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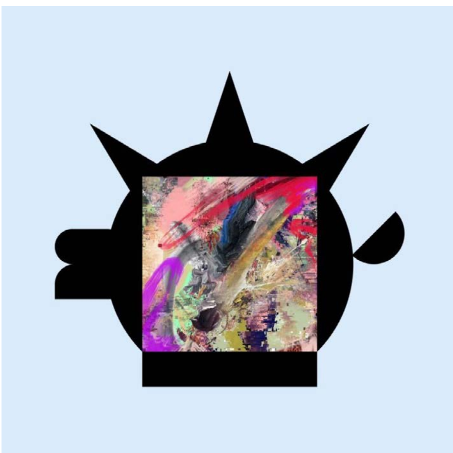
Q2 2023 Institutional Crypto Hedge Fund & Venture Report

OCTOBER 2023

Author & Acknowledgements



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This report is a product of VisionTrack, the leading digital asset buyside data platform, powered by Galaxy.

This report was written between August 29, 2023 and September 1, 2023.

View our publicly available research at www.galaxy.com/research and the VisionTrack Database at visiontrack/galaxy.com.
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Key Takeaways

- VisionTrack currently tracks 2401 total investor entities, with 1,832 classified as crypto-dedicated (832 venture firms, 712 hedge funds, 227 platforms). Of crypto-dedicated entities, 1609 are active in the market.
- All sub-categorical crypto fund strategies in the top two quartiles of each segmentation have outperformed Grayscale's Bitcoin Trust in the market year-over-year.
- Crypto hedge fund AUM trended flat through the end of June. Crypto hedge funds held $10.07b in fund value, $7.34b in Fundamental, $0.89b in Quant Directional Strategies, and $1.85b in Market Neutral.
- In Q2 2023, $730m was raised across 10 funds, lower-bound levels not seen since Q1 2021.
- When considering the composition of 30 venture funds raised through 2023, 80% of funds are operated by crypto-native managers constituting 85% of fund value.

Executive Summary & Market Context

Crypto markets chopped through the second quarter, receding from recent highs at the end of Q1 during the collapse of Silicon Valley Bank and ensuing banking crises before rebounding in June following the announcement of several US Bitcoin Spot ETF Filings by major issuers. Despite the whipsaw, global trading volumes remained historically muted while continual pressure from US regulators drives domestic movements.

In the United States, for much of the quarter, crypto fund managers were challenged with operation risks and regulatory uncertainty beginning with the absence of a proper banking settlement layer referred to many in the industry as "Operation Chokepoint 2.0". What was once previously serviced by the SEN and Signet networks at Silvergate and Signature banks respectively, March's banking disruptions created industry-wide issues for crypto funds and companies. Many crypto fund managers were forced to reassess and onboard additional banking partners for operational purposes and in unique instances, grow tokenized real-world asset exposures.

In North America, a pull-back in market-making activities from notable firms such as Jane Street & Jump Crypto compounded challenges. Gemini and Coinbase announced the launch of offshore derivatives exchanges, signaling more movement overseas by allowing eligible jurisdictions outside US markets the option to trade perpetual futures. Similarly, Binance announced its withdraw from the Canada citing the lack of guidance on stablecoins and investor limitations made the Canadian marketplace "no longer tenable."

In the United States, regulatory headwinds were strong in April and June. The SEC moved to expand exchange regulation to DeFi platforms and later charged Bittrex for violating securities laws, which settled before moving its U.S. entity into bankruptcy. In May, the Federal Reserve Bank of New York blocked Circle's USDC reserve fund from accessing the reverse-repurchasing program, preventing Circle from accessing the Fed's facility. In early June, the SEC charged Binance and its CEO Changpeng Zhao ("CZ") for alleging violations of securities laws. A day later, the SEC filed another lawsuit against Coinbase. Both announcements met with criticism from crypto-native firms.

Regulatory clarity overseas has been a much different story. The United Arab Emirates has grown in much attraction and attention for crypto companies and fund managers. In April, The Securities and Commodities Authority of UAE announced the start of receiving applications for licensed companies operating in virtual asset services. By June, OKX, the second largest crypto exchange by volume, often utilized by crypto fund managers, received an MVP preparatory license from Dubai's Virtual Assets Regulatory Authority (VARA). In April, the European Union passed the comprehensive and bespoke Markets in Crypto Assets (MiCA) legislation, a milestone for the industry as the decision became the continent's first major regulatory framework for crypto assets. In June, MiCA published its official journal signaling provisions beginning in the Summer of 2024. In the United Kingdom, Parliament motioned to pass the Financial Services and Markets Bill 2023 ("FSMB"), which would recognize stablecoin and crypto activity in the country. Towards the end of the quarter, the FSMB consisting of stablecoin legislation was signed into law giving regulatory power over stablecoin development and adoption. The adoption and positive momentum of progressive crypto regulation in these jurisdictions cast a stark contrast against the ongoing regulatory uncertainty in the United States.

In the final weeks of the quarter, sentiment and narrative shifted as ArkInvest, BlackRock, Fidelity, Invesco/Galaxy, VanEck, and WisdomTree all announced new Bitcoin spot ETF filings driving a surge in market interest and returning BTC to yearly highs previously reached in March. The announcements were met with positive feedback from crypto-native and traditional investors alike as many observers believe the approvals are not a matter of "if" but "when." Specifically, Bloomberg analysts now put the likelihood of approval in 2023 at 75% and 95% by the end of 2024. turned almost exclusively to the positioning of approval. Regardless of the timelines to approval and choppy trading in the short-term, Bitcoin and the greater crypto asset market continues to find its footing among macro traders and alternative asset managers.

