

November 2023

coinbase

**Institutional
Investor**

Institutional Investor 2023 Digital Assets Outlook Survey

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Methodology

What we did

Coinbase commissioned a study conducted by *Institutional Investor* to get a clear picture of institutional investor sentiment and outlook towards digital assets over the past year.

The study was conducted by the *Institutional Investor* Custom Research Lab using an online survey. A total of 250 institutional investors in the US participated in the survey.

When

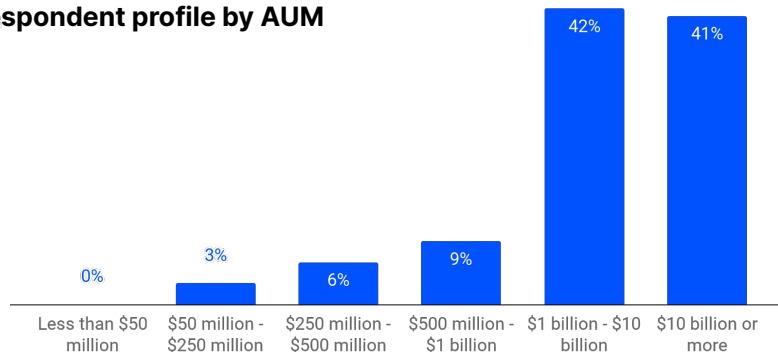
Data was collected between October 19 to November 6.

Audiences

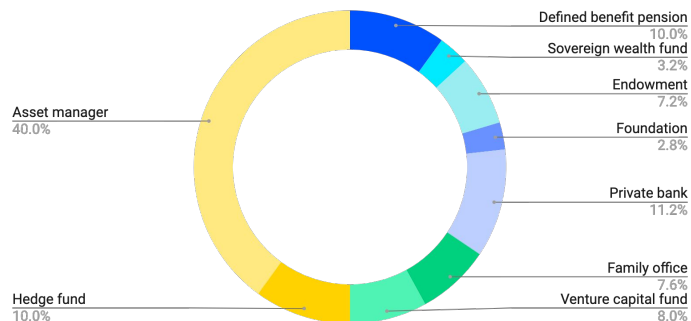
n = 250 US institutional decision makers from hedge funds, asset managers, and allocators

- Respondents are currently invested, previously invested, or open to investing in crypto in next 12 months
- Must have \$1B+ AUM. \$50M+ was acceptable in some cases.

Respondent profile by AUM



Respondent profile by firm type





TL;DR

A year removed from shocks to the crypto ecosystem, institutional investors are committed to crypto, actively investing in the space, and optimistic about the future.

- 64% of current investors surveyed expect to increase allocations in the next three years
- 45% of institutional investors surveyed without crypto allocations expect to allocate in the next three years
- 57% of institutional investors surveyed believe prices will move higher in the next 12 months, compared to just 8% who shared that view in October 2022
- Respondents believe that blockchain can replace legacy payment and trade settlement rails in the future

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Market outlook

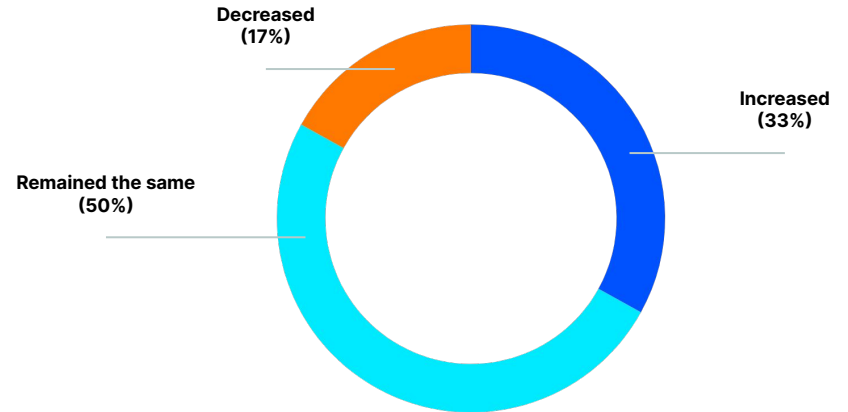
Over the past 12 months, a third of institutional investors surveyed report increasing allocations to crypto

A third of institutions took the price dislocations as an opportunity

Over the past year, a number of institutions allocated for the first time, while others who were already invested increased allocations even further.

Asset managers surveyed reported that their firm **increased allocations at a larger rate** (41%) than asset owners (27%).

In the past 12 months, have your allocations to cryptocurrencies...?



