

# The compelling case for crypto

FRANKLIN  
TEMPLETON®

digital assets

Eight reasons the time  
has come for digital assets



Not FDIC Insured | No Bank Guarantee | May Lose Value

# Digital assets and blockchains are here to stay

When bitcoin first launched in 2009, few would have imagined that it marked the dawn of an entirely new investment asset class. Even fewer would have guessed **the total market cap for this asset class would stand at over \$3 trillion as of the start of 2025.**

The underpinning of this phenomenal growth is blockchain technology, which enables shared, immutable ledgers that facilitate the process of recording transactions.

Real companies are building real solutions to real problems in ways that are only possible through blockchain. And digital asset tokens, serve as powerful incentive mechanisms that help bootstrap decentralized networks and align stakeholder interests. Just as equity ownership in a company provides financial incentives and voting rights, well-designed token economies create mechanisms for value accrual.

## Here are eight reasons to invest in digital assets:

- 1 | Digital assets are a valuable investor tool for portfolio diversification** (page 1)
- 2 | Digital assets have outperformed other asset classes** (pages 2–3)
- 3 | Institutional adoption is fueling growth** (page 4)
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# Digital assets are a valuable investor tool for portfolio diversification

Digital assets have quickly shown how they can make a positive contribution to risk/return dynamics within a diversified portfolio. They also have relatively low correlations to stocks and bonds.

**Investors have generally been well compensated for the increased risk they've been willing to take when investing in bitcoin.<sup>1</sup>**

Stocks	Bonds	Bitcoin	Std. Deviation	Avg. Annual Return
90%	10%	0%	15.76%	13.36%
80%	20%	0%	14.14%	11.79%
70%	30%	0%	12.55%	10.21%
60%	40%	0%	11.01%	8.64%
59%	40%	1%	11.07%	9.41%
58%	39%	3%	11.43%	11.10%
57%	38%	5%	11.92%	12.77%
55%	35%	10%	13.62%	16.94%

## Correlation Between Traditional Finance (TradFi) Sectors at Low-to-Moderate Levels<sup>2</sup>

12-Month period ended June 30, 2025

Oil	1.00								
Commodities	-0.43	1.00							
Gold	0.11	0.01	1.00						
USD	0.01	0.08	-0.43	1.00					
US Bonds	-0.02	-0.11	0.14	-0.36	1.00				
S&P 500	0.09	-0.08	0.12	0.00	0.01	1.00			
NASDAQ 100	0.09	-0.06	0.11	0.00	-0.03	0.97	1.00		
BTC	-0.06	0.05	0.06	0.02	-0.13	0.41	0.40	1.00	
ETH	-0.02	0.03	-0.04	0.06	-0.02	0.48	0.48	0.79	1.00
	Oil	Com- modities	Gold	USD	US Bonds	S&P 500	NASDAQ 100	BTC	ETH

1. Data reflects five-year annualized returns as of June 30, 2025. Asset classes (representative benchmarks): S&P 500 (S&P500 Index), US Bonds (Bloomberg US Aggregate Index), bitcoin (Bitcoin Spot Price, BTC). Diversification does not guarantee a profit or protect against loss.

2. Sources: Seeking Alpha, Yahoo Finance, FT Digital Assets Resources. Representative benchmarks: Gold (Bloomberg Composite Gold Index), NASDAQ 100 (NASDAQ 100 Index), Oil (Dow Jones Commodity Crude Oil Total Return Index), S&P 500, S&P GSCI (S&P GSCI Total Return CME), and US Bonds (Bloomberg US Aggregate Index). Bitcoin is represented by Bitcoin Spot Prices. Ethereum is represented by Ethereum Spot Prices. Diversification does not guarantee a profit nor protect against loss. Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges.

