

# BTC Markets Investor Study Report (FY20-21)

The State of  
Play in the  
Australian  
Cryptocurrency  
Market



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# Foreword: A note from our CEO

Cryptocurrency has come a long way since the elusive Satoshi Nakamoto created the first Bitcoin in 2008. The total value of cryptocurrency in circulation globally is now estimated to be worth more than \$US2 trillion.

At BTC Markets, we have observed exponential growth in cryptocurrency since we first launched in 2013. We now have over 325,000 clients with \$17.1 billion traded in digital assets.

As a significant player in the Australian market, we are committed to this industry and getting the best outcomes for our clients. We believe we have a responsibility to help create a world-class Australian cryptocurrency sector that can rightfully sit alongside traditional finance. We also recognise we must do this while keeping pace with the rapid evolution of this ever-changing industry.

## Rise of crypto

When we launched, Bitcoin was just \$110. In the past eight years we've seen it reach a high in excess of A\$83,000 in April 2021, with it currently trading around A\$66,000.

The growing involvement of institutional investors, such as JP Morgan and Goldman Sachs, is an important factor in the market's growth. Just over half of global institutional investors (52 per cent) recently surveyed by Fidelity Digital Assets<sup>1</sup> said they already invested in digital assets, with seven in ten institutional investors saying they expect to invest in the future.

The expansion in the size and volume of activity is also due to the involvement of professional investors. One example is Raoul Pal, a former Goldman Sachs co-head of hedge fund sales and portfolio manager of the GLG Global Macro Fund. Pal, who more recently founded on-demand financial TV channel Real Vision TV, is a big investor in, and advocate of, cryptocurrency. His experience and influence, along with other high-profile investors such as Paul Tudor Jones, broadens cryptocurrency appeal.

El Salvador recently announced that it will become the first country to accept Bitcoin as legal tender. National adoption of a cryptocurrency is not without its challenges; however,

it advances the ongoing discussion regarding the purpose and utility of Bitcoin and other cryptocurrencies. If successful, it has the potential to bring cryptocurrency into the wider global banking system.

## Regulatory oversight

Industry growth is leading to increased interest from regulators, something we welcome wholeheartedly. Tailored regulation provides surety to investors. It facilitates a framework for industry investment and innovation. Progressive regulation in Australia will allow Australian financial services – the single largest economic sector – to keep pace with financial centres elsewhere in the world.

To further the adoption of regulatory oversight we have maintained involvement at every level. Our submission to the Senate Select Committee on Australia as a Technology and Financial Centre's Inquiry was used in the Committee's Second Interim Report. The Committee is chaired by Senator Andrew Bragg and is investigating the regulation of cryptocurrencies and digital assets. Recognising the

1. Source: [https://www.fidelitydigitalassets.com/bin-public/060\\_www\\_fidelity\\_com/documents/FDAS/digital-asset-survey-2021.pdf](https://www.fidelitydigitalassets.com/bin-public/060_www_fidelity_com/documents/FDAS/digital-asset-survey-2021.pdf)

importance of working with the community, we have also contributed to submissions made by representative organisations Blockchain Australia and FinTech Australia to the final phase of the Inquiry's investigation. The Senate committee will present its final report in October.

The increase in engagement at a legislative level is a very positive development. As a result, we believe Australia is on the cusp of progressive regulation in this area.

We expect a more concrete outline of what the regulation of cryptocurrency and digital assets may look like in Australia by the end of the year.

## BTCM Investor Report

As one of the most trusted and longstanding cryptocurrency platforms in Australia, we conducted a comprehensive analysis of the meta data on our platform. This provides an important snapshot and insights into the behaviour of Australian cryptocurrency investors and current investment trends.

Our data reveals interesting statistics about the demographics of cryptocurrency investors. In the main, it is a retail market with a significant number of younger traders who trade frequently. However, we also note increased interest from older investors, with much deeper pockets. While they may not trade as frequently, they are trading in much larger amounts. This generational gap in trading behaviour is an opportunity for market segmentation of services.

In addition to an analysis of our database, we also conducted a survey of our users. We looked to discover their motivations for buying and trading cryptocurrencies and their intentions to do so in the future. With over 1800 responses, the results illustrate the changing nature of the cryptocurrency investor in Australia.

For example, the number one motivation for 70 per cent of respondents investing in crypto was to build wealth, followed by retiring early, at 34 per cent and portfolio diversification at 28 per cent. This paints a bullish picture of longer-term investment returns.

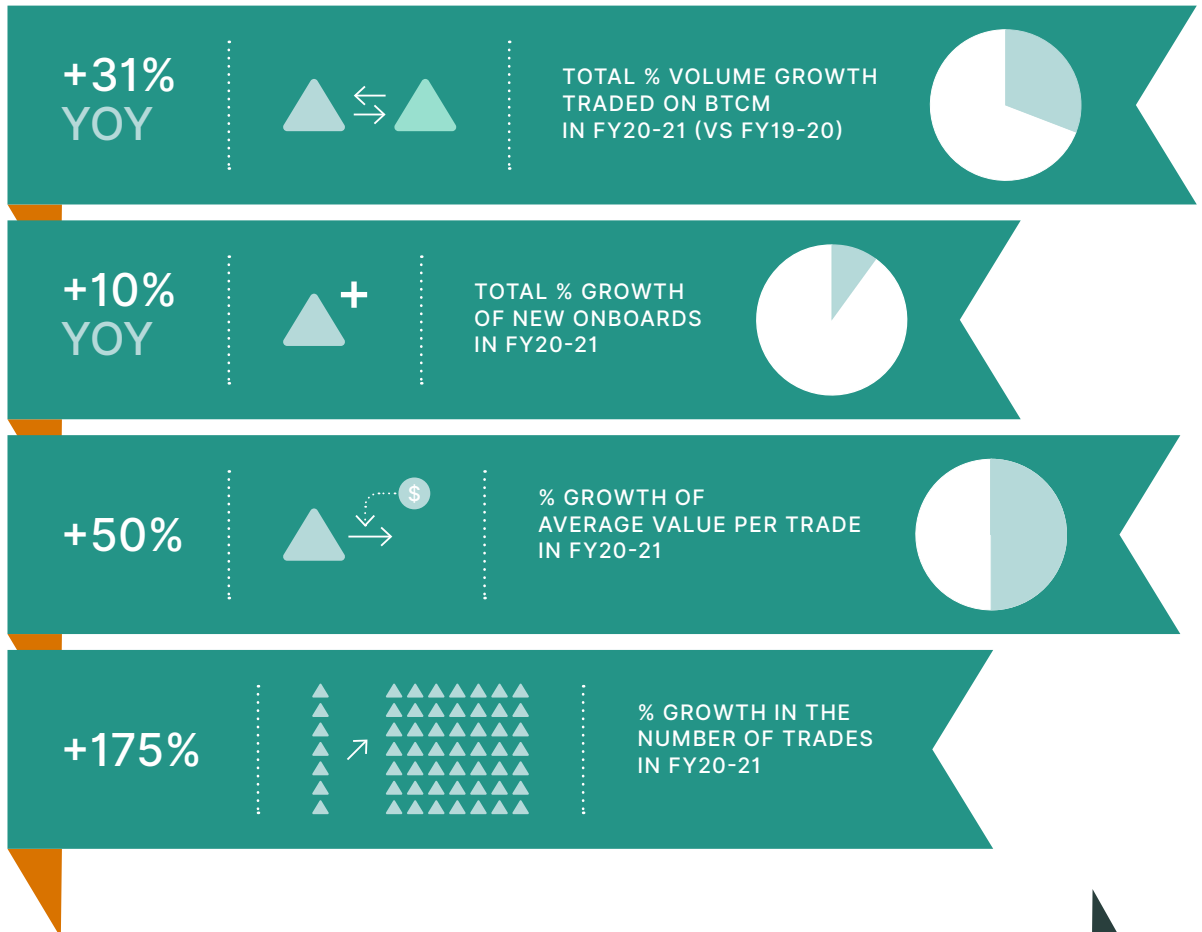


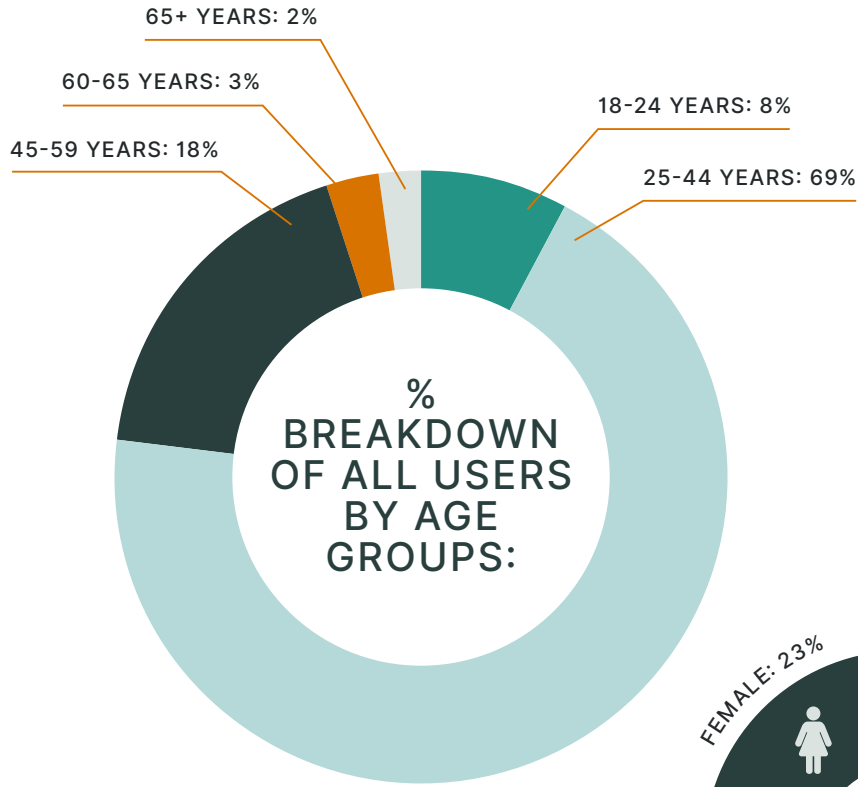
This inaugural BTC Markets Investor Study Report provides readers with an understanding of what drives the Australian cryptocurrency investor. It shows us how the asset class is evolving into one that can sit alongside traditional finance.

