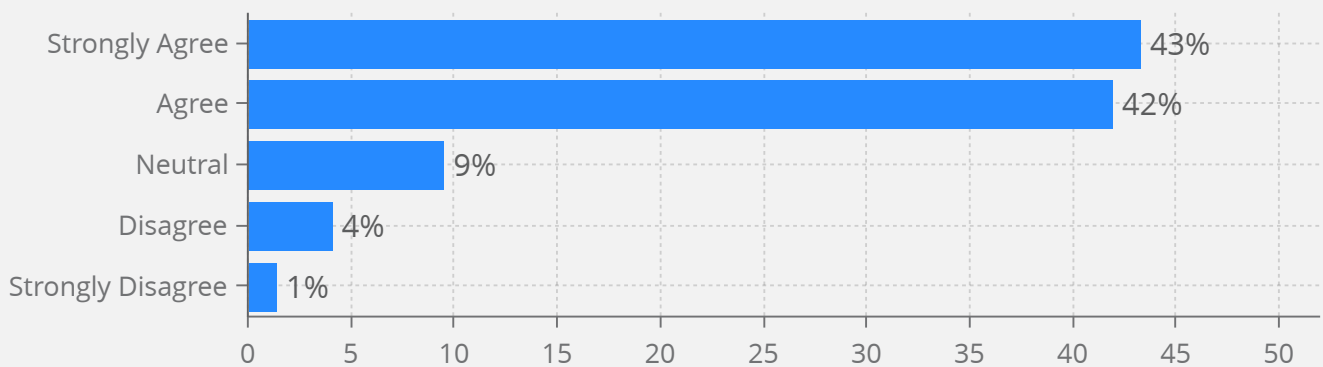
Charts, graphs and other figures extracted from this report for use by the media must be accompanied by a statement identifying Crypto Fund Research as the publisher along with a link to this report.

Crypto Fund Survey (cont.)

Derivatives play a vital role in investment strategies, according to most respondents. The survey results reveal that roughly 85% of crypto funds agree that derivatives and structured products are healthy components of the crypto industry. Only about 5% of crypto funds disagree on the benefits of these securities in the crypto industry, citing counterparty risk and the misuse of these products as the primary rationales against their usage.

Derivatives are Healthy Part of the Crypto Investment Space

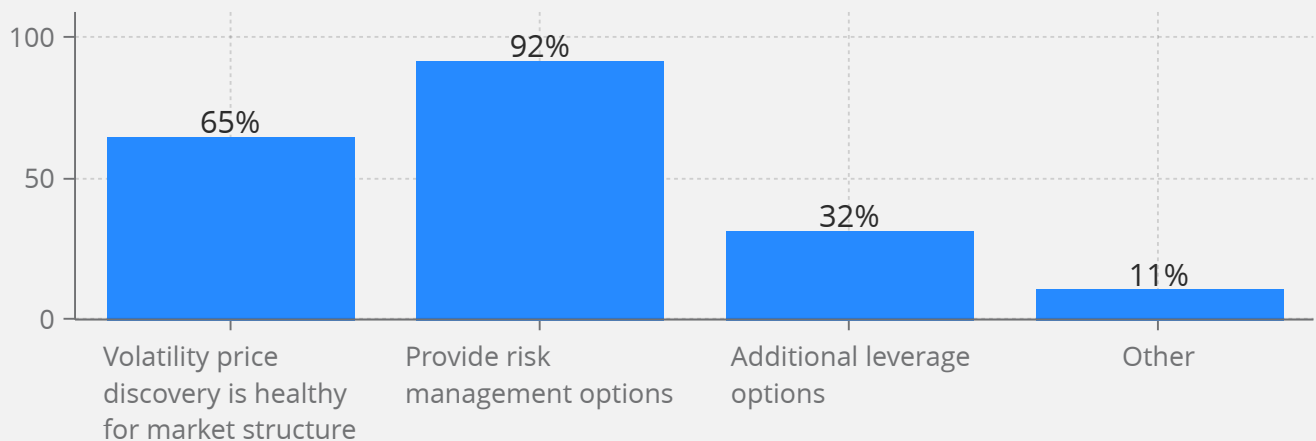
All Fund Types



The risk management benefit of derivative and other structured products was the most cited rationale for why these instruments are beneficial for the crypto industry. Approximately 92% of funds cited risk management options, regardless of fund category and size. Volatility price discovery, and its benefit to market structure, is the second most cited reason. Only about 32% of crypto funds highlighted the additional leverage options that these instruments provide as a rationale for using derivatives and structured products.

