



KENDRIS

Investing in Digital Assets

- A Practical Approach for Companies

By Ulrik K. Lykke / mail@ulriklykke.dk





Questions we'll try to answer today....

1. Why should we invest?
2. How do we govern the assets?
3. How do we get exposure?
4. What assets to select?
5. What about the risks?

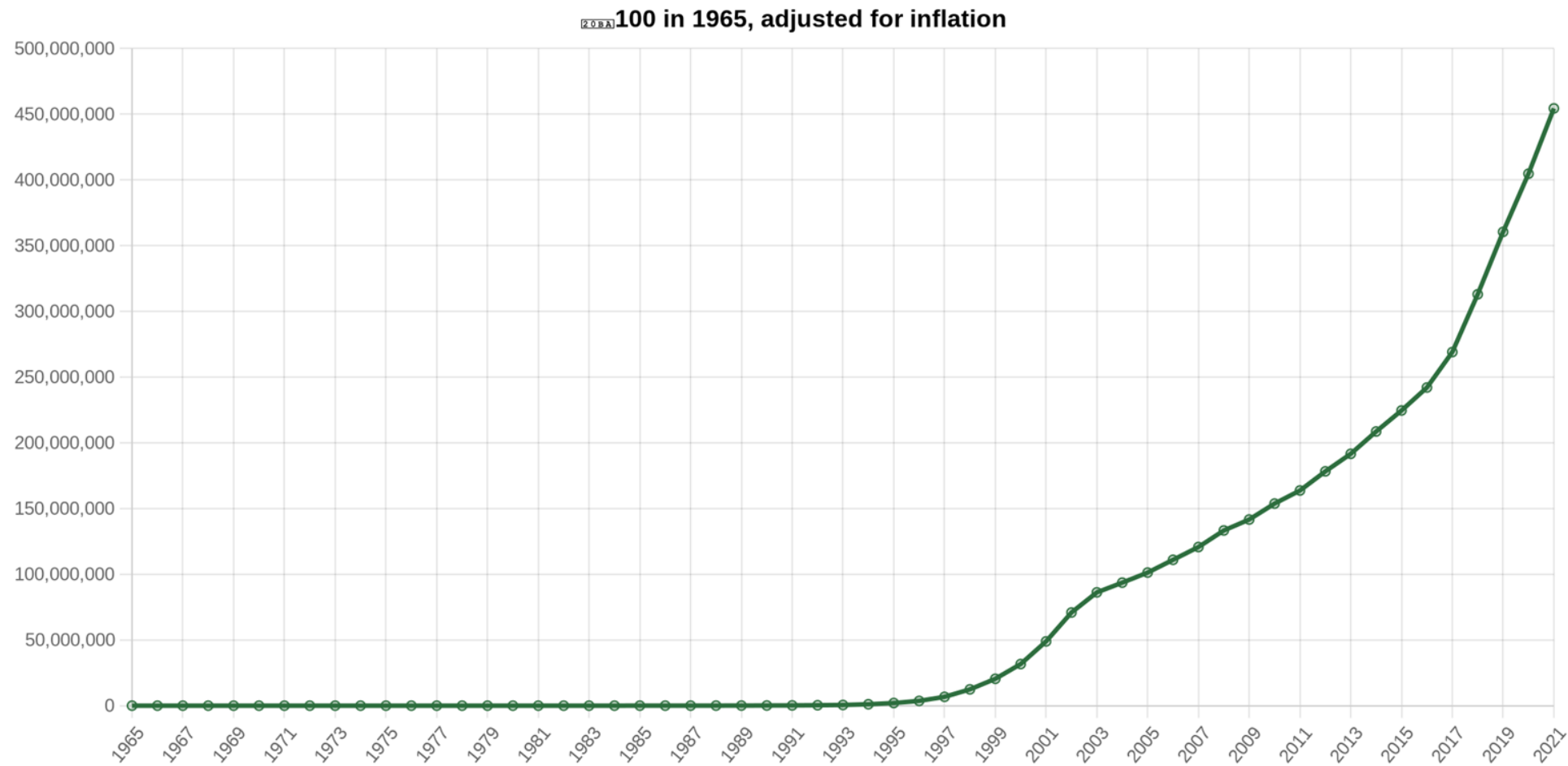
1. Why should we invest?

