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# Bitcoin: A Unique Diversifier

# Introduction

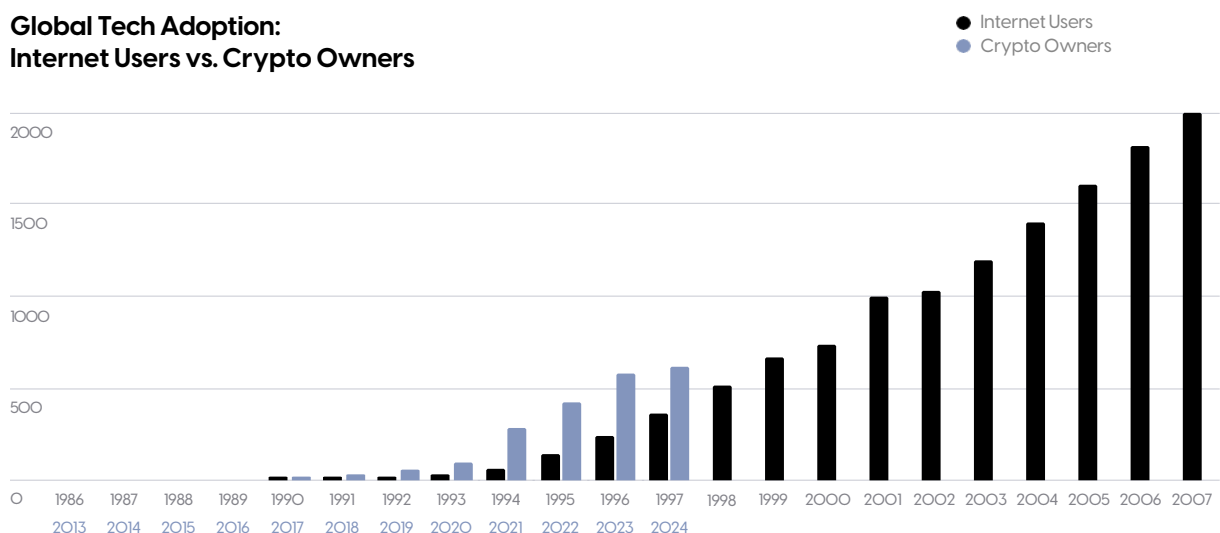
At Haute Capital Partners, we constantly assess emerging assets and how they can enhance portfolio diversification while offering protection against macroeconomic risks. Bitcoin, a decentralized and non-sovereign digital currency, has evolved from a niche technology to a crucial tool in the investment world. Its unique characteristics—such as a fixed supply and independence from traditional financial systems—set it apart as an attractive asset for portfolio diversification.

With the introduction of Bitcoin ETFs in early 2024, Bitcoin has become even more accessible to retail investors, facilitating its integration into traditional portfolios. In this article, we explore Bitcoin's role as a diversifying asset and how the increasing involvement of institutional players signals its growing significance.

## The Arrival of Bitcoin ETFs and Its Impact on Retail Adoption

The launch of Bitcoin ETFs has been a watershed moment for the cryptocurrency space, making it easier for retail investors to gain exposure to Bitcoin. These ETFs allow investors to avoid the complexities of managing private keys and wallets, bringing Bitcoin into traditional financial markets.

### Global Tech Adoption: Internet Users vs. Crypto Owners



Source: Galaxy Research

## Supply-Demand Imbalance Driving Price Surges

Since their launch, Bitcoin ETFs have purchased 291'442 BTC, while only 162'364 BTC have been mined during the same period. This supply-demand imbalance has driven Bitcoin's 39.60% price surge as of September 2024. With Bitcoin's finite supply, increasing demand from ETFs is pushing prices higher, solidifying its role as a store of value.

Spot Bitcoin ETFs now hold nearly 5% of the total Bitcoin supply, not accounting for the 4 million BTC estimated to be lost forever. This scarcity

is further amplified by corporate giants like MicroStrategy, which recently added 18,300 BTC to their holdings, reaffirming their belief in Bitcoin's long-term potential.

