

Third Annual

BITCOIN INVESTOR STUDY

2021

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For the third consecutive year, Grayscale surveyed the investor community to explore attitudes and perspectives around Bitcoin. Despite the regular launch of new currencies, Bitcoin continues to pervade discussions among investors, advisors, financial institutions, media, service providers, regulators, and policymakers. Grayscale conducted this third wave of research to assess how perceptions of Bitcoin have shifted since 2019, particularly as it relates to the following topics:

- Familiarity with and interest in Bitcoin (and other cryptocurrencies)
- Profile of investors interested in Bitcoin
- Aspects of Bitcoin that drive investor interest
- Barriers to investing in Bitcoin
- The role Bitcoin plays in one's portfolio
- Impact of a Bitcoin ETF

Several key themes emerged from this year's study. Chief among them was an increase in awareness of Bitcoin as a store-of-value asset during an inflationary economic period. Investors have shown an increasing inclination to own Bitcoin as a profitable long-term investment rather than as a currency.

In addition, Bitcoin is increasingly crossing generations to reach older investors, including retirees who are keen to consider Bitcoin investment products as a component of their portfolios. An ETF that offers direct exposure to the price of Bitcoin is commonly seen by many as the linchpin in a strategy to bridge traditional financial institutions with digital currencies and is widely understood as a potential catalyst for widespread adoption.

Survey methodology

An online survey of 1,000 U.S. consumers was conducted by 8 Acre Perspective between August 12, 2021, and August 20, 2021. All respondents were between the ages of 25 and 64, and had primary or shared responsibility for household financial decision-making. All respondents were involved in some form of personal investing, with at least \$10,000 in household investable assets (excluding workplace retirement plans or real estate), and at least \$50,000 in household income.



Highlights

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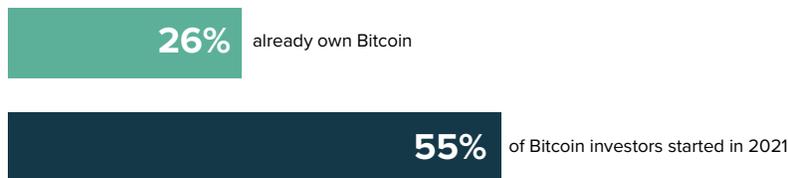
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While big banks continue to grapple with how to engage with Bitcoin, mainstream adoption has arrived. The slice of Americans who own Bitcoin has increased to 26% in 2021 from 23% in 2020. More than half (59%) of this cohort chooses to invest via a cryptocurrency trading app like eToro or Coinbase, representing a paradigm shift from last year when more than three-quarters of investors (77%) preferred a Bitcoin exchange.

Demand for Bitcoin has risen tremendously: more than half (55%) of current investors in Bitcoin began investing over the last 12 months. Investors are eager to buy, a sentiment reflected by the recent all-time high in November 2021, placing Bitcoin closer to \$100,000 than it is to zero. Most of these investors are “hodling,” with approximately 66% of those who purchased Bitcoin more than 12 months ago still owning it today. Of the investors who have sold, 91% have sold at least some Bitcoin at a profit. Even with the rise of market segments and use cases, such as decentralized finance (DeFi) and non-fungible tokens (NFTs), Bitcoin still accounts for 46% of the total value of crypto markets.

More than three-quarters (77%) of U.S. investors said they would be more likely to invest in Bitcoin if an ETF existed. In October 2021, the concept of a Bitcoin ETF was realized as the Bitcoin futures ETF sponsored by ProShares made its trading debut on the New York Stock Exchange. While the Bitcoin community at large (beyond the scope of those surveyed) generally prefers the approval of a spot-based Bitcoin ETF that is backed by actual Bitcoin and not futures, the futures-based Bitcoin ETF is a good start on the path to wider-scale adoption.

Growth in Bitcoin adoption



Major Trends

Bitcoin's popularity continues to grow

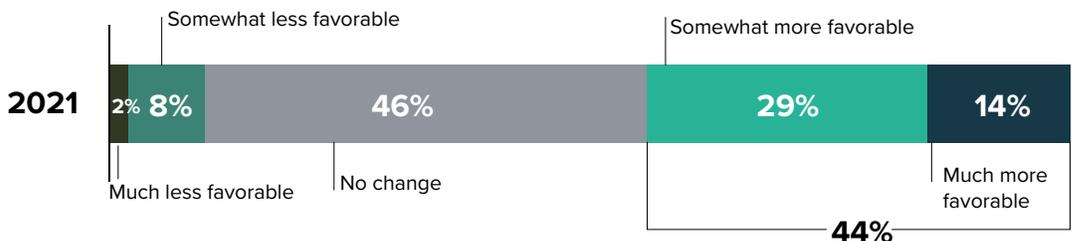
It is becoming increasingly difficult for investors to ignore Bitcoin as its price continues to rise. The interested market for Bitcoin investment products expanded to 59% in 2021, up from just over half (55%) in 2020 and slightly more than one-third (36%) in 2019, reflecting a steady growth in interest.

