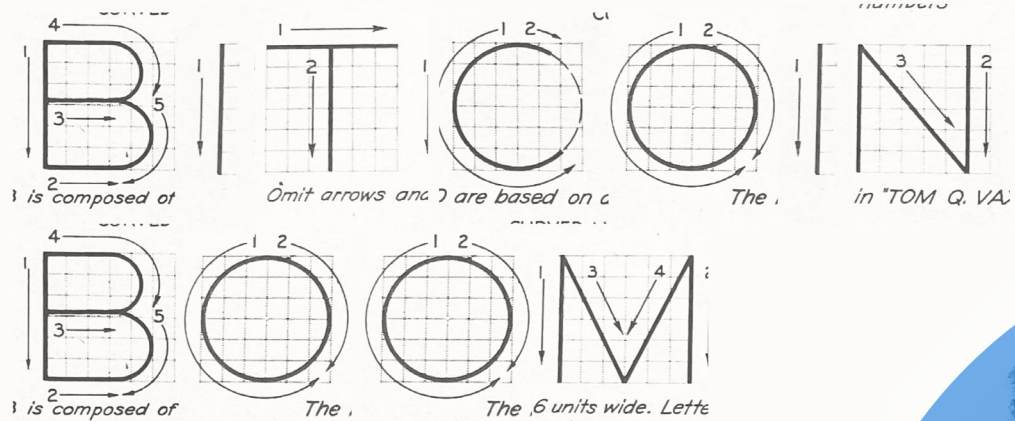


HOW TO POSITION FOR THE



INTRODUCTION

At Adamant Research, we like to publish our reports at times when the crowd is despondent and disinterested. Today, that is not the case; market participants are clearly emotionally invested. However, the crowd is still by and large dismissive about the medium term potential of bitcoin versus stocks, commodities, and other investor favorites.

In our view, this is a stage of quiet strength: rising conviction, healthy fundamentals, and a backdrop of fast growing institutional participation. We think this is the mid-cycle in what could become one of the most significant bull runs in bitcoin's history. From its current range, we believe there is still a path toward a 4-10x value appreciation, which would imply bitcoin price targets north of \$500,000.

This report aims to help investors understand the drivers of bitcoin's value, identify the signs of possible headwinds, and grasp a few strategic and practical notions about how to invest in this space.

Some of the conclusions suggested by this report:

- Blockchain analysis indicates that most bitcoin is still held by strong hands
- Bitcoin to continue decoupling from other cryptos, stocks and bonds
- Global macro predicament is a powerful tailwind for bitcoin
- Bitcoin startup investing is complicated yet attractive
- Bitcoin nation state adoption is just getting started
- Institutional adoption is a huge driver of this bull market
- Collaborative custody is a good option for novice investors

A common phrase among bitcoin enthusiasts is: "***Fix the money, fix the world.***" In this report, we focus on "***Understand the money, understand the world.***" Enjoy!

Tuur Demeester, editor-in-chief



"We maintain that the risk-reward ratio for Bitcoin the currency is currently the most favorable of any investment in the world."

ADAMANT RESEARCH
REPORT NOV 2015
BTC AT \$300

"We assert that the long term risk-reward ratio for Bitcoin is currently the most favorable of any liquid investment in the world. We expect for it to trade in a range of \$3,000 to \$6,500 after which we foresee the emergence of a new bull market."

ADAMANT RESEARCH
REPORT APRIL 2019
BTC AT \$5,200

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DISCLAIMER

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RISK DISCLOSURE

Cryptoassets are a highly volatile asset class. The value of cryptoassets can go down as well as up and you can lose your entire investment. When held by custodians, cryptoassets are often not insured and are usually not covered by national compensation schemes.

ONE AS AN INVESTOR, WHY DO I CARE ABOUT BITCOIN?

"Bitcoin is wasteful" ... "Bitcoin isn't backed by anything" ... "Bitcoin is too volatile" ... "Bitcoin is the slowest, most expensive database on the planet"... "Bitcoin is too private" ... "Bitcoin is not private enough" ... Any or all these criticisms could convince us to discard it, if Satoshi Nakamoto's invention didn't have any redeeming features.

What this elaborate network makes possible though, for the first time in history, is true scarcity for the digital world, fully autonomous ownership, and a permissionless global network for financial transactions. Because of its ingenious proof-of-work mechanism, bitcoin has been able to become a digital gold with an unprecedented robustness and openness: fourteen years of operation with an uptime of 99.989%, and anyone with access to an off-the-shelf phone and an internet connection can gain permissionless access to the network in minutes. This is why we call it the most disruptive technology since the invention of the internet.

To illustrate, these are some of the areas in which bitcoin, with a current market cap of \$2 trillion, directly competes with existing infrastructure:

- Fixed Income (e.g. bonds)
- Cash
- Gold
- Central Bank Reserves
- Currency deposits
- Payments and Remittances
- Real estate (as store of value)

But all of the above might still make the investor shrug: "So you've built a better mousetrap. Why should I care?" Well, we respond, consider that our existing monetary system is running on fumes, with accelerating debt and inflation increasingly destabilizing the global economy.

Most people today are aware of some fundamental issues with the financial system:

- US money supply (M2) increased by 42% or ~\$7 trillion since the pandemic¹
- Since 2020, the minimum reserve requirement for US banks is 0%

"Bitcoin is probably rat poison squared."

WARREN BUFFET, 2018
BTC PRICE \$9,800

"What [bitcoins] lack is their own fundamental intrinsic value. You can't do anything with a bitcoin, other than trade it for something you want."

PETER SCHIFF, 2011
BTC PRICE \$18

"With e-currency based on cryptographic proof, without the need to trust a third party middleman, money can be secure and transactions effortless."

BITCOIN INVENTOR
SATOSHI NAKAMOTO

"Bitcoin is a bank in cyberspace, run by incorruptible software, offering a global, affordable, simple and secure savings account to billions of people that don't have the option or desire to run their own hedge fund."

MICHAEL SAYLOR, 2021

"Consumers are, of course, increasingly stressed by rising prices for essentials like food, energy, and shelter. [...] In the new survey, 86% of Americans cite inflation as the top reason for their financial stress."

CNBC, APRIL 2025

¹Federal Reserve Bank of St. Louis

- FDIC reserves only cover 1.26% of US bank deposits
- Government Budget deficits in the US (6.4% of GDP) and the EU (3.2% of GDP) are now higher than those during the Great Depression.

Additionally:

- 1.4 billion people still don't have bank accounts
- Remittance fees are ~6%
- Banks don't settle transactions on Sundays

The solution is a paradigm shift: a new technology for the digital age that can grow into a universally accepted store of value. That's what bitcoin is: a "full reserve bank for saving in cyberspace," with the promise of evolving into a reliable and politically neutral money.

TWO

BLOCKCHAIN ANALYSIS INDICATES MID-BULL SENTIMENT

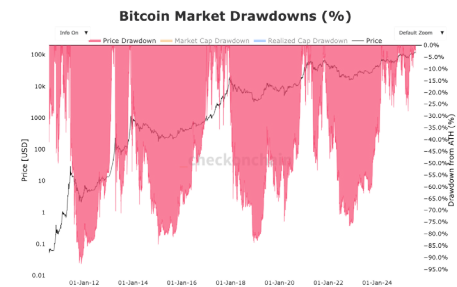
Further in this report we'll talk more about the fundamental reasons why bitcoin is here to stay for the long term. But as we all know, it is an incredibly volatile asset, so let's first look at some data to determine if it is worth our time today. The special thing about bitcoin having an objective ledger which records every transaction settlement, is that it allows for analysis that is usually impossible for other asset classes. Let's mine some of that data here below, to answer the question: Is bitcoin still undervalued?

1/ BLOCKCHAIN SUGGESTS WHALES ACTIVE, NOT CAPITULATING

Knowing what "insiders" are doing is always considered to be useful. As potential investors in a certain asset class, we want to know what the most experienced and wealthiest people in that market are doing with their portfolio. As it happens, the information on the bitcoin blockchain allows us to approximate exactly that. The "HODLER Net Position Change" is a metric that shows us whether whales (the people controlling the oldest coins in the highest quantities) are moving their bitcoins around, which correlates with selling behavior, or whether they are stoically holding onto their positions because they think bitcoin is still undervalued. As you can see below, whales have been moving some coins in the last two years, when bitcoin re-tested previous all-time highs during a tumultuous US election. However, nowhere in 2025 have HODLers been net movers of over 100,000 coins in a day, which historically has been indicative of selling activity during late stage exuberance.