BTC Markets began with the idea of creating a safe, accessible place for Australians to trade crypto. We still believe in that vision. This report shows increasingly, our fellow Aussies believe in it too.

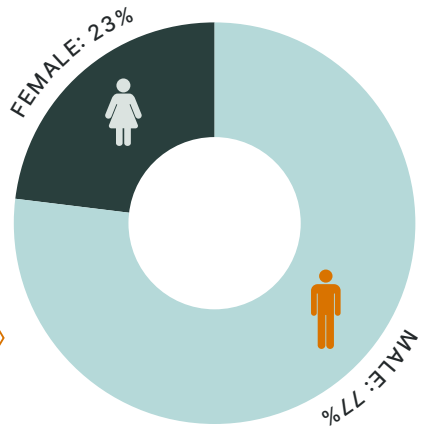
**Caroline Bowler**  
BTC Markets Chief Executive Officer

# Data Snapshot

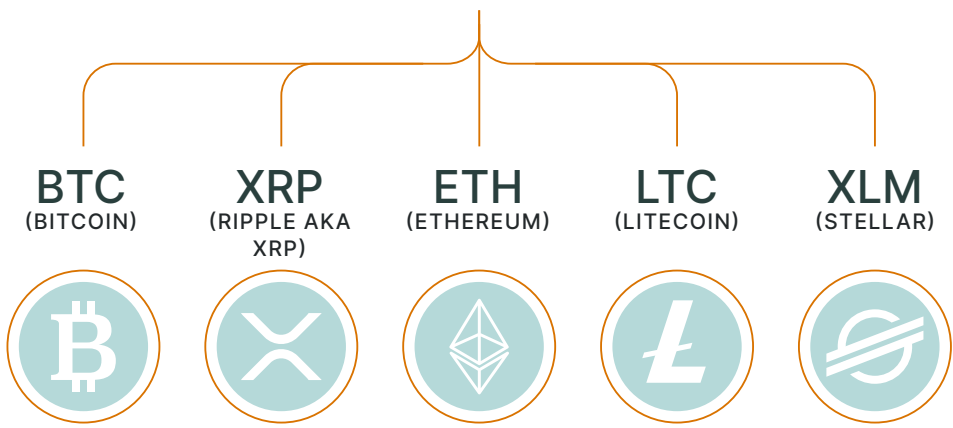




**% BREAKDOWN OF ALL USERS BY GENDER:**



**TOP 5 MOST POPULAR CRYPTO  
TRADED ON BTCM DURING FY20-21:**





# Investor Behaviour

## Motivation

In this section, we explore the hopes and aspirations of Australian investors, gaining insights into their attitudes and behaviours. Our survey found that overall, the Australian investor remains traditional in their activities but keeps an eye on the future. Two-thirds retain equities within their portfolios but a solid 23 per cent are committed solely to cryptocurrency. This trend explains the growing appetite for cryptocurrency offerings among traditional trading platforms and providers.

The motivations for investing in cryptocurrency are many and varied. A majority of respondents to our survey, 70 per cent, say they are looking to build wealth. A significant percentage, 34 per cent, say that one of their goals for investing in cryptocurrency is to retire early.

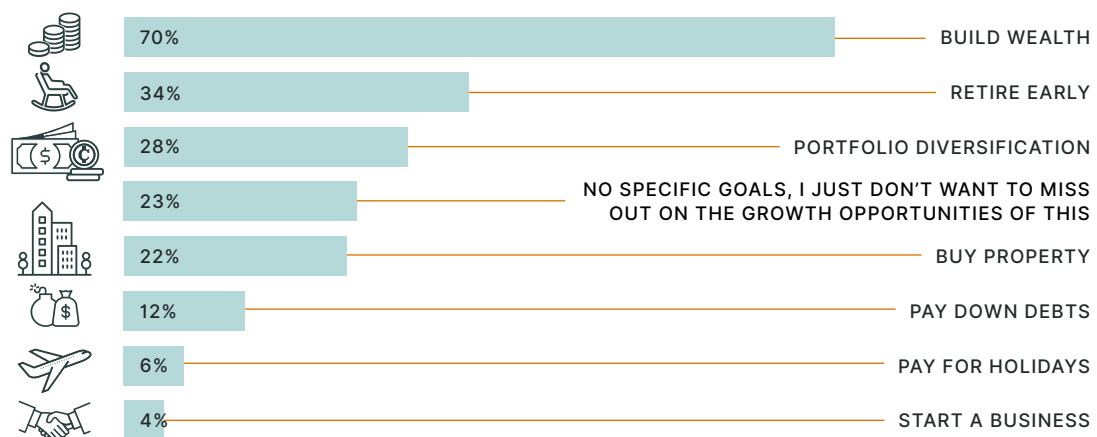
This result indicates a longer-term investment timeline than the stereotypes would have us believe. Instead of a meme-driven frenzy, Australians are looking to cryptocurrency to build and provide for their future.

Also noteworthy are the 28 per cent who use cryptocurrency investments for overall portfolio diversification. This is a role traditionally held by alternative assets such as REITs, hedge funds, art, precious metals such as gold, and other collectibles. This indicates that cryptocurrencies play an increasingly important role as an alternative asset in the portfolio construction process.

In contrast, just one in five investors confirmed their biggest driver was their fear of missing out on this emerging asset class. There is also a smaller proportion of investors who rely on cryptocurrency investing for shorter or medium-term goals. These include holidays (6 per cent) and paying down debt (12 per cent). The smallest portion want to use their investment to start a business (4 per cent).

FIGURE 1.

Which of the following personal or financial goals are you aiming to achieve with your crypto investments? (Select a maximum of three)





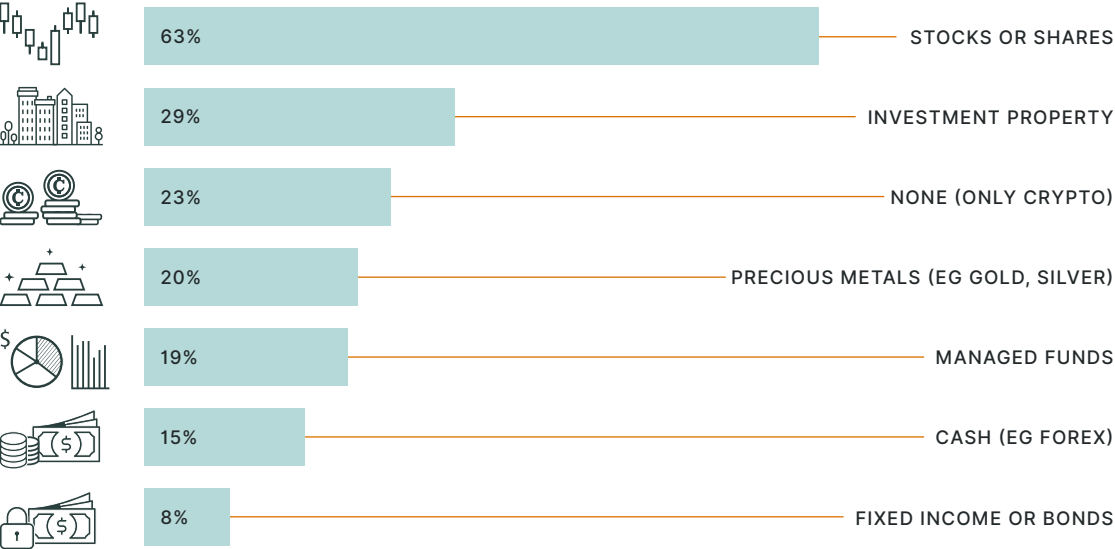
The role of cryptocurrency in an overall portfolio is further understood by examining what other investments respondents have.

While nearly two-thirds of respondents (63 per cent) said they had investments in stocks or shares, under a quarter of respondents (23 per cent) said that crypto was the only investment they held. While 20 per cent said they had investments in gold or silver, just 8 per cent said they invested in fixed income or bonds.

