



Digital Assets and Family Offices: Diversification, Strategies, and Benefits.

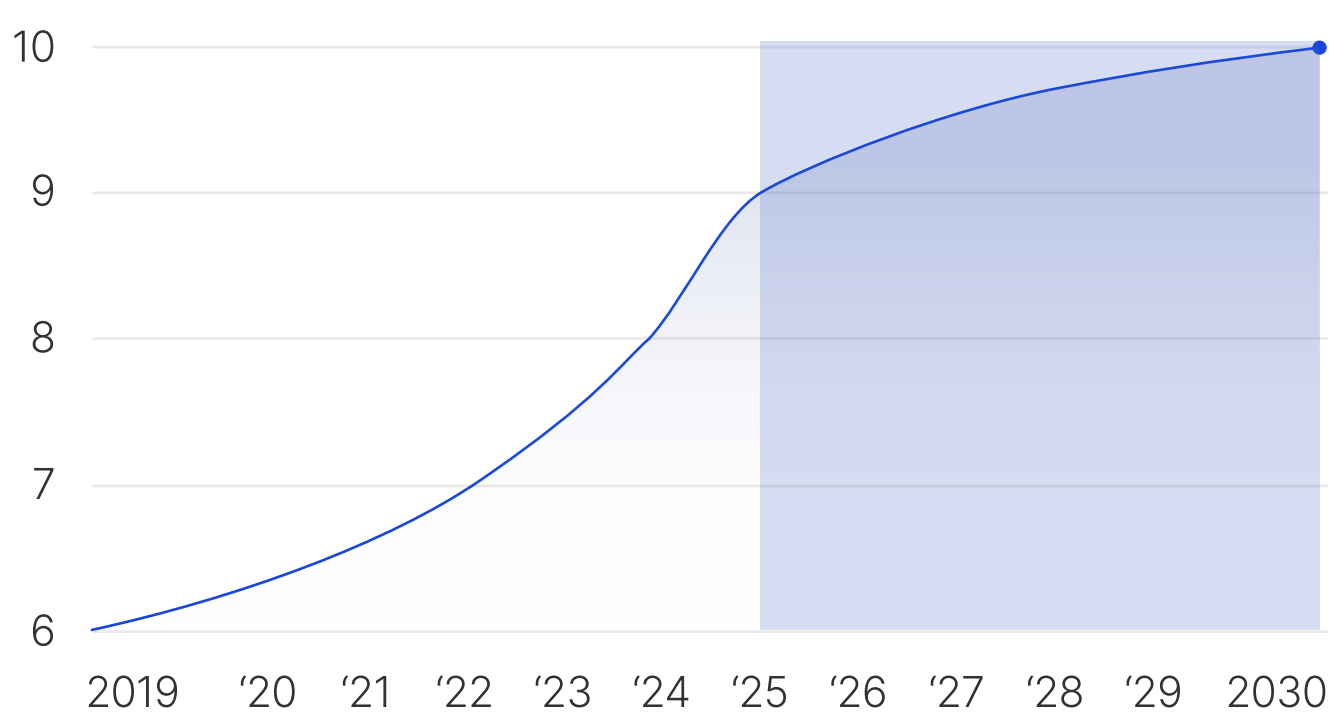
July 2025

Digital Assets and Family Offices: Diversification, Strategies, and Benefits

Digital Assets & Family Offices: A Growing Relationship

Family offices constitute a significant and growing presence in today's global financial market. There are an estimated 9,000¹ family offices globally, overseeing \$3.1 trillion² in assets. This figure is forecasted to grow to 10,700³ family offices and \$5.4 trillion⁴ in assets by 2030, particularly on the back of growing personal wealth in emerging markets, generational transitions, and the increasingly specific wealth management needs of HNWIs.

