



MODULE:

1.4

# Portfolio Management

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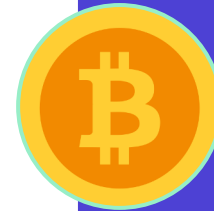
CHAPTER:

1.

# Introduction: Crypto Assets & Portfolio Management

More and more companies and individuals are considering adding digital assets to their portfolios. When done right this can be demonstrably beneficial providing greater diversification opportunities and interesting opportunities.

In this module we will cover the basic considerations one should take when adding exposure to crypto assets to ones portfolio.



This is not an investment advice. Cryptocurrencies are inherently volatile. Make sure you do your own research in addition to this material and never invest more than you are comfortable losing.

Adding just a small amount of digital assets to a well diversified portfolio can improve the overall risk/reward profile. Beware of digital asset overexposure as this drastically increases risk.

Anyone can launch a token or crypto currency. Approach unfamiliar digital assets with increased scepticism.

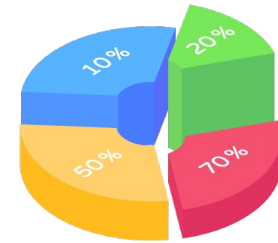


# THE PORTFOLIO

The term “portfolio” refers to all assets owned by an individual or a company and the composition thereof.

A typical portfolio may consist of cash, stocks & bonds, commodities, cryptocurrencies, foreign currencies, and other assets.

A healthy balance of the different categories and well planned out allocations within these major categories is vital for a productive portfolio.

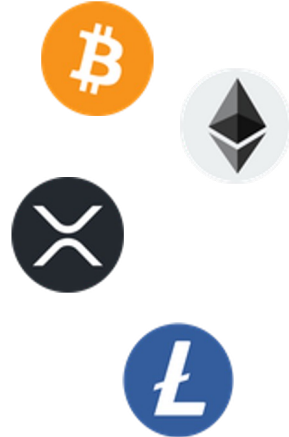


# DIGITAL ASSETS: BASICS

The value of a digital assets, such as Bitcoin, Ether, Litecoin, etc. is decided on the open market based on supply and demand.

Different cryptocurrencies have different supply schedules, monetary systems, and rules.

Bitcoin, for example, is limited to 21 Million coins which will be brought into circulation through an inverse exponential supply schedule.



# BITCOIN vs FIAT CURRENCY



Fiat currency, from Latin for “let it be done”, is a government issued currency that is not backed by any commodity such as gold. Instead it has value because it is considered legal tender. Examples include almost all modern currencies including USD, EUR, CNY.



Bitcoin is a virtual currency not issued by any central authority. Its supply schedule is programmed into the Bitcoin protocol. Due to scalability and volatility issues, Bitcoin is not commonly accepted as a payment method and some experts argue it should be seen as a store of value in the same way gold is.



# BITCOIN

- Maximum supply 21,000,000
- New coins issued to miners with rewards halving every 4 years
- Used for peer-to-peer transactions
- Proof of Work consensus protocol

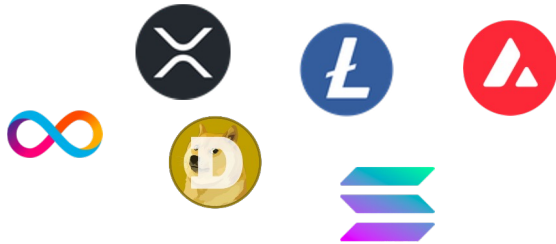


# ETHEREUM

- Native cryptocurrency called Ether
- No maximum supply
- Fraction of transaction fees are “burned”
- Supply growth dependent on network demand
- Proof of Stake consensus protocol

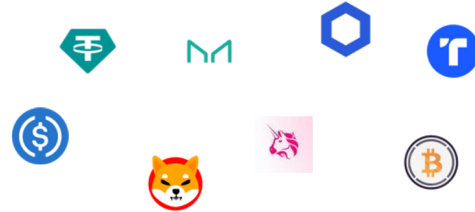


## Native Cryptocurrencies



Native cryptocurrencies are used to pay transaction fees on their specific blockchain. Their value typically depends on factors such as utility, demand for block space, and security of the blockchain platform.

