



9. wir-Forum Familienvermögen

DIGITALE ASSETS: EINE LANGFRISTIGE ANLAGE

Juni 2022

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CONNECTING PROFESSIONAL INVESTORS WITH OPTIMAL CRYPTO INVESTMENT PRODUCTS

21e6 Capital is a Swiss crypto investment advisor developing state-of-the-art crypto investment solutions for the financial industry

Management Team

Decades of practical experience in financial services and portfolio management combined with **in-depth industry knowledge** in crypto-assets.



Felix Fernandez
Chief Executive Officer
MSc Computer Science



Suresh Ghalsasi
Chief Operating Officer
MBA @LBS, MSc Quantitative Finance



Prof. Dr. Philipp Sandner
Board of Directors
Founder of Frankfurt School Blockchain Center

Technology

OpenMetrics Solutions delivers cutting-edge institutional-grade risk management developed at ETH Zürich and **trusted by Switzerland's largest pension fund**

Data

Quantitative and qualitative analysis of over **1,000 global crypto funds provides reliable benchmarks** for arbitrage, market making, fundamental, quantitative, and multi-strategy funds.

Products & Services

Whitelabel

Tailor-made solutions for crypto exposure that fits institutional investment needs.

Advisory

Integrating crypto into traditional portfolio construction and asset management.

Investible Products

Static and dynamic index solutions for optimal market exposure and crypto-specific factor portfolios.

Fund of Funds

The 21e6 Crypto FoF generates crypto-like returns with equity-like drawdowns.

OUR NETWORK



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THE 21e6 TEAM

Our team consists of crypto and financial services experts with in-depth industry knowledge about portfolio management and blockchain



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Chief Executive Officer

MSc Computer Science

- Asset management
- Risk management



Suresh Ghalsasi
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MBA @LBS, MSc Quant Fin

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- Project management



Maximilian Bruckner
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Jan Spörer
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Victor von Wachter
Fund Screening

PhD Candidate

- Blockchain tech
- DeFi expert



Alexander Christen
Board of Directors

MA Banking & Finance

- FinTech
- Venture capital



Philipp Sandner
Board of Directors

Professor of Economics

- Blockchain tech
- Economics

Blockchain (not exhaustive)



European crypto exchange



NPO setting token classification standards



Institutional trading software



Sophisticated blockchain research

Financial Services (not exhaustive)



Academia (not exhaustive)





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WHY CRYPTO?



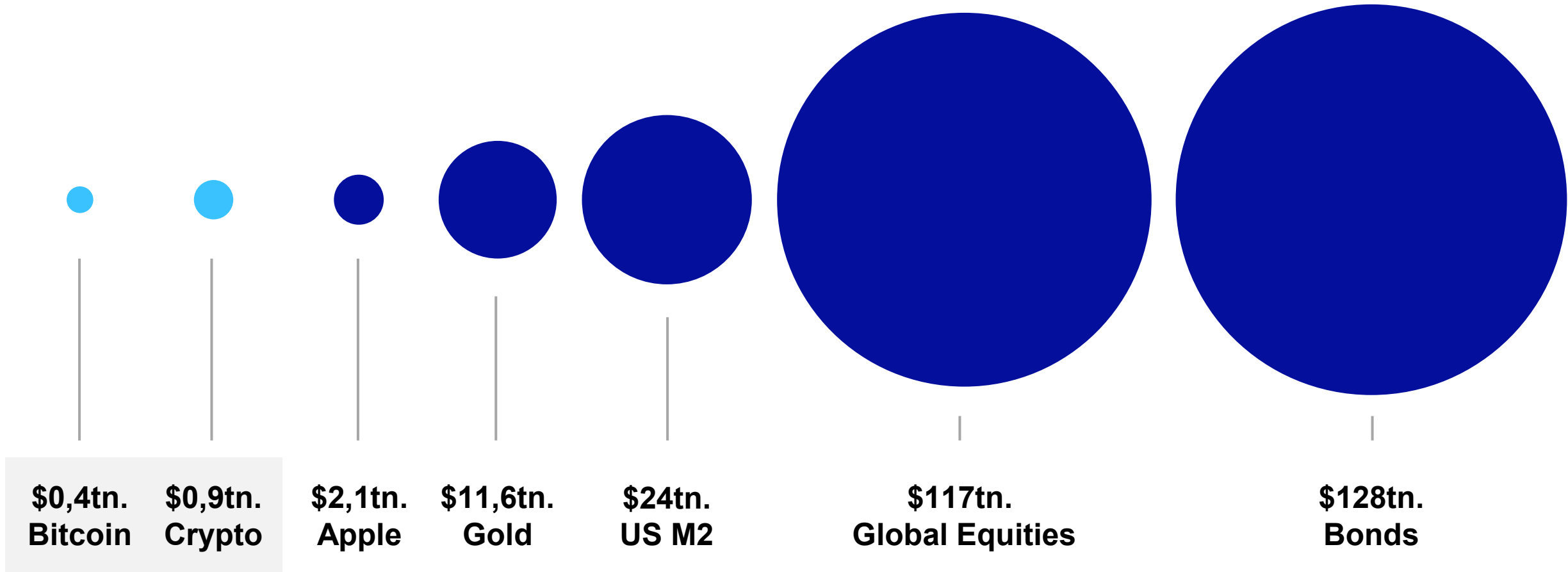
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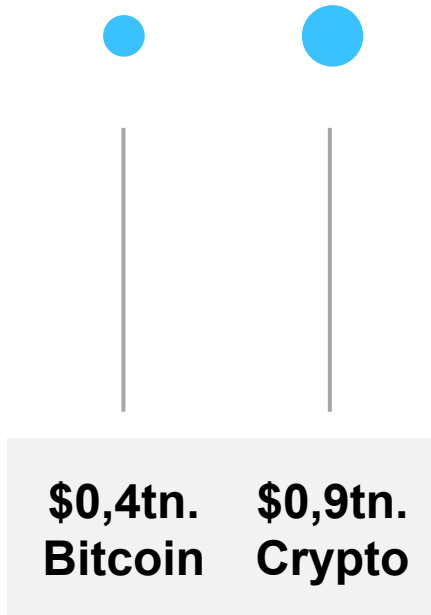
SIGNIFICANT POTENTIAL FOR FURTHER GROWTH

The most disruptive technology in a generation is only valued at a fraction of the world's asset base



DIGITAL CURRENCIES

The most disruptive technology in a generation is only valued at a fraction of the world's asset base

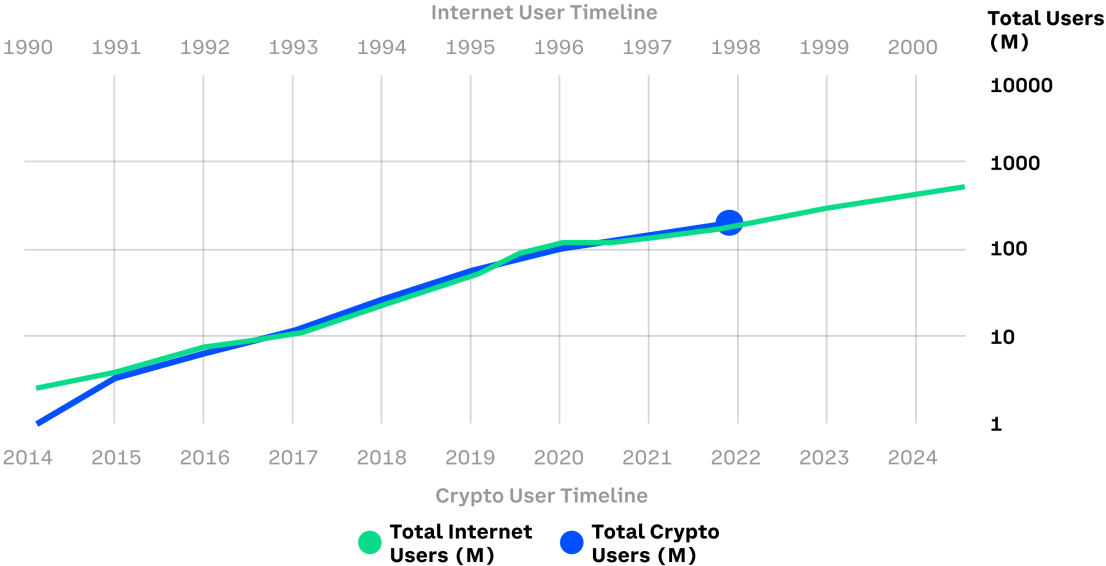


- **Digital gold and the new internet (web3)**
- **Scarcity and store of value in an inflationary environment**
- **Diversification in a new asset class in a low return environment**
- **Disrupt middlemen and intermediaries**

THE CURRENT STATE OF CRYPTO

Blockchain is experiencing major growth in adoption, similar to internet in the late 90s

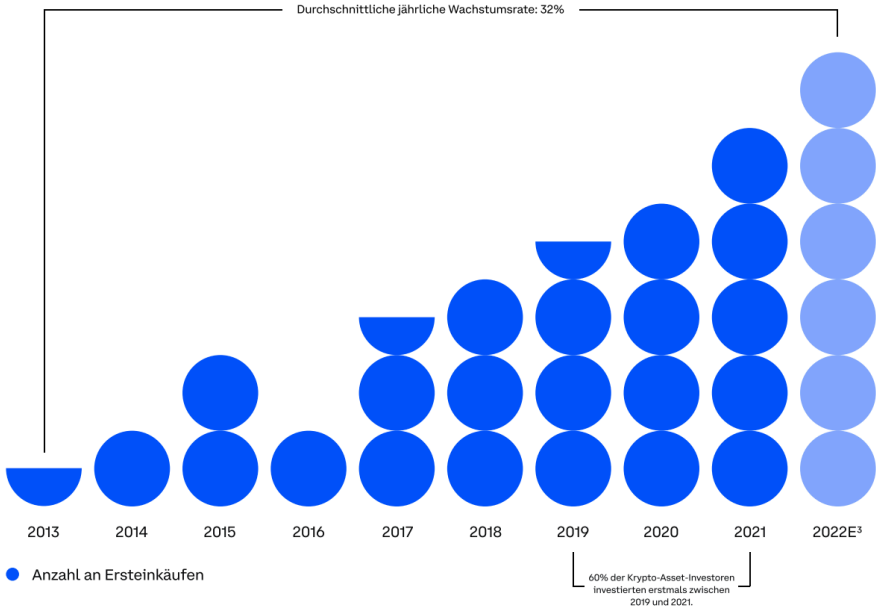
Internet vs. Crypto Adoption



Source: World Bank, Crypto.com

Ersteinstieg von Krypto-Asset-Investoren pro Jahr¹

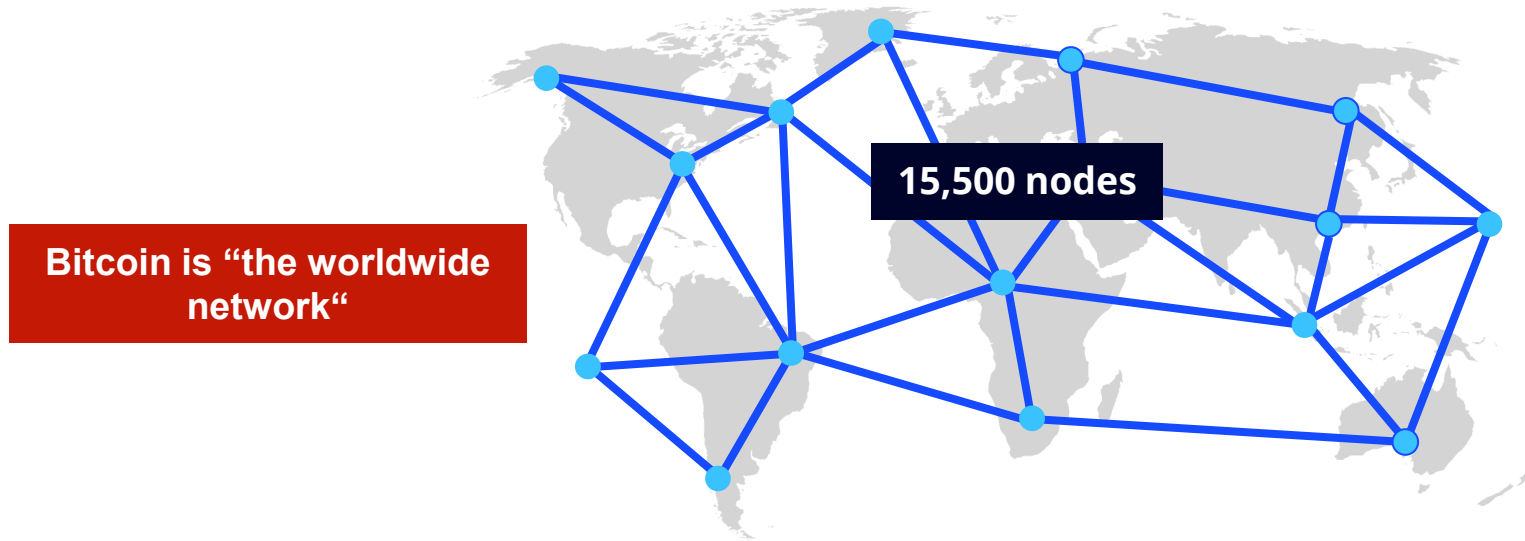
Anzahl der Befragten mit Krypto-Beständen²



