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WisdomTree Europe

Bitcoin as an Investment Asset

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Investing in Bitcoin

Interactive Investors

26.05.2021

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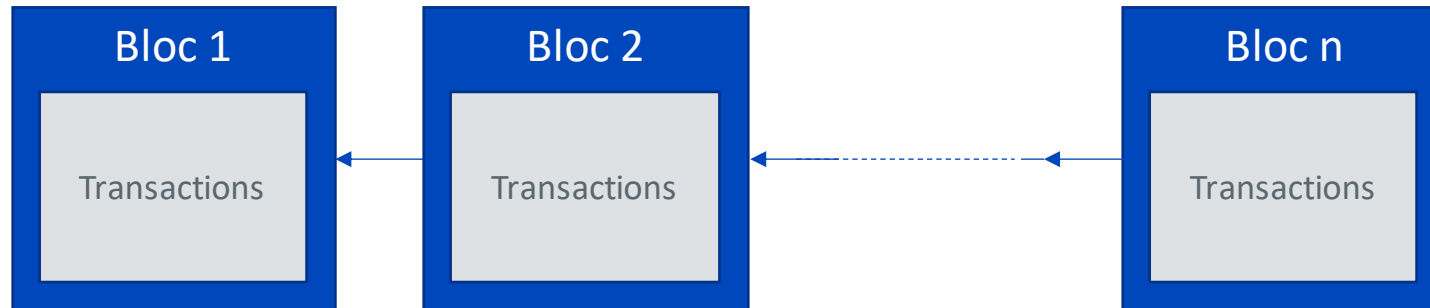
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What is Bitcoin?






What is a Bitcoin? A Distributed Ledger

Bitcoin is a blockchain, a ledger of transactions maintained by a peer-to-peer network. It is governed by a consensus protocol, without the need for any centralised authority.



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Bitcoin Blockchain Core Characteristics

	Trustless	Trust is an emergent property of the system. Trust is not placed in any centralised agent, eliminating single points of failure.
	Immutable	The ledger of transactions is indelible, virtually impossible to alter.
	Highly secure	The system has never been hacked in its 10+ years track record.
	Censorship resistant	Per virtue of its peer-to-peer, distributed architecture, the network is resilient to external influence.
	Universally accessible	As little as a phone and an internet connection is enough to use the system.

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Bitcoin, the Currency

A scarce digital asset, with a predictable and finite supply

**Controlled Supply**

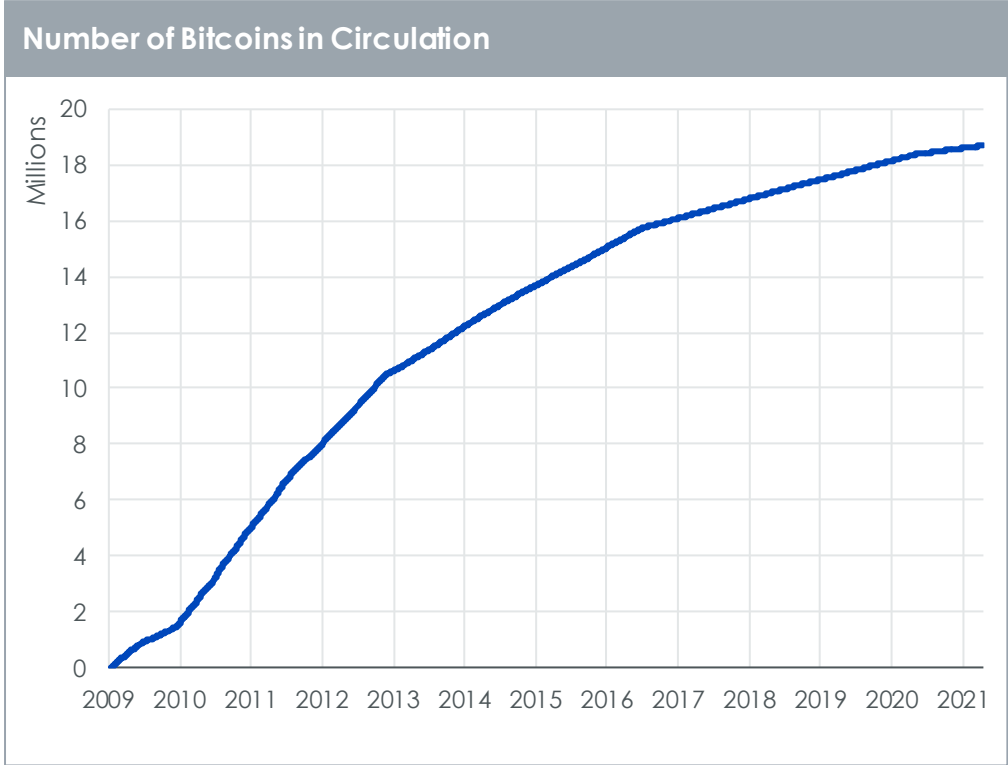
Bitcoin supply will increase deterministically, at a decreasing rate.

**Impossible to counterfeit**

Bitcoin's supply is enforced by its protocol. It is impossible to counterfeit.