Consideration of Bitcoin Investment Product¹

| Response | 2019 | 2020 | 2021 |
|---------------------------------|------|------|------|
| Definitely / Probably would | 36% | 55% | 59% |
| Might or might not | 30% | 26% | 26% |
| Definitely / probably would not | 34% | 19% | 15% |

While the pace of growth has slowed slightly (comparing the rate of growth from 2019 to 2020 and from 2020 to 2021), Bitcoin was coming from a lower base two years ago when it was still viewed by some as “very high risk” or “only a fad.” Tech entrepreneur Peter Thiel shared in October 2021 that he “underinvested” in Bitcoin. The asset’s staying power has only increased as investor sentiment has shifted. Of those investors whose view of Bitcoin has changed over the past 12 months, nearly one-third (29%) of them say that they have a somewhat more favorable view in 2021, while 15% say they see Bitcoin in a much more positive light.

Perceptions of Bitcoin have become more favorable or stayed neutral over the past year³



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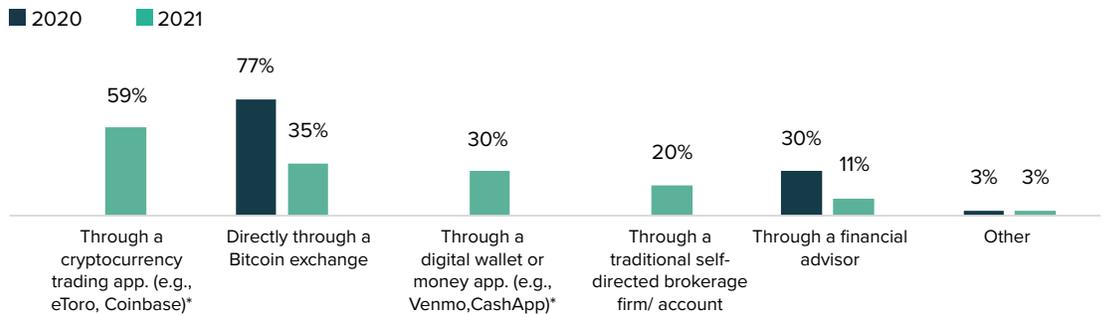


More than one-quarter (26%) of surveyed investors already own Bitcoin. Compared to last year, when just over just over one-fifth (23%) of survey participants owned Bitcoin when it was trading below \$30,000, this growth in interest is also consistent with the rise in price.

The channel by which investors prefer to buy Bitcoin has also evolved during this period. In 2020, more than three-quarters of investors preferred buying directly via a Bitcoin exchange, whereas in 2021, close to two-thirds (59%) of investors expressed a preference for buying Bitcoin through a cryptocurrency trading app, such as eToro or Coinbase with just over one-third (35%) of investors expressing a preference to buy Bitcoin directly through an exchange.

Also of note, investors are increasingly using fintech applications to gain their cryptocurrency exposure. For example, 30% of investors chose to buy Bitcoin with a digital wallet or money app, such as Venmo or CashApp. The rise in investors purchasing Bitcoin through existing fintech applications is undoubtedly a key driver for PayPal, one of the largest fintechs on the market, supporting Bitcoin last year.

How to Invest in Bitcoin²



The 2021 survey allowed investors to select multiple options, whereas the 2020 survey asked investors to indicate their primary preference for purchasing Bitcoin, which is why the 2021 figures add to more than 100%.



Perceptions of Bitcoin as an investment vs. currency

Bitcoin’s two chief use cases, according to respondents, remain as (i) a store-of-value asset and (ii) as a payment method. While financial institutions continue to grapple with Bitcoin’s role in the global economy, investors have shown a clear preference for Bitcoin as an investment through which they can accumulate long-term returns, as opposed to a currency for making payments. This is a notable shift from 2020, when Bitcoin as a currency was top of mind for investors more than any other use case.*

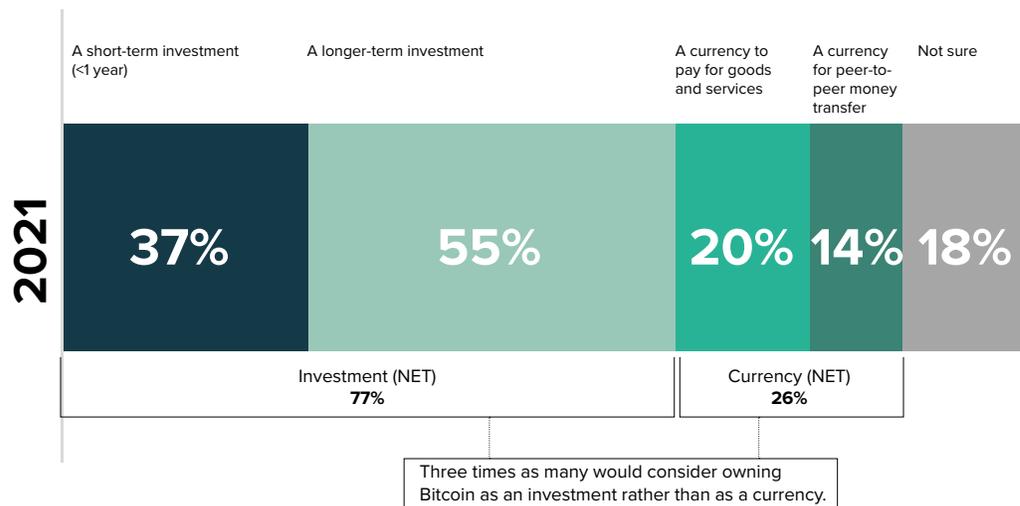
3x as many investors would consider owning Bitcoin as an investment vs. as currency.

