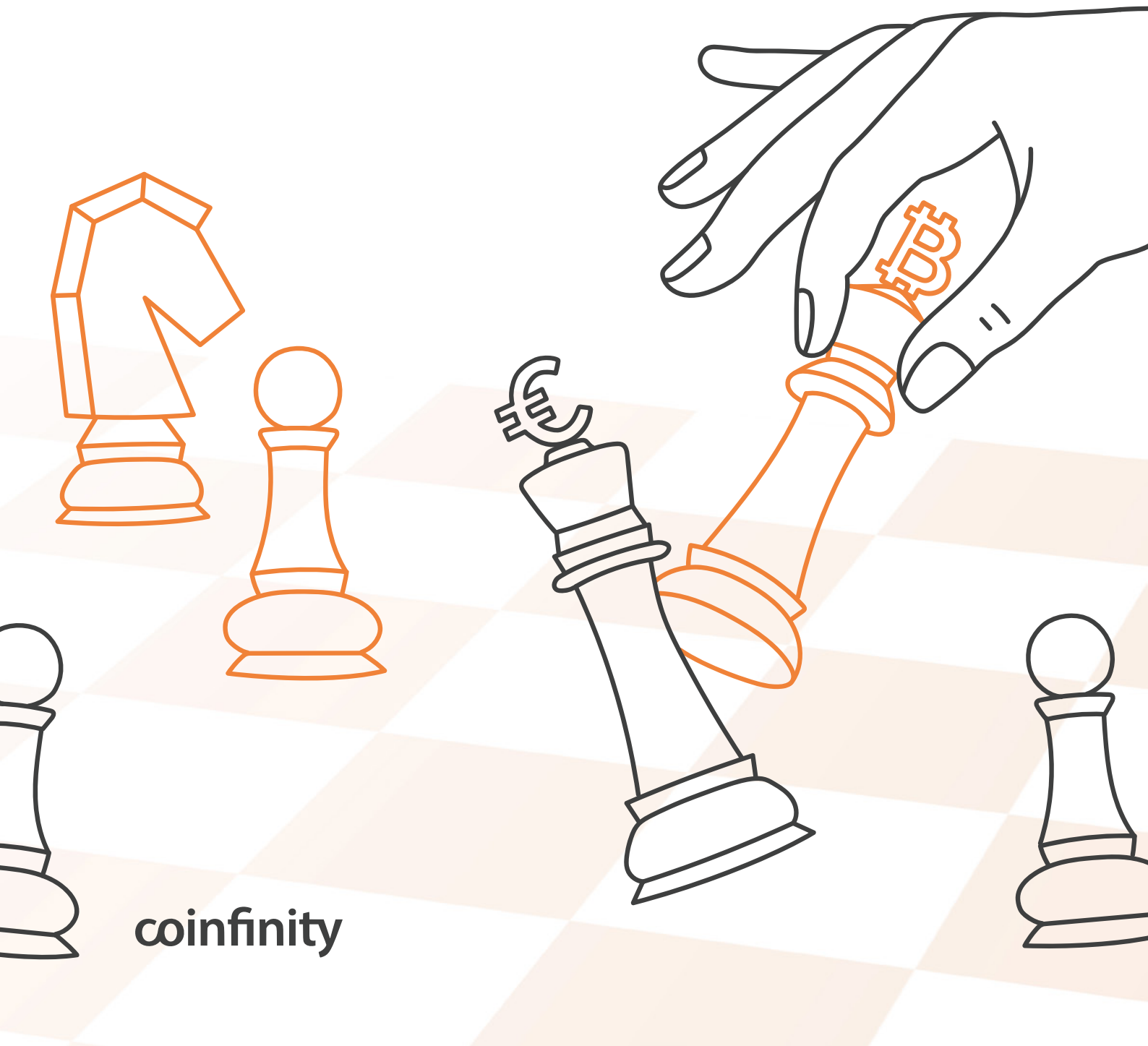


# Bitcoin

## A paradigm shift in wealth preservation

Realizing potential and mastering risks with a strategic allocation



coinfinity

## **Imprint**

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Illustration & Layout: @carlottadesigns

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Coinfinity GmbH  
Griesgasse 10  
8020 Graz  
Austria

[www.coinfinity.co](http://www.coinfinity.co)  
X, Instagram & YouTube: @coinfinity

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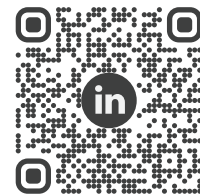
**Jan Wüstenfeld** has conducted comprehensive research on the behavior of Bitcoin investors and development economics during his doctoral studies in economics. As a leading researcher at Melanion GreenTech, he focuses on analyzing the Bitcoin mining market. His expertise extends to the detailed analysis of data in the development of the Bitcoin network and sustainability aspects in the Bitcoin mining sector. In addition, he intensively deals with on-chain developments, asset comparisons and the integration of Bitcoin into the macroeconomic environment.



[LinkedIn-Profile](#)



**Fabio** is the Head of Education at Coinfinity, Austria's oldest Bitcoin broker, and co-founder of the Bitcoin publishing house Aprycot Media. His degree in engineering has helped him deeply understand the interdisciplinary connections and the far-reaching implications of Bitcoin. Today, he devotes himself to the task of creating a comprehensive educational offer in the fields of Bitcoin & economics with high-quality content.



[LinkedIn-Profile](#)

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# 93%

**Defined Scarcity:**

Bitcoin ensures digital scarcity by having a predetermined upper limit of 21 million coins. Currently, over 19,5 million Bitcoin are already in circulation (approximately 93%).

# Investment Overview:

## The importance of Bitcoin as an asset class

### Supply halving:

Regular “halvings” reduce the creation of new Bitcoin, promoting an approach to the maximum supply.

### Digital gold:

Bitcoin offers superior features as a digital currency compared to traditional gold, such as portability, verifiability and divisibility.

### Decentralization:

Independence from central authorities, governments or groups makes Bitcoin a censorship-resistant and manipulation-proof asset.

### Network security:

A global network of nodes validates and secures Bitcoin transactions, making the system resilient against changes and manipulation.

### Digital currency without intermediary:

Bitcoin functions as a fully digital currency system without the need for a central authority.

### Growing acceptance:

Since its inception, Bitcoin has experienced a continuously growing demand, making it a promising investment.

# Introduction

Since the publication of the Bitcoin Whitepaper in October 2008 and the launch of the network in early January 2009, it has undergone an impressive development. Originally a niche currency that primarily gained attention among computer enthusiasts, Bitcoin has become a global phenomenon. Today, it is in the spotlight and has caught the interest of institutional investors and governments around the world, which speaks to its undeniable presence and relevance in the modern financial world.

The reasons for its rapid rise are varied. In the following, we will explore why the Bitcoin network has developed so dynamically and will likely continue to do so. We will also examine why Bitcoin deserves a fixed place in any well-diversified investment portfolio.

Bitcoin is a multifaceted and interdisciplinary field that requires in-depth knowledge in various areas. It extends far beyond the confines of economics and encompasses the history of money, communication networks, game theory, philosophy, social dynamics, energy economics, and software development. Engaging with these complex themes requires both time and intellectual effort – a true „Proof-of-Work.“

Understanding Bitcoin and its implications is of immense importance. The protocol possesses revolutionary potential to fundamentally change our methods to store, transfer, and trade value. It offers diversification opportunities for investment portfolios and serves as a hedge against the weaknesses of traditional currencies and financial systems. Therefore, it is advisable to devote significant attention to Bitcoin and its potential role in one's investment strategy.

Early recognition of the potential of Bitcoin can be rewarded with substantial purchasing power growth. Bitcoin revolutionizes the concept of scarcity: as the first digital, non-copyable good with a strict limit of 21 million units, it establishes absolute scarcity in the digital realm. The pre-programmed decreasing issuance rate ensures this scarcity, supported by game-theoretical principles that guarantee the long-term stability of the network.