Feature	Bitcoin	USD (home currency)
Macro-financial stability risks		
Risk of hyperinflation due to over-supply?	No for individual VCs	Possible (with policy mismanagement)
Risk of long-term hyperdeflation	High	Low

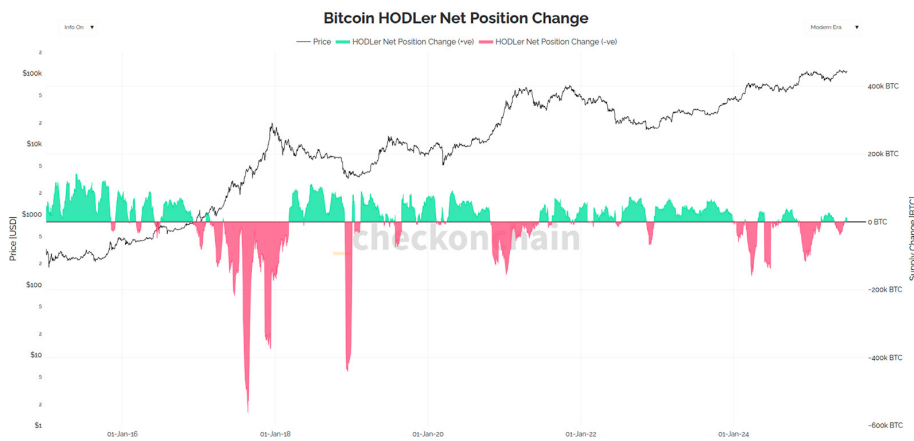
In a 2016 discussion note, the IMF points out that the dollar runs the risk of "hyperinflation due to over-supply" whereas bitcoin only runs the risk of "hyperdeflation", i.e. a long-term appreciation in value.



Drawdown analysis: this bull market's price corrections are shallow, suggesting stronger dip buying and a longer runway (e.g. see 2017 bull).

"Imagine there was a base metal as scarce as gold ...and one special, magical property: can be transported over a communications channel. If it somehow acquired any value at all for whatever reason, then anyone wanting to transfer wealth over a long distance could buy some, transmit it, and have the recipient sell it."

SATOSHI NAKAMOTO, 2010



"There is a huge and growing cohort of people that are price-agnostic [bitcoin] accumulators. 70% of this asset hasn't moved in over a year. 80% of this asset is quantified as long-term holders."

DYLAN LECLAIR, DIRECTOR
OF BITCOIN STRATEGY AT
METAPLANET INC, JUNE 2025

2/ CURRENT SENTIMENT

Another measure, which we also used in our 2019 report "[Bitcoin in Heavy Accumulation](#)," is called "Net Unrealized Profit/Loss" (NUPL)². Here's how it works: using the blockchain we can determine the dollar value of each bitcoin at the time it last moved. That way one can calculate for the aggregate of all bitcoins in existence whether the market is experiencing unrealized losses or unrealized gains. As we all know, when we look at a certain investment that we've made in the past, it usually makes a strong psychological difference whether that investment is "in the green" or "in the red." This is the reason we use this on-chain metric as a sentiment indicator. With 50-70% of total coins currently looking at unrealized gains, the sentiment among HODLers is solidly hopeful-optimistic, as expected mid-bull market. Once this measure reaches 85-95% levels (in absence of dollar devaluation or hyperinflation), it would be fair to caution euphoria and look for other indicators of a top in this bull cycle.

"I haven't gotten involved in bitcoin, but I wake up every day at 3 in the morning and I'm like "why am I such an idiot? [...] why do I not own it?"

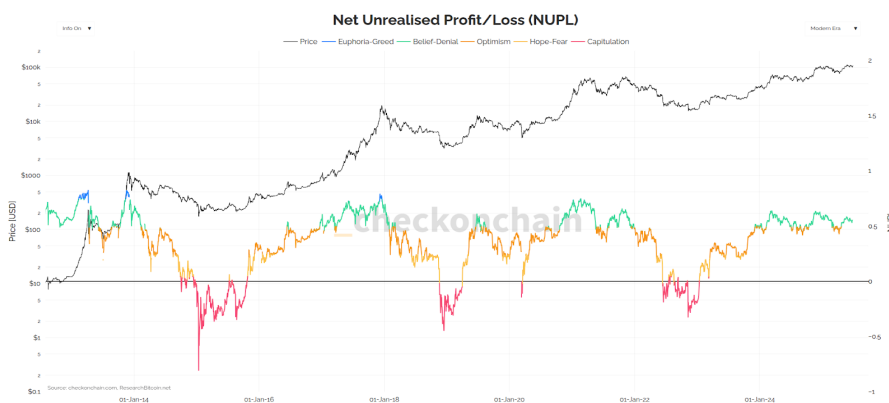
PHILIPPE LAFFONT, MANAGER
OF \$54B HEDGE FUND,
JUNE 2025

"Every time a bitcoin moves on the blockchain, its market value is realized. The owner was aware of its value and affirmed his control over it at the point of the move."

TAMÁS BLUMMER, 2019

"Looking at 2024, we see that Bitcoin yet again seems to have stolen the show, reaching \$100k in December."

JURRIEN TIMMER, FIDELITY
DIRECTOR OF GLOBAL MACRO,
JANUARY 2025



² In our report we called it "Relative Unrealized Profit/Loss", however it displays the same data. Glassnode has also developed the "Adjusted-Net Unrealized Profit/Loss", which corrects for bitcoins that were likely lost, i.e. balances that haven't moved in over 7 years. In that measure, we see that the cyclical bottoms in the chart align more precisely with each other.

THREE LOWER BITCOIN PRICE? CREDIBLE CATALYSTS

Now that we've established that bitcoin is likely undervalued, the question arises: "What if the 'Trump Pump' is coming to an end, and the price will only dwindle from here?" We'll get into some specific investment strategies later on in this report, but let's first address some of the headwinds that bitcoin still could face now that we're three years into this bull market.

1/ A LARGE SCALE BITCOIN HACK

An obvious and far from insignificant risk for market prices today, is for a large amount of bitcoin to be stolen. Market confidence could take a hit, and possibly the hacker could further sell into weakness. A negligible amount of large bitcoin balances worldwide are insured against risk, so large scale losses won't be compensated for by buybacks from insurance companies. Additionally, with over 10% of all bitcoin in circulation reportedly being stored by Coinbase, the market currently faces significant concentration risk. Some ETFs have now started diversifying their custody providers, which is a positive trend. That being said, we think only in extreme cases could a hack actually arrest or end the bitcoin bull market. When 120,000 bitcoin was stolen from Bitfinex in 2016, it barely registered in the price.

2/ UNLIKELY HEADWIND: LIQUIDATIONS OF KNOWN COIN HOARDS

As the very first bitcoin exchange, founded back in 2010, Japan-based MtGox vacuumed up as much as 7% of all bitcoin in circulation. That is, until it collapsed in early 2014 due to a series of hacks its management had desperately kept hidden from the public. At the time of its bankruptcy, MtGox owed a staggering 850,000 BTC to its customers, but after a long recovery process and expensive legal proceedings, only 141,000 BTC were available to distribute back to its claimants.

When distributions finally started in the summer of 2014, many investors feared this would put downward pressure on bitcoin prices. The worried sentiment was further amplified by the ongoing bankruptcy procedures of a host of crypto companies who had collapsed at the beginning of the 2022 bear market: first and foremost the infamous FTX exchange, but also lesser known names such as BlockFi, Voyager Digital, Celsius Network, Three Arrows Capital, and Genesis Global rattled investors. Investors feared that all this could lead to a languishing bitcoin price, unable to produce the familiar bull market rallies it is so famous for.

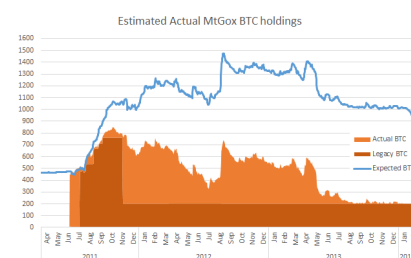
Reporting in mid-2025, we have to acknowledge very little of these fears have come true. With no more than 35,000 BTC left to distribute, the MtGox estate is now close to being depleted. Also other bankrupt entities have very little to no bitcoin left to distribute. Additionally, the appetite of this bull market has been thus that newly-available coins get absorbed quickly with little negative effect on price. One striking example of this occurred recently in late July '25, when Galaxy Digital reported on facilitating the liquidation of a massive 80,000 bitcoin coming from a single person or entity. This \$9 billion sale caused the bitcoin price to move down by a mere 4%.

HOW TO POSITION FOR THE BITCOIN BOOM

Number of times bitcoin was declared "dead" in the media

2010	1
2011	6
2012	1
2013	17
2014	29
2015	39
2016	28
2017	124
2018	93
2019	41
2020	14
2021	47
2022	27
2023	8
2024	2

Source: 99bitcoins.com



The **2015 WizSec analysis** of MtGox showed how the exchange had fractional reserves for years before it collapsed. At bankruptcy, only 140k BTC were left.



