Bitwise®

The Bitwise/VettaFi 2023 Benchmark Survey of Financial Advisor Attitudes Toward Crypto Assets

January 2023

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Introduction

2022 was a difficult year for crypto. Tough macro conditions and the collapse of multiple entities once regarded as industry stalwarts—FTX being the most notable—sparked a sharp retreat in the price of nearly all crypto assets. Bitcoin, for example, fell 65%, its second-worst year on record.

And yet, even amid the turmoil, certain parts of the crypto ecosystem surged forward. Ethereum transitioned flawlessly to a proof-of-stake consensus mechanism, with major benefits to energy efficiency and asset issuance. Meanwhile, Layer 2 scaling solutions took off, while DeFi blue-chips demonstrated resilience (in stark contrast to the failures of multiple centralized financial institutions).

Against this backdrop, Bitwise, the leading provider of index and beta crypto funds, and VettaFi, a leading provider of news and analysis in the ETF space, joined forces for the fifth consecutive year to conduct The Bitwise/VettaFi 2023 Benchmark Survey of Financial Advisor Attitudes Toward Crypto Assets. The goal was to benchmark how financial advisors—who manage roughly half of all wealth in America—are currently thinking about crypto, including whether and how they are allocating to crypto in client portfolios.

The survey revealed important trends, including steady interest in and allocations to crypto by advisors, as well as significant concerns about the space. Among the key takeaways:

> **Crypto allocation held steady, despite market volatility**
> Fifteen percent of advisors reported allocating to crypto in client accounts this past year. That's roughly even with last year's survey (16%), and far ahead of 2021 (9%) and 2020 (6%).
>
> **Access is a major barrier to adoption**
> Only 29% of advisors said they are able to buy crypto in client accounts. Among that group, 52% currently allocate on behalf of clients, showing how important access is.
>
> **Once you invest, you tend to stay invested (or invest more)**
> Despite market volatility, 78% of advisors who currently have an allocation in client accounts plan to either maintain or increase that exposure in 2023.
>
> **Client interest remains strong**
> Ninety percent of advisors received a question about crypto from clients last year. The most common question was: "Should I consider an investment in crypto?"
>
> **Clients investing on their own remains a major opportunity**
> Fifty-nine percent of advisors said "some" or "all" of their clients were investing in crypto on their own, outside of the advisory relationship. This is a major business opportunity for advisors ... and an area where advisors can help clients make smarter choices.
>
> **Portfolio sizing: crypto's satellite role**
> Among advisors allocating to crypto in client accounts, the vast majority (95%) hold crypto at a weight of 5% or less in client portfolios.

Crypto equity ETFs dominate advisor interest
When asked what crypto exposure they were most interested in allocating to in 2023, “crypto equity ETFs” were advisors’ top choice.

Regulatory uncertainty and volatility are top concerns
Sixty-five percent of advisors cited regulatory uncertainty as a barrier to greater crypto adoption in portfolios. Volatility also loomed large, with 60% of respondents expressing concern in that area. The failures of centralized institutions came in third, cited by more than half (51%) of advisors.

Short-term bearish, long-term bullsh
Sixty-three percent of respondents believe that the price of bitcoin will fall this year. But 60% think it’ll be higher in five years.

In sum, the survey’s findings confirm what we heard in the daily conversations we had with thousands of financial professionals across the country throughout 2022: While failures like FTX and the market’s steep volatility are cause for concern, advisors and their clients continue to allocate to crypto, and interest levels remain high.

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Methodology

The goal of The Bitwise/VettaFi 2023 Benchmark Survey of Financial Advisor Attitudes Toward Crypto Assets is to benchmark how U.S.-based financial advisors are thinking about the crypto market, including whether or not they believe it is appropriate to allocate client assets to the space. Our survey aimed to take a cross sample of different types of advisors from across the country, including independent registered investment advisors (RIAs), broker-dealer representatives, financial planners, wirehouse representatives, and institutional investors. Outreach took place from November 25, 2022 to January 6, 2023.

