



Navigating the world of digital currencies with confidence

Financial Advice New Zealand | August 2023




































Today's session:

- 1 Understanding Blockchain Technology and Crypto's Impact on Finance
- 2 Why should you even talk about crypto with your clients
- 3 Real-World Applications Of crypto and blockchains
- 4 Touch on Layer 2 network
- 5 The Future of Crypto

Cryptocurrency
is a significant
asset.

The total MCap
is the 1.3 Trn

Rank	Name	Market Cap	Price	Today	Price (30 days)	Country
1	 Gold GOLD	\$12.783 T	\$1,937	-0.34%		
2	 Apple AAPL	\$2.822 T	\$179.46	0.94%		 USA
3	 Microsoft MSFT	\$2.409 T	\$324.04	0.94%		 USA
4	 Saudi Aramco 2222.SR	\$2.232 T	\$9.23	0.14%		 S. Arabia
5	 Alphabet (Google) GOOG	\$1.671 T	\$131.83	1.28%		 USA
6	 Amazon AMZN	\$1.442 T	\$140.57	1.56%		 USA
7	 Silver SILVER	\$1.275 T	\$22.66	-0.21%		
8	 NVIDIA NVDA	\$1.080 T	\$437.53	7.09%		 USA
9	 Meta Platforms (Facebook) META	\$784.68 B	\$306.19	1.51%		 USA
10	 Berkshire Hathaway BRK-B	\$783.37 B	\$358.48	0.04%		 USA
11	 Tesla TSLA	\$759.91 B	\$239.76	-1.19%		 USA
12	 Bitcoin BTC	\$571.30 B	\$29,370	0.55%		

Understanding Blockchains and Crypto and their financial impact



Cryptocurrency is a way to
exchange value that is...



Digital



Decentralised



Secure and
Trustworthy

Blockchain is a database that is...



Public(ish)



Uneditable



Programmable

And has extensive Financial use cases...



DeFi

- Lending
- Swapping
- Yield / Staking



Derivatives

- Perpetual Futures
- Futures
- Options
- CFD
- CDS



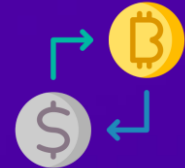
RWA

- Hotels
- Property
- Stocks
- Commodities
- Carbon
- Tokenised Deposits



Payments

- Merchant
- Interbank
- Remittances



Trading

- 24x7
- ~\$60bn a day

Pros / Cons



Pros

- No counterparty risk
- Near instant settlement
- Low fees
- You are the custodian / bank
- Easy to fractionalise
- Provably unique (non-fungible)



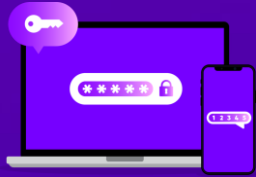
Cons

- Relying on the software
- Composability and the lego blocks
- No transaction reversals
- You are the custodian / bank
- Mostly unregulated
- More volatile than other assets

Staying safe



Key rules



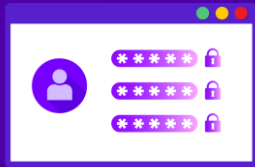
- 1 Set passwords or pin-locks on your phone & computer



- 2 Keep your computer clean and free of malware.



- 3 Back up your wallet(s)



- 4 Use a password manager to store your passwords



- 5 Use a hardware wallet for added security

Get
Educated



Safety Tip of The Month



With so many DeFi projects emerging out there, it has become imperative to identify and recognize the red flags before investing your time and assets on certain platforms. Learn how you can identify potential DeFi scams and avoid unnecessary risks in the



Featured



Global, Security • September 10, 2020

Staying Crypto Savvy: Multi-Level Marketing (MLM) Companies – What you need to know



Australia, Cryptocurrencies, Security • September 10, 2020

Popular Bitcoin Scams in Australia and How to Avoid Them



Cryptocurrencies, Global, Investment, Security • August 23, 2020

Fighting Scams and Fraud One Tip at a Time!



Global, Guides, Security • July 9, 2020

What is an MLM scheme?

Use only trusted players

1. Are they regulated?
1. What's their track record?
1. Who's behind the company / project
1. Does Easy Crypto say it's safe?

**Why should you
even talk about
crypto with your
clients?**



There is a growing body of evidence to support having a Bitcoin allocation in your clients portfolio

Who's had a client ask them about crypto??

