

It's time for investors to Get Off Zero.

TL;DR: We propose five ways investors can Get-Off-Zero allocation to crypto. Most start with a passive Bitcoin allocation— a modest 1% allocation has a dramatic effect. We propose 5% allocation. But it's not the only way.

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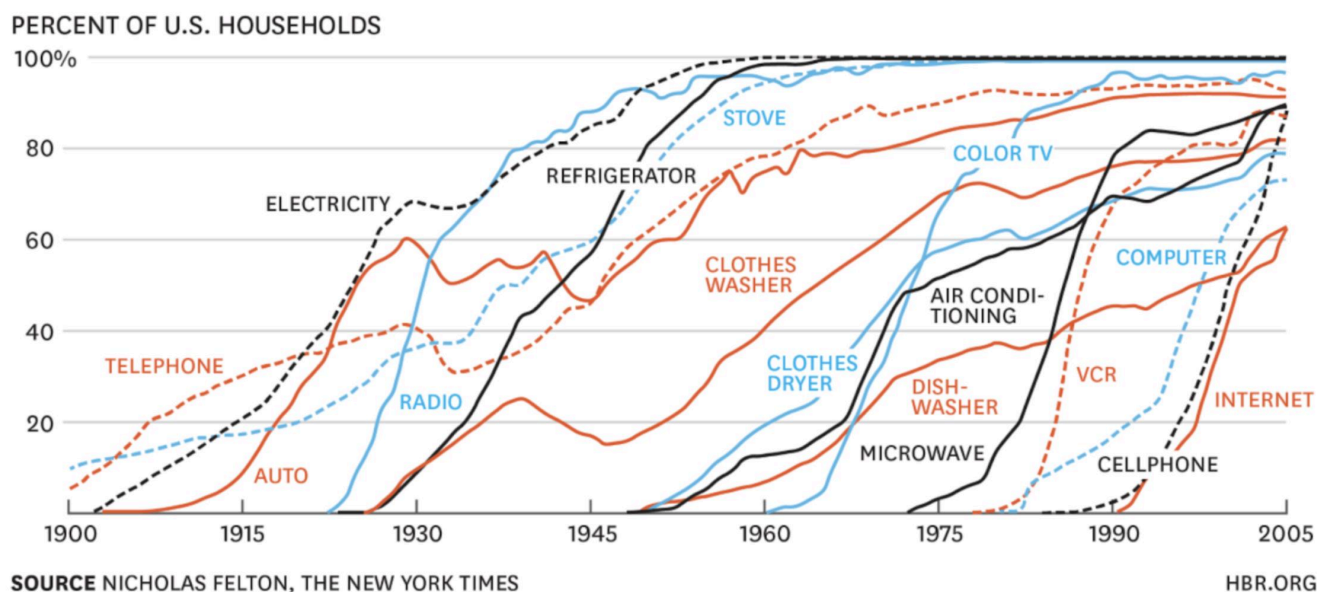
Introduction: Accelerating Disruption

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The original Web1.0 and Web2.0 (the World Wide Web) transformed global data communication and social media—but finance was left behind. Today, "Web3.0" leverages blockchain protocols to transform money using peer-to-peer transactions, trustless ledgers, and near-free, instant value transfer. These protocols are scaling rapidly, with enterprises adopting them to stay competitive.

Disruptive technologies follow a predictable arc, but the time to adoption is getting rapidly shorter.

The telephone took 75 years to reach 100 million users, the internet took 30 years, mobile phones 16 years, and mobile applications now scale in mere months. Platforms like Amazon, Uber, and PayPal emerged on these networks, disrupting old industries and scaling to 100's of millions of users in a few short years. In 2024, ChatGPT reached 100 million users in under two months!



Platforms built on Web2 reduce friction, but centralize control, capturing most of the economic value and user data. Scaling aside, they do very little to make money efficient. Most of Web2 is window dressing. Blockchain protocols address these flaws, enabling money to move at the speed of the internet, empowering user ownership, and operating without intermediaries.

Institutional onchain adoption is accelerating, setting the stage for consumer-scale disruption of legacy Web2 platforms—and policymakers have taken note. The GENIUS Act is now law – governing issuance of stablecoins, a strategic priority for US dollar strength globally. The CLARITY Act has passed the House and is set to define how crypto will be regulated by the CFTC and SEC. Importantly, both bills passed with bipartisan support. And finally, the SEC just announced Project Crypto, a Commission-wide initiative set to modernize securities rules and regulations to fully integrate blockchain technology into America’s financial markets.