This year, however, three times as many investors would consider owning Bitcoin as a store-of-value investment, rather than as a currency. Among them, more than one-third (37%) perceive Bitcoin as a short-term investment to hold for less than one year through which they can earn a “quick buck.”

More than half (55%) of investors perceive Bitcoin as a long-term play that fits into their overall investment strategy.

Of the investors polled who perceive Bitcoin as a currency, one-fifth of them view it as a medium of exchange to pay for goods and services. Another 14% would turn to Bitcoin for peer-to-peer money transfers.

Perceptions of Bitcoin as an Investment or Currency¹



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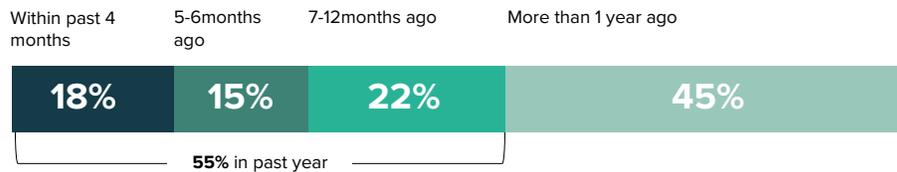


*[page 15, 2020 survey].

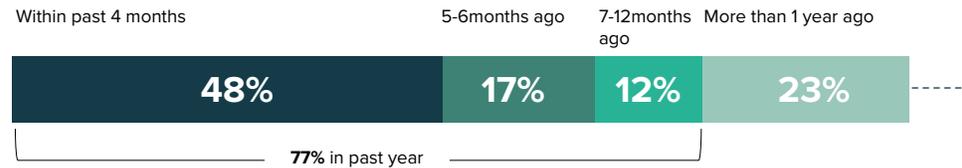
This current Bitcoin use case dynamic was echoed by tech entrepreneur, Mark Cuban, whose NBA team the Dallas Mavericks accepts Bitcoin as a payment method. Cuban said that fewer fans pay with Bitcoin than meme coin Dogecoin (“DOGE”), which is treated more as a medium of an exchange.

Another sign that investors are increasingly treating Bitcoin as a store-of-value asset is the fact that many are choosing not to sell their position. More than half (55%) of investors polled invested in Bitcoin for the first time over the past 12 month period. Among this cohort, most investors continue to hold their Bitcoin today, underpinning the theory that Bitcoin is viewed as a long-term investment.

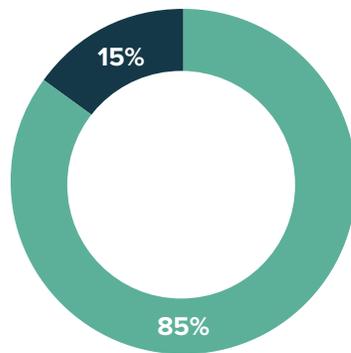
First Bitcoin Acquisition



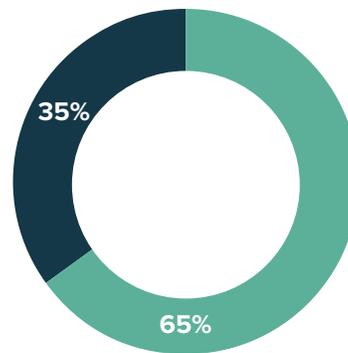
Most Recent Bitcoin Acquisition



■ Currently own Bitcoin
■ Used to own Bitcoin but not now



Most recently acquired Bitcoin <1 year ago (N=247)



Most recently acquired Bitcoin 1+ year ago (N=74)