These findings reinforce our earlier research<sup>2</sup>, which found cryptocurrency was a more popular investment than precious metals and fixed income. That survey of more than 2,000 investors over the month of February 2021 revealed that 12.6 per cent had investments in cryptocurrencies, higher than 12.1 per cent who had investments in gold, silver and other precious metals. Thus, suggesting an incremental growth in the popularity of cryptocurrency versus the traditionally used diversification assets.

2. [Cryptocurrency Outshines Gold And Silver For Australian Investors | Canstar](#)

**FIGURE 2.**  
Apart from crypto, do you hold investments in other asset classes? Select all that apply.



This spread of investments across a wide range of asset classes consolidates the view that a large majority of investors are not using cryptocurrency as a “get rich quick” investment. Instead, it is as part of a carefully considered asset allocation strategy for an overall wealth portfolio.

For the 23 per cent who are only investing in cryptocurrency, they have clearly not been deterred by the volatility of the asset class, dispelling the myth that the crypto investor would crack under the pressure. They have instead embraced that volatility and are comfortable with it in mainstream finance.

In order to stay relevant to this investing cohort, it is time for traditional financial advisers to catch-up with the comfort levels of these investors, rather than waiting for them to be convinced of the benefits of more traditional investment assets.

In terms of future investment strategy, a substantial percentage of respondents (43 per cent) say they plan to buy and hold (more popularly known as HODL in crypto terminology) their crypto investments.

A small but meaningful percentage (10 per cent) report they will maintain a 1 to 5 per cent allocation in their overall investment portfolio. This type of approach to portfolio construction, with higher risk investments having a less than 5 per cent allocation, is typical of the well-established core-satellite investing approach.

Only 1 per cent say they want to exit crypto for good. This low percentage demonstrates the stickiness of cryptocurrency investors. Despite volatility, market ups and downs, negative media stories and general scepticism, the cryptocurrency investor remains committed. This, in turn, reinforces the need for adequate regulatory protections in Australia.

# Case Study: Trader becomes Investor

Ian\* began investing in cryptocurrency four years ago, after first becoming aware of it not long after Bitcoin was invented. Although dismissing it then as a “bubble” he is still a relatively early adopter. His first investment in a cryptocurrency yielded him thousands in a very short period of time, as did his second and third. But he quickly realised, when faced with the crypto winter of late 2017 through to 2019, that a buy and hold strategy might yield less-volatile returns over a longer time frame.

Like many Australians, Ian’s biggest investment to date, and his biggest debt, is the residential property that he and his young family live in, and the mortgage over it. He says the main financial goal he is hoping to achieve from investing in cryptocurrency is to eventually pay off his mortgage faster than he would have without these investments.

Ian is not a frequent trader but will look for opportunities as they arise, having made only a handful of trades in the past six months.

Security around his cryptocurrency is a key concern for Ian who is very careful about managing passwords and how he stores his assets, often using cold wallets<sup>3</sup>. He says that while crypto Twitter can be useful for making connections and hearing information firsthand, it is also full of “thieves and raccoons”, and it pays for an investor to be sceptical and as careful as possible.

Despite these precautions Ian says one of his golden rules for investing, whether it’s shares or cryptocurrency, is “only invest what you can afford to lose.”

“One of most of the important things I learned was to be an investor, take a long-term approach - not to get rich overnight,” he says.

Despite the media hype around cryptocurrency traders and meme stocks, which Ian is well aware of, he is a very considered investor and has a moderated approach to investing in the asset class.

\*Name changed for security reasons

“...take a long term approach, not to get rich overnight.”

— Ian

3. A cryptocurrency wallet that cannot be compromised because it is not connected to the Internet. Also called a “hardware wallet” and “offline wallet,” the cold wallet stores the user’s address and private key and works in conjunction with compatible software in the computer.



## Strategy

There is a perception that the average cryptocurrency investor is reliant on the latest social media feed to drive their investment strategy. To confirm or refute this perception, we asked Australian cryptocurrency investors to share with us their methods and approaches. Our findings illustrate that the majority use a considered, research-driven strategy that is largely self-reliant. There is a clear avenue for professional financial advisors to step into this sector.

We also learn the main challenges identified by investors, along with their strategic attitude to the volatility common to this asset class.

When it comes to researching cryptocurrency investments, the majority of investors surveyed (57 per cent) cite the project's whitepaper and its community strength and engagement, as the most important factor they consider when deciding which crypto to invest in.

This highlights that the majority of cryptocurrency investors are purposeful with their research on prospective investments. Less than 10 per cent cite influencers or social media tips and just 8 per cent cite tips from family, friends and colleagues as their most important factor.

We might suggest that the factors driving investors in more traditional stocks may not be too dissimilar to what drives cryptocurrency investors. According to the ASX Australian Investor Study 2021, when it comes to key decision-making investment drivers, 'recommendations from my friends, family and colleagues' was cited as a key driver by 19 per cent of 18- to 24-year-olds, 8 per cent of 25- to 59-year-olds and 2 per cent of those aged 60 and older. It appears similar behaviours follow investors to the crypto market.

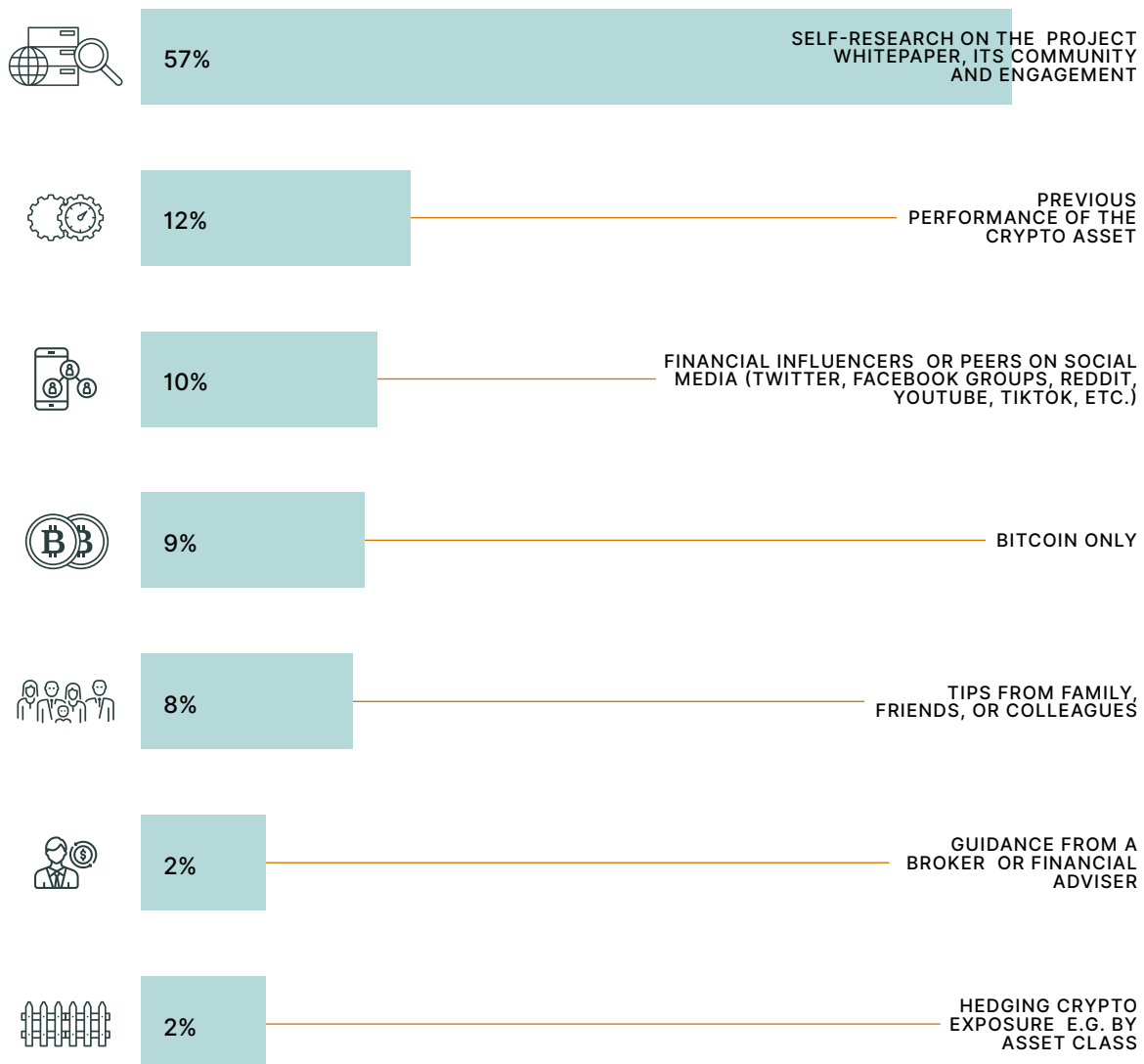
While just 3 per cent say they invest based on guidance from a financial adviser or broker, 10 per cent say they would be open to seeking financial advice on their crypto investments in the future.