## 2 Digital assets have outperformed other asset classes in eight of the last 11 years

Similar to other nascent asset classes throughout market history, digital assets have experienced broad price swings. **Even so, it is worth noting they have provided market-leading returns in eight of the last 11 years.**<sup>3</sup>

	2014	2015	2016	2017	2018
Best ↑	<b>MSCI US REITs</b> 30.4%	<b>Bitcoin</b> 35.6%	<b>Bitcoin</b> 114.7%	<b>Ethereum</b> 9,716.9%	<b>DYX Index</b> 4.4%
	<b>S&amp;P 500</b> 13.7%	<b>DYX Index</b> 9.3%	<b>Russell 2000</b> 21.3%	<b>Bitcoin</b> 1,424.1%	<b>Bloomberg US Aggregate</b> 0.0%
	<b>DYX Index</b> 12.8%	<b>MSCI US REITs</b> 2.5%	<b>S&amp;P 500</b> 12.0%	<b>MSCI Emerging Markets</b> 37.8%	<b>Gold</b> -1.6%
	<b>Bloomberg US Aggregate</b> 6.0%	<b>S&amp;P 500</b> 1.4%	<b>MSCI Emerging Markets</b> 11.8%	<b>MSCI EAFE</b> 25.7%	<b>S&amp;P 500</b> -4.4%
	<b>Russell 2000</b> 4.9%	<b>Bloomberg US Aggregate</b> 0.5%	<b>Bloomberg Commodities</b> 11.4%	<b>MSCI ACWI</b> 24.7%	<b>MSCI US REITs</b> -4.5%
	<b>MSCI ACWI</b> 4.8%	<b>MSCI EAFE</b> -0.3%	<b>MSCI US REITs</b> 8.6%	<b>S&amp;P 500</b> 21.8%	<b>MSCI ACWI</b> -8.9%
	<b>Gold</b> -1.4%	<b>MSCI ACWI</b> -1.8%	<b>MSCI ACWI</b> 8.5%	<b>Russell 2000</b> 14.6%	<b>Russell 2000</b> -11.0%
	<b>MSCI Emerging Markets</b> -2.0%	<b>Russell 2000</b> -4.4%	<b>Gold</b> 8.12%	<b>Gold</b> 13.5%	<b>Bloomberg Commodities</b> -13.0%
	<b>MSCI EAFE</b> -4.3%	<b>Gold</b> -10.4%	<b>DYX Index</b> 3.6%	<b>MSCI US REITs</b> 5.1%	<b>MSCI EAFE</b> -13.3%
	<b>Bloomberg Commodities</b> -17.0%	<b>MSCI Emerging Markets</b> -14.6%	<b>Bloomberg US Aggregate</b> 2.6%	<b>Bloomberg US Aggregate</b> 3.5%	<b>MSCI Emerging Markets</b> -14.3%
	<b>Bitcoin</b> -56.1%	<b>Bloomberg Commodities</b> -24.8%	<b>MSCI EAFE</b> 1.6%	<b>Bloomberg Commodities</b> 0.7%	<b>Bitcoin</b> -73.7%
				<b>DYX Index</b> -9.9%	<b>Ethereum</b> -82.3%
↓ Worst					

3. Sources: Yahoo Finance, Bloomberg, Digital Asset Research (DAR), MarketWatch, Franklin Templeton Digital Assets Resources. BTC – Bitcoin, ETH – Ethereum. Bitcoin and ethereum were chosen as a representation for digital asset classes because as of June 30, 2025, they comprised 65% of the entire digital assets market, with a total market capitalization of \$2.4 trillion.

Bitcoin is represented by Bitcoin Spot Prices. Ethereum is represented by Ethereum Spot Prices. **Past performance is not an indicator of future performance.** Indexes are unmanaged and one cannot invest directly in an index. Important data provider notices and terms available at [franklintempletondatasources.com](https://franklintempletondatasources.com). Dates are aggregate returns from the first of each year.



