



# Investors' Guide To Digital Assets



Canadian Securities Institute  
A Moody's Analytics Company

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# Meet The Presenters



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# 1. What are blockchain and digital assets?

# Blockchain is Digital Infrastructure

Physical



Transport

Information + Value

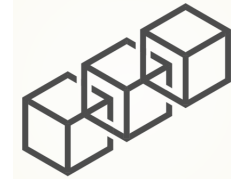
Digital



Transmit

Information

Digital



Transmit

Value

# Crypto is a Value Container

Information

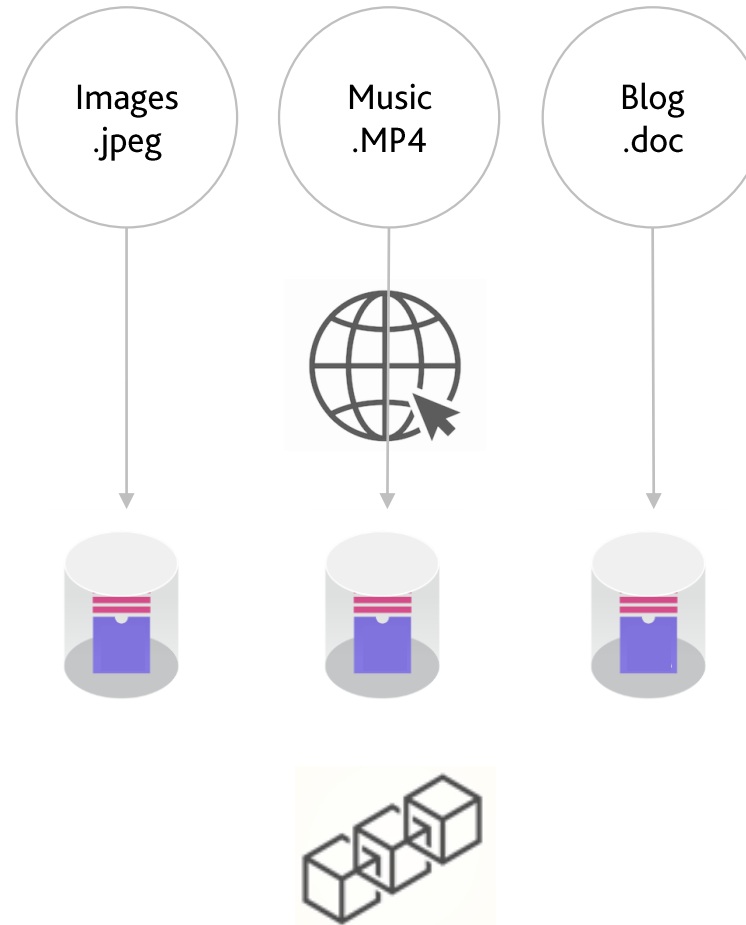
Content Layer

Transmission Layer

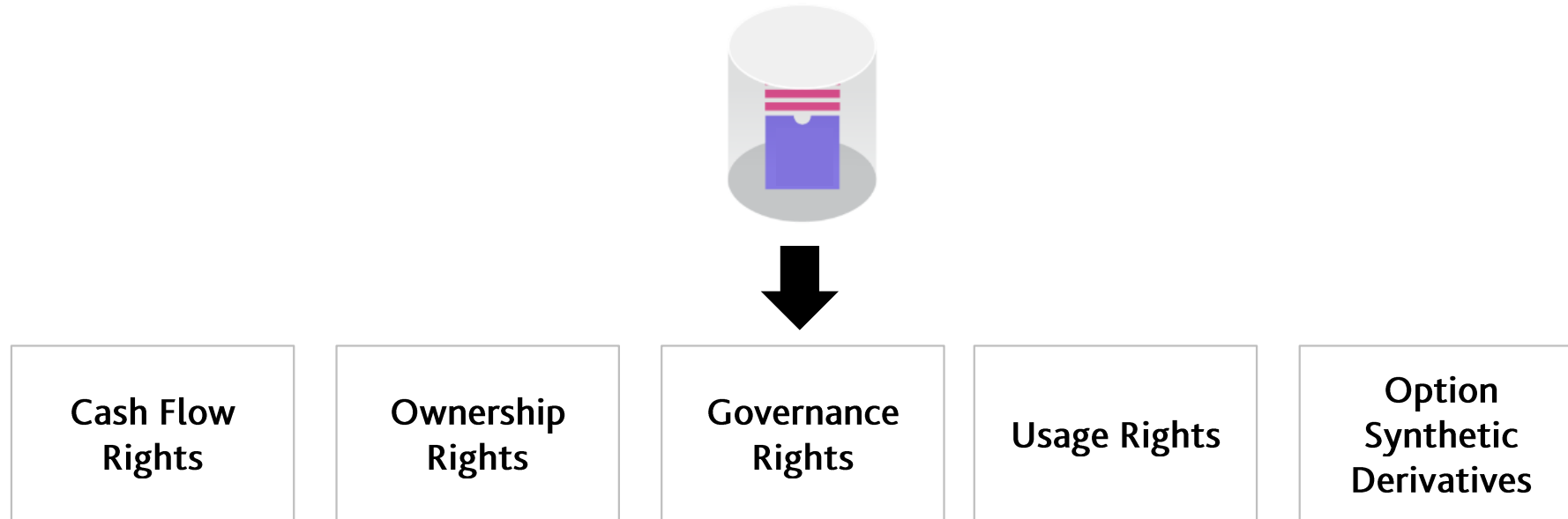
Value

Container Layer

Transmission Layer



# Crypto is a *Programmable* Value Container

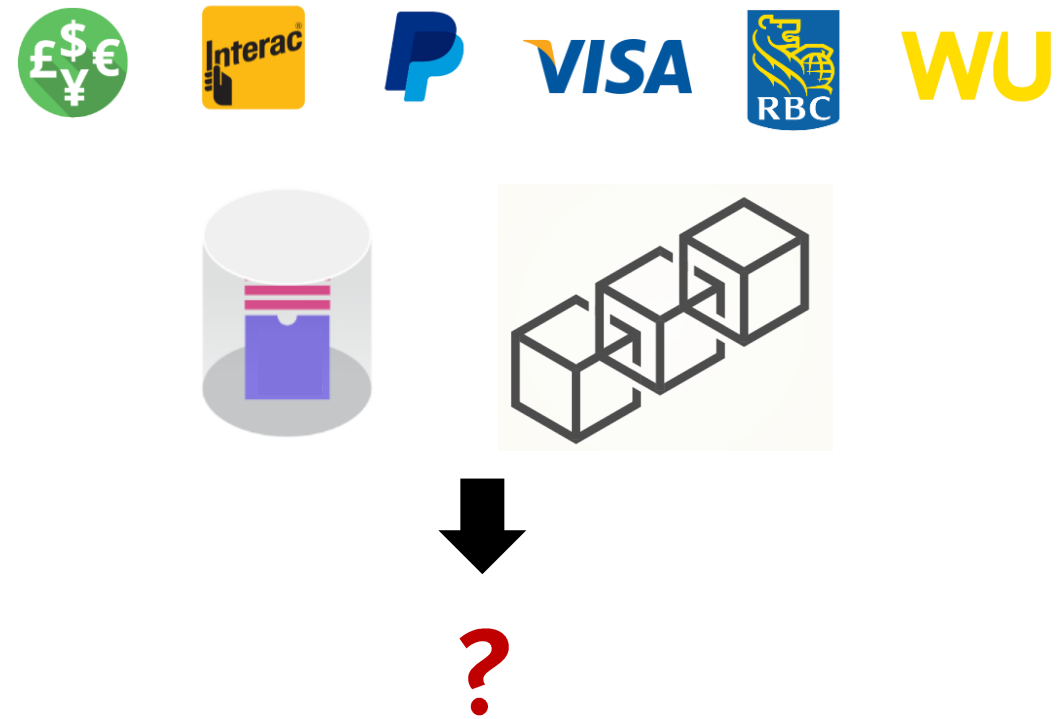


# Why does it matter? History as prologue

Internet Transformed Media  
(Transfer of Information)



