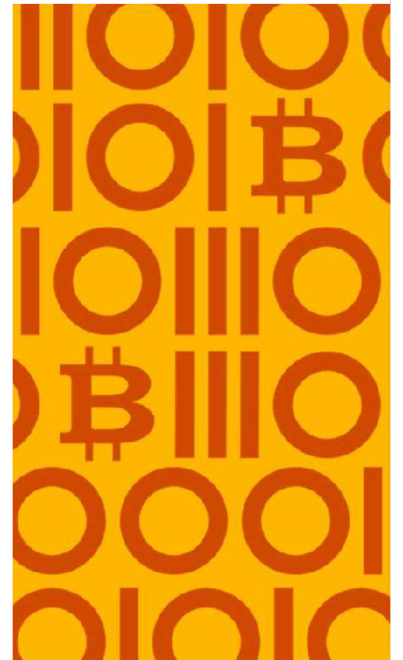




# 6th Annual Global Crypto Hedge Fund Report

October 2024



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# I. Introduction

2024 has been a year filled with significant developments and transformative events that continue to shape the digital assets industry in profound ways. From the Securities and Exchange Commission's ("SEC") approval of spot bitcoin and ether exchange-traded funds (ETFs) to notable advancements towards clearer regulatory frameworks around the globe (e.g., the European Union's Markets in Crypto-Assets Regulation ("MiCA"), Hong Kong Monetary Authority stablecoin consultations and the introduction of multiple digital asset bills in the United States), the crypto market experienced exhilarating highs that saw a remarkable surge in asset prices, captivating the attention of investors worldwide. Given recent market activity, the industry finally appears ready to move past the events of 2022 which saw several high-profile fraud cases and a general lack of maturity across the wider digital assets landscape.

The 2024 survey, conducted by PwC and the Alternative Investment Management Association (AIMA), offers insights into the evolving digital assets investment landscape as it relates to both 'traditional' (non-crypto focused) and crypto-focused hedge funds.

These findings include hedge fund managers' perspectives on:

- the impact of ETFs,
- the increasing institutional interest in the emerging asset class and blockchain technologies,
- ever-evolving investment management strategies, as well as
- future outlooks on the nascent and burgeoning asset class.

By analyzing sentiments from hedge fund managers currently investing in digital assets and those that are not, our findings shed light on the current sentiment around crypto investment.



**In short:** Traditional hedge funds are returning to digital asset investing after last year's drop-off, and they are doing so in increasingly sophisticated ways.

In its sixth year, our report aims to explore the evolving digital assets investment landscape for hedge funds. In the following sections, we delve into some of the key findings from the survey, providing insights into the state of the market, increasing institutional interest, the evolving product landscape, growing engagement with tokenization, as well as the risks, barriers, challenges, and how the industry is seeking to mature.

## II. Methodology

The 6<sup>th</sup> Annual Global Crypto Hedge Fund Report examines the current state and evolution of the digital assets hedge fund market over the past year. The data contained in this report comes from a survey conducted by AIMA and PwC in Q2 2024 across a sample of close to 100 hedge funds from both traditional (42%) and digital asset focused hedge funds (58%) from over six geographical regions with an estimated aggregate of \$124.5B in asset under management (AUM). For this survey, we define digital asset focused hedge funds as those that have at least 50% of AUM invested in digital assets. It excludes data from crypto index funds and crypto venture capital funds. Specifically, the survey questions were designed to understand the impact that the past year had on fund managers and highlight key themes and trends.

### III. Key findings



**Digital asset investments rise as regulatory clarity and ETFs boost confidence:** Nearly half (47%) of traditional hedge funds surveyed this year have exposure to digital assets, up from 29% in 2023 and 37% in 2022, driven by increased regulatory clarity and the launch of spot cryptocurrency ETFs in Asia and the U.S. Among those already invested, 67% plan to maintain the same level of capital employed while the remaining 33% plan to invest more capital by the end of 2024.



**More sophisticated investment strategies, shifting to derivatives:** There has been a notable shift towards derivative trading in digital assets by traditional hedge funds, with its use rising to 58% in 2024 (up from 38% in 2023), while spot trading dropped to 25% this year after peaking at 69% last year. This signals growing sophistication in hedge fund strategies.



**Growing interest in tokenization despite regulatory challenges:** Interest in fund tokenization is also growing, with 33% of hedge fund respondents either committed to or exploring tokenization, compared to around a quarter of traditional hedge funds last year. Among digital asset focused hedge funds, 12% are already investing in tokenized assets, although regulatory challenges remain the biggest hurdle to wider adoption.



**Rising institutional client demand:** 43% of traditional hedge funds—whether invested or not in digital assets—are seeing increased interest from institutional clients. Currently, family offices and high-net-worth individuals (HNWIs) remain the largest investor categories in digital asset focused hedge funds, followed by fund of funds.