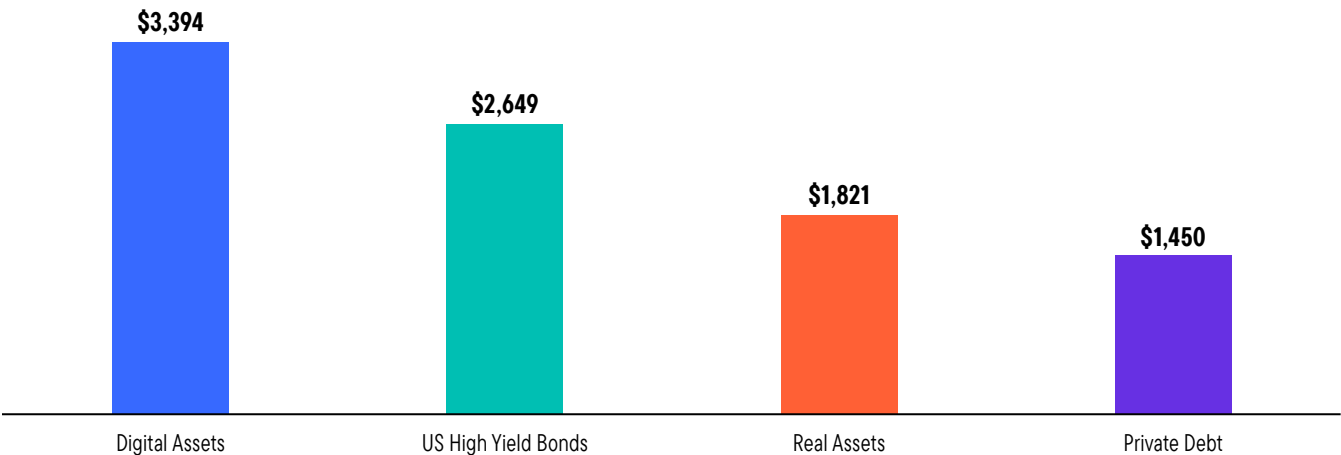
2019	2020	2021	2022	2023	2024
<b>Bitcoin</b> 92.7%	<b>Ethereum</b> 472.9%	<b>Ethereum</b> 399.3%	<b>Bloomberg Commodities</b> 17.5%	<b>Bitcoin</b> 160.8%	<b>Bitcoin</b> 120.8%
<b>S&amp;P 500</b> 31.5%	<b>Bitcoin</b> 304.1%	<b>Bitcoin</b> 59.7%	<b>DYX Index</b> 7.5%	<b>Ethereum</b> 90.2%	<b>Ethereum</b> 46.0%
<b>MSCI ACWI</b> 27.3%	<b>Gold</b> 25.1%	<b>MSCI US REITs</b> 43.1%	<b>Gold</b> 0.4%	<b>S&amp;P 500</b> 24.3%	<b>Gold</b> 32.0%
<b>MSCI US REITs</b> 25.9%	<b>Russell 2000</b> 19.9%	<b>S&amp;P 500</b> 28.7%	<b>Bloomberg US Aggregate</b> -10.3%	<b>MSCI ACWI</b> 20.1%	<b>S&amp;P 500</b> 25.0%
<b>Russell 2000</b> 25.5%	<b>MSCI Emerging Markets</b> 18.8%	<b>Bloomberg Commodities</b> 27.1%	<b>MSCI Emerging Markets</b> -15.6%	<b>Russell 2000</b> 15.8%	<b>MSCI ACWI</b> 18.0%
<b>MSCI EAFE</b> 22.8%	<b>S&amp;P 500</b> 18.4%	<b>MSCI ACWI</b> 19.0%	<b>MSCI EAFE</b> -14.5%	<b>Asset Allocation Portfolio</b> 14.4%	<b>Russell 2000</b> 11.5%
<b>MSCI Emerging Markets</b> 18.8%	<b>MSCI ACWI</b> 16.9%	<b>Russell 2000</b> 14.8%	<b>MSCI ACWI</b> -18.4%	<b>Gold</b> 10.8%	<b>MSCI US REITs</b> 8.8%
<b>Gold</b> 18.3%	<b>MSCI EAFE</b> 8.4%	<b>MSCI EAFE</b> 11.9%	<b>S&amp;P 500</b> -19.4%	<b>MSCI US REITs</b> 9.2%	<b>DYX Index</b> 8.0%
<b>Bloomberg US Aggregate</b> 8.7%	<b>Bloomberg US Aggregate</b> 7.5%	<b>DYX Index</b> 6.4%	<b>Russell 2000</b> -20.4%	<b>MSCI Emerging Markets</b> 6.4%	<b>MSCI Emerging Markets</b> 8.0%
<b>Bloomberg Commodities</b> 5.4%	<b>Bloomberg Commodities</b> -3.5%	<b>Bloomberg US Aggregate</b> 1.5%	<b>MSCI US REITs</b> -24.5%	<b>Bloomberg US Aggregate</b> 5.2%	<b>MSCI EAFE</b> 4.4%
<b>DYX Index</b> 0.2%	<b>DYX Index</b> -6.7%	<b>MSCI Emerging Markets</b> -2.5%	<b>Bitcoin</b> -64.9%	<b>DYX Index</b> -3.1%	<b>Bloomberg US Aggregate</b> 1.3%
<b>Ethereum</b> -2.9%	<b>MSCI US REITs</b> -7.5%	<b>Gold</b> -3.6%	<b>Ethereum</b> -67.4%	<b>Bloomberg Commodities</b> -10.6%	<b>Bloomberg Commodities</b> 0.1%

