

MSTR 2026-2030

Beyond the Bitcoin Proxy

An Independent Analysis of Strategy Inc.'s
Capital Structure and Common Equity

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Independent Investment Research

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2. Author's Note

Valuation date: 9 July 2026. Data and analysis current through 11 July 2026.

This report began with a simple question: is MSTR still an attractive way to express a long-term Bitcoin view once dilution, preferred securities, debt, liquidity, and refinancing risk are fully considered?

I do not treat Strategy as a simple Bitcoin proxy. A share of MSTR is a junior claim on a company that owns Bitcoin, raises capital through several classes of securities, faces a substantial modeled cash burden, and can issue or repurchase claims at different points in the market cycle. The relevant question is therefore not whether Strategy can own more Bitcoin. It is whether management can increase residual value per diluted share after the full cost of that capital structure.

My framework separates the Bitcoin thesis from the security-selection decision. I can remain constructive on Bitcoin while declining to pay an excessive price for MSTR common equity. That distinction is especially important when financing costs are high, BTC per assumed diluted share is weakening, or a favorable terminal Bitcoin price can still produce a poor common-equity path.

The conclusion is deliberately conditional. It reflects the available evidence, the limitations of public data, and a risk budget that gives permanent impairment more weight than a visually attractive upside case.

3. Investment Committee Summary

3.1 Decision Dashboard

Current decision: maintain a 0%-1% monitoring position, with no leverage. Do not initiate the 1%-2% starter position unless MSTR is at or below \$85 and every operating and financing gate is satisfied. The hard cap remains 3%.

One-sentence thesis. MSTR can outperform direct Bitcoin only when Bitcoin appreciation, mNAV, financing access, reserve policy, and per-share accretion work together; Bitcoin appreciation alone is insufficient because senior claims, preferred distributions, refinancing, Bitcoin sales, and dilution stand between the asset and common shareholders.

Variation view. The market often treats MSTR as a leveraged Bitcoin proxy. I treat it as a junior residual claim on a path-dependent capital-allocation platform. The distinction matters because identical terminal Bitcoin prices can produce different MSTR values after financing, claims, reserve rebuilding, and ADSO dilution.

Table 1. Decision dashboard

Metric	Value	Status/rule	Basis
MSTR price	\$93.89	Above diluted residual	9 Jul 2026
BTC price	\$63,175.25	Market input	9 Jul 2026
BTC holdings	843,775	Reported	5 Jul 2026
ADSO	401.294M	Primary diluted denominator	6 Jul 2026
Enterprise mNAV	1.024x	Near asset parity	Calculated
Residual / ADSO	\$83.82	Conservative 1.0x bridge	Calculated
20% margin-of-safety	\$67.06	Valuation guardrail	Calculated
Debt	\$6.754B	Senior claim	25 May 2026
Preferred notional	\$15.464B	Ahead of common	25 May 2026
USD reserve	\$2.550B	Policy reserve	5 Jul 2026
Modeled annual cash burden	\$1.763B	Current rates	Calculated
Reserve coverage	17.36 months	Amber: 15-18	Calculated
Current decision	Monitoring only	No leverage	0%-1% NAV
Starter gate	<= \$85	All evidence gates pass	1%-2% NAV
Strategic gate	2%-3% NAV	3 BPS updates; reserve >18m	Hard cap 3%
Stronger value entry	<= \$75	No major indicator red	Within cap
Risk 1	BTC/ADSO rollover	Needs stabilization	Per-share gate
Risk 2	10%-16% pref. yields	Expensive capital	Market signal
Risk 3	2027-2028 put wall	\$1.01B / ~\$4.90B	Path risk

Key definitions

Metric	Value	Status/rule	Basis
ADSO: assumed diluted shares outstanding, the share denominator after including specified potential dilution.			
BPS: Bitcoin per assumed diluted share, calculated as BTC holdings divided by ADSO.			
mNAV: the company's enterprise value relative to its Bitcoin net asset value.			

The dashboard uses the same 9 July 2026 valuation snapshot as the full thesis. Market prices, corporate balances, and share disclosures carry different observation dates and are not presented as if they were simultaneous. [1]-[7]

The current price of \$93.89 is 12.0% above the \$83.82 residual value per ADSO at 1.0x fair enterprise mNAV and 40.0% above the \$67.06 value after a 20% margin-of-safety haircut. A lower price alone is not enough: entry requires valuation and evidence to improve together.

3.2 Valuation and Capital Structure

3.2.1 Current Valuation Snapshot

The current enterprise mNAV is 1.024x on basic shares, while the diluted-share reference needed to support the current price is approximately 1.076x. This is not a large discount to Bitcoin NAV. It is a requirement that Strategy preserve financing value after dilution and senior claims.

Direct Bitcoin may therefore be preferable today. It participates in the Bitcoin price path without corporate dilution, preferred distributions, holder-put refinancing, reserve-policy risk, or management execution risk. It retains Bitcoin volatility and custody risk, but the link between the asset thesis and the investor's result is cleaner.

3.2.2 Capital Stack and Annual Cash Burden

Debt principal is \$6.754 billion after the May 2026 repurchase, preferred notional is \$15.464 billion, and the USD reserve is \$2.550 billion. The economic holder-put wall begins before stated maturity: approximately \$1.01 billion is puttable in 2027, approximately \$4.90 billion in 2028, and \$0.80 billion in 2029. [6]-[8]

Table 2. Modeled annual cash-burden classification

Instrument	Current rate	Modeled cash/year	Payment classification
STRC	12%	\$1,258.7M	Cumulative; variable; declaration/funds limits
STRD	10%	\$140.2M	Non-cumulative; owed only if declared
STRF	10%	\$128.4M	Cumulative; declaration/funds limits
STRK	8%	\$112.2M	Cumulative; cash/common/both
STRE	10%	\$88.6M	Cumulative; declaration/funds limits
Debt coupons	Contractual	\$34.6M	Contractual cash interest
Total	-	\$1,762.8M	Modeled at current rates; not one uniform legal obligation

The \$1.763 billion total is a **modeled annual cash burden under current coupon and distribution rates**, not one homogeneous legal obligation. Debt cash interest is contractual. STRF, STRC, STRE, and STRK distributions are cumulative, but payment remains subject to declaration and funds legally available;

STRK can use cash, common stock, or both. STRD distributions are non-cumulative and become payable only when declared. STRC's rate is variable and subject to periodic management adjustment. [8], [13]-[19]

At the current total, the reserve covers 17.36 months. That is above the 12-month policy minimum and the thesis invalidation threshold, but below the greater-than-18-month gate for a strategic position. The calculation assumes the current annualized burden remains unchanged and does not treat the reserve as legally segregated. [1], [13]

3.3 What Creates and Destroys Value

3.3.1 Main Bull Mechanism

The bull mechanism is a financing flywheel that remains accretive after all claims. Bitcoin rises; enterprise mNAV expands; Strategy issues common or long-duration capital at attractive terms; net proceeds first protect the reserve and then acquire Bitcoin; BTC per ADSO and residual value per ADSO both increase. Open preferred and convertible markets reduce the probability that the company must sell Bitcoin during a weak window.

Confirmation requires more than larger gross holdings. I would require three non-deteriorating BPS disclosures, residual value per ADSO that survives fees and dilution, reserve coverage above 18 months, and preferred yields that normalize. The capital platform creates value only when incremental assets exceed the full cost transferred to common shareholders.

3.3.2 Main Bear Mechanism

The bear mechanism reverses the sequence. Bitcoin falls, mNAV compresses, preferred yields widen, and the company reaches the 2027-2028 wall with less attractive financing choices. Refinancing at a higher cost, issuing common at a weak mNAV, or selling Bitcoin to fund distributions can protect near-term liquidity while permanently reducing the common residual. A later Bitcoin recovery cannot reverse ownership already diluted or cash costs already locked in.

The most important early warnings are reserve coverage below 12 months, repeated Bitcoin sales for ordinary obligations, and continued deterioration in BTC per ADSO. The July filing already demonstrates that Bitcoin can be monetized to fund preferred distributions and replenish the reserve; this is disclosed liquidity, but it also proves that the treasury can serve the liability stack. [1], [10], [13]

3.3.3 Why the Software Business Is Not the Downside Case

Q1 2026 software revenue was \$124.3 million, up 11.9% year over year, but the filing does not establish standalone recurring software free cash flow sufficient to cover the modeled annual cash burden.

Management states that software-generated cash and cash equivalents are not expected to satisfy short- or long-term liquidity needs. The model therefore assigns the current software business \$0 until recurring free cash flow is reconciled. [10]-[11]

3.4 Scenarios and Model Evidence

3.4.1 Compact Scenario Table

Table 3. Decision scenarios

Scenario	BTC outcome	Financing	Dilution	Reserve	MSTR value	Action
Severe bear	Deep drawdown	Closed	High	<12m	\$0-\$25	Exit/re-underwrite
Bear	Weak/recovery late	Stressed	Up	12-15m	\$25-\$85	0%-1%; no averaging
Base	Uneven recovery	Selective	Mixed	15-18m	\$85-\$350	Starter only if gates pass
Bull	Strong path	Open	Accretive	>18m	\$350-\$1,000	2%-3% after confirmation
Extreme bull	Reflexive upside	Very open	Per-share positive	>18m	>\$1,000	Never exceed 3%

The broad scenario bands incorporate deterministic underwriting, reverse-stress outcomes, and the stochastic distribution. The narrower range below refers only to the seven selected deterministic paths.

The ranges are underwriting bands, not point forecasts. They use the existing deterministic paths and the current decision rules. A favorable Bitcoin endpoint does not automatically create a bull MSTR outcome when financing or dilution is adverse.

Across the seven deterministic paths, 2030 MSTR value ranges from approximately \$127.57 to \$335.06. Five paths deliberately finish with Bitcoin at \$175,000 yet produce MSTR values from \$233.68 to \$335.06. The difference is caused by sequence, not by the terminal asset price alone.

3.4.2 Monte Carlo Summary

Table 4. Monte Carlo summary

Output	Value	Interpretation
Paths / seed	20,000 / 20260711	Seeded conditional experiment; exact reproduction requires the referenced model inputs.
Mean terminal MSTR	\$443.72	Right-tail dominated
Median terminal MSTR	\$40.72	Primary central outcome
P10 / P75 / P95	\$0 / \$250.28 / \$1,715.55	Highly skewed
Terminal zero residual	35.515%	7,103 paths
Model impairment	45.290%	Not legal bankruptcy probability
Loss >50%	51.325%	Risk-budget input
Underperform BTC	72.345%	Security-selection test
Refinancing-failure state	33.010%	Path continues after flag

The preserved Monte Carlo specification models a US\$4.40 billion 2028 holder-put branch, compared with approximately US\$4.90 billion in the current instrument schedule. This difference is a documented model approximation and may understate the simulated 2028 financing requirement relative to the full instrument schedule.

In normal prose, the decision-relevant interpretation is that approximately 45% of simulated paths meet the pre-specified model-impairment condition, approximately 51% lose more than half, and

approximately 72% underperform direct Bitcoin. Full precision is retained in the table and model appendix.

The approximately 36% terminal zero-residual mass is different from the approximately 45% model-impairment frequency. The pre-specified impairment condition is triggered when modeled fair value falls below 25% of the current MSTR price, or when Bitcoin assets fall below debt plus preferred claims while reserve coverage is below 12 months. Neither output is an objective probability of legal default, bankruptcy, restructuring, or actual common-equity wipeout.

These results are conditional on 18% arithmetic Bitcoin drift, 65% annual volatility, Student-t innovations with 4.5 degrees of freedom, limited serial dependence, mNAV and issuance rules, preferred costs, refinancing branches, dilution, and reserve policy. The mean is dominated by the right tail; the \$40.72 median is the more representative central outcome under the pre-specified assumptions.

3.5 Catalysts, Risks, and Decision Gates

3.5.1 Catalysts

- Three consecutive disclosures in which BTC per ADSO does not deteriorate.
- Reserve coverage sustained above 18 months without Bitcoin sales that damage per-share exposure.
- Preferred yields normalize and new capital is raised at an economically accretive cost.
- The 2027-2028 put wall is refinanced, converted, or repurchased without materially increasing the modeled annual cash burden.
- MSTR trades at or below \$85 while the risk dashboard remains non-red; at or below \$75, the valuation case becomes stronger if no structural indicator is red.
- Standalone recurring software free cash flow is disclosed and reconciles to cash available for corporate obligations.

3.5.2 Key Risks

Table 5. Principal risk map

Risk	Mechanism	Warning	Consequence
BTC drawdown	BTC NAV falls	Support breaks	Reduce/re-underwrite
mNAV compression	Issuance loses accretion	mNAV $\leq 1.0x$	No averaging
Preferred repricing	Cash cost rises	Wider discounts	Smaller size
Refinancing	Cost locked in	Access narrows	Review before puts
Dilution	BTC/ADSO falls	Repeated BPS decline	Block additions
Reserve depletion	Liquidity flexibility falls	Coverage $< 12m$	Reduce/exit

3.5.3 Monitoring and Portfolio Gates

Table 6. Monitoring and allocation gates

Gate	Threshold	Current state	Action
Current	0%-1%	Monitoring	No leverage
Starter price	<= \$85	\$93.89	Not met
Starter reserve	>=15m	17.36m	Met, but insufficient alone
BPS	Stabilizing	Rolled over	Not met
Strategic evidence	3 non-deteriorating updates	Not observed	Wait
Strategic reserve	>18m	17.36m	Not met
Stronger value	<= \$75	\$93.89	Not met
Invalidation	<12m or obligation-funded BTC sales	Not triggered	Immediate review

Entry condition. A 1%-2% starter position requires MSTR at or below \$85, reserve coverage of at least 15 months, stabilized BPS, and no red dashboard state. Every condition must pass.

Add condition. A 2%-3% strategic position requires supportive valuation, three non-deteriorating BPS disclosures, reserve coverage above 18 months, and normalized preferred yields. Tactical overlays count toward the 3% hard cap.

Exit or invalidation. Immediate review, reduction, or exit is required if reserve coverage falls below 12 months, Bitcoin is repeatedly sold for ordinary obligations, residual value per ADSO is structurally damaged, or refinancing permanently raises the modeled annual cash burden without a compensating per-share benefit.

3.6 Final Investment Judgment

I remain constructive on Bitcoin while declining to treat MSTR as equivalent exposure. At the current price, the common asks the investor to pay above diluted residual parity while accepting substantial path dependency, a large senior layer, a modeled annual cash burden of approximately \$1.763 billion, and a financing wall that arrives before 2030.

The upside remains real. In an open financing regime, Strategy can transform a valuable equity or preferred currency into additional Bitcoin and preserve accretion per diluted share. That outcome is not the current base for position sizing because the reserve is not yet above the strategic gate, BPS has deteriorated from its June peak, and the model produces a demanding left tail.

Final judgment: current position 0%-1% of portfolio NAV for monitoring only; no leverage. A 1%-2% starter position is permitted only at or below \$85 with every required condition satisfied. A 2%-3% strategic position requires the specified operating and financing confirmations. The hard cap is 3%. A price at or below \$75 is a stronger value entry only when no major indicator is red.

3.6.10 Important Limitations

- Historical ADSO before 2025 and a complete quarterly capital-stack history remain incomplete.

- The deterministic model compresses intrayear liquidity shocks; the Monte Carlo process is conditional on pre-specified rules.
- The refinancing-failure state is not an absorbing legal-default state.
- Mark-to-model zero residual value is not equivalent to bankruptcy or a legal recovery opinion.
- Preferred-security interpretation is based on public filings and is not legal advice.
- Market prices and corporate disclosures use different observation dates.

Detailed model equations, transition rules, parameter definitions, and replication instructions are provided in Part 8, Model Methodology and Replication Appendix.

4. Executive Summary

MSTR closed at \$93.89 on 9 July 2026. Bitcoin closed at \$63,175.25 on the same valuation date. Strategy held 843,775 BTC, reported 371.614 million basic shares and 401.294 million assumed diluted shares outstanding, carried approximately \$6.7 billion of debt principal and \$15.5 billion of preferred notional, and maintained a \$2.55 billion USD reserve.

At those inputs, Bitcoin NAV was \$53.306 billion and net senior claims were \$19.668 billion. My conservative residual-value calculation at 1.0x Bitcoin NAV produces \$83.82 per assumed diluted share, about 12% below the market price. A 20% margin-of-safety discount to that residual value is \$67.06.

Table 7. Current market and capital-structure snapshot

Metric	Value	As of	Source basis
MSTR price	\$93.89	9 Jul 2026	Nasdaq-validated market series
BTC price	\$63,175.25	9 Jul 2026	Coinbase BTC-USD
BTC holdings	843,775	5 Jul 2026	Strategy / SEC
Basic shares	371.614M	6 Jul 2026	Strategy / SEC
ADSO	401.294M	6 Jul 2026	Strategy company KPI
Debt principal	\$6.754B	25 May 2026	Strategy / SEC
Preferred notional	\$15.464B	25 May 2026	Strategy / SEC
USD reserve	\$2.550B	5 Jul 2026	Strategy / SEC
Modeled annual cash burden	\$1.763B	Jul 2026	Calculated from security terms
Reserve coverage	17.36 months	5 Jul 2026	Reserve / annualized modeled cash burden

Current holdings, reserve, share-count, and market inputs are sourced to Notes [1]-[5].

The investment case is not rejected, but it is not ready for normal sizing. MSTR has outperformed Bitcoin during favorable subperiods while exposing shareholders to a materially deeper loss path, yet Bitcoin delivered the stronger return over the full aligned 2020-2026 sample. Current technical evidence is weak, BTC per ADSO has rolled over from its June high, and preferred discounts indicate expensive permanent capital. Under the pre-specified stochastic assumptions, approximately 45% of simulated paths meet the model's common-equity impairment condition; that frequency is a risk-budget input, not a bankruptcy forecast.

My present decision is a tracking position only: 0%-1% of portfolio NAV, with no leverage. I would consider a 1%-2% starter at or below \$85 only if reserve coverage remains at least 15 months, BTC per ADSO stabilizes, and the monitoring dashboard is not red.

The principal attraction remains the possibility that management can exploit high mNAV and open capital markets to acquire Bitcoin on terms that increase per-share value. The principal risk is that gross Bitcoin holdings rise while dilution, preferred claims, the modeled cash burden, or refinancing costs absorb the benefit. This report focuses on that tension rather than on a single Bitcoin price forecast.

5. Full Investment Thesis

5.1 Central Thesis and Variant View

5.1.1 The Security Is a Residual Claim

The central thesis is straightforward: MSTR common equity should be valued as a path-dependent residual claim, not as Bitcoin multiplied by a fixed leverage factor. Bitcoin price matters first, but debt, preferred securities, reserve policy, issuance, conversion, and dilution determine how much of that asset value reaches each common share.

This creates a variant view on both sides. The bullish error is to assume that every Bitcoin purchase is accretive because total holdings increase. The bearish error is to ignore management's ability to issue expensive equity or low-cost claims when mNAV is high. The correct unit of analysis is the change in BTC per ADSO and residual value per ADSO after each financing decision.

The payoff is therefore closer to a changing residual option than to a fixed-leverage certificate. When Bitcoin NAV is far above senior claims and capital markets reward the company with a high mNAV, common shareholders participate in the asset appreciation and in the financing option: Strategy can issue claims at terms that may increase Bitcoin ownership per diluted share. Near the claim boundary, the same structure works in reverse. A decline in Bitcoin reduces the asset base, a lower mNAV weakens issuance economics, and higher preferred yields increase the cost of buying time. The sensitivity of common equity rises precisely when financing flexibility is falling.

This distinction also explains why no single multiple answers every investment question. Basic enterprise mNAV describes how the market values the currently issued common against Bitcoin NAV. Diluted mNAV incorporates a broader ownership denominator. Residual value per ADSO goes further by subtracting the claims ahead of common before dividing the balance among diluted owners. I use all three, but for different purposes: mNAV measures market access and reflexivity; diluted residual value anchors what the security may be worth after the capital stack is honored.

5.1.2 Historical Outperformance Did Not Eliminate Path Risk

From 2 January 2020 through 9 July 2026, Bitcoin delivered the larger indexed gain. MSTR rose 550.61%, while Bitcoin rose 809.65% over the aligned sample. MSTR nevertheless outperformed during selected favorable intervals, which is why the security can still look superior when the start and end dates are chosen around an expanding mNAV regime. The full-window comparison is more demanding: it captures both the financing flywheel and the periods when that flywheel reversed.

Bitcoin Outperformed MSTR, While MSTR Took the Deeper Loss Path



Figure 1. Bitcoin Outperformed MSTR, While MSTR Took the Deeper Loss Path | Source: Coinbase; split-adjusted MSTR series validated to Nasdaq | Data: 9 Jul 2026

MSTR's BTC Beta Is State Dependent

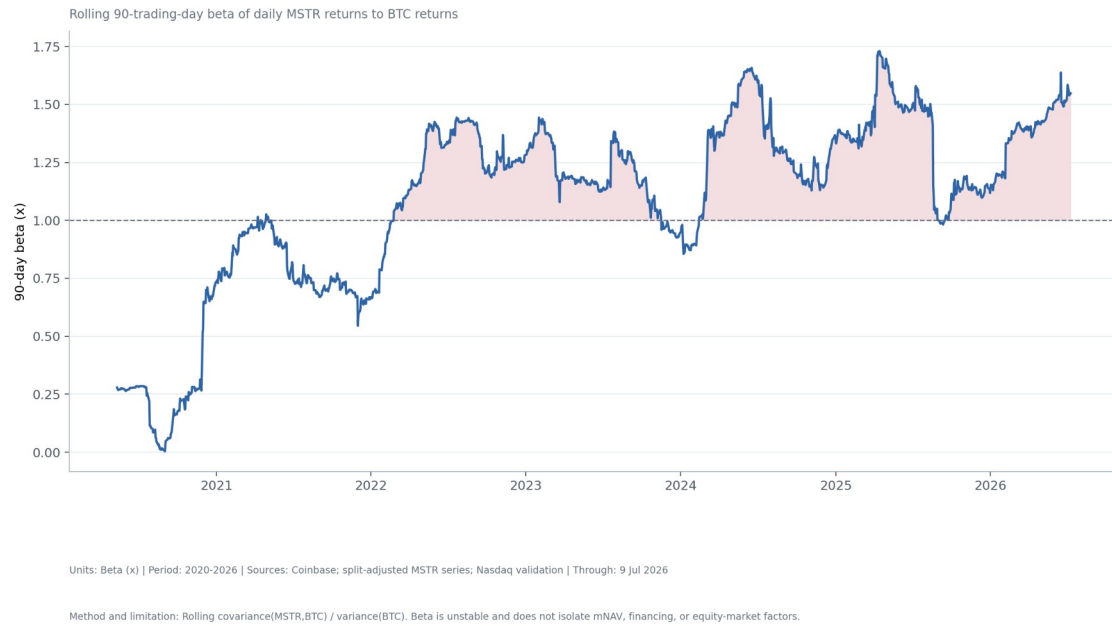


Figure 2. MSTR's BTC Beta Is State Dependent | Source: Coinbase; split-adjusted MSTR series; Nasdaq validation | Data: 9 Jul 2026

MSTR's Maximum Drawdown Exceeded BTC's

Units: % from prior ATH | Period: 2020-2026 | Sources: Coinbase; split-adjusted MSTR series; Nasdaq validation | Through: 9 Jul 2026

Method and limitation: Price / running maximum - 1. Drawdown history is not a forecast; MSTR proxy remains subject to data-vendor adjustments.

Figure 3. MSTR's Maximum Drawdown Exceeded BTC's | Source: Coinbase; split-adjusted MSTR series; Nasdaq validation | Data: 9 Jul 2026

The indexed comparison, rolling beta, and drawdown history should be read together. Figure 1 shows that the corporate wrapper did not improve the endpoint return over this particular full period. Figures 2 and 3 explain why the path was also more difficult. The full-sample beta was approximately 0.96, but the latest 90-day estimate was about 1.55. A single beta estimated across the entire sample therefore averages together very different securities: an earlier software company adopting Bitcoin, a high-premium equity-financing vehicle, and a later capital structure carrying a much larger preferred layer.

The mechanism is reflexive. In a favorable Bitcoin regime, rising BTC NAV can lift MSTR's equity value and mNAV. A high mNAV then improves the economics of common issuance, potentially allowing Strategy to buy more Bitcoin without proportionate dilution. Investors may capitalize that future financing option before the purchases occur, pushing beta higher. When Bitcoin falls or financing sentiment turns, the process can reverse. BTC NAV declines, the premium assigned to future accretion contracts, and the market may demand a higher return from preferred securities. MSTR can then fall because the asset is weaker and because the market value of the financing option has fallen.

Maximum drawdown makes that double exposure visible. MSTR's historical peak-to-trough decline reached about 89%, compared with about 77% for Bitcoin on aligned MSTR trading dates. The difference is economically important even if both assets later recover. A deeper drawdown increases the chance that an investor exits involuntarily, that management raises capital when terms are unfavorable, or that reserve policy becomes more defensive. Endpoint return alone does not capture any of those constraints.

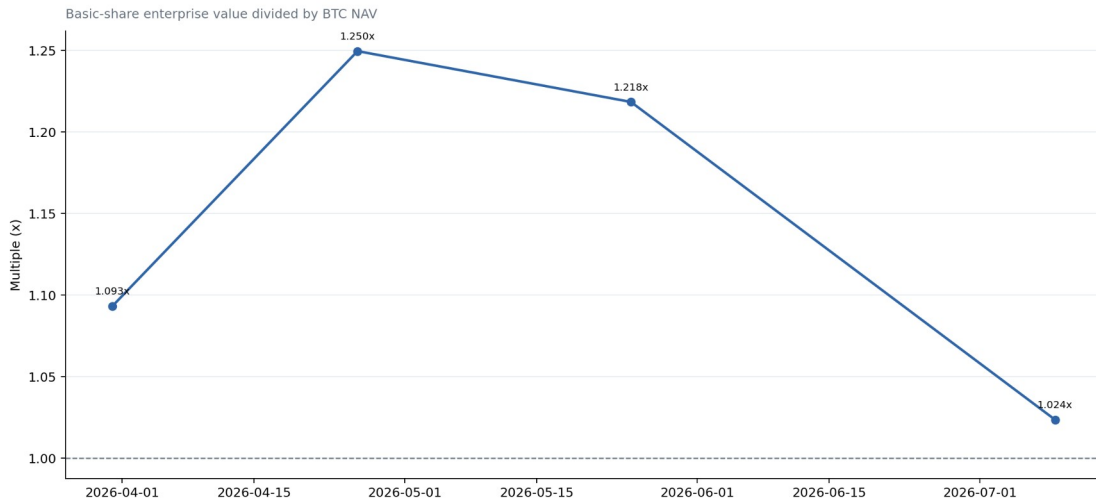
There are limitations. The MSTR series is a third-party split-adjusted proxy reconciled to Nasdaq where observations overlap, and historical beta does not isolate the individual effects of mNAV, equity volatility, financing announcements, or preferred issuance. The figures also do not prove that future

MSTR performance must trail Bitcoin. They do establish a higher evidentiary burden. I would need to see rolling beta normalize, drawdown behavior improve, and per-share accretion persist without expensive financing before treating MSTR as a superior risk-adjusted Bitcoin exposure. Until then, its capacity to outperform in a favorable regime is an upside feature, not a reason for normal position size.

5.1.3 mNAV Is a Financing Variable as Well as a Valuation Multiple

mNAV is often discussed as if it were only a measure of cheapness or expensiveness. For Strategy it also influences the economics of issuance. A high multiple can make common issuance accretive; a compressed multiple can close that channel and push the company toward more expensive preferred capital or asset monetization.

Enterprise mNAV Expanded Before Compressing



Units: Multiple (x) | Period: 31 Mar-9 Jul 2026 | Source: SEC filings; Strategy disclosures; Coinbase; MSTR/Nasdaq market data | Data date: 9 Jul 2026

Calculation: (Market capitalization + debt + preferred - reserve) / BTC NAV

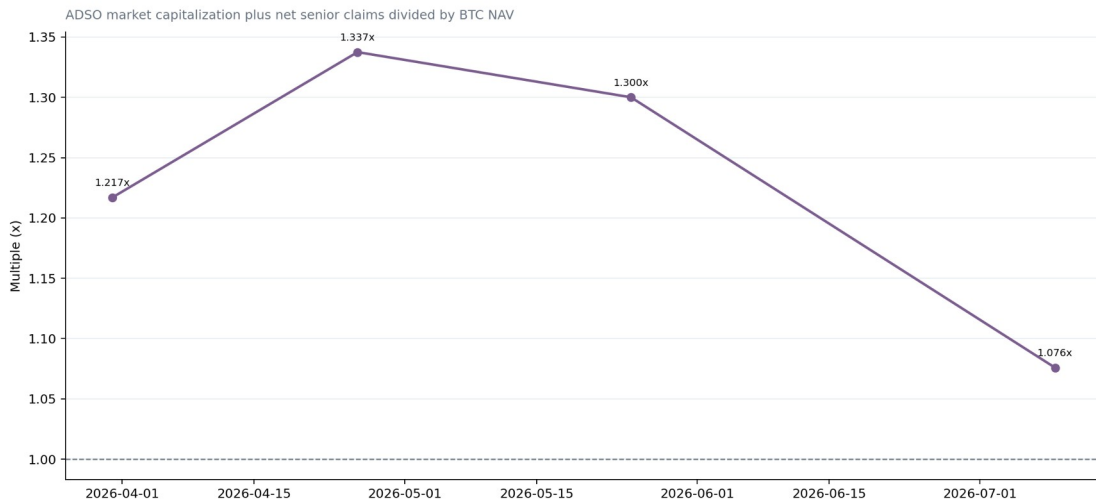
Methodological limitation: Only four reconciled capital-stack dates are available; intervening changes are not interpolated

Interpretation: The apparent premium depends materially on whether basic shares or ADSO is used

Investment implication: Underwrite common value on diluted residual economics, not the basic-share headline metric

Figure 4. Enterprise mNAV Expanded Before Compressing | Source: SEC filings; Strategy disclosures; Coinbase; MSTR/Nasdaq market data | Data: 9 Jul 2026

Diluted mNAV Is Consistently Higher



Units: Multiple (x) | Period: 31 Mar-9 Jul 2026 | Source: SEC filings; Strategy disclosures; Coinbase; MSTR/Nasdaq market data | Data date: 9 Jul 2026

Calculation: (Market capitalization + debt + preferred - reserve) / BTC NAV

Methodological limitation: Only four reconciled capital-stack dates are available; intervening changes are not interpolated

Interpretation: The apparent premium depends materially on whether basic shares or ADSO is used

Investment implication: Underwrite common value on diluted residual economics, not the basic-share headline metric

Figure 5. Diluted mNAV Is Consistently Higher | Source: SEC filings; Strategy disclosures; Coinbase; MSTR/Nasdaq market data | Data: 9 Jul 2026

The four reconciled capital-stack observations show enterprise mNAV first expanding and then compressing toward parity. That pattern is cyclical and reflexive rather than a fixed property of the

company. A premium can reflect confidence that management will issue capital accretively, but it can also disappear before the company has time to use it. The observation count is too small to infer a stable mean, and no interpolation is used between the disclosed dates. I therefore read the direction as evidence about financing conditions, not as a forecast that the multiple must revert to a particular level.

The gap between basic and diluted mNAV is structural. The diluted measure is consistently higher because ADSO recognizes ownership claims that the headline basic share count omits. At the latest snapshot, basic enterprise mNAV was approximately 1.02x while the diluted measure was about 1.08x. A basic-share investor may see near-NAV pricing; a diluted residual investor sees less room. Neither figure subtracts every possible friction, but the difference shows why a premium cannot be evaluated independently of the denominator.

mNAV also changes who benefits from an issuance. When common stock trades at a sufficiently high premium, selling a small percentage of the company can fund Bitcoin purchases that increase BTC per ADSO for remaining holders. Near or below diluted parity, the same transaction can transfer too much of the future Bitcoin appreciation to new shareholders. Preferred issuance avoids immediate common dilution but creates a senior claim and a recurring dividend. It can preserve upside in one path while lowering residual value in another.

For valuation, I use mNAV as a state variable and diluted residual value as the anchor. For portfolio sizing, a high mNAV is not automatically bearish because it may improve financing capacity, and a low mNAV is not automatically bullish because it may signal that the accretive issuance channel has closed. Confirmation would require a sustained premium accompanied by improving BTC per ADSO and acceptable preferred yields. A rejection would be continued multiple compression alongside expensive capital and falling per-share Bitcoin. The present evidence supports neither a durable financing premium nor a sufficient valuation discount, which is why the position remains observational.