Estimated number of family offices globally

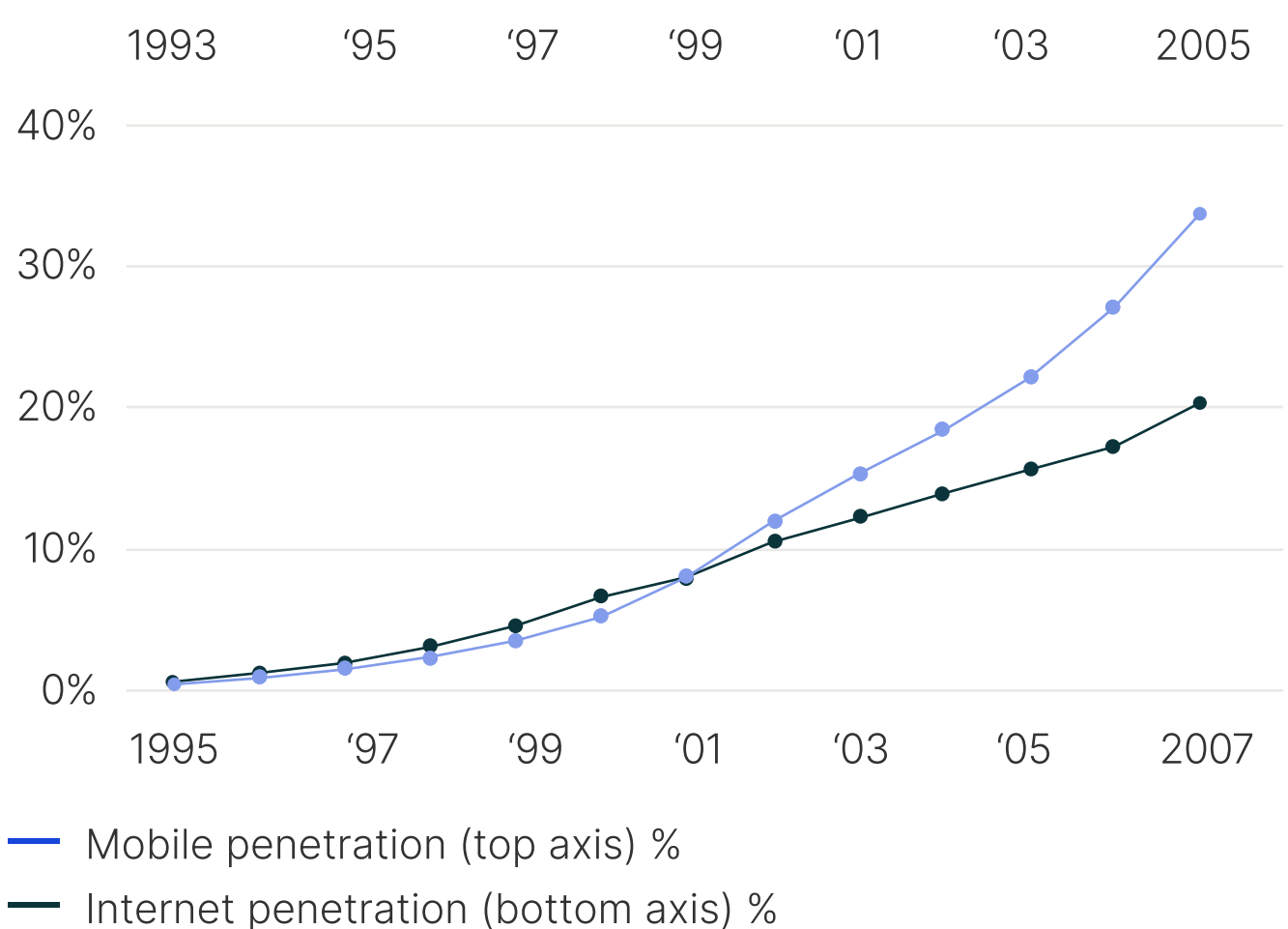


Source: PWM

The growth in both size and number of family offices has been accompanied by growing sophistication. The sector has moved increasingly towards operational models adopted by institutional investors. This professionalization process has also influenced the choice of asset classes and investment vehicles, with rapidly growing allocations to alternative investments⁵, balancing liquidity needs with the desire to generate superior risk-adjusted returns. Estimates suggest that family offices allocated 52% of their assets⁶ to alternative investments in 2024, up from 42% in 2022.

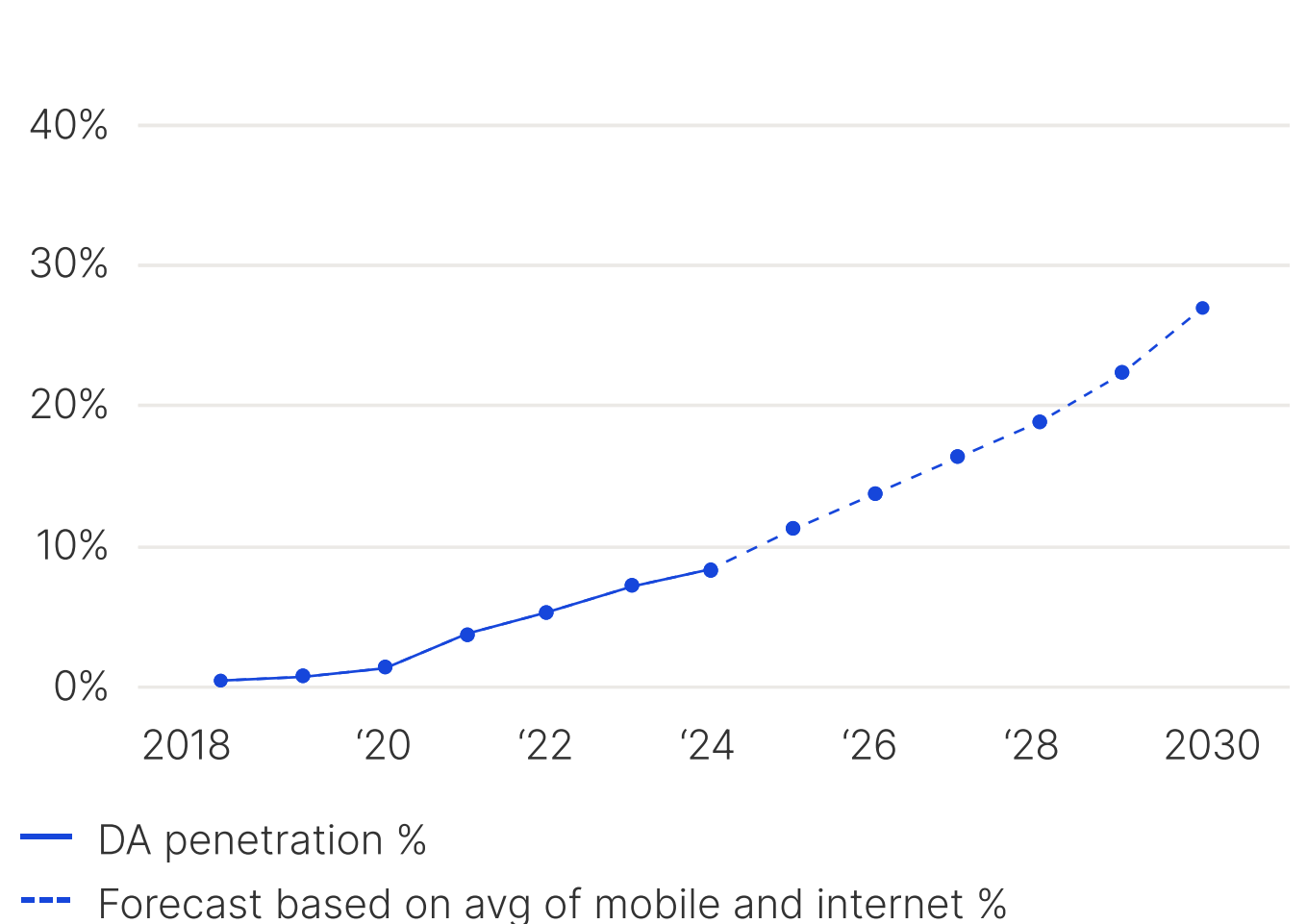
Within this category, digital assets are playing an increasingly large role. Overall market value has recently reached \$3 trillion⁷, led by increasing adoption by investors⁸, financial institutions⁹ and corporations¹⁰. Forecasts show up to 10% of global GDP¹¹, worth \$16 trillion, constituted by tokenised assets by 2030. Market penetration trends for digital assets are replicating the exponential growth of internet and mobile phones in the late 90s-early 00s. Despite the launch of the first browsers like Netscape in 1994, less than 7%¹² of the world's population was online by the year 2000 and the 30%¹³ mark was only reached in 2010. Similarly, global mobile phone penetration reached 50%¹⁴ in 2007, although the first mobile phone was introduced in 1973¹⁵. If present trends persist, digital adoption rates are expected to reach 30% by 2030, up from only 5% in 2022.

Mobile & Internet penetration rates



Source: Lionsoul Global

Digital Asset penetration rate



Source: Lionsoul Global

Taking into account the increasing importance of digital assets to the global economy, family offices are exploring the potential of this asset class to improve portfolio diversification, performance, and risk management.