### 3 Institutional adoption is fueling growth

Increasingly institutions and government entities are investing in digital assets and this is helping to drive the overall market capitalization of the asset class, which stood at \$3.3 trillion as of December 31, 2024. Investors who ignore digital assets are essentially making an active call to underweight what is now a legitimate new asset class.

Asset Class Market Capitalization<sup>4</sup>

In Billions

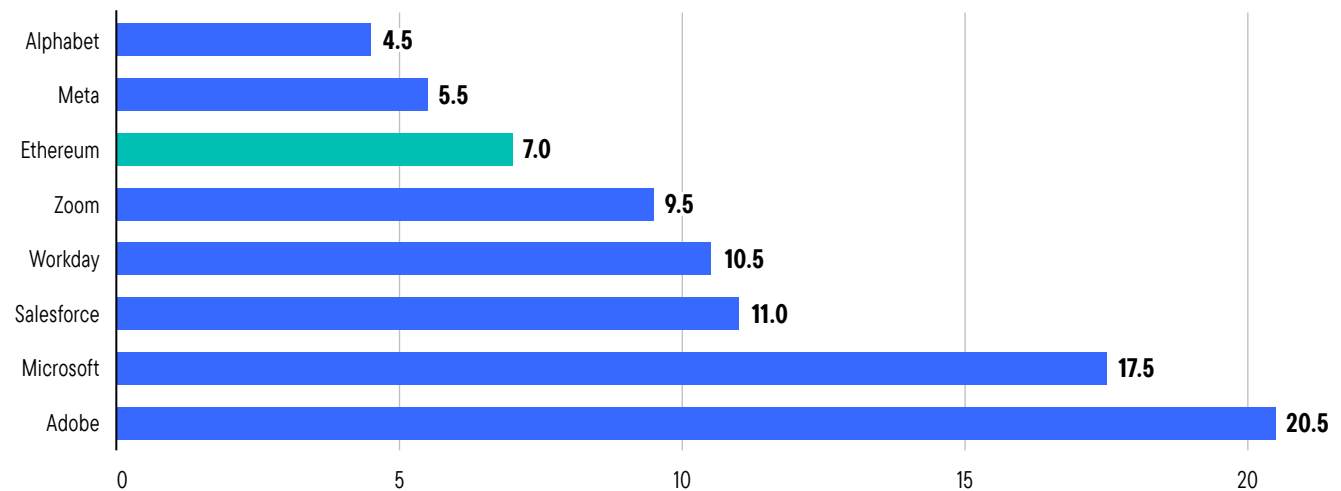


### 4 Blockchain innovation is driving fast-growing, profitable businesses

The primary source of revenue for the Ethereum network comes from transaction fees, also known as “gas fees.” When users make transactions or interact with smart contracts, they pay these fees to validators to process transactions. Ethereum surpassed \$10 billion in revenues in just seven years—faster than many of today’s tech company giants.