- *Potential hedge against inflation*



1. Why should we invest?

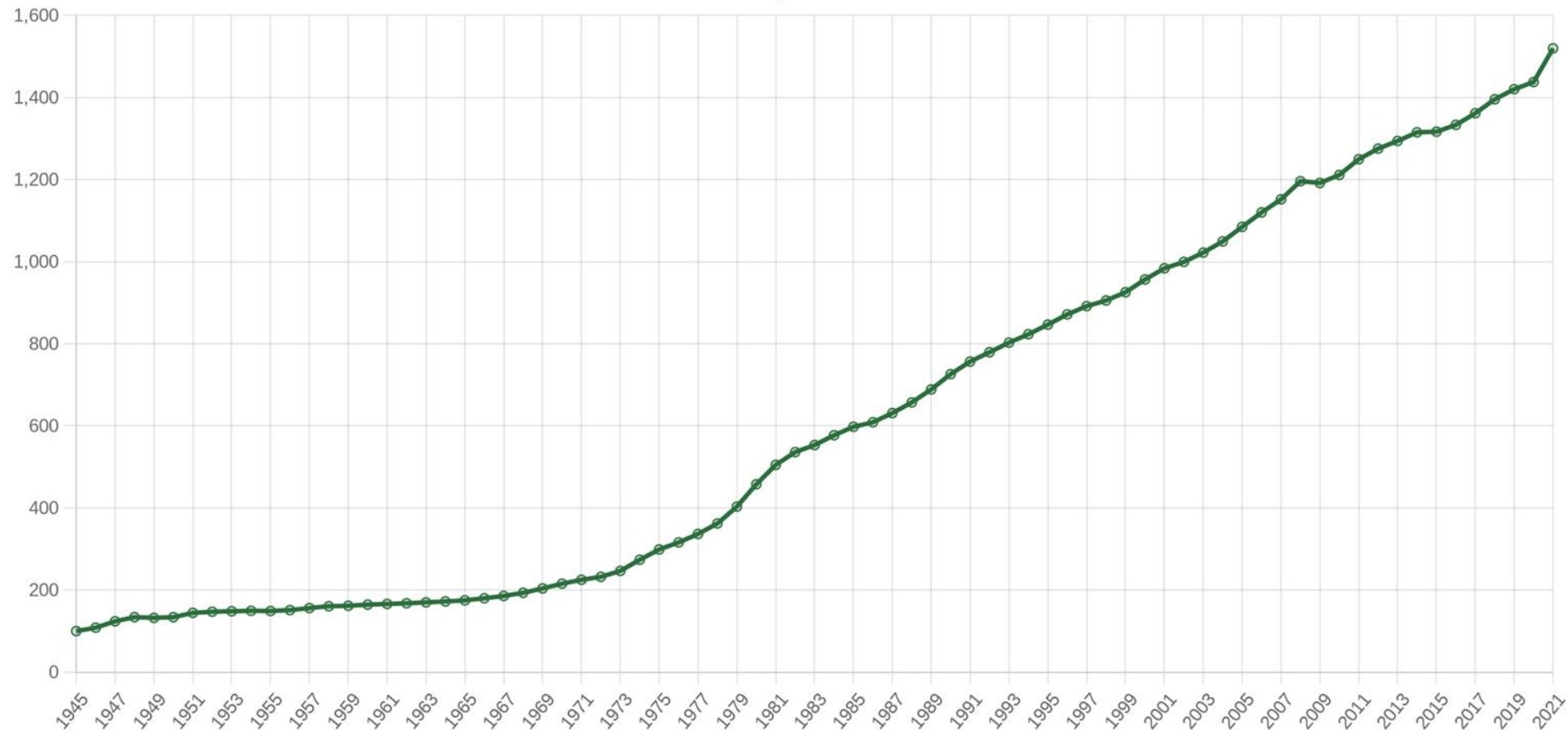
- *Turkish Lira, Venezuelan Bolivar, Lebanese Pounds, German Dmark, Belarusian Rubles*



(World Bank, 2021)

1. Why should we invest?

- *Guess this one....*



(World Bank, 2021)

That's right!

