

diffuse *tap*
Virtual Event Series

Seed to IPO with a Crypto Tech VC

GUEST SPEAKER



Henry Love
Managing Partner
Head of US
Fundamental Labs

HOSTS



Kenny Estes
CEO and Founder
Diffuse



Ayla Kremb
Chief of Staff
Diffuse



DiffuseTap: Seed to IPO with a Crypto Tech VC

Last time on DiffuseTap, Henry Love, Managing Partner, Head of US at Fundamental Labs, talked to us about setting up a fund structure to invest in a range of companies from pre seed to IPO, DeFi, and NFT being compared to Ponzi schemes, and celebrities' dubious involvement in NFTs.

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Disclaimer: This transcript is not entirely representative of our conversation with Henry word-for-word. It is simply a recap of what was generally discussed during the session.

DiffuseTap

This networking session is part of our weekly virtual events series. Networking (you'll bump into at least a dozen high caliber fund managers) meets purposeful (you'll tap into brand-new sources of ideas) ... straight from your armchair like a boss.

Meet the Speaker



HENRY LOVE is Managing Partner at [Fundamental Labs](#), a \$500m+ fund that invests in companies in the crypto blockchain ecosystem, from seed stage to Series E. As president of [Executive Council Network](#), he works with top Fortune 500 executives, founders, and VCs, and oversees the ECN Fund, bringing executive expertise and insights into venture stage companies.

LinkedIn: [@henryelove](#)

About Diffuse®

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KENNY ESTES: So, with that out of the way, today's speaker is Henry love. Henry, do you want to unmute yourself and do a brief introduction to what you're up to?

HENRY LOVE: Hey, Kenny, how's it going. How's it going, everyone. I met a few of you guys in the breakout room just now. I'm excited to be here to contribute and participate in this knowledge sharing. I currently run the fund number five for Fundamental Labs, a \$50 million fund investing throughout all the way from pre seed to pre-IPO in crypto blockchain space.

The fund was launched in 2016, and we've deployed about 500 plus million. We're seed stage investors in [Binance](#), and we're also looking at a Binance U.S. round as well. We also invest in Coinbase. That's actually how I got to know the founders very well. We became friends in 2018, and I brought them [Coinbase](#). So that made them very happy.

We also have a sister company called [Atlas Mining](#) that was launched in 2018 in the bear market, when Bitcoin hit below \$5,000. The founders poured profits into mining equipment and built a really strong relationship with [MicroBT](#) and [Bitmain](#). And now we're one of the largest Bitcoin miners in the world, moving a lot of that to North America. We also have another sister company that holds our Bitcoin called [IDEG](#). If you look it up, it's the first company in Hong Kong that received a trust license to custody Bitcoin and crypto assets.

That's a little bit about myself. Most of the time, I'm digging deeper into research and investment things for Fundamental Labs. And because I'm also one of the highest-ranking executives in the U.S. I have been helping a lot with Atlas Mining as well.

AYLA KREMB: Beautiful. Thanks for that. With your breadth of understanding of what the market is doing at the moment, it would be awesome if you can start out with what has changed in the investment opportunities that you're seeing over the last year? We've all been eating popcorn as we watch things evolve, but I think you have a much deeper lens than we could ever have.

HENRY: As we talked about a little bit in our previous calls, a lot of companies have matured over the last few years. [Coinbase](#) recently did an IPO, and companies like [Falcon X](#) or [BlockFi](#) have reached multi-billion dollar valuations, and they are likely going to go public via SPAC or direct listing in the next few years. So we have to think about the pre IPO area now, which, four years ago was nothing like this.

Four years ago, we were just looking at protocols and tokens, and basically running a series of computer science experiments with economics involved and seeing how things are going to play out. Now, we're placing a lot of different bets. And luckily for us, we were part of a few organizations that have done really well, like [Chainlink](#), [Polkadot](#) and [Filecoin](#). Many of those folks at first seemed like total science fiction projects, and now it's come to light.

We continue to look for anything strategic that we can add to these projects and the latest rounds, and some of them have strategic grounds. Just like the [Solana](#) ecosystem, which raised 300 million plus from



its previous investors and led by Andreessen. There are a lot of interesting opportunities from the VC stage all the way up to strategic pre-IPO rounds today that we've never seen four years ago.

KENNY: That's a good point. Let's talk more about your fund strategy. You invest in pre seed to IPO, and that's a big range. You don't see that very often with a VC fund. How are you able to do that? What's the overall strategy, and how does it fit together in your head on the VC side?

HENRY: One of the reasons why we're able to do this is because of the financial backbone that we have. We have an interesting LP structure in our fund, where we're the largest LP in the funnel. So we don't have to follow the mandate very strictly, and we can invest at our own pace and be patient with the opportunities that we find.

We're not boxed in to say, "We have to invest in 100 pre seed companies with this number of checks." It makes my job harder, because it's easier to say, "We're going to invest in 100 or 200 companies, with \$250,000 each." That would have made my job a whole lot easier, if I just closed my eyes and looked for field companies.

But we're unique in that we can be patient, and we can ask hard questions. We can see how it strategically aligns with other projects we invested in, and other operations. Like the custody in Hong Kong, or our global mining operations.

AYLA: When you explore new companies that come onto your radar — especially now that you're seeking to get in on deals early that you think are about to scale — how do you spot a company that has the potential to end up in an IPO? I'm sure there's a dime-a-dozen companies, so how do you find the ones that are actually a gem in the making?

