Bitcoin Allocation in an Egyptian Portfolio: A Performance Analysis

Coinsolation
Research Paper

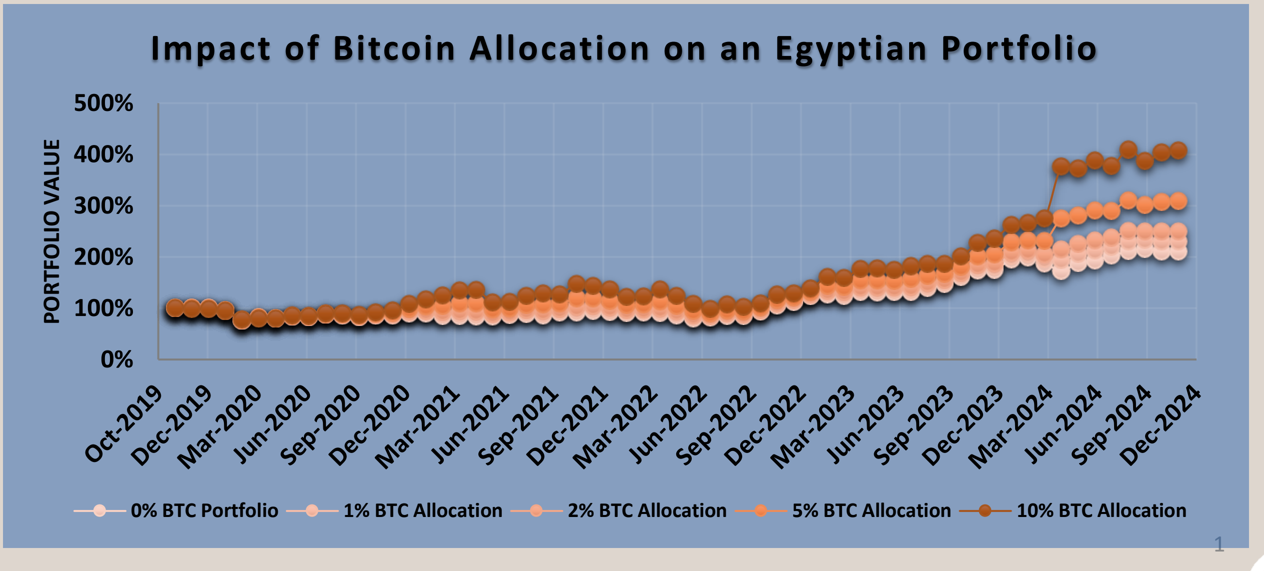
Country Overview—Egypt (Arab Republic of)

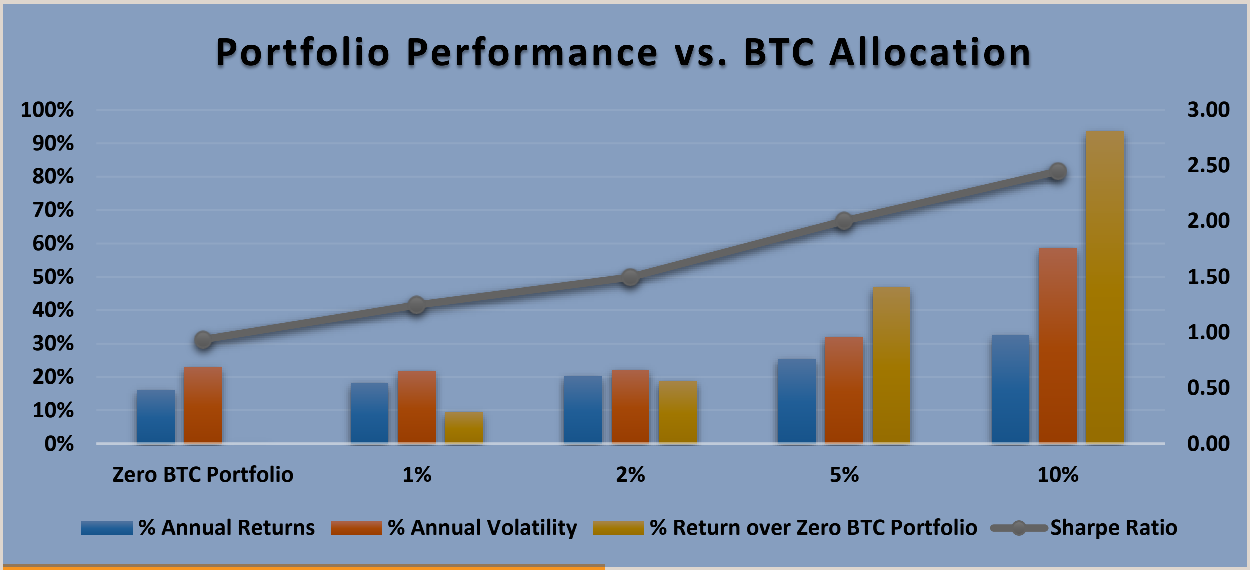
- **Equity Index Used:** EGX 30 Index, comprising the top 30 companies listed on the Egyptian Exchange. It represents key sectors of the Egyptian economy, including banking, real estate, industrials, and telecommunications.
- **Fixed Income Used:** 10-Year Bond
- **Analysis Period:** Five years—Nov-2019 to Oct-2024
- **Portfolio Allocation:** 80/20 Equity/Fixed Income over the analysis period

