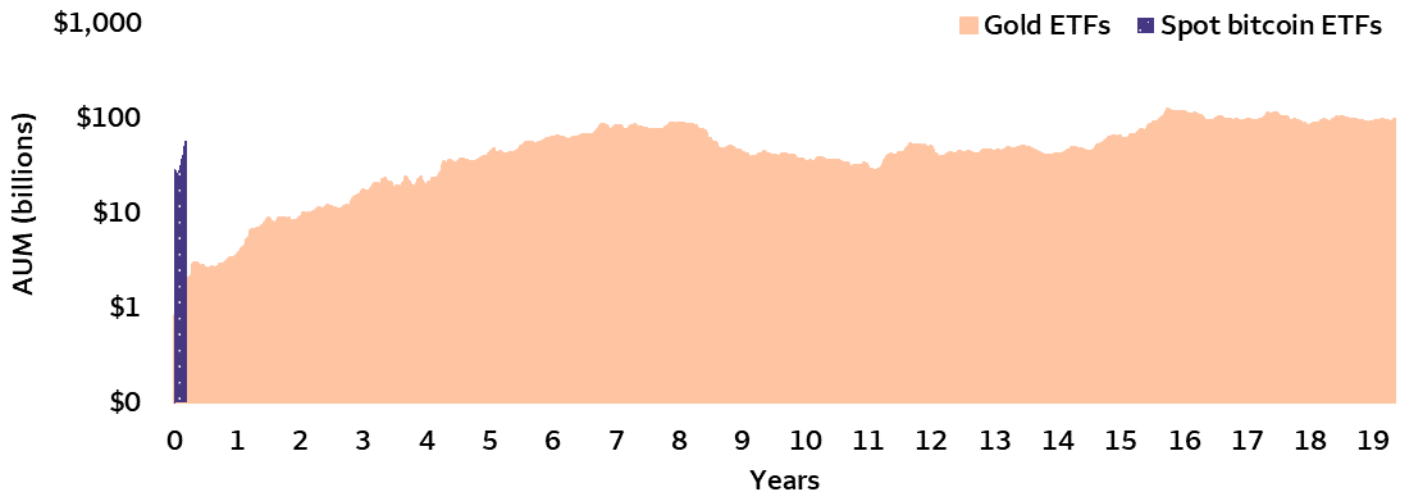


Chart of the Week

Weekly market analysis on key market indexes

March 19, 2024

A look at the rapid growth of spot-based bitcoin ETFs



Sources: Bloomberg and Wells Fargo Investment Institute. Data as of March 12, 2024. AUM = assets under management. Data presented in logarithmic scale.

Bitcoin ETFs up to a staggering \$58 billion in assets under management in 63 days

The U.S. Securities and Exchange Commission approved 11 spot-based bitcoin exchange-traded funds (ETFs) on January 10, and now (as of March 12), their total assets under management (AUM) have reached a staggering \$58 billion. One way to put this in perspective is through the lens of gold, which was also a cumbersome asset for traditional investors until the first spot-based gold products were launched in late 2004.

Spot-based gold products attracted a record-breaking \$1.2 billion in their first 30 days of trading and over \$50 billion five years later. This rate of growth, however, pales in comparison to what we have witnessed with bitcoin. In their first 30 days, the recently approved spot-based bitcoin ETFs attracted a whopping \$30.6 billion. Just as staggering, it took not five years but 57 days for these ETFs to cross \$50 billion in AUM.

What it may mean for investors

Given the impressive inflows to spot-based bitcoin ETFs, we would return to the importance of understanding the potential risks. Potential risks of bitcoin ownership include future government regulation, technology failures, and digital asset competition. Over the short-to-medium term, investors should be aware of its extreme price volatility. It is also important to understand that purchasing spot-based ETFs gives investors exposure to bitcoin's price movements, but not direct ownership in bitcoin. For a more detailed discussion, please see our January 18 *Institute Alert*, "Q&A on new spot bitcoin exchange traded funds."

John LaForge; Head of Global Real Asset Strategy

Mason Mendez; Investment Strategy Analyst

Excerpted from *Investment Strategy Report* (March 18)

Investment and Insurance Products: > NOT FDIC Insured > NO Bank Guarantee > MAY Lose Value

Risk Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve.

Exchange-traded funds (ETFs) seek investment results that, before expenses, generally correspond to the price and yield of a particular index. There is no assurance that the price and yield performance of the index can be fully matched. ETFs are subject to substantially the same risks as individual ownership of these securities would entail. Investment returns may fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

Virtual or cryptocurrency is not a physical currency, nor is it legal tender. Bitcoin and other cryptocurrencies are a very speculative investment and involves a high degree of risk. Investors must have the financial ability, sophistication/experience, and willingness to bear the risks of an investment, and a potential total loss of their investment. An investor could lose all or a substantial portion of his/her investment. Cryptocurrency has limited operating history or performance. Fees and expenses associated with a cryptocurrency investment may be substantial. Cryptocurrencies are sometimes exchanged for U.S. dollars or other currencies around the world, but they are not backed or supported by any government or central bank. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional fiat currencies.

Investing in gold or other precious metals involves special risk considerations such as severe price fluctuations and adverse economic and regulatory developments affecting the sector or industry.

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