

Monthly Bitcoin Report

September 2020

HANetf & ETC Group

BTCetc - Bitcoin Exchange Traded Crypto

BTCE
200bps
DE000A27Z304

Product Inception Date: 08/06/2020

For Professional Clients Only. Capital at risk.
This report was written by, and is the opinion of, ITI Capital.

Key Takeaways

- On August 17th ETC Group announced that the total inflow of investor money to BTCE for the first time amounted to a total of \$50 million in assets under management;
- With current Nasdaq and big-tech stock price-action analogous to Bitcoin in 2017, more tech-investors are looking at Bitcoin now;
- BTCE as a product used for equity financing for bitcoin holders solves one of the biggest issues in digital-assets – the concept of counterparty credit risk for institutional enterprises.

Bitcoin

Monthly Performance

August*	12 Month**
2.93%	21.32%

Past performance is no guarantee of future performance.

Source: Bloomberg, HANetf

Performance based off XBT price

*August figures based on 02.08.20 – 31.08.20

**12 Month figures based on 31.08.19 - 31.08.20

Performance Review

- The Bitcoin price ranged between \$11,345.65 on 31st of July and \$11,678.60 on 31st of August, increasing 2.80%¹
- At the end of August, the Bitcoin Exchange Traded Crypto ETC stands at just under \$54m of assets under management as of 31st August. AUM in USD terms grew by 21.50% in August.

What Has Driven This Performance?

Whilst ostensibly the performance of bitcoin was subdued, it belied the ongoing macro dynamics behind the demand for scarcity assets. Gold consolidated its hitherto rapid ascent to new all-time highs post the GFC and Euro-crisis of 2012 and the access to retail investors is a largely irreversible new force driving capital markets as information and online access accelerate. Bitcoin is the world's first investment mega-trend where retail has led institutional investors and increased demand is expected from both segments as the macro uncertainty prevails through the US election and beyond

The popularity of BTCE is gaining amongst the digital-asset ecosystem as for example ITI Capital, the FCA-regulated Prime Broker can use it to provide significantly more attractive equity financing for bitcoin holders. This solves one of the biggest issues in digital-assets – the concept of counterparty credit risk for institutional enterprises.

¹ Source: Bloomberg's XBT CFIX Currency index. Data as of 31/08/2020

Bitcoin and BTCE Performance - 1 Year (31.08.19 – 31.08.20)

Total Return NAV to Date (up to 31/08/2020)

	1M	3M	6M	YTD	12M	Since Inception
Bitcoin Exchange Traded Crypto – BTCE*	2.76%	-	-	19.81%	-	19.81%
<i>Bitcoin**</i>	<i>2.93%</i>	<i>24.03%</i>	<i>34.68%</i>	<i>20.36%</i>	<i>21.32%</i>	<i>20.36%</i>

*BTCE inception was on 08/06/2020

** Bitcoin price is based off XBT daily performance from Bloomberg

Performance before inception is based on XBT daily performance from Bloomberg. Past performance of XBT does not represent actual performance and should not be interpreted as an indication of actual or future performance. Past performance for XBT is in USD. **Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product.** It is provided for illustrative purposes only. Investors should read the prospectus of the Issuer ("Prospectus") before investing and should refer to the section of the Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in these products. **Source: Bloomberg / HANetf. Data as of 31/08/20**

Industry News

August was a strong month for 'risk' assets as equities rallied on the acceptance of a 'K-shaped recovery' summarising divergent fortunes across resurgent markets despite bearish forward expectations for many sectors of the global 'real economy'. Economic data continued to improve across developed and emerging markets; hopes for a Covid-19 vaccine gained traction with expectations firming up for early next year. Q2 earnings blew out albeit 'kitchen-sinked' expectations; technology and cloud stocks pushed up 'into thin air' as investors sought to position for the 'new normal' after the Great Corona Recession. Many of the quantitative and smart-beta investment funds and vehicles bought back into the equity market having liquidated during the exodus in March.