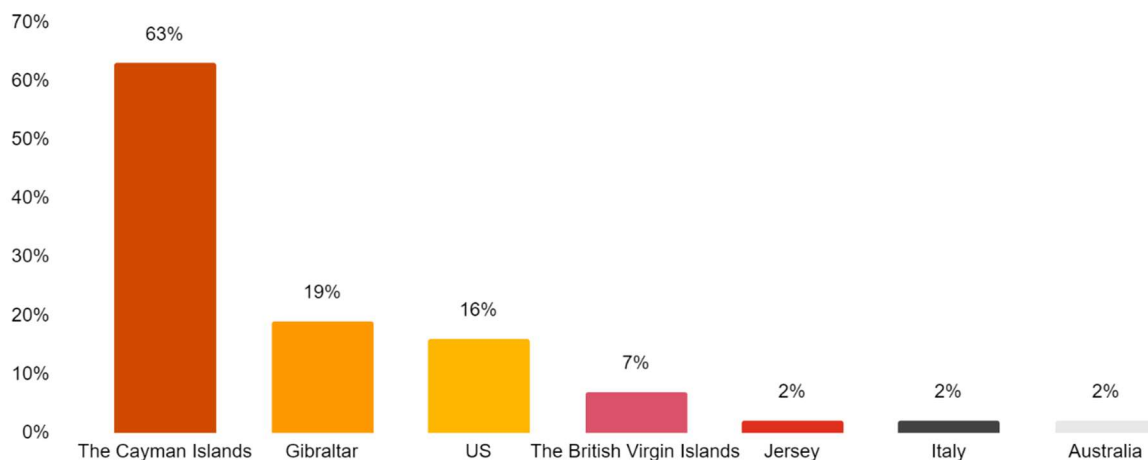
**Hedge fund sector remains cautious:** Despite the industry's growth, many traditional hedge fund managers remain hesitant, with 76% of those not currently invested in digital assets unlikely to enter the space within the next three years, up from 54% in 2023. The top barrier to entering the market, cited by 38% of traditional hedge funds not invested is the exclusion of digital assets from investment mandates, rising from fourth place last year. While regulatory uncertainty remains a key concern, it has eased somewhat due to the adoption of clearer regulatory frameworks like the EU's MiCA.

## IV. Current landscape

The digital assets landscape is rapidly evolving. Our survey shows that the average AUM for respondents is \$1.5B, while traditional hedge funds average \$3.14B. This difference between traditional hedge funds and digital asset hedge funds highlights the relative newness of digital assets as a primary investment strategy. In this section, we will explore differences in location, strategy and trading methods, among the surveyed hedge funds.

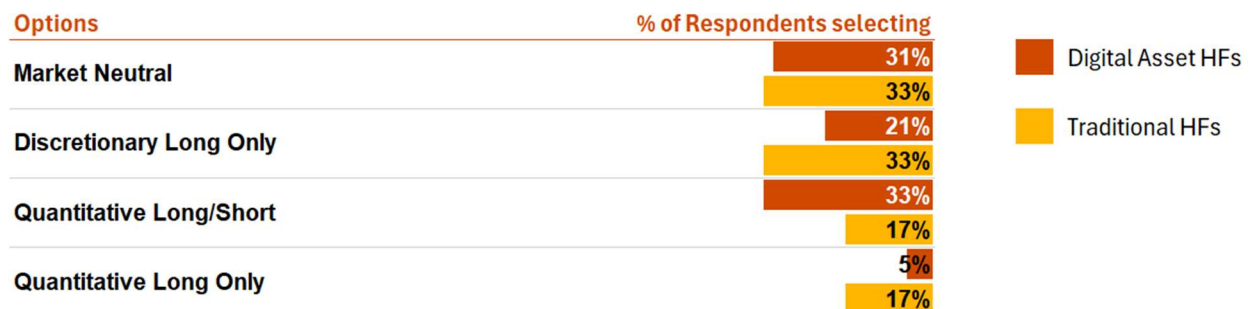
### ? In which jurisdiction is your fund domiciled? (Figure 1)

Respondents were asked to select all that apply.



The most common jurisdictions cited by digital asset hedge funds for domiciling their funds were the Cayman Islands (63%), Gibraltar (19%), and the US (16%) (see **Figure 1**). In the previous year, the Cayman Islands was home to 34% of the funds surveyed. Year-over-year growth of 29 percentage points shows that it remains the most preferable location for the domicile of digital asset funds. On the other hand, the US was home to 28% of funds surveyed last year. This year-over-year decrease shows managers may not currently prefer to domicile their digital asset funds in the US.

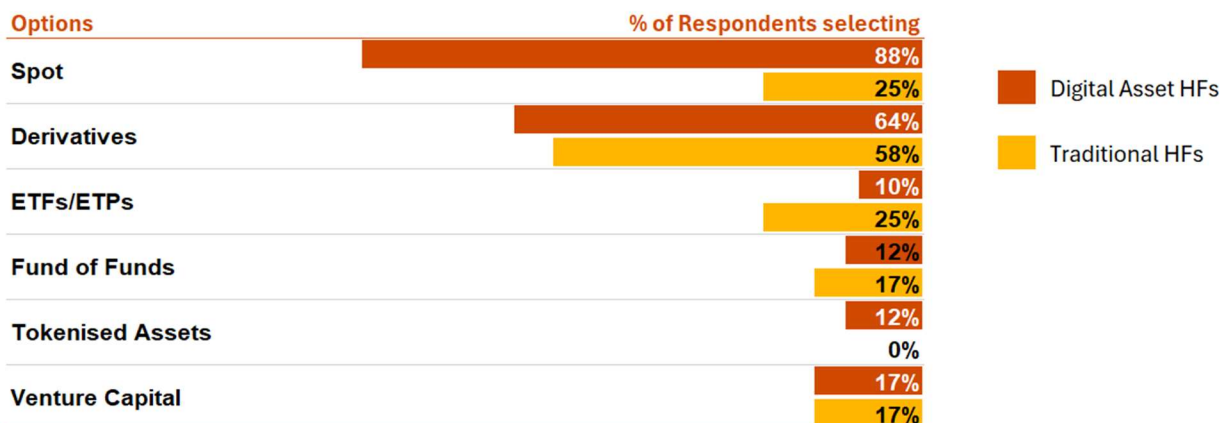
### ? What is your digital assets strategy? (Figure 2)





### ? How are you invested in digital assets? (Figure 3)

Respondents were asked to select all that apply.



