

Soltis Investment Advisors Digital Asset Portfolio

Hal G. Anderson
Managing Partner



Aligned with purpose.



Soltis Investment Advisors is proud to be among the first investment advisors globally to successfully complete the independent certification process of CEFEX, Centre for Fiduciary Excellence. CEFEX certification independently analyzes the trustworthiness and best practice processes of investment fiduciaries.

Soltis Investment Advisors

Mission Statement

“To create, build, and manage wealth so our clients are free to pursue life’s most important endeavors.”

Soltis Background

- Founded in 1993 as a Fee-Only, Federally Registered Investment Advisory (RIA) Firm.
- The Company’s Key Philosophy is Founded on Performance, Independence, and a Non-Conflict of Interest Environment.
- Currently Provide Investment Advisory Services to over \$6.0 Billion* for more than 100 Institutional Clients.



*Comprised of Assets Under Management and Assets Under Advisement (AUM/AUA)

Contact us at any of our locations.

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MICHIGAN

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Novi, MI 48375

Digital Assets: An Emerging Asset Class

Many are Skeptical

- **WARREN BUFFETT** CHAIRMAN, BERKSHIRE HATHAWAY INC. AND BILLIONAIRE INVESTOR, – Cryptocurrencies basically have no value and they don't produce anything...It doesn't deliver, it can't mail you a check, it can't do anything, and what you hope is that somebody else comes along and pays you more money for it later on. But then that person's got the problem. But in terms of value: zero. (February 23, 2020)
- **JEROME POWELL**, CHAIR, U.S. FEDERAL RESERVE: Powell said the Fed prefers to call crypto coins “crypto assets,” because their volatility undermines their ability to store value, a basic function of a currency. “They're highly volatile, see Bitcoin, and therefore not really useful as a store of value. They're more of an asset for speculation. So they're also not particularly in use as a means of payment. It's essentially a substitute for gold rather than for the dollar.” – (March 21, 2021)
- **Ed Yardeni**, President of Yardeni Research: Don't ask me about Bitcoin. I need earnings, dividends, rent, some income to discount. Governments are waking up to the [risks] cryptocurrencies pose to their monopoly control of the money supply. August 13, 2021



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What is Crypto?

What is Crypto?

At its core, cryptocurrency is typically decentralized digital money designed to be used over the internet.

Crypto makes it possible to transfer value online without the need for a middleman like a bank or payment processor, allowing value to transfer globally, near-instantly, 24/7, for low fees.

Cryptocurrencies are usually not issued or controlled by any government or other central authority

Crypto makes transactions with people on the other side of the planet as seamless as paying with cash at your local grocery store.

Sending bitcoin is typically 60x more cost effective and up to 48x faster than an international wire transfer

Over \$7 trillion worth of bitcoin has been transferred since 2009

Source: CoinMetrics.io

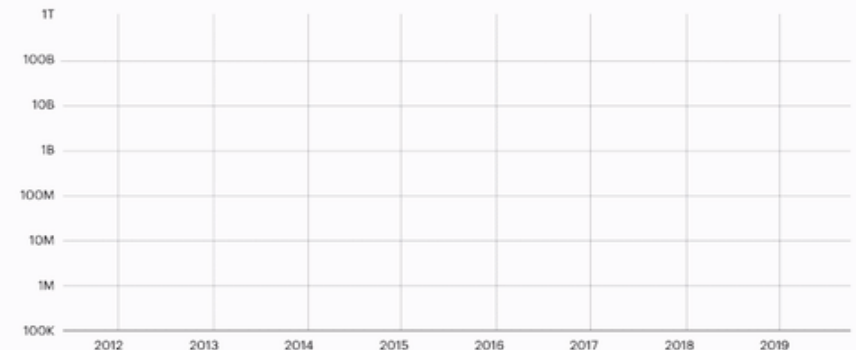


EXHIBIT 1. EXPECTED FUTURE RETURN DRIVERS BY ASSET CLASS

Equities	Bonds	Cryptoassets
Corporate profits	Economic growth	Investor adoption
Economic growth	Interest rates	Millennial wealth
Interest rates	Issuance	Regulatory developments
Productivity		Weakening trust in authorities
		Institutionalization

Source: Bitwise Asset Management.



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Institutional Adoption

Digital Assets: An Emerging Asset Class: Institutional Response

Fidelity Investments: Fidelity Digital Assets offers a full-service enterprise-grade platform for securing, trading and supporting digital assets.

Digital assets may soon become recognized as investable “stores of value,” tradable on global, licensed exchanges, and accessible to a broad swath of individuals and institutions across the globe.

We expect continued growth in digital products and services, with many of them aimed at institutional investors.

While this asset class continues to evolve, one constant is that the institutional adoption of digital assets depends on the arrival of professional custody solutions.

Over time, we believe securities will also become digitally native, and these assets will be more quickly introduced to market compared to new issuances today. We aim to be ahead of the curve.

Institutions Adopting Digital Assets

Fidelity Investment: Fidelity Digital Assets offers a full-service enterprise-grade platform for securing, trading and supporting digital assets. Digital assets may soon become recognized as investable “stores of value,” tradable on global, licensed exchanges, and accessible to a broad swath of individuals and institutions across the globe.

PayPal: one of the largest financial institutions in the world—announced that it would make crypto investments available to all 200+ million U.S. users by the end of the year.

J.P. Morgan: CEO called bitcoin a fraud just three years ago, published an in-depth feature in its flagship research series comparing bitcoin to gold, and saying its price could double or triple if current trends continue. Earlier this year, J.P. Morgan also agreed to provide banking services to crypto pioneer Coinbase, and has been getting involved in additional ways. In 2019, J.P. Morgan became the first global bank to design a network to facilitate instantaneous payments using blockchain technology - enabling 24/7, business-to-business money movement by unveiling JPM Coin.

Bain Capital Ventures: Disclosed the creation of a new crypto-focused fund, public filings show. BCV Crypto Fund I, LP is a pooled investment fund.

