iSectors® Bitcoin Allocation: A Window into Economic Evolution

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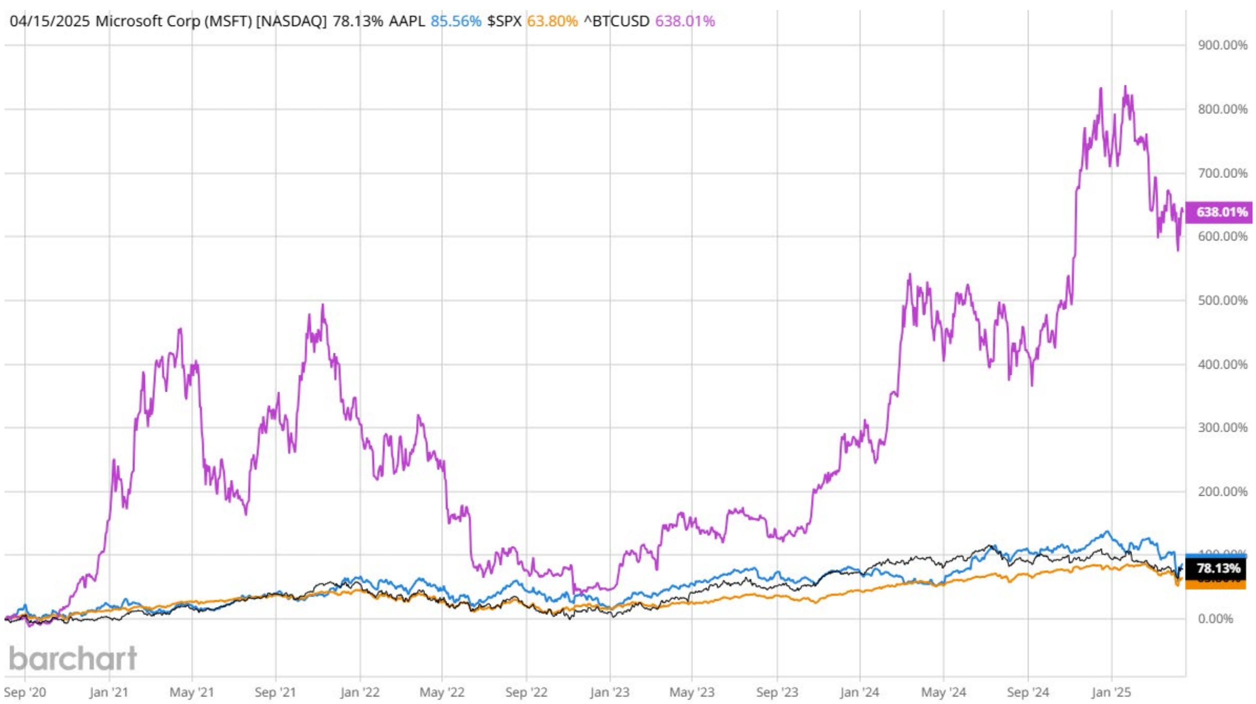
As Bitcoin's market capitalization surpassed $1 trillion in the mid-2020s, a quiet revolution began to stir in financial advisory circles. iSectors®, an ETF based investment strategist established in 2008 in Appleton, Wisconsin, capitalized on this shift with the development of iSectors® CryptoBlock® Allocation model, launched in February 2021.

By Bitcoin's sixteenth year, 2025, iSectors® upped the ante with a strategic Bitcoin allocation in its equity and target risk model portfolios. This move mirrors seismic economic trends, including waning trust in fiat currencies' inflationary churn and a growing desire for assets beyond the reach of government and central banks—while addressing a critical pain point: there is a subset of advisors and clients who are interested in Bitcoin's diversification and upside but lack the bandwidth (time and experience) to navigate its complexities. iSectors® asset allocation models provide advisors with a practical solution for allocating Bitcoin to client portfolios.

Cumulative Returns Since August 2020: Bitcoin Outpaces Tradition

Bitcoin vs. Apple vs. Microsoft vs. S&P 500 via BarChart.com



iSectors® argument is based on data from studies by Blackrock, Fidelity, Yale University, Galaxy Digital, and Bitwise, which show that a 1% to 5% Bitcoin allocation, rebalanced regularly, boosts returns with tolerable volatility. Including Bitcoin in iSectors® allocation models—accessible via TAMPs such as SMArtX, Envestnet, GeoWealth, Orion, and Adhesion Wealth—improve a portfolio's risk-adjusted returns.