Hedge funds are increasingly diversifying their portfolios by incorporating digital assets, employing a variety of investment strategies to navigate this emerging market and its complexities. According to the survey data, the most popular digital asset strategies among traditional hedge funds include market-neutral and discretionary long only, each adopted by 33% of respondents (see **Figure 2**). Market-neutral strategies are often favored for their ability to manage risk while seeking returns in the fluctuating digital assets market. Although discretionary long only strategies lack the volatility dampening characteristics of market-neutral portfolios, they can capitalize on the upside potential of innovative blockchain projects or tokens.

In addition to these strategies, quantitative long/short and quantitative long only strategies are also utilized, each by 17% of respondents. The quantitative long/short strategy tends to leverage algorithmic models and data analysis to capitalize on perceived market inefficiencies and trends. For digital asset hedge funds, quantitative long/short (33%) and market neutral (31%) are the prevailing strategies. The diversity in strategies adopted underscores the variety of risk appetites and investment objectives within the hedge fund community.

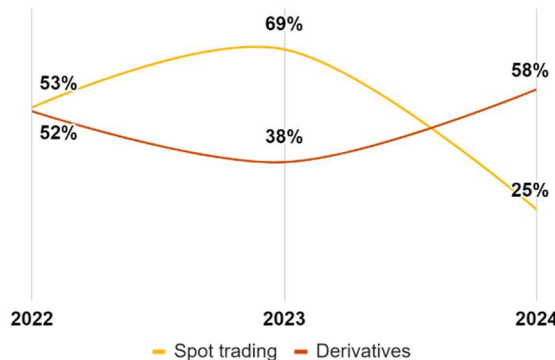
When it comes to the types of digital assets that traditional hedge funds are investing in, spot was the most popular amongst digital asset hedge funds, selected by 88% of respondents (see **Figure 3**). Spot trading and exchange-traded products (ETPs) are also popular amongst traditional hedge funds, each



### A shift toward derivatives: Trading vehicle preferences over time

Survey responses over the years show a shifting preference between derivative and spot trading of digital assets (see **Figure 4**). The percentage of respondents using derivatives dropped from 52% in 2022 to 38% in 2023, but rose to 58% this year. Spot trading, meanwhile, increased from 52% in 2022 to 69% in 2023, but fell to 25% in 2024. This suggest growing sophistication in how hedge funds trade digital assets.

Figure 4

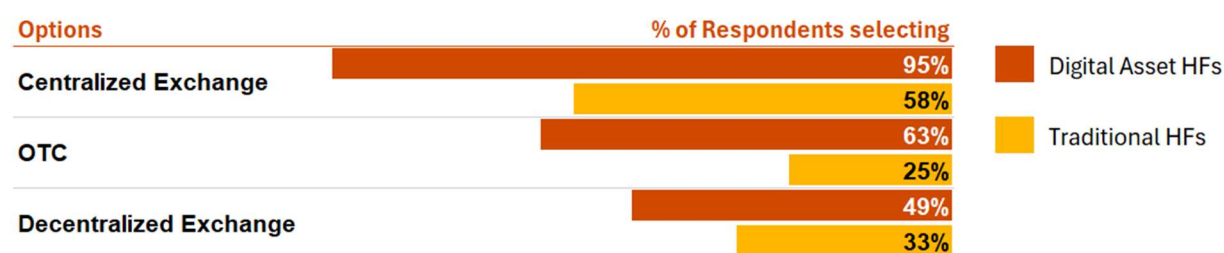


used by 25% of respondents. Spot trading involves the direct purchase of digital assets, while ETPs offer a more traditional investment vehicle that tracks the performance of digital assets. Derivatives are also significant, with 58% of traditional hedge fund respondents and 64% of digital asset hedge fund respondents indicating their use. Some derivatives offer a way to gain exposure to digital assets without directly holding them, providing a hedge against volatility and potential downside risks.

Furthermore, 17% of traditional and digital asset hedge funds each invest in digital assets through venture capital, indicating a longer-term belief in the growth and development of blockchain technologies and related innovations. Fund of funds, another investment method, is used by 17% of traditional hedge fund respondents and 12% of digital asset hedge funds, allowing them to diversify exposure by investing in a portfolio of other funds that hold digital assets.

### ? How are you trading digital assets? (Figure 5)

*Respondents were asked to select all that apply.*



The trading venues for these digital assets also vary. Centralized exchanges are the most popular, used by 58% of traditional hedge fund respondents, due to their liquidity and ease of use (see **Figure 5**). Decentralized exchanges, which can offer greater control over assets, are used by 33% of traditional hedge fund respondents. Over-the-counter (OTC) trading, preferred by 25% of traditional hedge fund respondents, provides a way to execute large trades without impacting the market price.

