

## BITTENSOR - THE INTERNET OF AI



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### Key Takeaways

- Advances in data availability, computing power, and neural network design have driven exponential growth in AI capabilities, enabling machines to perform tasks once thought exclusive to humans.
- The proliferation of AI has raised concerns about transparency, censorship, and the concentration of ownership in a select few large technology companies, underscoring the importance of permissionless global alternatives.
- Bittensor is a decentralized AI protocol utilizing crypto incentives to coordinate AI contributions across a distributed network of subnets, each specializing in the production of different AI commodities.
- Bittensor's native token, TAO, adheres to a fixed supply schedule similar to Bitcoin, with 21 million tokens and a predetermined halving schedule. TAO is the network's currency, used for incentives and ecosystem participation (deploying subnets, validator/miner requirements, alpha token access, governance, & tx fees).
- TAO presents a unique way to invest in the future of decentralized AI – providing diversified exposure to nascent subnet projects and strategically aligning investors with the creation of a permissionless credibly neutral AI network.

- The Grayscale Bittensor Trust is one of the first investment vehicles that enables investors to gain exposure to TAO in the form of a security while avoiding the challenges of buying, storing, and safekeeping TAO directly.

Click [HERE](#) for the full report.


## KEY SLIDES FROM THIS REPORT

### Slowly, Then All at Once

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## Slowly, Then All at Once

- AI technology has rapidly evolved from rule-based systems to powerful machine learning models capable of understanding language, generating content, and making complex decisions, with large-scale models making significant leaps in general-purpose AI capabilities.



Time to 1M Users (Days)

| Company (Year)     | Time to 1M Users (Days) |
|--------------------|-------------------------|
| Netflix (1999)     | 1,278                   |
| Airbnb (2008)      | 913                     |
| Kickstarter (2009) | 913                     |
| Twitter (2006)     | 730                     |
| Foursquare (2009)  | 390                     |
| Facebook (2004)    | 300                     |
| Dropbox (2008)     | 210                     |
| Spotify (2008)     | 150                     |
| Instagram (2010)   | 90                      |
| ChatGPT (2022)     | 5                       |

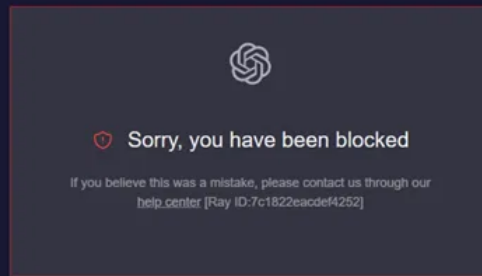
Source: Statista, a16z, Fundstrat

### Risks of Centralized Artificial Intelligence



## Risks of Centralized Artificial Intelligence

- Intensive capital requirements and competitive advantages have given large tech companies an upper hand in the AI development race. Increasing concentration of user data and model outputs among a few companies has raised concerns about AI governance and transparency.
- Foundational models such as Google's and DeepSeek's have shown biases, historical inaccuracies, and political leanings, displaying the human element that's still evident in proprietary AI development. As AI continues to embed itself in society, the need for transparent objective models is paramount.
- Additionally, developers outside of large-tech companies have limited access to advanced tools and models, stifling competition and potentially leading to monopolization.



Source: ChatGPT, Fundstrat

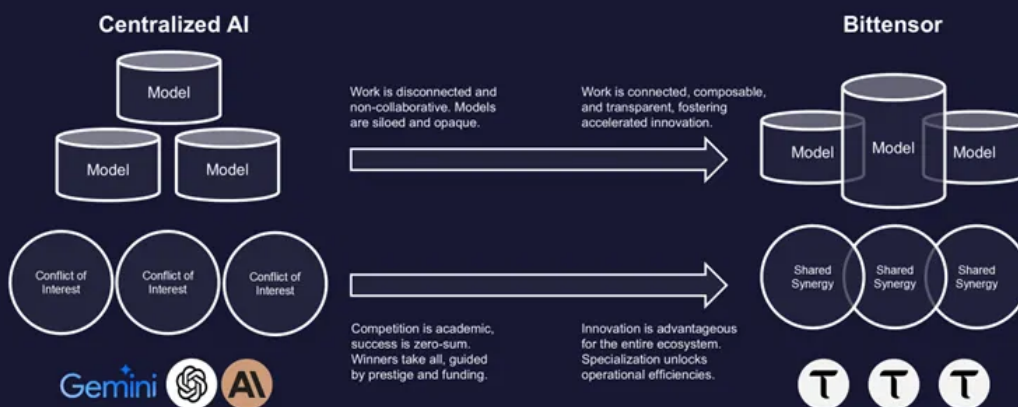
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## Bittensor - The Internet of AI