5.2 Company and Strategic Evolution

5.2.1 From Software Company to Bitcoin Treasury

Strategy's operating software business remains economically relevant, but it no longer explains most of the equity value or risk. The company has evolved into a capital-markets platform whose central activity is raising claims and converting proceeds into Bitcoin. That transition makes security design, timing, and per-share accretion at least as important as operating earnings.

I assign no current value to the software business in the core residual calculation. This is conservative rather than dismissive. Standalone recurring free cash flow has not been reconciled with enough confidence to justify using it as a margin-of-safety plug. A positive software value remains upside only after cash generation is demonstrated separately.

The software operation can still matter in three ways. It can fund a portion of corporate overhead, preserve operating identity and market access, and provide optional value if margins improve. It does not currently provide a demonstrated cash-flow buffer against approximately \$1.763 billion of modeled annual cash burden at current coupon and distribution rates. Treating it as downside protection without a reconciled cash bridge would mix a strategic possibility with a funded obligation. The zero-value assumption prevents that optionality from being counted before it is earned.

The strategic transition also changes the relevant agency problem. Management is rewarded for expanding the platform, accessing new security classes, and increasing headline Bitcoin holdings. Existing common shareholders benefit only if those actions improve their diluted ownership and residual claim. Gross BTC growth, transaction volume, or the number of financing instruments can all rise while value per ADSO falls. The board's choice among common stock, convertibles, preferred securities, reserve use, and Bitcoin sales is therefore a capital-allocation decision, not merely an implementation detail.

I do not infer bad intent from that divergence. The point is that management incentives and common-shareholder economics are not automatically identical. Transparent per-share reporting, a durable reserve policy, and explicit cost-of-capital comparisons would reduce that gap. Until then, the model gives no credit for scale by itself.

5.2.2 More Bitcoin Is Not Automatically More Value per Share

Strategy's Bitcoin holdings expanded dramatically after 2020, but the history is no longer a one-way accumulation series. The appearance of sales and reserve-management needs matters because it shows that Bitcoin can become a liquidity source, not only a permanent asset. That possibility grows more relevant as the modeled cash burden and refinancing needs rise.

BTC Holdings Grew, Then the One-Way Assumption Broke

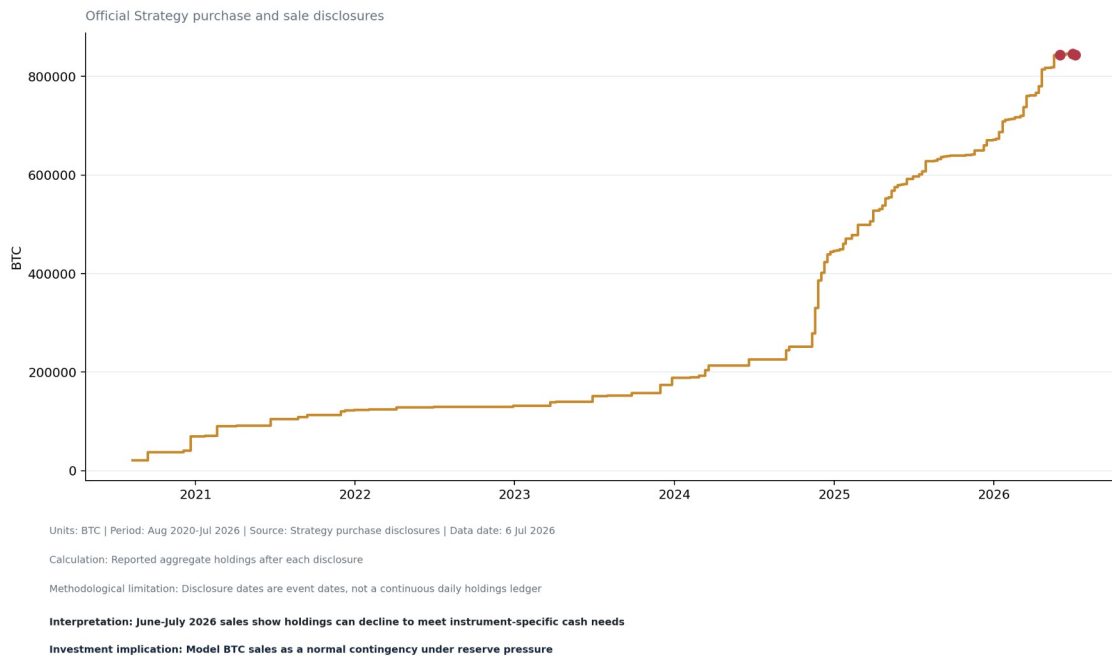


Figure 6. BTC Holdings Grew, Then the One-Way Assumption Broke | Source: Strategy purchase disclosures | Data: 6 Jul 2026

Figure 6 records the scale of accumulation and the break in the one-way narrative. A sale does not by itself invalidate the treasury strategy. Selling Bitcoin can be rational if it prevents a more destructive financing, meets an instrument-specific cash requirement, or supports reserve coverage during a temporary market closure. The economic question is why the asset was sold and what claim was avoided. Repeated sales to fund ordinary obligations would be different: they would show that the capital stack is consuming the asset intended to support common equity.

The event-date history is not a continuous daily holdings ledger, so it cannot identify every intraperiod movement. It is still sufficient to reject the assumption that gross holdings can only rise. That matters for valuation because a terminal model that fixes today's Bitcoin count through 2030 overstates the asset base in a stressed path. It matters for timing because reserve deterioration can force monetization before Bitcoin reaches a favorable terminal price.

Basic shares accelerated during 2026, while ADSO increased faster than a basic-share analysis would suggest. The diluted count incorporates convertible and equity-award claims that can absorb future value even before they become current basic shares.

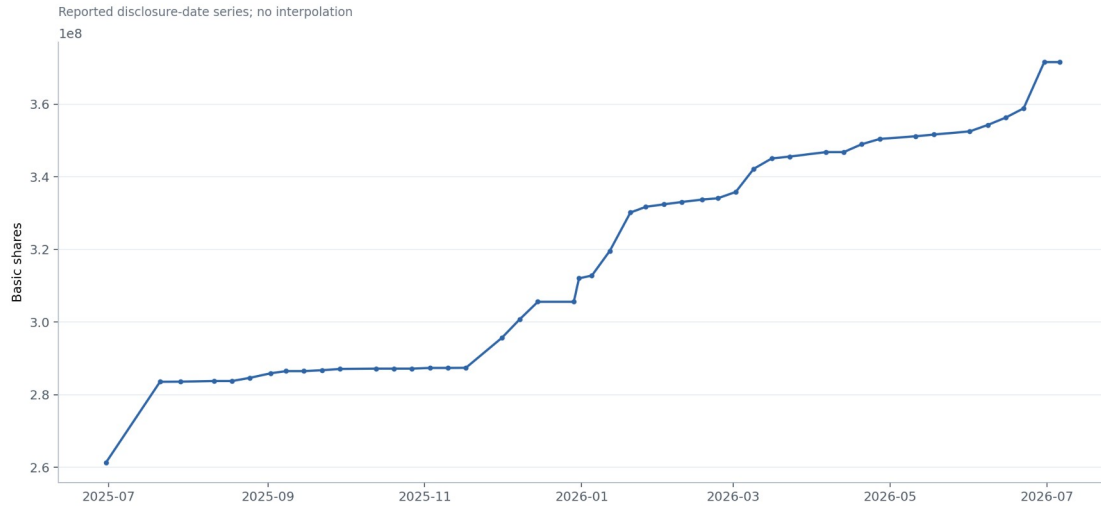
Basic Shares Accelerated in 2026

Figure 7. Basic Shares Accelerated in 2026 | Source: Strategy purchase disclosures | Data: 2026-07-06

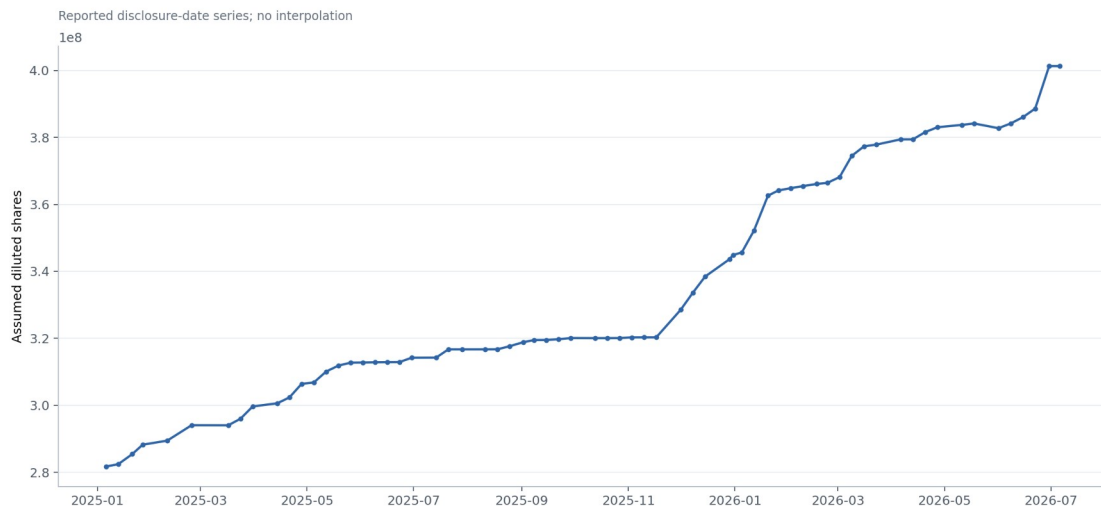
ADSO Rose Faster Than the Residual-Value Denominator Can Ignore

Figure 8. ADSO Rose Faster Than the Residual-Value Denominator Can Ignore | Source: Strategy purchase disclosures | Data: 2026-07-06

Figures 7 and 8 show two ownership denominators moving in the same direction but at different speeds. Basic shares measure legal common ownership already outstanding. ADSO also recognizes potential dilution from securities and awards under the pre-specified assumptions. The reliable series

begins only in 2025, which prevents a clean comparison with the earliest Bitcoin purchases. That limitation makes the recent trend more, not less, important: it is the period in which preferred issuance, convertibles, equity awards, and a much larger asset base coexist.

Different financing structures distribute gains and losses differently. Common issuance at a high mNAV can benefit existing owners if the Bitcoin acquired per new share exceeds the ownership surrendered. Convertible debt may carry a low current coupon but can create dilution later. Preferred securities preserve the current basic share count while placing dividends and liquidation preference ahead of common. A transaction can therefore look non-dilutive in Figure 7 and still reduce common residual economics through the senior layer.

The alternative explanation is that share growth simply reflects successful use of an unusually valuable equity currency. That can be true, but it must be demonstrated after the transaction. The confirming evidence would be rising BTC per ADSO, rising residual value per ADSO, and financing costs that remain below the incremental asset benefit. The rejecting evidence would be gross holdings growth accompanied by falling BTC per ADSO, a higher modeled cash burden, or a weaker reserve. The recent record is mixed, so aggregate Bitcoin is treated as an input rather than as proof of accretion.

5.2.3 The Two Accretion Gates

Every financing transaction should pass two tests. First, BTC per ADSO must increase after fees, claims, and assumed dilution. Second, residual value per ADSO must improve after the senior cost of the financing is recognized. Passing only the first test can still leave common shareholders worse off.

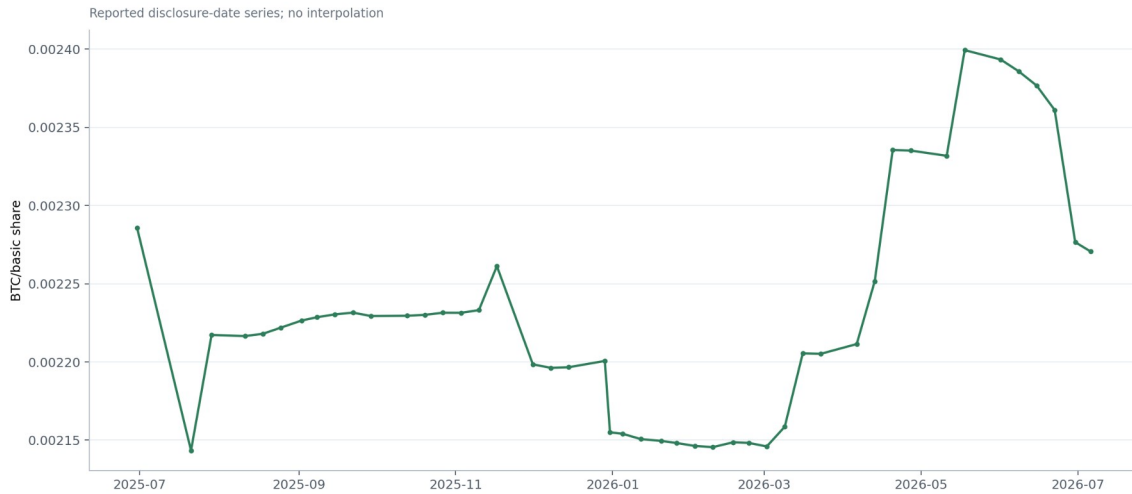
BTC per Basic Share Remains the First Accretion Gate

Figure 9. BTC per Basic Share Remains the First Accretion Gate | Source: Strategy purchase disclosures | Data: 2026-07-06

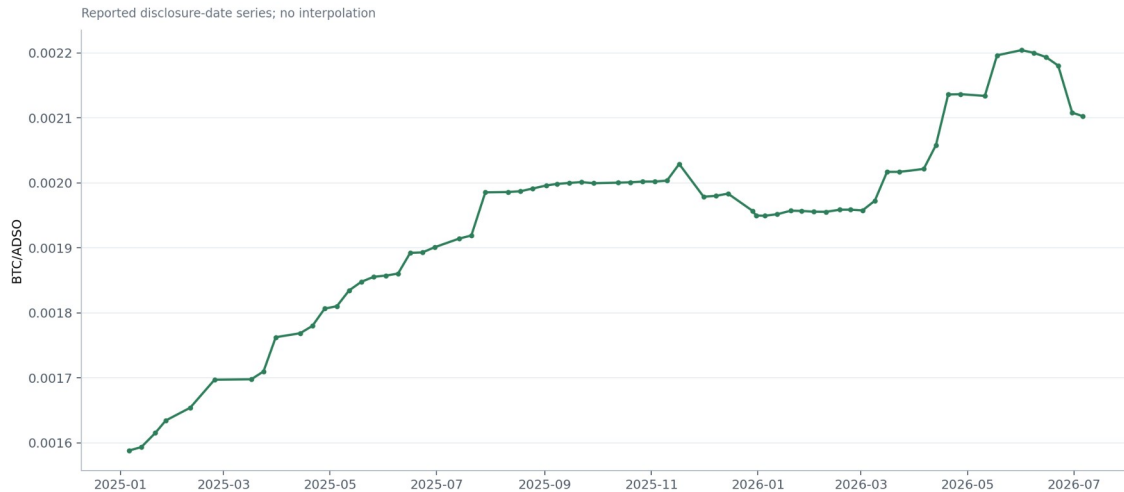
BTC per ADSO Rolled Over From Its June Peak

Figure 10. BTC per ADSO Rolled Over From Its June Peak | Source: Strategy purchase disclosures | Data: 2026-07-06

BTC per basic share remains useful as a quick screen because it answers whether reported Bitcoin grew faster than the current legal share count. It cannot capture dilution not yet reflected in basic shares. BTC per ADSO is the more demanding first gate. Its rollover from the June peak is an important warning:

recent issuance increased gross assets without producing uniform diluted accretion. The observation window is short, so one reversal is not a structural verdict, but it is inconsistent with a claim that every financing automatically improves ownership.

The second gate prevents another false positive. Suppose preferred capital funds a Bitcoin purchase that raises BTC per ADSO. Common holders may still be worse off if the dividend stream and liquidation preference reduce residual value by more than the new Bitcoin adds under plausible paths. Conversely, a modest reduction in BTC per ADSO could be rational if it materially lowers refinancing risk and preserves the residual through a severe downturn. Capital allocation must be assessed as a package.

This two-gate framework also disciplines management incentives. A target based only on total holdings rewards scale. A target based only on BTC per basic share can ignore latent dilution. BTC per ADSO aligns the asset with diluted ownership, while residual value per ADSO incorporates the cost of claims ahead of common. Neither measure is perfect because security terms and future market prices remain uncertain, but together they are harder to game than a headline Bitcoin count.

For portfolio purposes, three non-deteriorating BPS disclosures are required before a 2%-3% strategic allocation is considered. That threshold is not a claim of statistical significance; it is a behavioral confirmation rule designed to avoid reacting to one favorable transaction. A renewed rise in BTC per ADSO without reserve deterioration would support the strategy. Continued rollover, especially alongside high preferred yields or obligation-funded Bitcoin sales, would reject the accretion thesis and move the position toward exit rather than expansion.

5.3 Capital Structure

5.3.1 Why Senior Claims Matter

Common shareholders own the value left after debt, preferred securities, and other senior economic claims. When Bitcoin NAV is far above those claims, the common behaves like leveraged Bitcoin. Near the claim boundary, however, small changes in Bitcoin price, preferred rates, reserve, or dilution can produce much larger changes in common value.

Table 8. Residual common-equity valuation

Valuation item	Value	Reader interpretation
Basic market capitalization	\$34.891B	371.614M shares x \$93.89
Bitcoin NAV	\$53.306B	843,775 BTC x \$63,175.25
Net senior claims	\$19.668B	Debt + preferred - USD reserve
Enterprise mNAV, basic	1.024x	Enterprise value / Bitcoin NAV
Residual / basic share	\$90.52	Ignores assumed dilution
Residual / ADSO	\$83.82	Primary conservative common value
Required diluted mNAV	1.076x	Multiple needed to support current diluted market value
20% margin-of-safety value	\$67.06	80% of residual / ADSO

The current bridge produces \$33.638 billion of common residual at 1.0x Bitcoin NAV. Dividing by 371.614 million basic shares gives \$90.52, but using 401.294 million ADSO reduces the result to \$83.82. That \$6.70 per-share gap is the economic cost of ignoring dilution in the denominator.

Solvency and common-equity value are not the same test. Strategy can continue paying obligations, refinance debt, and operate as a going concern while the market value available to common shareholders is severely impaired. Debt holders and preferred investors can remain money-good in a path where the common residual approaches zero. That is normal capital-stack behavior, not necessarily a corporate failure. The equity must therefore be sized for residual loss even when near-term default risk appears manageable.

The waterfall is also nonlinear. Senior claims are comparatively fixed in nominal dollars while Bitcoin NAV is volatile. A \$10 billion change in Bitcoin NAV has a much larger percentage effect on common residual when the residual is \$10 billion than when it is \$40 billion. This convexity supports upside in a bull path, but it also means that common equity can lose value faster than Bitcoin near the claim boundary. Gross BTC NAV is the wrong denominator for that risk.

5.3.2 Debt and Preferred Securities

Table 9. Debt instruments and put schedule

Instrument	Principal	Coupon	Put date	Conversion price	Underwriting note
2028 converts	\$1.010B	0.625%	15 Sep 2027	\$183.19	First material put
2029 converts	\$1.500B	0.000%	1 Jun 2028	\$672.40	Post-\$1.5B repurchase
2030B converts	\$2.000B	0.000%	1 Mar 2028	\$433.43	Largest single put
2030A converts	\$0.800B	0.625%	15 Sep 2028	\$149.77	Potentially in the money
2031 converts	\$0.604B	0.875%	15 Sep 2028	\$232.72	2028 concentration
2032 converts	\$0.800B	2.250%	15 Jun 2029	\$204.33	Highest coupon
Other secured debt	\$0.040B	5.2% / SOFR+4.24%	2026-2027	n/a	Non-BTC collateral; small
Total	\$6.754B	Cash coupons \$34.6M/yr	2027-2029 puts	n/a	Economic wall precedes maturity

Debt principal, coupon, conversion, put, and liquidity terms are sourced to Notes [6], [7], and [10].

The debt schedule is manageable only if the company retains financing access before the major put and maturity dates. Low coupons do not eliminate refinancing risk; they postpone it. The economic wall begins before contractual maturity because holders can exercise put rights and management must prepare liquidity in advance. Approximately \$1.01 billion of puts falls in 2027, about \$4.90 billion in 2028, and another \$0.80 billion in 2029. The concentration makes 2027-2028 a path-risk window rather than a simple maturity-table observation.

The relevant variables at that wall are not just Bitcoin's terminal price. They include the BTC price and mNAV when funding is needed, the conversion value of the notes, preferred-market capacity, reserve coverage, and the willingness of common investors to absorb issuance. A Bitcoin recovery after the put date cannot reverse a refinancing completed earlier at a structurally higher cash cost. Sequence is therefore embedded in the liability schedule.

Table 10. Preferred securities

Security	Shares	Notional USD	Rate	Price	Eff. yield	Seniority
STRF	12.840M	\$1.284B	10.0%	\$95.90	10.43%	Senior preferred
STRC	104.895M	\$10.489B	12.0%	\$85.71	14.00%	Below STRF
STRE	7.750M	\$0.886B	10.0%	€80.00	12.50%	Below STRC
STRK	14.021M	\$1.402B	8.0%	\$60.39	13.25%	Junior preferred
STRD	14.024M	\$1.402B	10.0%	\$61.01	16.39%	Junior preferred
Total	-	\$15.464B	-	-	-	Senior to common

Preferred balances and payment terms are sourced to Notes [8] and [14]-[19].

Preferred securities add duration and flexibility, but they are not free equity. Dividends, rate features, liquidation preferences, and market discounts all matter. Widening preferred discounts indicate that the marginal buyer requires a high return for permanent capital. For common shareholders, that is a direct signal about the price of keeping the Bitcoin strategy funded.

Convertibles and preferred securities transfer risk differently. A low-coupon convertible can defer cash expense and become equity when the stock performs well, but conversion dilutes the common at the moment the asset thesis succeeds. Preferred capital may avoid that conversion mechanism, yet its dividends drain cash in every path and its liquidation preference remains ahead of common. Neither is universally superior. The proper comparison is the present and contingent cost per unit of incremental Bitcoin and the resulting residual value per ADSO.

5.3.3 Claims, Modeled Cash Burden, and Reserve

Senior Claims Absorb a Fixed Slice of a Volatile BTC NAV

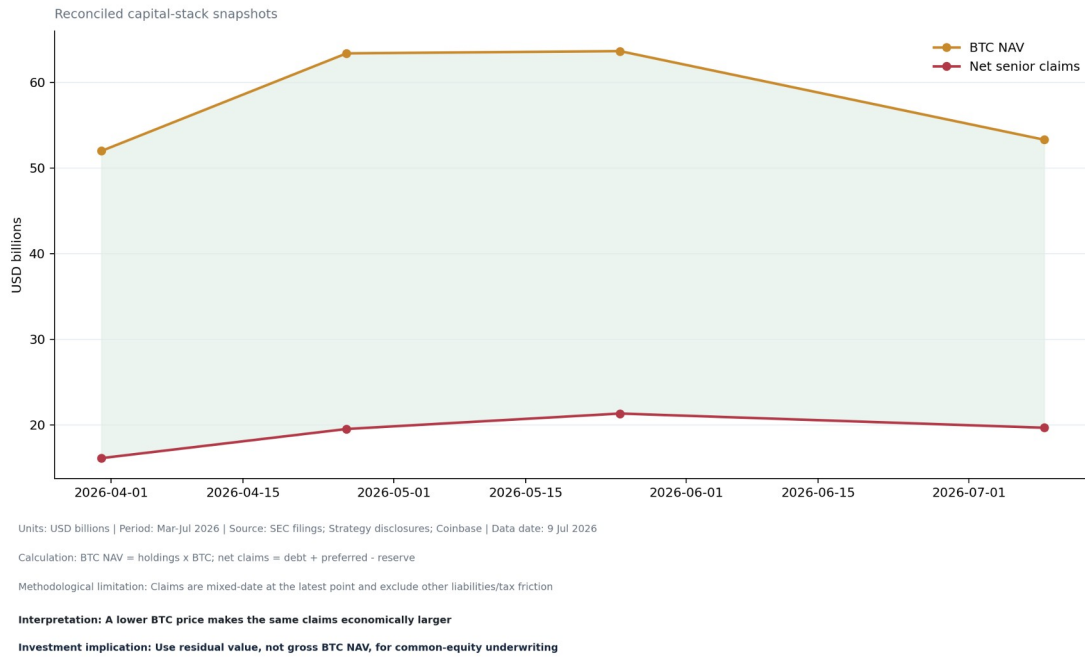


Figure 11. Senior Claims Absorb a Fixed Slice of a Volatile BTC NAV | Source: SEC filings; Strategy disclosures; Coinbase | Data: 9 Jul 2026

Preferred Growth Offset Debt Reduction

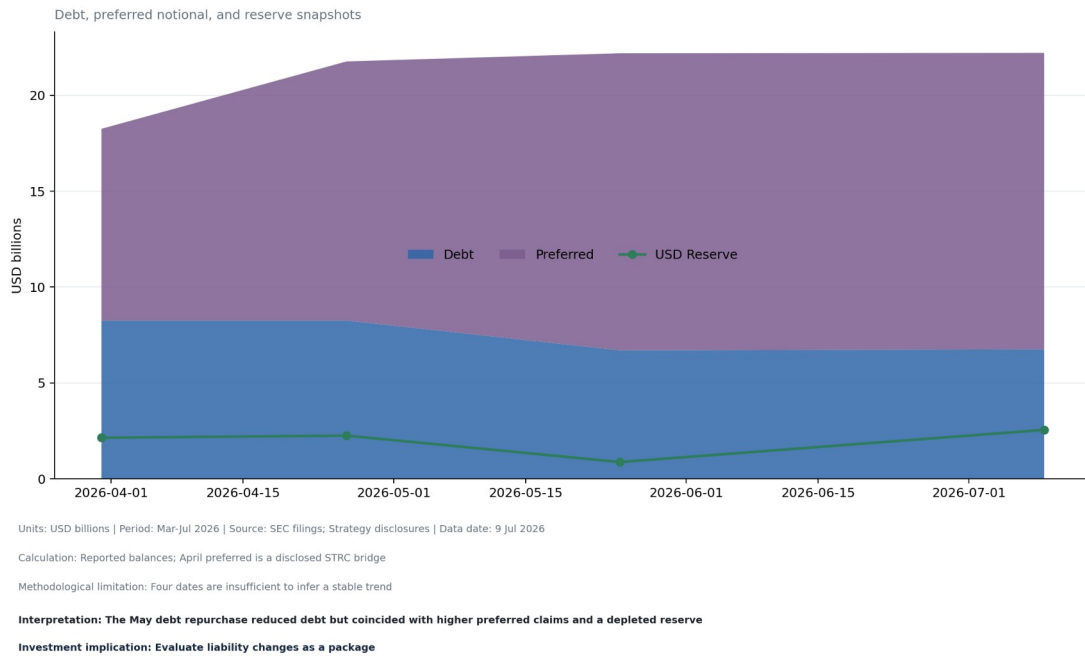


Figure 12. Preferred Growth Offset Debt Reduction | Source: SEC filings; Strategy disclosures | Data: 9 Jul 2026

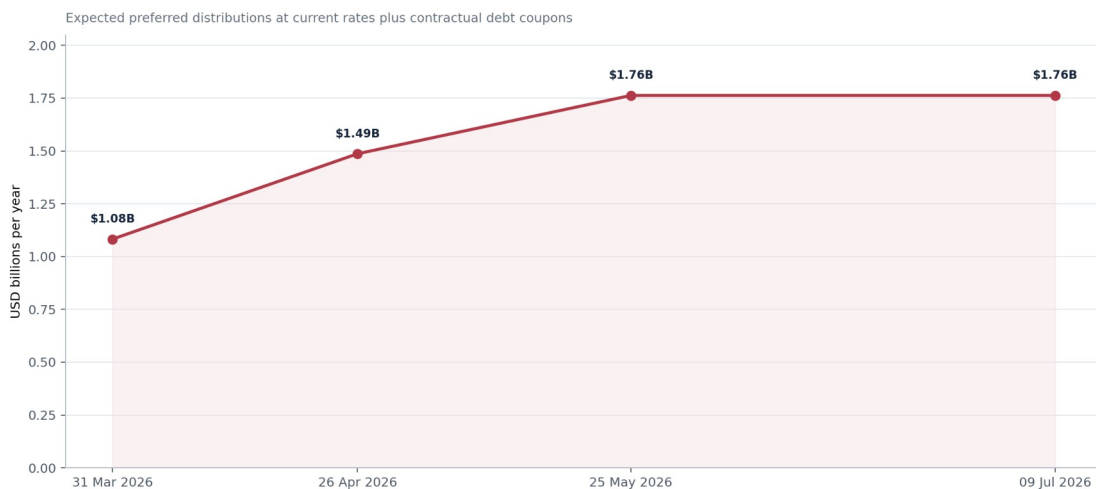
Figures 11 and 12 show why gross deleveraging language can be misleading. Net senior claims absorb a fixed-dollar slice of a Bitcoin NAV that can change sharply, while the composition of those claims has

shifted. Debt reduction has been offset by rapid preferred growth. This changes the shape rather than the existence of leverage: hard maturity risk may fall, while recurring cash obligations and liquidation preference increase.

The current capital stack can look safer if only debt principal is considered. It can look more demanding when preferred notional and the depleted-or-rebuilt reserve are included. The second view is the relevant one for common equity. A preferred claim may have no near-term maturity, but it still stands ahead of common and generally requires cash dividends. Moving risk from a put date into a perpetual instrument changes timing; it does not make the economic claim disappear.

The figures are based on four reconciled snapshots and the latest point combines disclosure dates. They do not establish a smooth daily trend. The structural conclusion is narrower: the senior layer has remained large while its mix changed, so the common cannot be valued from Bitcoin holdings alone. Future confirmation would be a sustained decline in net senior claims without a corresponding rise in dilution or the modeled cash burden. Further preferred growth used merely to refinance obligations would reject that improvement.

Modeled Annual Cash Burden Rose Toward \$1.76 Billion



Units: USD billions per year | Period: Mar-Jul 2026 | Source: SEC filings; Strategy disclosures; security-term calculation | Data date: 9 Jul 2026

Calculation: Preferred notional x current stated distribution rate, plus convertible debt coupons

Methodological limitation: Preferred distributions depend on instrument terms, declaration, legally available funds, and future rate or issuance changes

Interpretation: The modeled burden is concentrated in STRC and is not equivalent to a single unconditional debt obligation

Investment implication: Reserve coverage and financing access remain binding portfolio-allocation gates

Figure 13. Modeled Annual Cash Burden Rose Toward \$1.76 Billion | Source: SEC filings; Strategy disclosures; security-term calculation | Data: 9 Jul 2026

Table 11. Security-level modeled annual cash burden

Instrument	Current rate	Modeled cash/year	Payment classification
STRC	12%	\$1,258.7M	Cumulative; variable; declaration/funds limits
STRD	10%	\$140.2M	Non-cumulative; owed only if declared
STRF	10%	\$128.4M	Cumulative; declaration/funds limits
STRK	8%	\$112.2M	Cumulative; cash/common/both

Instrument	Current rate	Modeled cash/year	Payment classification
STRE	10%	\$88.6M	Cumulative; declaration/funds limits
Debt coupons	Contractual	\$34.6M	Contractual cash interest
Total	-	\$1,762.8M	Modeled at current rates; not one uniform legal obligation

The calculation applies current stated rates to disclosed balances; legal payment characteristics differ by security. See Notes [8] and [13]-[19].

Modeled annual cash burden under current coupon and distribution rates reached approximately \$1.763 billion. At the current \$2.55 billion USD reserve, coverage is 17.36 months. The reserve is therefore meaningful but not excessive, particularly because it is a policy-designated resource rather than cash legally ring-fenced for a single obligation.

The burden is concentrated. STRC represents roughly 71% of the annual cash charge in the supporting calculation table, which creates sensitivity to a security whose rate is board set and may change. The software business does not currently demonstrate sufficient recurring free cash flow to cover the total. In practice, the modeled cash burden must be funded from reserve, external financing, operating cash, Bitcoin monetization, or some combination. Each funding source has a different consequence for common shareholders.

