

BTC Markets Investor Study Report

Updated (April 2022)

The State of Play
in the Australian
Cryptocurrency Market

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A note from our CEO

So many events have contributed to making this a watershed year for mainstream acceptance of cryptocurrency.

What crystallised this for me was being at a social gathering where young women were talking knowledgeably about cryptocurrencies and which ones they held. They are viewing crypto as a means to build wealth after being maxed out of the property market in an environment of rising mortgage rates, lower wages and lagging employment growth.

Since when did dinner conversations turn to cryptocurrency? They often do these days.

A year ago, this was not the case and the data bore it out. Women were not coming into crypto. But this story has changed dramatically. As our platform shows, women have done their research and are now committing to investment. The rate of growth for women opening trading accounts is almost twice that for men and women are, on average, investing larger amounts.

Far from the scepticism and misinformation that dominated the conversation a year ago, ordinary Australians are now talking to each other about crypto. They understand that it is just a technology with a growing number of uses and opportunities. Our exchange shows that as well as more women coming into the market, investors are older, more established and are bringing companies and retirement savings to the market.

Many factors have helped bring this growing mainstream acceptance of the crypto market, but three stand out. The first was Senator Andrew Bragg's committee on regulation for the crypto industry, which prompted the Federal Government to consider a series of legislative reforms to foster the industry and improve investor protection. A consolidated and comprehensive legislative package would make Australia one of the only jurisdictions confronting the issue head-on and create a source of new jobs and tax revenue for the economy.

Seeing cryptocurrency taken seriously at such a high level of Government has been a significant factor in growing that mainstream acceptance and brings us to the second factor. The Commonwealth Bank of Australia will now allow 6.5 million customers to hold and use Bitcoin and other cryptocurrencies via its banking app, paving the way for other mainstream institutions to follow.

This did not seem likely a year ago, but it highlights a well-worn path for developing this market.

Financial institutions have been reticent in their public comments about crypto, before committing to the market. Institutional investors and superannuation funds are now in a similar position to where the banks were, and it can only be a matter of time before market developments give them the confidence to embrace cryptocurrencies.

The size of the institutional industry will bring great benefits in price discovery, depth and liquidity to the crypto market. Advances in regulation and the development of market infrastructure, such as on and off ramps to smooth market access are still needed to encourage their participation, but those developments are under way.

The institutions can already see what is happening when individual investors are given a choice. Self-Managed Superannuation Funds (SMSF) account openings at BTC Markets grew by 74% last year. Australian Taxation Office data shows that between 2019 and 2021 the amount of crypto held in SMSFs rose 19% to \$227 million.

There is now an established pattern for new account openings that starts with individuals, then their partners, their SMSF and then their company. The number of sole trader accounts rose by 196% in the past year, and accounts for the fastest growing investor segment on our exchange.

Lastly, the number of use cases for cryptocurrency continues to grow. As the Russian invasion of Ukraine got underway in February tens of millions of dollars' worth of cryptocurrencies such as Bitcoin, Ether and Tether were sent to wallets set up by the Ukrainian government and to non-government organisations providing aid. The speed and transparency of this spontaneous act could yet provide a template for future international aid programmes.

The use cases for crypto have been long established, but never more visible. Around the world, people are using crypto as a store of value, a means of payment and a fast, efficient way to remit money to family members overseas. As interest rates look set to rise, crypto's use as a store of value is being demonstrated by the stabilisation of its price.



Investment as a store of value may yet prove to be one of the most significant use cases because the growth of crypto has been seen as a reaction to loose monetary policy unleashed by central banks since the 2008 Global Financial Crisis. As an increasingly mainstream asset, crypto can also be a hedge against rising rates and inflation.

BTC Markets' mission is to enable Australians access to these investment opportunities and we are thrilled to see people taking them up in growing numbers.

Caroline Bowler
Chief Executive Officer
BTC Markets

Cryptocurrency in 2021: A growth story

In this section, we explore trading data from the BTC Markets platform, to understand how the cryptocurrency market performed in 2021, gaining insights into the attitudes and behaviours of crypto investors.

Overall, we saw a spike in the average value and volume of trades executed on our exchange by 48% and 118% respectively. The average daily orders on the platform increased by 42% in 2021.

