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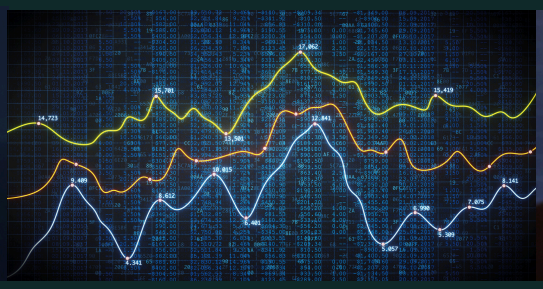
Crypto & Digital Assets: A Strategic Allocation for Sophisticated Investors

In Partnership with

Bitwise



Executive Summary

The digital asset ecosystem represents a profound evolution in global finance and technology, moving beyond mainstream perception as a speculative asset to establish itself as a significant, mature asset class. Institutional adoption is accelerating through vehicles like spot ETFs, corporate treasury allocations, and specialized investment products.

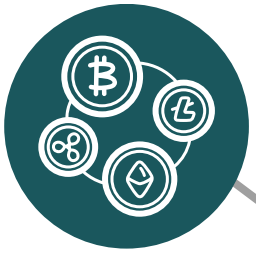
Contents

For investors, digital assets offer unique portfolio characteristics. As we'll explain, when appropriately sized, an allocation to Bitcoin can enhance risk-adjusted returns through their asymmetric upside potential and relatively low correlation with traditional investments. As regulatory frameworks continue to evolve, digital assets represent both a distinct asset class and a technological paradigm with the potential to transform aspects of the global financial system.

The Digital Asset Investment Landscape

$3.35 Trillion

in crypto market cap vs. $21.8 trillion for gold and $60 trillion for US stocks



37%

of Millennials have owned or own cryptocurrency vs. 9% of Baby Boomers

67%

of Institutional investors view digital assets as having a role in portfolios

562 million global crypto users worldwide (6.8% of global population)

220+

Blockchain or crypto ETPs globally with a combined $140 billion in assets

116 Public Companies

now hold Bitcoin in corporate treasuries

$13.5 Trillion

in Stablecoin transaction volume in 2024 (surpassed Visa's annual total)

A Letter From Scott Army

Scott Army,
Head of Alternatives meetperry

I'm very pleased to share this Digital Assets & Crypto white paper, a theme that is near and dear to me and one I've been eager to tackle for members as someone who's been on the frontlines of this industry. In 2017, I founded Vision Hill Group, a digital asset multi-manager fund of funds business acquired by Galaxy in 2021. At Galaxy, I continued on as CIO of Galaxy Vision Hill allocating to over 60 private funds globally while developing best-in-class early standards for high quality investment and operational diligence in an emerging asset class.

Digital assets are having a large-scale public validation moment in 2025, with emerging regulatory clarity and a supportive administration, and large institutional support from the likes of Blackrock, Fidelity, and Franklin Templeton. This is a testament to how far we've come since Satoshi's 2008 Bitcoin white paper. We're seeing more public crypto companies now, as well, following in the footsteps of Coinbase's IPO back in 2021. Galaxy is now a publicly-listed company on Nasdaq as of May 2025, followed by the IPO of Circle in June with many others in the queue.

We've also seen a proliferation of balance sheet treasury companies in BTC and other tokens, both domestically and abroad. The opportunity set continues to expand and is substantial: Real-world assets are being tokenized, crypto is integrating with AI, and $84.4 trillion in wealth will transfer to crypto-native generations in the next 20 years. [1]

Our three-part education process immerses you in this theme:

- This **Whitepaper** sizes the market and maps the investment landscape, equipping you to understand Bitcoin, Ethereum, DeFi, and emerging crypto x AI convergence opportunities.
- **Thematic Sessions** bring you virtual conversations with crypto asset managers, institutional investors, and entrepreneurs building the infrastructure supporting digital assets.
- **Elevate Series Events** will connect you in-person directly with meetperry members and operators pioneering professional-grade digital asset companies and strategies.

Access all our Digital Asset / Crypto content here

A special thank you to meetperry member, Brian Raimondi, and the whole Bitwise team for their support and collaboration for this whitepaper. We look forward to our upcoming Elevate Series in-person session with Bitwise CEO Hunter Horsley in San Francisco, and our discussion with CIO Matthew Hougan later this month.

This work represents the thoughtful, comprehensive analysis that distinguishes meetperry's approach to alternative investments and demonstrates our track record of being early to key emerging investable themes. While crypto today is not a new investable theme, it is one that will continue to have a dominant position in investors' portfolios. This thematic journey highlights the history of the industry, where it is headed in the future, and the strategic importance of a foundational allocation to this growing asset class.

Scott Army,
Head of Alternatives meetperry

meetperry is an exclusive membership-based family office, wealth services, and alternatives platform. The MP Select Funds are a family of multi-strategy, diversified thematic funds designed to provide holistic exposure to key emerging investable themes and trends identified by meetperry and its family office member experts.

A Letter From Matt Hougan

Matt Hougan,
Chief Investment Officer, Bitwise Asset Management

We all wish we'd bought bitcoin sooner. The first time I heard about bitcoin was in February 2011, when bitcoin had crossed $1 for the first time. If I had invested $1,000 in bitcoin back then, it would be worth $108 million today. Instead, I left the office and got a coffee.

I share this story because everyone feels this way. Here's what we forget: There were huge risks to bitcoin at the time. If you'd wanted to buy bitcoin on the largest exchange in the world then, you would have had to send $1,000 to a random PayPal address. There were serious custody, regulatory, technological, and government risks. It was a massive gamble. I say all of this for two reasons: 1) to let you off the hook for missing bitcoin the first time; and 2) to convince you that now it's different.

The existential risks that plagued crypto's early years have been systematically knocked down one by one. Early exchanges were either dodgy or plagued by low volume and poor operations. Then Coinbase was created in late 2011, and the game changed. For a while, custody was a risk, too—until established blue-chips like Fidelity began offering the service to institutions. Two years ago, there was no easy way to get spot bitcoin exposure in a brokerage account—until bitcoin ETFs launched in January 2024.

And perhaps the biggest lingering threat in the back of everyone's mind—that the U.S. government might somehow, someway ban the fast-growing asset that could threaten the dollar's dominance—was just taken off the table. In March, the U.S. launched its first bitcoin strategic reserve. Existential threat gone.

All of this is why I believe that today marks the single best moment in history to consider a bitcoin allocation on a risk-adjusted basis. There's a lot of evidence I'm not the only one who thinks this. BlackRock now recommends 2% bitcoin in investor portfolios. Nine of the 10 largest hedge funds own bitcoin today. More than 140 public companies now hold bitcoin on their balance sheet—and the number is growing fast.

More and more institutions, investment professionals, and individuals are waking up to bitcoin's potential. In a world with U.S. debt pushing $37 trillion, and a growing temptation for the U.S. to debase its way out, people have realized there's great value in an asset that is 1) scarce, 2) global, 3) difficult for governments to manipulate, and 4) capable of being held directly in a self-sovereign manner.

In other words, bitcoin.

The new paradigm for bitcoin raises key questions for investors today: How should I think about bitcoin's role in a portfolio? What are some helpful guidelines for risk management? What size allocation is most appropriate? And what about other digital assets? Do they have a role to play as well? Which are likely to benefit from the emerging themes of stablecoins, decentralized finance, or tokenization—and how can investors position themselves accordingly?

These are the right questions to be asking. And those who engage with them thoughtfully equip themselves to seize the greatest risk-adjusted moment in digital asset history.

It's why I couldn't be more excited about the opportunity ahead.

Matt Hougan,
Chief Investment Officer, Bitwise Asset Management

Bitwise Asset Management is the largest crypto index fund manager in America, serving thousands of financial advisors, family offices, and institutional investors with a comprehensive suite of digital asset solutions.

Introduction: Digital Assets Reach an Inflection Point

What began as an experiment in cryptographic innovation has matured into a $3.35 trillion asset class that is fundamentally reshaping how sophisticated investors approach portfolio construction. Digital assets have evolved far beyond their origins, establishing themselves as a legitimate, albeit emerging, asset class with unique characteristics that can enhance traditional portfolio performance.

The numbers tell a compelling story of institutional legitimacy. Within their first year alone, U.S. spot Bitcoin ETFs attracted an unprecedented $122 billion in assets - with BlackRock's iShares Bitcoin Trust ETF the most successful ETF launch in history.[4] [5] Meanwhile, 562 million users worldwide now engage with digital assets, representing nearly 7% of the global population. [6] Perhaps most significantly, 116 public companies have integrated Bitcoin into their corporate treasuries,[7] while an Executive Order has established a U.S. Strategic Bitcoin Reserve, treating digital assets as national strategic assets comparable to gold reserves.

> "562 million users worldwide now engage with digital assets, representing nearly 7% of the global population."

This transformation reflects more than mere market growth; it represents a profound shift in how money, value, and financial infrastructure operate in an increasingly digital world. Bitcoin's blockchain solved fundamental cryptography problems that had challenged academics for decades, creating what we might call "PayPal without PayPal" - a global, real-time financial database that no single entity controls yet everyone can trust. This breakthrough enables three previously impossible capabilities: money moving at internet speed, programmable financial logic, and true digital property rights without reliance on centralized authorities.

The convergence of multiple powerful forces is accelerating institutional adoption. Regulatory clarity is emerging through new SEC leadership and favorable political positioning, with nearly 300 pro-crypto lawmakers now serving in Congress.[8]

Technological maturation has eliminated many early infrastructure challenges—where crypto trading once meant sending money to random PayPal addresses, today we have regulated ETFs, institutional custody from firms like Fidelity and BNY Mellon, and clear operational frameworks. The risks that kept sophisticated investors on the sidelines have been systematically addressed.

Demographic trends further amplify this transformation. An estimated $84.4 trillion in wealth will transfer from Baby Boomers to younger generations over the next two decades—generations that show 4x higher cryptocurrency adoption rates. According to Galaxy, this Great Wealth Transfer could generate $160-225 billion in incremental crypto market flows, creating sustained buying pressure as digital-native investors gain control of family wealth.[9]

> "According to Galaxy, this Great Wealth Transfer could generate $160-225 billion in incremental crypto market flows."

From a portfolio construction perspective, the statistical evidence for digital asset allocation has become increasingly compelling. Analysis spanning over a decade reveals that Bitcoin has contributed positively to traditional 60/40 portfolios in 100% of three-year periods since 2014, with a median contribution of 13.38 percentage points for just a 2.5% allocation.[10] This performance stems from Bitcoin's unique combination of asymmetric upside potential and relatively low correlation with traditional assets—characteristics that sophisticated investors have long sought in alternative investments.

The investment landscape itself has matured dramatically. What once required direct cryptocurrency ownership now offers multiple institutional-grade access points: spot ETFs providing regulated exposure, corporate equity plays like Galaxy Digital and Coinbase offering leveraged participation, and specialized investment strategies ranging from venture capital approaches to infrastructure plays. Over 220 blockchain and crypto exchange-traded products globally now command more than $140 billion in combined assets, providing familiar investment vehicles that institutional investors can easily integrate into existing workflows.[11]

Looking forward, the convergence of digital assets with artificial intelligence, decentralized physical infrastructure, and sustainable energy solutions creates multiple vectors for continued innovation and value creation. The market capitalization of AI-related crypto protocols grew from $5 billion to over $60 billion in 2024,[12] while Decentralized Physical Infrastructure Networks (DePIN) are projected to grow from their current $40 billion valuation to $3.5 trillion by 2028, according to the World Economic Forum.[13]

For sophisticated investors, digital assets represent both a distinct asset class and exposure to transformative technological infrastructure that may well define the next era of global finance. The frameworks, analysis, and implementation strategies outlined in this white paper provide the foundation for approaching this opportunity with the discipline and sophistication that this emerging asset class demands.

Evolution of Crypto and Digital Assets: A Brief History

Cryptography Helps Win The War

The foundations of modern cryptocurrency can be traced back to cryptographic innovations during World War II. The role of cryptography was paramount. The Allied efforts to decrypt German ciphers proved pivotal, with the Polish Cipher Bureau achieving the initial breakthrough around 1932, sharing their techniques with French and British allies just before the war.

British cryptographers at Bletchley Park, including Alan Turing, substantially improved these methods during the war, while U.S. teams achieved breakthroughs in decrypting Japanese ciphers. Cryptography played a fundamental role in enabling trust and coordinated action within hostile environments, establishing verifiable communication even when trust is absent – a direct precursor to Bitcoin's approach to achieving consensus in a decentralized network.

> "Cryptography played a fundamental role in enabling trust and coordinated action within hostile environments."

Early Digital Cash Attempts

The path to Bitcoin was paved by several pioneering attempts at digital cash technologies. David Chaum conceived eCash in 1983, implementing it through DigiCash in 1995. In 1997, Adam Back developed Hashcash, a proof-of-work scheme primarily designed for spam control. In 1998, Wei Dai described "b-money," an anonymous, distributed electronic cash system with protocols for currency transfer through a decentralized network. Concurrently, Nick Szabo described "bit gold," another proposal for a distributed scarcity-based cryptocurrency.

The concept that solutions to computational puzzles could hold value was first proposed by cryptographers Cynthia Dwork and Moni Naor in 1992. This idea was independently rediscovered by Adam Back with Hashcash in 1997. While Hashcash was primarily designed for spam control, it utilized a proof-of-work algorithm for generating and distributing new "coins," foreshadowing mechanisms later adopted by cryptocurrencies.