Unfortunately, most adviser licensees do not yet allow advisers to advise in this space as cryptocurrency is not considered a financial product in Australia. So, while financial advisers may be taking the plunge into digital assets in a personal capacity, regulation prevents them from telling their clients to do the same.

This lack of professional financial advice can be conducive to investors falling prey to unscrupulous scams and 'Finfluencers' if they don't do their due diligence. If crypto becomes a regulated financial instrument, investors and their advisers will gain more confidence to operate in this sector. In the meantime, educating professional services will be crucial.

**FIGURE 3.**

What is the most important factor you consider when deciding which crypto to invest in?



The biggest challenge that investors say they face when investing in cryptocurrency is market volatility (48 per cent). This was followed by information overload around too many cryptocurrencies and not knowing who to trust, at 33 per cent. A lack of understanding of the tax treatment of crypto investments was at 32 per cent.

Confusion around the tax treatment of cryptocurrency is to be expected given the complexity and rapid growth of the industry. Developments such as staking or determining the true nature of an asset disposal (such as a transfer between accounts) can further muddy the waters. Basically, if cryptocurrency is not a personal use asset – i.e. used to buy goods and services – then it can be subject to capital gains tax.

Further building the case for regulation of cryptocurrency in Australia, is the fact that more than a quarter of respondents (28 per cent) said that a lack of regulation in the industry was a challenge when investing.

At BTC Markets, we believe that Australia is setting international standards for blockchain use but when it comes to regulating our cryptocurrency markets, other jurisdictions such as Hong Kong, Singapore, USA and Europe have pulled ahead. With the COVID-19 pandemic accelerating the move to digital, prioritising digital financial legislation will have a significant longer-term impact across our entire economy.

Another 10 per cent said a lack of more accessible products, such as exchange-traded funds (ETFs) and listed investment companies (LICs), was a challenge. Just under 10 per cent cited a lack of transparency around the environmental, social and governance (ESG) aspects of their crypto investments.

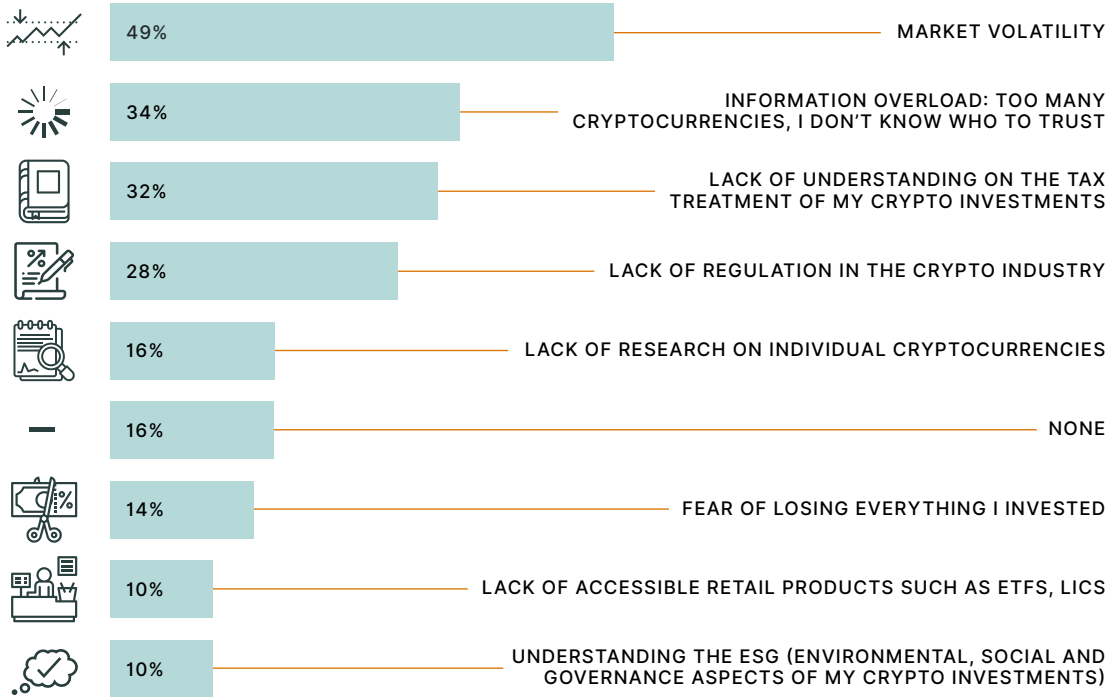
When asked how they would react if they woke up tomorrow to discover their crypto investments had dropped by 20 per cent, 63 per cent said they would take it onboard as “a risk I understood” and would leave investments untouched, expecting performance to improve.

This highlights the fact that many investors are well aware of the volatile nature of the asset class. In fact, 28 per cent said they would take advantage of a 20 per cent dip and invest more funds.

Investors’ long-term expectations for the asset class further confirm their understanding of its properties, with more than half (51 per cent) saying they expect its performance to be volatile with extreme highs and lows.

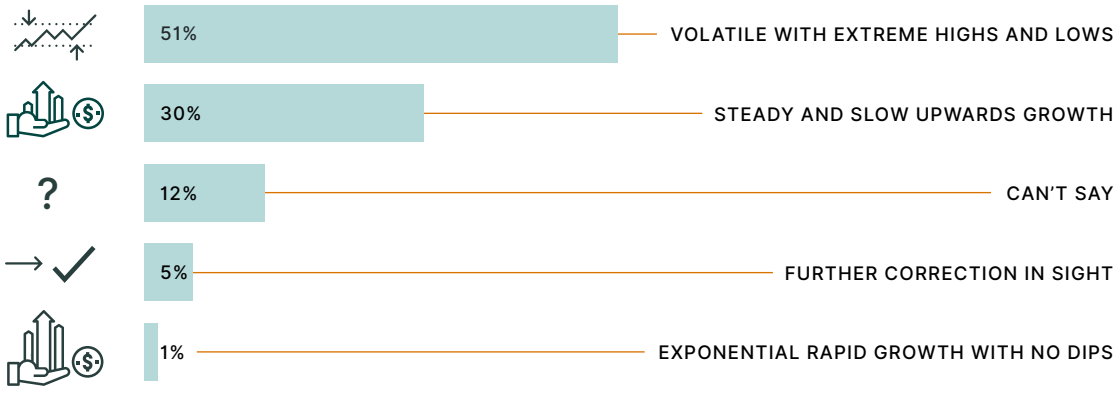
**FIGURE 4.**

What are the top challenges you face when investing in crypto?



**FIGURE 5.**

What are your long-term expectations of crypto's performance?



Another 30 per cent said they see steady and slow upwards growth, and 5 per cent said they believe further correction is in sight.

Just over 1 per cent believe that long-term growth will be rapid with no dips and 13 per cent are unwilling to put any expectations on the asset class's performance.

In terms of our outlook at BTC Markets, we believe that as the industry achieves more widespread mainstream acceptance, and more professional and institutional investors come on board, we will see price stability around the likes of Bitcoin and Ethereum. We are potentially on the bullish side of that price stability, due to several reasons. Primarily, the groundswell of support coming from both big techs and traditional finance players from the US market.

At a recent Bitcoin Conference held in the US, Jack Dorsey (of Twitter) Elon Musk (of Tesla) and Cathie Wood (of Ark Invest) talked about where they see Bitcoin and cryptocurrencies going with respect to their own organisations. Musk confirmed his own Bitcoin position, along with those of Tesla and SpaceX. Dorsey similarly referred to Bitcoin as the "currency of the internet." Amazon, the global ecommerce company, is recruiting a digital currency expert, although they have not gone public with their plans. These kinds of statements have fed into the positive price movements and are likely to continue.

In the short term, we've also seen the geographic centre of focus move westwards. China's ban on bitcoin mining in May 2021 pushed operations to more receptive countries, including in Europe and the US. Research has shown this pivot has recentred crypto-trading into Western time-zones. We've seen this play out as investors in early August positively responded to the crypto lobbying on the US Infrastructure bill. This is a trend that deserves closer monitoring to measure any wider industry impacts.



# Case Study: Former miner turned dollar-cost averager

Mario\* is in the 55 to 64 age bracket and has worked for major financial services companies. He was initially drawn to cryptocurrency for its potential to redistribute power in the financial services industry, and although he has become disillusioned with that ideal, he still believes in its capacity as an investment.

He mined cryptocurrencies for a period but quickly came to the realisation that mining required a significant allocation of his time and energy and that the cryptocurrency he received for doing that was not “free money” in any sense.

Mario keeps a small stash of cryptocurrency to make purchases but his overall approach to the asset class now is to use the investment strategy first popularised by renowned value investor Benjamin Graham over 70 years ago – dollar-cost averaging.

“I’ve come to realise that I don’t have the time and energy to be a professional trader. So, the next best thing after that is dollar-cost averaging,” Mario says.

The BTC Markets platform supports recurring transactions that helps Mario facilitate dollar cost averaging.

“I put a little bit away each week. Dollar cost averaging [as a strategy] is very much underappreciated. I think a lot of investors think you have to be clever, and you have to outwit other people but I’ve learned that its time ‘in the market’ as opposed to timing the market. The time in the market is way more important.”

