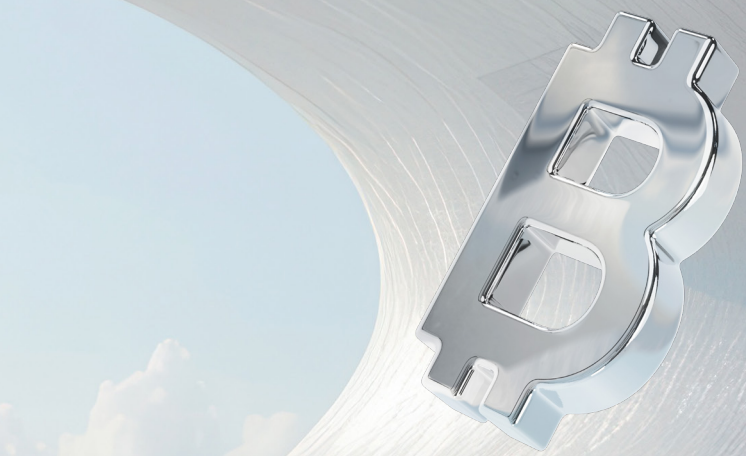
ROOTSTOCK INSTITUTIONAL INSIGHTS

Bitcoin's Awkward Age

How financial utility broadens structural demand on a fixed supply asset

By: **Tony DiCarlo**



RootstockLabs

“Bitcoin’s first fifteen years established its monetary identity. Its next fifteen may be defined by the financial utility built upon it.”

Tony DiCarlo

Contents

Chapter 1 7

Bitcoin's awkward age

Why strengthening fundamentals have not translated into stronger market performance.

Chapter 2 15

Why monetary success is only the beginning

Why successful monetary assets evolve beyond simply preserving wealth.

Chapter 3 26

The emergence of Bitcoin's financial infrastructure

How Bitcoin's first forms of financial utility are beginning to improve the efficiency of both holdings and institutional balance sheets.

Chapter 4 42

Quantifying the first two pillars

How large could institutional yield and liability management become?

Chapter 5 54

Financial utility meets fixed supply

Why Bitcoin's financial economy may become its next structural demand engine.

Chapter 6 63

Conclusion

About RootstockLabs

RootstockLabs is a key contributor to Rootstock, Bitcoin's Financial Infrastructure for lending, yield and onchain capital markets. It builds the institutional infrastructure that helps put Bitcoin to work as productive capital and collateral, partnering with custodians, asset managers and financial institutions to enable Bitcoin-backed lending, tokenized real-world assets and onchain financial strategies.

Rootstock Institutional is an institutional-focused team within RootstockLabs, focused on research and analysis of Bitcoin-native financial infrastructure and its potential applications for professional investors and enterprises.

Further information about RootstockLabs and its activities is available at **www.rootstocklabs.com.**

Executive summary

Bitcoin has spent the past fifteen years proving that a digitally native asset can become globally recognised as money.

During that time, the investment case has been built around a single idea: a permanently fixed supply asset should preserve purchasing power over the long term against continually expanding fiat currencies. That thesis has underpinned Bitcoin's evolution from an experimental technology into an institutional asset held by governments, public companies, asset managers and millions of investors worldwide.

That monetary foundation remains intact.

It is, however, no longer the whole story.

A second phase of Bitcoin's evolution is beginning to emerge.

History suggests that successful monetary assets rarely remain defined solely by their monetary role. Gold provides the clearest example. Its scarcity and durability established its long-term monetary value, while jewellery, electronics and other applications created additional sources of demand. Today, jewellery and electronics account for approximately 43% of annual gold demand.

Gold demonstrates how an asset can combine long-term monetary value with ongoing, utility-driven demand. These are independent reasons to own the same asset, operating across different time horizons, without compromising its monetary properties.

Bitcoin appears to be following a similar path.

Rather than developing physical utility, Bitcoin is beginning to develop financial utility. Its unique combination of permanent scarcity, native digital ownership, global settlement, transparent verification and neutrality makes it naturally suited to an increasingly digital financial system. As institutional adoption grows, Bitcoin is becoming progressively integrated into traditional financial infrastructure through lending, collateral, treasury management, liability management and capital markets.

This report proposes that financial utility is creating Bitcoin's first new structural demand catalyst since its emergence as a monetary asset.

While we cannot predict exactly what Bitcoin's future financial utility will look like, two distinct applications are already showing green shoots.

The first is making Bitcoin assets productive. This involves generating income or returns from existing Bitcoin holdings through institutional lending, structured credit and increasingly sophisticated yield strategies, rather than relying solely on price appreciation.

The second is making liabilities productive. This involves holding Bitcoin assets with long-term appreciation potential against fiat-denominated liabilities whose real value may erode over time. Digital Asset Treasury companies provide the first large-scale examples of this approach, seeking to benefit from the asymmetry between Bitcoin assets with potential for long-term appreciation and depreciating fiat liabilities.

These are two distinct but complementary forms of financial utility. One makes the asset itself productive. The other seeks to improve balance-sheet economics through the liability structure.

These are unlikely to be the only forms of Bitcoin's financial utility, but they are two that are showing green shoots today. As institutional adoption matures, additional applications, including collateral markets, Bitcoin denominated capital markets, repo financing, insurance reserves and even other forms of financial infrastructure such as Bitcoin being used in

AI payments, may further broaden the reasons institutions acquire, retain and utilise Bitcoin.

Bitcoin's financial utility remains in its infancy. Around 1.5% of Bitcoin participates in lending and Bitcoin-native financial markets, while public companies hold 1.26 million BTC, or 6% of supply, providing a growing foundation for future balance sheet financing and liability management. Together, these developments highlight the considerable scope for Bitcoin's financial integration to expand.

Bitcoin's monetary identity established the original investment thesis. Financial utility builds upon that foundation by creating additional reasons for institutions to acquire, retain and utilise Bitcoin. Every successful financial application creates another independent source of demand competing for the same permanently fixed supply. Unlike every previous monetary asset, financial innovation can create additional claims on Bitcoin, but it cannot create additional bitcoin.

Bitcoin's first fifteen years established its monetary identity.

Its next fifteen may be defined not simply by how widely it is owned, but by how deeply it becomes integrated into the global financial system.

Bitcoin's monetary foundation explains why institutions own it. Financial utility increasingly determines what they can do with it once they do.

Key investment conclusions

This report reaches five principal conclusions.

01.

Bitcoin has established its monetary identity

3.9 million BTC is now held by identifiable institutions, supported by regulated ETFs, corporate treasury adoption and growing sovereign participation. Bitcoin has established itself as a credible monetary asset with a permanently fixed supply.

02.

Financial utility is creating a second structural demand engine

Bitcoin is developing two emerging forms of financial utility: making Bitcoin assets productive through income and yield generation, and making liabilities productive by holding Bitcoin assets with potential for long-term appreciation against fiat-denominated obligations. Both create additional reasons to acquire, retain and use Bitcoin without changing its monetary foundation.

03.

Financial utility has begun, but remains in its infancy

Today, around 1.5% of Bitcoin's supply participates in Bitcoin-native lending and BTCFi. By contrast, **jewellery and electronics account for 43% of annual gold demand**. Although these measures are not directly comparable, they illustrate how established forms of utility can become significant drivers of demand as an asset matures.

04.

The opportunity is significant

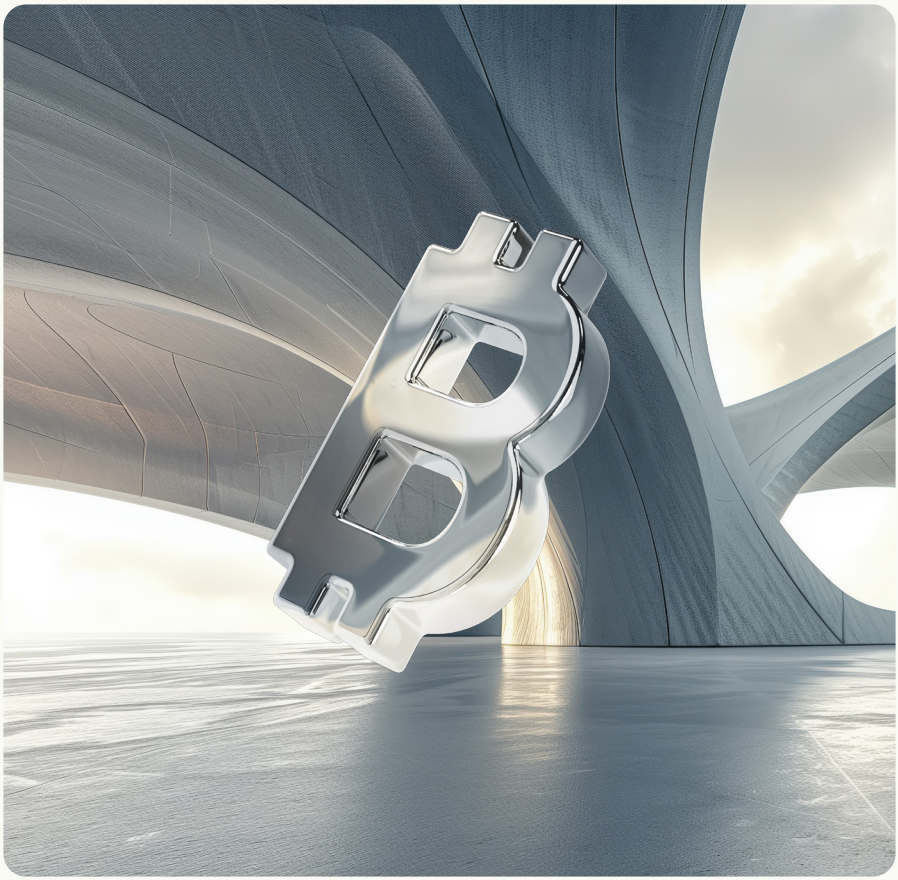
Illustrative scenarios suggest productive Bitcoin strategies could generate 9,750 BTC in annual returns, rising to 19,500 BTC if identifiable institutional ownership doubles. Productive liability structures could potentially integrate Bitcoin into US$560 billion to US$5.6 trillion of traditional financing markets under modest adoption assumptions.

05.

Financial innovation compounds Bitcoin's investment thesis

Every successful financial application has the potential to create an additional source of demand. Productive assets and productive liabilities are likely to be only the first examples of Bitcoin's emerging financial utility. As new applications develop, additional sources of demand could compete for the same permanently fixed supply of 21 million Bitcoin, potentially strengthening its long-term investment thesis.

PILLAR	EVIDENCE
Monetary foundation	~3.9 million BTC held by identifiable institutions, ETFs, corporate treasuries and sovereign adoption.
Financial utility emerging	Institutional yield and liability management are the first observable applications.
Still early	~1.5% of Bitcoin participates in BTCFi and lending, with ~6% held by public companies, versus **45% to 50%** of annual gold demand from jewellery.
Material opportunity	**~9,750 BTC** annual native yield today, **~19,500 BTC** in an illustrative future scenario, and US$560 billion to US$5.6 trillion of potential liability management demand.
Investment implication	Expanding financial utility creates new structural demand while Bitcoin's supply remains permanently fixed at **21 million BTC**.