Source: World Bank, Crypto.com, FSBC, Coinbase Crypto Report Europe H1 2022

A WORLDWIDE NETWORK

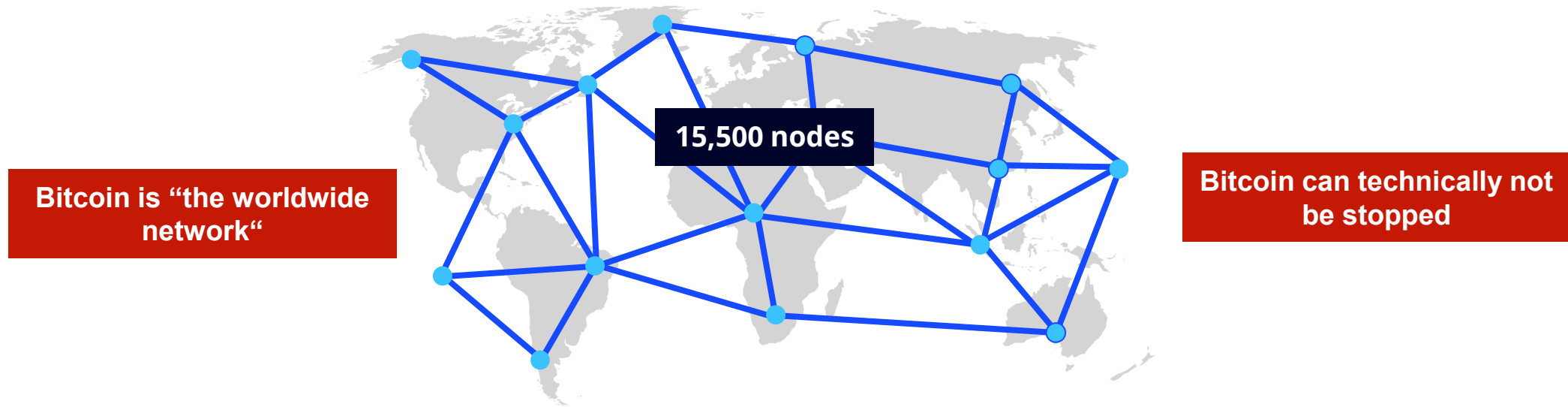
Why Bitcoin?



- Bitcoin (15,500 nodes), Ethereum (6,200 nodes)
- Everybody can set up a node; unrestricted
- Geographically dispersed
- No legal body, no access by government

A WORLDWIDE NETWORK THAT CANNOT BE STOPPED

Why Bitcoin?



- Bitcoin (15,500 nodes), Ethereum (6,200 nodes)
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A WORLDWIDE NETWORK FOR VALUE TRANSFER THAT CANNOT BE STOPPED

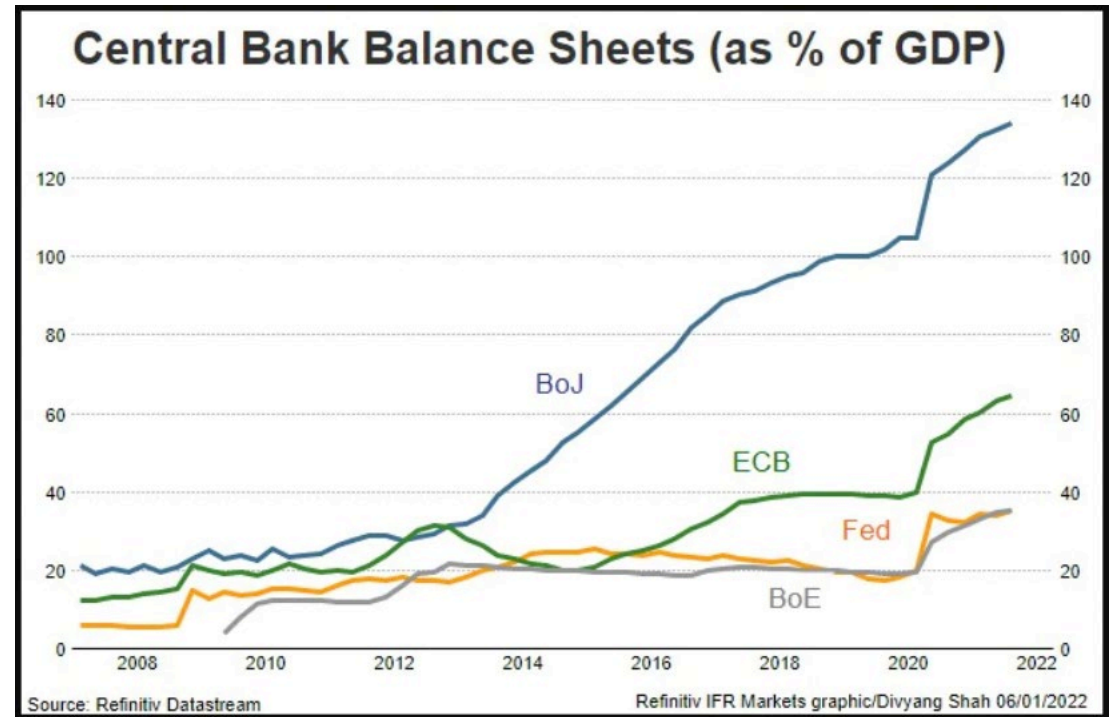
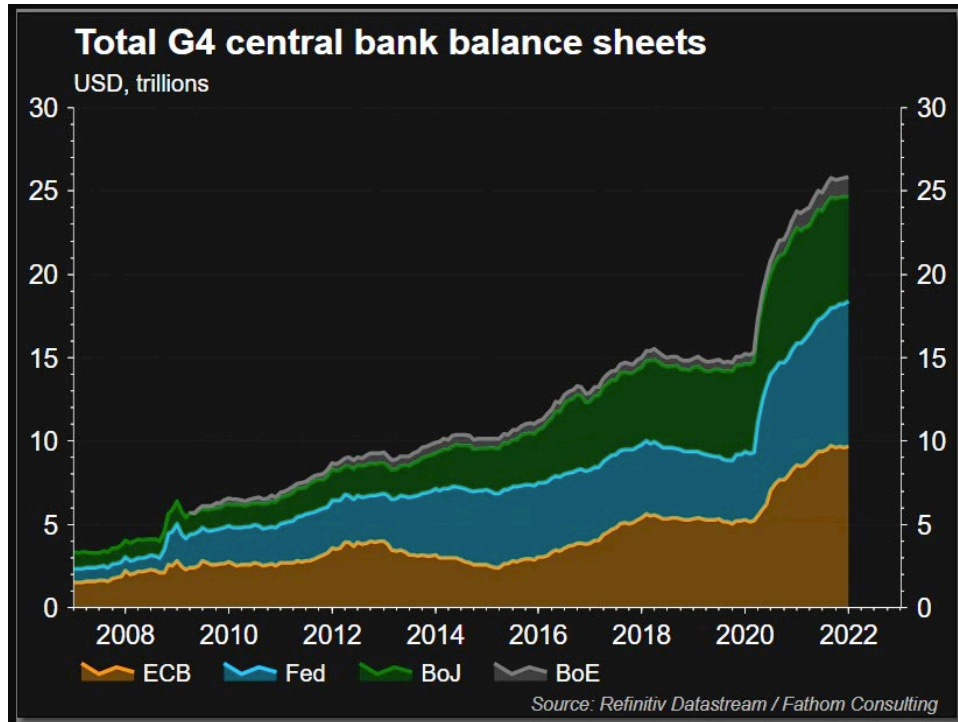
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CENTRAL BANKS INCREASE MONEY SUPPLY

Why Bitcoin?



RISING INFLATION VS DIGITAL SCARCITY

Why Bitcoin?

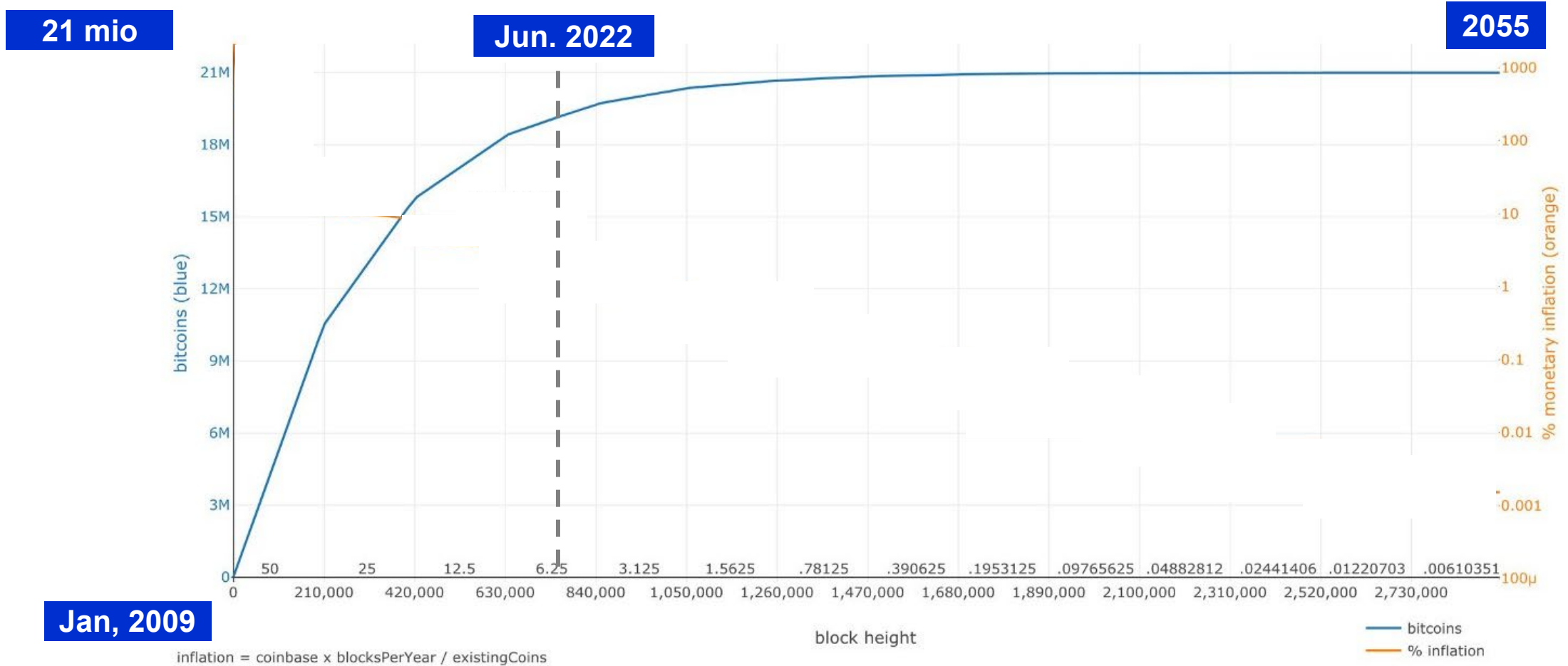
Inflation rates (%) measured by the HICP

	Annual rate							Monthly rate
	May 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22	May 22
Belgium	2.5	6.6	8.5	9.5	9.3	9.3	9.9e	0.8e
Germany	2.4	5.7	5.1	5.5	7.6	7.8	8.7e	1.1e
Estonia	3.2	12.0	11.0	11.6	14.8	19.1	20.1e	1.8e
Ireland	1.9	5.7	5.0	5.7	6.9	7.3	8.2e	1.0e
Greece	-1.2	4.4	5.5	6.3	8.0	9.1	10.7e	1.2e
Spain	2.4	6.6	6.2	7.6	9.8	8.3	8.5e	0.7e
France	1.8	3.4	3.3	4.2	5.1	5.4	5.8e	0.7e
Italy	1.2	4.2	5.1	6.2	6.8	6.3	7.3e	0.9e
Cyprus	1.5	4.8	5.0	5.8	6.2	8.6	8.8e	0.7e
Latvia	2.6	7.9	7.5	8.8	11.5	13.1	16.4e	3.6e
Lithuania	3.5	10.7	12.3	14.0	15.6	16.6	18.5e	2.2e
Luxembourg	4.0	5.4	4.6	7.8	7.9	9.0	9.1e	0.6e
Malta	0.2	2.6	4.1	4.2	4.5	5.4	5.6e	1.5e
Netherlands	2.0	6.4	7.6	7.3	11.7	11.2	10.2e	-0.8e
Austria	3.0	3.8	4.5	5.5	6.6	7.1	8.1e	1.1e
Portugal	0.5	2.8	3.4	4.4	5.5	7.4	8.1e	1.0e
Slovenia	2.2	5.1	6.0	7.0	6.0	7.4	8.7e	2.0e
Slovakia	2.0	5.1	7.7	8.3	9.6	10.9	11.8e	1.5e
Finland	2.3	3.2	4.1	4.4	5.8	5.8	7.1e	1.3e

e estimate Source dataset: [prc_hicp_manr](#)