If Bitcoin were to establish itself as a new store of value, the potential would be considerable. Satoshi Nakamoto, the creator of Bitcoin, expressed foresight: „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.“

While this may already be a convincing reason to own some, Bitcoin as a network and investment gains even more significance when you understand the underlying unique characteristics that contribute to its success. A profound understanding of its fundamentals – why it has been successful so far and why it is likely to continue to be successful in the future – not only strengthens the decision to hold it but also provides an informed perspective on future developments.



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*



# Bill Miller

*Legendary wall street investor Bill Miller  
holds 50% of his portfolio in Bitcoin.*

# Jack Dorsey

*Jack Dorsey trusts it so much that  
he resigned as CEO of Twitter to  
focus on this issue.*

# Paul Tudor Jones

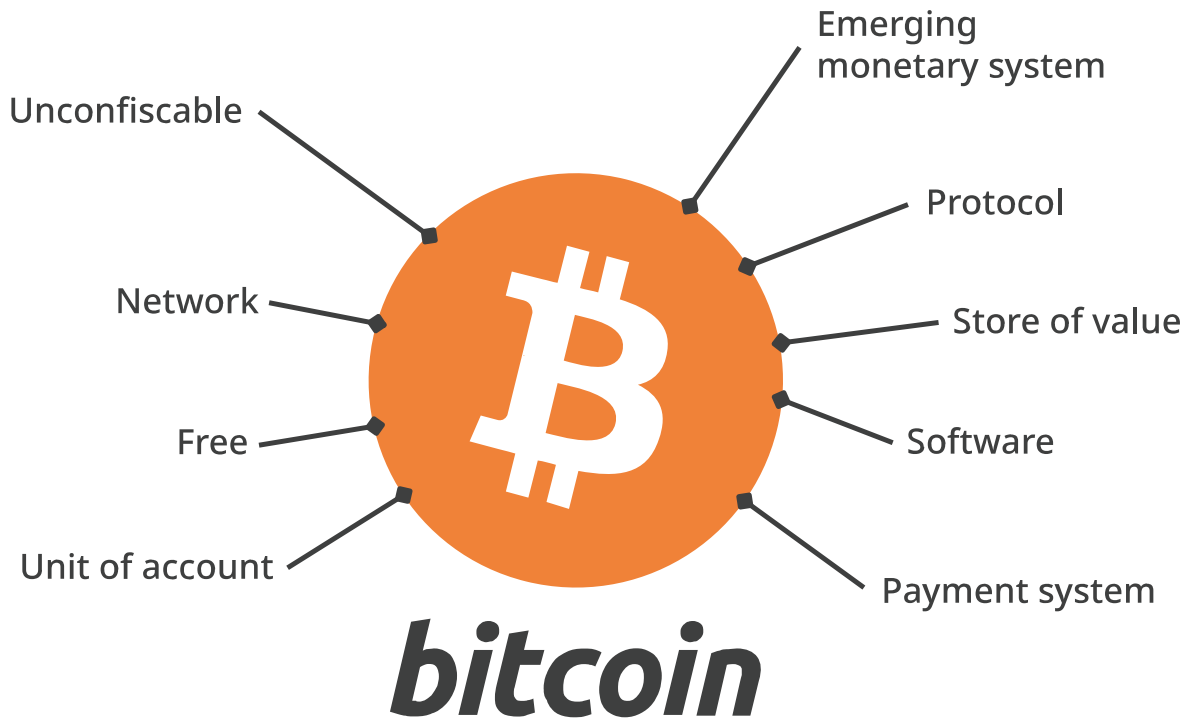
*Paul Tudor Jones expects it to be “the fastest horse in the next 10 years”.*

*Ray Dalio acknowledged that “we may be missing something” about Bitcoin, and months later his number 2 left to join a Bitcoin company.*

# Ray Dalio

# Digital scarcity

Bitcoin represents a multifunctional system that goes beyond merely creating a digital currency.



It is not the goal of Bitcoin to create another online payment system like PayPal, but rather to establish a robust, censorship-resistant and inflation-proof, solid, monetary system. The development of Bitcoin is the result of more than four decades of intense research and development in the fields of cryptography, digital currency, and resistance to censorship.

The global dispersion of over 10.000 active network nodes makes the Bitcoin network the strongest computer network in the world. The considerable energy expenditure of miners ensures the immutability of the ledger and practically eliminates the possibility of retroactive changes to the records or a successful attack. This fundamental value proposition – the convincing and unyielding scarcity – is at the heart of its appeal.

Users of the Bitcoin network have an economic incentive to ensure that the primary rules of the protocol are followed. By operating their own node, they can personally verify if the rules are being adhered to. Each node continuously checks and ensures that the Bitcoin software and its predefined rules are not violated and that no unauthorized changes are made to the blockchain or code. In this way, every node contributes decisively to the preservation of the integrity and immutability of the protocol.

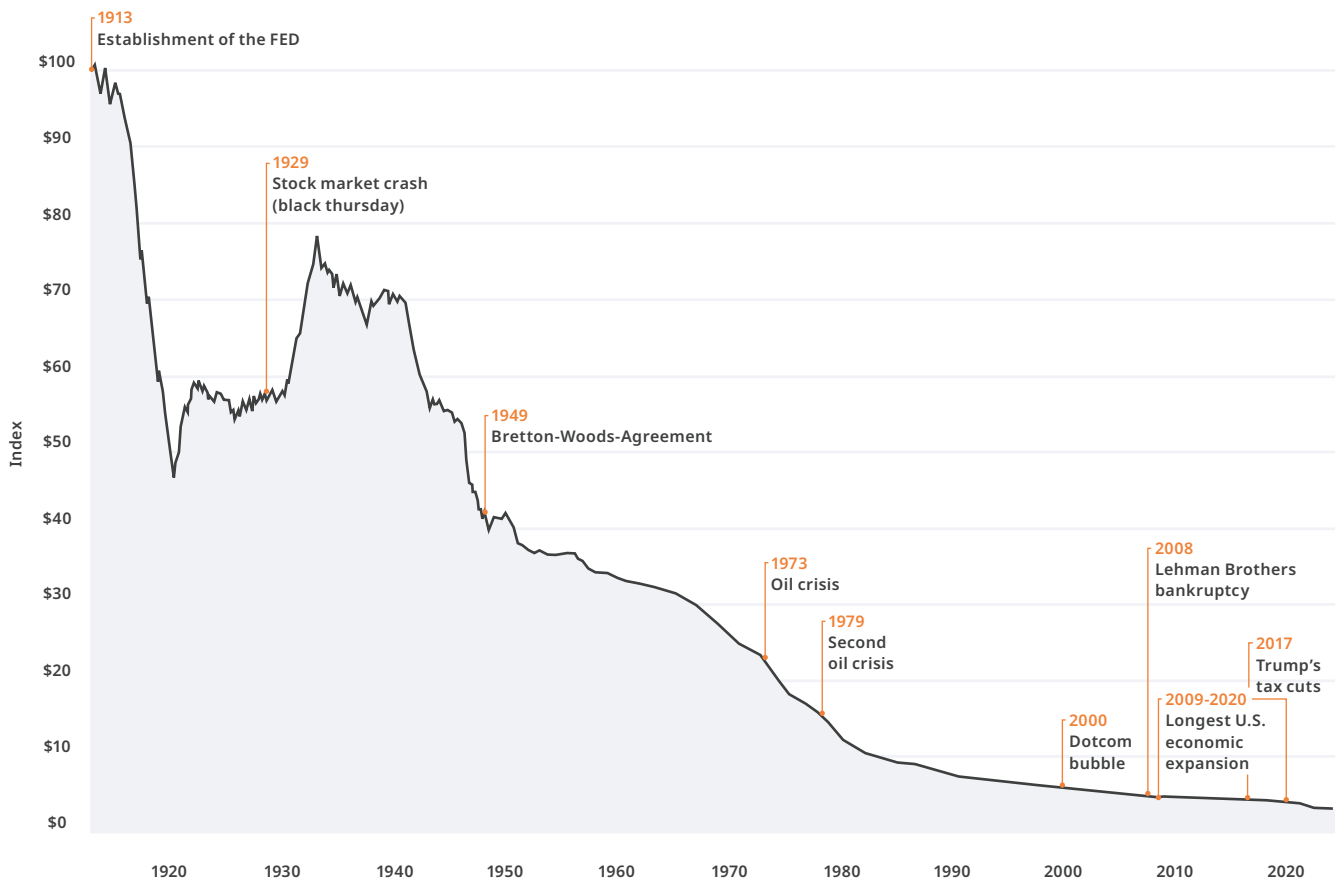
Digital scarcity and the network effects of Bitcoin cannot be easily copied. Over time, the network has organically grown. The fact that the initiator, a person or group known under the pseudonym Satoshi Nakamoto, remains unknown to this day is unique and not reproducible.