Tesla: In January, Tesla announced a \$1.5 billion investment in Bitcoin and allowed customers to purchase its cars using the cryptocurrency. But it stopped the practice in May due to environmental concerns related to Bitcoin mining.

Mass Mutual: Purchased \$100 million in Bitcoin for its general investment account December of 2020. Marks the entry of a prudent investor into volatile markets. June 14, 2021: 6 insurer initiate new Cryptocurrency Investment Positions.

Big Banks: State Street is creating a digital finance Division (June 10, 2021), BNY Mellon announced formation of Digital Assets Unit (Feb 11, 2021), Citicorp with futures, Wells Fargo for clients.

Public Companies with the Largest Bitcoin Portfolios: Galaxy Digital Holdings, Voyager Digital LTD, Square Inc., Marathon Digital Holdings Inc., Coinbase Global, Inc, BlackRock

TOP BLOCKCHAIN COMPANIES: BRD, BitMEX, Chainalysis, Coinme, Netki, Paxful, Republic, Spring Labs, SALT Lending, TQ Tezos, Circle, Coinbase, Gemini, IBM, Voatz, Steem, Shipchain



SEPTEMBER 2021

THE INSTITUTIONAL INVESTOR DIGITAL ASSETS STUDY

Jack Neureuter, Research Analyst – Fidelity Digital AssetsSM

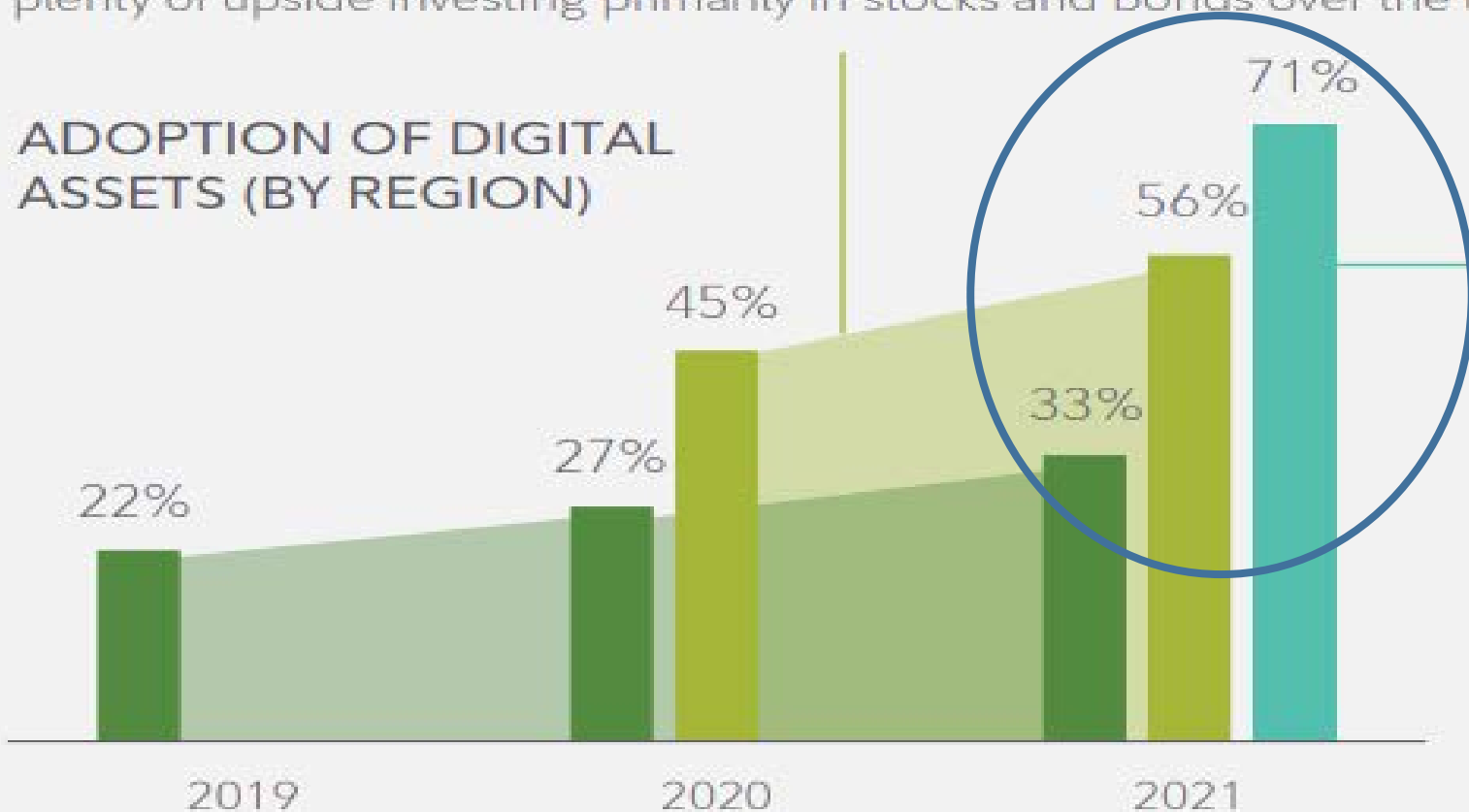
Fidelity  DIGITAL ASSETSSM

Institutional Adoption

For the second consecutive year, surveyed European investors showed a greater propensity for digital assets than surveyed U.S. investors.

We believe this ongoing trend may be in part due to a greater number of regulated investment products that offer digital asset access in European markets, which offer a familiar structure to retail investors and may help build trust with institutions. Additionally, European investors have historically been more likely to hold alternative assets in their portfolios than U.S. investors, who have seen plenty of upside investing primarily in stocks and bonds over the last decade.

ADOPTION OF DIGITAL ASSETS (BY REGION)



We were not surprised to learn that Asia has the most institutional investors with allocations to digital assets of those surveyed.

