Transcript Christian Kameir

Hall T. Martin: Hello, this is Hall Marcher with Investor Connect. Today I'm here with Christian Kamir, managing partner at the Venture Fund, Susy Capital. Susy is headquartered in Newport Beach, California and invest in FinTech Web three and blockchain-based solutions. Christian, thank you for joining us.

Christian Kameir: Thanks for

Hall T. Martin: having us.

So let's take off and tell us more about your background, where you came from.

Christian Kameir: Yeah, so I started programming in the early eighties. Uh, my first computer was a used COMMODOR of 64 with a tape deck for data storage. I later interned at Siemens. Learned to code E R P systems and other database solutions, and went to school to get a degree in linguistics.

Studied some natural language programming, but then went to law school. And while I was working on my doctoral thesis, I joined a startup as the in-house counselor. We were trying to build unified messaging system on the EEO backbone. Back then in the very early nineties, well, the head of its time, back then its time, but Leader became an executive and legal council for one of the first private internet service providers in Germany, which we sold at the height of the.com, at uh, 270 [00:41:00] million Euros at the time.

to what's now the largest internet service provider in Europe. And so I retired from the law in 2000 and, uh, moved to Southern California, joined Technology Venture Fund in San Diego. I did this for four years before I felt the urge to run my own startup. Did that for five years before we sold that in 2009.

Moved into engine investing after that, discovered the web three and blockchain space. And then with that, I ran into my new now partner, Carl, who's listening in, because he created some of the blockchain meets here in Orange County in 2016. And so we discovered pretty quickly we have the same philosophy, outlook, and approach to technology and technology investing, which in our case, We are applying the scientific methods as much as possible to that topic.

So yeah. And a few years later, we formed the first fund on the topic in 2018, and at the moment we're raising our second fund.

Hall T. Martin: Great. Well, tell us more about your fund. It's in the area of Web three space and, uh, what's all about?

Christian Kameir: Yeah, so I mean we are using the term web three somewhat reluctantly. It's a term that's been around for a very long time.

It, it first came about in 2004 and first peaked in 2008. You can find them when you go on Google Trends. So, and it's a little bit misleading because it's kind of suggested linear development, but we really see this as a paradigm shift. What I mean by that, if you look at the big picture here, we developed database solutions only in the early sixties, and we spent kind of 40 years transitioning global economic activity to these digital solutions.

And then we spend another 20 years, uh, developing network technologies. So connecting these databases and in essence, what we are doing right now. What people call web three is kind of mitigating against the damages from that. What I mean by that specifically, so the, the legacy data protocols lent themselves to the transfer of data.

[00:43:00] Uh, the web three protocols lend themselves to the transfer of value. Where right now you still have to have middle man with a typical example would be a bank. Sending a message to a bank. They're not really payment systems, they're messaging systems. And then the bank will adjust your ledger and then consequently the ledger of a person that you're sending funds to.

So you're always subservient to someone maintaining these data silos. And that's just one example, but there's. unlimited examples. Essentially, every time you have a database that's controlled by someone else, you will see that aside from data capture, there's some value capture there, which is a lot of friction.

We can. DVDs out.

Hall T. Martin: Great. Well, as you look at the web three space, what do you see as the main opportunity?

Christian Kameir: Yeah, I mean the, the obvious ones are two. One is disruptive finance. Those are the legacy financial system in 2021, created about 22 and a half trillion in revenues, and that's in the context of only 96.5 trillion in global gdp.

So, NEP Chem Math would tell you that financial services take about 23% out of the real economy. The metaphor usually use for that. It's kind of the equivalent of us putting a stamp on every email that we are sending. So everything that you're buying is inflated by, um, these intermediaries by at least 7%, typically, actually more.

and the second bucket, it's, that's the bucket we would label with web three. Web three primitives is really when you look at the internet landscape today, you got, you're basically moving from one platform to another. You're not really ever on the worldwide web. You're either on Google's platform, you're on Facebook's platform, you're on LinkedIn's platform, so it's one step away from AOL's Fault Garden back in the nineties, right when you were on E O L, you were not on the worldwide web, and I would argue if you're on Google and you're not on the worldwide web, right, you are non-player character in a game called Google.

