

December 25<sup>th</sup> - December 31<sup>st</sup>

PERSPECTIVES by Eric F. Risley

The past offers lessons, do we dare look?

Spot Bitcoin Exchange Traded Funds (ETFs) have existed since February 2021 and today 22 Bitcoin spot ETFs manage \$6B of Bitcoin. In total all current ETFs only manage 0.73% of Bitcoin supply. However, all these ETFs are located, and only accept investors from, outside the United States. More specifically, Europe and Canada are the leading issuers according to CoinGecko in their **December ETF update**.

With such a relatively lackluster global track record at attracting capital, will a U.S.-based spot Bitcoin ETF be any different? While certainly not a perfectly applicable measure, let’s start with the size of the European and Canadian equity capital markets as a proxy. According to the World Bank, Europe (the U.K. included, perhaps to their chagrin) and Canada represent 17.4% and 2.8% of global equity market capitalization, respectively. The United States is 44.3%, or a bit over two times the size of Europe and Canada combined. Therefore, if the scale of market size is the only determinant, perhaps a U.S. spot Bitcoin ETF isn’t such a big deal.

However, the sponsors of U.S.-based ETFs are some of the largest financial asset managers in the world, with exceptional distribution capabilities, brands and thought leadership. Most would conclude their participation and advocacy of Bitcoin (and perhaps other crypto assets) provides the legitimacy to elevate them into a bonafide, investable asset class. We’ve named this theme “From Speculation to Investing”.

This week Tokyo-based Monex Group **announced the acquisition** of one of the Canadian ETF pioneers, 3iQ. Monex is acquiring a majority stake of between 68% - 72% for a reported \$39.8M, valuing the full business at approximately \$57M. Asset managers are commonly valued as a multiple of total Assets Under Management (AUM). In this case, as of November 28, 2023, 3iQ has \$592M in AUM, representing an Acquisition Consideration / AUM multiple of 0.1x, generally fairly consistent with the norm.

Finally, 3iQ demonstrated remarkable quick success in attracting capital, however, it has been volatile as demonstrated by the chart documenting assets under management for their Bitcoin ETF since inception.

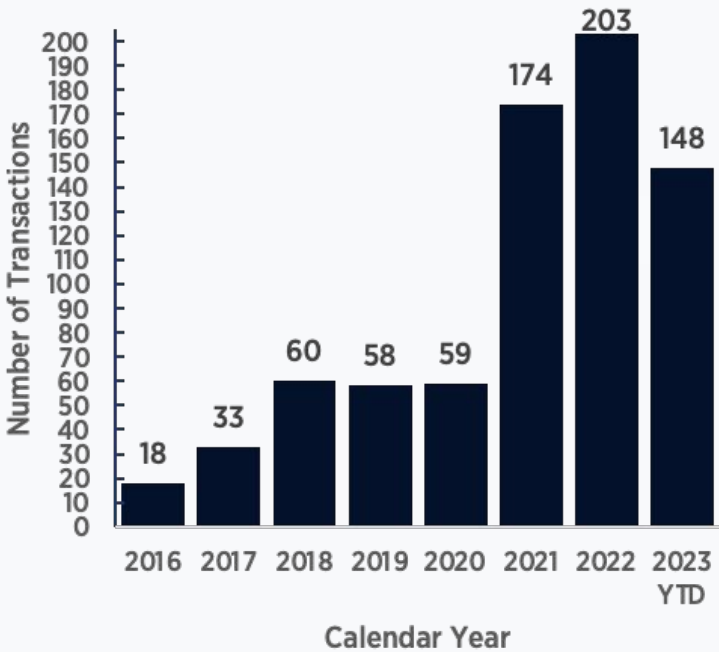


RECENT CRYPTO M&A TRANSACTIONS (click here for full AP M&A Tracker)

Target	Acquirer	Transaction Summary	AP M&A Alert
		<p><b>Transaction Value:</b> \$39.8M, Majority Stake</p> <p><b>Rationale:</b> Expansion of product offering within crypto</p> <p><b>Sector:</b> Investing &amp; Trading Infrastructure</p> <p><b>Target Description:</b> North American based, crypto investment management fund with \$600M in AUM.</p>	

OVERALL CRYPTO M&A ACTIVITY LEVELS

Past Five Years



Past 52 Weeks

