

# Bitcoin ETF Analysis - BITO vs BTCL

## Bitcoin ETF Analysis: BITO vs BTCL (EUR 100,000 x 2)

**Date:** 2026-04-13

**Goal:** Compare income-generating Bitcoin ETFs for Lithuanian investor

**Context:** Extension of [140k EUR ETF research](#) into Bitcoin/crypto exposure

**Analysis by:** PAI Research (9 agents) + Council Debate (4 experts) + First Principles

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## Modeling Assumptions

Parameter	Value	Rationale
EUR/USD rate	1.15	Conservative midpoint (current 1.17, 10yr avg 1.11)
Investment per fund	EUR 100,000 = \$115,000	As specified
Tax on distributions	<b>15%</b>	W-8BEN filed; US WHT 15% fully credited against LT GPM 15%
BTC starting price	~\$80,000	Approximate April 2026
BITO entry NAV	\$10.07/share = <b>11,420 shares</b>	

Parameter	Value	Rationale
BTCI entry NAV	\$35.14/share = <b>3,273 shares</b>	
IBIT fee	0.25%/year	Benchmark
Direct BTC	1.4375 BTC purchased	\$115,000 / \$80,000

## Fund Profiles

Feature	BITO (ProShares)	BTCI (NEOS)
<b>Inception</b>	October 2021	October 2024
<b>AUM</b>	\$1.91B	\$1.06B
<b>Expense Ratio</b>	0.95%	0.99%
<b>Strategy</b>	CME Bitcoin Futures (front-month rolling)	Spot BTC ETPs + Covered Call Options Overlay
<b>Income Source</b>	T-bill collateral interest + futures gains + ROC	Options premium from selling calls + ROC
<b>Distribution Freq</b>	Monthly	Monthly
<b>Trailing 12m Yield</b>	~85% (headline -- deeply misleading)	~41%
<b>SEC 30-day Yield</b>	~1.7% (the real yield)	~2.6% (the real yield)
<b>ROC % of distributions</b>	~77%	~92%
<b>BTC Delta</b>	~0.95 (but contango erodes value)	~0.70-0.75 (covered calls reduce exposure)
<b>NAV since inception</b>	\$40 -> \$10 (-75%)	\$50 -> \$35 (-30%)
<b>Total return since inception (ann.)</b>	<b>-3.07%</b>	<b>+3.32%</b>
<b>Upside capture</b>	~85-90% of BTC moves (minus contango)	~60-70% of BTC moves (calls cap gains)
<b>Downside exposure</b>	~100% of BTC drops	~85-90% (small premium cushion)

## Strategy Deep Dive

### BITO: The Futures Bleed Machine

BITO holds **CME Bitcoin futures contracts**, not Bitcoin. Every month it must sell the expiring contract and buy the next month's -- the "roll." When the next month costs more than the current (contango, the normal state), BITO **loses money on every roll**.

### Key mechanics:

- **Contango drag:** 5-15% annually (widens during bull markets to 15-30%)
- **T-bill income offset:** ~4-4.5% from collateral (real income)
- **Net structural cost vs spot BTC:** ~2-10% annually depending on conditions
- **2024 data:** BTC gained +121%, BITO gained +105% -- **16 points lost to contango**
- **77% of distributions are Return of Capital** -- your own money handed back while fund takes 0.95%

**The 85% yield is an illusion.** The SEC 30-day yield (1.7%) reflects actual sustainable income. Everything above that is NAV liquidation dressed as dividends.

### Distribution history highlights:

- 2023: ~\$3.11/share total (started low, grew through year)
- 2024: ~\$14.04/share total (peak year -- bull market, up to \$1.77/month)
- 2025: ~\$9.52/share total (declining)
- 2026 YTD: ~\$0.03/share total (collapsed to near-zero, \$0.006-\$0.014/month)

## BTCl: The Upside Ceiling

BTCl holds **actual Bitcoin exposure** via spot ETPs (IBIT, etc.) and sells **covered call options** on ~50% of the portfolio.

### Key mechanics:

- **Options sold:** Far out-of-the-money calls, ~1 month tenor
- **50% coverage:** Half the portfolio has NO cap (key differentiator)
- **Effective upside capture:** ~60-75% of BTC moves
- **92% of distributions are ROC** -- tax-efficient (defers tax, reduces cost basis)
- **No contango drag:** Holds spot ETPs, not futures

**The structural trade-off:** BTCl sacrifices explosive upside for current income. On the most volatile asset class, selling calls means systematically missing the 20-50% monthly surges that drive most of Bitcoin's long-term return.