Hedge Funds

Performance

Through June, VisionTrack's crypto hedge fund indices have underperformed bitcoin and ether year-to-date. The BBG Galaxy Bitcoin Index gained +83.14% and the BBG Galaxy Crypto Index gained +56.36% though Q2. The VisionTrack Composite Index returned +24.38%, the VisionTrack Fundamental Index gained +41.12%, the VisionTrack Quant Directional Index climbed +17.44%, and the VisionTrack Market Neutral Index reported +7.20% through June.

As in 2019, returns in 2023 continue to resemble the rebounded gains following a major down year. In 2019, Bitcoin was an outperformer compared to select ETFs and benchmarks through half year gaining +187.79% from December 31, 2018, through the end of June 2019. Over the same period, the VisionTrack Fundamental Index posted +86.89%, the VisionTrack Quant Directional Index was +57.68%, and the VisionTrack Market Neutral Index was +14.85%.

In 2019, July was the first down month (-6.38%) of the year for BTC. Two consecutive months of losses followed with an ultimate selloff in September. Bitcoin rebounded in October 2019 and later crashed -17.41% in December 2019. From the end of July to the end of December, BTC dropped -28.83% and the VisionTrack Composite Index was down -14.92%. In the same time-frame, the VisionTrack Fundamental Index lost -24.71%, the VisionTrack Quant Directional Index dropped -10.45%, but the VisionTrack Market Neutral Index gained +1.60%.

In the same year (2019), The VisionTrack Quant Directional Index gained +38.89% outperforming all selected ETFs aside from Invesco's QQQ Trust. The outperformance from quant directional fund strategies in 2019 likely led to the increase of quant hedge fund strategies in 2020-2021 as crypto fund managers showcased strong performance in a challenging market environment for the sector with the ability to drive uncorrelated returns.

In 2023, bitcoin is once again outperforming through the half year, above most all actively managed strategies. Typically, the largest beta assets will outperform at the start of a cycle, either beginning a market rally or creating an inflection period of the market. Should the rally sustain in the coming quarters, outperformance further on the risk curve in small and mid-cap assets is common.

Annualized returns, Select Benchmark ETFs & VisionTrack Indices

VisionTrack™

Source: Galaxy Research

Name	Ticker	2023 Return	2022 Return	2021 Return	2020 Return	2019 Return	2018 Return	Jan 2018 - July 2023
BBG Galaxy Bitcoin Index	BTC	83.14%	-63.83%	58.09%	305.91%	94.37%	-74.28%	98.57%
BBG Galaxy Crypto Index	BCGI	56.36%	-70.19%	153.39%	276.70%	7.08%	-81.14%	-8.22%
VisionTrack Fundamental Index		41.12%	-64.17%	326.79%	300.60%	22.40%	-45.02%	485.96%
INVESCO QQQ TRUST SERIES 1	QQQ	39.14%	-32.58%	27.42%	48.62%	38.96%	-0.12%	113.91%
VisionTrack Composite Index		24.38%	-37.85%	162.94%	174.27%	28.23%	-28.11%	421.23%
VisionTrack Quant Directional Index		17.44%	-31.11%	105.92%	147.40%	38.89%	-8.80%	454.70%
SPDR S&P 500 ETF TRUST	SPY	16.79%	-18.17%	28.75%	18.37%	31.22%	-4.56%	82.41%
ISHARES MSCI EAFE ETF	EFA	12.49%	-14.35%	11.46%	7.59%	22.03%	-13.81%	17.71%
ISHARES RUSSELL 2000 ETF	IWM	8.09%	-20.48%	14.54%	20.03%	25.39%	-11.11%	25.14%
VisionTrack Market Neutral Index		7.20%	-3.57%	44.21%	38.71%	16.92%	17.96%	175.48%
ISHARES MSCI EMERGING MARKET	EEM	5.20%	-20.56%	-3.62%	17.03%	18.20%	-15.31%	-6.60%
SPDR GOLD SHARES	GLD	5.09%	-0.77%	-4.15%	24.81%	17.86%	-1.94%	48.18%
ISHARES 20+ YEAR TREASURY BO	TLT	4.73%	-31.24%	-4.60%	18.15%	14.12%	-1.61%	-6.56%
ISHARES IBOXX HIGH YLD CORP	HYG	4.48%	-10.99%	3.75%	4.48%	14.09%	-2.02%	11.86%
ISHARES JP MORGAN USD EMERGI	EMB	4.41%	-18.64%	-2.24%	5.42%	15.48%	-5.47%	-5.90%
ISHARES IBOXX INVESTMENT GRA	LQD	4.26%	-17.93%	-1.84%	10.97%	17.37%	-3.79%	5.64%
ISHARES PREFERRED & INCOME S	PFF	4.21%	-18.18%	7.14%	7.91%	15.93%	-4.63%	8.17%
VANGUARD REAL ESTATE ETF	VNQ	3.44%	-26.24%	40.52%	-4.68%	28.87%	-6.02%	21.64%
VANGUARD TOTAL BOND MARKET	BND	2.42%	-13.11%	-1.86%	7.71%	8.84%	-0.11%	3.09%
SPDR BLOOMBERG 1-3 MONTH T-B	BIL	2.25%	1.38%	-0.10%	0.40%	2.03%	1.74%	6.65%
ISHARES TIPS BOND ETF	TIP	2.05%	-12.24%	5.67%	10.84%	8.35%	-1.42%	13.71%
ISHARES MSCI CHINA ETF	MCHI	-4.91%	-22.76%	-21.73%	27.78%	23.70%	-19.77%	-19.48%
INVESCO DB COMMODITY INDEX T	DBC	-7.91%	19.34%	41.36%	-7.84%	11.84%	-11.62%	48.00%

