ASIAN PRIVATE WEALTH IN DIGITAL ASSETS

ASPEN DIGITAL

Perspectives from Family Offices, HNWIs and Asset Managers

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Contents

76% of Asian Private Wealth Allocate to Crypto

/ Executive Summary

This report, authored by Aspen Digital with contributions from SBI Digital Markets and Family Office Association of Hong Kong, provides an in-depth insight into the current perspectives of the private wealth industry on investing in digital assets. The report also looks at investors' portfolio allocation, key sectors within digital assets, opportunities and challenges they perceive in the digital asset space.

The report is based on a survey of more than 80 family offices (FO), high-net-worth individuals (HNWIs) and asset managers in Asia conducted in the second half of 2024, and includes in-depth discussions with survey respondents and other stakeholders.

The private wealth sector is increasing their allocation into digital assets and our survey uncovered that **76%** of respondents are already investing, compared to 58% of our last study with KPMG in 2022. The main reason for the growing interest is still largely influenced by the potential upside, while other use cases have emerged as additional reasons to include as part of the overall portfolio.

The digital asset landscape is constantly evolving with new sectors and narratives. The survey shows growing interest in decentralised finance (DeFi), artificial intelligence (AI) and decentralised physical infrastructure networks (DePIN) and real-world asset tokenisation (RWA), highlighting their growing importance in driving Web 3 mass adoption. While the asset class is still nascent, regulatory concerns, poor user experience and fragmented landscape appeared to be the key obstacles for many participants.

The approval of the Bitcoin spot exchange-traded funds (ETFs) in 2024 has brought billions of fresh capital to the digital asset space. Despite the recent market volatility, the private wealth sector remains bullish for the longer term and **31%** of our respondents predicted Bitcoin price to reach at least USD 100k by the end of Q4 2024.

Key Findings

76% of private wealth interviewed are currently investing in digital assets, with 18% planning to do so in the future.

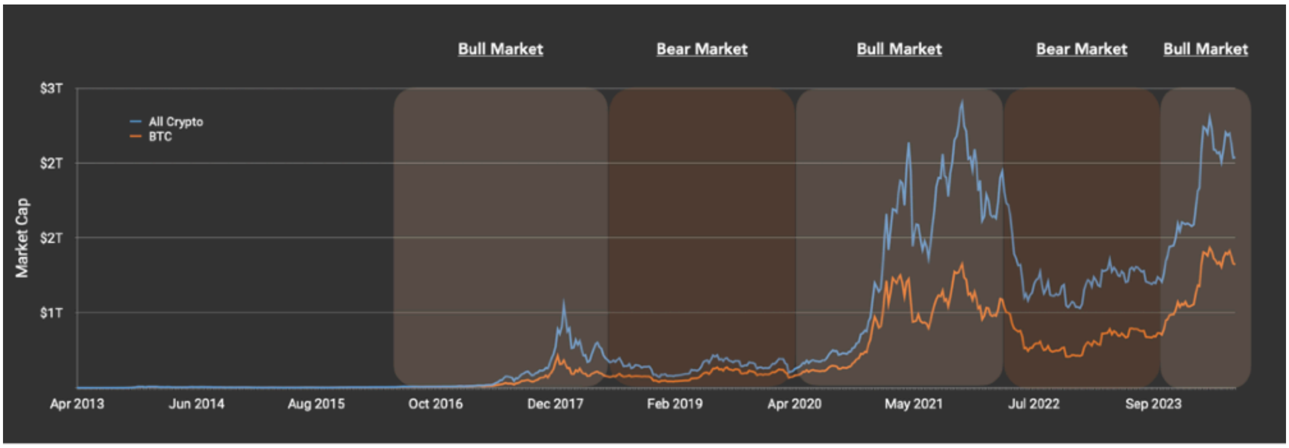
Bitcoin spot ETFs bring billions of fresh capital to the industry, and 53% of respondents gain digital asset exposure via funds or ETFs.

The majority of respondents allocate less than 5% of portfolio to digital assets.

/ 76% of Private Wealth Currently Invest in Digital Assets

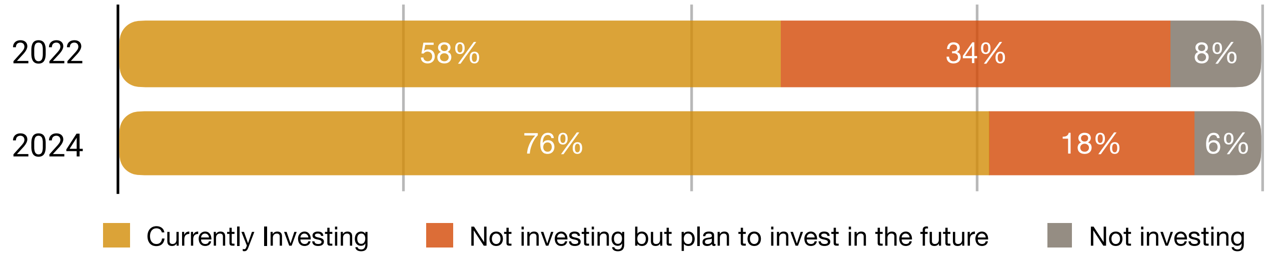
Since Bitcoin's inception in 2008, the digital asset industry has navigated through multiple market cycles and has grown to a **US$ 2.1 trillion** market. The first full market cycle (2016 to 2020 H1) began with the bullish momentum from Ethereum's launch and the initial coin offering boom (ICO), and the bear market followed in mid-2018 due to the fading ICO hype. As the industry continued to develop, we witnessed the second bull market driven by decentralised finance (DeFi), non-fungible tokens (NFT), gaming and metaverse. However, the crypto industry turned to a bear cycle in mid-2022 following LUNA and FTX collapse. The market gradually recovered in 2023 and stepped into a new bull cycle in 2024, following the expectation of Bitcoin halving and the approval of Bitcoin and Ethereum spot ETFs.