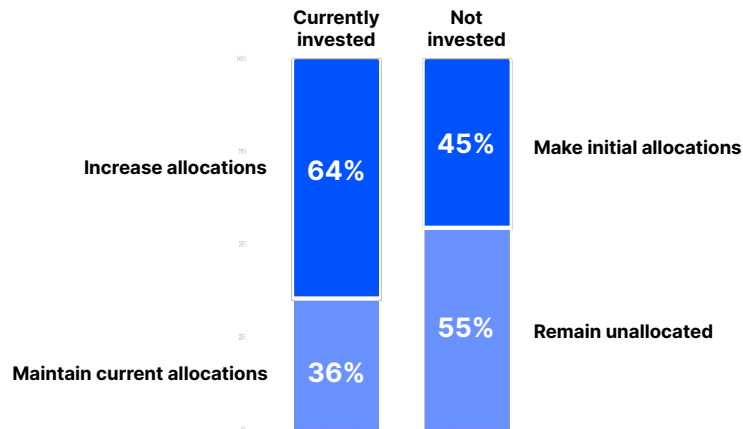
Allocations to crypto are set to rise over the next cycle

Institutional adoption and sentiment remain strong

Nearly 60% of all respondents indicate they will **increase** crypto allocation over the next three years, with no current investors expecting to decrease allocations.

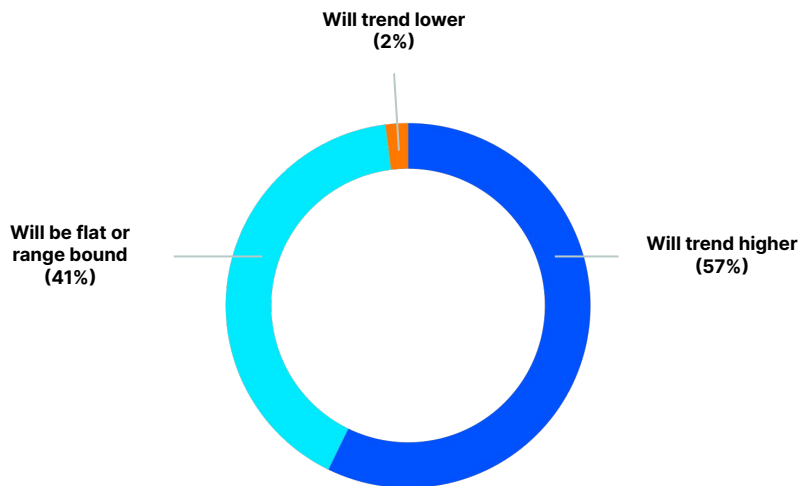
Nearly half of those not currently invested expect to come off the sidelines over the next three years and allocate to crypto.

Thinking about the next three years, do you anticipate the percentage of your assets invested in cryptocurrency to increase, decrease, or stay the same?



Investors are more optimistic about prices heading into 2024

What do you think will be the likely path that cryptocurrency prices will take in the next 12 months?



In 2022, just **8%** of respondents said that they expected crypto prices to **trend higher** in 2023.*

54% said in 2022 that they expected crypto prices to be **flat or range bound**.

Over the past year, bitcoin prices are up 110% and ether prices are up 58%.

Crypto is seen as a good opportunity for risk-adjusted returns

Private equity, U.S. equities top rankings of best opportunities

Crypto ranks third after private equity and U.S. equities as the best sources of risk-adjusted returns heading into 2024.

In the 2022 survey, U.S. investment grade corporate bonds was first, followed by real estate. Private equity ranked 5th, U.S. equities ranked 4th, and crypto ranked 3rd.

Thinking about the next three years, in which asset classes do you see the biggest opportunities to generate attractive risk-adjusted returns? (Select all)

