



Ninepoint Bitcoin ETF - Market View

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Investment Team



Ninepoint Partners,



Speaker:

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Transcript

Alex Tapscott:

Hello, this is Alex Tapscott, managing director of the Digital Asset Group at Ninepoint Partners, and this is your September 1st Bitcoin update. Bitcoin has had quite a year going back to the fall of 2021 when it was nearing an all-time high of around \$65,000. Today, the price of Bitcoin sits much lower around \$20,000. As a result, a lot of investors are questioning what the future of Bitcoin holds.

Despite the decline that we have seen, which broadly speaking correlates with most other asset classes, particularly high-growth technology companies and other so-called risk investments, Bitcoin is actually looking quite bright in terms of the future for a number of different reasons. Ownership of Bitcoin continues to increase fairly significantly. If you look at the numbers for 2021, the adoption of crypto, according to the firm chain analysis increased around 900% and we're seeing similar adoption happening this year.

If you look at the broader blockchain ecosystem, you will see that there is tremendous growth happening in a variety of different interesting areas, including decentralized finance in the NFT and metaverse space in stablecoins and a number of other important areas of innovation. Also, it's worth keeping in mind why Bitcoin is worth anything to begin with and what the value proposition is.

Bitcoin is the first example of blockchain technology in action and blockchain fundamentally represents a new era of the internet. For many years, we've had an internet of information, which changed how we moved and stored information, how we communicated, and how we collaborated online. With Bitcoin, we have an internet of value, an internet of assets that allows us to move and store and manage assets, peer-to-peer for the first time really in human history, using the internet and other digital mediums.

That is a really important innovation. I think in the same way that the internet brought about the internet boom and the .com boom, the mobile boom, and so much more. Blockchain and digital assets like Bitcoin will bring about a similar economic transformation and similar growth. Also, if you look specifically at where Bitcoin is at today, we think it offers a very attractive risk-reward option. Today it's August 31st, 2022, Bitcoin is trading around \$20,000.

That's a very important point for a couple of different reasons. \$20,000 represents the previous cycle high that occurred in 2017. If you look at Bitcoin's past trading ranges, generally speaking, entering at the previous high is a very good entry point and always precedes a move much higher. A second point is that Bitcoin's very close to its so-called realized price, which is basically a measure at which all Bitcoin was acquired. In essence, Bitcoin today is sitting right around the point when everyone bought into Bitcoin or received Bitcoin via mining and other methods. This has only happened three times previously in Bitcoin's history.

Every time it did, it was followed by a move to an all-time high. Now we can't predict the future, but anytime that it hits an important key technical measure like that, I think investors should be paying attention. Also, if you look at some of the distribution of Bitcoin ownership, I think it also looks very positive. For example, the number of addresses that is to say, accounts that hold at least 0.01 Bitcoin or around \$200 has recently hit an all-time high.

That differs actually quite a lot from previous cycle highs. In 2017, for example, naturally, the number of those addresses increased but then declined quite sharply. We've not seen that decline suggesting that there are small and medium-sized investors who are acquiring Bitcoin and using dips in the price as an opportunity to buy more, but it's not just small investors.

If you look at larger investors, people with a minimum of at least 10 Bitcoin, which translates to around 200,000 US dollars, that is beginning to turn upwards as well after a period of some consolidation in the summer. Finally, another metric that we're looking at right now is the number of Bitcoin held on exchanges. Typically investors use cryptocurrency exchanges to buy and sell Bitcoin. They like to keep those assets there if they're planning on selling sometime soon because otherwise, they would have to go through the process of moving that Bitcoin from their own type of storage to an exchange.

What we're seeing right now is the balance on exchange is hitting a low that we have not seen since 2018 so more than four years ago, in fact. Suggesting that A, there are a lot of investors who are looking to remove assets to cold storage as it's called, suggesting that they're becoming holders, but B, the fact that there is just fewer Bitcoin on exchange means that if and when the market does

rebound there is going to be a limited amount of supply that can easily satisfy or satiate the demand that comes along with it. These are all quantitative and technical measures. I think that coupled with the fundamental story of the digitization of money and the move for blockchain and creating new ways of moving and storing all manner of value online that the tailwinds for Bitcoin are very significant. There is an event that is going to occur sometime in mid-September, which might actually have an impact on Bitcoin as well. That is an important upgrade to a very large cryptocurrency called Ethereum.

Now, some people think Ethereum and Bitcoin compete, they do not. They perform different functions in the world of digital commerce. Bitcoin is really a way to move and store money peer-to-peer. It's really digital gold. Ethereum is a platform that's used to build and run applications. It's about to go through a transformation known as the merge. When that happens, it will move from one way of doing security to another. It's obviously very important that they get this right. This move to what's called proof of stake. I believe that if and when the move to proof of stake occurs, that it will have a broadly positive impact on the full industry. A, because it will give people confidence that blockchain protocols can do big and important things, even in a decentralized manner of governance. B, it'll give confidence to developers to continue to do things on these kinds of platforms.

Right now, Bitcoin is highly correlated to other asset classes as we started off describing. Historically over the past month or so, it's been close to 0.65 to 0.7 relative to the NASDAQ so really, people think of Bitcoin like a FANG stock, all right? Facebook, Apple, Amazon, Netflix, Google, but we think that this fall with the merge and given the technical and quantitative measures we've described Bitcoin could decouple once again from risk assets.

When that happens, we think it could resume its move to a much higher level. It's also worth pointing out that this entire market today is worth 1 trillion dollars, which to be sure is a very large number relative to where Bitcoin was, let's say five or six years ago when it was barely big enough to crack the S&P 500 if it were a public company, but in the context of global markets in the context of what I think the disruptive potential of it is, it's still very, very small.

We're talking about the market capitalization of the entire crypto asset ecosystem being half the size of Apple for example, even though I think this technology has the potential to disrupt those big digital conglomerates and much else.

I think the future is bright. I think probably you want to take a long-term view something we've always encourage people to do. As they say, if bull markets are for earning bear markets are for learning. There's so many resources that we have available at Ninepoint Digital Asset Group, digital.ninepoint.com. You can check us out on YouTube. You can check us out on Twitter. We're creating content and educational resources for people so they can make informed decisions for their investments when they're looking at this asset class. Thanks for tuning in. Looking forward to the next one. Take care.

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