Crypto technology is now being encoded into law.

Three Megatrends: Platforms Confront Disruption

Web2.0 platforms rely on centralization, limiting interoperability across ecosystems. Blockchain protocols will disrupt them as they create open, permissionless, interoperable markets. Three megatrends are driving this shift:

1. The Bitcoin Protocol

With a fixed supply of 21 million BTC coins, Bitcoin is a cryptographically secure, decentralized network—valued at more than \$2 trillion— with hundreds of millions of users. Initially envisioned as peer-to-peer cash, Bitcoin has evolved into a store-of-value embraced by institutions like Coinbase (105M users), BlackRock (fastest-ever ETF to reach \$80B), and multiple governments. BTC’s \$70-\$100 billion daily trading volume across spot and derivatives ensures deep global liquidity. Interoperability, such as “wrapped” Bitcoin on Ethereum, enhances network effects, enabling bitcoin to be utilized across thousands of third-party applications and networks. As such, the bitcoin economy is rapidly accelerating, driving demand for this scarce asset.

2. Stablecoin Applications

Stablecoins, which predominantly represent tokenized fiat onchain (eg USD<>USDC), hold more than \$270 billion in assets across more than 175 million wallets. Despite the modest size relative to traditional fiat money, stablecoins are tracking nearly \$50 trillion annual transfer volume in 2025—making them crypto’s killer application.

Stablecoins challenge payment giants and banks, ranking among the top 20 holders of U.S. Treasury debt, on par with Germany. They’re so effective—faster and with fewer fees than fiat—that the U.S. government made it a priority to bring regulatory clarity to their usage. As such, disrupted platforms like PayPal, VISA, and others must adapt and embrace these technologies head on. They can no longer rely on their centralized oligopoly with the banking system.

By 2028, the U.S. Treasury Secretary suggests stablecoins could exceed \$2 trillion in assets and handle 30% of global remittances. One should expect the stablecoin economy to generate billions of dollars in fees for onchain platforms like Coinbase and others.

3. DeFi Protocols

Decentralized Finance (DeFi) offers programmable asset management, with roughly \$140 billion locked across hundreds of protocols offering 24/7 trading, borrowing, lending, and tokenization. DeFi applications like AAVE and Morpho enable permissionless borrowing (e.g., supply Bitcoin collateral to borrow USD stablecoin) while perpetuals on decentralized exchanges (DEXs) offer sophisticated strategies like funding rate arbitrage.

Tokenization of securities, such as BlackRock's BUIDL (BlackRock USD Institutional Digital Liquidity Fund), and curated vaults to ERC-4626 standards are set to disrupt and transform asset management, shifting power to onchain distributors. An entirely new breed of asset managers are emerging on these rails and existing traditional platforms face the ever-long challenge of survival—adapt or die.

Bitcoin and stablecoins have reached near full regulatory clarity and mass adoption. We expect DeFi to achieve clearer regulations and improve scalability over the next few years. Enterprises going onchain today will lead the next wave of innovation.

These three mega trends will usher in a dramatic shift in enterprise growth and portfolio returns. Investors still sitting at zero crypto exposure should take notice.

Getting Off Zero—A Portfolio Approach

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Cryptocurrencies are young—Bitcoin is a teenager at sixteen years old, Ethereum is ten years old and only recently matured into an incredibly powerful network when it evolved to proof-of-stake consensus. Stablecoins, just over seven years old, have already achieved regulatory clarity with the passage of the GENIUS Act.

But these technologies are entering their prime, rapidly maturing as they integrate into the mainstream across industries such as banking, payments, automation, AI agents, and even emerging themes like space markets.

Just as governments brought crypto into the mainstream through careful policy calibration, institutional investors are evaluating frameworks for crypto technologies to be standard in portfolios. That has just begun, and the **first step is always the same—to get off zero.**

5 Strategies to Get-Off-Zero

To support this transition where crypto has a home in institutional portfolios, we assess five strategies, leveraging portfolio analytics, capital market assumptions, and index methodologies. These strategies are outlined in Figures 1-3 below — Portfolio A) **Bitcoin (BTC)**, B) **Coinbase 50 Index (COIN50)**, C) **Active Asset Management (ACTiVE)**, D) **Store of Value Index (SOV)**, and E) **Listed Crypto Equities (MAG7)**— and address diversification and risk-adjusted returns within a conventional 60/40 equity-bond portfolio.