Value of \$100 from 1945 to 2021

\$100 in 1945 is equivalent in purchasing power to about \$1,519.82 today, an increase of \$1,419.82 over 76 years. The dollar had an average inflation rate of 3.65% per year between 1945 and today, producing a cumulative price increase of 1,419.82%.

This means that today's prices are 15.20 times higher than average prices since 1945, according to the Bureau of Labor Statistics consumer price index. A dollar today only buys 6.58% of what it could buy back then.

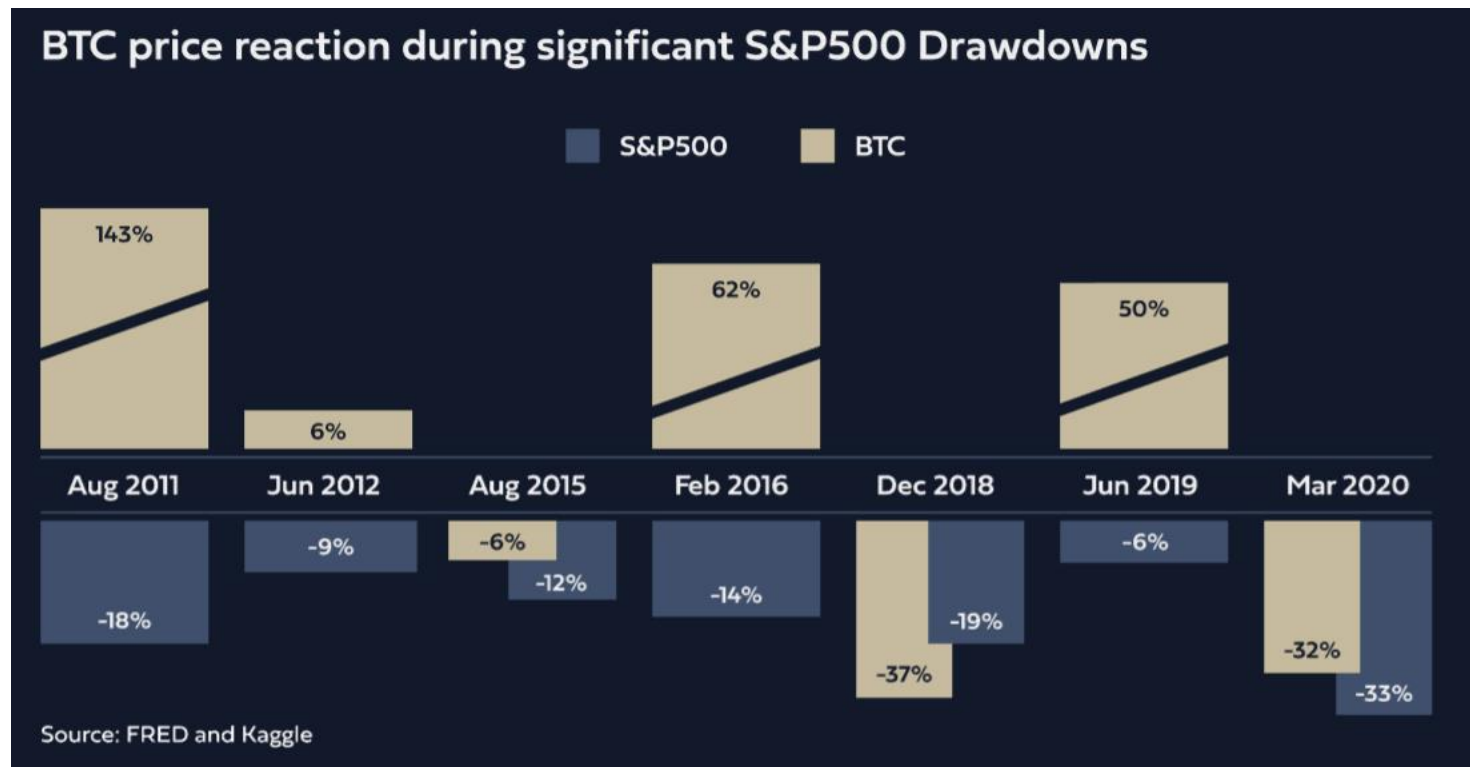
The 1945 inflation rate was 2.27%. The current year-over-year inflation rate (2020 to 2021) is now 5.25%¹. If this number holds, \$100 today will be equivalent in buying power to \$105.25 next year. The [current inflation rate](#) page gives more detail on the latest inflation rates.