Bitcoin’s Effect on Traditional Portfolios

Portfolio Performance Metrics

Period between January 1, 2014 and March 31, 2025 (assuming quarterly rebalancing)

PORTFOLIO	CUMULATIVE RETURN	ANNUALIZED RETURN	ANNUALIZED VOLATILITY	SHARPE RATIO	MAXIMUM DRAWDOWN
Traditional 60/40 Portfolio	96.57%	6.20%	8.48%	0.441	22.07%
Traditional Portfolio + 1.0% bitcoin	116.04%	7.10%	8.57%	0.539	22.73%
Traditional Portfolio + 2.5% bitcoin	148.07%	8.42%	8.87%	0.667	23.72%
Traditional Portfolio + 5.0% bitcoin	209.66%	10.59%	9.72%	0.826	25.35%
Traditional Portfolio + 10.0% bitcoin	368.30%	14.73%	12.23%	0.988	28.53%

Source: Bitwise Asset Management with data from Bloomberg. Note: Traditional Portfolio consists of 60% equities (represented by the FTSE Global All Cap Index) and 40% bonds (represented by the Bloomberg US Aggregate Bond Float Adjusted Index). It is not possible to invest directly in an index. Not considering taxes nor transaction costs. Bitcoin (BTC) is analyzed here because its longer price history allows for more comprehensive historical analysis than other crypto assets. Performance of individual crypto assets may differ significantly from the performance of bitcoin. For more details, please refer to our white paper “Bitcoin’s Role in a Traditional Portfolio” published in August 2023 and available at https://bitwiseinvestments.com/crypto-market-insights/bitcoins-role-in-a-traditional-portfolio.

Past performance does not predict or guarantee future results. Nothing contained herein is intended to predict the performance of any investment. There can be no assurance that actual outcomes will match the assumptions or that actual returns will match any expected returns. Historical performance of sample portfolios has been generated and maximized with the benefit of hindsight. The returns do not represent the returns of an actual account and do not include the fees and expenses associated with buying, selling and holding funds or crypto assets. Performance information is provided for informational purposes only.

This strategy goes beyond simple asset allocation and reflects a calculated economic approach. The rationale is twofold. First, Bitcoin’s low correlation with traditional assets (hovering between 0.1 and 0.53 over rolling five-year periods, per iSectors® charts) offers diversification in an era of synchronized equity-bond slumps. Second, Bitcoin’s capped supply of 21 million coins is viewed by some investors as a safeguard against the potential erosion of fiat currency value, aligning with perspectives from Austrian School economists like Ludwig von Mises, who were critical of central bank policies.

Asset Class Correlations in iSectors® Post-MPT Allocation Investment Universe

iSectors Post-MPT Market Sector Correlation Matrix (Last 5 Years)

	Bonds	Gold	Energy	Finance	Health	Tech	Basic Mat.	Real Estate	Utilities	Bitcoin
Bonds	1									
Gold	0.35	1								
Energy	-0.18	-0.10	1							
Finance	0.15	0.04	0.74	1						
Health	0.36	0.21	0.48	0.67	1					
Tech	0.45	0.12	0.42	0.65	0.69	1				
Basic Mat.	0.29	0.26	0.62	0.85	0.78	0.70	1			
Real Estate	0.44	0.20	0.51	0.81	0.78	0.76	0.87	1		
Utilities	0.26	0.35	0.33	0.55	0.63	0.45	0.71	0.69	1	
Bitcoin	0.10	0.11	0.41	0.55	0.39	0.52	0.53	0.48	0.35	1

High Correlation; ≥ .80
Modest Correlation; *between .50 - .79*
Low Correlation; *between 1 and .49*
Negative Correlation; *≤0*

For five-year period ending 03/31/2025. Corresponding ETFs for each asset class are used for correlation.