Reserve Coverage Fell Below Six Months, Then Recovered

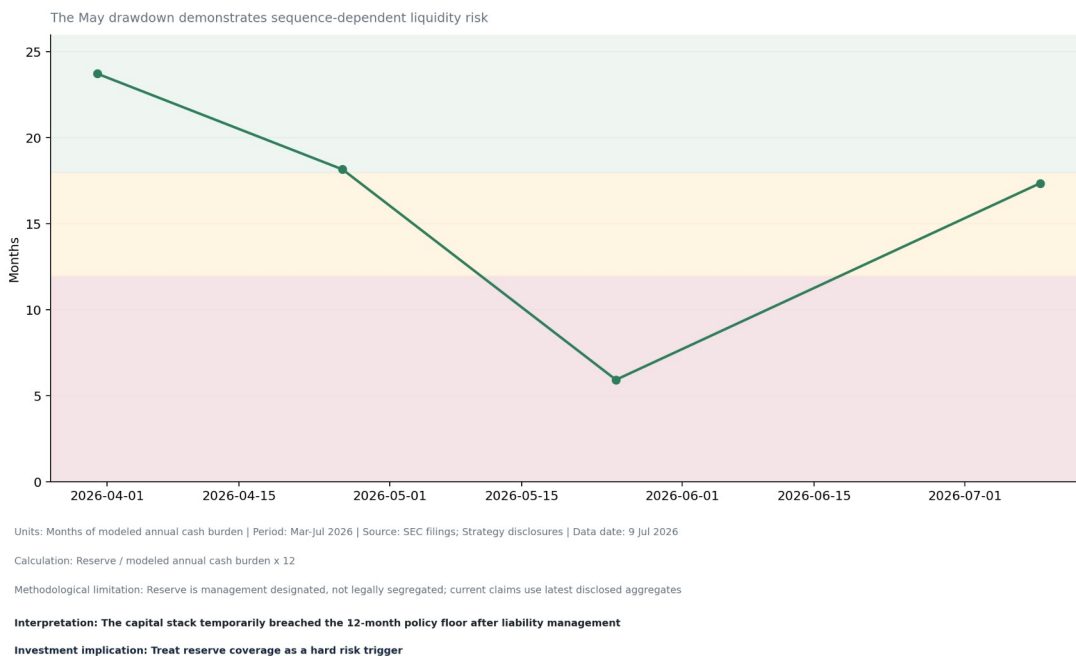


Figure 14. Reserve Coverage Fell Below Six Months, Then Recovered | Source: SEC filings; Strategy disclosures | Data: 9 Jul 2026

The reserve chronology is more informative than the latest point alone. Coverage fell below six months before recovering to 17.36 months. That sequence demonstrates how quickly financing, repurchases, distributions, and Bitcoin monetization can change the risk profile. A recovered reserve is positive

evidence, but it does not erase the prior breach. It shows that reserve coverage is a management variable that can move materially between financing events.

I treat 12 months as an invalidation threshold and 15-18 months as position-sizing gates, not as predictions of default. A company can operate below those levels, but the menu of choices becomes less attractive. Reserve pressure can force a security issuance or Bitcoin sale before the market environment is favorable. For the common, the warning arrives when flexibility narrows, not only when cash is exhausted. A sustained reserve above 18 months, combined with a stable modeled cash burden, would support a strategic position; a renewed fall below 12 months would require immediate reduction or exit review.

5.3.4 The Cost and Mix of Capital

Preferred Discounts Signal Expensive Capital

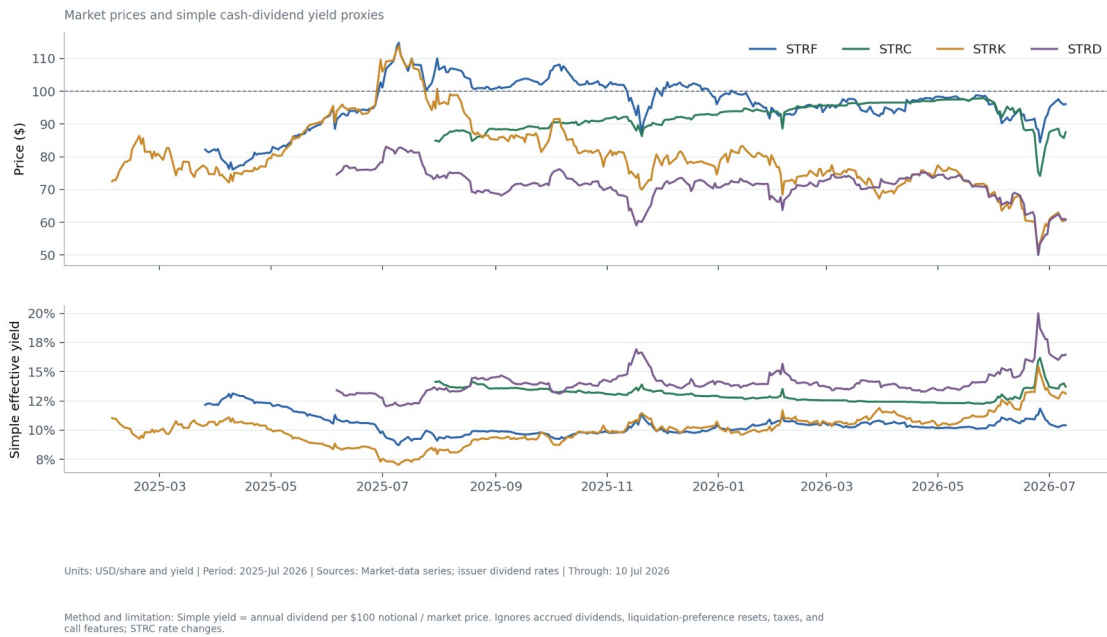


Figure 15. Preferred Discounts Signal Expensive Capital | Source: Market-data series; issuer dividend rates | Data: 10 Jul 2026

Financing Shifted From Convertibles to Preferred Capital

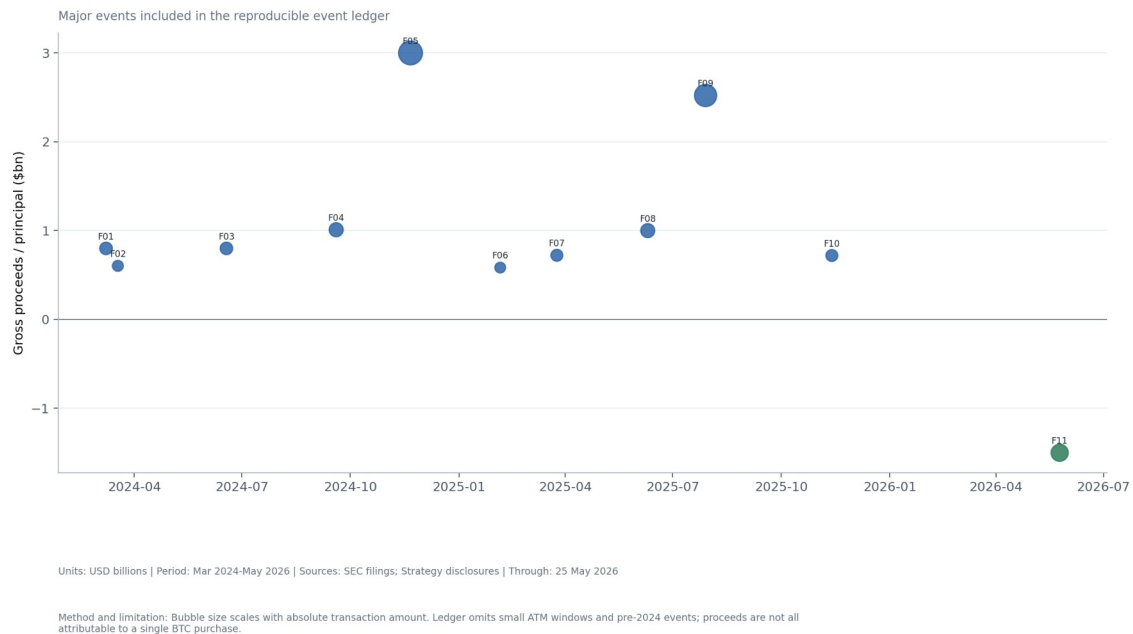


Figure 16. Financing Shifted From Convertibles to Preferred Capital | Source: SEC filings; Strategy disclosures | Data: 25 May 2026

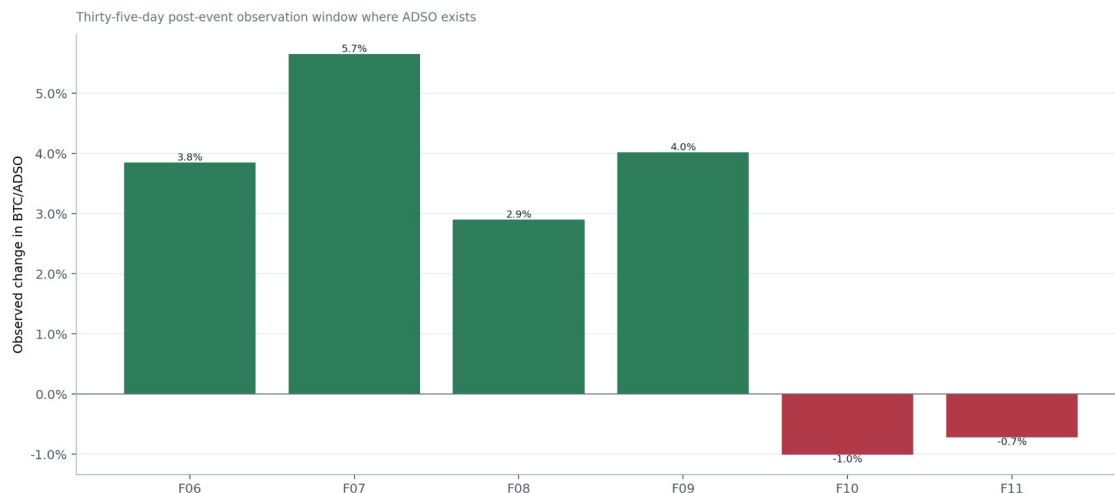
The preferred-price and financing-timeline charts describe the marginal cost and the change in funding mix. Several preferred securities trade below their reference value and imply simple yields from roughly

10% to more than 16%. Those yields are imperfect because accrued dividends, calls, taxes, rate resets, and currency features are not fully captured. They are still an observable market message: investors require a high return to provide permanent capital to the structure.

The financing mix has shifted from low-coupon convertibles toward preferred capital. This may reduce near-term conversion pressure, but it raises the recurring economic burden and can transfer more upside away from the common. High preferred yields make the hurdle explicit. Bitcoin purchased with 14%-16% capital does not become accretive merely because Bitcoin's long-run expected return is high. The purchase must cover the cash cost, the senior claim, path risk, and the dilution or opportunity cost imposed on common holders.

There is a legitimate alternative interpretation. Preferred securities can extend duration, reduce a near-term debt wall, and avoid issuing common at a depressed mNAV. In a severe but temporary market closure, expensive permanent capital may preserve more residual value than a forced Bitcoin sale. The question is comparative, not categorical. I would accept a high-cost instrument only when it measurably reduces a worse liability and when the post-transaction residual per ADSO improves across the stress cases.

Observed BTC/ADSO Accretion Is Not Uniform



Units: % change | Period: 2025-2026 events | Sources: SEC filings; Strategy disclosures; Coinbase; MSTR market data | Through: 25 May 2026

Method and limitation: Post-event BTC/ADSO / pre-event BTC/ADSO - 1. Overlapping transactions prevent causal attribution; pre-2025 ADSO is missing.

Figure 17. Observed BTC/ADSO Accretion Is Not Uniform | Source: SEC filings; Strategy disclosures; Coinbase; MSTR market data | Data: 25 May 2026

Observed transaction outcomes are mixed. Some periods show BTC-per-ADSO accretion, while others do not. Overlapping financings, a 35-day observation window, market-price movements, and incomplete early ADSO history prevent a clean causal claim. A positive bar cannot prove that a specific security created the gain, and a negative bar cannot isolate one instrument as the cause. The chart is evidence of dispersion: financing outcomes are conditional, not mechanically accretive.

Representative events should be judged against the market regime in which they occurred. Common issuance during a high mNAV can spread fixed claims across a larger asset base and add Bitcoin per diluted share. The same issuance after a premium collapse can surrender too much ownership. Preferred issuance during open credit markets may lock in acceptable duration; in a stressed market it can embed a high cash burden that survives the recovery. Historical success outside strong Bitcoin and capital-market regimes remains insufficiently demonstrated.

Current Price Exceeds the 1.0x Diluted Residual Value



Figure 18. Current Price Exceeds the 1.0x Diluted Residual Value | Source: SEC filings; Strategy disclosures; Coinbase; MSTR/Nasdaq market data | Data: 9 Jul 2026

At \$93.89, MSTR trades above the conservative 1.0x diluted residual value of \$83.82. A buyer must therefore underwrite either a sustained mNAV premium, higher Bitcoin, better financing terms, positive software value, or some combination of the four. Each may occur, but none is a free option. Higher Bitcoin still passes through senior claims; a premium can compress; better financing must be available when needed; software cash value remains unproven in the core bridge.

The investment consequence is asymmetric. I do not require preferred prices to return to par before owning any MSTR, but I do require the cost trend to normalize before increasing beyond a starter. I also require the market price to offer a discount or the operating evidence to improve. At the current combination of above-residual pricing and expensive permanent capital, the financing platform has not earned a positive value in the position-size decision.

5.4 Bitcoin Thesis

5.4.1 Scarcity Is Necessary but Not Sufficient

Bitcoin combines a fixed issuance schedule, bearer settlement, global transferability, and a network whose security expenditure has grown over time. These features support a long-term monetary-asset

thesis. They do not specify the path of demand, the appropriate discount rate, or the leverage investors will apply at any particular point in the cycle.

My Bitcoin view is constructive over a long horizon, but I do not use scarcity as a substitute for valuation. Liquidity, real yields, the dollar, market structure, regulation, custody, and leverage can dominate the issuance narrative for extended periods.

The supply rule is structural; the price paid for that scarcity is regime dependent. A predictable issuance path limits discretionary supply, but market clearing still occurs through demand. Institutional access, collateral conditions, the availability of leverage, tax and custody rules, and investor willingness to hold a volatile non-yielding asset all change the demand curve. Scarcity explains why an increase in durable demand can have a large price effect. It does not guarantee that durable demand will arrive on a particular schedule.

For MSTR, the distinction is even more important. Strategy adds corporate claims, financing timing, and a diluted ownership denominator to the Bitcoin thesis. A correct long-term scarcity view can coexist with a poor MSTR outcome if the path forces expensive refinancing or repeated issuance before Bitcoin appreciates. The security-selection question therefore begins after the Bitcoin thesis, not inside it.

5.4.2 Cycles, Drawdowns, and Nonstationarity

Bitcoin's Long-Run Rise Contains Repeated 75%-85% Drawdowns



Figure 19. Bitcoin's Long-Run Rise Contains Repeated 75%-85% Drawdowns | Source: Coin Metrics Community data | Data: 10 Jul 2026

Bitcoin's logarithmic history contains extraordinary long-run appreciation and repeated drawdowns of roughly 75%-85%. Both observations are true. The early gains occurred when market capitalization, liquidity, and institutional participation were much smaller. The drawdowns occurred under different combinations of leverage, exchange structure, regulation, and macro conditions. A straight line through the log chart would therefore confuse a historical outcome with a stationary return process.

Those declines are not statistical noise for MSTR. They compress Bitcoin NAV, can reduce mNAV, weaken capital access, and increase the probability that Strategy must issue expensive claims or sell assets at an unfavorable point. A direct Bitcoin holder can wait through a drawdown if custody and liquidity needs permit. Strategy must also continue funding its obligations and approaching put dates. The same Bitcoin path can therefore be survivable for the asset and destructive for the common wrapper.

Halving Cycles Rhyme, but Returns Are Not Deterministic

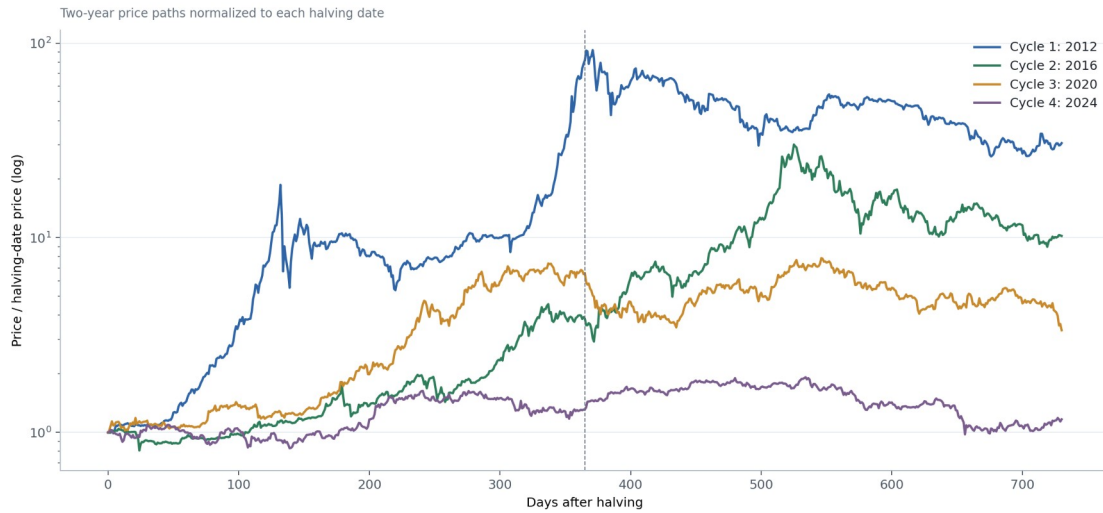


Figure 20. Halving Cycles Rhyme, but Returns Are Not Deterministic | Source: Coin Metrics Community data | Data: 10 Jul 2026

Bitcoin Is About Half Below Its Prior Peak



Figure 21. Bitcoin Is About Half Below Its Prior Peak | Source: Coin Metrics Community data | Data: 10 Jul 2026

Cycle Upside Has Diminished While Drawdowns Remain Large

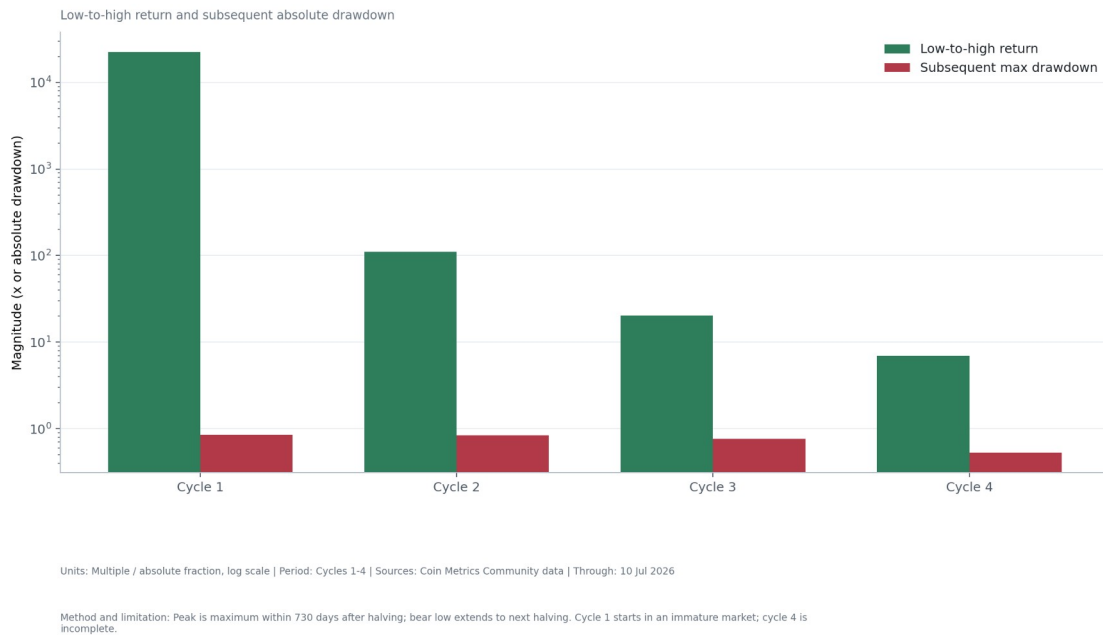


Figure 22. Cycle Upside Has Diminished While Drawdowns Remain Large | Source: Coin Metrics Community data | Data: 10 Jul 2026

The halving overlay shows a recurring supply event followed by very different price paths. The historical clustering is economically plausible: the issuance rate falls, mining economics adjust, and investors focus on the scarcity narrative. It is not sufficient for a deterministic forecast. Four cycles are too few for a stable distribution, one began in an immature and illiquid market, and the current cycle is incomplete. The observations are also not independent because market participants know the schedule and can position in advance.

The drawdown chart places the current decline in context. Bitcoin is roughly half below its prior daily-close peak, a material loss even though it is smaller than several historical bear markets. That condition can be interpreted as discounted relative to the peak or as evidence that the prior regime has broken. Realized-value measures, liquidity, trend, and leverage are needed to distinguish the two. A drawdown alone is not a valuation signal.

The cycle-return comparison adds another asymmetry: upside multiples have diminished while large drawdowns remain. Market-cap growth is one mechanism; an asset needs more net capital to produce the same multiple from a larger base. Deeper derivatives and institutional channels may reduce some market frictions, but they can also transmit macro shocks faster. The contradiction is that adoption can lower existential risk without eliminating mark-to-market risk.

I use cycle evidence as a prior and a stress library. It helps define the range of declines that reserve and refinancing models must survive, and it warns against extrapolating the first cycle's multiple to 2030. It does not set an entry date. Confirmation would require improving higher-timeframe structure, better liquidity conditions, and valuation evidence outside the calendar. For MSTR, the cycle is actionable only when those signals coincide with stable BTC per ADSO and open financing markets.

5.4.3 Realized Value and On-Chain Evidence

Realized price estimates the aggregate cost basis at the last on-chain movement of each coin. MVRV compares market capitalization with realized capitalization. Both are useful for locating broad valuation regimes, but neither identifies the leverage, tax basis, or liquidity needs of a specific holder.

BTC Trades Above Realized Price, but MVRV Is Not at Deep-Value Levels



Figure 23. BTC Trades Above Realized Price, but MVRV Is Not at Deep-Value Levels | Source: Coin Metrics Community data | Data: 10 Jul 2026

MVRV Is Elevated Despite the Price Drawdown



Figure 25. MVRV Is Elevated Despite the Price Drawdown | Source: Coin Metrics Community data | Data: 10 Jul 2026

At the latest complete observation, Bitcoin traded near \$63,189 against an estimated realized price around \$53,026, producing MVRV of approximately 1.19x. The market therefore remained above the aggregate on-chain cost basis. That is constructive relative to a break below realized value, but it is not

the same as deep capitulation. The ratio is modest rather than historically high, and its meaning depends on the holder mix and the market regime.

Realized price is structural in one limited sense: it aggregates the value at which coins last moved. It is not a floor enforced by arbitrage. Coins can be lost, held by custodians, transferred internally, or moved for reasons unrelated to a change in beneficial ownership. MVRV inherits those limitations and adds market price in the numerator. A fall toward 1.0x can result from genuine capitulation or from a temporary price shock that says little about future demand.

The supporting evidence is that price remains above realized value and realized capitalization has compounded over time. The conflicting evidence is that Bitcoin remains in a deep drawdown and MVRV is not at an extreme associated with a fully washed-out market. The indicators therefore describe a market with a substantial established cost base but no unambiguous valuation signal. I assign them more weight when trend, liquidity, and holder behavior confirm the same regime.

Realized Capital Has Continued to Compound

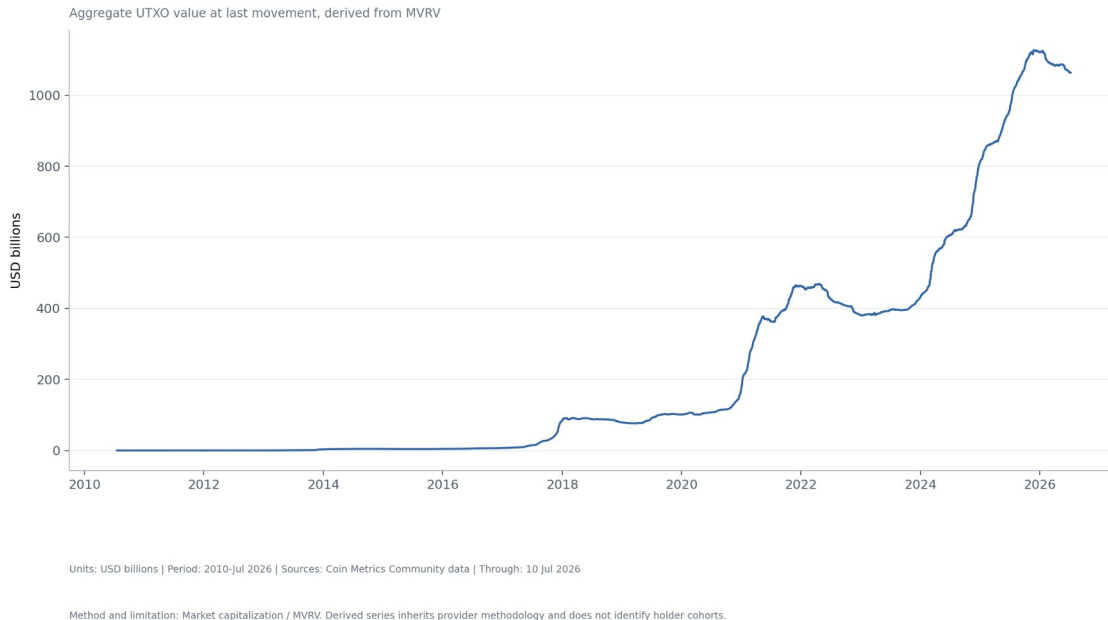


Figure 28. Realized Capital Has Continued to Compound | Source: Coin Metrics Community data | Data: 10 Jul 2026

The continued growth of realized capital is constructive because it suggests that a larger amount of value has established an on-chain cost basis. It is consistent with broader monetization and institutional adoption. The contradiction is that realized capitalization can keep rising even when marginal demand weakens, and it cannot identify which holders are leveraged or likely to sell. It confirms accumulated network value over time, not near-term price direction.

For MSTR, these indicators matter first through BTC NAV and only second through market sentiment. An improvement in on-chain valuation can support Bitcoin while MSTR still underperforms if mNAV compresses or preferred costs remain high. Conversely, an MVRV decline near realized parity would increase the downside risk to Strategy's asset base and make the fixed senior claims more consequential. I therefore do not use on-chain valuation to override the residual-value or reserve gates.

Several cohort-based metrics, including long-term and short-term holder realized prices, NUPL, SOPR, and Puell Multiple, are not included because the available source did not provide a sufficiently consistent historical series for this publication. Verified daily spot-ETF creation and redemption history was also unavailable. I therefore avoid using those indicators in the current recommendation.

5.4.4 Exchange Balances and Network Security

Exchange Balances Are an Incomplete but Useful Supply Proxy



Figure 30. Exchange Balances Are an Incomplete but Useful Supply Proxy | Source: Coin Metrics Community data | Data: 10 Jul 2026

Declining exchange-attributed balances can indicate reduced readily available supply. The mechanism is intuitive: fewer coins held at labeled exchange addresses may reduce the inventory immediately available for sale. The series is incomplete because address attribution changes, institutional custody can sit outside labeled exchanges, and over-the-counter inventory is not visible. A transfer to custody may be bullish, neutral, or operational; the chart cannot determine intent.

I therefore treat exchange balances as a supporting supply proxy, not as a direct measure of selling pressure. Confirmation would come from consistent net outflows, firm spot demand, and improving price structure. A price decline despite falling labeled balances would show that hidden inventory, derivatives, or weaker demand is dominating the visible supply signal. MSTR receives no separate valuation credit from this metric; it benefits only if the supply condition contributes to a durable Bitcoin price and financing response.

Network Hash Rate Rose Over the Long Run

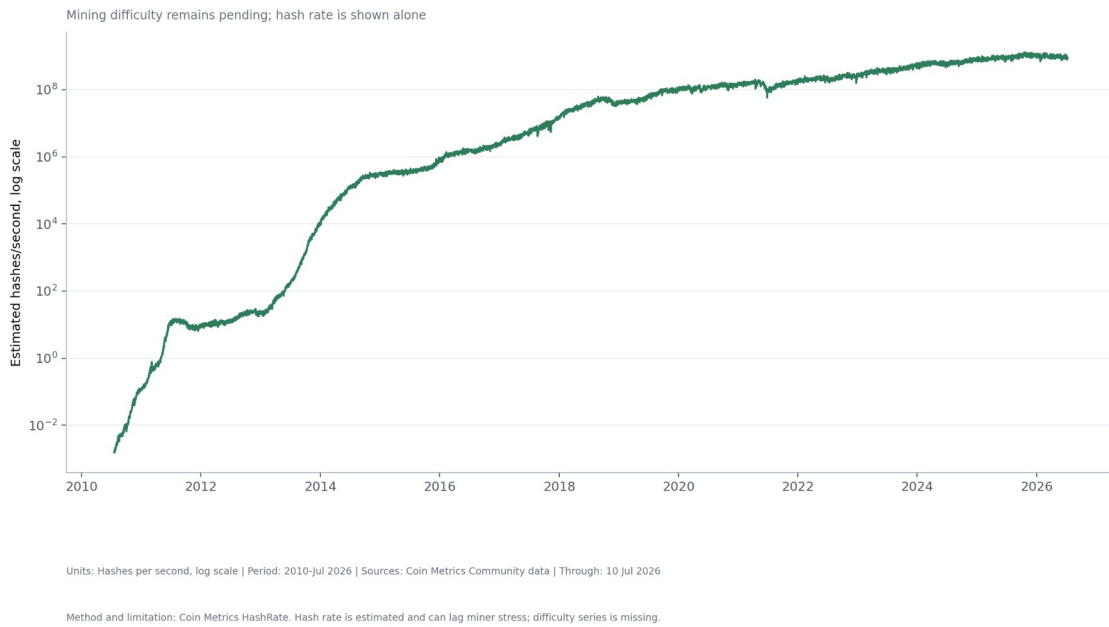


Figure 31. Network Hash Rate Rose Over the Long Run | Source: Coin Metrics Community data | Data: 10 Jul 2026

Hash rate has risen over the long run, strengthening the computational cost of attacking the network. This is one of the more structural pieces of the Bitcoin thesis because security capacity can deepen as specialized capital enters. It is still not a direct valuation model. Hash rate is estimated, difficulty data are incomplete in the verified series, and miners can expand capacity during optimistic periods while their margins deteriorate later.

Mining economics create a possible false signal. More hash can reflect efficient equipment and long-term conviction, but it can also precede financial stress if price, transaction fees, or power economics weaken. Confirmation would require stable network operation and a difficulty-and-revenue picture that does not force widespread distressed selling. For Strategy, stronger network security supports the long-duration asset thesis; it does not pay dividends, refinance debt, or protect the reserve in a near-term downturn.

5.4.5 Derivatives and Positioning

Public Futures Open Interest Covers Only 30 Days

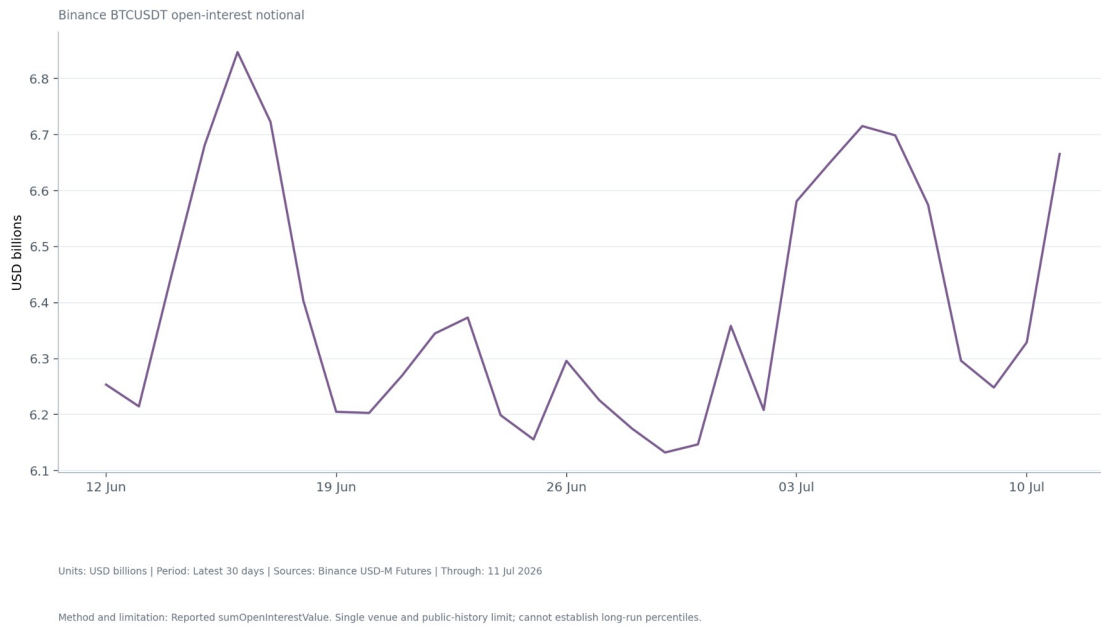


Figure 33. Public Futures Open Interest Covers Only 30 Days | Source: Binance USD-M Futures | Data: 11 Jul 2026

Open interest measures outstanding derivative exposure, not whether that exposure is net bullish or bearish. The available Binance series covers only 30 days and one venue, too little to establish a cycle-wide percentile or aggregate leverage measure. It is useful for identifying rapid changes in the current tactical picture, but it cannot support a claim that system-wide positioning is historically extreme.

