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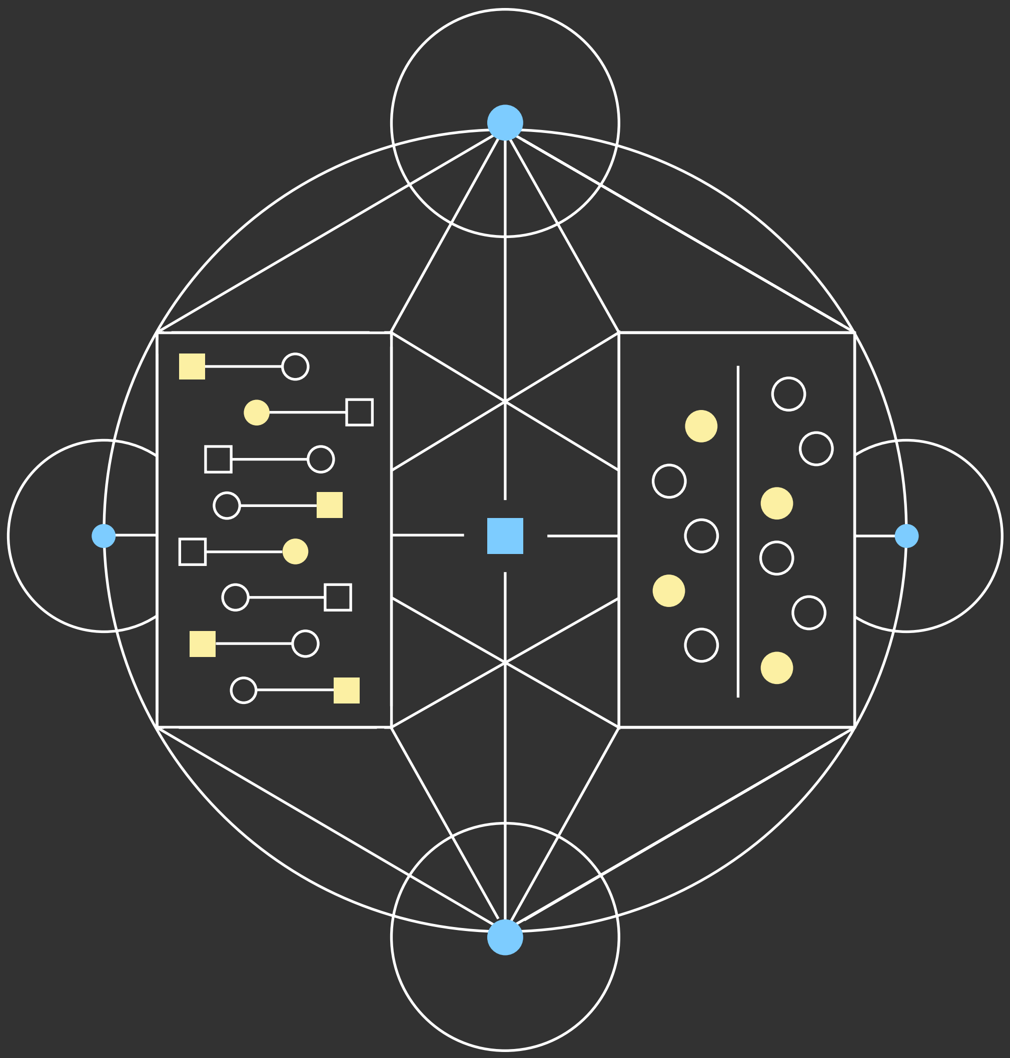
Q1 2024 Institutional Crypto Hedge Fund & Venture Report

MAY 2024



Author & Acknowledgements

Bailey York
Data Lead, VisionTrack

This report is a product of VisionTrack, the leading digital asset buyside data platform, powered by Galaxy.

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View our publicly available research at www.galaxy.com/research and the VisionTrack Database at visiontrack/galaxy.com.
Contact us at visiontrack@galaxy.com.

Contents

Key Takeaways

- The total crypto-dedicated hedge fund market grew from $16.3b in December 2023 to $21.0b in value for the first time since October 2022.
- Fundamental strategies grew from $12.5b to $16.1b in total AUM. Market Neutral funds jumped from $1.7b in total AUM to $2.1b in total AUM and Quant Directional strategies grew from $2.0b to $2.8b in Q1 2024.
- The VisionTrack Quant Directional Index posted its highest recorded monthly gain of +31.26% in February with early reported estimates.
- Venture Firms raised $1.19b in Q1 2024 across 22 funds. Considering historical quarterly totals, Q1 2024 was on average for the total number of funds raised. However, the average venture fund size has fallen to its lowest level since 2017.
- Through Q1 2024, $2.62b was invested across 631 deals. Considering prior first quarter starts, $2.9b was invested across 781 deals in Q1 2023, $11.83b was invested across 1,393 deals in Q1 2022, and $7.2b was invested across 817 deals in Q1 2021.
- In Q1 2024, the average number of new investors for pre-seed/seed stage companies was 7.46 new investors up from 5.37 new investors in Q4 2023. Considering quarterly averages, for pre-seed/seed stage companies, 5.77 new investors are expected in pre-seed/seed deals.
- Through Q1 2024, VisionTrack estimates there are 227 active crypto-dedicated platforms globally. The United States leads the way with 94 firms, followed by Singapore, the United Kingdom, Hong Kong, and Switzerland.

Executive Summary & Market Context

The state of Q1 2024 was exciting for macro traders and crypto enthusiasts. The total cryptocurrency market capitalization at the end of the quarter reached $2.75t up from $1.77t at year-end in 2023. The liquid token market reached its local height of $2.89t in mid-March as Bitcoin climbed above $70k. Compared to other cryptocurrencies ranked in the top ten by market capitalization, Bitcoin held between 47%-50% dominance throughout the quarter. Its highest percentage was achieved on February 29. Days after February month-end, Bitcoin reached a new all-time high for the first time since November 2021 as steady ETF inflows continued the historical streak of Bitcoin dominance.

One day prior to BTC's quarterly dominate height, on February 28, US Gross Domestic Product 4th quarter and year-end 2023 second estimates were released by the Bureau of Economic Analysis. As reported by the BEA, US Nominal GDP grew $1.61t in 2023, a 6.3% increase, to $27.36t at year-end. A positive figure, however, the source of this growth tells a different story.

The US total outstanding public debt grew from $33.16t in Q3 to $34.00t in Q4 to $34.58t in Q1 2024. In just two quarters, the US total debt grew ~$1.42t propagating the macro meme of the quarter "$1t every 100 days." Stated US Nominal GDP growth is propped up by failed fiscal and monetary policies. Since 2020, US Debt to GDP has printed above 120% annually, a disastrous situation which no clear solution. As posted by The Kobeissi Letter, since the year 1800, 51 out of 52 countries who reached a 130% Debt-to-GDP ratio have defaulted and according to the US CBO, the US is on track to hit 130% for the first time by 2033. In 2023, Fitch downgraded US government debt from AAA rating to AA+ on the expectation of fiscal deterioration over the next 3 years.

The US Federal Funds rate ended the quarter at 5.33% within the Federal Reserve's target range of a 5.25% - 5.50%. Increased rates continue to exacerbate previous fiscal irresponsibility as interest payments on the debt increase. The US Federal Government exceeded $1t in interest payments at year-end 2023, the first time in recorded history.

Revisiting our napkin math from our VisionTrack distribution in July 2023, the effective federal funds rate at 5.25%-5.50% on $50t would be ~$2.75t in interest expense. Some economists have estimated as much as $10t will be spent on interest expense on the national debt in the next 10 years. At the time of writing, the US2YR is yielding 5.00%, the US10YR 4.64%, and the US30YR is yielding 4.74%. Worthy of mention, the yield-curve is on an impressive

20-month inversion streak, a recession indicator as taught in financial textbooks. For several quarters, the runaway debt and continued spending policies have led Wall Street analysts to call for eventual interest rate cuts. This fell short in April at the time of writing, due to a hotter-than-expected CPI increase. Analysts priced roughly 2-3 rate cuts in 2024, assuming inflation stayed within range so to help alleviate US fiscal challenges and the burden of forecasted interest expenses. CPI rose 3.5% YoY in March, the largest gain in six months and the US Aggregated Inflation rate reached 24.89% since Jan 2020 at the time of writing.

How the US Government will relieve the burden of failed monetary and fiscal policies remains the topical macro question. The US government could reduce spending, but as indicated by the US Government recent spending package, this path forward is unlikely under any administration. The US Government could raise taxes, a very unpopular approach to the populus. The US Government could aim to bolster GDP to increase its share in tax revenues. A possible path forward, bull market participants whimsically cheer for this outcome. However, the story of US growth is unsustainable debt. ZeroHedge broke down the quick math, *"it cost $843.2b in debt during Q3 to grow the US economy by $334.5b, or exactly $2.5 in debt for every $1 in GDP growth."*

For crypto-enthusiasts, Bitcoin is often considered a solution. Bitcoin may be viewed as a revolutionary macro-asset deriving a religious zealotry. The zealotry of Bitcoin is formed through a social cohesion of investors maintaining high convictions towards its immutable properties. The principles of Bitcoin reiterate and reinforce this social cohesion through concepts such as self-custody and private property. These principles act as a retort to the failures of fiscal/monetary policies of global governments. Bitcoin is also recognized as a volatile asset of choice in Wall Street's landscape, attracting profit-driven speculation during periods of market optimism. Furthermore, Bitcoin maintains its core use-case as an electronic peer-to-peer payment system, functioning as non-sovereign money separate from traditional financial intermediaries. As a technology, Bitcoin's proof-of-work blockchain design is recognized for its potential to facilitate transactions compared to traditional systems, easily allowing the movement of value from one wallet to another with instant settlement. In Q1 2024, each worldview toward Bitcoin and blockchain/crypto has merit and contributed to renewed interest and discussion within the industry.

For actively-managed crypto fund strategies, a firm's investment operation varies in degrees of the crypto zeitgeist, speculation, and investments to applicable blockchain development. Not all strategies are equal in their investment objectives as each might be designed to capture different motivations of growth, speculation, or developmental technologies. Sub-sector narratives often inform investors of these three channels of motivations and incentive structures are created to generate activity and movement of value both on-chain and off-chain. The rise and fall of various asset prices are guided by the most compelling narratives reiterating the belief structures towards three distinct worldviews.

The blockchain/crypto industry embraced a range of worldviews in Q1 2024. The price appreciation of core industry assets underscored the validation of various investor beliefs and philosophies. Institutional actively managed strategies may seek to achieve objectives such as uncorrelated returns, capturing exposure to technological advancements, or protect wealth from currency debasement and monetary risks. All three of these objectives are valid considerations for investors, and as liquidity returns to the blockchain, the marketplace of ideas welcomes them.

Hedge Funds

Performance

With the collapse of FTX in November 2022, Bitcoin created its trough of $15.7k. Since then, Bitcoin has rallied to end Q1 2024 just over $70k. In this same time period, the VisionTrack Composite Index grew +123.05% with early reported estimates. The VisionTrack Fundamental Index added +189.28%, the VisionTrack Quant Directional Index gained +124.71%, and the VisionTrack Market Neutral Index added +30.22%.

