ASSA INVESTMENTS SEMINAR · 26 MARCH 2026

The Fourth Superclass

Digital Assets and the Fiduciary Case for Inclusion

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"Crypto" is a terrible name for an asset class.

Forget the label. Just for now.
Let's look at what's underneath.

JUDGE THE NUMBERS · NOT THE NAME

CORRELATION PROFILE
vs Major Asset Classes

	VS EQUITIES	VS BONDS
Private Equity	0.78	0.12
High Yield	0.55	0.45
REITs	0.65	0.18
Gold	0.25	-0.02
This Asset	**0.22**	**≈ 0**

PORTFOLIO IMPACT
Adding 5% to a traditional 60/40 balanced fund

BEFORE

0.64
SHARPE RATIO

8.4%
RETURN P.A.

10.2%
VOLATILITY

WITH THIS ASSET (5%)

0.87
SHARPE RATIO
+35%

9.1%
RETURN P.A.
+0.7%

9.0%
VOLATILITY
−1.2%

Correlations: Bitcoin (BTC) vs MSCI World Index & Bloomberg Global Aggregate Bond Index · USD-denominated · Jan 2015 – Dec 2024 · Rolling 36-month window

Source: CoinMetrics · Bloomberg

PORTFOLIO CONSTRUCTION · ZAR-BASED ANALYSIS · REG 28 COMPLIANT

In a Well-Managed, Risk-Balanced Portfolio: Would this be a good allocation?

CONSERVATIVE
Equity: 0–40%

7.74%
avg BTC

Capital preservation
Low volatility tolerance

5-YR ANNUALISED BENEFIT
+4.95%
per annum

MODERATE
Equity: 30–60%

7.09%
avg BTC

Balanced growth
Moderate risk capacity

5-YR ANNUALISED BENEFIT
+5.52%
per annum

AGGRESSIVE
Equity: 50–75%

7.93%
avg BTC

High-growth oriented
Higher risk tolerance

5-YR ANNUALISED BENEFIT
+5.78%
per annum

ANALYSIS
MidSquare portfolio construction study
ZAR-based · Reg 28 compliant
31/12/2012 – 31/12/2025

2 independent methods:
Perfect foresight (rolling 5-yr) + 1,000 bootstrapped simulations

BOTH METHODS AGREE
3% – 8%
optimal Bitcoin allocation range

OUR WORKING ASSUMPTION
5%
conservative mid-point used in all analyses

Source: MidSquare portfolio construction analysis · ZAR returns · 31/12/2012–31/12/2025 · Optimised under Regulation 28 constraints

We are obviously talking about

Digital Assets

It was easy to dismiss when it was still unproven.
Fifteen years later, it isn't... and the smart money is starting to notice.

ABOUT ME

From Institutional Investing to Digital Assets

Actuarial Science Training
BSc Actuarial Science (UKZN) · PG Diploma (UCT)

20 Years at Sanlam Investments
Investment research, hedge fund management, portfolio management, CIO, CEO Multi Manager, Business Transformation

Continued Learning
CQF (Quantitative Finance) · MIT IDSS (Data Science & ML)

MidSquare Capital
Founded 2023 · Licensed FSP (Category II, IIA, CASP) · Digital asset management

> *"Over twenty years in institutional investing taught me that risk management isn't about avoiding risk. It's about recognising the right ones and sizing them with discipline. The best opportunities I've seen in my career always came with volatility attached. Digital assets is no different. The volatility is there, but so is an opportunity that I think comes around once in a generation. That's what brought me here."*

THE QUESTION WE'RE HERE TO ANSWER

Are digital assets a strategic necessity for resilient, forward-looking portfolios?

We'll examine the evidence across three pillars: what makes a genuine asset class, the maturation of infrastructure and regulation, and the real cost of waiting.

01
A Genuinely Distinct Asset Class

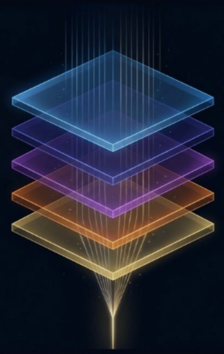
02
Adoption, Regulation & Scale

03
The Cost of Inaction

1 · DISTINCT ASSET CLASS | 2 · ADOPTION & REGULATION | 3 · COST OF INACTION

What Makes Something an Asset Class?