(World Bank, 2021)



1. Why should we invest?

- *Seizure Resistant Asset*
 - “A swiss bank account in your head”
- *Portfolio Diversification*



- *Liquid Investment unlike Gold*
 - On exchange, off exchange

1. Why should we invest?

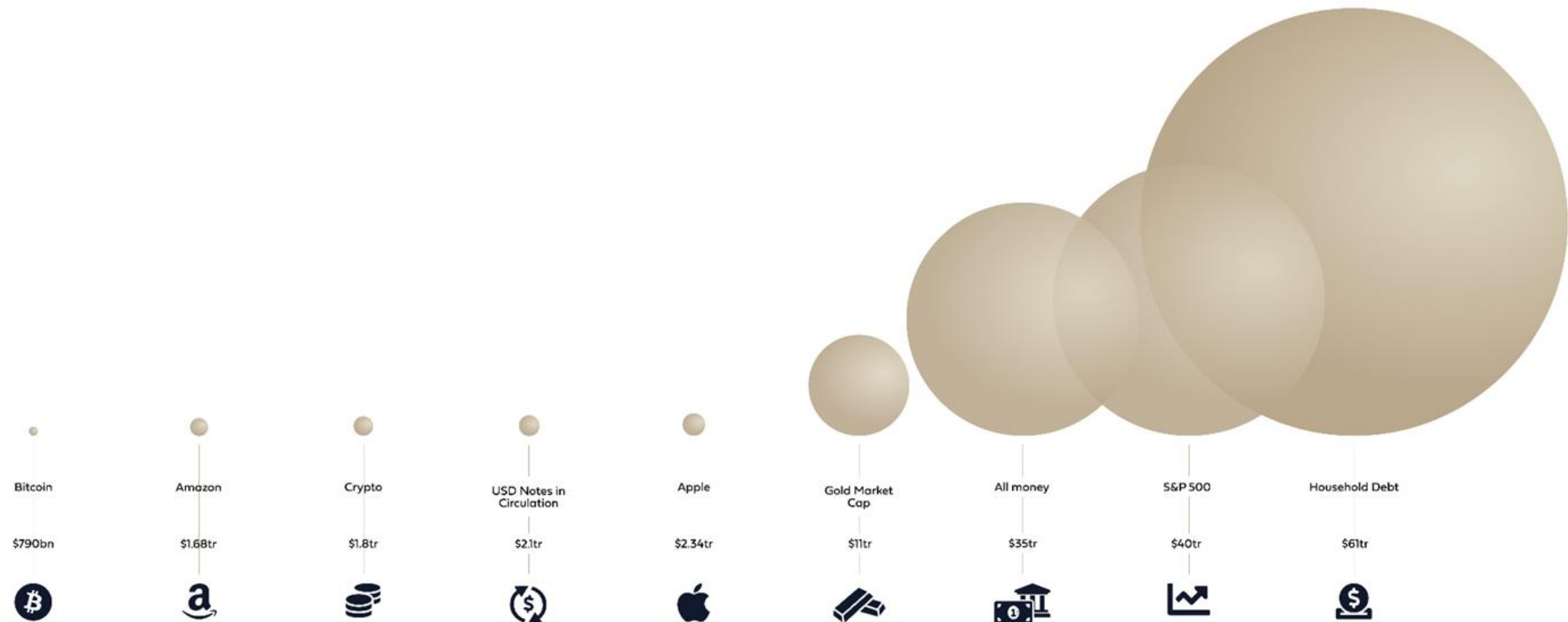
- *Growing Market*

- Market capitalization of 1.5B USD to 2.5T USD in less than 10 years...



