

McMURTRY INVESTMENT REPORT™

Investment Advice for Everyone

INVESTING IN BITCOIN

This cryptocurrency was invented in 2008 with a maximum production limit of 21 million bitcoins. Currently over 18.6 million bitcoins have already been issued, leaving only 2.362 million remaining.

The experts anticipate the last bitcoin to be produced by the year 2140. Differing from traditional mining companies, bitcoin is mined using only computer processing power. The creator of bitcoin, going by the pseudonym Nakamoto, established this production ceiling and it is all based on computer algorithms and formulas.

The bitcoin blockchain represents a public accounting ledger that records all transactions. Even though the ledger is public, the owners of bitcoin are not identified with only the transactions themselves being available for public view. While every purchaser of bitcoin is provided with confirmation of ownership, there have been several instances in the past where this record was either lost or stolen. These owners were left in the cold with losses in the millions of dollars.

Bitcoin represents a totally decentralized medium of exchange that is not tied in any way to central banks or any chartered banks in general. Bitcoin can exchange hands without going through traditional intermediaries. While this facilitation of transfer seems appealing to many, it is traditionally how organized crime behaves. Governments worldwide are becoming very concerned with the increasing popularity of bitcoin for both the crime factor in addition to losing taxation dollars. It is exactly for this reason that bitcoin is becoming more legitimized. Historically when this has happened to other assets, this has led to the large money managers and banks permitting investments in that asset.

As you are all aware, I am a fundamental analyst who values investments relative to both each other and to other economic variables. Bitcoin clearly cannot be analyzed in this way with its valuation totally dependent only on what someone is willing to pay for it at the time. Bitcoin is so highly volatile that it really cannot be used as a currency.

However, money managers are slowly being attracted to bitcoin based on its negative correlation to most other assets including gold.

In October, 2020 the US payment company, Square, invested 1% of their total assets representing \$50 million, into bitcoin. In November, 2020 Paypal began allowing all of its users to transact with bitcoin. In December, 2020 Massachusetts Mutual Life Insurance bought \$100 million of bitcoin. In January of this year, Elon Musk and Tesla bought \$1.5 billion in bitcoin.

Recently bitcoin has attracted buyers that would have historically invested in gold. This has created another layer of demand that is causing prices to rise.

Based on the growing institutional interest in bitcoin combined with the long-term production supply ceiling and the negative correlation with most other assets, I have decided to add the asset to my Growth portfolio only. As you have all experienced, bitcoin is one of the most volatile of any other asset. At any time, the price may fall anywhere from 10-30%. Taking all this into account I would only start with a very small investment of \$500 US. By doing this if it falls materially, it will not have a major effect on your net worth. However, in the meantime, this small investment will help you to familiarize yourself with how this asset performs.

I do not recommend investing in bitcoin directly as a result of the possibility of your proof of ownership being stolen or lost.

I recommend the CI Galaxy bitcoin ETF in US dollars, with the symbol BTCX.U.

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