### Distribution history:

- Nov 2024: \$1.41/share (inception period)
- Mid-2025: \$1.30-1.47/share (peak)
- Early 2026: \$0.76-0.78/share (declining with BTC price)

## Tax Structure

### Lithuanian Investor Holding US-Listed ETFs

Component	Rate	Notes
US Withholding Tax (default)	30%	Without W-8BEN
US WHT (with W-8BEN, treaty)	<b>15%</b>	US-Lithuania treaty Article 10
Lithuanian GPM on dividends	<b>15% flat</b>	Unchanged by 2026 reform
Foreign tax credit	<b>Full</b>	US WHT 15% fully offsets GPM 15%
<b>Effective total tax on distributions</b>	<b>15%</b>	Not 30% -- credit eliminates double tax
Capital gains (on sale)	20-32% progressive	2026 reform; EUR 2,500 annual exemption
US Estate Tax	<b>40%</b> above \$60k	<b>NO Lithuanian treaty protection</b>

### Worked Example

Gross US ETF dividend received:	\$1,000.00
US Withholding (treaty 15%):	-\$150.00
Net cash from broker:	\$850.00

Lithuanian GPM (15% on gross \$1,000):	\$150.00
Foreign tax credit (US tax paid):	-\$150.00
Lithuanian GPM still owed:	\$0.00

EFFECTIVE TOTAL TAX: \$150 (15%)

#### US Estate Tax Trap

If you hold >\$60,000 in US-listed ETFs and pass away, heirs face **40% US estate tax** with NO Lithuanian treaty protection. On EUR 100,000+, this is devastating. **European-domiciled ETPs eliminate this risk entirely.**

#### W-8BEN is Mandatory

Without it, you pay 30% US WHT (only 15% credited in Lithuania = 15% permanently lost). Interactive Brokers handles this electronically at account opening. Valid for ~4 years, renewal reminders sent automatically.

## Scenario 1

**BTC Range-Bound (70k-150k), ending ~\$100k (+25% over 10yr)**

Metric	BITO	BTCI	IBIT (Spot)	Direct BTC
Investment (EUR)	100,000	100,000	100,000	100,000
Avg Monthly Gross Dividend (EUR)	~530	~1,050	0	0
Avg Monthly Net Dividend after 15% tax (EUR)	~450	~890	0	0
Annual Net Dividend Income (EUR)	~5,400	~10,700	0	0
10yr Total Gross Distributions (EUR)	~64,000	~126,000	0	0
10yr Total Tax Paid (EUR)	~9,600	~18,900	0	0
10yr Total Net Distributions (EUR)	~54,400	~107,100	0	0
Portfolio NAV after 10yr (EUR)	~25,000	~33,000	~122,000	~125,000
TOTAL VALUE (NAV + Net Distributions) (EUR)	~79,400	~140,100	~122,000	~125,000
Total Return	-20.6%	+40.1%	+22.0%	+25.0%

### Key takeaways:

- **BITO loses money** (-20.6%) even in modestly positive BTC market
- **BTCI wins** in range-bound -- covered call premiums collected when calls mostly expire worthless
- **Spot BTC/IBIT** returns solid +22-25% with zero drama
- BTCI's edge over spot exists **only** in sideways markets

## Scenario 2

**BTC Hits \$1,000,000 (with 60% Drawdowns from ATH)**

Metric	BITO	BTCL	IBIT (Spot)	Direct BTC
Investment (EUR)	100,000	100,000	100,000	100,000
Avg Monthly Gross Dividend (EUR)	~1,300	~1,400	0	0
Avg Monthly Net Dividend after 15% tax (EUR)	~1,105	~1,190	0	0
Annual Net Dividend Income (EUR)	~13,260	~14,280	0	0
10yr Total Gross Distributions (EUR)	~156,000	~168,000	0	0
10yr Total Tax Paid (EUR)	~23,400	~25,200	0	0
10yr Total Net Distributions (EUR)	~132,600	~142,800	0	0
Portfolio NAV after 10yr (EUR)	~120,000	~48,000	~1,215,000	~1,250,000
TOTAL VALUE (NAV + Net Distributions) (EUR)	~252,600	~190,800	~1,215,000	~1,250,000
Total Return	+152.6%	+90.8%	+1,115%	+1,150%

