



Research Report | 16.11.2023

Investment trends: How digital assets are revolutionizing the investment landscape

Digital assets, particularly cryptocurrencies and tokenized assets, have created a dynamic new asset class that is attracting both private investors and institutional players. The integration of digital assets into the established financial system has already begun and, given their infancy, is still at the beginning of a development that offers massive opportunities.

The influence of blockchain-based cryptocurrencies is far-reaching. They promise not only to democratize access to capital markets, but also to innovate the way assets are created, traded and managed.

The direct investment opportunity in tokens, which does not have to take the detour via venture capital channels as in the past, combined with market growth that has seen the market capitalization of digital assets rise to over one trillion dollars, has long since attracted the attention of large financial institutions and professional investors.

After all, the blockchain phenomenon not only forms the foundation of the so-called Web 3.0 and thus enables direct investment in the next technological revolution, but its recognition as a new asset class also attracts significant sums as a "passive" investment in this emerging sector.

Capital flood: user innovations attract TradFi billions

User adoption in the digital assets sector is experiencing unprecedented momentum, which is reflected not just in the considerable number of daily wallet openings in the various blockchain ecosystems. With an [estimated 450 million users](#) moving directly or indirectly in decentralized systems, the immense scale of global interaction and interest in digital assets is clear. Users specifically acquire tokens in order to actively participate in the decentralized ecosystem, whether through trading,

exercising voting rights in governance processes or using specific blockchain applications.

According to market insights from [Statista](#), traditional assets such as real estate, bonds, equities and commodities have a combined market value of around USD 870 trillion USD. PwC also [forecasts](#) that alternative investments managed by financial institutions, including hedge funds, commodities and similar investments, will reach USD 25 tn by 2024.

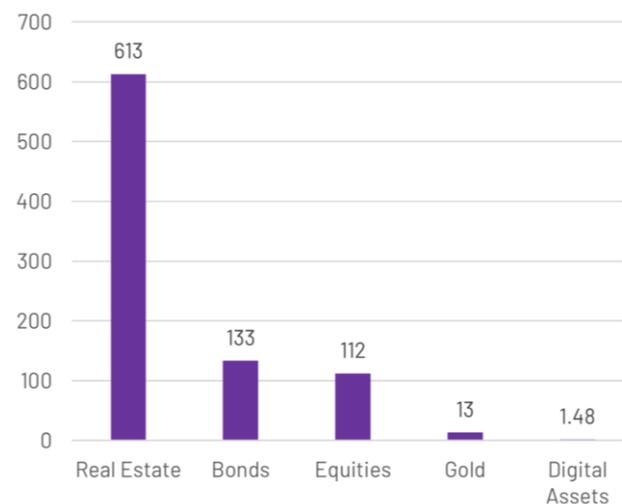


Figure 1: Market size of global asset classes in trillions (USD) / Source: Statista, Digital Asset Solutions AG

Digital assets are expected to take an increasingly significant share of alternative investments as a new asset class. The remarkable market capitalization of almost USD 1.5 trillion in digital assets shows the growing exposure within decentralized, blockchain-



based ecosystems, which include a variety of tokens and leading cryptocurrencies such as Bitcoin.

A new era for crypto investments

The accessibility of digital assets for institutional investors has so far been characterized by numerous obstacles, with a particular focus on the USA. Challenges in safe custody, accounting treatment, trading processes and strict regulatory requirements marked the landscape of this innovative investment form.

The launch of a Bitcoin ETF and consequently other crypto ETFs on a leading US exchange will revolutionize the institutional investment environment for digital assets and significantly increase accessibility for institutional investors.

It is now seen as inevitable that the SEC will approve the numerous Bitcoin ETF applications from leading banks and asset managers, and it seems only a matter of time.

Summary and outlook

The list of renowned financial institutions that have already integrated digital assets into their service offering or are planning to do so is long and impressive.

With the introduction of US-based exchange-traded funds (ETFs) investing in digital assets, a tidal wave of additional billions will flow into the sector. This will fundamentally change the landscape for institutional investment and usher in a new era of capital allocation. Coupled with the natural demand from native blockchain users, this will lead to an additional surge in demand into the already rising demand curve.

The growing interest in broadly traded financial products for digital assets is reflected in ETP inflows, which have surpassed the USD 1 billion mark this year, foreshadowing the additional capital that would flow into the market with the listing of ETFs on US exchanges.

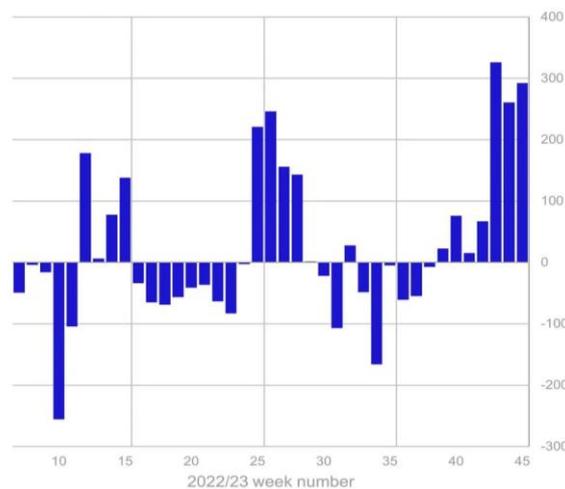


Figure 2: Weekly flows of crypto investment products in millions (USD) / Source: Bloomberg, CoinShares

Easier access to Bitcoin, the largest cryptocurrency, marks only the beginning of a more comprehensive development. The current investment spectrum of digital assets already includes several sectors that are making a decisive contribution to the development of Web 3.

Investors who enter the market now can take advantage of the upcoming influx of ETF investments by anticipating the expected inflow of capital.

In particular, those covering the full spectrum of digital assets are ideally positioned due to this trend, which is still in its early stages.