Blockstream Institute

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The Role of Bitcoin as a Store of Value in Modern Portfolio Construction

Key Takeaways

- 2026 has seen the return of uncertainty and market volatility with marked rallies and corrections. Many investors are considering enhanced diversification to offset these risks.
- With US stocks at high valuation levels, investors are concerned with valuation risks, while slowing exit distributions from private equity and venture capital funds are increasing liquidity concerns.
- Since January 2020, the US M2 money supply has increased by 44%, leading to an average inflation rate of 4% and a peak inflation rate of 9%. The value of the US dollar has declined against a basket of world currencies by nearly 13% since September 2022. The dollar has lost over 99% of its purchasing power since 1971 against the former gold standard.
- Institutions continue to be concerned about global liquidity. A logical consideration for investors is to build a liquidity bucket including assets such as US treasuries, global fixed income, bitcoin, and gold.
- The returns to gold, bitcoin, and investment-grade US bonds have near-zero correlations. Gold and bitcoin can be added to diversify portfolios and hedge against the inflation, debt, and deficits that continue to debase the value of the dollar and other fiat currencies.
- Portfolios need to evolve from merely investing in bitcoin opportunistically to a wider spectrum of Bitcoin-based assets. This paper begins the conversation.

Redefining the Store of Value

In 2026, investors are seeking strategies to diversify their portfolios during periods of record-high stock prices and ultra-tight credit spreads. As concerns about the value of the US dollar deepen, governments worldwide are diversifying Central Bank reserves into gold and other currencies as well as considering digital treasury assets to counter record levels of US debt, deficits, and expansionary money supply. A meaningful case can be made to enhance dollar reserves with non-dollar store of value assets, such as gold and bitcoin.

Gold and bitcoin as a Store of Value

While portfolio goals have historically focused on growth, income, and inflation, an increasing number of investors are now concerned about growth, income, and debasement. Asset allocations are changing to hedge against dollar debasement and the long-run impact of debt and inflation on their global holdings of fiat currencies.

For millennia, gold has served as a store of value. The US dollar operated on a gold standard from 1934 to 1971, with US dollars convertible to gold at a fixed rate of $35 per ounce. After the US exited the gold standard in 1971, the dollar became a fiat currency, with its value based on the faith placed in it by the citizens. The move from a gold-based to a fiat-based currency sparked significant inflation, reaching levels of 11% in 1974 and 13% in 1980. Gold provided a hedge against this dollar debasement, reaching nearly $200 an ounce in 1974 and over $800 per ounce at its peak in 1980. Similarly, the price of gold was higher at the end of 2008 than at the beginning of the year, when equity indices and some mortgage-backed securities had drawdowns exceeding 50%. The recent upturn of gold prices above $5,000 illustrates how inflation can lead to the long-term debasement of the US dollar's value, which has declined by 99.1% in terms of gold since the US exited the gold standard in 1971. Since its peak level in September 2022, the value of the US dollar has declined by nearly 13% as measured by the US dollar index.

While gold is coveted due to its physical scarcity, bitcoin is acquired by those who appreciate its digital scarcity and known monetary policy. Historically, gold has held a more traditional place in portfolios alongside other commodities. Today, bitcoin is in the early steps of evolving beyond an "opportunistic" and "periodic" tradeable investment with low allocations. This evolution requires more education by the staff and investment committees of institutional investors. Some investors have termed bitcoin to be digital gold and hold it as a store of value. Investors who have not yet allocated to bitcoin may cite price volatility as the factor preventing them from adding it to their portfolio construction process. While the volatility of bitcoin prices has been declining, its correlation to the returns on gold and investment-grade US debt has remained near zero. Portfolio theory tells us that adding a volatile asset to a portfolio doesn't automatically increase portfolio volatility, but that portfolio volatility is determined not only by an asset's standalone volatility, but also its weight in the portfolio and the correlation of its returns relative to other assets in the portfolio.