Historically, Asian investors have had a more positive view of digital assets and were early adopters of more traditional digital payments. For example, in China, a projected 32.7% of point-of-sale payments are made via mobile, double the UK (15.3%) and US (15.0%), according to *OMFIF*⁽¹⁾

Institutional Adoption

CURRENT ADOPTION & CHANNELS TO EXPOSURE

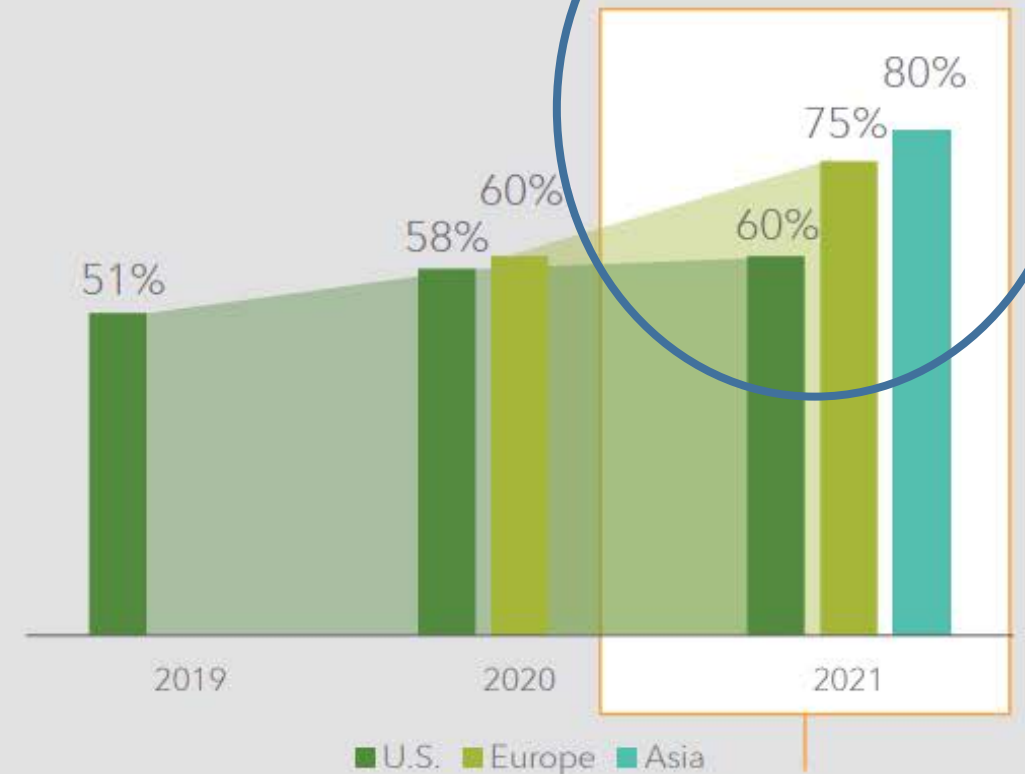
Future purchase intent for U.S. & European investors has also grown year over year, with 71% of those surveyed in these regions planning to buy in the future, compared to 59% the year prior.

FUTURE PURCHASE INTENT OF DIGITAL ASSETS
(U.S. & EUROPE)



Europe continues to show considerable gains here as well, with investment intent up 15-percentage points from last year's survey.

YEAR-OVER-YEAR FUTURE PURCHASE INTENT OF DIGITAL ASSETS



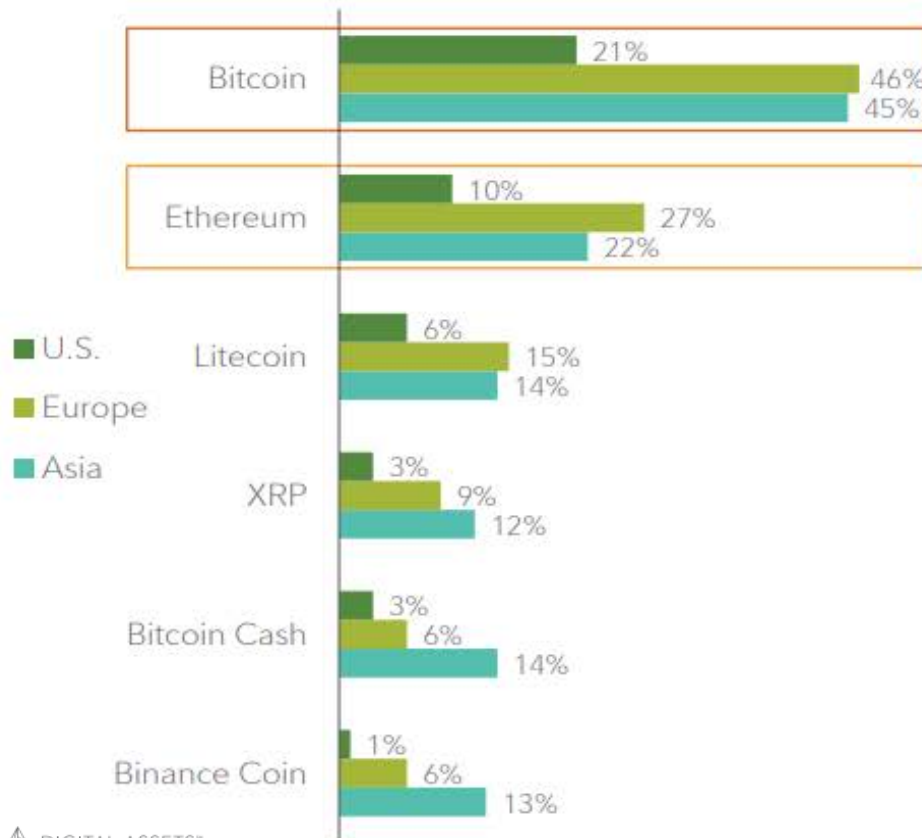
In line with how the regional survey data trended, Asia was most interested in future investments (80%), followed by Europe (75%) and the U.S. (60%).

Institutional Adoption

CURRENT ADOPTION & CHANNELS TO EXPOSURE

Current ownership of digital assets was largely dominated by the two leading cryptocurrencies, bitcoin and ethereum. 37% of investors surveyed own bitcoin in their (or a client's) portfolio, while 20% own ethereum.