## Tokens



Tokens are issued on another blockchain platform. They may be backed by external assets or companies, provide voting rights, utility in the form of usage right of a project, and so on. Every token is unique.

CHAPTER:

2.

# Vetting Digital Assets & Strategies

There are tens of thousands of digital assets. The value of each digital asset depends on unique attributes. Make sure you understand each specific asset before even considering to add it to your portfolio.

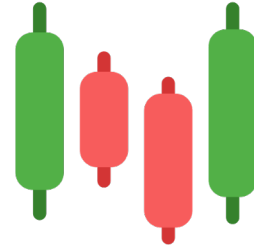
Here are some basic tips:

1. Read the whitepaper or yellowpaper
2. Investigate metrics such as liquidity, asset distribution, etc. using an explorer
3. Check any relevant smart contract audits



**Cryptocurrency trading** involves buying and selling assets for **short-term gains**. It involves **frequent trading** and capitalises on the **price volatility** of cryptocurrencies.

On the other hand, **long-term investing in cryptocurrencies** involves **holding assets for an extended period**, often years. Investors believe in the long-term potential of the assets and are less concerned with short-term price fluctuations.



## Day Trading



Day traders make multiple trades within a single day, taking advantage of intraday price movements. They often rely on technical analysis and quick decision-making.

## Swing Trading



Swing traders aim to profit from medium-term price swings in cryptocurrencies. They hold positions for days or weeks, capitalising on price trends.

## HODLing



HODLing is a long-term strategy where investors buy cryptocurrencies and hold onto them for an extended period, expecting substantial future value appreciation.

## DCAing



Dollar Cost Average -ing is a strategy in which investors buy a fixed amount of an asset every X weeks regardless of the price in order to achieve a good average buy-in price.

## THREE MAIN TYPES OF ANALYSIS

### 1. **Technical Analysis**

Involves studying historical price charts and using technical indicators to make decisions, for example based on average movement patterns.

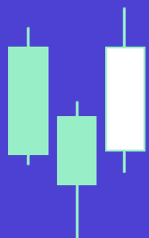
### 1. **Fundamental Analysis**

Fundamental analysis involves assessing the value of cryptocurrencies based on various factors such as the whitepaper, team, etc.

### 1. **Sentiment Analysis**

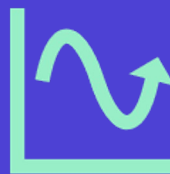
Sentiment analysis is the process of gauging market sentiment and how it can influence trading decisions

## Candlestick Charts



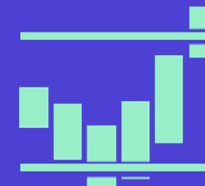
These charts provide information about price movements over a specific period, showing the opening, closing, high, and low prices for each interval.

## Moving Averages



Traders use moving averages to identify trends and potential reversals. The two main types are the Simple Moving Average (SMA) and the Exponential Moving Average (EMA).

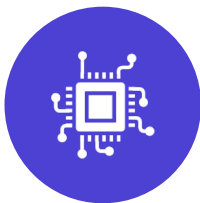
## RSI (Relative Strength Index)



RSI is an oscillator that measures the speed and change of price movements. It helps to identify overbought and oversold conditions.



## Technology



Evaluate the underlying blockchain technology and its capabilities, including scalability, security, and smart contract functionality.

## Adoption and Use Cases



Consider the adoption rate of the cryptocurrency in real-world applications. Are businesses and industries adopting the technology?

## Team and Development



Assess the development team's expertise and track record. Are they actively improving the project?

## Market Demand



Analyse the market demand for the cryptocurrency. Is there a growing community and user base?

## Fear of Missing Out

# FOMO

This occurs when traders rush to buy an asset because they fear missing out on potential gains. FOMO buying can lead to rapid price increases.

## Fear, Uncertainty, and Doubt

# FUD

FUD refers to negative information or rumors that create fear and uncertainty in the market. It can lead to panic selling and price drops.

## Social Media and News

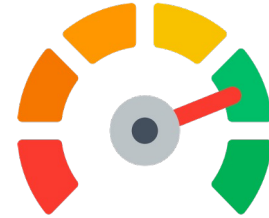


Monitor social media platforms and news outlets for trends and discussions related to cryptocurrencies to gain insights.

