

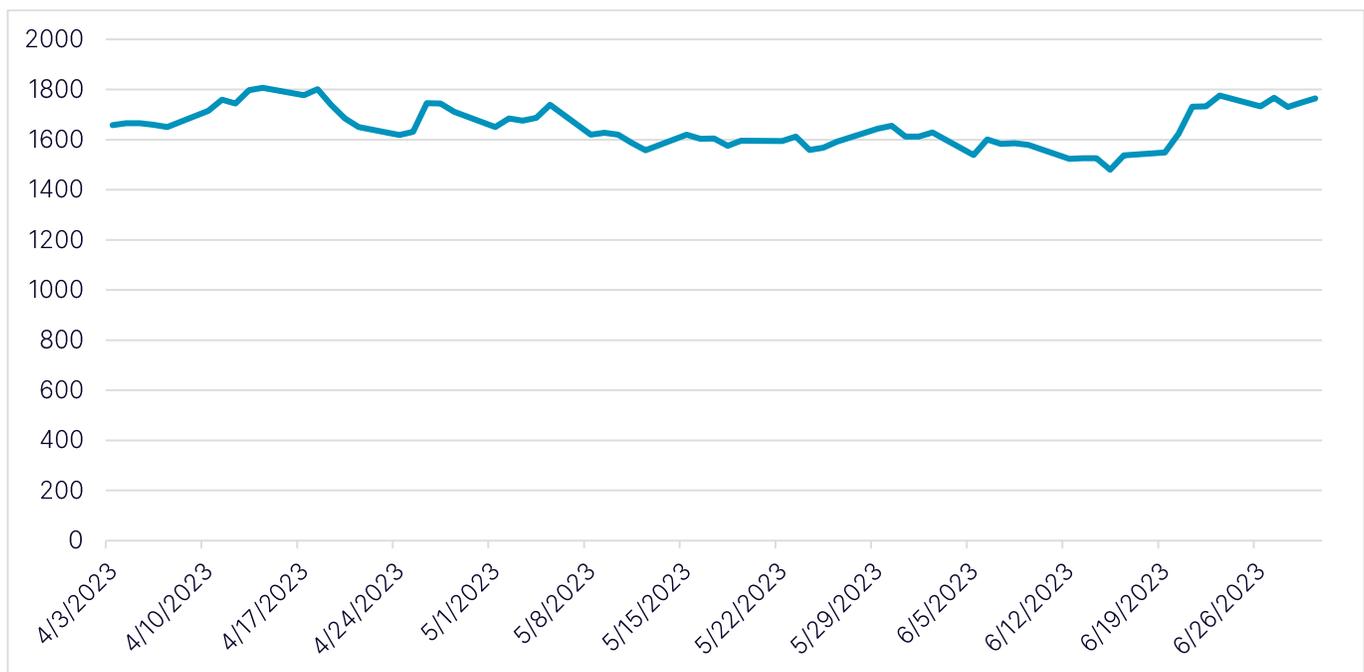
# Crypto Quarterly Market Update: Q2 2023

Nasdaq Crypto™ Index (NCI™) Review: April 1, 2023 – June 30, 2023

## Investment Performance

Over the second quarter of 2023, the Nasdaq Crypto Index Settlement Price™ (NCIS™) has returned 6.5%<sup>1</sup>. The total market capitalization in the digital asset space started the year at ~\$784 billion and has experienced a minimal rise from USD ~ \$1.185 trillion in April to ~ \$1.186 trillion at the end of June, representing an increase of ~.12%<sup>2</sup>. Over the second quarter, the NCIS value peaked at 1806.740 on April 14<sup>th</sup>, dropped as low as 1479.910 on June 15<sup>th</sup>, and finished the quarter at 1764.570 on June 30<sup>th</sup>.

