



Dear Investors,

In this news bulletin I set out a summary of the Bittensor project. I feel this project could be as significant as Bitcoin and Ethereum. Our fund has already made a small allocation, we will be adding to this as the opportunity arises.

The vision for the Bittensor is that it will be the underlying protocol for decentralised artificial intelligence. It does this by creating a marketplace for decentralised intelligence. The native token of Bittensor is TAO, the monetary policy of TAO is a close match to that of Bitcoin. It is not built on Ethereum or any other blockchain, it is its own blockchain, an AI specific blockchain.

The project was launched in March 2023. At the time of writing the market cap of the project is USD 4 billion, it is ranked 25 on Coinmarketcap. Investing at this time feels like investing in Ether at under USD100 and Bitcoin at under USD 1,000.



If you don't want to read this bulletin but would like to know more, check out [this Documentary](#).

## Decentralised Artificial Intelligence (DeAI)

Open source software and decentralised protocols are creating the new platforms for humanity. Bitcoin is a decentralised money network and Ethereum is a decentralised computer for smart contracts. These systems are robust, open for all to use and are not controlled by nation states or companies. They maximise human freedom and innovation.

A new addition to decentralised platforms is Decentralised AI (DeAI). DeAI aims to compete with centralised AI companies such as Meta, OpenAI and Alexa AI. This competition is crucial because it offers consumers more choice and by so doing, it curbs the concentrated power of gigantic tech companies and autocratic governments.

Many of the founders of these DeAI projects are of the opinion that without DeAI, humanity is at risk of being taken over by AI in a dystopian nightmare. This includes people such as the ex head of Google AI, Mustafa Suleyman, I have written about AI safety elsewhere.

To be clear, our fund would not invest in a project just because the project is good for humanity. It has to make sense financially and

it will only do this if there are sound commercial and economic incentives embedded within the project.

## 'Explain Bittensor to me like I'm 5'

### What does Bittensor do?

Bittensor is like a huge public library where anyone can go and read a book on any topic imaginable. Each book is referred to as a 'Subnet'. So, for example, there is a Subnet which has all the results of football games. Anyone can become a Subnet owner.

The author of each book is referred to as a 'Miner'. So the Miner of the sports result book needs to update the book after each game is finished. Anyone can become a Miner.

Before each book is put into the library or updated, a librarian checks that the book content is the same as what it says on the cover. Librarians are referred to as 'Validators'. Anyone can become a Validator.

The Subnet owners, the Miners and the Validators all get paid for doing their job. The library has its own currency and issues it to these people automatically when they perform a task.

Also, people who own the currency can lend it to the Validators so they can do their job better.

## Who will use Bittensor?

Almost everyone needs to use the library but it is very time consuming to search through all the books to find the information you need. Also sometimes people like to look at pictures and copy them or sometimes they like to play with numbers and make comparisons.

Everybody is allowed to read all the books and do their own research, draw their own pictures and make their own numbers games. But some people may choose instead to send a robot to do the research. Giving the robots instructions can be complicated so some other people build robots for you so that it will know exactly what you want simply by talking to the robot. These robots are called applications or apps for short.

One day there will be almost as many apps as people.

## What's the difference between open-decentralised AI and closed-centralised AI

A centralised version of the library has barriers to entry. It is not possible for the

public to read the content of the books. There are three or four giant robots and you ask the robot a question and it gives you the answer. We do not know who controls the library or whether the answers the robots give are correct. We have to trust the owners of the robots.

There are hundreds of small specialist libraries emerging. Ones that can do tasks like read and interpret an x-ray of a human body. These are helpful but also limited. Because they are centralised they do not benefit from the power of the collective mind of humanity that can be brought to a problem.

## 'Now explain it to me like I am an intelligent high school student'

At this point it is helpful to compare Bittensor with Bitcoin.

As we know, the Bitcoin protocol gets mined by computers performing a mathematical calculation. Every 10 minutes the protocol emits 3.125 bitcoins to the miner who performs the calculation the quickest. This very simple incentive structure has created the largest and most powerful computer network in the world. No company or country can bring as much computer power to a problem as the Bitcoin protocol.

However, the problem that Bitcoin solves is a very limited problem - important and valuable - but limited. Bittensor wants to create a Bitcoin sized computer network using the same type of incentive mechanism. But it wants to do it in a way where the mining process adds lasting and tangible value.

