

November 2024 crypto basket rebalance

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Key Takeaways

- The November 2024 crypto basket rebalances illustrate the dynamic and adaptive nature of cryptocurrency investments.
- XRP replaced Polygon in the WisdomTree Physical Crypto Market ETP (BLOC) and WisdomTree Physical Crypto Altcoins ETP (WALT).
- Year-to-date, all three of WisdomTree's crypto baskets are showing strong performance.
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As cryptocurrencies continue to gain traction amongst institutional investors, a significant trend is emerging. These investors, often cautious by nature, are carefully integrating cryptocurrencies into their portfolios. Some are taking a measured approach with small allocations to test the waters, while others are embracing more comprehensive, diversified strategies.

At the heart of this shift are two prevailing approaches:

- **The bitcoin-centric strategy:** for many institutions, bitcoin remains the gateway to the crypto world. Seen as 'digital gold', it offers a familiar narrative as a store of value, backed by deep liquidity and well-established infrastructure. Its historical resilience, strong brand recognition, and unparalleled network security make it a natural first step for those seeking exposure to cryptocurrencies.
- **The diversified crypto basket approach:** others are betting on the broader potential of blockchain by investing into crypto baskets. These portfolios mix multiple cryptocurrencies and most of them are market cap weighted. Such diversification increases the likelihood of holding the future crypto market winners.

The choice between these strategies reflects an institution's underlying philosophy. Bitcoin appeals to those who prioritise stability and security, while diversified crypto baskets attract those who do not want to have to choose the potential crypto market winners.

Most recent crypto basket rebalance

In preparation for the November 2024 crypto basket rebalance, the Crypto Index Committee identified the need to adjust the building blocks for the following two crypto baskets that WisdomTree manages:

- [WisdomTree Physical Crypto Market ETP \(BLOC\)](#) that tracks WisdomTree CF Crypto Market Index

Specifically, it was decided to:

- Remove Polygon Ecosystem Token (POL) primarily due to its low market capitalisation, which fell below the thresholds needed for inclusion in the indices.
- Add XRP (XRP) primarily due to its high market capitalisation and increasing regulatory clarity, particularly after a series of positive recent developments.

One of the notable factors influencing this decision was the September 2024 1:1 conversion of Polygon (MATIC) to the Polygon Ecosystem Token (POL). While this conversion was categorised as a routine crypto corporate action, it had a significant effect on the market capitalisations of the related tokens.

As shown in Figure 1, the circulating market capitalisations before and after the conversion changed dramatically.

Figure 1: Circulating market caps

Source: Messari. 28 November 2024. Historical performance is not an indication of future performance and any investment may go down in value.

The conversion led to a redistribution of value, but the combined market cap of MATIC and POL declined from \$3.9 billion to \$3.2 billion over this period¹. More importantly, by November 2024, POL's market capitalisation alone had fallen to the smallest within the baskets, and even the combined value of MATIC and POL failed to place them within the top 20 cryptocurrencies by market cap.