Figure 1: History of crypto market cycles



Source: *Aspen Digital Research*

Figure 2: Investment appetite for digital assets



Source: *Aspen Digital Research based on interviews with FOs and HNWIs, Aspen Digital x KPMG: Investing in Digital Assets*

Digital assets have emerged as an alternative asset class for the private wealth management industry. This is reflected in our survey, where we found **94%** of FOs and HNWIs are currently investing in digital assets or are interested in investing in the future. Currently, **76%** are already investing while **18%** plan to do so in the future (*see Figure 2*). This reflects the increase in digital asset allocation from our last survey in 2022 - at that time 58% were investing and 34% planned to invest in the future.

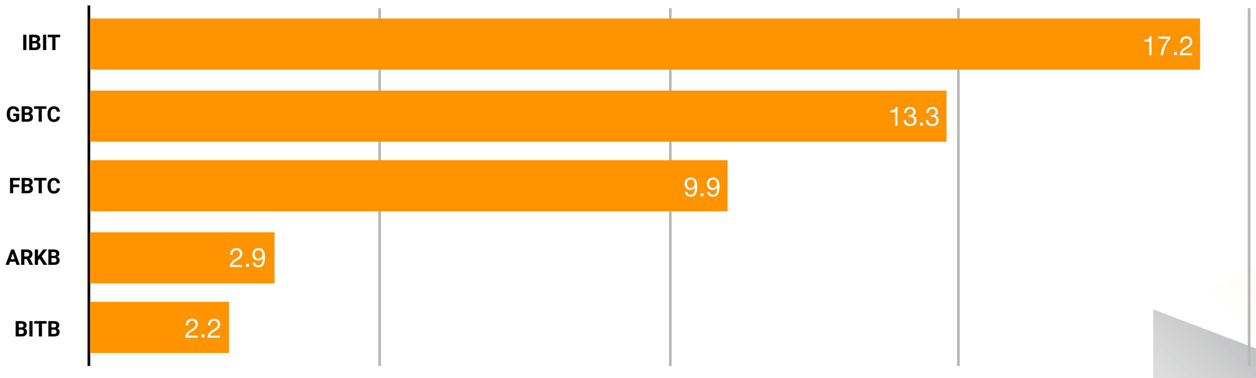
> 'For the private wealth segment, the conversation has largely changed from whether the asset class is investable to how much of the portfolio should be allocated.'
>
> Elliot Andrews
> *CEO, Aspen Digital*

/ Bitcoin ETFs Bring Huge Legitimacy to Digital Assets

The first wave of institutional interest in digital assets began with the offering of digital assets derivatives, which CME Group launched Bitcoin futures in late 2017. In 2021, Bitcoin's institutional adoption accelerated threefold - i) Morgan Stanley allowed their clients to access Bitcoin funds; ii) publicly listed companies such as Microstrategy and Tesla continued to accumulate their BTC holdings and iii) total open interest of Bitcoin futures surged from millions to over $10B.

Despite the bear market in 2022 and 2023, Bitcoin continued to gain legality and institutional recognition, as national states such as El Salvador officially accepted Bitcoin as legal tender. Institutional demand is evident as CME Group surpassed Binance to become the largest Bitcoin futures marketplace in 2023. These developments contributed to the first SEC-approved Bitcoin spot ETFs in January 2024. The Bitcoin ETFs became the fastest growing of all time with Blackrock's IBIT reaching $10bn in AUM in just 49 days, the previous record was JP Morgan's JPEQ which achieved that milestone in 647 days. Six months later, Ethereum spot ETFs were approved by the U.S. SEC and began trading.

Figure 3: Top 5 Bitcoin ETFs by AUM (in USD Bn)



Source: Coinglass

Top 3 Mediums of Digital Asset Investment

Data from our survey indicated that **57%** of respondents own cryptocurrencies directly, followed by **53%** through funds and ETFs and **42%** through venture capital. A Hong Kong-based family office said that the approval of spot ETFs offers legitimacy to digital assets, and they can gain exposure to crypto without setting up a new wallet or managing private keys. Another HNWI echoed the view that more countries to follow suit in approving Bitcoin spot ETFs, making Bitcoin globally accessible and stabilising Bitcoin's price volatility as the market matures.

A Hong Kong-based HNWI, who has allocated more than 10% of her portfolio to digital assets, is exploring altcoin exposure through venture capital investment. She stated that having early access to emerging crypto narratives is the core appeal of venture investing. One Singapore-based HNWI invested in digital asset service providers, believing such exposure can access the sector's future growth while protecting them from swings in the value of digital assets.