We use the term loosely, but there is a formal definition. The CFA practitioner framework sets **five conditions**. Miss one and what you are holding is a strategy, a wrapper, or a rebrand of something you already own.



01 **Stable Aggregation**

The asset stays what it is. Its composition doesn't shift underneath you from one year to the next.

02 **Internal Homogeneity**

The members of the class behave alike. They share economics, not just a label.

03 **External Heterogeneity**

The class moves differently from everything else. If it tracks equities or bonds, it is just equities or bonds in disguise.

04 **Cost-Effective Access**

You can actually buy it at institutional scale, through regulated channels, without friction eating your returns.

05 **Portfolio Utility**

Adding it to a portfolio makes the portfolio better, without requiring you to be a stock-picker within the asset class.

CFA Institute. **CFA Program Curriculum Level 3**. Reading 22: Asset Allocation - criteria for asset class specification.

The Three Superclasses

In addition to those five conditions, there is a structural lens we can apply. Robert Greer's 1997 framework identified **three superclasses** of assets. Every investable asset maps to one of these. It's been that way for centuries.

💰 Capital Assets	⚡ Consumable Assets	🏛 Store of Value
Generate ongoing cash flows	Consumed or transformed	Retain value, no cash flows
Equities · Bonds · Real estate	Oil · Wheat · Copper · Gas	Gold · Currencies · Art

If a new investment can be broken down into one of these three, it is not new. So the question becomes: can digital asset returns be explained by what we already own?

Greer, R.J. (1997) "What Is an Asset Class, Anyway?" **Journal of Portfolio Management**, 23(2), pp. 86–91.

The Decomposition Test

The test for a **new** asset class: can its returns be explained by things we already own? If yes, it's a new **strategy**, not a new asset class.

INVESTMENT	DECOMPOSITION	NEW CLASS?
Hedge Funds	`Strategies on equities + credit`	× Strategy
Private Equity	`Illiquid equity + illiquidity premium`	× Wrapper
Infrastructure	`Blend of real assets, equity, debt`	× Blend
Private Credit	`Debt by another name`	× Relabel
Digital Assets	`Cannot be decomposed →`	✓ **Distinct**

Genuinely Distinct

Return drivers that **cannot be replicated** by any combination of equities, bonds, commodities, or real estate:

- **Network effects** — Metcalfe's Law as a return driver
- **Programmatic scarcity** — no central issuer
- **Staking yield** — ETH 3–3.5%, SOL 6–8%
- **24/7/365** global liquidity
- **Composability** — programmable, combinable assets

Greer, R.J. (1997). "What is an Asset Class, Anyway?" **The Journal of Portfolio Management**

Correlation Analysis

Long-term correlations between digital assets and traditional assets remain **persistently low**, supporting genuine diversification.

0.24 vs. S&P 500 (rolling 3yr avg)

≈ 0 vs. US Treasuries

0.15 vs. Gold

HONEST CAVEAT

Correlations are **dynamic**. During risk-off periods (2022 drawdown), crypto-equity correlation spiked to ~0.62. In April 2025, digital assets **outperformed equities** during the tariff crisis.

2022–23 RATE HIKES

During rate hikes, **crypto-equity correlation stayed lower than stock-bond correlation**. Stocks and bonds moved together under rising rates. Digital assets moved more independently.

The asset we assumed was our diversifier (bonds) failed the test. Digital assets held up better.

Sources: J.P. Morgan Digital Asset Research (2026), LSEG/FTSE Russell, Bitwise Asset Management. Period: Jan 2015 – Mar 2026, rolling 3-year windows.

The Efficient Frontier Shifts

Adding a **5% digital asset allocation** to a traditional portfolio shifts the frontier **up and to the left.**

TRADITIONAL 60/40 VS. WITH 5% DIGITAL ASSETS

Source: Crypto.com Research, August 2024. Based on 10-year backtested multi-asset portfolios.

+35%
SHARPE RATIO

+2.8%
ANNUAL RETURN

-1.5%
VOLATILITY

5%
DIGITAL ALLOCATION
Conservative mid-point

Stress-Tested, Not Stress-Free

Digital asset drawdowns are **severe**. We don't hide that. The question is: **at a 5% allocation, what does it actually mean for your portfolio?**

MAJOR DIGITAL ASSET DRAWDOWNS

EVENT	STANDALONE	AT 5% ALLOC.	RECOVERY
2022 Crypto Winter	-77%	-3.85%	~2 years
2018 Bear Market	-84%	-4.20%	~2 years
2014 Mt. Gox	-85%	-4.25%	~3 years
2020 COVID Crash	-50%	-2.50%	~6 months

Comparison: S&P 500 fell ~57% in 2008, took **5.5 years** to recover. Nikkei ~82% in 1989, took **34 years**.