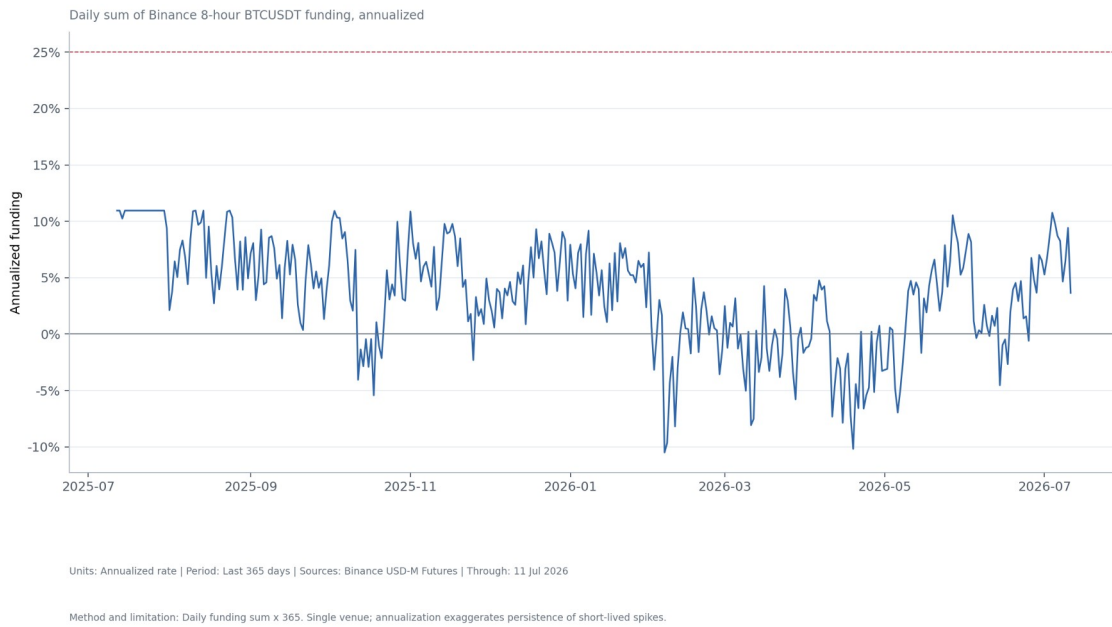
Funding Is Positive but Not at an Extreme

Figure 34. Funding Is Positive but Not at an Extreme | Source: Binance USD-M Futures | Data: 11 Jul 2026

Funding is positive but not extreme. Positive funding means perpetual-futures longs are paying shorts at the sampled venue, which is consistent with directional demand. Annualizing short-lived observations exaggerates persistence, and a moderate rate can coexist with a large absolute position. The evidence suggests leverage is present without the persistent premium normally associated with a crowded long. It is mildly constructive, but funding can reverse quickly during a volatility shock.

CME Continuous-Future Basis Is a Noisy Institutional Proxy

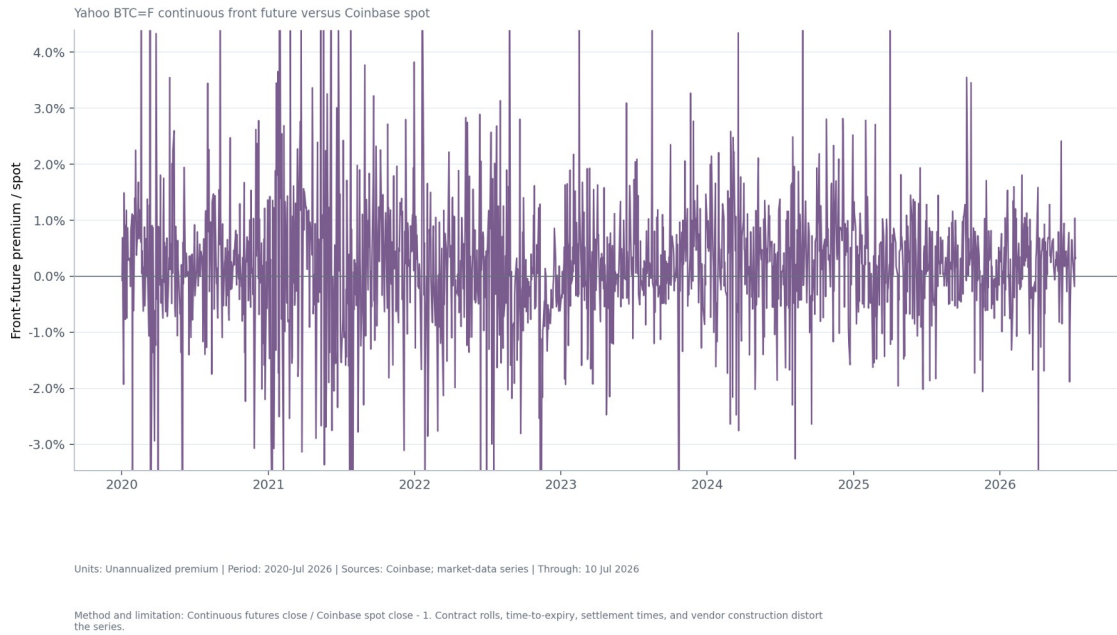


Figure 35. CME Continuous-Future Basis Is a Noisy Institutional Proxy | Source: Coinbase; market-data series | Data: 10 Jul 2026

The continuous CME future is a noisy basis proxy because contract rolling, time to expiry, settlement timing, and curve shape distort the series. A positive premium can reflect institutional demand or the cost of capital in a cash-and-carry trade; a lower premium can reflect weaker demand or simple contract mechanics. The chart helps separate broad institutional participation from retail perpetual positioning, but it is not a precise annualized yield and cannot be traded from this construction alone.

Downside Puts Carry Higher Implied Volatility

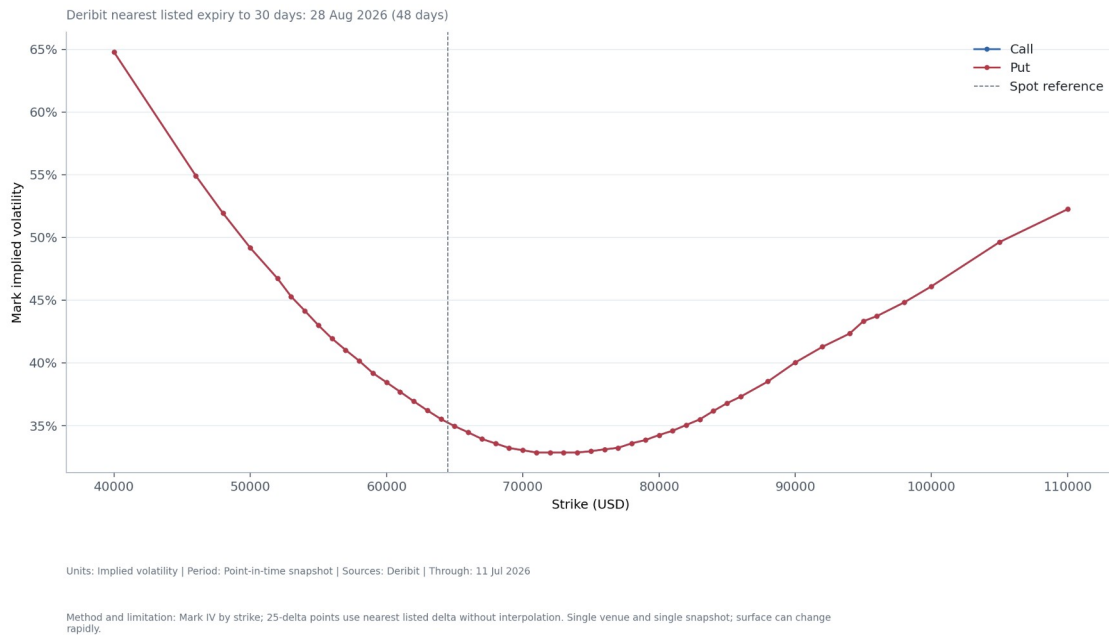


Figure 36. Downside Puts Carry Higher Implied Volatility | Source: Deribit | Data: 11 Jul 2026

Downside puts carry higher implied volatility than comparable calls in the point-in-time Deribit snapshot. The options market is therefore charging more for downside protection than for symmetric upside at the selected expiry. That skew can reflect rational hedging after a drawdown, dealer positioning, or concern about a discontinuous decline. One venue and one expiry cannot establish a persistent regime, and the surface can change quickly.

Taken together, the derivatives evidence is cautious rather than euphoric. Funding is positive, open interest is visible but not historically calibrated, the basis proxy is noisy, and downside insurance remains expensive. That combination does not show a clear leverage washout or a late-cycle speculative extreme. It argues for tactical patience: a funding reset with stable spot price would improve the entry setup, while rising open interest and funding alongside weakening spot would raise liquidation risk.

The implications differ for BTC and MSTR. A derivative liquidation can temporarily dislocate Bitcoin even if the long-term thesis is unchanged. MSTR may react more severely because Bitcoin NAV falls, equity beta can rise, and financing sentiment can tighten simultaneously. I use derivatives to adjust timing and position size, not to change intrinsic value. They currently provide no reason to move beyond the 0%-1% tracking allocation.

5.5 Macro Environment

5.5.1 Current Macro Setting

The current backdrop is mixed. U.S. unemployment was 4.2% in June, while industrial production data through December 2025 still showed positive year-over-year growth. Inflation had moderated from prior peaks, but the composition remained important: services and core inflation were more persistent

than headline relief alone would imply. The economy did not present a clean recession signal, yet it also did not offer the low-rate liquidity environment that supported earlier Bitcoin cycles.

Cash and real yields remain material hurdles. The 10-year nominal Treasury yield was 4.42% and the 10-year real yield 2.32% on 10 July. A positive real return of that size raises the opportunity cost of holding a non-yielding monetary asset. The dollar index was close to 101, neither a crisis high nor an obvious source of broad easing.

Credit and volatility were comparatively orderly. VIX was near 15, and the relationship between high-yield and investment-grade credit proxies did not indicate an acute funding seizure. Federal Reserve assets were approximately \$6.79 trillion and slightly higher year over year, but that measure captures only one part of global dollar liquidity. Fiscal deficits and interest expense remain large, creating a longer-run debasement argument while also keeping term premium and real yields elevated in the present.

The combination matters more than any single observation. Stable labour and credit data reduce the immediate probability of a forced easing cycle. Persistent core inflation and positive real yields limit the case for rapid monetary relief. Low volatility indicates that markets are not pricing an acute crisis, but it can also mean that protection is cheap before conditions deteriorate. The current setting is therefore neither a clean risk-on liquidity expansion nor a confirmed contraction.

For Bitcoin, that mix leaves the structural thesis intact while keeping the discount-rate hurdle high. For MSTR, the hurdle is higher still. Strategy needs not only a sufficiently strong Bitcoin price but also equity and credit markets willing to finance the capital stack on accretive terms. A calm macro backdrop that holds real yields above 2% can be acceptable for spot Bitcoin and still leave preferred capital expensive. That distinction is central to the current tracking-size conclusion.

5.5.2 Liquidity Is a System, Not a Single Line

A Narrow Liquidity Proxy Does Not Explain BTC Alone



Figure 37. A Narrow Liquidity Proxy Does Not Explain BTC Alone | Source: Coinbase; Federal Reserve; Coin Metrics stablecoin data | Data: 10 Jul 2026

The liquidity proxy combines Federal Reserve assets with USDT and USDC supply and compares the resulting index with Bitcoin. Co-movement appears in some intervals and breaks in others. The chart is useful precisely because it rejects a mechanical global-liquidity explanation. It omits other central banks, bank credit, offshore dollars, Treasury cash operations, collateral velocity, and stablecoins outside the selected pair. Equal weighting also imposes an analytical choice rather than an empirically estimated transmission coefficient.

Liquidity is a system of balance sheets and risk preferences. Central-bank assets can rise while commercial-bank credit contracts. Stablecoin supply can expand because traders prefer dollar liquidity rather than because they intend to buy Bitcoin. Treasury issuance can absorb cash that would otherwise support risk assets. Higher real yields can attract capital into government securities even when nominal liquidity measures grow. Apparent liquidity expansion can therefore be neutralized before it reaches Bitcoin.

The confirming pattern would be broad: expanding stablecoin supply, improving bank and market credit, a softer dollar, contained real yields, and stronger spot demand. The rejecting pattern would be a higher narrow index alongside weak Bitcoin, wider credit spreads, or falling market depth. I use Figure 37 as one node in a regime dashboard, never as a standalone causal variable.

For MSTR, broad liquidity must pass through an additional filter. It must support Bitcoin and keep the financing window open. Liquidity that raises Bitcoin but does not improve preferred pricing or mNAV may benefit direct holders more than Strategy's common shareholders. The portfolio consequence is to require confirmation from both the asset market and the capital stack before increasing exposure.

5.5.3 Transmission Into Bitcoin

The causal chain begins with growth and inflation. Those variables shape expected policy, nominal yields, and real yields; rates then affect the dollar and financial conditions; financial conditions influence liquidity, risk appetite, and leverage; Bitcoin responds through both demand and discount-rate channels. Each link is probabilistic, and the lag can change across regimes.

A Stronger Dollar Often Tightens BTC's Financial Backdrop



Figure 38. A Stronger Dollar Often Tightens BTC's Financial Backdrop | Source: Coinbase; market-data series | Data: 10 Jul 2026

Real Yields Are a Material Opportunity-Cost Channel



Figure 39. Real Yields Are a Material Opportunity-Cost Channel | Source: Coinbase; U.S. Treasury | Data: 10 Jul 2026

Short Rates Proxy the Cash Hurdle Facing BTC



Figure 40. Short Rates Proxy the Cash Hurdle Facing BTC | Source: Coinbase; U.S. Treasury | Data: 10 Jul 2026

The dollar chart captures a global funding channel. A stronger dollar raises the local-currency cost of acquiring dollar-priced assets and often accompanies tighter financial conditions. Bitcoin can still rise with DXY when crypto-specific demand is strong or when investors seek an asset outside the banking system. The relationship is therefore cyclical, not a permanent inverse law. A falling dollar is supportive only if it reflects easier liquidity rather than a disorderly loss of confidence that pushes long-term yields and volatility higher.

Real yields provide a clearer opportunity-cost channel. Bitcoin pays no contractual income, so a 2.32% real Treasury yield raises the return investors forgo by holding it. The contemporaneous chart cannot prove causality because TIPS yields include term and liquidity premia, and both variables respond to common shocks. The mechanism remains economically relevant: a sustained decline in real yields lowers the hurdle for scarce non-yielding assets; a rise demands stronger expected appreciation.

Short rates proxy the return available on cash and the stance of policy. Expectations of rate cuts are not automatically bullish. Cuts delivered because inflation is falling while growth remains stable can improve risk appetite. Cuts that confirm a recession or funding stress may initially be bearish as investors reduce leverage and seek cash. Bitcoin's response depends on whether the liquidity benefit arrives before or after the growth and credit shock.

The three charts together argue against a one-variable macro trade. A softer dollar with still-high real yields is incomplete easing. Lower short rates with widening credit spreads may signal recession rather than opportunity. High real yields with resilient Bitcoin can show strong asset-specific demand, but that resilience should be stress-tested rather than extrapolated. I would interpret a simultaneous decline in real yields and the dollar, stable credit, and rising spot demand as meaningful confirmation. The opposite combination would justify reducing risk even if the halving narrative remains constructive.

For MSTR, macro confirmation must be stronger than for Bitcoin because the common adds financing leverage. Improving Bitcoin demand can lift NAV, but a recessionary easing cycle may still compress mNAV and preferred prices. The same rate cut can therefore support the underlying asset and damage the wrapper during the transition. That is why macro signals affect MSTR timing and size, not just the Bitcoin price assumption.

5.5.4 Transmission Into MSTR

MSTR adds a second chain. Bitcoin price changes Strategy's BTC NAV; BTC NAV and market sentiment affect mNAV; mNAV and credit conditions determine access to common, convertible, and preferred financing; financing choices change purchases, sales, modeled cash burden, dilution, BTC per ADSO, and ultimately common residual value.

Credit Risk Appetite Conditions MSTR's Financing Flywheel



Figure 41. Credit Risk Appetite Conditions MSTR's Financing Flywheel | Source: Coinbase; market-data series | Data: 10 Jul 2026

Equity and Bond Volatility Define a Financing Regime



Figure 42. Equity and Bond Volatility Define a Financing Regime | Source: Coinbase; market-data series | Data: 10 Jul 2026

The HYG/LQD ratio is an imperfect credit-risk proxy because it mixes credit and duration effects, but its direction helps identify whether investors are rewarding or avoiding lower-quality balance sheets. MSTR is not a conventional credit story, yet its financing flywheel depends on the same willingness to provide

risk capital. Deteriorating credit appetite can raise preferred yields and close refinancing channels before a legal liquidity problem appears.

VIX and MOVE describe the volatility regime in equity and rates. A volatility shock can compress MSTR's mNAV even if the long-term Bitcoin thesis is unchanged. Rate volatility also matters because it changes discount rates and the terms available for preferred and debt issuance. Low volatility is supportive for market access, but it is not a guarantee of accretion; management can still issue an expensive security or buy Bitcoin at an unfavorable mNAV.

The transmission can break at several points. Bitcoin can rally while MSTR's premium contracts because investors assign less value to future issuance. The dollar can weaken while preferred yields remain high because credit concerns are company-specific. A broad risk rally can lift MSTR's price without improving BTC per ADSO if issuance grows faster than holdings. Each break separates asset performance from common-share performance.

For direct Bitcoin, the portfolio question is primarily price, custody, and volatility. For MSTR, the portfolio question includes the price of capital and the division of future NAV among claims. I therefore require two macro confirmations before adding: conditions must support Bitcoin demand, and they must improve Strategy's financing economics. Credit and volatility currently do not signal an acute closure, but preferred discounts show that permanent capital remains expensive. The net result is neutral for the asset and insufficient for the common.

5.5.5 Inflation, Commodities, the Curve, and Balance Sheets

Gold and BTC Are Not Interchangeable Debasement Hedges



Figure 43. Gold and BTC Are Not Interchangeable Debasement Hedges | Source: Coinbase; market-data series | Data: 10 Jul 2026

Gold and Bitcoin can both respond to debasement concerns, but their investor bases, volatility, market depth, collateral roles, and policy sensitivity differ. The indexed chart shows prolonged divergence

rather than a stable hedge ratio. Gold can benefit from central-bank demand or defensive allocation while Bitcoin suffers from leverage reduction. Bitcoin can outperform during technology-led risk appetite that leaves gold behind. Gold strength therefore confirms that demand for non-sovereign stores of value exists; it does not mechanically forecast an immediate Bitcoin rally.

Oil and Core Inflation Can Pull Policy in Different Directions



Units: USD/bbl and YoY % | Period: 2020-Jun 2026 | Sources: U.S. Bureau of Labor Statistics; market-data series | Through: 10 Jul 2026

Method and limitation: BLS core CPI year-over-year; WTI futures proxy. Oil is only one inflation input; core CPI is monthly and revised seasonally.

Figure 44. Oil and Core Inflation Can Pull Policy in Different Directions | Source: U.S. Bureau of Labor Statistics; market-data series | Data: 10 Jul 2026

Oil and core inflation identify the composition problem. An energy shock can raise headline inflation while weakening household purchasing power and corporate margins. Core inflation can remain sticky because services respond to wages and housing rather than to oil alone. If central banks respond to the inflation impulse, Bitcoin may face higher real yields even as the longer-run currency-debasement narrative strengthens. This is why stagflation is ambiguous for Bitcoin and especially difficult for MSTR financing.

The alternative is that policymakers look through a temporary energy shock and ease as growth weakens. That path may support Bitcoin later, but the initial recession signal can still reduce leverage and mNAV. Confirmation requires more than oil: labour data, core services inflation, breakevens, real yields, and credit must identify whether the shock is inflationary, recessionary, or both.

The Yield Curve Has Re-Steepened After Inversion



Units: Percentage points | Period: 2020-Jul 2026 | Sources: U.S. Treasury | Through: 10 Jul 2026

Method and limitation: 10-year yield minus 2-year yield. Re-steepening can reflect easing expectations, term premium, or fiscal supply; recession dating is not shown.

Figure 45. The Yield Curve Has Re-Steepened After Inversion | Source: U.S. Treasury | Data: 10 Jul 2026

The yield curve has re-steepened after inversion. A bull steepening, led by falling short rates, can signal expected easing and eventual recovery. A bear steepening, led by rising long rates, can reflect fiscal supply, inflation risk, or a higher term premium. The same line on the chart can therefore carry opposite implications. Curve direction without level, credit, and labour context is insufficient.

For Bitcoin, an easing-led steepening can lower the cash hurdle, but a recessionary version may first be risk-off. A fiscal-led steepening can strengthen the debasement narrative while raising real and nominal discount rates. For MSTR, both transitions can be uncomfortable: recession closes financing channels, while a long-end selloff makes permanent and refinancing capital more expensive.

Fed Assets Are Only One Part of Global Liquidity

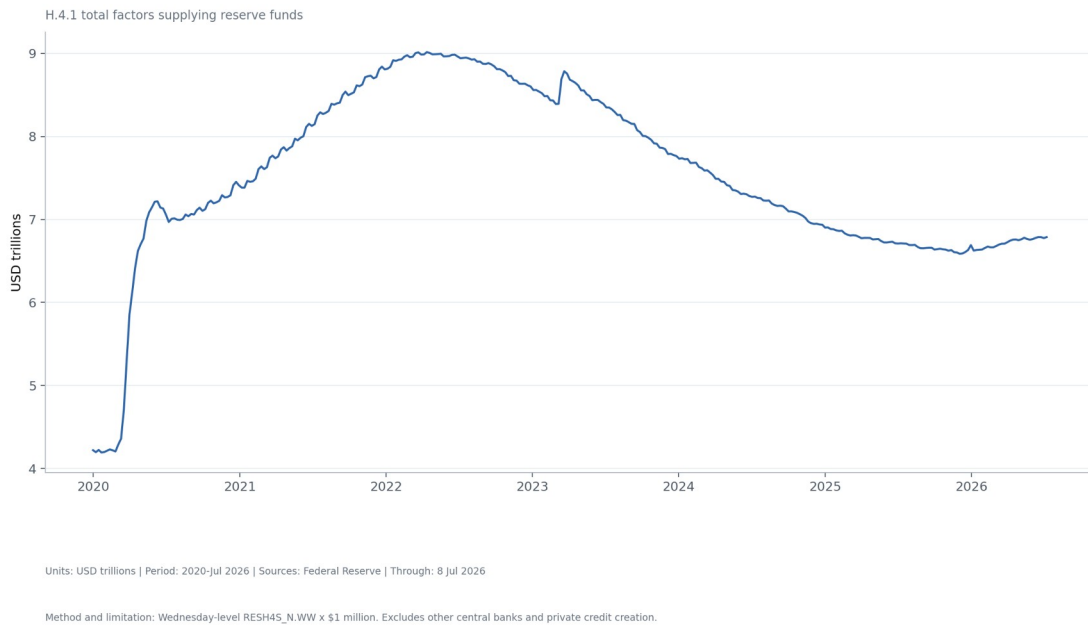


Figure 46. Fed Assets Are Only One Part of Global Liquidity | Source: Federal Reserve | Data: 8 Jul 2026

Federal Reserve assets are one component of liquidity, not a master variable. Their recent stability reduces one headwind but does not guarantee that commercial-bank credit, stablecoins, or cross-border dollar funding will expand. Other central banks and private balance sheets are excluded. Balance-sheet growth can also coincide with defensive demand for reserves rather than an immediate increase in speculative risk appetite.

The four-chart cluster describes competing narratives rather than a single macro verdict. Gold and fiscal concerns support a long-run scarcity thesis. Oil, core inflation, real yields, and term premium can keep the near-term financing hurdle high. A stable Fed balance sheet is less restrictive than active contraction, but it is not broad easing. That combination is compatible with constructive long-term Bitcoin and cautious current MSTR sizing.

5.5.6 Regime Analysis

Table 12. Macro-regime framework

Regime	Probability	Historical BTC 3m	Capital access	Portfolio response
Disinflationary soft landing	30.9%	29.9%	Open	Track/add only after BPS confirmation
Recession and policy easing	7.3%	6.3%	Selective	Reduce risk first; wait for liquidity response
Reflation	10.9%	-11.3%	Open	Selective add if real yields do not rise
Stagflation	17.2%	22.2%	Restricted	Avoid adding; protect reserve risk
Liquidity crisis	16.1%	31.6%	Restricted	Reduce/avoid common; prefer liquidity
Fiscal dominance / debasement	17.5%	-6.8%	Open	Prefer direct BTC until financing gates pass

Disinflationary soft landing. This is the largest single probability at 30.9%. It would be caused by moderating inflation without a material deterioration in employment or production. Confirmation would come from softer core inflation, stable payroll and unemployment data, contained credit spreads, lower rate volatility, and real yields that stop rising. Bitcoin could benefit from improving risk appetite. MSTR would also need preferred yields to normalize, mNAV to support accretive financing, and BPS to stabilize before a larger allocation is justified. The portfolio response is to move from tracking to starter only after those company-specific confirmations.

Recession with policy easing. A deterioration in employment, production, and credit would cause this regime. Wider spreads, rising unemployment, weaker industrial data, and a bull-steepening curve would confirm it. Both Bitcoin and MSTR could fall during the initial demand and deleveraging shock. Policy easing might later support Bitcoin, but MSTR may suffer first through lower mNAV, weaker preferred prices, and restricted financing. Dilution or Bitcoin monetization becomes more likely if the reserve is pressured before easing reaches markets. The portfolio response is to reduce risk before assuming that lower policy rates will arrive quickly enough.

Reflation. Stronger nominal growth, firmer commodities, and recovering demand would cause reflation. It is constructive when inflation rises moderately while real yields and credit remain contained. Bitcoin can benefit from nominal growth and risk appetite, and MSTR may regain a high mNAV that supports common or convertible issuance. If inflation instead lifts real yields and the dollar, the same nominal-growth signal becomes less helpful. MSTR deserves selective exposure only when per-share accretion confirms that open markets are benefiting the common rather than simply expanding the balance sheet.

Stagflation. Weak growth, sticky core inflation, firm commodities, and a constrained central bank define this regime. Bitcoin may eventually respond to currency concerns, but the path can include high real yields and weak risk appetite. MSTR is more vulnerable because preferred spreads can widen while equity liquidity deteriorates, increasing the cost of carrying the asset. The risk of dilution or Bitcoin monetization rises if the modeled cash burden remains high. Avoiding additional common exposure is the appropriate response until financing and reserve conditions improve.

Liquidity crisis. A funding shock would be confirmed by wider credit spreads, rising cross-asset volatility, falling market depth, dollar strength, and disorderly deleveraging. Bitcoin, mNAV, and preferred prices could compress together. Capital access may close when Strategy most needs it, raising the risk of unfavorable dilution or Bitcoin sales. Reserve coverage becomes the primary indicator. Liquidity and position reduction take priority over valuation arguments in this state, even if the market price falls below a static estimate of value.

Fiscal dominance or currency debasement. Persistent deficits, rising debt-service pressure, a higher term premium, and constrained monetary policy can strengthen the long-run case for Bitcoin. Confirmation would include persistent fiscal deterioration, demand for scarce assets, and policy that tolerates inflation or financial repression. Bitcoin may appreciate even while nominal yields remain high. MSTR can benefit, but only if its preferred and refinancing costs do not absorb the asset appreciation. Direct Bitcoin is the cleaner expression until the capital-structure gates pass.

5.5.7 My Macro Judgment

The soft-landing regime is the most likely single outcome, but my confidence is moderate rather than high. Labour and credit data do not show an acute contraction, while inflation and real yields remain too

firm for a broad liquidity call. The combined probability of stagflation, a liquidity crisis, and fiscal dominance is large enough that the tails cannot be ignored.

The main competing regime is recession with policy easing. The case for it rests on the lagged effect of restrictive real rates and the possibility that labour and credit weaken after current data. The evidence against it is the absence of acute spread widening, low equity volatility, and still-positive growth indicators. Stagflation is a smaller but consequential alternative because inflation composition and fiscal pressure can limit the easing response.

I assign moderate confidence because the signals do not align cleanly. A soft landing would help Bitcoin and could reopen Strategy's financing flywheel, but the preferred market is already warning that company-specific capital remains expensive. A recession could eventually lower rates while first damaging mNAV and reserve flexibility. Fiscal concerns can support Bitcoin while simultaneously keeping MSTR's nominal funding costs high.

Macro conditions therefore do not justify buying MSTR on their own. They keep the long-term Bitcoin thesis alive, but they do not remove the need for a valuation discount, stronger reserve coverage, lower preferred yields, and demonstrated per-share accretion. The portfolio implication is asymmetric: macro improvement can confirm a starter after the company gates pass, while a credit or volatility deterioration can reduce the tracking position before the valuation appears statistically cheap.

5.6 Technical, On-Chain, and Derivatives Analysis

5.6.1 Higher-Timeframe Structure

Bitcoin remains below its prior major peak. The monthly trend is classified as bearish without full confirmation, while the weekly trend is bullish but also unconfirmed. This disagreement is typical of a transition rather than a clean trend regime.

Monthly Structure Remains Below Its Prior Peak



Figure 47. Monthly Structure Remains Below Its Prior Peak | Source: Coinbase | Data: 10 Jul 2026

The monthly chart compares the close with a 10-month trend filter and the prior peak. The incomplete July bar is not treated as a confirmed signal. Price below the former high and a damaged monthly structure indicate that long-term momentum has not fully repaired. The weekly view is more constructive because the market has formed an intermediate recovery, but that recovery has not yet resolved the overhead supply visible on the longer timeframe.

This is a transition regime. A bullish weekly structure inside a bearish monthly structure can produce powerful rallies without establishing a new secular high. It can also be the early stage of a durable recovery. The distinction is made by acceptance, not by a single touch: repeated closes above prior resistance, improving volume, and a reclaim of key anchored cost bases would support the recovery interpretation. A rejection at resistance followed by a break of the \$59,000-\$60,000 region would support distribution.

The same structure has different implications for Bitcoin and MSTR. Bitcoin can be accumulated tactically near support if the investor can tolerate the asset's volatility. MSTR requires the Bitcoin level to hold and the corporate wrapper to improve. A Bitcoin bounce that leaves MSTR below its daily trend, mNAV compressed, and preferred yields high is insufficient. The long-term structural view is constructive but unconfirmed; the medium-term trend is mixed; the tactical condition requires evidence. That hierarchy keeps the common position small.

5.6.2 Order Blocks and Institutional Activity

Weekly Order Blocks Are Zones, Not Precise Prices



Figure 48. Weekly Order Blocks Are Zones, Not Precise Prices | Source: Coinbase; predefined technical rules | Data: 10 Jul 2026

Order blocks are identified from prior-only swing information, a volume percentile, an ATR-based displacement threshold, and a subsequent retest. Entry occurs no earlier than the next bar after confirmation. A block is invalidated only by a close beyond its distal edge, reducing the temptation to redraw zones after the outcome is known.

Volume peaks matter because they identify areas where unusually large turnover accompanied displacement. They can be consistent with institutional activity, but they do not prove that a particular institution accumulated or distributed inventory. Internal buying and selling remain inferences from price and volume, not direct position data.

Mitigation describes price returning to a prior displacement zone, where trapped or unfinished orders may reappear. Confirmation requires renewed movement away from the zone; a touch alone is not enough. The out-of-sample test did not demonstrate a reliable independent edge. Bullish BTC signals after 2023 had a 42.9% net hit rate and a negative median return, while bullish MSTR signals had a 37.5% hit rate and a negative median.