Nasdaq Crypto Index Settlement Price™ (NCIS™) Q2 2023 Performance: 4/3/23 – 6/30/23



Source: <https://indexes.nasdaqomx.com/Index/History/NCIS>, from 4/3/23– 6/30/23

<sup>1</sup> Data source: <https://indexes.nasdaqomx.com/Index/History/NCIS>, from 4/3/23 – 6/30/23

<sup>2</sup> Data source: <https://coinmarketcap.com/charts/-/Total-Cryptocurrency-Market-Cap> Chart, from 4/1/23 – 6/30/23

## Nasdaq Crypto Index Settlement Price™ (NCIS™) All Time Performance: 6/1/20 – 6/30/23



Source: <https://indexes.nasdaqomx.com/Index/History/NCIS>, from 6/1/2020 – 6/30/23 and includes backtested performance for NCIS prior to 2/2/2021

The NCIS index value ranged from a high of 4,140.18 on November 9, 2021, to a low of 448.92 on June 27, 2020. The NCI experienced significant volatility along with the broader crypto market during the final quarter of 2021 and over the course of 2022. The NCI's risk and return profiles are heavily influenced by Bitcoin (XBT) and Ethereum (ETH) as these major digital assets represent the NCI's largest allocations since launch.

## Portfolio Update

NCIS is weighted by Free Float Market Capitalization and rebalanced quarterly on the first business day of March, June, September, and December. The Free Float Market Capitalization of a digital asset is determined by its Circulating Supply, which is an important data element to maintain in order to preserve an investable and accurate representation of the asset class.

At the start of 2023, the NCI was comprised of twelve digital assets, Bitcoin (XBT), Ethereum (ETH), Bitcoin Cash (BCH), Litecoin (LTC), Chainlink (LINK), Stellar Lumens (XLM), Uniswap (UNI), Axie Infinity (AXS), Polkadot (DOT), Ethereum Classic (ETC), The Sandbox (SAND), and Filecoin (FIL). At the March 1, 2023, reconstitution two assets were removed from the NCI, Filecoin (FIL) and The Sandbox (SAND). At the same reconstitution, Litecoin (LTC) was added to the Nasdaq Crypto Index Europe (NCIE).

At the June 1, 2023, reconstitution and rebalance, AXS was removed from the NCI, reducing the total number of index constituents from ten to nine. No changes were made to the nine constituents of the NCIE. At the end of the quarter on 6/30/23, the NCI held nine constituents, composed of 65.80% XBT and 31.06% ETH, with ~3.14% distributed across the remaining seven constituents<sup>3</sup>.

<sup>3</sup> Data source: <https://indexes.nasdaqomx.com/Index/Weighting/NCI>, 6/30/23 using end of day data.

