



Invest in the 'Picks and Shovels' driving the new crypto economy

ASX: CRYPT

Betashares Crypto Innovators ETF

Introducing the Betashares Crypto Innovators ETF (ASX: CRYPT)

'During the gold rush it's a good time to be in the pick and shovel business'
– Mark Twain

Digital assets such as Bitcoin have been described as the next technological revolution on the scale of the internet¹.

Cryptocurrencies have also been the best-performing asset class in the world over the past 10 years, producing significant gains for investors who have timed their investment decisions well (as observers will know, this performance has been associated with a very high level of price volatility)².

However, while many investors are excited about the prospects for the crypto sector, some may not be comfortable with the complications and complexity of holding digital assets directly. For those investors, investing in the companies that are driving the crypto economy provides an alternative way to gain exposure to the sector.

For investors who do have direct cryptocurrency holdings, CRYPT can provide a complementary exposure and diversification via companies involved in the broader crypto ecosystem.

Betashares is pleased to offer the Betashares Crypto Innovators ETF (CRYPT), which provides access to a portfolio of companies leading the rapidly emerging crypto economy, in a familiar, liquid and cost-effective ETF structure.

¹ Quote from Netscape cofounder, Marc Andreessen (2014)

² Past performance is not indicative of future performance.

About the Betashares Crypto Innovators ETF (ASX: CRYP)

The Betashares Crypto Innovators ETF (ASX: CRYP) provides exposure to a portfolio of companies leading the rapidly emerging crypto economy, in a single trade on the ASX.

CRYP aims to track the Bitwise Crypto Innovators Index (before fees and expenses), which was designed to capture the full breadth of the crypto-equity ecosystem. The underlying index was built by Bitwise, one of the largest and most established crypto-asset managers in the world.

The chart below shows the industry breakdown of the index, as at 15 October 2021.

What are digital assets?

The most well-known digital assets are the cryptocurrencies themselves, the best known being names such as:

- ▶ Bitcoin
- ▶ Ethereum, and
- ▶ XRP.

A cryptocurrency can be thought of as an internet-based medium of exchange, as distinct from physical money such as banknotes and coins. A cryptocurrency is a type of digital token that makes use of cryptography to secure transactions and to control the creation of new units in the currency. Transactions of cryptocurrencies utilise distributed ledger technology (DLT), typically blockchain technology, on peer-to-peer networks.

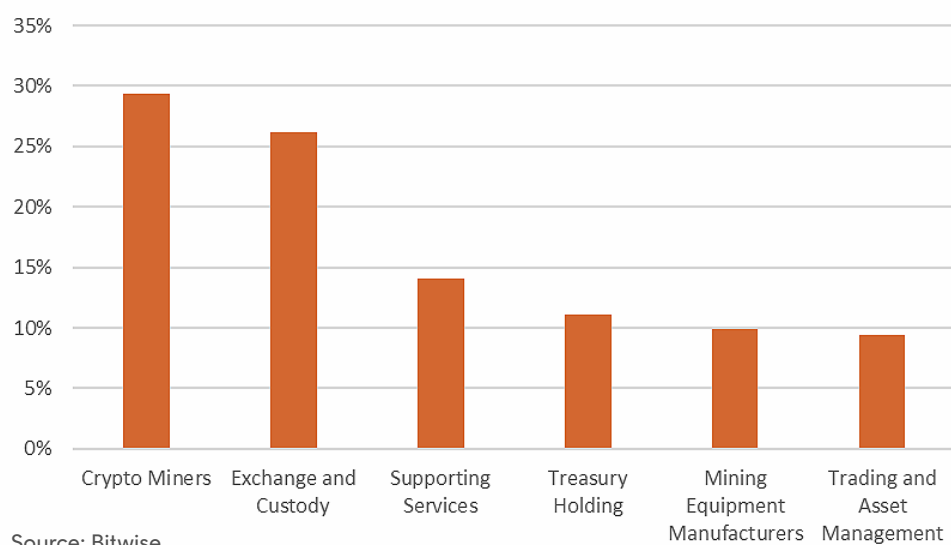
As well as cryptocurrencies, other infrastructure providers and market participants play an essential role in the crypto-economy. These include:

- ▶ Crypto trading venues, such as cryptocurrency exchanges
- ▶ Crypto mining companies and mining equipment firms³
- ▶ Companies that have added Bitcoin or other cryptocurrencies as a Treasury asset
- ▶ Other service providers, such as companies that produce software to manage cryptocurrency transactions and payments.