Survey respondents were not paid for participating in the survey, although respondents were entered into a raffle for the chance to win a Tumi luggage set. The survey elicited 491 eligible, complete responses from financial advisors—down from 619 in the previous year and 994 the year before, but above responses in 2019 (415) and 2018 (151).

Respondent Profile

Independent RIAs represented nearly half of all respondents (47%), followed by independent broker-dealer representatives (25%), financial planners (17%), wirehouse representatives (7%), and institutional investors (3%). The breakdown in respondents was similar to last year's survey, although this year we included institutional investors to capture a wider audience of professional investors.

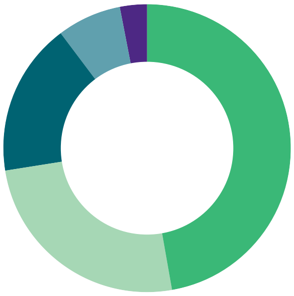
The mean advisor in the survey had between $50 million and $100 million in assets under management, but asset size was well distributed: Almost an equal number of respondents had either less than $50 million in AUM (40%) or more than $100 million (42%); 11% had more than $1 billion.

The percentage of advisors who reported owning crypto assets in their personal portfolios fell to 37% from 47% in the 2022 survey. Still, that is substantially higher than either 2020 (24%) or 2019 (17%).

Institutional investors were most likely to personally own crypto, with 64% of respondents in that category responding positively to the question. That compared favorably to RIAs (39%), independent broker-dealers (37%), financial planners (34%), and wirehouse representatives (17%).

Survey Respondents by AUM

% of Advisors	
21%	$1 - $24.99M
19%	$25M - $49.99M
18%	$50M - $99.99M
25%	$100M - $499.99M
7%	$500M - $999.99M
6%	$1B - $9.99B
2%	$10B - $49.99B
0%	$50B - $99.99B
2%	$100B+



Survey Respondents by Advisor Type

% of Advisors	
47%	Independent Registered Investment Advisor
25%	Independent Broker-Dealer Representative
17%	Financial Planner
7%	Wirehouse Representative
3%	Institutional Investor (pension, endowment, foundation, etc.)

Due to rounding, there may be small discrepancies between the statistics in the charts and those reported in the prose, particularly when two statistics are added together and referenced in the text. In all instances, the textual reference is more precise.

Numbers may not add to 100% due to rounding and/or survey design.

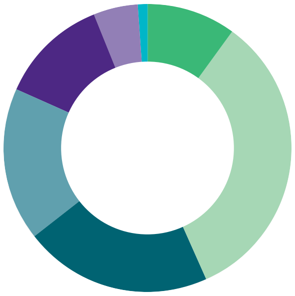
Survey Findings

Are Advisors' Clients Interested in Crypto?

With an abundance of crypto headlines over the past year, client curiosity remained high, and was a significant factor behind advisors' interest in crypto. Ninety percent of advisors received a question about crypto from clients last year. Although that was down slightly from 94% in 2021, it was up from 81% in 2020 and 76% in 2019.

The continued high interest reinforces a key takeaway of the survey: Every advisor needs to be armed to answer client questions about crypto.

When advisors were asked what question they received most from clients, more than half (56%) selected: "Should I consider an investment in crypto?"



What percentage of clients have asked questions about crypto in the past 12 months?

% of Advisors	% of Clients
10%	0%
33%	0.01%-4.99%
21%	5%-9.99%
17%	10%-19.99%
12%	20%-49.99%
5%	50%-99.99%
1%	100%

Impressively, given market conditions, the percentage of advisors allocating to crypto in client accounts held roughly steady in 2022, with 15% of respondents reporting advisor-managed allocations for clients. That's roughly even with last year (16%), and substantially above 2021 (9%) and 2020 (6%).

Do you currently allocate to crypto in client accounts?