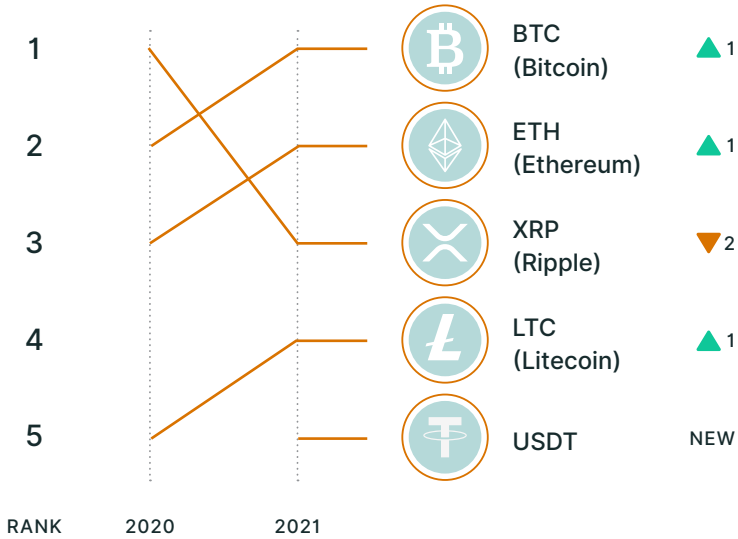
In terms of the popularity of tokens traded, Bitcoin and Ethereum maintained leadership positions jumping to ranks #1 and #2 (from #2 and #3 respectively) from last year. Tether (USDT) found its way to the top five, which can be attributed to its unique feature of helping investors avoid extreme volatility of other cryptocurrencies, while being much quicker and cheaper to transfer from BTC than the U.S. dollar.

It is natural to assume that this growth is a result of the price movement in major cryptocurrencies over the last year. However, we attribute the price movement to more investors realising the utility story behind cryptocurrencies, which is an ever-evolving piece.

The fact that cryptocurrencies are decentralised and not tied to a bank or government means they've become a popular hedge against rising inflation and low saving rates, especially since the start of the pandemic. Apart from that, building new projects and applications on the blockchain, payments – both local and cross border, cloud storage, tracking products safely and securely through supply chains, decentralised trading and investment returns are some of the uses that have emerged over time.

GRAPH 1.

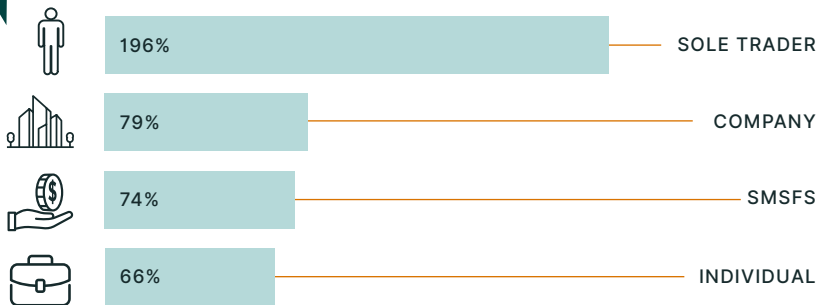
Most popular crypto traded in 2021 (in order of ranking)



(LINK lost its position from #4 top traded crypto in 2020)

GRAPH 2.

Fastest growing investor segments



In other words, utility and not speculation, is the lifeblood of the crypto ecosystem and this narrative is now well recognised. Countries such as Ukraine, El Salvador and Vietnam have proved this with their high crypto adoption rates - either for receiving aid and remittances or using as a hedge against currency devaluation and are now considered more progressive than the West in many ways.

The growth of new clients onboarded to the exchange has also been phenomenal. What's worth noting is that while over 95% of the new clients were

predominantly Retail, the largest growing investor segments were Sole Traders, followed by Companies and Self-Managed Super Funds (SMSFs).

This is a step change from last year when retail investors were the largest growing segment. It points to an established trend observed on the BTC Markets exchange where an individual investor dips their toes in crypto first, then gets their partner to join, brings their SMSF on board and eventually loops in their enterprise, as they get more comfortable.