Data: Bloomberg, VisionTrack through 6/30/2023

Hedge Fund Performance Quartiles

At this time, VisionTrack does not produce granular performance rankings of crypto hedge funds it tracks. However, the performance quartiles below may inform managers and allocators to the risk and return profiles relative to VisionTrack's fund categorizations. The categorizations below describe four segmentations replicating the underlying methodology used in the VisionTrack Indices: Composite, Fundamental, Quant Directional, and Market Neutral. Modifications to the constituent set have been made to be most inclusive of historical fund performance. For inclusion in the quartile analysis, funds must report net of fees and have full monthly performance detail within the given timeframe. Crypto fund strategies with incomplete performance detail on a month-over-month basis are excluded from the analysis.

Considering the previous year, funds in the first quartile exceeded +105.0% net of fees. Based on historical data collected by VisionTrack, Grayscale's Bitcoin Trust (Nav/Share) returned -12.41% and the Grayscale Bitcoin Trust (OTC: GBTC) returned -10.08% in the same time period. Across all sub-categorical quartiles, fund managers in the top two quartiles outperformed the largest fund product in the market.

Year-to-date, few crypto hedge funds have outperformed passive/beta products including Grayscale's BTC Trust. Grayscale's Bitcoin Trust (Nav/Share) returned +73.92% though June and the Grayscale Bitcoin Trust (OTC: GBTC) posted +132.5% in the same time period.

Despite the difficulty for fund managers to outcompete passive products in the previous six months, fund managers in the top two quartiles year-over-year have seen AUM growth in recent quarters. While VisionTrack does not collect subscription/redemption detail at this time, we do collect monthly AUM by fund strategy. Should growth in AUM by strategy exceed the total performance reported, it's assumed managers are seeing an increase in subscriptions.

VisionTrack Crypto Hedge Fund Performance Quartiles

VisionTrack ™

Source: Galaxy Research

VisionTrack Quartiles, One-Year

	Composite	Fundamental	Quant Directional	Market Neutral
Average	-4.48%	-5.29%	-7.51%	4.92%
Median	-8.13%	-13.69%	-12.72%	0.76%
First Quartile	105.0% < X	105.0% < X	81.3% < X	42.9% < X
Second Quartile	105.0% < X < 7.1%	105.0% < X < 6.6%	81.3% < X < 8.9%	42.9% < X < 5.3%
Third Quartile	7.2% < X < -8.1%	6.7% < X < -13.7%	9.0% < X < -12.7%	5.4% < X < 0.8%
Fourth Quartile	-20.4% < X	-21.6% < X	-21.7% < X	-1.8% < X

Data from 6/1/2022 - 6/30/2023
Analysis as of 9/1/2023

VisionTrack Quartiles, H1 2023

	Composite	Fundamental	Quant Directional	Market Neutral
Average	25.52%	35.68%	21.08%	6.77%
Median	17.20%	35.17%	13.21%	4.23%
First Quartile	140.9% < X	140.9% < X	80.1% < X	24.3% < X
Second Quartile	140.9% < X < 44.3%	140.9% < X < 49.0%	80.1% < X < 44.5%	24.3% < X < 9.2%
Third Quartile	44.4% < X < 17.2%	49.1% < X < 35.2%	44.6% < X < 13.2%	9.3% < X < 4.2%
Fourth Quartile	6.1% < X	15.4% < X	3.1% < X	2.9% < X

Data from 1/30/2022 - 6/30/2023
Analysis as of 9/1/2023

AUM/Fund Flows

Data collected by VisionTrack suggests crypto hedge fund strategies trended flat through the end of June. Crypto hedge funds held $10.07b in fund value; $7.34b in Fundamental, $0.89b in Quant, and $1.85b in Market Neutral. The median fund size for fundamental strategies have seen the largest reduction in AUM year-over-year from $94.9m to $39.2m in total fund value (-58.9%). Market Neutral strategies recorded an estimated -25.6% drop year-over-year to $11.7m total fund value on a median basis. The median fund size for all crypto hedge fund strategies dropped from an estimated $42.2m at the end of Q2 2022 to $24.0m at the end of Q2 2023, a -43.2% decrease.

While median total fund value across fund strategies shows dismal declines, in large part, the fund constituent set has grown, bringing more visibility to smaller strategies in the market. Many funds below $25m in fund size have not reached their full capacity, aiming to raise $80m-$100m in total fund value.

At the end of Q2 2023, the overall total market capitalization of all liquid digital assets was $1.24T, higher than Q2 2022's total of $0.90T. At the same time in Q2 2022, the total AUM across all liquid fund products, hedge fund and passive/beta, stood at $41.0b in total AUM value (~4.5% of total market cap). ETF/ETPs/passive beta products comprised ~54% of the total $41.0b in total AUM. At the end of Q2 2023, The total AUM of all liquid fund assets, hedge funds and passive/beta, at the end of Q2 2023 stands at $45.6b, an 11% increase YoY. ETFs/ETPs/passive beta products continue to grab market share for institutional offerings accounting for an estimated 77.9% of the total liquid fund product market AUM ($35.59b out of $45.6b) as indicated by VisionTrack. Comparatively, liquid hedge fund strategies have dropped from $18.8b to $10.1b, a reduction of roughly -46.5%. This reduction in liquid hedge fund strategies also coincided with an increased level of concentration among the largest funds, with over 50% of AUM consolidated in the top 20 firms.