	2020 Survey	2021 Survey	2022 Survey	2023 Survey
Yes	6%	9%	16%	**15%**
No	94%	91%	84%	**85%**

Do you currently allocate to crypto in client accounts? (% Answering Yes)

	2022 Survey	2023 Survey
Independent Registered Investment Advisor	22%	**22%**
Institutional Investor (pension, endowment, foundation, etc.)	–	**14%**
Financial Planner	8%	**11%**
Wirehouse Representative	15%	**9%**
Independent Broker-Dealer Representative	13%	**7%**

Note: The choices provided in the 2022 and 2023 surveys were slightly different. Numbers may not add to 100% due to rounding and/or survey design.

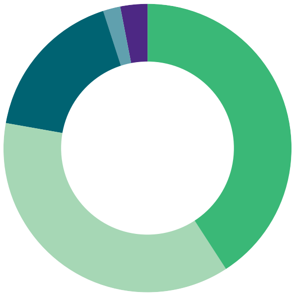
This is just a fraction of overall client interest, however: According to respondents, 59% of clients were investing in crypto outside their advisory relationship in 2022, compared to 68% in 2021.

Do your clients invest in crypto on their own?

	2020 Survey	2021 Survey	2022 Survey	2023 Survey
Yes: All of Them	1%	2%	6%	**14%**
Yes: Some of Them	34%	34%	62%	**45%**
Don't Know	37%	38%	19%	**24%**
No	27%	26%	14%	**17%**

Of clients investing on their own, 75% were getting exposure via centralized crypto platforms such as Coinbase, while 41% were doing so directly from their own crypto wallets. Interestingly, only 18% were gaining exposure through brokerage accounts they manage on their own, preferring more crypto-native approaches.

Advisors' clients largely invested in line with Bitwise's general recommendation: 95% of those with crypto exposure have less than 5% of their portfolios allocated to crypto. This suggests that, for the vast majority of advisor clients, crypto plays an important but satellite role in their portfolios.



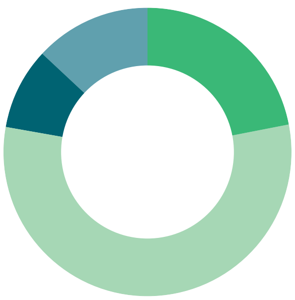
Of your clients who are invested in crypto, what percentage of their portfolios are currently allocated to crypto?

% of Advisors	% of Portfolios
41%	Less than 1%
37%	1%-2%
17%	3%-5%
2%	6%-10%
3%	Greater than 10%

Another telling finding was the difference in attitudes between advisors who have already allocated to crypto in client accounts compared to those who have not. Of those advisors who have not allocated for clients, 74% are either not planning on adding exposure in 2023 or still weighing the merits. On the other hand, 78% of advisors who have already allocated to crypto in client accounts plan to maintain or increase the exposure. This suggests advisors who already have exposure may be more knowledgeable and comfortable with crypto's opportunities and risks, while those who do not may have been repelled by 2022's crypto winter.

If you currently do not allocate to crypto in client accounts, do you plan to do so in 2023?

% of Advisors		% of Advisors	
46%	Definitely Not	**24%**	Unsure
28%	Probably Not	**2%**	Probably Yes



If you currently allocate to crypto in client accounts, do you plan to increase, maintain, decrease, or eliminate your allocation in 2023?

% of Advisors		% of Advisors	
22%	Increase	**9%**	Decrease
56%	Maintain	**13%**	Eliminate

Are Financial Advisors Allocating to Crypto in Their Personal Portfolios?

More than one-third (37%) of all advisors reported owning crypto assets in their personal portfolios. That was down from 2021 (47%), but still well above 2020 (24%) and 2019 (17%), when crypto prices were up significantly (bitcoin rose 308% in 2020 and 94% in 2019).

Do you own crypto in your personal portfolio?

	2020 Survey	2021 Survey	2022 Survey	2023 Survey
Yes	17%	24%	47%	**37%**
No	83%	76%	53%	**63%**

What Opportunities Are Financial Advisors Eyeing in 2023?

