



A Digital Asset Background for Institutional Investors

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A Digital Asset Backgrounder for Institutional Investors

Blockchain and digital currencies (e.g., Bitcoin) are driving significant disruptions, reshaping how individuals, businesses, and governments conduct transactions and exchange information. These virtual assets have become a prominent investment category, attracting investors seeking diversification and potential returns. The digital currency market alone boasts over 20,000 variants, representing an aggregate market capitalization nearing \$1 trillion.

Digital assets encompass more than just cryptocurrencies and blockchain technology. The ecosystem also includes companies engaged in cryptocurrency mining, technology provision, and various other applications.

The Basics: Blockchain and Cryptocurrencies: A blockchain is an immutable database that enables data recording and transmission across countless global computers. Some of the advantages of digital assets include decentralization, security, and transparency, which have the potential to improve upon conventional methods of transaction and information sharing.

More than Cryptocurrencies: The range of blockchain applications extends beyond cryptocurrencies. New use cases for blockchain include secure storage of medical records, prevention of insurance claim fraud, and ensuring food safety traceability.

Cryptocurrency Origins: Originating in 2009, cryptocurrencies emerged as decentralized digital currencies built on blockchain technology. Cryptocurrencies represent a non-traditional form of digital currency that acts as a medium of exchange, leveraging cryptography for transaction validation and security. Bitcoin is the earliest and most widely used cryptocurrency, followed by Ethereum, while smaller alternatives are known as altcoins.

Key Digital Asset Milestones:

2009	Inception of the inaugural cryptocurrency, Bitcoin, attributed to "Satoshi Nakamoto"
2012	European regulators endorse Bitcoin usage
2014	Microsoft and PayPal accept Bitcoin for select payments
2015	Ether, currently the second-largest cryptocurrency by market capitalization, becomes operational on the Ethereum platform
2017	CME introduces Bitcoin futures 2020: PayPal authorizes Bitcoin transactions 2021: El Salvador designates Bitcoin as legal tender for businesses
2022	Ethereum transitions from "Proof of Work" to "Proof of Stake" validation, addressing sustainability and improving throughput.

Common Investment Vehicles for Digital Assets:

In addition to direct cryptocurrency ownership, various investment instruments and products have emerged, offering avenues for investors and companies to participate in digital assets.

Cryptocurrency Derivatives:

Financial tools deriving value directly from underlying cryptocurrency prices.

Trusts and Exchange-Traded Products (ETPs):

Investment vehicles linked to cryptocurrencies or funds providing extensive digital asset exposure. Investment management firms have introduced exchange-traded funds (ETFs) targeting digital asset investments.

Exclusive Investment Products:

Hedge funds and alternative non-exchange-traded investment vehicles centered around cryptocurrency investments. These may include proprietary algorithmic investment solutions like EndoTech's AI-based strategies.

The suitability of these products will vary based on the risk profile and strategic goals for investors.