Add some BTC to reduce volatility and increase returns

ticker	name	initial weight	return (period)	return (annualized)	volatility (daily)	volatility (annualized)	sharpe ratio rf = 2.29%	VaR CI = 95%	DrawDown Maximum	DrawDown Average	DrawDown at Risk w/ 95% CI	ATH (from start date)	ATL (from start date)
BRK.A	Berkshire Hathaway Inc	25.00%	49%	8.78%	0.85%	16.27%	0.40	1.17%	-18.45%	-6.01%	-13.83%	62%	-9.99%
JPM	JP Morgan Chase & Co.	25.00%	106%	16.51%	1.11%	21.21%	0.67	1.71%	-23.21%	-5.45%	-14.80%	119%	-8.15%
MSFT	Microsoft Corporation	25.00%	213%	27.30%	1.24%	23.78%	1.05	1.83%	-18.23%	-3.94%	-12.16%	213%	-13.06%
BLK	BlackRock, Inc.	25.00%	53%	9.34%	1.17%	22.27%	0.32	1.83%	-37.48%	-9.06%	-29.10%	96%	-8.99%
BTC	Bitcoin B		1,659%	83.44%	3.86%	73.84%	1.10	6.11%	-83.40%	-33.88%	-79.87%	4,163%	-61.06%
	Original Portfolio		101%	15.90%	0.92%	17.54%	0.78	1.37%	-19.72%	-3.70%	-11.11%	110%	-6.33%
	Original Portfolio + B (1.00%)	1.00%	113%	17.38%	0.91%	17.40%	0.87	1.36%	-19.85%	-3.67%	-11.15%	121%	-6.43%
	Original Portfolio + B (2.50%)	2.50%	132%	19.55%	0.90%	17.29%	1.00	1.33%	-20.05%	-3.64%	-11.47%	139%	-7.14%
	Original Portfolio + B (5.00%)	5.00%	166%	23.06%	0.91%	17.36%	1.20	1.33%	-20.42%	-3.69%	-11.62%	170%	-8.48%

September, 2014

June, 2019

4 year(s) and 8 month(s)

