



BITCOIN & ETF'S

Proshares Bitcoin Strategy ETF (\$BITO) is the first Bitcoin-focused ETF to attain regulator approval and began live trading on October 19, 2021. Volt Crypto Industry Revolution and Tech ETF is a Bitcoin-focused vehicle that is deploying 80% of capital into crypto-related investments. The availability of retail and institutional friendly on-ramps to Bitcoin are increasingly growing and in the near future, buying Bitcoin will be as normal as buying gold through the equity market.

FUTURES

The Proshares ETF, which can be identified under the ticker \$BITO and includes a 95 bps fee, offers exposure to Bitcoin through futures contracts; similar to that of the U.S. Oil Fund (\$USO). Additionally, the Valkyrie Bitcoin Strategy ETF is also set for approval by the SEC and is an identical offering to that of ProShares. These offerings will trade at a premium or discount to the actual value of BTC, like Grayscale's GBTC, which provides strong arbitrage opportunities to investors.

EQUITY

Volt's equity ETF, which was approved on October 7, aims to invest at least 80% of its assets in crypto-focused companies with the remaining 20% invested in traditional stocks to offset risk. Minimal details have been provided on the fund's allocation by company, however, it was highlighted in the offering that the fund will invest up to 25% of its assets in MicroStrategy; presumably companies like Tesla, Square, and Galaxy Digital will be included.

The importance of spot exposure is especially important as it relates to Bitcoin because of the scarcity narrative around its long-term thesis. A futures-based ETF doesn't tie into this narrative and sets forth a product that doesn't closely track the value of Bitcoin (the underlying asset). Instead, it offers large institutions a massive arbitrage opportunity and everyday investors a Bitcoin product that will underperform the underlying asset after fees and other costs, which has been the case with similar products like \$USO. Nevertheless, a futures ETF is still positive in that the SEC is embracing the idea of using traditional vehicles to give investors Bitcoin exposure. A plethora of groups, including Grayscale, are pushing hard for the approval of a spot BTC ETF. The SEC cites liquidity and custody as being the two primary reasons for denying a spot ETF to this point, which is partially bogus, as they delayed the advancement of four separate spot ETFs till the end of November. The advancement of BTC friendly vehicles in other countries will eventually push the U.S. to pass a spot ETF, similar to how it's playing out with the futures ETF. Currently, there are three notable spot ETFs around the world: (1) Canada's Purpose ETF, (2) Brazil's QBTC, and (3) the United Kingdom's Jacobi BTC ETF which was approved this past Friday.



Research

