



Crypto Market Takes a Step Back; Crackdown Concerns Resurface

Bitwise®

OCTOBER 2021

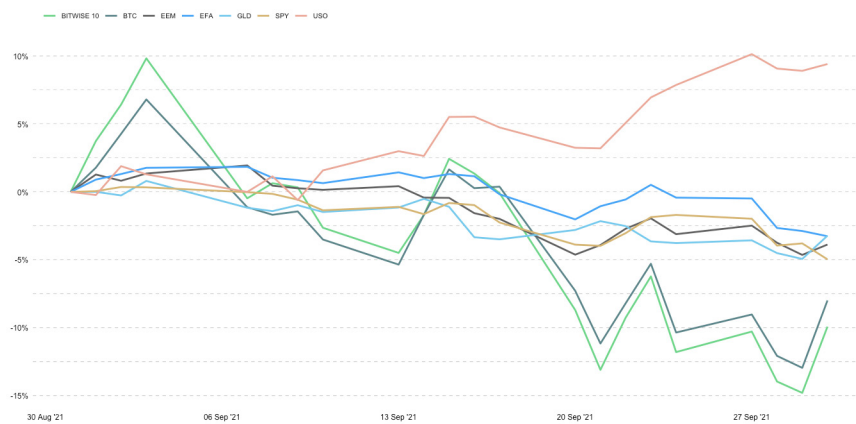
Market Commentary

The Bitwise 10 Large Cap Crypto Index pulled back by 10.47% in September due to China's latest crackdown on crypto and renewed regulatory concerns in the U.S. The retreat was led by Cardano (ADA) and Uniswap (UNI), which fell 24.26% and 22.38%, respectively.

On a year-to-date basis through the end of September, the Bitwise 10 is up 86.92%. The index was also up 12.72% in the first two days of October, as Fed Chair Jerome Powell eased the regulatory concerns that had built up over the previous days by stating clearly that he has no intention of banning crypto.

SEPTEMBER 2021 RETURNS: CRYPTOASSETS VERSUS MAJOR RISK ASSETS

Data from August 31, 2021 to September 30, 2021



Source: Bitwise Asset Management with data from IEX Cloud for traditional assets. The returns on this chart are historical and unaudited and do not represent the returns of any Fund or account managed by Bitwise or its affiliates. Cryptoasset tickers refer to, in alphabetical order: Bitwise 10 Large Cap Crypto Index (BITWISE 10) and Bitcoin (BTC). Major asset classes are defined, in alphabetical order, as: iShares MSCI Emerging Markets ETF (EEM), iShares MSCI EAFE ETF (EFA), SPDR Gold Shares (GLD), SPDR S&P 500 ETF Trust (SPY), and U.S. Oil Fund (USO). The performance of the Bitwise 10 Large Cap Crypto Index does not represent the performance of any account or Fund managed or issued by Bitwise. The Fund will have losses, liabilities and expenses that will offset its income and gains and therefore the Fund's performance may be below the Index's performance. In addition, the performance of the Fund and the Index may vary somewhat due to other factors such as imperfect correlation between the Fund's investments and Index composition, regulatory restrictions, high portfolio turnover rate, rounding of prices, and timing differences associated with additions to and deletions from the Index and the Fund. Please see important disclosure information at the end of this document. Past performance does not guarantee future results.

Key Developments

CHINA'S CRYPTO CRACKDOWN INTENSIFIES

On September 24, the Chinese government made crypto-related transactions illegal in the country. The directive is the latest in a series of bans against crypto dating back to 2013 that include crackdowns on initial coin offerings, crypto exchanges and crypto mining. The latest actions come as the Chinese government prepares to roll out a digital version of the yuan next year.

BITCOIN PAYMENTS AND NFT VERIFICATION COMING TO TWITTER

The social media behemoth is already permitting its users to accept tips over Bitcoin's Lightning Network, a solution that allows for cheap and fast payments. The company also showed how its users will be able to prove ownership of NFTs used as avatars. This is the first media company to use public blockchains to build a competitive advantage, treading a path we expect other companies to follow.