Crypto + Blockchain Will Transform  
Financial Services (Transfer of Value)

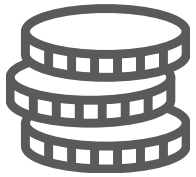




## 2. Why are blockchain and digital assets transformational?



# Why blockchain-based assets are transformative?



Digital scarcity



Separating money  
from state



Consensus on the state  
of a decentralized  
network



Permissionless  
innovations



Ethereum:  
Digital scarcity as a  
service

Automatic  
enforcement on an  
agreement



3. What should you consider before adding digital assets to your investment portfolio?

# Why Digital Assets for Investment?

Big Idea: Digital money that works transnationally without banks or governments

Value creation much like Google, for example:

- » Internet users are the Total Addressable Market
- » Based on software that can scale

Bitcoin is unique – it is a store of value, like gold

- » Should rise in price against inflation and 'money printing', like gold, real estate and other assets *with fixed or limited supply*

View other digital assets as businesses

Value drivers are network growth and technological innovation, different from most traditional assets which creates the potential for diversification due to low correlation.

# Over the past 10 years (Nov. 7, 2021 data)

Bitcoin, BTC: +2,092,923%

Tesla, TSLA: +18,725%

NVIDIA, NVDA: +8,742%

Netflix, NFLX: +4,798%

Domino's, DPZ: 1,758%

Amazon, AMZN: +1,512%

Microsoft, MSFT: +1,474%

Apple, AAPL: +1,126%

Google, GOOGL: +896%

S&P 500, SPY: +351%

Bonds, AGG: +34%

Gold, GLD:- 1%

Our goal as investors is to beat inflation in the long run. We want to grow the value of our asset portfolio faster than we lose purchasing power from inflation.

The common theme across these fantastic returns is **technology** (except Domino's, which is driven by deliciousness).