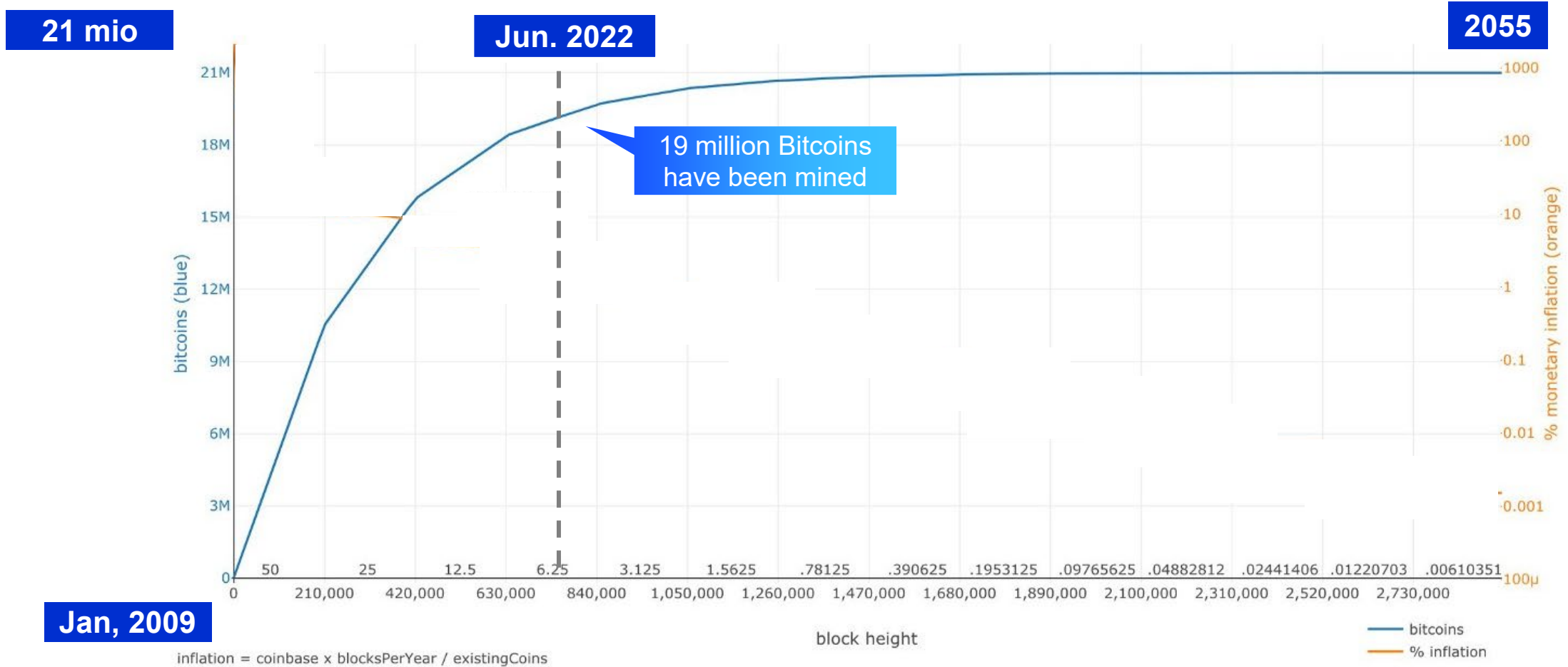
RISING INFLATION VS DIGITAL SCARCITY

Why Bitcoin?



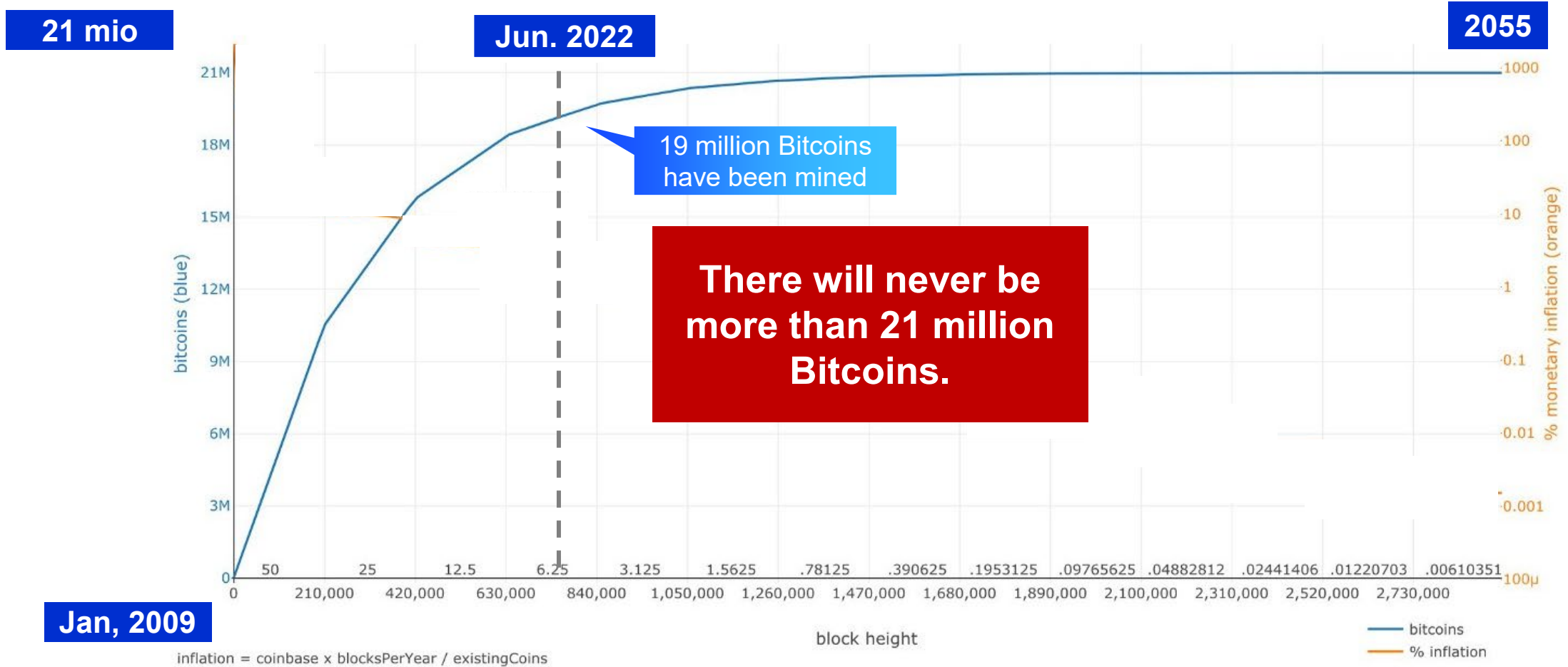
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RISING INFLATION VS DIGITAL SCARCITY

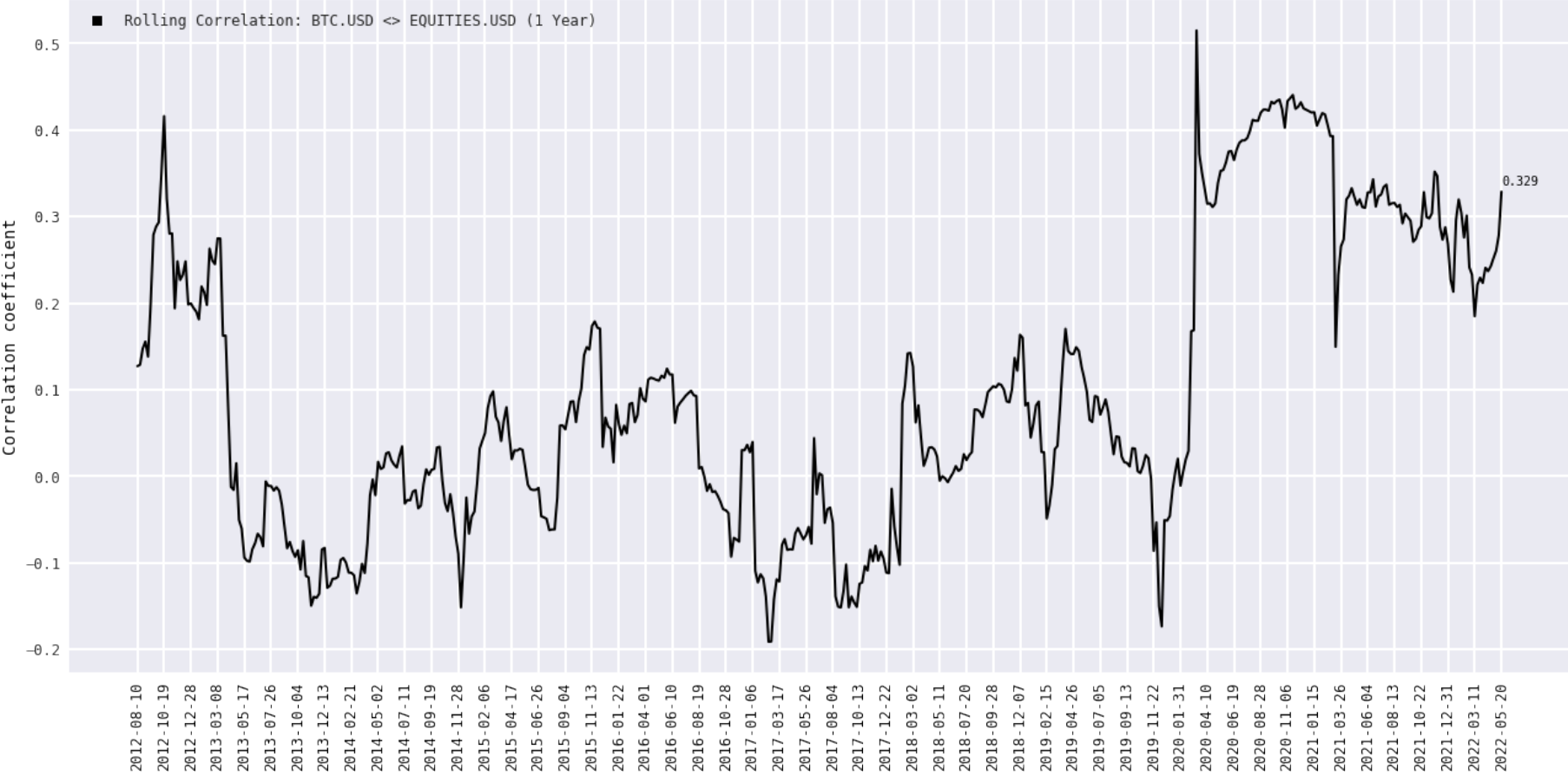
Why Bitcoin?



CORRELATION WITH EQUITY: THE WHOLE STORY

Why Bitcoin?

Rolling correlation (weekly): MSCI World vs Bitcoin



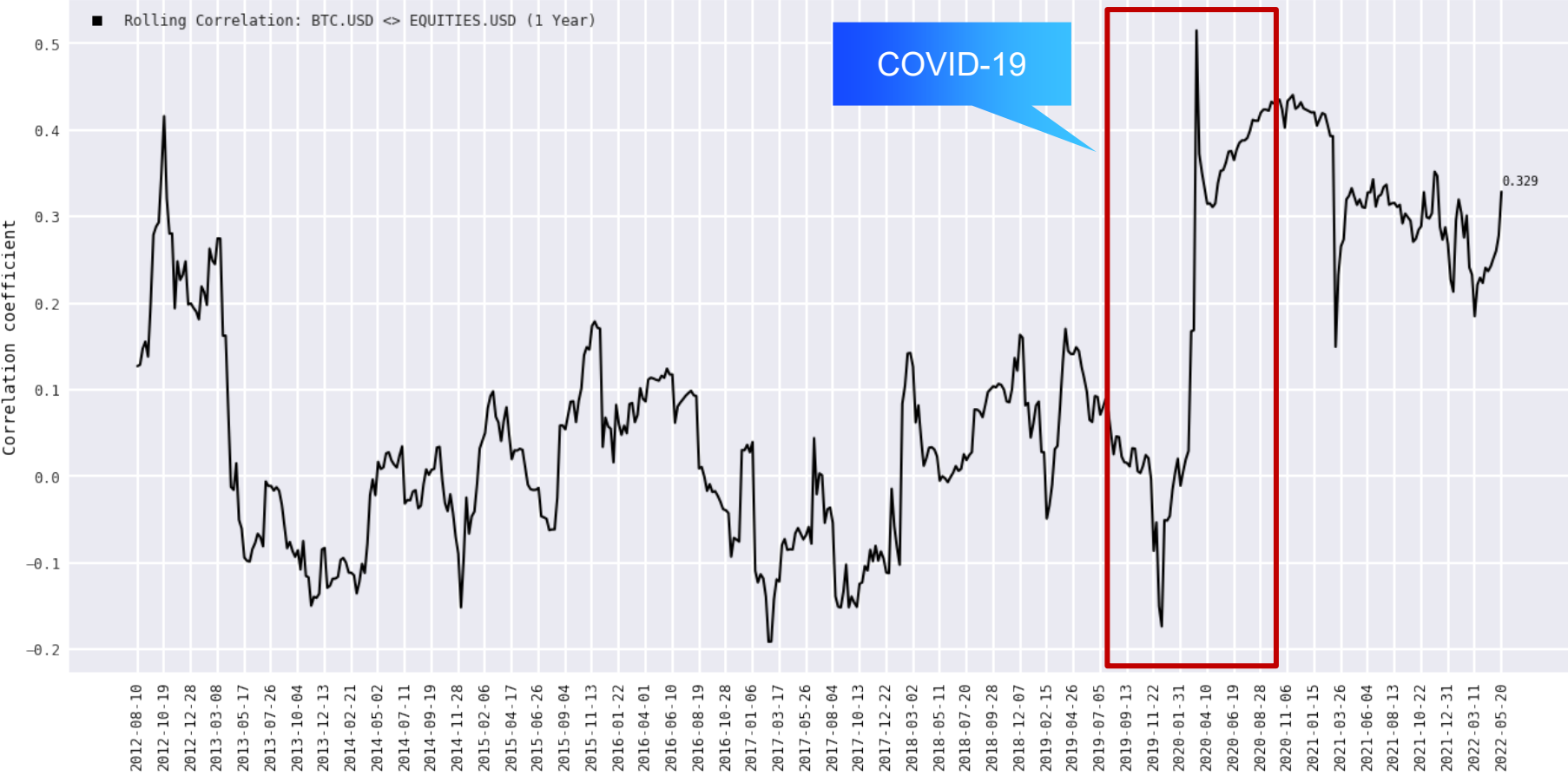
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Source: 21e6 Capital AG (2022), Frankfurt School Blockchain Center (2022)