When considering performance from the previous all-time high set in November 2021, crypto hedge funds have seemingly also performed well. From November 2021 through March 2024, including early reported estimates, the VisionTrack Composite Index added +37.52%. The VisionTrack Fundamental Index gained +5.06%, the VisionTrack Quant Directional Index grew +44.93%, and the VisionTrack Market Neutral Index gained +25.98%.

It's difficult to glean exact insights from this specific time-series as VisionTrack's constituent set currently collects monthly performance detail at month end. Lining up all strategies one-for-one from the previous all-time-high in November 2021 to March 2024 is informative but not precise given the time-series data available. However, it's safe to assumed that a deeper look into both Quant Directional and Market Neutral strategies may offer potential outperformance compared to traditional Bitcoin buy-and-hold vehicle.

Throughout Q1 2024, we frequently commented on back-to-back quarterly outperformance seen historically in the VisionTrack Fundamental Index when compared to Bitcoin. For years and many cycles prior, there has been an observed tendency for alt-coin outperformance to follow Bitcoin's movements. This correlation is often attributed to Bitcoin's influence on market sentiment and its role in attracting new investors to more fundamental research on alternative crypto assets. This investment process is guided by the assumption that new entrants or larger pools of capital will come to the market. The market quickly becomes flush with narratives as alt-coin enthusiasts, venture capitalists, and crypto-natives, may seek to capitalize on differentiating tokenized assets, potentially persuading participants with more promising returns.

Crypto fundamental managers, given their mandate, are poised to find uncorrelated alpha and generate outsized returns compared to Bitcoin, Ethereum, and multi-asset index products such as the Bloomberg Galaxy Crypto Index (BCGI) or Bitwise 10 (BITW). Most all funds in the VisionTrack database generate returns on an absolute basis and are not benchmarked to specific passive/beta products given volatile movements in crypto assets. However, these products do serve as an unspoken benchmark for active fund managers.

The VisionTrack Fundamental Index gained +146.12% from September 2023 through March 2024. Bitcoin added +162.86% in this same time period. Fundamental managers did not outperform Bitcoin to the upside in two consecutive quarters, an occurrence that only happened once in Q3 2021 and Q4 2021. While alt-coin markets rallied to start the year, collectively they did not catch Bitcoin's dominate streak. This may be seen as a positive indicator as most altcoins have not reached their previous all-time high in market capitalization, suggesting more capacity for alt-coins and hedge fund outperformance through the year. However, this might also suggest alt-coins might not rally to the same degree in previous cycles.

Quant directional funds have struggled to raise assets in the previous year despite a wave of talent entering the market in 2021 and 2022 even if they had a quality performance track-record surviving the downturn. A lack of institutional allocator interest and a limited number of fund-of-funds (FoFs) operations globally have tampered the quant fund market significantly. VisionTrack estimates there are roughly 56 active crypto-dedicated FoFs globally with an average fund size of $32m through March 2024. FoFs have traditionally supported quant traders in previous cycles.

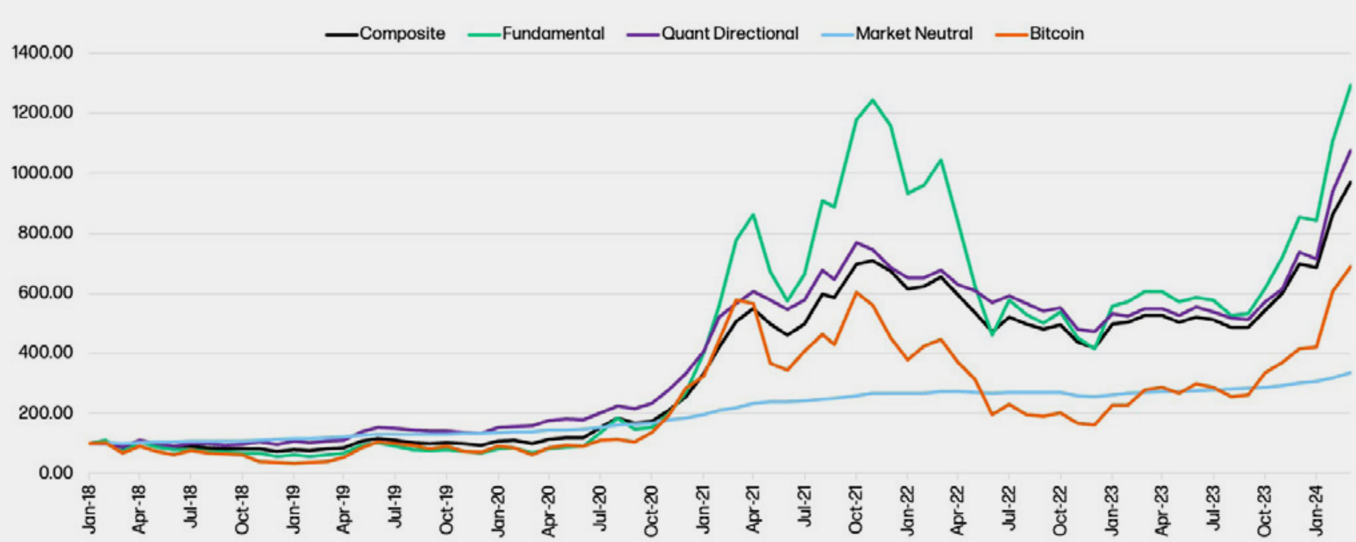
The VisionTrack Quant Directional Index posted its highest recorded monthly gain of +31.26% in February. Bitcoin gained +43.74% and Ethereum jumped +46.28%. Through March 2024 and with early reported estimates, the Quant Directional Index added +15.12% in March bringing its year-to-date performance to +46.41%. Rebased to 100 in Jan 2018, the Quant Directional Index exceeded 1000 units in March 2024, the first time crossing this milestone.

The VisionTrack Market Neutral Index continued its impressive streak of positive performance adding +5.22% in March 2024 with early reported estimates. March's return was the highest monthly gain since August 2020 and the 15th consecutive month of positive returns. Market Neutral strategies in VisionTrack encompass a wide range of variability in reducing market exposures. We classify market neutral funds as strategies including factor model reduction, beta neutral strategies, or absolute return arbitrage opportunities. Additionally, included in this fund categorization are strategies specializing in DeFi liquidity provisioning/yield farming, volatility trading/arbitration, interest rate arbitration, statistical arbitration, and funding rate and basis arbitration.

VisionTrack Crypto Hedge Fund Indices

Source: VisionTrack

VisionTrack™



Data: VisionTrack through 3/31/2024

Annualized Returns, Select ETFs & VisionTrack Indices

Source: VisionTrack

VisionTrack™

Name	Ticker	2024 Return	2023 Return	2022 Return	2021 Return	2020 Return	2019 Return	2018 Return	Jan 2018 - Mar 2024
BBG Galaxy Bitcoin Index	BTC	68.66%	153.01%	-63.83%	58.09%	305.91%	94.37%	-74.28%	395.09%
BBG Galaxy Crypto Index	BCGI	57.34%	139.56%	-70.19%	153.39%	276.70%	7.08%	-81.14%	116.67%
VisionTrack Fundamental Index		53.89%	106.08%	-64.17%	326.79%	300.60%	22.40%	-45.02%	1,207.51%
VisionTrack Quant Directional Index		46.47%	56.40%	-31.11%	105.92%	147.40%	38.89%	-8.80%	918.37%
VisionTrack Composite Index		39.83%	66.26%	-37.85%	162.94%	174.27%	28.23%	-28.11%	860.55%
SPDR S&P 500 ETF TRUST	SPY	10.39%	26.19%	-18.17%	28.75%	18.37%	31.22%	-4.56%	117.57%
VisionTrack Market Neutral Index		10.14%	17.91%	-3.57%	44.21%	38.71%	16.92%	17.96%	245.48%
INVESCO QQQ TRUST SERIES 1	QQQ	8.56%	54.85%	-32.58%	27.42%	48.62%	38.96%	-0.12%	197.92%
SPDR GOLD SHARES	GLD	7.61%	12.69%	-0.77%	-4.15%	24.81%	17.86%	-1.94%	66.37%
ISHARES MSCI EAFE ETF	EFA	5.99%	18.40%	-14.35%	11.46%	7.59%	22.03%	-13.81%	35.56%
ISHARES RUSSELL 2000 ETF	IWM	5.04%	16.84%	-20.48%	14.54%	20.03%	25.39%	-11.11%	49.56%
ISHARES PREFERRED & INCOME S	PFF	4.46%	9.20%	-18.18%	7.14%	7.91%	15.93%	-4.63%	19.29%
INVESCO DB COMMODITY INDEX T	DBC	4.22%	-6.22%	19.34%	41.36%	-7.84%	11.84%	-11.62%	50.19%
ISHARES MSCI EMERGING MARKET	EEM	2.16%	8.99%	-20.56%	-3.62%	17.03%	18.20%	-15.31%	-0.12%
ISHARES JP MORGAN USD EMERGI	EMB	1.54%	10.60%	-18.64%	-2.24%	5.42%	15.48%	-5.47%	2.79%
ISHARES IBOXX HIGH YLD CORP	HYG	1.51%	11.53%	-10.99%	3.75%	4.48%	14.09%	-2.02%	22.09%
SPDR BLOOMBERG 1-3 MONTH T-B	BIL	1.29%	4.94%	1.38%	-0.10%	0.40%	2.03%	1.74%	12.20%
ISHARES TIPS BOND ETF	TIP	-0.07%	3.81%	-12.24%	5.67%	10.84%	8.35%	-1.42%	13.87%
VANGUARD TOTAL BOND MARKET	BND	-0.69%	5.65%	-13.11%	-1.86%	7.71%	8.84%	-0.11%	4.77%
ISHARES IBOXX INVESTMENT GRA	LQD	-0.87%	9.40%	-17.93%	-1.84%	10.97%	17.37%	-3.79%	9.48%
VANGUARD REAL ESTATE ETF	VNQ	-1.28%	11.79%	-26.24%	40.52%	-4.68%	28.87%	-6.02%	32.05%
ISHARES MSCI CHINA ETF	MCHI	-2.48%	-11.22%	-22.76%	-21.73%	27.78%	23.70%	-19.77%	-33.63%
ISHARES 20+ YEAR TREASURY BO	TLT	-3.71%	2.77%	-31.24%	-4.60%	18.15%	14.12%	-1.61%	-13.89%

Data: Bloomberg, VisionTrack through 3/31/2024

Through H1 2023, fundraising for market neutral fund strategies was considerably challenging for several factors. As a result, we have observed in industry, the opportunity set for available talent (quants) shifted attention to market makers and stablecoin companies. One notable company which captured a market-neutral style approach in the form of a stablecoin was Ethena in Q1 2024. Ethena created USDe, a synthetic stablecoin backed by simultaneously trading long/short ETH through a pegged arbitration mechanism, which has most commonly been utilized by proprietary trading desks and market neutral funds for delta-neutral style returns. Ethena raised its seed round in July 2023 when market neutral strategies struggled to source institutional capital. By pivoting to stablecoins, they were able to raise VC funding and grow their TVL to $1.53b by quarter-end 2024.

