

# Around the block

Monthly cryptocurrency and blockchain related highlights from the Truist Investment Advisory Group

May 6, 2022

## Off the block

Cryptocurrency regulation remains in the spotlight. In recent days, New York and California have offered alternative approaches that could impact future innovation in digital assets.

- The New York State Assembly passed a bill proposing a 2-year ban on new crypto mining facilities that do not use renewable sources of energy. If signed into law, it could potentially prompt digital asset innovators to look elsewhere to locate new operations.
- Alternatively, California has issued an executive order that solicits feedback around the benefits and risks of a comprehensive regulatory framework. The order also specifically “aims to create a pipeline of talent for the emerging industry” targeting responsible innovation in Web 3.0 technology, the next iteration of the internet. This will raise the bar for other states vying to attract new industry and talent.

Investing in speculative investments, like those related to cryptocurrency, involves a high degree of risk and is not suitable for all investors.

## Industry developments

- Fidelity plans to offer bitcoin through their 401(k) platform later in 2022 and has also opened the Fidelity Stack virtual office in the metaverse offering client education.
- Tesla (TSLA) is collaborating with Block (SQ) and Blockstream to provide clean energy for bitcoin mining in Texas using their Megapack batteries.

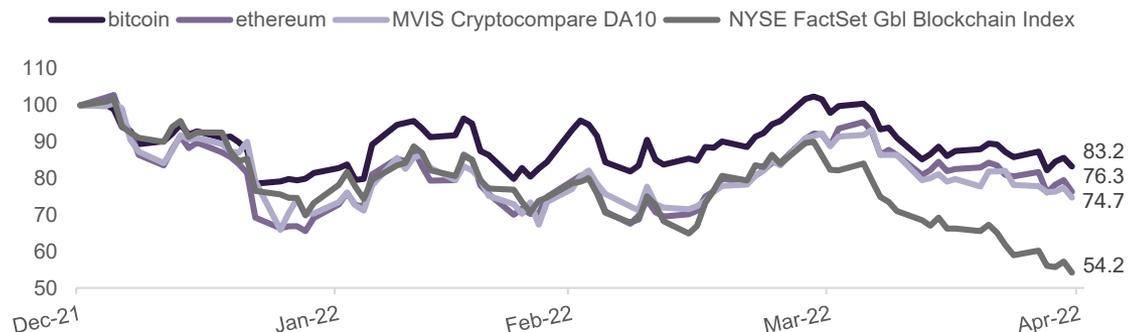
## Regulatory developments

- On April 7, the FDIC issued a notice requesting FDIC supervised institutions to disclose their intent regarding engagement in crypto-related activities.
- The SEC revealed they will nearly double the size of their crypto and cyber security enforcement team focusing on possible securities law violations.

## Chart of the month – Digital asset equities underperforming crypto

Public equities focused on driving the blockchain ecosystem have fallen over 40% YTD significantly underperforming cryptocurrencies. This illustrates blockchain-related public equities may be a less reliable proxy for cryptocurrency returns over shorter time periods.

Bitcoin/ethereum/MVIS digital asset 10 vs digital equities  
YTD indexed returns (4/30/22)



Data sources: Truist IAG, FactSet

### Investment and insurance products:

- Are not FDIC or any other government agency insured
- Are not bank guaranteed
- May lose value