EL SALVADOR'S BITCOIN LAW COMES INTO EFFECT

On September 7 El Salvador formally became the first country to adopt the first and largest cryptoasset as legal tender. President Nayib Bukele recently said that 2.7 million people, or about 40% of the country's population, were currently using the country's official digital wallet Chivo. On top of that, on September 30 the president disclosed that the first bitcoin was mined using the country's volcanic geothermal energy.

Bitwise 10 Crypto Index Fund (OTCQX: BITW) Trading Summary

| | |
|--------------------------|--------------------------------------|
| Benchmark Index | Bitwise 10 Large Cap Crypto Index |
| Ticker | BITW |
| Inception Date | 11/22/2017 |
| Expense Ratio | 2.5% |
| AUM[^] | \$907 million (as of 09/30/2021) |
| Avg. Daily Volume | \$5.8 million (as of September 2021) |
| CUSIP | 091749101 |

MARKET PRICE

\$41.99

September 30, 2021

NET ASSET VALUE[^]

\$44.99

September 30, 2021

-15.17%

Monthly Return

-9.91%

Monthly Return

[^]Net Asset Value (NAV) and Assets Under Management (AUM) reflect non-GAAP, non-audited estimates by Bitwise Asset Management. Please refer to important disclosures at the end of this report.

The Shares of Funds that are publicly quoted on the OTCQX Best Market are Shares that have become "unrestricted" under Rule 144 of the Securities Act six months and a day subsequent to the date that the Shares were originally issued (although Shares held by affiliates and insiders will be subject to additional restrictions on resales, including restrictions on the number of Shares that may be resold within any three-month period). Shares that have become unrestricted may be quoted on the OTCQX Best Market and may be purchased and sold throughout the trading day through any brokerage account with access to such markets.

Index Update: Broad Retreat Leads Bitwise 10 Lower in September

Cryptoassets continued to exhibit a wide dispersion of returns in September, as indicated on the Callan-style chart of the Bitwise 10 Large Cap Crypto Index constituents. Nine of the 10 constituents fell during the month, with Solana (SOL) being the only constituent exhibiting a positive return of 21.27%.

MONTHLY RETURNS OF BITWISE 10 CONSTITUENTS

Monthly performance of each individual constituent of the Bitwise 10 Large Cap Crypto Index