The sudden sale of +80,000 bitcoin caused a market drawdown of only 4%.

3/ IS CONFISCATION A RISK TO CUSTODIED BITCOIN?

Historically, assets held in custody, especially bearer instruments like gold and cash, have always been vulnerable to state encroachment, especially during periods of economic turmoil or political upheaval. The Federal Reserve Act of 1913, on the eve of WWI, enabled the introduction of inflation and subsequent erosion in value of dollar promissory notes. In 1933, during the Great Depression, president Roosevelt issued Executive Order 6102, which compelled citizens to surrender privately held gold to the government. And in 1971, during the US trade and deficit crisis, president Nixon definitively decoupled the dollar from gold, making it impossible for savers to convert their dollars back to physical assets—a power which up to that point they had had for 177 years.

Because of these historic precedents, and with awareness of the enormous fiscal problems in the Western world (US, EU, Japan,...), it is unsurprising that bitcoin investors have long viewed third-party custody with suspicion. When assets are not held directly, they can be frozen, redirected, or seized.

That said, in recent times the regulatory winds in the United States have been shifting. Rather than pursuing a posture of suppression, policymakers are beginning to integrate bitcoin into the broader financial order. The approval of spot bitcoin ETFs in early 2024 marked a significant turning point. These SEC-sanctioned vehicles gave institutional and retail investors a secure, legal channel for exposure. More importantly, the regulatory endorsement signaled that bitcoin is no longer being treated as an adversarial financial instrument, but instead is being absorbed into the established investment framework.

Further evidence of this shift came with Trump's unveiling of the National Strategic Bitcoin Reserve initiative. While still in its early stages, the creation of such a reserve reflects an emerging awareness in Washington that bitcoin does function as a strategic asset. US states Texas, Arizona, and New Hampshire were quick to approve their own official Bitcoin reserves, and nine additional states have pending proposals on this matter. This shows how among certain policymakers, bitcoin is being considered not merely as an investment, but as a monetary hedge and a tool of national relevance. A government generally does not seek to confiscate what it may one day rely upon.

That said, the historic risk to custodied bitcoin remains. At the moment, it is probably a very low risk, given the current administration's posture and the broader institutional trend. But that could change, and will depend on which jurisdiction investors reside in. History shows that measures once thought extreme can quickly become popular under the right pressures. A future administration, especially in the context of out of control budgetary deficits and escalating domestic or military conflicts, might take a more adversarial stance. In such a scenario, large stashes of bitcoin that are held in heavily regulated onshore entities would be considered "low hanging fruit" and thus the most vulnerable to confiscation or forced rehypothecation in order to borrow cash.

"I will support the right to self-custody to the nation's 50 million crypto holders."

PRESIDENT DONALD J. TRUMP,
JUNE 2024

"Peer-to-peer systems like Bitcoin represent the essence of autonomy, voluntary cooperation, and liberal values that our country was built on. As with any new technology, bad actors will exploit these systems and their growing pains will result in new policy questions and challenges. However, the U.S. should take a strategic view for the long-term promise these technologies hold and work to encourage their flourishing in our country and around the world."

BITCOIN POLICY INSTITUTE,
NOV 2022

"There is an urgent need to channel retail savings into capital markets to develop those markets and finance EU priorities."

EUROPEAN CENTRAL BANK,
JUNE 2025

4/ WHAT IF BITCOIN IS SEEN AS A THREAT TO THE DOLLAR OR OTHER FIAT CURRENCIES?

At first glance, bitcoin is an obvious challenger to fiat currencies. Its origin as a peer-to-peer monetary network outside government control invites comparisons to gold as a competing monetary tool. But that framing no longer reflects current U.S. policy direction. Recent legislative and institutional developments suggest bitcoin is being treated not as a threat, but as a strategic complement to the existing monetary system. However, over time we still see some potential threats emerge to corporations holding bitcoin.

Senator Cynthia Lummis' Bitcoin Act, which aims to define and protect the legal status of bitcoin, has progressed with little resistance. At the same time, laws like the GENIUS Act and other emerging stablecoin regulations point to a bipartisan recognition that digital assets may serve national interests. Rather than weaken the dollar, crypto infrastructure may help extend its influence globally.

Stablecoins are central to this thesis. U.S. Secretary of the Treasury Scott Bessent recently said, "stablecoins are probably the greatest advertisement for the dollar globally." His comment reflects a growing understanding that dollar denominated stablecoins are pushing demand for US government paper into markets where traditional banking is limited, inefficient, or politically constrained. These instruments polish the dollar's reputation by allowing it to function as a high-speed, low-friction monetary layer in a globalized digital economy, as well as boosting demand for the short-dated government bonds that the stablecoin's management use to back the value of its tokens.

Tether is the clearest working model of this dynamic. With more than 150 billion dollars worth of circulating tokens, it serves as a critical source of dollar liquidity in markets where official access to U.S. financial infrastructure is limited or unavailable, and, more importantly from the US government's point of view, with \$100 billion or 70% of its reserves invested in T-bills, it provides a reliable source of demand for short-dated government debt. Tether, closely related to one of the oldest bitcoin exchanges BitFinex, reinvests 15% of all its profits into bitcoin, with which it has so far purchased 100,000 BTC. Tether's long term strategy is simply to keep acquiring more bitcoin, which incentivizes the US government to retain a friendly posture towards this emerging asset class. This structure, pairing stable fiat instruments with non-sovereign reserve and profit diversification, is likely a template for how stablecoins will evolve in the future.

At the same time we are seeing the emergence of publicly traded Bitcoin Treasury Companies, most of whom are using high stock valuations and low interest rates of fiat borrowing to their advantage by issuing additional shares and issuing debt to willing buyers in order to acquire more bitcoin on their balance sheet. In creating this structural short fiat / long bitcoin trade, they are in effect using bitcoin to execute a speculative attack on fiat currencies such as the dollar, the yen, and the euro. If the popularity of this strategy keeps increasing, and that is likely given how even US banks are now allowed to hold bitcoin on their balance sheets, it's not unlikely that governments will eventually crack down on the highly profitable bitcoin treasury strategy. But for the moment, the regulatory climate remains very friendly.

"That no citizen of Texas shall ever be deprived of their right to own Bitcoin and that all Bitcoin owners will be protected ... and the ability to store Bitcoin in an unhosted wallet without undue interference from any state agency; these protections shall be extended to Bitcoin owners."

HOUSE CONC. RES. 89, BILL PROPOSAL REP. CODY HARRIS

"Bitcoin is free speech recorded in every block and replicated on thousands of computers distributed around the world."

ANETA KARBOWIAK

"I will make sure the US is the crypto capital of the world. We are making America great again."

PRESIDENT DONALD J. TRUMP, MARCH 2025



Global money supply (M2) tends to lead the bitcoin price by about 4 months.

Image source: [Julien Bittel](#)

5/ WOULD A MARKET CRASH CAUSE BITCOIN TO TAILSPIN?

Before delving into short term correlations, let's look at the overall picture. For any given 5 year time span since its inception, bitcoin has outperformed every other asset class in the world, including all US stock market indices. The one major asset class that it correlates with in the long run, is the global M2 money supply. In short, when central banks print more money, the bitcoin price tends to rise faster than normal.

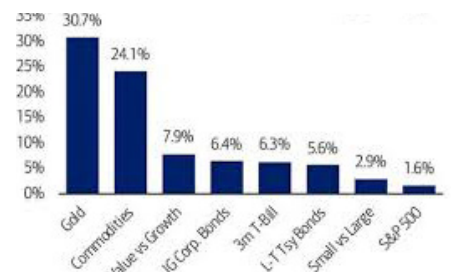
And given how nearly all governments in the West are facing record debt and deficit levels, the world is bound to soon see another big round of money printing. In this context, the major threat the investment public continues to face is so-called stagflation: languishing stock markets combined with high inflation. The way to survive such a period is to outperform inflation. And given how the official Consumer Price Index ("CPI") is a measure that's been vulnerable to manipulation, we recommend tracking long-term inflation trends by using a basket of raw commodities such as the CRB index. Sure, the CRB could come down as it did during crashes of 2008 and 2020, but a recovery is all but secured given a) the structural over-allocation of capital to the consumption sector, crowding out investment in primary commodity-producing industries, and b) the stimulus program that inevitably follows every crash in order to prop up governments and banks.

In short, if your investment portfolio outperforms the CRB over the long run, your family and/or business are likely protected from inflation. And so when we look at bitcoin expressed in units of the CRB index, we see that, after bouncing against the 300 level in 2021, 2022, and 2024, over the last 6 months bitcoin has decisively broken above this resistance and is now trading north of 350 units of the CRB index. This setup makes us confident that bitcoin will outperform commodities by a significant margin, and with that overall inflation, over the next few years.