This is not the first example of a stablecoin protocol resembling the operations of a crypto hedge fund. MakerDAO recently deployed $100m to Spark's USDe/Dai & sUSDe/DAI market on Morph Blue. OlympusDAO operates stablecoin arbitration, proof-of-liquidity lending mechanisms, and range-bound-liquidity to back a decentralized stablecoin. Crypto Foundations and DAOs also operate with similar market-neutral/delta-neutral management solutions to bolster their treasuries and incentivize growth to their ecosystems, protocols, and their top-crypto holdings. Ethena identified a market opportunity in the previous bear cycle to not only execute a common practice delta-neutral hedge, but to also navigated the operational challenges of market makers, exchanges, and custody solutions through a decentralized stablecoin to attract more capital flows.

Top Funds

VisionTrack does not produce granular performance rankings of the crypto hedge funds. The dataset is used to consider top performing funds replicating the underlying methodology in the VisionTrack Indices: Composite, Fundamental, Quant Directional, and Market Neutral. Modifications to the constituent set have been made to be most inclusive of historical fund performance including SMAs. For inclusion in the following analysis, funds must report net of fees and have full monthly performance detail within the given timeframe. Crypto fund strategies in VisionTrack with incomplete performance detail on a month-over-month basis are excluded from the analysis below.

Including early estimates, crypto fundamental strategies including SMAs averaged +51.43% through March 2024. Quant Directional funds and SMAs averaged +43.75%, and Market Neutral funds and SMAs averaged +9.90%. For strategies performing in the top two quartiles, hedge fund fundamental strategies showed impressive performance compared to quantitative strategies. The top performing crypto hedge fund strategy added +169.2% compared to Bitcoin's +66.23% quarterly gain. The top performing quant directional strategy added +89.50% in Q1. The best performing Market Neutral strategy added +20.77% to start the year based on data with early reported estimates.

On average, and as indicated by the VisionTrack Indices, many crypto-hedge fund managers are chasing Bitcoin. Through March

2024, and considering performance in the previous two quarters, Bitcoin gained +162.86%. However, the constituent sets in the top two quartiles inched at or above Bitcoin's performance. The top performing fundamental strategy in VisionTrack recorded +431.7% gain and the top performing quant strategy marked +293.7% with data from Q4 2023 through Q1 2024. Of the VisionTrack constituent set including SMAs, the top performing market neutral strategy added +52.8% in the previous six months.

Fund Terms, Fees, and Subscription Sizes

In early January, preceding the approval of the US BTC Spot ETFs, a two-year fee war condensed in 90 minutes as investment managers competed to attract capital flows. Active strategies attempted to capture net new flows as well by lowering terms/fees for one month only. By quarter-end, fund terms and fees resumed to standard economics for allocators and net new investors. Few firms announced soft locks in March 2024, presumably signifying capacity constraints and pushing away net new investors.

According to VisionTrack, roughly 43.7% of crypto hedge funds have a lock-up period and 5.6% have a soft lock. Firms with a soft lock often notice an early redemption fee, most commonly 1-2% with the highest redemption fee being 5%. As noted in our 2023 Annual Report, 3.8% of VisionTrack constituents had a soft-lock. To start 2024, 5.6% of fund strategies had a soft lock, demonstrating an increase for offered funds.

Crypto Hedge Fund Lock-Ups

VisionTrack™

Source: VisionTrack

	Lock-Up	Soft Lock	No Lock
All Funds	43.72%	5.63%	50.65%
Fundamental	53.13%	6.25%	40.63%
Market Neutral	45.28%	3.77%	50.94%
Quant Directional	29.87%	6.49%	63.64%

Data: VisionTrack through 3/31/2024

Hedge Fund Fees

The average management fee moved slightly from 1.71% to 1.69% year-over-year though the median management fee remained at the standard of 2.00%. In Q1 2024, roughly 65.6% of managers recorded a management fee between 2.00%-2.49%, a slight decrease from the previous year. Less fund managers offered management fees above 2.50%+ from 2023 to 2024. Additionally, there was an increase in the two category buckets, 0.50%-0.99% and 1.50%-1.99%. Both buckets increased their overall percentage year-over-year. A decrease in the number of firms with higher-than-average management fees and an increase in lower management fees suggest management fees declined slightly year-over-year despite the median management fee remaining at 2.00%. As noted in previous reports, often fund managers may incentivize newer share classes or new strategies to bolster their AUM. Through 2023, this is likely the reason as to the slight decrease in management fees.

Crypto Hedge Fund Management Fees

VisionTrack™

Source: VisionTrack

Category	2023	2024
0.00% - 0.49%	7.98%	7.11%
0.50% - 0.99%	0.61%	1.26%
1.00% - 1.49%	15.95%	15.06%
1.5% - 1.99%	3.68%	6.28%
2.00% - 2.49%	66.26%	65.69%
2.50% +	5.52%	4.60%

Data: VisionTrack through 3/31/2024

Performance Fees

Economics are subject to change for crypto hedge fund share classes, certainly with regards to performance fees. Often allocators and fund managers negotiate the terms of a new subscription, aligning incentive structures to best orchestrate a net new investment. Rather than amending management fees, economics are more commonly adjusted though performance fees.

For newer entrants to the market, crypto hedge fund managers have less leeway given a shorter track record. Additionally, it's common to see more experienced managers request a higher performance fee, often a trend seen in traditional financial markets as well. The average and median performance fee for crypto hedge funds in 2024 was 21.7% and 20.0%. The highest performance fees recorded was 50%, though this fund offering did not have a management fee.

Perhaps subject to bias in the dataset, roughly 30.1% of funds recorded a hurdle rate up from 12% in 2023. This figure was not tracked as extensively in previous years, though is improving with time. Often to incentivize the performance of crypto hedge fund managers, a hurdle rate is the minimum rate of return a hedge fund must earn before it may collect performance fees. The most standard hurdle rate for crypto hedge funds appeared to be 8-10%, though some hurdle rates may exceed as much as 30-35%. Again, this is subject to negotiated economics.

Crypto Hedge Fund Performance Fees

VisionTrack™

Source: VisionTrack

Category	2023	2024
0.0%	2.47%	1.38%
10.0%	0.62%	2.29%
15.0%	3.70%	5.50%
20.0%	60.49%	64.68%
25.0%	11.11%	8.26%
30.0%	18.52%	13.76%
35.0%	0.62%	0.92%
40.0%	2.47%	2.29%
50.0%	0.00%	0.92%

Data: VisionTrack through 3/31/2024

Subscriptions

The average and median minimum investment amount for crypto hedge funds through Q1 2024 was $260.2k and $100k. Variance for the minimum subscription size often does not change and maintains standardization from traditional finance catering to family offices, HNWIs, and crypto-dedicated FoFs. Economics might change as some fund strategies work to incentivize larger check sizes to grow AUM. This is not dissimilar to how management fees and performance fees might be amended for capital flows. The highest subscription sizes might reach $2m - $3m in value and almost always have a 12+ month lock-up period. However, these hedge funds are frequently fundamental funds, competing with liquid venture strategies offering better liquidity compared to venture fund structures.

Quant directional and market neutral funds might have higher subscription sizes. For quant directional or market neutral funds with higher subscription sizes, the minimum investment amount might work to cater to a specific LPs, positioning the fund to focus fundraising activities from institutions or a single investor. The targeted LP base influences the subscription sizing. Further, depending on the size of the fund operation and history in the market, a few larger LPs are often easier to maintain than several LPs, thus justifying a higher subscription amount to incentivize longer-term partnerships for growth of the fund program.

AUM/Fund Flows

For several strategies with track records exceeding three years, crypto hedge funds saw net new subscriptions in Q1 2024 continuing from Q4 2023. VisionTrack does not currently collect subscription/redemption detail, however, we do collect monthly AUM by individual fund strategy. Should growth in AUM by strategy exceed the total performance reported, it's assumed managers are seeing an increase in subscriptions.

Data collected by VisionTrack suggests crypto hedge fund sizing trended flat from February 2023 to September 2023 for many fund managers. In our annual VisionTrack report, we estimated the crypto hedge fund market held $15.2b in total liquid crypto AUM. This estimate has since been revised to $16.3b in December 2023 with more data collected. At the end of Q1 2024, the estimated total liquid crypto hedge fund AUM gained additional value surpassing $21.0b in value for the first time since October 2022. Fundamental strategies grew from $12.5b to $16.1b in total AUM. It's estimated by VisionTrack that Market Neutral funds jumped from $1.7b in total AUM to $2.1b in total AUM and quant directional strategies grew from $2.0b to $2.8b in Q1 2024.

Passive/beta offerings including single-asset vehicles and multi-asset index products grew market dominance through Q1 2024. At year-end passive/beta offerings held roughly 76% of institutional liquid fund value. Through the first quarter of the year, their fund dominance grew to 82%, the highest ever. Just one year prior, passive/beta products held 62% market dominance. The drastic movement is a result of the US BTC Spot ETF approval in January 2024. At month-end December 2023 to March 2024, passive/beta products increased from $48.8b to $93.3b in total AUM. BlackRock and Fidelity's newly launched ETFs gained significant traction at the start of the quarter making up nearly $27b of total AUM combined. Additionally, the institutional liquid crypto fund market in visibility eclipsed $100b in total fund AUM, finalizing the quarter at $114b in total AUM according to estimates from VisionTrack.

As more crypto hedge fund strategies become visible, the average and median fund size has decreased quarter-over-quarter. There is a relative bias as the dataset is incomplete and a delta between the entire fund universe and VisionTrack's total dataset still exists. As mentioned prior, the crypto hedge fund market has a long-tail distribution in terms of total fund sizes. For fundamental funds, the median fund size was $26.12m in AUM and the average fund size climbed to $154.5m, the highest level since Q3 2022. Quant directional median fund size amounted to $15.2m in value with an average fund size of $70.3m. Market Neutral funds recorded a median fund size of $25m and an average fund size of $81.7m.

Though crypto-dedicated liquid hedge fund AUM picked up pace in Q1 2024, the top 20 liquid hedge funds still maintain roughly 67.1% of total hedge fund AUM. At the end of the first quarter, it's estimated there are less than 10 crypto-dedicated liquid hedge funds with holdings exceeding $1b in value. VisionTrack estimates there are roughly 50 funds exceeding $100m in total AUM for all liquid crypto hedge fund strategies. Important to note, several venture strategies which have liquid token exposures are not included given their terms/fee structures and investment lock-up periods. These funds, while sharing token exposures, resemble venture fund vehicles and not that of a crypto hedge fund.