# The evolution of money

The history of money is crucial to understanding the significant development of Bitcoin. Money, defined as the most universally accepted medium of exchange, enables the exchange of value across time and space, and thus improves the efficiency of economic transactions. Carl Menger, a prominent economist of the Aus-

trian School, describes money as the good with the highest market liquidity – a good that can be resold with minimal loss of purchasing power. Money arises organically on the market, encouraged by a spiral of value stability, acceptance, and uniform pricing.

## Purchasing power of the U.S. Dollar (1913-2024)



Source: <https://fred.stlouisfed.org/series/CUUR0000SA0R> (Layout adjusted)

## Money & currency: From the gold standard to the debt money system

Until 1971, the global financial system was predominantly based on the gold standard, which allowed each currency to be initially exchanged for US dollars and then for gold. This standard was primarily abandoned for financial reasons. Today, we live in a debt money system, in which money is created through debt, leading to a distortion of economic incentives. This encourages debt over savings and promotes a short-term economic approach.

The decline in the value of the US dollar since the abandonment of the gold standard is noteworthy and is reflected in the increasing money supply. This has led investors to flee into stocks and real estate as perceived better stores of value, partly explaining their price increases. History teaches us that money has taken various forms – from primitive barter to today's fiat money, whose future as a state monopoly is increasingly questioned.

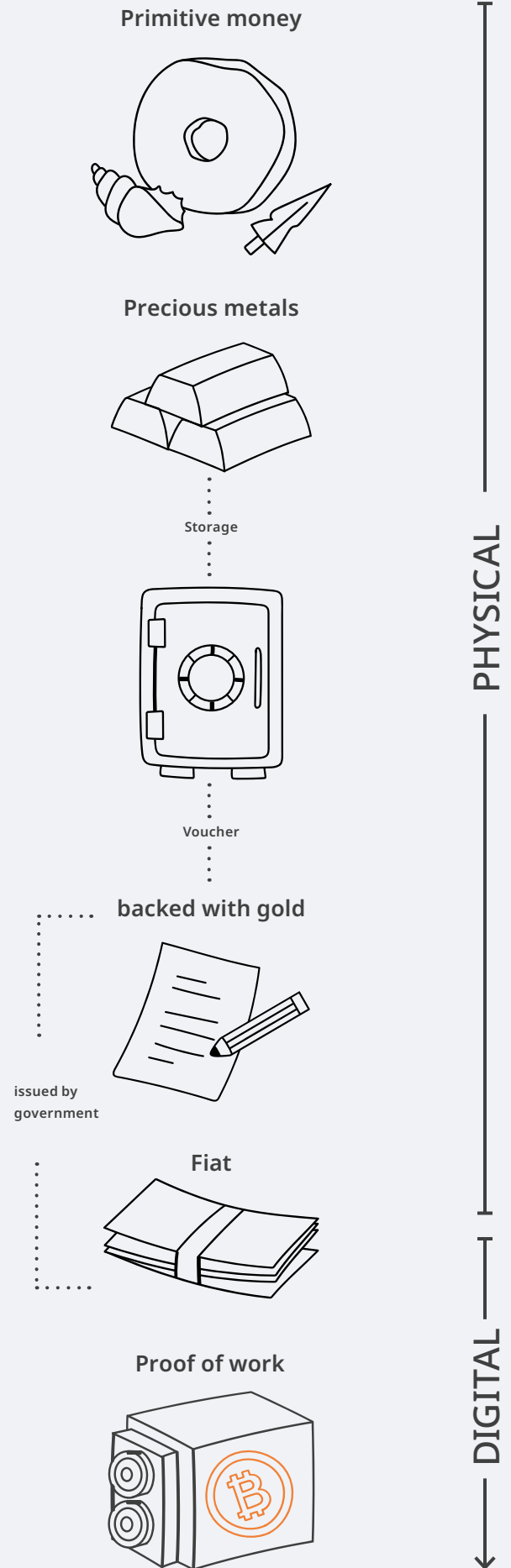
**In today's economic landscape, it is clear that capital does not necessarily flow to where it could have the greatest productive impact.**

**I**nstead, the current financial system favors those actors who can demonstrate privileged access or strong connections to state institutions and banks. This dynamic leads to a distortion of the free market, restricting competition and reallocating resources away from innovation and productivity towards established networks and interest groups. For a healthy economy, it is essential that capital is directed towards where it can generate the greatest value – regardless of existing relationships or access to power centers. In a truly free market, capital should flow to the most productive and innovative ventures, fostering economic growth and prosperity for all.

**M**oney has undergone remarkable transformations throughout history. From its beginnings with primitive barter, such as shells serving as value carriers, to the age of gold as a stable value basis, to the present-day unbacked fiat money, the way societies define and exchange value has continually evolved. This evolution is reflected in the variety of payment methods that have been adapted over the centuries to meet the changing economic and societal demands.

Examining the history of money, the current system of state-controlled, unbacked fiat money may appear as a short-lived phase or even an anomaly in the rearview mirror of the next centuries. The central question that arises in this context is why money should be exclusively under state control, without there being a compelling economic or societal reason for it. The debate about the role of the state in the financial system and the potential benefits of a more diversified currency landscape opens up an important field for future discussions and innovations in the financial sector. This highlights the need for a more decentralized, transparent, and secure monetary system that is not solely dependent on government control.

TIME



# 3,125

*The current number of newly issued Bitcoin per block is 3,125.*

# 210.000

*The halving of the so-called block reward takes place every 210.000 blocks or approximately every four years.*

# ~ 21 M

*The amount of Bitcoin is asymptotically approaching 21 million.*

# 2140

*By the year 2140, all Bitcoin will be in circulation.*



## Comparison of types of money: Bitcoin in the context of monetary evolution




Bitcoin represents a unique synthesis of the most advantageous properties of gold and fiat currencies, functioning as a digital asset that cannot be replicated. While the US dollar performs designated services to transfer value across borders, it fails as a store of value. Gold on the other hand, has proven to be a reliable long-term store of value over millennia, but comes with considerable limitations in terms of transportability and divisibility. Bitcoin overcomes these limitations by combining the worldwide transferability of the US dollar with the long-term value preservation of gold.

Bitcoin demonstrates its leadership in the core aspects of money, even if its full potential as a new system has not yet been fully realized. Its current volatility is partly attributable to its youth, but in terms of portability, verifiability and divisibility, it surpasses traditional forms of money. Especially when it comes to micropayments and international transfers, the protocol offers unparalleled advantages.