CORRELATION WITH EQUITY: THE WHOLE STORY

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Rolling correlation (weekly): MSCI World vs Bitcoin

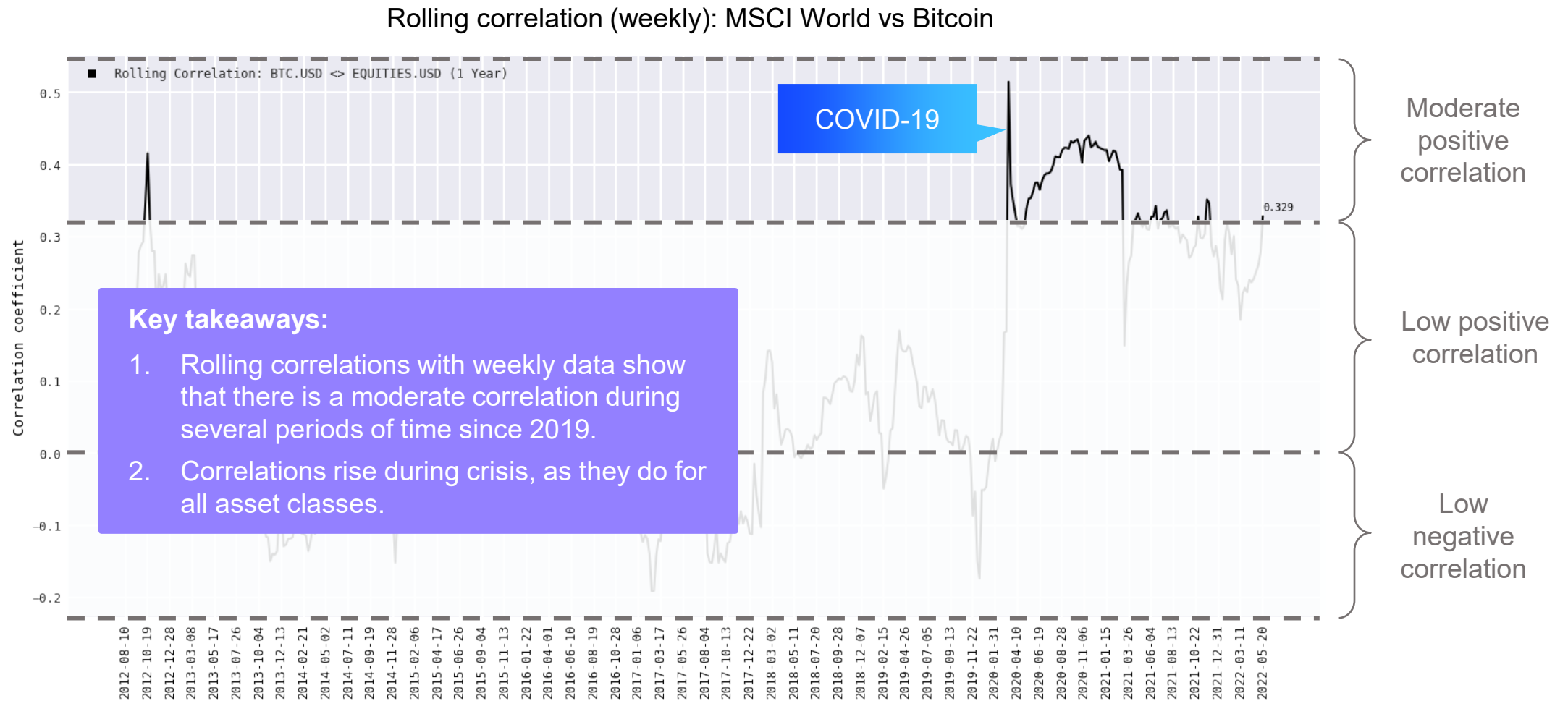


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Source: 21e6 Capital AG (2022), Frankfurt School Blockchain Center (2022)

CORRELATION WITH EQUITY: THE WHOLE STORY

Why Bitcoin?



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CRYPTO ASSETS IN FINANCIAL PORTFOLIOS

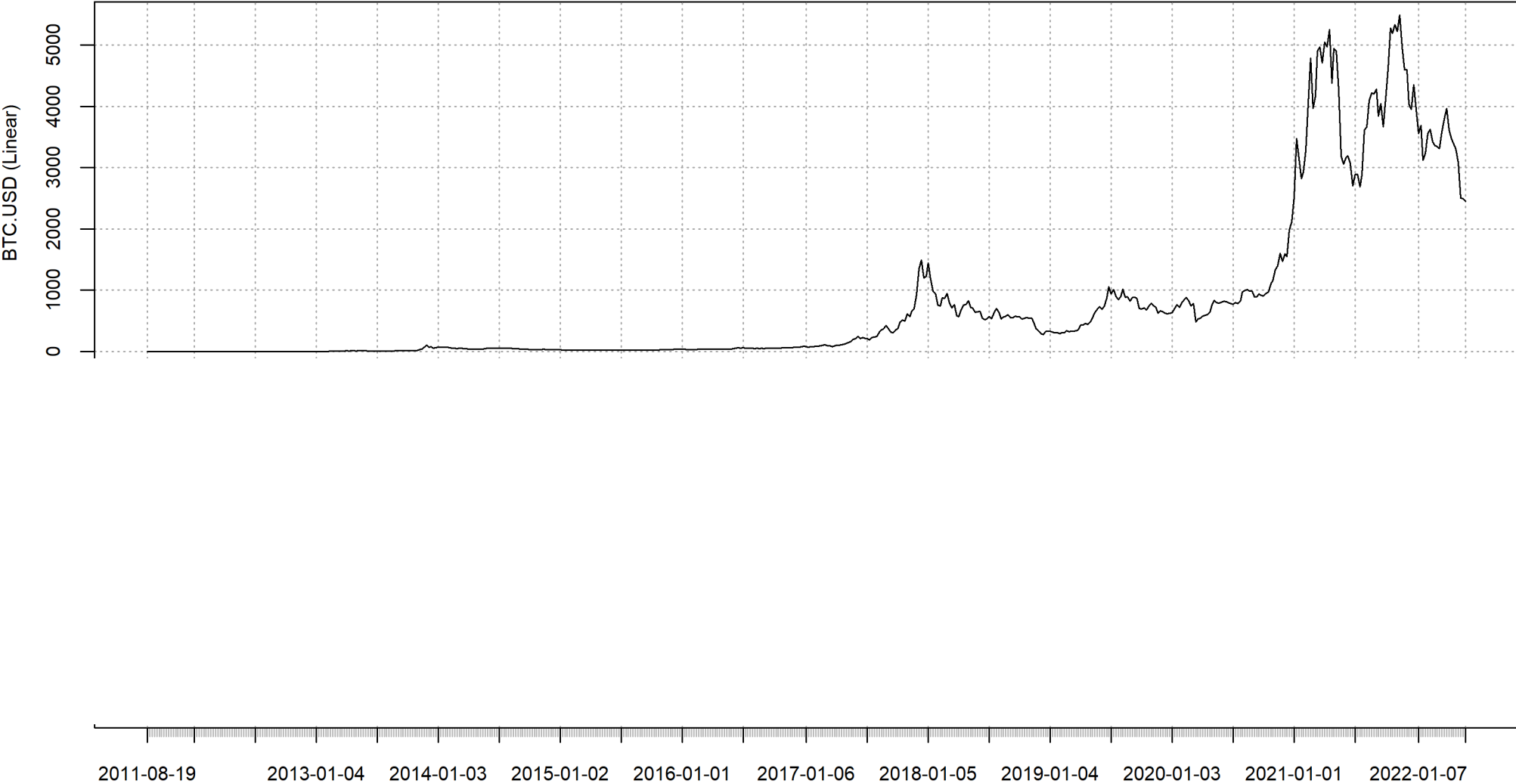


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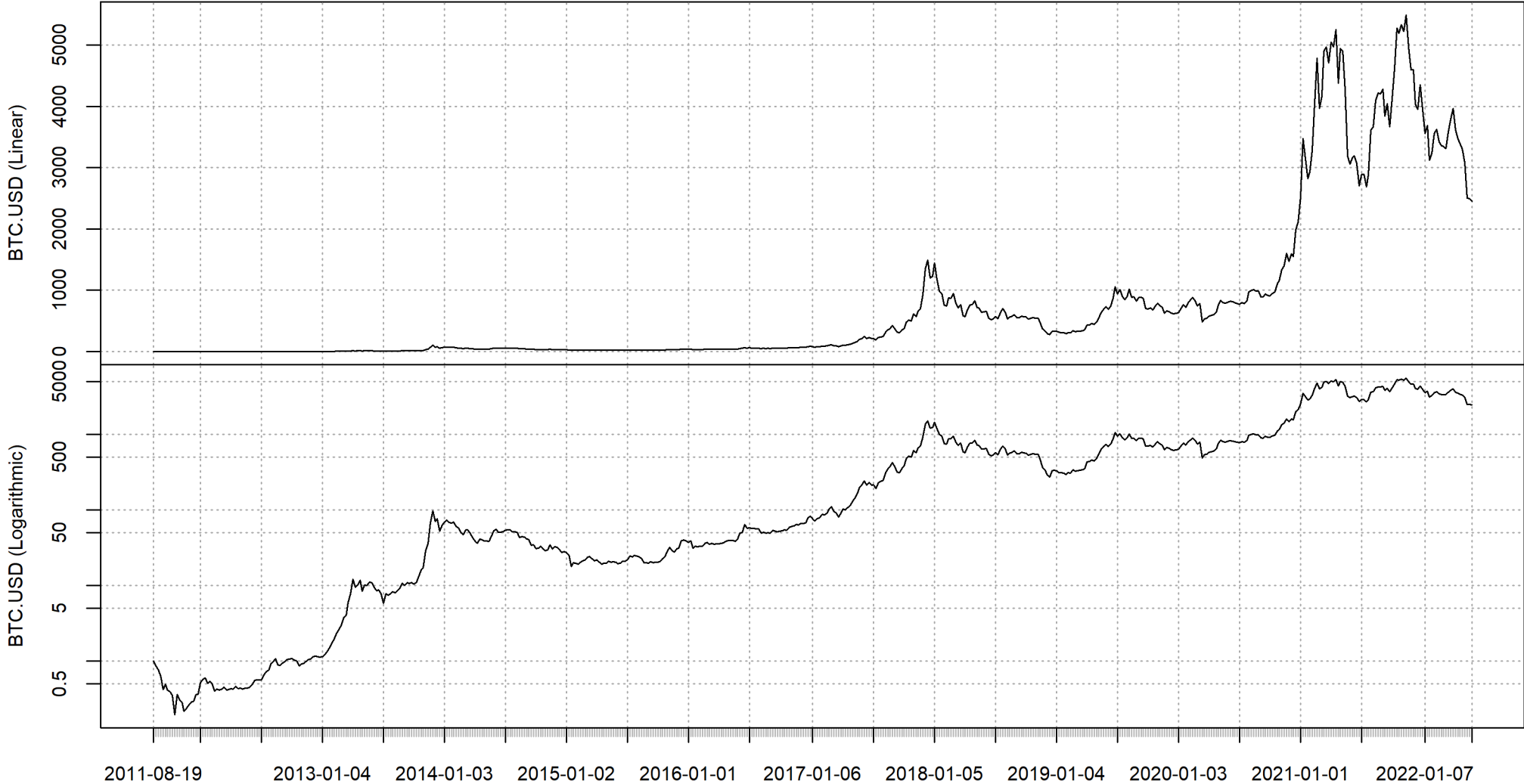
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A linear scale shows an extremely volatile Bitcoin due to exponential growth.