OWNERSHIP BY DIGITAL ASSET (REGIONAL)



As with the overall adoption figures, the U.S. appeared to lag behind Europe and Asia in direct investments, with only **21% of investors surveyed owning bitcoin** in a portfolio, versus 46% and 45% in Europe and Asia, respectively.



Similar patterns existed for ethereum, although adoption is nearly half that of bitcoin in investor portfolios, with **10% of U.S. investors surveyed holding ethereum**, 27% in Europe, and 22% in Asia.

It is worth noting that **U.S. investor ownership of bitcoin increased modestly** from last year's survey, up two-percentage points.

In Europe, bitcoin and ethereum were the **most significant drivers of increased adoption**. Bitcoin adoption increased 13-percentage points from 33% in the 2020 survey, while ethereum adoption more than doubled from 13%.

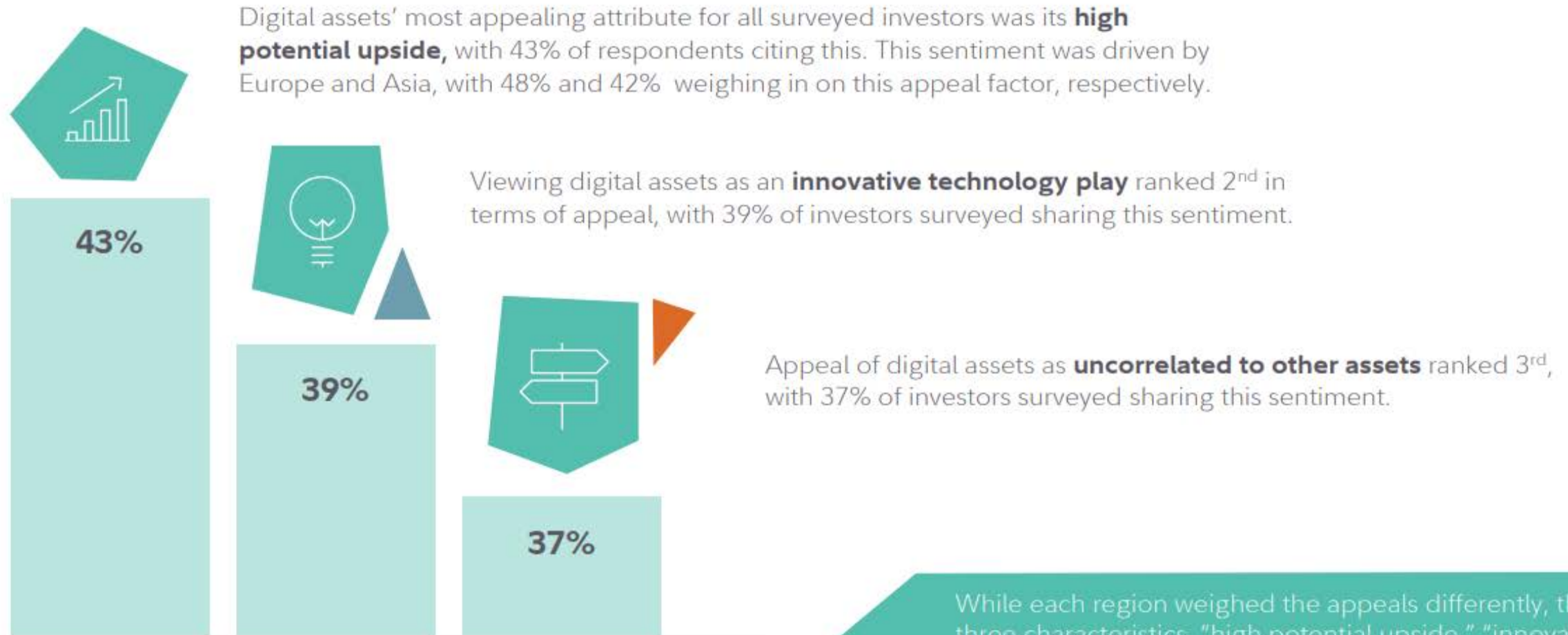


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Appeal of Digital Assets

Institutional Adoption

APPEAL OF DIGITAL ASSETS



While each region weighed the appeals differently, these three characteristics, "high potential upside," "innovative technology play," and "uncorrelated to other assets," were among the top three most cited in every market.

Institutional Adoption

APPEAL OF DIGITAL ASSETS

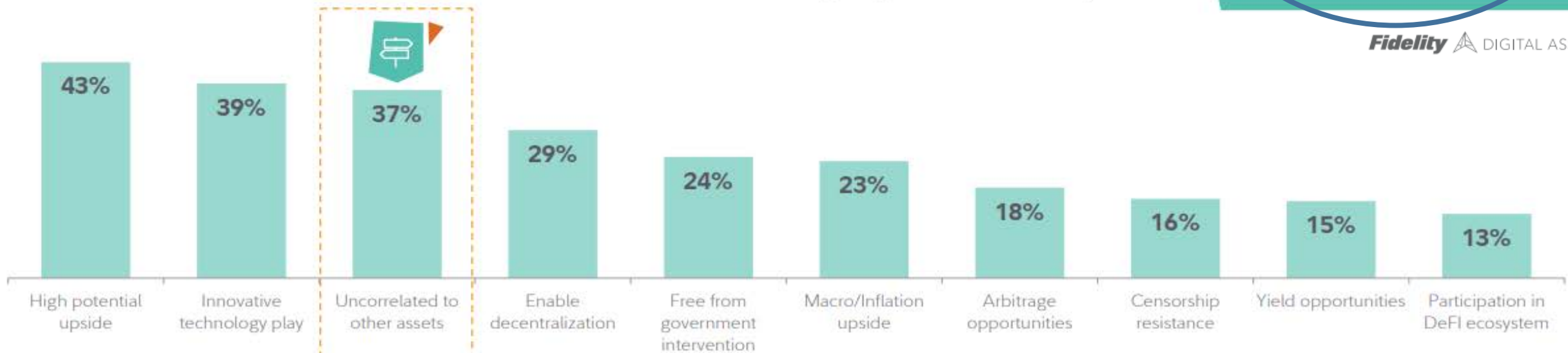
TREND IN APPEAL – UNCORRELATED TO OTHER ASSETS



Digital assets today make up a total market capitalization of around \$2 trillion^[IV], which is much lower than other assets that many investors tend to favor in low interest rate environments, like gold with a market cap of over \$10 trillion^M.

