

Evolve Cryptocurrencies ETF

The Evolve cryptocurrency ETFs provides investors with exposure to the daily price movements of the U.S. dollar price of bitcoin and ether while experiencing minimal tracking error by utilizing the benefits of the creation and redemption processes offered by the exchange traded fund structure.

TSX

ETC

ETF TICKERS: ETC (UNHEDGED); ETC.U (USD)

2021 was the most eventful for the crypto industry to date, marked by a boom in meme coins and NFTs, the adoption of crypto at a nation state level, and rising corporate interest in the Metaverse.¹

Capital poured into blockchain and crypto companies, amounting to \$23 billion during the year, according to data from Blockdata. This is more than the total amount raised from 2017 to 2020.²

Bitcoin and Ethereum, the two largest cryptocurrencies, posted gains well in excess of traditional macro assets. While ether, the native asset of the Ethereum blockchain, still has a way to go before traditional investors begin to form their investment thesis, Bitcoin has cemented itself in the minds of all professional investors, as it eclipsed \$1 trillion in market capitalization in 2021.³

Ethereum was the best performing cryptocurrency in 2021. It opened the year at \$730 USD and closed at \$3682, for a gain of over 404%. The crypto reached a record high of \$4,870 in November.⁴

Bitcoin experienced a 58% increase in price during 2021, in a year that was marked by substantial price volatility. It opened the year at \$29,374 and closed at \$46,306. It climbed to \$64,863 on April 14 and posted an all-time high of \$67,549 on November 27, before falling to its year-end level.⁵

With Ethereum's superior asset price performance compared to Bitcoin, the dominance of Bitcoin, measured by market capitalization compared with the market capitalization of all digital assets fell during 2021 from 70.2% to 40.1%. However, this was also due to a spate of crypto projects which have sprung up with many different use cases that are not competing directly with Bitcoin.⁶

During the year, both Bitcoin and Ethereum had important upgrades to their networks. Bitcoin upgraded its Taproot protocol through a bundle of three upgrades that improves network security, privacy, and scalability. Taproot is the most significant upgrade to the Bitcoin network since the activation of the block capacity enhancement of Segregated Witness in 2017.⁷

In August, Ethereum upgraded to a new gas fee mechanism that created a fundamental shift in its monetary policy. EIP-1559 introduced a gas fee burn that reduced the supply of ETH rather than paying additional fees to miners.

Before EIP-1559, Ethereum users would have to place a bid for gas fees in an auction format to compete to get their transactions added to blocks. This led to frequent fee spikes that affected users' ability to make transactions. EIP-1559 has

made the fee system more predictable and stable against demand shocks.⁸

In September, China which was estimated to account for between 50% and 70% of the world's crypto mining⁹ announced that "all cryptocurrency-related business activities are illegal and vowed to clamp down on illicit activities involving digital currencies." The country also said that overseas crypto exchanges would be blocked from providing services to Chinese residents through the internet.¹⁰ In a separate statement, China's National Development and Reform Commission said China will gradually start shutting down crypto mining operations, and no new mining projects will be permitted.¹¹

One of the biggest news items for Bitcoin in 2021 was El Salvador becoming the first country to adopt Bitcoin as legal tender, allowing the cryptocurrency to be used in any transaction, from buying a cup of coffee to paying taxes.¹² The government has promised to install 200 Chivo automatic tellers and 50 Bitcoin attention centers.¹³

At a corporate level, Coinbase Global, the largest crypto exchange in the US went public on the Nasdaq in April at a valuation of nearly \$100 billion. Coinbase shares began trading at \$381 a share, a more than 50% jump from the reference price for its stock of \$250 a share. The company listed its shares directly on the Nasdaq, as opposed to selling new stock through an initial public offering.¹⁴

Sources:

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14. <https://www.cnn.com/2021/04/14/investing/coinbase-stock-direct-listing/index.html>

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