The Supply and Demand of Bitcoin

Many investors are attracted to bitcoin as a possible store of value asset and are considering its role in portfolio construction. We agree that bitcoin is a store of value asset and encourage asset allocators to be early adopters. The Bitcoin mining algorithm enforces a long-term maximum issuance of 21 million bitcoins, of which nearly 20 million have already been mined. This limited supply of bitcoins is in sharp contrast to fiat currencies, such as the US dollar, which has increased the M2 money supply by 44% since January 2020, largely in response to fiscal policy measures aimed at addressing the COVID-2019 pandemic. Since that same time, inflation, as measured by the US CPI, has totaled 25.8%. In contrast, approximately 1.8 million bitcoins were mined over the same period, representing a 10% increase[i]. The total bitcoin supply will increase by just 5% between now and the end of the Bitcoin mining era, which is anticipated to occur in the year 2140.

While the supply of bitcoin continues to grow at ever-slower rates, the demand for bitcoin continues to rise. While spot bitcoin ETPs have been trading in many countries for years, they were introduced to the US market on January 11, 2024. Global spot bitcoin ETPs now hold $110 billion of bitcoin, or approximately 7% of the total bitcoin in circulation[ii]. This includes nearly $100 billion invested in just four funds offered by BlackRock, Fidelity, and Grayscale, which are some of the fastest-growing ETFs ever launched[iii].

In addition to the demand from ETF investors, corporate treasuries are also increasingly investing in bitcoin. More than 100 publicly traded companies now own 1.136 million bitcoins, or 5.6% of the current bitcoins outstanding. This includes 959,000 owned by the top ten companies, led by Michael Saylor's Strategy, which holds over 713,000 bitcoins[iv].

Spot ETFs Doubled The Share Of Bitcoins Held Since January 2024

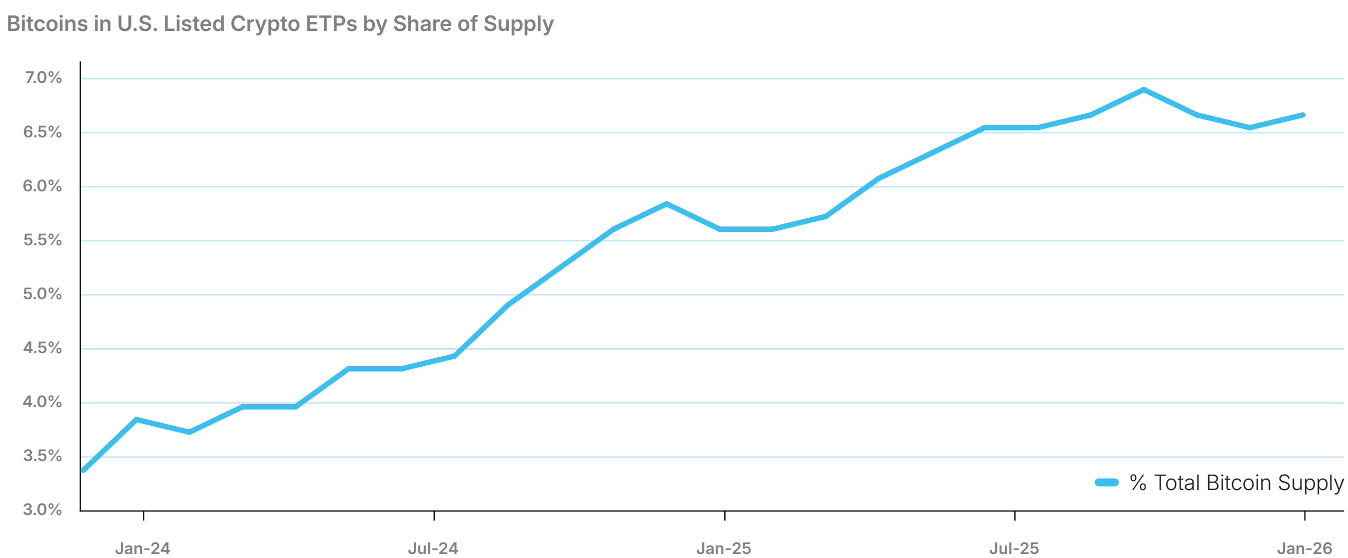

Figure 1: Crypto ETPs globally now own 7% of all bitcoin in circulation. Source: https://blockworks.com/analytics/crypto-etfs

Asset Allocation Considerations – Moving Beyond Opportunistic Investing in bitcoin

While pension and endowment funds have been relatively slow to directly purchase bitcoins, a growing number are making bitcoin allocations through the purchase of shares of ETFs and treasury companies[v]. There is evidence that the price behavior of bitcoin has changed since the January 2024 launch of US spot bitcoin ETFs. The ability to purchase shares in ETFs and treasury companies, combined with the declining volatility of bitcoin prices, makes it easier for institutional investors to justify allocations to bitcoin.