The annual Jackson Hole summit, online this year, marked another significant checkpoint for markets as Fed chairman Powell announced earlier than expected to shift policy to target average inflation of 2%². This led the US Yield curve to steepen to its widest gap in recent months between 5 year and 30 year Treasury Bonds. The Fed is likely to hold short-term rates very low for a very long time as it targets inflation in the longer-end of the curve. This dovish stance from the Fed was taken as a clear message that the US Dollar would resume its downward trajectory versus other major currencies. This 'next leg lower' provided fresh impetus to Bitcoin and commodities. Gold spent much of August consolidating gains after its dramatic price action since March. Bitcoin continued to attract new marginal buyers seeking to protect portfolios.

Outlook

ITI Capital, an Authorised Participant of BTCE, observes that there is little choice for policy-makers but to continue with aggressive fiscal policy and monetary easing given the state of the broad economy after the pandemic. This will likely remain the motive force supporting the rally in financial assets for the foreseeable future. However, there is growing scrutiny of technology stock valuations with the S&P 500 average at 26x earnings - whilst 12m trailing earnings of the big-tech titans are truly 'off the charts' (Tesla 1100x, Amazon 130x and 'Quality' Apple 38x)³. Rising inflation expectations challenge the terminal valuations of these and other growth stocks more sensitive to future earnings. Bitcoin's parabolic price action in 2017 and subsequent correction was followed by nearly three years of consolidation. With current Nasdaq and big-tech stock price-action analogous to Bitcoin in 2017, more tech-investors are looking at Bitcoin now. BTCE gives access to more people via the familiar equity route to 1/1000th of a Bitcoin (Less fees). The access to Bitcoin for multi-asset investors is attractive because their equity mandates can accommodate BTCE rather than crypto. As multi-asset investors get 'back to school', Bitcoin and BTCE are expected to benefit further from the prevailing macro conditions.

² Source: <https://www.cnbc.com/2020/08/27/powell-announces-new-fed-approach-to-inflation-that-could-keep-rates-lower-for-longer.html>

³ Source: Bloomberg, data as of 31/08/20



The launch of BTCE on XETRA is a significant milestone for the cryptocurrency community and investors alike. With BTCE, we are bringing Bitcoin into the fold of mainstream, regulated financial markets, giving investors the benefits of trading and owning Bitcoin through a regulated security, while having the optionality of redeeming physical Bitcoin if they choose.” – **Bradley Duke, Co-Founder & CEO of ETC Group**

Product Details

BTCE Bitcoin Exchange Traded Crypto (Ticker: BTCE) is an exchange traded cryptocurrency (ETC), [Bitcoin ETP](#) that tracks the price of Bitcoin.

The ETC is 100% physically backed by Bitcoin, it trades on Deutsche Börse’s XETRA, and is centrally cleared providing investors with one of the safest and most liquid ways to gain exposure to Bitcoin. Each unit of BTCE gives the holder a claim on a predefined amount of Bitcoin.

BTCE is issued by ETC Group and marketed and distributed by HANetf.

Please remember that the value of your investment may go down as well as up and past performance is no indication of future performance.

- [BTCE Factsheet](#)
- [BTCE Video](#)
- [BTCE Whitepaper](#)
- [BTCE Fund Page](#)
- [Bitcoin ETF FAQs](#)

EXCHANGE	BB CODE	RIC	ISIN	CURRENCY	INCOME
XETRA	BTCE	BTCE.DE	DE000A27Z304	EUR	Acc

Webinars

Watch our webinar '[Investing in Bitcoin Using an Exchange Traded Product](#)', August 27th 2020 [here](#)

BTCE Product News

- Launched in June, 2020, BTCE was Europe's first centrally cleared, exchange listed Bitcoin ETC
- ETC Group adds to extensive liquidity network with appointment of ITI Capital among five cryptocurrency specialists for BTCE

Press

Recent Press Releases

- [Centrally Cleared Bitcoin Now Trading on XETRA](#)
- [World's First Centrally Cleared Bitcoin Exchange Traded Product to list on Deutsche Börse](#)

About HANetf

HANetf is an independent ETF specialist working with third-party asset managers to bring differentiated, modern and innovative ETF exposures to European investors via unique white-label ETF/ETC platform.

