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## **Portfolio Perspectives: Bitcoin's Evolution – What Investors Need to Know About Crypto's Next Chapter**

By Dynamic's Asset Management Team

*Crypto may be moving beyond speculation and into mainstream portfolios. But what does that mean for investors and their advisors? In this post, we explore Bitcoin's evolution and how you can think about crypto as part of a balanced investment strategy, all with insights from Grayscale Investments, a pivotal player in Bitcoin's evolution.*

Cryptocurrency has long sparked strong reactions from investors — excitement, skepticism and plenty of questions in between. While some still see it as a speculative gamble, others increasingly view it as a legitimate piece of a diversified portfolio.

Your advisor is in a unique position. They can help you move beyond the headlines and understand crypto in context: its history, its risks and the new opportunities that have emerged as the market matures.

Dynamic's Chief Investment Officer Kostya Etus, CFA®, recently spoke with Zach Pandl, managing director and head of research at Grayscale Investments, which has been on the frontlines of Bitcoin's transformation.

[Watch the full conversation, "Cryptocurrency: Its Evolution & Role in Asset Allocation."](#)

Pandl provided keen insights on how Bitcoin's story has evolved, why the approval of spot Bitcoin ETFs in 2024 was a turning point, and what it means for portfolios going forward.

### **From Speculation to Mainstream Conversation**

Bitcoin's early years were defined by volatility and uncertainty. Prices surged and crashed, and the market often felt more like speculation than investment. For many investors, this cemented the perception of crypto as too risky or unreliable.

But like other asset classes in their infancy — technology stocks in the 1990s, for example — volatility was part of the process. Over time, infrastructure, regulation and institutional adoption have started to stabilize the landscape.

Pandl said what's driving demand today isn't just technology, it's macroeconomics. With U.S. debt levels at historic highs and persistent deficits, investors are looking for hedges against long-term risks.

"Crypto no longer is a small curiosity in the global financial system," Pandl said.  
"It's a meaningful chunk... a midsize alternatives asset class."

## The Watershed Moment: Approval of Spot Bitcoin ETFs

In January 2024, the U.S. Securities and Exchange Commission (SEC) approved the listing and trading of spot Bitcoin exchange-traded funds (ETFs) for the first time.

For advisors, this was an important step because it gave their clients regulated, exchange-listed access to Bitcoin through a familiar investment vehicle. No digital wallets, no crypto exchanges, just an ETF that can be held alongside equities, bonds and other funds.

This decision didn't just expand access; it marked a turning point in the SEC's stance toward U.S. cryptocurrency markets.

## Grayscale's Role in the Shift

Grayscale Investments played a central role in Bitcoin's evolution. For years, Grayscale managed one of the largest Bitcoin investment vehicles, the Grayscale Bitcoin Trust. When the SEC denied its request to convert that trust into a spot ETF, Grayscale challenged the decision in federal court. In 2023, the court ruled that the SEC's rejection was "arbitrary and capricious." That legal victory paved the way for the SEC's January 2024 approval of spot Bitcoin ETFs. Without Grayscale's persistence, this milestone could have been years away.

## Bitcoin as Digital Gold

At its core, Bitcoin is best thought of as a digital commodity. With a fixed supply of 21 million coins, it shares some characteristics with gold as a scarce, store-of-value asset.

"Bitcoin is its own unique thing, a true innovation," explained Pandl. "The best metaphor is digital gold."

In asset allocation terms, Pandl noted that similar to gold, Bitcoin is less correlated with traditional asset classes such as stocks and bonds and supports overall portfolio diversification.

## What This Means for Investor Portfolios

So how should your advisor frame Bitcoin's place in a portfolio today?

- **Not a core holding** — For most investors, Bitcoin remains a satellite allocation, not a replacement for traditional assets.
- **Diversification potential** — A modest allocation may provide exposure to a non-traditional asset class with different risk/return drivers than equities or bonds.
- **Inflation and currency hedge** — Some investors see Bitcoin as a potential store of value in an inflationary or dollar-weakening environment.
- **Accessibility through ETFs** — Spot ETFs eliminate many of the barriers that previously made crypto impractical for most investors.



Pandl noted cryptocurrencies provide diversification benefits that can be maximized by taking a long-term view. He suggests buying and holding Bitcoin for 10 to 15 years instead of speculatively trading it.

### **The Takeaway for Investors and Advisors**

Crypto is no longer just a fringe idea or speculative play. With the SEC's approval of spot Bitcoin ETFs, Bitcoin has entered a new stage of legitimacy in U.S. markets. While Bitcoin isn't for every investor, it does mean having meaningful conversations with your advisor around its evolution and understanding how a small allocation might fit into a broader financial plan.

*Invest with intention.*

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