**Social Construct**

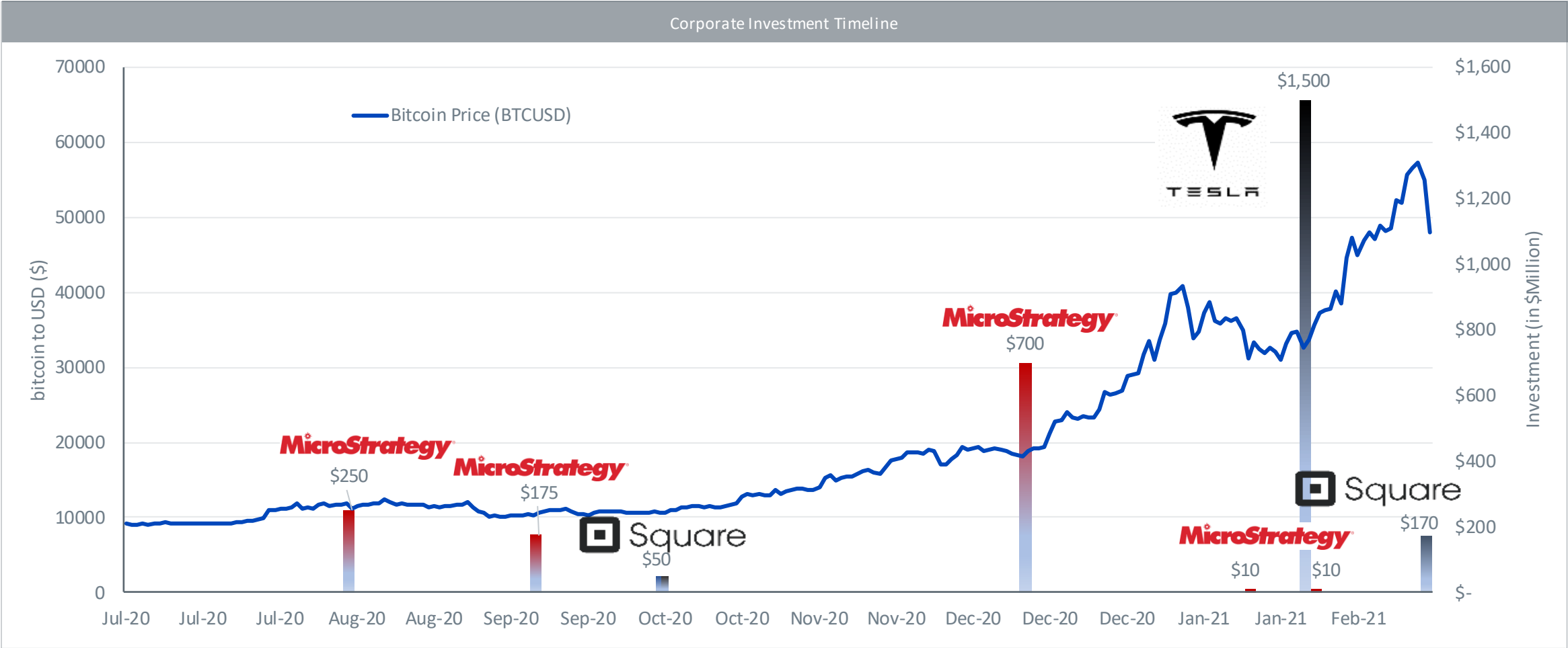
Bitcoin is not backed by real assets. It's value is a social construct.



Source: Glassnode.
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What Are Bitcoin's Investment Narratives?

Adoption As a Financial Asset: The Balance Sheet Trade

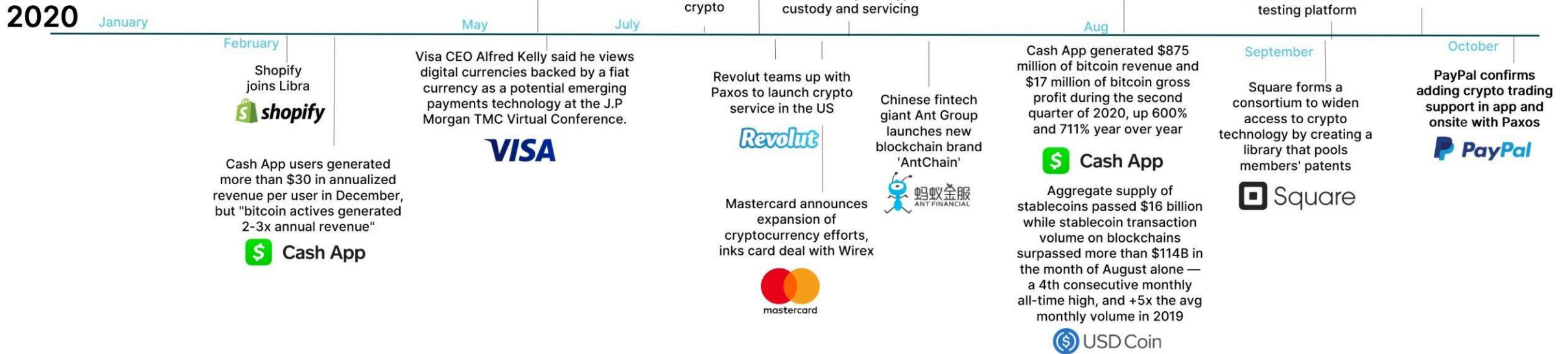


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Industry Adoption: The Ecosystem Keeps Developing Rapidly, Feeds Positive Sentiment