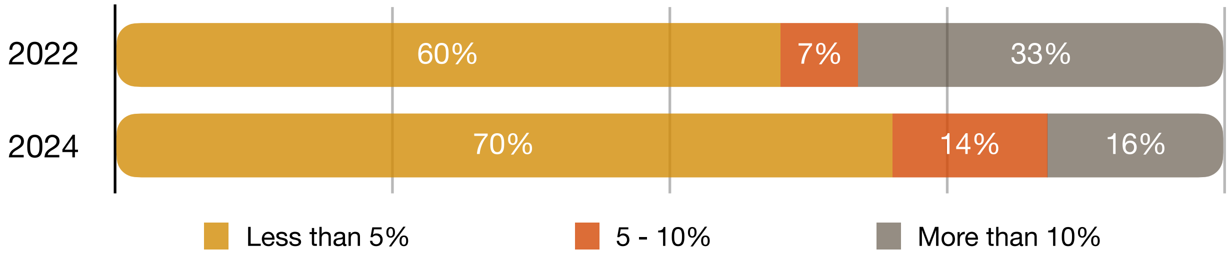
> Despite only being launched this year, the ETFs are the fastest growing of all time. These have still only been adopted by a small proportion of institutional investors but have added a huge amount of legitimacy to the asset class.
>
> Elliot Andrews
> *CEO, Aspen Digital*

/ Digital Assets Account Less Than 5% of the Portfolio

Despite the growing interest in digital assets, most PWM clients and institutions alike remain cautious to this emerging asset class. For the majority (**70%**), digital assets make up less than 5% of their portfolio. Meanwhile, a growing portion (**30%**) of respondents are hopeful about the future of crypto as they allocate more than 5% of their portfolio to digital assets.

Several HNWIs and family offices interviewed have increased their digital asset allocation from less than 5% to over 10% in 2024, stating that they are looking for altcoin exposure after the approval of Bitcoin and Ether spot ETFs. A Hong Kong-based HNWI added that he has increased digital asset allocation to specific blockchain ecosystems, such as Solana, TON and BASE.

Figure 4: Digital Assets allocation as % of total portfolio



Source: *Aspen Digital research based on interviews with FOs/HNWIs*

Investor Insights

'Digital assets tend to have a strong Q4 over the past years. With a more favourable global liquidity outlook and FED rate cuts, we plan to increase our digital asset allocation and gain exposure to emerging narratives, such as consumer crypto applications.'

Hong Kong-based family office

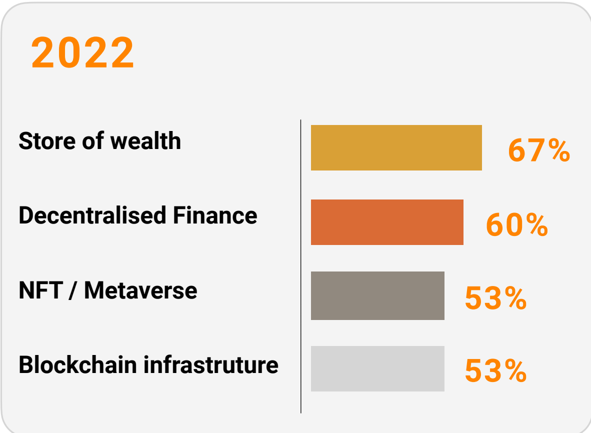
Key Findings

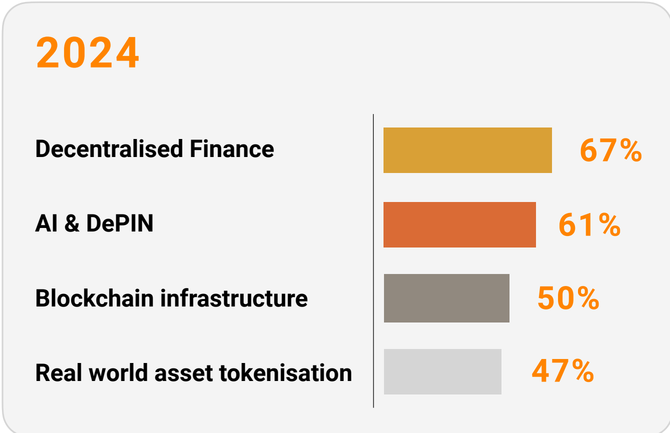
67% of private wealth interviewed are interested in decentralised finance (DeFi), which has huge potential to disrupt the financial service industry .

Blockchain has huge potential to disrupt the artificial intelligence landscape, and offers new opportunities in the decentralised physical infrastructure networks (DePIN).

The institutional demand for real world asset tokenisation is on the rise.

Key Areas of Interest Within Digital Assets





Compared to our last survey in 2022, most respondents are interested in DeFi, AI & DePIN and real world asset tokenisation. Interestingly, very few respondents in our survey are interested in the store of wealth narrative. Store of wealth gained huge popularity among our respondents in 2022, as the market saw huge volatility following LUNA and FTX collapse. In contrast, 2024 represents the early cycle of bull market, and the private wealth participants are more interested in emerging narratives such as AI & DePIN, and RWA.

In addition, only **31**% of respondents are interested in NFT and gaming, as opposed to 53% in 2022. Plunging NFT floor prices and NFT trading volume are the core reasons for the fading interests in the sector.