We see parallels between the aftermath of the 2022 crypto crash and the period 1907-1913, where after the Panic of 1907 Teddy Roosevelt giving "flim-flam finance" an austere wash with "honesty soap," resulting in increased regulation and eventually in the founding of the Federal Reserve.

Asset class returns, 1970-1979



Source: Bloomberg, Dartmouth University data library, London Bullion Market, FactSet, BoFA US Equity & Quant Strategy

We see parallels with the 1970s stagflation¹ and thus expect for asset classes to trade similarly in the present decade. Bitcoin, as a liquid, scarce, low counterparty risk asset could take gold's role from 50 years ago.

¹ Stagflation is a combination of stagnant economic growth and high inflation. It confuses economists, who are used to either [growth + inflation], or [stagflation + deflation].

FOUR WHAT TO BUY?

Beginning in 2012, some two years after bitcoin's inception, alternative cryptocurrencies began to be created. This trend reached mainstream audiences in 2017, and after another crypto mania in 2021, over 20,000 different tokens have been pushed onto investors. Additionally, hundreds of startups have been launched, several of which are now publicly traded companies, and we've also seen the issuance of tradable mining contracts and other securities. So amidst all this chaos, how do we choose what to invest in?

We suggest that a well-rounded portfolio in the cryptocurrency space should follow two guidelines: one, of the available cryptocurrencies, focus exclusively on bitcoin, and two, invest in bitcoin first, and bitcoin companies later. Let's dig in.

1/ OF ALL CRYPTOCURRENCIES, FOCUS EXCLUSIVELY ON BITCOIN

This guideline deviates from our November 2015 report, in which we suggested to "focus on bitcoin" but also to "round off your investments with a small basket of altcoins." Our argument to justify owning altcoins (now known as "crypto") went as follows:

"In networked environments (like the world of cryptocurrencies), new developments tend to follow a power law distribution; there are a few clear, long-lasting technologies followed by a long tail of ever-smaller and less used ones. This long tail pattern can be found in areas such as languages, e-commerce stores, blogs, and social networks."

The reason we changed our mind over the last seven years, is that we have come to see bitcoin more as a foundational protocol than a communications language. Bitcoin is more like the base layer engineering protocol of alternating current (which allows electric machines to operate) than it is like the German language, which from an engineering point of view is a more surface level communications protocol. Just like the TCP/IP protocol is the foundational layer for all of the internet, we believe bitcoin is becoming the **foundational layer** for the internet of money.

So why might bitcoin become the singular foundational protocol for e-money, instead of one out of many? The short of it is that at the very heart of digital money is reliability, which is very expensive to achieve, and of which the per-user-cost becomes cheaper as the monetary protocol grows in size.

First, bitcoin's reliability is rooted in **redundancy**—its transaction history is reliably accessible only because thousands of copies of the ledger are stored all over the world. Second, bitcoin has, as any robust digital money would require, safety guards to prevent political factions from changing the system with a manipulative strategy. This is where **proof-of-work** comes in: the only way to make a cryptocurrency incorruptible, is to design it as an energy intensive system: those who perform work, get to

"I have a tremendous amount of respect for Bitcoin. Entire classes of bugs are missing."

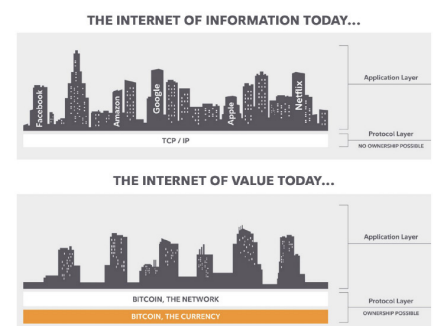
DAN KAMINSKY, FAMED
SECURITY EXPERT, 2011

"It might make sense just to get some in case it catches on. If enough people think the same way, that becomes a self fulfilling prophecy."

SATOSHI NAKAMOTO, 2009

"Since the birth of Bitcoin, thousands of other cryptocurrencies were created. None of these clones share its origin story. If you want to supersede Bitcoin, you will have to transcend its origin story. In a war of ideas, narratives dictate survival."

GIGI, BITCOIN AUTHOR



An image from Fidelity's 'Bitcoin First' report from 2022: "...an investor can own part of the base layer of this new technology and can be relatively agnostic about what specific applications are built on top of it." (orig. source: @Croesus_BTC)

vote on the validity of transactions. With the words of Satoshi: “one-CPU-one-vote.” **The requirement of using electricity and redundancy to all who get involved acts as a firewall around the network, an immune system that protects it from attacks.** Because energy intensity is a condition sine qua non for any truly decentralized and reliable cryptocurrency, we end up with a **winner-take-all dynamic**: once a functioning mechanism is figured out, the network effects and economies of scale of this system make everything else’s security model seem hopelessly inefficient by comparison.

To illustrate with an analogy, consider this: The natural world already features a base layer technology focused on storing extraordinarily important information, which it does with redundancy and sophisticated energy management systems. We’re talking about the **nucleic acids protocol**, the two main classes of which are RNA and DNA, which embeds and proliferates the molecular instructions for all life on the planet. The fact that all organisms operate on the same standard is testament to the fact that nucleic acids are the most effective solution to life and procreation to come out of the known universe. Additionally, this protocol has created a huge **competitive moat** around it, because it is such a vastly rich ecosystem within which Darwinian competition and evolution can take place. A new organism whose molecular instructions are coded using a different protocol wouldn’t be competing with just one other RNA/DNA-based organism, it would in effect have to compete with the extremely adaptable and widespread network of all existing organisms. Similarly, we see **bitcoin’s dominance** only continue and strengthen going forward, because it is by far the most known, robust and reliable protocol stack in the world of cryptocurrencies.

We can also look closer to home to get an illustration of how foundational protocols that compete with each other tend to result in a “winner-take-all” outcome—a world where basically just one protocol survives and dominates. In the **early 1990s** for example, a fierce battle took place between two protocols, each of which had a different way of organizing online information. Most of us are not aware, but the outcome of this competition was a win-or-lose outcome, and it influenced to this day our experience of browsing the internet. One of the two protocols was called **Gopher**, the other the **World Wide Web**. Gopher had a head start, but slowly lost ground because it was less censorship resistant, required more top-down oversight, and because it fell apart in many different forks. After several years of competing, the WWW started to dominate and Gopher completely fell by the wayside. Similarly, we expect less reliable cryptocurrencies such as Ethereum, Ripple, and Cardano to ultimately lose the war and dwindle against victor bitcoin.

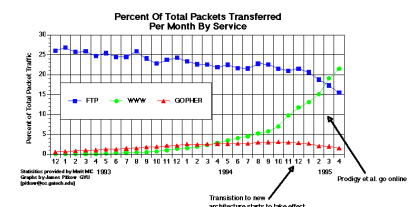
In closing, let us respond to the most prevalent criticism lobbed at bitcoin, which is also the dominant justification for the creation of alternative cryptocurrencies: “Bitcoin can’t do X.” For several years we heard that about transaction speed: bitcoin was **too slow** and supposedly would never scale. And then the Lightning Network came around, which is a protocol layer on top of bitcoin, which gave it its current potential to facilitate millions of transactions per second. Later, we heard that bitcoin had **no privacy** features, which

“Proof-of-work should not, therefore, be seen as a mysterious or wasteful system, but as something functional, natural, and potentially of value for the design of any communication protocol. ... The universality of the **Handicap Principle** in biology should be enough to make one suspect that a protocol which does not impose costs on its users invite abuse.”

DANIEL KRAWITZ, 2013

“The pyramids were a declaration to every other culture in history: ‘Behold, this is the measure of our civilization, this is proof of work, proof of abundant resources; this cannot be built cheap.’ ...Our ancestors said: ‘This is as good as written in stone.’ Our grandchildren will say ‘This is as good as written on the blockchain.’ Because it is the new standard of immutability, and it is globally accessible. ... Bitcoin is a planetary scale, thermodynamically guaranteed, self evident system of immutability.”

ANDREAS ANTONOPOULOS, 2016



In 1992-1994, a protocol war was waged between WWW and Gopher.

Source: Christopher Lee, [ILS.UNC.edu](https://www.ils.unc.edu/)

lead to the creation of a host of altcoins. And then in 2021 a soft upgrade to bitcoin called Taproot has enabled a range of powerful privacy solutions for bitcoin, making the Lightning Network more private, and allowing for new forms of collaborative custody and smart spending contracts such as CoinJoin, ROAST, FROST, and FediMint.