When it comes to selecting a trading venue or platform, traditional hedge funds tend to weigh up several factors. The most significant factor is the counterparty risk, which was cited by 40% of respondents. Liquidity was the second most important factor, mentioned by 30%. Other considerations include regulation, token availability, and platform security, each noted by 10% of respondents.

In terms of their preferred methods for trading digital assets, the vast majority of digital asset hedge funds favor using a centralized exchange (selected by 95% of respondents). Other popular methods include OTC, selected by 63% of respondents, and decentralized exchanges, selected by 49%.

Stablecoins are another prevalent method, with 78% of all hedge funds investing in the asset class using this form of digital asset. The primary reason that digital asset hedge funds cite for using them is as an alternative to fiat when entering and exiting transactions (72%) (see **Figure 6**). Other uses that digital asset hedge funds cite for stablecoins include generating yield (21%) and transferring funds internally or externally (19%).

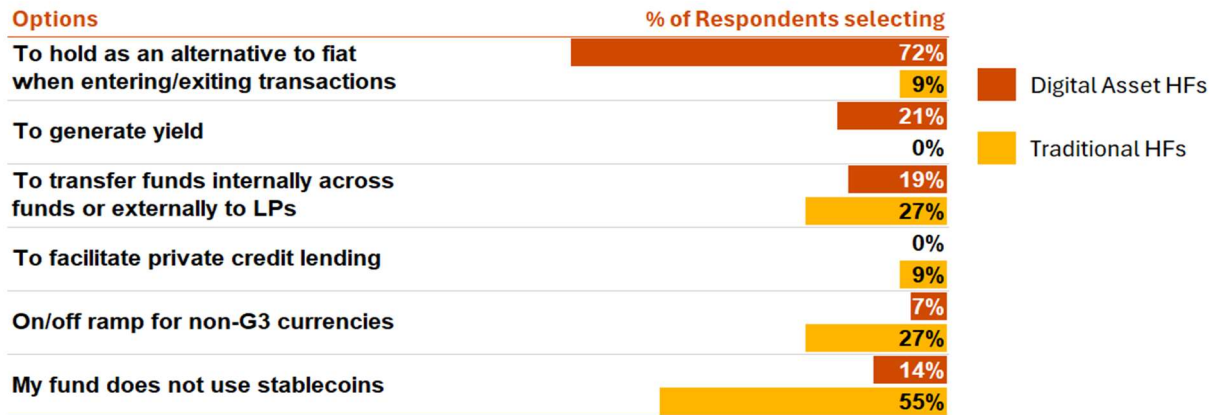
**“Stablecoins are the effective currency of the digital asset ecosystem and an enabler for the future of finance. This has been reinforced by the finding that 78% of hedge funds investing in digital assets are using stablecoins. This is in line with our experience in the market where the speed and efficiency when moving between transactions, funds or to investors is a critical differentiator, especially when viewed through the lens of capital efficiency.”**

**Usman Ahmad**, Co-Founder and CEO, Zodia Markets



**?** If you use stablecoins, what is the main purpose for using them? (Figure 6)

Respondents were asked to select all that apply.



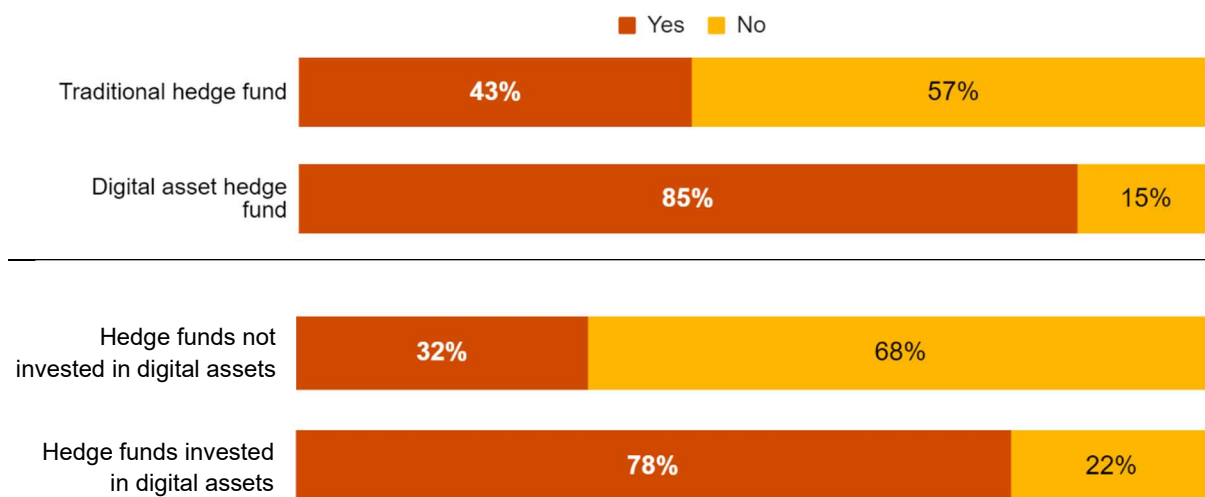
Traditional hedge funds are using diverse strategies to navigate the digital asset markets, including derivatives, spot trading, ETPs, and both centralized and decentralized exchanges. This reflects growing confidence and a more mature market as hedge funds take more strategic approaches to optimize returns and manage risk.

## V. Increasing interest among institutional investors

Closely mirroring the SEC's approval of spot bitcoin and ether ETFs, as well as advancements in clearer regulatory frameworks, respondents reported a rising interest in digital assets from institutional investors, with two-thirds of all hedge fund managers surveyed noting increased interest (see **Figure 7**).