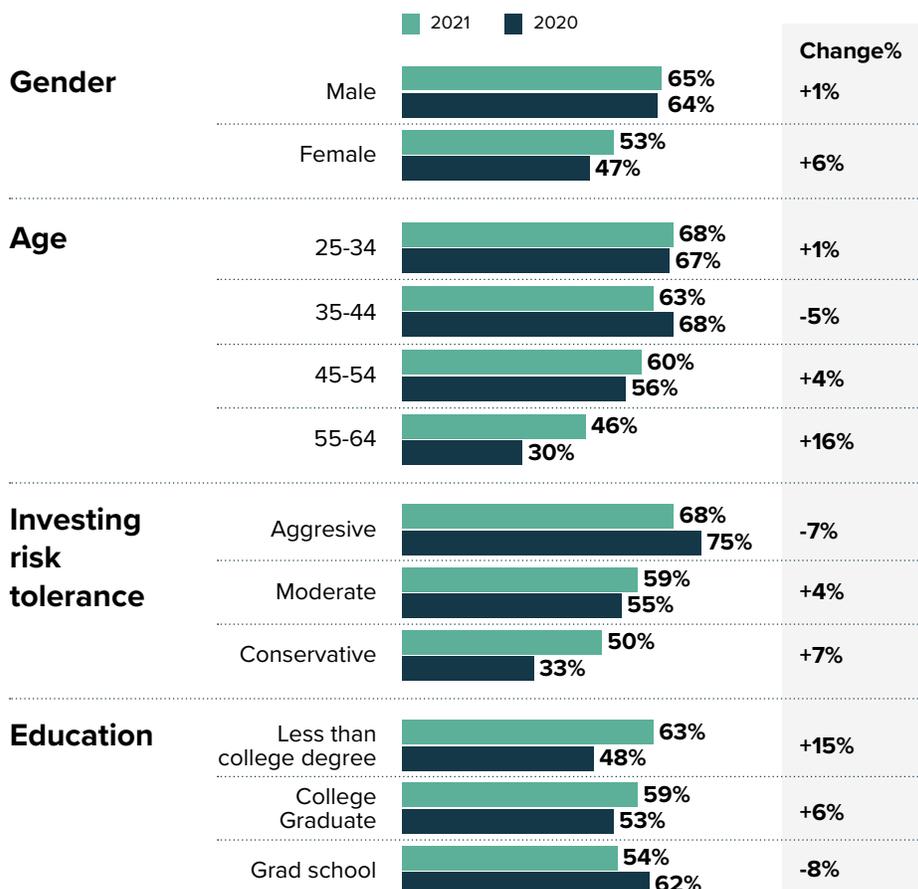
Women are now more likely to consider Bitcoin

The notion that Bitcoin is exclusively a millennial phenomenon no longer reflects reality. In fact, among investors who have shown an interest in bitcoin investment products, the greatest increase in 2021 was among older investors.

The segment of investors, between the ages of 55 and 64, saw a 16% jump in 2021 year-over-year as a percentage of the audience who would either definitely or probably consider Bitcoin investment products. However, interest in Bitcoin investment products is still the most robust among younger, male, and “risk tolerant” investors, a theme that rang true in 2020 as well as 2019.*

The percentage of female investors who would consider Bitcoin investment products climbed 6% in 2021 vs. 2020 levels, while the segment of male investors in this category stayed relatively flat. Education level was less of a factor, with the cohort of investors without a college degree rising by a double-digit percentage (15%) in 2021 vs. 2020 levels.

% of Audience Who Definitely / Probably Would Consider Bitcoin Investment Product¹



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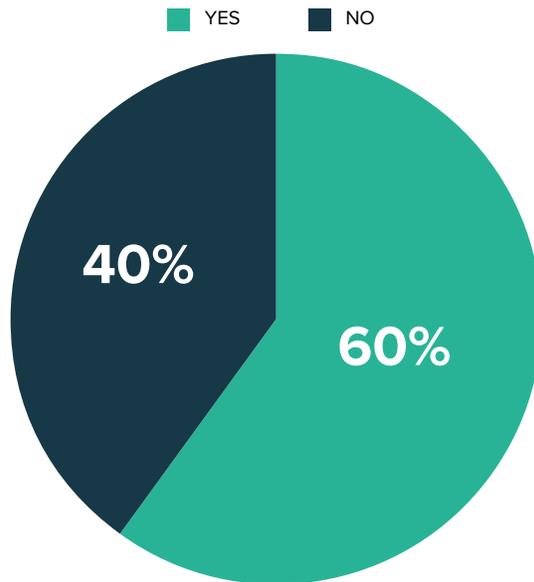


¹(2020 survey page 20). (2019 survey page 8)

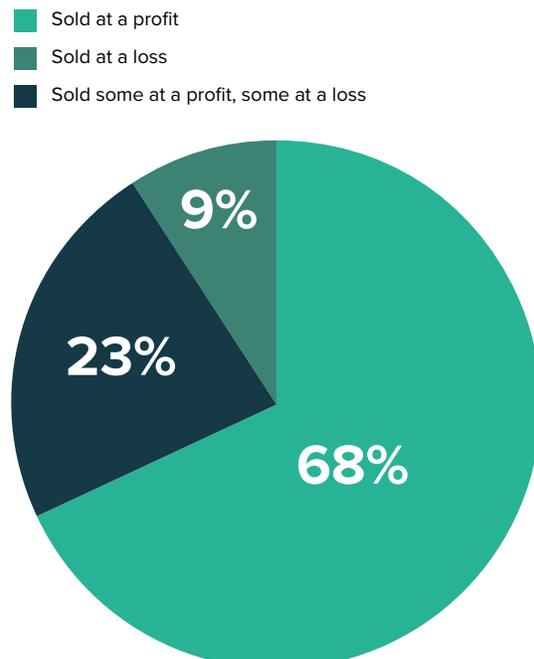
Most Bitcoin sellers have turned a profit

While most Bitcoin investors are currently opting to “hodl”, especially as the price of Bitcoin continues to rise, some are choosing to cash out. When they do, more often than not, they have turned a profit. Six out of 10 Bitcoin investors have sold at least some of the digital asset, with 91% of them having done so at a profit.