CHAPTER 1

Bitcoin's awkward age

Why strengthening fundamentals have not translated into stronger market performance

? If Bitcoin's fundamentals have never been stronger, why has market performance failed to reflect them?

Long-term value is determined by the interaction between expanding structural demand and permanently fixed supply.

The paradox

By almost every fundamental measure, Bitcoin has never been stronger.

Spot Bitcoin ETFs now manage more than $100 billion in assets and rank among the fastest growing ETFs ever launched. Public companies collectively hold more than 1.26 million BTC on their balance sheets, while governments including El Salvador and Bhutan and the United States with their Strategic Bitcoin Reserve hold Bitcoin as part of national reserves. Regulatory frameworks for Bitcoin and digital assets have continued to evolve across major financial jurisdictions, providing greater clarity in certain markets. Institutional custody has matured, and many of the world's largest financial institutions now recognise bitcoin as a legitimate institutional asset class.

Yet despite these developments, bitcoin has recently underperformed investor expectations. Periods of accelerating institutional adoption have frequently coincided with flat markets or significant corrections. To many, this appears contradictory.

If adoption continues to strengthen, why has price performance failed to reflect it?

This apparent disconnect forms the central question of this report.

Fundamentals and market performance are not always synchronised.

Short-term prices. Long-term value

Financial markets are forward looking, but short-term prices are often dominated by trading flows, leverage, liquidity and investor positioning rather than long-term fundamentals. These forces can create significant temporary distortions, even when the underlying investment thesis remains unchanged.

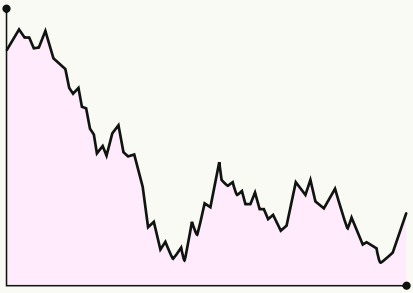
History provides numerous examples. During the COVID-19 crisis, crude oil futures briefly traded below zero, not because the world no longer valued oil, but because leveraged positions, futures expiry and storage constraints temporarily disrupted normal price discovery. Likewise, gold, despite its enduring monetary role and physical scarcity, has periodically experienced sharp corrections as leveraged investors liquidated positions to raise cash during periods of market stress. In both cases, short-term prices became temporarily disconnected from long-term fundamentals.

Over longer time horizons, however, prices tend to converge towards fundamentals. For scarce monetary assets, long-term value is ultimately determined by the interaction between structural demand and available supply.

The same asset, viewed through two time horizons

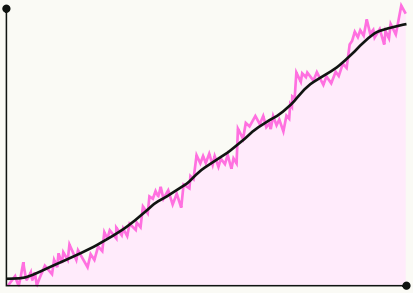
Short term | 3 months

Leverage, liquidity and positioning dominate



Long term | 5 years

Monetary supply dynamics dominate



Bitcoin may now be entering a similar period in which short-term market pricing and long-term fundamentals diverge.

Today, the market continues to evaluate Bitcoin primarily through its original monetary investment thesis, while a second source of structural demand, financial utility, is only beginning to emerge. Because these applications remain in their infancy and cannot yet be modelled with confidence, the long-term optionality they represent is not yet fully reflected in market expectations. The remainder of this report examines how that optionality is beginning to become observable.

Bitcoin's first phase was monetary

Bitcoin's first fifteen years were defined by a single objective.

To prove that a digitally native asset with a permanently fixed supply could function as globally recognised money.

That objective required solving extraordinary challenges.

Building decentralised consensus.

Creating global security without a central authority.

Establishing deep and liquid markets.

Surviving repeated boom and bust cycles.

Earning the trust of institutions, corporations and sovereign states.

By almost any Darwinian measure, Bitcoin has succeeded.

Today, bitcoin is owned by sovereign governments, public companies, institutional investors, asset managers, family offices and millions of individuals around the world. It is traded on regulated exchanges, held by some of the world's largest custodians and increasingly recognised as a legitimate monetary asset within the global financial system.

The question that defined Bitcoin's first fifteen years is therefore no longer whether it can become money.

The more important question is what happens once it has.

Ownership is only the beginning

Owning an asset and using an asset are fundamentally different concepts.

Ownership establishes the investment case.

Utility broadens it.

History suggests that once an asset becomes widely trusted, markets begin asking a different question.

Not whether it should be owned.

But how it can become more economically useful.

Gold evolved beyond ownership into collateral, leasing and derivatives and use in jewellery and electronics.

Government bonds became the foundation of repo and global funding markets.

Equities evolved beyond ownership into securities lending, derivatives and structured finance.

Commodities became the basis for futures, options and trade finance.
Property evolved beyond ownership into rental income, mortgages and real estate investment trusts.

Each innovation created additional reasons to own the same underlying asset, expanding demand without changing the asset itself.

Bitcoin is now beginning to follow the same path.

A different way to think about Bitcoin

Most discussions surrounding Bitcoin remain focused on short-term price movements.

This report argues that price is an outcome rather than the underlying driver. While short-term prices are often influenced by trading flows, leverage and market positioning, long-term value is ultimately determined by the interaction between structural demand and permanently fixed supply.

The more important question is therefore not where Bitcoin trades today. It is where the next wave of structural demand will come from.

If Bitcoin's monetary identity has already attracted governments, institutions and long-term investors, what additional reasons might exist for owning the same permanently scarce asset?

Answering that question requires looking beyond Bitcoin as money.

It requires examining how Bitcoin is beginning to evolve into financial infrastructure.

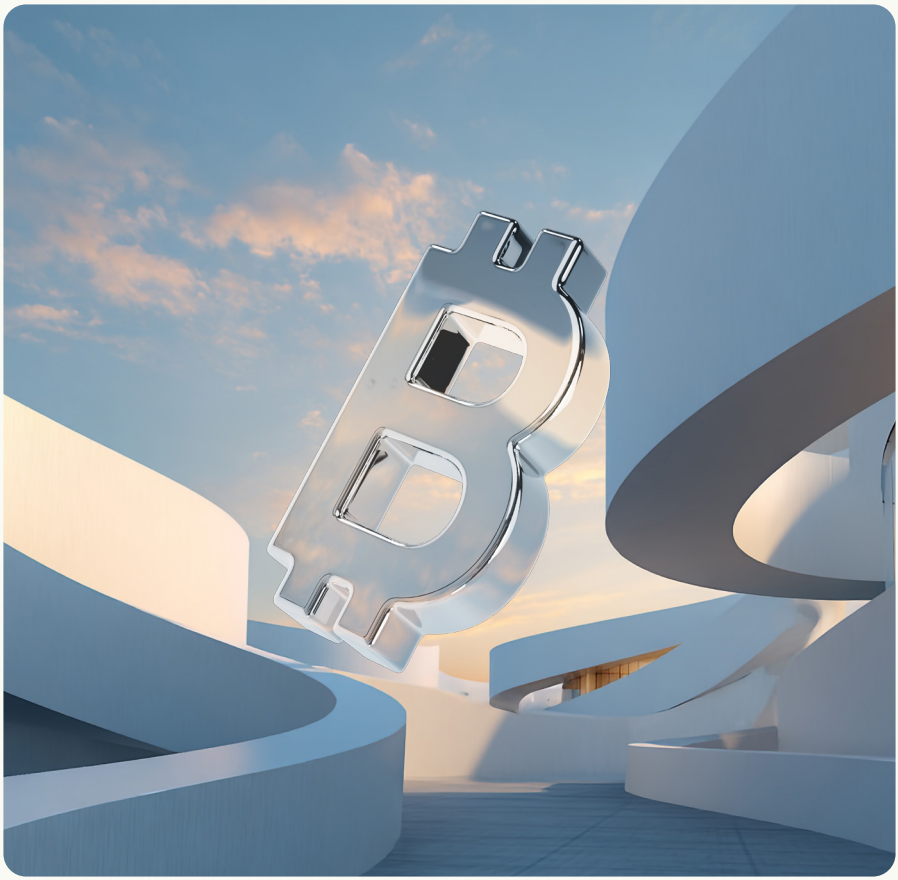
METRIC	TREND	WHY IT MATTERS
Network security (hashrate)	**Record high**	Network security
Institutional ownership	**Record high**	Long-term ownership
Public company adoption	**Record high**	Balance-sheet adoption
ETF assets	**Growing**	Institutional access
Financial utility	**Growing**	Yield, lending and capital efficiency
Developer activity	**Strong**	Protocol and application depth
Mining efficiency	**Improving**	Lower cost per unit of security

The next phase

Bitcoin's first fifteen years established its monetary identity.

Its next phase may be defined by the financial infrastructure built upon it.

The next chapter explores why successful monetary assets have historically evolved beyond their original purpose, and why Bitcoin may now be following the same path.



CHAPTER 2

Why monetary success is only the beginning

? If an asset becomes widely recognised as a monetary asset, what happens next?

Monetary success is not the end of an asset's evolution. It marks the beginning of its financial evolution.

Money is only the first layer

Throughout history, societies have searched for assets capable of preserving wealth across time.

The qualities required have remained remarkably consistent. Successful monetary assets tend to combine scarcity, durability, divisibility, portability, recognisability, fungibility and broad acceptance, allowing them to preserve purchasing power while facilitating exchange across time and geography.

Yet history also reveals another pattern.

Once an asset establishes itself as trusted money, markets rarely leave it idle.

Instead, they build financial systems around it, including lending, collateral markets, credit creation, derivatives, structured finance and other mechanisms that improve capital efficiency and expand the asset's economic usefulness.

The question shifts from "Can this asset preserve wealth?" to "How can we improve the efficiency of this asset?"

This distinction is fundamental.

Sound money preserves value.

Financial utility puts that value to work.

The evolution of successful monetary assets

Monetary identity tends to deepen into financial utility

ASSET	MONETARY IDENTITY	FINANCIAL UTILITY (EXAMPLES)
Gold	Store of value	Jewellery, leasing, collateral, derivatives
Government bonds	Capital preservation	Repo, liquidity management, collateral
Equities	Ownership	Securities lending, derivatives, financing
Property	Wealth preservation	Rental income, mortgages, securitisation
Bitcoin	Sound money	Institutional yield, collateral, liability management, capital markets, treasury management

Monetary credibility creates the foundation for financial utility to emerge

Successful assets do not abandon their original purpose. They expand it.

Gold offers the clearest historical parallel

Gold is often compared with Bitcoin because both are scarce monetary assets.

