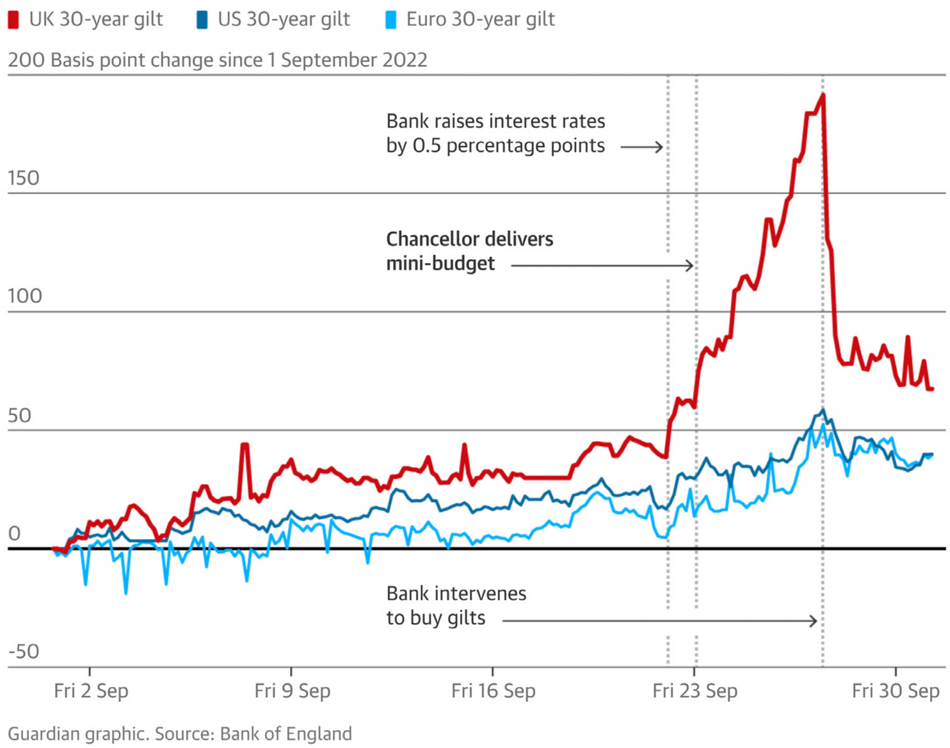

Figure 2 - timeline of pricing in 30-year government bonds from UK, US, EU

This episode served as a wake-up call to central bankers globally, exposing the precarious balancing act they faced. Their current policy choices—whether to tighten the money supply to curb inflation or risk stifling liquidity and imperiling the financial system—resemble the treacherous path between Scylla and Charybdis.

The implications for money managers are threefold:

1. **Elusive Positive Yields:** Besides new government bonds, genuinely positive yields are nowhere to be found.
2. **Money Market Funds' Resurgence:** The demand for money market funds is amplified by both enticing short-term yields and risks of illiquidity in other markets.
3. **Looming Government Intrusion:** The specter of insolvent governments resorting to convoluted methods to confiscate capital for debt servicing is an escalating concern.

This final threat, though somewhat underestimated across the past four decades or so, will surely garner heightened attention in the foreseeable future. Recent events underscore governments' readiness to wield their currency and banking systems as tools for political and geopolitical manoeuvring.

The freezing of Russian assets by the US and its allies in response to the Ukraine conflict; the targeted scrutiny of crypto banks through Operation Chokepoint 2.0;[6] the expansion of the OFAC sanctions list; the manipulation of FED swap lines; the exclusion of Iran from SWIFT; and the surge in central bank digital currency (CBDC) initiatives collectively serve as cautionary signals for investors and nations alike.

Despite ongoing discussions surrounding the process of de-dollarization, the prevalence of USD in global trade and financial agreements persists—86% of FX transactions and a significant portion of global debt remain USD-denominated, and the US government is not shy of leveraging the dollar's reserve status to advance its geopolitical objectives.

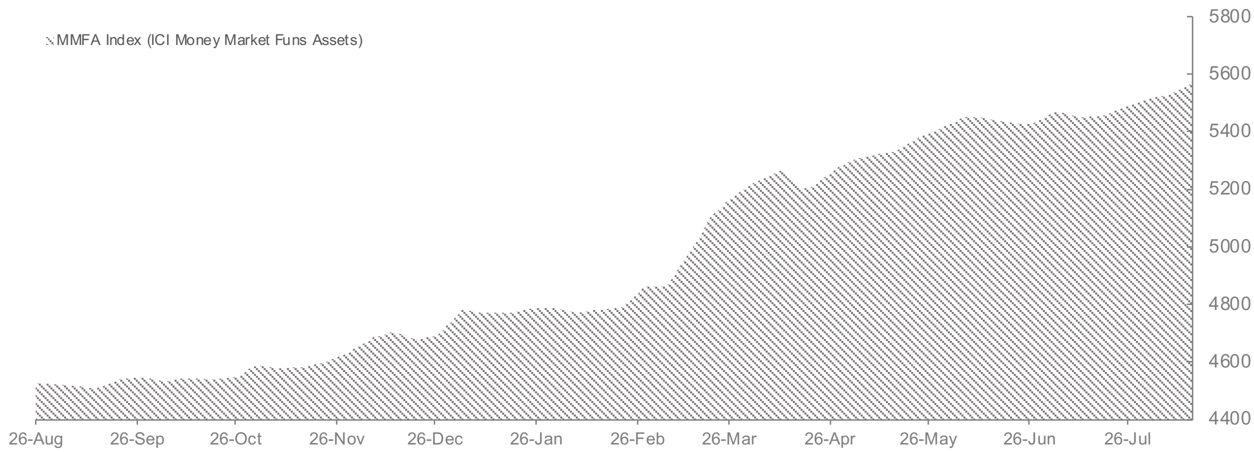

Figure 3 - aggregated money market fund assets (+$5.5Tn)

With all this framing the global macroeconomic backdrop, the concept of a deposit facility resistant to seizure, capable of yielding positive real returns in USD, assumes profound significance. Such facilities are poised to attract global interest from discerning investors seeking stability amidst a sea of uncertainty.

II. building a Bitcoin-centric money market fund

A. But Where Does The Yield Come From?

The pursuit of optimal real yields is a fundamental task for money managers, traditionally thought to lead to preferencing allocating capital to the most effectively managed monetary zones. These zones can vary across time and space, ranging from Germany to Japan to the US, each having its relative advantages and disadvantages. However, all share a common characteristic: financial markets as a whole are built up from fiat bond markets specifically, all of which rest on the necessity of unbounded money supply expansion over time.

In stark contrast, Bitcoin operates on an inherently sound and predictable monetary policy. Unlike traditional fiat systems, Bitcoin doesn't necessitate continuous money supply growth to sustain what is essentially a convoluted Ponzi scheme and doesn't hinge on the whims of central planners. Instead, it adheres to a deflationary issuance schedule dictated by algorithmic adjustments of the mining difficulty. While central banks manipulate money's price to influence its supply, the Bitcoin protocol defines supply evolution, and the price of Bitcoin subsequently adjusts. Given Bitcoin's robust monetary framework, this self-contained price discovery, reflecting the opportunity cost of not holding Bitcoin, unsurprisingly commands positive real yields across long enough time horizons if denominated in fiat. In other words, Bitcoin has never stopped monetizing, and I see no reason to believe it ever will.

In the fiat arena, sovereign entities vie for capital inflows to their domestic markets. Higher real interest rates tend to attract more capital, from bond markets