Portfolio Performance vs. BTC Allocation

BTC ETF Allocation	0%	1%	2%	5%	10%
Annual Returns (%)	16%	18%	20%	25%	32%
Volatility (%)	23%	22%	22%	32%	58%
Sharpe Ratio	0.94	1.25	1.50	2.00	2.45

- **Annual Returns (%)** - average percentage increase or decrease in the value of an investment over one year. A measure of what an investment might earn or lose annually.
- **Volatility (%)** - degree of variation in the price of an investment over time. Higher volatility means the investment's price fluctuates more, indicating greater risk.
- **Sharpe Ratio** - ratio of the investment's excess return and its volatility. A higher Sharpe Ratio indicates better returns for the level of risk taken.





Impact Highlights

	Diversification Benefit: Adding a BTC allocation significantly increases annual returns, demonstrating strong diversification benefits. As BTC allocation rises, the portfolio's overall performance improves, especially at higher allocations.
	Risk-Adjusted Returns: The Sharpe Ratio increases markedly with BTC allocation, from 0.94 (with no BTC) to 2.45 (with 10% BTC). This indicates that the risk-adjusted returns improve substantially, making the portfolio more efficient in compensating for the risk taken.
	Protection Against Currency Depreciation: Higher returns from BTC allocation strengthen the portfolio, providing a buffer that helps preserve and grow value despite currency fluctuations.

Key Insights

- **Significant Return Enhancement:** Allocating even a small percentage to BTC dramatically increases annual returns, showcasing the potential of BTC as a strong return booster.
  - 1% BTC returned an additional 9%
  - 2% BTC returned an additional 19%
  - 5% BTC returned an additional 47%
  - 10% BTC returned an additional 94%
- **Improved Risk-Adjusted Performance:** The Sharpe Ratio rises considerably with BTC allocation, indicating that the portfolio is more efficient, better compensating for the level of risk taken.
- **Protection Against Currency Depreciation:** Higher returns from BTC allocation provide a buffer against potential currency depreciation, helping preserve and grow the portfolio's value in volatile currency environments.

Is Bitcoin Halal?

- The question of whether Bitcoin is permissible under Islamic law has been addressed by several Islamic scholars and institutions.
- Many consider Bitcoin Halal when used transparently and for lawful purposes, as it fulfills key Shariah criteria: being a medium of exchange, having intrinsic value, and avoiding riba (usury) or excessive gharar (uncertainty).
- Bitcoin's growing adoption in Islamic finance highlights its compatibility with Shariah principles.

About Coinsolation

Coinsolation supports institutional access to Bitcoin as a long-term reserve asset, offering organizations across Africa a secure entry point into this globally recognized store of value.

By helping mitigate currency risk and strengthen portfolio resilience, Bitcoin can serve as a powerful diversification tool in line with evolving global asset allocation trends.

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Notes

- Equity & bond data were sourced from Investing.com. Bitcoin data was sourced from Google.
- 0% BTC portfolio was optimized for the single best allocation over the analysis period, with equity allocation constrained to between 20% and 80%. No change in allocation occurred during the analysis period.
- Bond was purchased at the beginning of analysis period and held for duration of analysis or to maturity. If maturity occurred during the analysis period, a new bond was purchased.
- No trading or management costs were considered.