Digital Assets: An Asset Class In Demand

Institutional investor and family office interest in the digital asset class continues to rise on the back of a secular multi-year uptrend. Institutional investors holding digital assets have risen from less than 10%¹⁶ in 2019 to over 37%¹⁷ today. The number of family offices with digital asset investments has, similarly, risen from 16%¹⁸ in 2021 to between 32%¹⁹ and 39%²⁰ in 2024.

This increase is driven in large part by positive sentiment, with 94%²¹ of institutional investors believing in the long-term value of blockchain and digital assets. As sentiment continues to remain positive, 55%²² of institutional investors expect to increase their allocations to digital assets and related products by 2027²³. The size of allocations is also projected to increase, from an

estimated 1%-3% of current institutional portfolio values, to 7.2% by 2027. The size of allocations to digital assets remain, however, small. Of the 28% of European family offices that are invested in digital assets, this allocation represents only 1%²⁴ of total assets under management, leaving substantial room for growth.

The growing interest in digital assets is a result of broader trends in family office investment preferences and goals. These include the shift towards alternatives to achieve higher-yields²⁵ (even if with lower liquidity), as a way to hedge equity exposure²⁶, and for greater diversification of returns²⁷. The inherent characteristics of digital assets in terms of price performance, volatility, and correlation, allow family offices to develop a completely new generation of trading strategies that can achieve these goals.

BitGo Perspective:

Bridging Traditional Wealth to The Digital Future with Institutional-Grade Crypto Solutions

Growing family office investment in digital assets has created an urgent need for institutional-grade security, control, and scalability. This need is further complicated by a complex and evolving regulatory landscape with compliance shifts — such as the SEC's 2023 update requiring registered investment advisors (RIAs) to custody crypto with qualified custodians. Because of this, many investors have opted to personally manage their digital assets on centralized exchanges, compelling family offices to reconsider their approach to securing digital assets, as many traditional firms lack the necessary infrastructure and policies to effectively manage and safeguard their portfolios.

In response to these challenges, the industry is seeing an increased reliance on institutional-grade custody solutions designed to securely integrate digital assets into traditional asset management frameworks. Proven, qualified custodians serve this critical role by providing multi-layered protection combined with robust trading capabilities. For example, an institutional provider like BitGo offers enhanced security through a combination of segregated cold storage, comprehensive theft insurance, and multi-signature wallets that require multiple approvals for transactions. This foundational security is further strengthened by sophisticated infrastructure, such as tailored policy controls that allow advisors to enforce specific rules around spending caps, approvals, and transaction velocity.

Beyond providing foundational security, a comprehensive institutional platform like BitGo's also serves as a gateway to a broader range of digital asset opportunities. Through it, family offices can pursue more advanced strategies — such as global trading, financing, and yield generation through staking — in their efforts to further diversify portfolios. The successful execution of these strategies, however, hinges on a framework where security and compliance remain paramount, allowing firms to navigate the digital asset landscape with confidence.

Lionsoul Global Perspective

Bridging Traditional Wealth to The Digital Future with Institutional-Grade Crypto Solutions

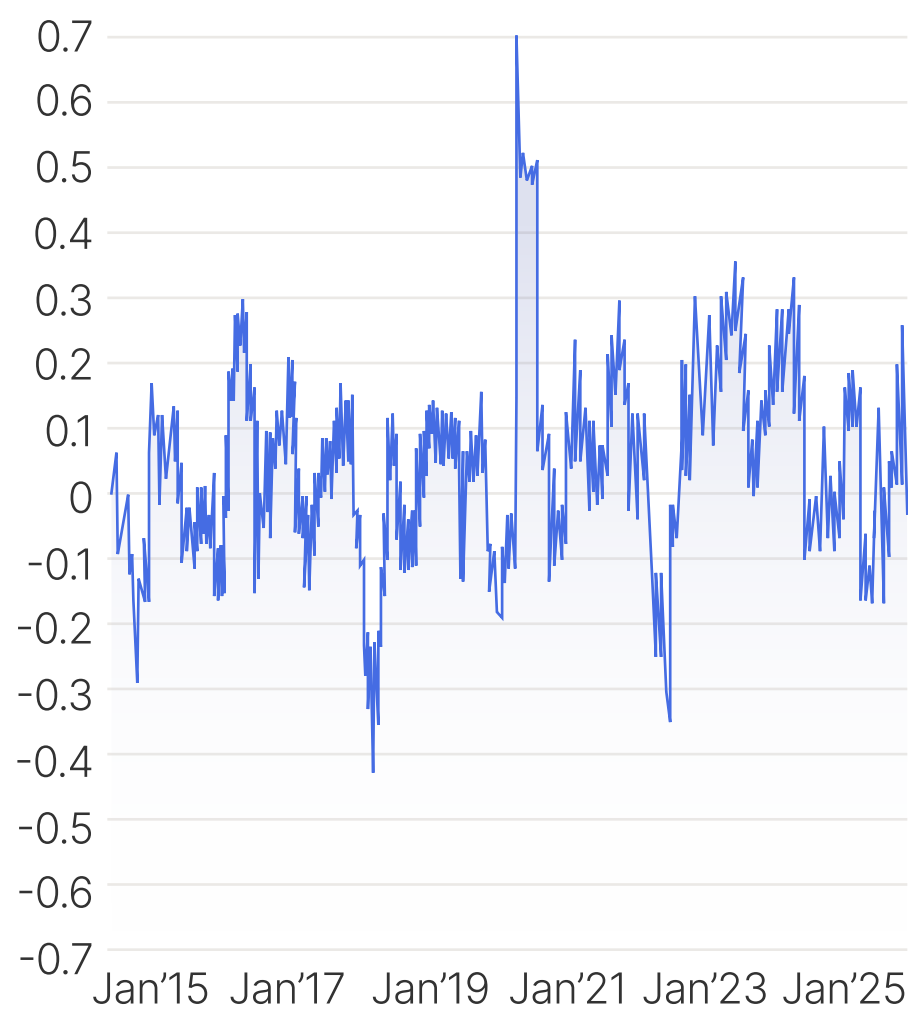
The key characteristics of digital assets lend themselves to enhanced portfolio diversification and strategies that can improve risk-adjusted performance:



