

IP Blockchain Show 1

Growth in the Blockchain Segment

This is Investor Perspectives. I'm the host of Investor Connect, Hall T Martin, where we connect startups and investors for funding.

In our new Investor Perspectives series entitled "How to Understand Blockchain", you'll hear about growth in the Blockchain segment.

As the COVID pandemic passes, we emerge into a new world. The blockchain space has made tremendous progress in setting up substantial networks and meaningful applications. Blockchain continues to drive change in the tech space in particular fintech. We have investors and startup founders describe the changes coming up.

I hope you enjoy this episode.

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Our first guest is David Johnston, Managing Director at Yeoman's Capital. Yeoman's Capital is David's personal family office investment arm which acts as an early seed-stage investor. Yeoman's investment thesis is to only invest in Dapps where the Yeoman's team of experts can have a significant positive impact on the project. In the same vein, Yeoman's only advises projects in which it deploys its own capital. David, thank you for joining us.

[00:10:59] **David Johnston:** Thank you for having me on, glad to be here.

[00:11:02] **Hall Martin:** So tell us more about your work and what you currently do.

[00:11:05] **David Johnston:** So I've been a serial tech entrepreneur since I was a kid. I built 10 different tech companies, mostly in web and early internet before I was 30. And then I was lucky to hear about Bitcoin in 2012, _____ free markets economics nerd, and converted all my capital into bitcoin. And so, that really sort of provided me really the basis to move on to the investor side of the equation. And so, I first started an angel group in the Bitcoin space called BitAngels in 2013, and then a VC called the Dapps Fund in 2014 and funded a lot of the early stage blockchain protocols, before starting Yeoman's Capital in 2016 to really sort of focus in on the open source projects that we have been funding. So I've funded north of 40 different projects in the last eight or nine years in blockchain, and _____ pretty much exclusively our focus is crypto and blockchain projects since that point. And as of yesterday, I formally joined a Norwegian company, DLT, as their Chief Operations Officer, and with that same focus on blockchain and crypto and all things distributed ledger.

[00:12:18] **Hall Martin:** Well, great. Well, let's talk about the growth in the blockchain segment – how do you see it growing from here?

[00:12:23] **David Johnston:** Well, I think we're 1% of the way there. So if you think of the world's global assets as the \$100 trillion of real estate and securities, M1, M2 money supply, all those different categories, there's a \$100 trillion of wealth that we need to transfer from old fashioned ledgers onto distributed ledgers. And blockchain, in general, is past a trillion dollars, so we're 1% of the way there and converting all of the world's wealth onto blockchain ledgers. And I think that'll be a process over the next five-10 years, but it's, I think going to move faster and faster as the bridges and infrastructure's gotten better and better, the coin bases of the world have made it easy for the average person to hold and buy bitcoin, and there's great projects like Exodus that lets you hold your own keys. So it's a lot easier than in 2012 when I first set up a Bitcoin node and downloaded the whole blockchain myself, and the interface has gotten a lot better since then.

Our next guest is Dave Hendricks, CEO and Founder at Vertalo. Vertalo is a cap table, compliance, and investor onboarding platform utilizing blockchain to connect and enable the digital asset economy. A chain-agnostic pioneer in "direct custody" and secondary liquidity, Vertalo supports the ongoing asset management needs of private companies and broker-dealers. Dave, thank you for joining us.

[00:03:37] **Dave Hendricks:** Hey, Hall, it's great to see you, and thanks for having me on the show, really excited.

[00:03:41] **Hall Martin:** Great. Well, tell us more about your work and what you do.

[00:03:45] **Dave Hendricks:** Vertalo connects and enables the digital asset ecosystem. What that means is that we work with broker dealers, RIA's, real estate funds and individual issuers to help onboard investors on to digital cap tables that we manage for them or with them. And the reason why we're doing this, well, we ultimately connect those cap tables to sources of secondary liquidity. If you invest in something, maybe ultimately you want to sell it. So what we've done is we've created a suite of APIs that connects all the way from the first dollar end of the company, all the way through to secondary liquidity. And it's a modular system and easy and accessible to use for issuers and investors.

[00:04:42] **Hall Martin:** Great. Well, let's talk about the growth in the blockchain segment, what do you see going on there today?

