

WHY INVEST IN CRYPTO ASSETS TODAY?



CRYPTO FINANCE

Amid the turmoil in traditional markets, bitcoin's volatility has increased ever so slightly, and the market structure proved to be robust – without support from governmental stimuli or relief packages. Today, bitcoin has established itself as a new asset class, and its full potential as digital gold moves closer. Here is the case for the inclusion of bitcoin in a balanced portfolio.

Protection against inflation

- In response to the coronavirus crisis, prolific quantitative easing has accelerated. To avoid inflation, this newly-printed money will need to be taken out of the system again. Gold is a proven safe haven asset, but settling with shipments of physical gold is impractical.
- Bitcoin is independent of central banks and governments, and it has a fixed maximum supply of 21 million units. This means that, as with gold, the market cannot be flooded with bitcoin, making it an inflation hedge.

Diversification

- In an increasingly interconnected world, causalities are difficult to estimate and price movements of some traditional assets are dependent on others, leading to overexposure.
- Adding uncorrelated crypto assets, such as bitcoin, can increase the risk/return ratio of a portfolio.
- In a well-diversified portfolio, the price movements of crypto assets may open up asymmetric investment opportunities.

Upside potential

- Today's traditional markets appear increasingly detached from economic realities, as continuous inflows of capital coincide with increasing prices. At the same time, indicators continue to signal overvaluation.
- Albeit volatile and young, the crypto asset market is producing returns nonpareil to those in other liquid asset classes, with bitcoin in particular having appreciated dramatically since 2010. It recovered to pre-coronavirus values as early as May 2020.

A new digital asset class

- The entire world is going digital, and data has become one of our most valuable assets. In future, more and more value will be accessible digitally.
- Crypto assets are growing in appeal. Interest in crypto assets is coming from a wider audience now, not just from the generational transition led by digital natives and tech-savvy investors.

Crypto assets are professionalising rapidly, and demand is increasing

- Crypto asset liquidity continues to grow: order sizes that were unthinkable a few years ago are filled in seconds today.
- The breadth of new, regulated products, such as derivatives and funds, make investing in crypto assets easier.

Everyone gains access to sectors not accessible before

- Tokenisation allows for the transfer and exchange of value via automated processes and the digitisation of assets that were not transferrable or tradeable before.
- Decentralised finance (DeFi) continues to grow and aims to disrupt traditional banking and financial services.

Get in touch with us to discuss investing in crypto assets or to receive information about our services.



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