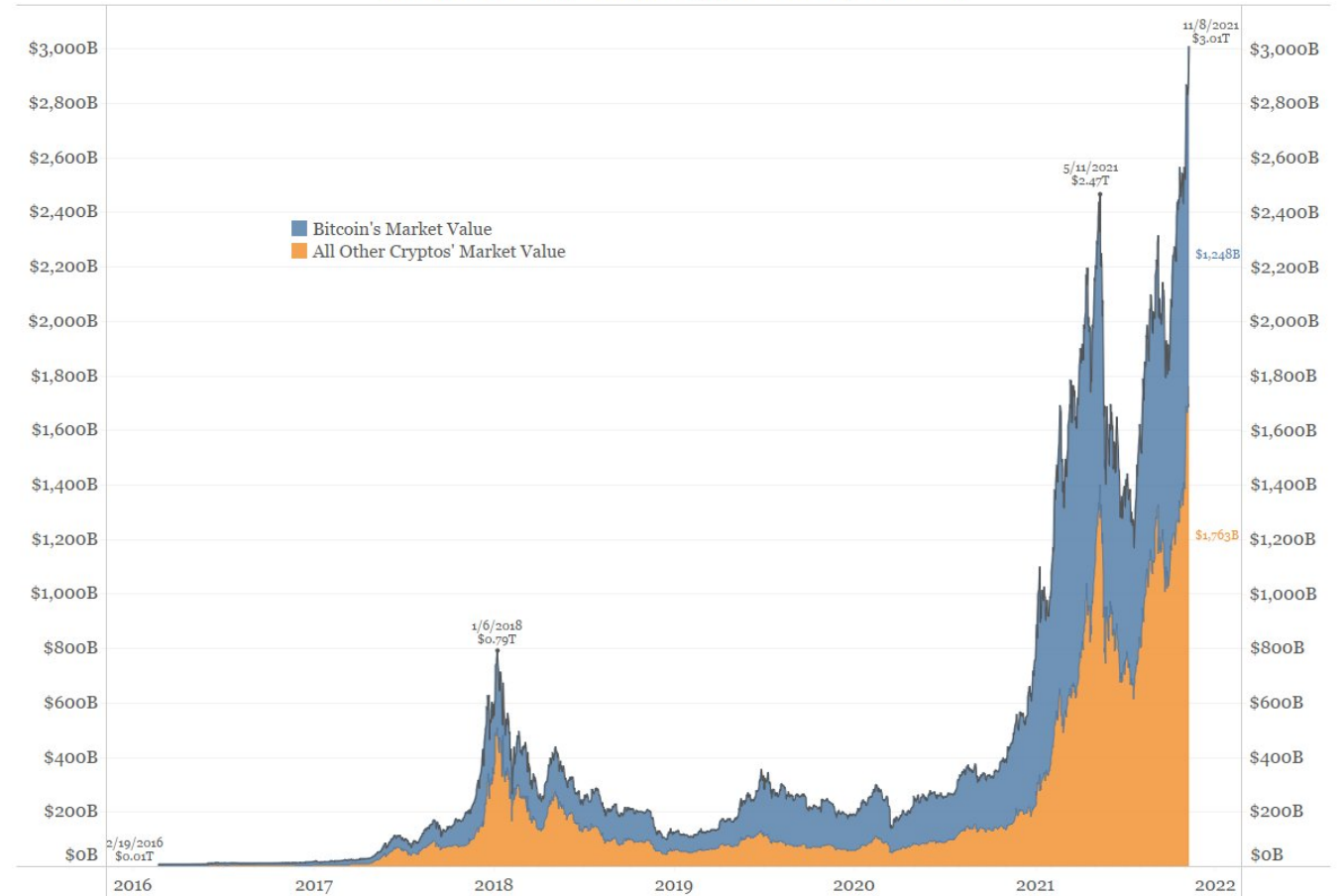
Bitcoin is delivered via the internet to anyone with a smartphone or computer. Its governance is robust and democratic. It has a unique platform for exchanging and storing value based on code and community.

# Value creation is undeniable

Since its early beginnings as a cryptographic nerd idea, bitcoin has accumulated great value as the world's understanding of it has increased.

On a return-to-risk measure it has been uniquely high for the last decade, despite very high volatility from a day to several years.