Why are Derivatives a Healthy Part of the Crypto Investment Space?

Top Responses, All Fund Types

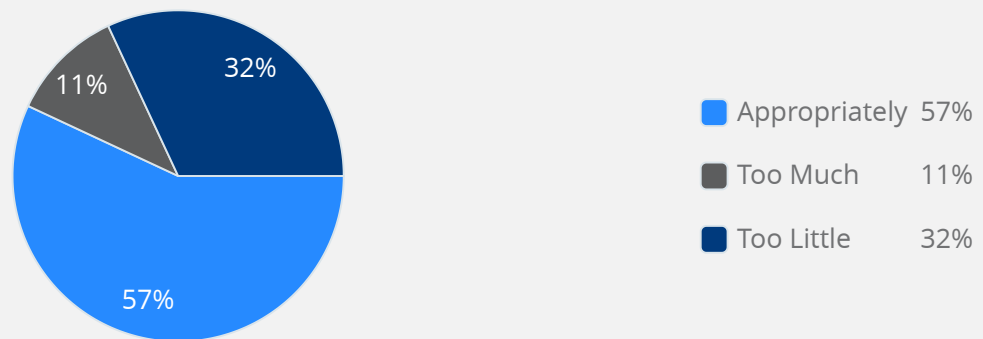


Crypto Fund Survey (cont.)

We asked respondents whether the potential long-term impacts of the coronavirus pandemic are being appropriately factored into current prices. More than half of funds believe the markets have appropriately priced in such risks. A higher percentage of funds (32%) believe the impact is not adequately accounted for compared to the percentage of funds (11%) who conclude it is being overly factored into current crypto prices.

Do Current Crypto Prices Appropriately Reflect Long-Term Risks from Covid-19?

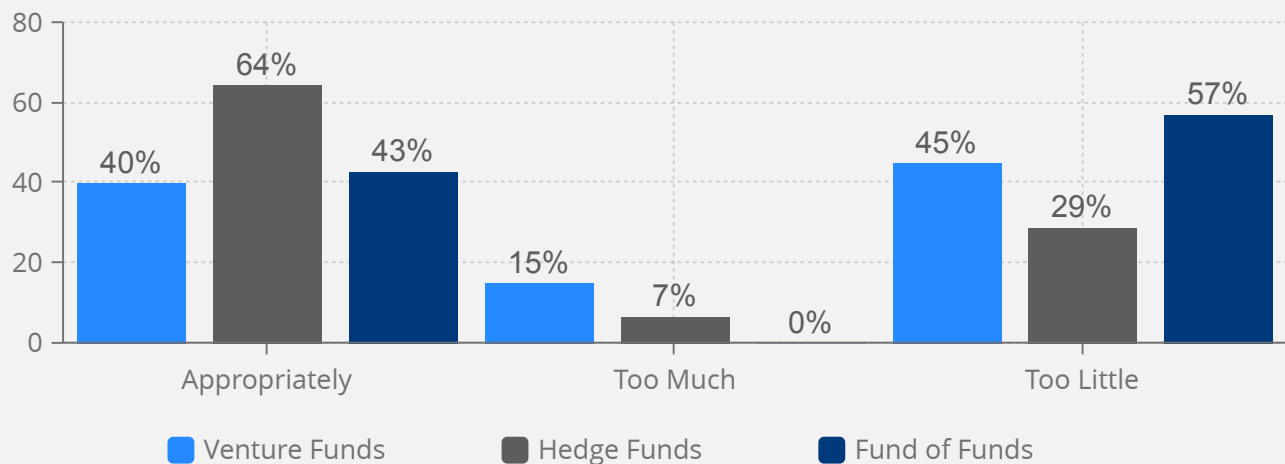
All Fund Types



A higher percentage of crypto hedge funds (compared to venture funds and fund of funds) believe that current crypto prices are appropriately factoring the long-term impact of Covid-19. Venture funds were more likely than other fund types to believe prices have factored in too much long-term risk.