Crypto Hedge Fund Average & Median AUM by Quarter

VisionTrack™

Source: Galaxy Research

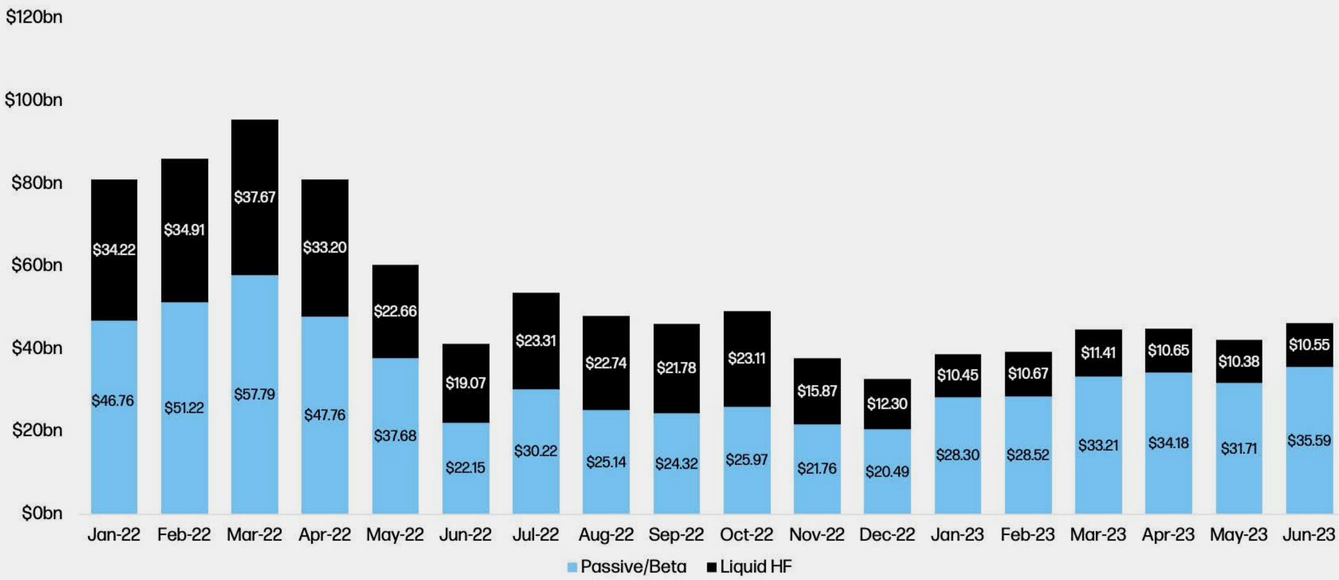
Fund AUM Size	Strategy Type	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Average AUM Size ($M)	HF Fundamental	$561.61	$268.02	$271.79	$145.41	$112.94	$118.61
	HF Market Neutral	$86.90	$77.84	$72.96	$57.21	$57.23	$56.16
	HF Quant Directional	$48.16	$41.24	$32.90	$24.59	$28.65	$26.86
Median AUM Size ($M)	HF Fundamental	$135.08	$94.90	$63.00	$39.96	$36.00	$39.28
	HF Market Neutral	$57.40	$50.00	$50.00	$35.50	$29.39	$25.00
	HF Quant Directional	$14.00	$15.80	$13.50	$12.13	$10.00	$11.75