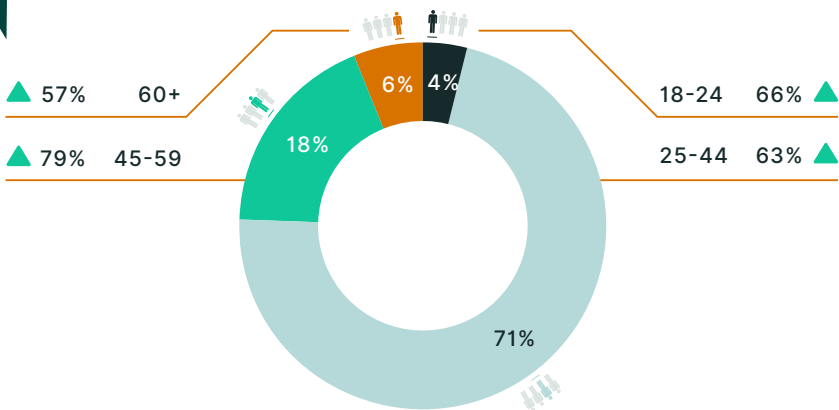
Stereotypes busted: The new faces of crypto investors

In our last report, we busted the stereotypes around crypto investors being young blokes and risk lovers, driven to a frenzy by memes. This time, we take a step further in demonstrating what the crypto investors of 2021 looked like and how this landscape continues to mature and evolve.

Last year we saw the largest inflow of new clients coming from the 45-59-year-old age group (79% YoY), considered the

'mature wealth accumulators' in industry terms. The risk appetite of this cohort lies somewhere between the risk-oriented Gen Z-ers and risk-averse Baby Boomers, as they start to plan for their retirement. They bring a wealth of experience in traditional investment markets and their decision to invest in crypto is not driven by the fear of missing out (FOMO) but on strategic research and information.

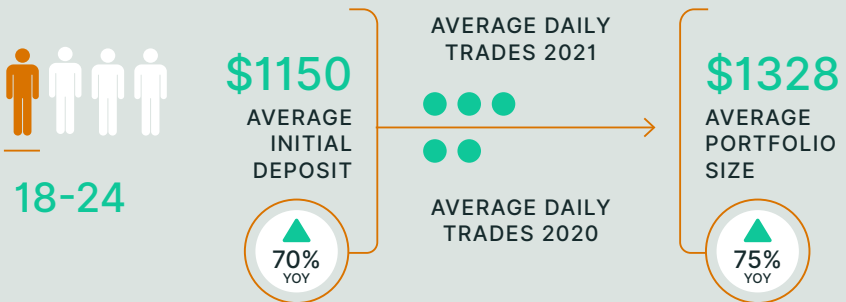
GRAPH 3. Breakdown of total users / YoY growth of new investors by age group



Average portfolio sizes continue to remain highest for the 60+ years old. This age group has larger investment portfolios resulting from higher disposable income, and they are comfortable with leaving cryptocurrency on our exchange, rather than removing assets to self-custody. Both these factors decline with age.

One interesting change we have observed from our last report is that these older investors are also coming in with higher average initial deposits compared to other age groups, which was not the case before, as they recognise the utility of crypto as an alternative asset class.

GRAPH 4. Investor behaviour by age group





25-44

\$1886

AVERAGE INITIAL DEPOSIT



AVERAGE DAILY TRADES 2021



AVERAGE DAILY TRADES 2020

\$3546

AVERAGE PORTFOLIO SIZE



45-59

\$2537

AVERAGE INITIAL DEPOSIT



AVERAGE DAILY TRADES 2021



AVERAGE DAILY TRADES 2020

\$6764

AVERAGE PORTFOLIO SIZE



60+

\$3194

AVERAGE INITIAL DEPOSIT



AVERAGE DAILY TRADES 2021



AVERAGE DAILY TRADES 2020

\$8815

AVERAGE PORTFOLIO SIZE



Another noteworthy trend is the rise of the 'Crypto Queens' as they call it, and the gender lines flattening out over time. Female investors on our platform grew much faster than their male counterparts (43pp higher), indicating that crypto is not solely a 'Boys Club' anymore.