Crypto Hedge Fund Average & Median AUM by Quarter

VisionTrack™

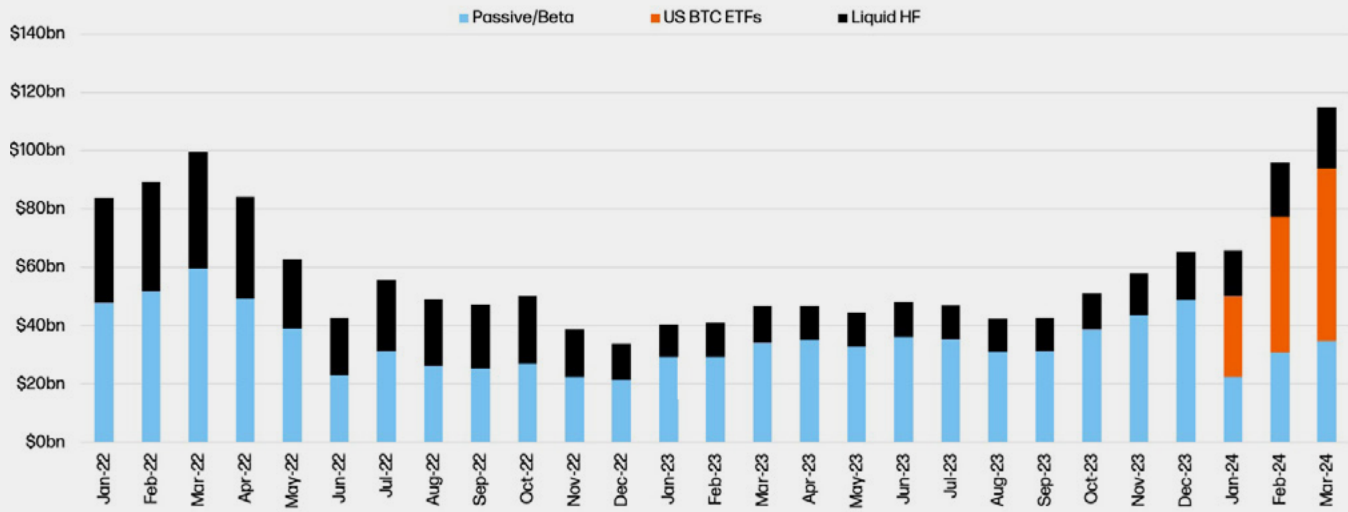
Source: VisionTrack

Fund AUM Size	Strategy Type	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Average AUM Size ($M)	HF Fundamental	$463.42	$211.85	$220.34	$115.65	$85.22	$88.77	$81.11	$115.61	$154.58
	HF Market Neutral	$81.55	$75.84	$71.97	$52.78	$56.35	$56.47	$50.67	$55.28	$70.33
	HF Quant Directional	$44.44	$38.40	$29.71	$22.25	$24.50	$23.10	$33.44	$57.19	$81.77
Median AUM Size ($M)	HF Fundamental	$76.92	$41.82	$41.16	$30.00	$21.25	$23.05	$21.37	$23.50	$26.12
	HF Market Neutral	$50.15	$43.64	$41.12	$24.14	$24.53	$24.98	$17.88	$22.50	$25.00
	HF Quant Directional	$14.00	$14.80	$12.98	$10.00	$10.00	$10.00	$15.00	$15.00	$15.28

Data: VisionTrack as of 5/1/2024

Global Liquid Crypto Strategies Monthly AUM

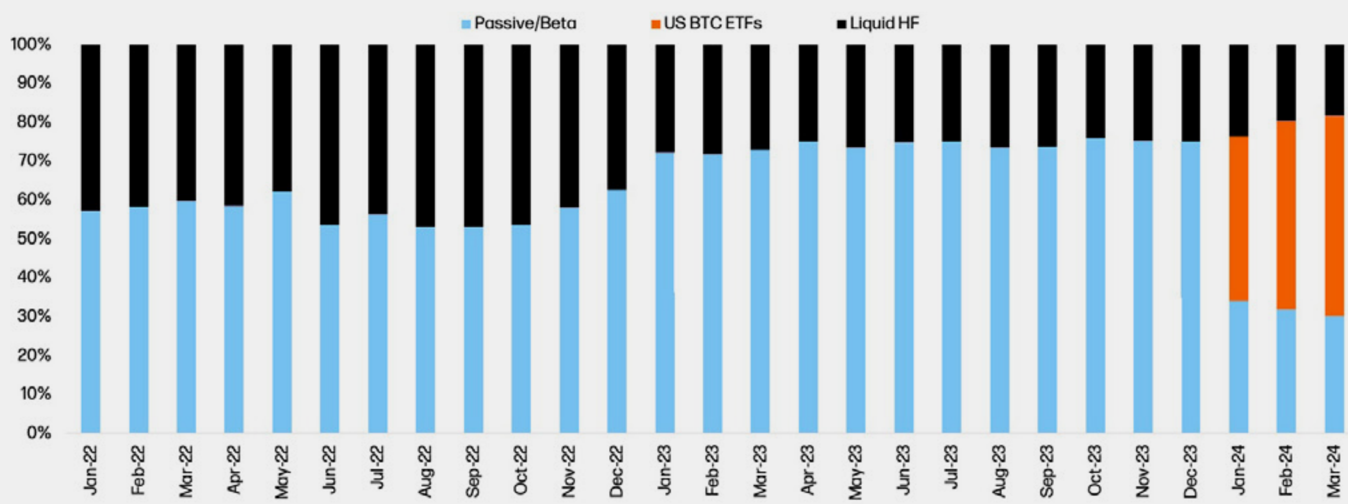
Source: VisionTrack



Data: VisionTrack, Bloomberg

Global Share of Liquid Crypto Strategies AUM

Source: VisionTrack



Data: VisionTrack, Galaxy Asset Management, Bloomberg

Venture

Fundraising

Venture firms raised $1.19b in Q1 2024 across 22 funds. Considering historical quarterly totals, Q1 2024 was on average for the total number of funds raised. However, the average venture fund size has fallen to its lowest level since 2017 despite three significant announcements just at the turn of the quarter from Pantera, Paradigm, and Galaxy. Collectively, the three crypto-native firms aim to raise ~$1.8b in value. These three fund vehicles are not included in Q1 2024 given their April announcements.

The crypto venture fundraising landscape cooled off substantially in the previous two years. According to VisionTrack, since 2012 venture firms have raised 255 fund vehicles exceeding $100m in total raised assets. Over 48% of funds exceeding $100m in value were raised in 2022. We estimate 51 venture funds raised between $250m-$500m. More than half of the funds in this bucket were raised in 2022 and a quarter of the funds were raised in 2021. Historically, 17 venture funds raised between $500m-$1b and only 11 funds exceeded or matched $1b in value according to data from VisionTrack. Since January 2023, 30 venture funds have raised >$100m in value and only 8 funds have raised >$250m to invest in blockchain/crypto companies.

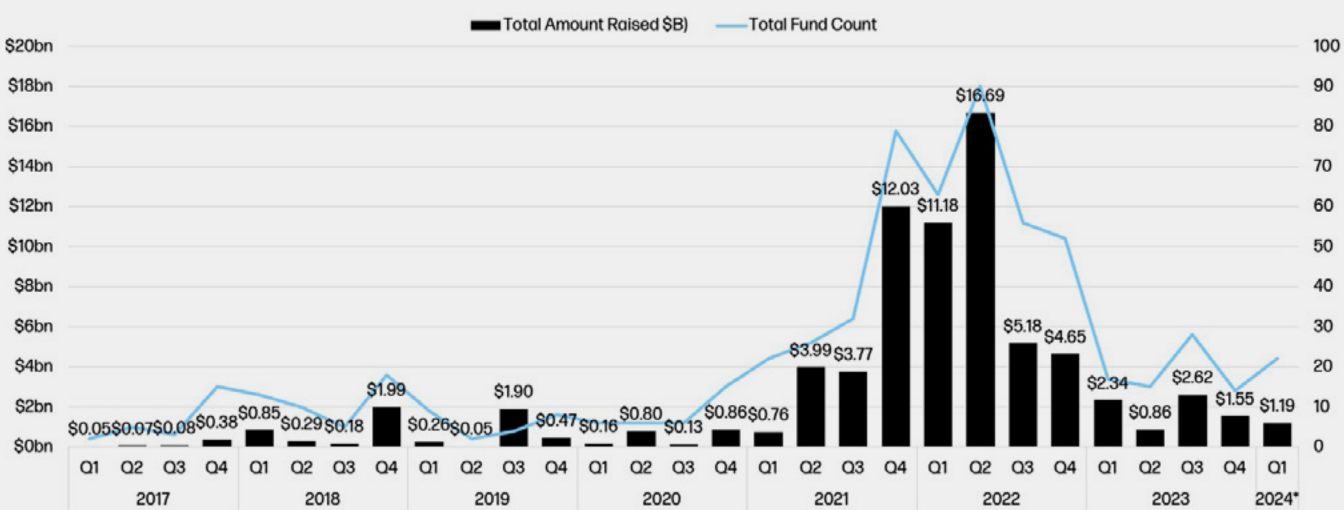
Globally, venture capital firms raised $30.4b in Q1 2024, putting 2024 on pace for the lowest fundraising total since 2015. In the United States, $9.3b was raised across 100 funds reaffirming the dismal start to the year. Conversely, in early April, Andreesen Horowitz announced $7.2b across five fund strategies surpassing expectations from their targeted effort of $3.4b announced in Q4 2023. Given a challenging fundraising environment for all venture strategies, the $7.2b already raised is impressive. Yet, a16z has also announced a $40b Artificial Intelligence fund backed by the Kingdom of Saudia Arabia expected to have its first close in June 2024. This fund's announcement follows Abu Dhabi's $100b target for an investment approach specialized for artificial intelligence and semiconductor investments. Should the Saudi Arabia Public Investment Fund create a $40b fund partnership with a16z, it would be the fourth largest venture fund in history trailing only SoftBank Vision Fund I in 2017, SoftBank Vision Fund II in 2019, and Abu Dabi's targeted fund.

The partnership between Saudi Arabia and Andreesen Horowitz would raise more assets in two quarters than the entire crypto venture fund market since Q1 2022 combined. Including Abu Dhabi's $100b fund vehicle, the two funds would be larger than the entire identifiable crypto fund marketplace, including passive/beta offering, hedge funds, and venture funds through Q1 2024. The significance of this partnership could propel a16z to being one of the 10 largest private capital markets managers globally in an accelerated timeline. The tech world could potentially shift its epicenter of artificial intelligence to the middle east and revitalize the bay area once more.

Global VC Fundraising in Blockchain/Crypto

Source: VisionTrack

VisionTrack™



Data: VisionTrack through 3/31/2024
Does not include open funds

Fortunately for the blockchain/crypto sector, both Abu Dhabi and Saudi Arabia are crypto-friendly nations. Despite the mega-funds for artificial intelligence, crypto-dedicated venture funds have not caught the same momentum. As noted in our 2024 Annual Report, it's uncommon to see mandated later stage crypto venture funds as the blockchain/crypto market is not as robust as traditional venture. Data collected from VisionTrack suggests that almost 90% of crypto-dedicated venture funds are first-time fund managers. Despite many new entrants to the market in the previous 3 years, expectations are that in H2 2024, more powerhouse crypto-native firms will return to market for fundraising efforts utilizing quality performance from 2023 to raise new fund vehicles. Announcements from Pantera, Paradigm, and Galaxy may only be the beginning.