Notably, Bitcoin was the fastest ETF to reach \$20 billion in assets, doing so in just 137 days, shattering the previous record held by JEPI, which took 985 days. With major institutions and ETFs investing heavily, Bitcoin is becoming a key asset in diversified portfolios.

NEW SUPPLY VS ETF DEMAND	9/13	THIS WEEK	SINCE JAN. 10 ETF LAUNCH
Number of BTC Mined	450	2'250	162'364
Number of BTC Bought by U.S. ETFs	4'402	6'892	291'442

Source: Coinglass

## Why Bitcoin?

Bitcoin's distinct attributes make it an ideal addition to a diversified portfolio. Its scarcity, decentralization, and detachment from traditional financial systems serve as a hedge against macroeconomic risks, such as inflation and geopolitical instability.

### Key Attributes of Bitcoin

**Fixed Supply:** Bitcoin's 21 million unit supply cap ensures its scarcity, positioning it as an effective store of value.

**Global and Decentralized:** Bitcoin operates without intermediaries, enabling fast, secure, and inexpensive global transactions.

**Non-Sovereign:** Bitcoin is insulated from the risks tied to any single nation's economic performance, offering diversification in a world of increasing geopolitical uncertainty.

# Bitcoin's Role in Portfolio Diversification

Bitcoin's low long-term correlation with traditional asset classes, such as equities and bonds, makes it a valuable diversification tool. By adding a small allocation of Bitcoin (between 1% and 5%) to a portfolio, investors can improve their risk-adjusted returns without significantly increasing overall risk.

## The Volatility of Bitcoin

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One of the defining characteristics of Bitcoin is its extreme price volatility, which has both attracted and repelled investors over the years. Since its inception, Bitcoin has experienced dramatic price swings, sometimes gaining or losing thousands of dollars in a single day. This volatility is largely due to Bitcoin's relatively small market size compared to traditional financial markets, its fixed supply, and its speculative nature.

Bitcoin's volatility is a double-edged sword. While it offers the potential for high returns, it also poses significant risks. Investors must carefully weigh these factors when deciding whether Bitcoin is the right asset for their portfolio. As the cryptocurrency market evolves, the volatility may decrease, but for now, it remains one of Bitcoin's most defining and controversial features.

## Risk-Adjusted Returns

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Even during periods of heightened volatility, such as the COVID-19 pandemic or geopolitical tensions, Bitcoin has demonstrated a tendency to recover faster than traditional assets, enhancing portfolio resilience.

One key measure of Bitcoin's performance is its Sharpe ratio, which currently stands at 11.8%. This indicates that Bitcoin has provided a positive risk-adjusted return compared to risk-free assets such as 4-year U.S. government bonds over

the past year. A Sharpe ratio of this magnitude suggests that investors are being adequately compensated for the risks they are taking with Bitcoin.

However, investors should remain mindful of the broader market cycles. While Bitcoin's current Sharpe ratio is strong, a Sharpe ratio above 20% may signal a market cycle peak, indicating that investors should exercise caution during such times of heightened risk and reward dynamics.

**BTC: 1Y Sharpe Ratio (%)**


Source: CryptoQuant

# Bitcoin as a Hedge Against Macroeconomic Risks

In a world facing rising government debt, inflation, and political instability, Bitcoin offers a compelling alternative. As a decentralized, non-sovereign asset, it provides protection against the risks tied to national economies and traditional financial systems.

## El Salvador: A Case Study in Financial Sovereignty

El Salvador has been at the forefront of the Bitcoin revolution since adopting it as legal tender in September 2021. In March 2024, El Salvador secured a \$1.6 billion investment from Yilport Holdings to develop its ports, including Bitcoin City. This marks the largest private investment in the country's history, positioning it as a key logistics hub in Latin America.

By integrating Bitcoin into its national financial system, El Salvador has reduced reliance on external debt and established a model for economic innovation. The country's 5700 BTC holdings, currently valued at \$336 million, underscore Bitcoin's role in national infrastructure, while the success of its Bitcoin-backed emerging market bonds makes it a leader in financial innovation.

