FALCON

About Ether

Summary

- Ether (ETH) currently is the second largest blockchain asset in terms of market capitalisation after Bitcoin (BTC)
- While Ether and Bitcoin share many important qualities they differ substantially in purpose and capability
- Buying multiple types of blockchain assets can add further diversification to your portfolio
- Ether is the cryptocurrency of the Ethereum blockchain technology

Creating new Crypto Assets

One of the features of the current era of a digital revolution in financial services is the constant creation of new blockchain assets. There are currently over one thousand blockchain assets, including cryptocurrencies used as payment mechanisms or as storage of value, and digital investment tokens designed to fund new ventures. As the world of decentralised finance finds ever more potential uses for the blockchain technology, many more new blockchain assets are expected to be created. All of these assets are designed to serve a specific economic purpose.

The main categories of use are:

- storage of value
- payment mechanism
- commoditised computing power
- entitlement to certain rights (much like a stock or a bond)

Some offer these features in combination, and each has subcategories that certain blockchain assets have been specifically created for.

What is Ether and how does it differ from Bitcoin?

Although commonly associated with Bitcoin, blockchain technology has many other applications that go way beyond digital currencies. In fact, Bitcoin is only one of several hundred applications that use blockchain technology today and was designed to act as a secure peer to peer decentralised payment system.

Ether is also a blockchain asset and was first introduced in 2015. It has recently gained traction and currently ranks as the second largest cryptocurrency in terms of market capitalisation after Bitcoin. In terms of price development, Bitcoin appreciated 1'298% in 2017 (without considering the Bitcoin Cash received on August 01, 2017) and Ether 8'825%.

The natural consequence of its rising popularity has been its constant comparison with Bitcoin. Similar to Bitcoin, Ethereum is a blockchain based technology, which in simple terms allows different people to agree on transactions without having a third party. This decentralised structure is one of the main features and has always been emphasised by the founders of the blockchain technology.

While Ethereum and Bitcoin share many important qualities, there are some significant technical differences between the two and they differ substantially in purpose and capability. Bitcoin offers one particular application of blockchain technology. It was created as an alternative to regular money, to act as a medium of payment and store of value. The most important distinction to note is that Ethereum was not designed to establish itself as a payment system, but it is more of a platform set up to build and run decentralised applications.

Ethereum is in effect a decentralised computer network, built to manage smart contracts and run many diverse (financial and non-financial) applications. Ether is the currency that is needed to pay for 'renting' a part of this computer network. In this regard, Ether is much like a commodity that is required to 'fuel' the system.

Each year the same amount of Ether is created ('mined'), in order to provide continued 'fuel' as the Ethereum ecosystem grows and the number of applications built on it proliferates.

*This document is intended for marketing purposes.

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Outlook for Ether

Intuitively one is tempted to compare the cryptocurrency aspect of both Ether and Bitcoin. However as pointed out before, they differ substantially in purpose and capability. While Bitcoin's blockchain is well established and the application is clearly defined, Ethereum is still in its infancy and only a limited set of applications have been developed. This can be seen as a merit and risk at the same time. A merit because the potential use of the network is unlimited and its impact on many industries can be very significant. Exactly this feature can also be seen as a risk because it is still unclear today which applications will be developed and adopted by mainstream.

In our view both of these blockchain assets have their specific benefits and will see increasing value going forward. In a portfolio context, generally speaking, blockchain assets have a low correlation with most other investment products and thus provide portfolio diversification benefits. Going a step further, daily returns of Bitcoin and Ether appear only weakly correlated. Buying multiple types of cryptocurrencies can therefore add further diversification to your portfolio.