

## Jeffrey Kamys of Inherent Wealth Fund

**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. Investor Connect is a 501 C three nonprofit dedicated to the education of investors and startups for fund raising. 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. Today we're here with Jeffrey Kamys , chief investment strategist and portfolio manager at Inherent Wealth Fund. Inherent Wealth Fund is a registered investment advisor focused on thematic and sector specific investing. The fund implements innovative strategies and wealth management solutions for institutions. Jeffrey, thank you for joining us.

**Speaker2:** [00:01:04] Hey, thank you for having me. Pleasure to be on the show.

**Speaker1:** [00:01:07] Great. Can you give us a little bit background? What did you do before joining Inherent Wealth Fund?

**Speaker2:** [00:01:11] I'm an entrepreneur myself. I enjoy several different businesses. When I was in my twenties, I used to play a lot of baseball. That was my passion. I when I realized when I was sort of playing like in the low eight level, semi-pro level, I wasn't going to be good enough. Then I quickly went into the fantasy sports industry. So there's parallels for me, sort of being sports betting, gambling. I've been in sports business almost my entire life. I had one of the original. I wouldn't say that I'd be on Mount Rushmore for fantasy sports, but I was one of the original online operators in fantasy sports. I had a company called Dr. Stats Fantasy Sports. At that time, had I known I could have gotten the domain. Fantasy football or any of those domains were totally available. Available, but I didn't know how valuable they'd be. I just thought of something funny, like doctor stats, like you know so much about the stats that you would get it. So I had that for many years and I ran that. That was a very successful business, that it was like a happy accident. I was running leagues and then I started what people really wanted more than just being in the league as they wanted information. And that's really what the Internet has become in total. It's people are just searching for better information. And so what I did is I

started I ran leagues and then I ran. Then I started producing information, you know, news reports, data, a way to analyze the stats. So it fits very well into an investor kind of space. It's the same thing when you analyze a sports player for performance. You're essentially doing the same thing. When you're analyzing stock, you're looking at past trends, history, what their peak could be, when to sell, when to buy. So there's nice corollaries there.

**Speaker1:** [00:02:41] Great. So what excites you right now.

**Speaker2:** [00:02:44] In terms of business or the market or in general?

**Speaker1:** [00:02:47] In general?

**Speaker2:** [00:02:48] I love starting businesses. I love this podcasting space. You know, I think it's a great way to communicate with listeners. People are interested, people finding niches. I think, again, another thing I think the Starbucks generation has made us really Nishi about what we want. And I think that's our ability on something like the Internet, we don't want to just find Blue's we want to kind of find a southern blues or a southern blues from Tennessee or from South Carolina or Texas. And so that's what the Internet does. We get to drill down. Further and further. And I think that's what always excites me about the Internet space and technology.

**Speaker1:** [00:03:21] Great. Well, states are legalizing sports betting now, and it's interesting to see how the legalization model is working and not working around the country. Can you give us an update on what are the latest happenings in the sports betting space around legalization?

**Speaker2:** [00:03:38] Yeah, it's happening. So here's what's happening with legalization. It's sort of like there are many states now where over half states that are either allowing either for online or brick and mortar casinos. And what's happening is the neighboring states are getting a lot of traffic from like when before New York became legal in early January, December. A lot of the New York players were playing in New Jersey, and so they were like, Hey, we don't want that money going next door. Let's keep it in house. So what you're seeing is the effect of we need to keep up with the neighbors here. And so you're seeing states like where Missouri was not legal. They would go to Illinois and now Missouri's got it on the ballot and the big ones to come. And the really interesting initiative and I was just down in in the desert, Palm Desert and I had a hat

on that said something about betting. And they're actually launching the campaign now for legalized gambling in California. And that's the biggest one. There's still three biggies to fall, and those are California, Florida and Texas. And those are the big ones that are still open for grabs. And essentially there's a community or there's a group in with a lot of these big operators. Draftkings is one of them, and they're essentially starting a campaign, they're getting signatures, and the guy at the table goes, You probably would like this. And he was talking to me about it, and I knew the company, what they were doing.