In terms of his overall investment strategy and asset allocation, cryptocurrency currently makes up approximately 80 per cent of his portfolio but he plans on rebalancing his asset allocation by selling some crypto and purchasing more real estate.

“However, we are waiting for the real estate market to cool down a bit. Real estate feels quite overheated,” he says.

Like Ian, Mario is a considered investor, applying a well-known and well-loved investment technique to a new marketplace.

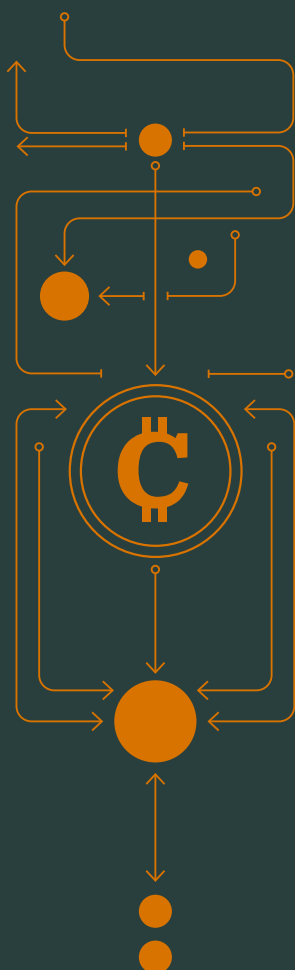
\*Name changed for security reasons

“...a lot of investors think you have to be clever, and you have to outwit other people but I’ve learned that its time ‘in the market’ as opposed to timing the market.”

— Mario

# Decentralised Finance (DeFi) Systems

## DEFI



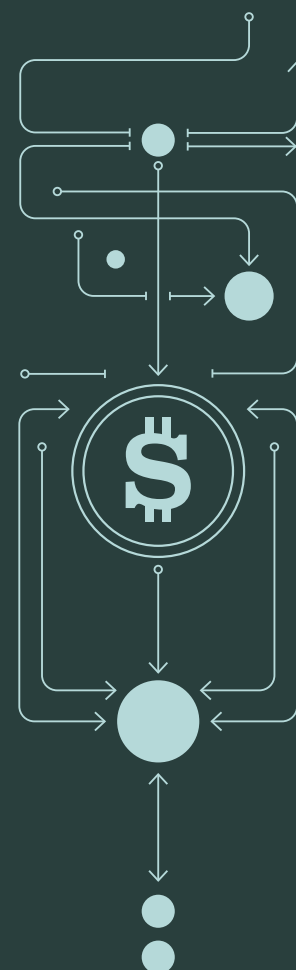
The same financial activities that can be conducted in a traditional financial system - such as borrowing and lending, earning interest, investing, buying insurance and so on - can all take place on DeFi platforms in cryptocurrency. Essentially, a DeFi system is an open-source network operating on blockchain.

A smart contract – a contract written in code that executes automatically under certain conditions – enables financial activities to be carried out on a DeFi platform without a middle-man.

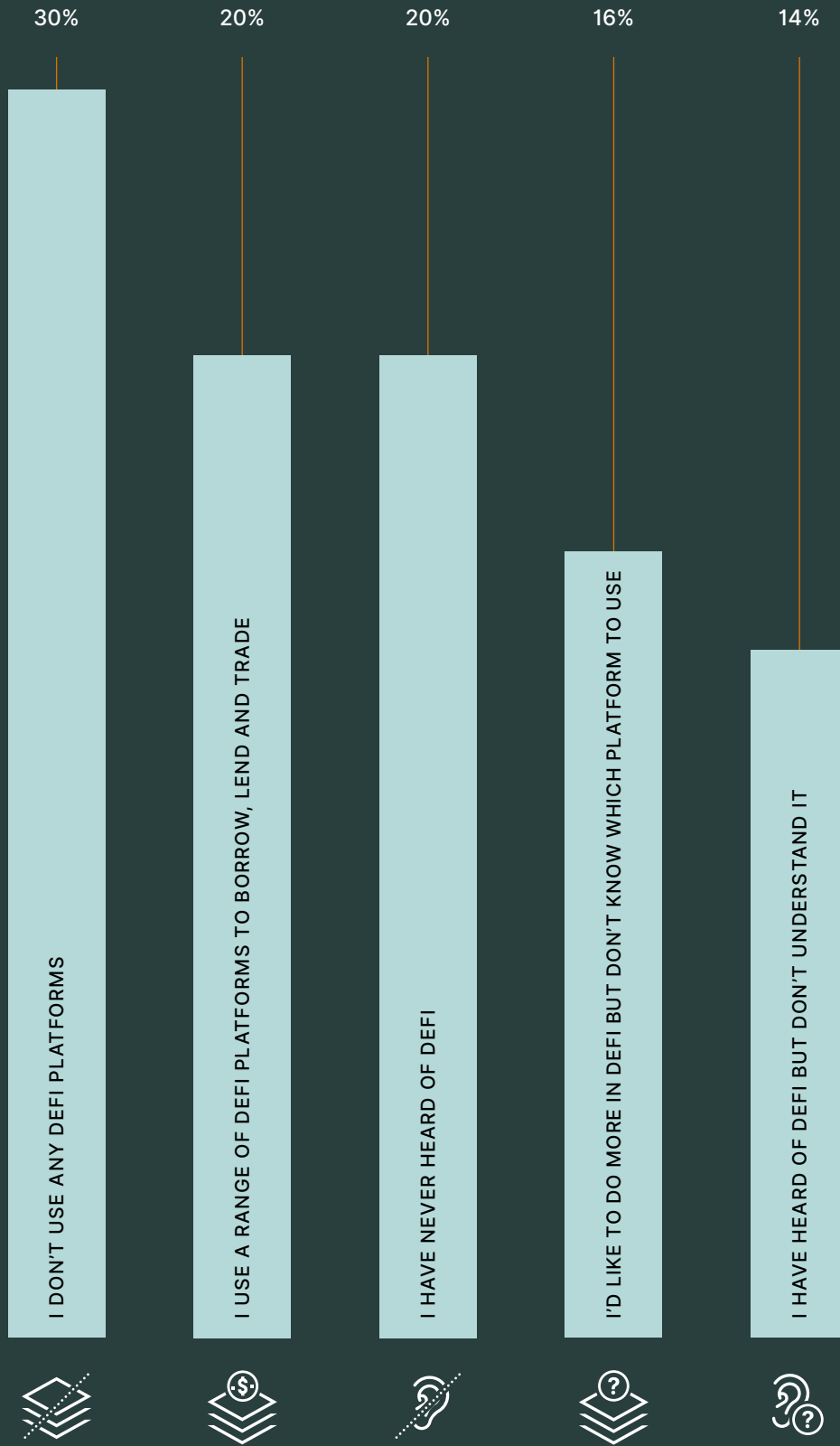
While nearly one fifth of investors (20 per cent) in our survey say they use a range of DeFi platforms, they are in the minority with more than half of the respondents saying they have either never heard of DeFi, have heard of it but don't understand it, or don't use any DeFi platforms.

Another 16 per cent say they would like to do more in DeFi but don't know which platform to use.

## TRADITIONAL FINANCIAL SYSTEM



**FIGURE 6.**  
How active are you in DeFi?



# Demographics

In this section we explore some of the common misconceptions around the age of the 'typical' cryptocurrency investor. The stereotypical cryptocurrency investor is generally considered to be young, male and very active in their trading. However, we found that while 25- to 43-year-olds are indeed active on the platform, they do not have a monopoly in this space, nor the discretionary wealth to make big investments.

Those aged over 60, on the other hand, make larger initial deposits, have bigger portfolios and higher average investments - but trade half as frequently. They are often at a time in their lives when they have accumulated significant wealth and have many years of experience investing in financial markets.

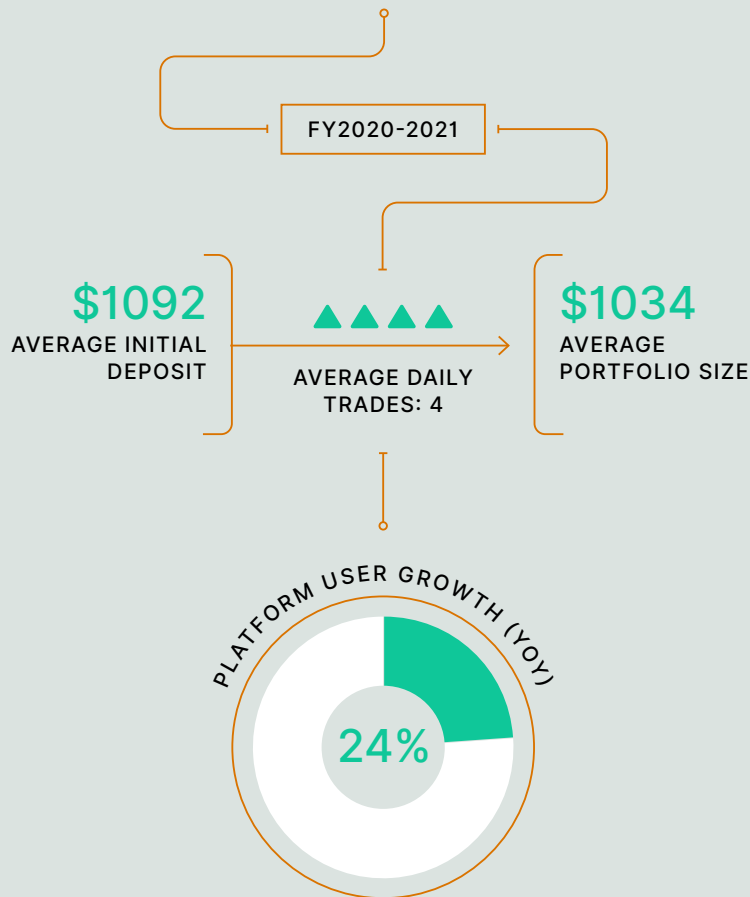
We can also note that the younger investor is more likely to take their crypto into self-custody. That is to say, take it off the exchange into their own control, to their cold wallets. We can spot this trend by the discrepancy between initial deposit size versus portfolio size. The older the investor, the more likely to leave their cryptocurrency on the exchange. This highlights an education gap for the next phase of crypto investor.