The pattern that we see here is that there is **no limit to the features that can be incorporated in bitcoin**, because its blockchain offers a robust foundation on top of which a whole suite of other protocols can be built. Think of bitcoin as the raw land on and around Île de la Cité in France, that easily protected island in the Seine river. At first this land was used to build a little village, which then later evolved into the medieval city of Paris. As more capital was invested in the 'land core protocol' (additional roads, ports, and skyscrapers would be equivalent to additional protocol layers), a virtuous cycle develops—the existing infrastructure draws in more people and resources, which then further expand the city. Similarly, bitcoin is a protocol stack which we can expect to be expanding for many decades, and its foundation is that lean, simple database defended by the world's strongest firewall: the bitcoin blockchain.

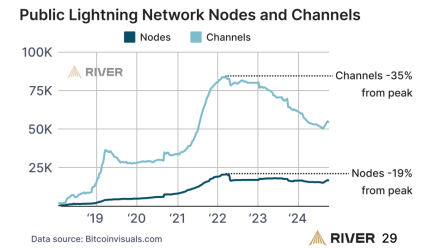
In sum, **we recommend to not worry about “diversification” in cryptocurrencies and to focus exclusively on bitcoin**. It's the right tool for the job, so pick it up and add it to your toolbox.

True, after having spent 14 years in this space, we may suffer from survivor's bias or we might have become jaded seeing thousands of people lose their savings investing in failed crypto ventures, so by all means do your own research. But if you're asking our opinion, it is this: we sincerely urge investors to not waste their money on other cryptocurrencies, most of which are vastly inferior from an engineering point of view, most of which are nothing more than unregistered securities designed to line the pockets of their founders, and, most importantly, all of which lack the elegant design, the overwhelming network effect, the robust track record, the possibilities for autonomous ownership, and the strong cypherpunk ethos that the bitcoin protocol stack has to offer.

Investing in bitcoin, we believe, is like having the ability to buy shares of a general “Internet ETF” back in the early 1990s, or like being able to buy undeveloped land on Manhattan Island at the start of the Industrial Revolution—it's the opportunity of a lifetime.

2/ INVEST IN BITCOIN FIRST, IN BITCOIN COMPANIES LATER

If one wanted to invest in the internet in the early 1990s, the only option was to invest in startups building on top of the TCP/IP stack—of which there were hundreds. By contrast, with bitcoin we have the luxury of being able to invest in the actual protocol, not just in the businesses built on top of it. We believe that buying into the operational backbone itself (buying bitcoins, or



The capacity of the Lightning Network has been growing in spurts, followed by consolidation periods. Recently its capacity exceeded 5,000 BTC (\$160M) for the first time. As the bitcoin bull market develops, we expect another growth phase for Lightning.

Source: [River.com](https://river.com)

“If we want to decentralize other services, we should not generalize the blockchain, but build decentralized markets, just like [Satoshi] did.”

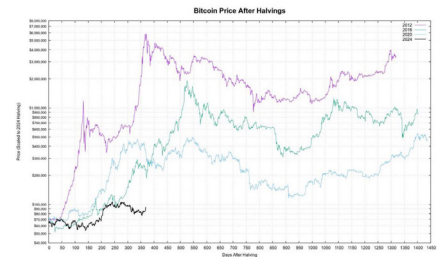
DHRUV BANSAL, MARCH 2025

Protocol	Launch	Age
FTP	1971	52 years
TCP, IP	1974	49 years
UDP, Ethernet	1980	43 years
DSL, DHCP, DNS	1984	39 years
HTTP	1991	32 years

fractions of bitcoins), especially during this infrastructure phase, should be the main focus of a cryptocurrency investor. Unless you have special skills that set you apart, our general recommendation is to first focus on buying bitcoin, and only later to focus on the ecosystem companies.

That said, here are some brief thoughts on how to invest in the space of companies that have nontrivial exposure to bitcoin:

- **Thorough due diligence is indispensable.** Each company in the bitcoin space has by necessity a very limited track record. This means an in-depth survey investigating its people, plans and operations is of crucial importance. If you don't have the time, consider outsourcing this work to a VC fund or analyst... but then make sure to do your due diligence on these professionals, or at least have your financial exposure be in proportion to the time you were able to do due diligence.
- **First mover advantage is overrated.** Go instead for a company that has know-how, integrity and perseverance, even if they arrived later to the party. We've seen strategic advantages evaporate very quickly in this space. Even owning intellectual property doesn't seem to have much sway in bitcoin's global marketplace, where open source projects tend to drive the price of software down to nearly zero. Because the ecosystem is clearly still in its infrastructure phase, look out especially for the presence of highly skilled engineers.
- **Lean into geographically diversified strategies.** Bitcoin is already controversial in today's world, and polarization is only expected to grow. Companies who have operations in multiple countries, or who serve them with an agile and international team, should generally be preferred. Also, consider how companies who require deep ties with regulated entities (like banks) can be more vulnerable to political shocks.
- **Think about timing.** Had you invested in video streaming in the 1990s, you'd have lost your money—no matter how gifted the founder was. Aside from bitcoin mining and probably payments over the lightning network, there is a lot of uncertainty about which bitcoin use cases will take off at any given time. So try not to confuse exciting technological designs for their ability to be monetized in any given year. It's a great plus if the company has growing revenues, in which case you want to ask yourself whether the growth is sustainable and can turn into profits.
- **Think about leverage and third party risk.** Bitcoin treasury strategies are experiencing a huge boom now. Capitalizing on the crisis in the fixed income markets, companies like Strategy (\$MSTR) aggressively buy bitcoin with freshly issued debt, in effect cornering the market. They have so far acquired over 700,000 BTC, which is over 4% of bitcoin's available supply. As market sentiment gets increasingly heated and with growing involvement of retail investors, we expect this trend to continue and eventually result in an unsustainable bubble. We advise caution and awareness that bitcoin treasury strategies, while often remarkably sustainable if executed prudently, absolutely do expose investors to additional layers of risk compared to a simple



This cycle for the halving is bitcoin's quadrennial PR event; when demand catches up, returns often follow.

Graph source: [HalvingTracker](#)

"This cycle for the first time, the buying is starting not from retail but from (slow moving) institutions. Once retail catches on, bitcoin can cut through other halving precedents like a knife through butter."

TUUR DEMEESTER, APRIL 2025

"As long as bitcoin CAGR is greater than fiat cost of capital, there's room for more bitcoin treasury companies, and for the incumbents to grow."

PIERRE ROCHARD, MAY 2025

"Right now we're spending ~40hrs/week talking to founders building in Bitcoin. We engage with several hundred distinct startups each year. Still, I know we're missing great people - the ecosystem is so incredibly active."

ALYSE KILLEEN, VC
AT STILLMARK, JULY 2022

investment in bitcoin-the-asset.

FIVE ONE FUNDAMENTAL DRIVER OF BITCOIN'S PRICE

Rather than giving you a dry list of all the niche areas where we expect bitcoin appetite to come from, let's exclusively focus on one particular source of demand, a source which we believe will form the driver for adoption for many years to come: **Long Term Store of Value**.

The reason why the use case of "store of value" (i.e. using bitcoin as digital gold; as a savings mechanism) has such importance, is because it is a crucial step in the evolution of bitcoin towards becoming a money, which is what it was designed for by Satoshi Nakamoto. Initially, back in 2010, bitcoin started as a collectible, a mere curiosity which people enjoyed gathering. Over the years it has become much more frequently used as a store of value; for the short term by speculators, and for the long term by investors. Next, we can expect it to take the role of a medium of exchange, which means that it gets frequently used as a way to buy and sell goods and services. And finally, under a 'Bitcoin Standard' it could turn into a unit of account, whereby people start expressing all economic value in terms of how much BTC it may be worth.

Now, the motivation for many people to start investing an asset that is useful as a long term store of value in 2025, often for the first time in their lifetime, is manifold:

- **Inflation is back.** After massive stimulus in response to liquidity tightness in 2019 and the pandemic in 2020, inflation soared, peaking at 9.1% in 2022. This was the highest dollar inflation print in almost forty years. And the numbers keep adding up: between 2010 and 2025, US consumer prices have risen by over 40% according to AIER's Everyday Price Index. Given how public debt and budget deficits in the west are at multigenerational highs, we expect for the inflationary quantitative easing programmes to continue for years to come (the alternative is blanket government defaults, which money issuing countries almost never do). All of a sudden, millions of investors in the western world, as well as its largest funds, are keen to find new vehicles for storing value. Bitcoin, being highly liquid and provably scarce, now makes for an attractive proposition.
- **The bond cycle has turned bearish.** After forty years of generally positive returns in treasury and corporate bonds, valuations are now slipping and until global debt levels are a lot lower, inflation adjusted returns will probably not return for many years. That means the 60/40 portfolio is dead (bonds are no longer a hedge for recessions) which is a shock for risk-averse investors around the world,

"A speculative attack that seems isolated to one or a few weak currencies, but causes the purchasing power of bitcoins to go up dramatically, will rapidly turn into a contagion. (...) The feedback loop between fiat inflation and bitcoin deflation will throw the world into full hyperbitcoinization."