1,724

QUARTERLY

USD

Start Date

End Date

Data Lifespan

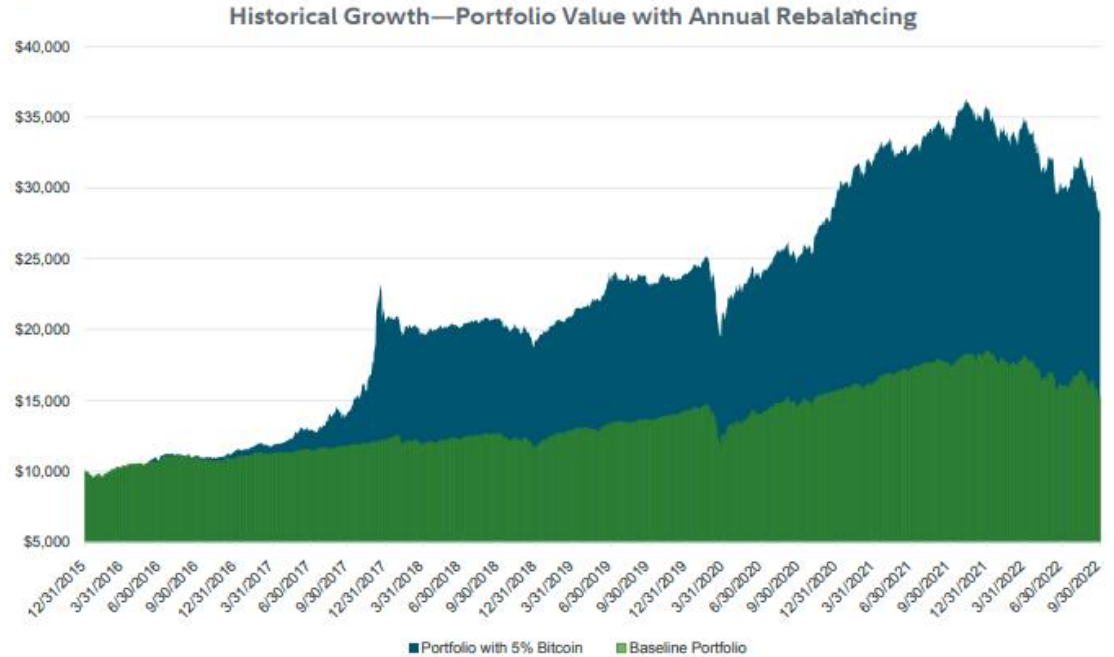
data points

Rebalance Frequency

Base Currency

What about a traditional 60:40 portfolio with a 5% allocation

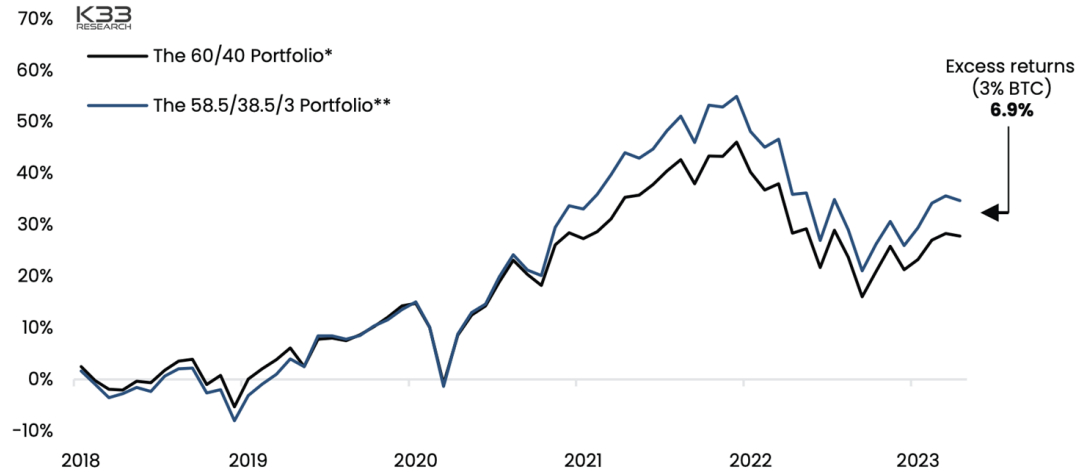
Figure 1.



Portfolio (\$10,000 Starting Balance)	Ending Balance	CAGR	Return Volatility (std. dev.)	Sharpe Ratio	Largest Drawdown (max peak-to-trough loss)
Baseline—no bitcoin	\$15,068	6.26%	8.51%	0.74	-\$3,515 (-19%)
Baseline + 5% bitcoin	\$28,384	16.72%	23.05%	0.73	-\$8,053 (-22%)

Holds true if
you take out
the early
years...

Figure 16: Performance of the 60/40 portfolio vs the 58.5/38.5/3 Portfolio



Source: Tradingview

* S&P 500 (60%) + Vanguards Bond ETF (40%) ** S&P 500 (58.5%) + Vanguards Bond ETF (38.5%) + BTC (3%)

Here's the cheat code, it works in predictable cycles...

