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price of bitcoin in their first three days of trading.

Jan. 19, 2024



*Via Fast Company (TNS)*

(Reuters) — A new batch of U.S. bitcoin exchange-traded funds (ETFs) has attracted strong investor interest, though it is unclear if they will be able to maintain the pace of inflows in coming weeks.

Investors have poured \$1.9 billion into nine new exchange-traded funds tracking the spot price of bitcoin in their first three days of trading, data from issuers and analysts

showed, with fund giants BlackRock and Fidelity pulling in the lion's share of the

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most aggressive estimates of first-day flows in the billions of dollars.

Market participants said it remained to be seen to what degree funds tracking the notoriously volatile cryptocurrency continue drawing retail and institutional investors, and which issuers will come out ahead. Some bullish analysts have said flows could reach between \$50 billion and \$100 billion by the end of the year.

Bitcoin is down more than 8% since Jan. 11, after rallying in recent months on anticipation that the ETFs would finally get the nod from the SEC.

"So far, the launches have almost measured up to the hype," said Todd Sohn, an ETF analyst at Strategas. "The next question is, What is their staying power? What will those flows look like in six months' time, or six years from now?"

For now, lower fees and name recognition appear to be key factors in drawing investors. The iShares Bitcoin Trust ETF from asset management giant BlackRock has attracted more than \$700 million, while Fidelity's Wise Origin Bitcoin Fund has topped \$500 million, according to BitMEX Research, a cryptocurrency research and analysis firm.

Fees among the nine issuers—before waivers—range from a low of 0.19% to a high of 0.39%.

BlackRock is charging a fee of 0.12% for the first \$5 billion in assets and the first 12 months of trading. After that, the fee will rise to 0.25%. Fidelity is initially charging zero, rising to 0.25% after July 31. Those fees will still be less than half the average ETF fee of 0.54%, as calculated by Morningstar Inc.

"Fees are clearly a key determinant for success," said Sui Chung, CEO of CF Benchmarks, which is providing the index against which six of the new ETFs will be measured.

“Those that charge the lower management fees will unsurprisingly make themselves

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while the Ark/21Shares ETF has had inflows of nearly \$230 million, according to BitMEX.

By contrast, the Grayscale Bitcoin Trust, with a fee of 1.5%, has seen outflows this month. The trust was converted into an ETF at the same time the other ETFs were launched, and has seen \$1.16 billion in outflows in its first three trading days, data from BitMEX showed.

Paul Karger, founder of Twin Focus, a boutique wealth management advisory firm, says some of his clients are selling their GBTC holdings and moving into the cheaper new ETFs.

“We’re seeing a shift from GBTC to the new, lower-cost ETFs, as well as some clients putting more money to work in the cheaper options” from brand-name issuers, he said.

Representatives for Grayscale did not immediately provide comment. Speaking to Bloomberg at Davos on Wednesday, CEO Michael Sonnenshein said that while fees are a consideration, investors should also look at a product’s size, liquidity, and track record.

The next hurdle for the funds will likely be demonstrating their ability to win acceptance by institutional investors, such as pension funds, and investment advisers.

“The question of what to do with these in a portfolio has been drowned out by a lot of the noise” surrounding the new products’ debut, Steve Kurz, head of asset management at Galaxy Digital, said ahead of that launch. Galaxy has partnered with Invesco to launch the Invesco Galaxy Bitcoin ETF, one of the nine new spot bitcoin ETFs.

The process of talking about what kind of allocation is appropriate and how spot

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