

was in the S&P 500. Both were extensions of an individual who believed in bitcoin (Michael Saylor and Elon Musk). While Tesla exited their position shortly after being accepted into the S&P 500, in 2024, Strategy awaits entry despite having a nearly \$100B market capitalization, which is exactly the average for the 500 companies in the index.

Many bitcoiners are waiting for mega-companies like Apple or Facebook to put a bunch of bitcoin on their balance sheet and then watch the price skyrocket. Some think it will be governments who will get into the game. As we speak, the US is actively discussing a \$1 trillion Strategic Bitcoin Reserve. Others are waiting for pensions and endowments to commit some of their asset allocation to bitcoin. They are all misguided. Even bitcoin institutions like publicly traded mining companies eventually succumb to the pressure of selling their bitcoin.

El Salvador is the nation with the most aggressive strategy to publicly accumulate and use bitcoin to date. President Bukele has a superior understanding of both bitcoin and his country, and his popularity enables him to unilaterally extend himself as an executive upon his government. Even with all of this in place, we don't know what El Salvador will look like in a few years when Bukele is no longer the president. Bhutan is another country that has been accumulating bitcoin for several years under the radar (their mining activity was made public in Celsius's bankruptcy filings). While these have been rare exceptions, I would expect to see more

governments accumulating bitcoin than companies. Countries can have a longer time horizon than companies (a concept that economists refer to as “low time preference”). Most nations are unable to develop a long horizon and end up endlessly borrowing from the IMF and World Bank in a forever cycle of defaults. Western democracies have generally short time horizons as the leaders are elected every few years and have little incentive to encourage or seek out long-term investments, or to deal with the consequences of walking away from debt.

For the same reason that companies won't hold bitcoin long term on their balance sheets, pensions are highly unlikely to hold bitcoin in their trusts through an entire four-year cycle (known in bitcoin parlance as a “mining reward epoch”). A pension has even less of a connection to an individual actor than a company does. Its decisions are made by a board or committee that may or may not even be participants in the pension or employees of the company. At best, bitcoin shows up as a “high risk, high reward” investment opportunity. But as fiduciaries, however, pensions open themselves up to lawsuits from participants if they allocate assets to bitcoin and it doesn't perform well. It will take a highly committed company whose executives don't fear these consequences to navigate a pension successfully through a complete four-year cycle.

The entrance of BlackRock into the bitcoin space with their IBIT spot bitcoin ETF, and their mutual fund complex that will utilize that ETF, is the only reason I believe that pension funds and other institutional trusts might end up with bitcoin exposure. They might do so without explicitly knowing it, which is likely what it will take to cause a significant uptick in participation.

