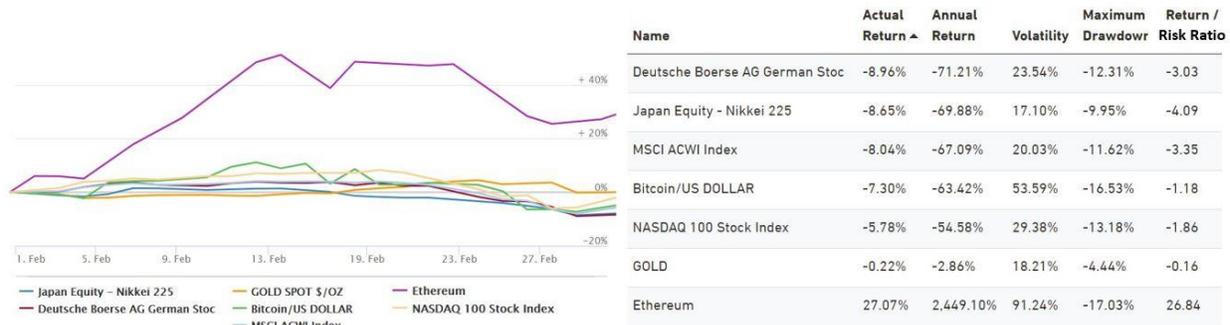


What's new in the digital assets industry?

Market Review

Following the spread of COVID-19, the entire economy was down in February with all major stock indices displaying negative performances, between -8% and -5%. Volatility spiked among traditional assets making investors look at alternatives. Gold, often seen as a safe haven appeared more stable even though its performance was down 0.22%. Within the Digital Assets universe, Bitcoin which started the year positively plunged at -7.30% last month. Ethereum however, the second largest crypto currency, gained 27.07% over the same period of time but still, recorded a volatility at 91.24% and the highest maximum drawdown.



Source: CryptAM Vue™ - data are from 1 Feb to 29 Feb 2020
 Past performance is not a guide to future returns 

Although it is correlated to bitcoin's performance, Ethereum is getting unprecedented traction since the beginning of the year, taking momentum on its own following a growing interest by central banks and media in CBDC and blockchain technology. The founders have recently announced the launch of Eth 2.0 in four main phases which can be translated by an implementation of proof of stake, data sharding, execution and scaling solutions that should be completed by 2021. This would allow developers and start-ups to create new applications in a more secure environment without having to develop their own blockchain. We are thus expecting more institutional to start diversifying their digital holdings including Ethereum in the coming months and obviously more whales accumulating Ethereum in anticipation of this event.

Bringing diversification beyond Bitcoin

When investors look at diversifying their portfolio, the option of adding Bitcoin to their holdings is getting more common. Even though Bitcoin was down in Q4 2019 closing the year at USD 7,158.27, the leading cryptocurrency recorded a 93.8% annual returns, hitting the headlines of several newspapers as "the top performing asset of the decade". Bitcoin is indeed not correlated to traditional assets, has over time demonstrated a sharp reduction of its volatility and starts to be seriously considered by investors as an

alternative investment. When added carefully, it has the potential of enhancing an overall portfolio's return. But Bitcoin is not the only virtual asset that reported interesting data in 2019. Others such as Ethereum, Bitcoin Cash, Bitcoin SV or Tezos gained momentum over the year, and since the beginning of 2020, outperform Bitcoin.

As Digital Assets consolidate themselves, shall investors consider mitigating risks associated to Bitcoin by investing in a basket of crypto currencies? Or is Bitcoin enough to diversify a traditional portfolio?

A leading cryptocurrency in a burgeoning market which cannot remain unnoticed

The total market cap of the Digital Assets market which includes Bitcoin and altcoins is USD \$ 253.62 billion as of March 2020. If all cryptocurrencies were grouped under one entity publicly listed on the NASDAQ-100 Index, it would rank 7th by market cap surpassing companies such as Pepsi or Netflix... while Bitcoin alone, which represents 63.7% of the digital assets market capitalization, would rank 15th.