THE BLOCK Research

2020 has been a banner year for Financial Services Digital Asset Developments



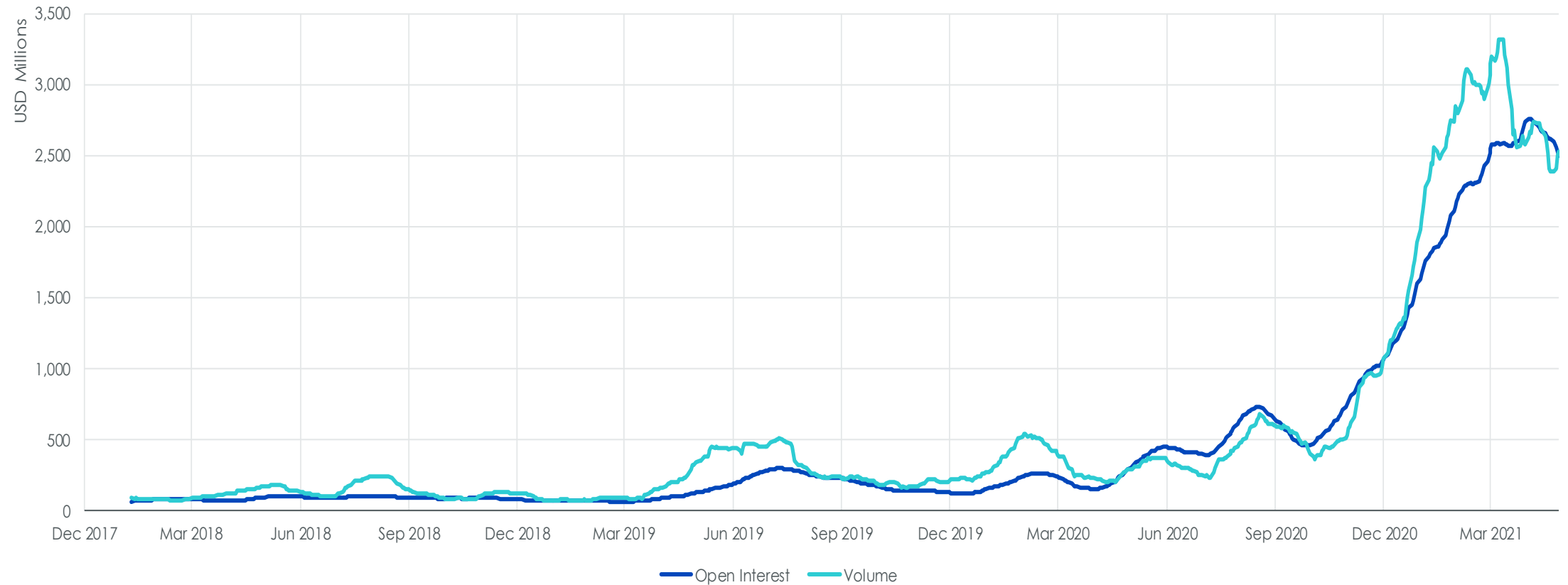
Source: TheBlock.

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Adoption As a Financial Asset: Regulated Derivatives See Impressive Growth

CME Bitcoin Future



Source: Bloomberg.