The comparison, however, extends far beyond scarcity.

For thousands of years, gold's value rested primarily on its monetary properties. Its relative scarcity, durability and universal acceptance established it as a trusted store of value, a safe haven during periods of uncertainty and, ultimately, one of the world's principal reserve assets.

Over time, however, entirely new sources of demand emerged. Today, jewellery and electronics account for 45% of annual gold demand, while investment demand, central bank purchases and long term investment account for most of the remainder. Beyond physical ownership, gold also underpins bullion leasing, collateral markets and a deep derivatives ecosystem that supports financing, liquidity and risk management.

Importantly, none of these developments weakened gold's monetary role.

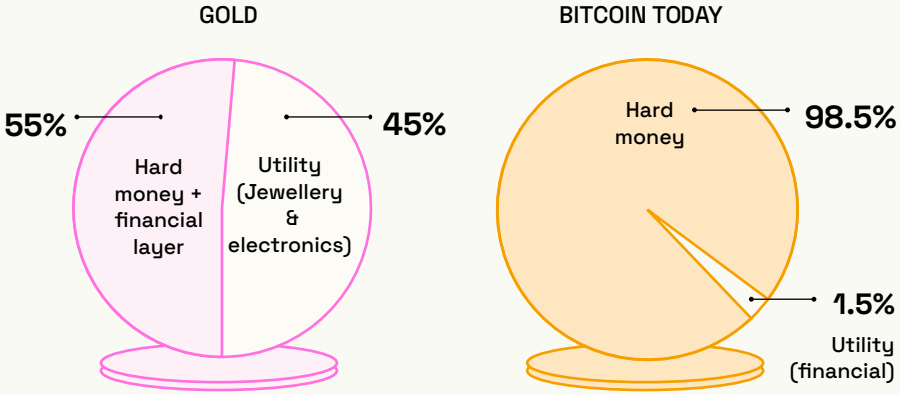
Gold never had to choose between being a store of value and being useful. Its scarcity and durability underpin long-term monetary demand from investors and central banks, while jewellery, electronics and commercial applications create ongoing, utility-driven demand.

These two sources of demand operate for different reasons. Investors may acquire gold to preserve wealth over decades, while manufacturers and consumers acquire it because they need to use it today. Neither

source of demand depends entirely on the other.

Gold therefore combines long-term monetary value with ongoing, utility-driven demand, creating multiple independent reasons to own the same underlying asset.

This is the important precedent for Bitcoin. An established monetary asset can develop additional sources of demand without compromising the properties that made it valuable in the first place.



Note: Gold figures represent the composition of annual demand, while Bitcoin figures estimate the proportion of outstanding supply participating in lending and BTCFi. The measures are not directly comparable and are presented to illustrate the different stages of utility development.

How mature assets develop new sources of demand

This pattern extends far beyond gold.

Property evolved beyond ownership into rental income, mortgage finance and a global listed REIT market worth US$2.5 trillion.

Government bonds became the foundation of the global repo market, with more than US$16 trillion of repos outstanding.

Foreign exchange evolved beyond facilitating trade into the world's largest financial market, with average daily trading volumes of US$10 trillion.

Commodities evolved beyond ownership into productive use and financial markets. Crops become food and beverages, oil becomes fuels and chemicals, metals become infrastructure, while futures, options and trade finance improve financing and risk management.

In every case, the asset first established trust or economic value. As markets matured, new applications emerged that expanded its usefulness, improved capital efficiency and created additional reasons for ownership.
This reflects a fundamental economic incentive. As assets become larger, more trusted and more valuable, people naturally seek new ways to use them, finance them and extract greater economic value from their ownership.

Bitcoin appears to be following the same evolutionary path. While we cannot predict precisely how its future utility will develop, the first green shoots are already visible in two distinct areas: making Bitcoin assets productive through income and yield generation, and making liabilities productive by structuring fiat-denominated obligations against Bitcoin

assets with long-term appreciation potential.

These are unlikely to be the final forms of Bitcoin's financial utility. As institutional adoption matures, additional applications across collateral markets, repo financing, insurance reserves, Bitcoin-denominated capital markets, on-chain finance and other financial infrastructure may create further independent reasons to acquire, retain and utilise Bitcoin.

Bitcoin is not creating a new economic phenomenon.

It may simply be the first digitally native monetary asset to follow one of the oldest patterns in financial history: establishing monetary value first, then developing additional sources of utility-driven demand.

Bitcoin's opportunity is different

Bitcoin will never become jewellery.

It will not generate meaningful industrial demand.

Its opportunity lies elsewhere.

Bitcoin is the first globally scarce, digitally native monetary asset. It combines characteristics that have never previously existed within a single asset.

- A permanently fixed supply.
- Global settlement without central intermediaries.
- Native digital ownership.
- Transparent verification.
- High divisibility.
- Programmable money.
- Increasing institutional acceptance.

Bitcoin is built for modern finance

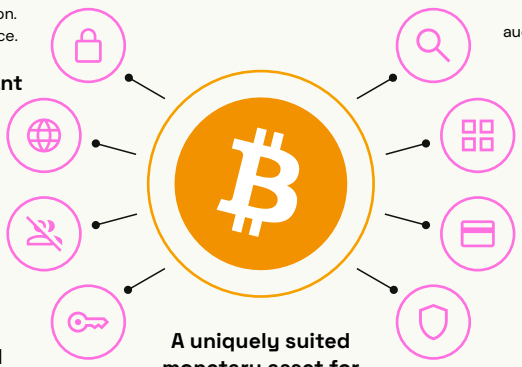
The first globally scarce, digitally native monetary asset

Permanently fixed supply
21 million BTC. No inflation. No discretionary issuance.

Global near-instant settlement
Settles anywhere in the world in ~10 minutes.

No central intermediaries
Peer-to-peer network. No single point of failure. No middlemen.

Self-custody and ownership
Cryptographic ownership. Global transferability.



Transparent verification
Public ledger. Verifiable, auditable, and tamper-proof.

High divisibility
Divisible to 1 satoshi (0.00000001 BTC).

Efficient for micropayments
Low fees and high divisibility make Bitcoin ideal for small-value transfers.

Neutral trust
Rules-based, politically neutral and independently verifiable.

Monetary success is not the end of an asset's evolution. It marks the beginning of its financial evolution.

Sources: Bitcoin whitepaper, BIS, IMF, Author's analysis

These characteristics make Bitcoin uniquely suited to an increasingly digital and interconnected global financial system.

Unlike physical commodities, whose utility expanded through consumption and industry, Bitcoin's utility is likely to emerge through finance. As a digitally native monetary asset, it is naturally suited to collateral, institutional lending, repo financing, liability management, Bitcoin denominated capital markets and settlement infrastructure.

Its next phase of evolution is therefore unlikely to resemble gold's physical uses.

Instead, it is likely to be defined by an expanding financial ecosystem that broadens the reasons institutions acquire, retain and utilise Bitcoin, while reinforcing, rather than replacing, its monetary role.

Financial utility strengthens monetary utility

A common misconception is that financialisation somehow weakens an asset's monetary properties.

History suggests the opposite.

Gold did not become less valuable because jewellery, bullion leasing, collateral markets and derivatives emerged. Government bonds did not lose their monetary role because repo markets developed into a cornerstone of global liquidity. Equities did not become less attractive because investors could lend them or use them as collateral.

In each case, financial utility increased the usefulness of the underlying asset while preserving the characteristics that made it valuable in the first place. Additional applications broadened ownership, improved liquidity and created new sources of demand without changing the asset itself.

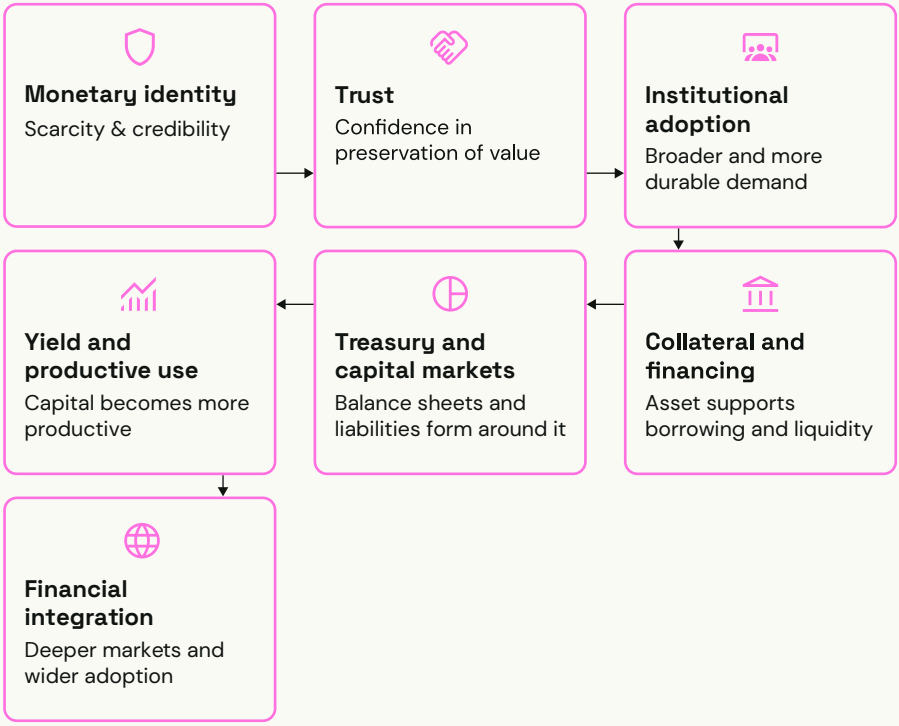
Bitcoin should be viewed through the same lens.

Financial utility does not replace Bitcoin's monetary properties.

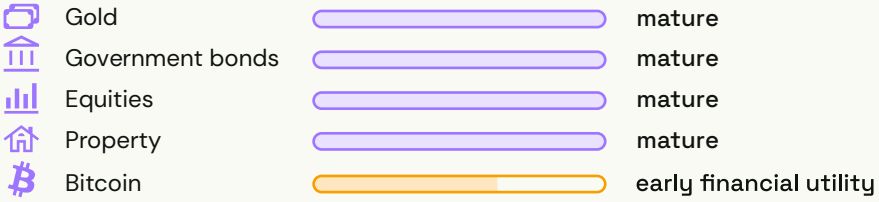
It strengthens them by creating additional reasons to own the same permanently scarce asset.

Monetary identity evolves into financial integration

Successful monetary assets usually develop deeper roles as trust and ownership expand



ASSET MATURITY



As trust and adoption grow, monetary assets evolve from stores of value into essential infrastructure for finance. Bitcoin has entered the early stages of this path.

Sources: Bitcoin whitepaper, BIS, IMF, Author's analysis

The next phase

Bitcoin has now reached the point where institutions increasingly recognise it as a legitimate monetary asset.

That changes the conversation.

