

# Crypto Hedge Fund Performance Update

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In August, crypto & digital asset hedge fund strategies outperformed Bitcoin. The VisionTrack Crypto Hedge Fund Composite Index lost -4.37% bringing the year-to-date return to +17.15% and Bitcoin dropped -11.30% bringing its year-to-date performance to +56.53%.

The VisionTrack Fundamental Index dropped -7.18% in August bringing its through-August performance to +29.02%. The VisionTrack Quant Directional Index was down -3.84% showcasing +9.66% year-to-date. And, the VisionTrack Market Neutral Index added +0.15% performing +8.65% YTD.

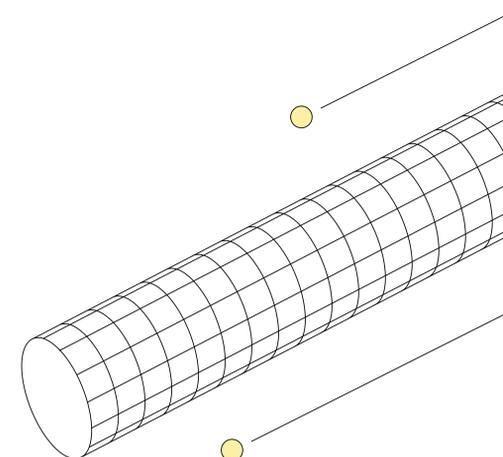
The summer of 2023 might best be coined as “on-chain summer” as memecoins, gambling applications, telegram sniper bots, and social media platforms experienced micro rallies from retail participation. Separately, institutional fund managers gravitated attention to developing macro tailwinds driven by court decisions and US BTC Spot approval procedures largely uninformed in popular sub-sector narratives. Despite the tailwinds, historically low volume and volatility for Bitcoin drove enthusiasts to possibly over-anticipate price. The market sold off summer rallies in mid-August, with Bitcoin dropping from \$29.1k on August 16th to \$26.0k on August 19th. The sell-off showcased one of the larger liquidation events seen in previous years.

Aside from top cryptocurrency trading, several operational areas of interest for crypto fund managers have taken center stage, including institutional staking and RWAs commonly debated as Real-World Assets or Risk-Weighted Assets (RWAs). Both operational functions require permissioned blockchains commonly used via qualified custodian with KYC/AML requirements.

As noted in our June VisionTrack distribution, institutional staking continues to gain traction among investors and companies for institutional clients. Staking Rewards, a data aggregator for crypto staking tracks reward rates, annualized fees, total wallets, and validator participation, among other metrics critical for the security of the Ethereum ecosystem. At the time of writing, Ethereum’s annual staking reward floats around 3.8%. Over 25.8m (~\$40b) eth is staked across 811k total validators, a sizeable gain from June’s 19.5m ether across 614k validators. The combined TVL of Liquid Staking has grown roughly +\$2b in value since June to \$20.4b, a steady increase. For crypto fund managers, working alongside custodian providers has been the method of choice through the summer.

Concurrently, bespoke offerings with exposure to on-chain treasuries and money market funds have grown in popularity. In years past, security token offerings had minimal traction among crypto fund managers, largely as permissionless blockchains have been the north star of the industry. However, under the umbrella of RWAs, the tokenization of money market funds and short-term treasuries have served as a convenient operational product for crypto fund managers mitigating stablecoin risk. A higher interest rate environment has not been helpful to crypto-dedicated fundraising for liquid strategies given the rise in a risk-free rate.

Yet, the trend towards on-chain money market funds and treasuries first caught attention in March & April 2023 as managers sought alternatives to stablecoins shortly after the banking crisis surrounding Silicon Valley Bank. Though few funds are mandated to invest in these products, they serve as an easy on-chain equivalent for cash.



CRYPTO HEDGE FUND <b>VisionTrack Composite Index</b>	AUGUST 2023 <b>-4.37%</b>	LATEST VALUE <b>490.92</b>	YTD <b>17.15%</b>
CRYPTO HEDGE FUND <b>VisionTrack Fundamental Index</b>	AUGUST 2023 <b>-7.18%</b>	LATEST VALUE <b>535.71</b>	YTD <b>29.02%</b>
CRYPTO HEDGE FUND <b>VisionTrack Quantitative Index</b>	AUGUST 2023 <b>-3.84%</b>	LATEST VALUE <b>517.97</b>	YTD <b>9.66%</b>
CRYPTO HEDGE FUND <b>VisionTrack Market Neutral Index</b>	AUGUST 2023 <b>0.15%</b>	LATEST VALUE <b>279.21</b>	YTD <b>8.65%</b>
<b>Bitcoin</b>	AUGUST 2023 <b>-11.30%</b>	LATEST VALUE <b>254.77</b>	YTD <b>56.53%</b>

## Connect with 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](mailto: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>.

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