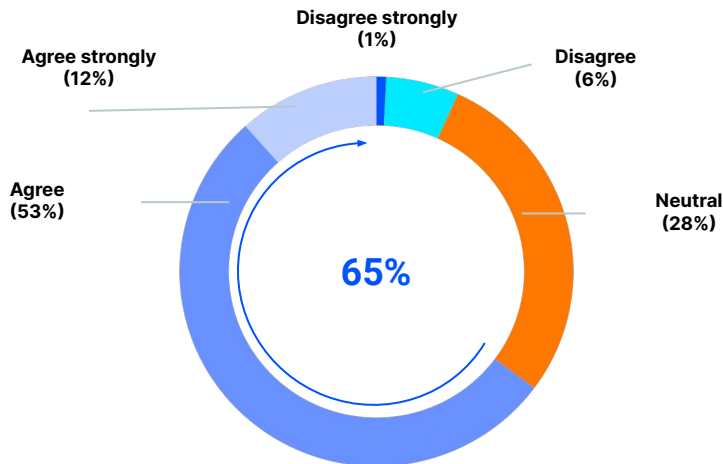


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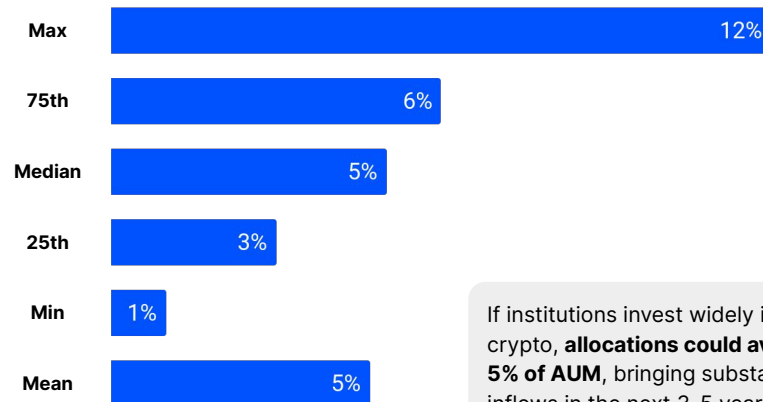
Crypto as an investment

Broad institutional adoption is on the horizon according to 65% of respondents

Cryptocurrencies are likely to become an investment vehicle used widely by institutional investors within 3-5 years.



What percentage of your total assets under management (AUM) are currently invested in cryptocurrencies or crypto-related companies?*



If institutions invest widely in crypto, **allocations could average 5% of AUM**, bringing substantial inflows in the next 3-5 years.

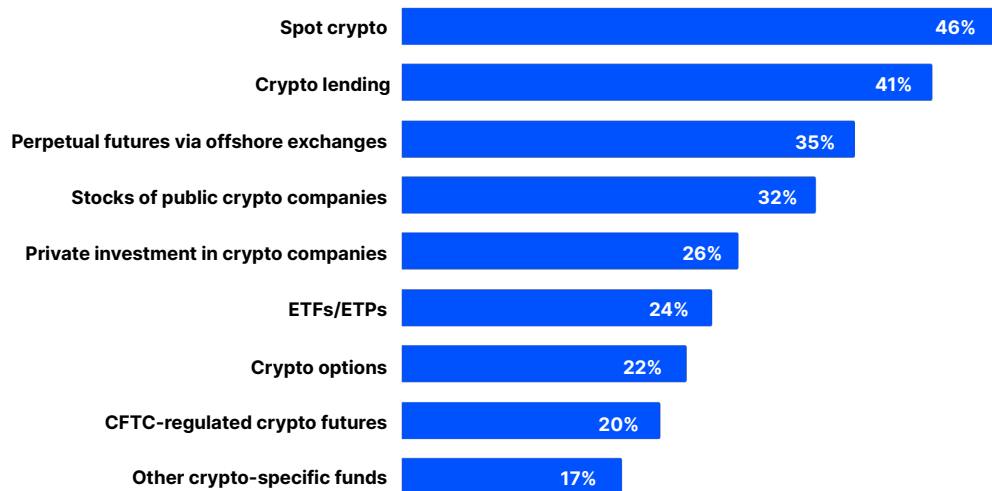
*Note: Data shown among current investors only.

Institutional investors gain exposure to crypto through a variety of products

Many methods of exposure

Although there is no clear preferred method to gain crypto exposure, spot crypto and crypto lending were the most frequently selected methods among respondents who are currently exposed to crypto

Which of the following mechanisms does your institution use to invest in or gain exposure to cryptocurrencies? (Select all)



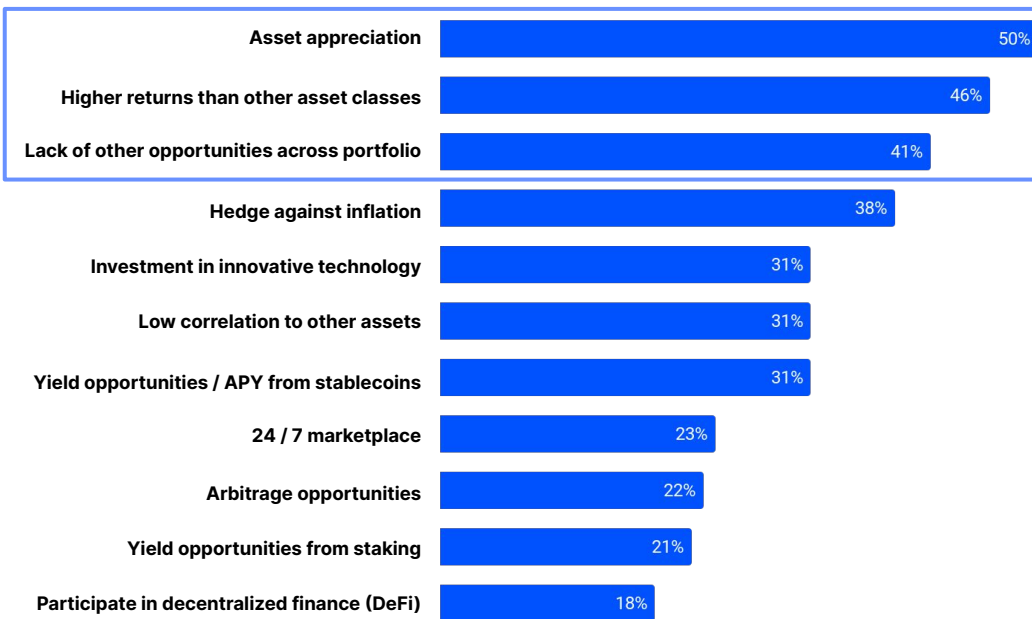
Motivations to invest are: asset appreciation, outperformance, and lack of other portfolio opportunities