When asked which exposures they're most interested in allocating to in 2023, crypto equity ETFs that hold multiple crypto stocks came out on top (25%), suggesting the important role stocks and the familiar ETF wrapper can play in crypto investing. Equity ETF exposure may be easier for most advisors to allocate to than direct crypto asset holdings.

Individual crypto assets like bitcoin were the next preferred exposure (17%), ranking above diversified crypto asset funds (10%). Individual crypto stocks came in last at 4%.

What, if any, of the following exposures are you most interested in allocating to in 2023 for clients?

	2023 Survey
Crypto equity ETFs that hold multiple crypto stocks	**25%**
Individual crypto assets like bitcoin	**17%**
Crypto asset funds that hold multiple crypto assets	**10%**
Individual crypto stocks	**4%**
N/A	**44%**

In terms of areas of interest, advisors showed broad curiosity across the crypto market. Bitcoin and ethereum commanded the most attention, with 41% and 20% of advisors selecting them as their areas of greatest interest, respectively. However, there was a balanced spread among other major areas: 16% for DeFi, 12% for crypto stocks, and 11% for Web3 and the Metaverse.

Which areas of the crypto market do you find most interesting?

	2023 Survey
Bitcoin	**41%**
Ethereum	**20%**
DeFi	**16%**
Crypto Stocks	**12%**
Web3 and the Metaverse	**11%**

An intriguing finding was the difference between advisor perceptions of interest versus bullishness. While advisors' interest in bitcoin (41%) was roughly twice that of ethereum (20%), their bullishness toward the two largest crypto assets was almost evenly split: 53% favored bitcoin, while 47% favored ethereum.

Are you more bullish on bitcoin or ethereum?

	2023 Survey
Bitcoin	**53%**
Ethereum	**47%**

How Are Financial Advisors Learning About Crypto?

In a space as dynamic as crypto, education is key. One learning from this year's survey is that the way advisors are educating themselves about crypto is changing.

When advisors were asked how they learn about crypto, traditional media remained the top source at 48%, compared to 47% in 2021. But every other category in our survey dropped year over year, and some dropped sharply: Crypto companies went from 46% in 2021 to 27% in 2022, other financial advisors from 24% to 15%, social media from 29% to 9%, and friends and family plummeted from 17% to 1%. The results suggest that in a year beset with scandals, advisors turned to official media outlets for clarity over alternative sources.

Where are you primarily receiving your crypto education?

	2022 Survey	2023 Survey
Traditional media	47%	**48%**
Crypto companies	46%	**27%**
Other financial advisors	24%	**15%**
Social media	29%	**9%**
Friends and Family	17%	**1%**
Other	11%	**–**

Note: The choices provided in the 2022 and 2023 surveys were slightly different. Numbers may not add to 100% due to rounding and/or survey design.

What Is Preventing Advisors From Initiating (or Adding to) Crypto Exposure in Client Accounts?

Crypto's main pain points in 2022—company failures, large price swings, and lack of regulatory clarity—were reflected loud and clear as obstacles that prevented advisors from initiating or adding to their crypto exposure.

The chief concern—regulatory uncertainty—remained a perennial source of apprehension. Sixty-five percent of advisors claimed this was an obstacle to greater crypto adoption, higher than in 2021 (60%), 2020 (52%), and 2019 (56%). Ongoing debates over asset categorization, agency purview, and tax reporting requirements are both a natural outgrowth of crypto's growing presence and a barrier to greater adoption.

Unsurprisingly given crypto's large price drop in 2022, volatility also loomed large, with 60% of advisors citing it as a concern. Another expected source of concern: the failures of centralized institutions, cited by more than half (51%) of advisors.

An encouraging finding, however, is that advisors' confidence in their crypto knowledge appears to be growing. Fewer advisors selected "lack of understanding" (25%) or "lack of confidence talking about crypto" (16%) as roadblocks in 2022. Those same figures had been generally higher over the past two years: 28% and 35% in 2021, and 18% and 22% in 2020, respectively.

What is preventing you from either increasing your investment in crypto assets or making your first allocation?