The question is no longer whether Bitcoin deserves a place on institutional balance sheets. It is what institutions can do with Bitcoin once it is there.

The world's most secure decentralized network could eventually underpin finance, settlement and other critical systems that require neutral trust. As institutional confidence continues to grow, Bitcoin is increasingly being viewed not simply as a monetary asset, but as the foundation for a new generation of financial infrastructure.

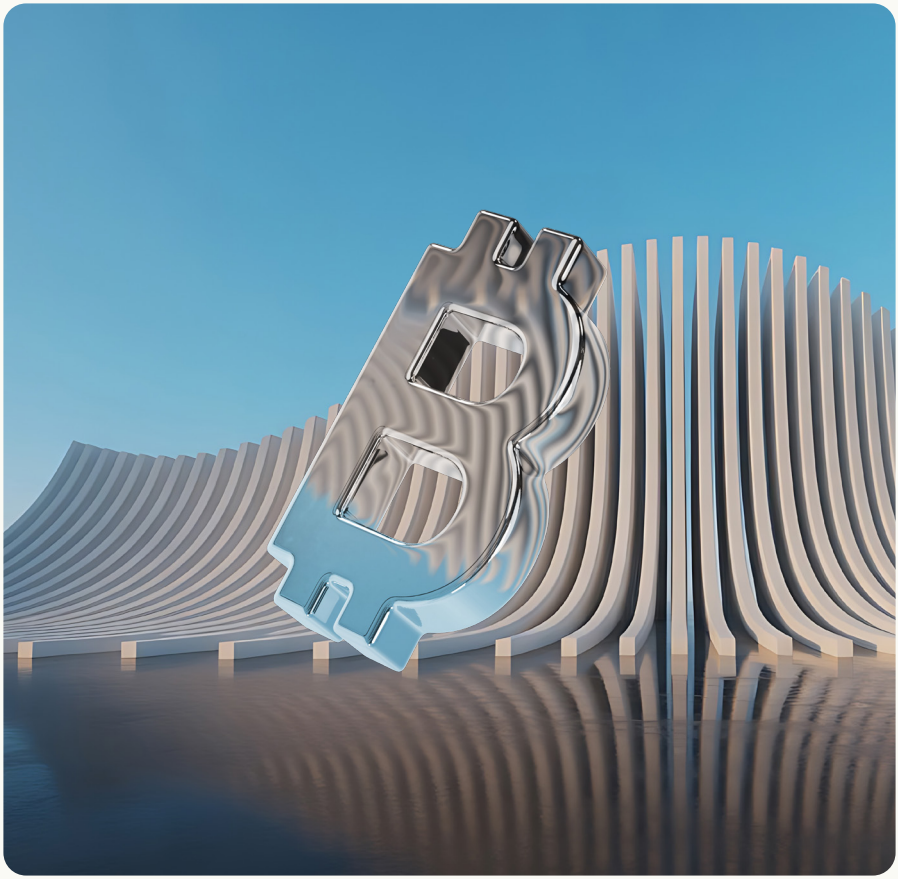
The first observable answers are already beginning to emerge.

Institutional investors are generating returns from Bitcoin holdings, using Bitcoin as collateral and structuring liabilities around long-term Bitcoin ownership. These developments remain in their infancy, but together they represent the first practical evidence of Bitcoin's emerging financial economy.

As institutional adoption continues to mature, broader applications across treasury management, capital markets, settlement and other forms of financial infrastructure are likely to follow.

Bitcoin's monetary identity has been established. The next phase is understanding how the financial infrastructure built upon that monetary foundation broadens the reasons institutions acquire, retain and utilise Bitcoin.

The following chapter examines the first observable examples of that transition.



CHAPTER 3

The emergence of Bitcoin's financial infrastructure

How Bitcoin is beginning to evolve from a passive monetary asset into financial infrastructure

? How is Bitcoin's financial utility beginning to emerge in practice?

Institutional custody, lending and collateral demonstrate that Bitcoin has become integrated into existing financial markets. Building on these foundations, two new forms of financial utility are beginning to emerge. The first improves the productivity of Bitcoin holdings through institutional monetisation of bitcoin (bitcoin yield). The second improves the efficiency of Bitcoin-backed balance sheets through liability management.

Bitcoin is entering a new phase of evolution. It is beginning to transition from a monetary asset into financial infrastructure.

For most of Bitcoin's history, simply owning bitcoin represented the investment thesis.

Institutions accumulated bitcoin because they believed its permanently fixed supply would preserve purchasing power relative to continually expanding fiat currencies over the long term. Success was measured by accumulation, secure custody and long-term ownership rather than productive use.

That was entirely appropriate for Bitcoin's stage of development.

Before an asset becomes financially useful, it must first become widely trusted. Only then do competition and economic incentives drive the development of financial services around it.

Bitcoin is now beginning to reach that point.

Institutional custody has matured. Regulated investment products have expanded. Public companies have adopted bitcoin treasury strategies. Governments now hold bitcoin, and institutional ownership continues to increase. As trust grows, the conversation is naturally changing.

The question is no longer simply whether institutions should own bitcoin.

It is what institutions can do with bitcoin once they own it.

Financial utility provides the answer to that question, not by replacing Bitcoin's monetary role, but by building upon it.

Financial utility has two emerging pillars

Bitcoin's financial utility is beginning to emerge, although its eventual form and scale remain difficult to predict.

Importantly, not every Bitcoin holder will want to participate in its financialisation. For those who view Bitcoin purely as hard money, holding it without lending, leverage or additional financial complexity remains a legitimate strategy. Others will seek to put their Bitcoin to work. These approaches need not be mutually exclusive, and neither diminishes Bitcoin's underlying monetary properties.

While we cannot predict the full range of applications that may emerge, the first green shoots are already visible in two distinct areas.

The first is making Bitcoin assets productive. Through institutional lending, derivatives, structured credit and Bitcoin-native financial markets, holders can seek to generate income or additional returns from existing Bitcoin holdings. The objective is to improve the productivity of Bitcoin ownership rather than relying exclusively on long-term price appreciation.

The second is making liabilities productive. This involves structuring fiat-denominated financial obligations against Bitcoin assets expected to appreciate over time. As the purchasing power of fiat currencies erodes, the real economic burden of fixed nominal liabilities may decline, while the Bitcoin assets held against them have the potential to increase in value. Digital Asset Treasury companies provide the first large-scale examples of this approach.

These pillars represent two distinct forms of financial utility. One seeks to generate returns from the asset itself. The other seeks to improve balance-sheet economics through the relationship between Bitcoin assets with potential for long-term appreciation and depreciating fiat liabilities.

Together, they provide early evidence of how Bitcoin may develop additional financial uses alongside its established monetary role.

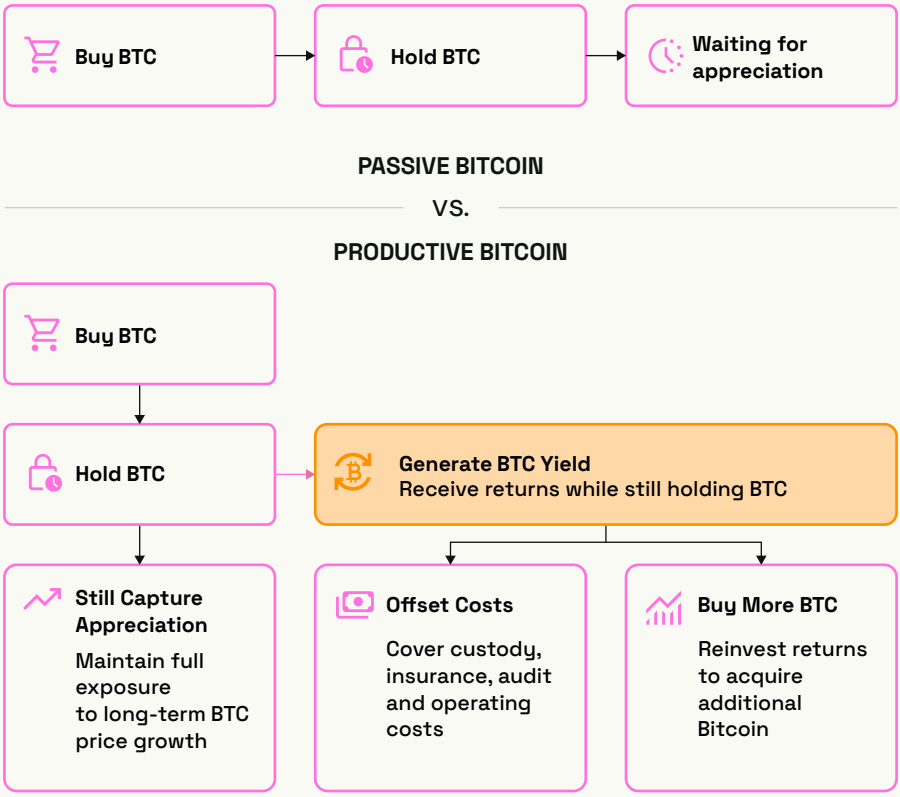
Pillar one

Productive assets

Institutional monetisation of Bitcoin (bitcoin yield)

From passive ownership to productive ownership

Successful monetary assets usually develop deeper roles as trust and ownership expand



Institutional Bitcoin yield preserves strategic ownership while improving the productivity of long-term Bitcoin holding.

The first pillar of Bitcoin's financial utility is making Bitcoin assets productive

Historically, holding Bitcoin involved a trade-off. Investors gained exposure to a scarce monetary asset with exceptional long-term appreciation potential but, unlike property, equities or bonds, Bitcoin generated no recurring or native income. The opportunity cost of holding Bitcoin was accepted as part of its original investment thesis.

As Bitcoin matures and its market capitalisation grows, that equation begins to change. Percentage appreciation is likely to moderate from the extraordinary returns of Bitcoin's early years. While capital appreciation should remain an important source of long-term returns, improving the productivity of existing Bitcoin holdings is likely to become increasingly important for institutional investors.

Generating a return or yield on bitcoin changes that equation.

Rather than forcing investors to choose between holding Bitcoin and generating returns, the latter enables long-term holders to improve the productivity of strategic bitcoin reserves while preserving ownership of the underlying asset.

This transition is already underway.

Today, crypto collateralised lending has grown into an institutional market approaching US$70 billion, with bitcoin serving as one of the dominant forms of institutional collateral. Public companies are also beginning to generate meaningful income from their bitcoin holdings. For example, Metaplanet earned about US$55 million from Bitcoin options strategies

in 2025 and forecasts over US$100 million for 2026, where the outcome is either premium income or the acquisition of additional bitcoin.

The development of productive Bitcoin assets is beginning to evolve through three overlapping stages.

Sources: Metaplanet FY2025 results

The first stage is being driven from the top down by traditional financial institutions. Familiar products, including income-generating ETFs, options overlays, basis trades and institutional lending programmes, are being applied to Bitcoin. These are not new inventions. They fit established investment mandates, distribution channels and risk frameworks, with returns typically generated in fiat currency.