The Birth of Bitcoin

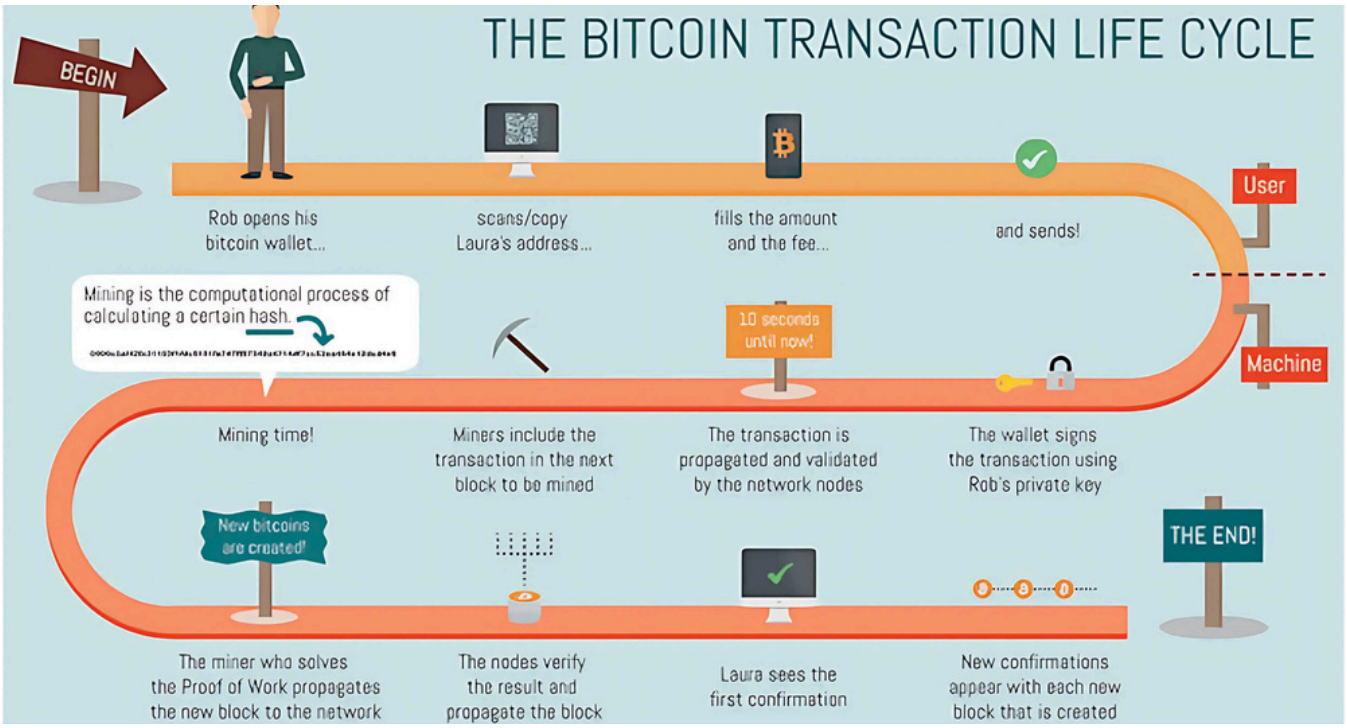
Bitcoin was introduced by the pseudonymous developer Satoshi Nakamoto in 2008. The foundational Bitcoin whitepaper was released in October 2008, followed by the launch of the open-source software in January 2009. Early adopters like Hal Finney, Wei Dai, and Nick Szabo were instrumental in its initial development and testing.

A pivotal contribution of Bitcoin, though not explicitly named in its whitepaper, was its practical solution to the Byzantine Generals' Problem. This problem, rooted in game theory, describes the difficulty of achieving consensus in distributed systems where components may be unreliable or malicious (the analogy being that generals besieging a city need to coordinate an attack, but some generals could be traitors sending conflicting or misleading messages).

Bitcoin's blockchain created a trustless solution. Historically, digital cash systems struggled with the double-spending problem, where a single unit of currency is spent more than once (recall malicious actors in the Byzantine Generals' Problem). If a single coin were spent twice, it undermines the integrity and value of the currency.

Previous attempts relied on a trusted central authority (like a bank or a mint) to check every transaction for double-spending. Bitcoin aimed to eliminate this central point of failure. Satoshi's innovation was to solve it through consensus mechanisms, most notably Proof-of-Work.

Satoshi described it as "a chain of digital signatures" where the network "timestamps transactions by hashing them into an ongoing chain of hash-based proof-of-work." This elegant description captures the essence of blockchain technology: a chronological, tamper-evident ledger maintained by a distributed network of computers rather than a central authority.



Source: Prashant Ankalkoti, "A Relative Study on Bitcoin Mining"

Evolution from Bitcoin to the Modern Crypto Landscape

Following Bitcoin's open-source release in 2009, the digital asset landscape began to diversify rapidly with the emergence of "altcoins" like Namecoin (2011), Litecoin (2011), and Peercoin (2012). A transformative development occurred with the creation of Ethereum between 2013 and 2015, which introduced smart contracts and enabled the development of decentralized applications (dApps).

The Birth of Crypto Asset Management (Begins in 2017)

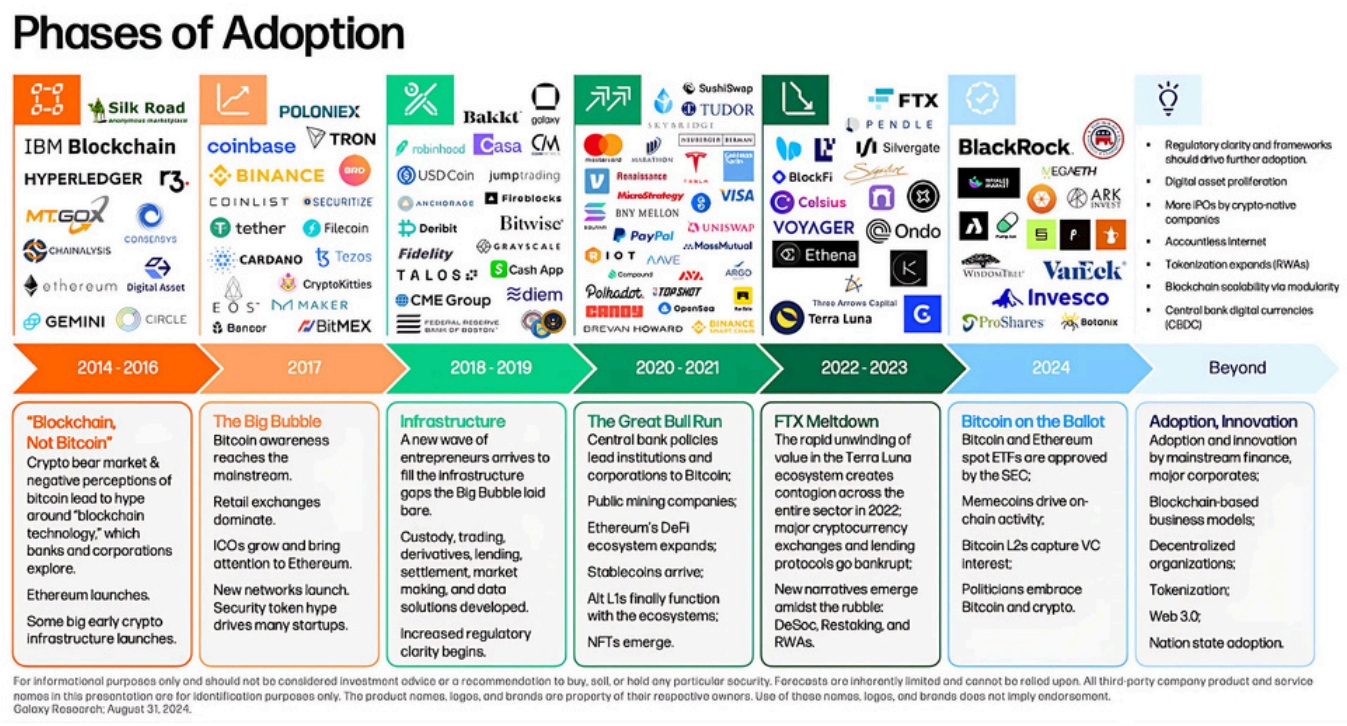
The period from 2016-2017 marks a pivotal transition in digital asset history—the birth of professional asset management in the crypto space. This era saw Bitcoin's first major bull run, with prices soaring to an all-time high of $19,783 in December 2017. The surge was primarily driven by escalating media attention, significant retail investor interest, and the widespread introduction of Initial Coin Offerings (ICOs).

From an institutional perspective, the introduction of Bitcoin futures by CME Group, in December 2017, helped integrate Bitcoin into traditional markets during this period. Official recognition from governments, such as Japan's formal acknowledgment of digital assets, also contributed to this integration. Crucially, firms specializing in crypto asset management, like Bitwise and Galaxy, were founded in 2017 and 2018 respectively with the specific goal of serving the professional investor community, including financial advisors and RIAs.

This era saw the digital asset market mature beyond early adopters and enthusiasts, starting to attract broader attention and establishing the initial infrastructure for professional financial involvement. The period from roughly mid-2017 onwards marks when specialized crypto asset managers began serving institutional investors.

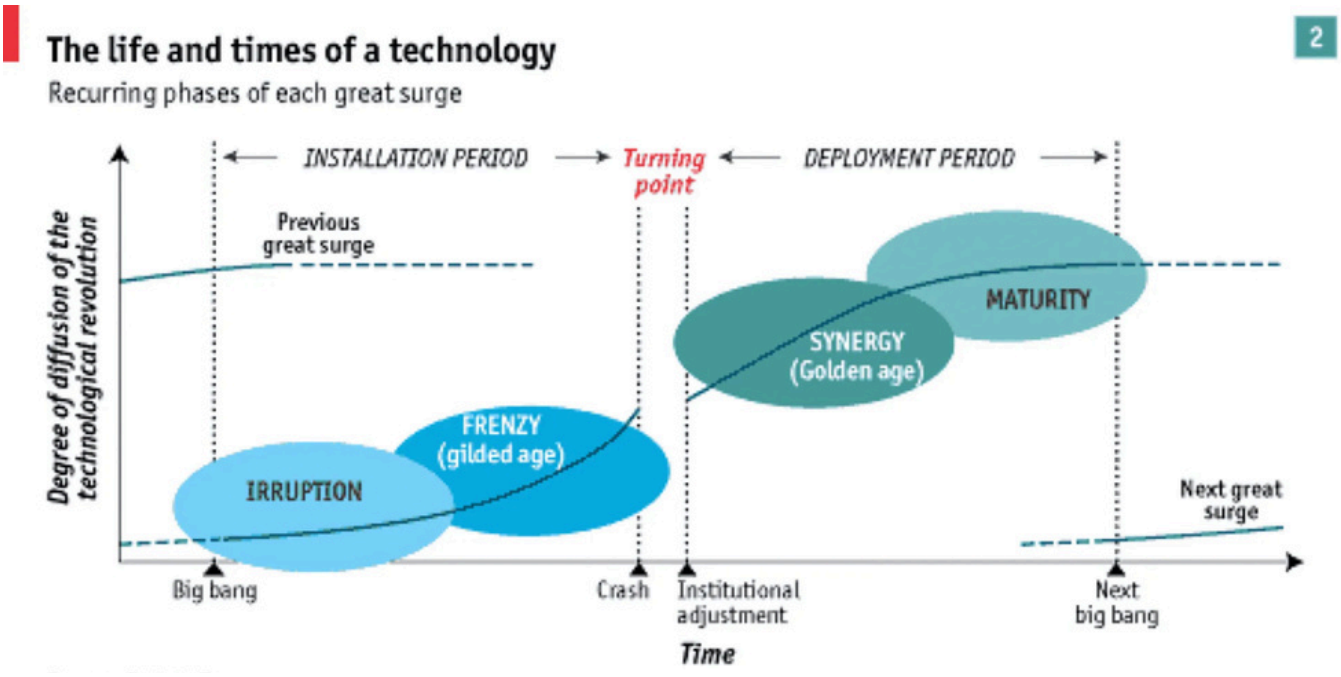
Market Evolution Through Distinct Phases

- **2014-2016:** "Blockchain, Not Bitcoin" - Infrastructure development phase
- **2017:** The Great Bull Run - Mainstream awareness and ICO explosion
- **2018-2019:** Infrastructure building - Custody, trading, derivatives solutions developed
- **2020-2021:** The Big Bull Run - Institutional and corporate adoption begins
- **2022-2023:** FTX Meltdown and industry consolidation
- **2024:** Bitcoin on the Ballot - ETF approvals and political embrace
- **Beyond 2024:** Regulatory clarity and digital asset proliferation



Carlotta Perez's framework of “Technological Revolutions and Financial Capital” provides a compelling lens for understanding cryptocurrency's current trajectory and future potential. According to Perez, technological revolutions unfold in two distinct phases: an "installation period" dominated by financial capital and speculative bubbles, followed by a "deployment period" where production capital takes over to realize the technology's full societal benefits.

In Perez’s framework, cryptocurrencies appear to be transitioning from the installation phase—characterized by the dramatic bubble of 2017, the ICO frenzy, and subsequent crash—into the early deployment phase marked by institutional adoption, regulatory clarity, and infrastructure maturation.

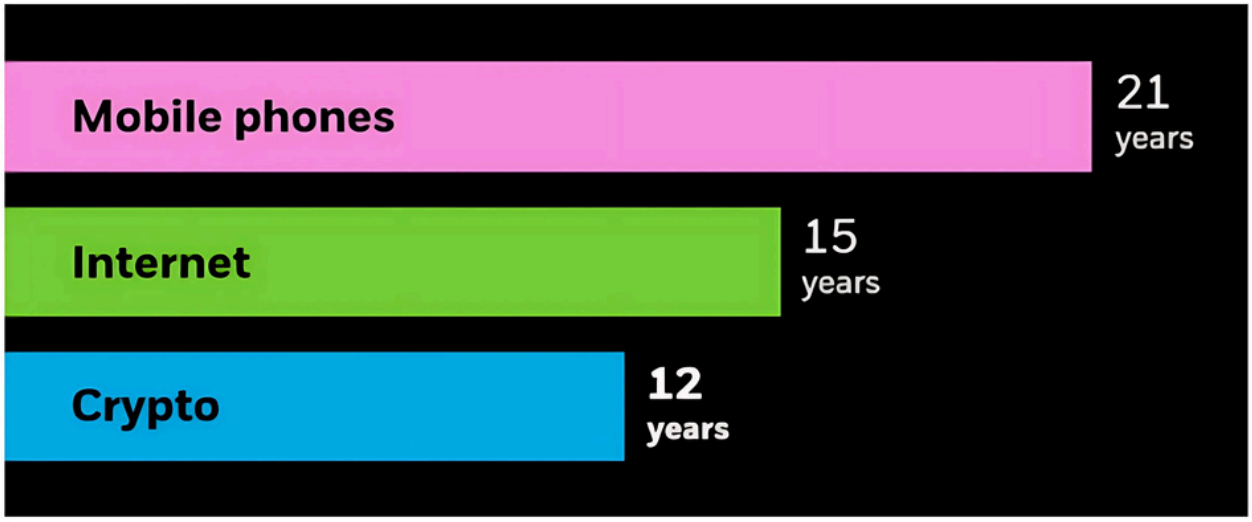


Source: Carlota Perez, the Economist

The parallels to previous technological revolutions are striking. Just as the internet bubble of 1999-2000 was followed by the productive deployment of web technologies that transformed entire industries, cryptocurrency's spectacular rise and fall cycles may represent the necessary "creative destruction" that establishes the foundation for mainstream adoption.