Low Correlation

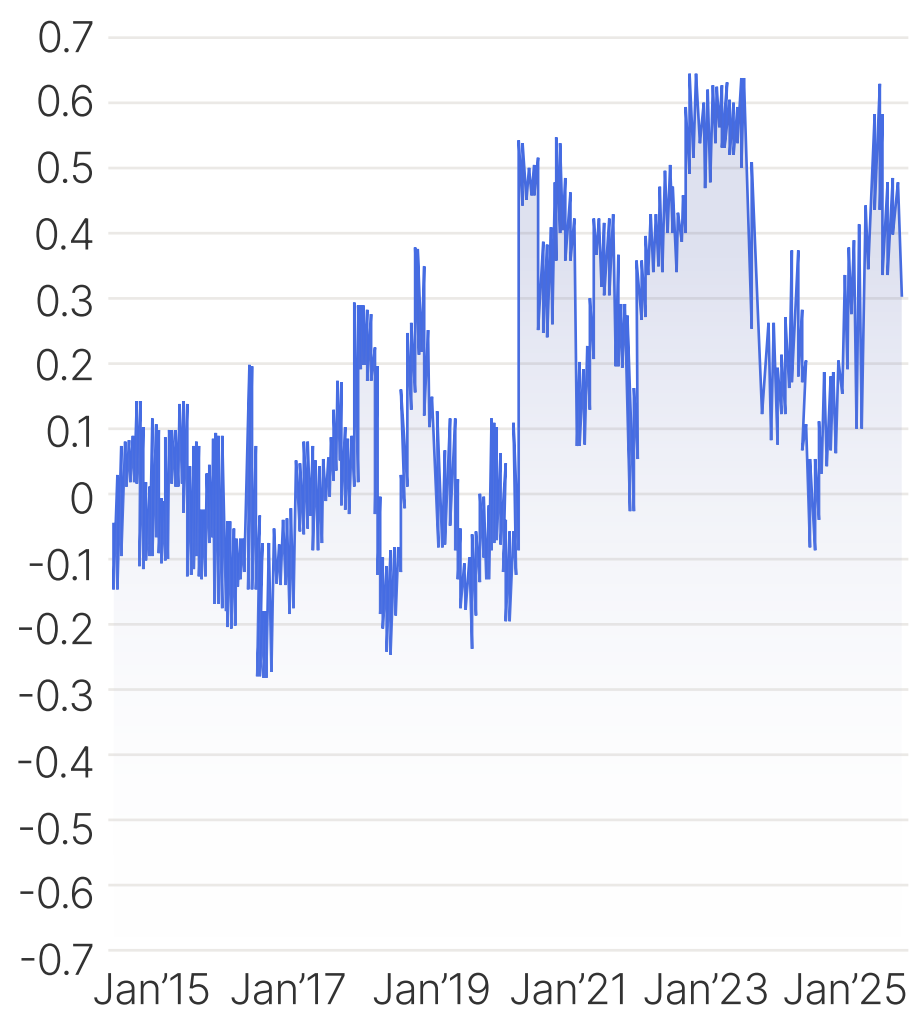
The long-term price performance of digital assets showcases low correlation²⁸ to equities, fixed income instruments, and commodities. These have oscillated around the 0 level for all three asset classes since 2015, with positive correlation to equities trending higher in the last five years, although inconsistently.