# Performance monitor (4/30/22)

## Crypto and traditional indices

Bitcoin/Ethereum		1 Mo	YTD	1 Yr
CMBI Bitcoin		-16.0%	-16.4%	-32.6%
CMBI Ethereum		-15.1%	-23.3%	0.5%
CMBI Btc/Eth		-15.7%	-19.1%	-23.7%
Diversified Baskets				
CMBI 10 Cap Wgt	cap weight	-20.0%	-24.6%	-29.8%
CMBI 10 Even Wgt	equal weight	-21.0%	-30.2%	-38.7%
CMBI ex-bitcoin	CMBI 10 - BTC	-24.4%	-32.8%	-24.0%
MVIS CryptoCompare DA 10	30% coin cap	-17.1%	-26.4%	-26.6%
MVIS CryptoCompare DA 25	20% coin cap	-21.3%	-33.3%	-35.5%
MVIS Sector Leaders				
Smart Contracts		-25.0%	-34.7%	-13.0%
DeFi		-26.6%	-51.8%	-76.2%
Media and Entertainment		-39.0%	-57.8%	-56.9%
Infrastructure		-30.3%	-49.7%	-58.9%
Equities				
NYSE Factset Global Blockchain	digital equities	-34.2%	-45.8%	-58.4%
MVIS Global Digital Assets Equity	digital equities	-33.2%	-46.0%	-64.9%
S&P 500		-8.7%	-12.9%	0.2%
MSCI World ex USA		-6.6%	-11.1%	-6.7%
MSCI EM		-5.6%	-12.1%	-18.3%
Fixed Income				
Bloomberg US Agg Bond		-3.8%	-9.5%	-8.5%
Bloomberg US Treasury US TIPS		-2.0%	-5.0%	0.7%
Commodities				
Bloomberg Commodity		4.1%	30.7%	43.5%
SPDR® Gold Shares		-1.6%	4.9%	7.7%

Data sources: Truist IAG, Morningstar, Coin Metrics, Messari  
See disclosures for more on index definitions and methodology.

## Crypto assets month in review

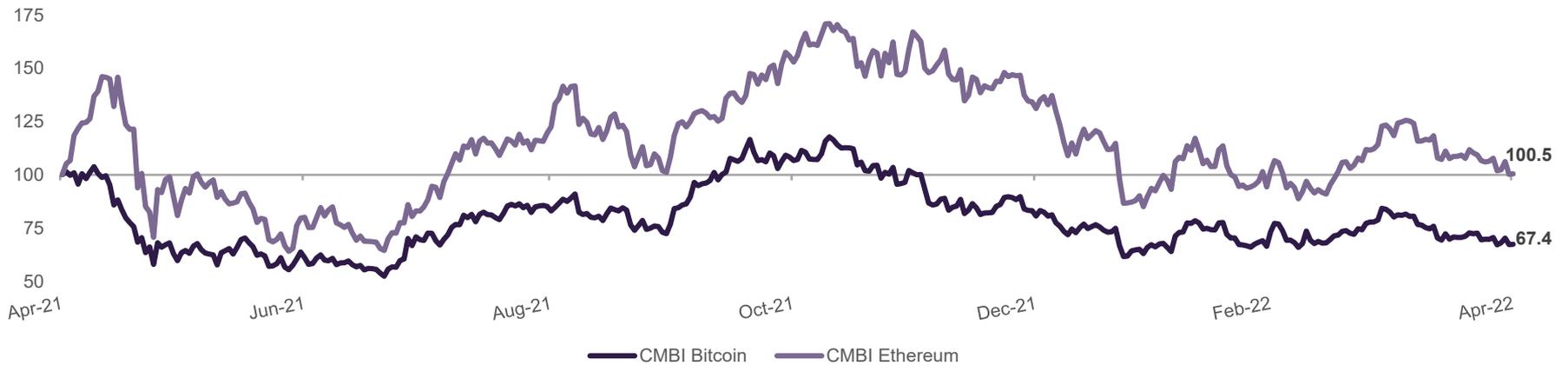
The cryptocurrency ecosystem shed 16% of its value in April declining alongside most traditional investment indices. Dual headwinds from the Ukraine war and tightening Fed policy drove negative investor sentiment and equity fund outflows. Meanwhile, cryptocurrencies experienced convincing negative returns, however, their volatility relative to the S&P 500 reached the lowest level since October 2020.

