



Cryptocurrency Investing in Singapore: A Retail Perspective

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Why Cryptocurrency



Growth

Cryptocurrency is an asset class with strong growth potential. Since its introduction, cryptocurrency has become the best performing asset class, with an increase of 9000000% during the 2010s. Despite the astronomical growth, the total market capitalization of digital assets is still relatively small comparing to major money market asset classes. As major institutions start to adopt the blockchain ecosystem, the demand of digital currencies will continue to grow, driving up the total market value of the asset class.

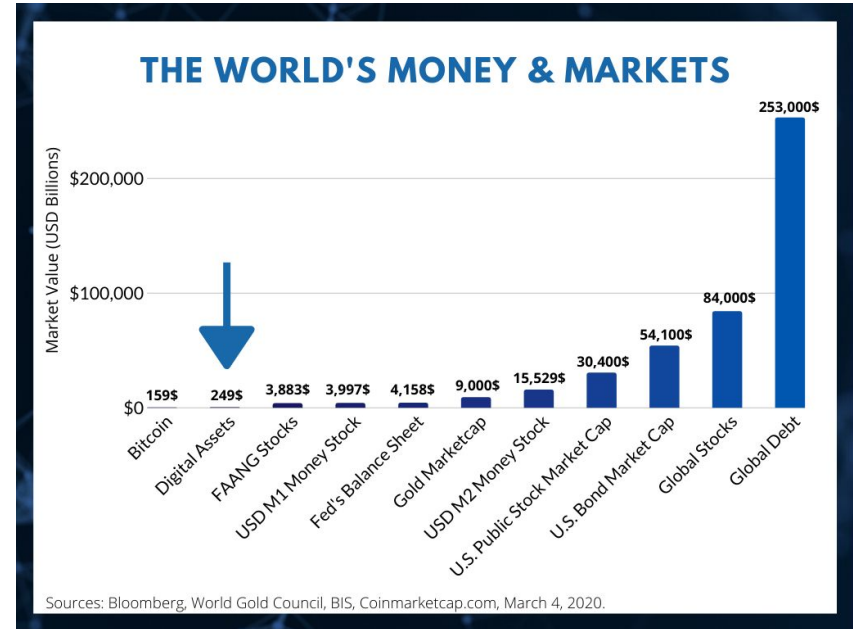


Figure 1: Market cap of different asset classes



Diversification

Cryptocurrency (such as bitcoin) exhibits weak correlation to traditional asset classes(Table 1), thus providing diversification to traditional investment portfolios. Tactical allocation in digital assets will improve portfolio's risk-adjusted returns. As shown in Figure 2, the annualized returns of portfolios embedding crypto assets have improved comparing to that of a traditional 60/40 portfolio, with volatility remaining steady.

Price Correlation	COMEX GOLD	Bloomberg Global Bond Index	Singapore Dollar	MSCI World Index	Bloomberg Commodity Index	SP 500 Index
Bitcoin	-0.16	-0.04	0.01	0.15	-0.01	0.18

Table 1: Asset class correlations

Portfolio Performance Backtest			
Sep '13 - Aug '19			
Portfolio	Global 60/40	Global 60/40 + 1% Crypto-assets	Global 60/40 + 5% Crypto-assets
Total Return (Cumulative)	40.7 %	49.9 %	92.5 %
Total Return (Annualised)	6.0 %	7.1 %	11.8 %
Annualised Stdev	7.7 %	7.7 %	8.3 %
Sharpe Ratio	0.68	0.83	1.33
Ratio Improvement		22.2 %	95.1 %

Table 2: Portfolio performance comparison



Market Trends

Opportunities: The Rise of Retail Investors

Attracted by the rewards of cryptocurrency investing, retail investors have been the first-movers of the digital asset class over the years. According to analytics firm Chainalysis, the number of cryptocurrency retail investors has risen sharply, doubling that of late 2017. Despite market volatilities, the increase has been steady over the years as shown in Figure 2. The retail investors are expected to account for over 50% of the bitcoin supply by 2024