BTC vs Fixed Income



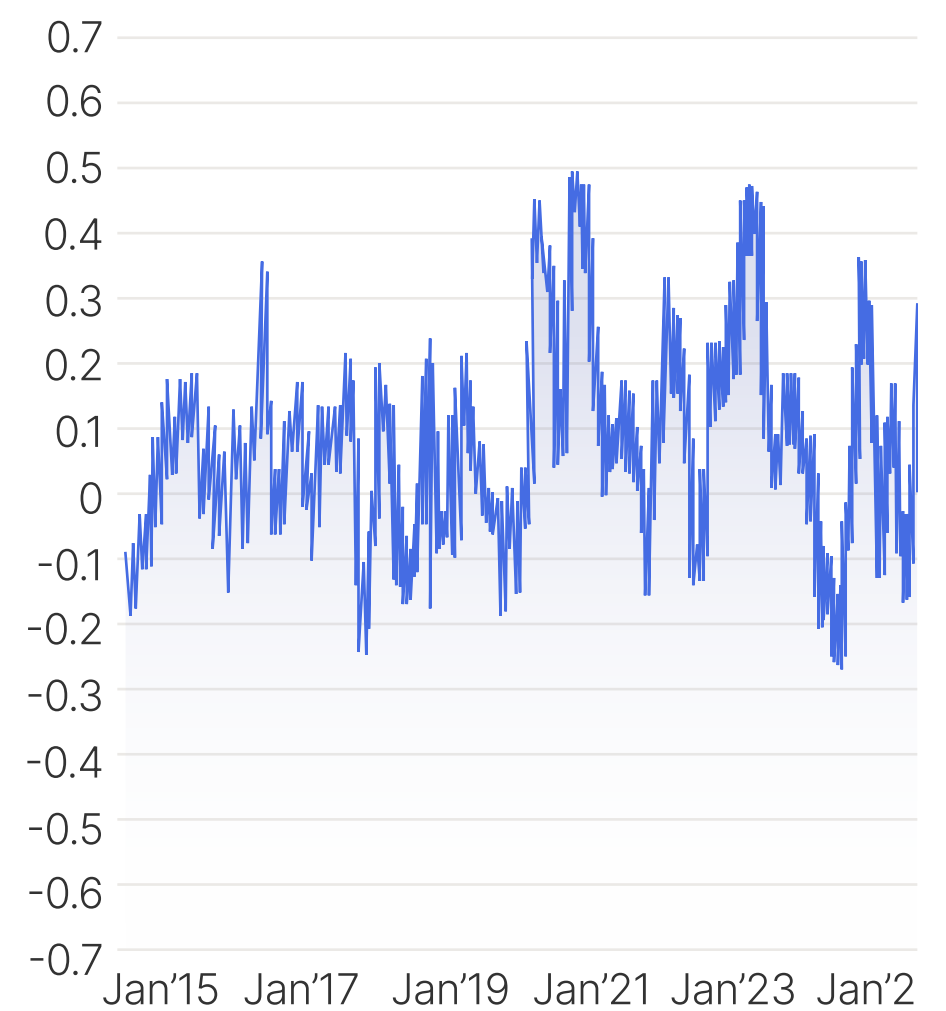
Source: Lionsoul Global

BTC vs Equities



Source: Lionsoul Global

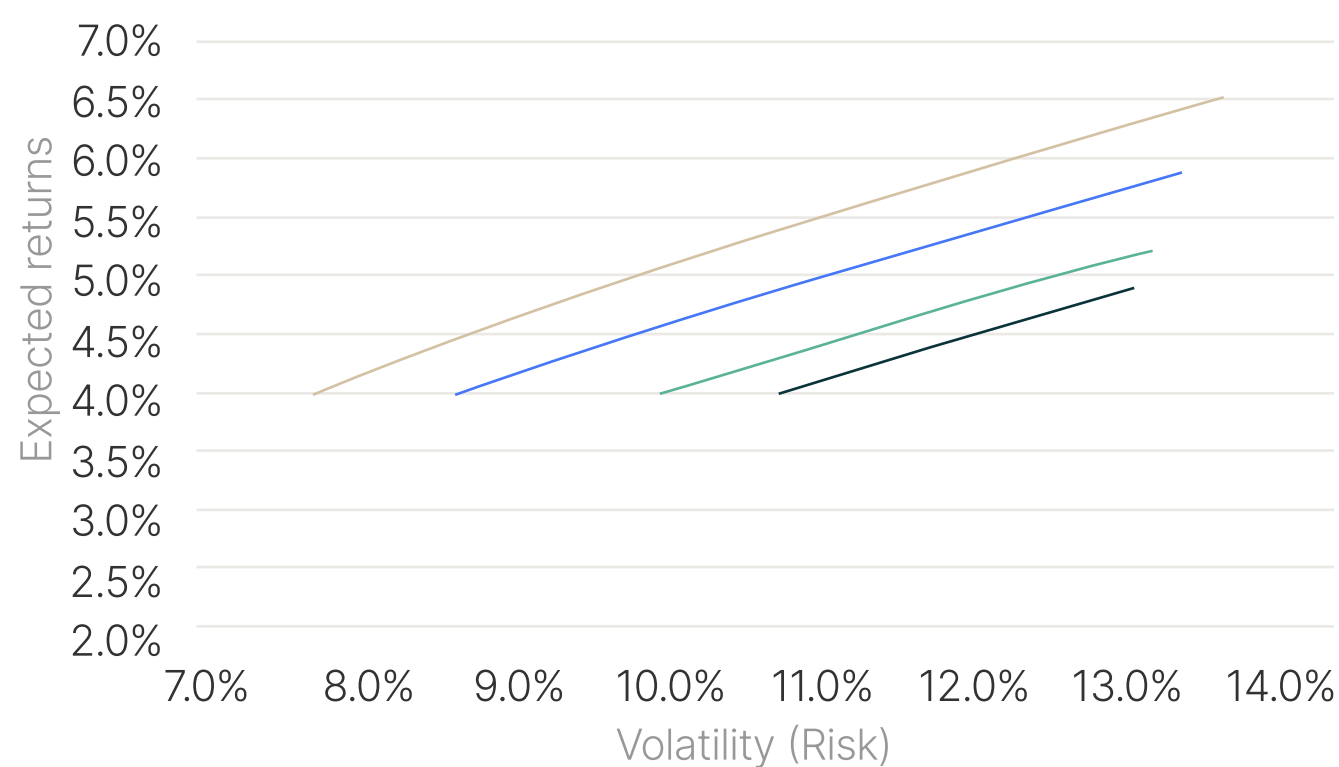
BTC vs Commodities



Source: Lionsoul Global

By incorporating digital assets into existing portfolios, investors can substantially increase both absolute and risk-adjusted performance²⁹. Adding only a 10% allocation to Bitcoin³⁰ in an original 60% global equity and 40% global bond portfolio significantly improved the Sharpe Ratio³¹ and overall returns in the January 2015 to February 2025 period.

Significant increase in Sharpe Ratio

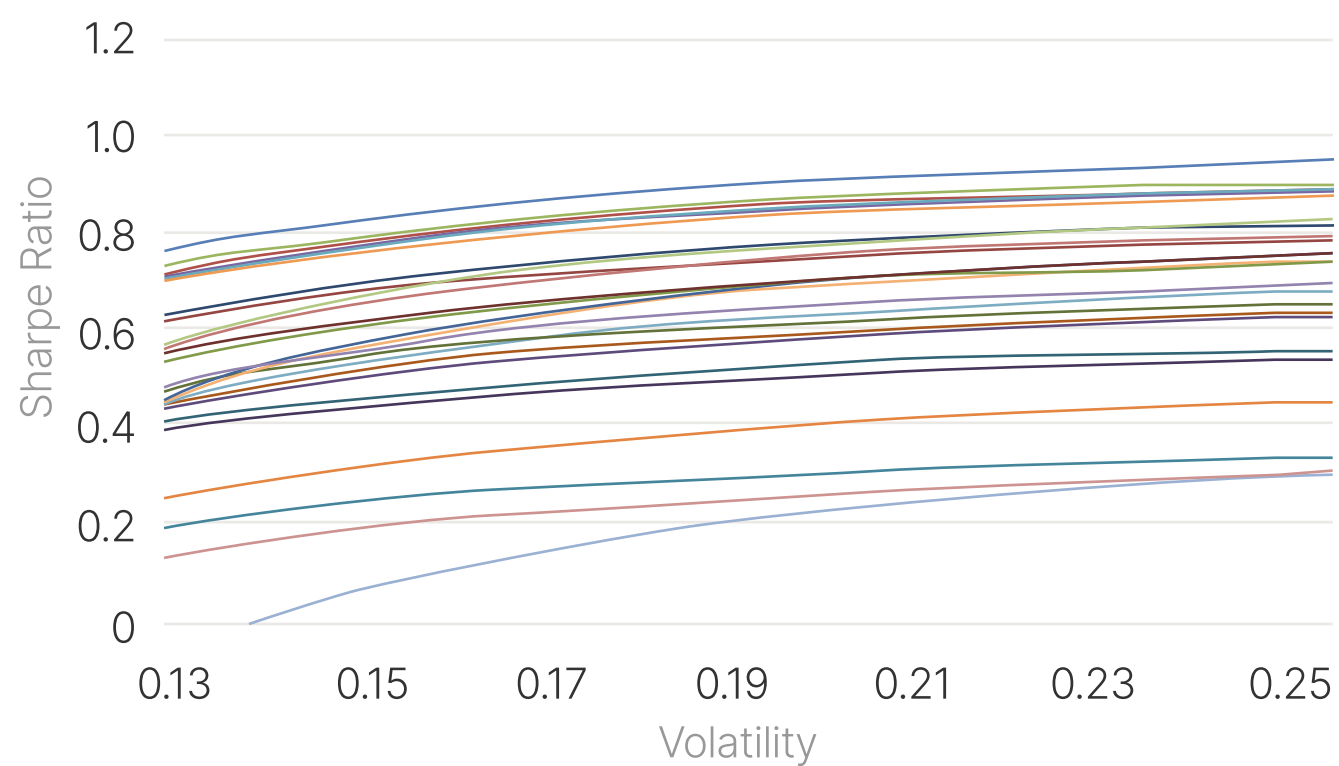


- Portfolio with no Crypto
- Portfolio with 1% Crypto (BTC)
- Portfolio with 3% Crypto (BTC)
- Portfolio with 5% Crypto (BTC)

