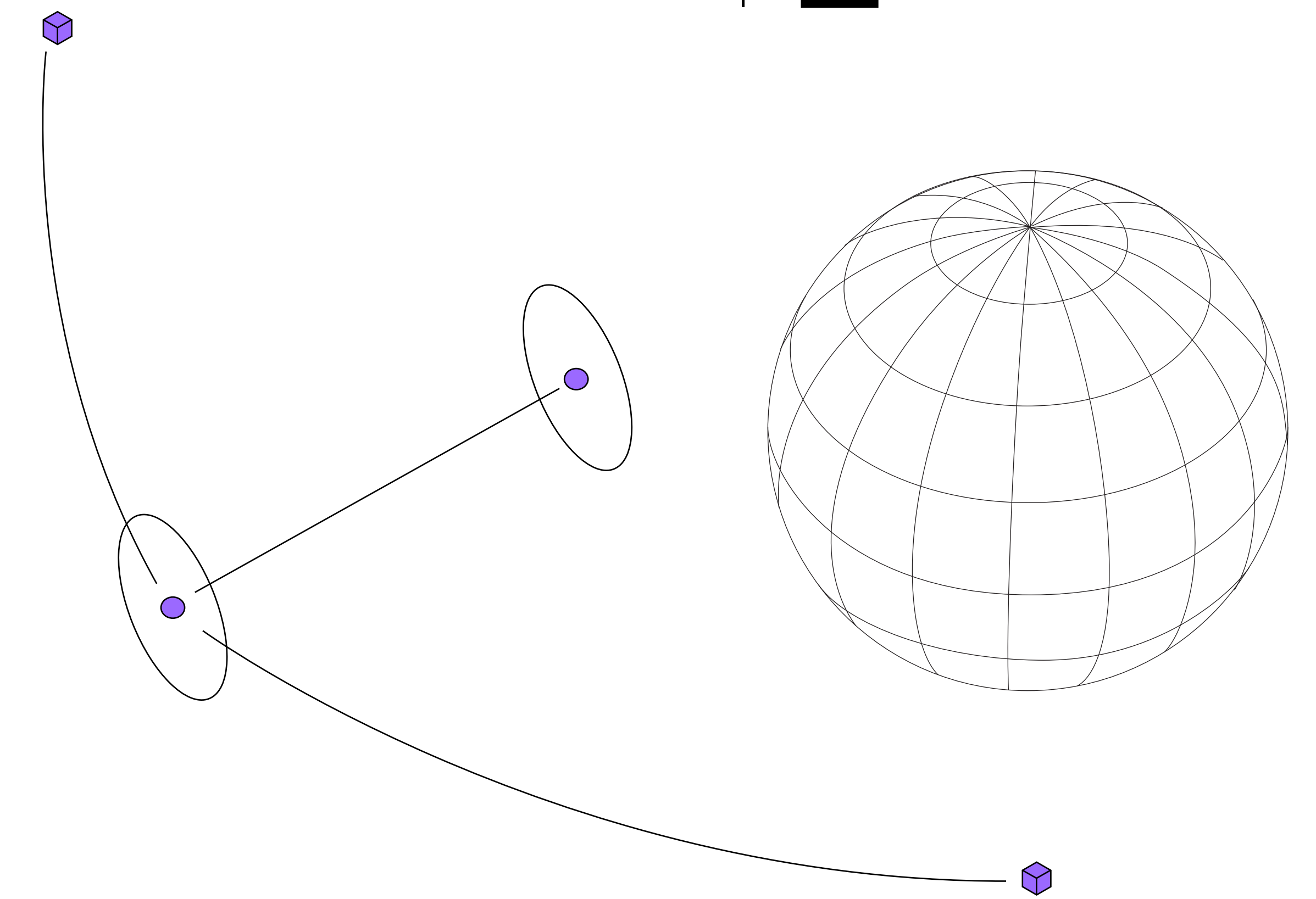


Crypto Hedge Fund Performance Update

JANUARY 2023



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In January, crypto markets experienced a relief rally to start 2023. The VisionTrack Crypto Hedge Fund Composite Index produced a positive return of +19.48% compared to BTC +39.64%. Ethereum rallied 32.7% and The Bloomberg Galaxy Crypto Index rallied +42.17%.

All sub-categorical indices showcased their best one-month performance in over a year. In January, The VisionTrack Fundamental Index returned +36.40%, the VisionTrack Quantitative Index returned +12.78%, and the VisionTrack Market Neutral Index returned +2.48%.

Despite positive performance to start the year and a permissibly dovish macro headwind, several dozen hedge fund strategies closed in November & December amid the collapse of FTX. By our observations, this was notably larger in comparison from May of 2022, marked by the de-pegging of UST/Luna and 3AC collapse. To end the year, VisionTrack estimates there are ~1500 crypto-dedicated firms investing and trading in the crypto & digital asset market, 667 of which are solely crypto hedge funds.

In terms of assets under management, VisionTrack newly released Data Dashboard monitors the monthly performance of AUM for crypto-dedicated hedge funds, venture firms, and passive/beta fund offerings. The end-of-year summed total value amounted to \$92.56b of which crypto-dedicated hedge funds accounted for \$12.01b through December 2022.

In late December and throughout January, a significant reduction to the number of market makers squeezed liquidity around top cryptocurrencies. Surviving market makers reduced exposures by widening spreads, creating an increase to upside volatility. Many crypto hedge funds were positioned as more defensive to end the year as fund operations took center-stage for several teams and capitalized mostly on market-beta in January.

Though crypto assets were one of the top performing asset classes in January, new institutional inflows for passive and active strategies remained relatively flat as early reporting for end-of-month AUMs performed in accordance with the market's upside.

To start February, the relief rally was quickly tampered by regulators taking a strong stance towards US exchanges offering staking and lending services. This past week, Kraken was fined \$30m and ordered to shut-down its staking services.¹ Coinbase's Brian Armstrong voiced retaliation publicly on behalf of the industry arguing, "Staking is a really important innovation in crypto."² Amid top-of-industry battles in the US, refurbished interest in Liquid Staked Derivatives (LSDs) continue to grow in popularity in anticipation of Ethereum's Shanghai Upgrade. Further, speculative interest in decentralized perpetual exchanges have sustained momentum from early November.

CRYPTO HEDGE FUND VisionTrack Composite Index	JANUARY 2023 19.48%	LATEST VALUE 499.33	YTD 19.48%
CRYPTO HEDGE FUND VisionTrack Fundamental Index	JANUARY 2023 36.40%	LATEST VALUE 566.29	YTD 36.40%
CRYPTO HEDGE FUND VisionTrack Quantitative Index	JANUARY 2023 12.78%	LATEST VALUE 532.14	YTD 12.78%
CRYPTO HEDGE FUND VisionTrack Market Neutral Index	JANUARY 2023 2.48%	LATEST VALUE 263.04	YTD 2.48%
Bitcoin	JANUARY 2023 39.64%	LATEST VALUE 227.31	YTD 39.64%

[1] U.S. Securities and Exchange Commission, Kraken to Discontinue Unregistered Offer and Sale of Crypto Asset Staking-As-A-Service Program and Pay \$30 Million to Settle SEC Charges, sec.gov, Washington D.C., 2023

[2] Brian Armstrong, February 8, 2023, 6:10 pm Eastern

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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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