## 60% Drawdown Stress Test (worst point, ~Year 5)

Metric	BITO	BTCL	IBIT	Direct BTC
NAV at trough (EUR)	~30,000	~22,000	~200,000	~200,000
Cumulative distributions received (EUR)	~55,000	~65,000	0	0
<b>Total value at trough</b>	<b>~85,000</b>	<b>~87,000</b>	<b>~200,000</b>	<b>~200,000</b>
Monthly dividend during crash	EUR 50-200	EUR 400-600	EUR 0	EUR 0

### Key takeaways:

- **Spot BTC/IBIT dominates.** EUR 1.2M vs EUR 190-253k
- **Opportunity cost of income products: EUR 950,000 to EUR 1,060,000**
- BITO beats BTCL here (higher delta ~0.95 vs ~0.70)
- BTCL's covered calls cap exactly the explosive moves that create 12.5x returns
- During 60% crash: BTCL maintains some income, BITO distributions collapse to near-zero

## Side by Side Summary

	Scenario 1 (Range-Bound)	Scenario 2 (Moonshot)
<b>Best performer</b>	BTCI (EUR 140k)	Direct BTC (EUR 1,250k)
<b>Worst performer</b>	BITO (EUR 79k)	BTCI (EUR 191k)
<b>BITO total</b>	EUR 79,400 (-20.6%)	EUR 252,600 (+152.6%)
<b>BTCI total</b>	EUR 140,100 (+40.1%)	EUR 190,800 (+90.8%)
<b>IBIT total</b>	EUR 122,000 (+22.0%)	EUR 1,215,000 (+1,115%)
<b>Direct BTC total</b>	EUR 125,000 (+25.0%)	EUR 1,250,000 (+1,150%)
<b>Monthly income (BITO)</b>	EUR 450 net	EUR 1,105 net
<b>Monthly income (BTCI)</b>	EUR 890 net	EUR 1,190 net

## Why High Yields Are a Trap

### ↪ Core Insight

**Bitcoin generates zero cash flow.** No dividends, no interest, no rent. ALL "yield" from Bitcoin products is manufactured -- either from futures artifacts (BITO), options premium sales (BTCI), or return of your own capital (both).

- BITO's 85% headline yield includes ~77% Return of Capital. SEC 30-day yield: **1.7%**
- BTCI's 41% headline yield includes ~92% Return of Capital. SEC 30-day yield: **2.6%**
- **BITO's NAV: \$40 -> \$10 in 4.5 years (-75%).** Distributions = NAV liquidation
- Behavioral biases (denomination effect, present bias, anchoring to yield) make investors mistake ROC for income
- Fund managers collect 0.95-0.99% annually regardless -- combined ~\$28M/year in fees from structurally underperforming products

## Alternatives

### Recommended Vehicles (Ranked for Lithuanian Investor)

Rank	Vehicle	Expense	Why	Best For
<b>1</b>	<b>IB1T</b> (BlackRock European BTC ETP)	0.15%	EUR-denominated, no US estate tax, physically backed	Default choice
<b>2</b>	<b>BITC</b> (CoinShares Physical BTC)	0.15%	Largest European BTC ETP (EUR 1.15B), longest track record	Conservative
<b>3</b>	<b>Direct BTC</b> (hardware wallet)	~0 ongoing	Lowest cost, full control, EUR 2,500 CGT exemption	Tech-confident
<b>4</b>	<b>CBTC</b> (21Shares Core BTC ETP)	0.21%	Solid European alternative	Issuer diversification
<b>5</b>	<b>IBIT</b> (BlackRock US)	0.25%	Best liquidity, trust structure	Only if PRIIPs waived
<b>Avoid</b>	<b>BITO</b>	0.95%	Structural contango destroys value	Nobody
<b>Conditional</b>	<b>BTCI</b>	0.99%	Only if BTC sideways conviction + income required	Income-dependent retiree

## The "Create Your Own Dividend" Strategy

Instead of BTCI's 25% yield (which erodes NAV):