Note: Change in expected portfolio return and risk by adding Bitcoin to a traditional portfolio consisting of variable share of equities (iShares MSCI ACWI ETF) and bonds (iShares Core US Aggregate Bond ETF USD). The portfolio is denominated in USD.

Source: Lionsoul Global

Furthermore, portfolios with digital asset allocations improve the Sharpe Ratio on all time horizons since 2015.

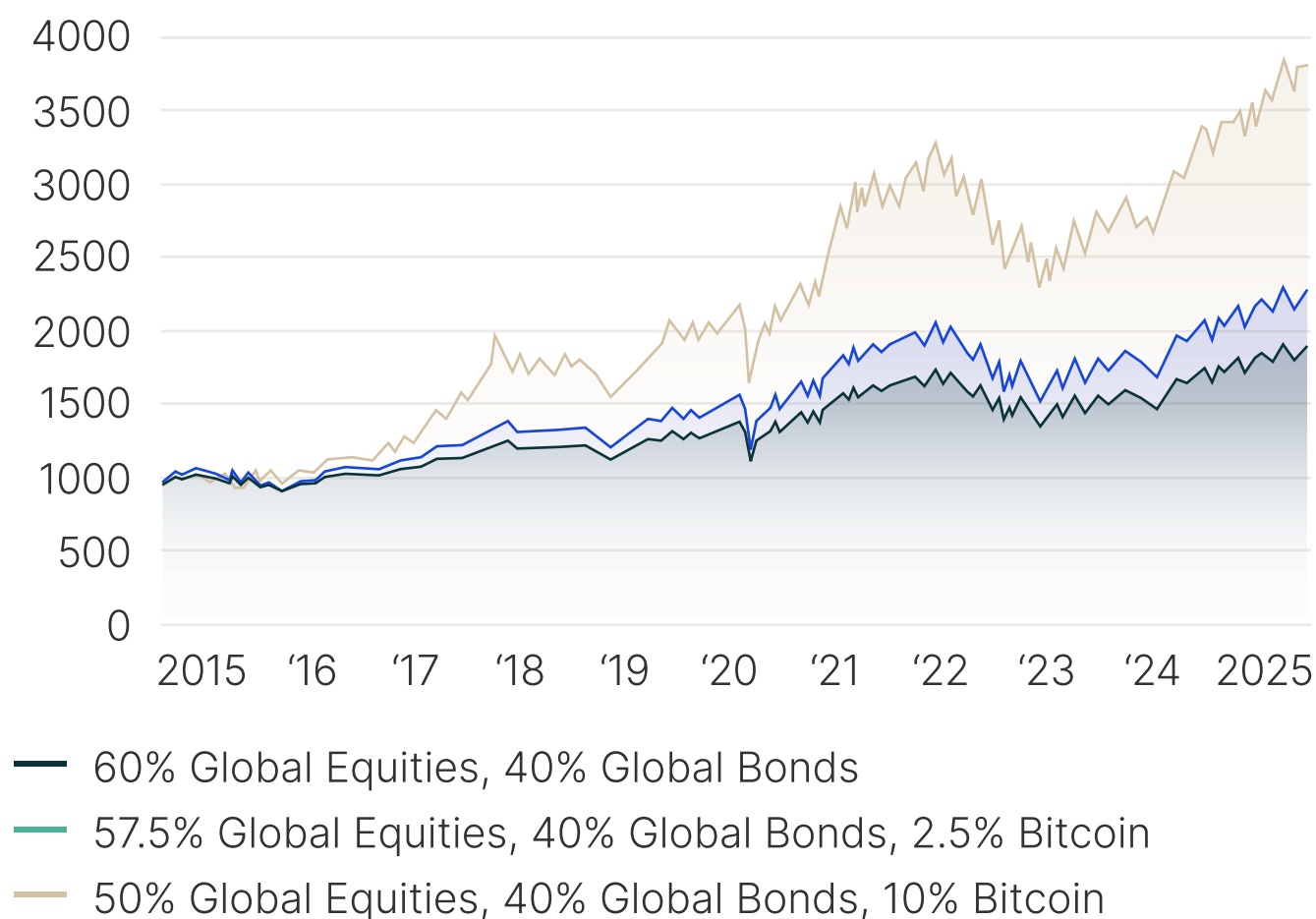


- 01/09/2015
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Source: Lionsoul Global