Deals

Through Q1 2024, $2.62b was invested across 631 deals. Considering prior first quarter starts, $2.9b was invested across 781 deals in Q1 2023, $11.83b was invested across 1,393 deals in Q1 2022, and $7.2b was invested across 817 deals in Q1 2021. Deal count and value on a quarter basis increased for the first time since Q2 2023, a positive tailwind in terms of capital deployed. However, the slow start compared to previous first quarters suggest more of a lackluster beginning to the year.

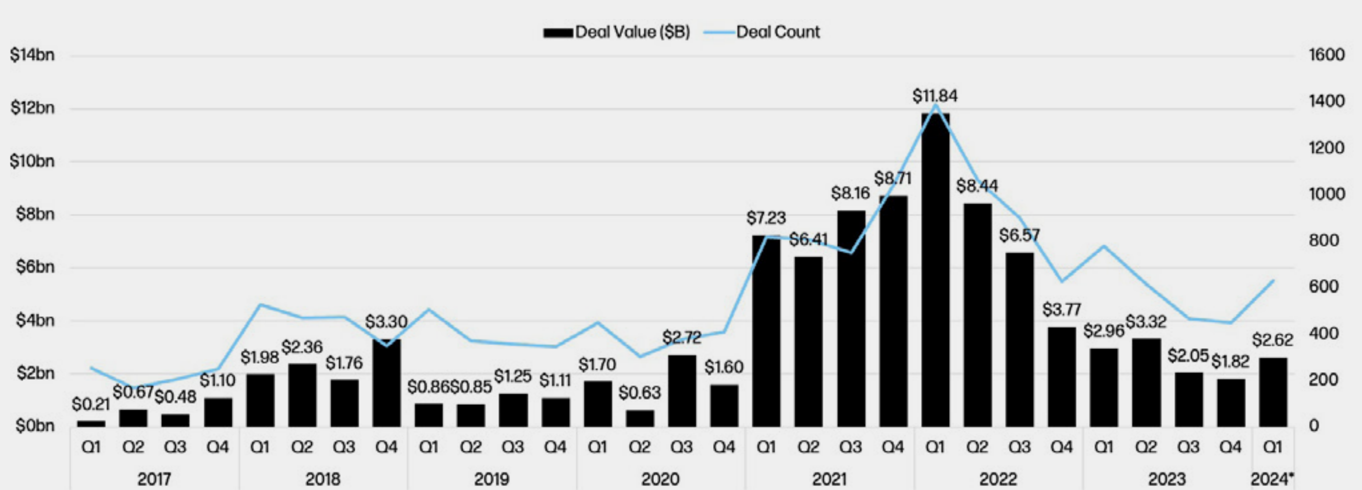
Early-stage deal activity picked up significantly in Q1 2024 alongside Bitcoin's impressive streak. In Q1, over 45.6% of deals were early-stage deals. Compared to previous quarters, early-stage deal activity has not exceeded a share of 40.0% since Q2 2021. Deals segmented by category include pre/accelerator, angel, seed, early stage, later stage, and grant funding. Historically, early-stage deals made up 31.2% of deal counts on a quarterly basis. Later stage deal counts continued to climb above their quarterly average of 6.3%. In Q1 2024, later stage deals count recorded 12.3% of all deals. The category with the most significant dip was seed deals. Typically seed deals average a share of 28.4% on a quarterly basis. In Q1 2024, seed deal counts dropped to 24.7%, the lowest level since Q1 2021. The percentage shift in deal counts showcase that venture investors allocated more capital to early-stage rounds over seed deals while maintaining similar deal behavior in later stage rounds to start the year.

With regards to capital deployed into companies, early-stage deals made up 58.9% of the $2.62b. Seed deals recorded 19.7% and later stage deals recorded 19.4%. Historically, early-stage deals capture 47.9% of deal value, seed deals 15.6%, and later stage deals 31.4%. In terms of total deal value, later stage deals have trended below the historical average since Q1 2023. Through most of 2023, there were very few later stage deals, a challenge still faced by the market in Q1 2024. For early-stage deals, deal value has exceeded 50% of total deal value for three consecutive quarters. This trend has not occurred since Q1 2018 – Q3 2018. Further, later stage deal activity recorded three consecutive quarters below 20% of deal value. This has not occurred since Q3 2016 – Q1 2017. The streaking suggests early-stage deal activity has picked up significantly, taking much attention away from later stage deal opportunities in terms of deal value and capital deployed as a market.

Considering both deal count and value, Q1 2024 was in large part a resurgence of deal activity for early-stage companies. The largest deals of the quarter included Exohood Labs ($112.1m), EigenLayer ($100m), Hashkey Group ($100m), Freechat ($80m), Zama ($73m), and Flashbots ($62m). Of the top 20 deals in the quarter by deal value, 14 were early-stage rounds and only 5 were later stage. The lone seed deal, Zero Gravity, the first modular AI chain, secured $35m in late March.

Global VC Deal Activity ($B) in Blockchain/Crypto

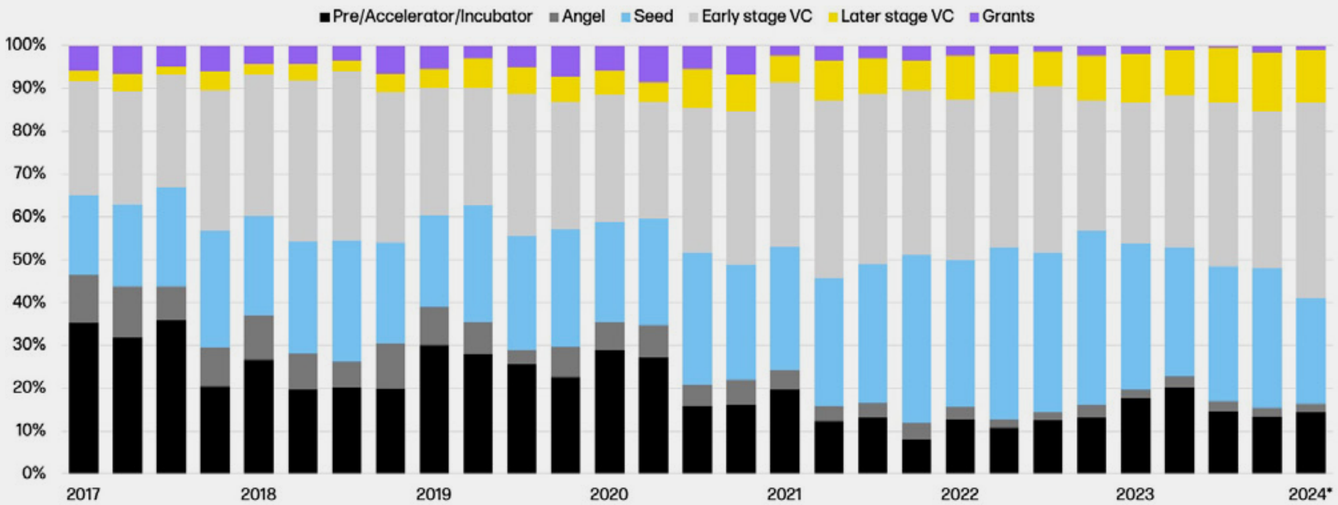
Source: VisionTrack



Data: PitchBook Tech Slice (Blockchain/Crypto) as of 5/1/2024

Global VC Deal Count Percentages in Blockchain/Crypto by Stage

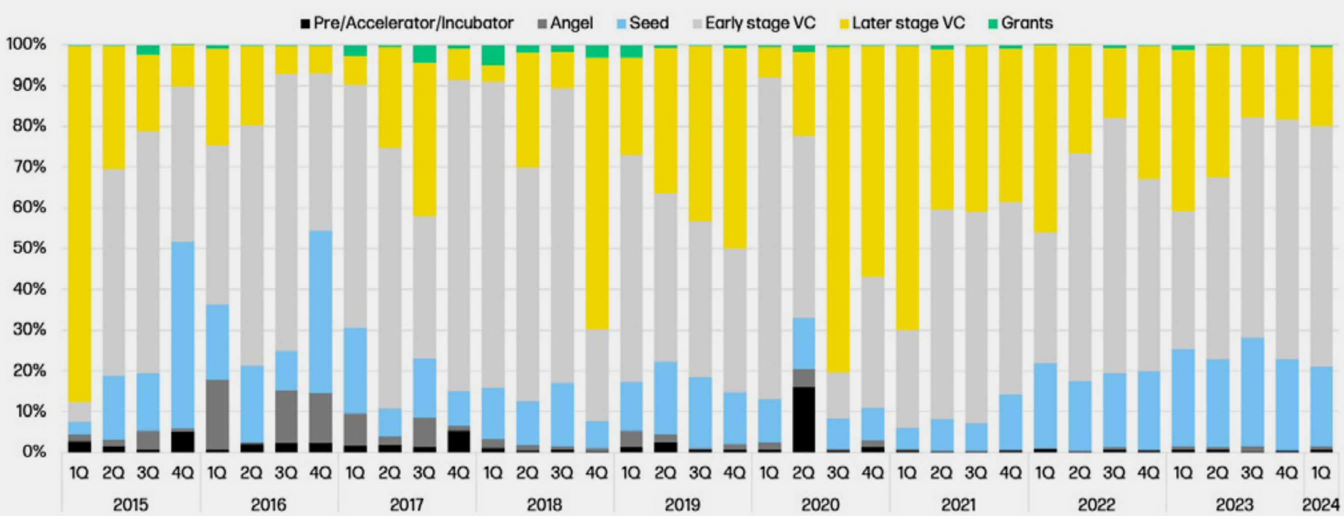
Source: VisionTrack



Data: PitchBook Tech Slice (Blockchain/Crypto) as of 5/1/2024

Global VC Deal Value Percentages in Blockchain/Crypto by Stage

Source: VisionTrack



Data: PitchBook Tech Slice (Blockchain/Crypto) as of 5/1/2024

Valuation Step-ups

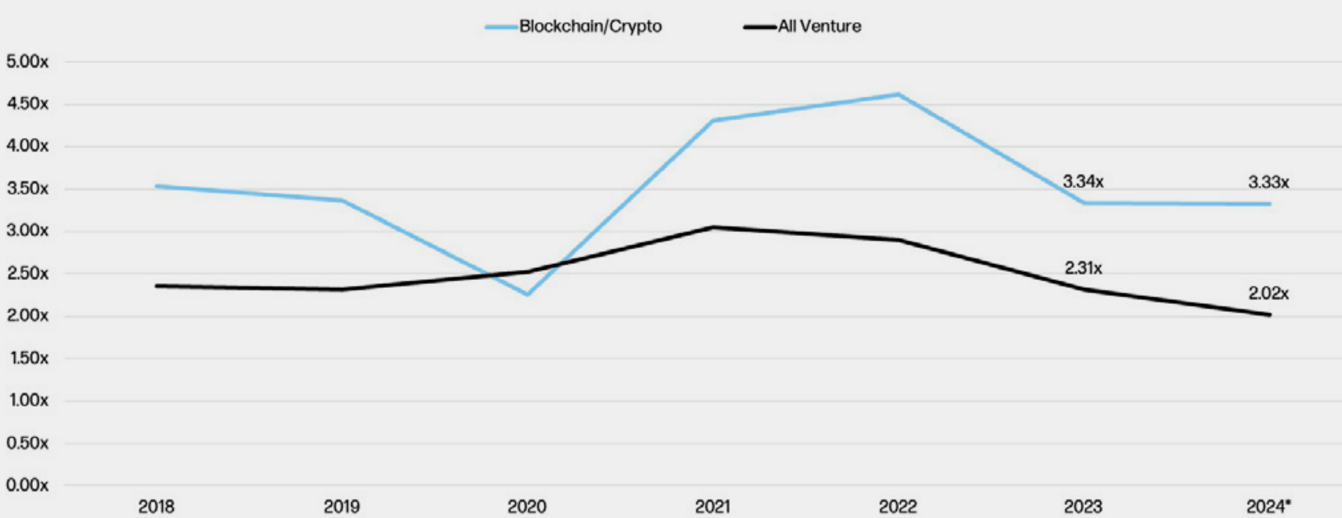
Step-up multiples record the change in valuation from post-valuation to pre-valuation throughout a startup's lifecycle. This metric informs investors of the valuation's growth or decline between two financings. When considering venture deals for blockchain/crypto related companies with a known post-valuation from the previous round and known pre-money valuation in the most recent round, the average and median valuation step-up is expressed as a multiple to indicate the market pricing for a company.