The second stage is emerging from the bottom up, as protocols, specialist managers and regulated financial institutions build investment products around Bitcoin itself. On and off-chain credit, derivatives, collateralisation of bitcoin to generate dollar-denominated yield, and structured credit are creating new ways to monetise Bitcoin holdings. Early institutional milestones include a US$188 million securitisation of Bitcoin-backed loans, with investment-grade rated senior notes and demand twice exceeding supply.

The third stage is the development of institutional Bitcoin-native yield. As financial infrastructure matures, regulated investment managers may increasingly develop strategies drawing on hashrate-backed credit, native credit, mining-related cash flows, routing liquidity fees, on-chain finance and other productive activity within the Bitcoin economy. Unlike products that simply generate fiat income from Bitcoin exposure, these strategies aim to generate returns directly in BTC.

Together, these stages illustrate a progression from traditional financial products adapted to Bitcoin, to institutional markets built around Bitcoin, and ultimately to a financial economy capable of generating returns

directly in Bitcoin.

Institutional bitcoin yield should not be confused with the speculative yield products that characterised previous crypto market cycles. Many relied on leverage, opaque counterparty structures or unsustainable token incentives that ultimately failed.

Institutional demand is fundamentally different.

Capital protection is a key consideration.

Institutional Bitcoin returns are expected to be transparent, auditable and generated from identifiable economic activity, supported by robust underwriting and risk management rather than speculative financial engineering.

As institutional Bitcoin credit markets mature, securitisation could expand beyond conventional lending into a broader range of Bitcoin-backed cash flows, creating independently rated, risk-differentiated investment products capable of attracting deeper pools of institutional capital.

Beyond structured credit, the longer-term opportunity lies in regulated investment managers combining increasingly sophisticated Bitcoin-native strategies into institutional-grade products. These could offer diversified sources of yield, robust risk management and dedicated BTC share classes, enabling investors to put Bitcoin to work and earn returns directly in BTC, from bitcoin and on Bitcoin.

The objective is not to maximise returns.

It is to improve the productivity of long-term bitcoin ownership while preserving the characteristics that made Bitcoin attractive in the first place.

What institutions actually require from Bitcoin yield

Institutional demand is centred on transparency, risk management and capital preservation

INSTITUTIONAL REQUIREMENT	WHY IT MATTERS
Capital preservation	Bitcoin remains the primary investment objective
Transparent yield source	Institutions need to understand exactly where returns originate
Risk managed	Controlled counterparty, credit and smart contract exposure
Auditable	Suitable for institutional governance and reporting
Institutional custody	Compatible with regulated custody solutions
Predictable liquidity	Clear redemption and settlement terms
Native Bitcoin returns (preferred)	Aligns returns directly with long-term Bitcoin accumulation

Sources: BIS, industry reports, Author analysis

Although the underlying asset is the same, the motivation for generating returns varies across institutions. In practice, institutions are unlikely to deploy their entire bitcoin holdings. Instead, yield strategies will typically be applied to a carefully managed portion of strategic reserves, balancing capital preservation, liquidity and income generation.

For asset managers initially, yield can help offset custody, administration and operational costs while improving the efficiency of long-term bitcoin portfolios.

Publicly listed bitcoin miners collectively hold more than 103,000 BTC on their balance sheets. For them, deploying a portion of those holdings into carefully managed yield strategies can create an additional source of earnings, reduce pressure to sell newly mined bitcoin during weaker market conditions and allow more production to remain invested.

Public companies now collectively hold 1.263 million bitcoin, worth more than US$80 billion. For these organisations, selectively deploying a portion of strategic bitcoin reserves can generate recurring cash flow, support debt servicing and, in some cases, fund share repurchases or additional bitcoin acquisitions without reducing long-term ownership.

Although the objectives differ, the outcome is the same.

Bitcoin is evolving from a passive reserve asset into productive institutional capital, capable of generating recurring returns while retaining its underlying monetary role.

Productive liabilities

The spread between an appreciating asset and a depreciating liability can cover debt obligations or enable them to be paid back quicker

ASSET SIDE

Bitcoin

Historical 5 year CAGR (USD)

~25% p.a.*
(appreciating asset)



Bitcoin's long-term appreciation reflects its scarcity and growing adoption

THE SPREAD

~42% - 48% p.a.*
Historical Bitcoin appreciation plus fiat monetary debasement

The spread can service liabilities or shorten repayment periods while preserving Bitcoin ownership

LIABILITY SIDE

Fiat debt

Long term purchasing power erosion (USD)

~7% - 8% p.a.*
(depreciating liability)



Fiat liabilities become less burdensome over time as purchasing power erodes through inflation and monetary expansion

Bitcoin combines monetary credibility with digital native architecture, making it uniquely suited for modern financial markets.

Sources: Bitcoin whitepaper, BIS, IMF, Author's analysis

Institutional yield improves the productivity of bitcoin holdings while preserving long-term ownership and reducing the opportunity cost of holding a non-yielding asset.

Pillar two

Productive liabilities

The second pillar of Bitcoin's financial utility is making liabilities productive.

Unlike the first pillar, which generates returns from Bitcoin holdings, this approach improves balance-sheet economics by holding Bitcoin assets with potential for long-term appreciation against depreciating fiat-denominated liabilities.

Digital Asset Treasury companies provide the first large-scale examples. Strategy, for instance, holds Bitcoin financed through equity, debt and preferred securities, with the expectation that long-term Bitcoin appreciation can help support its financial obligations, including preferred-stock dividends.

The opportunity lies in the potential spread between Bitcoin's appreciation and the cost of fiat financing, while the real value of fixed fiat liabilities may decline over time.

This resembles a long-term balance-sheet carry trade. However, Bitcoin appreciation is not guaranteed, and financial obligations remain payable regardless of its performance.

Historically, many of the world's most successful carry trades have sought to capture spreads of only a few percentage points between funding

costs and expected asset returns. By comparison, bitcoin has historically experienced periods of significant appreciation, although with substantial volatility and corrections. Over the past five years, bitcoin has compounded at 25% per annum (Jan 1, 2026 vs Jan 1, 2021), whilst measured against gold, the dollar and euro have lost roughly 8-10% of their purchasing power each year since 2000 through monetary expansion and inflation. While future returns are likely to moderate as Bitcoin matures, and past performance is no guarantee of future results, the historical spread between an appreciating scarce asset and depreciating fiat liabilities has been substantially larger than that underpinning most traditional carry trades, while recognising the inherent market and financing risks.

This fundamentally changes the role Bitcoin can play within finance.

Digital Asset Treasury companies represent the first large-scale institutional implementation of this model, but they are unlikely to be the last. Early examples are already emerging beyond corporate treasuries. Bitcoin is beginning to be incorporated into real estate capital structures, infrastructure finance and employee remuneration, demonstrating that the underlying principle is applicable wherever long-term liabilities can be aligned with long-term ownership of an appreciating monetary asset.

Consider residential finance. Imagine a conventional mortgage with a small additional allocation to Bitcoin built into the financing structure. If the borrower and lender agree to share the upside from Bitcoin's long-term appreciation, those gains could be used to reduce the outstanding loan, potentially allowing the homeowner to repay their mortgage years earlier. The borrower benefits from a shorter repayment period, while the lender receives a return from an asset it holds, although such outcomes would depend on Bitcoin's market performance and the terms of the financing arrangement. Similar principles could be applied across infrastructure finance, corporate borrowing, employee compensation and other financial products, where Bitcoin becomes an integrated component of the capital stack rather than a separate investment.

Today these applications remain small. However, they demonstrate an important transition. Bitcoin is no longer simply being accumulated as an asset. It is beginning to be woven into traditional financial products and balance sheet structures. Digital Asset Treasury companies started this evolution, but the underlying financing model is already beginning to spread into the broader financial system.

Two pillars, one transition

Bitcoin's first two emerging forms of financial utility address different opportunities.

Making assets productive generates income or returns from existing Bitcoin holdings through lending, structured credit and yield strategies.

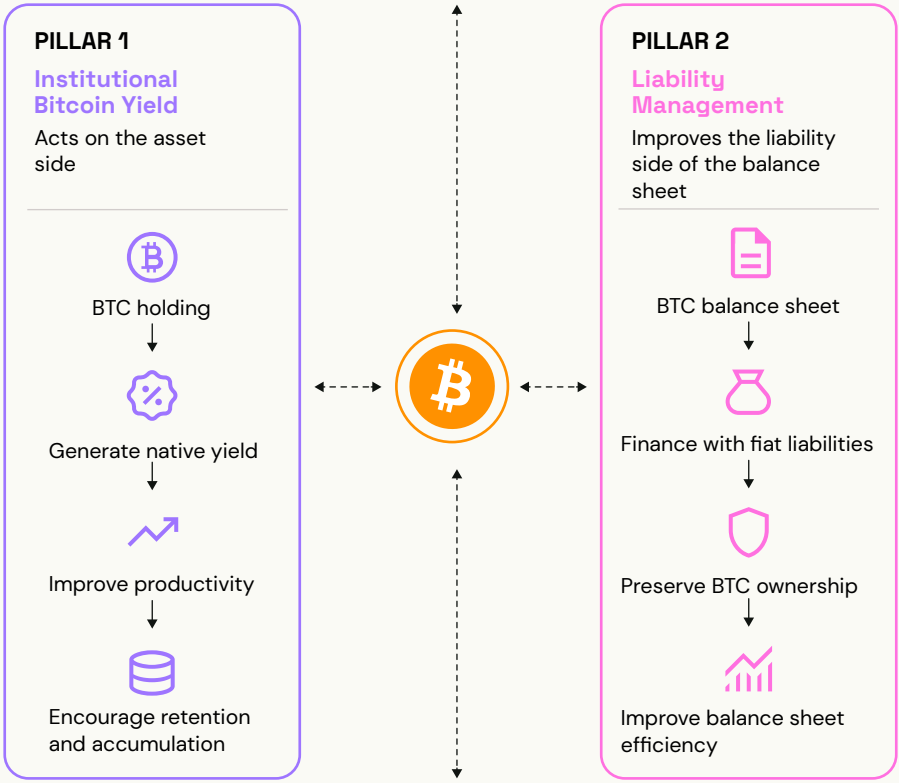
Making liabilities productive seeks to benefit from holding Bitcoin assets with potential for long-term appreciation against fiat-denominated liabilities whose real value may decline over time.

Both are already visible in practice. Crypto-collateralised lending has grown into a market approaching US$70 billion, while public companies hold more than 1.26 million BTC, with Digital Asset Treasury companies pioneering new liability management structures.

These are early green shoots, not necessarily the final forms of Bitcoin's financial utility. But they demonstrate how new applications can create additional reasons to acquire, retain and use Bitcoin, without changing its underlying monetary properties.

The first observable forms of Bitcoin's financial utility

Today, approximately 1.5% of Bitcoin is participating in any form of financial utility.