Fidelity  DIGITAL ASSETS*

APPEAL OF DIGITAL ASSETS (U.S., EUROPE & ASIA)



Allocation to Digital Assets Adds Value

A study by Bitwise found that an allocation to bitcoin in a 60/40 portfolio added value over time. Using historical data they found:

- Bitcoin would have contributed positively to a diversified portfolio's cumulative and risk-adjusted returns in 74% of one-year periods, 97% of two-year periods, and 100% of three-year periods since 2014, assuming quarterly rebalancing.
- In addition, the size of that positive impact has been significant: On average, assuming quarterly rebalancing, a 2.5% allocation to bitcoin would have boosted the three-year cumulative return of a traditional 60% equity/40% bond portfolio by an astonishing 15.9 percentage points.
- Counterintuitively, bitcoin has positively impacted portfolios even over periods in which bitcoin's price has declined. For instance, assuming quarterly rebalancing, an investor who first allocated to bitcoin at its all-time closing high on December 16, 2017, and held through the end of this study, would have had (modestly) higher cumulative and risk-adjusted returns than an investor who did not allocate to bitcoin at all, despite the fact that bitcoin fell 67% during this period. This remarkable result is driven by the fact that bitcoin has low correlations with other asset classes and daily liquidity, allowing investors to capitalize on the volatility harvesting opportunity that noncorrelated assets offer.

Source: Bitwise: The Case for Crypto in an Institutional Portfolio. Past performance does not guarantee future results. Although this study focuses on the period since 2014, the positive impact on a portfolio exists if the study is expanded to include all data. Looking at data from July 2010 through March 2020, bitcoin has contributed positively for the cumulative return of a Traditional Portfolio in 81.5% of one-year periods, 96.9% of two-year periods, and 100% of three-year periods, and to risk-adjusted returns a very similar 80.2% of one-year periods, 96.9% of two-year periods, and 100% of three-year periods. We examine other rebalancing strategies, holding periods, and allocation sizes in the body of the paper. See, for instance, "Volatility Harvesting: Why Does Diversifying and Rebalancing Create Portfolio Growth?" by Paul Bouchev, Vassilii Nemtchinov, Alex Paulsen and David M. Stein, The Journal of Wealth Management, Vol. 15, No. 2, Fall 2012

Average Pairwise Monthly Return Correlations (1/2015-3/2021)

	US Equities	US Total Stock	Dev. Market ex US	Frontier Markets	US IG Bonds	Global IG Bonds	Global DM HY	TIPS	EM Bonds	Floating Rate	Lev. Loans	EM Gov. Bonds	Real Estate	Private Equity	Broad Basket	Gold	Bitcoin	
US Equities	1.00																	
US Total Stock	0.88	1.00																
Dev. Market ex US	0.65	0.66	1.00															
Frontier Markets	-0.04	-0.04	0.02	-0.03	1.00													
US IG Bonds	0.05	0.05	0.03	0.09	0.80	1.00												
Global IG Bonds	0.78	0.79	0.86	0.76	0.17	0.19	1.00											
Global DM HY	0.21	0.22	0.27	0.22	0.83	0.69	0.38	1.00										
TIPS	0.56	0.57	0.68	0.69	0.46	0.50	0.82	0.55	1.00									
EM Bonds	0.59	0.61	0.56	0.66	0.18	0.33	0.74	0.35	0.71	1.00								
Floating Rate	0.63	0.65	0.66	0.63	0.00	0.07	0.78	0.25	0.61	0.73	1.00							
Lev. Loans	0.50	0.50	0.71	0.67	0.28	0.26	0.70	0.41	0.79	0.46	0.53	1.00						
EM Gov. Bonds	0.67	0.69	0.61	0.45	0.34	0.46	0.60	0.47	0.59	0.59	0.51	0.44	1.00					
Real Estate	0.90	0.92	0.90	0.73	0.03	0.10	0.86	0.26	0.69	0.73	0.74	0.57	0.72	1.00				
Private Equity	0.51	0.53	0.60	0.56	-0.18	-0.21	0.62	0.09	0.45	0.43	0.58	0.51	0.31	0.51	1.00			
Broad Basket	-0.01	-0.02	0.07	0.12	0.55	0.41	0.26	0.58	0.38	0.14	0.02	0.43	0.06	-0.03	0.21	1.00		
Gold	0.28	0.27	0.30	0.36	0.09	0.13	0.27	0.13	0.26	0.22	0.19	0.23	0.20	0.28	0.21	0.07	1.00	
Bitcoin																		

Correlations (Since Inception)	
USD/Bitcoin	0.21
USD/Gold	0.38
Bitcoin/Gold	0.43
Correlations (5-Year)	
USD/Bitcoin	-0.57
USD/Gold	-0.40
Bitcoin/Gold	0.65
Correlations (3-Year)	
USD/Bitcoin	-0.75
USD/Gold	-0.60
Bitcoin/Gold	0.55

Source: Fidelity Investments as of 3/31/21. Correlations represented by the average monthly pairwise correlations from 12/31/2014 through 3/31/2021. Past performance is no guarantee of futures results. It is not possible to invest directly in an index. All market indices are unmanaged. Index performance is not meant to represent that of any investment product. Correlation coefficient is the interdependence of two random variables that range in value from -1 to +1, indicating perfect negative correlation at -1, absence of correlation at 0, and perfect positive correlation at +1. Standard deviation (annualized) measures the historical volatility of a fund. The greater the standard deviation, the greater the fund's volatility.





