

SEMI-ANNUAL 2022 COMMENTARY

Ether ETF

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

TSX

ETHR

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

As at June 30, 2022, ether closed at \$1067.30, down from \$3769.70 at the beginning of the year.(i)

One of the most relevant criticisms of the Ethereum network is the lack of supply restrictions. Unlike Bitcoin, Ether's supply isn't limited to 21 million tokens. Instead, there are 120 million units in circulation and a steady stream of new tokens added every day. Some argue that this has made the tokens less valuable.(ii)

However, this weakness is expected to be resolved in 2022, with the implementation of the Ethereum Improvement Proposal (EIP) 1559 which will allow for the burning of ETH on every transaction; and the transition to ETH 2.0 or Proof-of-Stake lock up of a significant amount of circulating supply in a staking pool.(iii)

In April, cryptocurrency-focused bank Silvergate Capital Corp., reported first quarter earnings that came in ahead of analyst expectations. The company announced earnings per share of 79 cents for the first three months of the year, 75% higher than the average analyst estimate of 45 cents. The bank also reported that its number of digital currency customers had jumped to 1,503, an increase of about 36% from the year prior.(iv)

In early June, two US senators introduced a cryptocurrency bill that outlined a comprehensive set of regulations across digital assets in the US. The bill would make small-scale purchases of goods and services tax-free for transactions less than \$200 – potentially clearing a path for a cryptocurrency that acts more like traditional currency. The legislation would grant new oversight powers and a commanding presence to the Commodity Futures Trading Commission.(v)

The legislation attempts to tackle the biggest questions hanging over digital assets. It would set new federal law for stablecoins, taxes on small-scale payments and the jurisdictions of regulators – answering the uncertainties that have kept the fledgling financial sector from maturing.(vi)

At the end of the first half of the year, Ethereum, the world's most used cryptocurrency blockchain network, passed a milestone test ahead of a highly anticipated technical upgrade without any major glitches. Developers ran the latest software for the upgrade known as the Merge on the Ropsten testnet in an effort to find potential bugs and glitches before moving the application to the blockchain. Tim Beiko, a computer scientist who

coordinates Ethereum developers, described the completion of the test saying, "The network is stable, but there are some minor (known + expected) issues we are looking into." He added that, "Overall, though, things are looking good."(vii)

Sources:

- (i) https://finance.yahoo.com/quote/ETH-USD/history/?fr=yhssrp_catchall
- (ii) <https://www.fool.ca/2022/03/22/could-ethereum-double-in-2022/>
- (iii) <https://www.fool.ca/2022/03/22/could-ethereum-double-in-2022/>
- (iv) <https://www.bloomberg.com/news/articles/2022-04-19silvergate-shares-surge-after-blowout-first-quarter-earnings#xj4y7vzkg>
- (v) <https://www.coindesk.com/policy/2022/06/07/key-us-senators-introduce-bill-outlining-sweeping-plan-for-future-crypto-rules/>
- (vi) <https://www.coindesk.com/policy/2022/06/07/key-us-senators-introduce-bill-outlining-sweeping-plan-for-future-crypto-rules/>
- (vii) <https://www.bnnbloomberg.ca/ethereum-moves-closer-to-blockchain-revamp-after-milestone-test-1.1776245>

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