PIERRE ROCHARD, JULY 2014

"I think the internet is going to be one of the major forces for reducing the role of government. The one thing that's missing but that will soon be developed, is a reliable e-cash."

MILTON FRIEDMAN, 1999

	Bitcoin	Gold	Fiat
Durable	B	A+	C
Portable	A+	D	B
Fungible	B	A	B
Verifiable	A+	B	B
Divisible	A+	C	B
Scarce	A+	A	F

Grading of some attributes of different monetary protocols, by Vijay Boyapati

"All roads lead to inflation. I am long gold, bitcoin and commodities are ridiculously under-owned."

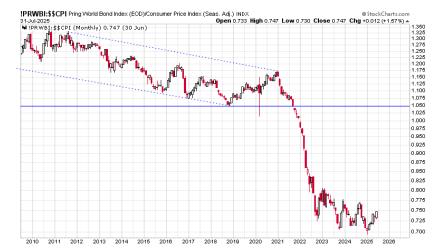
PAUL TUDOR JONES, JUNE 2025

and also it means that traditional large holders of fixed income securities such as banks, insurance companies, central banks, and other economic giants are now worriedly reviewing and revising their long-term investment strategies.

- **The Real Estate market is turning a corner.** One greatly under-appreciated driver for real estate values over the last century is the low quality of money in the world. After the “boring but reliable” gold standard was gradually abandoned, savers around the world identified real estate as a new store of value. Combined with the banks’ hunger for yield on deposits, and decades-long artificially low interest rates, the real estate market became one of the most debt-leveraged markets in the world. As a result, real estate recently peaked at 46% of all global wealth, representing a staggering 68% of real wealth owned by investors.³ Since the Fed turned the corner and started to raise rates in 2018, significant real estate headwinds have taken shape: baby boomers are aging out of their properties, home insurance costs are soaring, and repairs are now more expensive due to increased cost of labor and raw materials. Perhaps central bank buying of mortgage-backed securities will continue to stave off a traditional bear market (the Fed currently owns over \$2.1T of all \$11T US mortgage-backed securities⁴), but it seems increasingly unlikely that real estate will continue to be a suitable hedge against inflation.

In short, the global economy is **over-indebted**, and the economic machine needs to be restructured so that it can begin living within its actual means again. This process is bound to be painful: a wave of bankruptcies, for one, so that business activity can focus on those areas that still can be supported by the deleveraged economy.

Generally speaking we can expect for economic activity to switch from emphasizing the production of consumer goods and services, towards goods at the very beginning of the value chain: crude oil, grains, cattle, metals, minerals... Think of what an individual family would do if the interest rates on its debt suddenly multiplied: it would only spend money on the most basic economic goods, until the debt is paid off or incomes rise. This is what now begins to happen in the world at large. And during that period of transition, that period of restructuring, investors will flee into liquid assets with low counterparty risk: real stores of value.⁵



The Global Bond Index, corrected for dollar inflation. Since the pandemic, bond investors have seen the purchasing power of their portfolio melt by over 25%.



When expressed in commodities, US Real Estate has been flat for nine years. Central bank stimulus has lost its magic, and we expect for commodity prices to start outpacing real estate prices soon.

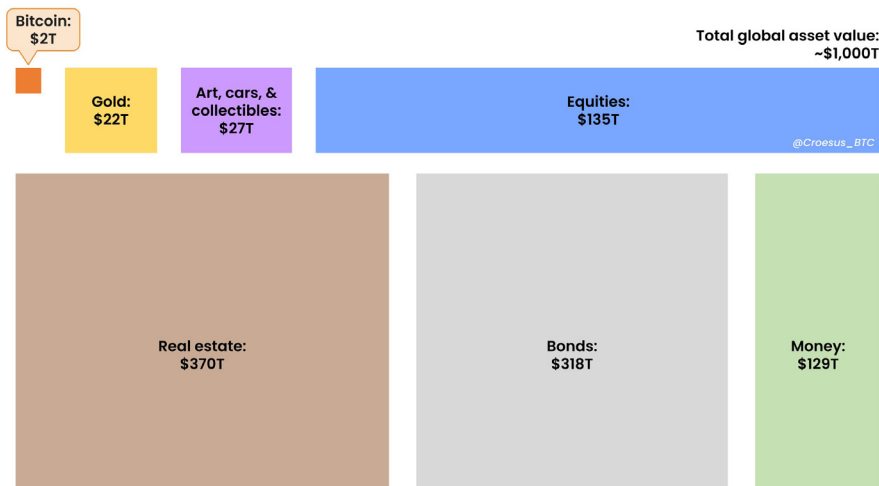
“This year, the government will have to pay 4.5% interest on its debt (as opposed to 0.1%-2%), that means an interest expense of over \$1 trillion! If it keeps going up, you have the Weimar Republic... who’s going to buy our paper?”

BILLIONAIRE BARRY STERNLICHT, JAN 2023

³ “Real wealth” = nonfinancial assets. Source is McKinsey 2021 report, “[The rise and rise of the global balance sheet](#).”

⁴ See the New York Fed’s 2022 report “[Mortgage-Backed Securities](#).”

⁵ In a recent write-up, Jesse Myers uses the same thesis to make the case that, at full valuation, one bitcoin could become worth as much as \$10M in today’s dollars. See “[Bitcoin’s Full Potential Valuation](#).”



"In my 43 years as a trader there has never been a move like \$BTC. The only other market that achieved a superior parabolic advance was German interest rates in 1920s. Even taking a starting point of \$1, BTC redoubled 16 times."

PETER BRANDT, JULY 2018

Of course, as happened in the stagflation of the 1970s, given these shifting tides investors will continue to reach for gold, that historic store of value. However, it is our belief that in a digital, intensely globalized world, bitcoin will be even more desirable and in demand because of its superior ability to be stored safely, its vastly higher divisibility, its lack of a need for third party storage, its resistance to confiscation, its supreme auditability, and its provable scarcity.

"It will be the policy of my administration to keep 100 percent of all bitcoin the US government currently holds or acquires in the future [...] as a core of the strategic national bitcoin stockpile."

PRESIDENT DONALD J. TRUMP,
JULY 2024

SIX BITCOIN ADOPTION BY NATION STATES

After tiny El Salvador blazed the trail in 2021 by officially declaring bitcoin legal tender, now economic juggernaut USA has entered the fray. We expect other countries to follow suit in the next few years, though the process may be bumpier than most expect.

Let's begin by covering the United States, where Trump's supportive stance wasn't so much the quiet beginning of an adoption trend, but rather the official endorsement of a fast developing reality. That wasn't always so. In the early years of bitcoin, China actually dominated its marketplace, so much so that traders looked at price charts in yuan to gauge where the price was going next. That changed in the period 2017-2021, during which the CCP aggressively cracked down on bitcoin exchanges and bitcoin mining. Ever since, the bitcoin universe's undisputed center of gravity has been the United States. At the moment, US-based corporations hold some 2.5 million bitcoins, 1.4 million of which are held in the recently approved ETFs. Additionally, some 36% of global bitcoin mining activity is taking place in the United States. Markets have responded strongly to the "Trump Pump": a series of strong bitcoin endorsements by the new administration, which include a strategic bitcoin reserve, the adoption of the stablecoin-friendly "GENIUS Act", and a 166-page White House report proposing the Digital Asset Market Clarity Act. Additionally, the Trump administration boasts with Howard Lutnick, a Secretary of Commerce whose behemoth firm Cantor Fitzgerald has close ties with bitcoin-native companies, and with Scott Bessent, a Secretary of the Treasury who's been equally positive, for example commenting: "There's a very good chance that crypto is actually one of the things that locks in dollar supremacy."

"[Declaring bitcoin legal tender] is just exercising our sovereign right. Like we adopted the US dollar in the year 2001. What's the difference? The only difference probably is the reason why we're doing this. In 2001, it was probably done for the benefit of the banks. And this decision is done for the benefit of the people."

NAYIB BUKELE, PRESIDENT OF
EL SALVADOR, JULY 2021

These strong endorsements are beginning to cause a global ripple effect. Russia, for example, will be issuing Bitcoin bonds via Sberbank—the largest bank in the country. In Pakistan, recent announcements outlined plans for a Strategic Bitcoin Reserve and allocating 2,000 megawatts of surplus electricity for mining and AI.