1. Why should we invest?



















- *Growing Market*
 - Market capitalization of 1.5B USD to 2.5T USD in less than 10 years...



Source: Household Debt and All Money(Coins, banknotes and checking deposits) – VisualCapitalist.com, Gold Market Cap* – World Gold Council Estimates as of 1 February 2021 and gold price from as of 30 September 2021, USD Notes in Circulation – federal- reserve.gov as of 31 August 2021, S&P500, Apple and Amazon – Google Finance as of 30 September 2021, All Crypto and Bitcoin – coinmarketcap as of 30 September 2021

1. Why should we invest?

- *Growing Market*

Rank		Name	Symbol	Market Cap	Price	24h	7d	Price (30 days)
1		Gold	GOLD	\$11.21 T	\$1,764	0.52%	0.26%	
2		Apple	AAPL	\$2.362 T	\$142.81	-0.06%	1.20%	
3		Microsoft	MSFT	\$2.215 T	\$294.23	-0.21%	1.89%	
4		Saudi Aramco	2222.SR	\$1.974 T	\$9.88	0.14%	0.00%	
5		Alphabet (Google)	GOOG	\$1.865 T	\$2,776	-0.86%	1.96%	
6		Amazon	AMZN	\$1.644 T	\$3,246	-1.29%	0.79%	
7		Silver	SILVER	\$1.275 T	\$22.66	-0.02%	0.15%	
8		Bitcoin	BTC	\$1.079 T	\$57,309	1.25%	14.75%	
9		Facebook	FB	\$917.58 B	\$325.45	-1.39%	-2.26%	

1. Why should we invest?

- New way of perceiving value
- New business models
- Productive assets
- Tokenization of alternative assets
- ... “Everything becomes liquid”



2. How do we govern the assets?

- Similarities to many traditional assets
- ... Just different (!)

2. How do we govern the assets?

Definition of digital assets (Bitcoin)

Traits of Money	Bitcoin	Gold	Fiat
Verifiable	High	Moderate	Moderate
			High
			High
			Low
			Moderate
			Low
Established			Low
Censorship			Low
Unforgeable C			Low
*Openly Progr			Low
*Decentralized	High	Moderate	Low

"Cryptocurrency: Everything you don't understand about money combined with everything you don't understand about computers"

- John Oliver, Last Week Tonight

2. How do we govern the assets?

Similarities and differences in how the assets are traded

	<i>Equities</i>	<i>Bitcoin / Digital Assets</i>
Traded	Digitally	Digitally
Trading hours	Opening hours of market	24/7
Traded at	Centralized exchange	Centralized exchanges, decentralized exchanges, peer-to-peer
Ownership	Verifiable	Anonymous
Regulation	National agencies	National agencies (?)

2. How do we govern the assets?

Internal regulations and best practices

Questions to ask

- How much of the portfolio is allocated to digital assets
- How much of the portfolio is allocated to any single digital asset
- How much of the portfolio is allocated to digital assets other than Bitcoin (BTC)
- How much of the portfolio's digital asset exposure will be located at any single counterparty?
- Who is signatory of any counterparty

3. What assets to select?

Portfolio and Risk Management

a) Investment Objectives

- What are we looking to achieve
- What to invest in?
- What is our time horizon?
- What is our risk limits?

a) How do we get exposure

- Indirectly
 - Established financial markets (Instruments)
 - Funds (ARK36, etc.)
- Directly
 - Directly at exchanges

3. What assets to select?

Some of the more common types of digital assets

- Cryptocurrencies

Medium of exchange, digital currency

- Utility Tokens

Gives rights to specific products or services

- Security Tokens

Stake in the project and additional rights

- Non-fungible tokens (NFT)

Unique digital ownership of tangible or intangible assets

- Stablecoins

Medium of exchange, resemblance of fiat

4. What about the risks?

Risks apply! Here are the most important....

Risks to consider

- Theft, Hacking, etc.
- Market Risk
- Counterparty risk
- Systemic Risk



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Ulrik Kristian Lykke

mail@ulriklykke.dk

www.linkedin.com/in/ulriklykke

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Slideshow: www.ulriklykke.dk/kendris21.pdf