# Big Players Entering the Crypto Space!

Institutional interest in Bitcoin has grown significantly, with major players making notable moves:

## SNB BNS

Swiss National Bank (SNB) holds **466'000 shares** in MicroStrategy, valued at **\$60.75 million**, and **525'400 shares** in Marathon Digital, a leading crypto miner, worth **\$7.95 million**.

## MicroStrategy

MicroStrategy, known for its **226'500 BTC** holdings (worth **\$13.29 billion** as of Q2 2024), remains a popular proxy for cryptocurrency price movements.

### Other major institutions entering the space include:

Vanguard: \$2.02B  
 Morgan Stanley: \$1.26B  
 BlackRock: \$1.15B  
 Goldman Sachs: \$178.3M  
 Norges Bank: \$146.5M  
 Charles Schwab: \$126M  
 UBS: \$80.3M  
 Bank of New York: \$73.4M  
 Bank of America: \$51.6M  
 State of California: \$50.4M

The involvement of such significant asset allocators underscores the increasing acceptance of Bitcoin as a core investment asset.

Additionally, Goldman Sachs reported \$418 million in spot Bitcoin ETF investments, and Morgan Stanley owns 5.5 million shares in BlackRock's spot Bitcoin ETF, further cementing Bitcoin's growing prominence.

### Bitcoin ETF Inflows



Source: Bold

# Bitcoin Mining: The Digital Gold Rush

Bitcoin mining is often compared to a modern-day gold rush, where miners use advanced computers to solve cryptographic puzzles and validate transactions on the Bitcoin network. This process secures the blockchain and ensures the integrity of Bitcoin transactions. Miners are rewarded with newly minted Bitcoin, but this reward decreases over time due to the 'halving' mechanism.

Initially, miners earned 50 BTC per block, but this reward halves approximately every four years. The most recent halving occurred in April 2024, reducing the block reward from 6.25 BTC to 3.125 BTC. As a result, Bitcoin's inflation rate dropped from 2% to 1%, further limiting supply and reinforcing its deflationary nature.

This built-in scarcity is similar to precious metals like gold, and it's one of the reasons Bitcoin's val-

ue has continued to rise over time. With a supply cap of 21 million coins, which will be fully mined by 2140, Bitcoin becomes progressively scarce.

Moreover, as of October 2024, it's estimated that 4 million Bitcoins have been lost forever, leaving a circulating supply of just 15.6 million BTC. This scarcity, combined with the effects of the recent halving, has significantly bolstered Bitcoin's position as a deflationary and valuable digital asset.

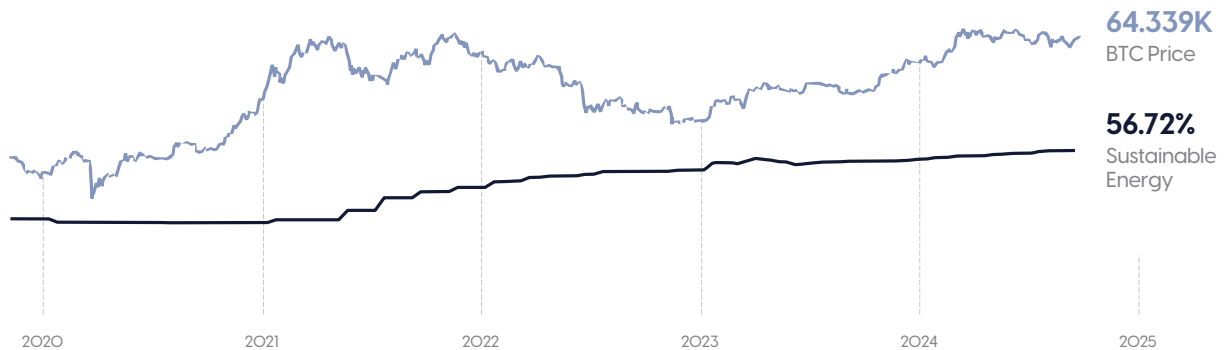
# Bitcoin's Shift Toward Sustainable Energy

Bitcoin has made considerable strides in aligning itself with environmental goals, with 56.72% of Bitcoin mining now powered by sustainable energy—surpassing other industries in renewable energy adoption. This shift is particularly significant, given that companies like Tesla have publicly tied their acceptance of Bitcoin to its environmental impact.