Notable callouts for the month:

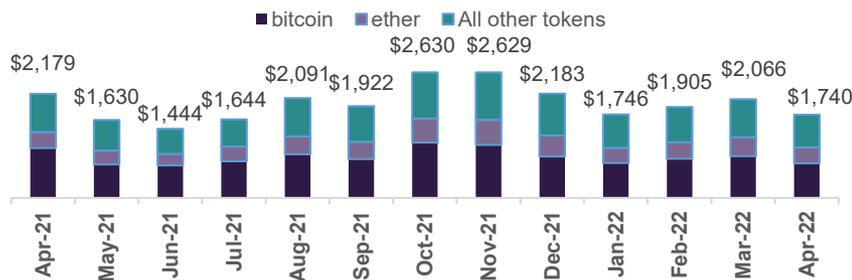
- The CMBI Bitcoin-Ethereum index outperformed broader crypto indices highlighting the significant performance influence the two largest coins have over the crypto ecosystem. They currently comprise 63% of the total market value of all cryptocurrencies.
- Smart contract sector performance was buoyed by ether's dominance but Cardano, Polkadot, and Solana drove overall sector performance lower with each experiencing 30%+ declines.
- The decentralized finance (DeFi) segment was led lower by the Uniswap decentralized exchange while the metaverse segment, which is dominated by smaller cap names, was led lower by the Decentraland, Axie Infinity and Sandbox tokens.
- Blockchain related equities (NYSE FactSet Global Blockchain Index) are concentrated in mining, equipment, and financial publicly traded companies. They experienced steep drawdowns in April compounded by overall weakness in the highly correlated small-cap tech sector.

# Cryptocurrency ecosystem snapshot as of 4/30/22

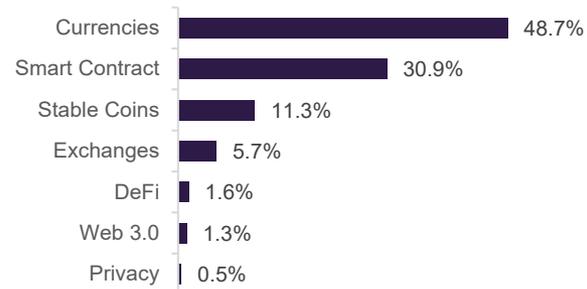
Bitcoin and ether 1-year indexed returns



Cryptocurrency aggregate market cap (\$billions) with bitcoin and ethereum dominance



Cryptocurrency ecosystem sector composition

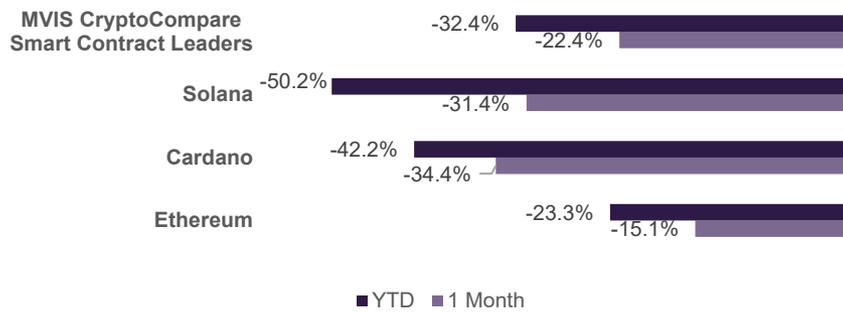


Data sources: Truist IAG, CoinMetrics, Messari

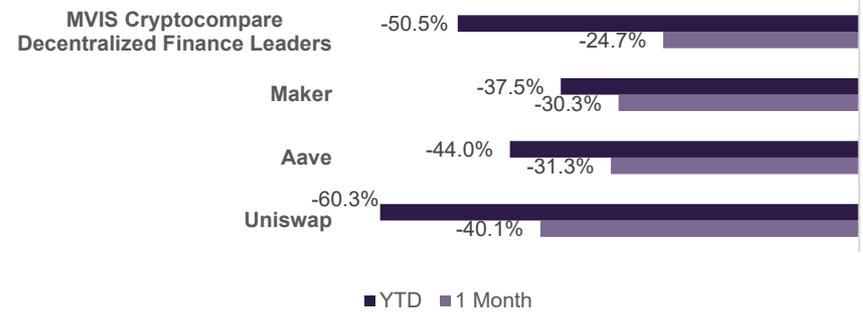
# Key crypto sectors 4/30/22

Differentiating between crypto sectors provides industry perspective similar to sectors within the S&P 500.

