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# White Paper:

## The Future of Asset Management

*Institutional-grade Investment in the Age of Web 3.0*

### Introduction

In the era of digitalisation and technological advancements, traditional approaches to asset management are overdue for a challenge. Investors are increasingly curious about digital assets, including but not limited to cryptocurrencies, and the potential for strong returns.

MidSquare is a cryptocurrency-centric asset management business that was set up to provide investment products that harness the power of Web 3.0, including blockchain technologies [1], DAOs, smart contracts, composability, and decentralised finance (DeFi).

In particular, DeFi activity had a strong start to 2023, with its value proposition enhanced by the prospect of clearer regulation, the progress of Ethereum [2] with its Shanghai upgrade, and continued innovation by leading players across the ecosystem.

This white paper sets out to demonstrate the transformative potential of Web 3.0.

### Section 1: The Case for Web 3.0 and Decentralised Finance

The rise of Web 3.0 represents a shift towards a more equitable, decentralised internet and a change in how money works.

Younger generations are already accustomed to living without cash. This section builds a robust case for Web 3.0's capability to bring greater trust, transparency and accessibility to the financial system and the investment community generally.

#### 1.1 Understanding Web 3.0

Web 3.0, also known as the semantic web, promises to create a more integrated and personalised user experience. Unlike its predecessor, Web 2.0, which is defined by user-



generated content and the centralisation of data, Web 3.0 is characterised by decentralisation and semantic interoperability, enhancing the functionality, security, and transparency of online interactions.

A core pillar of Web 3.0 is blockchain technology [3]. By providing a secure and immutable public ledger, blockchain eliminates the need for a central authority, thereby promoting trust through cryptography rather than institutions [4]. This shift in trust model is what underpins the growth and potential of cryptocurrencies and DeFi.

## **1.2 The Emergence of Cryptocurrencies and DeFi**

The National Security Agency (NSA) and Massachusetts Institute of Technology (MIT) first discussed the concept of cryptocurrency in the 1990s. They proposed a form of digital or virtual currency that was based on a distributed ledger, with no centralised issuing authority.

Today's cryptocurrencies apply cryptography to secure and anonymise user transactions. The most successful is Bitcoin, launched in 2009, a peer-to-peer electronic payment system designed to bypass the middleman by enabling 'decentralised trust.'

However, when Ethereum went live in July 2015, it moved blockchain technology far beyond the world of digital currency. Its ground-breaking smart contract functionality laid the foundation for what we now know as decentralised finance (DeFi).

DeFi represents an open and truly international alternative to every financial service available today, eliminating the need for intermediaries and enabling anyone with an internet connection to access a wide range of financial services [5].

## **1.3 Decentralised Finance: A Game Changer**

DeFi, by virtue of its open-source, transparent, and interoperable nature, offers numerous advantages over traditional financial systems. It democratises access to financial services, promotes financial inclusion, and fosters innovation through 'composability' – where protocols act like Lego bricks that can be attached together to build more complex structures.

DeFi protocols operate on the principle of trustless transactions, meaning transactions can occur directly between parties without the need for an intermediary. This feature, combined with the transparency inherent in blockchain technology, mitigates the risk of fraud and counterparty risk, thereby providing a secure environment for financial transactions.

The open and programmable nature of DeFi has resulted in a plethora of innovative financial products and services, ranging from lending and borrowing platforms to decentralised exchanges, prediction markets, and insurance protocols [6]. These offer competitive returns compared to traditional financial services, providing a compelling investment opportunity for both retail and institutional investors.



The next section will build on the understanding of Web 3.0 and DeFi to explore why a cryptocurrency-based asset management business like MidSquare is a game changer in the asset management industry.

## **Section 2: The Revolution of Asset Management in the Web 3.0 Era**

### **2.1 Traditional Asset Management: An Overview**

Traditional asset management, where a financial institution manages investments on behalf of its clients to achieve specific financial objectives, has remained largely unchanged for decades. However, the conventional approach has a number of setbacks, including high fees, lack of transparency, and limited accessibility for the novice or average investor.

The advent of stakeholder capitalism also changes the landscape slightly. We expect capital and talent to eventually shift from organisations that simply generate value for their shareholders, to those that create value for a broader group of stakeholders, including consumers, employees, communities, suppliers, government, shareholders and investors.

### **2.2 The Disruption by Decentralised Finance**

DeFi's potential to disrupt traditional asset management is vast. Through the power of blockchain technology, DeFi offers an open, transparent, and decentralised alternative to traditional financial services, reshaping the way we view and interact with financial products.