## THE FEAR & GREED INDEX

The Fear and Greed Index is a sentiment indicator that aims to gauge the current emotions of investors. The idea behind the index is that excessive fear can result in assets trading well below their intrinsic value, while excessive greed can result in assets trading well above their intrinsic value.

There are several tools that collect social media data in order to calculate a daily fear and greed index. This is a vital tool for investors focused on a sentiment driven investment approach.



Portfolio diversification is the strategy of spreading investments across various assets or asset classes to reduce risk. The idea is that by holding a mix of different investments, the poor performance of one can be offset by the better performance of another, thus mitigating potential losses. In essence, it's the financial version of the saying "don't put all your eggs in one basket."

### Why Diversify?

#### **Reduces Concentration Risk**

Avoids overexposure to a single asset that could suffer setbacks, regulatory challenges, or other unexpected events causing extreme volatility.

## THREE CONSIDERATIONS

Keep in mind that cryptocurrencies should probably not end up being the vast majority of your overall portfolio as they can be extremely volatile. Don't forget traditional financial instruments.

### 1. **Sectoral Diversification**

Consider diversifying across sectors, such as DeFi, NFTs, and blockchain platforms. It can be a good idea to have a few assets from multiple categories in your portfolio.

### 1. **Mixing Large-Caps & Small-Caps**

Include a mix of established cryptocurrencies. Established currencies are known as blue-chip, instead smaller projects can be referred to as startups. Consider volatility!

### 1. **Avoiding Over Diversification**

Many transactions in the cryptocurrency space are connected to a fixed transaction fee. This fee can often be several Euros. Avoid buying tiny amounts of a new asset.

CHAPTER:

3.

# Trading Tools & Platforms

# TRADING TOOLS & PLATFORMS

Digital assets are far from seamlessly integrated with legacy assets. In order to purchase digital assets, one needs to use an exchange.

There are many different types of exchanges offering various pros and cons. From retail focused exchanges to institutionally focused OTC exchanges.

When converting fiat currency to a digital asset, or even when swapping one digital asset for another there are risks, opportunities, and fees that should be considered.



# TRADING VENUES

## EXCHANGES

**Cryptocurrency exchanges** are online platforms where users can buy, sell, and trade various cryptocurrencies. They serve as intermediaries that facilitate these transactions.

### Centralised Exchanges (CEXs)



These are traditional exchanges where a central authority operates the platform. They offer a wide range of cryptocurrencies, liquidity, and advanced trading features

### Decentralised Exchanges (DEXs)



DEXs operate on blockchain technology, allowing users to trade cryptocurrencies directly from their wallets. They offer greater privacy and control but may have lower liquidity.

### Hybrid Exchanges



Some exchanges combine features of both CEXs and DEXs, offering a compromise between centralised, control and decentralised features



## Factors to Consider when selecting an Exchange

### SECURITY

Look for exchanges with strong security measures, such as two-factor authentication (2FA) and cold storage for funds. Inform yourself what were to happen if the exchange went bankrupt.

### LISTINGS

Ensure the exchange in question offers the trading pairs you are interested in, and make sure there is sufficient liquidity to efficiently fill orders.

### FEES

Understand the fee structure for trading, withdrawals, and deposits.

### SPECIFIC NEEDS

Choose an exchange that supports advanced features you might need. If you are an institution, you may not find what you need in retail exchanges.

### REGULATIONS

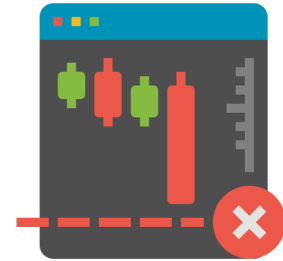
Check if the exchange complies with relevant regulations in your jurisdiction.

# TRADING TOOLS

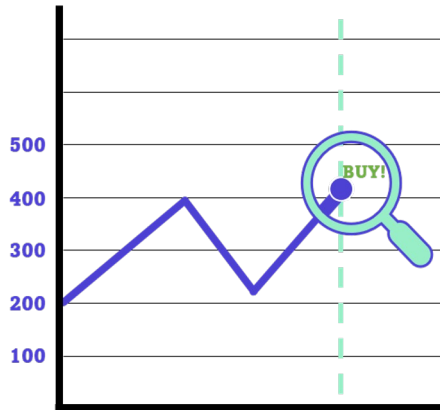
Exchanges will oftentimes offer tools to manage risk depending on a users overall portfolio strategy, risk appetite, and level of involvement.

