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The case for 2%: bitcoin deserves a seat

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Dovile Silenskyte
Director, Digital Assets Research

Key Takeaways

- A 2% bitcoin allocation in a traditional 60/40 portfolio has historically delivered higher returns with minimal added volatility, offering a compelling boost to risk-adjusted performance.
- Bitcoin’s low correlation with equities and bonds enhances diversification, helping portfolios stay resilient even during severe crypto drawdowns.
- As bitcoin gains institutional legitimacy and represents 1.7% of the global market portfolio, a 0% allocation is no longer neutral – it is an active underweight.

Investors say they value diversification, yet most of them still pretend bitcoin does not exist. Zero exposure is not caution – it is an active underweight against a quickly growing asset class. A measured 2% allocation has historically lifted returns while barely budging volatility. The real risk is clinging to old playbooks while the market moves on.

Why now?

Bitcoin is no longer a fringe bet. Digital assets represent 1.7% of the global listed market portfolio[1], marking their arrival as an institutional asset class. Bitcoin alone accounts for 56% of the total crypto market capitalisation[2], as shown in the figure below, reinforcing its status as the anchor asset in digital markets.

Figure 1: Bitcoin as a percentage of total crypto market capitalisation



Source: Artemis Terminal, WisdomTree. 31 August 2025. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investment may go down in value.**

The real question for investors is no longer if bitcoin belongs in a portfolio, but how much to allocate.

The evidence

In blind tests, consumers often preferred Pepsi but still stuck with Coca-Cola out of habit. Investors risk making the same mistake – clinging to familiar frameworks while ignoring bitcoin's edge. A 2% allocation challenges that bias without overhauling your portfolio.

- High reward, low cost: a 2% bitcoin allocation in a 60/40 Global Portfolio added 1.3% annual return for just 0.19% extra volatility[3]. The resulting Information Ratio of 0.97[4] is exceptional by asset management standards, where most strategies struggle to sustain even half that level.
- Low correlation is the secret sauce: bitcoin's muted correlation (around or below 20%[5]) with equities and bonds ensures portfolio-level volatility barely rises.
- Asymmetric returns: bitcoin was the top-performing asset in eight of the last 11 years[6]. In the three years it lagged, underperformance was sharp at the asset level but only marginal at the portfolio level.
- Bear market resilience: even during crypto winters when bitcoin individually collapsed by over 70%, the 2% allocation only modestly dented portfolio returns.

Figure 2: Bitcoin's impact during crypto markets shows portfolio resilience even when bitcoin crashed by 70 – 80%

	2% bitcoin portfolio	Equities	All fixed income	Bitcoin
First crypto winter (31 December 2013 to 14 January 2015)	-2.20%	1.77%	1.01%	-75.49%
Second crypto winter (18 December 2017 to 14 December 2018)	-2.83%	-6.63%	-2.35%	-83.10%
Third crypto winter (10 November 2021 to 21 November 2022)	-1.51%	-12.96%	-17.55%	-72.74%

Bloomberg, WisdomTree. From 31 December 2013 to 29 August 2025. In USD. Based on daily returns. The 60/40 Global Portfolio is composed of 60% MSCI AC World and 40% Bloomberg Multiverse. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investment may go down in value.**

As shown in the figure above, a disciplined 2% allocation provides exposure to upside without catastrophic downside risk.

Neutral allocation with guardrails

Not having bitcoin in a multi-asset portfolio is not “neutral”. It is an active underweight – a structural bet against the quickly growing asset class. Yet bitcoin remains volatile: gains often come in bursts, and crashes are inevitable. The solution is a disciplined roadmap that balances opportunity with risk control:

- Rebalance systematically: prevent allocation drift and crystallise gains.
- Stress-test portfolios: ensure drawdowns remain contained during crypto winters.
- Model it: run historical and rolling-window tests versus your baseline.
- Monitor it: track volatility, drawdowns, and performance ratios over time.
- Review regularly: revisit assumptions as adoption, regulation, and correlations evolve.

This pragmatic process ensures a measured allocation – around 2% - that captures bitcoin’s upside while keeping portfolio risks firmly in check.

Conclusion: a smart, measured tilt

A 2% allocation is not radical. It is a strategically thoughtful tilt as it:

- Taps into asymmetric upside.
- Raises risk only fractionally.

- Aligns with the global investable market.
- Scales responsibly within a traditional framework.

For portfolios seeking both resilience and relevance, 2% in bitcoin is no longer optional. It is the smarter baseline.

[1]Bloomberg, WisdomTree. 29 August 2025. Measured in US Dollars.
[2]Artemis Terminal, WisdomTree. 01 September 2025. Measured in US Dollars.
[3]Bloomberg, WisdomTree. From 31 December 2013 to 29 August 2025. In USD. Based on daily returns. The 60/40 Global Portfolio is composed of 60% MSCI AC World and 40% Bloomberg Multiverse. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investment may go down in value.**
[4]Bloomberg, WisdomTree. From 31 December 2013 to 29 August 2025. In USD. Based on daily returns. The 60/40 Global Portfolio is composed of 60% MSCI AC World and 40% Bloomberg Multiverse. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investment may go down in value.**
[5]Bloomberg, WisdomTree. From 31 December 2013 to 31 August 2025. In USD. Based on weekly returns. The 60/40 Global Portfolio is composed of 60% MSCI AC World and 40% Bloomberg Multiverse. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investment may go down in value.**
[6]Bloomberg, WisdomTree. From 31 December 2013 to 31 August 2025. In USD. **You cannot invest directly in an index. Historical performance is not an indication of future performance and any investment may go down in value.**

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