Figure 1: Adoption of cryptoassets has outpaced growth for mobile phones and the internet[4]

Time needed to achieve 300 million users



The first cellular mobile phone was used in 1973. Source: NPR, Our World in Data. January 1, 1983, is considered the official birthday of the internet. Source: University System of Georgia, Our World in Data. Initial price of bitcoin set in 2010. Source: Bloomberg, Cambridge Center for Alternative Finance, Crypto.com. ***Past performance does not guarantee future results.***

Chart Description: Bar chart displaying time needed to reach 300 million users between crypto, the internet, and mobile phones since their inceptions. Crypto reached 300 million users faster than the internet and mobile phones.

Source: BlackRock

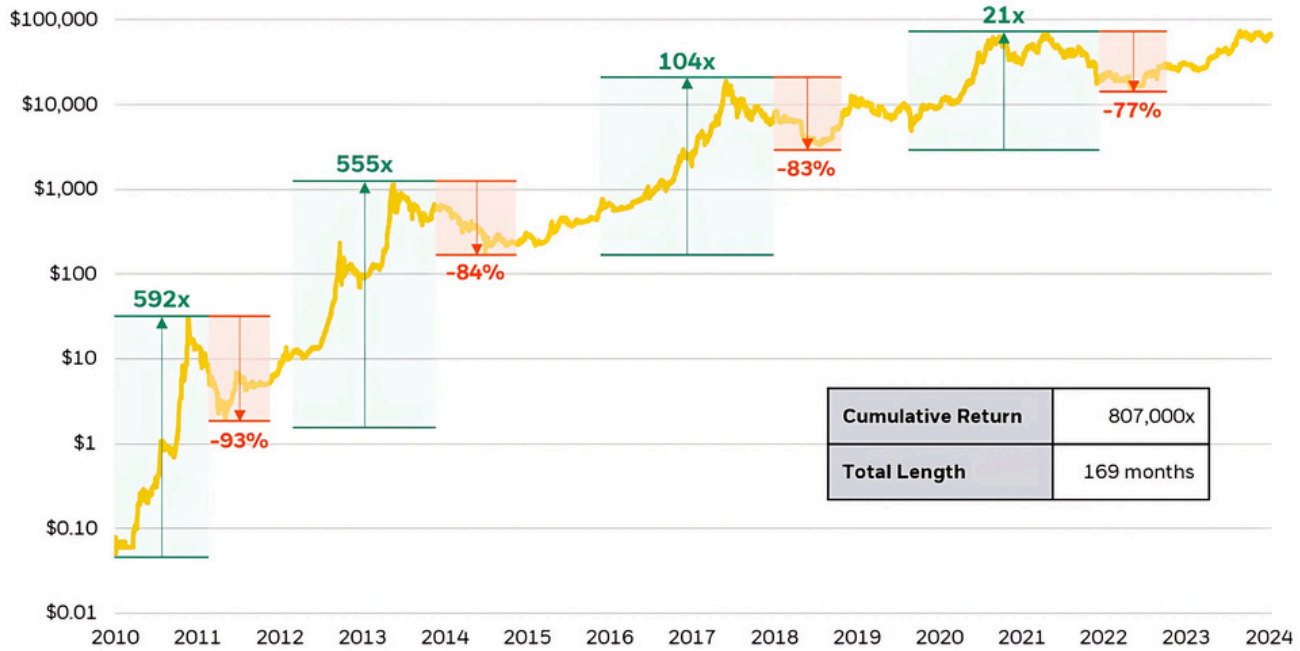
The emergence of spot Bitcoin ETFs, corporate treasury adoption, and the development of decentralized finance infrastructure suggests we're entering Perez's deployment phase, where the focus shifts from speculation to practical applications that deliver real economic value. This transition implies the technology's integration into the broader financial system—and its transformation of money, payments, and financial services—is likely just beginning.

This framework suggests that crypto's most profound impact on portfolios and the global economy may lie ahead rather than behind us.

Bitcoin's History of Drawdowns and Rebounds

Bitcoin has experienced four major drawdowns in its 16-year history, with an average peak-to-trough decline of 84%. Despite these dramatic corrections, each cycle has ultimately resulted in new all-time highs, demonstrating the asset's resilience and growing foundational support.

Bitcoin's long-term performance



Past performance does not guarantee future results. Represents bitcoin's price performance from July 19, 2010 to July 31, 2024; the inception date reflects the launch of the first bitcoin exchange, Mt. Gox. Source: Bloomberg Bitcoin Spot Price, as of July 31, 2024.

Source: BlackRock

Figure 2: Bitcoin's history of big drawdowns and rebounds

Caption:
Table featuring Bitcoin's historical drawdowns, including start dates, days until market bottom, days until market recovery, drawdown percentages, and 4-year forward returns, where the latter calculates the cumulative total return assuming Bitcoin was held continuously for four years starting from the initiation of each drawdown period.

Drawdown starts	Days until market bottom	Days until market recovery	Drawdown	4yr forward return
December 19, 2017	360	1071	−83%	172%
January 7, 2014	372	1085	−80%	1,072%
November 10, 2021	376	849	−77%	–
April 16, 2021	95	186	−53%	–
September 5, 2021	9	37	−31%	844%
January 5, 2017	6	47	−28%	3,080%
March 7, 2017	17	49	−25%	4,359%
June 7, 2017	37	54	−25%	1,171%
January 11, 2021	16	28	−23%	–
February 22, 2021	4	16	−18%	–

Source: Bloomberg Bitcoin Spot Price. Drawdowns calculated from daily returns. 4Yr Forward Return calculates the cumulative total return if bitcoin was held four years beginning at the start of each drawdown. Dashes in the 4Yr Forward Return column indicate that four years have not yet passed since the beginning of that drawdown. **Past performance is not indicative of future results.**

Source: BlackRock

Current State of Affairs: What is a Blockchain?

The Core Innovation: Solving the Database Problem

To understand blockchain technology, it's helpful to start with a familiar example. When you use PayPal to send money, the transaction appears instantaneous. This speed is possible because PayPal operates as a "walled garden" – a single, centralized database that controls every account. When you send $100 to a friend, PayPal can instantly verify you have the funds and haven't tried to send the same $100 to multiple people.

Traditional banking systems are slow because they rely on thousands of separate databases that communicate and verify transactions with each other. When writing a check, your friend's bank must check with your bank to ensure sufficient funds – a process that can take days.

> "Think of blockchain as PayPal without PayPal and open to the world."

Blockchain represents a breakthrough solution: What if we could have one database that's available everywhere in the world, that everyone can see into, that updates in real time, that is always accurate, but which is not controlled by any single party? Think of blockchain as "PayPal without PayPal and open to the world." This solves a fundamental computer science problem that has been debated in academic literature for decades at institutions like MIT and Stanford.

Core Principles and Components

Decentralization: Power is distributed across a network of participants (nodes), eliminating single points of failure and reducing operational costs while enhancing security.

Immutability: Once data is recorded on the ledger, it cannot be altered or deleted, creating a permanent, tamper-proof record of all transactions.

Transparency: All transactions are recorded on a public ledger visible to all participants, fostering trust and accountability.

Security: Advanced cryptographic algorithms protect every transaction, with each block cryptographically linked to the preceding one.

Key Components:

- *Distributed Ledger:* A decentralized database recording all transactions across the network
- *Peer-to-Peer Network:* Direct interaction among nodes without intermediaries
- *Consensus Mechanisms:* Protocols enabling nodes to agree on transaction validity (Proof of Work, Proof of Stake)
- *Nodes:* Individual devices maintaining copies of the distributed ledger
- *Cryptography:* Mathematical techniques protecting data through public/private keys, digital signatures, and hash functions

Security Metrics and Real-World Performance

The security of blockchain networks like Bitcoin is maintained through vast computational resources. Bitcoin's hash rate reached 818 exahashes per second in Q1 2025,[14] representing computing power equivalent to 700+ quintillion calculations per second. One estimate of the cost to attack the Bitcoin network for one hour suggested between $5 billion and $20 billion, making Bitcoin the most secure financial network ever created.[15]

This extraordinary security is demonstrated through real-world performance comparisons. While Bank of America's international wire transfer takes 1-2 business days with fees of 1-4% to send $10,000 to London, the Bitcoin blockchain recently processed a $1 billion transaction in 10 minutes with less than $2 in fees.[16]

Why Bitcoin is Revolutionary: Three Fundamental Breakthroughs

Bitcoin enables three capabilities that were previously impossible in digital systems:

1. Money Moving at Internet Speed

Bitcoin allows financial goods to move at the speed of the internet with instant settlement. This addresses a fundamental inefficiency: while you can have a stuffed elephant delivered from Amazon in hours, it takes days to move $10,000 across the country through traditional banking systems.

2. Programmable Money

Once money becomes native to the internet, it can be programmed like software. Much of traditional financial services consists of if-then statements dressed up in suits with high fees. A trust agreement ("give $1 million to my son when he turns 30") is essentially two if-then statements that can be executed automatically through smart contracts. This capability has enabled decentralized finance (DeFi) applications like Uniswap, which operates without employees, offices, or CEO, yet processes over $80 billion in monthly trading volume with perfect execution.[17] This demonstrates how programming money like software can disrupt financial services similarly to how Amazon disrupted retail.

3. Digital Property Rights

Blockchain creates the possibility for true digital ownership without relying on third parties. Historically, digital property (strings of ones and zeros) was trivially easy to copy. We solved this by trusting centralized databases to track ownership. Blockchain enables ownership of digital property without relying on any third party to vouch for ownership. This breakthrough explains why Christie's could auction its first digital art piece for $69 million – not because digital art is new (it's existed for 40 years), but because blockchain finally enabled true ownership of digital assets.[18]

Network Growth and Adoption Patterns

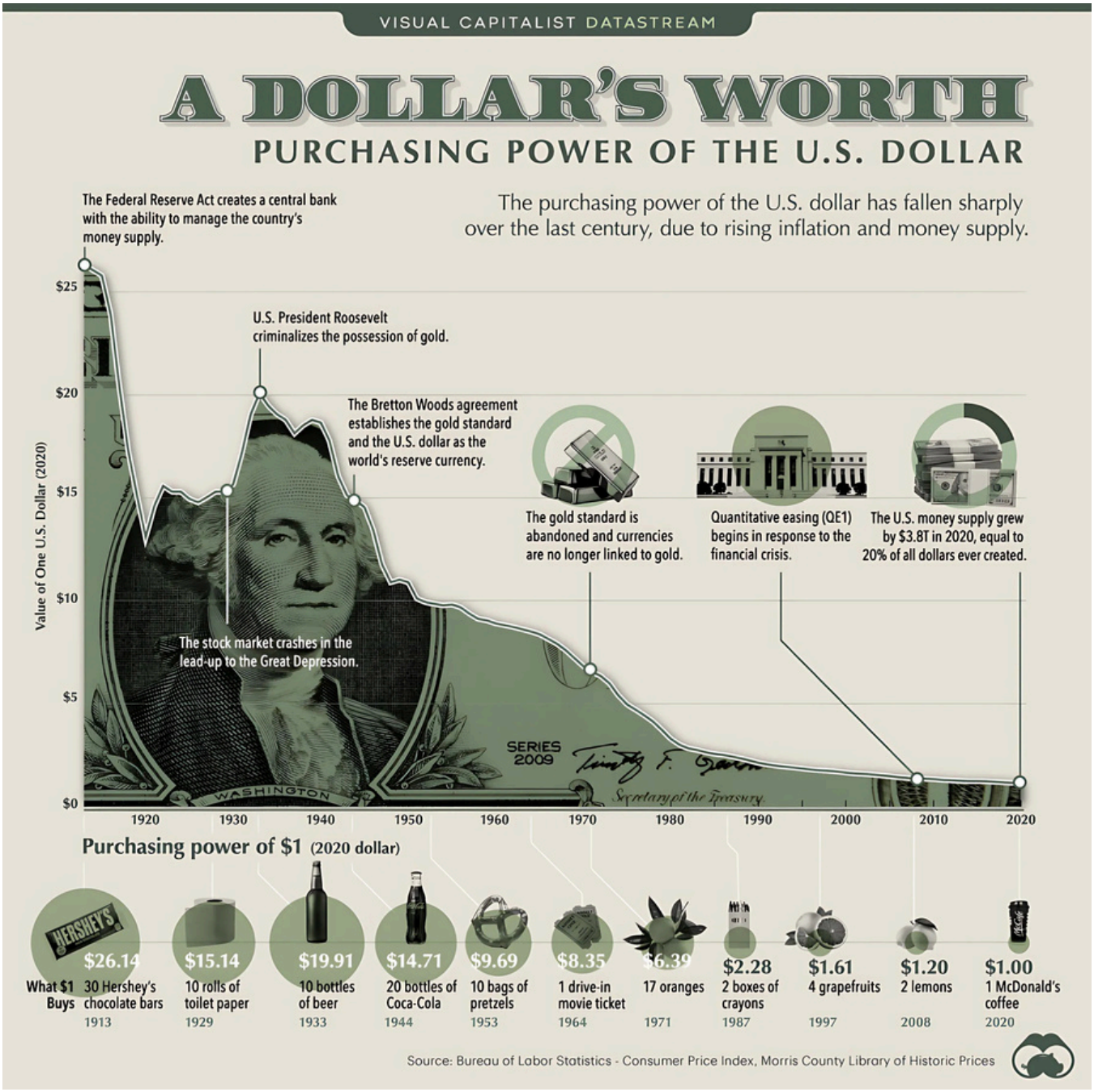
Bitcoin has grown from a single node in 2009 to a global network processing $8.7 billion daily in on-chain transaction value in 2024, according to Glassnode Insights.[19] Individual ownership dominates Bitcoin's distribution, with 69.4% of supply held directly by individuals rather than institutions, reflecting Bitcoin's core ethos of financial sovereignty.[20]

The percentage of Bitcoin supply last active more than three years ago reached an all-time high exceeding 46% in 2024,[21] indicating Bitcoin's evolution from speculative trading vehicle to long-term store of value. This "HODLer" behavior reduces available supply in circulation and contributes to network security.

