

Bitcoin – Something to Think About

Michael Nicoletos | March 2024

In light of recent developments in the Bitcoin landscape, I find it appropriate and timely to share a series of reflections and considerations.



In the dynamic landscape of financial investment, Bitcoin has carved out a formidable presence, distinguishing itself as a forerunner in the crypto asset space. Over the past 15 years, Bitcoin has transitioned from a novel concept plagued by skepticism and regulatory uncertainty to a recognized financial asset that has captured the attention of both retail and institutional investors worldwide. This transformation is noteworthy, not just for its rapidity but for the resilience and adaptability Bitcoin has demonstrated in the face of fluctuating market conditions and regulatory challenges.

The recent rally in cryptocurrency assets, with Bitcoin leading the charge, underscores a growing acceptance and integration of digital currencies into the global financial system. This surge is not merely speculative; it reflects a more profound acknowledgement of Bitcoin's unique properties, such as its decentralized nature, finite supply, and its ability to act as a hedge against traditional financial market instability.

Critically, Bitcoin's performance metrics provide a compelling narrative for its long-term viability. Despite its notorious price volatility, when adjusted for risk, Bitcoin has delivered returns that outstrip traditional market indices like the S&P 500 and Nasdaq. This is significant, offering a new perspective on asset diversification and risk management for investors.

Moreover, Bitcoin's underlying technology - blockchain - has garnered extensive validation for its security, transparency, and efficiency. These features address many concerns previously associated with digital transactions, including fraud, privacy breaches, and intermediation costs. Consequently, Bitcoin's foundational principles have not only survived scrutiny but have also set the standard for emerging digital currencies.

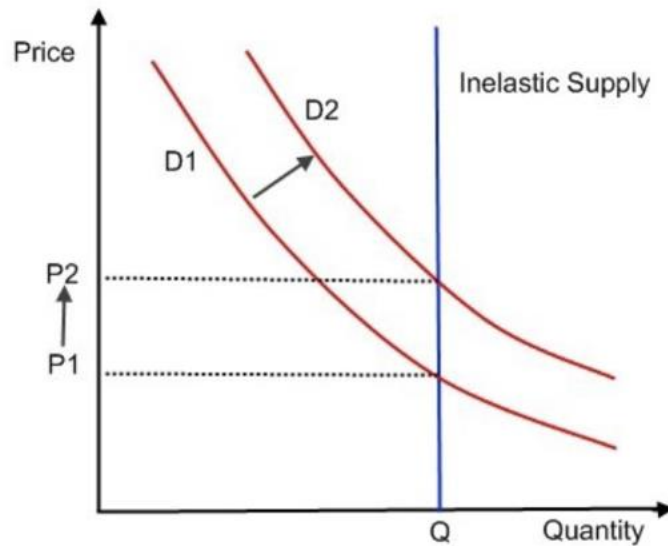
However, it is essential to maintain a balanced view. The ascendancy of Bitcoin does not eliminate challenges; regulatory ambiguity, environmental concerns, and market volatility persist. Yet, the collective move towards addressing these issues, coupled with a broader understanding and acceptance of digital currencies, suggests a maturation path for Bitcoin.

In conclusion, the trajectory of Bitcoin from an obscure digital token to a significant component of the modern financial portfolio is indicative of the evolving nature of money and investment. While it is prudent for investors to approach with caution and due diligence, dismissing Bitcoin outright would overlook the profound implications it has for the future of global finance. The journey of Bitcoin is far from complete, but its endurance and adaptability suggest a role that extends beyond a mere financial anomaly.

