

Crypto Hedge Fund Performance Update

APRIL 2024

Bailey York • Data Associate, VisionTrack

Crypto markets pulled back in April after a strong rally to start the year. The VisionTrack Crypto Hedge Fund Composite Index fell -11.37% in April based on early reported estimates. The VisionTrack Fundamental Index dropped -19.41%, the VisionTrack Quant Directional Index fell -5.40%, and the VisionTrack Market Neutral Index lost -0.72%. For Market Neutral funds, the down month was the first drawdown in 15 months.

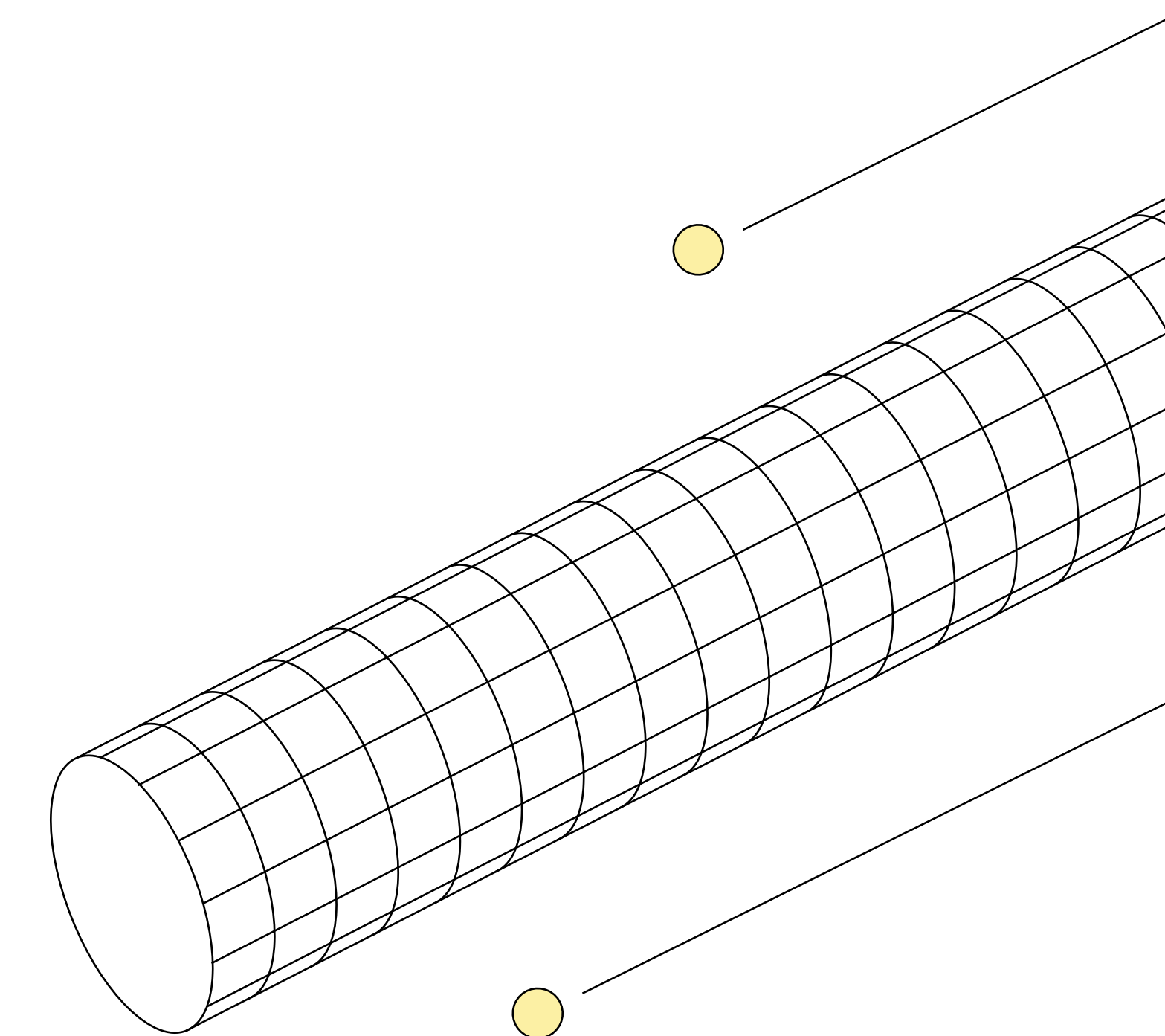
Through April, the VisionTrack Fundamental Index gained +23.06% trailing Bitcoin's +39.49% yearly gain. Including early reported estimates and through April, the VisionTrack Quant Index added +38.43% just shy of Bitcoin. The market neutral index grew +9.45% through April, the best start since 2021, despite the April pull-back.