Crypto is strategically aligned for institutional portfolios. Most portfolios suffer from over-diversification, insufficient volatility, excessive correlation across asset classes, and lack of right-tail positive skew. Investors are hungry for exposure to a technological evolution that slashes computing, energy, and transaction costs —decentralized blockchains can be vital to each of those criteria, enabling secure transfers of property rights like digital dollars.

Crypto is also perfectly timed for the macro environment. Monetary abundance adds a tailwind. Decades of policy-driven government debt and \$20 trillion in U.S. cash holdings—nearly 100% of GDP—are driving investors away from low-yielding bonds and cash, and toward alternatives like Bitcoin and Ethereum, both assets hedging inflation and capturing technological upside.

We quantify the performance of each strategy by evaluating crypto assets in a traditional 60/40 portfolio, from January 2017 to June 2024 and from January 2024 to June 2025, to capture shifts in institutional engagement with the Bitcoin Exchange Traded Product (ETP).

Figure 1: Longer-Term Strategy Attributes (Jan 2017 to Jun 2025)

	60-40	A: 60/35/5 (BTC)	B: 60/35/5 (COIN50)	C: 60/35/5 (ACTiVE)	D: 60/30/10 (SOV)	E: 60/30/10 (MAG7)
Return	9.50%	14.28%	14.68%	13.86%	12.51%	15.36%
Volatility	11.18%	12.65%	12.49%	11.69%	11.68%	15.12%
Sharpe Ratio	0.65	0.95	0.99	0.99	0.88	0.86
Downside Vol	11.13%	10.92%	10.79%	11.14%	10.45%	14.08%
Sortino Ratio	0.65	1.10	1.15	1.04	0.98	0.93

Source: Coinbase AM Calculations. See endnotes.

Figure 2: Shorter-Term Strategy Attributes (Jan 2024 to Jun 2025)

	60-40	A: 60/35/5 (BTC)	B: 60/35/5 (COIN50)	C: 60/35/5 (ACTIVE)	D: 60/30/10 (SOV)	E: 60/30/10 (MAG7)
Return	13.74%	17.73%	16.32%	15.26%	18.33%	22.30%
Volatility	10.43%	11.46%	11.29%	10.78%	10.99%	14.33%
Sharpe Ratio	0.85	1.12	1.01	0.96	1.22	1.21
Downside Vol	9.39%	9.07%	0.09%	9.66%	9.06%	12.08%
Sortino Ratio	0.94	1.41	1.25	1.07	1.48	1.44

Source: Coinbase AM Calculations. See endnotes.

Figure 3: Top Five Strategy Drawdowns v 60-40 Benchmark

	60-40	A: 60/35/5 (BTC)	B: 60/35/5 (COIN50)	C: 60/35/5 (ACTIVE)	D: 60/30/10 (SOV)	E: 60/30/10 (MAG7)
Dec 25, 2018	-11.31%	-14.93%	-15.64%	-12.40%	-11.64%	-14.76%
Mar 23, 2020	-20.65%	-22.44%	-22.66%	-20.56%	-21.49%	-24.90%
Oct 15, 2022	-20.80%	-23.83%	-24.10%	-22.13%	-21.26%	-26.88%
Oct 27, 2023	12.78%	-13.14%	-14.37%	-14.16%	-10.51%	-18.09%
Apr 8, 2025	-10.84%	-11.94%	-13.01%	-12.03%	-11.30%	-15.41%

Source: Coinbase AM Calculations. See endnotes.