Comparison with Traditional Systems

Bitcoin offers several advantages over traditional financial systems:

- **Self-Custody:** Individuals can directly control their funds without counterparty risk
- **Debasement Protection:** Fixed supply provides a hedge against monetary debasement (since the Federal Reserve creation in 1913, the U.S. Dollar has lost almost 97% of its purchasing power.) [22]
- **Censorship Resistance:** Permissionless transactions without fear of blocking
- **Global Payments:** Near-instantaneous transfers anywhere with minimal fees



DEBANKED: Canada Freezes on Hundreds of Accounts Tied to Canadian Trucker Protests

The Canadian Freedom Convoy protests of 2022 provide a stark illustration of why Bitcoin's censorship resistance properties matter for financial sovereignty. When Prime Minister Justin Trudeau invoked Canada's Emergencies Act to end the trucker protests in Ottawa, authorities gained sweeping powers to freeze the financial accounts of protesters and organizers without court orders. Over 219 "financial products" were frozen, including bank accounts containing 3.8 million Canadian dollars, while 253 Bitcoin addresses were shared with cryptocurrency exchanges for potential action.

Protest organizer Tamara Lich found herself completely locked out of the traditional financial system, able to access only 5,000 Canadian dollars for bail before being denied release entirely. [23]

This episode demonstrates how quickly access to traditional financial services can be revoked, even for non-violent civil disobedience in a democratic nation with strong rule of law. While authorities eventually lifted the freezes after protesters dispersed, the precedent established—that bank accounts can be frozen based on political activities rather than criminal convictions—highlights the systemic risk inherent in centralized financial systems. Bitcoin's decentralized, permissionless architecture would allow individuals to maintain access to their wealth even when traditional financial institutions are compelled by governments to restrict access.

Join Us in San Francisco | The Evolution of Digital Assets From The Frontlines

Our July 23rd conference features Co-founder and CEO of Bitwise Asset Management Hunter Horsley. Bitwise is one of the largest cryptocurrency asset management firms in the US.

Since founding the company in November 2016, Hunter has helped build Bitwise into a leading platform offering both index and active investment strategies across ETFs, separately managed accounts, hedge fund solutions, and private funds. Under his leadership, Bitwise has grown to serve over 1,800 client firms and teams, focusing primarily on partnerships with financial advisors and investment professionals.

This conversation will provide context around the institutionalization of Crypto and Digital Assets as an asset class. Crypto is having a moment with even BlackRock now recommending a 2% bitcoin allocation in investor portfolios, a significant endorsement from the world's largest asset manager. Few companies have been at the forefront of crypto's transition speculative oddity to legitimate portfolio asset allocation within traditional investment frameworks.

Join us in San Francisco as we explore Crypto and Digital Assets

Registered members will receive a Google Calendar invite to this event, which includes Google Maps information for getting to the venue on July 23rd. You can view event details and RSVP guests via our website. For more details, please email: concierge@meetperry.com

Strategic Drivers: Size of Market, Institutional Adoption & Investment Landscape

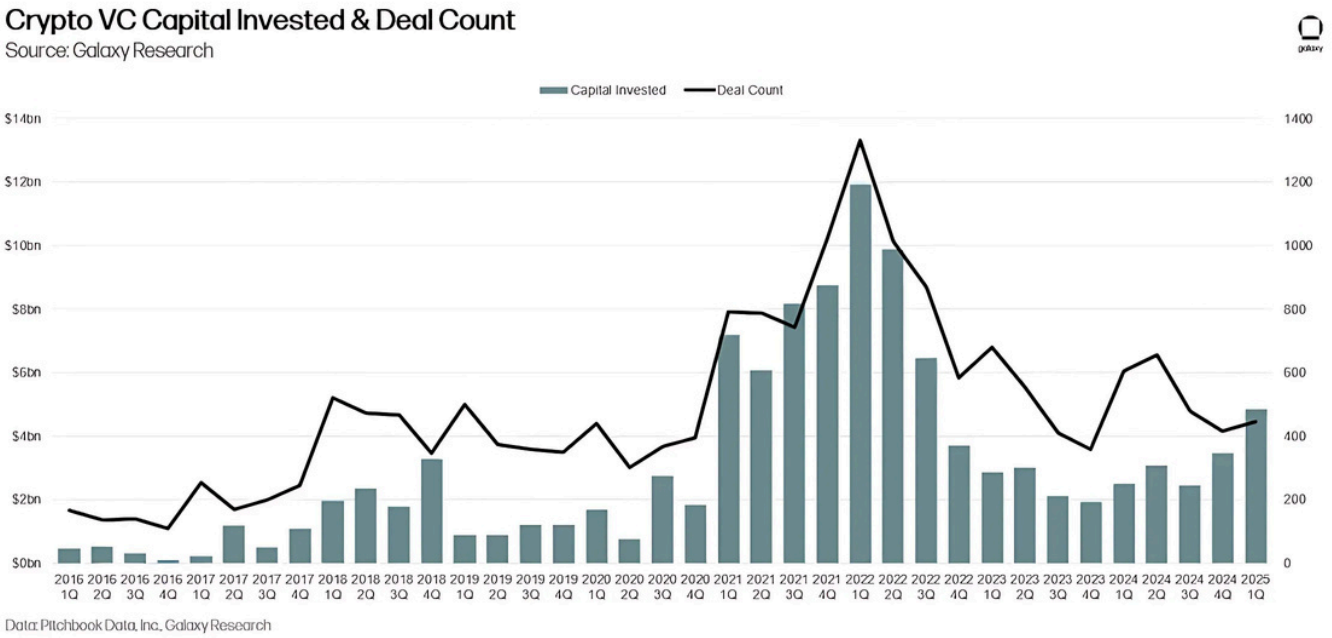
The digital asset landscape has evolved into a sophisticated investment ecosystem offering multiple pathways for exposure, each with distinct risk-return profiles tailored to different investor objectives and constraints. Understanding these approaches requires recognizing that digital assets represent both an emerging asset class and a technological infrastructure play, creating investment opportunities that span traditional categories.

Investment Approach Framework

Modern digital asset investing has crystallized around four primary strategies that mirror traditional finance while incorporating the unique characteristics of blockchain-based assets. **Beta strategies** have emerged as the dominant institutional approach, with over 220 blockchain and crypto ETPs globally commanding more than $140 billion in combined assets under management.[24] These passive vehicles provide systematic exposure to top crypto assets by market capitalization, offering familiar fund structures that institutional investors can easily integrate into existing portfolio management workflows. The success of spot Bitcoin and Ethereum ETFs—attracting unprecedented inflows and achieving record-breaking launch metrics—demonstrates institutional appetite for regulated, professionally managed crypto exposure without the operational complexity of direct ownership.

Active investment strategies have simultaneously grown more sophisticated, with crypto hedge funds increasingly adopting traditional financial instruments and techniques. The sector's maturation is evident in the dramatic shift toward derivatives trading, with 58% of traditional hedge funds trading in digital asset derivatives in 2024 compared to just 38% in 2023.[25] This evolution reflects institutional investors applying familiar risk management tools to digital assets, while 78% of crypto funds now incorporate stablecoins as liquidity management tools.[26]

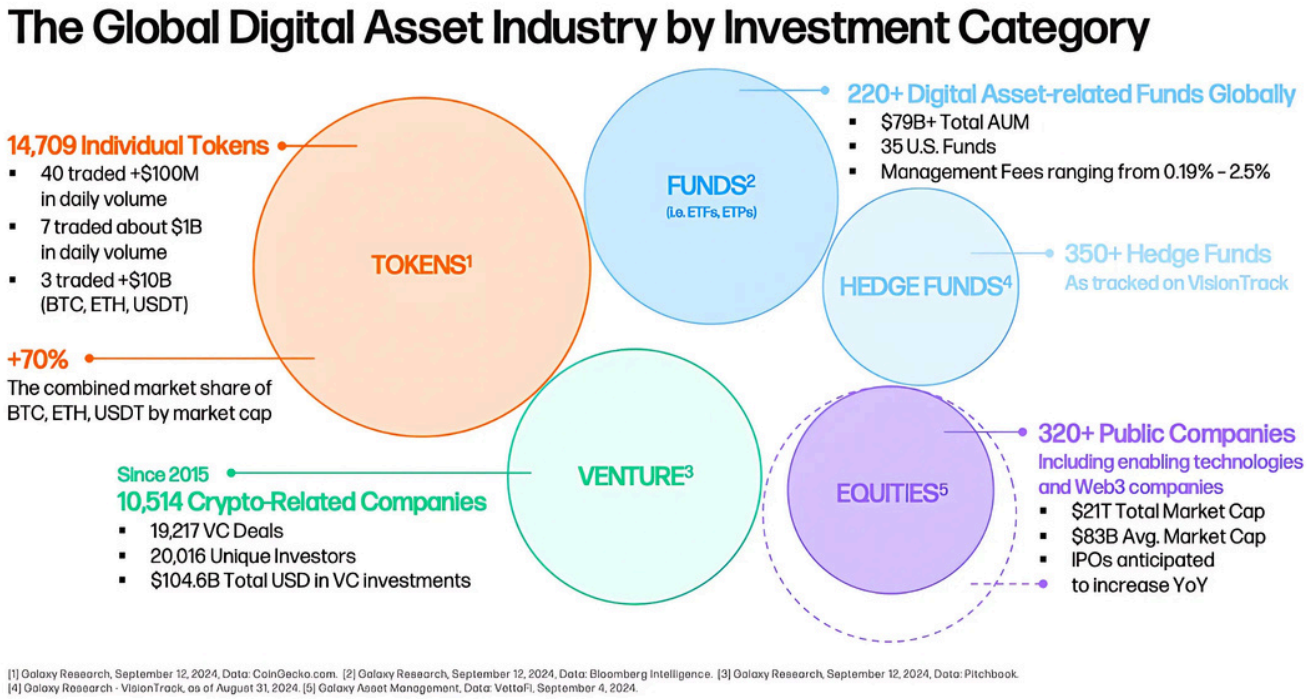
The **venture approach** represents perhaps the most dynamic segment, with the crypto venture landscape having deployed over $100 billion across more than 12,000 deals since 2017.[27] Unlike traditional venture capital, crypto VC often involves investments in tokens and protocols alongside equity stakes, potentially offering faster liquidity when tokens trade publicly. According to Galaxy Digital, for the totality of 2024 venture capitalists invested $11.5 billion into crypto and blockchain-focused startups across 2,153 deals—a 15% year-over-year increase despite broader market volatility.[28]



The Block reports that early-stage activity has been particularly robust, with pre-seed deals reaching an all-time high of 1,101 transactions, suggesting continued innovation at the foundational level.[29] Infrastructure investments dominated the sector with $5.3 billion deployed across 584 deals,[30] while emerging narratives like AI x Crypto attracted over $1 billion in private market investment, according to Messari.[31]

Digital Asset Categories and Market Structure

The digital asset universe has differentiated into distinct categories that serve different economic functions and investment purposes.

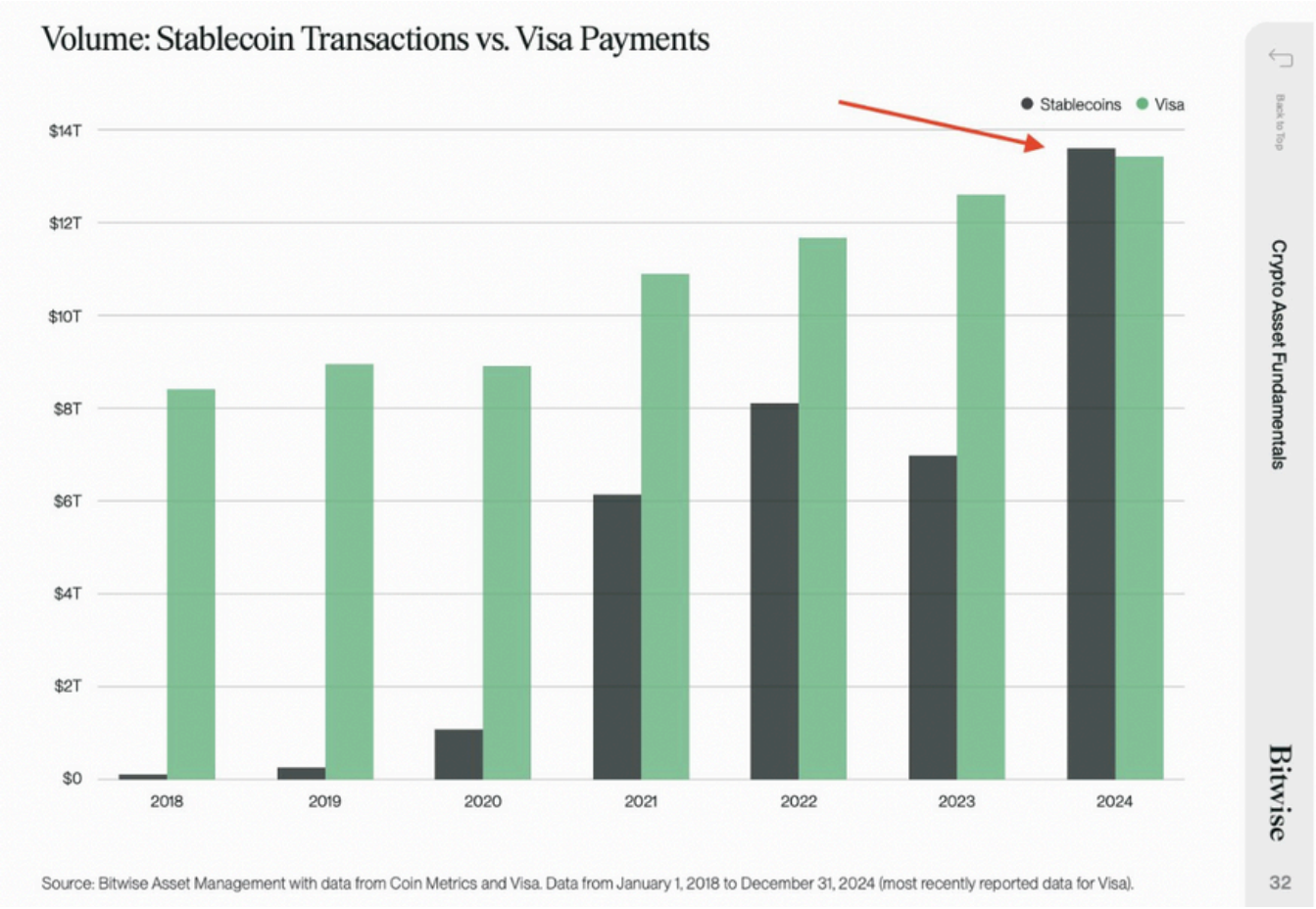


[1] Galaxy Research, September 12, 2024, Data: CoinGecko.com. [2] Galaxy Research, September 12, 2024, Data: Bloomberg Intelligence. [3] Galaxy Research, September 12, 2024, Data: Pitchbook. [4] Galaxy Research - VisionTrack, as of August 31, 2024. [5] Galaxy Asset Management, Data: VettaFi, September 4, 2024.