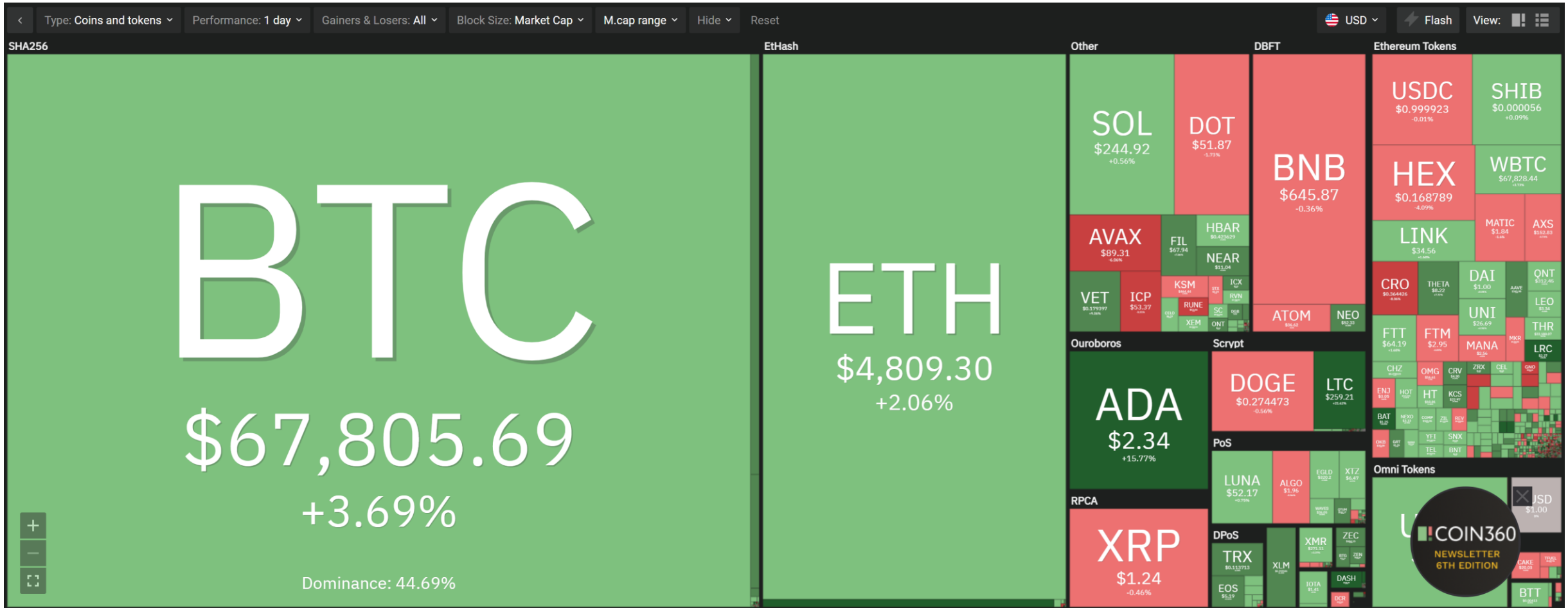
The Market Value of the Cryptocurrency Universe



Source: <https://coin.dance/>, CoinGecko

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<https://www.biancoresearch.com>

# Bitcoin is unique but there are many tokens



Data as of Nov. 9, 2021 from coin360.com

# Why *NOT* Digital Assets for Investment?

Volatile – there have been drops of 50% in a single day and 80% in a year

Can be difficult to understand – based on software, internet, concepts of money and inflation...

Many coins do not have any cashflows making comparisons to traditional assets difficult

Alt coins can go to zero

A great tool for evaluating bitcoin and ether in a portfolio mix can be found at:

<https://www.portfoliovisualizer.com/backtest-portfolio>

Digital an asset has high volatility, the size of the allocation is critically important. Our research indicates that 2-5% of a portfolio, depending on age, risk tolerance, etc. is a potentially suitable range of exposure in the context of a 60% equity and 40% bond portfolio.

# How to Invest in Digital Assets?

**Direct** – create an account at a trading platform, transfer fiat, place trade, store securely... a lot of work and expensive

**ETF** – regulated by OSC, follows rules of exchanges, easy to monitor, CRA compliant, fits into RRSP/TFSA, fits into statements, works well in Financial Advisor framework

Focus on low fees, low tracking error, quality of manager

Strongly favour TSX-listed ETFs based on secured bitcoin, not futures

Bitcoin and Ether are the mega caps and make a solid base for investing in digital assets

A long horizon makes sense, in our view

Be prepared for volatility -> keep the allocation reasonable and in proportion to your investment horizon and the diversification in your portfolio (including real estate)

More products are coming based on indexes that may be considered to gain broad exposure this exciting and developing technology.





4. What CSI is doing to upskill financial advisors in this space?

# Q & A

To learn more about designations, visit [csi.ca](https://csi.ca)  
or contact us at [designations@csi.ca](mailto:designations@csi.ca)

Thank you