Data: VisionTrack, Galaxy Asset Management

Global Liquid Crypto Strategies Monthly AUM

Source: Galaxy Research

VisionTrack™

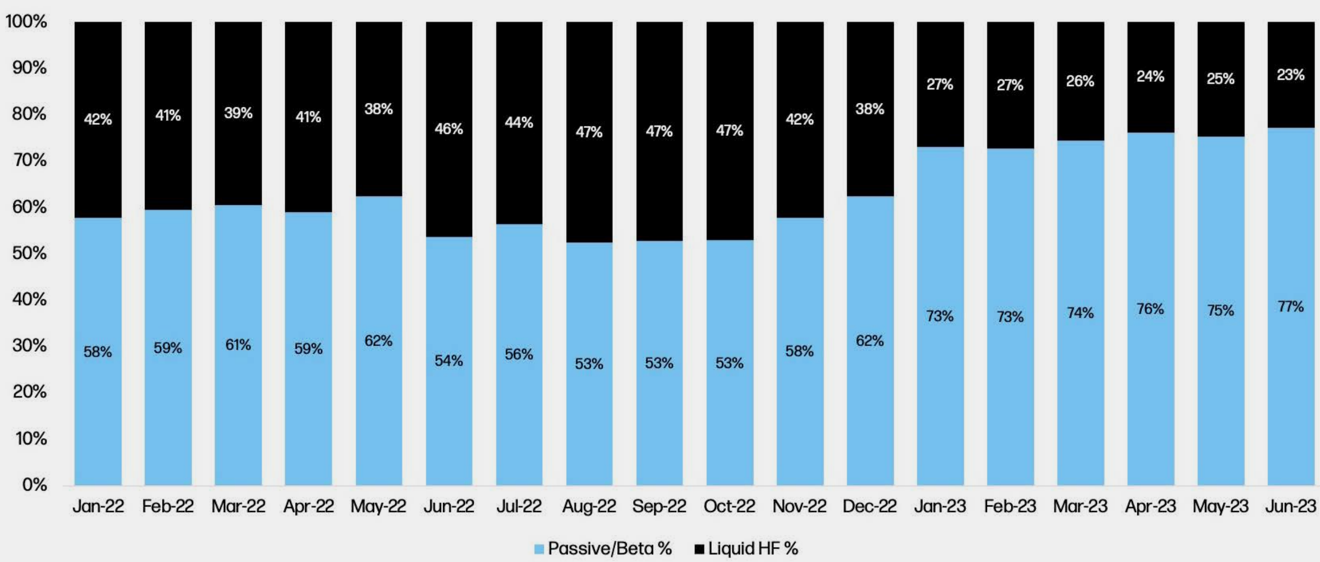


Data: Galaxy Asset Management; through 3/31/2023

Global Share of Liquid Crypto Strategies AUM

Source: Galaxy Research

VisionTrack™



Data: VisionTrack, Galaxy Asset Management, Bloomberg

Venture

Fundraising

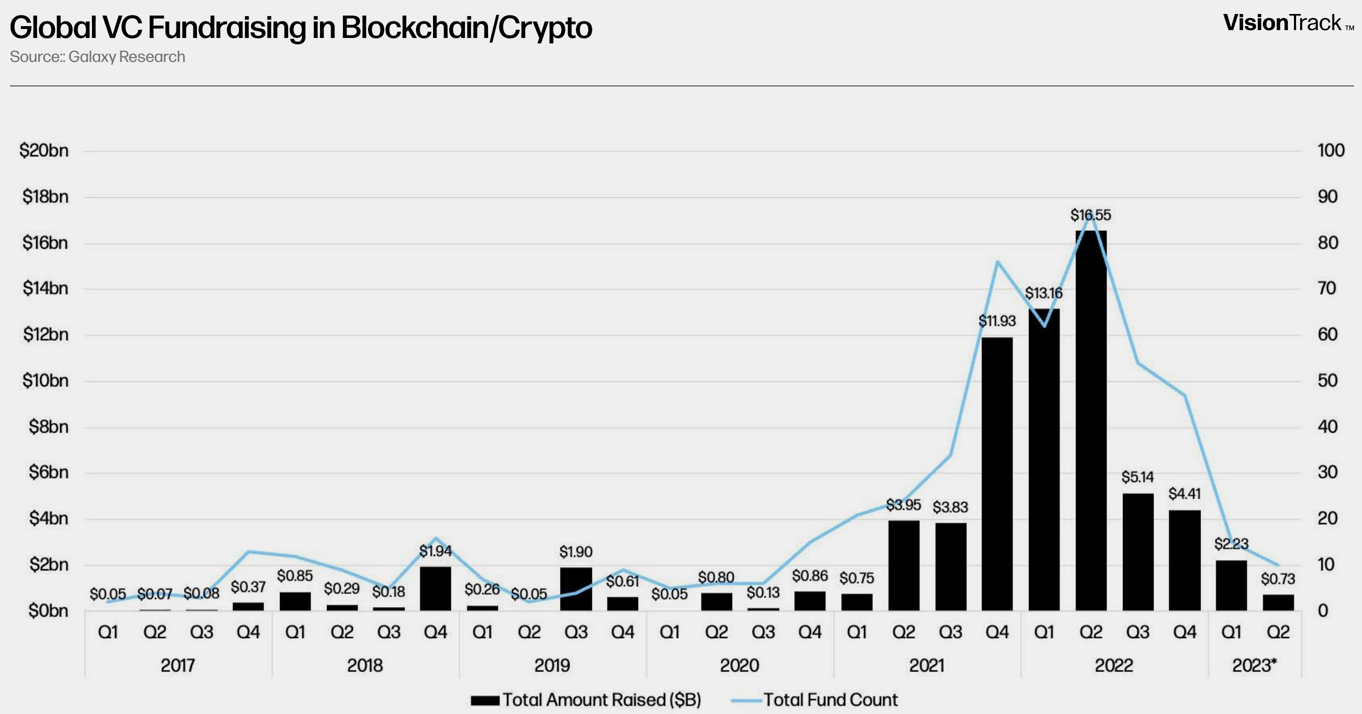
Venture strategies often raise funds as demand for crypto reaches its height when valuations are more expensive and top cryptocurrencies perform well. Historically, when valuations cool, institutional allocation declines and fundraising for crypto venture strategies is especially challenging. As most allocators consider the digital asset sector to be at the tail-end of the risk spectrum, even beyond alternative asset classes such as traditional private equity, hedge funds, and venture capital, the rising interest rate environment has only exacerbated declining crypto venture allocations. Determining appropriate asset allocation has primarily centered on the speculative adoption of Bitcoin and the Ethereum ecosystems. Exposure to other areas of the market is often misunderstood, unrecognizable, or too small for consideration.

Venture fundraising for most of 2023 has been dismal and we expect the challenging environment to persist for venture managers. Allocation to funds focused on infrastructure has sparked moderate interest yet categorically most crypto funds raised through the year are generalist crypto funds with no specific mandates to NFTs, Gaming, Consumer Applications, DeFi, or other crypto-specific categories.

In Q2 2023, $730m was raised across 10 funds, a fundraising low not seen since Q1 2021. Just one year prior, in Q2 2022, the industry experienced record-breaking fundraising of $16.5b across crypto-native and traditional investment firms. More capital was raised in Q2 2022 than all following quarters combined ($12.5b). The collapse of several major venture-backed startups in 2022, including those backed by some of the most prominent traditional venture firms have been a large contributing factor inhibiting allocator investment to the sector. While there are crypto-native factors attributing to the decline in venture allocation, the venture sector overall is suffering under the weight of rising interest rates. Fundraising challenges crypto venture capital faces are not unique to the crypto market.