0.2 Average correlation of Bitcoin with MSCI ACWI¹ playing an attractive role in portfolio diversification

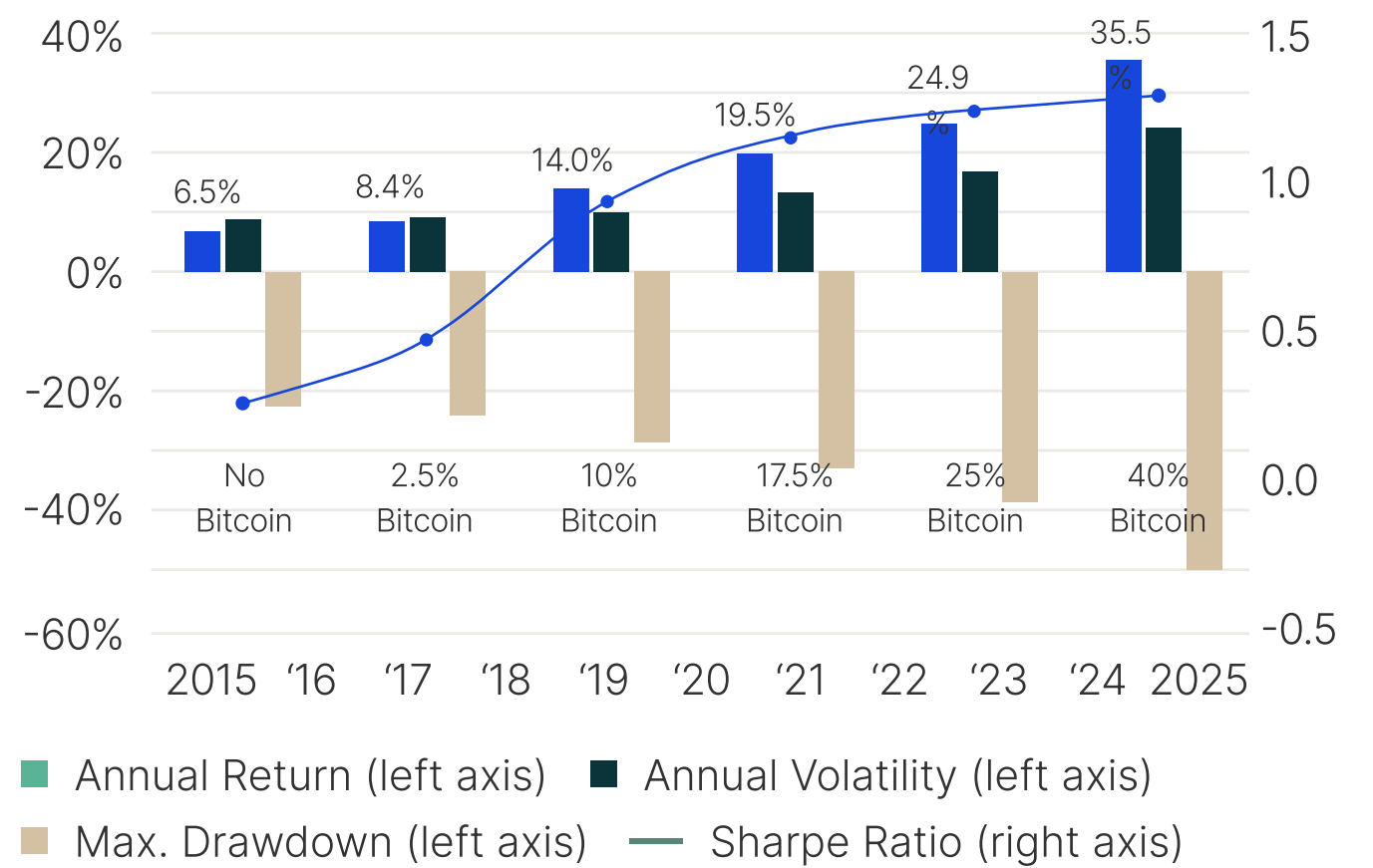
Portfolio performance, monthly rebalancing



Source: Lionsoul Global

1. Daily returns. Over the period (Jan 1, 2015 to Feb 27, 2025)
2. Daily returns. Over the period (Jan 1, 2015 to Feb 27, 2025)

Scenario analysis², monthly rebalancing



Increasing digital asset allocation further, to up to 20% of portfolio value, has been shown to continue improving risk-adjusted returns³² for the entire portfolio.

Income/Yield Generation

In addition to capital appreciation, digital assets can offer income-generating opportunities through activities including staking, lending, and yield farming. Staking and lending involve the pledging of digital assets in DeFi protocols to earn interest and support the growth of underlying networks. Yield farming, where investors shift digital assets between DeFi protocols, maximises returns in the form of liquidity fees, token bonuses, and interest. These income-generating characteristics are distinctive to the digital asset class³³ and create an entirely new universe of potential trading strategies the space. Emerging studies show DeFi yield-generating and farming strategies as generating higher Sharpe ratios³⁴ than the S&P 500 and buy-and-hold digital asset investments.

Inflation Hedging

There is evidence that digital assets can protect investors against inflation and currency risks³⁵, particularly in emerging market economies³⁶. In the case of Bitcoin, its fixed supply cap and embedded decentralised governance has led investors to see it as “digital gold³⁷”, conserving its long-term value in the face of expansive monetary and fiscal policies³⁸. For 41%³⁹ of institutional investors, hedging against inflation remains the main reason for investing in digital assets. A similar view is shared by corporations, with bitcoin treasury holdings surging 587%⁴⁰ between 2020 and 2024 and currently worth over \$65 billion⁴¹.

Superior Return Potential

Digital assets have historically generated significant returns. Bitcoin is considered the best-performing asset in the last 10 years, generating an overall return of 29,507%⁴² between January 2015 and January 2025. This compares to 216% for the S&P 500 and 121% for gold during the same period. Digital assets also remain significantly more volatile⁴³ than equities and bonds. Nevertheless, with the bulk of the volatility concentrated to the upside⁴⁴ rather than the downside, this has accounted for significant long-term appreciation. For 59%⁴⁵ of institutional investors, the primary driver for investing in digital assets remains expected higher returns than for any other asset class.

Given their specific investment characteristics, a wide range of trading strategies can be implemented to harness in-full the performance potential of digital assets.

The Digital Asset Investment Landscape: From Directional to Arbitrage Strategies

With institutional presence increasing, financial institutions have introduced a number of instruments designed to give investors exposure to digital assets. These have been primarily passive investment instruments, namely ETFs and ETPs⁴⁶ replicating the performance of one or multiple digital assets. As institutional interest and regulatory clarity in digital assets has increased, more sophisticated instruments and funds have emerged. These cover a wide range of return objectives, strategies, timeframes, liquidity preferences, risk preferences, and digital assets - enabling family offices to address their specific needs.



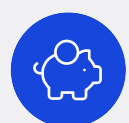
Directional Strategies

These involve taking long or short positions in digital assets based on market outlook. Managers attempt to generate alpha through active management and specific investment themes (ex. infrastructure tokens, DeFi, Layer 2 protocols, etc.) or momentum strategies. These are suitable for investors seeking higher returns and willing to accept increased volatility.



Market Neutral

Market neutral strategies aim to remove market risk by taking offsetting long and short positions. This includes arbitrage, statistical pairs trading, or basis trading. The goal is to generate consistent returns, irrespective of fluctuations in the overall digital asset markets, capturing asset-specific alpha.



Yield

Yield-focused strategies involve staking, lending, and yield farming on DeFi protocols to generate passive income. These strategies can be designed to maximize cash flows, mitigating risk with diversification across protocols.



Stablecoin Yield

These offer exposure to yield generation without direct volatility from digital asset prices. Funds deploy stablecoins (like USDC or USDT) into lending pools or DeFi platforms, earning returns typically above money market instruments.