Do Current Crypto Prices Appropriately Reflect Long-Term Risks from Covid-19?

By Fund Type

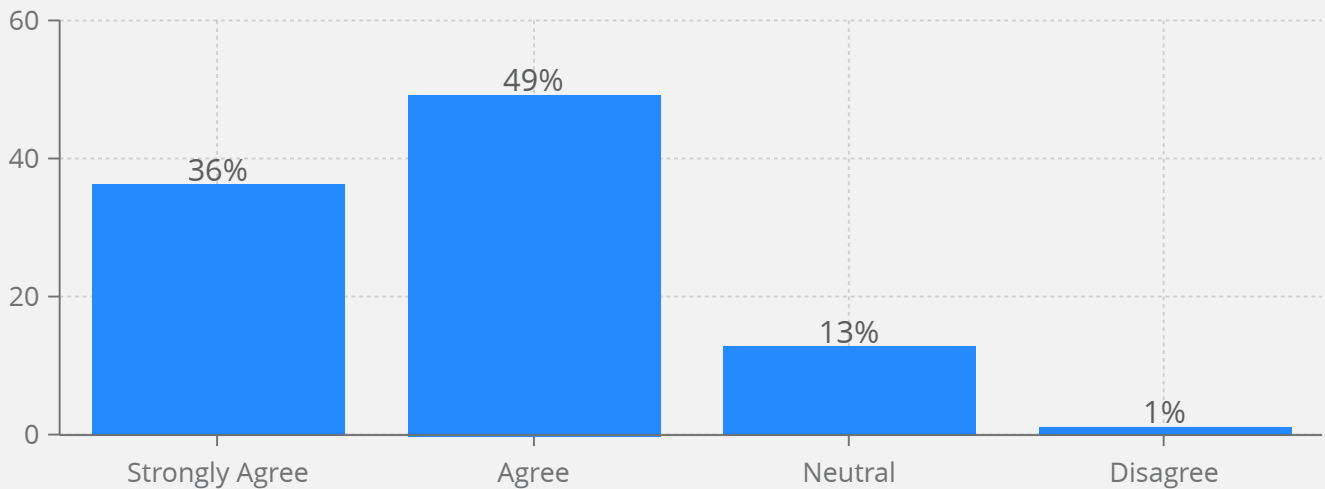


Crypto Fund Survey (cont.)

The results concerning institutional interest in cryptocurrencies are largely consistent across crypto fund types - approximately 86% of observed crypto funds agree that institutional interest in crypto investments has increased in 2020 thus far.

Institutional Interest in Crypto Investments Has Increased in 2020?