| | | | | | | | | | | | |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| BTC | XRP | BTC | XLM | BTC | ETH | BCH | EOS | BTC | BTC | SOL | SOL |
| 28.82% | 170.26% | 50.21% | 138.20% | 36.58% | 34.50% | 87.96% | -2.21% | -5.80% | 19.00% | 233.57% | 21.27% |
| LTC | XLM | LTC | LINK | XLM | EOS | UNI | ETH | ETH | UNI | ADA | BTC |
| 21.35% | 154.43% | 43.89% | 100.11% | 34.69% | 32.07% | 47.22% | -5.73% | -14.64% | 16.21% | 113.27% | -7.99% |
| BCH | ADA | ETH | ADA | LTC | BTC | ETH | AAVE | FIL | LINK | UNI | LTC |
| 16.23% | 81.08% | 23.01% | 89.80% | 28.22% | 30.29% | 46.77% | -17.61% | -16.55% | 12.35% | 39.27% | -12.42% |
| LINK | ETH | BCH | ETH | UNI | UNI | LTC | LINK | LTC | ETH | ETH | ETH |
| 14.06% | 56.82% | 9.32% | 76.17% | 24.02% | 24.46% | 38.88% | -19.88% | -22.97% | 9.64% | 38.99% | -12.44% |
| ETH | LTC | ADA | XTZ | EOS | LTC | LINK | XLM | BCH | BCH | MATIC | LINK |
| 8.59% | 55.20% | 7.30% | 40.60% | 21.41% | 17.75% | 37.31% | -26.08% | -25.43% | 3.73% | 28.92% | -12.66% |
| XLM | BTC | EOS | ATOM | XTZ | BCH | XLM | BCH | XLM | XLM | LINK | MATIC |
| 7.37% | 40.69% | -19.02% | 29.63% | 21.35% | 14.97% | 34.86% | -29.31% | -28.77% | 1.79% | 24.41% | -17.24% |
| XRP | EOS | XTZ | BCH | AAVE | LINK | ATOM | LTC | UNI | LTC | XLM | XLM |
| 0.43% | 26.71% | -19.05% | 16.20% | 18.18% | 13.97% | 20.23% | -31.49% | -33.73% | 0.99% | 22.35% | -20.13% |
| EOS | LINK | LINK | BTC | BCH | AAVE | AAVE | UNI | EOS | SOL | LTC | BCH |
| -1.47% | 25.89% | -20.21% | 12.85% | 15.10% | 8.38% | 15.99% | -32.39% | -36.04% | 0.27% | 21.14% | -22.02% |
| ADA | XTZ | XLM | EOS | LINK | ATOM | BTC | BTC | LINK | ADA | BCH | UNI |
| -6.27% | 25.27% | -36.71% | 11.14% | 9.39% | 6.26% | -2.58% | -35.35% | -37.35% | -6.30% | 18.09% | -22.38% |
| XTZ | BCH | XRP | LTC | ETH | XLM | FIL | FIL | MATIC | MATIC | BTC | ADA |
| -9.24% | 19.15% | -65.90% | 2.81% | 7.62% | -2.87% | -11.65% | -56.16% | -37.43% | -8.68% | 14.43% | -24.26% |
| Oct '20 | Nov '20 | Dec '20 | Jan '21 | Feb '21 | Mar '21 | Apr '21 | May '21 | Jun '21 | Jul '21 | Aug '21 | Sep '21 |

Source: Bitwise Asset Management. XRP was removed from the Bitwise 10 Large Cap Crypto Index on December 22, 2020; the full-month performance of XRP is shown for illustrative purposes only. Cryptoasset tickers refer to, in alphabetical order: Aave (AAVE), Cardano (ADA), Cosmos (ATOM), Bitcoin Cash (BCH), Bitcoin (BTC), EOS (EOS), Ether (ETH), Filecoin (FIL), Chainlink (LINK), Litecoin (LTC), Solana (SOL), Uniswap (UNI), Stellar (XLM), XRP (XRP), and Tezos (XTZ). The performance of the Bitwise 10 Large Cap Crypto Index does not represent the performance of any account or Fund managed or issued by Bitwise. This chart represents Index constituent performance only. The Fund will have losses, liabilities and expenses that will offset its income and gains and therefore the Fund's performance may be below the Index's performance. In addition, the performance of the Fund and the Index may vary somewhat due to other factors such as imperfect correlation between the Fund's investments and Index composition, regulatory restrictions, high portfolio turnover rate, rounding of prices, and timing differences associated with additions to and deletions from the Index and the Fund. The returns in this chart are historical and unaudited and do not represent the returns of an actual account or Fund. These historical returns do not include the fees and expenses that are charged by any Fund, and may differ materially from actual Fund returns. Please see important disclosure information at the end of this document. Past performance does not guarantee future results.

Chart of the Month

Each month, Bitwise's research team highlights one chart that it monitors to gauge the health of the market.