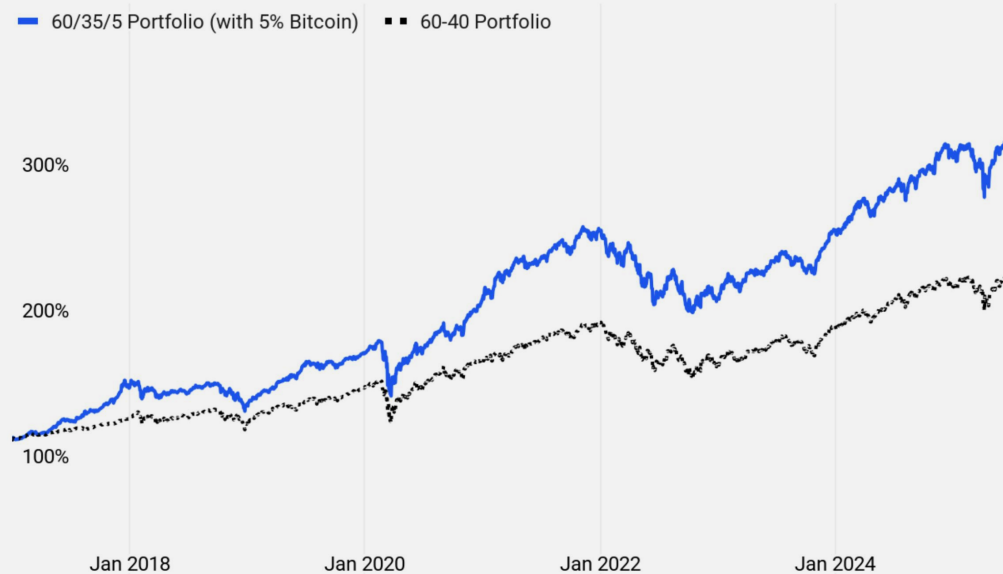
Portfolio A: Bitcoin (5% Allocation)

What is the simplest way to Get Off Zero?

The simplest way to Get Off Zero is adding Bitcoin to a portfolio. We consider a 5% allocation for the sake of simplicity in terms of exposure. A 5% allocation to Bitcoin greatly enhances portfolio returns and capitalizes on its 73% compound annual growth rate (CAGR) from January 2017 to June 2025. Its annualized volatility, currently at 72% and decreasing, reflects speculative dynamics, suggesting a modest size over the sample period. (See Figure 1 for performance numbers.)

Even a moderate 5% allocation to Bitcoin, instead of bonds, generates substantial portfolio improvements to the 60/40 equity-bond benchmark, adding nearly 500 basis points to annual portfolio performance with stronger risk-adjusted returns and reduced downside volatility.

Figure 4: Bitcoin's Outperformance v 60-40 Benchmark



Source: Coinbase AM Calculations. See endnotes.

It is important to isolate that shorter sample given the rise in institutional adoption since Bitcoin ETPs launched in 2024. Not only do the broader results hold, risk-adjusted returns are even stronger. The Sortino Ratio, which measures excess returns relative to downside volatility, improves by 34% with the increase in institutional adoption. (See Figure 2 for performance.)

Historically, Bitcoin's addition to the portfolio has been additive, a point that's been well established in the past.

Portfolio B: Passive Coinbase 50 Index (5%)

What about crypto exposure beyond Bitcoin?

Many crypto-forward investors desire broader exposure, adjusting to the evolution of crypto asset markets. A rules-based index with systematic rebalancing allows institutions to capture those broader crypto trends without focusing on micro-based asset selection—it's all in the rules. The Coinbase 50 Index (COIN50) is our benchmark.

The results of adding Bitcoin at 5% vs COIN50 at 5% allocation are not materially different. Over the longer period the index captures the first wave of DeFi growth and other market events such as NFTs, AI, and meme coins. If an investor wants broader crypto exposure, the index is the preferred strategy. Over the shorter sample period where Bitcoin is rising in market share, it yields slightly stronger results both in return contributions and risk-adjusted performance, yet also slightly more downside risk. (See Figures 1-3 for performance.)

A broader crypto index and pure Bitcoin allocation have one key factor in common: careful asset screening combined with a disciplined portfolio approach that is historically additive.