This trend toward sustainability is more than a symbolic gesture—it reflects Bitcoin's integration into the global financial system. Environmental, social, and governance (ESG) considerations

are becoming critical for institutional investors, and Bitcoin's leadership in renewable energy use strengthens its appeal as a long-term asset for ESG-conscious investors.

### Bitcoin mining: usage of sustainable energy



Source: Wocharts

# Global Adoption

## Visa and PayPal's Moves

**The broader adoption of Bitcoin continues to accelerate, with major corporations making notable strides:**

**Visa** has launched a Tokenized Asset Platform, enabling banks to test tokenized assets and smart contracts, further integrating cryptocurrency into traditional financial infrastructures.

**PayPal** now allows 30 million business accounts to accept Bitcoin and other cryptocurrencies, further facilitating mainstream adoption.

## Swiss Cantonal Banks Enter the Crypto Space!

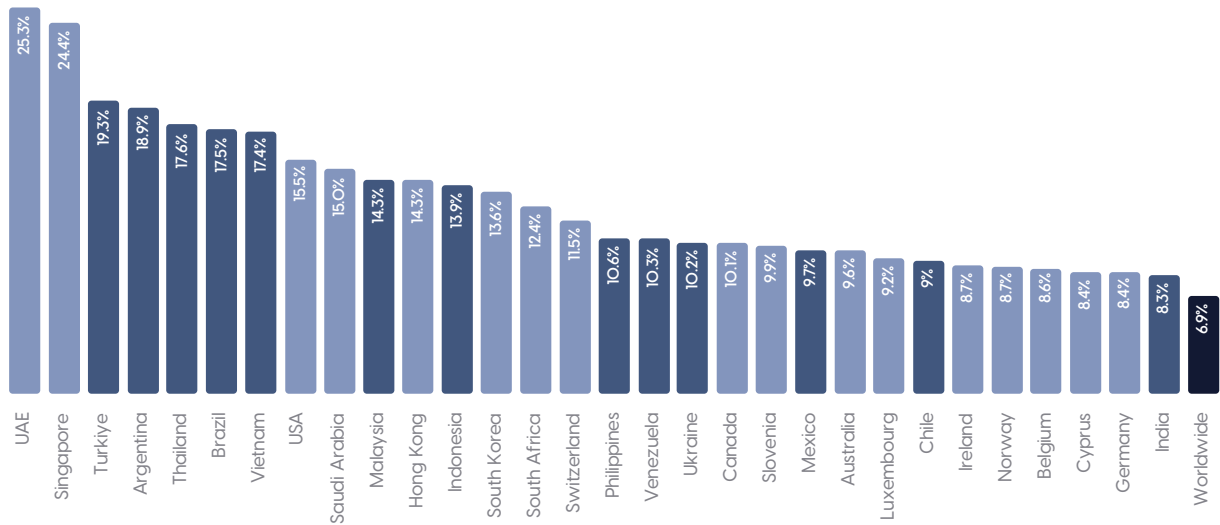
In addition to these major developments, \$300 billion Swiss government-owned cantonal banks are now launching Bitcoin and crypto offerings. As Europe's MiCA regulations tighten and push firms out of the EU, innovation and talent in Web3 are shifting to crypto-friendly hubs like Switzerland. Switzerland continues to attract companies and talent, positioning itself as a leading crypto and blockchain hub.

These developments signal the continued evolution of Bitcoin and other digital assets into key components of the global financial ecosystem.



