



# Crypto Market Reaches All-Time High; First U.S. Bitcoin Futures ETF Fuels Rally

# Bitwise®

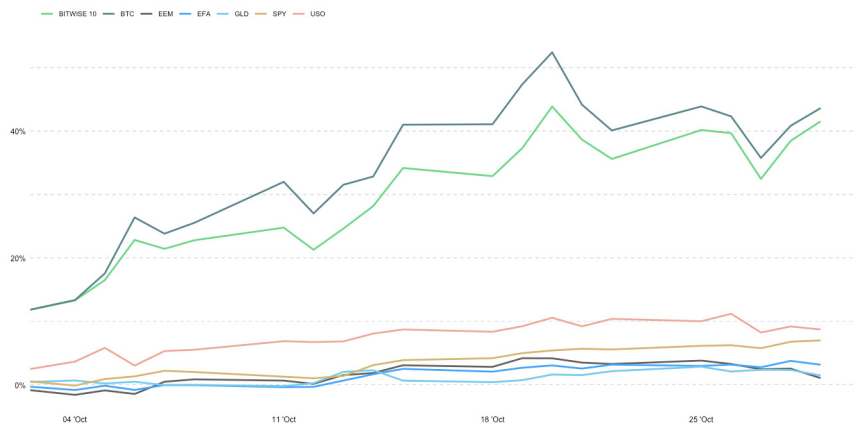
NOVEMBER 2021

## Market Commentary

The Bitwise 10 Large Cap Crypto Index rallied by 37.32% in October, driven by excitement surrounding the first approval of a bitcoin futures ETF in the U.S. and a push to new all-time highs for assets like Ethereum. The gain was led by Polygon (MATIC) and Ethereum (ETH), which rose 67.48% and 42.07%, respectively. The rally saw the crypto market reach a record market capitalization of \$2.68 trillion during the month.

### OCTOBER 2021 RETURNS: CRYPTOASSETS VERSUS MAJOR RISK ASSETS

Data from September 30, 2021 to October 29, 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

### BITCOIN FUTURES ETF RAISES ASSETS, CONCERNS

The launch of the ProShares Bitcoin Strategy ETF (BITO) on October 19 marked several milestones. Apart from being the first-ever bitcoin-linked ETF in the US, it set a new record for inflows, gaining \$1.1 billion in assets in its first two days on the market. The huge demand demonstrated the level of professional investor interest in crypto, but also raised concerns, as contango and roll costs may cause the new fund to lag a spot allocation to bitcoin.

### U.S. REPLACES CHINA AS WORLD'S BIGGEST BITCOIN MINER

The U.S. has become the world's epicenter for bitcoin mining after a May crackdown in China banned the activity and effectively ended its dominance in the industry. At the end of August, the U.S. accounted for 35.4% of the global hash rate, more than double the activity seen in April, according to a new report from the Cambridge Centre for Alternative Finance. China's share of bitcoin mining effectively hit zero, down from 46% in April.

### BITWISE LAUNCHES POLYGON FUND AS ETHEREUM SCALING SOLUTIONS TAKE OFF

On October 20, Bitwise announced the launch of its latest fund, giving investors exposure to MATIC, the native token of the fast-growing Polygon platform. As demand for services like Decentralized Finance (DeFi) and non-fungible tokens (NFTs) outstrips supply, scalability has become the most significant bottleneck to Ethereum's growth. Polygon is a leading scaling solution that improves the speed and reduces the cost of transactions on the Ethereum network. Compared to Ethereum's 30 transactions per second, Polygon is able to process 65,000 per second at a fraction of the cost.

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

<b>Benchmark Index</b>	Bitwise 10 Large Cap Crypto Index
<b>Ticker</b>	BITW
<b>Inception Date</b>	11/22/2017
<b>Expense Ratio</b>	2.5%
<b>AUM<sup>^</sup></b>	\$1.27 billion (as of 10/29/2021)
<b>Avg. Daily Volume</b>	\$8.9 million (as of October 2021)
<b>CUSIP</b>	091749101

### MARKET PRICE

**\$51.00**

October 29, 2021

### NET ASSET VALUE<sup>^</sup>

**\$61.59**

October 29, 2021

**21.46%**

Monthly Return

**36.90%**

Monthly Return

<sup>^</sup>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 Upswing Leads Bitwise 10 Higher in October

Cryptoassets continued to exhibit a wide dispersion of returns in October, as indicated on the Callan-style chart of the Bitwise 10 Large Cap Crypto Index constituents. Nine of the 10 constituents rose during the month, with Polygon (MATIC) showing the strongest performance, up 67.48%.

