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Your Connection to the Digital Asset (r)Evolution

FPA of Dallas/Fort Worth - November 12, 2024

The Case for Digital Assets in an Advisory Practice.

Disclosures

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Who we are – Arbor Digital

OUR MISSION

To be Your Connection to the Digital Asset (r)Evolution

For the first time in history, a globally accessible investment opportunity into disruptive technology has presented itself. It is evident that the emerging digital asset class is here to stay and we have strong conviction it will continue to grow and mature.

We feel it is our fiduciary duty to be a trusted advisor for clients in this complex space. For investors and advisors looking for growth and a stake in the future of global finance, investing in digital assets is not just recommended, it is imperative.

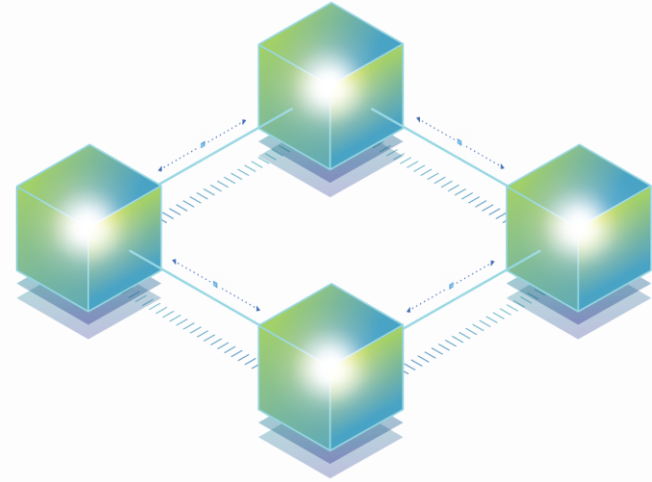
Spotlight – Matthew Kolesky

- Matt brings his experience as President and CCO for Arbor Capital to serve as Director of Arbor Digital.
- In 2011 Matt first explored Bitcoin by mining on his home computer. In 2018 he turned his attention to bringing the transformative powers of these technologies to the Arbor Capital Investment Committee, and in turn to their clients. Recognizing the gap that currently exists for an elegant solution for advisors and their clients, to gain broad exposure to this emerging asset class, Arbor Digital was born in 2020.
- Matt was born and raised in Alaska and now lives in Houston, Texas. He regularly travels back to Alaska for work, family, and an occasional trip to Alyeska. He enjoys coaching, refereeing, and writing about soccer and volunteers his time with Campfire Alaska and Cook Inlet Soccer Club. While he still calls Alaska home, he enjoys exploring the globe with his family.

Today's Agenda

The Case for Digital Assets in an Advisory Practice.

1. Do you or your clients own Digital Assets? A spectrum.
2. What, Why and How - investing in digital assets.
3. Incorporate digital assets into a portfolio.
4. Possible allocations.
5. Q&A



Where are you and your clients on the crypto spectrum?

Crypto Curious

- You are just getting started on your crypto journey. You see the headlines and hear friends or family talk about it at gatherings.
- You may have Bitcoin or another crypto asset a friend told you about through Coinbase or Gemini.
- If asked, you might not be able to explain the difference between Bitcoin and Ethereum.

Crypto Educated

- You have established a fundamental knowledge of blockchain technology, crypto-assets, and decentralization.
- You do some of your crypto activity off-chain through centralized exchanges like Coinbase and Gemini. You allocate 1-5% of your portfolio purposefully to crypto-assets.
- If asked, you would be able to explain the difference between Bitcoin and Ethereum.

Crypto Native

- You are the crypto expert of your personal and professional networks. You are at the forefront of blockchain, decentralization, and developing in the space.
- You do a majority of your crypto activity on-chain and can be considered a power user of decentralized blockchain apps. You keep a large percentage of your net worth on-chain and actively engage in DAO's
- If asked, you can speak to most crypto topics and most likely have two to three areas of focus.

How many of you are advising on Digital Assets in your practice?

Let's look at the most common reasons advisors don't allocate and discuss:

Clients aren't interested

Compliance concerns

Riskiness of the asset class

Don't have enough information about the asset class

It doesn't easily fit into my practice



Why consider Digital Assets like Bitcoin and Ethereum now?

- After the election last week:
 - Likely MAJOR shift in regulatory tone from D.C. and the SEC
 - Likely MAJOR shift in policy and acceptance from D.C and the SEC
- Large financial institutions continue to adopt the asset class and build products and tools on-chain.
- It's just technology – you probably own many tech names in client portfolios already, this is a new way to invest.
- Don't let your practice fall behind – have an answer.

Continued - Why Invest in Digital Assets now?

For investors and advisors who are looking for long term growth and a stake in the future of global finance, investing in digital assets is not just recommended, it is imperative.

Growth Opportunity: It is THE Emerging Asset Class and is Growing Exponentially

Diversification: It only takes a 1-5% allocation to drastically improve risk/return profile of a traditional portfolio, plus since there is little correlation between digital and traditional allocations, it can offer some protection over time

Cutting Edge: As is the case with any IPO that eventually becomes strong and coveted equity holding, it was those who bought first who gained the most in the long term. The digital asset class is here to stay and it will be the first adopters who will benefit the most from its future success.