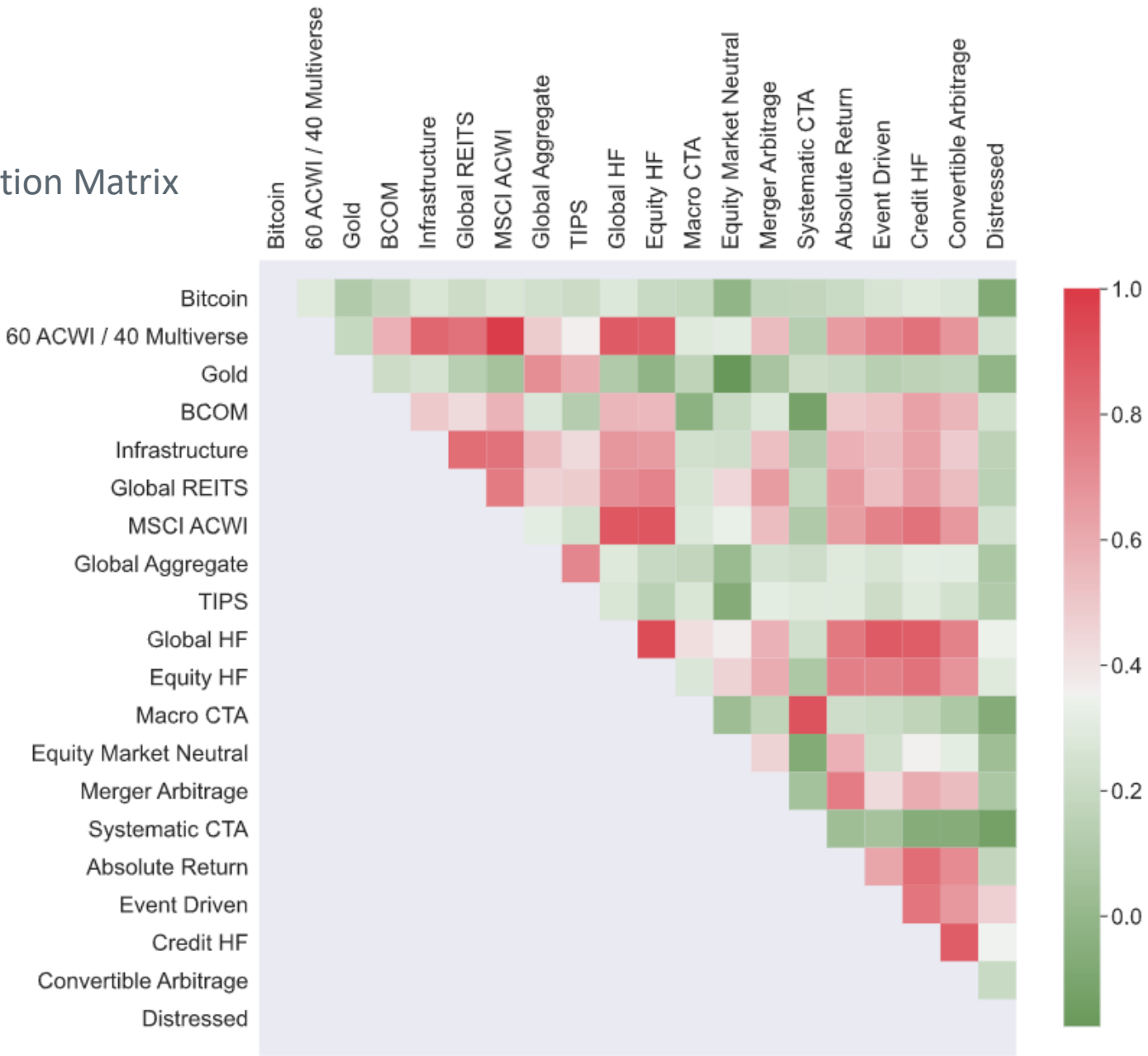
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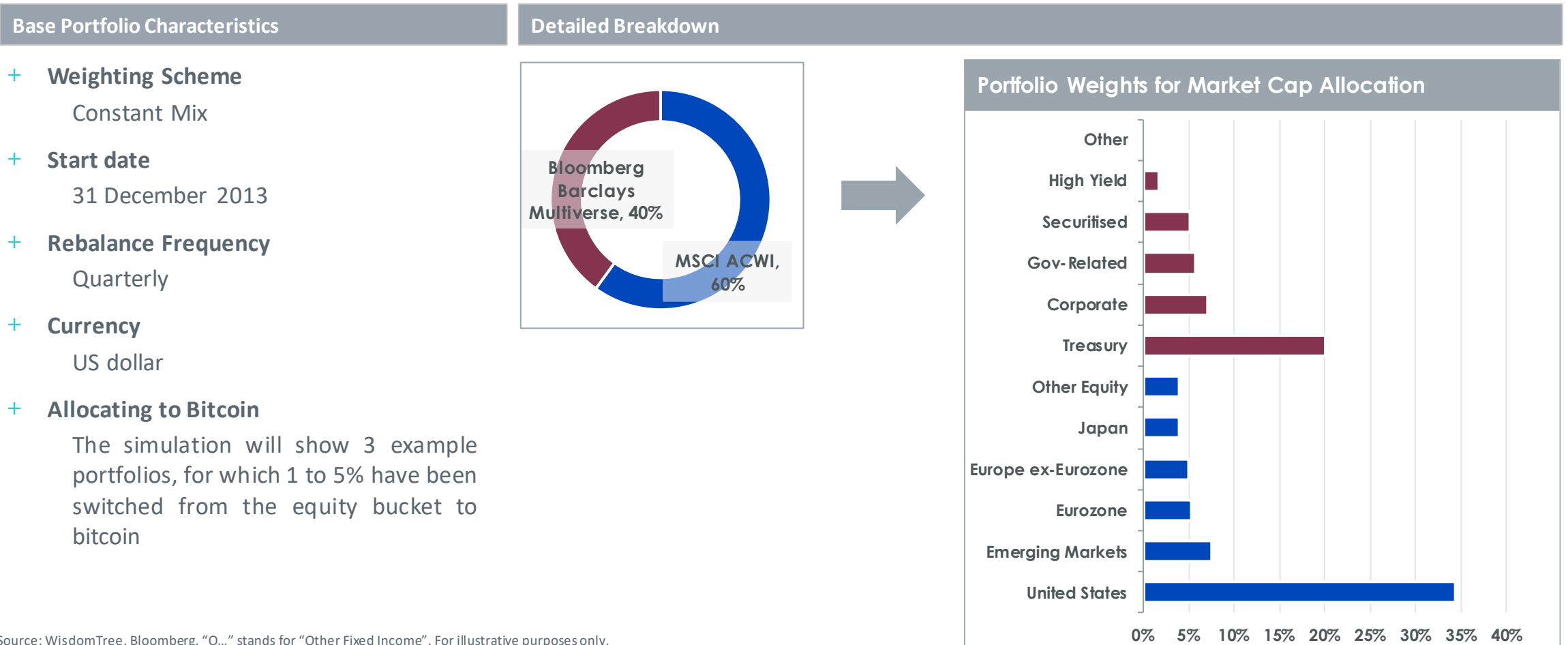
Bitcoin as a Diversifier

Correlation Matrix



Source: WisdomTree, Bloomberg. From 31 December 2013 to 28 February 2021.
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Portfolio Simulation: Adding Bitcoin to a Broad Global 60/40 Portfolio



Source: WisdomTree, Bloomberg. "O..." stands for "Other Fixed Income". For illustrative purposes only.

