

## **Subject: A Warning About Your Investment Portfolio and How to Improve It**

Dear Investor,

I am writing this letter to caution you about your current investment portfolio, particularly your investment in cryptocurrencies such as Bitcoin and Ethereum. Your portfolio lacks proper diversification and carries several risks:

1. **High Cryptocurrency Volatility:** Both Bitcoin and Ethereum experience significant price fluctuations within short periods, making your portfolio susceptible to losses. For instance, in June 2022, the portfolio saw a 41% drop in returns compared to the previous month.
2. **Lack of Diversification:** Bitcoin and Ethereum are highly correlated (0.72), meaning their prices tend to move in the same direction. Having only these two assets in your portfolio exposes you to substantial risk, as a decline in either asset's value can impact the entire portfolio.
3. **Elevated Risk:** The portfolio's standard deviation of return is very high at 22%. Additionally, the positive skewness values for BTC and ETH (0.25 and 0.51, respectively) indicate a high level of risk associated with the portfolio.

To enhance your investment strategy and achieve a more balanced and secure portfolio, consider the following measures:

1. **Diversification:** Allocate your investments across various asset classes, such as stocks, bonds, real estate, and commodities.
2. **Risk Assessment:** Evaluate your risk tolerance carefully and adjust your asset allocation accordingly.
3. **Seek Professional Advice:** Consult with a seasoned financial advisor who can help design a well-structured and diversified investment plan tailored to your goals and risk appetite.
4. **Research and Education:** Gain comprehensive knowledge about different investment options. Understanding the fundamentals of each asset class will empower you to make informed decisions.
5. **Long-Term Perspective:** Adopt a long-term view and avoid making impulsive decisions based on short-term market movements. Investing with a focus on long-term growth can better withstand market volatility.

I really look forward to seeing you succeed in your financial journey.

Best regards,

Group-3687 Portfolio management team