[00:04:47] **Dave Hendricks:** Well, I think that everybody, even the most casual observer, can see that over the last year, Bitcoin went from the \$4000 levels to today, on March 30 2021, Bitcoin is at \$58400. So, if you had taken that stimulus check that you got last spring and put it into Bitcoin, you would have turned that \$600 into something like 7000. So Bitcoin itself, as kind of an indicator, shows you a little bit about what's happened in cryptocurrencies and digital assets. But it's not limited to Bitcoin, Ethereum, Polkadot Yearn Finance, Doge, Ravencoin, Tezos, all these other currencies and blockchain protocols have also been swept up in the same way. And this has created quite a few amazing investment opportunities.

Our next guest is Christian Kameir, Managing Partner at Sustany Capital. Sustany Capital is a blockchain venture fund headquartered in Newport Beach, California. Aside from investing in blockchain-related projects, the firm lends its expertise to existing companies interested in 'security token offerings'. Christian, thank you for joining us again.

[00:03:31] **Hall Martin:** tell us more about your work and what you do.

[00:03:39] **Christian Kameir:** Yeah, you heard that story many times but some people may have not. So first, the obvious, the funny accent originated in Germany, I was a software developer for a very brief period of time in the 80s, then went to law school, and after law school, joined one of the first internet service providers as a general counsel. That was when internet was still

very slow. That was even before the invention of the 56k modem. Long story short, we built the largest private internet service provider in Germany, which we merged with what's now the largest internet service provider in Europe in 2000, at a very good time at the height of dotcom. And so I promptly retired from the law and then also moved a few months later to Southern California where I still am and we started our first venture fund, which at the time was focused on Voice over IP solutions, multi _____ online player games which shares a lot in common with the topics we focus on today, which I call decentralized software solutions, and most people refer to it as the blockchain space.

[00:04:43] **Hall Martin:** Great. Well, let's talk about the growth in the blockchain segment. What do we see there in the way of growth rates and sub segments growing?

[00:04:50] **Christian Kameir:** Yeah, so you can think of it in kind of two big, maybe three big buckets. Right? So you got the growth through the exception and adoption, and so, the first category within that will be enterprise companies like Walmart, Toyota, Amazon, or you got also new entrances, some of which we invested in, like Provenance who wrote the largest securitization of a mortgage since the financial crisis in 2008. Then you see now the obvious one being corporations adopting cryptocurrencies for the Treasuries, the Teslas, the Squares, and then most prominent in that space, probably MicroStrategy. Third, you got financial institutions now finally engaging with that asset class, even Morgan Stanley, BlackRock, and so forth. And also, we see endowments now putting it into their fund, Harvard, Yale, MIT. So then, the second piece here, the second growth, you can look at this in terms of the market cap, and associated to that consumer awareness, so the market cap is now over 2 trillion of cryptocurrencies, at the same time last year it was about 268 billion. So it's like a 7.5x. However, I think it's important also to point out that this is still below about 2% of consumers that even have some form of cryptocurrency wallets, if you want to consider that as engaging with blockchain. So that's about the state we were in, in internet in 1997.

And then, the third bucket here that I would describe as is the most important one probably is the growth of technologists participating in the space, and with that, for us, _____ the explosion of projects and innovations. And within that, probably the most obvious ones that everybody has heard of, is the NFT space, which now is about close under \$30 billion market cap, which was negligible at the same time last year. And the other one being decentralized finance, which a year ago was 2.5 billion, today it's 76 billion, so a 30 times increase. And so, when you look at some of these examples of decentralized solutions, so a year ago, decentralized exchanges had sparsely any liquidity, and today, in some days, the volume on decentralized exchanges like Uniswap exceeds that of centralized exchanges like Coinbase. So then the most interesting part for us, the most boring part for most probably is the growth of infrastructure projects. So blockchain interoperability solutions, polygon and what comes to mind or blockchain indexation solutions, such as graphs or the building blocks for really the larger topic of Web 3 here.