Core cryptocurrencies led by Bitcoin and Ethereum continue to dominate market capitalization and institutional attention, with Bitcoin maintaining greater than 60% market dominance[32] as the primary store of value asset, while Ethereum serves as the foundational infrastructure for programmable finance. Alternative Layer 1 blockchains like Solana and Avalanche have carved out significant market positions by optimizing for different technical trade-offs, creating a multi-chain ecosystem where various networks coexist and serve specialized use cases.

Specialized asset categories have emerged to address specific market needs and regulatory requirements. Stablecoins have $218 billion in circulation, processing about $13.5 trillion in total transaction volume in 2024.[33] This marks the first time stablecoin volume surpassed Visa's annual total, as stablecoins have become the backbone of digital commerce and cross-border payments, combining cryptocurrency benefits with traditional asset stability. In a sign of the times, stablecoin issuer **Circle** (CRCL), the company behind the stablecoin USDC, debuted on the New York Stock Exchange on June 6, 2025. The stock traded as high as $123.49, nearly four times its $31 offer price and valuing the company at north of $32 billion on a fully diluted basis.

DeFi tokens provide governance and utility access to decentralized financial protocols, while Layer 2 solutions offer scaling capabilities for primary blockchains. Infrastructure tokens enable interoperability and development tools, creating investment exposure to the foundational technology layer supporting the broader ecosystem.

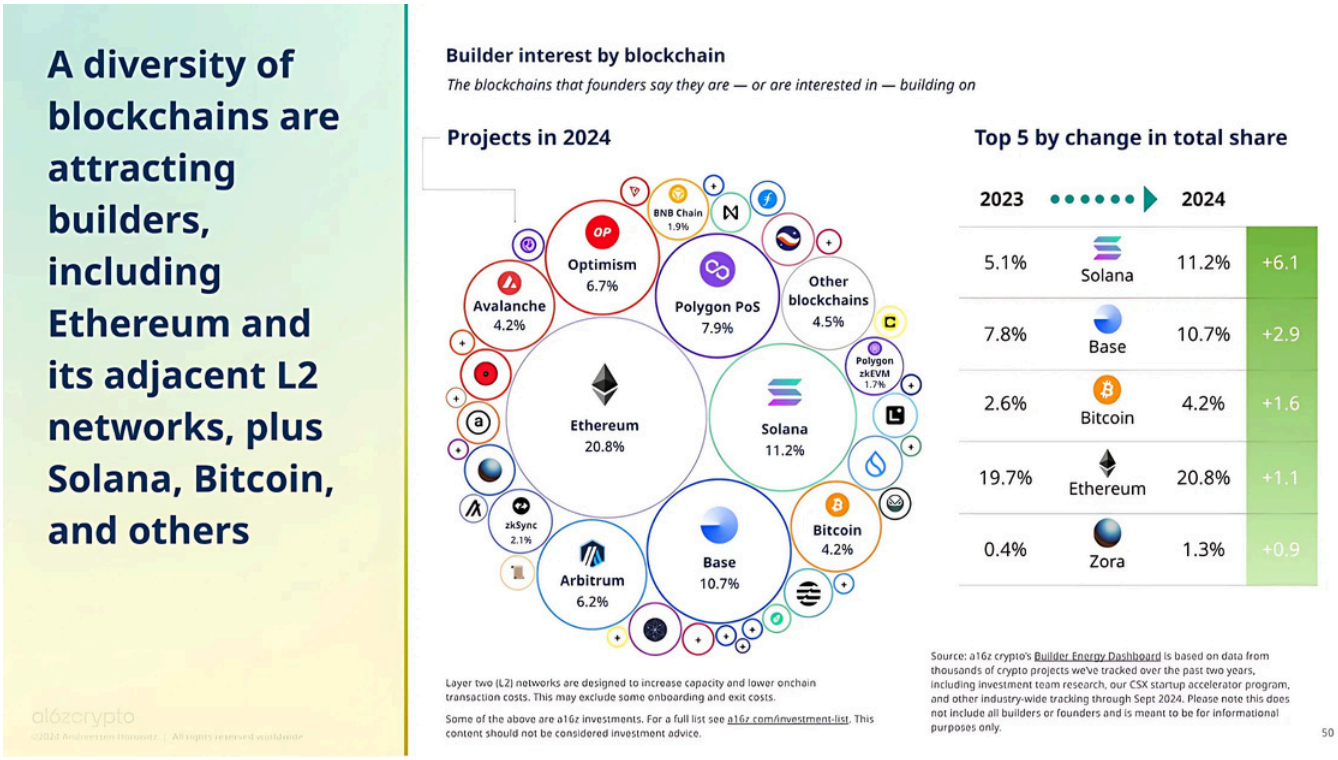


Application-specific tokens represent the intersection of blockchain technology with real-world use cases, from gaming assets that have attracted the largest share of crypto use case venture investment to NFTs that establish unique digital property rights. “Real-world asset tokens” (i.e. traditional assets wrapped in a blockchain-ready token) are creating new markets for tokenized treasuries, real estate, and traditional financial instruments, while privacy coins serve users requiring enhanced transaction anonymity.

Market Activity and Developer Momentum

Current market activity demonstrates a shift toward high-throughput, scalable blockchain networks that can support mainstream applications. Solana leads network activity with approximately 100 million active addresses,[34] followed by NEAR Protocol's 31 million and Base's 22 million active addresses—notable considering Base launched only recently as Coinbase's Layer 2 solution. This activity distribution reflects market demand for blockchain infrastructure that can handle significant transaction volume without prohibitive costs.

Developer interest, a leading indicator of ecosystem growth, shows Ethereum maintaining leadership with 20.8% of builder attention while newer networks like Solana have doubled their developer share to 11.2% since 2023. Base's rapid growth to 10.7% developer interest highlights the importance of institutional backing and user-friendly infrastructure in attracting development talent. This diversification of developer activity across multiple networks suggests a mature ecosystem with co-existing blockchains, each optimized for specific use cases.[35]



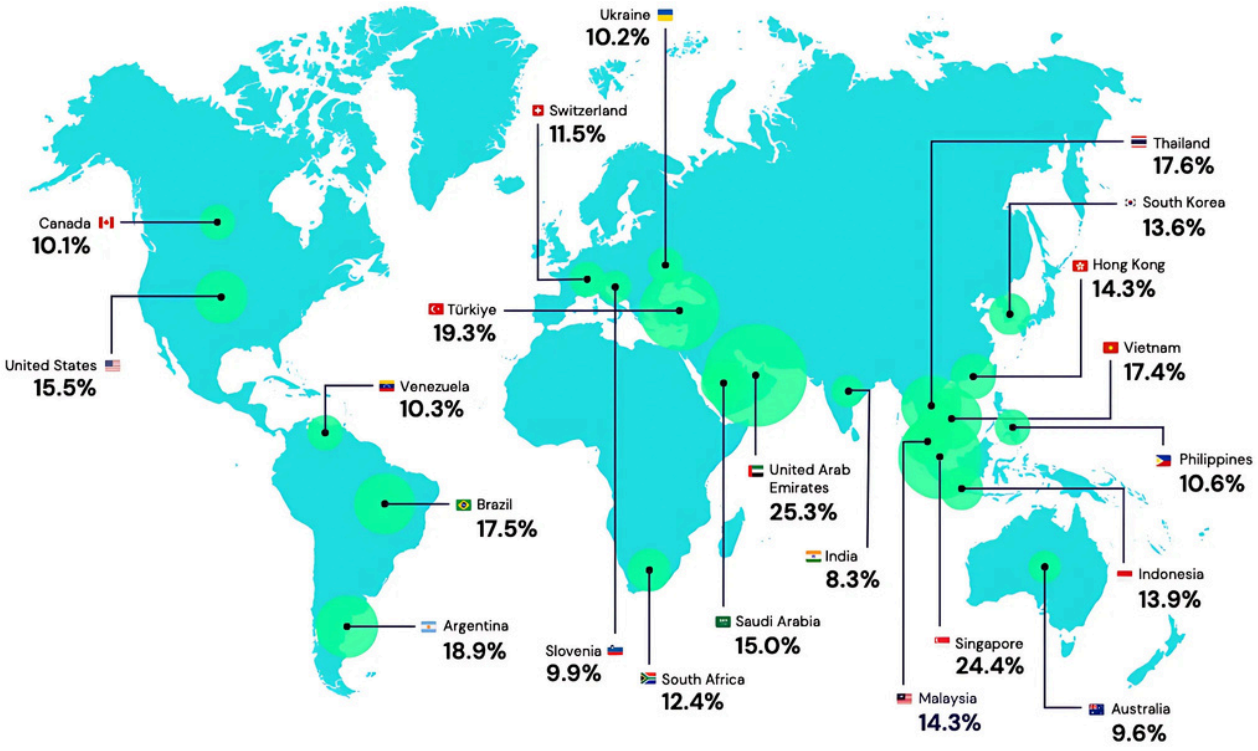
The convergence of institutional adoption, technological maturation, and regulatory clarity has created an investment landscape where digital assets can be approached through familiar

investment frameworks while capitalizing on the unique properties of blockchain-based systems. For sophisticated investors, this evolution provides multiple entry points that can be tailored to specific risk tolerances, investment horizons, and portfolio objectives.

Size of Market and Institutional Adoption: Market Capitalization and User Growth

The total cryptocurrency market capitalization reached approximately $3.5 trillion in May 2025, with Bitcoin dominance rising to over 60%. The global crypto market includes approximately 562 million users worldwide, representing about 6.8% of the global population.[36]

Top 30 Countries with the Highest Cryptocurrency Ownership Rate in 2024



Source: Triple-A: "The State of Global Cryptocurrency Ownership in 2024"

ETF and Institutional Vehicle Growth

U.S. Spot Bitcoin ETFs: Launched in January 2024, these vehicles have total assets of $122 billion.[37] According to Bloomberg's Eric Balchunas, in December 2024, spot Bitcoin ETFs held 1.1 million Bitcoin, more than even the Bitcoin held by the cryptocurrency's pseudonymous founder Satoshi Nakamoto.[38]

HOLDER	BITCOIN HELD
US Spot ETFs	1,104,534
Satoshi Nakamoto	1,100,000
Binance	633,103
Strategy	402,100
U.S. Government	198,109
Chinese Government	194,000
Bitfinex	184,027
Kraken	158,959
Block One	164,000
Robinhood	142,261

Record-Breaking Launch: Spot Bitcoin ETFs attracted over $4 billion on their first trading day, making them the most successful ETF launch in history. BlackRock's IBIT achieved the fastest growth to $10 billion (49 days) in ETF history.[39]

Ethereum ETFs: Launched in July 2024, Ethereum related ETFs have attracted more than $11 billion in assets under management, though with less dramatic inflows relative to Bitcoin ETFs.

Corporate Treasury Adoption

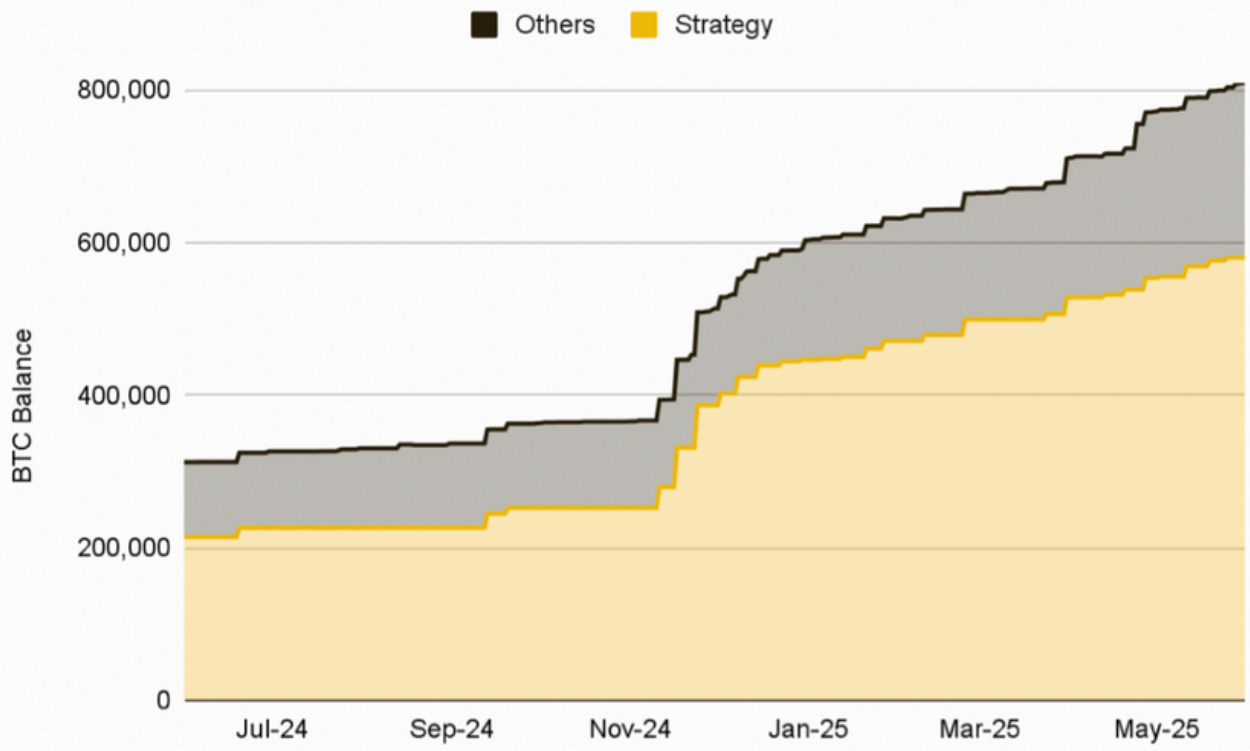
Binance Research reports that 116 public companies now hold bitcoin in their corporate treasuries, collectively owning 809,100 BTC by the end of May 2025. This marks a dramatic increase from the 312,200 BTC held in corporate reserves just one year earlier.

