



1st Bitcoin ETF: 1 Year Later, Here's How it Performed

Description

Friday, February 18, 2022, was the one-year anniversary of the world's first [exchange-traded fund](#) (ETF) that is backed by physically settled **Bitcoin** ([CRYPTO:BTC](#)). **Purpose Bitcoin ETF** ([TSX:BTCC.B](#)) made its debut on the **TSX** on February 18, 2021, becoming the first avenue for Canadian investors to foray into the cryptocurrency industry while remaining within the bounds of traditional financial instruments.

The development was obviously quite popular, because it was the first opportunity for investors to gain more liquid exposure to the world's most popular cryptocurrency. A month after it began trading on the TSX, Purpose Bitcoin ETF amassed a billion in assets under management (AUM), effectively making it one of the fastest-growing ETFs to debut on the stock market.

BTCC ETF boasts assets that are worth \$1.55 billion at writing. Today, we will discuss how the fund has performed over the year to help you determine whether it could be worth adding to your investment portfolio.

The world's first cryptocurrency

Purpose Bitcoin ETF's performance is tied to that of the world's first cryptocurrency. BTCC ETF seeks to provide you with long-term capital appreciation by buying and holding all its assets in long-term holdings of physically settled Bitcoin. Investing in Purpose Bitcoin ETF means investing in the cryptocurrency without the hassle of buying Bitcoin tokens through a cryptocurrency exchange.

Owning BTCC ETF shares effectively allows you to enjoy investment returns based on the performance of Bitcoin without the hassles that come with owning the [cryptocurrency](#) itself. The fund manager invests in and holds Bitcoin through its AUM. You, the investor, will purchase ETF units on the TSX, just the same as you would for any other stock or ETF trading on the stock market.

The fund manager uses your proceeds to purchase Bitcoin from institutional-grade liquidity providers. The fund stores most of its holdings in cold storage, ensuring adequate protection of the Bitcoin holdings.

The performance of BTCC ETF is closely linked to the cryptocurrency it invests in and holds, though it does not mirror the performance of the cryptocurrency to the exact degree. BTCC ETF uses derivatives to hedge a substantial portion of the U.S. dollar currency exposure within its holdings back to the Canadian dollar, causing a slight variation.

Foolish takeaway

The past 12 months have seen Bitcoin reach valuations nearing US\$67,000 then declining, only to go back up again. Purpose Bitcoin ETF's performance has closely reflected the performance of its constituent cryptocurrency.

At writing, Purpose Bitcoin ETF is down by almost 43% from its November 9, 2021, peak — a less-pronounced decline than that of Bitcoin itself, which is down by over 48% in the same period. Bitcoin's price has been strongly correlated with the prices of major tech stocks, and it has spent most of the year tumbling due to fears of [interest rate hikes](#).

Depending on how the performance of tech stocks on the market shapes up in the coming weeks, BTCC ETF investors could be in for a significant roller-coaster ride.

CATEGORY

1. Cryptocurrency
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