

The table above shows the returns of a generic S&P 500 index fund that is “enhanced” with bitcoin. For simplicity and to demonstrate just how easy it is to build a superior fund, I created two enhanced funds. The first fund uses bitcoin at an allocation of 1%, and the second fund uses bitcoin at an allocation of 2%. The remainder of the fund stays in the S&P 500 index.

As of 12/31/2024, going back the last five years, there was only one single one-year period where the enhancement failed to add value, and it underperformed the baseline index fund by a mere 45 bps and 89 bps, respectively. (In percentage terms, it underperformed by 0.45% and 0.89% in a year where the SPX returned -11.92%.) By contrast, the enhanced portfolios outperformed the SPX in all the other years, with 2024 outperforming by 98 and 196 bps (0.98% and 1.96%), respectively. For additional context, BlackRock’s best-performing fund in 2024, its US Technology Focused ETF, exceeded the SPX by 654 bps (6.54%).

On a 5-year basis, the enhanced portfolios outperformed the SPX by a staggering 1,159 and 2,317 bps (11.59% and 23.17%), while BlackRock’s best performing fund on a 5-year basis (which happens to be the same US Technology Focused ETF) exceeded the SPX by only 630 bps (6.30%). It’s worth noting that the BlackRock Tech Focused ETF has a risk profile on par with 100% bitcoin and was outperformed significantly by a conservative SPX portfolio containing only 1% bitcoin. In addition to enriching the holders of the portfolio, the overall