CREATIVE PLANNING		Asset Class Total Returns Since 2011 (Data via YCharts as of 7/31/23)													@CharlieBilello	
ETF	Asset Class	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 YTD	2011-23 Cumulative	2011-23 Annualized
N/A	Bitcoin (\$BTC)	1473%	186%	5507%	-58%	35%	125%	1331%	-73%	95%	301%	66%	-65.5%	75.4%	9662327%	149.0%
QQQ	US Nasdaq 100	3.4%	18.1%	36.6%	19.2%	9.5%	7.1%	32.7%	-0.1%	39.0%	48.6%	27.4%	-32.6%	44.5%	691.8%	17.9%
IWF	US Growth	2.3%	15.2%	33.1%	12.8%	5.5%	7.0%	30.0%	-1.7%	35.9%	38.3%	27.4%	-29.3%	33.4%	476.2%	14.9%
SPY	US Large Caps	1.9%	16.0%	32.2%	13.5%	1.2%	12.0%	21.7%	-4.5%	31.2%	18.4%	28.7%	-18.2%	20.6%	361.0%	12.9%
EFA	EAFE Stocks	-12.2%	18.8%	21.4%	-6.2%	-1.0%	1.4%	25.1%	-13.8%	22.0%	7.6%	11.5%	-14.4%	15.5%	86.0%	5.1%
IWM	US Small Caps	-4.4%	16.7%	38.7%	5.0%	-4.5%	21.6%	14.6%	-11.1%	25.4%	20.0%	14.5%	-20.5%	14.7%	202.2%	9.2%
MDY	US Mid Caps	-2.1%	17.8%	33.1%	9.4%	-2.5%	20.5%	15.9%	-11.3%	25.8%	13.5%	24.5%	-13.3%	13.2%	253.9%	10.6%
CWB	Convertible Bonds	-7.7%	15.9%	20.5%	7.7%	-0.8%	10.6%	15.7%	-2.0%	22.4%	53.4%	2.2%	-20.8%	12.7%	195.9%	9.0%
EEM	EM Stocks	-18.8%	19.1%	-3.7%	-3.9%	-16.2%	10.9%	37.3%	-15.3%	18.2%	17.0%	-3.6%	-20.6%	11.6%	14.3%	1.1%
IWD	US Value	0.1%	17.5%	32.1%	13.2%	-4.0%	17.3%	13.5%	-8.5%	26.1%	2.7%	25.0%	-7.7%	8.7%	234.0%	10.1%
GLD	Gold	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%	17.9%	24.8%	-4.2%	-0.8%	7.5%	31.4%	2.2%
EMB	EM Bonds (USD)	7.7%	16.9%	-7.8%	6.1%	1.0%	9.3%	10.3%	-5.5%	15.5%	5.4%	-2.2%	-18.6%	6.2%	45.7%	3.0%
PFF	Preferred Stocks	-2.0%	17.8%	-1.0%	14.1%	4.3%	1.3%	8.1%	-4.7%	15.9%	7.9%	7.2%	-18.2%	5.7%	64.5%	4.0%
HYG	High Yield Bonds	6.8%	11.7%	5.8%	1.9%	-5.0%	13.4%	6.1%	-2.0%	14.1%	4.5%	3.8%	-11.0%	5.7%	67.3%	4.2%
VNQ	US REITs	8.6%	17.6%	2.3%	30.4%	2.4%	8.6%	4.9%	-6.0%	28.9%	-4.7%	40.5%	-26.2%	5.5%	151.2%	7.6%
LQD	Investment Grade Bonds	9.7%	10.6%	-2.0%	8.2%	-1.3%	6.2%	7.1%	-3.8%	17.4%	11.0%	-1.8%	-17.9%	4.3%	52.1%	3.4%
BIL	US Cash	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.1%	0.7%	1.7%	2.2%	0.4%	-0.1%	1.4%	2.6%	9.0%	0.7%
BND	US Total Bond Market	7.7%	3.9%	-2.1%	5.8%	0.6%	2.5%	3.6%	-0.1%	8.8%	7.7%	-1.9%	-13.1%	2.3%	26.3%	1.9%
TIP	TIPS	13.3%	6.4%	-8.5%	3.6%	-1.8%	4.7%	2.9%	-1.4%	8.3%	10.8%	5.7%	-12.2%	2.1%	35.6%	2.4%
TLT	Long Duration Treasuries	34.0%	2.6%	-13.4%	27.3%	-1.8%	1.2%	9.2%	-1.6%	14.1%	18.2%	-4.6%	-31.2%	2.1%	46.1%	3.1%
DBC	Commodities	-2.6%	3.5%	-7.6%	-28.1%	-27.6%	18.6%	4.9%	-11.6%	11.8%	-7.8%	41.4%	19.3%	0.1%	-7.3%	-0.6%
Highest Return		BTC	BTC	BTC	VNQ	BTC	BTC	BTC	BIL	BTC	BTC	BTC	DBC	BTC	BTC	BTC
Lowest Return		EEM	BIL	GLD	BTC	DBC	BIL	BIL	BTC	BIL	DBC	TLT	BTC	DBC	DBC	DBC
% of Asset Classes Positive		62%	95%	52%	71%	38%	100%	100%	5%	100%	90%	67%	10%	100%	95%	95%

In summary

- Bitcoin is de-correlated from other assets - they zig, Bitcoin zags
- It actually helps with volatility at the right proportion of a portfolio
- It's shown to increase over-all returns
- It runs in a predictable cycle which means 3 out of every 4 years it is the best performing asset
- Here is a lagging indicator - The big guys are coming - Blackrock, Wisdom Tree, VanEck, Fidelity, JP Morgan, Invesco