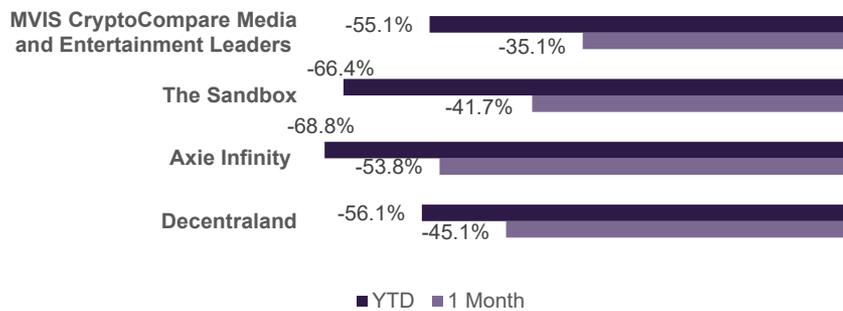
## Smart contract index and top 3 tokens



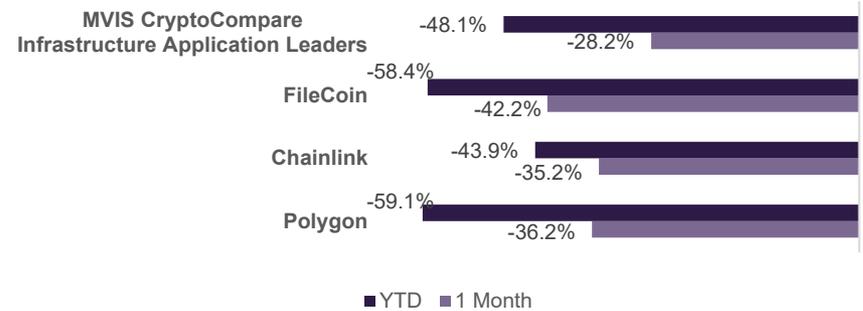
## DeFi index and top 3 tokens



## Metaverse index and top 3 tokens



## Infrastructure index and top 3 tokens



Data sources: Truist IAG, MVIS CryptoCompare, Messari, Morningstar. Data as of 04/30/22.

See disclosures for more on index definitions and methodology.

# April 2022 top 25 tokens by market cap

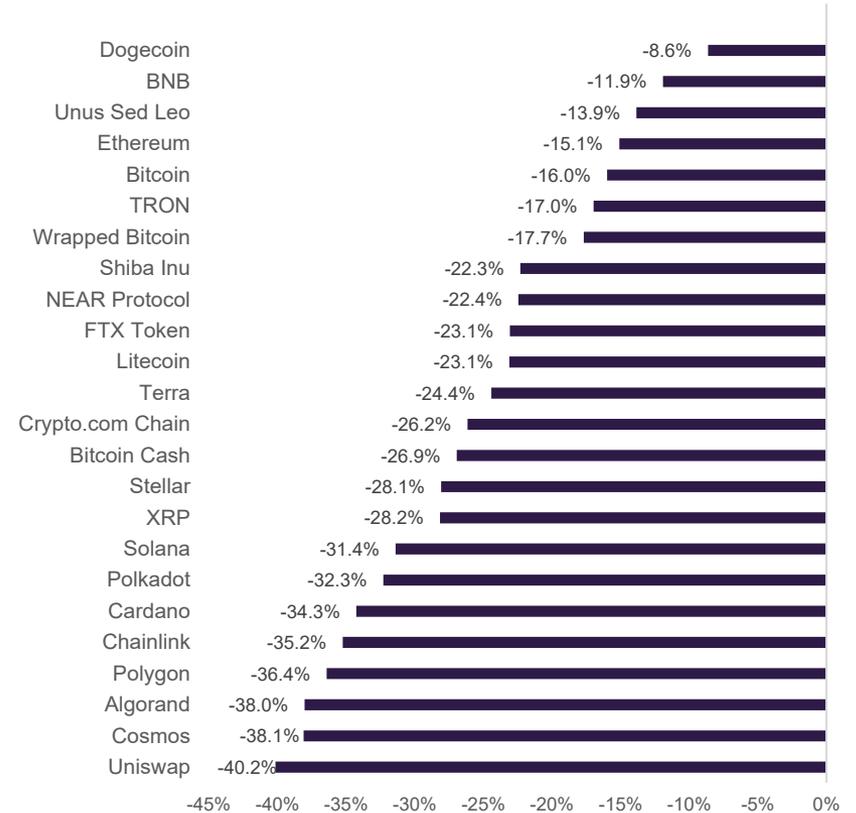
Top 25 cryptocurrencies and top five stablecoins:  
over 92% of total crypto market cap