/ DeFi

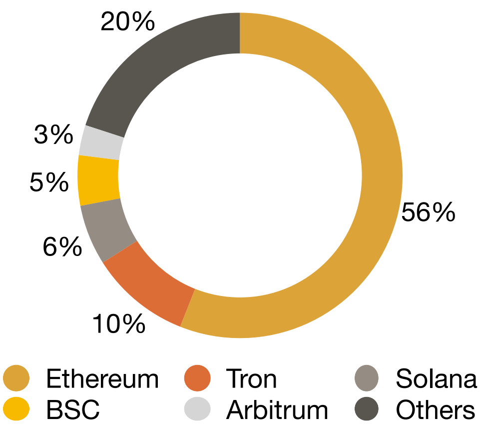
Decentralised Finance (DeFi) is attracting institutional attention with its potential to disrupt the financial service industry. The sector consists of financial services enabled by public blockchains and smart contracts, without any manual intervention of centralised parties. Since the launch of Ethereum in 2015, the DeFi ecosystem began to grow with early use cases such as decentralised exchange and lending.

DeFi constantly evolved with new narratives - from 'DeFi Summer' in 2020 driven by yield farming, staking and liquid staking led by Ethereum's Merge, to restaking in 2024 pioneered by Eigenlayer. The DeFi market size is measured by total value locked (TVL), meaning the total value of assets deposited in smart contracts. DeFi sector's TVL reached a peak of $180B in Nov 2021, and is currently standing at $83B.

Figure 5: DeFi TVL from 2018 to 2024

Source: *DeFillama*

Figure 6: DeFi TVL by blockchains



Source: *DeFillama*

> Decentralised Finance is an exciting sector to watch with constant innovations. In the future, DeFi will be fully on-chain, empowering high frequency trading and real time execution and settlements.

Matthew Lam
Head of Research, Aspen Digital

Our survey shows **67%** of respondents are interested in DeFi development. Ethereum dominated 90% market share of DeFi in the sector's early days and gradually reduced to ~55% due to the rise of alternative DeFi ecosystems. One HNWI in Hong Kong compared his user experience in trading among decentralised exchanges in Ethereum and Solana. He is impressed with the convenience of trading memecoins in Solana ecosystem, given the network's fast transaction speed and low fees.

Staking has emerged as the largest DeFi use case alongside DEX trading and lending. Ethereum Merge in 2022 led to a huge institutional interest in staking. Platforms such as Lido opened new possibilities for liquid staking, which users can generate additional returns with liquid staking tokens. In 2024, Eigenlayer introduces the concept of restaking and users can earn additional returns using liquid restaking tokens (LRT). A Hong Kong-based family office expressed their worries about tapping into the LRT space, as the concept of restaking appeared 'too technical' for them to understand.

Investor Insights

'We believe every asset class will eventually transition onto the blockchain, capitalising on the competitive advantages that blockchain technologies offer, representing immense growth potential for DeFi. Currently, approximately 85 million users are engaging with financial services on-chain and we anticipate this number will surpass 200 million by the end of 2025.'

Re7 Capital

/ AI & DePIN

Artificial Intelligence has captured widespread attention following the success of ChatGPT, the fastest application in onboarding 100 million users. Blockchain brings revolutionary potential to the current AI landscape, as it facilitates data integrity on AI models and offers a more trustworthy environment for using AI applications.

The decentralised physical infrastructure (DePIN) sector democratises AI access to a wider group of audience. DePINs foster a collaboration ecosystem where corporations can sell idle computation power and resources to those in need. In addition, the AI & DePIN integration introduced token-based economies, where participants are incentivized to contribute computing power, resources and AI model improvements. Resource marketplaces, such as wireless networks, IoT devices and computing power, are prime examples of AI & DePIN integration.

Figure 7: Key Players in the DePIN landscape

Helium

Helium creates a decentralised wireless infrastructure that empowers the deployment of internet of things (IoT) and 5G networks. The native token $HNT is used to mint data credits, which is the payment currency in Helium.