	2022 Survey	2023 Survey
Regulatory concerns	60%	**65%**
Too volatile	53%	**60%**
Failures of centralized institutions like FTX, Celsius, etc.	–	**51%**
No idea how to value crypto assets	34%	**44%**
Custody concerns / fear of hacks	31%	**38%**
Lack of easily accessible investment vehicles like ETFs or mutual funds	32%	**32%**
Lack of understanding	28%	**25%**
Crypto assets are associated with criminal activity	13%	**18%**
Crypto assets are in a bubble	16%	**17%**
Don't feel confident talking to clients about crypto	18%	**16%**
Cryptocurrencies are a scam	5%	**15%**
Reputational risk with colleagues	7%	**10%**
Other	5%	**9%**

Note: The choices provided in the 2022 and 2023 surveys were slightly different. Numbers may not add to 100% due to rounding and/or survey design.

What Would Make Advisors More Comfortable Adding to Crypto Exposure in the Future?

Advisors' views of what would make them more comfortable adding to crypto exposure were largely consistent with previous years' findings, although the percentages swung considerably.

Regulation remained the top obstacle, but its importance spiked amid the volatile news flow of 2022: 75% of advisors named "better regulation" as a critical step towards improving their confidence in allocating to crypto, up from 55% the year before. Another factor on the rise was volatility: 40% wanted to see less volatility, versus 34% the year before. Less prominent in this year's results: the launch of a spot-based ETF (32% versus 44% the year before) and easier trading (25% versus 33% the year before).

Nonetheless, in terms of investment vehicles, advisors continue to have a strong preference for ETFs: 68% of advisors said it would be their preferred way to own crypto. Moreover, the advantages of ETFs over traditional mutual funds—fees, tradability, transparency—appear to be gaining ground with advisors, as only 4% chose mutual funds compared to 13% in 2022.

What would make you more comfortable in allocating to crypto assets in the future?

	2022 Survey	2023 Survey
Better regulation	55%	**75%**
Better custodial solutions	46%	**47%**
Better education	43%	**43%**
Less volatility	34%	**40%**
The launch of a spot-based ETF	44%	**32%**
Easier trading	33%	**25%**
Other	2%	**–**

What would be your preferred way to invest in crypto?

	2022 Survey	2023 Survey
Exchange-traded fund	58%	**68%**
Direct ownership of individual coins	21%	**19%**
Separately managed account	–	**5%**
Traditional mutual fund	13%	**4%**
Private fund	3%	**2%**
Fund of funds	–	**1%**
Closed-end fund	3%	**1%**
Hedge fund	2%	**0%**
Other	1%	**–**

Note: The choices provided in the 2022 and 2023 surveys were slightly different. Numbers may not add to 100% due to rounding and/or survey design.

Expectations for the Price of Bitcoin

One of the survey's most fascinating topics historically has been its gauge of investor expectations surrounding the price of bitcoin, the largest and most widely used crypto asset. Here the results reflected a short-term bearish bias.

Less than half (37%) of respondents believe that the price of bitcoin will be higher than it is today within the next year. But the same advisors have long-term confidence in its prospects: 60% believe that bitcoin will gain value over the next five years.

What will the price of bitcoin be in one year?

	2022 Survey	2023 Survey
$0	1%	**4%**
$1 - $9,999	3%	**22%**
$10,000 - $19,999 (roughly where it is today)	17%	**37%**
$20,000 - $49,999		**31%**
$50,000 - $99,999	66%	**5%**
$100,000 - $499,999	12%	**1%**
$500,000+	0%	**1%**

What will the price of bitcoin be in five years?

	2022 Survey	2023 Survey
$0	3%	**6%**
$1 - $9,999	7%	**17%**
$10,000 - $19,999 (roughly where it is today)	9%	**17%**
$20,000 - $49,999		**26%**
$50,000 - $99,999	29%	**22%**
$100,000 - $499,999	45%	**10%**
$500,000+	8%	**2%**

Note: The choices provided in the 2022 and 2023 surveys were slightly different. Numbers may not add to 100% due to rounding and/or survey design.

