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Bitcoin Special Report

A Fresh Look

Was it the most lopsided transaction in modern financial history? On May 22, 2010, a cash-strapped but hungry programmer in Florida named Laszlo Hanyecz posted *"Pizza for bitcoins?"* on an online forum. Jeremy Sturdivant responded. They settled on 10,000 bitcoins - worth just thirty dollars at the time. This was the first reported Bitcoin transaction, but, in hindsight, Sturdivant clearly came out ahead. The value of 10,000 bitcoin has crossed over $1 billion this year. The story endures not only for the staggering rise in value but also for how major innovations often begin with humble and accidental origins.

Since then, Bitcoin and the broader cryptocurrency ecosystem have moved from obscurity to center stage in the digital economy. What began as a quirky anecdote has become a financial fixture with its price movements on national media outlets alongside the Dow Jones and S&P 500 indices. It still evokes reactions ranging from obsession to confusion. Its utility is straightforward in that it provides a lower friction, lower-cost way to transfer funds globally, especially valuable in underbanked regions. Its value, however, remains a subject of dispute with new facts routinely introduced to shape this debate. Central to this are some tireless economic principles, which have recently proven to become an important tailwind for Bitcoin's trajectory.

Supply and Demand

Created in 2008 by Satoshi Nakamoto, Bitcoin was designed with a fixed supply. Over 19 million are now in circulation, leaving about 1.5 million yet to be mined. Contrast this with the ever-expanding supply of fiat currency. There was $2.3 trillion worth of U.S. paper currency in circulation at the end of 2024, an increase from $601 billion at the start of the century[i]. More supply erodes value; less supply enhances it. From an initial value often cited as less than a tenth of a cent, the relative scarcity of Bitcoin has fueled an astronomical cumulative gain exceeding 38 million percent from 2011 to 2025[ii]. While Bitcoin is an exceptionally modern, technologically driven currency, its meteoric rise rests on traditional economics - chief among them, scarcity.

> **"Money, like wine, must always be scarce with those who have neither wherewithal to buy it nor credit to borrow it."**
>
> **– Adam Smith**
>
> ***On Systems of Political Economy* (1776)**

Bitcoin leaves little middle ground - it is either coveted or dismissed. Among the enthusiasts are many in the current U.S. administration, which has established the following to ease regulatory hostility:

- A strategic national Bitcoin reserve,
- A presidential working group on digital assets, and
- Subcommittees within the Senate and House of Representatives on digital assets.

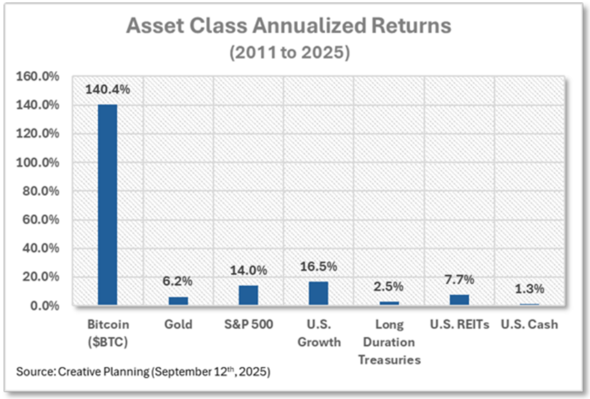
That policy shift drew new investors and helped Bitcoin nearly double from its $69,500 Election Day (2024) level.

Investor demand remains the lifeblood of Bitcoin's performance. Unlike stocks or bonds, it generates no cash flow or earnings to anchor valuation. Its investment value rests entirely on finding more buyers.

Fueling this demand is a belief system, and a dynamic not unique to Bitcoin. Consider Tesla. Its fervent following has propelled its stock to a sky-high valuation evident by a price/earnings multiple of 246 or about ten times that of the S&P 500[iii]. Like Bitcoin, Tesla inspires both devotion and criticism, but for now, its fans have propelled its valuation to the point that it is untethered from current operating results. There exist investor groups bound together by beliefs in certain companies and assets, especially ones playing vital roles in molding our digital future. They can usher in overwhelming demand and be as powerful as any balance sheet.

