



## INVESTMENT **COMMENTARY**

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Special Edition | **CRYPTOCURRENCY**



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Given the vast amount of media coverage of late, we have increasingly been asked about Cartlidge Morland's position on cryptocurrency.

In this commentary, Eric Williamson, one of our investment managers, sets out the background to cryptocurrency, how it is valued and Cartlidge Morland's views on it as an 'asset'.



## WHAT IS CRYPTOCURRENCY?

Cryptocurrency is a form of digital money that exists electronically and which can be traded on exchanges. Its lines of code can be stored either on a central exchange, in a 'hot' wallet, or offline on a memory device, such as a computer hard drive or USB stick, known as 'cold' storage. These 'currencies' are built on 'blockchain' technology, which is a decentralised ledger that records transactions across a network of computers rather than through a central authority such as a bank or government, and settlement of trades is instantaneous.

The first and best-known cryptocurrency, Bitcoin, was launched in 2009 following the global financial crisis, with its original aim to create a peer-to-peer payment system that could operate independently of traditional financial institutions. Its inception remains somewhat shrouded in mystery, with its creator(s) who is/are presumably holder(s) of a significant number of Bitcoins remaining unknown to this day. 'Mining' a new Bitcoin takes a significant amount of computing processing power to achieve, which limits the supply of new Bitcoins, although other cryptocurrencies exist that can be 'created' more easily. The underlying code used to create Bitcoin also only permits a finite amount of them to be mined, meaning that, eventually, no new coins may be created.

Since 2009, thousands of other cryptocurrencies have been created, with varying features and intended uses. Some are designed as payment mechanisms, whilst others attempt to support decentralised applications, digital contracts or financial services.

## CRYPTOCURRENCY VALUES?

Since inception, several cryptocurrencies have seen very large increases in value, particularly Bitcoin, which is the largest coin by market capitalisation at roughly US\$1.8 trillion in January 2026. Its price has risen from a few cents in its early years to many tens of thousands of US dollars per Bitcoin at its peak in 2025. This dramatic appreciation, as well as its relative longevity, has attracted significant media attention and investor interest.

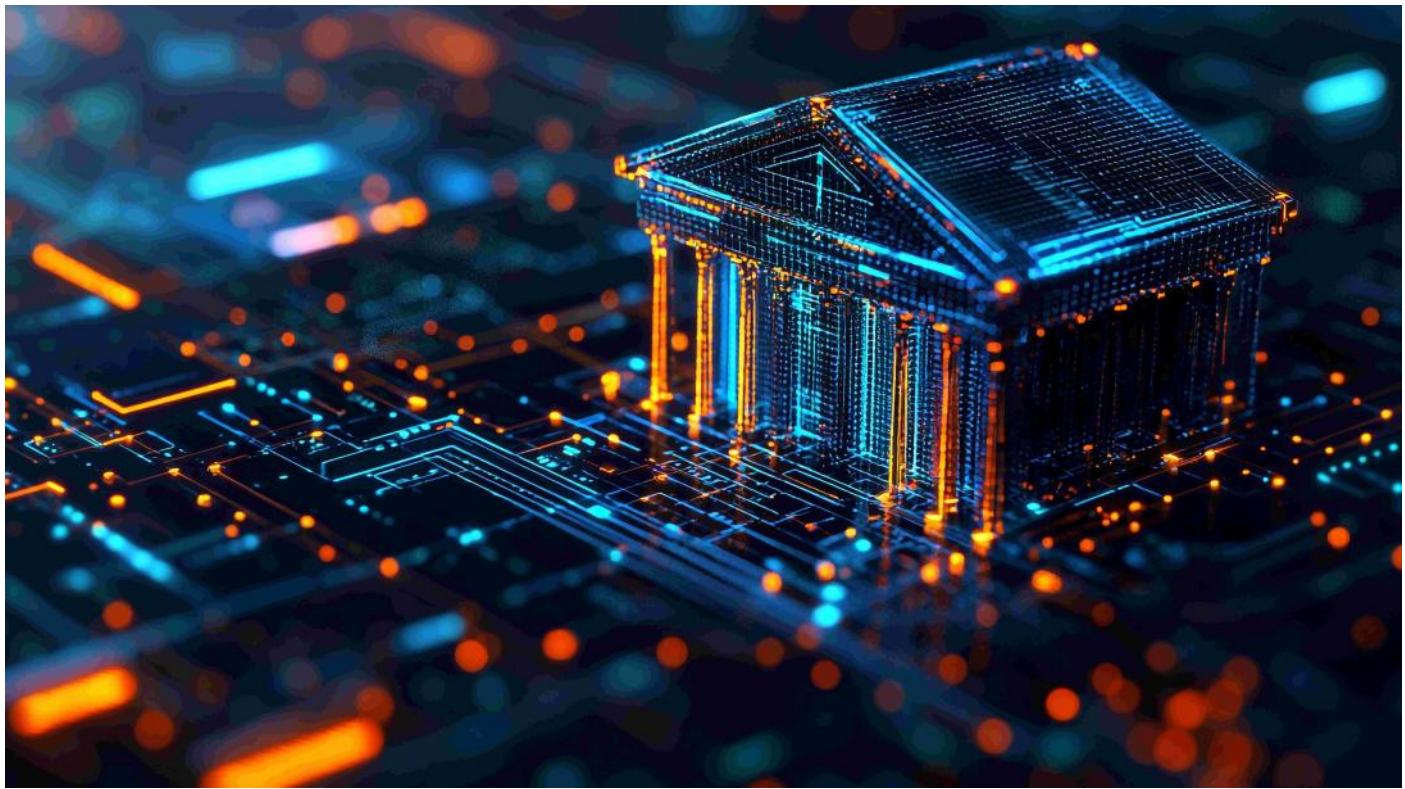
To date, cryptocurrencies have been purchased by many people due to 'FOMO' (fear of missing out) as they appear to offer stellar returns for those cashing out, whilst others seem to speculate that the mainstream adoption and range of uses for cryptocurrency may increase in future. However, it is important to note these gains have not been smooth sailing for buyers of cryptocurrencies. Periods of sharp price rises have often been followed by sharp falls, and large numbers of digital coins that have proliferated since the inception of Bitcoin have already fallen into obscurity and are consequently worthless. It is not unusual for cryptocurrency prices to move by double digit percentages over very short periods, sometimes within a single day, with prices appearing to be influenced by a wide range of factors including regulatory announcements, technological developments, broader risk sentiment, speculation and changes in liquidity.