**Are you seeing increasing interest from institutional investors in digital assets?**  
(Figure 7)



The survey results paint an intriguing picture of the growing interest in digital assets among institutional investors. Among hedge funds that have already dipped their toes in the digital asset waters, a significant number (78%) have noticed increasing interest from institutional investors (see **Figure 7**).

However, the story is a bit different for hedge funds that haven't ventured into digital assets. Among these, 1 in 3 who surveyed have reported an uptick in interest. This could be a sign that institutional investors are more inclined to explore digital assets with hedge funds that already have developed some experience in this asset class.

When analyzed by hedge fund type, notable differences emerge. 85% of digital asset hedge funds have reported increased interest from institutional investors, compared to 43% of traditional hedge funds. Regardless, increased regulatory clarity appears to be enhancing investor confidence as the digital asset markets progress beyond previous instances of fraud and extreme volatility.

## VI. Evolving product landscape and the importance of ETFs

Since the SEC's approval of the spot bitcoin ETFs in January of this year, total trading volume across all issuers<sup>1</sup> has surpassed \$350B<sup>2</sup>, averaging just shy of \$2B in collective volume per day since the products inception and with Blackrock's \$IBIT ETF earning the designation of the fastest ETF to reach \$10B in assets (49 days)<sup>3</sup>. According to reports, "investment managers held \$4.7B worth of spot bitcoin ETFs in the second quarter of 2024"<sup>4</sup>. More recently, while not as dramatic as the launch of spot bitcoin ETFs, the launch of spot ether ETFs have resulted in nearly \$6B in total trading volume in the first seven days of trading, averaging roughly \$850M in daily volume across all issuers<sup>5</sup>.

Our survey supports this data, which showed a significant increase in interest in the launch of these products among the hedge funds surveyed. 64% of all respondents believe that these approvals will create more opportunities for future product launches and enhanced strategies (see **Figure 8**). Future product launches could include bi-directional levered ETFs and potentially staking and yield enhancing products, which have

already been explored by issuers. Among the digital asset hedge funds surveyed, the sentiment is even stronger, with 85% viewing the approvals as an opportunity for launching new digital asset focused products and services. By comparison traditional hedge funds remain largely unaffected by the approval of spot Bitcoin ETFs, with 66% stating that the development will have little to no impact on their plans to launch new digital asset products.

"The Bitcoin ETF was the most successful ETF launch in over 30 years of data and 5,000+ ETF launches. This statistic alone should make any allocator stop and reflect."

Henri Arslanian, Co-Founder, Nine Blocks Capital Management

 **How will the recent approvals of spot bitcoin ETFs change your perspective on launching new digital assets products? (Figure 8)**

Options	All	Traditional hedge funds	Digital Asset hedge funds
Negatively - ETFs will be a threat to future hedge fund product launches	1%	0%	2%
Neutral - little to no impact on product launches investing in digital assets	35%	66%	13%
Positively - more opportunity for product launches	64%	34%	85%

<sup>1</sup> Issuers include Blackrock, Fidelity, Grayscale, Ark Invest/21 Shares, Bitwise, Franklin, Invesco/Galaxy, VanEck, Valkyrie, WisdomTree, and Hasdex.

<sup>2</sup> [Cumulative Spot Bitcoin ETF Volumes](#), The Block

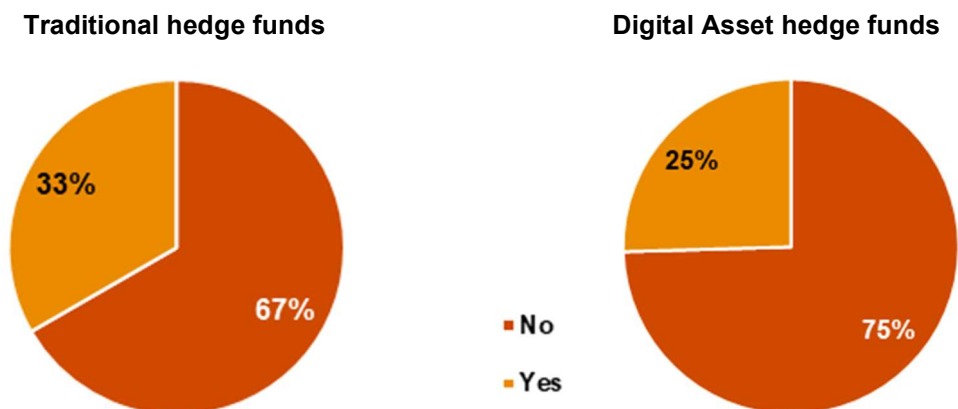
<sup>3</sup> [IBIT and FBTC ETFs hit \\$10 billion AUM in weeks, smashing previous record of three years](#), The Block

<sup>4</sup> [Here's how hedge funds played spot Bitcoin ETFs in Q2](#), The Block

<sup>5</sup> Issuers include Blackrock, Fidelity, Grayscale, Ark Invest/21 Shares, Bitwise, Franklin, Invesco/Galaxy, VanEck, Valkyrie, WisdomTree, and Hasdex



**Do you plan to utilise bitcoin ETFs as part of your digital asset investment strategy?**  
(Figure 9)



Hedge funds have varied approaches to using bitcoin ETFs. Two-thirds of traditional hedge funds do not plan to incorporate bitcoin ETFs into their current digital asset strategies, and only a quarter of digital asset hedge funds are considering this option (see **Figure 9**). This suggests that, while hedge funds may not be adopting bitcoin ETFs widely, they may still view them favorably for their role in the broader digital assets industry.

