



Are Crypto ETFs Safe Investments in 2022?

Description

February 2021 was a milestone month for the TSX, because it launched the world's first **Bitcoin exchange-traded fund** (ETF) for regular investors. After **Purpose Bitcoin ETF's** ([TSX:BTCC.B](#)) market debut on the 18th, **Evolve Bitcoin ETF** (TSX:EBIT) followed the next day.

In April 2021, Canada's primary stock market index made history once more with the debut of three Ether ETFs. **Purpose Ether ETF** ([TSX:ETHH](#)), **CI Global Asset Managements' CI Galaxy Ethereum ETF**, and **Evolve Ether ETF** ([TSX:ETHR](#)) started trading on the 20th.

The launching of Bitcoin and crypto ETFs on the TSX addresses the desire of Canadian investors to be part of the cryptocurrency craze. However, these ETFs aren't necessarily profitable investments compared to top-performing individual stocks.

Extreme volatility tag

Bitcoin is the world's most popular cryptocurrency, while **Ethereum** is the second-highest valued crypto in the space. While Bitcoin eclipsed the \$1 trillion in market capitalization threshold in 2021, Ether was the better performer between the two (+407% versus +60%) largest cryptos.

On January 6, 2022, Bitcoin fell below US\$42,000 for the first time since July 31, 2021. The crypto has a poor start to 2022, declining 12.4% from the first day of the month. Also, the extremely volatile nature showed again, as evidenced by the flash crash in December 2021.

Since playing directly in the [crypto market](#) can be very risky, ETFs for cryptocurrencies are options for regular investors. You can buy and trade them like regular stocks.

Purpose Investment

Purpose Investments is the company behind Purpose Bitcoin ETF and Purpose Ether ETF. When you're investing in either ETF, you do away with security or custody concerns, because you don't need

a digital wallet. However, investing in BTCC.B and ETHH is the real deal, says Purpose Investment.

You're buying actual Bitcoin or Ether with your money, although the physically settled cryptos are safely held in cold storage. Furthermore, both ETFs are eligible investments in a Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP).

When Purpose Investments launched the first ETF, the company said it was a high-risk investment, consistent with the unstable nature of Bitcoin. Purpose further added that the ETF is suitable for investors who want capital growth over the long term but can tolerate [high risk](#).

Evolve

Evolve is one of Canada's fastest-growing ETF providers and specializes in bringing thematic ETFs to Canadian investors. Two of its products in the cryptocurrency universe are the Bitcoin ETF and the Ether ETF. Like the ETFs of Purpose, EBIT and ETHR are eligible investments in a TFSA and RRSP.

The ETFs invest directly in Bitcoin or Ether. Their common investment objective is to provide investors with exposure to the daily price movements of digital currencies (in U.S. dollars). As of January 7, 2022, the assets under management (AUM) of EBIT and ETHR are \$137 million and \$118 million, respectively.

Evolve wants to clarify that investors in crypto ETFs must have the capacity to absorb a loss of some or all of their investment.

Ether ETFs are better performers

In 2021, Ether ETFs outperformed Bitcoin ETFs. The gains of ETHH and ETHR investors in eight months were 33.21% and 59.21%, respectively. BTCC.B and EBIT investors who took positions since the market debut lost 11.79% and 16.08%, respectively.

CATEGORY

1. Cryptocurrency
2. Investing

TICKERS GLOBAL

1. TSX:BTCC.B (Purpose Bitcoin ETF)
2. TSX:ETHH (Purpose Ether ETF)

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