### Bittensor – The Internet of AI

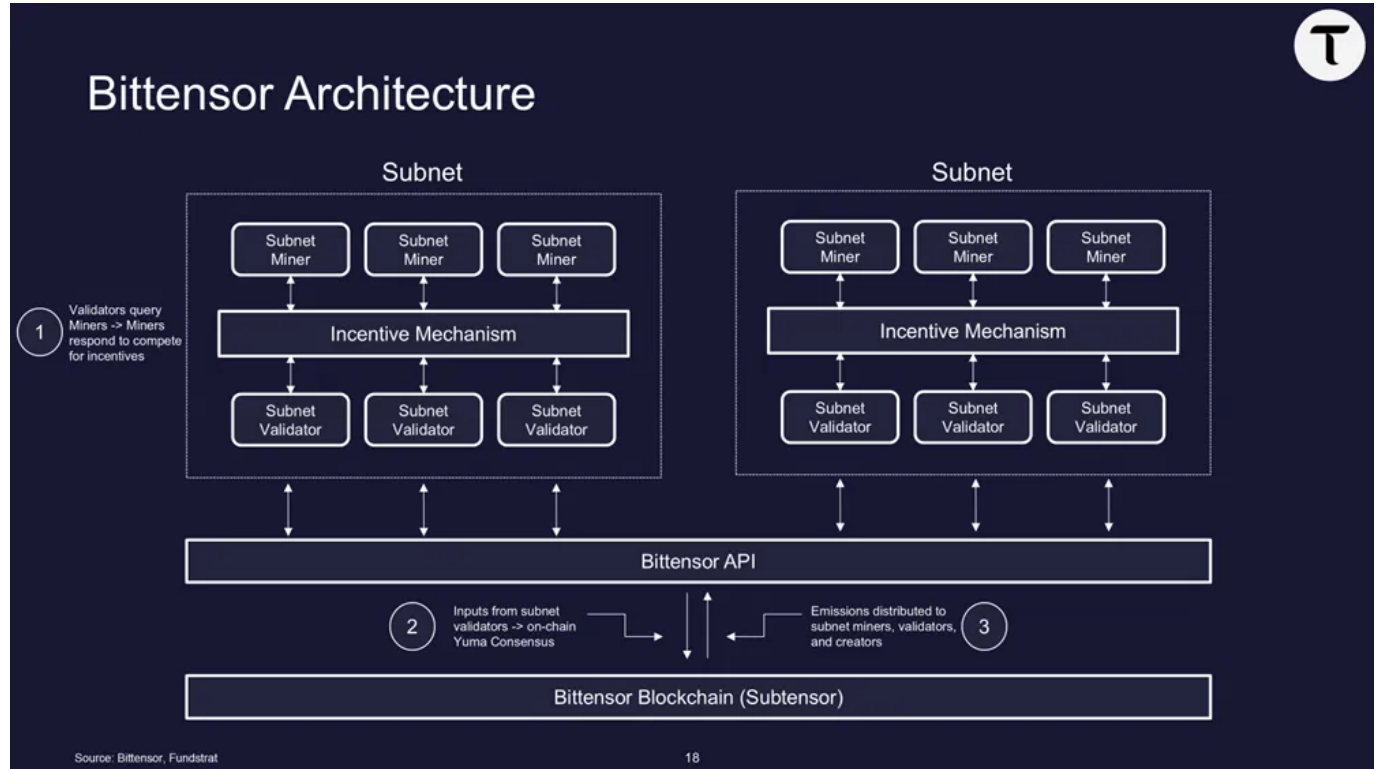
- Bittensor is a decentralized artificial intelligence protocol that utilizes a crypto economic model to incentivize machine learning, AI model creation, and commoditized inference to create the "Internet of AI."
- Bittensor envisions a future of a distributed network of interconnected AI "subnets," forming a credibly neutral global AI platform enabling permissionless access to AI resources and applications.



