



ETHX vs. ETHH: Which Ethereum ETF Is the Better Buy for Canadian Investors?

Description

Welcome to a series where I break down and compare some of the most popular [exchange-traded funds \(ETFs\)](#) available to Canadian investors!

The second-largest cryptocurrency by market cap, **Ethereum** ([CRYPTO:ETH](#)) has become one of the most popular investments in recent years.

Thanks to fund providers like **CI Global Asset Management** and **Purpose Investments**, Canadian investors have some great [exchange-traded funds \(ETFs\)](#) to choose from for exposure to the spot price of Ethereum

These ETFs hold the underlying Ethereum in offline cold storage with a custodian and divvy it up into shares that are bought and sold on the stock market during normal trading hours.

Buying a share of these ETFs essentially gives you exposure to a proportionate amount of Ethereum. What's cool is that these ETFs can be held in your TFSA or RRSP, meaning that when you sell, you pay zero income tax.

The two tickers up for consideration today are **CI Galaxy Ethereum ETF** ([TSX:ETHX.B](#)) and **Purpose Ether ETF** (TSX:ETHH.B). Which one is the better option? Keep reading to find out.

ETHX.B vs. ETHH.B: Fees

The fee charged by an ETF is expressed as the management expense ratio (MER). This is the percentage that is deducted from the ETF's net asset value (NAV) over time and is calculated on an annual basis. For example, an MER of 0.50% means that for every \$10,000 invested, the ETF charges a fee of \$50 annually.

ETHX.B has an MER of 0.89%, versus ETHH.B at 1%. ETHX.B is clearly the cheaper ETF. On a \$10,000 portfolio, picking ETHX.B over ETHH.B would save you around \$11 per year, which may seem small but can add up over long periods of time.

ETHX.B vs. ETHH.B: Size

The size of an ETF is very important. Funds with small assets under management (AUM) may have poor liquidity, low trading volume, high bid-ask spreads, and more risk of being delisted due to lack of interest.

ETHX.B has attracted AUM of \$544.4 million, whereas ETHH.B has AUM of \$466.6 million. Although both are sufficient for a buy-and-hold investor, ETHX.B is currently the more popular ETF among Canadian investors.

ETHX.B vs. ETHH.B: Holdings

ETHX.B holds around 0.003681 Ethereum per share. This is how much Ethereum you have a claim to by buying one share of the ETF. Conversely, if you bought around 267 shares of ETHH.B, you would roughly own the equivalent of one Ethereum. The ETF currently holds approximately 145,675 Ethereum in cold storage.

ETHH.B holds around 0.003507 Ethereum per share. This is how much Ethereum you have a claim to by buying one share of the ETF. Conversely, if you'd bought around 280 shares of ETHH.B, you would roughly own the equivalent of one Ethereum. The ETF currently holds approximately 123,930 Ethereum in cold storage.

Both ETFs are not currency hedged, meaning that their share prices can be affected by fluctuations between the CAD-USD exchange rate. This introduces additional volatility for investors.

ETHX.B vs. ETHH.B: Historical performance

A cautionary statement before we dive in: past performance is no guarantee of future results, which can and will vary. The portfolio returns presented below do not reflect trading costs, transaction fees, or taxes, which can cause drag.

I was unable to perform a backtest, as neither ETF had at least one full year of performance history available. However, I was able to pull their year-to-date performance to compare against the spot price of Ethereum:

1. ETHX.B: -22.41%
2. ETHH.B: -22.43%
3. Ethereum CAD: -19.67%
4. Ethereum USD: -19.51%

Both ETHX.B and ETHH.B performed virtually identically. However, both underperformed the spot

price of Ethereum in both CAD and USD. I attribute this to tracking error from the constant turnover in both funds due to trading, changes in currency exchange rates, and management fees.

The Foolish takeaway

If I had to choose one ETF to buy and hold, it would be ETHX.B due to its higher AUM and lower MER. ETHX.B is best used for crypto exposure in a TFSA or RRSP. For other accounts, the adage of “not your keys, not your coins” generally applies, so consider an offline cold wallet in those cases.

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2. TSX:ETHX.B (CI Galaxy Ethereum ETF)

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