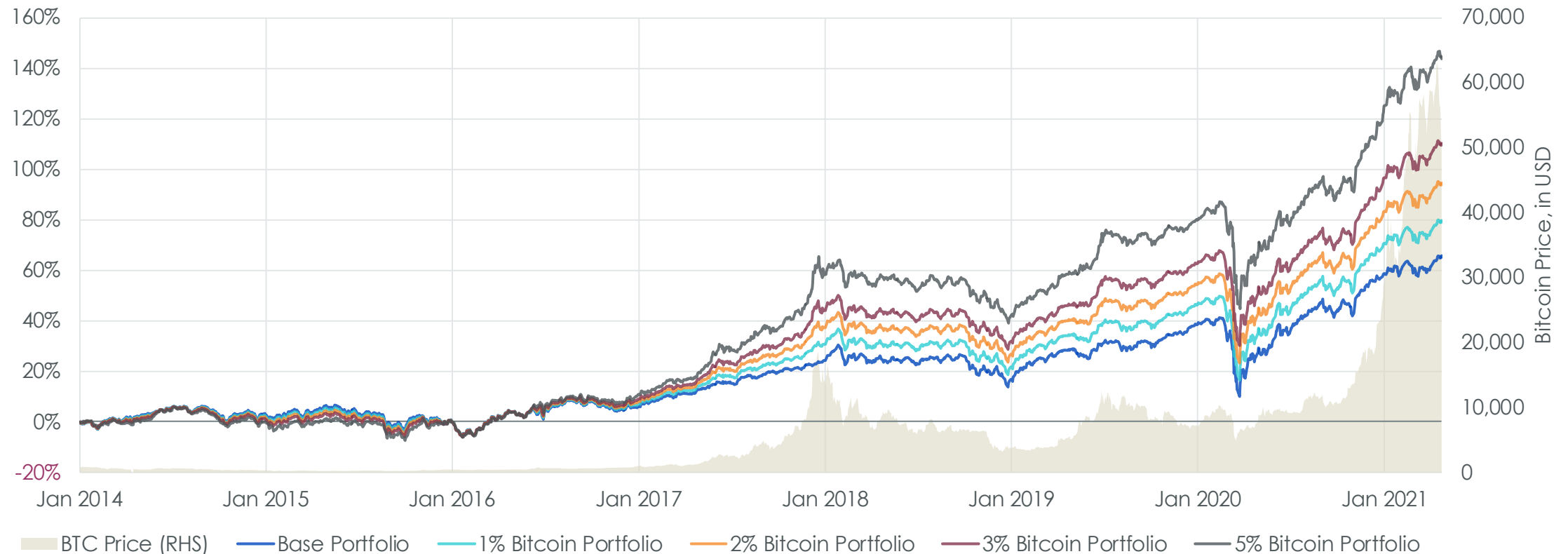
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Even Small Allocations Improved the Risk/Return Profile

Cumulative Performance



Source: WisdomTree, Bloomberg. For illustrative purposes only. From 31 December 2013 to 31 March 2021.

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Even Small Allocations Improved the Risk/Return Profile

	Base Portfolio	1% Bitcoin Portfolio	2% Bitcoin Portfolio	3% Bitcoin Portfolio	5% Bitcoin Portfolio	MSCI ACWI	Multiverse	Bitcoin
Annualised Return	6.7%	8.0%	9.2%	10.4%	12.8%	9.2%	2.4%	82.7%
Volatility	9.1%	9.3%	9.6%	10.0%	11.1%	13.9%	4.6%	83.1%
Sharpe Ratio	0.65	0.76	0.86	0.95	1.08	0.60	0.34	0.98
Jensen Alpha	0.0%	1.1%	2.2%	3.3%	5.5%	-0.5%	0.0%	65.9%
Max Drawdown	-22.1%	-22.2%	-22.3%	-22.4%	-22.6%	-33.7%	-9.1%	-83.1%
Up Capture	1.00	1.06	1.12	1.18	1.30	1.45	0.31	4.38
Down Capture	1.00	0.98	0.96	0.93	0.89	1.51	0.27	0.71

Source: WisdomTree, Bloomberg. For illustrative purposes only. From 31 December 2013 to 31 March 2021.

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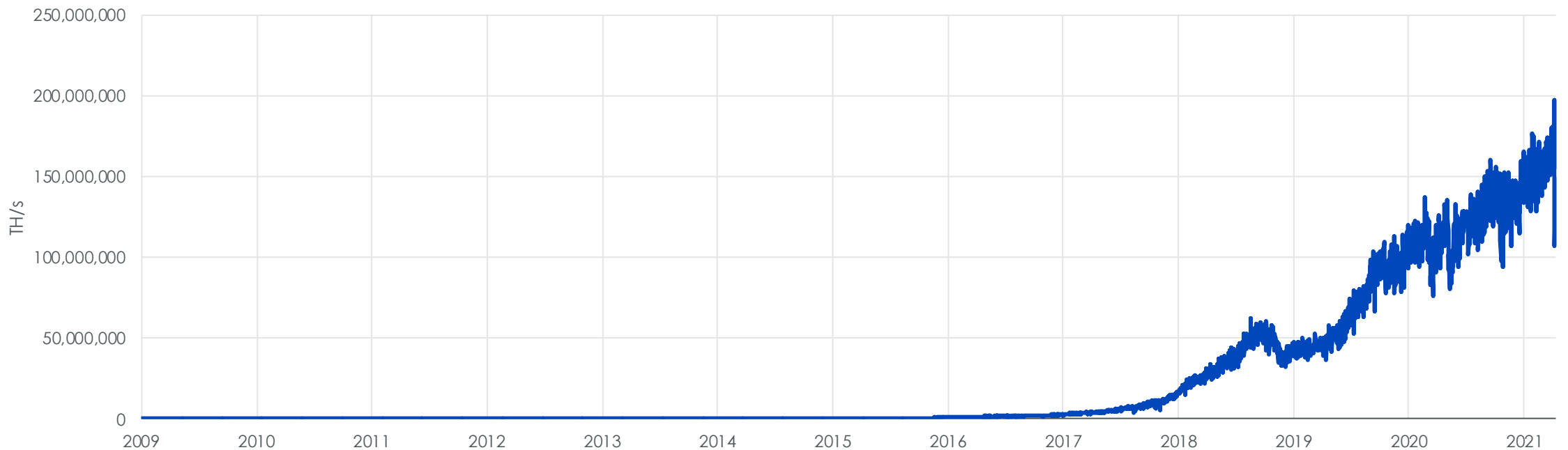
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Bitcoin: Here to Stay, or Just a Fad?

