



CRYPTOCURRENCY 101 DIGITAL ASSET INVESTOR GUIDE

PREPARED BY SARSON FUNDS, INC

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WHAT IS CRYPTOCURRENCY?

During the technology boom of the 1990s, numerous attempts were made to create viable digital currencies. While some systems like PayPal still exist today, most others such as DigiCash, Flooz, and Beenz ultimately failed due to various reasons, including fraud, financial issues, and internal conflicts.

These early systems relied on a "Trusted Third Party" approach, where companies behind the currencies verified and facilitated all transactions. The repeated failures of these companies led many to believe that the creation of a successful digital cash system was impossible.

Then, in early 2009, an anonymous programmer or group of programmers under the alias Satoshi Nakamoto introduced Bitcoin. Bitcoin was the first "cryptocurrency," using cryptography to secure and verify transactions and control the creation of new coins, eliminating the need for a third party.

Bitcoin introduced a revolutionary concept: a computer-based consensus network where participants validate transactions. Satoshi described Bitcoin as a "peer-to-peer electronic cash system," operating in a completely decentralized manner with no central servers or controlling authority.

This innovation offers a secure, transparent, and efficient alternative to traditional financial systems that is being embraced around the world.

BACKGROUND BEHIND DIGITAL ASSETS

Cryptocurrencies are digital assets designed to securely store and transfer value without the need for an intermediary.

The name "cryptocurrency" comes from the use of cryptography, which involves advanced encryption techniques to secure and verify transactions and control the creation of new coins.

Cryptocurrencies are encoded computer language strings that are stored as entries in a decentralized database that can only be changed when specific conditions are met. This decentralized nature ensures greater security and resistance to censorship or seizure compared to traditional financial systems.

Cryptocurrencies are becoming a fixture in global finance, with many large banks now embracing the technology.

Sarson Funds is pleased to provide this educational guide to digital assets.



YOUR CRYPTOCURRENCY FINANCIAL ADVISOR

CONSULTING • CRYPTO EDUCATION • INVESTMENT SOLUTIONS

MEET OUR EXPERIENCED CRYPTO TEAM:



JOHN SARSON
CEO/COFOUNDER



JAHON JAMALI
COFOUNDER



BRITTANY KEELS
COO



REED BAUM
DIRECTOR OF
RESEARCH



EVAN LAMONTAGNE
PROJECT MANAGER



JENELL MCLAUGHLIN
CMO



ANNA STROHSAHL
MANAGING
DIRECTOR



ZACH PROFETA
LEAD PORTFOLIO
MANAGER



MATTHEW JESSUP
AI & BLOCKCHAIN
ANALYST



ALLAN CHENG
BLOCKCHAIN ANALYST
ASIA MARKETS

ELIMINATING DOUBLE SPEND

One of the critical challenges for any payment network is the "double-spending" problem. Traditional systems, like paper money, don't face this issue—once you hand a dollar bill to someone, you no longer have it to spend again. Blockchain technology effectively solves this problem in the digital realm, offering a reliable and secure way to handle transactions without the need for intermediaries.

BLOCKCHAIN TECHNOLOGY

Decentralization and Trust

Blockchain technology eliminates the need for a central controlling authority in digital transactions. In traditional finance, trusted third parties—such as JP Morgan, UBS, and Wells Fargo—maintain records of your balance and transactions, ensuring you don't spend the same money twice or exceed your account balance. However, this system requires you to trust these institutions with your funds and personal details.

In contrast, a decentralized network like Bitcoin records all account balances and transactions on a public ledger called a "blockchain." This system offers greater transparency and security, as no single entity controls the information.

Beyond Bitcoin

Blockchain tech has moved beyond Bitcoin's use case of storing and transferring value. New applications of the technology are emerging in various industries.

In the near future, you should expect to see event tickets and hotel room keys issued as tokens (sometimes called NFTs) and sent directly to a wallet on your phone.

Other companies are seeing the value of cryptocurrency. Payment leaders PayPal and Visa have integrated Stablecoins, crypto assets tied to the US dollar, signaling a broader shift towards digital finance.

Unlike traditional markets, blockchain markets operate 24/7, 365 days a year, with zero downtime and integrate seamlessly with a user's browser or phone.

TOP CRYPTOCURRENCIES:

BITCOIN
BTC



BITCOIN, LAUNCHED IN 2009, IS THE FIRST AND LARGEST CRYPTOCURRENCY BY MARKET CAPITALIZATION. IT OPERATES ON A DECENTRALIZED NETWORK USING PROOF-OF-WORK CONSENSUS, WITH A FIXED SUPPLY OF 21 MILLION COINS, POSITIONING IT AS "DIGITAL GOLD" AND A STORE OF VALUE.

ETHEREUM
ETH



A LEADING BLOCKCHAIN PLATFORM THAT INTRODUCED SMART CONTRACTS, ENABLING THE CREATION OF DECENTRALIZED APPLICATIONS (DAPPS) AND TOKENS THAT SIT ON TOP OF ITS SOFTWARE. IT CONTINUES TO IMPROVE ITS SCALABILITY AND ENERGY EFFICIENCY WHILE MAINTAINING ITS POSITION AS THE PRIMARY PLATFORM FOR FINANCE APPLICATIONS.