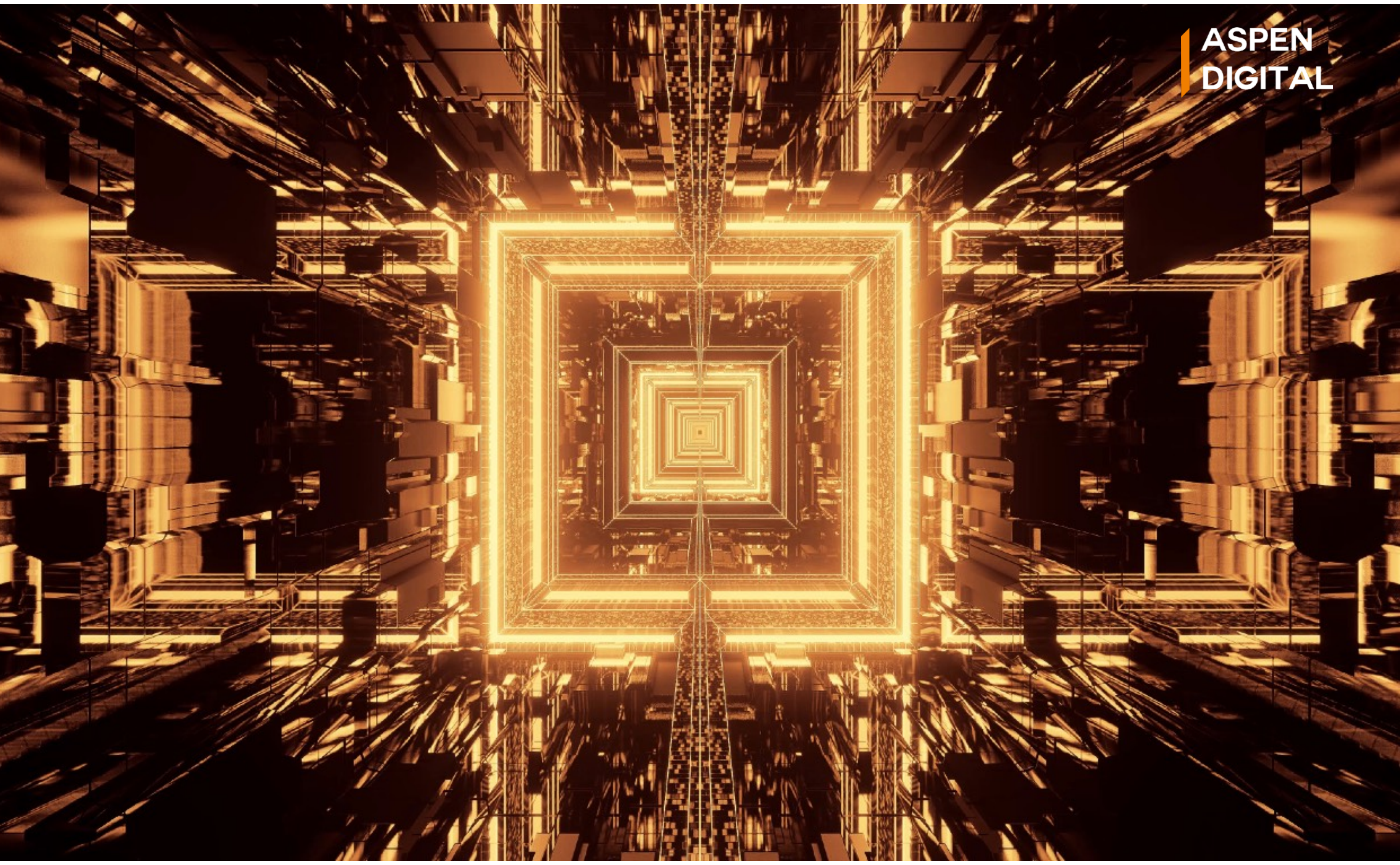
Hivemapper

Hivemapper is a decentralised mapping network that creates a global map through community contributions. Hivemapper uses dashcams to collect street-level imagery, rewarding contributors with $HONEY token.

Render Network

Render network is a blockchain-based platform allowing users to use idle GPU resources for motion graphics and visual effects. $RENDER is native token of Render network used for transactions and governance.

Source: Aspen Digital Research



The AI & DePIN narrative continued to gain traction in 2024, as **61%** of respondents are interested in the sector. One Hong Kong-based HNWI is bullish on DePIN for the long term, as it solves the fundamental problem of utilising idle physical and digital resources through efficient marketplaces. Another Hong Kong-based UHNWI cast concern on the sustainability of DePIN, saying that it can be difficult for the general public to keep using blockchain-based resource marketplaces for the long term.

> Blockchains disrupt the siloed AI landscape by offering data privacy, transparency and accessibility to the mass. AI agents, data solutions and AI marketplaces are key sub-sectors to watch.
>
> Matthew Lam
> *Head of Research, Aspen Digital*

/ Real World Asset Tokenisation

Real-world assets (RWA) refer to both tangible and intangible assets that possess value in the real world. These include financial assets, equity, commodities, physical assets and real estate. Given the blockchain's decentralised, transparent, secure and borderless features, RWA tokenisation offers a potential solution to the challenges and limitations of the traditional methods that assets are owned, managed and transferred. In addition, smart contracts can be employed to manage the registry, transfer, dividend distribution, redemption and other compliance processes.

Figure 8: Key benefits of tokenisation

- Access to global markets
- Instant settlement
- Liquidity with fractional ownership
- Operational efficiency enabled by blockchain
- Transparency and security
- Liquid market with 24/7 trading

Investor Insights

'One particularly exciting development is the tokenisation of real world assets. Recently, we have seen the emergence of innovative products in RWA, known as 'yield coins', which are designed to maintain a stable value, making them valuable assets that can be used as collateral to fund various market positions.'

Re7 Capital

The institutional demand for real world asset tokenisation is on the rise. In the last 2 years, many of the fund managers have started their journey on tokenised funds. Given the fragmented and often manual nature of the traditional value chain for fund management as well as the inherent strengths of fund structures such as diversification and risk reduction, tokenisation of funds seems to be an ideal asset class to bring in the transformative benefits of blockchain technology such as liquidity, transparency and efficiency.

Leading investment fund manager Franklin Templeton launched the Franklin On Chain U.S. Government Money Fund in 2021 as the first U.S. registered mutual fund to use a public blockchain to process transactions and record share ownership. BlackRock, the world's largest asset manager, launched its first tokenised fund, USD Institutional Digital Liquidity Fund (BUIDL) in 2024 which marks a significant milestone that further validates and stimulates interest in the RWA tokenisation sector of the crypto market.

47% of respondents in our survey are interested in real world asset tokenisation. A family office interviewed said tokenisation unlocks new opportunities in luxury goods investment, such as wine and artwork. They added fractional ownership of tokenisation offers diversification benefits and liquidity, compared to full ownership of assets.