Name	Symbol	Sector	Mkt Cap (\$billions)	Mkt Cap Dominance	Cumulative Mkt Cap Dominance
Bitcoin	BTC	Currencies	\$ 723.3	42.9%	42.9%
Ethereum	ETH	Smart Contract Platforms	\$ 333.2	19.8%	62.6%
BNB	BNB	Centralized Exchanges	\$ 62.6	3.7%	66.4%
Solana	SOL	Smart Contract Platforms	\$ 29.3	1.7%	68.1%
XRP	XRP	Currencies	\$ 28.5	1.7%	69.8%
Terra	LUNA	Smart Contract Platforms	\$ 27.5	1.6%	71.4%
Cardano	ADA	Smart Contract Platforms	\$ 26.1	1.5%	73.0%
Dogecoin	DOGE	Currencies	\$ 17.5	1.0%	74.0%
Avalanche	AVAX	Smart Contract Platforms	\$ 15.6	0.9%	74.9%
Polkadot	DOT	Smart Contract Platforms	\$ 14.8	0.9%	75.8%
Shiba Inu	SHIB	-	\$ 11.5	0.7%	76.5%
Wrapped Bitcoin	WBTC	-	\$ 10.7	0.6%	77.1%
Polygon	MATIC	Scaling	\$ 8.5	0.5%	77.6%
Crypto.com Chain	CRO	Payment Platforms	\$ 8.1	0.5%	78.1%
NEAR Protocol	NEAR	Smart Contract Platforms	\$ 7.4	0.4%	78.5%
TRON	TRX	Smart Contract Platforms	\$ 6.9	0.4%	79.0%
Litecoin	LTC	Currencies	\$ 6.8	0.4%	79.4%
Unus Sed Leo	LEO	Centralized Exchanges	\$ 5.3	0.3%	79.7%
Bitcoin Cash	BCH	Currencies	\$ 5.3	0.3%	80.0%
FTX Token	FTT	Centralized Exchanges	\$ 5.3	0.3%	80.3%
Chainlink	LINK	Data Management	\$ 5.2	0.3%	80.6%
Cosmos	ATOM	Smart Contract Platforms	\$ 5.1	0.3%	80.9%
Uniswap	UNI	Decentralized Exchanges	\$ 4.8	0.3%	81.2%
Stellar	XLM	Currencies	\$ 4.3	0.3%	81.4%
Algorand	ALGO	Smart Contract Platforms	\$ 3.9	0.2%	<b>81.7%</b>

Top 5 Stablecoins					
Tether	USDT	Stablecoins	\$ 83.2	4.9%	4.9%
USD Coin	USDC	Stablecoins	\$ 49.4	2.9%	7.9%
TerraUSD	UST	Stablecoins	\$ 18.5	1.1%	9.0%
Binance USD	BUSD	Stablecoins	\$ 17.7	1.0%	10.0%
Dai	DAI	Stablecoins	\$ 8.9	0.5%	<b>10.5%</b>

## Top 25 April performance rankings



Data sources: Truist IAG, Messari

# Digital glossary

## Digital technologies

**Cryptocurrency** refers to cryptographic currencies like Bitcoin and alternative coins or 'altcoins', launched after the success of Bitcoin. This category of digital assets is designed to work as a medium of exchange, store of value, or to power applications.