-85% **WORST STANDALONE DRAWDOWN**

Real, recurring, and brutal — if you hold 100%. **Nobody is proposing that.**

HOW POSITION SIZING ABSORBS DRAWDOWNS

Standalone (100% allocation) -85%

DEVASTATING

At 5% allocation (your portfolio) -4.25%

RECOVERY: DIGITAL ASSETS VS. EQUITIES

Digital Assets ~2–3 years avg

S&P 500 (2008) 5.5 years

Nikkei 225 (1989) 34 years

Position sizing is the risk management.

The downside is **bounded**. The upside is **asymmetric**.

1 · DISTINCT ASSET CLASS | 2 · ADOPTION & REGULATION | 3 · COST OF INACTION

The Verdict

Does this qualify as a distinct asset class? Run the scorecard.

1. Stable Aggregation
Protocol rules are immutable. Supply is mathematically fixed.

2. Internal Homogeneity
Driven by network effects, scarcity, and on-chain mechanics.

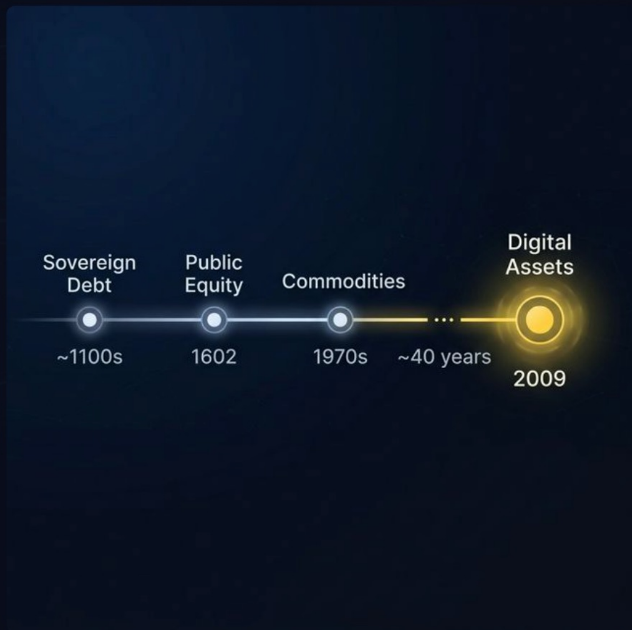
3. External Heterogeneity
0.15–0.32 correlation to equities. Cannot be decomposed.

4. Cost-Effective Access
$123B ETF market. BNY Mellon, Fidelity, State Street custody.

5. Portfolio Utility
+35% Sharpe improvement on a 5% allocation.

5 / 5 The evidence doesn't **suggest** an asset class. It **confirms** it.

ASSET CLASS EMERGENCE TIMELINE



New asset classes **almost never emerge**. When they do, early institutional allocators **capture the entire adoption premium**.

"The first store of value in history in which its supply is entirely unaffected by an increase in its demand."
NYDIG Research

Adoption, Regulation & Scale

An asset class is only as investable as the infrastructure around it. ETFs, corporate treasuries, sovereign reserves, stablecoins, tokenised real-world assets, and 85 national regulatory frameworks now exist. The question is no longer **whether** digital assets belong in portfolios. It is **how fast** the governance can be built.

$2.5-4T digital asset market cap

Peaked at $4.2T (Q3 2025). Roughly the size of the UK stock market. Less than 1% of global investable assets.

$102B combined ETF AUM

BTC ETFs: $90B. ETH ETFs: $12B. $68B+ cumulative inflows. Most successful ETF launch in history.

$312B stablecoin market cap

$33T transaction volume in 2025, exceeding Mastercard.

85/117 FATF jurisdictions legislating

20 countries with comprehensive frameworks passed or in progress.

86% of institutions have or plan exposure

Goldman Sachs, BNY Mellon, State Street, JPMorgan, Fidelity all active.