SOLANA
SOL



SOLANA IS A PLATFORM THAT PROVIDES AN OPERATING PLATFORM FOR DAPPS AND TOKENS THAT IS IN COMPETITION WITH TO OTHER LAYER 1'S LIKE ETHEREUM. SOLANA'S DESIGN OFFERS A FASTER AND LESS EXPENSIVE TRANSACTION SETTLEMENT AND IS ATTRACTING WEB3 BUSINESS USERS.

AVALANCHE
AVAX



AVALANCHE IS A HIGH-PERFORMANCE BLOCKCHAIN PLATFORM DESIGNED FOR DECENTRALIZED APPLICATIONS AND CUSTOM NETWORKS, USING A NOVEL CONSENSUS PROTOCOL FOR FAST TRANSACTIONS AND HIGH THROUGHPUT. ITS REAL-WORLD APPLICATIONS INCLUDE THE CALIFORNIA DMV'S PROJECT TO DIGITIZE MILLIONS OF CAR TITLES.

DOGECOIN
DOGE



LAUNCHED IN 2013, IS THE ORIGINAL AND MOST WELL-KNOWN "MEME COIN", INSPIRED BY THE POPULAR SHIBA INU "DOGE" INTERNET MEME. DESPITE ITS HUMOROUS ORIGINS, DOGE HAS GAINED SIGNIFICANT TRACTION AND A DEVOTED COMMUNITY, OFTEN USED FOR TIPPING ON SOCIAL MEDIA.

POLYGON
POL



POLYGON IS A LAYER-2 SCALING SOLUTION FOR ETHEREUM, AIMING TO IMPROVE TRANSACTION SPEED AND REDUCE COSTS. IT USES A NETWORK OF SIDECHAINS TO OFFLOAD COMPUTATION FROM THE ETHEREUM MAINNET, ENHANCING OVERALL NETWORK PERFORMANCE.

CHAINLINK
LINK



CHAINLINK IS A DECENTRALIZED ORACLE NETWORK THAT PROVIDES REAL-WORLD DATA TO SMART CONTRACTS ON VARIOUS BLOCKCHAINS. IT PLAYS A CRUCIAL ROLE IN CONNECTING BLOCKCHAIN APPLICATIONS WITH EXTERNAL DATA SOURCES, AND ITS CROSS-CHAIN TRANSFER PROTOCOL (CCTP) ALLOWS SEAMLESS, LOW-FEE TRANSFERS OF ASSETS LIKE USDC ACROSS DIFFERENT BLOCKCHAINS.

USDC
USDC



A REGULATED STABLECOIN ISSUED BY CIRCLE, DESIGNED TO MAINTAIN A 1:1 PEG WITH THE US DOLLAR AND KNOWN FOR ITS TRANSPARENCY AND COMPLIANCE. IT SERVES AS A SECURE BRIDGE BETWEEN TRADITIONAL FINANCE AND BLOCKCHAIN TECHNOLOGY, FACILITATING EASY INSTITUTIONAL ACCESS TO THE CRYPTOCURRENCY ECOSYSTEM.

Cryptocurrency plays a critical role in shaping the future of finance and technological advancement. Support for pro-innovation policies that provide clear and comprehensive regulation can help the U.S. remain a global leader in the crypto space.

Different leaders and policymakers approach cryptocurrency regulation in varied ways. Some emphasize stricter regulatory frameworks, while others advocate for a more open and innovation-friendly environment. For instance, some industry leaders have called for clearer guidelines to foster growth in the sector, believing that well-defined rules can encourage technological progress and economic freedom.

Understanding the impact of cryptocurrency and blockchain technology is essential for shaping the future of finance. By staying informed and engaging with the crypto community, you can help support policies that encourage innovation and ensure the U.S. continues to lead in technological advancements.

U.S. LEADERSHIP IN CRYPTOCURRENCY AND BLOCKCHAIN TECHNOLOGY

There is a growing movement to position the U.S. as a global leader in cryptocurrency and blockchain technology. Key proposals in this area include:

1. **Strategic Bitcoin Reserve:** The concept of creating a national Bitcoin reserve, similar to gold reserves, is aimed at providing a hedge against inflation.
2. **Debt Reduction Strategy:** Some view this initiative as an opportunity for economic growth, with the potential to assist in paying down the national debt in the future.
3. **Regulatory Reform:** Proposals for regulatory reform include replacing current leadership at regulatory bodies and establishing a Crypto Advisory Council to create clear, innovation-friendly guidelines.
4. **Economic Freedom:** Affirming the right to self-custody of digital assets such as Bitcoin and other cryptocurrencies.
5. **Crypto Mining:** There is interest in making the U.S. a global hub for Bitcoin mining by utilizing domestic energy resources more efficiently.