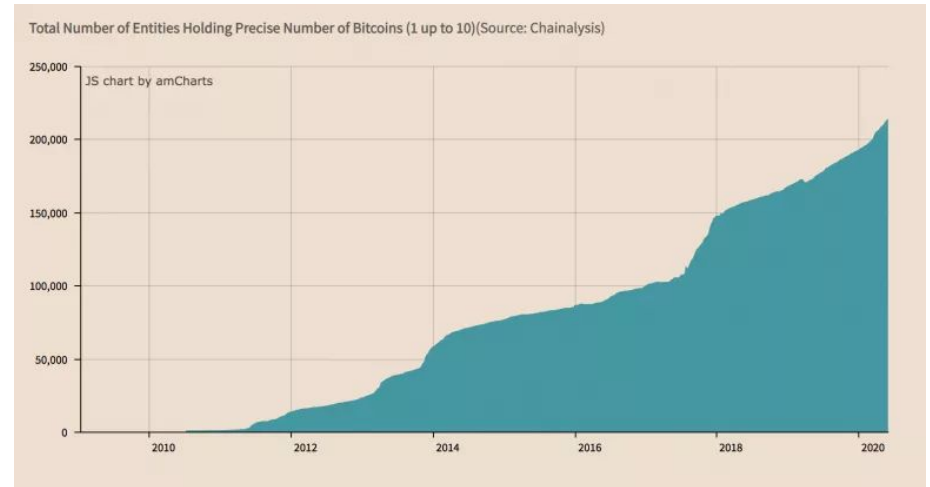


Figure 2: Number of retail investors over years

Opportunities: The Rise of Retail Investors

2020 sees a wider adoption of cryptocurrencies among older age groups. The data reveals a much more even distribution than that of 2019, signaling increasing popularity of digital currencies among retail investors

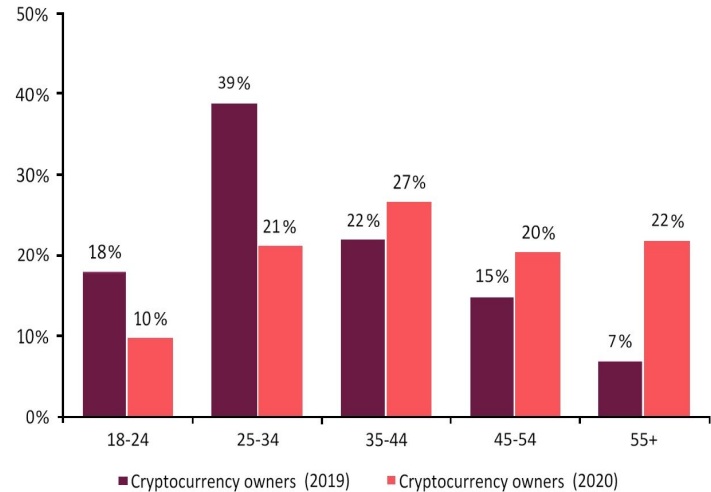


Figure 3: Age group distribution of retail cryo holders

Singapore Market Overview

Singapore is Asia's blockchain and cryptocurrency hub. In 2014, Singapore became the second country in the world to regulate cryptocurrencies without curbing their growth. There are now over 634 singapore-incorporated cryptocurrency companies in Singapore and domestic crypto-related projects amount to 6% of the global market value. According to the IMDA's Future Of Services report, the blockchain market in Singapore is forecasted to grow at an compound annual rate of 32.5%, reaching US\$2.6 billion by 2030. We believe the growth will be empowered by Singapore's fast regulatory adoption speed and innovation-driven environment.





The Singapore Advantage

1

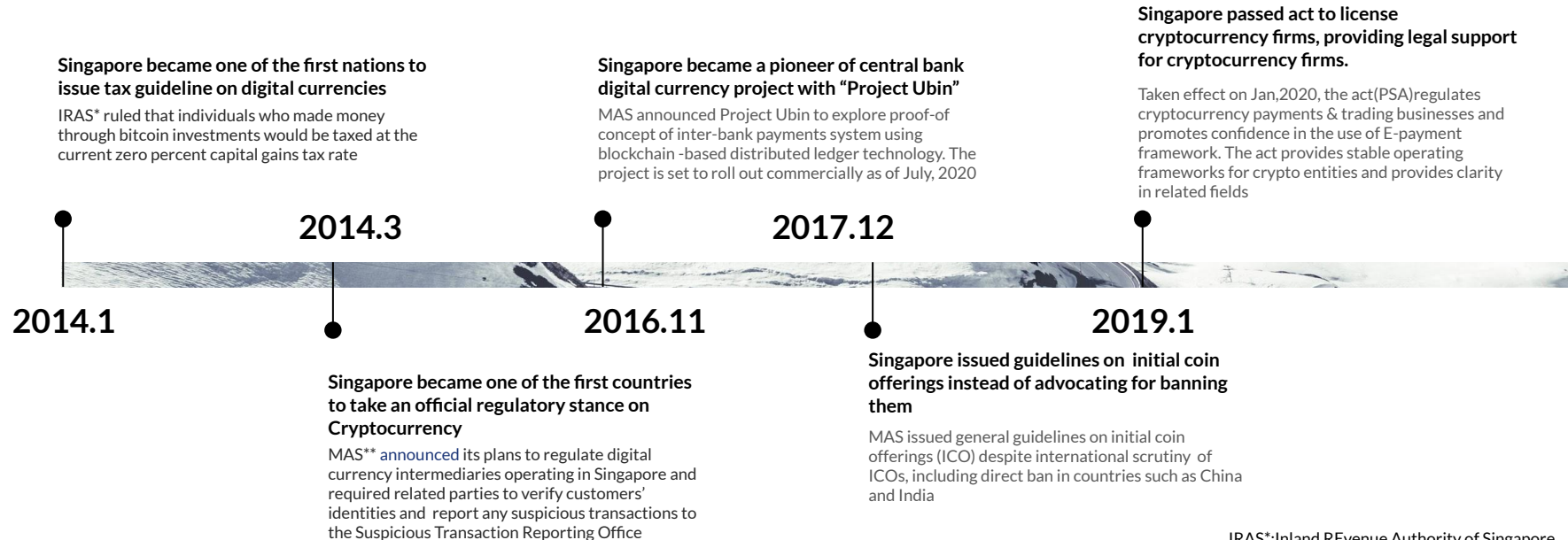
Singapore is an early adopter of cryptocurrency regulations. The legal support has laid a solid foundation for future growth in the industry