Global VC Fundraising in Blockchain/Crypto

Source:: Galaxy Research



Data: Galaxy Asset Management, VisionTrack
Does not include open funds

The most overwhelming indicator for the lack of fundraising in the short term is rising interest rates. Institutional allocators aimed at growing their allocation to crypto venture strategies have delayed capital flows. Given the macro environment, limited partners are strategically positioned to preserve capital and make defensive allocations. According to PitchBook's Q2 Global Private Market Fundraising report, all private capital strategy segmentations are down year-over-year, trailing four quarters. Global venture capital fundraising has declined -47.0% YoY to roughly $185.3b in total value. Crypto-dedicated fund totals would make up roughly 6.7% of capital raised. The only global private capital fund segmentation that has experienced year-over-year growth are Secondaries funds, gaining +13.5% in total amount raised.

Notable raises for crypto venture capital in the quarter included Illuminate Financial Management ($235m) and the Bitget Web3 Fund ($100m). Funds raised in Q2 2023 favored traditional investment managers over crypto-native fund managers. When considering the composition of 30 venture funds raised through 2023, 80% of funds are operated by crypto-dedicated managers constituting 85% of fund value.

Global YoY Fundraising Change by Strategy

VisionTrack™

Source: Galaxy Research

Strategy	Capital Raised ($B)	YoY Change
Private Equity	$454.6	-16.6%
Venture Capital	$185.3	-47.0%
Real Estate	$134.7	-19.2%
Real Assets	$26.8	-84.5%
Debt	$215.2	-18.8%
Fund of funds	$31.2	-37.8%
Secondaries	$58.7	13.5%
Private Capital	$1,106.6	-30.9%

Data: PitchBook Data, Trailing Four Quarters as of 6/30/2023

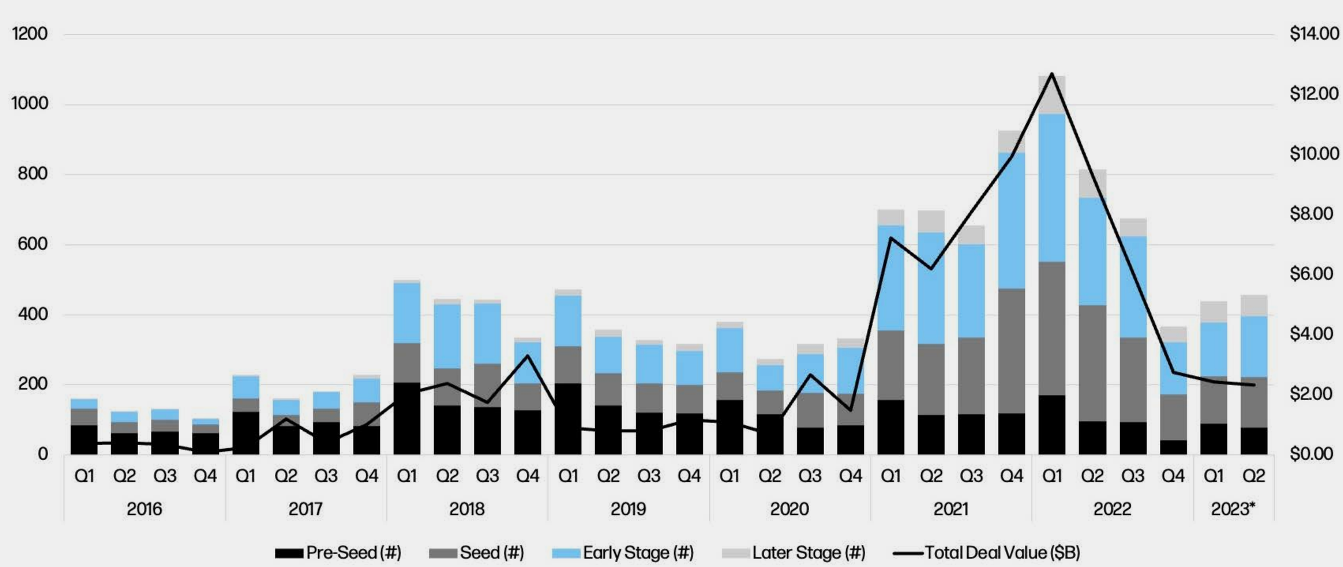
Deals

Crypto venture deal activity grew modestly in Q2 2023. In the second quarter, 456 crypto venture deals were completed accounting for nearly $2.3b in deal value. On the year, $4.7b has been invested across 895 crypto deals. In H1 2019, crypto VC deployed $1.7b across 831 deals and H1 2020 deployed $1.7b across 656 deals. The venture market has grown in deal size considering roughly the same deal count. A positive tailwind for crypto venture deal activity, the growth in deal sizing suggests companies are maturing through the down cycle and firms are looking to raise later stage rounds.