1 · DISTINCT ASSET CLASS | 2 · ADOPTION & REGULATION | 3 · COST OF INACTION

The Adoption Wave 1 of 2

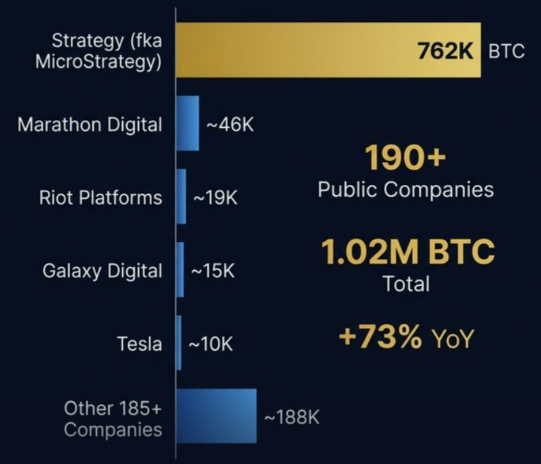
Six signals that institutional adoption is accelerating, from every direction.

01 · ETF GROWTH

$102B combined AUM

BTC ETFs: **$90B** AUM, peaked at $170B (Oct 2025). ETH ETFs: **$12B** AUM with staked ETHB (Mar 2026). **$68B+** cumulative inflows.

Forecast: $180–220B by end 2026 — *The Block · BlackRock · MEXC*



02 · CORPORATE TREASURIES

190+ public companies

Strategy holds **762K BTC** ($57.7B). Total corporate: **1.02M BTC** (4.87% of supply). Adoption grew **+73% YoY**.

Forecast: Strategy → 1M BTC by Sep 2026 — *Bitwise · TradingView · Benzinga*

03 · SOVEREIGN RESERVES

640K+ BTC held by nations

US Strategic Reserve: **328K BTC**, explicitly "will not be sold." El Salvador: 7.5K (↑25%). Czech Republic: **5% reserve allocation**.

BITCOIN Act: up to 1M BTC over 5 years — *White House · Wikipedia · Forbes*

The Adoption Wave 2 of 2

Stablecoins, tokenised assets, and the shift in institutional allocation.

04 · STABLECOINS

$312B market cap

$33T transaction volume (2025), exceeding Mastercard. USDT: $187B. USDC: $77B. GENIUS Act (Jul 2025) provides **regulatory framework**.

Forecast: $1T market cap by late 2026 *CoinLaw · Market.us · Phemex*

05 · RWA TOKENISATION

$25B+ on-chain **+289% YoY**

BlackRock BUIDL: $517M. Plans to tokenise **$10T**. Pipeline: **$378B** RWAs awaiting distribution.

Forecast: $2–30T by 2030 (McKinsey, BCG) *PANews · Binance · BlackRock*

73% plan to increase allocation →

86% have exposure or plan to

06 · PRIVATE WEALTH

33% of family offices invested

Up from 16% (2021) → 26% (2023) → **33% (2025)**. **73%** plan to increase. Goldman Sachs holds **$3.3B** directly.

86% of institutions have or plan exposure *Goldman Sachs · Coinbase · EY*

1 · DISTINCT ASSET CLASS | **2 · ADOPTION & REGULATION** | 3 · COST OF INACTION

Who's Already In

The largest financial institutions are already building, allocating, and holding.

SOVEREIGN WEALTH & PENSION FUNDS

Abu Dhabi (Mubadala), >$1B in BlackRock IBIT

Norway Government Pension Fund ($1.7T), indirect via Strategy

Wisconsin ($170B), $100M IBIT allocation

Florida, NC, Utah pensions, maintained positions through drawdowns

INSTITUTIONAL ADOPTION & REGULATION

BNY Mellon, tokenised deposits, digital custody

State Street, digital asset accounting, Galaxy partnership

JPMorgan, on-chain settlement, JPM Coin expansion

Fidelity, regulated futures, institutional lending

ASSET MANAGERS & ALLOCATORS

BlackRock IBIT, $55B AUM, largest spot BTC ETF

Goldman Sachs, $3.3B direct crypto holdings

1,000+ professional firms hold spot BTC ETFs

Singapore/Hong Kong family offices, avg 5% allocations

> *Bitcoin is an asset class in itself. A legitimate financial instrument that everybody should consider holding as part of their portfolio.*

Larry Fink

CEO of BlackRock (2024), who in 2017 called Bitcoin "an index of money laundering"

THE SIGNAL

- **Custodial banks** that manage the world's institutional capital are building digital asset infrastructure
- **Pension funds** are maintaining positions through drawdowns, not exiting
- The question has shifted from **"should we?"** to **"how quickly can we build the governance?"**

1 · DISTINCT ASSET CLASS | 2 · ADOPTION & REGULATION | 3 · COST OF INACTION

Regulatory Convergence

85 of 117 FATF jurisdictions have passed or are passing crypto legislation. Regulate, not ban.