Spot Bitcoin Prices
October 2017 - January 2026

Figure 2: Spot bitcoin Prices, October 2017 - January 2026
Source: Yahoo Finance

	Jan 2018 - Dec 2023	Jan 2024 - Jan 2026
Correlation (Bitcoin, Gold)	0.176	-0.012
Correlation (Bitcoin, S&P 500)	0.358	0.526
Correlation (Bitcoin, Aggregate Bonds)	-0.047	0.012
Standard Deviation (Bitcoin)	73.7%	50.5%
Annualized Return (Bitcoin)	26.7%	32.7%

Figure 3: bitcoin risk, return, and correlation across regimes.
Source: Yahoo Finance, Author Calculations

Allocators need to plan the liquidity framework of their investments. While many investors seek to enhance portfolio returns in private equity and private credit, it is worth noting that these alternative investment asset classes are illiquid and their durations seem to be extending. In fact, distributions of exited holdings from venture capital funds totaled just $538.9 billion from January 2022 to June 2025, down from the peak of $916.6 billion in 2021 alone[vi]. As companies stay private longer and PE and VC funds slow distributions, access to liquidity elsewhere in portfolios becomes even more important. In contrast, bitcoin's liquidity has increased substantially since the launch of CME futures contracts in December 2017 and spot ETFs in January 2024, respectively. Adding either Treasuries or global fixed income creates significant optionality into your liquidity profile and forces investment committees to review allocations on a regular basis. This is the best way to normalize new asset classes.

SIFMA estimates the value of the global equity market as $126.7 trillion, with fixed income securities comprising an additional $145.1 trillion as of the end of 2024[vii]. With a value of $2.5 trillion, bitcoin and digital assets represent 1% of the liquid global market portfolio. As a result, investors who do not yet own bitcoin are underweight relative to the portion of the global market portfolio that is held in bitcoin.

The Punchline: Holding bitcoin and Gold as Store of Value Assets Offers Stronger Risk-Adjusted Returns than the Traditional 60/40 Portfolio

Many investors use a 60/40 portfolio as a basis by which to compare the returns of competing portfolios. From January 2018 to August 2025, a portfolio allocated 60% to the S&P 500 and 40% to the Bloomberg Aggregate Bond Index and rebalanced monthly earned an annualized return of 8.6%, a volatility of 10.2%, and a maximum drawdown of 18.6%. Note that the Bloomberg Aggregate Bond Index experienced its largest drawdown in decades as the US Federal Reserve tightened monetary policy and quickly increased interest rates starting in 2022.

January 2018 - January 2026	Return	Volatility	Return/Vol	Max Drawdown	Return/ Drawdown
S&P 500	13.1%	16.3%	80.2%	-23.9%	54.7%
Bloomberg Agg	1.4%	5.4%	26.5%	-17.2%	8.3%
60/40 Portfolio	8.6%	10.2%	84.6%	-18.6%	46.9%

Figure 4: Returns to stocks, bonds, and the 60/40 portfolio. Source: S&P 500, Bloomberg Aggregate Bond Index, Author's Calculations

From January 2018 to January 2026, bitcoin earned annualized returns of 28.4%, with volatility of 68.1% and a maximum drawdown of 75.6% based on monthly data. This standalone level of volatility provides some investors a rationale for not holding a bitcoin allocation in their portfolio. However, a store of value portfolio can be built that equally weights gold and bitcoin and rebalances on a monthly basis. Since January 2018, this portfolio has earned annualized returns of 28.8%, earning returns similar to bitcoin, while reducing its volatility by nearly half to just 35.9%, and the maximum drawdown declined by nearly 40% to 45.7%. The key to this volatility reduction is the monthly rebalancing process and the near-zero long-term correlation between gold and bitcoin prices. Since gold and bitcoin are traded in various countries using different currencies, their value is not determined by the US government or the US dollar's fate.