In the long run, hard money, which is difficult to expand in quantity, has always prevailed over soft money. Hard money such as gold, silver and now Bitcoin, is more resilient against inflationary tendencies and state manipulation, making it a reliable store of long-term value. The stock-to-flow ratio, a measure of the scarcity of a good, underscores Bitcoin's potential as hard money, especially in the context of its halving events, which limits its issuance and thereby increases its scarcity. Over the past four years, it had a stock-to-flow ratio of 59, while gold had a ratio of around 62. Both were thus relatively similar. Since April 2024, this value has doubled with an additional halving event for Bitcoin. The number of newly issued coins per block has halved from previously 6,25 coins to currently 3,125 coins. This halving of the so-called block rewards occurs every 210.000 blocks or approximately every four years, until the quantity of Bitcoin asymptotically approaches the 21 million mark, which will be the case around the year 2140.

Fiat currencies are not comparable in this regard. While their growth rates fluctuate significantly from year to year, they are generally much higher com-

pared to Bitcoin. From 1971 to 2022, the amount of US dollars (M3 money supply) has grown annually by roughly 7%, significantly more than the current growth of around 2% for Bitcoin. With a yearly money supply growth of 7%, the money supply would double approximately every 11 years. The last few years are an extreme example, but even from February 2020 to February 2022, the amount of existing US dollars increased by 40% in just two years.

	 <b>Bitcoin</b>	 <b>Gold</b>	 <b>Fiat</b>
Durable	B	A+	C
Portable	A+	D	B
Fungible	B	A	B
Divisible	A+	C	B
Verifiable	A+	B	B
Scarce	A+	A	F
History	D	A+	C
Invariable	A	C	D

Bitcoin not only serves as a hedge against the expansion of the fiat debt money system and its potential collapse, but also offers a living alternative. With its unique features, it could initiate a paradigm shift in the monetary system, where values are reallocated from traditional asset classes and invested in Bitcoin. This offers the chance to transform the existing system without the risks of a catastrophic collapse and marks a significant progress in monetary evolution.

# Bitcoin and the environment: A reassessment of energy consumption

Despite increased coverage of its potential, Bitcoin still faces an unjustifiably negative image, especially regarding its energy consumption in mining.

The question of whether the energy consumption of the Bitcoin network is justified is legitimate. In our view, the preservation of the decentralization of the network and the assurance of non-censorship of transactions is a decisive factor that justifies the energy expenditure. Beyond decentralization, there are compelling arguments that make it look favorable, particularly considering Environmental, Social and Governance (ESG) aspects. Bitcoin mining serves as a demand for globally unused energy surpluses. In a highly competitive market, solely access to cost-effective energy allows for profitable mining.

Recent research indicates that Bitcoin can promote the use of renewable energies by acting as a stable demand for surplus energy and thereby accelerating the amortization of large energy production facilities.<sup>2</sup>

Meanwhile, more than half of Bitcoin mining is carried out using renewable energy<sup>3</sup>, making the industry one of the most environmentally friendly sectors compared to others. This trend indicates a gradual change in the media discourse<sup>4</sup>, with the positive contribution of Bitcoin to climate policy being increasingly recognized.<sup>5</sup> In the DACH region for example, the company terahash is researching how Bitcoin mining can be used to tackle the challenges of transitioning our society to renewable energies and is making important research and awareness contributions in this area.<sup>6</sup> In this regard, the European Bitcoin and Energy Association has also been active since this year.<sup>7</sup> The attached graph illustrates that Bitcoin and mining not only offer positive economic opportunities, but also ecological ones for the environment.

<sup>2</sup> <https://www.mdpi.com/2078-1547/14/3/35>

<sup>3</sup> <https://batcoinz.com/comparing-bitcoin-mining-to-other-industries-energy-mix/>

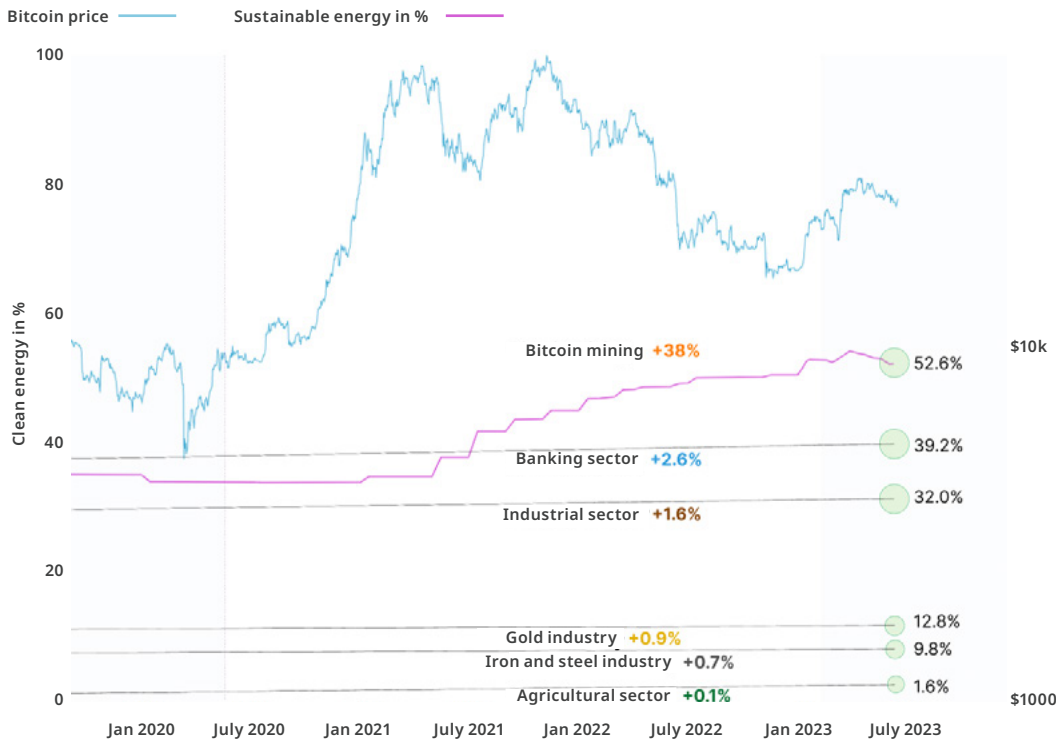
<sup>4</sup> <https://www.ft.com/content/b26b5af8-0cf1-424b-bafc-d2ce4760a28c>

<sup>5</sup> <https://www.forbes.com/sites/digital-assets/2023/09/21/why-bitcoin-mining-might-actually-be-great-for-sustainability/>

<sup>6</sup> <https://terahash.space/>

<sup>7</sup> <https://ebea.work/>

## Bitcoin mining sustainability



<https://batcoinz.com/comparing-bitcoin-mining-to-other-industries-energy-mix/> (Axis label and legend adjusted)

In addition to the economic and environmental benefits, Bitcoin also plays a significant role in social contexts. As a hedge against currencies affected by high inflation, it offers people in unstable economic systems a stable alternative. Bitcoin enables individuals to gain financial security from autocratic regimes or crisis regions, and supports the development of microgrids in remote areas, for example, in african countries. These applications underscore Bitcoin's potential to promote positive social change and drive sustainable developments.<sup>8,9</sup>

The recognition of the positive impacts extends even to the top levels of global auditing. KPMG, one of the „Big Four“ auditing firms, has highlighted the advantages of Bitcoin within the framework of Environmental, Social and Governance (ESG). In their report on Bitcoin and ESG, the diverse potentials of Bitcoin are examined within a comprehensive ESG strategy.<sup>10</sup> This report not only underscores its economic relevance but also its social and ecological contributions.

The emphasis on these aspects by a reputable company like KPMG legitimizes the role of Bitcoin as an instrument that goes beyond financial speculation and offers real value in the areas of social justice and sustainable development. This underscores the growing importance of Bitcoin in the discussion around ESG and its potential to make a positive contribution to a fairer and more sustainable world.