The BTC Markets customer types include individuals, companies, self-managed superannuation funds, not for profits, partnerships, traders and trusts.

The following demographic analysis is of individual customers trading on our platform.



## THE 18- TO 24-YEAR-OLD INVESTOR PERSONA



The 18- to 24-year-old investor in cryptocurrency started with an average initial deposit on our platform of \$1092 in financial year 2020-21. Their average portfolio size on our platform during the year was \$1034.

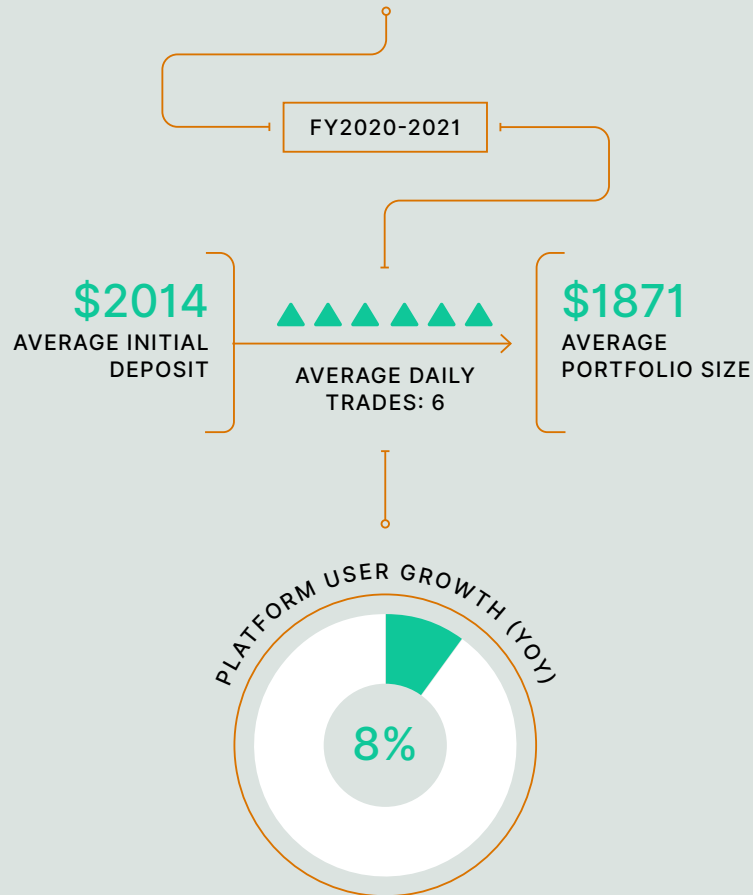
Many cryptocurrency investors, particularly in this age group, use multiple platforms and will often take cryptocurrency off a platform, potentially to a cold wallet, an external offline device, for safekeeping. This is why it is not uncommon to see a lower average portfolio size on an exchange versus the initial deposit, even during a period of rapid price growth in the market.

This age group traded, on average, four times a day in 2020-2021. While this is regular, it is not as many as some of the older age groups.

Overall, we have seen an increase in the number of people in this cohort using our platform, with the users in this age bracket growing by 24 per cent in the 2020-2021 financial year. This growth is consistent with industry trends and the overall growth in digital asset markets.



## THE 25- TO 43-YEAR-OLD INVESTOR PERSONA



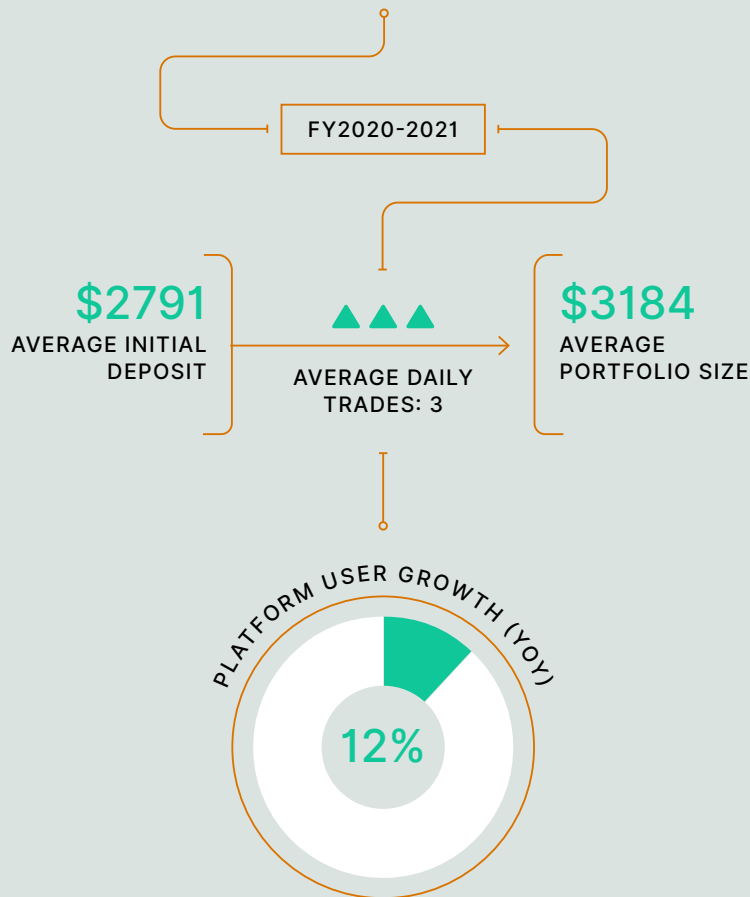
There is a jump in the size of the average initial investment in this age group from the younger cohort, reflective of greater wealth accumulation by this age. Their initial deposit on our platform over the past financial year was \$2014 with an average portfolio size of \$1871 in 2020-2021. Again, this is not reflective of poor performance of portfolios, rather the tendency of cryptocurrency investors to remove the currency from platforms, or self-custody.

This age group are the most frequent traders with an average daily trade count of six during the last financial year. Platform users in this age group grew by 8 per cent over the year, as new investors came into the market, despite the pandemic and concerns about the economy. A low interest rate environment may also be a factor behind this group seeking investment opportunities in alternative assets like cryptocurrency.

This age group, and the 18- to 24-year-olds, represent the bulk of investors on our platform. They trade frequently and are very comfortable with volatility. They are online and active even when the market is quiet, suggesting they are longer-term investors that understand the benefits of cryptocurrency as an investment.



## THE 44- TO 59-YEAR-OLD INVESTOR PERSONA

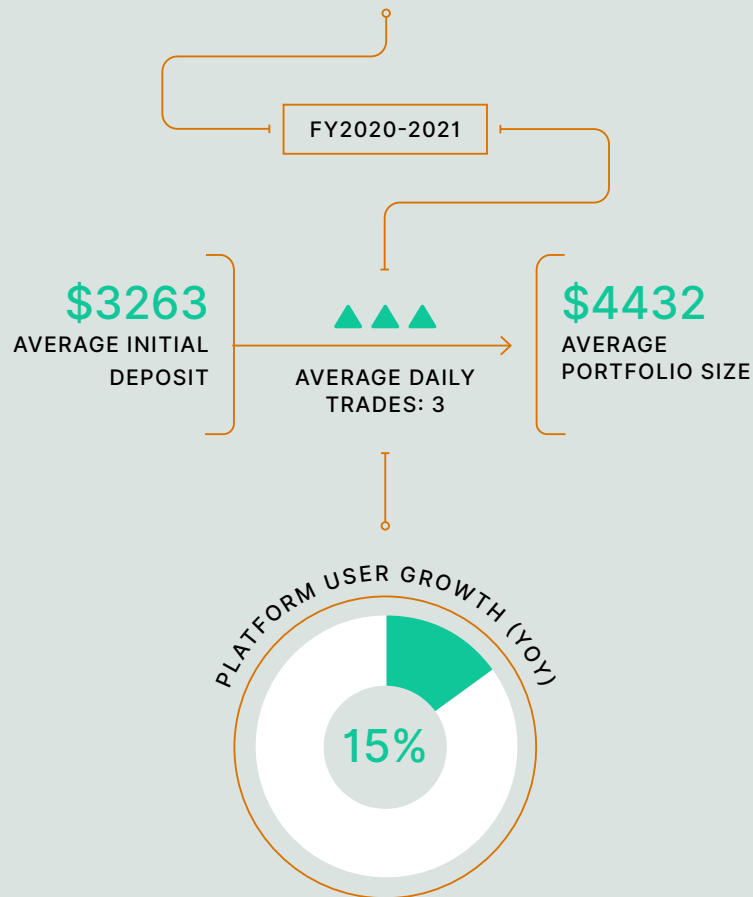


As our investors get older, the size of their initial deposit on our platform increases. Investors in this age group follow that trend with an average initial investment of \$2791 in 2020-2021. Their average portfolio size on our platform was larger too, at \$3184. This age group is also where we see the preference for self-custody begin to waver.

