

10.3 Buy Side: Enhanced Returns

We've established that bitcoin's returns are objectively superior (both qualitatively and as demonstrated by their track record). They will continue to be this way as long as electricity and the internet exist on this Earth, so it's time for institutions to build out some very easy products that leverage these returns and make it easy for their customers to benefit from them.

A year into the spot ETF approval, I would have expected the larger providers to have already created “enhanced” versions of their flagship funds. Any fund can be enhanced by allocating a certain percentage to the bitcoin ETF, and they would want to start seeding them sooner so that they can build up the superior track record of 1-year, 3-year, and 5-year returns that will be realized by adding bitcoin. From a competitive standpoint, it's a no-brainer to be able to offer funds that provide superior returns. There is no question of this, as there are very few periods of a small bitcoin allocation not offering tremendous outperformance, and these are short-lived.

	1-year		3-year		5-year*	
	1% SPX	2% SPX	1% SPX	2% SPX	1% SPX	2% SPX
	enhancement	enhancement	enhancement	enhancement	enhancement	enhancement
12/31/2020	284	568	59	118	2,869	5,739
12/31/2021	33	65	1,055	2,109	4,636	9,271
12/31/2022	-45	-89	110	221	-29	-58
12/31/2023	129	259	18	37	944	1,887
12/31/2024	98	196	78	156	1,159	2,317

Fig. 7. 1-,3-,and 5-year returns with bitcoin enhancement. Author's calculations.