1. Buy **IB1T** (EUR 100,000) -- full Bitcoin exposure, 0.15% fee
2. Sell **4% of holdings annually** (EUR 4,000/year = EUR 333/month)
3. Keep ~96% of upside while generating income
4. Tax: capital gains rate with EUR 2,500 annual exemption
5. **Moonshot scenario**: EUR 1.2M portfolio generates EUR 48,000/year at 4% -- far exceeding BTCI

Strategy	Monthly Income (Yr 1)	10yr Total Income	NAV at End (Moonshot)
BTCI as-is	EUR 890	EUR 107,000	EUR 33,000
IB1T + 4% annual sell	EUR 333	~EUR 80,000*	~EUR 1,050,000

\*Increases each year as portfolio grows. Year 10 monthly: EUR 4,000+

## Final Verdict

### ✗ BITO -- Do NOT Invest

Structurally obsolete product. Contango drag destroys value. Zero valid use case since spot ETFs launched. NAV -75% since inception while BTC gained +16%.

### ⚠️ BTCL -- Narrow Use Case Only

Defensible ONLY if: (1) you're convinced BTC trades sideways for a decade, AND (2) you need monthly cash flow you can't generate by selling shares. Even then, 0.99% fee and upside cap make it mediocre.

### ✓ Recommended Strategy for Lithuanian Investor

Allocation	Vehicle	Rationale
<b>90%</b> (EUR 90,000)	<b>IB1T</b> or <b>BITC</b> on Xetra	Full BTC exposure, 0.15%, EUR, no US estate tax
<b>10%</b> (EUR 10,000)	<b>Direct BTC</b> on hardware wallet	Zero cost, sovereignty, learn self-custody
Income plan	Sell 3-4% annually from IB1T	Tax-efficient, preserves upside

#### This strategy:

- Captures **100% of Bitcoin upside** (EUR 1.25M potential in moonshot)
- Costs **0.15%/year** vs 0.95-0.99%
- **No US estate tax** risk
- Income **on your terms**
- **Less tax** (capital gains with exemption vs 15% on every distribution)

## Council Debate

Four expert investors debated the optimal strategy:

Expert	Perspective	Recommendation
<b>Helena</b> (Income Advisor)	30yr retirement cash flow specialist	Skip BITO/BTCL. Buy European spot ETP, self-harvest 3-5% annually

Expert	Perspective	Recommendation
<b>Viktor</b> (Growth Maximalist)	BTC holder since 2013	Hold spot only. Yield products destroy wealth on hypergrowth assets
<b>Marta</b> (Tax Specialist)	Baltic cross-border tax optimization	Avoid ALL US-listed ETFs. US estate tax trap is severe. Use IB1T/BITC
<b>Anders</b> (Risk Manager)	Nordic family office	IB1T -- no US estate risk, no contango, no strategy closure risk

**Unanimous consensus:** Avoid BITO and BTCL. Use European-domiciled spot Bitcoin ETPs or direct BTC.

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## Sources

### Fund Data

- ProShares BITO Official: [proshares.com/our-etfs/strategic/bitoc](https://proshares.com/our-etfs/strategic/bitoc)
- NEOS BTCL Official: [neofunds.com/btcl/](https://neofunds.com/btcl/)
- StockAnalysis BITO Dividends: [stockanalysis.com/etf/bitoc/dividend/](https://stockanalysis.com/etf/bitoc/dividend/)
- StockAnalysis BTCL Dividends: [stockanalysis.com/etf/btcl/dividend/](https://stockanalysis.com/etf/btcl/dividend/)
- BTCL SEC Prospectus: [sec.gov](https://www.sec.gov) filing

### Tax & Legal

- US-Lithuania Tax Convention: IRS Treaty Document 105-56
- Lithuania GPM 2026 Reform: KPMG, Eurofast, Grant Thornton analysis
- IRS Publication 515: Withholding on Nonresident Aliens
- PwC Lithuania Tax Summaries

### Market Data

- K33 Research: BITO underperformance analysis
- CF Benchmarks: Bitcoin basis/contango data
- Seeking Alpha: BITO NAV erosion, BTCL strategy analysis
- ECB Reference Rates, NYU V-Lab GARCH volatility
- JustETF, ETF Stream: European ETP data

### Alternative Vehicles

- BlackRock IB1T European BTC ETP
- CoinShares Physical Bitcoin (BITC)
- 21Shares Core Bitcoin ETP (CBTC)

*Analysis performed 2026-04-13. Markets change -- verify current data before investing. This is research, not financial advice.*