

Alex Fauvel of Two Hop Ventures

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin, I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity and many other investors for early stage and growth companies. I hope you enjoy this episode. The Investor Connect is a 501 C three non-profit dedicated to the education of investors and startups for fundraising. Please consider donating \$100 to the program to help others in their investor and entrepreneur journey. You can find the Donate button on the Investor Connect org website. Hello, this is Hall Martin with Investor Connect. They were here with Alex Fauvel , founder and general partner at two Hop Ventures. Two Hop Ventures is a traditional investment firm that invests capital in projects from around the globe that aim to secure the internet on a blockchain. The fund focuses on pre-seed the seed stage startups and does not acquire or handle any crypto tokens of any kind. Alex, thank you for joining us.

Speaker2: [00:01:00] Thank you for having me.

Speaker1: [00:01:01] So can you tell us more about your background, what were you doing before investing in early stage companies?

Speaker2: [00:01:07] So I was actually doing my degree, which was mechanical engineering at UCL in London, and I then went to a graduate scheme and then found my way into a cryptocurrency hedge fund where the trading strategy was effectively buy and hold lots of different tokens. There, I discovered that most of these tokens, if not all of them are outright scams. So I decided to leave and start my own venture capital fund on the only large scale blockchain that could handle the world's data, which we believe is bitcoin as we.

Speaker1: [00:01:51] Right. And so what excites you right now?

Speaker2: [00:01:54] Right now is the idea of putting data on the blockchain and then doing putting public computing functions over that data and having provably secure computing that everyone can verify and then expand upon in an open kind of structured hierarchy?

Speaker1: [00:02:18] Right. And so you see a lot of startups and a lot of investors in this space. What's your advice to people that are investing in startups? What do you tell them to do before they make that investment?

Speaker2: [00:02:30] Uh, make sure the founders know exactly what they're talking about. It's quite easy as an investor to get caught up in a lot of the buzzwords, especially in crypto. The people using these words don't even know what they mean or how that ecosystem is going to develop. So it's very difficult to find people that know exactly what they're doing and the right way to approach it from a technical point of view. And then from a marketing point of view, I mean, anyone can hire a good marketing firm to to pump whatever company it is. So just be wary of the people that are just out to take the money from you and run.

Speaker1: [00:03:13] Then on the other side of that table, what's your advice for people running startups in this sector where you tell the founder to do before they go out to raise funding?

Speaker2: [00:03:22] Uh, make sure you've tested your product in a market, have some sort of user feedback, if not a user pay paying. And then especially in the blockchain space where you're dealing with infrastructure that is payments by default, it would be almost silly to start a company that has no form of or path to revenue in this system from almost day one. So once you've got that sort of idea and you can see it's taking off, then it's about scaling the business that backs that core concept, which will then involve the hiring developers or hiring, marketing or admin or legal even.

Speaker1: [00:04:09] Great. Well, let's talk about the state of investing in blockchain. How do you see the industry evolving from here?

Speaker2: [00:04:15] I think there's going to be almost a reckoning of a separation from the people that are building genuine products and people that are simply trying to take money off investors. One of the things that is being talked about all the time on the hill in the U.S., at least, is crypto and blockchain. There's a hearing about it every month or so. There's the presidential working group that's trying to find out how to regulate it all. I think they are narrowing down on just how to deal with it, but they're finding it difficult to find a way to execute those sorts of

legal regulations from their current understanding. I actually think it's very easy for them to do it. It just requires that first step of doing that first one and then everyone else is going to scarp and effectively disappear off the face of the Earth. Because then you've got U.S. regulators coming down on people that think they're changing the world but may not be may actually just be taking investors money. Yeah. And then from there, enterprise should be looking at the ones that survive and the ones that can handle the scale. And then we're going to be seeing a much more open and fair society in which no matter where you are in the world, if you've got a mobile phone, you can contribute to the economy.

Speaker1: [00:05:51] Right. And what do you think is the biggest change we'll see here and say the next 12 to twenty four months?

Speaker2: [00:05:57] Twelve months is always difficult. I would expect bitcoin to be lower than it is today. It's not financial advice, but that's the best way to gauge what's going on in crypto. But I've been saying that for many years now because I don't think bitcoin has the capability to provide what it promises. And twenty four months, if that hasn't happened, then the world is moving a lot slower than I thought it would.

Speaker1: [00:06:28] And so let's talk about your investment thesis. What exactly is it and what your requirement for making an investment?

Speaker2: [00:06:35] We are a fund that invests solely in businesses that building on the Bitcoin SV blockchain. So we believe that the protocol is set in stone. And as long as you don't change that, then you can build a sustainable business on top of it that can focus on what it does best, which is providing a good level of service to their customers. And what we look for in startups and founders is do they understand that key principle is the first filter. The second filter is do they understand their market that they are trying to solve the problem of? And that's quite difficult at the moment because a lot of people are just copying what other people are doing. And with this new technology, there are a bunch of problems that can be solved via an innovative way of thinking instead of an innovative way of thinking of the problem, as opposed to trying to find a technical solution to everything. And then do you have a paying customer if you're going for enterprise? It's all good to build the product, but if you can't get a sale, then it's very difficult to say that you're going to get your next one. The first sale is always the hardest.