A logarithmic scale shows the true long-term trend.





Crypto Assets in Financial Portfolios

1. SCALE OF CRYPTOASSETS



When viewed on a logarithmic scale, Bitcoin shows a clear long-term upward trend, significantly outperforming gold and equities.

Bitcoin vs Gold vs Global Equities



Bitcoin price movements occur on a larger scale than gold and equities, two asset classes already considered as volatile by traditional finance.

Bitcoin vs Gold vs Global Equities



The massive difference in scale between Bitcoin and other asset classes must be considered when constructing portfolios.

Bitcoin vs Gold vs Global Equities





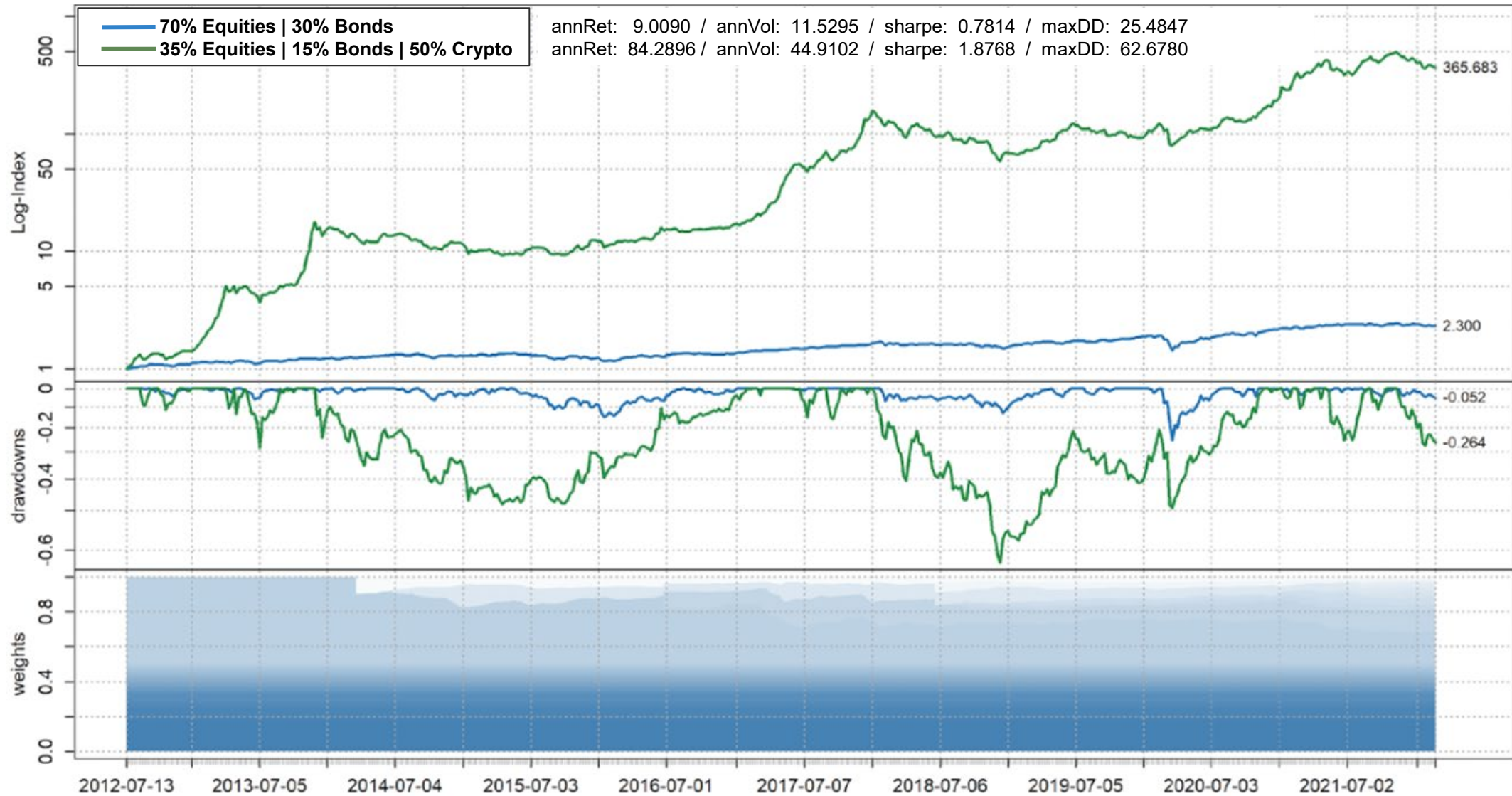
Crypto Assets in Financial Portfolios

2. SAA & REBALANCING



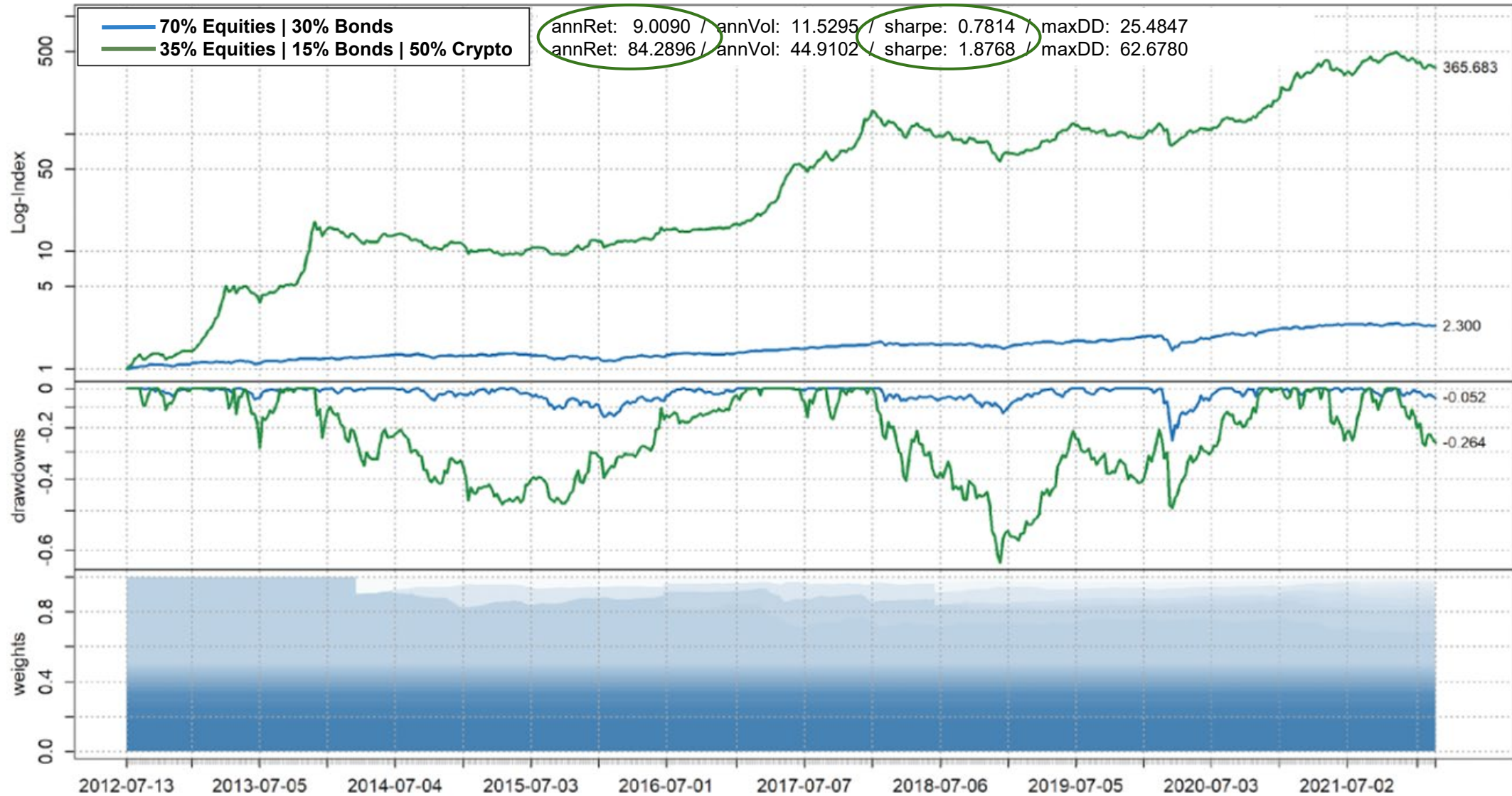
A 50% crypto allocation has a significant impact on a standard portfolios risk-return profile.

Impact of 50% Crypto Exposure on a 70/30 Portfolio



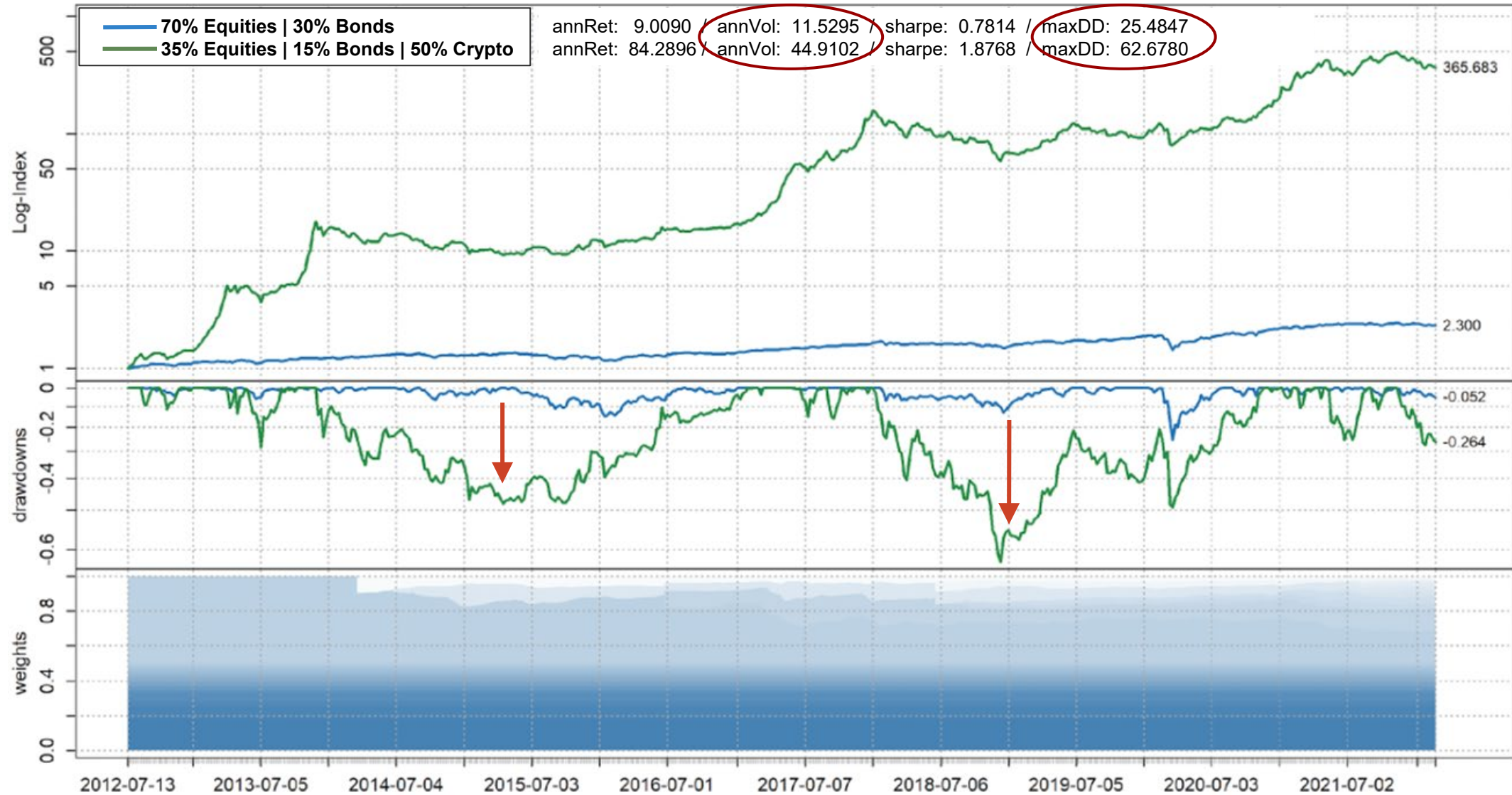
A 50% crypto allocation more than doubles the Sharpe ratio of the 70/30 portfolio as annual returns grow by almost an order of magnitude.