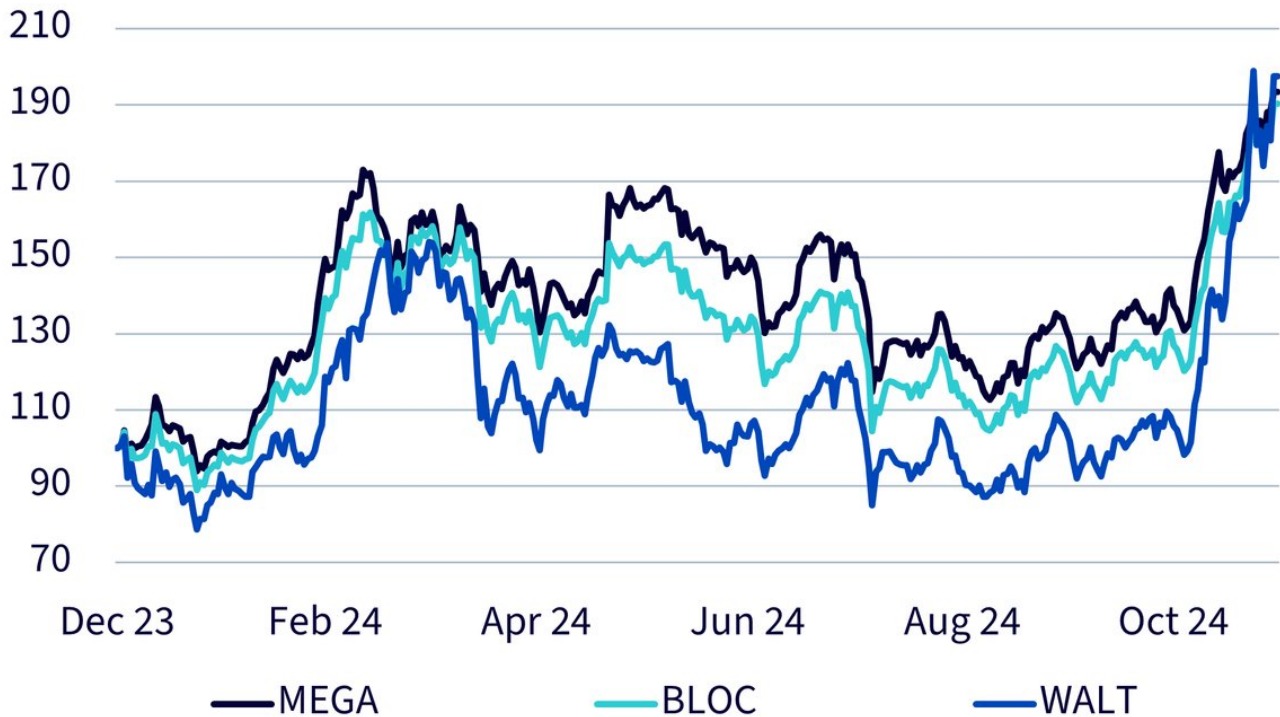
XRP's inclusion underscores its growing legitimacy. With a solid market position and increased regulatory clarity, XRP is emerging as a symbol of the maturing crypto landscape. This move aligns with WisdomTree's strategy to prioritise resilient and promising digital assets.

These adjustments demonstrate the dynamic nature of crypto index management and the importance of continuously adapting to evolving market conditions. For investors, such changes ensure that the underlying indices remain aligned with their goals of representing robust, liquid, and diversified crypto exposure.

Performance

Year-to-date (YTD), both bitcoin and key altcoins are showing strong performance; bitcoin is up by 116%² and Solana is up by 151%³. Per Figure 2, this has led to three WisdomTree crypto baskets experiencing relatively similar YTD performance.

Figure 2: Year-to-date crypto basket performance



Source: WisdomTree. 29 October 2024. **Historical performance is not an indication of future performance and any investment may go down in value.**

Rebalance turnover

Even though there was no change to the building blocks of [WisdomTree Physical Crypto Mega Cap Equal Weight ETP \(MEGA\)](#), this fund experienced turnover as bitcoin exposure had to be reduced down to 50% and ether exposure had to be increased up to 50%. Figure 3 details the building block weight changes.

Figure 3: Actual pre-rebalance and target post-rebalance building block weights

Source: WisdomTree. 02 December 2024. *Historical performance is not an indication of future performance and any investment may go down in value.*

For total transparency, the two-way turnovers were:

- 12.8% for [WisdomTree Physical Crypto Mega Cap Equal Weight ETP \(MEGA\)](#)
- 16.0% for [WisdomTree Physical Crypto Market ETP \(BLOC\)](#)
- 41.3% for [WisdomTree Physical Crypto Altcoins ETP \(WALT\)](#)

Similar to earlier rebalances, the slippage costs that the three crypto basket exchanged-traded products (ETPs) experienced were very much in line with WisdomTree's expectations.

Conclusion

The November 2024 crypto basket rebalances illustrate the dynamic and adaptive nature of cryptocurrency investments. XRP replaced Polygon in the [WisdomTree Physical Crypto Market ETP \(BLOC\)](#) and [WisdomTree Physical Crypto Altcoins ETP \(WALT\)](#).

Year-to-date, all three of WisdomTree's crypto baskets are showing strong performance. While November 2024 rebalances resulted in relatively significant turnovers, slippage costs were contained.

1 Messari. 28 November 2024.

2 Messari. 02 December 2024.

3 Messari. 02 December 2024.

Important Risks Related to this Article

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