“For years, the story of institutional adoption of digital assets has been ahead of actual adoption data. That has now changed. Regulatory advancements, such as the introduction of spot ETFs, have paved the way for wider adoption. At Galaxy, we believe strongly that further regulatory clarity is on the horizon, and that a sustained period of institutional adoption will follow.”

**Steve Kurz**, Global Head of Asset Management, Galaxy

## VII. Growing hedge fund engagement with tokenization

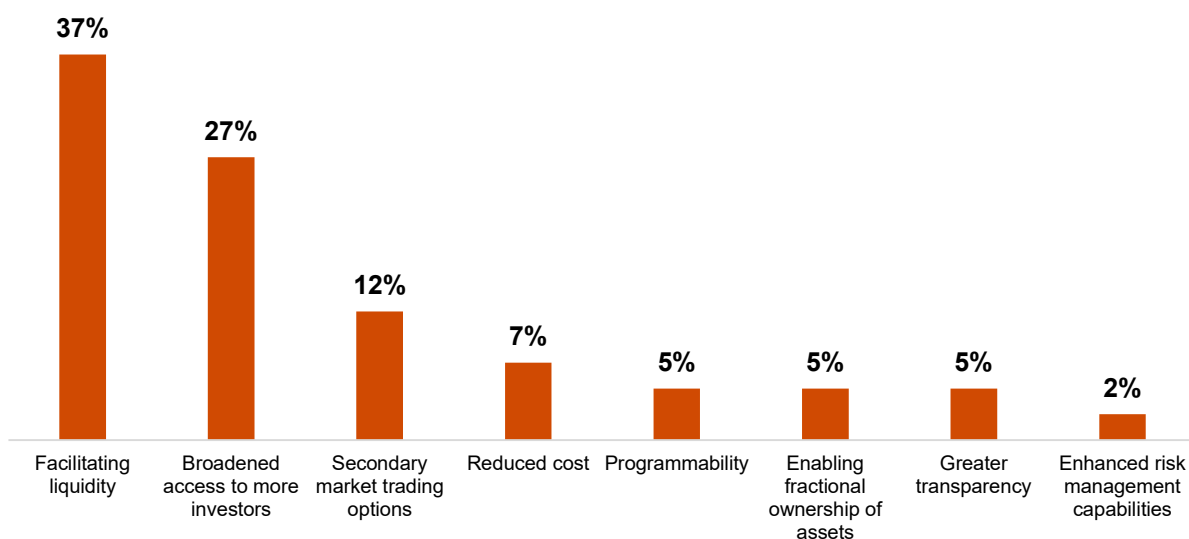
Tokenization – the process of issuing a unique digital representation of an asset on a blockchain – is already driving significant innovation in the operations of financial services. Various entities, including banks, asset managers, lenders, payment providers, corporate treasurers, and finance departments, are now tokenizing a wide range of assets.<sup>5</sup> Currently, 12% of digital asset hedge funds who responded to our survey say that they are investing in tokenized assets. These assets can include bank deposits, securities, commodities, and documentation.

Of those survey respondents that had an interest in tokenization, the top reasons for interest were tokenization's opportunity to facilitate liquidity (37%) and to broaden access to more investors (27%) (see **Figure 10**).



### What is it that interests your hedge fund most about tokenisation? (Figure 10)

*Respondents were asked to select one. Those who selected "not interested" have been excluded.*



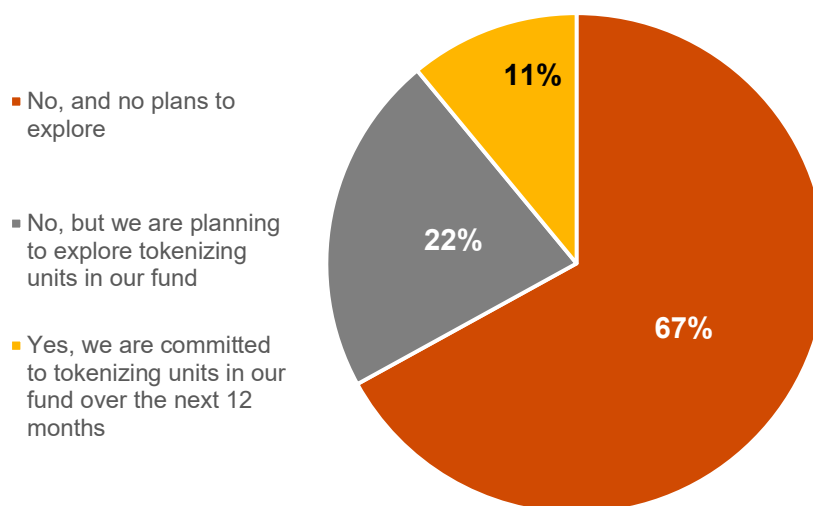
In addition to this growing interest in tokenized assets, there is a notable interest in the process of tokenization within the hedge fund industry. This year, 33% of all hedge fund respondents are planning to explore tokenizing units in their fund or are committed to tokenizing units in their fund over the coming 12 months (see **Figure 11**). This includes both traditional and digital asset focused hedge funds. Last year, only a quarter of traditional hedge funds surveyed confirmed that they were beginning to explore tokenization.

