



# Digital Asset Management:

A New Era of Capital Allocation and Investment Strategy.

“The future of money is digital currency.”

– Bill Gates

@0xBRED

## INTRODUCTION:

Digital assets are progressively being adopted into society and its intrinsic modern-day financial system. Cryptocurrencies are no longer mere speculations within small online communities; they are a part of a fully-functioning ecosystem of decentralised financial instruments and innovative blockchain<sup>1</sup> technology (Andersson & Harcourt, 2021). Subsequently, as with any new innovation, adjustment must occur, with the creation of dynamic new roles and the need for traditional industries to evolve. It is not just the technical developers and marketers that are experiencing such rapid development, it is those on the other side of the screen in wealth management too. The scale and complexity of the crypto market is too substantial for it to simply be allocated as a portion of an organisation's portfolio; it requires a high degree of specialist dedication to be prosperous. This encompasses the purpose of a digital asset manager, providing their distinct skills and expertise in an area of immense intricacy – just as there is a need for specialist back-end and front-end software developers. Like a traditional asset manager, their ultimate aim is to increase the value of the funds entrusted with them; seeking an equilibrium between risk and reward. Whilst all asset managers may strive towards the same common goal, digital asset management possesses unique characteristics that are described within the contents of this report.

## SKILLS AND ATTRIBUTES:

Managers require an abundance of skills and attributes in order to effectively adhere to their many technical and interpersonal responsibilities.

One of the most important aspects of a digital asset manager is their ability to adapt, learn and make swift, emotionless decisions whilst under pressure. Therefore, it is paramount that a manager has a high degree of emotional intelligence. This was highlighted by a series of case studies which indicated the importance of being able to “recognise and use emotions productively” whilst investing in any sort of financial market (Ameriks, Wranik & Salovey, 2009). Given the volatile and perpetual nature of digital asset markets, there is an even greater emphasis on managers to be able to stay disciplined and remain emotionally neutral while making important decisions, otherwise the repercussions can be devastating.

Additionally, there is an array of professional skill sets that are typically consistent across all job-listings. If we look at listings by Velocity LLC (2021), Future\Perfect Ventures (2021), and Apollo Capital (Johnston, 2020), we find that there are numerous consistencies amongst all three. Firstly, a manager must have exceptional written and oral communication skills; meaning a ‘professional practice’ unit would pay great ‘dividends’ for a prospective manager. Secondly, a manager must be able to work well as part of a collective; supporting colleagues and supervisors to maximise the holistic company performance. Finally, a manager must have a genuine “passion for crypto and digital assets” (Future\Perfect Ventures, 2021). Possessing this last attribute is crucial for a prospective manager as organisations will only want to hire someone who shares the same vision and belief as themselves.

1: A blockchain is an immutable record of all transactions across a network of peer-to-peer users and applications (Cambridge University Press, 2021).

## RESPONSIBILITIES:

The responsibilities of a digital asset manager extend far beyond simply allocating funds to different investments. A manager must research, explore and discover new applications and projects that are constantly being built within the permissionless blockchain infrastructure. A token<sup>2</sup> is not exclusively a store-of-value like a stock or CFD<sup>3</sup> that one buys and holds, it is a utility tool that allows for a series of complex transactions to take place. In order to determine its value and potential as an investment, a manager must evaluate its effectiveness by interacting with it on a first-hand basis. For example, the pseudonymous manager of decentralised on-chain fund, 'DFG Capital' regularly posts analytical reports and updates about his investment strategy and actions taken to grow his investors' wealth. Included in these reports are hands-on tests of these utility tokens that ultimately determine whether they are sound enough to warrant an inclusion into the fund's risk-managed portfolio (DFG Capital, 2021). Moreover, one of the key aims of DFG Capital (2021) is "minimising drawdowns with short term allocations" into assets carrying less risk. This depicts how appropriate risk management strategies must be planned and implemented accordingly by managers, given the sizeable amount of capital that is in their care.

Furthermore, managers also have the responsibility of keeping up to date with macro-economic trends and world events. In order to effectively determine the value of a potential investment, they must be able to analyse and predict the needs and wants of the market by absorbing the most recently published data and information.

## QUALIFICATIONS:

Given that digital asset management is a relatively new area within the financial industry, there are multiple ways in which individuals are able to get into the field.

Traditionally, asset managers must study a finance or business-related degree at university and then go on to gain industry experience before settling into a suitable role. With digital asset management, that is not always the case and ultimately depends on the views and circumstances of an employer. For example, access-equipment company, 'Access Group' (2021) advertised a new opening for a position which includes a broad list of bachelor degrees that would make someone a prospective candidate. One may have a background in engineering, economics, computer science or other related fields and as such this highlights how organisations in this space are searching for critical thinkers as opposed to narrow minded approaches that echo textbook definitions.

On the other hand, some organisations may not explicitly require a candidate to possess a university degree and instead look more for experience. For example, the requirements to be considered a candidate for a position at Apollo Capital did not include any sort of tertiary education. Instead, the job-listing referenced being able to engage in specialised skills such as arbitrage, options strategies and building trading bots in Python, Java, C++ or JavaScript. In saying this however, there was the requirement of having a background in traditional financial markets, in particular portfolio management (Johnston, 2020). This exemplifies that although a role may not explicitly require a degree, in most cases, the experience needed in the first place does.

2: A cryptocurrency that represents an asset or has a specific use-case on the blockchain. (Tönnissen, Beinke & Teuteberg, 2020).

3: "Contract for Difference: a way of trading in shares without owning the shares" (Cambridge University Press, 2021).

## THE FUTURE:



(TradingView, 2021)

The chart above depicts the total market capitalisation across all digital asset markets and as can be seen, there has recently been a tremendous increase in the amount of capital entering the crypto space (TradingView, 2021). This directly correlates with the uptrend of available jobs listed on 'Crypto Job Lists' (2021) when comparing today's advertisements to archived posts - over a duration of 3 years. This indicates that there will be a growing increase in the demand for digital asset managers as blockchain technology is integrated and adopted by more of society.

## CONCLUSION:

In essence, digital asset management is an emerging role in the world of finance and technology. It serves as the pivotal role in abridging the common man with the powerful capabilities of such prosperous innovation. The role is unique by nature and unique by practice – with a diverse range of pathways, requirements and responsibilities. Ultimately, digital assets are expanding into uncharted territories; applications are revolutionising aspects of our society and as such the demand for managers is projected to grow exponentially as we transcend further into the digital era.

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