2

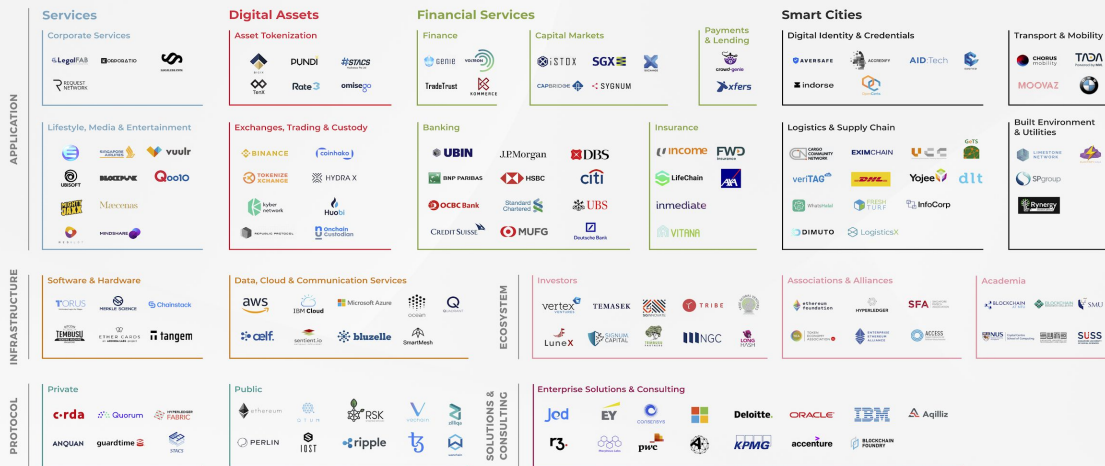
The Singaporean government is proactive in experimentation of cryptocurrency technologies. The innovation-friendly atmosphere has attracted entrepreneurs and investors to the crypto space over the years and has helped created a dynamic, robust blockchain ecosystem



The Singapore Advantage: Timeline



SINGAPORE BLOCKCHAIN LANDSCAPE 2019



DISCLAIMER: This is not meant to be an exhaustive list of the companies in Singapore's blockchain ecosystem. The appearance of a company does not reflect an endorsement by IMDA and/or the Singapore Government of the said company.
(Last updated Oct 2019)

Co-Developed by



Challenge 1: The Rise of Blockchain Fraud

01 | In the first five months of 2020, crypto fraud caused \$1.36 billion in financial losses which has imposed significant challenges to global investors.

02 | Common frauds involves luring victims off legitimate platforms or promising unrealistic return through Ponzi Schemes.

Takeaway | The risk & reward characteristics of cryptocurrency investment make investor education crucial

Blockchain Fraud Continues to Vastly Exceed Hacks and Thefts in 2020

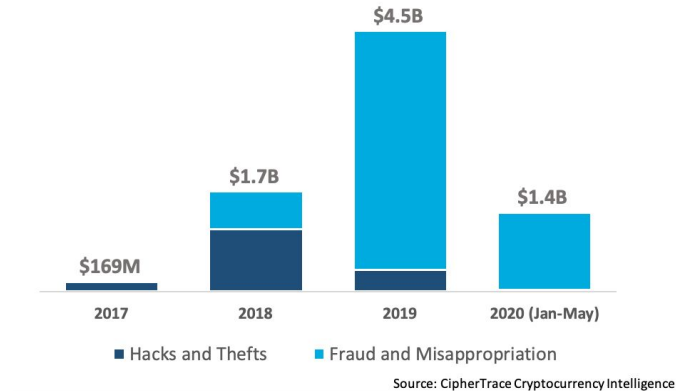


Figure 4: Incurred losses relating to cryptocurrency hacks thefts and fraud



Challenge 2: The Deterioration of Investor Confidence

01 | A study commissioned by the CFA institute shows that Singaporean retail investors have a surprisingly low confidence in financial service providers regarding their service integrity and quality