Timeframe matters. A weekly block identifies a broad region in which a large displacement began; it is not a precise executable price. Daily blocks provide more observations but are more sensitive to noise, venue volume, and parameter choice. The pre-specified rule requires an impulse of at least 1.25 ATR, volume at or above the 70th percentile, and a breakout based only on information available before the signal. The next-bar entry convention reduces obvious look-ahead, while the 35-basis-point round-trip cost prevents gross returns from being presented as frictionless.

The controls do not eliminate every bias. Pivot and swing definitions can depend on confirmation bars; overlapping trades reduce independence; Coinbase volume is only one venue; and the selected ATR and volume thresholds influence both the number and quality of signals. Parameter sensitivity shows that several nearby settings produce different average outcomes. A zone can also appear visually persuasive after the subsequent move, which creates a repainting risk in discretionary use even when the coded rule itself is fixed.

The in-sample results are not a license to trade. Bullish performance weakened materially after 2023, and the small weekly sample is especially unreliable. The out-of-sample results did not demonstrate a reliable independent predictive edge. That conclusion is stronger than saying the indicator merely needs more data: the available test gives no basis for letting order blocks determine direction, intrinsic value, or a strategic allocation.

I retain the framework for narrower purposes. It identifies areas of interest, organizes scenarios before price arrives, improves the timing of an otherwise justified entry, scales position size according to distance from invalidation, and defines where the tactical setup is wrong. It cannot make an expensive security cheap or repair reserve coverage. If an order block aligns with improving trend, acceptable valuation, stable BPS, and a non-red risk dashboard, it can refine execution. If those conditions conflict, the capital-structure thesis receives greater weight.

Table 13. Order-block evidence

Asset	Timeframe	Sample	Trades	Net hit rate	Median net	Conclusion
BTC	Daily	Before 2023	36	72.2%	8.8%	In-sample context only
BTC	Daily	2023 onward	14	42.9%	-0.6%	No reliable independent edge
BTC	Weekly	2023 onward	2	0.0%	-15.6%	No reliable independent edge
MSTR	Daily	2023 onward	8	37.5%	-8.7%	No reliable independent edge

5.6.3 Medium-Term Structure and Liquidity

Volume Concentrates at a Small Number of Price Bands

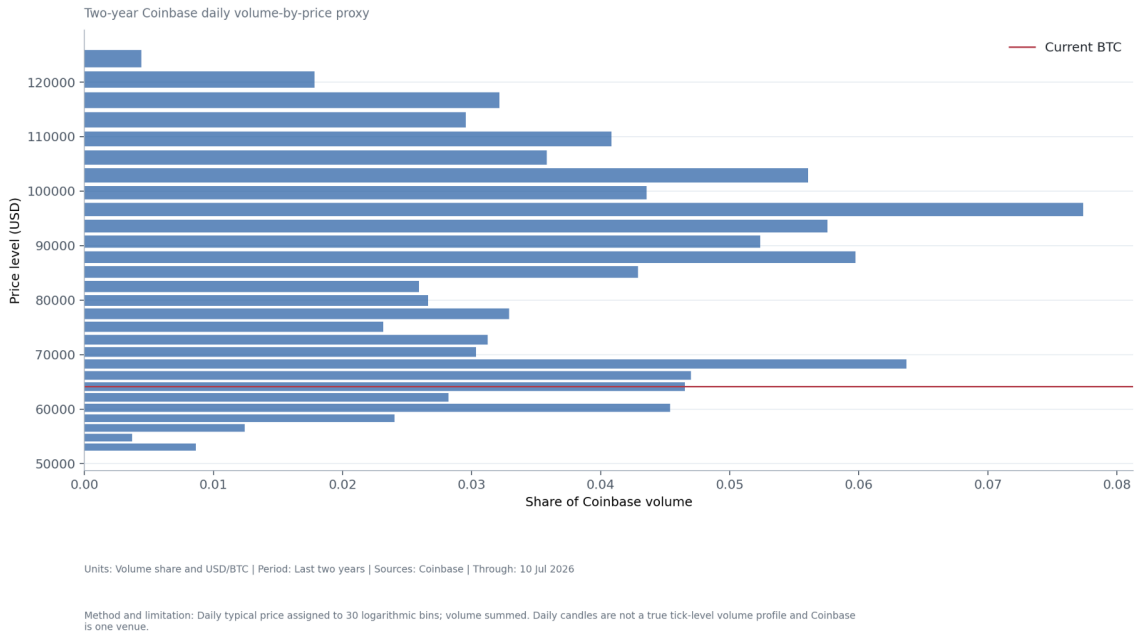


Figure 49. Volume Concentrates at a Small Number of Price Bands | Source: Coinbase | Data: 10 Jul 2026

The volume profile assigns Coinbase daily volume to logarithmic price bins over two years. Concentration at a limited number of bands suggests that substantial turnover occurred there and that many market participants may reference similar prices. These high-volume nodes can attract repeated trading because holders rebalance near perceived breakeven. They are not hard floors: daily candles do not reproduce a true tick-level profile, Coinbase is one venue, and a liquidity shock can move through a high-volume area without producing support.

Anchored VWAPs Define Distinct Holder Cost Bases

Figure 50. Anchored VWAPs Define Distinct Holder Cost Bases | Source: Coinbase | Data: 10 Jul 2026

Anchored VWAPs estimate volume-weighted cost bases from the 2022 cycle low, the 2024 halving, and the 2025 peak. The anchor choice is discretionary, but the comparison is useful because it separates cohorts created by different market events. When price trades below several anchors, rallies can encounter holders seeking to exit near breakeven. Reclaiming an anchor with volume and holding it on subsequent closes is stronger evidence than a brief intraday cross.

Volume profile and anchored VWAP describe different aspects of the same mechanism. The profile identifies where trading accumulated across a range; anchored VWAP tracks the average cost from a chosen event through time. Agreement between a high-volume node and an anchored cost basis increases the relevance of a zone, but it does not make the signal causal. Conflicting evidence, such as a reclaim on falling volume or a high-volume node that fails immediately, would weaken the setup.

Repeated Swing Levels Form Liquidity Zones



Figure 51. Repeated Swing Levels Form Liquidity Zones | Source: Coinbase | Data: 10 Jul 2026

Nearest Support and Resistance Must Be Read as Ranges

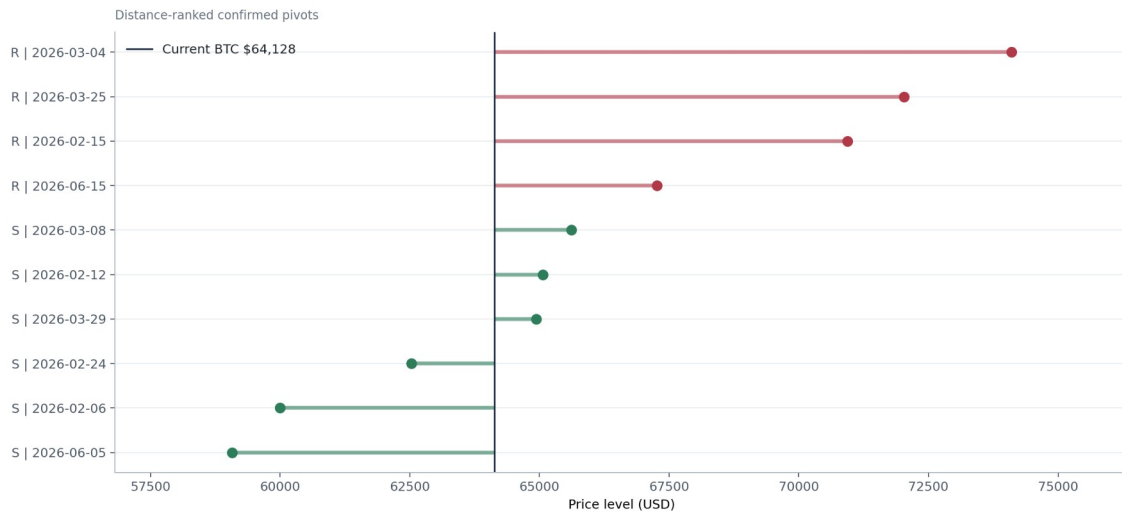


Figure 52. Nearest Support and Resistance Must Be Read as Ranges | Source: Coinbase | Data: 10 Jul 2026

Repeated swing levels form liquidity zones because stops and resting orders tend to cluster around visible highs and lows. The nearest meaningful Bitcoin resistance begins around \$67,264, followed by roughly \$70,942-\$76,023. Support is concentrated near \$62,535 and then \$59,073-\$60,001. The levels

are ranked from confirmed pivots and are descriptive ranges, not forecasts. The five-bar confirmation requirement means a pivot was not tradable at the exact origin shown on the chart.

Liquidity can create both support and acceleration. Price may reverse when resting demand absorbs selling, or it may move faster once stops beyond a repeated level are triggered. The relevant evidence is how price behaves after entering the zone: rejection, acceptance, volume, and subsequent close. A single wick does not establish either accumulation or breakdown.

Invalidation Requires a Close Beyond the Zone



Figure 53. Invalidation Requires a Close Beyond the Zone | Source: Coinbase; predefined technical rules | Data: 10 Jul 2026

Invalidation requires a close beyond the zone plus the pre-specified one-ATR volatility buffer. This avoids treating every wick as a structural break while still defining a point where the original setup is no longer valid. ATR changes with volatility, so the boundary must be recalculated rather than treated as permanent. The distance from entry to invalidation determines tactical size; it does not determine intrinsic value.

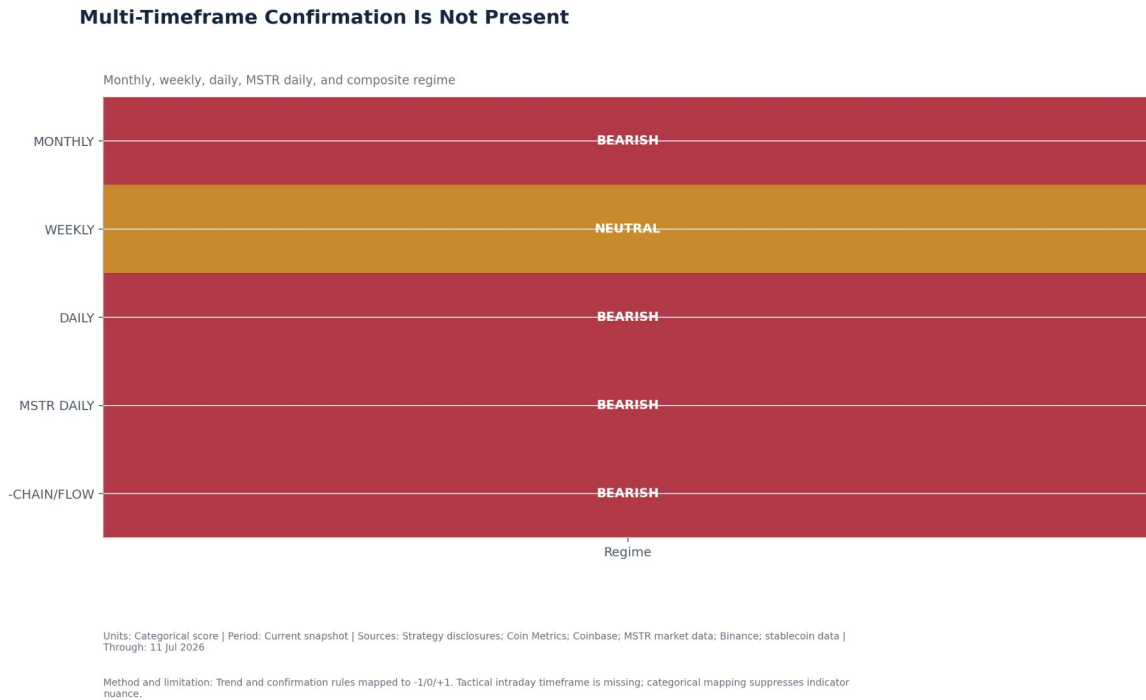


Figure 54. Multi-Timeframe Confirmation Is Not Present | Source: Strategy disclosures; Coin Metrics; Coinbase; MSTR market data; Binance; stablecoin data | Data: 11 Jul 2026

Multi-timeframe confirmation is absent. Daily Bitcoin is bearish and confirmed, weekly structure is bullish but unconfirmed, and monthly structure remains bearish without confirmation. MSTR's daily trend is also bearish. The dashboard compresses nuanced indicators into -1, 0, and +1, and it lacks an intraday tactical layer, so it should not be read as a precise probability score. Its value is the visible disagreement.

The long-term structural view remains conditional, the medium-term trend is weak, and tactical support is close enough to matter. A constructive sequence would be support holding, daily structure improving, anchored VWAPs being reclaimed, and weekly confirmation following. A negative sequence would be a close through the distal support buffer while MSTR remains technically weak and capital conditions deteriorate. The contradiction argues for small size and staged evidence rather than for chasing a single timeframe.

For MSTR, a valid Bitcoin support zone is necessary but not sufficient. MSTR can fail to participate if mNAV compresses, the equity trend remains bearish, preferred yields rise, or reserve coverage deteriorates. I therefore use Bitcoin technicals to time the asset exposure and MSTR-specific gates to decide whether the corporate wrapper deserves any additional capital.

5.6.4 Integrated On-Chain and Derivatives Reading

The on-chain evidence is mixed: realized capital has grown, exchange balances have declined, and network security is strong, but MVRV is not at a deep-value extreme and several useful cohort metrics are unavailable. Derivatives show moderate positive funding and expensive downside protection without proof of an extreme leverage build.

The indicators measure different mechanisms and should not be averaged without judgment. Realized value addresses aggregate on-chain cost basis; exchange balances address visible supply; hash rate addresses network security; funding and open interest address leveraged positioning; options skew addresses the price of protection. None observes investor intent directly, and several use a single venue or an incomplete historical window.

Taken together, the regime is bearish but not capitulatory. The composite Bitcoin score is 38.75 out of 100, a summary rather than a forecast. Supporting evidence includes an established realized-cost base, lower exchange-attributed balances, and strong network security. Contradictory evidence includes price below the prior peak, MVRV above deep-value conditions, unconfirmed higher-timeframe trend, and expensive downside options.

For MSTR, that uncertainty is compounded by a weak equity trend and a market price above conservative diluted residual value. A Bitcoin technical recovery would improve NAV but would not automatically repair the preferred market or dilute claims. The appropriate consequence is a tracking allocation, not a full position. A starter requires both technical confirmation and the independent capital-structure gates; a technical breakdown with reserve or credit deterioration would justify reducing exposure before the long-term Bitcoin thesis is abandoned.

5.7 Historical Evidence and Capital Allocation

5.7.1 Base Rates

Table 14. Historical base-rate comparison

Metric	MSTR	Bitcoin	Interpretation
Cumulative return	550.61%	809.65%	Endpoint gain; does not describe path risk
CAGR	33.30%	40.33%	Bitcoin compounded faster over the aligned sample
Annualized volatility	89.69%	61.23%	MSTR required a materially larger risk budget
Maximum drawdown	-89.27%	-76.67%	MSTR approached a near-total interim loss
Daily 5th percentile	-7.69%	-5.56%	MSTR also carried a heavier daily left tail

MSTR returned 550.61% over the aligned sample, compared with 809.65% for Bitcoin. Its 33.30% compound annual growth rate trailed Bitcoin's 40.33%, while annualized volatility was 89.69% versus 61.23%. Maximum drawdown reached -89.27%, compared with -76.67% for Bitcoin.

These figures challenge the simple claim that corporate leverage necessarily improves the long-run result. MSTR produced periods of extraordinary upside, but the full sample delivered lower compound growth than Bitcoin with greater volatility and a deeper drawdown. Endpoint selection and investor holding ability matter.

The base rate is not a forecast that MSTR must continue to underperform. It is a constraint on the burden of proof. An investor choosing the corporate wrapper accepted approximately 1.5 times Bitcoin's annualized volatility in the aligned history and a materially deeper drawdown without receiving the higher full-period compound return. A future MSTR allocation therefore needs either a better entry

valuation or credible evidence that the financing platform will add per-share value under the current capital structure.

The sample also contains different versions of the company and Bitcoin market. Strategy's preferred layer, ADSO, and financing toolkit changed, while Bitcoin moved from a smaller market toward broader institutional access. Historical averages blur those structural changes. I use the figures to reject casual claims of superior risk-adjusted exposure, not to estimate a stable expected return.

5.7.2 Financing Events and Per-Share Outcomes

The financing-event record contains 11 transactions with sufficiently verifiable terms. Results are not uniform, and early ADSO history is incomplete. The correct conclusion is not that financing never works; it is that accretion depends on price, security design, fees, market response, and subsequent dilution.

Table 15. Capital-structure history

Date	Debt	Preferred	USD reserve	Residual / ADSO	Reserve coverage
2026-03-31	\$8.25B	\$10.00B	\$2.14B	\$94.94	23.7 months
2026-04-26	\$8.25B	\$13.52B	\$2.25B	\$114.96	18.2 months
2026-05-25	\$6.70B	\$15.50B	\$0.87B	\$110.18	5.9 months
2026-07-09	\$6.754B	\$15.464B	\$2.550B	\$83.82	17.4 months

Common issuance is most productive when mNAV is high enough that each percentage point of ownership sold funds more than the same percentage increase in diluted claims. In that regime, the company can convert a market premium into additional Bitcoin per ADSO. The mechanism depends on execution: the premium must persist through pricing, fees must be contained, and the subsequent Bitcoin purchase must not be offset by another claim. A high headline premium does not guarantee accretion if the transaction is too large or the denominator expands again soon afterward.

Convertibles can work when low coupons preserve cash and the conversion price transfers value only after substantial common appreciation. They can fail the second gate when the future diluted share count absorbs too much upside. Preferred issuance can avoid immediate common dilution and extend funding duration, but it raises hidden future costs through dividends and seniority. The absence of current dilution is not the same as the absence of economic dilution.

The event record illustrates this conditionality. Several financing windows were followed by higher BTC per ADSO; others produced flat or negative outcomes. Because transactions overlap and the observation window is short, the table does not attribute each result to a single security. It shows that security design and market regime matter. The financing flywheel was strongest when Bitcoin and mNAV were supportive. Evidence outside those favorable regimes is less complete and less consistent.

BTC per share is necessary but insufficient. A transaction can increase Bitcoin ownership per diluted share while adding a preferred claim whose present burden reduces the residual. Residual value per ADSO is the second gate because it captures the ownership denominator and the claims ahead of common. I would not call an issuance accretive without passing both tests under a plausible stress path.

The reserve and claim chronology reinforces this point. A favorable current snapshot can follow a period of materially weaker coverage. Capital allocation should therefore be judged as a sequence of decisions

rather than as a single balance-sheet date. The historical flywheel earns credit when it builds reserve and diluted per-share value through a weak market, not only when a Bitcoin rally makes every prior purchase look successful.

5.7.3 What the History Can and Cannot Prove

Historical returns do not settle the current valuation. Strategy's capital structure, preferred layer, share count, and market size have changed. Earlier periods may overstate the repeatability of issuing at extreme premiums, while the current platform may also possess financing options that did not exist in the early sample.

History supports three narrower conclusions. First, MSTR can outperform sharply when Bitcoin, mNAV, and financing access reinforce one another. Second, that relationship is unstable and can reverse. Third, management has repeatedly accessed capital markets, but not every event improved diluted per-share economics. None of those conclusions determines the current value without a forward capital-stack assessment.

I use history as a base rate and a source of stress scenarios. I do not assume the average return, beta, mNAV, or preferred-market capacity from the past will remain stable through 2030. The current recommendation gives more weight to observable reserve, BPS, and financing costs than to the most favorable historical episode.

5.8 Path-Dependent Valuation

5.8.1 Why Terminal Bitcoin Is Not Enough

A terminal Bitcoin price leaves several questions unanswered: when did price fall or rise, when was capital raised, at what mNAV, how many shares were issued, how much preferred capital accumulated, whether Bitcoin was sold for liquidity, and how much reserve remained before refinancing dates.

Table 16. Deterministic path comparison

Path	BTC 2030	BTC holdings	ADSO	BTC / ADSO	Reserve months	MSTR value
Fall, then recover	\$175,000	741,053	455.3M	0.001628	16.8	\$270.59
Rise immediately	\$175,000	918,565	508.3M	0.001807	24.9	\$335.06
Depressed for two years	\$120,000	672,542	444.3M	0.001514	15.0	\$127.57
Volatile, same terminal	\$175,000	770,009	491.3M	0.001567	15.0	\$263.75
Weak mNAV and refinancing	\$175,000	710,638	444.3M	0.001599	15.0	\$248.65
Severe dilution first	\$175,000	889,751	628.3M	0.001416	16.7	\$233.68
Moderate BTC, delever	\$130,000	784,345	489.3M	0.001603	18.0	\$186.62

Sequence risk means that the order of events changes the opportunity set. A company that reaches \$175,000 Bitcoin through an early rally can issue capital while mNAV and market depth are supportive. The same endpoint reached after two weak years can force Bitcoin sales, expensive preferred issuance, or refinancing before the recovery arrives. Once those claims or shares are issued, the later Bitcoin price is divided among a different ownership and liability structure.

The deterministic model is designed to expose that mechanism. It applies annual assumptions for Bitcoin, volatility, financing, reserve policy, debt actions, preferred costs, purchases, sales, and dilution. It is not a point forecast and does not reproduce intrayear market microstructure. Annual periods compress shocks that could be more severe in practice. Its purpose is to identify decisions and thresholds that a terminal-price model cannot see.

5.8.2 Equal Bitcoin, Different Common Equity

Equal Terminal BTC Prices Do Not Produce Equal MSTR Values

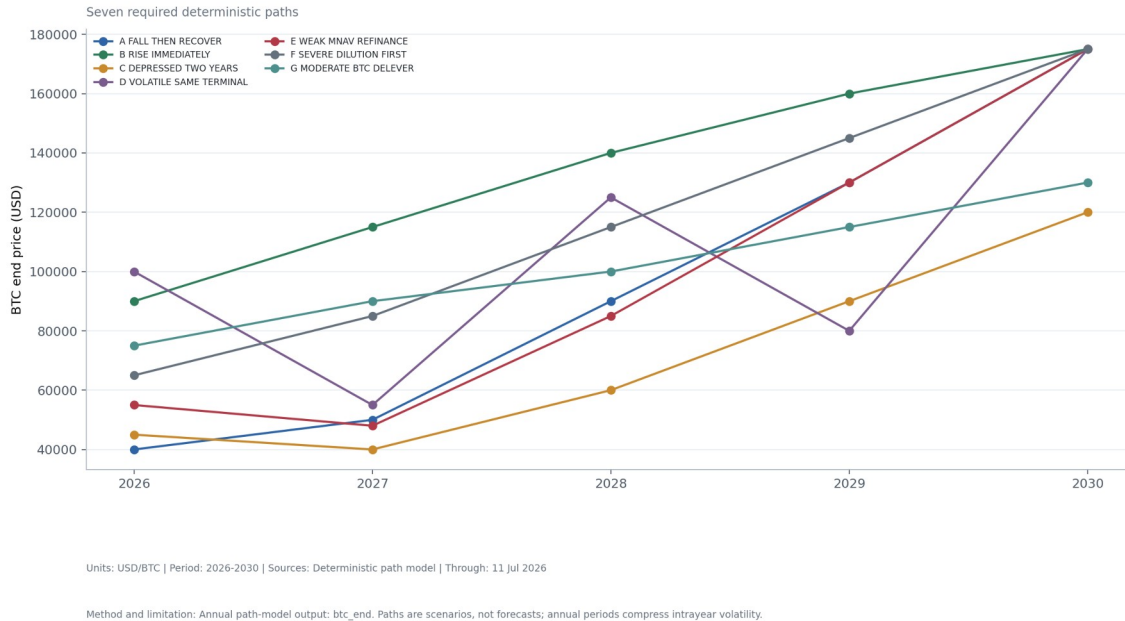


Figure 55. Equal Terminal BTC Prices Do Not Produce Equal MSTR Values | Source: Deterministic path model | Data: 11 Jul 2026

Five modeled paths end at the same \$175,000 Bitcoin price yet produce MSTR values ranging from \$233.68 to \$335.06. The difference is not a forecasting error. It is the economic effect of financing sequence, claims, dilution, and reserve. Path B rises immediately from \$90,000 in 2026 toward \$175,000, preserving market access and ending near the top of the range. Path F reaches the same endpoint after severe early dilution and ends near the bottom.

Path A falls to \$40,000 before recovering. The company sells Bitcoin, rebuilds only the required reserve, and carries the consequences of refinancing through the recovery. Path D is volatile: an early rise is followed by a sharp reversal and another decline before the final advance. Path E combines weak mNAV with costly refinancing. These paths demonstrate that a favorable terminal asset price cannot restore ownership already diluted or remove a cash burden already locked in.

Reserve Paths Depend on Financing Access and BTC Sales

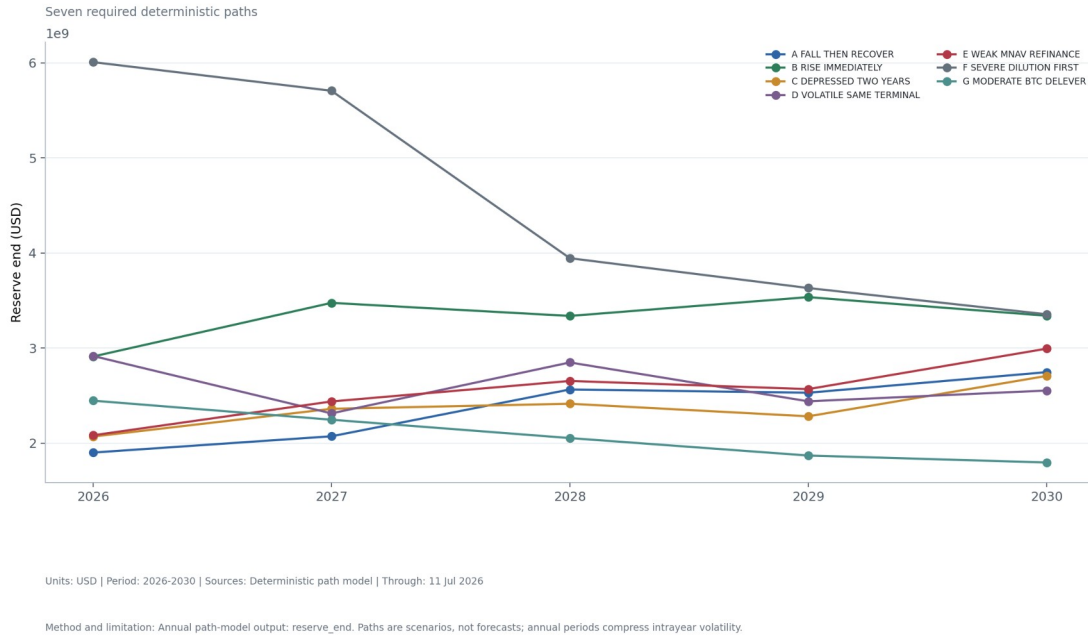


Figure 56. Reserve Paths Depend on Financing Access and BTC Sales | Source: Deterministic path model | Data: 11 Jul 2026

Reserve paths depend on whether capital markets remain open and whether Bitcoin must be sold. Several stress paths repeatedly rebuild only the model's minimum coverage. A company can finish with a strong terminal asset price while suffering a liquidity problem before reaching it. The reserve is therefore an early-state variable: it determines whether management can wait for a better financing window or must accept the terms available today.

Reserve rebuilding is not automatically positive for common holders. It can come from accretive issuance, operating cash, a preferred security with a high dividend, or a Bitcoin sale. The same ending cash balance may conceal very different economic costs. I therefore pair reserve coverage with BTC per ADSO and the modeled cash burden rather than treating cash alone as safety.

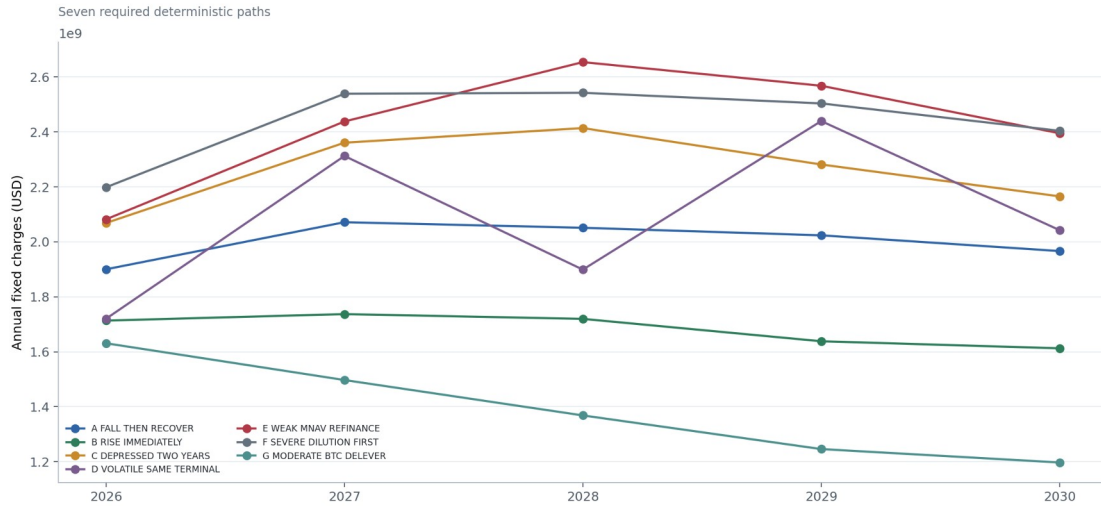
Weak Refinancing Can Lock in a Higher Cash Burden

Figure 57. Weak Refinancing Can Lock in a Higher Cash Burden | Source: Deterministic path model | Data: 11 Jul 2026

Weak refinancing can lock in a higher cash burden. Path E carries a particularly high preferred and refinancing cost. Even if Bitcoin later recovers, the higher modeled cash burden remains and reduces the residual available to common shareholders. This is the financing equivalent of buying insurance after volatility has risen: the protection may be necessary, but the premium permanently alters the payoff.

The chart also explains why low current debt coupons are not a complete defense. The relevant rate is the one available when holders can put the notes or when liquidity must be extended. A temporary credit closure around 2027-2028 can matter more than the average financing cost across the whole period.

Dilution Is the Main Difference Between Strong-BTC Paths

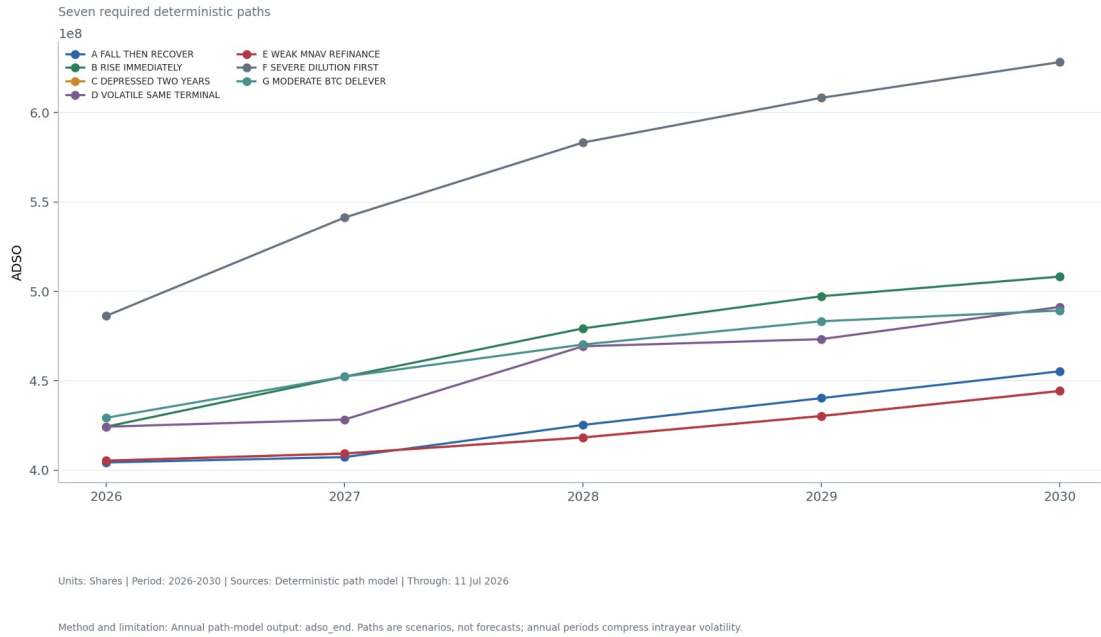


Figure 58. Dilution Is the Main Difference Between Strong-BTC Paths | Source: Deterministic path model | Data: 11 Jul 2026

Dilution is the main difference between several strong-Bitcoin paths. Path F expands ADSO much earlier and more aggressively than the other \$175,000 paths. Issuing common at a high premium can be accretive because each new share funds a disproportionate increase in assets. The same number of shares issued at a weak mNAV transfers more of the future asset value away from existing holders. The terminal chart records the cumulative result of those decisions rather than judging issuance by its headline proceeds.