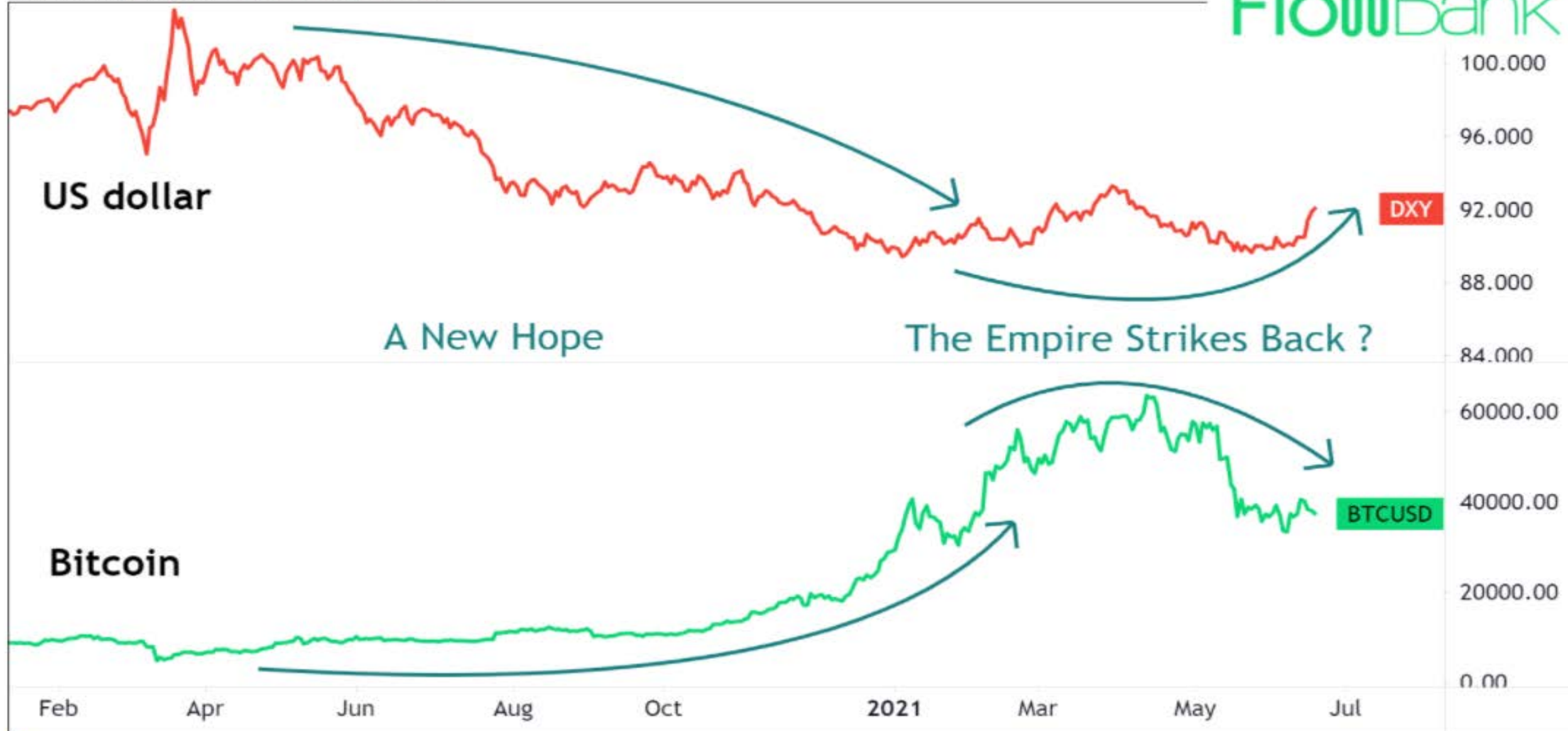
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***Low to Negative Correlation to the
US Dollar***

Bitcoin has Low to Negative Correlation with the US Dollar

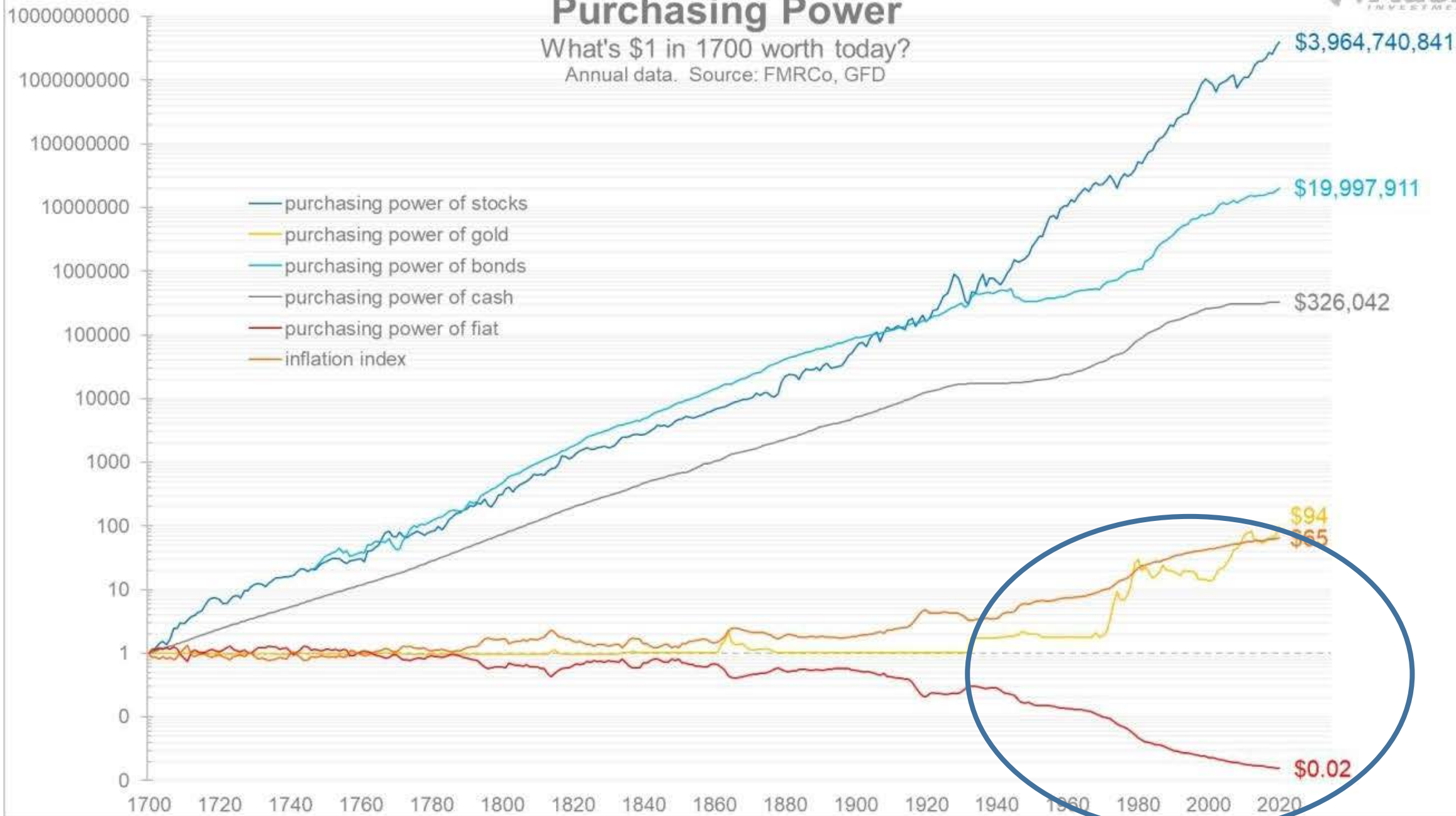
jasperlawler published on TradingView.com, June 18, 2021 14:21:09 CEST
TVC:DX,Y, 1D 92.069 ▲ +0.173 (+0.19%) O:91.882 H:92.098 L:91.809 C:92.069

