



## Crypto ETFs: Could \$6 Billion Inflow Double by Year-End 2022?

### Description

A *BNN Bloomberg* article early this month said [exchange-traded funds](#) (ETF) in Canada had a record year. Total inflows in 2021 reached \$52.5 billion, which represents a 27% from 2020. Daniel Straus, a financial analyst at **National Bank of Canada**, said retail and institutional investors invest in ETFs for tactical and strategic reasons.

Straus added that three of the biggest ETF providers cornered 70% of the assets under management. Interestingly, [cryptocurrency ETFs](#) had a following, too, as evidenced by the \$6 billion inflows last year. Canadian regulators ushered in physical cryptocurrency funds in February 2021 with **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)), the first ever **Bitcoin** ETF for regular investors.

Two months later, the TSX launched **Ethereum** ETFs. The digital asset is the second-most popular crypto after Bitcoin. **Purpose Ether** ([TSX:ETHH](#)), the first physically settled Ether ETF made its debut in April 2021. Purpose Investments, the asset manager of both ETFs, say cryptos are high-risk investments.

### Crypto ETF advantages

According to Purpose Investments, BTCC.B and ETHH are for investors who want exposure to the cryptocurrencies and can tolerate high risk. The primary advantage of the crypto ETFs is that investors don't need to have digital wallets or keys as part security management or custodianship.

The asset manager buys the real Bitcoin or Ether with investors' money, where the physically settled cryptocurrencies are held safely in cold storage. Because the ETFs trade like regular stocks, either ETF is easy to trade. Both are likewise eligible investments in registered accounts such as the Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP).

### Bitcoin ETF

Bitcoin's price dropped significantly since peaking to over US\$67,560 on November 8, 2021. The

current price of US\$37,906.85 is 43.9% lower than its peak, although investors are losing 18.14% year to date. Purpose Bitcoin ETF debuted at \$10.59 on February 21, 2021.

The ETF mirrored Bitcoin's spikes and dips and the price went high to as high as \$12.42 on November 9, 2021. Unfortunately, the rally did not sustain, as the ETF went on a tailspin, like the world's most popular cryptocurrency. At \$7.13 per share, current investors are losing by 16.9% year to date.

## Ether ETF

Ethereum is doing worse than Bitcoin, thus far, in 2022 (-29.39%). Some industry investors say the crypto's recovery could stall, because of rising inflation and impending rate hikes in the United States. One financial planner said Ethereum is in a slump, as many investors are removing risks from their portfolios.

Meanwhile, at \$11.48 per share, Purpose Ether ETF is down 30.55% year to date. The share price zoomed to \$21.43 on November 11, 2021, but steadily dropped like the actual crypto. Since going public on April 20, 2021, this ETF's gain is 7.29% compared to the 33.24% loss of the Bitcoin ETF during the same period.

## Crypto winter

Currently, there are 56 crypto-related assets, ETFs, and [stocks](#) on the TSX. However, the inflows to the digital currency ecosystem might not double in 2022 if investors shift to more safe assets.

Still, Crypto.com estimates one billion crypto investors by year-end. The trading platform said digital assets ownership grew 178% to 295 million investors in 2021. Perhaps a breakout moment will come after the crypto winter.

### CATEGORY

1. Cryptocurrency
2. Investing

### TICKERS GLOBAL

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

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