Years to Surpass US\$10 Billion Net Revenues<sup>5</sup>

As of September 26, 2023



4. Data as of 12/31/2024. Sources: Digital Assets – Coingecko, US High Yield Bonds – Bloomberg SRCH, Real Assets (infrastructure, metals & mining, timber & agriculture, oil & gas, other) – Pitchbook, Private Debt – Pitchbook. More recent markets have been volatile; due to lagging data, this data does not reflect the recent events.

5. Source: Aguilar, Antonio. “Weekly Roundup: September 26, 2023.” Caleb & Brown.

## The US regulatory environment is shifting

The recent US administration change has ushered in a markedly more favorable stance on digital assets. Policies that once hindered adoption are being reevaluated, opening the door for broader institutional participation.



### Regulatory advancements

#### **ETPs:**

The SEC approved several bitcoin exchange-traded products (ETPs) on January 10, 2024, followed by several Ethereum ETPs on July 23, 2024, marking significant regulatory progress.

#### **Bitcoin strategic reserve:**

On March 6, 2025, President Trump announced that his administration has created a strategic bitcoin reserve and US digital asset stockpile.

#### **Crypto Czar:**

The Trump administration appointed David Sacks as the White House AI and Crypto Czar, reporting directly to Trump.

#### **Repeal of SAB 121:**

Another major shift is the recent repeal of SAB 121, which removes a key regulatory hurdle and paves the way for banks to custody bitcoin and digital assets.

#### **Changes at state level:**

Several US states are reviewing bitcoin reserve adoption, while other states are considering legislation to establish their own bitcoin reserves.

#### **GENIUS Act:**

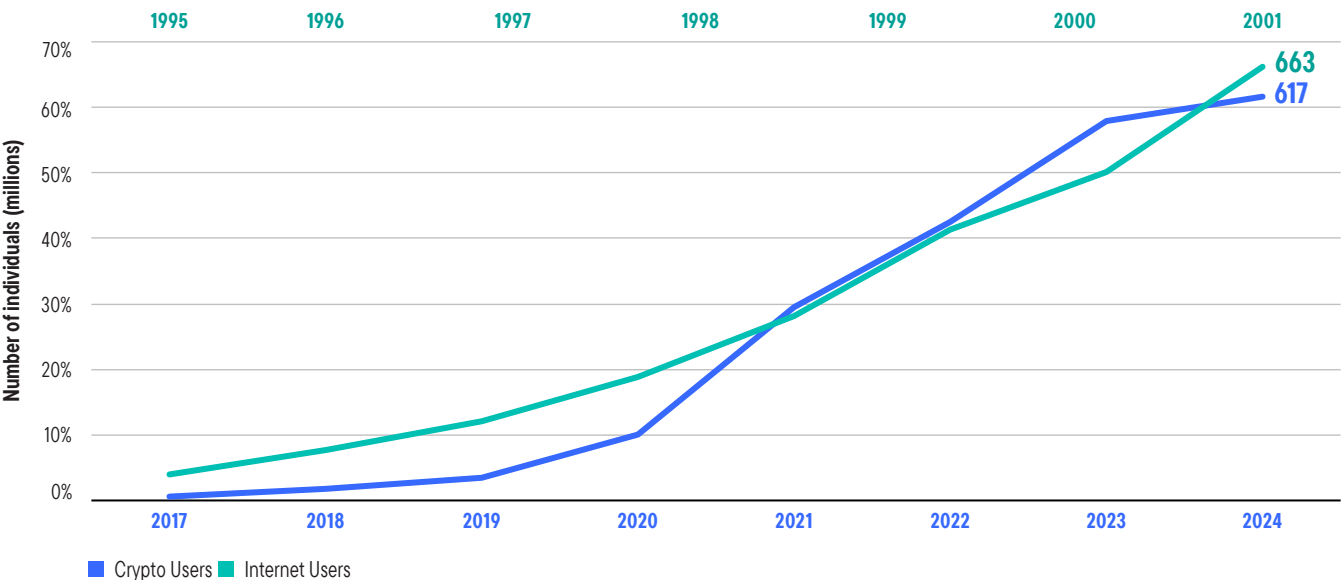
A pivotal new framework for stablecoins has passed the US Congress with bipartisan support. This provides a legal foundation and regulatory clarity around the issuance of stablecoins and paves the way for increased adoption of stablecoins within the financial system.