Long-Only Large Cap

These strategies focus on established, high-liquidity digital assets such as Bitcoin and Ethereum. Typically managed passively or with light tactical tilts, they offer investor exposure to the overall long-term growth of the digital asset sector.



Algorithmic/Quant Strategies

Based in mathematical models and data-driven methods to exploit inefficiencies in digital asset markets. These can include high-frequency trading, statistical arbitrage, mean reversion, trend-following, and machine learning-based price forecasting. These strategies aim to capture alpha from pricing anomalies, order book imbalances, and investor behavioral patterns.

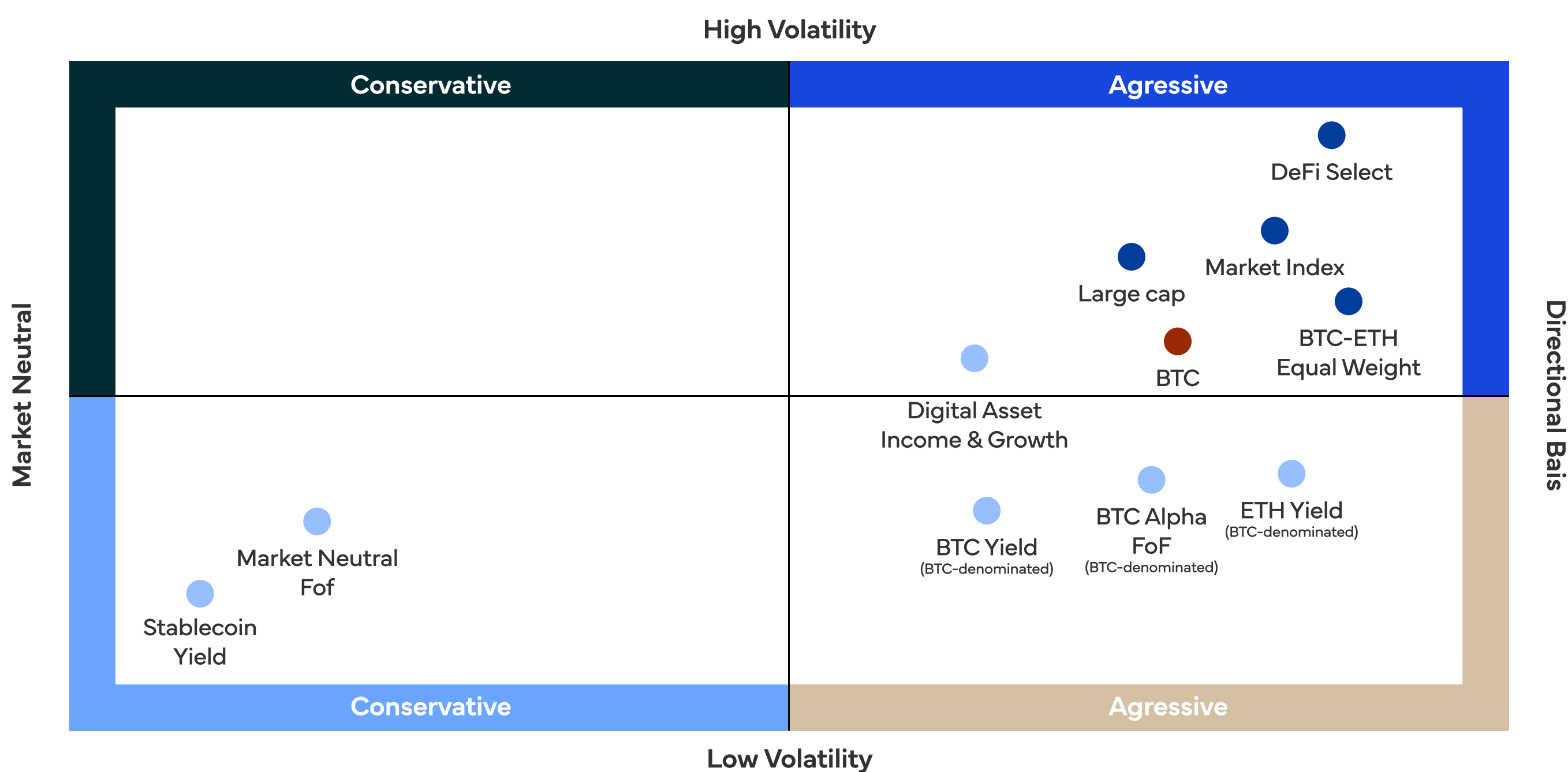


Arbitrage Strategies

Digital asset arbitrage involves capturing price discrepancies across different platforms, protocols, instruments, or markets. Examples include:

- **Spot vs Futures Arbitrage:** Trading the spread between spot and futures prices.
- **Basis Price Strategy:** Taking long positions in spot markets and short positions in derivatives for short-term reversion.
- **Funding Rate Arbitrage:** Exploiting perpetual swap funding rates by holding long spot positions and shorting perpetual futures.
- **Cross-Exchange Arbitrage:** Profiting from price discrepancies between different exchanges (centralized and decentralized) within similar instruments.
- **Volatility Arbitrage:** Analyzing discrepancies between implied and realized volatility in options markets, and taking long/short positions accordingly.

Studies are increasingly highlighting the promising returns generated by investing in digital assets via algorithmic⁴⁷, derivative arbitrage⁴⁸, statistical arbitrage⁴⁹, cross-exchange arbitrage⁵⁰, market neutral⁵¹, pairs trading⁵², long/short⁵³, and momentum⁵⁴ trading strategies, among others. As institutional investors increasingly gravitate towards digital assets, they will be looking to deploy funds into the most promising investment vehicles and strategies. Lionsoul Global has prioritised the needs of family offices in its development of a broad range of digital asset investment products covering a broad variety of different risk and return profiles.



Source: Lionsoul Global

These comprehensive digital asset investment products, ranging from passive baskets to multi-manager active funds, are all professionally selected with rigorous due diligence and monitored for ongoing performance quality - all within a seamless and institutional-grade platform. The end objective is allowing family offices to seamlessly select, manage, and monitor the best fund-of-fund products and managed account solutions from a single go-to platform. By a process of continued product development, Lionsoul aims to remain at the forefront of the digital asset investment era.

Explore Institutional-Grade Digital Asset Solutions For Your Family Office

Schedule a call:

[Meet BitGo](#) | [Meet Lionsoul](#)

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