Portfolio C: Active Asset Management (5%)

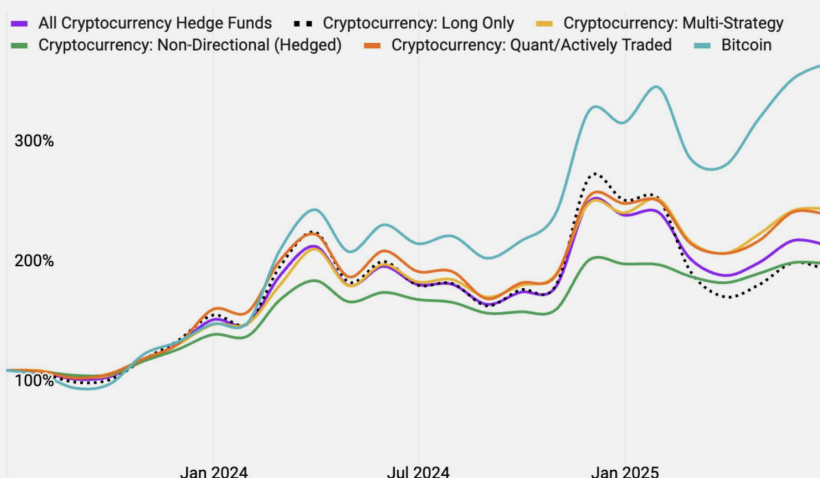
Do actively managed crypto strategies add value?

Yes and no—it's complicated. BlackRock Preqin data provide a benchmark for actively-managed crypto funds dating back to 2020. Five strategies are covered: long Bitcoin, long-only crypto, multi-strategy, market-neutral hedged strategies, and quantitative funds. The risk-adjusted returns outperform slightly over a longer horizon, and underperform materially during the phase of institutionalization (e.g. now).

The primary motivation for migrating to a hedge-fund approach is stronger downside risk management. The hedge fund sector has not yet delivered in that regard, experiencing drawdowns similar to Bitcoin and the COIN50 Index while mirroring downside volatility of passive strategies. This is likely a challenge of scale, as active strategies take on more directional risk to accommodate asset demand.

It's still early in the lifecycle of crypto, and the unflattering performance of active strategies may be a reflection of this stage.

**Figure 5:
Performance of
Actively Managed
Strategy**



Source: Preqin, BlackRock.
See endnotes.

Portfolio D: Store of Value Index = Bitcoin + Gold (10% Allocation)

Is Bitcoin a threat to gold, or a compliment to gold?

Bitcoin has embraced the role of a store of value. Nearly 300 entities (State and Federal governments, corporates, etc) have established Bitcoin reserve accumulation strategies, more than twice the number from a year ago. However, Bitcoin is not a standalone store of value. It competes with other assets, like gold, for that title.

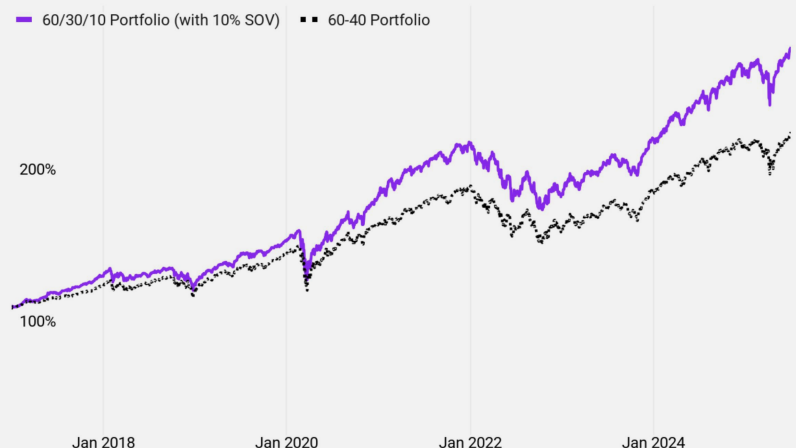
With Gold's market cap at \$20 trillion, and Bitcoin's market cap at \$2 trillion, we think Gold and Bitcoin go together. We have created an index based on Bitcoin and gold, where Bitcoin's weight is inversely proportional to its volatility. In a longer period of low volatility, like the one we are currently experiencing, Bitcoin's weight in the index would increase.

We view the "Store of Value" index as part of the institutionalization process. This represents the creation of a new asset class, where allocators hold both gold and Bitcoin with the express purpose of offsetting monetary debasement in the face of high and rising government debt in rich countries. This contrasts with the current view that Bitcoin is just another commodity; it is not.

The portfolio benefits (shown below) support this viewpoint. A 10% allocation to the SOV index reflects its lower volatility, thus normalizing portfolio volatility over the sample periods. In the shorter term, where the store-of-value narrative has gained strong institutional traction, adding Bitcoin to the portfolio is strongly favorable in terms of its return contribution and significantly outperforms crypto-only strategies on a risk-adjusted basis.