HENRY: That's the billion-dollar question. I trust a lot of close friends and people that they have made good decisions in the past. We have open discussions. I think having a community of VCs is really important. I stepped away from the investment role for about a year and a half, or two years, and now I'm rebuilding a lot of those connections, but people have been very welcoming.

We're having more in-depth discussions about things like, "why did you do this? What did you see in this company?" I'm doing a ton of research on the NFT side, so luckily, I have a few college buddies that have bought crypto farms and bought it for \$50,000 to \$60,000. Now they're worth \$300,000. I ask them a lot of questions about why they made that decision, and how they saw crypto becoming this huge phenomenon.

This morning, right before this call, I was looking at an NFT project of [Gary Vaynerchuk](#), as well as a few others like [Cool Cats](#), which did a collaboration with [Time Magazine](#). There are a lot of things that are just happening before our eyes. We have to be in the forefront, and we have to be in contact with people that are in the forefront. That's how I take advantage of my network and my connections. I try and see if there



are any trends or any patterns. So far, if anyone finds a pattern for these NFTs, from Cool Cats to Bored Apes, let me know. It's tough to find a pattern.

KENNY: Makes sense. We'll pick up a question from Grant. Because we're talking about NFTs, are you actively investing in it? You mentioned that your friends are, so are you in the metaverse as them? And if so, what projects are you excited about there?

HENRY: I do believe you have to put money in. It's just like anything that you want to do deeper research on. I bought myself a Cool Cat. It's a funny one. I'm just learning about meme culture. This whole world is brand new to me as well. I bought a Cool Cat which listed for, I think, 2.5 Ethereum, which was around \$7,000.

I bought it to try to be part of a meme. I bought it for 1.984 in reference to the 1984 book. Now, someone offered me 3.2 ETH for it. I have no idea why people are offering me more money. I paid for this cat, and it looks like a Hello Kitty. So I'm playing off of an existing IP of Hello Kitty. That was my investment thesis. I know it sounds crazy, but people are actually doing this. It is absolutely crazy, but you have to play into it. You have to learn.

KENNY: Gotcha. You said it was crazy, and you're not entirely sure what it is. So while we're on the subject of NFTs, is this a Ponzi scheme? Is that what we have going on here? Do you think that this is a long-term viable marketplace? What's your position on the overall market?

HENRY: I think a lot of things at the seed stage look like a Ponzi scheme. I think a lot of crypto stuff looks like Ponzi schemes. In fact, maybe all of this crypto stuff looks like Ponzi schemes. Having Bitcoin looked just like a Ponzi scheme in 2008, when everyone buys miners, and everyone buys them and holds on to them, and suddenly it has value. And nobody sells. But what would you say to that 10 to 15 years later, when all of a sudden, it's worth a ton of money?

The network effect is really strong. And, frankly, if I knew, I would have probably made billions off this. But obviously, I didn't know. So I have to pay attention now. That's just the pre seed stage stuff that we have to look into. In pre-IPO, we have some numbers to follow. But in the pre seed stage, you have to buy cats that look like Hello Kitty, and hopefully you don't lose money on it.

AYLA: That links us to another question. When the things that look like Hello Kitty make a ton of money, some might think it's a bit of a hype. The cycles that crypto and DeFi are going to go through are probably a bit longer than we had anticipated. Where do you think we are in the crypto cycle at the moment? Top, middle, or just taken off?



HENRY: That's something that I've been watching very closely. Right now, we're seeing collectibles like art, and there's also crypto gaming stuff that's popping up. People are actually playing these games. I'm playing a few games right now. There's one here, I'll plug it in the chat, and it's a really cool gaming studio. They're still in beta, but I think you can get access.

The crypto cycle traditionally has followed the Bitcoin halving, and Ethereum has been trying hard to get away from the Bitcoin schedule. We'll see how that is successful or not. They've delayed ETH 2.0 a few times now, but they have recent upgrades like EIP 1559, which burns a transaction fee. It could potentially significantly lower the inflation rate for Ethereum. I've also been watching tokens like Solana, which you can send from wallet to wallet within seconds. These are really interesting because they're so different from Bitcoin.

And although the institutional investors and the market follows Bitcoin and the movements there, the progress of these other projects are not stopping because of Bitcoin going up and down, or China's ban of mining. None of those things affect the gamers, or Solana, or our NFT creators on Ethereum.

We're in a really interesting spot where there could be a point where Bitcoin goes down this path of becoming a safe haven from inflation. And then on the other hand, you have these internet smart contracts that do all sorts of things that involve economics. That will just take off on itself or decouple, per se. So, what if that happens? When that happens, we may see the crypto cycle play out very differently than we've had in the last 10 years, where it's a four-year cycle based on the Bitcoin halving.



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Dennis Chookaszian
Corporate Director, CME Group

DiffuseTap: Institutional Grade Governance

Sharing his decades-long expertise on corporate governance, Dennis discussed how to avoid a co-partnership going sour, the problem with overly idealistic CEOs, and the importance of keeping your board in check. [Read on](#)



Susan Brazer
CEO & Founder, LionShare Media

DiffuseTap: Media Metaverse 2022

Susan talked about the 2020 digital media landscape; the evolution of media distribution; how converging, emerging technology points to the metaverse; and the prospect of having an open, decentralized, and free Web 3.0 marketplace. [Read on](#)



Raj Mukherjee J.D.
VP/Global Head of Tax, Binance.US

DiffuseTap: Crypto Taxes Decoded with Binance.US

Raj explained the complexities of the US crypto tax landscape, how he built a dynamic tax information system for Coinbase and Binance from scratch, and how investors can profit from crypto without getting caught in a taxation mess. [Read on](#)

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