Bitcoin's Security as a Network is Growing in Confidence

- + In over a decade of existence, it's never been hacked.
- + More power than ever goes towards the network, making 51% attacks highly unlikely.

Bitcoin Total Hash Rate



Bitcoin's blockchain has never been maliciously altered only wallets and exchanges that trade or hold bitcoin have been compromised

Source: Blockchain.com.

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No one Uses Anything Unless it Adds Value

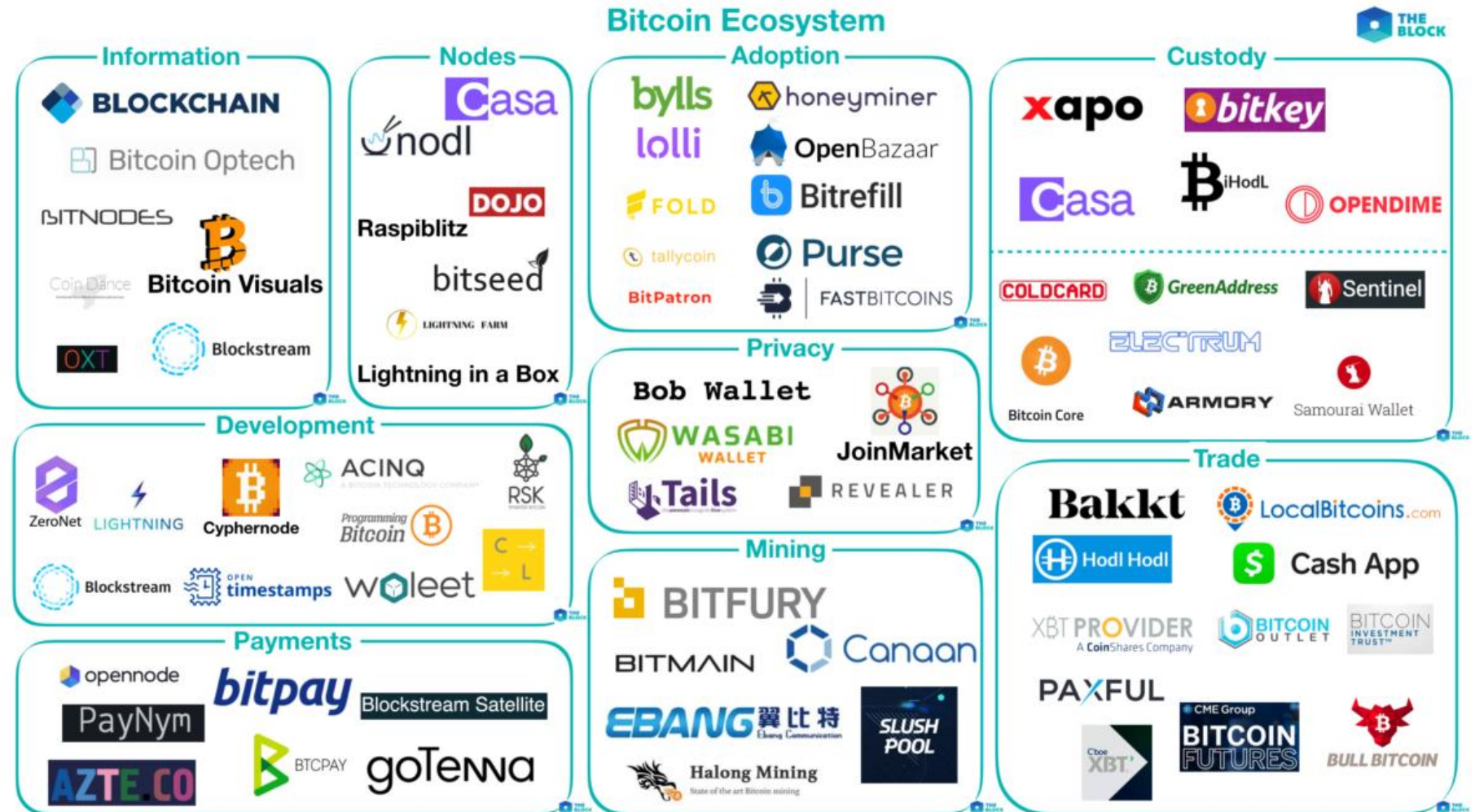


Leading indicators for wide spread, organic adoption:

1. Growing user base
2. Diversified use case
3. Constantly developing eco-system
4. Increased regulatory oversight
5. Decreasing Volatility

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A Growing the Overall Ecosvstem...