**Token** is a subset of cryptocurrencies. Tokens are units of value issued by platforms built on top of existing blockchains.

**Bitcoin** was the first system of global, decentralized, scarce, digital money as initially introduced in a white paper titled Bitcoin: A Peer-to-Peer Electronic Cash System by Satoshi Nakamoto.

**Ethereum** is a decentralized, public blockchain network that supports composable smart contracts which can support decentralized applications as well as peer-to-peer transfers. "ether" is the native cryptocurrency of the Ethereum network.

**Stablecoins** are the tokens designed to track the value of an off-chain asset, such as a fiat money or exchange traded commodity, most commonly U.S. dollars.

**Smart contract** is a software, typically carried on a decentralized public blockchain, that can execute or enforce pre-determined actions or agreements without the intervention of a centralized intermediary.

**DeFi** means decentralized finance; a peer-to-peer software-based network of protocols that can be used to facilitate traditional financial services like borrowing, lending, trading derivatives, insurance and more through non-custodial smart contracts carried on public blockchain networks.

**NFT** means non-fungible tokens. For example, money (or a single unit of bitcoin) is fungible—each one unit is considered equal to any other unit of identical size. Conversely, artwork is not fungible—no two paintings are identical. Non-fungible tokens represent unique digital property, whether a collectible, artwork, intellectual property, or something else.

**Metaverse** is a network of 3D virtual worlds focused on social connection. This can include virtual reality, augmented reality, and the digital economy.

**Central Bank Digital Currency (CBDC)** is a digital version of a government-issued fiat currency that's managed by a central bank.

**Web 3.0** is the third generation of the internet where technologies such as machine learning, decentralized ledgers, and artificial intelligence allow for a transparent environment that does not rely on central entities to manage and distribute content.

Data sources: Truist IAG, Galaxy Digital

# Digital glossary

## Digital technology concepts

**Digital asset** is any digital asset built using blockchain technology, including cryptocurrencies, stablecoins, non-fungible digital collectibles (NFTs) and security tokens.

**Exchanges** are platforms where you can buy and sell cryptocurrencies. Notable exchanges include Coinbase and Binance.

**Decentralization** is the process of removing intermediaries in a process and pushing power over a system out to the edges of the system, or to the users as a collective.

**Public ledger** is a transparent, distributed digital record of transactions that can be downloaded by anyone around the world.

**Blockchain** means a cryptographically secure digital ledger that maintains a record of all transactions that occur on the network and follows a consensus protocol for confirming new blocks to be added to the blockchain.

**Block** is a batch of confirmed transactions on the digital ledger. Blocks are added to an existing blockchain as transactions occur on the network. Miners are rewarded for “mining” a new block and sometimes awarded a token.

**Mining** is the process by which new blocks are created, and thus new transactions are added to the blockchain. The term “miner” typically refers to an entity that participates in block production on a Proof of Work network, whereas “validator” typically refers to an entity that participates in block production on a Proof of Stake network.

**Double spend** means the act of spending the same coin twice. If money can be double spent, it cannot function properly as it loses its scarcity and counterparties cannot trust that they alone have received payment. Solving the double-spend problem without the use of a central intermediary had never been accomplished until Bitcoin.

**Address** is a payment instruction for a digital asset. When receiving a payment, the recipient communicates their address to the payer, and the payer can send funds to that address.

**Wallet** is a tool that stores public and private keys and enables the user to use those keys to interact with a blockchain network. Wallets can be software, hardware, or physical (paper, metal, etc.).

**Cold storage** means the storage of private keys in any fashion that is disconnected from the internet. Common cold storage examples include offline computers, USB drives, or paper records.

**Private key** in asymmetric cryptography is a piece of data held in secret by an entity. It is used to compute digital signatures upon other data that can be verified by a third-party cheaply simply by knowing the public key.

**Public keys** are used with digital signatures to validate that the holder of a cryptocurrency coin did legitimately authorize the transfer of that coin to a new address or entity.