Sold Bitcoin¹



Experience Selling Bitcoin²



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Impact of a Bitcoin ETF

An ETF would have a significant impact on Bitcoin investments, with 77% of respondents saying they would be more likely to invest in Bitcoin if an ETF existed

If there was any doubt as to the impact a Bitcoin ETF could have on the market, they were put to rest with the launch of the ProShares Bitcoin Strategy ETF (BITO) on the New York Stock Exchange in October 2021. The arrival of a Bitcoin futures ETF was a positive development psychologically and sent the price of Bitcoin to a record high. The Valkyrie Bitcoin Strategy ETF was also in the pipeline and began trading shortly thereafter.

Nonetheless, the cryptocurrency community at large is not satisfied with a futures-based approach and is focused on a spot-based Bitcoin ETF, which could fuel further gains. Bloomberg Intelligence analysts Eric Balchunas and James Seyffart have both asserted that a Bitcoin futures ETF is not the best solution for retail or long-term investors looking to gain exposure to Bitcoin. Without directly tracking the market price of Bitcoin through a futures ETF, many agree that a Bitcoin spot-based ETF would pose more advantages for the average investor.

Grayscale Investments has an application pending with the U.S. Securities and Exchange Commission for the Grayscale Bitcoin Trust, symbol: GBTC, the world's largest Bitcoin fund, to be converted to a spot-based ETF.

According to the survey, approximately three-quarters (77%) of investors said they would be more likely to gain exposure to Bitcoin with the availability of an ETF. The results were generally level among male and female investors and were strong across generations.

Impact of Bitcoin ETF on Participation in Bitcoin Market¹



77% Among those who do not currently own Bitcoin, 77% would be more likely to participate if a Bitcoin ETF were offered

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Bitcoin and Other Cryptocurrencies

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Bitcoin remains the most popular cryptocurrency, but there is significant awareness of other crypto assets

The cryptocurrency market has been flooded with new tokens, largely fueled by the rise of decentralized finance (DeFi). Nevertheless, Bitcoin remains the most popular, with 99% investors saying they are aware of the original cryptocurrency, while 68% of investors said they had enough knowledge to be “familiar” with it.

That doesn’t mean, however, that investors have not heard of other cryptocurrencies. In fact, they are very aware of the other digital assets whose profiles are on the rise, including Dogecoin, which was started as a joke, yet has since risen to fame.

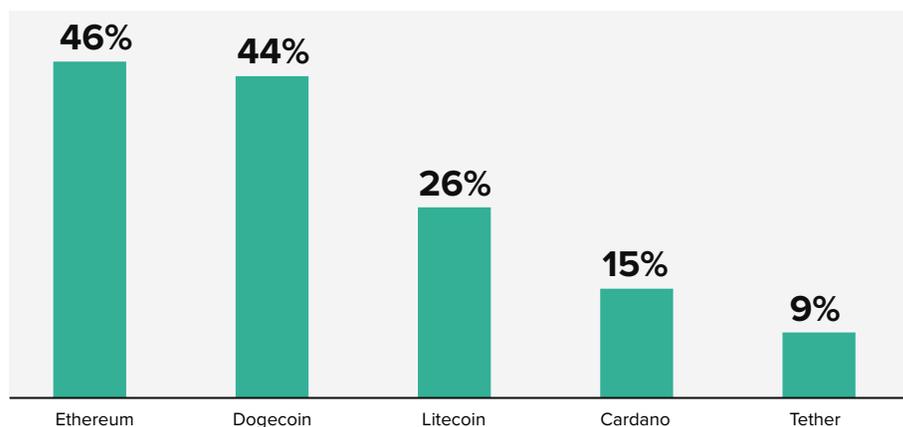
More than half of investors were aware of Dogecoin and Ethereum

Almost three-quarters (74%) of investors have heard of Dogecoin, surpassing the level of awareness around Ethereum (56%).

More than a quarter of investors were aware of Litecoin, Tether and Cardano

Litecoin, Cardano, and Tether are also on investors’ radar, with the awareness level hovering above 25% for each of them.

Ownership of Other Cryptocurrencies among Current Bitcoin Owners¹



Most investors who own Bitcoin also own at least one other cryptocurrency

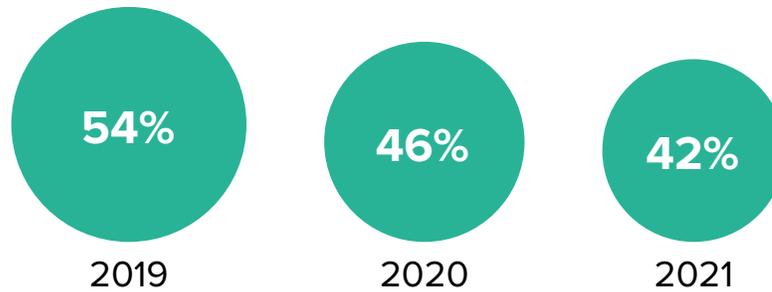
Cryptocurrency investing is not a zero-sum game. Most investors who own Bitcoin (87%) also have exposure to one or more altcoins. The most popular altcoins to own include Ethereum, the go-to platform for DeFi and NFT projects, and Dogecoin.