Many digital asset investors may choose to make use of this features in an attempt to improve their return on investment when compared to a passive “buy and hold” strategy.

This chapter covers some of the most basic trading tools, what they may be used for, and how they work.



**Market Order:** Buy or sell an asset immediately at the current market price.

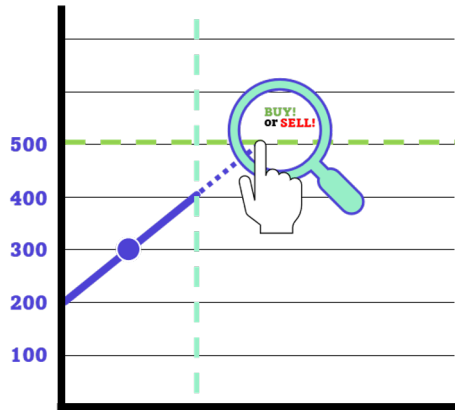


In this example the buy order is executed in real time for the current market price of 400€.

Market orders have the benefit of receiving digital assets instantly at a guaranteed price.

One potential drawback is that the assets may not be purchased at the optimal price.

**Limit Order:** type of order to buy or sell a financial asset at a specific price or better, ensuring that the trade is executed only at the specified price or a more favorable one.

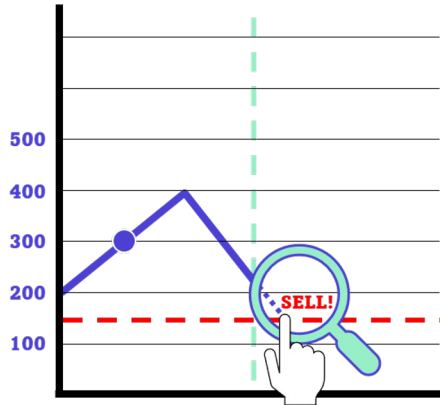


In this example the Limit Order is set to buy or sell the asset if it reaches a market price at least of 500€.

So if the asset reaches that value, it will be automatically purchased or sold, based on the investor's position as a buyer or seller.

Limit orders allow traders to optimise their strike price, but introduces some risk.

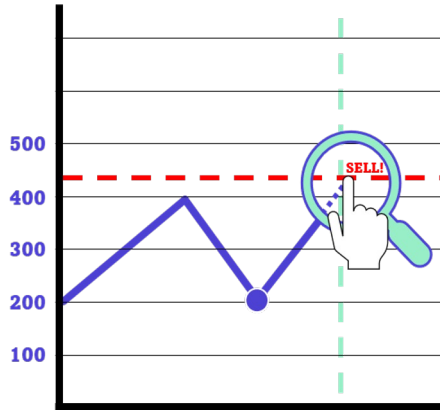
**Stop-Loss Order:** Automatically sell an asset if its price falls to a predetermined level, limiting potential losses.



In this example the Stop-Loss Order is set to sell the asset if the asset price falls by 50% from the purchase price of 300€ (reaching the value of 150€).

So if the asset reaches the 150€ price, the sell order will be automatically executed to avoid further losses.

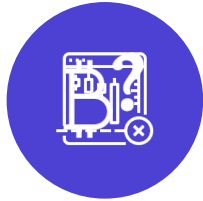
**Take-Profit Order:** Automatically sell an asset when it reaches a predefined profit level.



In this example the Take-Profit Order is set to sell the asset if the asset price increases by 125% from the purchase price of 200€, (reaching the value of 450€).

So if the asset reaches the 450€ price, the sell order will be automatically executed to secure the profit.

## Trailing Stop-Loss



A trailing stop-loss order follows the price of an asset as it moves in your favor, locking in profits while limiting potential losses.

## Margin Trading



Margin trading allows traders to borrow funds to increase their position size. However, this involves higher risk and should be used with caution.

These functions are advanced and only recommended in combination with thorough planning and due diligence.

## CONTACTS



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