The first observable forms of Bitcoin's financial utility

Creating new structural reasons to acquire, retain and use Bitcoin

Institutional yield and liability management are unlikely to represent the final forms of Bitcoin's financial utility.

Because of Bitcoin's unique financial characteristics, including a permanently fixed supply, native digital ownership, transparent verification, global near instant settlement and increasing institutional acceptance, additional applications may continue to broaden the reasons institutions acquire, retain and utilise the same underlying asset.
The following chapter examines the potential scale of the first two observable pillars.



CHAPTER 4

Quantifying the first two pillars

How large could productive Bitcoin assets and productive liabilities become?

? If Bitcoin's first two forms of financial utility continue to mature, how much additional structural demand could they create?

Even without assuming future innovations, institutional yield and liability management alone have the potential to create demand measured in millions of bitcoin and trillions of dollars.

The first two forms of financial utility

Chapter 3 identified two emerging pillars of Bitcoin's financial utility.

Making Bitcoin assets productive enables holders to generate income or additional returns through lending, structured credit and yield strategies.

Making liabilities productive seeks to benefit from holding Bitcoin assets with potential for long-term appreciation against fiat-denominated obligations whose real value may decline over time.

Both create additional reasons to acquire, retain and use Bitcoin.

While we cannot predict the full range of future applications, these two pillars are already observable and can begin to be quantified.

This chapter examines their potential scale, using illustrative scenarios rather than forecasts. Any additional forms of financial utility that emerge

would represent opportunities beyond this framework.

The first two forms of financial utility

Institutional yield and liability management solve different problems but create the same structural outcome

FORM OF UTILITY	WHAT IT IMPROVES	HOW IT WORKS	ECONOMIC EFFECT
Institutional yield	Efficiency of Bitcoin holdings	Improves the productivity of long-term Bitcoin holdings through native Bitcoin yield.	Creates recurring structural demand for Bitcoin by increasing the productivity of long-term Bitcoin holdings.
Liability	Efficiency of Bitcoin-backed balance sheets	Improves balance sheet efficiency by integrating Bitcoin into liabilities and capital markets.	Creates liability management demand for Bitcoin by integrating it into liabilities and capital markets.

Making Bitcoin assets productive and making liabilities productive represent two distinct opportunities, both with the potential to generate additional structural demand for the same permanently scarce asset.

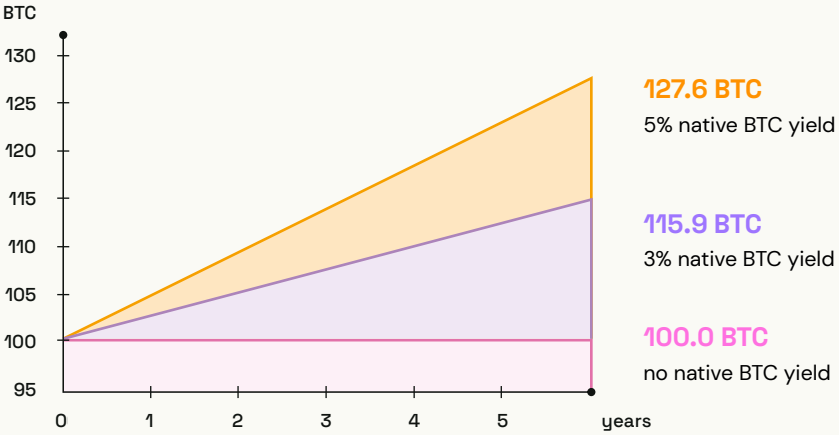
Making Bitcoin assets productive: Native BTC returns

Not all yield is economically equivalent.

Many early institutional strategies generate income in fiat currency. Institutions may then choose to convert some or all of those proceeds back into bitcoin, creating an indirect mechanism for increasing long-term holdings.

Native BTC yield compounds ownership

Illustrative impact of 3% and 5% native BTC yield on 100 BTC held for five years



Assumptions: 100 BTC starting balance; annual compounding; yield distributed directly in BTC; no additional purchases; illustrative only.

Sources: Author calculations using 3% and 5% annual native BTC yield assumptions from the report.

As outlined in Chapter 3, Bitcoin monetisation is evolving through three stages: traditional financial institutions adapting existing income products to Bitcoin, specialist managers developing institutional lending and structured credit markets, and ultimately a bottom-up wave of innovation led by regulated investment managers designing Bitcoin-native yield strategies.

This next phase could see institutional products built around productive Bitcoin economic activity, including hashrate-backed credit, mining infrastructure and Bitcoin-denominated service fees, with the objective of generating and distributing returns directly in BTC rather than fiat currency.

This represents a meaningful evolution.

Unlike fiat-denominated strategies, native Bitcoin yield enables institutions to earn returns directly in BTC, potentially increasing their holdings without selling their underlying Bitcoin, although capital remains exposed to investment and counterparty risks.

By improving the productivity of long-term Bitcoin ownership, native yield could strengthen the economic incentives to acquire, retain and put Bitcoin to work, creating an additional source of structural demand for the asset.

The question becomes:

If institutions monetise just a small proportion of their bitcoin holdings through native yield, how much bitcoin could be earned annually?

Today, identifiable institutions, including public companies, ETFs, governments, private companies and investment funds, collectively hold an estimated 3.9 million bitcoin. The following scenarios illustrate how even modest participation could generate meaningful Bitcoin-denominated returns.

Native Bitcoin yield today & Illustrative 10-year scenario

Annual BTC redistributed under current and illustrative future institutional ownership

TODAY

PRODUCTIVE INSTITUTIONAL HOLDINGS	BTC RECEIVING NATIVE YIELD	ANNUAL BTC @3%	ANNUAL BTC @5%
1%	39,000 BTC	1,170 BTC	1,950 BTC
5%	195,000 BTC	5,850 BTC	9,750 BTC

ILLUSTRATIVE FUTURE SCENARIO

Assumes identifiable institutional Bitcoin ownership doubles to 7.8 million BTC.

PRODUCTIVE INSTITUTIONAL HOLDINGS	BTC RECEIVING NATIVE YIELD	ANNUAL BTC @3%	ANNUAL BTC @5%
1%	78,000 BTC	2,340 BTC	3,900 BTC
5%	390,000 BTC	11,700 BTC	19,500 BTC

At a 5% native BTC yield, institutions would receive approximately 9,750 BTC per year today, rising to 19,500 BTC if holdings doubled to 7.8 million BTC.

Sources: Report figures; identifiable institutional ownership of 3.9m BTC; author's calculations.

Institutional ownership remains at an early stage. If identifiable holdings were to double over the coming decade, the amount of bitcoin earned through native yield strategies could increase substantially, even at conservative participation rates.

Under these assumptions, if just 5% of today's identifiable institutional holdings generated a 5% annual bitcoin yield, institutions would earn 9,750 BTC annually. If institutional ownership doubled, that figure would rise to 19,500 BTC.

These returns demonstrate how Bitcoin can become a productive asset. By enabling institutions to earn income on their holdings, yield creates an additional incentive to acquire and retain Bitcoin, strengthening long-term structural demand.

These scenarios are illustrative rather than predictive. They assume modest participation in Bitcoin yield strategies and do not account for the potential expansion of institutional ownership, new sources of yield or wider adoption as Bitcoin's financial infrastructure matures. The longer-term opportunity could therefore extend well beyond these initial estimates.

Liability management

Liability management represents the second pillar of Bitcoin's emerging financial utility.

Rather than improving the productivity of bitcoin holdings, it improves the efficiency of the balance sheet by enabling institutions to finance bitcoin assets with potential for long-term appreciation through fiat-denominated liabilities.

Digital Asset Treasury companies provide the first large-scale demonstration of this approach, but they are unlikely to be the last. Early

examples are already emerging in real estate finance, infrastructure finance, employee remuneration and other capital structures, demonstrating that bitcoin is beginning to be integrated into traditional financial products rather than existing alongside them.

The more important question is therefore not how large these early applications are today, but how broadly the underlying balance sheet principles can be applied across traditional finance. If incorporating Bitcoin into financing structures creates better long-term outcomes for borrowers, businesses and investors, the same principles could ultimately extend across mortgages, corporate finance, infrastructure, insurance, sovereign borrowing and many other financing markets.

The following scenarios illustrate how even modest adoption across these existing markets could create substantial structural demand for a permanently scarce asset.

Illustrative Bitcoin integration across financing and payment markets

MARKET	ESTIMATED GLOBAL MARKET SIZE (USD)	0.1% BITCOIN ALLOCATION	0.5% BITCOIN ALLOCATION	1.0% BITCOIN ALLOCATION
Residential & Commercial Mortgages	~$300 trillion	~$300 billion	~$1.5 trillion	~$3.0 trillion
Sovereign Debt	~$100 trillion	~$100 billion	~$0.5 trillion	~$1.0 trillion
Insurance Assets & Reserves	~$40 trillion	~$40 billion	~$0.2 trillion	~$0.4 trillion
Structured Finance & Securitisation	~$20 trillion	~$20 billion	~$0.1 trillion	~$0.2 trillion
Infrastructure & Project Finance	~$10 trillion	~$10 billion	~$0.05 trillion	~$0.1 trillion
Global Employee Remuneration (annual flow)	**~$65 trillion / year**	**~$65 billion / year**	**~$325 billion / year**	**~$650 billion / year**
Illustrative Total*	**~$560 trillion + $65 trillion annual payroll**	**~$560 billion + $65 billion/ year**	**~$2.8 trillion + $325 billion/year**	**~$5.6 trillion + $650 billion/year**

*Employee remuneration is shown as an annual payment flow rather than an outstanding balance sheet liability and is therefore presented separately from the financing markets above.
Illustrative only. Assumes a small proportion of existing financing markets incorporate Bitcoin into balance sheet and financing structures. Does not assume Bitcoin replaces existing debt markets.

Beyond today's applications

These scenarios illustrate the scale of the opportunity rather than predict future adoption. Even 0.1% integration across the financing markets shown above represents US$560 billion of financing linked to bitcoin, rising to US$5.6 trillion at 1%. Where these structures require Bitcoin to be acquired and held on balance sheets, they could translate directly into substantial new demand for the asset.

Importantly, these estimates consider only a small number of existing financing markets. They exclude other emerging applications, including trade finance, working capital, supplier finance and future Bitcoin-native financial products that may further expand Bitcoin's role within the global financial system.

The significance of liability management therefore lies not in today's Digital Asset Treasury companies, but in demonstrating a financing principle that can be applied across some of the world's largest capital markets.

The combined opportunity

Two independent sources of structural demand competing for the same permanently fixed supply

INSTITUTIONAL YIELD

Today:

5% of 3.9m BTC at 5% native yield = 9,750 BTC/year

Illustrative future:

5% of 7.8m BTC at 5% native yield = 19,500 BTC/year

+

LIABILITY MANAGEMENT

0.1%–1.0% of ~$560T of selected financing markets

=

~$560bn to ~$5.6T in potential Bitcoin demand

=

COMBINED

Two independent sources of structural demand competing for the same permanently fixed Bitcoin supply.