FlowBank



Purchasing Power

What's \$1 in 1700 worth today?
Annual data. Source: FMRCo, GFD



Deutsche Bank: Digital Currencies May Dominate by 2030

Many in the Blockchain and digital currency world predict that fiat currencies will be replaced by cryptocurrencies and digital currencies, in a surprising move Deutsche Bank has released its Konzept prediction report for 2030, making this very prediction.

The forces that have held the current fiat system together now look fragile and they could unravel in the 2020s. If so, that will start to lead to a backlash against fiat money and demand for alternative currencies, such as gold or crypto could soar.

The report argues that the inflation which has historically accompanied unbacked fiat currency has been impacted by a “once in a lifetime event” of Chinese labour becoming available to the global market:

Chinese demographics were arguably the biggest suppressors of global inflation over the last four decades. At work was an extraordinary surge in the global labour supply at a time when globalisation and deregulation in the global economy were taking off.



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***WHAT ARE THE REASONS FOR ADDING CRYPTOASSET
EXPOSURE TO CLIENT PORTFOLIOS?***

PORTFOLIO PERFORMANCE METRICS

Period between January 1, 2014 and June 30, 2021 (assuming quarterly rebalancing)

PORTFOLIO	CUMULATIVE RETURN	ANNUALIZED RETURN	ANNUALIZED VOLATILITY	SHARPE RATIO	MAXIMUM DRAWDOWN
Traditional Portfolio	74.72%	7.75%	10.19%	0.609	21.07%
Traditional Portfolio + 1.0% crypto	89.26%	8.90%	10.21%	0.719	21.32%
Traditional Portfolio + 2.5% crypto	112.73%	10.62%	10.43%	0.867	21.80%
Traditional Portfolio + 5.0% crypto	156.46%	13.42%	11.18%	1.055	22.76%

Source: Bitwise Asset Management with data from IEX Cloud

Past performance does not predict or guarantee future results. Nothing contained herein is intended to predict the performance of any investment. There can be no assurance that actual outcomes will match the assumptions or that actual returns will match any expected returns. Historical performance of sample portfolios has been generated and maximized with the benefit of hindsight. The returns do not represent the returns of an actual account and do not include the fees and expenses charged by funds.

Q1: WHAT IS THE IMPACT OF DIFFERENT TIME FRAMES ON THE OVERALL PORTFOLIO RESULTS?

CONTRIBUTION OF A 2.5% QUARTERLY-REBALANCED CRYPTO ALLOCATION TO A TRADITIONAL PORTFOLIO

Rolling portfolio metrics for the periods between January 1, 2014 and June 30, 2021

HOLDING PERIOD	MAXIMUM	MEDIAN	MINIMUM	WIN RATE	LOSS RATE
1 Year	16.67 pp	3.01 pp	-2.98 pp	77.33%	22.67%
2 Years	20.23 pp	8.24 pp	-0.64 pp	97.31%	2.69%
3 Years	22.30 pp	13.30 pp	1.84 pp	100.00%	0.00%

