



DIGITAL
ASSET
RESEARCH



DAR In Conversation: Q&A with Mark Connors

Our CEO Doug Schwenk had the chance to speak with Mark Connors, Head of Research at 3iQ, asking a few questions about **crypto in a balanced portfolio**.

[Click to watch](#) video highlights or scroll down to read the full transcript.

3iQ is a pioneer in the space, launching in 2018. What has the journey looked like?

Fred Pye founded 3iQ as a traditional asset manager back in 2012, and we got officially registered in 2018 as a digital asset manager. That came after about four years of battling the regulator. Before I arrived, there was a lot of water under the regulatory bridge for Fred to be able to offer the Bitcoin ETF.

A judge gave us the decision that we could launch a fund on October 31st - which is also the anniversary of the Satoshi whitepaper. We finally got it launched in March of 2020. Fred and the team got money together, and we put our own money in as well to launch it. People eventually joined in and, when the markets reversed, it went on to be a \$4.5 billion fund. It was the fastest-growing fund in the history of North America. A lot of those original investors are still in the fund today.

What are investors looking for when it comes to digital asset funds?

We found investors, especially after the bust of 2022, who were very happy to be on a regulated platform. Before the 2021 boom and 2022 bust, you had institutional investors going into venture capital because they understood it. Retail investors just wanted access to liquidity, so you had a lot of folks jump into the exchanges because it was easy. The exchanges and private equity didn't work out too well for people, but regulated assets are still around.

Those who understood it were able to manage the storm and look through all the fear, uncertainty, and doubt of the space.

What digital asset investment trends are you seeing?

Bitcoin's dominance. 2022's failures were unregulated centralized frauds or poorly managed businesses that didn't know how to manage risk. Because of that, a lot of people pulled back, resulting in Bitcoin's market value across the entire \$1.25 trillion in digital assets growing to encompass over 52% of the market. It used to be around 40% in 2021 when all the other digital assets were rallying around it.

How do digital assets fit in an overall balanced portfolio?

Adding a little bit of Bitcoin provides more return and dampens the downside of bonds and equities. There's no other asset that we've seen that provides this type of diversification benefit. You get more performance by adding a coin, and you get less risk. It sounds like magic, but Bitcoin's performance profile is very different. Bitcoin has an upside bias. People generally think of volatility as negative. What if you had an asset where, when it got volatile, it was to the upside? That's Bitcoin.

What does the evolution of the crypto space look like?

Ethereum is going to be what our entire central banking system runs on. Central banking on the Ethereum network collapses the time between when transactions and settlements occur, accelerating the velocity of money in the economy which in turn boosts GDP. We have already seen JP Morgan experimenting with settling forex and repo trades for over five years on Ethereum. The Governing Council of the European Central Bank (ECB) is experimenting with a digital euro that runs an ERC-20 - a token that runs on Ethereum. So, we're going to wake up one day, and everything is going to be running on the blockchain.