Platform user growth for investors aged 44 to 59 in 2020-2021 was strong, at 12 per cent. These investors are coming to cryptocurrency, as they increasingly understand its importance in the financial system and the benefits of portfolio diversification. Three trades a day suggests that while not as active as the younger demographic, they are still interested and active in this asset class. However, the reduced trade number would suggest a greater degree of comfort with the positions taken, more reflective of traditional investment behaviour.



## THE 60- TO 65-YEAR-OLD INVESTOR PERSONA



The 60- to 65-year-old investor on our platform is interesting. This is the pre-retirement period when many are seriously considering retirement and developing investment strategies for their post-work years. That is why we thought it important to look more closely at this age group, even though it represents only five years.

If a 60- to 65-year-old experiences success with cryptocurrency during these five years, they may be more likely to use it as part of their portfolio construction process for retirement.

Last financial year saw strong platform user growth in this demographic at 15 per cent – the biggest increase of any age group bar the 18- to 24-year-olds. They traded, on average, three times a day in 2020-2021.

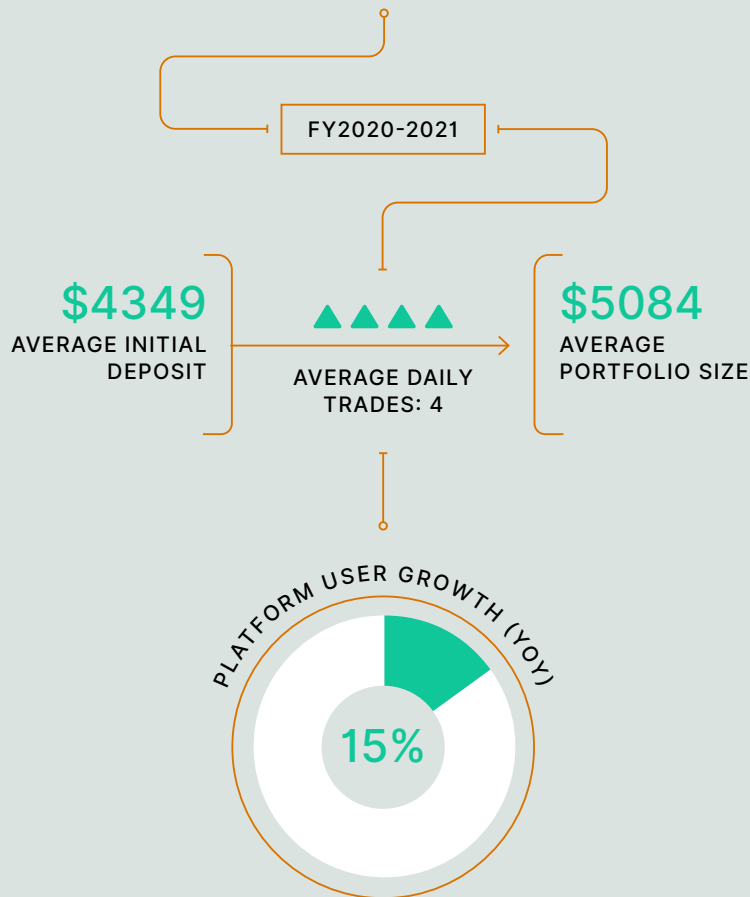
Their average portfolio size on our platform (\$4432) is significantly larger than their average initial deposit on our platform (\$3263), which indicates a higher level of comfort with leaving cryptocurrency on our exchange, rather than removing assets to self-custody.

From this data and the growth, we can draw some conclusions. Word is spreading among the pre-retirees about the utility of crypto as an alternative asset class. We can conclude this from the percentage growth in users and also from the size and number of trades. It would be assumed that this age profile would have larger investment amounts, but the initial investment is still sub-\$5,000. This suggests an opportunity for growth as this cohort becomes increasingly comfortable in this space.





## THE OVER 65-YEAR-OLD INVESTOR PERSONA



This age group's average initial investment was the largest of any on the platform in 2020-2021 at \$4349. Average portfolio size is also substantial at \$5084 for 2020-2021. These numbers should put to bed the notion that all cryptocurrency traders are young and brash. Likewise, it further highlights the education gap for older investors regarding self-custody of crypto assets.

The over 65-year-olds trade more frequently than those five years younger – at four times a day – and platform user growth for this age bracket has grown by 15 per cent. The initial trade amount plus frequency illustrates the ease of crypto for these experienced investors.

The approach of this age bracket, and potentially the one before it, to cryptocurrency is very much shaped by their experiences in traditional financial markets. They are not at the same life stage as an investor two or three decades younger than them and how they allocate their investment portfolio differs.

As baby boomers, they have accumulated assets and disposable income, so are not worried about allocating a percentage of their portfolios to cryptocurrencies. This approach takes advantage of the upside, while not being too intimidated with the downside.



## Gender Trends

In this section we explore gender differences in cryptocurrency investing. An analysis of our database revealed increased investment activity from female investors. This is spurred on by women who have been signing up to the platform in greater numbers. Women may not trade as frequently as their male counterparts, but their average initial deposits on our platform are larger. In this section we explore some of the themes behind those trends.

Platform user growth by women accelerated rapidly in 2020-2021, growing by 172 per cent, compared to growth of 79.5 per cent for men.

This increase in female investors is important. In behavioural finance studies<sup>4</sup> women are often found to be more risk averse in their investment decisions than men. More women trading cryptocurrency dispels stereotypes around cryptocurrency investors being risk lovers. It also shows a calculated appetite for the volatility that is still a feature of this asset class.

In financial year 2020-2021, our cohort of female investors on average, traded twice daily, compared to five times for males. This suggests a structured trading strategy, with a smaller range of more focused positions.

Female investors deposit larger amounts at the outset, compared to their male peers. Average initial deposits on our platform in 2020-2021 for females are \$2381, compared to \$2060 for males. This initial confidence may reflect the degree of consideration driving their investment behaviour – effectively ‘backing themselves.’

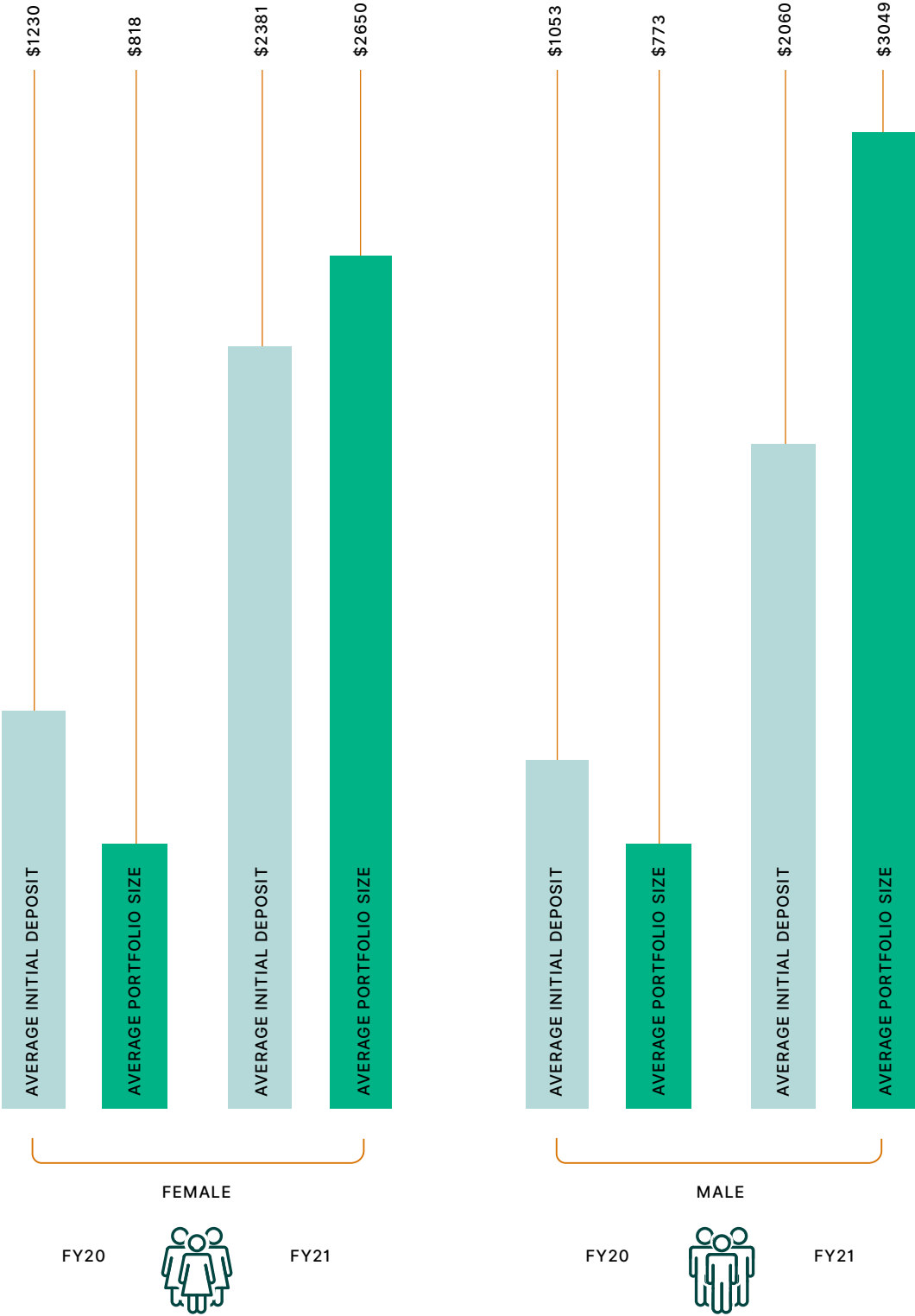
The average portfolio size on our platform for women in 2020-2021 was \$2650, compared to \$3049 for men. Playing with the risk averse narrative, women investors appear more likely to self-custody compared to their male counterparts. This deduction is based on initial deposits, plus trading activity coupled with average portfolio size on our exchange.