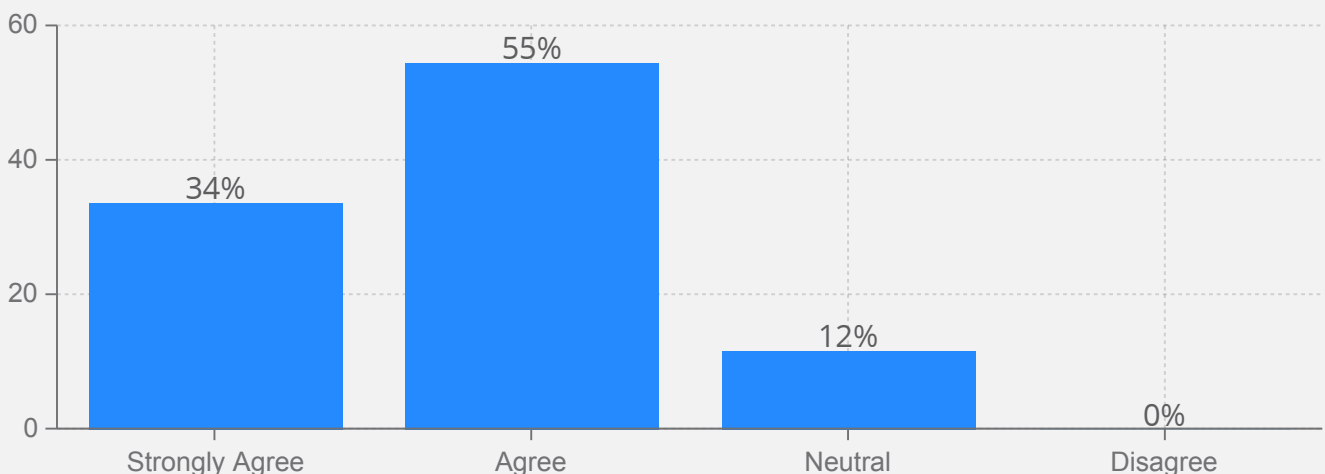
All Fund Types



Similarly, the vast majority (about 88%) of crypto funds expect institutional interest in cryptocurrency investments to further increase in the second half of 2020. No crypto fund disagreed on the likelihood of increased institutional interest in cryptocurrency investments in the second half of 2020.

Institutional Interest in Crypto Investments will Increase in Q3/Q4 2020?

All Fund Types

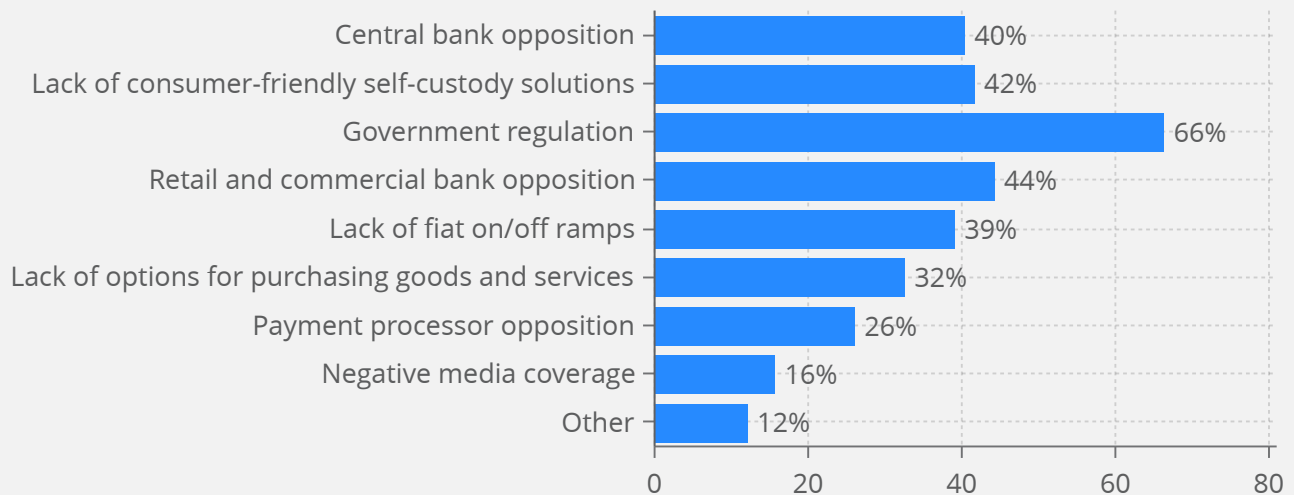


Crypto Fund Survey (cont.)

While crypto investors believe that institutional interest has and will further increase in 2020, there are several obstacles that continue to prevent the widespread adoption of cryptocurrencies.