The pace of adoption has accelerated notably since early April, with companies adding nearly 100,000 BTC to their holdings. More than 25 companies have announced new bitcoin positions during this period, driving average monthly purchases above 40,000 BTC throughout the year.

Recent corporate adopters include Trump Media, Nakamoto, GameStop, and PSG. Despite this growing diversification, Michael Saylor's Strategy continues to dominate the landscape, representing 71.7% of all corporate bitcoin holdings.[40]

Bitcoin's Growing Footprint in Corporate Treasuries

Figure 6: Public company Bitcoin holdings have reached 809.1K BTC across 116 firms



Source: Bitcoin Treasuries, Binance Research
As of May 31, 2025

US Strategic Bitcoin Reserve: A Strategic Shift in American Policy

The United States made history in March 2025 by establishing a Strategic Bitcoin Reserve and United States Digital Asset Stockpile through an Executive Order signed by President Trump on March 6.[41] This groundbreaking initiative represents a significant shift in how the nation approaches digital assets and monetary policy, positioning America to potentially become a global leader in cryptocurrency adoption. Further legislative action may be needed to permanently codify the reserve and address legal and practical challenges, as executive orders can be rescinded by subsequent presidents and questions remain like "How will the government acquire bitcoin for the reserve?" And, "How will the government secure its holdings?" among others.

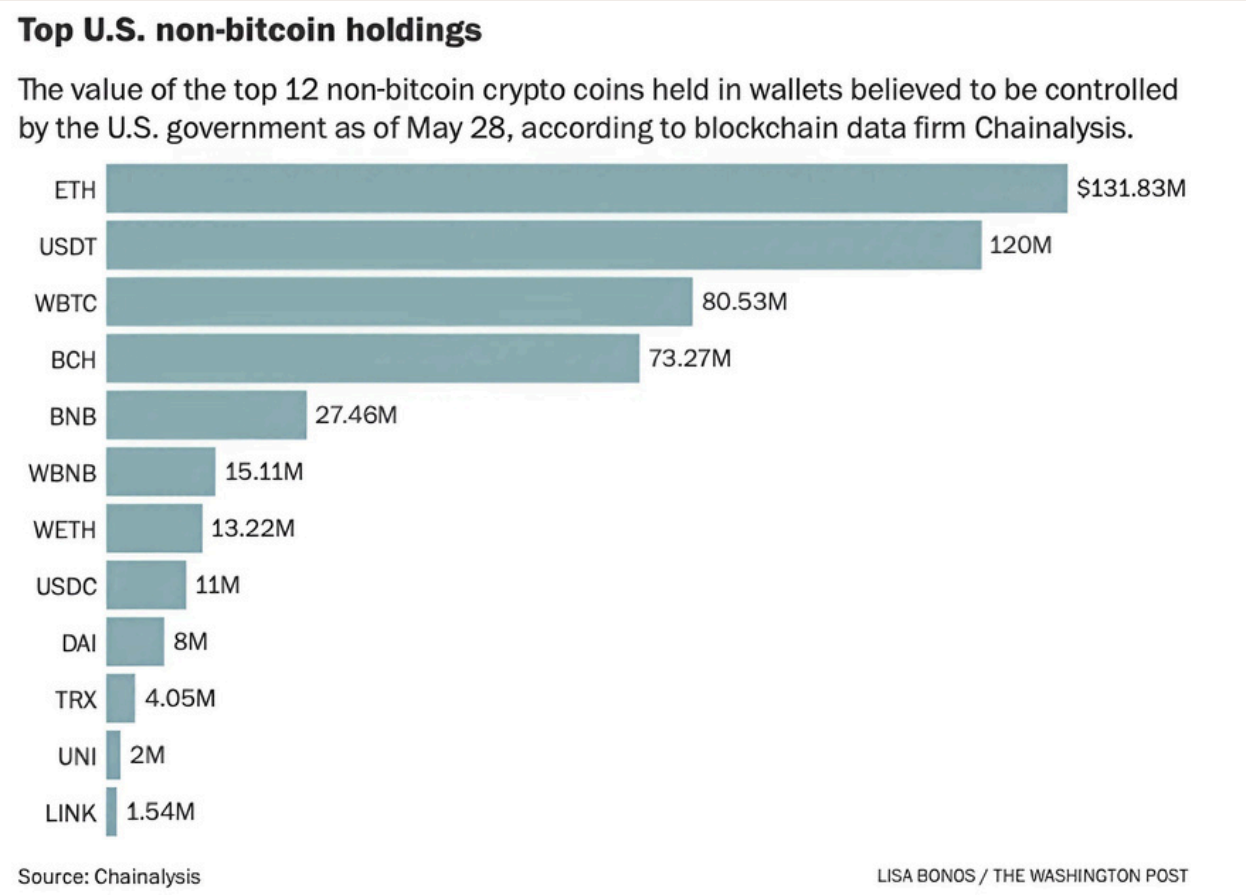
Foundation and Current Holdings

Blockchain analytics company Chainalysis analyzed cryptocurrency wallets believed to belong to the U.S. government for The Washington Post. By tracking transactions linked

to these wallets, the firm calculated the government's bitcoin holdings and identified its top 20 digital assets as of May 13.

According to Chainalysis, the United States holds approximately $20.9 billion worth of cryptocurrency in its top 20 digital assets as of 3 p.m. Eastern on May 28. This includes $20.4 billion in bitcoin and roughly $493 million in other cryptocurrencies. These digital assets were seized from various criminal activities, including theft, fraud, and transactions on dark web marketplaces.[42]

Critically, the Executive Order mandates that these Bitcoin holdings "shall not be sold," treating them as strategic national assets comparable to gold reserves or nuclear stockpiles.



Legislative Groundwork

The reserve's establishment built upon earlier legislative efforts, particularly Senator Cynthia Lummis's "Bitcoin Act" introduced in July 2024. This proposed legislation outlined an ambitious framework including a 1-million-unit Bitcoin purchase program designed to acquire approximately 5% of the total Bitcoin supply. The act emphasized creating a decentralized network of secure Treasury-operated vaults with the highest levels of physical and cybersecurity, while affirming private citizens' self-custody rights.[43]

Political Momentum and Vision

President Trump's administration has demonstrated strong commitment to making America the "crypto capital of the planet" and a "bitcoin superpower."[44] This vision extends beyond mere asset accumulation to preventing the sale of Bitcoin seized in criminal cases and treating digital assets as national treasures. The administration's pro-cryptocurrency stance, supported by favorable positioning in the White House, House, Senate, and cabinet, has created unprecedented political momentum for digital asset adoption (with nearly 300 pro-crypto lawmakers in the House and Senate, according to Stand With Crypto).[45]

Market Impact and Global Implications

While the initial announcement disappointed some market participants hoping for immediate large-scale Bitcoin purchases, industry analysts view this development as strategically significant. The reserve's establishment could compel other nations, particularly China, to reconsider their cryptocurrency policies, potentially accelerating global adoption.

Challenges and Future Outlook

Despite strong political backing, the initiative faces potential legal constraints regarding what assets the Federal Reserve can hold on its balance sheet. However, the regulatory attitude shift represents a watershed moment for cryptocurrency adoption. Several states, including Pennsylvania, Michigan, Wisconsin, and Florida, have begun exploring or implementing their own Bitcoin reserve strategies,[46] suggesting broader governmental acceptance of digital assets as legitimate reserve instruments.

This strategic pivot positions the United States at the forefront of a potential global transformation in how nations approach digital asset reserves and monetary policy.

Institutional Investment Trends

According to a 2025 survey, 44% of institutional investors categorize cryptocurrency as its own distinct asset class, acknowledging its role in portfolio diversification. Notably, 68% view crypto as offering the biggest opportunity for attractive risk-adjusted returns over the next three years, ahead of U.S. equities (40%) and private equity (38%).[47]

According to Fidelity's research, 67% of institutional investors view digital assets as having a role in investment portfolios, with 28% believing it should be part of alternative asset allocation and 30% suggesting it should be an independent asset class. Regional differences are notable,

with European and Asian institutions reporting more acceptance than U.S. counterparts (44% of U.S. survey respondents suggested digital assets "shouldn't be part of a portfolio" versus just 29% making the same selection in Europe and 18% in Asia).[48] Meanwhile, according to PwC's 2024 survey, 47% of hedge funds already have exposure to digital assets.[49]

The "Bitwise/VettaFi 2025 Benchmark Survey of Financial Advisor Attitudes Toward Crypto Assets" survey was conducted in December 2024 and provides a glimpse into the growing adoption of digital assets by RIAs. According to the results, the financial advisor community is also increasingly recognizing Bitcoin's portfolio benefits, with 67% "believing the price of Bitcoin will be higher in one year than today," and 79% believing it will be higher by 2030. Financial advisors who reported allocating to crypto in client accounts doubled from 11% to 22% between 2023 and 2024, reflecting growing comfort with the asset class. Nearly half (49%) of advisors personally own crypto assets—up from 34% in 2023—and virtually all advisors (99%) currently allocating to crypto plan to maintain or increase their exposure in 2025.[50]

This institutional adoption cascade—from early crypto-curious moves to full product integration—demonstrates the asset class's transition from speculative experiment to legitimate portfolio component, providing the infrastructure and regulatory comfort that sophisticated investors require.

History of Institutional Adoption

The institutional adoption of cryptocurrencies by major financial institutions represents one of the most significant legitimization events in digital asset history, accelerating dramatically over the past several years:

Early Institutional Pioneers (2020-2021): PayPal broke ground in October 2020 by allowing customers to buy, hold, and sell Bitcoin, Ethereum, Bitcoin Cash, and Litecoin, followed by enabling crypto payments to merchants in March 2021. JPMorgan Chase, despite CEO Jamie Dimon's earlier skepticism, quietly began offering Bitcoin exposure to private wealth clients in July 2021 and launched JPM Coin for institutional settlement. Tesla made headlines in February 2021 with its $1.5 billion Bitcoin purchase, briefly accepting Bitcoin payments before suspending them due to environmental concerns.

Banking Sector Integration (2021-2024): Goldman Sachs began offering Bitcoin derivatives to institutional clients in 2021 and expanded into Ethereum trading in 2022. Bank of New York Mellon announced digital asset custody services in February 2021, while Northern Trust and State Street followed with similar offerings. Morgan Stanley started providing Bitcoin fund access to wealth management clients in March 2021, initially requiring $2 million minimum investments. Wells Fargo began offering

cryptocurrency investment products to wealthy clients in mid-2021. Most recently, traditional brokerages like Charles Schwab, TD Ameritrade, and E*Trade have integrated cryptocurrency trading capabilities, making digital assets accessible through familiar investment platforms used by millions of Americans.

The ETF Watershed Moment (2024): The approval of spot Bitcoin ETFs in January 2024 marked the definitive institutional breakthrough. BlackRock's IBIT achieved the fastest growth to $10 billion in ETF history (49 days), while the collective launch attracted over $4 billion on the first trading day—the most successful ETF launch ever recorded. Fidelity, Invesco, VanEck, and other major asset managers simultaneously launched competing products. This was followed by spot Ethereum ETF approvals in July 2024, with BlackRock, Fidelity, and Bitwise again leading the charge.

Generational Adoption Divide

Cryptocurrency ownership shows stark generational differences, with Millennials (37%) and Gen Z (26%) having dramatically higher adoption rates than Baby Boomers (9%).[51] This generational gap suggests increasing future demand as younger investors accumulate wealth and gain greater influence over global capital allocation.

A Gemini survey conducted between May and July 2024 found that Gen Z adults (18-29) lead crypto adoption, with over half (51%) of global respondents in this demographic reporting current or past ownership of cryptocurrency. This is significantly higher than the 35% reported by the general population. In the U.S., 51% of Gen Z respondents owned or had owned cryptocurrency, compared to 49% of Millennials (born 1981-1996) and 29% of Gen X (born 1965-1980).[52]

Bankrate's Financial Security Index found 49% of Millennials reported comfort with cryptocurrency investing compared to just 22% of Baby Boomers. This comfort level difference impacts both direct investing and support for institutional allocation to the asset class across different demographic groups.[53]

This demographic trend is particularly significant when considered alongside the upcoming generational wealth transfer. Baby Boomers and older generations account for only one-third of the US adult population but collectively hold two-thirds of US household wealth ($96 trillion).

Over the next two decades, Cerulli Associates estimates that $84.4 trillion is set to be transferred from Baby Boomers and older generations to younger generations, with $73.6 trillion (87%) going to heirs and $11.9 trillion (13%) to charities.[54]

Coldwell Banker estimates that by 2030, Millennials will hold five times as much wealth as they

did at the start of the decade, largely due to inherited assets.[55] This rapid wealth accumulation will occur alongside Millennials' significantly higher propensity to invest in cryptocurrency compared to older generations.