Rank	Symbol	Name	Market Capitalisation	Price (US \$)
1	AAPL	Apple Inc. Common Stock	1,265,913,873,600	\$ 289.33
2	MSFT	Microsoft Corporation Common Stock	1,251,270,793,615	\$ 164.51
3	AMZN	Amazon.com, Inc. Common Stock	950,315,159,492	\$ 1,908.99
4	GOOG	Alphabet Inc. Class C Capital Stock	921,918,688,265	\$ 1,341.39
5	GOOGL	Alphabet Inc. Class A Common Stock	919,396,348,315	\$ 1,337.72
6	FB	Facebook, Inc. Class A Common Stock	529,870,273,002	\$ 185.90
7	-	Digital Assets Market	253,621,574,626	-
8	INTC	Intel Corporation Common Stock	239,383,690,000	\$ 55.98
9	CMCSA	Comcast Corporation Class A Common Stock	188,677,755,689	\$ 41.44
10	PEP	PepsiCo, Inc. Common Stock	188,394,459,308	\$ 135.59
11	Adobe	Adobe Inc. Common Stock	169,894,445,231	\$ 348.34
12	CSCO	Cisco Systems, Inc. Common Stock	169,804,841,646	\$ 40.04
13	NVDA	NVIDIA Corporation Common Stock	162,724,680,000	\$ 265.89
14	NFLX	Netflix, Inc. Common Stock	161,818,727,952	\$ 368.77
15	BTC	Bitcoin	161,354,757,228	\$ 8,841.65

Source: Nasdaq and CoinMarketCap
Data are at 4 Mar 2020

Which alt-coins worth it?

At the beginning of March 2020, CoinMarketCap was listing 5,130 altcoins on its website. As the total of all these coins only represent 36.3% of the digital assets market, one could wonder if it is worth considering them when investing. Can some weight as a diversifier be effective or is Bitcoin enough to add value and diversification to an existing traditional portfolio?

Although Bitcoin experienced a price correction, selling on average at USD 9,623.2 in February, it stays the most expensive and attractive digital currency. However, its market has consolidated and is now becoming more institutionalized. Individual traders compete with hedge funds who have developed quant models and/or use HFT to take advantage of price variations with the aim to outperform Bitcoin. This new environment makes it harder for newbies to trade as trading in digital assets requires advanced technology and solid experience.

In contrast, altcoins are less popular, easily accessible, cheaper and offer the potential to reproduce Bitcoin's growth on the long term. In the below table, we listed the top 10 digital assets per market capitalization. We added their current price and YTD returns. What is interesting to notice is that 7 crypto currencies outperform Bitcoin, selling at more reasonable prices and opening new horizons to investors.

Rank	Symbol	Name	Market Capitalization	Market Share (%)	Price (US \$)	YtoD Return
1	BTC	Bitcoin	161,354,757,228	63.62%	\$ 8,841.65	22.16%
2	ETH	Ethereum	25,183,828,849	9.92%	\$ 229.07	73.20%
3	XRP	Ripple	10,364,021,014	4.08%	\$ 0.23	21.05%
4	BCH	Bitcoin Cash	6,098,167,201	2.40%	\$ 333.05	60.90%
5	USDT	Tether	4,653,664,396	1.83%	\$ 1.00	1.01%
6	BSV	Bitcoin SV	4,585,417,300	1.80%	\$ 250.47	153.89%
7	LTC	Litecoin	3,903,166,369	1.53%	\$ 60.79	48.72%
8	EOS	EOS	3,374,910,877	1.33%	\$ 3.67	40.83%
9	BNB	Binance Coin	3,075,789,767	1.21%	\$ 19.78	46.05%
10	XTZ	Tezos	1,910,226,153	0.75%	\$ 2.72	101.45%
...		Rest of Alt-coins	29,117,625,472	11.53%	-	-
Total			253,621,574,626	100.00%	-	63.14%

Source: CoinMarketCap
Data are at 4 Mar 2020

Applying the basic concepts of diversification to digital assets

Since most of those alt-coins outperform Bitcoin, we decided to apply the basic concepts of diversification to this asset class. We compared a traditional portfolio (e.g. comprised of 60% equities and 40% bonds) to the same portfolio, allocating 5% into our index (*the “CryptAM Passive 25” which invests in the top performing 25 crypto currencies*) and to a third portfolio that allocates 5% of its holdings in bitcoin instead.