ETHEREUM TRANSACTION FEES SURGE

7-day moving average of mean daily transaction fee from January 2017 to September 2021



Source: Bitwise Asset Management with data from The Block and Coin Metrics

Why We Care

- 1 Ethereum is the leading blockchain for decentralized finance (DeFi) applications and non-fungible tokens (NFTs). The surge in popularity of those markets over the past year has led to network congestion issues, resulting in skyrocketing transaction fees for users. The average transaction fee hit a record high of \$46.49 in September, up 817% year over year.
- 2 As the issue has come to the forefront, a crop of scalability solutions have emerged in response. Referred to as Layer 2s, these protocols are built on top of existing blockchains to scale the throughput of crypto applications while improving user experience via lower transaction fees. Polygon, which has risen to prominence as one of the leading Ethereum Layer 2 solutions, was up 6,394% year to date through the end of September.
- 3 While Layer 2 solutions attempt to improve the scalability of existing blockchains like Ethereum, entirely new blockchains incorporating novel frameworks have sprung up to displace them. Solana and Cardano are two protocols that have gained significant investor interest as the competition between base layer blockchains heats up. Over the past three months, while Ethereum is up 48%, Solana and Cardano have risen 372% and 61%, respectively.

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All Funds are speculative investments that involve a high degree of risk and uncertainty, and are only available to accredited investors who can afford loss of the entire investment. For the Bitwise 10 Crypto Index Fund (Symbol: BITW), which has Shares available for trading on the OTCQX Best Market, there can be no assurance that the value of the Shares, if traded on this secondary market, will reflect the value of the Trust's net assets. Such Shares may trade at a substantial premium over, or a substantial discount to, the value of the Trust's net assets, because, among other factors, such Funds do not currently operate a redemption program, and because, among other factors, such Funds' Shares when initially issued are subject to the holding period under Rule 144 of the Securities Act. As a result of these factors, there is no arbitrage mechanism to keep the price of the Shares closely linked to the value of the Trust's net assets, and therefore the performance of the Funds' Shares may deviate significantly from the performance of the Funds' Net Asset Value per share ("NAV"). There is no guarantee that any Fund will meet its investment objective. For the Bitwise 10 Crypto Index Fund (Symbol: BITW), the shares of which are registered with the Securities and Exchange Commission pursuant to Section 12(g) of the Securities and Exchange Act of 1934, as amended, and are quoted on the OTCQX, the public filings and disclosures can be located on the website of the Securities and Exchange Commission at www.sec.gov.

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Prior to making any investment decision with respect to any Fund, each investor must undertake their own independent examination and investigation of the Fund, including the merits and risks involved in an investment in the Interests, and must base their investment decision — including a determination whether Interests would be a suitable investment for the investor — on such examination and investigation, and must not rely on the Manager or the Fund in making such investment decision. Prospective investors must not construe the contents of this Letter as legal, tax, investment, or other advice. Each prospective investor is urged to consult with its own advisors with respect to legal, tax, regulatory, financial, accounting, and similar consequences of investing in the Fund, the suitability of the investment for such investor, and other relevant matters concerning an investment in the Fund. The summary set forth in this Letter does not purport to be complete, and is qualified in its entirety by reference to the definitive offering documents relating to the Fund. Do not place undue reliance on this Letter. Performance information is provided for informational purposes only. Actual performance of any Fund may vary substantially from the performance provided in this Letter.

Backward-looking performance cannot predict how any investment strategy will perform in the future. Additionally, each Fund will have losses, liabilities and expenses that will offset its income and gains and therefore the Fund's performance may be below the Index's performance. The performance of the Fund and the Index will vary due to other factors such as imperfect correlation between the Fund's investments and Index composition, regulatory restrictions, high portfolio turnover rate, rounding of prices and timing differences associated with additions to and deletions from the Index and the Fund.

The Units of the Funds (the "Interests") have not been registered under the Securities Act of 1933, the securities laws of any state, or the securities laws of any other jurisdiction, nor is such registration contemplated. The Interests will be offered and sold under the exemption provided by Section 4(a)(2) of the Securities Act of 1933 and Rule 506 of Regulation D promulgated thereunder and other exemptions of similar import in the laws of the states and jurisdictions where the offering will be made. The offer and sale of the Interests have not been registered with or approved or disapproved by the Securities and Exchange Commission (the "SEC") or the securities commission or regulatory authority of any state or foreign jurisdiction.



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