Investor Motivations & Desires

Bitcoin's "track record" remains the most motivating factor

When it comes to investor interest in Bitcoin, investors are most concerned with its "performance track record", an attitude that is consistent with the theme of Bitcoin as a long-term investment. However, they are placing slightly less emphasis on the store-of-value feature, at 42% in 2021 compared to 46% in 2020 and 54% in 2019.



A high demand for Bitcoin education

Education is also key: 42% of investors want to know more about Bitcoin.

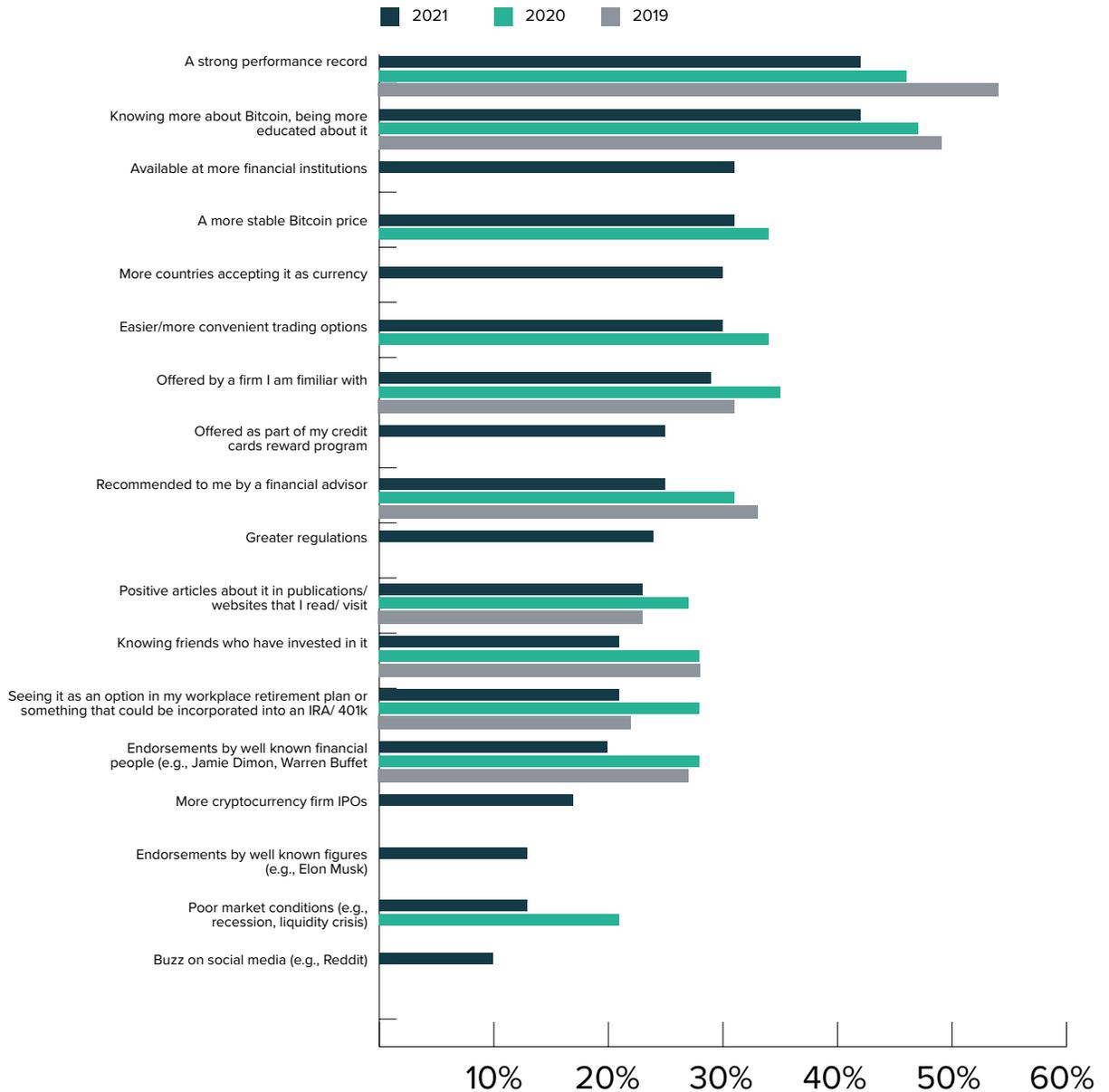
The desire to learn more has fallen slightly from 47% and 49% in 2020 and 2019, respectively, reflecting a growing familiarity with Bitcoin, but it still remains the second-most important desire among investors considering the asset.