In 2021, their average initial deposits on the platform were higher (\$2218 vs \$1978 for males), while average portfolio sizes inched closer to that of

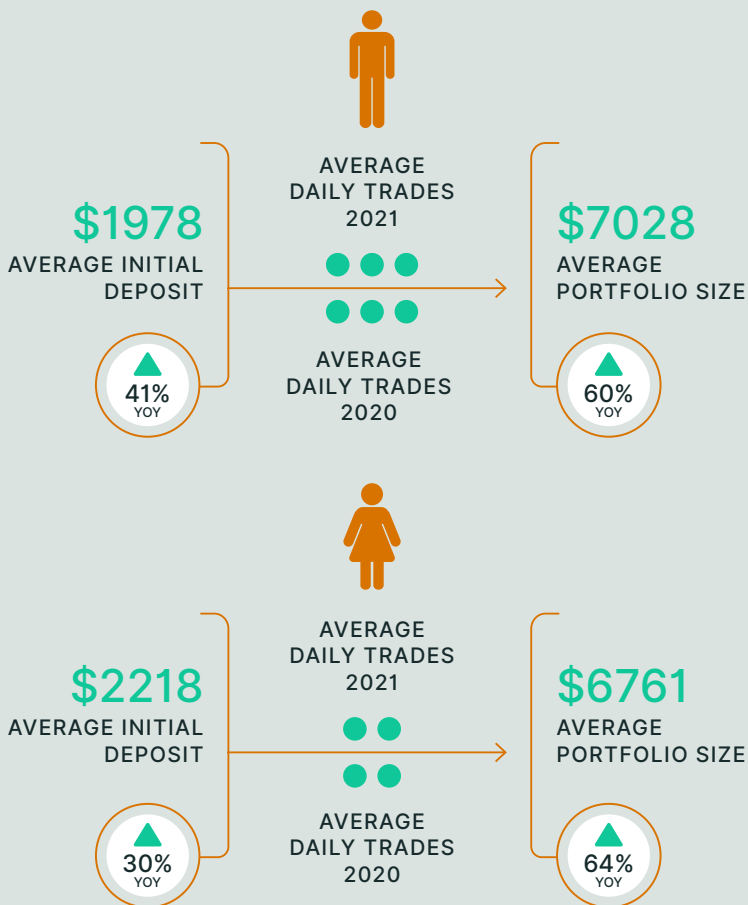
male investors (\$6761 vs \$7028). This is despite female investors trading less frequently on a daily basis (2 times vs 3 times for males).

This behaviour speaks to exactly how women invest in other asset classes. They do all the research and take their time, but when they eventually decide, they are in it with full conviction and a long-term, considered view.

GRAPH 5. Breakdown of total users / YoY growth of new investors by gender



GRAPH 6.
Investor behaviour by gender



Shaken but not stirred: Investors 'buying the dip'

Market volatility was cited as the number one concern for cryptocurrency investors in our last report, and that remains the case in 2021. What was interesting to see is how the different investors reacted to it on our platform, particularly in periods of heightened volatility.

We saw young investors (18-24) continue to persist in the crypto market with the highest average initial deposit growth in 2021 (\$1150 vs \$674, 70% YoY), which was even more pronounced in

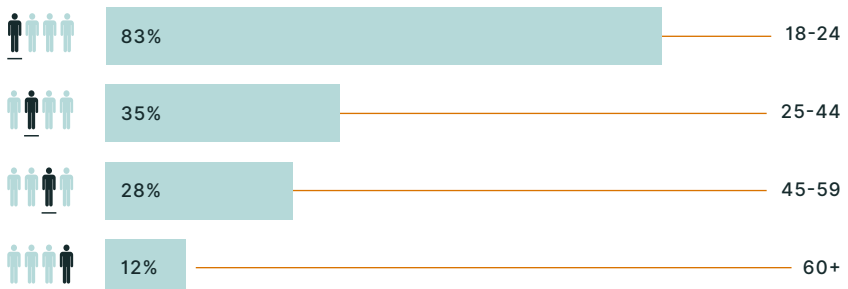
the second half of the year (\$1611 vs \$882, 83% YoY). Despite the second half of 2021 characterised by a severe market correction, they have clearly not cracked under pressure, and instead embraced this opportunity to buy the dip.