They're essentially doing a proposal to legalize gambling in California. And a lot of that money, 85% of the revenue, the revenue that the state claims is going to go to homeless shelters and homeless. So it's going for mentally distressed people. So it's going for a good cause. That's their pitch, right? And they're spending hundreds of millions of dollars to do that. That isn't even the licenses. And I think when you talk about this space, one of the things that's going on is it's the investment stage. When we say sometimes as investors will say first inning, you know, like if there's a bull market, you'll say we're in the first inning, we might now be in investing, we might be in the eighth inning. And as far as the bull market, we don't know. I mean, it's hard to tell. We might be in inning zero two because we might be going through a little bit of a recession here. But when you talk about this gambling space, it's really in the zero inning because you get a lot of players now that are running four for the territory. It's kind of the Wild West, so they're spending a lot of money to acquire customers and it's still in the infancy in the United States. We're really talking about three years of investment in these companies breaking into the US. So very new still. So they're paying the price for either state taxes or the operators paying a lot of money to get established.

**Speaker1:** [00:05:56] Great. It's very similar to the cannabis where it's unevenly distributed and legalization is coming in different ways. Do you see a federal law that's going to just wipe it out or do you think it's really going to have to go state by state?

**Speaker2:** [00:06:11] From what I see is it's still going to remain state by state issue. And I think that you have a lot of different states. So California, one of the issues in California really is how do you treat the operators of the the Indian reservations that have been there for years, that have like this right to this land that can do whatever they want. So that's sort of some of the issues in California. And that's why I think it has to be a state by state issue, because it has to account for a lot of those little nuance things within each state.

**Speaker1:** [00:06:36] And so how the state's been legalizing it so far. You talked about New York legalized it. What are the rules there?

**Speaker2:** [00:06:43] Well, New York is a tough one, right. So the operators who are there and they originally had eight licenses that they started with, now their commission and they're talking about now expanding the licenses. So they started with eight licenses in December. January, they did a record number of over 2 billion handles in the first month of operation. So that's \$2 billion that was exchanged hands in their online betting in New York. Now they're talking about adding additional licenses for more brick and mortar casinos and opening up because they're going to licenses, there are like \$1,000,000,000. Now, the problem for the operators there is they have to be very one of the things in this space right now is customer acquisition. So you'll see places like MGM, they'll say, hey, come and register to play here. We'll give you 3000 to play like a free bet. So they'll give you a series of free bets to kind of induce the consumer to come and register for an account. Most consumers in the US have about 1.6 accounts, meaning they may be at like Penn National, DraftKings or at MGM. In Europe, the number is like four or five because they've been doing it for years.

So most users will have and it's smart. If you enjoy gambling, you should be looking at the lines in different places because as someone I like to bet on pro football myself and I'll look and see where the lines are in different places because they're different, because they're moving at different times and different speeds. So it's in your advantage to aggregate those and then pick the best for your where your bets are headed. But it's still in its infancy there. New York charges. I think New York problem, too, is customer acquisition plus the 51% revenue tax they're putting on all the casino operators. So it's very punitive. Only one other state, New Hampshire, has a tax that great and that's very punitive to operators that would be very careful to maintain their margins. And so New Hampshire has had some problems. Draftkings said trouble making money there because of that. I think when you get bigger players in because and we'll talk about this in a little bit, but when you get some people like Disney who owns ESPN, when they can come in, I think they're going to have a little more leverage to operate against that tax.

**Speaker1:** [00:08:43] What's going on with the California legalization? How is that going?

**Speaker2:** [00:08:47] There's going to be a few different ballot issues. We're going to see what happens in July of this year. But there's going to be a few different ballot issues coming up in November, which is going to decide if they're legalizing and their push would be probably to legalize before the start of the Super Bowl. And like I said, there's several operators, including DraftKings and FanDuel and those companies that are on this trying to get signatures to be on the ballot for November. Indian reservations already have a couple a ballot measure. And so there's going to be more. A lot of this is going to come out probably in the next month. Some of the polls that I've been reading are that the taxpayers are for legalized gambling, and that's changed. That has not been the case. Now we're getting like a 65% margin the taxpayers are for. And I would tell you, living in California, what I saw during COVID is I know that and it's very sad. A lot of these people, a lot of people who were homeless during COVID were developed these shanty kind of shelters where they were living under bridges and in good neighborhoods, and the police weren't really moving them. One, for fear of COVID one. I think there was a time of people were more understanding because a lot of people were going through a lot of different things. And a lot of this measure in California, like I say, 85% of the revenue the state will claim will go towards homelessness and mental health issues. So I think that's a that's that's a worthy cause. I think we'd like to see that money go there.

**Speaker1:** [00:10:00] And what about the other two big states after New York? California comes to Texas and Florida. Where's Texas and Florida on this curve.