Takeaway | The low level of trust signifies the importance of delivering trustworthy and transparent investment services to retail investors at a lower cost

Compared to a global average of 35 percent

10%

Singaporean Retail investors believe their financial advisors will always put their interests first

As the No.1 concern of building a trusted investor client relationship


72%

Retail investors concern about fees financial service providers charge them for services

Out of 5 people

4

Retail investors are not confident about the transparency of advice provided by their advisors



How do we help Singaporean retail investors build the confidence to add cryptocurrencies to their investment portfolios and provide them with accessible investment products that are reliable?

A photograph of the Supertrees in Singapore at sunset. The trees are silhouetted against a warm, orange and yellow sky. A decorative horizontal bar with a teal-to-orange gradient is located in the top left corner. The text "Product Strategy" is overlaid in white in the bottom left area.

Product Strategy

Crypto Exchange Recommendation

Provide detailed guidance and reviews on cryptocurrency exchanges accessible to Singaporean retail investors, addressing the limitation of existing market research offerings such as account opening need for seniors

- Audience:
 - Retail Investors
- Focus:
 - Tailored recommendations for Singaporean customers with different account opening needs and risk tolerance
 - Intelligent Filtering
- Cost:
 - Free for consumers
 - Explore the options of traffic & listing fees for exchanges

	bestbitcoinexchange.net	buybitcoinworldwide.com	cryptoradar.co	bitpremier.com	cryptovantage.com
User Friendly Interface	NO	YES	YES	NO	YES
Singapore Focus	YES	YES	NO	YES	NO
Detailed Review	NO	YES	NO	YES	YES
Intelligent Filtering	NO	NO	YES	NO	NO
Community Review	NO	NO	YES	NO	NO
Customized Recommendation	NO	NO	YES	NO	YES

Table 3: Features table for existing offerings

Investment Service Recommendation

There is a scarcity of investment offerings as well as related marketing materials in the cryptocurrency space. Retail investors have limited means to access these more sophisticated investment offerings. Different products can be recommended depending on various risk appetite

- Audience:
 - Retail Investors
- Focus:
 - Established product issuing agencies
 - Tailored recommendation based on risk appetite
- Cost:
 - Free for consumers
 - Advertising & brokerage fees for service providers

	Risk	Transparency	Fees	Capital Requirement	Complexity	Advertising Fee
Robo Advisors	Low	High	Low	Low	Low	Yes
ETF / Bank Notes	Low	High	Low.	Low	Low	No
Crypto Hedge Fund / VC	High	Low	High	High	High	Yes
ICOs	High	Low	High.	Low	High	Yes

Table 4: Features of crypto investment vehicles

Investment Education Recommendation

The booming cryptocurrency industry is attracting retail and professional investors alike. As the industry becomes more regulated, it becomes essential for participants to receive proper education for intelligent decision making

- Audience:
 - Retail Investors
 - Market participants
- Focus:
 - Credibility of providers
 - Tailored recommendation based on participating needs
- Cost:
 - Free & discount for consumers
 - Advertising & referral fees for service providers

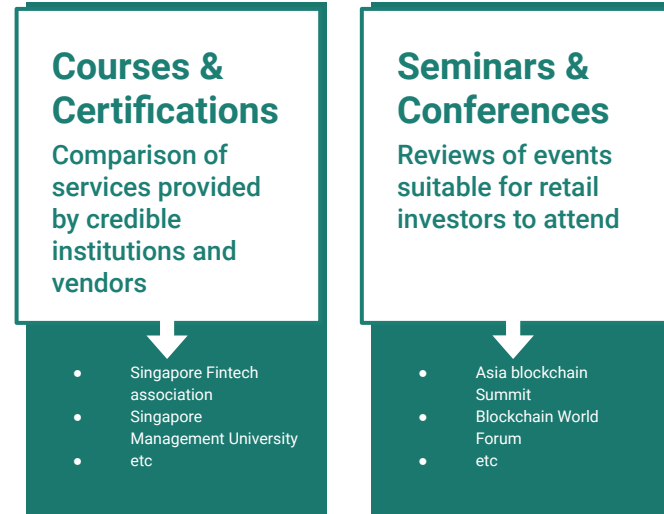


Table 5: Two types of education offerings



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