January 2018 - January 2026	Return	Volatility	Return/Vol	Max Drawdown	Return/ Drawdown
Bitcoin	28.4%	68.1%	41.7%	-75.6%	37.6%
Gold	16.5%	16.6%	99.7%	-18.1%	91.4%
Store of Value	28.8%	35.9%	80.2%	-45.7%	63.1%

Figure 5: Returns to bitcoin, gold, and store of value. Source: Monthly bitcoin and gold prices. Store of value portfolio is 50% gold and 50% bitcoin, rebalanced monthly

Due to these longer-term and secular changes, the store of value concept can play a new and important role in portfolio construction. Moving from the traditional 60/40 portfolio to a 60/20/20 portfolio that is invested 60% in equities, 20% in bonds, and 20% in the store of value portfolio holding gold and bitcoin increased annualized returns from 8.6% to 14.7%, while volatility increased from 10.2% to 14.3% and maximum drawdown increased from 18.6% to 23.5%. The return-to-volatility and return-to-drawdown metrics indicate that the return increased at a significantly higher rate than the associated risk. This portfolio is composed of 60% stocks, 20% bonds, 10% bitcoin, and 10% gold, rebalanced monthly.

January 2018 - January 2026	Return	Volatility	Return/Vol	Max Drawdown	Return/ Drawdown
Store of Value	28.8%	35.9%	80.2%	-45.7%	63.1%
SOV with TIPS	16.7%	19.0%	88.1%	-29.0%	57.7%
60/40 Portfolio	8.6%	10.2%	84.6%	-18.6%	46.4%
60/20/20 Portfolio	14.7%	14.3%	103.0%	-23.5%	62.6%
60/40 SOV with TIPS	15.0%	14.8%	101.1%	-24.0%	62.2%

Figure 6: Integrating the store of value into the 60/40 portfolio. Source: Store of value portfolio is 50% gold and 50% bitcoin, rebalanced monthly. Store of value with TIPS is 25% gold, 25% bitcoin, and 50% TIP ETF rebalanced monthly. 60/20/20 portfolio is 60% S&P 500, 20% Bloomberg Aggregate Bond Index, 10% bitcoin, and 10% gold, rebalanced monthly. 60/40 SOV with TIPS portfolio is 60% S&P 500, 20% TIP ETF, 10% bitcoin, and 10% gold, rebalanced monthly.

Investors may also wish to consider completely divesting from fixed income as measured by the Bloomberg Aggregate Bond Index, which maintains substantial downside risk relative to higher interest rates and higher inflation. Alternatively, investors may wish to combine domestic and global fixed income to better adapt to our multipolar world. Investors most concerned about inflation may choose to replace the 20% bond allocation with holdings in Treasury Inflation Protection Securities (TIPS). During a time of rising inflation, TIPS would be expected to outperform fixed-rate securities, as TIPS only have a duration to the change in real rates, with the inflation rate added to the principal value of the bonds. While the risk, return, and drawdown are similar to the 60/20/20 portfolio, the portfolio holding 40% in the store of value assets (TIPS, gold, and bitcoin) has superior inflation protection relative to the portfolio holding 20% in fixed-income securities. This portfolio is composed of 60% stocks, 20% TIPS, 10% bitcoin, and 10% gold, rebalanced monthly.

In either case, this transition to a liquidity portfolio constructed of gold, bitcoin, Treasuries, global fixed income, and TIPS from just an opportunistic Bitcoin position reframes liquidity in a more neutral way. It is time to move beyond the endowment model, pioneered by David Swensen, which advocated for a maximum exposure to private and alternative investments, while holding reduced positions in public equities and minimal liquidity held in cash and fixed income. Consideration of a broadened liquidity bucket prepares for an investment world where the unexpected becomes commonplace. It also forces investment committees to think more broadly about overall objectives of preservation and growth while educating all on oversight of digital assets.

[i] https://charts.bitbo.io/circulating-supply/

[ii] https://www.coindesk.com/coindesk-indices/2025/09/10/crypto-for-advisors-crypto-etf-trends

[iii] https://www.fintechweekly.com/magazine/articles/blackrock-ibit-fastest-growing-etf-bitcoin

[iv] https://bitcointreasuries.net/

[v] https://www.forbes.com/sites/digital-assets/2025/06/12/as-pension-funds-buy-bitcoin-a-new-path-in-its-history-is-traced/

[vi] Q2 2025 PitchBook – NVCA Venture Monitor

[vii] https://www.sifma.org/resources/research/statistics/fact-book/