> While many institutions show interest to explore tokenised RWA, most of them still require time to develop the required risk and security frameworks to assess and accept tokenised products.
>
> CK Ong
> *Chief Operating Officer, SBI Digital Markets*

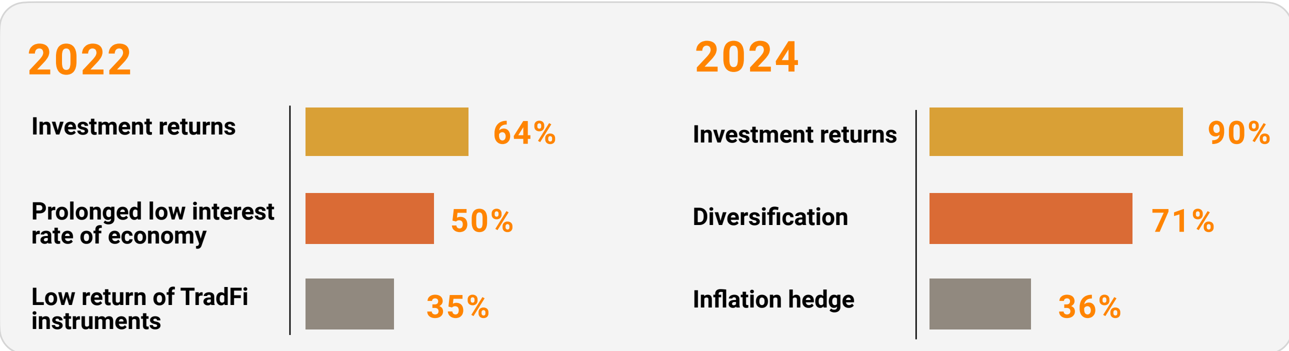
Key Findings

90% of private wealth interviewed invest in digital assets because of investment returns, followed by diversification benefits and inflation hedge.

Fragmented landscape appears to be the key obstacle to digital asset allocation, followed by regulatory concerns.

31% of respondents expect Bitcoin price to reach at least USD 100k by end of 2024.

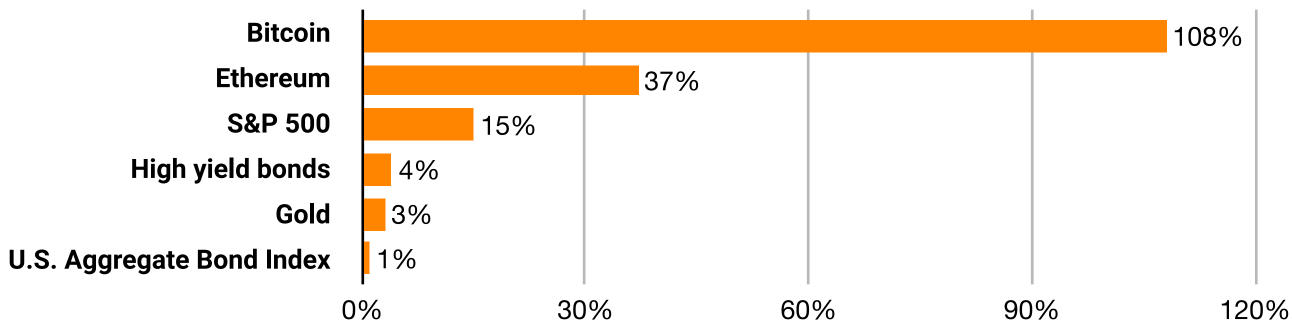
Top 3 Reasons of Digital Asset Investment



Since 2012, Bitcoin has achieved outsized returns compared to gold and equities (*see Figure 9*). In line with our previous report in 2022, investment returns remain the core reason for the private wealth sector allocating to digital assets. This time, **66%** and **38%** of respondents invest in digital assets for diversification benefits and inflation hedges, respectively.

In 2023, the U.S. Fed and other jurisdictions (e.g. UK, Australia) conducted multiple interest rate hikes to curb inflation. Several of our respondents shared the view that as Bitcoin exhibited a lower correlation to the broader financial instruments, digital assets present diversification benefits.

Figure 9: Annualised returns for financial asset class from 2013 to 2024



Source: Aspen Digital Research, *Galaxy Digital*

/ The Rising Need for Institutional-Grade Digital Asset Custody

As digital asset adoption has surged, the need for institutional-grade digital asset custody continues to grow for the private wealth sector. In our study, **58%** of respondents store their crypto through cryptocurrency exchanges, followed by **42**% of cold wallets and **39%** of third-party digital asset custodians. Cold wallets protect your digital assets by holding your private key offline and are secured with a physical hardware wallet. For storage through cryptocurrency exchanges, it means the exchange will look after your asset and they hold the private keys. Compared to cold wallets, clients' assets can be compromised if the exchange is hacked.

In evaluating digital asset custody providers, whether it be custodians or technology platforms, the provider's regulatory & compliance approach is the top priority among **56%** of our respondents. This is followed by industry reputation (**52%**), past track record (**48%**) and team background (**39%**). One Hong Kong-based HNWI uses a regulated custodian as the custodian offers confidence by adhering to additional regulatory requirements, such as auditing and anti-money laundering rules. Another Singapore-based family office uses renowned tech service providers for digital asset custody, as these platforms allow them to customise security measures (e.g. backup keys and insurance policies) in safekeeping their digital assets.

