

# WisdomTree's diversified crypto baskets have rebalanced, providing investors exposure to Cosmos

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2022 was an incredibly challenging year for investors regardless of what asset class they were allocating to. Crypto was no exception. Whether it was the macroeconomic environment, where Central Banks began aggressively raising interest rates to fight off accelerating inflation growth, or bad news surrounding actors in the crypto space (like FTX), there seemed no shortage of headwinds for the nascent asset class.

2023, so far at least, is painting a different picture. Performance across the spectrum of risk assets has been positive as inflation concerns begin to ease across the globe. Central Banks are possibly at or near 'peak hawkishness', offering some optimism for the future of assets further out in duration. Crypto has been buoyed by the tide of improving investor sentiment and has also experienced a strong start to the year.

With performance across a range of cryptocurrencies and digital assets in positive territory, it's a good opportunity to remind investors that the digital assets space is bigger than Bitcoin. While the most notable cryptocurrency is a large part of the ecosystem, recent years have seen the growth of a range of exposures. The crypto space looks quite different to how it did a just a year ago – how it will look a year from now, is anyone's guess.

The long-term winners in crypto may not exist in the fledgling state of the ecosystem, or maybe they already do. This is why we've built out a stable of exposures, ranging from single cryptocurrencies to a basket of cryptocurrencies, delivering diversification to investors while also allowing investors to hedge their bets on tomorrow's winners. Our crypto baskets were designed to provide exposure to an evolving crypto landscape and within the index methodologies of these exchange-traded products (ETPs), we built in quarterly rebalances that allow for new coins to be added to underlying indices.

To that effect, a new digital asset Cosmos (ATOM) was added to both WisdomTree Crypto Market (BLOC) and WisdomTree Crypto Altcoins (WALT) ETPs as part of our most recent rebalance, which took place on Friday 17 February 2023.

## WisdomTree Crypto Market (BLOC)

BLOC is a free-float market cap weighted ETP, providing exposure to a diversified basket of crypto assets. This product is designed for those looking for a broad exposure to the liquid, established end of the crypto

market. Due to the relatively large market caps of BTC and ETH, the combined weighting of these crypto assets in the ETP is capped at 75%, with individual constituents capped at a max weighting of 45% and a minimum allocation of 2.5% per crypto asset.

The updated index composition for BLOC can be found below.

*Source: WisdomTree, CF Benchmarks. Pre Rebalance Weights as of February 8, 2023. Post Rebalance Weights as of rebalancing at market close Friday 17 February. Free float market cap as of January 23, 2023 as calculated by CF Benchmarks.*

### **WisdomTree Crypto Altcoins (WALT)**

WALT is a free-float market cap weighted ETP providing exposure to a diversified basket of altcoins<sup>1</sup>. The ETP provides exposure to major coins, excluding BTC and ETH, and was designed for investors who already have exposure to these mega cap coins and want to diversify their exposure without changing their existing holdings. Individual constituents are capped at a max weighting of 50% and a minimum allocation of 2.5% per crypto asset.

The updated index composition for WALT can be found below.

*Source: WisdomTree, CF Benchmarks. Pre Rebalance Weights as of February 8, 2023. Post Rebalance Weights as of rebalancing at market close Friday 17 February. Free float market cap as of January 23, 2023 as calculated by CF Benchmarks.*

As part of the oversight of the WisdomTree Crypto Index strategies, a thorough review of assets and robust analytical framework are used to determine eligibility for inclusion. These requirements involve sufficient levels of liquidity, sizeable market cap to ensure non-majority ownership, investibility as determined by use case via the WisdomTree Digital Assets Taxonomy (as described in our '[A New Asset Class: Investing in the Digital Asset Ecosystem](#)' whitepaper), asset-specific metrics, as well as regulatory risk review. Furthermore, other practical considerations are taken into account regarding asset custody and meeting exchange listing requirements.

### **What is Cosmos?**

Cosmos is a layer-1 network that consists of a network of blockchains with the capability to be optimised for particular use cases. The key advantage of such a structure is for interoperability, a crypto 'buzzword' for making the exchange of information across multiple blockchains as efficient and secure as possible. At a high level, Cosmos can be viewed as a competitor to Polkadot (DOT) and Avalanche (AVAX), as they each employ a 'multi-chain' structure, but with their own flavour of technical implementations (for example, consensus algorithms).

In terms of Cosmos' usership and point on the adoption curve, it is still in its relatively early days as are many layer-1's that have yet to meet critical mass like Bitcoin and Ethereum. Taking a look at a few metrics, Cosmos is a magnitude lower in terms of wallets, transactions, and US dollar equivalent transfer volume but

is growing. With roughly 1m total wallets growing at 2% per month, and over \$100m USD being transacted daily, there is demonstrable demand for block space on the network.

The addition of Cosmos to WALT and BLOC adds further diversification within the ETP's underlying Index, and continues to represent a broad market exposure in a thoughtful and robust way. If markets continue to favor risk assets in the coming year, the digital assets space could offer far-out duration play within a growth allocation with the characteristic of a historically asymmetric risk-return profile.

WisdomTree launched its first crypto asset ETP, WisdomTree Bitcoin (BTCW) in 2019 and has since built a dedicated digital assets team and expanded its product range to include single coin ETPs providing exposure to Ethereum, Cardano, Solana, and Polkadot while building a range of diversified crypto baskets.

### **Product information**

*Source: WisdomTree, 2023. TER: Total Expense Ratio*

1 Altcoins refers to crypto assets other than Bitcoin and Ether.

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