Bitcoin began trading just above \$70k in April and ended the month just below \$60k. Investor sentiment at the start of the month was viewed as a healthy pull-back from momentum in February and March. For quant directional strategies, April presented an opportunity to outshine compared to the buy-and-hold investment approach. Since January 2021, considering monthly performance, Bitcoin has dropped -10.00% or more in ten of forty months. Across these forty months, the VisionTrack Quant Directional Index limited drawdowns, providing investors with some downside protection. The average return for the Quant Directional Index in months when Bitcoin has dropped -10.00% or more is -5.97%.

April's pullback for Bitcoin led to more fundamental evaluation of alternative cryptocurrencies, notably for newly launched tokens with high fully-diluted valuations, low market capitalizations, low float, and token unlocks expected for 2024-2026. In momentum-driven markets, FDVs are generally ignored. While many industry-participants remain optimistic in the long-run, fundamental research to the value of tokens became more prevalent in April tempering investors' expectations with more grounded evaluations.

Before the market capitalization/fully-diluted valuation story caught hold of the market, another notable trend in April was the distribution of locked tokens at steep discounts. It is estimated locked Solana was trading at \$60-65/token when its public market value was at \$130-\$150/token. This change of hands brought more attention to the crypto venture-backed OTC markets, which in terms of sizing, are much smaller compared to traditional venture markets. Visibility into the secondary market for crypto venture assets (Equities, SAFTs, Locked Tokens) developed in early 2023 as means for investors to reduce crypto exposure from FTX or challenging macro headwinds. STIX is one of the few firms working to bring more visibility to OTC pricing for secondary markets, offering accredited investors ample liquidity for venture-backed assets. In May, STIX indicated many protocols and foundations blocked OTC trades to prevent price discovery on highly valued assets at lower than market prices.

In early May, Presto Labs publicly commented on the top 10 projects launch in 2024, noting the low float of many new tokens stating an average Market Capitalization/Full-Diluted Valuation (MC/FDV) ratio of 0.12, indicating 12% of the total tokens are in circulation. At existing valuations, \$60b of value would be needed to sustain the top ten projects over the next five years. Commentary regarding high FDV/low float tokens became so prominent in April and early May, recently, Binance Research published a historical analysis of MC/FDV tokens indicating that in 2022 the MC/FDV ratios were at 41.2%. Considering all tokens, Binance estimates \$155b worth of tokens will be unlocked from 2024 to 2030 at current valuations. Binance Research concluded by stating, "Project teams and VCs should work together to ensure equitable supply distributions and reasonable valuations."



CRYPTO HEDGE FUND VisionTrack Composite Index	APRIL 2024 -11.37%	LATEST VALUE 871.83	YTD 25.14%
CRYPTO HEDGE FUND VisionTrack Fundamental Index	APRIL 2024 -19.41%	LATEST VALUE 1052.96	YTD 23.06%
CRYPTO HEDGE FUND VisionTrack Quantitative Index	APRIL 2024 -5.40%	LATEST VALUE 1022.55	YTD 38.43%
CRYPTO HEDGE FUND VisionTrack Market Neutral Index	APRIL 2024 -0.72%	LATEST VALUE 331.62	YTD 9.45%
Bitcoin	APRIL 2024 -16.09%	LATEST VALUE 579.45	YTD 39.49%

Structurally, the market is working through assumptions as early venture investors defend valuations and prepare for future token unlocks. As indicated in our [Q1 2024 VisionTrack report](#), its estimated crypto hedge funds held \$21b in total AUM and venture firms have raised or announced approximately \$3-4b year-to-date. The [total liquid crypto hedge fund market](#) is estimated to be half of the value compared to March 2022. As commented many times in the past, allocator capital rotated fund value from liquid hedge funds to longer-term venture vehicles in 2022. The shift in fund structures impacted the deal types, leading to the current market structure. Though April 2024, there is not enough institutional liquid fund value with alternative cryptocurrencies exposure to maintain these valuations over the next 2-3 years. Either liquid hedge funds need to raise more assets or top cryptocurrencies, notably Bitcoin, Ethereum, and Solana, need to rally as core crypto assets become the source of LP gains for more rotational value into new crypto assets. This phenomenon is commonly referred to as an “alt-cycle” that many crypto investors have relied on in previous market cycles.

It's worthwhile to mention part of the reason memecoins have been the top-performing sub-sector of the crypto market through April is due to their tokenomics. Most all memecoins have an equal MC/FDV ratio removing sell-pressure assumptions over a longer time-horizon. The prevalence of memecoins cater to liquid traders on the primary markets, who are not commonly involved early-stage venture deal flow or discounted OTC transactions.

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 contributing fund managers, we ask to update your service provider detail as changes are made so to best reflect accurate, credible detail.

