

Investing in the ‘S&P 500 of crypto’

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Key Takeaways

- Crypto basket ETPs, provide a strategic way to capture broader market opportunities while mitigating single-asset risks.
- The CoinDesk 20 index, rebalanced quarterly, serves as a dynamic benchmark for tracking the most liquid and widely traded cryptocurrencies, offering institutional investors a reliable guide to the evolving crypto market.
- With its transparent methodology and alignment with institutional needs, the CoinDesk 20 is poised to become the S&P 500 of the cryptocurrency world, laying the foundation for innovative financial products and mass adoption.
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Investing in a diversified ‘basket’ of cryptocurrencies can provide a strategic way to capture broader market opportunities while mitigating single-asset risks.

With its robust methodology, the CoinDesk 20 index is emerging as the go-to crypto benchmark, redefining the standard for institutional crypto investing.

Crypto basket ETPs—a simpler way to invest

Crypto basket exchange-traded products (ETPs) bundle multiple cryptocurrencies into a single investment vehicle, enabling investors to:

- **Navigate volatility and capture growth:** the crypto market is characterised by rapid innovation and high volatility. While bitcoin and ether remain dominant, emerging altcoins such as XRP and Solana are gaining traction by offering unique functionalities. Crypto basket ETPs mitigate the risk of underperformance in any single cryptocurrency, providing balanced exposure to both established and rising assets.
- **Simplify portfolio management:** managing individual crypto exposures is resource-intensive, requiring constant analysis and rebalancing. Crypto basket ETPs simplify this process with professionally curated portfolios that are periodically rebalanced to reflect market dynamics, offering a hands-off solution for institutional investors.

- **Align with diversified, index-based strategies:** just as index-based strategies revolutionised traditional asset classes by offering transparency and cost efficiency, crypto basket ETPs provide a 'one-stop shop' for exposure to the cryptocurrency market. This approach reduces concentration risk and aligns with institutional best practices.

The CoinDesk 20 index: a benchmark for the future

At the core of this shift is the CoinDesk 20 index—a benchmark tracking the performance of the 20 most liquid and widely traded cryptocurrencies. Representing approximately 90% of the total crypto market capitalisation, the CoinDesk 20 provides investors with a reliable and transparent guide to the digital asset space.

The CoinDesk 20 index stands out for its:

- **Quarterly rebalancing:** ensuring inclusion of the most relevant and liquid assets in response to market trends.
- **Institutional focus:** prioritising assets that are not only widely traded but also viable for institutional investment.
- **Comprehensive coverage:** capturing market leaders while maintaining adaptability to include emerging assets.

Figure 1: January 2025 reconstitution constituents and preliminary weights

Source: CoinDesk Indices Announces January 2025 Reconstitution Results for the CoinDesk 20 Index. 03 January 2025.

As highlighted in Figure 1, the latest rebalance of the CoinDesk 20 index had two new additions: Sui and Aave. These cryptocurrencies were included based on their performance and alignment with the stringent criteria of the index, replacing:

- Render (RENDER), which was removed due to its absence from at least three eligible exchanges.
- Ethereum Classic (ETC), which failed to meet the minimum liquidity requirements for continued inclusion.

This adjustment reflects the commitment of the index to maintain a portfolio of the most liquid and institutionally viable cryptocurrencies, ensuring relevance and reliability for investors.

The 'S&P 500 of crypto'

As the cryptocurrency market matures, the CoinDesk 20 is poised to become the definitive benchmark for digital assets—the S&P 500 of crypto. Like its equity counterpart, the CoinDesk 20 provides:

- **Market representation:** offering a comprehensive snapshot of the sector's health and performance.

- **Transparency:** built on clear, institution-focused criteria.
- **Adaptability:** a dynamic framework that evolves alongside the market.

This unique positioning not only cements the CoinDesk 20 as a bellwether for crypto investing but also lays the foundation for a broader ecosystem of financial products, from derivatives to structured investments.

A true benchmark transcends its role as a mere index to become the backbone of an entire ecosystem. The CoinDesk 20 has already begun fulfilling this role, serving as the basis for:

- **Crypto basket ETPs:** providing diversified and cost-effective exposure.
- **Derivatives:** enabling sophisticated strategies for institutional investors.
- **Structured products:** driving innovation in crypto financial instruments.

Just as the S&P 500 underpins countless ETPs and derivatives in traditional finance, the CoinDesk 20 is catalysing similar innovation in the digital assets space, attracting institutional capital and broadening market access.

Conclusion

The rise of crypto basket ETPs, underpinned by benchmarks such as the CoinDesk 20, is redefining institutional investment strategies. By offering diversified exposure, simplifying management, and aligning with broader trends in index-based investing, these products empower investors to navigate the complexities of the crypto market with confidence. As the industry continues to evolve, the CoinDesk 20 is well-positioned to become the gold standard for crypto benchmarks, much like the S&P 500 in equities.

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