Bitcoin 2024 YTD through 11/11/2024



Ethereum (not staked) 2024 YTD through 11/11/2024

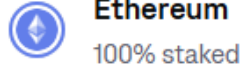


What to own?

Bitcoin



Ethereum



Other assets

How to own it?

ETF's: 2024 saw both Bitcoin and Ethereum ETF's (ETP's) get approved by the SEC.

Advisors can easily allocate to these products through their current custodian and/or technology stack

SMA's: Professionally managed portfolios of Digital Assets

Private Funds: These have been available for years, but are limited to accredited investors

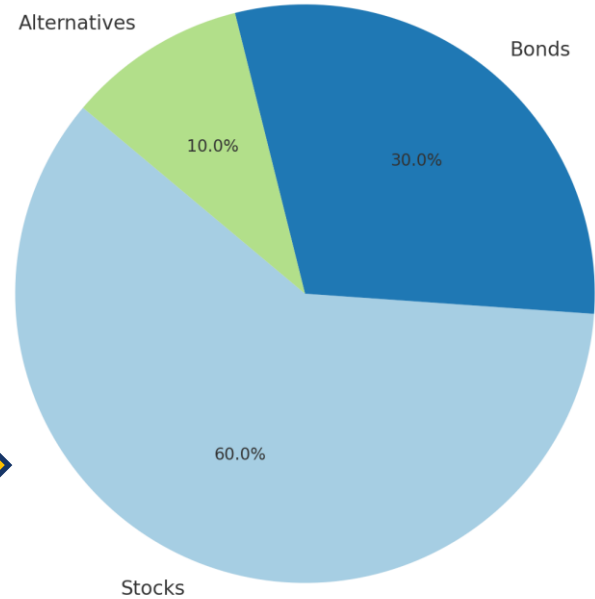
Direct exposure: clients own the assets on an exchange or in a wallet

Ok – so you're ready to invest on behalf of your clients!

- Here is a simple, sample allocation:
- We feel bitcoin and other digital assets fit in an alternative segment
- There are also stocks or ETF's you could own: COIN, MSTR, BLOK, etc.

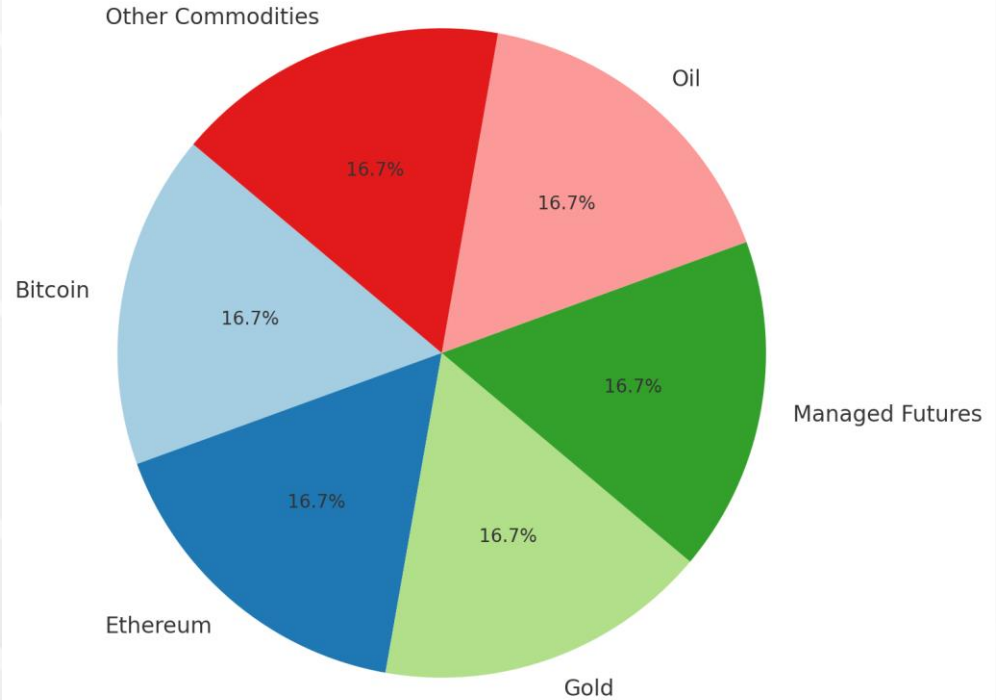


Portfolio Allocation: Stocks, Bonds, and Alternatives



Let's look at a potential alternative allocation that includes bitcoin and ethereum:

Potential Alternative Allocation



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Won't Crypto get banned in the USA?

Very unlikely:

This court can find no meaningful difference between computer language, particularly high-level languages as defined above, and German or French....Like music and mathematical equations, computer language is just that, language, and it communicates information either to a computer or to those who can read it...

-Judge Patel, April 15, 1996




What is the Metaverse?

What are NFT's?

What is Decentralized Finance?

What is a CBDC or Central Bank Digital Currency?



Do you think the government is going to try and block Bitcoin or other crypto?

Isn't the government going to come out with their own digital currency and make Bitcoin obsolete?



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Thank you Dallas/Forth Worth FPA!

Please reach out if you have any questions.

We can help educate your practice about the benefits of adding digital assets.

matt@arbordigital.io @mbkolesky (907) 830-2360

Info@arbordigital.io