EVOLVE ETFs

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TSX **EBIT**

Evolve Bitcoin ETF

OVERVIEW

Bitcoin is a decentralized digital currency that enables peer-to-peer transactions without the need for intermediaries like banks or governments. Introduced in 2008 by an anonymous entity known as Satoshi Nakamoto, Bitcoin operates on a peer-to-peer network, allowing users to transact directly without intermediaries. Its decentralized nature ensures that no single entity controls the network, and transactions are verified by network nodes through cryptography and recorded on a public ledger called the blockchain.

History & Development Bitcoin was introduced in 2008 through a white paper titled "Bitcoin: A Peer-to-Peer Electronic Cash System" by Satoshi Nakamoto. The first block, known as the "genesis block," was mined in January 2009. Over the years, Bitcoin has experienced significant milestones, including reaching a market capitalization of $1 trillion in February 2021 and being adopted as legal tender by El Salvador in September 2021. In December 2024, Bitcoin's price surpassed $100,000 for the first time, reflecting its growing acceptance and value.

INVESTMENT CASE

Bitcoin is often referred to as "digital gold" due to its limited supply and potential as a hedge against inflation. Investors are drawn to its decentralized nature, scarcity (with a maximum supply of 21 million coins), and its role as a store of value. Major institutions and companies have invested in Bitcoin, signaling its growing acceptance in mainstream finance. However, its price volatility and regulatory uncertainties pose risks for investors.

USES

Initially envisioned as a peer-to-peer electronic cash system, Bitcoin's primary use case has evolved into a store of value and investment asset. While some merchants accept Bitcoin for goods and services, its use in daily transactions remains limited due to scalability issues and price volatility. Additionally, Bitcoin has been used in international remittances and as a means of transferring value across borders without intermediaries.

SUPPLY ISSUANCE

Bitcoin's supply is capped at 21 million coins, a limit expected to be reached around the year 2140. New bitcoins are introduced through a process called mining, where miners solve complex mathematical problems to validate transactions and add new blocks to the blockchain. The reward for mining new blocks is halved approximately every four years in an event known as the "halving." As of 2024, the block reward stands at 3.125 bitcoins per block.

TECHNICAL FEATURES

Bitcoin operates on a decentralized network of nodes that validate and record transactions on the blockchain. It uses the Proof-of-Work (PoW) consensus mechanism, requiring miners to expend computational energy to add new blocks. This process ensures security but has been criticized for its high energy consumption. Transactions are pseudonymous, and the network is secured through cryptographic techniques.

GOVERNANCE & DECENTRALIZATION

Bitcoin's development is open-source and relies on a community of developers, miners, and users. Decisions regarding protocol upgrades and changes are made through a decentralized consensus process. There is no central authority governing Bitcoin; instead, its decentralized nature ensures that control is distributed across the network.

SECURITY & RISKS

Bitcoin's security is underpinned by its decentralized network and the computational difficulty of altering the blockchain. However, it faces risks such as potential 51% attacks, where a single entity could gain majority control of the network's mining power.

Additionally, users must safeguard their private keys to prevent theft, and the irreversible nature of transactions means that errors or fraudulent transactions cannot be easily rectified.

REGULATORY LANDSCAPE

Regulatory approaches to Bitcoin vary globally. Some countries have embraced it, while others have imposed restrictions or bans. In the United States, regulatory bodies like the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) oversee aspects of Bitcoin's use and trading. The evolving regulatory environment continues to impact Bitcoin's adoption and market dynamics.

ADOPTION & INSTITUTIONAL INTEREST

Bitcoin has seen increasing adoption from both individuals and institutions. Companies like MicroStrategy, Tesla, and Square have added Bitcoin to their balance sheets. The approval of Bitcoin exchange-traded funds (ETFs) has further facilitated institutional investment. Additionally, countries like El Salvador have adopted Bitcoin as legal tender, signaling a growing acceptance at the national level.

ECOSYSTEM & KEY PROJECTS

The Bitcoin ecosystem includes various projects aimed at enhancing its functionality and scalability. The Lightning Network, for instance, is a second-layer solution designed to enable faster and cheaper transactions. Additionally, numerous wallets, exchanges, and payment processors have been developed to support Bitcoin's use and integration into the broader financial system.

ON-CHAIN METRICS & ECONOMIC MODEL

Bitcoin's economic model is deflationary, with a capped supply and decreasing issuance over time due to the halving events. On-chain metrics, such as transaction volume, hash rate, and active addresses, provide insights into network activity and security. These metrics are often analyzed to assess the network's health and adoption trends.

COMMUNITY & DEVELOPMENT ACTIVITY

Bitcoin's development is driven by a global community of contributors collaborating on its open-source codebase.

DISCLAIMER

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