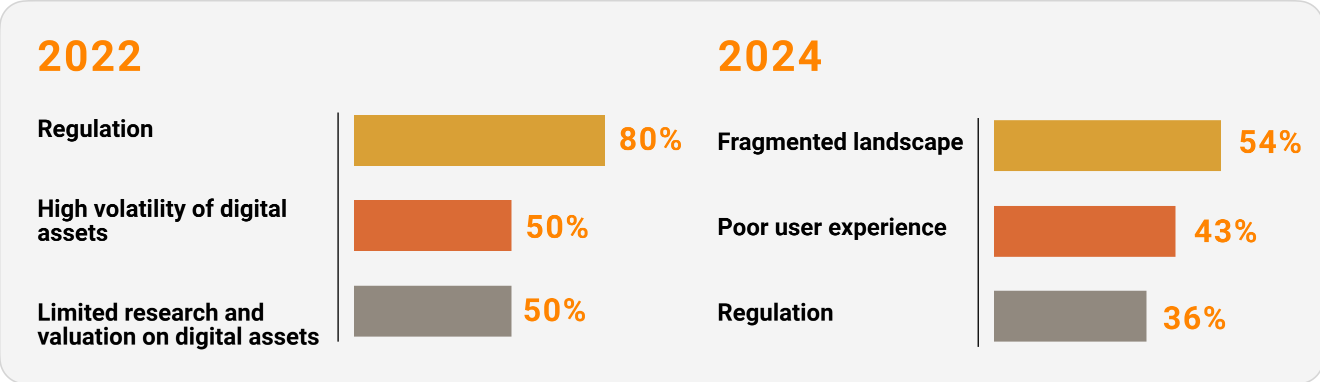
Figure 10: An overview of third-party custody

Third-party custody		
Categories	**Digital asset custodians**	**Exchange-hosted wallet**
Governance	Threshold Signature Scheme (MPC)	Policies set by exchanges
Operations	24/7 institutional MPC with Robust Representational State Transfer Application Programming Interface (REST API), policy filters	Self
Management fee for custody services	Yes	No
Risks	Counterparty risk	Cyber-attacks, regulatory risks, potential lack of segregation of client assets from the exchange's own assets

Source: *Aspen Digital x PwC: State of digital asset custody report*

/ The Digital Asset Industry Is a Highly Fragmented Landscape

Top 3 Pain Points of Digital Asset Investment



As the market has grown, so has the number of opportunities and platforms, increasing the difficulty of navigating the asset class. The digital asset landscape is highly fragmented - there are 500+ crypto exchanges, 100+ staking and yield providers, 1000+ funds and strategies, 2000+ primary and secondary deals in 2023 and 30+ crypto data providers. Our survey indicates that **54%** of respondents view a fragmented landscape as a key obstacle in digital asset allocation, compared to only 23% in our 2022 survey.

Despite the increase in digital asset service providers over the last two years, the user experience still needs improvement as **43%** of respondents cited this as a key concern in digital asset allocation. One family office interviewee found transferring funds across different blockchains inconvenient, as she needed to set up different blockchain wallets to complete the transaction. Another HNWI said that the lack of effective on/off ramp solutions for cryptocurrency exchanges is a huge obstacle to investing in digital assets.

As the digital asset landscape is highly fragmented, there's an increasing demand for digital asset wealth managers that offer a one-stop shop service. Our survey indicates that **79%** of respondents are interested in using digital asset wealth management providers.

Investor Insights

'It is crucial for virtual asset service providers to cater both towards asset preservation and wealth growth objectives. Access vehicles to index new strategies across digital assets increase the agility of family offices to respond to latest trends without sacrificing sufficient diversification and proper due diligence.'

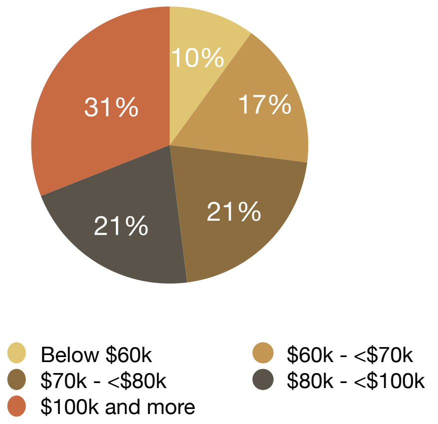
Hampton Tao, Investment Manager from a single family office

/ BTC Could Reach USD 100k by End of 2024

2024 marks the era of mass adoption of digital assets. The approval of Bitcoin spot ETFs has brought billions of fresh capital from retail and institutions, pushing Bitcoin to a new all-time high of USD 73,750 in March.

Despite the recent market volatility, the private wealth sector is increasingly interested in digital assets and is exploring options to allocate. Respondents from our survey are in general bullish on the future market outlook, citing the interest rate cuts, U.S. presidential election results and robust crypto industry development as key growth drivers.

Figure 11: Bitcoin price target by end of 2024



Source: *Aspen Digital Research based on interviews with FOs and HNWIs*

Investor Insights

'I believe that money printing in the US will amp up in Sept/Oct in a bid to help Kamala Harris win the election. The increased supply of money will weaken the dollar. This will allow China to issue more stimulus as well while keeping the yuan stable and strong against the dollar. These developments will push Bitcoin higher and towards $100,000 by year end.'

Arthur Hayes
CIO, Maelstrom

'Looking forward, US BTC spot ETFs are still in the early innings of institutional adoption and that should continue to progress based on conversations with pension funds / banks / institutions, interest rates cutting cycle is likely about to start, global liquidity appears to be turning a corner, stablecoin market cap at or near all-time highs, Q4 seasonality usually bullish, and Trump or Kamala to announce pro-crypto agenda.'