As more women invest, the industry becomes more representative of the investment community as a whole. That in turn advances its reputation as an asset class that can sit alongside other traditional investments.

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4. E.g. CoreData for Fidelity International  
<https://www.fidelity.com.au/insights/investment-articles/the-financial-power-of-women/>

**FIGURE 7.**  
Average initial deposit and  
average portfolio size by gender





## SMSFs and Companies

Individual investors make up the majority of users of our platforms. However, a noteworthy trend that we want to highlight is the increasing growth in self-managed superannuation funds (SMSFs) and companies. Here we explain why this is the case and share some interesting characteristics about the kinds of companies trading on our platform.

### SMSFs

The number of SMSFs using the platform rose by 95 per cent in the 2020-2021 financial year. Their average portfolio sizes on our platform have increased substantially, rising by 145 per cent.

Midway through 2020, we noticed the average SMSF investment was now in the hundreds of thousands of dollars, versus earlier investments in the tens of thousands. Their average trade size on our platform has grown exponentially, rising by 427 per cent in financial year 2021.

This increased commitment from SMSF investors, with their lengthier investment outlook, illustrates a long-term bullish point of view. It suggests a trade-off between short-term volatility and expectations of growth overall.

SMSFs traded more frequently in 2020-2021 than the previous financial year with average daily trades rising by 40 per cent. The average initial deposit on our platform also grew by 14 per cent. We also know that SMSF

investors are comfortable making significant purchases outside of the more well-known cryptocurrencies. We've seen projects such as Ethereum Classic (ETC) and Bitcoin Satoshi Vision (BSV) enter their Top 4 on a month-by-month basis. This indicates a confidence and a commitment to research in this asset class – a strong foundation for the future of crypto markets.

Recognising the role that cryptocurrency can play in a well-diversified SMSF portfolio, the Australian Taxation Office (ATO) recently introduced cryptocurrency onto the list of assets included on an SMSF annual return in 2019 and started including that data in its quarterly breakdown of SMSF assets.

While it represents less than one per cent of Australian SMSF assets, those ATO statistics revealed that SMSFs had a total of \$174 million invested in cryptocurrency in the March quarter 2021<sup>5</sup> (the most recent quarter for which data is available). Total SMSF assets invested in crypto has oscillated between \$185 million and \$174 million over the past eight quarters, according to the ATO data.

These data points tell us that the growth potential for SMSF crypto investors is considerable. It demonstrates a committed investor, allocating relatively significant amounts of individual portfolios to the asset. That once educated, they are confident to stay the course with their investment thesis.

In context however, there is a wide opportunity for a much greater SMSF involvement. This is a trend we predict will gain increasing momentum as industry infrastructure grows.

5. <https://data.gov.au/data/dataset/self-managed-superannuation-funds>  
Ref: SMSF quarterly statistical report March 2021

## Companies

The number of companies using our platform rose by 63 per cent during 2020-2021.

Companies on our platform are by far our most frequent traders, with their average daily trade count rising by 151.6 per cent in 2020-2021.

Average portfolio sizes on our platform rose by a substantial 63 per cent during the 2020-2021 financial year, with initial deposits on our platform remaining relatively steady.

We have noticed the companies that invest and trade with us are invariably organisations where the founder is still involved. These companies are from a variety of sectors of the economy ranging from financial services to retail, construction or automobiles and are generally in the small to medium-sized enterprise category.

This is of interest because founders and entrepreneurs usually have a healthy appetite for risk and ambition. Companies where the entrepreneur is still involved are very different to those that have been around for potentially a hundred years or more, larger organisations which have boards, and risk and compliance layers to go through. Companies where the founder is still involved tend to be nimbler and faster when it comes to decision-making – a trait that is beneficial for investing in cryptocurrency given its dynamic nature.

Also, entrepreneurs tend to be listening and aware of what other entrepreneurs are saying. For example, Twitter founder Jack Dorsey is well known for sharing his thoughts on Bitcoin and the role it is going to play in Twitter's future. Its latest earnings announcement revealed that Bitcoin represented about 5 per cent of the company's total assets as of the end of 2020. Another example of this is MicroStrategy Inc., which announced last December that it had made more than US\$1 billion in total Bitcoin purchases in 2020, a move that it characterised as an investment that would "provide the opportunity for better returns and preserve the value of our capital over time compared to holding cash."

We anticipate more companies to follow suit in adding digital assets to their balance sheets, whether as a natural hedge against fluctuating fiat currencies; or as part of a corporate strategy to embrace modern, open technologies; or as a complement to an operational strategy that includes accepting digital assets as payments.

# Conclusion

As our data illustrates, there has been a significant increase in investor activity in cryptocurrencies over the past financial year. Whether it's due to greater confidence in the asset class with the entry of big techs such as Square, Amazon and Tesla, or the low interest rate environment resulting from COVID-19 prompting investors to seek out alternative asset classes, cryptocurrency has now found a legitimate role in asset diversification and portfolio construction strategies.

Whatever the reasons for this rally, one thing is clear: the crypto investor is committed, educated and in it for the long haul. It is the first time in the history of financial markets that retail markets and high-profile investors have driven the interest from institutional investors instead of the other way round. It truly symbolises the democratisation of investing and wealth creation, which is no longer dominated by the larger players.

As more institutional money moves in, and accessible products such as exchange traded funds are launched, widespread acceptance of cryptocurrency will be inevitable. These factors combined; we see strong support for sustainable growth in cryptocurrency markets coming through.

The onus is now on the Australian regulators to catch up with this rapidly maturing market. In addition to all the stereotypes we have broken with our report about what the average crypto investor looks like, it is worth noting that crypto is the only industry calling for more regulatory oversight.

With the COVID-19 pandemic accelerating the move to digital, technology needs to be viewed as a driver of future jobs and economic growth to ensure Australia remains globally competitive. As a nation, we are setting international standards for blockchain use but we need to use this clear advantage to get on the front foot to prepare our economy for what is to come. At BTC Markets, we believe regulation will benefit all – the investor, the industry, and the economy.

A key milestone for crypto investors is going to be the availability of more regulated, investor-friendly retail products. This investment gap is being addressed by ASIC in its Consultation Paper 343 Crypto-assets as underlying assets for ETPs and other investment products (CP 343). Yet with more product options and opportunities arising, it will be important that investors have a sound guiding voice to help them cut through the noise and that is where the role of professional services will be paramount.

Purely driven by customer demand, financial advisors, tax lawyers and accountants need to become acquainted with the nuances of cryptocurrencies in all their facets. We know advisers in more advanced markets such as the USA and Europe are integrating cryptocurrencies into their clients' portfolios, starting with a 1 per cent to 2 per cent allocation and moving as high as 3 per cent to 5 per cent for more committed clients. The pressure is on for Australian professionals to pull their weight in incorporating traditional financial planning into conversations around crypto.



The key point to remember is that despite its sceptics and naysayers, the Australian cryptocurrency market is in the next stage of its evolution. Bitcoin may have been the first cryptocurrency to reach the mainstream and the most popular for many years, but the market is evolving to focus on second and third generation crypto assets. Bitcoin's market share has fallen from 70 per cent earlier this year to 45 per cent. Other cryptocurrencies, like Ethereum, which is now the second largest crypto by market share, are growing rapidly and we expect this trend to continue.

Like all markets, cryptocurrency will experience its ups and downs. However, it is arguably the future of finance, and we are pleased that this report shows that Australian investors are prepared for its growth and what it has to offer.

For more information  
on cryptocurrencies  
and how to trade  
them, [contact us  
here.](#)