In this example, it is interesting to notice that over the past 6 months, an investor who allocated 5% of her/his holding in a basket of digital assets - *such as the CryptAM Passive 25* - would have:

- ✓ enhanced the overall return of his/her traditional portfolio by +0.50%, and the sharp ratio by +0.05;
- ✓ outperformed by 0.66% a same portfolio allocating 5% in bitcoin only

In our scenario, the volatility of our portfolio allocating to CryptAM Passive 25 is higher than its peers. So, does it make it a riskier investment? At CryptAM we don't think so. Risk can be mitigated by selecting the right cryptocurrencies whilst including some that are uncorrelated to Bitcoin, by capping their weights and by rebalancing the selection on a monthly basis.

Beyond Bitcoin...

Our analysts are currently working on developing a new index that will focus on 7 cryptocurrencies selected by conviction. This is either because they offer high returns potentials or because they have adapted their features making their mining activities consuming less energy to be more environment friendly. Ethereum for example has last year, changed its proof-of-work algorithm to an energy efficient one called Casper. This type of initiative coupled with the coin's performance and overall utility for the development of the blockchain technology makes it a coin the investment team is proud to hold and trade.

Ripple (XRP) is another coin that is interesting because it has demonstrated utility to implement the speed of transaction in the banking system. Standard Chartered, Mizuho Bank or Santander for example, have a

partnership with Ripple, while Wells Fargo and JP Morgan have created their own coins based on the Ripple technology.

Conclusion

Cryptocurrencies are a great source of diversification for investors who wish to add an uncorrelated asset class to their portfolio. Investing only in Bitcoin is a straightforward option that has proven to deliver strong returns last year. It is expected to rise in H2 2020 following the halving event in May. However, investors can also look at investing in a basket of digital assets to diversify their portfolio. By investing in a variety of crypto currencies - with the help of experts who understand this market, higher returns on a risk adjusted basis can be made.

To learn more about our digital asset investment solutions from active to passive strategies, please reach out to us for a confidential discussion.

CryptAM latest activities



Our next monthly **Breakfast Session** will take place on **Wednesday March 18th from 9 to 10 am** at CryptAM Services 'office. The objective is to engage discussions with a small group of investors around digital assets investments solutions and answer any question you may have. [Contact us](#) now to secure your seat.



CryptAM Services is closing its [survey](#) at the end of the month. This is your last chance to share with us your feedback, expectation or concerns in digital assets related investment topics.

It only takes 5 minutes and would greatly help us to understand you better, improve our offerings and the value we would deliver in the future.

Disclaimer

The following information relates to this newsletter provided to you by CryptAM Limited (“CryptAM”). Please read and acknowledge the information provided in this Disclaimer. This newsletter is for information purposes only and may not be considered as an offer of any kind by CryptAM. Consequently, this newsletter and the information shall only be treated as general guidance and cannot be relied upon. This newsletter is not an offer to buy any interest in CryptAM and/or to participate in any particular trading strategy. Citizens and residents of some countries are legally disallowed from using CryptAM’s services and products and it is upon you to check if you are legally allowed to use CryptAM’s services and products and engage in any kind of relationship with CryptAM. All content, Information, trademarks, services marks, trade names, logos, charts and icons are the property of CryptAM or its affiliates or agents and are protected by copyright laws and international treaties and provisions. The information provided to you in this newsletter is not to be constructed as investment advice or any kind of advice on legal, tax, financial or other issues, nor does it constitute an offer and/or recommendation for the purchase or sale of investment funds. The information herein is subject to change at any time. The accuracy, reliability or completeness of the information in this newsletter is neither explicitly nor implicitly warranted nor guaranteed. **Past performance is not a guide to what may happen in the future.** CryptAM is not licensed, registered, authorized and regulated by any Monetary Authority of any jurisdiction and/or any government body of any jurisdiction in the conduct of financial services activities, investment business and fund services business. CryptAM is not subject to the same regulatory requirements as SEC-registered exchange traded funds, private funds and/or mutual funds, including the requirement to provide certain periodic and standardized pricing and valuation information to investors. This newsletter does not constitute a prospectus within any regulatory or legal meaning or any other meaning