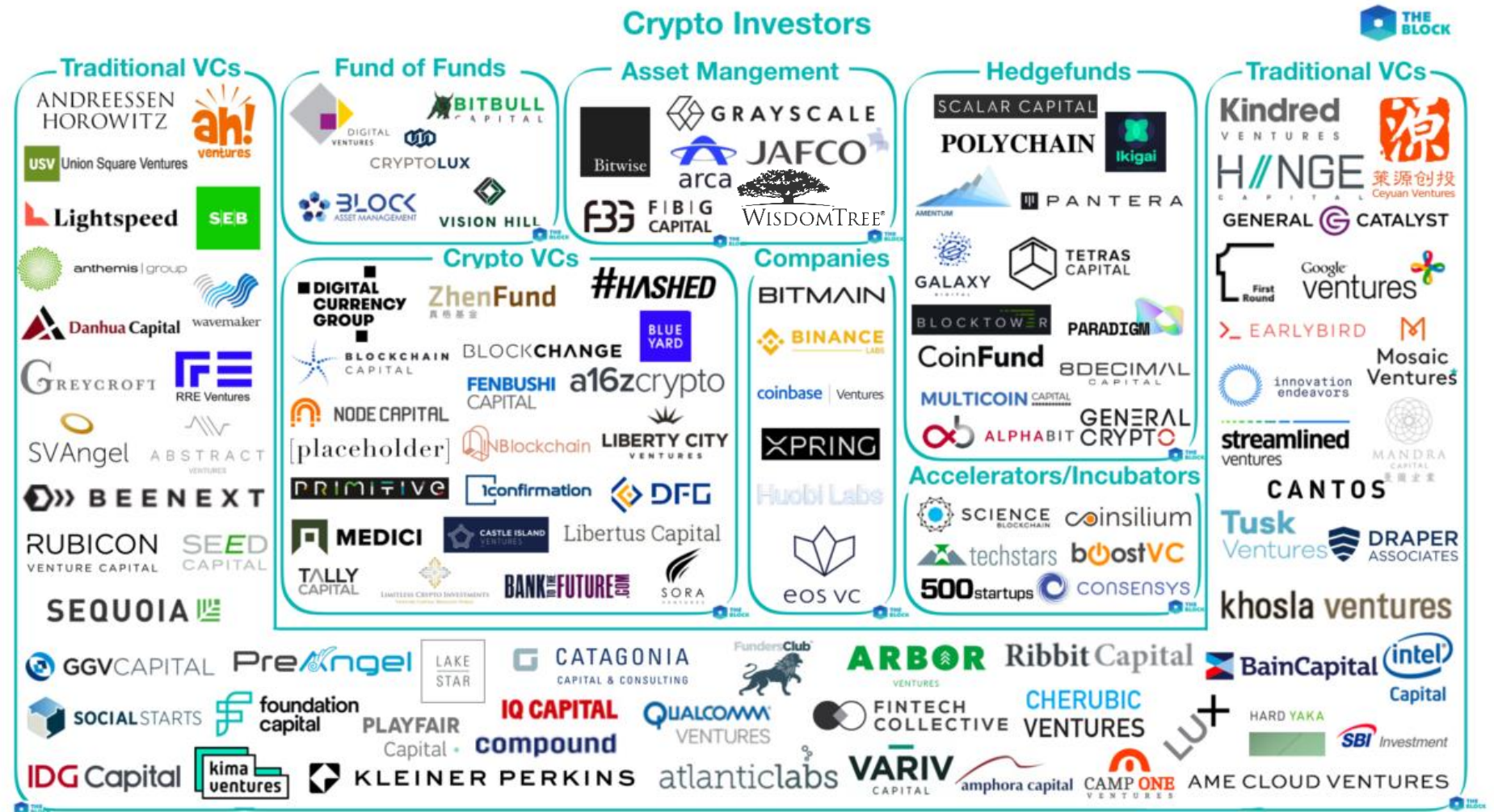


Source: The Block.

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...Fuelled by Strong Investment