Possibly the biggest users of computer power at the moment are AI projects. The demand for computer chips and storage outstrips supply. The Large Language Models being built by Meta, OpenAI and others cost billions of dollars and are out of date the moment they are released. Computer hardware is the fastest depreciating asset in history. The cost of updating data centres with the latest computers is significant.

A decentralised computer network that can provide the compute power, storage and the models needed to run AI - at scale - will outperform centralised AI. In addition, an open system where anyone can contribute allows for the creation of a hive mind where humans can coordinate at great scale to solve some of humanity's most significant problems. This is Bittensor's vision for DeAI.

## Bittensor Economics

There are four key participants in the Bittensor ecosystem.

Three we have spoken about already : the Subnet owner (who set-up the task or service -

the 'apps' of AI if you like); the Miners (who perform the task or services) ; and the Validators (who check the Miner's work to make sure they have done what they committed to do). These participants get paid directly by the protocol as they do the work.

A fourth participant are the users of the service. For example, a Subnet may provide a service such as image generation. One such Subnet is [TensorAlchemy](#) which '...specialises in image generation, incorporating a human scoring element where contributors provide feedback to refine and optimise AI outputs...'. A user of TensorAlchemy could be anyone. At the moment it seems the use of TensorAlchemy is free, but like most applications they start free and then they introduce a paywall for extra services etc. Payment would be made in TAO, the native token of the Bittensor blockchain.

A fifth potential participant in the economy are stakers. These are owners of the TAO token who choose to earn income by staking their tokens with Validators.

## The TAO Token

The TAO token has almost identical properties to Bitcoin. There will be 21 million TAO. They are being issued directly by the protocol to those building and running the system. The issuance schedule has a halving every 4 years and the last TAO will not be issued for over 100 years. Currently the protocol issues One TAO every 12 seconds.

The fixed monetary supply could - like bitcoin - result in TAO becoming a store of value asset. However, unlike bitcoin, TAO can be staked to earn a yield. The yield comes from a sharing of the TAO fees earned by the Subnet. The fees come from TAO issuance - as part of the

mining incentive - and fees paid by the user of the Subnet. The yield rate will depend on the level of fees and the number of TAO being staked.

So in this way the token is more like Ether in that it has monetary properties and it is a capital asset as it can earn yield when staked.

## Who is behind the project?

Jacob Steeves and Ala Shaabana are both computer scientists with strong academic records and commercial/entrepreneurial experience. The best way to get to know them is to watch the documentary about Bittensor ([see here](#)).

It is important to note that there was very little 'pre-mine' of the TAO token. The founders own less than 1% of the issued TAO tokens.

There does not appear to be a traditional company behind the project. The Opentensor Foundation is a not-for-profit organisation which oversees the development and decentralisation of the Bittensor network.

There are no venture capital firms behind the project. The only way to get investment exposure is to own the TAO token, which can be purchased in the secondary market. There is a deep and liquid market for the token which turns over circa USD 150 million per day.

## Concluding Comments

Bittensor is billed as a project at the intersection of AI and Blockchain. They say

that DeAI is perhaps one of the best use cases for Blockchain Technology.

These types of statements sound like '...a winning entry in a buzzword start-up bingo competition...' and I do come across a lot of projects which are just buzzwords. But in this case there is substance, credibility, an operating blockchain and a rapidly evolving ecosystem. There is a possibility that this project will become one of the big 3 :

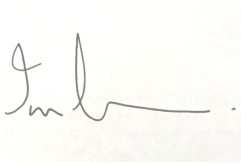
1. The Bitcoin blockchain for decentralised store of wealth;
2. The Ethereum blockchain for decentralised applications and programmable money; and
3. The Bittensor blockchain for decentralised artificial intelligence.

Most other blockchains out there are either 'bitcoin killers' or 'ethereum killers'. I think Bittensor serves a different need, it is additive to the cryptoasset market. For this reason it is a 'blockchain early opportunity' and as such it will become an important holding for our fund.

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As always, please do not hesitate to contact me on 04 5090 0151 or at [ian@bca.fund](mailto:ian@bca.fund) if you have any questions.

Best Regards



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*The content of this newsletter has primarily been prepared by a human, Ian Love. Artificial intelligence has been utilised for fact-checking and for providing explanations of some specific words and concepts.*

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