



WV FINANCIAL SERVICES
Portfolio Management | Crypto Finance | ICO

TRADITIONAL PORTFOLIO WITH BITCOIN

This study explores the case for including a small allocation to **Bitcoin** in a **traditional diversified 60% equity/40% bond portfolio** from **Jan. 1, 2014** through **March 31, 2018**.

Bitcoin Annual Returns

YEAR	RETURN
2014	-58%
2015	35%
2016	125%
2017	1,331%
Q1 2018	-45%

Bitcoin significantly increases a portfolio's risk-adjusted returns. **A 5% allocation to Bitcoin nearly doubles both the return and the Sharpe ratio** of a traditional 60/40 portfolio provided a diligent rebalancing strategy.

	TOTAL RETURN	VOLATILITY (MONTHLY)	SHARPE RATIO	MAX DRAWDOWN
Traditional Portfolio	26.53%	6.5%	0.80	-11.37%
1% Bitcoin	31.09%	6.70%	1.02	-10.95%
5% Bitcoin	50.89%	8.30%	1.55	-9.36%
10% Bitcoin	78.38%	11.6%	1.75	-12.11%

(Bitwise)

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Bitcoin has low correlations to every major asset class, including stocks (0.12), bonds (0.25), commodities (0.09) and gold (0.07).

This is because the primary long-term drivers of returns for Bitcoin and other cryptoassets are crypto-specific. Unlike macro trends like corporate profits, economic growth, productivity, and interest rates, cryptoassets are driven by network growth, technology improvements, regulatory developments, mass adoption and other specific factors.

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