Real world applications of blockchains



Blockchains are really useful outside of trading

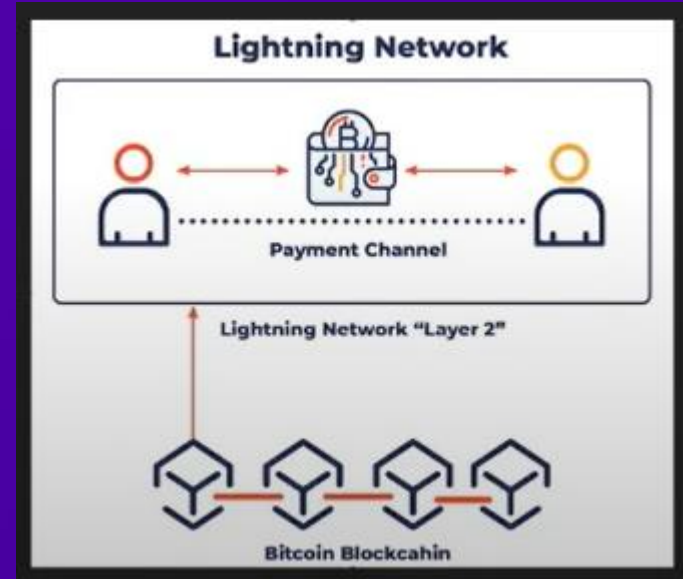
- 1. High end brands are using them for provenance
- 1. Supply chain tracking - Fonterra
- 1. Fractionalisation - assets can be easily fractionalised and traded
- 1. Payments and international remittances
- 1. Protecting Identities
- 1. International trade - managing escrow and removing counterparty risk using smart contracts
- 1. Tracking service history- used cars
- 1. Selling assets - houses, paintings, antiques
- 1. Proving ownership- art, music and other copyrighted works
- 1. Ticketing

Layer 2's



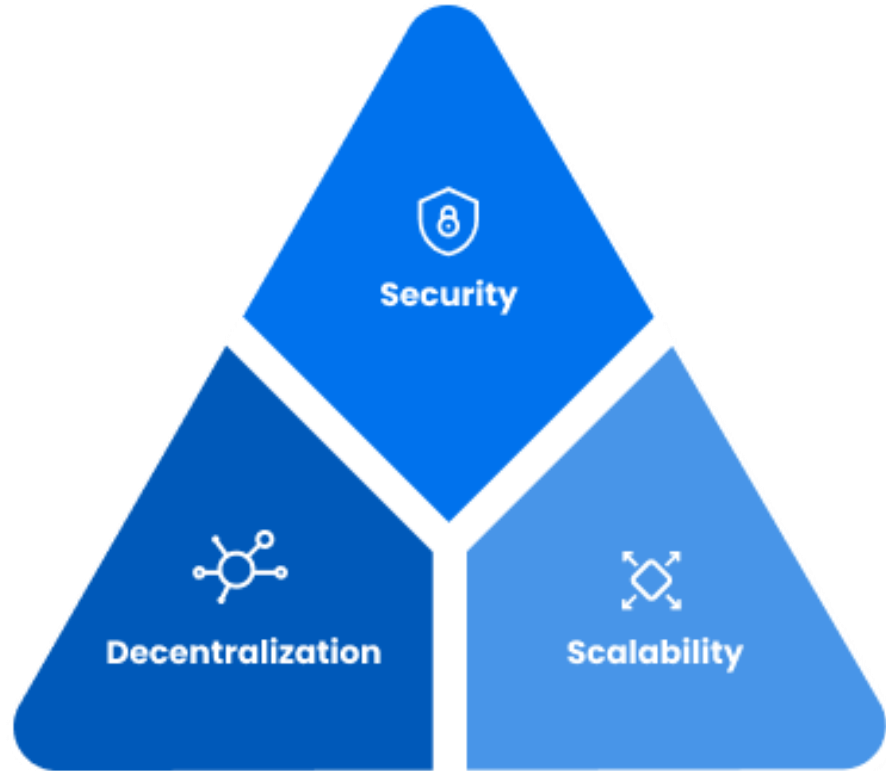
What are layer 2 networks

1. A blockchain built on top of the core network, that helps with scalability
2. The layer 1 does all the security
3. The layer 2 does batch processing to speed things up



Why do we need layer 2's

- In blockchains you can have any two of the 3 key attributes
- So in an effort to make them scalable for transactions layer 2's were created
 - Much faster
 - Lower Fees
 - Higher Capacity



Different types of Layer 2

On Bitcoin - Lightning is the leading solution.

Very Fast - 1 second

Fees ~4c to send a transaction

Supports micropayments

But it's a bit clunky

On the Ethereum network there are plenty of options

Polygon Matic

Arbitrium

Optimisim

Base (from Coinbase)

The future?



Where do we see the future growth in our sector

1. Institutional adoption of major crypto assets will continue to grow
2. Metaverses are where AI generated assets live, and they need internet native currencies
3. Real World Assets - carbon, property, shares
4. Central bank digital currencies
5. Gaming and gambling - in-game currencies, P2P betting
6. Blended traditional and crypto experiences - single apps
7. Digital Identity and control
8. Web 3 - user controlled content (we aren't the product), particularly social media.



Questions?