The case for 2%: bitcoin deserves a seat

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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.

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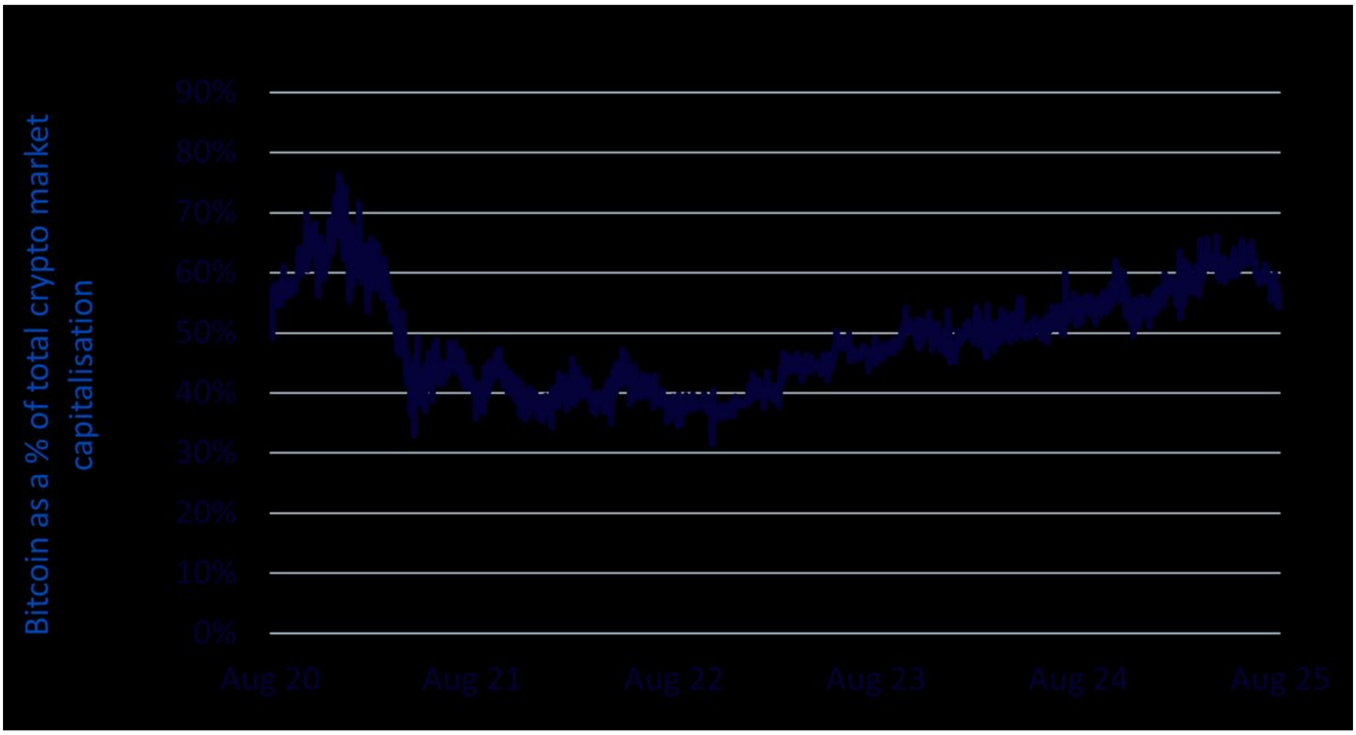
Investors say they value diversification, yet most of them still pretend bitcoin does not exist. Zero exposure is not caution – it is an active underweight against a quickly growing asset class. A measured 2% allocation has historically lifted returns while barely budging volatility. The real risk is 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 portfolio1, marking their arrival as an institutional asset class. Bitcoin alone accounts for 56% of the total crypto market capitalisation2, 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 volatility3. The resulting Information Ratio of 0.974 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 years6. 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%

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.

1Bloomberg, WisdomTree. 29 August 2025. Measured in US Dollars.
2Artemis Terminal, WisdomTree. 01 September 2025. Measured in US Dollars.
3Bloomberg, 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**

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4Bloomberg, 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.**

5Bloomberg, 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.**

6Bloomberg, 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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