And so that opportunity, we estimate is probably 13 trillion to take these intermediaries out of the system and take the friction out of the. So Google, for example, in that my typical punching back here is not really a search engine. If you look at the dna, it really doesn't index the worldwide web. what it really is, it's, it's an organization that sells social engineering as a service to the highest bidder, is not interested in giving you necessary The best result because its main mandate is to increase shareholder value.

but if you wanna simplify this massively, so we need. Fix all these bottlenecks. So that's access to internet. We need to decentralize that. It's bandwidth, its addresses. Most importantly, right now, you are relying on very few middleman that can disenfranchise you in that context. And so you have what we actually feared.[00:46:00]

for a very long time. We basically have a splinter net, right? So where, uh, your internet, depending on where you are, might be very different from what I see. So that's not the real worldwide web. So there's. Unlimited opportunities for people who understand this paradigm shift. And if you want to simplify this further, you could say that we are moving from what is kind of this push paradigm where a web two company is pushing content in front of you to a pole paradigm where you can pull in the content that you actually answer said you want.

We have lots of examples, obviously now, but there's lots of work to be done.

Hall T. Martin: Great. And so what is the challenges starting a web three business in today's market?

Christian Kameir: Well, Investing is all about timing and investing. Your time is also all about timing. And so in the context of technology specifically, you have to understand how these technologies come together.

The obvious example would be before YouTube came around, there were probably a hundred startups that we looked at at the time that were tried to, [00:47:00] uh, do file sharing, video, file sharing on the internet, but there wasn't enough broadband adoption, so they didn't go anywhere. So once there was enough broadband adapt.

YouTube took off. So if you're building a startup in the space or if an investing into a startup in the space, you need to understand how these building blocks are coming together. what are the forcing functions to adoption? So on one end, you can, uh, look at this from the adoption of the developers themselves.

So we have an investment in companies where we see that developers find these useful and they're adopting these tools. One example would be the graph, which is a blockchain indexer, and there be decentralized applications are using that and or were there certain government forces? So my go-to example here is if you have an iPhone and you pull that up and you, uh, look at the default wallet that is installed on your iPhone, you will see that there's three states already that.

Let you import your digital driver's license. This [00:48:00] is a cryptographic primitive. So the point here being is once you have these government led solutions that set a certain standard, this particular ISO standard, it's non-optional for a startup to be able to integrate with that. They cannot avoid that if all of a sudden we don't use plastic carts anymore, but you're using a cryptographic parameter that you have to handle in a particular way.

So we look a lot for these forcing functions. Once you understand those, it's much easier to make decisions, not only or to invest them, but also what you should be developing.

Hall T. Martin: And so what's the potential reward in starting a web three company? Where do you think will

Christian Kameir: come of it? , it's unlimited. So I really look at this from the perspective we're building the worldwide web for the first time.

Really, I, I think we are pre-web one point or what, what I mean by that, you're never on the worldwide web right now, and a lot of teams jump to very complicated solutions where it's really about on and offboarding. Database solutions of the past. My go [00:49:00] to example here is always the same. Whenever I get a piece of paper, for example, or see a piece of paper that's used to facilitate real world economic activity, I'm thinking about, okay, shouldn't this be a cryptographic pmi?

Primitive, like A N N F T? When I go to my dry cleaner, I get a piece of paper, I get this receipt, and I think, okay, that should really be an N F T and would have all these programmable advantages at that point in time. . And so once you start looking around, with this particular knowledge, with this particular length lens, you will see these opportunities everywhere.

And they're specifically like, Examples in the supply chain, uh, almost half of the supply chain data today is incorrect. And that's, that has to do with a missing layer of data integrity, data control. Data security, because comes back to what I said earlier. Right now we are moving data from one data silo to another.