The composability feature of DeFi protocols allows for the creation of sophisticated, interconnected financial instruments, providing a more efficient and versatile financial ecosystem. By removing intermediaries, DeFi reduces costs, increases transaction speed, and provides a level of transparency and security unmatched by traditional financial systems.

For now, digital assets tend to be viewed as speculative investments in traditional finance due to the volatility of the market, even if they are a clear long-term trend. As they gain investor trust, analysts expect to see the market scale and the pace of regulation increase.

### **2.3 Cryptocurrency-based Asset Management: A Game Changer**

The rise of cryptocurrencies and DeFi technologies enables the creation of asset management businesses that leverage these technologies to provide competitive returns, increased transparency, and improved risk management.

MidSquare, with its strong institutional background and investment pedigree, is perfectly poised to be such an asset management business. By applying traditional governance and risk management principles to the rapidly evolving digital asset landscape, MidSquare is setting the stage for a new era in asset management.





Our approach involves actively managing digital assets and exploiting the attractive investment opportunities provided by DeFi protocols. By doing so, we aim to generate returns that outpace those from traditional asset management, offering a compelling investment proposition to our clients.

## **Section 3: MidSquare: A Compelling Investment Proposition**

### **3.1 The Opportunity**

The rapid growth and adoption of Web 3.0, cryptocurrencies and DeFi protocols present a promising investment landscape. As more individuals and businesses realise the potential of these technologies, the demand for digital assets is set to skyrocket. Early adopters stand to reap significant benefits from this growth.

Digital assets are now going mainstream, and MidSquare aims to be the gateway for sophisticated investors seeking exposure to this burgeoning sector. By providing a platform that combines these assets' potential with the rigour and reliability of traditional asset management, we present a unique investment opportunity.

### **3.2 Our Strategy**

Our strategy is simple yet effective: leverage our deep understanding of both traditional finance and digital assets to deliver superior returns. We employ a disciplined investment process, focusing on fundamental analysis, rigorous risk management and strategic asset allocation.

Our access to a broad range of DeFi protocols allows us to diversify our portfolio and optimise returns while managing risk effectively. Furthermore, our strong industry relationships enable us to access investment opportunities not readily available to individual investors.

### **3.3 The MidSquare Advantage**

MidSquare is more than just a cryptocurrency-based asset management business. We are a bridge between traditional finance and the digital future. Our team's extensive experience in the financial industry, combined with our deep understanding of digital assets, positions us uniquely in the market.

By choosing MidSquare, investors are not only gaining exposure to a new asset class but also partnering with a team dedicated to maximising returns while managing risk. Our commitment to transparency, risk management and client service sets us apart in an industry often seen as opaque and unregulated.

## **Conclusion**





MidSquare aims to open up a new dimension for portfolios in the future. By harnessing the power of cryptocurrencies and DeFi technologies, we offer a unique and compelling investment proposition to sophisticated investors.

Smart contracts alone offer greater transparency, security and automation[7]. With a dedicated team, a robust investment strategy and a commitment to delivering superior returns, MidSquare is poised to revolutionise the way that assets and wealth are managed.

## **4. Embracing MidSquare: The Smart Move**

### **4.1 Unprecedented Access**

Investing with MidSquare provides clients with unprecedented access to the thriving world of digital assets. We navigate the complexities of the cryptocurrency market on your behalf. Our deep understanding of this dynamic market allows us to identify and capitalise on trends before they become mainstream, providing our clients with a distinct advantage.

### **4.2 Robust Risk Management**

While the potential returns from investing in digital assets are attractive, they come with their own set of risks. At MidSquare, we apply the same rigorous risk management principles used in traditional finance to our digital asset portfolio. This involves thorough due diligence, careful selection of DeFi protocols and continuous monitoring of our investments.

### **4.3 A Partner for the Future**

MidSquare is re-imagining active investment. As the financial industry evolves, we are committed to staying at the forefront of change, constantly adapting and innovating to maximise investment opportunities. Our clients can rest assured knowing they have a dedicated team of professionals working tirelessly to protect and grow their investments.

### **Personalised Management**

We stand on the brink of a new era. As the old order of traditional finance gives way to the disruptive potential of Web 3.0, the opportunities for forward-thinking investors are immense. MidSquare is leading the way, redefining the role of the asset manager. Now, instead of just delivering risk-adjusted returns, portfolios can offer real utility to the investor's life.

The investors of tomorrow will easily manage and earn income from the sale of personal data, gain access to communities and services that align tightly with their personal interests, and quickly identify new types of cash flows [8].

We believe that wealth advising must become highly personalised and involve a closer collaboration between asset managers, clients and wealth advisors. Through our meticulous





investment process, robust risk management and commitment to transparency, MidSquare offers our clients the opportunity to be part of the future of finance.

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