Top Obstacles to Widespread Crypto Adoption

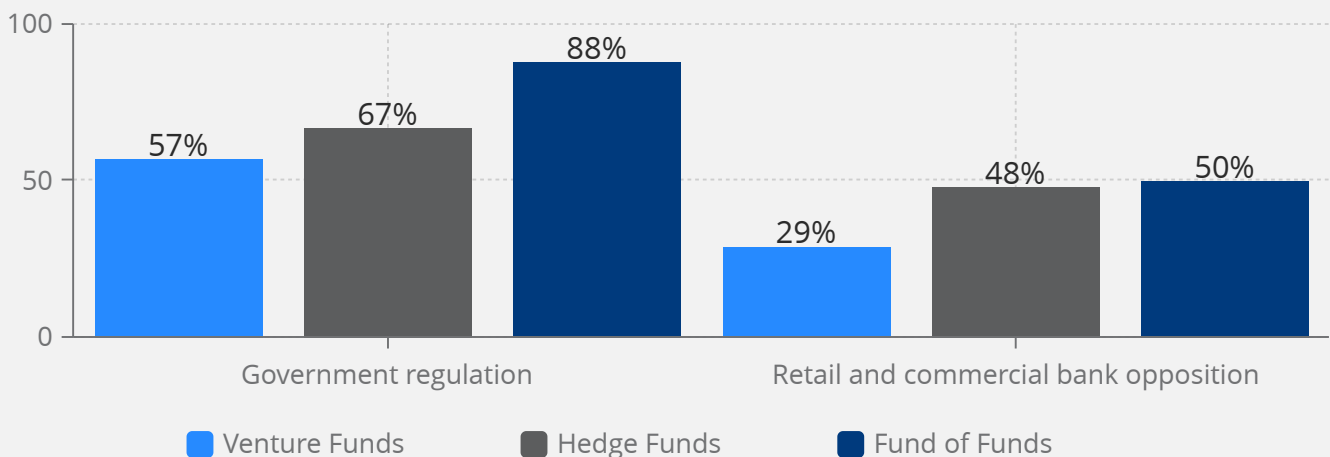
All Crypto Funds



Government regulation is the most commonly cited obstacle preventing widespread crypto adoption. Retail, commercial, and central bank opposition, along with a lack of consumer-friendly self-custody options are also largely cited as significant barriers. Only a small percentage of crypto funds referred to negative media coverage as a major deterrent to more widespread adoption.

Top Obstacles to Widespread Crypto Adoption

By Fund Type

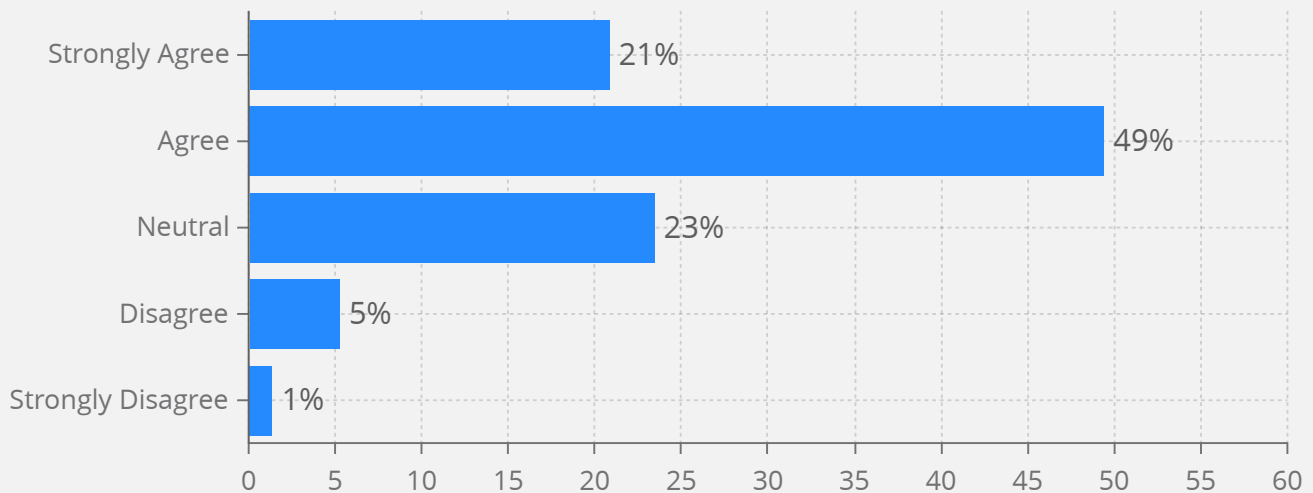


Crypto Fund Survey (cont.)

A significant majority of crypto funds (approximately 70%) believe that Covid-19 and related economic uncertainty will lead to increased crypto allocations in institutional portfolios. On the other hand, less than 10% of crypto funds disagree that the crypto allocations in institutional portfolios will increase due to the impact of the coronavirus.