In 2022, blockchain/crypto companies recorded their highest annual step-up multiple of 4.61x. Since then, valuation step-ups between financing rounds have slowly declined. The annual average step-up from post-to-pre beginning in 2018 is 3.54x. Expanding the deal universe to include all venture-backed deals with known pre-money and post-money valuations, the annual average step-up from post-to-pre is 2.49x. Despite a slow decline from average heights, blockchain/crypto companies more frequently have higher step-ups between rounds.

In Q1 2024, blockchain/crypto venture companies recorded on average a 3.33x step-up compared to all venture-backed startups, which recorded an average step-up of 2.02x. This indicates blockchain/crypto companies maintained a higher price between rounds compared to all venture-backed businesses. For startups in the blockchain/crypto space, this is similar to the 2023 annual average of 3.54x, though this includes early reported estimates. Considering the deal universe to include all venture-backed startups, in Q1 2024 venture step-ups were down from 2.31x in 2023 to 2.02x in Q1 2024, a comparable trend. Datasets capturing post-valuations and pre-money valuations are expected to continue to improve and adjustments to these early reported figures will be made. Regardless, over a seven-year time horizon, blockchain/crypto companies continue to have higher step-ups multiples year-over-year.

Valuation Step-up (post to pre) for VC Deals, by Year

Source: VisionTrack



Data: PitchBook Tech Slice (Blockchain/Crypto) as of 4/1/2024

Time Between Rounds

Key-Performance-Indicators (KPIs) vary by business model, yet all venture-backed businesses typically follow a patterned framework for growth trajectory over time. Two more commonly known frameworks include the "J-Curve" and the "S-Curve." A venture-backed startup resembling the J-Curve may not be profitable or experience immediate growth upon its early-stage investments. In a J-Curve, startups may face incumbents or work to prove product-market-fit in the initial years after receiving investment. As the business gains traction, growth may accelerate driving revenues improving the overall valuation. Startups with an "S-Curve" might experience explosive growth shortly after inception or have a critical inflection point prior to entering the company's growth stage. More often than not, companies following an S-Curve might be subjected to market conditions and could be required to pivot to facilitate growth. Regardless, each framework informs investors of the overall health of the company, guiding expectations for the proper timing of investments.

Early in a company's lifecycle, founders and investors focus attention on burn rates to preserve capital and efficiently manage the overall costs of operating the business. A company experiencing accelerated growth may need additional financing, tapping into its existing investor base for a follow-on round.

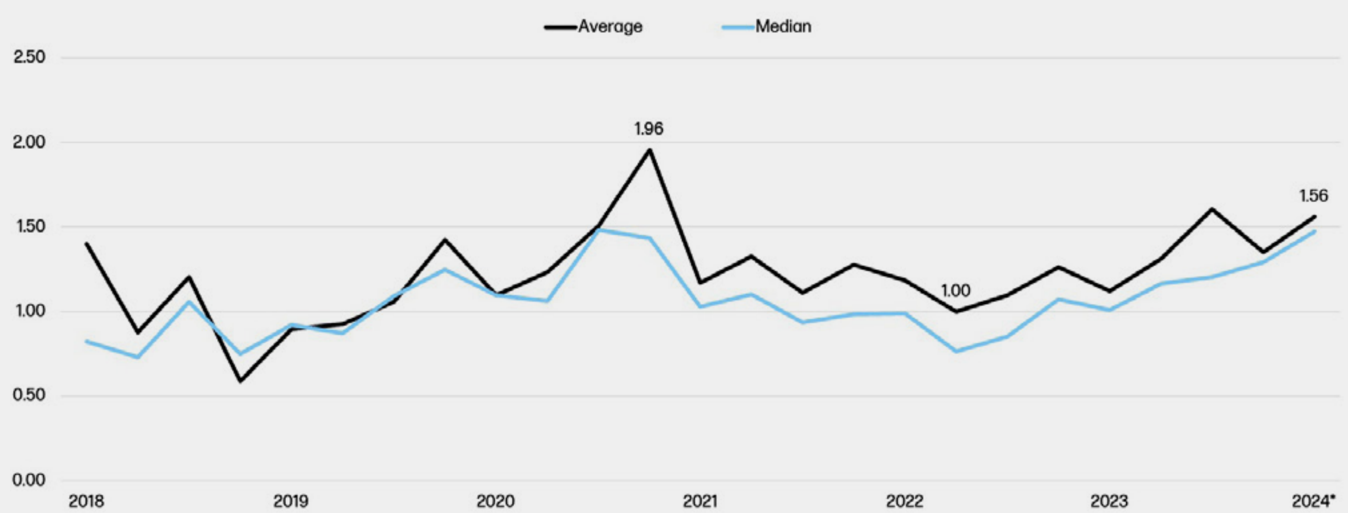
Assessing the time between venture financing may provide indication of the competitiveness of deal activity and how to best manage the costs of portfolio companies as general partner.

A decrease in the time between two rounds might indicate either a lack of available financing (decrease in deal activity) or that the business is profitable and need not turn to additional financing. Segmenting the time-between-rounds by stage may inform trends in deal types with increased investor participation. As deal activity increases, startups receiving investments on shorter time-horizons indicate rapid growth to keep up with market demand. As an example, TaxBit raised a $130mm Series B five months after its $100m Series A in 2021, a remarkably fast-follow considering historical standards for any venture-backed business.

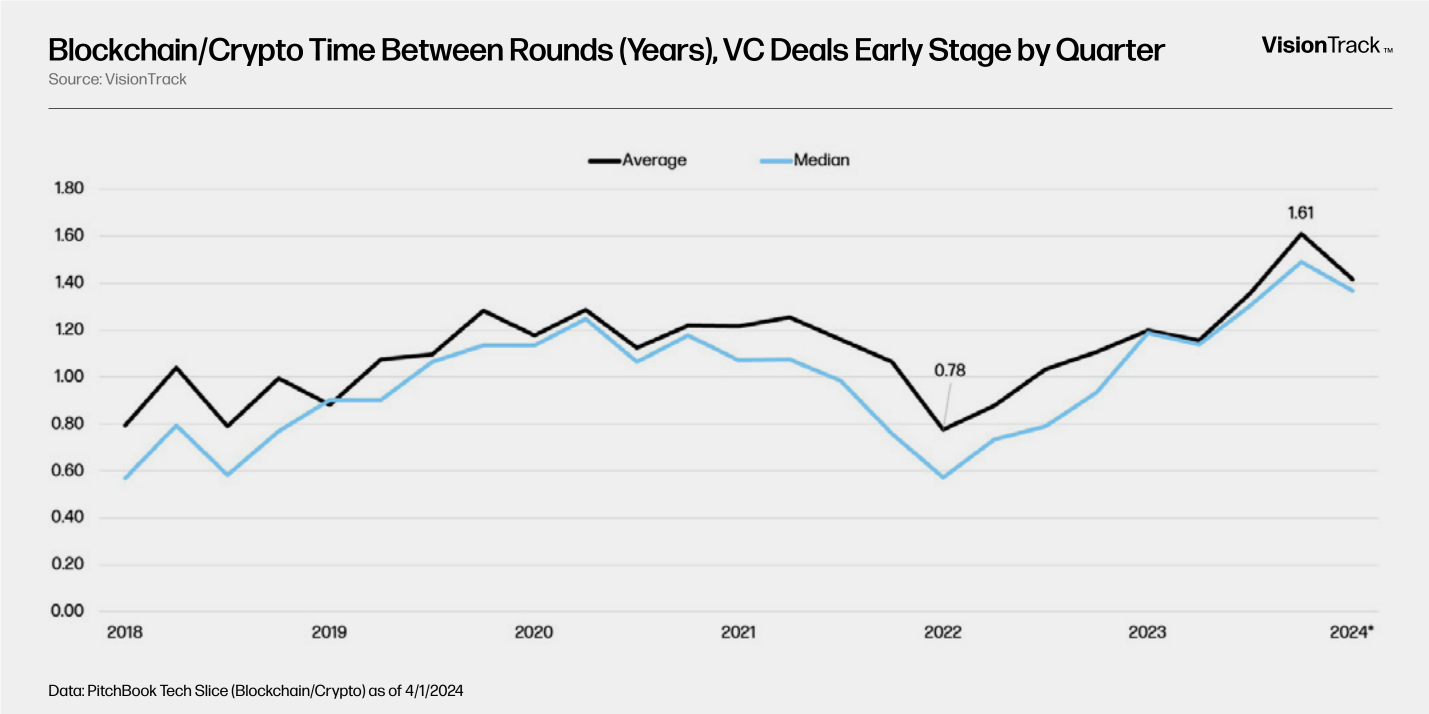
For blockchain/crypto companies in Q1 2024, the average time between a pre-seed and seed investment was 1.47 years, the highest level since Q4 2020. Considering data since 2018 on a quarterly basis, the quarterly average time between financings is 1.22 years. From H2 2022 through 2023, strategically venture investors and startups were very mindful of burn rates, aiming to extend time between venture financings to preserve capital. The highest time between rounds recorded for pre-seed to seed was 1.96 years recorded in Q4 2020, notably one quarter before venture fundraising activity began its significant streak of fundraising.