When asked what the greatest perceived barrier to wider adoption of tokenization is, respondents overwhelmingly indicated regulation as the biggest obstacle. This indicates that while hedge funds see the potential benefits of tokenization, they are also acutely aware of the challenges. It is also noted that distribution continues to be a challenge for both digital asset focused and traditional hedge funds. The future of the industry will likely be shaped by how the challenges are addressed, and the extent to which hedge funds can capitalize on the opportunities presented by digital assets and tokenization.

While some hedge funds are intrigued by the potential of tokenization, they are also cautious. The regulatory environment and market demand are key factors that will determine the pace of adoption. However, with increasing interest from institutional asset managers, the momentum towards tokenization appears to be building.



### Is your hedge fund tokenizing units in your fund? (Figure 11)



“We are seeing the emergence of tokenization as an important growth area for digital asset hedge funds... Today, that is largely tokenized treasury products for yield, but increasingly we are seeing exposures such as tokenized reinsurance risk, tokenized carbon markets, and tokenized credit/loans. Bringing this exposure onchain will allow digital asset hedge funds to have more options for generating alpha and managing risk in the crypto markets.”

**Anthony Bassili**, Head of Allocators & Tokenization, Coinbase Institutional



## VIII. Risks, barriers and challenges to further growth

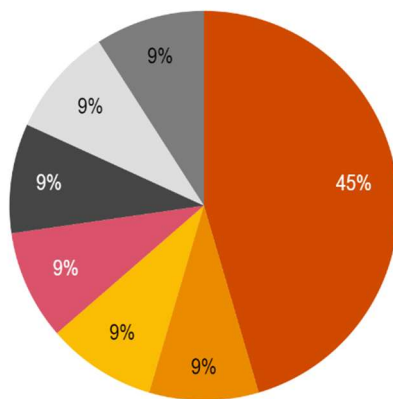
For traditional hedge funds, the main perceived barrier for growth in digital assets adoption is regulatory uncertainty, with almost half (45%) of respondents citing this as a concern. Other concerns like bad actors, quantum computing, custody issues, restaking, politics/government bans, and protocol design were also noted, but these were less prominent, each getting about 9% of the votes.

Digital asset hedge funds also flagged regulatory uncertainty as their top concern for the industry's growth, but it was even more pronounced, with 56% of respondents choosing this option (see **Figure 12**). This remains consistent with each previous year's survey results, which highlighted regulatory uncertainty as the main obstacle to further growth.



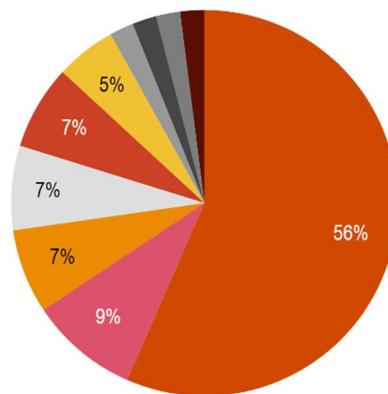
**What do you see as the key risk for digital assets at present? (Figure 12)**

**Traditional hedge funds**



- Regulatory uncertainty
- Bad actors
- Quantum computing
- Custody
- Restaking
- Politics / Government bans
- Protocol (design)

**Digital Asset hedge funds**



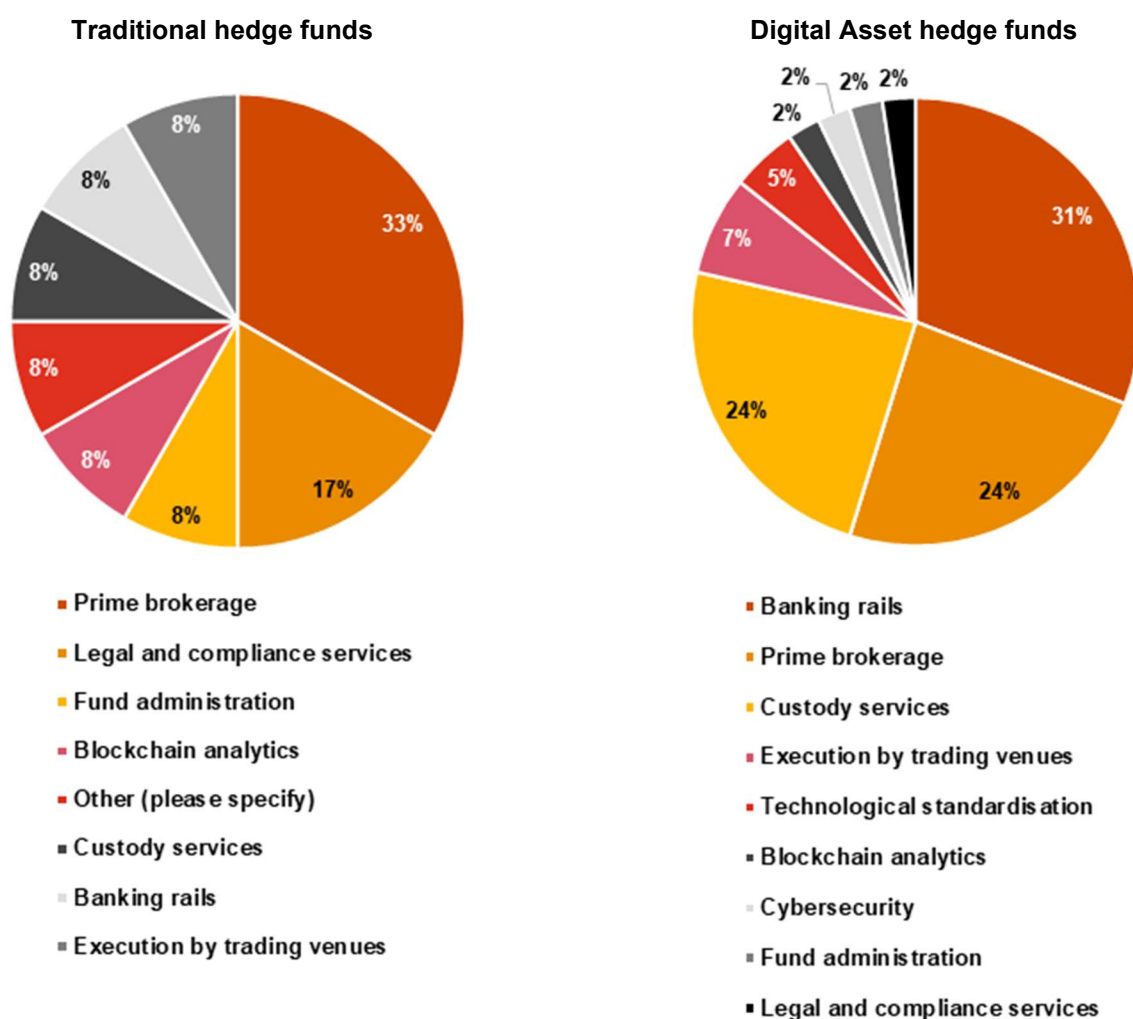
- Regulatory uncertainty
- Custody
- Bad actors
- Politics / Government bans
- Excessive leverage
- Other
- Volatility / Overvaluation
- Restaking
- Protocol (design)
- Hacks/cyber risk