Source: Bittensor, Fundstrat

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## Bittensor Architecture

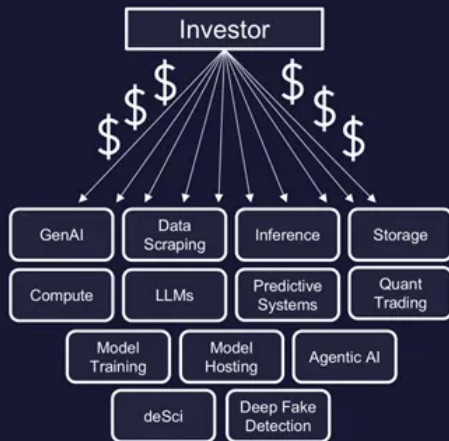


## TAO Encompasses the Whole AI Stack



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- The gateway to the Bittensor ecosystem flows through the TAO token with participants needing TAO before being able to access alpha tokens. For those not interested in making individual subnet bets, TAO may become the best way to gain broad AI exposure.
- Most subnets have yet to introduce monetization methods, but if products can find meaningful traction, profits can be distributed to TAO and Alpha holders, initiating an entirely new incentive stream that would only stimulate the Bittensor ecosystem further.



Source: Fundstrat

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## Investment Thesis

### Investment Thesis

- TAO addresses the coordination and monetization challenges inherent in open-source development. As a novel mechanism for incentivizing AI contributions, Bittensor is well-positioned to attract a vibrant developer base, accelerate AI innovation, and expand growth across its subnet ecosystem.
- As the ecosystem expands, Bittensor's protocol mechanics generate structural demand for the TAO token. Increased subnet deployments fuel demand through registration fees and competition for validator and miner slots, creating buying pressure for TAO.
- From an investment standpoint, TAO serves as the gateway to the Bittensor ecosystem, providing unique exposure to a diversified AI ecosystem through a single investment vehicle. For more venture-oriented investors, purchasing TAO is a prerequisite to investing in individual subnet tokens.
- As AI becomes increasingly politicized and central to geopolitical competition, accessibility restrictions across borders may emerge for both users and developers, underscoring the importance of a permissionless global alternative. While Bittensor still possesses elements of centralization, its long-term vision is to evolve into a decentralized, credibly neutral network for AI development.
- **Bottom Line:** TAO offers investors a unique opportunity to gain diversified exposure to open-source AI development through a single asset, with built-in demand drivers, exposure to nascent subnet projects, and alignment with a long-term vision of creating a permissionless, credibly neutral AI network.

Source: Fundstrat

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## Grayscale Bittensor Trust



### Grayscale Bittensor Trust

- Grayscale Bittensor Trust (the "Trust") is one of the first investment vehicles that enables investors to gain exposure TAO, the underlying token of the Bittensor Network, in the form of a security while avoiding the challenges of buying, storing, and safekeeping Bittensor directly.
- The Grayscale Bittensor Trust is designed to track the Bittensor market price, less fees and expenses. To invest or learn more, please direct inquiries to [info@grayscale.com](mailto:info@grayscale.com).



Source: TradingView, Grayscale, Fundstrat

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|                      |   |
|----------------------|---|
| Ticker               | N/A   |
| Investment Objective | Shares reflect the value of the TAO held by the Trust, less expenses and other liabilities  |
| Inception Date       | 6/10/2024   |
| Subscriptions        | Daily   |
| Sponsor              | Grayscale Investments Sponsors, LLC   |
| Legal Counsel        | David Polk & Wardwell LLP   |
| Auditor              | KPMG LLP  |
| CUSIP                | 38963B 100  |
| ISIN                 | US38963B1008  |
| AUM*                 | \$4.44M   |
| NAV Per Share*       | \$3.87  |
| Minimum Investment   | \$25,000  |
| Sponsor Fee          | 2.5% Annually   |
| Secondary Trading    | Following a one-year holding period, Grayscale intends to attempt to have Shares of new products quoted on a secondary market. However, there is no guarantee that we will be successful. |
| Private Placement    | Available for Accredited Investors  |
| IRA Eligibility      | Shares are eligible to be held in certain IRA, Roth IRA, and other brokerage and investor accounts.   |
| Redemptions          | Redemptions of Shares are not currently authorized.   |
| Contact              | <a href="mailto:info@grayscale.com">info@grayscale.com</a>  |

\*As of 04/08/25

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