Unlike shares or bonds, cryptocurrencies do not generate income, dividends or interest, and they are not supported by company cash flows, government or central bank reserves. To all intents and purposes, they comprise 'thin air' with demand based on speculative sentiment. Valuation is difficult and largely driven by what other participants are willing to pay at any given time.

If people wish to gain exposure to cryptocurrency they can do so in two main ways. The first is by holding the digital currency directly via a cryptocurrency exchange or digital wallet (hot and/or cold storage). This approach requires careful consideration of security, custody and operational risks associated with the exchange or wallet.

The second option is to gain exposure through regulated cryptocurrency exchange traded funds (ETFs) which have proliferated in recent years as regulators have approved the creation of such products, including products for retail investors. ETFs, offered by several large financial institutions, may provide a more secure and familiar structure.





## CRYPTOCURRENCY DEVELOPMENTS?

Over recent years, cryptocurrencies have undeniably moved closer to the financial mainstream. Increasingly, large payment companies, financial institutions and asset managers have begun to engage with cryptocurrencies which has led to the development of regulated custody services, futures markets and, more recently, exchange traded funds backed by cryptocurrencies such as Bitcoin.

Whilst there are growing numbers of cryptocurrency holders, real world usage as a day-to-day currency remains limited due to highly volatile values and lack of regulation. Cryptocurrency has yet to prove genuine utility beyond largely for payment and exchange for goods and services of questionable legitimacy. It is not an alternative means of exchange to sovereign currencies because acceptance is so limited. Governments and regulators globally are still determining how cryptocurrencies should be treated from legal, financial stability and consumer protection perspectives.

Very recently, the US Federal Government has opted to begin holding cryptocurrency seized from criminal activity within a 'strategic reserve'. Like the US, China also seemingly holds a large reserve following a significant seizure from a 'Ponzi' scheme in 2019. Even the UK government has a modest holding as a result of seizures from organised crime. The Swiss National Bank has come under pressure to start a reserve, although this would be the subject of a national referendum. It appears that the vast majority of global central banks remain reluctant to get involved with cryptocurrencies at this stage.

Stablecoins may be the way forward. These are digital assets which are backed by stable assets such as the US dollar or other currencies, so making their values less volatile. The companies issuing stablecoins, the methods for holding them and their transactions are likely to be subject to greater regulation and therefore clarity.

## OUR VIEW

We do not see cryptocurrency as an investment in the traditional sense, like equities and bonds. Instead, it is better described as a speculative, poorly understood 'currency', for lack of a better term, although in some respects behaves more like a commodity, with prices seemingly driven by supply, demand and sentiment rather than underlying fundamentals.

We do not include cryptocurrency in our portfolios, preferring instead to include funds investing in traditional, tangible, easily valued and relatively liquid assets. We can analyse the funds in which we invest quantitatively as well as qualitatively by meeting with managers regularly. How can we compare one string of digital code to another? How can we assess the current and future trust in and demand for these codes?

## CONCLUSION

We believe that any holding of cryptocurrency should only be considered as a pure speculation – ie buying purely because one believes there will always be more buyers than sellers and the price will rise – not as an investment. We continue to build portfolios comprising equity, fixed interest and cash funds which are regulated and readily realisable. We shall continue to monitor the development of cryptocurrencies and stablecoins and indeed the technology associated with them. It may be that the underlying technology can be expanded offering greater security for investments with perhaps faster settlements and lower costs and perhaps broader applications across other industries.



**As always if you have any concerns please contact your usual  
Cartlidge Morland Partner/Director/Consultant.**



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