# 6 Parallels with 1990s internet growth

The growth in the number of crypto users has a striking resemblance to the growth of internet users in the late 1990s.

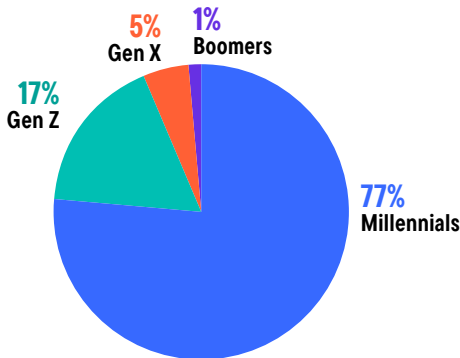
User Growth of the Internet Parallels Growth within Crypto<sup>6</sup>  
1995–2002 vs. 2017–2024



# 7 Wealth transfer may fuel future growth

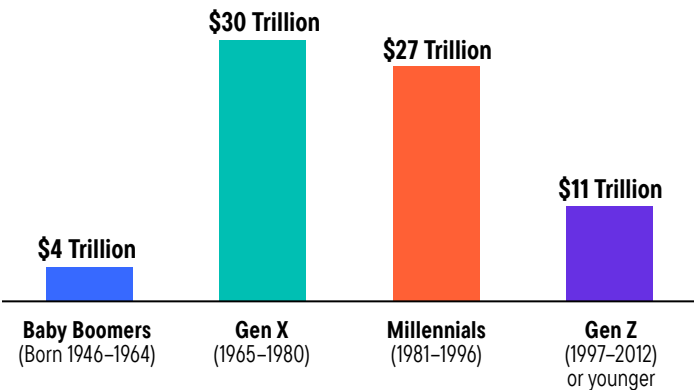
Millennials and Gen Z are currently the biggest users of crypto. As their wealth increases, it may spur even faster growth of the asset class.

94% of Crypto Buyers Are 18–40 Years Old<sup>7</sup>



The Great Wealth Transfer Is Already Underway<sup>8</sup>

Estimated Wealth to Be Inherited through 2045, by Generation



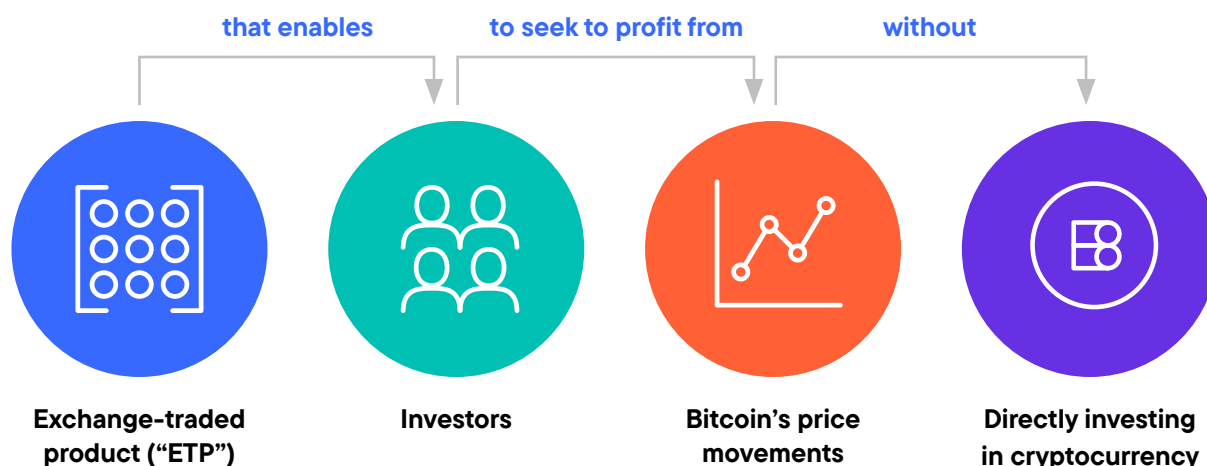
6. Source: Statista, 2024, and World Bank Data, 2002.  
7. Source: Stilt, “Study: 94% of Crypto Buyers are Gen Z/Millennial, but Gen X is Outspending Them.” April 10, 2024.  
8. Source: Cerulli Associates, “The Cerulli Report: U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021.”