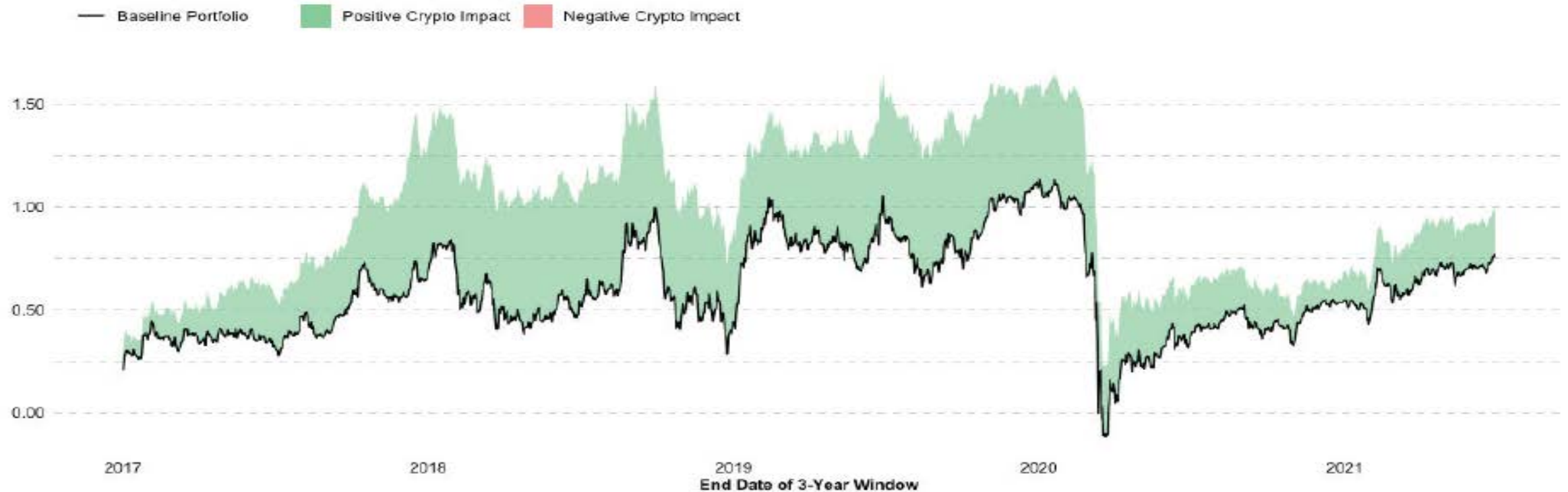
Source: Bitwise Asset Management with data from IEX Cloud

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Adding crypto to a portfolio would also have significantly boosted its risk-adjusted returns, as measured by the Sharpe ratio.

CONTRIBUTION OF A 2.5% QUARTERLY-REBALANCED CRYPTO ALLOCATION TO A 60/40 PORTFOLIO

Three-year rolling Sharpe ratio for the periods between January 1, 2014 and June 30, 2021



Source: Bitwise Asset Management with data from IEX Cloud

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Study Conclusions:

The Impact of Adding Crypto to a 60/40 Traditional Portfolio:

(study period January 1, 2014 to June 30, 2021)

This study showed that adding Cryptoassets to a diversified portfolio of stocks and bonds would have consistently and significantly increased both the cumulative and risk-adjusted returns of that portfolio over all three-year periods and most two-year and one-year periods since the asset class has existed, assuming a rebalancing strategy is in place.

The overarching message from the data in this study is clear: Crypto has had a uniquely valuable role to play in enhancing the risk-adjusted returns of a Traditional Portfolio of stocks and bonds. Investment advisors can add immense value by helping their clients structure and manage allocations to this important new asset class.

The Case for Crypto in an Institutional Portfolio: BY DAVID LAWANT AND MATT HOUGAN, BITWISE ASSET MANAGEMENT



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Soltis Digital Asset Portfolio

Soltis Digital Asset Portfolio

Investment Objective

- Deliver Long-Term Growth of Invested Capital through a Diversified Investment Strategy in the emerging Crypto Asset Class

Investment Strategy

- Utilize existing liquid investment options available in the market today
- Recognition of the wisdom of indexing in this newly emerging asset class: 40 percent of the total portfolio is in the Bitwise Index Strategy BITW
- Explicit exposure to both Bitcoin (Grayscale Bitcoin Trust: GBTC and Ethereum (Grayscale Ethereum Trust: ETHE)
- Recognizing the importance of Decentralized Finance (DeFi) as Blockchain solutions are developed and become viable to disrupt and replace existing financial functions: 20 percent allocation in Bitwise DeFi Crypto Index Fund Trust (BITQ)
- Concentration in Bitcoin recognizing its role as the largest and most liquid Crypto asset in the market today
- Concentration in Ethereum as the backbone of Blockchain and DeFi development

Name	Weight	Ticker
Bitwise 10 Crypto Index Fund	40%	BITW
Grayscale Ethereum Trust	30%	ETHE
Grayscale Bitcoin Trust	10%	GBTC
Bitwise Crypto Industry Innovators ETF	20%	BITQ
Total	100%	

Underlying Weighted Expense Ratio	2.12%
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Portfolio Allocation Metrics	Weight
Index	40%
BTC (Direct)	10%
ETH (Direct)	30%
Crypto Innovators (ETF)	20%
Total	100%

Crypto Asset Metrics	Weight
Total BTC	33.7%
Total ETHE	41.0%
Total	74.8%

Performance

	Inception (7/26/2021) - 9/8/2021	YTD	1 Year
Soltis Digital Asset Portfolio (Gross)	30.58	—	—
Soltis Digital Asset Portfolio (Net of Highest Fee)	30.58	—	—
Blended Crypto and Equity	37.85	88.60	319.40

Disclaimer: The performance data quoted represents past performance and does not guarantee future results. Therefore, no existing or prospective client should assume that future performance or any specific investment or investment strategy (including the investments or investment strategies recommended by Soltis), will be profitable or equal any historic performance level. Returns over this respective time are Time Weighted Returns (TWR), net of highest fees (1.25%) and gross of fees. Investors cannot invest directly in an index. Because this is an emerging asset class and can



Lead Portfolio Manager

Hal Anderson, MBA
Chairman of the Board

Years Investment Experience: 36 years

Hal has served on the Soltis Investment Committee since the inception of the firm. Serving as Chief Investment Officer from 1993 to 2017. Hal has developed investment portfolios and strategies for individual and institutional clients that include wealth management clients, corporations, foundations, and endowments.

BA, International Relations, Brigham Young University
MBA, Finance, Brigham Young University



Co-Manager

Ammon Christensen, MBA
Senior Investment Associate

Years Investment Experience: 5 Years



Soltis Investment Advisors Digital Asset Portfolio

Hal G. Anderson
Managing Partner



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Soltis Investment Advisors is proud to be among the first investment advisors globally to successfully complete the independent certification process of CEFEX, Centre for Fiduciary Excellence. CEFEX certification independently analyzes the trustworthiness and best practice processes of investment fiduciaries.