## MONTHLY RETURNS OF BITWISE 10 CONSTITUENTS

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

XRP 170.26%	BTC 50.21%	XLM 138.20%	BTC 36.58%	ETH 34.50%	BCH 87.96%	EOS -2.21%	BTC -5.80%	BTC 19.00%	SOL 233.57%	SOL 21.27%	MATIC 67.48%
XLM 154.43%	LTC 43.89%	LINK 100.11%	XLM 34.69%	EOS 32.07%	UNI 47.22%	ETH -5.73%	ETH -14.64%	UNI 16.21%	ADA 113.27%	BTC -7.99%	ETH 42.07%
ADA 81.08%	ETH 23.01%	ADA 89.80%	LTC 28.22%	BTC 30.29%	ETH 46.77%	AAVE -17.61%	FIL -16.55%	LINK 12.35%	UNI 39.27%	LTC -12.42%	SOL 40.87%
ETH 56.82%	BCH 9.32%	ETH 76.17%	UNI 24.02%	UNI 24.46%	LTC 38.88%	LINK -19.88%	LTC -22.97%	ETH 9.64%	ETH 38.99%	ETH -12.44%	BTC 39.58%
LTC 55.20%	ADA 7.30%	XTZ 40.60%	EOS 21.41%	LTC 17.75%	LINK 37.31%	XLM -26.08%	BCH -25.43%	BCH 3.73%	MATIC 28.92%	LINK -12.66%	LTC 26.15%
BTC 40.69%	EOS -19.02%	ATOM 29.63%	XTZ 21.35%	BCH 14.97%	XLM 34.86%	BCH -29.31%	XLM -28.77%	XLM 1.79%	LINK 24.41%	MATIC -17.24%	LINK 25.61%
EOS 26.71%	XTZ -19.05%	BCH 16.20%	AAVE 18.18%	LINK 13.97%	ATOM 20.23%	LTC -31.49%	UNI -33.73%	LTC 0.99%	XLM 22.35%	XLM -20.13%	BCH 20.07%
LINK 25.89%	LINK -20.21%	BTC 12.85%	BCH 15.10%	AAVE 8.38%	AAVE 15.99%	UNI -32.39%	EOS -36.04%	SOL 0.27%	LTC 21.14%	BCH -22.02%	UNI 8.26%
XTZ 25.27%	XLM -36.71%	EOS 11.14%	LINK 9.39%	ATOM 6.26%	BTC -2.58%	BTC -35.35%	LINK -37.35%	ADA -6.30%	BCH 18.09%	UNI -22.38%	ATOM 7.13%
BCH 19.15%	XRP -65.90%	LTC 2.81%	ETH 7.62%	XLM -2.87%	FIL -11.65%	FIL -56.16%	MATIC -37.43%	MATIC -8.68%	BTC 14.43%	ADA -24.26%	ADA -7.30%
Nov '20	Dec '20	Jan '21	Feb '21	Mar '21	Apr '21	May '21	Jun '21	Jul '21	Aug '21	Sep '21	Oct '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.

### BITCOIN FUTURES OPEN INTEREST REACHES RECORD HIGHS

Total CME bitcoin futures open interest, calculated as the estimated notional value of all open futures positions



Source: Bitwise Asset Management with data from Skew

## Why We Care

- 1 Open interest on the CME's bitcoin futures contract skyrocketed to an all-time high of \$5.50 billion in October, helped by demand for futures-based ETFs. Open interest is up 246% month-over-month. Rising open interest in the CME market is generally considered bullish, indicating rising institutional and professional demand for exposure to bitcoin.
- 2 Bitcoin futures ETFs are an imperfect solution for most investors. On the one hand, they make it easy to access bitcoin exposure. On the other hand, futures ETFs don't always track the spot price of the underlying asset well over time. Issues like contango and slippage can cause these funds to trail spot bitcoin considerably over long holding periods.
- 3 The record-breaking success of the ProShares Bitcoin Strategy ETF (BITO) showed there is significant pent-up demand for bitcoin exposure from institutional and professional investors. Despite product imperfections, investors poured more than \$1 billion into the new fund. We expect additional ETFs to launch over time, including (eventually) spot-based ETFs.

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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](http://www.sec.gov).

Certain of the Bitwise investment products may be subject to the risks associated with investing in cryptoassets, including cryptocurrencies and crypto tokens. Because cryptoassets are a new technological innovation with a limited history, they are a highly speculative asset. The price of a cryptoasset may be impacted by the transactions of a small number of holders of such cryptoasset. Cryptoassets may decline in popularity, acceptance or use, which may impact their price.

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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