* Diversification does not ensure a profit, nor prevent against loss in a declining market

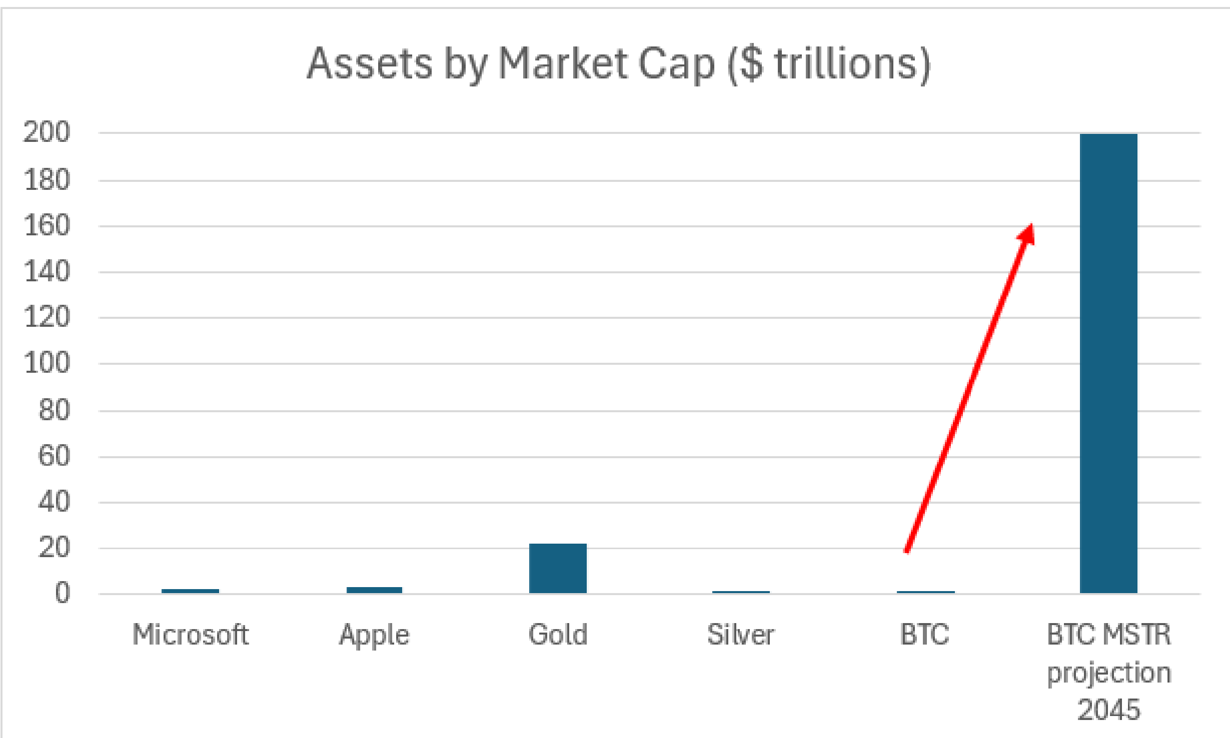
With Bitcoin trading at $85,000 in April 2025 (down from $110,000 in December 2024), iSectors® leans on Bitcoin's long-term ascent despite short-term dips. Our conviction is fueled by substantial institutional adoption, which has swelled to $47 billion in BlackRock's Bitcoin ETF, IBIT, alone since 2024. The following represents an example of the continuous and growing institutional adoption of Bitcoin (BTC) as of April 1, 2025. For more details, please visit https://bitcointreasuries.net.

Private Companies own 441,000 BTC
DeFi/Smart Contracts own 200,941 BTC
Governments own 524,699 BTC
ETFs/ Other Funds own 1,294,915 BTC
Public Companies own 690,089 BTC

Critics might scoff and argue that an allocation as high as 5% in a portfolio overshoots the comfort level of many investors, given Bitcoin's rollercoaster past. Yet iSectors® position is that Bitcoin's economic role is proven; it's no longer theoretical but fully attainable for advisors and their clients. Considering the projected growth of this asset class, the most significant risk of Bitcoin could be not allocating it within an investment portfolio and missing a potentially valuable opportunity as a result.

Bitcoin's Projected Growth: The Digital Capital Wave

Michael Saylor, CEO of Strategy, Inc., projects BTC's market-cap will dwarf that of many other assets



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