No Ordinary Currency

Bitcoin's story fuses together science, finance, and a dash of futurism. Often called *Gold 2.0,* it is built not on geology but on math and cryptography. It is also a medium of exchange - think *PayPal 2.0* - but one that operates outside the legacy banking system, independent of the existing financial "train tracks." The arc of its story has been both exhilarating and unnerving, much like Bitcoin's own performance.



Its stratospheric returns have been matched with jaw dropping declines - you typically cannot have one without the other. Consider the following drawdowns:

- **2011:** Peaked near $31, then fell to about $2 (–94% drawdown).
- **2013:** Rose to $1,150, then dropped to $200 (–83% drawdown).
- **2017:** Surged to nearly $20,000, then slid to $3,200 (–84% drawdown).
- **2021:** Reached $64,000, then pulled back to $30,000 (–53% drawdown).

Bitcoin is not just volatile - it is *famously* volatile. Underpinning this are a variety of risks from energy consumption concerns to illicit-use issues. Perhaps the most important long-term risk is replacement risk or the possibility that new technologies or cryptocurrencies could overtake Bitcoin as a leading digital asset. As Callan Family Office investment partner Stephen Trempe explained in an internal research report:

"A primary risk for Bitcoin is its replacement risk. Bitcoin pioneered crypto currencies and blockchain technology. It could be argued Bitcoin's greatest value is its first-mover advantage and wide adoption as the entire crypto market and blockchain technology has evolved."

Despite these concerns, Bitcoin has consistently rebounded. On average, it has historically taken 12 months to recover from a drawdown of 50% or more[iv]. While we do not expect the extreme contractions of its early years, its volatility profile remains impossible to ignore.

These wild swings are not categorically bad, though. For instance, Nvidia lost 90% of its value between the summer of 2001 and the fall of 2002, and again in 2006[v]. These were the drawdowns its long-term investors would endure on its path to becoming a $5 trillion capitalization business. The lesson is clear: a sober understanding of volatility is essential in any Bitcoin framework.

At Callan Family Office, we view Bitcoin through both an innovation and a risk management lens. Its history informs us with how we think about position sizing and portfolio fit. While Bitcoin functions as a currency, its price behavior makes it unsuitable as a funding asset for known or near-term liquidity needs. Cash - the analog kind - is a much better fit for that role. And because wealth preservation coincides with wealth creation, we believe a prudent approach is to limit Bitcoin exposure to no more than 5% of a total portfolio. This approach is rooted in conservatism, for as Nassim Taleb put it:

"Traders come and go; risk managers are here to stay."[vi]

Innovation Arc

Bitcoin's ecosystem continues to innovate. A seminal moment for digital currencies was the launch of spot Bitcoin exchange-traded products (ETPs) in the U.S. in January 2024. This relatively inexpensive vehicle paved the way for a broader swath of investor types, including institutions, to gain exposure to the heavily retail-owned Bitcoin market.

Our preferred exchange-traded vehicle is the iShares Bitcoin Trust ETF. BlackRock's fund sponsorship and Coinbase's custodial role provide institutional stability. Beyond reducing the legacy concerns with owning Bitcoin, highlighted by maintaining a digital key, the iShares Bitcoin Trust ETF has become the most liquid option of its cohort. Most reflective of this is a minimal bid-ask spread ranging from 0.02% to 0.05%[vii]. Taken together, iShares Bitcoin Trust ETF removes much of the operational and custodial complexity associated with owning the digital currency and its 0.25% expense ratio is reasonable being within 0.1% of other spot Bitcoin ETF offerings[viii]. Its fact sheet is located here:

https://www.blackrock.com/us/individual/literature/fact-sheet/ibit-ishares-bitcoin-trust-etf-fund-fact-sheet-en-us.pdf

The other threshold question with Bitcoin is the merit of gaining exposure through derivative means. There are several common stock options, including the following:

- **Visa:** A Bitcoin on-ramp business that has taken various steps to build out the ecosystem, including offering crypto debit cards allowing users to spend their Bitcoin directly.
- **Tesla:** Held 11,509 Bitcoin in the fourth quarter 2024 thereby offering exposure to the digital currency[ix].