Impact of 50% Crypto Exposure on a 70/30 Portfolio



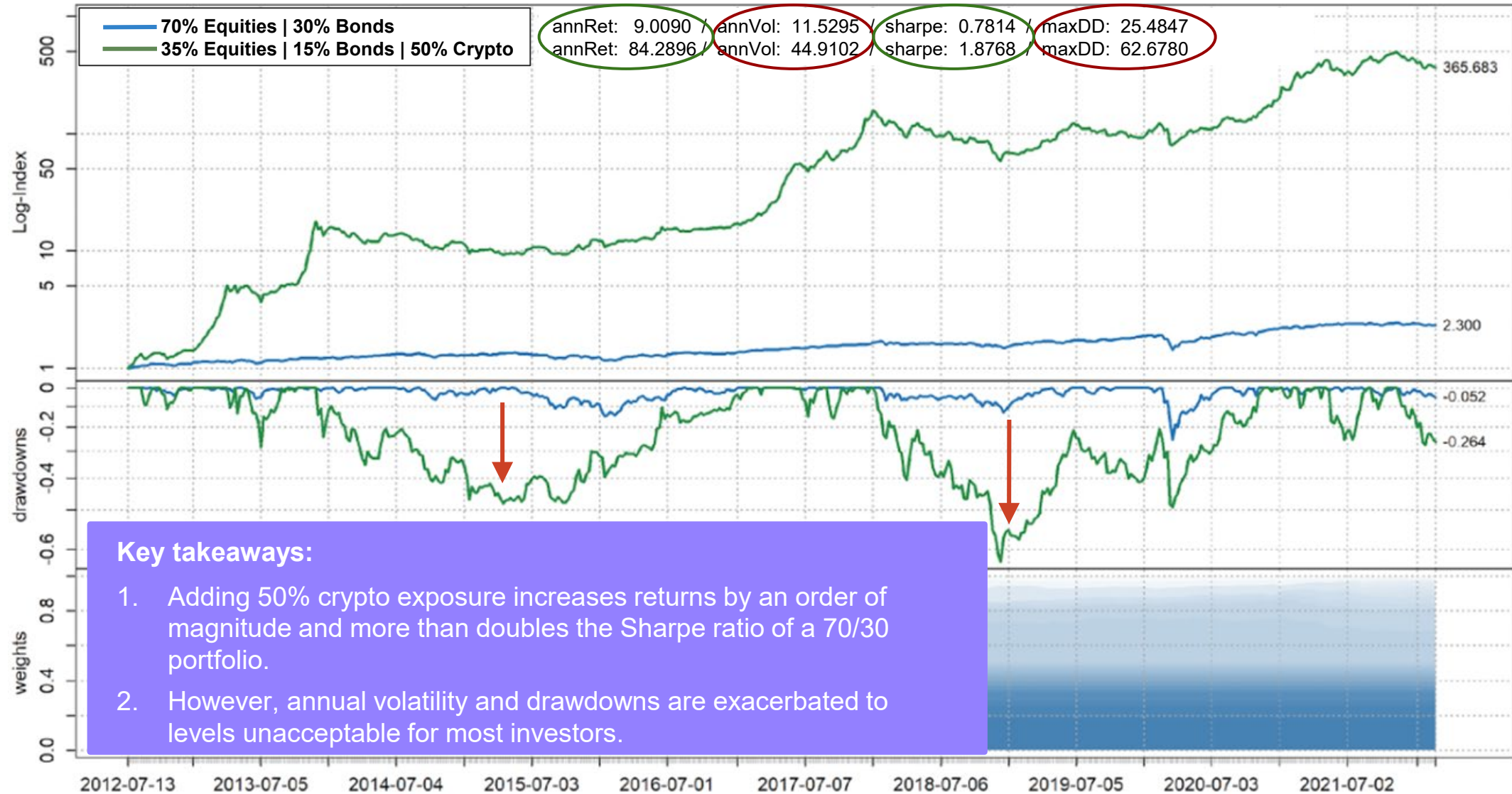
However, a crypto allocation of this size exacerbates annual volatility and maximum drawdowns to levels unacceptable for most investors.

Impact of 50% Crypto Exposure on a 70/30 Portfolio



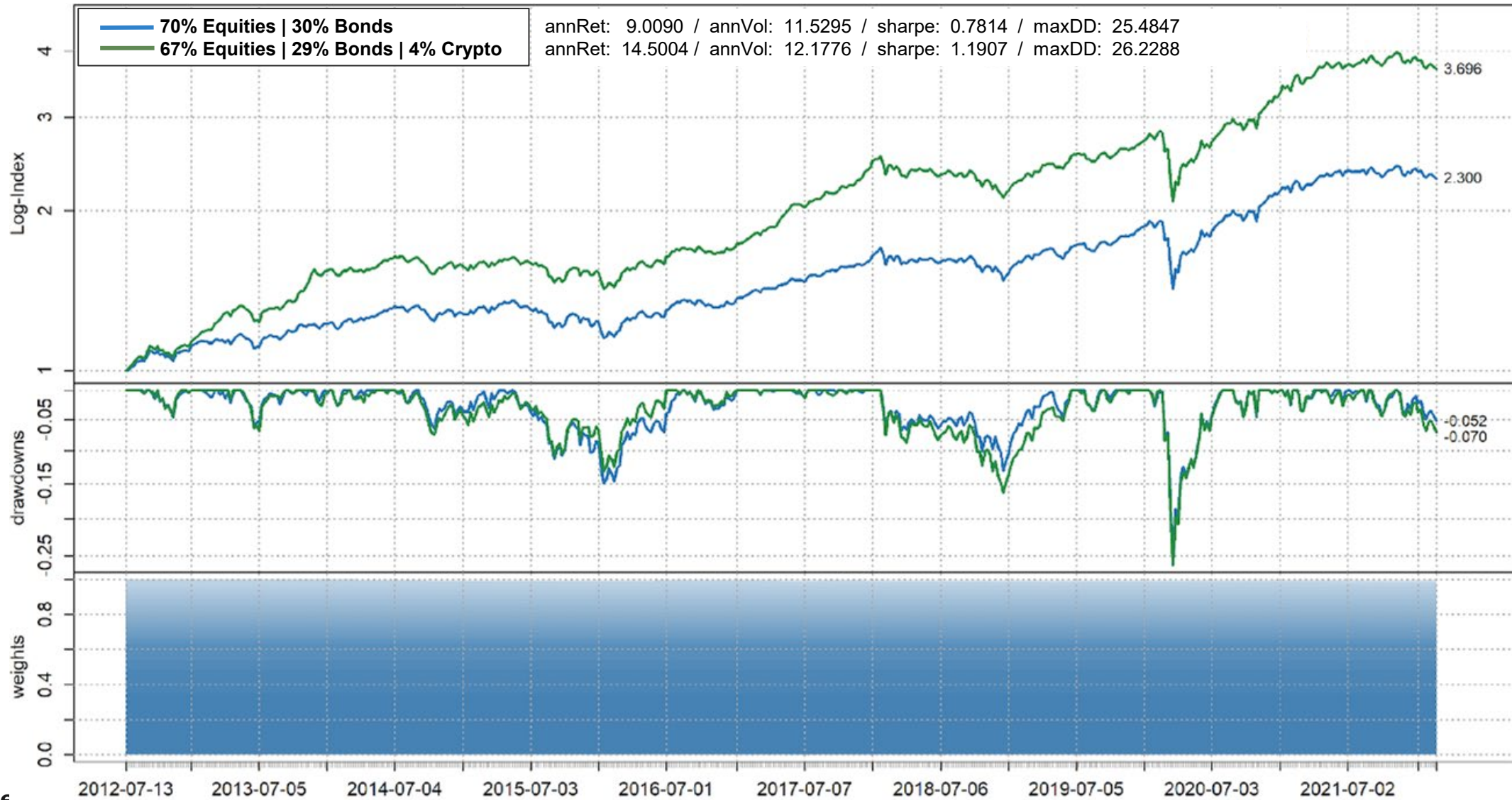
A large crypto allocation dominates the properties of other asset classes and should be avoided.

Impact of 50% Crypto Exposure on a 70/30 Portfolio



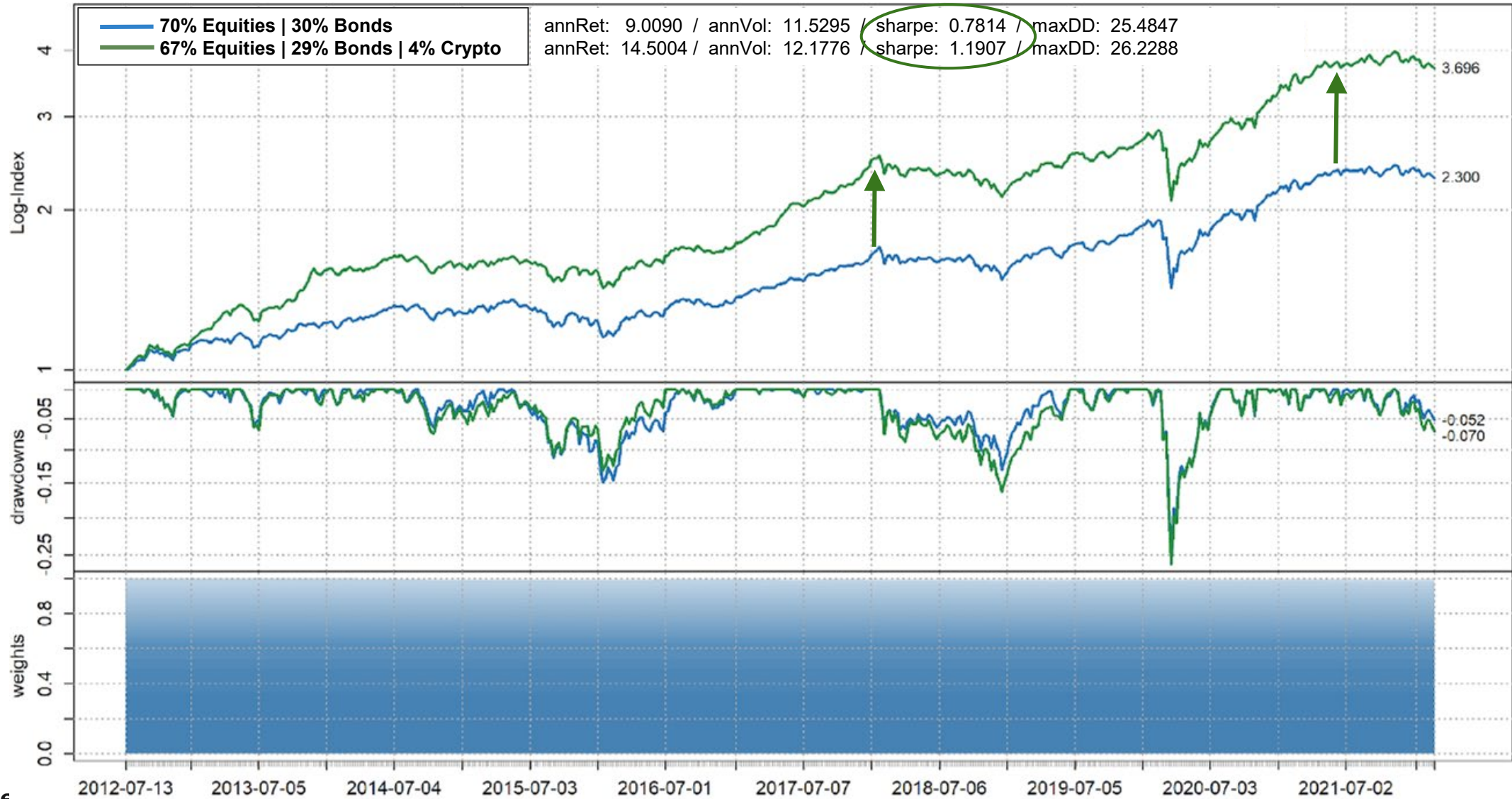
A 4% allocation to crypto assets has a more moderate effect on the portfolio and is a more reasonable starting point.