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

Connect with Us

All individual hedge fund level monthly performance and constituent funds of the VisionTrack Crypto Hedge Fund Indices are GP-contributed, opt-in contributors to our VisionTrack Database. If you are interested in API access to our historical and monthly Index fixings or underlying constituent set, please reach out to us at visiontrack@galaxy.com.

Full criteria for inclusion in the VisionTrack Indices is available by viewing our [Index Methodology](#). If you are a crypto or digital asset fund manager and would like to contribute your performance results to VisionTrack to be included in our VisionTrack Indices, please reach out to us at visiontrack@galaxy.com.

Disclosures

The VisionTrack Data Dashboard and the VisionTrack Database are provided for informational purposes only and should not be relied upon for the basis of any investment decisions. The content provided herein should not be considered investment advice, and is not a recommendation of, or an offer to sell or solicitation of an offer to buy, any particular security, strategy, or investment product by Galaxy Digital or its affiliates to buy or sell any securities. Except where otherwise indicated, the information is based on matters as they exist as of the date of preparation and not as of any future date and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.

The VisionTrack Crypto Hedge Fund Indices are a family of crypto hedge fund indices owned and administered by VisionTrack and Galaxy Vision Hill Group, LLC. The VisionTrack Crypto Hedge Fund Indices are designed to represent the overall performance of actively managed crypto and digital asset-focused hedge funds. Performance of an index is not illustrative of any particular investment. It is not possible to invest directly in an index. Historical performance is not indicative of future results. Performance information for the indices is provided for informational purposes only. The content provided herein should not be considered investment advice, and is not a recommendation of, or an offer to sell or solicitation of an offer to buy, any particular security, strategy, or investment product.

Certain statements reflect Galaxy's views, estimates, opinions or predictions (which may be based on proprietary models and assumptions, including, in particular, Galaxy's views on the current and future market for digital assets), and there is no guarantee that these views, estimates, opinions or predictions are currently accurate or that they will be ultimately realized. To the extent these assumptions or models are not correct or circumstances change, the actual performance of Galaxy and its subsidiaries may vary substantially from, and be less than, the estimated performance. None of Galaxy nor any of its respective affiliates, shareholders, partners, members, directors, officers, management, employees or representatives makes any representation or warranty, express or implied, as to the accuracy or completeness of any of the information transmitted or made available to you. Each of the aforementioned parties expressly disclaims any and all liability relating to or resulting from the use of the information.

This document provides links to other websites that we think might be of interest to you. Please note that when you click on one of these links, you may be moving to a provider's website that is not associated with Galaxy. These linked sites and their providers are not controlled by us, and we are not responsible for the contents or the proper operation of any linked site. The inclusion of any link does not imply our endorsement or our adoption of the statements therein. We encourage you to read the terms of use and privacy statements of these linked sites as their policies may differ from ours. This document, and the information contained herein, has been provided to you by Galaxy Digital Holdings LP and its affiliates (“Galaxy”) solely for informational purposes. This document may not be reproduced or redistributed in whole or in part, in any format, without the express written approval of Galaxy. Neither the information, nor any opinion contained in this document, constitutes an offer to buy or sell, or a solicitation of an offer to buy or sell, any advisory services, securities, futures, options or other financial instruments or to participate in any advisory services or trading strategy. Nothing contained in this document constitutes investment, legal or tax advice. You should make your own investigations and evaluations of the information herein. Any decisions based on information contained in this document are the sole responsibility of the reader. Certain statements in this document reflect Galaxy's views, estimates, opinions or predictions (which may be based on proprietary models and assumptions, including, in particular, Galaxy's views on the current and future market for certain digital assets), and there is no guarantee that these views, estimates, opinions or predictions are currently accurate or that they will be ultimately realized. To the extent these assumptions or models are not correct or circumstances change, the actual performance may vary substantially from, and be less than, the estimates included herein. None of Galaxy nor any of its affiliates, shareholders, partners, members, directors, officers, management, employees or representatives makes any representation or warranty, express or implied, as to the accuracy or completeness of any of the information or any other information (whether communicated in written or oral form) transmitted or made available to you. Each of the aforementioned parties expressly disclaims any and all liability relating to or resulting from the use of this information. Certain information contained herein (including financial information) has been obtained from published and non-published sources. Such information has not been independently verified by Galaxy and Galaxy does not assume responsibility for the accuracy of such information. Affiliates of Galaxy's own investments in some of the digital assets and protocols discussed in this document. Except where otherwise indicated, the information in this document is based on matters as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof. The foregoing does not constitute a “research report” as defined by FINRA Rule 2241 or a “debt research report” as defined by FINRA Rule 2242 and was not prepared by GalaxyDigital Partners LLC. For all inquiries, please email contact@galaxy.com.