So the manufacturer has a database and it'll send maybe a PDF attached to an email that, accommodates whatever wears [00:50:00] are being transferred in meat. And at some point in time something goes wrong with that. Someone puts in the wrong value and someone doesn't move a pallet or something else. and we can fix that.

Today, we have been looking at these solutions for some time. they're slow to come and most of the time it's actually not a technology problem. Most of the time it's an incumbent problem because there's value, obviously for incumbents to maintain these data silos. I mean, the obvious in the United States would easily be accessible to anybody's, like the multiple listing systems.

This doesn't really have to. , but there's entities that make profits for maintaining those. And there's many, many other spaces where that's exactly the same. So you can look at this in a bifurcated way, and we do to where either, uh, you're trying to fight it an incumbent, so you better be prepared to raise a lot of money and fight it top down, or you go into a place where there's no infrastructure.

So what [00:51:00] we observe is something like, if I don't have a land, And I have a country in Africa that's establishing a digital land registry for the first time. That should not be a DW solution. That should be a solution using mapped cryptographic perimeters and the principles of non fungible tokens for data integrity, self-sovereign, and otherwise security.

So, in short, unfortunately, because as you know, reality doesn't have an appetizing budget, everything that you read about the space, Crypto is usually some motivated reasoning, leads a lot of people to believe. It has to do with cryptocurrencies, it has to do with cryptography, which at the course about data security and integrity.

Hall T. Martin: Yeah, so what's the outlook for the market? How soon we see the benefits of these solutions?

Christian Kameir: Yeah, it's one of those first gradually then sudden. So what I mean by that is, so we got a number of different forcing functions in our space. I mentioned earlier, these cryptographic [00:52:00] primitive sets us states are already issuing right now.

Or you have other forcing functions like some countries rolling out their own central bank digital currencies and they will. Reap these efficiencies right away. As I mentioned, the friction from the legacy systems, from the legacy financial system in particular is tremendous to an economy. So once you remove that in one economy, then the adjacent economies have a U disa disadvantage and need to follow.

And the other part, Is just simply that, uh, the efficiencies across networks lead to network effects to where we already see that some of our portfolio companies are aggregating the legacy providers to them implement more efficient solutions for their own back offices. You can think of something. Like supply chain financing, which is really, really difficult and long process right now.

And one of the companies that been monitoring for a long time can reduce this process by 90%. And so there's [00:53:00] examples of examples once you understand the primitive of what we are actually solving for. And as I said in in very simple terms, you can think of this with solving for the database problem.

So

Hall T. Martin: what's the differences between you and your competitors in this space?

Christian Kameir: I probably would point to five things. So we intentionally spend almost six years of thesis creation. So understanding timing, as I mentioned, being too early was the same as being wrong. And oftentimes when you hear we see talk about thesis, they really mean a theme for us. It's not a theme, it's a really academic exercise, scientific exercise.

we assume that our thesis initially will be wrong. We are looking to invalidate this. So we ran these thesis by probably more than 2000 people. Over the past five years and refined it on a daily basis, and we still do. And then secondly, we spent the last seven years developing a network. The space, our space is driven by the open source [00:54:00] community, which works a little different than your typical startup community, as in there's a lot of collaboration across, across countries.

There's. Particular locations where, communities aggregate around certain topics. You gotta be able to read a GitHub library and who is driving development, for example. And then thirdly, uh, we spend five years building an investment pipeline. we don't invest in dots, we invest in lines, and we raise money because we know what we're gonna allocate these funds.

We don't raise money for the sake of raising money. Both. we build probably the most sophisticated due diligence framework. So the, the quality of answers depends entirely on the quality of questions you can formulate. So the consistent feedback that we get from startups that we interview is that the depths of the discussion is far greater than they ever had with any other kid, and often even other develop.

And then last theme number five, we actually [00:55:00] validated our thesis. So we put our money where matters and invested in 10 startups and got a 10 x multiple out of that. So actually it validated this thesis, not just build it. Great. And so what

Hall T. Martin: advice would you give to someone entering the web three space?