Investing in a portfolio of companies in the crypto ecosystem offers exposure to the growth potential of the crypto economy, but without the complexity and specific risks of a direct investment in a cryptocurrency. Due to the highly speculative nature of crypto assets, exposure to crypto-focused companies nevertheless involves very high risk of loss.

An investment in companies in the crypto ecosystem can be seen as taking a 'picks and shovels' approach to investing in the crypto economy – the crypto equivalent of investing in miners and suppliers of mining equipment and services, instead of investing directly in gold or copper.

CRYP's index - industry breakdown, 15 October 2021



³ Mining is the process by which transactions in a cryptocurrency are verified and added to the blockchain. The process of mining involves performing a set of mathematical computations to win the right to add a new block to the chain, for which miners are rewarded with new coins in the cryptocurrency.

At least 85% of the index (at quarterly rebalance dates) is focused on either pure-play crypto companies, including crypto trading venues, crypto mining and mining equipment firms, and service providers, or companies that hold at least 75% of their net assets in a cryptocurrency. As at the date of writing, portfolio holdings include:

- ▶ **Coinbase (COIN)** –a cryptocurrency exchange platform that makes it easy to buy, sell and store Bitcoin, Ethereum and other cryptocurrencies
- ▶ **Silvergate Capital (SI)** - a provider of financial infrastructure solutions and services to participants in the digital currency industry
- ▶ **Riot Blockchain (RIOT)** - a Bitcoin mining company, supporting the Bitcoin blockchain through rapidly expanding large-scale mining in the United States.

Up to 15% of the index (at quarterly rebalance dates) is focused on supporting companies - innovative large cap firms with diversified business interests that include at least one significant business line focused on the crypto economy. Examples include:

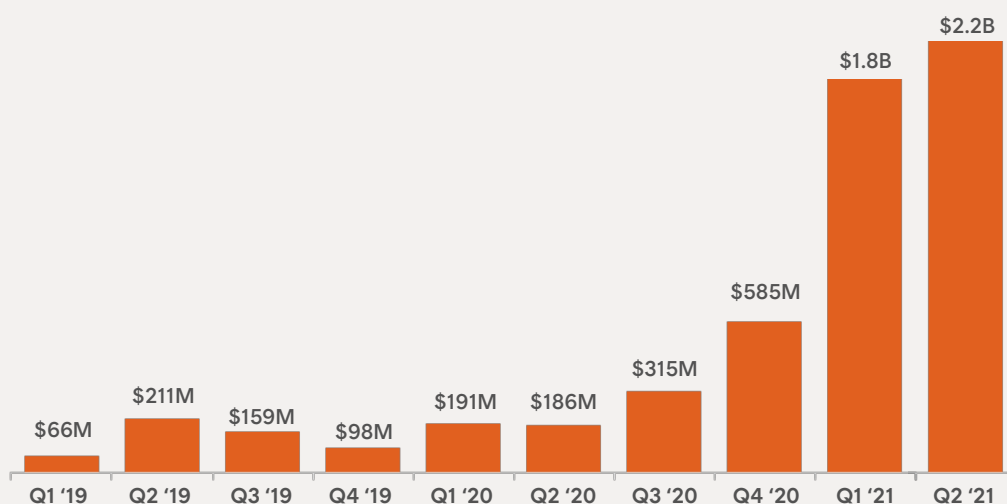
- ▶ PayPal (PYPL), which enables users in the US to buy, sell, hold, and checkout with four different cryptocurrencies directly through PayPal.
- ▶ Nvidia (NVDA), which produces a graphics processing unit (GPU) designed for professional cryptocurrency mining operations⁴.

Portfolio holding focus – Coinbase Global (COIN)

Coinbase is one of the world's leading crypto trading venues, offering trading, custody, and other services to both retail and institutional investors. Founded in 2012, the platform now has around 68 million verified users, 9,000 institutions, and 160,000 ecosystem partners in over 100 countries.