And then from there we can assist in funding their development costs that bridge that gap because obviously one customer may not be able to fund all the bells, but it will assure us that you're building in the right direction and solving someone's problem. And most of all, try and get other investors on board as well. No one wants to be the only investor in a company. They would much rather share that load in that burden with other investors during a friends and family round. Before you take money from VCs or angels is always a good sign of confidence that you're in in your business. 100 percent.

Speaker1: [00:08:38] Can you talk about one or two startups you funded that fit your thesis?

Speaker2: [00:08:43] So we've funded two core wallets, if the BSB ecosystem, they are hand cash, which has like a app gallery where you can play games and things like that and then sent B, which is based in South Africa. I think Africa is going to be a huge market for blockchain and they allow you to spend your bitcoin as fee in almost any shop in the world now because they've integrated with the voucher system. So that's a huge boon for that company. The other companies we've funded are token protocols, so we've also got run and pixel. But Pixel is an identity token specifically not necessarily a a games token that you might play with in something like World of Warcraft and. Yet we've also funded a bitcoin specific development studio, which has effectively built a lot of other people's products in our ecosystem, and they have been churning out a lot of projects and thus generating quite a bit of revenue. So the valuation of that company has definitely quintupled, if not further than that. There's something going on there that I can't discuss at the moment, but yeah, it's it's very interesting.

Speaker1: [00:10:18] Well, you talked about some of the challenges earlier in this space for both the startup and investor, but what do you think is the main challenge the startup faces in launching their business in the blockchain space now?

Speaker2: [00:10:29] Uh, finding the right idea and the right problem to solve, it's very well known that people are looking for a solution. A problem that bitcoin solves as a solution, people are struggling to find that or even though they think they found it, it may present weaknesses in other positions. So I assume this is the same for basically every industry. Make sure that you have a problem that is worth solving and someone will pay for. As soon as you have that, then everything else should fall into place quite easily because finding a co-founder for that or

finding the right business partners should be quite simple once that fit is established. Because, you know, half the people in the world today could be your customers. So if half the people you speak to, you get it as an idea, they should be willing to come on board, right?

Speaker1: [00:11:26] And then on the other side of that table, what's the main challenge investors face in this space today?

Speaker2: [00:11:31] Depends on the level of the investor at the moment, there's a lot of capital flowing around, but it doesn't really know where to go. So for example, SoftBank, who you know, prides itself in being the biggest VC fund in the world, ended up funding half of Manhattan's real estate business through We Work. So, you know, they've got a lot of capital, but they don't know necessarily where to put it, and it always seems to end up in real estate. So I would say that for some people that know what they're doing, it's more difficult to access their capital because you have to convince someone of a bit of a crazy idea. But from the ground level, it should be a lot easier because you have a different perspective on the problem because a lot of the problems you're probably going to be solving. Our problems are your experience and your day to day life, which you know that is done doesn't necessarily experience. So it's it's a different there's good and bad to being at each level. I think being small is always an advantage.

Speaker1: [00:12:45] Well, you talked about different sectors and applications in the crypto blockchain space today, if you had to pick one or two areas that they think are really good opportunities for investors to look into today. What would you put at the top of the list?

Speaker2: [00:12:59] Identity and data collection, those two things I think are the top of everyone's list. Identity is the key to solving so many different problems in the world, especially today, and data collection has always been valuable and will continue to continue to be valuable far into the future.

Speaker1: [00:13:23] Great. Well, in the last few minutes that we have here, what else should we cover that we haven't?

Speaker2: [00:13:28] I think something that should be could be interesting is that the crypto crowd seems to believe that bitcoin is a political tool. You have Jack Dorsey and Elon Musk each pushing a certain political agenda, and they're using crypto to do it as well. And the interesting thing about bitcoin is that it is actually apolitical, if you look at it directly, the only political statement which is actually more of a money theory of money statement is the the issuance of how much to issue and should it be capped and things. But if you talk to economists, they they kind of say, we don't know. We think it's a good idea to have a continuously variable supply. And Satoshi effectively decided to make it the experiment of we're going to cap it and when it runs out, hopefully there is enough value created in the economy and on bitcoin itself through the mining fees that the system becomes self-sustaining and actually reduces all the waste that is left over in our centralized economy of governments issuing their own currencies and then allocating it where they see fit. And then there's always a lot of waste in there. Bitcoin is more of a hyper capitalist approach. I would argue that bitcoin is capitalist if it has always an issuance and it's free and open, but it's hyper capitalist if it's cut. So it's going to be a very interesting experiment for the next hundred years. And if you're building any sort of technology business, if you're not looking to put it on a scalable bitcoin, you're going to probably struggle in the future.

Speaker1: [00:15:27] Right? So how best for listeners to get back in touch with you?

Speaker2: [00:15:32] Uh, email is easiest. Just my work email Alex at to hope, as in a network hop. So two hop ventures, Dot Ventures. Yeah. And then I'll email you within a couple of days after receiving your email.

Speaker1: [00:15:49] Great. We'll include that in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon. Thank you very much. Investor Connect helps investors interested in startup funding in this podcast series, experienced investors share their experience and advice. You can learn more at [Investor Connect](#). Paul T. Martin is the director of Investor Connect, which is a 501c3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by host and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.