If the Great Wealth Transfer were to occur today, an estimated incremental $160-225 billion would flow into crypto markets based on the greater acceptance rates of digital assets by younger generations. This projection applies the 3.5-5.0x higher adoption rates for younger generations over Baby Boomers to the estimated crypto wealth currently held by older generations. This wealth transfer's impact may result in $20-28 million of daily incremental buying pressure for crypto markets over the next 20 years.[56]

Investment Barriers

PwC/AIMA's 2024 report identifies regulatory uncertainty as the top concern for 45% of traditional hedge funds considering digital asset investments. Investment mandate restrictions present another primary obstacle, preventing many institutions from participating despite potential interest.[57] Meanwhile, market infrastructure limitations, particularly in prime brokerage services (33% of traditional hedge funds) and banking rails (31% of crypto funds), continue to impede broader institutional adoption despite significant improvements in recent years.[58]

50% of financial advisors cited regulatory uncertainty as the top barrier to cryptocurrency investment according to the 2025 Bitwise/VettaFi Survey.[59] This finding highlights that regulatory clarity, rather than inherent skepticism about the asset class itself, remains the primary obstacle to broader professional adoption.

Regulatory clarity is emerging. In addition to the President Trump's Executive Order to establish a Bitcoin Strategic Reserve, the new administration has signaled a much more crypto-friendly approach with the appointment new SEC Chairman Paul Atkins, who in his fourth day in office, criticized the previous administration's enforcement-heavy approach and pledged to establish "clear regulatory rules of the road" for digital assets.

The SEC replaced the restrictive SAB 121 accounting guidance with SAB 122, allowing financial institutions to use existing accounting standards for crypto custody and potentially encouraging more traditional banks to enter the digital asset space. In May 2025, the Office of the Comptroller of the Currency (OCC) added banks are free to engage in cryptoasset custody and execution services as long as activities are carried out in a safe, sound and legal manner.[60]

And finally, as of this writing (June 8, 2025), there are two bills in the House and Senate:

- The Digital Asset Market Clarity Act also known as the **House's market structure bill**. The bill aims to divide oversight between the SEC and CFTC. CFTC would take the lead on the regulation of digital commodities and oversee several new types of entities, while the SEC would retain jurisdiction over investment contracts involving digital commodities.[61]

- **The GENIUS Act** (Guiding and Establishing National Innovation for U.S. Stablecoins Act) was recently passed by the Senate with bipartisan support. It now moves to the House of Representatives for consideration. Introduced by Senator Bill Hagerty in February 2025, the GENIUS Act establishes a federal licensing and supervisory framework for payment stablecoins in the United States, requiring issuers to be federally or state-regulated entities that maintain full 1:1 backing with U.S. dollars or high-quality liquid assets. The legislation creates a dual regulatory system where stablecoin issuers with over $10 billion in market cap must be federally regulated, while smaller issuers can choose state regulation if it meets federal standards, and explicitly clarifies that stablecoins are payment instruments rather than securities.[62]

Both bills are a strong signal of the crypto industry's long-awaited regulatory clarity.

Emerging Public Market Options

Direct Equity Exposure

Galaxy Digital (GLXY): Galaxy is a global leader in digital assets and data center infrastructure, delivering solutions that accelerate progress in finance and artificial intelligence (AI).

Coinbase (COIN): Leading cryptocurrency financial services provider included in the S&P 500, providing regulated exposure to crypto trading activity, along with custody, commerce and staking. The company's diversified revenue streams and strong financial position ($8.5 billion cash, $2.8 billion crypto investments) offer resilience during volatile periods.

MicroStrategy (MSTR): Now rebranded as "Strategy™," this company has delivered nearly double Bitcoin's performance since initiating its Bitcoin strategy in 2020. The stock provides leveraged exposure to Bitcoin while maintaining enterprise software operations.

Crypto Industry ETFs

Bitwise Crypto Industry Innovators ETF (BITQ): Provides exposure to companies generating majority revenue from crypto business activities, with over $200 million in assets across 31 holdings including leading crypto companies.

Mining & Infrastructure Companies

Public Bitcoin miners like Marathon Digital (MARA), Riot Platforms (RIOT), and Core Scientific (CORZ) offer exposure to Bitcoin's fundamental economics. The sector saw strong performance in 2024, with the sector averaging 70% returns.

New Frontiers: Crypto & Emerging Technologies

Crypto x AI Integration

The integration of AI with Web3 ecosystems creates powerful synergies. AI agents equipped with crypto wallets can execute autonomous financial transactions, while blockchain provides transparent, auditable decision-making processes for AI systems.

Key Developments:

- 34% of crypto projects now utilize AI (up from 27% a year ago) [63]
- Total market cap of AI-related protocols grew from $5 billion to over $60 billion in 2024 [64]
- Over $1 billion invested in AI x Crypto projects in 2024 [65]
- Bittensor established itself as the "Bitcoin of AI" with over $4 billion market cap [66]

Decentralized Physical Infrastructure Networks (DePIN)

DePINs tokenize real-world infrastructure, creating decentralized alternatives to traditional centralized services

Leading DePIN examples include:

Decentralized Wireless Networks: Projects like Helium allow users to earn tokens by running hotspot nodes that provide low-power IoT or 5G connectivity, reducing costs for enterprise devices while distributing value to node operators. Helium's wireless network is creating a decentralized alternative to traditional telecommunications infrastructure.

Storage and Compute Platforms: Filecoin, Akash, and Render Network reward users for contributing disk space, processing power, or GPU rendering resources. Filecoin's network utilization shows consistent growth since early 2022.

Edge and Sensor Networks: Tokenized sensor networks like WeatherXM and DIMO enable individuals to collect and monetize environmental, location, or industrial data in a decentralized manner. DIMO has integrated with Tesla vehicles for data collection and management.

Energy and Resources: Emerging DePINs in the energy sector are tokenizing solar power generation, EV charging, or microgrids, aiming to decentralize energy infrastructure and reward green contributions.

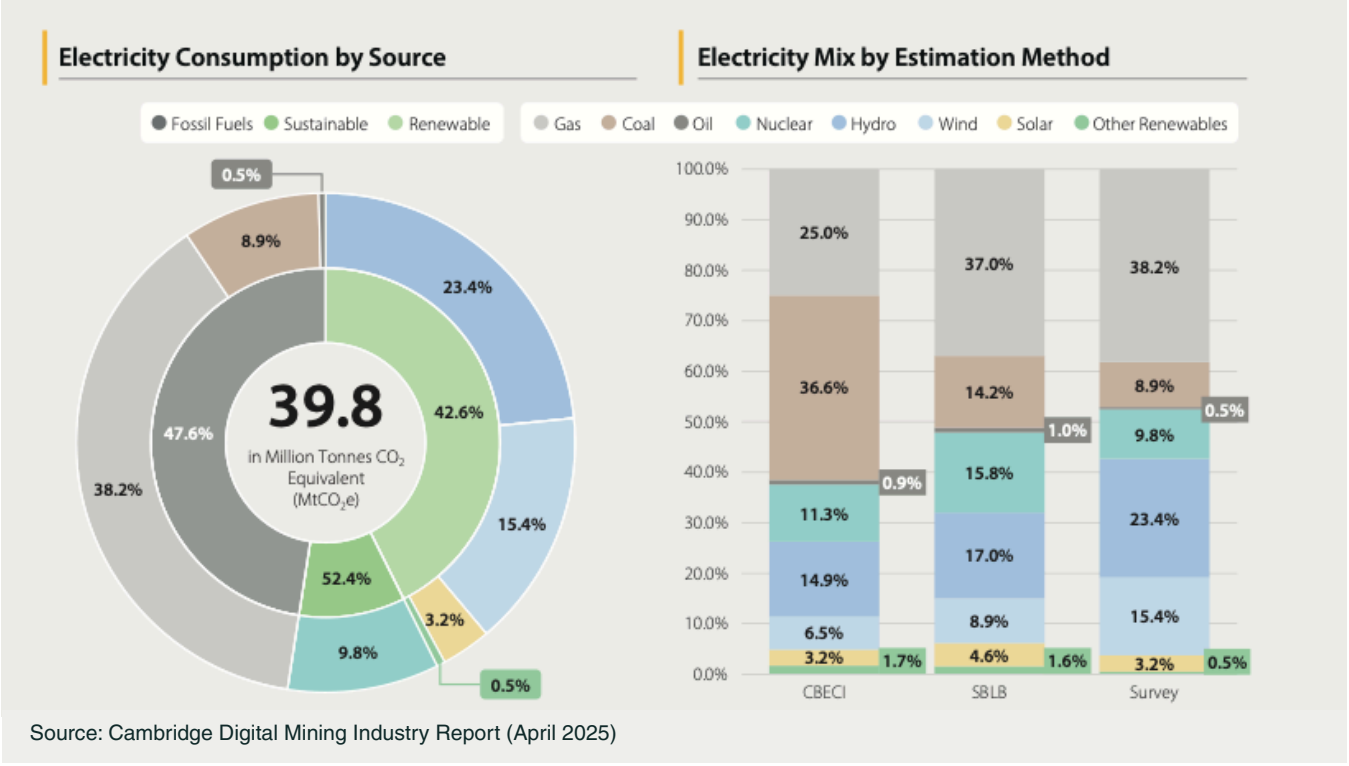
The DePIN model represents one of the most promising applications of crypto economic systems to real-world problems, creating incentive structures that can rapidly bootstrap physical infrastructure without centralized coordination or funding.

The market capitalization of Decentralized Physical Infrastructure Networks (DePIN) surged 132% year-over-year to exceed $40 billion. Early-stage funding for DePIN projects increased by 326% compared to 2023, reflecting venture capital's growing confidence in the sector. [67]

According to a World Economic Forum report, “DePIN today encompasses digital infrastructure such as wireless networks, computing resources, sensor networks, energy systems and transport platforms. Currently valued at $30-50 billion with over 1,500 active projects worldwide, this relatively new sector is projected to grow to $3.5 trillion by 2028, signalling its increasing importance in the broader technology landscape.” [68]

Energy and Sustainability Solutions

Bitcoin mining operations increasingly utilize renewable energy sources, with approximately 50-60% of mining electricity coming from sustainable sources.[69] The industry is pioneering grid stabilization capabilities and repurposing underutilized power infrastructure. Energy consumption concerns are being addressed through efficiency improvements and the transition of major networks like Ethereum to Proof-of-Stake consensus, which reduced energy consumption by 99.9%.



Source: Cambridge Digital Mining Industry Report (April 2025)

The Investment Opportunity: Why Digital Assets Now?

Portfolio Integration: Bitwise's Statistical Case for Digital Asset Allocation [70]

The question for sophisticated investors is not whether digital assets have produced impressive returns - this is well documented - but rather how these assets behave within diversified portfolios and what allocation frameworks optimize risk-adjusted performance. The results below are summarized from Bitwise's report entitled, "Bitcoin's Role in a Traditional Portfolio," a comprehensive statistical analysis revealing that digital assets, particularly Bitcoin, significantly enhance traditional investment strategies when properly implemented.

The Power of Asymmetric Contributions

The most compelling evidence for digital asset allocation comes from rolling period analysis across different time horizons. When examining three-year holding periods since 2014, Bitcoin has contributed positively to traditional 60/40 portfolio returns in 100% of instances, with a median contribution of 13.38 percentage points for just a 2.5% allocation. This consistency stems from Bitcoin's high potential returns and relatively low correlation with traditional assets, creating what portfolio theorists call "asymmetric upside."

The statistical evidence becomes even more compelling when considering implementation details. A modest 2.5% Bitcoin allocation would have improved cumulative returns from 96% to 148% over the January 2014 to December 2024 period while increasing portfolio volatility by merely 40 basis points—from 8.49% to 8.89%. Clearly, the diversification benefits of uncorrelated returns can more than offset the volatility concerns that often dominate discussions about crypto allocation. As time horizons shorten, success rates remain impressive: 98% positive contribution over two-year periods and 75% over one-year periods, though the latter suggests that crypto allocation requires patience and long-term perspective.

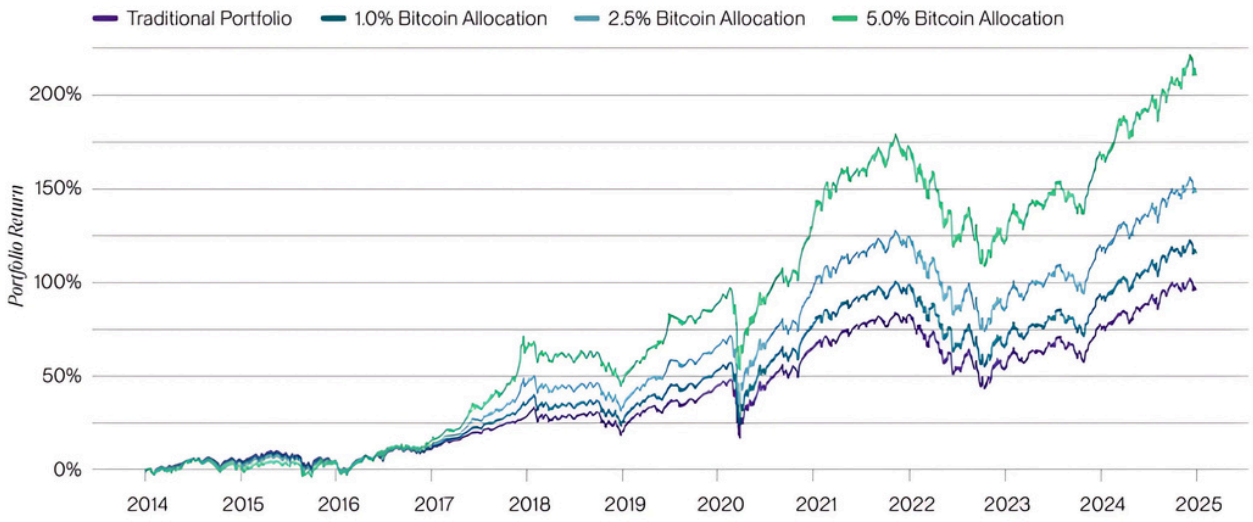
The Critical Role of Rebalancing and Position Sizing

Portfolio implementation details matter enormously when incorporating volatile, high-return assets like Bitcoin. Rebalancing frequency represents a crucial trade-off between capturing upside potential and controlling risk. Quarterly rebalancing has emerged as the optimal strategy. Monthly rebalancing proves overly conservative, while annual rebalancing or no rebalancing can result in crypto positions growing to uncomfortable levels during bull markets.