Our next guest is Jake Ryan, CIO at Tradecraft Capital. Tradecraft Capital manages a macro/thesis-driven crypto fund with the objective of delivering asymmetric returns by investing in the emerging asset class of crypto assets. The firm's investment thesis focuses on the next long-wave economic cycle, which the firm calls the "Age of Autonomy". Jake, thank you for joining us again.

[00:04:38] **Jake Ryan:** Great. Nice to be here. Thanks Hall.

[00:04:40] **Hall Martin:** So tell us more about your work and what you do.

[00:04:42] **Jake Ryan:** Yeah, so I run a crypto fund, Tradecraft Capital, and we're a macro thesis driven hedge fund. We invest solely in crypto assets, so the coins and tokens. We're an open fund, so we really put a premium on liquidity. And so, for the most part we are focused towards public already being traded tokens in the crypto space, though we do dabble a little bit in presales and venture style in the space – in crypto space.

[00:05:20] **Hall Martin:** Great. Well, let's talk about the growth in the blockchain world here. What do you see coming up?

[00:05:25] **Jake Ryan:** Yeah. Well, I see, you know, we're getting more and more institutionalization of Bitcoin and Ethereum. We're seeing more derivative products being built. I think, it looks like the Ethereum futures market is coming down the pike. We're seeing many more institutional investors coming into this space. I can think of Ray Dalio, perhaps six months ago, being a naysayer of Bitcoin, and I think it was just last week, he said, I prefer Bitcoin to bonds. And so, we're seeing a lot of changes in positions, and I think, overall, a great growth in the space.

Our final guest is Rashad Kurbanov, CEO and Co-founder of iownit.us. iownit.us is a digital asset securities platform that powers tomorrow's private markets by providing the end-to-end digital infrastructure to issue, manage, buy, and sell digital asset securities. Rashad, thank you for joining us.

[00:02:36] **Rashad Kurbanov:** Pleasure to be here, Hall.

[00:02:38] **Hall Martin:** So tell us more about your work and what you do.

[00:02:42] **Rashad Kurbanov:** Well, I'm a CEO and cofounder of iownit, actually the full name of the company is iownit capital and markets, Inc. It's a digital assets securities platform. I started the business with my cofounder three and a half years ago, really focusing on bringing the blockchain technology into capital markets to provide the efficiency for private securities. That's what I do every day, and we're going to be talking about blockchain, the topic that has occupied my mind for the past three and a half years.

[00:03:17] **Hall Martin:** Great. Well, let's talk about the growth of blockchain itself. What do you see going on there these days?

[00:03:23] **Rashad Kurbanov:** These days, there's a lot of talk about blockchain actually, whether it's CNBC talking about Bitcoin, whether it's companies looking to explore this as a technology, but I think we need to be very clear about what blockchain actually is, I just kind of want to set the context straight. The way we look at it, and the way we think about it is it's a technology, it's a database structure, so to speak. Right? So if we look into evolution of the technologies from various relational database, no relational database, and now we have distributed databases like blockchain. I can go into the characteristics of that, but we'll kind of skip it for now, and then attached to the blockchain is what they call the smart contracts or the technology or the applications that can be built on top of this technology. So when we talk about blockchain and what's going on in that space, I think as technology, it's evolving, it's growing. New applications are being built on top of it that have some very interesting characteristics and properties, and pretty rapidly it's becoming a very diverse space. Sometimes I compare blockchain to internet in the 1990s, right? At the time everybody wants to be a dotcom company, but ultimately, it really came down to what is the business problem that you're solving, how the technology is bringing efficiencies to a particular business or industry or segment, and then it develops from there.

[00:05:08] **Hall Martin:** It seems like blockchain is really starting to see some real applications and real use out there. What do you see with the application acceptance of blockchain today?

[00:05:24] **Rashad Kurbanov:** Blockchain, as technology is gaining adoption and increased focus across both the government and the private sector, one of the things that, for example, a lot of folks probably heard recently is central bank digital currencies. Right? Even the US Fed that has traditionally been pretty conservative in its approach to technology has now started to explore the possibility of using the distributed ledger to create a digital version of the US dollar. Chinese government is far advanced in that space, and it's kind of moving. The same kind of developments are happening in the private sector in a variety of industries from food, logistics, transportation, the technology is gaining wider adoption, as it becomes more efficient, better understood, and applications can be built there.