Impact of 4% Crypto Exposure on a 70/30 Portfolio



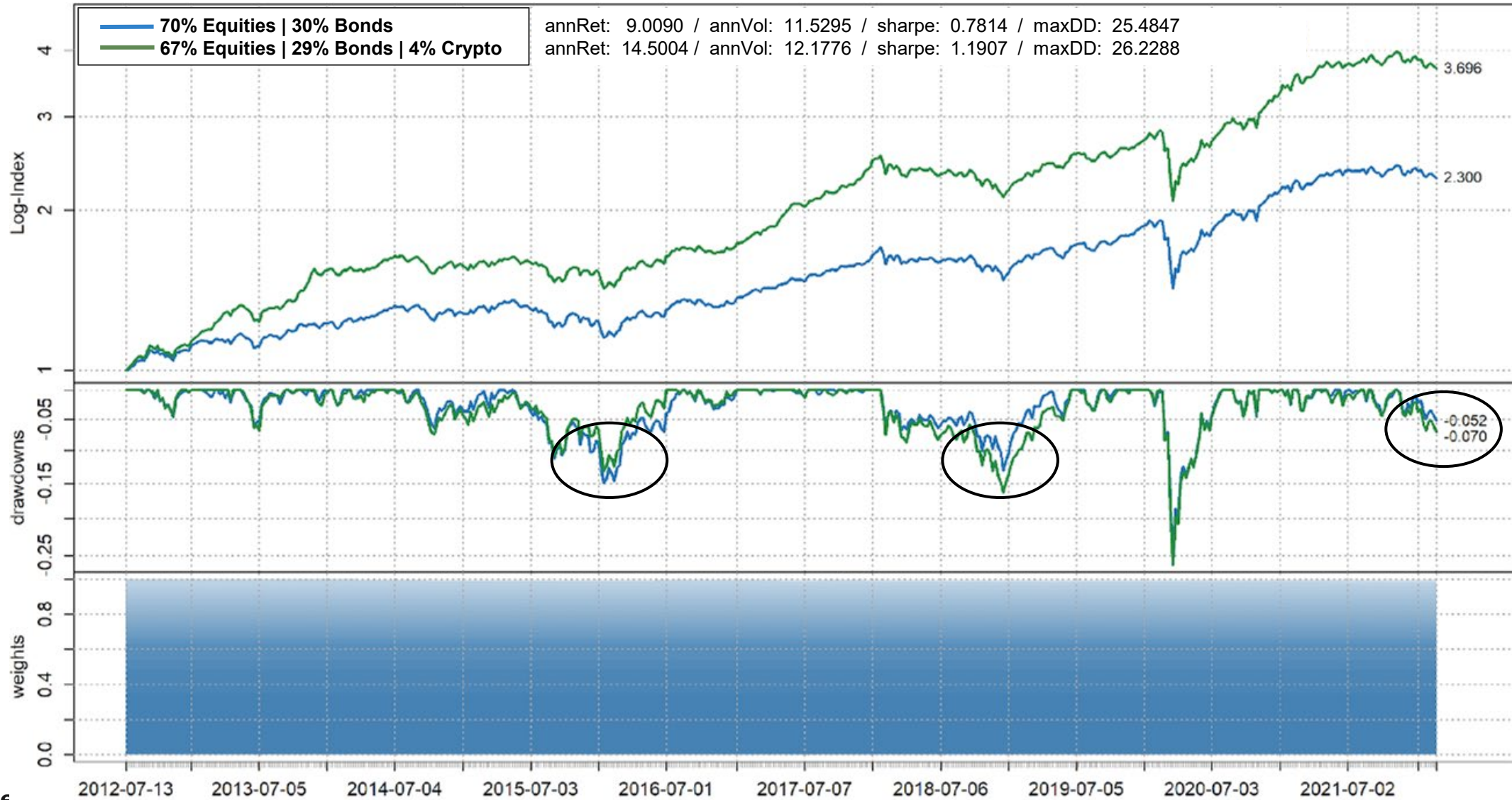
Crypto exposure of this size still significantly increases annual returns of the portfolio and raises the Sharpe ratio by around 50%.

Impact of 4% Crypto Exposure on a 70/30 Portfolio



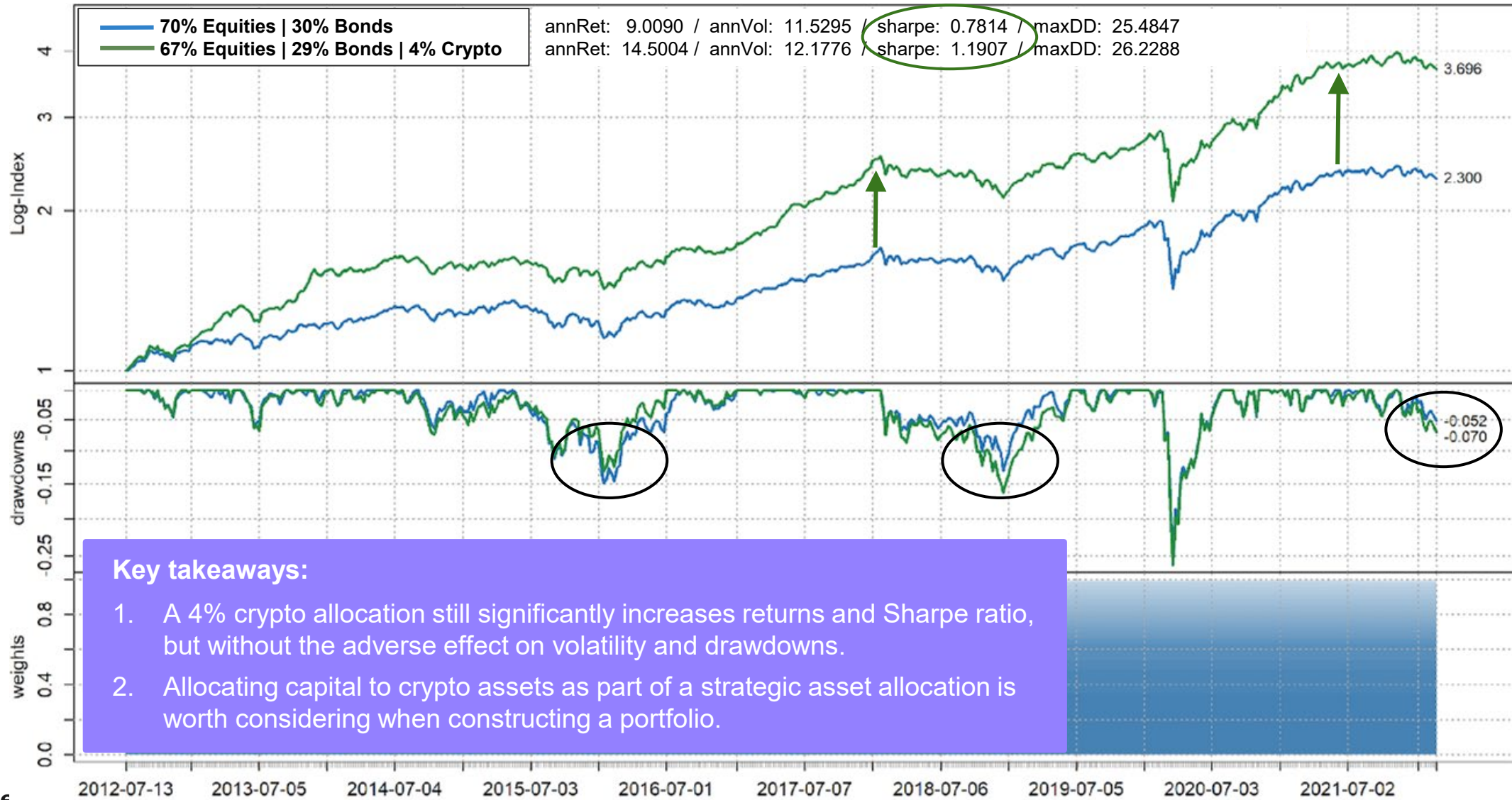
Remarkably, the 4% crypto allocation creates only a small to negligible increase in annual volatility and maximum drawdown.

Impact of 4% Crypto Exposure on a 70/30 Portfolio



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Impact of 4% Crypto Exposure on a 70/30 Portfolio





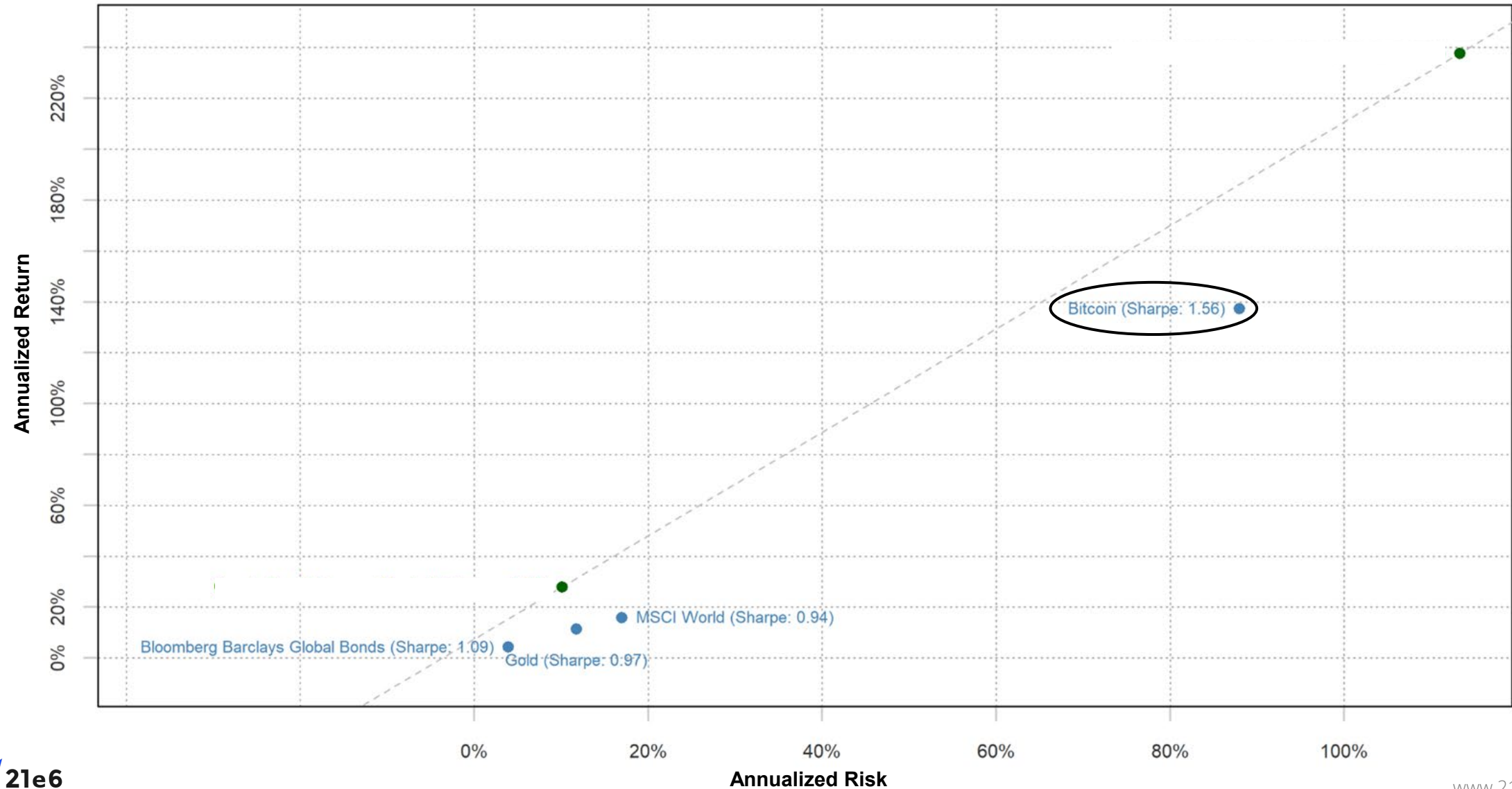
Crypto Assets in Financial Portfolios

3. STYLE DIVERSIFICATION



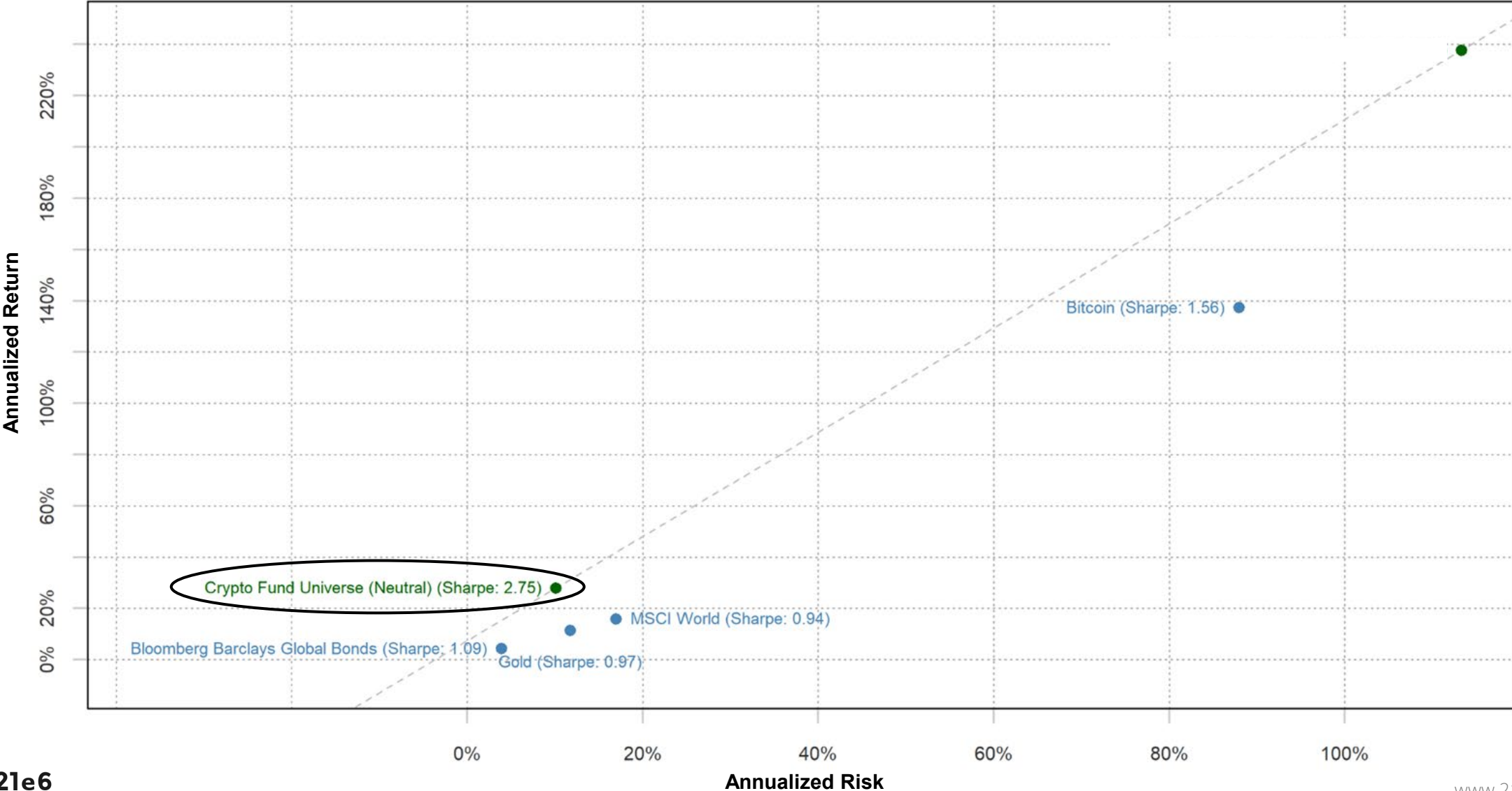
Risk-adjusted returns of crypto assets are located on a superior capital allocation line to other asset classes.