Competing for the same permanently fixed supply of 21 million BTC

The ~19,500 BTC figure is the report's illustrative future scenario, not today's output. It assumes institutional holdings double to 7.8m BTC, 5% participation and 5% native yield.

Sources: Tables on pages 47 and 50; Chapter 4 report assumptions.

*Assumes identifiable institutional ownership doubles over time, 5% participation in native yield and a 5% native yield.
**Illustrative scenarios assuming 0.1%–1.0% integration across selected financing markets.

Together, these scenarios illustrate the scale of Bitcoin's emerging financial utility. Institutional yield creates an additional incentive to acquire and retain Bitcoin by making existing holdings more productive. Liability management could drive direct Bitcoin purchases as institutions incorporate the asset into financing structures and balance sheets. Both represent distinct sources of structural demand competing for the same permanently fixed supply.

These estimates deliberately consider only the first two observable forms of Bitcoin's financial utility. Potential future applications, including collateral markets, repo financing, Bitcoin denominated capital markets and insurance reserves, remain too early to even estimate. As Bitcoin becomes increasingly integrated into the global financial system, each successful financial application has the potential to create another independent source of structural demand, all competing for the same permanently fixed supply of Bitcoin.



CHAPTER 5

Financial utility meets fixed supply

How expanding utility reshapes bitcoin's long-term investment thesis

? What happens when a permanently scarce monetary asset continually develops new forms of financial utility?

Financial utility broadens Bitcoin's demand beyond monetary ownership. Unlike every previous monetary asset, Bitcoin's supply cannot expand to accommodate that demand.

Demand meets fixed supply

The previous chapters demonstrated that Bitcoin's financial utility is no longer theoretical.

Two distinct applications are emerging. Making Bitcoin assets productive through income and yield generation, and making liabilities productive by holding Bitcoin assets with potential for long-term appreciation against fiat-denominated obligations.

Gold provides the historical precedent. Its long-term monetary value coexists with ongoing, utility-driven demand, creating independent reasons to own the same asset.

Bitcoin may be following a similar path, developing new sources of financial utility alongside its established monetary role. Each successful application has the potential to create additional structural demand for an asset whose supply remains permanently fixed.

Throughout financial history, successful monetary assets have become

progressively more useful. Each new financial application created another independent reason to own, finance or utilise the underlying asset.

For most assets, increasing demand is accompanied by increasing supply. Companies issue new equity. Governments issue additional debt. Property developers build more homes. Commodity producers increase production.

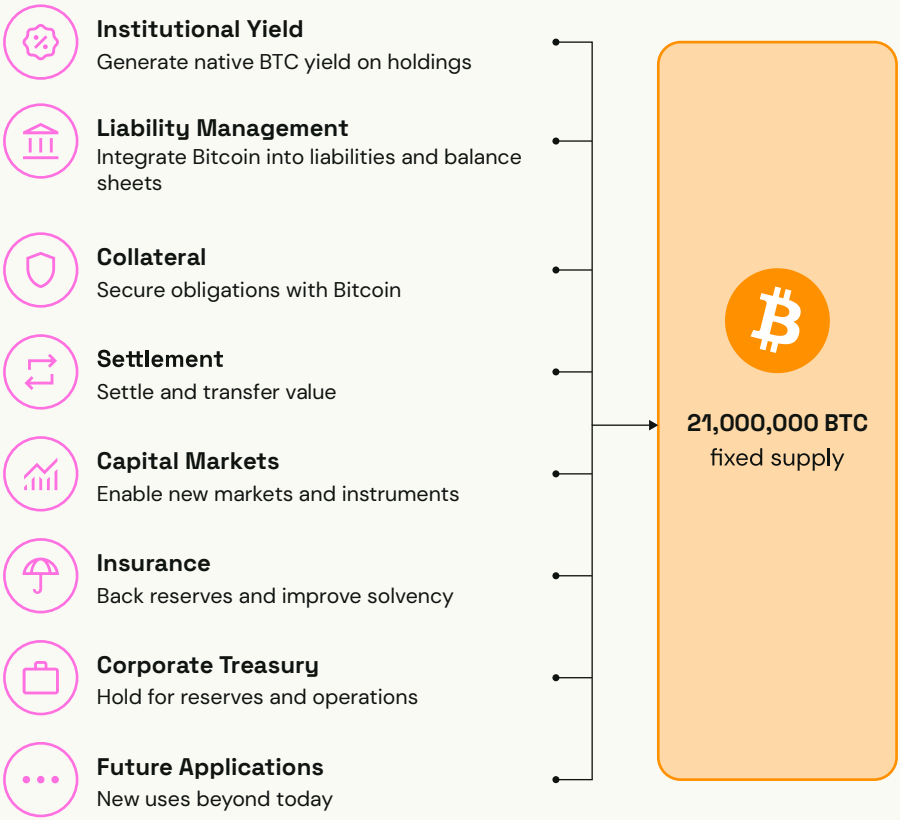
Bitcoin is fundamentally different.

Its financial utility can continue to expand, but its supply cannot. Every new financial application competes for the same permanently fixed supply of 21 million bitcoin.

That asymmetry underpins bitcoin's long-term investment thesis.

Financial utility expands. Supply does not

Each new financial application creates an additional source of demand competing for the same fixed supply.



Every new financial application creates another independent source of demand competing for the same permanently fixed supply of 21 million BTC.

Sources: Industry reports, BIS, Author's analysis.

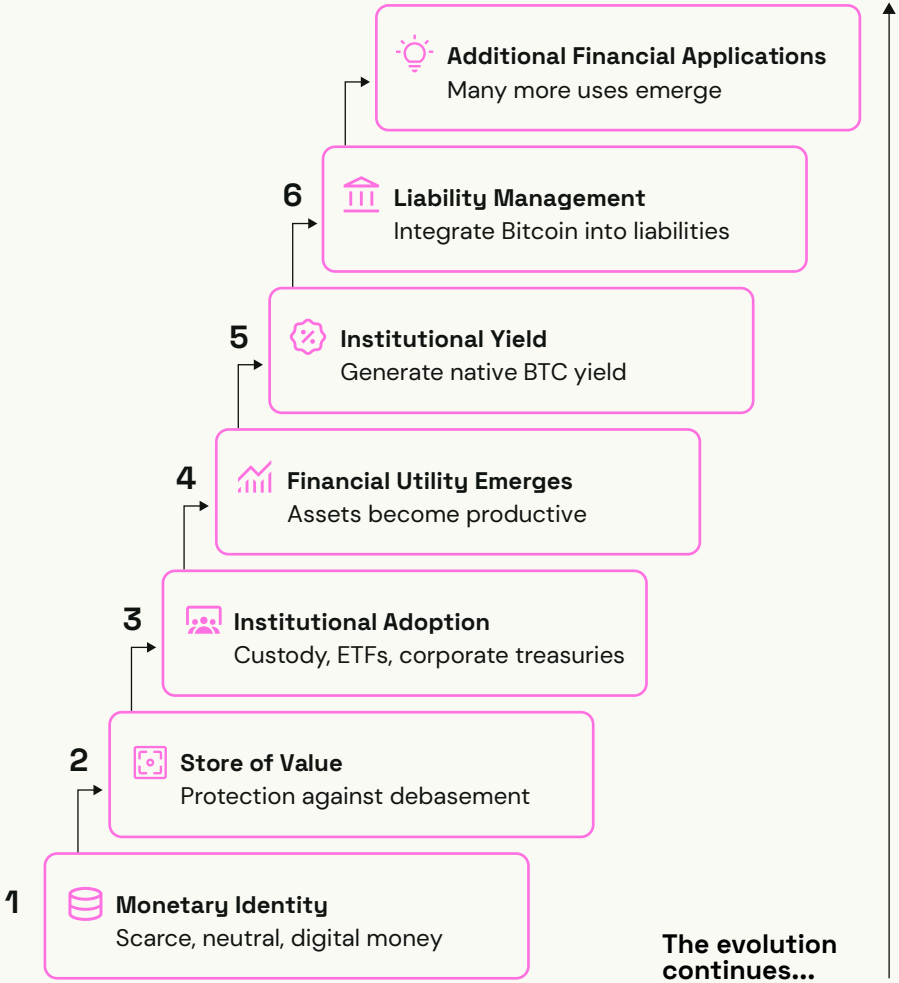
Financial innovation compounds

History suggests that financial innovation rarely stops after its first successful application. Instead, each successful use case creates the foundation for the next.

Gold evolved from a store of value into reserves, collateral, bullion leasing, modern derivatives markets and even industrial uses. Government bonds evolved into repo markets and the foundation of global liquidity management. Equities evolved into securities lending, exchange traded funds, structured finance and derivatives. Each successive innovation improved capital efficiency, attracted new participants and created additional reasons to own the underlying asset.

Financial innovation compounds over time

History shows that successful monetary assets become progressively more useful as new financial applications emerge.



Sources: Industry reports, BIS, Author's analysis.

Bitcoin appears to be following the same pattern.

The first generation of institutional adoption has naturally focused on adapting familiar financial products to Bitcoin. As institutional ownership continues to grow, competitive pressures are likely to shift innovation towards building entirely new Bitcoin-native financial products and services.

Institutional yield and liability management are unlikely to represent the final forms of Bitcoin's financial utility. Bitcoin-backed securitisation and independently rated credit products are already emerging, demonstrating how financial innovation is extending into institutional capital markets. These developments could lay the foundations for Bitcoin-denominated yield securities, repo financing and a broader range of institutional financial products denominated in bitcoin on Bitcoin.

The next wave of financial innovation is difficult to predict. Few anticipated the scale and importance of repo markets, ETFs or modern derivatives before they became established.

History shows that financial innovation compounds. Bitcoin's unique characteristics, including permanent scarcity, decentralised governance, native digital ownership, global 24/7 settlement and transparent verification, create the conditions for that process to continue. Each successful financial application has the potential to become another independent source of structural demand competing for the same permanently fixed supply of Bitcoin.

The investment implication

Bitcoin's first structural demand was monetary.

Its second is financial.

Institutional yield and liability management represent the first observable signs of Bitcoin's emerging financial utility, but they are unlikely to be the last.

