

Bitcoin is Asset

Benefits of a Standardized Classification System

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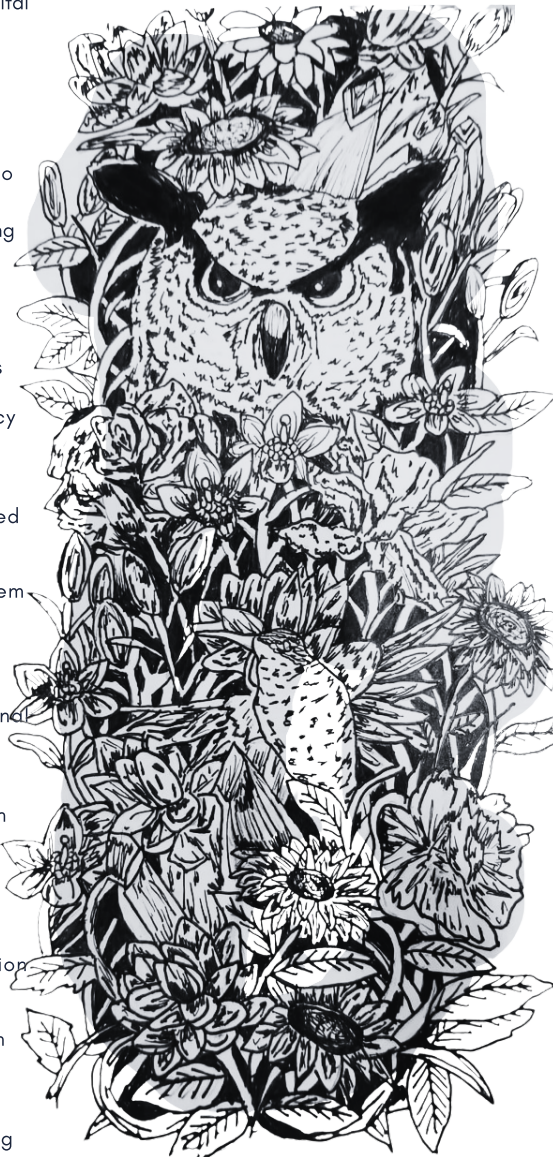
Applying a sector classification to digital asset class will increase access for market participants through the transparency, clarity, and stability.

Asset sector categorization allows investors to overlay traditional portfolio management methods within the portfolio construction process, allowing investors to analyze and compare risk and return metrics across various sectors,

Broader adoption of digital assets supplements the growth of the sector, as well as adding efficiency to the portfolio management scheme. Investors have a need to examine historical returns to see how specific assets have performed compared to their sector.

A standardized classification system allows for tailored and rigorous controls in portfolio mandate documentation and subsequent portfolio monitoring. In addition, classification empowers professional money managers and clients to specify more granular controls for investment managers within traditional agreements, such as an Investment Policy Statement or Financial Plan.

A hypothetical investor may compare the 12-month historical performance and standard deviation of returns for assets within the Smart Contract Platforms and Scaling sectors. A manager-driven macro-level view of the fundamentals within the digital assets market, could inform an investment thesis for overweighting or underweighting an allocation to the scaling sector.



Investors are able to gain exposure to certain sectors via sector-specific ETFs in the stock market today, they may demand similar tailored exposure to digital assets.

As regulatory clarity unfolds, investors may see the introduction of products that enable quick exposure to specific corners of the digital assets market.

Investors may choose from an array of products that provide exposure to a specific market segments, such as Metaverse ecosystems, Play to Earn tokens, or DeFi platforms, allowing investors to create more diverse and efficient portfolios.

Adoption of a standardized sector classification system will lead to new digital asset-specific indices, as well as provide a standardized point of comparison for benchmarking.

Self-directed investors could opt to invest in digital assets and gauge their performance against an index that tracks the broader market, such as the S&P Cryptocurrency Broad Digital Market Index (SPCBDM). From another side of the market, a Fund of Funds Manager may look to construct a portfolio of active digital asset hedge funds primarily based on previous performance against the same SPCBDM index benchmark.

The application of a standardized classification system allows for tailored and rigorous controls in portfolio mandate documentation and subsequent portfolio monitoring.

A classification system removes significant barriers to entry for new investors and makes the asset class more digestible at all levels of market participation. Bypassing crypto-jargon and viewing the market via a standardized digital assets sector classification system helps investors understand their investment and increases transparency, stability, and participation.