## Nasdaq Crypto Index (NCI™) Constituent Weights as of 6/30/23

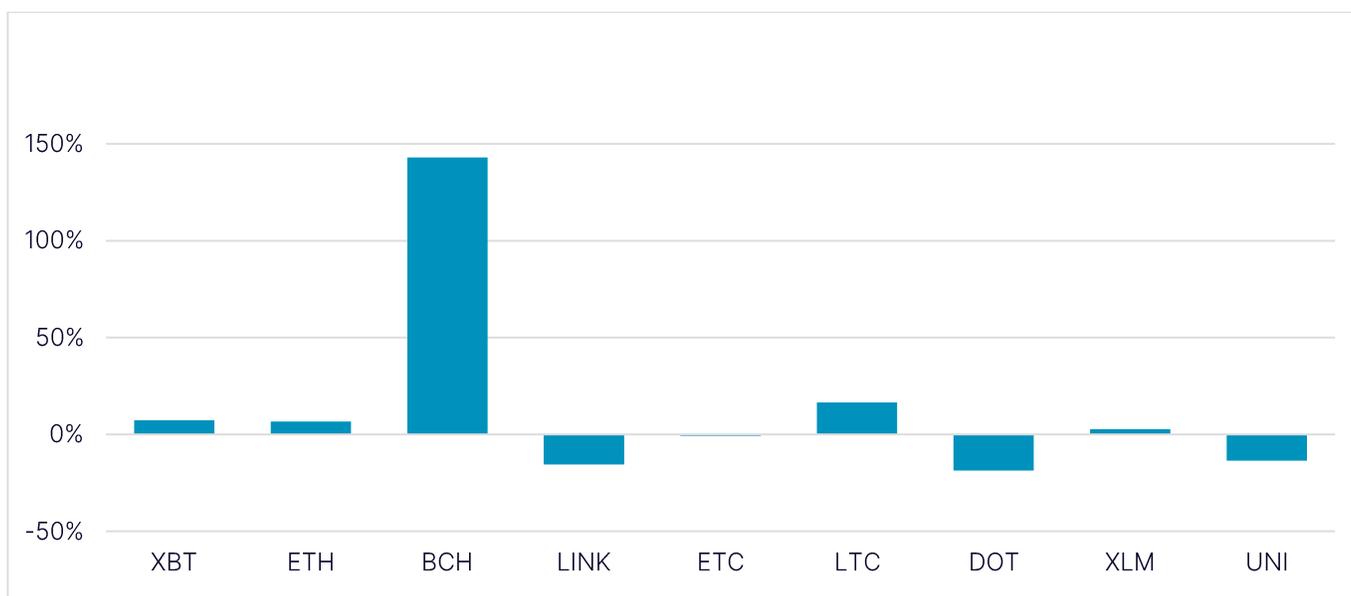
Component	Weight %
Bitcoin (BTC)	65.80
Ethereum (ETH)	31.06
Litecoin (LTC)	1.04
Bitcoin Cash (BCH)	0.60
Polkadot (DOT)	0.39
Chainlink (LINK)	0.37
Stellar Lumens (XLM)	0.28
Uniswap (UNI)	0.27
Ethereum Classic (ETC)	0.18

Source: <https://indexes.nasdaqomx.com/Index/Weighting/NCI> on 6/30/23, end of day

## NCI Rate of Return

Returns from April through June varied by digital asset. Bitcoin Cash (BCH) experienced the highest rate of return of all assets, at 142.9%. Litecoin (LTC) followed with a return of 16.5%. Bitcoin (XBT), Ethereum (ETH), and Stellar Lumens (XLM) produced returns at 7.3%, 6.6%, and 2.7%, respectively. The remaining assets produced negative returns with -0.7% from Ethereum Classic (ETC), -13.5% from Uniswap (UNI), -15.6% from Chainlink (LINK), and -18.6% from Polkadot (DOT). The average return across all assets was 14.2%, and the standard deviation .496.

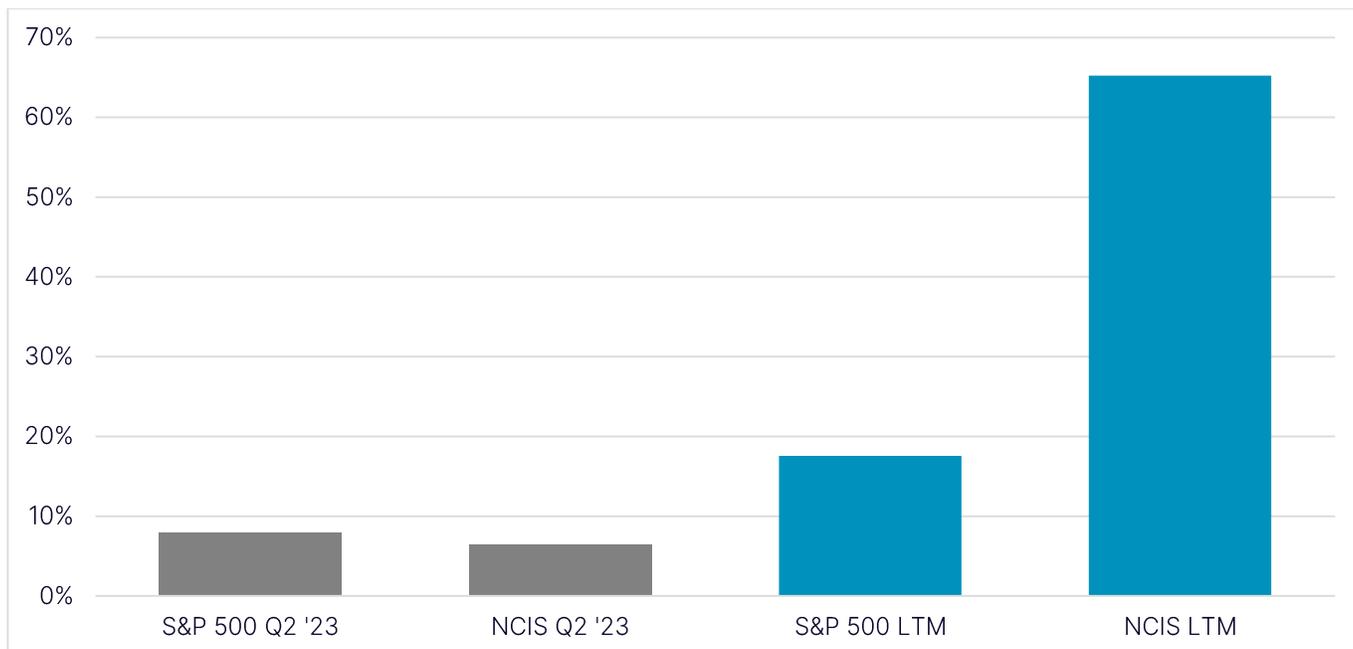
## Nasdaq Crypto Index (NCI™) Rate of Return: 4/1/23 – 6/30/23