Here are a few points to consider:

- Generational Preferences: The preference for gold over Bitcoin varies significantly across generations. Baby Boomers typically favor gold, whereas Generation Z shows a marked preference for Bitcoin. This generational divide in investment choices is quite telling.
- Practical Value in Emerging Markets: Bitcoin, specifically, holds significant value in emerging markets beyond any illicit uses. In countries like Nigeria, where trust in local currency is low and digital banking is less accessible, Bitcoin provides a viable alternative for transactions, made possible with just a phone and a wallet. In 2023, Nigeria's volume of crypto transactions experienced a 9% year-over-year growth, reaching a total of \$56.7 billion between July 2022 and June 2023. With more people in emerging markets owning a phone than a bank account, the utility of this new way of transacting should not be undermined.
- Resilience and Longevity: Bitcoin has been around for approximately 15 years, surviving multiple drawdowns of over 80% from various highs, a feature unmatched by any other asset.
- Risk-Adjusted Returns: Considering volatility alone is not sufficient; it's the risk-adjusted returns that matter. When compared with traditional assets like the S&P 500 or the Nasdaq, Bitcoin presents a compelling case.
- Surviving Challenges: Bitcoin has withstood numerous challenges, including frauds, wars, and money laundering, yet it remains a viable asset.
- ETFs and Validation: The allowance of ETFs to hold spot Bitcoin is a significant step in validating it as an asset, regardless of individual opinions on its intrinsic value.

- Accessibility to Investors: The introduction of Bitcoin into ETFs dramatically broadens its accessibility, shifting the potential investor base from a handful to millions almost overnight.
- Unique Supply Dynamics: Bitcoin's fixed supply - with about 19.6 million out of 21 million already mined - introduces a unique scenario in the asset world. With a vertical supply curve, the implications for value are significant.



When demand D1 is in effect, the price will be P1. When D2 is in effect, the price moves up to P2. Supply is perfectly inelastic, so the quantity supplied to the market = Q for both demand curves. Any shifts in demand will affect only price.

Source: ARCA

The current Bitcoin mining rate per day, before the next halving, is approximately 900 BTC per day. The next Bitcoin halving is estimated to occur on April 19th, 2024 and will reduce the mining rate by half to 450 BTC per day. This is the equivalent of announcing a buyback starting April 19th for \$30 million per day or \$11 billion per year worth of Bitcoin at current prices (\$67,000).

At a time when access to Bitcoin via ETFs and thus demand for Bitcoin has skyrocketed, the daily supply of newly issued Bitcoins will be cut again in half. Furthermore, a considerable portion of the total Bitcoin supply is estimated to be inaccessible. Various analyses and reports highlight that between 3.7 to 6 million Bitcoins are likely lost. For instance, a 2020 analysis by Chainalysis, a recognized blockchain forensics firm, estimates that approximately 3.7 million Bitcoins are permanently inaccessible. Similarly, Timothy Peterson of Cane Island Alternative Advisors has suggested that the figure may exceed 6 million. Even at the lower estimate of 3.7 million, this represents a significant 17.62% of Bitcoin's total supply, further highlighting the scarcity and value of the remaining accessible Bitcoins.