As we go higher on the age curve, the growth of average initial deposits came down, again more in the second half, indicating that older investors were approaching this volatility with caution.

GRAPH 7.

Young investors looking for an entry

Average initial deposit YoY growth during July - Dec 2021



SMSFs & Companies: In for the long haul

While individual investors make up the majority of users on our platform, we want to highlight the increasing growth in Self-Managed Superannuation Funds (SMSFs) and Companies, with both investor segments growing faster than Retail.

SMSFs

The number of SMSFs using the platform rose by 74% in 2021. While their average portfolio size on our platform have increased by 50%, it still sits under \$100,000. This ends up being just under 5% of an average SMSF portfolio size in Australia,¹ which is a conservative risk allocation to cryptocurrencies by SMSFs.

Throughout 2021, we noticed the average SMSF investment was now in the hundreds of thousands of dollars, versus earlier investments in the tens of thousands. Their average initial deposit on our platform has grown by 15% in 2021.

This increased commitment from SMSF investors, with their lengthier investment outlook, illustrates a long-term bullish point of view. It suggests a trade-off between short-term volatility and expectations of long-term growth in an inflationary environment.

SMSFs prefer BTC, ETH and XRP as their top three most traded tokens, which is largely unchanged from last year.

¹ Self managed super fund: Recent facts and figures paint a positive picture by AMP Capital

Companies

The number of companies using our platform rose by 79%. Average portfolio sizes rose by a substantial 61% during 2021, with initial deposits rising 18%.

We have noticed the companies that invest and trade with us are invariably organisations where the founder is still involved. These companies are from a variety of sectors ranging from financial services to retail, construction or automobiles and are generally in the small to medium-sized enterprise category.

This is of interest because founders and entrepreneurs usually have a healthy appetite for risk and ambition. Companies where the entrepreneur is still involved are very different to more established organisations who have boards, and risk and compliance layers to go through. Companies where the founder is still involved tend to be nimbler and faster when it comes to decision-making – a trait that is beneficial for investing in cryptocurrency, given its dynamic nature.

We anticipate more companies will follow suit in adding digital assets to their balance sheets, whether as a natural hedge against fluctuating fiat currencies; or as part of a corporate strategy to embrace modern, open technologies; or as a complement to an operational strategy that includes accepting digital assets as payments.

Top states where crypto is catching up

With interest surging across the country, we looked into which Australian states are investing their money in the crypto market by analysing the data on our platform. The largest growth of new investors in 2021 came from ACT (91%) albeit from a lower base, followed by TAS (90%), WA (79%), QLD (67%) and SA (61%).

This is interesting because a majority of ACT's total workforce are public servants. It is natural for them to see how their employer, the Government, is

committed to regulating this booming sector by putting the right consumer protections in place which gives them a level of comfort to embrace modern technologies.

Another interesting trend to note is that SA exceeds all other states in the growth of average initial deposits and average portfolio sizes on our exchange (89% and 116% respectively), even though they are the fifth highest state in attracting new investors to the exchange.



GRAPH 8.

Top five ranking states in 2021

Rank	Investor growth (YoY)	Average initial deposit	Average initial deposit growth (YoY%)
1	ACT (91%)	NT (\$3087)	SA (89%)
2	TAS (90%)	NSW (\$3082)	NT (61%)
3	WA (79%)	WA (\$2781)	WA (54%)
4	QLD (67%)	VIC (\$2680)	QLD (51%)
5	SA (61%)	QLD (\$2646)	VIC (45%)

Methodology

1. All data has been captured from the BTC Markets exchange platform for four different time periods to calculate simple year on year percentage growth rates-
 - Calendar year 2021
 - Calendar year 2020
 - July – December 2021
 - July – December 2020
2. The data was cut by various demographics for the purpose of analysing investor behaviour-
 - Age
 - Gender
 - Location
 - Investor type
3. BTC Markets has 325,000+ Australian clients who have traded over AU\$21 billion in digital assets since inception in 2013.
4. All percentages and numbers were rounded off to two decimal places.

For more information on cryptocurrencies and how to trade them, email contactus@btcmarkets.net.



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