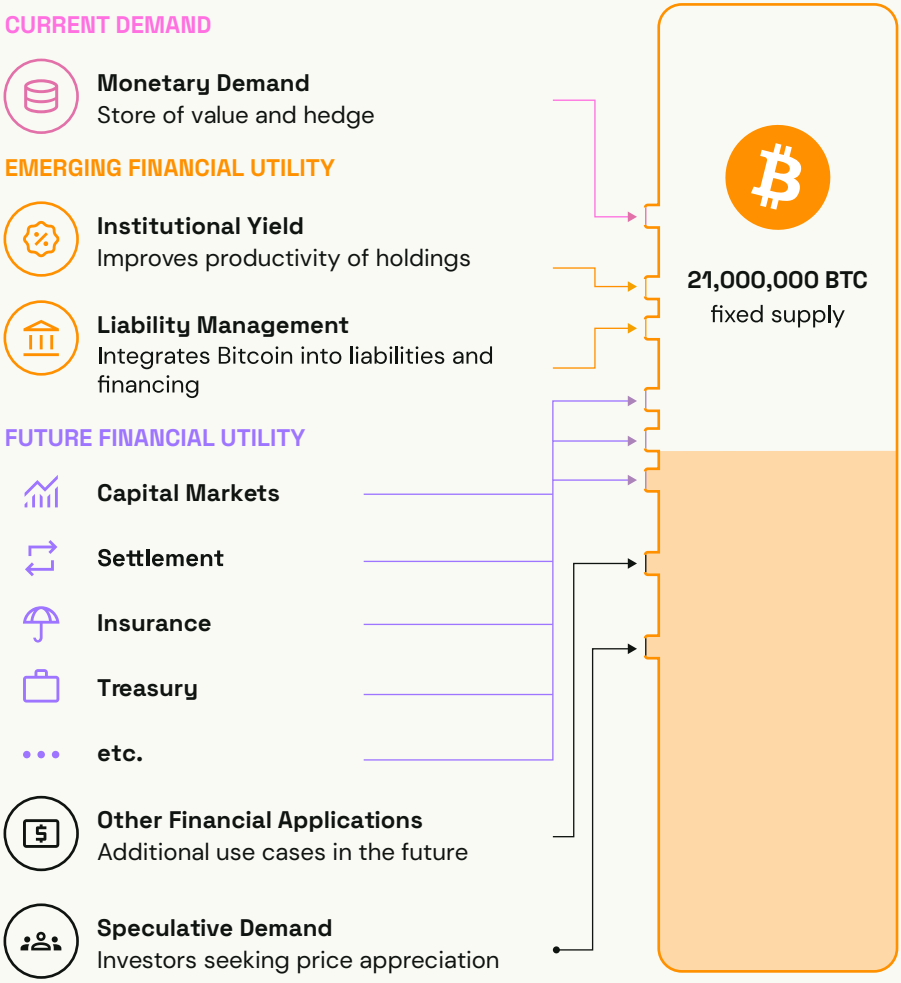
History suggests financial innovation compounds over time, as successful applications create the foundations for new products, markets and sources of demand.

If Bitcoin follows the same path, its expanding financial economy could create multiple independent reasons to acquire, retain and utilise an asset whose supply cannot expand to meet that demand.

That interaction between expanding financial utility and permanently fixed supply may become one of Bitcoin's defining investment characteristics over the decades ahead.

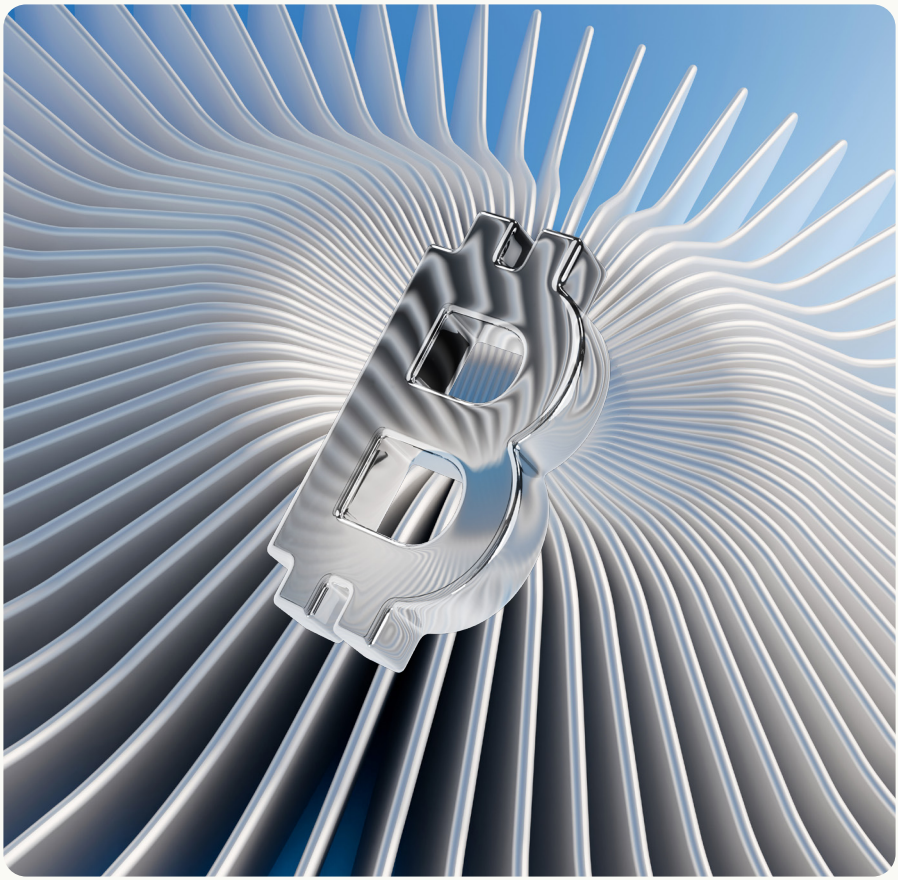
Expanding demand, fixed supply

Each source is independent. All compete for the same permanently fixed supply.



Today we observe the first two forms of financial utility. Many more independent sources of demand will emerge over time

Sources: Industry reports, BIS, Author's analysis



CHAPTER 6

Conclusion

Bitcoin’s first fifteen years were defined by one question

Can a digitally native asset become money?

The market has increasingly answered that question.

Individuals, institutions, corporations and governments now recognise Bitcoin as a scarce monetary asset capable of preserving value over the long term.

This report has proposed that a second question is now emerging.

What happens after a monetary asset succeeds?

Investment framework

Financial utility broadens Bitcoin's investment case while strengthening demand for the same permanently fixed supply.

PILLAR	EVIDENCE
Monetary foundation	~3.9 million BTC held by identifiable institutions, ETFs, corporate treasuries and sovereign adoption.
Financial utility emerging	Institutional yield and liability management are the first observable applications.
Still early	~1.5% of Bitcoin participates in BTCFi and lending, with ~6% held by public companies, versus **45% to 50%** of annual gold demand from jewellery.
Material opportunity	**~9,750 BTC** annual native yield today, **~19,500 BTC** in an illustrative future scenario, and **US$560** billion to **US$5.6** trillion of potential liability management demand.
Investment implication	Expanding financial utility creates new structural demand while Bitcoin's supply remains permanently fixed at **21 million BTC**.

Every successful financial application creates another independent source of structural demand competing for the same permanently fixed supply of **21 million BTC**

History provides a remarkably consistent answer.

Successful monetary assets rarely remain passive stores of value. As trust grows, they become increasingly integrated into the financial system. New forms of utility emerge.

New financial products are developed. New markets form. Each innovation creates another independent reason to own, finance or utilise the same underlying asset.

Bitcoin appears to be entering that same phase.

Bitcoin's financial utility is beginning to emerge through two distinct applications. Making Bitcoin assets productive through income and yield generation, and making liabilities productive by holding BTC with potential for long-term appreciation against fiat-denominated obligations.

These are early green shoots, not the limits of Bitcoin's financial evolution. Future applications across collateral markets, capital markets, insurance, on-chain finance and digital payments could create further reasons to acquire, retain and use Bitcoin. Their eventual scale and form remain difficult to predict.

Bitcoin's unique combination of permanent scarcity, native digital ownership, global near instant settlement, transparent verification and growing institutional adoption creates the conditions for that process to continue.

For most of Bitcoin's history, investors have evaluated it primarily through the lens of monetary adoption.

That was appropriate.

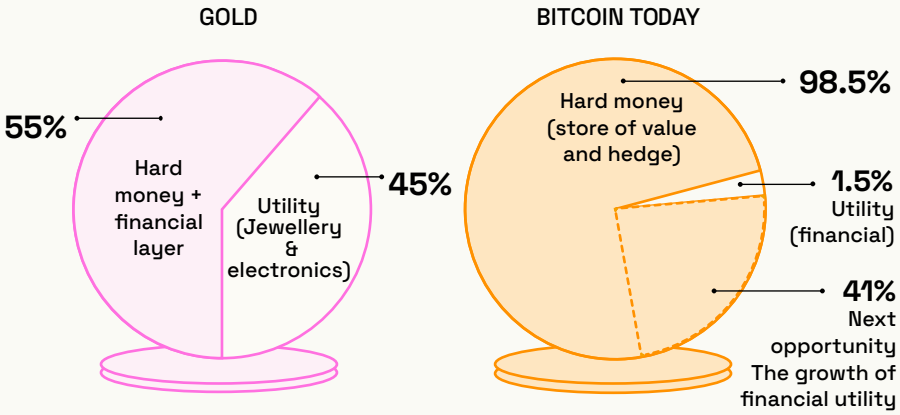
The next phase may require a broader perspective.
Bitcoin is no longer evolving solely as money.

It is beginning to evolve as financial infrastructure.

That distinction matters because monetary adoption and financial utility create fundamentally different sources of demand.

One asks whether institutions should own bitcoin.

The other asks what institutions can do with bitcoin once they own it.



History shows that successful monetary assets evolve beyond simply preserving wealth. They become integrated into financial systems, creating new markets, applications and enduring sources of demand.
Gold demonstrates that monetary value and utility-driven demand can coexist. Bitcoin is beginning a similar evolution, but with one fundamental difference: its supply remains permanently capped at 21 million.

As Bitcoin becomes increasingly integrated into global finance, each successful application could introduce another source of structural demand competing for that same fixed supply.

Bitcoin's first fifteen years established its monetary identity. Its next fifteen may be defined by the financial utility built upon it.

Disclaimer

This material is provided for informational and discussion purposes only and does not constitute investment, legal, tax or financial advice, nor an offer or solicitation to enter into any financing or investment transaction. Any products, structures or financing arrangements referenced herein are intended solely for eligible institutional or otherwise qualified counterparties, subject to applicable laws, eligibility requirements and internal approval processes.

Any views, opinions, estimates or projections expressed herein reflect the author's assumptions and expectations as of the date of this material and are subject to change without notice. Any forward-looking statements, illustrative calculations or hypothetical scenarios are provided for discussion purposes only, are based on assumptions that may not materialize, and should not be relied upon as predictions or guarantees of future performance, returns or outcomes. Actual results may differ materially from those presented.
Bitcoin and related financial strategies involve significant risks, including price volatility, counterparty risk, liquidity risk and potential loss of capital. Returns are not guaranteed, and past performance is not indicative of future results.

RootstockLabs does not act as a financial adviser, investment manager or fiduciary to recipients. Recipients should consult their own legal, tax, accounting and financial advisors prior to entering into any transaction or implementing any strategy discussed herein. Certain structures may involve contractual counterparty exposure and may not constitute custody or safekeeping arrangements.



RootstockLabs