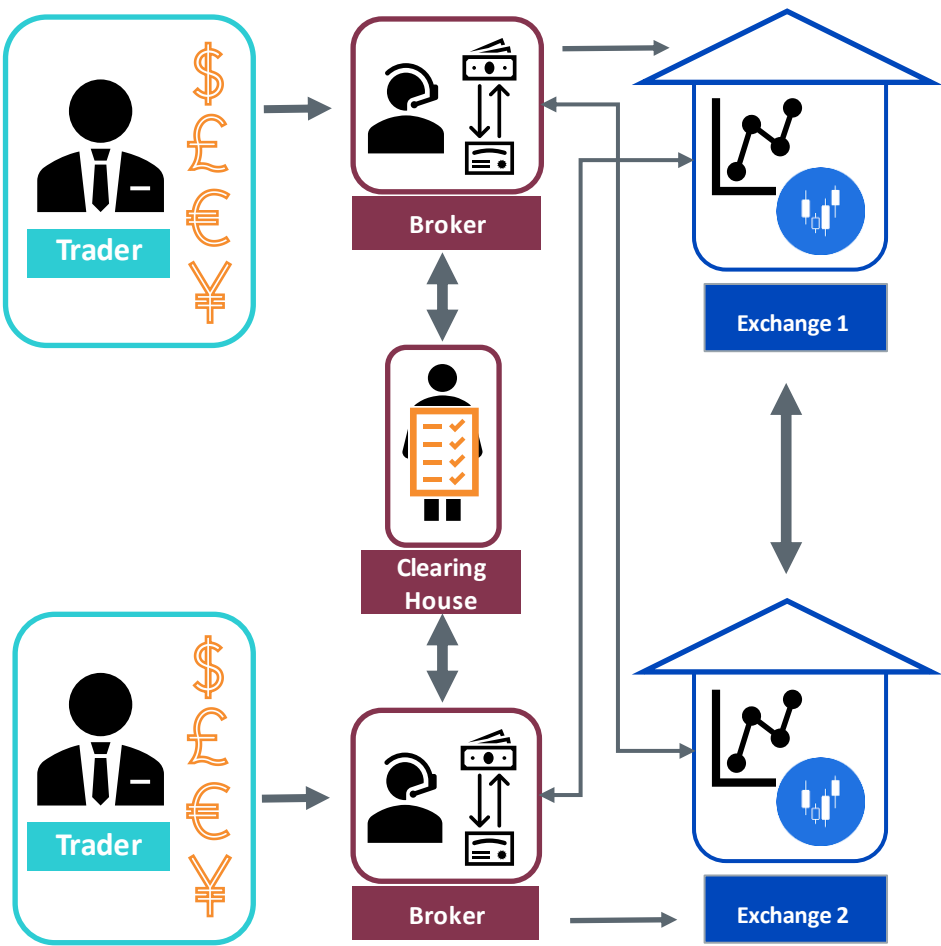
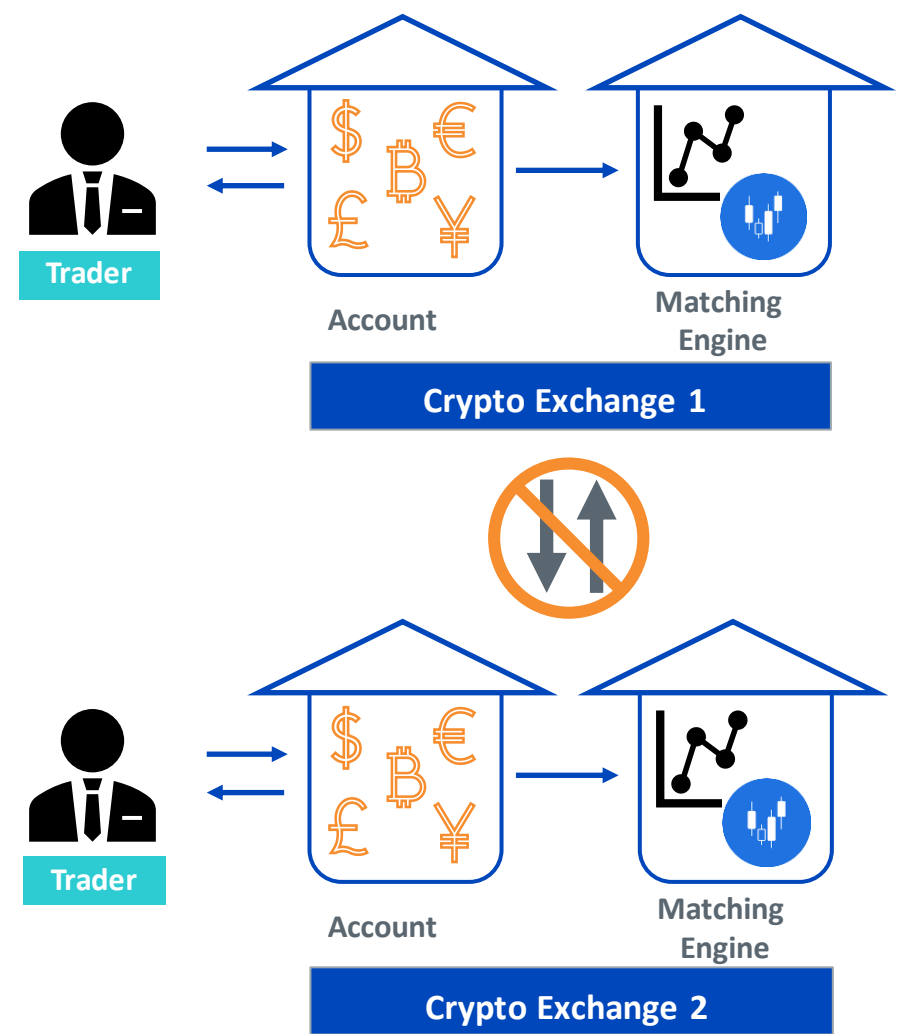
Source: WisdomTree, The Block.

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Structure of the Bitcoin Market

Crypto Trading Ecosystem vs. Equities



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What Solutions for Institutional Investors to Get Access?

	Physical		Synthetic	
	Dedicated Account At Custodian	Physical Crypto ETP	Regulated Futures	Synthetic ETN
Learning Curve	High	Low	Low	Low
Need for Crypto Infrastructure	Yes	No	No	No
Ongoing Time Involvement	Medium	Low	Medium	Low
Security	High	High	n.a.	n.a.
Cost	Low	Variable	Low	High
Liquidity	Low/Medium	High	High	High
Can trade far from fair value	No	No	No	No
Counterparty Risk	Low	Low	Low	Medium/High

ETP: Exchange Traded Product. ETN: Exchange Traded Note.

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Questions

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Insight:
How to leverage
thematic investments
in existing portfolios?

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A moment in markets:
Are we in a commodity
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