With such a high demand for further education, providers, advisors, and other investment gatekeepers should consider how they are meeting investor demands to better understand this new asset class. As the survey results demonstrate, increased awareness and understanding of Bitcoin is strongly correlated with a greater likelihood of making a decision to invest.

Factors That May Impact Interest in Bitcoin¹

(% rating high positive impact)



More than 30% of investors want Bitcoin offered at more financial institutions



Understanding the risks of Bitcoin investments

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Risk is still a factor when it comes to Bitcoin investing. More than half (58%) of investors polled consider risk a topic of interest. Older investors are especially keen to understand the risks of Bitcoin, with more than two-thirds (69%) of investors between the ages of 55 and 64 saying this was important. Conversely, young investors between the ages of 25 and 34 named risk as a topic less than half (46%) of the time. Last year, 21% of surveyed investors listed risk as the top reason to avoid Bitcoin as an investment altogether. As the survey results demonstrate, increased awareness and understanding of Bitcoin is strongly correlated with a greater likelihood of making a decision to invest.

Expected Risk Level of Bitcoin¹

(on 10-pt. scale where 1 is “very low risk” and 10 is “very high risk”)



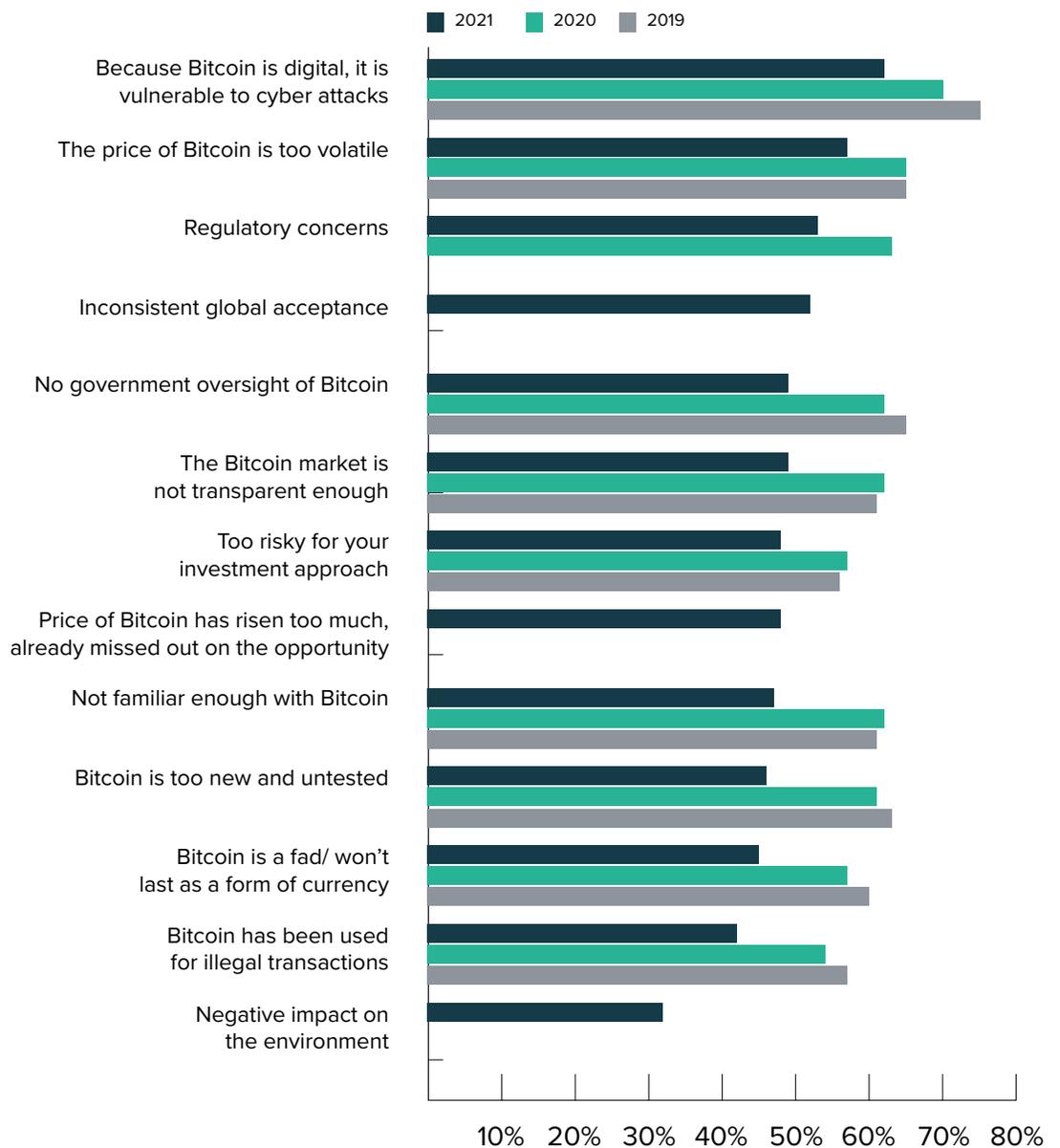
Perceptions are more positive

Investors are embracing Bitcoin and worry less than they did in previous years about the risks, chief among which are cyberattacks, volatility, and regulation.