Blockchain/Crypto Time Between Rounds (Years), VC Deals Pre-Seed to Seed by Quarter VisionTrack™

Source: VisionTrack



Data: PitchBook Tech Slice (Blockchain/Crypto) as of 4/1/2024



The time between financing for early-stage venture deals decreased from its all-time-high of 1.61 years in Q4 2023 to 1.42 years in Q1 2024 suggesting market demand for early-stage venture companies gained traction compared to the previous quarter. The historic quarterly average of time between financings for early-stage deals is 1.12 years. The lowest time-between-rounds recorded occurred in Q1 2022 of 0.78 years, the absolute height for deal activity (dollars invested) and count historically. In Q1 2024, the time between rounds for early-stage deals remained high despite the increase in deal activity. Given the percentage breakdown from early-stage rounds indicated above, companies are not in need of additional financing, or the velocity of deal activity has not picked up to levels seen previously. Should more early-stage companies need financing, this figure is expected to drop throughout the year.

Structurally, the blockchain/crypto venture market is still small in comparison to traditional venture capital so there are fewer later-stage rounds. The same point might be made for the slowly developing M&A and IPO markets for crypto companies. For these reasons, later stage venture-backed businesses surviving the previous market downturn may have moved further along the J-Curve or S-Curve focusing operations on reducing costs in 2023 through 2024. In Q1 2024 the time between rounds for later stage deals was 2.01 years just below the quarterly average of 2.04 years since 2018.

New Investors

Startups typically require several rounds of funding throughout their lifecycle. An investor that participated in a previous round and provides additional funding in a later round is known as a follow-on investor. For all venture markets, startups typically rely on their previous investor base for their next round of financing in addition to some new investors. For all fundraising rounds, often 1-2 investors are follow-on investors in a round. The total count of follow-on investors may increase to 3-4 investors at later stages as the cap table expands and existing investors could look to maintain cap-table dominance though their later stage winners.

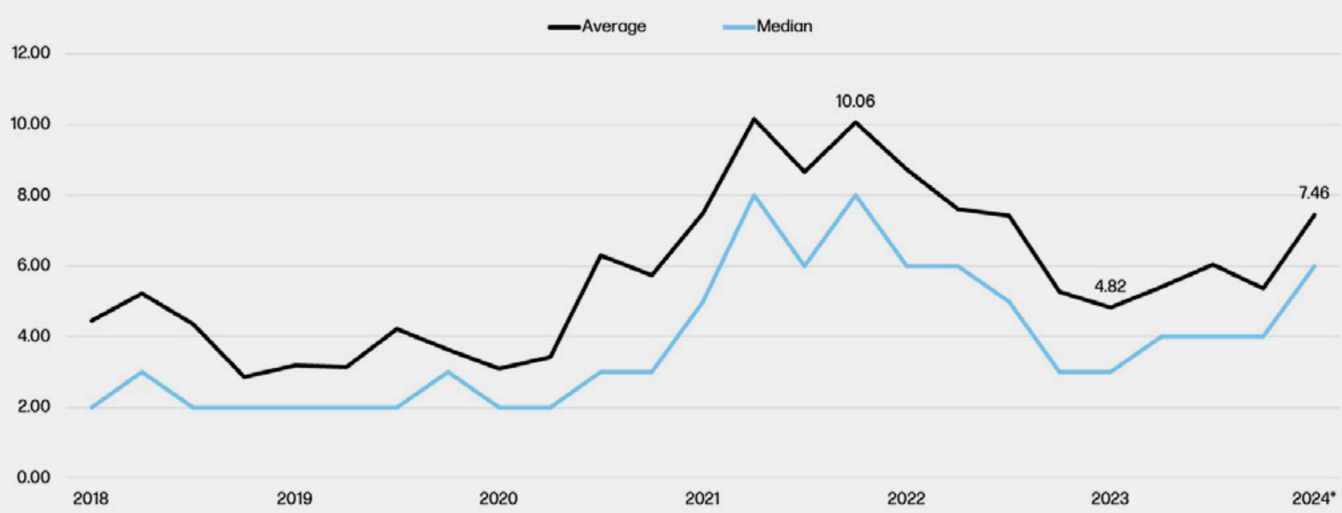
Venture investors have preferences to stages of a company's lifecycle. In crypto, many venture investors primarily focus on pre-seed and seed investments, preserving capital for early-stage follow-on rounds. Interesting to note from blockchain/crypto deals, over time, there has been an increase in the average number of follow-on investors and a decrease in the average number of new investors in early-stage and later-stage deals. This may signify that crypto-native firms are more likely to support blockchain/crypto companies during times of needed financing as opposed to tourist investors in market downturns.

As deal activity picks up across stages, the competitiveness for financing increases. In venture dealing, competitive rounds may push valuations as more investors are eager to participate in earlier financing rounds. Assessing the average number of investors by stage might inform overall participation and attractiveness for venture investments. In Q1 2024, the average number of new investors for pre-seed/seed stage companies was 7.46 new investors up from 5.37 new investors in Q4 2023. Considering quarterly averages, for pre-seed/seed stage companies, 5.77 new investors are expected in a blockchain/crypto round.

In Q1 2024, the total number of new investors in early-stage deals was 4.25 new investors, below the quarterly average of 5.32 new investors. Later-stage deals recorded 2.61 new investors compared to the historical average of 4.64 new investors. The lack of new investors in later-stage rounds might be of concern as there is less participation, making later-stage financing rounds harder to source.

Blockchain/Crypto Count of New Investors in Pre-Seed & Seed Deals

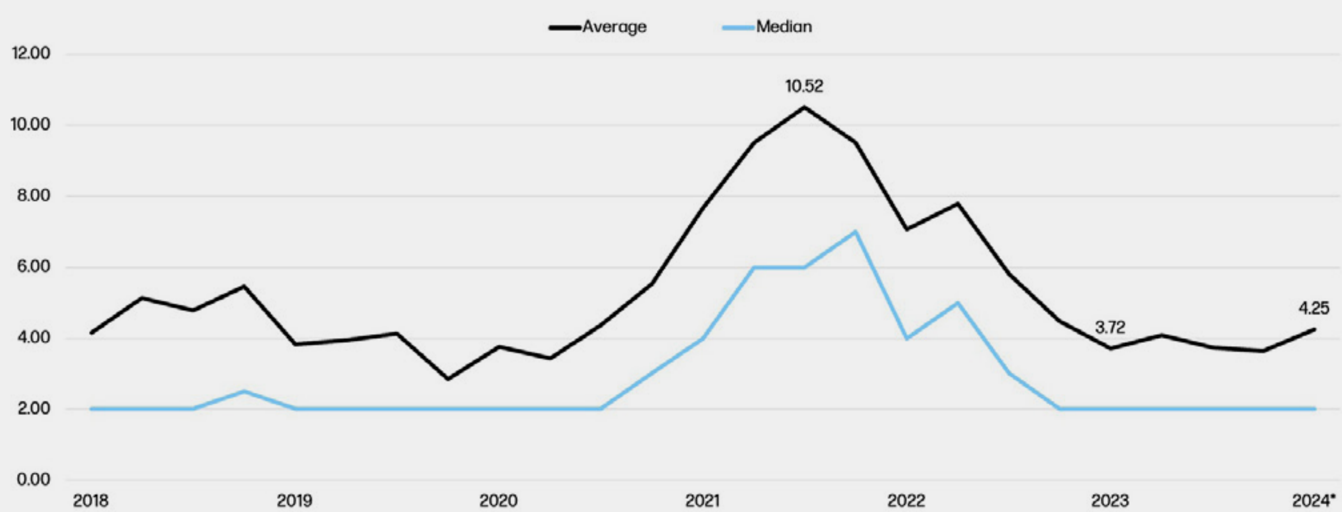
Source: VisionTrack



Data: PitchBook Tech Slice (Blockchain/Crypto) as of 4/1/2024

Blockchain/Crypto Count of New Investors in Early-Stage Deals

Source: VisionTrack



Data: PitchBook Tech Slice (Blockchain/Crypto) as of 4/1/2024

Gleaning insights from the dataset, there has been less new investor participation in later stage rounds though a sizeable uptick in pre-seed/seed deals. For pre-seed/seed deals, the number of participants peaked in Q2 2021 with an average of 10.17 new investors. Q4 2021 was the only other time historically with more than 10 new investors in a pre-seed/seed round. Notably, new investor participation coincides with the price of Bitcoin. As liquidity moves back to the market, we have seen that new investors are eager to find opportunities in the earliest stages. Fast forward to today, the most recent quarter tallied a quarterly average of 7+ new investors for the first time since Q3 2022 which indicates heighted deal participation for the seed deal segmentation.

For early-stage deals from Q1 2021 – Q2 2022, the venture "bull-run", the average new investor count was 8.68 new investors. As exuberance in venture fundraising took off, competition for early stage dealing grew. For traditional investors, justifying a Series A investment in 2021 – 2022 was likely easier than pre-seed and seed deals at the time given the company's stage. Since Q1 2022, the quarterly average participation of new investors has not grown to previous highs. In Q1 2024, the total new investor count was 4.25 new investors, well below the historical average of 5.32 new investors and "bull-run" average of 8.68 new investors. The low count of new investors in early-stage rounds suggests this deal segmentation has not seen the same competitive landscape compared to Q1 2021 – Q2 2022. Put differently, this metric suggests traditional investors have not returned to the market with the same level of interest and participation.

Democratizing Venture Investing

Traditional venture capital investing follows a strict pipeline as indicated above. In crypto markets, the model can differ as blockchain/crypto market participants aim to democratize early-stage investment opportunities eliminating centralization between startups and their users. In 2017, initial coin offerings (ICOs) momentarily surpassed early-stage venture capital funding for startups, a notable moment in crypto tokenization history. The ICO boom and subsequential bust was faced with heavy criticism from regulators and market participants as investor protections were undefined. Eventually, though the launch of decentralized exchanges in 2019, Initial Dex Offerings (IDOs) aimed to eliminate centralized entities once more giving rise to decentralized finance. In the previous market cycle, decentralized finance platforms grew in immense popularity evolving traditional venture investing models. By late 2021 market participants pushed for more fair launch tokens as treasuries, decentralized autonomous organizations (DAOs), and early-stage investors formed unconventional marketplaces for pre-seed/seed and crowdfunding rounds.

To address market demands of fair token launches, startups were creative with their token distributions. Two examples from 2021 of methods democratizing early-stage participation occurred at Pendle Finance and Impossible Finance. In April 2021, Pendle announced Liquidity Drop Boostrapping (LDB) where every 6 hours, single-sided tokens were dropped to a liquidity pool providing investors with discounted opportunities to purchase tokens on the open market. Similar in principal but different in approach, Impossible Finance sourced over 125 institutional and angel investors for a $7m venture fundraising capping all investors to a targeted investment amount.

For crypto participants, there has been a desire to participate early in fair token launches and democratize the pre-seed/seed stage investment process, which remains a core interest to crypto enthusiasts. As indicated in our 2023 VisionTrack Report, as venture capital fundraising outpaced crypto company development in late 2021 and 2022, deal-making shifted in favor of quasi-equity venture investments institutionalizing capital formation to a similar model of traditional venture capital.

Throughout 2023, crypto venture capital funds then introduced point-based incentive structures for users of venture-backed blockchain/crypto companies. While point systems might vary by company, points in large part are off-chain rewards accumulated through use of blockchain/crypto protocols. In some ways it's antithetical to the promise of decentralized finance, but when liquidity is tight in the market, deal-shifting typically favors venture funds over the users.