Founded by two of Europe's leading ETF entrepreneurs, Hector McNeil and Nik Bienkowski, HANetf provides a complete operational, regulatory, distribution and marketing solution for asset managers who want to successfully launch and manage UCITS ETFs.

HANetf's full products list includes:

Name	TER	Bloomberg Codes				
		LSE \$	LSE £	Borsa €	XETRA €	SIX
The Emerging Markets Internet & Ecommerce UCITS ETF	0.86%	EMQQ LN	EMQP LN	EMQQ IM	EMQQ GY	EMQQ SW
HAN-GINS Tech Megatrend Equal Weight UCITS ETF	0.59%	ITEK LN	ITEP LN	ITEK IM	T3KE GY	ITEK SW
HAN-GINS Cloud Technology UCITS ETF	0.59%	SKYY LN	SKYP LN	SKYY IM	5XYE GY	SKYY SW
HAN-GINS Indxx Medical Innovation UCITS ETF	0.59%	WELL LN	WELP LN	WELL IM	W311 GY	WELL SW
KMEFIC FTSE Kuwait UCITS ETF	0.80%	KUW8 LN	KUWP LN	KUW8 IM	KUW8 GY	-
The Medical Cannabis & Wellness UCITS ETF	0.80%	CBDX LN	CBDP LN	-	CDSX GY	CBDX SW
The Royal Mint Physical Gold ETC	0.22%	RMAU LN	RMAP LN	RMAU IM	RM8U GY	-
BTCetc Bitcoin Exchange Traded Crypto*	2.00%	-	-	-	BTCE GY	-
The Alerian Midstream Energy Dividend UCITS ETF	0.40%	MMLP LN	PMLP LN	MMLP IM	JMLP DE	-

*Marketed and Distributed by HANetf

For further information, please visit www.hanetf.com



Bradley Duke

Co-Founder & CEO of ETC Group

Bradley has spent most of his career in regulated Financial Services as well as young technology companies. He worked for investment bank Jefferies at their offices in New York, Paris and London, and then at the trading powerhouse KCG in London where he headed the team at Knight Direct Europe.

Bradley co-founded fin-tech and payments company Zapper, and most recently was CEO of the UK branch of the investment bank BCS Global Markets. Bradley has always had a strong interest in nascent technology and his fascination with blockchain and crypto lead him to attend the Blockchain Strategy course at the University of Oxford - Said Business School, following which he became a founding member of the London Blockchain Foundation.



ITI Capital, an FCA-regulated prime broker, has deep understanding of the crypto-market thanks to its dedicated digital assets arm ITI Digital. As such, in its role as Authorised Participant, ITI can service clients who wish to purchase OTC blocks of BTCE using either bitcoin or fiat currencies like USD, EUR or GBP and can also deliver bitcoin to BTCE holders wishing to redeem, in addition to providing BTCE securities lending.

Important Information

The content in this document is issued by HANetf Limited, an appointed representative of Mirabella Advisers LLP, which is authorised and regulated by the Financial Conduct Authority (“FCA”). This communication has been prepared for professional investors, but the Exchange Traded Cryptocurrency (“ETC”) is available in some jurisdictions to any investors. Please check with your broker or intermediary that the ETC is available in your jurisdiction and suitable for your investment profile.

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This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. Therefore, readers are cautioned not to place undue reliance on these forward-looking statements.

The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment. An investment in an ETC is dependent on the performance of the underlying cryptocurrency, less costs, but it is not expected to match that performance precisely. ETCs involve numerous risks including among others, general market risks relating to underlying adverse price movements and currency, liquidity, operational, legal and regulatory risks.

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The decision and amount to invest should take into consideration your specific circumstances after seeking independent investment, tax and legal advice.