## 8

# The new ease of investing with exchange-traded products (ETPs)

The launch of bitcoin exchange-traded products (ETPs) in 2024 shattered records, with cumulative inflows exceeding \$35 billion—the fastest-growing ETP launch in history. These products provide institutions and retail investors alike with regulated, seamless access to bitcoin, accelerating mainstream adoption. **No digital wallets or private keys are needed.**



## Potential benefits of ETPs

**Regulated environment:** ETPs are regulated by the SEC, providing a layer of investor protection and reducing the risks associated with unregulated digital asset exchanges.

**Simplicity:** ETPs are traded on traditional stock exchanges, making digital assets more accessible to mainstream investors who may be unfamiliar with crypto exchange platforms. This also means that ETPs are easier to monitor alongside other traditional financial assets held by investors, such as stocks, bonds and mutual funds.

**Diversification:** Some digital asset ETPs track a basket of assets, offering investors exposure to a range of digital assets without having to manage individual tokens.

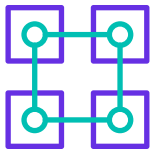
**Easier tax reporting:** With ETPs, tax reporting is simplified because they are treated similarly to traditional securities, eliminating the complexities of tracking digital asset transactions on multiple platforms.\*

**Potentially lower fees:** ETPs usually have a set management fee that applies to assets under management. Separate fees are not incurred for purchases and redemptions.

**Security:** There is no need to manage private keys with ETPs, unlike there is when investors self-custody tokens. Losing your private keys, falling victim to phishing attacks, or making a mistake with wallet management can result in irreversible loss of funds. ETPs remove this risk by outsourcing custody to professional firms with specialized knowledge in securing digital assets.

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# Franklin Templeton is a leader in digital assets



## Early adopter with broad expertise and technical talent

Our 50+ person team has been active in the digital assets ecosystem since 2018, building blockchain-based technology solutions, developing a range of investment strategies and running node validators.



