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# THE STAHL REPORT COMPENDIUM

## December 2015

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### THE MOST VOLATILE ASSET CORRELATED WITH NOTHING

The most volatile asset in the world, I will assert, is correlated with nothing. That is the Bitcoin Investment Trust (GBTC), which is a closed-end fund of Bitcoins. As of late November, this closed-end fund trades at a 36% premium to the Bitcoins contained within it. Each share represents 0.0959 Bitcoins. Actually, in late October, this Bitcoin closed-end fund went to a discount of 1.2% for a brief period of time.

There will never be more than 21 million Bitcoins. As of July 31, 2015, there were 14,437,500 Bitcoins in circulation, and they are scheduled to be mined at a very slow rate. The last Bitcoin, by structure, will be mined on May 7, 2140, so clearly, the rate of increase in Bitcoins will not be great.

The United States Geological Survey estimated the sum of all the gold ever mined as of 2011 was 171,300 tons. One metric ton of gold equals 35,273.96 ounces, which means the total number of ounces ever mined is 6,042,429,348. Using a \$1,100 per ounce price of gold, the value of that gold would be roughly \$6.6 trillion.

If Bitcoin were to be accepted as a store of value and were to replace gold in, say, 20 years, presumably the roughly 14.5 million Bitcoins that exist today would be worth \$6.6 trillion. Then each Bitcoin could conceivably be worth \$455,172.41. At the time of this writing, one hundred shares of the Bitcoin closed-end fund, which costs \$4,700, contains 9.59 Bitcoins. So if Bitcoins ultimately were to be worth \$455,172 each, a \$4,700 investment today would amount to a \$4,365,099.48 investment in 20 years. The annualized rate of return would be 40.73% assuming that Bitcoins were equivalent to gold, and assuming the gold price does not increase.

If the gold price were to increase to \$2,000 an ounce, or to \$2,200 an ounce, obviously the final sum would be much larger. The worst that could possibly happen is that the Bitcoins ultimately prove to be worthless, in which case the loss would be, by definition, \$4,700. So in the world of indexation if someone is looking for an uncorrelated asset, this is it.

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