**Speaker2:** [00:10:07] Still working on it. Not a big push right now. But I think, again, as you fill in the blanks and you get the surrounding states legalizing, they're going to be motivated because they don't want to see the revenue going out the door. Right.

**Speaker1:** [00:10:18] And so tell us more about the companies in your ETF. Who are you actually working with in this space from an investment point of view?

**Speaker2:** [00:10:25] Well, I think there's some really interesting companies. One I mentioned earlier is Disney. So Disney, if you can believe this, right. Disney, who owns ESPN? Espn has not been the greatest investment for Disney over the years. It's been kind of a loser, to be honest. And it's hurt the Disney stock. Disney, who has this wholesome kind of feel for it, announced about four or five months ago that they are entering the gambling space. And it makes perfect

sense because ESPN is a content generator media supplier of information. They have a couple of shows on there right now. They have something called The Daily Wager. So they're gearing up more towards it. They don't have a platform yet. More than likely, what they'll do initially is they'll probably partner with some of these platforms that already exist to allow it during their sports betting. Eventually, what I think is going to happen, and this might be five years down the road, but I see an interactive type of system. There's a company like Fubotv, they were in the ETF initially when we launched, but they've since removed them. The FUBOTV is essentially it started as a football soccer kind of programming thing. Now it became like a full blown wi fi kind of application or on off the cut, the cable kind of programming. And they have all network TV, they have 150, 250 stations. They focus a lot on sports. They announced about a year and a half ago that they were going to start a program where they were going to allow interactive betting through the TV and through the platform. So that's kind of interesting. And that's kind of where the future of this is going. If you can imagine sitting on your couch watching a game, betting on if this guy is going to make the field goal or not. So is that the main driving trend behind the sports betting space is that it's just going to go through all the channels. It's going to be very easily accessible. Anybody can do it, that type of thing.

I think absolutely it's media. It's going to drive media. And I'll give you one specific example. And what's happening is the media stations are trying to create content for this. So the number one driver for sports betting is NFL football and college football. You know, soccer in Europe. Yes. But here, NFL football, college football. And those are the main weeks like Super Bowl is huge weeks. March Madness will get as much betting as the Super Bowl, but that's over two or three weeks, not exactly what the Super Bowl do in one day. So when you see all these companies, you see Fox. Fox has Fox bet. Now, Fox also did a really interesting thing. They actually revitalized an old league, the USFL, just to bring it back for gambling. And you're going to see this. So Fox Bet wants to have more gambling and the person who bets on football, even though when it starts, no one's going to know who any of those players are because because they're all you know, none of them have been in any of these leagues. You're going to have guys that like in the old days when they had that, what was the XFL league? They had that guy, he hate me who had that jersey on that was like the only guy that anybody knew. But people are still going to bet on it because it's interesting. They'll it'll get them a little juice. It'll get them excited about watching a game that's meaningless. And so Fox really has brought back this eight team, USFL league, which died back in the eighties when we had famous.

Trump was one of the owners and a lot of other owners, and they fought a big battle against the NFL, but lost on an antitrust battle. And then the league went away. So we'll see. I mean, that's the trend. And what I would say is a bigger company to watch for is Amazon. It's kind of hard to see this. But again, Amazon is making a huge pitch right now that for more NFL programming, they started with the Thursday night game. Now, AT&T that I want I want to talk about this stock. This has been one of the worst stocks in the history of stocks over the years. But AT&T has had bought DirecTV again. It was a loser for them. I was one of the original DirecTV subscribers because you could get the NFL Sunday ticket. What's happening is that package is still up for grabs. It hasn't been decided, but two of the big players for the NFL's Sunday ticket are Amazon and Apple. And when that happens, you can be sure. I would be sure that Amazon and Apple would integrate some type of vetting, whether it's through another provider or their own or they set it up themselves. It just makes sense. And AT&T like, as always, has missed the cut. They have one more year of the Sunday ticket, but it's going somewhere else after. That's pretty much what's being reported.

**Speaker1:** [00:14:32] Well, it sounds like in general sports is going to be dominated by the gambling decision for business and revenue and other things. Is that true? You think it's really going to overshadow just the core sport itself?