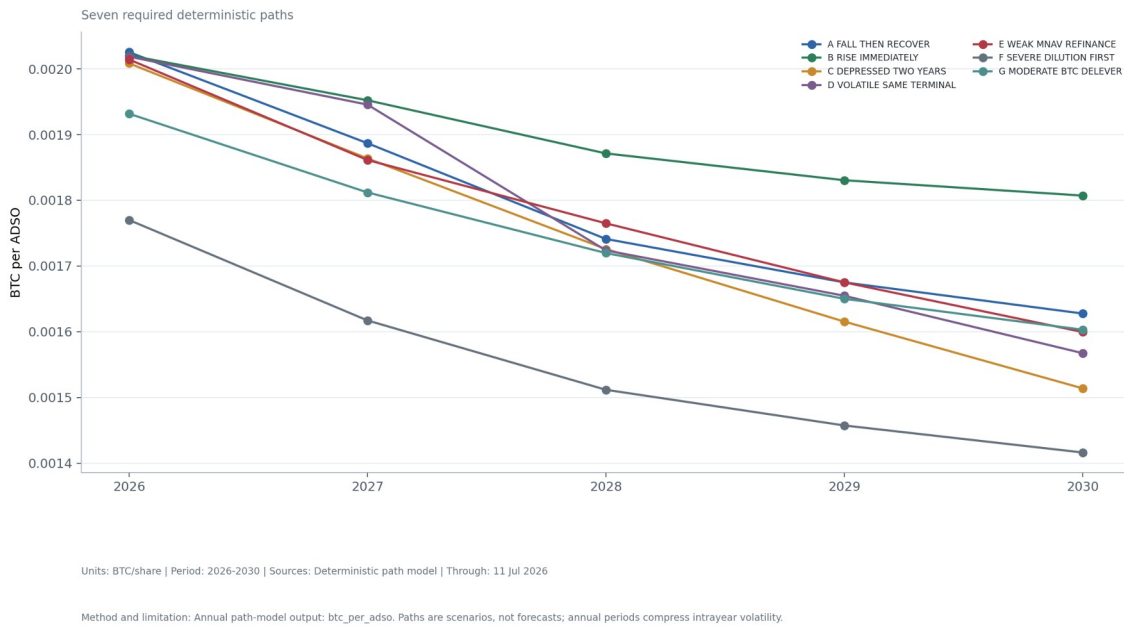
BTC per ADSO Can Fall Even as Holdings Rise

Figure 59. BTC per ADSO Can Fall Even as Holdings Rise | Source: Deterministic path model | Data: 11 Jul 2026

BTC per ADSO can decline while total Bitcoin holdings increase. This is the clearest reason gross holdings are not an adequate performance measure for common shareholders. A path may show successful capital raising and a larger treasury while each diluted owner finishes with less Bitcoin exposure. The BPS gate catches that transfer before a terminal residual calculation is available.

BPS is still not sufficient because two paths with similar Bitcoin per diluted share can carry different preferred and debt claims. It is the first gate, not the final valuation. The strongest path combines acceptable dilution with lower senior claims, a manageable modeled cash burden, and reserve flexibility.

Residual Value Spans a Wide Range at the Same BTC Endpoint

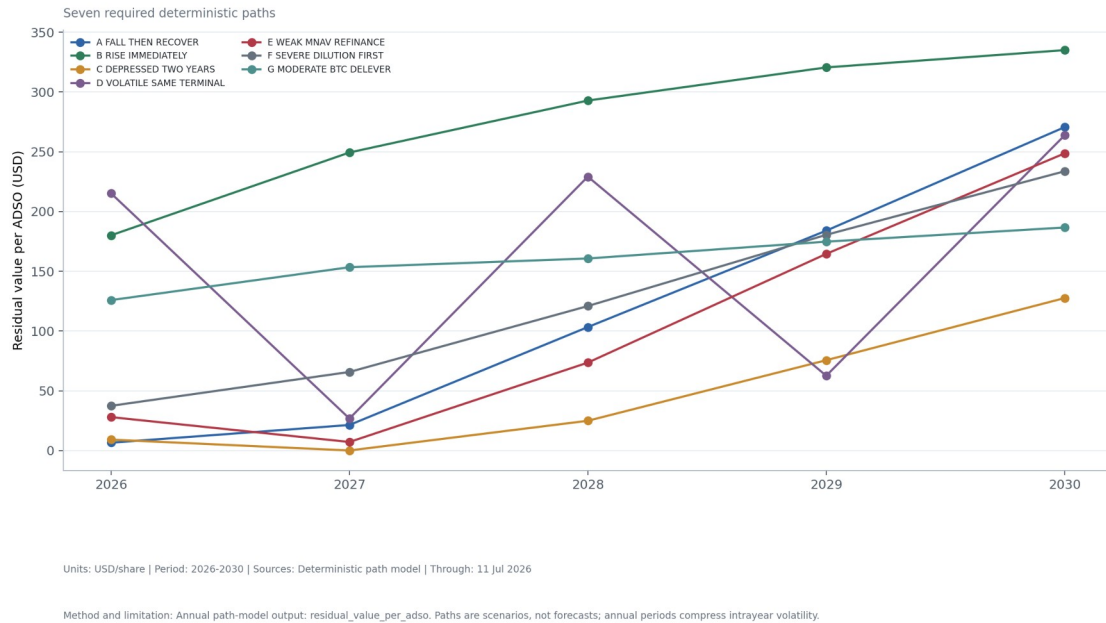


Figure 60. Residual Value Spans a Wide Range at the Same BTC Endpoint | Source: Deterministic path model | Data: 11 Jul 2026

The residual-value range remains wide even at the same terminal Bitcoin price. The five \$175,000 paths span approximately \$101 per ADSO from the weakest to the strongest outcome. The range is economically larger than the current gap between market price and conservative residual value. A single 2030 Bitcoin target therefore gives a false impression of precision if it is converted directly into an MSTR target.

The model is useful for capital allocation decisions. It identifies the reserve level at which flexibility becomes scarce, the financing conditions under which preferred issuance becomes destructive, the dilution path that breaks per-share accretion, and the point where Bitcoin sales begin to fund the liability stack. It cannot determine the exact Bitcoin path, the mNAV investors will assign, the security management will choose, or the legal outcome of a restructuring.

I use the paths to define observable gates rather than to average the terminal values mechanically. Stable BPS, reserve above 15-18 months, normalized preferred yields, and financing completed at an accretive mNAV are evidence that the company is moving toward a stronger path. Falling BPS, repeated reserve rebuilding through asset sales, and a higher modeled cash burden indicate a weaker one. The current state remains between those cases, which supports tracking exposure while waiting for the path to reveal itself.

5.9 Risk and Reverse Stress Tests

5.9.1 Static Sensitivity

Table 17. Static valuation sensitivity

BTC	0.8x	1.0x	1.2x	1.4x
\$40,000	\$18	\$35	\$52	\$69
\$50,000	\$35	\$56	\$77	\$98
\$63,175	\$57	\$84	\$110	\$137
\$75,000	\$77	\$109	\$140	\$172
\$100,000	\$119	\$161	\$203	\$245
\$150,000	\$203	\$266	\$329	\$393
\$250,000	\$372	\$477	\$582	\$687

The sensitivity table shows how Bitcoin price and mNAV interact under the current capital structure. It is useful for identifying the combination required to support today's share price, but it does not model the path taken to reach that combination.

Table 18. Reverse stress test

BTC price	BTC NAV	Residual / ADSO	BTC sold for one-year modeled cash burden	% holdings
\$25,000	\$21.09B	\$4	70,512	8.4%
\$40,000	\$33.75B	\$35	44,070	5.2%
\$60,000	\$50.63B	\$77	29,380	3.5%
\$75,000	\$63.28B	\$109	23,504	2.8%
\$100,000	\$84.38B	\$161	17,628	2.1%
\$150,000	\$126.57B	\$266	11,752	1.4%

The reverse stress test asks what must fail rather than what might go right. At low Bitcoin prices, senior claims consume most or all of the common residual. Funding one year of modeled cash burden through Bitcoin sales also becomes progressively more destructive as price falls.

Static sensitivity is best read as a map of the current balance sheet, not as a price target. Moving horizontally changes the market's valuation multiple on the Bitcoin treasury; moving vertically changes the value of the treasury itself. The two variables can reinforce each other in a favorable regime, but they are not economically equivalent. A higher Bitcoin price creates asset value. A higher mNAV is a market judgment about Strategy's financing capacity, execution, liquidity, and future accretion. Only the first is owned directly on the balance sheet.

That distinction matters because the mNAV multiple can contract even while Bitcoin rises. If preferred yields remain high, ADSO continues to expand faster than Bitcoin per share, or investors lose confidence in accretive financing, the corporate wrapper may receive less credit despite a constructive asset

market. The reverse can also occur: a modest Bitcoin advance can produce a larger MSTR move when mNAV expands and issuance terms improve. The sensitivity table therefore describes the joint condition required to support common equity, while the path model explains whether the company can arrive there without locking in expensive claims or dilution.

The reverse stress table converts valuation into a liquidity question. As Bitcoin falls, the number of coins required to meet a fixed dollar obligation rises nonlinearly. A one-year cash requirement that looks manageable near the valuation date can become materially more expensive after a drawdown, precisely when the market may offer the least attractive refinancing terms. This is why I assign more weight to reserve coverage before the 2027-2028 put wall than to an isolated snapshot of nominal debt cost. The confirming evidence would be reserve rebuilding that does not reduce BTC per ADSO and refinancing that does not increase the common shareholder's modeled cash-burden requirement. The rejecting evidence would be repeated asset sales or issuance at weak mNAV merely to preserve near-term liquidity.

5.9.2 Probability Frameworks

Table 19. Probability-framework comparison

Scenario	Historical	Regime-conditioned Monte Carlo	Author judgment	Ensemble
Severe bear	4.1%	45.7%	20.0%	26.0%
Bear	3.9%	13.0%	35.0%	14.2%
Base	13.2%	20.9%	35.0%	21.0%
Bull	19.8%	11.9%	9.0%	14.1%
Extreme bull	59.0%	8.5%	1.0%	24.7%

Historical, macro-conditioned, judgmental, and stochastic frameworks are shown separately because they answer different questions and are not independent. The ensemble is a disciplined comparison, not a market-implied probability.

The historical framework asks how often comparable market states produced favorable or adverse outcomes. Its weakness is the small and changing sample: Strategy's capital structure today is not the one that existed during most of the historical period. The macro-conditioned framework asks how growth, inflation, rates, the dollar, and credit affect the opportunity set. It can organize causal scenarios, but macro variables are revised and their transmission to Bitcoin is unstable. The judgmental framework makes explicit the weight I place on reserve, financing cost, dilution, and valuation. It is transparent, but it remains a judgment rather than an observed frequency.

The stochastic framework is different again. It subjects a pre-specified set of rules to 20,000 internally consistent paths. It is useful for revealing skew, sequence risk, and combinations that may be missed by a small scenario table. It does not turn assumptions into objective probabilities. Every frequency inherits the model's 18% arithmetic Bitcoin drift, 65% annual volatility, fat-tailed innovations, mNAV response, refinancing rules, preferred costs, issuance behavior, dilution, and reserve policy. Changing those assumptions changes the distribution.

I therefore do not average the four frameworks mechanically or use their apparent numerical agreement as independent confirmation. Several share the same Bitcoin history, market structure, and valuation date. The practical conclusion is narrower: each framework identifies a meaningful left tail, and none provides enough evidence to justify normal position sizing at the current price. The framework becomes more constructive only when observable company data improve at the same time as valuation.

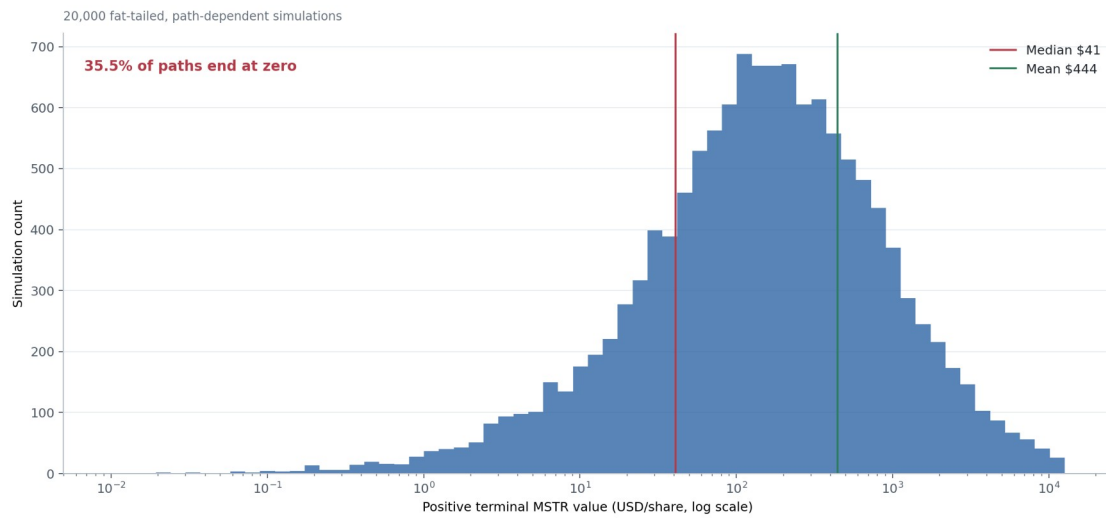
Stochastic Model Summary

Table 20. Stochastic model outputs

Model result	Value	Interpretation
Mean terminal MSTR	\$443.72	Right tail; not a central estimate
Median terminal MSTR	\$40.72	Primary central outcome
P10 terminal MSTR	\$0.00	Downside reference
P75 terminal MSTR	\$250.28	Upper-quartile context
P95 terminal MSTR	\$1,715.55	Extreme upside; not a base case
Registered model-impairment condition	45.29%	Frequency under pre-specified assumptions; not a legal bankruptcy probability
Underperforming spot BTC	72.34%	Direct-Bitcoin comparison
Loss greater than 50%	51.32%	Drawdown budget
Exceeding 25% CAGR	24.71%	Required-return test
Refinancing-failure state	33.01%	Capital-structure risk

5.9.3 The Distribution Is Highly Skewed

The Mean Is Not the Typical Monte Carlo Outcome



Units: USD/share | Period: Jul 2026-Dec 2030 | Sources: Monte Carlo model; Coinbase historical calibration | Through: 11 Jul 2026

Method and limitation: Student-t BTC shocks, volatility clustering, conditional mNAV, issuance, sales, dilution, and refinancing. Positive outcomes use a log scale and are capped at their 99.5th percentile; the zero-value mass is disclosed separately.

Figure 61. The Mean Is Not the Typical Monte Carlo Outcome | Source: Monte Carlo model; Coinbase historical calibration | Data: 11 Jul 2026

The \$443.72 mean terminal value is not the typical result. The median is \$40.72, and the bottom quartile is zero. A small number of very large upside paths pull the average far above the experience of the median investor.

This gap between mean and median is central to the underwriting. Common equity has a bounded downside at zero but an unbounded modeled upside when Bitcoin compounds strongly and financing remains available. A relatively small number of extreme right-tail paths can therefore raise the arithmetic mean without improving the outcome for most paths. Using \$443.72 as a conventional target would confuse expected value with a representative experience and would give disproportionate influence to assumptions in the far right tail. For sizing, I give greater weight to the median, loss frequencies, and the conditions that produce the left tail.

The zero terminal mass is approximately 36%. Those paths finish the model horizon with no residual value assigned to common equity after the modeled claims and reserve mechanics. That output is distinct from the broader pre-specified model-impairment condition used elsewhere in the analysis. The latter is triggered when either modeled fair value falls below 25% of the current MSTR price, or Bitcoin assets fall below debt plus preferred claims while reserve coverage is under 12 months. It can therefore be met before terminal common value is exactly zero.

Registered Model Frequencies Show a Demanding Risk Budget

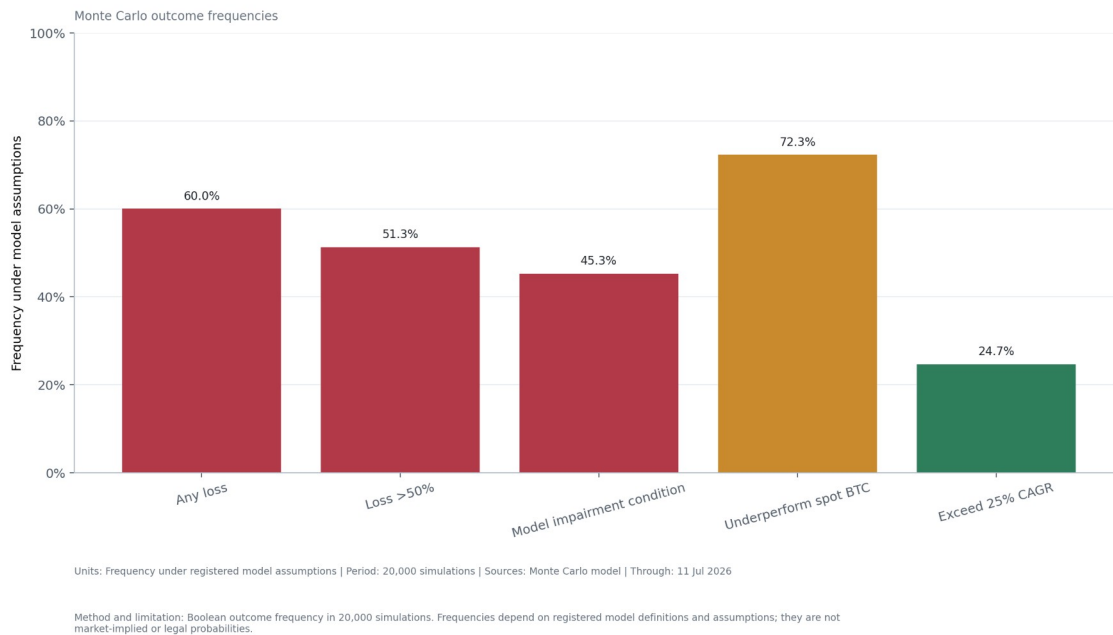


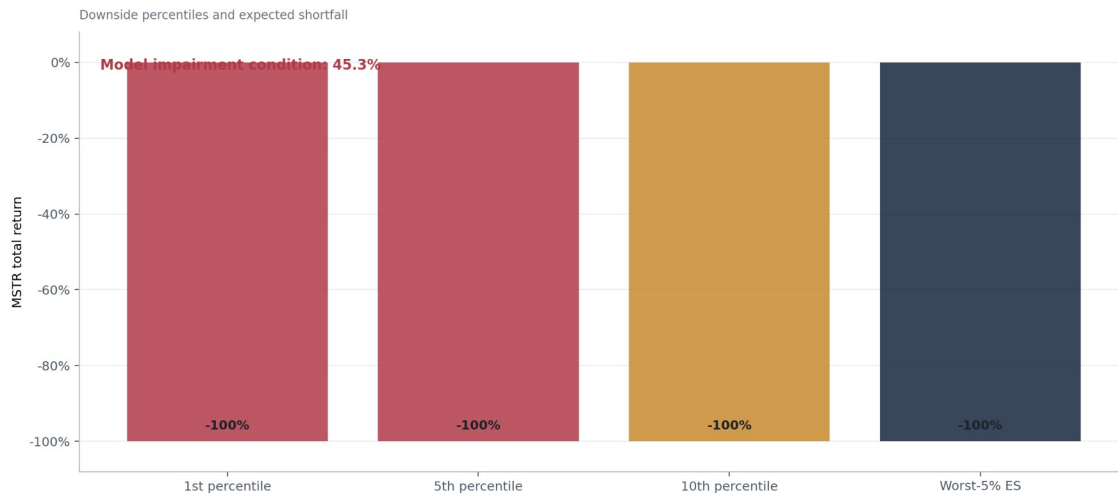
Figure 62. Registered Model Frequencies Show a Demanding Risk Budget | Source: Monte Carlo model | Data: 11 Jul 2026

Under the pre-specified assumptions, approximately 45% of simulated paths meet that model-impairment condition, approximately 51% lose more than half, and approximately 72% underperform spot Bitcoin. Detailed tables retain full precision. The approximately 45% frequency is a model frequency, not an objective probability of bankruptcy, legal default, restructuring, or an actual common-equity wipeout. These outputs are sensitive to assumptions, but all point in the same direction: current downside is too large for normal sizing.

The distinction is important. A temporary mark-to-model value below the impairment threshold could later recover if Bitcoin and financing conditions improve. A legal default depends on contractual cash obligations, grace periods, covenants, available financing, and management actions that this model does

not adjudicate. A restructuring could still leave some recovery for common shareholders, while a solvent company can also leave common equity economically impaired if senior claims and dilution absorb most of the asset value. The chart reports the pre-specified economic test and should not be read as legal analysis.

Worst-Case Paths Lose the Full Common-Equity Residual



Units: Total return | Period: 20,000 simulations | Sources: Monte Carlo model | Through: 11 Jul 2026

Method and limitation: Percentile returns and mean return among outcomes at or below the 5th percentile. Residual value is floored at zero; bankruptcy process and interim recoveries are not modeled.

Figure 63. Worst-Case Paths Lose the Full Common-Equity Residual | Source: Monte Carlo model | Data: 11 Jul 2026

Worst-case paths lose the full common residual. The model does not estimate legal recovery in bankruptcy, so zero should be read as common-equity impairment rather than as a claim about every creditor outcome.

The worst paths are produced by interaction rather than by Bitcoin alone. A deep asset drawdown compresses collateral value; weak mNAV limits accretive common issuance; expensive preferred funding raises future cash obligations; refinancing failure can force liquidity actions; and dilution divides any later recovery across more shares. The model's zero is an accounting endpoint for residual common value under those rules. It is not a forecast that Strategy necessarily files for bankruptcy, nor does it estimate the timing or recovery waterfall of a court process.

Figures 61-63 collectively show why a single target price is inadequate. The terminal distribution describes the payoff, the event-frequency chart describes how often pre-specified adverse conditions occur, and the worst-path chart exposes the sequence that creates them. A constructive investor can reasonably challenge the drift or financing assumptions, but the challenge must address the mechanism. Merely pointing to Bitcoin's historical upside does not remove the claims, dilution, or path dependence embedded in MSTR.

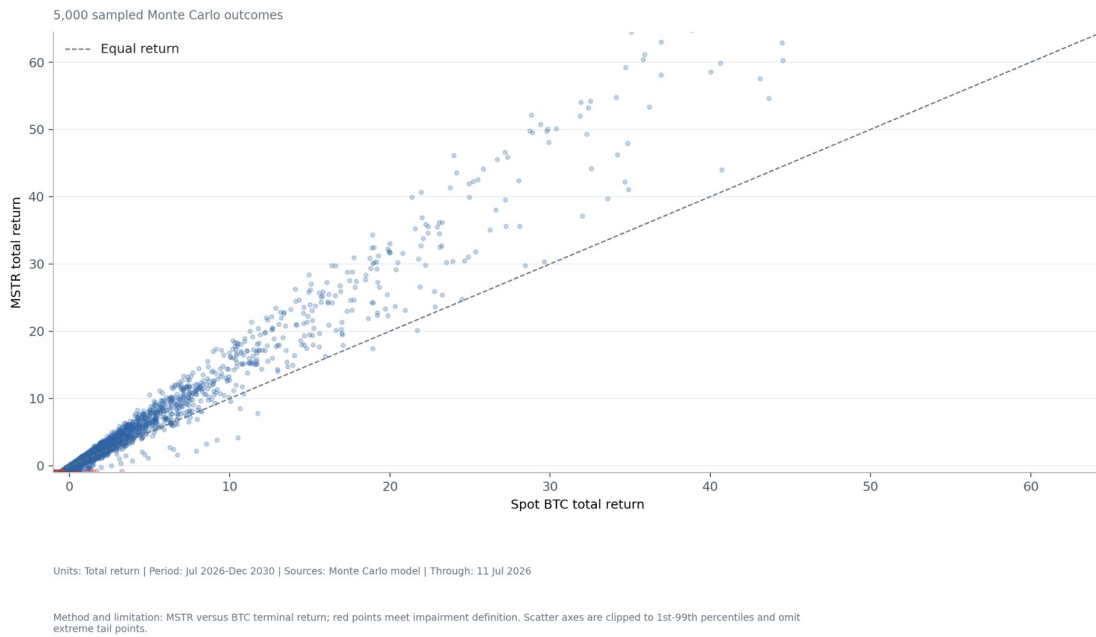
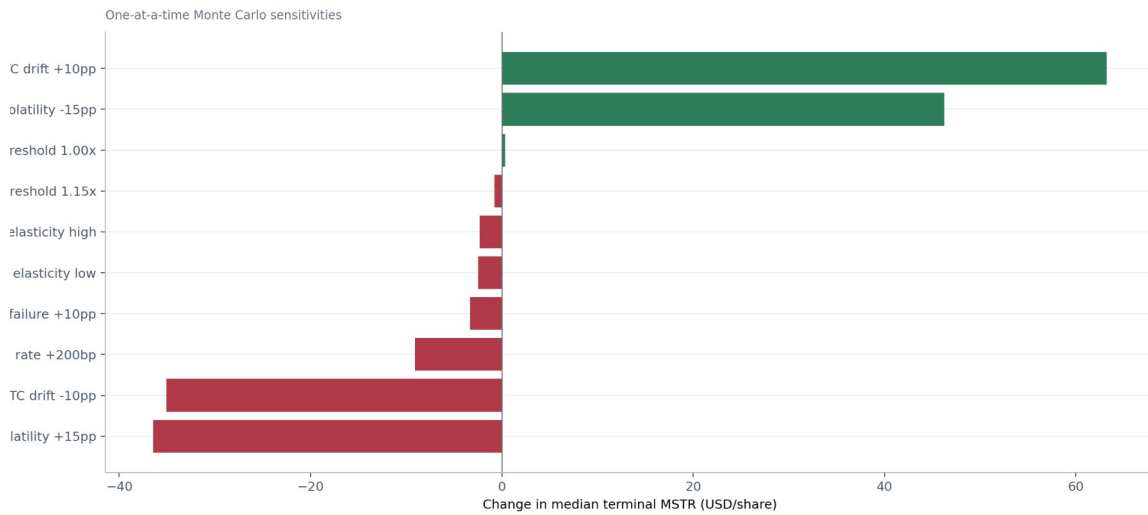
MSTR Frequently Underperforms Spot BTC in the Same BTC World

Figure 64. MSTR Frequently Underperforms Spot BTC in the Same BTC World | Source: Monte Carlo model | Data: 11 Jul 2026

MSTR frequently underperforms Bitcoin in the same simulated Bitcoin world. This is the direct security-selection test. If the corporate wrapper does not improve the distribution after dilution and claims, direct Bitcoin is preferable.

The approximately 72% underperformance frequency does not say that MSTR cannot outperform. It says that, under the pre-specified rules, outperformance is concentrated in the subset of paths where Bitcoin, mNAV, and financing access align. Direct Bitcoin participates in the asset path without paying preferred dividends, refinancing costs, or dilution. MSTR needs the financing platform to create enough additional Bitcoin per diluted share to overcome those frictions. At the current valuation, that burden of proof is not met across most modeled paths.

BTC Drift and Volatility Dominate the Median Valuation

Units: USD/share change | Period: 4,000 paths per case | Sources: Monte Carlo sensitivity | Through: 11 Jul 2026

Method and limitation: Case median minus 20,000-path base median. Different random seeds add sampling noise; interactions are not shown.

Figure 65. BTC Drift and Volatility Dominate the Median Valuation | Source: Monte Carlo sensitivity | Data: 11 Jul 2026

Bitcoin drift and volatility dominate the median valuation, but mNAV elasticity, preferred rates, issuance thresholds, and refinancing failure remain material. Parameter uncertainty argues for smaller size, not for a more precise target.

The sensitivity ranking should not be interpreted as permission to ignore the lower-ranked variables. Bitcoin drift dominates because the treasury is the largest asset, but the financing variables determine how much of that asset reaches each diluted common share. They also become most important in adverse states, where linear sensitivity rankings are least informative. Preferred rates, issuance thresholds, and refinancing failure can interact at exactly the time reserve flexibility is weakest.

The parameter set is intentionally visible so the reader can reject it. A lower long-run Bitcoin drift, higher tail dependence, weaker mNAV response, or more expensive refinancing would worsen the distribution. More favorable financing behavior, stronger reserve policy, or consistently accretive issuance could improve it. The model does not assign a probability to its own assumptions being correct. I respond to that uncertainty through position size and observable gates, rather than by adding false decimal precision to a target.

Current Price Requires Both BTC and mNAV Support

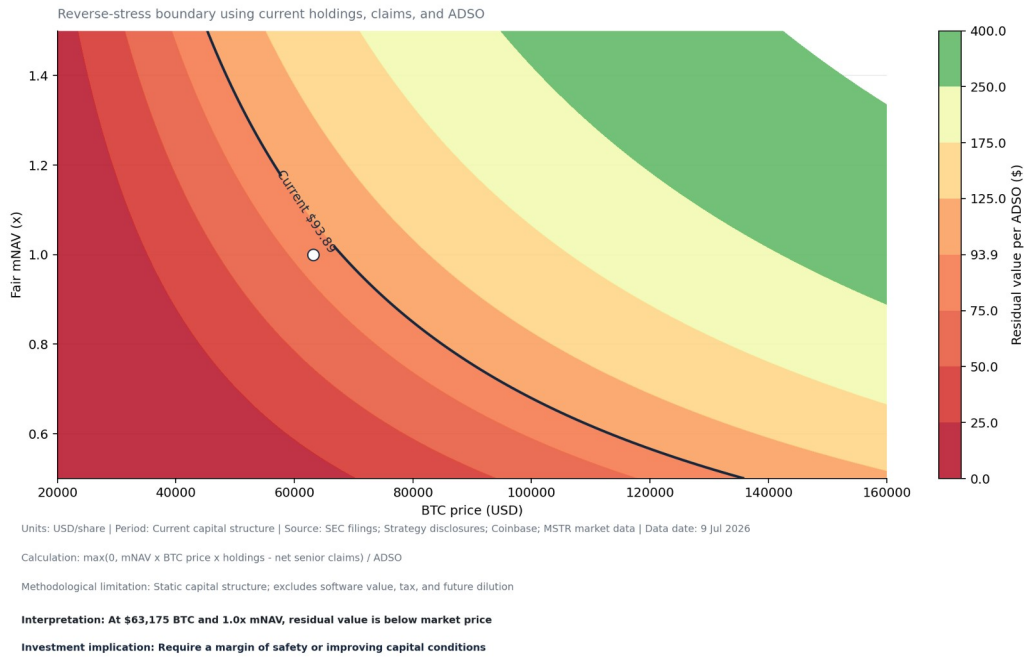


Figure 66. Current Price Requires Both BTC and mNAV Support | Source: SEC filings; Strategy disclosures; Coinbase; MSTR market data | Data: 9 Jul 2026

At the current capital structure, supporting \$93.89 requires both sufficient Bitcoin value and a supportive mNAV. Weakness in either variable can erase the common residual more quickly than a simple Bitcoin-proxy model implies.

Figure 66 brings the static and stochastic work back to the current decision. The share price is not supported by a Bitcoin target alone; it also assumes that the market continues to value the financing platform and that future capital actions do not erode diluted residual value. A strong Bitcoin path with weak mNAV can still disappoint MSTR holders. A strong mNAV with weak Bitcoin is also fragile because the premium rests on a shrinking asset base.

The portfolio consequence is asymmetric. I do not need to forecast the exact left-tail frequency to conclude that leverage is inappropriate and that a 0%-1% research position is the maximum justified today. Evidence that would improve the distribution includes reserve coverage moving above 15-18 months without obligation-funded Bitcoin sales, three non-deteriorating BTC-per-ADSO disclosures, normalized preferred yields, and issuance that passes both accretion gates. Evidence that would weaken it includes reserve below 12 months, repeated destructive financing, or a persistent divergence in which Bitcoin rises while MSTR's mNAV and per-share metrics deteriorate.