Comparing Risk-Adjusted>Returns (Sharpe Ratio)



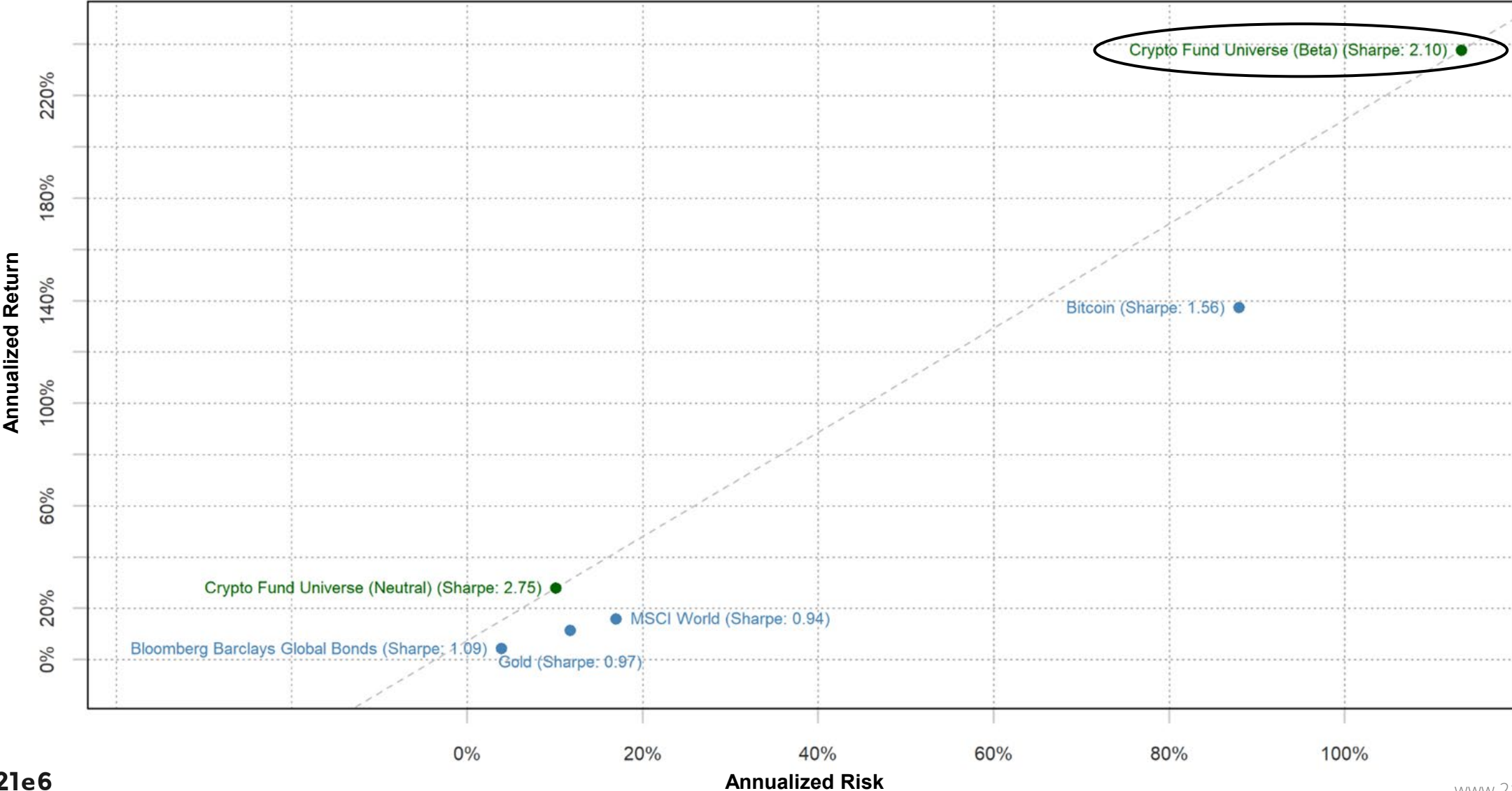
A market-neutral selection of crypto funds has an even more favorable risk-return profile.

Comparing Risk-Adjusted>Returns (Sharpe Ratio)



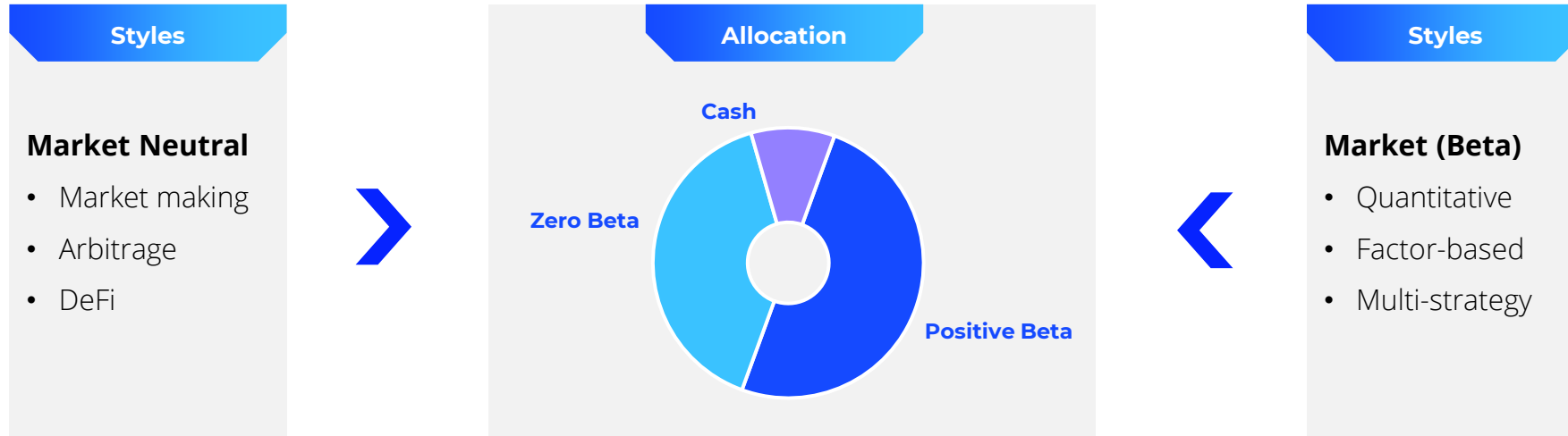
The high returns generated by a beta fund portfolio are overshadowed by the very high risk prevalent in these strategies.

Comparing Risk-Adjusted>Returns (Sharpe Ratio)



A split between market neutral and beta funds using strategic asset allocation and rebalancing could provide an interesting risk-return profile.

Potential of Style Diversification



Low volatility

A significant basket of low-risk, market neutral funds reduces the volatility.



Scalability

Arbitrage funds and market making, DeFi is increasingly scalable.

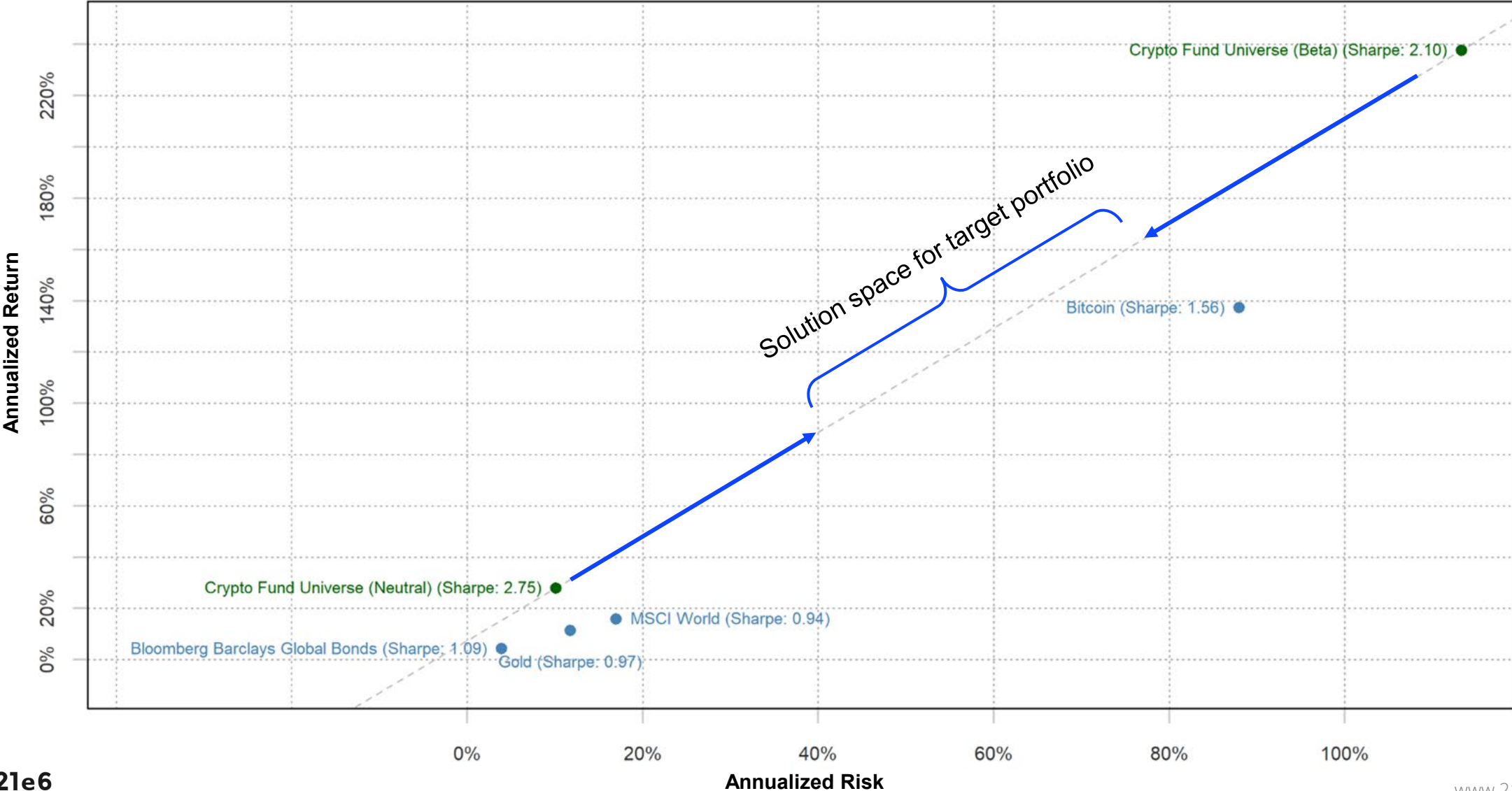


Risk/Return focus

Actively selecting beta generates and added value beyond pure market exposure.

A combination of market neutral and beta funds allows for a target portfolio along the capital allocation line of crypto funds.

Comparing Risk-Adjusted>Returns (Sharpe Ratio)





Crypto Assets in Financial Portfolios

CONCLUSION



When investing in crypto assets, consider: (i) the scale of crypto price movements, (ii) strategic asset allocation, and (iii) potential of style diversification.

Conclusions

1. Scale of crypto asset's price movements.

- i. Comparisons between crypto and traditional asset classes are not straightforward due to the large difference in scale.

2. SAA & Rebalancing.

- i. Incorporating a reasonable strategic asset allocation and maintaining the designed weights via periodic rebalancing increases the probability that risk/return targets can be met.

3. Style Diversification.

- i. Active strategies (e.g., via crypto funds) offer the additional dimension of manager styles, which allows for a broader solution space when designing portfolios.



LinkedIn



THANK YOU. QUESTIONS?

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