> **"Coinbase is long Bitcoin. Our holding increased by 2,772 BTC in Q3. And we keep buying more."**
>
> **-Coinbase CEO, Brian Armstrong**
>
> **(October 2025)**

- **Coinbase:** Bitcoin trading activity is a profit engine for this publicly traded exchange, and recently a profitable one. For the third quarter of 2025, Coinbase reported $1.0 billion in transaction revenue, up 37% from the prior quarter[x]. The company also announced it purchased $299 million of Bitcoin in the quarter.
- **MicroStrategy:** A leveraged Bitcoin play and the world's first and largest Bitcoin Treasury Company. By using proceeds from equity and debt financings, and cash flow from operations, MicroStrategy accumulates Bitcoin. Its founder, Michael Saylor, is also one of the more prominent advocates for Bitcoin in our digital economy.

Bitcoin's maturation mirrors the evolution of other major technologies. Apple released the iPhone in 2007, then opened the App Store in 2008, and followed with EarPods in 2012. As the ecosystem matured, demand became more durable. Bitcoin is on a similar trajectory.

More companies now support Bitcoin, and investors have more ways - direct or indirect - to gain exposure. Our perception has changed as it is graduating from a wildly speculative play to an asset with growing institutional credibility. What has not changed is that Bitcoin is not for everyone. It should remain highly volatile. Its long-term beta (to the S&P 500) ranges from 2 to 6, meaning Bitcoin typically moves 2 times more than the broader equity market, if not more[xi]. Should one buy it? That answer resides in the Socratic wisdom - *"know thyself."*

Our Take

Bitcoin's evolution from curiosity to cornerstone reflects both the promise and paradox of modern finance. Whether it belongs in a portfolio depends less on markets than on mindset. Notably, three of the companies mentioned above - Tesla, Visa, Coinbase - are all S&P 500 constituents. This highlights that those with passive funds emulating this index have exposure already. There are other publicly traded stocks that have Bitcoin exposure, and if the innovation arc holds true, more will follow. Whether that represents sufficient exposure will depend. It depends on having a conversation grounded in facts and centered on the investor's long-term goals.

At Callan Family Office, we too live by that principle of knowing ourselves. The decisions we make reside at the intersection of a thorough understanding of a client's unique objectives and our views of the market. We try to avoid being prescriptive - it is presumptuous and counter to who we are. So, we are open-minded on how a desire for Bitcoin exposure gets executed.

We are also risk managers and would make sure appropriate guardrails are in place if one were to own Bitcoin directly. While we are amid a digital transformation reshaping the tools of finance, it cannot alter some of its enduring truths. Scarcity still matters, as it underpins Bitcoin. So does prudent risk management. An enduring approach will consider both.

For more information visit us at:
www.callanfo.com

[i] U.S. Currency Education Program
[ii] @charliebilello. Data as of September 12th, 2025.
[iii] Morningstar. Data as of September 19th, 2025.
[iv] Bitcoinnewstoday, Bitcoin Historical Drawdown Recovery Periods (July 29th, 2025)
[v] *The Thinking Machine*, Steven Witt (2025)
[vi] *Fooled by Randomness*, Nassim Taleb (2005)
[vii] Morningstar, November 3rd, 2025
[viii] 25 Bitcoin ETFs and Their Fees, Promotions and Holdings, NerdWallet (December 5th, 2025)
[ix] Tesla did not increase its Bitcoin holdings but reports $600 million Q4 gains, The Street (February 10th, 2025)
[x] Coinbase Beats Q3 Estimates With $1.9B Revenue, Buys $300M in Bitcoin. Bitcoin Magazine (October 30th, 2025)
[xi] Bitcoin vs S&P 500 Chart: A Decade of Performance Comparison, FatFIRE (January 14th, 2025)

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