5.9.4 Principal Risks

Table 21. Principal risks and portfolio consequences

Risk	Mechanism	Observable warning	Portfolio consequence
Bitcoin drawdown	BTC NAV falls faster than senior claims	Break of major support; rising volatility	Reduce risk; reassess residual boundary

Risk	Mechanism	Observable warning	Portfolio consequence
mNAV compression	Common issuance becomes less accretive	Diluted mNAV near or below 1.0x	Do not fund the thesis with averaging
Preferred repricing	Permanent capital becomes more expensive	Wider discounts and higher yields	Require smaller size and more reserve
Refinancing	Higher cash cost persists after recovery	Restricted access; rising credit spreads	Immediate review before put dates
Dilution	Gross BTC rises but BTC per ADSO falls	Repeated BPS deterioration	Block additions until stabilization
Reserve depletion	Liquidity weakens before financing dates	Coverage below 12 months	Reduce or exit
BTC monetization	Assets sold to fund ordinary obligations	Repeated non-strategic BTC sales	Treat as structural invalidation

The strongest bear case is a sequence rather than a single shock: Bitcoin falls, mNAV compresses, preferred yields rise, financing access closes, reserve coverage declines, and the company issues or sells assets on unfavorable terms. Each step makes the next one more likely.

The principal risks are therefore linked. Bitcoin risk reduces asset value; capital-market risk changes the price of new funding; refinancing risk determines whether management can wait; dilution and preferred issuance determine who owns the recovery; and governance determines which trade-off is chosen. Treating each item as independent would understate the left tail. The same reflexivity can work positively, but the current underwriting should not assume favorable reflexivity before it appears in reserve, yield, and per-share data.

5.10 Portfolio Implementation

5.10.1 Position Sizing

Table 22. Portfolio decision rules

Position state	Allocation	Required evidence	Portfolio response
Tracking	0%-1%	Current price; evidence not sufficient for normal size	Observe; no leverage
Starter	1%-2%	MSTR $\leq$ \$85; reserve $\geq$ 15 months; BPS stable; dashboard not red	Add only when every condition holds
Strategic	2%-3%	Three non-deteriorating BPS reports; reserve $>$ 18 months; preferred yields normalize	Increase only after confirmation
Stronger value entry	Within cap	MSTR $\leq$ \$75 and dashboard not red	Re-underwrite at the new price
Hard cap	3%	No leverage; tactical overlays included	Never exceed
Invalidation	Reduce / exit	Reserve $<$ 12 months; repeated obligation-funded BTC sales; destructive dilution or refinancing	Immediate review

The current 0%-1% allocation is a research position, not a full underwriting endorsement. It keeps the security under active observation while limiting the effect of a total common-equity loss. Leverage is prohibited because the stock already embeds volatile asset exposure and corporate claims.

The sizing ladder is designed around evidence, not conviction labels. At 0%-1%, the position is large enough to require continuing work but small enough that a complete loss does not dominate portfolio results. This matters because the distribution is not merely volatile; it is path dependent and positively skewed, with a material mass of outcomes where common residual is severely impaired. Borrowed exposure would add an investor-level margin call to a security already exposed to asset volatility and corporate refinancing.

A 1%-2% starter requires MSTR at or below \$85, reserve coverage of at least 15 months, stabilization in BTC per ADSO, and a dashboard that is not red. Price alone is insufficient. A 2%-3% strategic position requires three non-deteriorating BPS disclosures, reserve above 18 months, and normalized preferred yields.

The hard cap is 3%, including tactical overlays. A price at or below \$75 is a stronger valuation entry, but only if the dashboard is not red and no structural invalidation has occurred.

The progression from 1% to 3% is deliberately slow. A lower price improves the valuation cushion, but it does not repair a damaged capital structure. The starter gate therefore combines price with at least 15 months of reserve, stable BTC per ADSO, and no major risk indicator in red status. Those conditions test whether the discount is an opportunity or compensation for a deteriorating path.

The strategic gate is stricter because a 2%-3% position must be supported by repeatable operating evidence. Three non-deteriorating BTC-per-ADSO disclosures reduce the risk that one favorable quarter is driven by timing. Reserve above 18 months improves management's ability to avoid financing during a closed market. Normalized preferred yields indicate that the capital stack is no longer warning of prohibitively expensive funding. The 3% cap remains appropriate even after those conditions are met because direct Bitcoin still provides the cleaner asset exposure and because MSTR retains corporate, financing, and governance risks that do not disappear in a favorable regime.

5.10.2 Why Direct Bitcoin May Be Preferable

Direct Bitcoin avoids corporate dilution, preferred dividends, debt refinancing, reserve policy, and management execution risk. It does not eliminate volatility or custody risk, but it offers a cleaner link between the asset thesis and investor outcome.

This is not an argument that direct Bitcoin is low risk. It remains a volatile, non-cash-flowing asset whose value depends on demand, liquidity, custody, regulation, and market structure. The comparison is narrower: for an investor who already accepts the Bitcoin thesis, direct ownership removes a second layer of underwriting. The investor no longer needs mNAV to remain supportive, preferred markets to stay open, or issuance to improve diluted per-share economics.

MSTR becomes preferable only when the financing platform adds enough per-share value to compensate for those additional risks. That requires open capital markets, favorable issuance economics, rising BTC per ADSO, and a purchase price below conservative diluted value.

MSTR can still be the superior security in a favorable reflexive regime. If the share trades at a sufficiently high mNAV, management can issue capital on terms that increase Bitcoin per ADSO and diluted residual value, while a rising asset price expands the base on which that financing operates. The problem is that the same mechanism is state dependent. Once mNAV compresses or preferred yields rise, gross Bitcoin purchases may be funded by claims whose future cost exceeds the benefit to existing common holders.

I therefore compare the securities at the per-share level. Total Bitcoin growth is supporting evidence, not the decision rule. The corporate wrapper earns a larger allocation only when both BTC per ADSO and residual value per ADSO improve after financing costs. Until then, direct Bitcoin is the more transparent implementation of a constructive asset view.

5.10.3 Monitoring and Invalidation

The critical variables are MSTR price versus diluted residual value, BTC per ADSO, reserve coverage, preferred yields, financing access, Bitcoin trend, and the state of credit markets. The position should be reviewed immediately if reserve coverage falls below 12 months, Bitcoin is repeatedly sold for ordinary obligations, refinancing permanently raises the modeled cash burden, or residual value per ADSO is structurally damaged.

Monitoring must distinguish volatility from thesis damage. A price decline by itself is not an exit trigger if reserve, BPS, and financing access remain intact; it may improve expected return. Conversely, a higher share price is not proof that the thesis has improved if the advance is accompanied by destructive dilution or a weaker capital stack. The review process follows the operating evidence first and the quotation second.

An exit is required when the mechanism needed for common shareholders to benefit is no longer credible. Persistent obligation-funded Bitcoin sales would show that the treasury is serving the liability stack rather than compounding per-share exposure. Reserve below 12 months would remove the buffer against an adverse financing window. Repeated issuance that reduces BTC per ADSO or residual value per ADSO would demonstrate that gross growth is not reaching existing owners. Refinancing that permanently increases the modeled cash burden without a compensating per-share benefit would similarly invalidate the expected payoff.

6. Final Investment Judgment

The evidence shows a company with a very large Bitcoin asset base, a proven ability to raise capital, and meaningful upside if Bitcoin appreciates while capital markets remain supportive. It also shows a common share that sits behind \$19.65 billion of net senior claims, carries substantial dilution, trades above conservative diluted residual value, and can lose the full residual under plausible adverse paths.

MSTR remains interesting because Strategy has built a financing platform around an asset with fixed protocol supply and substantial upside under favorable liquidity regimes. The company has repeatedly accessed common, convertible, and preferred markets, and that access can create value when securities are issued at terms that increase Bitcoin and residual value per diluted share. Few public equities offer the same combination of Bitcoin exposure, market liquidity, options activity, and capital-markets reflexivity.

Those strengths are also the source of the risk. The common share is not a static claim on 843,775 Bitcoin. It is the residual claim after debt, preferred capital, cash obligations, future financing decisions, and dilution. The historical record shows that MSTR can outperform dramatically, but the full sample also shows Bitcoin outperforming MSTR with a shallower maximum drawdown. The financing platform improves the payoff only in selected states; it is not free leverage.

What remains uncertain is not merely Bitcoin's terminal price. The larger uncertainty is the sequence of financing decisions between now and 2030: the mNAV at which capital is raised, the cost of preferred funding, whether the reserve is rebuilt, and whether BTC per ADSO resumes compounding.

The macro and market evidence does not resolve that uncertainty. A soft-landing or liquidity-expansion regime could support Bitcoin, reopen financing capacity, and allow mNAV to expand. A recessionary easing cycle could initially produce the opposite: lower policy expectations alongside wider spreads, weaker risk appetite, and more expensive corporate funding. Bitcoin could also appreciate on fiscal or monetary concerns while MSTR's preferred market remains restricted. This is why a constructive Bitcoin view does not automatically justify the equity wrapper.

Because the current price remains above my \$83.82 conservative diluted residual value, while financing costs and path-dependent downside remain elevated, I am not prepared to treat MSTR as a full-sized position. Direct Bitcoin is currently the cleaner expression of a constructive long-term Bitcoin view.

The Monte Carlo distribution reinforces, rather than determines, that judgment. Its approximately 36% terminal-zero mass and approximately 45% frequency of the pre-specified model-impairment condition depend on explicit assumptions and are not legal bankruptcy probabilities. Their value is to show how easily adverse asset, funding, and dilution states can interact. Combined with the current valuation premium and the historical drawdown record, they make normal sizing difficult to defend.

My decision would improve if MSTR trades at or below \$85 and the evidence improves with it. I would need reserve coverage of at least 15 months, stable BTC per ADSO, and a non-red dashboard for a starter. A full strategic allocation requires stronger proof: three non-deteriorating BPS disclosures, reserve above 18 months, and normalized preferred yields.

A price at or below \$75 creates a more substantial valuation cushion, subject to the same structural safeguards. The thesis would be invalidated by persistent obligation-funded Bitcoin sales, reserve

coverage below 12 months, destructive dilution, or refinancing that permanently raises the common shareholder's modeled cash-burden requirement.

The hard cap remains 3% because even a validated strategic position retains risks that direct Bitcoin does not: management can alter the claim structure, financing windows can close, preferred costs can rise, and a favorable terminal Bitcoin price can be reached through an unfavorable sequence. The cap prevents the most optimistic right-tail outcome from dictating portfolio risk. It also preserves room to own Bitcoin directly if the asset thesis remains intact while the corporate thesis weakens.

Final judgment: tracking position only, 0%-1% of portfolio NAV, no leverage. Maximum exposure is 3%, and only after valuation and operating evidence improve together.

7. Methodology and Limitations

Data and analysis current as of 11 July 2026.

Market-price and company-balance dates are disclosed separately because Balance-sheet and company KPI dates vary by disclosure and are shown beside the relevant table or figure. Market history uses Coinbase Bitcoin data and a split-adjusted MSTR market-data series reconciled to available Nasdaq observations.

The core valuation treats common equity as the residual after debt and preferred claims, adjusted for the USD reserve. Software value is set to zero. ADSO is used as the principal diluted denominator. Static sensitivity, deterministic annual paths, historical base rates, and a 20,000-path fat-tailed Monte Carlo model are used as complementary methods rather than as interchangeable forecasts.

The pre-specified model-impairment condition is met when either modeled fair value falls below 25% of the current MSTR price, or the modeled value of Bitcoin holdings falls below debt plus preferred claims while reserve coverage is below 12 months. This definition is an economic stress convention chosen for the research. It is broader than terminal zero residual value and is not a legal definition of insolvency, default, bankruptcy, restructuring, or permanent loss. In the pre-specified run, approximately 45% of paths meet this condition, while approximately 36% end the horizon at zero modeled common value. Detailed tables retain the exact frequencies.

The Monte Carlo model uses an 18% arithmetic Bitcoin drift, 65% annual volatility, Student-t innovations with 4.5 degrees of freedom, limited monthly serial correlation, regime-sensitive mNAV, conditional issuance, and refinancing failure states. These are explicit assumptions. The mean is not used as the central estimate because the distribution is highly skewed.

The simulation is a conditional experiment: if the pre-specified distribution and corporate rules are applied, these are the resulting frequencies. It does not estimate the probability that the assumptions themselves are correct. Annual path models also simplify intrayear liquidity shocks, security-specific legal terms, tax effects, management discretion, market depth, and recovery values. Results should be interpreted as comparative stress evidence and sizing guidance, not as a precise forecast.

Macro probabilities are rule-based and use revised public series rather than a full real-time vintage database. On-chain community data have coverage limits. Derivatives history is venue-specific, and part of the options analysis is a point-in-time snapshot. Historical ADSO before 2025 and the full quarterly capital-stack history remain incomplete.

This report is independent research, not investment advice. MSTR and Bitcoin are highly volatile, and the analysis cannot eliminate model risk, source risk, market discontinuity, or legal and tax uncertainty.

Author, Interest, Compensation, and AI-Assistance Disclosure

At the time of publication, the author holds a position in MSTR common equity and does not directly hold Bitcoin.

The author has not received compensation from Strategy Inc. or any issuer discussed in this report. The research was independently initiated and produced.

This research was developed through an AI-assisted analytical, editorial, quantitative, and document-production workflow. The author directed the research process, selected and reviewed the analytical framework and assumptions, evaluated the outputs, and retains full responsibility for the analysis, interpretations, and conclusions.

Any remaining errors are the responsibility of the author.

Model equations, decision order, parameter classifications, validation tolerances, and exact replication steps are provided in Part 8, Model Methodology and Replication Appendix.

8. Model Methodology and Replication Appendix

8.1 Purpose and Scope

This appendix documents the deterministic path model and Monte Carlo framework used in the MSTR 2026-2030 public thesis. Its purpose is to allow a technically capable reader to understand the state variables, replicate the methodology from the documented equations and decision rules subject to access to the referenced input files, identify which items are reported facts or modeling conventions, and test alternative assumptions without confusing model frequencies with legal outcomes.

The publication source is the final public thesis. The computational framework is methodologically reproducible from the documented equations and decision rules, subject to access to the referenced input files, including four referenced workbooks: the path-dependent model, historical backtest and base-rate workbook, probability and Monte Carlo workbook, and monitoring dashboard. The appendix does not redistribute licensed raw datasets, private credentials, local file paths, or raw API payloads.

The framework is an underwriting model, not a legal liquidation opinion, a market-implied probability surface, or a forecast that management will follow the modeled rules. It preserves the current valuation, deterministic paths, Monte Carlo outputs, position-sizing rules, and recommendation.

8.2 Model Architecture

Table 23. Model architecture

Layer	Purpose	Primary output	Classification
Current-state bridge	Reconcile assets and claims	Residual/ADSO; mNAV	Calculated
Deterministic paths	Test sequence-specific decisions	35 path-year rows	Scenario model
Monte Carlo	Simulate path distribution	20,000 terminal rows	Conditional stochastic
Probability ensemble	Compare model forms	Five scenario bins	Calculated + judgment

The architecture separates reported state from transition rules. Reported balances initialize the model. Scenario rules or stochastic draws alter Bitcoin, financing access, claims, reserve, and dilution. Calculated identities then produce BTC per ADSO and residual common value. Portfolio gates translate those outputs into position size, but position size never feeds back into company valuation.

The deterministic model has annual 2026-2030 transitions with material put and refinancing events embedded in the relevant years. The Monte Carlo model has 54 monthly transitions and performs issuance and refinancing decisions at annual checkpoints. Both models floor common residual value at zero. Neither model contains a legal recovery waterfall after default.

8.3 Input Classification

Table 24. Input classification

Class	Definition	Examples	Treatment
Reported fact	Issuer or filing value	BTC, debt, preferred, reserve	Preserved with date/source

Class	Definition	Examples	Treatment
Market observation	Venue-specific price	MSTR, BTC, yields	Date and venue required
Calculated fact	Formula from reported inputs	mNAV, residual, coverage	Formula disclosed
Calibrated assumption	Informed by history	Volatility, tail shape	Sensitivity required
Model convention	Author-chosen decision rule	Issuance, sale caps, thresholds	Not a reported policy

Classification follows economic provenance rather than visual formatting. A company-reported KPI remains reported even if copied into a workbook. A formula derived from reported values is calculated. A calibrated value remains an assumption unless it is directly market implied. A rule chosen by the author remains a modeling convention even when it is applied consistently across 20,000 paths.

The model uses four public evidence classes: reported, reported market-data proxy, calculated, and assumption/model output. Missing licensed inputs remain missing and do not receive synthetic reported values.

8.4 Data Sources and Data Dates

Table 25. Model data sources and dates

Input	Value/date	Source	Class
MSTR price	\$93.89 / 9 Jul 2026	Nasdaq	Market
BTC price	\$63,175.25 / 9 Jul 2026	Coinbase	Market
BTC holdings	843,775 / 5 Jul 2026	Strategy; SEC	Reported
Basic shares	371.614M / 6 Jul 2026	Strategy	Reported
ADSO	401.294M / 6 Jul 2026	Strategy	Reported KPI
Debt	\$6.754B / 25 May 2026	Strategy; SEC	Reported
Preferred	\$15.464B / 25 May 2026	Strategy; SEC	Reported
Reserve	\$2.550B / 5 Jul 2026	Strategy; SEC	Reported
BTC return history	2020-9 Jul 2026	Coinbase	Market history

The valuation date is 9 July 2026. MSTR and Bitcoin prices are observed on that date. BTC holdings, average cost, and reserve are as of 5 July; the latest ADSO and basic-share bridge is dated 6 July; debt and aggregate preferred balances reflect the post-repurchase disclosure of 25 May and subsequent preferred dashboard checks. These dates are deliberately disclosed rather than collapsed into one false timestamp. [1]-[7]

Debt instrument terms come from the Q1 2026 Form 10-Q and the post-repurchase company update. Preferred legal and economic terms come from the Q1 2026 Form 10-Q and the applicable prospectus supplements. [6]-[19]

Market-history calibration uses Coinbase BTC-USD daily data and a split-adjusted MSTR market-data proxy reconciled to Nasdaq observations. On-chain, derivatives, and macro series inform the broader

thesis and dashboard but do not directly enter the current residual-value formula unless a rule explicitly says so.

8.5 Deterministic Path Model

The deterministic model contains seven paths and five annual rows per path, for 35 path-year transitions. Five paths intentionally share a \$175,000 terminal Bitcoin price. The model changes sequence, mNAV, issuance, refinancing, preferred rates, Bitcoin purchases or sales, reserve targets, and dilution to isolate path dependency.

Within each annual period, the transition order is:

1. Set the scenario's ending Bitcoin price and geometric-average transaction price.
2. Apply debt repurchase, conversion, and refinancing assumptions.
3. Apply preferred issuance and repurchase assumptions.
4. Calculate net common, preferred, and debt financing proceeds after modeled issuance costs.
5. Calculate contractual debt interest and expected preferred distributions.
6. Pay the modeled annual cash burden, debt repurchases, and preferred repurchases from beginning reserve plus financing proceeds.
7. Rebuild the target reserve; allocate eligible surplus to Bitcoin purchases.
8. If reserve remains below target, sell Bitcoin subject to the modeled tax convention.
9. Roll forward basic shares and ADSO.
10. Calculate BTC NAV, net senior claims, residual common value, and value per ADSO.

Ending BTC holdings = beginning BTC holdings + BTC purchased - BTC sold.

Ending debt = beginning debt + refinancing - repayments - repurchases - conversions.

Ending preferred notional = beginning preferred notional + issuance - repurchases - conversions or redemptions. The pre-specified deterministic paths currently model issuance and repurchase; no preferred conversion is used except through the separate ADSO convention where applicable.

Ending basic shares = beginning basic shares + common issuance + converted securities + equity compensation - repurchases.

ADSO = beginning ADSO + common issuance + modeled convertible dilution + options/RSU/PSU dilution - repurchases.

BTC per ADSO = ending BTC holdings / ending ADSO.

BTC NAV = ending BTC holdings x ending BTC price.

Net senior claims = ending debt + ending preferred notional - ending reserve. Other senior claims are zero in the pre-specified base calculation and remain a disclosed limitation.

Residual common value = max(0, fair mNAV x BTC NAV - net senior claims + software value - tax friction).

Residual value per ADSO = residual common value / ending ADSO.

Table 26. Equation classification

Equation	Inputs	Output	Type
BTC NAV	BTC held x BTC price	USD	Identity
Net senior claims	Debt + preferred - reserve	USD	Identity
Enterprise mNAV	Market cap + claims; BTC NAV	Multiple	Calculated
Residual common	Fair mNAV, BTC NAV, claims	USD	Valuation convention
Residual / ADSO	Residual common / ADSO	USD/share	Calculated
BTC return	Drift, vol, Student-t shock	Monthly log return	Stochastic
mNAV transition	Momentum, state, shock	Bounded mNAV	Stochastic rule
Reserve coverage	Reserve / annual burden x 12	Months	Calculated
Impairment flag	Value and coverage conditions	Boolean	Model convention

Table 27. Deterministic terminal-path outputs

Path	Terminal BTC	MSTR/ADSO	BTC/ADSO	Coverage
A FALL THEN RECOVER	\$175,000	\$270.59	0.001628	16,76m
B RISE IMMEDIATELY	\$175,000	\$335.06	0.001807	24,86m
C DEPRESSED TWO YEARS	\$120,000	\$127.57	0.001514	15,00m
D VOLATILE SAME TERMINAL	\$175,000	\$263.75	0.001567	15,00m
E WEAK MNAV REFINANCE	\$175,000	\$248.65	0.001599	15,00m
F SEVERE DILUTION FIRST	\$175,000	\$233.68	0.001416	16,75m
G MODERATE BTC DELEVER	\$130,000	\$186.62	0.001603	18,00m

8.6 Monte Carlo Model

The pre-specified stochastic run uses 20,000 paths, 54 monthly steps, and random seed 20260711. Each path carries Bitcoin price, 12-month return history, realized volatility, mNAV, BTC holdings, debt, preferred notional, reserve, ADSO, modeled common value, running peak, maximum drawdown, and a refinancing-failure flag.

Table 28. Monte Carlo monthly transition order

Step	Monthly transition	State updated
1	Read beginning state and scheduled checkpoint	All state
2	Draw Student-t shock from pre-generated matrix	BTC shock
3	Update state-dependent volatility and BTC price	BTC, volatility
4	Update rolling return history and momentum	Momentum
5	Update bounded mNAV process	mNAV
6	Accrue debt interest and preferred distributions	Cash burden

Step	Monthly transition	State updated
7	Apply reserve additions and scheduled uses	Reserve
8	Test annual issuance and repurchase rules	Claims, shares, cash
9	Test refinancing checkpoint and failure branch	Debt, reserve, flag
10	Apply BTC purchase or sale rules	BTC holdings, reserve
11	Roll ADSO and calculate residual common value	ADSO, value
12	Record impairment and drawdown metrics	Flags, peak, drawdown

The model is vectorized but economically path specific. A path can experience a liquidity shock, mNAV compression, reserve depletion, Bitcoin sales, failed refinancing, and emergency dilution in the same sequence. The model does not average those states before calculating common residual value.

At annual checkpoints, common issuance is allowed only if mNAV exceeds the issuance threshold, 12-month momentum is positive, no current liquidity shock is present, and pre-issuance common value is positive. Refinancing branches occur in 2027, 2028, and 2029. Preferred issuance is permitted in strong mNAV and momentum states.

8.7 mNAV Process

The Monte Carlo mNAV process is an explicit bounded rule, recalculated monthly:

$$\text{mNAV}(t) = \text{clip}[1.0 + \beta \times \tanh(M12(t)) - 0.20 \times (RV12(t) - \sigma_{\text{base}}) + L(t) + \epsilon(t), 0.50, 1.60].$$

Where:

- **β = 0.35** in the base case and is tested from 0.20 to 0.50.
- **$M12(t)$ = $\exp(\text{sum of the rolling 12 monthly log returns}) - 1$.**
- **$RV12(t)$** is the standard deviation of the rolling 12 monthly log returns, annualized by multiplying by square root of 12.
- **σ_{base} = 0.65.**
- **$L(t)$ = -0.25** during a liquidity shock and zero otherwise.
- **$\epsilon(t)$ is normally distributed with mean zero and standard deviation 0.05.**
- **clip** imposes a 0.50x floor and 1.60x ceiling.

The process has an anchor at 1.0x but no separate autoregressive mean-reversion coefficient.

Recalculation around the 1.0x anchor creates implicit mean reversion when momentum and volatility normalize. Regime changes enter through state-dependent volatility and the discrete liquidity-shock term rather than a hidden Markov chain.

Preferred-market stress does not enter the current mNAV equation as an independent preferred-price or yield variable. It affects the expected cash burden, reserve, refinancing choices, and residual value. This distinction is important: the public thesis discusses preferred yields as a financing signal, but the pre-specified stochastic equation does not mechanically subtract that yield from mNAV.

Failure states do not force mNAV to zero. The common residual is recalculated after failed refinancing, asset sales, and dilution, subject to the 0.50x mNAV floor and the zero floor on common residual value.

Table 29. mNAV process rules

Component	Base rule	Bounds	Status
Starting mNAV	Current diluted mNAV	1.076x	Calculated
Momentum elasticity	0.35 x BTC momentum	0.20-0.50 sensitivity	Assumption
Base range	State-dependent response	0.65x-1.60x	Convention
Risk-off state	Compression after adverse shock	Floor applies	Convention
Risk-on state	Expansion with positive momentum	Ceiling applies	Convention
Preferred stress	No independent yield variable	Indirect through financing	Limitation

8.8 BTC Price Process

The model uses monthly geometric price compounding with a drift entered as an annual arithmetic assumption. Let $z(t)$ be a Student-t draw with 4.5 degrees of freedom divided by square root of $df/(df-2)$, which standardizes its variance to approximately one.

$\text{VolMultiplier}(t) = \text{clip}[0.85 + 0.35 \times \text{abs}(r(t-1)) / (0.65 / \text{sqrt}(12))], 0.75, 1.80]$.

$\text{Sigma}(t) = 0.65 / \text{sqrt}(12) \times \text{VolMultiplier}(t)$.

$r(t) = 0.18/12 - 0.5 \times 0.65^2/12 + 0.05 \times r(t-1) + \text{Sigma}(t) \times z(t)$.

$r(t)$ is clipped to $[-0.75, 1.25]$.

$\text{BTCPrice}(t) = \text{BTCPrice}(t-1) \times \exp[r(t)]$.

The Student-t distribution is used because Bitcoin returns exhibit tails that a normal distribution understates. State-dependent volatility raises sigma after large prior moves, and the 0.05 serial term preserves limited return dependence. The clipping rule prevents numerically impossible one-month states while still allowing a monthly decline of approximately 52.8% or increase of approximately 249% after exponentiation.

The historical comparison uses observed monthly log returns sampled in contiguous three-month blocks. Daily Coinbase observations are resampled to month-end using the last available close; missing month-end values are dropped rather than synthetically filled. The Monte Carlo process itself has no missing dates because each monthly transition is simulated.

Table 30. Bitcoin process parameters

Parameter	Base	Bear	Bull	Class
Annual BTC arithmetic drift	18.0%	8.0%	28.0%	SCENARIO ASSUMPTION
Annual BTC volatility	65.0%	50.0%	80.0%	CALIBRATED / ASSUMPTION
Student-t degrees of freedom	4.5	3.5	7	CALIBRATED / ASSUMPTION
Monthly serial correlation	0.05	0	0.1	ASSUMPTION
mNAV momentum elasticity	0.35	0.2	0.5	ASSUMPTION
Common issuance threshold	1.05	1	1.15	ASSUMPTION
Preferred base rate	11.1%	9.1%	13.1%	CALCULATED START / ASSUMPTION

Parameter	Base	Bear	Bull	Class
Simulation count	20,000	10,000	50,000	MODEL SETTING
Random seed	20,260,711	20,260,711	20,260,711	MODEL SETTING

8.9 Capital Issuance Rules

8.9.1 Common Issuance

At each annual checkpoint:

IssueSignal = (mNAV > 1.05) AND (12-month momentum > 0) AND (no liquidity shock) AND (pre-issuance value per ADSO > 0).

IssueRate = clip[0.02 + 0.08 x (mNAV - 1.05), 0, 0.12] when the signal is true; otherwise zero.

Issued shares = ADSO x IssueRate.

Net proceeds = issued shares x pre-issuance value per ADSO x 0.98.

Proceeds first replenish reserve toward 18 months of the current annualized modeled cash burden. Seventy percent of remaining proceeds purchases Bitcoin. ADSO increases by issued shares plus a separate 0.8% annual equity-award assumption. The rule does not independently test post-transaction residual-per-ADSO accretion in the stochastic code; its mNAV and momentum gates are the pre-specified proxy. The deterministic model uses explicit scenario inputs and reports post-transaction per-share outputs.

8.9.2 Convertible Issuance

The deterministic paths can refinance debt and separately model conversion shares. The Monte Carlo framework does not issue a new distinct convertible security; it represents successful put refinancing by replacing the put amount with debt and represents failed cash settlement through Bitcoin sales and, if needed, common dilution. Coupon costs continue through the aggregate debt balance.

8.9.3 Preferred Issuance

At annual checkpoints, new preferred notional equals 0.5% of existing preferred notional when mNAV exceeds 1.15x and 12-month momentum is positive. Twenty-five percent of issuance is allocated to reserve and 70% to Bitcoin purchases; the remaining 5% is an implicit financing or unallocated haircut in the pre-specified convention. Preferred notional then increases the future expected distribution base.

8.9.4 Security Repurchases

Security repurchases are explicit scenario inputs in the deterministic model. The Monte Carlo base run does not contain a recurring market-price repurchase rule for common or preferred securities. This is a known simplification and prevents the stochastic model from manufacturing accretion from unobserved discounts.

Table 31. Financing-decision rules

Decision	Gate	Use of proceeds	State impact
Common issuance	mNAV >1.05x; positive momentum	Reserve to 18m; 70% remainder to BTC	ADSO and BTC rise
Preferred issuance	mNAV >1.15x; positive momentum	25% reserve; 70% BTC; 5% haircut	Claims and burden rise
Debt refinancing	Checkpoint; access state	Repay/replace put amount	Debt cost and reserve change
BTC sale	Reserve below 12m need or failed refi	Fund shortfall	BTC held falls
Repurchase	Scenario input / available cash	Reduce debt, preferred, or shares	Claims or ADSO fall

8.10 BTC Purchase and Sale Rules

In the deterministic model, Bitcoin purchases use the scenario's fraction of cash remaining after mandatory modeled uses and the target reserve. Purchase price is the geometric average of beginning and ending annual Bitcoin price. Bitcoin sales occur only when reserve remains below the scenario target after financing and purchases. If the geometric-average price exceeds modeled average acquisition cost, a 21% federal tax friction is applied to sale proceeds; otherwise the modeled tax rate is zero.

In the Monte Carlo model, ordinary monthly reserve pressure can sell up to 5% of current holdings. The shortfall is the positive difference between twelve months of the current annualized modeled cash burden and the current reserve after the month's burden. A failed refinancing checkpoint can sell up to an additional 12% of holdings. These caps are modeling conventions, not reported management limits.

The model does not force Bitcoin sales simply because price falls. Sales are linked to reserve pressure or failed refinancing. Conversely, Bitcoin purchases require financing proceeds after reserve protection; the model does not use operating cash that has not been demonstrated.

8.11 Debt Refinancing Rules

The legal instrument schedule is approximately \$1.01 billion puttable in 2027, \$4.90 billion in 2028, and \$0.80 billion in 2029. The pre-specified Monte Carlo branch uses \$1.01 billion, \$4.40 billion, and \$0.80 billion, respectively. The \$4.40 billion value is a modeling approximation embedded in the pre-specified run; the public debt table retains the instrument-level approximately \$4.90 billion wall. This documentation difference does not change the preserved model output. [7]

Table 32. Debt put schedule used in model and legal reference

Year	Instrument schedule	Monte Carlo branch	Note
2027	\$1.01B	\$1.01B	Holder put window
2028	~\$4.90B	\$4.40B	Preserved model approximation
2029	\$0.80B	\$0.80B	Holder put window

For each Monte Carlo put year:

SuccessProbability = clip[0.80 + 0.15 x I(mNAV > 1.0) - 0.25 x I(liquidity shock) - failure shift, 0.10, 0.98].

On success, the put amount is removed and replaced with equal debt principal. On failure, no replacement debt is added. The model applies the cash requirement to reserve, sells up to 12% of holdings for any remaining need, and issues common shares for any residual shortfall using pre-event value per ADSO as the price denominator.

