

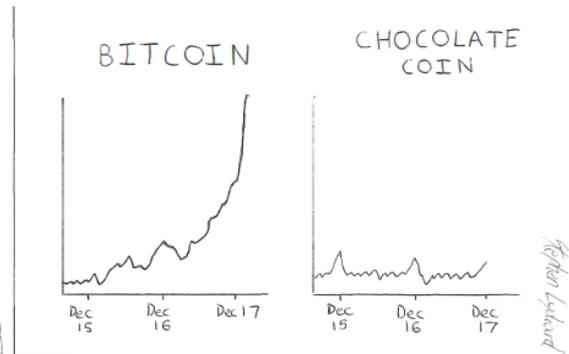


MVAM
MOLE VALLEY
ASSET MANAGEMENT

MVAM Newsletter

'Merry Crypto Christmas?'

December 2017



Unless you have been on a trip to the moon recently you've probably heard about Bitcoin. Heard about it, but not necessarily understood it? So here's our quick take on a phenomenon that seems a little like other fads in history such as the Dutch Tulip bubble of 1637, but with even less substance:

- 1. What is Bitcoin?**
Bitcoin, despite its name, is not a coin - it's just a software code. A digital code that is held electronically. It is a cryptocurrency of which there are now about 100 across the world.
- 2. How does it work?**
Think what happens if you use an online bank - your money goes from your account to the person you are paying. We trust the bank to move the right amount and the bank makes sure you can't spend that money again. Bitcoin works in the same way, moving the software code from one account to another - just without banks being involved.
- 3. Can you make some yourself?**
Yes, you can "mine" for it. But you need a quick computer to solve puzzles to make it. Each coin created makes the next more difficult to make. It is now so difficult to create, that according to some, more electricity is needed to create and maintain bitcoins than is used by the whole of Ireland!!
- 4. Why is there so much interest?**
 - a) The price bitcoin exchanges hands has gone up over 1000% this year!
 - b) Stock exchanges are now trading contracts that in short, mimic the price of bitcoin.
 - c) Its perceived scarcity. The makers ensured that only 21 million bitcoins could be made. However, these coins can be divided, so you can buy one hundred millionth of a bitcoin.
 - d) It's opaque. Who owns it, how many they own, and where the money has come from to purchase the Bitcoin is not transparent. Bitcoin is a good way to hide assets from the authorities.
- 5. Why Don't Governments shut it down?**
Good question. It seems to go against all the effort to make money movements more transparent and to stop criminals, terrorists and money laundering in general. It is strange then that governments are allowing their currencies to be exchanged for bitcoins and their stock markets to trade Bitcoin, thereby increasing its legitimacy!!
- 6. Should you get involved?**
No, is our answer. We are not saying you won't make money, as Bitcoin is up over 50% this December at time of writing. Bitcoin however is not an investment, it's pure speculation. Spending your money on a software code that does nothing is nonsensical. It only gives you a chance of return if you can sell it to someone else at a higher price, no chance of dividends or interest.

So, when it comes to coins this Christmas, at MVAM, we will be sticking to those of the chocolate variety. As for Bitcoin the Emperor has no clothes.

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