**Speaker2:** [00:14:45] Oh, I don't think it overshadows it. I mean, if that's what I'm speaking to, I don't think it does. I think it what it does is for any fan watching that was golfing this week with my kids last weekend and I met like a 70 she was the lady who was checking us in was like 78 years old, very cute little lady, had a New England accent and she was talking to me about how Tom Brady was coming back and she was all excited about that. Yeah, of course. And she's like, Oh, she saw my hat. I had a hat that had bedding on it. And she said something about it and she goes, Oh, I love it. I'm always on. There she goes, I'm a gambling degenerate. But what she really meant as we talked more, is she likes the energy it gives her to watch the game and it makes it a little more fun for most viewers. I think it just gives them something a little bit more to do or talk about and be interested in the game. You know, the viewer that's on a game is going to have way more retention than a viewer. That's not. So it gives people a way to participate in the game as opposed to just watch it. That's always been the watchword for how do you get the viewer more engaged in video games? And those

type of tools had that built in, and it seems like physical sports did not. So maybe the gambling is how they do that now.

The gambling is, but it really is started. If you go back to the history, like when I started my fantasy sports company in the early nineties, that was the original. I mean, fantasy sports was the way to get you in the game. These are my guys. This is my team. I have that guy now. I'm interested in this team and this team and this team, and that's what fantasy sports really did. And the greatest thing for these sports was fantasy sports, because it got this user really involved and they know stats and they like watching and they're more I'm so happy that baseball didn't do what it always does, which is screw itself up. And they actually came to an agreement on the collective bargaining agreement because baseball traditionally shoots itself in the foot. They just do all the time, you know, but I'm glad they got that done in baseball is is going to go forward this year, which is exciting to me as a huge baseball fan. So I think it just makes it more interesting for the user. And I think fantasy sports started it and I think that gambling was a step away from fantasy sports. There was when I ran that there was always this disclaimer where gambling was more about the unknown, but there are fantasy sports got away with being legalized because there was that little wording in there that it was skill, not just luck. And that was really the difference that made it legal.

**Speaker1:** [00:16:58] Great. So as you watch the sports betting space unfold here in the US, what's one thing that you didn't expect to happen but actually did happen?

**Speaker2:** [00:17:07] Well, when we launched the ETF, I didn't expect another wave of Corona, which we had Omicron. We launched in November and we got hit with Omicron. And then we you know, I just think it's the market in general, but it's moving really fast. These stocks, a lot of these stocks are at 70% of where they were, you know, a year ago. And that's because a lot of them moved up really high. Then it became a space where a lot of the shorters got involved and they started shorting these stocks because they had moved too fast. Draftkings, the CEO of DraftKings, just came out and said, Hey, keep selling my stock. You're going to regret it, because we're still I would say this is inning zero of the space. You know, the best investments if you're a long term investor in the space, you know, you're looking at a 3 to 5 year timeline or a time horizon. You're going to be fine just like the rest of the market. If you're an investor, if you're a day trader, that's a different story. But if you're investing for the long term, this is inning zero. You're going to see a lot of growth in this space as every state becomes legal, probably except

for Utah. And, you know, with the Mormons there, you're not going to get legalization more than likely.

**Speaker1:** [00:18:07] Right. What's the most important lesson you've learned about in this sports betting space?

**Speaker2:** [00:18:12] I think research everything I learned about. Sometimes there's systematic market things that you can't control. You know, you try to do as much research as you can, but just how fast they're growing, how interesting the space is, how much I didn't know when we started the process over two years ago, and how much I've had to learn through the process. I think it's a very complicated space.

**Speaker1:** [00:18:34] Right. What's the common myth about sports betting that you have to dispel?

**Speaker2:** [00:18:40] A common myth about sports betting. I would think that you can't win. I think there's guys that have systems that can win. I think this was a difficult year. I think you can win if you're smart. I would think the one thing that people do when they bet and I, you know, gambling, I, I've been on football for 30 years. I enjoy it, but I use money management. I don't chase my money. I think that people who get in trouble are chasers. They don't have it's sort of like investing like dollar cost average in because that's a smart way to invest. You know, you start with a same amount of money and I think this is the same kind of concept in betting. If you're going to bet. Wager the same wager. Just because you're down on Sunday night, that doesn't mean you should wager three times what you lost that weekend, because that's really not how you play, because generally you will win some of your games. Just don't be chasing. That's when the gambler gets in trouble.

**Speaker1:** [00:19:25] All right. Well, the US seems to be late to the sports betting game. Europe in particular, the U.K., they've been doing it for many years. Are there any lessons to be learned from those other countries and how they set it up and how they run it?