Covid 19 & Related Will Increase Institutional Allocations to Crypto

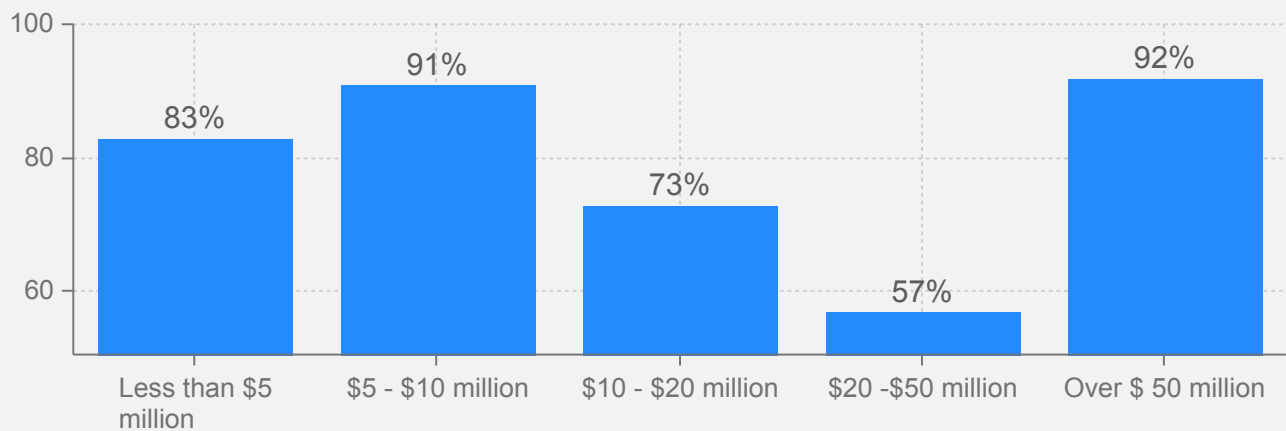
All Fund Types



Breaking down the figures by fund size, with the exception of funds managing \$20-\$50 million, we observe that a large percentage of funds of varying sizes generally agree that the impact of covid-19 will result in greater crypto allocations in institutional portfolios.

Agree Crypto Allocations in Institutional Portfolios Will Increase due to Covid-19

By Fund Size



Crypto Fund Survey (cont.)

Thank you to the more than 75 crypto fund respondents that completed our survey including:



- Aludra Capital
- Arctos Capital Cryptoasset Credit Fund LP
- Astronaut Capital
- Attis Capital LP
- BitBull Fund
- BKCoin Capital LP
- Blockchain Coinvestors
- Blockchain.com Ventures
- Blockforce Capital
- Blockwall Management GmbH
- Cambrial
- Cambrial Capital
- ChainLink Crypto Fund
- CityBlock Capital
- CMCC Global
- Coincident Capital
- CoinFund
- Crypto10 Hedged
- Cryptos Fund
- Digico Capital
- Digital Capital Management
- Ether Capital
- ExoAlpha
- FCP.fund
- Galois Capital
- GDA Fund (GDA Holdings)
- Grayscale Investments
- Hilbert Digital Asset Fund
- Incrementum
- Kenetic
- Liquibit USD Market Neutral Arb Fund
- Lotus Investment Strategies
- M31 Capital
- Multicoins Capital
- Napoleon AM
- Nickel Digital Arbitrage Fund
- Novum Digital Asset Alpha
- ODIN88 Crypto Fund
- Pangea Blockchain International
- Panxora Crypto I Hedge Fund
- Permian Capital Fund, LP
- Protos Asset Management
- Pythagoras Investment Management
- Rivemont Crypto Fund
- Stylus Quantitative Cryptoasset Strategies, LP
- SwissRex Crypto Fund
- Systematic Alpha Cryptocurrency Program
- TOBAM Bitcoin
- Tradecraft Capital
- True Ventures
- Unbounded Capital
- Victory Square Labs

About the Report

About Crypto Fund Research:

Crypto Fund Research is an independent research firm founded in 2017. The firm focuses exclusively on crypto funds, including crypto hedge funds, venture capital funds, hybrid funds, index funds, fund of funds, and managed accounts. Crypto Fund Research provides a variety of free research and market intelligence, maintains the CFR Crypto Fund Index, and provides the largest and most comprehensive [database of crypto fund performance](#).

For partnership opportunities, or to be included in our next survey, please contact us at [institutional\(at\)cryptofundresearch.com](mailto:institutional(at)cryptofundresearch.com)

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