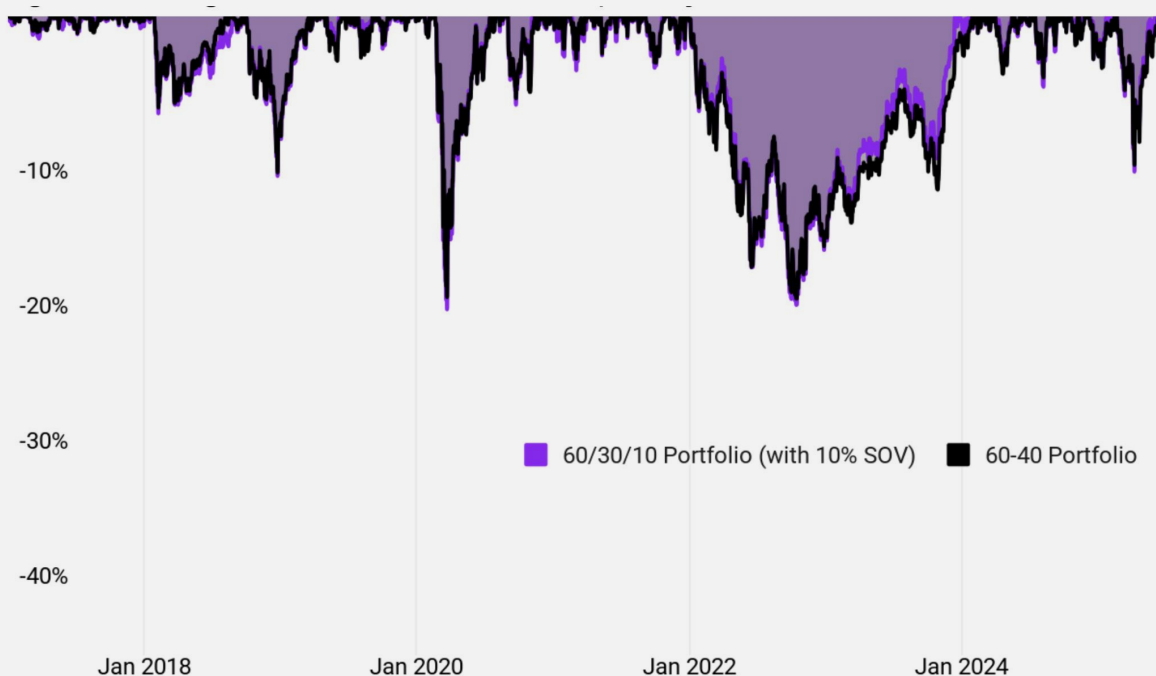
However, the performance benefit is less evident over the longer term, emphasizing the dynamic approach asset allocators must adopt for store-of-value assets. The disciplined blend of a traditional asset like gold and the dominant crypto asset, Bitcoin, is unequivocal. It represents the right mix for the right time.

**Figure 6:
Performance of
Actively Managed
Strategy**



Source: Coinbase AM
Calculations. See endnotes.

Figure 7: Adding Store of Value: Better Return, Nearly Identical Drawdown



Source: Coinbase AM Calculations. See endnotes.

Portfolio E: Crypto-Based Equities (10%)

What about companies who are engaged in crypto assets as an investment proxy?

In our final assessment of ways to get off zero, we explore direct equity exposure to crypto companies and existing platforms that are rapidly integrating crypto technologies. We have created the “MAG7 Crypto Basket,” which includes equally-weighted, publicly traded stocks of BlackRock, Block Inc., Coinbase, Circle, Marathon, Strategy, and PayPal.

During a period where growth companies outperformed the broader market, we learned that the 10% inclusion of MAG7 Crypto meant increasing volatility alongside performance. With growth shares exhibiting higher volatility, it is not surprising that swapping bonds for crypto equities increases overall volatility across the board. The risk-adjusted results underperform the store-of-value index, but are somewhat stronger than Bitcoin as a standalone asset. The cost is complexity—drawdowns are the most severe. (See Figures 1-3 for performance.)

Investors seeking to check a predefined box can look to crypto-based equities, but it represents the most complex and indirect exposure among the strategies discussed.