Conclusion

The capital allocation decisions of U.S. financial advisors are critical for an emerging asset class like crypto. Advisors control over $20 trillion in wealth by some estimates, and play a key role in educating consumers and institutions alike about the market. As such, this survey plays an important role in uncovering advisors' evolving understanding, perceptions, and attitudes about crypto.

The Bitwise/VettaFi 2023 Benchmark Survey of Financial Advisor Attitudes Toward Crypto Assets highlighted that, for this crucial audience, interest in crypto assets continues to hold steady and even to build in certain aspects. Despite a gut-wrenching bear market, virtually all advisors have clients who are not just asking about crypto, but whether they should consider investing. More than one-third of advisors own crypto personally, and their levels of familiarity and knowledge about the asset class continue to improve.

While many of the same themes for advisors held true year over year—caution around volatility and a desire for more regulatory clarity, bitcoin's status as the most popular asset, a preference for diversified crypto equity ETFs over diversified crypto asset funds, and a belief in crypto's long-term growth—this year there were notable changes, many of them likely driven by the difficult events that transpired. Advisors' short-term expectations were clearly dampened by the bear market. Searching for guidance, fewer clients invested outside their relationship with their financial advisor, while advisors turned toward traditional media and away from alternative news sources for education. And ethereum gained ground versus bitcoin, with advisor optimism for ethereum almost on par with that for the world's largest crypto asset.

As the dust from the past year settles and advisors size up the investment landscape for 2023, we see the onward march of crypto's transformative potential as a compelling investment option and a unique business development opportunity for financial advisors and institutional investors.

About Bitwise

Based in San Francisco, Bitwise is one of the largest and fastest-growing crypto asset managers. The firm is known for managing the world's largest crypto index fund (OTCQX: BITW) and pioneering products spanning Bitcoin, Ethereum, DeFi, and crypto-focused equity indexes. Bitwise focuses on partnering with financial advisors and investment professionals to provide quality education and research. The team at Bitwise combines expertise in technology with decades of experience in traditional asset management and indexing, coming from firms including BlackRock, Blackstone, Facebook and Google, as well as the U.S. Attorney's Office. Bitwise is backed by leading institutional investors and asset management executives, and has been profiled in Institutional Investor, CNBC, Barron's, Bloomberg and The Wall Street Journal. For more information, visit www.bitwiseinvestments.com.

About VettaFi

VettaFi, a data, analytics, and thought leadership company, is transforming financial services from an industry to a community—one relationship at a time. Engaging millions of investors annually, VettaFi cultivates an industry-leading data-driven ETF platform, built to empower and educate the modern financial advisor and institutional investor. In addition to providing interactive online tools and research, VettaFi offers asset managers an array of indexing and digital distribution solutions to innovate and scale their business.

Risks and Important Information

No Advice on Investment; Risk of Loss: Prior to making any investment decision, each investor must undertake its own independent examination and investigation, including the merits and risks involved in an investment, and must base its investment decision – including a determination whether the investment would be a suitable investment for the investor – on such examination and investigation.

Cryptocurrency is a digital representation of value that functions as a medium of exchange, a unit of account, or a store of value, but it does not have legal tender status. Cryptocurrencies are sometimes exchanged for U.S. dollars or other currencies around the world, but they are not currently backed nor supported by any government or central bank. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional currencies, stocks, or bonds.

Trading in cryptocurrencies comes with significant risks, including volatile market price swings or flash crashes, market manipulation, and cybersecurity risks and risk of losing principal or all of your investment. In addition, cryptocurrency markets and exchanges are not regulated with the same controls or customer protections available in equity, option, futures, or foreign exchange investing.

Cryptocurrency trading requires knowledge of cryptocurrency markets. In attempting to profit through cryptocurrency trading, you must compete with traders worldwide. You should have appropriate knowledge and experience before engaging in substantial cryptocurrency trading. Cryptocurrency trading can lead to large and immediate financial losses. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price.

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