<sup>8</sup> Link to the book: <https://aprycot.media/shop/das-trojanische-pferd-der-freiheit/>

<sup>9</sup> Further reading on this can be found in the book „Check your financial privilege“ by Alex Gladstein of the Human Rights Foundation.

<sup>10</sup> <https://advisory.kpmg.us/content/dam/advisory/en/pdfs/2023/bitcoins-role-esg-imperative.pdf>

# Strategic investment in Bitcoin

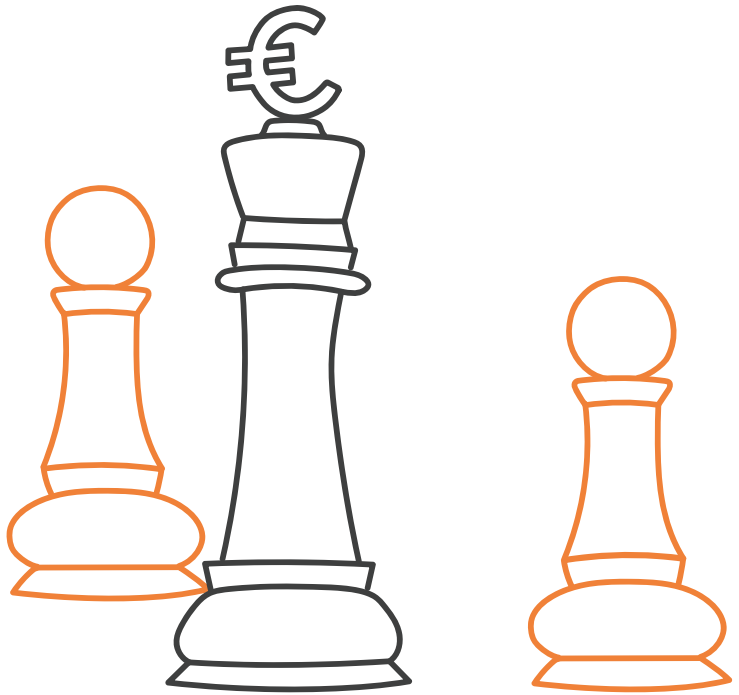
## The internet of value

Just as the printing press once enabled the separation of church and state by allowing information to be disseminated cheaply and without the need for permission or relationships, the permissionless, global transfer of value enabled by the protocol is ushering in the disentanglement of state and the monetary system. The internet, in essence an evolution of the printing press, revolutionized the dissemination of information by drastically minimizing costs and barriers. Bitcoin extends this revolution to value, enabling us to send value to any corner of the world without having to involve a third party or risk being blocked. Whether it's about sending a few Satoshis (1 Bitcoin = 100 million Satoshis) or even dozens of Bitcoin to a colleague on the other side of the world, the protocol makes this possible without the need for approval from a third party.

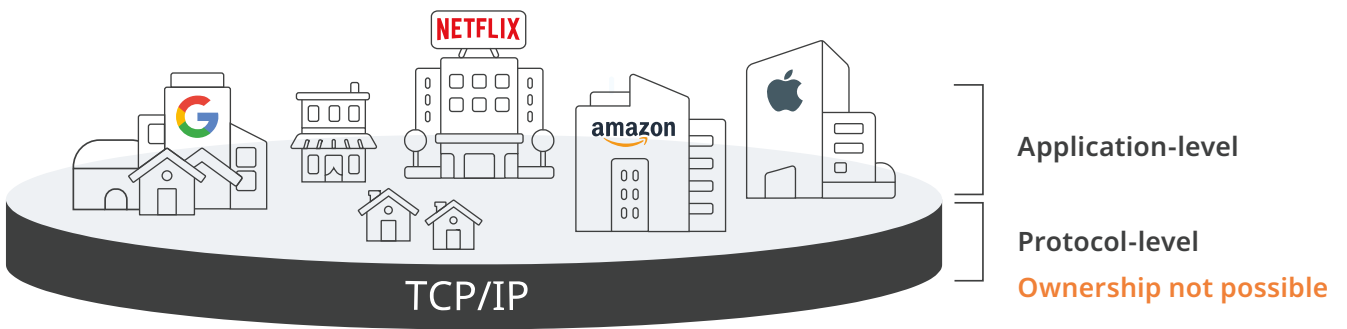
At the foundational level of the Bitcoin blockchain, the number of transactions that can be carried out within a certain time period is limited. Therefore, smaller and faster transactions take place on second-layer solutions like the Lightning Network.

Considering the critical importance of security in a global financial system, the base architecture of Bitcoin was designed with a clear goal in mind: maximizing security and decentralization. This decision reflects the strive to create a robust and widely distributed network that meets the requirements of a global digital currency system.

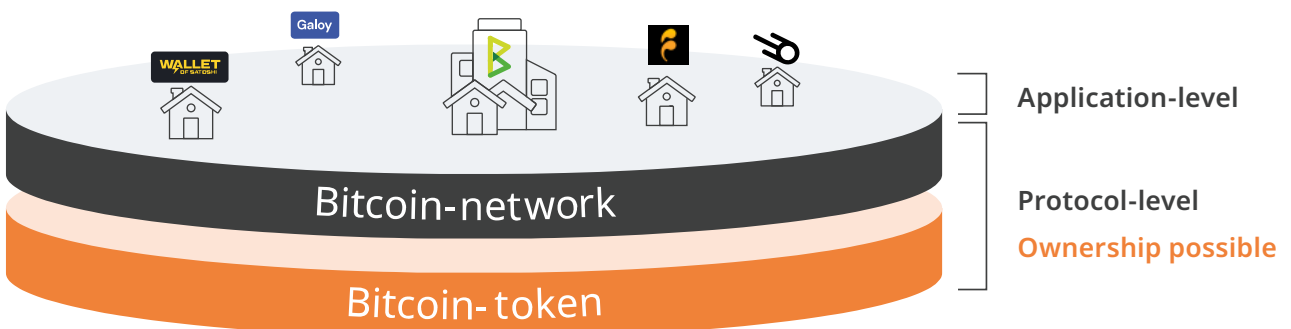
The hierarchical structure of base and second-layer solutions ensures that the fundamental principles of security and decentralization are preserved at the base level, while higher levels achieve improved usability and scalability.