Of those investors who are not interested in Bitcoin, they list the digital asset's vulnerability to cyberattacks as the main reason, at 58%. More than half of investors (53%) blame Bitcoin's volatility for their disinterest, while 51% say their apathy toward Bitcoin is due to regulation.

Concerns about Investing in Bitcoin¹

% rating 4-5 on 5-pt. scale where 5 is 'very concerning' and 1 is 'not at all concerning'



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What motivates investors?

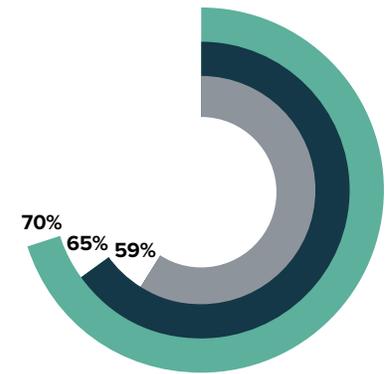
More than ever, investors are interested in investing in Bitcoin investment products if they have the option to start with a very low amount and add to the position over time. This feature was a motivation for investors nearly three-quarters (70%) of the time in 2021, up from 65% and 59% in 2020 and 2019, respectively. This makes sense as the inevitability of a Bitcoin ETF has increased over the years.

Two-thirds of the time, investors are motivated to invest in Bitcoin because it's traded on exchanges and they can access liquidity at a moment's notice. This trend has similarly been gaining importance over the past couple of years.

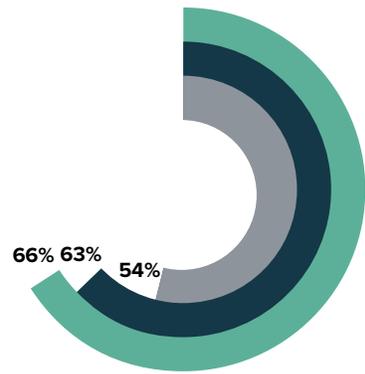
Motivation of Messages on Consideration of Bitcoin Investment

(% rating 4-5 on 5pt. scale where 5 is 'very motivating' and 1 is 'not motivating at all')

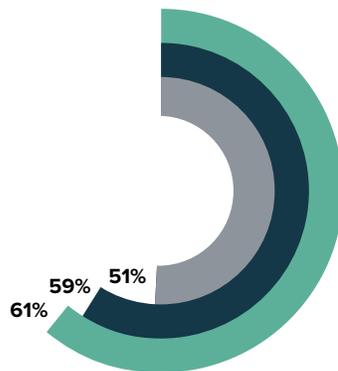
2021 2020 2019



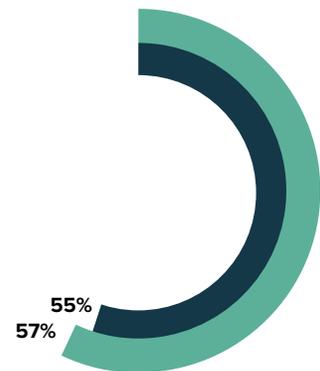
Can invest with very low amount / add to it over time as you see fit



It's traded on an exchange, you can access money at any time



Participate in investment area with large growth opportunity



Can easily invest in Bitcoin investment product directly through Financial Advisor

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Final Thoughts

Prices and interest in Bitcoin have reached all-time highs, as an increasing number of individuals and institutions are now engaging with the digital currency asset class.

2021 has been a pivotal year for Bitcoin acceptance and adoption. El Salvador served as a major catalyst when it became the first country in the world to make Bitcoin legal tender in September 2021. Meanwhile, inflation has been on the rise globally with no signs of abating, thrusting Bitcoin as a store-of-value asset into the spotlight.

Bitcoin has risen to the occasion. Billionaire investors Paul Tudor Jones, Ray Dalio, and Peter Thiel have all touted Bitcoin as a store-of-value asset in the current rising inflationary environment, in some cases preferring “digital gold” to the precious metal.

Twelve years since it was first introduced, Bitcoin has faced seemingly insurmountable obstacles but has managed to maintain its demand. Some Top CEOs, like JPMorgan CEO, Jamie Dimon, continue to voice skepticism about Bitcoin and the digital currency asset class, yet sophisticated Wall Street traders are increasingly turning to the opportunities presented by the leading digital asset.

Investors have demonstrated not only a willingness but a desire to make room for Bitcoin in their portfolios. In addition, Bitcoin acceptance has become a cross-generational phenomenon, with baby boomers increasingly interested in gaining exposure to Bitcoin investment products.

The launch of a Bitcoin futures ETF was a major milestone that investors have shown a massive interest in. The applications for the approval of a spot-based Bitcoin ETF are still pending, including for the Grayscale Bitcoin Trust, symbol: GBTC.

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GRAYSCALE®

General Inquiries

info@grayscale.com

Address: 262 Harbor Drive, 1st Floor, Stamford, CT 06902

Phone: (212) 668-1427

@Grayscale

grayscale.com