AFRICA

South Africa PASSED
FSCA CASP regime (Jun 2023). 248 providers licensed. Crypto declared financial product under FAIS Act.

Nigeria PASSED
SEC licences VASPs (Jun 2024). Two approved exchanges. #1 crypto adoption globally.

Kenya IN PROGRESS
Capital Markets Authority drafting virtual asset framework (2025).

AMERICAS

United States PASSED
GENIUS Act (Jul 2025): stablecoin framework. CLARITY Act: SEC/CFTC jurisdiction defined. Strategic BTC Reserve signed.

Canada IN PROGRESS
Draft stablecoin law (Nov 2025) mirroring GENIUS Act. 1:1 reserve backing required.

Brazil PASSED
Central Bank crypto framework (Nov 2025). VASP authorisation, Travel Rule phased in.

El Salvador PASSED
Bitcoin legal tender (Sep 2021). First nation-state adoption.

EUROPE

European Union PASSED
MiCA fully effective (Jan 2025). One passportable licence across 27 member states. Client fiat held with EU credit institution.

United Kingdom IN PROGRESS
Full regime targeted 2026. AML, KYC, licensing system. Stablecoin payment rules in development.

Switzerland PASSED
FINMA framework. "Crypto Valley" in Zug. Tax payments accepted in BTC/ETH.

Germany PASSED
Bank custody licences active. Tax-free gains after 1 year hold. MiCA-aligned.

Czech Republic IN PROGRESS
Central bank exploring 5% BTC reserve allocation. MiCA-compliant.

MIDDLE EAST

UAE (Dubai) PASSED
VARA framework (2023). 7 licence categories. $35B+ transaction volume. RWA token rules. V2.0 rulebooks Jun 2025.

Abu Dhabi (ADGM) PASSED
FSRA virtual asset regime. Separate regulatory zone. Mubadala >$1B IBIT allocation.

Bahrain PASSED
CBB stablecoin law (Jul 2025). 1:1 reserve backing. Full VASP licensing regime.

Saudi Arabia EXPLORING
SAMA fintech sandboxes active. CBDC mBridge pilot with BIS. Zero capital gains tax.

Kazakhstan PASSED
AIFC crypto framework. Corporate tax exempt to 2066. No personal capital gains tax.

ASIA-PACIFIC

Japan PASSED
Payment Services Act. Yen stablecoin (JPYC) approved. FSA overhaul 2026: crypto reclassified as "financial products."

Singapore PASSED
MAS Payment Services Act. 30 DPT licences issued (Feb 2025). Stablecoin regime finalised. FATF Travel Rule compliant.

Hong Kong PASSED
Dual-licence system (SFC + HKMA). Stablecoin Ordinance (Aug 2025). No capital gains tax on crypto.

South Korea IN PROGRESS
Digital Assets Act (2026). Lifting 9-year institutional ban. Spot crypto ETFs expected late 2025.

Australia PASSED
AML/CTF Act amended. Crypto travel rule effective Mar 2026.

India IN PROGRESS
30% VDA tax active. COINS Act 2025 proposed. FIU cracking down on non-compliant platforms.

85/117 FATF jurisdictions legislating · Source: FATF, Chainalysis, Sumsub, PwC

The Fiduciary Reframe

The conventional framing asks:
"Is it responsible to include digital assets?"