**i** The internet of information today



**₿** The internet of value today



## Bitcoin: Pioneer class in the investment universe

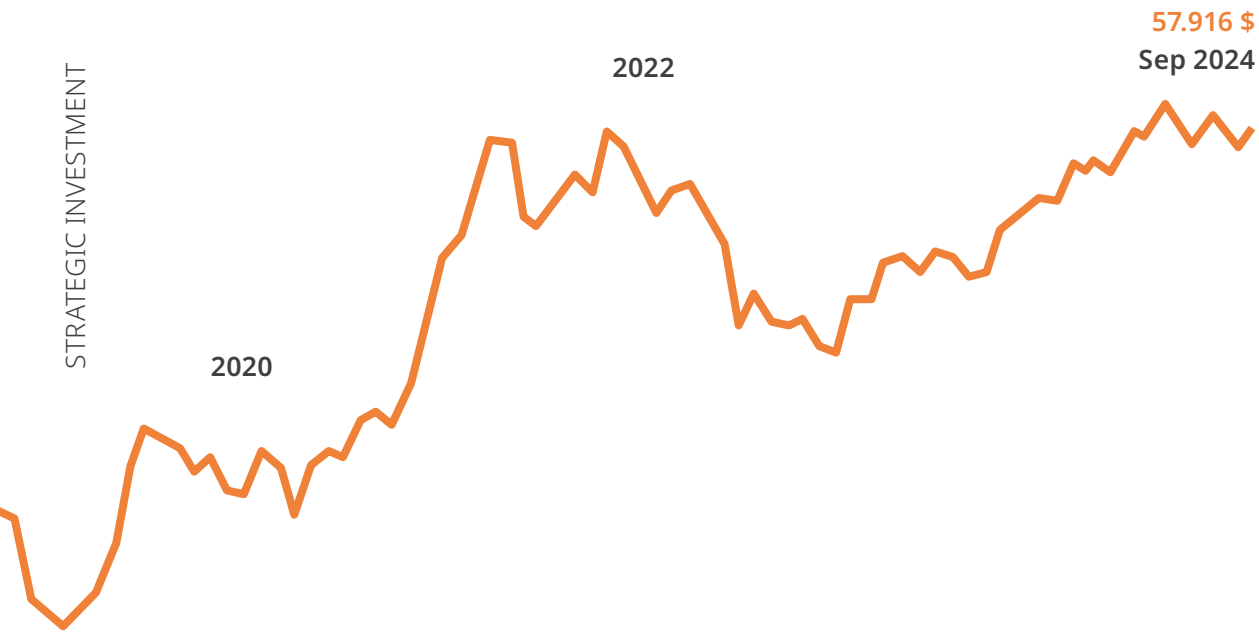
Unlike during the Dotcom crash and the rise of the internet, Bitcoin offers the opportunity to invest directly in the fundamental protocol for the transfer of value. It is not only a digital asset but also a protocol that already integrates a value-bearing token. This allows for a direct investment in the underlying technology and infrastructure, providing a unique opportunity for individuals to participate in the development and growth of the global digital currency system.

This implies that the most direct and simple investment opportunity, if one bets on the long-term success of the network, is the purchase of the limited Bitcoin-token itself. The differentiation of business models that build on the Bitcoin-protocol and develop applications based on it becomes redundant. By investing in the token, one is essentially investing in the network and its potential for growth and adoption.



5 \$  
Jan 2012

Source: TradingView.com Bitcoin / U.S. Dollar



## Network effects and volatility: Dynamics as an opportunity

The unique scarcity of Bitcoin, coupled with its still young history, makes its price the central indicator for adoption. If it prevails, an increase in price is inevitable as growing demand meets a limited supply. The flip side of this potential value appreciation, apart from the inherent risk of overestimation, is a pronounced volatility, as evident in the graph in the background.

Interestingly, the Halving event that takes place every four years, during which the rate of new Bitcoin is halved, creates a quasi built-in hype cycle. Usually, the scarcity causes a price increase a few months after a Halving, attracting many new investors. After the initial euphoria fades and the price falls again, it often stabilizes on a new, higher level („higher low“). Despite losses for some investors after such downturns, the understanding of Bitcoin's true value and the number of long-term holders and users of the network grows. With each cycle, we see an increase in user numbers. However, it's important to note that already about 93% of all coins are in circulation. Although the issuance rates may have driven the cycles so far, it's likely that other factors will dominate the price development in the future.

# > 14,5

The increasing number of users over the cycles is also reflected in the data. Even during bull markets, long-term holders sometimes sell some of their coins and it becomes apparent that over time, more and more coins remain in the hands of long-term holders.

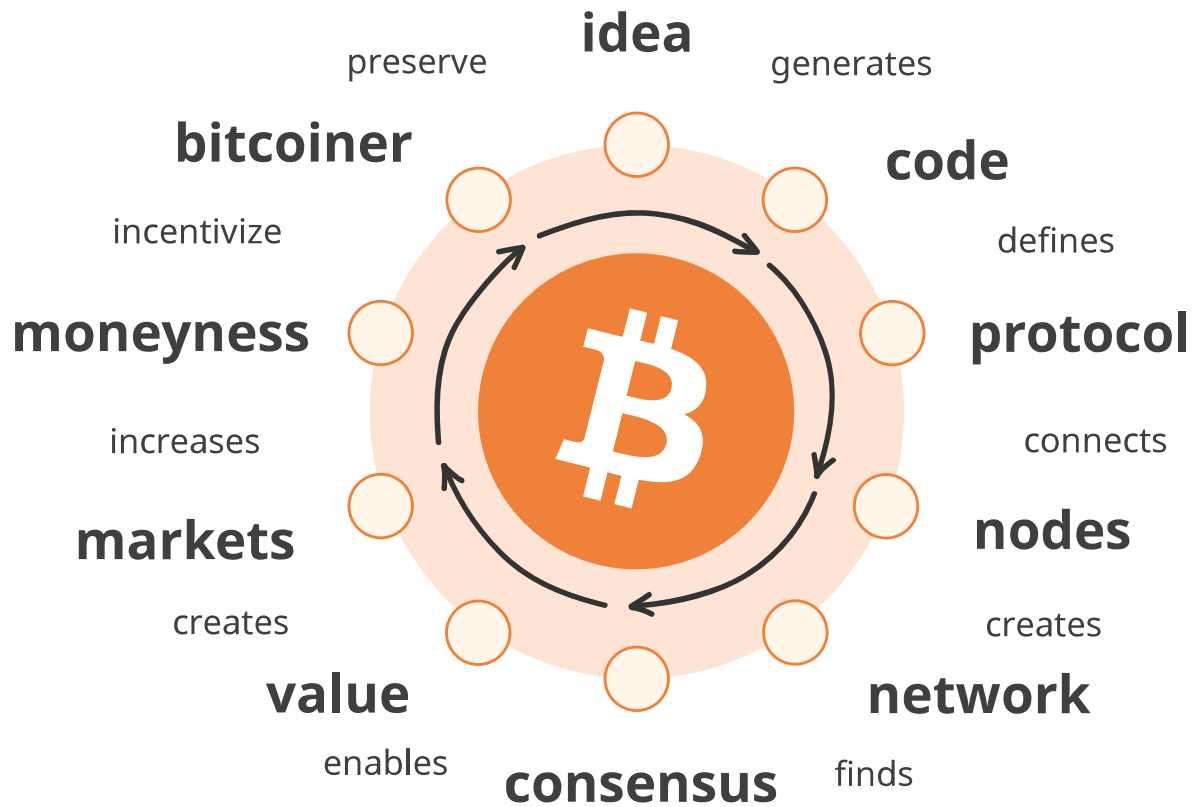
Over **14,5 million (75%)** of the Bitcoin in circulation are already held by long-term holders. This suggests that over time, more people recognize the value „behind“ Bitcoin and no longer see it only as a speculative object.

## Bitcoin: Total supply held by long-term holders (BTC)



Source: 2023 Glassnode (Axis label and legend adjusted)





#### Long-term prospects and potential

The sophisticated game theory behind the Bitcoin network has created a positive feedback loop that accelerates its adoption. As the network grows, not only does the trust and value of Bitcoin increase, but so does the security and immutability of the system. This creates a self-reinforcing cycle that further drives the adoption of Bitcoin.

In previous sections, we have discussed the unique features of Bitcoin and explored how the fiat currency system and its expansionary monetary policy have led to a significant wealth transfer to alternative markets - whether it be in real estate, art, or equities. These assets are increasingly being purchased as stores of value, rather than for their original purpose. The total addressable market (TAM) of Bitcoin includes these assets, which currently channel monetary value. Comparing the market capitalization of Bitcoin to other assets, one finds that its market capitalization is still relatively small.

**Total assets worldwide:  
\$ 900T**

**Bitcoin:  
\$1T**



Source: Jesse Myers, <https://www.onceinaspecies.com/p/bitcoins-full-potential-valuation> (Layout angepasst)

Bitcoin's market capitalization currently stands at around 7.6% of gold's market capitalization<sup>11</sup>, despite being based on its own unique properties, which make it at least as valuable, if not more so. Compared to other asset classes like equities, real estate or bonds, Bitcoin appears significantly undervalued. The reallocation of values due to the flight from inflationary assets into scarce resources suggests that Bitcoin, as a scarce asset, could absorb part of the monetary premium from other assets.