Momentum feeds on itself

Asset performance takes care of everything. Higher trending prices are likely to spur momentum that increases investor interest.

Investors ranked performance-based metrics as the top three reasons to invest – citing asset appreciation, outperformance, and the lack of other portfolio opportunities.

Which of the following do you consider to be the main reasons to invest in digital assets? (Select all)



Barriers to investing are: volatility, ESG considerations, and security

Shock waves from 2022 carrying through in minds of institutional investors

Fully 63% of respondents cited volatility as a top concern for investing in cryptocurrency.

The largest drop from 2022 is the view that an uncertain regulatory environment is a main concern.

52% of institutional investors surveyed in 2022 cited an uncertain regulatory environment as a main concern.*

Which of the following do you consider to be the main concerns in investing in cryptocurrency? (Select all)



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Crypto utility

66% of institutional investors agree: more tangible economic value and real-world applications will be the next catalyst for growth

What do you think will be the next catalyst for growth in the industry?

66%

Tangible economic value, real-world applications

For the second year in a row, investors are looking for utility and value in crypto.

50%

More regulatory clarity

While an uncertain regulatory environment wasn't seen as a major concern (see data on slide 14), the prospect of more regulatory clarity is seen as a source of certainty in the market – and therefore expected to be a positive catalyst.

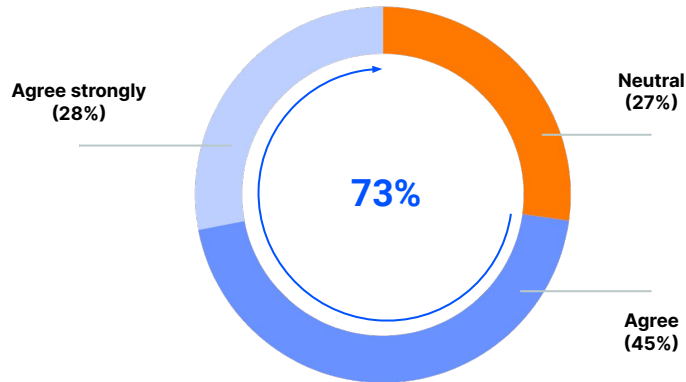
45%

Spot ETF / ETP approval

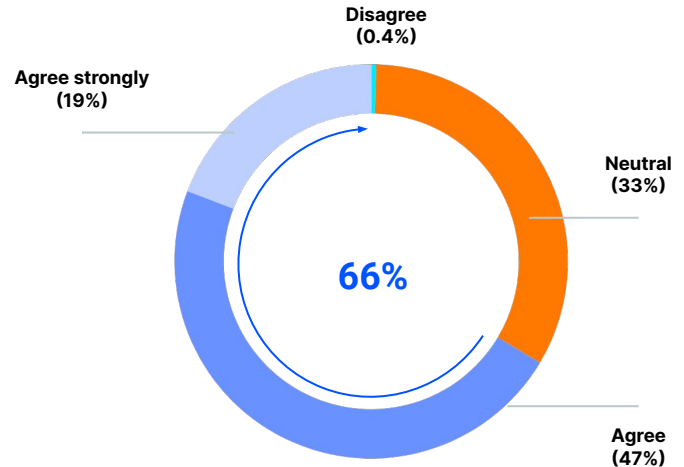
Nearly half of investors are also looking for the expected spot ETF/ETP approval to unlock the industry.

Blockchain seen as better tech for payments and trade settlement among institutional investors surveyed

Blockchain technology can offer a quicker and more secure form of payment than the conventional banking system.



Blockchain technology will eventually replace legacy systems for trade settlement.





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