Progress has been made in a host of other countries, in the sense that significant numbers of state officials are now in talks with bitcoin companies. However, governments worldwide are often so entangled in their own political dramas and crises that bitcoin adoption remains a low-priority item on their agendas. For instance, in Israel, Prime Minister Netanyahu's involvement in ongoing conflicts has sidelined any meaningful engagement with bitcoin, despite showing interest behind closed doors. Also Canada's opposition candidate Pierre Poilievre showed interest in bitcoin, yet the topic was sidelined after losing the election. The new Canuck president Mark Carney has put any efforts for bitcoin adoption there on ice. Similarly, talks about bitcoin in Australia have stranded after the country made a shift further left on the spectrum. In Thailand, progress toward a regulatory sandbox for bitcoin adoption was agreed upon, yet military efforts to oust the prime minister introduced fresh instability. These examples illustrate how internal and geopolitical dramas perpetually relegate bitcoin to the bottom of priority lists, even as it inches upward in importance.

An additional hurdle is the conflation of bitcoin with other cryptocurrencies, aka "crypto" or "altcoins," which taints perceptions. Many government officials lump bitcoin in with centralized projects like Ripple and Ethereum, fostering negative understandings that require education to help them understand the value of Satoshi's decentralized, politically neutral money. To counter these misconceptions, continued engagement of opposition leaders and potential future prime ministers will be key.

In the end, with the American example in mind, it may be corporate adoption that becomes the most powerful catalyst for nation-state involvement. When corporations grow big and powerful thanks to their bitcoin holdings, "money talks" and begins to influence policy directly. On Wall Street, BlackRock draws much attention with its bitcoin ETF becoming the most successful in history, ranking as the third-biggest driver of profit and revenue—surpassing even its S&P 500 ETF in impact. In Japan, where earlier efforts stalled, bitcoin treasury company Metaplanet has recently ignited a craze, propelling bitcoin into mainstream financial news daily and making it "too big to ignore." This corporate momentum transforms bitcoin from an abstract concept into a "big box on your doorstep," concretizing its role as an economic engine. As corporations like Strategy and Metaplanet monetize bitcoin bonds, they reduce career risks for politicians, shifting perceptions and eliminating barriers that once made adoption politically hazardous.

In closing, it's important to remember bitcoin's grassroots origins. As of this writing, over 50% of all bitcoin is still owned by individuals. It is these millions of people who are ultimately driving global adoption. Private businesses are situated downstream from this source of primal energy, and we'll find most governments even further downstream from them. And so while political hurdles and misconceptions will likely keep stalling widespread nation-state bitcoin adoption, America's bold lead and the massive global corporate involvement promise to only accelerate bitcoin's adoption rate, dragging new governments aboard whether they're ready or not.

"The IMF is limited in what it can do to intervene in the event that a digital currency like bitcoin is used to attack the value of a conventional currency via a "speculative attack." ... Because having a supply of bitcoins is necessary to effectively counter a speculative attack, the sooner the IMF can acquire a supply of bitcoins, the cheaper counteracting such an attack will be."

NICHOLAS A. PLASSARAS, 2013²

"We consider it necessary that international trade be established, as it was the case, before the great misfortunes of the World, on an indisputable monetary base, and one that does not bear the mark of any particular country."

CHARLES DE GAULLE,
PRESIDENT OF FRANCE, 1965

"Bitcoin is transforming not only our country but the world. And becoming the first developed nation to use Bitcoin as a savings technology secures our position as a global leader in financial innovation."

US SENATOR CYNTHIA LUMMIS,
JULY 2024

² Paper published in the Chicago Journal of International Law.

SEVEN

HOW TO BUILD A POSITION IN BITCOIN

Now that we've covered why Satoshi's invention is valuable to us as investors, let's talk about how to allocate a portion of bitcoin to a portfolio.

1/ THE IMPORTANCE OF A LONG-TERM STRATEGY

In the bitcoin ecosystem, **volatility** is a given; it's a phenomenon investors must learn to stomach. A successful bitcoin investor will have to weather significant downturns to achieve results. As the saying goes, "it's not about timing the market, it's about time in the market." Holding is often the hardest and most important aspect of investing. Embrace a long-term perspective and prepare psychologically for potential downturns, which can help maintain a healthy outlook and prevent impulsive selling.

Lump Sum Investing vs. Dollar Cost Averaging

Bitcoin's notorious volatility has sparked a debate among investors on whether to enter the market with a lump-sum investment or to invest fixed amounts regularly (dollar-cost averaging).

Generally speaking, people who have irregular income or are managing a mature portfolio often lean towards buying a lump-sum—"one and done." Keep in mind that this may require extra psychological resilience, as the price can drop after your purchase and being fully allocated you won't be able to buy any more dips.

On the other hand, people who have relatively steady employment and who are still building a savings portfolio may want to consider investing in bitcoin via a dollar-cost averaging strategy. This has the benefit of accumulating a growing position over the long run, while possibly experiencing less stress when the price dips as you know that more buys are coming in anyway.

Ultimately, the choice is about personal preference and aligning with your financial, family, and life situation. We suggest choosing the method (or combination of methods) that best allows you to stay invested for the long-term..

2/ ALLOCATION STRATEGY SUGGESTIONS

In the current landscape, we recommend considering your bitcoin investment as a potential part of three distinct strategies: as an insurance policy against systemic risks, as a hedge in a broad speculative portfolio, and as a calculated bet on an early retirement. Let's break each one down.

Bitcoin as Insurance Against Systemic Risks: 5% of Wealth

Making an allocation to Bitcoin can serve as an insurance policy against various systemic risks inherent in even the most conservative-looking invest-

"In investing, what is comfortable is rarely profitable."

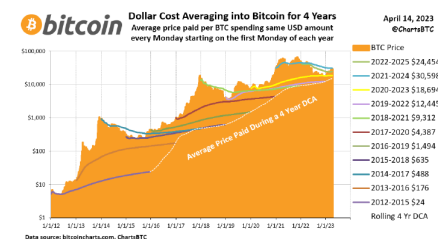
ROB ARNOTT

"Know what you own, and know why you own it."

PETER LYNCH

Time Period	Number of Periods Analyzed	Best Strategy	
		Lump Sum	DCA
1-Year	4,139	74.7%	25.3%
2-Years	3,773	79.7%	20.3%
3-Years	3,408	84.0%	16.0%
4-Years	3,043	89.8%	10.2%

Bitcoin lump sum vs. dollar-cost-averaging profitability analysis between 2010 and 2022, by [@w_s_bitcoin](#).



This analysis by [@chartsbtc](#) gives an idea of average prices achieved following a four year strategy of DCA'ing into bitcoin.

ment portfolios. Bitcoin's decentralized nature, low counterparty risk, and global accessibility make it a robust hedge against potential crises.

Think of it like you think of having homeowners insurance, which costs about 0.25% of the home value per year. Similarly, bitcoin is a way to insure your investment portfolio. Given how in most portfolios, the proverbial kitchen is already filling with smoke, we think it's warranted to pay a higher, one-time premium (5% of wealth) for an insurance which can pay out in the case of an inflationary depression or other systemic crises of the financial system.

In sum, by investing a modest percentage of your portfolio in bitcoin, you can protect yourself from catastrophic losses in traditional assets by benefiting from the cryptocurrency's resilience and continued adoption during times of economic uncertainty.

Bitcoin as a Speculative Asset: 10% Allocation

A speculative portfolio traditionally involves betting on assets that are not (yet) inflated by the hot money of the boom-phase of the business cycle. Historically, these have been assets with relatively low counterparty risk such as precious metals, cash, deflated real estate, and agricultural commodities. However, despite the efforts of portfolio managers, assets in such a portfolio can still move in tandem during anomalous and/or crisis situations.

In comes bitcoin: a scarce and largely uncorrelated speculative asset, which has permanent liquidity (you can always find a buyer for it), which, if stored properly, has extremely low counterparty risk, and which is currently historically undervalued. By including a bitcoin investment in your portfolio, you can benefit from its potential for substantial resilience during periods of deflation or stagflation in the economy.

In conclusion: if you have a need for speculative safeguards in your portfolio, consider integrating a 10% bitcoin allocation into it in order to help offset both losses during the bust phase of the business cycle, and value erosion during aggressive spikes of inflation.

Early Retirement Bet: 20–50% of Assets

Investing 20–50% of your assets in bitcoin as an early retirement bet is a more aggressive strategy that aims to capitalize on the potential for massive wealth creation in the coming years. As a disruptive technology, bitcoin could radically transform how value is exchanged around the world.

If bitcoin achieves widespread adoption and captures a significant portion of the global market for value exchange, the potential returns can be astronomical. Keep in mind, however, that this strategy can be stressful and comes with substantial uncertainty given the volatile nature of the market.

"Seen as a form of "digital gold," bitcoin may act as a stable store of value and potentially offer protection against inflation—and even hyperinflation. ... When conditions go extreme ... no matter how big one's hedge is, it will seem not nearly enough At such times, we might wish we had been 'irresponsibly' long."