## Dedicated digital assets research

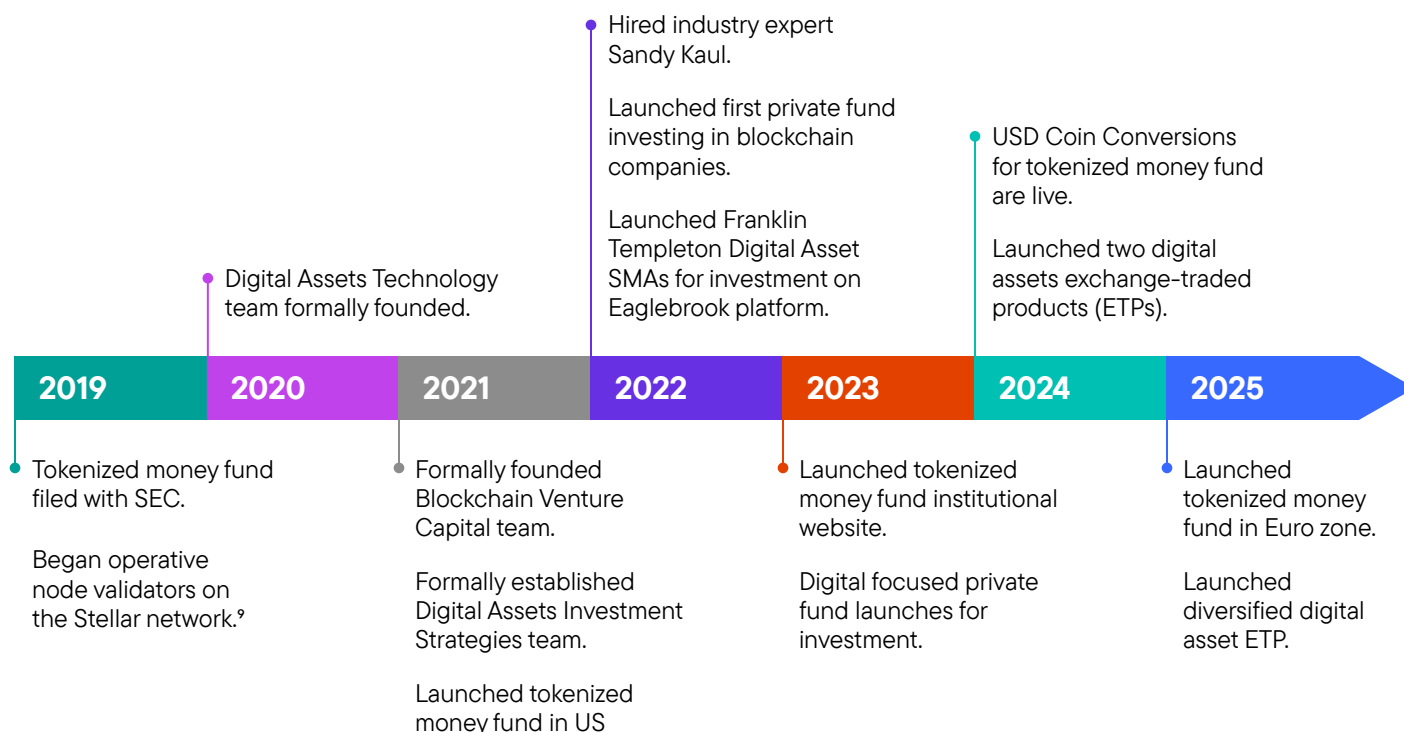
We leverage fundamental “tokenomics” analysis, insights from our dedicated data science team, and our deep industry connections to help inform product development and investment decisions.



## Track record of responsible innovation

We launched the first US-registered mutual fund to use public blockchains to process transactions and record share ownership.

## Franklin Templeton was an early blockchain innovator in asset management



<sup>9</sup> A node validator is a participant in a blockchain network who checks to ensure transactions added to the blockchain are accurate and follow the rules.

**For illustration purposes only.** The products referenced are not available for sale outside the US. The information provided is not a recommendation to purchase, sell, or hold any of the products referenced.

Find out more about Franklin Templeton  
digital assets at our website:



Franklin Templeton Digital Assets Research Hub

## WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal.

Blockchain and cryptocurrency investments are subject to various risks, including inability to develop digital asset applications or to capitalize on those applications, theft, loss or destruction of cryptographic keys, the possibility that digital asset technologies may never be fully implemented, cybersecurity risk, conflicting intellectual property claims, and inconsistent and changing regulations. Speculative trading in bitcoins and other forms of cryptocurrencies, many of which have exhibited extreme price volatility, carries significant risk; an investor can lose the entire amount of their investment. Blockchain technology is a new and relatively untested technology and may never be implemented to a scale that provides identifiable benefits. If a cryptocurrency is deemed a security, it may be deemed to violate federal securities laws. There may be a limited or no secondary market for cryptocurrencies.

Digital assets are subject to risks relating to immature and rapidly developing technology, security vulnerabilities of this technology, (such as theft, loss, or destruction of cryptographic keys), conflicting intellectual property claims, credit risk of digital asset exchanges, regulatory uncertainty, high volatility in their value/price, unclear acceptance by users and global marketplaces, and manipulation or fraud. Portfolio managers, service providers to the portfolios and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the portfolio and their investors, despite the efforts of the portfolio managers and service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the portfolios and their investors.

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