Holders of Physical Bitcoin

BITCOIN PRICE		67,520		DATE		3/8/2024			
TOTAL # BITCOIN MINED		19,647,000							
MARKET CAP		1,326,565,440,000							
TICKER	NAME	Price	%	MARKET CAP	NAV / SHARE	Number of Bicoins held	Value Held	% based on 21m	% based on Current Supply
GBTC US	GRAYSCALE BITCOIN TRUST BTC	\$61.90	2.40%	\$27,460,703,125	\$61.82	406,704.73	\$27,460,703,125	1.94%	2.07%
IBIT US	ISHARES BITCOIN TRUST	\$39.55	2.38%	\$13,269,815,430	\$39.47	196,531.63	\$13,269,815,430	0.94%	1.00%
FBTC US	FIDELITY WISE ORIGIN BITCOIN	\$60.73	2.50%	\$8,669,207,031	\$60.59	128,394.65	\$8,669,207,031	0.61%	0.65%
ARKB US	ARK 21SHARES BITCOIN ETF	\$69.39	2.38%	\$2,612,533,447	\$69.28	38,692.73	\$2,612,533,447	0.18%	0.20%
BITB US	BITWISE BITCOIN ETF	\$37.85	2.41%	\$1,934,513,428	\$37.78	28,650.97	\$1,934,513,428	0.14%	0.15%
BTCO US	INVSCO GLXY BTCN ETF	\$69.38	2.35%	\$386,099,670	\$69.33	5,718.30	\$386,099,670	0.03%	0.03%
HODL US	VANECK BITCOIN TRUST	\$78.58	2.42%	\$306,462,006	\$78.39	4,538.83	\$306,462,006	0.02%	0.02%
BRRR US	VALKYRIE BITCOIN FUND	\$19.66	2.29%	\$303,943,604	\$19.64	4,501.53	\$303,943,604	0.02%	0.02%
EZBC US	FRANKLIN BITCOIN ETF	\$40.28	2.39%	\$205,427,994	\$40.19	3,042.48	\$205,427,994	0.01%	0.02%
BTCW US	WISDOMTREE BITCOIN FUND	\$73.77	2.46%	\$64,179,893	\$73.60	950.53	\$64,179,893	0.00%	0.00%
MARA US	MARATHON DIGITAL HOLDINGS IN	\$23.48	7.71%	\$6,284,177,573		16,930.00	\$1,143,113,600	0.08%	0.09%
HUT US	HUT 8 CORP	\$7.93	2.72%	\$706,517,450		9,116.00	\$615,512,320	0.04%	0.05%
RIOT US	RIOT PLATFORMS INC	\$12.35	3.17%	\$3,131,196,931		8,067.00	\$544,683,840	0.04%	0.04%
MSTR US	MICROSTRATEGY INC-CLA	\$1,425.59	9.66%	\$24,189,589,319		193,000.00	\$13,031,360,000	0.92%	0.98%
ESTIMATED # BITCOIN LOST						3,700,000.00	\$249,824,000,000	17.62%	18.83%
SATOSHI NAKAMOTO WALLET						1,100,000.00	\$74,272,000,000	5.24%	5.60%
WINKLEVOSS TWINS						70,000.00	\$4,726,400,000	0.33%	0.36%
TOTAL						5,914,839.39	\$399,369,955,388	28.17%	30.11%

Source: DeFi Advisors

Bitcoin Holdings – Distribution

Bitcoin distribution					
Balance, BTC	Addresses	% Addresses (Total)	Coins	USD	% Coins (Total)
(0 - 0.00001)	4282445	8.15% (100%)	23.13 BTC	\$993,654	0% (100%)
[0.00001 - 0.0001)	10210111	19.44% (91.85%)	438.76 BTC	\$18,845,873	0% (100%)
[0.0001 - 0.001)	13389200	25.5% (72.4%)	5,191 BTC	\$222,943,088	0.03% (100%)
[0.001 - 0.01)	12030457	22.91% (46.91%)	43,872 BTC	\$1,884,385,674	0.22% (99.97%)
[0.01 - 0.1)	8031173	15.29% (24%)	271,926 BTC	\$11,679,780,139	1.39% (99.75%)
[0.1 - 1)	3550602	6.76% (8.7%)	1,096,530 BTC	\$47,098,281,141	5.59% (98.36%)
[1 - 10)	865246	1.65% (1.94%)	2,148,729 BTC	\$92,292,433,493	10.95% (92.77%)
[10 - 100)	138717	0.26% (0.29%)	4,402,920 BTC	\$189,114,665,802	22.44% (81.82%)
[100 - 1,000)	13740	0.03% (0.03%)	3,777,190 BTC	\$162,238,231,585	19.25% (59.37%)
[1,000 - 10,000)	1946	0% (0%)	4,794,849 BTC	\$205,948,826,915	24.44% (40.12%)
[10,000 - 100,000)	108	0% (0%)	2,380,456 BTC	\$102,245,586,065	12.13% (15.68%)
[100,000 - 1,000,000)	4	0% (0%)	694,921 BTC	\$29,848,323,793	3.54% (3.54%)

Source: River