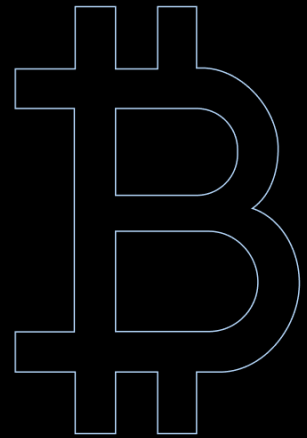


# The Bitcoin ETF Market Opportunity

Bringing Bitcoin to the Investing Masses





## Illustrative Bitcoin Spot ETF Market Sizing and Inflows by Year

Market Size by Wealth Platform (\$T)	Year 1	Year 2	Year 3
Broker-Dealer % access	\$6.8 25%	\$13.6 50%	\$20.3 75%
Bank % access	\$3.0 25%	\$6.0 50%	\$8.9 75%
RIA % access	\$4.7 50%	\$7.0 75%	\$9.3 100%
<b>ETF Addressable Market via Wealth Channels</b> % access (avg)	<b>\$14.4T</b> 30%	<b>\$26.5T</b> 55%	<b>\$38.6T</b> 80%
BTC ETF Inflows	Year 1	Year 2	Year 3
Avg % of assets adding BTC exposure	10%	10%	10%
Avg % allocation to BTC	1%	1%	1%
<b>Est. Inflows into Bitcoin ETF by Year (\$Bn)</b>	<b>\$14.4</b>	<b>\$26.5</b>	<b>\$38.6</b>

Ten years since the first Bitcoin spot ETF application, the U.S. Securities & Exchange Commission has approved the launch of spot-based Bitcoin ETFs in the U.S. The two primary factors for why a bitcoin spot ETF will be particularly impactful for the market adoption of bitcoin:

- **Expanded accessibility across wealth segments.** The ETFs increase the reach of BTC investment products for both retail & institutions and expand distribution through more investment channels - namely financial advisors / fiduciaries. In our view, the US wealth management industry has the most net new accessibility from the approved Bitcoin ETF. As of October 2023, assets managed by broker-dealers, banks and RIAs collectively totaled \$48.3 trillion.
- **Greater acceptance from formal recognition by regulators & trusted brands.** Formal recognition / validation by regulators and established financial brand names will improve perceptions around bitcoin/crypto's legitimacy as an asset class by addressing regulatory and compliance concerns and highlighting portfolio benefits.



# Impact of BTC ETFs on Bitcoin

**These new market access vehicles will dramatically impact the Bitcoin and traditional finance worlds.**

- **Bitcoin culture will expand and fracture.** The easy access these vehicles offer will likely expand the number of Bitcoin holders significantly. Importantly, though, these vehicles offer exposure to Bitcoin price, but do not deliver actual BTC to shareholders, creating a fracture between owners of ETF shares and *actual* bitcoin. This will impact Bitcoin culture and could impact Bitcoin governance and design decisions.
- **Bitcoin brokerage and trading will be challenged.** The low ETF fees will not just create an incredibly competitive environment among issuers, but will also challenge the fees charged by spot-BTC exchanges and brokerages. Beyond spot, ETF shareholders will have access to securities lending (margin) and options trading through traditional prime brokers.
- **BTC volatility and crypto cyclicity is likely to dampen.** If wealth managers are a major portion of ETF users, capital allocated to these vehicles is likely to be much stickier than bitcoin allocations in prior eras. Bitcoin investment will be held in brokerage accounts adjacent to traditional and macro investments, rather than on crypto exchanges where they sit adjacent to alternative cryptoassets.
- **Bitcoin's geopolitical and macro relevance will rise.** Increased ownership, along with the ease in moving between bitcoin exposure and other traditional assets, will make BTC an even more relevant asset on the global stage.

**The ETFs will spur growth and expansion, but headwinds exist in the near-term.**

- **Grayscale's high fees (150 bps) will lead to continued redemptions.** Billions will be redeemed from GBTC, and while some of its AUM was delta hedged, the outflows will nonetheless cause selling pressure for weeks or months.
- **Wealth Management firms will take time before adding the ETFs to their platforms.** The primary net-new market for these ETFs are wealth managers and financial advisors, and their platforms will be slow to add the vehicles, dampening net-new inflows through H1 2024.