Global VC Deal Activity in Blockchain/Crypto by Stage

VisionTrack™

Source: Galaxy Research

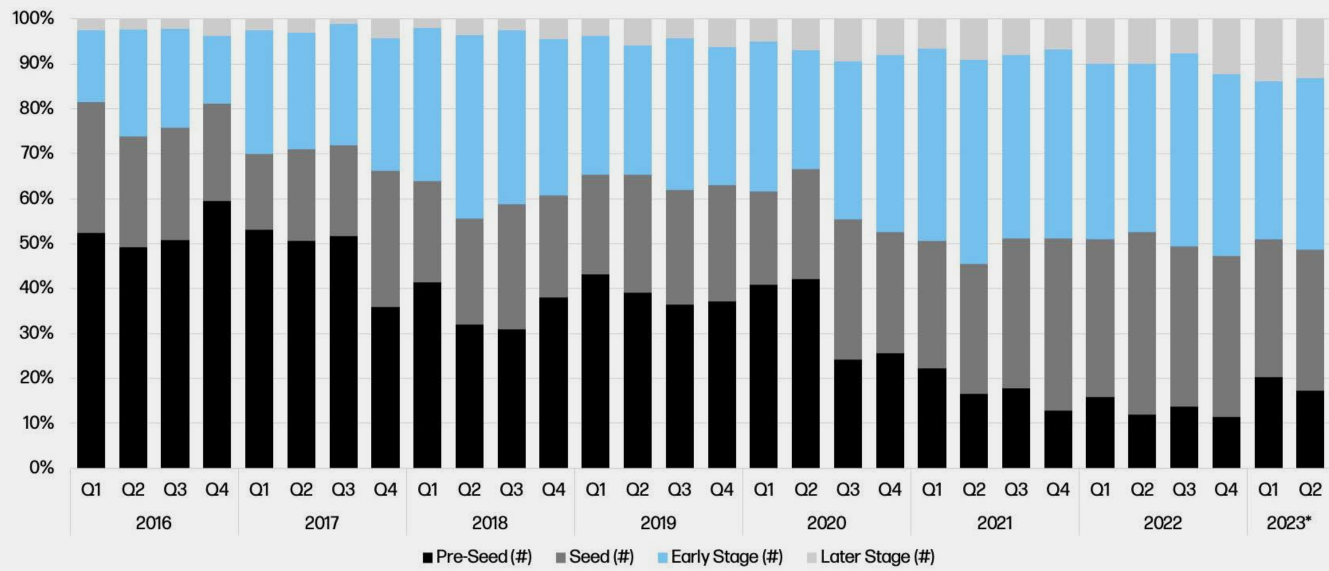


Data: Pitchbook Data, Inc., Galaxy Research

Global VC Deal Activity Percentages in Blockchain/Crypto by Stage

Source: Galaxy Research

VisionTrack™



Data: Pitchbook Data, Inc., Galaxy Research

For the third consecutive quarter, the percentage of later stage rounds exceeded 10% of total deal count activity on a quarterly basis. Later stage rounds in this context typically refer to companies raising a Series B+ investment or companies raising their 4th round or later. Early-stage deals continued to be the most popular category of investment, making up 38.1% of total deals. Early-stage deals are typically classified as Series A and Series B investments, often the 1st-3rd round of financing. Pre-seed deals dropped to 17.3% of total deal count across categories, a pullback from Q1 2023.

On a historical basis since 2016, later stage deals continue to climb higher in counts than the historical quarterly average of 6.1%. Further, seed stage investment counts have dropped well below the historical average of 33.1% and early-stage deals have dropped to 33.2% below the historical average of 38.1%.

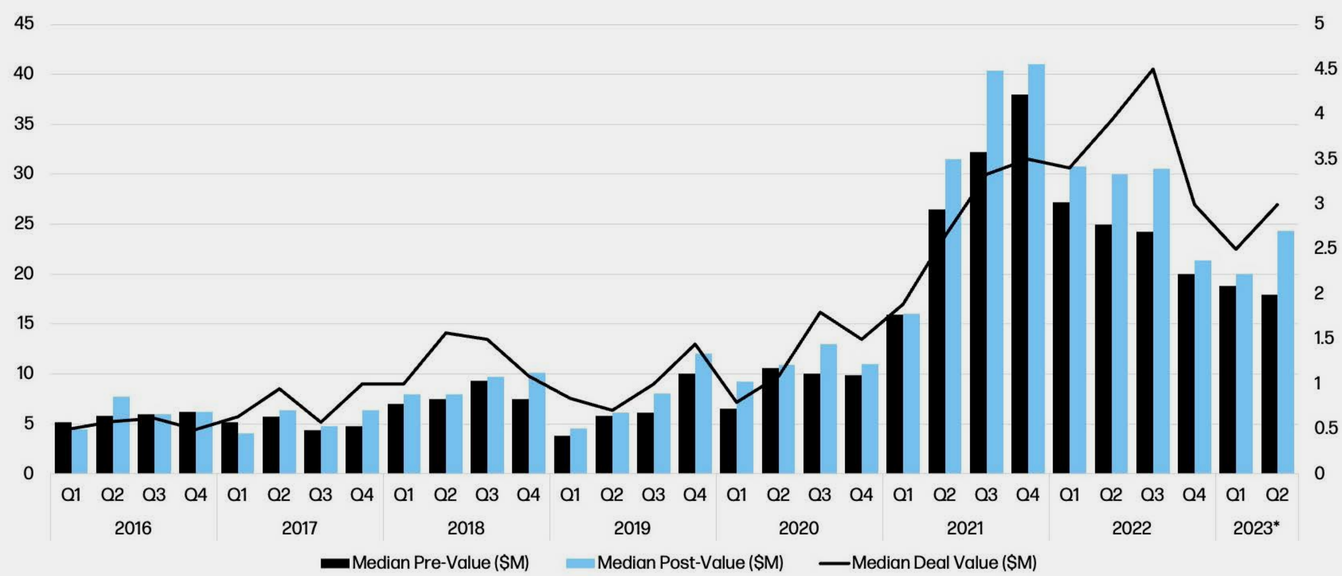
For the second quarter in a row, venture capitalists are taking advantage of later stage deal valuations and supporting prized portfolio companies. Given the market's continued struggling performance in the last 3 quarters on fundraising, the trend of consolidation to the top companies in the space continues. However, of the top ten deals of the quarter, five were first-time fundraisings. Top deals of the quarter included LayerZero ($120m), WorldCoin ($115m), Auradine ($81m), Anagram ($60m), and Unchained Capital ($60m).