Position sizing analysis reveals a clear "sweet spot" allocation between 1-5%, providing meaningful portfolio enhancement without unacceptable risk increases. Below 2.5%, the allocation impact remains minimal on both portfolio volatility and maximum drawdown metrics. Above 5%, diminishing returns become evident as Sharpe ratio improvements level off while maximum drawdown impacts accelerate.

Figure 1:

Traditional Portfolio With and Without Quarterly Rebalanced Bitcoin Allocations



Source: Bitwise Asset Management with data from Bloomberg. Data from December 31, 2013 to December 31, 2024.

Past performance does not predict or guarantee future results. Nothing contained herein is intended to predict the performance of any investment. There can be no assurance that actual outcomes will match the assumptions or that actual returns will match any expected returns. Historical performance of sample portfolios has been generated and maximized with the benefit of hindsight. The returns do not represent the returns of an actual account and do not include the fees and expenses associated with buying, selling, and holding funds or crypto assets. Performance information is provided for informational purposes only.

Table 1:

Portfolio Performance Metrics (Assuming Quarterly Rebalancing)

Portfolio	Cumulative Return	Annualized Return	Volatility (Annualized Std. Dev.)	Sharpe Ratio	Maximum Drawdown
Traditional 60/40 Portfolio	96.00%	6.32%	8.49%	0.434	22.07%
Traditional Portfolio + 1.0% Bitcoin	115.67%	7.25%	8.59%	0.538	22.73%
Traditional Portfolio + 2.5% Bitcoin	148.09%	8.62%	8.89%	0.674	23.72%
Traditional Portfolio + 5.0% Bitcoin	210.63%	10.87%	9.74%	0.846	25.35%

Source: Bitwise Asset Management with data from Bloomberg. Data from December 31, 2013 to December 31, 2024.

Past performance does not predict or guarantee future results. Nothing contained herein is intended to predict the performance of any investment. There can be no assurance that actual outcomes will match the assumptions or that actual returns will match any expected returns. Historical performance of sample portfolios has been generated and maximized with the benefit of hindsight. The returns do not represent the returns of an actual account and do not include the fees and expenses associated with buying, selling, and holding funds or crypto assets. Performance information is provided for informational purposes only.

Volatility Harvesting and Behavioral Advantages

Perhaps the most sophisticated aspect of crypto portfolio integration involves understanding volatility harvesting benefits—the counterintuitive phenomenon where volatile, uncorrelated assets can contribute positively to portfolio returns even during their own bear markets.

> “Disciplined rebalancing forces investors to systematically buy low and sell high.”

Analysis of Bitcoin's four major corrections (ranging from 60-83% drawdowns) demonstrates that 2.5% allocations became positive portfolio contributors significantly faster than Bitcoin itself recovered to previous highs.

This mechanism proves particularly valuable during market stress periods when traditional correlations often increase, reducing diversification benefits from conventional alternative investments. Disciplined rebalancing forces investors to systematically buy low and sell high, capturing value from volatility itself rather than relying solely on directional price movements.

The View From Galaxy Digital: Bitcoin’s Role in the Modern Portfolio [71]

Galaxy Digital calls Bitcoin as "digital gold for a digital world," highlighting its key characteristics including limited supply (capped at 21 million coins), non-sovereign status, immutability, and cryptographic security.

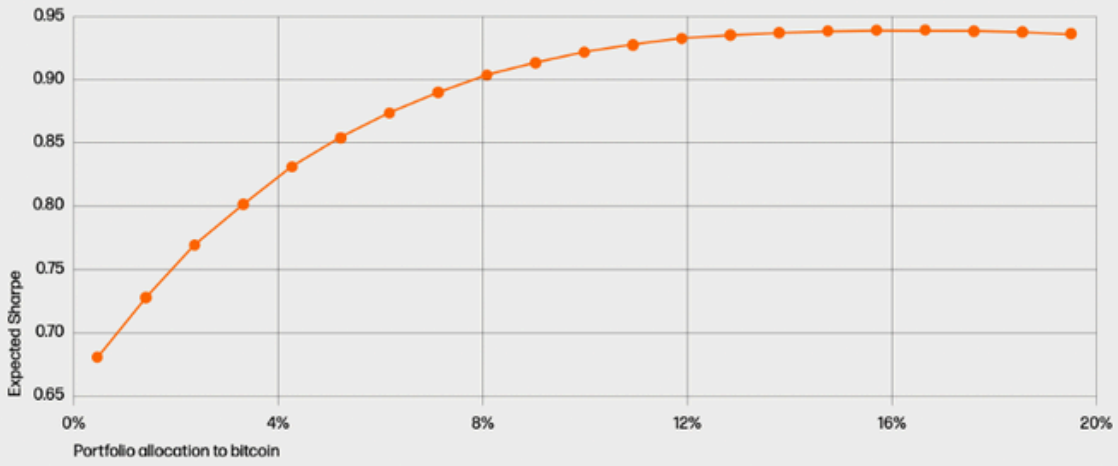
Unlike traditional assets, Bitcoin offers a price-inelastic supply that cannot be manipulated by governments or central banks. “Its store of value characteristics are forged from its public, predictable, and unchangeable monetary policy that offers a potential hedge from unexpected inflation,” the report explains.

From a portfolio construction perspective, Galaxy applies Modern Portfolio Theory to demonstrate Bitcoin's potential benefits for traditional investment portfolios. Despite its volatility, adding Bitcoin to a portfolio generally increases expected returns and improves risk-adjusted performance.

Galaxy’s analysis focuses on optimizing a portfolio’s Sharpe ratio - a ratio allows you to compare how much additional return you're getting per unit of risk taken.

"Our study shows the Sharpe ratio of a portfolio may be optimized somewhere near a 16% allocation to bitcoin," the report's authors write. "However, the strongest marginal improvement to a portfolio's Sharpe ratio appears to occur in the 1% to 2% range. This demonstrates that even a small percentage allocation to bitcoin in a portfolio may have an impact."

An allocation to bitcoin increases expected portfolio returns and optimizes sharpe[5]



5) Source: Galaxy Digital Research as of 3/31/2025.

The report emphasizes Bitcoin's historically low correlation (typically within +/-0.30) with major asset classes including stocks, bonds, currencies, and commodities, suggesting it could serve as an effective diversification tool and hedge against systemic financial risks.

"Over its 16-year history, bitcoin has demonstrated very low or even slightly negative correlation to most major global asset classes, including the S&P 500, Euro Stoxx 600, Nikkei 225, MSCI Index, US Agg Bond Index, Crude WTI, Gold, the DXY, EUR, and other emerging market currencies," the report's authors write. "While many see bitcoin mainly as a risk asset that is currently more correlated to equities, we believe that it will trade similarly to non-fiat stores of value like gold in a steady state."

Conclusion

The digital asset ecosystem has evolved from its cryptographic roots into a sophisticated market offering both investment opportunities and technological transformation potential. Digital assets represent a unique combination of:

Portfolio Enhancement: Historical analysis demonstrates consistent positive contributions to diversified portfolios when properly sized and rebalanced, with 100% success rate over three-year periods since 2014.

Asymmetric Return Profile: High potential returns with controlled downside through appropriate allocation sizing (1-5% range) and disciplined rebalancing strategies.

Diversification Benefits: Low correlation with traditional assets provides genuine portfolio diversification, particularly during normal market conditions.

Technological Exposure: Participation in transformative technologies including programmable money, digital property rights, and convergence of AI and physical infrastructure networks.

The appropriate way to gain exposure to crypto is unique to each individual. Investors should compare costs, security, ease of use, and how accurately each tracks bitcoin's price.

● Advantage ● Neutral ● Disadvantage

Type	Cost	Security	Ease of Use	Tracking
Direct Investment (Hardware Wallet)	●	●	●	●
Consumer App (Regulated Onshore Exchange)	●	●	●	●
Consumer App (Unregulated Offshore Exchange)	●	●	●	●
Private Fund	●	●	●	●
Separately Managed Account (SMA)	●	●	●	●
OTCQX-Traded Trust	●	●	●	●
Bitcoin Futures ETF	●	●	●	●
Spot Bitcoin ETF	●	●	●	●

Source: Bitwise Asset Management.

Key Implementation Principles According to Bitwise Research

- **Position Sizing:** Allocations in the 1-5% range to optimize risk-adjusted returns
- **Time Horizon:** Minimum 2-3 year horizon for optimal probability of positive outcomes
- **Rebalancing Discipline:** Quarterly rebalancing to capture volatility harvesting benefits
- **Vehicle Selection:** Choose exposure based on risk tolerance and investment objectives
- **Ongoing Education**: Stay informed about regulatory developments, technological advances, and market evolution

Future Outlook

The convergence of crypto with AI, decentralized infrastructure, and sustainable energy creates multiple vectors for continued innovation and value creation. As regulatory frameworks mature and institutional infrastructure develops, digital assets are likely to become increasingly integrated into professional portfolio management.

For sophisticated investors, the question is not whether to participate in this emerging asset class, but how to do so in a measured, disciplined manner that captures the substantial opportunities while managing the inherent risks. The frameworks, data, and analysis presented in this white paper provide the foundation for making informed allocation decisions in this transformative asset class.

The digital asset revolution is still in its early stages, and for meetperry members willing to approach it with appropriate sophistication and discipline, it represents one of the most compelling investment opportunities of our era.

Want to learn more about Crypto & Digital Assets

You can access all meetperry exclusive Crypto & Digital Assets content here or by scanning the QR code above.

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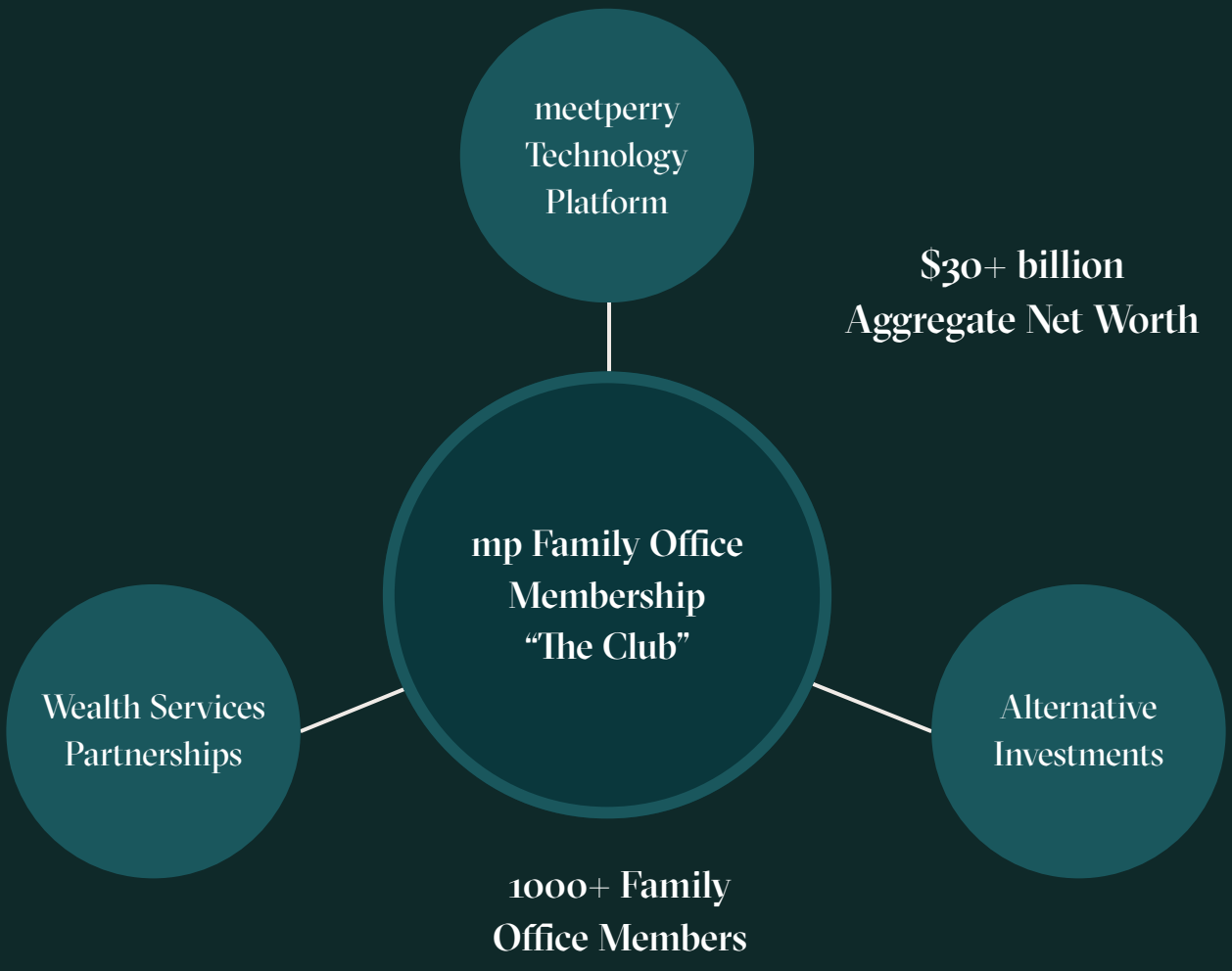
Our global membership is a vibrant and highly engaged community of like-minded, high net value individuals and their families that enrich each other's lives in the pursuit of our common mission. That mission is to work together to orchestrate opportunities and to share experiences that lead to greater fulfillment in wealth and in life.

The MP Select Funds are a family of multi-strategy, diversified thematic funds designed to provide holistic exposure to key emerging investable themes and trends identified by meetperry and its family office member experts.



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