**Speaker2:** [00:19:37] You know, I just think that it's classic Europe being ahead of the curve on this with their freedoms. And I think one of the things I think that has to happen in the US is I

think it has to be. I think that they have to get around this state thing. I think New York is not going to necessarily end up helping these companies at 51% tax rate. I think that's ridiculous. I think that needs to be more. Maybe we should have a standardized kind of tax rate for this. Maybe. Sure, you have to pay us in tax like we do for things like cigarettes and those things. But it should be more reasonable probably in the 20% space. And I think you should see that also in cannabis, because I think that it hurts a lot of those companies, you know, where they can't even set up bank accounts in some of those areas because they're not allowed to based on banks being and on legalized states where they have their state of domain. And I think that hurts a lot of the entrepreneurs in that space for sure.

**Speaker1:** [00:20:25] Great. But what I my information source do you find most helpful in the sports betting space?

**Speaker2:** [00:20:31] Honestly, what I do for what I think, if you're interested in stocks and you have stocks and you want to really know, I would just say set up a Google News account because that's what pretty much we start with and we scan Google News, we set up ticker, we set up accounts for all of the companies that are in the space. There are right now publicly traded somewhere between 60 and 80 companies. Or at one stage there was a new company going live in the space about every month. We're slowed down right now like we're seeing a little bit of a slowdown in IPOs because the market's not a great time to really launch an IPO. But there are a lot of companies. So I follow all the companies in the space and I get I'll get new Google News reports every day and I scan them to see what are the hottest stories. And I think that's the best way if you're really interested in investing, doing research. I think Google News is a great way to get the first hand and then you can dig a little deeper. One of the things that we have the advantage of is I can talk directly to a lot of these companies to know what the trends are in the space. And they'll they'll answer my calls because they want to be in the ETF. They want exposure.

**Speaker1:** [00:21:26] Right. Well, if you can start a business tomorrow in the sports betting space, what would that business be?

**Speaker2:** [00:21:31] You know what I would have done? I would have started DraftKings because I had a fantasy sports business like that. And my sons are like, why didn't you keep

that? But I didn't. I had run it for 17 years and I was just kind of tired of it. But the way that they did it, they came up with a great strategy to keep people playing all the time, which was that they have these instant leagues. So you could play in the morning and then you could play in the afternoon games and you could play on Monday. You could play on Tuesday where the traditional sense of fantasy sports was. You would set your one lineup for the week and you'd have your one game, but they kept them involved and they have so many different contests and some of them are \$2, some are free, some are \$5. And I think their product was really innovative. I know people say it's just, you know, it's just one of these things. It's not it was an innovative product in fantasy sports. And then they were really quick to realize the online gambling space and got licensed there to and because they know the client tells the same clientele. So I probably would've kept that business, my fantasy sports business.

**Speaker1:** [00:22:23] Well, that's great. Well, the last few minutes that we have here, what else should we cover that we haven't?

**Speaker2:** [00:22:27] I think this is an investing type show. And I would say that one of the things and you asked me a question and I thought, we're going to talk about myths about just investing in general. And one of the myths, I'd say is that an advisor like myself knows way more than an average investor, and I don't think that's true anymore. I think you're seeing nowadays you're seeing the average investor who research a lot of these people that were involved in the meme stocks, you know, the Reddit traders, I think they were very well versed and they understood the market really well. And I think it's by doing their own research, you know, looking and seeing things like relative strength index to see where a stock might bounce off a low, maybe an oversold territory, maybe where to sell on overbought territory. And I think today's investor now, which is making up like 30% of the market, the retail investor, as we call them it compared to like an institutional investor, I think that they're more knowledgeable than they've ever been before. And I think that's going to continue. And I think you see a lot of people now who will invest for themselves and learn about what's going on. And I think they can if they want to start small. Sure, indexing is really a great way to do it. And the ETF space is a good way to get a good way to get a look at what's going on. Like my ETF, the IBD ETF. It's a good way to see what's going on in the space.

**Speaker1:** [00:23:36] That's great. So how best for listeners to get back in touch with you?

**Speaker2:** [00:23:39] Well, you can reach me at Jeffrey Shamus at Inherent Wealth Fund dot com or you can look up. I bet. I bet. Etf the sports betting and Gaming ETF.

**Speaker1:** [00:23:51] Great. We'll include those in the show notes. Want to thank you for joining us today and hope to have you back for a follow up soon.

**Speaker2:** [00:23:57] Hey, thanks a lot.

**Speaker1:** [00:23:59] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect Talk Team. Martin is the director of Investor Connect, which is a 501 and three nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by hall 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.