

---

# BLOCKCHAIN TECHNOLOGY, REAL WORLD ASSETS TOKENIZATION AND SMART CONTRACTS: TODAY'S IRL USE CASES

Mareidith Sapp — Director of Business Development, Digital Assets

11/16/2023

[Blockchain technology](#), real world assets tokenization and smart contracts are concepts and buzzwords talked about frequently in financial services today. But what are some of the use cases in real life and how can this technology be applied? This is the first blog in a series where we'll discuss some of the actual use cases of how this technology can and will impact financial services and the potential improvements end investors can expect.

## **Use Case #1: Rebalancing discretionary multi-asset class model portfolios achieved through interoperability and smart contracts**

Blockchain technology has the potential to revolutionize model portfolio rebalancing, making it more efficient, scalable, and transparent. By tokenizing both traditional and alternative assets and using smart contracts to automate the rebalancing process, blockchain can enable portfolio managers to seamlessly manage large numbers of discretionary multi-asset class portfolios.

Today, model portfolio construction and rebalancing are critical components of asset management, helping to ensure that portfolios remain aligned with investors' risk tolerances and investment objectives. However, the current process of rebalancing discretionary model portfolios is often manual and time-consuming, particularly if the portfolio holds alternative investments. Adjusting portfolio allocations across asset types (both public and private) requires multiple systems, manual processes, and multiparty reconciliation in addition to Portfolio Managers (PMs) maintaining cash allocations which can impact overall portfolio costs and returns.

### **Potential Solution**

Blockchain technology can improve the end consumer's experience with model portfolios by:

- 1. Democratizing tokenized assets:** Tokenization can make alternative investments easier to trade, enabling them to be included alongside traditional investments in model portfolios and therefore more accessible to clients than in the current structure.
- 2. Automating the rebalancing process:** Smart contracts can automate the rebalancing process and enable the rebalancing of thousands of portfolios at once, eliminating the need for manual intervention reducing the risk of errors, and in addition, reducing costs. These portfolios can also be customized to specific client risk tolerances and needs, improving the investment process for the end consumer without a 'one size fits all' approach to investment profiles.
- 3. Providing transparency and auditability:** Blockchain-based systems provide a single source of truth for portfolio data, making it easier to track and audit portfolio performance.
- 4. Increasing accessibility:** Leveraging interoperability solutions enables PMs to build portfolios across disparate chains providing new investment opportunities to a potentially new customer base that is more customized.

### **Proof of Concept**

WisdomTree's recent proof-of-concept with JPM and Apollo announced this week through Project Guardian demonstrated the feasibility of using blockchain to rebalance model portfolios that include both tokenized digital funds as well as Apollo's tokenized alternative investments with JPM acting as the Portfolio Manager. JPM's Onyx Digital

Assets was used as the base chain that connected to Ethereum Virtual Machine (EVM) and non-EVM blockchain networks via designated interoperability solutions and used smart contracts to automate the rebalancing process. This proof of concept also demonstrated the ability to use hybrid blockchain infrastructure, such as [Avalanche Evergreen Subnets](#), individual blockchains with customizable gas settings and built-in permissioning, to both mint and transfer assets to other private or public blockchains.

### **Challenges & Considerations**

While tokenization has the potential to enhance liquidity by creating more efficient transactions, blockchain technology does not, in and of itself, create liquidity. In addition, to provide additional choice within model portfolios, the number of available tokenized investments will need to increase. Implementation, education and balancing between the amount of data to provide on-chain with respect to a model portfolio versus privacy will warrant further consideration. Nonetheless, the prospects for an evolution in the future of asset management through blockchain technology are exciting.

### **Conclusion**

Blockchain technology has the potential to revolutionize model portfolio rebalancing, making it more efficient, scalable, and transparent. By tokenizing both traditional and alternative investments and using smart contracts to automate the rebalancing process, blockchain can enable portfolio managers to seamlessly manage large numbers of discretionary multi-asset class portfolios. It could also make it easier and more affordable for portfolio managers to include alternative investments in model portfolios, which could lead to improved portfolio performance for investors. For the end client, this can result in cost savings, improved reporting, and access to new investment products. Additionally, blockchain could help to democratize access to model portfolios, making them more accessible to a wider range of investors.

To read the full report, click [here](#).

### **Important Risks Related to this Article**

There are risks associated with investing, including the possible loss of principal. **Blockchain technology** is a relatively new and untested technology, with little regulation. Blockchain systems could be vulnerable to fraud, particularly if a significant minority of participants colluded to defraud the rest. Potential risks also include vulnerability to theft, or inaccessibility, and future regulatory developments could affect its viability. Using an asset allocation strategy does not assure a profit or protect against loss.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

View the online version of this article [here](#).

## **IMPORTANT INFORMATION**

**U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.**

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages ([www.msci.com](http://www.msci.com))

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.