### Top 30 countries

\*Percentage of people who invest in cryptocurrencies



### Cryptocurrency investors by continent

	2023	2024	CHANGE
Asia	268.2M	326.8M	+21.8%
North America	52.1M	72.2M	+38.6%
Africa	40.1M	43.5M	+8.5%
Europe	307M	49.2M	+60.3%
South America	25.5M	55.2M	+116.5%
Oceania	1.4M	3M	+114.3%

Source: Triple A

# The Devaluation of the Dollar and Bitcoin as a Store of Value

In recent years, the devaluation of the U.S. dollar has become a growing concern for investors. Rising government debt, increased money printing, and inflation have all contributed to the weakening of the dollar's purchasing power. As demographic challenges press on global economies, governments often turn to currency debasement as a lever to stimulate GDP growth. The math is straightforward: when the nation-

al income isn't sufficient to cover debt, the inevitable path leads to asset price inflation. This devaluation is evident in many aspects of daily life, from increasing consumer prices to soaring housing costs. As fiat currencies, including the U.S. dollar, continue to lose value, investors are increasingly seeking alternative stores of value to protect their wealth—and Bitcoin has emerged as one of the most compelling options.

## Declining Purchasing Power of the Dollar

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The devaluation of the dollar is starkly illustrated when comparing historical prices of assets, particularly housing. In 2016, the median U.S. house was priced at \$288,400, equivalent to 664 BTC at the time. By 2024, that figure had risen to \$434,700, yet it would only take 6 BTC to buy the same median-priced house. This dramatic shift highlights how asset prices, particularly real estate, have soared as the value of fiat currency erodes.

Why does this happen? The simple math is that Bitcoin (BTC) serves as the numerator, while the dollar (USD) functions as the denominator. As the dollar loses value due to inflationary pressures, the denominator decreases, driving up the value of Bitcoin. The outcome? A significant appreciation of BTC against traditional fiat currencies. This stark contrast between the purchasing power of the dollar and Bitcoin showcases Bitcoin's ability to retain and even grow in value over time, serving as a robust store of wealth against fiat currency devaluation.

## Bitcoin as a Store of Value

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Bitcoin's inherent properties have made it a reliable store of value over the past decade. Unlike fiat currencies, Bitcoin is not subject to inflationary pressures because its supply is capped at 21 million units. This fixed supply ensures that Bitcoin cannot be devalued by excessive issuance, as is often the case with traditional fiat currencies.

### **Several factors contribute to Bitcoin's strength as a store of value:**

**Scarcity:** Bitcoin's fixed supply ensures that it cannot be printed or inflated, unlike fiat currencies. This scarcity increases demand, particularly during times of economic uncertainty or when fiat currencies are losing value.

**Decentralization:** Bitcoin operates on a decentralized network, meaning that no single entity controls its issuance or governance. This eliminates risks of manipulation by central authorities or governments, making it a trustworthy store of value in times of political or economic instability.

**Durability and Transportability:** As a digital asset, Bitcoin is durable and easily transferable across borders without the need for intermediaries. Its ability to be stored securely in digital wallets adds another layer of protection against loss or theft, further solidifying its appeal as a long-term store of value.

## Bitcoin's Role in a World of Fiat Currency Devaluation

As the Federal Reserve introduced quantitative easing following the 2008 financial crisis, we entered an era of asset inflation. The rise in inflation throughout 2022 and 2023 has further weakened the dollar, causing it to lose a quarter of its purchasing power in just four years. In this environment, Bitcoin presents a compelling alternative for investors aiming to preserve wealth. As demonstrated by the comparison of home prices between 2016 and 2024, Bitcoin's purchasing power has risen dramatically, while the dollar's has weakened.

Both retail and institutional investors are recognizing Bitcoin's unique role in safeguarding wealth from the erosion of purchasing power. The growing presence of large asset allocators

and the introduction of Bitcoin ETFs highlight its rising status as a reliable store of value. As central banks remain committed to driving positive GDP growth, and governments globally expand money supplies to address economic challenges, we can expect the stock market to continue its upward trajectory in the long run. However, Bitcoin, with its fixed supply, decentralized nature, and increasing adoption, has proven to be a robust hedge against fiat currency devaluation, offering not only preservation but also growth in purchasing power.