Christian Kameir: Yeah, so it's interesting because the space as we describe it, exists at this intersection of very different disciplines, right? It's, it's largely driven by engineers, but then from a disciplinary perspective, we're trying to code legal and economic concepts. . And so the first thing you want to do is to learn the specific language of the discipline.

Every discipline has its own language, has its own taxonomy, and that's where a lot of these teams today fall short. One of our standard questions is always, what is the function of a blockchain? If you can't understand the function, it's very difficult for you to deploy that correctly if you don't define things, and we see this.

That developers will create a [00:56:00] metaphor. My typical one would be a digital identity. What's a digital identity? That's a metaphor. You cannot code on metaphors cause computer software is deterministic, so it can only actually integrate with real world reality. So you need to be able to understand legal concepts.

You need to be able to understand economic concept. you cannot just leave this to a computer. So that it's a very big hurdle and unfortunately what we've seen over and over again is where these teams seek legal advice. The legal advisors don't understand the technology well enough, and what happens is a legal advisor will explain the letter of the law rather than the objective of the law that a quota needs to be able to implement in this technology to be an example would be K by C.

Well, uh, you need K YC to prevent. Money laundering. In the case where you are a financial service provider, what makes you a financial service providers if you, at any given point in time, [00:57:00] are custodian of these funds if you have control over these funds. So we are using voice of IP right now, as you mentioned earlier, and, uh, the service that we're using didn't get a telecommunication license.

So the point of that is if you deploy the technologies as intended, you shouldn't have any regulatory exposure because you're just the technology in the middle, but you don't know what's being transferred. Ideally, could be voice, it could be text, it could be currency, but uh, if you implement this correctly, then this should never be a problem.

Hall T. Martin: Great. Well, as you scored the Web three World, what's one thing you found that you didn't? ,

Christian Kameir: well, the, the amount of teaching required in our space is tremendous, so I just kind of spoke a little bit off of that, but there is not enough education. Right now around these concepts. So we are actively driving with different universities towards education in that space.

So we're working with Harvard and other universities to build formal, [00:58:00] what we call legal engineering curricula. We developed our own GitHub library that developers can copy over it to get just the most. Fundamental terms correctly for their white papers, for their design papers. So they don't either have nothing which we see a lot, or that they have something that's actually legally not correct.

Right. So if I cannot distinguish between authentication versus verification, whether it's certification, then it's gonna be very difficult for me to create an application that actually facilitates that particular legal. So to that extent, um, we participate in a lot of different working groups. I share the banking and Finance Special Interest School, but the Decentralized Identity Foundation, I'm a board member at the O T A, we set the data exchange standards for the travel space.

90% of the hotels and world are using med standards, it's very important to understand the existing network topology, because [00:59:00] often you have to be what we call backwards compatible with that as. Unless you understand the ultimate output, which could be something obscure like an artifact, which is a format used by telexes, and you don't know that these formats exist, well, no one in that space can actually adopt your solution.

And so that's what we teach on a daily basis, or we ask for on a daily basis, and oftentimes there's blank stare and we'll, we'll put the company in our database and tell them, okay, come back when you learn the topology and, uh, figure out that particular integration, that particular problem.

Hall T. Martin: Great. Well, what online information source do you find most helpful in your work?

Christian Kameir: Yeah, unfortunately, my favorite sayings as reality doesn't have an advertising budget, so, Most of the things you find online, some form of motivated reasoning. So really we get most of our information from the primary developers who we [01:00:00] interview teams daily. We look at the actual output rather than kind of secondhand knowledge.

We have our own data science team that aggregates data. We run our own notes. We are really part of the ecosystem. . and my discussions are typically very diverse. I run a couple of podcasts, uh, with diverse views from technologists policy and legal experts. We're doing a large interview series right now with foremost economists around the world.

We find this much more useful than kind of following the news, but actually talk to people who have influence in the space of building things in the space and to actually direct what is being built rather than report on what they think is being built, which almost always really is, is false in many different ways.