As of 30 June 2021, the company had around US\$180 billion of assets on its platform, and a quarterly trading volume of around US\$462 billion⁵. Revenues have grown strongly over the last two years, with the company recording second quarter 2021 revenue of US\$2.23 billion.

Coinbase earns \$2.23 billion in revenue in Q2 2021

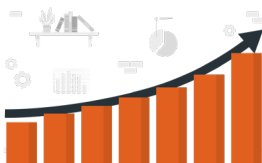


Source: Coinbase quarterly filings

⁴ No assurance is given that these companies will remain in CRYP's portfolio or will be profitable investments.

⁵ Source: www.coinbase.com. Past performance is not indicative of future performance.

Why invest in CRYP?



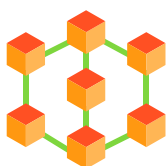
Strong growth potential

The crypto economy has been growing strongly, aided by the performance of Bitcoin, Ethereum and other digital assets over the past ten years⁶, with this growth anticipated to continue. The companies in CRYP's portfolio are seeking to build on that success.



Crypto economy exposure in an equity ETF

CRYP provides focused exposure to companies operating in the crypto economy within the familiar ETF structure (CRYP will not invest in crypto assets directly and will not track price movements of any crypto assets). You can invest in CRYP on the ASX just as you would invest in any share or ETF. For those with direct cryptocurrency exposure, CRYP may act as a complement by providing diversification via companies involved in the broader crypto ecosystem.



Exposure to crypto core infrastructure

CRYP provides exposure to the companies building crypto mining equipment, crypto trading venues, and other key services that allow the crypto economy to thrive.



Exposure to newly listed crypto giants

The crypto market moves fast. The index that CRYP aims to track has a 'fast entry' rule that allows the index to add newly listed, pure-play companies one day after their initial public offering (IPO), subject to trading and other index requirements.



Access up to 50 crypto innovators

The index that CRYP aims to track was designed to capture the full breadth of the crypto-equity ecosystem.

At quarterly rebalance dates:

At least 85% of the index is allocated to pure-play companies that:

- ▶ derive at least 75% of their revenue directly from servicing cryptocurrency markets, or
- ▶ have more than 75% of their net assets in the form of direct holdings of Bitcoin, Ethereum, or another liquid digital asset.

Up to 15% is allocated to large companies with diversified business interests and market capitalisations of at least US\$10 billion, and which have at least one significant business interest explicitly focused on the crypto ecosystem.

⁶ Past performance is not an indicator of future performance.

Summary

At the opening session of the 2014 CoinSummit in San Francisco, Netscape co-founder, Marc Andreessen, said “Bitcoin today is the Internet in 1994”. At the time he spoke, Bitcoin was trading at around US\$600.

Digital assets have been the fastest growing asset class of the last decade, and the crypto economy is forecast to continue to grow. The Betashares Crypto Innovators ETF offers exposure to the rapidly growing crypto economy within a familiar ETF structure. Given the volatility of the sector, investors should consider carefully how an investment in crypto companies fits in their portfolio.

Please note that an investment in CRYP should be considered very high risk. CRYP provides focused exposure to companies involved in servicing crypto-asset markets or which have material investments in crypto-assets. Crypto-assets are highly speculative in nature and companies with significant exposure to crypto-asset markets can be expected to have a very high level of return volatility. An investment in CRYP should only be made by investors who (i) fully understand the features and risks of companies with significant exposure to crypto-asset markets or after consulting a professional financial adviser, and (ii) who have a very high tolerance for risk and the capacity to absorb a rapid loss of some of their investment.

Some of the risks associated with an investment in CRYP include market risk, crypto innovators risk, crypto-asset risk, currency risk and sector concentration risk. An investment in CRYP is not the same as investing directly into cryptocurrency assets.

An investment in CRYP should only be considered as a small component of a broader portfolio.

For more information on risks and other features of CRYP, please see the Target Market Determination (TMD) and Product Disclosure Statement, which are available at www.betashares.com.au.

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