**Fork** is an event in open source software development when part of a community breaks away by making changes to the software.

Data sources: Truist IAG, Galaxy Digital

# Disclosures

Advisory managed account programs entail risks, including possible loss of principal and may not be suitable for all investors. Please speak to your advisor to request a firm brochure which includes program details, including risks, fees and expenses.

Truist Wealth is a name used by Truist Financial Corporation. Banking products and services, including loans, deposit accounts, trust and investment management services provided by Truist Bank, Member FDIC. Securities, brokerage accounts, insurance/annuities offered by Truist Investment Services, Inc. member FINRA, SIPC, and a licensed insurance agency where applicable. Life insurance products offered by referral to Truist Insurance Holdings, Inc. and affiliates. Investment advisory services offered by Truist Advisory Services, Inc., Sterling Capital Management, LLC, and affiliated SEC registered investment advisers. Sterling Capital Funds advised by Sterling Capital Management, LLC.

While this information is believed to be accurate, Truist Financial Corporation, including its affiliates, does not guarantee the accuracy, completeness or timeliness of, or otherwise endorse these analyses or market data.

The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Truist Financial Corporation makes no representation or guarantee as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. The information contained herein does not purport to be a complete analysis of any security, company, or industry involved. This material is not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions and information expressed herein are subject to change without notice. TIS and/or its affiliates, including your Advisor, may have issued materials that are inconsistent with or may reach different conclusions than those represented in this commentary, and all opinions and information are believed to be reflective of judgments and opinions as of the date that material was originally published. TIS is under no obligation to ensure that other materials are brought to the attention of any recipient of this commentary.

Comments regarding tax implications are informational only. Truist and its representatives do not provide tax or legal advice. You should consult your individual tax or legal professional before taking any action that may have tax or legal consequences.

Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance.

TIS/TAS shall accept no liability for any loss arising from the use of this material, nor shall TIS/TAS treat any recipient of this material as a customer or client simply by virtue of the receipt of this material.

The information herein is for persons residing in the United States of America only and is not intended for any person in any other jurisdiction.

The information contained in this material is produced and copyrighted by Truist Financial Corporation and any unauthorized use, duplication, redistribution or disclosure is prohibited by law.

TIS/TAS's officers, employees, agents and/or affiliates may have positions in securities, options, rights, or warrants mentioned or discussed in this material.

Nothing in the commentary shall be considered a solicitation to buy or an offer to sell a security, or any other product or service, to any person in any jurisdiction where such offer, solicitation, purchase or sale would be unlawful under the laws of such jurisdiction. Please note that it is not possible to invest directly into an index.

Neither MV Index Solutions GmbH nor any of its licensors makes any warranties or representations, express or implied, to the user with respect of any of the data contained herein. The data is provided for informational purposes only, and the Company shall not be responsible or liable for the accuracy, usefulness or availability of any information transmitted or made available through it. The MVIS® indices are protected through various intellectual property rights and unfair competition and misappropriation laws. In particular, Van Eck Associates Corporation has registered the 'MVIS' trademark. You require a license to launch any product whose performance is linked to the value of a particular MVIS® index and for all use of the MVIS® name or name of the MVIS® index in the marketing of the product.

# Disclosures

Investments into crypto currencies and/or digital assets are subject to material and high risk including the risk of total loss. The calculated prices may not be achieved by investors as the calculated price is based on prices from different trading platforms. Furthermore, an investment into crypto currencies and/or digital assets may become illiquid depending on the trading platform or investment product used for the specific investment. Investors should carefully review all risk factors disclosed by the relevant trading platform or in the product documents of relevant investment products.

**Asset classes are represented by the following indexes. An investment cannot be made directly into an index.**

U.S. Large Cap Equity is represented by the S&P 500 Index which is an unmanaged index comprised of 500 widely-held securities considered to be representative of the stock market in general.