If you just. analyze these articles just using logical reasoning, logical thinking. You will see there's a lot of cognitive [01:01:00] dissonance, um, specifically in kind of this legacy VC world, cuz as I mentioned earlier, um, it's not very

helpful to look at this topic from a linear development perspective where one web, two web three.

Cause most of these web three solutions are really disrupting web two. So if I have a portfolio of web two companies, I'm not gonna disrupt those. If I build decentralized Uber, but I have, in my portfolio, Uber has a company or something similar to that, I'm gonna very, very reluctant to invest in a project or company that's gonna disrupt that particular model.

and if you pay attention, you, you see that quite a bit today. And again, comes back to, being too early is the same as being wrong There was a lot of money allocated to things that we thought was way too early in the past 18 months specifically. And I think over the past six months we have been kind of proven right, or seen, seen the outcome of that.[01:02:00]

Hall T. Martin: Great. Well, you see a lot of new technologies and a new business models in the Web three world. If you could start a business tomorrow in the Web three space, what would that business. .

Christian Kameir: Yeah, I mean you, it's bifurcated. It depends on what is the capital that you're starting with. If you bootstrap a company, you want to probably, uh, focus on something very simple, a very simple problem, like the early example, solve the dry cleaning paper business, right?

Greatest, very simple dap centralized application that solves for that piece of paper. Offer the that dap for free and then create value on top. if you wanna tackle incumbents, let's say you're in the United States or in other developed nations, then you probably have to be prepared to raise a lot of money first and start top-down development often.

Maybe get licenses if you want to be in the money transmitter business or otherwise hold. Funds for others. So it is really bifurcated whether or [01:03:00] not you're solving a purely technical problem. That's where we defined, or if you're solving a large, commercial problem where there's a bunch of incumbents there that you have to content with.

But if I was gonna do that, I would probably. The boots stamp startup and pick a very simple problem development on the side. Keep my job and provide something that people just find inherently useful. And, oftentimes you'll hear that. People will say, they, they kind of created this new standard. You don't create standards.

Standards emerge. by actual developers often adapting something, they just find it useful, right? So that would be a starting point. And then oftentimes you'll, you'll go to GI up and you'll see, oh, there's many people that find this useful, that copied this over. And so there's utility for that particular application.

So that would be my starting point. I would look through those and see this is a. Well received [01:04:00] topic. It solves a real problem. That's the other part that I would pay attention to. I think right now where we are in the space is oftentimes, Kind of described it, this multi massive online player, gameboard doesn't integrate with real world economic activities.

And so that's what we actually look for. So we made an investment in an FT related company, but they use the principle for things like ticketing. don't focus on selling digital collectibles, they actually solve a real world economic problem, with pop-up events. So that makes sense. Right? So, and specifically in, times of recession where people don't go for the things that are extrovert, where people go for things that are necessary unsafe, man, these are the technologies that you wanna build.

Great. Well, in the last few

Hall T. Martin: minutes that we have, what else should we cover

Christian Kameir: that we haven. Oh, there's so much as, you know, I, I typically talk about all of these topics that we touched on for [01:05:00] 1, 2, 3 hours. I think the most important, thing to realize are, are two fault. One, we're really building the worldwide web for the first time, so there's unlimited opportunities.

, don't focus on marketing language and motivated reasoning. So don't look through things like web three. Ask yourself. What are the actual button exporters? What's being solved for, and I'll give you one particular example to make this not obscure. So in the past there was a marketing agency that specifically developed the front term FinTech, and then they labeled certain companies see the usual suspects like the PayPals of the world, the benefits of the world with this particular label.

The problem with that is that these solutions are really window addressing solutions to the legacy financial. So ultimately you're still integrating with some commercial bank. Point of that being is what people call things like decentralized finance today, that's really FinTech 1.0, or if you will, [01:06:00] you can call it FinTech 3.0.

