

Crypto Hedge Fund Performance Update

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In November, Bitcoin gained +9.83% continuing an impressive streak of outperformance climbing to +127.53% year-to-date. The VisionTrack Crypto Hedge Fund Composite Index gained +9.94% bringing the YTD performance to +42.28% including early reported estimates. The VisionTrack Fundamental Index jumped +17.68% tracking to +74.74% YTD. The Quant Directional Index grew +5.94% returning +27.86% YTD. And, the VisionTrack Market Neutral Index added +2.42% returning +15.06% YTD, the eleventh consecutive positive month of performance and highest recorded gain on the year for the index.

A strong start to Q4, driven largely by consistent flows to European-domiciled investment products, anticipation for positive momentum in alternative tokenized assets gained popularity in November. Fund managers contributing to VisionTrack saw outperformance in November, not seen in several months given low volume and liquidity throughout altcoins. Further, subscriptions to crypto hedge funds picked up in November with fund managers targeting net new subscriptions to start Q1 2024.

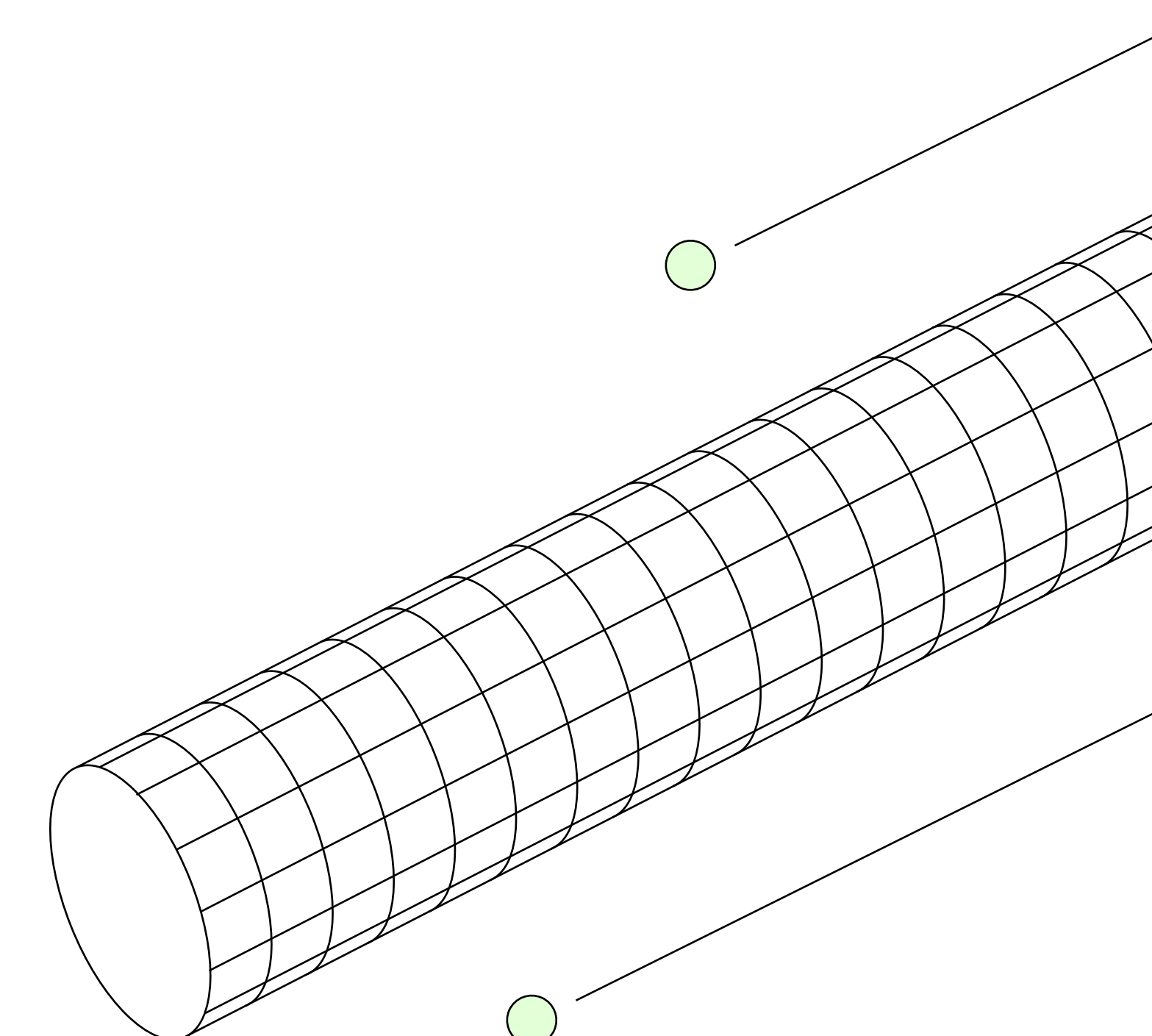
As alternative crypto assets continue to gain traction, narratives surrounding institutional infrastructure solutions, on-chain real-world assets, DeFi, NFTs, and Gaming are poised to emerge as investment opportunities in liquid and venture markets. Crypto fund managers, largely fundamental and venture strategies, will position for the cyclical nature of development across the industry.