The refinancing-failure flag records whether any annual refinancing branch failed. It remains true thereafter for reporting, but failure is not an absorbing economic or legal state. Bitcoin, mNAV, reserve, issuance, and residual value continue to evolve in later months.

The deterministic model contains richer branches: same-cost or high-cost refinancing, debt repurchase, conversion, partial refinancing, and failure-like reserve pressure. Coupons and refinance costs are explicit path assumptions.

8.12 Preferred Issuance and Distribution Rules

The current \$1.763 billion modeled annual cash burden consists of approximately \$34.6 million contractual debt cash interest and approximately \$1.728 billion expected preferred cash distributions at current stated rates. The total is preserved, but its legal components are not treated as identical.

Table 33. Preferred-payment classification

Instrument	Current rate	Modeled cash/year	Payment classification
STRC	12%	\$1,258.7M	Cumulative; variable; declaration/funds limits
STRD	10%	\$140.2M	Non-cumulative; owed only if declared
STRF	10%	\$128.4M	Cumulative; declaration/funds limits
STRK	8%	\$112.2M	Cumulative; cash/common/both
STRE	10%	\$88.6M	Cumulative; declaration/funds limits
Debt coupons	Contractual	\$34.6M	Contractual cash interest
Total	-	\$1,762.8M	Modeled at current rates; not one uniform legal obligation

STRF, STRC, STRE, and STRK accumulate cumulative distributions. Payment remains subject to declaration and funds legally available, although unpaid cumulative amounts can create compounding, priority, voting, or junior-payment restrictions under the applicable terms. STRD is non-cumulative: the company has no obligation for an undeclared regular distribution for that period. STRC has a variable rate that management can adjust subject to its governing terms; the 12% current model rate is not a perpetual fixed coupon. [8], [13]-[19]

In the Monte Carlo process, expected preferred distributions are modeled economically as preferred notional multiplied by a blended rate. The base blended rate is 11.149677419%, bounded between 7% and 18%, with a two-percentage-point increase during a liquidity shock. That convention does not claim that every preferred distribution is legally mandatory in cash each month. It is a conservative liquidity assumption used to compare paths.

8.13 Reserve Roll-Forward

The deterministic identity is:

Ending reserve = beginning reserve + net common proceeds + net preferred proceeds + net debt proceeds + BTC sale proceeds + operating cash contribution + other reserve additions - debt cash interest - expected preferred distributions - debt repayment or repurchase - preferred repurchase - BTC purchase allocation - other modeled cash uses.

The current deterministic paths set operating cash contribution to zero unless captured indirectly in scenario financing or software value; software value is a valuation item and is not automatically cash. The public framework therefore avoids using reported consolidated operating cash flow as standalone software free cash flow.

The Monte Carlo reserve decreases monthly by expected preferred distributions and debt cash interest. Bitcoin sales can fill a twelve-month burden shortfall. Annual issuance can replenish reserve to 18 months before purchasing Bitcoin. Failed refinancing can consume reserve. Reserve is floored at zero.

Reserve coverage months = ending reserve / annualized modeled cash burden x 12.

The 12-month threshold is both the company policy minimum and the thesis invalidation trigger. Fifteen months is the starter-position gate; greater than 18 months is the strategic-position gate. These are decision rules, not predictions of default. [1], [13]

8.14 Share Count and ADSO Roll-Forward

Basic shares represent reported Class A plus Class B common shares outstanding. ADSO is the company-defined assumed diluted denominator: basic shares plus assumed conversion of outstanding convertible notes and convertible preferred stock, exercise of options, settlement of RSUs and PSUs, and other modeled dilution. It is not GAAP diluted weighted-average shares and does not apply treasury-stock or contractual exercise filters. [3], [9]

The deterministic model adds common issuance, modeled conversion shares, and annual options/RSU/PSU shares, then subtracts modeled repurchases. The Monte Carlo model tracks ADSO only; it adds common issuance, 0.8% annual equity-award dilution, and emergency shares issued after refinancing shortfalls.

BTC per ADSO is a first accretion gate, not a complete valuation measure. It ignores debt, preferred claims, reserve, taxes, and software value. Residual value per ADSO is the second gate and should not deteriorate after a transaction merely because gross Bitcoin holdings rise.

8.15 Residual Common-Equity Calculation

The current static calculation is:

BTC NAV = 843,775 x \$63,175.25 = approximately \$53.306 billion.

Net senior claims = \$6.754 billion debt + \$15.464 billion preferred notional - \$2.550 billion reserve = \$19.668 billion.

Residual common value at 1.0x = \$53.306 billion - \$19.668 billion = approximately \$33.638 billion.

Residual value per ADSO = approximately \$33.638 billion / 401.294 million = \$83.82.

The dynamic formula is:

Residual common value(t) = max[0, mNAV(t) x BTC price(t) x BTC holdings(t) - debt(t) - preferred notional(t) + reserve(t) + software value(t) - tax friction(t) - other modeled senior claims(t)].

The current model sets other modeled senior claims to zero and software value to zero in the static valuation. The deterministic paths can include scenario software value and explicit tax friction. The Monte Carlo base run does not add software value or a separate tax liability.

8.16 Impairment-Condition Definition

The model distinguishes seven concepts:

11. **Terminal modeled zero residual:** terminal MSTR value equals zero after the residual floor.
12. **Pre-specified model-impairment condition:** a broad economic stress flag.
13. **Temporary mark-to-model value below a threshold:** fair value can fall below 25% of current price before the horizon.
14. **Liquidity shortfall:** reserve and allowed asset sales are insufficient for a modeled cash need at a transition.
15. **Legal default:** a contractual event under governing instruments; not modeled as a legal state.
16. **Restructuring:** a negotiated or court process; not modeled.
17. **Actual common-equity wipeout:** realized investor outcome; not inferred from a model flag.

The pre-specified logical expression is:

Impairment = [modeled fair value < 0.25 x \$93.89] OR [(BTC price x BTC holdings < debt + preferred notional) AND (reserve coverage < 12 months)].

In the pre-specified 20,000-path run, 9,058 paths, or 45.29%, meet this condition. Separately, 7,103 paths, or 35.515%, end with zero modeled common residual. These are frequencies under pre-specified assumptions, not objective probabilities of bankruptcy, legal default, restructuring, or actual common-equity wipeout.

8.17 Default and Restructuring Limitations

Default is not an absorbing state in the current model. A failed refinancing event records a persistent flag, consumes reserve, can force Bitcoin sales and dilution, and then permits the path to continue. This design measures residual economic damage under continued operation. It does not estimate acceleration, covenant remedies, cross-default, debtor-in-possession financing, legal priority disputes, recovery timing, administrative claims, or transaction costs.

Zero residual value is a mark-to-model boundary. Debt and preferred securities can remain economically covered while the common residual is zero. Conversely, a temporary liquidity shortfall may be cured without legal bankruptcy. The appendix therefore avoids using the term bankruptcy probability for any model output.

8.18 Probability Frameworks

Table 34. Probability frameworks

Framework	Question	Strength	Limitation
Historical bootstrap	What resampled BTC history implies	Empirical sequences	Static capital; nonstationary
Regime-conditioned Monte Carlo	Which macro state is plausible	Causal organization	No audited MSTR-bin map
Author judgment	How current evidence is weighted	Transparent	Subjective
Monte Carlo	What pre-specified rules produce	Path dependence	Conditional on model

The historical framework asks what static-capital MSTR outcomes arise from resampled Bitcoin history. The macro-regime framework assigns probabilities to economic regimes and informs the dashboard, but the current documented model does not map those macro regimes into the five MSTR scenario bins with an audited transition matrix. The author-judgment framework assigns explicit scenario-bin probabilities. The Monte Carlo framework produces scenario-bin frequencies from the 20,000 path-dependent outcomes.

These frameworks are not independent. Historical returns influence calibration and judgment. Current market conditions influence both macro classification and financing rules. Combining them does not create independent confirmation, and double counting remains a material risk.

8.19 Ensemble Construction

The probability workbook actually reproduces a three-component scenario-bin ensemble:

Ensemble(s) = 0.35 x Historical(s) + 0.45 x Regime-conditioned Monte Carlo(s) + 0.20 x Author judgment(s).

Table 35. Probability ensemble by scenario bin

Scenario	Historical	Regime MC	Judgment	Ensemble
Severe bear	4.06%	45.69%	20.00%	25.98%
Bear	3.90%	13.01%	35.00%	14.22%
Base	13.25%	20.87%	35.00%	21.03%
Bull	19.83%	11.88%	9.00%	14.09%
Extreme bull	58.96%	8.54%	1.00%	24.68%

The earlier assumption register described a four-weight 25% historical / 35% macro / 25% judgment / 15% Monte Carlo structure. That description does not reproduce the current workbook output and no audited macro-to-MSTR-bin vector exists to apply it. This appendix therefore documents the formula that generated the preserved ensemble values. The correction is documentary: no probability output, valuation, position threshold, or recommendation changes.

The phrase **regime-conditioned Monte Carlo** refers to the stochastic model's financing, volatility, mNAV, and liquidity states. It should not be mislabeled as the separate five-state macro-regime framework.

8.20 Historical Calibration

The historical block-bootstrap comparison uses Coinbase monthly Bitcoin log returns, 10,000 simulations, a 54-month horizon, and contiguous three-month blocks. It preserves short return sequences better than independent monthly resampling. Terminal Bitcoin is translated into a static-capital MSTR residual using a bounded terminal mNAV rule between 0.65x and 1.25x.

The main Monte Carlo uses an 18% annual arithmetic drift, 65% annual volatility, Student-t degrees of freedom of 4.5, serial coefficient 0.05, and state-dependent volatility. These settings are pre-specified assumptions informed by historical behavior; they are not maximum-likelihood estimates claimed to be stable through 2030.

The normal distribution was rejected as the sole process because it produces too few extreme monthly returns and understates clustered drawdown risk. The Student-t process, volatility multiplier, and liquidity shock together provide a fatter and more path-dependent left tail. The block bootstrap is retained as a model-form comparison because it preserves empirical sequences without imposing the Student-t equation.

8.21 Sensitivity Testing

Table 36. Monte Carlo one-way sensitivity

Case	Median MSTR	Change	Impairment	Underperform BTC
Annual volatility +15pp	\$4.26	\$-36.46	56.10%	77.65%
Annual BTC drift -10pp	\$5.63	\$-35.09	57.27%	81.03%
Preferred rate +200bp	\$31.66	\$-9.06	47.67%	74.95%
Refinance failure +10pp	\$37.37	\$-3.35	46.33%	74.90%
mNAV elasticity low	\$38.23	\$-2.49	45.82%	73.78%
mNAV elasticity high	\$38.42	\$-2.30	46.30%	71.17%
Issuance threshold 1.15x	\$39.94	\$-0.78	45.73%	72.15%
Issuance threshold 1.00x	\$41.08	\$0.36	45.70%	73.20%
Annual volatility -15pp	\$86.94	\$46.22	32.82%	65.42%
Annual BTC drift +10pp	\$103.93	\$63.21	33.85%	61.75%

The pre-specified one-way sensitivity results show that Bitcoin drift and volatility dominate the median. Lower drift or higher volatility reduces the median to approximately \$4-\$6 and raises the impairment frequency to roughly 56%-57%. A 200-basis-point preferred-rate increase lowers the median to approximately \$31.66. A ten-percentage-point increase in refinancing-failure tendency lowers the median to approximately \$37.37.

Some requested dimensions - mNAV floor/ceiling, Student-t degrees of freedom, serial dependence, tax friction, software value, reserve policy, and Bitcoin-sale caps - are documented with reasonable ranges but were not rerun in the current sensitivity workbook. Their expected direction is disclosed rather than fabricated as a numerical result. The recommendation remains tracking only because no tested sensitivity removes the need for reserve, BPS, financing, and valuation gates.

8.22 Validation and Reconciliation Checks

Table 37. Validation and independent-replication checks

Check	Result	Tolerance	Status
Deterministic rows	35/35	Abs diff ≤ 0.0001	PASS
Monte Carlo paths	20,000/20,000	Abs diff ≤ 0.000001	PASS
Summary outputs	20/20	Max diff $2.85e-14$	PASS
Terminal zero control	7,103	Exact	PASS
Impairment control	9,058	Exact	PASS
Underperform control	14,469	Exact	PASS
Loss >50% control	10,265	Exact	PASS
Refinancing flag control	6,602	Exact	PASS

The independent replication reruns all 35 deterministic rows and all 20,000 Monte Carlo paths from the documented code and referenced model inputs. The maximum deterministic absolute difference is \$0.0000153 on large balance values, below the \$0.0001 audit tolerance. The maximum stochastic difference is 0.000000954 in the ADSO field, below the 0.000001 tolerance. All 20 summary outputs reconcile within $2.85e-14$.

Control totals are: 7,103 terminal zero-residual paths; 9,058 pre-specified impairment paths; 14,469 paths underperforming spot Bitcoin; 10,265 paths losing more than 50%; and 6,602 paths with at least one refinancing-failure branch. The sum of terminal MSTR values is 8,874,497.285198.

8.23 Known Limitations

- Historical ADSO before 2025 is incomplete, and the company-defined ADSO convention can change.
- A complete quarterly capital-stack history is unavailable.
- The stochastic model has 54 monthly steps but only annual corporate decision checkpoints.
- The 2028 Monte Carlo put branch uses \$4.40 billion versus approximately \$4.90 billion in the instrument schedule.
- Common issuance uses a proxy gate rather than a full post-transaction residual-per-ADSO optimization.
- Preferred issuance allocates 95% of notional explicitly; 5% remains an implicit haircut.
- Preferred distributions are modeled as expected cash uses even when legal declaration, cumulative status, payment medium, and deferral rights differ.
- The model excludes legal recovery, other operating liabilities, state taxes, security-specific tax lots, and market-impact costs.
- The mNAV process does not contain an independent preferred-yield or credit-spread variable.
- Liquidity shocks are stylized Bernoulli events, not calibrated from a full real-time credit database.
- The historical sample contains structural breaks and only a small number of Bitcoin cycles.

- Monte Carlo frequencies are conditional on model structure and parameter choices.

8.24 Replication Instructions

Table 38. Replication requirements

Component	Requirement	Expected result
Runtime	Python 3.11+; NumPy; pandas; SciPy	Deterministic execution
Inputs	Four workbooks + normalized CSV archive	No live API required
Random generator	NumPy default_rng; seed 20260711	Same draw matrix
Deterministic output	35 rows	35/35 reconcile
Monte Carlo output	20,000 terminal; 140,000 path points	20 summary rows
Publication tolerance	\$0.01/share; \$1 balances; 1e-6 ratios	No decision difference

Replication order:

- Place the four workbooks and pre-specified normalized CSV files in one controlled project structure.
- Use Python 3.11 or later with NumPy, pandas, and SciPy; use Excel 2021/365 or LibreOffice 25.x only for workbook inspection and recalculation.
- Load current balances and the 35-row deterministic input file.
- Run the deterministic transition in path/year order and compare against the 35-row reference output.
- Load Monte Carlo parameters, set NumPy's default random generator to seed 20260711, and generate the full 20,000 x 54 Student-t draw matrix once.
- Run monthly state transitions in the documented order. Do not regenerate random draws inside individual rules.
- Save one terminal row per path and the seven pre-specified path-point months if path history is required.
- Recalculate the 20-row summary, five-row scenario framework, and ten-row sensitivity file.
- Confirm control totals and probability sums before using any output.

Expected row counts excluding headers are: 35 deterministic inputs, 35 deterministic outputs, 28 deterministic checks, 20,000 terminal Monte Carlo rows, 140,000 selected path-point rows, 20 summary rows, 10 sensitivity rows, 10,000 historical block-bootstrap rows, and five scenario-probability rows.

Acceptable differences are \$0.01 per share for published values, \$1 on aggregate USD balances, 0.000001 on probabilities and ratios, and one share or one satoshi only where renderer or spreadsheet rounding converts a floating value to an integer display. The independent code audit is materially tighter than these publication tolerances.

Methodological replication does not require API keys or credentials, but exact numerical reproduction requires access to the referenced archived normalized inputs. LibreOffice and Excel can differ in chart fonts, page breaks, and cached formula display; those renderer differences do not change model values.

8.25 Pseudocode

8.25.1 One Deterministic Path

Table 39. Pseudocode: deterministic path

Step	Pseudocode
1	Load current state and scenario-year inputs
2	Apply BTC path and financing assumptions
3	Roll claims, reserve, shares, ADSO, and BTC
4	Calculate mNAV, residual, per-share values, and checks
5	Write one output row for each path-year

8.25.2 One Monte Carlo Path

Table 40. Pseudocode: Monte Carlo path

Step	Pseudocode
1	Initialize 20,000 vectorized states
2	Generate the 20,000 x 54 Student-t matrix once
3	For each month, apply transitions in Table order
4	Record selected path points and terminal state
5	Aggregate distribution and event frequencies

8.25.3 Financing Decision

Table 41. Pseudocode: financing decision

Step	Pseudocode
1	Test mNAV and momentum gates
2	Allocate issuance proceeds to reserve and Bitcoin
3	Increase relevant claim or share count
4	At put checkpoints, test refinancing access
5	On failure, consume reserve and apply capped BTC sale

8.25.4 Reserve Management

Table 42. Pseudocode: reserve management

Step	Pseudocode
1	Begin with prior ending reserve
2	Add designated financing proceeds

Step	Pseudocode
3	Subtract monthly interest and expected distributions
4	If below 12-month need, calculate shortfall
5	Sell capped BTC amount and recompute coverage

8.25.5 Impairment Testing

Table 43. Pseudocode: impairment testing

Step	Pseudocode
1	Calculate modeled fair value per share
2	Calculate BTC assets, claims, and reserve coverage
3	Flag if fair value <25% of current price
4	Or flag if BTC assets < claims and coverage <12 months
5	Keep terminal zero-residual as a separate output

8.25.6 Scenario Aggregation

Table 44. Pseudocode: scenario aggregation

Step	Pseudocode
1	Assign terminal MSTR to five fixed bins
2	Calculate bin frequencies and percentiles
3	Calculate loss, hurdle, impairment, and comparison flags
4	Reconcile counts and probability sum
5	Publish exact tables and rounded narrative

8.25.7 Probability Ensemble

Table 45. Pseudocode: probability ensemble

Step	Pseudocode
1	Load historical, regime-Monte-Carlo, and judgment vectors
2	Verify each vector sums to one
3	Compute 0.35 historical + 0.45 regime MC + 0.20 judgment
4	Verify ensemble sums to one
5	Use for comparison, not a market-implied probability

8.26 Formula Reference

Table 46. Formula reference

Measure	Formula	Use
BTC NAV	BTC holdings x BTC price	Gross asset value
Net senior claims	Debt + preferred - reserve	Claims ahead of common
Residual common	$\max(0, \text{fair mNAV} \times \text{BTC NAV} - \text{net claims} + \text{software})$	Common value
Residual / ADSO	Residual common / ADSO	Diluted per-share value
BPS	BTC holdings / ADSO	Per-share accretion
Reserve coverage	Reserve / annualized modeled cash burden x 12	Liquidity months
BTC log return	$(\mu - 0.5 \sigma^2)/12 + \sigma/\sqrt{12} \times \text{shock}$	Monthly process
Ensemble	0.35 Historical + 0.45 Regime MC + 0.20 Judgment	Scenario comparison

8.27 Parameter Table

Table 47. Core parameter register

Parameter	Base value	Class	Range/note
BTC drift	18%	Scenario assumption	8%-28%
BTC volatility	65%	Calibrated assumption	50%-80%
Student-t df	4.5	Calibrated assumption	3.5-7.0
Serial coefficient	0.05	Assumption	0.00-0.10
mNAV elasticity	0.35	Convention	0.20-0.50
Common issue gate	1.05x	Convention	1.00x-1.15x
Preferred base rate	11.1497%	Calculated start	9.1497%-13.1497%
Simulation / seed	20,000 / 20260711	Model setting	Fixed for replication
Software value	\$0	Conservative convention	Until recurring FCF is proven
Position cap	3% NAV	Portfolio rule	No leverage

8.28 Output Dictionary

Table 48. Output dictionary

Output	Unit	Definition	Use
terminal_mstr_value	USD/share	Modeled terminal residual/ADSO	Distribution
terminal_btc_price	USD/BTC	Terminal Bitcoin state	Asset path
terminal_btc_per_adso	BTC/share	BTC held divided by ADSO	Accretion gate
terminal_reserve_coverage	months	Reserve / annual burden x 12	Liquidity
model_impairment	Boolean	Pre-specified economic-stress condition	Risk frequency

Output	Unit	Definition	Use
terminal_zero_residual	Boolean	Terminal residual equals zero	Separate boundary
refinance_failure_occurred	Boolean	At least one failed branch	Capital access
maximum_simulated_drawdown	%	Worst path decline from peak	Sizing
underperform_spot_btc	Boolean	MSTR return below same-path BTC	Security selection

8.29 Model Version and Reproducibility Information

Model version: MSTR documented public model, 11 July 2026. Valuation date: 9 July 2026. Source retrieval date: 11 July 2026. Deterministic horizon: 2026-2030. Stochastic horizon: 54 monthly transitions. Simulated paths: 20,000. Random seed: 20260711.

The public thesis, this appendix, and the Investment Committee Summary use the same current balances, \$83.82 residual value per ADSO, \$67.06 margin-of-safety value, 17.36 months reserve coverage, \$127.57-\$335.06 deterministic range, and Monte Carlo outputs. Narrative frequencies are rounded where false precision is not useful; detailed tables retain full precision.

Two documentation corrections are documented in this appendix without changing outputs. First, the probability ensemble is the workbook's actual 35% historical / 45% regime-conditioned Monte Carlo / 20% author-judgment formula, not the four-weight description in the earlier assumption register. Second, the \$1.763 billion total is labeled modeled annual cash burden under current coupon and distribution rates, with debt interest and each preferred distribution classified separately.

The recommendation effect is none: 0%-1% monitoring position, no leverage; 1%-2% starter only at or below \$85 with all gates satisfied; 2%-3% strategic only after the specified confirmations; hard cap 3%; stronger value entry at or below \$75 when no major indicator is red.

9. Notes and Granular Source References

References below identify the filing, accession number, note or section, date, and stable URL where available. Market endpoints are identified by venue and observation date. A dashboard reference is not presented as an SEC filing when an exact accession or page was not verified.

Table 49. Granular source references

No.	Source	URL
[1]	Strategy Inc., Form 8-K, filed 6 July 2026, accession no. 0001193125-26-295586, Item 8.01, 'BTC Updates,' 'USD Reserve Update,' and 'Q2 2026 Financial Update.'	https://www.sec.gov/Archives/edgar/data/1050446/000119312526295586/mstr-20260706.htm
[2]	Strategy Inc., Bitcoin Purchases dashboard, disclosure row dated 6 July 2026; accessed 11 July 2026. The page provides reported BTC, ADSO, and BPS history; it has no SEC accession or stable page number.	https://www.strategy.com/purchases
[3]	Strategy Inc., Shares dashboard, current share and assumed-dilution bridge; accessed 10 July 2026. The exact SEC accession and page for the 6 July dashboard bridge were not confirmed, so no filing precision is asserted.	https://www.strategy.com/shares
[4]	Coinbase Exchange, BTC-USD daily candles, 9 July 2026 close; retrieved 11 July 2026. Venue data are used as a market observation rather than a universal Bitcoin price.	https://api.exchange.coinbase.com/products/BTC-USD/candles
[5]	Nasdaq, MSTR historical-price endpoint, 9 July 2026 close; retrieved 11 July 2026. The thesis market series was reconciled to the Nasdaq observations within the pre-specified tolerance.	https://api.nasdaq.com/api/quote/MSTR/historical
[6]	Strategy Inc., 'Strategy Completes \$1.5 Billion Debt Repurchase and Achieves BTC Yield of 13.3% YTD; Now Holds 843,738 BTC,' press release, 26 May 2026, capital-structure update and transaction highlights.	https://www.strategy.com/press/strategy-completes-1-5-billion-debt-repurchase-and-achieves-btc-yield-of-13-3-ytd-now-holds-843738-btc-05-26-2026
[7]	Strategy Inc., Quarterly Report on Form 10-Q for the quarter ended 31 March 2026, filed 6 May 2026, accession no. 0001050446-26-000031, Note 8, 'Long-term Debt Arrangements,' pp. 10-13, including principal, coupons, holder put dates, and conversion prices.	https://www.sec.gov/Archives/edgar/data/1050446/00010504462600031/mstr-20260331.htm

No.	Source	URL
[8]	Strategy Inc., Form 10-Q for the quarter ended 31 March 2026, filed 6 May 2026, accession no. 0001050446-26-000031, Note 9, 'Redeemable Preferred Stock,' pp. 19-21, including shares, liquidation preference, rates, cumulative status, payment method, conversion, redemption, and repurchase rights.	https://www.sec.gov/Archives/edgar/data/1050446/000105044626000031/mstr-20260331.htm
[9]	Strategy Inc., Form 10-Q for the quarter ended 31 March 2026, filed 6 May 2026, accession no. 0001050446-26-000031, Note 10, 'Net Loss Per Share,' pp. 22-23, and Note 7, equity-award tables, pp. 17-19.	https://www.sec.gov/Archives/edgar/data/1050446/000105044626000031/mstr-20260331.htm
[10]	Strategy Inc., Form 10-Q for the quarter ended 31 March 2026, filed 6 May 2026, accession no. 0001050446-26-000031, Part I, Item 2, 'Liquidity Needs' and 'Satisfying Liquidity Needs,' pp. 40-42.	https://www.sec.gov/Archives/edgar/data/1050446/000105044626000031/mstr-20260331.htm
[11]	Strategy Inc., Form 10-Q for the quarter ended 31 March 2026, filed 6 May 2026, accession no. 0001050446-26-000031, Note 12, 'Segment Information,' pp. 24-25, and MD&A, 'Software Business Impacts,' p. 37.	https://www.sec.gov/Archives/edgar/data/1050446/000105044626000031/mstr-20260331.htm
[12]	Strategy Inc., Form 10-Q for the quarter ended 31 March 2026, filed 6 May 2026, accession no. 0001050446-26-000031, Part II, Item 1A, risk factor on dual-class voting control. The filing reports that Michael J. Saylor beneficially owned 37.5% of total voting power as of 31 March 2026.	https://www.sec.gov/Archives/edgar/data/1050446/000105044626000031/mstr-20260331.htm
[13]	Strategy Inc., Form 8-K, filed 29 June 2026, accession no. 0001193125-26-286871, Item 8.01, 'Digital Credit Capital Framework Announcement,' including the USD Reserve Policy, STRC Dividend Policy, and BTC Monetization Program.	https://www.sec.gov/Archives/edgar/data/1050446/000119312526286871/mstr-20260629.htm
[14]	Strategy Inc., Form 424B5, '10.00% Series A Perpetual Strife Preferred Stock,' filed 21 March 2025, accession no. 0001193125-25-060332, sections 'Regular Dividends' and 'Priority of Dividends.'	https://www.sec.gov/Archives/edgar/data/1050446/000119312525060332/d927140d424b5.htm

No.	Source	URL
[15]	Strategy Inc., Form 424B5, STRC Stock Annex, filed 23 March 2026, accession no. 0001193125-26-118796, sections 'Regular Dividends' and 'Regular Dividend Rate Adjustments.'	https://www.sec.gov/Archives/edgar/data/1050446/000119312526118796/d101356d424b5.htm
[16]	Strategy Inc., Form 424B5, '10.00% Series A Perpetual Stream Preferred Stock,' filed 7 November 2025, accession no. 0001193125-25-272591, sections 'Regular Dividends,' 'Limitation on Certain Payments,' and 'Fundamental Change Repurchase Right.'	https://www.sec.gov/Archives/edgar/data/1050446/000119312525272591/d22199d424b5.htm
[17]	Strategy Inc., Form 424B5, STRK Stock Annex, filed 23 March 2026, accession no. 0001193125-26-118782, sections 'Regular Dividends,' 'Priority of Dividends,' and conversion provisions.	https://www.sec.gov/Archives/edgar/data/1050446/000119312526118782/d824451d424b5.htm
[18]	Strategy Inc., Form 424B5, '10.00% Series A Perpetual Stride Preferred Stock,' filed 6 June 2025, accession no. 0001193125-25-137186, sections 'Dividends' and 'Redemption.'	https://www.sec.gov/Archives/edgar/data/1050446/000119312525137186/d125757d424b5.htm
[19]	Strategy Inc., Form 8-K, filed 1 June 2026, accession no. 0001193125-26-249768, Item 8.01, cash-dividend declaration and preferred-rate update for the June 2026 payment period.	https://www.sec.gov/Archives/edgar/data/1050446/000119312526249768/mstr-20260530.htm
[20]	Robert C. Merton, 'On the Pricing of Corporate Debt: The Risk Structure of Interest Rates,' Journal of Finance 29, no. 2 (1974), pp. 449-470.	https://doi.org/10.1111/j.1540-6261.1974.tb03058.x
[21]	Ben S. Bernanke, Mark Gertler, and Simon Gilchrist, 'The Financial Accelerator in a Quantitative Business Cycle Framework,' NBER Working Paper 6455, March 1998.	https://www.nber.org/papers/w6455
[22]	Satoshi Nakamoto, 'Bitcoin: A Peer-to-Peer Electronic Cash System,' 2008.	https://bitcoin.org/bitcoin.pdf
[23]	Bank for International Settlements, Committee on the Global Financial System, 'Global Liquidity - Concept, Measurement and Policy Implications,' CGFS Papers No. 45, November 2011.	https://www.bis.org/publ/cgfs45.htm
[24]	Berkshire Hathaway Inc., 2025 Annual Letter to Shareholders, per-share capital-allocation framework.	https://www.berkshirehathaway.com/letters/2025ltr.pdf

10. Selected Appendices

Appendix A. Definitions

Table 50. Definitions

Term	Public definition	Why it matters
ADSO	Basic shares plus assumed convertible and equity-award shares	Conservative diluted denominator
Bitcoin NAV	BTC holdings multiplied by Bitcoin price	Gross asset value before corporate claims
mNAV	Enterprise value divided by Bitcoin NAV	Valuation and financing-access measure
Net senior claims	Debt plus preferred notional minus USD reserve	Claims ahead of common equity
Residual / ADSO	Common residual divided by ADSO	Primary per-share value measure
BPS	Bitcoin holdings per assumed diluted share	First accretion gate
Reserve coverage	USD reserve divided by annualized modeled cash burden	Liquidity runway
Drawdown	Decline from the previous price peak	Path-risk and sizing measure
Order block	Prior displacement zone identified with price and volume rules	Timing map, not a price forecast

Appendix B. Core Formulas

Table 51. Core public formulas

Measure	Formula	Use
Bitcoin NAV	BTC holdings x BTC price	Gross digital-asset value
Net senior claims	Debt + preferred notional - USD reserve	Economic claims ahead of common
Enterprise mNAV	(Basic market cap + net senior claims) / Bitcoin NAV	Current enterprise multiple
Residual common	$\max(0, \text{fair mNAV} \times \text{Bitcoin NAV} - \text{net senior claims} + \text{software value})$	Common value after senior claims
Residual / ADSO	Residual common / ADSO	Conservative diluted value per share
BPS	BTC holdings / ADSO	Per-share Bitcoin accretion
Reserve coverage	USD reserve / annualized modeled cash burden x 12	Months of modeled-cash-burden coverage

Appendix C. Probability Framework Cross-Reference

Probability frameworks, ensemble weights, and exact scenario frequencies are presented once in Parts 5 and 8.

Appendix D. Essential Assumptions

Table 52. Essential assumptions

Assumption	Current setting	Reason for conservatism
Software value	\$0	No credit before standalone recurring FCF is proven
Tax friction	0%-21% federal range	No deferred-tax asset credit
Bitcoin drift	18% arithmetic	Sensitivity spans 8%-28%
Bitcoin volatility	65% annual	Sensitivity spans 50%-80%
Tail shape	Student-t, 4.5 df	Allows fatter tails than a normal distribution
Serial dependence	Monthly rho 0.05	Tests limited drawdown clustering
mNAV elasticity	0.35 base	Bounded sensitivity from 0.20 to 0.50
Common issuance gate	1.05x mNAV base	Issuance remains conditional on accretion
Simulation	20,000 paths; seed 20260711	Seeded stochastic output; exact reproduction requires referenced inputs
Position cap	3%; no leverage	Limits impact of full common-equity impairment

The assumptions are intentionally visible because small changes in Bitcoin drift, volatility, mNAV, preferred rates, or dilution can materially change the common-equity distribution. They should be revised only when new evidence changes the underlying mechanism, not merely because the market price moves.