Where Are We Headed? Forward Expectations

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How does crypto integrate into institutional investment frameworks?

Addressing this question is critical to unlocking institutional adoption of digital assets. The process begins with a robust asset allocation framework, grounded in capital market assumptions that shape long-term price expectations and guide portfolio construction.

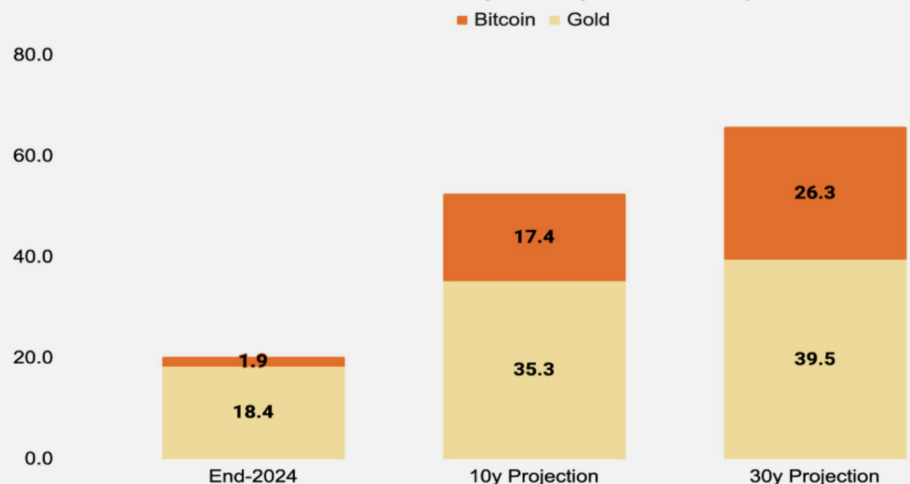
Elevated stock valuations and persistent government borrowing have suppressed long-term return expectations, with U.S. equities projected at 7% annually and U.S. bonds at 4%; this aligns closely with cash returns, based on rigorous capital market assumptions and forward-looking models. In this low-yield environment, investors are compelled to explore innovative capital preservation strategies, with Bitcoin emerging as a standout option.

We propose that store-of-value assets, led by Bitcoin's expected returns, warrant a distinct capital market category, driven by macro tailwinds such as monetary policy shifts and inflation hedging. We are projecting 10% annualized gains with minimal correlation to bond markets, which offer negligible real returns over a decade (Figure 8).

Bitcoin's fixed supply and decentralized nature position it as a hedge against higher inflation, enhancing portfolio resilience. But its store-of-value appeal is beyond a hedge—allocating to Bitcoin maximizes future capital flexibility, serving as foundational collateral for dynamic reallocations to undervalued assets.

Figure 8: More than \$30T Added to Store of Value in 10 Years

10-Year and 30-Year Store-of-Value Projection (USD Trillions)



Source: Capital Market Assumptions:
The Case for Store of Value.
See endnotes.

Conclusion

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Crypto is reshaping finance. Institutional investors seeking exposure can consider many liquid-market strategies ranging from a direct, passive allocation to Bitcoin or the Coinbase 50 Index to actively managed funds and strategies that blend traditional and crypto finance.

To **Get Off Zero**—the first step is often the hardest. We recommend that investors research strategies like those we reviewed to participate in this incredible new asset class.

ENDNOTES

The hypothetical portfolios described in this paper utilize daily price data from Bloomberg (bonds, equities), Coinmetrics (Bitcoin), and MarketVectors (COINCORE and COIN50 Indices). Active crypto funds are monthly price data from BlackRock-Preqin. The sample from 2017 to 2020 for COIN50 is based on returns from the Coinbase Core Index, which has a 98.7% correlation of daily returns over the common sample period from January 2021 to June 2025.

Hypothetical portfolios are calculated from daily returns and quarterly rebalancing from January 1, 2017 to June 30, 2025. There is no account for transaction costs, fees, or other expenses. Thus, the calculations are for illustrative purposes only.

The MAG7 Crypto Equity Basket represents equally-weighted publicly-traded stocks of BlackRock (BLK), Block Inc. (XYZ), Coinbase (COIN), Circle (CRCL), Marathon (MARA), Strategy (MSTR), and PayPal (PYPL). Basket constituents are added upon the date of their initial public trading.

All calculations are Coinbase Asset Management.

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