



NEWS RELEASE

Growing Number of Institutional Investors Believe That Digital Assets Should Be a Part of Their Investment Portfolios, According to New Research from Fidelity Digital AssetsSM

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More U.S. investors are finding appeal in digital assets vs. a year ago

Investors in Europe are more likely to own digital assets and have a more progressive view of the asset class vs. U.S. investors

BOSTON & LONDON--(BUSINESS WIRE)-- Digital assets are gaining in favorability and appeal amongst institutional investors, with almost 80% of investors surveyed finding something appealing about the asset class. In a comprehensive survey of almost 800 institutional investors across the U.S. and Europe, 36% of respondents say they are currently invested in digital assets, and 6 out of 10 believe digital assets have a place in their investment portfolio. These and other findings from a Fidelity Digital AssetsSM survey cast an in-depth light on a class of investors who have widely been expected to lead broad adoption of digital assets.

The research, which was conducted from November 2019 to early March 2020, sought to understand institutional interest and adoption of digital assets, as well as the key barriers to participation in the asset class. Nearly 800 U.S. and European investors were surveyed, including financial advisors, family offices, pensions, crypto and traditional hedge funds, high net worth investors, and endowments and foundations. This marks the second consecutive year that Fidelity has conducted this survey amongst U.S. institutional investors and the first for European investors, highlighting the company's increased focus on industry-leading research to foster adoption and add value to clients.

Digital Asset Ownership

Thirty-six percent of respondents (27% in the U.S. and 45% in Europe) say they are currently invested in digital assets. The survey revealed higher penetration with crypto hedge and venture funds, as expected, but also the financial advisor, high net worth individual and family office segments.

U.S. investors allocated to digital assets increased to 27% from 22% in 2019. Of all U.S. and European investors who have exposure to digital assets, over 60% buy digital assets directly. Fifty-nine percent of U.S. investors who currently invest, are invested directly, up from 55% in the 2019 survey. And amongst the backdrop of recent market growth in the number of crypto native and incumbent service providers offering cash and physically settled futures contracts, 22% of U.S. respondents invested in digital assets have exposure via futures, which is a substantial increase relative to 9% of U.S. investors surveyed in 2019.

Bitcoin continues to be the digital asset of choice with over a quarter of respondents holding bitcoin; 11% have exposure to Ethereum.

Looking out five years, 91% of respondents who are open to exposure to digital assets in a portfolio expect to have at least 0.5% of their portfolio allocated to digital assets. Amongst U.S. respondents, this number is up by 9 percentage points vs. 2019 from 79% to 88%.

Commenting on the survey findings, Tom Jessop, president of Fidelity Digital Assets said: “These results confirm a trend we are seeing in the market towards greater interest in and acceptance of digital assets as a new investable asset class. This is evident in the evolving composition of our client pipeline, which spans from crypto native funds to pensions.”

Over the past year the market has witnessed improved performance of digital assets, the entrance of incumbent service providers, and increasing coverage of the industry by mainstream financial firms through constructive research – all factors that may contribute to the upward trend in digital asset ownership among institutional investors.

Appeal of Digital Assets

Almost 80% of institutional investors find something appealing about digital assets, with the three almost equally compelling characteristics across U.S. and European investors being: uncorrelated to other asset classes (36%); an innovative technology play (34%); and high potential upside (33%). Amongst U.S. respondents, the portion of investors who find appealing characteristics in digital assets grew by six percentage points to 74% this year. European investors are even more positive on digital assets with 82% finding something appealing.

A notable contrast is that 25% of European investors find the fact that certain digital assets are free from government intervention to be appealing, whereas only 10% of investors in the U.S. feel this way.

Digital Assets Within a Portfolio

The majority of institutional investors (6 in 10) feel digital assets have a place in their portfolio, though opinions vary

on precisely where. Nearly 40% of institutional investors believe digital assets belong in the alternative asset class, while 20% of investors believe they belong in an independent asset class. Those investors may see certain advantages in digital assets over traditional alternatives such as hedge funds, private equity, real estate, etc. in that they are relatively more liquid, have low transportation, transaction and storage costs and have unique return drivers.

Factors Slowing Institutional Adoption

Despite the upward trending number of institutions adopting digital assets, some reticence remains. Among the obstacles to digital asset adoption cited were price volatility (53%), concerns around market manipulation (47%), and lack of fundamentals to gauge appropriate value (45%). Encouragingly, among U.S. respondents, the strength of concerns decreased notably vs. last year across most factors. Price volatility concern fell 13 points, concerns around market manipulation fell 6 points and lack of fundamentals fell 8 points.

“Investor concerns are largely focused on issues that will resolve themselves as the market infrastructure evolves,” said Jessop. “We’re proud to be one of many service providers actively driving that evolution for the benefit of the ecosystem and traditional investors alike.”

About the Survey

The blind survey was executed in association with Greenwich Associates on behalf of Fidelity Digital Assets and the Fidelity Center for Applied Technology between November 18, 2019 and March 6, 2020. The survey including 774 institutional investors in the U.S. (393) and Europe (381) including pensions, family offices, digital and traditional hedge funds, financial advisors and endowment and foundations.

About Fidelity Digital Assets

Fidelity Digital Assets offers a full-service enterprise-grade platform for securing, trading and supporting digital assets. A business of Fidelity Investments, one of the world’s largest and most diversified financial services providers with more than \$7.9 trillion in client assets under administration, Fidelity Digital Assets combines the operational and technical capabilities of the broader Fidelity organization with dedicated blockchain expertise to deliver a completely new offering for institutional investors. Learn more at <http://fidelitydigitalassets.com>.

About Fidelity Center for Applied Technology

Fidelity Center for Applied Technology (FCAT) helps Fidelity’s clients and businesses imagine the possibilities of new ideas and emerging technologies to enhance the customer experience.

FCAT’s ideas begin with outside in research and academic partnerships and evolve through user testing. The ideas come to life through prototypes that lay the foundation for new products and services. Whether it’s virtual reality, artificial intelligence, digital currencies or blockchains, FCAT is testing it out and looking for new ways of using it to

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