



Why Bet on Bitcoin When This Blockchain ETF Is More Stable?

Description

There's no doubt that Bitcoin (BTC) has been the most volatile asset in financial history. The first ever recorded transaction for a single BTC was priced at \$0.003. In 2017, that single unit of digital currency hit an all-time high of \$17,100 — a jaw-dropping rate of return for anyone lucky enough to hold the asset during that period.

However, in recent years the cryptocurrency has been as volatile as ever. At the end of 2018, BTC's 20-day historical volatility was 31.5%, according to data from CBOE Global Markets. That's just the fluctuations in market price. Investors have to deal with a wide range of other risks associated with cryptocurrency, ranging from market manipulation to cyber attacks.

Holding this asset is not for the faint of heart.

However, there are other ways for investors to gain exposure to this nascent industry without directly buying BTC or any other cryptocurrency. One of these alternative instruments is an exchange-traded fund (ETF) that holds a basket of blockchain-related stocks.

Listed on the Toronto Stock Exchange in March 2018, **Evolve Blockchain ETF** (TSX:LINK) manages nearly \$861 million spread across 31 holdings from around the globe. Underlying assets include Canadian BTC-mining startup **Hive Blockchain Technologies** and American graphics processing units supplier **Nvidia**.

Evolve's largest holding is the American online retailer **Overstock.com**. CEO Patrick Byrne decided to ditch the e-commerce model and pivot to blockchain technologies and cryptocurrency-related services during the boom of 2017.

Overstock's tZERO cryptocurrency token platform launched in January this year and has generated \$12.6 million in pre-tax losses so far. Management seems confident the platform will eventually grow at a rapid pace.

As for the rest of Evolve's portfolio, companies like **Mastercard** and **Amazon** are tangentially involved in the space, while others, like **Hut 8 Mining**, are pure plays in this nascent industry.

Diversification in the portfolio and investments in a few blue-chip technology firms makes this ETF substantially more stable than BTC or any other cryptocurrency. Over the past year, as the price of BTC plunged 55%, Evolve's units are only down 35.8%.

The 0.75% management fee seems higher than most other ETFs, but considering the unpredictable nature of this industry and the fact that the fund is actively managed, the expenses may be justified.

At the moment, the ETF's unit market price is nearly on par with its net asset value — \$11.64. While the fund manager expects crypto to be a US\$60 billion industry by 2024, it's worth noting that growth in net asset value doesn't fully rely on growth in crypto. The stock price of Amazon or Mastercard is driven by factors beyond this technology. That's what makes Evolve such an intriguing bet.

Bottom line

As far as I can tell, the Evolve Blockchain ETF is the only pure-play fund devoted to blockchain technologies. Looking beyond the hype that has emerged in recent years, the fact that some of the largest and most well-established technology companies on the planet are deploying cash and committing resources to blockchain development indicates some intrinsic value.

Investors who believe in this sector's potential and want to get involved should take a closer look at Evolve. The ETF's diverse portfolio offers a more stable alternative to investing directly in cryptocurrencies or getting involved in initial coin offerings.

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