J. TIMMER, DIR. OF GLOBAL MACRO AT FIDELITY, MAR 2021

"A speculator doesn't allocate capital in order to grow a business or create something. He simply takes advantage of distortions in the market to increase his personal share of existing wealth. Most speculative opportunities have political roots, taking advantage of distortions created by laws, regulations, taxes, or other government action."

DOUG CASEY

"If inflation picks up, or even if it doesn't, and more companies decide to diversify some small portion of their cash balances into bitcoin instead of cash, then the current relative trickle into bitcoin would become a torrent."

BILL MILLER, 2021

EIGHT I'VE DECIDED TO BUY BITCOIN. HOW DO I HODL?

Bitcoin is not a company with a CEO and a physical building somewhere—it's an open source protocol. That means on the one hand enormous freedom for entrepreneurs to create a wide variety of products and services, and on the other hand a vast and confusing landscape for aspiring bitcoiners to get lost in. In this section, we provide you with some general pointers on how to approach bitcoin storage, as well as with some concrete options for safekeeping your bitcoins.

1/ Storing bitcoins yourself, using a single private key

The simplest method for securing bitcoin in self-custody is single signature self-custody on a hardware wallet. A hardware wallet is a physical device that helps the user manage his private keys and enables access to the funds. Practically speaking the device will generate a string of 24 random words, which you then write down and store in a secret place.

While this is a quick method for storing bitcoins securely offline, this "single signature wallet" can fail due to a single event (e.g. if you lose your backup, or if someone steals your hardware wallet), which can become problematic as your bitcoin position increases in value.

Brands such as [Coldcard](#) and [Blockstream Jade](#) are examples of trusted hardware wallets. As a general rule, always order your hardware wallet directly from the company's website or their trusted vendors. Using third parties like eBay or Amazon exposes you to a not insignificant risk of pre-installed malware.

2/ Storing bitcoins yourself, using multiple private keys

Another method of securing your bitcoins is called "multi-signature self-custody." This security technique requires multiple private keys to spend funds, ensuring the safety of the assets even if one key is lost or compromised. This method can be operationally challenging as it requires securing multiple physical keys and hardware wallets, plus additional information about how the multisignature wallet was created.

This is a great option for securing large sums of bitcoin for the long-term, but we recommend for the novice to do significant research or to connect with a reputable expert before setting this up on one's own. Some trusted options in the space are [Nunchuk](#), [BlueWallet](#), Liana Wallet, and [Blockstream Green](#).

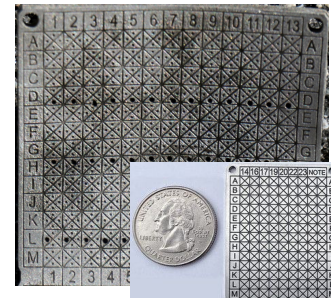
3/ Storing bitcoins with a third party custodian

Third-party custody is a convenient alternative to self-custody, where savers entrust their bitcoin to a corporation such as an exchange or wallet provider. While it feels like the easiest solution, custodians have many layers of risk that should be considered:

- Always online: access to the account is a weak point in this setup. If a user's email is compromised, an attacker may be able to socially engineer their way into the custodial account even if there is physical 2-factor authentication, since an employee at the custodian can reset the 2FA.

"After spending many years in Wall Street and after making and losing millions of dollars I want to tell you this: it never was my thinking that made the big money for me. It was always my sitting. Got that? My sitting tight!"

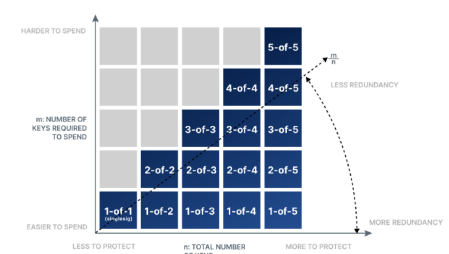
JESSE LIVERMORE



To protect bitcoin backup seeds, metal storage devices have been developed. In the background you can see one such device after it was exposed to stress tests involving heat, corrosion, and crushing. For more, see [Jameson Lopp's excellent tests and reviews in this area](#).

"We need to avoid a world where the compromise or seizure of a key leads to the compromise or seizure of bitcoin."

DHRUV BANSAL, MARCH 2025



Multi-signature wallets are very flexible, giving freedom to choose the total number of keys, as well as the minimum amount of keys required to spend the bitcoin balance. The most popular formats are 2-out-of-3 and 3-out-of-5.

- Counterparty risk: It's important to know how a custodian is using client funds (are they rehypothecating?), how they are securing keys, or if they outsource key security to another company, which compounds the risk.
- Exchange hacks: Many thousands of bitcoin have been irrecoverably stolen through custodial security breaches. When a custodian centralizes large sums of bitcoin, it becomes a bigger target for an attacker.

It must be noted that, while less vulnerable to direct user hacks, the recently launched Bitcoin ETFs have limited insurance and also expose the investor to counterparty risk and exchange hacks. Some third party custodians which in our view are worthy of consideration: [Kraken](#), [Cash App](#), [River](#), [NYDIG](#), [BL3P](#), [Bitfinex](#) and [Fidelity](#).⁶

4/ Collaborative custody

Collaborative custody uses multisignature (which we discussed above as option 2) to **create a balanced solution between self-custody and third-party custody**. It allows users to store their bitcoin with a trusted selection of people who collectively hold the private keys necessary to access the funds. Another option for using assisted multi-sig is to hold a majority of the private keys yourself and to use a third-party as holder of a backup key.

Collaborative custody eliminates the risk of a single point of failure, preventing users from losing bitcoin if they make a simple mistake, and protecting their funds from hackers by keeping the private keys geographically separated, making it challenging for hackers to gain access to the funds. It also helps to reduce the complexity of doing multisignature by oneself.

At Adamant Research we feel that collaborative custody usually offers the best risk/reward mix for new bitcoin savers. That is why this report was published in partnership with a provider of this service that we use and trust: [Unchained](#), based in Austin, Texas.⁷

Other such providers are AnchorWatch, Casa, and Bitgo. Also worthy of note are forms of collaborative custody that use MPC models instead of multi-sig and have a lot of the same value proposition. Examples in that category are Anchorage and Fireblocks.

Conclusion

Securing private keys is a crucial aspect of being a bitcoin investor. Each method has its own advantages and disadvantages. Take your time to consider your personal circumstances and risk tolerance in choosing a storage method that suits your needs. Good luck!

"There are only going to be 21 million coins, there are billions of people in the world, some reasonable percentage of whom might find it interesting to own a piece of Bitcoin."

PROOF-OF-WORK INVENTOR
ADAM BACK, 2018

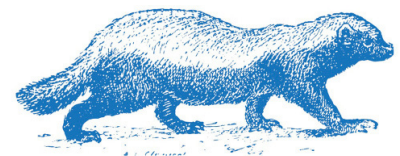
"We are really lucky to be in at the beginning of a possibly explosive new phenomenon. Considering the odds against most money-tripling investments, Bitcoin looks like a good place for a percentage of your portfolio."

HAL FINNEY, 2011

"One possibility [for tamper resistant ecash] is to make the double-spending database public ... [with] a measurable amount of computational work to produce. It therefore can't be forged."

ANONYMOUS COMMENTER ON
THE CYPHERPUNKS LIST, 1999

Bitcoin



The honey badger of money ³

⁶ Note that Fidelity's retail offering as far as we know does not currently offer bitcoin withdrawals. BL3P and Bitfinex are not available to US Citizens. NYDIG focuses on institutional investors.

⁷ Other such providers are [Casa](#) and [Bitgo](#). Also worthy of note are forms of collaborative custody that use MPC models instead of multi-sig and have a lot of the same value proposition. Examples in that category are [Anchorage](#) and [Fireblocks](#).

³ Bitcoin's unofficial mascot is the fearless honey badger. With a strong immunity to venom and able to withstand attacks from lions, this creature is a living embodiment of bitcoin's resilience.



This work is titled "The Power of the Peace." It was created in 1577 to convey the hope of a young beleaguered nation to achieve peace in its territories, which was eventually achieved in 1648 with the formal recognition of the independent Dutch Republic.

The etch, by Wierix-van Cleve, is full of symbolism. It shows how Prudence, Reason, Force and Time can work together to control violence in society. The swords and lances from the war are transformed into sickles and plowshares, retooling society for peace. In the grand furnace displayed center stage, we see a display of technology as a force for good.

This is also our hope for and expectation of the cypherpunk project and its current apex, bitcoin: channeling human effort in a way that encourages society to grow more orderly and peaceful.

Bitcoin contributes to a harmonious world by serving as a scarce and robust money which protects families' wealth through space and time, and by acting as an incorruptible tool for builders, supporting them in creating honest and enduring institutions.