A breakdown of the market capitalizations of various asset classes and a rough estimate of the potential that could be achieved if Bitcoin, for example, takes over the following percentages of the market capitalization of these assets: 50% of gold, 5% of collectibles & art, 15% of the equity market, 15% of real estate, 30% of bonds, and 30% of cash reserves, results in an estimated price of \$10 million per Bitcoin at a market capitalization of \$200 billion. This calculation is not intended as a concrete price target, but rather to illustrate the immense potential. Even if only a fraction of these assets were to be demonetized, the impact on the value of Bitcoin could be significant.

Additional information on valuing Bitcoin can be found in the paper „Valuing Bitcoin“ from the asset manager Fidelity.<sup>12</sup>

Store of value	Total addressable market(\$T)	Bitcoin capture	Bitcoin full potential (\$T)
Gold	12	50%	6
Collectibles	6	5%	0.3
Art	18	5%	0.9
Equities	115	15%	17
Real Estate	330	15%	50
Bonds	300	30%	90
Money	120	30%	36
	<b>\$900T</b>		<b>\$200T</b> (means ~\$10M/BTC)

Source: Jesse Myers, <https://www.onceinaspecies.com/p/bitcoins-full-potential-valuation>

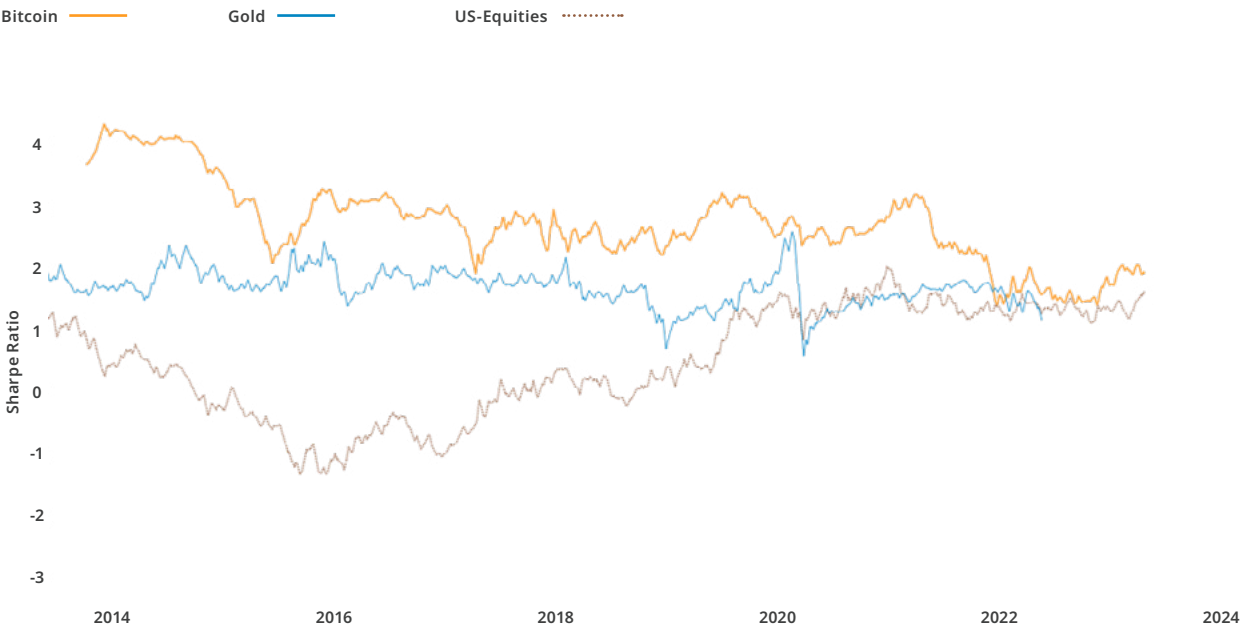
<sup>11</sup> <https://bitbo.io/>

<sup>12</sup> <https://www.fidelitydigitalassets.com/sites/default/files/documents/valuing-bitcoin-report.pdf>

The price development of Bitcoin in the past has significantly outperformed many other asset classes with annual returns in the two- or even three-digit range being no rarity. It's true that we cannot necessarily extrapolate from the past to the future, but if Bitcoin maintains its growth and central banks return to a policy of low interest rates, we could still see significant price increases, even if they may not be as pronounced as in the past.

The risk-adjusted return of Bitcoin, which considers the ratio of return to risk (volatility), has been unmatched in the last eight years, particularly when holding for at least four years - which corresponds to a Halving cycle - compared to traditional asset values. This highlights the appeal of Bitcoin as a long-term investment, particularly for investors willing to accept short-term volatility and adopt a long-term perspective.

Risk-adjusted returns of Bitcoin compared to other assets



Source: <https://charts.woobull.com/bitcoin-risk-adjusted-return/> (Axis label and legend adjusted)

# Bitcoin as part of a diversified portfolio

Bitcoin is characterized by its price cycles with sometimes pronounced volatility, but historically exhibits an upward trend over medium to long-term timeframes. A strategy to benefit from this dynamic while minimizing risk is to integrate Bitcoin into a traditional investment portfolio.

A study by Bitwise<sup>13</sup>, the issuer of a reformed Bitcoin ETF, analyzed this approach by comparing a classic 60/40 portfolio (60% stocks, 40% bonds) with one that included a small allocation of Bitcoin. The results of this investigation demonstrated that even a small addition of Bitcoin, for example 1%, can lead to a significant increase in return without disproportionately increasing the volatility of the overall portfolio or causing a significant increase in maximum drawdowns.

An analysis by Incrementum<sup>14</sup> reveals the significant potential of a Bitcoin position within a portfolio based on the MSCI World Index and Gold, with a ratio of 85/15. Even with an allocation of 5%, a clear outperformance becomes apparent. This finding once again highlights the strength of Bitcoin as a valuable addition to traditional investment strategies, as it not only increases diversification but also offers the potential for above-average returns.

While past performance does not guarantee future results, such analysis shows that a moderate allocation to Bitcoin can improve the risk-return ratio of a portfolio. The potential losses from a small allocation remain limited in the context of the overall portfolio, while the potential gains can be significant. This underscores the importance of Bitcoin for investors looking to diversify their portfolio.

Portfolio key performance indicators (assuming quarterly rebalancing)

Portfolio	Cumulative return	Annual return	Volatility (annual standard deviation)	Sharpe ratio	Maximum drawdown
Traditional 60/40 portfolio	64.34%	5.38%	10.59%	0.290	22.67%
Traditional portfolio + 1.0% Bitcoin	78.56%	6.31%	10.65%	0.373	23.31%
Traditional portfolio + 2.5% Bitcoin	101.57%	7.67%	10.88%	0.488	24.26%
Traditional portfolio + 5.0% Bitcoin	144.68%	9.90%	11.61%	0.645	25.87%

Source: Bitwise Asset Management with data from IEX Cloud. Dates from 01 January 2014 to 30 June 2023  
<https://bitwiseinvestments.com/crypto-market-insights/bitcoins-role-in-a-traditional-portfolio> (Layout adjusted)

<sup>13</sup> <https://bitwiseinvestments.com/crypto-market-insights/bitcoins-role-in-a-traditional-portfolio>

<sup>14</sup> [www.incrementum.li](http://www.incrementum.li)

# Bitcoin ETF vs. direct purchase

In January 2024, the United States Securities and Exchange Commission approved the long awaited Bitcoin Spot ETFs. The approval of the ETFs not only pushed Bitcoin further into the spotlight and legitimized it as an investment, but also made it easier for traditional and institutional investors to access it as an asset. Naturally, the question arises as to why one would store Bitcoin directly when one can acquire shares of it through the Bitcoin Spot ETFs with relatively little effort.