So you wanna understand these principles rather than going for the marketing terms. You wanna learn the taxonomy of the space. You wanna learn to ask the right questions. And you can only do that if you talk to the actual people that developed the technologies on the ground and build your own thesis, right?

You, you don't wanna. Be indoctrinated in someone's ideology. I listened to both kind of what people will call like the Bitcoin Maxs and, the Crypto Podcasts, and both of them necessarily have blind spots and you want to develop a diverse. Set of people that he can go to. That's what we've done for a long time.

So we have think tanks around all these different topics because there's only so much time in the day can OIT need, develop so much knowledge. So we have. Good fortune now that within oftentimes minutes I can just fact check [01:07:00] certain claims that are being made, , towards us in a pitch. And I have a sup, the most knowledgeable person, that space can give me factual based feedback within the hour so we don't have to spend days, talking about a topic that ultimately is not yet timely and that will never come.

I mean, really the last thing here is, we very rarely meet actual developers at this point in time that can explain the function of the, of a blockchain, and they confuse. Blockchain and blockchain technology. So what I mean by that is it's a little bit like confusing internet technology with the internet, meaning I can deploy internet technology to build an application like a voice of the IP application that we're using right now.

Obviously, that doesn't mean that we are building the internet. So the same thing is true using blockchain technology, which is a particular type of encryption. So that doesn't mean that you're building a blockchain [01:08:00] necessarily. You're using this particular type of encryption. Then there's really one singular function as far as I see it for blockchain, which is to change control.

Over a set of bites from one address, so from one controller to another. That's it. And the reason why I formulate this in these stark terms is what we see very, very often is that people think of blockchain based solutions as an alternative to database. It's entirely wrong. So what I mean by that is, You shouldn't store anything using a blockchain because at that moment in time, it's highly likely you can no longer comply with third and loss and regulation.

The typical example would be if I create an immutable record out of your first and last name out of your personal identifiable data. At this point in time, I cannot longer comply. With GDPR in Europe or C C P A here in California,

which requires you to quote unquote, forget this data, you're now having a muteable record in your system.

And [01:09:00] that's just one of the many, many examples comes back to you need to understand the principles of the space. You need to understand the functions. You need to understand. That when developers talk about these topics, they're using flowery language and metaphors. Blockchains aren't protocols.

Blockchains are applications. And the reason why they are is because, they're standing in the context of protocols. So actual networks, protocols, they make use of network protocols and the metaphor are usually offered for that is, It's a difference if I tell you that I saw Jaguar in the parking lot down here versus I saw a jaguar at the zoo because one invokes the image of an animal, the other one of a car.

So that's why it's important to understand when you develop network technologies, what are the functions of the network technologies? So do you don't use it in any other way, that later one gets you in trouble. And so this is all part of our very, very advance. Due diligence process that we apply on a daily basis [01:10:00] here, and then we have the advantage of giving this feedback to teams, so later come back to us and say, thank you that you pointed this out to it.

We revised that and that's what we started to see probably two years ago. These teams come back, revise their outline, revised the topology, and we get the benefit from that because we pointed to these inefficiencies rather than just saying, yeah, we're not interested in investing that. Great. Well, this has been

Hall T. Martin: a fabulous interview.

How be listeners to get back in touch with you?

Christian Kameir: Yeah, so I'm just Chris at dot co. just.co not.com. I publish very frequently on heck noon, long, long nerdy things. Uh, also published on Forbes. We're also working on a book on streaming money. Also have our own GI up library, so we help developers. We all, so have our own skunkworks division here at the U C I Research park where we develop technologies.

So we are really part of the ecosystem. , right now. If you are an lp, get in touch with us. We are allowing still a limited number of LPs into the next [01:11:00] fund. We're somewhat selective about that. very particular, and you have that

interest. You, we, we don't pitch, we explain things to you. And even if that's your only goal, sent me an email and explain how we see the space.

And hopefully you learn something from.

Hall T. Martin: Great. We'll include those contact details of the show notes. Wanna thank you for joining us today and hope to have you back for a follow up

Christian Kameir: soon. That'd be great.