CIO of an U.S. base crypto hedge fund

'Looking ahead, we anticipate Bitcoin could reach a price target of ~$105,000 by the end of 2024. We expect that FED rate cuts could revitalise the crypto credit markets and spark a surge in DeFi to capitalise the differentiated sources of yield available. As rates decline, the attractiveness of DeFi yields should increase, drawing more market participants and capital.'

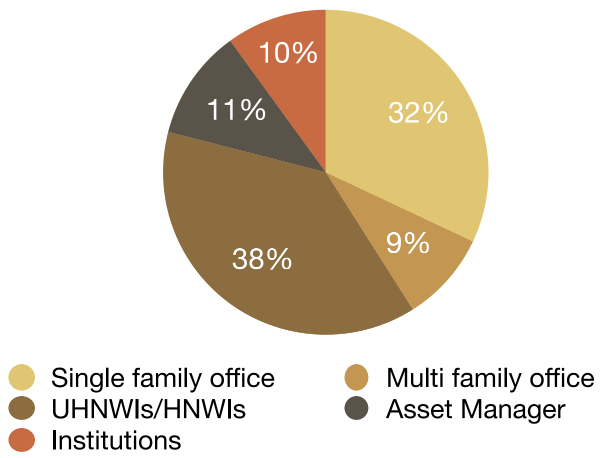
Managing Partner of an U.K.-based crypto fund

The findings of this report are based on a questionnaire distributed to 80 family offices, high-net-worth individuals (HNWIs) and asset managers based in Asia in the second half of 2024. In-depth follow-up interviews were also conducted with leading funds, FOs, external asset managers and HNWIs to gain additional perspectives on investor sentiment.

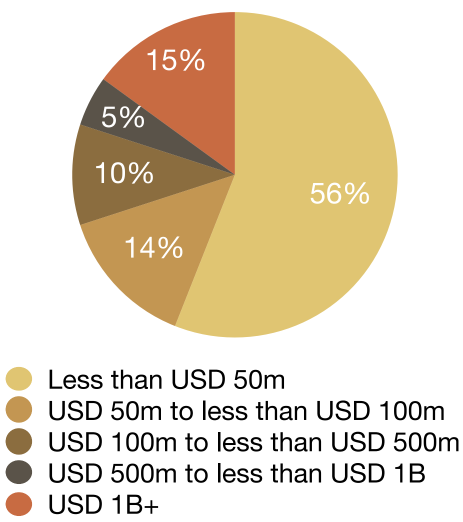
More than 75% of respondents are family offices and HNWIs, while asset managers and institutions represented the rest. The majority of investors had assets under management between USD 10 to 500 million, while 20% were managing USD 500 million or more. 73% of respondents have a medium to long term view on digital asset investment (i.e. more than one year).

/ Profile Of Interviewees

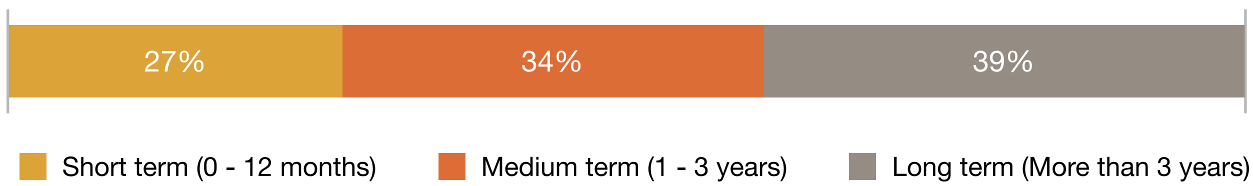
Types of Investor



Total AUM Managed



Investment Horizon



About Aspen Digital

Aspen Digital is a digital asset technology platform that enables wealth managers to offer their clients access to the emerging asset class. Through one platform, wealth managers and their clients can be connected to a range of counterparties across exchanges, staking providers, structured products and custody helping the managers to understand the eco-system. Furthermore, the solutions provide connections and introductions to top Web 3 funds and projects across the venture and hedge fund space which allows wealth managers to build a holistic portfolio for their clients. Aspen was co-founded in 2021 by Everest Ventures Group and TTB Partners, and is backed by notable investors such as the Rothschild Family (through RIT Capital), Liberty City Ventures and a number of other prominent Asian funds, single and multi-family offices. For more information visit https://www.aspendigital.co/

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About SBI Digital Markets

SBI Digital Markets is a subsidiary of SBI Digital Asset Holdings, the digital asset arm of Japan's leading conglomerate SBI Group. With the largest securities account customer base and second-largest trading market in Japan, SBI Group has a global network across 25 countries including key markets in Asia and Europe. SBI Digital Markets offers clients a comprehensive digitalisation framework from origination, tokenisation, distribution to custodian services across traditional and Web 3.0 product suites. For more information visit www.sbidm.com

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About FOAHK

Family Office Association Hong Kong ("FOAHK") is an independent family office trade association established in November 2020. We are a consultative industry body established to lead and drive dialogue between the family office industry, the government and regulatory bodies in Hong Kong. We advocate for legislative and regulatory matters favourable to the development of family office businesses in Hong Kong, with the common goal for the city to become the region's leading family office hub in Asia-Pacific. We are committed to providing best practice guidance to uphold the profession's highest industry standards and compliance, as well as facilitate community collaboration among members, governments and other professional parties in Hong Kong and overseas. For enquiry, please contact: enquiries@foahk.org

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