Categorizing assets at the top-end of the buy-side market might be classified as the following: liquid assets, on-chain RWAs, and venture-backed companies. Considering liquid token assets, Coingecko lists 67 assets exceeding a market capitalization of \$1b in value. Bitcoin dominates this vertical with over \$820b of the \$1.65t in market capitalization. This categorization of 67 assets largely includes cryptocurrencies, native L1 tokens, stablecoins, and a handful of meme coins. Only 11 liquid assets exceed a valuation greater than \$10b in value.

Tokenized treasury markets have gained attraction in the blockchain sector as a means of utilizing/representing traditional investment products on-chain. As indicated by RWA.xyz, the on-chain tokenized treasury market includes US treasuries, bonds, and cash equivalents, currently a \$775m market in total value. Franklin Templeton's OnChain US Government Money Fund recently reached a market capitalization of \$325m, the largest product available. The tokenized treasury market has yet to eclipse \$1b in total value signifying to investors the product is still in its introductory stage.

According to Messari's venture deal dataset, only 11 companies received an investment in 2023 with a known post-money valuation exceeding \$1b in value. Venture-backed businesses without an actively traded tokenized asset, though providing financial services to blockchain and crypto ecosystems, might be considered in this categorization. Of firms completing a new fundraising round in 2023, eToro, a social investment, and multi-asset brokerage, received the largest post-money valuation of \$3.5b. Following eToro, LayerZero raised a \$120m Series B for a \$3b post-money valuation and Wormhole raised \$225m for a \$2.5b post-money valuation. Considering venture-backed businesses that have not yet exited, there are roughly 40 blockchain/crypto unicorns in total.

Generalizing the sector by these three categorizations with best available datasets, it's assumed there are just over 100 unique tokenized assets, on-chain RWA products, or venture-backed businesses exceeding a \$1b valuation. For comparison with the greater venture markets, PitchBook's Unicorn Companies Tracker provides a public-facing dashboard for privately backed companies exceeding \$1b in value globally. According to data through November, there are 1,346 active unicorns with a cumulative valuation of \$4.2T. In 2023, 88 firms were newly minted unicorns, down from 346 in 2022 and 622 in 2021. Similarly, CB insights estimate around 1,217 unicorns are currently active with a cumulative value of \$3.78t.



CRYPTO HEDGE FUND VisionTrack Composite Index	NOVEMBER 2023 9.94%	LATEST VALUE 596.23	YTD 42.28%
CRYPTO HEDGE FUND VisionTrack Fundamental Index	NOVEMBER 2023 17.68%	LATEST VALUE 725.56	YTD 74.74%
CRYPTO HEDGE FUND VisionTrack Quantitative Index	NOVEMBER 2023 5.94%	LATEST VALUE 603.92	YTD 27.86%
CRYPTO HEDGE FUND VisionTrack Market Neutral Index	NOVEMBER 2023 2.42%	LATEST VALUE 295.68	YTD 15.06%
Bitcoin	NOVEMBER 2023 9.83%	LATEST VALUE 370.31	YTD 127.53%

* VisionTrack Indices (January 2018 Inception) | Estimates Included, Final Fixings T+60 | [Historical Returns](#) | [Index Methodology](#)

A common story through 2023, venture-backed unicorns are struggling to maintain their prized valuation status and fewer unicorns are being minted year-over-year.

In short, the blockchain and crypto market in terms of available and identifiable assets is still dwarfed in comparison to global venture markets, an alternative asset class facing its own difficulties. Though this framing may be concerning as investors emerge from a 12-18-month period of rising inflation, tighter liquidity, and global political uncertainty, the previous two months in crypto have been refreshing as \$500m+ of value has flowed into Bitcoin European ETPs. As anticipation grows for a brighter future in 2024, it's still very early innings for the blockchain/crypto market. For reference to the public US markets, the Magnificent Seven gained \$200b in market capitalization on a Tuesday in November.

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