For traditional hedge funds without digital asset investments the two main non-regulatory related barriers cited by respondents are either no investor mandate or little-to-no investment conviction in the asset class. Interestingly, the barrier of digital assets being outside the scope of the current investment mandate has shot up from fourth last year to number one this year. This might suggest a growing

bifurcation between those hedge funds which remain skeptical or with constrained investment mandates and those now choosing to enter the space, albeit still with relatively low allocations.

Forty-two percent of hedge funds not currently investing in digital assets note that they would start investing or become more interested in the asset class if the main barriers to investing in digital assets were removed. However, 58% would not change their existing approach. This is a slight increase from last year, when 40% stated that the removal of barriers would still not impact their current approach to not invest.

**Where is the greatest need for market infrastructure improvements? (Figure 13)**



Both traditional and digital asset hedge funds see prime brokerage as an area that needs to see improvements to support broader investment. Traditional hedge funds cite prime brokerage as their top need (33%), and digital asset hedge funds cited it second most (24%) (see **Figure 13**).

Outside of prime brokerage, opinions differ between traditional and digital asset hedge funds on which areas of the market need the most improvement in order to support further industry growth. Traditional hedge funds see legal and compliance services, fund administration, blockchain analytics, custody

services, banking rails, and execution by trading venues, but with fewer votes, each representing between 8% and 17% of responses.

Digital asset hedge funds think banking rails need the most improvement, with 31% of them selecting this. Other areas such as custody services, execution by trading venues, technological standardization, blockchain analytics, cybersecurity, fund administration, and legal and compliance services were also mentioned, but didn't get as many votes, with each representing between 2% and 24% of responses.

## IX. Conclusion: Signs of market maturation and investment sophistication

In summary, we see the following in 2024's digital assets investment market:



**Positive investment momentum:** Hedge funds are investing more in digital assets, due in part to increased regulatory clarity, new investment options (particularly ETFs), increased investor interest, and the rise of mainstream institutions entering the market.



**Increased sophistication:** Both traditional and digital asset hedge funds are leveraging more sophisticated investment strategies than in year's past, as signified by the use of derivatives, the mixture of trading venues, stablecoin usage, or expanded investment in tokenized assets.



**General agreement on the challenges still to be solved:** Both traditional and digital asset hedge funds see further regulatory clarity and infrastructure in prime brokerage to be key areas for improvement if the industry is to continue growing.

With increasing interest from institutional investors and a maturing trading landscape, the crypto hedge fund industry is well-positioned for further growth and development.

## About AIMA

The Alternative Investment Management Association (AIMA) is the global representative of the alternative investment industry, with around 2,100 corporate members in over 60 countries. AIMA's fund manager members collectively manage more than US\$3 trillion in hedge fund and private credit assets.

AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programs and sound practice guides. AIMA works to raise media and public awareness of the value of the industry.

AIMA set up the Alternative Credit Council (ACC) to help firms focused on the private credit and direct lending space. The ACC currently represents over 250 members that manage over US\$1 trillion of private credit assets globally. The ACC is an affiliate of AIMA and is governed by its own board which ultimately reports to the AIMA Council.

AIMA is committed to developing skills and education standards and is a co-founder of the Chartered Alternative Investment Analyst designation (CAIA) – the first and only specialized educational standard for alternative investment specialists. AIMA is governed by its Council (Board of Directors).

For further information, please visit [www.aima.org](http://www.aima.org).

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