In early Q1 2024, Chris Dixon of a16z argued tokenized assets are too powerful and the financial aspect of the market is overwhelming. He argued that point systems help tamp-down on speculation enforcing longer-time horizons of innovation. While point-systems are still new for blockchain/crypto users, as liquidity returned to the market so did speculation on tokenized assets. In Q1 2024, meme coins raced to new highs. Pump.fun, a permissionless website allowing anyone to create and bootstrap funding for a meme coin grew in great prominence. The shift in deal-making in favor of quasi-equity venture investments and off-chain point systems was not aligned with crypto market participants in Q1. Meme coin speculation might be attributed to incentive structures not abiding by fair token launches or decentralized market offerings.

As tokens have appreciated in value, so to have angel networks. In the final weeks of Q1 2024, Echo, an angel investment platform gained reached 2.22k daily-active-users two weeks after launch suggesting aspirations for more democratized investment opportunities in early stage investments. A few weeks prior, BidClub, a membership-based investment-idea sharing platform for longer-form theses around publicly listed cryptocurrencies launched its closed beta as well. The two angel networks supported by long-time crypto investors suggest more crowdfunding opportunities for individual investors, democratizing the pre-seed/seed investment process through 2024.

Cumulative Market Comparison

As indicated in previous commentary, investable assets might be parsed into four categorizations; liquid assets, on-chain RWAs, non-fungible tokens, and venture-backed companies. For liquid tokens and at the time of writing, Coingecko lists 95 tokens with a market capitalization of $1b in value. This categorization of 95 tokens largely includes cryptocurrencies, native L1 tokens, stablecoins, and a handful of meme coins. Only 14 assets exceed a valuation greater than $10b in value and of the liquid 95 tokens, several might be considered tokens of zombie companies which have facilitated speculative trading behaviors with little to no traction, users, or tangible adoption.

The tokenized treasury market gained major attraction in the blockchain sector though 2023 as an alternative to stablecoins bridging traditional institutions with crypto-native firms. As tracked by RWA.xyz, the tokenized treasury market includes US treasuries, bonds, and cash equivalents offered on-chain. At the time of writing, the on-chain tokenized treasury market has grown to $1.17b in total value, up from $405m one year ago. The three largest products include Franklin Templeton's OnChain US Government Money Fund ($380m), BlackRock's USD Institutional Digital Liquidity Fund ($304m), and Ondo's US Dollar Yield Fund ($119m). Various firms such as Hashnote, Superstate, and Maple Finance continue to build out a marketplace for more on-chain treasury products. While an exciting exemplary integration of blockchains with traditional financial products, the US treasury market dwarfs the on-chain market suggesting the tokenized real-world asset market is decades away from mainstream adoption.

NFTs took many hits through the previous bear market as liquidity and interest dwindled over time. Despite permeating pessimism from market participants, the total market capitalization of NFTs on Ethereum was $6.71b at the time of writing. The top brands on Ethereum through Q1 2024 as indicated by their collective value of assets for each firm were Yuga Labs ($1.9b), Art Blocks ($531m), The Igloo Company ($420m), Remilia Collective ($219m), and Animoca Brands ($182m). On a project basis, only CryptoPunks exceeded a total market capitalization greater than $1b in value. Beyond Ethereum, Bitcoin NFTs, ordinals and inscriptions, gained significant traction in Q1. Projects such as NodeMonkes, Bitcoin Puppets, Ordinal Maxi Biz (OMB) all exceeded project-level market capitalizations of $100m in value at the time of writing. For Solana, Mad Lads was the sole NFT project exceeding $100m in total market capitalization. Combining the top three chains for NFTs, the total marketplace for NFTs holds a cumulative value of $8-10b in value most notably attributed to profile picture categorization.

The NFT marketplace is quite small and has not reached previous heights set in 2021 or 2022. For comparison, as reported by Bank of America's Art Market Update, auction sales recorded $11.1b in total sales across 114k lots in 2023. The global art market has an estimated value of $520b at year end-end 2023.

With the best available datasets, the venture-backed blockchain/crypto market in terms of available and identifiable assets is still a fraction of the cumulative value of all venture-backed markets. PitchBook's Unicorn Companies tracker indicates 1,387 active unicorns with the total VC raised reaching a cumulative value of $4.30t. Included in this cumulative value are former unicorns which have since exited through M&A or an IPO. Examples might include Coinbase, Roblox, Snowflake, and Rivian Automotive. According to CB Insights, the total number of active unicorns globally is 1,235 with a cumulative value of $3.85t, a figure not including unicorns which have since exited. The top companies by their most recent valuation include ByteDance ($225b), SpaceX ($150b), OpenAI ($80b), Stripe ($65b), etc.

Through Q1 2024, there were 96 venture-backed unicorns in the blockchain/crypto market globally, according to PitchBook. Valuation data utilized for this analysis is provided with the last known valuation date, which may often be stale and not in accordance with secondary market activity. The cumulative total of blockchain/crypto companies is $356b, roughly 9.2% of the total venture market when compared globally. Only 9 companies exceed a post-valuation greater than $10b in value also known as decacorns. Further, of the list of the 96 unicorns, roughly 10% have launched a token. This includes firms such as Ripple, Ava Labs, Worldcoin, Aptos Labs, and Uniswap. New entrants to the unicorn categorization in Q1 2024 included companies such as Celestia and Injective Labs among others.

Private capital market datasets do not include liquid tokens or NFTs in their unicorn status despite holding equivalent value. Considering these four categorizations on an asset level and ensuring no double counting, there were roughly 180-190 liquid tokens, NFT projects, or venture-backed businesses exceeding $1b in value by total market capitalization. Compared to the entire venture-backed market globally, crypto unicorns tally ~12% without exclusion of stablecoins or zombie companies with little to no active development. In short, the investable universe of crypto assets aside from Bitcoin and Ethereum is still small when contextualized to other venture markets.

Geographical Adoption

Investment managers with crypto-dedicated platforms continue to headquarter in the United States. VisionTrack defines investment platforms as firms operating a venture fund, a hedge fund, and/or passive/beta products. Through Q1 2024, VisionTrack estimates there were 227 active crypto-dedicated platforms globally. The United States leads the way with 94 firms, followed by Singapore, the United Kingdom, Hong Kong, and Switzerland. Through 2023, although many firms are headquartered in the United States, most have established offshore fund operations in the Cayman Islands, British Virgin Islands, or Bahamas to tap liquidity in offshore exchanges and market makers as well as source LPs. Considering overall counts, the Cayman Islands significantly grew year-over-year jumping to 53 total firms across platforms, venture firms, and hedge fund firms.

Crypto-dedicated venture firms and hedge funds maintain a global investment approach despite having a central location for business operations and jurisdictional requirements. According to VisionTrack, there are 160 active crypto-dedicated firms in New York, the most popular city for institutional-grade crypto funds. London, Singapore, San Francisco each follow with 100 active firms. Notable cities that have gained fund entities from 2023 to 2024 included London, 97 firms to 116 firms, and Zug, 22 firms to 37 firms. As more firms opened offshore entities, corresponding cities grew in overall visibility year-over-year in places Gibraltar and George Town. Cities with organic crypto firm entity growth included Dubai, Seoul, Sydney, Istanbul, and Luxembourg.

By utilizing a variety of off-chain datasets including regulatory filings, population data, bitcoin mining detail and other factors, CoinCub provides country rankings informing institutions and investors to the countries growing their presence in the blockchain/crypto markets. Sub-categories include financial services, web3 population participation, web3 environmental impacts, crypto-trading ease, web3 talent, crypto tax frameworks, and crypto-fraud tracking. Sub-factors impacting the scoring include stablecoin legislation, companies with Bitcoin treasuries, total exchanges, the ICO market, geolocation Bitcoin mining facilities, etc. Datasets as tracked by Coincub suggest the United States leads the way forward followed by Germany, Singapore, Hong Kong, Switzerland, and Australia.

Retail participation is not a quality indication of how the institutional fund world is developing. Although cryptocurrency exchanges might service millions of customers, the institutional marketplace is a much smaller market. Regardless, earlier in the quarter, Crypto.com Research indicated global cryptocurrency owners increased by 34% in 2023, growing from 432 million in January 2023 to 580 million in December 2023. Additionally, The Global Crypto Adoption Index, as published by Chainalysis, weights five sub-categories based on a country's usage of different types of cryptocurrency services. The categories are based on centralized service value, retail centralized service value, peer-to-peer exchange trading volume, decentralized finance value received, and retail decentralized value received. As published in Q3 2023, India, Nigeria, Vietnam, the United States, and Ukraine ranked as the top five countries with increasing market participation and adoption for retail users.

Data from VisionTrack suggests that even though the United States ranks as a top player in both retail and institutional adoption methodologies, the scaling to which institutional participation occurs is slower than retail participation. Institutional players aim to position in countries with deeper capital markets among the presence of traditional institutions, whereas retail-focused crypto companies aim to provide financial services to the unbanked in emerging markets.

Active Investor Count by Country

VisionTrack™

Source: VisionTrack

Country	Hedge Fund	Platform	Venture	Total
United States	242	94	294	630
United Kingdom	50	17	58	125
Singapore	23	18	68	109
Hong Kong	16	15	50	81
Switzerland	31	11	19	61
Cayman Islands	26	5	22	53
China	3	6	42	51
Australia	16	9	18	43
United Arab Emirates	7	2	31	40
Germany	8	8	15	31
Canada	11	6	12	29
South Korea	6	2	19	27
Netherlands	8		15	23
Vietnam	2	1	19	22
France	11		9	20

Data: VisionTrack as of 3/31/2024

Conclusion & Outlook

In Q1 2024, the approval of the US BTC Spot ETF was a major institutional milestone for the blockchain/crypto market by traditional financial firms. For Bitcoin enthusiasts, it was a historical moment of acceptance after decades of lawsuits and scrutiny. However, through Q1 2024, there are less than 250 crypto-investment platforms offering intuitional-grade investment fund solutions. As the asset class continues to evolve so will the investment strategies and means to gain exposure to the industry.

From an allocator's perspective, timing the market with a proper fund vehicle is challenging. The market through 2023 and Q1 2024 consolidated heavily to Bitcoin as seen in consistent market dominance on an asset level and fund level. Though Bitcoin reached a new all-time-high in Q1 2024, the crypto venture and hedge fund markets have not recovered to their previous heights. Through the remainder of 2024, expectations to actively managed fund strategies remain a goal of market participants. Fueled by both positive returns in 2023 and pockets of under allocated sub-verticals, it's expected that firms will aim to capitalize on Bitcoin's strong start to the year to support industry growth.

Contact Us

If you are a digital asset fund manager and would like to contribute your performance results to VisionTrack to be eligible for inclusion in our VisionTrack Indices, please reach out to us at visiontrack@galaxy.com.

For more information on our updated methodology as well as downloadable monthly data, please visit our website at https://visiontrack.galaxy.com.

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