The more precise question is:

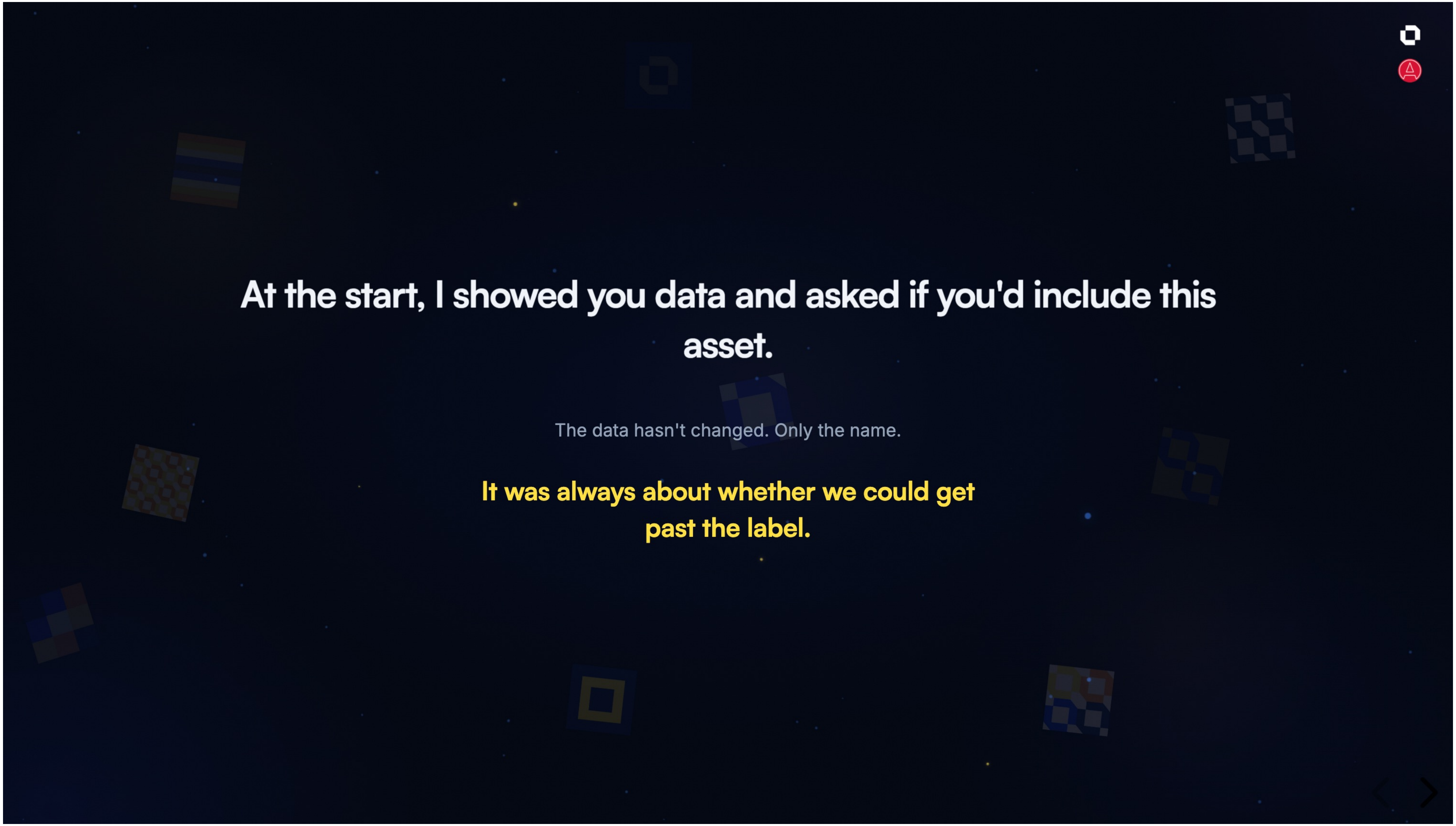
> **Is it riskier to include a 5% allocation, or to have 0% exposure to the fastest-growing asset class of the decade?**

The Asymmetry

- 5% allocation: limited downside, real upside potential
- 0% allocation: zero upside, potential regret cost if the asset class grows 5-10x
- Pension funds (Wisconsin, Florida, Utah) maintained positions through 40-59% paper losses
- The cost of a 5-year delay: what did late PE adopters leave on the table?

The Unspoken Tension

Career risk and portfolio risk are not the same thing. The industry often avoids digital assets not because the data is weak, but because the reputational cost of being wrong feels higher than the opportunity cost of inaction.


At the start, I showed you data and asked if you'd include this asset.
The data hasn't changed. Only the name.
It was always about whether we could get past the label.

Every generation of investment professionals has had a moment where the evidence said one thing and the industry consensus said another.

This is ours.

MidSquare

Thank you

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