Median pre-money dropped, though, median post-money valuations grew quarter-over-quarter. The median deal size for crypto venture deals was $3.0m, pre-money $17.9m, post-money $24.3m. Valuations were at their highest level in Q4 2021 when median deal sizes exceeded $3.5m in value, pre-money was $38.0, post-money $41.0m. The uptick in median deal size moves in lockstep with later stage deal count growth and seed stage decline. We expect valuations to stay consistent at these levels as further given global macro uncertainty pushes VCs to be more defensive towards net-new investments. A common theme seen across secondary markets is the growing interest for SAFTs with token unlocks scheduled for March – April 2024. Pending US BTC spot ETF approval, the expectation is better valuations are on the horizon as price increases for top cryptocurrencies.

Crypto-native companies geared towards secondary market participation for illiquid assets grew among investors. In large part, growth for an emerging secondaries market developed from defaulting limited partners and VC funds consolidating positions. Firms such as Acquire.Fi and Socratix aim to offer a marketplace for secondary transactions showcasing available listings dedicated solely to crypto companies similar to Forge or Carta. While appetite for a robust secondaries market is still quite early, access to liquid markets for illiquid assets has gained in popularity for investors looking to tap into liquidity for later stage crypto companies.

Median Valuations in Blockchain/Crypto

Source: Galaxy Research



Data: Pitchbook Data, Inc., Galaxy Research

Venture Performance

As outlined in previous VisionTrack reports, prior to the emergence of crypto-dedicated venture vehicles, hedge funds and liquid venture strategies served as the primary source of capital for companies. As capital raising outpaced crypto development in 2021 and 2022, deal making shifted in favor of quasi-equity venture investments. The mandated approach of venture firms raising capital pushed the traditional approach to venture capital from a crowdfunding/initial coin offering (ICO).

Historically, few options were available to allocators prior to 2020. Pantera launched the most well-known and first crypto-dedicated venture fund in 2013. Shortly thereafter, Blockchain Capital grew their venture program beginning in 2014. The first crypto-dedicated venture fund exceeding $100m in value was Arrington Capital in late 2017. Roughly $3.2b was raised across 44 funds in 2018, often the first or second fund vehicle for many well-established investors in the market today.

Benchmarking the performance of crypto venture funds has been a challenge for allocators seeking to invest in closed-ended funds with exposure to illiquid assets. However, as the industry has progressed and with increased competition for venture fundraising, data regarding the performance of crypto venture funds has grown in demand. The aim of the crypto venture fund benchmark is to best provide accurate, transparent detail to the performance of crypto venture managers in an anonymized and aggregate manner. Additionally, the aim is to better assess capital allocation to actively managed strategies in comparison to passive/beta products and liquid crypto hedge funds. At this time, a framework for liquid crypto venture firms has not been created, though we intend to roll out more detail on sub-specific strategies in the coming quarters.

Crypto venture funds have historically lacked a proper benchmark. Given the rapid growth of crypto-dedicated venture fund products, a venture benchmark framework is needed to best compare the performance of closed-ended venture strategies. Presented below is the average multiple-over-invested-capital for venture capital strategies as reported net of fees. The report date refers to the given date of performance as collected through August 2023.

Funds included in the exercise vary by fund size, sub-strategy, geographical location, and firm type (traditional investor vs crypto-native). Smaller funds with exceedingly high returns have been excluded from the exercise. Personal investments by fund managers, such as seed investments warehoused for crypto venture funds, have also been excluded.

In terms of the quality of the dataset, 207 MOICs have been collected across 54 unique firms and 97 unique funds. The oldest funds with MOIC performance in the dataset have 2014 vintages. The most common vintage year with reported performance is 2021, followed by 2018. Funds with a vintage year of 2017 or prior have been grouped (Pre-2018) as performance detail is too thin to provide accurate detail at this time. Audited quarterly detail is contributed to VisionTrack, however, the end-of-year MOIC is the only recorded detail provided in this framework. Should a fund have audited performance in September, but not at year-end, data was smoothed by one-quarter where MOICs were not provided.

Crypto venture strategies share common advantages to other alternative asset class fund vehicles in traditional private equity. For closed-ended vehicles, crypto-venture strategies almost always favor diversification, reduce volatility of the portfolio, insulate losses, and incentivize growth to companies

Crypto VC MOIC by Vintage Year

VisionTrack™

Source: Galaxy Research

Fund Vintage Year	2018	2019	2020	2021	2022
Pre-2018	x	x	6.33x	9.47x	9.63x
2018	x	0.94x	2.49x	7.54x	6.26x
2019	x	2.28x	9.41x	13.05x	4.84x
2020	x	x	3.14x	4.03x	2.05x
2021	x	x	x	4.46x	1.39x
2022	x	x	x	x	1.17x

Data: Galaxy Asset Management, VisionTrack as of 8/31/2023
Report dates reflect end of year

and blockchain ecosystems. For example, and as recorded by VisionTrack, recently raised 2021 vintage fund's average MOIC though year-end 2022 was 1.39x. Though a step-down from the previous year, 2021 and 2022 vintages have largely protected investors from major token drawdowns. This is a considerably positive headwind for crypto venture managers that have raised in previous years.

Conclusion & Outlook

Crypto hedge funds and venture firms continue to help institutionalize and contextualize the asset class. Performance from hedge funds and venture have generally been good through 2023, though fundraising continues to face macro and crypto-specific headwinds. Until the interest rate environment eases, or digital asset prices enter a reenergizing crypto cycle, we expect crypto hedge fund and venture firms to struggle raising new capital.

Contact Us

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

Legal Disclosure