This makes Bitcoin an increasingly attractive asset for those seeking to protect their wealth amid rising inflation and global monetary uncertainty.

### Bitcoin purchasing power

Historical median US house priced in USD and Bitcoin



"After China's fiscal stimulus, it's now time for the US. As the US Treasury empties its general account, we expect a major liquidity injection of \$1 trillion in Q4 2024. With \$800 billion to be drained before the January debt ceiling deadline and \$550 billion in bond issuances, this liquidity surge will provide significant market support over the next 6 to 12 weeks."

**Dylan Figueiredo,**  
Head of Multi-Asset Management

## Unlocking Value: Strategic Entry Points for 2023

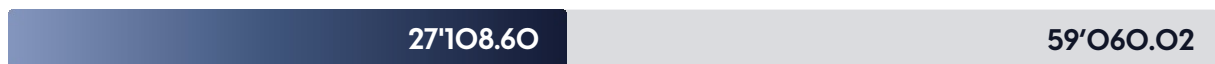
For fiscal year 2023, Haute Capital Partners identified several key entry points across high-performing assets, including Bitcoin. Thanks to our proactive approach, shareholders can now capitalize on these strategic opportunities, as

these assets have significantly increased in value since their inclusion. Our strategy continues to position shareholders for long-term growth by leveraging early market insights and disciplined management.

### Entry points referenced by HAUTE for the 2023 fiscal year

● Market values  
as of 06.10.2024

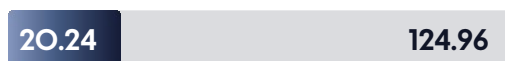
#### Bitcoin, CHF



#### Ethereum, CHF



#### Solana, CHF



# A comparison with global giants

Comparison including corporations and investment products

NAME	MARKET CAP	PRICE	Performance on Oct. 7
1 Gold	\$17.682 T	\$2'633	-0.09%
2 Apple	\$3.466 T	\$228.02	1.00%
3 Nvidia	\$3.274 T	\$133.50	0.46%
4 Microsoft	\$3.113 T	\$418.82	0.99%
5 Alphabet (Google)	\$1.992 T	\$162.54	-1.91%
6 Amazon	\$1.934 T	\$184.33	0.88%
7 Saudi Aramco	\$1.737 T	\$7.18	-0.37%
8 Silver	\$1.736 T	\$30.86	0.83%
9 Meta Platforms (Facebook)	\$1.489 T	\$588.88	-0.68%
10 Bitcoin	\$1.225 T	\$62'051	-1.00%
11 Berkshire Hathaway	\$979.17 B	\$455.06	0.28%

Source: Companiesmarketcap

## Considerations for Retail Investors

At Haute Capital Partners, we encourage investors to approach Bitcoin with an informed perspective, understanding both its potential and risks. While Bitcoin offers substantial upside potential, it is still a volatile asset and requires thoughtful consideration within a broader portfolio strategy.

### Key Risks to Consider

**Volatility:** Bitcoin's price can experience significant fluctuations over short periods, which may be unsettling for risk-averse investors.

**Regulatory Landscape:** As governments continue to refine their regulatory frameworks for cryptocurrencies, potential shifts in policy could impact Bitcoin's price and liquidity.

**Security:** Storing Bitcoin securely is critical. Investors should use reputable platforms and wallets to mitigate the risk of theft or loss.

# Conclusion

Bitcoin's growing role as a unique diversifier is becoming increasingly evident. With institutional players like the Swiss National Bank, Morgan Stanley, and BlackRock deepening their involvement, Bitcoin is emerging as a central component in modern investment portfolios. Additionally, the introduction of Bitcoin ETFs and growing corporate adoption by companies like Visa and PayPal are accelerating Bitcoin's integration into the global financial system.

At Haute Capital Partners, we believe that when Bitcoin is thoughtfully integrated into a well-diversified portfolio, it can provide significant benefits. Its growing prominence, sustainability efforts, and increasing institutional backing make it a compelling asset for investors seeking diversification and long-term growth opportunities.



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