Source: Price data from Coinmarketcap.com, close of day data on 4/1/23 and 6/30/23 for each asset. Please note that AXS was an NCI constituent from 4/1/23 through 5/31/23. It is not included in this chart because it was removed from the index at the reconstitution on 6/1/23.

The NCIS returned 6.5% over Q2 2023, and 65.2% over the past 12 months<sup>4</sup>. This is compared below with the S&P 500 which returned 7.9% over Q2 2023, and 17.6% over the past 12 months<sup>5</sup>.

#### NCIS vs. S&P 500 Rate of Return: Q2 2023 vs. LTM



Sources: <https://www.nasdaq.com/market-activity/index/spx/historical> and <https://indexes.nasdaqomx.com/Index/History/NCIS>. LTM data from 6/30/22 – 6/30/23. Q2 data from 4/3/23 – 6/30/23.

## Market Update

The crypto industry experienced an increase in regulatory activity after the collapse of FTX in November of last year, as well as the collapses of Silicon Valley Bank and Signature Bank. In the United States, the Securities and Exchange Commission (SEC) sued crypto exchanges Bittrex, Binance and Coinbase across April and June. In the European Union, the Markets in Crypto Assets (MiCA) regulation passed in March and is expected to go into effect in 2024, while Britain's Financial Conduct Authority (FCA) passed a Financial Services and Markets Act in June.

On April 12<sup>th</sup>, the Ethereum network completed its Shanghai hard fork, known as "Shapella" marking the final phase in its multi-year transition to a Proof of Stake network. Shapella notably enables Proof of Stake validators to withdraw full or partial amounts of their staked ETH.

Q2 saw increased momentum around financial institutions pursuing bitcoin spot ETF's. Wisdom Tree, Blackrock, Invesco, ARK Invest, and Fidelity filed or refiled paperwork for spot bitcoin ETF's. The SEC has rejected applications in years past, and no spot bitcoin ETF currently exists in the United States.

In May, Goldman Sachs, Microsoft, Deloitte, and others launch a new network called "Canton" aimed at financial institutions, Nike and EA sports announced a partnership in June to integrate virtual Nike assets into video games.

<sup>4</sup> Data source: <https://indexes.nasdaqomx.com/Index/History/NCIS>, from 4/3/23 – 6/30/23, and 6/30/22 – 6/30/23, respectively.

<sup>5</sup> Data source: <https://www.nasdaq.com/market-activity/index/spx/historical> from 4/3/23 – 6/30/23, and 6/30/22 – 6/30/23, respectively.

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