Passive strategies: Dollar-Cost Averaging (DCA) vs Value Averaging (VA)

Dollar-Cost Averaging

- investor allocates a set amount of money at regular intervals usually monthly or quarterly
- spreads the investment out over time thereby helping to minimise timing risk
- suitable for risk-averse investors as it avoids investing a lumpsum at market peak
- the drawn-out investment periods, however, means that inflation chips away at real returns
- strategy focuses on investment instalments and not portfolio value
- DCA outperforms VA in both a bull (rising) and bear (falling) market

Value Averaging

- investor allocates money to the investment based on the desired or target portfolio size at each investment point, whether monthly or quarterly
- also suitable for risk-averse investors, with the added protection of investing more when the crypto price falls and less when the crypto price rises
- as with DCA, the drawn-out investment periods means that inflation chips away at real returns
- strategy focuses on portfolio value and not investment instalments
- VA outperforms DCA in a volatile market with simultaneous upswings and downswings

BAC(K) Ltd.

© 2023 Blockchain and CryptoAsset (K) Ltd.