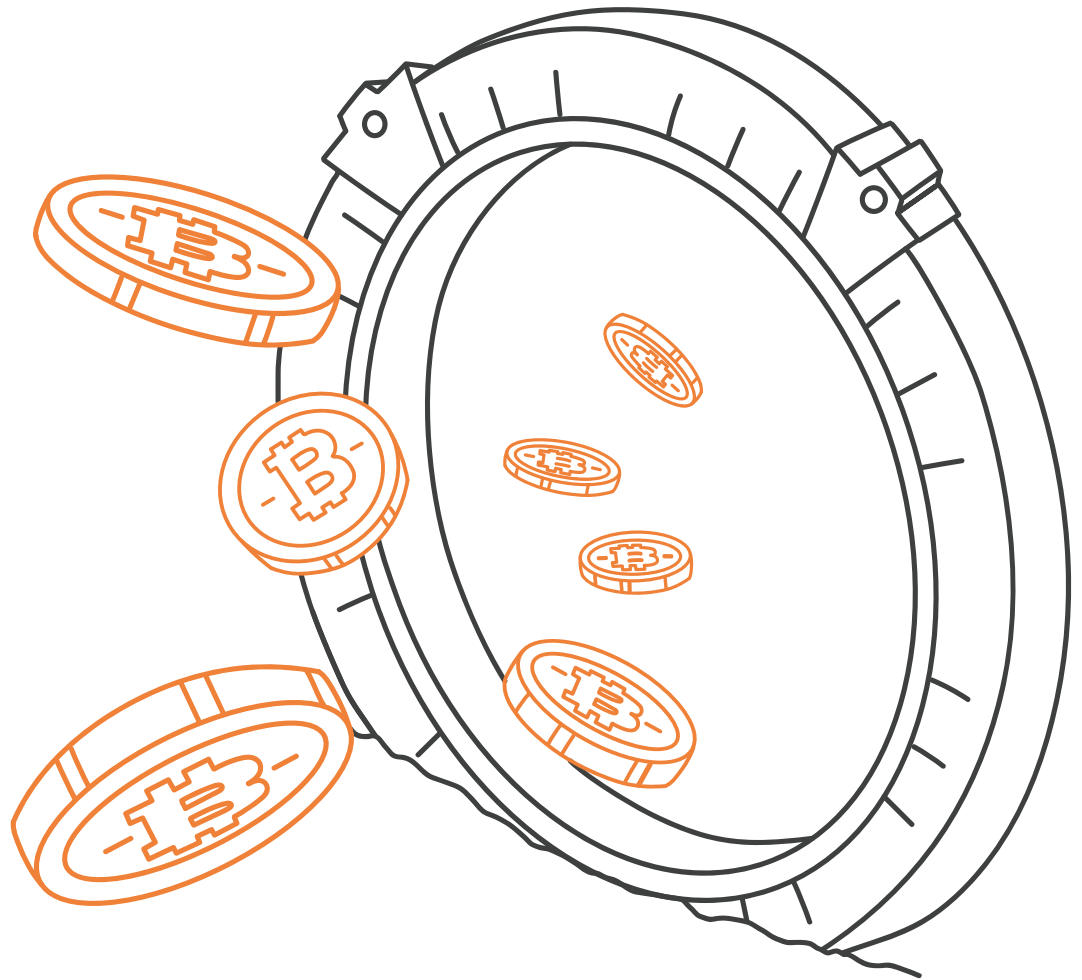
While buying shares of a Bitcoin Spot ETF is relatively low-barrier and the shares are 1:1 backed, as an investor, you must trust the ETF issuer, or the company holding the coins, to store them securely. When buying Bitcoin directly and storing it on a self-hosted wallet, the need for trust in third parties is eliminated. With self-storage, you retain full control over your coins and can execute transactions, buys and sells at any time, independent of banking hours. In contrast, trading Bitcoin Spot ETFs is subject to exchange opening hours, and a direct transfer to other parties is not possible.

Furthermore, Bitcoin ETFs function exclusively as investment vehicles. Direct participation in the Bitcoin network and a large part of the properties of the protocol, such as portability, verifiability, or decentralization, remain withheld from you as an investor. Additionally, you are thus excluded from using innovations such as the Lightning Network.

	Bitcoin	Bitcoin ETF
Price increase	✓	✓
24/7/365 available	✓	✗
Permissionless access	✓	✗
Verifiability	✓	✗
Censorship resistance	✓	✗
Seizure resistance	✓	✗
Suitable for payments	✓	✗
Tax-free transferable	✓	✗
Mandatory fees	✗	✓

Source: Unchained Capital (Layout adjusted)

For those who see more in Bitcoin than just a store of value and want to participate in the other unique properties that make it successful, self-storage of Bitcoin is the right approach. For more information on securely storing Bitcoin, recommendations such as the Coinfinity [Bitcoin Blinks](#) are suitable. Additionally, the Coinfinity [Support Team](#) is happy to help with choosing the right wallet. For beginners, the [Card Wallet](#) is particularly well-suited for storing small amounts of coins.



# Conclusion

**T**his paper provides only a brief glimpse into the reasons why Bitcoin still exists and is successful after many years. From our perspective, the future of it appears to be just as promising as its past. To fully understand Bitcoin, insights from various scientific disciplines are needed - too many to discuss them all here. Nonetheless, we hope to have presented a compelling investment case for Bitcoin or at least piqued interest in delving deeper into it. Bitcoin represents a digital store of value, protected by an almost insurmountable barrier of energy. In a future where the majority holds and uses Bitcoin, it would represent the optimal way to secure purchasing power over time and space. In such a scenario, it would no longer be a speculative object, but the most conservative form of savings.

Regardless of one's personal stance or knowledge about it, we are convinced that Bitcoin shouldn't be missing in any investment portfolio. This view is supported by data. However, it is crucial to invest according to one's beliefs and individual knowledge to be able to withstand larger price corrections over longer periods without panicking. Compared to other asset classes, Bitcoin's short-term volatility is significant and can challenge even experienced investors. While price predictions may seem promising, relative price fluctuations and accompanying media reports can shake one's confidence in their beliefs. Regardless of the current or future price, some things remain unchanged: the fundamental characteristics of Bitcoin - incorruptibility, decentralization, resilience, and scarcity.

# Coinfinity

**Safety, expertise and quality.**

When it comes to Bitcoin, Coinfinity is your reliable, transparent and officially regulated partner from Austria. The many satisfied customers, our 10 years of experience as a Bitcoin company and annual sales of over € 100 million speak for themselves.

## Trade Bitcoin

Buy and sell Bitcoin easily and without spread with the Coinfinity app or via our web portal - simple, secure and around the clock.

## Bitcoin Savings Plan

Achieve long-term growth of your Bitcoin portfolio through regular, automated purchases with our savings plan - flexible and without commitment.

## Coinfinity Business

Coinfinity helps companies and institutions to develop a customized Bitcoin strategy. We accompany you from the alignment of the portfolio to the development of the necessary knowledge about the use and secure storage of Bitcoin.

## Coinfinity Wealth

You are a private individual and want to invest in Bitcoin with a high volume and specific requirements? Then Coinfinity Wealth is the right place for you - Raimund Ortner and Isabelle-Christin Haring are personally at your disposal.



# Contact



Raimund Ortner  
Head of Business & Wealth  
+43 676 852597 310  
[business@coinfinity.co](mailto:business@coinfinity.co)

**Raimund** is the Head of Business & Wealth at Coinfinity. With his vast experience as a department head in internationally operating medium-sized companies, he understands the challenges and opportunities of SMEs and bridges the gap from the real economy to Bitcoin. As such, Raimund is the ideal contact partner for partnerships and limited companies, as well as medium-sized enterprises.

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*