Emerging Markets is represented by the MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,125 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries--excluding the United States. With 910 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

U.S. Core Taxable Bonds are represented by the Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

The Bloomberg Barclays US Treasury Inflation-Linked Bond Index measures the performance of the US Treasury Inflation Protected Securities (TIPS) market. Federal Reserve holdings of US TIPS are excluded from the index.

Commodities are represented by the Bloomberg Commodity Index which is a composition of futures contracts on physical commodities. It currently includes a diversified mix of commodities in five sectors including energy, agriculture, industrial metals, precious metals and livestock. The weightings of the commodities are calculated in accordance with rules that ensure that the relative proportion of each of the underlying individual commodities reflects its global economic significance and market liquidity.

The Coin Metrics Bletchley Index **(CMBI) Bitcoin** is a cryptoasset benchmark designed to measure the performance an investor would expect from purchasing and holding Bitcoin. The benchmark represents a market aggregate USD value for Bitcoin. It aggregates data from the major global BTC/USD markets that conform to the Coin Metrics Market Selection Framework.

The Coin Metrics Bletchley Index **(CMBI) Ethereum** is a cryptoasset benchmark designed to measure the performance an investor would expect from purchasing and holding Ether. The benchmark represents a market aggregate USD value for Ether. It aggregates data from the major global ETH/USD markets that conform to the Coin Metrics Market Selection Framework.

The Coin Metrics Bletchley Index **(CMBI) Bitcoin and Ethereum** is a cryptoasset benchmark designed to measure the performance of a portfolio of Bitcoin and Ethereum, weighted by their free float market capitalization. It aggregates data from the major global BTC/USD and ETH/USD markets that conform to the Coin Metrics Market Selection Framework.

The **CMBI 10** is designed to measure the performance an investor would expect from investing in a diversified basket of crypto assets, weighted by their free float market capitalization. The 10 largest crypto assets, defined by an asset's expected 10 year future market capitalization, are selected as the index constituents.

The **CMBI 10 Even** offers an alternative to the CMBI 10 market cap weighted indexes. Even weighting strategies reflect the performance an investor would expect from investing an equal amount in a diversified basket of the largest crypto assets. Equal weighting is one of the oldest and best known methods of factor investing and aims to overcome weighting concentrating an index too heavily in a few large assets.

# Disclosures

The **CMBI 10 Excluding Bitcoin** is designed to measure the performance an investor would expect from investing in a diversified basket of the largest non-Bitcoin crypto assets, weighted by their free float market capitalization. As Bitcoin is often an investor's first exposure to crypto assets, the CMBI10EX was designed to provide a simple mechanism to diversify into other large cap crypto assets. The same constituents as the CMBI10, with the exception of Bitcoin, are selected as the index constituents.

The MVIS CryptoCompare Smart Contract Leaders Index is designed to track the performance of the largest and most liquid smart contract assets, and is an investable subset of MVIS CryptoCompare Smart Contract Index.

The MVIS CryptoCompare Decentralized Finance Leaders Index is designed to track the performance of the largest and most liquid decentralized finance assets, and is an investable subset of MVIS CryptoCompare Decentralized Finance Index.

The MVIS CryptoCompare Media and Entertainment Leaders Index is designed to track the performance of the largest and most liquid media & entertainment assets, and is an investable subset of MVIS CryptoCompare Media & Entertainment Index.

The MVIS CryptoCompare Infrastructure Application Leaders Index is designed to track the performance of the largest and most liquid infrastructure application assets, and is an investable subset of MVIS CryptoCompare Infrastructure Application Index.

The MVIS Global Digital Assets Equity Index tracks the performance of the largest and most liquid companies in the digital assets industry. This is a modified market cap-weighted index, and only includes companies that generate at least 50% of their revenue from digital asset services and products, such as exchanges, payment gateways, mining operations, software services, equipment and technology, digital asset infrastructure, or the facilitation of commerce with the use of digital assets. MVDAPP covers at least 90% of the investable universe.

© 2022 Truist Financial Corporation. Truist, the Truist logo and Truist purple are service marks of Truist Financial Corporation

CN2022-4730892.1 EXP 05-2023